

Commodity Markets Review

December 7, 2006

DECPG, The World Bank

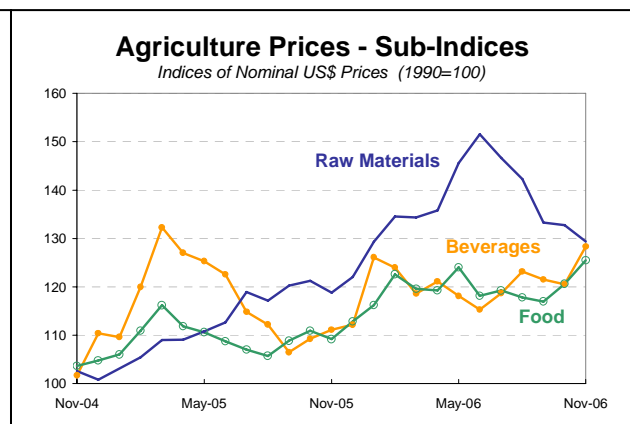
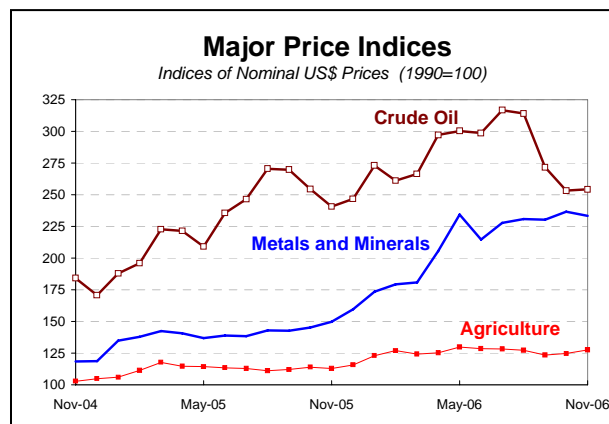
Non-oil commodity prices rose 0.6 percent in November, up for the third straight month, and up 22 percent year-to-date. There were sharp increases in food prices, led by maize/sorghum, coffee, and all fats and oils. Metals prices, up 46 percent this year, declined in November but have risen into December with lead and nickel reaching all-time nominal highs due to supply constraints.

Crude oil prices edged up 0.4 percent in November, to average \$58.1/bbl, but high crude oil stocks have generally kept prices below \$60/bbl following a 20 percent drop in prices in August/September. Product stocks in the U.S., however, have fallen sharply in recent weeks due to reduced refining runs during the autumn maintenance period. Refinery maintenance was extended this year because of deferred maintenance last fall following capacity losses from the hurricanes.

In early December, oil prices moved above \$62/bbl as the peak winter-demand season commences, augmented by the first bout of cold weather. The market is also contemplating a further cut in production by OPEC when it meets on December 14th in Nigeria. The group agreed to reduce output by 1.2 mb/d November 1st, and about half was actually cut. Key OPEC producer, Saudi Arabia, has said that it would support a further cut in output.

Agriculture prices jumped 2.3 percent in November, led by double-digit gains in sorghum and maize prices. Drought in the U.S. led to reduced sorghum output and exports, as the U.S. accounts for 90 percent of global exports. Drought also reduced maize production, amid strong demand by importers and by ethanol producers. Coffee (Arabica) prices jumped more than 10 percent on expectation of reduced output in Brazil due to an earlier drought. Soybean and soyoil prices both increased nearly 10 percent, primarily driven by increased use for biodiesel (which also contributed to increases in other fats & oils prices). The increase in maize prices is expected to lead to increased soymeal use.

Metals and minerals prices fell 1.4 percent in November, led by a 6.3 percent decline in copper which peaked near \$8,800/ton in May, but has drifted to under \$7,000/ton due to slowing demand and rising stocks. Nickel prices also fell slightly, but in early December hit an all-time high of more than \$35,000/ton, up 160 percent this year, on cost escalation and delays to major new projects in New Caledonia and Australia. Other metals prices rose in November, with zinc prices up 14.8 percent on strong demand, plunging stocks and supply constraints. Silver and gold prices also recorded large gains on the weakening dollar and strong investment demand.



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 November¹

Natural gas prices in the U.S. surged 25.0 percent due to cold weather and some pipeline capacity constraints. However, inventories remain high and prices will largely depend on the severity of winter temperatures.

