

# Commodity Markets Review

October 11, 2007

DECPG, The World Bank

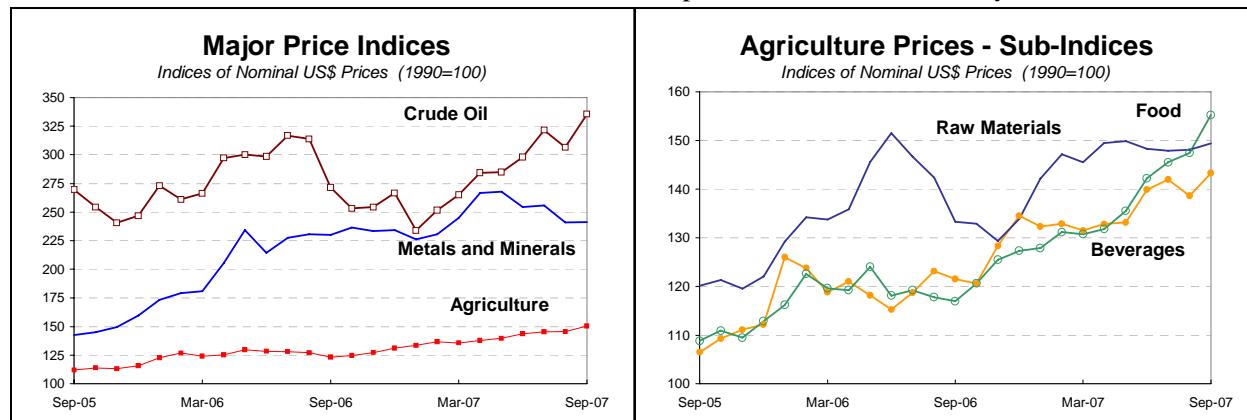
**Non-oil commodity prices climbed 2.0 percent in September**, boosted by dollar depreciation, with sharp gains in many agriculture commodities due to weather-related shortfalls in production. Metals prices were flat overall, although several metals continue to be supported by supply problems.

**Crude oil prices surged 9.5 percent in September, and averaged \$76.8/bbl**, largely on strong speculative demand due to expectations of tight supplies, geopolitical concerns, and as a hedge against the weak dollar. Product prices have not followed crude prices higher, owing to weak demand between the summer-driving and winter-heating seasons in the northern hemisphere. Moreover, low global refining margins reflect a broader softening of demand in Europe, Asia and elsewhere. Crude inventories, however, continue to decline, as backwardation in futures prices discourages discretionary stock building. In the absence of higher output from OPEC, the crude oil market could tighten in the fourth quarter.

OPEC decided in September to raise production by 0.5 mb/d in November, but the group has not said how it will apportion the increase or how it will allocate quotas. New quotas were posted briefly on the OPEC website but were rescinded following a protest from Venezuela. OPEC next meets in Abu Dhabi December 5<sup>th</sup>.

**Agriculture prices rose 3.4 percent in September**, led by an 11.2 percent jump in grains. Wheat prices soared 26 percent due to poor weather-related crops in Australia, Canada, the EU, and the Ukraine. Sorghum and maize prices were up 9 percent and 6 percent, respectively, on strong import demand, especially from Europe because of poor crops. Fats & oils prices rose 7.9 percent, mainly on sharp gains in the soybean complex due to lower soybean plantings in the U.S., and strong demand for soymeal in response to higher maize and other feed prices. Beverage prices rose 3.3 percent, led by a 6 percent gain in robusta coffee prices on a delayed harvest in Vietnam.

**Metals and minerals prices were up a marginal 0.1 percent in September**, with gains in nickel essentially offset by declines in zinc and aluminum. Nickel prices rose 7 percent, rebounding from a 50 percent plunge since May, but demand for stainless steel production remains weak and nickel stocks continue to rise. Zinc prices fell a further 11 percent on prospects of rising mine supplies, while aluminum prices dropped 5 percent on rising stocks and continued large production growth in China. Gold prices jumped 7 percent setting a record nominal monthly high of \$712.7/toz on the back of record dollar weakness against the euro. However, prices remain well below the daily peak of \$835/toz in January 1980.



Prepared in the Development Economics Prospects Group (DECPG) by Shane Streifel, Donald Mitchell, John Baffes and Betty Dow. Katherine Rollins is task assistant. This report is available on <http://decpg.worldbank.org>.

## Major Movers September<sup>1</sup>

**Wheat** prices surged 25.7 percent due to limited export supplies from the EU, Canada and Ukraine as a result of poor crops, concerns about production prospects in Argentina and Australia, and fears of Russian export restrictions.

