

Commodity Market Monthly

Research Department, Commodities Team*



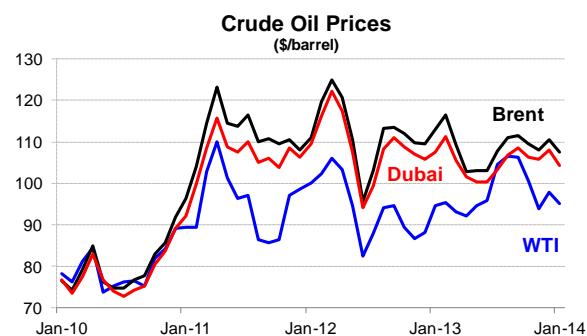
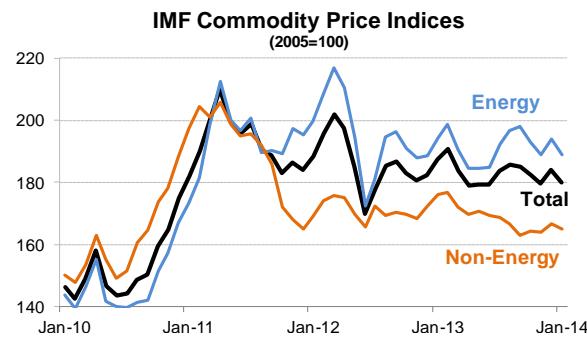
February 12, 2014

www.imf.org/commodities

Commodity prices fell by 2.2 percent in January, continuing declines among most groups in 2012/13, with the notable exception of seafood which jumped significantly last year. The declines in January reflect strong growth in new supply capacity for energy and metals, and recovering output in food crops, particularly for cereals. They also reflected demand concerns in emerging markets and U.S. dollar appreciation—up 0.9 percent against a broad group of countries.

Crude oil prices fell 3.2 percent in January, averaging \$102.3/bbl, weighed down by overall demand concerns and ongoing increases in non-OPEC supplies. In early February prices rose above \$104/bbl on strong heating oil demand in the northeast U.S. because of cold weather, exacerbated by constraints delivering natural gas to consumers. It has resulted in low inventories for distillate (heating oil and diesel), and led to a rare reverse arbitrage sending gasoil from northwest Europe to New York Harbor. Peak refinery maintenance in March/April could tighten distillate markets further, with attention turning to diesel following the heating season. Geopolitical events continue to affect the market, including several ongoing disruptions. Production in Libya averaged 0.5 mb/d—up from 0.2 mb/d in December—and was reported near 0.6 mb/d in early February. The interim agreement with Iran and six world powers commenced January 20th that will ease some sanctions, notably a ban on insurance transporting Iranian oil, but leaves oil export sanctions in place.

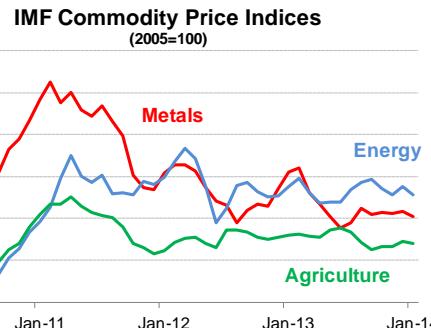
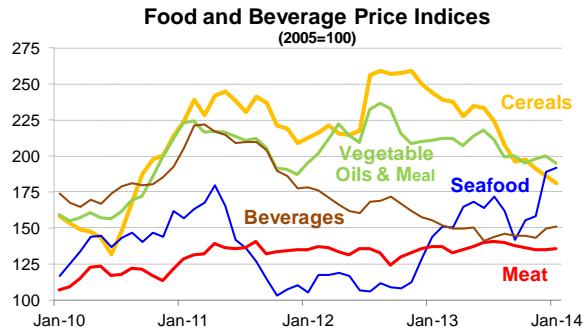
The Brent-WTI spread remained near \$13/bbl in January, but narrowed to \$9/bbl in early February as stocks started to fall at Cushing OK with start-up of the southern leg of the Keystone pipeline to the Gulf coast. Flows began at 0.3 mb/d and will rise to its 0.7 mb/d capacity during 2014. This is part of some 2.5 mb/d of major pipeline capacity expected to be completed in North America this year.



Natural gas prices in the U.S. jumped by 16.8 percent in January, and surged above \$5/mmbtu by month's end, due to strong demand emanating from the coldest January in 20 years. It resulted in a large drop in inventories, with possibility of more cold weather this winter. Stocks need to be replenished in spring and summer and may need relatively high prices to boost supply and curtail demand.

