Commodity Market Monthly

Research Department, Commodities Team*

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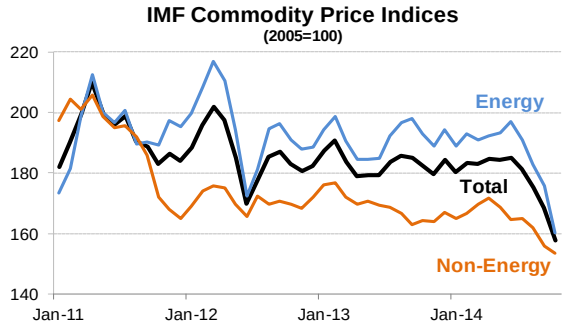
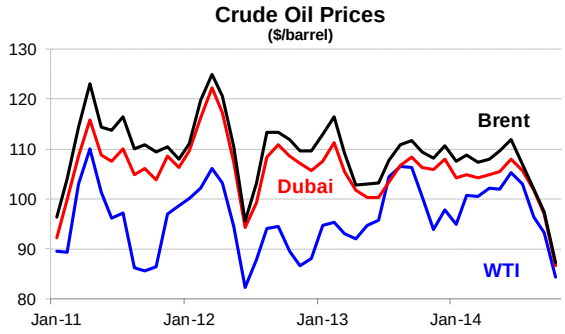
Commodity prices fell by 6.4 percent in October, with declines in most main indices, particularly energy. The decreases are mainly due to continued supply gains in most sectors amid weak demand, particularly for industrial commodities, and in part reflect appreciation of the U.S. dollar—up 1.5 percent against a group of major currencies. Some agriculture prices rose, notably for coffee and a number of vegetable oils on expected supply tightening.





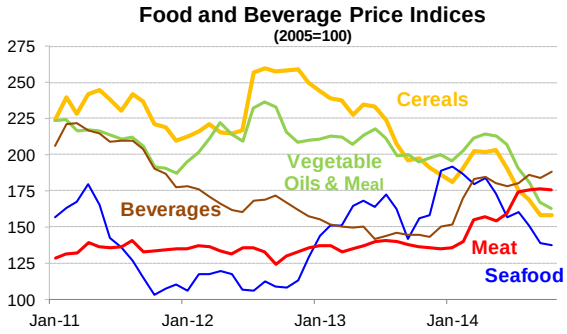
Crude oil prices plunged by 10.2 percent in October, averaging $86.1/bbl, and fell toward $75/bbl in November—down 30 percent since June. The sell-off reflects expectations of a continued market surplus owing to weak demand, large supply growth, higher stocks and little indication from OPEC that it will cut production to stem the price slide. Crude oil demand has been weak seasonally because of autumn refinery maintenance, and global oil consumption growth more broadly was very sluggish in the 2nd and 3rd quarters. Surging oil supply growth is at the heart of the surplus, led by shale oil production in the U.S. which has forced out light oil imports from West Africa, and increasingly medium sour crude from the Middle East and elsewhere.

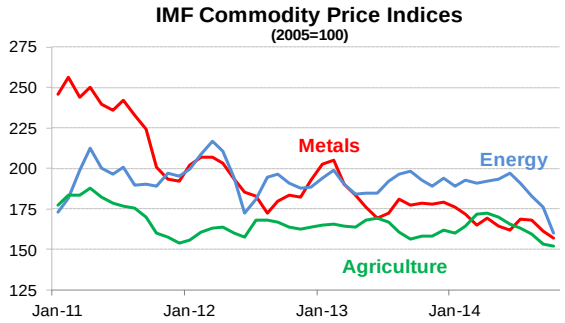
The swift recovery of Libyan production contributed to the light crude surplus—although its largest field was shut in early November owing to a struggle between rival political factions and highlights instability in the country. Saudi Arabia reduced official selling prices (OSPs) to Asia and the U.S. in recent months (although raising prices to Asia for December) which prompted speculation the country is intent on fighting for market share. However, OSPs are adjusted to reflect market value to refiners and for crude to remain competitive. OPEC meets November 27th to discuss its 30 mb/d production target. Just prior to this gathering is the November 24th deadline for Iran to reach an international agreement on its nuclear program.

Coal prices (Australia) fell by 3.1 percent in October—and are down 8 of the past 10 months—due to weak Chinese demand and surplus seaborne supply. China also plans to restrict imports and sale of coal with high ash and high sulfur content starting from January 2015 to tackle air pollution. Major coal exporters so far have refrained from curtailing production significantly, opting to reduce costs.