Sorghum prices jumped 20.9 percent due to a drought-related sharp drop in U.S. production. This severely limits global supply since the U.S. accounts for almost 90 percent of exports.

Maize prices rose 15.7 percent due to drought-reduced U.S. and Australian crops, strong demand for maize for ethanol production in the U.S., and strong import demand.

Zinc prices increased 14.6 percent due to extremely low and declining inventories, strong demand to galvanize steel, and limited near-term supply prospects.

Silver prices rose 11.8 percent on strong investment demand, as well the weak dollar and similar concerns to those driving gold prices.

Urea prices increased 11.3 percent on strong global demand due to rising agricultural prices and limited export supplies.

Coffee arabica prices climbed 10.5 percent on expectations that Brazil's 2006/07 crop may be reduced, in part, due to earlier dry weather.

Soybeans prices rose 9.9 percent due to strong demand. Further price increases are expected as livestock producers increase soy meal use following steep increases in maize prices, and as biodiesel producers raise demand for soy oil.

Soybean oil prices increased 9.8 percent as the demand for biofuel production absorbs considerable amounts of vegetable oils.

Bananas prices in the U.S. increased 8.8 percent because of reduced shipments from Ecuador, the main banana supplier to the US, due to less than expected availability of transportation services.

Palmkernel oil prices increased 7.9 percent reflecting the relative tightness in fats & oils markets as well as weather-related conditions in Indonesia attributed to El Nino.

Palm oil prices increased 7.9 percent, reaching the highest monthly average since the Asian financial crisis, due to drought in Indonesia as

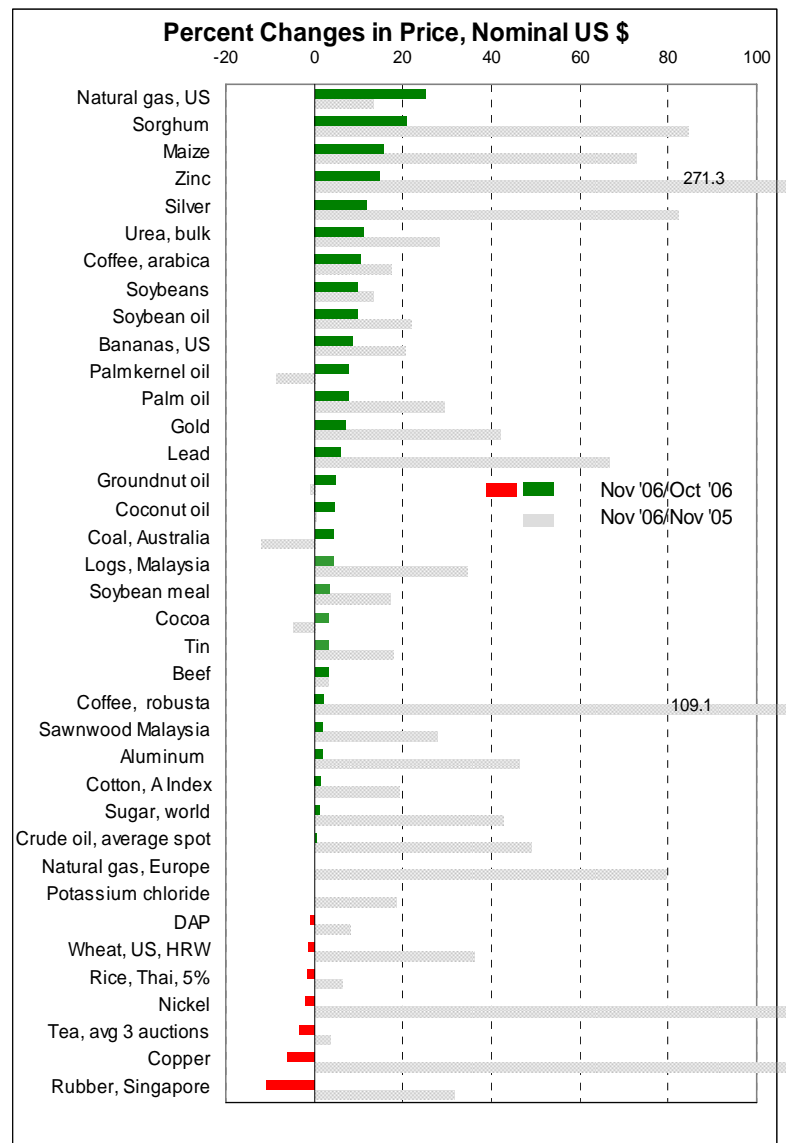
well as reduced availability of soybean oil (close substitute to palm oil).

