

Commodity Market Monthly



Research Department, Commodities Team*

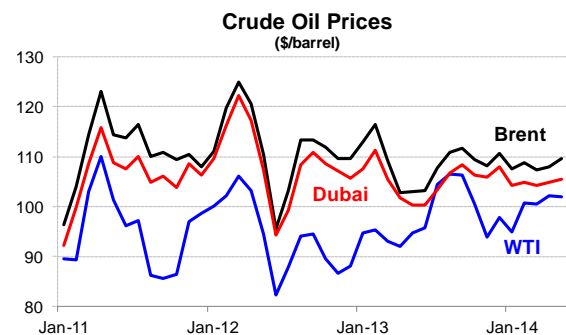
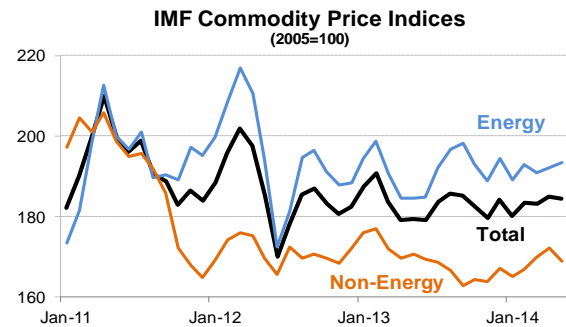
June 11, 2014

www.imf.org/commodities

Commodity prices fell by 0.2 percent in May, with moderate gains in energy more than offset by a nearly 2 percent decrease in non-energy commodities. Most metal prices fell on surplus supply conditions and concerns of slowing demand in China, although Indonesia's export ban has given a boost to nickel prices. Many agriculture prices declined on improved growing conditions in various locales, and reduced damage from drought in Brazil on recent rains.

Crude oil prices rose by 0.8 percent in May, averaging \$105.7/bbl, on tensions surrounding events in Ukraine, and ongoing supply outages, notably in Libya. Prices edged higher in early June and are just above average levels of the last three years. Oil demand outside North America has slowed, particularly for diesel and particularly in Asia. Part of the decline in global demand is seasonal but is picking up as refinery maintenance ends. Libyan production is below 0.2 mb/d—down from pre-war levels of 1.6 mb/d—due to continued protests and armed conflict. OPEC production has been relatively steady at just under its 30 mb/d target, and the group decided to leave this level unchanged at its meeting June 11th. About 2.5 mb/d of OPEC output is offline from Libya, Iraq, Iran and Nigeria. If a large portion of this oil returns to the market, OPEC could be challenged to restrain overall production.

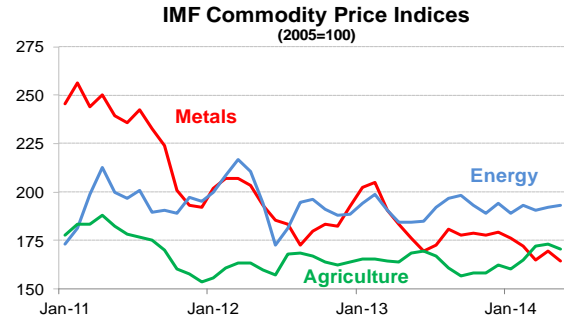
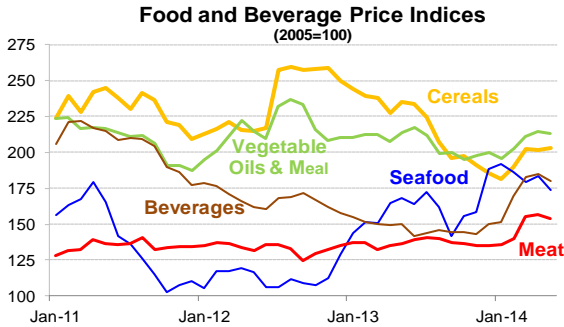
The Brent-WTI spread narrowed to \$6.4/bbl in May, as inventories continued to plunge at Cushing OK as the result of new pipeline capacity to the Gulf coast. However, the surplus of light crude has now accumulated on the Gulf coast where stocks are near record highs. The surge in domestic light crude production has essentially eliminated light crude imports from Europe and Africa. Gulf refineries are running at relatively high utilization rates and exporting surplus products, but are struggling with quality mismatches, as these facilities were designed to run primarily medium/heavy sour crudes.



Natural gas prices in the U.S. fell by 1.9 percent in May on weak demand and moderate temperatures. Stocks are rebuilding seasonally but are substantially below the 5-year average. Spot gas prices in Asia and Europe continue to drop on weak demand and large inventories. **Coal prices in Australia rose 1.2 percent in May** following 4 monthly declines, but markets remain in surplus due to weak demand.

