

Commodity Market Monthly

Research Department, Commodities Team*



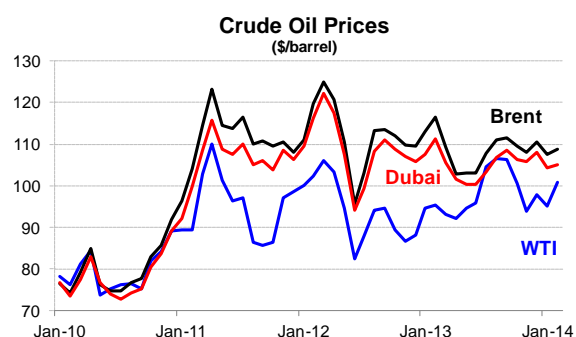
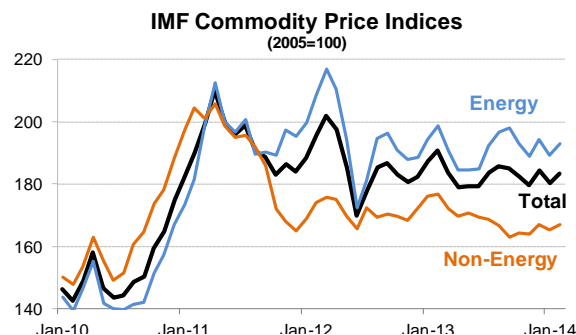
March 14, 2014

www.imf.org/commodities

Commodity prices rose 1.7 percent in February, led by gains in agriculture prices—notably coffee due to dry weather in Brazil—but there were gains in most other indices on weather-related supply issues in various regions. Energy prices also rose, mainly for U.S. natural gas because of very cold weather. Metals prices fell, with further sharp drops in copper and iron ore in early March, owing to concerns about slowing demand in China and measures to tighten credit.

Crude oil prices rose by 2.4 percent in February, averaging \$104.8/bbl, mainly reflecting a 6 percent advance in WTI prices (see below). International prices were up a more modest 1 percent on strong seasonal demand. Oil prices briefly jumped at the beginning of March on supply concerns because of events in Ukraine, but have since declined as little interruption is expected—concerns are mainly for natural gas. Cold weather in North America and parts of the Middle East boosted heating fuel demand, and heat/drought in South America raised demand for power-generation fuels (fuel oil and distillate). Cold weather also affected oil production in the U.S. and Canada, as well as transport logistics. Supplies continued to be curtailed in a number of countries, but Iraq's production surged by 0.5 mb/d, as infrastructure upgrading and debottlenecking allowed exports to increase by nearly 0.6 mb/d. Refinery maintenance has begun and is expected to peak a little later this year in April/May, and will reduce crude oil demand and increase crude stocks.

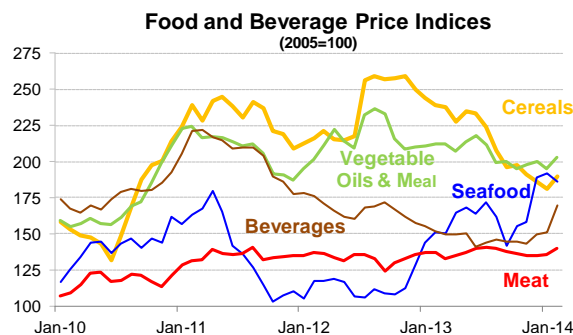
The Brent-WTI spread contracted to \$8/bbl in February, with the start-up of the Gulf Coast Pipeline—also known as the southern leg of the Keystone XL pipeline. Consequently, stocks at Cushing OK have fallen by more than one-quarter the past six weeks. These may simply be moving to the Gulf Coast, as stocks there—and total U.S. crude stocks—have risen over the period, reflecting the large growth in domestic tight oil production.



Natural gas prices in the U.S. jumped by 22.0 percent in February, averaging \$6/mmbtu, due to strong demand because of cold weather. Inventories have fallen sharply and are projected to be below 1 trillion cubic feet at end-March for the first time since 2003. Relatively high prices will be required to spur additional production to help rebuild stocks during the spring/summer injection season.

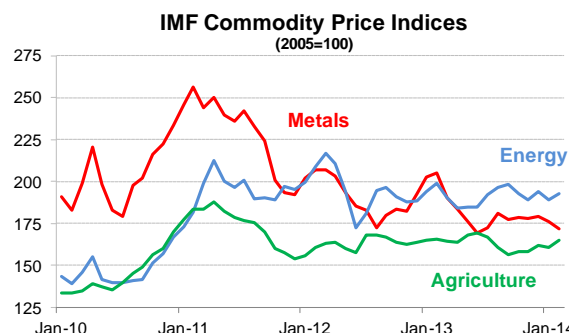
Agriculture prices rose by 2.7 percent in February, led by a 12 percent surge in beverage prices. Arabica coffee soared 31 percent as persistent dry weather in Brazil—the world's largest coffee producer—is expected to reduce the size of this year's crop. Leaf rust in Central America is compounding supply concerns. Robusta prices climbed 9 percent on dry weather in the main growing region of Vietnam, the world's largest robusta producer. Cocoa prices rose 6 percent as strong demand is expected to outstrip

