

Commodity Markets Review

November 9, 2006

DECPG, The World Bank

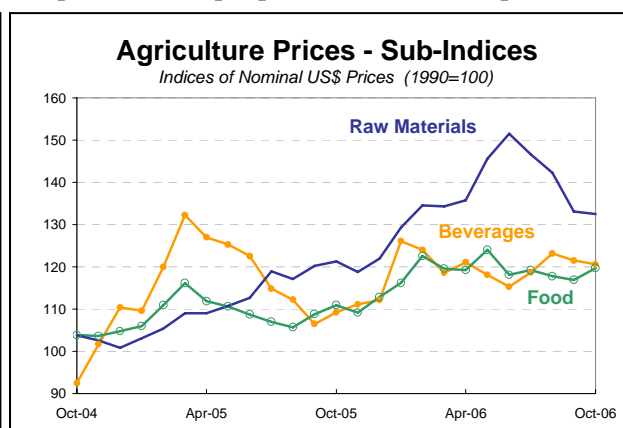
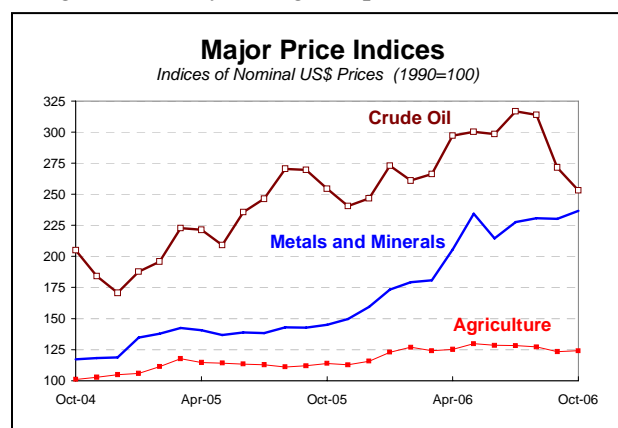
Non-oil commodity prices rose 1.5 percent in October. The index has been relatively flat since May but is up 22 percent year-to-date. Metals prices have been the driving force in this upward trend reflecting strong growth of the world economy. Lead and zinc prices rose sharply in October, reaching all-time highs on strong demand, extremely low stocks, and various supply constraints.

Crude oil prices dropped 6.8 percent in October, to average \$57.9/bbl, down for the third straight month and off 20 percent from July. Crude oil stocks remain high, and the steep contango in futures markets (near-by contract prices below distant contract prices) provides a large financial incentive to build stocks. Geopolitical tensions have lessened, although ongoing civil strife in Nigeria is keeping some 0.6 mb/d of oil shut-in. Seasonal demand is set to increase in the coming weeks assuming normal winter weather, but non-OPEC supplies are poised to increase significantly and will likely meet or exceed demand.

OPEC agreed to cut production by 1.2 mb/d beginning November 1st, but it is unclear to what extent the reductions will be carried out, or from what production levels the cuts were to be enacted. OPEC meets December 14th in Nigeria, and further cuts may be undertaken should prices remain weak. That meeting, perhaps, will bring more clarity to targeted production levels.

Agricultural prices increased 0.6 percent in October, led by sharp gains in grains prices, and moderate increases in fats and oil prices. Maize prices soared 17 percent and continued rising to ten-year highs in early November, as U.S. production is expected to be 3.3 percent lower than last year because of drought earlier in the season. Strong demand for ethanol production and for U.S exports also helped boost prices. Wheat prices have also surged to ten-year highs due to strong import demand among major consuming nations and severe drought in Australia. Soybeans prices rose moderately on strong demand. Partly offsetting these increases was a further drop in sugar prices due to higher production in Brazil and lower oil prices.

Metals and minerals prices jumped 2.8 percent in October, and are up nearly 50 percent year-to-date on extremely low stocks, strong demand and numerous supply shortfalls. There were strong gains in all main metals prices in October except for copper. The largest increase was for lead, up 14 percent, which surged to an all-time nominal high on strong battery demand, sharply falling stocks and supply constraints. Zinc prices surged 12 percent due to strong demand and limited supply prospects in the near term. Nickel prices also rose sharply and, along with zinc and copper prices, are at all-time highs in real terms. Tin prices were up 8 percent on lower output.



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

Major Movers in October¹

Natural gas prices in the U.S. surged 22.6 percent due to cold weather in the country's northern tier, despite storage levels at all time highs. However, prices were less than half that of a year earlier (following hurricane Katrina).

