

Commodity Markets Review

December 10, 2003

DECPG, The World Bank

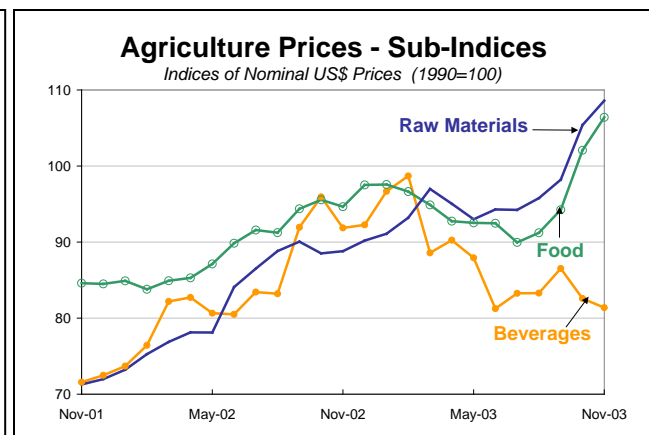
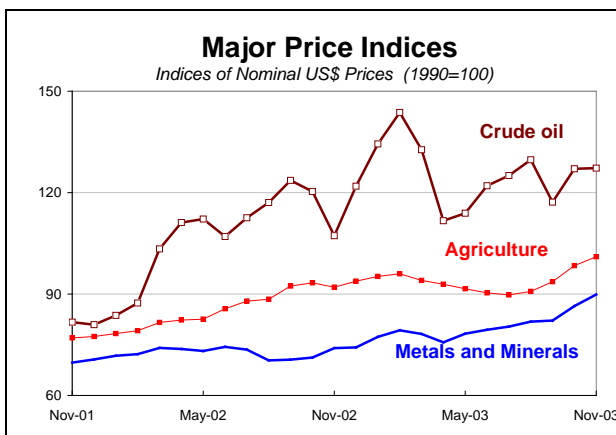
Non-oil commodity prices rose 2.9 percent in November, the fourth straight monthly gain, led by strong increases in metals and agriculture prices. Investment funds are propelling metals prices higher on improving economic indicators, the decline in the dollar, and expectations of higher demand. Agriculture prices have been driven higher on weather-related supply issues, lower stocks, and strong demand in China.

Crude oil prices were marginally higher in November, averaging \$29.1/bbl, as low stocks and supply concerns fueled speculative demand on futures markets. At its meeting December 4th, OPEC decided to leave quotas unchanged, but signaled its firm intent to take measures to maintain market stability and avoid price fluctuations. It will consider reducing quotas by 1 mb/d at its next meeting February 10th, in anticipation of a supply overhang in the second quarter of 2004. OPEC ministers argue that recent prices are justified because the weakening U.S. dollar has eroded their purchasing power.

Iraq's oil production averaged 1.9 mb/d in November, mainly from increasing output from the southern fields. Exports from the Basrah terminal on the Gulf were 1.55 mb/d, but they are nearing capacity, with December volumes targeted at 1.65 mb/d. Exports from northern fields remain shut-in because of ongoing repairs to the Kirkuk-Ceyhan pipeline.

Agricultural prices increased 2.7 percent in November, led by a 4.3 percent rise in food prices. The largest gains continue to be in fats and oils, up 4.9 percent in November and 32 percent the past three months, because of earlier drought that affected soybean crops. Grain prices rose 3.7 percent led by a 9 percent rise in wheat prices because of low stocks and higher demand from Eastern Europe. Agriculture raw materials prices rose 3.0 percent, with cotton prices increasing due to very low stocks and declining output in Australia due to drought, and rubber prices rising on a supply shortfall in Thailand and strong demand in China.

Metals and minerals prices surged 4.0 percent in November, continuing an investment-led rally the past seven months, driven by improving economic data, the decline in the dollar, lower inventories, supply curtailments, and expectations of increasing market deficits for most metals next year. Nickel continues to be the tightest market—with prices up 9.4 percent in November—due to strong stainless steel demand in China, very low stocks, and a dearth of new supply projects over the next two years. Copper, lead and tin prices have also been quite strong due to supply constraints, falling inventories, and expectations of higher demand next year as the global economic recovery expands.



Prepared by a team from the Prospects Group of Development Economics (DECPG) consisting of Donald Mitchell, Shane Streifel, John Baffes and Betty Dow. Katherine Rollins is the task assistant. This report is available on the World Bank's intranet at <http://decpg.worldbank.org>.

Major Movers in November¹

Bananas prices in the U.S. soared 24.5 percent mainly in response to reduced shipments from Colombia.

Beef prices jumped 12.6 percent to reach a 9-year high due to strong U.S. consumer demand due to the popularity of the low carbohydrate diet and low animal numbers due to last years drought.

Nickel prices rose 9.4 percent on strong demand in China and Korea, low stocks, and expectations the market will remain in deficit over the next couple of years.

Wheat prices increased 8.9 percent due to low stocks, increased import demand, and weakening of the dollar. Further price increases are expected in the coming months.

Coal prices gained 8.2 percent on strong demand, and as the Chinese government informed producers that domestic customers will take priority over exports because of severe supply shortages in southern China.

Copper prices leapt 7.0 percent on heavy investment-fund buying, driven by declining stocks and expectations that the market will remain in deficit in 2004.

