August 2011 Market Report

Mixed movements were seen this August, with rising grain prices caused by drought in the US and volatile energy prices due to worries about EU government debts and the US economic climate. Packaging and metals have declined due to concern about a decrease in global demand, particularly in China and the EU.

UP		Down	
Arabica (ICE)	+17%	Processing Potato (EUREX)	-19%
Natural Gas Futures (ICE)	+14%	Coconut oil (R'dam)	-9%
Maize (CBOT)	+8%	Nickel (LME)	-8%
Black Pepper (EU)	+8%	HDPE (EU)	-6%
Sugar (LIFFE)	+8%	Haddock (BE)	-6%
SMP (NZ)	+5%	Tea (KE)	-3%

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

Soft Commodities

Cocoa production in 2010/11 should surpass the previous record of 1.41m tonnes seen in 2003/4. The next cocoa season will start in October and run until April and volumes are expected to fall back due to overly cool, dry weather in West Africa over the past few months. Cocoa bean prices rose (+5%) on LIFFE in the UK and (+5%) on the US Intercontinental Exchange (ICE). Cocoa butter was slightly up (+1%) while powder (-2%) fell in the UK. Weather problems in Colombia have led to a downward revision in this year's Arabica coffee forecast and, combined with low Robusta stock levels in Vietnam, this has strengthened coffee prices. Both Arabica on ICE (+17%) and Robusta on LIFFE (+10%) were up. World sugar prices continued to rise on reports that after drought last year and heavy rains this year Brazil's sugar production in the main centre-south region will be 30.6m tonnes this season, down from last season's 33.5m tonnes. Refined white sugar rose (+7%) on LIFFE and was up (+8%) on ICE. Kenyan tea prices fell (-3%) as tea production began to recover from the recent drought, with July volumes up by 8% year-on-year.

Oils & Fats

In general, edible oils fell back slightly this month. Soyabean oil fell slightly in Rotterdam (-1%) but rose on CBOT in the US (+4%), as the 2011/12 US soyabean production forecast was revised 4.6m tonnes lower this month and output is now expected to decline 8.2% year-on-year to 83.2m tonnes. Palm oil fell back in Rotterdam (-1%) and Malaysia (-4%), as Malaysian exports rose by 14% month-on-month in the first 20 days of August. The Indonesian crude palm oil export tax has been maintained at 15% for September. Rapeseed oil fell (-2%) in Rotterdam, but was unchanged (0%) in Argentina. Canada's rapeseed output in 2011/12 is expected to reach a record high of 13.2m tonnes, up from 11.9m tonnes in 2010/11. However this is at the lower end of earlier estimates. Sunflower oil continued its fall in Rotterdam (-3%) and Argentina (-5%), as world sunflower seed production is forecast to reach a record 34.8m tonnes in 2011/12. Palm kernel oil fell (-2%) as did coconut oil (-9%) and olive oil (-2%).

Grains

World grain prices tended to rise in August, due to concerns about tight inventories and crop losses after poor weather in Europe and the US. US maize prices rose (+8%) on CBOT and (+4%) on LIFFE. Supported by the surging price of corn, European wheat prices rose (+6%) on LIFFE and by a similar amount on CBOT. However, durum wheat fell (-3%) on average, aided by improved forecasts from the Canadian Wheat Board, with Canadian durum production currently pegged at

3.9m tonnes, up from 3m tonnes in 2010/11. Malting barley prices rose in France (+2%) and the UK (+13%) as quality concerns have raised the premiums for brewing. Amidst rising demand from the livestock sector for feed, EU feed barley rose (+1%) while oats were up in the US (+5%) and in the UK (+7%) but were unchanged in Finland. For rice, prices rose on supply concerns, with Basmati in Pakistan up (+5%). Vietnamese rice was up (+6%) while Thai rice rose (+8%). US paddy rice on CBOT was also up by (+8%).

