

## CustomIQ Research

# Commodity Trends YoY Recap

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## What's in this Report

This project contains a year-over-year recap of commodity forecast trends. The project compares the one-year forecast provided in the April 2022 Inflation & Commodity Trends report, which forecasted price trends to April 2023, and the reported one-year price trend from April 2022 to April 2023. The project discusses the previous forecast's rationale and analysis of the past one-year price trend. Price trends for secondary commodities are also provided for each primary commodity, referencing the latest available data.

## Commodities

### Aluminum

- **April 2022 Forecast Trend: +2.3%**
- **April 2023 Actual Trend: -25.6%**

### Analysis

- **Primary Commodity Analysis**
  - ProcurementIQ forecasts anticipated a rise in aluminum prices due to the Russian invasion of Ukraine. While the forecast anticipated aluminum prices to reverse course and decline over the three-year forecast period as markets adjusted to the supply shock, prices recovered sooner than expected.
  - The price of aluminum decreased by 25.6% over the past year from weak demand and growth. While there have been a few short-term upticks, aluminum prices have declined steadily since March 2022.
  - Rising aluminum production from China helped increase the overall supply of aluminum, placing downward pressure on prices. At the same time, the downturn of China's economy and consistent lockdowns limited demand for aluminum, leading to a market oversupply.
    - The unpredictable implementation of lockdowns has translated into greater price volatility for aluminum.



- **Secondary Commodity Trends**
  - From April 2022 to February 2023:
    - The price of aluminum cans decreased by 3.9%.
  - From April 2022 to March 2023:
    - The price of automotive parts increased by 8.0%
    - The price of aluminum foil decreased by 17.9%

### Crude Oil

- **April 2022 Forecast Trend: -8.8%**
- **April 2023 Actual Trend: -19.7%**

### Analysis

- **Primary Commodity Analysis**
  - The April 2022 forecast predicted oil prices to increase in the short term as shortages and supply constraints persisted. Oil prices continued increasing until their peak in June, after which prices began to drop and stabilize.
  - After oil prices reached a high in June, consistent declines reduced the price of oil by 19.7% over the past year.
  - Limited demand was a prime factor placing downward pressure on oil prices. The effects of rising inflation and fears of a recession lowered demand.
    - This was made evident by OPEC+, as the organization cut production in October due to lower demand.
  - In the United States, demand for oil and gas in the summer months was particularly lackluster compared to previous years. While consumption typically rises to 400,000 barrels per day in the summer, US consumption was in line with April averages.
  - As its economy struggled, China reduced crude oil imports in the third quarter, causing prices to fall.
- **Secondary Commodity Trends**
  - From April 2022 to March 2023:
    - The price of lubricating oils increased by 13.7%
    - The price of asphalt increased by 11.1%
    - The price of tires increased by 10.4%



### Chlorine

- April 2022 Forecast Trend: +4.3%
- April 2023 Actual Trend: +29.3%

#### Analysis

- **Primary Commodity Analysis**
  - In the April 2022 forecast, chlorine prices were anticipated to continue increasing sharply in the short term as shortages continued to persist in the market alongside high demand. However, prices in this market grew more sharply than anticipated due to supply shortages from the largest chlorine supplier.
    - On April 18, 2022, a fire broke out at the Olin Corporation's factory in Plaquemine, Louisiana. The fire resulted in a chlorine leak and a suspension of operations.
    - Olin, the largest chlorine producer in the United States, declared a force majeure on its chlorine products on April 20, 2022.
      - In an official statement, Olin claimed the company was experiencing unplanned and ongoing disruptions across systems, including production and power outages at the Plaquemine, Louisiana, and Freeport, Texas plants.
        - The Plaquemine, Louisiana facility produces 850,000 mt of chlorine per year.
        - The Freeport, Texas facility produces 2,700,000 mt of chlorine per year.
  - Throughout the entirety of 2022, buyers struggled to source chlorine. Products were frequently out of stock as chlorine inventories declined.
  - Prices of chlorine continued to rise throughout the summer and into the winter. Prices have only recently stabilized; however, many projections see chlorine prices pushing higher in 2023, particularly as summer approaches.
  - Demand for chlorine is and will likely remain strong, meaning that an increase in supply would be the factor that ultimately places downward pressure on prices for this commodity. This makes the recent reopening of the BioLab plant an important development to monitor for buyers in this market.
    - According to plant manager Donald Brunette, "BioLab will be actively supplying the pool market for the 2023 season, which should provide some relief."
    - While many forecasts predict higher chlorine prices in 2023, and some forecasts see prices declining, there is a consensus that chlorine prices will not return to pre-pandemic levels.