Gold prices increased 7.2 percent due to weakness in the dollar and renewed concerns of central banks diversifying their dollar reserves.

Lead prices rose 6.1 percent due to a sharp decline in inventories, strong battery demand, and reduced exports from China.

Copper prices decreased 6.3 percent due to rising stocks and slowing demand. However, numerous supply problems have kept prices at relatively high levels.

Rubber prices dropped 10.9 percent to the lowest level since November 2005. This appears to reverse the year-long crude oil-induced price rally.



¹ Percent change of average November prices compared to average October 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-Nov 2006	Jul-Sep 2005	Oct-Dec 2005	Jan-Mar 2006	Apr-Jun 2006	Jul-Sep 2006	Sep 2006	Oct 2006	Nov 2006
Energy												
Coal, Australia	\$/mt	52.95	47.62	50.18	48.43	39.58	46.88	52.62	50.26	47.10	44.05	46.00
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	a/ \$/bbl	37.73	53.39	64.59	59.98	56.55	61.03	68.31	68.79	62.12	57.91	58.14
Crude oil, Brent	a/ \$/bbl	38.30	54.43	65.67	61.55	56.93	61.92	69.83	70.09	62.77	58.38	58.48
Crude oil, Dubai	a/ \$/bbl	33.46	49.29	61.68	55.34	52.70	57.85	64.68	65.87	59.77	56.50	56.82
Crude oil, West Texas Int.	a/ \$/bbl	41.44	56.44	66.41	63.05	60.02	63.33	70.43	70.42	63.82	58.85	59.13
Natural gas, Europe	\$/mmbtu	4.28	6.33	8.43	6.52	7.41	7.97	8.27	8.69	8.77	8.97	8.99
Natural gas, US	\$/mmbtu	5.89	8.92	6.73	10.04	12.26	7.68	6.50	6.04	4.86	5.96	7.45
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	156.9	153.0	158.1
Coffee, Arabica	b/ c/kg	177.4	253.2	249.4	233.4	234.1	262.3	241.0	240.0	242.1	243.9	269.6
Coffee, robusta	b/ c/kg	79.3	111.5	147.1	115.2	114.2	136.7	132.9	158.1	170.0	165.7	169.3
Tea, auctions (3), average	c/kg	168.6	164.7	187.6	166.8	166.2	178.7	192.3	195.6	190.7	185.3	179.0
Tea, Colombo auctions	b/ c/kg	178.1	184.3	188.9	176.1	191.0	192.7	179.2	190.9	199.6	198.3	191.0
Tea, Kolkata auctions	b/ c/kg	172.2	162.1	176.7	175.2	157.1	143.7	192.5	192.3	185.8	183.9	173.8
Tea, Mombasa auctions	b/ c/kg	155.4	147.8	197.4	149.0	150.4	199.8	205.3	203.5	186.8	173.6	172.3
Food												
Fats and Oils												
Coconut oil	b/ \$/mt	660.8	617.0	595.6	571.7	574.0	578.3	578.7	599.4	609.0	626.0	656.0
Copra	\$/mt	450.0	413.7	394.9	380.7	379.9	383.3	383.0	400.3	413.0	410.5	434.0
Groundnut oil	b/ \$/mt	1,161.0	1060.4	951.7	1025.0	963.0	917.7	896.3	946.3	965.0	1068.0	1120.0
Palm oil	b/ \$/mt	471.3	422.1	468.8	415.0	438.3	436.4	438.7	492.7	497.0	507.0	547.0
Palmkernel oil	b/ \$/mt	648.1	627.0	575.2	582.3	607.7	607.0	557.1	559.0	548.0	557.0	601.0
Soybean meal	b/ \$/mt	241.2	214.4	206.8	218.7	204.0	200.8	197.3	208.3	215.0	224.0	232.0
Soybean oil	b/ \$/mt	616.0	544.9	589.6	551.7	558.7	535.3	576.3	620.3	602.0	615.0	675.0
