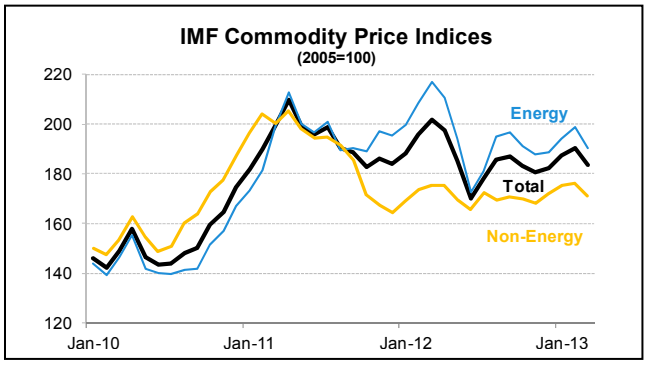
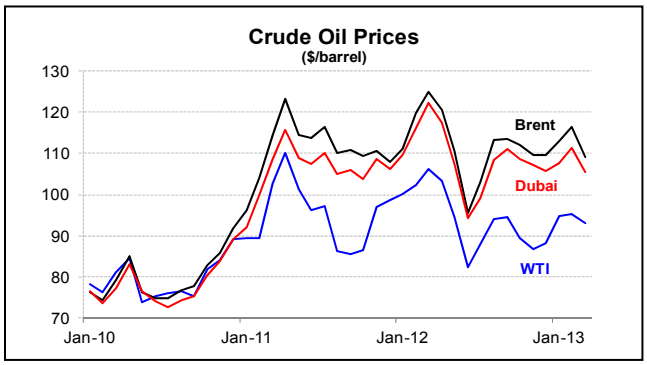
# Commodity Market Monthly

Research Department, Commodities Team

April 11, 2013 www.imf.org/commodity

**Commodity prices fell by 3.8 percent in March—the first decline in four months—on renewed demand concerns, improving supply prospects and, in part, appreciation of the dollar—up 0.9 percent against a broad group of countries. During the first quarter of 2013, commodity prices rose just 0.5 percent. From mid-February, prices declined sharply, particularly for industrial commodities, on weak demand conditions, rising stocks, and a stronger dollar.**



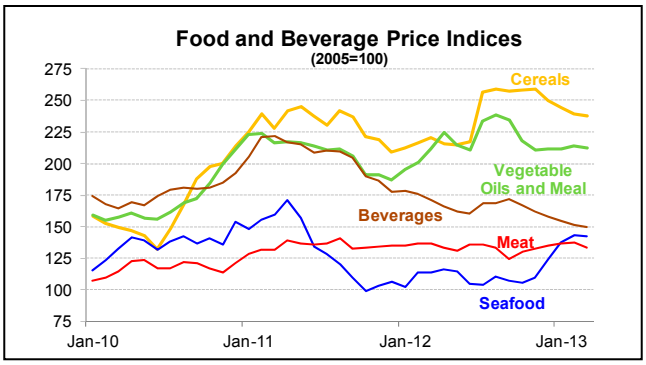



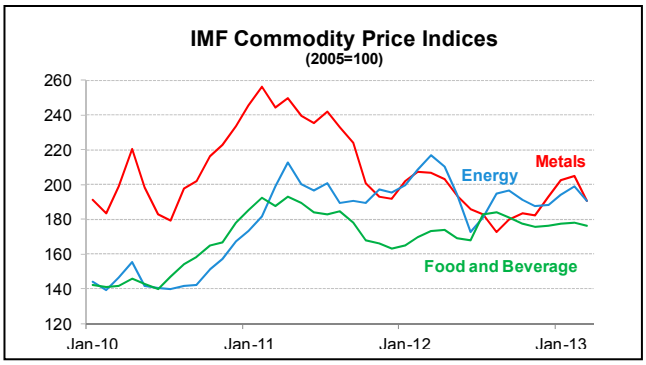

**Crude oil prices fell 4.7 percent** in March to $102.6/bbl, and dropped to near $100/bbl in early April, on worries about global demand amid rising production and stocks. Internationally traded crude prices fell most with Brent down more than 6 percent and slipping below $104/bbl in early April, due to weak demand and improving supplies from the North Sea. Geopolitical risks also appeared to subside, but a number remain. Global crude oil stocks built counter-seasonally and are especially large in the U.S. Oil product inventories, on the other hand, remain relatively tight, particularly for middle distillates in the North America. Contributing to weakening crude oil demand is a heavy period of refinery maintenance in the U.S., Europe and Asia which peaks in April. Crude demand is expected to increase in the second quarter, however, as refineries return from maintenance and ramp up production.

The price of U.S. WTI fell by only 2 percent m/m, and in fact rose steadily during the month, on falling stocks at Cushing OK and an expected improvement in debottlenecking crude transportation in the mid-continent. The WTI-Brent differential narrowed to $10/bbl at end March before a leak on the Pegasus pipeline moving Canadian heavy crude to refineries on the Texas Gulf coast caused the differential to widen once again. Over 1 mb/d of pipeline expansions to the Gulf coast are planned for this year, including the Seaway pipeline that commenced higher flows in January.

**Natural gas prices in the U.S. surged 13.6 percent** in March because of colder-than-normal weather and large withdrawals from storage. At end-March, working natural gas in storage was 32 percent lower than last year, and 2 percent below the five-year average. Dry gas production in January recorded its first year-over-year decline since February 2010.

