The World Bank says food prices are at dangerous levels; having pushed forty four million more people into poverty since June 2010. Food price inflation is felt disproportionately by the poor, who spend over half their income on food.

Not a week goes by without the populous of another country taking to the streets voicing their displeasure with the status quo. These protests are due to the internet, lack of employment opportunities and the high cost of food.

Being involved in the futures markets allows us to have a handle on the price of staple food items. In the thirty five years I've been a futures industry professional I have never seen commodity prices this high.

Coffee **02/18/2010**

Life Time Trading Range 41.50 Cents - $337.50 per Pound

Trades on The ICE 2:30 AM – 1 PM CDT

Coffee reached a new contract high this week. The truckers strike in Colombia has gone on for two weeks now. Not only is Coffee affected by the strike. The truckers have blocked major thoroughfares forcing thousands to walk to work! The transportation minister says he is willing to negotiate with the truckers, but they must first call off the roadblocks. Pedro Aguilar, president of the Association of Colombian Truckers, or ACC, has said "The city is frozen." Coffee shipments are beginning to feel the pinch from the strike, and there is concern that Coffee in storage may go bad if the strike is not settled soon. The strength in Coffee futures tells the story. Asoexport, Colombia's association of Coffee exporters relies on truckers to deliver Coffee from the Coffee growing areas in the interior to the Pacific port of Buenaventura. The Strike was called over a government decree last month that deregulated the trucking industry by eliminating a table of shipping costs that set minimum freight rates for shipments. The truckers are striking over a government decree last month that deregulates the industry by eliminating a "table of shipping costs" that set minimum freight rates for truckers. The transport minister said any negotiations must "logically accept a migration away from the table of shipping costs and to a free market."

The National Coffee Council (Cofenac) announced that Ecuador has exported 1.20 million 60 kilogram bags of Coffee in 2010. That's up six percent over the 1.13 million bags exported the prior year. At the weekly Coffee auction in Nairobi, prices for high quality Arabica Coffee rose again this week. The Colombian truckers strike has supply flow at a standstill. There has been talk that Brazilian producers are holding back supplies. Concern is that if Coffee prices move higher they would not be able to participate with empty warehouses. Many new Coffee trees are being planted in Honduras. Although they will have no immediate effect on supply the future harvests from these trees will assist in offsetting supply shortfalls expected from Colombia over the next few growing seasons.

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Weekly Technical Indications 02/18/10: Coffee made new contract highs this week. I would not be surprised to see Coffee above $3.00 this year. At this time the week's trading range is 271.40 – 251.50, the last print is 270.50. The stochastic remains in buy mode. R.S.I., at 81.89, is higher than last week's reading of 77.29. The M.A.C.D. histogram at 2.70 is slightly higher than last week's indication of 1.89. A weekly close at or below 244.45 will turn the weekly trend down.

Do not trade without the use of protective strategies such as stops and or options.

Cocoa **02/18/2010**

Life Time Trading Range $444 – $5379 per Tonne

Trades on The ICE 3 AM – 1 PM

Ivory Coast President Quattara will extend the export ban on Cocoa for another thirty days if Mr. Gbagbo does not step down. Rodger Wegner, the secretary general of the German Cocoa Trade Association is concerned that an extension of the Ivorian Cocoa export ban would be serious as supply would tighten further. Perhaps the market is waiting for the export ban to be lifted. Then we will see a flood of supply hit the market and pressure prices lower. The risk is that Cocoa kept in storage could begin to deteriorate.

French bank BNP Paribas's Ivorian unit, the Ivory Coast's second largest banking institution has suspended operations. Citibank is operating on a day to day schedule. Many feel that Civil War is a very good possibility if Mr. Gbagbo refuses to abdicate what he seems to think is his throne.

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Weekly Technical Indications Friday 02/18/10: New contract highs for Cocoa again this week. At this time the week's trading range is 34.85 – 33.50, the last print is 34.78. The stochastic remains in buy mode, but just barely. The R.S.I. at 66.00 is higher than last week's reading of 62.57. The M.A.C.D. histogram at 68.66 is higher than last week's reading of 66.24. A weekly close below 33.91 will turn the weekly trend down.

