

# Commodity Market Monthly

Research Department, Commodities Team\*



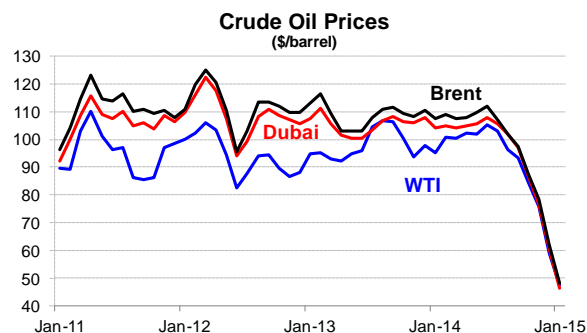
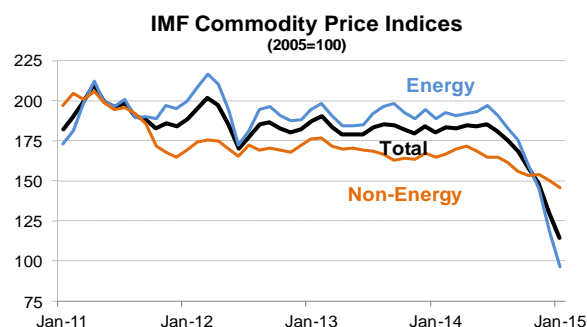
February 11, 2015

[www.imf.org/commodities](http://www.imf.org/commodities)

**Commodity prices fell by 12.0 percent in January, mainly the result of a sharp decline in oil prices. Non-fuel prices fell 3.2 percent, with declines in both metals and agriculture, partly reflecting appreciation of the U.S. dollar—up 2.1 percent against a broad group of currencies. Many commodity markets are in surplus, particularly in industrial sectors, and lower prices have led to reductions in capital expenditures which are expected to result in lower production.**

**Crude oil prices plunged by 21.6 percent** in January, averaging \$47.54/bbl, and are down more than 55 percent since June. The declines have been due to rising supplies and stocks, and OPEC's decision to maintain market share. In early February prices rose above \$55/bbl triggered by announced cuts in upstream investment and sharp reductions in rig counts which are expected to eventually result in lower production and rebalanced market. The number of oil-directed rigs in the U.S. is down 459 rigs or nearly 30 percent from its high in October, with the sharpest drops in recent weeks. Over half of the declines occurred in the three main shale-oil basins—Eagle Ford, Permian and Williston. However, horizontal rigs—used to develop shale oil—declined only 17 percent in these three basins, suggesting companies remain focused on developing shale deposits. Meanwhile, U.S. oil production continues to climb at more than 1.1 mb/d year-on-year.

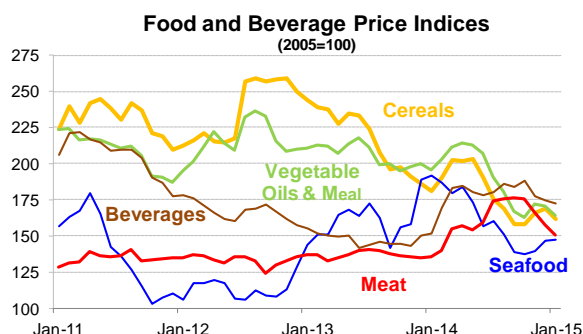
Crude oil inventories continue to rise, particularly in the U.S. where crude stocks are at record highs, and product stocks are at near-record levels. Large refining margins have led to strong refinery output, not just in the U.S. but Europe as well. Refinery maintenance, already underway, will dampen global crude demand into the second quarter and exacerbate the surplus. Stocks are expected to continue increasing in the near term, particularly in the U.S. where there is still ample capacity, and companies are considering storing oil at sea.



**Natural gas prices in the U.S. fell by 13.4 percent** in January, and to \$2.6/mmbtu in early February, on ample storage, weak demand and continued gains in production, particularly from the Marcellus and Utica shale deposits in the northeast. **Natural gas prices in Europe decline by 9.1 percent** in January due to weak demand, ample supply, and the lagged affect of oil-indexed contract imports.

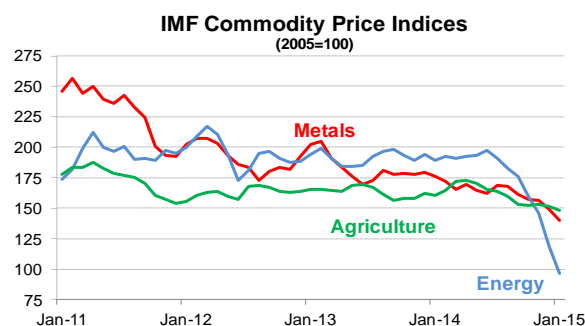
**Agriculture prices fell by 2.2 percent** in January, and were down 8 of the last 9 months, on abundant supplies for most commodities. The largest price decline was for swine, plunging 12 percent and down more than 40 percent from highs last summer, as U.S. producers rebuild herds from losses to a porcine virus. Soybean meal and soybean prices fell 9 and 3 percent, respectively, on expected record soybean production and despite strong demand for meal and soybean imports. Fish meal prices dropped 9 percent on expectations of higher production off