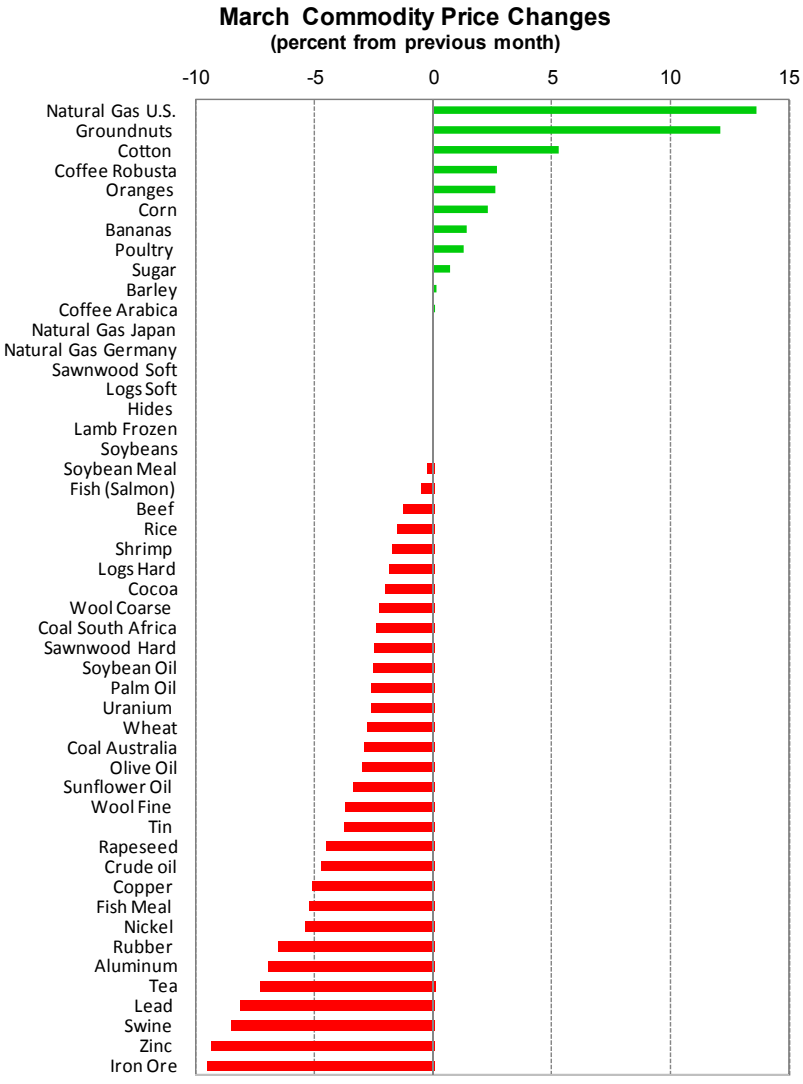
**In the agriculture sector food prices fell by 1.0 percent** in March, with declines in all main indices. Meat prices declined 3 percent led by a 12 percent drop in swine prices due to weak demand and rising slaughter volumes. Vegetable oils and protein meal prices fell 1 percent led by a 5 percent drop in rapeseed prices on an improving global supply outlook. Soybean oil and palm oil prices (close substitutes) both fell by 3 percent also on improving supply prospects in the Americas and Asia, respectively. Cereal prices fell 0.5 percent owing to a




3 percent drop in wheat prices—down a fourth straight month—on rising estimates for production and ending stocks. Corn prices were up 2 percent for the month, but have fallen sharply into early April on an expanding supply outlook and weaker demand, particularly for animal feed. **Beverage prices fell 1.2 percent**, led by a 7 percent drop in tea prices due surging production from favorable weather in Kenya. **Raw materials prices fell 0.8 percent**, with a 7 percent decline in rubber prices due to rising production and slowing demand in China. This was partly offset by a 5 percent increase in cotton prices on expectations that China will continue to build domestic inventories.

**Metals prices dropped 7.1 percent** in March on concerns about global demand, especially in China, and increases in stocks for most commodities. Prices fell for all metals led by 10 percent decline in iron ore due to a rapid buildup in Chinese steel inventories and improved shipments from Brazil and Australia following poor weather and logistical problems earlier this year. A wave of new iron supply expected to come online over the next few years. Zinc prices declined 9 percent on a rebound in Chinese production following a weather-related drop in January and February. Zinc stocks remain high although a significant portion is tied up in warehouse financing deals, similar to aluminum. Lead prices fell 8 percent, despite a decline in stocks, on weakening seasonal demand and a resurgence of supply outside China. The Paroo Station (formerly Magellan) mine in Australia, suspended in 2011 because of lead contamination, is due to resume production in the second quarter. Aluminum prices decreased 7 percent due to record high stocks, relatively weak demand, and continued capacity expansion in China—although some production cuts have been announced. Nickel prices fell 5 percent on sluggish demand, record high stocks, and rising production. Copper prices declined 5 percent due to an unrelenting climb in inventories, weak import demand in China, and ongoing supply expansion.



