

Commodity Market Monthly

Research Department, Commodities Team*



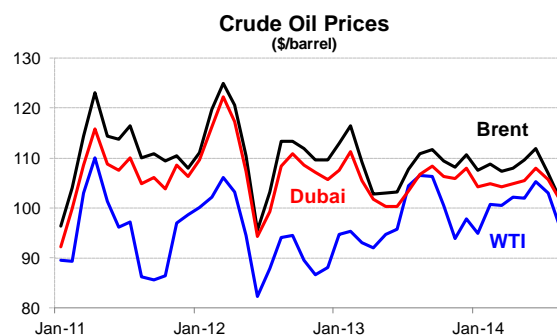
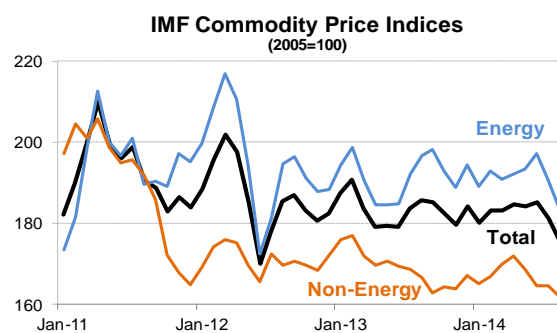
September 11, 2014

www.imf.org/commodities

Commodity prices fell by 3.2 percent in August, with declines in most main indices, but primarily energy and agriculture. The decreases generally reflect weak demand and ample supply, and in part were due to appreciation of the U.S. dollar—up 1.6 percent against major currencies. Many agriculture prices continued to fall as near ideal growing conditions are leading to record or near-record harvests for major crops. Metals prices fell for the sixth time in eight months.

Crude oil prices decreased by 4.9 percent in August, averaging \$100.1/bbl, and slipped below \$96/bbl in early September, despite geopolitical concerns in Iraq/Syria and Ukraine/Russia. Global supplies continue to outpace demand, and include recovering production in Libya to over 0.7 mb/d at month's end—although the gains may be fragile due to intense fighting in Tripoli, and uncertainty of government control over ministries. There is a glut of light crude in the Atlantic basin, partly driven by the U.S. reduction of light crude imports and weak refinery demand in Europe. Consequently West African crude is being shipped to Asia. In addition, more surplus crude and product is likely being placed into inventory. Global oil demand remains sluggish, apart from robust U.S. consumption. Autumn refinery maintenance is ramping up, and will peak in October, and further contribute to weak crude oil demand.

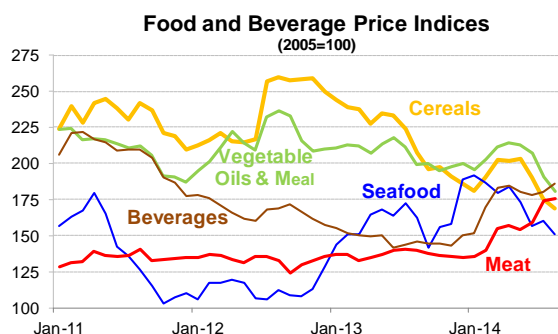
The Brent-WTI spread widened to more than \$5/bbl in August (and to \$7/bbl in early September) despite global weakness in Brent prices. Crude stocks at Cushing OK—which were depleted with start-up of new pipelines to the Gulf coast this year and narrowing the price spread—rose slightly facilitated by new pipeline capacity into Cushing. Additional lines into the storage hub are expected to be operational later this year. Stocks on the Gulf coast have fallen as refineries continue to run at high rates, benefitting from lower-priced domestic crude.



U.S. natural gas prices fell by 3.8 percent in August, and to below \$4/mmbtu for first time in nine months, on continued strong replenishment of inventories and generally mild weather—although some heat occurred late in the month. **European natural gas prices (Germany) rose 10.4 percent** in August, rebounding from a similar drop in July, and realigning with other European prices.

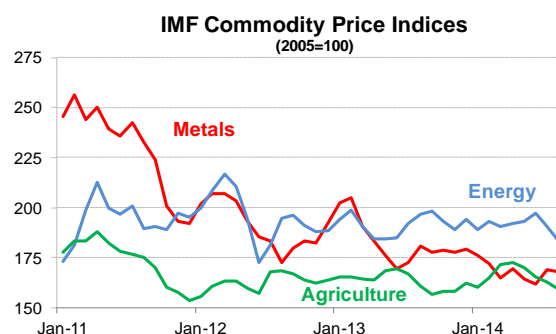
Agriculture prices fell by 2.4 percent in August, with declines in most indices. Prices continued to weaken in early September on favorable global supply prospects. The largest decrease was for swine prices, plunging 15 percent, owing to falling consumption following a 64 percent price jump this year resulting from a porcine virus that raised piglet mortality. Cotton prices dropped 12 percent on upgraded production forecasts for the U.S., the world's largest exporter. Vegetable oil/meal prices fell 5 percent, down a fourth month, on expected

