

# Commodity Markets Review

September 11, 2008

DECPG, The World Bank

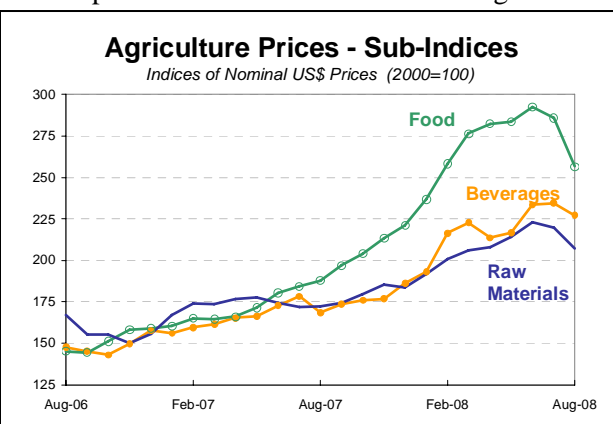
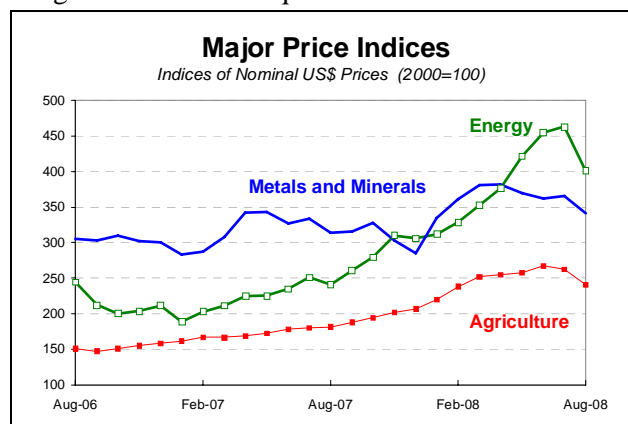
**Non-energy commodity prices plunged 6.6 percent in August**, with declines in all main groups—particularly fats and oils—with the only exception being fertilizers which continued to surge upward. The appreciation of the dollar—up 5.2 percent against the euro—contributed to the price decreases, as did improved supply prospects in the face of weakening global demand.

**Crude oil prices fell 13.7 percent in August, slipping below \$100/bbl in early September.** The slump was due to the acceleration of declining demand in the U.S. and Europe, easing of the tight distillate market, higher OPEC production, and the prospects of rising non-OPEC supply growth over the next year. OPEC met September 9<sup>th</sup> and agreed to adhere to production targets announced in September 2007, which they judge will require 0.52 mb/d to be removed from the market, although it appears that a larger cut may be needed. Oil demand continues to slump in the OECD, and U.S. demand is down 4.1 percent year-to-date.

**Natural gas prices in the U.S. plummeted 26 percent in August** on relatively weak demand that has seen cooler weather than last year, and strong growth in shale-gas production which has greatly exceeded expectations. Coal prices fell 12.5 percent due to weak summer demand in Europe and Asia, as well as the easing of port congestion and vessel queues in Australia.

**Agriculture prices dropped 8.5 percent in August**—the second decline following 15 straight monthly gains—on weakening import demand and improved supply prospects particularly for oilseeds and grains. The largest declines were in fats and oils which plunged 15.5 percent, led by a 21.6 percent fall in palm oil prices due to a sharp rise in production in Indonesia and Malaysia amid weakening Asian demand. Grains prices fell 6.7 percent led by an 11.4 percent drop in maize prices on improved supply prospects, while global wheat production is still expected to record a large gain. The entire soybean complex fell 12-13 percent on a projected 8.8 percent increase in global soybean production.

**Metals and minerals prices fell 6.8 percent in August**, with declines in all metals due to concerns about global demand. The largest decrease was in silver prices, which dropped 19.3 percent on reduced investment demand and the slowdown in economic activity as silver has many industrial applications. Gold prices fell 10.7 percent in comparison, although both have continued to plunge in September. Tin prices fell 13.5 percent on weak summer demand and rising Indonesian exports. Aluminum prices declined 10.0 percent on rising inventories and expectations of large growth in China's production and exports, while copper prices fell 9.3 percent on weak demand and rising stocks.



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 August<sup>1</sup>

**Phosphate rock and potassium chloride** prices surged 17.0 and 14.3 percent, respectively, on strong demand and supply constraints. Record phosphate rock contract prices in the 3<sup>rd</sup> quarter of \$430/ton represented a nearly 10-fold increase over the 2006 average price of \$44/ton.

