Commodity Market Monthly

Research Department, Commodities Team*

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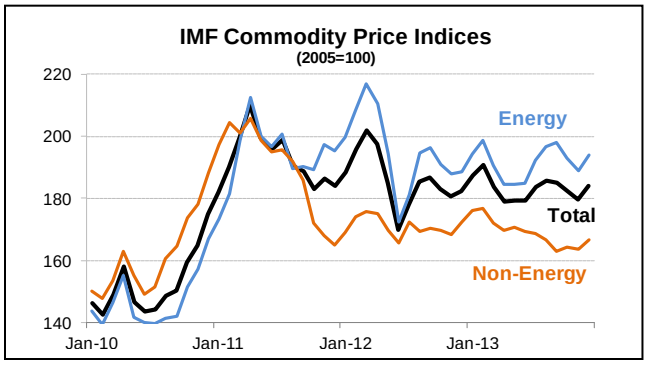
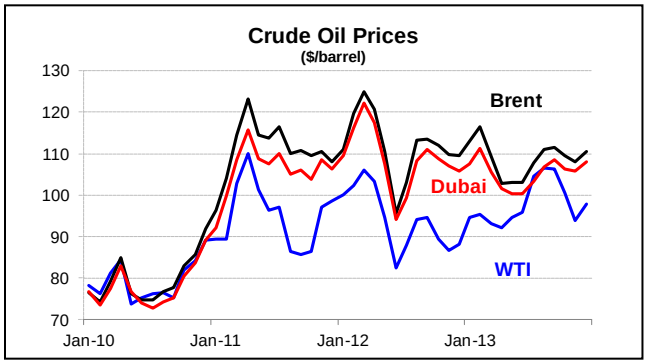
Commodity prices rose by 2.4 percent in December, with increases in most main indices. During 2013, commodity prices rose 0.8 percent, with gains concentrated in energy, up 3 percent from Dec-2012. Metals prices declined 7 percent due to continued increases in new capacity. Agriculture prices fell 2 percent, led by a 26 percent drop in cereal prices due to recovery in output from last year's drought. Of note, seafood prices surged 47 percent on strong demand.



Crude oil prices rose 2.8 percent in December, and averaged $105.5/bbl. For the year 2013, oil prices averaged $104.1, down slightly from $105.0 in 2012 and virtually identical to those in 2011. Oil demand growth in 2013 was a moderate 1.1 percent or 1.2 mb/d, and non-OPEC supplies recorded a large 1.4 mb/d gain, led by strong growth from shale oil in the U.S. and oil sands in Canada. Despite this, oil prices were supported by numerous supply outages in the Middle East and Africa, the largest of which is Libya because of protests and strikes. Libya's output—which fell to near 0.2 mb/d in November from 1.5 mb/d earlier in the year—rose to 0.6 mb/d in early January as protesters allowed resumption of production at the El-Sharara field in southwest Libya (however exports from the eastern part of the country remain largely closed). This contributed to lower oil prices early this year toward $100/bbl.

For 2014, non-OPEC supplies are projected to increase by 1.7 mb/d, with two-thirds occurring in North America. With continued moderate growth in demand, oil producers may be challenged to reduce output to balance the market—particularly if shut-in oil is resumed. However continued outages and risks of further disruption—such as from escalating violence in South Sudan and Iraq—could reduce the potential oversupply.

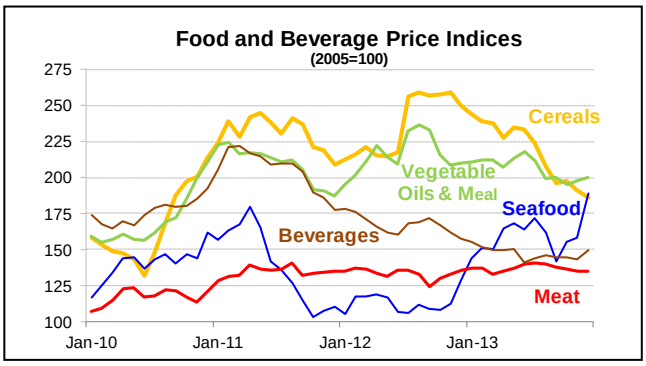
The Brent-WTI spread widened to $15/bbl in early January due to sustained high stocks at Cushing OK, despite large declines on the Gulf and East coasts.

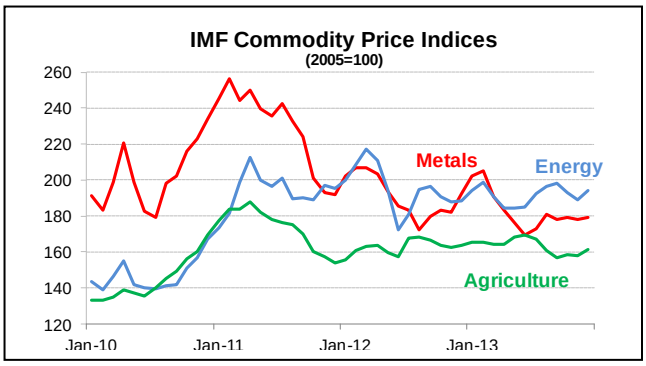


Natural gas prices in the U.S. surged by 15.9 percent in December due to large withdrawals from storage and strong heating demand because of colder-than-normal weather. Prices edged higher in early January due to a brief spell of extreme cold, and where some gas production was curtailed because of freezing temperatures.

