

Commodity Markets Review

August 8, 2008

DECPG, The World Bank

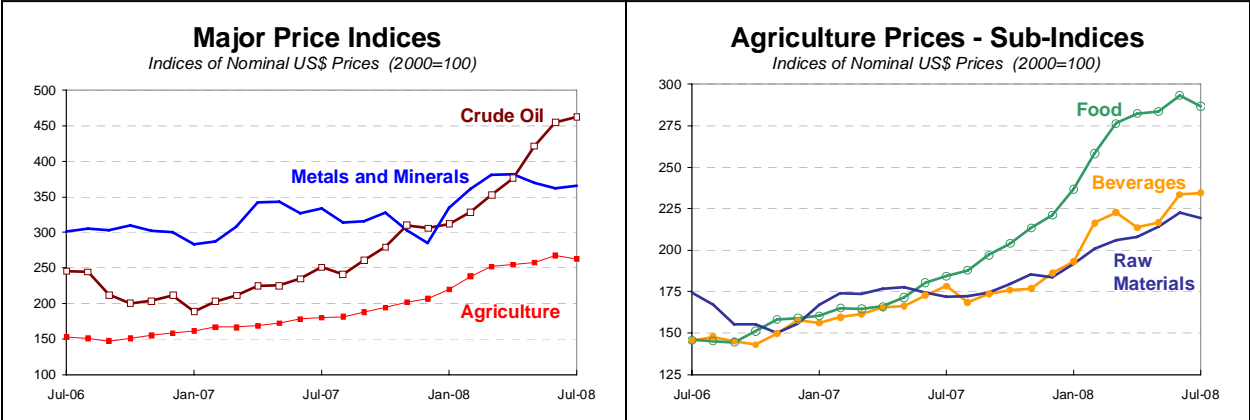
Non-energy commodity prices edged up 0.1 percent in July, with gains in fertilizers and metals partly offset by a decline in agriculture prices—the first drop in 16 months. Prices for many commodities in the main groups have fallen since early July on worries about a continued slowdown in global growth and the strengthening of the dollar.

Crude oil prices rose 1.0 percent in July, but after peaking at \$143.8/bbl near the beginning of the month prices plunged below \$115/bbl in early August. The slump was due to acceleration of declining demand in the U.S. and Europe, easing of the tight distillate market, higher OPEC production, improving stocks, and the prospects of rising supply growth over the next year. However, the latter remains vulnerable to continued project delays and disruptions, reflected by the recent apparent attack on the important BTC pipeline through Turkey which transports Azerbaijan’s Caspian crude oil to the Mediterranean.

Coal prices surged 12.7 percent in July on strong demand in China and supply constraints in Australia. However coal prices have recently reversed with the drop in oil prices and rising exports from Newcastle in Australia. Lower oil prices have also led to falling natural gas prices in the U.S., although European gas prices remain high due to the lagged indexation of imported gas to oil prices.

Agriculture prices fell 1.8 percent in July—the first decline since March 2007—on improved supply prospects, particularly for grains and oilseeds and these prices have continued to plunge in August. The largest decreases in July were in sorghum and maize prices (down 17 and 8 percent, respectively), as flooding in the U.S. Midwest was less damaging than previously expected. Wheat prices fell 6 percent on a projected 9 percent increase in global production. Palm-, palmkernel- and coconut oil prices all fell due to rising output in Southeast Asia. The main exception was sugar prices, which surged 17 percent on expected lower output from Brazil, and concern that dry weather may harm India’s crop.

Metals and minerals prices rose 1.0 percent in July, with most metals up except for nickel and zinc which continued their large declines of the past 5 months on weakness in the stainless steel sector and improving supply prospects for both metals. However, all metals prices with the exception of lead have dropped significantly since early July on growing concerns about demand in the U.S. and Europe, and also the strengthening dollar. Copper prices have fallen 13 percent to below \$8,000/t, while gold prices have dropped more than \$100/toz since mid-July to under \$865/toz. Lead prices have surged 30 percent the past 5 weeks on falling stocks and strong demand and supply constraints in China.



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 July¹

Urea and TSP prices soared 20.9 and 6.7 percent, respectively, on strong demand and expectations of an increase in China's export tariffs and rumors of new Russian export tariffs.

Sugar prices surged 17.3 percent on expected lower output from Brazil, and as dry weather threatens India's crop.

Coal prices increased 12.7 percent due to strong demand in China, export constraints in Australia, and rising oil prices.

Natural gas (Europe) prices jumped 11.6 percent on rising oil prices this year, as contracted imports are indexed to oil prices with a lag.

Beef prices jumped 8.5 percent on higher feed prices and a seasonal decline in production from New Zealand and Uruguay.

