

# An update of commodity price movements across various categories

19<sup>th</sup> June **WEEKLY REPORT**



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It has been about fifteen weeks since the confirmation of a pandemic and global commodity markets continue to reflect the multi-faceted dynamics of the fight against COVID-19. Most of the major importing and exporting countries are now in the process of either partially or fully relaxing lockdown measures, which is having key implications for trade and prices.

The re-opening of restaurants, hotels and other foodservice vendors has supported recent spikes among sub-categories of the dairy, meat and seafood markets. The increase in activity from the Chinese market, in particular, has been influential for various commodity markets, including markets such as whitefish, lamb and grains, given China's position as a major food importer and exporter. In contrast, some commodity prices are softening, and these are typically those commodities with year-round production and limited storage potential, particularly within the fruit and vegetables category. Currency exchange rates are important factors when considering the relative costs of imported products, as well as export competitiveness. For some key producers such as Russia and Norway, whose respective currencies are pegged to the crude oil price, the currency fluctuations present double upside potential for their commodity markets, as the price of oil strengthens.

In this report, Mintec focuses on commodities that have charted significantly (upwards or downwards) as lockdowns have eased. The report also analyses commodity markets that have shown moderate changes and highlights the key short-term market drivers.

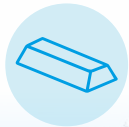
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# Mintec Data Coverage

Price data on exchange-traded commodities is just the tip of the iceberg.



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METALS



SUGAR



OIL



DAIRY



MEAT



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## Alaska Pollock prices find support from east Asian processors

### 7J05 - Alaska Pollock



Source Mintec Analytics

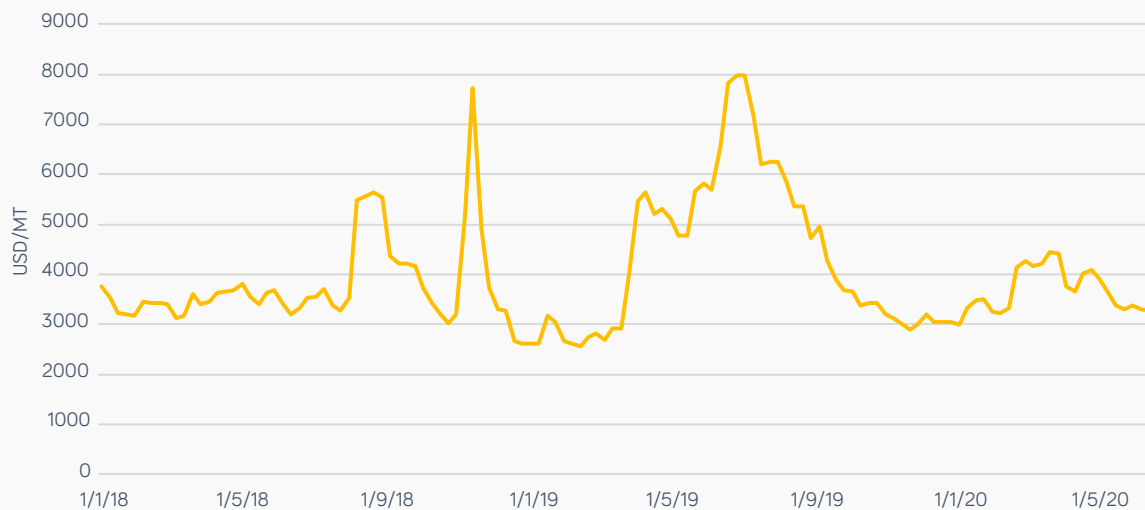
Whitefish prices tracked downwards through most of H1 2020, as thin demand from foodservice vendors – restaurants, hotels, bars, schools, universities, etc. led to oversupply in key consuming markets, most notably China. China began the lockdown process on 23rd January, in Wuhan, and the rest of the country followed. Average global prices for cod, haddock and pollock weakened over the ensuing weeks as social distancing extended across all the major global markets.