**Urea** prices increased 16.7 percent following several months of declines due to increased demand from Asia and Latin America, and limited exports from the Black Sea region.

**Soybean** prices climbed 11.8 percent due to lower U.S. soybean production. In addition, **soybean meal and soybean oil** prices jumped 16.0 percent and 6.8 percent, respectively, due to strong demand for soymeal in response to higher maize and other feed prices, as well as strong demand for soyoil for biofuel production.

**Crude oil** prices leapt 9.5 percent due to strong speculative demand on expectations of tighter supplies, despite weak seasonal demand. OPEC is set to increase production 0.5 mb/d on November 1<sup>st</sup>, but the market may require additional output in the coming months.

**Sorghum and maize** prices increased 9.3 percent and 6.1 percent, respectively, due to strong import demand, especially from the EU to offset poor crops due to drought. Demand in the U.S. for ethanol is also expected to rise 25 percent and add to the upward price pressure.

**Gold** prices jumped 7.1 percent on strong investment demand and the weaker dollar.

**Nickel** prices rose 6.8 percent, rebounding after prices plunged 50 percent, although stocks continue to rise and demand remains weak.

**Coffee robusta and arabica** prices rose 6.1 percent and 3.9 percent, respectively, due to speculation of a reduced harvest of arabica in Brazil because of drought, and delayed harvest of robusta in Vietnam.

**Silver** prices rose 4.8 percent on the declining dollar, and as an alternative investment to gold.

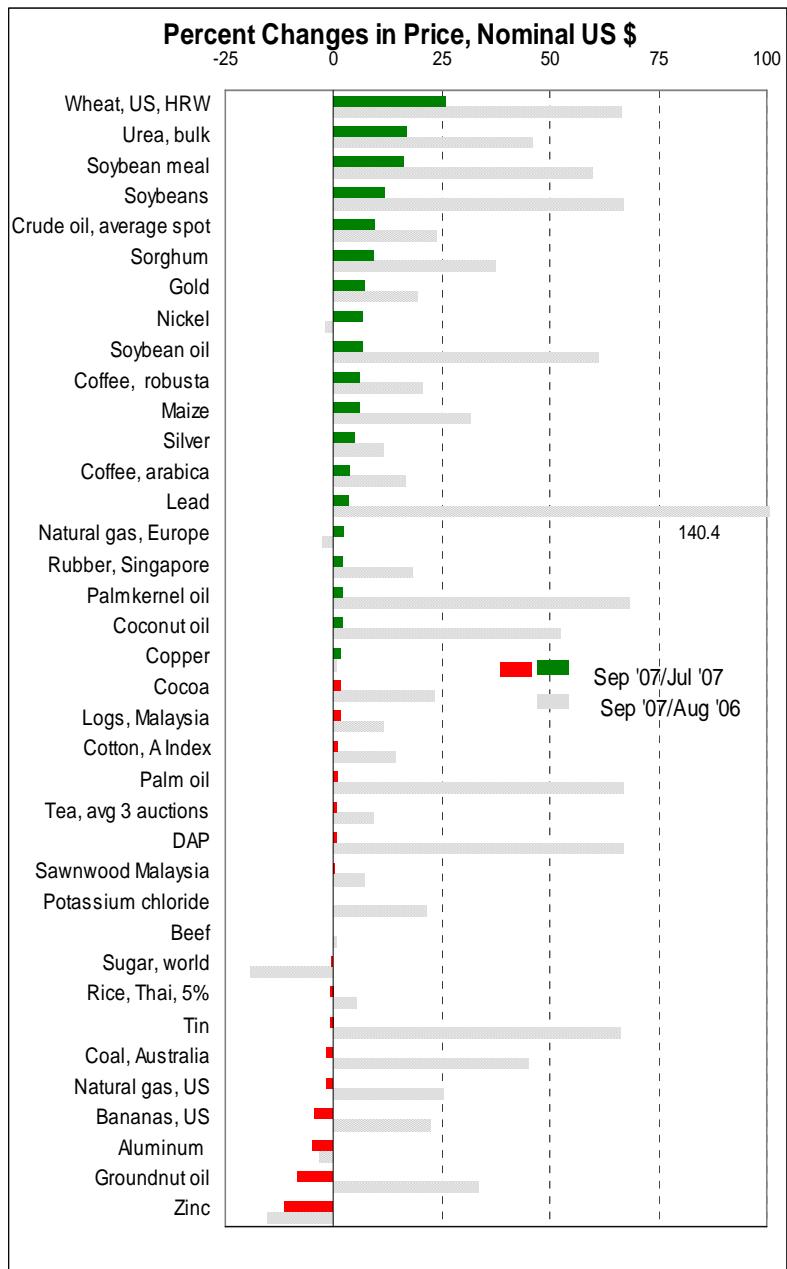
**Bananas** prices in the U.S. fell 4.6 percent due to a typical seasonal decline owing to the increased availability of local fruit.

