

Commodity Market Monthly

Research Department, Commodities Team



January 15, 2013

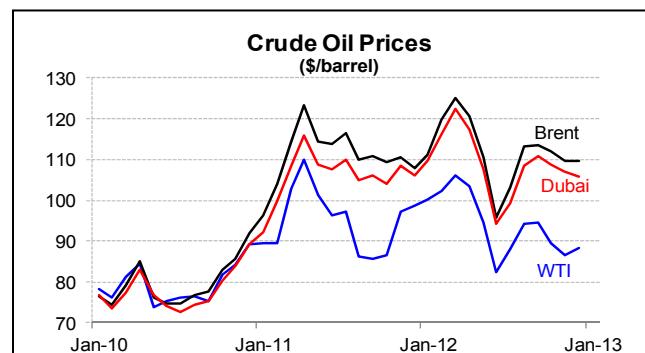
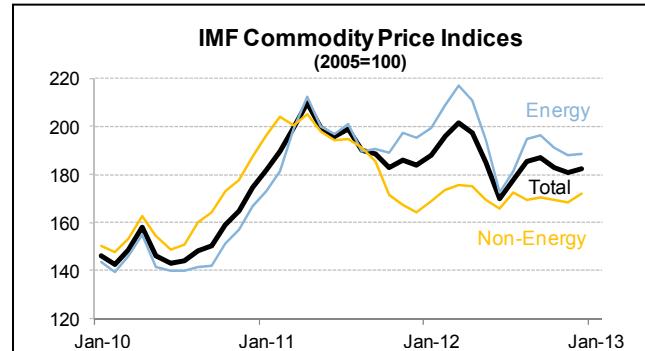
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In December commodity prices rose 1.0 percent, led by strong gains in metals, coal, natural gas and agriculture raw materials due to improving demand indicators, particularly in China. Food prices fell while crude oil prices were flat.

For the year 2012, commodity prices fell 3.1 percent with a 15.5 percent drop in industrial materials on weak demand, partly offset by a 0.7 percent gain in energy and 3.7 percent increase in food and beverage prices on supply shortfalls.

Crude oil prices were unchanged in December at \$101.2/bbl as weak demand concerns were offset by continuing supply constraints. OPEC production fell on further production cuts by Saudi Arabia and disruptions in Iraq—bad weather affecting exports from the Gulf and political disputes limiting exports from Kurdistan. Iran maintained output at 2.7 mb/d but faces tighter U.S. sanctions in February that will prevent it from repatriating revenues from oil exports. OPEC left its production target unchanged at 30 mb/d at its December meeting but individual quotas were not assigned. Despite production declines the group is still producing 1 mb/d above its target. Non-OPEC supplies rebounded in the fourth quarter led by large gains from tight oil in the U.S., oils sands in Canada, and return from maintenance in the North Sea. However around 1 mb/d remains offline in South Sudan, Syria, Yemen and elsewhere.

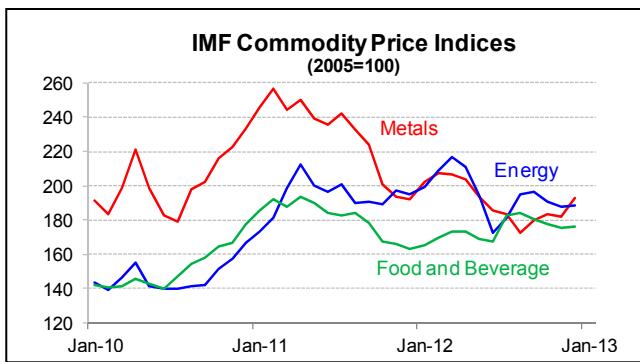
Product inventories have increased but remain low in some regions, while crude oil stocks remain adequate overall and large in the U.S. because of a continuing build-up of crude in the mid-continent. The price differential between Brent and WTI narrowed in early January to \$17/bbl on the start-up of the Seaway pipeline expansion from 0.15 mb/d to 0.40 mb/d which runs from Cushing OK to the Gulf coast. While diminishing, a large discount is expected to remain until further pipelines, reversals and expansions are completed.



Coal prices surged 8.1 percent in December on stronger demand in Europe and supply concerns over possible restrictions on Columbia shipments, but global markets are generally well supplied.

