

Commodity Market Monthly



Research Department, Commodities Team*

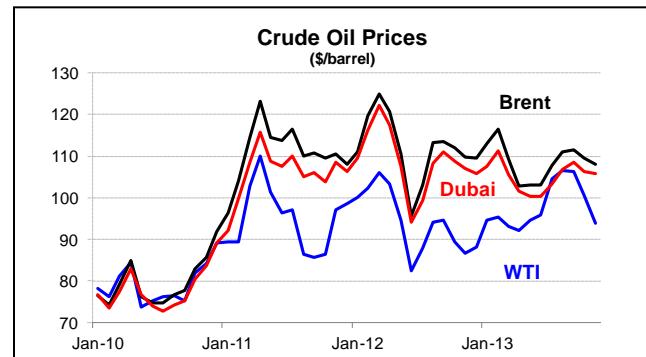
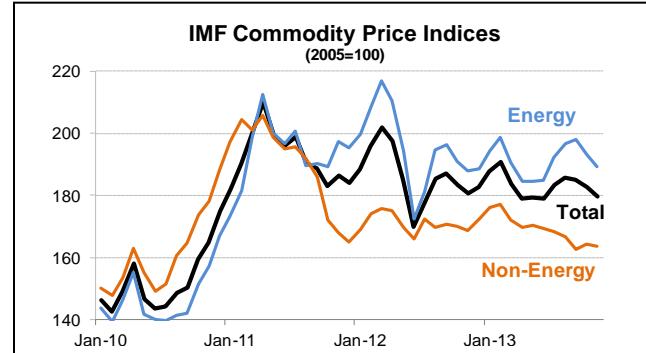
December 13, 2013

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Commodity prices fell by 1.6 percent in November—down a third straight month—with declines in both energy and non-energy prices. Agriculture prices were mixed, but the main cereal prices have fallen 5 of the past 6 months and are down 24 percent year-to-date. Metals prices have been supported by slowly improving economic indicators, despite generally surplus supply conditions, but Indonesia's planned ore export ban in January is starting to affect prices.

Crude oil prices fell 2.7 percent in November—down a second straight month—and averaged \$102.6/bbl. However prices started to rebound in early November and moved above \$106/bbl in early December on stronger refining runs following heavy maintenance. Prices were also supported by further outages in Libya, where output in November averaged little more than 0.2 mb/d (down nearly 1.3 mb/d from earlier in the year) on escalating violence and strikes at oil fields and ports. As a result, OPEC production fell for the fourth straight month, mainly from Libya and Saudi Arabia over the period. Iran reached a 6-month agreement with six world powers that eased some restrictions but left oil export sanctions fully in place until a comprehensive agreement is reached on its nuclear program. OPEC met December 4 and rolled over its 30 mb/d production target for the first six months of 2014. OECD crude stocks remain comfortable, particularly in North America, but product stocks have fallen to their largest deficit (versus the five-year average) in nearly 10 years, and are of particular concern for heating fuels with the onset of winter.

The Brent-WTI spread widened to \$20/bbl in late November on both strong demand for Brent as refiners returned from maintenance, and rising stocks at Cushing OK that depressed WTI prices. The spread narrowed to \$11/bbl in early December on strengthening refiner demand for WTI and lower prices for Brent on plans to reopen Libyan ports.

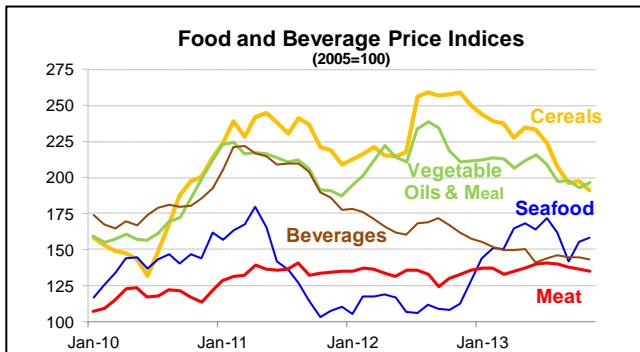


Natural gas prices in the U.S. fell by 1.5 percent in November due to weak seasonal demand. However prices have been rising since early November on falling stocks and higher demand from cold weather.

Coal prices in Australia rose 3.6 percent in November on strong seasonal demand in Asia and Europe, and supply concerns, notably in Colombia.