Agriculture prices fell by 0.8 percent in October, down a sixth month, with declines in most main indices. The largest decrease was for groundnut prices, plunging 9 percent, owing to surging production in the U.S., in part due to a new variety Georgia peanut. Barley prices dropped 8 percent on higher production and exports from Russia, the world's largest producer. Soybean meal and soybean prices fell 7 and 4 percent, respectively, on an expected record soybean harvest in the U.S. However there are concerns about deteriorating

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





crop prospects in South America, and strong feed demand has lifted meal prices into November. Orange prices fell 5 percent on ample supply amid a season of ideal growing conditions in Florida. Olive oil prices eased 4 percent, but follow 7 monthly gains because of concerns about drought in Spain, the world's largest producer. Cotton prices fell 4 percent, down a seventh straight month, as global production is expected to exceed demand for the 5th consecutive year and lift inventories to record highs. Cocoa prices fell 4 percent (but are up 30 percent y/y) on favorable weather and higher exports in Côte d'Ivoire. Partly offsetting these declines tea prices surged 10 percent on strong demand, while Arabica coffee prices rose 7 percent as drought in Brazil is expected to reduce next year's crop. A number of vegetable oil prices edged higher on expected tightening of supply in South America and Asia.

Metals prices fell by 2.9 percent in October on continuing concerns about global demand—in particular the slowdown in China. The largest decline was for nickel prices, plunging 12 percent, on larger than expected exports from the Philippines and record high LME inventories—the latter as stocks exit China in response to investigations of allegedly fraudulent use of warehouse receipts at the port of Quingdao to raise finance. Tin prices dropped 6 percent, down for a sixth straight month, on stronger than expected exports from Myanmar to China, complicating Indonesia's efforts to lift prices. Lead prices fell 4 percent on weak battery demand and leveling off of growth in China's e-bike sector. Iron ore prices fell 3 percent (and are down more than 40 percent this year) due to significant increases in new low-cost capacity from major producers, particularly Australia, and large stocks in China at ports and steel mills. Aluminum prices slid 2 percent as the Chinese market remains in surplus and the country exports semi manufactured products. Copper prices fell 2 percent on weak demand, notably in China's property market, and ongoing ramp-up of new capacity. Partly offsetting these declines was a 4 percent increase in uranium prices, up a fourth month, due to operational issues and to geopolitical concerns about Russia which provides enrichment services to western utilities.

