

# Fundamental Factors Affecting Agricultural and Other Commodities

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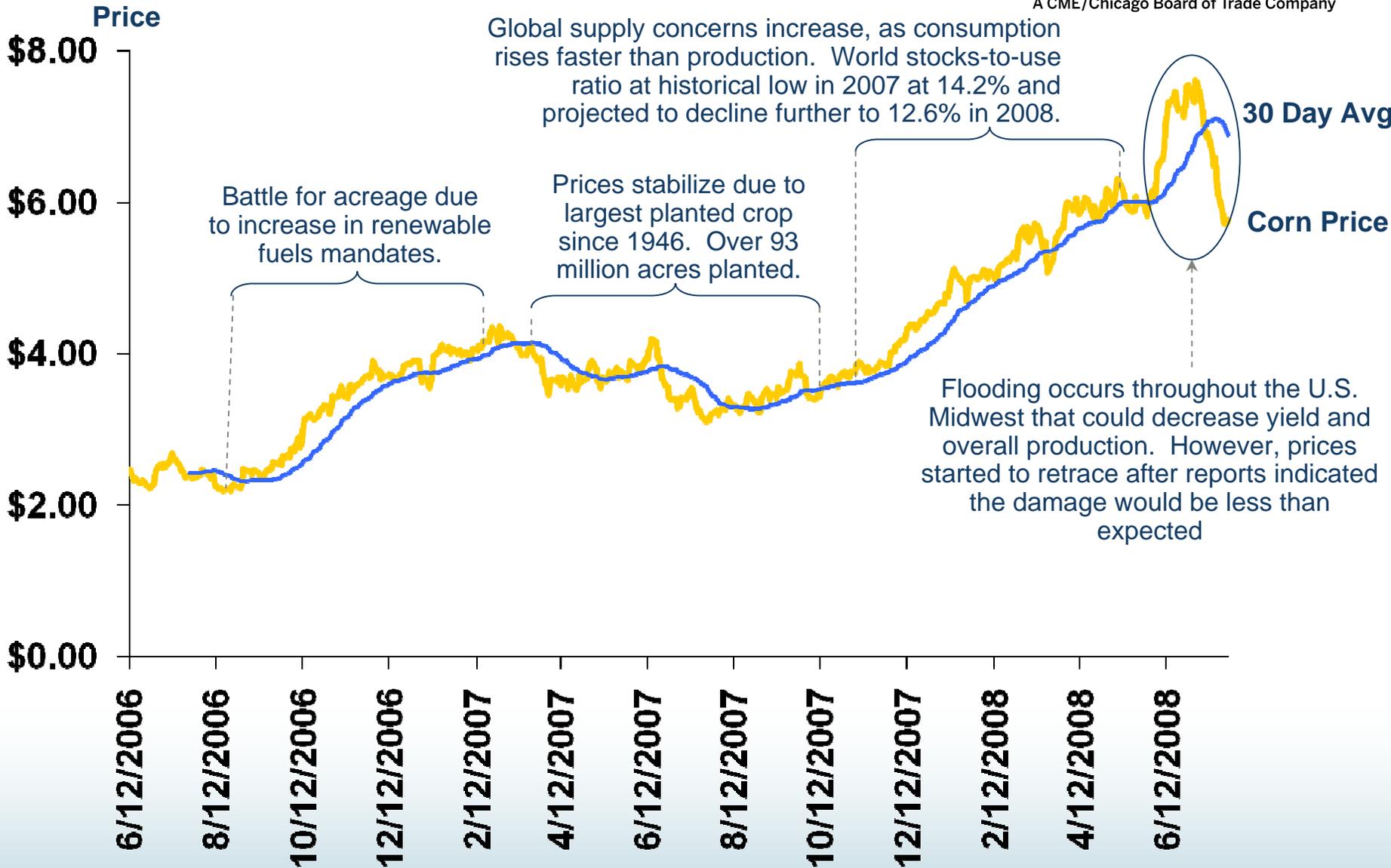
# Outline

- **Current events impacting corn prices**
- **Impact of U.S. dollar depreciation on corn and crude oil prices**
- **Components of key commodity indexes**
- **Recent price trends and current events in other commodity markets like rough rice, hot rolled coil, freight, and hay**

