

Commodity prices

The economic crisis caused by the coronavirus epidemic has caused considerable disruption to world commodity prices. The prices of oil, food and industrial commodities are highly volatile.

The decline in demand for oil has led to a significant drop in oil prices. The price of WTI oil was even briefly negative.¹ The price of European Brent plummeted, losing nearly 67% between early March and its April average of \$17 per barrel. Since the start of the global health crisis, the oil market has been hit by the largest drop in consumption in the history of the oil industry. Supply, driven by the OPEC countries, has remained abundant in a market that was already somewhat in surplus before the crisis. Crude oil stocks in the United States have increased by 21% since early March, and in mid-June reached their highest level since April 2017. These historic decreases in prices have caused many agricultural and industrial commodity prices to tumble in their wake.

The prices of agricultural commodities used for fuel production have fallen significantly. For example, the prices of sugar and corn, which are used to produce ethanol, fell by 14% and 12% respectively between 2 March and 12 June. The extent of the drop in corn prices is all the more significant as the decline in demand for fuel – due to the implementation of measures to contain the health crisis – has coincided with a record harvest this year. This has led to an increase in corn stocks in the United States, the world's largest producer, while in Brazil, sugar has been redirected to the production of food products rather than fuel. The drop in palm oil prices can also be explained by the decline in demand from producers of biodiesel, almost three quarters of which is produced in Brazil and the USA.

Conversely, the crisis has led to an increase in the prices of certain products such as meat. Indeed, American slaughterhouses have reduced their production because of the epidemic, leading to a contraction in supply and a sharp rise in prices. According to the U.S. Department of Agriculture, beef production in the last week of April was 25 percent lower than at the same time last year. This drop in production triggered both a sharp rise in the price of beef ready for consumption (+125% between 2 March and 11 May) and a fall in the price of livestock.