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



record global production. Palm oil prices led the decline, falling 10 percent, due to large production in SE Asia and slowing exports. Soybean and soybean oil prices fell 7-8 percent due to an expected record U.S. soybean harvest. Most other vegetable oil prices continued their descent. Cereal prices fell 4 percent led by a 9 percent drop in barley prices owing to strong production and exports from Russia. Wheat prices fell 6 percent on expected near record global production, while corn prices slid 3 percent on a projected record U.S. crop. Rubber prices dropped 8 percent amid excess supply and rising inventories in China. Sugar prices fell 8 percent owing to large global stocks. Partly offsetting these declines, beef prices soared 14 percent due to tight U.S. supply, while coffee Arabica prices rose 8 percent as dry weather reduced production in Brazil, and next season's crop is expected to be the lowest in 7 years.

Metals prices fell by 0.4 percent in August on continuing concerns about global demand, with all prices falling in early September. Prices continued their divergent paths in August, mainly reflecting supply conditions and prospects. The largest decline was for iron ore, dropping 4 percent (and down 32 percent this year to a five-year low) due to a surge in production, mainly from new capacity in Australia. Capacity is also set to increase in 2015 and 2016 and will likely require closure of high-cost output in China and elsewhere. Nickel prices slipped 3 percent as stocks continue to rise to record highs; however prices are up 34 percent this year largely because of Indonesia's January ban on export of unprocessed ore. The Philippines proposed a similar bill in August to ban unprocessed ore exports, but nickel prices slumped in early September when it became apparent that a ban could take several years to enact. Copper and tin prices also edged downward



on excess supply concerns. On the upside, the largest increase was for uranium prices, jumping 8 percent, as supply has tightened with closures and operational issues. The world's largest uranium mine in Canada halted production in late August due to a labor dispute. Aluminum prices rose 4 percent, up for a third straight month, on declining inventories and production cuts outside China this year, which has moved the ex-China market into deficit.