Do not trade without the use of protective strategies such as stops and or options.

Cotton **02/18/2010**

Life Time Trading Range $26.84 – $204.02 per Pound

Trades on The ICE 8 PM – 1:30 PM CDT (Next Day)

The more they try the harder it gets. The bears just can't get a lasso around this bucking bronco of a market. February 18th is first notice day for March Cotton futures. While our attention has been keenly focused on exports, certified Cotton stocks have been rising. What does this mean? With all the demand out there we would normally go through a rough and tumble delivery cycle, but if certified stocks continue to increase there will be enough to supply the longs and the delivery cycle will pass quietly. If that were to happen and the March Cotton future holds above the 1.90 area we should see the May and July contracts move above the 2.00 level. This should make for an interesting Cotton market.

Net Upland sales for the week of February 10th, 2011 were 181,100 running bales. Up 63 percent from the previous week and 22 percent from the prior 4-week average. China imported 7,700 running bales for it's own account. Exports were a bit higher than last week, but not even close to the weekly totals posted earlier this marketing year.

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Weekly Technical Indications Friday 02/18/10: Cotton futures traded above $2.00 for the first time in history. At this time the week's trading range is 204.02 – 185.10, the last print is 198.44. The stochastic is now in buy mode. Exhibiting bearish divergence, the R.S.I. reads 81.26, higher than last week's indication of 79.71. The M.A.C.D. histogram reads 4.84, higher than last week's reading of 3.52. A weekly close below 184.07 will turn the weekly trend down. Keep a close eye on this market. The bearish divergence exhibited by R.S.I. should be taken as warning that the market is overbought.

Do not trade without the use of protective strategies such as stops and or options.

Sugar **02/18/2010**

Life Time Trading Range 2.30 Cents – 66.00 Cents per Pound

Trades on The ICE 2:30 AM – 1 PM CDT

This is a quiet time in the Sugar market. Last season's crop has been exported. Not much to report on the fundamental side of things as we await the Brazilian crop. I usually reserve this area of the weekly report for fundamental information, but I see something that should be known by those trading or following the Sugar market. If you recall, Sugar broke from 30.40 to 13.00 early in 2010. It began that slide in the early part of February. I'm not going to say that it's about to happen again, but I will say that technically the market has performed very poorly over the past few weeks. The weekly chart indicates a top was put in at 34.77 followed by a selloff to 29.50. Those traders continuing to carry short positions thought this a good time to liquidate. Others saw the break as an excellent buying opportunity. This drove the market to a new high of 36.08. When all the buying was exhausted the market reversed and broke quickly to 27.85. What we have here is a top followed by a meaningless rally powered by short covering and bargain hunters. Even though there was a new high there was no one left to buy. This was a secondary reaction to the first high of 34.77. Not a double top, but it is a close relative.

Indications are that the Sugar market is setup to head lower. Although the market appears to be working on a short term low the threat of incoming Brazilian supply a few months from now continues to hang over the market. Don't forget that many farmers will plant Sugar in place of other crops due to Sugars high price. Mexico has recovered from two poor back to back crop years. Mexican Sugar production through February 12^{th} stands at 523,678 tonnes. This is a 29 percent improvement over last year at the same time.

History certainly repeats itself. When a commodity moves sharply higher plantings go up. The increase in supply results in lower prices. The reverse is true of extremely low priced commodities. Plantings are below normal and the harvest smaller than expected. This causes prices to rise. We just keep on doing this time and time again. Will we ever learn? Years ago I recall an article describing farming on the moon in environmentally controlled domes. Robots took care of the whole operation. I think it's time to implement it.

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Weekly Technical Indications Friday 02/18/10: The Sugar bull has caught the flu! Remember that this is the time Sugar headed lower last year. The technicals are bearish to say the least. At this time the week's trading range was 29.61 – 27.85, the last print is 28.57. The stochastic has issued a sell signal. R.S.I. stands at 50.85 and sharply lower than last week's reading of 58.62. The M.A.C.D. histogram reads -0.59, lower than last week's indication of -0.24. A weekly close above 32.87 will turn the weekly trend up. The bulls should stay sharp. Don't let the market get away from you!

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