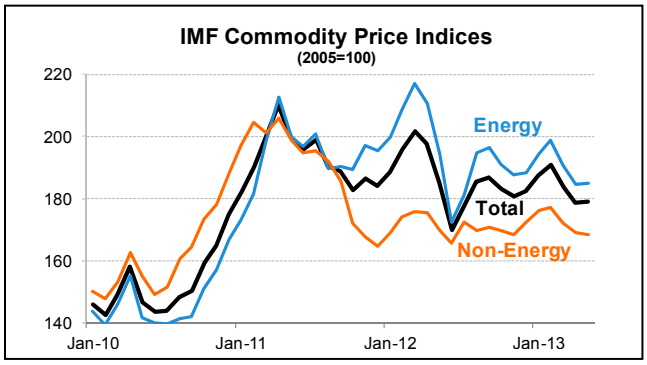
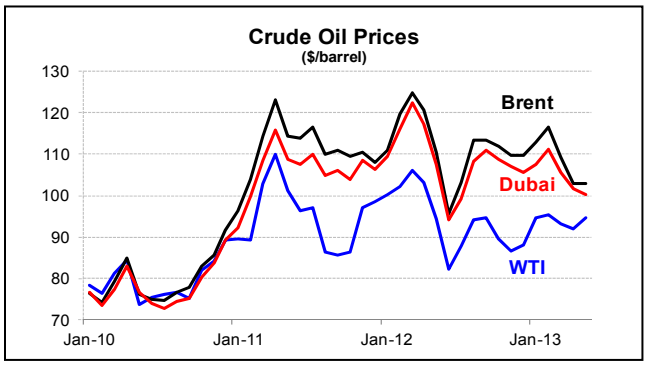
Commodity Market Monthly

Research Department, Commodities Team

June 12, 2013 www.imf.org/commodities

Commodity prices rose by 0.1 percent in May—with modest gains in food and energy prices essentially offsetting declines in industrial materials, mainly metals, due to a weak macroeconomic environment and rising production capacity. Energy prices traded in a narrow range, as summer demand starts to pick up. Prices for the main agriculture crops rose because of planting delays in the U.S. as a result of heavy bouts of wet weather.



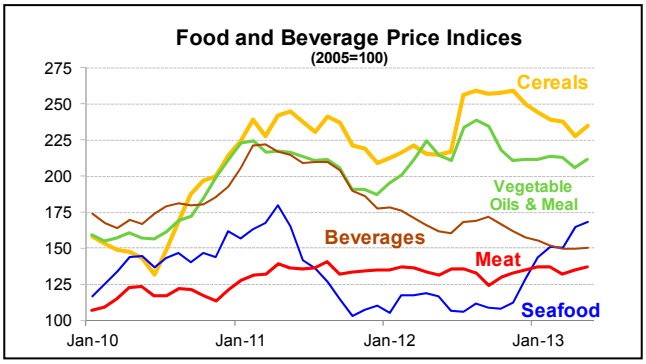


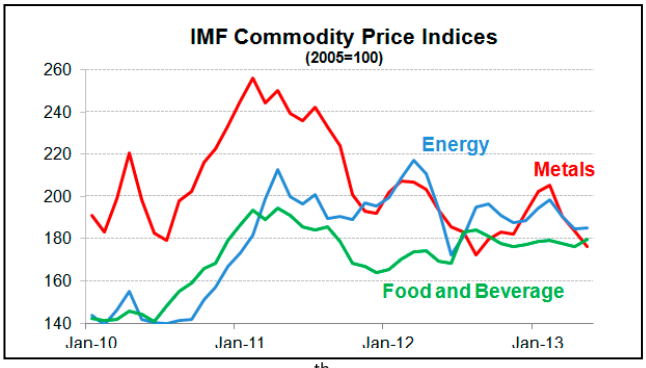
Crude oil prices rose 0.5 percent in May to $99.3/bbl, and edged above $100/bbl in early June. Prices traded in a narrow range, despite sluggish demand, as geopolitical tensions and numerous supply outages in the Middle East and Africa helped underpin prices. Light-sweet crude supplies remain abundant, in part due to rising tight oil production in the U.S. which has backed out imports and forces light-crude producers to find alternative markets. Heavier sour crude supplies are relatively tight due to a seasonal uptick in refinery demand and lower exports from Iran, Iraq, Russia and elsewhere. In the case of Russia, lower exports are due to the processing of more crude by domestic refiners and increased exports to East Asia. OPEC output continued to edge higher to 30.9 mb/d, with Saudi Arabia accounting for most of the increase, as the country ramps up output to meet higher domestic power demand. OPEC left its production target unchanged at 30 mb/d at its end-May meeting.

The price of WTI rose 3 percent and the discount to Brent narrowed to $8/bbl. New U.S. pipeline/rail infrastructure is starting to debottleneck the crude surplus in the midcontinent, by transporting rising tight oil (shale) production to refineries on the Gulf and East Coasts. Crude stocks at Cushing remain high, however, as the initial impact of the new capacity has been to prevent surging production from lifting Cushing stocks higher. Further pipeline expansions in 2013-14 will help lower stocks.

Natural gas prices in the U.S. fell 3.0 percent in May on mild weather, lower demand for power generation, and strong injections into storage. **Natural gas prices in Germany fell 2.0 percent** on weak demand and lower oil prices (as a large volume of imported gas is indexed to oil prices with a lag).

