Commodity Markets Review

December 7, 2006

Non-oil commodity prices rose 0.6 percent in November, up for the third straight month, and up 22 percent year-to-date. There were sharp increases in food prices, led by maize/sorghum, coffee, and all fats and oils. Metals prices, up 46 percent this year, declined in November but have risen into December with lead and nickel reaching all-time nominal highs due to supply constraints.

Crude oil prices edged up 0.4 percent in November, to average $58.1/bbl, but high crude oil stocks have generally kept prices below $60/bbl following a 20 percent drop in prices in August/September. Product stocks in the U.S., however, have fallen sharply in recent weeks due to reduced refining runs during the autumn maintenance period. Refinery maintenance was extended this year because of deferred maintenance last fall following capacity losses from the hurricanes.

In early December, oil prices moved above $62/bbl as the peak winter-demand season commences, augmented by the first bout of cold weather. The market is also contemplating a further cut in production by OPEC when it meets on December 14th in Nigeria. The group agreed to reduce output by 1.2 mb/d November 1st, and about half was actually cut. Key OPEC producer, Saudi Arabia, has said that it would support a further cut in output.

Agriculture prices jumped 2.3 percent in November, led by double-digit gains in sorghum and maize prices. Drought in the U.S. led to reduced sorghum output and exports, as the U.S. accounts for 90 percent of global exports. Drought also reduced maize production, amid strong demand by importers and by ethanol producers. Coffee (Arabica) prices jumped more than 10 percent on expectation of reduced output in Brazil due to an earlier drought. Soybean and soyoil prices both increased nearly 10 percent, primarily driven by increased use for biodiesel (which also contributed to increases in other fats & oils prices). The increase in maize prices is expected to lead to increased soymeal use.

Metals and minerals prices fell 1.4 percent in November, led by a 6.3 percent decline in copper which peaked near $8,800/ton in May, but has drifted to under $7,000/ton due to slowing demand and rising stocks. Nickel prices also fell slightly, but in early December hit an all-time high of more than $35,000/ton, up 160 percent this year, on cost escalation and delays to major new projects in New Caledonia and Australia. Other metals prices rose in November, with zinc prices up 14.8 percent on strong demand, plunging stocks and supply constraints. Silver and gold prices also recorded large gains on the weakening dollar and strong investment demand.

Major Movers in November

Natural gas prices in the U.S. surged 25.0 percent due to cold weather and some pipeline capacity constraints. However, inventories remain high and prices will largely depend on the severity of winter temperatures.
Sorghum prices jumped 20.9 percent due to a drought-related sharp drop in U.S. production. This severely limits global supply since the U.S. accounts for almost 90 percent of exports.
Maize prices rose 15.7 percent due to drought-reduced U.S. and Australian crops, strong demand for maize for ethanol production in the U.S., and strong import demand.
Zinc prices increased 14.6 percent due to extremely low and declining inventories, strong demand to galvanize steel, and limited near-term supply prospects.
Silver prices rose 11.8 percent on strong investment demand, as well the weak dollar and similar concerns to those driving gold prices.
Urea prices increased 11.3 percent on strong global demand due to rising agricultural prices and limited export supplies.
Coffee arabica prices climbed 10.5 percent on expectations that Brazil’s 2006/07 crop may be reduced, in part, due to earlier dry weather.
Soybeans prices rose 9.9 percent due to strong demand. Further price increases are expected as livestock producers increase soymeal use following steep increases in maize prices, and as biodiesel producers raise demand for soyoil.
Soybean oil prices increased 9.8 percent as the demand for biofuel production absorbs considerable amounts of vegetable oils.
Bananas prices in the U.S. increased 8.8 percent because of reduced shipments from Ecuador, the main banana supplier to the US, due to less than expected availability of transportation services.
Palmkernel oil prices increased 7.9 percent reflecting the relative tightness in fats & oils markets as well as weather-related conditions in Indonesia attributed to El Nino.
Palm oil prices increased 7.9 percent, reaching the highest monthly average since the Asian financial crisis, due to drought in Indonesia as well as reduced availability of soybean oil (close substitute to palm oil).
Gold prices increased 7.2 percent due to weakness in the dollar and renewed concerns of central banks diversifying their dollar reserves.
Lead prices rose 6.1 percent due to a sharp decline in inventories, strong battery demand, and reduced exports from China.
Copper prices decreased 6.3 percent due to rising stocks and slowing demand. However, numerous supply problems have kept prices at relatively high levels.
Rubber prices dropped 10.9 percent to the lowest level since November 2005. This appears to reverse the year-long crude oil-induced price rally.

