Crude oil prices declined nearly 10 percent in November, mainly because of weaker demand and OPEC’s difficulty in cutting production. OPEC took an accommodating stance in the weeks after September 11th, but prices quickly eroded as average crude oil prices fell to $18.7/bbl in November compared to $25.2 in September. OPEC agreed to reduce output by 1.5 mb/d in November if non-OPEC producers would cut production by 0.5 mb/d. On December 5th Russia reluctantly agreed to cut exports by 0.15 mb/d, to go along with pledges from Mexico, Norway, and Oman. The commitments are less than OPEC sought but may be sufficient for OPEC to carry through with its cuts. Our forecast for oil prices remains unchanged at $25/bbl in 2001 and $21/bbl in 2002.

Non-oil commodities prices rose 3.3 percent in November and have largely recovered from the sharp drop which occurred immediately after the September 11th attacks. The recoveries were similar for agriculture and metals, and due mostly to supply-side changes rather than increased demand.

Metals and minerals prices rose 2.9 percent in November mainly due to a number of announced cutbacks in production, especially in copper. However, demand remains weak because of the downturn in economic activity and inventories of many metals are quite high. Following announced cuts by Phelps Dodge and BHP Billiton, copper prices surged 15 percent from mid-October to over $1500/mt in late November. The price increase led to rallies in other metals, e.g., tin up 7.8 percent and lead up 5.8 percent. However, underlying fundamentals remain weak for most metals.

Agricultural prices are showing initial signs of recovery, with cocoa prices sharply higher in recent months due to both lower supplies and strong demand caused by processor buying in anticipation of further price increases. Stocks of a number of commodities (grains and soybeans) have also declined to levels which have launched significant price increases in the past. However, other commodities, such as coffee and cotton, have accumulated large stocks and show no signs of substantial price recovery.
Major Movers in November

Silver prices fell 6.7 percent to $4.12/toz, on continued weakness in industrial demand, particularly from the electronics sector. The downturn in industrial demand, compounded by an inventory overhang, has been the main factor bringing silver prices to an eight-year low. Supply-side factors have played a smaller role in silver’s price collapse compared to other metals, as global production is down slightly this year.

U.S. Natural Gas prices fell 3.7 percent on mild weather, rising inventories, and weak industrial demand. U.S. gas prices are down substantially from the extraordinary spike to $8.95/mmbtu last December due to strong demand and low inventories.

Copper prices averaged 3.7 percent higher in November, as a number of major producers announced production cuts totaling 700,000 tons, which amounts to about 5 percent of global production. However, near-term demand prospects remain poor and stocks are high which suggest that price increases will be short lived.

Nickel prices rose 5.2 percent, partly spurred by the increase in other metals prices. Nickel stocks are quite low compared with other metals, and the market balance is more supportive of a price rally. However, demand for stainless steel remains weak, and supplies are ample in the current economic downturn.

Tin prices rose 7.8 percent, largely due to a speculative rally and short covering by traders. Tin prices were felt by some analysts to be oversold, and the rally in other metals prices helped propel the increase. Market fundamentals remain weak, however, as LME inventories have risen more than 25 percent since end-October.

Sugar prices recovered to their pre-September 11th level of 7.6 cents per pound after dipping as low as 6.1 cents in early October. Production is expected to rise slightly in 2001/02 after falling 4 percent in the previous year. Ending-year stocks remain near record levels and a sustained recovery of prices is not expected in the near-term. Prices are expected to remain in the 5-10 cents per pound range established the past year.

Cocoa prices rose 13.5 percent in November on concerns that the crop in Côte d'Ivoire is of low quality. A sustained price recovery is expected and has sparked strong buying from chocolate producers who face increasing demand and want to lock-in prices.

Palm oil prices rose 16 percent in November following increased imports by China, the second largest importer after India. China has started easing import restrictions on edible oils following admission to the WTO. Analysts expect China's imports of palm oil to increase by up to 20 percent. If so, the current price increases are likely to be sustainable, as production increases are expected to slow.
Focus on coffee and oil

Coffee prices recovered slightly in November, but remain severely depressed following a 40 percent increase in robusta production over the past three years. Vietnam accounted for nearly two-thirds of the increase and Brazil nearly one-third. Robusta prices are now 31 percent of the 1990s average—the lowest nominal price in 35 years. In contrast, arabica production declined about 7 percent over the same period, but prices still declined 51 percent relative to the 1990s average due to the large supplies of robusta. Total coffee stocks are now equal to one-half of annual production. Consumption in major importing countries increased only 3.6 percent during the past three years, suggesting prices will remain low for a number of years.

