

Coffee Falls to 2009-Low on South American Output; Cocoa Drops

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By Isis Almeida

Oct. 28 (Bloomberg) -- Arabica coffee fell to the lowest in more than four years in New York on ample supplies from top producer Brazil and Colombia, the second-biggest grower of the variety favored by Starbucks Corp. Cocoa retreated.

Weather conditions remain ideal for trees in Brazil, and production may reach 55 million to 60 million bags next year, Rio de Janeiro-based broker Flavour Coffee said in a report on Oct. 24. Output this year is estimated at 53.7 million bags by the U.S. Department of Agriculture. Farmers in Colombia will reap 10.6 million to 10.8 million bags, exceeding a target of 10 million bags, the Colombian Coffee Growers Federation said. Each bag weighs 60 kilograms (132 pounds).

"Flowering for the new season Brazilian crop bodes very well for next year's crop and Colombia's coffee crop is progressing extremely well," Kona Haque, a London-based analyst at Macquarie Group Ltd., said in a report e-mailed today. "The next target could well be \$1 a pound by the year-end."

Arabica coffee for delivery in December retreated 1.5 percent to \$1.0745 a pound by 8:18 a.m. on ICE Futures U.S. in New York. Prices touched \$1.07 a pound, the lowest for a most active contract since March 2009. A Bloomberg survey of 18 traders published on July 4 correctly forecast prices would fall to \$1.08 a pound before the end of the year.

In London, robusta coffee for delivery in January fell 0.9 percent to \$1,524 a metric ton on NYSE Liffe in London.

Futures traded in New York, down 25 percent this year, are heading for a third year of declines amid ample supplies. That would be the longest slump since 1993. Prices for the robusta variety, used in instant coffee and espresso, slid 22 percent in

2013 as traders anticipated a record crop in leading grower Vietnam. Output in the southeast Asian nation may be a record 29 million bags in 2013-14, Macquarie estimated.

Prices

"Amid plentiful supply, favorable weather conditions in the Brazilian growing areas, falling prices for the rival robusta coffee and the negative trend, prices of below \$1 are now believed possible," Carsten Fritsch, an analyst at Commerzbank AG in Frankfurt, said in a report e-mailed today.

Cocoa for December delivery fell 1.1 percent to \$2,683 a ton on ICE. Futures trading volumes were 36 percent higher than the average for the past 100 days for this time of day, data compiled by Bloomberg showed. Cocoa for March delivery slid 1.1 percent to 1,699 pounds (\$2,749) a ton on NYSE Liffe.

“Cocoa prices, 2013’s star performer, may be running out of steam after the recent lofty levels of \$2,750 a ton,”

Macquarie’s Haque said. “Still very much driven by speculative long positions, the market may need a continued influx of bullish news and data points to keep the momentum going.”

Raw sugar for delivery in March declined 0.6 percent to

18.92 cents a pound in New York. Refined, or white, sugar for December delivery fell 0.5 percent to \$500.90 a ton in London.

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