

# Commodity Market Monthly



Research Department, Commodities Team\*

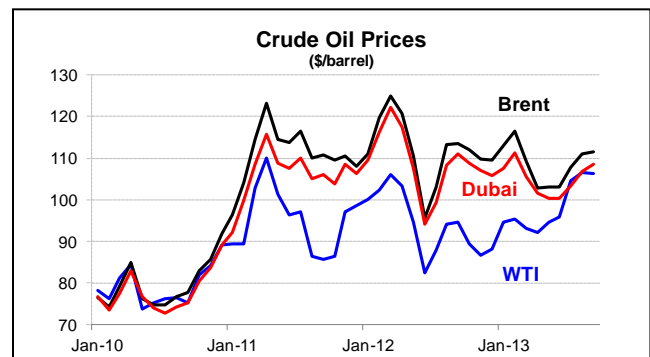
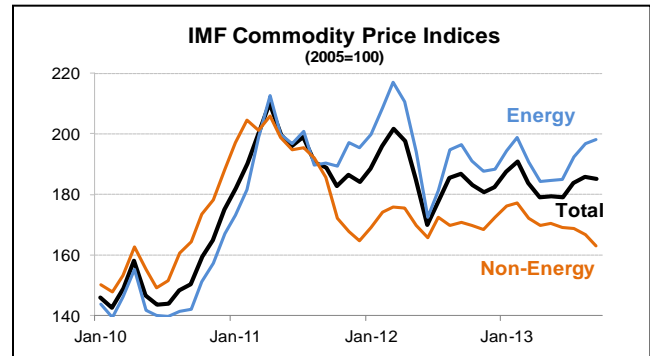
October 10, 2013

[www.imf.org/commodities](http://www.imf.org/commodities)

**Commodity prices fell by 0.3 percent in September, with declines in agriculture prices on improving supply prospects, and in metals prices where many markets are in surplus amid demand concerns. Energy prices edged higher due to supply constraints but these have eased recently. For the first nine months commodity prices rose 1.4 percent, led by a 7.5 gain in crude oil prices, partly offset by declines in metals and agriculture prices of 7.7 and 4.4 percent, respectively.**

**Crude oil prices rose 0.7 percent** in September—up for a fourth straight month—and averaged \$108.8/bbl following strong summer demand, supply outages and rising geopolitical tensions. However, prices peaked in early September at \$112/bbl and fell below \$106/bbl in early October on slowing demand, recovering output in Libya, and reduced market concerns with regard to Syria and Iran. Crude oil demand is weakening seasonally as refiners enter maintenance that typically peaks in October. Libya's oil production has rebounded from less than 0.2 mb/d in early September to around 0.7 mb/d following negotiations with protesters in the western part of the country. Meanwhile ports and terminals in eastern Libya remain closed (with the exception of Brega) and are unlikely to reopen soon as strikers seek greater autonomy. Outages in a number of other countries persist, helping support prices. Iraq's production fell 0.4 mb/d mainly due to development work at the offshore Basrah oil terminal, but pipeline leaks also affected output. Saudi Arabia reportedly raised output above 10 mb/d to meet market demand.

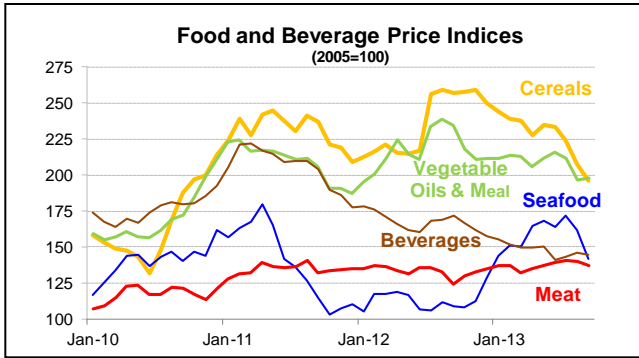
The Brent-WTI spread—which narrowed in recent months as new pipeline capacity allowed mid-continent crude stocks to decline—widened to \$7/bbl in early October as refinery maintenance reduced crude demand. Construction of Keystone Pipeline's southern leg to the Gulf coast is nearly complete and line-fill is set to begin in November.



**Natural gas prices in the U.S. rose by 5.6 percent** in September—up for the first time five months—on higher demand from warmer-than-normal weather, and as gas production experienced disruptions and heavy pipeline/well maintenance. Flooding in Colorado reduced production for a couple of weeks, while fires at two northeast gas processing plants also curtailed output.