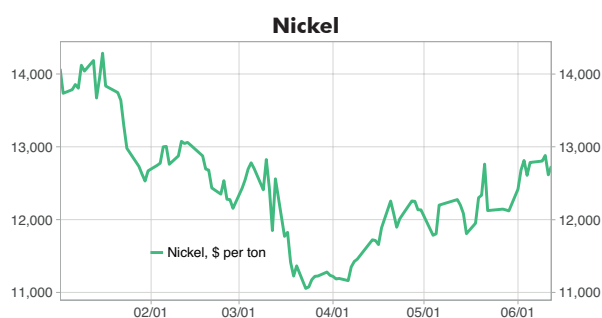
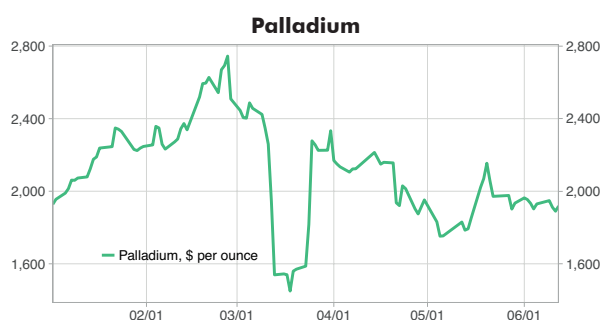
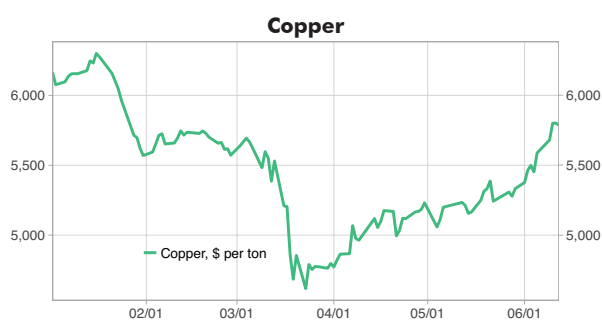
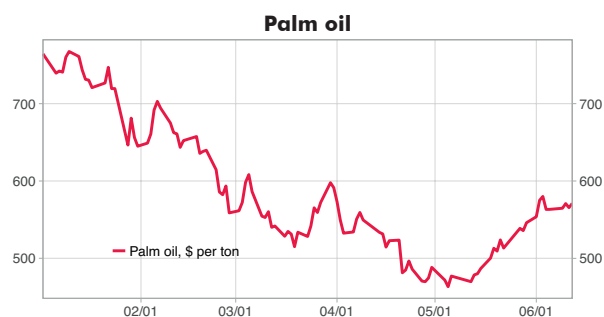
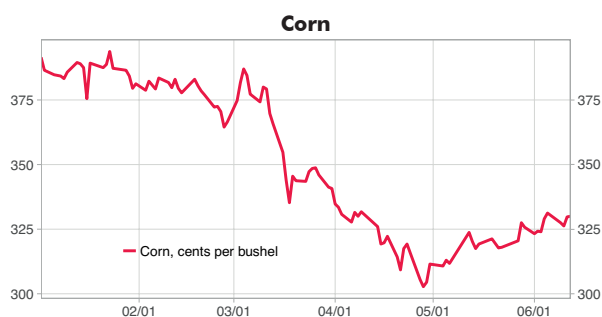
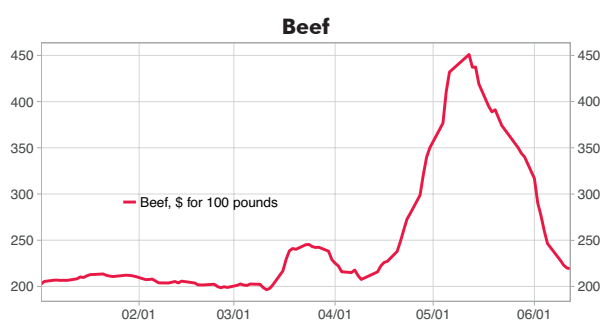
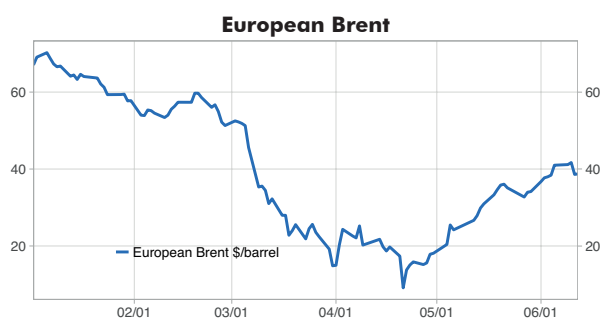
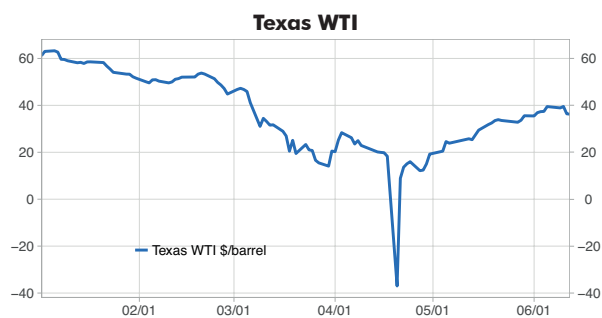
The health crisis has simultaneously reduced supply and demand for industrial commodities. It initially shut down certain sectors of industrial activity, particularly in China. Industrial commodity prices have therefore fallen. As a result, motor vehicle manufacturing, the construction sector and steel plants have all slowed down and the prices of zinc, nickel, copper and palladium have fallen dramatically. As for palladium, motor vehicle manufacturing accounts for almost 85% of the total demand for this resource, which is used to manufacture exhaust pipes that filter the particles emitted by cars.

In a second phase, the major mineral producers were in turn affected by the health crisis, which reduced supply and buoyed up prices. The lockdown measures imposed in Canada, the United States, Latin America, and South Africa, reduced mining activity by 20% for zinc and nickel, and 15% for copper. In addition, delivery times have been extended due to a reduction in the number of trucks on the road, increased health checks, and problems with the supply of chemical reagents required to process the minerals. ■

1. On Monday 20 April, the price of a barrel of West Texas Intermediate (WTI) Oil for May delivery plummeted to a negative price of almost -\$38 for the first time in history. This contract, expiring at the close of business on the next day, meant that sellers had to find buyers who were ready to take delivery of the goods. As demand was weak and US storage capacity was almost saturated at that time, buyers were scarce and sellers therefore preferred to sell at a loss.

International developments

Commodity prices in 2020



— Food
— Industrial
— Oil
Source: DataInsight