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

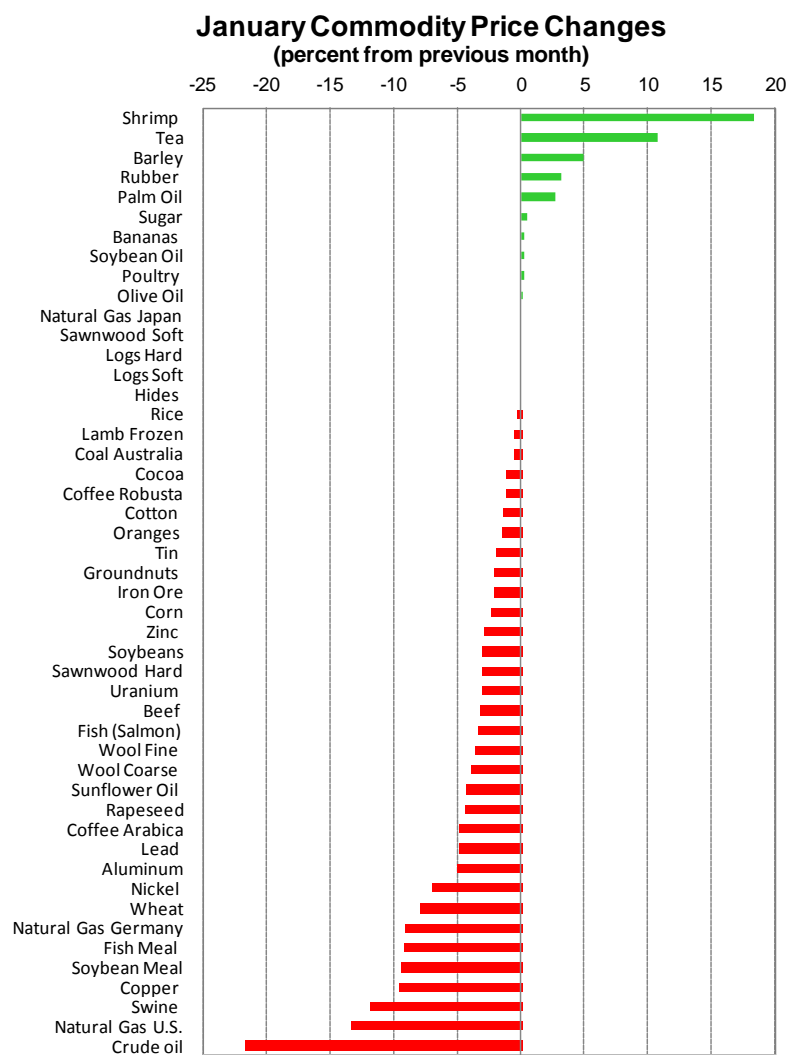


Peru in 2015. Wheat prices declined 8 percent due to continued upgrades to output and stocks, and projections of record world wheat production. Arabica coffee prices fell 5 percent on expectations of an improved harvest in Brazil from more favorable weather conditions. Rapeseed oil and sunflower oil prices both decreased 4 percent owing to excess supply and a general oilseed surplus. Wool prices fell 4 percent due to surplus supply amid steady demand from China. Salmon prices decreased 3 percent on rising production from Norway and weak demand owing to Russia's import ban. Beef prices slid 3 percent due to weak demand and increasing U.S. herd size. Partly offsetting these declines shrimp prices soared 18 percent on strong Chinese demand and tight supplies, the latter partly due to disease in Thailand. Tea prices surged 11 percent due to supply concerns because of dry weather in Kenya.

**Metals prices fell by 5.7 percent** in January, down a sixth consecutive month, on concerns about slowing demand growth in China, notably in construction, and weakening global manufacturing. Prices have fallen into industry cost curves and some mines have closed. However companies are benefiting from lower energy prices, broader industry cost deflation, and depreciating producer-country currencies, which are helping sustain higher-cost production. The largest price decline was for copper, down 10 percent, on concerns about rising inventories, weak demand, and continued gains in global supply. Nickel prices fell 7 percent as stocks climbed to record levels due to weak demand and continued strength of China's nickel pig iron production despite Indonesia's ore export ban. Aluminum prices fell 5 percent, despite falling stocks, on a continued surplus within China and potential smelter restarts in the rest of the world, particularly in Russia owing to



substantial ruble devaluation. Lead prices declined 5 percent due to weak replacement battery demand and increasing secondary/re-cycled supply. Uranium prices fell 3 percent owing to an improved supply picture from operational outages. Zinc prices fell 3 percent but rebounded into February on expected supply tightening from upcoming mine closures, notably the large Century mine in Australia this year.