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



supply. Swine prices leapt 10 percent on fears that a spreading deadly virus in the U.S. will reduce supply. Sugar prices rose 7 percent as dry weather in Brazil is expected to lower output. Wheat prices increased 6 percent due to reduced exports from Canada and Argentina, dry weather in the U.S. threatening winter crops, and tensions between Russia and Ukraine (which also lifted corn prices). Palm oil prices rose 5 percent owing to dry weather in Indonesia and Malaysia, the main growers. The soybean complex rose 4-5 percent due to strong export demand from the U.S., and concern that supplies will be smaller in Argentina and Brazil. Partly offsetting these gains, rubber prices fell 8 percent on large stocks in China.

Metals prices fell by 2.5 percent in February due to concerns about slowing demand in China following weaker than expected economic data—including a sharp drop in metal imports in February which was likely affected by Chinese New Year. Some metal prices have also been on a downward trajectory because of strong growth in supply. The big story in early March has been the sudden sharp drop in copper prices, owing to deteriorating fundamentals. However it is partly attributed to fears of an unwinding of the large volume of collateralized financed metal held in China's bonded warehouses. The large drawdown in LME inventories in recent months has likely shifted to China and wound up as collateral stock and not in consumption. The largest price drop in February was iron ore, down 5 percent (and continued to fall sharply in March), due to surging stockpiles in China, and strict credit guidelines to be imposed on steel mills that are large polluters and users of energy. Aluminum and lead prices fell 2 percent on surplus supplies. Partly offsetting these declines, tin prices rose 3 percent as Indonesia seeks greater control over prices and



supplies. The only exchange allowed to trade tin for export from Indonesia is now setting a weekly minimum price for physical contracts. Nickel prices edged up in February and surged higher in March, despite record high inventories, due to Indonesia's January 12th export ban on unprocessed ore, and concerns that supplies may be curtailed from Russia, the world's second largest refined nickel producer.

