Commodity Market Monthly

Research Department, Commodities Team*

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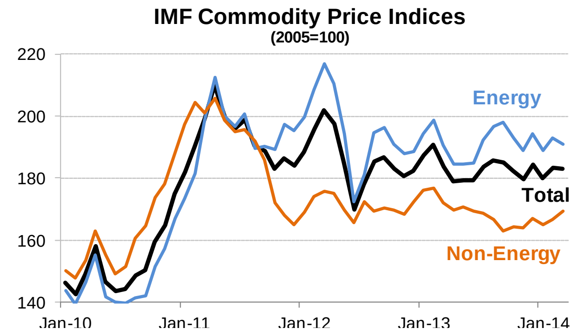
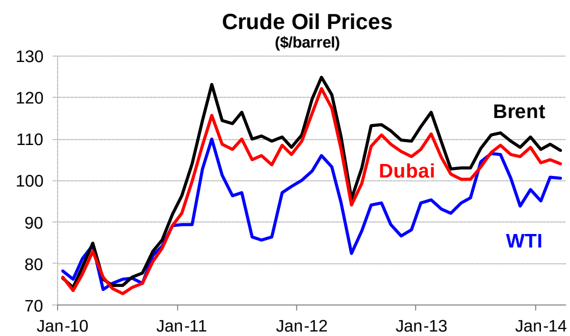
Commodity prices fell 0.1 percent in March, with declines in energy and metals reflecting concerns about economic growth and demand. These were essentially offset by gains in agriculture prices due to adverse weather in a number of countries. During the first quarter of 2014 (Dec 13- Mar 14) commodity prices fell 0.7 percent, reflecting an 8 percent drop in metals and 2 percent decline in energy. Agriculture prices rose 6 percent, led by large increases in coffee and swine prices.

Crude oil prices fell by 0.7 percent in March, averaging $104.0/bbl, owing to weakening oil demand amid upcoming peak refinery maintenance. However, prices continue to be under-pinned by supply outages in a number of countries, particularly Libya where output fell to under 0.2 mb/d because of protests at producing/transport/port facilities. In early April, an agreement was reached between Libyan authorities and a rebel group to open two of the four blockaded eastern ports, but exports are expected to be limited as the two largest ports remain closed. Events in Ukraine early in the month raised concerns about energy supply disruptions, especially for natural gas, but tensions eased—although risks remain. Crude stocks are ample but product stocks remain low, especially in North America and Europe. Non-OPEC production is set to increase by 1.8 mb/d this year, well above growth in demand, and there is the potential for higher output from OPEC members Libya, Iraq and Iran—although there is greater uncertainty about these volumes.

The Brent-WTI spread contracted to under $5/bbl in early April due to a large drop in crude inventories at Cushing OK since the end-January start-up of the Gulf Coast Access pipeline. Consequently crude stocks reached record highs on the Gulf coast, but storage capacity is ample. On March 12th the U.S. government announced a 5 million barrel release of crude from its Strategic Petroleum Reserve to test its emergency structure.





Natural gas prices in the U.S. dropped by 18.3 percent in March due to milder weather, but depleted inventories need to be replenished in spring/summer and may require relatively high prices. **Coal prices in Australia fell 3.9 percent** on weak import demand, strong supply growth from Australia, and impending resumption of exports from Colombia's Drummond mine.

Agriculture prices rose by 4.1 percent in March, led by a surge in beverage and meat prices. Arabica coffee prices leapt 23 percent (up 70 percent this year) on mounting concerns that drought conditions damaged crops in Brazil, the world's largest coffee producer and exporter. Robusta prices climbed 11 percent on dry weather concerns and reduced sales from Vietnam, the world's largest robusta supplier. The largest individual gain was for swine prices, soaring 31 percent, as a deadly virus spread to at

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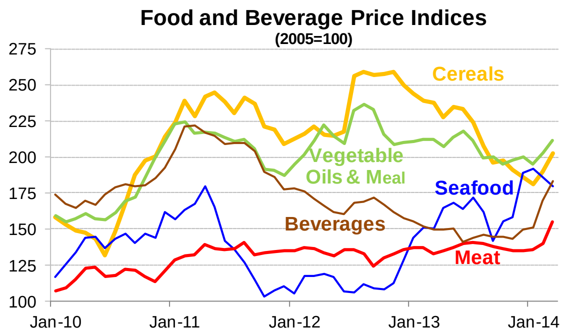
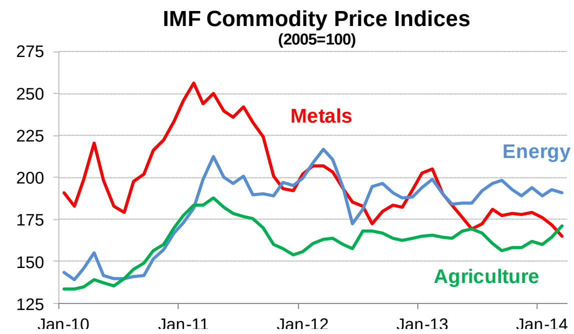