Agriculture prices fell by 1.5 percent in May, with declines in most main indices. The largest decrease was for swine prices, down 8 percent, as demand slowed following a 50 percent price jump this year due to disease that killed 10 percent of the U.S. swine population. Salmon prices fell 6 percent on ample Norwegian supply availability following a mild winter. Rapeseed oil prices decreased 6 percent due to high stocks and a favorable production outlook. Among other oils, soybean oil prices fell 4 percent

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on weak demand for biodiesel and more-than-adequate supplies of competing oils—such as palm oil with prices falling 3 percent on weak demand and higher production from Malaysia and Indonesia. Rubber prices declined 6 percent due to large production growth from Thailand. Arabica coffee prices fell 5 percent as rains in Brazil reduced the impact of the worst drought in 50 years. Corn prices fell 2 percent as favorable weather conditions bolstered prospects of a large U.S. crop. Partly offsetting these declines was a 7 percent gain in orange prices on reduced production prospects in the U.S. and Brazil. Barley prices climbed 6 percent on concerns about dry growing conditions in Russia and reduced planting in Canada. Wheat prices rose 3 percent on weather concerns in the U.S., but after peaking in early May prices have fallen on improved growing conditions in the U.S., Russia and Europe.

Metals prices fell by 2.9 percent in May—down four of the last five months—partly due to concerns about slowing demand in China. The largest decline was for uranium prices, plunging 13 percent, due to excess global supply and delays restarting Japan’s nuclear power plants. A Japanese court in May ruled against restarting two reactors following safety checks because of residents’ safety fears. Iron ore prices dropped 12 percent, as rapid increases in low-cost supplies from Australia and Brazil exceed demand. Falling iron ore prices are threatening China’s high-cost producers, but the extent/timing of possible closures is uncertain. Aluminum prices fell 3 percent on continued oversupply conditions, but prices jumped in late-May/early-June on expectations that Indonesia’s export ban may affect bauxite, the primary resource for manufacturing aluminum. Partly offsetting these gains was a 12 percent surge in nickel prices mainly due to

Indonesia’s January 12th export ban on unprocessed ore. However, nickel prices fell from their highs into early June as stocks are still at record levels and severe market tightening is not expected until 2015. Copper prices rose 3 percent on a steady decline in LME stocks, but prices reverted lower in early June due to a bonded warehouse financing probe at China’s port of Qingdao over alleged pledging of metal multiple times as collateral for loans.

