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COMMODITIES · BEGINNER · LESSON 13 OF 15

Softs

Cocoa, coffee, sugar, cotton and orange juice: crops grown mostly in the tropics, traded in New York and London, and known for some of the wildest price swings in any market

13 min read 8 quiz questions with answer key

COMMODITIES · BEGINNER · LESSON 13 OF 15

Softs

IN ONE SENTENCE

Soft commodities are crops that are grown rather than mined, mostly in tropical countries. The main ones are cocoa, coffee, sugar, cotton and orange juice. Production is concentrated in a few countries, so weather, plant disease and government decisions in one region can move world prices. Cocoa tripled in 2024 to a record $12,931 a tonne and then fell back below $5,000 by November 2026. Arabica coffee set a record in February 2025, and Brazil's sugar mills switch between sugar and ethanol depending on which pays more. This lesson explains what drives each market and how their prices are quoted.

What makes a commodity soft

In Lesson 2 you met the four sectors. Within agriculture, traders separate **grains**, which you studied in Lesson 12, from **softs**. Softs are crops that grow mainly in warm, tropical or subtropical climates: **cocoa**, **coffee**, **sugar**, **cotton** and **orange juice**.

Most softs come from trees or bushes that take years to grow before they produce a full crop. A cocoa or coffee farmer cannot simply plant more next season when prices rise, the way a corn farmer can. That makes supply slow to react, and it is one reason softs can stay expensive, or cheap, for a long time.

Production is also concentrated. A few countries grow most of the world's cocoa, coffee and sugar, often on small family farms. Weather, plant disease, transport problems or a government decision in one of these countries can change the world price.

The main futures markets are run by **ICE** (Intercontinental Exchange): **ICE Futures U.S.** in New York and **ICE Futures Europe** in London. Some softs trade in both, with different contract sizes and currencies.

Cocoa: two countries, one market

Cocoa beans are the raw material of chocolate. **Ivory Coast** and **Ghana** together produce more than half of the world's cocoa, and West Africa as a whole grows around 70%. Ivory Coast alone accounts for more than a third of world output.

Between 2021 and 2024, harvests failed to keep up with demand. Ageing trees, the swollen shoot virus, other plant diseases, bad weather, low use of fertiliser and the spread of illegal gold mining on farmland all cut production. The world recorded its largest cocoa deficit in more than 60 years.

The price exploded. New York cocoa futures rose 178% in 2024 and hit a record of **$12,931 a tonne** on December 18, 2024. For decades before that, cocoa had traded between about $1,000 and $4,000.

Then high prices did their work. Chocolate makers raised prices, made smaller bars and used less cocoa, and grinding of beans fell. Farmers in other countries planted more. Prices dropped about a third in 2025 and kept falling: on **November 10, 2026**, New York cocoa hit a four-month low near **$4,650** a tonne, with ICE warehouse stocks at a two-and-a-half-year high. Two days later it bounced above $5,200 on worries that the Ivory Coast harvest could be much smaller because of El Niño. Cocoa can still move 10% in a few days.

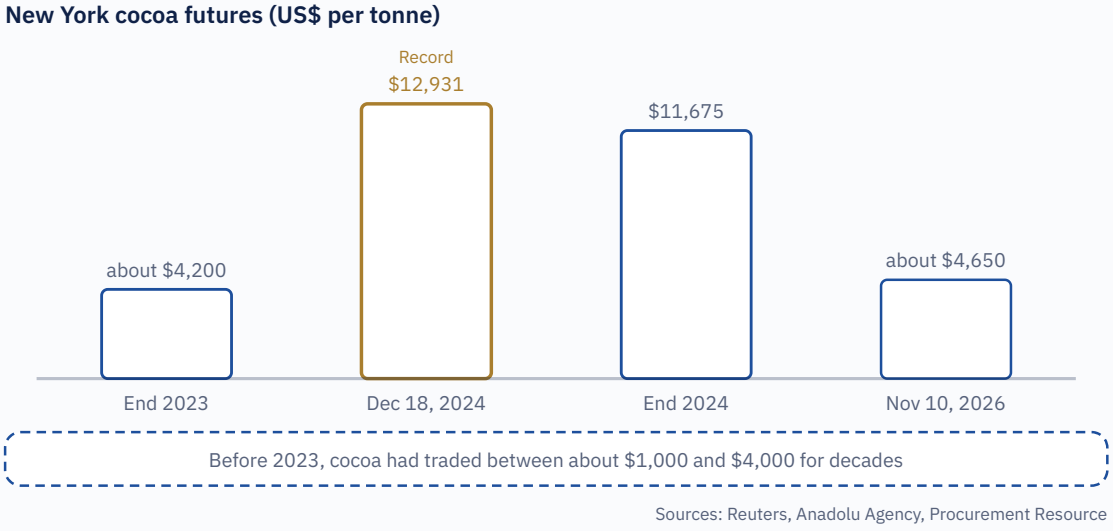


Figure 1. Cocoa tripled in 2024 and then gave back almost all of the rise. Dates run from left to right.