Crude oil prices fell from just above $30/bbl immediately following the September attacks to under $17/bbl in mid-November due to very weak demand, rising inventories and reluctance of OPEC members to take unilateral action to reduce output. On November 14th, OPEC (excluding Iraq) agreed to cut production quotas by 1.5 mb/d to 21.7 mb/d, but only if key non-OPEC producers reduced their exports by a combined 0.5 mb/d. Prices have moved back towards $20/bbl on expectations that OPEC will be able to secure a deal with non-OPEC producers, although commitments from Russia have been problematic. OPEC has threatened a price war if non-OPEC producers fail to help raise prices.

On December 5 the Russian government, along with several of the major Russian oil companies agreed to reduce crude oil exports by 150,000 b/d. This was less than OPEC wanted, as the organization was pressing Russia to reduce exports by up to 300,000 b/d. Earlier, Norway pledged to cut output by 100,000-200,000 b/d if other producers also cut, while Mexico promised 100,000 b/d, and Oman is considering cutting production by up to 40,000 b/d. The cuts may be enough for OPEC to carry through with its 1.5 mb/d reduction, although it may limit the cut to only 1.0 mb/d if non-OPEC producers fail to pledge a full 0.5 mb/d.

The cuts will help support prices over the peak winter demand season—particularly if the weather turns cold—but it will be difficult for OPEC to get the price of its crude basket well within its target range of $22-$28/bbl (note that the OPEC basket price is roughly $1.5/bbl below the World Bank’s price). World oil demand fell 1 percent in the third quarter and is expected to record year-on-year declines through the first half of 2002. In addition, non-OPEC supplies are expected to increase by 1 mb/d next year, which means that OPEC will have to maintain lower output to stabilize prices.

Iraq’s oil-for-food program was renewed for another six months on November 29; thus, it is unlikely there will be much disruption of Iraq’s exports in the near term. The U.S. and Russia reached an agreement in principle to resolve by mid-2002 substantive issues related to the return of weapons inspectors and the import of dual-use goods.
### Commodity Price Data

#### Energy
- **Coal, Australia**
  - $/mmbtu: 25.89 to 29.40
  - $/mt: 22.65 to 29.40
- **Crude oil, Brent**
  - $/bbl: 18.07 to 20.73
  - $/mt: 17.81 to 19.54
- **Crude oil, Dubai**
  - $/bbl: 17.16 to 20.48
  - $/mt: 14.99 to 18.94
- **Crude oil, West Texas Int.**
  - $/bbl: 19.24 to 22.18
  - $/mt: 14.99 to 19.54
- **Natural gas, Europe**
  - $/mmbtu: 2.13 to 3.26
- **Natural gas, US**
  - $/mmbtu: 2.27 to 2.52

#### Non-Energy Commodities

##### Agriculture

#### Beverages

- **Cocoa**
  - b/kg: 113.5 to 102.4
- **Coffee, arabica**
  - b/kg: 229.1 to 102.4
- **Coffee, robusta**
  - b/kg: 148.9 to 53.5
- **Tea, average 3 auctions**
  - b/kg: 163.9 to 152.7
- **Tea, Calcutta auctions**
  - b/kg: 206.8 to 141.7
- **Tea, Colombo auctions**
  - b/kg: 164.9 to 140.3
- **Tea, Mombasa auctions**
  - b/kg: 180.0 to 180.2

##### Fats and Oils

- **Coconut oil**
  - b/kg: 737.1 to 327.0
- **Copra**
  - b/kg: 461.5 to 327.0
- **Groundnut oil**
  - b/kg: 787.7 to 180.0
- **Palm oil**
  - b/kg: 436.0 to 180.0
- **Palmkernel oil**
  - b/kg: 694.1 to 317.0
- **Soybean meal**
  - b/kg: 152.2 to 180.0
- **Soybean oil**
  - b/kg: 427.3 to 380.0
- **Soybeans**
  - b/kg: 201.7 to 180.0

##### Grains

- **Maize**
  - b/kg: 90.2 to 86.9
- **Rice, Thailand**
  - b/kg: 248.4 to 173.0
- **Rice, Thailand, A1 Special**
  - b/kg: 192.6 to 143.0
- **Rice, Thailand, A1 Special**
  - b/kg: 192.6 to 143.0
- **Rice, Thailand, A1 Special**
  - b/kg: 192.6 to 143.0
- **Rice, Thailand, A1 Special**
  - b/kg: 192.6 to 143.0
- **Wheat, US, HRW**
  - b/kg: 112.0 to 125.3
- **Wheat, US, SRW**
  - b/kg: 98.3 to 115.0

##### Other Food

- **Bananas, EU**
  - b/mmt: 850.4 to 606.0
- **Bananas, US**
  - b/mmt: 373.8 to 118.5
- **Beef**
  - b/kg: 184.3 to 496.0
- **Fishmeal**
  - b/kg: 392.5 to 429.0
- **Lamb**
  - b/kg: 261.0 to 299.0
- **Oranges**
  - b/kg: 343.2 to 351.0
- **Shrimp**
  - b/kg: 1,461.1 to 229.0
- **Sugar, EU, domestic**
  - b/kg: 59.17 to 52.61
- **Sugar, US, domestic**
  - b/kg: 46.00 to 47.02
- **Sugar, world**
  - b/kg: 13.81 to 15.97