Soybean meal prices rose 6.7 percent due to higher than expected export demand (especially from China) and a poor U.S. crop because of drought.

Cotton prices increased 6.1 percent to reach a 5-year high due to output declines and low stock levels which are at their lowest level since the 1994/95 season.

Fertilizer DAP prices rose 6.0 percent on strong import demand from Latin America, especially Argentina and Brazil, and limited U.S. supplies available for export.

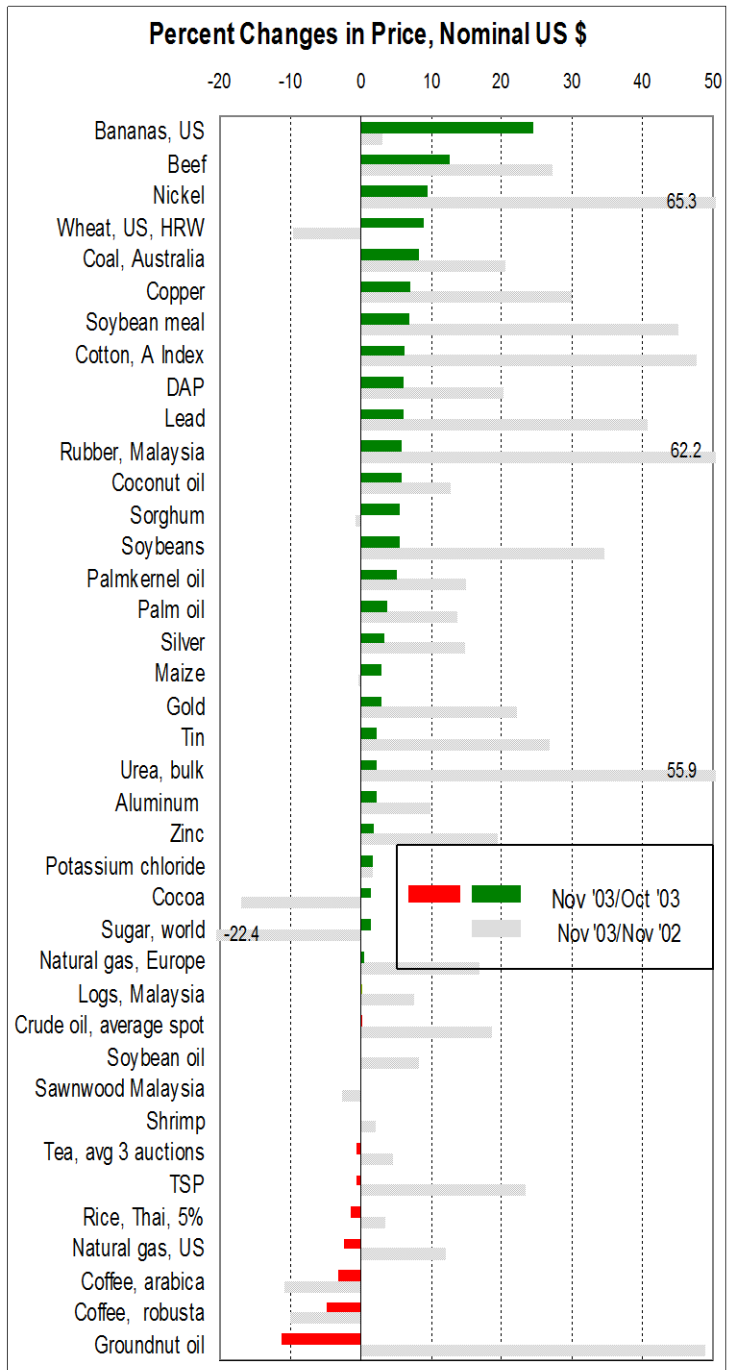
Lead prices increased 6.0 percent due to falling LME inventories, supply cutbacks and relatively strong battery demand.

Rubber prices rose 5.9 percent due to strong demand for tires in China, and unfavorable weather in Thailand, although prices are now receding as favorable weather returns.