least 27 U.S. states, curbing supply prospects. Wheat prices jumped 11 percent due to supply concerns from cold and drought in the U.S., fear of disruption from the Black Sea, and rail bottlenecks in Canada. Corn prices rose 6 percent, also on supply concerns. Soybeans and soybean oil prices were up 5 and 6 percent, respectively, due to strong imports from China and lower stock estimates for the U.S. Palm oil prices rose 6 percent on earlier dry weather concerns in Southeast Asia but have since fallen from its high on lower export demand. Rubber prices also rose 6 percent as the same dry weather in SE Asia is expected to curtail production. Sugar prices increased 6 percent on concerns about exports from Brazil due to adverse weather. Partly offsetting these gains, tea prices dropped 7 percent on higher production in Kenya, while salmon prices fell 5 percent due to rising supply.

Metals prices fell by 4.0 percent in March mainly due to concerns about slowing demand in China amid tight credit conditions. The largest decline was for iron ore, down 8 percent, on weak demand and continued large supply gains. Both steel demand and production remain sluggish, and inventories of iron ore stocks at Chinese ports are abundant. Copper prices fell 7 percent because of weak demand, ongoing supply growth, and fears of an unwinding of copper financing trades in China as the government tightens regulation of the shadow banking system. Financing deals have contributed to a surge in copper stocks at China's bonded warehouses. Lead and zinc prices fell 1-3 percent on demand concerns, despite falling stocks. Partly offsetting these declines, nickel prices jumped 10 percent and surged above $16,000/ton in early April due to Indonesia's export ban on unprocessed ore, and concerns that supplies may be curtailed from



Russia. The two countries account for nearly 40 percent of global mined nickel supply. Aluminum prices were up marginally for the month, but jumped in early April following the late-March UK High Court ruling against the London Metal Exchange's rules to cut queues at its global warehouses. The case was brought by Russia's Rusal, the world's largest aluminum producer, for unfair industry consultation.