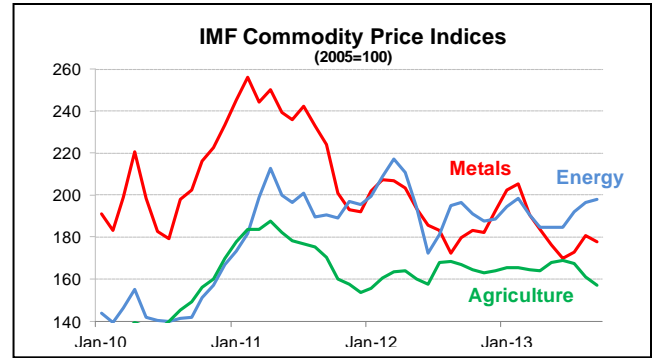
**Agriculture prices fell by 2.5 percent** in September—down a third straight month—with declines in most main indices. The largest decrease was for seafood prices, with salmon prices plunging 16 percent, following an 8 percent drop in August, due to a large increase in Norwegian exports generated by the earlier sharp rise in prices. Cereal prices fell 5 percent, led by a 12 percent drop in corn prices on reported larger than expected stocks for both corn and soybeans due to lower livestock feed

\*Prepared by Shane Streifel with assistance from Daniel Rivera Greenwood

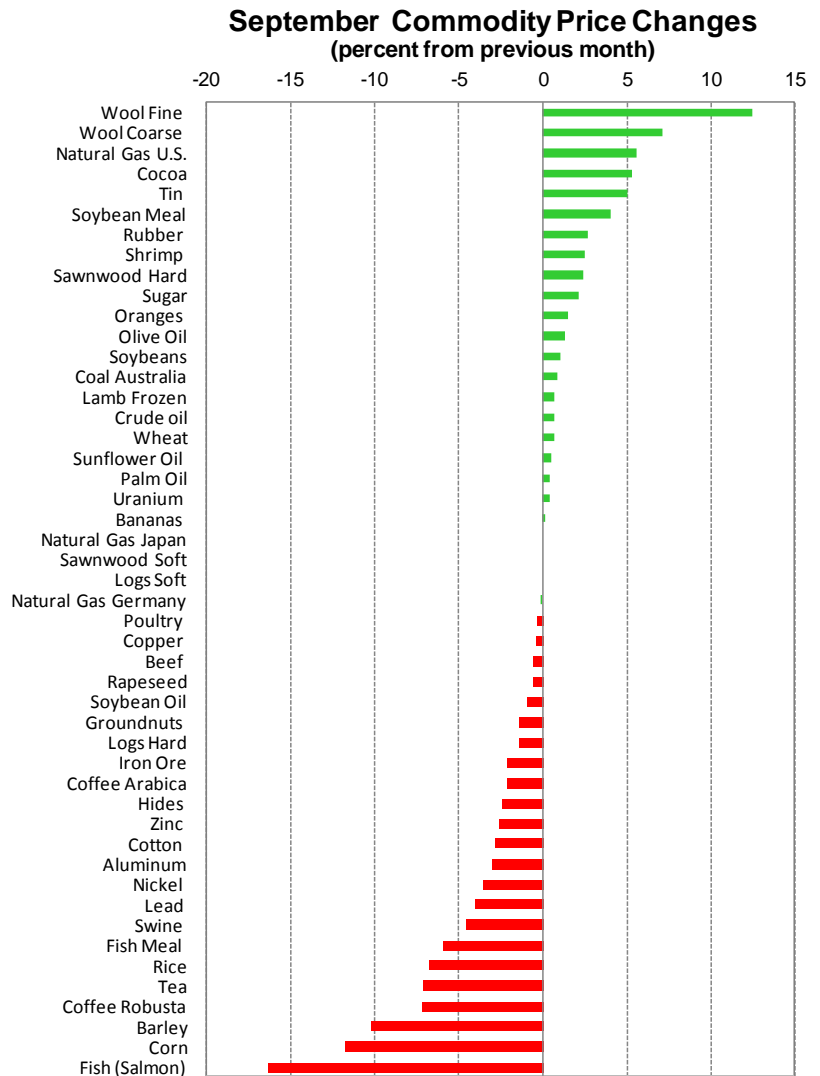


use in favor of wheat. As a result, wheat stocks were below expectations and there are supply concerns about cold and wet weather in the FSU. Rice prices fell 7 percent, down a 7<sup>th</sup> month, on expected record global harvests. Beverage prices fell 0.8 percent with 7 percent declines for both robusta coffee (record crop in Vietnam), and tea (higher production and disruption in key Middle East import markets). These were partly offset by a 5 percent rise in cocoa prices as wet weather in West Africa may disrupt harvest of already shrinking supplies. Also increasing in September were fine wool prices, up 12 percent, on stronger demand following several months of falling prices and subdued markets.

**Metals prices fell by 1.7 percent** in September on continued concerns about demand, particularly in emerging economies, despite some improvement in global manufacturing and other indicators. Some metal markets also face large stocks and a tide of rising supply from earlier investment. Most metal prices fell in September, with the notable exception of tin which rose 5 percent following an 11 percent jump in August due to sharply lower shipments from Indonesia because of new export purity regulations July 1<sup>st</sup>, and a requirement at end-August for tin to be traded through domestic exchanges before being exported. Also looming is an Indonesian ore export ban slated to begin January 2014 which has the potential to disrupt copper, nickel and aluminum markets. Leading the declines in September were lead prices which fell 4 percent because of weak seasonal demand and substantial delivery of lead into LME warehouses in Vlissingen, Netherlands in early September. Nickel prices fell 4 percent (down 21 percent year-to-date) on record high inventories and chronic oversupply. The supply growth is coming from new green-field projects in a number



of countries and low-cost nickel pig iron capacity in China that sources Indonesian nickel ore. Aluminum prices fell 3 percent (down 6 of the past 7 months) on substantial oversupply and large inventories—although much are tied up in warehousing financing arrangements and not available to the market.



