

January 2011 Market Report

Grain prices continued their upward trend supported by increased import demand from North African states to secure supplies as a result of the political instability in the region. The instability helped crude oil prices reach USD 100 a barrel as did strong demand and better results for the world economy.

Up	Down
SMP (DE) +13%	Eggs (EU) -6%
Cocoa Butter (UK) +11%	Rapeseed Oil (R?dam) -5%
Wheat (CBOT) +11%	Deadweight Pork (EU) -5%
Brent Crude Oil (ICE) +10%	Zinc (LME) -5%
PP (Asia) +6%	Pulp (NBSK) -3%
Sugar (LIFFE) +6%	Rice (TH) -2%

Soft Commodities

Cocoa bean prices rose (+6%) on LIFFE amidst confusion about the scope and duration of a potential export ban proposed by the Ivorian opposition. There were deepening worries about the prospects for sustained future cocoa supply. In the UK, cocoa butter rose (+11%) while cocoa powder fell (-3%) as increased butter demand led to an increase in grindings and a consequent rise in the available powder supply. Coffee prices trended upwards with Arabica up (+3%) on ICE and Robusta up (+5%) on LIFFE. Growing world coffee demand and poor weather in Latin America and South East Asia has continued to limit coffee supply. Raw cane sugar prices rose (+7%) on ICE while refined white sugar was up (+6%) on LIFFE due to worries about demand rising in 2011. The Indian government suspended the release of 0.5m tonnes of sugar for export due to fears of food inflation. Kenyan tea prices rose (+3%) due to drought affecting tea plantations; tea prices from India and Sri Lanka were down (-3%) as improved weather proved more favourable for tea production after unseasonably heavy rains.

Oils & Fats

Soyabean oil fell (-3%) in Rotterdam supported by the record soyabean crop expected in Brazil and good rainfall experienced in Argentina; however, soyabean oil prices rose (+5%) on CBOT as lower US crops led to a downward revision in the global soyabean production forecast for 2010/11 of 2.3m tonnes to 255.5m tonnes. Rapeseed oil prices ended lower (-5%) in Rotterdam on pressure from global oilseed markets. Industrial demand has also been affected by record high prices as biodiesel prices are now at a premium compared with fossil fuels. Sunflower oil fell (-3%) in Rotterdam, whereas prices rose (+2%) in Argentina due to strikes limiting supply. Palm oil fell (-3%) in Rotterdam as current high prices are reported to be rationing demand. The weakening soyabean complex has also had an effect on palm oil prices. Olive oil fell (-2%) as global output is expected to be 1% up on last season's levels.

Grains

Sharp price increases were seen in grains, influenced by strong import demand from the key importing regions of North Africa that are trying to secure supplies amidst the latest political turmoil seen in some countries. In the US, wheat prices rose sharply (+11%) on CBOT due to strong foreign demand as Argentina's supply is temporarily unavailable due to port strikes. In the EU wheat prices rose (+6%) on MATIF and ended slightly up (+1%) on LIFFE. Maize prices continued to rise (+7%) on CBOT supported by tighter fundamentals after the crop forecast in Argentina was reduced sharply due to drought. The latest rainfall in Argentina came too late to help the maize crop. Barley prices rose further (+5%) in the EU due to strong demand as supplies tighten globally. Barley intervention stocks sold by the EU Commission totalled 1.5m tonnes as of January; a further 1.2m tonnes remain in intervention. Rice prices trended downwards (-2%) in Thailand as the government released stocks to the market. Durum wheat rose sharply (+15%) for Italian origin as supply remained very tight.

