

Commodity Market Monthly

Research Department, Commodities Team*



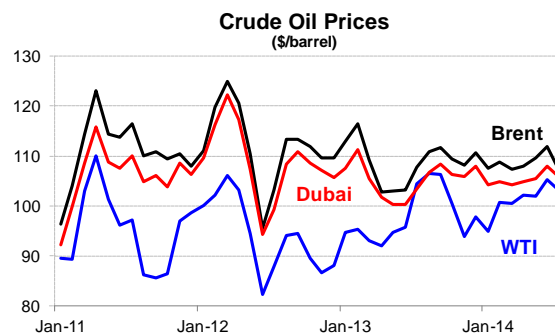
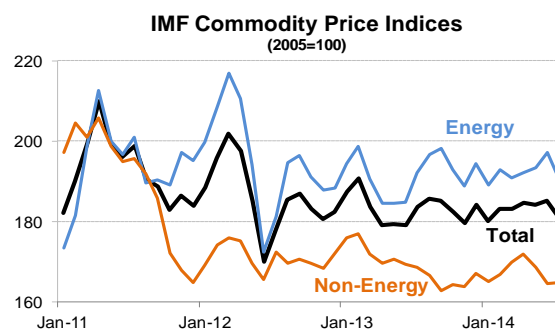
August 11, 2014

www.imf.org/commodities

Commodity prices fell by 2.2 percent in July, with declines in energy and agriculture partly offset by gains in metals. Energy prices appeared to shrug numerous geopolitical concerns on weak demand and ample supply. Agriculture prices continued to fall as supply prospects are mostly favorable, with exception of a few commodities, notably meat. Metals prices rose for only the second time in seven months on expected supply tightening, but most markets remain in surplus.

Crude oil prices fell by 2.9 percent in July, averaging \$105.2/bbl, and slipped below \$102/bbl in early August. The declines occurred—despite geopolitical tensions in a number of countries in the Middle East, Africa, and Central Europe—because of slowing demand and well supplied markets. Refinery demand has weakened in Europe and Asia because of poor refining margins, and also reflects slowing economic conditions. Global crude oil stocks are ample but product stocks are low. Libya's production increased toward 0.5 mb/d at month's end with restart of the El Sharara field in the south west. However deterioration in the political environment may prevent further increases in the near term. Iraq production slipped due to maintenance and weather in the Gulf, but is expected to rise in coming months from new developments in the south. Islamic State militants took over some small fields in the north.

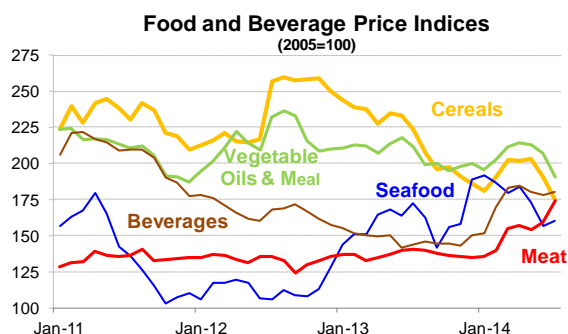
The Brent-WTI spread narrowed to \$4/bbl in July (and to under \$1/bbl toward the end of the month) due to a continued drop in inventories, particularly at Cushing OK. Refiners have boosted runs to take advantage of discounted crude and increased product exports. However a refinery fire in Kansas reduced demand from Cushing and the price-spread widened to \$7/bbl in early August. Capacity constraints and an effective U.S. crude export ban have contributed to the volatility and price discount of WTI, however pipeline and rail capacity is being developed to ease system dislocations.



U.S. natural gas prices fell 11.6 percent in July, and to below \$4/mmbtu for the second half of the month, on replenishment of inventories that were depleted last winter. Mild summer temperatures have lessened demand allowing for more rapid restocking. **European natural gas prices declined 10.6 percent** in July, mainly reflecting the lagged indexation of imported gas contracts to oil prices.

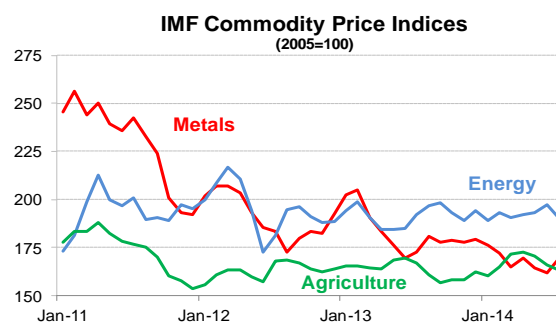
Agriculture prices fell by 1.6 percent in July, with declines concentrated in cereals and vegetable oils/meals—which both slumped 8 percent on favorable production outlooks. The largest drop was for barley prices, plunging 13 percent, on improved yields and strong exports from Russia. Among other cereals, corn prices fell 10 percent as ideal growing conditions in the U.S. are expected to lead to record yields and higher global stocks. Wheat prices decreased 9 percent because of ample world supplies, including growth from the Black Sea region.