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

	Units	2010	2011	2012	2012Q4	2013Q1	2013Q2	2013Q3	Aug-2013	Sep-2013
<b>Food</b>										
Cereals										
Wheat	\$/MT	223.7	316.2	313.3	355.7	321.4	313.8	305.9	305.5	307.5
Maize	\$/MT	186.0	291.8	298.4	317.3	305.1	290.9	240.4	234.9	207.4
Rice	\$/MT	520.6	551.7	580.2	580.3	570.7	550.7	504.0	503.8	470.0
Barley	\$/MT	158.4	207.2	238.2	249.1	239.4	231.5	197.2	194.7	174.8
Vegetable oils and protein meals										
Soybeans	\$/MT	384.9	484.2	537.8	544.4	532.8	540.0	516.5	498.0	503.2
Soybean meal	\$/MT	331.3	378.9	473.3	500.1	464.6	475.6	496.5	471.0	490.2
Soybean oil	\$/MT	924.8	1215.8	1151.8	1093.5	1119.2	1076.0	960.0	944.3	935.0
Palm oil	\$/MT	859.9	1076.5	939.8	741.7	780.3	761.0	726.2	722.8	725.8
Fish meal	\$/MT	1739.2	1519.3	1624.3	1928.9	1918.4	1804.7	1581.8	1621.6	1525.3
Sunflower Oil	\$/MT	1186.0	1621.8	1489.5	1492.4	1493.8	1459.4	1228.7	1152.4	1158.4
Olive oil	\$/MT	3171.3	3070.3	3135.7	3579.7	4004.9	3860.8	3761.4	3736.4	3785.1
Groundnuts	\$/MT	1239.4	1724.0	1884.6	2043.6	2273.6	2248.6	2128.3	2078.7	2050.4
Rapeseed oil	\$/MT	1011.7	1366.6	1239.1	1202.5	1196.0	1121.4	993.2	991.2	985.0
Meat										
Beef	cts/lb	152.5	183.2	187.9	189.7	193.8	181.8	176.2	176.6	175.5
Lamb	cts/lb	145.7	149.2	100.9	89.5	97.1	103.9	109.2	109.6	110.3
Swine Meat	cts/lb	74.4	89.1	82.8	79.3	79.7	88.4	95.4	96.1	91.7
Poultry	cts/lb	85.8	87.4	94.3	96.7	100.2	104.1	106.4	106.5	106.2
Seafood										
Fish	\$/kg	6.1	5.9	4.8	10.2	11.3	12.7	15.6	6.7	5.6
Shrimp	\$/kg	10.1	11.9	10.1	4.9	6.5	7.2	6.5	15.7	16.0
Sugar										
Free market	cts/lb	20.9	26.2	21.4	19.6	18.5	17.3	17.3	17.2	17.6
United States	cts/lb	31.1	37.6	28.9	23.1	22.0	20.2	21.1	21.4	21.6
EU	cts/lb	25.7	26.7	26.4	26.7	25.8	25.5	25.8	25.8	26.4
Bananas	\$/MT	881.4	975.9	984.3	947.4	932.6	910.6	934.1	937.6	939.2
Oranges	\$/MT	1033.2	891.1	868.0	861.9	825.9	1062.0	1137.8	1132.1	1149.1
<b>Beverages</b>										
Coffee										
Other milds	cts/lb	194.4	273.2	187.6	162.4	154.8	147.7	135.6	135.6	132.8
Robusta	cts/lb	84.1	116.0	110.6	105.0	109.4	103.5	98.9	100.7	93.5
Cocoa Beans	\$/MT	3130.6	2978.5	2377.1	2457.8	2208.8	2308.0	2469.4	2483.6	2616.0
Tea	cts/kg	316.7	346.2	348.9	362.6	319.1	264.2	244.9	248.0	230.5
<b>Agricultural raw materials</b>										
Timber										
Hardwood										
Logs 1/	\$/M3	278.2	390.5	360.5	874.4	845.2	837.4	846.0	304.4	300.1
Sawnwood 1/	\$/M3	848.3	939.4	876.3	352.7	322.5	301.8	301.1	845.0	865.1
Softwood										
Logs 1/	\$/M3	141.5	150.0	148.0	155.9	157.6	168.1	174.8	174.8	174.8
Sawnwood 1/	\$/M3	281.8	280.9	284.7	283.2	278.4	315.3	323.5	323.5	323.5
Cotton	cts/lb	103.5	154.6	89.2	82.1	89.9	92.7	91.8	92.7	90.1
Wool										
Fine	cts/kg	1023.2	1638.2	1345.3	1273.0	1362.4	1161.4	1071.6	1030.6	1159.0
Coarse	cts/kg	820.1	1209.2	1212.6	1131.1	1227.5	1087.8	1033.2	1009.7	1081.2
Rubber	cts/lb	165.7	218.5	153.2	140.4	143.1	131.8	117.5	116.5	119.7
Hides	cts/lb	72.0	82.0	83.2	86.0	86.0	93.8	95.9	95.3	93.1