China is the main export destination for Russian-caught Alaska Pollock and, over the twelve-week period ending 6th May 2020, the USD-denominated price of Russian-caught Alaska Pollock fell by 30% to USD 1.62/kg. The May 2020 average price of USD 1.64/kg was 16% below the average for the same period in the previous year.

Notwithstanding, Alaska Pollock prices remain historically high amid tightening North American supply, as US fleets are increasingly focused on higher-value substitutes, such as coley and hake. Moreover, east Asian demand is strengthening, with China and neighbouring countries now out of lockdown, which is also helping to tighten the global balance and support firmer prices. In the five-weeks ending 10th June, the USD-denominated price of Russian Alaska Pollock increased by 6% to USD 1.72/kg. However, with the Russian Rouble (RUB) gaining strength on the back of higher oil prices, the RUB-denominated price fell by 3% over the same period. Going forward, the average price of Russian-caught Alaskan Pollock should be supported by improving demand in key processing hubs, as well as higher oil prices leading to comparatively higher costs that will be reflected in the final price.

## US avocado prices fall following a brief rally in March

### 6V21 - Avocado Hass (MX) mp Chic US lo



Source Mintec Analytics

The pandemic has had a significant impact on eating patterns across the globe. Consumers have become more health conscious and are eating foods that contain high levels of micronutrients and have immunity-boosting claims. In the fruit and vegetables category, US avocados initially witnessed a price rise at the onset of lockdown restrictions due to higher retail demand. However, prices have recently softened, with stronger production from Mexico.

Mintec US avocado prices rose by 6% from March to April, in line with higher retail demand due to panic buying. When lockdown measures initially came into effect, farmers in Mexico slowed down harvest activities in anticipation of a drop in demand. However, the market experienced an unexpected surge in avocado demand, leading to a short-lived rally.

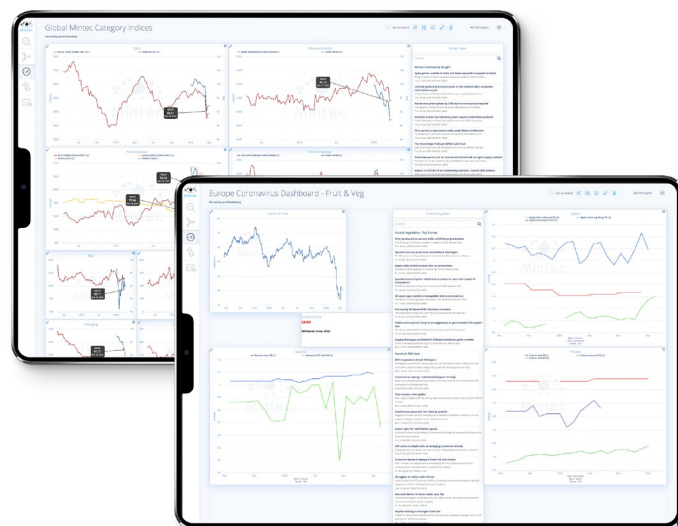
US avocado prices have since fallen by 18% in the eight-week period to 10th June to USD 3,286/MT, with increasing supply from Michoacán, Mexico's biggest producer. Michoacán is the only state in Mexico with year-round production and phytosanitary clearance to export to the US.

Mexico and Southern California are major producers in the US avocado market and any supply disruption has the potential to be price disruptive. The additional cost premium in the US avocado price witnessed in March has diminished, with fewer transportation bottlenecks and trade restrictions.

The gradual re-opening of the US foodservice sector is expected to support the demand for US avocados, which may help tighten the domestic balance. This should support some price firmness in the US avocado market over the next six months.



# Mintec Category Indices enable procurement to track food price changes during COVID-19 crisis.



New Mintec Category Indices (MCI) are enabling food procurement teams to track price pressures affecting their raw materials and food production costs. This additional capability is particularly powerful when combined into dashboards to provide improved data visualisation. Plus the ability to group and monitor price movements across different categories and across different geographies has helped to illustrate the effects of COVID-19 on prices and to help determine the potential impact on future costs.