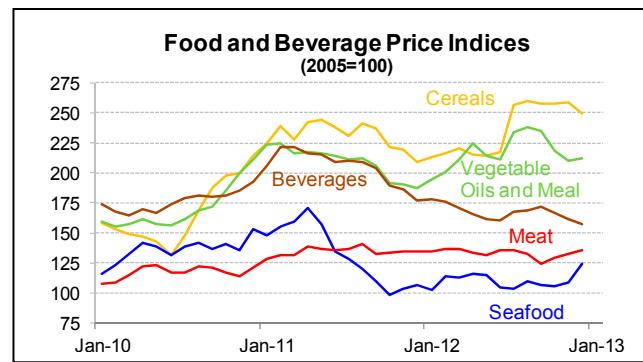
Natural gas prices in the U.S. fell 5.6 percent on large stocks and mild weather. Gas output continues to grow despite a drop in gas-directed drilling.

In the agriculture sector food prices rose 0.8 percent in December led by a 13 percent jump in seafood prices due to strong seasonal demand. Meat prices rose 2 percent on reduced supply following drought in the U.S. Vegetable oils and protein meal prices increased less than 1 percent with a 2 percent gain in soybean oil prices due to strong demand. This was partly offset by a 4 percent decline in palm oil prices due to high levels of stocks in Southeast Asia. Cereal prices fell 4 percent, with similar declines in rice, maize and wheat on improving supply



conditions—although season ending stocks are projected to be low. The largest decline among food commodities was oranges, down 10 percent on abundant supply. **Beverage prices fell** 2.6 percent, led by 5 percent drop in tea prices due to improved weather and favorable supply in Kenya. Arabica coffee prices fell 4 percent (and down 37 percent in 2012) as global coffee production is expected to reach a record high. **Raw materials prices rose** 0.6 percent, led by a 5 percent increase in rubber prices on expectations of stronger demand in China and near-term supply tightness owing to producer cuts and weather effects. Cotton prices rose 3 percent due to weak demand amid ample supply.

Metals prices jumped 5.8 percent in December on some improvement in macro conditions in China and the U.S., but market fundamentals remain weak and stocks continued to increase for most metals. Prices rose for all main base metals and iron ore. The largest gain was for tin, up 10 percent, on expectations of stronger demand in the electronics sector in China and continued supply problems among the major producers owing to chronic under-investment. Aluminum prices surged 7 percent, despite a large surplus and continued rise in LME inventories—however much of these stocks are tied up in financing arrangements and not available to the market. Nickel prices rose 7 percent in part because of further difficulties at a number of new supply projects. However, demand remains weak and stocks continue to steadily climb. Zinc prices rose 7 percent but the market remains in large surplus due to weak demand, rising supply, and large stocks. Lead is the one metal where inventories fell due to strong battery demand in the U.S. and China and some supply curtailment, and prices rose 4 percent.



Iron ore prices continued to surge, rising by 7 percent (and up for a third consecutive month), on strong China import demand, mainly for restocking by steel mills. The global steel market has started to strengthen and further restocking is possible depending on the pace of economic recovery.

