Commodity Market Monthly

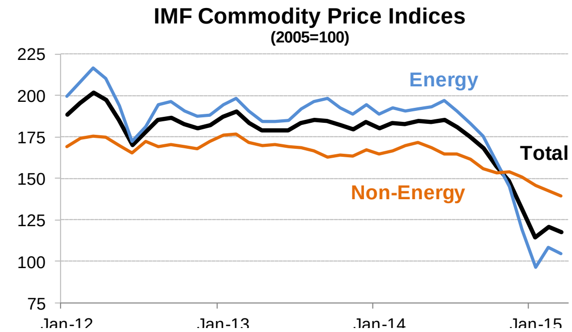
Research Department, Commodities Team*

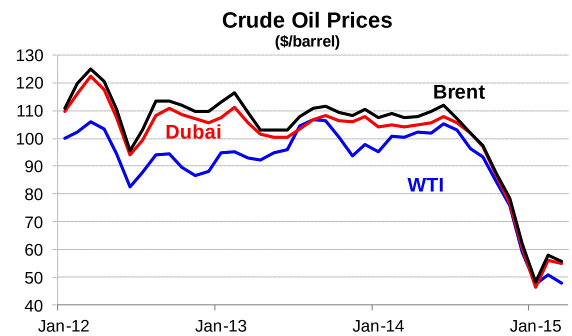
April 9, 2015 www.imf.org/commodities

Commodity prices fell by 2.8 percent in March, with declines recorded in all main indices, partly reflecting appreciation of the U.S. dollar—up 1.8 percent against a broad group of currencies. During the first quarter (Dec '14 – Mar '14) commodity prices dropped 10.2 percent with most prices falling because of weak demand, ample supply, and large stocks in some cases. A few prices rose, notably tea, shrimp, bananas, rubber and uranium.

Crude oil prices fell 3.8 percent in March, averaging $52.8/bbl, reversing gains from the previous month, due to easing demand and surplus supply. Prices were also affected by geopolitical events in Yemen and negotiations with Iran, with prices topping $56/bbl in early April. However, global markets remain oversupplied with large inventories of crude, particularly in the U.S., although product stocks are relatively low. Demand has weakened seasonally due to milder weather and refinery maintenance. Crude supplies have increased from earlier outages, with Iraq exports rising 15 percent to almost 3 mb/d, the highest level in almost 3 decades. The U.S. oil rig count has fallen 50 percent from its high in October, but U.S oil production continues to grow by more than 1 mb/d year-on-year. However, the U.S. EIA expects production gains to significantly slow in the second quarter, and record zero growth in 4Q2015.

On April 2nd, the P5+1 group of countries concluded a framework agreement with Iran on its nuclear program paving the way for a June 30 deadline to finalize details. Little additional oil is expected on the market this year given anticipated time for implementation and verification of Iran's commitments should a deal be finalized, but volumes could potentially be large in 2016. Iran claims it can supply an additional 1 mb/d to the market, in addition to the 30 million barrels it has stockpiled in tankers at sea.

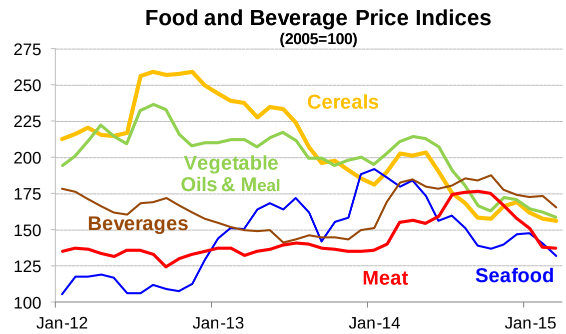


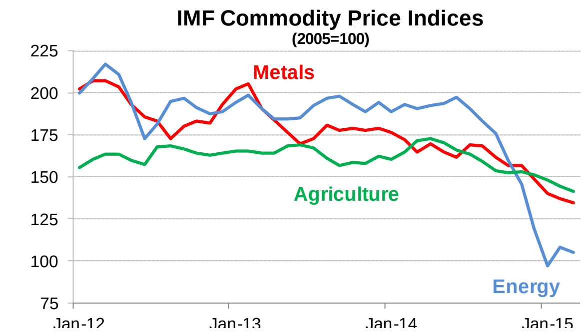


Natural gas prices in the U.S. declined by 1.7 percent in March, averaging $2.80/mmbtu, and fell below $2.60/mmbtu in early April on moderating winter demand. Inventories begin the injection season in April significantly higher than last year. **Coal prices (Australia) fell 1.3 percent** in March, and have declined to less than half their 2011 high, due to weak import demand and chronic oversupply.

