

September 2011 Market Report

Sharp falls were seen in a range of markets this month, from metals to oils and soft commodities, as the resurgence of economic problems throughout the EU and the wider world led to a flight of capital from commodity markets. Concerns remain about the effect of the economic weakness on commodity demand.

UP	Down	
Peanuts (US) +15%	Copper (LME)	-19%
Ammonia (UA) +13%	Salmon (NO)	-14%
Butter (NZ) +11%	Sugar (LIFFE)	-13%
Beef (UK) +4%	Soyabean Oil (CBOT)	-12%
Ethylene (EU) +3%	Wheat (LIFFE)	-10%
Natural Gas (UK) +3%	Brent Crude Oil (ICE)	-10%

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

Soft Commodities

Soft markets generally fell over the month as the wider economic turmoil spread into these markets. Cocoa bean prices fell on both LIFFE in the UK (-12%) and on the US Intercontinental Exchange (ICE) (-16%). Cocoa butter was down (-15%) as was cocoa powder (-1%) in the UK. Cumulative cocoa arrivals from the Ivory Coast reached 1.4m tonnes by early September, up 23% on the same period a year ago. Both Arabica coffee on ICE (-19%) and Robusta coffee on LIFFE (-13%) were down, with reports of rains expected to help the development of the Brazilian crop. Refined white sugar fell (-13%) on LIFFE and (-16%) on ICE as concerns over the Brazilian crop were offset to some degree by the good Indian crop expected in 2011/12. Output in India has been forecast at 25.8m tonnes, the highest level in four years which should lead to ample export supplies. Kenyan tea prices fell back only slightly (-1%) as the price has been supported by continuing concerns over this year's drought which may result in tea production of 370m kg in 2011, down from the 400m kg seen last year.

Oils & Fats

Sharp falls were seen in the edible oils pricing as investors moved out of commodity markets following concerns over the world economy. Soyabean oil fell sharply (-12%) on CBOT while the fall was less (-6%) in Rotterdam. Concerns remain over the state of the US soyabean crop, as development has been affected by dry weather felt in major soyabean growing areas. Palm oil fell in Rotterdam (-9%) and Malaysia (-4%) as supplies are expected to be ample for the remainder of the year and into 2012. Strong demand will continue to dominate the market over the rest of the season. Rapeseed oil fell (-3%) in Rotterdam. The Canadian canola crop is underway with good yields expected this season and exports are likely to reach last season's levels. Sunflower oil fell in Rotterdam (-9%) and Argentina (-3%) as record crops will be harvested this season in the Black Sea Region. Palm kernel oil rose (+3%) in Malaysia while coconut oil fell slightly (-1%) in the Philippines. Olive oil rose (+2%) in Spain.

Grains

World grain prices tended to fall in September, as a result of good northern harvests and the need to clear old stock from inventories. US maize prices fell (-18%) on CBOT and by (-8%) on LIFFE. European milling wheat prices fell on LIFFE (-10%) and CBOT (-19%) while feed wheat in London fell (-9%) on LIFFE. Durum wheat, used mainly for semolina and pasta,

was largely unchanged, except for a rise in Canadian amber durum (+10%). EU malting barley prices fell (-1%) on average, but were mixed with a strong (+5%) rise in the UK, countered by falls in France for esterele (-4%) and prestige (-8%). EU feed barley fell (-1%). Oats were down (-12%) in the US and Finland (-2%), but rose in the UK (+6%). Rice prices were mixed. Vietnamese rice was up (+4%) while Thai rice prices fell (-1%). US paddy rice on CBOT was down by (-8%) due to good US supply. Basmati was largely unchanged, although after floods in Pakistan, brown basmati was up by (+19%), albeit from a previously low level.