Ingredients

Ingredient prices were relatively subdued last month. Raisin prices rose (+1%) on average. Greek currants in Greece were unchanged, although they rose by (+6%) in the UK. Turkish sultanas rose (+1%) while Turkish dried apricots fell (-7%). In nuts, Indian cashews fell (-3%) but Indian walnuts rose (+1%) in the UK. Chinese and Argentine peanut prices were unchanged as were Turkish hazelnuts in Turkey, but hazelnuts rose (+6%) in the UK. Iranian pistachios rose (+1%) and those from the US rose (+4%). US almonds were up (+4%) while Spanish almonds fell (-4%). Desiccated coconut prices fell in the EU (-2%), and tapioca starch was down (-6%) in Thailand. Guar gum rose (+4%) due to continuing high demand. For spices in the EU, black pepper rose (+8%) while white pepper was up (+5%) as a result of high domestic demand and low exportable supply. Nutmeg rose (+1%) on average, cloves were up (+4%) and Indian turmeric was down (-6%). Ginger prices were mostly unchanged, however Brazilian ginger rose (+8%) on low supply. In essential oils, menthol crystals rose (+3%) while cassia oil fell (-8%). Lemon oil from Argentina dropped (-9%) as favourable weather increased Argentinean lemon supply. Honey prices were largely unchanged and the markets have continued to be quiet.

Fruit

Apple prices fell (-7%) on average in the EU, although Golden Delicious increased (+4%) due to reduced volumes before the French season gets underway. Pears also fell (-14%) in the EU as the new season approaches. Grapes rose (+19%) on average. Orange prices fell (-4%) on average in Spain but UK and German orange prices were up (+2%) as volumes are low and there are some quality issues with skin markings due to frosts experienced earlier in South America. Lemons increased by (+10%) in Germany, but fell (-3%) on average in the EU. Banana prices recovered (+6%) in the EU. South American production is ample and demand in the EU tends to be lower at this time of the year. Fresh strawberries (-26%) and raspberries (-21%) were both down in the EU as autumn varieties came into season. Frozen orange juice on the ICE ended down (-16%) due to good Brazilian supply. Apple concentrate in Rotterdam was steady.

Vegetables

With slow demand and ample volumes, processing potato prices were down (-19%) seasonally in August in the EU. However, some quality issues have affected the new season's supply and shelf life is reported to be slightly reduced by thin skins. Celery was down in the EU (-5%), with this season's volume and quality reported to be good. Salad peppers meanwhile rose (+20%) on average in the EU on high demand. Tomatoes were down (-3%) overall in the UK, with salad and cherry varieties down (-19%) but beef and plum varieties up (+12%). Carrot prices dropped (-4%) and onions ended down (-17%) with plenty of high quality supply reported in the new season crop. Beans were up on average (+3%) along with peas and broccoli which both rose (+17%). Cauliflower and leek prices were down (-14%) while mushroom prices ended up (+3%) on average in the EU.

Meat & Poultry

Beef prices fell back (-4%) in liveweight cattle futures on CME in the US, while South American liveweight beef prices were mixed with Brazilian cattle down (-1%) but Uruguayan up (+1%). EU beef deadweight prices rose in general, with German (+3%), French (+4%) and UK (+3%) beef all up. New Zealand lamb fell slightly (-1%), with EU heavy deadweight lamb down a little more (-2%). Lamb prices fell in the UK (-4%), Ireland (-2%), and the Netherlands (-4%) but rose sharply in Germany (+9%) and were also up in Spain (+3%). Lamb production in the EU is on a par with last year, but mutton production has increased sharply and was 17% higher over the first five months of the year. EU deadweight pork reference prices were down on average (-1%) with German (-2%) and Polish (-4%) prices down more. The seasonal trend of falling prices after summer has combined with a strong supply of pigmeat with the release of stocks from the EU Private Storage Aid Scheme in both July and August. EU piglet prices also continued to fall (-6%). Deadweight chicken prices in the EU rose (+1%). Brazilian liveweight chicken prices were stable over the month (0%), whilst Thai ex-farm prices fell (-5%). Chinese market prices for chicken strengthened (+2%). For fish, Norwegian farmed Atlantic salmon have fallen back (-1%) as a result of increase Chilean supply. Haddock prices fell (-6%) due to large stocks reported in the Barents Sea.

