Commodity Market Monthly

Research Department, Commodities Team*

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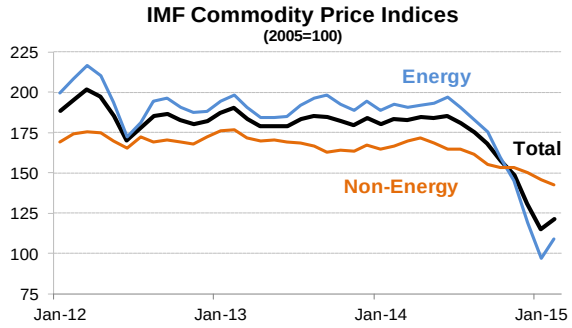
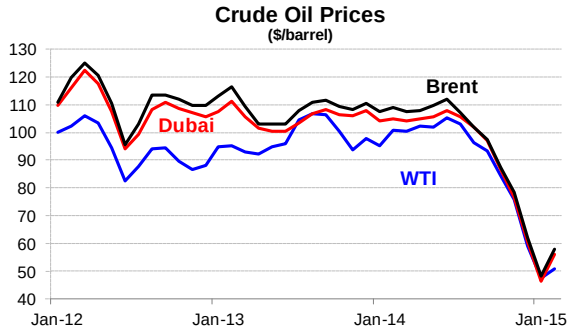
Commodity prices rose by 5.5 percent in February, the first gain in eight months, mainly the result of a sharp rebound in oil prices. Non-fuel prices fell 2.2 percent, with declines in both metals and agriculture, partly reflecting appreciation of the U.S. dollar—up 1.3 percent against a broad group of currencies. The declines also reflect slowing demand in China, particularly for industrial commodities, and generally ample supply conditions.





Crude oil prices surged 15.8 percent in February, averaging $54.9/bbl, the first gain in eight months. The increase was due to strong crude demand driven by high refining margins in all main regions because of robust demand for refined products and some disruption to crude supply. Internationally traded Brent prices jumped 20 percent to $57.9/bbl due to a tightening market in the Atlantic basin owing to reduced exports from Libya and Iraq because of conflict and bad weather, respectively, and reduced flows from Russia and the Caspian. In addition strong demand in Asia drew crude exports east-ward, and cold weather in the U.S. Northeast disrupted east coast refinery operations and raised product imports from Europe, particularly distillate.

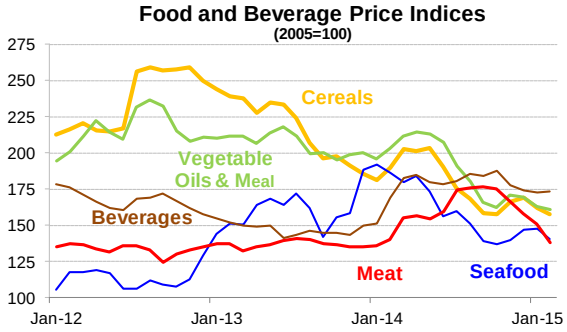
In the U.S. the price of WTI only rose 7 percent to $50.7/bbl due to a rapid stock buildup in Cushing OK, and its discount to Brent widened to $12/bbl at month end. High refining margins in U.S. reflect strong product demand, up 4 percent this year, but seasonal refinery maintenance and expanding strikes at 12 refineries or one-fifth of the nation's capacity are limiting crude demand.

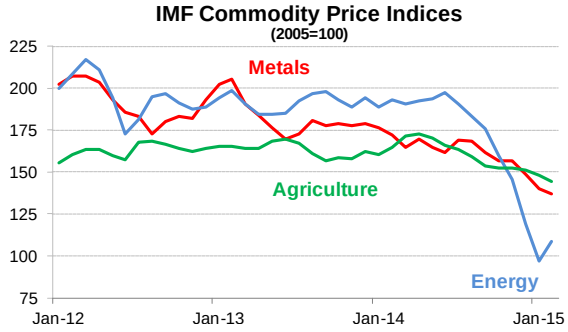
Oil prices were also supported by further large announced cuts to upstream expenditures and falling U.S. oil rig count—down 43 percent from highs in October. However U.S. oil production growth has yet to slow and global markets are entering a seasonal decline in oil consumption and refinery runs, the latter due to maintenance.

Natural gas prices in the U.S. fell by 4.3 percent in February, and averaged $2.85/mmbtu, on ample inventories despite strong heating demand and record cold temperatures in eastern parts of the country. Prices rose above $3/mmbtu late in the month on large storage withdrawals that pulled inventories below the five-year average, but prices retreated in March as winter begins to wind down.