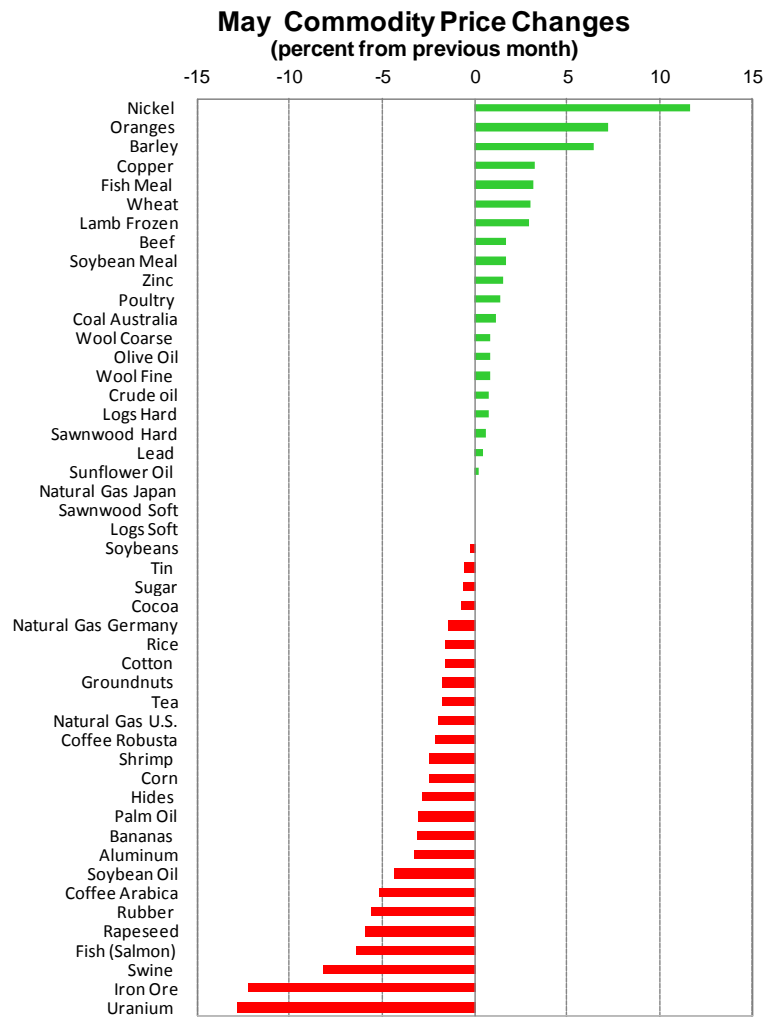


Table 1. Market Prices for Non-Fuel and Fuel Commodities

	Units	2011	2012	2013	2013Q2	2013Q3	2013Q4	2014Q1	Apr-2014	May-2014
Food										
Cereals										
Wheat	\$/MT	316.2	313.3	312.2	313.8	305.9	307.8	297.1	324.9	334.7
Maize	\$/MT	291.8	298.4	259.0	290.9	240.4	199.5	210.1	222.4	216.9
Rice	\$/MT	551.7	580.2	518.8	550.7	504.0	449.9	440.7	409.9	403.6
Barley	\$/MT	207.2	238.8	206.4	231.5	197.2	157.3	162.7	163.4	173.9
Vegetable oils and protein meals										
Soybeans	\$/MT	484.2	537.8	517.2	540.0	516.5	479.4	498.3	547.2	546.0
Soybean meal	\$/MT	378.9	473.3	477.3	475.6	496.5	472.5	493.3	533.6	542.8
Soybean oil	\$/MT	1215.8	1151.8	1011.1	1076.0	960.0	889.2	877.9	934.1	893.5
Palm oil	\$/MT	1076.5	939.8	764.2	761.0	726.2	789.4	813.7	825.3	800.2
Fish meal	\$/MT	1519.3	1624.3	1710.5	1799.6	1581.8	1542.2	1657.9	1763.8	1820.1
Sunflower Oil	\$/MT	1621.8	1489.5	1341.1	1458.9	1228.7	1182.9	1133.1	1125.1	1127.3
Olive oil	\$/MT	3070.3	3135.7	3816.7	3843.9	3761.4	3656.6	3599.0	3602.3	3631.6
Groundnuts	\$/MT	1724.0	1688.2	2314.5	2506.3	2347.1	2312.7	2377.3	2256.2	2217.6
Rapeseed oil	\$/MT	1366.6	1239.1	1081.2	1122.8	993.2	1012.8	980.3	1008.3	949.0
Meat										
Beef	cts/lb	183.2	187.9	183.6	181.8	176.3	182.4	191.8	191.2	194.5
Lamb	cts/lb	149.2	100.9	106.7	103.9	109.2	116.4	124.1	132.3	136.2
Swine Meat	cts/lb	89.1	82.8	86.5	88.4	95.4	82.6	92.8	120.3	110.5
Poultry	cts/lb	87.4	94.3	103.8	104.1	106.4	104.7	104.7	107.3	108.8
Seafood										
Fish	\$/kg	5.9	4.8	6.8	7.2	6.5	6.9	7.8	7.6	7.1
Shrimp	\$/kg	11.9	10.1	14.0	12.7	15.6	16.6	17.1	18.1	17.6
Sugar										
Free market	cts/lb	26.2	21.4	17.7	17.3	17.3	17.7	16.8	17.6	17.5
United States	cts/lb	37.6	28.9	21.2	20.2	21.1	21.5	22.4	24.7	25.2
EU	cts/lb	26.7	26.4	26.0	25.5	25.8	26.9	27.5	27.8	28.0
Bananas	\$/MT	975.9	984.3	926.4	910.6	934.1	928.1	947.1	945.5	916.0
Oranges	\$/MT	891.1	868.0	967.3	1065.0	1143.9	834.4	816.7	970.0	1040.0
Beverages										
Coffee										
Other milds	cts/lb	273.2	187.6	141.1	147.7	135.6	126.1	175.8	227.0	215.2
Robusta	cts/lb	116.0	110.6	100.5	103.5	98.9	90.4	102.0	110.7	108.4
Cocoa Beans	\$/MT	2978.5	2377.1	2439.1	2308.0	2469.4	2770.1	2951.3	3050.6	3030.0
Tea	cts/kg	346.2	348.9	266.0	265.8	244.9	234.2	247.9	223.4	219.5
Agricultural raw materials										
Timber										
Hardwood										
Logs 1/	\$/M3	150.0	148.0	164.5	315.3	307.3	304.3	306.1	179.2	179.2
Sawnwood 1/	\$/M3	280.9	284.7	301.4	168.1	158.5	174.0	178.4	322.9	322.9
Softwood										
Logs 1/	\$/M3	150.0	148.0	164.5	168.1	158.5	174.0	178.4	179.2	179.2
Sawnwood 1/	\$/M3	280.9	284.7	301.4	315.3	307.3	304.3	306.1	322.9	322.9
Cotton	cts/lb	154.6	89.2	90.4	92.7	91.8	87.2	94.0	94.2	92.7
Wool										
Fine	cts/kg	1638.2	1345.3	1197.7	1161.4	1071.6	1195.5	1114.0	1088.0	1096.8
Coarse	cts/kg	1209.2	1212.6	1128.1	1091.8	1039.5	1153.8	1083.6	1056.9	1066.1

Table 1. Market Prices for Non-Fuel and Fuel Commodities (continued)

