Commodity Market Monthly

Research Department, Commodities Team*

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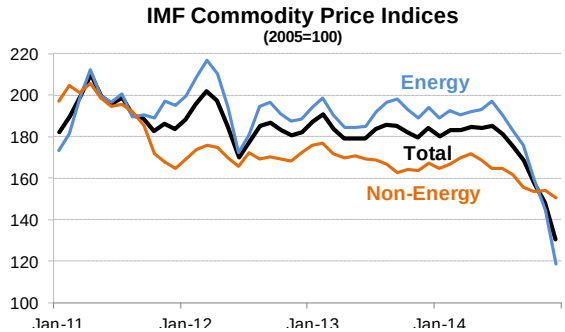
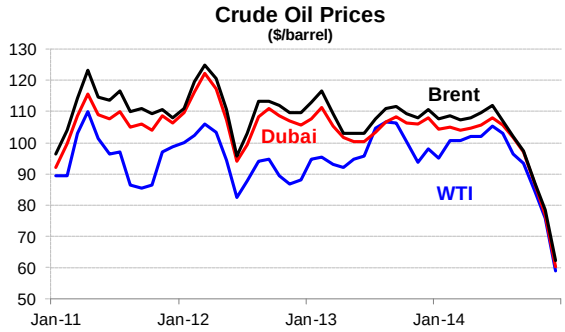
Commodity prices fell by 12.0 percent in December, mainly reflecting a sharp decline in oil prices. Non-fuel prices fell 2.2 percent, and in part reflect appreciation of the U.S. dollar—up 2.3 percent against a broad group of currencies. During 2014 (Dec'13-Dec'14), commodity prices fell 29.2 percent with energy dropping 39.0 percent and non fuel prices falling 9.9 percent. Among the latter: iron ore (-49 percent), seafood (-22 percent), and Arabica coffee (+58 percent).





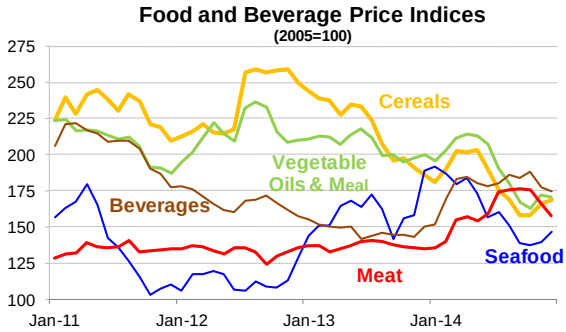
Crude oil prices plunged by 21.3 percent in December, averaging $60.6/bbl, and fell below $46/bbl in early January—down more than 55 percent since June. The ongoing sell-off reflects expectations of a continued market surplus due to weak demand, large gains in non-OPEC supply, and OPEC's intention to maintain market share. OPEC production rose in December owing to a nearly 0.5 mb/d increase in Iraqi production because of favorable weather/loading conditions in the south, and higher exports through Turkey following an agreement between the Iraqi and Kurdistan governments that could see exports from Ceyhan Turkey top 0.5 mb/d by the end of the first quarter. Offsetting the gains Libya production fell below 0.4 mb/d due to closure of two main export terminals.

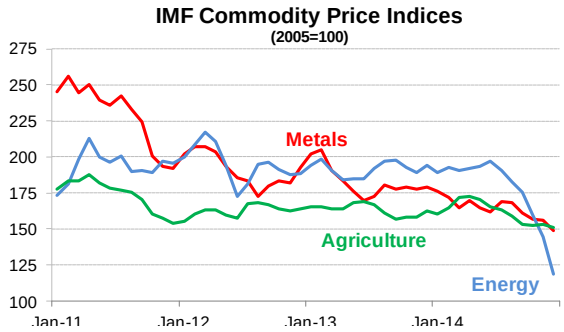
Various estimates show a global surplus for the first half of 2015 of at least 1 mb/d. Petroleum stocks are expected to continue to increase and companies are considering storing oil in tankers due to the steep contango (upward slope) in crude futures curves. The market will rebalance through demand and supply responses, particularly the latter. Focus will be on high-cost shale developments in North America which are quicker to adjust due to their short-cycle and high decline rates. Capital expenditures, well permits and rig counts are falling in North America. However, companies will focus investment on developing low-cost reserves and strive to reduce costs and improve well productivity.

Natural gas prices in the U.S. fell by 16.3 percent in December, and to under $3/mmbtu at year-end and in early January. Storage levels, which were significantly reduced last winter because of cold weather, finally rose above year-earlier levels in December due to record high production and relatively moderate temperatures that curtailed demand.