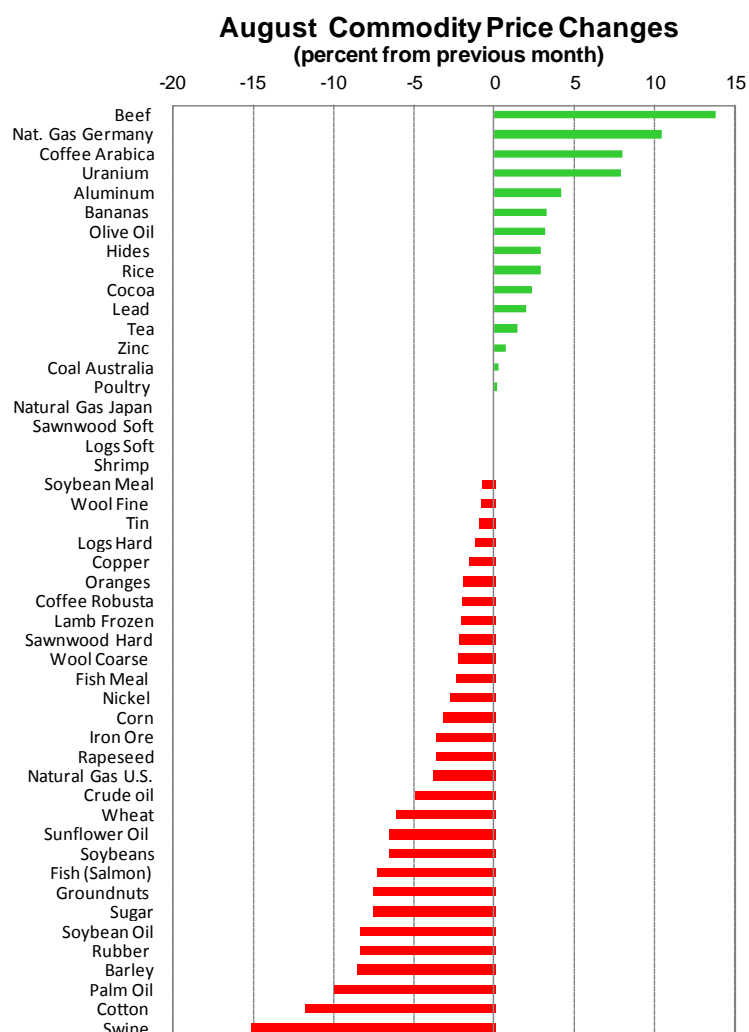


Table 1. Market Prices for Non-Fuel and Fuel Commodities

	Units	2011	2012	2013	2013Q3	2013Q4	2014Q1	2014Q2	Jul-2014	Aug-2014
Food										
Cereals										
Wheat	\$/MT	316.2	313.3	312.2	305.9	307.8	297.1	322.1	280.4	263.4
Maize	\$/MT	291.8	298.4	259.0	240.4	199.5	210.1	213.9	182.2	176.4
Rice	\$/MT	551.7	580.2	518.8	504.0	449.9	440.7	409.4	428.0	440.4
Barley	\$/MT	207.2	238.8	206.4	197.2	157.3	162.7	166.9	141.7	129.6
Vegetable oils and protein meals										
Soybeans	\$/MT	484.2	537.8	517.2	516.5	479.4	498.3	540.4	463.2	433.0
Soybean meal	\$/MT	378.9	473.3	477.3	496.5	472.5	493.3	531.9	451.0	447.8
Soybean oil	\$/MT	1215.8	1151.8	1011.1	960.0	889.2	877.9	899.7	813.9	745.8
Palm oil	\$/MT	1076.5	939.8	764.2	726.2	789.4	813.7	794.7	752.9	677.9
Fish meal	\$/MT	1519.3	1624.3	1710.5	1581.8	1542.2	1657.9	1861.6	2049.0	2000.1
Sunflower Oil	\$/MT	1621.8	1489.5	1341.1	1228.7	1182.9	1133.1	1121.5	1061.8	992.5
Olive oil	\$/MT	3070.3	3135.7	3816.7	3761.4	3656.6	3599.0	3663.5	4015.0	4142.3
Groundnuts	\$/MT	1724.0	1688.2	2314.5	2347.1	2312.7	2377.3	2228.8	2145.5	1985.0
Rapeseed oil	\$/MT	1366.6	1239.1	1081.2	993.2	1012.8	980.3	963.1	880.6	848.8
Meat										
Beef	cts/lb	183.2	187.9	183.6	176.3	182.4	191.8	195.5	227.5	258.9
Lamb	cts/lb	149.2	100.9	106.7	109.2	116.4	124.1	135.4	134.9	132.1
Swine Meat	cts/lb	89.1	82.8	86.5	95.4	82.6	92.8	115.4	128.7	109.2
Poultry	cts/lb	87.4	94.3	103.8	106.4	104.7	104.7	109.0	112.6	112.8
Seafood										
Fish	\$/kg	5.9	4.8	6.8	6.5	6.9	7.8	6.9	6.4	5.9
Shrimp	\$/kg	11.9	10.1	14.0	15.6	16.6	17.1	17.8	17.6	17.6
Sugar										
Free market	cts/lb	26.2	21.4	17.7	17.3	17.7	16.8	18.2	17.2	15.9
United States	cts/lb	37.6	28.9	21.2	21.1	21.5	22.4	25.3	25.6	25.6
EU	cts/lb	26.7	26.4	26.0	25.8	26.9	27.5	28.0	28.4	27.8
Bananas	\$/MT	975.9	984.3	926.4	934.1	928.1	947.1	929.2	930.8	961.6
Oranges	\$/MT	891.1	868.0	967.3	1143.9	834.4	777.4	838.8	783.0	768.2
Beverages										
Coffee										
Other milds	cts/lb	273.2	187.6	141.1	135.6	126.1	175.8	213.7	198.6	214.5
Robusta	cts/lb	116.0	110.6	100.5	98.9	90.4	102.0	107.9	107.2	105.1
Cocoa Beans	\$/MT	2978.5	2377.1	2439.1	2469.4	2770.1	2951.3	3085.0	3196.0	3270.3
Tea	cts/kg	346.2	348.9	266.0	244.9	234.2	247.9	222.2	232.4	235.8
Agricultural raw materials										
Timber										
Hardwood										
Logs 1/	\$/M3	150.0	148.0	164.5	307.3	304.3	306.1	312.6	165.6	165.6
Sawnwood 1/	\$/M3	280.9	284.7	301.4	158.5	174.0	178.4	169.7	311.3	311.3
Softwood										
Logs 1/	\$/M3	150.0	148.0	164.5	158.5	174.0	178.4	169.7	165.6	165.6
Sawnwood 1/	\$/M3	280.9	284.7	301.4	307.3	304.3	306.1	312.6	311.3	311.3
Cotton	cts/lb	154.6	89.2	90.4	91.8	87.2	94.0	92.6	83.8	74.0
Wool										
Fine	cts/kg	1638.2	1345.3	1197.7	1071.6	1195.5	1114.0	1086.0	1078.1	1069.8
Coarse	cts/kg	1209.2	1212.6	1128.1	1039.5	1153.8	1083.6	1058.7	1055.1	1031.3
Rubber	cts/lb	218.5	153.2	126.8	117.5	114.6	102.1	96.1	91.6	83.9
Hides	cts/lb	82.0	83.2	94.7	95.9	103.1	107.6	109.8	108.0	111.2

