

February 2011 Market Report

Sharp price increases were seen in the dairy sector supported by the tight supply situation in the world market, with prices nearing the peaks of 2007. Crude oil prices saw strong gains with sentiment affected by the political unrest in Libya as the conflict between the population and government worsens.

Up	Down	
SMP (FR)	+18%	Sugar (LIFFE) -10%
HDPE (EU)	+17%	Wheat (MATIF) -8%
Brent Crude (ICE)	+13%	Almonds (US) -8%
Arabica Coffee (ICE)	+12%	Rapeseed Oil (R?dam) -5%
Pork (DE)	+10%	Tea (KY) -5%
Frozen Orange Juice Conc (ICE)	+5%	NBSK (EU) -1%

Soft Commodities

Continuing worries about the future Ivorian supply led cocoa bean prices to rise (+8%) on LIFFE. Despite an expected increase in smuggling into Ghana, a ban on exports sought by the Ivorian opposition has seen increasing international observance and was extended for a further month to run until 15th March. Cocoa butter and powder prices rose slightly (+1%) in the UK. Coffee prices continued to rise on resilient demand and low global stocks, with Arabica up (+12%) on ICE and Robusta up (+11%) on LIFFE. Raw cane sugar prices on ICE fell (-11%) on good expectations for the Brazilian cane crop after beneficial rain, while refined white sugar fell (-10%) on LIFFE. Indian tea prices were down (-4%) on average, with auction prices in the north falling (-10%) after good weather but rising (+6%) in the south as dry weather there slowed growth and limited supply. Sri Lankan tea prices rose (+3%) after some localised flooding. Tea prices in Kenya fell (-5%) despite low volumes, as a result of dry weather, high prices and political upheavals in Egypt and the Middle East causing a fall in demand.

Oils & Fats

Vegetable oil prices trended downwards in February influenced by slightly better than expected oilseeds outlook in the coming months. Soyabean oil prices were mixed with increases in Rotterdam (+5%), but declines on CBOT (-3%) as South American crop prospects have improved following rains in Argentina; output in the region is now expected to be higher than previously anticipated which should help to alleviate supply tightness. Rapeseed oil prices continued to fall (-5%) in Rotterdam following declines seen in competitive oils and added pressure from large Australian rapeseed supplies coming to the EU. Sunflower oil fell (-3%) in Rotterdam, while prices fell further (-6%) in Argentina due to improvements in crop prospects for 2011. Riots in North Africa have also affected import demand. Palm oil fell (-3%) in Rotterdam as supply is expected to improve from April onwards due to a weakening effect of La Niña, which has disrupted affected supply and transport. Olive oil rose (+2%).

Grains

Maize prices continued to increase (+5%) on CBOT due to strong US grain export demand adding extra pressure on quality supplies. Maize production in Argentina was revised downwards in February by 1.5m tonnes to 22m tonnes in 2010/11. In the EU wheat prices fell sharply on MATIF (-8%) and on CBOT (-10%). Wheat trade in the EU has seen the removal of import duties of EUR 12 per tonne on low and medium quality wheat until the end of June; this will help to alleviate tight supplies seen in feed and low quality wheat. Barley prices were mixed, with increases for feed quality (+3%) but declines for malt quality (-5%). Increased animal feed demand has reduced 2010/11 stocks now pegged at 8m tonnes. In general 2011/12 crops are in relatively good condition. Rice prices ended up for Thai origin (+3%) supported by strong Asian

demand, while basmati was unchanged (0%). Durum wheat rose fell (-4%) for Italian origin as high prices have curbed demand.