Agriculture prices fell by 2.4 percent in March, and were down 10 of the last 11 months, reflecting plentiful supply and favorable production outlooks. The largest decline was for sugar prices, plunging 12 percent and to the lowest level in over 6 years, on improved crop prospects, particularly in Brazil. Coffee arabica and robusta prices dropped 11 and 5 percent, respectively, owing to higher exports from Brazil, aided by a depreciating currency. Orange prices fell 10 percent on weak beverage demand and ample supply, although there have been concerns of

*Prepared by Shane Streifel; assistance from Rachel Fan, Vanessa Diaz Montelongo, Marina Rousset





disease in Texas and Brazil. Salmon prices decreased 8 percent on weak demand which has been especially impacted by Russia's food import ban. Fish meal prices declined 6 percent as Peruvian anchovy is recovering from shortfalls in 2014 because of high sea temperatures. Lamb prices decreased 6 percent on rising production and exports from Australia. Palm oil prices fell 4 percent due to expectations of higher production in Southeast Asia, amidst a general oilseed glut. Rubber prices also fell 4 percent on weak demand and surplus supply. Partly offsetting these declines, bananas prices rose 8 percent due to strong import demand and tighter supply from adverse growing conditions in Central America that reduced yields. Tea prices increased 4 percent on lower production in Kenya because of dry weather, while barley prices rose 3 percent owing to tight supplies in the Black Sea region.

Metals prices fell by 1.9 percent in March, down an eighth straight month, due to weak demand, particularly in China, and continued increases in new supply. The largest decline was for iron ore, down 9 percent—and to less than a third of its 2011 high—due to weak import demand and continued gains in new capacity. New low-cost production, mainly from Australia, has been forcing closure of high-cost supplies in China and elsewhere, but further cuts are likely required as more new low-capacity coming on-line this year. However, depreciating currencies and lower prices for oil and freight have helped keep some higher-cost production online. Nickel prices fell 6 percent as stocks continue to climb to record levels owing to weak demand from the stainless steel sector, and despite closure of high-cost nickel pig-iron production in China. Tin prices declined 4 percent, despite falling inventories, due to weak demand and higher exports from Myanmar into China. Zinc prices fell 3 percent due to weak demand and strong supply growth in China. Partly offsetting these declines, copper prices rose 4 percent, reversing 7 months of declines, on a number of supply disruptions, notably from flooding in Chile. Uranium prices also rose 4 percent due to relatively strong demand and expectations of nuclear power restarts in Japan and new capacity in China this year.