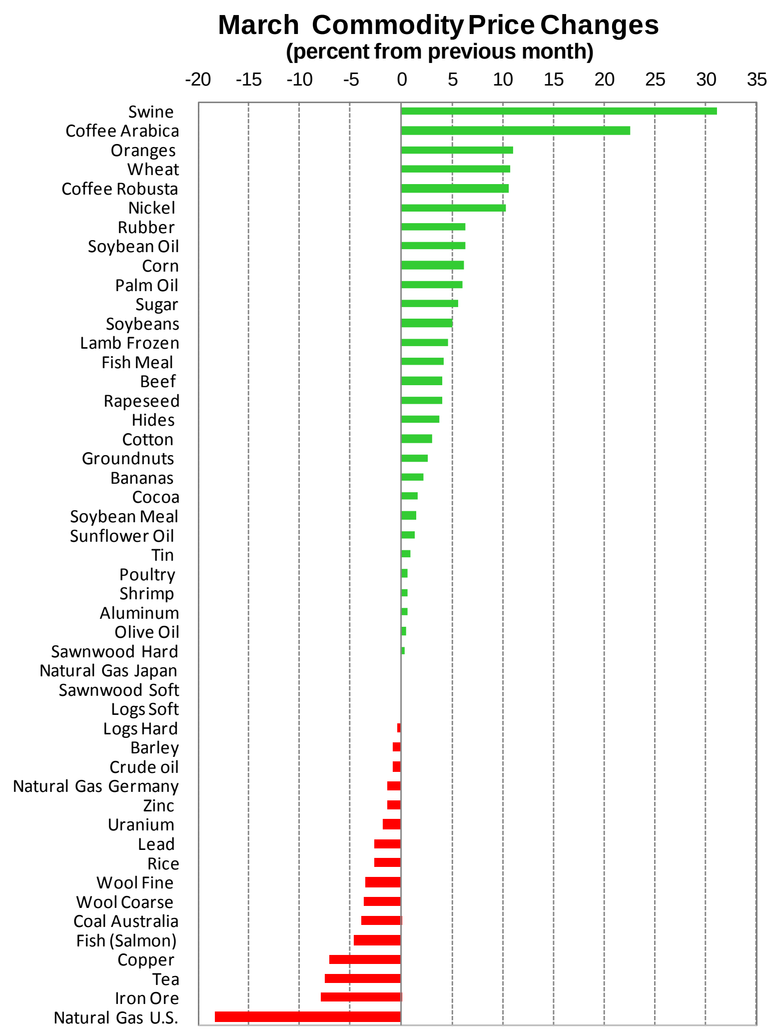


Table 1. Market Prices for Non-Fuel and Fuel Commodities

	Units	2011	2012	2013	2013Q2	2013Q3	2013Q4	2014Q1	Feb-2014	Mar-2014
Food										
Cereals										
Wheat	$/MT	316.2	313.3	312.2	313.8	305.9	307.8	297.1	292.3	323.6
Maize	$/MT	291.8	298.4	259.0	290.9	240.4	199.5	210.1	209.3	222.3
Rice	$/MT	551.7	580.2	518.8	550.7	504.0	449.9	441.1	447.0	435.3
Barley	$/MT	207.2	238.2	206.4	231.5	197.2	157.3	162.7	163.3	162.2
Vegetable oils and protein meals										
Soybeans	$/MT	484.2	537.8	517.2	540.0	516.5	479.4	498.3	496.8	522.0
Soybean meal	$/MT	378.9	473.3	477.3	475.6	496.5	472.5	493.3	499.4	506.7
Soybean oil	$/MT	1215.8	1151.8	1011.1	1076.0	960.0	889.2	877.9	873.7	928.5
Palm oil	$/MT	1076.5	939.8	764.2	761.0	726.2	789.4	813.7	811.2	860.5
Fish meal	$/MT	1519.3	1624.3	1711.8	1804.7	1581.8	1542.2	1657.9	1658.4	1729.3
Sunflower Oil	$/MT	1621.8	1489.5	1341.2	1459.4	1228.7	1182.9	1133.1	1137.0	1152.1
Olive oil	$/MT	3070.3	3135.7	3820.9	3860.8	3761.4	3656.6	3599.0	3576.2	3592.3
Groundnuts	$/MT	1724.0	1688.2	2318.2	2521.0	2347.1	2312.7	2380.6	2323.8	2386.6
Rapeseed oil	$/MT	1366.6	1239.1	1080.9	1121.4	993.2	1012.8	980.3	974.8	1014.3
Meat										
Beef	cts/lb	183.2	187.9	183.6	181.8	176.3	182.4	191.9	190.3	198.0
Lamb	cts/lb	149.2	100.9	106.7	103.9	109.2	116.4	124.1	122.6	128.3
Swine Meat	cts/lb	89.1	82.8	86.5	88.4	95.4	82.6	92.8	86.4	113.2
Poultry	cts/lb	87.4	94.3	103.8	104.1	106.4	104.7	104.7	104.5	105.3
Seafood										
Fish	$/kg	5.9	4.8	6.8	7.2	6.5	6.9	7.8	7.8	7.4
Shrimp	$/kg	11.9	10.1	14.0	12.7	15.6	16.6	17.1	17.1	17.2
Sugar										
Free market	cts/lb	26.2	21.4	17.7	17.3	17.3	17.7	16.6	16.7	17.6
United States	cts/lb	37.6	28.9	21.2	20.2	21.1	21.5	22.1	22.2	22.6
EU	cts/lb	26.7	26.4	26.0	25.5	25.8	26.9	27.5	27.5	27.6
Bananas	$/MT	975.9	984.3	926.4	910.6	934.1	928.1	947.1	946.1	966.9
Oranges	$/MT	891.1	868.0	967.3	1065.0	1143.9	834.4	816.7	810.0	900.0
Beverages										
Coffee										
Other milds	cts/lb	273.2	187.6	141.1	147.7	135.6	126.1	175.8	176.3	216.1
Robusta	cts/lb	116.0	110.6	100.5	103.5	98.9	90.4	102.0	101.1	111.9
Cocoa Beans	$/MT	2978.5	2377.1	2439.1	2308.0	2469.4	2770.1	2951.3	2992.8	3041.7
Tea	cts/kg	346.2	348.9	265.6	264.2	244.9	234.2	247.9	257.0	237.7
Agricultural raw materials										
Timber										
Hardwood										
Logs 1/	$/M3	390.5	360.5	305.4	837.4	846.0	882.7	901.9	291.8	290.9
Sawnwood 1/	$/M3	939.4	876.3	852.8	301.8	301.1	296.3	289.8	902.2	905.7
Softwood										
Logs 1/	$/M3	150.0	148.0	164.5	168.1	158.5	174.0	166.0	166.0	166.0
Sawnwood 1/	$/M3	280.9	284.7	301.4	315.3	307.3	304.3	300.0	300.0	300.0
Cotton	cts/lb	154.6	89.2	90.4	92.7	91.8	87.2	94.0	94.1	96.9
Wool										
Fine	cts/kg	1638.2	1345.3	1197.7	1161.4	1071.6	1195.5	1114.0	1117.2	1077.6
Coarse	cts/kg	1209.2	1212.6	1128.1	1091.8	1039.5	1153.8	1083.6	1086.8	1047.2
Rubber	cts/lb	218.5	153.2	126.8	131.8	117.5	114.6	102.1	97.3	103.5
Hides	cts/lb	82.0	83.2	94.7	93.8	95.9	103.1	107.6	107.0	111.0