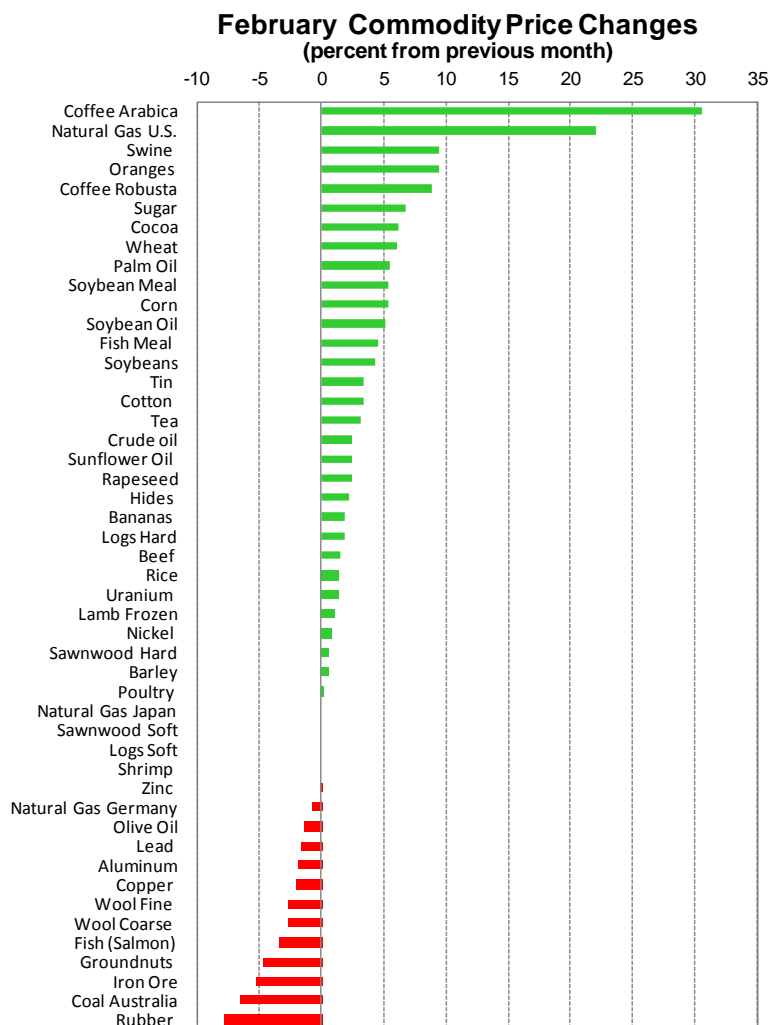


Table 1. Market Prices for Non-Fuel and Fuel Commodities

	Units	2011	2012	2013	2013Q1	2013Q2	2013Q3	2013Q4	Jan-2014	Feb-2014
Food										
Cereals										
Wheat	\$/MT	316.2	313.3	312.2	321.4	313.8	305.9	307.8	275.5	292.3
Maize	\$/MT	291.8	298.4	259.0	305.1	290.9	240.4	199.5	198.7	209.3
Rice	\$/MT	551.7	580.2	518.8	570.7	550.7	504.0	449.9	441.0	447.0
Barley	\$/MT	207.2	238.2	206.4	239.4	231.5	197.2	157.3	162.6	163.3
Vegetable oils and protein meals										
Soybeans	\$/MT	484.2	537.8	517.2	532.8	540.0	516.5	479.4	476.1	496.8
Soybean meal	\$/MT	378.9	473.3	477.3	464.6	475.6	496.5	472.5	473.7	499.4
Soybean oil	\$/MT	1215.8	1151.8	1011.1	1119.2	1076.0	960.0	889.2	831.4	873.7
Palm oil	\$/MT	1076.5	939.8	764.2	780.3	761.0	726.2	789.4	769.3	811.2
Fish meal	\$/MT	1519.3	1624.3	1711.8	1918.4	1804.7	1581.8	1542.2	1586.2	1658.4
Sunflower Oil	\$/MT	1621.8	1489.5	1341.2	1493.8	1459.4	1228.7	1182.9	1110.1	1137.0
Olive oil	\$/MT	3070.3	3135.7	3820.9	4004.9	3860.8	3761.4	3656.6	3628.5	3576.2
Groundnuts	\$/MT	1724.0	1688.2	2318.2	2091.8	2521.0	2347.1	2312.7	2431.2	2319.0
Rapeseed oil	\$/MT	1366.6	1239.1	1080.9	1196.0	1121.4	993.2	1012.8	951.8	974.8
Meat										
Beef	cts/lb	183.2	187.9	183.6	193.8	181.8	176.3	182.4	187.5	190.3
Lamb	cts/lb	149.2	100.9	106.7	97.1	103.9	109.2	116.4	121.4	122.6
Swine Meat	cts/lb	89.1	82.8	86.5	79.7	88.4	95.4	82.6	78.9	86.4
Poultry	cts/lb	87.4	94.3	103.8	100.2	104.1	106.4	104.7	104.4	104.5
Seafood										
Fish	\$/kg	5.9	4.8	6.8	6.5	7.2	6.5	6.9	8.1	7.8
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	15.6	16.7
United States	cts/lb	37.6	28.9	21.2	22.0	20.2	21.1	21.5	20.7	21.7
EU	cts/lb	26.7	26.4	26.0	25.8	25.5	25.8	26.9	27.4	27.5
Bananas	\$/MT	975.9	984.3	926.4	932.6	910.6	934.1	928.1	928.4	946.1
Oranges	\$/MT	891.1	868.0	967.3	825.9	1065.0	1143.9	834.4	740.0	810.0
Beverages										
Coffee										
Other milds	cts/lb	273.2	187.6	141.1	154.8	147.7	135.6	126.1	135.0	176.3
Robusta	cts/lb	116.0	110.6	100.5	109.4	103.5	98.9	90.4	92.9	101.1
Cocoa Beans	\$/MT	2978.5	2377.1	2439.1	2208.8	2308.0	2469.4	2770.1	2819.4	2992.8
Tea	cts/kg	346.2	348.9	265.6	319.1	264.2	244.9	234.2	249.0	257.0
Agricultural raw materials										
Timber										
Hardwood										
Logs 1/	\$/M3	390.5	360.5	305.4	845.2	837.4	846.0	882.7	286.6	291.8
Sawnwood 1/	\$/M3	939.4	876.3	852.8	322.5	301.8	301.1	296.3	897.8	902.2
Softwood										
Logs 1/	\$/M3	150.0	148.0	164.5	157.6	168.1	158.5	174.0	172.5	172.5
Sawnwood 1/	\$/M3	280.9	284.7	301.4	278.4	315.3	307.3	304.3	324.9	324.9
Cotton	cts/lb	154.6	89.2	90.4	89.9	92.7	91.8	87.2	91.0	94.1
Wool										
Fine	cts/kg	1638.2	1345.3	1197.7	1362.4	1161.4	1071.6	1195.5	1147.2	1117.2
Coarse	cts/kg	1209.2	1212.6	1128.1	1227.5	1091.8	1039.5	1153.8	1116.8	1086.8
Rubber	cts/lb	218.5	153.2	126.8	143.1	131.8	117.5	114.6	105.5	97.3
Hides	cts/lb	82.0	83.2	94.7	86.0	93.8	95.9	103.1	104.7	107.0

