Mintec

March 2011 Market Report

The long-term impact of the Japanese earthquake and its aftermath on commodity prices has yet to be fully assessed. This, together with continuing violence in the Middle East, is creating greater than usual uncertainty in the commodity markets.

Up		Down	
Baltic Capesize (Shipping)	+31%	SMP (DE)	-10%
Natural Gas (ICE)	+18%	Sugar (LIFFE)	-10%
Cattle (UY)	+17%	Wheat (DE)	-10%
Ethylene spot (US)	+17%	Palm oil (R?dam)	-7%
Potatoes (EU)	+12%	Cotton #2 (ICE)	-5%
Peanut 40/50 (CN)	+7%	Rice (TH)	-5%

Soft Commodities

Cocoa bean prices fell (-15%) on LIFFE last month, on increased West African and Indonesian supply. There were also hopes that even if the conflict in Ivory Coast is not resolved soon large cocoa stocks may be released after the key Ivorian port of San Pedro was seized by forces of the UN-backed Alassane Ouattara. In the UK, cocoa butter fell (-21%) on a seasonal lack of demand, but powder rose (+10%) as reduced grindings led to a lack of supply. Improved weather has raised Arabica coffee deliveries and prices on ICE were down (-2%). Robusta prices meanwhile were up (+2%) on LIFFE due to reports of high demand for the new Indonesian crop. Good sugar harvests in Brazil, India and Thailand caused raw cane sugar prices to fall (-9%) on ICE while refined white sugar prices fell (-10%) on LIFFE. Kenyan tea prices fell (-9%) due to civil unrest in parts of North Africa and the Middle East causing a lack of demand. Indian tea prices were down (-8%) on average with auction prices in the north falling (-10%) on good supply. Prices however rose (+5%) in the south and by (+12%) in Sri Lanka due to production being harmed by unusually heavy rain.

Oils & Fats

Vegetable oil prices continued to fall this month as the higher than expected South American soyabean harvest is due to arrive in the market soon. Soyabean oil prices fell in both Rotterdam (-5%), and on CBOT (-2%). Strong rainfall in parts of Brazil and Paraguay, and dryness in parts of Argentina have led to an increase in the South American soyabean forecast to 127m tonnes, 1.5m tonnes higher than last month?s forecast. Rapeseed oil prices continued to fall (-3%) in Rotterdam, as th e crop has developed well in Ukraine with the winter crop estimated to reach 1.8m tonnes, 0.4m tonnes up on last year. Sunflower oil fell (-5%) in Rotterdam, and (-5%) in Argentina with output there now forecast to reach 3.2m tonnes, up 23% from last season, due to higher yields and favourable conditions in major growing areas. Palm oil fell (-7%) in Rotterdam as supply is expected to improve from April onwards when the disruptive heavy rainfall caused by La Niña is expected to l essen. Olive oil rose (+2%).

Grains

For grains, reports of the prospect of increasing supply led mainly to price falls last month. Production forecasts for maize were raised in Brazil and the world 2010/11 maize crop is expected to be the second largest on record. Maize prices fell by (-7%) on CBOT in the US and by (-5%) on Matif in France. Consumption however is also forecast to rise, and US demand for ethanol production is picking up due to raised prices for crude oil; there are worries that this could cause end of year grain stocks to decline. Wheat prices fell in the EU on MATIF (-5%) and in the US on CBOT (-9%). Prices for durum wheat fell (-7%). Prices for malt quality barley fell (-1%) while those for barley feed decreased by (-5%). Prices for US paddy rice on CBOT rose (+8%) on the news of smaller than expected US rice plantings, with many farmers in the southern US turning away from rice to plant more profitable crops such as cotton or corn. Prices for Thai rice fell by (-1%) and Vietnamese origin decreased by (-6%). Prices for Basmati rice were unchanged (+0%).