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	2013Q2	2013Q3	2013Q4	2014Q1	Feb-2014	Mar-2014
Metals										
Copper	$/MT	8823.5	7958.9	7331.5	7156.7	7084.1	7162.9	7030.2	7149.2	6650.0
Aluminum	$/MT	2400.6	2022.8	1846.7	1836.0	1782.4	1767.5	1709.3	1695.2	1705.4
Iron Ore	$/MT	167.8	128.5	135.4	125.4	132.8	134.9	120.4	121.4	111.8
Tin	$/MT	26051.4	21109.4	22281.6	20879.6	21312.4	22896.9	22636.3	22820.7	23024.3
Nickel	$/MT	22909.1	17541.7	15030.0	14952.6	13953.3	13908.7	14661.0	14203.6	15678.1
Zinc	$/MT	2195.5	1950.0	1910.2	1841.9	1860.3	1908.7	2026.5	2034.5	2007.9
Lead	$/MT	2400.7	2063.6	2139.7	2052.0	2101.9	2113.9	2101.4	2108.0	2053.1
Uranium	$/lb	56.2	48.9	38.5	40.7	35.8	34.9	35.2	35.5	34.9
Energy										
Spot Crude 2/	$/bbl	104.0	105.0	104.1	99.3	107.3	104.5	103.7	104.8	104.0
U.K. Brent	$/bbl	111.0	112.0	108.8	103.0	110.1	109.4	107.9	108.8	107.4
Dubai	$/bbl	106.0	108.9	105.4	100.8	106.1	106.7	104.4	104.9	104.1
West Texas Intermediate	$/bbl	95.0	94.1	97.9	94.2	105.8	97.4	98.8	100.7	100.6
Natural Gas										
Russian in Germany	$/mmbtu	10.6	12.0	11.2	11.5	11.0	11.0	10.8	10.8	10.7
Indonesian in Japan	$/mmbtu	15.6	18.1	17.3	17.4	17.0	17.0	17.9	18.0	18.0
US, domestic market	$/mmbtu	4.0	2.8	3.7	4.0	3.6	3.8	5.2	6.0	4.9
Coal										
Australian, export markets	$/MT	130.1	103.2	90.6	92.2	82.8	87.9	82.6	81.7	78.6

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

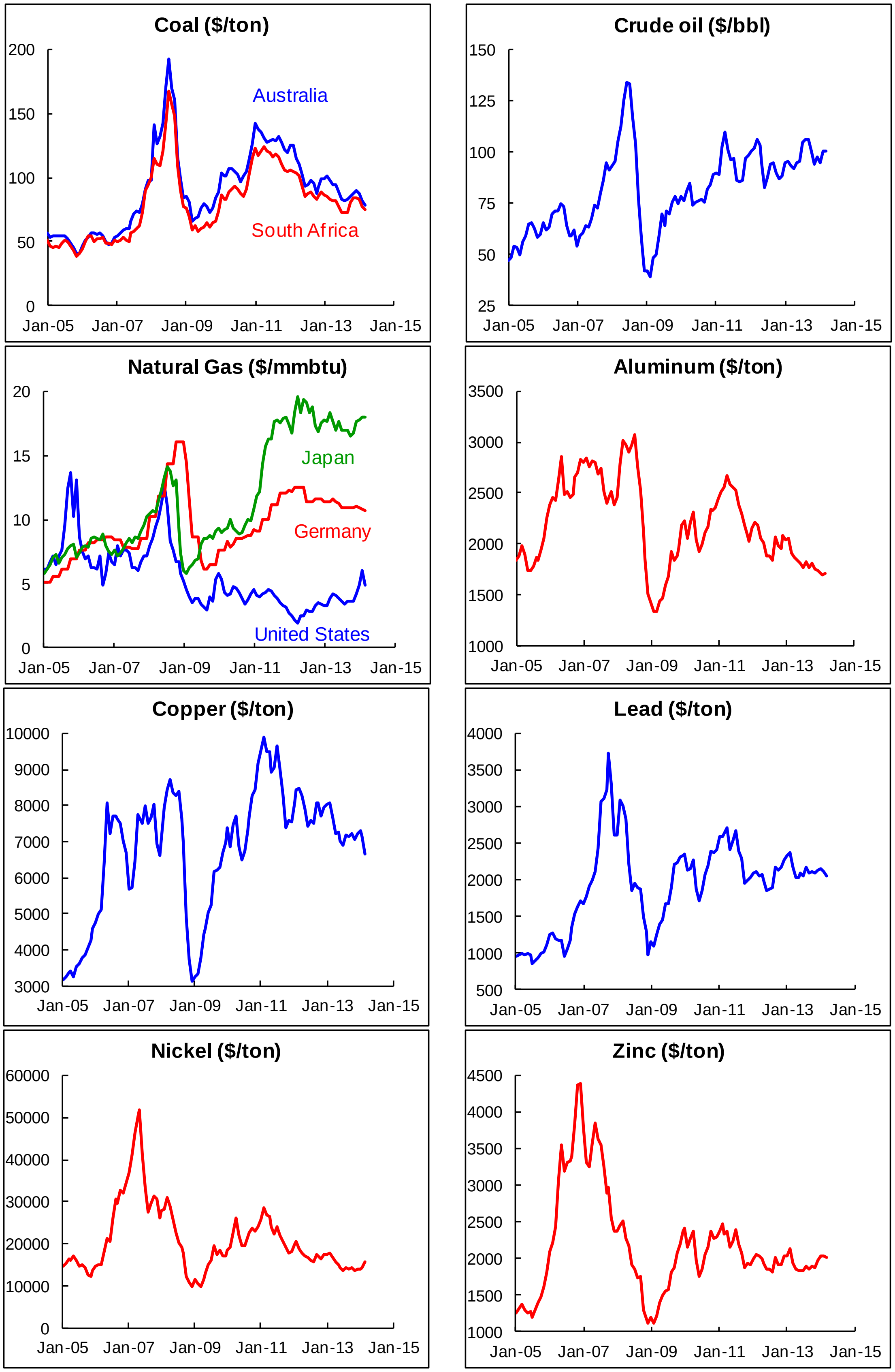
Table 2. Indices of Primary Commodity Prices

