Commodity Market Monthly

Research Department, Commodities Team*

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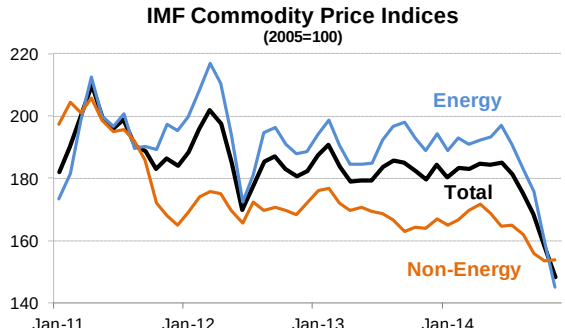
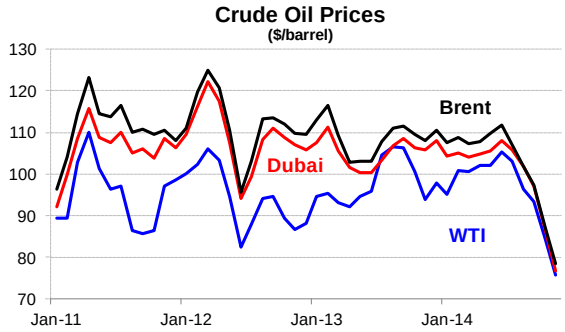
Commodity prices fell by 5.9 percent in November, mainly reflecting the sharp drop in oil prices. Non-fuel prices overall were marginally higher despite appreciation of the U.S. dollar—up 2.4 percent against a group of major currencies. However there were offsetting gains/losses within the agriculture and metal sectors with particularly strong increases for uranium, soybean meal and fish meal prices, and large declines for shrimp, swine and iron ore.





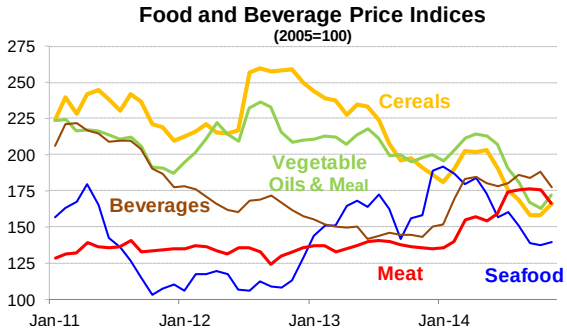
Crude oil prices plunged by 10.7 percent in November, averaging $77.0/bbl, and fell below $60/bbl in early December—down 45 percent since June. The sell-off reflects expectations of a continued market surplus following OPEC's decision on November 27th to leave its 30 mb/d production target unchanged. OPEC, led by Saudi Arabia, appears willing to endure lower prices until excess supply is removed and the market achieves a longer-term balance. The surplus has been driven mainly by rapid growth in shale (light oil) production in the U.S. which has dramatically reduced U.S. light crude imports and created an oversupply of light crude in the Atlantic basin. In turn it has intensified competition in Asian markets among producers who seek to maintain market share. The surplus has also been the result of weak demand and recovery in Libyan output to over 0.9 mb/d—although production fell back to 0.5 mb/d in November as the political situation remains unstable.

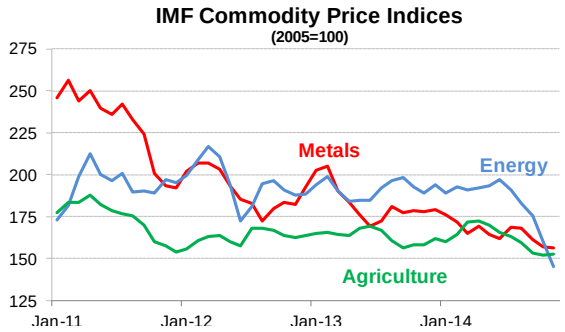
Key uncertainties are whether OPEC will maintain this apparent policy shift, and if so the required depth and duration of oil prices to bring the market into balance. Capital expenditures for 2015 are already being cut by oil companies large and small, and new well permits in the U.S. reportedly fell sharply in November. Higher-cost shale oil projects are likely to be among the first to be curtailed, but companies will counteract by reducing costs and improving well productivity.

Natural gas prices in the U.S. rose by 9.6 percent in November to just above $4/mmbtu on strong demand and large storage withdrawals because of unseasonably cold weather. During the first four weeks of November inventories recorded the second largest decline in more than 10 years. However prices slid back to around $3.5/mmbtu in early December on milder weather and lower demand.