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	Aug-2013	Sep-2013
<b>Metals</b>										
Copper	\$/MT	7538.4	8823.5	7958.9	7913.2	7922.3	7156.7	7084.1	7186.3	7159.3
Aluminum	\$/MT	2173.0	2400.6	2022.8	2003.3	2000.8	1836.0	1782.4	1816.2	1761.3
Iron Ore	\$/MT	146.7	167.8	128.5	121.1	148.3	125.4	132.8	137.1	134.2
Tin	\$/MT	20367.2	26051.4	21109.4	21609.2	24037.5	20879.6	21312.4	21638.2	22735.1
Nickel	\$/MT	21810.0	22909.1	17541.7	16984.2	17305.3	14952.6	13953.3	14308.3	13801.4
Zinc	\$/MT	2160.4	2195.5	1950.0	1952.3	2029.7	1841.9	1860.3	1896.4	1846.9
Lead	\$/MT	2148.2	2400.7	2063.6	2201.2	2291.2	2052.0	2101.9	2173.1	2084.9
Uranium	\$/lb	46.0	56.2	48.9	43.3	42.8	40.7	36.5	35.6	35.8
<b>Energy</b>										
Spot Crude <sup>2/</sup>	\$/bbl	79.0	104.0	105.0	101.9	105.1	99.3	107.3	108.1	108.8
U.K. Brent	\$/bbl	79.6	111.0	112.0	110.4	112.9	103.0	110.1	111.0	111.6
Dubai	\$/bbl	78.1	106.0	108.9	107.1	108.1	100.8	106.1	106.7	108.4
West Texas Intermediate	\$/bbl	79.4	95.0	94.1	88.1	94.4	94.2	105.8	106.5	106.3
<b>Natural Gas</b>										
Russian in Germany	\$/mmbtu	8.2	10.6	12.0	11.6	11.4	11.5	11.0	11.0	11.0
Indonesian in Japan	\$/mmbtu	9.4	15.6	18.1	17.2	17.9	17.4	16.9	16.9	16.9
US, domestic market	\$/mmbtu	4.4	4.0	2.8	3.4	3.5	4.0	3.6	3.4	3.6
<b>Coal</b>										
Australian, export markets	\$/MT	106.0	130.1	103.2	93.1	99.5	92.2	82.8	82.5	83.2

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) <sup>1/</sup>

	(Weights) <sup>1/</sup>	2010	2011	2012	2012Q4	2013Q1	2013Q2	2013Q3	Aug-2013	Sep-2013
<b>All Primary Commodities <sup>2/</sup></b>	100.0	152.3	192.4	186.3	182.1	187.4	179.1	184.8	185.6	185.1
<b>Non-Fuel</b>	36.9	161.2	190.0	171.1	170.3	175.1	169.7	166.2	166.7	163.0
<b>Agriculture</b>	26.2	144.6	173.9	163.1	163.9	165.2	167.0	161.8	161.0	156.9
Food	16.7	150.1	179.9	175.9	178.7	181.4	183.0	175.2	174.1	167.9
Cereals	3.6	166.5	231.2	236.4	255.6	240.3	232.0	209.3	207.3	196.3
Vegetable oils and protein meals	4.4	170.4	209.1	217.1	213.6	212.9	211.2	202.1	196.6	198.3
Meat	3.7	117.2	134.5	133.3	132.5	135.5	137.1	139.4	139.9	137.4
Seafood	3.2	140.4	139.3	113.3	116.4	148.6	165.6	158.5	162.0	141.4
Beverages	1.8	176.2	205.5	167.4	162.0	152.2	146.8	144.7	145.8	144.6
Agricultural Raw Materials <sup>3/</sup>	7.7	125.1	153.5	134.0	132.1	133.1	136.9	136.5	136.0	136.0
Timber	3.4	101.1	110.8	107.4	107.1	103.7	109.0	111.0	111.1	111.7
<b>Metals</b>	10.7	202.3	229.7	191.0	186.1	199.4	176.5	177.1	180.9	177.9
<b>Edibles <sup>4/</sup></b>	18.5	152.6	182.4	175.1	177.1	178.5	179.4	172.2	171.3	165.6
<b>Industrial Inputs <sup>5/</sup></b>	18.4	169.9	197.8	167.1	163.4	171.6	159.9	160.1	162.1	160.3
<b>Energy <sup>6/</sup></b>		147.1	193.8	195.2	189.1	194.5	184.6	195.7	196.7	198.1
Petroleum <sup>7/</sup>	53.6	148.5	195.9	197.9	192.3	198.1	187.0	201.8	203.1	204.6
Natural Gas	6.9	113.3	154.3	171.2	166.8	167.9	168.3	161.1	160.6	161.1
Coal	2.6	205.9	254.4	202.1	183.1	192.7	179.4	161.4	160.9	162.0

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

2/ Non-Fuel Primary Commodities and Energy Index.

3/ Includes Forestry Products.