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

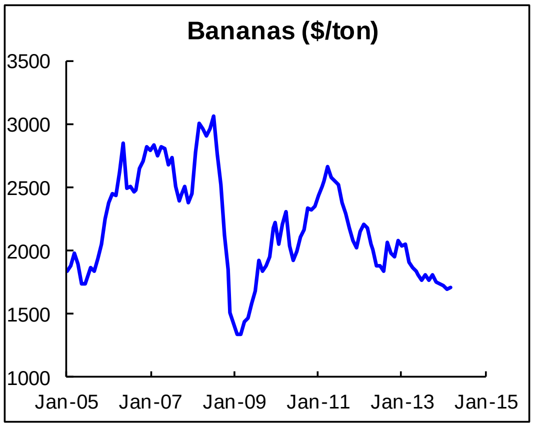
	(Weights) 1/	2011	2012	2013	2013Q2	2013Q3	2013Q4	2014Q1	Feb-2014	Mar-2014
All Primary Commodities 2/	100.0	192.4	186.3	183.3	179.2	184.8	182.1	182.1	183.3	183.0
Non-Fuel	36.9	190.0	171.0	169.0	169.9	166.0	165.1	167.1	166.7	169.5
Agriculture	26.2	173.9	162.8	163.3	167.3	161.6	159.5	165.4	164.6	171.3
Food	16.7	179.9	175.6	177.6	183.4	175.6	170.2	176.5	175.5	183.2
Cereals	3.6	231.2	236.4	218.3	232.0	209.3	191.5	191.2	189.9	202.4
Vegetable oils and protein meals	4.4	209.1	215.9	206.4	213.0	203.5	197.5	203.1	202.9	211.2
Meat	3.7	134.5	133.3	136.8	137.1	139.4	135.4	143.4	139.8	155.0
Seafood	3.2	139.3	113.3	160.1	165.6	158.6	167.6	185.9	186.4	179.6
Beverages	1.8	205.5	167.4	147.4	146.8	144.7	145.9	167.9	169.4	183.0
Agricultural Raw Materials 3/	7.7	153.5	134.0	136.2	137.0	135.0	139.7	140.6	139.9	142.7
Timber	3.4	110.8	107.4	107.3	109.0	107.4	109.0	108.2	108.3	108.4
Metals	10.7	229.7	191.0	182.9	176.5	177.0	178.6	171.1	172.0	165.0
Edibles 4/	18.5	182.4	174.8	174.6	179.9	172.6	167.8	175.7	174.9	183.2
Industrial Inputs 5/	18.4	197.8	167.1	163.3	159.9	159.4	162.3	158.3	158.5	155.6
Energy 6/	63.1	193.8	195.2	191.7	184.6	195.7	192.1	191.0	192.9	190.9
Petroleum 7/	53.6	195.9	197.9	195.9	187.0	201.8	196.8	195.2	197.2	195.7
Natural Gas	6.9	154.3	171.2	164.9	168.3	161.4	162.1	168.8	171.5	167.1
Coal	2.6	254.4	202.1	176.8	179.4	161.4	173.7	163.4	161.7	155.5

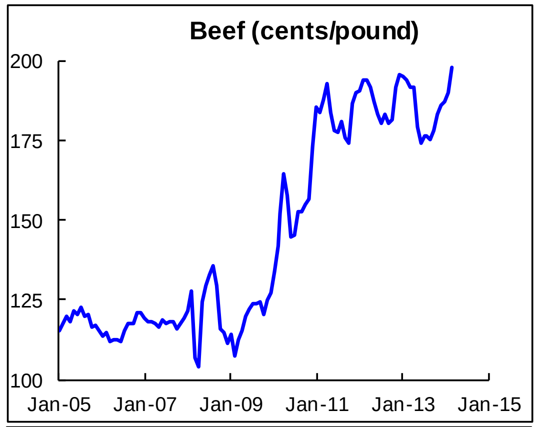
1/ Weights based on 2002-2004 average world export earnings.
2/ Non-Fuel Primary Commodities and Energy Index.
3/ Includes Forestry Products.
4/ Edibles comprised of Food and Beverages
5/ Industrial (Non-Fuel) Inputs comprised of Agriculture and Metals
6/ Includes Petroleum, Natural Gas and Coal.
7/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