Agriculture prices fell by 2.2 percent in February, and were down 9 of the last 10 months, owing to ample supplies for most commodities. Meat prices led the decline, falling 8 percent, with a 15 percent plunge in swine prices as U.S. producers rebuild herds from losses to a porcine virus. Beef prices dropped 10 percent due to weak seasonal demand and rising U.S. herd size. Lamb prices fell 4 percent on record high exports from Australia. Fish meal prices decreased 7 percent on an expected return to normal production off Peru from shortfalls in 2014

*Prepared by Shane Streifel; assistance from Rachel Fan, Vanessa Diaz Montelongo, Marina Rousset





due to high sea temperatures. Salmon prices decreased 6 percent due to abundant Norwegian harvests and weak demand, particularly because of Russia's food import ban. Orange prices dropped 8 percent on weak beverage demand and ample supply. Arabica coffee prices declined 5 percent, as rains in Brazil raised prospects of a more favorable harvest. Wheat prices fell 5 percent due to a continued favorable outlook for world production and stocks. Sunflower oil and rapeseed oil declined 4 and 3 percent, respectively, owing to excess supply and general oilseed surplus. Sugar prices fell 4 percent on improved supply prospects in Brazil. Partly offsetting these declines, tea prices surged 10 percent on falling output in Kenya because of dry weather. Rubber prices jumped 9 percent on falling seasonal output in Thailand. Bananas prices rose 6 percent and reflected strong import demand.

Metals prices fell by 2.2 percent in February, down a seventh consecutive month, due to slowing demand growth in China, notably in the property sector, and continued gains in supply. However, falling prices are causing a reduction in capital expenditures which will affect future supply, but these are being partly offset by falling costs, notably for energy, and depreciation of several producing country currencies. The largest price decline was for iron ore, down 7 percent—and plunging to a third of its 2011 high—due to surging supply that is running ahead of demand. New low-cost iron ore supplies from Australia and Brazil have been squeezing out high-cost supplies in China and elsewhere, and more new low-capacity is coming on-line this year from earlier large investment. Tin prices fell 6 percent, despite falling stocks, as supplies continue to exceed expectations, with especially strong growth from Myanmar. Lead prices declined 3 percent due to weak seasonal battery demand and maturing e-bike sector in China. Nickel prices fell 2 percent as stocks continue to climb to yet record levels owing to weak demand, while copper prices also fell 2 percent on rising inventories and weak Chinese demand. Partly offsetting these declines, uranium prices rose 6 percent owing to a supply disruption at a main grinding mill in Australia.