Agriculture prices fell by 1.0 percent in December, and were down 7 of the last 8 months, on ample supplies for most commodities. During 2014 agriculture prices fell 7 percent with declines in most indices except beverages and meat. In December the largest decrease was for beef, down 8 percent, due to weak demand following a run-up in prices, and expectations the U.S. herd will rebuild in 2015. Arabica and robusta coffee prices fell 6 and 3 percent, respectively, as wet weather in Brazil improved production prospects. Palm oil prices fell

*Prepared by Shane Streifel with assistance from Daniel Rivera Greenwood and Marina Rousset





6 percent due to high stocks and expectations that lower crude oil prices will reduce biodiesel demand. However palm oil prices are rising into January as severe flooding in Malaysia is expected to disrupt harvesting in the world's second largest exporter. Sugar prices fell 6 percent on ample supply among major producers, and expectations lower crude oil prices will reduce sugar demand for ethanol in Brazil. Swine prices fell 4 percent as U.S. producers continue to rebuild following losses from a porcine virus. Partly offsetting these declines, fish meal prices surged 8 percent because of lower anchovy output off Peru owing to reduced stocks because of higher sea temperatures. Orange prices rose 7 percent on concerns adverse weather in Brazil and the U.S. will curb global supplies. Salmon prices increased 7 percent on rising seasonal demand and disease-related supply shortages from the North Sea.

Metals prices fell by 4.9 percent in December, down a fifth consecutive month. During 2014 the metals index fell 17 percent on slowing demand growth in China, particularly in construction, and ample supplies generally. The declines were concentrated in iron ore, copper, lead and tin, while aluminum, nickel, zinc and uranium prices rose moderately on various supply issues. In December, the largest decline was for uranium, down 9 percent and follows five monthly gains, as Russia's state-owned ARMZ announced the restart of two mines for the first quarter. Aluminum prices decreased 7 percent, despite falling stocks, on weaker demand and continued gains in Chinese supply. Iron ore prices fell 6 percent, and are down 11 of the past 13 months, due to significant increases in new low-cost capacity from Australia and Brazil. These volumes are pushing out high-cost volumes inside and outside China but further cuts are needed to rebalance the iron ore market. Lead prices declined 5 percent due to continued slowing of demand in China, particularly within the maturing e-bike sector. Copper prices fell 4 percent on rising inventories, weak seasonal demand in China, and continued gains in global supply. Zinc prices decreased 3 percent also on weak demand and expected supply gains this year from a number of small mines.