Ingredients
Dried fruit prices were mixed last month, although there has tended to be a seasonal dip in demand and sources from the southern hemisphere continue to provide supply. On average, the price of sultanas fell (-1%), raisins rose (+1%) and Greek currants were down (-4%). Turkish dried apricots fell (-12%). For nuts, Indian cashews rose (+1%), peanut prices rose (+2%) although those from China in the EU were up (+7%) due to rising Chinese domestic demand restricting the available exportable supply. Pistachios fell (-2%). US almonds rose (+5%) and Spanish almonds were up (+3%). Desiccated coconut prices fell (-4%) on average in sympathy with falls in the coconut oil market. For spices, EU black pepper rose (+2%) while EU white pepper fell (-1%). Chilli prices rose (+1%), nutmeg was up (+4%) and cloves rose (+14%) on low supply. Ginger prices fell (-4%) helped by improved Brazilian crops, and cardamom fell (-7%) due to good Indian harvests. Indian guar gum rose (+44%) however due to increasing industrial demand. Argentine honey fell (-2%) and that of China dropped (-1%) while honey from other origins was largely unchanged.

Fruit

Apples in the EU have remained fairly stable with just slight increases (+1%) on average. Fruit stocks are starting to run lower, although quality is reported to be very good in French and Belgian produce which is expected to last until May. Pears were down (-10%). Oranges rose again this month up (+14%) on average in the EU and increased (+10%) in Florida but fell (-4%) in Brazil. Grapes dropped on average (-19%) in the EU with ample Chilean supply. Bananas were down (-7%) in the EU due to supplies of lower grade fruit coming in as difficulties continue in the Caribbean growing area. Lemons in Germany decreased (-17%) with good Spanish supply, and limes in the UK fell (-15%) with excellent quality Brazilian fruit. Orange concentrate was down (-8%) on the ICE NY with Florida?s midseason crop varieties arriving for processing. Apple co ncentrate fell slightly (-1%) on average in the EU as stock levels are reported to be healthy.

Vegetables

Potatoes ended up (+12%) on average this month in the EU due to high export demand from Eastern Europe and Russia. French prices rose most (+33%) with low stock for the time of year, while Belgium potatoes fell (-2%). Planting for the new season is now underway. Tomatoes were also down (-8%) on average as temperature changes in the Mediterranean affected shelf life. Carrots rose (+7%) on average as we come to the end of the English season and move to the Scottish supply ready for May. Lettuce prices dropped dramatically (-31%) in the EU as quality and supply are reported to be good although some wetness has caused outer leaves to be removed. Cauliflowers ended up (+21%) in EU on average and up (+24%) in the UK where stocks are very low due to produce from the December crops being destroyed in frosts. Onions were up in the UK (+10%) but were down (-2%) in the rest of the EU. Salad peppers rose, up (+11%) in Germany.

Meat & Poultry

South American beef prices generally rose over the month with cattle from Argentina (+6%) and Uruguay (+17%) up, but Brazilian prices fell (-1%). Total EU imports of chilled and frozen beef in 2010 fell by 10% compared to 2009, a decrease of 23,000 tonnes. EU deadweight beef prices generally continued to rise with increases seen in the Netherlands (+1%) and Germany (+2%). However, UK beef fell (-1%). EU deadweight pork reference prices continued to rise (+3%) on average with German prices (+5%) and Dutch prices (+4%) again both leading the increases. Pork prices appear to have largely recovered from the dioxin scare which affected German pork production at the start of the year. The 131,000 tonnes of pig meat entered into the Private Storage Aid scheme during the 3 weeks of its operation between 1st and 22nd Feb appear to have successfully supported the market. EU piglet prices also rose slightly (+2%). New Zealand lamb rose (+3%), with domestic EU heavy deadweight lamb prices also up (+7%) due to the lower supply from New Zealand. Light deadweight EU lamb prices followed the trend (+2%). Deadweight chicken prices recovered in the Netherlands (+2%) and Belgium (+2%). Brazilian liveweight chicken prices fell (-10%), whilst Thai ex-farm prices were steady (0%), with Chinese market prices strengthening (+7%). Norwegian salmon fell (-4%), with haddock also down (-11%).

