

May 2011 Market Report

The dry conditions seen in the EU throughout spring have raised concerns about crop development in the grain and oilseed markets, leading to price firmness. Crude oil fell over the month, impacting on transportation costs. EU electricity rose as some supply from the nuclear sector was shut down.

Up	Down
Peanut (AR) +11%	Coffee Arabica (ICE) -13%
Wheat (MATIF) +9%	Salmon (NO) -11%
Rapeseed Oil (R'dam) +9%	Polyester (CN) -6%
Pork (EU) +5%	Cocoa Bean (LIFFE) -6y%
White Sugar (LIFFE) +4%	WMP (NZ) -5%
NBSK Pulp (EU) +3%	Brent Crude Oil (ICE) -4%

All percentage changes in this report refer to price movements over May 2011.

Soft Commodities

Increased demand has strengthened world sugar prices. The EU authorized 0.2m tonnes of new duty free raw sugar imports last month due to low sugar inventories and a growing deficit in EU sugar supply. Refined white sugar was up (+4%) on LIFFE while sugar prices on the US intercontinental exchange (ICE) also rose (+3%). A 0.5m tonne backlog of cocoa bean exports in Ivory Coast has begun to be released and this increased supply has caused prices to fall. Cocoa bean prices fell (-6%) on ICE in the US and also fell (-6%) on LIFFE in the UK. Cocoa butter rose (+6%) in the UK while powder fell (-4%). World coffee production for the 2010/11 season is estimated to be up 8.1% at 133m 60kg bags, solely due to a 13.7% rise in Arabica production to 83.3m bags. Robusta production fell back very slightly, down 0.1% to 49.7m bags. Arabica prices on ICE fell (-13%) whilst Robusta prices on LIFFE were steady (0%). Sri Lankan tea production was 2% up in the first four months of the year with annual production expected to set a new record, despite a 6% drop in April year on year. Sri Lankan prices fell (-20%), as did Kenyan prices (-2%).

Oils & Fats

Edible oil rose in general over the month. Rapeseed oil prices rose (+9%) in Rotterdam, and in Argentina (+3%). Unfavourably dry weather in the EU-27, mainly in France and Germany, has reduced prospects for this season's rapeseed crop, which is currently estimated at below 19.5m tonnes (a three-year low and 5% reduction on last year). Soyabean oil prices rose (+6%) in Rotterdam, and on CBOT in the US (+3%). The US has suffered from very wet conditions in major producing regions and this may limit plantings. This has offset the price effect of the larger than expected South American crops which have just been harvested. Sunflower oil rose (+4%) in Rotterdam and Argentina (+2%), with its use as a substitute for rapeseed oil becoming increasingly likely. Palm oil was up in Rotterdam (+1%) and Malaysia (+3%). Malaysian exports totalled an estimated 794,000 tonnes in the first 20 days of May, up 30% on the previous month. Palm kernel oil rose (+3%) in Rotterdam while coconut oil in Rotterdam fell (-5%). Olive oil fell (-6%).

Grains

The continuing dry conditions in the EU led to general grain price increases over the month. The late announcement of the removal of Russian grain export bans from 1st July has yet to impact on markets. Wheat prices rose (+9%) on MATIF but fell slightly (-1%) on CBOT. World wheat production is expected to be slightly below consumption this season, leading to a 0.4% drop in global stocks to 185m tonnes. Durum wheat prices rose sharply (+12%) in Canada due to slow progress in planting

across the Northern plains. Maize prices rose (+4%) on CBOT but fell (-4%) on MATIF in France. World maize production is expected to reach a record 867.7m tonnes, leading to the first increase in stock levels in 3 years. Malt barley prices rose (+21%) on tighter supply, with barley feed also up (+4%). US oats rose (+13%) with Finnish oats also up (+10%). Rice production is expected to hit a record level, up 1% from last year. US paddy rice on CBOT fell (-1%), as did Vietnamese (-1%) and Thai rice (-2%). Basmati rice prices fell back (-5%).