Coffee prices declined—arabica 3.1 percent and

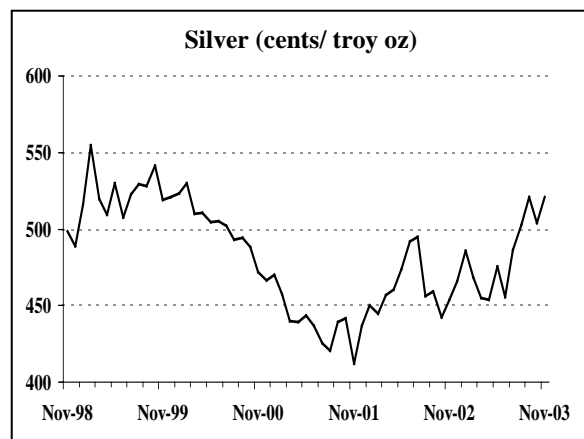
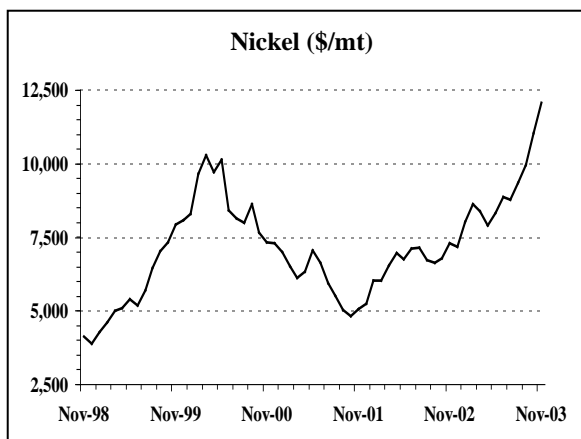
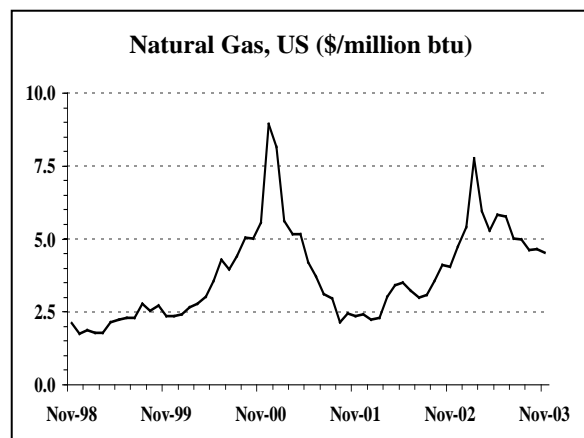
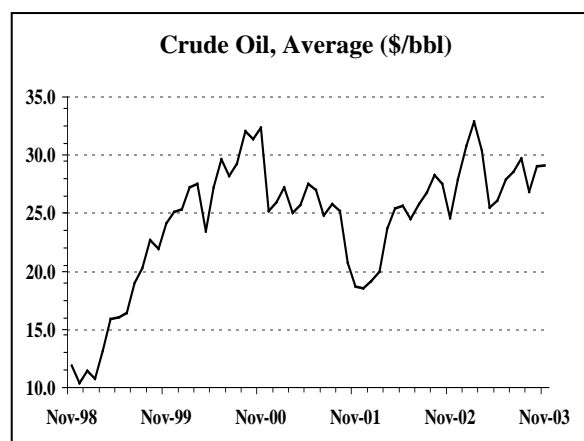
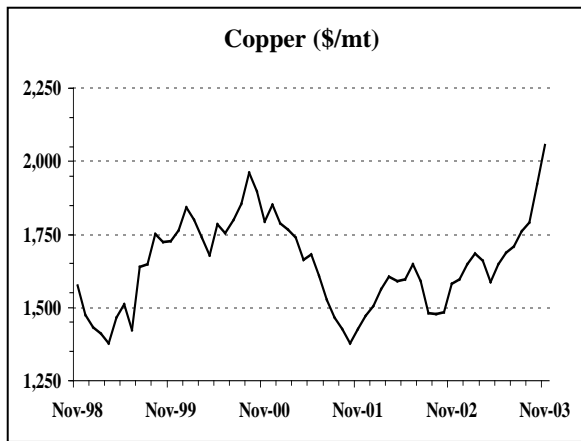
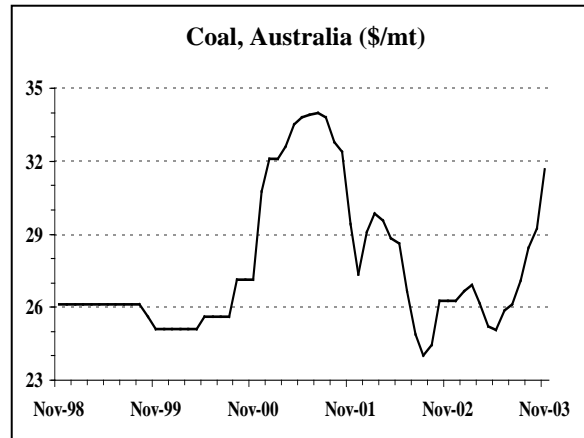
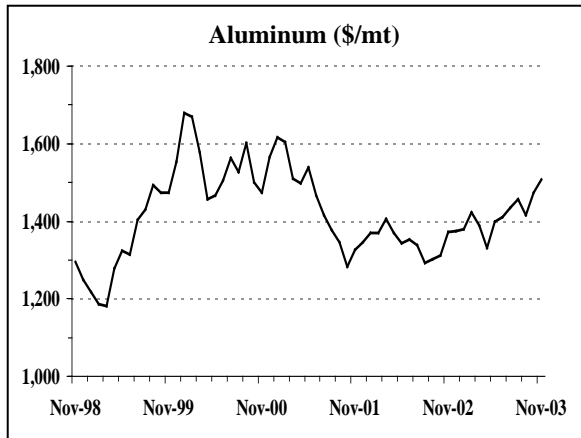
robusta 4.9 percent—due to increased supplies in Brazil and Vietnam, the world's two largest coffee producers and exporters.

Groundnut oil prices dropped 11.1 percent due to higher supplies from traditional exporters Senegal and Argentina on a return to favorable weather, and higher exports from and India.