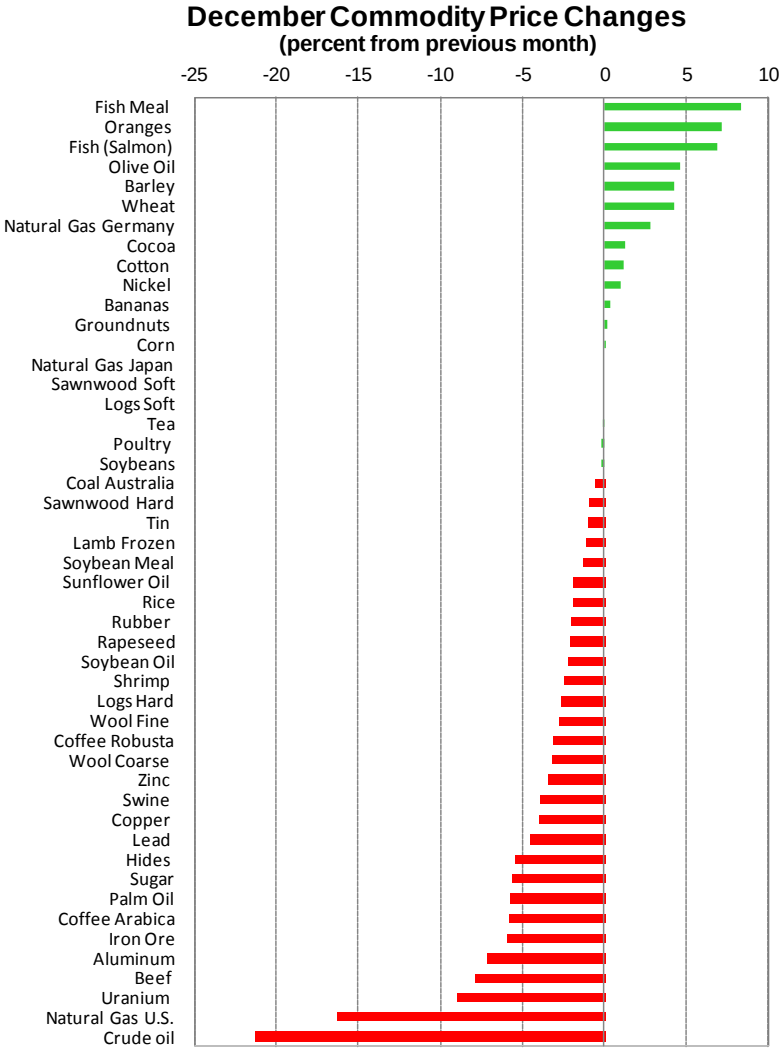


Table 1. Market Prices for Non-Fuel and Fuel Commodities

	Units	2012	2013	2014	2014Q1	2014Q2	2014Q3	2014Q4	Nov-2014	Dec-2014
Food										
Cereals										
Wheat	$/MT	313.3	312.2	284.9	297.1	322.1	262.5	257.9	258.7	269.6
Maize	$/MT	298.4	259.0	192.9	210.1	213.9	173.9	173.5	178.7	178.7
Rice	$/MT	580.2	518.8	426.5	440.7	409.4	435.0	420.9	419.0	411.0
Barley	$/MT	238.2	206.4	146.1	162.7	166.9	132.8	122.0	121.6	126.8
Vegetable oils and protein meals										
Soybeans	$/MT	537.8	517.2	457.8	498.3	540.4	421.7	370.9	379.3	378.8
Soybean meal	$/MT	473.3	477.3	467.0	493.3	531.9	436.0	406.7	423.3	418.1
Soybean oil	$/MT	1151.8	1011.1	812.7	877.9	899.7	757.1	716.1	721.4	705.6
Palm oil	$/MT	939.8	764.2	739.4	813.7	794.7	695.9	653.3	662.4	624.5
Fish meal	$/MT	1624.3	1710.5	1921.5	1657.9	1861.6	1973.6	2192.7	2204.1	2388.6
Sunflower Oil	$/MT	1489.5	1341.1	1080.3	1133.1	1121.5	1012.5	1054.2	1068.9	1049.0
Olive oil	$/MT	3135.7	3816.7	3911.8	3599.0	3663.5	4122.1	4262.5	4281.9	4480.1
Groundnuts	$/MT	1688.2	2314.5	2148.3	2377.3	2228.8	2046.8	1940.1	1991.4	1995.1
Rapeseed oil	$/MT	1239.1	1081.2	904.4	980.3	963.1	849.6	824.4	826.5	809.4
Meat										
Beef	cts/lb	187.9	183.6	224.2	191.8	195.5	252.9	256.4	261.5	240.9
Lamb	cts/lb	100.9	106.7	130.6	124.1	135.4	132.8	130.2	130.7	129.3
Swine Meat	cts/lb	82.8	86.5	102.8	92.8	115.4	112.8	90.3	86.2	82.8
Poultry	cts/lb	94.3	103.8	110.1	104.7	109.0	113.0	113.9	113.9	113.8
Seafood										
Fish	$/kg	4.8	6.8	6.6	7.8	6.9	5.9	5.8	5.8	6.2
Shrimp	$/kg	10.1	14.0	16.6	17.1	17.8	17.0	14.3	13.6	13.2
Sugar										
Free market	cts/lb	21.4	17.7	17.1	16.8	18.2	17.7	15.8	15.9	15.0
United States	cts/lb	28.9	21.2	24.9	22.4	25.3	26.5	25.3	24.6	24.8
EU	cts/lb	26.4	26.0	27.4	27.5	28.0	27.8	26.3	26.2	26.0
Bananas	$/MT	984.3	926.4	931.8	947.1	929.2	939.3	911.8	904.7	908.1
Oranges	$/MT	868.0	967.3	782.5	777.4	838.8	774.1	739.8	717.9	769.2
Beverages										
Coffee										
Other milds	cts/lb	187.6	141.1	202.8	175.8	213.7	208.4	213.5	212.9	200.6
Robusta	cts/lb	110.6	100.5	105.6	102.0	107.9	106.0	106.6	106.8	103.5
Cocoa Beans	$/MT	2377.1	2439.1	3062.8	2951.3	3085.0	3229.2	2985.6	2909.1	2946.9
Tea	cts/kg	348.9	266.0	237.9	247.9	222.2	233.7	247.6	243.3	243.3
Agricultural raw materials										
Timber										
Hardwood										
Logs 1/	$/M3	148.0	164.5	177.2	306.1	312.6	308.3	297.7	193.4	193.4
Sawnwood 1/	$/M3	284.7	301.4	306.2	178.4	169.7	167.4	193.4	297.7	297.7
Softwood										
Logs 1/	$/M3	148.0	164.5	177.2	178.4	169.7	167.4	193.4	193.4	193.4
Sawnwood 1/	$/M3	284.7	301.4	306.2	306.1	312.6	308.3	297.7	297.7	297.7
Cotton	cts/lb	89.2	90.4	83.1	94.0	92.6	77.1	68.7	67.5	68.3
Wool										
Fine	cts/kg	1345.3	1197.7	1075.4	1114.0	1086.0	1068.1	1033.3	1042.0	1013.9
Coarse	cts/kg	1212.6	1128.1	1030.6	1083.6	1058.7	1025.0	955.2	968.4	938.2
Rubber	cts/lb	153.2	126.8	88.8	102.1	96.1	83.4	73.5	74.2	72.7
Hides	cts/lb	83.2	94.7	110.2	107.6	109.8	110.8	112.7	115.0	108.8

1/ Provisional.
2/ Average Petroleum Spot Price (APSP). Average of U.K. Brent, Dubai, and West Texas Intermediate, equally weighted.