Maize and sorghum prices jumped 16.8 percent and 15.6 percent, respectively, due to projections of a lower U.S. crop and strong demand for ethanol production.

Lead prices rose 14.1 percent due to a continuing sharp decline in inventories, strong battery demand, and reduced exports from China.

Zinc prices increased 12.3 due to extremely low and declining inventories, strong demand to galvanize steel, and limited near-term supply prospects.

Groundnut oil prices rose 11.5 percent, as world production is expected to slump to a four-year low, with the largest declines in India and the U.S.

Nickel prices increased 8.5 percent (and have more than doubled this year) due to extremely low stocks, various supply problems, and a 10 percent jump in global stainless steel production.

Wheat prices increased 8.2 percent on expectations of low world stocks due to a severe drought in Australia and on strong import demand from India.

Tin prices increased 8.1 percent as Indonesia's PT Timah, the world's largest miner of tin, announced an 8 percent decline in production. Production has also slipped in Bolivia due to clashes among miners.

Aluminum prices increased 7.3 percent due to declining inventories and strong global demand, particularly in China.

Soybeans and soybean meal prices rose 4.5 percent and 3.5, respectively, due to strong import demand, partly because of lower maize production (soybean meal and maize are close substitutes for animal feed).

Coconut oil prices increased 2.8 percent due to a tight market, a reflection of

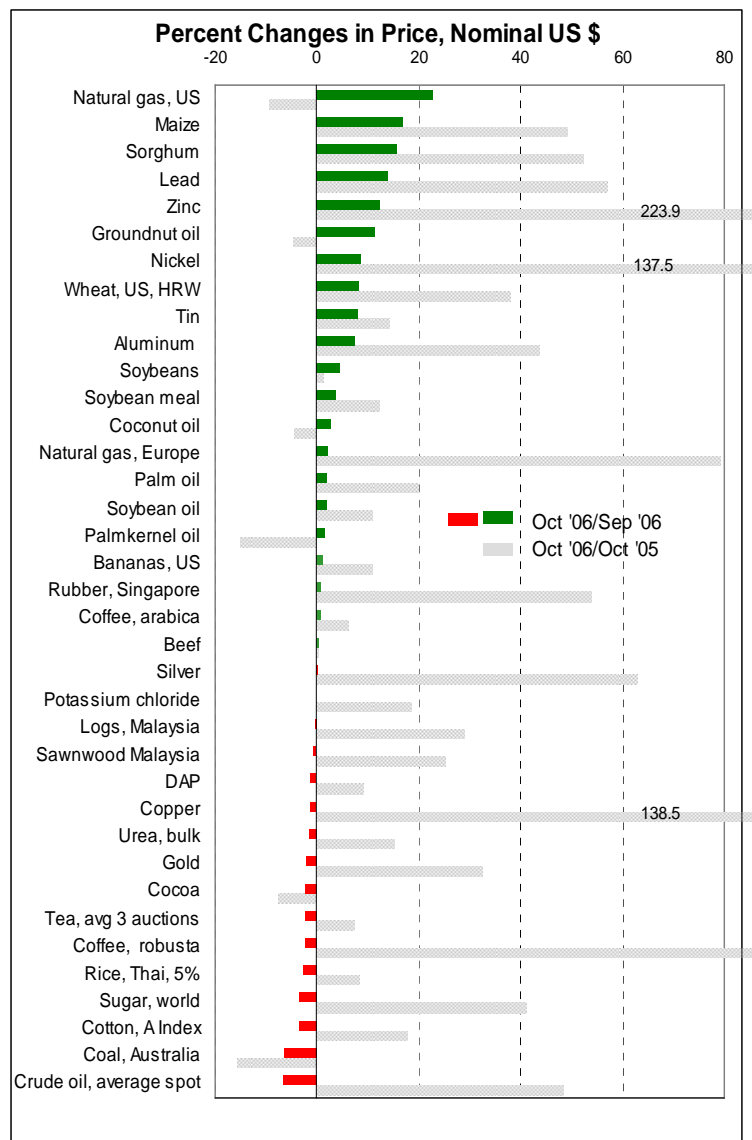
anticipated output declines from El Nino threat.

Sugar prices declined 3.6 percent, down for a third straight month and one-third lower than the high in February, on higher production estimates—Brazilian cane harvest up 13 percent.

Cotton prices fell 3.7 percent mainly due to weak Chinese imports.

Coal prices decreased 6.5 percent on weak demand, falling oil and natural gas prices, and rising production from the main exporting regions.