Agriculture prices rose by 0.4 percent in November, up for the first time in seven months, with relatively strong gains in vegetable oils/meal, cereals and seafood prices and were nearly offset by declines in beverages and meat. The largest increase was for soybean meal prices, soaring 12 percent, due to strong feed demand, while soybean prices rose 7 percent on concerns about deteriorating crop prospects in South America. Fish meal prices surged 11 percent amid low anchovy stocks off the coast of Peru. Groundnut prices jumped 8 percent on tight

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





supply. Salmon prices rose 7 percent on rising demand, despite Russia's food import ban, as major producers have redirected exports, e.g., Chile to Russia and Norway to the U.S. Olive oil prices rose 6 percent on lower production in Italy due to bad weather, pests, and disease, and drought in Spain. Among cereals, corn prices leapt 9 percent due to rising demand for feed, ethanol and corn exports, while wheat prices rose 5 percent on supply concerns from cold weather in the U.S. and Black Sea region, and dry weather in Australia. Partly offsetting these gains, shrimp prices plunged 16 percent due to relatively weak import demand amid ample supply. Also plunging were swine prices, down 15 percent, as producers have rebuilt herds following losses from a porcine virus. Arabica coffee prices dropped 6 percent as rains in Brazil aided plantings. Cocoa prices also fell 6 percent on ample supply.

Metals prices fell by 0.3 percent in November, down a fourth consecutive month, on continuing concerns about global demand—in particular the slowdown in China and other emerging economies. The fall in oil prices is likely to reduce production costs for the energy intensive industry, particularly those that are oil-based, e.g., diesel in mining. As most markets are oversupplied, the price at which decisions are made to cut capacity will consequently move lower. The largest price decline in November was for iron ore prices, dropping 9 percent (and down 46 percent this year) because of significant increases in new low-cost capacity from Australia and Brazil. Production from high-cost producers inside and outside China is being closed but further cuts will be needed to rebalance the iron ore market. Partly offsetting the declines, uranium prices surged 14 percent, and were up a fifth straight month, due to stronger demand from the U.S., operational issues at mines, and geopolitical concerns about Russia which provides enrichment services to western utilities. In addition two nuclear plants in Japan have been given approval to resume operations early next year. Aluminum prices rose 6 percent owing to a deficit in the market outside China following a number of smelter closures this year.