Agriculture prices increased by 2.3 percent in December, led by a 24 percent surge in salmon prices due to strong seasonal demand. Beverage prices rose 5 percent led by an 11 percent jump in robusta coffee prices owing to lower exports from Vietnam, the world's largest robusta supplier. Tea prices rose 4 percent because of higher demand, and arabica coffee and cocoa prices were up 3 percent on supply concerns. Soybean meal prices leapt 7 percent on strong Chinese feed demand, while soybeans prices rose 3 percent on strong import

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





demand. Cotton prices increased 3 percent on lower U.S. production estimates, and rubber prices also increased by 3 percent on expected rising demand in China. Partly offsetting these gains, cereal prices fell 3 percent (down 26 percent during 2013) due to recovery of production from drought in 2012. Wheat prices declined 5 percent (down 16 percent during 2013) and corn fell 1 percent (-36 percent in 2013). The largest individual drop was for groundnuts, down 8 percent, from favorable harvests. Sugar prices decreased 7 percent, also on abundant supply, while all vegetable oil prices fell 1-3 percent on higher estimates for South American crops.

Metals prices rose by 0.8 percent in December on declining stocks and ongoing recovery in global industrial activity. However the continued buildup in supply capacity continues to weigh on markets, and prices eased in early January. All metals prices fell during 2013 except for iron ore which gained 5 percent on strong import demand from China. Nickel and aluminum recorded the largest price declines last year of 20 and 17 percent, respectively, due to excess supply and production capacity. Oversupply—because of the lagged impact of large investments—will continue to affect markets in 2014, but mine investment is slowing. Indonesia's intent to introduce a ban on the export of unprocessed ores on January 13th could impact supply for a number of markets, notably nickel, but also bauxite, copper and tin. Details of the ban, however, are still uncertain. Metal demand is recovering in developed countries and emerging market demand remains robust, albeit with some concern of slowing in China. Zinc prices in December rose 6 percent on falling stocks and tightening fundamentals from mine closures last year, and expected closure of the large Century mine in Australia by 2015 (which will also impact lead supply). Lead prices rose 2 percent owing to falling stocks, although replacement battery demand appeared weak at the start of winter. Copper prices rose 2 percent on falling stocks and strong import demand from China, but supply capacity continues to increase. Nickel prices also rose 2 percent, despite stocks reaching record levels, on concerns over Indonesia's ore export ban.