*Prepared by Shane Streifel with assistance from Daniel Rivera Greenwood and Marina Rousset



Among vegetable oils/meals, soybeans and soybean meal dropped 12 and 13 percent, respectively (and soybean oil fell 7 percent), as the U.S. is expecting a record soybean crop. Recent rains and below-normal temperatures should also benefit yields. Most other vegetable oil prices fell on abundant supplies. Cotton prices declined 8 percent reflecting expected large growth in production from the U.S., the world's largest exporter. Sugar prices fell 5 percent on a continued global surplus, despite unfavorable weather in Brazil and India. Partly offsetting these declines, beef prices soared 13 percent due to tight supply, exacerbated by U.S. producers feeding cattle for longer periods to add weight. Swine prices surged 12 percent, up 64 percent this year, on lower U.S. production from a porcine virus that raised piglet mortality. Olive oil prices rose 7 percent owing to dry and warm weather in the Mediterranean.

Metals prices rose by 4.3 percent in July—up for the first time in three months—on declining stocks for some metals and expectations of tightening fundamentals. Most markets remain in surplus, however, and stocks are ample in most cases. The largest increase was for zinc, jumping by 9 percent and up for the fourth straight month, due to falling inventories and expected supply tightness due to mine closures. A number of important zinc mines have and are closing, and the large Century mine shuts next year, raising concerns about future output. Aluminum prices rose 6 percent as production cuts outside China have moved the ex-China market into deficit, but the China market remains in surplus and capacity continues to rise. Copper prices increased 4 percent on falling stocks and ongoing supply outages, notably in Indonesia. However, prices eased in early August as copper capacity is expected to increase strongly this year



and in 2015, and there are concerns about Chinese demand, notably for construction. Lead prices rose 4 percent, despite rising stocks, on expected mine supply tightness. Iron ore prices increased 4 percent, up for only the second time in eight months, but the market remains in large oversupply from production gains in Australia. Nickel prices rose 3 percent on expected market tightness from Indonesia's export ban, but inventories stand at record highs presently.