Ingredients

Demand for dried fruit was more subdued last month, and despite some low southern crops expected this year, South African raisins fell seasonally (-1%). Sultanas rose (+5%), Californian raisins were up (+3%) and Greek currants rose slightly (+1%). Dried apricots fell (-7%) in Turkey, on lower US demand. For nuts, Indian cashews rose (+2%), peanut prices were largely unchanged (0%), while those of China in the EU fell (-1%). Iranian pistachios fell (-3%) while the US pistachios were (-6%) lower. US almonds fell (-8%) on good supply while Spanish almonds fell slightly (-1%). Desiccated coconut prices rose sharply (+10%) on insufficient supply. For spices, weather in South East Asia has been very poor and demand from India and China continues to be strong, Black and white pepper in the EU rose (+2%). Increases were also seen for chilli (+14%), cloves (+4%), nutmeg (+3%) and cumin (+1%). Helped by good arrivals from India ginger fell (-2%) and cardamom fell (-13%). Mexican honey from Yucatan rose (+4%) while other origins were unchanged.

Fruit

EU apple prices were largely unchanged (-0%) in February as stocks stabilise in the continent and the southern hemisphere crops have started to come through. However, sharp increases were seen in the industrial sector, with Polish industrial apple prices sharply up (+18%) as production is dramatically low this season. Oranges saw prices increases this month with rises in the EU (+5%), Florida (+8%) and also in Brazil (+1%), the main producers of oranges. Bananas rose again in Germany (+16%) but have dropped dramatically (-22%) in the UK. Supplies are tight due to ongoing weather problems in Central America and an outbreak of sigatoka, a leaf spot disease of banana plants, in the Dominican Republic just before Christmas. Lemons ended down (-21%) on average in the EU as well as limes (-25%) in the UK, quality and supply is reportedly good. Grape prices were slightly down (-1%) in the EU as were pears (-1%). Frozen orange juice climbed (+5%) on the ICE where as prices in Rotterdam remained stable (0%). EU apple concentrate prices were again unchanged (0%).

Vegetables

Potato prices increased slightly (+1%) in the EU and also rose (+12%) in the UK as prices continued to reflect strong demand seen in the market. In the continent, first early potatoes for the fresh market have been planted, whilst in the UK wet weather continues to delay progress on early crop planting. Carrots were up (+10%) in the EU as supplies begin to tighten due to lost stocks from earlier frosts. Tomato prices rose sharply (+13%) on average as supply and quality fell due to unfavourable weather in the main growing regions. Onions prices continued to rise due to the lower than normal harvest yields this season and ended up (+3%) on average. Mushroom prices dropped (-5%) in the EU. Salad vegetable prices rose in general on average in the EU due to setbacks from adverse weather during growing seasons, with increases seen in lettuces (+11%), peppers (+2%), and cabbage (+13%). Sprouts fell (-5%) in the UK, while they rose (+9%) on average in France and Germany.

Meat & Poultry

South American beef prices rose over the month with cattle from Argentina (+6%), Uruguay (+6%) and Brazil (+3%) all up. Supplies were tight as slaughtering rates fell while there were ongoing increases in export demand. EU deadweight beef prices generally continued to rise with increases seen in the Netherlands (+5%) and Germany (+3%). However, UK beef fell (-4%). EU deadweight pork reference prices rose (+6%) on average with German prices (+10%) and Dutch prices (+8%) both recovering significantly from last month. The Private Storage Aid scheme introduced by the EU has supported the market and has now been suspended as of 21st February. Roughly 143,000 tonnes of pigmeat were entered into the scheme with an even split for different storage lengths. EU piglet prices also rose (+22%). New Zealand lamb rose (+5%), while domestic EU heavy deadweight lamb prices fell slightly (-1%). Average light deadweight EU lamb prices continued to fall (-5%). Deadweight chicken prices fell in the Netherlands (-1%) and Belgium (-2%) but were stable in Germany, Ireland and rose in the UK (+1%). For liveweight chicken, Brazilian prices rose (+8%) as did Thai ex-farm prices (+7%), whereas Chinese market prices were down (-12%). Norwegian salmon fell (-5%).

