The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Prices of Russia's Top Export Commodities Fall Amid Oil Price Drop

By The Moscow Times

January 26, 2015



An employee of Russian firm Uralkali, one of the world's largest potash producers, walking past fertilizer stores.

While the plummeting price of oil has occupied headlines in recent months, it's not the only commodity of key importance to the Russian economy whose price is dropping.

In fact, all nine of the World Bank's key commodity price indices are currently in decline, pulled down by abundant supplies, disheartening global growth forecasts and the appreciation of the U.S. dollar, the World Bank said in a report.

At the present time, the World Bank sees little hope for a rebound. "[This year] is a rare case in which all nine key commodity price indices are expected (as of January) to decline for the year," the report said.

These commodity groups, which include energy, metals, grain and more, make up the vast

majority of Russia's exports. They accounted for 79 percent of Russia's exports to the Commonwealth of Independent States and 93 percent of exports to countries outside the zone between January and November last year, the Kommersant newspaper calculated, using data from the Federal Customs Service.

Oil prices dropped the most among the commodities tracked by the World Bank, falling 45 percent in seven months and pulling the Russian ruble down more than 40 percent against the U.S. dollar by the end of 2014.

But at the same time, the prices of agricultural products, metals and precious metals fell by 6, 8 and 9 percent, respectively, between the third and fourth quarter of last year.

While not all the price falls are directly tied to oil, some commodities — such as natural gas, fertilizers and food — are bearing the brunt of crude's decline.

The European and Asian natural gas markets will be impacted as oil becomes comparatively more competitive. This will in turn push down the price of fertilizers, many of which have a large natural gas component, the report found.

The price of food commodities, particularly grains and oilseeds, will also drop due to the falling costs of fuel, chemical and fertilizers, as well as government policies that could push more grains and oilseeds into the production of biofuels, it said.

The World Bank forecasts oil prices averaging $53 per barrel this year, provided that the OPEC cartel of oil producers continues to eschew production cuts.

Original url:
https://www.themoscowtimes.com/2015/01/26/prices-of-russias-top-export-commodities-fall-amid-oil-price-drop-a43244