

# Evaluation of commodity price recovery as global lockdown measures ease

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



# Evaluation of commodity price recovery as global lockdown measures ease

New Zealand is the first developed economy to declare itself pandemic-free as of 8th June, having recorded zero new cases of COVID-19 since 23rd May. It is expected that agricultural exports from New Zealand, such as lamb and dairy, should become more available over the coming months, impacting prices. Elsewhere, Europe continues to loosen lockdown restrictions, with cafés, bars and restaurants opening for business and several sports activities able to restart. India, China and other Asian countries are also reopening more public spaces, while President Trump continues in his efforts to kickstart the US economy. As economic activities have increased, the spurt in food and fuel demand has helped lift some commodities prices from the floor.

This week, Mintec looks at commodities prices showing fresh impetus from heightened levels of social integration, analysing the key drivers and market conditions supporting price bounces and considering short-term market dynamics, as restrictions continue to ease.

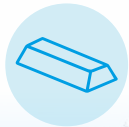
Norweigan cod price shows moderate recovery NOK also bouncing .....	4
US Maize (corn) prices recover as lockdown eases & ethanol demand improves .....	5
Mango prices recover on Indian domestic consumption .....	7
Vegetable oil prices face slow recovery from lockdown .....	8
East Asian demand supports US beef price bounce .....	10
Skimmed milk powder prices lift as Europe eases out of lockdown .....	11
Concluding remarks .....	12

# Mintec Data Coverage

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



GRAINS



METALS



SUGAR



OIL



DAIRY



MEAT



CHICKEN



SPICES

Hard to find data on non exchange-traded commodities often represents your biggest spend.

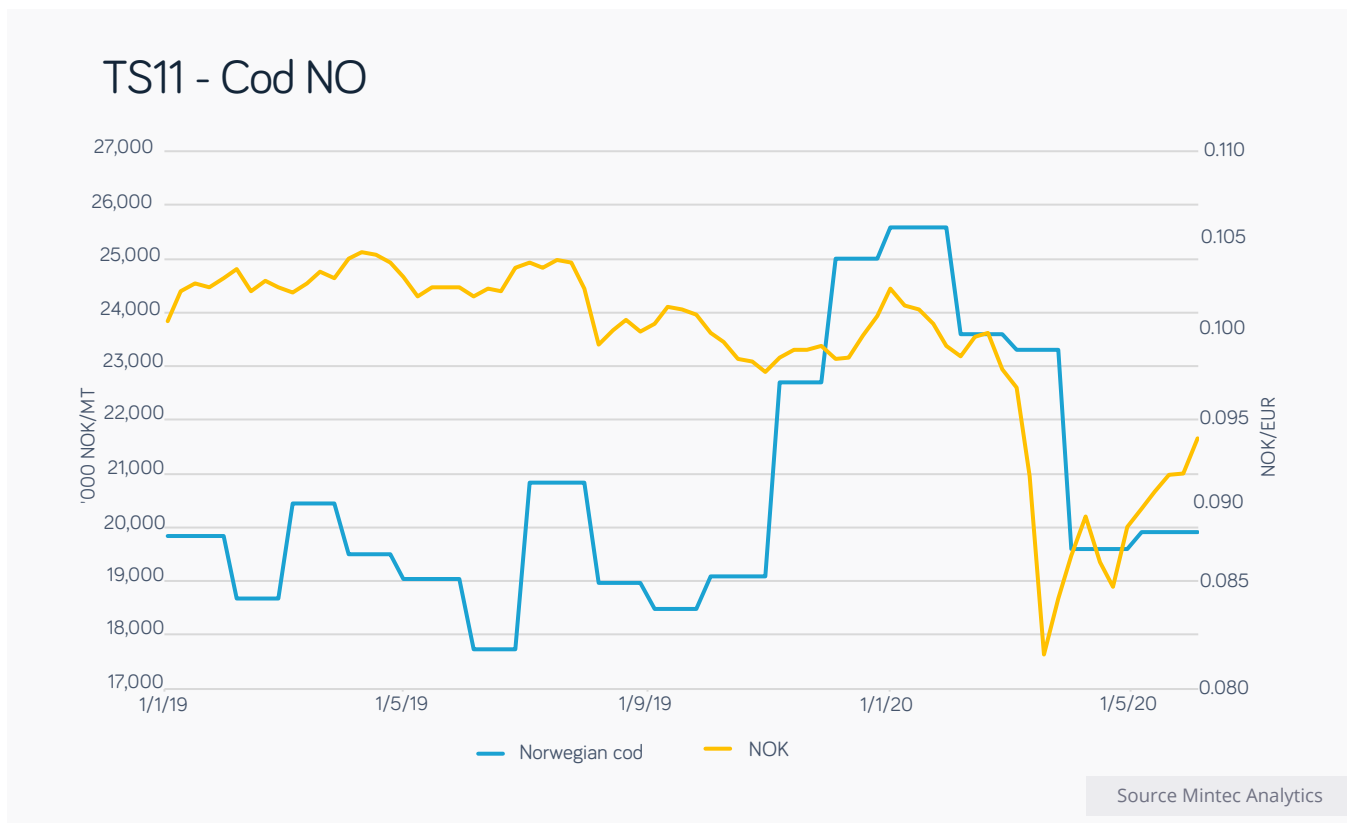
Mintec brings you transparency with independent insight into more than