Milk & Dairy

Dairy market price trends have reversed over the past month, stopping the upward trend seen since Christmas in most areas. EU milk supplies are up on this time last year and the forthcoming seasonal increase in milk production will further weaken prices. EU SMP prices fell sharply over the past month, with the largest falls seen in France (-14%), Belgium (-12%) and Germany (-10%). World SMP prices are also down, with both New Zealand and the US (-2%) down. WMP has followed the trend with prices down (-5%) in the EU and (-3%) in New Zealand. Butter fell (-2%) in the EU but remains expensive when compared to the world market. The EU Private Storage Aid scheme reopened on 1st March, but has not yet attracted large volumes as the market prices remain high. Whey powder fell in the EU (-7%). Cheese prices generally continued to increase, showing the price lag usual in the market, with UK cheddar (+3%), German Edam (+2%) and Italian Grana Padano (+2%) all up. Egg prices were up slightly (+1%) on average in the EU, while eggs for processing fell sharply (-19%).

Energy

Crude oil prices continued to rise driven by supply concerns over the unrest in North Africa and robust global demand. Brent crude oil and light sweet crude oil on NYMEX were up (+4%) and (+6%) respectively. Sharp rises were seen in European prices for both unleaded premium petrol (+12%) and diesel (+5%) as refineries in the EU relying on high-quality crude seek to replace lost supplies from Libya. Prices for other primary energy sources were boosted by expectations of increased demand and concerns over nuclear energy safety in the wake of the nuclear crisis in Japan. Increases were seen in natural gas ICE London (+18%) and NYMEX (+11%), and EU prices for coal (+7%). Electricity prices rose in the UK (+7%) but fell in Europe (-7%).

Chemicals & Plastics

Plastic prices continued to rise with LDPE (+2%), HDPE (+3%) and PVC (+4%) in Europe. These increases were caused by high prices of crude oil that boosted feedstock costs with naphtha (+7%), ethylene (+7%) and propylene (+13%) all up. Prices were mixed in Asia with declines seen in ethylene (-3%) and LDPE (-1%) as high naphtha costs forced producers to crack LPG, which gives a higher ethylene yield. Paraxylene and PP were both up (+5%) with PVC up (+6%). Benzene was down in Europe (-4%) and Asia (-5%) due to ample supply and the fall in US prices. Styrene rose in Europe (+4%) and declined in Asia (-7%). Fertilisers remained largely unchanged with declines seen in urea (-10%) and diammonium phosphate (-1%).

Pulp & Paper

Delivered NBSK pulp prices continued to rise in the US (+4%), supported by export-driven demand and the upcoming high season for paper and a maintenance period for pulp. In Europe, BSKP market fundamentals remained tighter than those for BHKP with softwood pulp prices unchanged (+0%) and hardwood prices down (-2%). Prices for packaging grades in Europe continued to strengthen helped by increases in fibre costs. Testliner (+1%), waste-based fluting (+1%) and white kraftliner (+1%) prices were all marginally up, and corrugated waste rose further (+6%). EU newsprint uncoated paper prices continued to increase (+3%) buoyed by improving demand with regional shipments up 2% in February.

Metals

Prices for base metals were falling on the LME largely due to weakening demand from China, the major consumer of the world?s supply. Copper (-3%), nickel (-7%), tin (-2%) and zinc (-5%) all fell as credit availability has tightened in China as a re sult of monetary policies imposed in recent months, reducing companies? ability to finance their stocks. Aluminium prices, al so on the LME, fared better (+2%) with increasing costs of its power-intensive production. Prices for cold rolled steel fell both in the EU and China (-2%) as steel output rose in February and iron ore prices dropped sharply in China (-12%). Hot rolled steel rose in the EU (+4%). Silver was up (+8%) and gold edged down (-1%) on NYMEX.

Others

Baltic Capesize (+31%), Wool NZ (+24%), Cotton US (-5%), Rubber EU (-9%), Uranium (-18%).