Crude oil prices dropped 6.8 percent mainly due to high stocks and continued easing of geopolitical concerns. Steep contango in futures prices has also encouraged stock building.



¹ Percent change of average October prices compared to average September 2006 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 2004	Jan-Dec 2005	Jan-Oct 2006	Jul-Sep 2005	Oct-Dec 2005	Jan-Mar 2006	Apr-Jun 2006	Jul-Sep 2006	Aug 2006	Sep 2006	Oct 2006
Energy												
Coal, Australia	\$/mt	52.95	47.62	50.18	48.43	39.58	46.88	52.62	50.26	50.94	47.10	44.05
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	\$/bbl	37.73	53.39	65.23	59.98	56.55	61.03	68.31	68.79	71.81	62.12	57.91
Crude oil, Brent	\$/bbl	38.30	54.43	66.39	61.55	56.93	61.92	69.83	70.09	73.61	62.77	58.38
Crude oil, Dubai	\$/bbl	33.46	49.29	62.17	55.34	52.70	57.85	64.68	65.87	68.78	59.77	56.50
Crude oil, West Texas Int.	\$/bbl	41.44	56.44	67.14	63.05	60.02	63.33	70.43	70.42	73.04	63.82	58.85
Natural gas, Europe	\$/mmbtu	4.28	6.33	8.37	6.52	7.41	7.97	8.27	8.69	8.71	8.77	8.97
Natural gas, US	\$/mmbtu	5.89	8.92	6.66	10.04	12.26	7.68	6.50	6.04	7.00	4.86	5.96
Non Energy Commodities												
Agriculture												
Beverages												
Cocoa	b/ c/kg	155.0	153.8	158.1	149.1	147.0	155.5	158.4	162.3	162.1	156.9	153.0
Coffee, Arabica	b/ c/kg	177.4	253.2	247.4	233.4	234.1	262.3	241.0	240.0	246.3	242.1	243.9
Coffee, robusta	b/ c/kg	79.3	111.5	144.9	115.2	114.2	136.7	132.9	158.1	162.2	170.0	165.7
Tea, auctions (3), average	c/kg	168.6	164.7	188.6	166.8	166.2	178.7	192.3	195.6	195.5	190.7	185.9
Tea, Colombo auctions	b/ c/kg	178.1	184.3	188.7	176.1	191.0	192.7	179.2	190.9	189.8	199.6	198.8
Tea, Kolkata auctions	b/ c/kg	172.2	162.1	177.0	175.2	157.1	143.7	192.5	192.3	187.8	185.8	184.5
Tea, Mombasa auctions	b/ c/kg	155.4	147.8	200.0	149.0	150.4	199.8	205.3	203.5	208.8	186.8	174.5
Food												
Fats and Oils												
Coconut oil	b/ \$/mt	660.8	617.0	589.3	571.7	574.0	578.3	578.7	599.1	606.0	608.0	625.0
Copra	\$/mt	450.0	413.7	391.0	380.7	379.9	383.3	383.0	400.3	404.0	413.0	410.5
Groundnut oil	b/ \$/mt	1,161.0	1060.4	935.7	1025.0	963.0	917.7	896.3	946.3	944.0	965.0	1076.3
Palm oil	b/ \$/mt	471.3	422.1	461.0	415.0	438.3	436.4	438.7	492.7	510.0	497.0	506.3
Palmkernel oil	b/ \$/mt	648.1	627.0	572.6	582.3	607.7	607.0	557.1	559.0	572.0	548.0	557.0
Soybean meal	b/ \$/mt	241.2	214.4	204.2	218.7	204.0	200.8	197.3	208.3	208.0	215.0	222.5
Soybean oil	b/ \$/mt	616.0	544.9	580.9	551.7	558.7	535.3	576.3	620.3	629.0	602.0	612.8
Soybeans	b/ \$/mt	306.5	274.7	262.0	278.3	258.9	256.7	263.7	263.6	262.0	257.0	268.5
Grains												
Maize	b/ \$/mt	111.8	98.7	113.7	101.8	99.8	105.0	109.3	117.4	116.6	121.7	142.2