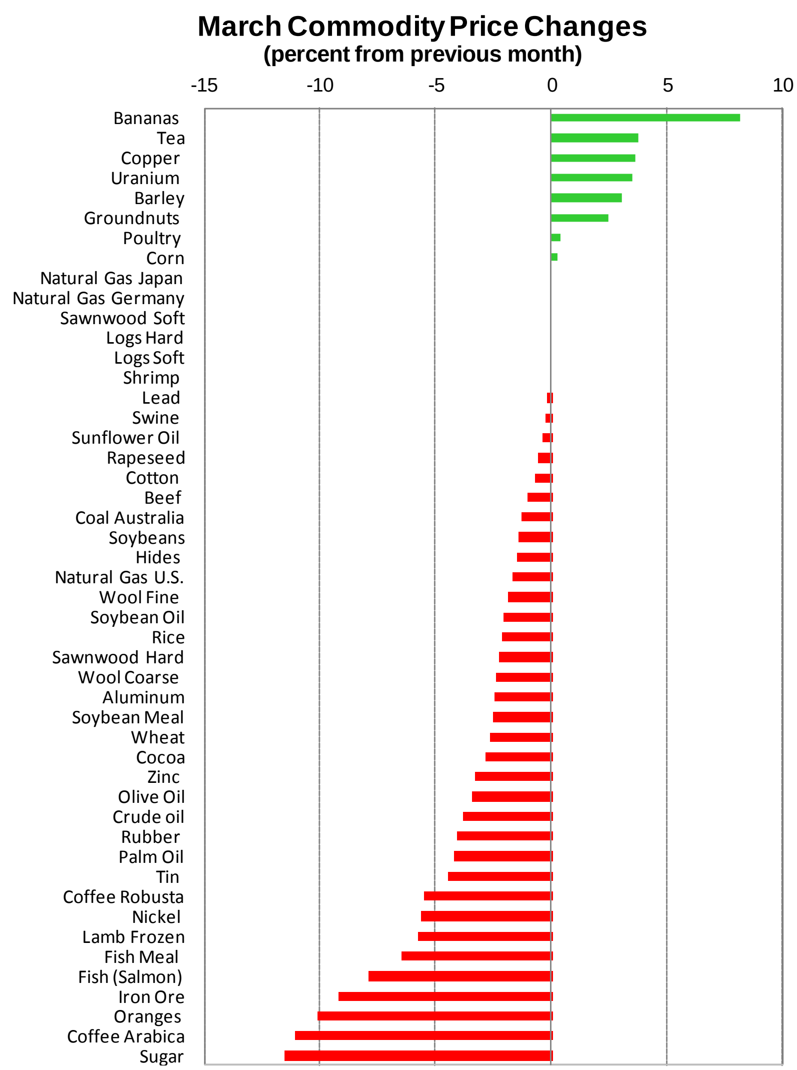


Table 1. Market Prices for Non-Fuel and Fuel Commodities

	Units	2012	2013	2014	2014Q2	2014Q3	2014Q4	2015Q1	Feb-2015	Mar-2015
Food										
Cereals										
Wheat	$/MT	313.3	312.2	284.9	322.1	262.5	257.9	238.8	237.2	230.8
Maize	$/MT	298.4	259.0	192.9	213.9	173.9	173.5	174.2	173.7	174.2
Rice	$/MT	580.2	518.8	426.5	409.4	435.0	420.8	406.6	409.5	400.7
Barley	$/MT	238.2	206.4	146.1	166.9	132.8	122.0	132.2	129.8	133.8
Vegetable oils and protein meals										
Soybeans	$/MT	537.8	517.2	457.8	540.4	421.7	370.9	363.9	364.7	359.6
Soybean meal	$/MT	473.3	477.3	467.0	531.9	436.0	406.7	372.7	374.3	364.9
Soybean oil	$/MT	1151.8	1011.1	812.7	899.7	757.1	716.1	696.4	697.9	683.4
Palm oil	$/MT	939.8	764.2	739.4	794.7	695.9	653.3	627.9	634.4	607.7
Fish meal	$/MT	1624.3	1710.5	1921.5	1861.6	1973.6	2192.7	2031.9	2028.5	1897.3
Sunflower Oil	$/MT	1489.5	1341.1	1080.3	1121.5	1012.5	1054.2	974.0	960.5	957.3
Olive oil	$/MT	3135.7	3816.7	3911.8	3663.5	4122.1	4262.5	4568.3	4692.2	4531.8
Groundnuts	$/MT	1688.2	2314.5	2148.3	2228.8	2046.8	1940.1	2019.4	2028.2	2078.8
Rapeseed oil	$/MT	1239.1	1081.2	904.4	963.1	849.6	824.4	755.1	747.4	743.4
Meat										
Beef	cts/lb	187.9	183.6	224.1	195.5	252.9	256.0	216.6	209.9	207.8
Lamb	cts/lb	100.9	106.7	130.6	135.4	132.8	130.2	122.5	122.9	115.9
Swine Meat	cts/lb	82.8	86.5	102.8	115.4	112.8	90.3	65.5	61.8	61.7
Poultry	cts/lb	94.3	103.8	110.1	109.0	113.0	113.9	114.0	113.8	114.3
Seafood										
Fish	$/kg	4.8	6.8	6.6	6.9	5.9	5.8	5.6	5.6	5.1
Shrimp	$/kg	10.1	14.0	16.6	17.8	17.0	14.3	15.7	15.7	15.7
Sugar										
Free market	cts/lb	21.4	17.7	17.1	18.2	17.7	15.8	14.1	14.5	12.8
United States	cts/lb	28.9	21.2	24.9	25.3	26.5	25.3	24.8	24.6	24.4
EU	cts/lb	26.4	26.0	27.4	28.0	27.8	26.3	25.2	25.5	24.9
Bananas	$/MT	984.3	926.4	931.9	929.2	939.3	911.9	974.8	966.9	1046.0
Oranges	$/MT	868.0	967.3	782.5	838.8	774.1	739.8	698.5	704.2	633.3
Beverages										
Coffee										
Other milds	cts/lb	187.6	141.1	202.8	213.7	208.4	213.5	177.0	179.9	160.0
Robusta	cts/lb	110.6	100.5	105.6	107.9	106.0	106.6	101.4	103.7	98.1
Cocoa Beans	$/MT	2377.1	2439.1	3062.8	3085.0	3229.2	2985.6	2918.5	2961.9	2878.0
Tea	cts/kg	348.9	266.0	237.9	222.2	233.7	247.6	291.2	296.4	307.6
Agricultural raw materials										
Timber										
Hardwood										
Logs 1/	$/M3	148.0	164.5	174.3	312.6	308.3	302.1	315.3	169.3	169.3
Sawnwood 1/	$/M3	284.7	301.4	307.3	169.7	167.4	181.5	169.3	315.3	315.3
Softwood										
Logs 1/	$/M3	148.0	164.5	174.3	169.7	167.4	181.5	169.3	169.3	169.3
Sawnwood 1/	$/M3	284.7	301.4	307.3	312.6	308.3	302.1	315.3	315.3	315.3
Cotton	cts/lb	89.2	90.4	83.1	92.6	77.1	68.7	68.8	69.8	69.4
Wool										
Fine	cts/kg	1345.3	1197.7	1074.4	1086.0	1068.1	1029.4	947.8	946.9	929.5
Coarse	cts/kg	1212.6	1128.1	1030.4	1058.7	1025.0	954.3	887.7	892.4	871.2
Rubber	cts/lb	153.2	126.8	88.8	96.1	83.4	73.5	78.6	82.0	78.7
Hides	cts/lb	83.2	94.7	110.2	109.8	110.8	112.7	105.8	106.1	104.5