# Events Impacting Corn Prices Since June 2006



A CME/Chicago Board of Trade Company

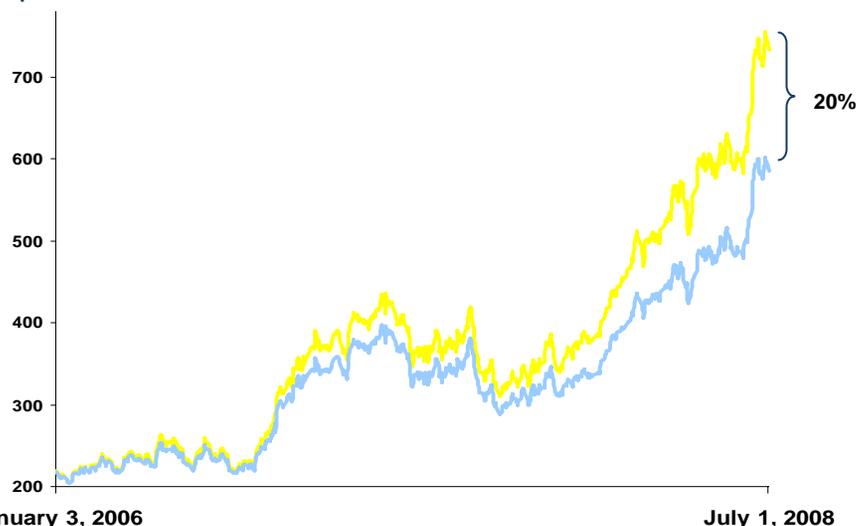


# Weak U.S. Dollar is a Key Driver of Increasing Commodity Prices

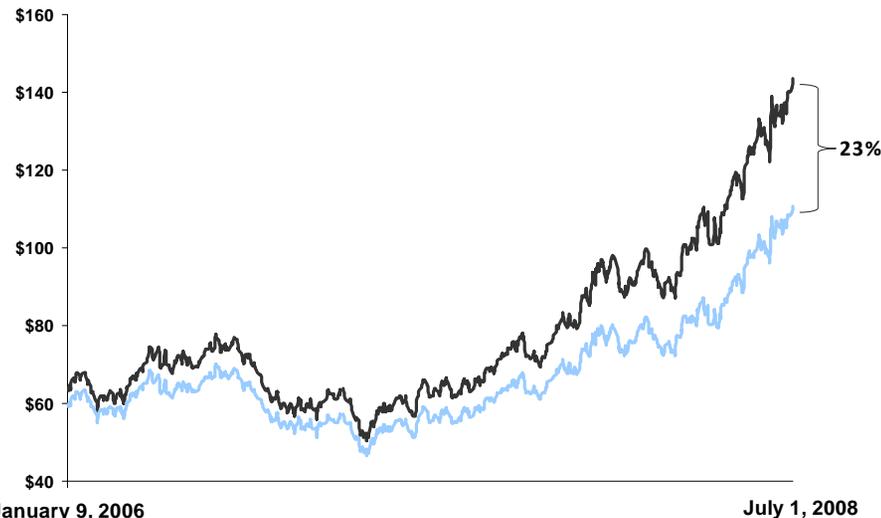
## Corn Prices

## Crude Oil Prices

Cents per Bushel



Dollars per Barrel



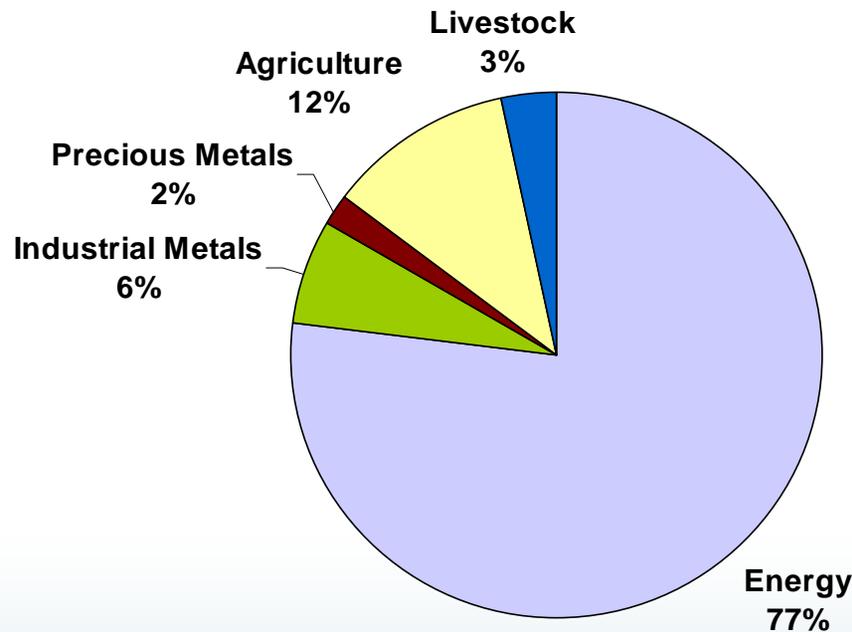
Corn, wheat and soybean prices would be at least **20 percent lower** if the U.S. Dollar had maintained its value from January 2006; Crude Oil prices would be **23 percent lower**