Agriculture prices decreased by 0.9 percent in January, on ample supplies for most commodities, but prices have risen into early February due to weather-related supply concerns. The largest decline in January was for rubber, which dropped 9 percent, due to demand concerns in emerging markets and large stocks in China and Japan. Sugar prices fell 6 percent due to surplus conditions exacerbated by a large Brazil cane crush in 2013/14. Wheat prices fell 5 percent on an expected record global harvest for

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the 2013/14 season. Rapeseed and sunflower oil prices declined 6 and 5 percent, respectively, on expected record oilseed processing in Russia following the largest crops ever. The soybean complex fell 3-5 percent on expectations of improved global harvest and production, although there are still weather concerns for upcoming harvests in South America. Partly offsetting these declines, groundnuts prices leapt 10 percent owing to expected lower production in Argentina, in part due to weather. Arabica coffee prices rose 6 percent due to dry weather in Brazil, the world's largest producer and exporter. Cotton prices increased 4 percent on expected tightening of U.S. supplies.

Metals prices fell by 1.5 percent in January due to concerns about slowing demand in emerging markets. Prices generally held up during the first 2/3 of the month, but declined sharply during the last 1/3 and into February. China recorded strong imports for copper and iron ore, but imports could slow in February due to Chinese New Year and the effects of Indonesia's export ban of unprocessed ores that began January 12th. The government seems intent on not relaxing the ban, as has been speculated, despite the potential impact on revenue and the domestic industry. The largest impact on global commodity markets is seen for nickel and bauxite, where Indonesia exports significant volumes to China. Prices for nickel—which is in chronic oversupply with record high LME inventories—rose in January on expectations that the nickel market will eventually tighten as a result of the ban. However, nickel pig iron production in China—which relies heavily on ore imports from Indonesia—may only be disrupted mildly in the near term because a pre-ban stock-build is sufficient for more than 6 months. Zinc prices also rose in January, up 3 percent on falling

stocks and anticipated mine closures. More than offsetting these increases was a 6 percent drop in iron ore prices owing to strong growth in supply, particularly from Australia. Tin prices fell 3 percent following a surge in Indonesia exports in December, mainly from backed up volumes resulting from a government directive August 30th that tin must trade through a domestic exchange prior to export.

January Commodity Price Changes (percent from previous month)