# 650

**Commodity types**

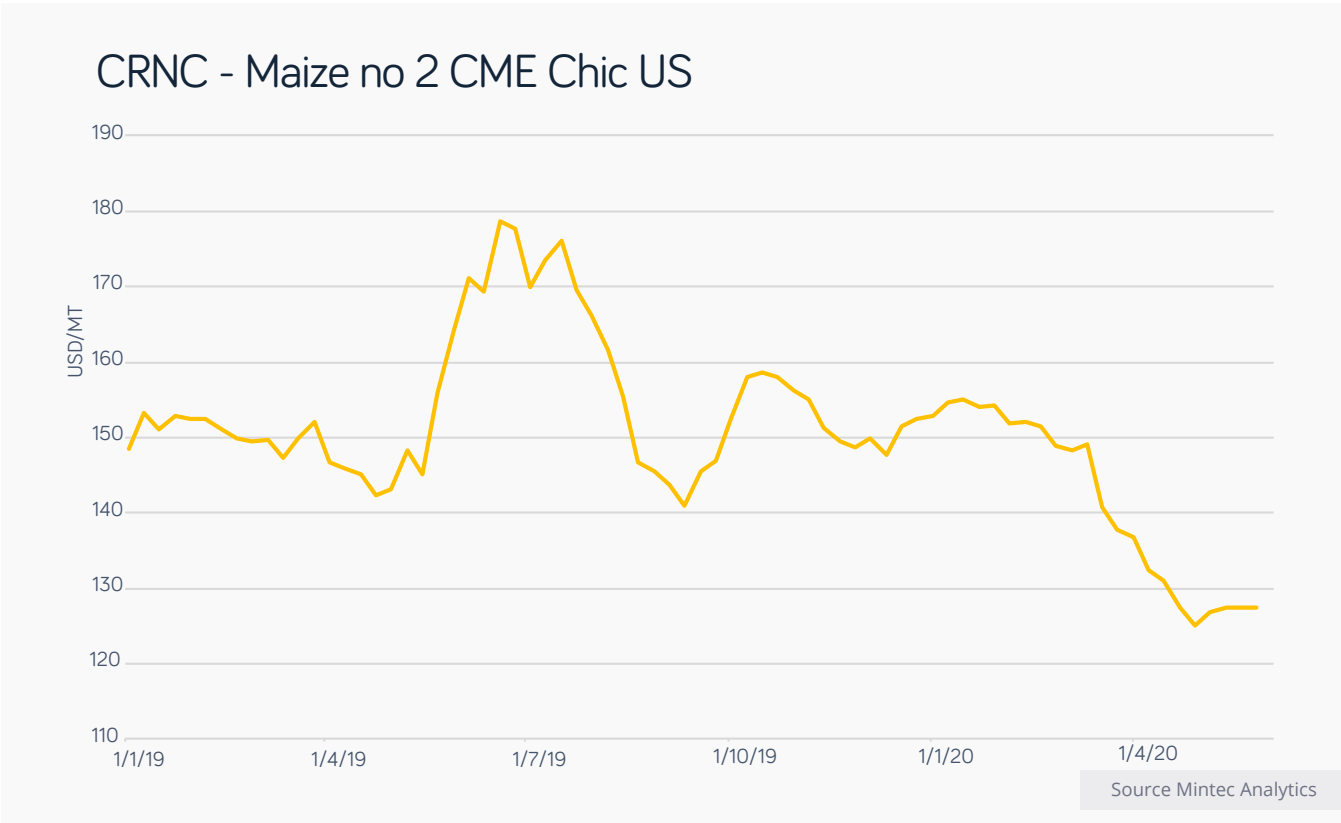
Mintec helps you to integrate commodity price data across your organisation faster and easier, saving you time and effort.