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

| | Units | 2010 | 2011 | 2012 | 2012Q2 | 2012Q3 | 2012Q4 | 2013Q1 | Feb-2013 | Mar-2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Food** | | | | | | | | | | |
| Cereals | | | | | | | | | | |
| Wheat | $/MT | 223.7 | 316.2 | 313.3 | 269.0 | 349.5 | 355.7 | 321.4 | 318.9 | 309.9 |
| Maize | $/MT | 186.0 | 291.8 | 298.4 | 270.1 | 328.6 | 317.3 | 305.1 | 302.5 | 309.5 |
| Rice | $/MT | 520.6 | 551.7 | 580.2 | 601.5 | 583.9 | 580.3 | 570.9 | 574.1 | 565.3 |
| Barley | $/MT | 158.4 | 207.2 | 238.2 | 236.3 | 252.0 | 249.1 | 239.4 | 240.5 | 240.8 |
| Vegetable oils and protein meals | | | | | | | | | | |
| Soybeans | $/MT | 384.9 | 484.2 | 537.8 | 524.2 | 615.8 | 544.4 | 532.8 | 536.4 | 536.1 |
| Soybean meal | $/MT | 331.3 | 378.9 | 473.3 | 454.7 | 565.9 | 500.1 | 464.6 | 469.2 | 468.0 |
| Soybean oil | $/MT | 924.8 | 1215.8 | 1151.8 | 1155.0 | 1192.4 | 1093.5 | 1119.2 | 1132.0 | 1102.9 |
| Palm oil | $/MT | 859.9 | 1076.5 | 939.8 | 1038.7 | 920.9 | 741.7 | 780.3 | 792.4 | 771.9 |
| Fish meal | $/MT | 1739.2 | 1519.3 | 1624.3 | 1522.8 | 1735.6 | 1928.9 | 1918.4 | 1882.6 | 1784.0 |
| Sunflower Oil | $/MT | 1186.0 | 1621.8 | 1489.5 | 1441.0 | 1546.1 | 1492.4 | 1493.8 | 1512.6 | 1462.0 |
| Olive oil | $/MT | 3171.3 | 3070.3 | 3135.7 | 2858.9 | 3209.1 | 3579.7 | 4004.9 | 4085.5 | 3964.6 |
| Groundnuts | $/MT | 1239.4 | 1724.0 | 1880.5 | 1832.5 | 1802.4 | 2036.6 | 2208.1 | 2104.0 | 2358.8 |
| Rapeseed oil | $/MT | 1011.7 | 1366.6 | 1239.1 | 1241.1 | 1233.0 | 1202.5 | 1196.0 | 1217.6 | 1162.4 |
| Meat | | | | | | | | | | |
| Beef | cts/lb | 152.5 | 183.2 | 187.9 | 187.7 | 181.2 | 189.7 | 193.8 | 194.3 | 191.8 |
| Lamb | cts/lb | 145.7 | 149.2 | 100.9 | 99.8 | 89.5 | 89.5 | 97.1 | 98.4 | 98.4 |
| Swine Meat | cts/lb | 74.4 | 89.1 | 82.8 | 83.6 | 83.2 | 79.3 | 79.7 | 83.1 | 73.4 |
| Poultry | cts/lb | 85.8 | 87.4 | 94.3 | 93.9 | 95.1 | 96.7 | 100.2 | 100.2 | 101.5 |
| Seafood | | | | | | | | | | |
| Fish | $/kg | 6.1 | 5.9 | 4.8 | 8.2 | 8.3 | 8.1 | 7.1 | 6.6 | 6.5 |
| Shrimp | $/kg | 7.5 | 8.2 | 8.2 | 4.8 | 4.6 | 4.9 | 6.5 | 7.0 | 6.9 |
| Sugar | | | | | | | | | | |
| Free market | cts/lb | 20.9 | 26.2 | 21.4 | 20.9 | 21.2 | 19.6 | 18.5 | 18.2 | 18.3 |
| United States | cts/lb | 31.1 | 37.6 | 28.9 | 30.4 | 27.8 | 23.1 | 22.0 | 21.8 | 21.5 |
| EU | cts/lb | 25.7 | 26.7 | 26.4 | 26.3 | 26.3 | 26.7 | 25.8 | 25.7 | 25.1 |
| Bananas | $/MT | 881.4 | 975.9 | 984.3 | 980.4 | 962.8 | 947.4 | 932.6 | 925.4 | 938.6 |
| Oranges | $/MT | 1033.2 | 891.1 | 868.0 | 843.8 | 995.5 | 861.9 | 843.2 | 883.6 | 907.0 |
| **Beverages** | | | | | | | | | | |
| Coffee | | | | | | | | | | |
| Other milds | cts/lb | 194.4 | 273.2 | 187.6 | 183.2 | 182.1 | 162.4 | 154.8 | 153.0 | 153.0 |
| Robusta | cts/lb | 84.1 | 116.0 | 110.6 | 113.7 | 112.4 | 105.0 | 109.4 | 109.7 | 112.7 |
| Cocoa Beans | $/MT | 3130.6 | 2978.5 | 2377.1 | 2215.2 | 2494.1 | 2457.8 | 2208.8 | 2197.7 | 2153.4 |
| Tea | cts/kg | 316.7 | 346.2 | 348.9 | 341.0 | 352.3 | 362.6 | 319.1 | 320.9 | 297.4 |
| **Agricultural raw materials** | | | | | | | | | | |
| Timber | | | | | | | | | | |
| Hardwood | | | | | | | | | | |
| Logs 1/ | $/M3 | 278.2 | 390.5 | 360.5 | 883.8 | 864.3 | 874.4 | 845.2 | 319.7 | 313.8 |
| Sawnwood 1/ | $/M3 | 848.3 | 939.4 | 876.3 | 361.0 | 355.1 | 352.7 | 322.5 | 842.9 | 822.0 |
| Softwood | | | | | | | | | | |
| Logs 1/ | $/M3 | 141.5 | 150.0 | 148.0 | 140.8 | 150.4 | 155.9 | 152.6 | 152.6 | 152.6 |
| Sawnwood 1/ | $/M3 | 281.8 | 280.9 | 284.7 | 296.0 | 295.4 | 283.2 | 275.6 | 275.6 | 275.6 |
| Cotton | cts/lb | 103.5 | 154.6 | 89.2 | 90.3 | 84.2 | 82.1 | 89.9 | 89.7 | 94.4 |
| Wool | | | | | | | | | | |
| Fine | cts/kg | 1023.2 | 1638.2 | 1345.3 | 1355.7 | 1217.9 | 1273.0 | 1362.4 | 1374.6 | 1324.1 |
| Coarse | cts/kg | 820.1 | 1209.2 | 1212.6 | 1243.2 | 1138.0 | 1131.1 | 1227.5 | 1236.2 | 1208.1 |
| Rubber | cts/lb | 165.7 | 218.5 | 153.2 | 162.9 | 134.7 | 140.4 | 143.1 | 144.5 | 135.0 |
| Hides | cts/lb | 72.0 | 82.0 | 83.2 | 84.0 | 85.3 | 86.0 | 86.0 | 86.0 | 86.0 |