**Aluminum** prices declined 4.9 percent due to rising stocks and continuing large production

growth in China.

**Groundnut oil** prices fell 8.3 percent because of sharply higher global production prospects.

**Zinc** prices dropped 11.4 percent, and are down 25 percent the past four months, on expectations of significant increases in mine production beginning later this year. However stocks remain extremely low.



<sup>1</sup> Percent change of average September prices compared to average August 2007 prices in nominal U.S. dollars (graph also includes 12-month changes in grey).

## COMMODITY PRICE DATA

Commodity	Unit	Annual averages			Quarterly averages				Monthly averages			
		Jan-Dec 2005	Jan-Dec 2006	Jan-Sep 2007	Jul-Sep 2006	Oct-Dec 2006	Jan-Mar 2007	Apr-Jun 2007	Jul-Sep 2007	Jul 2007	Aug 2007	Sep 2007
<b>Energy</b>												
Coal, Australia	\$/mt	47.62	49.09	59.80	50.26	46.60	53.19	57.91	68.31	67.31	69.35	68.28
Coal, US	\$/mt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Crude oil, avg, spot	a/ \$/bbl	53.39	64.29	65.62	68.79	59.02	57.23	66.13	73.50	73.60	70.13	76.76
Crude oil, Brent	a/ \$/bbl	54.43	65.39	67.28	70.09	59.73	58.07	68.73	75.04	77.20	70.80	77.13
Crude oil, Dubai	a/ \$/bbl	49.29	61.43	63.42	65.87	57.33	55.58	64.71	69.97	69.46	67.21	73.25
Crude oil, West Texas Int.	a/ \$/bbl	56.44	66.04	66.16	70.42	59.99	58.03	64.96	75.48	74.14	72.38	79.91
Natural gas, Europe	\$/mmbtu	6.33	8.47	8.28	8.69	8.96	8.51	8.00	8.34	8.13	8.34	8.54
Natural gas, US	\$/mmbtu	8.92	6.72	6.97	6.04	6.66	7.23	7.50	6.17	6.22	6.20	6.10
<b>Non Energy Commodities</b>												
<b>Agriculture</b>												
<b>Beverages</b>												
Cocoa	b/ c/kg	153.8	159.2	193.7	162.3	160.6	181.3	200.0	199.9	215.8	190.5	193.4
Coffee, Arabica	b/ c/kg	253.2	252.2	264.5	240.0	265.5	267.2	255.1	271.1	259.3	271.6	282.3
Coffee, robusta	b/ c/kg	111.5	148.9	187.2	158.1	168.0	172.8	188.3	200.4	203.9	192.8	204.5
Tea, auctions (3), average	c/kg	164.7	187.2	195.7	195.6	182.2	178.0	199.9	209.4	213.0	206.9	208.3
Tea, Colombo auctions	b/ c/kg	184.3	191.0	235.9	190.9	201.1	226.4	231.1	250.1	248.6	254.6	247.0
Tea, Kolkata auctions	b/ c/kg	162.1	175.4	187.0	192.3	173.2	141.5	208.7	210.9	226.7	204.7	201.3
Tea, Mombasa auctions	b/ c/kg	147.8	195.2	164.3	203.5	172.4	166.0	159.8	167.1	163.6	161.3	176.5
<b>Food</b>												
<b>Fats and Oils</b>												
Coconut oil	b/ \$/mt	617.0	606.9	858.9	599.4	671.2	754.3	900.2	922.3	929.0	910.0	927.8
Copra	\$/mt	413.7	402.5	568.3	400.3	443.5	498.6	599.2	607.2	612.8	595.0	613.8
Groundnut oil	b/ \$/mt	1,060	970	1,235	946	1,121	1,170	1,190	1,345	1,342	1,404	1,288
Palm oil	b/ \$/mt	422.1	478.4	730.4	492.7	545.7	608.7	762.3	820.2	811.0	821.0	828.5
Palmkernel oil	b/ \$/mt	627.0	581.1	823.3	559.0	601.7	677.7	875.7	916.5	924.0	903.0	922.5
Soybean meal	b/ \$/mt	214.4	209.2	275.2	208.3	230.3	255.7	260.3	309.6	289.4	296.0	343.5
Soybean oil	b/ \$/mt	544.9	598.6	808.4	620.3	662.2	709.7	793.9	921.7	885.4	909.0	970.8