Soybeans	b/ \$/mt	306.5	274.7	266.0	278.3	258.9	256.7	263.7	263.9	258.0	273.0	300.0
Grains												
Maize	b/ \$/mt	111.8	98.7	118.3	101.8	99.8	105.0	109.3	117.4	121.7	142.2	164.5
Rice, Thailand, 5%	b/ \$/mt	237.7	286.3	304.9	281.6	281.6	298.8	307.6	312.4	309.2	301.0	296.3
Rice, Thailand, 25%	\$/mt	225.4	265.4	276.8	260.7	259.8	271.8	276.0	284.6	282.8	274.8	273.3
Rice, Thailand, 35%	\$/mt	222.3	261.8	271.9	256.7	257.1	268.8	272.9	277.6	276.0	268.5	264.0
Rice, Thai, A1.Special	\$/mt	205.1	217.8	217.3	211.9	211.2	213.8	216.6	219.2	222.6	222.3	219.0
Sorghum	b/ \$/mt	109.8	96.2	118.6	101.0	95.5	103.5	111.7	118.0	119.5	138.2	167.1
Wheat, Canada	\$/mt	186.5	197.6	215.0	194.9	203.5	208.9	212.1	215.4	207.5	227.4	228.1
Wheat, US, HRW	b/ \$/mt	156.9	152.4	190.9	151.0	164.5	173.8	189.6	196.1	196.0	212.1	209.7
Wheat US SRW	\$/mt	144.4	135.7	156.2	130.3	135.1	145.4	144.0	153.0	166.9	197.8	192.9
Other Food												
Bananas EU	\$/mt	892.0	1175.7	897.6	1016.7	1055.8	983.5	991.3	768.0	796.2	786.3	859.0
Bananas US	b/ \$/mt	524.6	602.8	679.0	466.8	621.8	788.4	770.3	548.5	544.3	549.4	598.0
Beef	b/ c/kg	251.3	261.7	253.6	266.8	256.3	249.2	247.3	257.4	259.0	259.9	267.9
Fishmeal	\$/mt	648.6	731.0	1155.7	747.3	852.3	899.6	1178.3	1334.3	1267.0	1229.0	1247.0
Lamb	c/kg	459.9	443.8	404.4	429.2	413.2	395.8	410.7	408.5	399.9	397.5	405.28
Oranges	b/ \$/mt	857.5	874.7	832.5	751.7	848.0	826.7	755.5	814.6	878.6	1,036.0	931.1
Shrimp, Mexico	b/ c/kg	1,022	1,034	1,030	1,028	1,031	1,047	1,047	1,047	1,047	951	959
Sugar EU domestic	b/ c/kg	66.97	66.54	64.47	65.23	63.92	64.08	66.78	63.30	63.23	62.65	63.99
Sugar US domestic	b/ c/kg	45.47	46.93	49.27	46.73	47.96	51.86	51.69	47.66	46.65	44.79	43.56
Sugar, world	b/ c/kg	15.80	21.79	33.23	21.96	26.32	37.50	36.53	30.60	26.63	25.66	25.97
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	236.8	211.4	209.1	222.9	237.3	240.9	246.5	245.3	256.0
Plywood	c/sheets	464.8	508.6	591.5	506.5	500.2	529.0	577.8	638.3	641.0	632.1	639.1
Sawnwood, Cameroon	\$/cum	587.0	559.1	618.2	546.6	528.9	583.0	617.8	632.9	639.5	642.0	656.8
Sawnwood, Malaysia	\$/cum	581.3	659.4	744.9	664.3	680.7	713.3	743.1	761.9	766.7	762.1	777.0
Woodpulp	\$/mt	640.8	635.5	695.1	607.4	605.9	627.8	682.3	737.1	743.0	752.2	752.2
Other Raw Materials												
Cotton A Index	b/ c/kg	136.6	121.7	126.3	120.4	126.1	129.0	121.8	128.0	129.7	125.8	127.5
Cotton Memphis	c/kg	137.5	129.8	133.05	128.5	134.8	134.1	130.1	137.3	137.1	129.0	130.3
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	234.6	181.5	186.4	221.6	258.7	245.5	209.8	208.9	193.9
Rubber, Singapore	b/ c/kg	108.3	130.4	214.0	127.8	125.4	202.3	245.7	219.2	184.6	186.2	165.9
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	556.9	576.5	575.0	555.0	555.0	555.3	556.0	565.0	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