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	2012	2013	2014	2014Q2	2014Q3	2014Q4	2015Q1	Feb-2015	Mar-2015
Metals										
Copper	$/MT	7958.9	7331.5	6863.4	6795.3	6995.8	6632.3	5833.2	5729.3	5939.7
Aluminum	$/MT	2022.8	1846.7	1867.4	1800.2	1989.7	1970.4	1802.1	1817.8	1773.9
Iron Ore	$/MT	128.5	135.4	96.8	102.6	90.3	74.0	62.3	62.7	56.9
Tin	$/MT	21109.4	22281.6	21898.9	23146.2	21915.2	19897.9	18370.0	18233.9	17421.9
Nickel	$/MT	17541.7	15030.0	16893.4	18467.8	18584.2	15860.5	14392.8	14573.8	13755.5
Zinc	$/MT	1950.0	1910.2	2161.0	2071.4	2310.7	2235.3	2079.8	2097.8	2028.7
Lead	$/MT	2063.6	2139.7	2095.5	2097.1	2182.4	2000.9	1810.4	1795.7	1792.5
Uranium	$/lb	48.9	38.5	33.5	30.0	31.1	37.7	37.8	38.1	39.4
Energy										
Spot Crude 2/	$/bbl	105.0	104.1	96.2	106.3	100.4	74.5	51.7	54.9	52.8
U.K. Brent	$/bbl	112.0	108.8	98.9	109.8	102.1	76.0	54.0	57.9	55.8
Dubai	$/bbl	108.9	105.4	96.7	106.1	101.5	74.6	52.5	56.2	54.9
West Texas Intermediate	$/bbl	94.1	97.9	93.1	103.1	97.6	73.1	48.7	50.7	47.8
Natural Gas										
Russian in Germany	$/mmbtu	12.0	11.2	10.5	10.7	10.1	10.3	9.4	9.3	9.3
Indonesian in Japan	$/mmbtu	18.1	17.3	17.0	17.6	16.5	16.1	14.8	14.5	14.5
US, domestic market	$/mmbtu	2.8	3.7	4.4	4.6	3.9	3.8	2.9	2.8	2.8
Coal										
Australian, export markets	$/MT	103.2	90.6	75.1	77.9	72.7	67.4	65.8	65.8	64.9

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

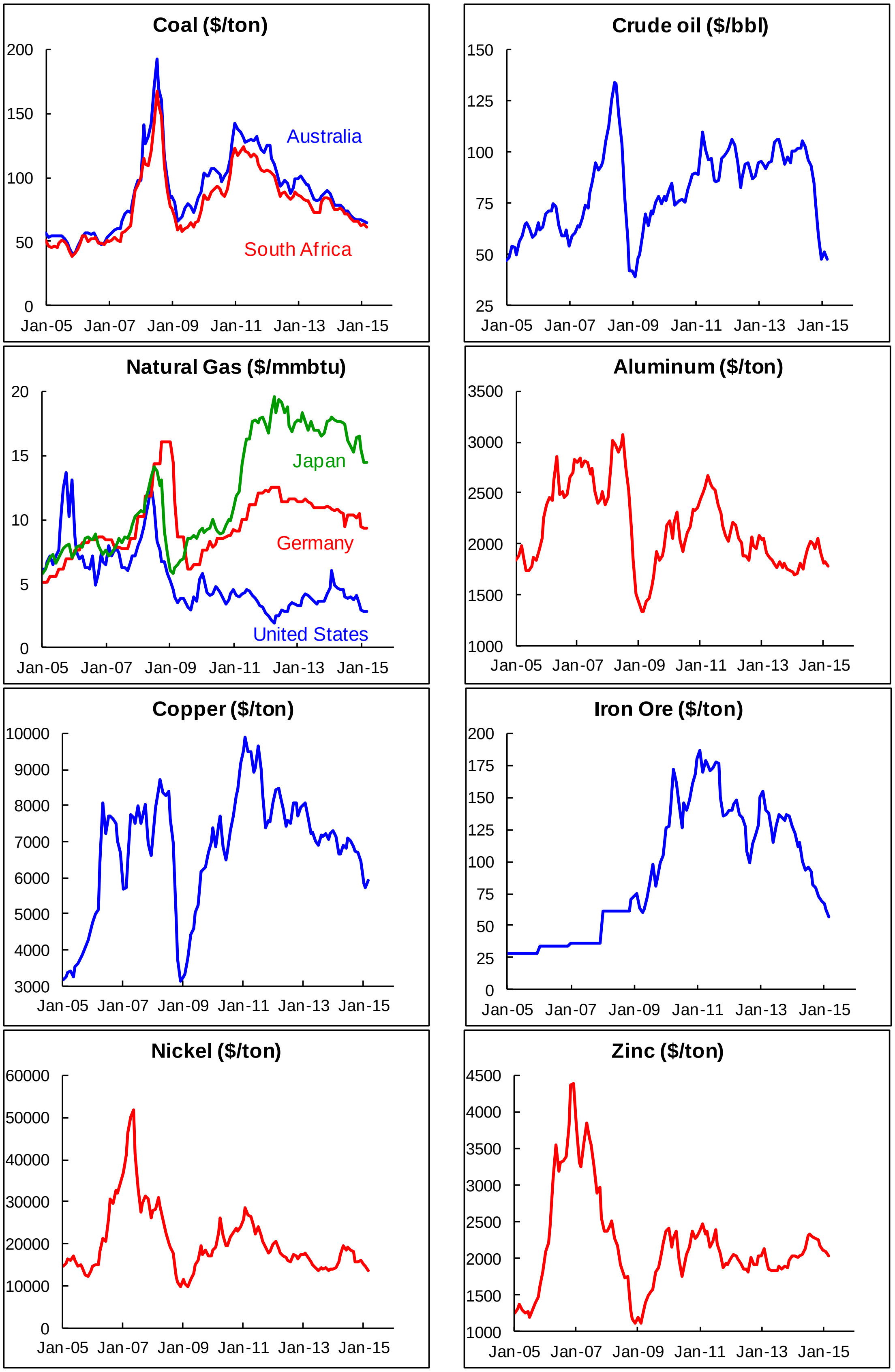
Table 2. Indices of Primary Commodity Prices