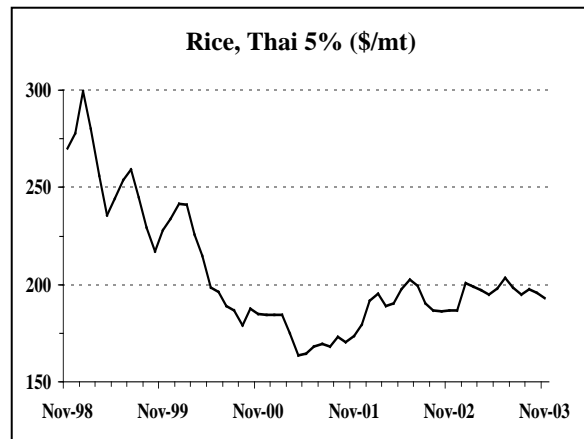
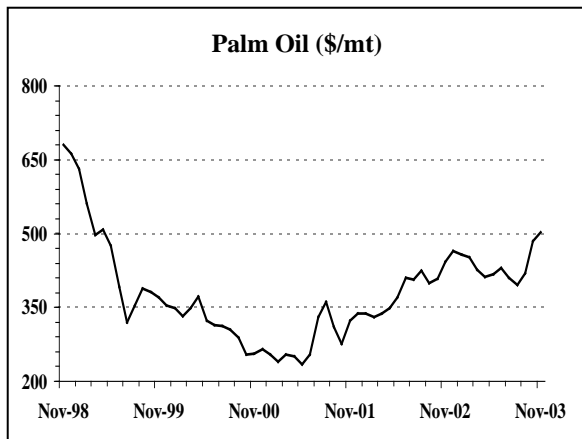
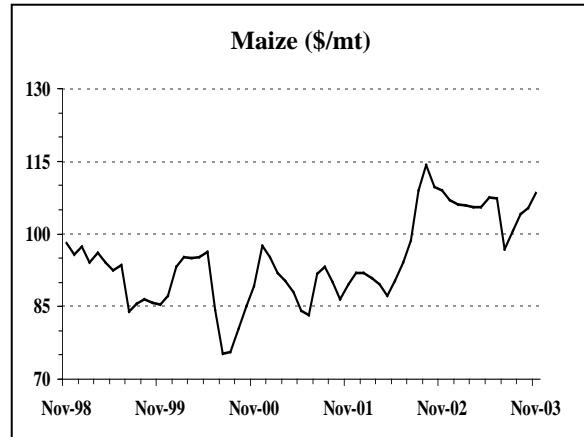
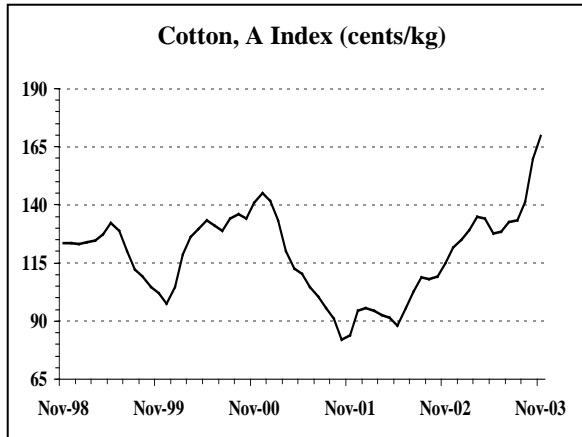
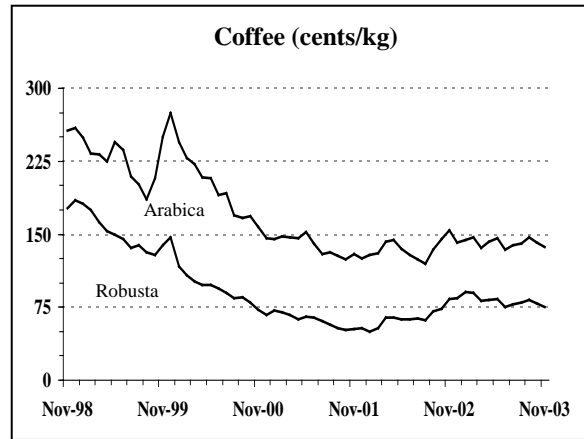
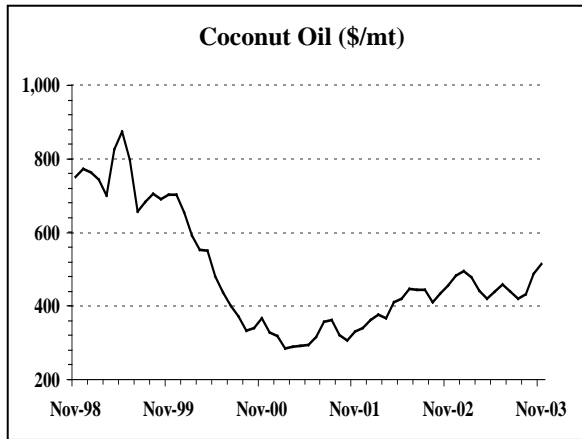
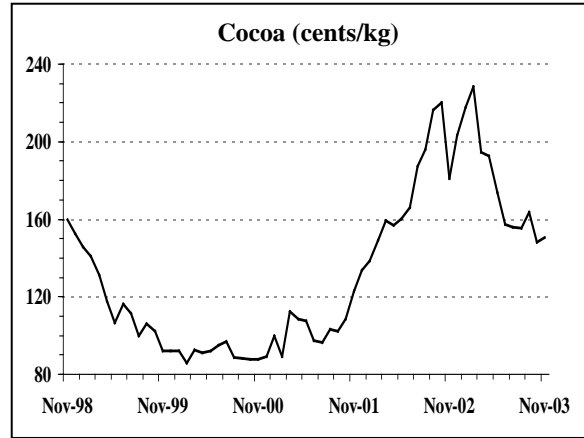
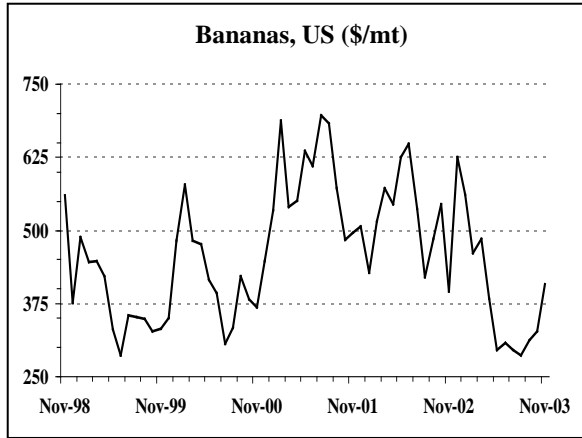


