Commodity Market Monthly

Research Department, Commodities Team*

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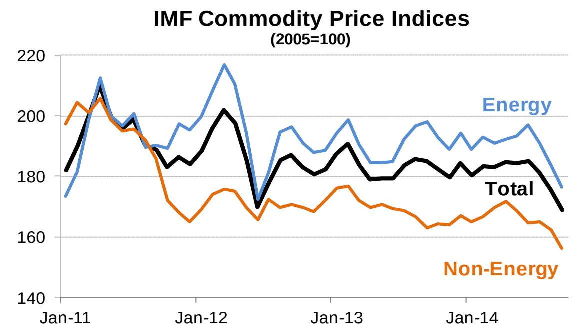
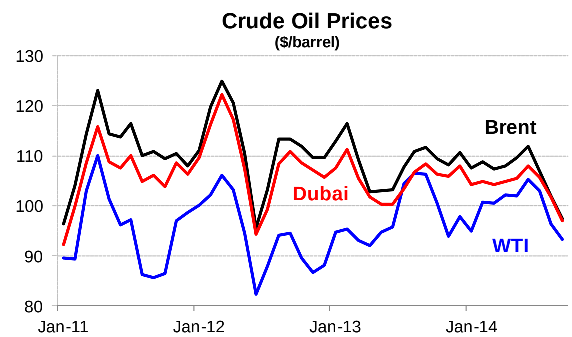
Commodity prices fell by 3.8 percent in September, with declines in most main indices. The decreases were mainly due to abundant supply in most sectors amid weak demand, and in part reflect appreciation of the U.S. dollar—up 2.5 percent against a group of major currencies. For the first nine months of 2014, commodity prices fell 8.3 percent, led by a 10 percent drop in metal prices, 9 percent fall in energy, and 5 percent decline in agriculture prices.

Crude oil prices decreased by 4.2 percent in September, averaging $95.9/bbl, and fell below $90/bbl in early October. The drop is due to a large growth in crude oil supply—including higher OPEC output—that is exceeding the slow pace of demand. Crude demand is currently weak seasonally partly due to refinery maintenance, but forecasts continue to be downgraded suggesting a structural element as well. The main thrust of the supply growth is surging light oil production in the U.S. from shale deposits which has backed out significant volumes of imported light crude—especially from West Africa—and increasingly medium sour grades as well. It has created a surplus in the Atlantic Basin, and crude flows are being directed to Asia Pacific markets where competition is intensifying amid weak demand, including in China. Saudi Arabia has reduced official selling prices to Asia the past two months, reportedly to maintain market share. OPEC output rose in September, mainly from recovering Libya production which averaged 0.8 mb/d. OPEC meets November 27th to discuss market conditions and its 30 mb/d production target.

The Brent-WTI spread narrowed to $4/bbl in September, and to under $2/bbl in early October, due in part to weakness for internationally traded Brent, but also due to strong refinery runs on the U.S. Gulf coast and lower crude imports. The narrow differential does not support transport economics of domestic shale oil by rail, and is expected to widen.

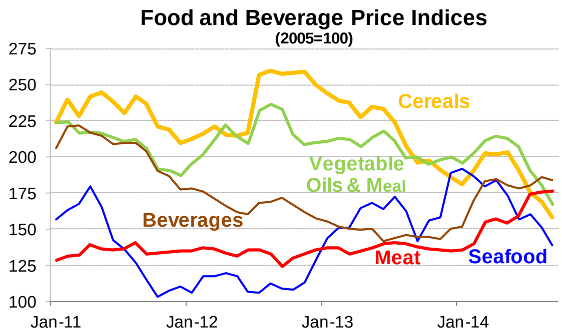




Coal prices (Australia) fell by 4.4 percent in September—and are down 7 of the past 9 months—due to weak Chinese imports and surplus seaborne supply. China's coal consumption has slowed due to decelerating industrial output, higher hydro-based electricity generation, and policies to reduce coal use in the power sector. Thus far coal exporters have chosen to curtail costs rather than production.

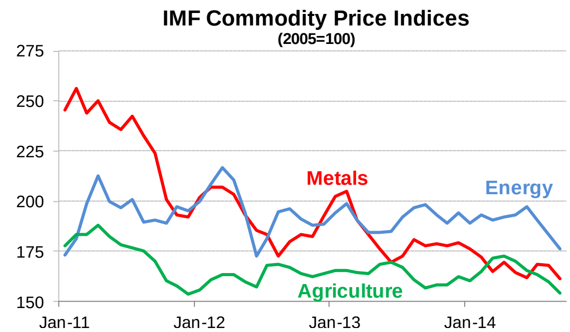
Agriculture prices fell by 3.6 percent in September, down a fifth straight month, with declines in most main indices. The largest decrease was for seafood, down 8 percent, led by 10 percent drop in shrimp prices due to large harvests amid relatively weak demand. Salmon prices fell 7 percent because of weak demand, in part due to Russia's food import ban. Vegetable oils and meal prices fell 8 percent, led by soybeans which recorded the largest descent overall (-15 percent) on an expected record harvest in the U.S., the world's largest grower.