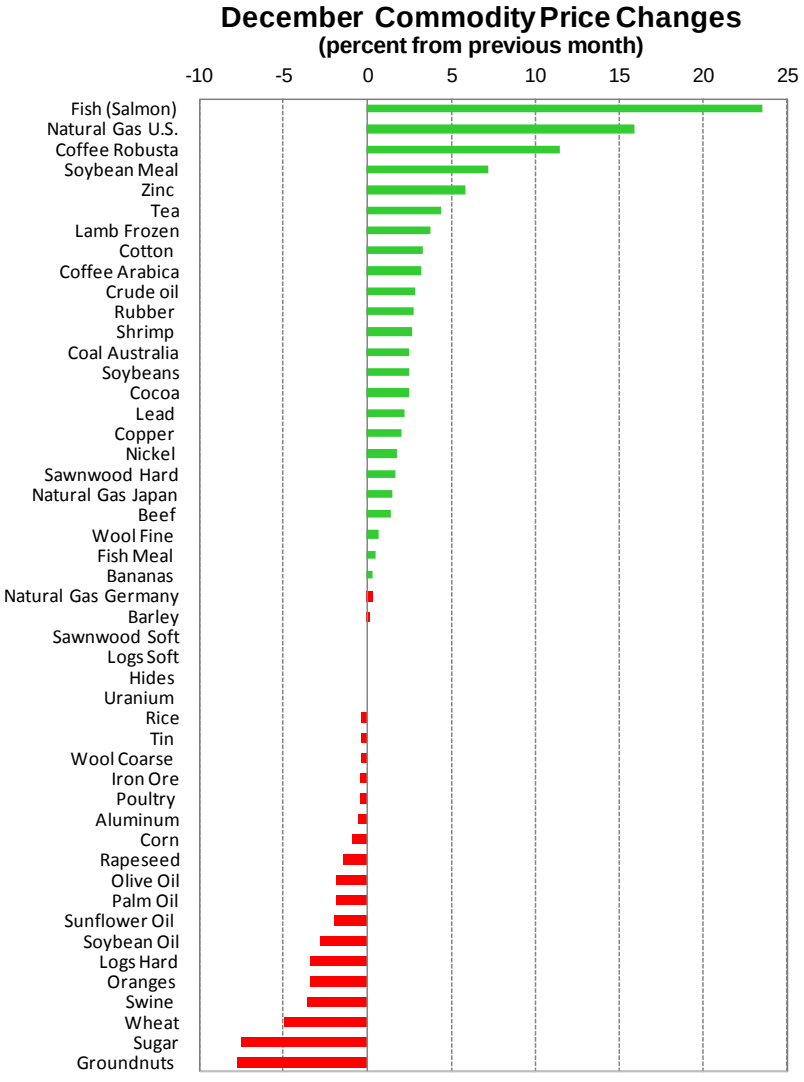


Table 1. Market Prices for Non-Fuel and Fuel Commodities

	Units	2011	2012	2013	2013Q1	2013Q2	2013Q3	2013Q4	Nov-2013	Dec-2013
Food										
Cereals										
Wheat	$/MT	316.2	313.3	312.2	321.4	313.8	305.9	307.8	306.8	291.6
Maize	$/MT	291.8	298.4	259.0	305.1	290.9	240.4	199.5	199.1	197.5
Rice	$/MT	551.7	580.2	518.8	570.7	550.7	504.0	449.9	448.8	447.5
Barley	$/MT	207.2	238.2	206.4	239.4	231.5	197.2	157.3	156.3	156.3
Vegetable oils and protein meals										
Soybeans	$/MT	484.2	537.8	517.2	532.8	540.0	516.5	479.4	476.7	488.7
Soybean meal	$/MT	378.9	473.3	477.3	464.6	475.6	496.5	472.5	461.7	495.0
Soybean oil	$/MT	1215.8	1151.8	1011.1	1119.2	1076.0	960.0	889.2	897.3	872.5
Palm oil	$/MT	1076.5	939.8	764.2	780.3	761.0	726.2	789.4	810.3	795.3
Fish meal	$/MT	1519.3	1624.3	1711.8	1918.4	1804.7	1581.8	1542.2	1549.4	1557.1
Sunflower Oil	$/MT	1621.8	1489.5	1341.2	1493.8	1459.4	1228.7	1182.9	1192.4	1169.2
Olive oil	$/MT	3070.3	3135.7	3820.9	4004.9	3860.8	3761.4	3656.6	3680.0	3613.3
Groundnuts	$/MT	1724.0	1688.2	2318.2	2091.8	2521.0	2347.1	2312.7	2392.2	2207.5
Rapeseed oil	$/MT	1366.6	1239.1	1080.9	1196.0	1121.4	993.2	1012.8	1021.5	1007.6
Meat										
Beef	cts/lb	183.2	187.9	183.6	193.8	181.8	176.3	182.4	183.3	186.0
Lamb	cts/lb	149.2	100.9	106.7	97.1	103.9	109.2	116.4	116.4	120.8
Swine Meat	cts/lb	89.1	82.8	86.5	79.7	88.4	95.4	82.6	81.5	78.6
Poultry	cts/lb	87.4	94.3	103.8	100.2	104.1	106.4	104.7	104.7	104.3
Seafood										
Fish	$/kg	5.9	4.8	6.8	6.5	7.2	6.5	6.9	6.4	7.9
Shrimp	$/kg	11.9	10.1	14.0	11.3	12.7	15.6	16.6	16.6	17.1
Sugar										
Free market	cts/lb	26.2	21.4	17.7	18.5	17.3	17.3	17.7	17.7	16.4
United States	cts/lb	37.6	28.9	21.2	22.0	20.2	21.1	21.5	21.6	20.6
EU	cts/lb	26.7	26.4	26.0	25.8	25.5	25.8	26.9	26.7	27.2
Bananas	$/MT	975.9	984.3	926.4	932.6	910.6	934.1	928.1	922.1	925.4
Oranges	$/MT	891.1	868.0	967.3	825.9	1065.0	1143.9	834.4	766.0	740.0
Beverages										
Coffee										
Other milds	cts/lb	273.2	187.6	141.1	154.8	147.7	135.6	126.1	122.7	126.7
Robusta	cts/lb	116.0	110.6	100.5	109.4	103.5	98.9	90.4	85.7	95.5
Cocoa Beans	$/MT	2978.5	2377.1	2439.1	2208.8	2308.0	2469.4	2770.1	2755.2	2824.5
Tea	cts/kg	346.2	348.9	265.6	319.1	264.2	244.9	234.2	235.3	245.7
Agricultural raw materials										
Timber										
Hardwood										
Logs 1/	$/M3	390.5	360.5	305.4	845.2	837.4	846.0	882.7	297.4	287.3
Sawnwood 1/	$/M3	939.4	876.3	852.8	322.5	301.8	301.1	296.3	878.2	892.8
Softwood										
Logs 1/	$/M3	150.0	148.0	162.5	157.6	168.1	158.5	165.9	165.9	165.9
Sawnwood 1/	$/M3	280.9	284.7	298.1	278.4	315.3	307.3	291.5	291.5	291.5
Cotton	cts/lb	154.6	89.2	90.4	89.9	92.7	91.8	87.2	84.6	87.5
Wool										
Fine	cts/kg	1638.2	1345.3	1197.7	1362.4	1161.4	1071.6	1195.5	1189.6	1198.1
Coarse	cts/kg	1209.2	1212.6	1128.1	1227.5	1091.8	1039.5	1153.8	1149.8	1146.4
Rubber	cts/lb	218.5	153.2	126.8	143.1	131.8	117.5	114.6	112.9	116.1
Hides	cts/lb	82.0	83.2	94.7	86.0	93.8	95.9	103.1	105.3	105.3

