Commodity Markets Review

April 8, 2003

**Prices for many commodities fell before war in Iraq began March 20**, due to expectations of lower demand as a result of the conflict. Prices are expected to remain weak until stocks, which had been increased in anticipation of war, are reduced to desired levels.

**Crude oil prices fell 7.7 percent in March**, and plunged 25 percent March 12-21, as war became more certain and it appeared that oil markets would not be disrupted from the conflict. Dynamic hedging related to options exacerbated the decline (Philip K. Verleger Jr., *Petroleum Economics Monthly*, March 2003).

**OPEC raised production** in anticipation of reduced Iraqi exports and to replace Venezuela’s production. Saudi Arabia increased output to 9.5 mb/d recently, from 8 mb/d in December. Venezuela’s production recovered more quickly than expected, and imports into the U.S. have increased. In addition demand normally falls seasonally in the second quarter by 2 mb/d.

**Crude oil stocks should replenish** if OPEC production remains at recent levels, and Nigerian production, which fell 0.8 mb/d due to local violence, resumes. Nevertheless, uncertainties remain on resumption of Iraqi exports, low inventories, and possibility of a tight U.S. gasoline market this summer.

**Non-oil commodity prices fell 2.1 percent in March**, with broad declines in agriculture and metals prices, partly offset by relatively strong gains in fertilizer and raw materials prices. The gains in fertilizer prices were due to reduced supplies and high natural gas prices this winter.

**Agricultural prices fell 2.5 percent** in March as importers, who had stockpiled in anticipation of the war, reduced new buying until the duration of the war could better be anticipated. Prices are likely to remain weak until stock are reduced to desired levels. The largest decreases were in beverages, which fell 10.4 percent. Food prices were down 2.3 percent, with large drops in fats & oils, wheat, and sugar prices. Meanwhile, raw material prices increased 3.3 percent, with gains in rubber and cotton.

**Metals and minerals prices fell 1.4 percent** in March, the first monthly decline since a rally began last August. There were price reductions in most major metals, mainly due to concerns about weak demand prospects and rising stocks. Gold prices fell 5.1 percent, continuing their steep fall from near $390/toz in early February to below $325/toz at the beginning of April. Recent gold price declines have been due to a recovery in equity markets and expectations of a relatively short war in Iraq.

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Major Movers in March\footnote{Based on the percent change of average March 2003 compared to average February 2003 in nominal U.S. dollars (graph includes 12-month changes).}

**Groundnut oil** prices soared 21.2 percent on severe drought conditions in India and many growing areas in Africa, along with reduced plantings in the U.S. and Argentina. **Fertilizer** prices increased in March (DAP up 11.5 percent, TSP up 5.7 percent and urea up 4.2 percent). Prices began to weaken towards end-March as shipments slowed due to the war. **Rubber** prices increased 10 percent to reach $1.04 per kg., the highest level since the East Asian financial crisis (July 1997). Tight supplies in Thailand from adverse weather and an imminent export tax contributed to the rally. **Gold** prices fell 5.1 percent on strengthening equity markets and expectations of a short war in Iraq. **Palm oil** prices declined 5.8 percent in March, mainly reflecting weakening imports in European and Middle Eastern countries due to war in Iraq. **Wheat** prices fell 6.0 percent on weak import demand due to better than expected production in major importing countries, higher exports, and improved prospects for next year’s crop. **Tea prices** fell 6.5 percent driven mainly by end-of-season declines in the Kolkata, India, market as tea quality decreased, and from lower imports in the Middle East. **Crude oil** prices declined 7.7 percent on limited supply disruption from war in Iraq, and improving market fundamentals. **Coconut and palmkernel oil** prices declined 7.5 and 8 percent, respectively, in response to tight supplies of copra in the Philippines and weakening imports into European markets. **Coffee** prices fell 7 percent (arabica) and 8.6 percent (robusta), following news that the new crops in Brazil and Vietnam are larger than originally anticipated. **Sugar** prices declined 8.7 percent as new orders slowed because of war in Iraq. **Cocoa** prices dropped 14.7 percent, erasing the gains of the past three months, on growing sentiment that formation of the new coalition government in Cote d’Ivoire would finally bring stability to the country and the cocoa market. **Natural gas** prices in the U.S. plunged 23.4 percent on reduced heating demand due to above normal temperatures. However inventories ended the winter season at the lowest level on record.
### COMMODITY PRICE DATA