**Nickel** prices fell 6.1 percent on continuing weak demand from the stainless steel sector, but prices are finding support from a number of project cancellations and delays following the large drop in prices over the past 15 months.

**Groundnut oil** prices declined 6.6 percent mainly on the large price declines in other vegetable oils.

**Zinc** prices fell 7.0 percent on rising stocks and output amid weak demand from the galvanized steel sector.

**Rubber** prices decreased 8.3 percent mainly in response to lower crude oil prices, a key input to synthetic rubber.

**Copper** prices fell 9.3 percent on weak demand in China and the OECD—particularly in the construction sector—and sharply rising stocks although they remain relatively low historically.

**Aluminum** prices dropped 10.0 percent on expectations of continued large growth in Chinese aluminum production and exports.

**Gold** prices fell 10.7 percent on reduced demand for the metal as an inflationary hedge.

**Maize** prices declined 11.4 percent due to improved supply prospects following nearly ideal growing conditions in the U.S. Midwest.

**Coal** prices dropped 12.5 percent due to weak summer demand in Asia and Europe and easing of port congestion at Newcastle in Australia.

**Soya beans, oil and meal** prices fell 12.2 percent, 12.4 percent, and 13.2 percent, respectively, on a projected 8.8 percent increase in global soybean production.

**Tin** prices decreased 13.5 percent on relatively weak summer demand, despite plans by the Indonesian government to limit output next year.

**Crude oil** prices fell 13.7 percent on sharply falling OECD demand and improved near-term supply prospects in non-OPEC countries.

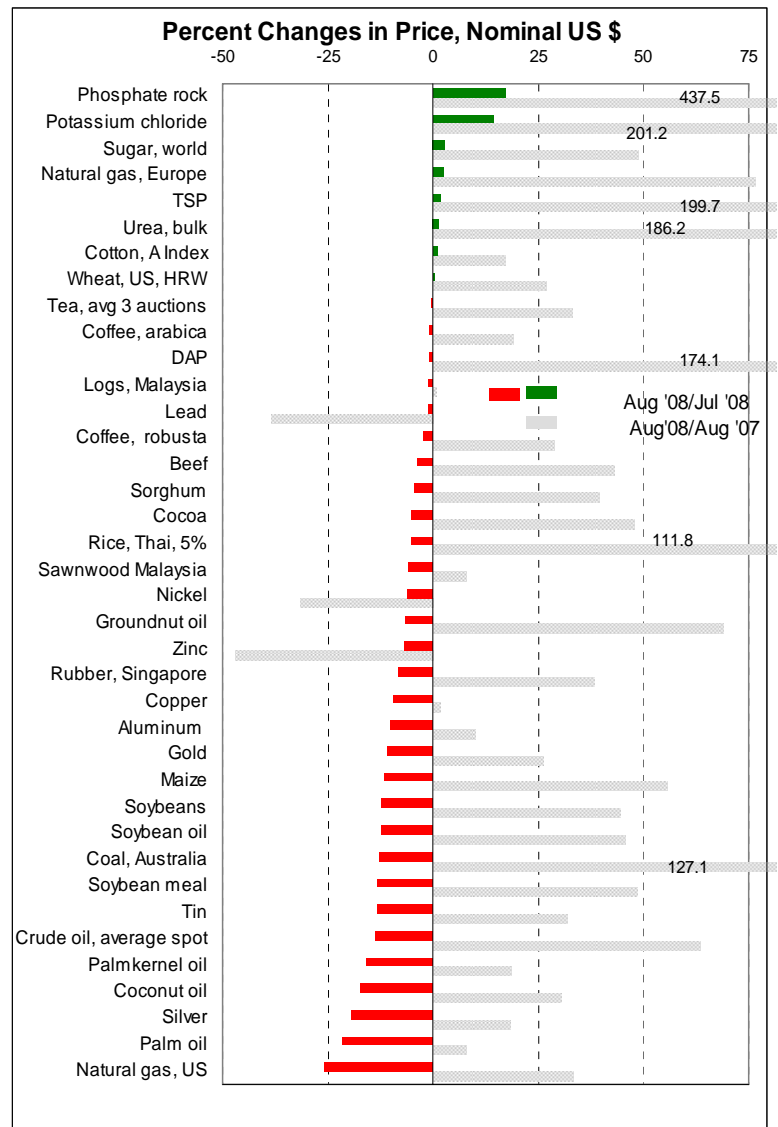
**Coconut oil and palmkernel oil (close**

**substitutes)** prices dropped 17.2 percent and 15.8 percent, respectively, reflecting a sharp reduction in imports by the EU-27.