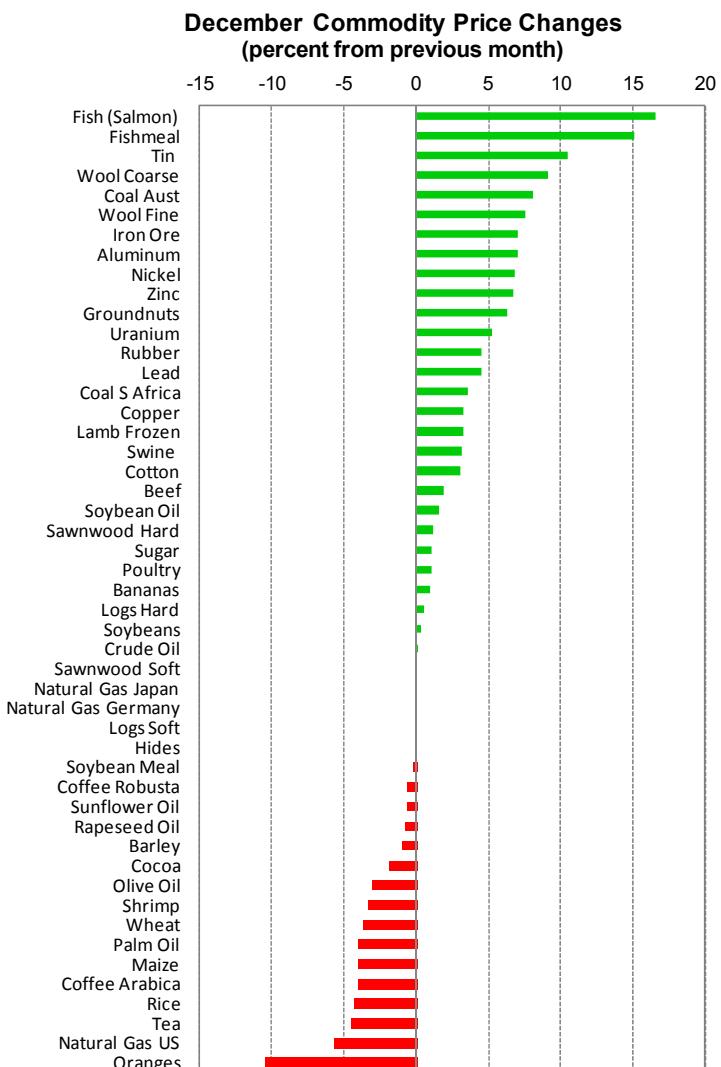


Table 1. Market Prices for Non-Fuel and Fuel Commodities

	Units	2010	2011	2012	2012Q1	2012Q2	2012Q3	2012Q4	Nov-2012	Dec-2012
Food										
Cereals										
Wheat	\$/MT	223.7	316.2	313.3	278.8	269.0	349.5	355.7	361.0	347.9
Maize	\$/MT	186.0	291.8	298.4	277.7	270.1	328.6	317.3	321.5	308.7
Rice	\$/MT	520.6	551.7	580.2	555.2	601.5	583.9	580.3	590.7	565.5
Barley	\$/MT	158.4	207.2	238.8	215.5	234.9	258.7	246.1	245.5	243.4
Vegetable oils and protein meals										
Soybeans	\$/MT	384.9	484.2	537.8	466.5	524.2	615.8	544.4	533.0	534.8
Soybean meal	\$/MT	331.3	378.9	473.3	372.4	454.7	565.9	500.1	490.6	489.7
Soybean oil	\$/MT	924.8	1215.8	1151.8	1166.2	1155.0	1192.4	1093.5	1071.8	1088.8
Palm oil	\$/MT	859.9	1076.5	939.8	1058.0	1038.7	920.9	741.7	743.1	713.9
Fish meal	\$/MT	1739.2	1519.3	1624.3	1309.9	1522.8	1735.6	1928.9	1902.1	2190.1
Sunflower Oil	\$/MT	1186.0	1621.8	1489.5	1478.5	1441.0	1546.1	1492.4	1483.0	1510.9
Olive oil	\$/MT	3171.3	3070.3	3150.3	2895.1	2858.9	3181.8	3665.4	3627.4	3517.8
Groundnuts	\$/MT	1239.4	1724.0	1880.5	1850.6	1832.5	1802.4	2036.6	1993.6	2118.6
Rapeseed oil	\$/MT	1011.7	1366.6	1239.1	1279.7	1241.1	1233.0	1202.5	1200.0	1191.1
Meat										
Beef	cts/lb	152.5	183.2	187.9	193.1	187.7	181.2	189.7	192.0	195.6
Lamb	cts/lb	145.7	149.2	100.9	125.0	99.8	89.5	89.5	88.5	91.4
Swine Meat	cts/lb	74.4	89.1	82.8	85.1	83.6	83.2	79.3	77.9	80.3
Poultry	cts/lb	85.8	87.4	94.3	91.4	93.9	95.1	96.7	96.6	97.6
Seafood										
Fish	\$/kg	6.1	5.9	4.8	8.3	8.2	8.3	8.1	4.7	5.5
Shrimp	\$/kg	7.5	8.2	8.2	4.7	4.8	4.6	4.9	8.1	7.9
Sugar										
Free market	cts/lb	20.9	26.2	21.4	23.7	20.9	21.2	19.6	19.3	19.2
United States	cts/lb	31.1	37.6	28.9	34.3	30.4	27.8	23.1	22.7	22.6
EU	cts/lb	25.7	26.7	26.4	26.1	26.3	26.3	26.7	26.5	26.8
Bananas	\$/MT	881.4	975.9	984.3	1046.5	980.4	962.8	947.5	937.3	946.1
Oranges	\$/MT	1033.2	891.1	868.0	770.6	843.8	995.5	861.9	846.8	758.1
Beverages										
Coffee										
Other milds	cts/lb	194.4	273.2	187.6	222.7	183.2	182.1	162.4	160.6	154.2
Robusta	cts/lb	84.1	116.0	110.6	111.4	113.7	112.4	105.0	102.9	102.3
Cocoa Beans	\$/MT	3130.6	2978.5	2377.1	2341.1	2215.2	2494.1	2457.8	2478.2	2431.8
Tea	cts/kg	316.7	346.2	348.9	339.8	341.0	352.3	362.6	368.1	351.4
Agricultural raw materials										
Timber										
Hardwood										
Logs 1/	\$/M3	278.2	390.5	360.5	882.9	883.8	864.3	874.4	353.0	354.8
Sawnwood 1/	\$/M3	848.3	939.4	876.3	373.3	361.0	355.1	352.7	870.0	879.9
Softwood										
Logs 1/	\$/M3	141.5	150.0	147.1	144.9	140.8	150.4	152.1	152.1	152.1
Sawnwood 1/	\$/M3	281.8	280.9	286.2	264.4	296.0	295.4	289.1	289.1	289.1
Cotton	cts/lb	103.5	154.6	89.2	100.5	90.3	84.2	82.1	80.9	83.4
Wool										
Fine	cts/kg	1023.2	1638.2	1345.3	1534.8	1355.7	1217.9	1273.0	1259.3	1354.8
Coarse	cts/kg	820.1	1209.2	1212.6	1338.0	1243.2	1138.0	1131.1	1106.6	1208.0
Rubber	cts/lb	165.7	218.5	153.2	174.7	162.9	134.7	140.4	134.9	141.1
Hides	cts/lb	72.0	82.0	83.2	77.3	84.0	85.3	86.0	86.0	86.0