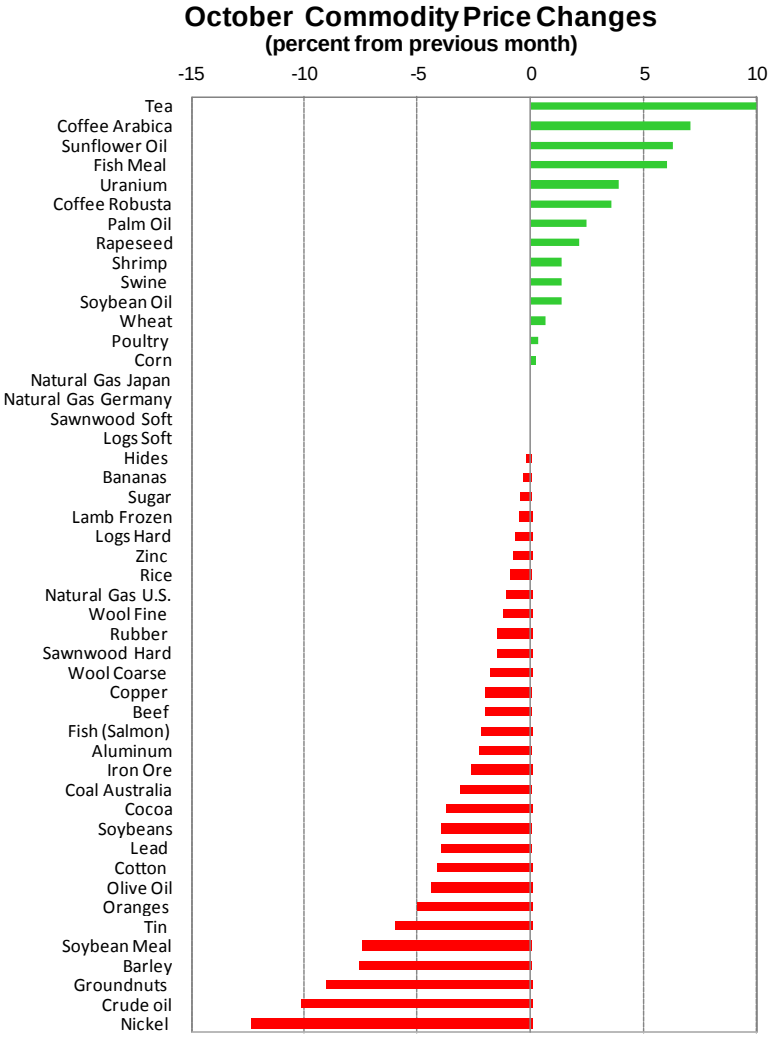


Table 1. Market Prices for Non-Fuel and Fuel Commodities

	Units	2011	2012	2013	2013Q4	2014Q1	2014Q2	2014Q3	Sep-2014	Oct-2014
Food										
Cereals										
Wheat	$/MT	316.2	313.3	312.2	307.8	297.1	322.1	262.5	243.7	245.4
Maize	$/MT	291.8	298.4	259.0	199.5	210.1	213.9	173.9	163.1	163.3
Rice	$/MT	551.7	580.2	518.8	449.9	440.7	409.4	435.0	436.5	432.7
Barley	$/MT	207.2	238.8	206.4	157.3	162.7	166.9	132.8	127.2	117.6
Vegetable oils and protein meals										
Soybeans	$/MT	484.2	537.8	517.2	479.4	498.3	540.4	421.7	368.8	354.4
Soybean meal	$/MT	378.9	473.3	477.3	472.5	493.3	531.9	436.0	409.1	378.8
Soybean oil	$/MT	1215.8	1151.8	1011.1	889.2	877.9	899.7	757.1	711.7	721.4
Palm oil	$/MT	1076.5	939.8	764.2	789.4	813.7	794.7	695.9	657.0	673.1
Fish meal	$/MT	1519.3	1624.3	1710.5	1542.2	1657.9	1861.6	1973.6	1871.8	1985.4
Sunflower Oil	$/MT	1621.8	1489.5	1341.1	1182.9	1133.1	1121.5	1012.5	983.0	1044.7
Olive oil	$/MT	3070.3	3135.7	3816.7	3656.6	3599.0	3663.5	4122.1	4209.0	4025.4
Groundnuts	$/MT	1724.0	1688.2	2314.5	2312.7	2377.3	2228.8	2046.8	2008.1	1826.6
Rapeseed oil	$/MT	1366.6	1239.1	1081.2	1012.8	980.3	963.1	849.6	819.6	837.3
Meat										
Beef	cts/lb	183.2	187.9	183.6	182.4	191.8	195.5	252.9	272.3	266.9
Lamb	cts/lb	149.2	100.9	106.7	116.4	124.1	135.4	132.8	131.3	130.7
Swine Meat	cts/lb	89.1	82.8	86.5	82.6	92.8	115.4	112.8	100.5	101.9
Poultry	cts/lb	87.4	94.3	103.8	104.7	104.7	109.0	113.0	113.5	113.9
Seafood										
Fish	$/kg	5.9	4.8	6.8	6.9	7.8	6.9	5.9	5.5	5.4
Shrimp	$/kg	11.9	10.1	14.0	16.6	17.1	17.8	17.0	15.9	16.1
Sugar										
Free market	cts/lb	26.2	21.4	17.7	17.7	16.8	18.2	17.7	16.5	16.5
United States	cts/lb	37.6	28.9	21.2	21.5	22.4	25.3	26.5	26.7	26.6
EU	cts/lb	26.7	26.4	26.0	26.9	27.5	28.0	27.8	27.1	26.7
Bananas	$/MT	975.9	984.3	926.4	928.1	947.1	929.2	939.3	925.4	922.4
Oranges	$/MT	891.1	868.0	967.3	834.4	777.4	838.8	774.1	771.0	732.2
Beverages										
Coffee										
Other milds	cts/lb	273.2	187.6	141.1	126.1	175.8	213.7	208.4	212.0	227.1
Robusta	cts/lb	116.0	110.6	100.5	90.4	102.0	107.9	106.0	105.6	109.4
Cocoa Beans	$/MT	2978.5	2377.1	2439.1	2770.1	2951.3	3085.0	3229.2	3221.3	3100.8
Tea	cts/kg	346.2	348.9	266.0	234.2	247.9	222.2	233.7	233.0	256.2
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	73.4	70.3
Wool										
Fine	cts/kg	1638.2	1345.3	1197.7	1195.5	1114.0	1086.0	1068.1	1056.5	1044.0
Coarse	cts/kg	1209.2	1212.6	1128.1	1153.8	1083.6	1058.7	1023.0	981.6	964.1
Rubber	cts/lb	218.5	153.2	126.8	114.6	102.1	96.1	83.4	74.6	73.5
Hides	cts/lb	82.0	83.2	94.7	103.1	107.6	109.8	110.8	114.6	114.4