Table 1. Market Prices for Non-Fuel and Fuel Commodities (continued)

	Units	2012	2013	2014	2014Q1	2014Q2	2014Q3	2014Q4	Nov-2014	Dec-2014
Metals										
Copper	$/MT	7958.9	7331.5	6863.4	7030.2	6795.3	6995.8	6632.3	6712.9	6446.5
Aluminum	$/MT	2022.8	1846.7	1867.4	1709.3	1800.2	1989.7	1970.4	2055.6	1909.5
Iron Ore	$/MT	128.5	135.4	96.8	120.4	102.6	90.3	74.0	73.1	68.8
Tin	$/MT	21109.4	22281.6	21898.9	22636.3	23146.2	21915.2	19897.9	20033.5	19829.7
Nickel	$/MT	17541.7	15030.0	16893.4	14661.0	18467.8	18584.2	15860.5	15807.1	15962.0
Zinc	$/MT	1950.0	1910.2	2161.0	2026.5	2071.4	2310.7	2235.3	2253.2	2175.8
Lead	$/MT	2063.6	2139.7	2095.5	2101.4	2097.1	2182.4	2000.9	2030.2	1938.1
Uranium	$/lb	48.9	38.6	33.5	35.2	29.8	31.2	37.8	40.6	36.9
Energy										
Spot Crude 2/	$/bbl	105.0	104.1	96.2	103.7	106.3	100.4	74.5	77.0	60.6
U.K. Brent	$/bbl	112.0	108.8	98.9	107.9	109.8	102.1	76.0	78.4	62.2
Dubai	$/bbl	108.9	105.4	96.7	104.4	106.1	101.5	74.6	76.7	60.4
West Texas Intermediate	$/bbl	94.1	97.9	93.1	98.8	103.1	97.6	73.1	75.7	59.1
Natural Gas										
Russian in Germany	$/mmbtu	12.0	11.2	10.5	10.8	10.7	10.1	10.3	10.2	10.5
Indonesian in Japan	$/mmbtu	18.1	17.3	16.7	17.8	17.6	16.5	15.1	15.0	15.0
US, domestic market	$/mmbtu	2.8	3.7	4.4	5.2	4.6	3.9	3.8	4.1	3.4
Coal										
Australian, export markets	$/MT	103.2	90.6	75.1	82.6	77.9	72.7	67.3	67.0	66.7

1/ Provisional
2/ Average Petroleum Spot Price (APSP). Average of U.K. Brent, Dubai, and West Texas Intermediate, equally weighted.

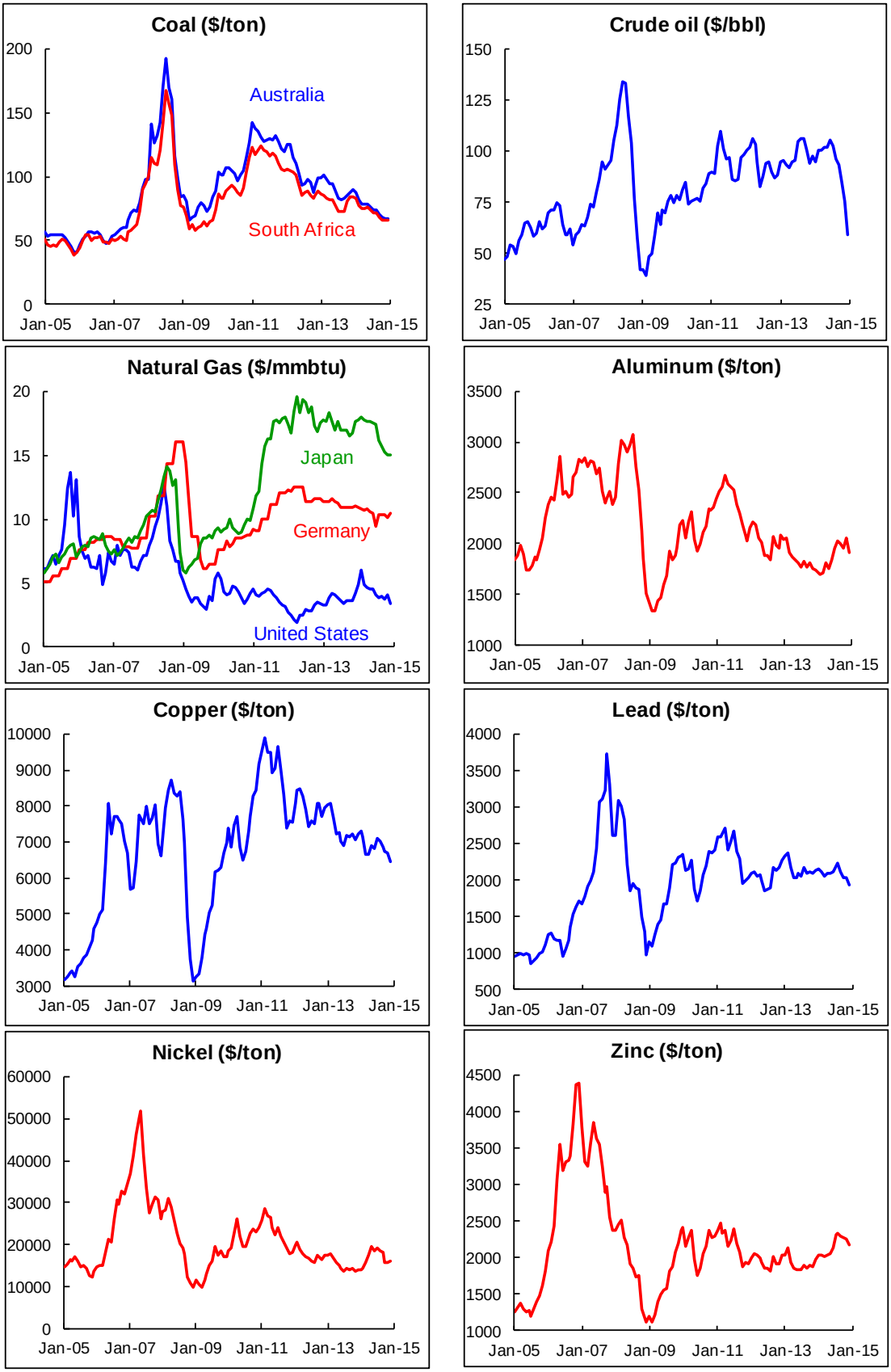
Table 2. Indices of Primary Commodity Prices

