Commodity Markets Review

August 12, 2010

Non-energy commodity prices rose by 2.4 percent in July, in part due to a weak U.S. dollar—down 4.8 percent versus the euro. There were strong gains in food prices—notably wheat owing to production losses in Canada and the former Soviet Union—but also price increases in other agriculture commodities and base metals.

Crude oil prices slipped 0.2 percent in July, averaging $74.6/bbl, the third straight monthly decline. Prices briefly surged to $81/bbl in early August but have retreated back below $75/bbl on continuing concerns about the pace of economic recovery. Oil demand growth is moderating from robust gains in the first half of the year, with China’s oil imports in July falling 3 percent—the first decline since March 2009. World oil demand is expected to slow in the second half of the year to trend growth of 1.5 mb/d or less than 2 percent. Crude oil inventories remain high, particularly in the U.S. However crude in floating storage fell by nearly 1/3 in July to 59 million barrels, while products stocks at sea edged up to 34 million barrels.

Natural gas prices in the U.S. fell 3.5 percent in July, despite a spate of hot weather. While the summer’s heat has helped bring gas inventories below last year’s levels, they remain high and storage appears headed for another record fill this year. Gas production remains robust, particularly unconventional shale gas despite low prices and declining drilling activity.

Agriculture prices increased 2.3 percent in July, with gains concentrated in grains, coffee and sugar. Wheat prices soared 24 percent because of weather-related supply tightness in Canada, Kazakhstan, Russia and the Ukraine—key wheat exporters. Prices surged in early August to a 24-month high following Russia’s announcement of a ban on wheat exports. Coffee robusta and arabica prices rose 11 and 6 percent, respectively, in response to tight global arabica supplies after two bad crops in Colombia. Roaster substitution of robusta for arabica also drove up robusta prices. Sugar prices rose 10 percent due to weather-related supply concerns in Russia as well as limited exports by Brazil.

Base metals prices rose 3.5 percent in July, the first increase in three months, due to falling stocks and pick-up in demand outside China. However, prices turned lower in early August on renewed concerns about growth in the U.S. and China. Lead prices jumped 8 percent due to strong battery demand and falling LME inventories in the U.S., as well as slowing scrap supply. Zinc prices rose 6 percent on an explosion at a U.S. refinery, but the market remains well supplied and stocks are high. Tin prices rose 5 percent due to declining stocks, strong demand, and lower production in Indonesia because of wet weather. Gold and silver both fell 3 percent due to a switch in investor risk appetite to other financial assets.

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Major Movers July

Wheat prices surged 24.2 percent due to weather-related supply tightening in Canada, Kazakhstan, Russia, and the Ukraine—key wheat suppliers. **Coffee robusta and arabica** prices increased 10.9 percent and 6.4 percent, respectively in response to tight global arabica supplies following two bad crops in Colombia. **Sugar** prices jumped 9.9 percent due to weather-related supply concerns in Russia and limited exports by Brazil. **Urea and TSP** fertilizer prices rose 8.8 percent and 3.8 percent, respectively, on higher demand in Nigeria and Latin America. Surging grain prices are expected to increase fertilizer demand. **Lead** prices increased 7.8 percent due to strong battery demand and falling LME inventories in the U.S., as well as slowing scrap supply. **Maize** prices rose 7.2 percent, mostly a reflection of the rally in wheat prices. **Zinc** prices rose 5.8 percent, in part due to an explosion at Horsehead’s Pennsylvania refinery. However, the market remains well supplied. **Soybean oil, soybean meal and soybeans** prices rose 5.6, 5.3, and 5.1 percent, respectively, due to surging demand by China and India, and a decline in soybean crushings in Argentina. **Logs (Malaysia)** prices increased 5.4 percent on robust demand from India and China while supplies in the state of Sarawak remain tight. **Tin** prices rose 5.0 percent due to continued decline in stocks, rising demand for solder in the electronics sector, and falling production in Indonesia because of long rains. **Natural gas (Europe)** prices rose 3.9 percent due to rising demand by industry, and also for air conditioning because of warm weather. **Coconut oil** prices increased 3.8 percent due to strong demand, in part a reflection of the low prices reached earlier in the year. **Copper** prices rose 3.6 percent on falling stocks and supply tightness, the latter underpinned by declining ore grades at a number of major mines. **Silver** prices fell 3.2 percent in tandem with gold prices, as investors switched to other financial assets. **Gold** prices slid 3.2 percent due to a shift in investor risk appetite to equities and other investment vehicles. **Natural gas (U.S.)** prices decreased 3.5 percent due to large inventories and robust production, although hot weather has boosted power demand for air conditioning. **Rubber** prices declined 8.2 percent due to weakening demand, especially in China the world’s largest consumer. **Cotton** prices dropped 9.5 percent on ample global supplies, especially a good crop in the U.S.

