Commodity Market Monthly

Research Department, Commodities Team*

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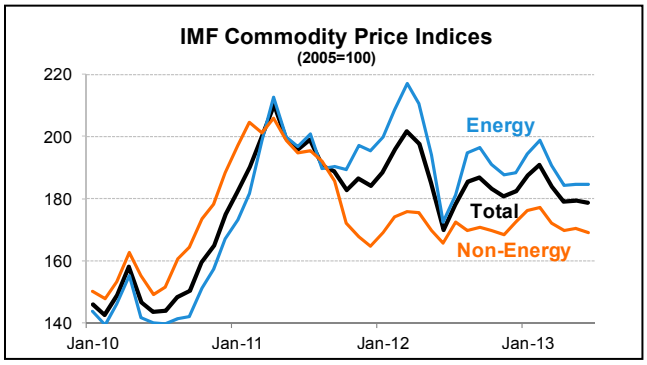
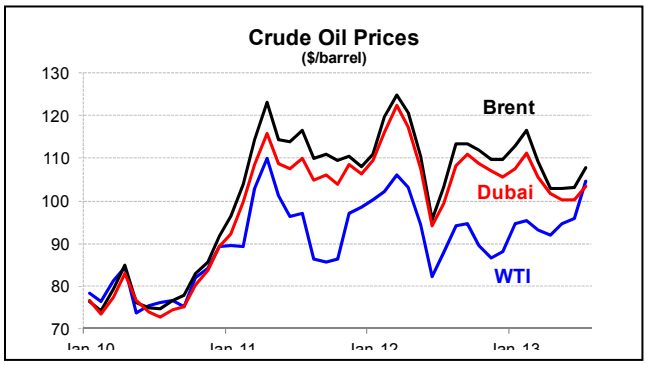
Commodity prices rose by 2.6 percent in July, largely reflecting a 4.2 percent jump in energy prices (mainly crude oil) partly offset by declines in most non-fuel commodities. Food prices fell on improved supply prospects, particularly for grains and oilseeds crops. The main exception was seafood prices, which have climbed sharply this year on strong demand. Metals prices also fell as markets remain in surplus, but prices rose sharply in early August on large Chinese imports.





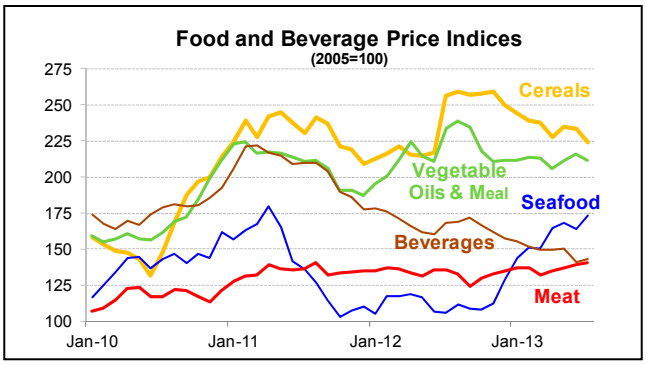
Crude oil prices surged 5.5 percent in July and averaged $105.2/bbl, due to strong demand, supply outages and geopolitical tensions. Global refinery demand jumped sharply in June and continued into July following heavy spring maintenance. In addition, China's crude oil imports leapt 20 percent to a record high—as imports were fairly flat in the first half of the year. Crude oil supplies were reduced in a number of countries, notably Libya where striking workers and protests shut down most oil terminals, and exports and production fell to under half in early August. Iraq's crude production continues to decline because of various security problems and suspension of exports from the Kurdistan region due to disputes among authorities over payment and contract terms. Supplies remain vulnerable in Nigeria, South Sudan, Yemen and elsewhere, and conflict in Syria and events in Egypt underscore geopolitical tensions in the region.

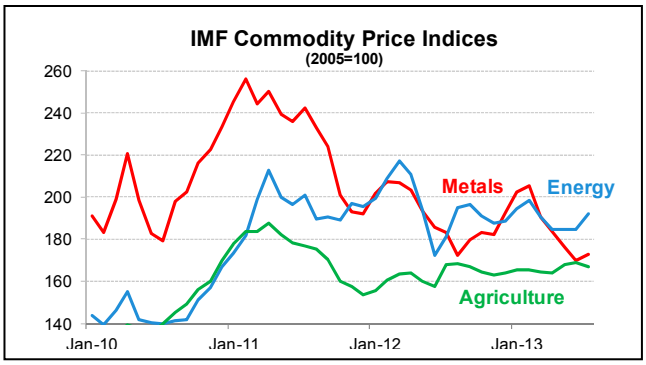
WTI prices soared 9.1 percent in July, as new and reconfigured pipelines led to a large drop in inventories at Cushing OK—the pricing point for WTI futures on NYMEX. Strong refinery throughputs and lower imports from Canada also contributed to the stock draw. The price differential between Brent and WTI collapsed to around $3/bbl, and this has resulted in reduced shipments by rail to east coast refineries. A WTI discount, sufficient to transport surplus crude from the midcontinent, is likely to remain until new pipelines are completed next year.