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



Soybean-meal and -oil prices fell by 9 and 5 percent, respectively. The third main group to record a large decline was cereal prices, down 6 percent, due to bumper global crops. Corn prices dropped 8 percent on a projected record harvest in the U.S., the world's largest producer. Wheat prices fell 7 percent on expected near-record global production. Among other notable prices declines, rubber prices plunged 11 percent amid excess supply, despite efforts to restrain output by the two largest producing countries, Thailand and Indonesia. Swine prices fell 8 percent, owing to larger than expected supplies following a porcine virus in the U.S. Sugar prices fell 7 percent to a four-year low as global supply continued to rise, but prices rebounded sharply in the latter part of the month on slowing production in Brazil. Beef prices rose 5 percent, up for a fifth month, on continued tightness in U.S. cattle supply.

Metals prices fell by 4.0 percent in September on concerns about global demand—in particular the extent of the economic slowdown in China—as well as a stronger dollar. The largest decline was for iron ore, plunging 11 percent (and down nearly 40 percent this year) due to significant increases in new low-cost capacity from major producers, particularly in Australia, and weak steel demand in China. High-cost iron ore producers in China and elsewhere, such as Indonesia and Iran, have reduced output. Lead prices dropped 5 percent, following five straight monthly gains, on rising inventories and relatively weak demand, especially in China's e-bike sector. Tin prices fell 5 percent, down for a fifth straight month, on strong exports from Myanmar to China, and thus thwarting Indonesia's efforts to lift prices above $23,000/ton. Nickel prices slipped 3 percent as stocks continue to climb to record highs. Indonesia's ban of nickel ore exports, which began in



January, has been partly offset by surging exports from the Philippines to supply China's nickel pig iron producers. Elsewhere, aluminum, copper and zinc prices slid 1-2 percent on demand concerns. Partly offsetting these declines was a 12 percent jump in uranium prices due to a two-week strike at the worlds largest mine in Canada, and worries that escalating sanctions may entangle enrichment services Russia provides to western utilities.