- **Secondary Commodity Trends**
  - From April 2022 to March 2023:
    - The price of pharmaceutical preparations increased by 4.9%
    - The price of PVC pipe increased by 3.8%

### Corn

- **April 2022 Forecast Trend: +4.0%**
- **April 2023 Actual Trend: -10.3%**

### Analysis

- **Primary Commodity Analysis**
  - In the April 2022 forecast, corn prices were expected to increase due to lower supply levels, driven by the Russian invasion of Ukraine, alongside rising fertilizers costs. However, the forecast ultimately predicted corn prices to decline by 2024, as supply constraints were resolved and the impact of the Russian invasion of Ukraine waned.
  - Corn prices ultimately decreased over the past year.
    - As the global economy slowed and fears of a recession grew due to rising interest rates, demand for corn was reduced.
    - Corn prices had a fast correction from record highs following the Russian invasion of Ukraine.
    - Brazil produced a record corn crop in the summer of 2022, surpassing projections.
    - Decreased demand from China also led to lower corn prices. China continues to shift towards Brazil for its corn imports from the United States, placing downward pressure on US corn prices.
  - Corn prices were highly volatile over the past year. From its peak in April 2022, corn prices declined 31.0% to their low in July. Since July, corn prices have rebounded and increased by 16.5%.
    - Droughts and dry conditions particularly impacted corn harvests and caused upward price pressure in the latter half of the historical period.
    - Nebraska, Ohio, South Dakota, and Indiana all saw lower average corn yields than their three-year averages.
- **Secondary Commodity Trends**
  - From April 2022 to March 2023:
    - The price of corn sweeteners increased by 25.2%



- The price of corn starch increased by 21.1%
- The price of animal feed declined by 1.2%

### Lumber

- **April 2022 Forecast Trend: -19.1%**
- **April 2023 Actual Trend: -30.5%**

### Analysis

- **Primary Commodity Analysis**
  - In the April 2022 forecast, lumber prices were projected to fall sharply, correcting from pandemic highs.
    - Declining container and shipping costs have placed significant downward pressure on lumber prices, leading to sharper price declines. When lumber prices surged, containers cost as much as \$20,000; now, these prices have fallen to as low as \$4,000.
  - Higher interest rates and inflation have placed downward pressure on lumber prices as construction and borrowing costs increased.
    - US Housing Starts declined 19.7% from April 2022 to February 2023.
    - Supply surpassing demand and inventory build-up caused the price of lumber to plummet over the past year.
- **Secondary Commodity Trends**
  - From April 2022 to March 2023:
    - The price of sanitary paper increased by 16.8%.
    - The price of paper increased by 16.6%.
    - The price of corrugated paperboard decreased by 0.3%.
    - The price of wood pallets decreased by 12.3%.

### Natural Gas

- **April 2022 Forecast Trend: -10.2%**
- **April 2023 Actual Trend: -49.2%**

### Analysis

- **Primary Commodity Analysis**
  - Natural gas prices were forecast to decrease with rising domestic production and lower crude oil prices.



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- Rising output and an unseasonably warm winter have accelerated sharper price declines in this market.
- According to the Energy Information Administration, the nation's biggest shale field reached record monthly highs in gas output every month of 2023 — another unforeseen event.
- Much like with crude oil, lower global demand due to rising inflation and recessionary fears weighed on gas prices.
  - As the price of oil declined, so too did gasoline prices. More than half of the cost of natural gas is determined by global oil prices.
- **Secondary Commodity Analysis**
  - From April 2022 to March 2023:
    - The price of hydrogen increased by 3.0%
    - The price of butane decreased by 42.2%
    - The price of ammonia decreased by 35.0%

### Oats

- **April 2022 Forecast Trend: -2.5%**
- **April 2023 Actual Trend: -42.5%**

### Analysis

- **Primary Commodity Trends**
  - The April 2022 report stated that increased oats production would place downward pressure on prices.
    - Ryan McKnight of Linear Grain Inc. indicated in January 2023 that the price collapse of oats was due to more acres and higher yields, which resulted in greater production and supply of oats. From July to August alone, oats prices dropped 37.0%.
      - In September 2022, Agriculture Canada reported a 43.0% increase in the oat supply compared to the previous year. Ending stocks were also 18.0% higher than the pre-2021 five-year average.
        - These factors accelerated sharper price declines in this market.
    - Strong demand was anticipated to restrict price declines, as oat products remain popular among consumers. However, this proved not to be the case.
      - The value of oats often fluctuates and trends with other cereal crops. So even with high demand, oats prices were weighed down by the poor performance of other grains.



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- The oat industry is currently wrestling with how it is classified.
  - Despite high demand in the human food industry, oats are priced off the feed grains market. This means that oats prices are declining faster than they likely should, as they do not have the premium of other grains designated for human consumption.
  - The lack of profitability is now prompting many farmers to cut acres. In Canada, some estimates have farmers cutting acres by 20.0%.
- **Secondary Commodity Trends**
  - From April 2022 to March 2023:
    - The price of breakfast cereal increased by 7.3%
    - The price of processed grain products increased by 4.6%