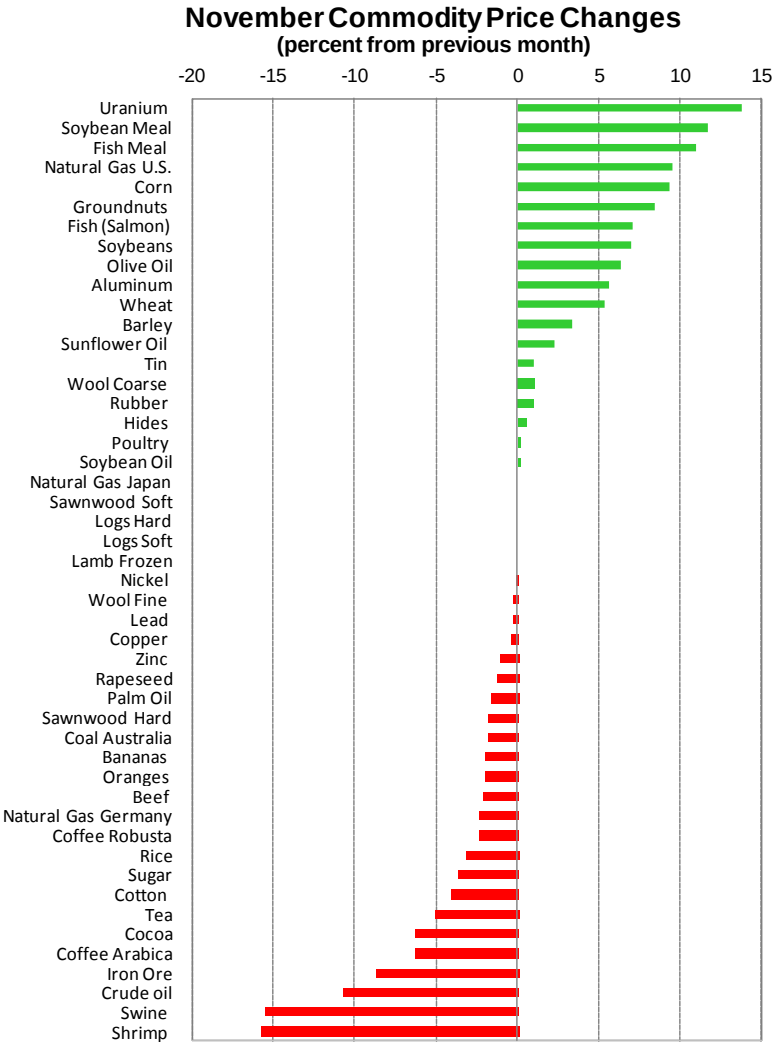


Table 1. Market Prices for Non-Fuel and Fuel Commodities

	Units	2011	2012	2013	2013Q4	2014Q1	2014Q2	2014Q3	Oct-2014	Nov-2014
Food										
Cereals										
Wheat	$/MT	316.2	313.3	312.2	307.8	297.1	322.1	262.5	245.4	258.7
Maize	$/MT	291.8	298.4	259.0	199.5	210.1	213.9	173.9	163.3	178.7
Rice	$/MT	551.7	580.2	518.8	449.9	440.7	409.4	435.0	432.7	419.0
Barley	$/MT	207.2	238.8	206.4	157.3	162.7	166.9	132.8	117.6	121.6
Vegetable oils and protein meals										
Soybeans	$/MT	484.2	537.8	517.2	479.4	498.3	540.4	421.7	354.4	379.3
Soybean meal	$/MT	378.9	473.3	477.3	472.5	493.3	531.9	436.0	378.8	423.3
Soybean oil	$/MT	1215.8	1151.8	1011.1	889.2	877.9	899.7	757.1	721.4	721.4
Palm oil	$/MT	1076.5	939.8	764.2	789.4	813.7	794.7	695.9	673.1	662.4
Fish meal	$/MT	1519.3	1624.3	1710.5	1542.2	1657.9	1861.6	1973.6	1985.4	2204.1
Sunflower Oil	$/MT	1621.8	1489.5	1341.1	1182.9	1133.1	1121.5	1012.5	1044.7	1068.9
Olive oil	$/MT	3070.3	3135.7	3816.7	3656.6	3599.0	3663.5	4122.1	4025.4	4281.9
Groundnuts	$/MT	1724.0	1688.2	2314.5	2312.7	2377.3	2228.8	2046.8	1833.8	1988.6
Rapeseed oil	$/MT	1366.6	1239.1	1081.2	1012.8	980.3	963.1	849.6	837.3	826.5
Meat										
Beef	cts/lb	183.2	187.9	183.6	182.4	191.8	195.5	252.9	266.9	261.5
Lamb	cts/lb	149.2	100.9	106.7	116.4	124.1	135.4	132.8	130.7	130.7
Swine Meat	cts/lb	89.1	82.8	86.5	82.6	92.8	115.4	112.8	101.9	86.2
Poultry	cts/lb	87.4	94.3	103.8	104.7	104.7	109.0	113.0	113.9	113.9
Seafood										
Fish	$/kg	5.9	4.8	6.8	6.9	7.8	6.9	5.9	5.4	5.8
Shrimp	$/kg	11.9	10.1	14.0	16.6	17.1	17.8	17.0	16.1	13.6
Sugar										
Free market	cts/lb	26.2	21.4	17.7	17.7	16.8	18.2	17.7	16.5	15.9
United States	cts/lb	37.6	28.9	21.2	21.5	22.4	25.3	26.5	26.6	24.6
EU	cts/lb	26.7	26.4	26.0	26.9	27.5	28.0	27.8	26.7	26.2
Bananas	$/MT	975.9	984.3	926.4	928.1	947.1	929.2	939.3	922.4	904.7
Oranges	$/MT	891.1	868.0	967.3	834.4	777.4	838.8	774.1	732.2	717.9
Beverages										
Coffee										
Other milds	cts/lb	273.2	187.6	141.1	126.1	175.8	213.7	208.4	227.1	212.9
Robusta	cts/lb	116.0	110.6	100.5	90.4	102.0	107.9	106.0	109.4	106.8
Cocoa Beans	$/MT	2978.5	2377.1	2439.1	2770.1	2951.3	3085.0	3229.2	3100.8	2909.1
Tea	cts/kg	346.2	348.9	266.0	234.2	247.9	222.2	233.7	256.2	243.3
Agricultural raw materials										
Timber										
Hardwood										
Logs 1/	$/M3	150.0	148.0	164.5	304.3	306.1	312.6	308.3	166.2	166.2
Sawnwood 1/	$/M3	280.9	284.7	301.4	174.0	178.4	169.7	167.4	296.2	296.2
Softwood										
Logs 1/	$/M3	150.0	148.0	164.5	174.0	178.4	169.7	167.4	166.2	166.2
Sawnwood 1/	$/M3	280.9	284.7	301.4	304.3	306.1	312.6	308.3	296.2	296.2
Cotton	cts/lb	154.6	89.2	90.4	87.2	94.0	92.6	77.1	70.3	67.5
Wool										
Fine	cts/kg	1638.2	1345.3	1197.7	1195.5	1114.0	1086.0	1068.1	1044.0	1042.0
Coarse	cts/kg	1209.2	1212.6	1128.1	1153.8	1083.6	1058.7	1025.0	958.9	968.4
Rubber	cts/lb	218.5	153.2	126.8	114.6	102.1	96.1	83.4	73.5	74.2
Hides	cts/lb	82.0	83.2	94.7	103.1	107.6	109.8	110.8	114.4	115.0