Ingredients

Continuing unrest in the Middle East has led to lower than usual purchases of ingredients. Dried fruit prices were relatively subdued last month, mainly due to a seasonal lull in demand prior to the large purchases that usually occur in the run up to Ramadan, Christmas and the festive season at the end of the year. Raisins rose by (+3%) on average, with Greek currant prices also up (+2%). Turkish sultanas fell (-3%) and dried apricots were down (-5%). For nuts, Argentine peanut prices rose (+11%) on a lack of supply, while those from China were up (+9%) on rising domestic demand. Hazelnuts, walnuts and Indian cashews in the UK all rose (+4%) while Iranian pistachios fell (-1%) and those from the US were unchanged. Spanish almonds were also unchanged (0%), but those from the US fell (-8%) on expectations of good supply after forecasts of the largest US almond crop on record this year. Desiccated coconut prices rose (+3%). For spices, both black and white pepper in the EU rose (+2%). Nutmeg (+3%) and cloves rose (+18%) due to supply concerns after reports of low crops in Indonesia. Indian turmeric was down (-3%) and cardamom fell (-13%) on average in a weaker market due to low Middle Eastern demand. Indian guar gum (+18%) and spearmint oil rose (+9%). Honey from Argentina and the Yucatan (Mexico) fell (-1%) while honey from Australia and China was unchanged.

Fruit

Although there is plenty of Chilean and South African fruit arriving at the moment eating apples rose seasonally on average by (+4%) in the EU as the French crop came to an end. Apple prices rose in Poland (+9%), the UK (+7%) and Germany (+3%) due to lower domestic supply. Pears rose in the UK (+10%), but fell on average by (-2%) in the rest of the EU. Lemons rose in Germany (+13%) as they moved from Spanish supplies to new South American crops towards the end of the month. Oranges were down in Spain (-8%) and fell in Covent Garden (-5%), as Southern Hemisphere supply is expected soon. Despite continuing problems with production after floods in Central America, bananas dropped (-7%) in both the UK and Germany as supply is improving from the Ivory Coast and the rest of West Africa. Grape prices increased seasonally in the EU (+16%). Frozen orange juice in New York rose (+8%), while orange concentrate prices in Rotterdam came down (-2%). Apple concentrate in the EU rose slightly (+1%).

Vegetables

EU potatoes fell on average this month (-5%). Plantings are up on last season but exports are still strong and demand from processors is high. German prices rose (+9%) due to a reduction in sales and dry growing conditions. Salad peppers ended down (-27%) as Dutch crops are in full swing. Tomatoes dropped (-31%) on average in the EU as volumes are plentiful and quality excellent. Carrots rose (+14%) on average in the EU as the season comes to an end and shelf life is reduced. Cauliflowers rose sharply (+53%) due to a difficult season in the UK. Courgette prices fell (-21%) on average. Asparagus rose (+18%) in the UK as the season came to an end. Onions in the UK rose sharply (+45%) while in France, Germany and Poland prices were down (-10%).

Meat & Poultry

Due to earlier higher prices curbing demand, beef prices fell on average by (-1%) last month with a (-2%) fall in liveweight cattle on CME in the US. South American liveweight beef prices also fell (-2%) with those in Argentina down (-3%). A fall was seen in Brazil (-2%) but beef liveweight prices were up in Uruguay (+3%). EU beef deadweight prices rose (+2%) on tight supply and higher exports, and were up in Ireland (+8%), Spain (+2%) and the UK (+2%). A rise of (+1%) was seen in Belgium, France and Germany, while a (-1%) decrease was seen in the Netherlands. EU deadweight pork reference prices were up (+5%) on average with hot weather encouraging barbeque demand. Netherlands deadweight pork prices rose (+8%), German (+4%), Danish (+3%). EU piglet prices fell (-4%). New Zealand lamb rose (+4%) as did EU heavy deadweight lamb (+9%). However, EU light lamb deadweight prices were unchanged (0%). Deadweight chicken prices in the EU rose (+1%). Brazilian liveweight chicken prices fell (-11%), whilst Thai ex-farm prices were stable (0%). Chinese market

prices for chicken strengthened (+3%). For fish, Norwegian farmed Atlantic salmon fell (-11%) due to lower demand and increased supply, haddock prices fell (-2%) but plaice rose seasonally, up (+24%).