Food procurement professionals in every industry have been under extreme pressure to try to assess the current status of their supply chains, and the likely impacts of the progress of the coronavirus pandemic. Business leaders are also struggling to make immediate decisions on a huge range of issues, including availability, pricing, sourcing and disruption in raw materials and foods.

These 46 new MCI are specifically designed to measure the changes in price for a group of core food and beverage categories. The indices cover global, regional and specific country prices for dairy, eggs, cereals and bakery, hot beverages, fish, fruit, vegetables, meat and poultry, juices, oils and fats, confectionery, packaging and nuts.

The MCI enable procurement, sales and finance teams to understand how prices are moving across a range of commodities and to see whether a category is exhibiting an inflationary or deflationary trend. The Mintec Category Indices can be used to benchmark buying teams and suppliers against an independent market reference for core categories.

By blending the raw material prices, the MCI provide a uniform approach measuring the changes across the key sectors in the food and beverage

supply chains so as to compare commodity prices. The Indices cover the key categories that our manufacturing and retailing clients are typically organised around in their purchasing structures.

The MCI are published in the native currency for each region or country, to allow for currency fluctuations and direct comparison across all price series. Each one has been weighted based on the significance of each commodity included, providing an accurate direction of price changes.

These new indices are provided alongside 14,000 commodity prices already published by Mintec as part of its online SaaS platform, Mintec Analytics.



## Mintec Category Indices

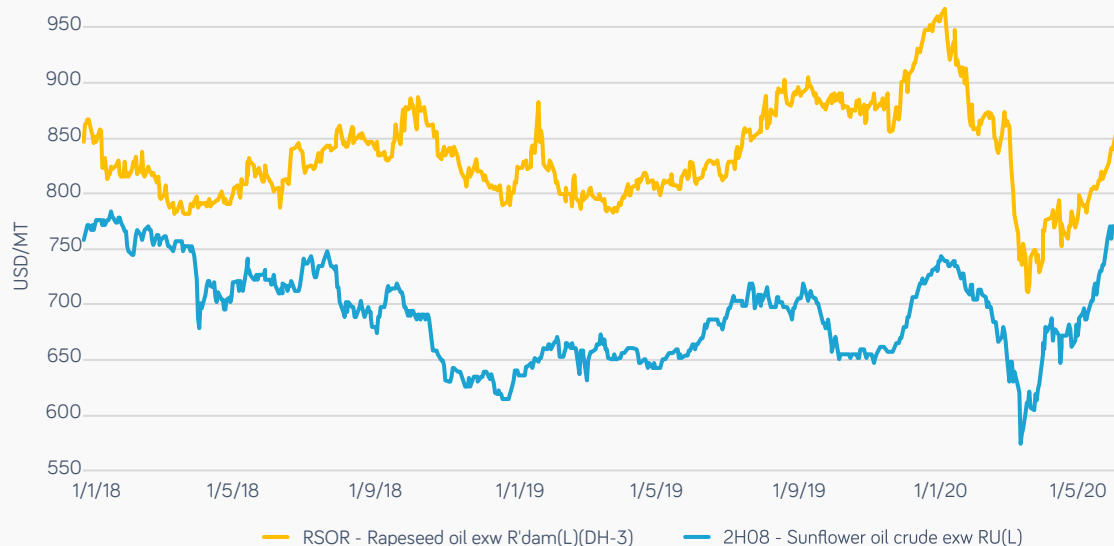
Compare commodity price changes by category, in order to measure price competitiveness across beverages, meat, fish & more.

Use MCIs to track global and country-specific category price movements.

[MINTECGLOBAL.COM/MCI](https://www.mintecglobal.com/MCI)

## Rapeseed and Sunflower oil prices show resilience to COVID-19 disruption

### Rapeseed & Sunflower Oil



Source Mintec Analytics

Within the oilseeds category, rapeseed oil prices have strengthened considerably from the lows recorded in March, as global markets have slowly increased levels of social activity. For the six-week period ending mid-June, the European rapeseed oil price averaged EUR 745/MT (USD 816/MT), which was approximately 18% above the floor price recorded on 25th March and slightly above prices for the same period in each of the previous two years. Improving levels of retail demand in the US and Europe should provide further upside potential for the next 3-6 months.