Silver prices increased 6.0 percent in tandem with higher gold and oil prices, but all three prices have dropped sharply since early July, in part due to the strengthening dollar.

Gold prices increased 5.7 percent on higher oil prices and the weak dollar, but have fallen sharply since mid-July with the drop in oil prices and strengthening U.S. currency.

Lead prices rose 4.4 percent on falling stocks and supply constraints in China. The Magellan mine in Australia remains closed, and there remains local opposition to resuming exports.

Wheat prices fell 5.8 percent on an estimated 8.8 percent increase in global production, and a 17 percent increase in production in the 8 major wheat exporters.

Palm oil prices decreased 7.0 percent on rising production in Southeast Asia, as well as falling energy prices and increasing production of competing soybean oil from Latin America which could reduce the demand for palm oil as a substitute for food and fuel.

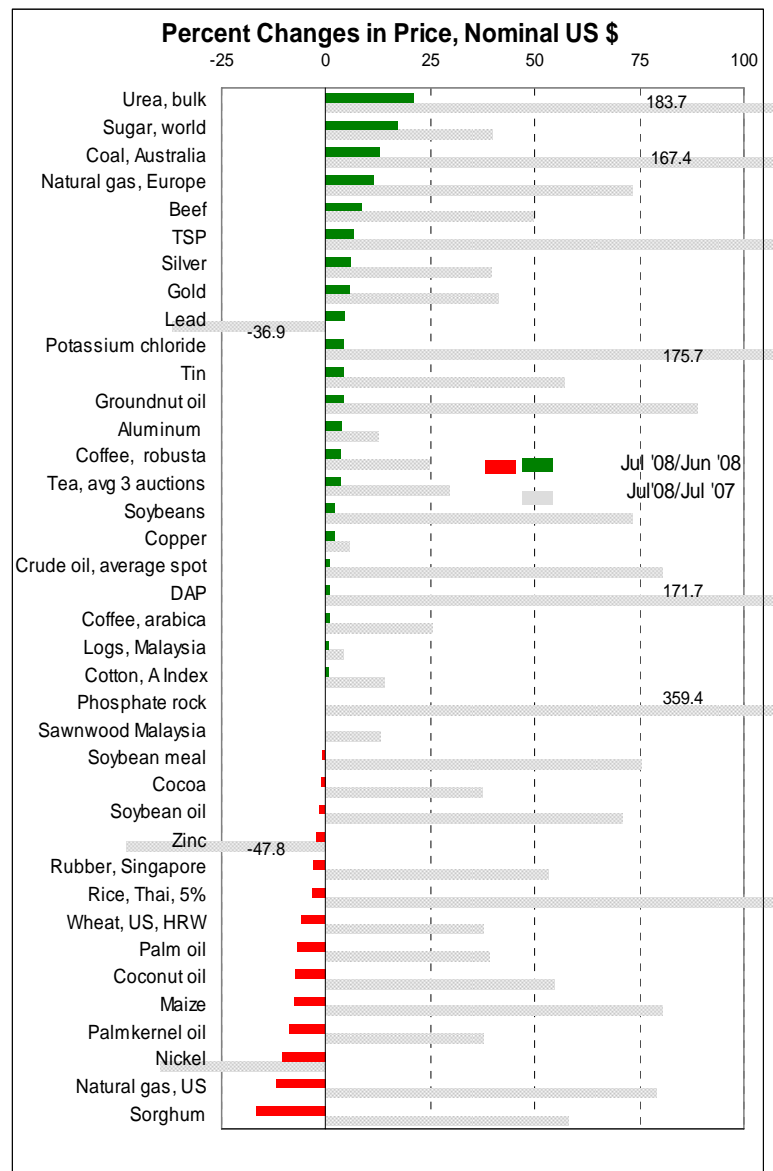
Palmkernel oil and coconut oil (close substitutes) prices fell 8.9 percent and 7.4 percent, respectively, due to higher Asian exports of palmkernel oil, and an expected jump in Philippine coconut production on favorable weather conditions.

Nickel prices dropped 10.6 percent on cutbacks

in Asian stainless steel production due to weak demand and the sharp fall in global stainless steel prices.

Natural gas (U.S.) prices fell 12.0 percent on falling oil prices and improved outlook for supply, particularly from the Barnett Shale formation in Northeast Texas.

Sorghum and maize prices plummeted 16.5 percent and 7.6 percent, respectively, as flooding in the U.S. Midwest was less damaging than earlier expected.



¹ Percent change of average July 2008 prices compared to average June prices in nominal U.S. dollars (graph also includes 12-month changes in grey).