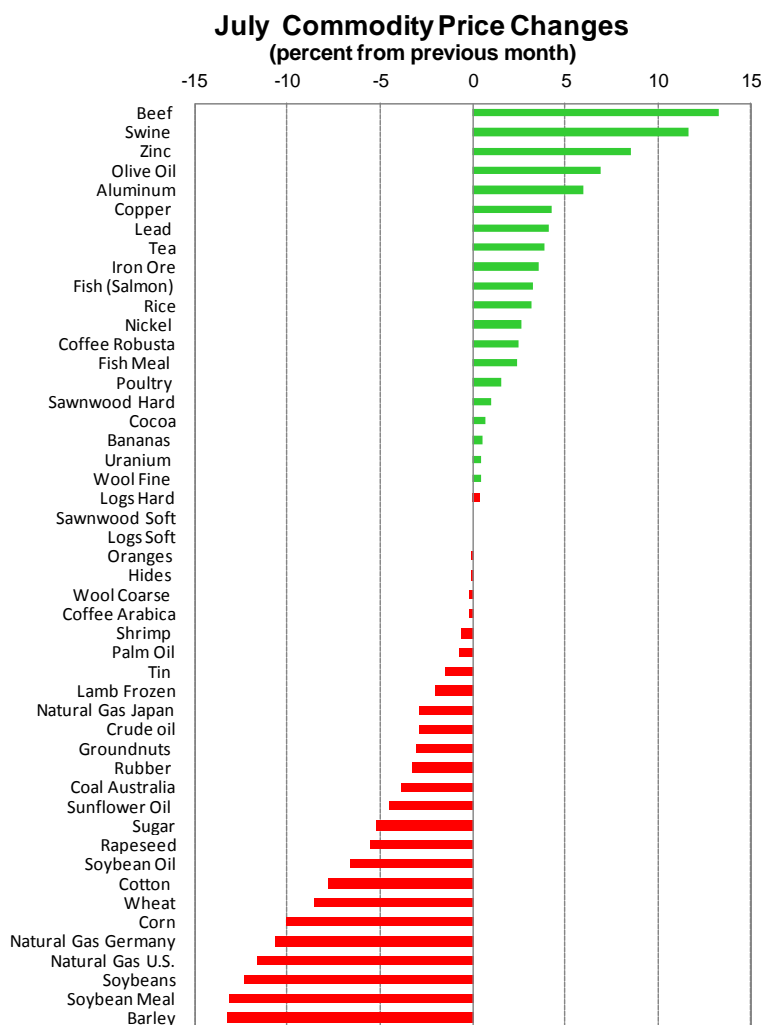


Table 1. Market Prices for Non-Fuel and Fuel Commodities

	Units	2011	2012	2013	2013Q3	2013Q4	2014Q1	2014Q2	Jun-2014	Jul-2014
Food										
Cereals										
Wheat	\$/MT	316.2	313.3	312.2	305.9	307.8	297.1	322.1	306.5	280.4
Maize	\$/MT	291.8	298.4	259.0	240.4	199.5	210.1	213.9	202.6	182.2
Rice	\$/MT	551.7	580.2	518.8	504.0	449.9	440.7	409.4	414.7	428.0
Barley	\$/MT	207.2	238.8	206.4	197.2	157.3	162.7	166.9	163.3	141.7
Vegetable oils and protein meals										
Soybeans	\$/MT	484.2	537.8	517.2	516.5	479.4	498.3	540.4	528.0	463.2
Soybean meal	\$/MT	378.9	473.3	477.3	496.5	472.5	493.3	531.9	519.3	451.0
Soybean oil	\$/MT	1215.8	1151.8	1011.1	960.0	889.2	877.9	899.7	871.6	813.9
Palm oil	\$/MT	1076.5	939.8	764.2	726.2	789.4	813.7	794.7	758.5	752.9
Fish meal	\$/MT	1519.3	1624.3	1710.5	1581.8	1542.2	1657.9	1861.6	2000.9	2049.0
Sunflower Oil	\$/MT	1621.8	1489.5	1341.1	1228.7	1182.9	1133.1	1121.5	1112.1	1061.8
Olive oil	\$/MT	3070.3	3135.7	3816.7	3761.4	3656.6	3599.0	3663.5	3756.4	4015.0
Groundnuts	\$/MT	1724.0	1688.2	2314.5	2347.1	2312.7	2377.3	2228.8	2212.7	2145.5
Rapeseed oil	\$/MT	1366.6	1239.1	1081.2	993.2	1012.8	980.3	963.1	932.1	880.6
Meat										
Beef	cts/lb	183.2	187.9	183.6	176.3	182.4	191.8	195.5	200.8	227.5
Lamb	cts/lb	149.2	100.9	106.7	109.2	116.4	124.1	135.4	137.6	134.9
Swine Meat	cts/lb	89.1	82.8	86.5	95.4	82.6	92.8	115.4	115.3	128.7
Poultry	cts/lb	87.4	94.3	103.8	106.4	104.7	104.7	109.0	110.9	112.6
Seafood										
Fish	\$/kg	5.9	4.8	6.8	6.5	6.9	7.8	6.9	6.2	6.4
Shrimp	\$/kg	11.9	10.1	14.0	15.6	16.6	17.1	17.8	17.7	17.6
Sugar										
Free market	cts/lb	26.2	21.4	17.7	17.3	17.7	16.8	18.2	18.1	17.2
United States	cts/lb	37.6	28.9	21.2	21.1	21.5	22.4	25.3	25.9	25.6
EU	cts/lb	26.7	26.4	26.0	25.8	26.9	27.5	28.0	28.1	28.4
Bananas	\$/MT	975.9	984.3	926.4	934.1	928.1	947.1	929.2	926.1	930.8
Oranges	\$/MT	891.1	868.0	967.3	1143.9	834.4	805.0	822.1	763.6	763.0
Beverages										
Coffee										
Other milds	cts/lb	273.2	187.6	141.1	135.6	126.1	175.8	213.7	198.9	198.6
Robusta	cts/lb	116.0	110.6	100.5	98.9	90.4	102.0	107.9	104.6	107.2
Cocoa Beans	\$/MT	2978.5	2377.1	2439.1	2469.4	2770.1	2951.3	3085.0	3174.3	3196.0
Tea	cts/kg	346.2	348.9	266.0	244.9	234.2	247.9	222.2	223.7	232.4
Agricultural raw materials										
Timber										
Hardwood										
Logs 1/	\$/M3	150.0	148.0	164.5	307.3	304.3	306.1	314.8	177.9	177.9
Sawnwood 1/	\$/M3	280.9	284.7	301.4	158.5	174.0	178.4	173.8	318.0	318.0
Softwood										
Logs 1/	\$/M3	150.0	148.0	164.5	158.5	174.0	178.4	173.8	177.9	177.9
Sawnwood 1/	\$/M3	280.9	284.7	301.4	307.3	304.3	306.1	314.8	318.0	318.0
Cotton	cts/lb	154.6	89.2	90.4	91.8	87.2	94.0	92.6	90.9	83.8
Wool										
Fine	cts/kg	1638.2	1345.3	1197.7	1071.6	1195.5	1114.0	1086.0	1073.2	1078.1
Coarse	cts/kg	1209.2	1212.6	1128.1	1039.5	1153.8	1083.6	1058.7	1053.8	1052.3
Rubber	cts/lb	218.5	153.2	126.8	117.5	114.6	102.1	96.1	94.6	91.6
Hides	cts/lb	82.0	83.2	94.7	95.9	103.1	107.6	109.8	108.1	108.0

