

June 2011 Market Report

Much-needed rain helped alleviate dry conditions in the EU prompting falls in the grain and oilseed markets. Calmer conditions have been seen in ingredients, fresh fruit and vegetables after disruption caused by an E.coli scare. Crude oil fell following the release of stocks to counter the loss of Libyan supply.

Up		Down	
White Sugar (LIFFE)	+13%	Milling Wheat (LIFFE)	-15%
Processing Eggs (EU)	+13%	Farmed Salmon (NO)	-14%
Beef (CME)	+8%	Electricity (EU)	-11%
Rice (TH)	+7%	Palm Oil (R'dam)	-7%
Wool (UK)	+6%	Platinum (LME)	-6%
Whey Powder (EU)	+5%	SMP (NZ)	-5%

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

Soft Commodities

World sugar prices rose last month due to low global inventories, and crop worries and shipping delays in Brazil. Refined white sugar rose (+13%) on LIFFE while sugar prices were up (+20%) on the US Intercontinental Exchange (ICE). The price of molasses in the EU however was unchanged (0%). Cocoa bean prices rose by (+7%) on LIFFE in the UK and were up by (+5%) on ICE in the US as the current harvest in Ivory Coast is nearing its end and with strong EU demand there has been a drop in available supply. Cocoa butter rose (+2%) in the UK while powder was up (+3%). A surprise frost in Brazil caused Arabica prices to rise slightly (+1%) on ICE whilst Robusta prices on LIFFE fell (-5%) due to current good Vietnamese supply. Sri Lankan tea prices rose (+3%) after reports that tea production there fell 5.3% to 32.1m kg in May, compared to 33.9m kg in the same month last year. Kenyan prices were up (+2%) on growing drought concern. Poor rainfall caused Kenyan tea production to fall 18% between January and May to 149.5m kg.

Oils & Fats

Edible oils fell in general over the month, following the drop in crude oil. Sunflower oil was down in Rotterdam (-3%) and Argentina (-2%), with global output forecast to rise 9% to 33.8m tonnes in 2011/12. Rapeseed oil prices fell (-5%) in Rotterdam, but rose (+3%) in Argentina. In the EU, June rains arrived too late to be of much benefit to the rapeseed crop, which had been damaged by dry conditions this spring. The crop forecast was revised down to 18.8m tonnes, a 9% decline on last season. Soyabean oil prices fell in Rotterdam (-2%), and on CBOT in the US (-5%). Improved weather in the US gave a much-needed boost to the soyabean planting progress, with 97% of soyabeans sown as of 26 June, one percentage point above the five-year average. Palm oil fell in Rotterdam (-7%) and Malaysia (-7%), as output is expected to increase 6% to 50.3m tonnes in 2011/12. In Rotterdam, palm kernel oil fell sharply (-22%), as did coconut oil (-17%), with world production likely to recover in 2011/12. Lampante olive oil was unchanged (0%).

Grains

Grains generally weakened over the month with the arrival of rain throughout the EU, the announcement of the removal of Russian grain export bans from 1 July, and the surprisingly high forecast by the USDA for US maize planted area. US maize area is now estimated at 92.3m acres, up 1.6m from earlier figures. Maize prices fell on CBOT (-7%) and MATIF (-10%) in France. Wheat prices also fell on LIFFE (-15%) and CBOT (-17%). World wheat production is expected to be the third largest production on record, despite having been revised 5.2m tonnes lower for 2011/12 to 664.3m tonnes; still up 16.1m tonnes from 2010/11. Durum wheat prices rose sharply (+34%) in Canada due to a sharp fall in planting in the northern states of the US and Canada caused by the earlier wet weather. EU malt barley prices fell (-14%), with barley feed down (-

5%). Oats fell in the US (-10%) and Finland (-18%). US paddy rice on CBOT fell (-8%), as did Vietnamese (-3%) but Thai rice rose (+7%) on political instability. Basmati rice prices were up (+1%).