Soybeans	b/ \$/mt	274.7	268.6	350.9	263.9	290.0	317.7	338.3	396.9	375.5	385.0	430.3
<b>Grains</b>												
Maize	b/ \$/mt	98.7	121.9	161.0	117.4	155.7	170.9	159.4	152.8	146.8	151.2	160.3
Rice, Thailand, 5%	b/ \$/mt	286.3	304.9	320.6	312.4	300.8	315.6	319.1	327.1	328.8	327.5	325.0
Rice, Thailand, 25%	\$/mt	265.4	277.1	298.8	284.6	276.1	292.6	297.4	306.5	306.8	306.5	306.3
Rice, Thailand, 35%	\$/mt	261.8	272.0	290.9	277.6	268.6	285.8	288.8	298.0	296.6	297.5	300.0
Rice, Thai, A1.Special	\$/mt	217.8	218.0	256.7	219.2	222.5	252.3	255.2	262.7	259.0	261.3	267.8
Sorghum	b/ \$/mt	96.2	122.9	159.2	118.0	158.6	175.2	151.4	151.0	138.5	150.3	164.3
Wheat, Canada	\$/mt	197.6	216.8	262.4	215.4	230.8	232.4	244.7	310.1	277.7	294.9	357.7
Wheat, US, HRW	b/ \$/mt	152.4	192.0	226.3	196.1	208.7	198.4	205.7	274.9	238.4	259.7	326.5
Wheat US SRW	\$/mt	135.7	159.0	209.4	153.0	193.5	173.7	187.0	267.5	225.6	253.9	323.1
<b>Other Food</b>												
Bananas EU	\$/mt	1,176	897	1,027	768	845	1,036	1,045	999	954	936	1,107
Bananas US	b/ \$/mt	602.8	677.2	683.6	548.5	601.8	647.2	705.0	698.6	733.7	697.2	664.9
Beef	b/ c/kg	261.7	254.7	260.5	257.4	265.0	261.2	259.9	260.3	259.0	261.0	260.7
Fishmeal	\$/mt	731	1,166	1,211	1,334	1,244	1,251	1,260	1,121	1,202	1,087	1,073
Lamb	c/kg	443.8	403.6	403.3	408.5	399.3	394.2	399.3	416.5	408.7	411.1	429.5
Oranges	b/ \$/mt	875	829	948	815	920	817	893	1,136	1,142	1,231	1,033
Shrimp, Mexico	b/ c/kg	1,034	1,024	998	1,047	953	988	1,003	1,003	1,003	1,003	1,003
Sugar EU domestic	b/ c/kg	66.54	64.56	66.79	63.30	64.10	65.10	66.98	68.28	68.14	67.67	69.04
Sugar US domestic	b/ c/kg	46.93	48.76	46.21	47.66	43.85	45.17	46.47	46.98	46.56	48.06	46.31
Sugar, world	b/ c/kg	21.79	32.59	22.08	30.60	25.71	23.49	20.90	21.86	22.44	21.63	21.52
<b>Raw Materials</b>												
<b>Timber</b>												
Logs, Cameroon	\$/cum	334.4	318.5	371.9	314.8	327.4	371.3	372.8	371.6	364.8	371.2	378.7
Logs, Malaysia	\$/cum	203.1	239.4	265.5	240.9	256.6	264.8	262.0	269.6	263.1	270.9	275.0
Plywood	c/sheets	508.6	595.6	641.0	638.3	637.2	629.5	639.6	653.9	649.7	651.1	660.8
Sawnwood, Cameroon	\$/cum	559.1	622.9	733.8	632.9	657.8	720.1	725.1	756.2	744.5	744.9	779.4
Sawnwood, Malaysia	\$/cum	659.4	749.3	807.6	761.9	779.1	794.4	807.4	820.9	826.4	816.7	819.6
Woodpulp	\$/mt	635.5	698.6	747.3	737.1	747.2	727.4	751.3	763.2	746.1	771.7	771.7
<b>Other Raw Materials</b>												
Cotton A Index	b/ c/kg	121.7	126.7	134.8	128.0	127.8	128.8	127.4	148.2	149.6	146.8	148.3
Cotton Memphis	c/kg	129.8	133.5	138.7	137.3	132.7	135.9	130.0	150.3	151.6	148.6	150.8
Jute	\$/mt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rubber, Malaysia	c/kg	n.q.	n.q.	n.q.	n.q.	n.q.	n.q.	n.q.	n.q.	n.q.	n.q.	n.q.
Rubber, US	c/kg	166.1	231.3	242.5	245.5	199.4	241.6	251.6	234.2	232.2	235.7	234.8
Rubber, Singapore	b/ c/kg	150.2	210.8	223.7	219.2	176.0	223.3	233.9	213.8	210.1	213.4	218.0
Sisal	\$/mt	885.0	885.0	885.0	885.0	885.0	885.0	885.0	885.0	885.0	885.0	885.0
Wool	c/kg	580.0	557.6	565.0	555.3	565.0	565.0	565.0	565.0	565.0	565.0	565.0