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	2010	2011	2012	2012Q1	2012Q2	2012Q3	2012Q4	Nov-2012	Dec-2012
Metals										
Copper	\$/MT	7538.4	8823.5	7958.9	8324.7	7870.2	7727.5	7913.2	7711.2	7966.5
Aluminum	\$/MT	2173.0	2400.6	2022.8	2181.1	1978.8	1927.9	2003.3	1948.8	2086.8
Iron Ore	\$/MT	146.7	167.8	128.5	141.8	139.5	111.7	121.1	120.3	128.9
Tin	\$/MT	20367.2	26051.4	21109.4	22942.1	20555.1	19331.0	21609.2	20713.1	22880.9
Nickel	\$/MT	21810.0	22909.1	17541.7	19654.4	17154.9	16373.5	16984.2	16335.4	17448.5
Zinc	\$/MT	2160.4	2195.5	1950.0	2027.6	1928.9	1891.3	1952.3	1912.4	2040.4
Lead	\$/MT	2148.2	2400.7	2063.6	2092.7	1974.6	1985.6	2201.2	2182.0	2279.8
Uranium	\$/lb	46.0	56.2	48.9	51.9	51.3	49.1	43.3	41.5	43.7
Energy										
Spot Crude 2/	\$/bbl	79.0	104.0	105.0	112.5	102.9	102.8	101.9	101.2	101.2
U.K. Brent	\$/bbl	79.6	111.0	112.0	118.5	108.9	110.0	110.4	109.7	109.6
Dubai	\$/bbl	78.1	106.0	108.9	116.0	106.4	106.2	107.1	107.1	105.7
West Texas Intermediate	\$/bbl	79.4	95.0	94.1	102.9	93.4	92.2	88.1	86.7	88.2
Natural Gas										
Russian in Germany	\$/000M3	296.0	381.5	431.3	444.7	452.4	409.9	418.2	419.0	419.0
Indonesian in Japan (LNG)	\$/M3	197.4	327.2	382.1	368.8	401.7	394.5	363.4	363.4	363.4
US, domestic market	\$/000M3	158.0	144.0	99.2	88.4	82.1	103.9	122.4	127.4	120.2
Coal										
South African, export markets	\$/MT	91.6	116.3	92.9	105.0	93.5	87.4	85.8	85.7	88.8
Australian, export markets	\$/MT	106.0	130.1	103.2	121.8	102.4	95.8	93.1	92.0	99.5