-  Nearby Corn Futures
-  Nearby Crude Oil Futures
-  Currency Adjusted (U.S. Dollar Index) Nearby Futures for each respective product

# Current Commodity Weights in Key Commodity Indexes

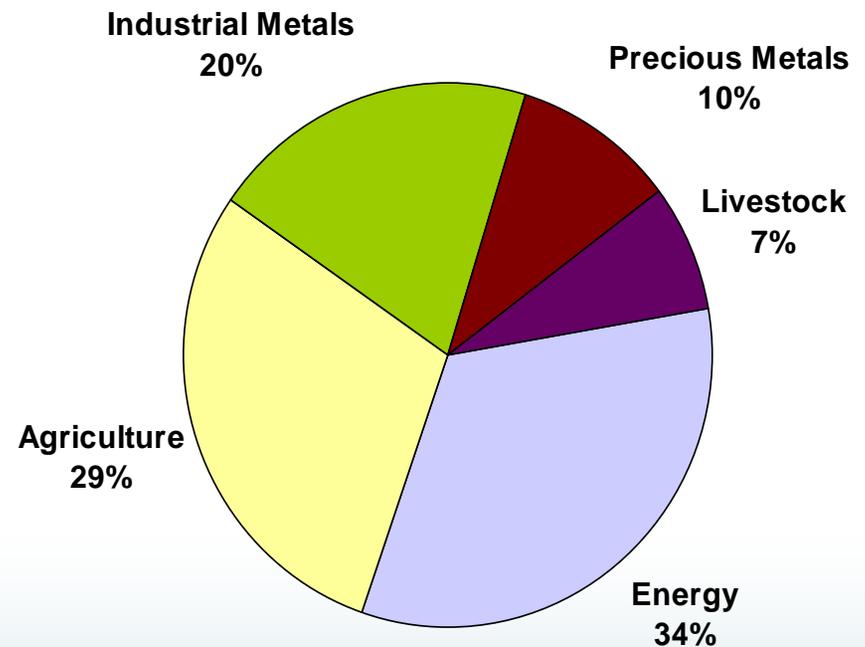
- GSCI and DJ-AIG Commodity Indexes have significantly different component weights. It is estimated that there is over \$155 billion indexed to these indexes.

## Goldman Sachs Commodity Index\*



\* As of July 25, 2008.