Natural gas prices in the U.S. fell by 5.3 percent in July due to weakening power demand because of mild temperatures, and large injections into storage. **Coal prices in Australia dropped 6.6 percent**—down for a fifth straight month—because of chronic oversupply and weak Chinese demand. Thermal coal imports into China fell in 2Q13, in part due to higher hydro generation and slowing industrial demand.

Agriculture prices fell by 1.2 percent in July, with declines in most main indices except for seafood, beverages and meat. The largest decrease was in cereal prices, falling by 4 percent and down 13 percent from November highs on improving supply outlooks. Corn prices fell 6 percent on expectations that favorable weather in the U.S. will lead to a record crop, while larger crops in Latin America and Europe will expand global supplies and help replenish stocks. Barley and wheat prices also fell on

*Prepared by Shane Streifel with assistance from Daniel Rivera Greenwood





larger supply prospects. Vegetable oils & meal prices decreased 2 percent with relatively large declines in rapeseed, sunflower, soybean and palm oils due to expanding supply estimates in the major growing regions. Agriculture raw materials fell 3 percent with large declines in rubber and wool prices on surplus supply. Partly offsetting these gains was a 6 percent increase in seafood prices, which are up 63 percent from a year ago, due to very strong demand from both industrial and emerging economies. Beverage prices rose 2 percent, led by a 6 percent increase in robusta coffee prices, as Vietnam producers hold back stocks, and as Indonesian production is lowered because of wet weather.

Metals prices rose by 1.8 percent in July—up for the first time in five months—but was entirely due to a 11 percent jump in iron ore prices on strong import demand in China. Chinese steel mills have shifted from destocking to restocking, and iron ore imports jumped 26 percent in July. Steel production and consumption have been relatively strong in China, but steel output drops seasonally in 3Q, and iron ore supplies in Brazil and Australia continue to ramp up. Prices for all other metals continued their steady declines of the past few months because of weak demand, large stocks, and ongoing increases in supply from large investments the past several years. Uranium prices fell by 5 percent in July reflecting weak demand, as China recorded no imports in June. However the country has been stocking uranium at relatively low prices the past several months as nuclear generation is set to grow strongly in the coming few years. Nickel prices decreased 4 percent (and are down 22 percent the past 5 months) due to rising mine supply and as inventories continue to reach new record highs. Prices have fallen into the cost curve and have led to cuts of high-cost nickel pig iron capacity in China—however these have been replaced with more efficient rotary kiln electric arc units. Tin prices fell 3 percent on weak demand and surging exports from Indonesia in June ahead of new export purity restrictions July 1st. The new rules were relaxed just prior to July, reducing concern about the country's exports—although in late July and early August tin prices shot up and inventories declined.