	Units	2011	2012	2013	2013Q2	2013Q3	2013Q4	2014Q1	Apr-2014	May-2014
Metals										
Copper	\$/MT	8823.5	7958.9	7331.5	7156.7	7084.1	7162.9	7030.2	6673.6	6891.1
Aluminum	\$/MT	2400.6	2022.8	1846.7	1836.0	1782.4	1767.5	1709.3	1810.7	1751.1
Iron Ore	\$/MT	167.8	128.5	135.4	125.4	132.8	134.9	120.4	114.6	100.6
Tin	\$/MT	26051.4	21109.4	22281.6	20879.6	21312.4	22896.9	22636.3	23405.2	23271.3
Nickel	\$/MT	22909.1	17541.7	15030.0	14952.6	13953.3	13908.7	14661.0	17373.6	19401.1
Zinc	\$/MT	2195.5	1950.0	1910.2	1841.9	1860.3	1908.7	2026.5	2027.2	2059.0
Lead	\$/MT	2400.7	2063.6	2139.7	2052.0	2101.9	2113.9	2101.4	2087.1	2097.3
Uranium	\$/lb	56.2	48.9	38.5	40.7	35.8	34.9	35.2	32.9	28.7
Energy										
Spot Crude 2/	\$/bbl	104.0	105.0	104.1	99.3	107.3	104.5	103.7	104.9	105.7
U.K. Brent	\$/bbl	111.0	112.0	108.8	103.0	110.1	109.4	107.9	107.9	109.7
Dubai	\$/bbl	106.0	108.9	105.4	100.8	106.1	106.7	104.4	104.8	105.5
West Texas Intermediate	\$/bbl	95.0	94.1	97.9	94.2	105.8	97.4	98.8	102.2	102.0
Natural Gas										
Russian in Germany	\$/mmbtu	10.6	12.0	11.2	11.5	11.0	11.0	10.8	10.8	10.6
Indonesian in Japan	\$/mmbtu	15.6	18.1	17.3	17.4	17.0	17.0	17.8	17.8	17.8
US, domestic market	\$/mmbtu	4.0	2.8	3.7	4.0	3.6	3.8	5.2	4.7	4.6
Coal										
Australian, export markets	\$/MT	130.1	103.2	90.6	92.2	82.8	87.9	82.6	78.0	79.0

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	Apr-2014	May-2014
All Primary Commodities 2/	100.0	192.4	186.3	183.3	179.2	184.8	182.1	182.2	184.8	184.4
Non-Fuel	36.9	190.0	171.0	169.0	169.9	166.0	165.1	167.2	172.2	168.9
Agriculture	26.2	173.9	162.9	163.3	167.3	161.6	159.5	165.7	173.3	170.7
Food	16.7	179.9	175.6	177.6	183.4	175.6	170.2	176.6	185.3	182.7
Cereals	3.6	231.2	236.4	218.3	232.0	209.3	191.5	191.2	201.4	203.1
Vegetable oils and protein meals	4.4	209.1	215.9	206.4	212.8	203.5	197.5	203.1	214.6	212.9
Meat	3.7	134.5	133.3	136.8	137.1	139.4	135.4	143.4	156.8	154.1
Seafood	3.2	139.3	113.3	160.1	165.6	158.6	167.6	185.9	183.8	173.4
Beverages	1.8	205.5	167.4	147.4	147.0	144.7	145.9	167.9	184.6	180.0
Agricultural Raw Materials 3/	7.7	153.5	134.0	136.2	137.0	135.0	139.7	141.4	144.7	142.5
Timber	3.4	110.8	107.4	107.3	109.0	107.4	109.0	109.9	113.1	113.5
Metals	10.7	229.7	191.0	182.9	176.5	177.0	178.6	171.1	169.5	164.5
Edibles 4/	18.5	182.4	174.8	174.6	179.8	172.6	167.8	175.8	185.2	182.4
Industrial Inputs 5/	18.4	197.8	167.1	163.3	159.9	159.4	162.3	158.6	159.1	155.3
Energy 6/	63.1	193.8	195.2	191.7	184.6	195.7	192.1	190.9	192.2	193.4
Petroleum 7/	53.6	195.9	197.9	195.9	187.0	201.8	196.8	195.2	197.4	198.9
Natural Gas	6.9	154.3	171.2	164.9	168.3	161.4	162.1	168.5	166.3	164.9
Coal	2.6	254.4	202.1	176.8	179.4	161.4	173.7	163.4	154.8	156.6

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

2/ Non-Fuel Primary Commodities and Energy Index.

3/ Includes Forestry Products.