In the agriculture sector food prices rose by 2.0 percent in May, with increases in all main indices, due to supply concerns focused on wet-weather planting delays in the U.S. Cereals prices increased 3 percent led by a 5 percent jump in corn prices due to effects of delayed planting (see page 8). Some acreage may shift to soybeans that can be sown later. Wheat prices rose 3 percent, as planting is more delayed in the northern states. Vegetable oils & protein meal prices rose 3 percent, led by a jump in soybeans and soybean meal prices of 5 and 7 percent, respectively, on strong animal feed demand.





There were strong gains in other food prices—swine (14 percent) and shrimp (12 percent)—due to rising demand and supply tightness for both products. **Beverage prices rose by 0.5 percent**, led by a 2 percent increase in tea prices due to a seasonal tightening of supplies owing to cool weather. Cocoa price rose 2 percent on stronger import demand. **Raw materials prices rose 0.2 percent**, with a 6 percent jump in rubber prices on stronger Chinese demand for restocking and a weaker yen. This was partly offset by declines for coarse/fine wool, down 2-4 percent, on subdued demand and rising output.

Metals prices dropped 3.9 percent in May—down for a third straight month—on disappointing macro indicators and rising stocks for some metals. The largest decrease was for iron ore prices, falling 10 percent, on fears of a larger-than-expected slowdown in Chinese demand, and coincides with rising iron ore production. Slumping steel prices has led Chinese mills to reduce inventories in anticipation of production cuts. Meanwhile iron ore shipments from Australia's Port Hedland—the world's largest bulk terminal—climbed to a record in May, heading mainly to China. Nickel prices fell 4 percent due to rising stocks and surplus supply, including rising nickel pig iron production in China from low-grade ore from Indonesia. A key concern for the nickel market—and other mineral markets as well—is Indonesia's planned ore export ban in 2014. Tin prices also fell 4 percent due to higher stocks and rising exports from Indonesia—but the latter could fall in July when the government introduces new quality standards on exports. Partly offsetting these declines, lead prices edged higher on falling inventories and tightness in scrap supplies. Copper prices also rose slightly, despite rising stocks, due to a supply disruption at Indonesia's Grasberg mine—the world's second largest after Chile's Escondida. A tunnel collapse on May 14th killed 28 people, and the mine could remain shut for three months until an independent investigation concludes. This follows April's pit wall collapse at the Bingham Canyon mine in Utah. Preliminary estimates suggest a combined 250 kt could be lost this year, but the global copper market is still projected to remain in surplus.