Rice, Thailand, 5%	b/ \$/mt	237.7	286.3	305.7	281.6	281.6	298.8	307.6	312.4	312.7	309.2	301.0
Rice, Thailand, 25%	\$/mt	225.4	265.4	277.2	260.7	259.8	271.8	276.0	284.6	284.3	282.8	274.8
Rice, Thailand, 35%	\$/mt	222.3	261.8	272.6	256.7	257.1	268.8	272.9	277.6	277.7	276.0	268.5
Rice, Thai, A1. Special	\$/mt	205.1	217.8	217.1	211.9	211.2	213.8	216.6	219.2	217.7	222.6	222.3
Sorghum	b/ \$/mt	109.8	96.2	113.8	101.0	95.5	103.5	111.7	118.0	114.4	119.5	138.2
Wheat, Canada	\$/mt	186.5	197.6	213.7	194.9	203.5	208.9	212.1	215.4	208.6	207.5	227.4
Wheat, US, HRW	b/ \$/mt	156.9	152.4	189.1	151.0	164.5	173.8	189.6	196.1	189.9	196.0	212.1
Wheat US SRW	\$/mt	144.4	135.7	152.5	130.3	135.1	145.4	144.0	153.0	148.4	166.9	197.8
Other Food												
Bananas EU	\$/mt	892.0	1175.7	901.5	1016.7	1055.8	983.5	991.3	768.0	757.9	796.2	786.3
Bananas US	b/ \$/mt	524.6	602.8	687.1	466.8	621.8	788.4	770.3	548.5	541.5	544.3	549.4
Beef	b/ c/kg	251.3	261.7	252.2	266.8	256.3	249.2	247.3	257.4	259.3	259.0	259.9
Fishmeal	\$/mt	648.6	711.2	1146.7	712.3	828.8	899.6	1178.3	1335.0	1357.0	1269.0	1228.0
Lamb	c/kg	459.9	443.8	404.3	429.2	413.2	395.8	410.7	408.5	411.7	399.9	397.5
Oranges	b/ \$/mt	857.5	874.7	811.3	751.7	848.0	826.7	755.5	814.6	830.8	878.6	922.8
Shrimp, Mexico	b/ c/kg	1,022	1,034	1,038	1,028	1,031	1,047	1,047	1,047	1,047	1,047	951
Sugar EU domestic	b/ c/kg	66.97	66.54	64.51	65.23	63.92	64.08	66.78	63.30	63.65	63.23	62.65
Sugar US domestic	b/ c/kg	45.47	46.93	49.84	46.73	47.96	51.86	51.69	47.66	47.15	46.65	44.79
Sugar, world	b/ c/kg	15.80	21.79	33.96	21.96	26.32	37.50	36.53	30.60	29.80	26.63	25.66
Raw Materials												
Timber												
Logs, Cameroon	\$/cum	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Logs, Malaysia	\$/cum	197.3	203.1	234.9	211.4	209.1	222.9	237.3	240.9	240.0	246.5	245.3
Plywood	c/sheets	464.8	508.6	586.7	506.5	500.2	529.0	577.8	638.3	638.6	641.0	632.1
Sawnwood, Cameroon	\$/cum	587.0	559.1	614.3	546.6	528.9	583.0	617.8	632.9	637.4	639.5	642.0
Sawnwood, Malaysia	\$/cum	581.3	659.4	741.7	664.3	680.7	713.3	743.1	761.9	769.3	766.7	762.1
Woodpulp	\$/mt	640.8	635.5	688.5	607.4	605.9	627.8	682.3	737.1	739.4	743.0	743.0
Other Raw Materials												
Cotton A Index	b/ c/kg	136.6	121.7	126.4	120.4	126.1	129.0	121.8	128.4	132.1	131.0	126.1
Cotton Memphis	c/kg	137.5	129.8	133.26	128.5	134.8	134.1	130.1	137.3	143.4	137.1	128.2
Jute	\$/mt	280.6	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	148.3	166.1	238.6	181.5	186.4	221.6	258.7	245.5	253.4	209.8	208.9
Rubber, Singapore	b/ c/kg	130.4	150.2	218.8	167.5	168.2	202.3	245.7	219.2	221.3	184.6	186.2
Sisal	\$/mt	862.1	885.0	885.0	885.0	885.0	885.0	885.0	885.0	885.0	885.0	885.0
Wool	c/kg	541.0	580.0	556.1	576.5	575.0	555.0	555.0	555.3	555.0	556.0	565.0