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	2011	2012	2013	2013Q1	2013Q2	2013Q3	2013Q4	Nov-2013	Dec-2013
Metals										
Copper	$/MT	8823.5	7958.9	7331.5	7922.3	7156.7	7084.1	7162.9	7070.7	7214.9
Aluminum	$/MT	2400.6	2022.8	1846.7	2000.8	1836.0	1782.4	1767.5	1748.0	1739.8
Iron Ore	$/MT	167.8	128.5	135.4	148.3	125.4	132.8	134.9	136.3	135.8
Tin	$/MT	26051.4	21109.4	22281.6	24037.5	20879.6	21312.4	22896.9	22826.9	22762.1
Nickel	$/MT	22909.1	17541.7	15030.0	17305.3	14952.6	13953.3	13908.7	13684.0	13924.6
Zinc	$/MT	2195.5	1950.0	1910.2	2029.7	1841.9	1860.3	1908.7	1866.4	1975.0
Lead	$/MT	2400.7	2063.6	2139.7	2291.2	2052.0	2101.9	2113.9	2089.6	2136.7
Uranium	$/lb	56.2	48.9	38.9	42.8	40.7	36.5	35.8	35.8	35.8
Energy										
Spot Crude 2/	$/bbl	104.0	105.0	104.1	105.1	99.3	107.3	104.5	102.6	105.5
U.K. Brent	$/bbl	111.0	112.0	108.8	112.9	103.0	110.1	109.4	108.1	110.6
Dubai	$/bbl	106.0	108.9	105.4	108.1	100.8	106.1	106.7	105.9	107.9
West Texas Intermediate	$/bbl	95.0	94.1	97.9	94.4	94.2	105.8	97.4	93.8	97.9
Natural Gas										
Russian in Germany	$/mmbtu	10.6	12.0	11.2	11.4	11.5	11.0	11.0	11.0	11.0
Indonesian in Japan	$/mmbtu	15.6	18.1	17.3	17.9	17.4	17.0	16.9	17.0	17.3
US, domestic market	$/mmbtu	4.0	2.8	3.7	3.5	4.0	3.6	3.8	3.6	4.2
Coal										
Australian, export markets	$/MT	130.1	103.2	90.6	99.5	92.2	82.8	87.9	88.1	90.4

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

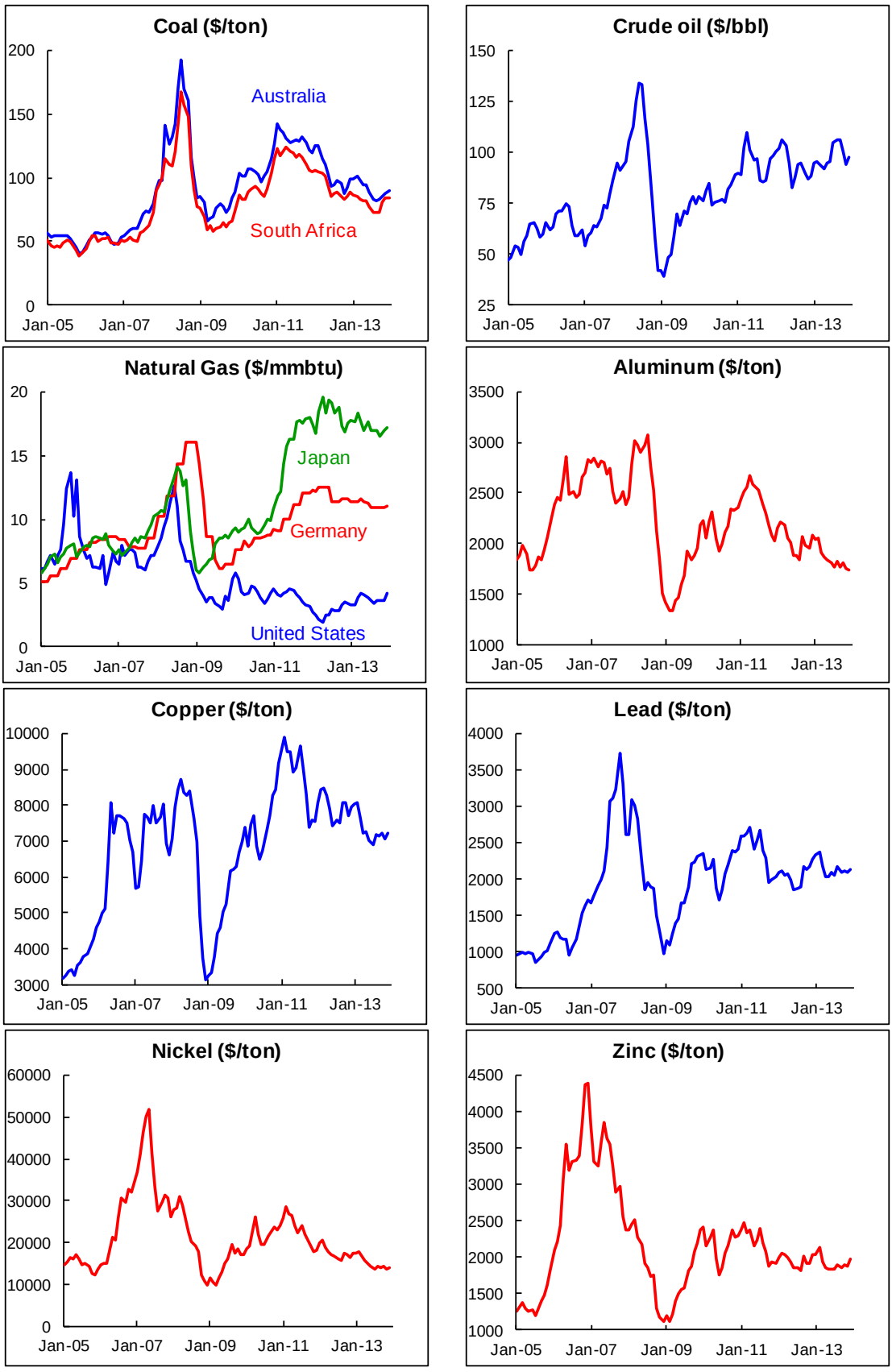
Table 2. Indices of Primary Commodity Prices