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/	2010	2011	2012	2012Q1	2012Q2	2012Q3	2012Q4	Nov-2012	Dec-2012
		100.0	152.2	192.2	186.2	195.2	184.2	183.4	182.1	180.7
All Primary Commodities 2/		36.9	160.9	189.5	170.9	172.7	170.1	170.9	170.0	168.2
Non-Fuel		18.5	151.9	181.3	174.6	169.3	170.1	182.6	176.4	172.2
 Edibles		16.7	149.2	178.6	175.4	168.7	170.9	184.0	178.0	178.5
Food		3.6	166.5	231.2	236.4	216.6	215.7	258.0	255.4	258.8
Cereals		4.4	170.4	209.1	217.1	202.5	216.7	235.6	213.6	212.0
Vegetable oils and protein meals		3.7	117.2	134.5	133.3	136.2	133.4	131.0	132.6	135.3
Meat		3.2	135.9	132.8	110.4	109.8	111.8	107.1	113.0	109.2
Seafood		1.8	176.2	205.5	167.4	175.2	162.7	169.6	162.0	157.5
Beverages		18.4	169.9	197.8	167.2	176.1	170.0	159.0	163.6	168.0
 Industrial Inputs		7.7	125.1	153.5	134.1	135.6	136.6	131.9	132.4	131.3
Agricultural Raw Materials 3/		3.4	101.1	110.8	107.5	104.8	109.1	108.5	107.8	108.2
Timber		10.7	202.3	229.7	191.0	205.4	194.2	178.5	186.1	182.1
 Metals		63.1	147.1	193.8	195.2	208.4	192.4	190.8	189.1	188.4
Energy 4/		53.6	148.5	195.9	197.9	211.9	193.9	193.7	192.3	190.9
Petroleum 5/		6.9	113.3	154.3	171.3	170.9	178.0	169.3	167.0	167.0
Natural Gas		2.6	205.9	254.4	202.1	236.4	201.0	188.0	183.1	181.4
Coal										

1/ Weights based on 2002-2004 average world export earnings.

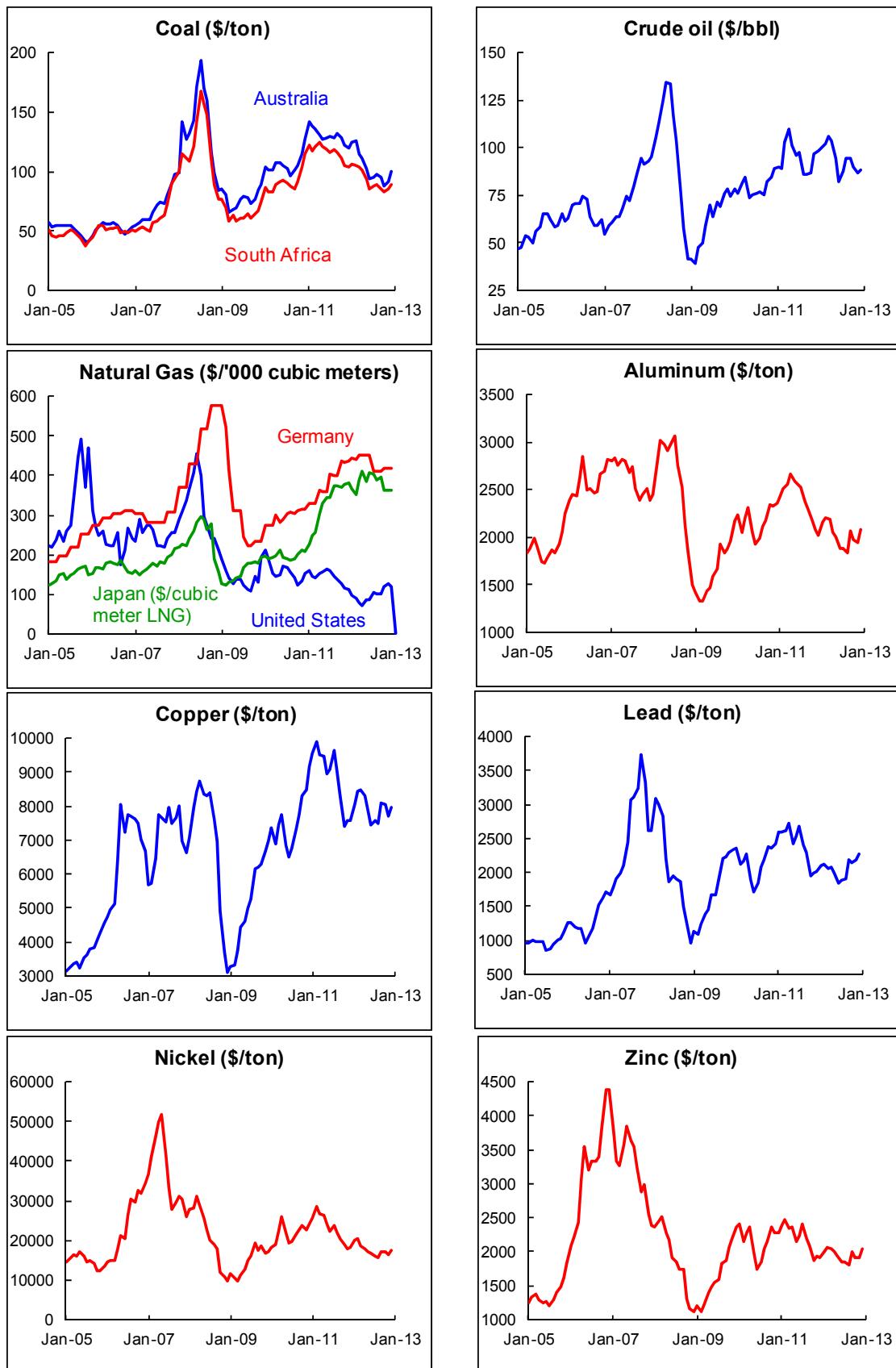
2/ Non-Fuel Primary Commodities and Energy Index.