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	Sep-2014	Oct-2014
Metals										
Copper	$/MT	8823.5	7958.9	7331.5	7162.9	7030.2	6795.3	6995.8	6872.2	6737.5
Aluminum	$/MT	2400.6	2022.8	1846.7	1767.5	1709.3	1800.2	1989.7	1990.4	1946.2
Iron Ore	$/MT	167.8	128.5	135.4	134.9	120.4	102.6	90.3	82.3	80.1
Tin	$/MT	26051.4	21109.4	22281.6	22896.9	22636.3	23146.2	21915.2	21090.5	19830.4
Nickel	$/MT	22909.1	17541.7	15030.0	13908.7	14661.0	18467.8	18584.2	18034.8	15812.4
Zinc	$/MT	2195.5	1950.0	1910.2	1908.7	2026.5	2071.4	2310.7	2294.6	2276.8
Lead	$/MT	2400.7	2063.6	2139.7	2113.9	2101.4	2097.1	2182.4	2117.2	2034.3
Uranium	$/lb	56.2	48.9	38.5	34.9	35.2	30.0	31.1	34.2	35.6
Energy										
Spot Crude 2/	$/bbl	104.0	105.0	104.1	104.5	103.7	106.3	100.4	95.9	86.1
U.K. Brent	$/bbl	111.0	112.0	108.8	109.4	107.9	109.8	102.1	97.3	87.3
Dubai	$/bbl	106.0	108.9	105.4	106.7	104.4	106.1	101.5	97.0	86.7
West Texas Intermediate	$/bbl	95.0	94.1	97.9	97.4	98.8	103.1	97.6	93.3	84.4
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	16.6	16.0	16.0
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	70.7	68.5

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

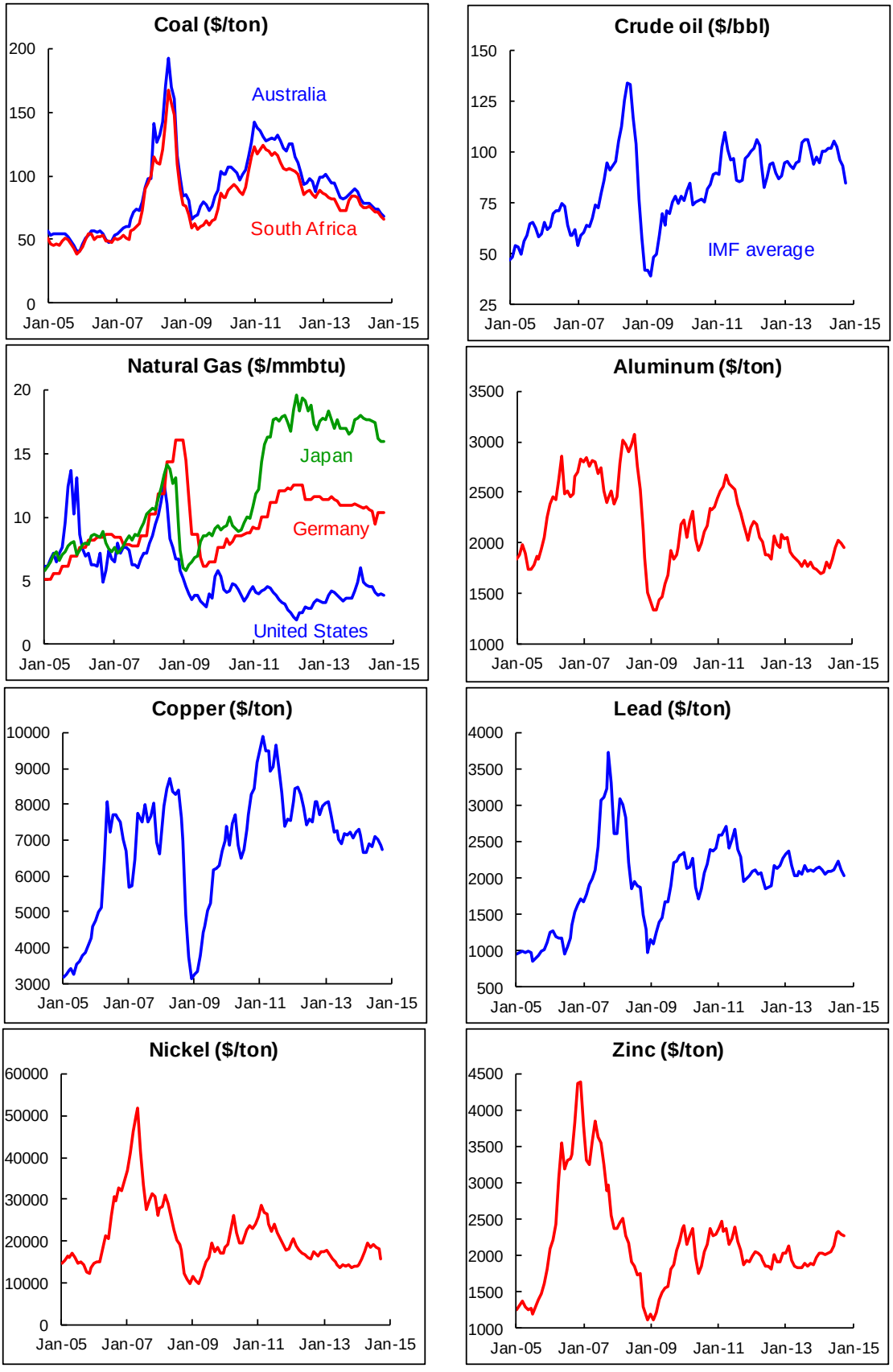
Table 2. Indices of Primary Commodity Prices