## Norwegian cod price shows moderate recovery with NOK also bouncing



The average catch price of Norwegian cod had been under downward pressure, falling by 16% in the 16-week period ending 22nd April. This was due to waning demand from the foodservice sector that accounts for a significant portion of average annual cod consumption, in addition to a weakening NOK, which depreciated by 23% against the EUR over the same period and made exports more competitive. Norway began to relax lockdown restrictions from 27th April, including opening schools and universities, and the average cod catch price increased by 2% over the following 5-weeks to NOK 19,902/MT. It may be asserted that the tentative relaxation of social distancing restrictions supported an increase in out-of-home demand. At the same time, the NOK gained 6% on the EUR, as oil prices rebounded, further supporting the mini-rally. Going forward, the oil-pegged NOK should continue climbing, in line with growing fuel demand and any form of economic recovery. This should help support firmer cod prices in the months ahead, particularly with European foodservice demand also expected to improve. The caveat, of course, is the degree of uncertainty currently underpinning economic growth predictions.

# US Maize (corn) prices recover as lockdown eases and ethanol demand improves

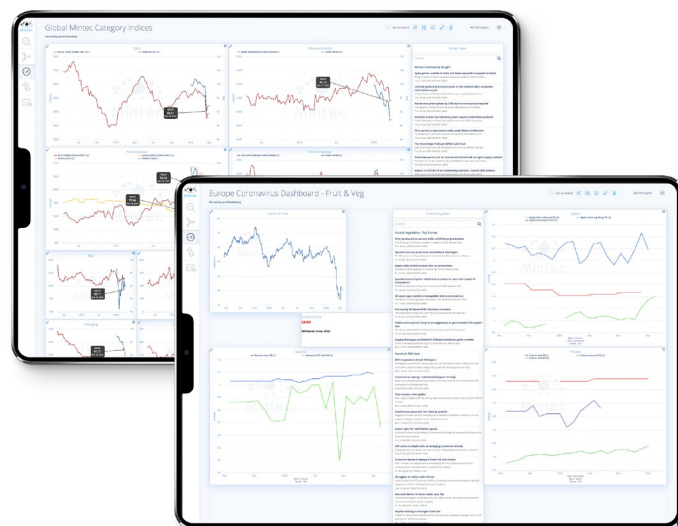


US CBOT maize (corn) prices have started to recover since May, following an unprecedented decline in prices during March and April. Prices fell to a decade low in mid-April due to weak demand, particularly from the ethanol industry as the country went under lockdown to contain the spread of coronavirus.

Demand for fuel and gasoline responded positively to lockdown easing, leading to higher ethanol production as part of the fuel blends with gasoline. As approximately 40-50% of US-maize is used as ethanol feedstock, the rise in ethanol consumption prompted a price recovery of maize. The benchmark rose by USD 2.4/MT (+2%) to USD 127.4/MT in the month ending 27th May.