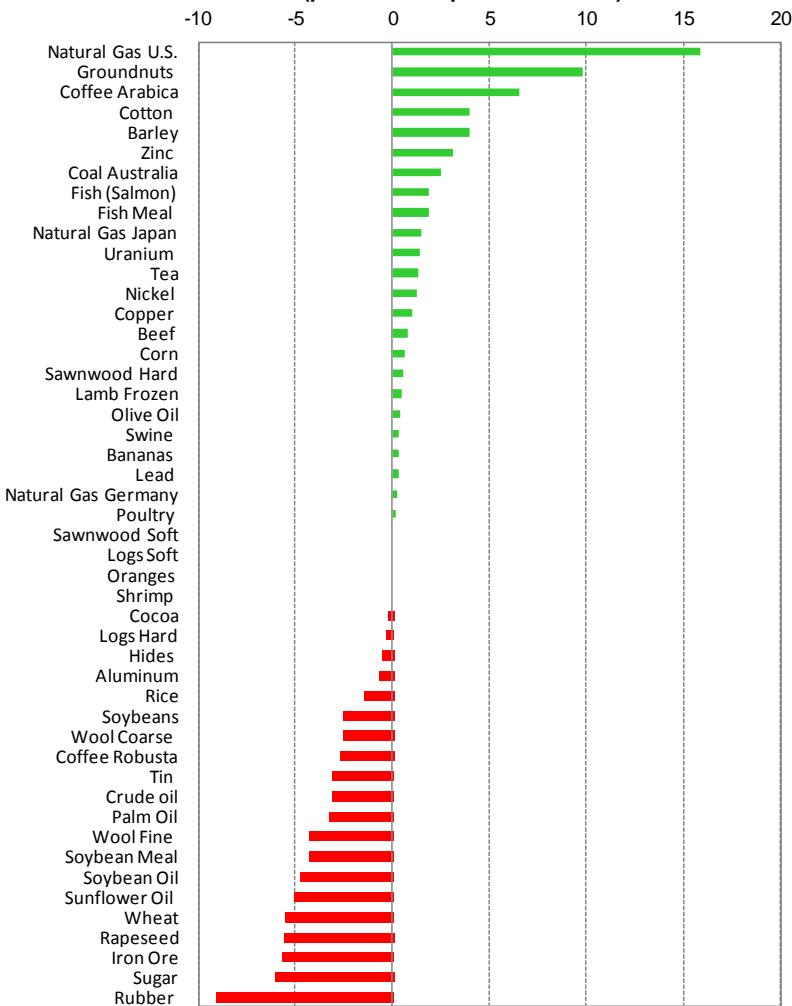


Table 1. Market Prices for Non-Fuel and Fuel Commodities

	Units	2011	2012	2013	2013Q1	2013Q2	2013Q3	2013Q4	Dec-2013	Jan-2014
Food										
Cereals										
Wheat	\$/MT	316.2	313.3	312.2	321.4	313.8	305.9	307.8	291.6	275.5
Maize	\$/MT	291.8	298.4	259.0	305.1	290.9	240.4	199.5	197.5	198.7
Rice	\$/MT	551.7	580.2	518.8	570.7	550.7	504.0	449.9	447.5	441.0
Barley	\$/MT	207.2	238.2	206.4	239.4	231.5	197.2	157.3	156.3	162.6
Vegetable oils and protein meals										
Soybeans	\$/MT	484.2	537.8	517.2	532.8	540.0	516.5	479.4	488.7	476.1
Soybean meal	\$/MT	378.9	473.3	477.3	464.6	475.6	496.5	472.5	495.0	473.7
Soybean oil	\$/MT	1215.8	1151.8	1011.1	1119.2	1076.0	960.0	889.2	872.5	831.4
Palm oil	\$/MT	1076.5	939.8	764.2	780.3	761.0	726.2	789.4	795.3	769.3
Fish meal	\$/MT	1519.3	1624.3	1711.8	1918.4	1804.7	1581.8	1542.2	1557.1	1586.2
Sunflower Oil	\$/MT	1621.8	1489.5	1341.2	1493.8	1459.4	1228.7	1182.9	1169.2	1110.1
Olive oil	\$/MT	3070.3	3135.7	3820.9	4004.9	3860.8	3761.4	3656.6	3613.3	3628.5
Groundnuts	\$/MT	1724.0	1688.2	2318.2	2091.8	2521.0	2347.1	2312.7	2207.5	2424.9
Rapeseed oil	\$/MT	1366.6	1239.1	1080.9	1196.0	1121.4	993.2	1012.8	1007.6	951.8
Meat										
Beef	cts/lb	183.2	187.9	183.6	193.8	181.8	176.3	182.4	186.0	187.5
Lamb	cts/lb	149.2	100.9	106.7	97.1	103.9	109.2	116.4	120.8	121.4
Swine Meat	cts/lb	89.1	82.8	86.5	79.7	88.4	95.4	82.6	78.6	78.9
Poultry	cts/lb	87.4	94.3	103.8	100.2	104.1	106.4	104.7	104.3	104.4
Seafood										
Fish	\$/kg	5.9	4.8	6.8	6.5	7.2	6.5	6.9	7.9	8.1
Shrimp	\$/kg	11.9	10.1	14.0	11.3	12.7	15.6	16.6	17.1	17.1
Sugar										
Free market	cts/lb	26.2	21.4	17.7	18.5	17.3	17.3	17.7	16.4	15.4
United States	cts/lb	37.6	28.9	21.2	22.0	20.2	21.1	21.5	20.6	20.7
EU	cts/lb	26.7	26.4	26.0	25.8	25.5	25.8	26.9	27.2	27.4
Bananas	\$/MT	975.9	984.3	926.4	932.6	910.6	934.1	928.1	925.4	928.4
Oranges	\$/MT	891.1	868.0	967.3	825.9	1065.0	1143.9	834.4	740.0	740.0
Beverages										
Coffee										
Other milds	cts/lb	273.2	187.6	141.1	154.8	147.7	135.6	126.1	126.7	135.0
Robusta	cts/lb	116.0	110.6	100.5	109.4	103.5	98.9	90.4	95.5	92.9
Cocoa Beans	\$/MT	2978.5	2377.1	2439.1	2208.8	2308.0	2469.4	2770.1	2824.5	2819.4
Tea	cts/kg	346.2	348.9	265.6	319.1	264.2	244.9	234.2	245.7	249.0
Agricultural raw materials										
Timber										
Hardwood										
Logs 1/	\$/M3	390.5	360.5	305.4	845.2	837.4	846.0	882.7	287.3	286.6
Sawnwood 1/	\$/M3	939.4	876.3	852.8	322.5	301.8	301.1	296.3	892.8	897.8
Softwood										
Logs 1/	\$/M3	150.0	148.0	165.5	157.6	168.1	158.5	177.7	183.6	183.6
Sawnwood 1/	\$/M3	280.9	284.7	299.0	278.4	315.3	307.3	295.0	296.7	296.7
Cotton	cts/lb	154.6	89.2	90.4	89.9	92.7	91.8	87.2	87.5	91.0
Wool										
Fine	cts/kg	1638.2	1345.3	1197.7	1362.4	1161.4	1071.6	1195.5	1198.1	1147.2
Coarse	cts/kg	1209.2	1212.6	1128.1	1227.5	1091.8	1039.5	1153.8	1146.4	1116.8
Rubber	cts/lb	218.5	153.2	126.8	143.1	131.8	117.5	114.6	116.1	105.5
Hides	cts/lb	82.0	83.2	94.7	86.0	93.8	95.9	103.1	105.3	104.7