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

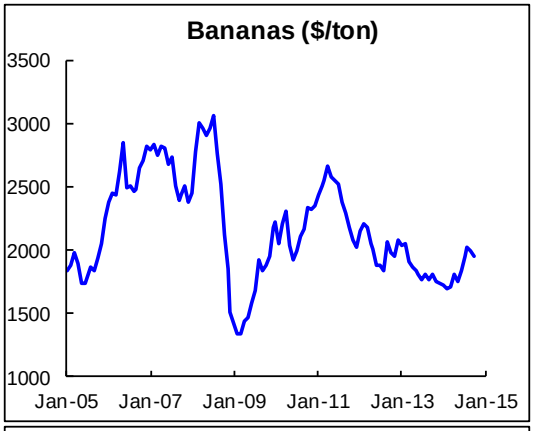
	(Weights) 1/	2011	2012	2013	2013Q4	2014Q1	2014Q2	2014Q3	Sep-2014	Oct-2014
All Primary Commodities 2/	100.0	192.4	186.3	183.3	182.1	182.2	184.7	175.0	168.5	157.7
Non-Fuel	36.9	190.0	171.0	169.0	165.1	167.2	168.3	160.9	155.8	153.5
Agriculture	26.2	173.9	162.9	163.3	159.5	165.6	169.6	158.7	153.5	152.2
Food	16.7	179.9	175.6	177.6	170.2	176.5	181.1	165.8	158.0	156.1
Cereals	3.6	231.2	236.4	218.3	191.5	191.2	198.3	167.5	158.3	157.9
Vegetable oils and protein meals	4.4	209.1	215.9	206.4	197.5	203.1	211.6	179.5	166.7	162.7
Meat	3.7	134.5	133.3	136.8	135.4	143.4	156.7	175.4	176.3	175.3
Seafood	3.2	139.3	113.3	160.1	167.6	185.9	171.2	150.0	138.9	137.0
Beverages	1.8	205.5	167.4	147.4	145.9	167.9	181.0	183.3	183.8	187.8
Agricultural Raw Materials 3/	7.7	153.5	134.0	136.2	139.7	141.4	141.9	137.7	136.4	135.2
Timber	3.4	110.8	107.4	107.3	109.0	109.9	111.1	109.8	106.4	105.8
Metals	10.7	229.7	191.0	182.9	178.6	171.1	165.3	166.1	161.4	156.8
Edibles 4/	18.5	182.4	174.8	174.6	167.8	175.6	181.1	167.5	160.5	159.2
Industrial Inputs 5/	18.4	197.8	167.1	163.3	162.3	158.6	155.5	154.2	150.9	147.8
Energy 6/	63.1	193.8	195.2	191.7	192.1	190.9	194.3	183.2	175.9	160.1
Petroleum 7/	53.6	195.9	197.9	195.9	196.8	195.2	200.0	188.9	180.4	162.0
Natural Gas	6.9	154.3	171.2	164.9	162.1	168.5	164.5	153.8	154.2	154.1
Coal	2.6	254.4	202.1	176.8	173.7	163.4	154.5	144.4	140.1	135.8

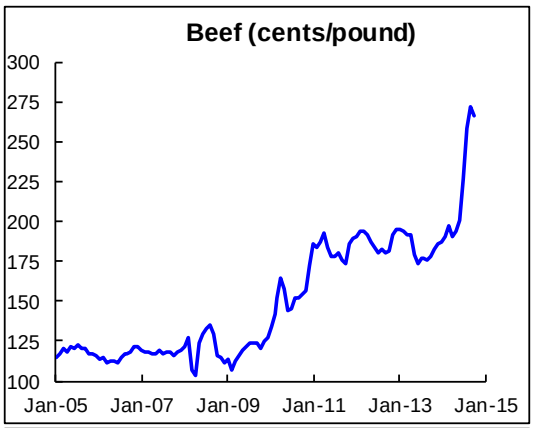
1/ Weights based on 2002-2004 average world export earnings.
2/ Non-Fuel Primary Commodities and Energy Index.
3/ Includes Forestry Products.
4/ Edibles comprised of Food and Beverages
5/ Industrial (Non-Fuel) Inputs comprised of Agriculture and Metals
6/ Includes Petroleum, Natural Gas and Coal.
7/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