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

	Units	2012	2013	2014	2014Q1	2014Q2	2014Q3	2014Q4	Dec-2014	Jan-2015
<b>Food</b>										
Cereals										
Wheat	\$/MT	313.3	312.2	284.9	297.1	322.1	262.5	257.9	269.6	248.5
Maize	\$/MT	298.4	259.0	192.9	210.1	213.9	173.9	173.5	178.7	174.7
Rice	\$/MT	580.2	518.8	426.5	440.7	409.4	435.0	420.8	410.7	409.7
Barley	\$/MT	238.2	206.4	146.1	162.7	166.9	132.8	122.0	126.8	133.0
Vegetable oils and protein meals										
Soybeans	\$/MT	537.8	517.2	457.8	498.3	540.4	421.7	370.9	378.8	367.5
Soybean meal	\$/MT	473.3	477.3	467.0	493.3	531.9	436.0	406.7	418.1	379.0
Soybean oil	\$/MT	1151.8	1011.1	812.7	877.9	899.7	757.1	716.1	705.6	707.9
Palm oil	\$/MT	939.8	764.2	739.4	813.7	794.7	695.9	653.3	624.5	641.6
Fish meal	\$/MT	1624.3	1710.5	1921.5	1657.9	1861.6	1973.6	2192.7	2388.6	2169.8
Sunflower Oil	\$/MT	1489.5	1341.1	1080.3	1133.1	1121.5	1012.5	1054.2	1049.0	1004.2
Olive oil	\$/MT	3135.7	3816.7	3911.8	3599.0	3663.5	4122.1	4262.5	4480.1	4480.8
Groundnuts	\$/MT	1688.2	2314.5	2148.3	2377.3	2228.8	2046.8	1940.1	1995.1	1954.9
Rapeseed oil	\$/MT	1239.1	1081.2	904.4	980.3	963.1	849.6	824.4	809.4	774.3
Meat										
Beef	cts/lb	187.9	183.6	224.1	191.8	195.5	252.9	256.0	239.6	232.0
Lamb	cts/lb	100.9	106.7	130.6	124.1	135.4	132.8	130.2	129.3	128.6
Swine Meat	cts/lb	82.8	86.5	102.8	92.8	115.4	112.8	90.3	82.8	73.0
Poultry	cts/lb	94.3	103.8	110.1	104.7	109.0	113.0	113.9	113.8	114.1
Seafood										
Fish	\$/kg	4.8	6.8	6.6	7.8	6.9	5.9	5.8	6.2	5.9
Shrimp	\$/kg	10.1	14.0	16.6	17.1	17.8	17.0	14.3	13.2	15.7
Sugar										
Free market	cts/lb	21.4	17.7	17.1	16.8	18.2	17.7	15.8	15.0	15.1
United States	cts/lb	28.9	21.2	24.9	22.4	25.3	26.5	25.3	24.8	25.2
EU	cts/lb	26.4	26.0	27.4	27.5	28.0	27.8	26.3	26.0	25.2
Bananas	\$/MT	984.3	926.4	931.9	947.1	929.2	939.3	911.9	908.6	911.6
Oranges	\$/MT	868.0	967.3	782.5	777.4	838.8	774.1	739.8	769.2	758.0
<b>Beverages</b>										
Coffee										
Other milds	cts/lb	187.6	141.1	202.8	175.8	213.7	208.4	213.5	200.6	190.9
Robusta	cts/lb	110.6	100.5	105.6	102.0	107.9	106.0	106.6	103.5	102.3
Cocoa Beans	\$/MT	2377.1	2439.1	3062.8	2951.3	3085.0	3229.2	2985.6	2946.9	2915.6
Tea	cts/kg	348.9	266.0	237.9	247.9	222.2	233.7	247.6	243.3	269.6
<b>Agricultural raw materials</b>										
Timber										
Hardwood										
Logs 1/	\$/M3	148.0	164.5	172.9	306.1	312.6	308.3	301.1	167.3	167.3
Sawnwood 1/	\$/M3	284.7	301.4	307.0	178.4	169.7	167.4	176.0	302.7	302.7
Softwood										
Logs 1/	\$/M3	148.0	164.5	172.9	178.4	169.7	167.4	176.0	167.3	167.3
Sawnwood 1/	\$/M3	284.7	301.4	307.0	306.1	312.6	308.3	301.1	302.7	302.7
Cotton	cts/lb	89.2	90.4	83.1	94.0	92.6	77.1	68.7	68.3	67.4
Wool										
Fine	cts/kg	1345.3	1197.7	1074.4	1114.0	1086.0	1068.1	1029.4	1002.1	967.0
Coarse	cts/kg	1212.6	1128.1	1030.4	1083.6	1058.7	1025.0	954.3	935.6	899.4
Rubber	cts/lb	153.2	126.8	88.8	102.1	96.1	83.4	73.5	72.7	75.0
Hides	cts/lb	83.2	94.7	110.2	107.6	109.8	110.8	112.6	108.8	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	Dec-2014	Jan-2015
<b>Metals</b>										
Copper	\$/MT	7958.9	7331.5	6863.4	7030.2	6795.3	6995.8	6632.3	6446.5	5830.5
Aluminum	\$/MT	2022.8	1846.7	1867.4	1709.3	1800.2	1989.7	1970.4	1909.5	1814.7
Iron Ore	\$/MT	128.5	135.4	96.8	120.4	102.6	90.3	74.0	68.8	67.4
Tin	\$/MT	21109.4	22281.6	21898.9	22636.3	23146.2	21915.2	19897.9	19829.7	19454.1
Nickel	\$/MT	17541.7	15030.0	16893.4	14661.0	18467.8	18584.2	15860.5	15962.0	14849.2
Zinc	\$/MT	1950.0	1910.2	2161.0	2026.5	2071.4	2310.7	2235.3	2175.8	2113.0
Lead	\$/MT	2063.6	2139.7	2095.5	2101.4	2097.1	2182.4	2000.9	1938.1	1843.1
Uranium	\$/lb	48.9	38.5	33.5	35.2	30.0	31.1	37.7	37.2	36.0
<b>Energy</b>										
Spot Crude 2/	\$/bbl	105.0	104.1	96.2	103.7	106.3	100.4	74.5	60.6	47.5
U.K. Brent	\$/bbl	112.0	108.8	98.9	107.9	109.8	102.1	76.0	62.2	48.4
Dubai	\$/bbl	108.9	105.4	96.7	104.4	106.1	101.5	74.6	60.4	46.3
West Texas Intermediate	\$/bbl	94.1	97.9	93.1	98.8	103.1	97.6	73.1	59.1	47.6
<b>Natural Gas</b>										
Russian in Germany	\$/mmbtu	12.0	11.2	10.5	10.8	10.7	10.1	10.3	10.5	9.5
Indonesian in Japan	\$/mmbtu	18.1	17.3	16.9	17.8	17.6	16.5	15.5	15.0	15.0
US, domestic market	\$/mmbtu	2.8	3.7	4.4	5.2	4.6	3.9	3.8	3.4	3.0
<b>Coal</b>										
Australian, export markets	\$/MT	103.2	90.6	75.1	82.6	77.9	72.7	67.4	66.9	66.5