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	2013Q3	2013Q4	2014Q1	2014Q2	Jun-2014	Jul-2014
Metals										
Copper	\$/MT	8823.5	7958.9	7331.5	7084.1	7162.9	7030.2	6795.3	6821.1	7113.4
Aluminum	\$/MT	2400.6	2022.8	1846.7	1782.4	1767.5	1709.3	1800.2	1839.0	1948.3
Iron Ore	\$/MT	167.8	128.5	135.4	132.8	134.9	120.4	102.6	92.7	96.1
Tin	\$/MT	26051.4	21109.4	22281.6	21312.4	22896.9	22636.3	23146.2	22762.0	22424.0
Nickel	\$/MT	22909.1	17541.7	15030.0	13953.3	13908.7	14661.0	18467.8	18628.8	19117.7
Zinc	\$/MT	2195.5	1950.0	1910.2	1860.3	1908.7	2026.5	2071.4	2128.1	2310.6
Lead	\$/MT	2400.7	2063.6	2139.7	2101.9	2113.9	2101.4	2097.1	2106.9	2193.2
Uranium	\$/lb	56.2	48.9	38.5	35.8	34.9	35.2	30.0	28.2	28.4
Energy										
Spot Crude 2/	\$/bbl	104.0	105.0	104.1	107.3	104.5	103.7	106.3	108.4	105.2
U.K. Brent	\$/bbl	111.0	112.0	108.8	110.1	109.4	107.9	109.8	111.9	107.0
Dubai	\$/bbl	106.0	108.9	105.4	106.1	106.7	104.4	106.1	108.0	105.7
West Texas Intermediate	\$/bbl	95.0	94.1	97.9	105.8	97.4	98.8	103.1	105.2	103.0
Natural Gas										
Russian in Germany	\$/mmbtu	10.6	12.0	11.2	11.0	11.0	10.8	10.7	10.5	9.4
Indonesian in Japan	\$/mmbtu	15.6	18.1	17.3	17.0	17.0	17.8	17.5	17.3	17.0
US, domestic market	\$/mmbtu	4.0	2.8	3.7	3.6	3.8	5.2	4.6	4.6	4.0
Coal										
Australian, export markets	\$/MT	130.1	103.2	90.6	82.8	87.9	82.6	77.9	76.6	73.7

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/	2011	2012	2013	2013Q3	2013Q4	2014Q1	2014Q2	Jun-2014	Jul-2014
All Primary Commodities 2/	100.0	192.4	186.3	183.3	184.8	182.1	182.2	184.7	185.1	181.1
Non-Fuel	36.9	190.0	171.0	169.0	166.0	165.1	167.2	168.4	164.6	164.8
Agriculture	26.2	173.9	162.9	163.3	161.6	159.5	165.6	169.6	165.7	163.1
Food	16.7	179.9	175.6	177.6	175.6	170.2	176.6	181.0	175.6	172.0
Cereals	3.6	231.2	236.4	218.3	209.3	191.5	191.2	198.3	190.3	175.6
Vegetable oils and protein meals	4.4	209.1	215.9	206.4	203.5	197.5	203.1	211.6	207.2	191.0
Meat	3.7	134.5	133.3	136.8	139.4	135.4	143.4	156.7	159.1	174.3
Seafood	3.2	139.3	113.3	160.1	158.6	167.6	185.9	171.2	156.3	160.1
Beverages	1.8	205.5	167.4	147.4	144.7	145.9	167.9	181.0	178.3	180.3
Agricultural Raw Materials 3/	7.7	153.5	134.0	136.2	135.0	139.7	141.4	142.1	141.2	139.8
Timber	3.4	110.8	107.4	107.3	107.4	109.0	109.9	111.7	112.7	113.1
Metals	10.7	229.7	191.0	182.9	177.0	178.6	171.1	165.3	161.8	168.8
Edibles 4/	18.5	182.4	174.8	174.6	172.6	167.8	175.7	181.0	175.9	172.8
Industrial Inputs 5/	18.4	197.8	167.1	163.3	159.4	162.3	158.6	155.6	153.2	156.7
Energy 6/	63.1	193.8	195.2	191.7	195.7	192.1	190.9	194.2	197.1	190.6
Petroleum 7/	53.6	195.9	197.9	195.9	201.8	196.8	195.2	200.0	203.8	197.9
Natural Gas	6.9	154.3	171.2	164.9	161.4	162.1	168.5	164.2	162.0	150.7
Coal	2.6	254.4	202.1	176.8	161.4	173.7	163.4	154.5	152.1	146.4

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

2/ Non-Fuel Primary Commodities and Energy Index.

3/ Includes Forestry Products.