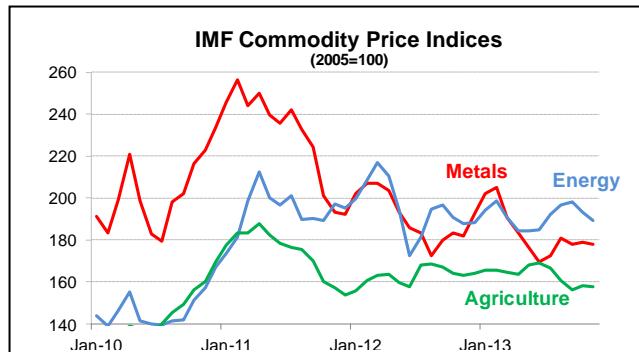
Agriculture prices fell by 0.3 percent in November, led by a 3 percent decline in cereals prices (down 24 percent year-to-date due to a rebound in production from last year's drought). Wheat prices dropped 6 percent due to rising global supplies amid bumper harvests from Canada and Australia. Barely prices fell 2 percent on record harvests in Canada, while corn prices slipped 1 percent on a record crop in the U.S. (both prices are down more than 35 percent this year). The largest individual price decline was for oranges, plunging 23 percent, owing to seasonally

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higher production. Swine prices fell 7 percent on rising supply projections, in part due to lower feed costs. Sugar prices decreased 5 percent due to abundant global supplies, while cotton prices fell 5 percent on surplus production, mainly in China. Coffee prices fell 5 percent because of ample Arabica supplies in Brazil and record robusta output in Vietnam. Partly offsetting these declines were an increase in hide prices of 6 percent reflecting strong demand. Palm oil prices rose 6 percent due to lower production and stocks in Indonesia—the world's largest producer. Tea prices in Kenya rose 6 percent on stronger import demand.

Metals prices fell by 0.6 percent in November on supply concerns, with declines in all metals except iron ore. Aluminum prices decreased 4 percent—and fell to their lowest level since July 2009—mainly due to excess supply and production capacity, and the continued expansion of low-cost smelters. Aluminum demand has been relatively robust but stocks remain near record highs, although a large portion is tied up in warehouse financing arrangements and not available to the market. Nickel prices decreased 3 percent to the lowest level in 3½ years, as the market remains in chronic oversupply from increases in new mine supply and rapid expansion of nickel pig iron (NPI) capacity in China that sources both high- and low-grade ores from Indonesia and the Philippines. As a result, LME nickel inventories have risen almost steadily the past two years to record highs. Copper prices fell 2 percent, also reflecting rising mine supply, but the market is better balanced and stocks have been declining since mid-year. Iron ore was the one metal to rise in November, up 3 percent, due to strong demand in China, where November imports reached an all time high. In early December most metal prices rose on concerns about Indonesia's impending ore export ban and



improving manufacturing data. The government of Indonesia announced that a ban on the export of unprocessed ores will enter into force after January 12th. It is intended to increase the value of the country's mineral exports, and expand its processing capacity. The ban would most greatly affect the nickel market, but also bauxite, copper and tin.

December Commodity Price Changes (percent from previous month)