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	Jul-2014	Aug-2014
Metals										
Copper	\$/MT	8823.5	7958.9	7331.5	7084.1	7162.9	7030.2	6795.3	7113.4	7001.8
Aluminum	\$/MT	2400.6	2022.8	1846.7	1782.4	1767.5	1709.3	1800.2	1948.3	2030.5
Iron Ore	\$/MT	167.8	128.5	135.4	132.8	134.9	120.4	102.6	96.1	92.6
Tin	\$/MT	26051.4	21109.4	22281.6	21312.4	22896.9	22636.3	23146.2	22424.0	22231.1
Nickel	\$/MT	22909.1	17541.7	15030.0	13953.3	13908.7	14661.0	18467.8	19117.7	18600.2
Zinc	\$/MT	2195.5	1950.0	1910.2	1860.3	1908.7	2026.5	2071.4	2310.6	2327.0
Lead	\$/MT	2400.7	2063.6	2139.7	2101.9	2113.9	2101.4	2097.1	2193.2	2236.8
Uranium	\$/lb	56.2	48.9	38.5	35.8	34.9	35.2	30.0	28.4	30.6
Energy										
Spot Crude 2/	\$/bbl	104.0	105.0	104.1	107.3	104.5	103.7	106.3	105.2	100.1
U.K. Brent	\$/bbl	111.0	112.0	108.8	110.1	109.4	107.9	109.8	107.0	101.9
Dubai	\$/bbl	106.0	108.9	105.4	106.1	106.7	104.4	106.1	105.7	101.9
West Texas Intermediate	\$/bbl	95.0	94.1	97.9	105.8	97.4	98.8	103.1	103.0	96.4
Natural Gas										
Russian in Germany	\$/mmbtu	10.6	12.0	11.2	11.0	11.0	10.8	10.7	9.4	10.4
Indonesian in Japan	\$/mmbtu	15.6	18.1	17.3	17.0	17.0	17.8	17.6	17.3	17.3
US, domestic market	\$/mmbtu	4.0	2.8	3.7	3.6	3.8	5.2	4.6	4.0	3.9
Coal										
Australian, export markets	\$/MT	130.1	103.2	90.6	82.8	87.9	82.6	77.9	73.7	73.9

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	168.3	164.5	164.6
Agriculture	26.2	173.9	162.9	163.3	161.6	159.5	165.6	169.6	165.6	162.9
Food	16.7	179.9	175.6	177.6	175.6	170.2	176.5	181.1	175.9	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	160.0
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	141.9	140.4	139.1
Timber	3.4	110.8	107.4	107.3	107.4	109.0	109.9	111.1	110.8	111.2
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	175.6	181.1	176.1	172.8
Industrial Inputs 5/	18.4	197.8	167.1	163.3	159.4	162.3	158.6	155.5	152.8	156.3
Energy 6/	63.1	193.8	195.2	191.7	195.7	192.1	190.9	194.3	197.2	190.7
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	164.5	163.0	151.6
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.