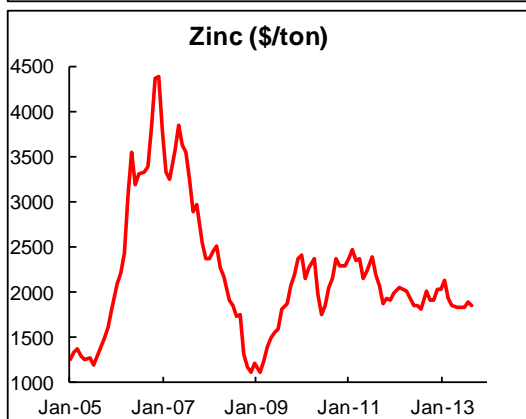
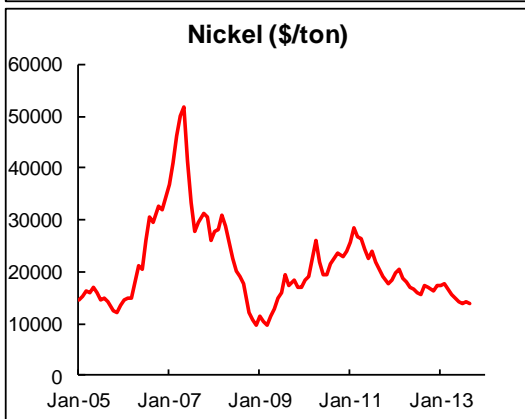
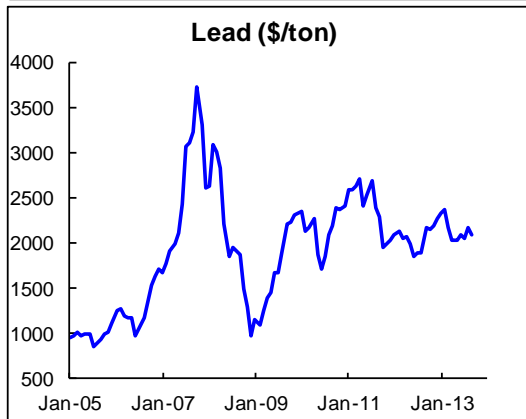
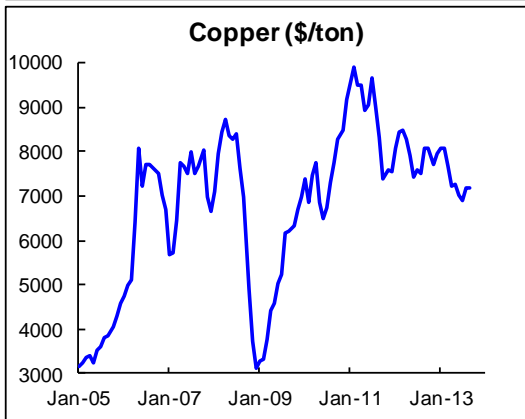
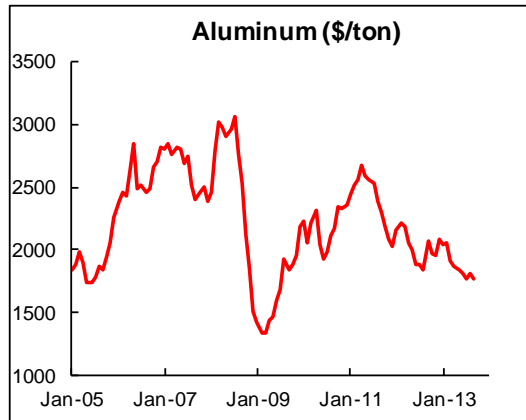
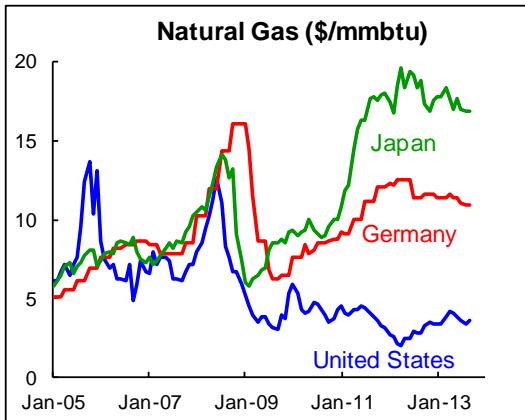
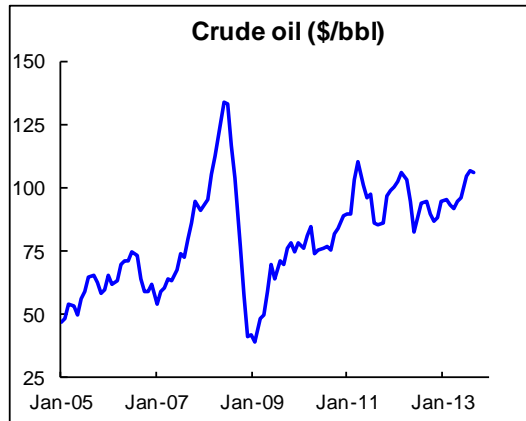
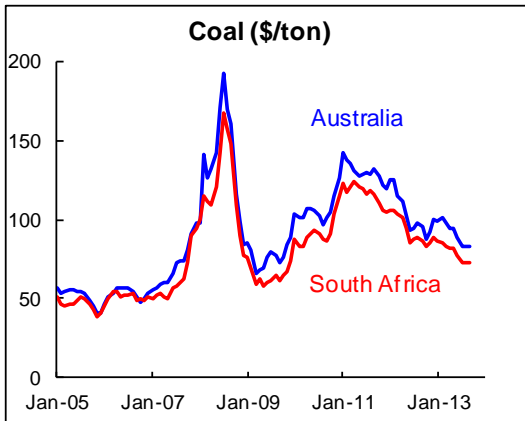
4/ Edibles comprised of Food, Beverages and Raw Materials

