***MORNING SOFTS COMMENTS***

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**DJ May FAO Food Price Index Hits Highest Since October**

By David Hodari

LONDON--World food prices jumped in May, with increases in cereals and dairy products significantly outweighing falling sugar, meat, and vegetable oil prices, the Food and Agriculture Organization of the United Nations said Thursday.

The FAO's food-price index was up 1.2% from April and hit its highest since October 2017, the organization said.

Dairy prices gained 5.5%, climbing for the fourth straight month, the FAO said. While still 22% below their February 2014 peak, prices of dairy products--particularly cheese, butter, and skim-milk powder--with tight supply in New Zealand driving the rise, according to the report.

Cereal prices also rose, increasing 2.4% from April and up almost 17% on-the-year at its highest since early 2015. Prices of all major cereals have strengthened considerably in recent months, and "wheat values gained largely on concerns over production prospects in a number of major exporting countries" including Brazil and Argentina, the report said.

Vegetable oils fell 2.6% on month to a 27-month low, thanks to slipping palm, soy, and sunflower oil prices.

Sugar prices decreased 0.5% on month, falling for the sixth consecutive month amid forecasts of huge global production this season. India and Thailand join the European Union in expecting heavy surpluses.

Meat prices ticked down on the month, with falling pig and bovine meat prices slightly outweighing a rise in poultry prices, the FAO said.

**COTTON**

***General Comments:*** Cotton washigher in recovery tradingyesterday, but trends on the short term daily charts remain down. The buying seemed to run out of steam for the last week, and a further correction lower is posible in the shart term. Ideas have been that US Cotton especially is in a bad spot due to the extreme dry and hot weather in western Texas. The current weather is less than ideal in West Texas as hot and dry conditions continue and is not good at other producing áreas around the world. The Southeast US is too wet, but has begun to dry out. The weather is bad in India and China, with big heat seen in India and Pakistan and too much rain in China. Lost Chinese production could mean increased sales for the US, especially now since the US will have the quality the Chinese need. China is moving to allow more imports by increasing quotas now.

***Overnight News:*** TheDelta will be mostly dryand the Southeast will get drier weather this week. Both áreas have chances for showers over the weekend.Temperatures shouldbe mostly below normal. Texas will seemostly dry conditions. Temperatures will beabove normal.The USDA average price is now 86.54 ct/lb. ICE said that certified stocks are now 78,66 ba1es, from 78,666 bales yesterday. USDA said that net Upland Cotton export sales were 6,800 bales this year and 106,800 bales next year. Pima sales were 13,200 bales this year and 14,500 bales next year.

***Chart Trends:***  Trends in Cotton are down with objectives of 8690 and 8170 July. Support is at 8940, 8810, and 8770July, with resistance of 9230, 9270, and9450July.

**FCOJ**

***General Comments:***FCOJ wasa little higher, but remains in a trading range for now. The hurricane season has started.. There are no storms or áreas of interest yet in the Atlantic. Traders are worried about demand and are noting improved production prospects for Florida. The tariff wars between the US and Canada, Mexico, and the EU are hurting export demand ideas. The EU imports a lot of FCOJ and these exports could be hurt by any retaliation made by Europe. The EU has indicated that FCOJ will be on the list of ítems subject to increased tariffs and that the measures will be enacted next month. The growing conditions in Florida should continue to improve as the rainy season appears to be underway.The market is still dealing with a short crop against weak demand. Demand is bad enough that year on year inventories are increasing even with the very bad production last year.Florida producers are seeing golf ball sized or larger fruit. Conditions are reported as generally good. Brazil could use more rain as Sao Paulo has been hot and dry. Generally good conditions are reported in Europe and northern Africa.

***Overnight News:***Florida should getscattered showers each day. Temperatures will average near to above normal. Brazil should get mostly dry weather and near to abovenormal temperatures.

***Chart Trends:*** Trends in FCOJ are mixed to down with objectives of 161.00 and 154.00 July. Support is at 163.00, 161.00, and 157.00 July, with resistance at167.00, 169.00, and 172.00 July.

**COFFEE**

***General Comments***Futures in New York were lowerand slightly higher in London yesterday on speculative selling tied to ideas of increased availability of a big Brazil crop in the market. Robusta in London was firmas Brazil said earlier this week it was preparing to buy Robusta in the world market to cover domestic needs. The dry weather in Brazil production áreas for Robusta meant less production and tere is now not enough tocover the domestic demand. It was colder in Brazil over the weekend, but there were no reports of damaging tempertures.More cold weather is coming sooner or later as the Winter season has just started. However, moderate temperaturas are forecast for now. It remains mostly dry in Arabica áreas, and there is no rain in the forecast for the next week.Origin is still offering in Central America and is still finding weak differentials. It has been a little dry so far this year in the región. No coffee is moving in Nicaragua due to the political tensions there, and the volcano eruption in Guatemala has hurt the logistical situation there. Speculators anticipate big crops from Brazil and from Vietnam this year and have remained short in the market. Vietnamese cash prices are weaker this week with good supplies noted in the domestic market. Current rains in the country are favorable for the crops.