PRICES SET BY GOVERNMENTS

In Ivory Coast and Ghana, the price paid to farmers is fixed each season by government bodies, not by the futures market. When the world price soars, farmers do not receive all of the increase, and some beans get smuggled across the border to whichever country pays more. Changes to these farm-gate prices are market news, because they affect how much cocoa farmers sell and where.

Coffee: arabica and robusta

Two kinds of coffee bean trade on world markets. **Arabica** has a milder taste and is the bean of most speciality and filter coffee. It grows at higher altitude, mainly in **Brazil**, Colombia and Central America, and trades on ICE in New York in US cents per pound. **Robusta** is stronger and cheaper, used in espresso blends and instant coffee. It is grown mostly in **Vietnam** and Brazil and trades on ICE in London in US dollars per tonne.

Brazil is the largest producer of all, so Brazilian weather dominates coffee prices. A frost in the coffee areas in July or a drought during flowering in September and October can cut the following year's crop.

Poor Brazilian harvests pushed arabica to an all-time high of about **440.85 cents per pound** in February 2025. Then the cycle turned: in June 2026 the USDA forecast a record Brazilian crop of 71.9 million 60 kg bags, up 14%, and arabica fell to a 19-month low. Trading became thin after ICE raised margin requirements twice, which made price swings even larger.

Politics matters too. When the US removed a 40% tariff on Brazilian farm products, including green coffee, in November 2025, arabica fell nearly 5% in a day.



Figure 2. Arabica and robusta are different beans, grown in different places and traded in different markets.

EXAMPLE: WHY THE BRAZILIAN REAL MOVES COFFEE

John grows coffee in Brazil. He sells in US dollars but pays his workers and bills in Brazilian reais. If the real weakens, each dollar he earns converts into more reais, so selling now looks attractive and more coffee reaches the market. If the real strengthens, he earns fewer reais per dollar and may hold his coffee back. That is why coffee and sugar traders watch the USD/BRL exchange rate closely: a weaker real usually adds selling pressure, and a stronger real usually supports prices.

Sugar: cane, beet and ethanol

Most of the world's sugar comes from **sugar cane**, grown in tropical countries, and the rest from **sugar beet**, grown in cooler places such as Europe. The main world benchmark is **ICE Sugar No. 11**, a raw cane sugar contract quoted in US cents per pound. London trades refined white sugar.

Brazil is the largest producer and exporter, followed by **India** and Thailand. Brazil's mills have a special choice: they can turn cane into sugar or into **ethanol** fuel. When ethanol pays better, for example when oil is expensive, mills make more ethanol and less sugar. This links sugar to the energy market.

India matters because its government decides how much sugar may be exported. In 2026 India banned exports of raw, white and refined sugar until at least the end of September to protect supplies at home. India has also discussed raising the price of ethanol for fuel blending, which would pull more cane into ethanol.

Sugar fell to its lowest level in more than five years in February 2026 on forecasts of a large surplus. It then rallied as El Niño and biofuel demand threatened supply, climbed above 20 cents in October and was trading near **18 cents per pound** in mid-November.

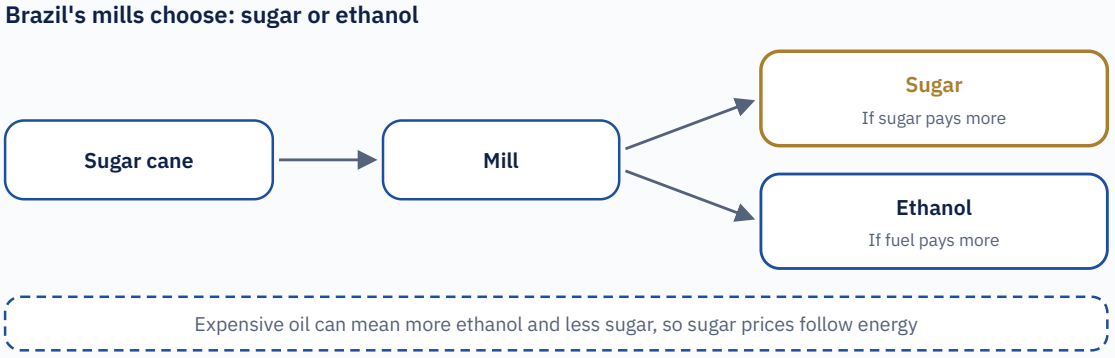


Figure 3. Brazilian mills can turn cane into sugar or ethanol, which links sugar to energy prices.