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	Dec-2013	Jan-2014
Metals										
Copper	\$/MT	8823.5	7958.9	7331.5	7922.3	7156.7	7084.1	7162.9	7214.9	7291.5
Aluminum	\$/MT	2400.6	2022.8	1846.7	2000.8	1836.0	1782.4	1767.5	1739.8	1727.4
Iron Ore	\$/MT	167.8	128.5	135.4	148.3	125.4	132.8	134.9	135.8	128.1
Tin	\$/MT	26051.4	21109.4	22281.6	24037.5	20879.6	21312.4	22896.9	22762.1	22063.9
Nickel	\$/MT	22909.1	17541.7	15030.0	17305.3	14952.6	13953.3	13908.7	13924.6	14101.3
Zinc	\$/MT	2195.5	1950.0	1910.2	2029.7	1841.9	1860.3	1908.7	1975.0	2036.9
Lead	\$/MT	2400.7	2063.6	2139.7	2291.2	2052.0	2101.9	2113.9	2136.7	2143.2
Uranium	\$/lb	56.2	48.9	38.5	42.8	40.7	35.8	34.9	34.6	35.1
Energy										
Spot Crude 2/	\$/bbl	104.0	105.0	104.1	105.1	99.3	107.3	104.5	105.5	102.3
U.K. Brent	\$/bbl	111.0	112.0	108.8	112.9	103.0	110.1	109.4	110.6	107.6
Dubai	\$/bbl	106.0	108.9	105.4	108.1	100.8	106.1	106.7	107.9	104.2
West Texas Intermediate	\$/bbl	95.0	94.1	97.9	94.4	94.2	105.8	97.4	97.9	95.0
Natural Gas										
Russian in Germany	\$/mmbtu	10.6	12.0	11.2	11.4	11.5	11.0	11.0	11.0	10.9
Indonesian in Japan	\$/mmbtu	15.6	18.1	17.3	17.9	17.4	17.0	16.8	17.3	17.3
US, domestic market	\$/mmbtu	4.0	2.8	3.7	3.5	4.0	3.6	3.8	4.2	4.9
Coal										
Australian, export markets	\$/MT	130.1	103.2	90.6	99.5	92.2	82.8	87.9	90.4	87.4

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	Dec-2013	Jan-2014
		100.0	192.4	186.3	183.3	187.3	179.2	184.8	182.0	180.0
All Primary Commodities 2/		36.9	190.0	171.0	169.0	174.9	169.9	166.0	164.9	166.7
Non-Fuel		26.2	173.9	162.8	163.3	165.0	167.3	161.6	159.4	161.7
Agriculture		16.7	179.9	175.6	177.6	181.1	183.4	175.6	170.1	172.7
Food		3.6	231.2	236.4	218.3	240.3	232.0	209.3	191.5	185.7
Cereals		4.4	209.1	215.9	206.4	211.8	213.0	203.5	197.5	200.0
Vegetable oils and protein meals		3.7	134.5	133.3	136.8	135.5	137.1	139.4	135.4	134.8
Meat		3.2	139.3	113.3	160.1	148.6	165.6	158.6	167.6	188.7
Seafood		1.8	205.5	167.4	147.4	152.2	146.8	144.7	145.9	149.9
Beverages		7.7	153.5	134.0	136.1	133.1	137.0	135.0	139.1	140.6
Agricultural Raw Materials 3/		3.4	110.8	107.4	107.0	103.7	109.0	107.4	107.7	108.2
Timber		10.7	229.7	191.0	182.9	199.4	176.5	177.0	178.6	179.1
Metals		18.5	182.4	174.8	174.6	178.2	179.9	172.6	167.8	170.4
Edibles 4/		18.4	197.8	167.1	163.3	171.6	159.9	159.4	162.1	163.0
Industrial Inputs 5/		63.1	193.8	195.2	191.7	194.5	184.6	195.7	192.0	194.1
Energy 6/		53.6	195.9	197.9	195.9	198.1	187.0	201.8	196.8	198.7
Petroleum 7/		6.9	154.3	171.2	164.8	167.9	168.3	161.4	161.5	164.5
Natural Gas		2.6	254.4	202.1	176.8	192.7	179.4	161.4	173.7	178.3
Coal										

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

2/ Non-Fuel Primary Commodities and Energy Index.