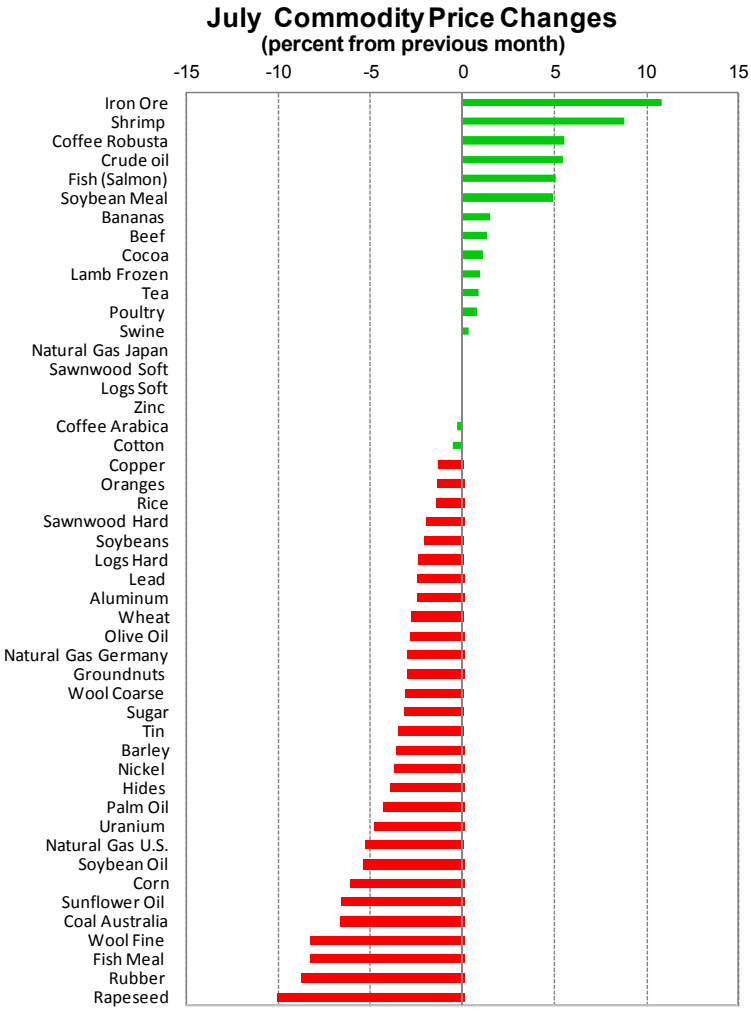


Table 1. Market Prices for Non-Fuel and Fuel Commodities

	Units	2010	2011	2012	2012Q3	2012Q4	2013Q1	2013Q2	Jun-2013	Jul-2013
Food										
Cereals										
Wheat	$/MT	223.7	316.2	313.3	349.5	355.7	321.4	313.8	313.5	304.7
Maize	$/MT	186.0	291.8	298.4	328.6	317.3	305.1	290.9	297.1	278.9
Rice	$/MT	520.6	551.7	580.2	583.9	580.3	570.7	550.7	546.3	538.3
Barley	$/MT	158.4	207.2	238.2	252.0	249.1	239.4	231.5	230.6	222.1
Vegetable oils and protein meals										
Soybeans	$/MT	384.9	484.2	537.8	615.8	544.4	532.8	540.0	560.2	548.3
Soybean meal	$/MT	331.3	378.9	473.3	565.9	500.1	464.6	475.6	503.6	528.3
Soybean oil	$/MT	924.8	1215.8	1151.8	1192.4	1093.5	1119.2	1076.0	1058.6	1000.8
Palm oil	$/MT	859.9	1076.5	939.8	920.9	741.7	780.3	761.0	763.0	729.9
Fish meal	$/MT	1739.2	1519.3	1624.3	1735.6	1928.9	1918.4	1804.7	1743.9	1598.5
Sunflower Oil	$/MT	1186.0	1621.8	1489.5	1546.1	1492.4	1493.8	1459.4	1472.1	1375.5
Olive oil	$/MT	3171.3	3070.3	3135.7	3209.1	3579.7	4004.9	3860.8	3874.6	3762.9
Groundnuts	$/MT	1239.4	1724.0	1884.6	1806.2	2043.6	2273.6	2248.6	2326.1	2255.9
Rapeseed oil	$/MT	1011.7	1366.6	1239.1	1233.0	1202.5	1196.0	1121.4	1115.9	1003.4
Meat										
Beef	cts/lb	152.5	183.2	187.9	181.2	189.7	193.8	181.8	174.3	176.6
Lamb	cts/lb	145.7	149.2	100.9	89.5	89.5	97.1	103.9	106.8	107.8
Swine Meat	cts/lb	74.4	89.1	82.8	83.2	79.3	79.7	88.4	98.1	98.4
Poultry	cts/lb	85.8	87.4	94.3	95.1	96.7	100.2	104.1	105.5	106.4
Seafood										
Fish	$/kg	6.1	5.9	4.8	9.7	10.2	11.3	12.7	7.0	7.3
Shrimp	$/kg	10.1	11.9	10.1	4.6	4.9	6.5	7.2	13.8	15.0
Sugar										
Free market	cts/lb	20.9	26.2	21.4	21.2	19.6	18.5	17.3	16.9	16.4
United States	cts/lb	31.1	37.6	28.9	27.8	23.1	22.0	20.2	19.6	19.3
EU	cts/lb	25.7	26.7	26.4	26.3	26.7	25.8	25.5	25.7	25.3
Bananas	$/MT	881.4	975.9	984.3	962.8	947.4	932.6	910.6	911.6	925.4
Oranges	$/MT	1033.2	891.1	868.0	995.5	861.9	825.9	1062.0	1148.5	1132.1
Beverages										
Coffee										
Other milds	cts/lb	194.4	273.2	187.6	182.1	162.4	154.8	147.7	138.9	138.4
Robusta	cts/lb	84.1	116.0	110.6	112.4	105.0	109.4	103.5	97.1	102.4
Cocoa Beans	$/MT	3130.6	2978.5	2377.1	2494.1	2457.8	2208.8	2308.0	2283.6	2308.5
Tea	cts/kg	316.7	346.2	348.9	352.3	362.6	319.1	264.2	254.0	256.2
Agricultural raw materials										
Timber										
Hardwood										
Logs 1/	$/M3	278.2	390.5	360.5	864.3	874.4	845.2	837.4	306.0	298.8
Sawnwood 1/	$/M3	848.3	939.4	876.3	355.1	352.7	322.5	301.8	844.6	827.7
Softwood										
Logs 1/	$/M3	141.5	150.0	148.0	150.4	155.9	157.6	166.1	168.9	168.9
Sawnwood 1/	$/M3	281.8	280.9	284.7	295.4	283.2	278.4	314.8	321.8	321.8
Cotton	cts/lb	103.5	154.6	89.2	84.2	82.1	89.9	92.7	93.1	92.6
Wool										
Fine	cts/kg	1023.2	1638.2	1345.3	1217.9	1273.0	1362.4	1161.4	1117.7	1025.3
Coarse	cts/kg	820.1	1209.2	1212.6	1138.0	1131.1	1227.5	1091.1	1082.7	1049.2
Rubber	cts/lb	165.7	218.5	153.2	134.7	140.4	143.1	131.8	127.5	116.3
Hides	cts/lb	72.0	82.0	83.2	85.3	86.0	86.0	93.8	101.0	97.0