(2005=100, in terms of U.S. dollars) 1/

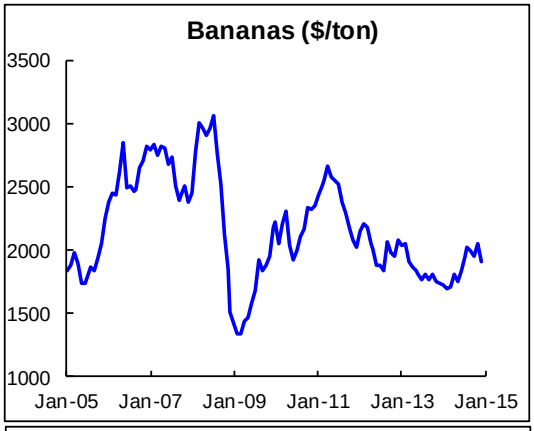
	(Weights) 1/	2012	2013	2014	2014Q1	2014Q2	2014Q3	2014Q4	Nov-2014	Dec-2014
All Primary Commodities 2/	100.0	186.3	183.3	171.8	182.2	184.7	174.9	145.3	148.1	130.4
Non-Fuel	36.9	171.0	169.0	162.3	167.2	168.3	160.9	152.7	153.9	150.6
Agriculture	26.2	162.8	163.3	161.5	165.6	169.6	158.7	152.2	152.9	151.4
Food	16.7	175.6	177.6	170.2	176.5	181.1	165.8	157.5	158.4	158.0
Cereals	3.6	236.4	218.3	180.3	191.2	198.3	167.5	164.3	165.9	169.1
Vegetable oils and protein meals	4.4	215.9	206.4	190.7	203.1	211.6	179.5	168.5	172.0	170.6
Meat	3.7	133.3	136.8	160.5	143.4	156.7	175.4	166.6	166.4	158.0
Seafood	3.2	113.3	160.1	162.0	185.9	171.2	150.0	141.0	139.5	146.6
Beverages	1.8	167.4	147.4	178.0	167.9	181.0	183.3	180.0	177.7	174.4
Agricultural Raw Materials 3/	7.7	134.0	136.2	138.8	141.4	141.9	137.7	134.2	135.3	131.4
Timber	3.4	107.4	107.3	109.3	109.9	111.1	109.8	106.4	106.1	105.5
Metals	10.7	191.0	182.9	164.1	171.1	165.3	166.1	154.0	156.4	148.7
Edibles 4/	18.5	174.8	174.6	171.0	175.6	181.1	167.5	159.7	160.3	159.6
Industrial Inputs 5/	18.4	167.1	163.3	153.5	158.6	155.5	154.2	145.7	147.6	141.5
Energy 6/	63.1	195.2	191.7	177.3	190.9	194.3	183.2	141.0	144.7	118.6
Petroleum 7/	53.6	197.9	195.9	181.1	195.2	200.0	188.9	140.2	144.7	113.9
Natural Gas	6.9	171.2	164.9	159.1	168.5	164.5	153.4	149.7	149.1	149.3
Coal	2.6	202.1	176.8	149.1	163.4	154.5	144.4	134.0	133.5	133.1

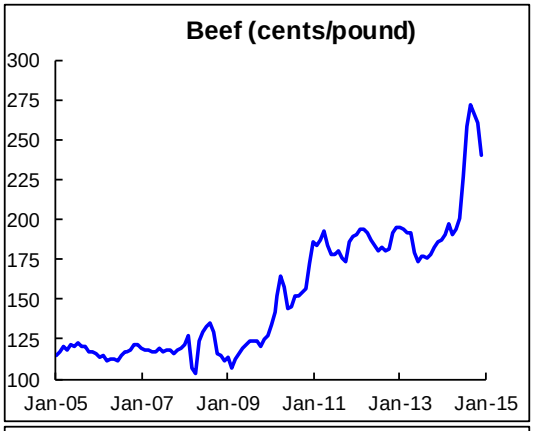
1/ Weights based on 2002-2004 average world export earnings.
2/ Non-Fuel Primary Commodities and Energy Index.
3/ Includes Forestry Products.
4/ Edibles comprised of Food and Beverages
5/ Industrial (Non-Fuel) Inputs comprised of Agriculture and Metals
6/ Includes Petroleum, Natural Gas and Coal.
7/ Average Petroleum Spot Price (APSP). Average of U.K. Brent, Dubai, and West Texas Intermediate, equally weighted.