## Dow Jones AIG Commodity Index

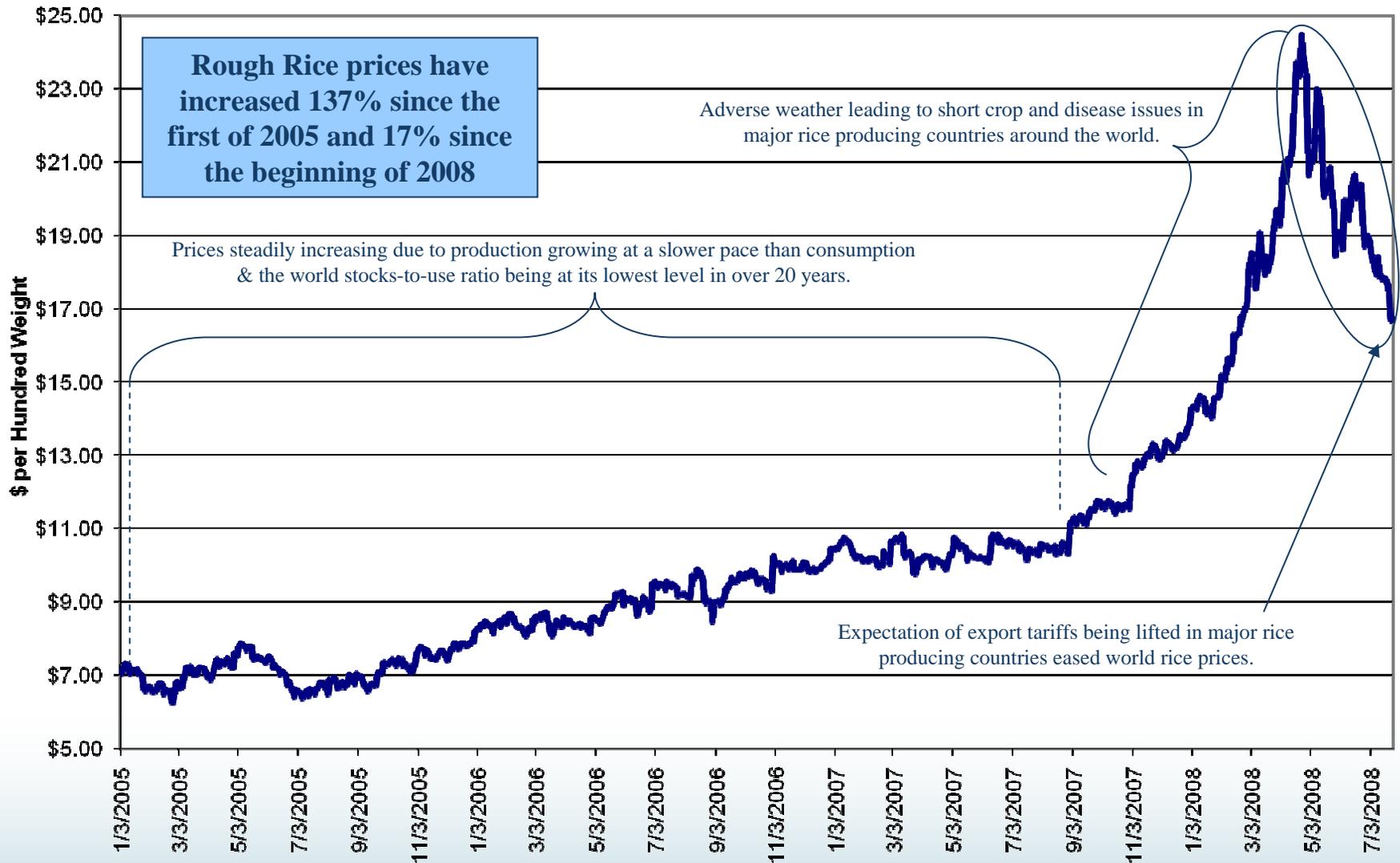


# Prices in Commodity Markets with Little or No Speculator Participation Also Have Increased

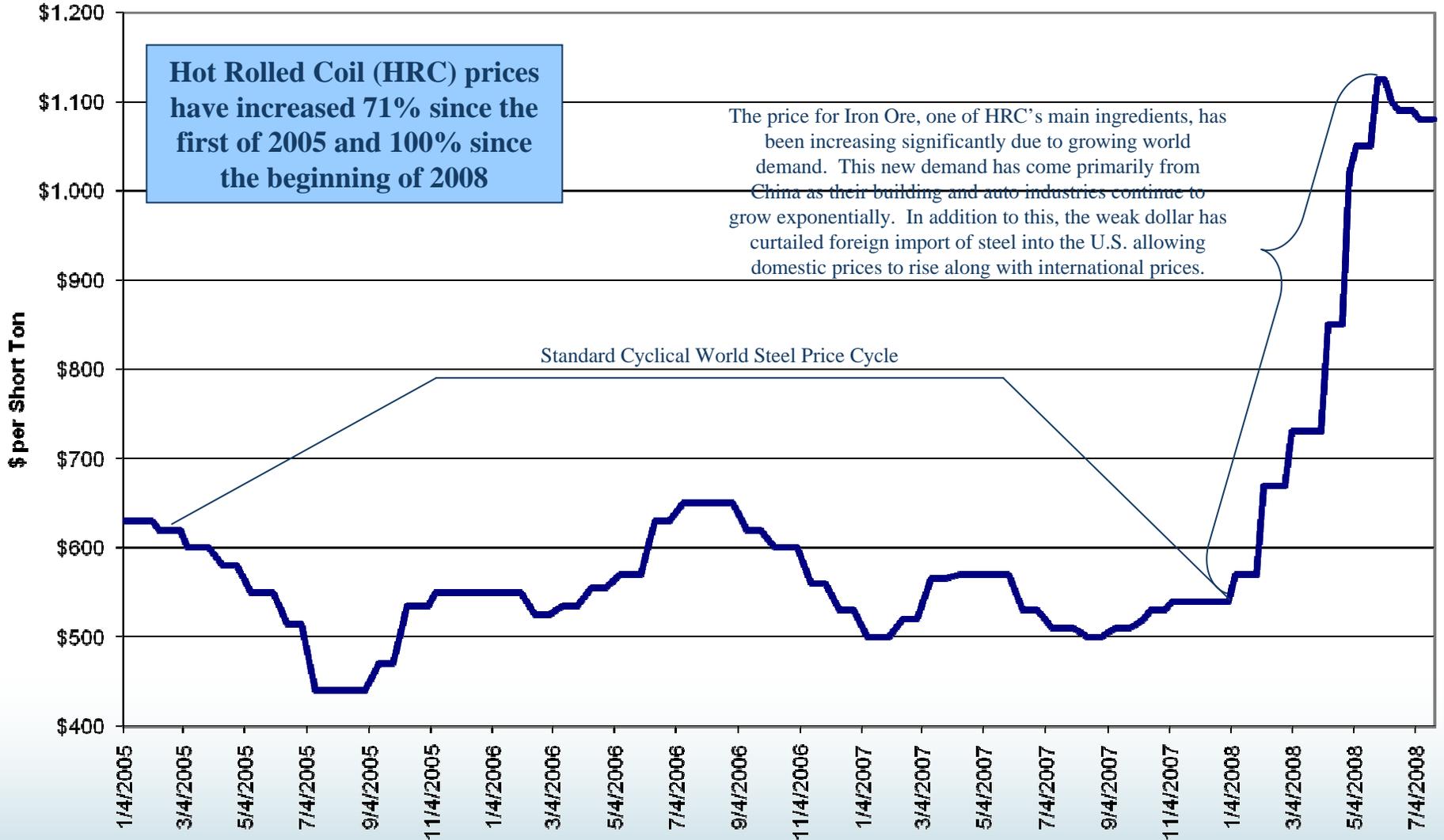
- Prices for commodities that do not have speculator participation have also seen significant price movements since January 2008 as demand outpaces supply
- In recent weeks, prices in many of these commodities have dramatically declined as shown on the following slides

<u>Commodity</u>	<u>% Change since Jan 2008</u>	<u>Weight in DJ AIG</u>	<u>Weight in GSCI</u>
Hot Rolled Coil	100%	0.00%	0.00%
Hay	25%	0.00%	0.00%
Rough Rice	17%	0.00%	0.00%
BIFFEX Panamax Index	Unchanged	0.00%	0.00%
Corn	25%	5.66%	3.63%
Soybeans	10%	7.63%	2.00%
Wheat	3%	4.70%	3.11%