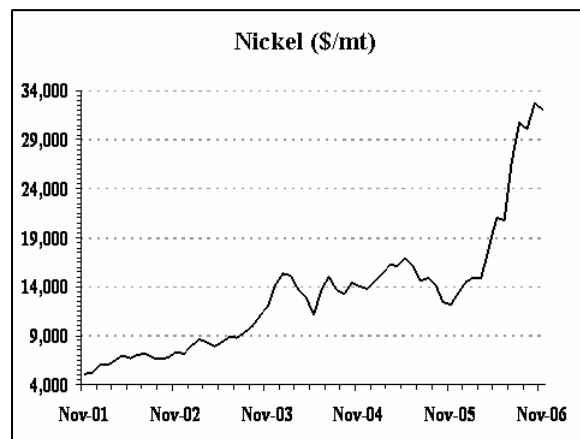
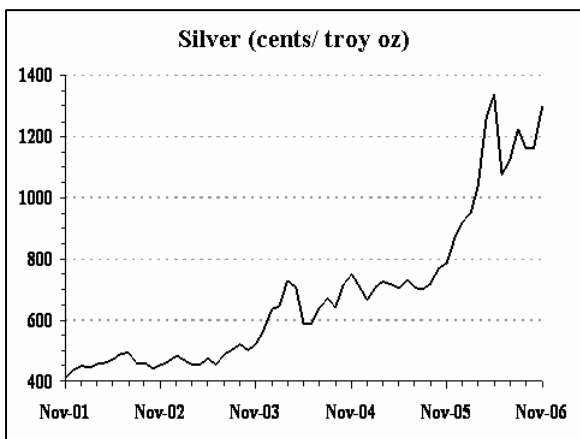
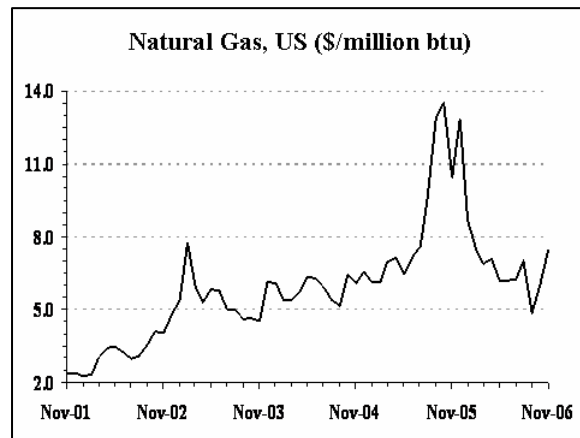
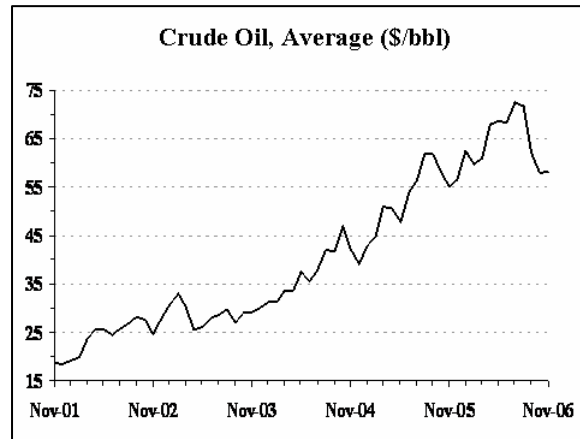
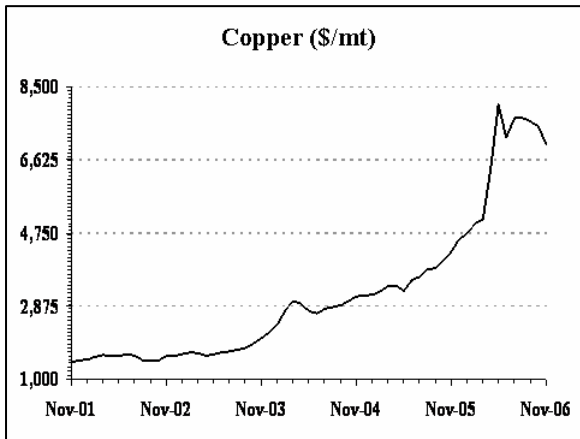
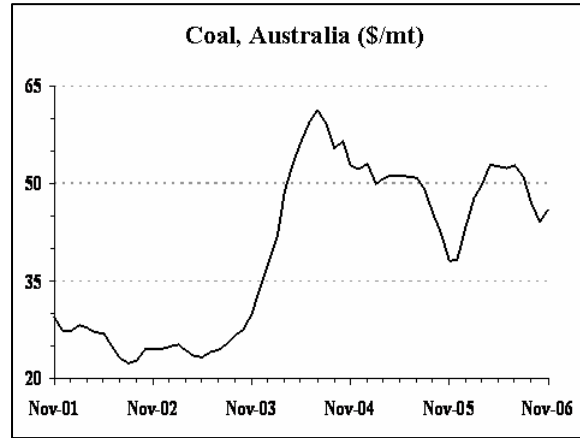
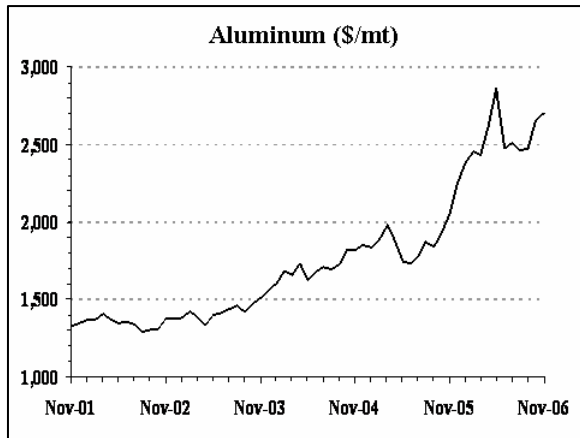
		Annual averages			Quarterly averages				Monthly averages			
		Jan-Dec	Jan-Dec	Jan-Nov	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Sep	Oct	Nov
		2004	2005	2006	2005	2005	2006	2006	2006	2006	2006	2006
Fertilizers												
DAP	\$/mt	221.2	247.0	260.9	261.6	264.5	259.6	266.9	260.3	258.8	255.6	253.5
Phosphate rock	<u>b/</u> \$/mt	41.0	42.0	44.1	42.0	42.0	42.3	43.5	45.5	45.5	45.5	45.5
Potassium chloride	\$/mt	124.6	158.2	174.5	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	220.0	211.7	224.7	219.2	228.1	210.4	215.3	211.8	235.6
Metals and Minerals												
Aluminum	<u>b/</u> \$/mt	1,716	1,898	2,548	1,829	2,076	2,421	2,653	2,482	2,473	2,655	2,703
Copper	<u>b/</u> \$/mt	2,866	3,679	6,726	3,757	4,302	4,940	7,210	7,670	7,602	7,500	7,029
Gold	\$/toz	409.2	444.8	602.0	439.5	485.6	554.0	627.4	621.5	598.2	585.8	627.8
Iron ore CVRD So & No	<u>b/</u> 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	<u>b/</u> c/kg	88.7	97.6	125.0	89.2	104.9	124.2	110.0	119.0	134.2	153.1	162.5
Nickel	<u>b/</u> \$/mt	13,823	14,744	23,317	14,567	12,649	14,810	19,925	29,154	30,131	32,703	32,114
Silver	c/toz	669.0	733.8	1141.2	708.8	808.3	969.4	1226.1	1168.9	1159.9	1161.5	1298.5
Steel products (8) index	<u>a/</u> 1990=100	121.5	137.9	134.6	138.6	138.6	138.6	131.6	135.8	135.8	133.7	128.8