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/	2012	2013	2014	2014Q1	2014Q2	2014Q3	2014Q4	Dec-2014	Jan-2015
<b>All Primary Commodities 2/</b>	100.0	186.3	183.3	171.8	182.2	184.7	174.9	145.4	130.4	114.7
<b>Non-Fuel</b>	36.9	171.0	169.0	162.3	167.2	168.3	160.9	152.7	150.5	145.7
<b>Agriculture</b>	26.2	162.8	163.3	161.5	165.6	169.6	158.7	152.1	151.2	147.9
Food	16.7	175.6	177.6	170.2	176.5	181.1	165.8	157.5	157.9	153.4
Cereals	3.6	236.4	218.3	180.3	191.2	198.3	167.5	164.3	169.1	161.9
Vegetable oils and protein meals	4.4	215.9	206.4	190.7	203.1	211.6	179.5	168.5	170.6	164.4
Meat	3.7	133.3	136.8	160.5	143.4	156.7	175.4	166.4	157.6	150.8
Seafood	3.2	113.3	160.1	162.0	185.9	171.2	150.0	141.0	146.6	147.5
Beverages	1.8	167.4	147.4	178.0	167.9	181.0	183.3	180.0	174.4	172.6
Agricultural Raw Materials 3/	7.7	134.0	136.2	138.7	141.4	141.9	137.7	133.9	131.0	130.3
Timber	3.4	107.4	107.3	109.2	109.9	111.1	109.8	105.9	104.7	103.7
<b>Metals</b>	10.7	191.0	182.9	164.1	171.1	165.3	166.1	154.0	148.7	140.3
<b>Edibles 4/</b>	18.5	174.8	174.6	171.0	175.6	181.1	167.5	159.7	159.6	155.2
<b>Industrial Inputs 5/</b>	18.4	167.1	163.3	153.5	158.6	155.5	154.2	145.6	141.3	136.1
<b>Energy 6/</b>	63.1	195.2	191.7	177.4	190.9	194.3	183.2	141.2	118.6	96.5
Petroleum 7/	53.6	197.9	195.9	181.1	195.2	200.0	188.9	140.2	113.9	89.2
Natural Gas	6.9	171.2	164.9	159.5	168.5	164.5	153.4	151.5	149.3	140.5
Coal	2.6	202.1	176.8	149.1	163.4	154.5	144.4	134.2	133.5	131.2

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

2/ Non-Fuel Primary Commodities and Energy Index.

