

## November 2010 Market Report

Price setbacks were seen in soft commodities, whereas further price rises have been experienced in the vegetable oil market as supply remains tight and demand is strong. Energy prices have shown increases as the latest cold snap affecting much of Europe has caused strong demand for fuel and gas.

UP	Down	
Natural Gas (UK)	+17%	Cocoa Butter (UK) -9%
Black Pepper (EU)	+13%	SMP (FR) -7%
Chicken (BR)	+12%	Tin (LME) -7%
Apple Juice Concentrate (Rotterdam)	+11%	Maize (CBOT) -6%
Sunflower oil (Rotterdam)	+8%	Benzene (Asia) -6%
Brent Crude (ICE)	+6%	Robusta Coffee (LIFFE) -5%

### Soft Commodities

Cocoa bean prices saw declines (-5%) on LIFFE as production in the Ivory Coast is forecast to be 8% up on last year. Lower bean prices have favoured processing of semi-finished products. Due to higher grindings over the past quarter cocoa butter fell sharply (-9%) as did cocoa powder (-9%), both in the UK. Coffee prices were mixed. There were increases for Arabica (+3%) on ICE, as unexpected rains in Central America and Colombia have affected Arabica production, which is causing concerns over short term supply. However, prices ended lower for Robusta (-5%) on LIFFE. Total coffee exports for the first nine months of 2010 were 3% lower than those recorded in the same period in 2009. Prices for raw cane sugar fell (-3%) on ICE, whilst refined white sugar was unchanged (0%) on LIFFE, as dry weather conditions are benefiting cane sugar harvesting in Brazil. Tea prices remained stable, with slight price declines (-1%) seen for Kenyan origin, as production from the January to September were 38% up on last year's volumes. Tea prices were unchanged (0%) in Sri Lanka over the month.

### Oils & Fats

Vegetable oil prices remained high, supported by the tight supply situation in the major oils and oilseeds. Sunflower oil prices continued to rise (+8%) in Rotterdam, widening the premium on rapeseed oil, as global output of sunflower seed has been reduced by 1m tonnes to 30m tonnes in 2010/11. Rapeseed oil prices were also up (+5%) in Rotterdam, as world rapeseed production has been revised downwards once more. Rapeseed ending stocks have been reduced below last year's level due to strong demand. Palm oil prices ended higher (+7%) in Rotterdam and were up (+4%) in Malaysia due to lower than expected supplies over the past quarter and strong demand from the food and industrial sectors. Soyabean oil rose, both on CBOT (+2%) and in Rotterdam (+4%), as demand for soyabean has been very strong, particularly with large purchases from China. Olive oil rose sharply (+7%) due to higher global consumption reducing ending stocks for the current season.

### Grains

Prices have recovered from the setback felt over the past month with increases seen for most grains. Milling wheat saw higher prices in the UK (+7%) and Germany (+4%) but ended unchanged (0%) on MATIF. Global ending stocks for wheat have been revised downwards this season due to a forecast increase in consumption for 2010/11. Feed wheat saw rises of (+7%) in Rotterdam and (+5%) on LIFFE, as feed demand continues to be strong and supply of other feed compounds is lower than last year's level. Maize prices saw a slight rise on MATIF (+1%), but fell on CBOT (-6%) mainly due to the weakness of the USD; global maize output has been revised downwards due to lower yields in the US. EU Barley malt was up (+3%) and feed barley rose slightly (+1%) as production is expected to be sharply down in the EU and worldwide. Rice prices ended higher for Vietnam (+8%), and Thai (+5%) due to lower output expected in South-East Asia. Basmati rice was

unchanged (0%).