Milk & Dairy

Dairy prices have continued to rise since the start of the year, with butter and milk powders in particular increasing sharply and reaching the highest levels since the peaks seen in autumn 2007. Butter rose (+10%) in the EU due to a very tight supply situation as there are no available EU Public stocks with private stock levels down almost to zero. SMP prices continued to rise sharply over the past month, with the largest increases seen in France (+18%), Germany (+15%) and Belgium (+14%). Concerns about supply are currently helping to fuel the price rises in dairy products, with availability from Oceania very limited; this situation is expected to continue until milk production there rises seasonally in August/September. WMP has followed the same price trend with prices increasing (+15%) in the EU mainly driven by strong export demand. Whey powder experienced sharp rises in the EU (+27%) due to very tight supply. UK cheddar prices increased (+3%), German edam was up (+2%) and Italian grana padano rose (+6%). Egg prices were unchanged (0%) on average in the EU, while egg for processing rose (+10%).

Energy

Crude oil prices continued to rise fuelled by concerns that political unrest spreading in Middle East would disrupt global oil supply, with increases seen for both Brent crude oil (+13%) and light crude oil (+12%) on NYMEX. Recent turmoil in Libya, a mid-size OPEC producer, prompted major oil companies to suspend operations in the country. Increases were seen in Europe for diesel (+12%) and unleaded petrol (+17%) reacting to crude oil price increases. Electricity prices movements were subdued with EU prices slightly down (-1%). Prices for natural gas remained unchanged (0%) on ICE due to seasonally low demand. Coal prices rose (+6%) as delays in deliveries from Australia persisted; production has also been low in Indonesia, South Africa and Colombia due to heavy rains.

Chemicals & Plastics

Plastic prices continued to rise last month due to sharp increases seen in crude oil and feedstock. Plastic prices rose strongly in Europe with HDPE (+17%), PP (+17%), LLDPE (+11%), LDPE (+9%), and PVC (+1%) all up. In Asia price rises were slightly more subdued, as efforts to curb inflation have grown, with rises seen in PVC (+5%), PP (+4%), LLDPE (+3%), HDPE (+2%) and LDPE (+2%). For feedstock, ethylene spot prices rose in the EU (+15%), US (+13%) and Asia (+5%). Toluene was unchanged in Asia (0%) but rose in the EU (+3%). Xylene fell (-1%) in Asia and was unchanged in the EU (+0%). Benzene rose in Europe (+10%) and in Asia (+1%). Naphtha prices rose (+1%) in the US and EU while methanol rose (+1%) in Asia and (+2%) in the EU. For fertilisers, sulphur was unchanged, urea fell (-1%) and diammonium phosphate rose (+2%) in the US.

Pulp & Paper

Delivered NBSK pulp remained unchanged in the US (0%) while European NBSK pulp prices edged lower (-1%). Prices for most packaging grades in Europe continued the trend of gradual increase with rises seen in testliner (+3%) and fluting (+4%), whereas kraftliner was unchanged (0%). Paper prices rose as producers had to absorb further costs rises notably in starch, adhesives and transport. Increases were seen in EU newsprint prices (+11%) as well as UK LWC prices (+5%) and UK corrugated waste (+8%). Recovered paper prices were rising across the EU, with increases seen in Germany (+18%) and UK (+2%).

Metals

Prices for base metals remained strong on the LME helped by improving demand from end-markets, notably mechanical engineering and transport. The largest increases were seen in tin (+11%), zinc (+10%) and nickel (+8%) on continued supply concerns. Aluminium prices rose (+6%) on the LME, supported by recovering manufacturing demand and cutbacks in China's production. LME Copper prices continued to rise (+2%), albeit at a slower pace than other metals on LME. Steel prices surged helped by rising feedstock costs with increases seen in the EU for hot rolled (+14%) and cold rolled coil (+17%). Iron ore prices were up (+5%) in China and prices remain at record high.

Others

Rubber EU (+8%), Cotton US (+9%), Wool AU (+9%), Silver LME (+23%), Baltic Panamax Index (+30%).