COMMODITY PRICE DATA

		Annual averages			Quarterly averages					Monthly averages		
Commodity	Unit	Jan-Dec 2006	Jan-Dec 2007	Jan-Jul 2008	Apr-Jun 2007	Jul-Sep 2007	Oct-Dec 2007	Jan-Mar 2008	Apr-Jun 2008	May 2008	Jun 2008	Jul 2008
Energy												
Coal, Australia	a/ \$/mt	49.09	65.73	133.99	57.91	68.37	83.47	114.00	138.65	133.20	159.75	180.00
Crude oil, avg. spot	a/ \$/bbl	64.29	71.12	111.67	66.13	73.50	87.61	95.31	120.97	122.63	131.52	132.83
Crude oil, Brent	a/ \$/bbl	65.39	72.70	113.01	68.73	75.04	88.95	96.67	122.39	123.94	133.05	133.87
Crude oil, Dubai	a/ \$/bbl	61.43	68.37	107.88	64.71	69.97	83.21	91.30	116.67	118.95	127.59	131.22
Crude oil, West Texas Int.	a/ \$/bbl	66.04	72.28	114.11	64.96	75.48	90.67	97.94	123.85	125.01	133.93	133.38
Natural gas Index	a/ 2000=100	181.6	186.5	266.9	186.1	174.4	197.7	235.3	286.0	284.3	305.0	304.3
Natural gas, Europe	a/ \$/mmbtu	8.47	8.56	11.98	8.00	8.34	9.37	10.86	12.40	12.38	12.63	14.09
Natural gas, US	a/ \$/mmbtu	6.72	6.98	10.16	7.50	6.17	7.03	8.65	11.35	11.23	12.68	11.15
Natural gas LNG, Japan	a/ \$/mmbtu	7.08	7.68	11.42	7.14	7.68	8.96	10.45	11.68	11.63	12.00	13.50
Non Energy Commodities												
Agriculture												
Beverages												
Cocoa	b/ c/kg	159.2	195.2	267.0	200.0	199.9	199.7	247.7	276.4	268.4	300.1	296.7
Coffee, Arabica	b/ c/kg	252.2	272.4	322.3	255.1	271.1	296.1	328.5	315.1	312.9	322.2	324.9
Coffee, robusta	b/ c/kg	148.9	190.9	246.7	188.3	200.4	202.1	247.3	243.6	240.0	245.5	254.0
Tea, auctions (3), average	b/ c/kg	187.2	203.6	249.1	199.9	211.0	225.6	234.6	254.7	248.4	266.9	275.9
Tea, Colombo auctions	b/ c/kg	191.0	252.2	303.3	231.1	254.7	296.7	305.2	298.5	293.7	310.1	312.0
Tea, Kolkata auctions	b/ c/kg	175.4	192.1	219.5	208.7	211.3	207.1	176.6	244.0	237.2	259.6	274.5
Tea, Mombasa auctions	b/ c/kg	195.2	166.5	224.5	159.8	167.1	173.0	221.8	221.6	214.3	231.0	241.3
Food												
Fats and Oils												
Coconut oil	b/ \$/mt	607	919	1,439	900	923	1,098	1,379	1,499	1,502	1,551	1,436
Copra	\$/mt	403	607	961	599	607	724	914	1,013	1,014	1,063	946
Groundnut oil	b/ \$/mt	970	1,352	2,220	1,190	1,397	1,651	2,007	2,328	2,345	2,439	2,536
Palm oil	b/ \$/mt	478	780	1,170	762	822	928	1,156	1,198	1,208	1,213	1,128
Palmkernel oil	\$/mt	581	888	1,379	876	917	1,084	1,375	1,420	1,434	1,397	1,272
Soybean meal	b/ \$/mt	209	307	470	260	309	402	443	484	469	512	508
Soybean oil	b/ \$/mt	599	881	1,437	794	917	1,105	1,384	1,466	1,436	1,537	1,511
Soybeans	b/ \$/mt	269	384	587	338	396	485	563	591	575	639	651
Grains												
Barley	b/ \$/mt	116.6	172.4	230.8	167.8	173.8	194.6	216.8	239.1	238.4	241.0	248.1
Maize	b/ \$/mt	121.9	163.7	243.3	159.4	152.5	171.9	220.4	259.0	243.5	287.1	265.3
