

February 2010 Market Report

Sugar prices seem to have finally reached their peak as sharp declines have been seen in the past month. The downward trend also continues in the dairy sector with butter and SMP prices dipping lower. A surge in plastic prices, influenced by higher feedstock costs, has been seen.

Up	Down
Orange Juice Conc (Rotterdam) +16%	Sugar (LIFFE) -16%
PP (EU) +14%	Butter (DE) -11%
Eggs (NL) +10%	Chicken (TH) -11%
Soyabean Oil (CBOT) +9%	Tin (LME) -6%
Raisins (US) +8%	Electricity (EU) -6%
NBSK (EU) +8%	Milling Wheat (UK) -6%

All percentage changes in this report refer to price movements over the month of February 2010.

Soft Commodities

World sugar prices were down sharply this month (-16%) on LIFFE and (-18%) on ICE, as early indications forecast a rise of 10% in sugar cane crushing in Brazil in the 2010/11 season. The crop will include a large quantity of cane from last season which had not been harvested due to heavy rainfall. Coffee prices have continued to fall for both Arabica (-2%) on ICE and Robusta (-6%) on LIFFE, and prices are now being influenced by Brazil being in the high-yielding year of the Arabica biennial cycle for crop year 2010/11. Cocoa beans continued to fall (-4%) on LIFFE with prices being influenced by a strong USD and also good current supply. Ivorian and Nigerian monthly exports have increased; however, a global supply deficit is still expected for 2010. Cocoa butter was also down (-1%) on LIFFE, whilst cocoa powder saw continued slight increases (+2%). Kenyan tea prices were volatile over the month but ended up (+15%) due to strong demand in the marketplace. Sri Lankan tea fell (-5%) as production in January increased by more than 50% year-on-year, due to last year's very low value.

Oils & Fats

Palm oil prices rose (+7%) in Rotterdam as dry conditions caused by El Nino are badly affecting parts of Malaysia and the Philippines stressing palm trees there. Sunflower oil rose slightly (+2%) in Rotterdam but fell (-4%) in Argentina as the sunflowerseed harvest continues in that country albeit at a slower pace than expected. Soyabean oil prices increased in the main exchanges of Rotterdam (+7%) and on CBOT (+9%) as yields in Brazil have turned out lower than expected and the Argentinean political situation deteriorates further, affecting selling of the new crop; it is expected that global stocks of soyabean oil are likely to decline in 2010. Rapeseed oil was up (+4%) in Rotterdam mainly due to weakness of the Euro and strength from other competitive oils. Olive oil was unchanged (0%). Linseed oil was unchanged (0%) in the EU due to higher imports from Black Sea countries; the EU has maintained zero tolerance to the import of GM linseed. Palm kernel was up (+8%), groundnut oil rose slightly (+2%) both in Rotterdam. Coconut oil rose (+9%) on average.

Grains

Mixed movements have been seen last month in this sector mainly due to currency fluctuations as volumes continue to be good across the markets. Maize was up (+5%) on CBOT and was also up (+2%) on MATIF, and prices are now at a premium compared to UK wheat feed. Milling wheat prices were unchanged (0%) on MATIF but fell (-6%) in the UK as EU output for this year is estimated to be higher than seen last year. Feed wheat fell (-4%) on LIFFE as new estimates indicate higher availability of wheat in the main producing countries. Barley feed fell (-3%) on average as carry-over stocks are expected to increase in the market in the current year. Barley malt remains unchanged (0%) as volumes continued to be good. Basmati rice was slightly up (+1%) whilst paddy was down (-3%) as global rice production and ending stocks for

2009/10 have been raised from previous estimates.

Ingredients

Turkish sultanas were down (-5%) as higher than expected volumes are reported to remain stockpiled in-store in that country. Greek currants rose (+1%) while Californian raisins increased (+8%). Peanut prices fell (-2%) while almond prices rose (+1%) both for US origin. Walnut prices were up (+10%) overall as a sharp rise in Chinese walnut consumption decreased the quantity available for export elsewhere overseas. US pecans rose (+13%) also due to heavy Chinese buying, while pistachio's rose (+9%) on average due to short supply. Turkish hazelnut prices were unchanged as substantial volumes still remain stockpiled in warehouses. Indian cashew nuts rose (+1%), desiccated coconut prices were up (+3%) for Sri Lankan origin. For spices, black pepper fell (-1%) across the markets, while cardamom fell back (-8%) for Indian origin. Mexican honey fell (-4%) whereas prices were up (+4%) for Argentinean origin due to reduced volumes registered this season.

Fruit

A South African heatwave and a delayed Chilean campaign reduced southern soft-fruit supply. EU orange prices rose (+5%) with Spanish Navel oranges down (-13%) and lemons down (-8%) on good supply. EU apple prices rose (+1%) on average with Jonagold up (+4%) and Elstar down (-4%). Banana prices were up (+5%) as imports dipped seasonally at this time of the year. In the UK, nectarine prices climbed (+18%) as supply tightened, whereas peach prices fell (-13%) and pineapples were slightly down (-2%) due to good supply levels. Table grapes in the UK rose (+9%) due to a lack of supply from southern hemisphere producers. Concentrated orange juice continued to climb (+16%) in Rotterdam, as the effects of the lower Florida orange crop estimated for this season have finally started to affect European prices. Frozen concentrate orange juice fell back slightly (-3%) on ICE. The price of EU apple concentrate fell (-13%) due to continuing good stock levels from Poland and current weak domestic demand.