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	2013Q4	2014Q1	2014Q2	2014Q3	Oct-2014	Nov-2014
Metals										
Copper	$/MT	8823.5	7958.9	7331.5	7162.9	7030.2	6795.3	6995.8	6737.5	6712.9
Aluminum	$/MT	2400.6	2022.8	1846.7	1767.5	1709.3	1800.2	1989.7	1946.2	2055.6
Iron Ore	$/MT	167.8	128.5	135.4	134.9	120.4	102.6	90.3	80.1	73.1
Tin	$/MT	26051.4	21109.4	22281.6	22896.9	22636.3	23146.2	21915.2	19830.4	20033.5
Nickel	$/MT	22909.1	17541.7	15030.0	13908.7	14661.0	18467.8	18584.2	15812.4	15807.1
Zinc	$/MT	2195.5	1950.0	1910.2	1908.7	2026.5	2071.4	2310.7	2276.8	2253.2
Lead	$/MT	2400.7	2063.6	2139.7	2113.9	2101.4	2097.1	2182.4	2034.3	2030.2
Uranium	$/lb	56.2	48.9	38.5	34.9	35.2	30.0	31.1	35.6	40.5
Energy										
Spot Crude 2/	$/bbl	104.0	105.0	104.1	104.5	103.7	106.3	100.4	86.1	77.0
U.K. Brent	$/bbl	111.0	112.0	108.8	109.4	107.9	109.8	102.1	87.3	78.4
Dubai	$/bbl	106.0	108.9	105.4	106.7	104.4	106.1	101.5	86.7	76.7
West Texas Intermediate	$/bbl	95.0	94.1	97.9	97.4	98.8	103.1	97.6	84.4	75.7
Natural Gas										
Russian in Germany	$/mmbtu	10.6	12.0	11.2	11.0	10.8	10.7	10.1	10.4	10.2
Indonesian in Japan	$/mmbtu	15.6	18.1	17.3	17.0	17.8	17.6	16.5	16.0	16.0
US, domestic market	$/mmbtu	4.0	2.8	3.7	3.8	5.2	4.6	3.9	3.7	4.1
Coal										
Australian, export markets	$/MT	130.1	103.2	90.6	87.9	82.6	77.9	72.7	68.3	67.0

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

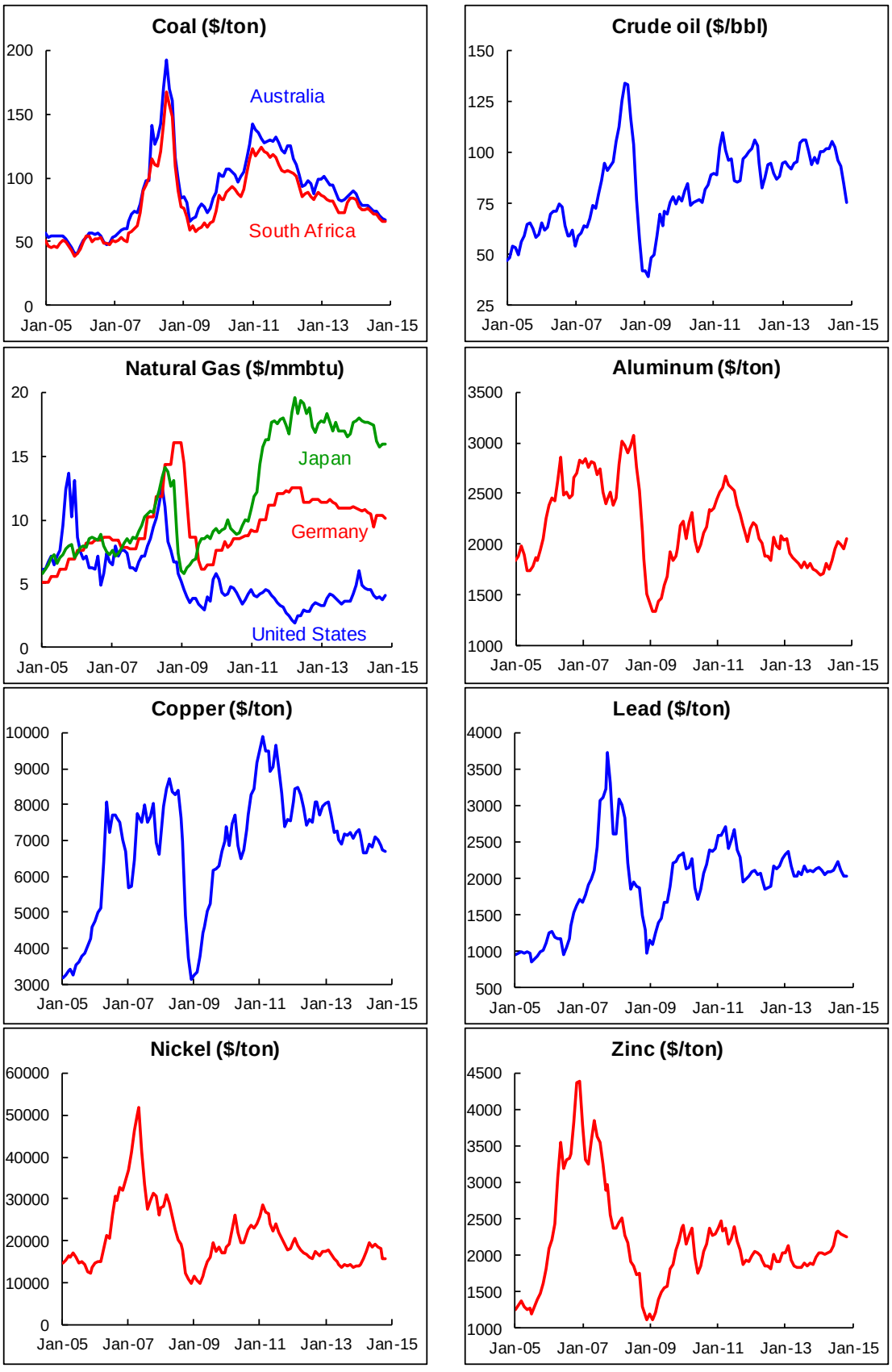
Table 2. Indices of Primary Commodity Prices