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

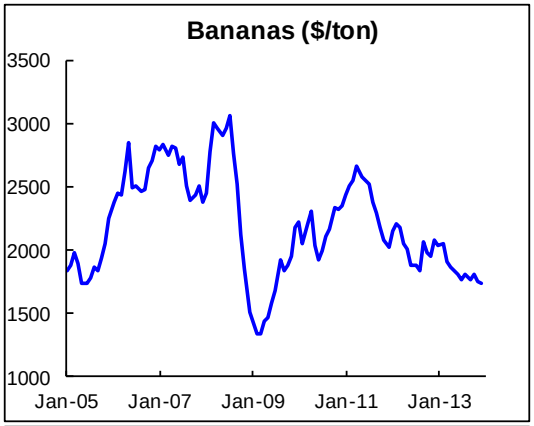
	(Weights) 1/	2011	2012	2013	2013Q1	2013Q2	2013Q3	2013Q4	Nov-2013	Dec-2013
All Primary Commodities 2/	100.0	192.4	186.3	183.3	187.3	179.2	184.8	182.0	179.7	184.0
Non-Fuel	36.9	190.0	171.0	169.0	174.9	169.9	166.1	164.9	163.7	166.6
Agriculture	26.2	173.9	162.8	163.3	165.0	167.3	161.6	159.2	157.8	161.4
Food	16.7	179.9	175.6	177.6	181.1	183.4	175.6	170.2	168.1	172.7
Cereals	3.6	231.2	236.4	218.3	240.3	232.0	209.3	191.5	190.9	185.7
Vegetable oils and protein meals	4.4	209.1	215.9	206.4	211.8	213.0	203.5	197.5	198.0	200.0
Meat	3.7	134.5	133.3	136.8	135.5	137.1	139.4	135.4	135.2	134.8
Seafood	3.2	139.3	113.3	160.1	148.6	165.6	158.6	167.6	158.4	188.7
Beverages	1.8	205.5	167.4	147.4	152.2	146.8	144.7	145.9	143.2	149.9
Agricultural Raw Materials 3/	7.7	153.5	134.0	135.9	133.1	137.0	135.0	138.5	139.0	139.8
Timber	3.4	110.8	107.4	106.6	103.7	109.0	107.4	106.4	106.3	106.3
Metals	10.7	229.7	191.0	183.0	199.4	176.5	177.1	178.8	178.0	179.3
Edibles 4/	18.5	182.4	174.8	174.6	178.2	179.9	172.6	167.8	165.7	170.5
Industrial Inputs 5/	18.4	197.8	167.1	163.2	171.6	159.9	159.5	161.9	161.6	162.7
Energy 6/		193.8	195.2	191.7	194.5	184.6	195.7	192.0	189.0	194.1
Petroleum 7/	53.6	195.9	197.9	195.9	198.1	187.0	201.8	196.8	193.3	198.7
Natural Gas	6.9	154.3	171.2	164.9	167.9	168.3	161.4	161.8	161.5	164.5
Coal	2.6	254.4	202.1	176.8	192.7	179.4	161.4	173.7	174.4	178.3

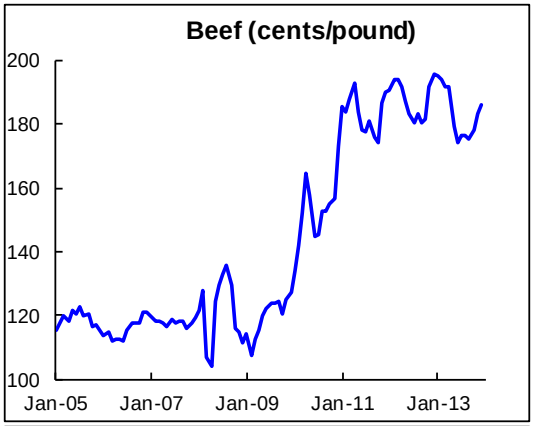
1/ Weights based on 2002-2004 average world export earnings.
2/ Non-Fuel Primary Commodities and Energy Index.
3/ Includes Forestry Products.
4/ Edibles comprised of Food, Beverages and Raw Materials
5/ Industrial (Non-Fuel) Inputs comprised of Agriculture and Metals
6/ Includes Petroleum, Natural Gas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