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

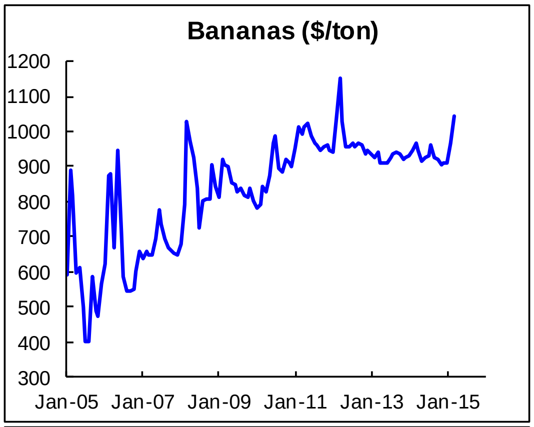
	(Weights) 1/	2012	2013	2014	2014Q2	2014Q3	2014Q4	2015Q1	Feb-2015	Mar-2015
All Primary Commodities 2/	100.0	186.3	183.3	171.8	184.7	174.9	145.6	117.7	120.9	117.5
Non-Fuel	36.9	171.0	169.0	162.3	168.3	160.9	152.7	142.5	142.5	139.2
Agriculture	26.2	162.8	163.3	161.5	169.6	158.7	152.2	144.5	144.6	141.1
Food	16.7	175.6	177.6	170.2	181.1	165.8	157.5	148.3	147.7	144.0
Cereals	3.6	236.4	218.3	180.3	198.3	167.5	164.3	158.6	157.9	155.9
Vegetable oils and protein meals	4.4	215.9	206.4	190.7	211.6	179.5	168.5	161.9	162.5	158.9
Meat	3.7	133.3	136.8	160.5	156.7	175.4	166.4	142.1	138.1	137.2
Seafood	3.2	113.3	160.1	162.0	171.2	150.0	141.0	139.8	140.3	131.7
Beverages	1.8	167.4	147.4	178.0	181.0	183.3	180.0	170.4	173.3	165.1
Agricultural Raw Materials 3/	7.7	134.0	136.2	138.8	141.9	137.7	134.2	130.2	131.0	129.2
Timber	3.4	107.4	107.3	109.3	111.1	109.8	106.4	105.9	106.2	105.5
Metals	10.7	191.0	182.9	164.1	165.3	166.1	154.0	137.4	137.3	134.6
Edibles 4/	18.5	174.8	174.6	171.0	181.1	167.5	159.7	150.5	150.2	146.0
Industrial Inputs 5/	18.4	167.1	163.3	153.5	155.5	154.2	145.7	134.4	134.6	132.4
Energy 6/	63.1	195.2	191.7	177.4	194.2	183.2	141.4	103.3	108.2	104.8
Petroleum 7/	53.6	197.9	195.9	181.1	200.0	188.9	140.2	97.4	103.5	99.6
Natural Gas	6.9	171.2	164.9	159.9	164.5	153.4	153.6	138.5	136.6	136.4
Coal	2.6	202.1	176.8	149.1	154.5	144.4	134.2	130.0	130.5	128.2

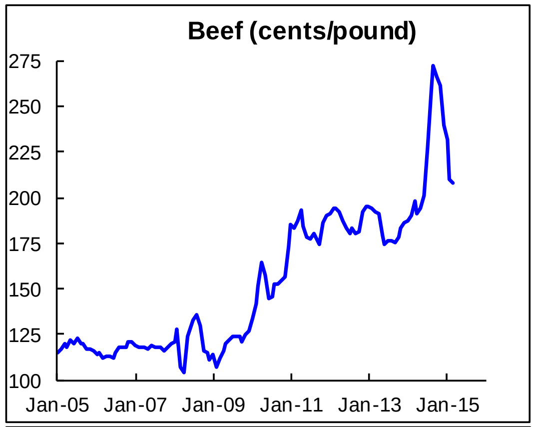
1/ Weights based on 2002-2004 average world export earnings.
2/ Non-Fuel Primary Commodities and Energy Index.
3/ Includes Forestry Products.
4/ Edibles comprised of Food and Beverages
5/ Industrial (Non-Fuel) Inputs comprised of Agriculture and Metals
6/ Includes Petroleum, Natural Gas and Coal.
7/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