***Overnight News:*** Certified stocks are higher today and are about 2.029million bags.The ICO composite price is now 112.08 ct/lb. Brazil will getdrier conditions, but light precipitation is likely today. Temperatures should be near to above normal. Colombia should getisolated showers. Central America and southern Mexico should get isolated showers or dry conditions. Vietnam will get showers.

***Chart Trends:*** Trends in New York are mixed to down with objectives of 115.00 and 111.00 July. Support is at117.00, 115.00, and 112.00July, and resistance is at 122.00, 125.00 and 126.00 July. Trends in London aremixed. Support is at 1730, 1720, and 1700July, and resistance is at 1760, 1780, and 1800July.

**SUGAR**

***General Comments:***Futures werea little higher in New York andin London on some speculative buying. Short term trends remain down. Analysts noted that the market still has plenty of Sugar and no real fear of short supplies.Prices have been supported by the dry weather in Brazil and also the truckers strike there that is now over two weeks old. Shipments to mills and ports have stopped due to the action. It is dry in parts of Brazil, including some Sugarcane production áreas, and there is some talk of losses to the crop in the near future unless rains return soon. There are no real rains in the forecast for now.The harvest so far has been big and processing has been more active than last year.India is back toexport Sugar this year after being a net importer for the last couple of years. The government is subsidizing industry and producers to help maintain an active market flow and to prevent the buildup of Sugar in storage. India will give aid of up to $1 billion to mills and will also stockpile supplies. Thailand has produced a record crop and is selling. Middle East and North African buyers are reported to be buying normal or less than normal amounts of Sugar in the world market right now.

***Overnight News:***Brazilwill get dry weather, but light precipitation is posible every few days. Temperatures should be near normal.

***Chart Trends:*** Trends in New York are downwith objectives of 1140 October. Support isat 1220, 1200, and 1170 October, and resistance is at 1250, 1280, and 1320 October. Trends in London aredown with objectives of 325.00 August. Support is at 340.00, 337.00, and 331.00 August, and resistance is at 350.00,356.00, and 360.00 August.

**DJ Indian Government Sweeteners Fail to Impress Sugar Mills -- Market Talk**

1013 GMT - India's decision to offer a $1 billion financial package to the sugar industry won't be enough to bail out cash-strapped sugar mills, who will still struggle to clear their dues to sugarcane farmers, says Abinash Verma, director general of the Indian Sugar Mills Association. Among the government's measures was also a decision to create a buffer stockpile of 3 million tons sugar to lift domestic prices, but that will only "reduce some surplus sugar from the market" for about a year, says Verma. Indian refiners had a stockpile of 13 million tons of sugar in May-more than all the sugar consumed in the U.S. last year. (vibhuti.agarwal@wsj.com)

**COCOA**

***General Comments***Futures were a little higher in New York, but mostly lower in London in what appeared to be consolidation trading. Futures have given up a lot of price in the last couple of weeks and the market could use a rest period..It is posible that Cocoa has now made a significant top in both markets and thaat more downside pressure is coming longer term.Fears that developed about the EU economy last week spilled into Cocoa as Europe is the largest per capita consumer of chocolate in the world. Italy is having problems again and there are fears that the problems there could spread to other EU states. North American demand could be pressured due to the economic wars started in the US against its neighbors. Showers and more seasonal temperatures have been seen in the last few weeks to improve overall production conditions in West Africa. Conditions also appear good in East Africa and Asia.The mid crop harvest is active in West Africa.

***Overnight News:*** Scattered showersare expected in West Africa, but most main áreas will be dry. Temperatures will average near toabovenormal. Malaysia and Indonesia should seefrequent showers. Temperatures should average abovenormal. Brazil will get dry conditionsand near to abovenormaltemperatures. ICE certified stocks arelower today at 5.099million bags.

***Chart Trends:*** Trends in New York aredown with no objectives. Support is at2250,2210, and2180 July, with resistance at 2400, 2460, and 2480 July. Trends in London aredown with no objectives. Support is at 1620, 1600, and 1570 July, with resistance at 1710, 1750, and 1780 July.

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