Cotton and orange juice

Cotton is a fibre, not a food, but it is traded alongside the softs. The benchmark is **ICE Cotton No. 2** in New York, quoted in US cents per pound. China, India, the United States and Brazil are the largest producers, and China is also the biggest user, because it has the largest textile industry. Cotton prices depend on the weather in growing regions, on clothing demand and on trade relations between the US and China.

Orange juice trades in New York as frozen concentrated orange juice (FCOJ). Brazil and the US state of Florida dominate. It is a small market, so a hurricane in Florida or a plant disease such as citrus

greening can cause huge moves. Because the market is small and trading is thin, it is not a good place for beginners to start.

What moves soft prices

The same few forces appear again and again in softs:

- **Weather and climate:** drought, heavy rain, frost and the **El Niño** and La Niña patterns, which shift rainfall across the tropics.
- **Plant disease and ageing trees:** slow-moving problems that can cut supply for years.
- **Currencies:** especially the Brazilian real for coffee and sugar.
- **Government policy:** export bans and quotas, farm-gate prices, tariffs, and rules such as the EU's deforestation regulation for cocoa and coffee.
- **Stocks:** ICE publishes the amount of certified coffee, cocoa and other softs in exchange warehouses. Rising stocks usually weigh on prices, falling stocks support them.

The main ICE contracts look like this:

Contract	Code	Size	Quoted in	Tick value
Cocoa (New York)	CC	10 metric tonnes	US$ per tonne	$1 = $10
Coffee "C" (arabica)	KC	37,500 pounds	US cents per pound	0.05 cent = $18.75
Sugar No. 11	SB	112,000 pounds	US cents per pound	0.01 cent = $11.20
Cotton No. 2	CT	50,000 pounds	US cents per pound	0.01 cent = $5

Softs are smaller markets than oil or gold and often less liquid, especially outside the main contract months. Price gaps and sharp moves are common, so position sizes should be smaller.

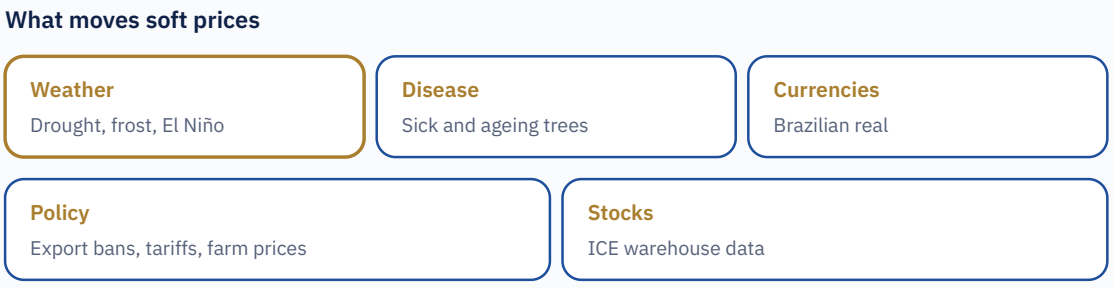


Figure 4. Five forces explain most big moves in soft commodities.

Why this matters for traders

- **Know the key country for each soft.** Ivory Coast and Ghana for cocoa, Brazil and Vietnam for coffee, Brazil and India for sugar.
- **Watch the weather in those regions,** and track El Niño and La Niña forecasts.
- **Follow the Brazilian real.** It moves coffee and sugar every day.
- **Check ICE certified stocks and arrival data,** such as weekly Ivory Coast port arrivals for cocoa.
- **Respect the volatility.** Cocoa and coffee can move several percent a day. Use smaller positions and wider stops than you would in gold or oil.