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a/ Included in the petroleum index  
 \$ = U.S. dollar    ¢ = U.S. cent    bbl = barrel    cum = cubic meter    dmtu = Dry Metric Ton Unit    kg = kilogram    mmmbtu = million British thermal units  
 mt = metric ton    toz = troy oz    n.a. = not available    n.q. = not quotation

## COMMODITY PRICE DATA

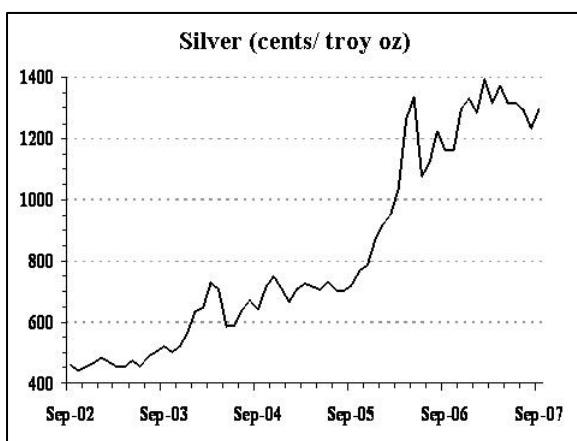
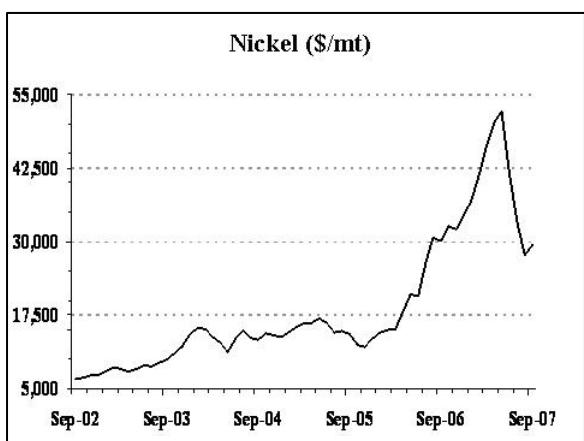
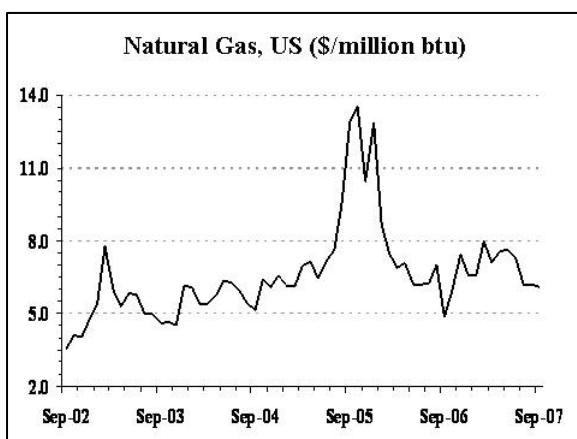
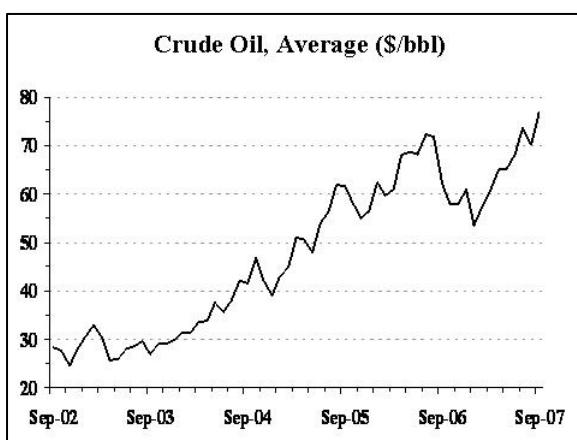
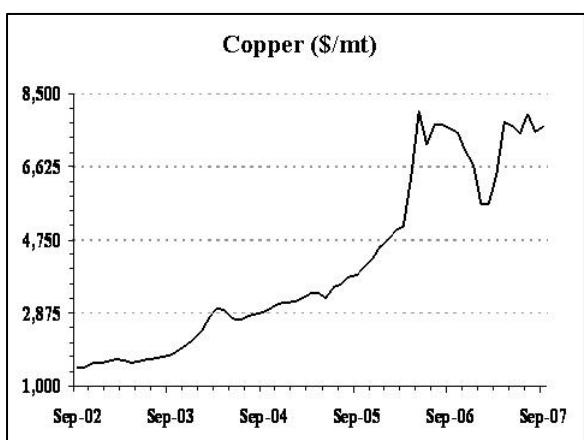
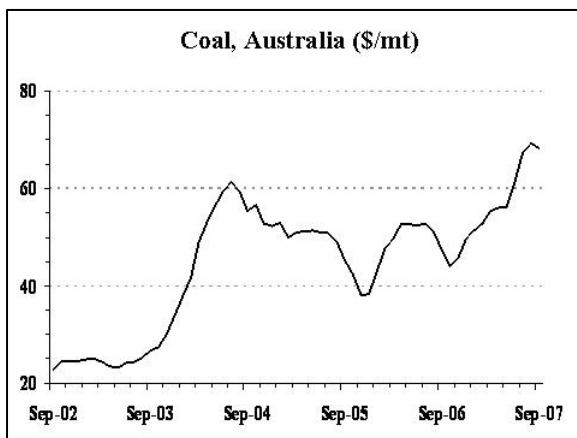
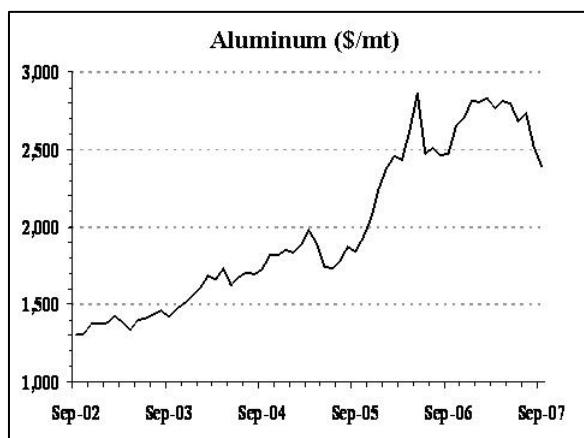
		Annual averages			Quarterly averages				Monthly averages			
		Jan-Dec 2005	Jan-Dec 2006	Jan-Sep 2007	Jul-Sep 2006	Oct-Dec 2006	Jan-Mar 2007	Apr-Jun 2007	Jul-Sep 2007	Jul 2007	Aug 2007	Sep 2007
<b>Fertilizers</b>												
DAP	\$/mt	247.0	260.3	402.7	260.3	254.2	344.5	431.1	432.5	436.3	429.4	431.9
Phosphate rock	b/ \$/mt	42.0	44.2	61.8	45.5	45.5	45.5	59.9	80.0	80.0	80.0	80.0
Potassium chloride	\$/mt	158.2	174.5	189.9	174.6	175.0	175.6	184.8	209.4	203.1	212.5	212.5
TSP	\$/mt	201.5	219.5	n.a.	236.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Urea, E. Europe, bagged	\$/mt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Urea, E. Europe, bulk	\$/mt	219.0	222.9	290.7	210.4	234.0	297.4	291.3	283.6	267.9	269.0	314.0
<b>Metals and Minerals</b>												
Aluminum	b/ \$/mt	1,898	2,570	2,703	2,482	2,724	2,801	2,761	2,546	2,732	2,516	2,391
Copper	b/ \$/mt	3,679	6,722	7,095	7,670	7,068	5,933	7,641	7,712	7,973	7,514	7,649
Gold	\$/toz	444.8	604.3	666.3	621.5	614.5	650.3	667.4	681.1	665.4	665.4	712.7
Iron ore CVRD So & No	b/ c/dmtu	65.00	77.35	84.70	77.35	77.35	84.70	84.70	84.70	84.70	84.70	84.70
Lead	b/ c/kg	97.6	129.0	236.8	119.0	162.7	178.7	217.6	314.3	308.3	311.9	322.7