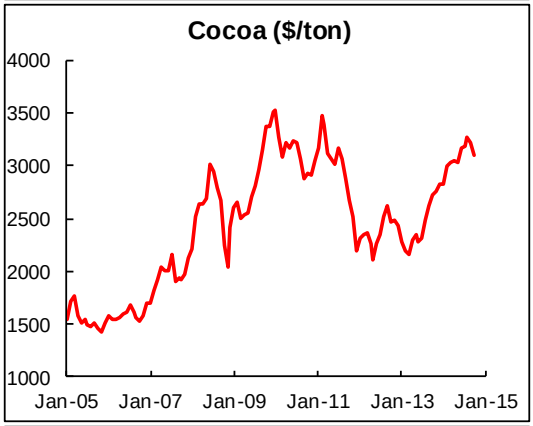
Commodity Prices in U.S. Dollars, 2005-2014

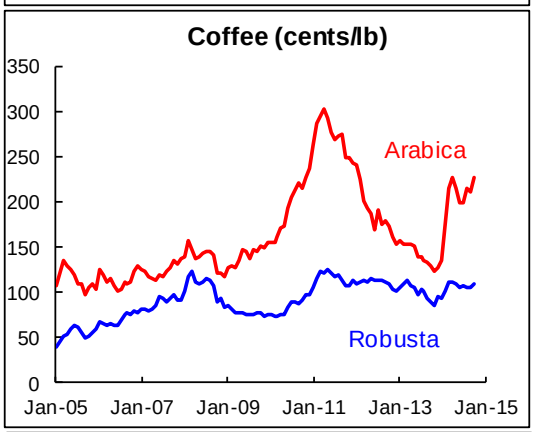


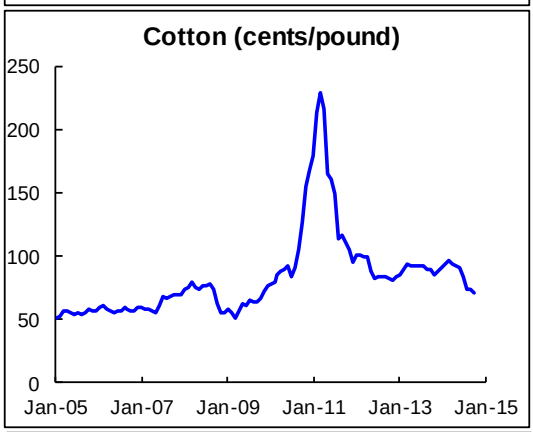
Commodity Prices in U.S. Dollars, 2005-2014 continued