3/ Includes Forestry Products.

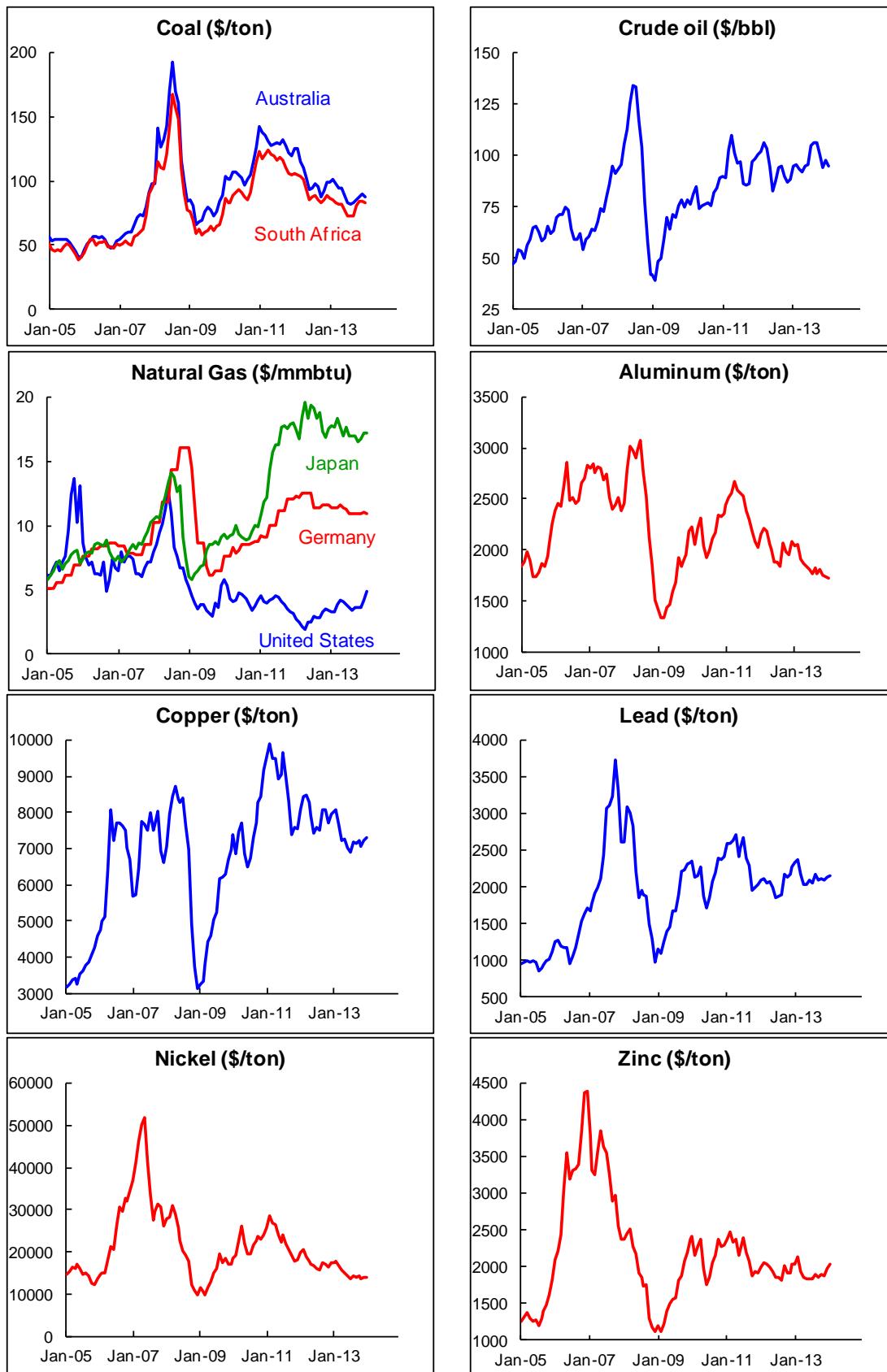
4/ Edibles comprised of Food and Beverages.