3/ Includes Forestry Products.

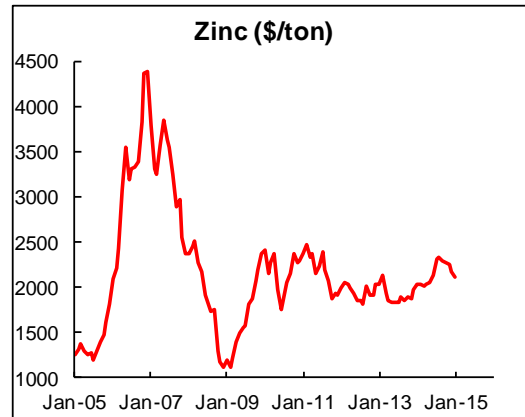
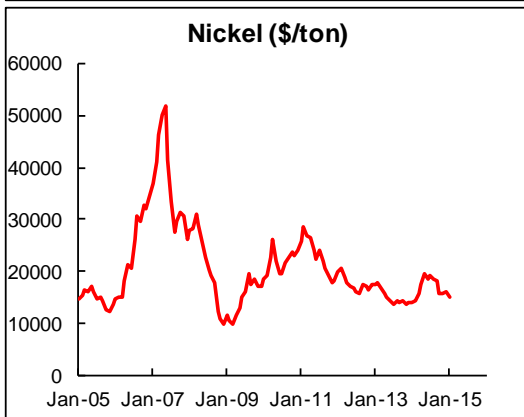
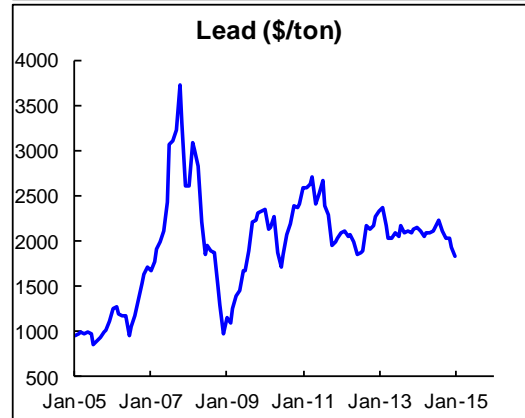
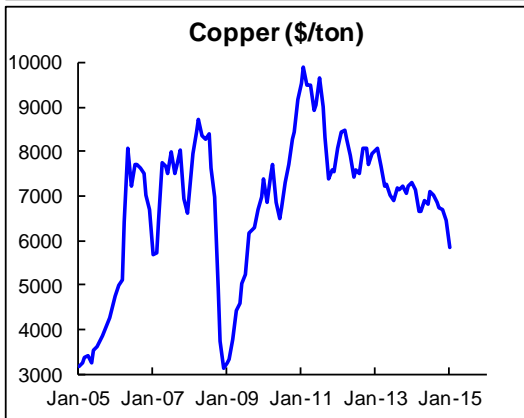
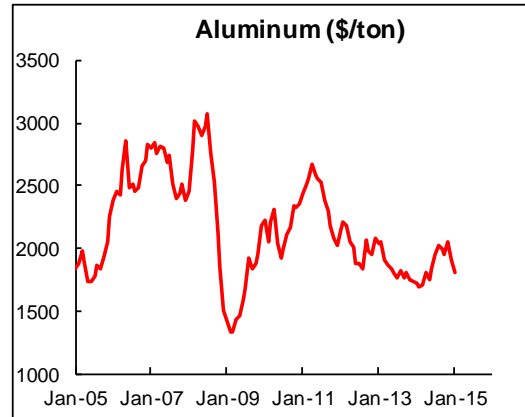
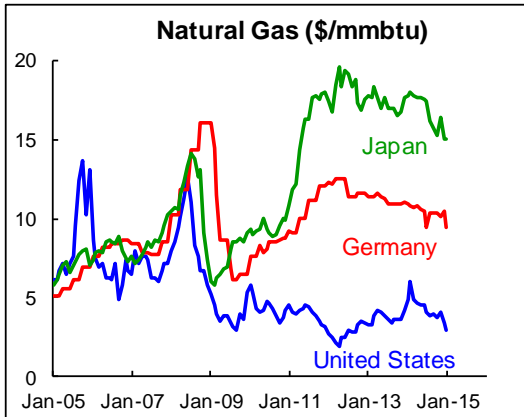
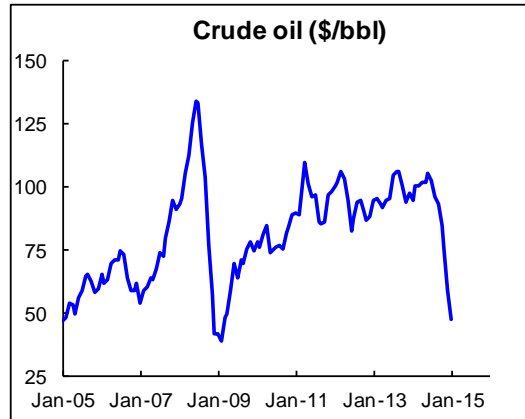
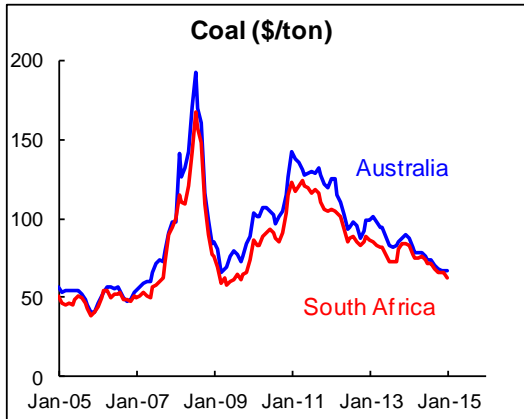
4/ Edibles comprised of Food and Beverages