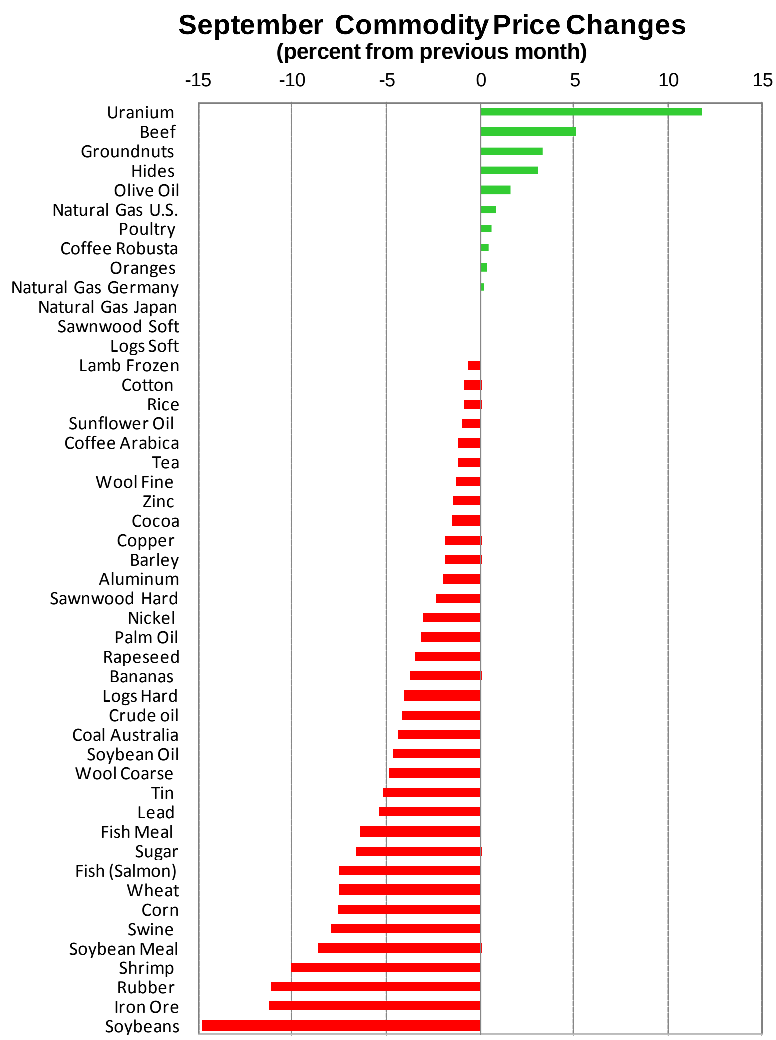


Table 1. Market Prices for Non-Fuel and Fuel Commodities

	Units	2011	2012	2013	2013Q4	2014Q1	2014Q2	2014Q3	Aug-2014	Sep-2014
Food										
Cereals										
Wheat	$/MT	316.2	313.3	312.2	307.8	297.1	322.1	262.5	263.4	243.7
Maize	$/MT	291.8	298.4	259.0	199.5	210.1	213.9	173.9	176.4	163.1
Rice	$/MT	551.7	580.2	518.8	449.9	440.7	409.4	435.0	440.4	436.5
Barley	$/MT	207.2	238.8	206.4	157.3	162.7	166.9	132.8	129.6	127.2
Vegetable oils and protein meals										
Soybeans	$/MT	484.2	537.8	517.2	479.4	498.3	540.4	421.7	433.0	368.8
Soybean meal	$/MT	378.9	473.3	477.3	472.5	493.3	531.9	436.0	447.8	409.1
Soybean oil	$/MT	1215.8	1151.8	1011.1	889.2	877.9	899.7	757.1	745.8	711.7
Palm oil	$/MT	1076.5	939.8	764.2	789.4	813.7	794.7	695.9	677.9	657.0
Fish meal	$/MT	1519.3	1624.3	1710.5	1542.2	1657.9	1861.6	1973.6	2000.1	1871.8
Sunflower Oil	$/MT	1621.8	1489.5	1341.1	1182.9	1133.1	1121.5	1012.5	992.5	983.0
Olive oil	$/MT	3070.3	3135.7	3816.7	3656.6	3599.0	3663.5	4122.1	4142.3	4209.0
Groundnuts	$/MT	1724.0	1688.2	2314.5	2312.7	2377.3	2228.8	2061.7	1986.8	2052.9
Rapeseed oil	$/MT	1366.6	1239.1	1081.2	1012.8	980.3	963.1	849.6	848.8	819.6
Meat										
Beef	cts/lb	183.2	187.9	183.6	182.4	191.8	195.5	252.8	258.9	272.1
Lamb	cts/lb	149.2	100.9	106.7	116.4	124.1	135.4	132.8	132.1	131.3
Swine Meat	cts/lb	89.1	82.8	86.5	82.6	92.8	115.4	112.8	109.2	100.5
Poultry	cts/lb	87.4	94.3	103.8	104.7	104.7	109.0	113.0	112.8	113.5
Seafood										
Fish	$/kg	5.9	4.8	6.8	6.9	7.8	6.9	5.9	5.9	5.5
Shrimp	$/kg	11.9	10.1	14.0	16.6	17.1	17.8	17.0	17.6	15.9
Sugar										
Free market	cts/lb	26.2	21.4	17.7	17.7	16.8	18.2	17.7	17.7	16.5
United States	cts/lb	37.6	28.9	21.2	21.5	22.4	25.3	26.2	26.3	26.2
EU	cts/lb	26.7	26.4	26.0	26.9	27.5	28.0	27.8	27.8	27.1
Bananas	$/MT	975.9	984.3	926.4	928.1	947.1	929.2	939.3	961.6	925.4
Oranges	$/MT	891.1	868.0	967.3	834.4	777.4	838.8	774.1	768.2	771.0
Beverages										
Coffee										
Other milds	cts/lb	273.2	187.6	141.1	126.1	175.8	213.7	208.4	214.5	212.0
Robusta	cts/lb	116.0	110.6	100.5	90.4	102.0	107.9	106.0	105.1	105.6
Cocoa Beans	$/MT	2978.5	2377.1	2439.1	2770.1	2951.3	3085.0	3229.6	3270.3	3222.5
Tea	cts/kg	346.2	348.9	266.0	234.2	247.9	222.2	233.7	235.8	233.0
Agricultural raw materials										
Timber										
Hardwood										
Logs 1/	$/M3	150.0	148.0	164.5	304.3	306.1	312.6	316.3	178.3	178.3
Sawnwood 1/	$/M3	280.9	284.7	301.4	174.0	178.4	169.7	178.3	316.3	316.3
Softwood										
Logs 1/	$/M3	150.0	148.0	164.5	174.0	178.4	169.7	178.3	178.3	178.3
Sawnwood 1/	$/M3	280.9	284.7	301.4	304.3	306.1	312.6	316.3	316.3	316.3
Cotton	cts/lb	154.6	89.2	90.4	87.2	94.0	92.6	77.1	74.0	73.4
Wool										
Fine	cts/kg	1638.2	1345.3	1197.7	1195.5	1114.0	1086.0	1068.1	1069.8	1056.5
Coarse	cts/kg	1209.2	1212.6	1128.1	1153.8	1083.6	1058.7	1023.0	1031.3	981.6
Rubber	cts/lb	218.5	153.2	126.8	114.6	102.1	96.1	83.4	83.9	74.6
Hides	cts/lb	82.0	83.2	94.7	103.1	107.6	109.8	111.3	111.2	114.6

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	2013Q4	2014Q1	2014Q2	2014Q3	Aug-2014	Sep-2014
Metals										
Copper	$/MT	8823.5	7958.9	7331.5	7162.9	7030.2	6795.3	6995.8	7001.8	6872.2
Aluminum	$/MT	2400.6	2022.8	1846.7	1767.5	1709.3	1800.2	1989.7	2030.5	1990.4
Iron Ore	$/MT	167.8	128.5	135.4	134.9	120.4	102.6	90.3	92.6	82.3
Tin	$/MT	26051.4	21109.4	22281.6	22896.9	22636.3	23146.2	21915.2	22231.1	21090.5
Nickel	$/MT	22909.1	17541.7	15030.0	13908.7	14661.0	18467.8	18584.2	18600.2	18034.8
Zinc	$/MT	2195.5	1950.0	1910.2	1908.7	2026.5	2071.4	2310.7	2327.0	2294.6
Lead	$/MT	2400.7	2063.6	2139.7	2113.9	2101.4	2097.1	2182.4	2236.8	2117.2
Uranium	$/lb	56.2	48.9	38.5	34.9	35.2	30.0	31.1	30.6	34.2
Energy										
Spot Crude 2/	$/bbl	104.0	105.0	104.1	104.5	103.7	106.3	100.4	100.1	95.9
U.K. Brent	$/bbl	111.0	112.0	108.8	109.4	107.9	109.8	102.1	101.9	97.3
Dubai	$/bbl	106.0	108.9	105.4	106.7	104.4	106.1	101.5	101.9	97.0
West Texas Intermediate	$/bbl	95.0	94.1	97.9	97.4	98.8	103.1	97.6	96.4	93.3
Natural Gas										
Russian in Germany	$/mmbtu	10.6	12.0	11.2	11.0	10.8	10.7	10.1	10.4	10.4
Indonesian in Japan	$/mmbtu	15.6	18.1	17.3	17.0	17.8	17.6	17.3	17.3	17.3
US, domestic market	$/mmbtu	4.0	2.8	3.7	3.8	5.2	4.6	3.9	3.9	3.9
Coal										
Australian, export markets	$/MT	130.1	103.2	90.6	87.9	82.6	77.9	72.7	73.9	70.7