By 10th June, the Mintec Russian sunflower oil price of RUB 52,750/MT was 17% higher than at the start of the calendar year, driven by emerging retail demand from Europe, as restrictions were lifted. Additionally, the world's leading sunflower oil exporters – Russia and Ukraine – suffered respective currency depreciations of 10% and 7% against the US dollar from January to March. The weaker currencies allowed locally priced contracts to undercut Eurozone equivalents and spur exports from the region. This, coupled with the gradual increase in demand, following the resumption of activities across Europe may help tighten the market balance, potentially supporting stronger prices going forward.

It should also be noted that currency movements elsewhere pose important demand and price implications. For instance, a weaker relative CAD to USD benefits Canadian oilseed exports, which may also help bring about a tighter oilseed supply balance.

## US butter prices recover as pandemic eases in some regions

### DU22 - Butter grade AA Chic US



Source Mintec Analytics

For the dairy category, the US butter price averaged USD 3,289/MT in May 2020, 36% lower than the price for the same period in each of the last two years. However, in the eight-week period to 10th June 2020, Mintec US butter prices increased by 63% to USD 4,219/MT, in line with stronger retail demand, as the food service sector introduced a phased return across the US. Restaurants accounted for approximately 45% of pre-pandemic butter consumption, leaving a substantial demand gap, as the sector ground to a halt. This was partially offset through higher retail sales, which increased by 20% over the same period.

Furthermore, the US government introduced the “USDA Dairy Box” initiative, which supported farmers impacted by the slowdown in foodservice demand. To date, the USDA has purchased \$317 million of dairy products since 15th May 2020 and is expected to maintain the program until 30th June 2020. The programme has helped to partially alleviate some supply pressure caused by excess stocks.

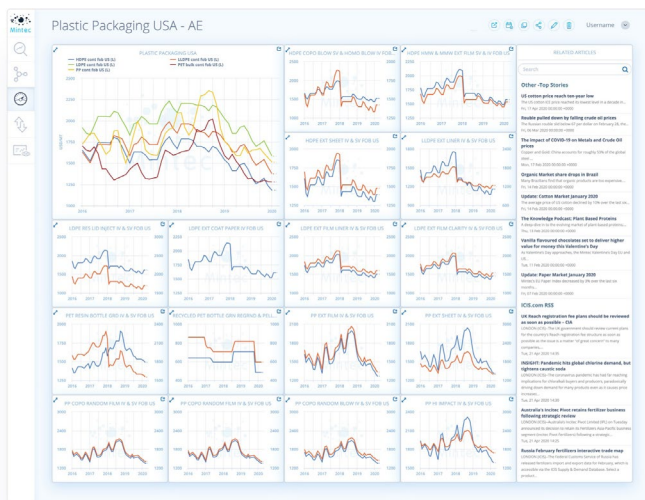
The Mintec US butter price is expected to gradually increase, as lockdown measures ease. The US government assistance and depletion of pipeline stocks amongst some food service distributors should also prove price-supportive in the short-term.



# Mintec Dashboards

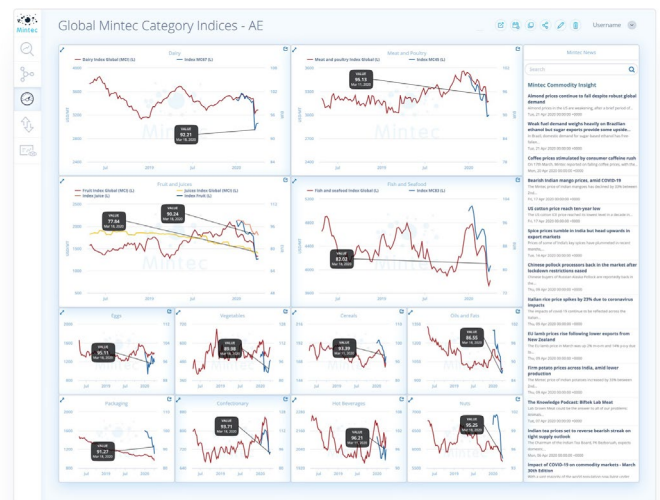
Create your own or access our extensive library of readymade dashboards to track the category and commodity prices most relevant to you.