Rice, Thailand, 5%	b/ \$/mt	304.9	326.4	676.0	319.1	327.1	344.0	478.1	855.3	901.8	757.0	731.8
Rice, Thailand, 25%	\$/mt	277.1	306.5	n.a.	297.4	306.5	329.5	121.5	n.a.	n.a.	n.a.	700.0
Rice, Thailand, 35%	\$/mt	272.0	300.1	n.a.	288.8	298.0	327.7	120.7	n.a.	n.a.	n.a.	n.a.
* Rice,Thai, A1.Special / Super	\$/mt	219.5	272.3	565.1	257.0	265.7	312.0	442.8	693.7	727.4	591.0	546.5
Sorghum	\$/mt	122.9	162.7	230.8	151.4	150.7	173.4	218.7	246.9	238.2	262.2	218.8
Wheat, Canada	\$/mt	216.8	300.4	531.3	244.7	309.0	415.3	621.7	484.4	484.3	431.8	400.7
Wheat, US, HRW	b/ \$/mt	192.0	255.2	371.9	205.7	274.9	341.9	411.8	346.5	328.8	348.6	328.2
Wheat US SRW	\$/mt	159.0	238.6	318.7	187.0	267.5	326.2	384.1	277.8	255.1	254.7	245.4
Other Food												
Bananas EU	\$/mt	897	1,037	1,308	1,045	999	1,068	1,421	1,263	1,247	1,102	1,103
Bananas US	b/ \$/mt	677	676	855	705	699	652	836	920	923	868	722
Fishmeal	\$/mt	1,166	1,177	1,167	1,260	1,123	1,075	1,126	1,185	1,187	1,201	1,232
Meat, beef	b/ c/kg	254.7	260.3	318.8	259.9	260.3	259.8	282.1	332.7	338.9	356.9	387.2
Meat, chicken	b/ c/kg	138.8	156.7	165.3	159.3	163.0	156.7	158.8	167.9	167.3	171.8	176.9
Meat, sheep	c/kg	403.6	412.0	477.4	399.3	416.5	437.9	453.6	493.2	495.3	494.9	501.3
Oranges	b/ \$/mt	829	957	1,244	893	1,135	982	1,103	1,322	1,318	1,414	1,432
Shrimp, Mexico	b/ c/kg	1,024	1,010	1,109	1,003	1,003	1,045	1,103	1,113	1,113	n.a.	n.a.
Sugar EU domestic	b/ c/kg	64.56	68.09	76.37	66.98	68.28	72.00	74.51	77.59	77.29	77.27	78.32
Sugar US domestic	b/ c/kg	48.76	45.77	46.57	46.47	46.98	44.48	44.85	46.34	45.93	47.95	52.38
Sugar, world	b/ c/kg	32.59	22.22	28.24	20.90	21.86	22.61	28.42	27.01	26.61	26.74	31.37
Raw Materials												
Timber												
Logs, Cameroon	\$/cum	318.5	381.3	545.1	372.8	371.6	409.6	530.8	554.4	552.3	552.1	559.6
Logs, Malaysia	b/ \$/cum	239.4	268.0	285.9	262.0	269.6	275.5	293.4	282.3	283.0	272.3	274.1
Plywood	c/sheets	595.6	640.7	644.4	639.6	646.7	647.0	640.4	647.3	648.2	647.3	647.6
Sawnwood, Cameroon	\$/cum	623	760	1,046	725	756	838	1,036	1,052	1,048	1,088	1,057
Sawnwood, Malaysia	b/ \$/cum	749.3	806.3	903.0	807.4	820.9	802.5	860.3	935.8	933.6	932.9	932.8
Woodpulp	\$/mt	698.6	767.0	862.8	751.3	769.8	819.4	850.2	870.7	871.0	873.4	877.0
Other Raw Materials												
Cotton A Index	b/ c/kg	126.7	139.5	167.7	127.4	148.9	153.0	167.9	166.5	163.4	169.9	170.6
Cotton Memphis	c/kg	133.5	142.9	172.2	130.0	150.3	155.5	174.3	170.4	165.3	172.4	171.5
Rubber, US	c/kg	231.3	248.0	307.2	251.6	234.2	264.8	292.6	311.7	300.9	334.0	337.1
Rubber, Singapore	b/ c/kg	210.8	229.0	296.0	233.9	213.8	245.1	275.5	307.9	306.5	332.0	321.6