Steel cr coilsheet	\$/mt	607.1	733.3	697.7	750.0	750.0	750.0	666.7	700.0	700.0	675.0	650.0
Steel hr coilsheet	\$/mt	502.5	633.3	604.5	650.0	650.0	650.0	591.7	600.0	600.0	575.0	550.0
Steel, rebar	\$/mt	428.8	423.1	443.2	430.0	430.0	430.0	445.0	450.0	450.0	450.0	450.0
Steel wire rod	\$/mt	487.5	579.2	590.5	600.0	600.0	600.0	575.0	600.0	600.0	600.0	570.0
Tin	c/kg	851.3	738.0	856.5	704.7	643.2	760.6	852.9	865.3	903.9	976.8	1007.9
Zinc	<u>b/</u> c/kg	104.8	138.1	317.3	129.7	164.0	224.2	329.2	336.3	340.3	382.3	438.2
World Bank commodity price indices for low and middle income countries(1990 =100)												
Energy		164.9	233.4	282.3	262.2	247.2	266.8	298.6	300.7	271.5	253.1	254.1
Non Energy Commodities		106.2	120.8	151.1	118.6	122.9	139.8	153.4	156.0	154.3	156.9	157.9
Agriculture		102.9	111.4	126.2	108.7	110.8	124.6	127.8	126.3	123.5	124.6	127.5
Beverages		94.0	116.9	121.4	111.2	110.8	122.9	118.1	121.1	121.5	120.6	128.3
Food		110.0	109.9	120.0	107.2	111.1	119.5	120.5	118.0	117.0	120.6	125.5
Fats and Oils		137.1	122.9	124.5	122.7	120.0	118.6	119.4	127.1	128.2	132.8	141.6
Grains		100.2	103.2	119.7	103.1	105.2	111.4	117.4	121.7	122.2	129.8	135.0
Other Food		93.2	103.1	116.5	96.8	107.1	124.7	123.1	108.5	104.8	105.4	106.9
Raw Materials		100.3	109.2	137.7	108.9	110.5	132.4	144.3	140.8	133.3	132.8	129.4
Timber		109.3	122.5	138.9	123.9	126.4	132.8	138.7	142.0	143.2	142.4	145.6
Other Raw Materials		94.2	100.1	136.8	98.6	99.6	132.2	148.1	139.9	126.5	126.2	118.3
Fertilizers		126.6	134.9	142.8	134.7	134.6	134.9	135.7	151.8	151.8	151.8	151.8
Metals and Minerals		112.4	142.5	213.3	141.3	151.4	177.7	218.1	229.5	230.2	236.6	233.2