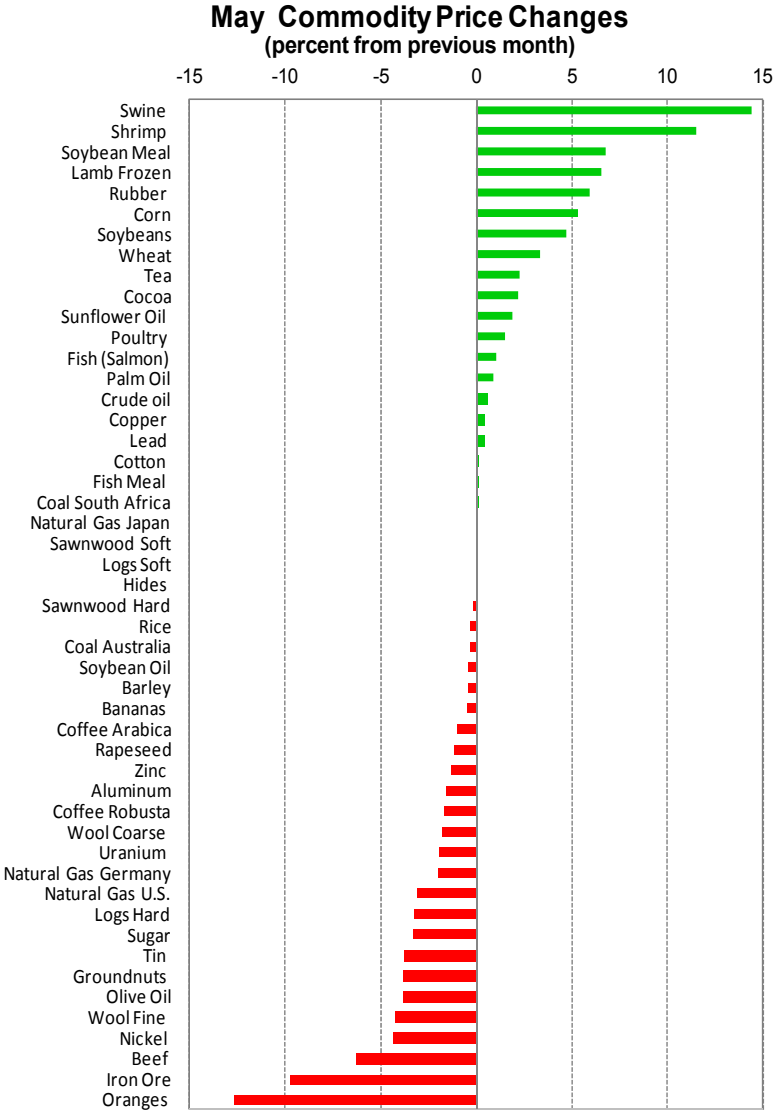


Table 1. Market Prices for Non-Fuel and Fuel Commodities

	Units	2010	2011	2012	2012Q2	2012Q3	2012Q4	2013Q1	Apr-2013	May-2013
Food										
Cereals										
Wheat	$/MT	223.7	316.2	313.3	269.0	349.5	355.7	321.4	308.7	319.1
Maize	$/MT	186.0	291.8	298.4	270.1	328.6	317.3	305.1	280.3	295.3
Rice	$/MT	520.6	551.7	580.2	601.5	583.9	580.3	570.7	553.7	552.1
Barley	$/MT	158.4	207.2	238.2	236.3	252.0	249.1	239.4	232.4	231.4
Vegetable oils and protein meals										
Soybeans	$/MT	384.9	484.2	537.8	524.2	615.8	544.4	532.8	517.8	542.2
Soybean meal	$/MT	331.3	378.9	473.3	454.7	565.9	500.1	464.6	446.4	476.7
Soybean oil	$/MT	924.8	1215.8	1151.8	1155.0	1192.4	1093.5	1119.2	1086.7	1082.8
Palm oil	$/MT	859.9	1076.5	939.8	1038.7	920.9	741.7	780.3	756.5	763.4
Fish meal	$/MT	1739.2	1519.3	1624.3	1522.8	1735.6	1928.9	1918.4	1834.5	1835.8
Sunflower Oil	$/MT	1186.0	1621.8	1489.5	1441.0	1546.1	1492.4	1493.8	1439.2	1467.0
Olive oil	$/MT	3171.3	3070.3	3135.7	2858.9	3209.1	3579.7	4004.9	3928.9	3778.8
Groundnuts	$/MT	1239.4	1724.0	1884.6	1838.0	1806.2	2043.6	2273.6	2262.2	2176.3
Rapeseed oil	$/MT	1011.7	1366.6	1239.1	1241.1	1233.0	1202.5	1196.0	1130.7	1117.7
Meat										
Beef	cts/lb	152.5	183.2	187.9	187.7	181.2	189.7	193.8	191.7	179.6
Lamb	cts/lb	145.7	149.2	100.9	99.8	89.5	89.5	97.1	99.2	105.7
Swine Meat	cts/lb	74.4	89.1	82.8	83.6	83.2	79.3	79.7	77.9	89.2
Poultry	cts/lb	85.8	87.4	94.3	93.9	95.1	96.7	100.2	102.6	104.1
Seafood										
Fish	$/kg	6.1	5.9	4.8	9.8	9.7	10.2	11.3	7.2	7.3
Shrimp	$/kg	10.1	11.9	10.1	4.8	4.6	4.9	6.5	11.5	12.8
Sugar										
Free market	cts/lb	20.9	26.2	21.4	20.9	21.2	19.6	18.5	17.7	17.1
United States	cts/lb	31.1	37.6	28.9	30.4	27.8	23.1	22.0	20.7	19.8
EU	cts/lb	25.7	26.7	26.4	26.3	26.3	26.7	25.8	25.5	25.5
Bananas	$/MT	881.4	975.9	984.3	980.4	962.8	947.4	932.6	912.2	908.0
Oranges	$/MT	1033.2	891.1	868.0	843.8	995.5	861.9	843.2	868.7	758.2
Beverages										
Coffee										
Other milds	cts/lb	194.4	273.2	187.6	183.2	182.1	162.4	154.8	153.0	151.4
Robusta	cts/lb	84.1	116.0	110.6	113.7	112.4	105.0	109.4	107.6	105.8
Cocoa Beans	$/MT	3130.6	2978.5	2377.1	2215.2	2494.1	2457.8	2208.8	2294.7	2345.7
Tea	cts/kg	316.7	346.2	348.9	341.0	352.3	362.6	319.1	266.3	272.4
Agricultural raw materials										
Timber										
Hardwood										
Logs 1/	$/M3	278.2	390.5	360.5	883.8	864.3	874.4	845.2	304.5	294.8
Sawnwood 1/	$/M3	848.3	939.4	876.3	361.0	355.1	352.7	322.5	834.4	833.2
Softwood										
Logs 1/	$/M3	141.5	150.0	148.0	140.8	150.4	155.9	157.6	164.1	164.1
Sawnwood 1/	$/M3	281.8	280.9	284.7	296.0	295.4	283.2	278.4	280.7	280.7
Cotton	cts/lb	103.5	154.6	89.2	90.3	84.2	82.1	89.9	92.5	92.6
Wool										
Fine	cts/kg	1023.2	1638.2	1345.3	1355.7	1217.9	1273.0	1362.4	1208.6	1158.0
Coarse	cts/kg	820.1	1209.2	1212.6	1243.2	1138.0	1131.1	1227.5	1105.2	1085.5
Rubber	cts/lb	165.7	218.5	153.2	162.9	134.7	140.4	143.1	130.0	137.8
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	Apr-2013	May-2013
Metals										
Copper	$/MT	7538.4	8823.5	7958.9	7870.2	7727.5	7913.2	7922.3	7221.2	7248.7
Aluminum	$/MT	2173.0	2400.6	2022.8	1978.8	1927.9	2003.3	2000.8	1861.0	1832.6
Iron Ore	$/MT	146.7	167.8	128.5	139.5	111.7	121.1	148.3	137.4	124.0
Tin	$/MT	20367.2	26051.4	21109.4	20555.1	19331.0	21609.2	24037.5	21589.6	20781.6
Nickel	$/MT	21810.0	22909.1	17541.7	17154.9	16373.5	16984.2	17305.3	15629.3	14948.2
Zinc	$/MT	2160.4	2195.5	1950.0	1928.9	1891.3	1952.3	2029.7	1855.6	1831.0
Lead	$/MT	2148.2	2400.7	2063.6	1974.6	1985.6	2201.2	2291.2	2024.4	2031.9
Uranium	$/lb	46.0	56.2	48.9	51.3	49.1	43.3	42.8	41.4	40.6
Energy										
Spot Crude 2/	$/bbl	79.0	104.0	105.0	102.9	102.8	101.9	105.1	98.9	99.3
U.K. Brent	$/bbl	79.6	111.0	112.0	108.9	110.0	110.4	112.9	102.9	103.0
Dubai	$/bbl	78.1	106.0	108.9	106.4	106.2	107.1	108.1	101.7	100.3
West Texas Intermediate	$/bbl	79.4	95.0	94.1	93.4	92.2	88.1	94.4	92.0	94.7
Natural Gas										
Russian in Germany	$/mmbtu	8.2	10.6	12.0	12.6	11.4	11.6	11.4	11.6	11.4
Indonesian in Japan	$/mmbtu	9.4	15.6	18.1	19.1	18.8	17.2	17.9	18.3	18.3
US, domestic market	$/mmbtu	4.4	4.0	2.8	2.3	2.9	3.4	3.5	4.2	4.0
Coal										
South African, export markets	$/MT	91.6	116.3	92.9	93.5	87.4	85.8	84.7	82.0	82.1
Australian, export markets	$/MT	106.0	130.1	103.2	102.4	95.8	93.1	99.5	94.0	93.7

