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Commodity Sector Overview

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The financially turbulent year of 2009 has also been “the year of commodities”, including agricultural commodities. The weakening dollar as a result of the bailout of banking and related insurance businesses has partially led to increasing dollar-based commodity prices. Crude palm oil (CPO) prices rebounded with that of crude petroleum and other edible oil commodities. Only cocoa and sugar prices have broken away to record highs. Speculative activity remains to influence the recovery of commodity prices, with petroleum still a key driving force even with the flagging progress towards next generation biofuels. Commercialisation of corn-based biofuels is still far from large scale viability while protectionism in the European Union (EU) has hindered much of biodiesel production from imported oils. Meanwhile the growth in palm oil production in Indonesia is causing high stock levels and the gross supply growth could possibly threaten prices. The cyclical biological decline in CPO yields as well as the impending appearance of El Nino appears to have been delayed.