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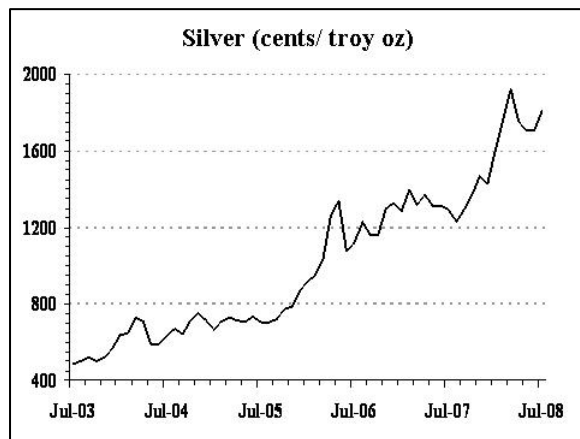
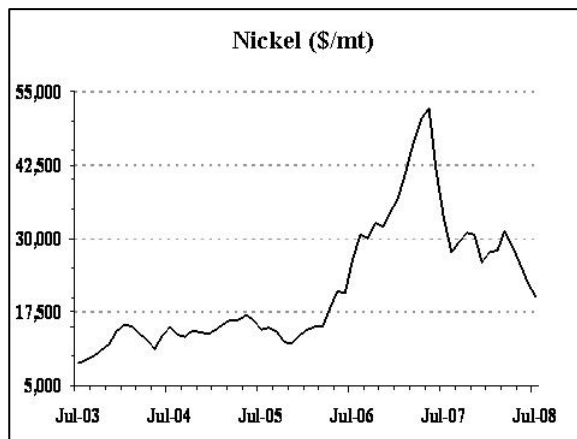
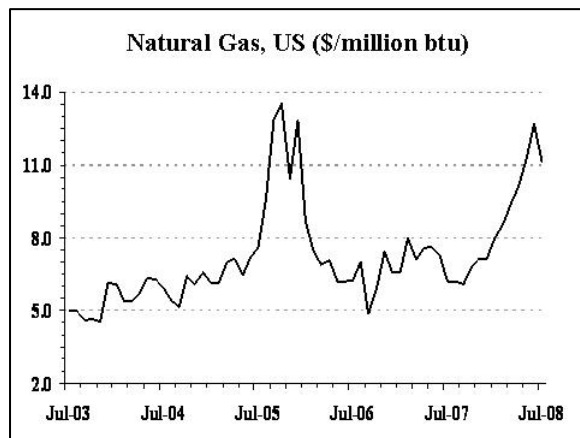
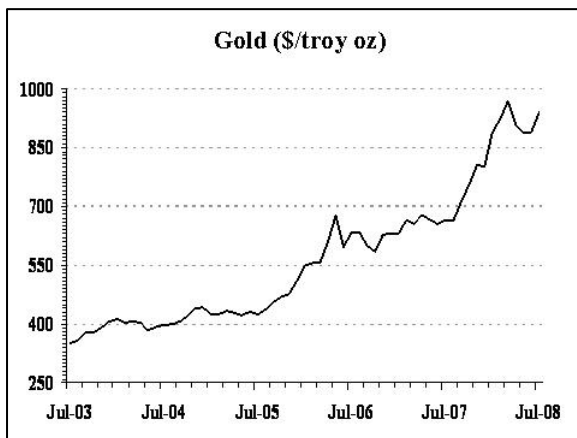
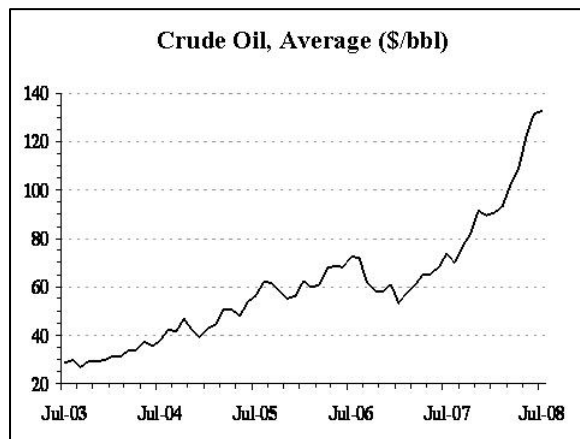
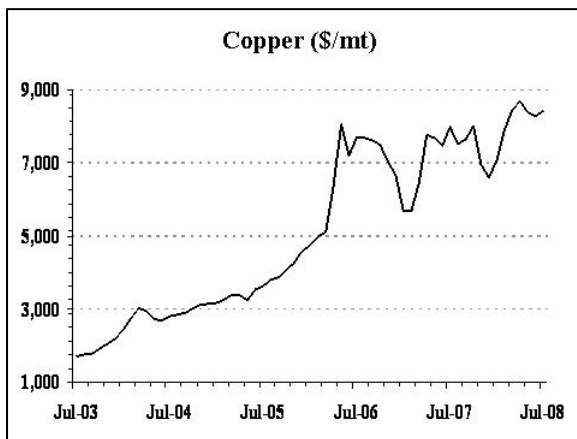
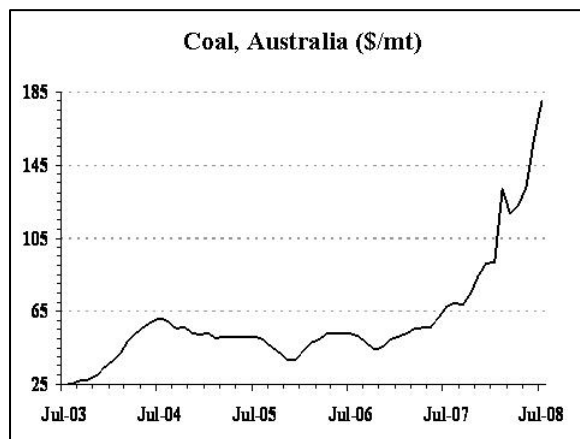
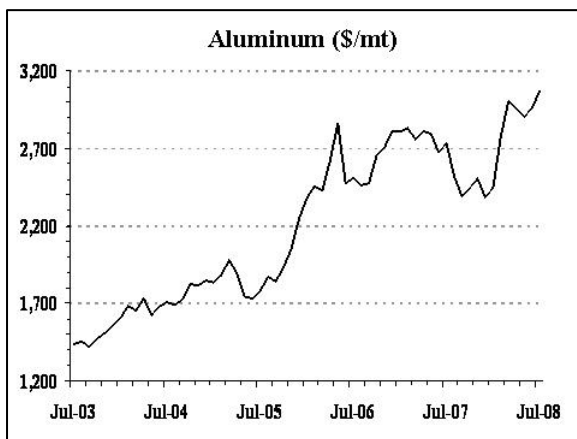
a/ Included in the energy index (2000=100) b/ Included in the non-energy index (2000=100) c/ Steel not included in the non-energy index
 \$ = US dollar ¢ = US cent bbl = barrel cum = cubic meter dmtu = Dry Metric Ton Unit kg = kilogram mmbtu = million British thermal units
 mt = metric ton toz = troy oz n.a. = not available n.q. = no quotation