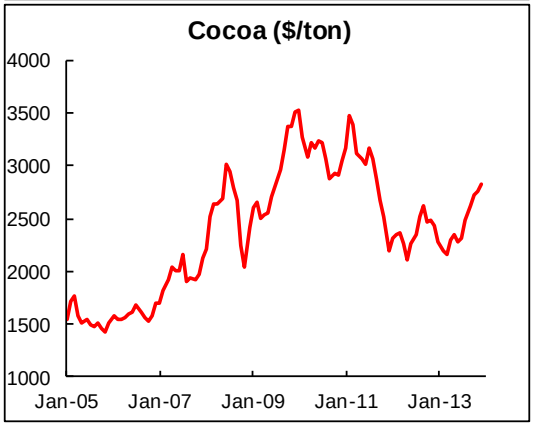
Commodity Prices in U.S. Dollars, 2005-2013

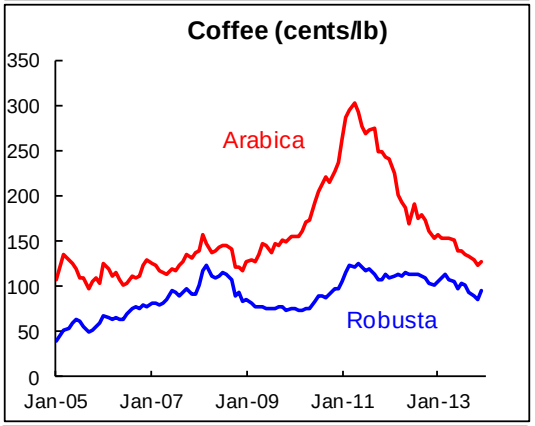


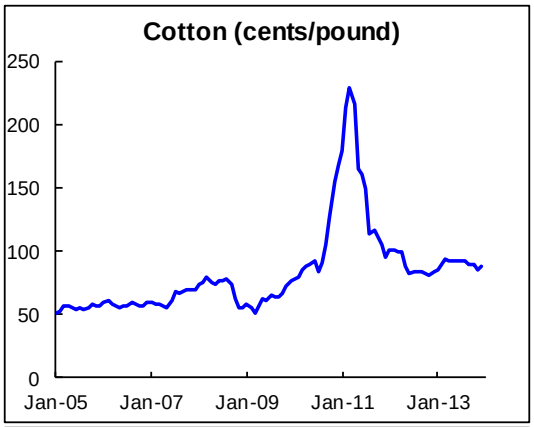
Commodity Prices in U.S. Dollars, 2005-2013 continued