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

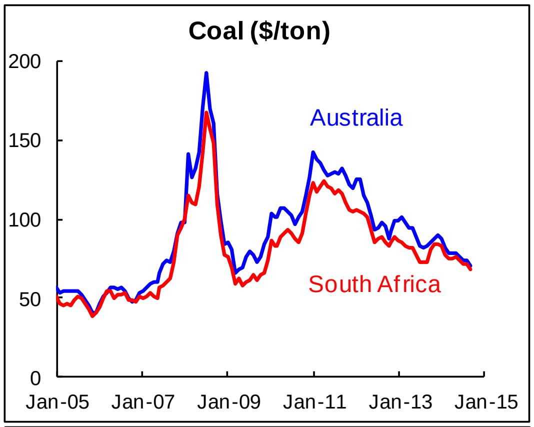
Table 2. Indices of Primary Commodity Prices

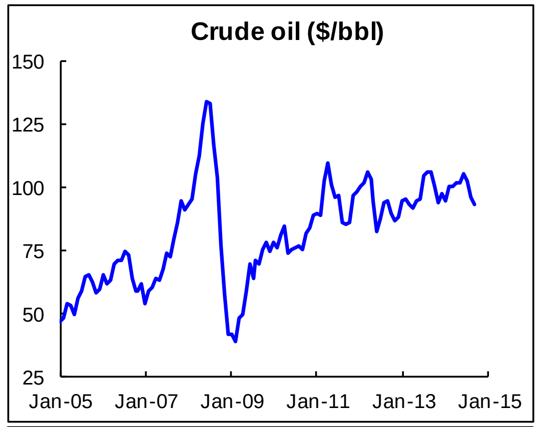
(2005=100, in terms of U.S. dollars) 1/

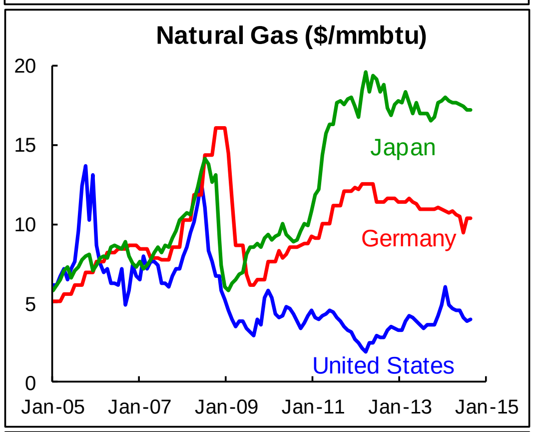
	(Weights) 1/	2011	2012	2013	2013Q4	2014Q1	2014Q2	2014Q3	Aug-2014	Sep-2014
All Primary Commodities 2/	100.0	192.4	186.3	183.3	182.1	182.2	184.7	175.3	175.5	168.9
Non-Fuel	36.9	190.0	171.0	169.0	165.1	167.2	168.3	161.1	162.1	156.2
Agriculture	26.2	173.9	162.9	163.3	159.5	165.6	169.6	159.1	159.7	154.0
Food	16.7	179.9	175.6	177.6	170.2	176.5	181.1	165.8	166.7	158.1
Cereals	3.6	231.2	236.4	218.3	191.5	191.2	198.3	167.5	168.6	158.3
Vegetable oils and protein meals	4.4	209.1	215.9	206.4	197.5	203.1	211.6	179.5	180.6	167.0
Meat	3.7	134.5	133.3	136.8	135.4	143.4	156.7	175.4	175.7	176.3
Seafood	3.2	139.3	113.3	160.1	167.6	185.9	171.2	150.0	151.1	138.9
Beverages	1.8	205.5	167.4	147.4	145.9	167.9	181.0	183.3	185.7	183.9
Agricultural Raw Materials 3/	7.7	153.5	134.0	136.2	139.7	141.4	141.9	138.8	138.4	138.1
Timber	3.4	110.8	107.4	107.3	109.0	109.9	111.1	111.7	111.9	110.4
Metals	10.7	229.7	191.0	182.9	178.6	171.1	165.3	166.1	168.2	161.4
Edibles 4/	18.5	182.4	174.8	174.6	167.8	175.6	181.1	167.5	168.5	160.6
Industrial Inputs 5/	18.4	197.8	167.1	163.3	162.3	158.6	155.5	154.7	155.7	151.7
Energy 6/	63.1	193.8	195.2	191.7	192.1	190.9	194.3	183.5	183.4	176.4
Petroleum 7/	53.6	195.9	197.9	195.9	196.8	195.2	200.0	188.9	188.3	180.4
Natural Gas	6.9	154.3	171.2	164.9	162.1	168.5	164.5	156.7	158.8	159.0
Coal	2.6	254.4	202.1	176.8	173.7	163.4	154.5	144.4	146.6	140.1