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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
 mt = metric ton toz = troy oz n.a. = not available n.q. = not quotation

COMMODITY PRICE DATA

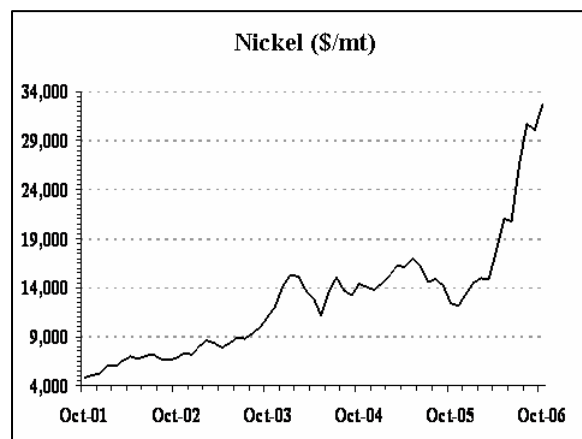
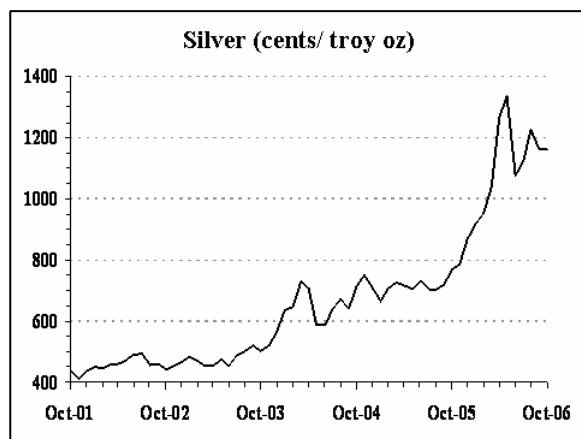
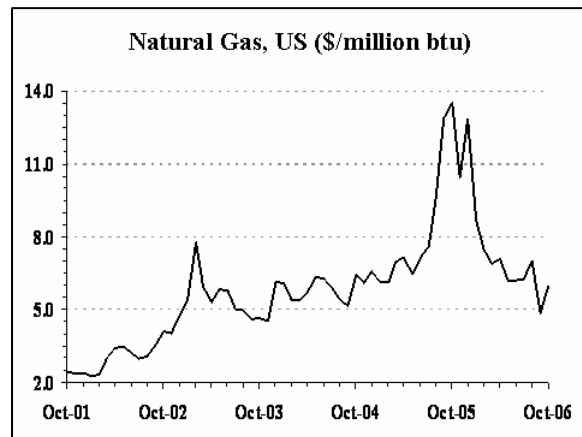
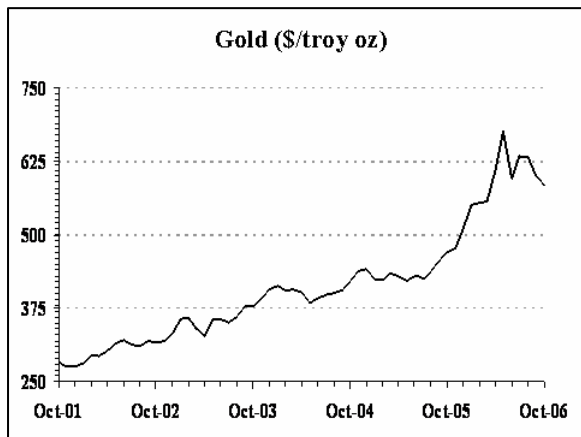
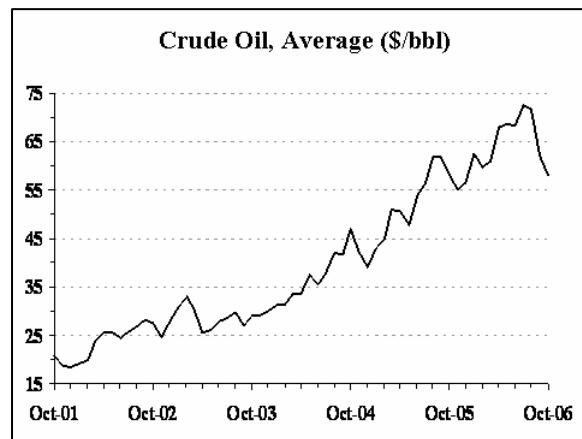
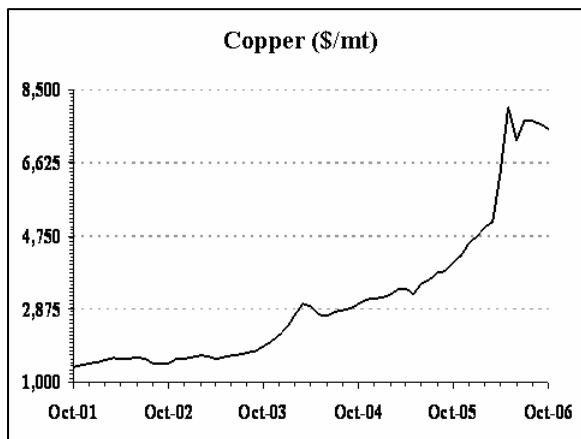
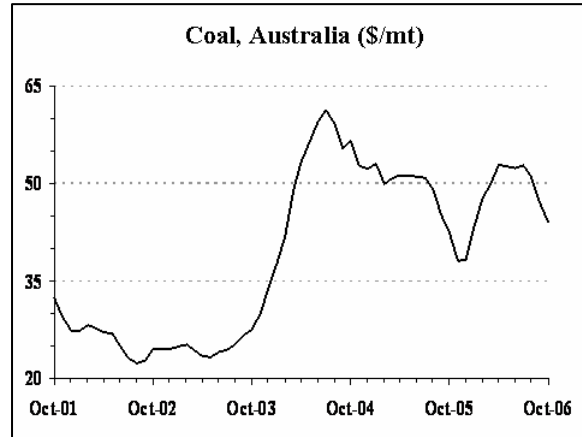
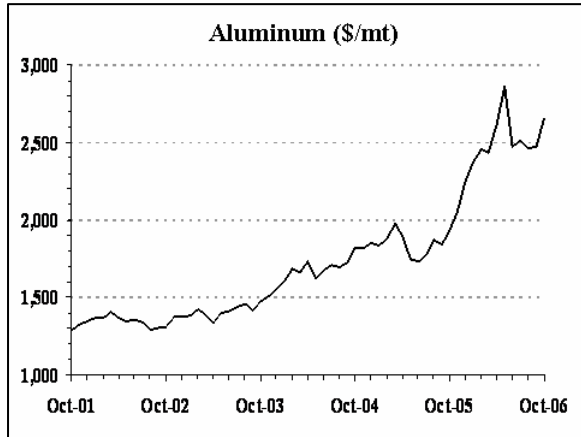
		Annual averages			Quarterly averages				Monthly averages			
		Jan-Dec	Jan-Dec	Jan-Oct	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Aug	Sep	Oct
		2004	2005	2006	2005	2005	2006	2006	2006	2006	2006	2006
Fertilizers												
DAP	\$/mt	221.2	247.0	261.6	261.6	264.5	259.6	266.9	260.3	260.9	258.8	255.6
Phosphate rock	b/ \$/mt	41.0	42.0	44.0	42.0	42.0	42.3	43.5	45.5	45.5	45.5	45.5
Potassium chloride	\$/mt	124.6	158.2	174.4	163.5	170.0	171.1	177.3	174.6	175.0	175.0	175.0
TSP	\$/mt	186.3	201.5	204.9	201.2	201.0	200.9	200.5	230.1	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	175.3	219.0	218.5	211.7	224.7	219.2	228.1	210.4	213.7	215.3	211.8