![Percent Changes in Price, Nominal US $](image-url)
## COMMODITY PRICE DATA

### Energy
- **Coal, Australia**
  - Annual: $/mt 52.95 Jan-Dec 47.62 Jan-Dec 50.18 Jan-Nov 48.43 Jul-Sep 39.58 Oct-Dec 46.88 Jan-Mar 52.62 Apr-Jun 50.26 Jul-Sep 47.10 Oct-Nov 44.05 Nov

### Agriculture
- **Beverages**
  - Cocoa
    - b/ c/kg 150.0 Jan-Dec 158.8 Jan-Dec 158.0 Jan-Nov 149.0 Jul-Sep 147.0 Oct-Dec 155.5 Jan-Mar 158.4 Apr-Jun 162.3 Jul-Sep 156.9 Oct-Nov 153.0 Nov

### Food
- **Fats and Oils**
  - Coconut oil
    - b/ c/kg 660.8 Jan-Dec 617.0 Jan-Dec 595.6 Jan-Nov 571.7 Jul-Sep 574.0 Oct-Dec 578.3 Jan-Mar 578.7 Apr-Jun 599.4 Jul-Sep 609.0 Oct-Nov 626.0 Nov

### Grains
- **Maize**
  - b/ c/kg 111.8 Jan-Dec 98.7 Jan-Dec 118.3 Jan-Nov 108.1 Jul-Sep 108.9 Oct-Dec 105.0 Jan-Mar 109.3 Apr-Jun 117.4 Jul-Sep 121.7 Oct-Nov 142.2 Nov

### Other Food
- **Bananas EU**
  - b/ c/kg 892.0 Jan-Dec 1175.7 Jan-Dec 897.6 Jan-Nov 1016.7 Jul-Sep 1055.8 Oct-Dec 983.5 Jan-Mar 991.3 Apr-Jun 768.0 Jul-Sep 796.2 Oct-Nov 786.3 Nov

### Raw Materials
- **Lumber, Cameroon**
  - $/cum 197.3 Jan-Dec 203.1 Jan-Dec 236.8 Jan-Nov 211.4 Jul-Sep 209.1 Oct-Dec 222.9 Jan-Mar 237.3 Apr-Jun 240.9 Jul-Sep 246.5 Oct-Nov 245.3 Nov

### Other Raw Materials
- **Cotton A Index**
  - b/ c/kg 136.6 Jan-Dec 127.1 Jan-Dec 126.3 Jan-Nov 120.4 Jul-Sep 126.1 Oct-Dec 129.0 Jan-Mar 129.0 Apr-Jun 128.0 Jul-Sep 129.7 Oct-Nov 125.8 Nov

### Monthly averages
- **Energy**
  - Coal, Australia
    - $/mt 47.10 Jan-Dec 44.05 Oct-Nov 46.00 Nov

### Non Energy Commodities
- **Beverages**
  - Cocoa
    - b/ c/kg 150.0 Jan-Dec 158.8 Jan-Dec 158.0 Jan-Nov 149.0 Jul-Sep 147.0 Oct-Dec 155.5 Jan-Mar 158.4 Apr-Jun 162.3 Jul-Sep 156.9 Oct-Nov 153.0 Nov

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### COMMODITY PRICE DATA

#### Fertilizers

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#### Metals and Minerals

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#### World Bank commodity price indices for low and middle income countries (1990 =100)

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<td>177.7</td>
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**a.** Included in the petroleum index, but not in the non-fuel index/

**b.** Not included in index/

**mt** = metric ton  **toz** = troy oz  **n.a.** = not available  **n.q.** = no quotation
Selected Commodity Prices, Nominal US dollars, 2001-2006

- Aluminum ($/mt)
- Coal, Australia ($/mt)
- Copper ($/mt)
- Crude Oil, Average ($/bbl)
- Gold ($/troy oz)
- Natural Gas, US ($/million btu)
- Silver (cents/troy oz)
- Nickel ($/mt)
Selected Commodity Prices, Nominal US dollars, 2001-2006 cont’d

- **Bananas, US ($/mt)**
- **Cocoa (cents/kg)**
- **Coconut Oil ($/mt)**
- **Coffee (cents/kg)**
  - Arabica
  - Robusta
- **Cotton, A Index (cents/kg)**
- **Maize ($/mt)**
- **Palm Oil ($/mt)**
- **Rice, Thai 5% ($/mt)**
Selected Commodity Prices, Nominal US dollars, 2001-2006 cont’d