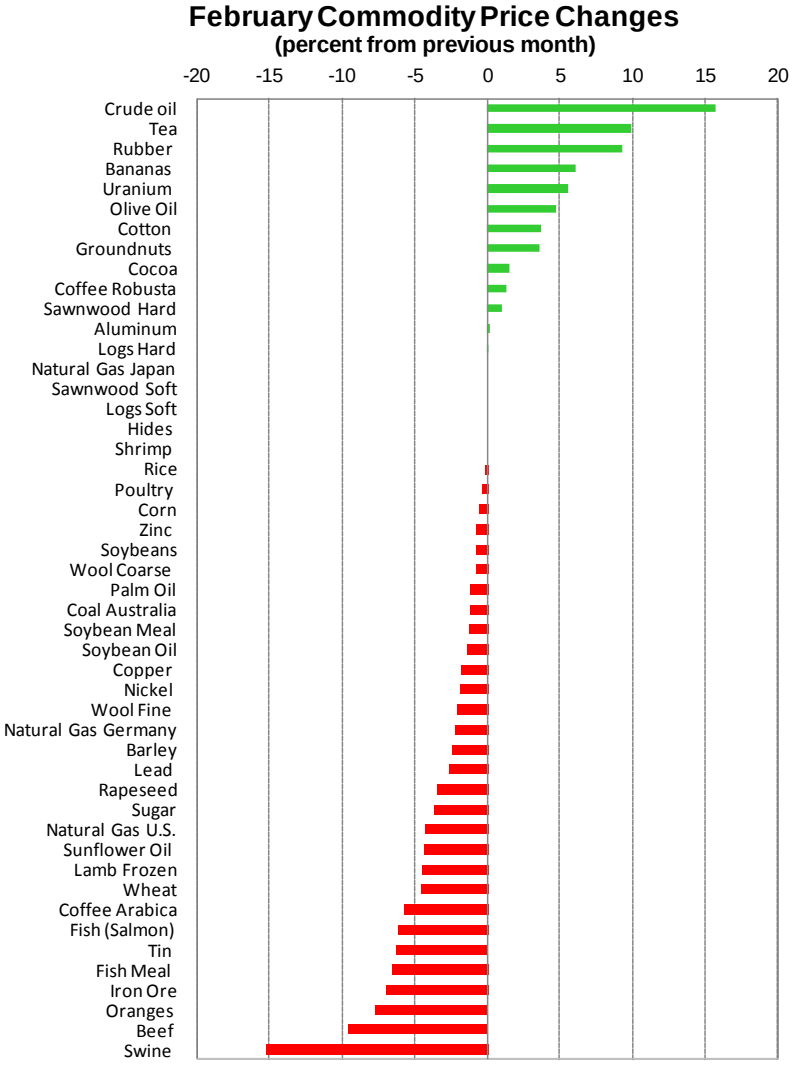


Table 1. Market Prices for Non-Fuel and Fuel Commodities

	Units	2012	2013	2014	2014Q1	2014Q2	2014Q3	2014Q4	Jan-2015	Feb-2015
Food										
Cereals										
Wheat	$/MT	313.3	312.2	284.9	297.1	322.1	262.5	257.9	248.5	237.2
Maize	$/MT	298.4	259.0	192.9	210.1	213.9	173.9	173.5	174.7	173.7
Rice	$/MT	580.2	518.8	426.5	440.7	409.4	435.0	420.8	409.7	409.5
Barley	$/MT	238.2	206.4	146.1	162.7	166.9	132.8	122.0	133.0	129.8
Vegetable oils and protein meals										
Soybeans	$/MT	537.8	517.2	457.8	498.3	540.4	421.7	370.9	367.5	364.7
Soybean meal	$/MT	473.3	477.3	467.0	493.3	531.9	436.0	406.7	379.0	374.3
Soybean oil	$/MT	1151.8	1011.1	812.7	877.9	899.7	757.1	716.1	707.9	697.9
Palm oil	$/MT	939.8	764.2	739.4	813.7	794.7	695.9	653.3	641.6	634.4
Fish meal	$/MT	1624.3	1710.5	1921.5	1657.9	1861.6	1973.6	2192.7	2169.8	2028.5
Sunflower Oil	$/MT	1489.5	1341.1	1080.3	1133.1	1121.5	1012.5	1054.2	1004.2	960.5
Olive oil	$/MT	2963.8	3824.2	3710.4	3966.8	3812.4	3646.1	3416.1	3356.9	3515.5
Groundnuts	$/MT	1688.2	2314.5	2148.3	2377.3	2228.8	2046.8	1940.1	1951.4	2022.9
Rapeseed oil	$/MT	1239.1	1081.2	904.4	980.3	963.1	849.6	824.4	774.3	747.4
Meat										
Beef	cts/lb	187.9	183.6	224.1	191.8	195.5	252.9	256.0	232.0	209.9
Lamb	cts/lb	100.9	106.7	130.6	124.1	135.4	132.8	130.2	128.6	122.9
Swine Meat	cts/lb	82.8	86.5	102.8	92.8	115.4	112.8	90.3	73.0	61.8
Poultry	cts/lb	94.3	103.8	110.1	104.7	109.0	113.0	113.9	114.1	113.8
Seafood										
Fish	$/kg	4.8	6.8	6.6	7.8	6.9	5.9	5.8	5.9	5.6
Shrimp	$/kg	10.1	14.0	16.6	17.1	17.8	17.0	14.3	15.7	15.7
Sugar										
Free market	cts/lb	21.4	17.7	17.1	16.8	18.2	17.7	15.8	15.1	14.5
United States	cts/lb	28.9	21.2	24.9	22.4	25.3	26.5	25.3	25.2	24.6
EU	cts/lb	26.4	26.0	27.4	27.5	28.0	27.8	26.3	25.2	25.5
Bananas	$/MT	984.3	926.4	931.9	947.1	929.2	939.3	911.9	911.6	966.9
Oranges	$/MT	868.0	967.3	782.5	777.4	838.8	774.1	739.8	758.0	700.0
Beverages										
Coffee										
Other milds	cts/lb	187.6	141.1	202.8	175.8	213.7	208.4	213.5	190.9	179.9
Robusta	cts/lb	110.6	100.5	105.6	102.0	107.9	106.0	106.6	102.3	103.7