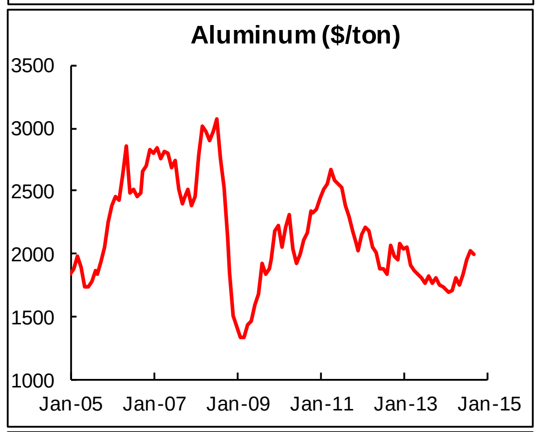
1/ Weights based on 2002-2004 average world export earnings.
2/ Non-Fuel Primary Commodities and Energy Index.
3/ Includes Forestry Products.
4/ Edibles comprised of Food and Beverages
5/ Industrial (Non-Fuel) Inputs comprised of Agriculture and Metals
6/ Includes Petroleum, Natural Gas and Coal.
7/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

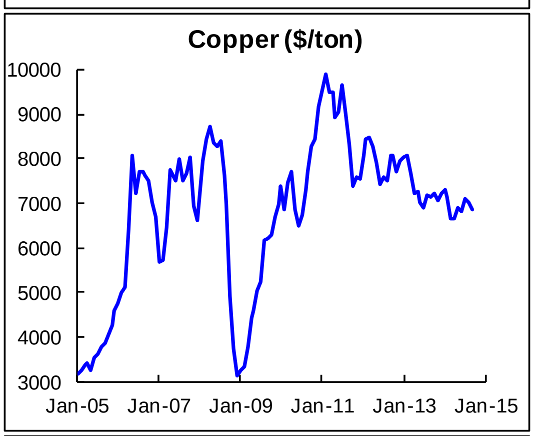
Commodity Prices in U.S. Dollars, 2005-2014