**Silver** prices sank 19.3 percent on falling gold, oil and non-dollar currencies. Silver is used in much wider applications than gold, and thus is at greater risk from an economic slowdown.

**Palm oil** prices plunged 21.6 percent on sharply higher production in Indonesia and Malaysia, prompting importers in China and India to default on contracts negotiated at higher prices.

**Natural gas (U.S.)** prices plummeted 26.0 percent on falling oil prices and rising domestic output, particularly from shale gas in Northeast Texas, with prospects of growing gas supply from shale elsewhere in the lower-48 states.



<sup>1</sup> Percent change of average August 2008 prices compared to average July 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 2006	Jan-Dec 2007	Jan-Aug 2008	Apr-Jun 2007	Jul-Sep 2007	Oct-Dec 2007	Jan-Mar 2008	Apr-Jun 2008	Jun 2008	Jul 2008	Aug 2008
<b>Energy</b>												
Coal, Australia	a/ \$/mt	49.09	65.73	136.93	57.91	68.37	83.47	114.00	138.65	159.75	180.00	157.50
Crude oil, avg, spot	a/ \$/bbl	64.29	71.12	112.03	66.13	73.50	87.61	95.31	120.97	131.52	132.83	114.57
Crude oil, Brent	a/ \$/bbl	65.39	72.70	113.11	68.73	75.04	88.95	96.67	122.39	133.05	133.87	113.85
Crude oil, Dubai	a/ \$/bbl	61.43	68.37	108.54	64.71	69.97	83.21	91.30	116.67	127.59	131.22	113.21
Crude oil, West Texas Int.	a/ \$/bbl	66.04	72.28	114.43	64.96	75.48	90.67	97.94	123.85	133.93	133.38	116.64
Natural gas Index	a/ 2000=100	181.6	186.5	268.4	186.1	174.4	197.7	235.3	286.0	305.1	307.2	276.2
Natural gas, Europe	a/ \$/mmbtu	8.47	8.56	12.36	8.00	8.34	9.37	10.86	12.40	12.63	14.37	14.72
Natural gas, US	a/ \$/mmbtu	6.72	6.98	9.92	7.50	6.17	7.03	8.65	11.35	12.68	11.15	8.25
Natural gas LNG, Japan	a/ \$/mmbtu	7.08	7.68	11.70	7.14	7.68	8.96	10.45	11.71	12.07	13.50	13.65
<b>Non Energy Commodities</b>												
<b>Agriculture</b>												
<b>Beverages</b>												
Cocoa	b/ c/kg	159.2	195.2	268.8	200.0	199.9	199.7	247.7	276.4	300.1	296.7	281.6
Coffee, Arabica	b/ c/kg	252.2	272.4	322.3	255.1	271.1	296.1	328.5	315.1	322.2	324.9	322.8
Coffee, robusta	b/ c/kg	148.9	190.9	246.9	188.3	200.4	202.1	247.3	243.6	245.5	254.0	248.2
Tea, auctions (3), average	b/ c/kg	187.2	203.6	252.3	199.9	211.0	225.6	234.6	254.7	266.9	275.9	274.8
Tea, Colombo auctions	b/ c/kg	191.0	252.2	302.8	231.1	254.7	296.7	305.2	298.5	310.1	312.0	299.6
Tea, Kolkata auctions	b/ c/kg	175.4	192.1	225.2	208.7	211.3	207.1	176.6	244.0	259.6	274.5	264.8
Tea, Mombasa auctions	b/ c/kg	195.2	166.5	228.9	159.8	167.1	173.0	221.8	221.6	231.0	241.3	260.0
<b>Food</b>												
<b>Fats and Oils</b>												
Coconut oil	b/ \$/mt	607	919	1,407	900	923	1,098	1,379	1,499	1,551	1,436	1,189
Copra	\$/mt	403	607	938	599	607	724	914	1,013	1,063	946	780
Groundnut oil	b/ \$/mt	970	1,352	2,239	1,190	1,397	1,651	2,007	2,328	2,439	2,536	2,370
Palm oil	b/ \$/mt	478	780	1,134	762	822	928	1,156	1,198	1,213	1,128	884
Palmkernel oil	\$/mt	581	888	1,341	876	917	1,084	1,375	1,420	1,397	1,272	1,071