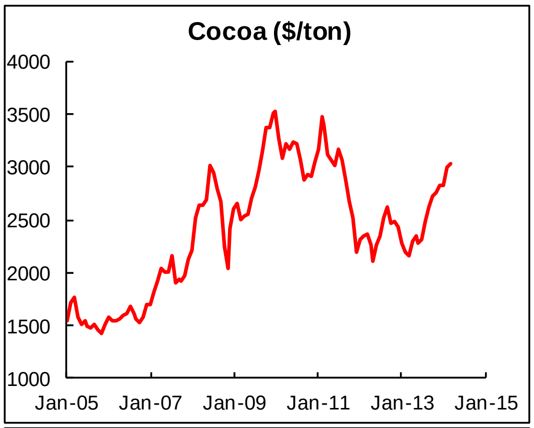
Commodity Prices in U.S. Dollars, 2005-2014

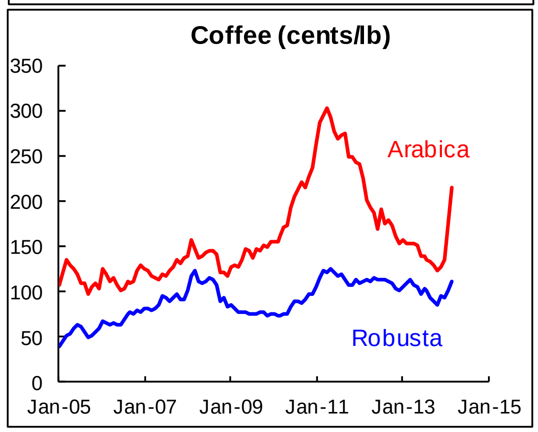


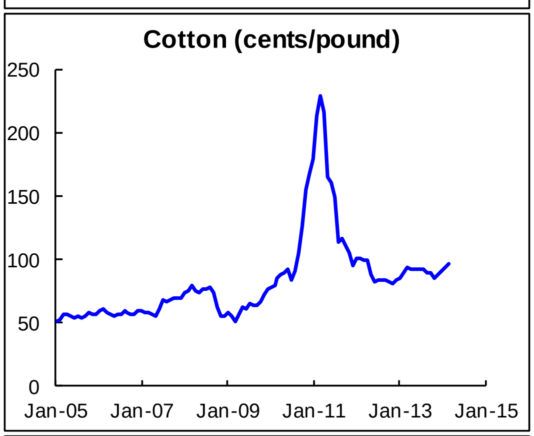
Commodity Prices in U.S. Dollars, 2005-2014 continued