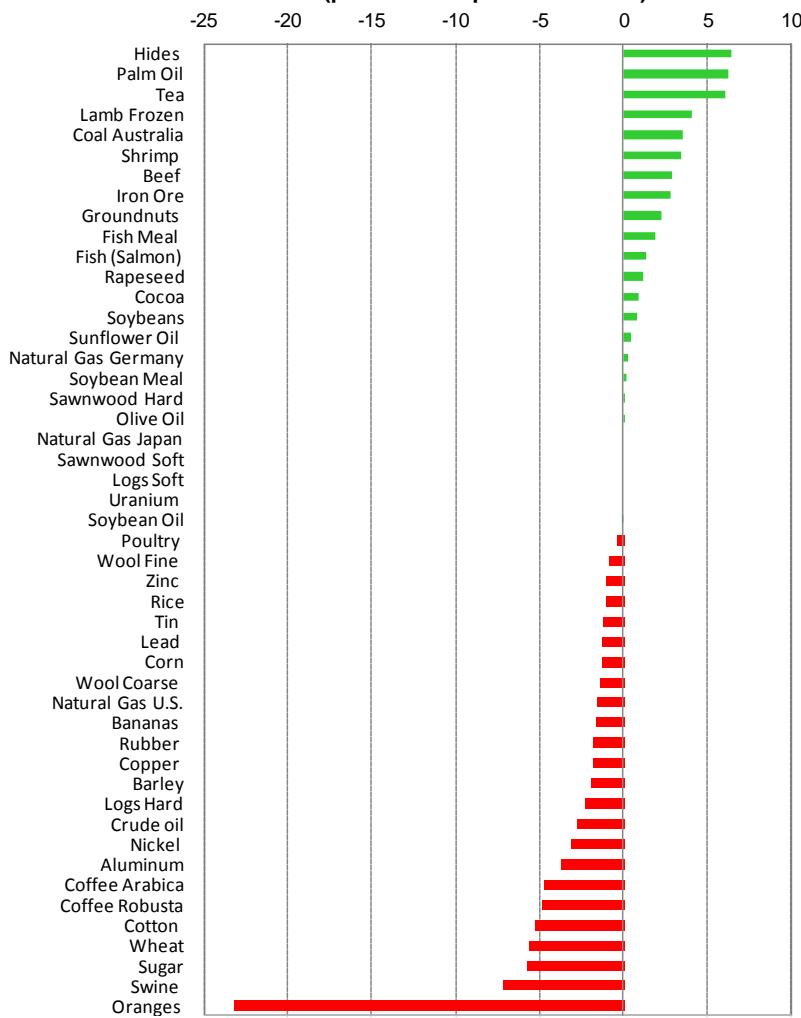


Table 1. Market Prices for Non-Fuel and Fuel Commodities

	Units	2010	2011	2012	2012Q4	2013Q1	2013Q2	2013Q3	Oct-2013	Nov-2013
Food										
Cereals										
Wheat	\$/MT	223.7	316.2	313.3	355.7	321.4	313.8	305.9	325.1	306.8
Maize	\$/MT	186.0	291.8	298.4	317.3	305.1	290.9	240.4	201.7	199.1
Rice	\$/MT	520.6	551.7	580.2	580.3	570.7	550.7	504.0	453.3	448.8
Barley	\$/MT	158.4	207.2	238.2	249.1	239.4	231.5	197.2	159.3	156.3
Vegetable oils and protein meals										
Soybeans	\$/MT	384.9	484.2	537.8	544.4	532.8	540.0	516.5	472.8	476.7
Soybean meal	\$/MT	331.3	378.9	473.3	500.1	464.6	475.6	496.5	460.8	461.7
Soybean oil	\$/MT	924.8	1215.8	1151.8	1093.5	1119.2	1076.0	960.0	897.7	897.3
Palm oil	\$/MT	859.9	1076.5	939.8	741.7	780.3	761.0	726.2	762.6	810.3
Fish meal	\$/MT	1739.2	1519.3	1624.3	1928.9	1918.4	1804.7	1581.8	1520.1	1549.4
Sunflower Oil	\$/MT	1186.0	1621.8	1489.5	1492.4	1493.8	1459.4	1228.7	1187.1	1192.4
Olive oil	\$/MT	3171.3	3070.3	3135.7	3579.7	4004.9	3860.8	3761.4	3676.3	3680.0
Groundnuts	\$/MT	1239.4	1724.0	1851.8	2043.6	2273.6	2257.6	2063.7	2056.0	2103.3
Rapeseed oil	\$/MT	1011.7	1366.6	1239.1	1202.5	1196.0	1121.4	993.2	1009.3	1021.5
Meat										
Beef	cts/lb	152.5	183.2	187.9	189.7	193.8	181.8	176.3	178.1	183.3
Lamb	cts/lb	145.7	149.2	100.9	89.5	97.1	103.9	109.2	111.9	116.4
Swine Meat	cts/lb	74.4	89.1	82.8	79.3	79.7	88.4	95.4	87.8	81.5
Poultry	cts/lb	85.8	87.4	94.3	96.7	100.2	104.1	106.4	105.1	104.7
Seafood										
Fish	\$/kg	6.1	5.9	4.8	4.9	6.5	7.2	6.5	6.3	6.4
Shrimp	\$/kg	10.1	11.9	10.1	10.2	11.3	12.7	15.6	16.1	16.6
Sugar										
Free market	cts/lb	20.9	26.2	21.4	19.6	18.5	17.3	17.3	18.8	17.7
United States	cts/lb	31.1	37.6	28.9	23.1	22.0	20.2	21.1	22.2	21.6
EU	cts/lb	25.7	26.7	26.4	26.7	25.8	25.5	25.8	26.8	26.7
Bananas	\$/MT	881.4	975.9	984.3	947.4	932.6	910.6	934.1	936.8	922.1
Oranges	\$/MT	1033.2	891.1	868.0	861.9	825.9	1065.0	1143.9	997.3	766.0
Beverages										
Coffee										
Other milds	cts/lb	194.4	273.2	187.6	162.4	154.8	147.7	135.6	128.8	122.7
Robusta	cts/lb	84.1	116.0	110.6	105.0	109.4	103.5	98.9	90.0	85.7
Cocoa Beans	\$/MT	3130.6	2978.5	2377.1	2457.8	2208.8	2308.0	2469.4	2730.7	2755.2
Tea	cts/kg	316.7	346.2	348.9	362.6	319.1	264.2	244.9	221.7	235.3
Agricultural raw materials										
Timber										
Hardwood										
Logs 1/	\$/M3	278.2	390.5	360.5	874.4	845.2	837.4	846.0	304.3	297.4
Sawnwood 1/	\$/M3	848.3	939.4	876.3	352.7	322.5	301.8	301.1	877.0	878.2
Softwood										
Logs 1/	\$/M3	141.5	150.0	148.0	155.9	157.6	168.1	158.5	159.3	159.3
Sawnwood 1/	\$/M3	281.8	280.9	284.7	283.2	278.4	315.3	307.3	303.4	303.4
Cotton	cts/lb	103.5	154.6	89.2	82.1	89.9	92.7	91.8	89.3	84.6
Wool										
Fine	cts/kg	1023.2	1638.2	1345.3	1273.0	1362.4	1161.4	1071.6	1198.7	1189.6
Coarse	cts/kg	820.1	1209.2	1212.6	1131.1	1227.5	1091.8	1039.5	1165.2	1149.8
Rubber	cts/lb	165.7	218.5	153.2	140.4	143.1	131.8	117.5	115.0	112.9
Hides	cts/lb	72.0	82.0	83.2	86.0	86.0	93.8	95.9	98.9	105.3