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	2011	2012	2013	2013Q1	2013Q2	2013Q3	2013Q4	Jan-2014	Feb-2014
Metals										
Copper	\$/MT	8823.5	7958.9	7331.5	7922.3	7156.7	7084.1	7162.9	7291.5	7149.2
Aluminum	\$/MT	2400.6	2022.8	1846.7	2000.8	1836.0	1782.4	1767.5	1727.4	1695.2
Iron Ore	\$/MT	167.8	128.5	135.4	148.3	125.4	132.8	134.9	128.1	121.4
Tin	\$/MT	26051.4	21109.4	22281.6	24037.5	20879.6	21312.4	22896.9	22063.9	22820.7
Nickel	\$/MT	22909.1	17541.7	15030.0	17305.3	14952.6	13953.3	13908.7	14101.3	14203.6
Zinc	\$/MT	2195.5	1950.0	1910.2	2029.7	1841.9	1860.3	1908.7	2036.9	2034.5
Lead	\$/MT	2400.7	2063.6	2139.7	2291.2	2052.0	2101.9	2113.9	2143.2	2108.0
Uranium	\$/lb	56.2	48.9	38.5	42.8	40.7	35.8	34.9	35.1	35.5
Energy										
Spot Crude ^{2/}	\$/bbl	104.0	105.0	104.1	105.1	99.3	107.3	104.5	102.3	104.8
U.K. Brent	\$/bbl	111.0	112.0	108.8	112.9	103.0	110.1	109.4	107.6	108.8
Dubai	\$/bbl	106.0	108.9	105.4	108.1	100.8	106.1	106.7	104.2	104.9
West Texas Intermediate	\$/bbl	95.0	94.1	97.9	94.4	94.2	105.8	97.4	95.0	100.7
Natural Gas										
Russian in Germany	\$/mmbtu	10.6	12.0	11.2	11.4	11.5	11.0	11.0	10.9	10.8
Indonesian in Japan	\$/mmbtu	15.6	18.1	17.3	17.9	17.4	17.0	17.0	18.0	18.0
US, domestic market	\$/mmbtu	4.0	2.8	3.7	3.5	4.0	3.6	3.8	4.9	6.0
Coal										
Australian, export markets	\$/MT	130.1	103.2	90.6	99.5	92.2	82.8	87.9	87.4	81.7

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/}	2011	2012	2013	2013Q1	2013Q2	2013Q3	2013Q4	Jan-2014	Feb-2014
All Primary Commodities ^{2/}	100.0	192.4	186.3	183.3	187.3	179.2	184.8	182.1	180.4	183.4
Non-Fuel	36.9	190.0	171.0	169.0	174.9	169.9	166.0	165.1	165.3	167.1
Agriculture	26.2	173.9	162.8	163.3	165.0	167.3	161.6	159.5	160.8	165.2
Food	16.7	179.9	175.6	177.6	181.1	183.4	175.6	170.2	170.9	175.5
Cereals	3.6	231.2	236.4	218.3	240.3	232.0	209.3	191.5	181.3	189.9
Vegetable oils and protein meals	4.4	209.1	215.9	206.4	211.8	213.0	203.5	197.5	195.3	202.9
Meat	3.7	134.5	133.3	136.8	135.5	137.1	139.4	135.4	135.5	139.8
Seafood	3.2	139.3	113.3	160.1	148.6	165.6	158.6	167.6	191.6	186.4
Beverages	1.8	205.5	167.4	147.4	152.2	146.8	144.7	145.9	151.3	169.4
Agricultural Raw Materials ^{3/}	7.7	153.5	134.0	136.2	133.1	137.0	135.0	139.7	141.1	141.8
Timber	3.4	110.8	107.4	107.3	103.7	109.0	107.4	109.0	112.3	112.7
Metals	10.7	229.7	191.0	182.9	199.4	176.5	177.0	178.6	176.4	172.0
Edibles ^{4/}	18.5	182.4	174.8	174.6	178.2	179.9	172.6	167.8	169.0	174.9
Industrial Inputs ^{5/}	18.4	197.8	167.1	163.3	171.6	159.9	159.4	162.3	161.6	159.3
Energy ^{6/}	63.1	193.8	195.2	191.7	194.5	184.6	195.7	192.1	189.1	192.9
Petroleum ^{7/}	53.6	195.9	197.9	195.9	198.1	187.0	201.8	196.8	192.6	197.2
Natural Gas	6.9	154.3	171.2	164.9	167.9	168.3	161.4	162.1	168.8	171.5
Coal	2.6	254.4	202.1	176.8	192.7	179.4	161.4	173.7	173.0	161.7

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

2/ Non-Fuel Primary Commodities and Energy Index.

3/ Includes Forestry Products.