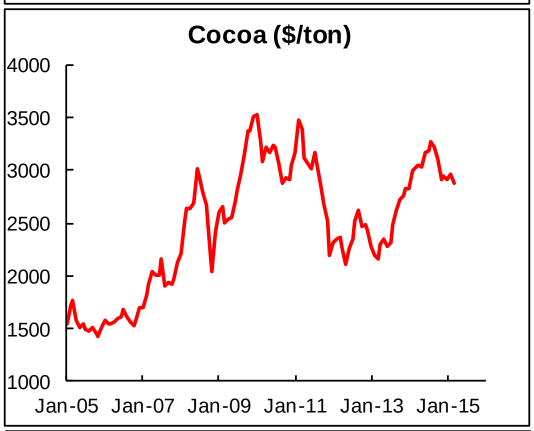
Commodity Prices in U.S. Dollars, 2005-2014

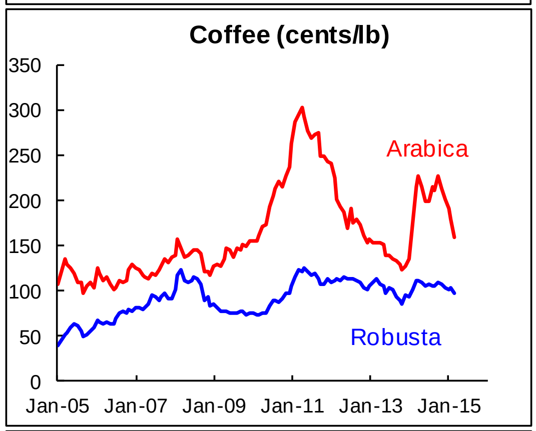


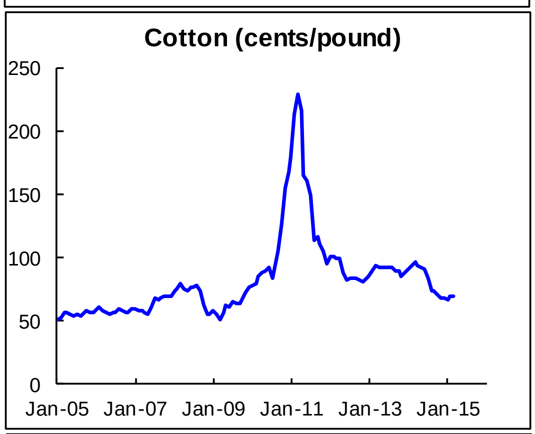
Commodity Prices in U.S. Dollars, 2005-2014 continued