#### Energy

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Annual averages</th>
<th>Quarterly averages</th>
<th>Monthly averages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$/mt</td>
<td>$/mt</td>
<td>$/mt</td>
</tr>
<tr>
<td>Coal, Australia</td>
<td>32.31</td>
<td>27.06</td>
<td>26.57</td>
</tr>
<tr>
<td>Coal, US</td>
<td>14.86</td>
<td>9.02</td>
<td>9.37</td>
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<tr>
<td>Crude oil, average spot a/b</td>
<td>24.35</td>
<td>24.93</td>
<td>31.33</td>
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<tr>
<td>Crude oil, Brent a/b</td>
<td>24.42</td>
<td>24.97</td>
<td>31.33</td>
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<tr>
<td>Crude oil, Dubai a/b</td>
<td>22.71</td>
<td>23.72</td>
<td>28.56</td>
</tr>
<tr>
<td>Crude oil, West Texas Int.</td>
<td>25.92</td>
<td>26.09</td>
<td>34.02</td>
</tr>
<tr>
<td>Natural gas, Europe $/mbtu</td>
<td>4.06</td>
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<tr>
<td>Natural gas, US $/mbtu</td>
<td>3.96</td>
<td>3.35</td>
<td>4.30</td>
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#### Non-Energy Commodities

**Agriculture**

<table>
<thead>
<tr>
<th>Beverages</th>
<th>Cocoa bbl/c/kg</th>
<th>Coffee, arabica bbl/c/kg</th>
<th>Coffee, robusta bbl/c/kg</th>
<th>Tea, average 3 auctions bbl/c/kg</th>
<th>Tea, Colombo auctions bbl/c/kg</th>
<th>Tea, Kolkata auctions bbl/c/kg</th>
<th>Tea, Mombasa auctions bbl/c/kg</th>
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<tbody>
<tr>
<td></td>
<td>106.9</td>
<td>177.8</td>
<td>213.6</td>
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<td>161.0</td>
<td>199.7</td>
<td>201.5</td>
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<td>60.7</td>
<td>66.2</td>
<td>87.5</td>
<td>56.1</td>
<td>63.3</td>
<td>65.1</td>
<td>80.3</td>
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**Beverages**

<table>
<thead>
<tr>
<th>Sugar, US, domestic bbl/c/kg</th>
<th>126.8</th>
<th>148.1</th>
<th>174.7</th>
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</thead>
</table>

**Food**

<table>
<thead>
<tr>
<th>Fats and Oils</th>
<th>Coconut oil bbl/c/kg</th>
<th>Copra bbl/c/kg</th>
<th>Groundnut oil bbl/c/kg</th>
<th>Palm oil bbl/c/kg</th>
<th>Palmkernel oil c/kg</th>
<th>Soybean meal bbl/c/kg</th>
<th>Soybean oil bbl/c/kg</th>
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<tr>
<td></td>
<td>318.1</td>
<td>202.1</td>
<td>680.3</td>
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<td>60.3</td>
<td>245.7</td>
<td>410.3</td>
<td>438.3</td>
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<td>409.0</td>
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**Grains**

<table>
<thead>
<tr>
<th>Maize bbl/c/kg</th>
<th>Rice, Thai, 5% bbl/c/kg</th>
<th>Rice, Thai, 25% bbl/c/kg</th>
<th>Rice, Thai, 35% bbl/c/kg</th>
<th>Rice, Thai, A1, Special bbl/c/kg</th>
<th>Sorghum bbl/c/kg</th>
<th>Wheat, Canada bbl/c/kg</th>
<th>Wheat, US, HRW bbl/c/kg</th>
<th>Wheat, US, SRW bbl/c/kg</th>
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<tbody>
<tr>
<td>89.6</td>
<td>172.6</td>
<td>153.1</td>
<td>149.1</td>
<td>134.1</td>
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<td>151.5</td>
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<td>107.7</td>
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<tr>
<td>90.8</td>
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<td>90.5</td>
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<td>177.0</td>
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<td>145.8</td>
<td>89.2</td>
<td>143.7</td>
<td>125.7</td>
<td>113.2</td>
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**Other Food**