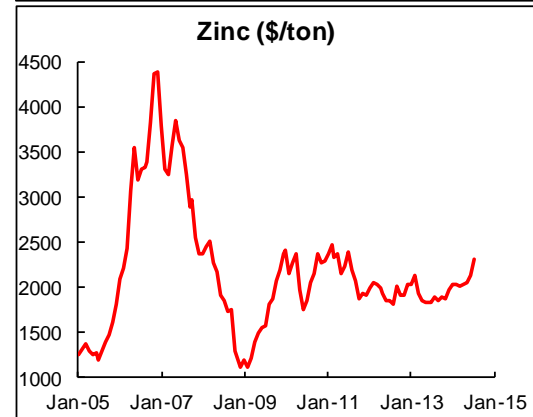
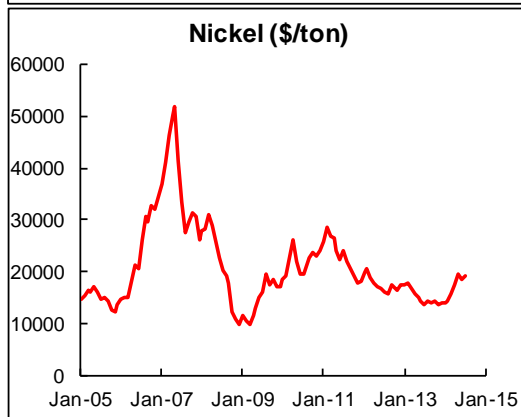
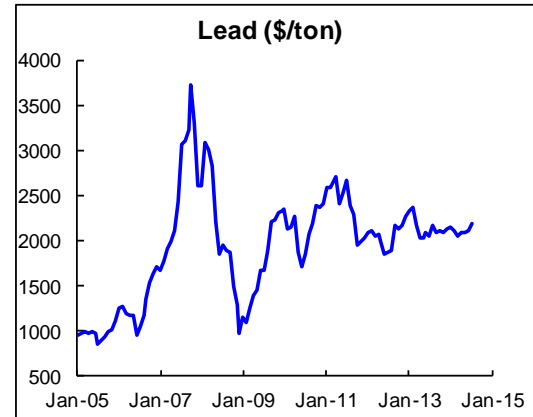
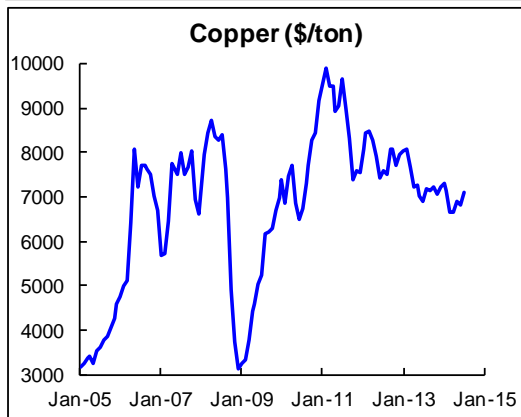
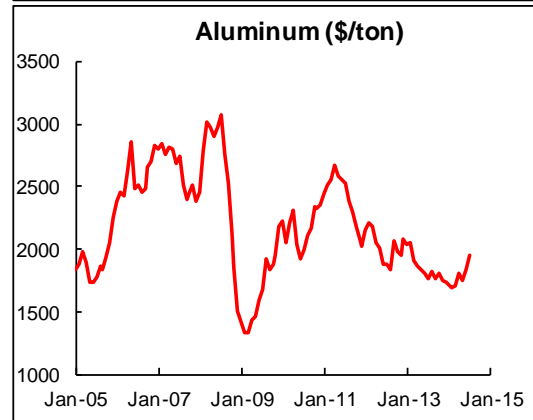
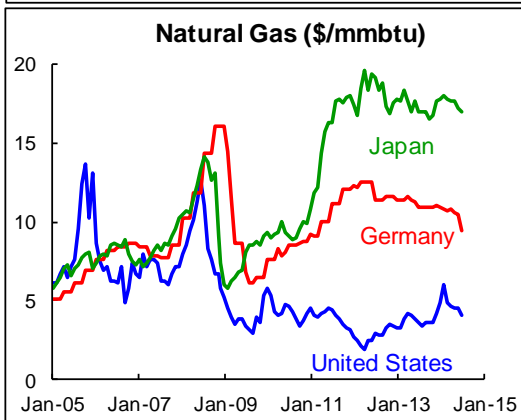
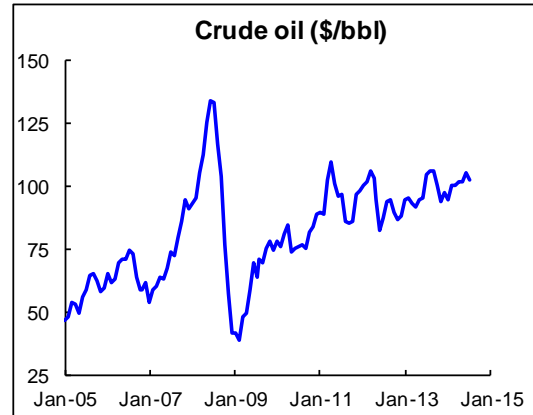
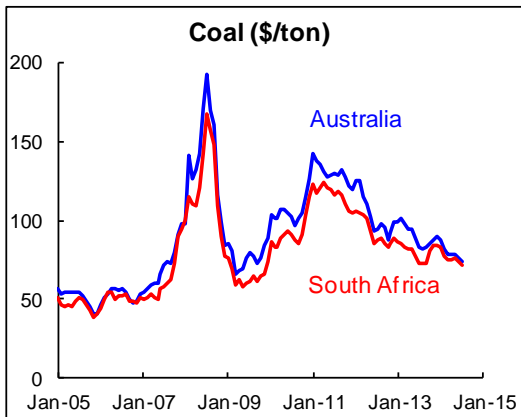
4/ Edibles comprised of Food and Beverages