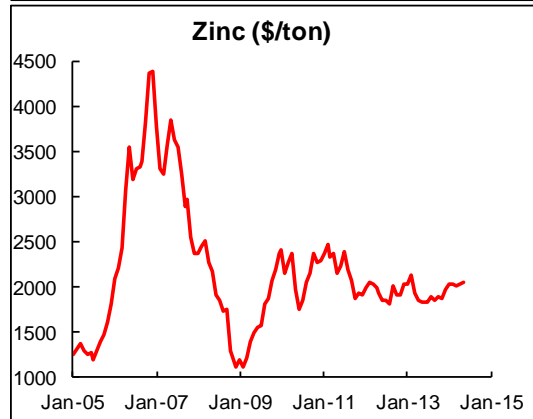
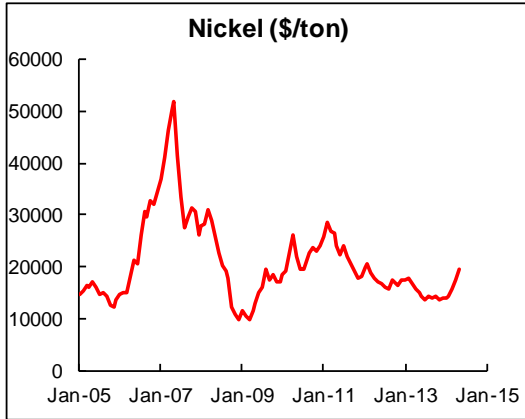
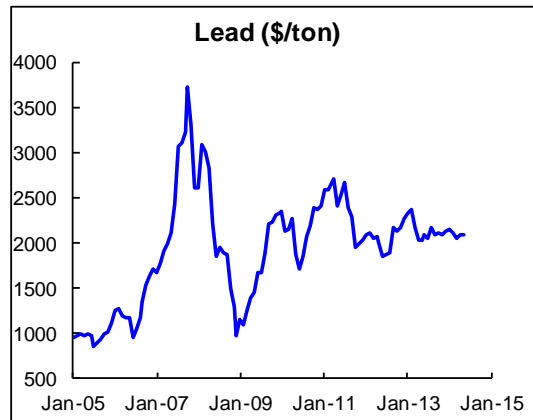
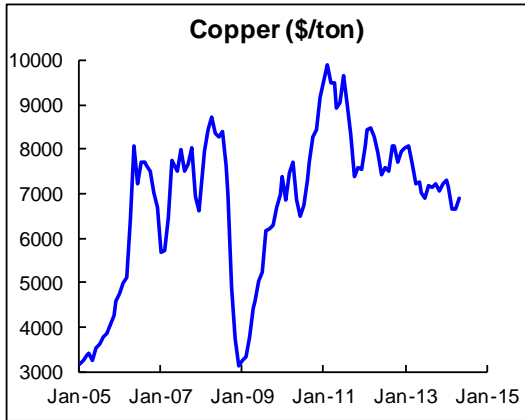
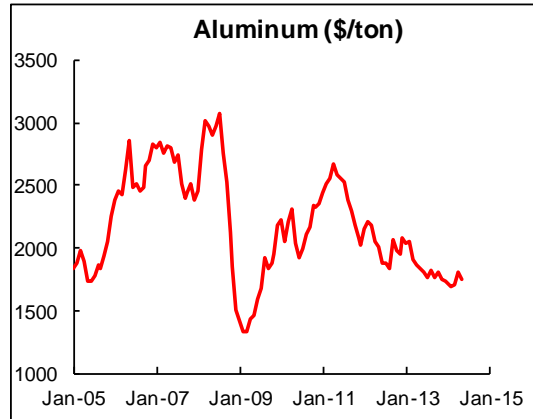
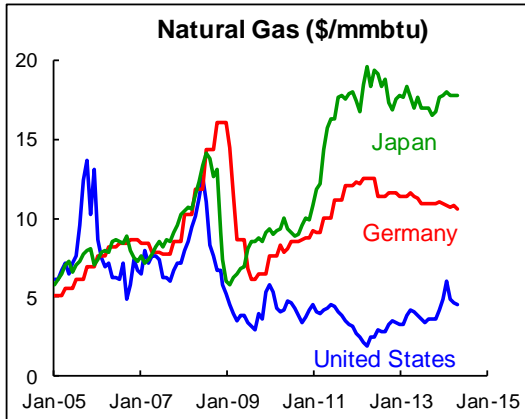
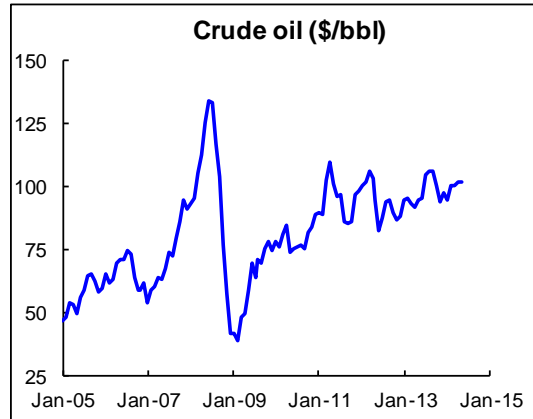
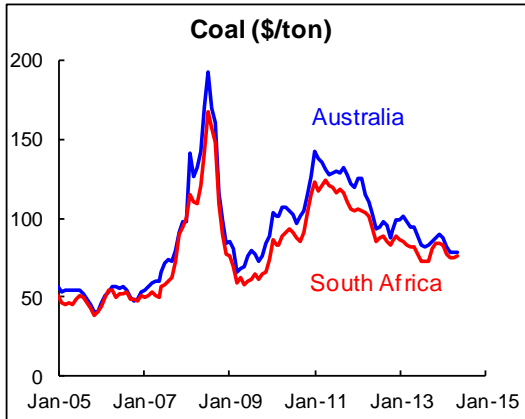
4/ Edibles comprised of Food and Beverages