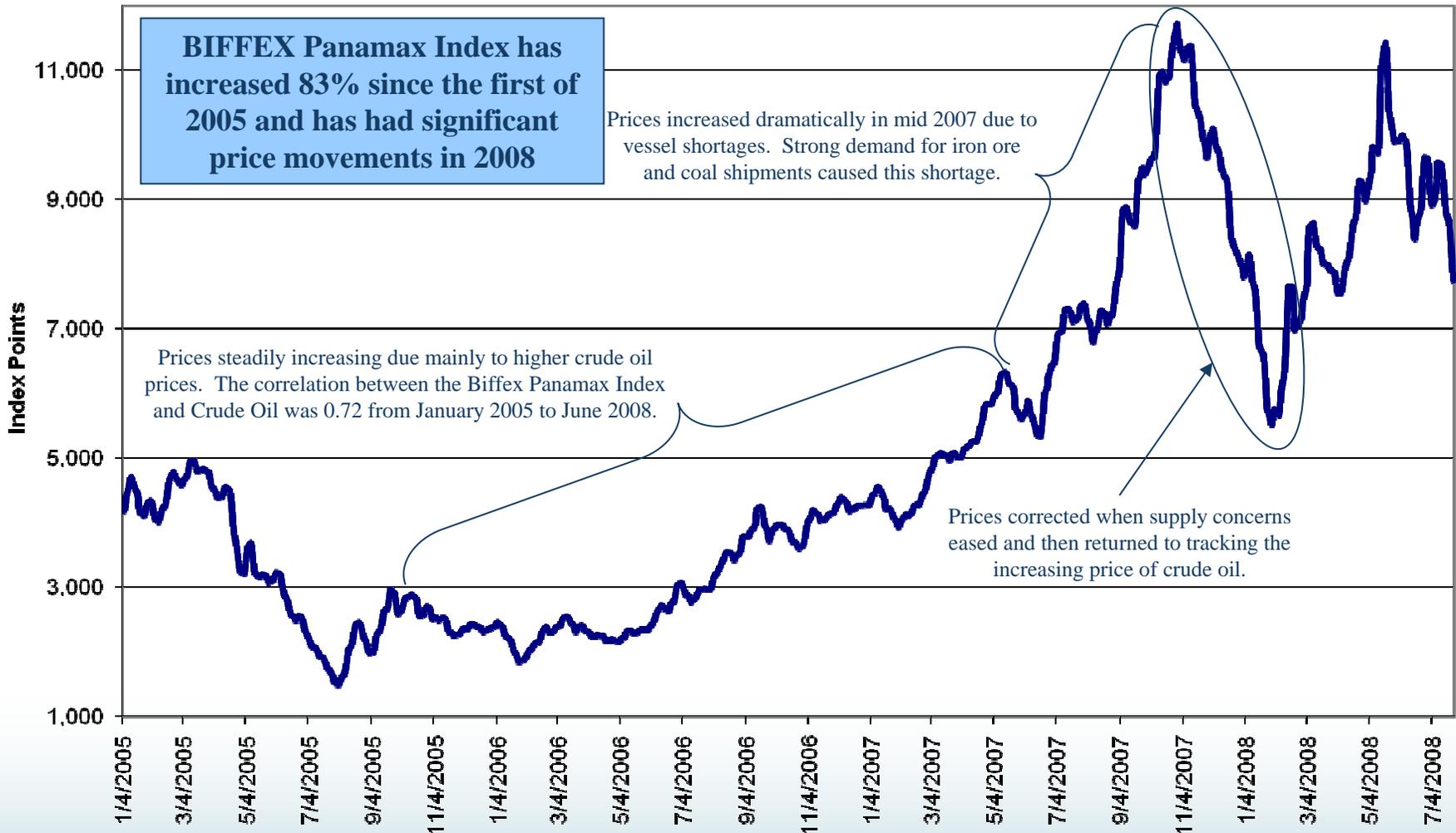
# Rough Rice Prices Increase as Consumption Outpaces Production