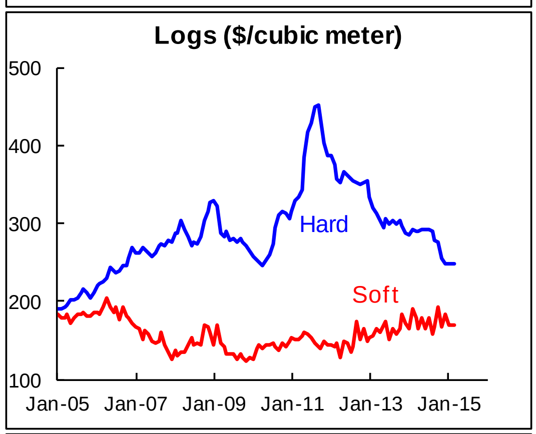


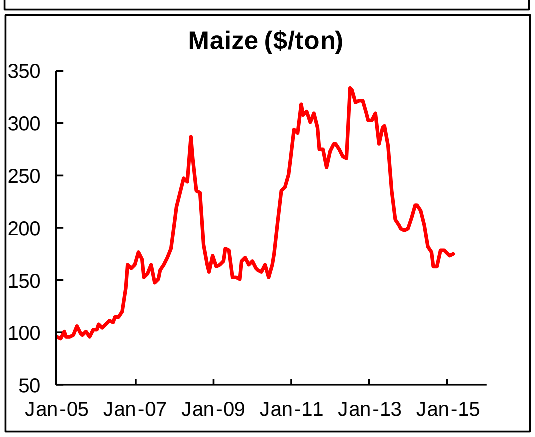


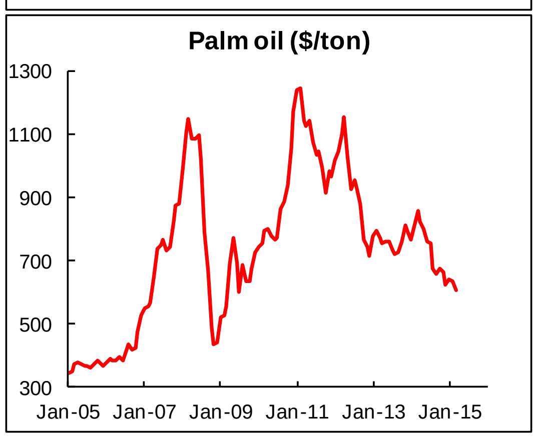




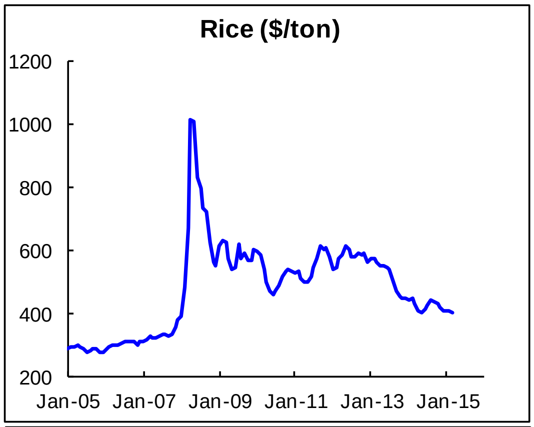




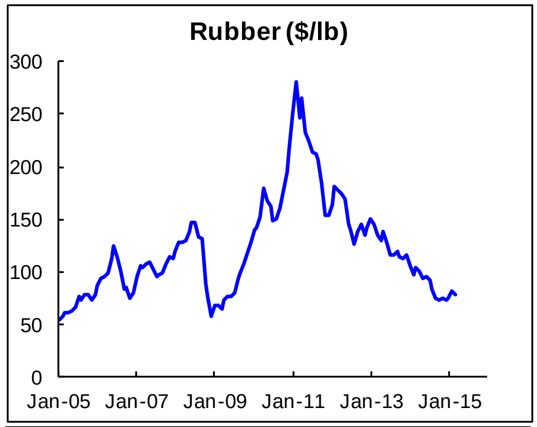




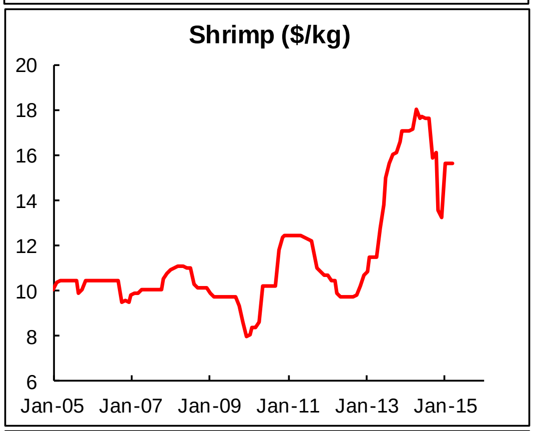
Commodity Prices in U.S. Dollars, 2005-2014 continued



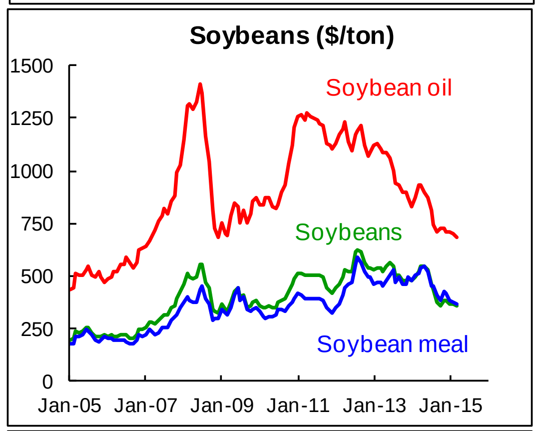
Rice ($/ton)



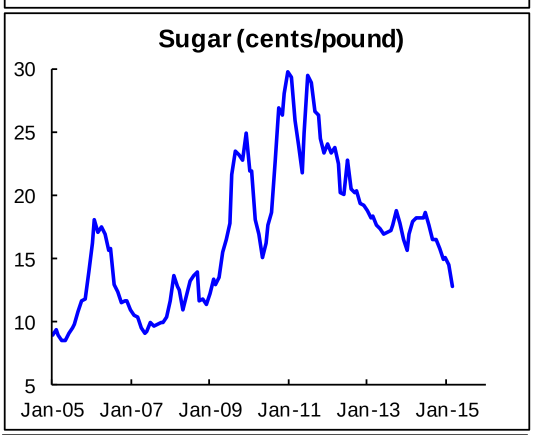
Rubber ($/lb)



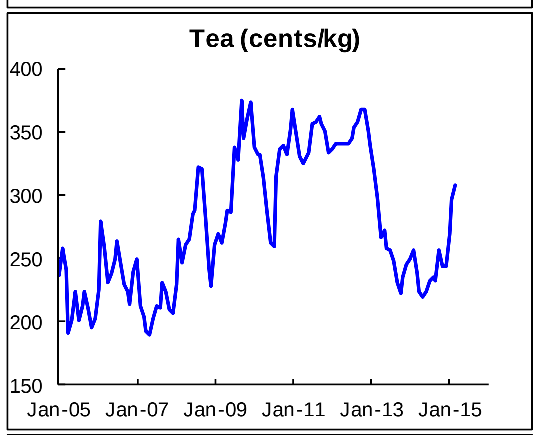
Shrimp ($/kg)