Ingredients

Ingredient prices have remained comparatively subdued on the arrival of the new northern hemisphere crops. Prices in Turkey, which is a main source of supply for many dried fruits and nuts, have been mixed, with dried apricots up (+3%), but raisins (-3%) and figs falling (-18%). US peanut prices rose (+15%) due to drought conditions in Texas leading to reduced crop yields, while peanuts from Argentina were up (+3%) on a seasonal decrease in supply. Turkish hazelnuts and hazelnut paste both rose (+2%) as did Spanish almonds (+2%), while Indian cashews fell (-2%). Desiccated coconut prices were unchanged as were tapioca starch and Italian pine nuts. Spices were largely stable. Black and white pepper in the EU was steady, as were nutmeg, cloves and ginger. Turmeric however fell (-7%) on average, on good South Indian supply and low domestic demand. In essential oils, Chinese lemon oil rose (+10%), cassia oil was up (+4%), eucalyptus oil fell (-2%) and citronella oil was down (-7%). The price of honey from Argentina rose (+1%) due to weather problems and reports of lower numbers of bees. World honey prices remain strong, as supply is tight, with the high price leading to some demand rationing.

Fruit

Apples prices fell again this month, down (-6%) on average in the EU. Volumes are set to increase now as new season fruit continues to arrive from France, Spain and the UK. Golden Delicious and Gala dropped (-15%) on average in France and Granny Smith prices were down (-17%) in the UK. Pears prices were also down (-3%) in Germany and the UK. Orange prices ended up (+9%) in the EU due to very low volumes. The main growing regions in both Sao Paulo and Florida have been experiencing ongoing problems with Huanglongbing (HLB), a citrus greening disease. Banana prices rose on average (+8%) in Germany as colder weather, rain and heavy winds in growing regions have reduced volumes. Frozen orange juice on the ICE New York fell (-6%) while apple concentrate was unchanged (0%) in Europe.

Vegetables

The EU potato harvest is forecast to increase by up to 6% from last year, with yields set to reach 47.3 tonnes/hectare, up from the 44.9 tonnes/hectare seen last year and the highest for six seasons. Prices ended down (-9%) this month on average in the EU, with Germany falling the most (-15%). Despite some lifting problems due to wet weather, supplies are still sufficient to meet the slower demand being experienced. Carrot prices were down (-12%) across the EU. Salad peppers in the UK decreased (-11%) along with cucumbers (-4%). Onions also ended down (-20%) on average with good availability and quality. Tomato prices have increased dramatically (+32%) in Europe as production has slowed seasonally. Leeks were down (-20%) on average in the EU with turnips also down (-16%). Parsnips dropped (-19%) in the UK. Garlic prices ended up (+3%) on average in the EU as the new Chinese crop begins to come through.

Meat & Poultry

Beef prices recovered (+4%) in liveweight cattle futures on CME in the US, while South American beef prices generally weakened with Brazilian liveweight prices (-3%) and Uruguayan deadweight prices (-9%) both down. EU beef deadweight prices rose in general, with UK (+4%), Belgium (+2%) and Dutch (+1%) beef all up. EU beef exports rose sharply in the first six months of this year, up more than threefold, chiefly as a result of significantly higher exports to Turkey as Turkish import tariffs were reduced at the end of 2010. New Zealand lamb rose slightly (+1%), with EU heavy deadweight lamb down a little (-1%). Lamb prices fell in the UK (-4%) and Ireland (-4%), but rose in the Netherlands (+4%) and Germany (+2%) and were also up in Spain (+8%). EU deadweight pork reference prices were down on average (-1%) with Spanish down (-4%) but Italian up (+2%). The normal seasonal downward trend for pig prices has begun earlier than usual this year. Pig breeding herds are shrinking across the EU as increased costs of production are not being countered by any rise in pig price. EU piglet prices also continued to fall (-3%). Deadweight chicken prices in the EU fell (-1%). Brazilian liveweight chicken prices were down over the month (-5%), whilst Thai ex-farm prices rose (+10%). Chinese market prices for chicken weakened (-

2%). For fish, Norwegian farmed Atlantic salmon have fallen back (-14%) as a result of increased supply from both Norway and Chile. Haddock prices rose (+3%).