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

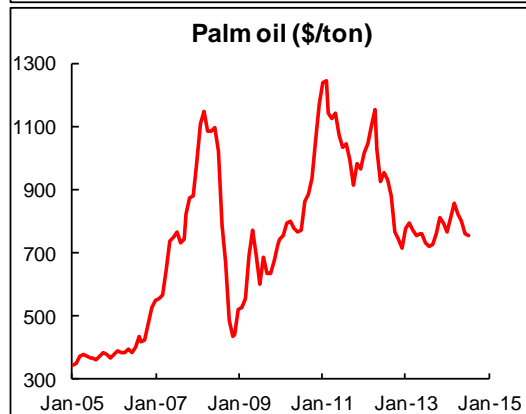
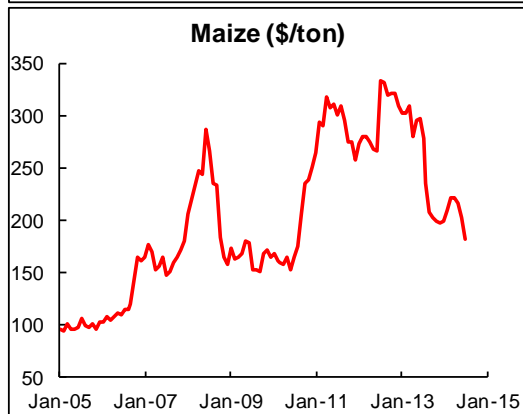
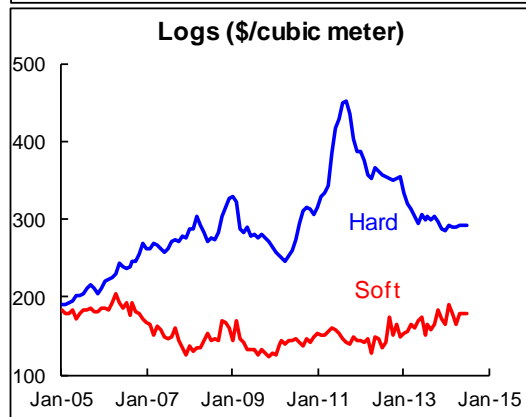
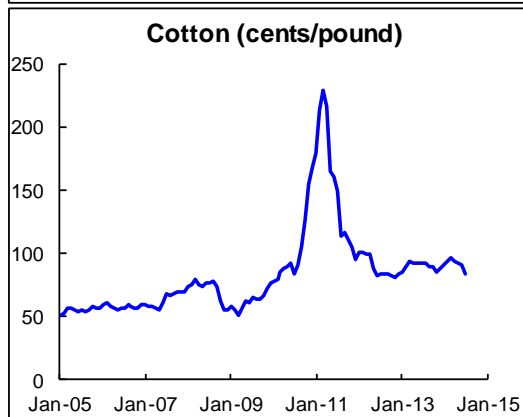
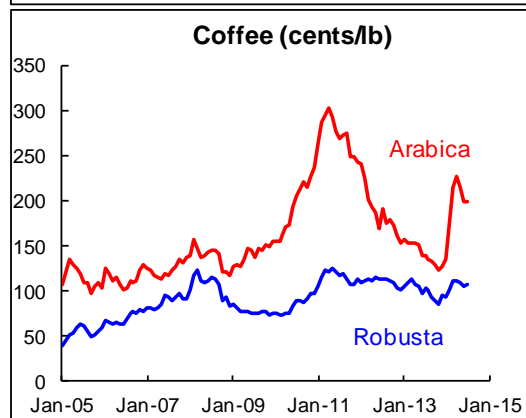
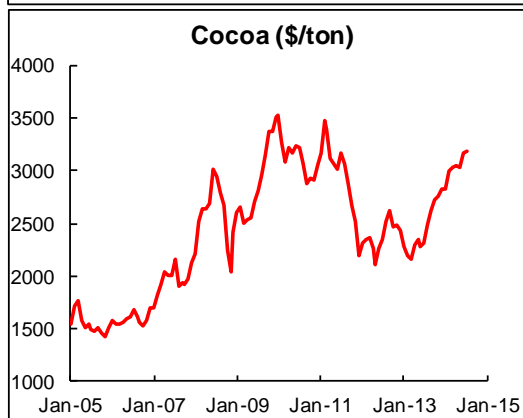
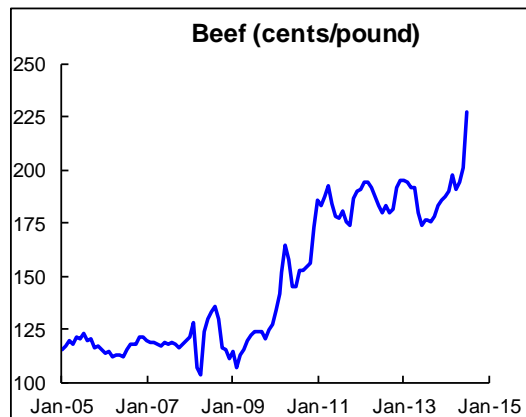
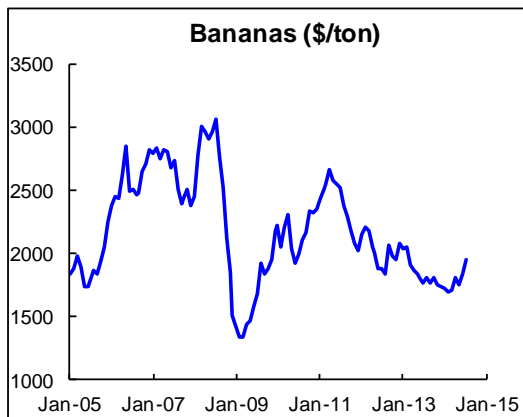
6/ Includes Petroleum, Natural Gas and Coal.