¹ Percent change of average November 2003 prices compared to average October 2003 prices in nominal U.S. dollars (graph also includes 12-month changes).

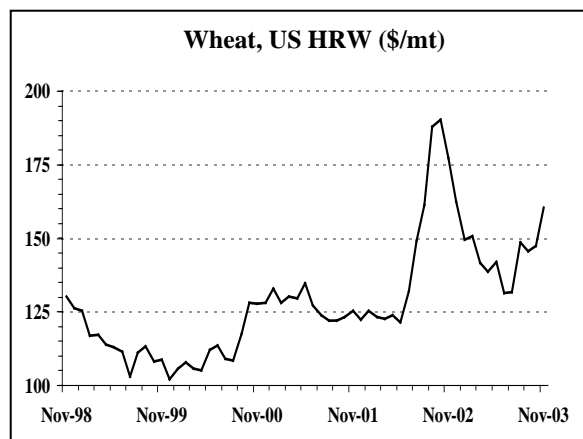
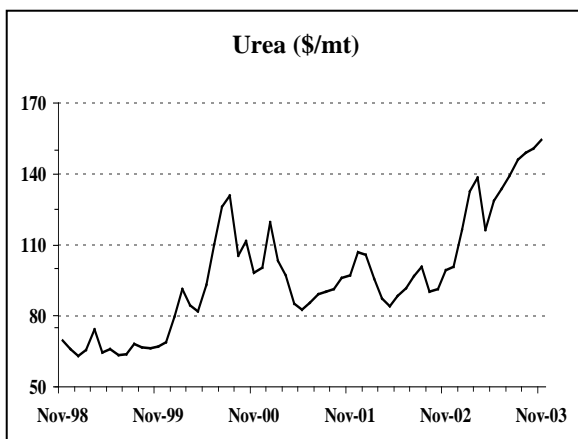
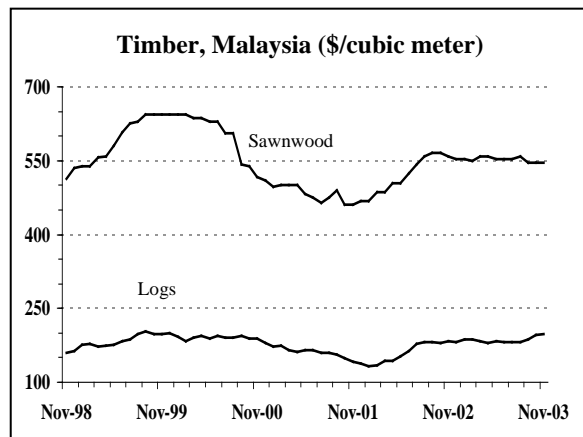
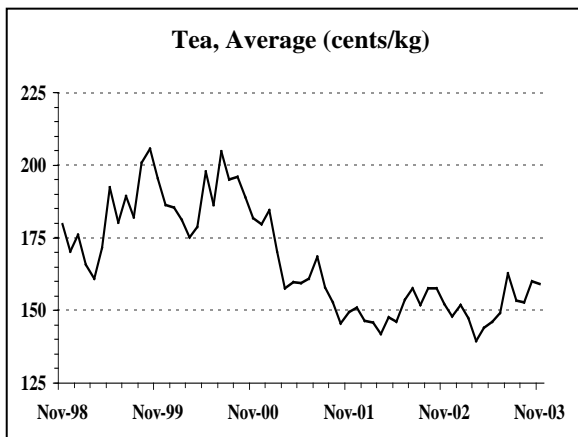
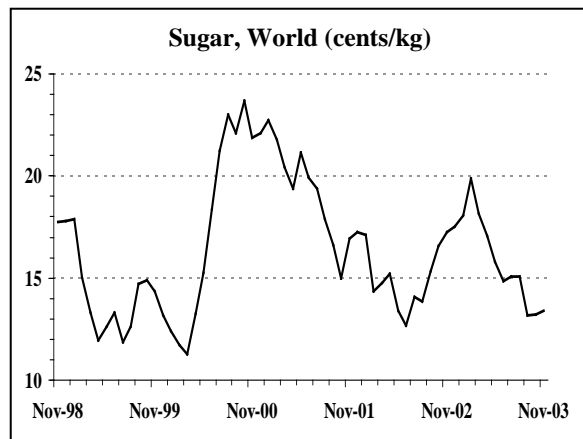
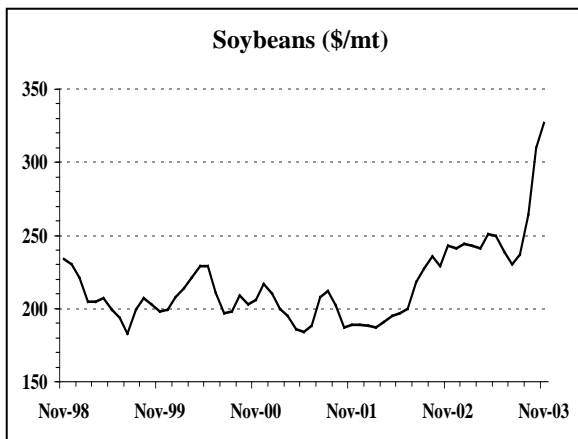
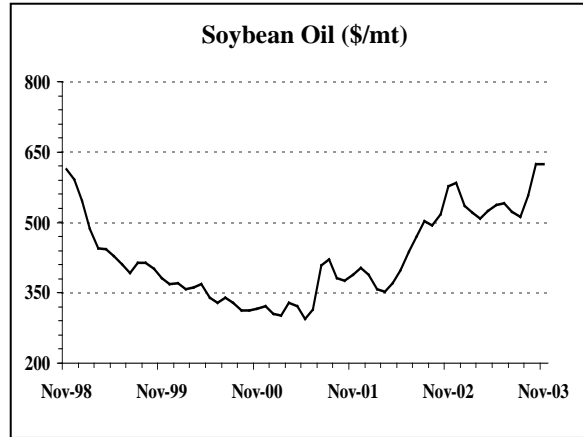
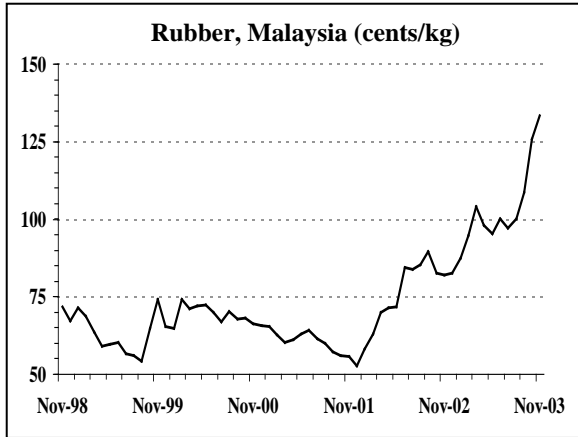
Selected Commodity Prices, Nominal US dollars, 1998-2003