# Growing World Demand, Weak Dollar Pressure Prices of North American Hot Rolled Coil - Midwest Mill

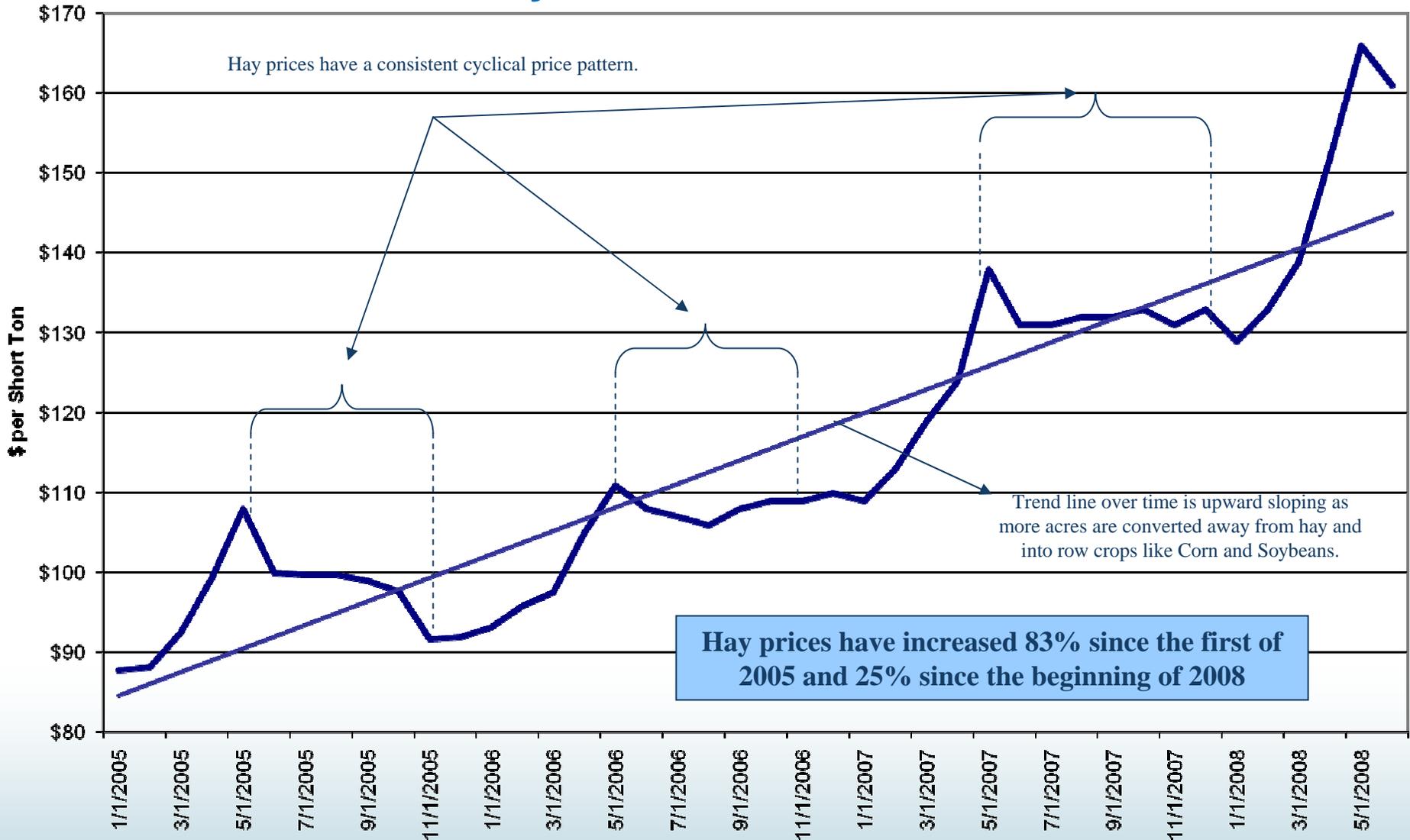


# BIFFEX Panamax Index\* Shows Rising Shipping Costs that Impact Commodities



\*The BIFFEX (Baltic International Freight Futures Exchange) Panamax Index is a weighted average index of prices for 7 different routes commonly navigated by Panamax vessels. A Panamax vessel is a major mode of international grain transport.

# Monthly Average Farm Prices for Alfalfa Hay Increase as More Acres Diverted to Corn, Soybeans



**Hay prices have increased 83% since the first of 2005 and 25% since the beginning of 2008**

# Summary

- **Fundamental demand and supply factors influence commodity prices not the presence of certain market participants like index funds**
- **Impact of U.S. dollar depreciation cannot be underestimated on corn and crude oil prices**
- **Open, transparent markets providing price discovery are key for commodities especially as commodity markets are truly 24-hour, global marketplaces**