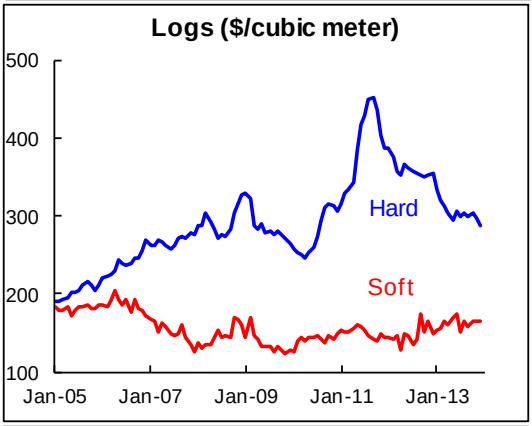


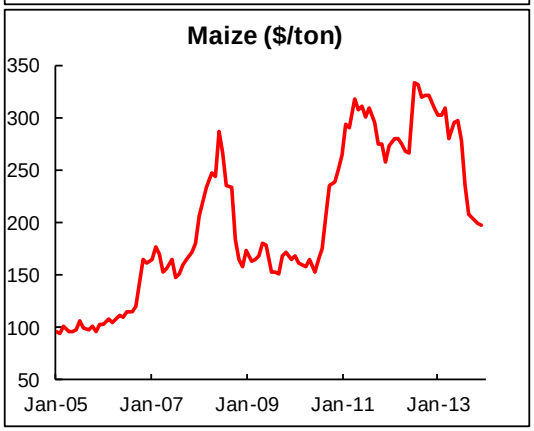


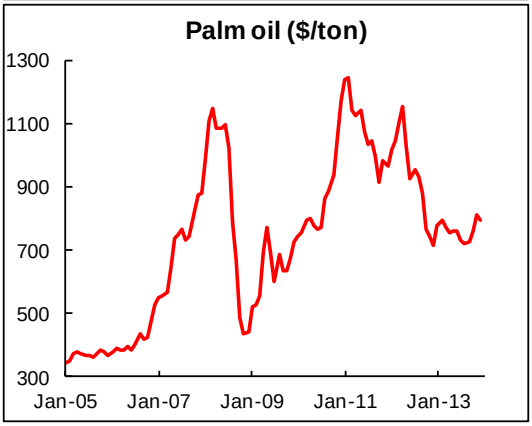




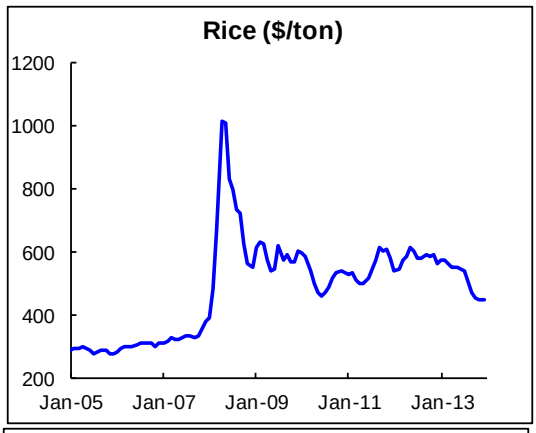


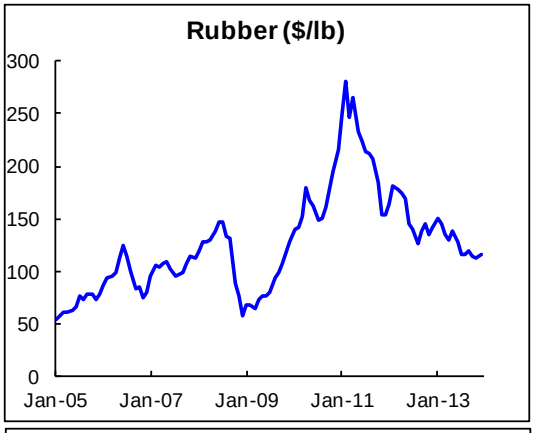


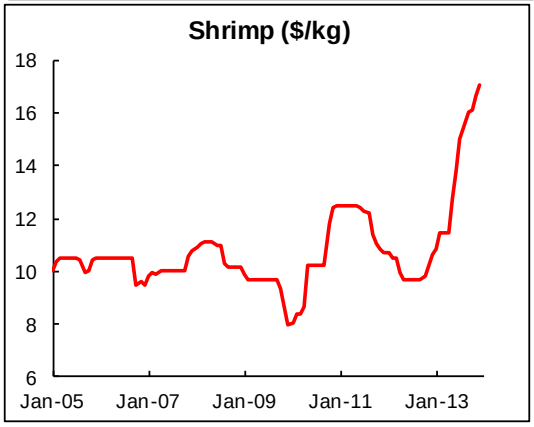


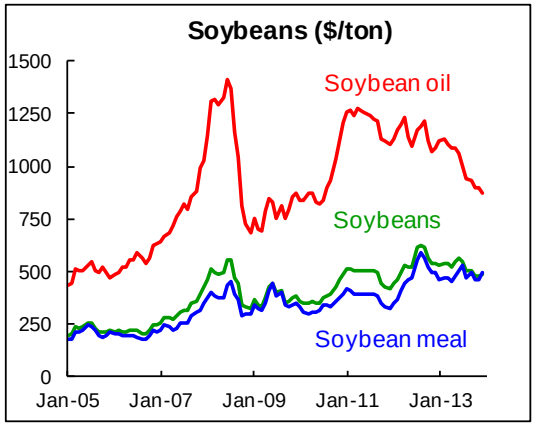


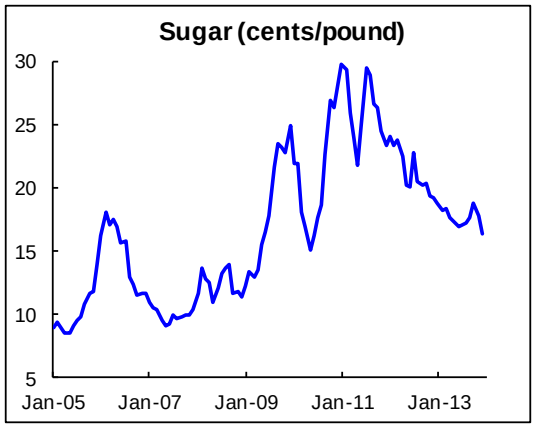
Commodity Prices in U.S. Dollars, 2005-2013 continued