Selected Commodity Prices, Nominal US dollars, 1998-2003 cont'd



Selected Commodity Prices, Nominal US dollars, 1998-2003 cont'd



COMMODITY PRICE DATA

Commodity	Unit	Annual averages			Quarterly averages					Monthly averages		
		Jan-Dec 2001	Jan-Dec 2002	Jan-Nov 2003	Jul-Sep 2002	Oct-Dec 2002	Jan-Mar 2003	Apr-Jun 2003	Jul-Sep 2003	Sep 2003	Oct 2003	Nov 2003
Energy												
Coal, Australia	\$/mt	32.31	27.06	27.12	24.45	26.25	26.57	25.37	27.21	28.45	29.25	31.66
Coal, US	\$/mt	44.86	40.02	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Crude oil, avg, spot	a/ \$/bbl	24.35	24.93	28.80	26.94	26.65	31.33	26.51	28.37	26.81	29.07	29.12
Crude oil, Brent	a/ \$/bbl	24.42	24.97	28.75	26.91	26.75	31.41	26.12	28.41	26.98	29.65	28.75
Crude oil, Dubai	a/ \$/bbl	22.71	23.72	26.64	25.57	25.01	28.56	24.39	26.49	25.17	27.19	27.50
Crude oil, West Texas Int.	a/ \$/bbl	25.92	26.09	31.02	28.32	28.19	34.02	29.02	30.20	28.28	30.36	31.09
Natural gas, Europe	\$/mmbtu	4.06	3.05	3.90	3.01	3.33	3.67	4.04	4.00	3.97	3.88	3.90
Natural gas, US	\$/mmbtu	3.96	3.35	5.43	3.21	4.30	6.38	5.63	4.86	4.61	4.64	4.53
Non Energy Commodities												
Agriculture												
Beverages												
Cocoa	b/ c/kg	106.9	177.8	176.2	199.7	201.5	213.6	174.4	158.3	163.8	148.3	150.6
Coffee, Arabica	b/ c/kg	137.3	135.7	141.4	126.0	146.8	142.4	141.1	142.0	146.4	141.8	137.3
Coffee, robusta	b/ c/kg	60.7	66.2	81.7	65.1	80.3	87.5	80.4	80.1	82.3	79.1	75.2
Tea, auctions (3), average	c/kg	159.8	150.6	151.5	155.8	152.6	146.2	146.5	156.3	152.8	160.0	159.1
Tea, Colombo auctions	b/ c/kg	161.7	156.2	153.3	150.1	156.1	151.6	143.6	155.3	161.0	167.6	167.7
Tea, Kokata auctions	b/ c/kg	166.1	146.4	146.8	165.9	150.6	138.8	144.9	157.8	139.8	145.5	144.2
Tea, Mombasa auctions	b/ c/kg	151.7	149.2	154.3	151.3	151.1	148.2	150.9	155.7	157.5	167.0	165.5
Food												
Fats and Oils												
Coconut oil	b/ \$/mt	318.1	421.0	456.8	432.7	457.7	470.7	440.0	430.3	431.0	487.0	515.0
Copra	\$/mt	202.1	266.3	290.8	283.0	288.3	303.7	276.0	276.1	274.3	297.0	335.0
Groundnut oil	b/ \$/mt	680.3	687.1	1251.8	655.3	778.0	1023.3	1307.7	1445.0	1470.0	1293.0	1149.0
Palm oil	b/ \$/mt	285.7	390.3	437.2	410.3	438.3	445.3	419.7	408.7	420.0	485.0	503.0
Palmkernel oil	b/ \$/mt	308.1	415.8	447.5	430.0	457.7	469.3	420.3	410.3	429.0	498.0	524.0
Soybean meal	b/ \$/mt	181.0	175.2	206.1	177.7	182.3	188.7	195.7	197.0	209.0	253.0	270.0
Soybean oil	b/ \$/mt	354.0	454.3	546.3	489.0	559.7	521.3	534.3	531.0	558.0	624.0	625.0
Soybeans	b/ \$/mt	195.8	212.7	257.8	227.0	237.7	242.7	246.7	243.7	264.0	310.0	327.0
Grains												
Maize	b/ \$/mt	89.6	99.3	104.8	107.3	108.5	105.9	106.8	100.5	104.1	105.4	108.5
Rice, Thailand, 5%	b/ \$/mt	172.8	191.9	197.6	192.2	186.5	198.8	198.8	197.0	197.6	195.8	193.3