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

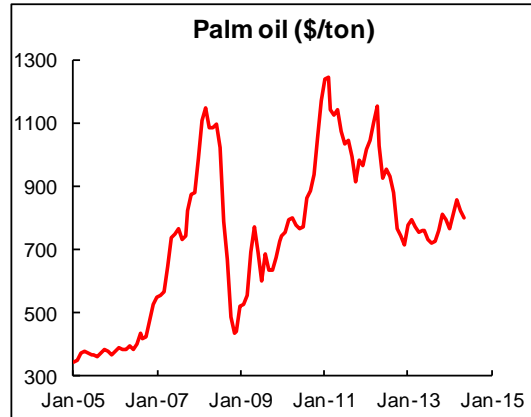
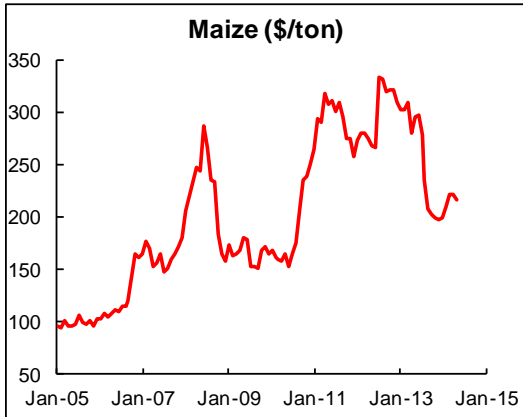
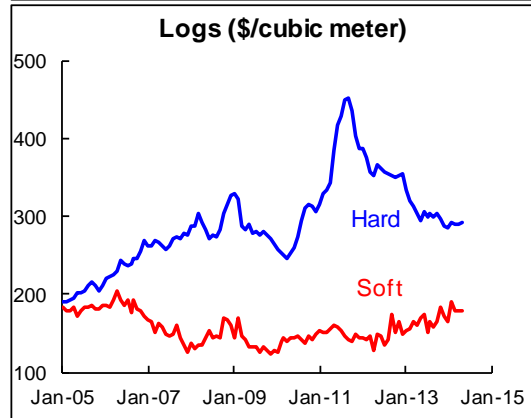
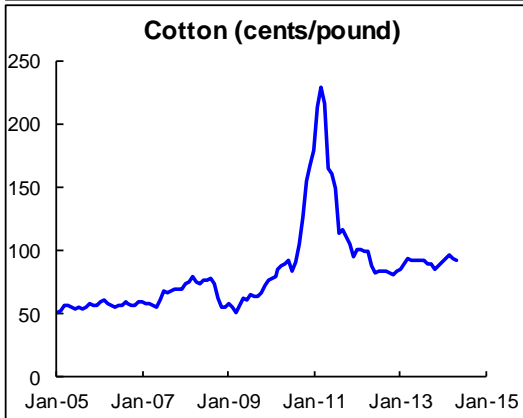
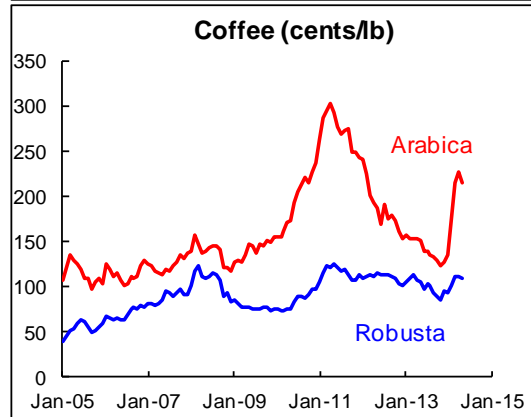
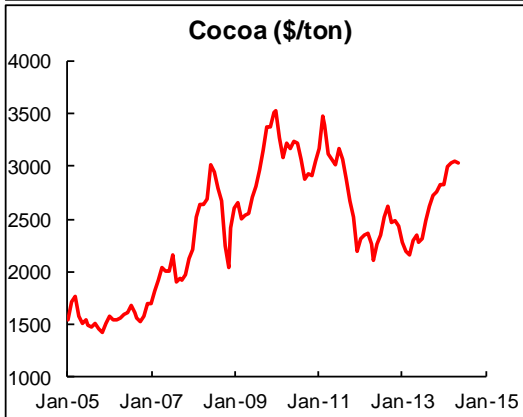
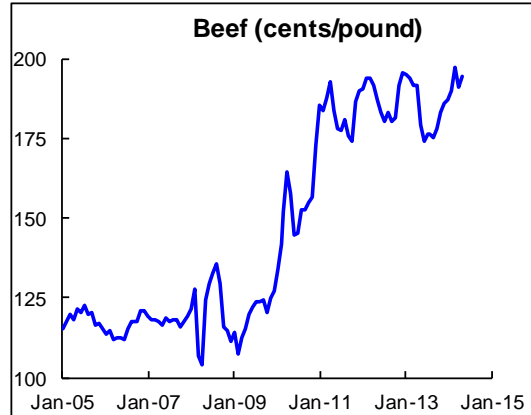
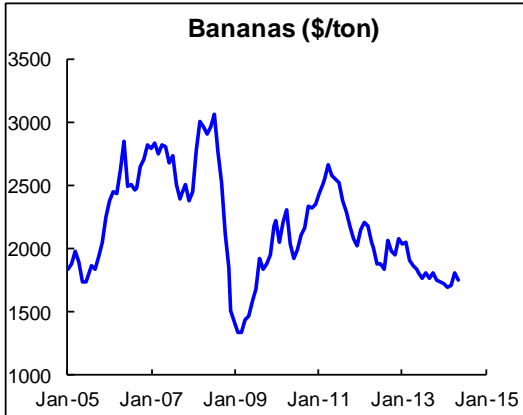
6/ Includes Petroleum, Natural Gas and Coal.