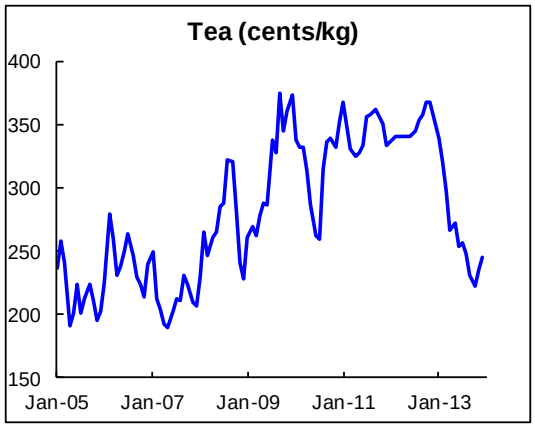


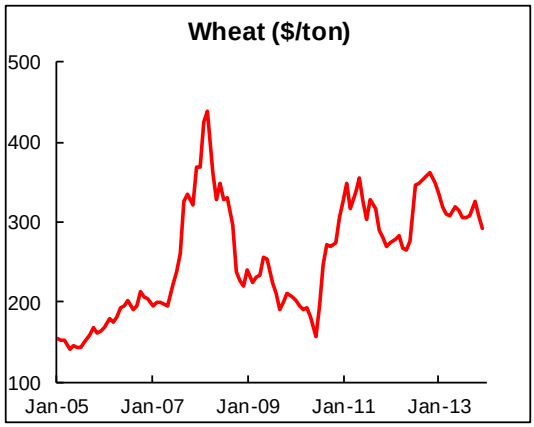


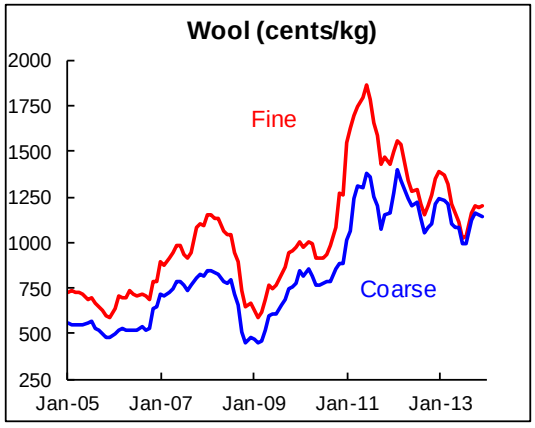












Commodity News Highlights

***Annual Energy Outlook early release*, Energy Information Agenchy, December 16, 2013.**

Oil and Natural Gas Highlights

Ongoing improvements in technologies for crude oil and natural gas production continue to lift domestic supply and reshape the U.S. energy economy. The Brent crude oil spot price decreases from $112/bbl in 2012 to $92/bbl in 2017 (in 2012 dollars), then increases to $141/bbl in 2040 ($235/bbl in nominal dollars) as growing demand leads to the development of more costly resources. The Henry Hub spot natural gas price reaches $4.80 per million Btu (MMBtu) (2012 dollars) in 2018, followed by a lagged increase in supply from producers, eventually causing prices to settle at $4.38/MMBtu in 2020. After 2020, natural gas prices rise to $7.65/MMBtu in 2040.

Domestic production of crude oil (including lease condensate) increases sharply, with annual growth averaging 0.8 (mb/d) through 2016, when it totals 9.5 mb/d. Tight oil production increases from 2.3 mb/d in 2012 (35% of total U.S. crude oil production) to 4.8 mb/d in 2021 (51% of the total). Tight oil production declines after 2021, as development moves into less-productive areas. U.S. use of imported petroleum and other liquid fuels continues to decline mainly as a result of increased domestic oil production. Imported petroleum and other liquid fuels as a share of total U.S. use reached 60% in 2005 before dipping below 50% in 2010 and falling further to 40% in 2012. The import share continues to decline to 25% in 2016 and then rises to about 32% in 2040.

Total U.S. consumption of petroleum and other liquids, which was 18.5 mb/d in 2012, increases to 19.5 mb/d in 2018, then declines to 18.7 mb/d in 2034 and remains at that level through 2040. Total consumption of domestically produced biofuels increases slightly through 2022 and then remains relatively flat. Within the transportation sector, which dominates demand for petroleum, there is a shift from motor gasoline (losing more than 10% of its share of total transportation petroleum and other liquids demand over the projection) to distillate (gaining slightly less than 10% of the total). The increased use of compressed natural gas and LNG in vehicles also offsets about 3% of petroleum and other liquids consumption in the transportation sector in 2040.

Natural gas production grows steadily, with a 56% increase between 2012 and 2040, when production reaches 37.6 trillion cubic feet (Tcf). This primarily reflects continued growth in shale gas production resulting from the dual application of horizontal drilling and hydraulic fracturing. Another contributing factor is the high concentrations of NGLs, which have a higher value than dry natural gas.

Domestic natural gas consumption rises from 25.6 Tcf in 2012 to 31.6 Tcf in 2040. The largest share of the growth is for electricity generation, where demand increases from 9.3 Tcf in 2012 to 11.2 Tcf in 2040, with a portion of the growth attributable to the retirement of 50 gigawatts of coal-fired capacity by 2021. Natural gas consumption in the industrial sector is higher, as it benefits from surging shale gas production that is accompanied by slower growth of natural gas prices. Industries such as bulk chemicals, which use natural gas as a feedstock, are more strongly affected than others. In the residential sector, gas consumption declines throughout the projection.

The United States becomes a net exporter of LNG in 2016, and it becomes an overall net exporter of natural gas in 2018. U.S. exports of LNG are expected to surpass 2 Tcf by 2020 and increase to 3.5 Tcf in 2029. Net pipeline imports from Canada fall steadily until 2033, and then increase through 2040. Net pipeline exports to Mexico grow by more than 400%, with additional pipeline infrastructure added to enable the Mexican market to receive more pipeline natural gas from the United States.