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	2012Q3	2012Q4	2013Q1	2013Q2	Jun-2013	Jul-2013
Metals										
Copper	$/MT	7538.4	8823.5	7958.9	7727.5	7913.2	7922.3	7156.7	7000.2	6906.6
Aluminum	$/MT	2173.0	2400.6	2022.8	1927.9	2003.3	2000.8	1836.0	1814.5	1769.6
Iron Ore	$/MT	146.7	167.8	128.5	111.7	121.1	148.3	125.4	114.8	127.2
Tin	$/MT	20367.2	26051.4	21109.4	19331.0	21609.2	24037.5	20879.6	20267.4	19563.8
Nickel	$/MT	21810.0	22909.1	17541.7	16373.5	16984.2	17305.3	14952.6	14280.3	13750.3
Zinc	$/MT	2160.4	2195.5	1950.0	1891.3	1952.3	2029.7	1841.9	1839.0	1837.6
Lead	$/MT	2148.2	2400.7	2063.6	1985.6	2201.2	2291.2	2052.0	2099.7	2047.7
Uranium	$/lb	46.0	56.2	48.9	49.1	43.3	42.8	40.7	39.9	38.0
Energy										
Spot Crude 2/	$/bbl	79.0	104.0	105.0	102.8	101.9	105.1	99.3	99.7	105.2
U.K. Brent	$/bbl	79.6	111.0	112.0	110.0	110.4	112.9	103.0	103.1	107.7
Dubai	$/bbl	78.1	106.0	108.9	106.2	107.1	108.1	100.8	100.3	103.4
West Texas Intermediate	$/bbl	79.4	95.0	94.1	92.2	88.1	94.4	94.2	95.8	104.5
Natural Gas										
Russian in Germany	$/mmbtu	8.2	10.6	12.0	11.4	11.6	11.4	11.5	11.3	11.0
Indonesian in Japan	$/mmbtu	9.4	15.6	18.1	18.8	17.2	17.9	17.2	16.9	16.9
US, domestic market	$/mmbtu	4.4	4.0	2.8	2.9	3.4	3.5	4.0	3.8	3.6
Coal										
Australian, export markets	$/MT	106.0	130.1	103.2	95.8	93.1	99.5	92.2	88.7	82.8

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

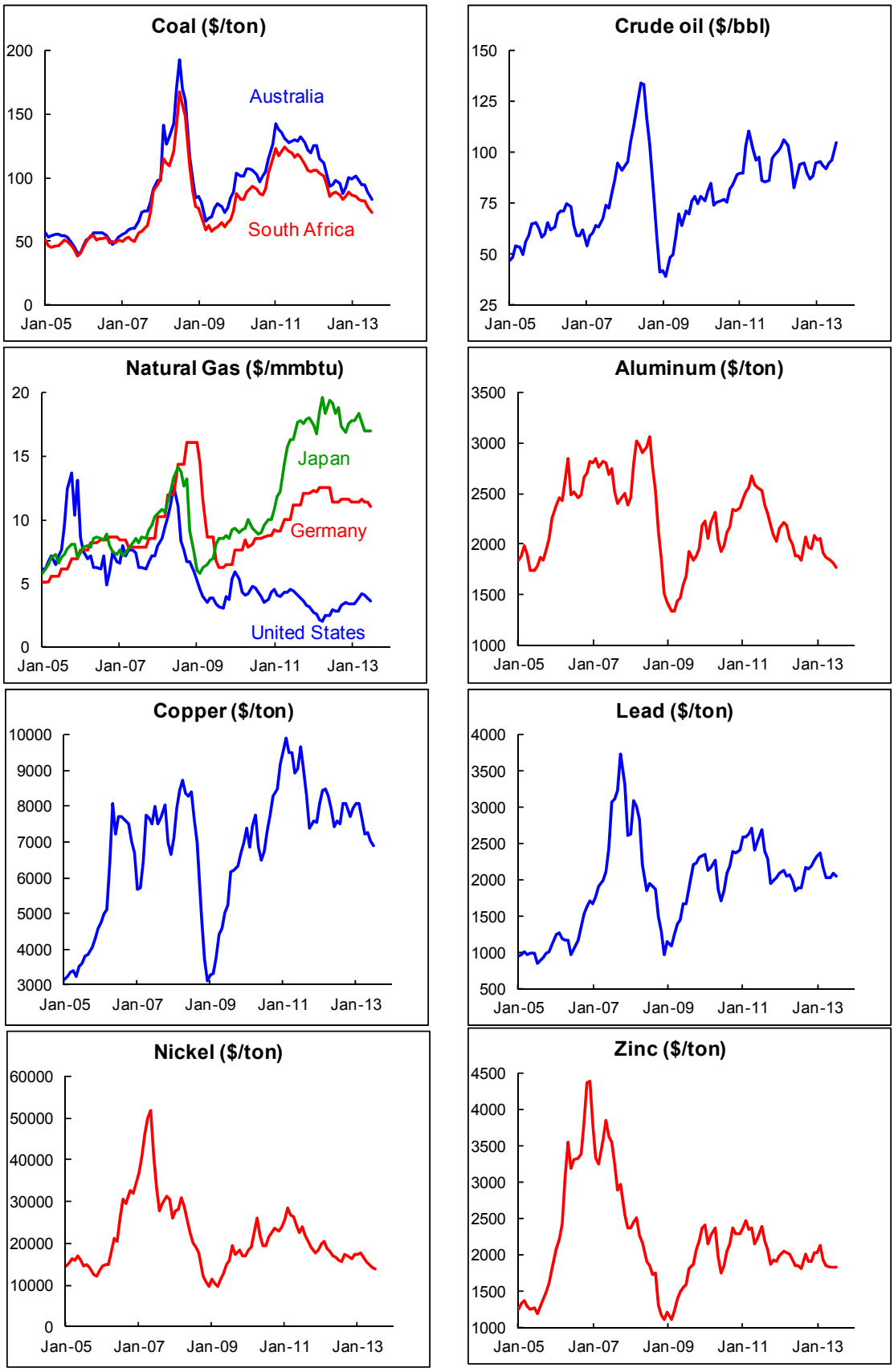
Table 2. Indices of Primary Commodity Prices