Ingredients

Dried fruit demand increased last month and Turkish dried apricots rose (+11%) on low supply. Turkish sultanas (+4%) and Greek currants rose (+2%). Californian raisins fell (-2%) helped by a weaker USD while South African raisins fell (-3%) as harvests there are from January until March. For nuts, Argentinean peanuts rose (+23%) as drought has hit supply, whilst other origins were unchanged (0%). Iranian pistachios rose (+3%) and cashew nuts in the UK were up (+2%). US almonds fell (-3%) as California has had a good crop. Desiccated coconut prices continued to rise (+16%) due to difficulties in obtaining sufficient coconut supply. For spices, white pepper in the EU was unchanged (0%) while black pepper rose slightly (+1%). Cardamom rose (+14%) on continuing low Guatemalan supply and the price of cloves was up (+2%) due to a poor crop in Indonesia and a rain soaked Sri Lankan crop. Ginger prices rose (+10%) as the crop from Brazil is low and there is strong Indian and Chinese demand for the limited available supply. Australian honey rose slightly (+1%) and other origins were largely unchanged (0%).

Fruit

EU apple prices rose slightly (+2%) as production and stocks across Europe have been reported well down this season. EU pears rose (+2%) as EU pear production is forecast to be down 16% in 2010/11. Orange prices fell (-5%) in the EU, with the largest declines (-7%) seen in Spain due to good supply. Banana prices rose sharply again this month (+26%) on average in the UK and Germany due to poor weather in the main banana-producing countries. Hurricane Tomas affected the Dominican Republic, while Costa Rica and Colombia suffered flooding and heavy rains. Lemon prices fell on average (-7%) as fruit from Spain is coming through and in good quality. Lime prices rose (+21%) in the EU and grapes also rose on average (+9%). Frozen orange juice concentrate prices ended up slightly (+1%) on the ICE NY due to concern over potential damage caused by frost and cold temperatures that affected orange groves in Florida during December. Apple concentrate prices were again unchanged (0%) but remained firm in Rotterdam due to very tight supply.

Vegetables

EU potato prices rose sharply (+17%). Strong export demand to Eastern Europe has continued into the New Year, with exporters increasing prices to secure supplies. Processing potatoes on the German Eurex were up slightly (+1%). UK potato prices ended up (+4%) in the UK, with the largest movement seen in Maris Pipers which were up (+20%) due to limited supplies and firm demand in early January. Tomato prices rose (+17%) in the UK as Spanish supply is reported to be short. Onion prices rose (+4%) in EU as yields have been smaller than in previous years and supply is expected to tighten for UK and Dutch produce; demand is also reported to be good. Carrots saw mixed movements this month with increases in Germany (+8%) and Poland (+5%) while UK prices fell sharply (-15%) as straw-covered stocks are in use. Other countries were left badly affected by the earlier cold spell. German leek prices rose (+6%) due to frost and snow in December although they were down on average (-14%) in the EU.

Meat & Poultry

South American beef prices were mixed over the month with declines seen for cattle from Argentina (-2%), rises for Uruguay (+5%) and a stable Brazilian market (+0%). EU deadweight beef prices generally continued to rise with increases seen in Ireland (+8%), Belgium (+2%) and the UK (+4%) as demand picked up from both inside the EU and also externally with good levels of demand from Turkey. EU deadweight pork reference prices fell (-5%) on average with German prices (-22%) and Dutch prices (-14%) both down significantly. The dioxin contamination in animal feed in Germany has led to a sharp decline in consumer demand and this has left the market over-supplied. In order to support the market, the EU has introduced Private Storage Aid for pig meat. No end date for the Private Storage Aid has yet been announced. EU piglet prices also fell (-9%). New Zealand lamb rose (+3%), as did domestic EU heavy deadweight lamb prices (+1%). Average light deadweight EU lambs continued to fall (-8%). Deadweight chicken prices fell in the Netherlands (-1%) and Spain (-3%) but were stable in Germany, Ireland and the UK. Broiler prices rose in France (+4%) and were up sharply in Poland (+9%). For liveweight chicken, Brazilian prices fell (-10%) but Thai ex-farm prices were up (+2%). Norwegian salmon fell (-6%).