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

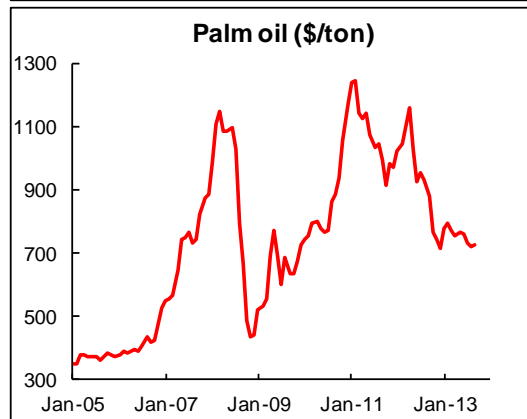
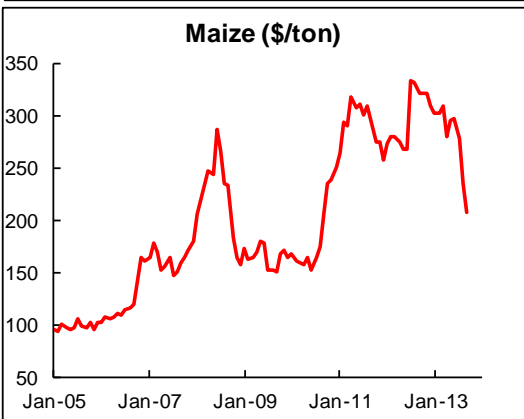
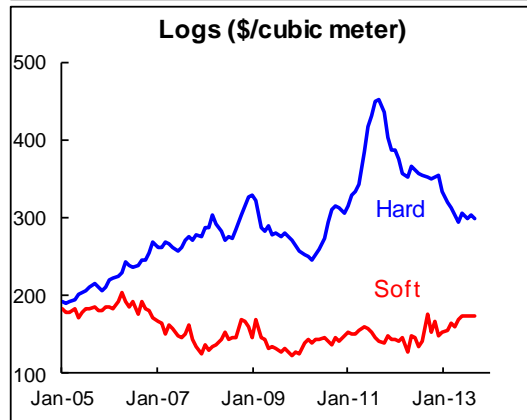
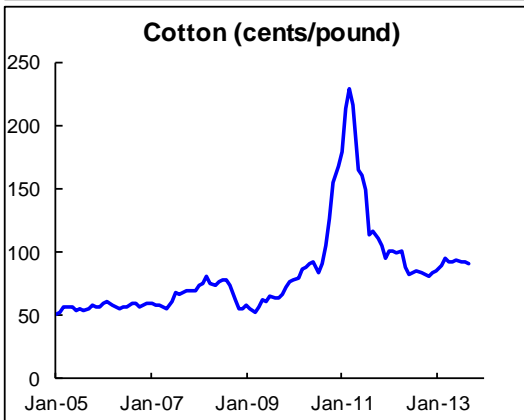
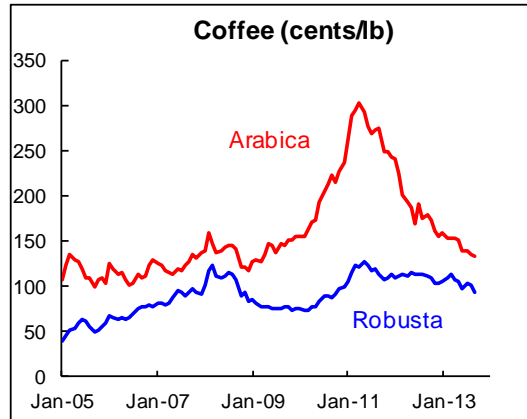
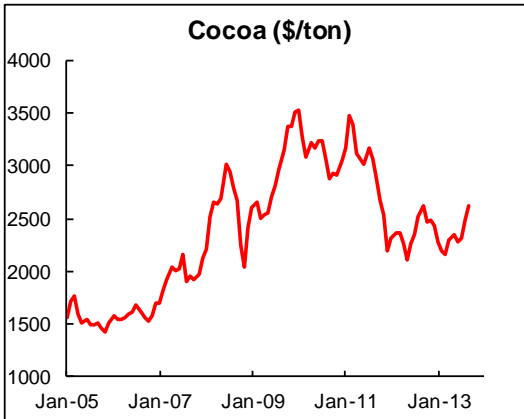
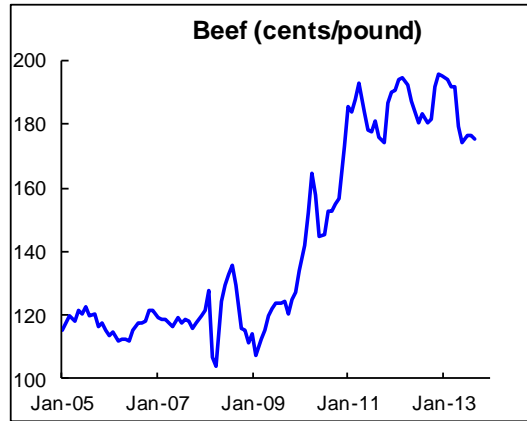
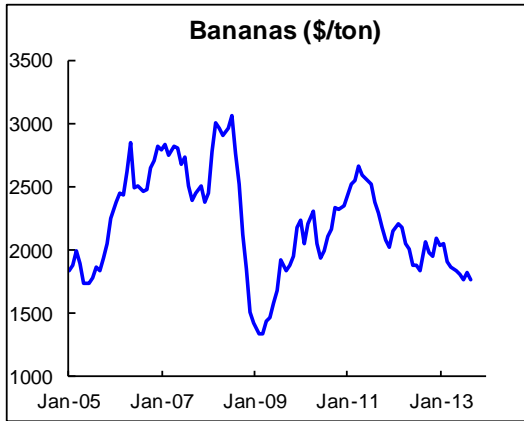
6/ Includes Petroleum, Natural Gas and Coal.

