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Market Report 23/11/2010

Another new factor in the fortunes of the Dollar and its subsequent affect on agricultural commodity prices has come into play today with tension developing between North and South Korea. Coming on the back of political problems emanating from the Irish bailout by the EU/IMF, the Dollar has strengthened this morning with a negative impact on Dollar based commodities and prices in general.

Chinese fiscal tightening which was announced at the end of last week caused amongst other things by an increase in food prices by 10.1% over a 12 month period (other commodities and prices only rallied 1.6%) has resulted in the Government releasing 2/2.5 Million MT of sbns from reserve stocks to stabilise prices which should in turn slow imports of bns which are expected to exceed the USDA guesstimate of 57.0 Million MT this calendar year.

The market volatility over the past few weeks has led to the raising of margins on both the CME and Dalian futures markets not least of which due to sbns in Chicago losing 10% of its price over the last 4 trading days of last week, but the decline appears to be somewhat overdone and the market is possibly oversold.

The CBOT closed up 22/27 points on sboil ydy, but these gains have been eroded on the overnight market.

Sbns were steady ydy up by 15/20 cts with further gains this morning of 3/6 cts.
Weather problems continue in Argentina with up to 20% of the major planting areas remaining dry.

The fight for acreage will continue in the US well into 2011 as the market cannot afford a reduction in sbn acreage (exports of sboil from Arg/Braz/US were up by a third in Sep/Oct this year) but at the same time more land will be needed for rape/corn/wheat and cotton.

The ongoing dilemma for Governments will continue with regard to mandatory blending levels for Bio products; food or fuel?

1/20 November Palmoil exports from Malaysia were 1.05 Million MT, but the market is easier over the last few days having dropped 2/2.5% on concerns of a reduction in Chinese buying.

The Malaysian Met Office (!) is forecasting heavy rains over the next few weeks which will continue to affect yields.

The Malaysian futures market is lower tdy by Rggt 52 for the benchmark position at 3132.

CIF Rdam cpoil levels were marked down ydy by USD 20/25 at 1105 Dec 1095 JFM 1075 AMJ.

Palmoil exports from the 6 producing countries of Central/S.America are down 19% to their lowest in 4 years, Such oil that is exported disappears locally with virtually no shipments now to the EU.

Worldwide production of rapeseed and canola in '10/'11 will be down by 3.2 Million MT to 57.2 Million, a 3 year low.

European rapoil was marked down by Euros 5/10 ydy at 900 FMA 910 MJJ 890 ASO

Mineral oil is largely unchanged with US crude trading at USD 81.61 a barrel.