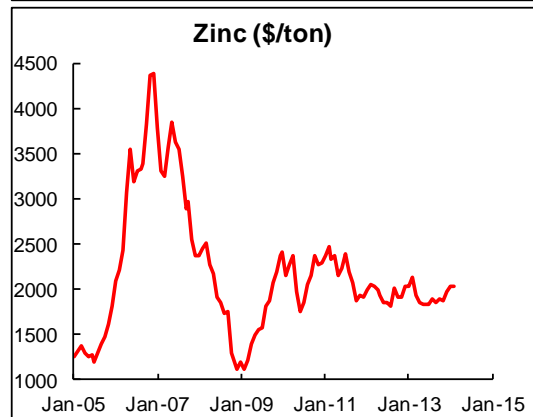
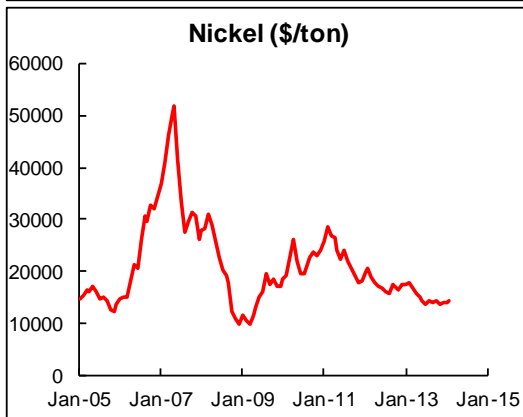
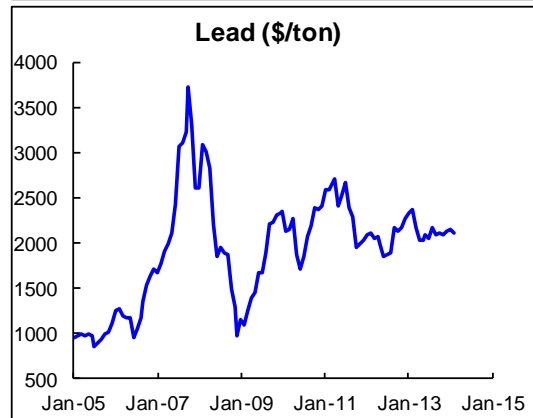
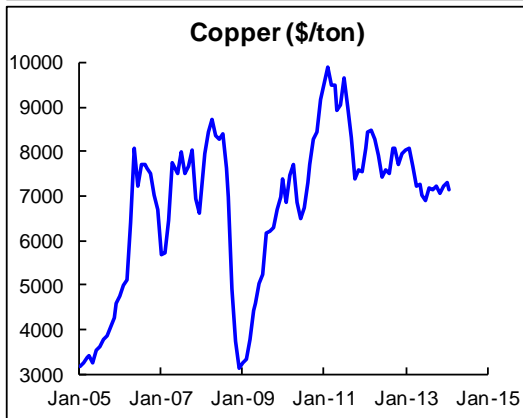
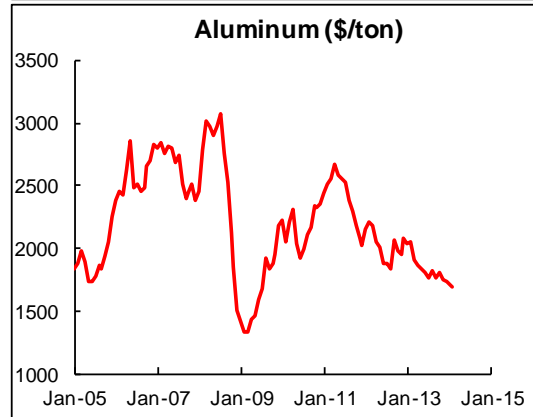
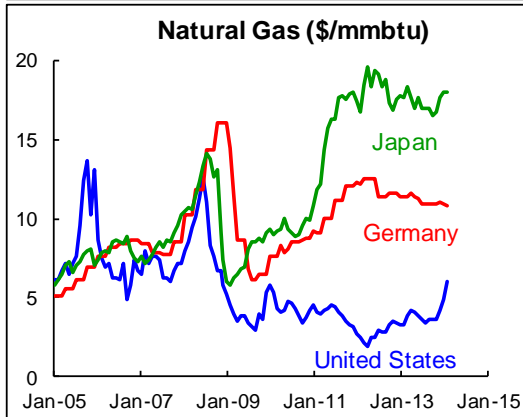
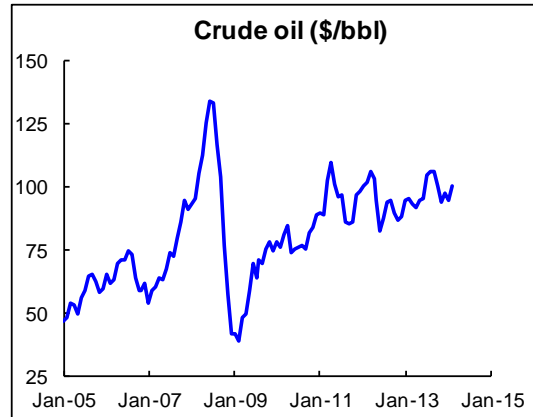
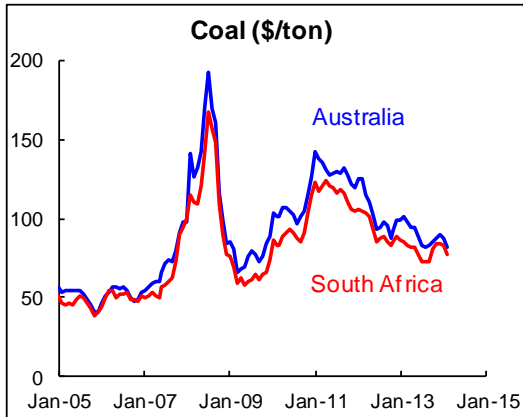
4/ Edibles comprised of Food and Beverages.