Milk & Dairy

Some price increases were seen in the dairy market over the past month as demand continues to return following the end of the summer holiday period in the northern hemisphere. SMP prices rose (+3%) in Germany and New Zealand (+4%). Butter prices rose (+11%) in New Zealand with a slight increase also seen in the Netherlands (+1%). EU Private Storage Aid stocks are due to enter the market in the coming months, but it is at present uncertain what quantity will come out of storage. WMP saw upward movements in New Zealand (+7%) and Germany (+2%). Liquid milk was up in the UK (+1%) while prices saw a more marked increase in Italy (+5%) as milk availability in the northern hemisphere continues to decline seasonally and is approaching its minimum level. Cheese prices were mixed, with rises seen for Italian Parmesan (+1%) and Grana Padano (+1%), whereas price declines were seen for German Edam (-2%) and Gouda (-6%). Cheese production in the EU is expected to increase in the current milk year in response to higher domestic and export demand. EU egg prices were largely unchanged (0%), but shell eggs for breaking fell sharply (-12%) with liquid egg also down (-3%).

Energy

Continuing uncertainty over the global economic and financial outlook weighed on energy prices in September. Prices declined sharply for both Brent crude oil on ICE (-10%) and light sweet crude on NYMEX (-9%). Road fuel prices also fell with particularly pronounced falls seen in petrol, down in Europe (-8%) and the US (-10%) as the high season for motoring came to an end; EU diesel prices were also down (-6%). UK natural gas prices, however, rose (+3%) due to increasing regional competition to secure winter supply. Gas futures were down slightly (-1%) on ICE London and on NYMEX (-3%). Prices for coal (-4%) and heating oil (-7%) fell in line with the general trend in the energy sector. Electricity prices were stable in Europe (0%) and rose only marginally (+1%) in the UK buoyed by the strength in natural gas market.

Chemicals & Plastics

EU naphtha fell (-3%) following sharp crude oil losses, however those price declines were not fed downstream in every case; EU paraxylene (+4%) was supported by a tight supply situation in Asia and ethylene (+3%) and propylene (+3%) were also seen to rise over the month. European PE producers were unable to pass the ethylene price rise on to buyers as demand for PE was subdued amid global economic uncertainty. LDPE (-20%) and LLDPE (-13%) both fell sharply but HDPE remained steady (0%). Demand for plastics also weakened somewhat in Asia with falls seen in the PP (-2%) and PS (-2%) markets. Fertiliser prices strengthened, with US urea (+6%) and Ukrainian ammonia (+13%) both up.

Pulp & Paper

Pulp demand was subdued in September globally as demand weakened and producers' inventories rose again. Delivered NBSK fell in the US (-2%) and on the CME (-5%). BHK pulp prices also fell in the US (-4%) and China (-2%). European pulp prices were influenced by the weakening of the euro against the dollar, and so delivered NBSK and BHK pulp prices in euros were both up (+4%). The packaging sector has weakened as global economic growth continued to slow. Declines were seen in the EU prices of kraftliner (-7%), waste-based fluting (-5%), cartonboard (-2%) and corrugated paper and board waste (-4%). In the UK, prices fell for cartonboard and newsprint, both down (-1%).

Metals

European demand for copper, a major industrial metal, fell sharply over the month. Prices slipped (-19%) on the LME after European buyers were seen delaying or cancelling copper orders. A decline in factory activity in Europe and Asia also helped to push down the prices of lead (-21%), nickel (-16%), zinc (-15%), tin (-12%) and aluminium (-8%) on the LME. Prices for hot (+1%) and cold (-1%) rolled steel were more stable, registering only small month-on-month changes. Precious metals, traditionally a safe haven for investors in times of financial crisis, took a surprising tumble with falls seen in the price of platinum (-16%), gold (-11%) and silver (-26%).

Others

Dry Baltic Index (+19%), Cotton ICE (-7%), Wool (UK) (+3%), Uranium (+7%)