3/ Includes forestry products.

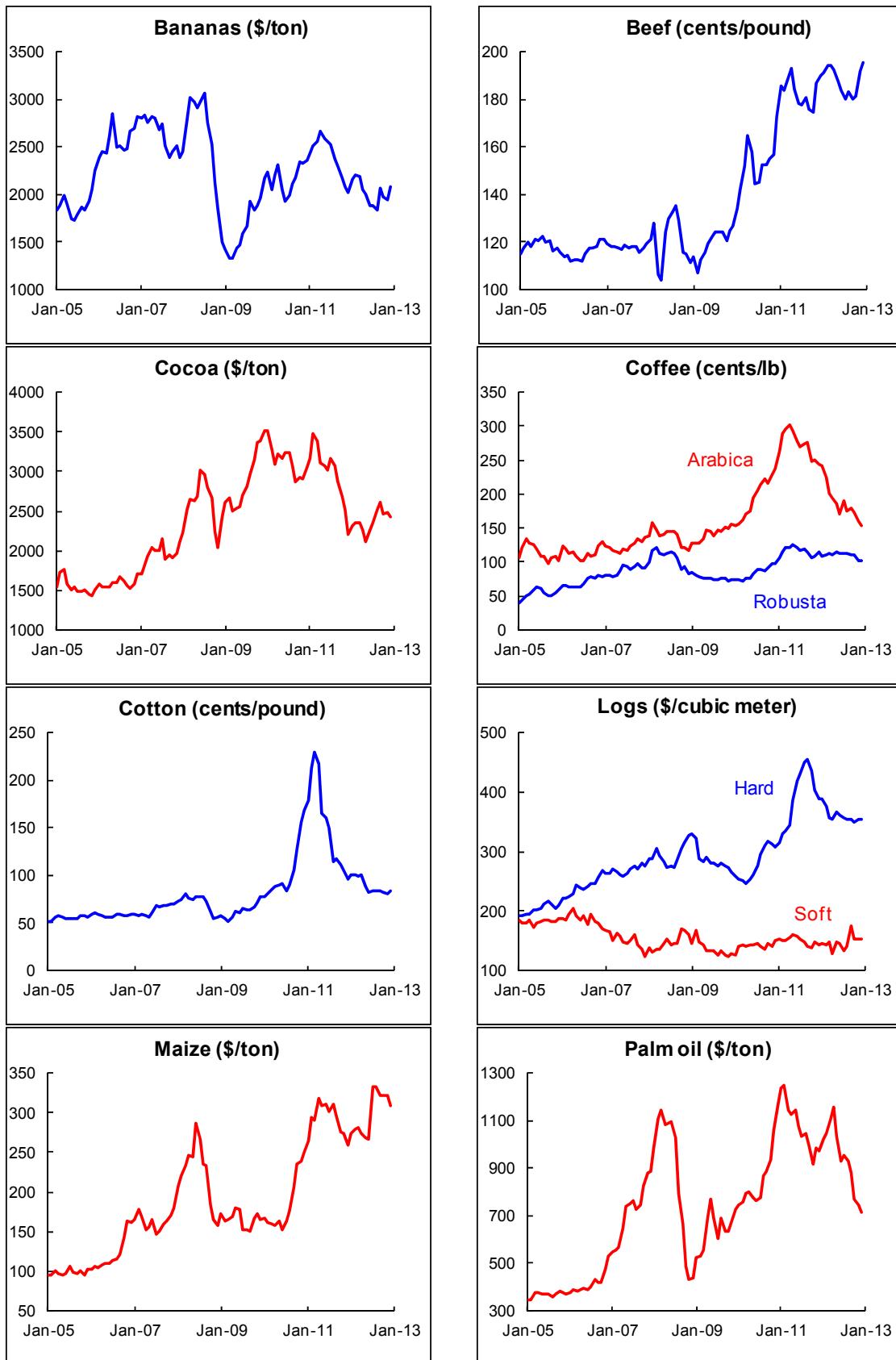
4/ Includes petroleum, natural gas and coal.

