

December 2009 Market Reports

Steep price rises have been seen in commodities such as sugar and rice on the back of supply concerns and increased buying activity. Energy costs also surged with the largest rise seen in gas. For crude oil, after a rather volatile month, prices crossed the USD80 per barrel mark.

UP	Down
Natural Gas (Bacton)	+26% Aluminium (LME) -11%
Frozen Orange Juice (ICE NY)	+19% Butter (UK) -11%
Palm Oil (MY)	+16% Eggs, Breaking (EU) -8%
Sugar (LIFFE)	+15% Tea (LK) -5%
Rice (TH)	+12% Currants (GR) -4%
Aluminium (LME)	+11% Soyabean Oil (CBOT) -4%

Soft Commodities

Coffee prices have fallen slightly over the month for both Arabica (-1%) in New York and Robusta (-2%) in London. This is despite next season being expected to be the smaller of the biennial crop pattern, with Colombian production forecast to be the smallest crop for some time. Cocoa bean prices continued to reach record levels supported by a combination of factors including concerns over Ivory Coast's total production and fund buying, with prices up (+2%) in London. Cocoa butter was also down (-2%) in London, whilst cocoa powder saw continued slight increases (+1%). World sugar prices rose (+15%) on LIFFE to the highest level in 28 years as ongoing expectations for tight world supplies helped take prices higher. The upward move was exaggerated by low volumes in the market ahead of Christmas. Kenyan tea prices fell (-1%) due to the appearance of rains which have helped to boost current production above last year's level. Sri Lankan origin also fell (-5%) due to improved weather with production further increased by better fertiliser usage.

Oils & Fats

Mixed prices have been seen in the vegetable oil market recently, mainly as a result of fundamental and seasonal factors which limited price increases in some oils during the past month. Rapeseed oil rose (+2%) in Rotterdam due to higher demand from the food and industrial sectors. Sunflower oil prices fell (-2%) in Rotterdam as higher crushing in the last couple of months helped to boost supply; however, world supplies are still expected to be lower than last season's output. Palm oil prices fell slightly (-1%) in Rotterdam but rose sharply (+16%) in Malaysia, due to a seasonal decline in production and stocks expected in the main producing countries. Soyabean oil fell (-3%) in Rotterdam and also fell (-4%) on CBOT as global production is set to increase sharply this year when compared to the last two seasons. Olive oil futures rose (+2%) in Spain due to strong consumption, despite an expected slight increase in total olive oil production this season. Linseed oil fell (-4%) in Rotterdam as world production is seen higher than last season.

Grains

Sharp increases have been seen in rice prices lately with Thai origin going up (+12%) on average due to strong demand, particularly from the Philippines. However, Basmati rice was not affected and remained unchanged. Wheat prices rose slightly (+1%) on MATIF but fell (-1%) in the UK and also fell (-2%) in the market of Rouen, France. Overall, wheat prices are expected to remain unsupported unless there is a change in supply for other competing grains. Maize prices moved up (+3%) on MATIF and were also up (+1%) on CBOT as snow may have some impact on the completion of the US harvest, which is already far behind. Furthermore, industrial demand continued to provide strong support for industrial usage. Feed wheat rose (+2%) on LIFFE. Barley malt fell (-5%) on average due to ample supply; feed barley was unchanged in the UK and in Germany as this season has brought good volumes to the market. Durum wheat from Italy remained unchanged.

Ingredients

For Turkish sultanas, concerns of a reduced crop and lack of good quality supply caused a rise in prices (+14%). Meanwhile, Californian raisins fell (-1%) after a new export program was ratified. Greek currant prices eased (-4%) after the end of a recent port strike. With a small peanut crop in India and increasing Chinese demand, the price of peanuts rose (+1%) on average, while those of the drought hit crop from Argentina were up (+6%). Hazelnuts were up (+2%) due to the low supply in Turkey. For almonds, good exports from the US meant prices fell (-1%) while cashew nuts rose (+5%) as processors have been struggling to meet demand. Sesame seeds saw a favourable crop in India this year and prices fell (-3%). Desiccated coconut prices fell (-4%) in Sri Lanka due to low Middle Eastern demand. For spices, pepper was largely unchanged while the price of cardamom rose (+11%). The price of essential oils rose (+1%) on average, with cardamom oil up (+14%) and cananga (ylang-ylang) rising (+12%) while a markedly higher Chinese crop meant litsea fell (-8%). The price of honey fell (-1%), assisted by the increasing seasonal availability of the Argentine crop, where prices fell (-2%).

Fruit

Orange prices rose (+3%) on average across the EU, with Spanish Navel oranges up (+10%). In the EU, grapefruit prices fell (-24%) while the average price of lemons rose (+4%). The price of limes rose (+13%) in Covent Garden while nectarine prices fell (-35%) due to good southern hemisphere supply. On average the price of apples was unchanged with Jonagold down (-4%) and Elstar up (+4%). UK cooking apples fell (-4%). Pear prices rose (+7%) as did bananas (+1%) and pineapples (+1%). For juices, the price of orange juice frozen concentrate rose (+19%) on ICE, EU pear concentrate was also up (+13%). The price of EU apple concentrate was unchanged, but peach puree dropped (-10%), that of apricot puree fell (-13%) and tomato juice fell (-20%).