Cocoa Beans	$/MT	2377.1	2439.1	3062.8	2951.3	3085.0	3229.2	2985.6	2915.6	2961.9
Tea	cts/kg	348.9	266.0	237.9	247.9	222.2	233.7	247.6	269.6	296.4
Agricultural raw materials										
Timber										
Hardwood										
Logs 1/	$/M3	148.0	164.5	174.3	306.1	312.6	308.3	302.1	184.0	184.0
Sawnwood 1/	$/M3	284.7	301.4	307.3	178.4	169.7	167.4	181.5	305.7	305.7
Softwood										
Logs 1/	$/M3	148.0	164.5	174.3	178.4	169.7	167.4	181.5	184.0	184.0
Sawnwood 1/	$/M3	284.7	301.4	307.3	306.1	312.6	308.3	302.1	305.7	305.7
Cotton	cts/lb	89.2	90.4	83.1	94.0	92.6	77.1	68.7	67.4	69.8
Wool										
Fine	cts/kg	1345.3	1197.7	1074.4	1114.0	1086.0	1068.1	1029.4	967.0	946.9
Coarse	cts/kg	1212.6	1128.1	1030.4	1083.6	1058.7	1025.0	954.3	899.4	892.4
Rubber	cts/lb	153.2	126.8	88.8	102.1	96.1	83.4	73.5	75.0	82.0
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	Jan-2015	Feb-2015
Metals										
Copper	$/MT	7958.9	7331.5	6863.4	7030.2	6795.3	6995.8	6632.3	5830.5	5729.3
Aluminum	$/MT	2022.8	1846.7	1867.4	1709.3	1800.2	1989.7	1970.4	1814.7	1817.8
Iron Ore	$/MT	128.5	135.4	96.8	120.4	102.6	90.3	74.0	67.4	62.7
Tin	$/MT	21109.4	22281.6	21898.9	22636.3	23146.2	21915.2	19897.9	19454.1	18233.9
Nickel	$/MT	17541.7	15030.0	16893.4	14661.0	18467.8	18584.2	15860.5	14849.2	14573.8
Zinc	$/MT	1950.0	1910.2	2161.0	2026.5	2071.4	2310.7	2235.3	2113.0	2097.8
Lead	$/MT	2063.6	2139.7	2095.5	2101.4	2097.1	2182.4	2000.9	1843.1	1795.7
Uranium	$/lb	48.9	38.5	33.5	35.2	30.0	31.1	37.7	36.0	38.1
Energy										
Spot Crude 2/	$/bbl	105.0	104.1	96.2	103.7	106.3	100.4	74.5	47.5	54.9
U.K. Brent	$/bbl	112.0	108.8	98.9	107.9	109.8	102.1	76.0	48.4	57.9
Dubai	$/bbl	108.9	105.4	96.7	104.4	106.1	101.5	74.6	46.3	56.2
West Texas Intermediate	$/bbl	94.1	97.9	93.1	98.8	103.1	97.6	73.1	47.6	50.7
Natural Gas										
Russian in Germany	$/mmbtu	12.0	11.2	10.5	10.8	10.7	10.1	10.3	9.5	9.3
Indonesian in Japan	$/mmbtu	18.1	17.3	17.0	17.8	17.6	16.5	16.1	16.0	16.0
US, domestic market	$/mmbtu	2.8	3.7	4.4	5.2	4.6	3.9	3.8	3.0	2.8
Coal										
Australian, export markets	$/MT	103.2	90.6	75.1	82.6	77.9	72.7	67.4	66.5	65.8