# 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

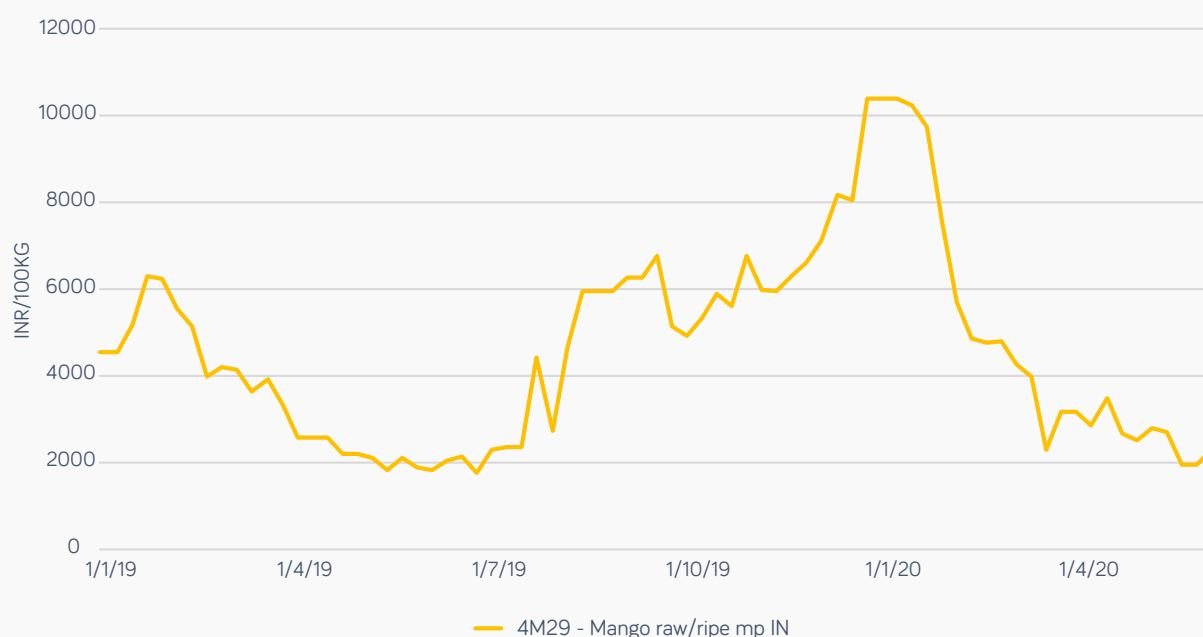
Compare commodity price changes by category, in order to measure price competitiveness across beverages, meat, fish & more.

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

[MINTECGLOBAL.COM/MCI](https://MINTECGLOBAL.COM/MCI)