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

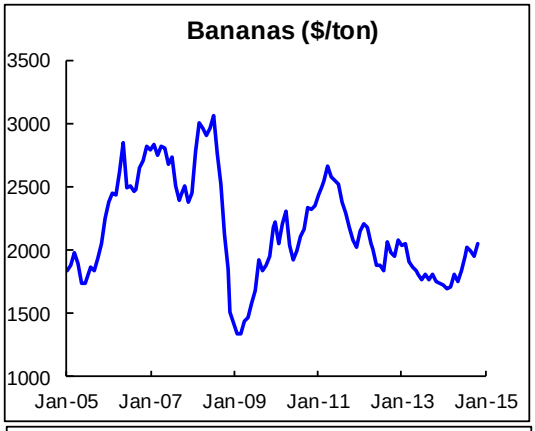
	(Weights) 1/	2011	2012	2013	2013Q4	2014Q1	2014Q2	2014Q3	Oct-2014	Nov-2014
All Primary Commodities 2/	100.0	192.4	186.3	183.3	182.1	182.2	184.7	174.9	157.6	148.4
Non-Fuel	36.9	190.0	171.0	169.0	165.1	167.2	168.3	160.9	153.5	153.9
Agriculture	26.2	173.9	162.9	163.3	159.5	165.6	169.6	158.7	152.2	152.8
Food	16.7	179.9	175.6	177.6	170.2	176.5	181.1	165.8	156.1	158.4
Cereals	3.6	231.2	236.4	218.3	191.5	191.2	198.3	167.5	157.9	165.9
Vegetable oils and protein meals	4.4	209.1	215.9	206.4	197.5	203.1	211.6	179.5	162.8	172.0
Meat	3.7	134.5	133.3	136.8	135.4	143.4	156.7	175.4	175.3	166.4
Seafood	3.2	139.3	113.3	160.1	167.6	185.9	171.2	150.0	137.0	139.5
Beverages	1.8	205.5	167.4	147.4	145.9	167.9	181.0	183.3	187.8	177.7
Agricultural Raw Materials 3/	7.7	153.5	134.0	136.2	139.7	141.4	141.9	137.7	135.2	134.9
Timber	3.4	110.8	107.4	107.3	109.0	109.9	111.1	109.8	105.8	105.2
Metals	10.7	229.7	191.0	182.9	178.6	171.1	165.3	166.1	156.8	156.4
Edibles 4/	18.5	182.4	174.8	174.6	167.8	175.6	181.1	167.5	159.2	160.3
Industrial Inputs 5/	18.4	197.8	167.1	163.3	162.3	158.6	155.5	154.2	147.8	147.4
Energy 6/	63.1	193.8	195.2	191.7	192.1	190.9	194.3	183.2	160.0	145.2
Petroleum 7/	53.6	195.9	197.9	195.9	196.8	195.2	200.0	188.9	162.0	144.7
Natural Gas	6.9	154.3	171.2	164.9	162.1	168.5	164.5	153.4	153.7	152.9
Coal	2.6	254.4	202.1	176.8	173.7	163.4	154.5	144.4	135.5	133.5

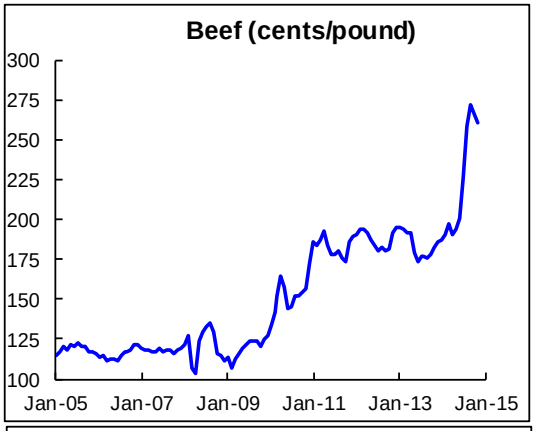
1/ Weights based on 2002-2004 average world export earnings.
2/ Non-Fuel Primary Commodities and Energy Index.
3/ Includes Forestry Products.
4/ Edibles comprised of Food and Beverages
5/ Industrial (Non-Fuel) Inputs comprised of Agriculture and Metals
6/ Includes Petroleum, Natural Gas and Coal.
7/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