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

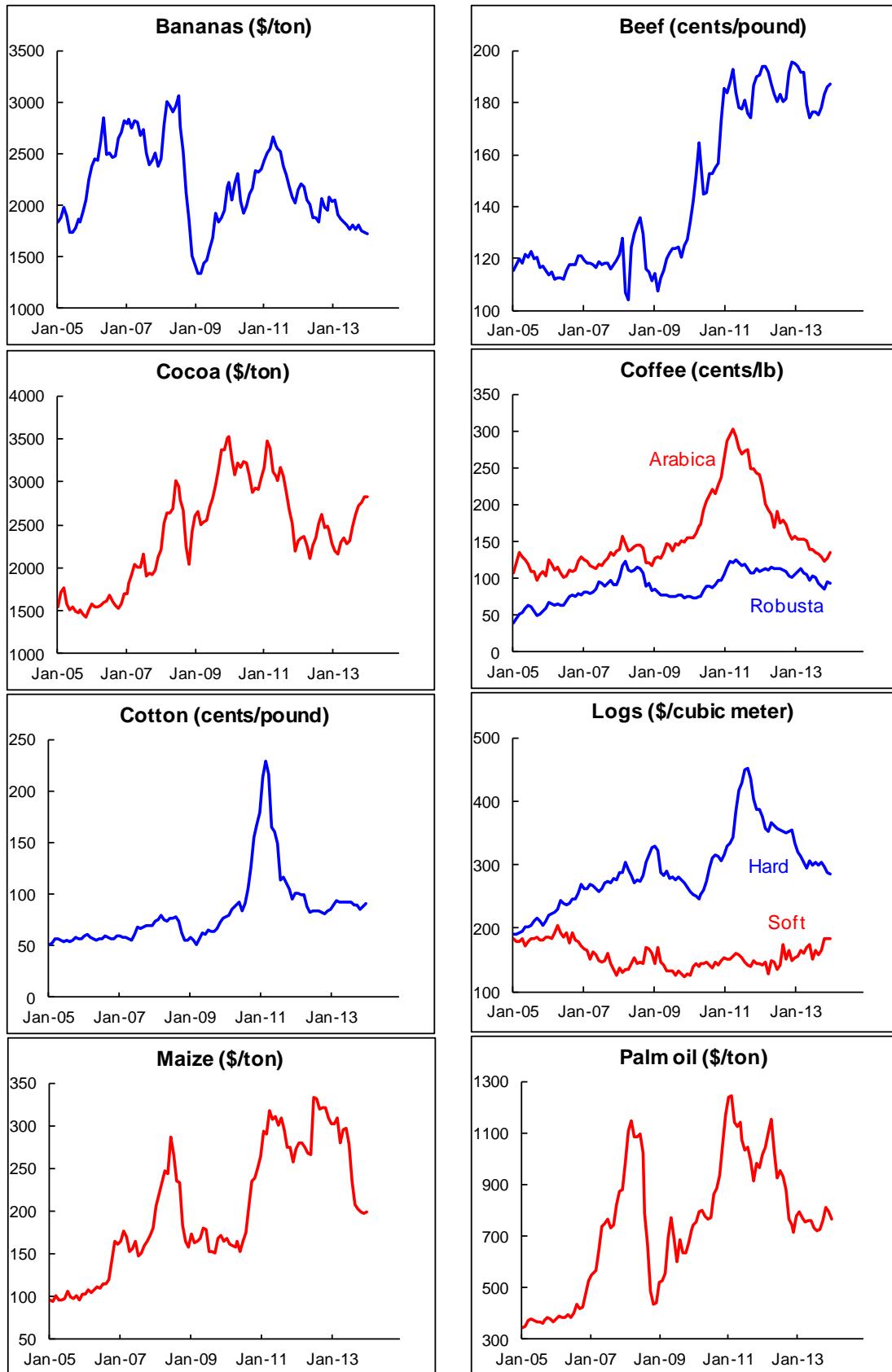
6/ Includes Petroleum, Natural Gas and Coal.