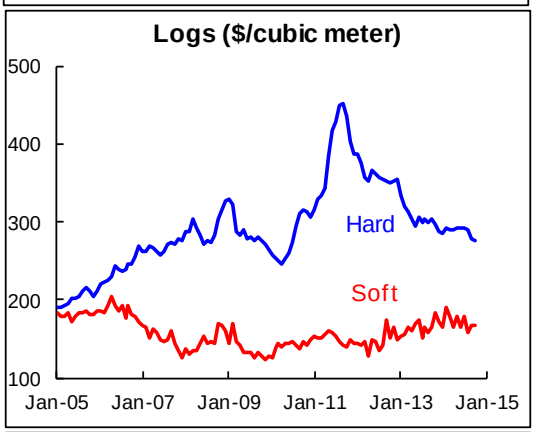


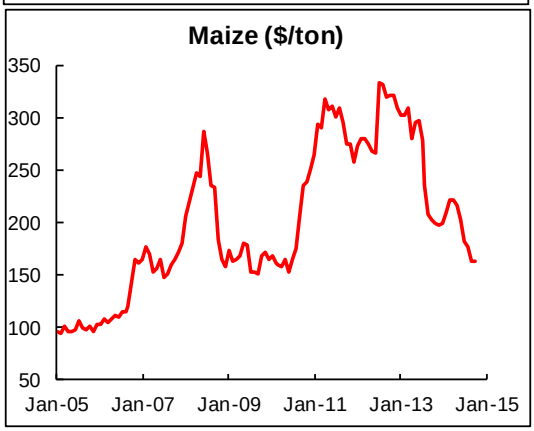


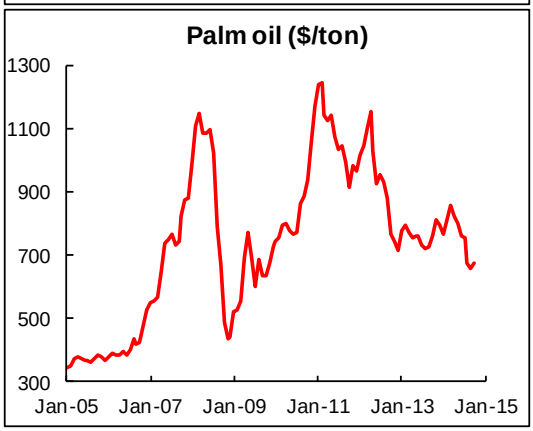




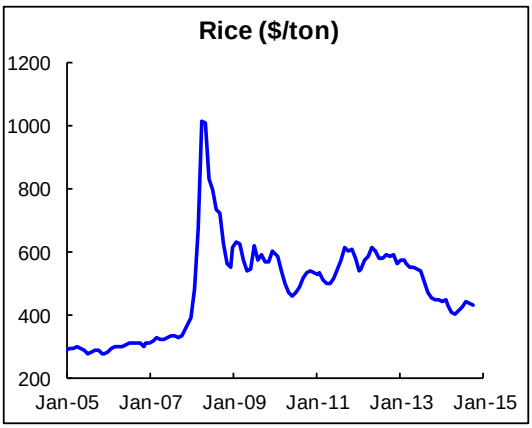


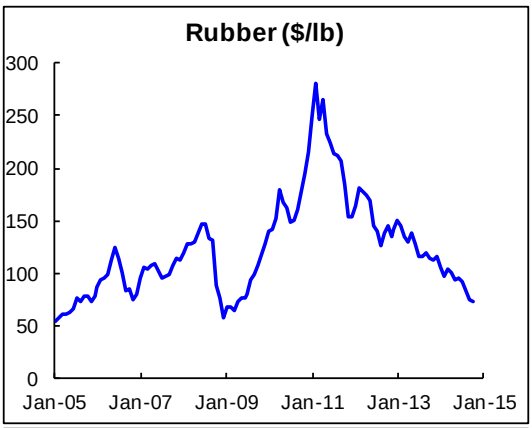


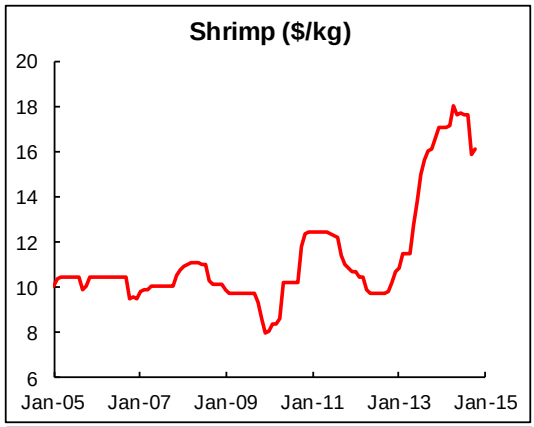


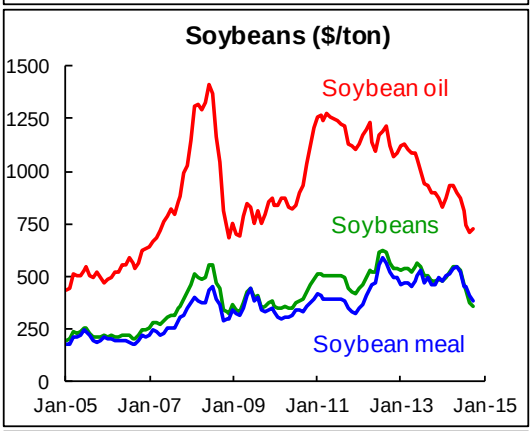


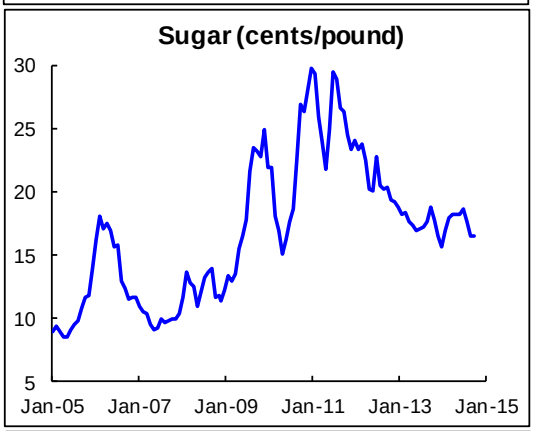
Commodity Prices in U.S. Dollars, 2005-2014 continued