### Plastic

- **April 2022 Forecast Trend: +2.2%**
- **April 2023 Actual Trend: -6.2%**

### Analysis

- **Primary Commodity Analysis**
  - The April 2022 forecast anticipated plastic prices to remain elevated due to strong consumer demand.
    - However, after the price of plastics surged in 2022, demand fell as economic conditions worsened and interest rates rose. Lower demand and increased production led to an oversupply of plastic, thus placing downward pressure on prices.
  - Lower oil prices have also contributed to lower plastic prices.
- **Secondary Commodity Trends**
  - From April 2022 to March 2023:
    - The price of synthetic rubber decreased by 8.8%
    - The price of adhesives increased by 8.5%
    - The price of synthetic fibers increased by 6.0%
    - The price of plastic packaging film decreased by 7.9%



### Semiconductors

- April 2022 Forecast Trend: +1.6%
- April 2023 Actual Trend: +1.1%

#### Analysis

- **Primary Commodity Analysis**
  - While the price of semiconductors had increased significantly in the post-pandemic era, the April 2022 forecast anticipated semiconductors to have only a slight price increase.
  - Rising input costs were ultimately responsible for price growth in this market, but increased production levels and easing supply chain constraints helped increase inventory levels and restrict price growth.
  - Demand for semiconductors decreased over the past year.
    - Demand for semiconductors fell in the personal electronics market, as global shipments of tablets, PCs, and mobile phones declined in 2022.
    - Less demand for integrated circuits, transistors, and sensors due to lower consumer spending restricted semiconductor demand.
- **Secondary Commodity Trends**
  - From April 2022 to December 2022:
    - The price of transistors and LEDs increased by 6.1%
    - The price of integrated circuits increased by 2.4%
  - From April 2022 to February 2023:
    - The price of computers increased by 2.0%

### Soybeans

- April 2022 Forecast Trend: -6.0%
- April 2023 Actual Trend: -6.3%

#### Analysis

- **Primary Commodity Analysis**
  - The 2022 forecast anticipated soybean prices to fall from increased production and easing supply chain disruptions.
  - Soybean prices declined due to both lower demand and increased supply.
    - In March 2023, Brazilian FOB soybean prices fell to a 14-month low after a record crop harvest and lower spot demand, both on the domestic and export front.





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- Decreased soybean demand from China has also placed downward pressure on prices in this market.
- Argentina saw higher-than-expected crop production and sales in the most recent harvest.
- Global recession concerns limited demand for soybeans.
- **Secondary Commodity Trends**
  - From April 2022 to February 2023:
    - The price of soybean meal increased by 6.5%
  - From April 2022 to March 2023:
    - The price of soybean oil decreased by 20.5%

### Steel

- **April 2022 Forecast Trend: -1.7%**
- **April 2023 Actual Trend: -15.0%**

### Analysis

- **Primary Commodity Analysis**
  - The April 2022 forecast steel prices to fall significantly as US manufacturers increased steel production to satisfy downstream demand. This was reflected in the six-month forecast for steel prices, which showed predicted price declines of 17.9%.
    - Decreased production from China due to coronavirus lockdowns was anticipated to bring some relief to this market by the one-year mark before declining again.
      - Coronavirus lockdowns halted production at steel manufacturers such as Tangshan, which holds about 13.0% of China's total steel output. However, the effects of lockdowns ultimately reduced demand for steel in China, outweighing the impacts of production losses.
      - Since January 2023, when China began relaxing its coronavirus measures, the price of steel has increased by 5.1%.
  - The increased availability of steel and build-up of inventories caused the spot-market price for steel to fall rapidly.
    - Declining consumer spending, particularly on steel-laden products and household appliances, weakened demand in this market.
  - Rising inflation and a slowdown in economic growth have pressured steel prices downwards more strongly than previous forecasts.



- **Secondary Commodity Trends**
  - From April 2022 to March 2023:
    - The price of shipbuilding increased by 20.2%
    - The price of major household appliances increased by 0.5%
    - The price of construction materials decreased by 3.5%
    - The price of steel pipes and tubes decreased by 3.1%

### Wheat

- **April 2022 Forecast Trend: -2.0%**
- **April 2023 Actual Trend: -4.3%**

### Analysis

- **Primary Commodity Analysis**
  - The April 2022 forecast anticipated wheat prices to decline due to increased production over the forecast period, particularly from Argentina and the EU.
  - The larger decline in wheat prices is largely attributed to the fading risk premium from the Russian invasion of Ukraine.
    - Ukraine's grain exports returned to their average level over the past five years.
  - The risk of global economic recession weighed on wheat prices over the past year, pressuring prices downwards.
  - For the 2022/2023 season, the global harvest for wheat could reach 763 million tons. The estimated production would be a record high.
    - Australia and France have performed particularly well with their wheat production, producing 40.0 million tons and 33.6 million tons, respectively.
- **Secondary Commodity Trends**
  - From April 2022 to March 2023:
    - The price of alcohol increased by 16.2%
    - The price of bread increased by 16.8%
    - The price of flour decreased by 6.6%



## External Sources

1. Bloomberg [www.bloomberg.com](http://www.bloomberg.com)
2. Bureau of Labor Statistics [www.bls.gov](http://www.bls.gov)
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