Mintec

April 2011 Market Report

Crude oil prices remain high, driving prices upward in the energy and plastics markets. Elsewhere, prices were more mixed, with falls continuing for sugar and for dairy in general. Tea was also down sharply, but coffee prices continue to increase. Shipping costs were broadly down, reversing last month's bounce.

Up		Down	
Black Pepper (IN)	+19%	Baltic Capesize (Shipping)	-31%
Maize (CBOT)	+13%	Cotton #2 (ICE)	-18%
Coffee Arabica (ICE)	+10%	SMP (DE)	-8%
Rice (TH)	+5%	Tea (LK)	-6%
Wheat (MATIF)	+5%	Sugar (LIFFE)	-5%
Sunflower Oil (R'dam)	+3%	Soyabean Oil (R'dam)	-4%

All percentage changes in this report refer to price movements over the month of April 2011.

Soft Commodities

World sugar prices have fallen due to improved global supply, with output rising in the large producers, Brazil, India and Thailand leading to the prospect of higher world stocks and increased sugar exports this year. Refined white sugar was down (-5%) on LIFFE while sugar prices on the US intercontinental exchange (ICE) fell (-11%). Low EU sugar inventories and increased industrial use such as for ethanol production however is driving EU sugar imports higher this year. Cocoa bean prices rose (+6%) on ICE in the US last month, partly due to a weaker USD, but fell (-1%) on LIFFE in the UK. Cocoa butter fell (-5%) in the UK while powder was unchanged (0%). For coffee, Arabica prices on ICE rose (+11%), on concern over wet weather damaging crops in Colombia, while Robusta prices on LIFFE were up (+5%), partly as a consequence of poor weather in Vietnam. Kenyan prices for tea rose (+3%) while on improving supply those in Sri Lanka fell (-6%). Indian tea prices were down (-12%) on average, helped by beneficial rains. Auction prices in the north fell (-13%) while those in the south were (-1%) lower.

Oils & Fats

Rising crude oil prices are currently supporting higher prices for vegetable oil around the world, but movements last month were varied nevertheless. Soyabean oil prices fell (-5%) in Rotterdam, but rose (+1%) on CBOT in the US. Although global soyabean supply is expected to rise this year, there may be a fall in US soyabean oil production due to increasing US soyabean exports to China and worries about increasing dryness leading to drought in the US. Rapeseed oil prices fell (-2%) in Rotterdam, aided by good prospects in the EU, CIS and India but rose (+3%) in Argentina. Sunflower oil rose (+3%) in Rotterdam and Argentina where persistent rain has led to a slower than normal harvest. Palm oil was unchanged in Rotterdam but fell (-1%) in Malaysia. Drier weather in Malaysia and Indonesia is aiding palm harvesting. Demand for lauric oils however remains strong and palm kernel oil rose (+3%) in Rotterdam while coconut oil in Rotterdam was up (+10%). Olive oil fell (-5%) due to large stocks, raised output and good supply.

Grains

A lack of rain, leading to drought in the US and Northern Europe is causing increasing concern for global grain prospects this year. Last month maize prices rose by (+13%) on CBOT in the US and were up by (+6%) on Matif in France. Wheat prices rose (+5%) on Matif and by (+6%) on CBOT. Global wheat production is expected to fall 5% this year to 647m tonnes and world ending stocks are projected to fall 7% to 160m tonnes. Durum wheat prices however fell (-6%) on lower forecast demand from North Africa and the Middle East. Malt barley prices rose (+4%) on tighter supply while those for barley feed decreased by (-1%) due to releases from intervention stores in the EU. US oats rose (+9%), Finnish oats were up (+1%)

while UK oats were unchanged (0%). Prices for US paddy rice on CBOT rose (+3%) due to decreased planting; Vietnamese origin rose by (+5%) due to stronger demand; prices for Thai rice fell (-1%) due to a rise in supply. Basmati rice prices rose (+10%) helped by higher exports to Europe and the US.