COMMODITY PRICE DATA

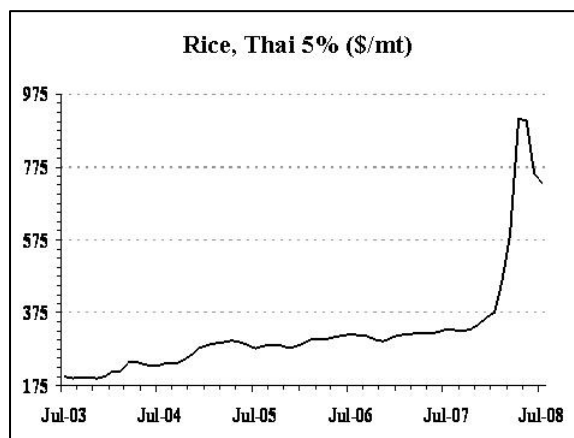
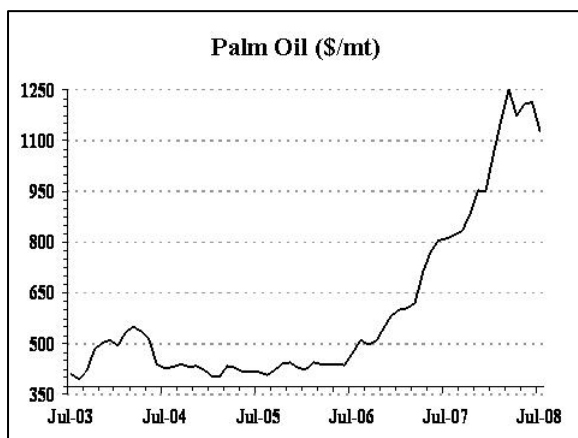
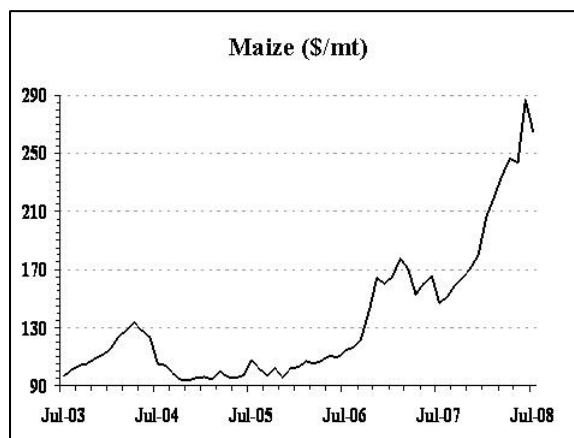
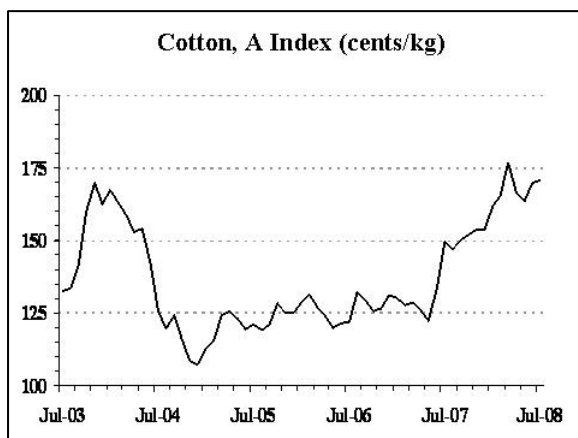
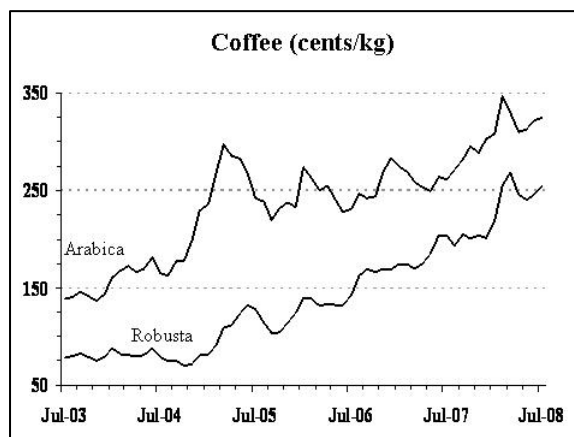
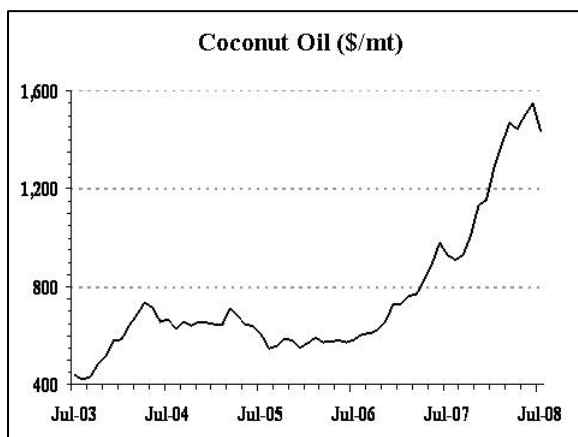
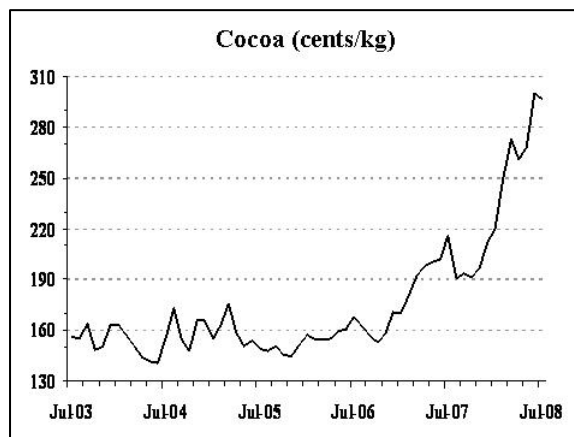
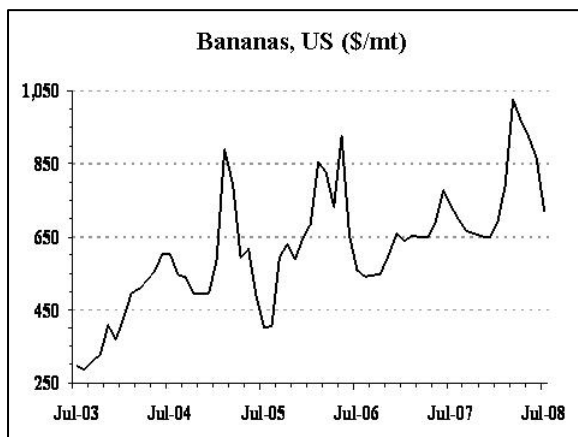
		Annual averages			Quarterly averages					Monthly averages			
		Jan-Dec 2006	Jan-Dec 2007	Jan-Jul 2008	Apr-Jun 2007	Jul-Sep 2007	Oct-Dec 2007	Jan-Mar 2008	Apr-Jun 2008	May 2008	Jun 2008	Jul 2008	
Fertilizers													
DAP	b/ \$/mt	260	433	1,049	431	433	522	860	1,192	1,199	1,175	1,185	
Phosphate rock	b/ \$/mt	44.2	70.9	310.4	59.9	80.0	98.3	234.4	367.5	367.5	367.5	367.5	
Potassium chloride	b/ \$/mt	174.5	200.2	456.6	184.8	209.4	230.8	367.7	511.1	518.3	537.5	560.0	
TSP	b/ \$/mt	202	339	909	331	375	425	715	1,036	1,037	1,043	1,113	
Urea, E. Europe, bulk	b/ \$/mt	222.9	309.4	508.5	291.3	283.6	365.4	357.6	575.7	627.5	628.4	760.0	
Metals and Minerals													
Aluminum	b/ \$/mt	2,570	2,638	2,874	2,761	2,546	2,444	2,743	2,940	2,903	2,958	3,071	
Copper	b/ \$/mt	6,722	7,118	8,161	7,641	7,712	7,188	7,796	8,443	8,383	8,261	8,414	
Gold	\$/toz	604.3	696.7	915.4	667.4	681.1	788.0	926.8	896.0	888.7	889.5	939.8	