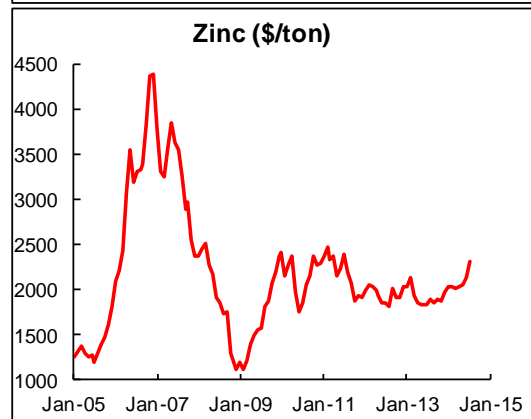
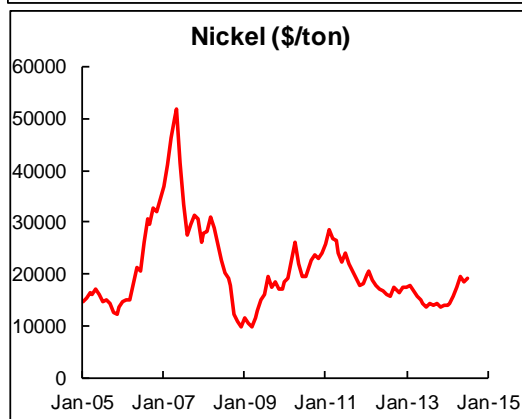
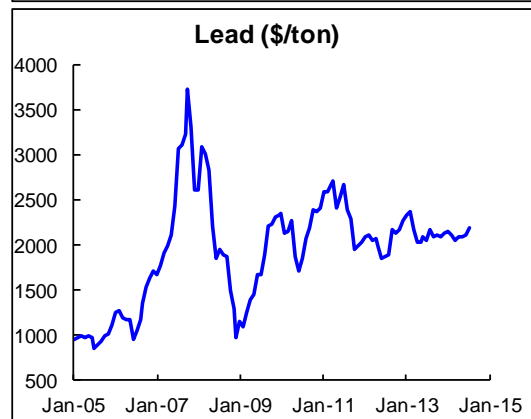
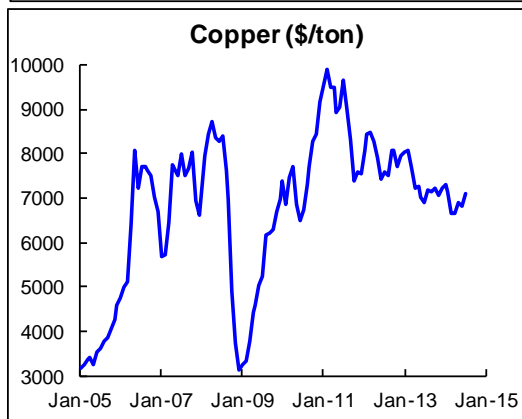
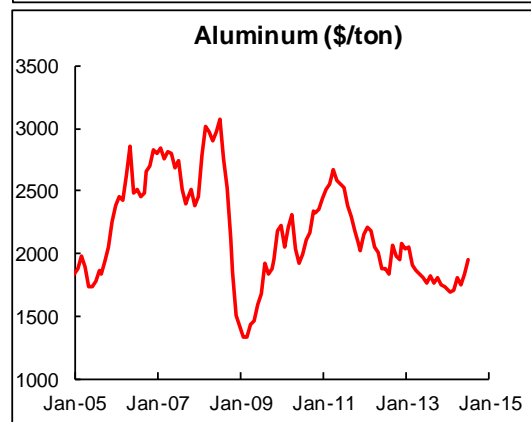
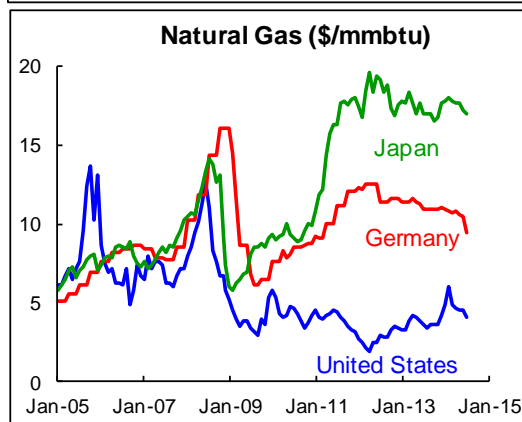
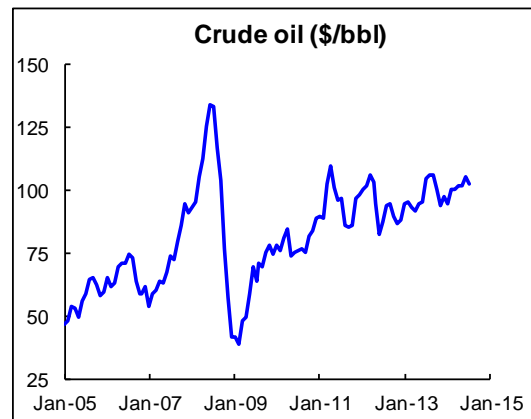
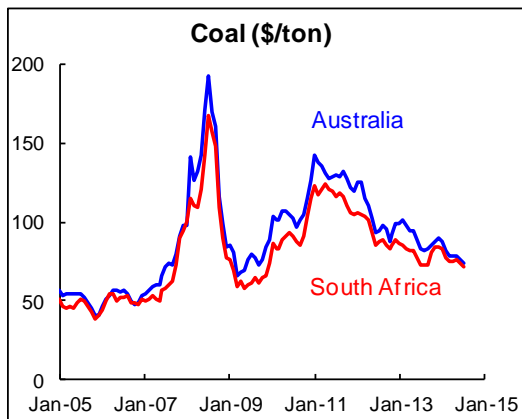
4/ Edibles comprised of Food and Beverages