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	2012Q4	2013Q1	2013Q2	2013Q3	Oct-2013	Nov-2013
Metals										
Copper	\$/MT	7538.4	8823.5	7958.9	7913.2	7922.3	7156.7	7084.1	7203.0	7070.7
Aluminum	\$/MT	2173.0	2400.6	2022.8	2003.3	2000.8	1836.0	1782.4	1814.6	1748.0
Iron Ore	\$/MT	146.7	167.8	128.5	121.1	148.3	125.4	132.8	132.6	136.3
Tin	\$/MT	20367.2	26051.4	21109.4	21609.2	24037.5	20879.6	21312.4	23101.6	22826.9
Nickel	\$/MT	21810.0	22909.1	17541.7	16984.2	17305.3	14952.6	13953.3	14117.7	13684.0
Zinc	\$/MT	2160.4	2195.5	1950.0	1952.3	2029.7	1841.9	1860.3	1884.8	1866.4
Lead	\$/MT	2148.2	2400.7	2063.6	2201.2	2291.2	2052.0	2101.9	2115.4	2089.6
Uranium	\$/lb	46.0	56.2	48.9	43.3	42.8	40.7	36.5	35.8	35.8
Energy										
Spot Crude 2/	\$/bbl	79.0	104.0	105.0	101.9	105.1	99.3	107.3	105.5	102.6
U.K. Brent	\$/bbl	79.6	111.0	112.0	110.4	112.9	103.0	110.1	109.5	108.1
Dubai	\$/bbl	78.1	106.0	108.9	107.1	108.1	100.8	106.1	106.4	105.9
West Texas Intermediate	\$/bbl	79.4	95.0	94.1	88.1	94.4	94.2	105.8	100.5	93.8
Natural Gas										
Russian in Germany	\$/mmbtu	8.2	10.6	12.0	11.6	11.4	11.5	11.0	10.9	11.0
Indonesian in Japan	\$/mmbtu	9.4	15.6	18.1	17.2	17.9	17.4	17.0	17.3	17.3
US, domestic market	\$/mmbtu	4.4	4.0	2.8	3.4	3.5	4.0	3.6	3.7	3.6
Coal										
Australian, export markets	\$/MT	106.0	130.1	103.2	93.1	99.5	92.2	82.8	85.1	88.1