Iron ore	b/ c/dmtu	77.4	84.7	140.6	84.7	84.7	84.7	140.6	140.6	140.6	140.6	140.6	
Lead	b/ c/kg	129.0	258.0	250.9	217.6	314.3	321.5	289.9	230.7	223.5	186.3	194.5	
Nickel	b/ \$/mt	24,254	37,230	26,297	48,055	30,205	29,219	28,957	25,682	25,735	22,549	20,160	
Silver	c/toz	1,157	1,341	1,751	1,336	1,273	1,424	1,765	1,720	1,705	1,704	1,806	
* * Steel products index, Japar c/ 2000=100		181.6	182.0	265.7	179.2	179.8	192.0	229.6	279.2	264.6	322.4	333.8	
Steel cr coilsheet, Japan, Reir c/ \$/mt		693.8	650.0	869.6	650.0	650.0	650.0	762.5	900.0	800.0	1100.0	1100.0	
Steel hr coilsheet, Japan, Reir c/ \$/mt		600.0	550.0	800.0	550.0	550.0	550.0	700.0	833.3	750.0	1000.0	1000.0	
Steel, rebar, Japan, Reinstater c/ \$/mt		443.8	521.5	773.0	540.8	504.2	556.8	639.4	837.5	790.0	932.5	980.0	
Steel wire rod, Japan, Reinsta c/ \$/mt		581.3	533.3	883.9	530.0	550.0	553.3	754.0	950.0	970.0	1000.0	1075.0	
Tin	b/ c/kg	878	1,454	2,063	1,410	1,498	1,634	1,778	2,265	2,406	2,223	2,314	
Zinc	b/ c/kg	327.5	324.2	221.2	366.4	322.7	262.3	243.0	211.3	218.2	189.4	185.2	
NEW World Bank commodity price indices for low and middle income countries(2000 =100)													
Energy		220.9	244.8	387.0	228.5	251.1	298.6	331.1	417.8	421.6	455.2	462.6	