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

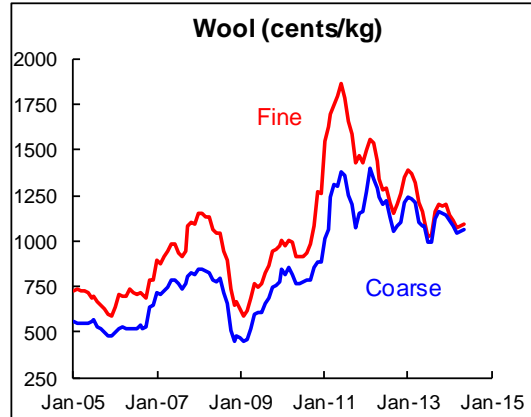
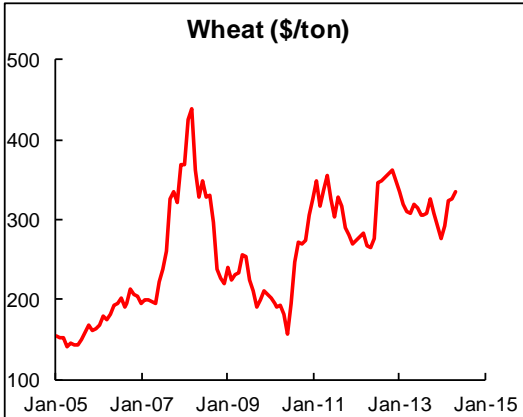
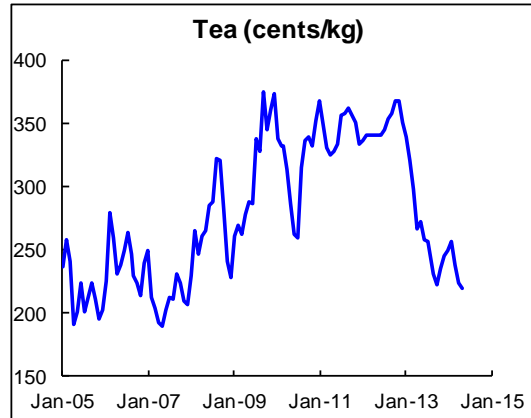
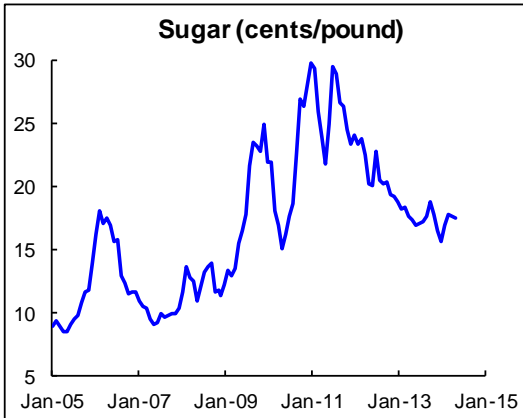
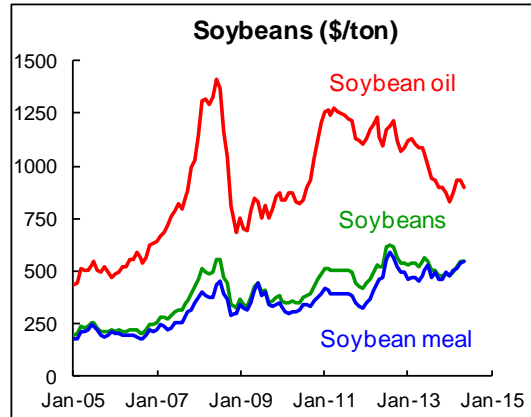
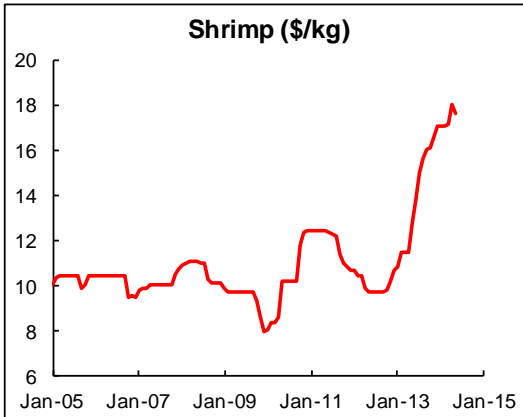
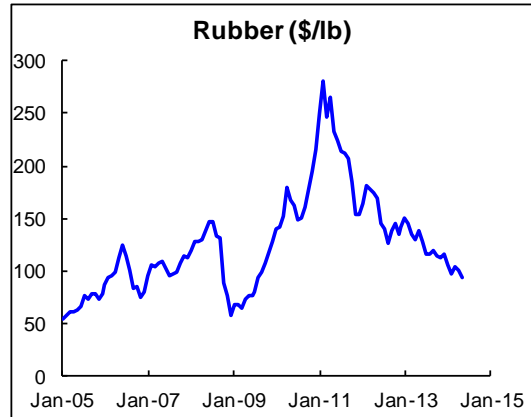
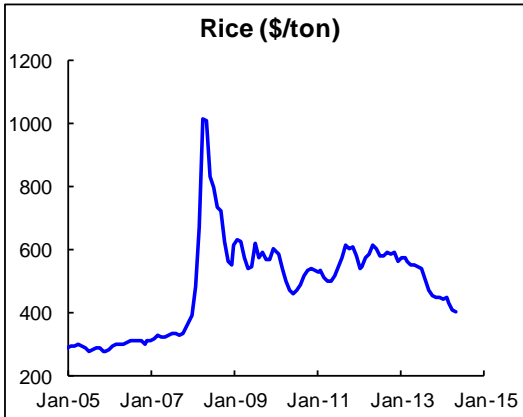
Commodity Prices in U.S. Dollars, 2005-2014