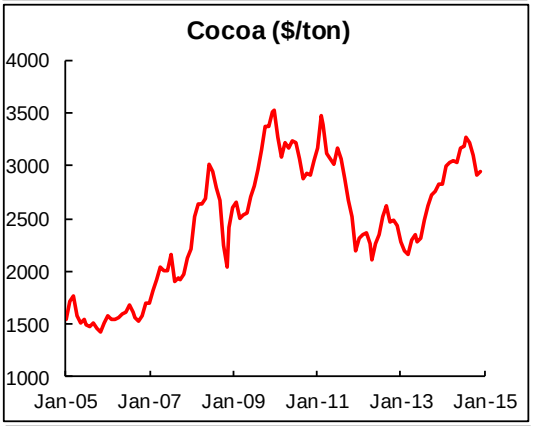
Commodity Prices in U.S. Dollars, 2005-2014

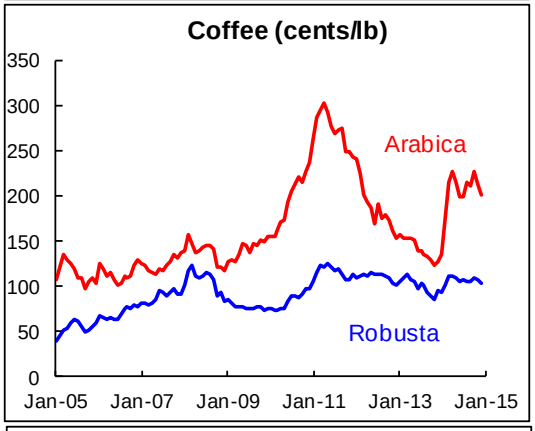


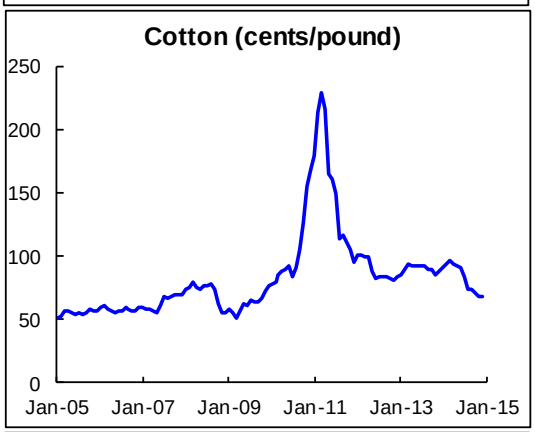
Commodity Prices in U.S. Dollars, 2005-2014 continued