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 | 2010 | 2011 | 2012 | 2012Q2 | 2012Q3 | 2012Q4 | 2013Q1 | Feb-2013 | Mar-2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Metals** | | | | | | | | | | |
| Copper | $/MT | 7538.4 | 8823.5 | 7958.9 | 7870.2 | 7727.5 | 7913.2 | 7922.3 | 8060.9 | 7652.4 |
| Aluminum | $/MT | 2173.0 | 2400.6 | 2022.8 | 1978.8 | 1927.9 | 2003.3 | 2000.8 | 2053.6 | 1911.3 |
| Iron Ore | $/MT | 146.7 | 167.8 | 128.5 | 139.5 | 111.7 | 121.1 | 148.3 | 154.6 | 139.9 |
| Tin | $/MT | 20367.2 | 26051.4 | 21109.4 | 20555.1 | 19331.0 | 21609.2 | 24037.5 | 24211.7 | 23302.0 |
| Nickel | $/MT | 21810.0 | 22909.1 | 17541.7 | 17154.9 | 16373.5 | 16984.2 | 17305.3 | 17690.1 | 16731.7 |
| Zinc | $/MT | 2160.4 | 2195.5 | 1950.0 | 1928.9 | 1891.3 | 1952.3 | 2029.7 | 2128.7 | 1929.2 |
| Lead | $/MT | 2148.2 | 2400.7 | 2063.6 | 1974.6 | 1985.6 | 2201.2 | 2291.2 | 2365.8 | 2173.4 |
| Uranium | $/lb | 46.0 | 56.2 | 48.9 | 51.3 | 49.1 | 43.3 | 42.8 | 43.4 | 42.3 |
| Energy | | | | | | | | | | |
| Spot Crude 2/ | $/bbl | 79.0 | 104.0 | 105.0 | 102.9 | 102.8 | 101.9 | 105.1 | 107.7 | 102.6 |
| U.K. Brent | $/bbl | 79.6 | 111.0 | 112.0 | 108.9 | 110.0 | 110.4 | 112.9 | 116.5 | 109.2 |
| Dubai | $/bbl | 78.1 | 106.0 | 108.9 | 106.4 | 106.2 | 107.1 | 108.1 | 111.2 | 105.5 |
| West Texas Intermediate | $/bbl | 79.4 | 95.0 | 94.1 | 93.4 | 92.2 | 88.1 | 94.4 | 95.3 | 93.1 |
| Natural Gas | | | | | | | | | | |
| Russian in Germany | $/000M3 | 296.0 | 381.5 | 431.3 | 452.4 | 409.9 | 418.2 | 409.3 | 409.0 | 409.0 |
| Indonesian in Japan (LNG) | $/M3 | 197.4 | 327.2 | 381.8 | 401.7 | 394.5 | 362.0 | 374.3 | 374.3 | 374.3 |
| US, domestic market | $/000M3 | 158.0 | 144.0 | 99.2 | 82.1 | 103.9 | 122.4 | 125.4 | 120.0 | 136.3 |
| Coal | | | | | | | | | | |
| South African, export markets | $/MT | 91.6 | 116.3 | 92.9 | 93.5 | 87.4 | 85.8 | 84.8 | 85.1 | 83.1 |
| Australian, export markets | $/MT | 106.0 | 130.1 | 103.2 | 102.4 | 95.8 | 93.1 | 100.0 | 101.7 | 98.7 |

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

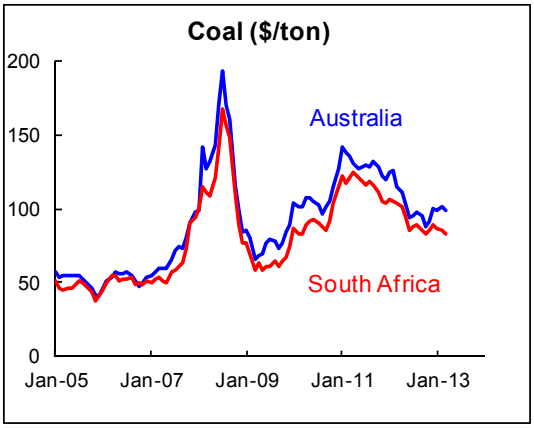
## Table 2. Indices of Primary Commodity Prices

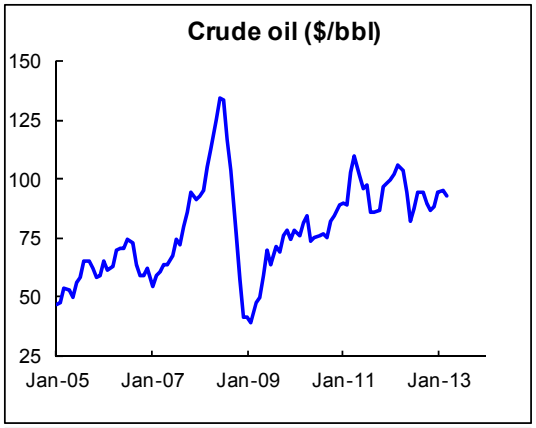
*(2005=100, in terms of U.S. dollars) 1/*