## Mango prices recover on Indian domestic consumption

### 4M29 - Mango raw/ripe mp IN



Source Mintec Analytics

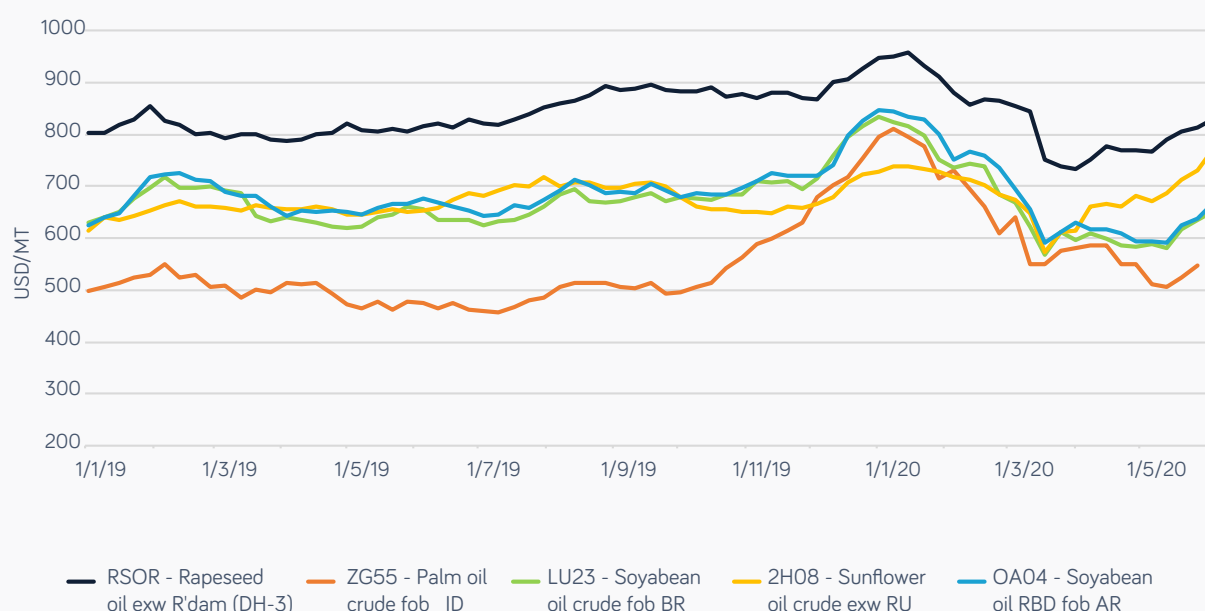
The Mintec price of Indian mangoes increased by 18% in the two-weeks ending 3rd June 2020 to INR 2,288/100kg, in line with higher domestic demand due to the easing of lockdown restrictions.

India is the world's second-largest mango exporter and the start of the mango season coincided with the country going into lockdown, contributing to tight supply both domestically and internationally. Furthermore, the mango market has struggled with several logistical issues, including a lack of labourers to undertake harvest, a dearth of trucks for transportation and, most importantly, weak demand due to the inability of consumers to reach marketplaces. In the peak of lockdown, there were restrictions on the number of vehicles entering the Agricultural Produce Market Committee (APMC) market. In contrast, certain markets in Pune and Gujarat were completely off-limits.

However, domestic mango demand has responded positively to less stringent lockdown measures. Importantly, the government is allowing farmers to bypass APMC intermediaries and sell directly to end consumers, further spurring buyer sentiment. Average Indian mango prices are expected to rise over the next few months, in line with expectations of higher demand.

## Vegetable oil prices face slow recovery from lockdown

### Global Vegetable Oils : Jan-May 2020



Source Mintec Analytics

Vegetable oil markets have been slow to recover from the lockdown-induced price declines recorded in Q1 2020, and most of the major oils remain below the levels seen at the beginning of the year.

However, Mintec prices for Argentinian and Brazilian soyabean oil have begun to make modest gains, over the last few weeks with prices, as at early June increasing by 13% and 15% respectively above the low points recorded in March. While demand in India and China remained weak, the bullish price trends were sustained by cost inflation resulting from logistical bottlenecks in Argentina. Notwithstanding, current price values for Argentinian and Brazilian soyabean oil remain 18% lower than values recorded at the start of the year, in the absence of a notable demand push.

Elsewhere, increasing retail demand in the US and Europe provides support for rapeseed oil prices, with the European benchmark price rising by 13% above March lows. The price of Canadian rapeseed oil as at 3rd June was \$830/MT, the highest level since 9th March. Palm oil prices edged down slightly by 0.4% from their March lows, and still well below the averages seen at the start of the year.