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

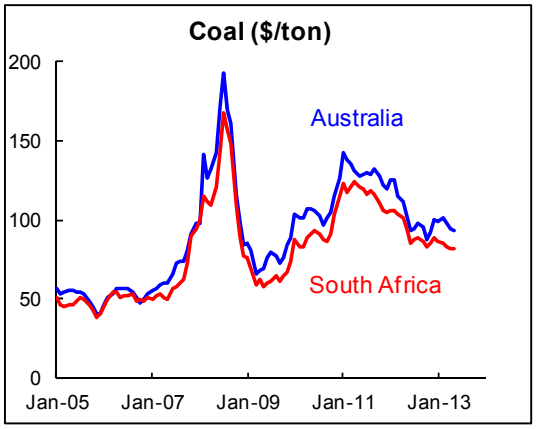
Table 2. Indices of Primary Commodity Prices

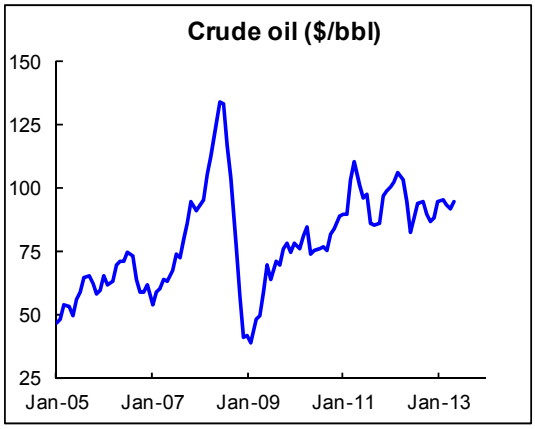
(2005=100, in terms of U.S. dollars) 1/

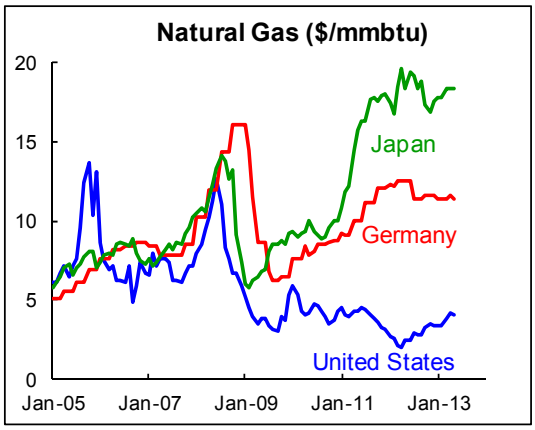
	(Weights) 1/	2010	2011	2012	2012Q2	2012Q3	2012Q4	2013Q1	Apr-2013	May-2013
All Primary Commodities 2/	100.0	152.3	192.4	186.3	184.3	183.5	182.1	187.4	178.9	179.0
Non-Fuel	36.9	161.2	190.0	171.1	170.3	171.0	170.3	175.1	168.9	168.6
Edibles	18.5	152.6	182.4	175.1	170.5	182.9	177.1	178.6	176.5	179.8
Food	16.7	150.1	179.9	175.9	171.4	184.3	178.7	181.4	179.4	183.0
Cereals	3.6	166.5	231.2	236.4	215.8	257.5	255.6	240.3	227.6	235.0
Vegetable oils and protein meals	4.4	170.4	209.1	217.1	216.7	235.6	213.6	212.9	206.2	211.4
Meat	3.7	117.2	134.5	133.3	133.4	131.0	132.5	135.5	134.9	136.8
Seafood	3.2	140.4	139.3	113.3	114.1	109.0	116.4	148.6	164.3	168.4
Beverages	1.8	176.2	205.5	167.4	162.7	169.6	162.0	152.2	149.4	150.0
Industrial Inputs	18.4	169.9	197.8	167.1	170.0	159.0	163.4	171.6	161.3	157.2
Agricultural Raw Materials 3/	7.7	125.1	153.5	134.0	136.6	131.9	132.1	133.1	130.5	130.7
Timber	3.4	101.1	110.8	107.4	109.1	108.5	107.1	103.7	103.1	102.6
Metals	10.7	202.3	229.7	191.0	194.2	178.5	186.1	199.4	183.5	176.4
Energy 4/	63.1	147.1	193.8	195.2	192.4	190.8	189.1	194.5	184.7	185.1
Petroleum 5/	53.6	148.5	195.9	197.9	193.9	193.7	192.3	198.1	186.2	187.0
Natural Gas	6.9	113.3	154.3	171.2	178.0	169.3	166.8	167.9	173.5	171.3
Coal	2.6	205.9	254.4	202.1	201.0	188.0	183.1	192.7	183.0	182.5