Key terms

Softs	Agricultural commodities grown mainly in warm climates, such as cocoa, coffee, sugar, cotton and orange juice.
ICE	Intercontinental Exchange, which runs the main softs futures markets in New York and London.
Arabica	The higher-quality coffee bean, traded in New York in US cents per pound.
Robusta	A stronger, cheaper coffee bean used in espresso blends and instant coffee, traded in London in US dollars per tonne.
Sugar No. 11	The world benchmark raw sugar futures contract on ICE, quoted in US cents per pound.
Farm-gate price	The price paid to farmers at the farm. For cocoa in Ivory Coast and Ghana it is fixed by the government each season.
Certified stocks	Quantities of a commodity graded and stored in exchange-approved warehouses, available for delivery against futures.
El Niño	A periodic warming of the Pacific Ocean that changes rainfall patterns in many growing regions.

Key takeaways

1. Softs are crops grown mostly in tropical regions: cocoa, coffee, sugar, cotton and orange juice. Many come from trees that take years to mature, so supply reacts slowly.

2. Ivory Coast and Ghana grow more than half of the world's cocoa. Poor crops pushed cocoa to a record $12,931 a tonne in December 2024; it was near $4,650 to $5,200 in November 2026.
3. Arabica coffee trades in New York and robusta in London. Brazil's weather, the Brazilian real and tariffs move coffee; arabica set a record near 441 cents per pound in February 2025.
4. Brazil's mills choose between sugar and ethanol, linking sugar to oil prices. India's export decisions also move the market.
5. Softs contracts are smaller and less liquid than oil or gold, and they move sharply. Size positions carefully.

Test yourself

Circle one answer for each question. The answer key with explanations is on the next page. You can also take this quiz online at markettalks.info and see your score instantly.

1. Why does the supply of cocoa and coffee react slowly to higher prices?

A. Because exchanges limit production
B. Because the crops come from trees that take years to reach full production
C. Because they can only be grown in Europe
D. Because farmers are not allowed to sell

2. Which two countries produce more than half of the world's cocoa?

A. Brazil and Vietnam
B. India and Thailand
C. Ivory Coast and Ghana
D. Colombia and Peru

3. What was the record price of New York cocoa futures, set on December 18, 2024?

A. $4,650 a tonne
B. $7,500 a tonne
C. $12,931 a tonne
D. $20,000 a tonne

4. Where are arabica and robusta coffee futures mainly traded?

A Both in Chicago
B Arabica in New York, robusta in London
C Arabica in London, robusta in Tokyo
D Both in Shanghai

5. The Brazilian real weakens sharply against the US dollar. What is the usual effect on coffee prices?

A Prices tend to rise, because Brazil exports less
B Prices tend to fall, because Brazilian farmers receive more reais per dollar and sell more
C No effect at all
D Coffee trading stops

6. Why are sugar prices linked to oil prices?

A Sugar is made from oil
B Brazil's mills can turn cane into ethanol fuel instead of sugar, so expensive fuel can mean less sugar
C Sugar is priced in barrels
D Oil companies own all sugar mills

7. ICE cocoa warehouse stocks rise to a two-and-a-half-year high. What does this usually do to prices?

A It tends to weigh on prices, because more cocoa is available
B It always makes prices rise
C It has no effect
D It closes the market

8. **Sugar No. 11 rises by 1 cent per pound. How much does one 112,000-pound contract change in value?**

A $112

B $1,120

C $11.20

D $11,200

Answer key

1 B

Because the crops come from trees that take years to reach full production

New trees take years to produce a full crop, so farmers cannot respond quickly to a price rise.

2 C

Ivory Coast and Ghana

Ivory Coast and Ghana dominate cocoa. Ivory Coast alone grows more than a third of world output.

3 C

$12,931 a tonne

Cocoa reached $12,931 a tonne after years of poor West African harvests. By November 2026 it had fallen to around $4,650 to $5,200.

4 B

Arabica in New York, robusta in London

Arabica trades on ICE Futures U.S. in cents per pound, robusta on ICE Futures Europe in dollars per tonne.

5 B

Prices tend to fall, because Brazilian farmers receive more reais per dollar and sell more

A weaker real makes dollar sales more attractive to Brazilian growers, which tends to add supply and pressure prices.

6 B

Brazil's mills can turn cane into ethanol fuel instead of sugar, so expensive fuel can mean less sugar

When ethanol pays better, mills shift cane away from sugar, which tightens sugar supply.

7 A

It tends to weigh on prices, because more cocoa is available

Rising certified stocks suggest supply is more comfortable, which usually pressures prices, as in November 2026.

8 B

$1,120

One cent on 112,000 pounds is $1,120. A tick of 0.01 cent is worth $11.20.

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