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

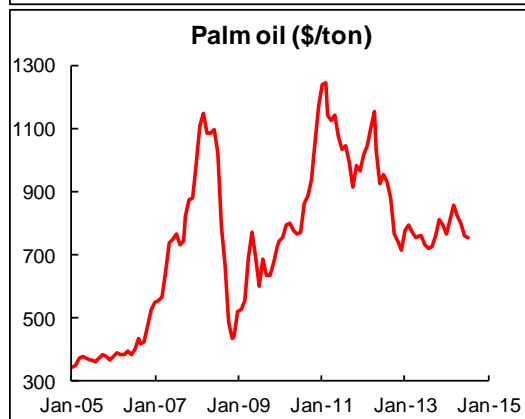
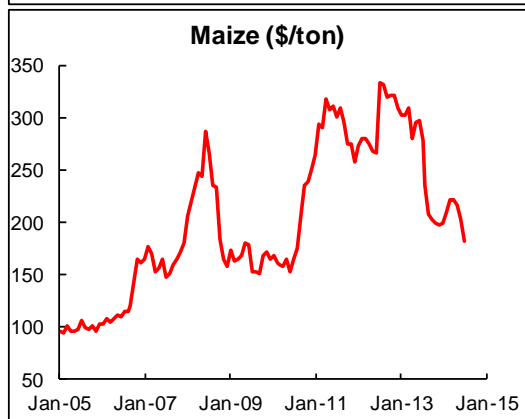
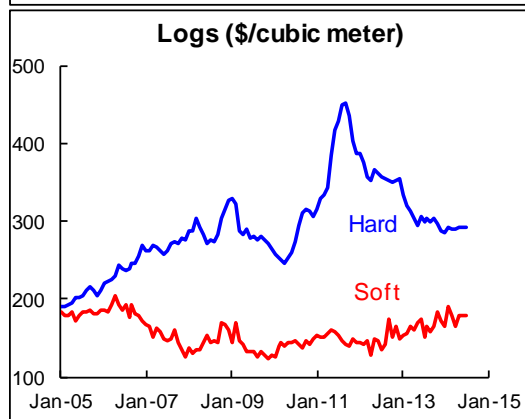
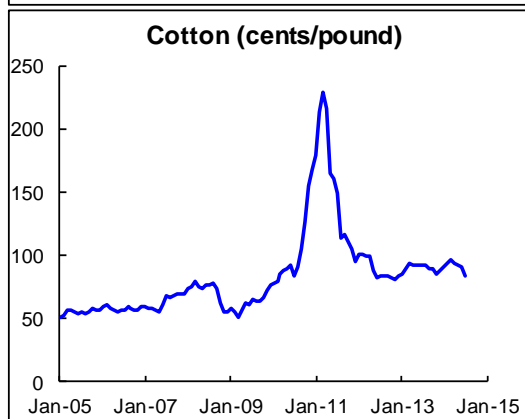
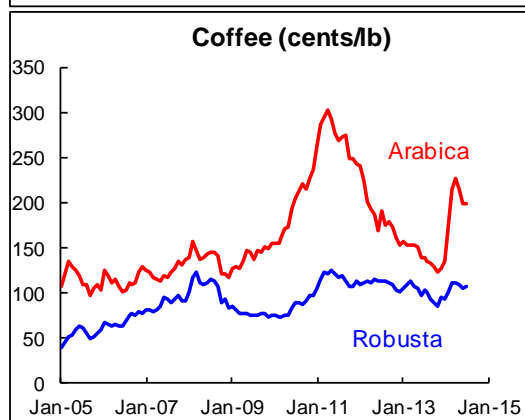
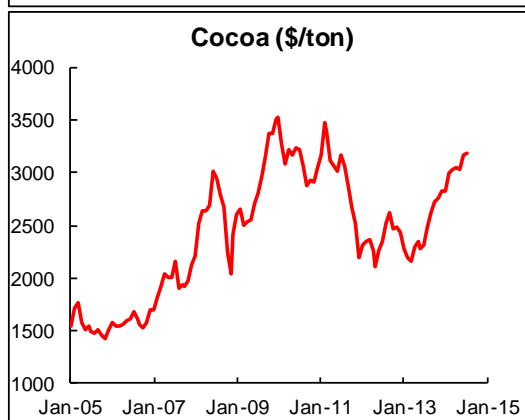
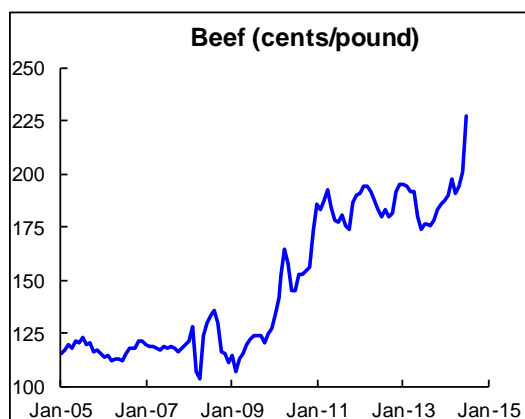
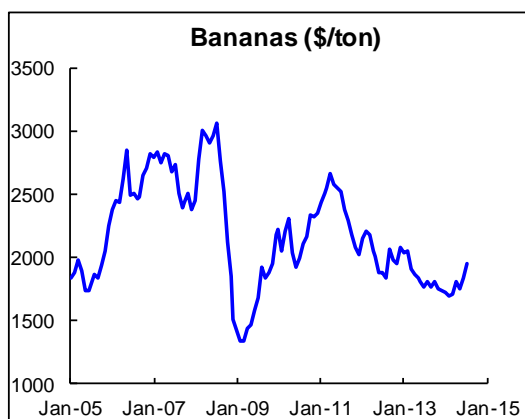
6/ Includes Petroleum, Natural Gas and Coal.