Metals and Minerals												
Aluminum	b/ \$/mt	1,716	1,898	2,532	1,829	2,076	2,421	2,653	2,482	2,460	2,473	2,655
Copper	b/ \$/mt	2,866	3,679	6,696	3,757	4,302	4,940	7,210	7,670	7,696	7,602	7,500
Gold	\$/toz	409.2	444.8	599.4	439.5	485.6	554.0	627.4	621.5	632.6	598.2	585.8
Iron ore CVRD So & No	b/ c/dmtu	37.90	65.00	77.35	65.00	65.00	77.35	77.35	77.35	77.35	77.35	77.35
Lead	b/ c/kg	88.7	97.6	121.3	89.2	104.9	124.2	110.0	119.0	117.4	134.2	153.1
Nickel	b/ \$/mt	13,823	14,744	22,437	14,567	12,649	14,810	19,925	29,154	30,744	30,131	32,703
Silver	c/toz	669.0	733.8	1125.5	708.8	808.3	969.4	1226.1	1168.9	1225.4	1159.9	1161.5
Steel products (8) index	a/ 1990=100	121.5	137.9	135.2	138.6	138.6	138.6	131.6	135.8	135.8	135.8	133.7
Steel cr coilsheet	\$/mt	607.1	733.3	702.5	750.0	750.0	750.0	666.7	700.0	700.0	700.0	675.0
Steel hr coilsheet	\$/mt	502.5	633.3	610.0	650.0	650.0	650.0	591.7	600.0	600.0	600.0	575.0
Steel, rebar	\$/mt	428.8	423.1	442.5	430.0	430.0	430.0	445.0	450.0	450.0	450.0	450.0
Steel wire rod	\$/mt	487.5	579.2	592.5	600.0	600.0	600.0	575.0	600.0	600.0	600.0	600.0
Tin	c/kg	851.3	738.0	841.3	704.7	643.2	760.6	852.9	865.3	850.2	903.9	976.8