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

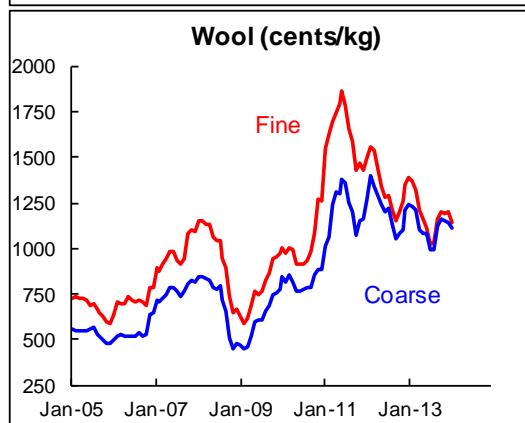
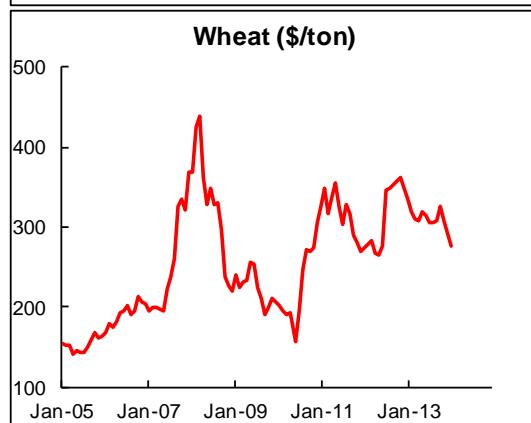
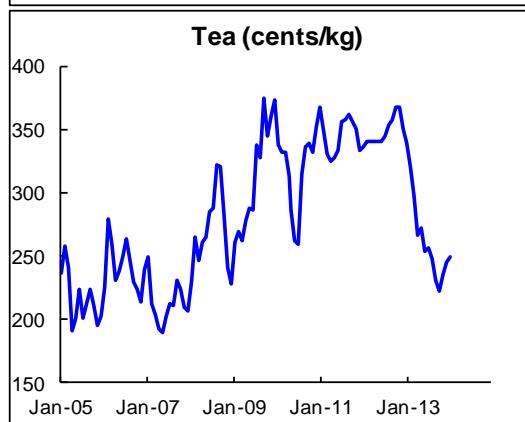
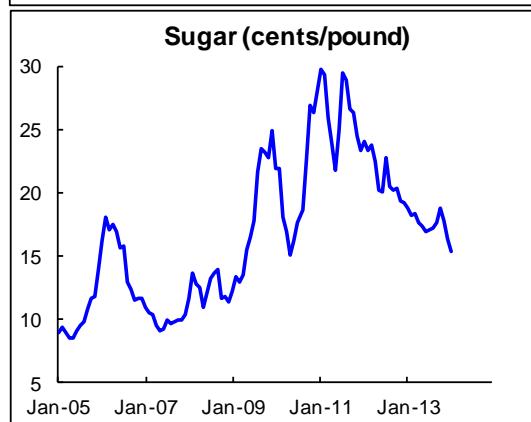
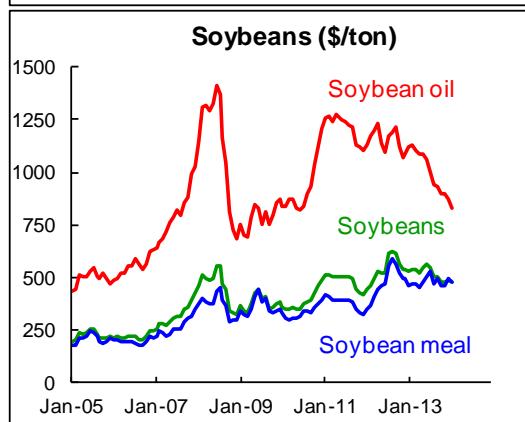
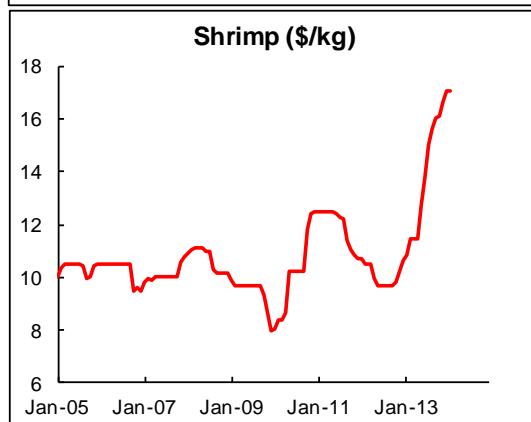
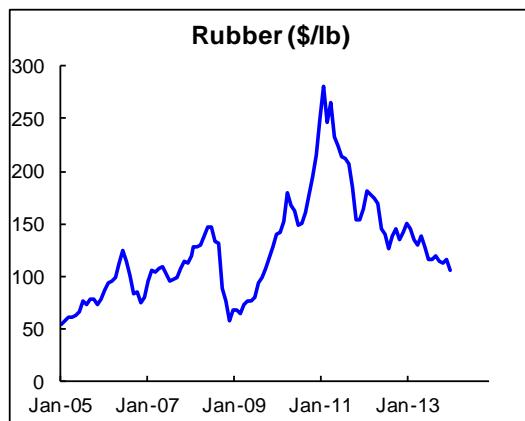
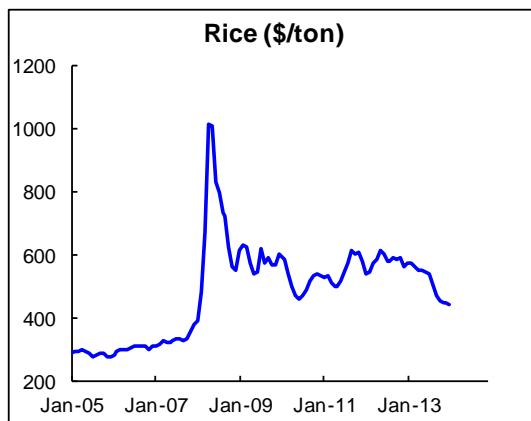
Commodity Prices in U.S. Dollars, 2005-2014