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

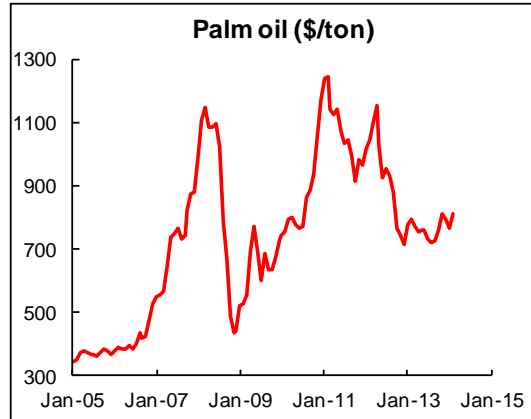
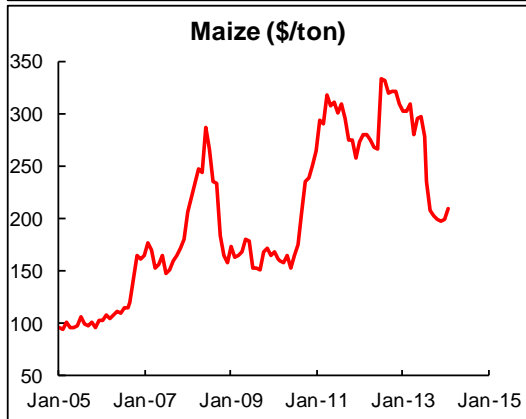
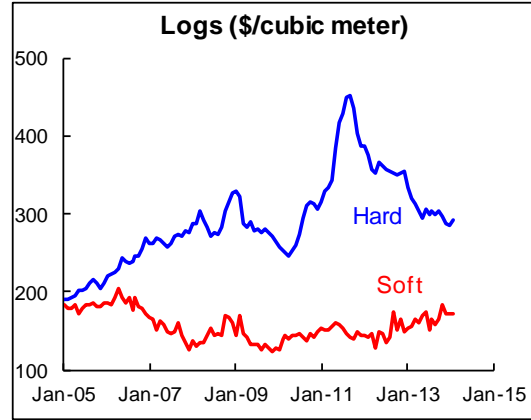
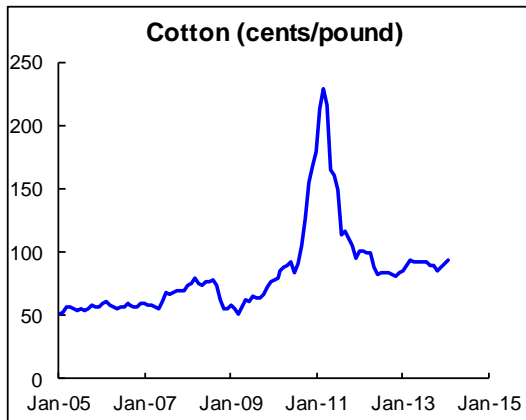
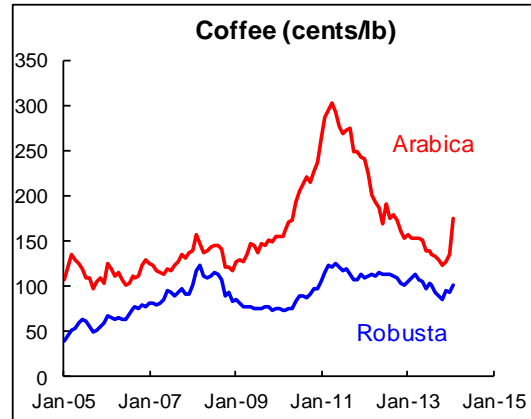
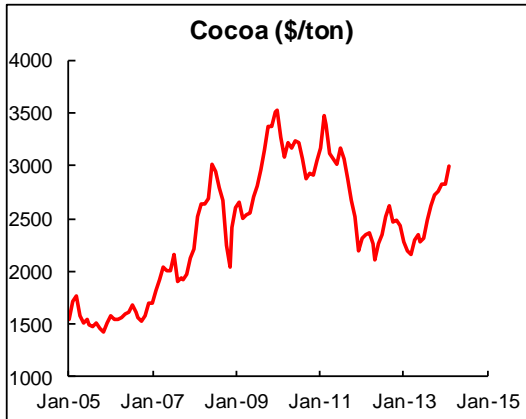
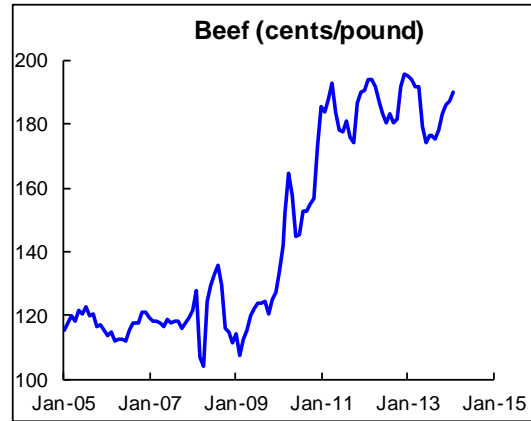
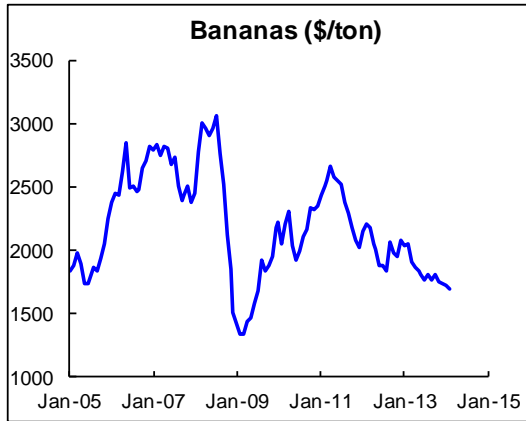
6/ Includes Petroleum, Natural Gas and Coal.