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

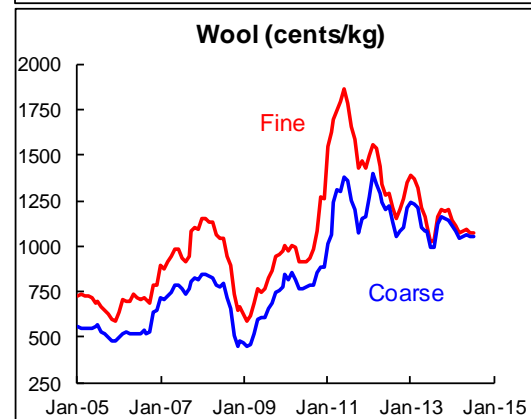
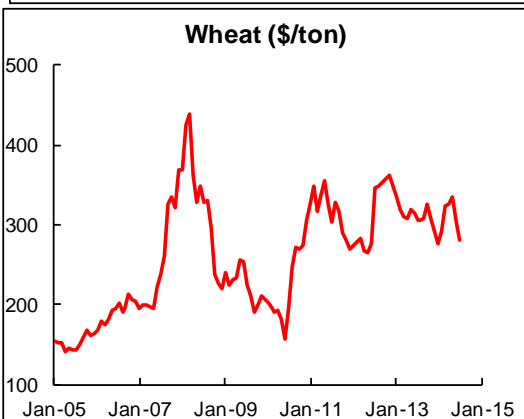
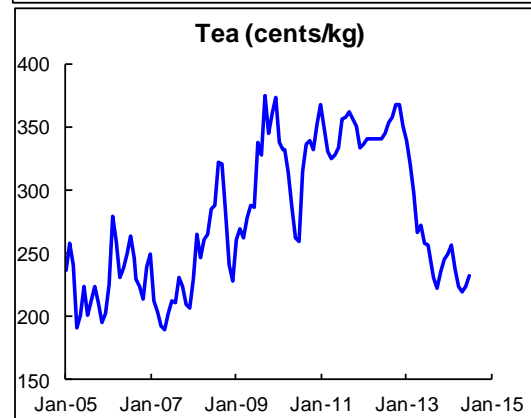
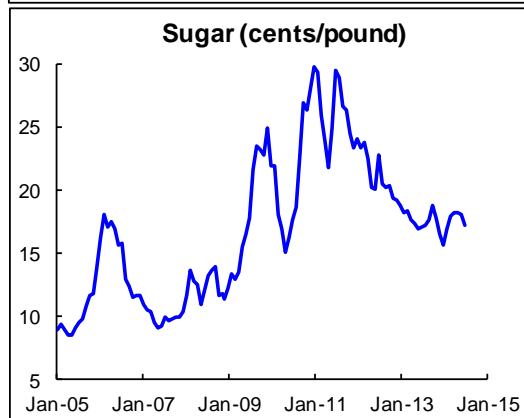
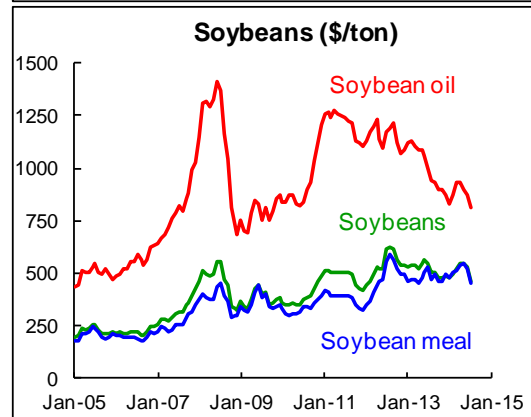
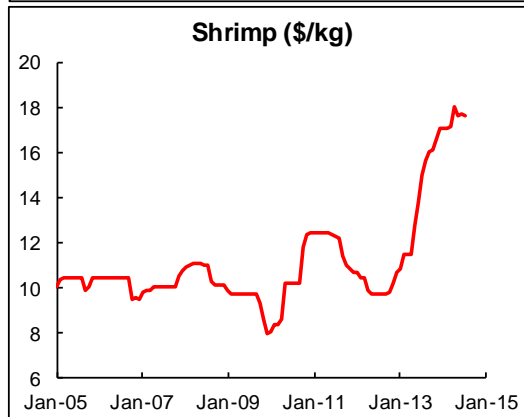
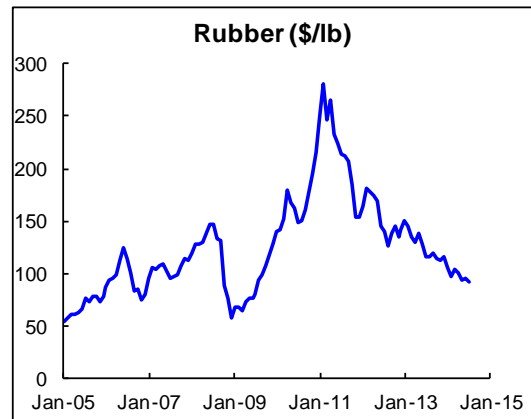
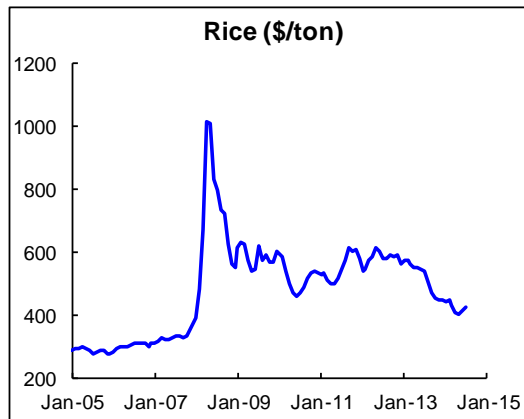
Commodity Prices in U.S. Dollars, 2005-2014