Non Energy Commodities		192.1	224.8	297.2	226.7	228.8	237.3	281.4	308.2	306.9	311.3	311.7	
Agriculture		150.4	180.5	250.3	173.0	183.3	200.9	236.6	260.0	257.4	267.7	262.9	
Beverages		145.4	169.9	218.7	167.9	173.3	179.4	210.7	221.4	216.7	233.7	234.5	
Food		147.0	184.7	274.0	172.6	189.7	212.9	257.2	286.5	283.7	293.4	286.7	
Fats and Oils		137.9	208.8	321.4	191.1	216.2	259.1	310.2	328.3	324.3	342.9	334.0	
Grains		149.8	189.0	306.5	174.7	188.3	215.6	274.6	335.2	331.1	334.1	316.1	
Other Food		156.4	149.0	182.2	146.5	156.1	149.7	171.9	187.4	187.4	191.5	197.8	
Raw Materials		161.4	175.8	209.0	176.4	172.8	182.8	199.5	215.0	214.3	222.7	219.4	
Timber		126.0	136.8	151.6	136.2	138.9	137.2	146.8	155.4	155.2	153.9	154.1	
Other Raw Materials		200.0	218.5	271.9	220.3	209.8	232.7	257.2	280.2	278.9	297.9	290.8	
Fertilizers		168.6	240.1	545.7	224.6	240.2	292.0	409.4	624.1	646.5	651.0	719.4	
Metals and Minerals		280.3	314.0	365.0	337.1	320.8	305.7	358.7	371.1	369.8	361.9	365.4	

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
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Selected Commodity Prices, Nominal US dollars, 2001-2008



Selected Commodity Prices, Nominal US dollars, 2001-2008 cont'd



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