5/ Industrial (Non-Fuel) Inputs comprised of Agriculture and Metals

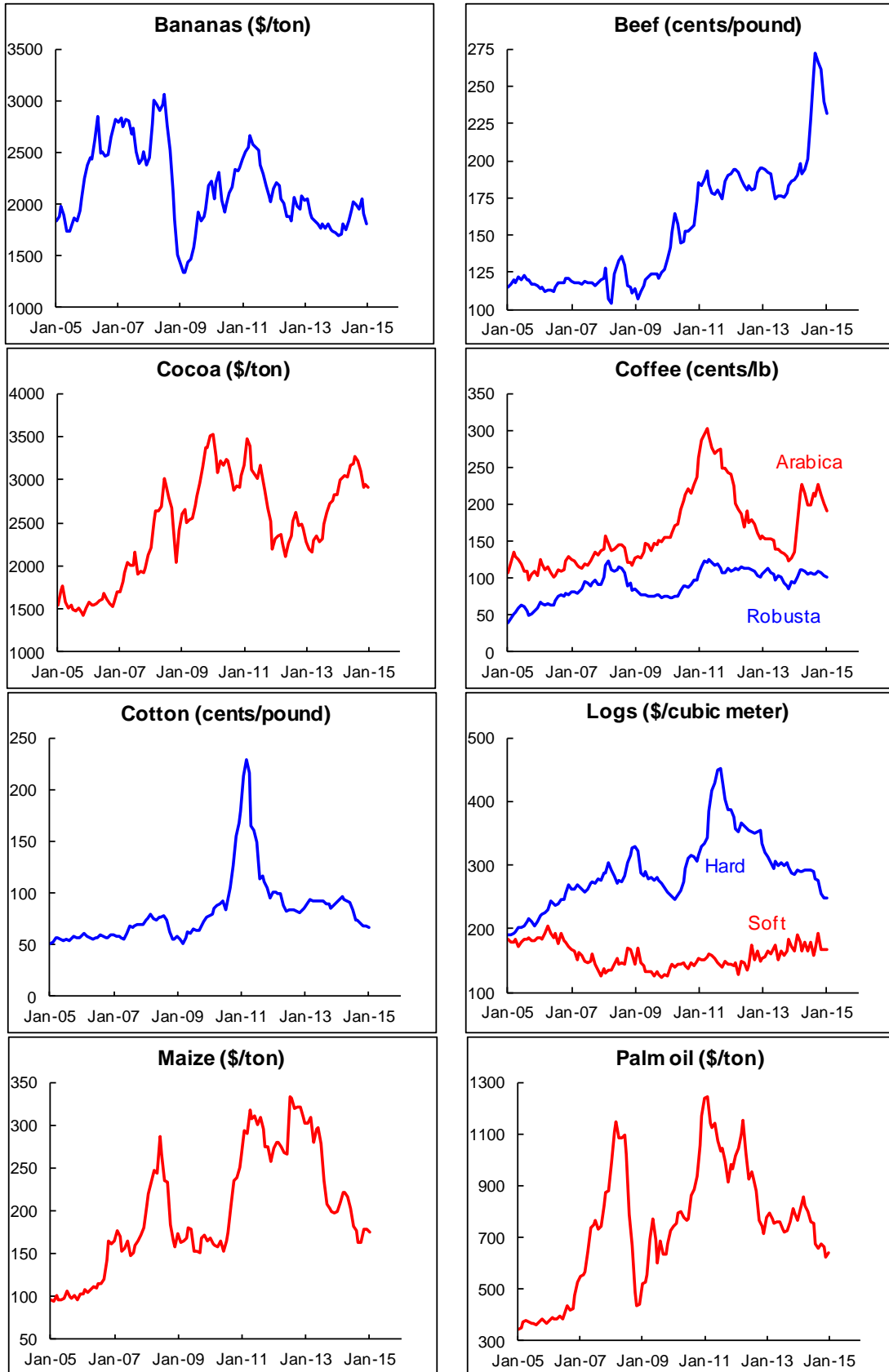
6/ Includes Petroleum, Natural Gas and Coal.