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



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



Commodity News Highlights

Crop Prospects and Food Situation. Food and Agriculture Organization. July 2014.

Summary of Global Cereal Supply and Demand Roundup

The FAO forecast for world cereal production in 2014 stands at 2,498 million tonnes (mt), 1 percent below last year's record output. With the bulk of the winter wheat crop in the Northern Hemisphere being harvested, FAO is now forecasting global wheat output at 707 mt, 1.4 percent down from the previous year's record. The reduction is largely driven by declines in the United States, following a severe drought, and in Canada, where plantings were sharply reduced in response to low prices. Declines are expected in the Near East and Africa, but are expected to more than offset increases in some other countries, in particular India and China, where record outputs are forecast, and the EU, where moderate gains are foreseen. In the major producing CIS countries, production is expected to remain stable, with the exception of Ukraine, where a return to average yields from last year's record level may result in a 2 mt decline. The early outlook in the large producing Southern Hemisphere countries remains positive, with an expansion in plantings expected to boost production.

FAO's forecast for world coarse grains production in 2014 stands at 1,287 mt, 1.5 percent lower than the record output in 2013. The decrease reflects reduced maize outputs in South America (Brazil and Argentina). Maize yields in India are also expected to decrease from their records in 2013, contributing to an 8 percent production decline. Output in the United States is estimated at 354 mt, comparable to the previous year's record production. In China, which accounts for the bulk of the maize crop in Asia, the forecast shows a small production increase. In Africa, maize output rises 3 percent, largely on account of sharp gains in Southern Africa from last year's drought-reduced level. Rice production is forecast at 755.4 mt, 1.2 percent larger than in 2013 and about half the rate of growth in the previous ten years. All countries in the Southern Hemisphere have harvested their 2014 main paddy crops. The 2014 rice season is less advanced in Northern Hemisphere countries, which comprise the leading producers. Production growth in Asia is predicted to increase by 1 percent, amid concerns over the potential impact of El Niño. Bangladesh, China, India, Indonesia, Myanmar and the Philippines, where government support to the sector remains strong, are expected to account for most of the growth in the region. The outlook for Africa is a more positive increase of 3.6 percent, and in Latin America and the Caribbean, production is estimated to expand by 1.3 percent, largely on gains in Brazil.

FAO's forecast for world cereal utilization in 2014/15 is 2,462 mt, 2.1 percent above the 2013/14 level. More than half of the 50 mt annual increase would correspond to coarse grains, rising by 2.1 percent to 1,260 mt, underpinned by greater maize usage, both as feed in China and for ethanol in the United States. Consumption of rice is forecast to grow 2.4 percent to 502 mt in 2014/15, while a more modest 1.8 percent gain to 699 mt is predicted for wheat. Overall, the volume of cereals destined for food is projected to progress by 15 mt, or 1.3 percent, compared to 2013/14, resulting in a modest 0.3 percent gain in per capita intake to 153.4 kg per year, of which 67.3 kg corresponding to wheat and 57.6 kg to rice. The expansion in cereal feed utilization is anticipated to be more pronounced than for food, with a forecast expansion of 17 mt, or 2 percent.

The FAO forecast for world cereal stocks by end-2015 crop seasons is 604 mt, a 5.3 percent increase from the 2013/14 season and the highest level since 2001. The global cereal stocks-to-use ratio would reach a 12-year high of 24.3 percent, up from 23.3 percent in 2013/14. Global maize inventories are expected to reach 200 mt in 2015. The level of global wheat stocks is put at 180 mt, 3.5 percent higher than their opening levels. Amid more buoyant production prospects, rice closing inventories are 183 mt, 1.3 mt above the level estimated for 2014.

International cereal trade in 2014/15 is set at 332.3 mt, 4 percent below the 2013/14 record.



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