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

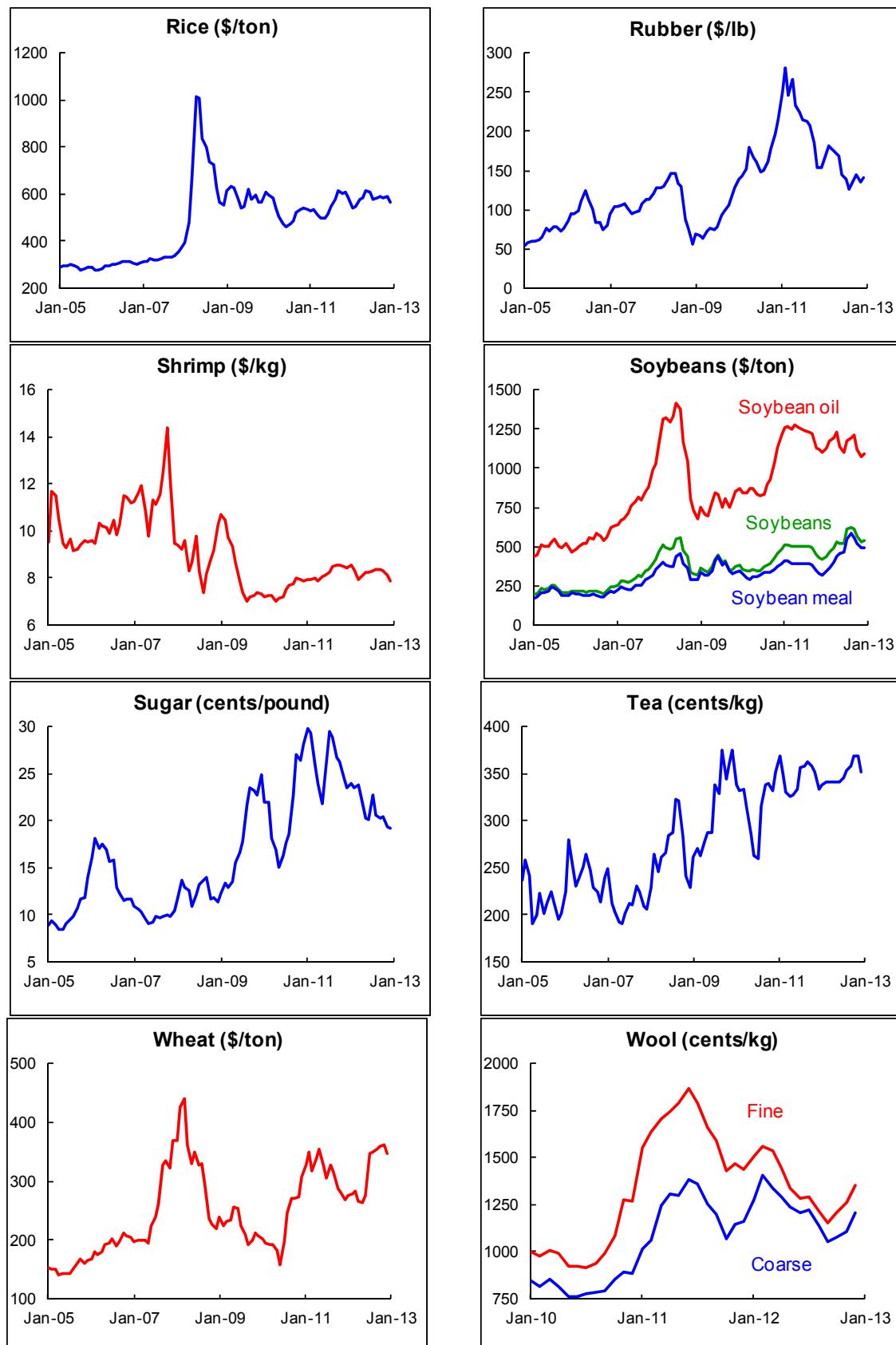
Commodity Prices in U.S. Dollars, 2005-2012



