Commodity Markets Review

November 8, 2010

Non-energy commodity dollar prices in October rose for the fourth straight month, up 3.3 percent, mainly reflecting a weaker dollar—down 6.2 percent versus the euro and 3.5 percent against a basket of currencies. Dollar prices rose across commodity sectors, including agriculture, metals, fertilizers—and oil.

Crude oil dollar prices increased 7.4 percent in October, averaging $81.72/bbl, but rose just 1.1% in euros. Dollar prices shot above $86/bbl in early November as global crude oil inventories continue to fall, particularly the large overhang of floating storage, although U.S. stocks remain high. Product stocks also dropped due to autumn refinery maintenance and strikes in France. However, refinery runs are ramping up following turnarounds, and China’s crude import demand surged in September, reflecting new refinery capacity. OPEC met October 14th and agreed to leave production quotas unchanged. However, OPEC’s previous “ideal” price range of $70-80/bbl has expanded to $70-90/bbl, a range that the Saudi oil minister deemed “comfortable.”

Natural gas prices in the U.S. dropped 12.1 percent in October to $3.4/mmbtu, due to mild weather that kept demand moderate, and large seasonal injections into storage that are approaching record levels. U.S. gas production continues to increase, in part due to the steady growth in un-conventional shale gas output.

Agriculture dollar prices jumped 5.9 percent in October, up a fifth straight month, but fell 0.3 percent in euros. Cotton prices soared 21 percent to an all-time nominal high due to low stocks, strong demand and supply tightness. Maize prices climbed 15 percent following significantly lower yield estimates by the USDA. Rubber prices rose 11 percent because of heavy rains in Thailand, Malaysia and Indonesia. Several oilseed prices rose sharply due to tight supplies, strong demand from China, and concerns about Latin American soybean prospects. Sugar prices rose 9 percent on a lower-than-expected U.S. crop, and weather related shortfalls in Australia and Brazil.

Base metal dollar prices surged 7.9 percent in October, up for a fourth straight month, but only 1.6 percent in euros. Tin prices jumped 16 percent on strong demand in China, declining inventories, falling production in Indonesia from heavy rains, and output cuts in China in order to save energy. Zinc, lead and aluminum prices rose sharply on flattening/declining inventories, but these markets remain well supplied. Copper prices rose 8 percent on falling stocks and concerns about mine supply growth. Two physically-backed copper ETFs were filed with the SEC that could begin trading in 2011 and may impact both inventories and demand. Silver prices surged 14 percent due to strong investment and industrial demand.

Prepared in the Development Economics Prospects Group (DECPG) by Shane Streifel, John Baffes and Betty Dow. Katherine Rollins is task assistant.
Major Movers October¹

Cotton prices soared 20.9 percent, the largest nominal monthly gain during the past 50 years, due to the low level of global stocks, strong demand by spin millers, and supply shortfalls. Tin prices jumped 16.0 percent due to strong demand in China, declining inventories, falling production in Indonesia from heavy rains, and recent output cuts in China to save energy. Maize and sorghum prices surged 14.5 percent and 8.7 percent, respectively, following a USDA update that significantly lowered yield estimates in the U.S. and other countries, indicating a tight market for coarse grains. Silver prices increased 13.9 percent due to strong investment and industrial demand. Phosphate rock, DAP and TSP fertilizer prices rose 12.0, 9.5, and 6.3 percent, respectively, on strong demand in the U.S. and Brazil, partly driven by higher agriculture prices. Palmkernel oil and coconut oil prices (close substitutes) rose 11.9 percent and 10.7 percent, respectively, reflecting tight supplies, and because copra production in the Philippines is expected to decline 25 percent in 2011. Rubber prices increased 11.1 percent due to tight supplies because of heavy rains in Thailand, Malaysia, and Indonesia, the world's dominant natural rubber suppliers. Soybean oil and palm oil prices (close substitutes) rose 10.7 percent and 7.9 percent, respectively, due to strong demand by China, higher production of biodiesel, export restrictions of sunflower oil by Ukraine, and expected competition from grains for land. Zinc prices increased 10.3 percent on flattening stock levels and warehouse financing deals that have tightened the spot market; however the global market remains well supplied. Sugar prices rose 9.3 percent reflecting a lower than expected U.S. crop and weather-related shortfalls in Australia and Brazil. Lead prices increased 8.9 percent due to strong demand in China's auto and battery-powered bike sectors; however the lead market is well supplied and stocks are high. Aluminum prices rose 8.5 percent because of falling stocks and government-forced production cutbacks in China to meet energy targets.