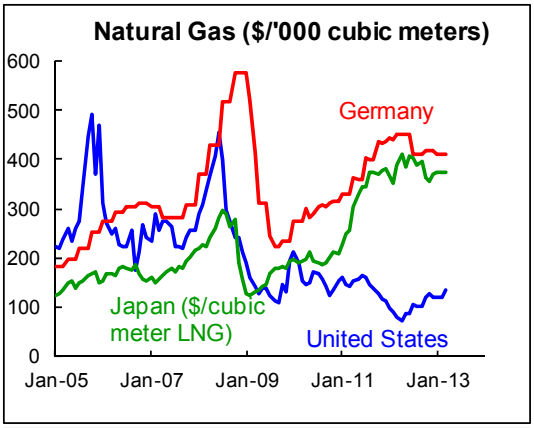
| | (Weights) 1/ | 2010 | 2011 | 2012 | 2012Q2 | 2012Q3 | 2012Q4 | 2013Q1 | Feb-2013 | Mar-2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| **All Primary Commodities 2/** | 100.0 | 152.2 | 192.2 | 186.2 | 184.2 | 183.4 | 182.0 | 187.1 | 190.5 | 183.3 |
| **Non-Fuel** | 36.9 | 160.9 | 189.5 | 170.9 | 170.1 | 170.8 | 170.0 | 174.3 | 176.4 | 171.1 |
| **Edibles** | 18.5 | 151.9 | 181.3 | 174.6 | 170.1 | 182.5 | 176.4 | 177.2 | 177.9 | 176.1 |
| Food | 16.7 | 149.2 | 178.6 | 175.4 | 170.9 | 183.9 | 178.0 | 179.9 | 180.7 | 179.0 |
| Cereals | 3.6 | 166.5 | 231.2 | 236.4 | 215.8 | 257.5 | 255.6 | 240.3 | 239.1 | 237.9 |
| Vegetable oils and protein meals | 4.4 | 170.4 | 209.1 | 217.1 | 216.7 | 235.6 | 213.5 | 212.5 | 213.7 | 212.2 |
| Meat | 3.7 | 117.2 | 134.5 | 133.3 | 133.4 | 131.0 | 132.5 | 135.5 | 137.2 | 132.4 |
| Seafood | 3.2 | 135.9 | 132.8 | 110.4 | 111.8 | 107.1 | 113.0 | 141.0 | 143.1 | 142.3 |
| Beverages | 1.8 | 176.2 | 205.5 | 167.4 | 162.7 | 169.6 | 162.0 | 152.2 | 151.7 | 149.9 |
| **Industrial Inputs** | 18.4 | 169.9 | 197.8 | 167.1 | 170.0 | 159.0 | 163.4 | 171.5 | 174.9 | 166.0 |
| Agricultural Raw Materials 3/ | 7.7 | 125.1 | 153.5 | 134.0 | 136.6 | 131.9 | 132.1 | 132.8 | 132.9 | 131.8 |
| Timber | 3.4 | 101.1 | 110.8 | 107.4 | 109.1 | 108.5 | 107.1 | 103.0 | 102.7 | 101.6 |
| Metals | 10.7 | 202.3 | 229.7 | 191.0 | 194.2 | 178.5 | 186.1 | 199.4 | 205.2 | 190.6 |
| **Energy 4/** | 63.1 | 147.1 | 193.8 | 195.2 | 192.4 | 190.8 | 189.1 | 194.5 | 198.7 | 190.5 |
| Petroleum 5/ | 53.6 | 148.5 | 195.9 | 197.9 | 193.9 | 193.7 | 192.3 | 198.1 | 202.9 | 193.3 |
| Natural Gas | 6.9 | 113.3 | 154.3 | 171.2 | 178.0 | 169.3 | 166.8 | 167.3 | 166.8 | 168.2 |
| Coal | 2.6 | 205.9 | 254.4 | 202.1 | 201.0 | 188.0 | 183.1 | 193.4 | 196.4 | 190.8 |

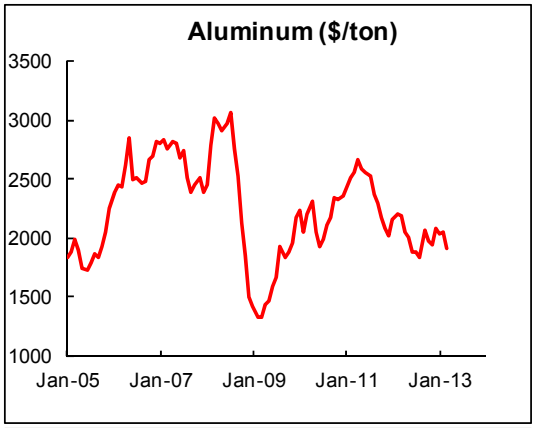
1/ Weights based on 2002-2004 average world export earnings.
2/ Non-Fuel Primary Commodities and Energy Index.
3/ Includes forestry products.
4/ Includes petroleum, natural gas and coal.
5/ Average Petroleum Spot Price (APSP). Average of U.K. Brent, Dubai, and West Texas Intermediate, equally weighted.

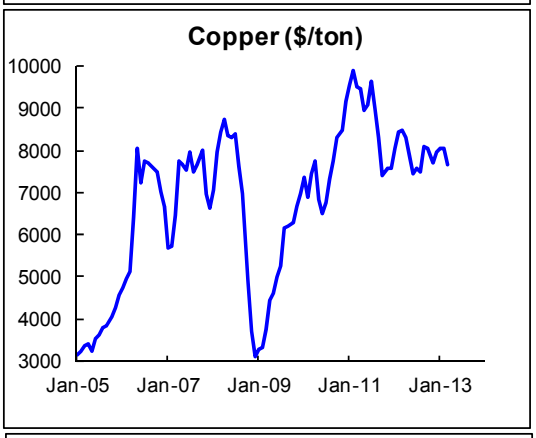
# Commodity Prices in U.S. Dollars, 2005-2013