Nickel	b/ \$/mt	14,744	24,254	39,900	29,154	33,129	41,440	48,055	30,205	33,426	27,652	29,538
Silver	c/toz	734	1,157	1,314	1,169	1,263	1,332	1,336	1,273	1,293	1,233	1,293
Steel products (8) index	a/ 1990=100	137.9	134.5	133.0	135.8	132.1	132.0	133.4	133.6	132.9	132.6	135.3
Steel cr coilsheet	\$/mt	733.3	693.8	650.0	700.0	658.3	650.0	650.0	650.0	650.0	650.0	650.0
Steel hr coilsheet	\$/mt	633.3	600.0	550.0	600.0	558.3	550.0	550.0	550.0	550.0	550.0	550.0
Steel, rebar	\$/mt	423.1	443.8	509.7	450.0	450.0	484.2	540.8	504.2	492.5	475.0	545.0
Steel wire rod	\$/mt	579.2	581.3	526.7	600.0	550.0	500.0	530.0	550.0	550.0	550.0	550.0
Tin	c/kg	738.0	878.1	1393.5	865.3	1033.5	1272.9	1409.8	1497.8	1473.8	1517.4	1502.3
Zinc	b/ c/kg	138.1	327.5	344.9	336.3	420.4	345.6	366.4	322.7	354.6	325.3	288.1
<b>World Bank commodity price indices for low and middle income countries( 1990 =100)</b>												
Energy		233.4	281.0	286.8	300.7	257.9	250.1	289.1	321.2	321.7	306.5	335.5
Non Energy Commodities		121.9	151.9	171.7	156.0	158.5	163.7	175.5	175.9	177.4	173.4	176.8
Agriculture		113.0	126.6	141.0	126.3	127.8	135.6	140.4	147.0	145.2	145.5	150.4
Beverages		116.9	122.5	136.2	121.1	127.8	132.2	135.2	141.2	141.5	138.7	143.3
Food		109.9	120.6	138.6	118.0	124.5	129.9	136.5	149.4	145.5	147.6	155.2
Fats and Oils		122.9	126.4	175.4	127.1	140.4	155.3	174.3	196.7	189.6	192.7	207.8
Grains		103.2	120.9	141.1	121.7	133.1	137.5	135.8	150.0	140.7	146.5	162.9
Other Food		103.1	115.7	107.1	108.5	106.6	104.9	105.9	110.4	112.1	111.2	107.8
Raw Materials		114.1	137.4	147.6	140.8	132.0	145.3	149.2	148.3	147.7	147.7	149.4
Timber		122.5	139.9	151.3	142.0	146.0	149.1	151.0	153.8	154.2	153.2	153.9
Other Raw Materials		108.3	135.7	145.1	139.9	122.5	142.7	148.0	144.5	143.3	144.0	146.2
Fertilizers		134.9	143.5	166.5	151.8	151.8	151.8	164.8	183.0	183.0	183.0	183.0
Metals and Minerals		142.5	215.0	247.6	229.5	234.7	233.9	263.0	246.1	256.0	241.1	241.3