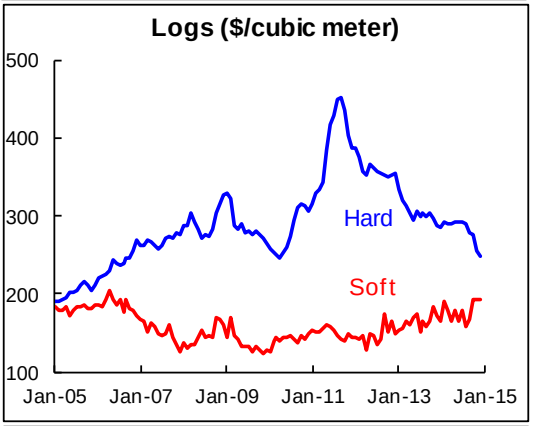


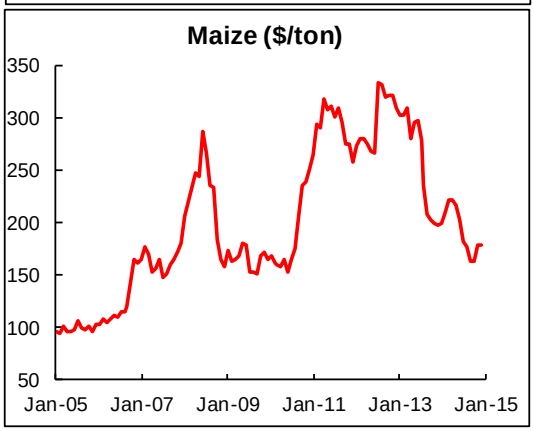


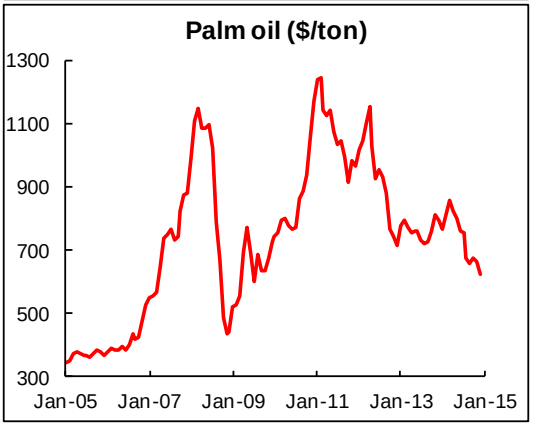




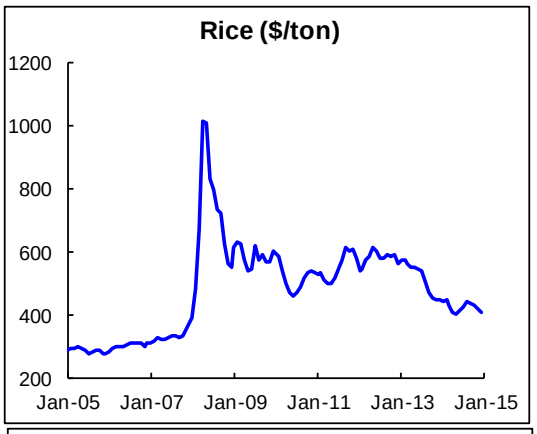


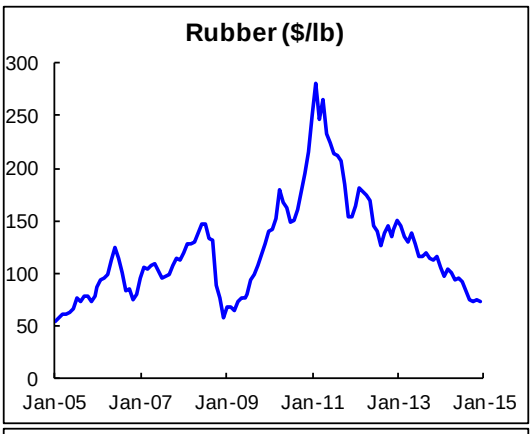


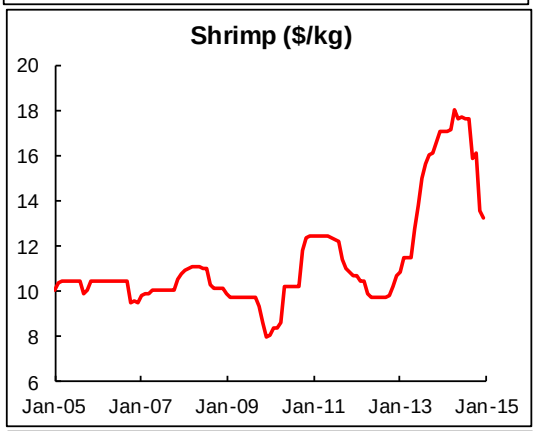


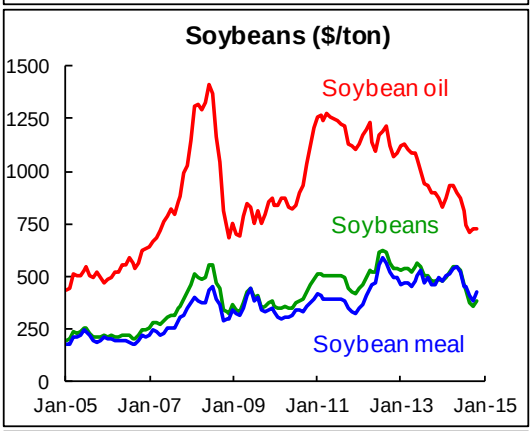


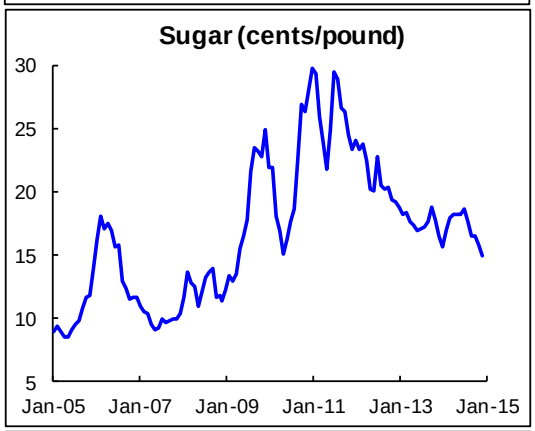
Commodity Prices in U.S. Dollars, 2005-2014 continued