Milk & Dairy

EU dairy prices remained high influenced by strong export demand as prices in world markets have remained above last

year's levels. SMP saw sharp increases with prices up in Germany (+13%), France (+12%) and New Zealand (+12%). SMP supplies are reported to be tight, mainly due to higher exports and stronger demand from the animal feed sector. Around 96,000 tonnes of old SMP stocks remain in intervention as of January 2011. WMP also saw similar price increases in Germany (+12%), Belgium (+11%) and France (+9%). Butter prices rose (+4%) in both Germany and the Netherlands due to tight supply seen in the international market. The NZ's Fonterra auction prices ended higher in January as production in New Zealand during December is estimated to have fallen by 6% to 7% year-on-year due to drought; this is likely to bring an early end of the season to NZ's milk year. Whey powder rose sharply in the UK (+12%) and the Netherlands (+7%) due to strong export demand. UK cheddar prices were unchanged (0%), German Emmentaler was up (+1%) and Italian Parmesan rose (+2%). Egg prices were generally down (-6%) in the EU, while liquid egg prices were also down (-5%) as the market remains oversupplied.

Energy

Brent crude oil prices were up (+10%) on ICE as demand remained robust and speculation rose that Egyptian unrest could threaten key oil shipments. NYMEX light crude oil was up (+4%); the slower rate of rise was due to rising inventory levels in the US. EU diesel prices were up (+10%) supported by the rising cost of crude oil. The price of unleaded petrol was also up (+1%). EU electricity prices rose (+8%) helped by expansion in manufacturing activity in Eurozone. Natural gas prices fell (-6%) on the ICE. Coal was down (-4%) in the EU as prices were correcting after the impact of Australian floods.

Chemicals & Plastics

Plastic price rises were seen in Asia, as feedstock prices continued to climb on the back of strengthening prices for crude oil, with increases seen for HDPE (+3%), LDPE (+5%), LLDPE (+2%), and PP (+6%). Asian PVC however was unchanged (0%). However, plastic prices were broadly unchanged in Europe for HDPE, LDPE, LLDPE, PP and PVC all (0%). For feedstocks, ethylene spot prices rose in Europe (+12%), Asia (+8%) and in the US (+5%). Toluene rose in the EU (+14%) and in Asia (+6%) while xylene rose in Asia (+3%) and in the EU (+1%). Benzene rose in Europe (+12%) and in Asia (+18%). Naphtha prices were up in the EU (+7%) and in the US (+4%) while methanol fell in Asia (-9%) and in the EU (-5%). For fertilisers, sulphur was unchanged, urea rose (+1%) and diammonium phosphate rose (+2%) in the US.

Pulp & Paper

Global pulp shipments in 2010 increased by 0.3% from 2009 levels to reach 41m tonnes. Delivered NBSK pulp rose in the US (+4%) in January while European NBSK pulp prices fell (-3%). There were noticeable changes in shipment destinations in 2010 with strong growth to the US, up 6%, and Eastern Europe, up 17%, whilst there was a decline to Asian countries. Shipments to China were down 17.5%. EU paper prices were stable, with newsprint, reels and paper sheets all largely unchanged (0%). Cartonboard prices recovered slightly in the EU with kraftliner (0%), testliner (+1%) and fluting (+3%).

Metals

LME base metal prices showed mixed results due to uncertainty surrounding China's economic tightening measures and Chinese New Year holidays. Copper prices continued to rise (+3%) reaching record highs on the LME supported by the tight supply-demand balance and positive manufacturing data from UK, US and the EU. Also on the LME, increases were seen in nickel (+7%), tin (+5%) and aluminium (+3%); however price falls were seen in zinc (-5%) and lead (-5%). Steel prices have strengthened in the EU helped by rises in raw material costs with increases seen for hot rolled (+3%) and cold rolled (+4%). Prices for iron ore were up in China (+7%) amidst restocking before Chinese holidays and fresh concerns over export ban from India. The Chinese HR steel coil benchmark rose sharply (+10%), with the CR coil benchmark also up (+5%).

Others

Rubber TH (+17%), Cotton US (+15%), Wool AU (+12%), Viscose Asia (-10%), Baltic Capesize Index (-38%).