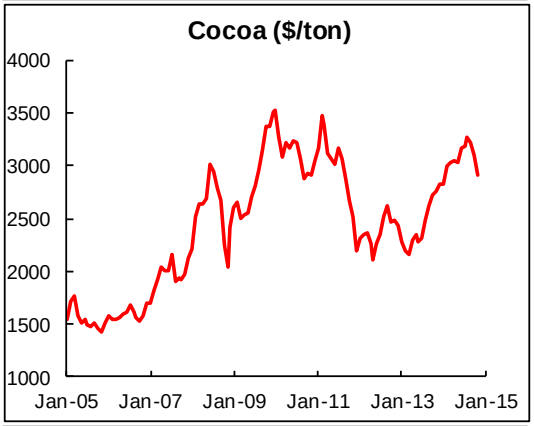
Commodity Prices in U.S. Dollars, 2005-2014

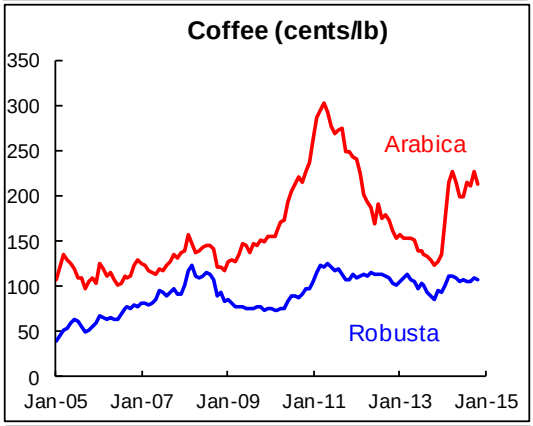


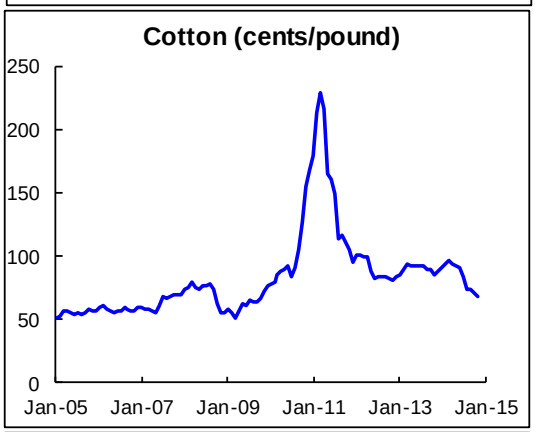
Commodity Prices in U.S. Dollars, 2005-2014 continued