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

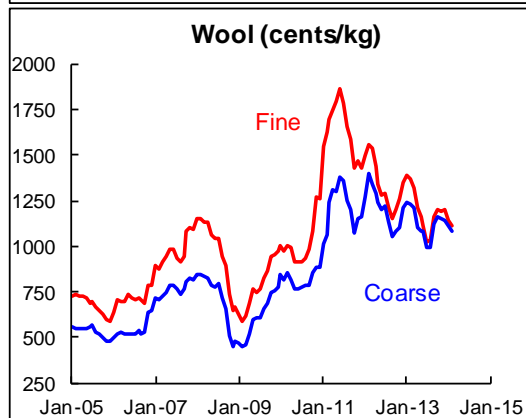
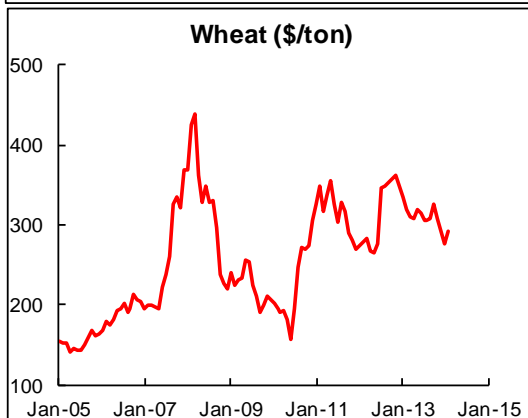
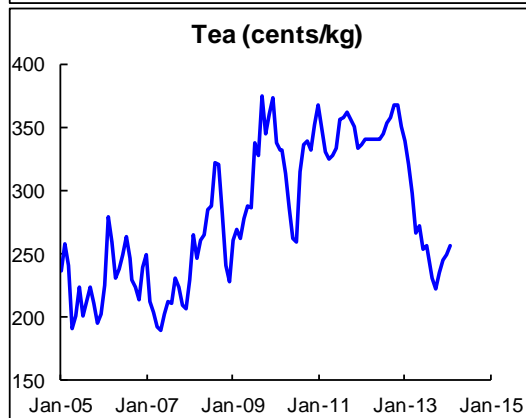
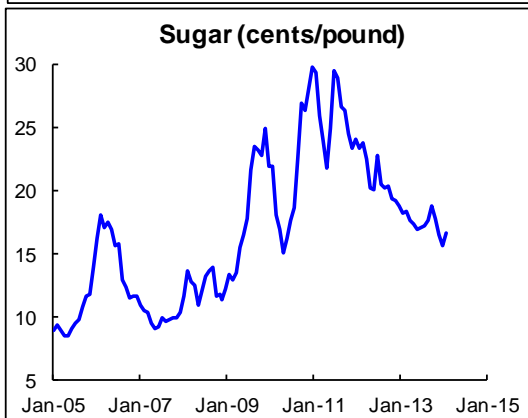
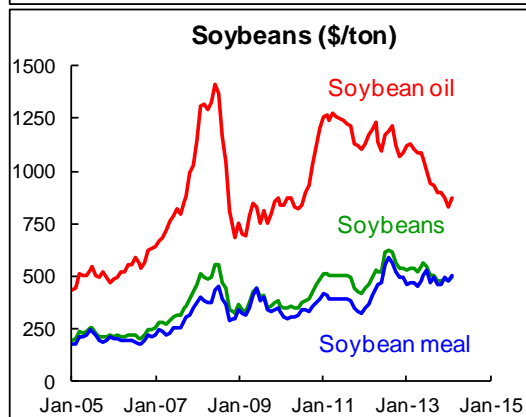
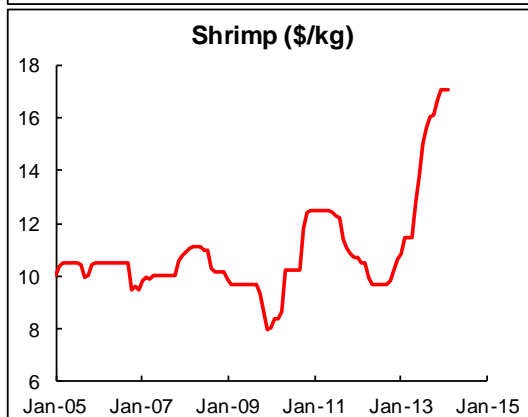
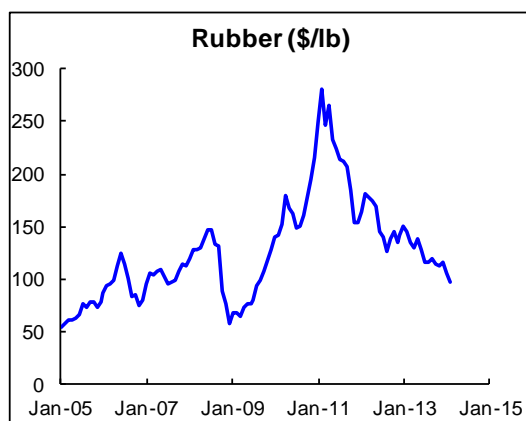
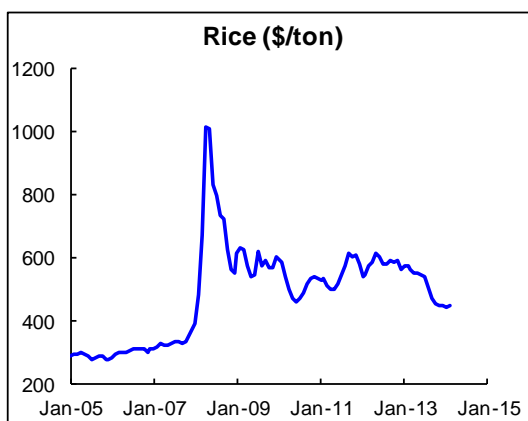
Commodity Prices in U.S. Dollars, 2005-2014