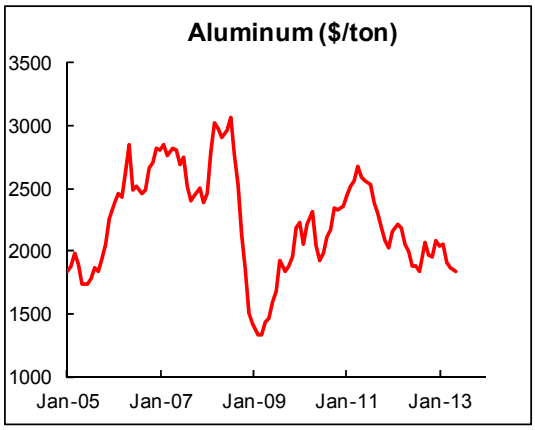
1/ Weights based on 2002-2004 average world export earnings.
2/ Non-Fuel Primary Commodities and Energy Index.
3/ Includes forestry products.
4/ Includes petroleum, natural gas and coal.
5/ Average Petroleum Spot Price (APSP). Average of U.K. Brent, Dubai, and West Texas Intermediate, equally weighted.

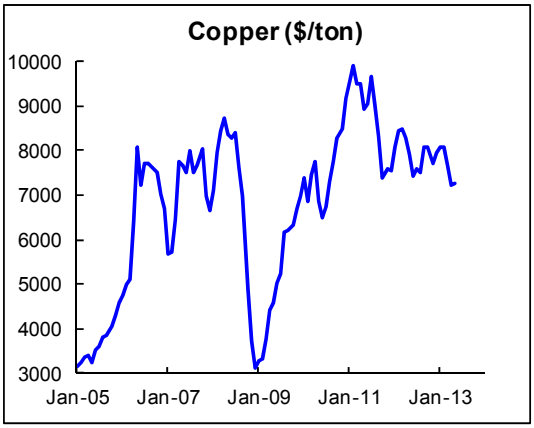
Commodity Prices in U.S. Dollars, 2005-2013