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	2012Q4	2013Q1	2013Q2	2013Q3	Oct-2013	Nov-2013
All Primary Commodities 2/	100.0	152.3	192.4	186.3	182.1	187.4	179.1	184.7	182.5	179.7
Non-Fuel	36.9	161.2	190.0	171.1	170.3	175.1	169.7	165.9	164.2	163.6
Agriculture	26.2	144.6	173.9	163.0	163.9	165.2	167.0	161.3	158.2	157.7
Food	16.7	150.1	179.9	175.9	178.7	181.4	183.0	175.2	169.2	167.6
Cereals	3.6	166.5	231.2	236.4	255.6	240.3	232.0	209.3	197.7	190.9
Vegetable oils and protein meals	4.4	170.4	209.1	216.9	213.6	212.9	211.3	201.7	192.9	196.2
Meat	3.7	117.2	134.5	133.3	132.5	135.5	137.1	139.4	136.2	135.2
Seafood	3.2	140.4	139.3	113.3	116.4	148.6	165.6	158.6	155.6	158.4
Beverages	1.8	176.2	205.5	167.4	162.0	152.2	146.8	144.7	144.6	143.2
Agricultural Raw Materials 3/	7.7	125.1	153.5	134.0	132.1	133.1	137.0	135.0	137.6	139.6
Timber	3.4	101.1	110.8	107.4	107.1	103.7	109.0	107.4	108.1	107.8
Metals	10.7	202.3	229.7	191.0	186.1	199.4	176.5	177.1	179.0	178.0
Edibles 4/	18.5	152.6	182.4	175.1	177.1	178.5	179.5	172.2	166.8	165.2
Industrial Inputs 5/	18.4	169.9	197.8	167.1	163.4	171.6	159.9	159.5	161.6	161.9
Energy 6/		147.1	193.8	195.2	189.1	194.5	184.6	195.7	193.3	189.1
Petroleum 7/	53.6	148.5	195.9	197.9	192.3	198.1	187.0	201.8	198.5	193.3
Natural Gas	6.9	113.3	154.3	171.2	166.8	167.9	168.3	161.4	162.4	162.5
Coal	2.6	205.9	254.4	202.1	183.1	192.7	179.4	161.4	168.3	174.4

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

2/ Non-Fuel Primary Commodities and Energy Index.

3/ Includes Forestry Products.

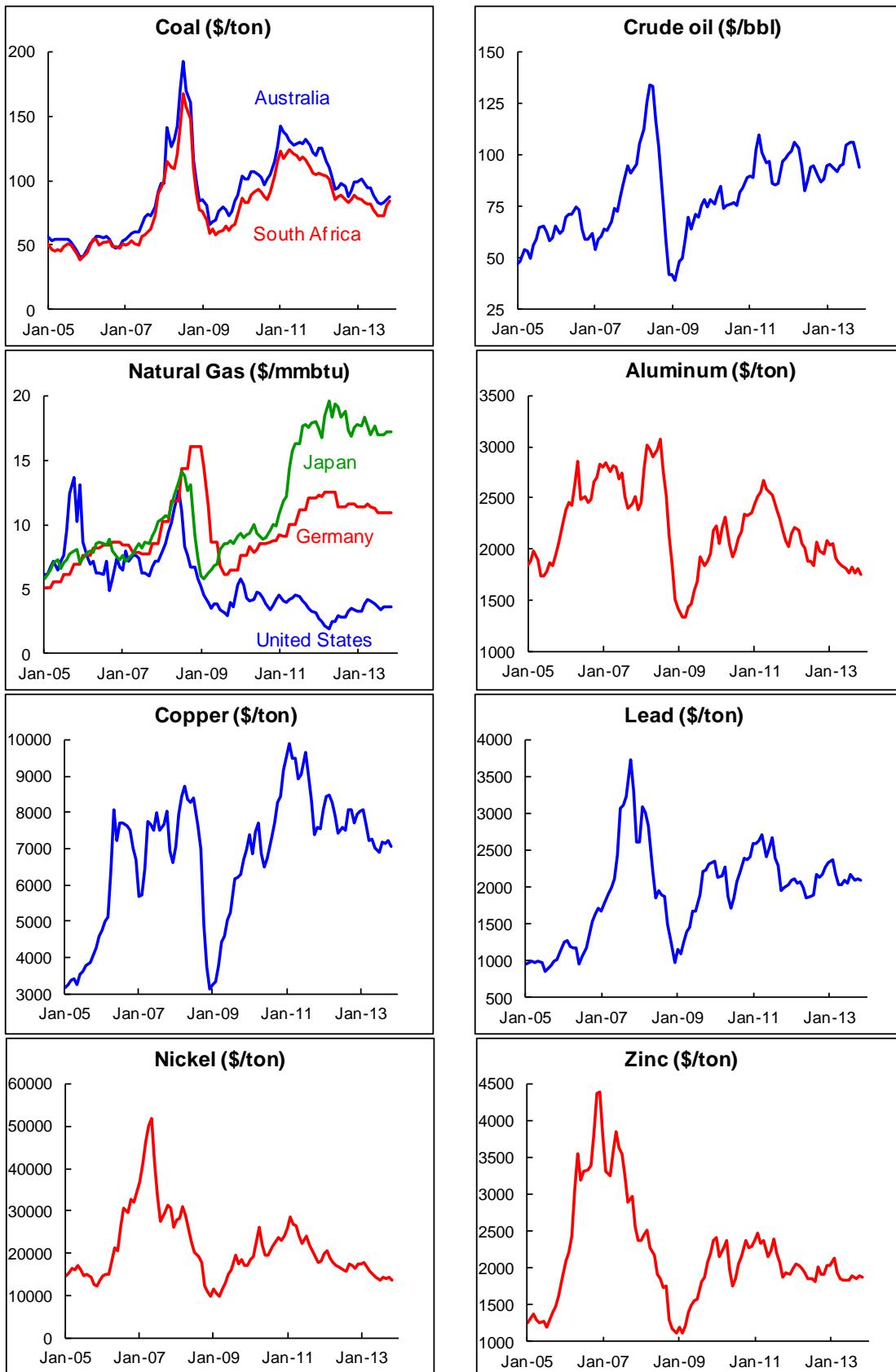
4/ Edibles comprised of Food, Beverages and Raw Materials