Zinc	b/ c/kg	104.8	138.1	305.2	129.7	164.0	224.2	329.2	336.3	334.7	340.3	382.3
World Bank commodity price indices for low and middle income countries(1990 =100)												
Energy		164.9	233.4	285.1	262.2	247.2	266.8	298.6	300.7	313.9	271.5	253.1
Non Energy Commodities		107.4	121.9	150.4	120.8	125.3	139.8	153.4	156.0	157.0	154.2	156.6
Agriculture		104.7	113.0	126.0	112.0	114.3	124.6	127.8	126.3	127.2	123.4	124.2
Beverages		94.0	116.9	120.7	111.2	110.8	122.9	118.1	121.1	123.2	121.5	120.6
Food		110.0	109.9	119.4	107.2	111.1	119.5	120.5	118.0	117.8	116.9	119.8
Fats and Oils		137.1	122.9	122.7	122.7	120.0	118.6	119.4	127.1	128.6	128.1	132.1
Grains		100.2	103.2	118.1	103.1	105.2	111.4	117.4	121.7	120.0	122.2	129.8
Other Food		93.2	103.1	117.3	96.8	107.1	124.7	123.1	108.5	107.7	104.8	104.0
Raw Materials		105.8	114.1	138.5	118.7	121.0	132.4	144.3	140.7	142.3	133.2	132.5
Timber		109.3	122.5	138.3	123.9	126.4	132.8	138.7	142.0	143.2	143.2	142.4
Other Raw Materials		103.4	108.3	138.6	115.0	117.2	132.2	148.1	139.8	141.7	126.3	125.8
Fertilizers		126.6	134.9	141.9	134.7	134.6	134.9	135.7	151.8	151.8	151.8	151.8
Metals and Minerals		112.4	142.5	211.3	141.3	151.4	177.7	218.1	229.5	230.6	230.2	236.6