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

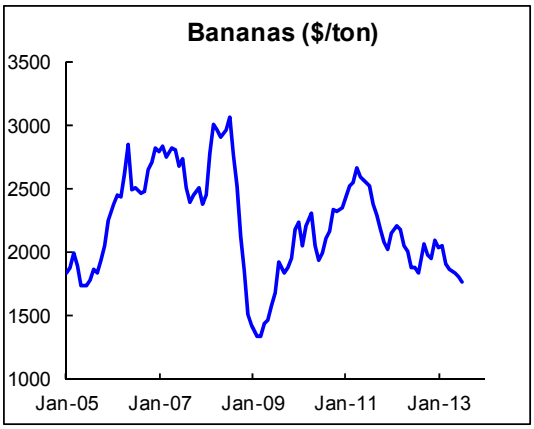
	(Weights) 1/	2010	2011	2012	2012Q3	2012Q4	2013Q1	2013Q2	Jun-2013	Jul-2013
All Primary Commodities 2/	100.0	152.3	192.4	186.3	183.5	182.1	187.4	179.0	178.9	183.5
Non-Fuel	36.9	161.2	190.0	171.1	171.0	170.3	175.1	169.7	169.2	168.6
Agriculture	26.2	144.6	173.9	163.1	167.9	163.9	165.2	166.9	169.0	167.0
Food	16.7	150.1	179.9	175.9	184.3	178.7	181.4	183.0	185.0	183.6
Cereals	3.6	166.5	231.2	236.4	257.5	255.6	240.3	232.0	233.4	224.2
Vegetable oils and protein meals	4.4	170.4	209.1	217.1	235.6	213.6	212.9	211.2	216.2	211.5
Meat	3.7	117.2	134.5	133.3	131.0	132.5	135.5	137.1	139.6	140.8
Seafood	3.2	140.4	139.3	113.3	109.0	116.4	148.6	165.6	164.0	173.3
Beverages	1.8	176.2	205.5	167.4	169.6	162.0	152.2	146.8	141.1	143.5
Agricultural Raw Materials 3/	7.7	125.1	153.5	134.0	131.9	132.1	133.1	136.9	140.8	136.4
Timber	3.4	101.1	110.8	107.4	108.5	107.1	103.7	108.8	110.6	109.6
Metals	10.7	202.3	229.7	191.0	178.5	186.1	199.4	176.5	169.7	172.7
Edibles 4/	18.5	152.6	182.4	175.1	182.9	177.1	178.5	179.4	180.7	179.7
Industrial Inputs 5/	18.4	169.9	197.8	167.1	159.0	163.4	171.6	159.9	157.5	157.4
Energy 6/		147.1	193.8	195.2	190.8	189.1	194.5	184.5	184.5	192.2
Petroleum 7/	53.6	148.5	195.9	197.9	193.7	192.3	198.1	187.0	187.7	197.7
Natural Gas	6.9	113.3	154.3	171.2	169.3	166.8	167.9	167.3	164.7	161.5
Coal	2.6	205.9	254.4	202.1	188.0	183.1	192.7	179.4	172.5	161.3