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

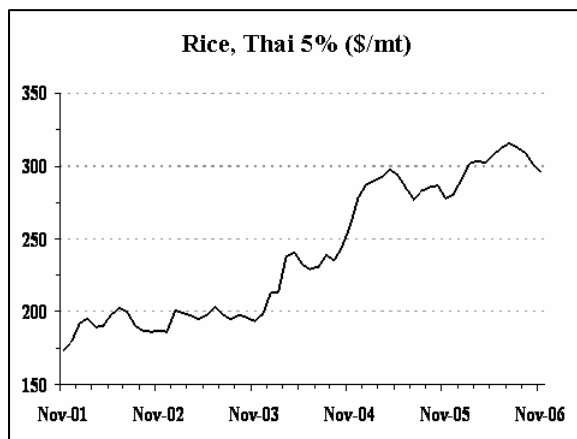
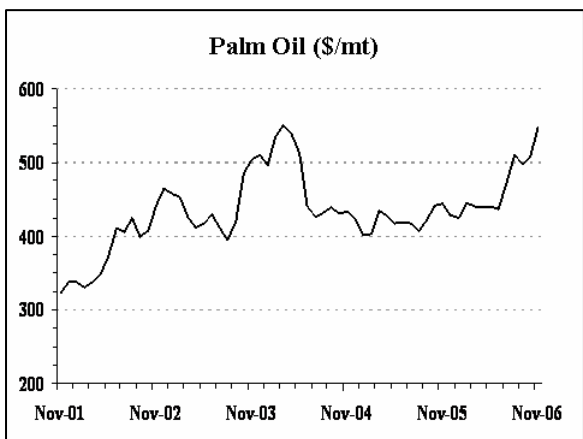
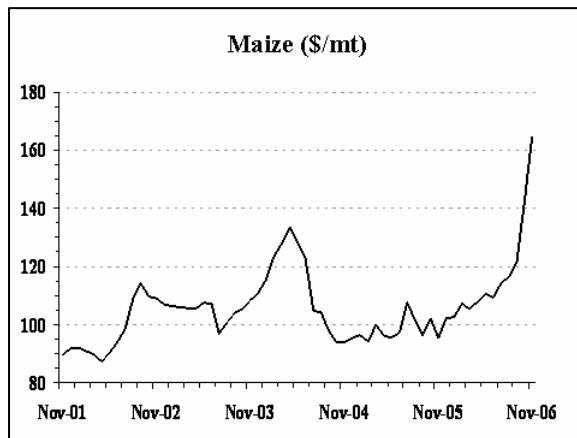
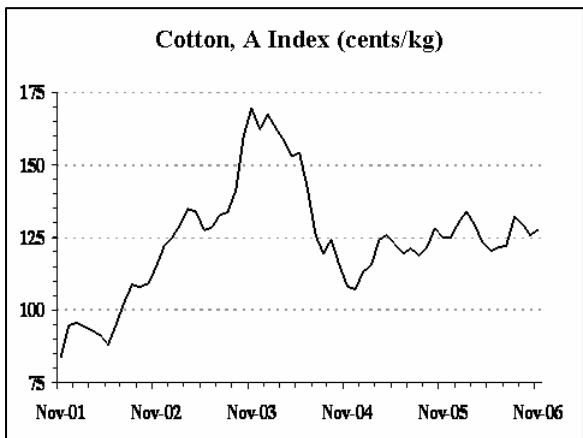