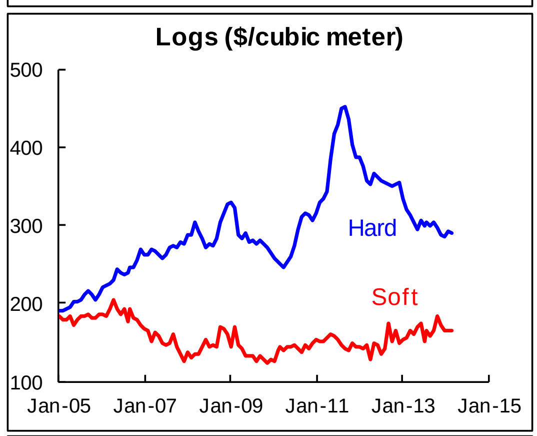


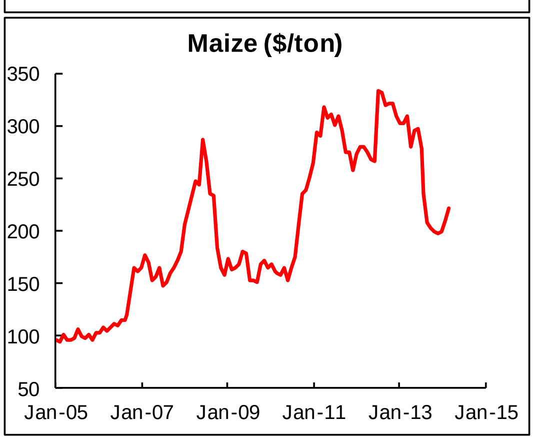


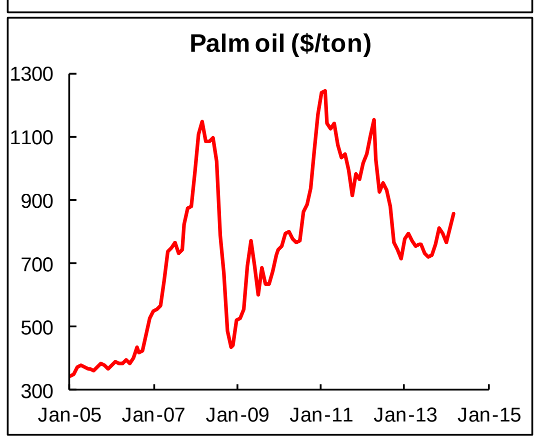




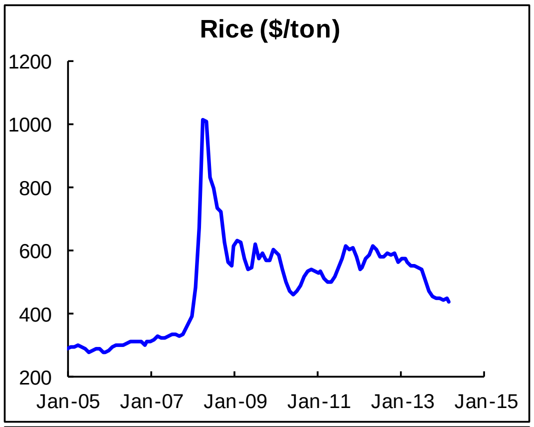


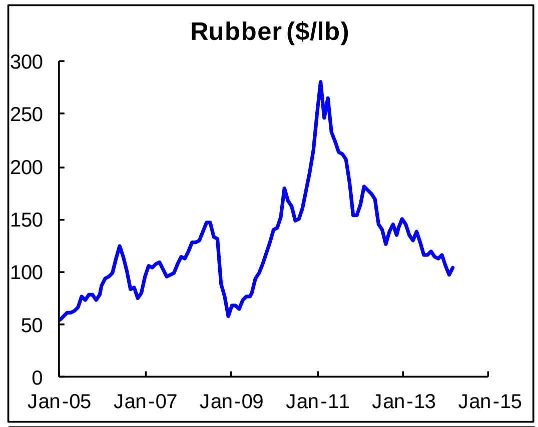


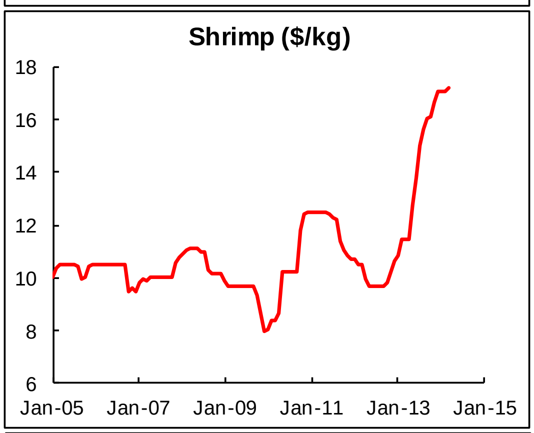


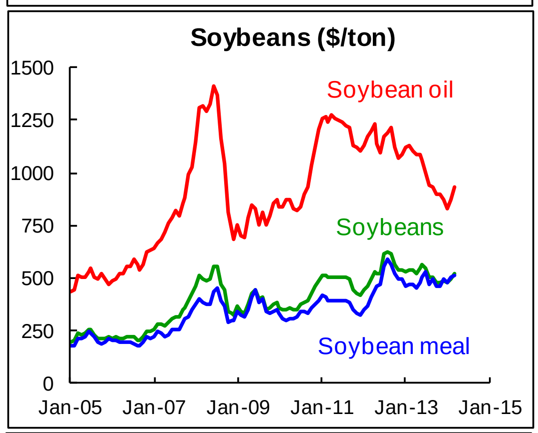


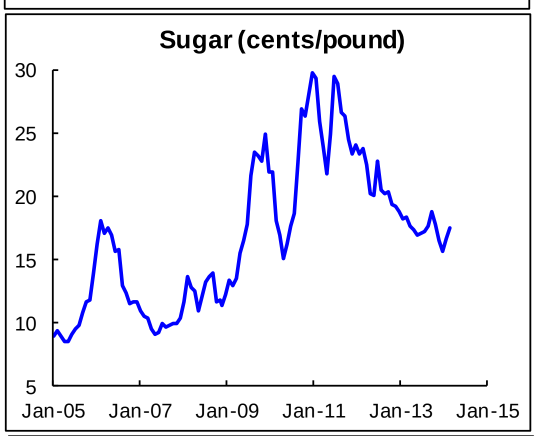
Commodity Prices in U.S. Dollars, 2005-2014 continued