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

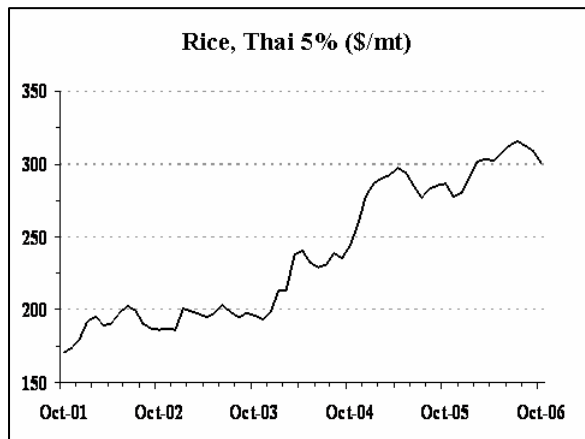
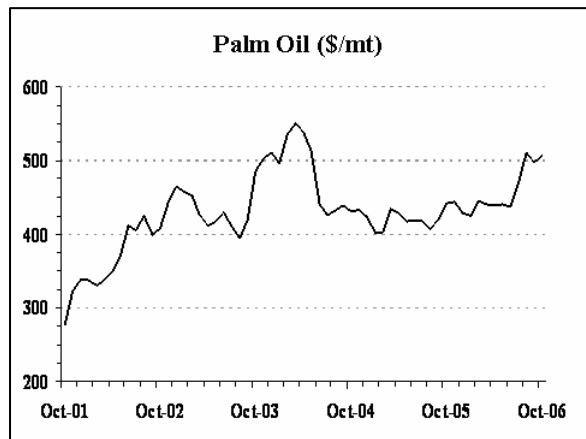
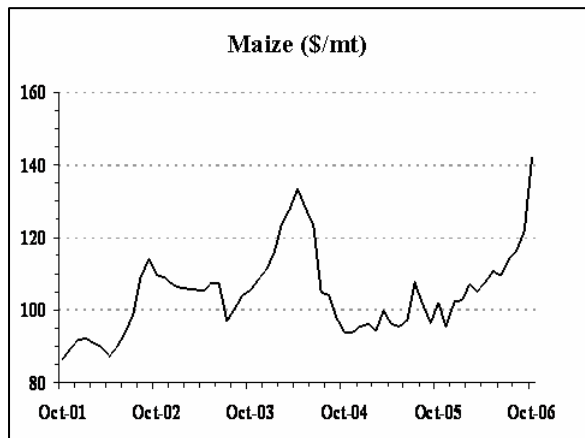
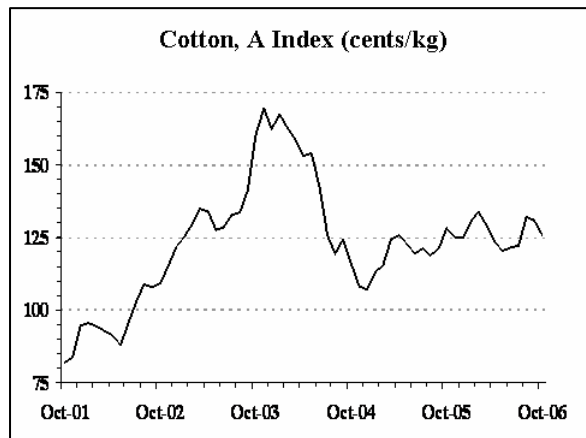
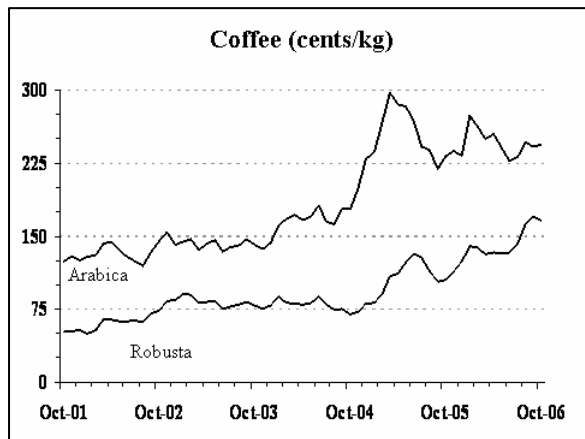
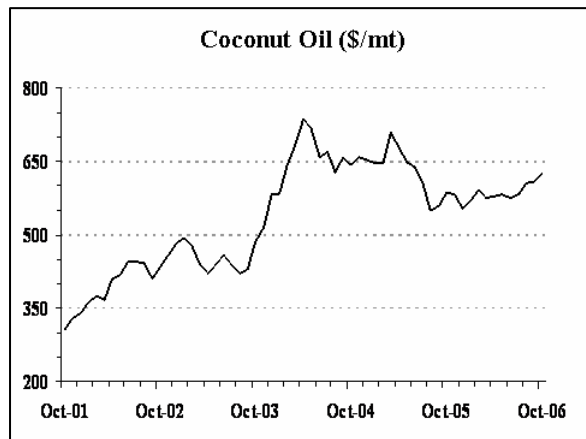
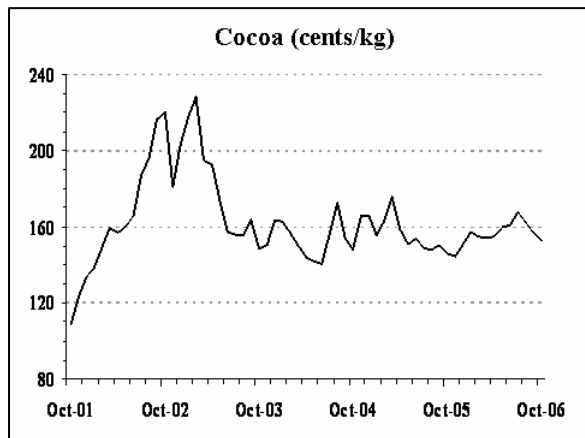
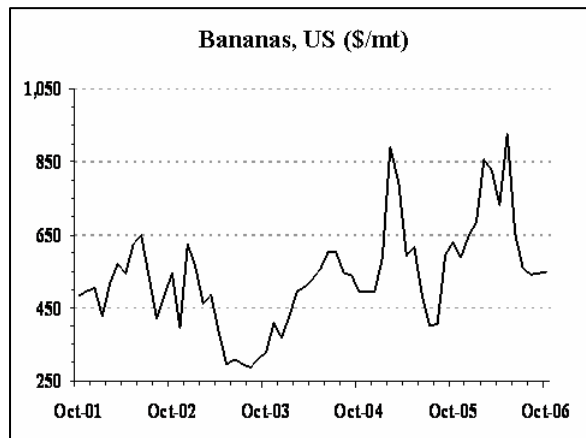
b. Not included in index/

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

Selected Commodity Prices, Nominal US dollars, 2001-2006



Selected Commodity Prices, Nominal US dollars, 2001-2006 cont'd



Selected Commodity Prices, Nominal US dollars, 2001-2006 cont'd