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



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



Commodity News Highlights

BP Energy Outlook 2035 (January 14, 2014)

<http://www.bp.com/en/global/corporate/about-bp/energy-economics/energy-outlook.html>

Oil and Natural Gas Highlights

Global liquids demand is likely to rise by 19 mb/d, to reach 109 mb/d by 2035. Growth comes exclusively from rapidly growing non-OECD economies—China, India and the Middle East account for nearly all of the net global increase. OECD demand has peaked and is expected to decline by 8 mb/d. By sector, growth comes primarily from non-OECD transport (16.6 mb/d) and non-OECD industry (8.7 mb/d, mainly petrochemicals).

Supply growth will come primarily from non-OPEC unconventional sources—tight oil (5.7 mb/d), biofuels (1.9 mb/d), and oil sands (3.3 mb/d)—and, later in the outlook from OPEC. North America will dominate unconventional expansion with 65% of global tight oil, and Canada responsible for world oil sands production. By 2035, non-OPEC supply is expected to increase 10.8 mb/d, and OPEC output by 7.4 mb/d. OPEC crude production will not expand significantly until 2025, but by 2035 will be up over 4 mb/d.

OPEC NGLs will continue to expand on increasing natural gas production in the Middle East and contribute over 3 mb/d to growth. BP assumes that OPEC cuts production over the current decade and spare capacity will exceed 6 mb/d by 2018—highest since the late 1980s. The Middle East's share of inter-regional net exports will dip from 54% in 2012 to 52% by 2035. US imports are set to decline from a peak of over 12 mb/d, or 60% of demand, in 2005 to just 1 mb/d, or less than 10% of demand in 2035. China's import requirement is projected to more than double to almost 14 mb/d, or 75% of demand.

Global natural gas demand will grow by 1.9% p.a. over the outlook period, reaching 497 billion cubic feet per day (Bcf/d) by 2035, with non-OECD growth (2.7% p.a.) outpacing the OECD (1% p.a.). The pattern of growth by sector differs. OECD volume growth comes primarily from the power sector (17 Bcf/d, 1.2% p.a.) followed by industry (10 Bcf/d, 0.8% p.a.), while industry remains the largest source of non-OECD growth (61 Bcf/d, 2.6% p.a.).

Global gas supply is expected to grow by 1.9% p.a. or 172 Bcf/d over the outlook period. Shale gas is the fastest growing (6.5% p.a.), providing nearly half of the growth. Gas supply growth is concentrated in the non-OECD (126 Bcf/d or 2.1% p.a.) accounting for 73% of global growth. Almost 80% of non-OECD growth is from non-shale sources. OECD supply growth (1.5% p.a.) comes exclusively from shale gas (5.1% p.a.), which provides nearly half of OECD gas production by 2035. Shale gas supply is dominated by North America. However, shale gas growth outside North America accelerates and by 2027 will overtake North American growth. China is the most promising country for shale growth outside North America, accounting for 13% of world shale gas growth.

Net inter-regional imbalances are expected to more than double, growing by 4% p.a. or 53 Bcf/d. The expansion is driven by Asia Pacific where imports will more than triple and account for 51% of net inter-regional imports by 2035. Asia Pacific is expected to overtake Europe as the largest importing region by 2026. North America becomes a net importer in 2017. Pipeline remains the primary method for gas trade, but LNG's share of traded gas rises from 32% in 2012 to above 46% by 2035, while its share of consumption expands from 10% to 15%.

US net exports reach 10.6 Bcf/d by 2035. It will become a net LNG exporter from 2016, reaching a total net LNG export volume of 11.2 Bcf/d by 2035. Australia is set to overtake Qatar as the largest LNG exporting country by 2019, followed by the US overtaking Qatar in 2030. And Africa as a region is likely to overtake the Middle East. Australia is expected to be the largest LNG exporter in 2035 with a share of 21%; today Qatar holds 32% share.



INTERNATIONAL MONETARY FUND

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