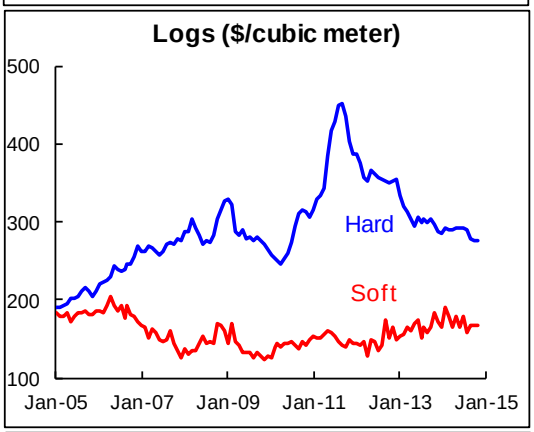


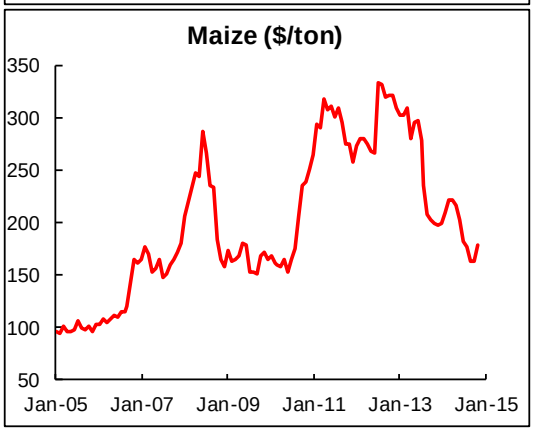


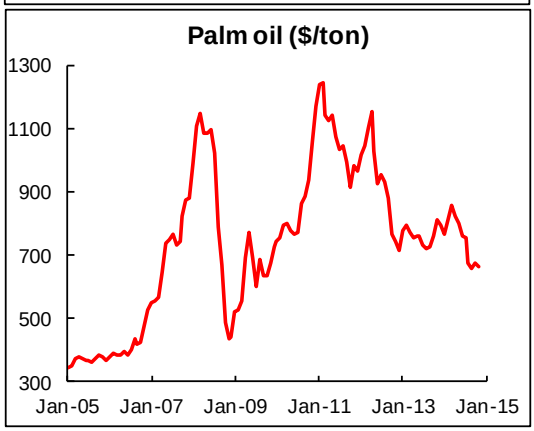




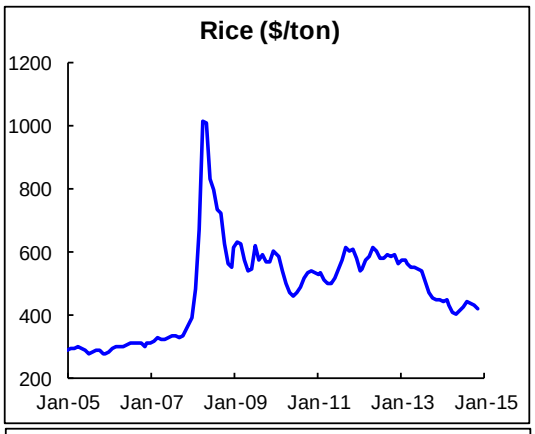


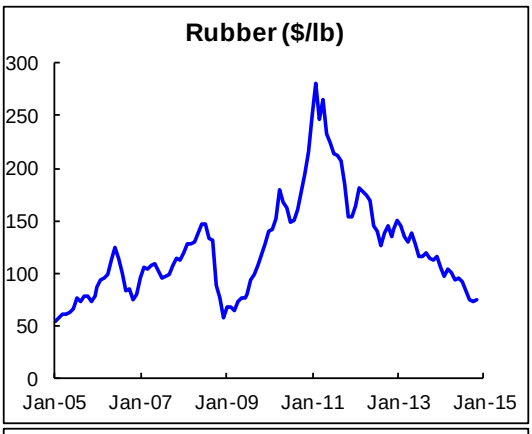


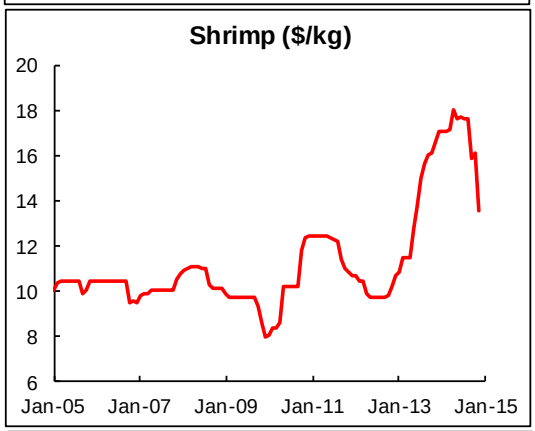


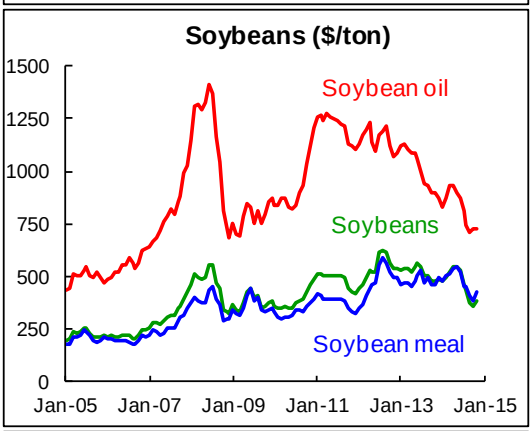


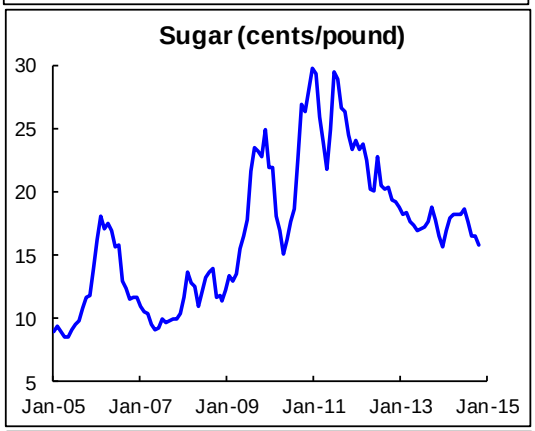
Commodity Prices in U.S. Dollars, 2005-2014 continued