## **Ingredients**

Prices have been tending to rise due to increasing world demand and many weather-related problems with the current world supply. Turkish sultanas rose (+2%) while Californian raisins ended up (+4%). Greek currants fell (-1%) and Turkish dried apricots slipped (-2%). Iranian pistachios fell (-2%), the price of Turkish hazelnuts was unchanged (0%) while US almonds rose (+5%). Cashew nuts in UK were up (+8%) due to drought affecting Brazilian supply. Desiccated coconut prices rose sharply (+20%) in the Philippines due to a typhoon causing concern over potential production, prices were also up (+7%) in Sri Lanka due to wet weather. High demand for spice in India and poor weather in Vietnam meant white pepper in the EU ports rose (+11%) while black pepper rose further (+13%) due to tight supply. Cardamom rose (+24%) also due to strong demand and a growing lack of supply. Ginger prices rose (+5%) due to poor weather harming production in Brazil. On average honey prices rose (+1%); dry weather brought about a rise (+3%) in the price of Australian honey and a rise (+1%) in the price of honey from Argentina.

## **Fruit**

Apple prices were down (-2%) in Germany as quality is reported to be high and a good variety is available, whilst prices were unchanged (0%) in the UK. However, prices ended up (+5%) in Poland, where production is forecast to be reduced sharply by 25% in the current season. Pears rose (+11%) in the EU as production on the continent is forecast to be 19% down on last season's levels, which if realised would be the lowest production in the past decade. Oranges rose (+3%) in Spain, but fell (-25%) in Germany. Banana prices rose (+10%) on average in the EU as reports indicate that there is very little being shipped from the Dominican Republic. Lemons fell (-4%) in the EU, as did limes (-4%). Apple juice prices went up (+11%) in Rotterdam as reports indicate that producers are cautious of sending large amounts to the processing industry while they can get good returns in the fresh market. Orange juice prices remain up as combined orange juice supply from Brazil and Florida is forecast to decline by 7% this season; frozen orange juice prices ended higher (+2%) on ICE NY, as did orange juice concentrate (+1%) in Rotterdam.

## **Vegetables**

EU potato prices were up (+7%), and UK Maris Piper and King Edward saw slight increases (+2%). Lifting is now nearly complete in mainland Europe with a few exceptions in Scotland due to extreme cold weather. Carrot prices saw a small decline (-2%) due to good availability, though measures are being put in place to protect the crop against frost. UK tomato prices fell over the past month (-7%), whilst the EU average tomato price increased (+3%). Spanish tomatoes are coming through although volumes are still low and the supply from Holland is almost finished. Peppers prices rose sharply (+25%) as we moved from UK and Dutch to Spanish and Moroccan produce. Aubergines were up (+12%) on average. Brussels sprouts are now coming into season and prices fell on average in the UK (-8%) and Germany (-6%). Beetroot was also down (-8%) on average. Cauliflower prices were down (-10%) in the EU as supply and quality is reported to be good. Onions rose slightly (+1%) in the EU, prices have been higher than average for weeks, due to a variable season with a dry summer and very cold winter and rain delaying harvesting.

## **Meat & Poultry**

South American beef prices fell back last month due to high prices reducing consumer demand. Brazilian and Argentine cattle prices were both down (-1%) while prices from Uruguay fell (-5%). EU deadweight beef prices were mixed, with declines seen in Ireland (-1%), but increases in France (+1%), Germany (+2%) and the UK (+3%) due to the higher cost of feed. Due to low demand, New Zealand lamb was steady (0%), with average heavy deadweight EU lamb prices also unchanged (0%). Average light deadweight EU lambs however were up (+2%). Last month deadweight chicken prices were more stable, unchanged in Germany, Greece, France, Ireland and the UK. Broiler prices however fell (-10%) in Spain but rose (+1%) in the Netherlands, and were up by (+7%) in Italy. For liveweight chicken, Brazilian prices rose (+12%) and Thai prices were up by (+5%) due to higher prices for feed. Deadweight pork reference prices were unchanged (0%) on average in the EU with a (+3%) rise seen in Sweden and the UK. German deadweight pork was up (+2%), Dutch prices rose (+1%), Danish origins were unchanged (0%) whereas prices fell (-1%) in France. EU piglet prices rose seasonally (+5%). Norwegian salmon fell (-5%) as supply improved.