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



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



Commodity News Highlights

Review of Trends in 2013. International Lead and Zinc Study Group. February 2014.

Lead

Preliminary data compiled by the ILZSG indicates that in 2013, global demand of refined lead metal exceeded supply by 22kt. Overall global demand for refined lead metal increased by 4.5%. This was principally driven by rises in usage of 16% in the United States, 4.9% in China 3.5% in Europe and 11.5% in the republic of Korea that more than offset contractions in India, Japan and Mexico. Chinese imports of lead contained in lead concentrates declined by 18% to 822kt from the record levels attained in 2012.

Over the same period inventories reported by the London Metal Exchange (LME), Shanghai Futures Exchange (SHFE) and producers and consumers decreased by 42kt totaling 599kt at the year end. Global lead mine production increased by 6.4% compared to 2012 mainly as a result of higher output in China and Australia, where Ivern's Paroo Station (formerly Magellan) mine reopened in March. A rise in world output of refined lead metal of 3.7% was primarily a consequence of higher production in China, Italy, Peru and the United States. Production from secondary (recycled) raw materials accounted for 54.7% of total output compared to 55.6% in 2012.

Zinc

After six successive years in which the market had been in surplus, global usage of refined zinc metal exceeded output by 60kt. Inventories held in LME, SHFE and Chinese State Reserve Bureau (SRB) warehouses together with those reported by producers, consumers and merchants decreased by 314kt to total 1897kt. 68.3% of the 931kt of refined zinc metal stored in LME warehouses was held in New Orleans.

A rise in global demand for refined zinc metal of 7.4% was primarily influenced by an increase in Chinese apparent demand of 13.7%. Usage in the United States rose by 4.6%, in India by 12.2% and in Europe by a marginal 0.5%. Chinese imports of zinc contained in zinc concentrates increased by 2.9% to 845kt but remained well below the peak of 1643kt recorded in 2009. Net imports of refined zinc metal into China increased by 22% to 621kt.

An increase in global zinc mine output of 1% compared to 2012 was mainly due to rises in Burkina Faso, China, India, Peru and the United States that more than offset declines in Australia and Canada, where Glencore Xstrata's Brunswick and Perseverance mines closed during the first half of the year. The primary influence on a rise in refined zinc output of 4.9% was a sharp 11.1% increase in reported Chinese production. Elsewhere rises in India, Italy, the Republic of Korea, Mexico and Peru were largely balanced by reductions in France, Namibia, Norway, Thailand and the United States.

World Steel Association. January/February 2014.

World crude steel production reached 1,607 megatonnes (Mt) in 2013, up by 3.5% compared to 2012. The growth came mainly from Asia and Middle East while production in all other regions decreased in 2013 compared to 2012. Production for Asia was 1,080.9 Mt, an increase of 6.0%. China's crude steel production reached 779.0 Mt, an increase of 7.5%, and its share of world crude steel production increased from 46.7% to 48.5% in 2013. The EU recorded a decrease of -1.8%, North America -1.9%, the CIS -1.8% and South America -0.8%.

World crude steel production in January 2014 was 130 Mt, a decrease of 0.4% compared to January 2013. China's production was 61.6 Mt, down by 3.2% compared to January 2013. EU production rose 7.3%, while that in South America rose 0.9%. Steel production fell slightly in the CIS and North America.



I N T E R N A T I O N A L M O N E T A R Y F U N D

Washington, D.C. 20431 • Telephone 202-623-7100 • Fax 202-623-6772 • www.imf.org