

# Commodity Markets Review

February 12, 2002

EPPG, The World Bank

**Commodity prices were higher in January, with crude oil prices up 3.4 percent and non-oil prices up 1.4 percent compared to December.** The increases appear to be more due to expectations of improved global economic growth rather than significant changes in consumption or production. Inventories of crude oil and metals continue to increase while agricultural exports remain sluggish. Thus, commodity price increases could be reversed in coming months before beginning a more sustainable rally later this year.

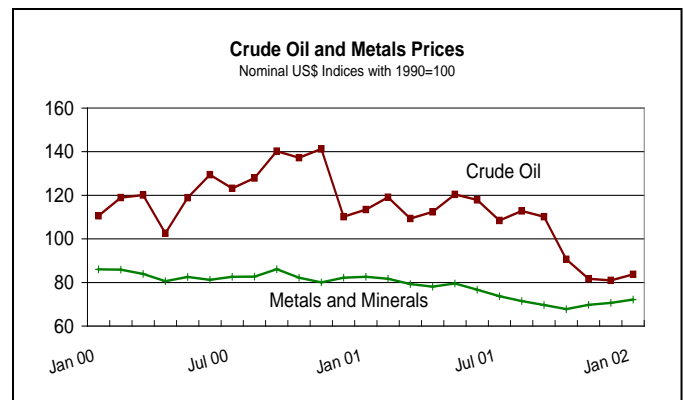
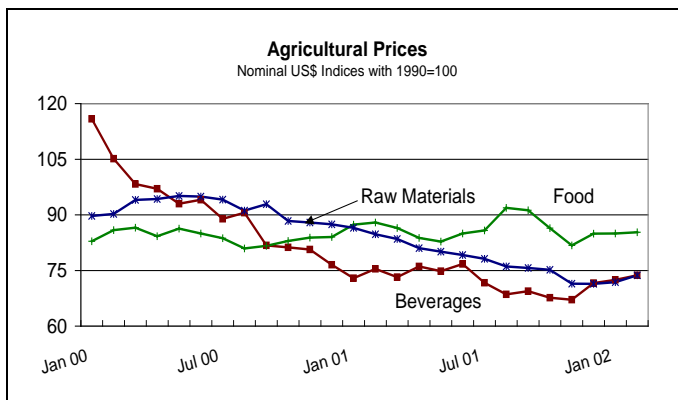
**Agricultural prices were up 1.2 percent in January for the third consecutive monthly increase** following the October lows. All major categories were higher, with beverage prices up 1.7 percent, food prices up 0.5 percent and raw materials prices up 1.9 percent.

It appears that poor weather conditions may be important in determining agricultural prices this summer and over the following year. There is a drought in the northeastern U.S., dry conditions in a large part of the mid-western U.S., and drought in the Brazilian soybean growing area. In addition, water temperature changes in the South Pacific indicate that El Niño may be returning this summer. If these

conditions do not improve, yields will likely fall and that could fuel higher prices.

**Crude oil prices rose in January, despite weak demand and rising inventories,** on expectations that recent production cuts by oil producers will draw down inventories and lead to higher prices during the year. Extremely mild weather contributed to a 35 percent decline in U.S. oil demand and reduced travel has contributed to an 11 percent decline in jet fuel demand in January compared to January a year ago. OPEC, outside of Iraq, reduced production by less than half of its announced cut of 1.5 mb/d, and will now face lower seasonal demand in the absence of cold weather.

**Metals and minerals prices were up 2.2 percent in January, mainly because of expectations** that an early economic recovery will lead to higher demand for metals. However, demand remains weak and inventories continue to rise for most metals, despite a number of production cuts, particularly for copper and aluminum. This latest rally is not expected to endure, and only modest gains in prices are expected this year.



Prepared by a team from the Economic Policy and Prospects Group (EPPG) of Development Economics under the supervision of Hans Timmer and consisting of Donald Mitchell, Shane Streifel, John Baffes and Betty Dow. Katherine Rollins was the task assistant.