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to visualise price comparisons between alternative raw materials and share editable dashboards with anyone in your organisation.



Explore category indices to track price movements

and identify underlying market trends. Use Mintec Category Indices to track global, regional and country-specific category price movements.

## New Zealand lamb exports to China recover as COVID-19 restrictions ease

### AN03 - Lamb ddwt whs NZ



Source Mintec Analytics

Global meat markets have seen considerable price fluctuations since the coronavirus outbreak. However, the impact of the pandemic has started subsiding in some regions, which has increased both meat demand and prices. For example, the New Zealand lamb price showed a trend reversal, rising by 24% between 29th April and 10th June 2020 to reach NZD 8,054/MT, as Chinese import demand recovered. However, the average lamb price in May was 6% lower compared to the previous two years' averages during the same period.

New Zealand sheep meat exports in Q1 2020 dropped by 6,500 tonnes to 134,900 tonnes compared to the previous quarter, driven by contracting shipments to China. This lack of demand weighed on prices, which fell by 16% q-o-q in Q1 2020. Lamb exports to China diminished due to closures of Chinese food markets, particularly the foodservice sector, as a result of the coronavirus outbreak. Conversely, exports to other markets such as Saudi Arabia, Malaysia, Taiwan and Jordan increased dramatically, curbing any further price decline. However, the market dynamics changed in April as the Chinese food industry showed signs of recovery from the pandemic, as lockdown eased, and consumers' demand resumed. As a result, New Zealand lamb exports to China reached 21,000 tonnes in April, marginally up y-o-y, subsequently raising the price of the product.

Furthermore, the New Zealand lamb processing capacity was hampered by the social distancing regulations imposed amid the pandemic. Thus, the New Zealand lamb output contracted by 18% y-o-y during April, at 33,9000 tonnes, aggravating the bullish price trend seen in New Zealand's lamb market. Prices should see continued recovery over the coming weeks as economies continue to re-open, stimulating demand.

## EU malt barley starts to recover, although outlook remains bearish

### BM31 - Barley malt Sebastian FR



Source Mintec Analytics

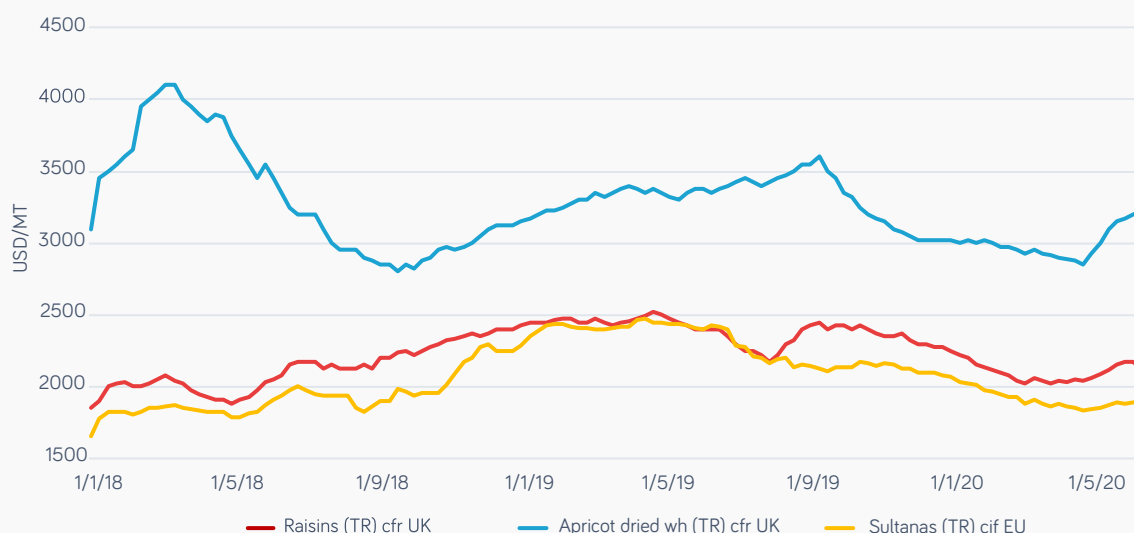
EU malting barley prices started to recover slightly in mid-May following the easing of lockdown measures in most countries. For instance, the French malting barley (Sebastian) price, rose 3% m-o-m in the month ending 10th June 2020, to a total of EUR 176/MT.