Vegetables

The overall price of fresh vegetables rose (+11%) last month as adverse weather conditions in the northern hemisphere caused disruption to supplies. Warm, wet weather in the southern hemisphere on the other hand has broadly helped the development of summer crops. Potato prices rose (+9%) on average across the EU, with increases in Spain (+25%), UK (+16%) and Poland (+9%); however, in the rest of the EU, potato prices eased back mainly due to growers being anxious to unload material from store prior to the end of the year. In the UK the price of the plentiful King Edward's fell (-8%), whilst good frying Maris Pipers rose (+4%). Meanwhile the price of EU onions rose (+1%), Brussels sprouts went up (+5%), fresh carrots rose (+10%), celery went up (+12%), while iceberg lettuces rose on average (+12%). Due to the current poor supply, average tomato and pepper prices were both up (+24%), asparagus climbed (+33%) and cucumbers rose (+45%). The average price of cabbages fell (-2%) and EU radishes were also down (-3%).

Meat & Poultry

Argentine cattle prices continued to rise (+17%) on average as dry conditions prevailed. While Brazilian beef also rose (+5%), Uruguayan beef ended down slightly (-1%) on average but UK beef rose (+2%). Beef production in the EU is forecast to fall by 1% in 2010, whereas consumption is expected to remain steady, leading to an increase in imports. As supply continued to decline seasonally, the price of sheep rose with EU deadweight heavy up (+6%) on average, and French prices up (+10%). New Zealand lamb was steady as the improvement in export availability has been balanced by an increase in demand. Deadweight chicken prices fell (-2%) on average in the EU with the largest falls registered in the Netherlands (-11%) where supply remains good and demand weak. Brazilian chicken prices rose (+3%) while Thai prices were steady. The seasonal decline in EU pig prices continued despite the decrease in slaughtering from this time last year. Deadweight pork reference prices fell (-2%) on average in the EU, with German pig prices down (-4%) and UK prices also down (-2%). In the EU overall, the price of piglets continued to rise (+4%). Norwegian salmon was up (+2%).

Milk & Dairy

Dairy products have generally levelled off or fallen back slightly after the surge in prices seen since the middle of the year. Demand has fallen over the Christmas period as buyers have delayed purchases. Butter prices fell back (-4%) on average across all markets, with the largest decline (-11%) seen for UK origin. New Zealand origin followed the general downward trend (-5%). EU WMP fell very slightly on average and also fell (-1%) for NZ origin. Price falls in SMP have also been seen

with prices down (-4%) on average in the EU, with a similar fall for NZ origin (-3%). Whey powder was also down (-1%) on average. These falls in price are despite the end of the peak production season in the southern hemisphere, where current forecasts anticipate dairy supplies in New Zealand to be just above last year's levels, whilst Australia will be 3% down for the entire July 2009 to June 2010 season. Cheese prices have again risen slightly (+1%) on average, with price increases seen for Italian parmesan and padano (+2%) and NZ cheddar (+4%). EU egg prices rose (+4%) on average, with rises for German origin (+9%) and also for Dutch eggs (+11%); EU shell eggs for breaking, however, fell back (-8%).

Energy

The cold weather snap in Europe and North America, elevated tensions within the Middle East and increased industrial demand have helped to drive crude oil prices up (+3%), which helped to influence prices of other energy sources along with it. The price of gas at the Bacton Terminal in the UK rose sharply (+26%), as did the price at Zeebrugge in Belgium (+28%). The average price of bunker fuels around the globe went up slightly (+2%). The EU wholesale price of diesel also went up (+3%), as did the wholesale price of petrol in the US (+3%). The price of heating oil in the US rose (+5%), as did gas oil on the Continent (+3%). The price of coal from South Africa climbed (+16%) and the price of electricity in the UK also rose (+11%).

Chemicals & Plastics

Asia's economy as a region is expected to grow by 5.8% in 2010, and this has helped to increase the prices of materials used for consumer goods made there. The average price of butadiene in Asia rose strongly (+17%), as did the average price of methanol (+21%). The widely used feedstock chemical MTBE continued to move up (+4%) in Asia, as did benzene (+7%), styrene (+7%) and propylene (+1%). The average price of LDPE in India has risen (+8%) and on the LME rose even more (+13%). The delivered price of caustic soda into the EU fell (-7%). Feedstock chemicals saw an increase in demand; styrene in the US had a modest increase (+4%), while sulphuric acid had a very strong rise (+44%). A similar pattern was seen on the Continent with most feedstock chemicals rising strongly: styrene (+15%), xylene (+6%), benzene (+7%), toluene (+6%).

Pulp & Paper

The pulp and paper industry continued to see large traders scaling back in December; cutting back production and laying off workers. Price rises continued to be modest across most of the sector. Most GC2 and GD2 cartonboard supplies across the EU had no increase at all in December; however GC2 delivered in the UK had an increase (+8%). The market for kraftliner was similar; with most prices flat except for the UK where unbleached kraftliner went up (+6%). The average price of recovered box material also went up (+13%). The price for softwood pulp on the continent picked up slightly (+5%) as business conditions are expected to improve.

Metals

Aluminium futures continued to rise strongly due to increased demand and concerns over long term capacity to meet projected demand continued; prices on the LME rose (+11%) and aluminium alloy was also up (+9%). Improving industrial demand has helped increase copper (+6%) and tin (+12%) prices on the LME. The demand for steel in China continued to strengthen with most grades seeing another price increase; HR steel plate (+4%), CR steel coil (+5%). The US also saw price rises; HR coil (+9%), CR coil (+7%).

Others

USD rose against EUR (+5%), guar gum (+11%), Baltic dry index (-29%).