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

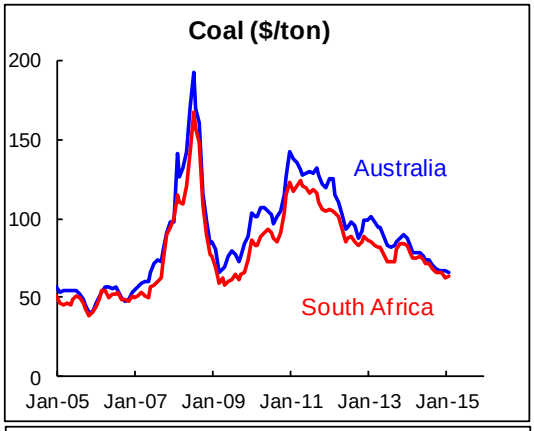
Table 2. Indices of Primary Commodity Prices

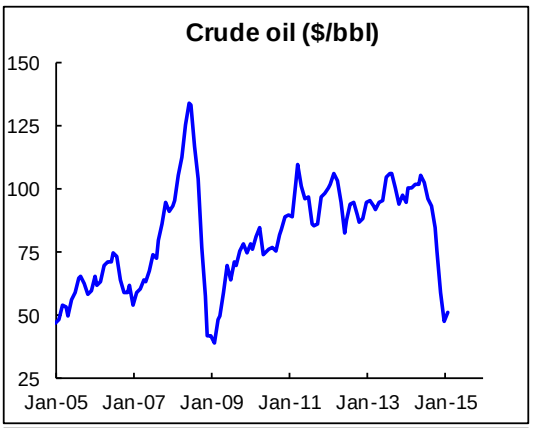
(2005=100, in terms of U.S. dollars) 1/

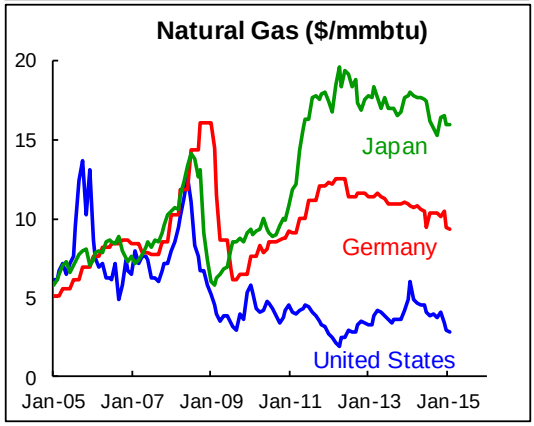
	(Weights) 1/	2012	2013	2014	2014Q1	2014Q2	2014Q3	2014Q4	Jan-2015	Feb-2015
All Primary Commodities 2/	100.0	186.3	183.3	171.8	182.2	184.7	174.9	145.5	114.9	121.3
Non-Fuel	36.9	171.0	169.0	162.2	167.2	168.4	160.8	152.6	145.7	142.5
Agriculture	26.2	162.8	163.3	161.5	165.7	169.6	158.6	152.0	147.9	144.6
Food	16.7	175.6	177.6	170.1	176.6	181.1	165.6	157.2	153.0	147.3
Cereals	3.6	236.4	218.3	180.3	191.2	198.3	167.5	164.3	161.9	157.9
Vegetable oils and protein meals	4.4	215.6	206.4	190.4	203.6	211.7	178.9	167.4	162.9	161.1
Meat	3.7	133.3	136.8	160.5	143.4	156.7	175.4	166.4	150.8	138.1
Seafood	3.2	113.3	160.1	162.0	185.9	171.2	150.0	141.0	147.5	140.3
Beverages	1.8	167.4	147.4	178.0	167.9	181.0	183.3	180.0	172.6	173.3
Agricultural Raw Materials 3/	7.7	134.0	136.2	138.8	141.4	141.9	137.7	134.1	131.0	132.1
Timber	3.4	107.4	107.3	109.3	109.9	111.1	109.8	106.4	105.2	105.6
Metals	10.7	191.0	182.9	164.1	171.1	165.3	166.1	154.0	140.3	137.3
Edibles 4/	18.5	174.8	174.6	170.9	175.7	181.1	167.3	159.4	154.9	149.8
Industrial Inputs 5/	18.4	167.1	163.3	153.5	158.6	155.5	154.2	145.7	136.4	135.1
Energy 6/	63.1	195.2	191.7	177.4	190.9	194.3	183.2	141.4	96.9	108.8
Petroleum 7/	53.6	197.9	195.9	181.1	195.2	200.0	188.9	140.2	89.2	103.5
Natural Gas	6.9	171.2	164.9	160.0	168.5	164.5	153.4	153.5	144.4	142.4
Coal	2.6	202.1	176.8	149.1	163.4	154.5	144.4	134.2	131.2	130.5

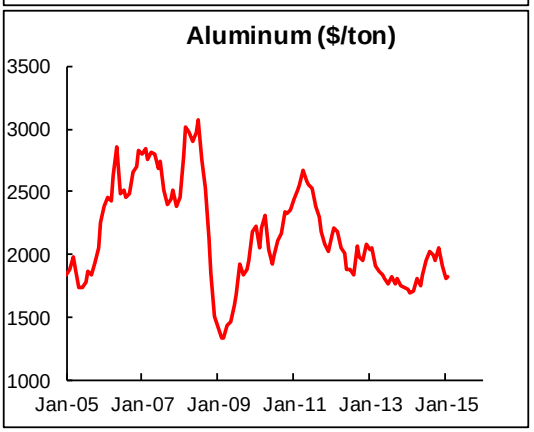
1/ Weights based on 2002-2004 average world export earnings.
2/ Non-Fuel Primary Commodities and Energy Index.
3/ Includes Forestry Products.
4/ Edibles comprised of Food and Beverages
5/ Industrial (Non-Fuel) Inputs comprised of Agriculture and Metals
6/ Includes Petroleum, Natural Gas and Coal.
7/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

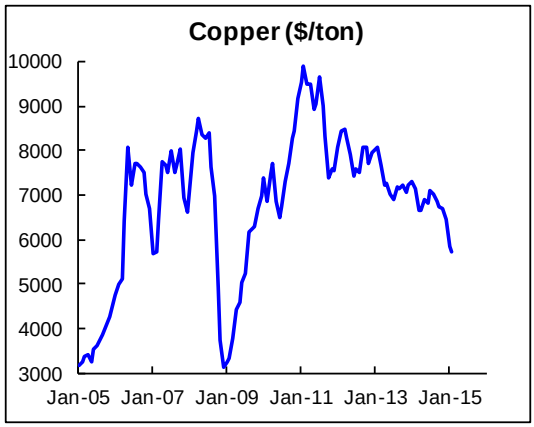
Commodity Prices in U.S. Dollars, 2005-2014