Ingredients

Dried fruit prices were relatively calm in June. Raisin prices were unchanged on average, while Greek currants were up (+1%). Turkish sultanas fell (-1%), though Turkish dried apricots were down (-9%) on expectations of good supply. Prices for Indian cashew nuts rose (+12%) as a very poor harvest in Brazil has lowered global supply. Argentine peanut prices fell (-4%) on good South American crops, although a lack of peanuts elsewhere is a concern. Hazelnuts were unchanged, while walnuts rose (+5%) and Iranian pistachios fell (-4%). US almonds, which had previously fallen in price on good crop expectations, were up (+16%) last month on strong export demand and rising domestic sales. Spanish almonds also rose (+2%). Desiccated coconut prices were unchanged in the UK, but rose in Sri Lanka (+2%) and fell in Indonesia (-2%). For spices, black pepper in the EU was unchanged while white pepper in the EU fell (-1%). On average cardamom and nutmeg rose (+7%), with cloves also up (+1%) but Indian turmeric was down (-1%). Brazilian ginger fell (-15%) on a good crop. Guar gum rose (+4%) as a result of strong demand and low Indian supply. In essential oils, both sandalwood oil from Indonesia (+9%) and cedarwood oil from China rose (+8%). Honey from China rose (+1%) while that of Argentina fell (-1%).

Fruit

Eating apples ended up slightly (+2%) in the EU this month, despite good arrivals of Chilean and South African supply. Industrial apples decreased sharply (-33%) in Poland as after last's year's poor crop a good apple harvest is expected there this year. Oranges rose slightly (+1%) on average in the EU, with much sharper increases seen in Florida where prices rose seasonally (+11%). Banana prices continued to fall, down (-9%) on average in the UK and Germany, helped by good West African supply. Spanish melons are coming through in good quality, with prices down (-26%) on average. Lemons in the EU rose seasonally (+5%) as we move from Spanish to Argentinean produce. Limes dropped (-19%) as Brazilian quality is reported to be excellent. Strawberries dropped (-16%) in the EU as they came into season a few weeks early this year due to warmer than usual weather. Frozen orange juice in New York rose (+5%) while a slight decrease (-2%) was seen in Rotterdam. Apple concentrate prices fell (-1%) in the EU.

Vegetables

Processing potato prices fell (-11%) in the EU on anticipation of good crops in the coming season. Ex-farm prices fell in the UK (-7%) and Poland (-4%) but wholesale prices rose over the month in the Netherlands (+4%). Conditions in the EU have been very dry and irrigation has been in operation where possible, but recent rains have been benefiting yields. Carrots ended down on average (-6%) last month. Cucumbers rose (+25%) in the UK and Germany due a recovery in demand after earlier health scares. Further falls however were seen in salad peppers, down (-19%) on average due to good Dutch supply. Cauliflowers fell (-36%) and broccoli was down (-16%) in the EU due to growth in new season supply. Tomatoes fell seasonally in mainland Europe but rose in the UK (+12%) as demand recovered after the E.coli scare.

Meat & Poultry

Beef prices rose (+8%) in liveweight cattle on CME in the US, while South American liveweight beef prices were more mixed, but averaged up (+7%) with those in Argentina sharply up (+13%). Prices fell in Brazil (-3%). Russia, the main export market for Brazilian beef, banned imports of meat originating from three Brazilian states, citing poor sanitary conditions. EU beef deadweight prices fell (-2%). New Zealand lamb rose (+2%), while EU heavy deadweight lamb fell seasonally (-13%), relieving some of the upward pressure felt earlier this year because of tight supplies. Prices dropped in the UK (-19%), Ireland (-16%), Netherlands (-8%) and Germany (-7%), but rose in Austria (+5%). EU deadweight pork reference prices were up slightly (+1%) on average with Polish (+7%) and German (+3%) prices up more. However, EU piglet prices fell (-6%). Deadweight chicken prices in the EU rose (+1%). Brazilian liveweight chicken prices rose (+6%), whilst Thai ex-farm prices fell (-13%) after reported cases of bird flu in the country. Chinese market prices for chicken strengthened (+6%). For fish, Norwegian farmed Atlantic salmon continued to fall steeply (-14%) due to oversupply and overproduction, especially in Chile which is trying to recover from the devastation caused to their industry by fish disease a couple of years ago. Haddock prices were unchanged (0%) but plaice went up (+17%).