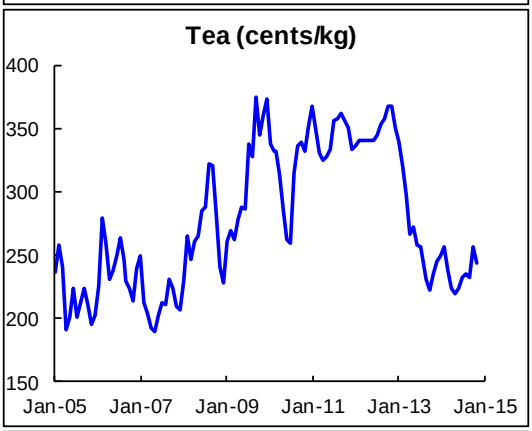


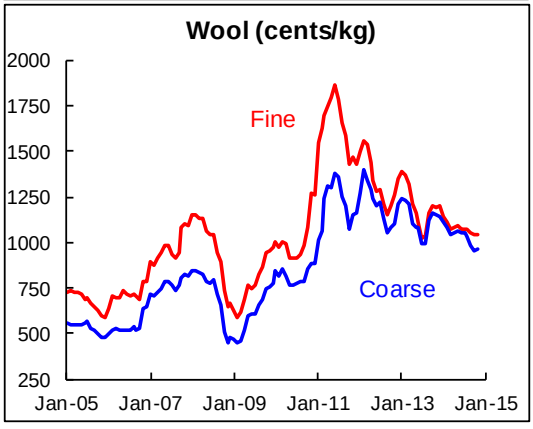


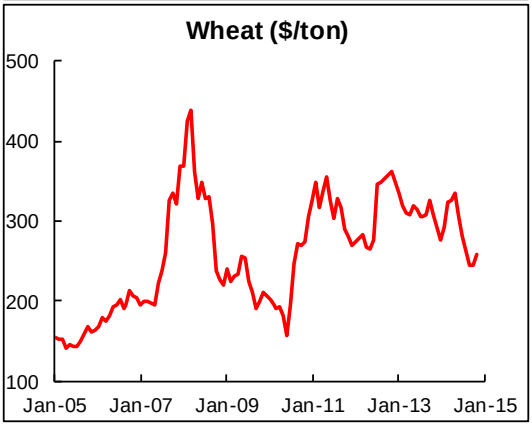












Commodity News Highlights

***International Copper Study Group*. Press Release, summary. November 20 2014.**

The refined copper market balance for August 2014 (excluding the adjustment for changes in China's bonded stocks) showed an apparent production surplus of 83,000 metric tonnes (t). When making seasonal adjustments for world refined production and usage, August showed a production surplus of 64,000 t. The refined copper balance for the first eight months of 2014 indicates a production deficit of 544,000 t (a seasonally adjusted deficit of 485,000 t). This compares with a production surplus of 42,000 t (116,000 t) in the same period of 2013.

In the first eight months of 2014, world usage is estimated to have increased by 12% compared with that in the same period of 2013, supported by strong apparent demand in China and a shortage of high-grade scrap that led to the use of more cathode by semi-manufacturers. Chinese apparent demand increased by 21% based on a 27% increase in net imports of refined copper. Excluding China, world usage increased by 5.5%, supported by apparent usage growth of 11% in the EU and 10% in Japan, as well as by growth of 8% in other Asian countries (excluding China and Japan) and 9% in the Middle East/North African. Usage in the United States remained flat.

World mine production is estimated to have increased by around 3% in the first eight months of 2014 compared with the same period of 2013. Concentrate production increased by 3.5% while solvent extraction-electrowinning (SX-EW) increased by 1.7%. With the exception of Indonesia (-20%) (where production remained constrained by the ban on concentrates exports), Zambia (-10%) (where output was impacted by an operational failure at the Lumwana mine and lower production levels at other producers), and Australia (-4%) (where two mines closed temporarily), all of the other major copper-mine producing countries had greater output. Production increased by 1% in Chile, 5% in Peru, 11% in the United States (where production in the first half 2013 was impacted by the landslide at the Bingham Canyon Mine), 13% in the DRC, 8% in Mexico and 60% in Mongolia. The average world mine capacity utilization rate for the first eight months of 2014 fell to 83% from 84% in the same period of 2013. World refined production is estimated to have increased by around 8% in the first eight months of 2014 compared with refined production in the same period of 2013: primary production was up by 7% (including 9% growth in production from concentrates and 1.7% from SX-EW) and secondary production (from scrap) was up by 10%. The main contributor to growth was China (19%, 787,000 t), followed by India, the Democratic Republic of Congo, the United States and Japan, where aggregated production increased by 16% (389,000 t). Output in Chile, the second leading world refined copper producer, declined by 2% owing to a 6% decline in electrowon production. On a regional basis, refined production increased in Africa (8%), North America (11%), Asia (13%), Europe (1.5%), and Oceania (12%) and to have declined in South America (-2%).

Based on the average of stock estimates provided by independent consultants, Chinese bonded stocks increased by around 35,000 t in the first eight months of 2014 from the yearend 2013 level. Stocks declined by around 380,000 t in the same period of 2013. In the first eight months of 2014, the world refined copper balance adjusted for Chinese bonded stock changes indicates a deficit of around 510,000 t compared to a deficit of around 340,000 t in the same period of 2013.

In developing its global market balance, ICSG uses an apparent demand calculation for China, the leading global consumer of copper, accounting for about 40% of world demand. Apparent copper demand for China is based only on reported data (production + net trade +/- SHFE stock changes) and does not take into account changes in unreported stocks [State Reserve Bureau (SRB), producer, consumer and merchant/trader], which have reportedly been significant during recent periods of stocking or de-stocking and which could significantly alter supply-demand balances.