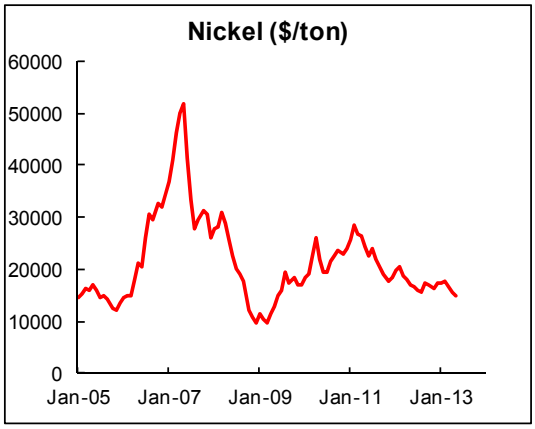


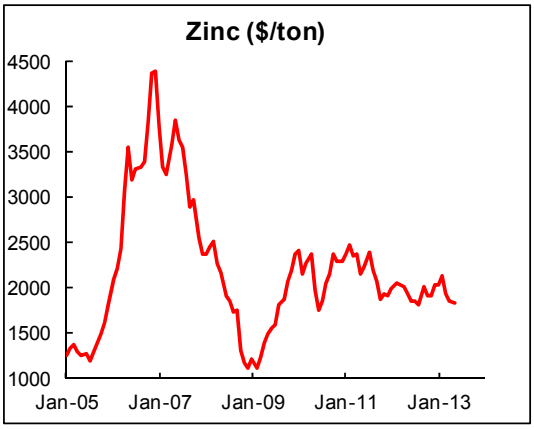




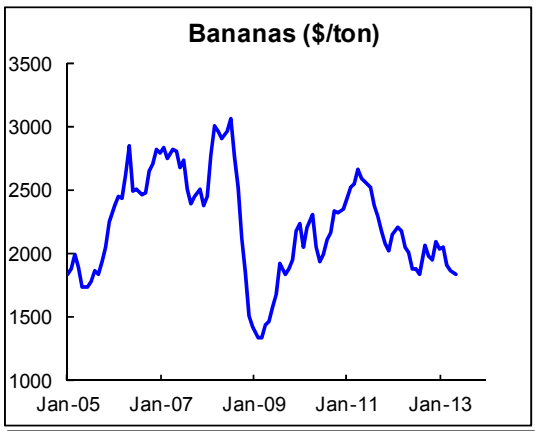


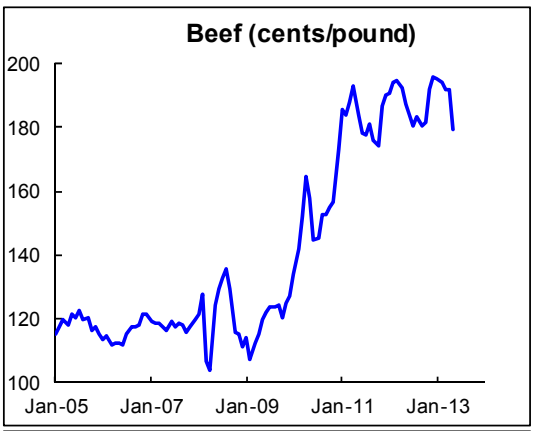


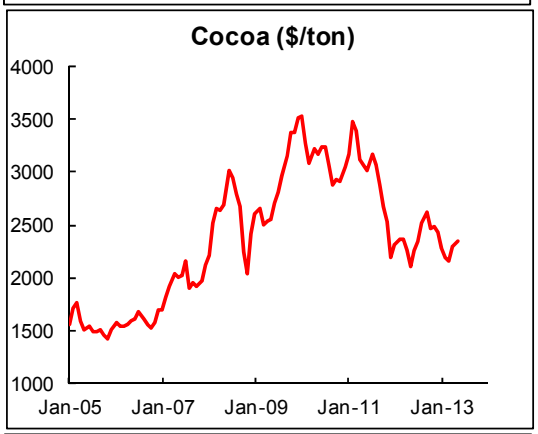


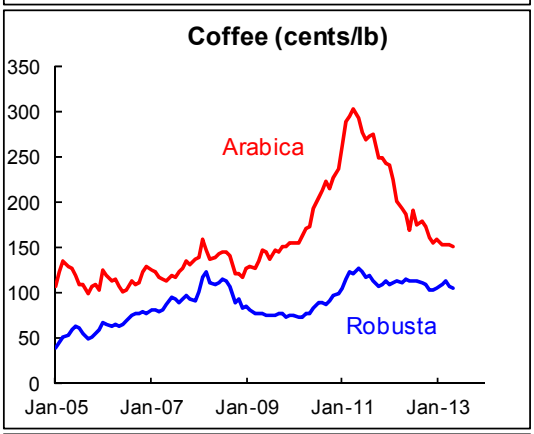


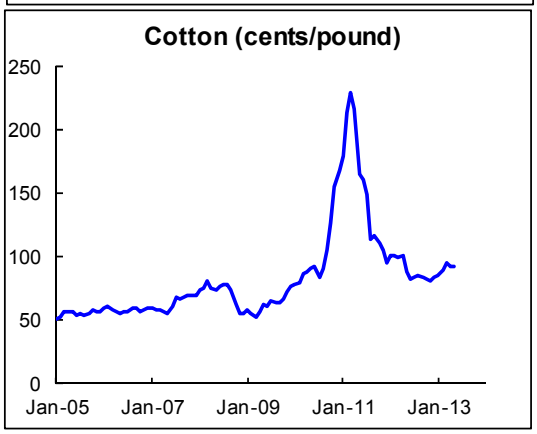
Commodity Prices in U.S. Dollars, 2005-2013 continued