<table>
<thead>
<tr>
<th>Bananas, EU bbl/c/kg</th>
<th>Bananas, US, domestic bbl/c/kg</th>
<th>Beef bbl/c/kg</th>
<th>Fishmeal bbl/c/kg</th>
<th>Lamb bbl/c/kg</th>
<th>Oranges bbl/c/kg</th>
<th>Shrimp bbl/c/kg</th>
<th>Sugar, US, domestic bbl/c/kg</th>
<th>Sugar, world bbl/c/kg</th>
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<tr>
<td>777.2</td>
<td>583.3</td>
<td>121.2</td>
<td>486.7</td>
<td>291.2</td>
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<td>794.9</td>
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<td>330.3</td>
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<td>707.0</td>
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<td>695.1</td>
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<td>210.2</td>
<td>480.9</td>
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<td>983</td>
<td>53.4</td>
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**Raw Materials**

<table>
<thead>
<tr>
<th>Timber</th>
<th>Logs, Cameroon $/cum</th>
<th>Logs, Malaysia $/cum</th>
<th>Logs, Malaysia c/sheets</th>
<th>Sawwood, Cameroon $/cum</th>
<th>Sawwood, Malaysia $/cum</th>
<th>Wood pulp $/mt</th>
<th>Other Raw Materials c/kg</th>
<th>Cotton, &quot;A Index&quot; bbl/c/kg</th>
<th>Cotton, Memphis bbl/c/kg</th>
<th>Jute bbl/c/kg</th>
<th>Rubber, Malaysia bbl/c/kg</th>
<th>Rubber, US bbl/c/kg</th>
<th>Rubber, Singapore c/kg</th>
<th>Sisal bbl/c/kg</th>
<th>Wool bbl/c/kg</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>266.1</td>
<td>159.1</td>
<td>409.8</td>
<td>471.9</td>
<td>481.4</td>
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<td>116.6</td>
<td>329.4</td>
<td>60.0</td>
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<td>57.5</td>
<td>699.2</td>
<td>418.7</td>
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<tr>
<td></td>
<td>n.a.</td>
<td>163.4</td>
<td>402.7</td>
<td>486.4</td>
<td>526.5</td>
<td>452.3</td>
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<td>104.9</td>
<td>270.8</td>
<td>77.1</td>
<td>107.1</td>
<td>75.6</td>
<td>656.6</td>
<td>469.0</td>
<td></td>
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<tr>
<td></td>
<td>n.a.</td>
<td>186.3</td>
<td>433.4</td>
<td>538.4</td>
<td>550.1</td>
<td>458.3</td>
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<td>98.0</td>
<td>233.8</td>
<td>65.6</td>
<td>101.0</td>
<td>98.6</td>
<td>668.3</td>
<td>564.4</td>
<td></td>
</tr>
</tbody>
</table>

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

continued on next page
## Commodities Price Data

### Commodities

<table>
<thead>
<tr>
<th>Commodity</th>
<th>0 Annual averages</th>
<th>Quarterly averages</th>
<th>Monthly averages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Jan-Dec 2001</td>
<td>Jan-Dec 2002</td>
<td>Jan-Mar 2003</td>
</tr>
<tr>
<td></td>
<td>Jan-Feb 2003</td>
<td>Mar 2003</td>
<td></td>
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</tbody>
</table>

### Fertilizers
- **DAP**
  - $/mt: 147.7, 157.5, 172.0, 155.0, 158.8, 171.3, 172.0, 153.8, 171.3
- **Phosphate rock**
  - $$/mt: 41.8, 40.4, 38.0, 41.0, 41.0, 38.5, 38.0, 38.0
- **Potassium chloride**
  - $/mt: 118.1, 113.3, 112.5, 115.3, 112.9, 112.5, 112.5
- **TSP**
  - $/mt: 105.3, n.a., n.a., n.a., n.a., n.a., n.a., n.a.