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

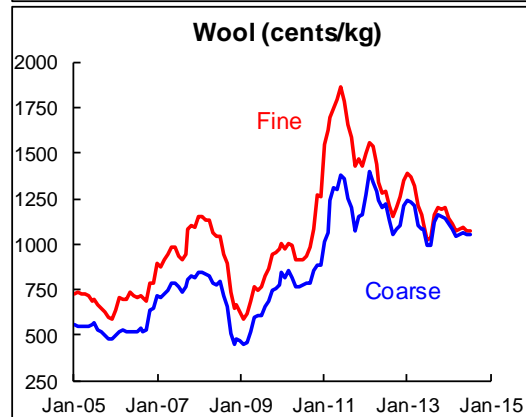
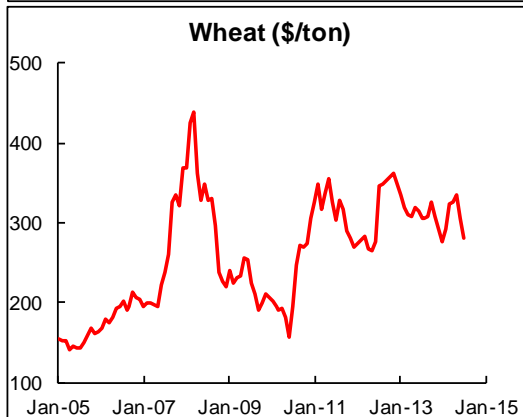
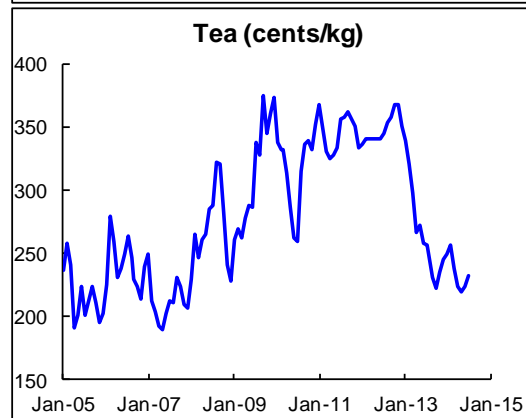
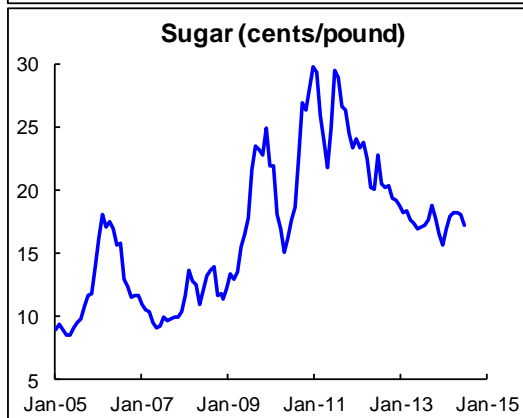
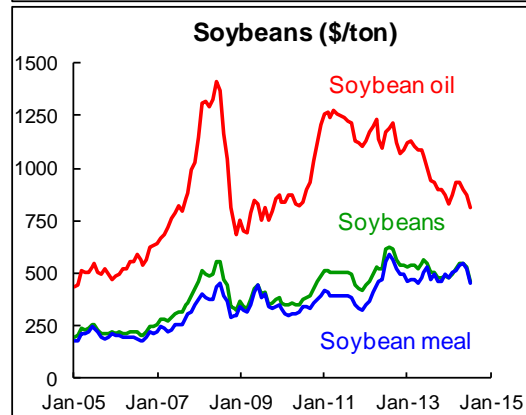
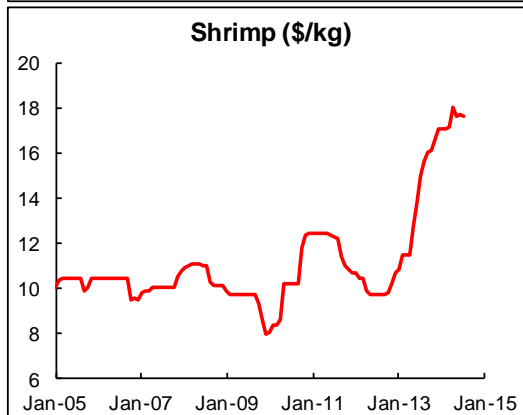
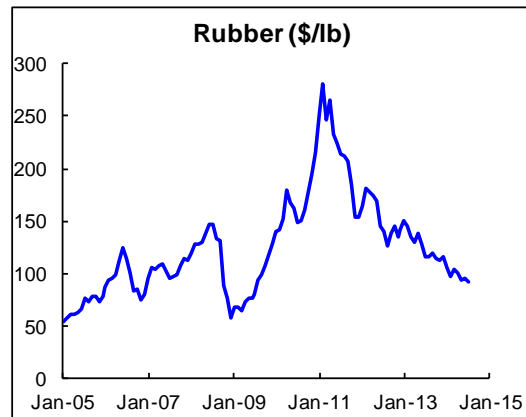
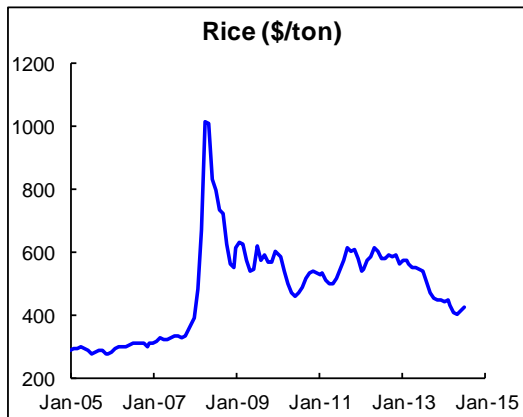
Commodity Prices in U.S. Dollars, 2005-2014