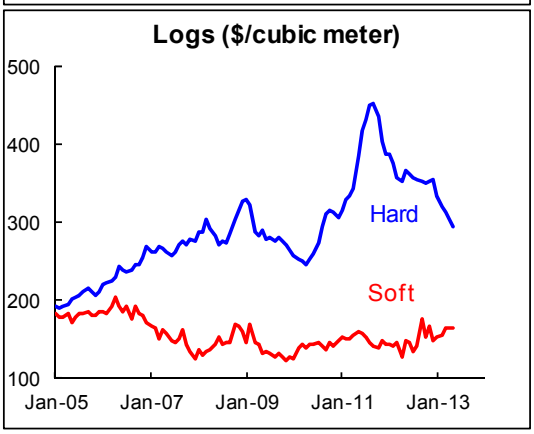


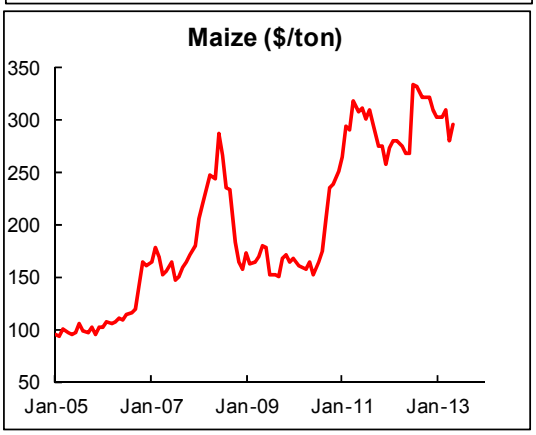


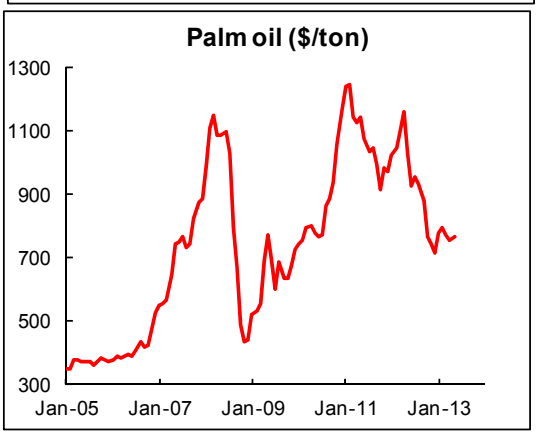




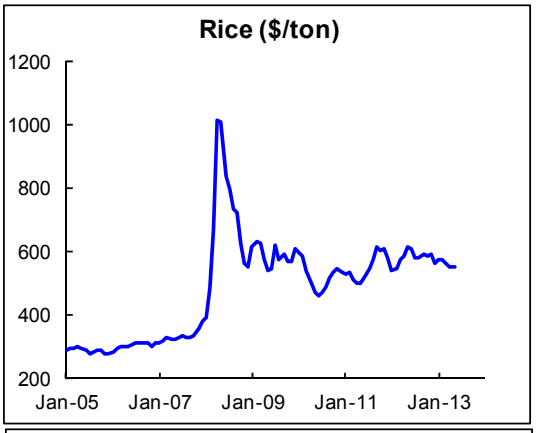


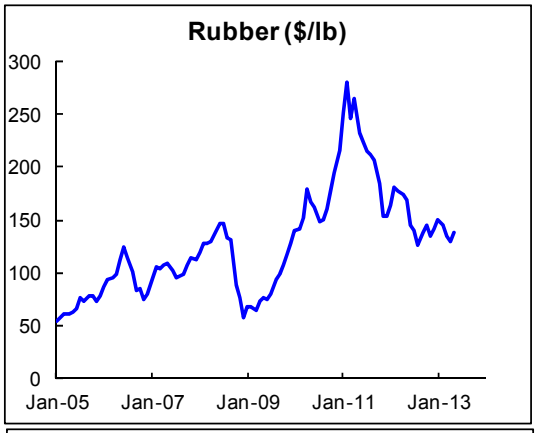


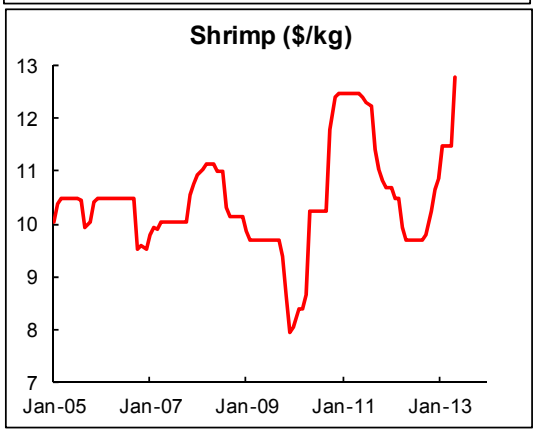


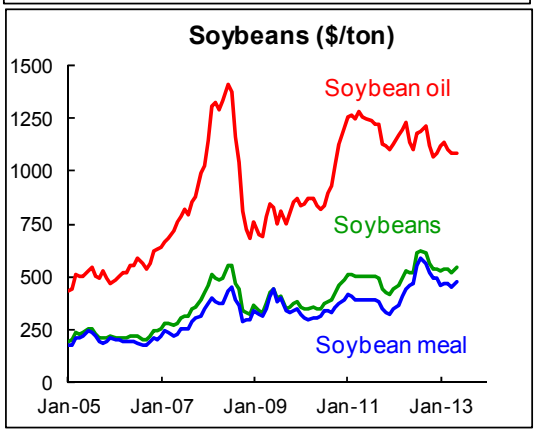


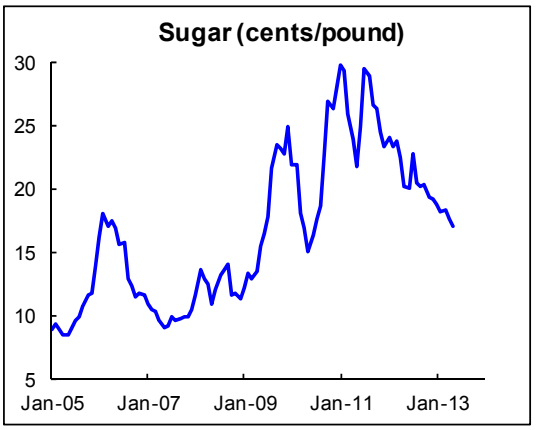
Commodity Prices in U.S. Dollars, 2005-2013 continued