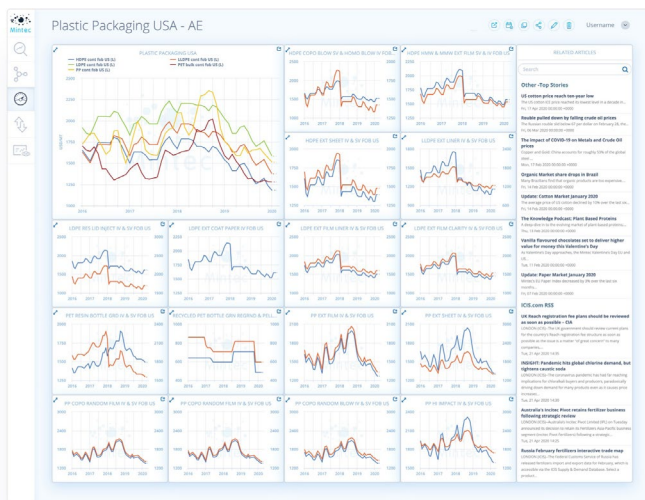
Of the major vegetable oils, sunflower oil prices have experienced the largest increase since lockdown restrictions were eased. The Ukrainian sunflower oil price has risen by 18% since 18th March to \$823/MT due to high demand from the EU, while Russian sunflower oil prices increased by 34% to \$770/MT in June. Russia announced a blanket ban in March on exports of several grain and oilseed commodities to Europe, including sunflower oil, to protect domestic supply. The measures have helped support prices. Vegetable oil prices are expected to remain supported in the short term.



# Mintec Dashboards

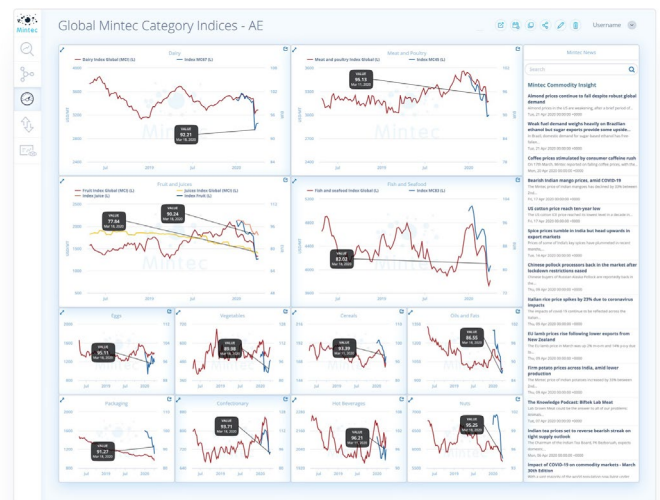
Create your own or access our extensive library of readymade dashboards to track the category and commodity prices most relevant to you.

Price dashboards that help you visualise, track and respond to changing market conditions.