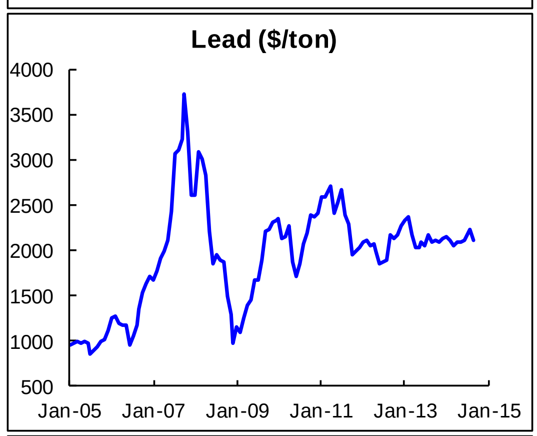


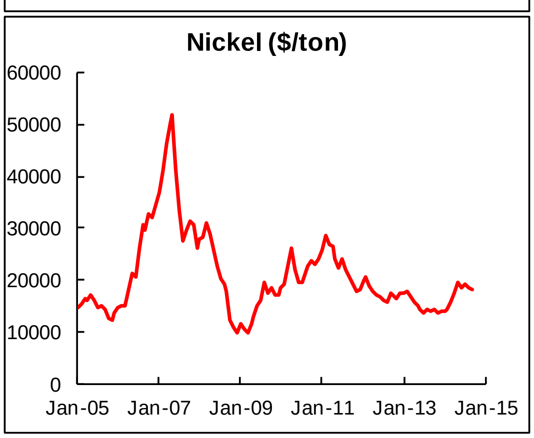


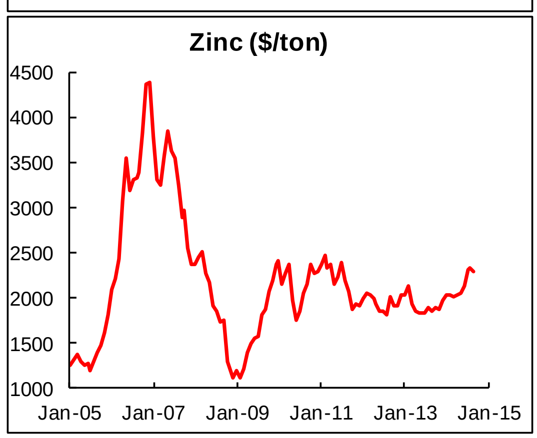




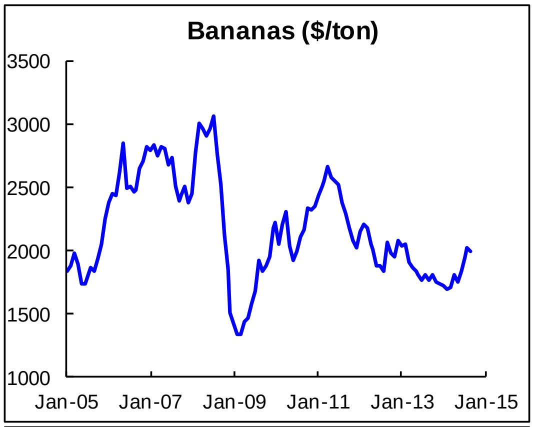


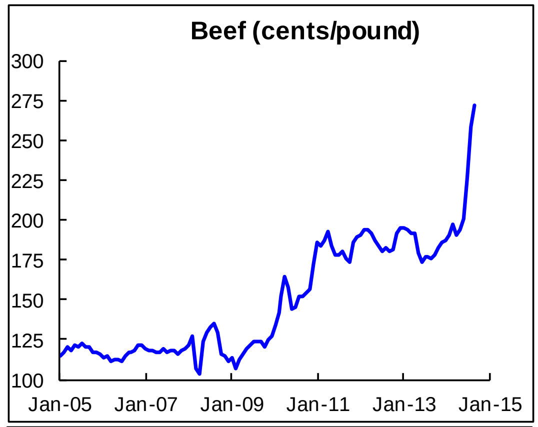


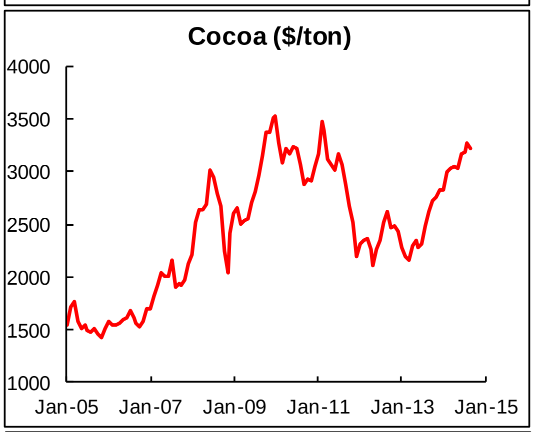


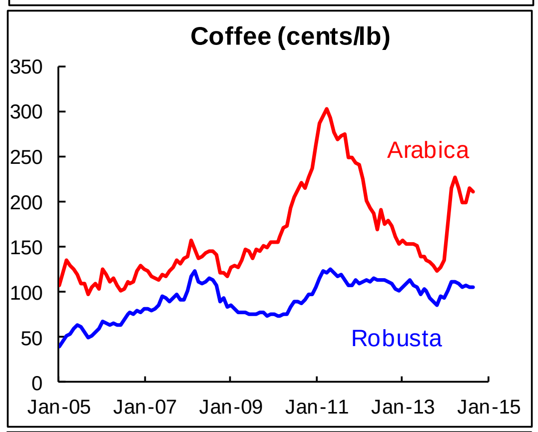


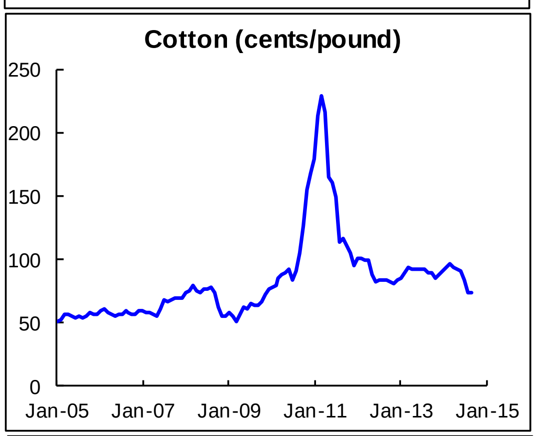
Commodity Prices in U.S. Dollars, 2005-2014 continued

