

By Julie Wernau

Coffee prices fell sharply on Friday, dropping to a three-week low, as the currencies of major coffee producing regions dropped against the dollar.

Arabica coffee for December delivery fell 4.6% to \$1.2635 a pound on the ICE Futures U.S. exchange, with the Colombian peso, the Brazilian real and the Vietnamese dong all falling against the dollar. The contract was on track for its biggest daily drop since May 21.

Brazil and Colombia are the largest producers of arabica coffee in the world, and Vietnam is the largest producer of robusta coffee, a more acerbic bean typically found in instant coffee. When currencies in those regions drop against the dollar, it encourages selling to take advantage of favorable exchange rates for producers.

"It's all about the currencies right now. We're in a currency crisis and that's beating down on commodities," said Shawn Hackett, president of Hackett Financial Advisors in Boynton Beach, Fla.

ED&F Man's Volcafe said in a note that selling in the futures markets comes in spite of slow activity in the physical market. In Vietnam, August shipments of coffee are down 40% year on year, the firm said.

In other markets, cocoa for December fell 1.3% to \$3,094 a ton, raw sugar for October fell 2% to 10.41 cents a pound, cotton for December fell 0.3% to 66.75 cents a pound and frozen concentrated orange juice futures fell 0.1% to \$1.2855 a pound.

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