a. Included in the petroleum index, but not in the non-fuel index/

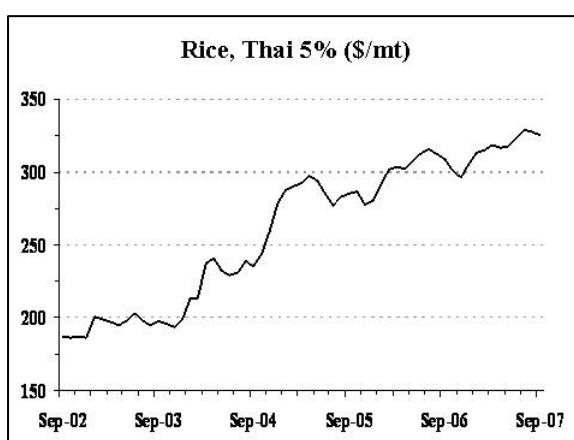
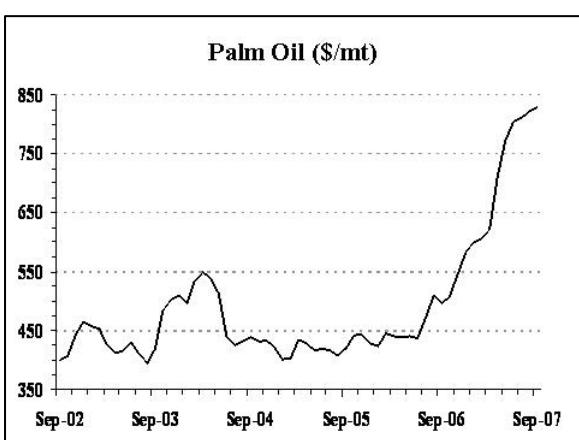
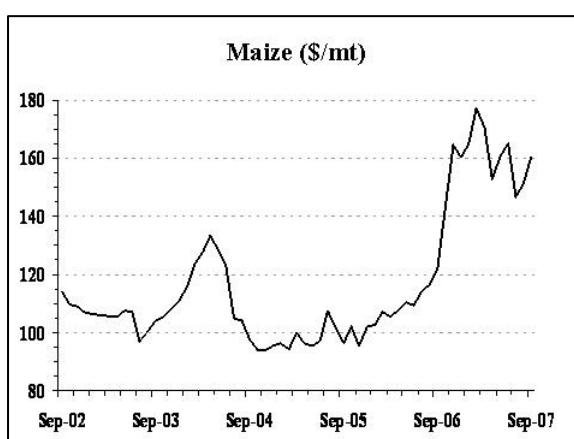
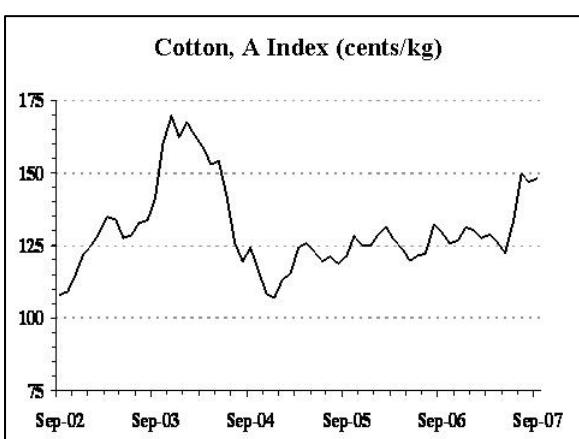
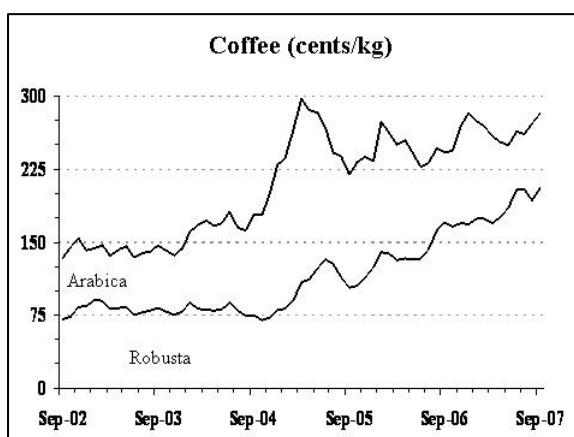
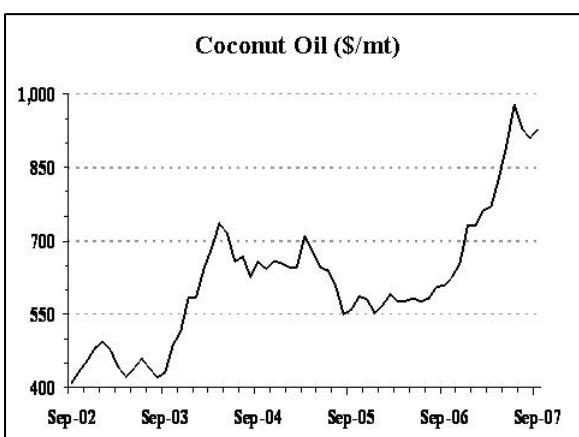
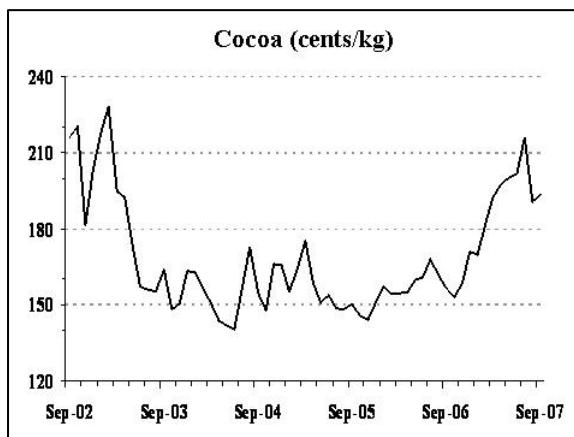
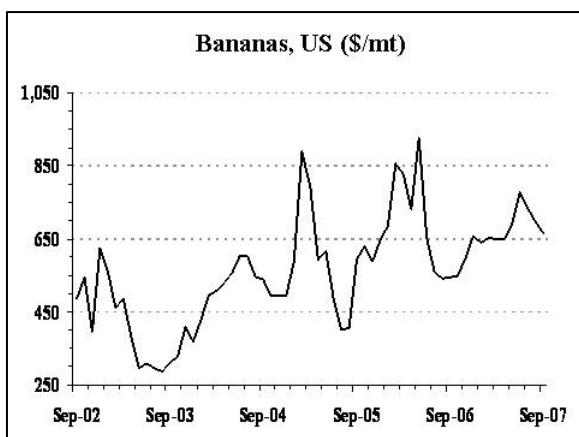
b. Not included in index/

mt = metric ton    toz = troy oz    n.a. = not available    n.q. = no quotation

## **Selected Commodity Prices, Nominal US dollars, 2001-2007**



## **Selected Commodity Prices, Nominal US dollars, 2001-2007 cont'd**



## Selected Commodity Prices, Nominal US dollars, 2001-2007 cont'd