##### Raw Materials

- **Logs, Cameroon**
  - $/cum: 269.3 to 259.5
- **Lumber, Malaysia**
  - $/cum: 500.8 to 461.5
- **Plywood**
  - $/sheet: 440.6 to 343.2
- **Sawwood, Cameroon**
  - $/cum: 455.2 to 453.6
- **Sawwood, Malaysia**
  - $/cum: 600.8 to 453.6
- **Woodpulp**
  - $/mt: 507.8 to 440.6

### Monthly Averages

- **Energy Prices**
  - $/mmbtu: 33.17 to 32.80
  - $/mt: 33.00 to 32.40
  - $/bbl: 30.19 to 29.54
  - $/cum: 600.8 to 544.1
- **Non-Energy Commodities**
  - b/kg: 113.5 to 53.5
  - b/kg: 229.1 to 53.5
  - b/kg: 148.9 to 91.4
  - b/kg: 163.9 to 102.4
  - b/kg: 206.8 to 141.7
  - b/kg: 164.9 to 140.3
  - b/kg: 90.2 to 152.7
  - b/kg: 248.4 to 173.0
  - b/kg: 248.4 to 173.0
  - b/kg: 248.4 to 173.0
  - b/kg: 112.0 to 125.3
  - b/kg: 98.3 to 115.0
- **Other Food Prices**
  - b/mmt: 850.4 to 606.0
  - b/mmt: 373.8 to 118.5
  - b/kg: 184.3 to 496.0
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- **Raw Materials Prices**
  - $/cum: 269.3 to 259.5
  - $/cum: 500.8 to 461.5
  - $/sheet: 440.6 to 343.2
  - $/cum: 455.2 to 453.6
  - $/cum: 600.8 to 453.6
  - $/mt: 507.8 to 440.6
## COMMODITY PRICE DATA

### Annual averages

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<tr>
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<td>b/¢/kg</td>
<td>117.1</td>
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<td>133.0</td>
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<td>420.8</td>
<td>451.7</td>
<td>448.3</td>
<td>449.7</td>
<td>430.7</td>
<td>407.0</td>
<td>398.0</td>
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### Quarterly averages

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

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<td>Non-Energy Commodity</td>
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<td>Beverages</td>
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<td>Food</td>
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<td>Fats and Oils</td>
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<td>Metals and Minerals</td>
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**Notes:**
- a/ Included in the petroleum index
- b/ Included in the non-energy index
- c/ Steel not included in the non-energy index
- $ = U.S. dollar
- ¢ = U.S. cent
- bbl = barrel
- cum = cubic meter
- dmtu = Dry Metric Ton Unit
- kg = kilogram
- mmbtu = million British thermal units
- mt = metric ton
- toz = troy oz
- n.a. = not available
- n.q. = not quotation
- (1) = Steel not included in the non-energy index
Selected Commodity Prices, 1997-2001

- **Cocoa (cents/kg)**
  - Jan-97: 40
  - Jan-98: 80
  - Jan-99: 120
  - Jan-00: 160
  - Jan-01: 200

- **Coffee arabica (cents/kg)**
  - Jan-97: 100
  - Jan-98: 225
  - Jan-99: 350
  - Jan-00: 475
  - Jan-01: 600

- **Sugar (cents/kg)**
  - Jan-97: 10
  - Jan-98: 15
  - Jan-99: 20
  - Jan-00: 25
  - Jan-01: 30

- **Palm Oil ($/mt)**
  - Jan-97: 200
  - Jan-98: 350
  - Jan-99: 500
  - Jan-00: 650
  - Jan-01: 800

- **Cotton (cents/kg)**
  - Jan-97: 60
  - Jan-98: 95
  - Jan-99: 130
  - Jan-00: 165
  - Jan-01: 200

- **Copper ($/mt)**
  - Jan-97: 1100
  - Jan-98: 1500
  - Jan-99: 1900
  - Jan-00: 2300
  - Jan-01: 2700

- **Petroleum ($/bbl)**
  - Jan-97: 5.00
  - Jan-98: 12.50
  - Jan-99: 20.00
  - Jan-00: 27.50
  - Jan-01: 35.00

- **Nickel ($/mt)**
  - Jan-97: 3000
  - Jan-98: 5000
  - Jan-99: 7000
  - Jan-00: 9000
  - Jan-01: 11000

- **Palm Oil ($/mt)**
  - Jan-97: 200
  - Jan-98: 350
  - Jan-99: 500
  - Jan-00: 650
  - Jan-01: 800

- **Sugar (cents/kg)**
  - Jan-97: 10
  - Jan-98: 15
  - Jan-99: 20
  - Jan-00: 25
  - Jan-01: 30