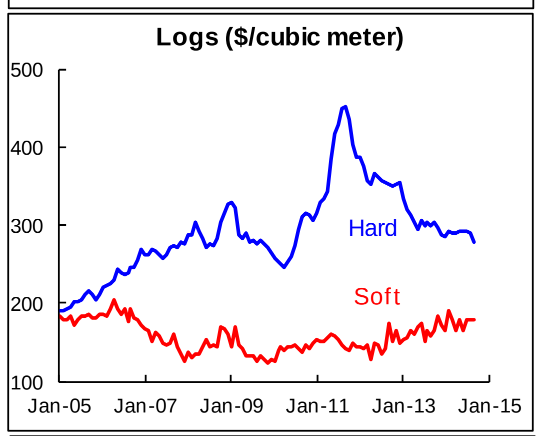


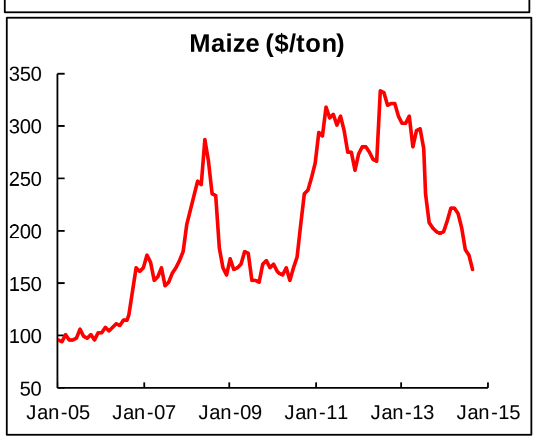


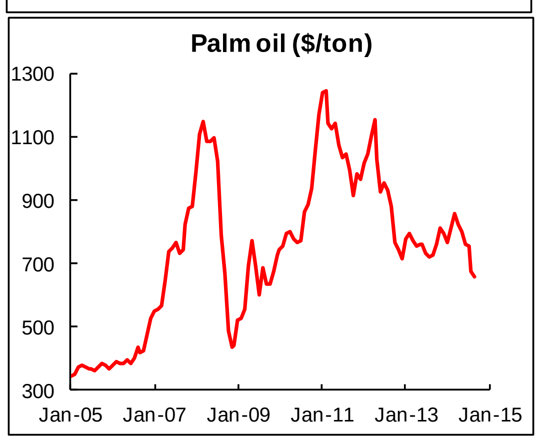




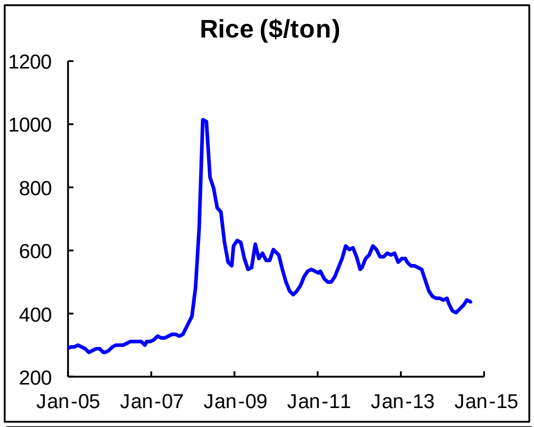


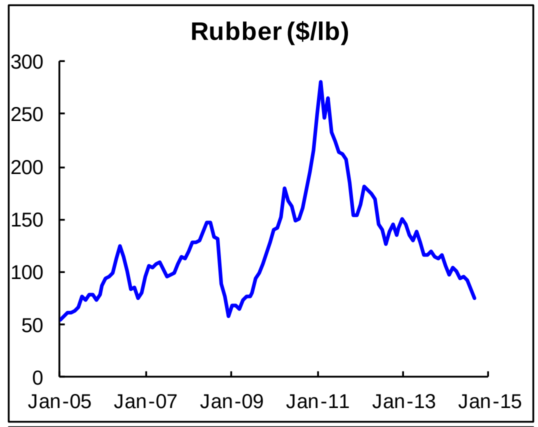


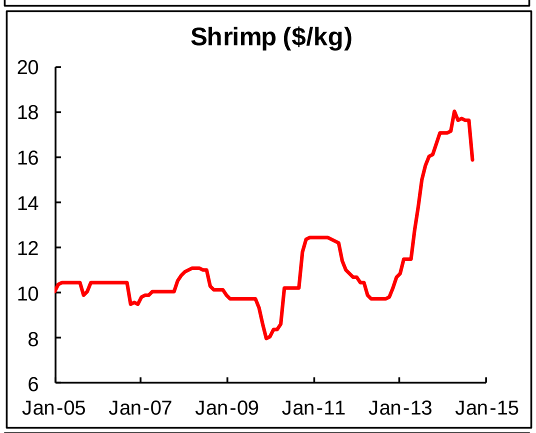


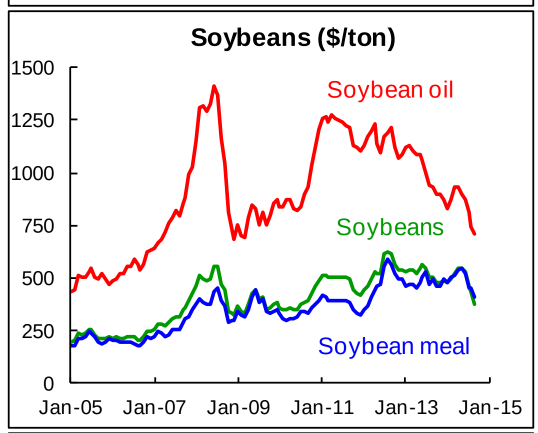


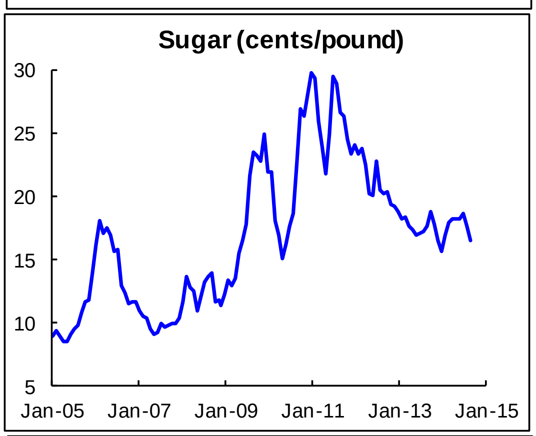
Commodity Prices in U.S. Dollars, 2005-2014 continued