Soybean meal	b/ \$/mt	209	307	466	260	309	402	443	484	512	508	441
Soybean oil	b/ \$/mt	599	881	1,423	794	917	1,105	1,384	1,466	1,537	1,511	1,323
Soybeans	b/ \$/mt	269	384	579	338	396	485	563	585	622	634	557
<b>Grains</b>												
Barley	b/ \$/mt	116.6	172.4	228.5	167.8	173.8	194.6	216.8	239.1	241.0	248.1	212.3
Maize	b/ \$/mt	121.9	163.7	242.3	159.4	152.5	171.9	220.4	259.0	287.1	265.3	235.0
Rice, Thailand, 5%	b/ \$/mt	304.9	326.4	678.2	319.1	327.1	344.0	478.1	855.3	757.0	731.8	693.5
Rice, Thailand, 25%	\$/mt	277.1	306.5	n.a.	297.4	306.5	329.5	n.a.	n.a.	n.a.	700.0	657.5
Rice, Thailand, 35%	\$/mt	272.0	300.1	n.a.	288.8	298.0	327.7	n.a.	n.a.	n.a.	n.a.	n.a.
* Rice,Thai, A1.Special / Super	\$/mt	219.5	272.3	553.1	257.0	265.7	312.0	442.8	693.7	591.0	546.5	468.8
Sorghum	\$/mt	122.9	162.7	228.1	151.4	150.7	173.4	218.7	246.9	262.2	218.8	209.3
Wheat, Canada	\$/mt	216.8	300.4	515.0	244.7	309.0	415.3	621.7	484.4	431.8	400.7	400.8
Wheat, US, HRW	b/ \$/mt	192.0	255.2	366.6	205.7	274.9	341.9	411.8	346.5	348.6	328.2	329.3
Wheat US SRW	\$/mt	159.0	238.6	310.8	187.0	267.5	326.2	384.1	277.8	254.7	245.4	255.4
<b>Other Food</b>												
Bananas EU	\$/mt	897	1,037	1,289	1,045	999	1,068	1,421	1,263	1,102	1,103	1,158
Bananas US	b/ \$/mt	677	676	848	705	699	652	836	920	868	722	799
Fishmeal	\$/mt	1,166	1,177	1,171	1,260	1,123	1,075	1,126	1,185	1,201	1,232	1,199
Meat, beef	b/ c/kg	254.7	260.3	325.6	259.9	260.3	259.8	282.1	332.7	356.9	387.2	373.4
Meat, chicken	b/ c/kg	138.8	156.7	166.8	159.3	163.0	156.7	158.8	167.9	171.8	176.9	177.2
Meat, sheep	c/kg	403.6	412.0	477.2	399.3	416.5	437.9	453.6	493.2	494.9	501.3	476.4
Oranges	b/ \$/mt	829	957	1,230	893	1,135	982	1,103	1,322	1,414	1,432	1,132
Shrimp, Mexico	b/ c/kg	1,024	1,010	1,109	1,003	1,003	1,045	1,103	1,113	n.a.	n.a.	n.a.
Sugar EU domestic	b/ c/kg	64.56	68.09	76.13	66.98	68.28	72.00	74.51	77.59	77.27	78.32	74.40
Sugar US domestic	b/ c/kg	48.76	45.77	47.15	46.47	46.98	44.48	44.85	46.34	47.95	52.38	51.27
Sugar, world	b/ c/kg	32.59	22.22	28.74	20.90	21.86	22.61	28.42	27.01	26.74	31.37	32.21
<b>Raw Materials</b>												
<b>Timber</b>												
Logs, Cameroon	\$/cum	318.5	381.3	546.2	372.8	371.6	409.6	530.8	554.4	552.1	559.6	554.1
Logs, Malaysia	b/ \$/cum	239.4	268.0	284.5	262.0	269.6	275.5	293.4	282.3	272.3	275.8	272.9
Plywood	c/sheets	595.6	640.7	645.0	639.6	646.7	647.0	640.4	647.3	647.3	647.9	649.3
Sawnwood, Cameroon	\$/cum	623	760	1,040	725	756	838	1,036	1,052	1,088	1,057	997
Sawnwood, Malaysia	b/ \$/cum	749.3	806.3	900.1	807.4	820.9	802.5	860.3	935.8	932.9	932.8	879.4
Woodpulp	\$/mt	698.6	767.0	864.9	751.3	769.8	819.4	850.2	870.7	873.4	878.4	878.0
<b>Other Raw Materials</b>												
Cotton A Index	b/ c/kg	126.7	139.5	168.2	127.4	148.9	153.0	167.9	166.5	169.9	170.4	172.1
Cotton Memphis	c/kg	133.5	142.9	172.9	130.0	150.3	155.5	174.2	171.6	173.0	173.0	173.2
Rubber, US	c/kg	231.3	248.0	310.4	251.6	234.2	264.8	292.6	311.7	334.0	337.1	332.9
Rubber, Singapore	b/ c/kg	210.8	229.0	295.9	233.9	213.8	245.1	275.5	307.9	332.0	321.6	294.9