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

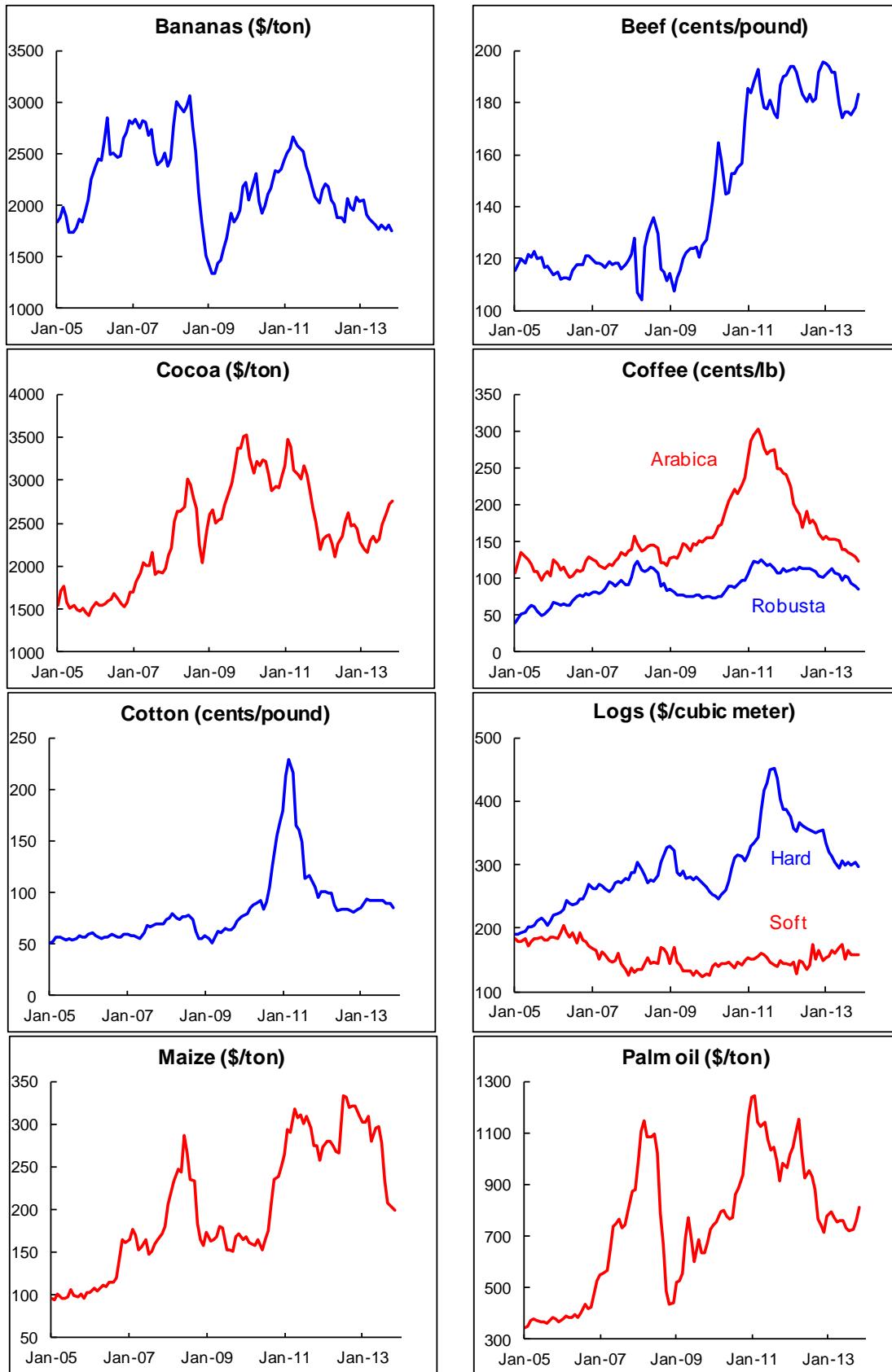
6/ Includes Petroleum, Natural Gas and Coal.