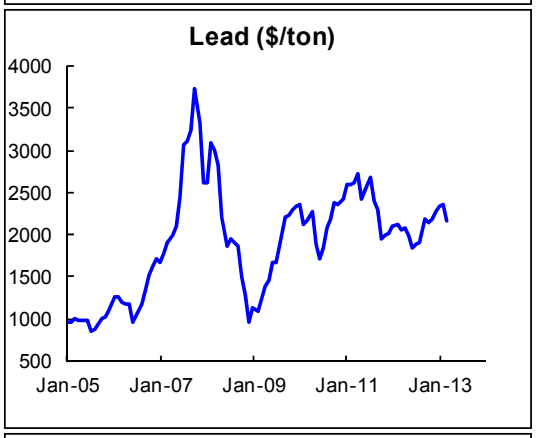


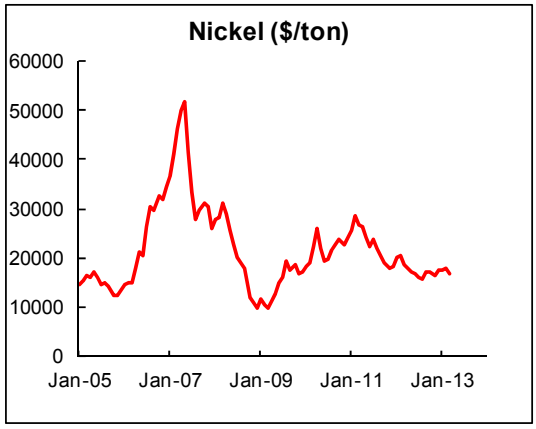



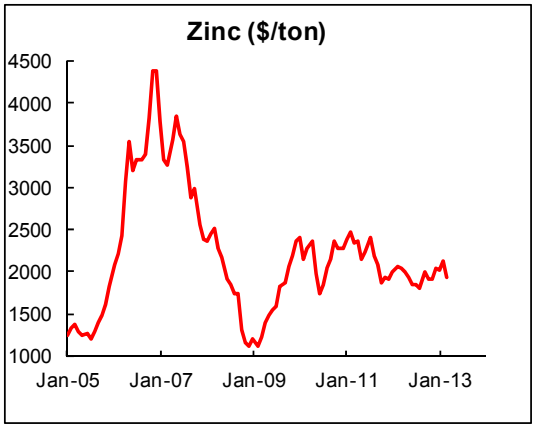



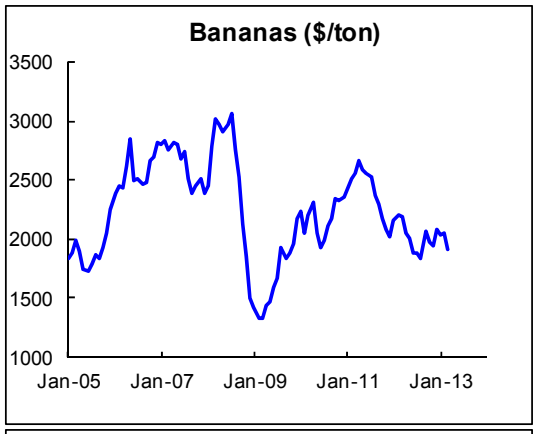



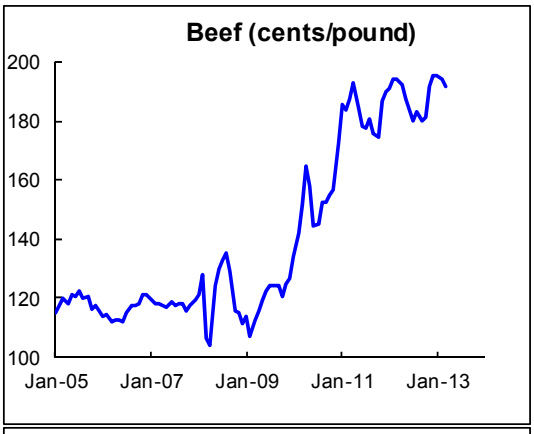



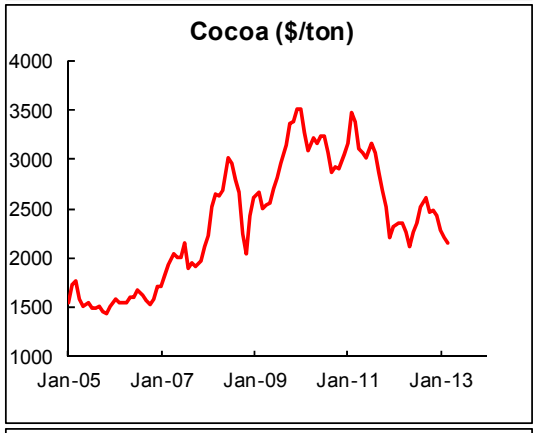



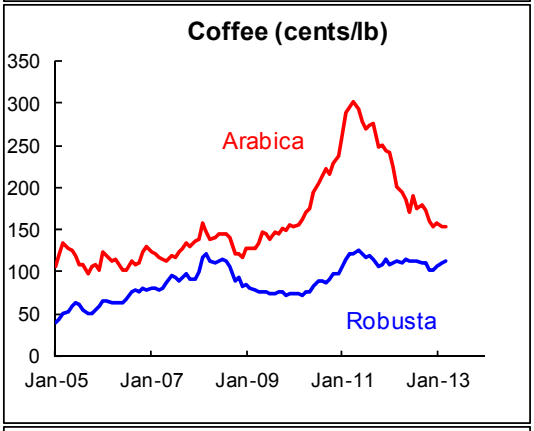



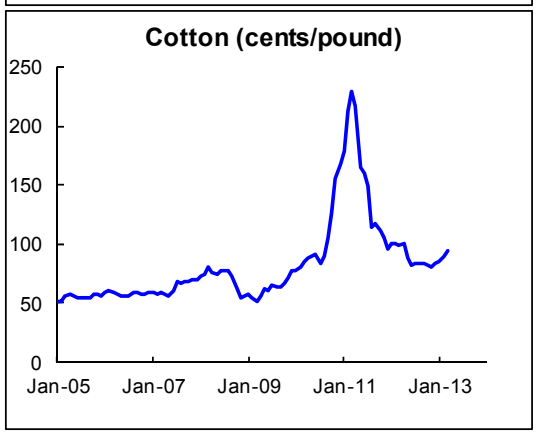
# Commodity Prices in U.S. Dollars, 2005-2013 continued