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

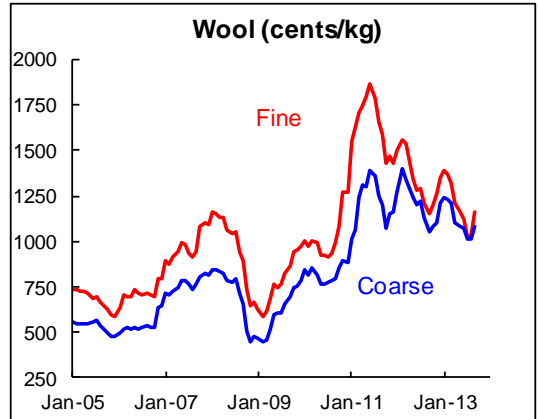
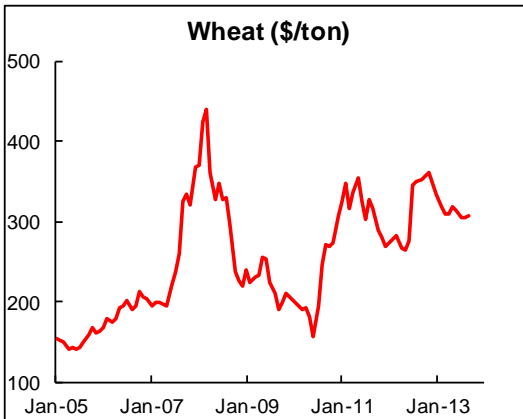
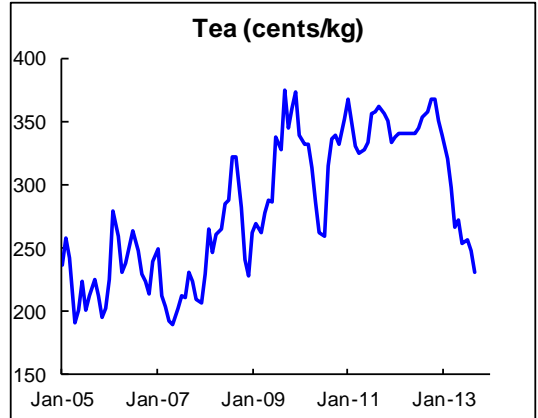
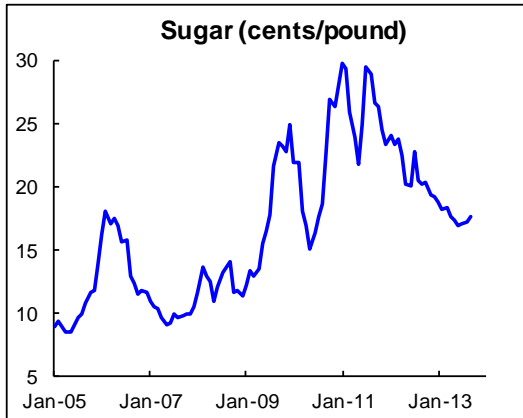
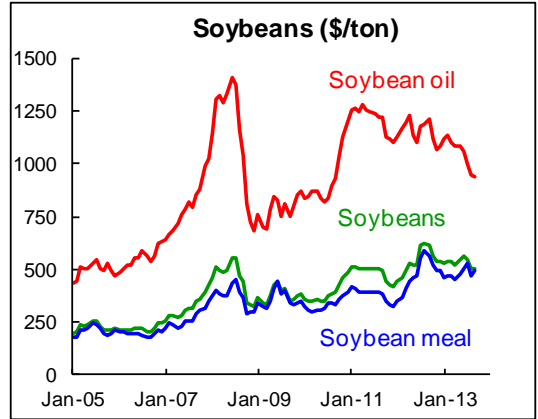
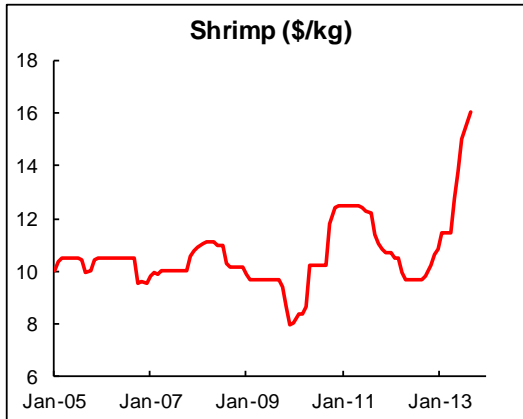
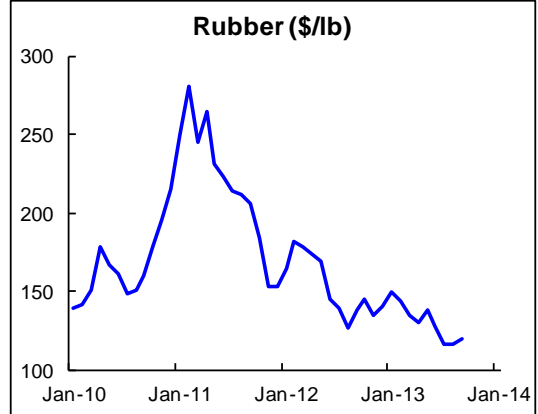
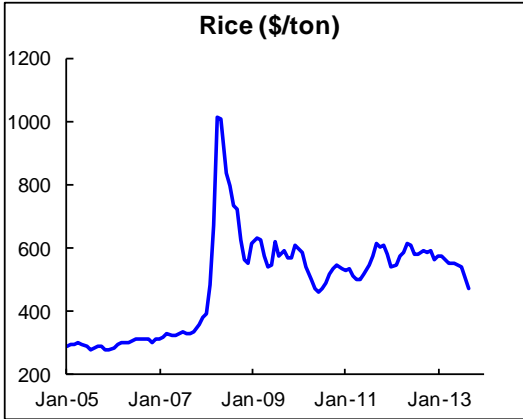
## Commodity Prices in U.S. Dollars, 2005-2013