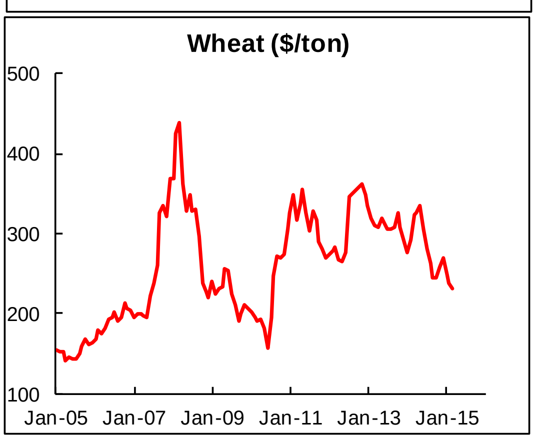
Soybeans ($/ton)



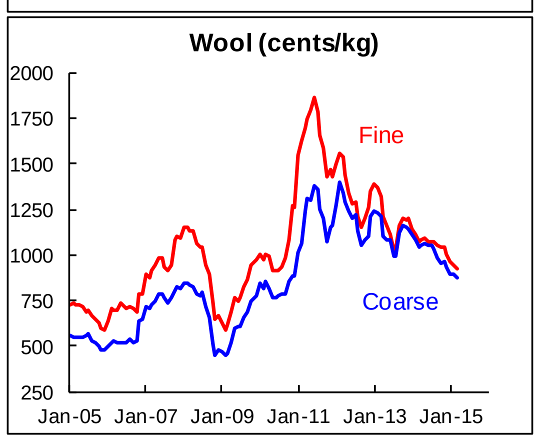
Sugar (cents/pound)



Tea (cents/kg)



Wheat ($/ton)



Wool (cents/kg)

Commodity News Highlights

Crop Prospects and Food Situation, Summary. **Food and Agriculture Organization. March 2015.**

FAO's first wheat production forecast for 2015 stands at 720 million tons, including an early projection for the Southern Hemisphere countries that will begin planting in August. At this level, production would be 1 percent below the record output of 2014, predominantly reflecting an expected decline in Europe. Europe's production is projected to decline by 5 percent from the record output of 2014 assuming yields return to average after last year's high. Aggregate wheat production in North America is anticipated to increase from the previous year's below-average output. In Asia, following delayed seasonal rains, the production outlook is favorable following a return to normal weather conditions since December. In India and China, production is forecast to remain close to the record outputs of the previous year. In North Africa, weather conditions have been favorable and the early projection for Egypt, the largest producer in the sub-region, points to a similar production to 2014's above average level. In the Southern Hemisphere, wheat crops will be planted later in the year. In Australia, forecasts point to a return to average production compared to 2014's reduced output. In Argentina, following the previous year's bumper output, plantings in 2015 are forecast to decrease in response to lower prices.

Major coarse grain crops have not yet been sown in the Northern Hemisphere; however, the season in the Southern Hemisphere is well advanced. In South America, coarse grains production in 2015, mostly constituting maize, is forecast to decrease from the above-average output of the previous year but remain at a high level, reflecting lower prices and ample supplies that instigated a decrease in plantings. In Brazil, harvesting of the first season maize crop is underway and preliminary forecasts point to a small increase, as higher yields are expected to offset a contraction in the area planted. However, a sharp reduction in plantings for the second season is forecast to cause a fall in aggregate production by 3 percent compared to 2014. In Argentina, an 11 percent decrease in plantings is forecast to result in an 8 percent fall in maize production. In Southern Africa, official preliminary indications point to a decline in the aggregate 2015 maize production from last year's bumper output, largely on account of adverse weather conditions. In South Africa, maize production is expected to fall sharply by 33 percent on account of reduced yields. Elsewhere in the two second biggest producers, Zambia and Malawi, production is also forecast to decrease, but remain above average.

The 2014 rice paddy season is soon coming to a close, as most of the secondary rice crops cultivated in the Northern Hemisphere are approaching the harvesting stage. At the current estimate of 496 million tons, world rice production would be 1 million tons short of the record in 2013, representing a marginal decline of 0.2 percent. The disappointing outcome of the season mostly mirrors a poor performance of the sector in Asia, where a number of countries, including India, Indonesia, Sri Lanka and Thailand, endured erratic weather conditions that depressed output. It was only partly compensated by increases in Bangladesh, China, Myanmar, the Philippines and Viet Nam, resulting in an overall 0.5 percent fall in Asian production. In the other regions, the 2014 season outcome was also negative in Oceania, owing to a 28 percent output contraction in Australia, which faced water constraints. The performance of the sector was better in the other regions: in Africa, a strong recovery in Madagascar and the United Republic of Tanzania more than compensated for poor output results in a number of western African countries, underpinning the continent's production by 2 percent. In Latin America and the Caribbean, a modest recovery in South America, fostered by gains in Brazil, Guyana and Paraguay, was mostly behind a small increase in the region's output. Likewise, a larger volume was harvested in Europe, as a strong rebound of production in the Russian Federation more than compensated for a contraction in the EU. The 2014 crop results were far more buoyant in North America, where the United States of America is estimated to have garnered 16 percent more rice than in 2013.