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



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



Commodity News Highlights

World Energy Investment Outlook. International Energy Agency. June 2014.

Summary: Fossil Fuels

More than \$1.6 trillion was invested in 2013 in energy supply, a figure that has more than doubled in real terms since 2000. Renewables are playing a growing role, with annual investing increasing from \$60 billion in 2000 to \$250 billion. The largest share of current investment, more than \$1 trillion per year, is related to the extraction and transport of fossil fuels, oil refining and the construction of fossil fuel-fired power plants.

To 2035, annual investment needs rise steadily towards \$2 trillion, which means a cumulative global investment bill of more than \$48 trillion, consisting of around \$40 trillion in energy supply and the remainder in energy efficiency. The main components of energy supply investment are \$23 trillion in fossil fuel extraction, transport and oil refining; almost \$10 trillion in power generation, and a further \$7 trillion in transmission and distribution. Less than half of the \$40 trillion investment in energy supply goes to meet growth in demand; the larger share is required to offset declining production from existing oil and gas fields and replace power plants and other assets.

Nearly two-thirds of energy-supply investment takes place in emerging economies, with the focus for investment moving beyond China to other parts of Asia plus Africa and Latin America; but ageing infrastructure and climate policies create large requirements also across the OECD. Decisions to commit capital to the energy sector are increasingly shaped by government policy measures and incentives, rather than by signals coming from competitive markets. In the oil sector, reliance on countries with more restrictive terms of access to their resources is set to grow, as output from North America plateaus and then falls back from the mid-2020s onwards.

Annual investment in upstream oil and gas rises by a quarter to more than \$850 billion by 2035, with gas accounting for most of the increase. More than 80% of the cumulative \$17.5 trillion in upstream oil and gas spending is required to compensate for decline at existing oil and gas fields. A further \$5 billion is required for oil and gas transportation and oil refining. Around one-quarter of the total is to produce unconventional resources, e.g. oil sands, tight oil, shale gas. Gradual depletion of the most accessible reserves forces companies to develop more challenging fields; although offset in part by technology learning, this puts pressure on upstream costs and underpins an oil price that rises to reach \$128/barrel in real terms by 2035.

Meeting long-term oil demand growth depends increasingly on the Middle East, once the current rise in non-OPEC supply starts to run out of steam in the 2020s. Yet there is a risk that Middle East investment fails to pick up in time to avert a shortfall in supply, because of an uncertain investment climate in some countries and the priority often given to spending in other areas. Another main challenge is high oil consumption growth, driven by fossil-fuel subsidy programs. There are also hurdles to supply growth in Iran and Iraq.

High transportation costs for gas, compared with other fuels, are a constraint on the prospect of more globalised gas markets. More than \$700 billion invested in LNG over the period to 2035 accelerates the integration of regional gas markets, with exports from the United States playing a prominent role in stimulating some convergence of gas price differentials, which vary widely today. However, the high cost of many liquefaction projects and cost inflation could dampen the hopes of LNG buyers for more affordable supply. Europe's near-term perspective for expanding LNG purchases is constrained by the need to outbid Asian consumers for available gas.

Investment in coal supply is much less expensive per equivalent unit of output than oil or gas; cumulative requirements in mining amount to \$735 billion, with a further \$300 billion in transportation infrastructure (mainly railways). China accounts for around 40% of total capital expenditure.



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