Rice, Thailand, 25%	\$/mt	153.1	175.0	181.4	176.1	174.4	182.5	181.9	180.3	180.0	181.5	179.5
Rice, Thailand, 35%	\$/mt	149.1	170.5	177.8	171.8	171.5	179.0	178.2	176.4	176.0	178.3	176.3
Rice, Thai, A1.Special	\$/mt	134.1	150.2	150.4	149.8	156.6	149.8	145.0	151.6	154.6	157.0	158.0
Sorghum	b/ \$/mt	95.2	101.7	105.6	110.5	114.0	108.9	103.1	101.0	109.1	108.3	114.2
Wheat, Canada	\$/mt	151.5	175.8	176.6	190.1	221.8	187.1	174.2	171.0	165.8	166.2	180.0
Wheat, US, HRW	b/ \$/mt	126.8	148.1	144.4	166.1	176.7	147.4	137.3	142.0	145.6	147.5	160.6
Wheat US SRW	\$/mt	107.7	130.0	136.7	135.1	154.4	135.9	127.1	137.2	138.4	142.8	160.9
Other Food												
Bananas EU	\$/mt	777.2	759.4	785.7	707.0	695.1	963.3	825.5	612.2	718.7	686.3	753.6
Bananas US	b/ \$/mt	583.3	528.6	375.2	480.9	521.9	502.7	329.7	298.0	311.8	327.9	408.2
Beef	b/ c/kg	212.9	210.5	194.7	210.2	185.6	185.9	176.5	197.8	213.9	216.9	244.2
Fishmeal	\$/mt	486.7	605.9	606.6	617.0	595.7	591.3	603.7	605.2	601.5	624.0	648.0
Lamb	c/kg	291.2	330.3	383.4	339.7	351.5	356.7	375.8	394.5	397.7	416.1	420.7
Oranges	b/ \$/mt	595.5	564.5	694.2	639.3	506.0	561.8	692.7	775.3	783.0	836.2	711.2
Shrimp, Mexico	b/ c/kg	1,517	1,052	1,148	992	1,069	1,172	1,168	1,135	1,102	1,102	1,102
Sugar EU domestic	b/ c/kg	52.86	54.92	59.37	56.61	57.48	58.62	59.21	58.85	58.84	61.27	61.80
Sugar US domestic	b/ c/kg	47.04	46.14	47.59	46.41	48.62	48.85	48.01	46.86	46.66	46.35	45.96
Sugar, world	b/ c/kg	19.04	15.18	15.79	14.43	17.12	18.69	15.91	14.44	13.18	13.21	13.40
Raw Materials												
Timber												
Logs, Cameroon	\$/cum	266.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Logs, Malaysia	\$/cum	159.1	163.4	186.3	180.9	181.9	186.3	182.1	183.4	187.2	196.8	197.5
Plywood	c/sheets	409.8	393.1	429.0	411.2	405.4	420.8	422.2	425.4	434.1	456.3	457.9
Sawnwood, Cameroon	\$/cum	471.9	486.4	546.1	511.4	513.5	542.0	564.3	541.4	532.8	532.0	532.3
Sawnwood, Malaysia	\$/cum	481.4	526.5	552.1	555.9	559.4	553.6	554.8	552.5	545.5	545.5	545.5
Woodpulp	\$/mt	517.3	452.3	519.8	483.9	450.7	466.6	553.0	523.3	522.4	544.3	544.3
Other Raw Materials												
Cotton A Index	b/ c/kg	105.8	101.9	137.9	106.5	115.3	129.8	130.0	135.9	141.3	160.0	169.7
Cotton Memphis	b/ c/kg	116.6	104.9	155.32	109.4	117.8	n.a.	n.a.	143.3	151.2	172.0	174.7
Jute	\$/mt	329.4	270.8	241.9	235.0	227.3	233.8	245	245.0	245.0	245.0	245.0
Rubber, Malaysia	b/ c/kg	60.0	77.1	104.0	86.3	82.5	95.5	97.8	101.9	108.5	125.9	133.3
Rubber, US	c/kg	74.7	90.7	120.8	101.0	100.0	113.5	112.8	120.0	126.6	141.1	148.5
Rubber, Singapore	c/kg	57.5	76.5	106.7	86.1	83.8	98.6	100.9	105.6	111.3	130.0	128.1
Sisal	\$/mt	699.2	659.6	690.9	650.0	650.0	650.0	675.0	691.7	725.0	775.0	775.0
Wool	c/kg	418.7	469.0	537.7	438.3	534.7	564.4	525.6	533.1	525.9	531.7	514.0