### Metals and Minerals
- **Aluminum**
  - $$/mt: 1,444, 1,350, 1,397, 1,381, 1,356, 1,310, 1,353, 1,378
- **Copper**
  - $$/mt: 1,579, 1,599, 1,663, 1,557, 1,611, 1,516, 1,554, 1,663
- **Gold**
  - $$/oz: 271.0, 311.0, 352.1, 290.4, 312.8, 314.2, 322.5, 352.1
- **Iron ore**
  - c/dmtu: 30.03, 29.31, 29.31, 29.31, 29.31, 29.31, 29.31, 29.31
- **Lead**
  - $$/kg: 47.6, 41.3, 49.1, 43.0, 43.5, 45.9, 44.5, 47.6
- **Nickel**
  - $$/mt: 5,945, 6,772, 8,343, 6,203, 6,946, 6,833, 6,540, 6,495
- **Silver**
  - c/toz: 438.6, 462.5, 469.5, 450.7, 475.4, 470.1, 454.0, 469.5
- **Steel products (8) index**
  - 1990 = 100
- **Steel, cold rolled coilsheet**
  - $/mt: 299.2, 328.3, 400.0, 280.0, 300.0, 353.3, 380.0, 400.0
- **Steel, hot rolled coilsheet**
  - $/mt: 216.5, 246.7, 306.7, 200.0, 236.7, 270.0, 280.0, 306.7
- **Steel, rebar**
  - $/mt: 221.5, 204.2, 250.0, 200.0, 200.0, 206.7, 210.0, 250.0
- **Steel, wire rod**
  - $/mt: 302.3, 300.0, 300.0, 300.0, 300.0, 300.0, 300.0, 300.0
- **Tin**
  - c/kg: 448.4, 406.1, 453.7, 381.2, 415.3, 404.1, 423.6, 453.7
- **Zinc**
  - c/kg: 88.6, 77.9, 78.6, 79.5, 78.2, 76.6, 77.3, 78.6

### World Bank Commodity Price Indexes for Low and Middle Income Countries (1990 = 100)

- **Petroleum**
  - 106.4, 109.0, 136.9, 91.5, 110.1, 117.7, 116.5, 136.9
- **Non-Energy Commodities**
  - 79.0, 83.0, 90.1, 78.3, 81.2, 84.8, 87.6, 90.1
- **Agriculture**
  - 79.8, 86.5, 95.1, 79.7, 83.5, 89.6, 93.1, 95.4
- **Beverages**
  - 72.1, 84.6, 94.6, 77.4, 81.3, 86.2, 93.4, 94.6
- **Food**
  - 86.0, 90.1, 96.7, 84.5, 87.4, 92.4, 95.9, 96.7
- **Fats and Oils**
  - 89.0, 101.2, 113.6, 91.6, 96.7, 105.2, 111.3, 113.6
- **Grains**
  - 78.2, 84.9, 90.9, 80.7, 81.6, 94.1, 95.9, 90.9
- **Other Food**
  - 87.9, 82.1, 86.1, 80.9, 83.1, 83.9, 86.1, 87.7
- **Raw Materials**
  - 77.4, 83.2, 93.5, 75.1, 80.1, 88.5, 89.2, 93.5
- **Timber**
  - 90.2, 98.1, 103.5, 88.4, 94.6, 104.4, 105.2, 103.5
- **Other Raw Materials**
  - 68.6, 73.1, 86.8, 66.0, 70.2, 77.9, 83.7, 86.8
- **Fertilizers**
  - 98.8, 100.5, 99.8, 102.3, 100.7, 100.6, 98.4, 99.8
- **Metals and Minerals**
  - 75.1, 72.8, 76.7, 72.7, 73.8, 71.5, 73.2, 76.7

### Notes
- $ = U.S. dollar
- ¢ = U.S. cent
- ′ = U.S. barrel
- ′′ = Dry Metric Ton Unit
- ′′′ = cubic meter
- kg = kilogram
- mmbtu = million British thermal units
- n.a. = not available
- n.q. = not quotation
- m = metricton
- oz = troy ounce