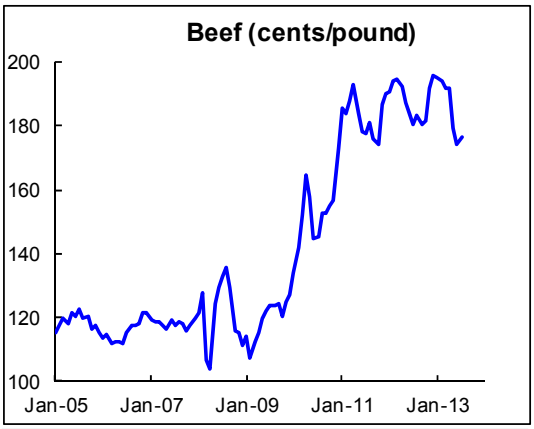
1/ Weights based on 2002-2004 average world export earnings.
2/ Non-Fuel Primary Commodities and Energy Index.
3/ Includes Forestry Products.
4/ Edibles comprised of Food, Beverages and Raw Materials
5/ Industrial (Non-Fuel) Inputs comprised of Agriculture and Metals
6/ Includes Petroleum, Natural Gas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

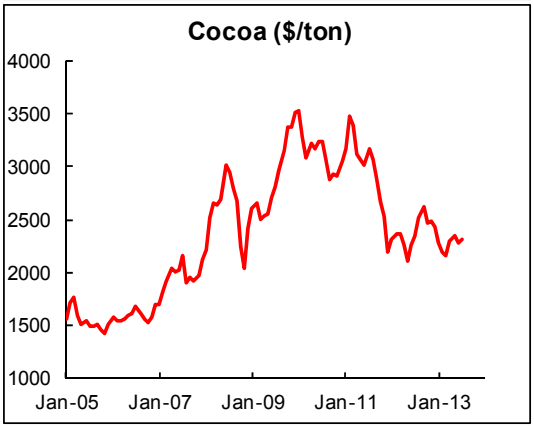
Commodity Prices in U.S. Dollars, 2005-2013

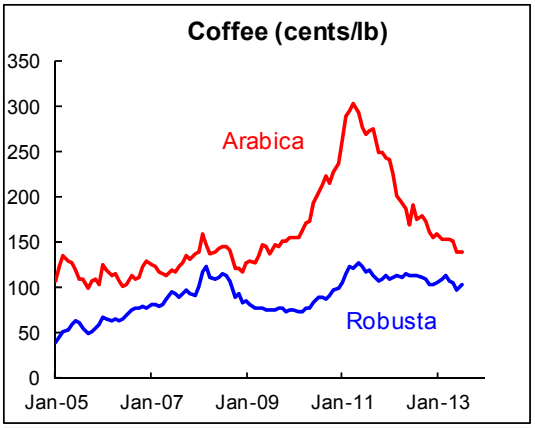


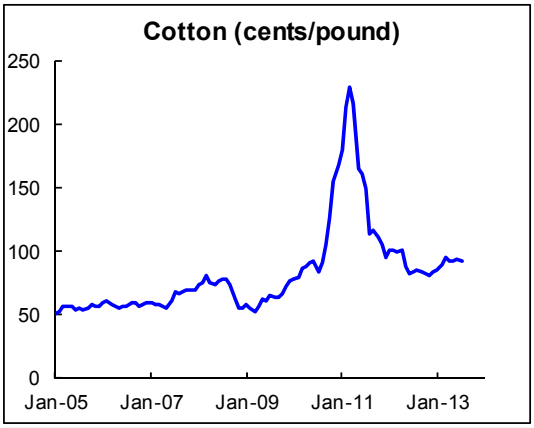
Commodity Prices in U.S. Dollars, 2005-2013 continued