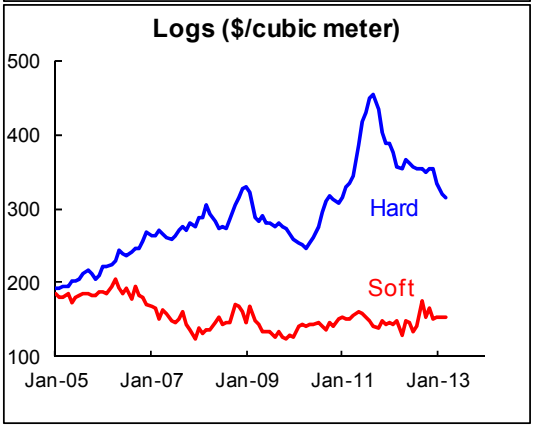


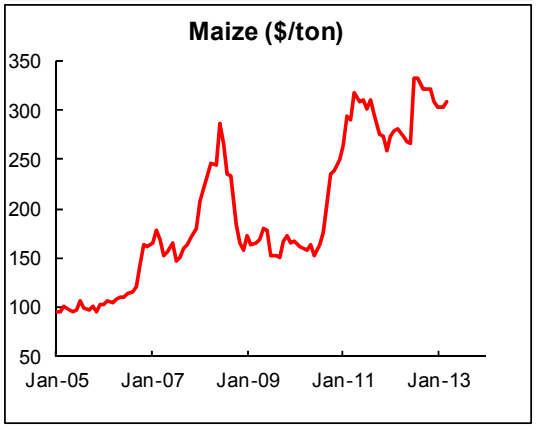



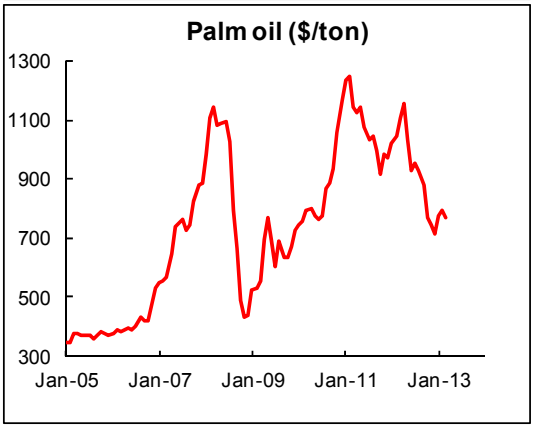



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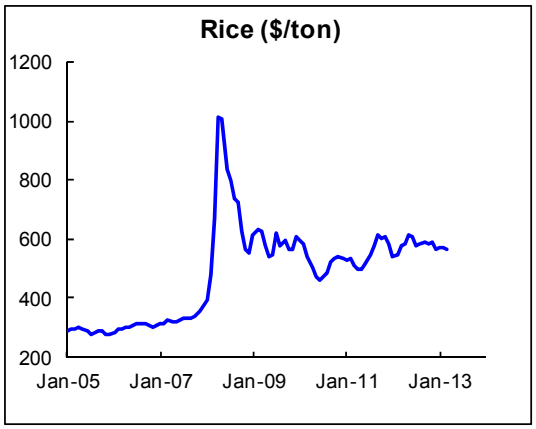