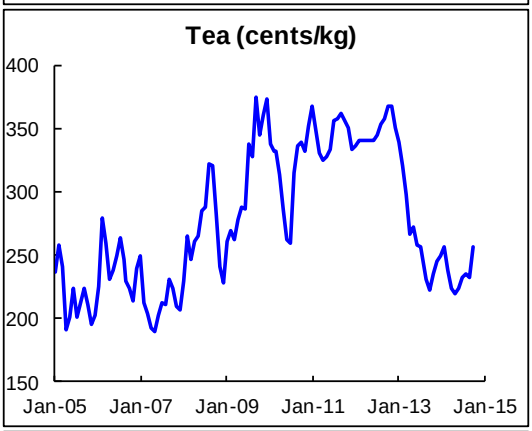


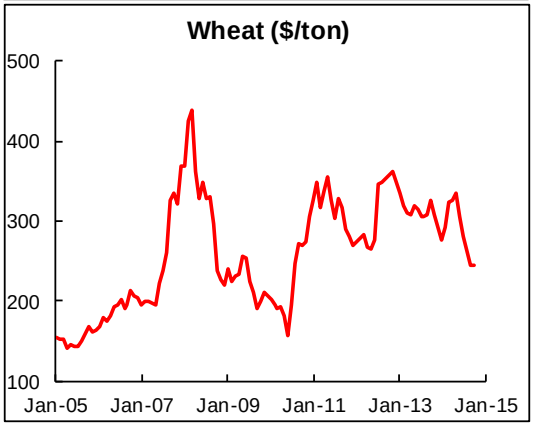


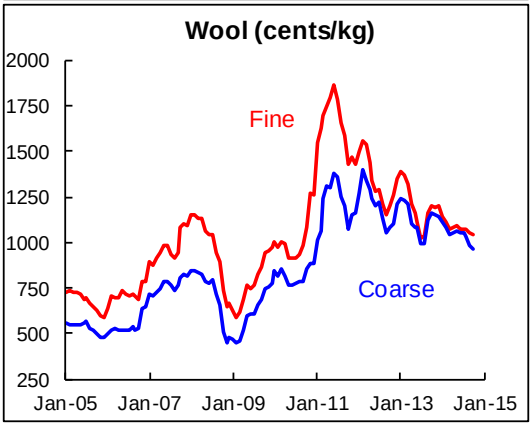












Commodity News Highlights

***World Energy Outlook*. International Energy Agency. November 2014.**

Executive Summary highlights

Global energy demand is set to grow by 37% by 2040, but growth slows markedly, from above 2% per year over the past two decades to 1% per year after 2025. This is a result both of price and policy effects, and a structural shift in the global economy. The global distribution of energy demand changes more dramatically, with energy use essentially flat in much of Europe, Japan, Korea and North America, and rising consumption concentrated in the rest of Asia (60% of the global total), Africa, the Middle East and Latin America.

By 2040, the world's energy supply mix divides into four almost-equal parts: oil, gas, coal and low-carbon sources. Resources are not a constraint over this period. Policy choices and market developments that bring the share of fossil fuels in primary energy demand down to just under three-quarters in 2040 are not enough to stem the rise in energy-related carbon dioxide (CO_2) emissions, which grow by one-fifth. This puts the world on a path consistent with a long-term global average temperature increase of 3.6 °C.

Increased oil use for transport and petrochemicals drives demand higher, from 90 million barrels per day (mb/d) in 2013 to 104 mb/d in 2040, although high prices and new policy measures gradually constrain the pace of overall consumption growth. There are many uncertainties over whether investment in supply will be forthcoming – especially once United States tight oil output levels off in the early 2020s. The complexity and capital-intensity of developing Brazilian deepwater fields, the difficulty of replicating the US tight oil experience outside North America, questions over the outlook for growth in Canadian oil sands output, the sanctions that restrict Russian access to technologies and capital markets and – above all – the political and security challenges in Iraq could all contribute to a shortfall in investment below the levels required. The situation in the Middle East is a major concern given steadily increasing reliance on this region for oil production growth.

Demand for natural gas grows by more than half, the fastest rate among the fossil fuels, and increasingly flexible global trade in liquefied natural gas (LNG) offers some protection against the risk of supply disruptions. The main regions that push global gas demand higher are China and the Middle East, but gas also becomes the leading fuel in the OECD energy mix by around 2030, helped by new regulations in the United States limiting power sector emissions. In contrast to oil, gas production increases almost everywhere (Europe is the main exception) and unconventional gas accounts for almost 60% of global supply growth.

While coal is abundant and its supply secure, its future use is constrained by measures to tackle pollution and reduce CO_2 emissions. Global coal demand grows by 15% to 2040, but almost two-thirds of the increase occurs over the next ten years. Chinese coal demand plateaus at just over 50% of global consumption, before falling back after 2030. Demand declines in the OECD, including the United States, where coal use for electricity generation plunges by more than one-third. India overtakes the United States as the world's second-biggest coal consumer before 2020, and soon after surpasses China as the largest importer.

Renewable energy technologies, a critical element of the low-carbon pillar of global energy supply, are rapidly gaining ground, helped by global subsidies amounting to $120 billion in 2013. With rapid cost reductions and continued support, renewables account for almost half of the increase in total electricity generation to 2040, while use of biofuels more than triples to 4.6 mb/d and the use of renewables for heat more than doubles. The share of renewables in power generation increases most in OECD countries, reaching 37%, and their growth is equivalent to the entire net increase in OECD electricity supply. However, generation from renewables grows more than twice as much in non-OECD countries by China, India, Latin America and Africa.