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

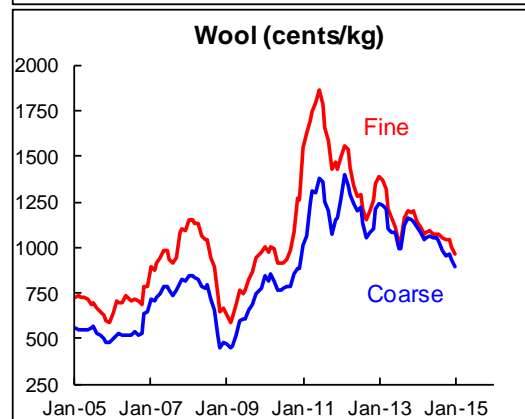
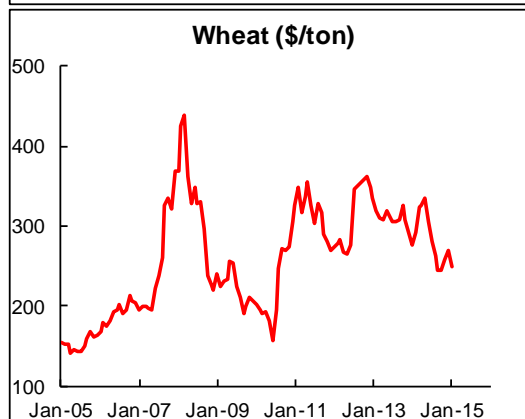
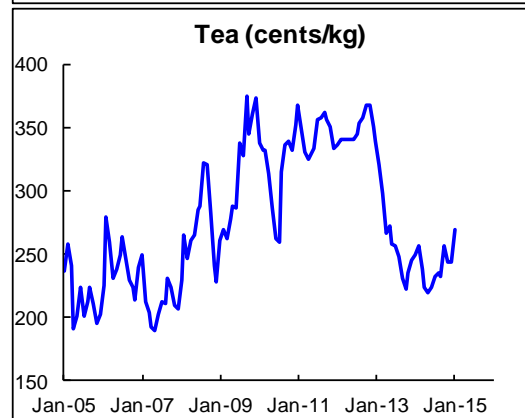
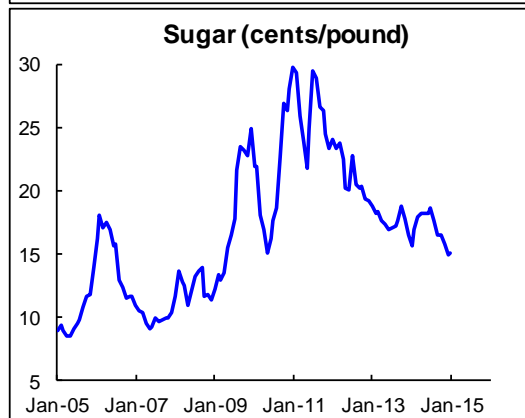
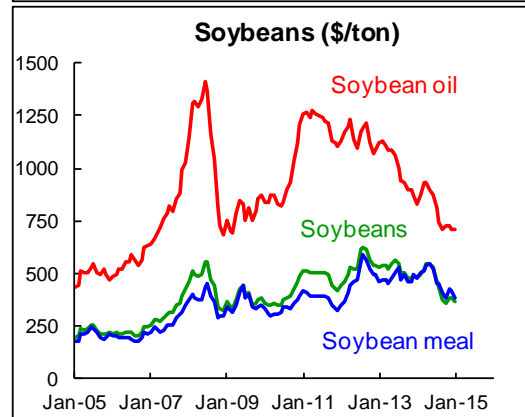
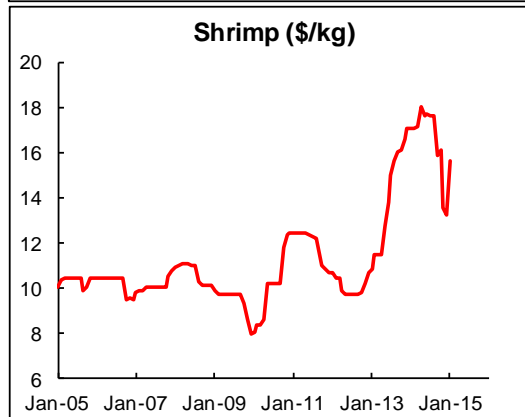
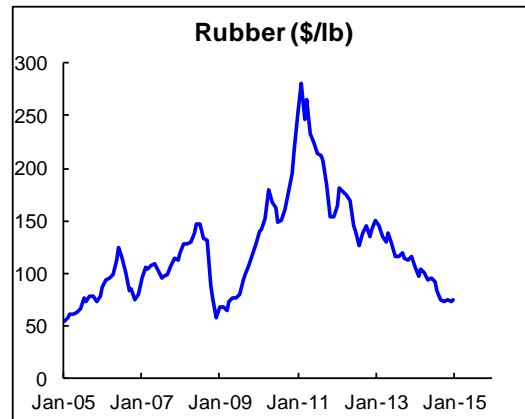
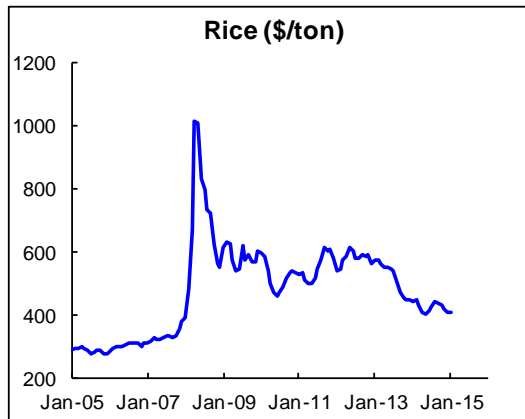
## Commodity Prices in U.S. Dollars, 2005-2014