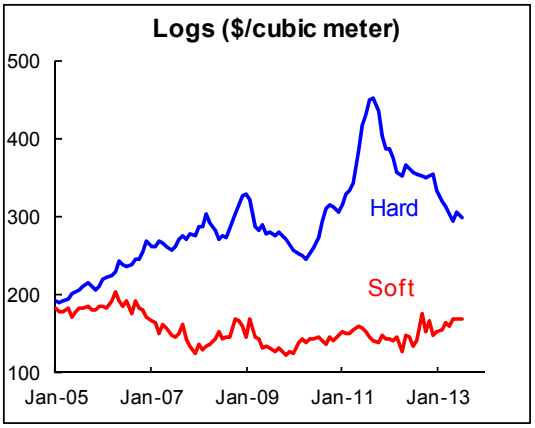


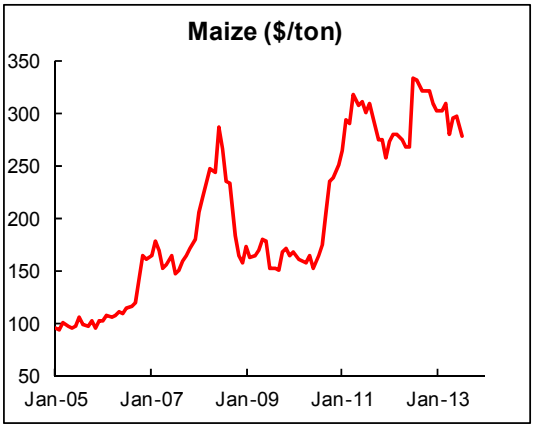


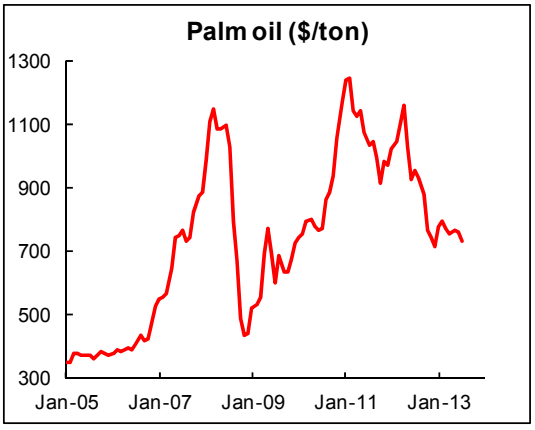




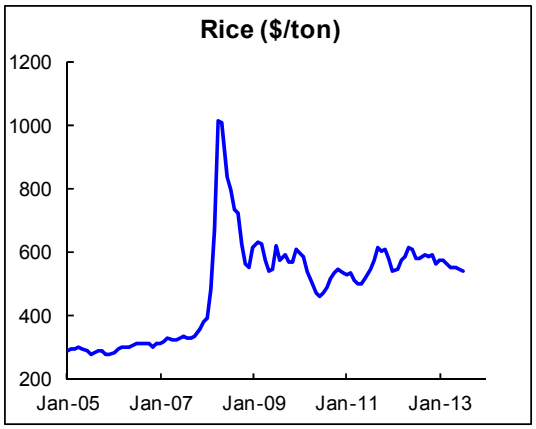


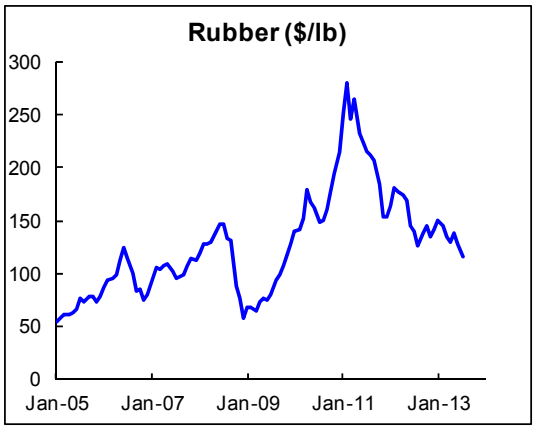


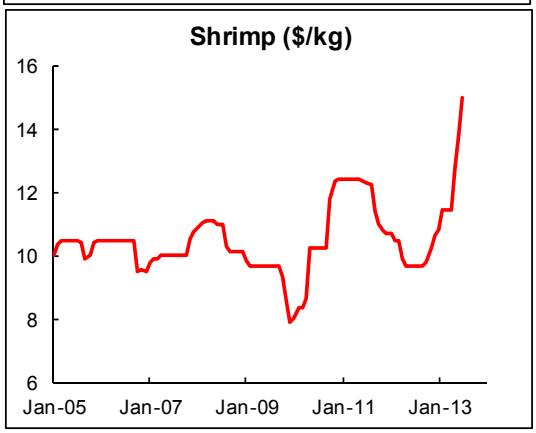


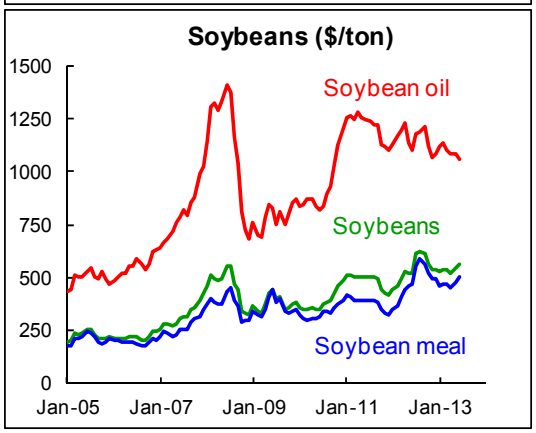


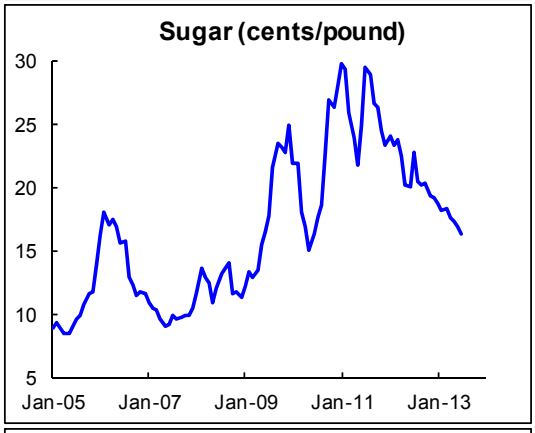
Commodity Prices in U.S. Dollars, 2005-2013 continued