The coronavirus pandemic led to a reduced demand for malting barley. In the UK, according to the AHDB, barley usage for the brewing, malting and distilling sector was 114.7kt in April – the lowest in over a decade (-28%). This significant decline in usage was seen across the EU, driven by low demand from the foodservice sector, as pubs, bars and restaurants were closed and sporting events and festivals like Germany's Oktoberfest were cancelled due to the lockdown. As a result, beer consumption was affected, thus impacting the demand for malting barley used to make beer and whisky, leading to an oversupply in the market. Some maltsters tried to supply the excess barley to livestock producers, resulting in a narrowing of the malting barley premium over the feed barley. As of 10th June, French malting barley was trading at a EUR 25/MT premium over other barley grades, compared to EUR 42/MT in March.

According to the USDA, EU barley production is expected at almost 63 million tonnes (+13% y-o-y) in 2019/20, 6% over the five-year average. Additionally, demand is expected to remain very tepid with some countries such as the UK having its pubs and restaurants reopening in July. This is when the harvesting of the new 2020/21 marketing season is due to commence, thus weighing further on prices. As a result, the ending stocks for the 2020/21 barley season is forecast 16% higher than the previous year at 5.9 million tonnes and 14% above the five-year average. Even though some companies in the beverage sector have started to increase their capacity and prices have recovered slightly, demand for malting barley is expected to remain sluggish, given the oversupply, hence a bearish outlook.

## Turkish dried fruit prices take support from stronger lira

### Turkish dried fruit



Source Mintec Analytics

In the dried fruit category, prices of Turkish products including sultanas, raisins and apricots, have increased since the beginning of May, being influenced by a strengthening Turkish lira (TKY). The TKY dipped below 7 to a dollar in early May after the Turkish central bank cut its benchmark interest rate for the eighth consecutive time, in order to support businesses borrowing during the pandemic.

However, since the first week of May, the TKY has strengthened by 5% against the dollar after the Turkish government held talks with potential investors over new possible foreign funding. The Mintec Benchmark Price of Turkish sultanas delivered to Northwest Europe rose by 3% between 29th April and 3rd June. Prices of Turkish raisins and apricots delivered to the UK are also up by 3% and 10% respectively, for the same period. The price of dried apricots has been further supported by expectations of a smaller crop this year.



## Concluding remarks

The easing of social distancing measures has largely been price supportive for commodity markets, particularly for those commodities that derive significant demand from the foodservice industry. For instance, white fish prices fell dramatically over Q1 2020, as schools, restaurants and hotels closed, while overseas trade routes were also closed leading to a relative surplus. However, prices of Alaska Pollock have tentatively rebounded to reflect the changing sentiment. Similarly, the prices of dairy commodities have increased as lockdowns have eased and should maintain upward momentum, as the aforementioned buyers increasingly return to market. Additionally, the warm summer months in Europe should boost demand for ice cream and other frozen dairy products.

For several categories, such as New Zealand Lamb and whitefish, Chinese demand is a key price driver, and prices have responded in line with China easing lockdown measures around March. Grains and oilseeds prices should also benefit from improved demand for human consumption, animal feed and biofuels.

Currency exchange values will also be key in determining export price competitiveness. For currencies like the RUB and NOK, that are inextricably linked to oil prices, these are expected to appreciate against the USD, thus making commodities exports more expensive.



# Our Products

## Mintec Analytics

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- **Integrated** - Aggregate and integrate data with your existing systems, data sets and models more easily for deeper insights and a more efficient workflow.
- **Dynamic** - Respond to changing business, user and system needs more readily - plus benefit from enhanced collaboration and sharing capabilities.