## Major Movers in January<sup>1</sup>

**Banana** prices in the U.S. fell 15.4 percent in January due to increased imports from Colombia and Ecuador.

**Natural gas** prices fell 10 percent in Europe due to the lagged effect of lower oil prices, and U.S. natural gas prices fell 6.6 percent due to burgeoning inventories following mild weather and low industrial demand.

**Robusta coffee** prices fell 6.3 percent to a new low as the oversupply continued to weigh on the market. Little recovery is expected in the near-term.

**Cocoa** prices rose an additional 3.7 percent in a continuation of the tight supply conditions over the past two years which have caused prices to rise more than 60 percent. Prices should remain firm.

**Zinc** prices rose 5.1 percent, despite poor underlying fundamentals. Demand remains weak and LME inventories rose 8.7 percent in January. Prices are likely to retreat.

**Soybean meal** prices rose 5.2 percent from severely depressed levels. Low maize prices and large soybean production will likely limit further increases.

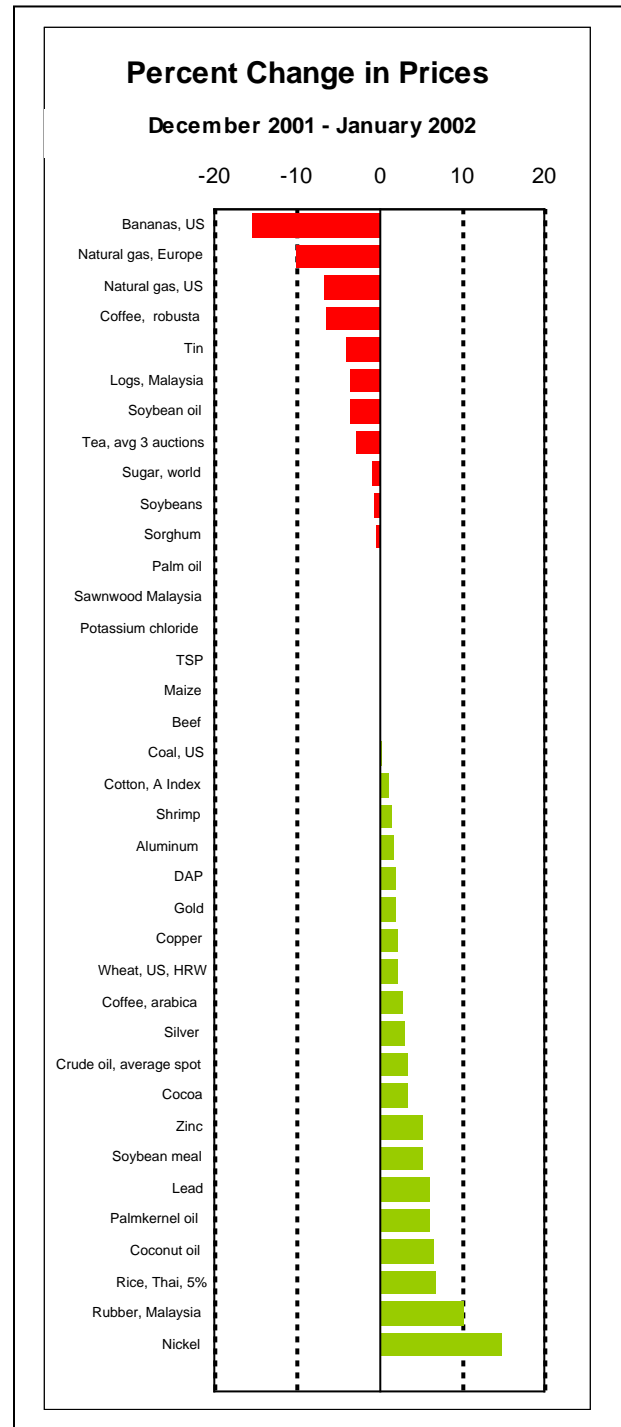
**Lead** prices rose 6.2 percent in concert with the rally in copper prices. But, LME inventories surged 38 percent in January and demand is weak. Further price increases are not expected.