Ingredients

Dried fruit prices showed mixed movements last month. While Greek currant prices rose on average by (+4%), Turkish sultanas were up (+2%) and dried apricots and raisins fell (-1%). Indian cashews in the UK rose (+1%), peanut prices on average were unchanged (0%), although those from Argentina fell by (-1%). US Pistachios were also unchanged, while those from Iran fell (-2%) on good supply. US almonds were unchanged (0%) while Spanish almonds fell by (-8%) helped by favourable weather raising crop prospects in Spain. Desiccated coconut prices fell (-1%), as drier weather has improved Philippine, Indonesian and Sri Lankan supply. For spices, black pepper in the EU rose (+12%) while white pepper was up by (+5%). Chilli prices rose (+22%) due to heavy demand and short supply, following heavy rains at the time of fruit set in coastal India. Nutmeg rose (+2%) and cloves rose (+1%). Ginger prices were unchanged (0%), cardamom rose (+1%) while Indian turmeric fell (-2%). Indian guar gum rose (+13%) due to rising industrial demand for guar gum in the oil drilling sector. For honey, Argentine origin fell (-1%) while that of Australia rose (+1%). Honey from other origins was largely unchanged (0%).

Fruit

Apples were up (+2%) in Germany and (+8%) in Poland and down (-5%) in the UK. EU volumes are still fairly low, although the paler and bi-colour apples are reported to be of excellent quality and typical for this time of season. Pears ended just slightly down this month (-1%) on average. Oranges ended down (-7%) in Spain and up (+6%) in Germany while in the US, Florida's orange prices rose (+8%). Bananas rose (+3%) on average in the EU; banana production in the Caribbean is still reduced due to flooding. Grapes rose (+6%) on average in the EU, whereas lemons rose (+38%) in the UK and Germany. Frozen orange juice prices increased (+4%) on the ICE New York and concentrate prices also ended up (+4%) in Rotterdam. Apple concentrate fell (-4%) in North West Europe.

Vegetables

Potatoes prices in the EU dropped (-2%) on average; conditions are ideal for new season plantings and main EU producers are on or ahead of schedule. Exports from North West Europe to Eastern Europe are still strong. Irish potatoes rose sharply (+28%) and prices also ended up (+4%) in Poland. Carrots increased (+8%) this month on average in the EU, UK supplies are starting to tighten as we move towards the end of the crop. Spanish tomatoes rose significantly up (+61%) this month as unfavourable weather is affecting shelf life consistency. Cauliflowers ended down (-15%) in the UK and France whilst rising on average (+14%) in Spain and Germany. Aubergine prices dropped (-28%) on average in the UK, France and Germany as quality is reported to be very good. Broccoli prices also dropped (-28%) in the EU on average this month. Leeks were down (-10%), mushrooms (-9%). Onions rose slightly (+1%) in the EU. Peppers in the UK dropped (-13%) but rose (+12%) in Germany as Spanish crops are now coming to an end.

Meat & Poultry

South American beef prices generally fell back over the month with cattle from Argentina (-5%) and Uruguay (-2%) both down. There was a slight rise in Brazilian beef (+1%). EU deadweight beef prices generally continued to rise with increases seen in the Netherlands (+4%) and the UK (+3%). The EU was a net exporter of beef in 2010 for the first time since 2003 as imports from South America in particular fell sharply due to lack of availability. EU exports to Russia tripled and shipments to Turkey rose from nil to 27% of total exports as import tariffs there were significantly reduced. EU deadweight pork reference prices continued to rise (+1%) on average with German prices (+2%) and Belgian prices (+4%) both up. EU piglet prices also rose (+2%). New Zealand lamb rose (+4%), with domestic EU heavy deadweight lamb prices also up (+4%), as export lamb slaughter rates for the first four months of the New Zealand season were down 14% from last year. The rates for January were down 26% as producers culled high numbers of ewes and increased ewe lamb retentions restricting the availability for slaughter. Light deadweight EU lamb prices followed the trend (+2%). Deadweight chicken prices recovered in the EU in general (+1%), with the Netherlands (+1%) and Belgium (+3%). Brazilian liveweight chicken prices fell (-8%), whilst Thai ex-farm prices were steady (0%). Chinese market prices strengthened (+2%). Norwegian salmon recovered

(+6%), but haddock prices fell further (-5%).