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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
		2001	2002	2003	2002	2002	2003	2003	2003	2003	2003	2003
Fertilizers												
DAP	\$/mt	147.7	157.5	177.3	167.3	152.1	172.0	180.5	179.8	178.3	171.7	182.0
Phosphate rock	b/ \$/mt	41.8	40.4	38.0	41.0	38.5	38.0	38.0	38.0	38.0	38.0	38.0
Potassium chloride	\$/mt	118.1	113.3	112.7	112.5	112.5	112.5	112.5	112.5	112.5	112.5	114.4
TSP	\$/mt	126.9	133.1	148.1	132.1	132.2	136.1	146.4	151.5	153.6	164.0	163.0
Urea, E. Europe, bagged	\$/mt	105.3	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	95.3	94.4	136.9	95.8	97.1	129.2	126.3	144.8	149.1	150.9	154.5
Metals and Minerals												
Aluminum	b/ \$/mt	1,444	1,350	1,420	1,310	1,353	1,397	1,380	1,436	1,416	1,474	1,508
Copper	b/ \$/mt	1,578	1,559	1,741	1,516	1,554	1,663	1,641	1,753	1,790	1,921	2,055
Gold	\$/toz	271.0	310.0	359.6	314.2	322.5	352.1	346.7	363.2	379.0	378.9	389.9
Iron ore CVRD So & No	b/ c/dmtu	30.03	29.31	31.95	29.31	29.31	31.95	31.95	31.95	31.95	31.95	31.95
Lead	b/ c/kg	47.6	45.3	49.9	43.0	43.5	45.9	45.6	51.1	52.1	58.7	62.2
Nickel	b/ \$/mt	5,945	6,772	9,217	6,833	7,104	8,343	8,372	9,371	9,965	11,047	12,087
Silver	c/toz	438.6	462.5	484.3	470.1	454.0	469.5	461.5	503.3	520.6	503.9	520.6
Steel products (8) index	a/ 1990=100	66.8	67.7	78.3	69.7	71.4	74.6	76.4	81.4	81.9	81.9	82.8
Steel cr coilsheet	\$/mt	299.2	328.3	440.5	353.3	380.0	400.0	410.0	478.3	490.0	490.0	490.0
Steel hr coilsheet	\$/mt	216.5	246.7	319.3	270.0	280.0	306.7	320.0	324.2	330.0	330.0	330.0
Steel, rebar	\$/mt	221.5	204.2	264.6	206.7	210.0	250.0	260.0	273.3	280.0	280.0	280.0
Steel wire rod	\$/mt	302.3	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Tin	c/kg	448.4	406.1	478.9	404.1	423.6	453.7	466.6	482.5	491.2	523.7	536.3
Zinc	b/ c/kg	88.6	77.9	81.4	76.6	77.3	78.6	77.4	82.1	81.8	89.8	91.5
World Bank commodity price indices for low and middle income countries(1990 =100)												
Energy		106.4	109.0	125.9	117.7	116.5	136.9	115.9	124.0	117.2	127.1	127.3
Non Energy Commodities		79.0	83.0	90.6	84.8	87.6	90.5	88.1	89.0	90.8	95.4	98.2
Agriculture		79.8	86.5	94.0	89.7	93.1	95.1	91.6	91.4	93.7	98.4	101.0
Beverages		72.1	84.6	87.3	86.2	93.4	94.7	86.5	84.4	86.5	82.6	81.4
Food		86.0	90.1	95.5	92.6	95.9	96.4	92.6	91.8	94.3	102.1	106.4
Fats and Oils		89.0	101.2	118.4	105.2	111.3	113.6	113.5	112.7	118.3	137.9	144.4
Grains		78.2	88.1	89.6	94.1	95.9	90.9	88.6	87.8	89.9	90.2	93.6
Other Food		87.9	82.1	80.1	81.3	83.2	85.4	77.7	76.9	77.0	79.3	82.4
Raw Materials		77.4	83.2	96.9	88.5	89.2	93.8	94.1	96.1	98.2	105.4	108.6
Timber		90.2	98.1	103.8	104.0	105.2	104.0	103.9	103.6	102.8	103.5	103.5
Other Raw Materials		68.6	73.1	92.2	77.9	78.3	86.8	87.4	90.9	95.1	106.7	112.1
Fertilizers		98.8	100.5	105.6	100.6	98.4	99.8	104.8	107.2	108.2	113.2	112.7
Metals and Minerals		75.1	72.8	80.8	71.5	73.2	78.3	77.8	81.5	82.2	86.4	89.9

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