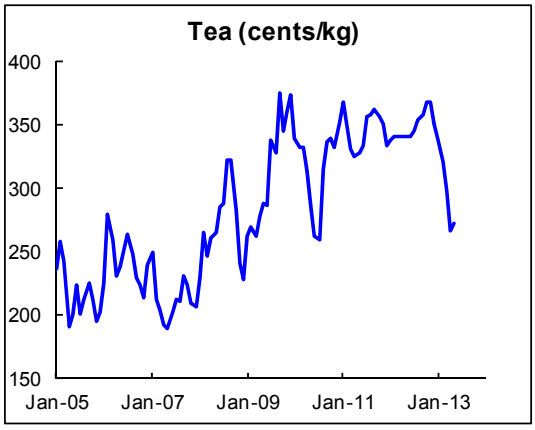


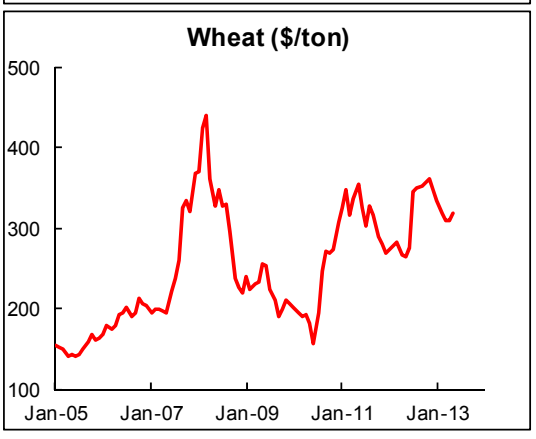


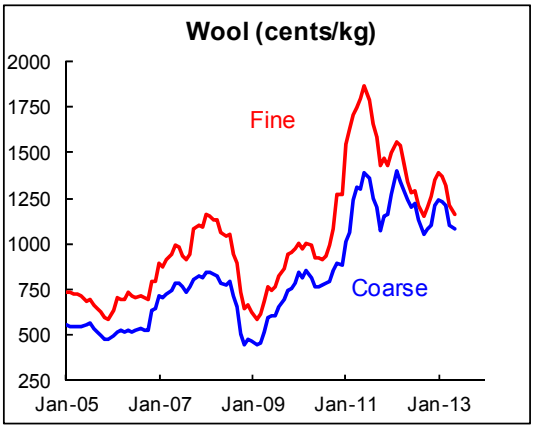












Commodity News Highlights

Technically Recoverable Shale Oil andShale Gas Resources: An Assessment of 137 Shale Formations in 41 Countries Outside the U.S. **U.S. Energy Information Administration, June 2013.**

Estimates in this report, taken in conjunction with EIA's own assessment of U.S. resources, indicate technically recoverable resources of 345 billion barrels (Bbbl) of world shale oil resources and 7,299 trillion cubic feet (TCF) of world shale gas resources. The shale oil resources, combined with EIA's prior estimate of U.S. tight oil resources that are predominantly in shales, add approximately 11 percent to the 3,012 Bbbl of proved and unproved technically recoverable non-shale oil resources. The shale gas resources, combined with EIA's prior estimate of U.S. shale gas resources, add approximately 47 percent to the 15,583 TCF of proved and unproven non-shale technically recoverable natural gas resources. Globally, 32 percent of the total estimated natural gas resources are in shale formations, while 10 percent of estimated oil resources are in shale or tight formations.

The five largest shale oil resource countries in Bbbl are: Russia (75), U.S. (58), China (32), Argentina (27) and Libya (26). The five largest shale gas resource countries in TCF are: China (1,115), Argentina (802), Algeria (707), the U.S. (665) and Canada (573). It should be noted that the EIA still does not assess many prospective shale formations, including those underlying the large oil fields in the Middle East and the Caspian region.

The report estimates technically recoverable resources that could be produced with current technology. In the U.S., because reserves have proven to be quickly producible in large volumes at relatively low cost, tight oil and shale gas resources have revolutionized U.S. oil and natural gas production, providing 29 percent of total U.S. crude oil production and 40 percent of total U.S. natural gas production in 2012. However, given the variation across the world's shale formations in both geology and above-the-ground conditions, the extent to which global technically recoverable shale resources will prove to be economically recoverable is not yet clear.

World Agriculture Supply and Demand Estimates. **U.S. Department of Agriculture, June 12, 2013.**

Global 2013/14 wheat production is projected at 695.9 million-tons (mt), down 5.2 mt from last month's report, with reductions for Ukraine, Russia, and EU-27 due to persistent dry weather in key growing areas of southeastern Ukraine and adjoining southern Russia. It still leaves global output up 6 percent or 40 mt from 2012/13 estimates. U.S. wheat production is projected at 56.6 mt, up 1 percent from last month, on higher yields of winter wheat, but 9 percent lower than 2012/13. World ending stocks are projected at 181.3 mt, just above 2012/13.

U.S. feed grain supplies estimates are lowered as delayed plantings reduce yield prospects for corn by 1 percent from last month's report. Despite rapid planting progress during mid-May, rains and cool temperatures since have delayed completion of planting in parts of the western Corn Belt, and raised the likelihood that seasonally warmer temperatures and drier conditions in late July will adversely affect pollination and kernel set in a larger share of this year's crop. Global coarse grain production for 2013/14 is projected at 372.6 mt, and is 3.4 mt lower mostly on expected reduced U.S. corn output. Global corn ending stocks are projected to be 2.8 mt lower, but at 151.8 mt, world corn stocks would be up 27.5 mt from 2012/13 and the largest in 12 years.