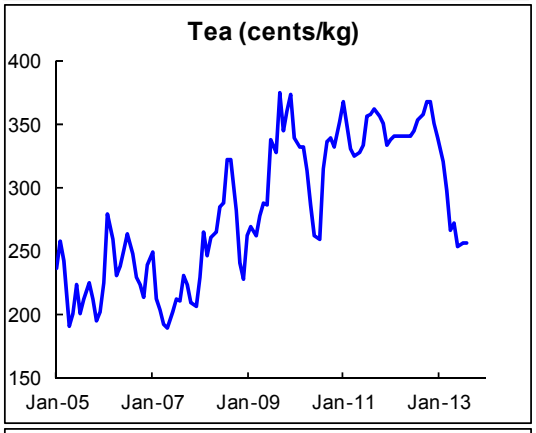


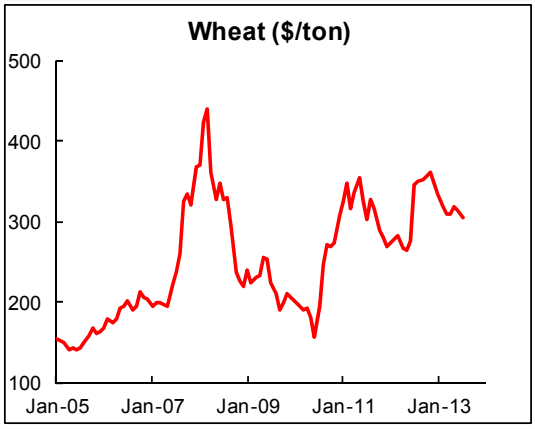


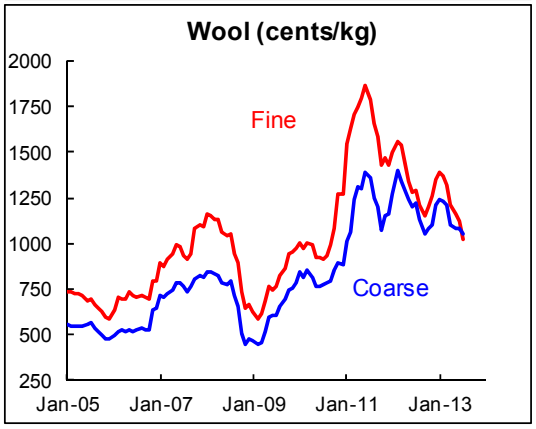












Commodity News Highlights

United States, Article IV consultation 2012, Selected Issues. **IMF, July 2013. (Select Highlights)**

Macroeconomic Implications of the U.S. Energy Boom

Technological advances (especially horizontal fracturing and drilling) have helped to unlock unconventional oil and gas from tight-rock formations including shale, reversing a long period of production declines. Production of crude oil and other petroleum products has increased by 30 percent over the past 5 years, helping to halve the net imports of crude oil and related liquids, and natural gas output is up by about 25 percent. The energy boom has already had positive effects on the U.S. economy. Besides the direct benefits from higher oil and gas output, there has been a flurry of activity in the supporting industries (e.g., rigs, pipelines, services). However, reflecting the small share of oil- and gas-related sectors in the U.S. economy (around 1½ percent of GDP), all mining contributed only 0.1 percentage point to real GDP growth last year. Employment in the oil and gas sectors increased by around 50,000 employees in both 2011 and 2012—a small share of the net 2.2 million jobs created in the U.S. economy just last year. That said, constraints on gas exports have helped push the domestic price of natural gas well below prices in other major markets, providing a competitive advantage to domestic industries.

The rapid growth in natural gas production and the segmented nature of the global gas market has unleashed a wave of rebalancing within the U.S. energy sector. Natural gas has been displacing coal in electricity generation—in turn, coal exports have increased substantially, especially to Europe. Meanwhile, low natural gas prices has incentivized producers to explore fields with a high content of crude oil or natural gas liquids, helping to further cut oil imports. Natural gas exports in the form of LNG are planned.

Most analysts agree that U.S. energy output will continue rising going forward, although there is a wide range of views about the possible outcomes. For plausible parameter values, model simulations suggest that the macroeconomic effects will be positive for the United States but may be modest. Under the baseline, the increase in real GDP level attributable to higher domestic energy production could be less than 1 percent after 10 years, although energy production growth has tended to surprise on the upside, and the official production forecasts could prove too pessimistic. The energy boom could put some appreciation pressure on the U.S. dollar, while the current account implications appear ambiguous. Although the U.S. macroeconomic effects appear modest due to the small share of mining and energy-intensive industries in the economy, the energy boom could yet have important implications for the rest of the world, including the major energy exporters especially if accompanied by a more aggressive pursuit of unconventional energy sources in other economies.

U.S. Manufacturing Recovery: Uptick or Renaissance?

Basic analysis using I-O accounts suggest that the 'pull' from the energy boom to manufacturing would be limited. Additional production in the oil and gas industry brought about by the energy boom would result in a positive contribution to manufacturing growth of around 0.1–0.3 pp per year through the end of the decade. The increase would be larger for nondurable goods manufacturing (between 0.2 and 0.3 pp per year), as this includes the production of refined products. The industries that would benefit most include chemical products, primary metals, fabricated metal products, and machinery. A number of sectors that would be most benefitted have not been part of the manufacturing recovery to date, so new demand for these sectors marks a positive development

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