Milk & Dairy

Dairy price movements were mixed last month, EU milk production has reached its seasonal peak but the market is expected to remain tight due to rising exports and high internal demand. World SMP prices varied, rising in the EU (+1%) and Germany (+5%) but down in the UK (-6%). Feed SMP prices rose in the Netherlands (+10%) and Germany (+4%) but fell in France (-12%). New Zealand origin also fell (-3%) and US prices for SMP on CME were lower (-4%). WMP prices fell in the EU (-2%) and New Zealand (-5%). Butter fell on average in the EU (-1%) and in New Zealand (-2%), but rose on CME in the US (+3%). Whey powder rose in the US (+13%) but was largely unchanged in the EU (0%). Cheddar prices ranged from unchanged in NZ and UK (0%) to a rise in the US (+7%). EU cheese production is expected to grow in 2011. Due to oversupply, egg prices fell in the EU (-4%), although EU eggs for processing rebounded sharply, up (+35%) from the very low prices seen after steep falls last month.

Energy

Crude oil prices have retreated as concerns grew over the patchy global economic recovery; market fundamentals remained tight due to lost Libyan output. Brent crude on ICE and light sweet crude on NYMEX were down (-4%) and (-6%) respectively. Falls in crude oil have fed through to road fuels causing prices for both premium unleaded petrol (-6%) and diesel (-3%) to weaken in Europe. Natural gas futures were unchanged on ICE London (0%) and rose on NYMEX (+5%) as demand to meet air-conditioning needs increased due to the higher-than-usual temperatures in the US. Prices for coal in Europe fell (-4%) on weak demand from China: its imports declined by 24% to 44m tonnes. Electricity prices rose in Europe (+4%) on tight nuclear supplies in Germany and France, UK prices were also up (+5%).

Chemicals & Plastics

Price increases in plastics have moderated as the sharp drop in crude oil prices in early May pushed down feedstock costs with naphtha (-6%), ethylene (-4%), chemical grade propylene (-3%) and paraxylene (-5%) all declining in Europe. Increases were seen in HDPE in the EU (+1%), HDPE in Asia (+4%) and in European (+1%) and Asian (+4%) prices of PP; ABS stayed unchanged (0%). LDPE prices were unchanged (0%) in Europe and declined in Asia (-3%) as buyers opted to wait for further drops in petrochemical prices. PET prices weakened in the EU (-1%) and in the US (-2%) as demand for fibre grade was sharply down and supply was stable. Fertilisers moved up sharply on increasing global demand: urea was up (+20%) as China signalled stricter export control this year and phosphoric acid rose (+28%) in the US.

Pulp & Paper

NBSK pulp rose in Europe (+3%) and the US (+1%) as some major producers announced price rises in May citing solid market fundamentals. The European prices for BHK were also up (+3%); the gap between BHK and NBSK, which is more exposed to Asian demand, was no longer increasing as China's demand cooled down. Global producer pulp inventories rose by one day to 33 days in April. The packaging sector on the whole also rose; price increases were seen in the UK prices of cartonboard (+2%), semi chemical fluting (+1%) and testliner (+1%). Only kraftliner bucked the trend with prices declining both in the UK (-3%) and Europe (-1%). Prices for newsprint remained unchanged in the EU (0%) and fell slightly in the UK (-1%).

Metals

Prices for most base metals prices were down on the LME as bearish sentiment prevailed in commodity markets in recent weeks and manufacturing activity slowed in China. Copper continued to trend down (-2%) and aluminium (-4%) fell as energy prices eased. Sharp declines were seen in prices of tin (-11%) and nickel (-13%); the latter fell on expectations of a surplus in supply. Also on the LME, zinc prices were up slightly (+1%) as the availability of stock remained tight. Prices for both hot rolled and cold rolled steel in the EU fell (-2%) amid softening feedstock prices: declines were seen prices of coal in the EU (-4%) and iron ore in China (-5%). Stainless steel in China was also down (-8%) mainly due to weakening nickel prices.

Others

Baltic Capesize Index (+20%), Cotton US (+17%), Wool NZ (+8%), Nylon CN (-5%), Polyester CN (-6%).