Milk & Dairy

EU dairy prices have fallen since mid-February but these falls have slowed over the past month. EU milk production continues to rise towards its seasonal peak and this has increased supplies of all dairy products. EU SMP prices continued to fall this month, with the largest drop in Germany (-8%). World SMP prices were more mixed, with New Zealand down (-7%) but US prices up (+2%). WMP has followed the trend with prices down in the EU (-3%) and New Zealand (-12%). Butter fell on average in the EU (-3%) but remains far above the Intervention price. By the end of April, around 25,000t of butter had been put in PSA storage but more will be needed to meet demand later this year when production will fall seasonally. Whey powder also fell in the EU (-7%) reflecting the decline in butter and SMP markets. Cheese prices were mixed with NZ (-7%) and US cheddar (-1%) both down but Italian Grana Padano up (+2%). Egg prices were down slightly (-2%) on average in the EU, while eggs for processing fell sharply (-24%).

Energy

Supply concerns over the on-going conflict in Libya, robust global demand and the weakening USD continued to drive prices of crude oil up. Brent crude on ICE (+9%) and light sweet crude (+8%) on NYMEX both rose sharply. Further increases were seen in prices for road fuels and the price difference continued to increase between unleaded petrol (+1%) and diesel (+5%) as demand for more fuel-efficient diesel tends to increase when crude oil prices go up. Prices for primary energy sources were more subdued as temperatures were mild across the US and Europe. Natural gas futures fell on ICE London (-6%) and edged up slightly (+1%) on NYMEX. Prices for coal were up (+1%) in Europe. Electricity prices rose in the EU (+3%) and the UK (+1%).

Chemicals & Plastics

Plastic prices continued to rise on the back of surging feedstock costs with LDPE (+10%), LLDPE (+10%), HDPE (+7%) and PP (+12%) all up in the EU. PVC prices remained unchanged (+0%) as demand was lacklustre despite the start of the building season. Feedstock costs have been rising in Europe with increases seen in naphtha (+8%), ethylene (+5%), propylene (+4%) and paraxylene (+12%). Price movements were somewhat mixed in Asia with both naphtha (+6%) and ethylene (+4%) up; however, markets were weaker for paraxylene (-11%) and LDPE (-1%) on concerns of overstocking. Stronger energy prices also boosted aromatics globally with benzene up in Europe (+8%) and Asia (+3%). MTBE rose in Europe (+11%) due to planned maintenance at the three major MTBE plants in recent months. Fertilisers have strengthened with urea and diammonium phosphate both up (+1%).

Pulp & Paper

NBSK pulp in Europe declined slightly (-1%), but remained high, as global shipments were up (+22%). Inventories fell by 3 days in March. The price gap between BSKP and BHKP has not widened in recent weeks with hardwood pulp prices also down (-1%). In the US, delivered NBSK pulp prices were rising again as maintenance period for pulp production and the weakness of the USD helped the prices further up (+3%). Packaging sector showed mixed results following months of solid performance with unbleached kraftliner down (-1%), white kraftliner up (+1%) in Europe, and testliner, fluting and cartonboard all fell marginally in the UK (-1%). EU newsprint prices were unchanged (+0%) as demand remained weak.

Metals

Prices for base metals were mixed on the LME as rising interest rates and monetary tightening measures continued to weigh on demand in China. Copper (-2%) and zinc (-5%) fell as concerns grew about a build-up of unreported inventories. Increases were seen in nickel (+1%) and tin prices (+3%) as fundamentals remained tight for these metals. Also on the LME, aluminium remained supported (+4%) by high energy costs and robust demand. Prices for both cold rolled (-3%) and hot rolled (-2%) steel fell in the EU as production rose to a record high. Chinese steel prices were up for CR (+2%) and HR (+4%) buoyed by higher iron ore prices (+4%). EU stainless steel prices fell (-5%).

Others

Anhydrous Ethanol BR (+39%), Silver (+22%), Gold (+6%), Cotton US (-18%), Baltic Panamax Index (-31%)