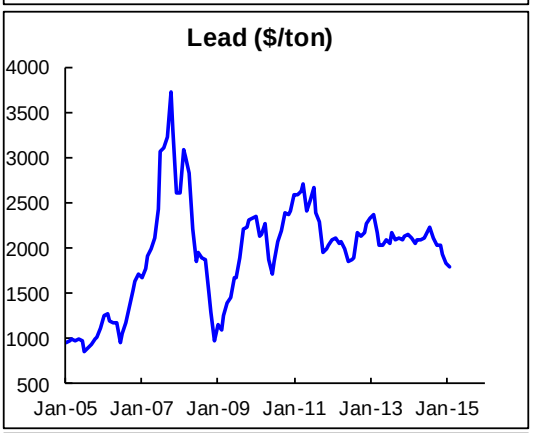


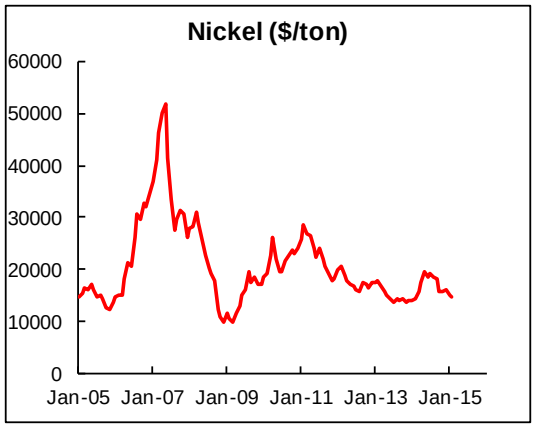


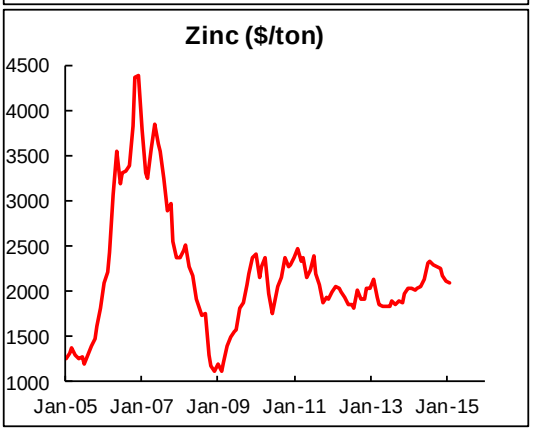




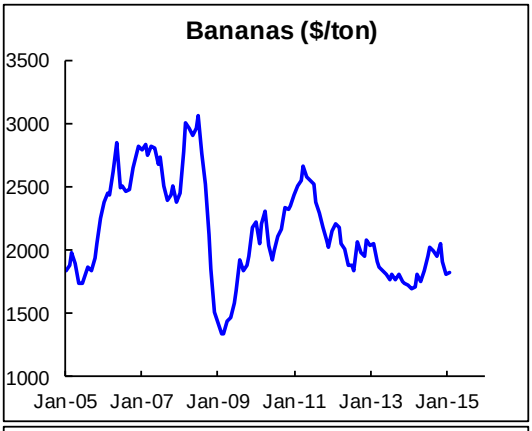


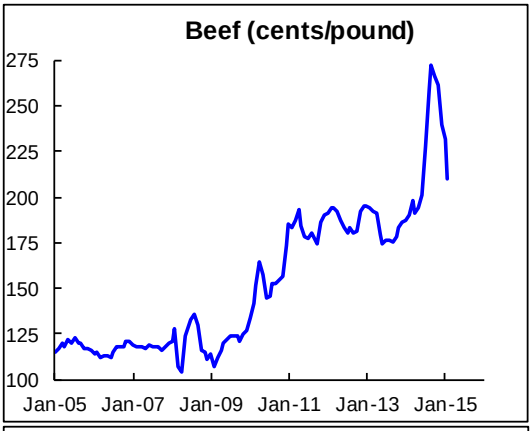


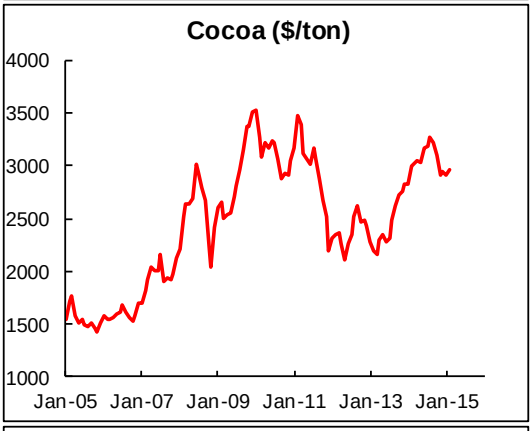


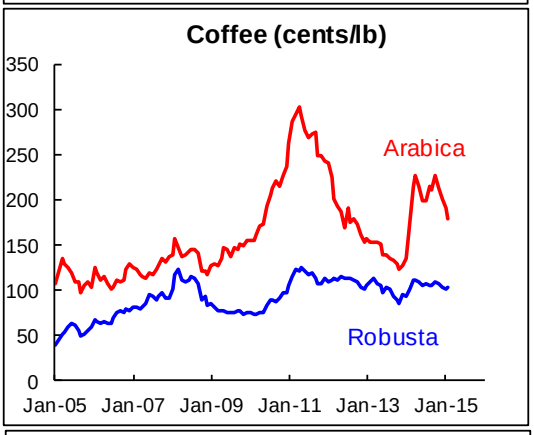


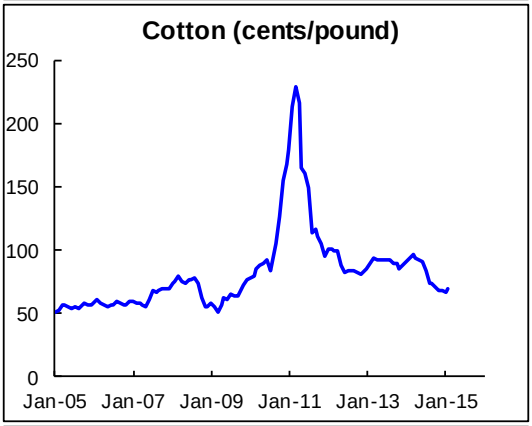
Commodity Prices in U.S. Dollars, 2005-2014 continued