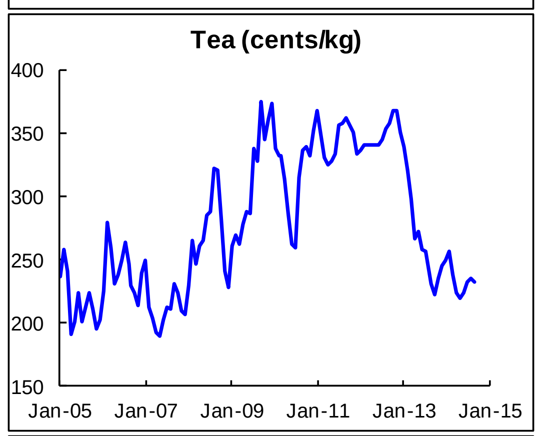


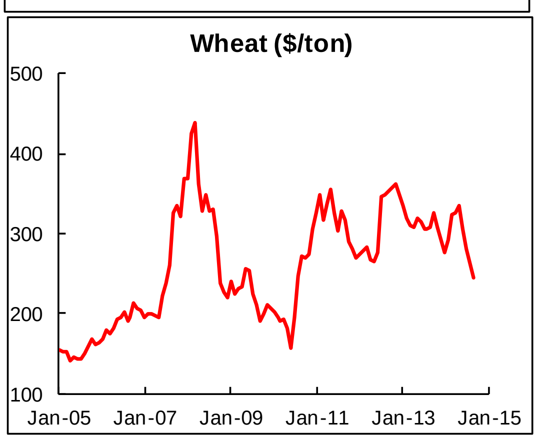


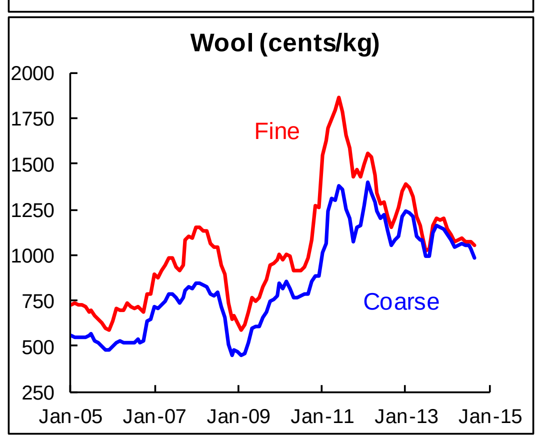












Commodity News Highlights

***World Economic Outlook*. International Monetary Fund. October 2014.**

Executive Summary highlights

Despite setbacks, an uneven global recovery continues. Largely due to weaker-than-expected global activity in the first half of 2014, the growth forecast for the world economy has been revised downward to 3.3 percent for this year, 0.4 percentage point lower than in the April 2014 WEO. The global growth projection for 2015 was lowered to 3.8 percent. Short-term risks include a worsening of geopolitical tensions and a reversal of recent risk spread and volatility compression in financial markets. Medium-term risks include stagnation and low potential growth in advanced economies and a decline in potential growth in emerging markets.

In advanced economies, the legacies of the pre-crisis boom and the subsequent crisis (including high private and public debt) still cast a shadow on the recovery. Emerging markets are adjusting to rates of economic growth lower than those reached in the pre-crisis boom and the post-crisis recovery. Overall, the pace of recovery is becoming more country specific. Other elements are also affecting the outlook. Financial markets have been optimistic, with high equity prices, compressed spreads, and very low volatility. However, this has not translated into a pickup in investment, which—particularly in advanced economies—has remained subdued.

The projections of a growth rebound predicated on key drivers supporting the recovery in advanced economies remain in place, notably a moderating of fiscal consolidation (Japan being one exception) and the continuation of highly accommodative monetary policy. They also assume a gradual decline in geopolitical tensions. Among advanced economies, the more rapid recovery reflects primarily faster growth in the United States, but also a pickup in activity in the euro area. For emerging markets, the rebound reflects a variety of country-specific as well as global factors. The former include some recovery in countries affected by geopolitical tensions and/or domestic strife in 2014, or where growth this year has been much below potential, and in other countries the gradual lifting of structural impediments to growth. Global factors—easy global financial conditions and the increase in external demand from advanced economies—should support pickup in emerging market growth. These global factors are also expected to support growth in low-income developing countries, which is projected to exceed 6 percent in both 2014 and 2015—although the projected easing in nonfuel commodity prices will induce some deterioration in the terms of trade for net exporters of commodities.

Increased geopolitical tensions could prove persistent, hampering recovery in the countries directly involved and taking a toll on confidence elsewhere. And a worsening of such tensions could lead to sharply higher oil prices, asset price declines, and further economic distress. Financial market risks include a reversal of recent risk spread and volatility compression triggered by a larger-than-expected increase in U.S. long-term rates—which would also tighten financial conditions for emerging markets. Secular stagnation and low potential growth in advanced economies remain important medium-term risks, given the modest and uneven growth in those economies despite very low interest rates and the easing of other brakes to the recovery. In some major emerging market economies, the negative growth effects of supply-side constraints could be more protracted.

The pace of the global recovery has disappointed in recent years and underscores that in most economies, raising actual and potential growth must remain a priority. Robust demand growth in advanced economies has not yet emerged despite continued very low interest rates and easing of brakes to the recovery, including from fiscal consolidation or tight financial conditions. Avoiding premature monetary policy normalization remains a priority, as does fiscal adjustment in pace and composition supporting both the recovery and long-term growth.