Copper prices rose 7.6 percent on falling stocks, strong Chinese import demand, and potential impact on demand and stocks from SEC filings of two physically-backed Exchange Traded Funds that could begin trading in early 2011. Crude oil prices increased 7.4 percent (1.1 percent in euros) partly reflecting falling stocks and higher crude demand as refiners ramp up from autumn maintenance. Natural gas (U.S.) prices plunged 12.1 percent on high inventories, growing production, and subdued demand because of mild weather.

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

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Unit</th>
<th>Annual averages</th>
<th>Quarterly averages</th>
<th>Monthly averages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coal, Australia</td>
<td>$/mt</td>
<td>127.10</td>
<td>171.84</td>
<td>96.14</td>
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<tr>
<td>Crude oil, avg. spot</td>
<td>$/bbl</td>
<td>96.99</td>
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<td>77.39</td>
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<td>Crude oil, Brazil</td>
<td>$/bbl</td>
<td>97.64</td>
<td>6186</td>
<td>77.62</td>
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<tr>
<td>Crude oil, Dubai</td>
<td>$/bbl</td>
<td>93.78</td>
<td>6175</td>
<td>76.40</td>
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<tr>
<td>Crude oil, West Texas Int.</td>
<td>$/bbl</td>
<td>99.56</td>
<td>6155</td>
<td>77.97</td>
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<tr>
<td>Natural gas Index 2000=100</td>
<td>$/mt</td>
<td>287.9</td>
<td>135.5</td>
<td>156.4</td>
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<tr>
<td>Natural gas, Europe</td>
<td>€/mmbtu</td>
<td>0.41</td>
<td>0.71</td>
<td>8.21</td>
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<tr>
<td>Natural gas, US</td>
<td>€/mmbtu</td>
<td>8.86</td>
<td>3.95</td>
<td>4.47</td>
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<tr>
<td>Natural gas LNG, Japan</td>
<td>€/mmbtu</td>
<td>12.35</td>
<td>5.94</td>
<td>10.85</td>
</tr>
</tbody>
</table>

### Non Energy Commodities

**Agriculture**

**Beverages**

**Food**

**Fats and Oils**

**Grains**

**Other Food**

**Raw Materials**

**Timber**

**Other Raw Materials**

* $ = US dollar  
* ¢ = US cent  
* bbl = barrel  
* cum = cubic meter  
* dmtu = Dry Metric Ton Unit  
* kg = kilogram  
* mmbtu = million British thermal units  
* mt = metric ton  
* toz = troy oz  

**Note:**

- **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
- **f/** Further notes as indicated in the table.
### COMMODITY PRICE DATA

<table>
<thead>
<tr>
<th>Annual averages (Jan-Dec)</th>
<th>Quarterly averages (Jan-Oct)</th>
<th>Monthly averages (Jan-Dec)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fertilizers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DAP</td>
<td>$/mt</td>
<td></td>
</tr>
<tr>
<td>Phosphate rock</td>
<td>$/mt</td>
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<tr>
<td>Potassium chloride</td>
<td>$/mt</td>
<td></td>
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<tr>
<td>TSP</td>
<td>$/mt</td>
<td></td>
</tr>
<tr>
<td>Urea, Europe, bulk</td>
<td>$/mt</td>
<td></td>
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<tr>
<td>Metals and Minerals</td>
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<td></td>
</tr>
<tr>
<td>Aluminum</td>
<td>$/mt</td>
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<tr>
<td>Copper</td>
<td>$/mt</td>
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</tr>
<tr>
<td>Gold</td>
<td>$/oz</td>
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<tr>
<td>Iron ore</td>
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<tr>
<td>Lead</td>
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<tr>
<td>Nickel</td>
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<tr>
<td>Silver</td>
<td>$/oz</td>
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<tr>
<td>Steel products index</td>
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<tr>
<td>Steel cr coilsheet, Japan, Reinstated</td>
<td>$/mt</td>
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<tr>
<td>Steel hr coilsheet, Japan, Reinstated</td>
<td>$/mt</td>
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<tr>
<td>Steel, rebar, Japan, Reinstated</td>
<td>$/mt</td>
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</tr>
<tr>
<td>Steel wire rod, Japan, Reinstated</td>
<td>$/mt</td>
<td></td>
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<tr>
<td>Tin</td>
<td>$/kg</td>
<td></td>
</tr>
<tr>
<td>Zinc</td>
<td>$/kg</td>
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</tr>
</tbody>
</table>

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

- **Energy**
  - Urea, E. Europe, bulk
  - TSP
  - Potassium chloride
  - Phosphate rock
  - Iron ore
  - Food
  - Fats and Oils
  - Grains
  - Other Food
  - Raw Materials
  - Timber
  - Other Raw Materials
  - Fertilizers
  - Metals and Minerals
  - Base Metals

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mmbtu = million British thermal units  
mt = metric ton  
toz = troy oz  
n.a. = not available  
n.q. = no quotation
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

- **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, 2005-2010 Cont’d