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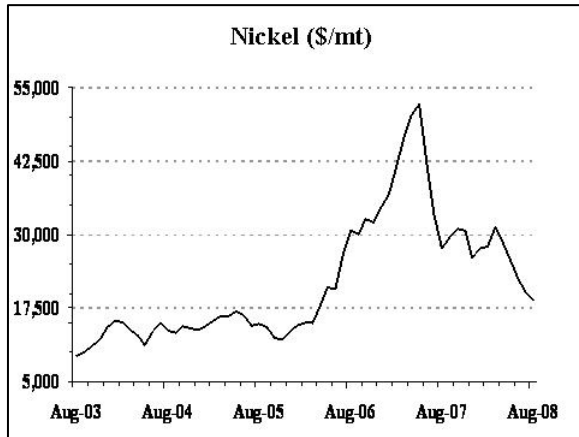
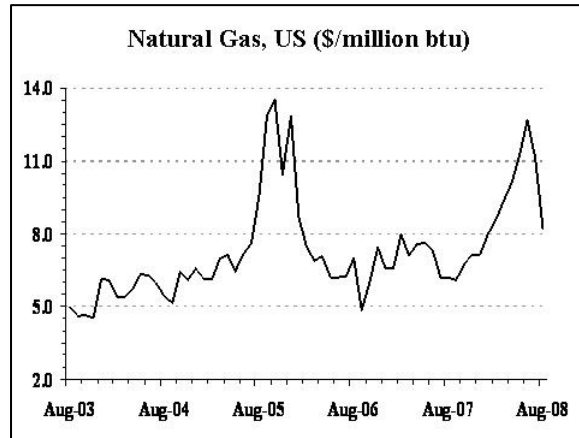
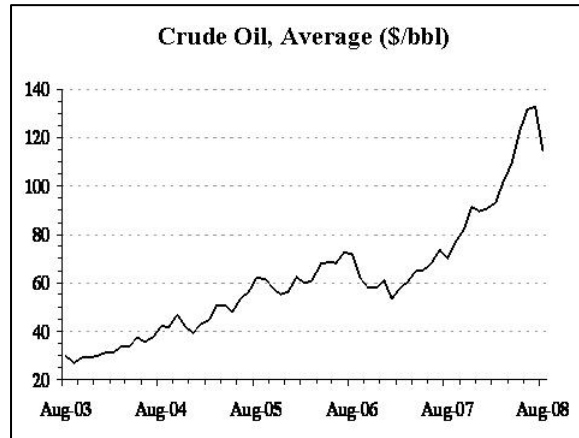
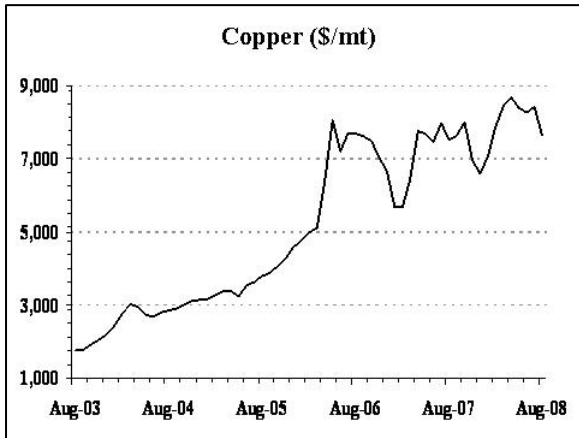
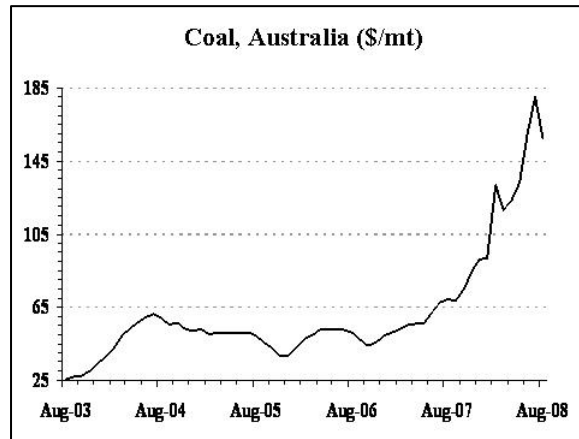
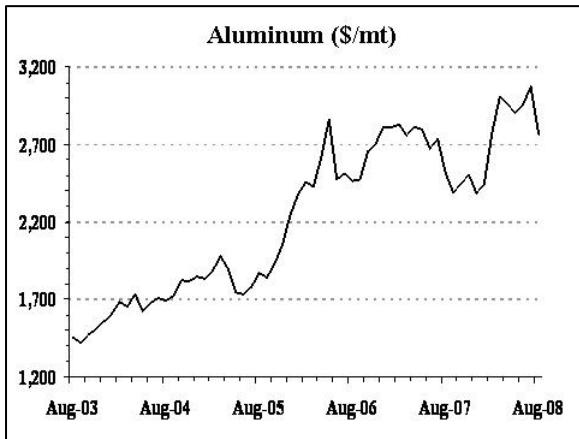
a/ Included in the energy index (2000=100)      b/ Included in the non-energy index (2000=100)      c/ Steel not included in the non-energy index  
 \$ = US dollar    ¢ = US cent    bbl = barrel    cum = cubic meter    dmtu = Dry Metric Ton Unit    kg = kilogram    mmbtu = million British thermal units  
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## COMMODITY PRICE DATA