Compare price series across commodity types

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

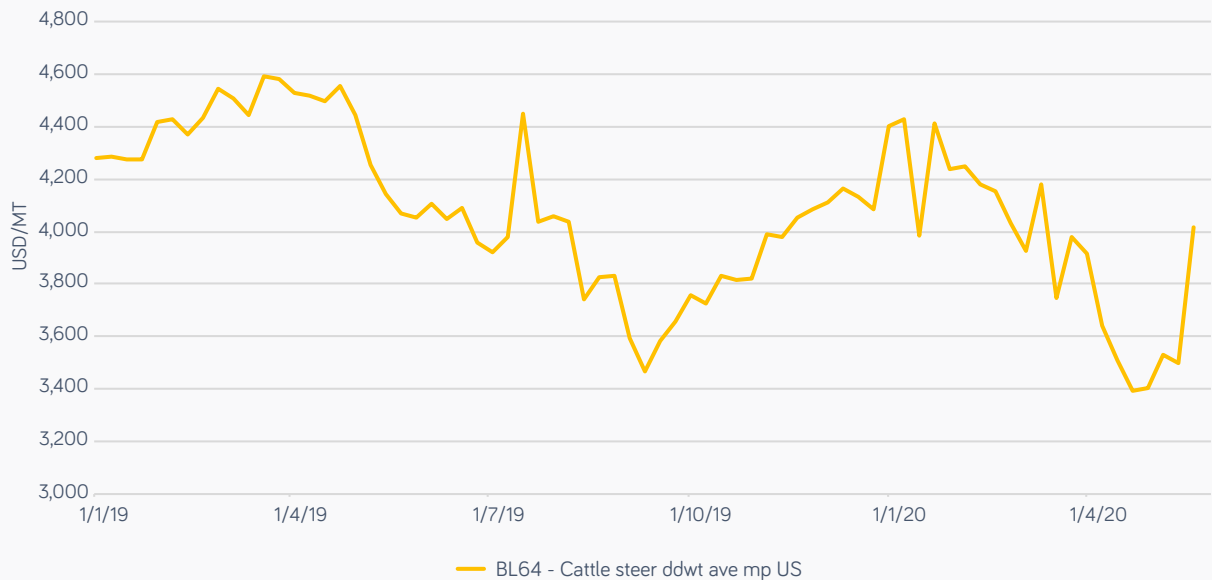


Explore category indices to track price movements

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

## East Asian demand supports US beef price bounce

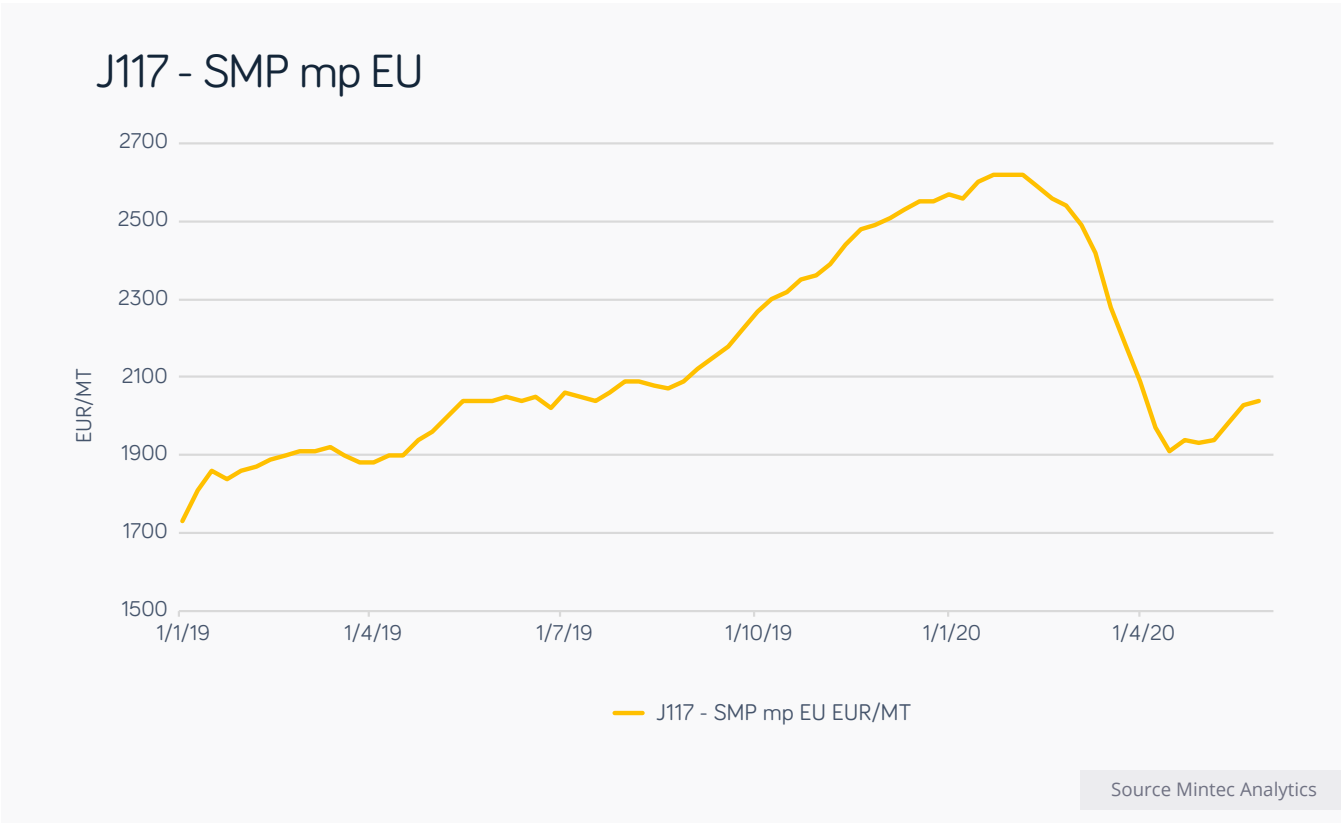
### BL64: Cattle steer ddwt ave mp US



Source Mintec Analytics

In the four-weeks ending 20th May 2020, US beef prices increased by 19% on the back of strong export demand from China and Japan. Chinese demand spiked as the lockdown measures eased from around late-April, following a significant slowdown in new infections. While US beef exports from January to April increased by 5% y-o-y to 433,316 MT, exports to China and Japan surged by 82% and 45% y-o-y respectively, which may be attributed to demand returning as these borders opened. Additionally, the US-Japan Trade Agreement and US-China Phase One Trade Agreement helped facilitate US meat exports to east Asia. Supply-side pressures were also observed in the US meat processing industry in Q2 2020, which further strengthened prices. This is because coronavirus-infected labour forces resulted in lower process plant productivity and reduced output since early-April. The US continues to suffer from high infection rates, underlining upside price potential for beef from a constrained workforce and robust export demand.

# Skimmed milk powder prices lift as Europe eases out of lockdown



On 15th April, the culmination of a 10-week bear-run saw the Mintec price of EU SMP bottom at EUR 1,910/ MT. The lockdown effect contributed to the downward pressure, as demand from foodservice dried up, while stockpiles grew. Prices have since climbed from the floor, increasing by 7% to EUR 2,040/MT in the six-weeks ending 27th May. This is likely due to some demand returning from the foodservice sector, as social restrictions are relaxed across many European towns and cities. However, varied rates of demand recovery are expected across Europe, on account of differences regarding timings and speed when relaxing restrictions.