## **Milk & Dairy**

Price declines have been seen in the dairy sector as liquid milk availability is better than expected for this time of the year. Butter prices have been mixed with some declines seen for Dutch (-3%), but prices steadied for German origin (0%) as concerns over supply remain. Production of butter has been more limited this year as increased cheese production has been favoured in the EU. Dairy powder prices have seen large declines in the EU. SMP was down in the continent, with the largest decreases seen in France (-7%) and Germany (-5%), as EU milk deliveries were 1.3% up in the first seven months of the 2010/11 milk year. SMP held in public stocks remains at 61,000 tonnes but global demand has stayed firm. WMP prices fell (-4%) in the EU. However, whey powder saw gains with the largest increase (+10%) seen in the Netherlands due to high demand. UK cheddar prices ended the month unchanged (0%), whilst German gouda ended higher (+3%) and Italian parmesan was up (+4%). Egg prices saw slight declines in the Netherlands (-2%) and the UK (-1%); egg shell for breaking also fell (-3%) in the EU.

## **Energy**

Energy costs have tended to rise seasonally over the last month, with increases seen for Brent crude (+6%) and NYMEX light crude (+2%). The rising price of crude oil and a weaker EUR has caused a rise (+3%) in the wholesale price of EU diesel, prices also rose (+4%) in the wholesale price of premium unleaded petrol sold in Europe. Electricity spot prices fell (-3%) in the EU and were lower (-5%) in the UK helped by a dip in sentiment and demand caused by debt worries in the Eurozone. However, stronger seasonal demand has tended to prompt price rises for energy generation over the last month, with coal up (+3%) in the EU, US gas futures rising (+9%) and gas spot and future prices in the UK also up (+17%).

## **Chemicals & Plastics**

Chemical and plastic price movements tended to be fairly subdued last month. Stable prices were seen in Europe for HDPE (-1%), LDPE, LLDPE, PVC and PP (all +0%), while in Asia a small decrease was seen for HDPE (-1%) and increases were seen for LDPE (+3%), LLDPE (+5%), PVC (+2%) and PP (+4%). In feedstocks there was more variation, with ethylene spot prices rising sharply (+28%) in the US and also up (+10%) in Europe, but falling slightly (-2%) in Asia. Toluene ended up (+2%) in Asia and was up (+4%) in the EU, while xylene was unchanged (0%) in both Asia and the EU. Benzene fell (-6%) in Asia but rose (+1%) in the EU. Naphtha prices rose (+11%) in the EU and was slightly up (+1%) in the US, while methanol rose (+16%) in Asia and ended higher (+4%) in the EU. For fertilisers, sulphur rose significantly from a low price up (+50%) on average, while US diammonium phosphate saw slight gains (+1%).

## **Pulp & Paper**

With the return to economic growth and the need to restock diminished inventories, demand for finished paper products has continued to grow. EU paper prices have tended to rise, with newsprint up (+1%) and paper sheets and reels both rising (+2%). Meanwhile demand for cartonboard is also tending to grow, leading to tightened availability and increasing prices for EU kraftliner (+2%), testliner (+3%) and fluting (+5%). Rising prices for finished products has raised the level of pulp manufacture and pulp stocks have been growing due to this increased supply. Last month in the US the cost of delivered NBSK pulp fell slightly (-1%) whilst European NBSK pulp prices were largely unchanged (0%).

## **Metals**

Most base metals on the LME fell due to concern over European debt and the risk of rising inflation in Asia, with zinc (-17%), lead (-13%), tin (-7%), aluminium (-4%), nickel (-4%) and copper (-1%), all down. It is feared a tightening of monetary policy in China could bring about a fall in industrial demand. Steel prices fell in the EU, with HR and CR coil both down (-4%). After declining last year due to the recession, world steel output is expected to grow by 16% in 2010. The Chinese HR steel coil benchmark rose (+2%), and the CR coil benchmark was up (+1%). The base price of European stainless steel fell (-2%), as did the surcharge (-2%).

## **Others**

USD vs EUR (+5%), Cotton US (-4%), Polycotton CN (+40%), Silver LME (+15%), Baltic Capesize (-28%).