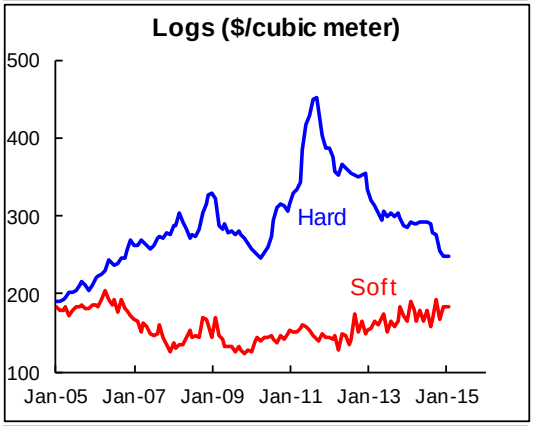


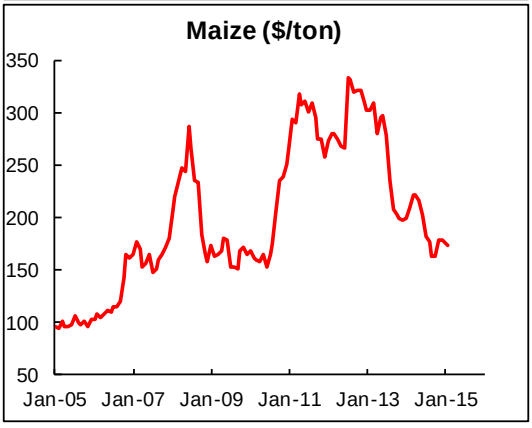


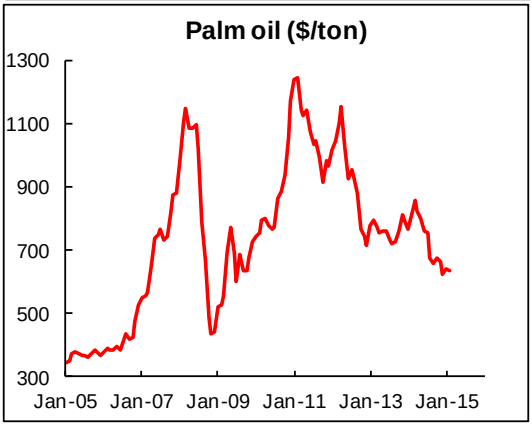




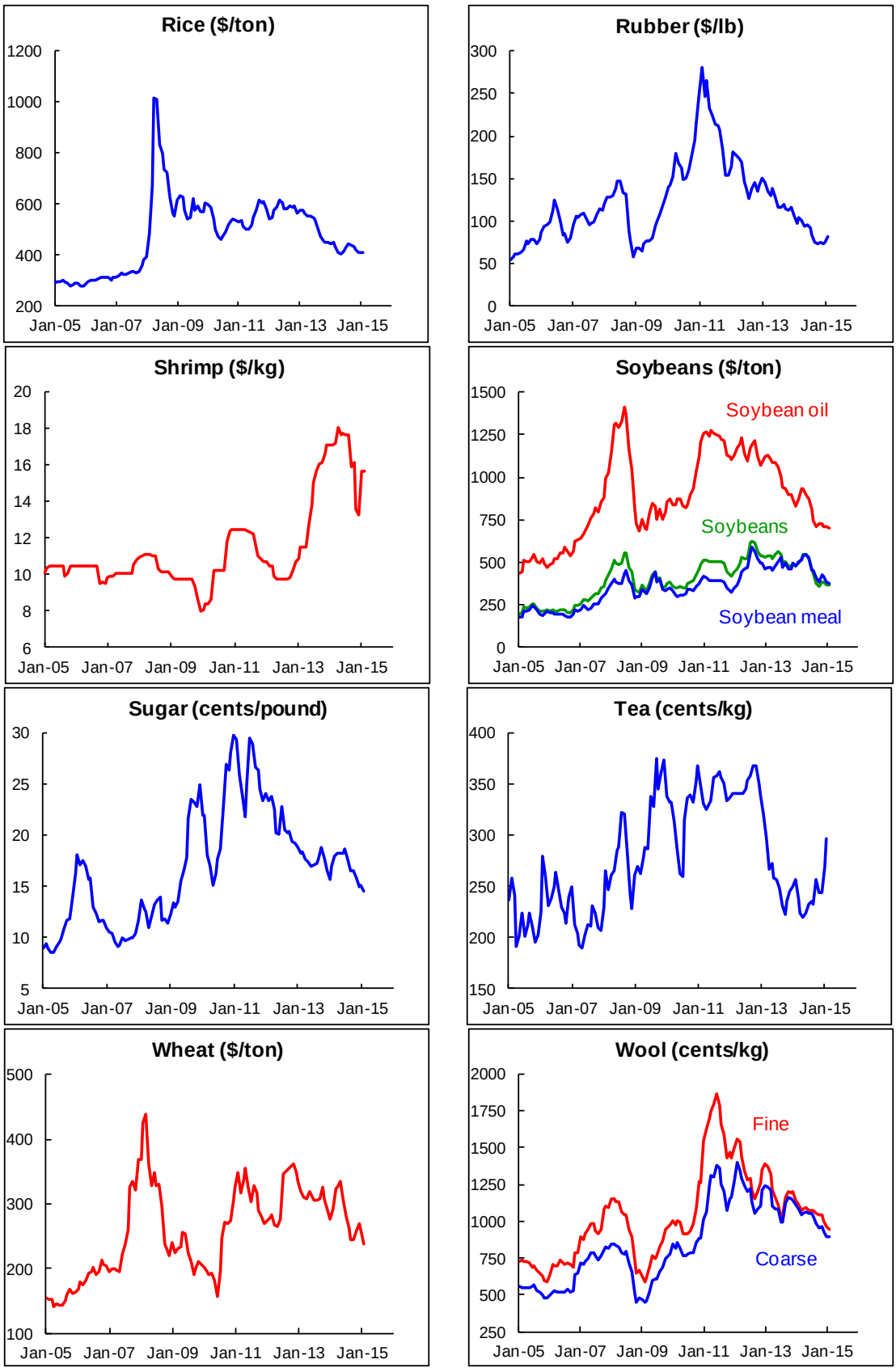








Commodity Prices in U.S. Dollars, 2005-2014 continued



Commodity News Highlights

***Medium Term Oil Market Report 2015 Summary*, International Energy Agency. February 2015.**

After years of relatively stable, record-high prices, the oil market collapsed by roughly 60% from its June 2014 high above $115/bbl for Brent to below $46/bbl in January. The drop came on the heels of a pronounced slowdown in demand growth and record advances in non-OPEC supply. In November OPEC surprised the market by keeping its production target unchanged in the face of falling revenues and rising non-OPEC supply. Market rebalancing will likely occur relatively swiftly but will be comparatively limited in scope, with prices stabilizing at levels higher than recent lows but substantially below the highs of the last three years. The dramatic inventory build of the last few months grinds to a halt as early as mid-2015, and the market starts tightening appreciably, with a steady and gradual increase in the nominal Call on OPEC, from 2016 onwards.

The recent price decline is expected to have only a marginal impact on global demand growth for the remainder of the decade. Projections of oil-demand growth have been revised downwards, since the price drop, in line with IMF economic forecasts, with demand growth slowing markedly to 1.1 mb/d per annum over the next six years. Oil exporting economies will for the most part be adversely affected by the oil price drops, with the notable exception of Gulf Cooperation Council countries with large enough buffers to absorb the impact of the revenue shortfall. Russia, where international sanctions will compound the effect of plummeting fiscal and export revenues, will be particularly hard hit. For most oil importers, the benefit of rising disposable income and lower production costs will be partly offset by underlying problems in the broader economy. Mature OECD markets will see protracted contraction in oil demand in the years to 2020, extending earlier trends. But the rest of the world is no longer expected to provide as strong an offset as in the past. Renewables and natural gas are increasingly price-competitive against oil and coal in emerging markets and will continue to encroach on oil consumption. Non-OECD oil demand is only expected to grow by 1.19 mb/d annually in the years to 2020.