**Vegetable oil** prices were generally higher, with palmkernel oil up 6.3 percent and coconut oil up 6.8 percent due to reduced supplies and strong demand. Prices are expected to continue to work their way higher. China has been a large importer.

**Rice** prices rose 7.0 percent on strong imports from Iran and Iraq and dwindling export supplies from Pakistan and Vietnam. The Thai government's paddy mortgage scheme has also bid rice into government stocks and supported prices.

**Rubber** prices rose 10.3 percent due to heavy rains in Southeast Asia which delayed rubber tapping.

**Nickel** prices rose 14.8 percent on expectations of a recovery in demand, however, inventories rose 22 percent in January and should limit further gains.



<sup>1</sup> Based on the percent change of average January 2002 prices compared to average December 2001 prices.

## Drought threatens U.S. and Canadian wheat crops

Abnormally dry conditions extend across much of the U.S.'s central plains states and extreme drought affects parts of the northern plains and eastern coastal states (see map). The condition has developed over several years, but has worsened since last summer. The drought is centered in the main wheat producing areas of the U.S. and also extends into the main Canadian wheat producing area. It could affect wheat yields and prices during the remainder of this year and possibly next year.

The developing countries most affected by higher wheat prices and this year's projected wheat exports/imports in million metric tons are: exporters Argentina (12.0), India (2.5), and Kazakstan (3.0) and importers Algeria (4.5), Brazil (6.5), Egypt (5.8), Indonesia (4.2), Iran (6.5), Iraq (3.3), Mexico (3.2), Morocco (2.8), and Philippines (3.3).

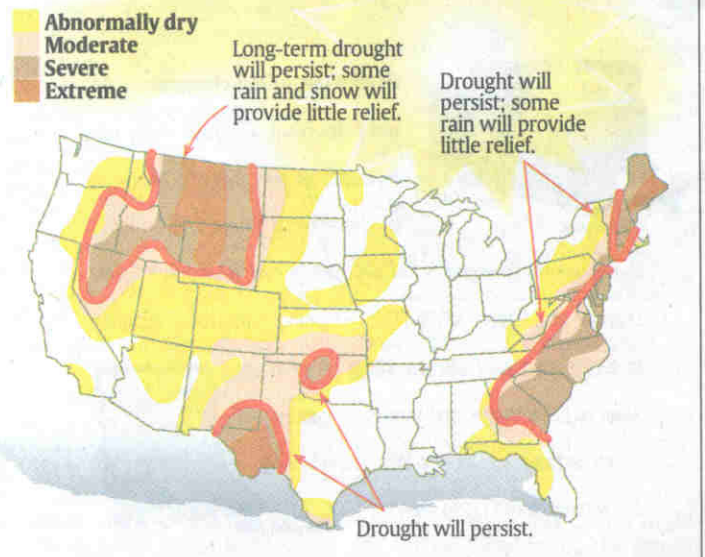
U.S. wheat production is concentrated in a band from Texas to Montana and the Dakotas—and the drought covers much of this region. The eastern coastal states are also significant producers of winter wheat and could be affected. Production of other major crops such as corn, cotton, and soybeans are not concentrated in the drought affected areas and should not be severely affected. Canadian spring wheat production is concentrated north of Montana and the Dakotas in Alberta, Saskatchewan, and Manitoba.

Together, the U.S. and Canada account for about 40 percent of world wheat exports, 15 percent of production, and currently hold about 16 percent of world wheat stocks. Global wheat stocks, relative to total use, are at five-year lows according to the most recent USDA estimate and are only slightly above the levels which triggered large price increases in 1995 and 1996.