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

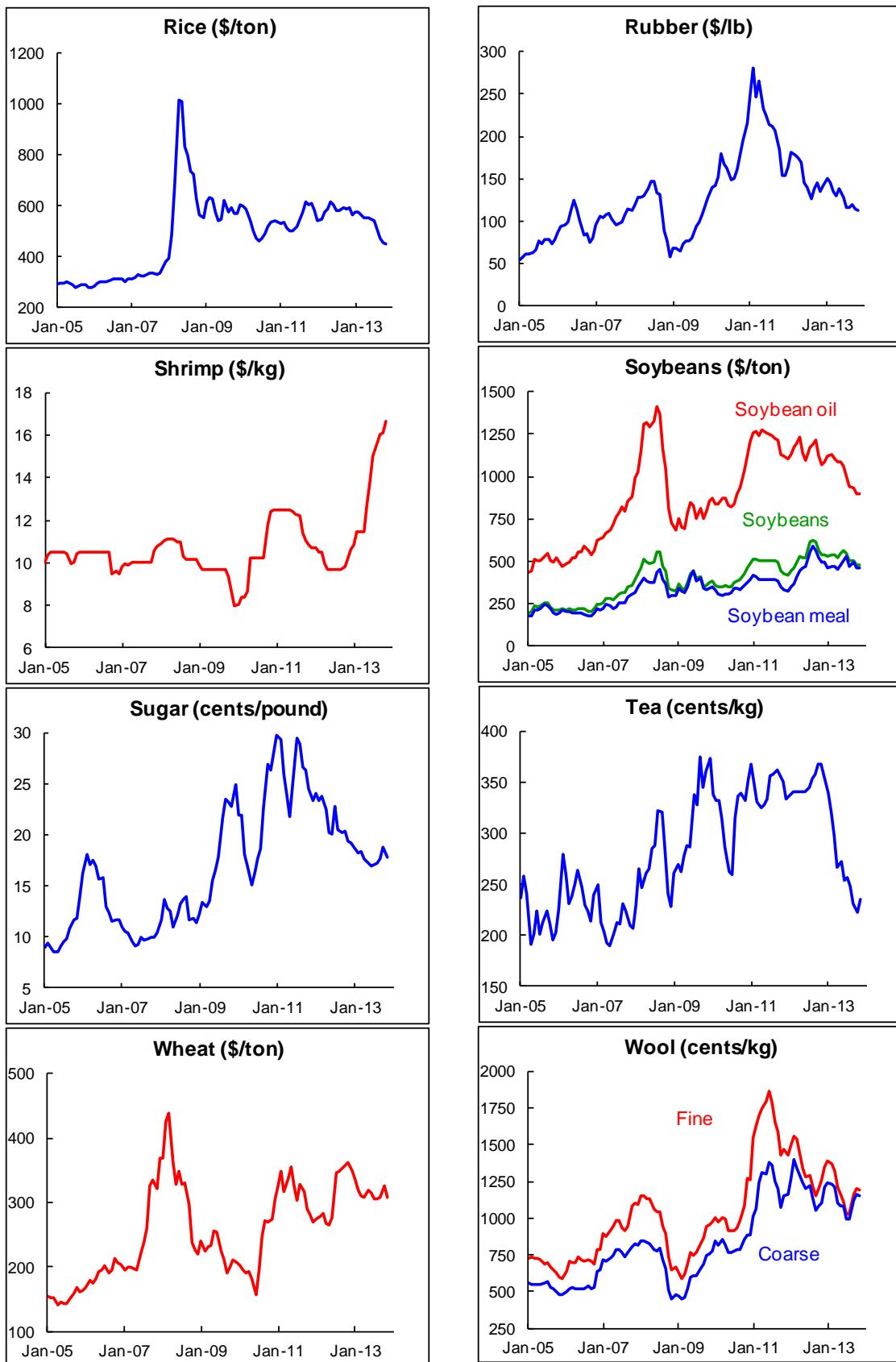
Commodity Prices in U.S. Dollars, 2005-2013



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



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



Commodity News Highlights

Food Outlook, Food and Agriculture Organization, November 2013.