Milk & Dairy

EU dairy prices strengthened slightly in August, as EU milk supply began to show a slight seasonal decline. The southern hemisphere milk production season is now getting underway, but most early season production is committed, due to strong Asian demand for dairy products. Fresh milk in the EU was up (+1%) on average but fell (-5%) on CME in the US. Butter fell (-2%) in both the EU and on CME but was steady in New Zealand. Cream fell (-7%) in the UK but rose (+2%) in Poland. UK cheddar was unchanged, while Edam rose (+5%) in the EU. Emmental fell (-1%) in Germany and the price of Brie and Camembert in France was unchanged. For powders, demand in Asian continued to be high and SMP prices rose (+5%) in New Zealand but fell back in Belgium (-5%) and France (-2%). However, feed SMP rose (+5%) in the Netherlands and Germany (+3%). Declines were seen in EU WMP (-2%), although New Zealand origin rose (+4%) due to high Asian demand. Whey powder was unchanged in the EU but fell (-1%) in the US. EU egg prices strengthened (+3%) as laying continued to drop seasonally and EU processing eggs also rose (+6%).

Energy

Crude oil prices were very volatile in August over worries about EU government debts and the US economic climate. Brent crude prices on ICE rose (+1%) but light sweet crude on NYMEX was down (-3%). EU prices for diesel were stable on improved regional supply, but petrol prices moved up (+2%) seasonally on the increased summer demand for motoring. Natural gas futures rose on ICE London (+14%) as Europe continues to compete for supplies of LNG with Asian buyers, and maintenance is expected in September at Troll, Norway's biggest gas field. Gas prices on NYMEX also rose (+4%). Prices for coal were up (+3%) in Europe on expectation of increased winter demand as Germany pulls back from nuclear power generation. Electricity prices rose sharply in Europe (+28%) supported by rising fossil fuel costs.

Chemicals & Plastics

EU plastic feedstocks were mixed over the month, following the volatility of crude oil. EU naphtha prices dipped but then recovered and ended steady over the month. Ethylene (+2%) and paraxylene (+6%) rose but propylene continued to fall and was down sharply (-22%). Also in the EU, HDPE (-6%), LDPE (-7%), LLDPE (-8%), and PP (-6%) were all down over the month. Asian plastics markets continued to be stronger with PP (+2%) and PS (+1%) both up. Outages in Asia due to both scheduled maintenance and technical difficulties in Formosa Plastics Group's plant in Taiwan increased Asian demand. Fertiliser prices were mixed, with US urea (+2%) up but diammonium phosphate down (-5%).

Pulp & Paper

Delivered NBSK pulp declined in Europe (-3%) as markets were subdued during the holiday period with EU pulp consumption in July down 3% year-on-year. Delivered NBSK also fell in the US (-4%) and on the CME (-1%). Global producer pulp deliveries fell 11% in July to 3.2m tonnes. BHK prices also fell in the EU (-4%), US (-2%) and China (-4%). Global producer pulp inventories rose to 39 days supply in July, 5 days more than in the previous month and 6 days up on last year. The packaging sector weakened on worries of slowing growth of global manufacturing. Declines (-1%) were seen in the EU prices for testliner and fluting, while kraftliner was unchanged. European newsprint prices increased slightly (+1%).

Metals

Base metals prices have declined on the LME over worries about global demand prospects as new export orders from top consumer China have declined and manufacturing activity in Europe has weakened. Drops were seen in the prices of copper (-4%) and aluminium (-4%) as end-use demand fell, particularly from the automotive sector. Tin (-10%), nickel (-8%) and zinc (-4%) were also all down on the LME, however lead prices remained steady. Prices for hot (-1%) and cold (-1%) rolled steel also edged down in Europe as activity remained subdued in the summer holiday period. Steel prices fared better in China with both hot (+1%) and cold (+2%) rolled steel up as iron ore prices continued to rise (+2%).

Others

Dry Baltic Index (+29%), Gold London (+9%), Cotton ICE (+2%), Wool (UK) (-3%), Uranium (-4%)