Severe droughts are not common and are difficult to quantify. Thus, it is difficult to accurately predict the impact on yields or prices. The last severe North American drought was in 1988, and combined wheat

### Parched areas of the USA won't get much relief

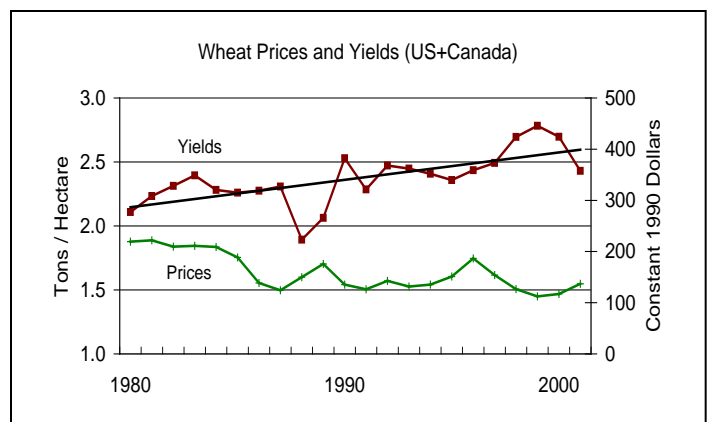
Abnormally dry conditions since the summer have expanded drought areas in parts of the country. Just as it takes several months for drought to develop, it also will take time for enough rain and snow to provide relief. Little in the way of drought recovery is forecast for this week.



Source: Climate Prediction Center

yields in the U.S. and Canada declined by about 18 percent relative to trend (chart). Wheat prices rose \$32/ton from the previous year (chart). The impact of the current drought can be seen on last year's U.S. and Canadian wheat yields which fell 10 percent from the previous year.

If combined U.S. and Canadian wheat yields fall by 15 percent this year from the historical trend, world wheat stocks would fall by about 12 million tons and prices would rise by an estimated \$22 per ton (18 percent).