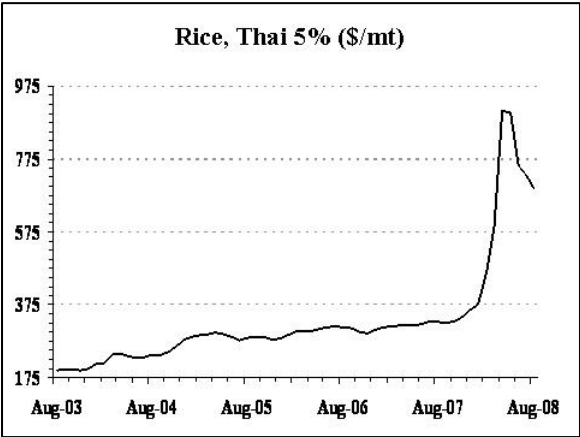
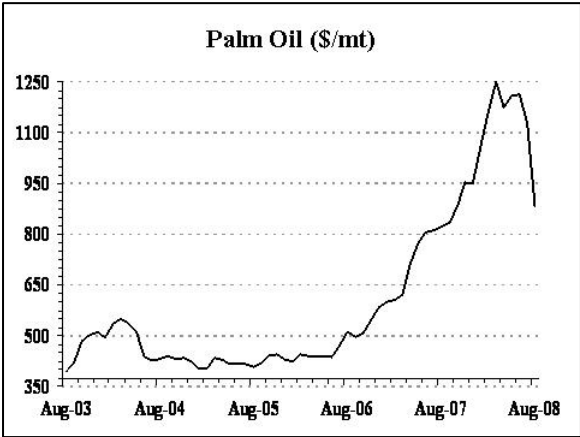
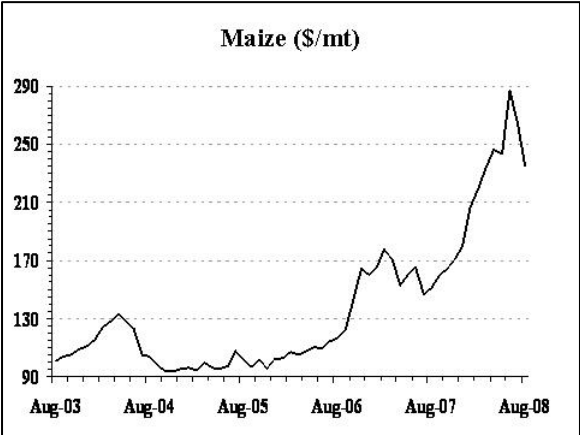
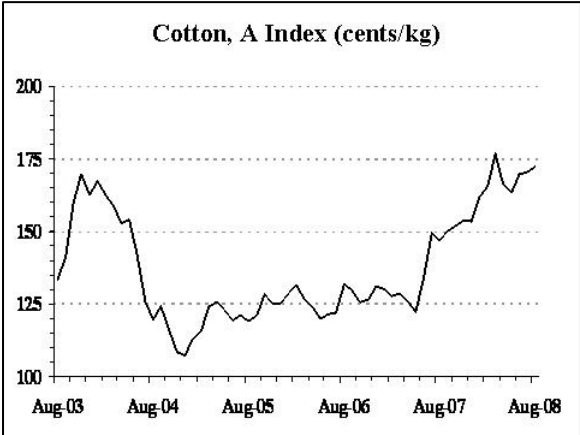
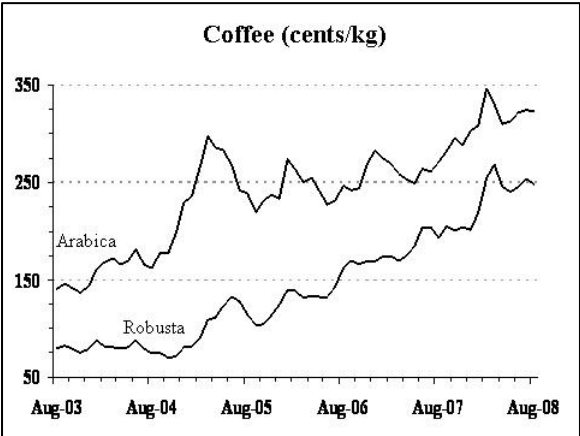
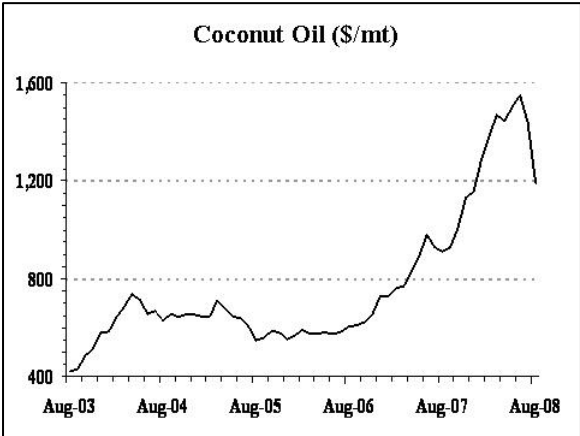
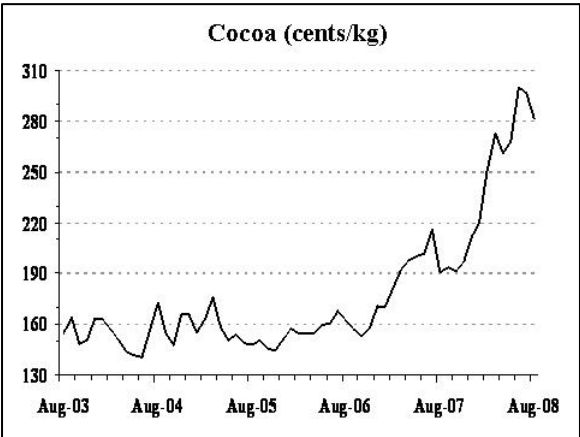
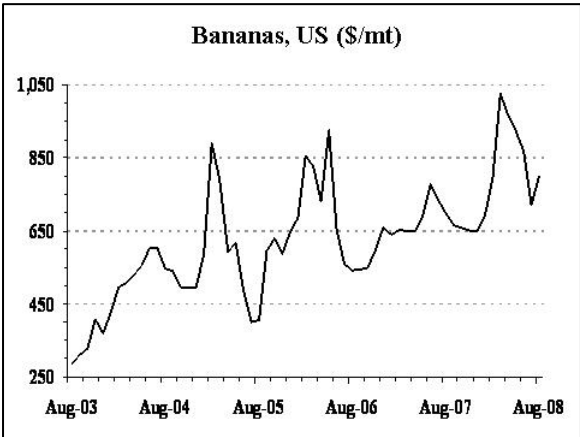
		Annual averages			Quarterly averages				Monthly averages			
		Jan-Dec	Jan-Dec	Jan-Aug	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jun	Jul	Aug
		2006	2007	2008	2007	2007	2007	2008	2008	2008	2008	2008
<b>Fertilizers</b>												
DAP	b/ \$/mt	260	433	1,065	431	433	522	860	1,192	1,175	1,185	1,177
Phosphate rock	b/ \$/mt	44.2	70.9	325.4	59.9	80.0	98.3	234.4	367.5	367.5	367.5	430.0
Potassium chloride	b/ \$/mt	174.5	200.2	479.6	184.8	209.4	230.8	367.7	511.1	537.5	560.0	640.0
TSP	b/ \$/mt	202	339	937	331	375	425	715	1,036	1,043	1,113	1,132
Urea, E. Europe, bulk	b/ \$/mt	222.9	309.4	541.2	291.3	283.6	365.4	357.6	575.7	628.4	760.0	770.0
<b>Metals and Minerals</b>												
Aluminum	b/ \$/mt	2,570	2,638	2,860	2,761	2,546	2,444	2,743	2,940	2,958	3,071	2,764
Copper	b/ \$/mt	6,722	7,118	8,096	7,641	7,712	7,188	7,796	8,443	8,261	8,414	7,635