Milk & Dairy

EU milk production has been up year-on-year every month so far this year, with production reaching the seasonal peak in May due to the earlier than usual spring. There are some concerns that EU production will be over quota for 2010/11. World SMP prices varied, rising in the EU (+1%) on average but down in the UK (-5%). New Zealand origin also fell (-5%) and US SMP prices were lower (-5%). Feed SMP prices fell in the Netherlands (-2%), Germany and France (both -1%). WMP prices rose in the EU (+2%) but fell in New Zealand (-4%). EU demand for butter remains strong and the high returns available are likely to divert milk away from cheese production. Butter rose in the EU (+2%) and New Zealand (+2%), but fell on CME in the US (-6%). Whey powder fell in the US (-8%) but was up in the EU (+5%). EU cheese production is still expected to grow in 2011, despite more butter being produced. Cheddar prices ranged from unchanged in NZ and UK (0%) to a rise in the US (+8%). Egg prices began to recover in the EU (+2%), with EU eggs for processing up more strongly (+13%).

Energy

Crude oil prices weakened last month after the International Energy Agency agreed to release 60m barrels of its strategic oil reserves to ease the supply situation. Downward pressure was also felt as concerns mounted over the slowing Chinese and US economies which could potentially reduce demand for crude oil. Brent crude in London and light sweet crude on NYMEX were down (-1%) and (-6%) respectively. Those price falls have been passed down to road fuels, with declines witnessed in both petrol (-6%) and diesel (-2%) prices in Europe. Natural gas futures were down on ICE London (-3%) and NYMEX (-8%). Prices for coal were unchanged in Europe (0%). Electricity prices fell in general across Europe (-11%) on milder weather and a good supply of nuclear and renewable energy.

Chemicals & Plastics

European plastic feedstock prices have weakened due to ample supply. Falling crude oil pushed down naphtha (-7%), which in turn led to sharp decreases in ethylene (-14%), propylene (-4%) and paraxylene (-15%). HDPE fell in Asia (-2%) and the EU (-3%), and declines were seen in the LDPE market in Asia (-2%) and Europe (-3%) as buyers held back purchases, waiting for lower prices. PP prices were down in Asia (-2%) and the EU (-2%). PET fell in the EU (-5%) and the US (-3%) due to increased supply and plentiful Asian imports. ABS rose (+5%) in Europe. Fertiliser prices were up on supply shortages and increased demand, fuelled by high crop prices. In the US, urea (+15%) and diammonium phosphate (DAP) rose (+10%).

Pulp & Paper

NBSK pulp rose in Europe (+2%) and the US (+1%) as import demand grew from Western Europe and Japan, with paper mills there recovering from the after-effects of the tsunami. European BHK was steady (0%); the gap between BHK and NBSK continued to increase as increased local hardwood production in China and the rest of Asia cut import demand. Global producer pulp inventories were 33 days' supply in May (26 days for softwood and 42 days for hardwood), the same level as April and one day more than May 2010. The packaging sector was rather flat, with EU kraftliner prices down (-1%), testliner steady (0%), while fluting rose (+1%). Prices for newsprint fell in the EU (-1%) but were steady in the UK (0%).

Metals

Metal prices were relatively subdued last month, as expectations of lower economic growth led to a general rise in stocks due to cuts in world demand. Copper prices were largely unchanged although high grade copper on NYMEX was up (+2%). Aluminium fell (-2%) as energy costs, which have a strong impact on the cost of production, continued to decline. Falls were seen in the price of tin (-9%) and nickel (-2%), but zinc rose (+2%) and lead prices were (+4%) higher. Hot and cold rolled steel prices in the EU were unchanged though Black Sea prices rose (+2%) whereas US prices fell (-2%). Chinese stainless steel fell (-1%) with European prices for stainless steel also down (-4%).

Others

Cotton US (-15%), Baltic Panamax Index (-10%), Silver NYMEX (-9%), Platinum LME (-6%), Wool UK (+6%).