Commodity Prices in U.S. Dollars, 2005-2012 continued



Commodity Prices in U.S. Dollars, 2005-2012 continued



Commodity News Highlights

Annual Energy Outlook 2013, U.S. Energy Information Administration, December 5, 2012

Projections in the Annual Energy Outlook focus on the factors that shape U.S. energy markets through 2040, under assumptions that current laws and regulations remain generally unchanged. Net imports of energy decline both in absolute terms and as a share of total U.S. energy consumption, and reflects increased domestic petroleum and natural gas production, increased use of biofuels, and demand reductions resulting from rising energy prices and the adoption of new efficiency standards for vehicles. The net import share of total U.S. energy consumption is 9 percent in 2040, compared with 19 percent in 2011 (the share was 30 percent in 2005).

Dependence on imported liquid fuels as a share of total liquid fuel use reached 60 percent in 2005 before dipping to 45 percent in 2011. The import share continues to decline to 34 percent in 2019 and then rises to about 37 percent in 2040, due to a decline in domestic production of tight oil that begins in about 2021.

Total primary energy consumption grows by 7 percent from 98 quadrillion Btu in 2011 to 108 quadrillion Btu in 2040. The fossil fuel share of energy consumption falls from 82 percent in 2011 to 78 percent in 2040, as consumption of petroleum-based liquid fuels falls, largely as a result of the incorporation of new fuel efficiency standards for LDVs. Gasoline use in the transportation sector falls by 0.5 million bpd in 2025 and by 1.0 million bpd in 2035. The improved economics of liquefied natural gas (LNG) for heavy-duty vehicles results in an increase in natural gas use in heavy-duty vehicles that offsets a portion of diesel fuel consumption.

The advent of advanced production technologies continues to lift projected domestic oil and natural gas supply. Domestic production of crude oil increases sharply with annual growth averaging 234 thousand barrels per day (bpd) through 2019, when production reaches 7.5 million bpd. The growth results largely from a significant increase in onshore crude oil production, particularly from shale and other tight formations. After about 2020, production begins declining gradually to 6.1 million bpd in 2040. Natural gas production continues to climb reflecting increases in shale gas output from the dual application of horizontal drilling and hydraulic fracturing.

The United States becomes a net exporter of LNG starting in 2016 and an overall net exporter of natural gas in 2020. U.S. exports of LNG from new liquefaction capacity are assumed to start at a level of 0.6 billion cubic feet per day in 2016 and increase to 4.5 billion cubic feet per day in 2027, as peak export volumes are shipped out of facilities in the Gulf Coast and Alaska. The United States becomes a net pipeline exporter of natural gas in 2021 as net pipeline imports from Canada fall steadily over most of the projection period, and net pipeline exports to Mexico continue to grow.

Relatively low natural gas prices, facilitated by growing shale gas production, spur increased use in the industrial and electric power sectors. Industrial production grows more rapidly due to the benefit of an extended period of relatively low natural gas prices. Abundant low-cost natural gas and increased renewable generation help shift the fuel mix for electricity production away from coal. The share of generation from renewables grows from 13 percent in 2011 to 16 percent in 2040. With improved efficiency and a shift away from the most carbon-intensive fuels, U.S. energy-related carbon dioxide (CO₂) emissions remain more than 5 percent below their 2005 level through 2040.



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