Gold	\$/toz	604.3	696.7	905.9	667.4	681.1	788.0	926.8	896.0	889.5	939.8	839.0
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	243.6	217.6	314.3	321.5	289.9	230.7	186.3	194.5	192.4
Nickel	b/ \$/mt	24,254	37,230	25,376	48,055	30,205	29,219	28,957	25,682	22,549	20,160	18,928
Silver	c/toz	1,157	1,341	1,715	1,336	1,273	1,424	1,765	1,720	1,704	1,806	1,458
** Steel products index, Japar	c/ 2000=10	181.6	182.0	275.2	179.2	179.8	192.0	229.6	279.2	322.4	333.8	341.9
Steel cr coilsheet, Japan, Reir	c/ \$/mt	693.8	650.0	898.4	650.0	650.0	650.0	762.5	900.0	1100.0	1100.0	1100.0
Steel hr coilsheet, Japan, Reir	c/ \$/mt	600.0	550.0	825.0	550.0	550.0	550.0	700.0	833.3	1000.0	1000.0	1000.0
Steel, rebar, Japan, Reinstat	c/ \$/mt	443.8	521.5	805.1	540.8	504.2	556.8	639.4	837.5	932.5	980.0	1030.0
Steel wire rod, Japan, Reinsta	c/ \$/mt	581.3	533.3	914.6	530.0	550.0	553.3	754.0	950.0	1000.0	1075.0	1130.0
Tin	b/ c/kg	878	1,454	2,056	1,410	1,498	1,634	1,778	2,265	2,223	2,314	2,003
Zinc	b/ c/kg	327.5	324.2	215.1	366.4	322.7	262.3	243.0	211.3	189.4	185.2	172.3
<b>NEW World Bank commodity price indices for low and middle income countries( 2000 =100)</b>												
Energy		220.9	244.8	388.8	228.5	251.1	298.6	331.1	417.8	455.2	462.9	400.9