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



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



Commodity News Highlights

Medium Term Renewable Energy Market Report. International Energy Agency. August 2014.

Executive Summary highlights

In 2013, global renewable electricity generation rose by 5.0% to reach nearly 5,070 terawatt-hours (TWh) and accounted for almost 22% of total power generation. Globally, renewable generation was on par with that of natural gas, whose generation declined slightly in 2013, but remained behind coal, which was almost double the size of renewables. This result stems from continued renewable expansion as well as difficult economics for gas generation in many OECD countries in 2013 and difficulty to access affordable gas supplies in non-OECD regions.

Hydropower deployment reached 41 gigawatts (GW) in 2013, partly due to the early commissioning of new capacity in China. But the return of hydro availability to more normal levels in China and the effects of drought in Brazil caused global hydropower generation to expand by less than 2% year-on-year compared to over 4% in 2012. Non-hydropower renewable generation grew by almost 16%. New solar photovoltaic (PV) capacity (+39 GW) surged in 2013, led by China and Japan, where deployment is incentivised through attractive feed-in tariffs. Onshore wind additions (+34 GW) were their lowest since 2008, largely due to a drop in new capacity in the U.S. stemming from policy uncertainty over the renewal of federal tax incentives at the end of 2012. Though smaller, solar thermal electricity additions were equivalent to the record level achieved in 2012, and offshore wind was deployed at its highest level to date, with the start of several large projects long under development.

Global biofuels production rose by almost 7% in 2013 to reach over 115 billion litres (L). In Brazil, ethanol output was boosted by a higher-than-expected sugar cane harvest that led to a 2 billion L additional ethanol production compared to the previous forecast. In the United States, ethanol production rose marginally in 2013, as the effect of elevated corn prices resulting from an extensive drought in the previous year was mitigated after the 2013 corn harvest. Biofuels output, adjusted for energy content, accounted for 3.5% of global oil demand for road transport in 2013, versus 3.4% in 2012 and 2.0% in 2007. Meanwhile, the geography of biofuels policy support is shifting; while backing for increased biofuels volumes is waning in several key markets—the U.S., the EU and Brazil—it is expanding in newer non-OECD markets, such as Southeast Asia.

Over the medium term, renewables face a transition period, as new generation, capacity additions and investment in renewable power are all expected to level off through 2020. Global renewable electricity generation is projected to grow by almost 45% to over 7,310 TWh in 2020 (+5.4% per year). Hydropower, including output from pumped storage, represents about 37% of total growth, followed by onshore wind at 31%. Non-OECD markets are expected to account for around 70% of new renewable power generation from 2013-20. Yet, they meet only 35% of fast-growing electricity needs, illustrating the still-significant role of fossil fuels. China accounts for almost 40% of the global expansion and over 60% of non-OECD growth. Renewables should account for nearly 45% of China's incremental power generation over the medium term, ahead of coal. Among other non-OECD regions, the Americas and the rest of Asia should make the largest growth contributions.

In the OECD, renewables are transitioning to a slower but stable annual capacity expansion. Renewable generation is expected to account for near 80% of new power generation from 2013-20. While a significant share, there is limited upside potential to growth given overall sluggish demand and policy risks in key markets. In many cases, the rapid deployment of renewables requires scaling down of part of the existing energy system, which is putting incumbent utilities under severe pressure. In addition, while renewables are now much more competitive with other forms of electricity, all power generators are struggling in OECD markets where there is oversupply and low wholesale prices. These trends are particularly marked in Europe.



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Washington, D.C. 20431 • Telephone 202-623-7100 • Fax 202-623-6772 • www.imf.org