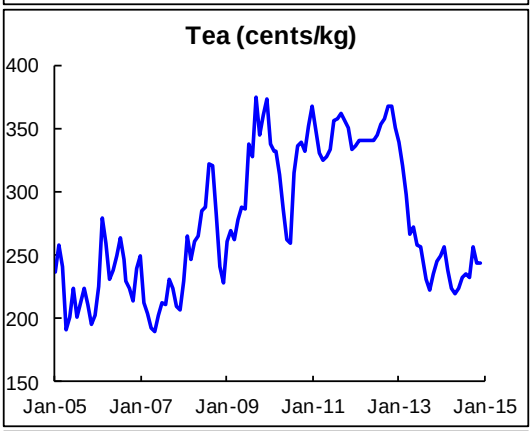


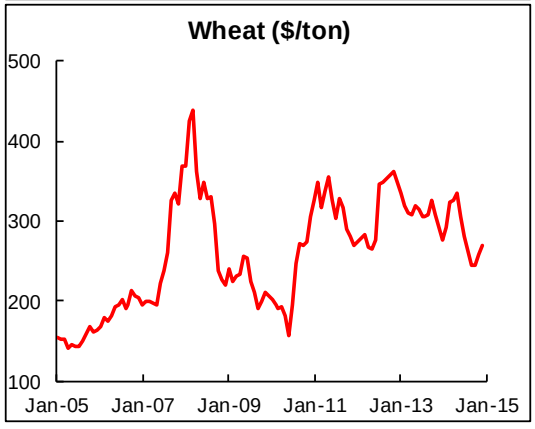


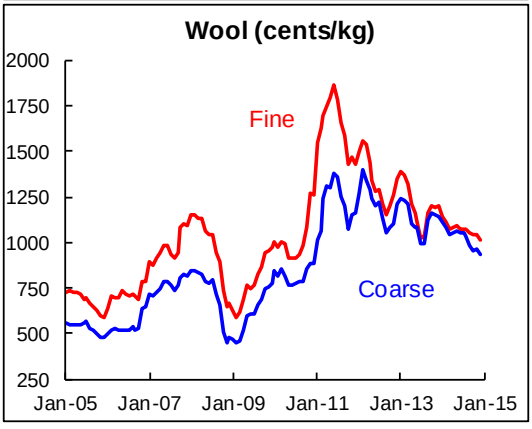












Commodity News Highlights

***Medium-Term Coal Market Report, Summary*, International Energy Agency. December 2014.**

In 2013, coal added more primary energy than any other fuel and was the fastest-growing fossil fuel, enhancing its position as the second-largest primary energy source and closing the gap with oil. In 2014, coal oversupply persisted and very low coal prices continued to dominate, as they have since 2011. The domestic oversupply in China – accompanied by price reduction from the major producers to protect their market share – has strongly impacted international markets, which were likewise oversupplied by expansions by all major exporters. Imported European steam coal prices, one of the main reference prices worldwide, were in the $70-80/ton range during 2014, compared to over $120/ton in March 2011. Australian met coal was in a very narrow band between $112/ton and $116/ton since April 2014, compared to March 2011 when it averaged over $320/ton. With persistent low prices, the strategy of producers is to reduce costs. In the medium term, despite low prices, expansions will happen. There are many projects in different phases of development ready to start or ramp up production, although most of them will not do so at current prices.

Global coal demand grows on average +2.1% per year over the outlook period, from 5 690 million tons of coal-equivalent (Mtce) in 2013, to 6 462 Mtce by 2019. Coal demand in non-OECD countries will grow on average +3.0% per year from 4 239 Mtce in 2013 to 5 060 Mtce in 2019. Most incremental demand volumes are projected for China (+471 Mtce) and India (+177 Mtce), enabling India to surpass the United States and become the second-largest coal consumer in the world by 2019. Demand in China will continue to grow on average by 2.5% per year over the outlook period, however at a significantly slower rate than over the previous ten years (approximately 10% per year, on average).Demand in OECD countries is projected to decrease on average by 0.6% per year from 1 451 Mtce in 2013 to 1 402 Mtce in 2019. Global coal supply is forecast to increase by 752 Mtce (+2.1% per year), from 5 709 Mtce in 2013 to 6 462 Mtce in 2019. Incremental coal volumes in non-OECD countries amount to 686 Mtce (+2.5% per year) until 2019 – approximately 65% of which comes from China.

International seaborne hard coal trade is forecast to grow on average by 3.1% per year (+212 Mtce), from 1 039 Mtce in 2013 to 1 251 Mtce by 2019. Based upon this forecast, seaborne thermal coal trade will provide the biggest spark and grow by 164 Mtce (+3.2% on average per year) to 950 Mtce. Seaborne met coal trade is projected to grow by 48 Mtce (+3.0% per year), totaling 301 Mtce by 2019. The shift in international coal trade to the Pacific Basin will continue. Australia and Indonesia will supply the bulk of incremental thermal coal exports (approximately 60%). Australia is projected to significantly increase thermal coal exports by 5.0% per year (+55 Mtce) to 2019. Indonesian thermal coal export growth will slow over the outlook period, averaging 2.0% per year (+42 Mtce until 2019). Australia will become the world's largest coal exporter (measured by energy content) by 2019.

Chinese developments will define coal markets. The fight against pollution is now a driving force of energy policy, but the war on pollution has two sides for coal. On the one hand, diversification will decrease coal demand, but other measures could increase it, such as the coal conversion process to synthetic natural gas or liquid fuels and cleaning equipment in coal power plants. China will be the coal giant for many years in the future. But after many years of unbelievable economic and coal demand growth, China has entered a more moderate path. Lower economic growth and also a lower energy intensive economy and higher diversification will curtail coal growth in China in the coming years. However economic growth in China needs more energy than nuclear, gas, oil and renewables can supply. Diversification efforts will lead to development of hydropower, wind, photovoltaic (PV) and nuclear capacity and gas use. Additional coal is still needed to meet energy demand.