Supply-capacity growth looks significantly lower than expected in the years to 2020 as lower prices slash investments. However, global capacity is still expected to increase to 103.2 mb/d over the next six years, a 5.2 mb/d gain. Two thirds of this growth will come from non-OPEC producers. Despite OPEC's stated policy of defending market share, its own crude capacity is only projected to gain 1.2 mb/d, an average of 200 kb/d per annum. Iraq alone accounts for almost all of the increment, as other producers curtail spending or struggle with low prices and security issues. Non-OPEC supply is forecast to reach 60 mb/d by 2020, with growth slowing to an average annual 570 kb/d. That growth rate is far below the record gains of 1.9 mb/d in 2014, and down from an average 1 mb/d in 2008-13. Remarkably, US LTO is expected to remain a top source of incremental supply, with growth initially slowing to a trickle but swiftly regaining momentum later on, bringing production to a projected 5.2 mb/d by 2020. Although questions remain about the availability of capital to LTO producers on the rebound, on balance LTO investment cutbacks are not expected to have as long-lasting an impact as other spending cuts. Russia, facing a perfect storm of collapsing prices, international sanctions and currency depreciation, will likely emerge as the industry's top loser. Its production now looks set to contract by 560 kb/d from 2014 to 2020. Other cuts will target big-ticket items, such as high-cost deep-water projects in West Africa and elsewhere, as well as routine field maintenance as producers seek to squeeze as many barrels as possible from producing fields, resulting in faster decline rates later on. That will leave North American unconventional production looming even larger in total supply than previously thought. The transformative impact of US LTO supply does not derive just from the sheer production volumes it has unlocked, but also looks set to stand out by its responsiveness to lower prices. Its short lead and pay-back times, rapid well-level decline rates and treadmill-like investment requirements make it far more price elastic than conventional crude.