## Concluding remarks

The widespread crash in commodity prices that started in Q1 2020 is the result of several factors related to the coronavirus. Among those factors were diminished consumer spending on account of weak currencies and growing unemployment; supply gluts derived from closed borders and export restrictions; transportation bottlenecks due to port closures and logistical weakness; low producer costs because of weak oil and fuel prices.

With the restrictions being slowly lifted across various countries, the supply and price response has been noted across different commodities groups. The foodservice sector has started limited operations, which has resulted in the prices of Norwegian cod and US beef rebounding. As borders open and fuel demand increases, the prices of biofuel feedstocks have charted upwards. Grain and dairy surpluses should start to diminish as domestic and export demand return slowly.

Notwithstanding, it remains to be seen how sustainable demand will be once the initial spurt of economic activity subsides. It is unclear whether industries will survive economic headwinds without substantial government support or if oil prices will continue to rise or fall back to the historic lows seen in Q1 2020. Perhaps the most important questions revolve around the fight against COVID-19 and the likelihood of a second wave of the disease, and what it would mean for demand levels and prices.

Mintec will continue to publish regular updates on the impact of the coronavirus, to help commodity market participants stay on top of the changing market trends and dynamics.



# Our Products

## Mintec Analytics

**Analysis of price data** helps reveal how food prices can change over time; helping you gauge the true level of food price increases.

- **Quickly access +14,000** independent food ingredients & soft commodity prices & market analysis
- **Use actionable insight** to enable buyers & sellers to negotiate deals with confidence
- **Reveal what's behind food raw material prices** & driving current market trends
- **Develop procurement strategies** to increase efficiency, manage risk & transform trading performance.

## Data Direct

Our innovative **API and Excel Add-in data feeds** deliver pricing data into the platforms and systems you are already using – saving you time and effort.

- **Automated** - Remove human error, save time and increase efficiency with automated data transfers and dynamic data updates.
- **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.