Cereals. World cereal production (including rice) is expected to increase by 8 percent in 2013, to 2,498 million tonnes (mt). The sharp increase in 2013 cereal production mostly stems from a recovery of maize crops in the U.S. and of wheat crops in CIS countries. World rice production in 2013 is expected to grow only modestly. World cereal utilization in 2013/14 is put at 2,418 mt, 3.5 percent higher than in 2012/13. Total food use of cereals is forecast at 1,099 mt, up 1.7 percent from 2012/13. Larger supplies and lower prices are expected to boost feed use of cereals by 5.3 percent, to 848 mt. Global stocks, ending in 2014, are anticipated to increase by 13 percent to 564 mt, with coarse grains alone up by 30 percent, mostly in the U.S. Wheat and rice stocks are also projected to rise, by 7 percent and 3 percent respectively. The expansion in world cereal stocks would result in the global cereal stocks-to-use ratio reaching 23.0 percent, well above the historical low of 18.4 percent in 2007/08. World cereal trade in 2013/14 is forecast to reach 314 mt, 1.7 percent higher than in 2012/13. International trade in coarse grains is projected at a record 135 mt, up 2.1 percent from 2012/13. Wheat trade is forecast to increase by 1.9 percent, to 142 mt, still below its all-time high in 2011/12. By contrast, after falling by 2 percent in 2013, trade in rice could decline by a further 0.5 percent to 37 mt in 2014.

Oil seeds. In 2013/14, global oilseed production is projected to rise by 4 percent, possibly exceeding 500 mt for the first time. Production should expand markedly for all major oil crops except cottonseed. In volume terms, soybeans are expected to lead the expansion, followed by rapeseed and sunflower seed. After last year's record-breaking output, 2013/14 global soybean production is tentatively forecast to rise another 5–6 percent to an all-time high of 282 mt. The forecast largely rests on prospective production increases in Argentina, Brazil and the U.S., which are projected to harvest 15 mt combined more than last season. If confirmed, the latest available production estimate of 85.7 mt (3.7 mt more than last year) would end the downward trend of the last three years. For South America, where sowings have just started, another record-breaking crop is possible: aggregate output is tentatively set at 156 mt, a sweeping 7–8 percent above 2012/13. The region's total soybean area is tentatively put at 54 million ha, up 5 percent from last season, and 40 percent higher than 10 years ago. Production is projected to increase 8 percent in Brazil, reaching a staggering 88 mt, which would make Brazil the world's leading soybean producer, ahead of the U.S. In 2013/14, global trade in oils/fats is forecast to increase by little more than 3 mt, or 3 percent. The rise will mainly be on account of soy oil, followed by palm oil – with record transactions anticipated for both oils. With respect to imports, buyers in Asia, led by China, continue to account for much of the growth in global import demand.

After last season's dismal growth, world trade in meals/cakes in 2013/14 is projected to climb to an all-time record of 78 mt, up about 6–7 percent from last season. The rise in global trade will be strongly driven by higher meal demand in China and other importing countries in Asia. After last season's exceptional stagnation, China's import demand could expand by as much as 13 percent in 2013/14. With soybean imports tentatively put at an all time record of 67 mt, China remains the world's leading meal buyer, accounting for one third of global import demand. Aggregate imports by the rest of Asia are seen rising by about 4 percent. The EU, until recently the world's leading buyer, could see an increase in meal imports, after two successive years of decline. However, the rise should be small, as domestic meal availabilities and feedgrain supplies are set to grow. Export growth is seen almost exclusively in soybean meal from South America. Argentina, Brazil and Paraguay are poised to ship record or near-record volumes in 2013/14. The three countries' combined share in global shipments could rise to 54 percent – mostly at the expense of the United States. Indeed, US shipments are forecast to remain close to last season's subdued level, because much of this year's output increase should be absorbed by the domestic feed sector.



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