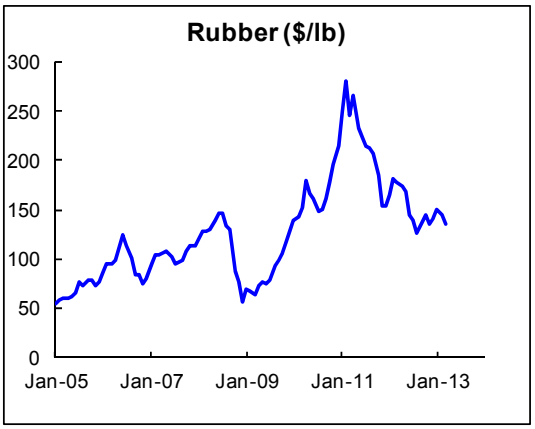


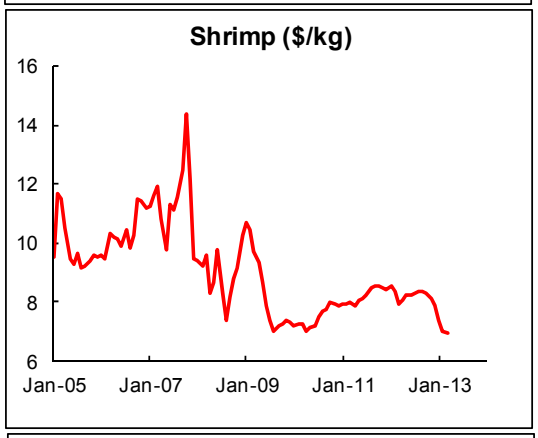


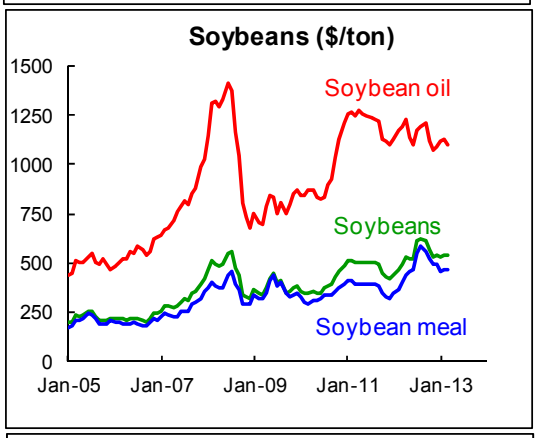


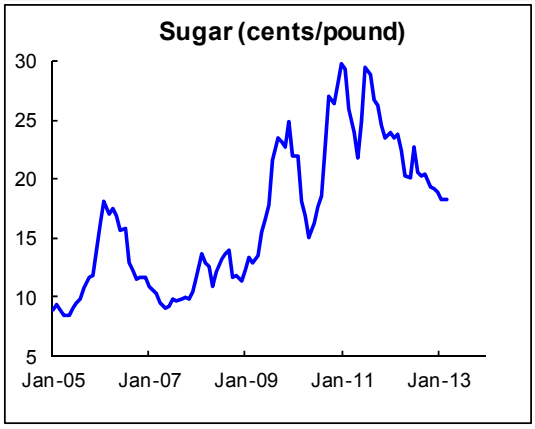


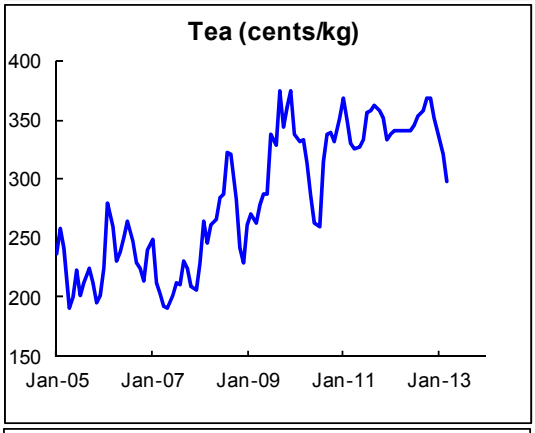


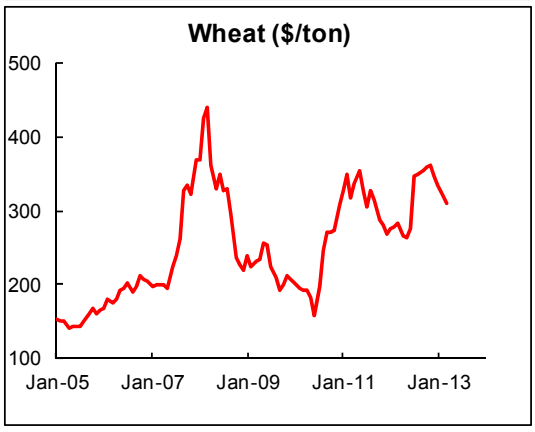


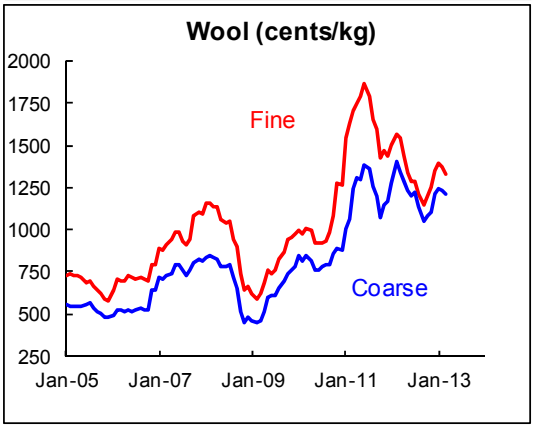

# Commodity News Highlights

***Energy Subsidy Reform: Lessons and Implications*. International Monetary Fund, March 2013.**

**Energy subsidies have wide-ranging economic consequences**.
While aimed at protecting consumers, subsidies aggravate fiscal imbalances, crowd-out priority public spending, and depress private investment, including in the energy sector. Subsidies also distort resource allocation by encouraging excessive energy consumption, artificially promoting capital-intensive industries, reducing incentives for investment in renewable energy, and accelerating the depletion of natural resources. Most subsidy benefits are captured by higher-income households, reinforcing inequality. Even future generations are affected through the damaging effects of increased energy consumption on global warming. This paper provides the most comprehensive estimates of energy subsidies currently available for 176 countries, an analysis of how to do energy subsidy reform, drawing on insights from 22 country case studies.

**Energy subsidies are pervasive and impose substantial fiscal and economic costs in most regions**.
On a pre-tax basis, subsidies for petroleum products, electricity, natural gas, and coal reached $480 billion in 2011 (0.7 percent of global GDP or 2 percent of total government revenues). The cost of subsidies is especially acute in oil exporters, which account for about two-thirds of the total. On a post-tax basis—which also factors in the negative externalities from energy consumption—subsidies are much higher at $1.9 trillion (2½ percent of global GDP or 8 percent of total government revenues). The advanced economies account for about 40 percent of the global post-tax total, while oil exporters account for about one-third. Removing these subsidies could lead to a 13 percent decline in $CO_2$ emissions and generate positive spillover effects by reducing global energy demand.

**Reform efforts**
In 2009, the Group of 20 advanced and emerging market economies called for a phase out of inefficient fossil fuel subsidies in all countries, and reaffirmed in 2012. Despite the potential gains, many countries have had difficulty reforming subsidies. When reforms are made, prices increase, and this has often led to widespread public protests. The absence of public support for subsidy reform is in part due to a lack of confidence in the ability of governments to shift the resulting budgetary savings to programs that would compensate the poor and middle class for the higher energy prices they face. This problem is particularly challenging in oil-exporting countries, where subsidies are seen as a mechanism to distribute the benefits of natural resource endowments to their populations and where the capacity to administer targeted social programs is typically limited. Governments are also often concerned that higher energy prices will adversely affect their competitiveness.

**Country experiences suggest there are six key elements for subsidy reform.**
These are: (i) a comprehensive energy sector reform plan entailing clear long-term objectives, analysis of the impact of reforms, and consultation with stakeholders; (ii) an extensive communications strategy, supported by improvements in transparency, such as the dissemination of information on the magnitude of subsidies and the recording of subsidies in the budget; (iii) appropriately phased price increases, which can be sequenced differently across energy products; (iv) improving the efficiency of state-owned enterprises to reduce producer subsidies; (v) targeted measures to protect the poor; and (vi) institutional reforms that depoliticize energy pricing, such as the introduction of automatic pricing mechanisms.