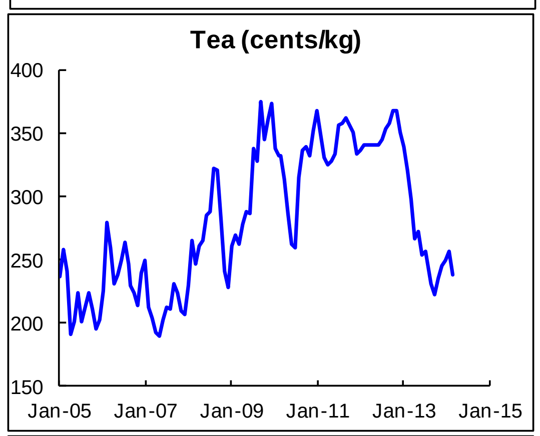


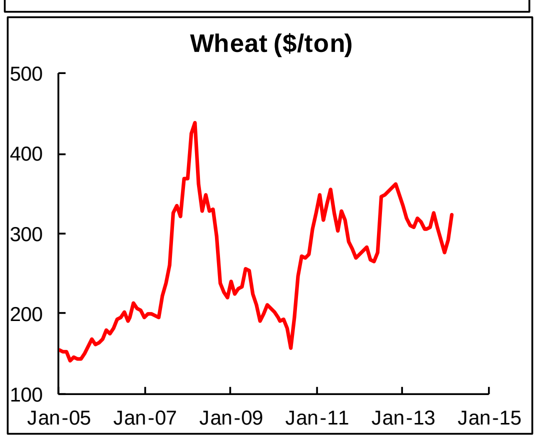


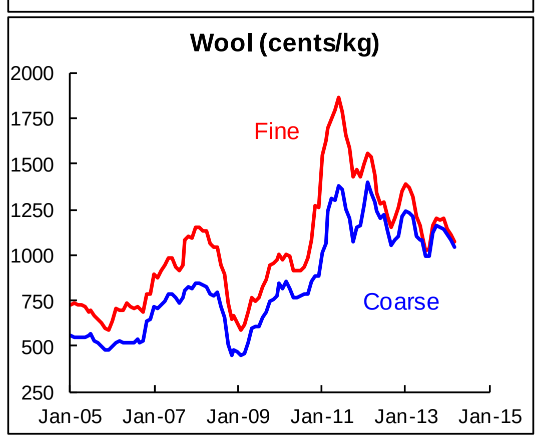












Commodity News Highlights

***Copper Market Forecast 2014-15*. International Copper Study Group. April 2, 2014.**

World apparent refined copper balance in 2013 showed a production shortfall relative to demand of around 80,000 metric tonnes (t) mainly due to constrained growth in refined production and growth in China's apparent demand. Although Chinese net imports were lower in 2013, refined production was significantly higher. Anecdotal evidence suggests that unreported inventories held in bonded warehouses in China declined during 2013. Accounting for the unreported inventory decline, estimated to total about 260,000 t, the market deficit would increase to about 540,000 t.

According to ICSG projections for 2014, after four consecutive years of apparent deficits, the copper market could show a production surplus relative to demand. World production of refined copper is expected to exceed demand for refined copper by about 400,000 t, as demand will lag behind the growth in production. For 2015, although growth in usage is anticipated to continue, another surplus could occur owing to an increase in refined output that exceeds the expected growth in usage.

After a period of underperformance, world mine production grew by 8% in 2013 compared with an average annual growth of 1.5% in the preceding 5 years. Although growth in 2013 was partially due to a recovery in production levels from constrained output in 2012, strong growth is expected to continue through 2015 owing to additional output from mine projects that were deferred during the financial crisis and expected to come on stream. After adjusting by historical disruption factors, world mine production is anticipated to grow by around 5% in 2014 and 7% in 2015 to 18.9 Million tonnes (Mt) and 20.3 Mt respectively. Most of the new production is expected to be in the form of copper in concentrate.

In 2014, world refined copper production is expected to increase by 6.5% to 22.4 Mt. Refined production will benefit from adequate availability of concentrate (and to a lesser extent from expanded solvent extraction and electro-winning (SX-EW) capacity in Africa) offsetting expected tightness in the scrap market. In 2015, refined copper production is expected to grow further by around 4.3% to 23.3 Mt.

ICSG expects world apparent refined demand in 2014 to grow by about 3% from that in 2013 to 22 Mt. Apparent demand in China is expected to increase by about 5% in 2014. Usage in the rest of the world is expected to increase by about 2%. With better prospects for the world economy in 2015, world usage is expected to continue its growth, with world ex-China growth increasing to 2.5% and Chinese growth at about 5%.

Apparent copper demand for China is based only on reported data (production + net trade +/- SHFE stock changes) and does not take into account changes in unreported stocks [State Reserve Bureau (SRB), producer, consumer and merchant/trader], which may be significant during periods of stocking or de-stocking and which could significantly alter supply-demand balances.

***Copper Preliminary Data for December 2013*. International Copper Study Group. March 28, 2014.**

Mine production in 2013 increased by 6% in Chile (342,000 t), the world's leading producer, and accounted for 32% of world mine production in 2013. Production also increased in Peru (6%), the United States (5%), Indonesia (28%), Mongolia (61%), the Democratic Republic of Congo (50%) and Zambia (7%). These seven countries combined contributed an additional 1 Mt of copper mine supply. On a regional basis, production rose by around 26% in Africa, 6% in the Americas, 10% in Asia, 2.5% in Europe, and 5% in Oceania. The average world mine capacity utilization rate for 2013 increased to around 85% from around 82% in 2012.