Non Energy Commodities		192.1	224.8	296.3	226.7	228.8	237.3	281.4	308.1	311.0	311.4	290.8
Agriculture		150.4	180.5	249.0	173.0	183.3	200.9	236.6	259.8	267.3	262.5	240.3
Beverages		145.4	169.9	219.7	167.9	173.3	179.4	210.7	221.4	233.7	234.5	227.2
Food		147.0	184.7	271.6	172.6	189.7	212.9	257.2	286.3	292.6	285.9	256.6
Fats and Oils		137.9	208.8	315.8	191.1	216.2	259.1	310.2	327.7	340.9	332.1	280.4
Grains		149.8	189.0	305.1	174.7	188.3	215.6	274.6	335.2	334.1	316.1	295.0
Other Food		156.4	149.0	183.3	146.5	156.1	149.7	171.9	187.4	191.5	197.8	190.5
Raw Materials		161.4	175.8	208.9	176.4	172.8	182.8	199.5	215.2	223.1	219.9	207.2
Timber		126.0	136.8	151.0	136.2	138.9	137.2	146.8	155.4	153.9	154.3	147.0
Other Raw Materials		200.0	218.5	272.2	220.3	209.8	232.7	257.2	280.5	298.7	291.6	273.2
Fertilizers		168.6	240.1	572.9	224.6	240.2	292.0	409.4	624.1	651.0	719.4	763.7
Metals and Minerals		280.3	314.0	362.0	337.1	320.8	305.7	358.7	371.1	361.9	365.4	340.7

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  
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## Selected Commodity Prices, Nominal US dollars, 2001-2008



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



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