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



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



## Commodity News Highlights

***Five-Year Global Supply and Demand Projections, Summary, International Grains Council. December 2014, published January 22, 2015.***

World total grains output is expected to retreat from the exceptional results of the past two seasons, but is then expected to resume growth, surpassing 2 billion tons (bt) and the previous record, by 2017/18. Although some increase in harvested areas is projected, particularly in the CIS and South America, most of the gain in output is expected to come from better average yields. Increases in consumption are seen mainly being driven by food and feed sectors. Some tightening of world stocks is envisaged, but from a fairly high starting point. World trade is seen reaching fresh records towards the end of the period.

While world wheat production is expected to increase over the five years to 2019/20, annual gains are seen lagging those of recently. Yields in some countries may not match the recent exceptional levels, although the global average is expected to edge higher. Given continued competition from other crops, any increase in planted areas will likely be marginal. Projected increases in demand almost entirely come from higher use for human food, seen broadly matching recent rates of growth. With a comfortable outlook for global maize supply, feed use of wheat is expected to stabilize at a slightly lower level. Further growth in world trade is expected, mainly due to rising demand in Asia and Africa.

World maize global harvests were at, or very close to, record highs in the past two years, owing to high plantings and excellent yields particularly in the US, China, the EU and Ukraine. Gains in world consumption have mainly stemmed from rising demand from the livestock sector, with growth in industrial processing gradually slowing from the 2007/08 peak. Maize is an economical energy ingredient for livestock and poultry feeds, with consumption averaging more than 500 mt annually during the past five years, with feed wheat use in comparison averaging around 135 mt. Cumulative carryover stocks are forecast to reach a 27-year high by the end of 2014/15, led by strong gains in the major exporters. World harvests are forecast to remain large, topping 1.0 bt for the first time in 2018/19. Consumption is expected to trend higher, buoyed mainly by demand for animal feed, with use for fuel ethanol projected to rise quite slowly. Consumption constraints in the US ethanol market should limit further industry expansion. World stocks are forecast to remain above average.

World rice production is projected to rise during the next five years, but at a slower rate than in the past. With higher incomes in Asia boosting demand for protein at the expense of traditional staples, consumption is also seen increasing at a less pronounced rate. Global inventories are expected to fall, linked to declines in major exporters. Traded volumes are projected to rise further, but at a much reduced rate as China's imports contract during the next five years. Thailand is set to be the world's largest exporter throughout the period as India's shipments fall due to increasing domestic needs.

Following the robust expansion of recent years, world oilseeds (soybeans and rapeseed/canola) production is set to fall in 2015/16, before trending higher thereafter, mostly due to larger soybean crops in the US and Brazil. Underpinned by demand for animal feed, especially in Asia, global consumption is anticipated to increase. After reaching a peak in 2014/15, inventories are projected to contract. World traded volumes are anticipated to expand on bigger deliveries to Asian markets. After falling heavily in 2011/12, a series of bumper soybean harvests in the world's major producers has enabled significant inventory accumulation. World production is projected to increase steadily although growth is unlikely to match the prior five years. Global consumption is expected to rise, underpinned by stronger demand for soymeal from feed sectors, as uptake in livestock, poultry and aquaculture sectors expands, especially in Asia. China is by far the largest importer, and its annual purchases are largely channeled to the country's huge feed sector, shaping the pattern of world trade.



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