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



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



## Commodity News Highlights

**World Economic Outlook, International Monetary Fund, October 2013.  
Commodity Market Review (summary)**

### **Recent Developments and Impact of Emerging Markets Slowdown**

The estimated direct (first-round) effects on trade balances from commodity price declines of the magnitude seen during the past six months can be important for some regions. A 30 percent decline in metals prices and a 10 percent decline in energy prices would broadly lead to deterioration in balances for the Middle East, economies in the Commonwealth of Independent States, Latin America, and Africa, offset by improvements in Asia and Europe. A more balanced and sustainable growth path in China could imply less volatile but still robust commodity demand. However in the short run, as demand shifts away from materials-intensive growth some commodity exporters could be vulnerable.

### **Price Outlook and Risks**

Given rising geopolitical tensions, three oil price scenarios are considered to illustrate possible impacts on the global economy. A short-lived oil production disruption, whereby oil prices spike 10 to 20 percent for a few weeks, has only a small impact on the global economy. A larger disruption—whereby oil prices spike to \$150 a barrel for two quarters—reduces global growth by 0.13 percentage points in 2014 and raises other risks. A third scenario assumes the same \$150 a barrel price spike but is accompanied by greater adverse effects on confidence. In this case, the impact on global growth will be much larger—about 0.5 percentage points lower in 2014.

### **Economic Impacts of the U.S. Energy Boom**

Simulations from the large-scale GEM model suggest modest impacts of the energy boom on U.S. output, because the share of energy in the economy remains quite small even after factoring in the additional production. Simulation results also suggest small impacts on the U.S. current account, with the direction of the impact depending on whether the increase in energy supplies is anticipated or comes as a surprise. In both cases, the improvement in the energy component of the trade balance is offset by a decline in the non-energy balance.

### **Energy Booms and the Current Account: Cross-Country Experience**

Regression results of a panel of 178 countries over 1970 to 2012 show that the effect of giant oil and gas fields—fields containing ultimate recoverable reserves of at least 500 million barrels equivalent—show that the effect of these discoveries was first to decrease the current account balance and then to increase it before the effect leveled off. The regression estimates imply that a discovery equal to the size of proven reserves of unconventional energy in the United States presently would lead at its peak to an increase of about 0.1 percent of GDP in the U.S. current account balance.

### **Oil Drivers and the Narrowing WTI-Brent Spread**

A sign-restricted structural vector autoregressive model is estimated using four variables—global crude oil production, global industrial production, the real price of crude oil, and OECD inventories—to assess the fundamental drivers of the price of the two benchmarks, Brent and WTI. Brent prices are largely driven by flow demand and speculative demand shocks, while WTI prices are more influenced by global supply conditions, particularly the boom in North American supply and crude oil transportation constraints since 2009.

Link to World Economic Outlook <http://www.imf.org/external/pubs/ft/weo/2013/02/>

Link to Commodity Market Review <http://www.imf.org/external/np/res/commod/index.aspx>



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