Vegetables

Prices of fresh vegetables rose in general as Northern Europe continued to be in the grip of cold weather. As a consequence, winter vegetable harvests were delayed and limited in their distribution. It has been reported that this year's spring is likely to be three to four weeks delayed. Potato prices fell (-5%) in the EU, with large falls seen in Germany (-11%) and Spain (-17%). King Edward's rose (+4%) in the UK while Maris Pipers were up (+6%). Brussels sprouts increased (+19%) due to declining continental supply. Lettuce prices ended up (+50%) on average due to cold and stormy weather in Spain. Cucumbers rose (+10%), peppers were up (+28%) and celery was also up (+18%) due to trouble with Spanish supply. EU cabbage prices rose (+13%), while fresh carrots were up (+10%). Radishes rose (+5%) and tomatoes climbed (+22%). Onions surged (+31%) due to limited East European supply, while EU garlic fell (-8%) helped by a good crop. Asparagus was down (-22%) as import volumes increased and EU glasshouse grown asparagus started to be supplied.

Meat & Poultry

Argentine cattle prices continued to rise, with prices up (+11%) on average. Brazilian beef fell back slightly (-1%). Brazilian exports are expected to recover by 10% in 2010, with exports to the EU significantly higher than in 2009. Beef was up (+5%) in Uruguay, but ended lower in the UK (-3%), and France (-13%). New Zealand lamb rose (+2%), with total NZ lamb exports down by 8% in 2009 to the lowest level since 2004, due to a shortage of supply. Deadweight EU lamb prices fell (-8%). Chicken prices fell slightly (-1%) on average in the EU; with falls (-10%) in Belgium and rises (+11%) in Denmark. Brazilian chicken prices rose this month (+5%) while Thai prices fell again (-11%). Deadweight pork reference prices rose (+3%) on average in the EU, with German up (+6%) and Danish also up (+5%). Total pig numbers in Denmark have increased by 6% from this time last year, with the increase in prices for Danish weaner exports being the main driver for the expansion of the breeding herd. The price of piglets continued to rise (+8%) in the EU. Norwegian salmon was sharply up (+27%), with EU supply becoming very tight. Supply from Chile will be significantly lower this year due to a salmon virus outbreak and Norwegian production is also forecast to be down due to problems from sea lice.

Milk & Dairy

Butter prices remain weak across the markets, however they are still above intervention levels. Price decreases have been seen in Germany (-11%), UK (-6%) and France (-5%) amongst others. Butter production is expected to decline over this year, in line with the lower milk output, but prices should remain above intervention. SMP prices continued to fall (-5%) in the EU whilst prices fell more sharply (-8%) in New Zealand. WMP was down (-2%) in the Netherlands and was also down (-3%) in New Zealand due to a slowdown on exports. Whey powder continued to decline (-6%) in the EU as markets are reportedly quiet. Cream fell sharply (-9%) for UK origin, whereas there was a less dramatic fall (-4%) for Polish origin. Liquid milk appears to be stable (0%) despite a decrease in milk deliveries seen at the end of 2009. Cheddar prices fell (-3%) for New Zealand origin but remained stable (0%) in the UK. Italian parmesan rose (+3%). Polish emmental fell (-3%). Egg prices were mixed with increases (+10%) in the Netherlands and slight decreases (-1%) in the UK. Processed egg prices rose sharply (+11%) in the EU as higher costs and stricter regulation have reduced production in the EU.

Energy

Crude oil was up (+5%) on the London exchange. The wholesale price of diesel also rose in the Continent (+8%). Prices have been influenced by revised growth data for the last quarter of 2009 for the US and UK, which indicates that economic growth was stronger than previously reported in both countries. Along with encouraging manufacturing data from Asia, traders took the news as an indication that the global economy continues to recover. Warmer weather helped gas prices to reduce (-5%) at the Bacton terminal. The price of petrol in the US also rose (+8%). The export price of coal from South Africa slipped slightly (-2%). The average spot price of electricity on the Continent went down (-6%).

Chemicals & Plastics

Strong rises have been seen in the plastic sector as higher production costs have been passed onto customers. The average price of EU sourced PP rose (+14%) due to rising feedstock prices and continued strong demand. Propylene sold in the EU rose (+10%). The European price of blow mould grade HDPE rose (+5%) due to tight supply; film grade LDPE also rose (+12%) as production cutbacks remain in place. The average global price of general purpose polystyrene climbed (+8%) as higher production costs have finally been fed into the market price. High impact PS had a stronger rise (+12%) due to limited supply. European nylon prices rose slightly (+1%) whereas butadiene had a more pronounced increase (+5%). The European price of sulphuric acid was up (+5%). Acetic acid, commonly used in food as a preservative, was down (-6%).

Pulp & Paper

EU paper suppliers have been adversely affected by the weakened Euro and the increasing cost of raw materials. EU softwood NBSK prices continued to rise sharply (+8%) supported by strong demand, whereas US softwood NBSK pulp went up only slightly (+3%). Waste cartonboard prices in Germany had a strong rise (+24%) as higher production costs have been passed onto customers. Copier paper sold in Germany rose slightly (+2%). The price of kraftliner in the UK continued to move upwards (+10%) as demand is outstripping supply. The EU delivered price of newsprint on the reel went down sharply (-12%).

Metals

Aluminium futures fell slightly (-3%) on the LME as the USD strengthened and the concern over future supply capacity subsided. Copper prices rose (+7%) on the LME influenced by strong industrial demand for the metal and an earthquake in Chile, the world's largest copper producer. Tin fell (-6%) on the LME reversing much of last month's gain. The average price for steel in the Black Sea region had a significant rise (+8%). However, prices are still roughly half what they were in their 2008 peak. The surplus for EU 304 stainless steel went up (+14%).

Others

USD rose against EUR (+2%), US cotton futures (+17%), Baltic dry index (-13%).