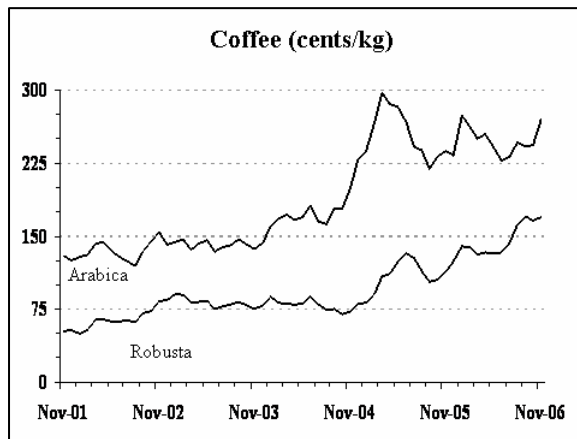
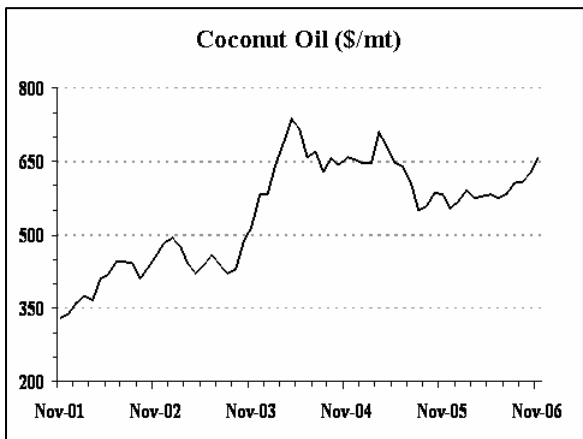
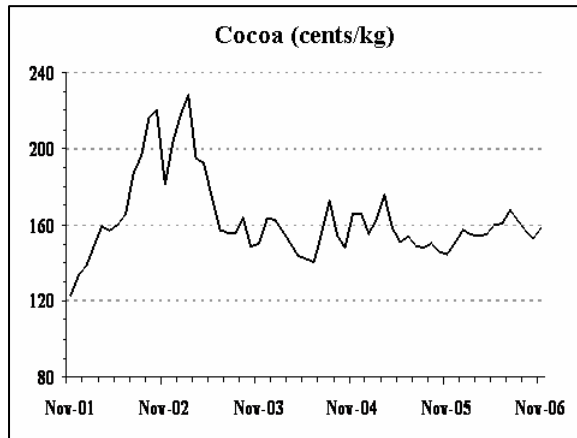
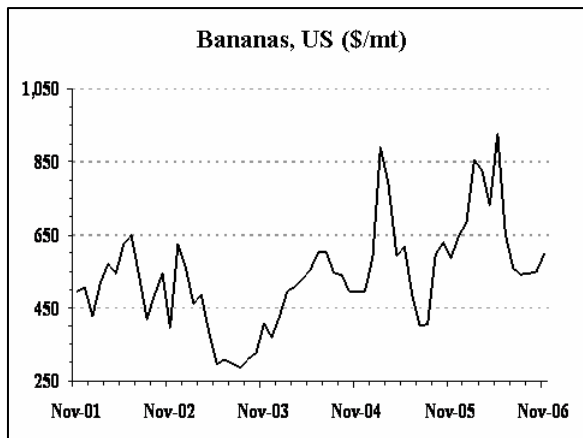
b. Not included in index/

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