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1 Percent change of average July 2010 prices compared to average June 2010 prices in nominal U.S. dollars (graph includes 12-month changes in grey).
### COMMODITY PRICE DATA

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<th>Commodity</th>
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#### Energy
- **Coal, Australia**: $/mt 876.0
- **Crude oil, avg. spot**: $/bbl 477.0
- **Crude oil, Brent**: $/bbl 958.3
- **Crude oil, Dubai**: $/bbl 93.78
- **Crude oil, West Texas Int.**: $/bbl 99.56
- **Natural gas Index**: 127.9
- **Natural gas, Europe**: $/mmBtu 4.8
- **Natural gas, US**: $/mmBtu 8.86
- **Natural gas LNG, Japan**: $/mmBtu 12.53

#### Non Energy Commodities

##### Agriculture
- **Beverages**
  - **Cocoa**: $/c/kg 257.7
  - **Coffee, Arabica**: $/c/kg 308.2
  - **Coffee, robusta**: $/c/kg 232.1
  - **Tea, auctions (3), average**: $/c/kg 242.0
  - **Tea, Colombo auctions**: $/c/kg 278.9
  - **Tea, Kolkata auctions**: $/c/kg 255.2
  - **Tea, Mombasa auctions**: $/c/kg 2216.0

#### Food
- **Fats and Oils**
  - **Coconut oil**: $/mt 1224.0
  - **Grounder oil**: $/mt 2.11
  - **Palm oil**: $/mt 949.0
  - **Palmkernel oil**: $/mt 1.30
  - **Soybean meal**: $/mt 424.0
  - **Soybean oil**: $/mt 1258.0
  - **Soybeans**: $/mt 523.0

#### Grains
- **Barley**: $/mt 200.5
- **Maize**: $/mt 223.1
- **Rice, Thailand, 5%**: $/mt 650.2
- **Rice, Thailand, 25%**: $/mt 458.1
- **Rice, Thai A Special / Super**: $/mt 482.3
- **Sorghum**: $/mt 207.8
- **Wheat, Canada**: $/mt 454.6
- **Wheat, USSR**: $/mt 352.0
- **Wheat US SFW**: $/mt 2715.0

#### Other Food
- **Bananas EU**: $/mt 1.188
- **Bananas US**: $/mt 844.7
- **Fishmeal**: $/mt 1.133
- **Meat, beef**: $/mt 313.8
- **Meat, chicken**: $/mt 169.6
- **Meat, lamb**: $/mt 458.9
- **Meat, pork**: $/mt 1.137
- **Shrimp, Mexico**: $/mt 1.069
- **Sugar EU domestic**: $/mt 69.69
- **Sugar US domestic**: $/mt 46.88
- **Sugar world**: $/mt 28.21

#### Raw Materials

##### Timber
- **Logs, Cameroon**: $/cum 526.9
- **Logs, Malaysia**: $/cum 202.3
- **Plywood**: $/ft 645.5
- **Sawwood, Cameroon**: $/cum 986.3
- **Sawwood, Malaysia**: $/cum 889.1
- **Wood pulp**: $/ton 802.0

##### Other Raw Materials
- **Cotton A index**: $/c/kg 167.4
- **Cotton Memphis**: $/c/kg 61.3
- **Rubber, US**: $/cum 284.1
- **Rubber, Singapore**: $/cum 258.6

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### COMMODITY PRICE DATA

#### Annual averages

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#### Quarterly averages

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#### Monthly averages

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<th>COMMODITY</th>
<th>May 2010</th>
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#### Metals and Minerals

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#### Fertilizers

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#### Base Metals (NEW) e/

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#### Energy

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#### Non Energy Commodities

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NEW World Bank commodity price indices for low and middle income countries (2000 = 100)

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a/ Included in the energy index (2000 = 100)  
b/ Included in the non-energy index (2000 = 100)  
c/ Steel not included in the non-energy index  
d/ base metals plus iron ore  
e/ includes aluminum, copper, lead, nickel, tin and zinc  
$ = US dollar  
c/ US cent  
bbl = barrel  
cum = cubic meter  
dmtu = Dry Metric Ton Unit  
k = kilogram  
mmbtu = million British thermal units  
mt = metric ton  
toz = troy oz  
n.a. = not available  
n.q. = no quotation

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Selected Commodity Prices, Nominal US dollars, 2005-2010

- Aluminum ($/mt)
- Coal, Australia ($/mt)
- Copper ($/mt)
- Crude Oil, Average ($/bbl)
- Gold ($/troy oz)
- Natural Gas, US ($/million btu)
- Nickel ($/mt)
- Silver (cents/troy oz)
Selected Commodity Prices, Nominal US dollars, 2005-2010 Cont’d