## COMMODITY PRICE DATA

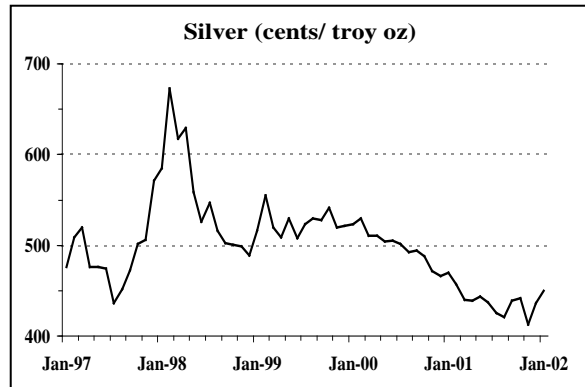
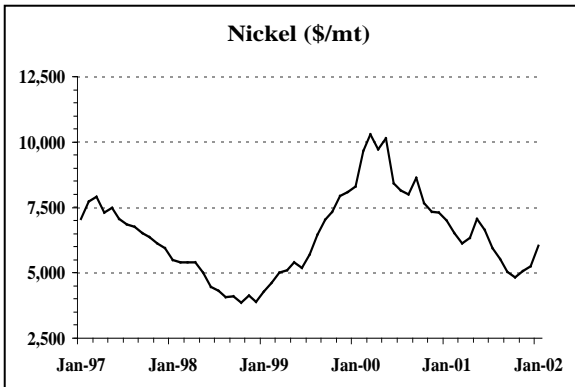
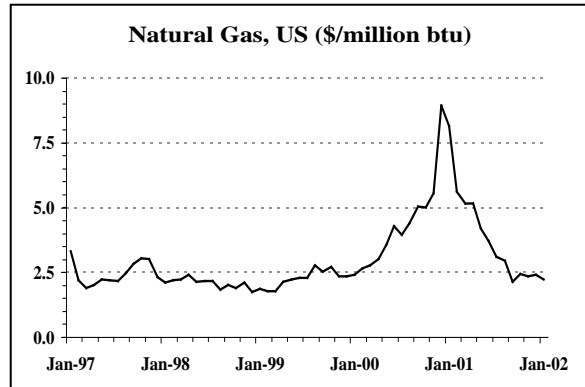
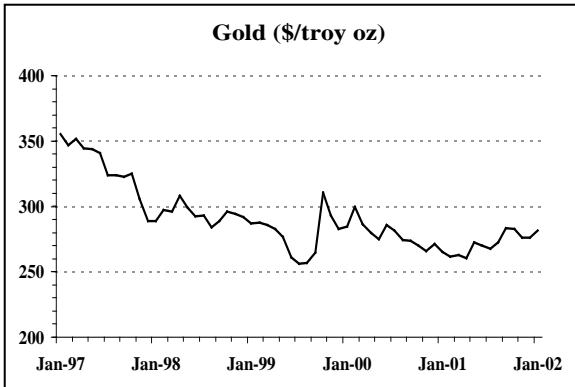
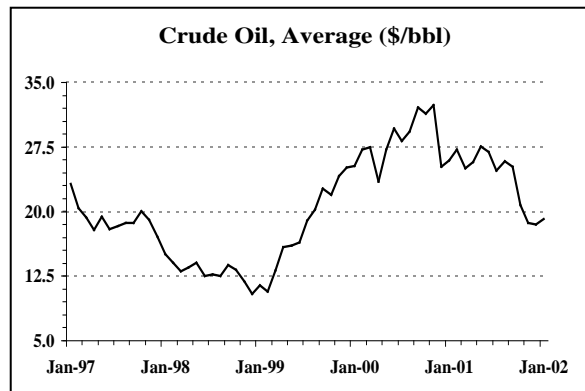
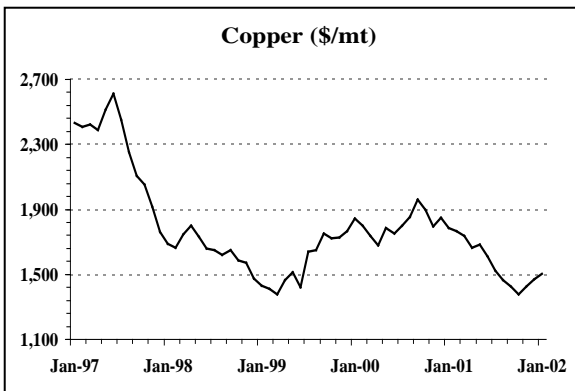
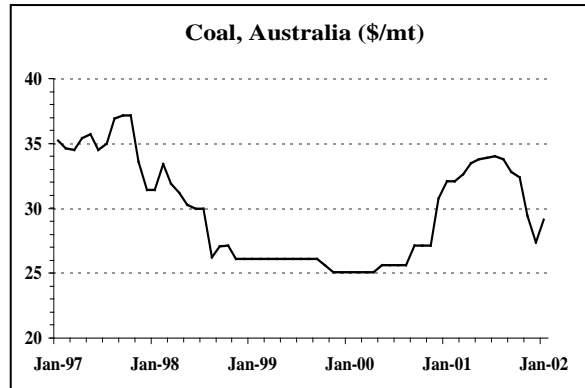
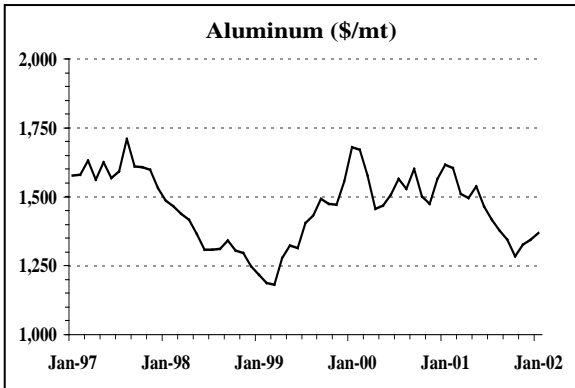
Commodity	Unit	----- Annual averages -----			----- Quarterly averages -----				----- Monthly averages -----			
		Jan-Dec	Jan-Dec	Jan-Jan	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Nov	Dec	Jan
		2000	2001	2002	2000	2001	2001	2001	2001	2001	2001	2001
<b>Energy</b>												
Coal, Australia	\$/mt	26.25	32.31	29.10	28.35	32.27	33.73	33.53	29.72	29.40	27.35	29.10
Coal, US	\$/mt	33.06	44.86	46.08	33.25	36.80	46.88	49.45	46.30	46.55	45.93	46.08
Crude oil, average spot	a/ \$/bbl	28.23	24.35	19.15	29.64	26.07	26.75	25.28	19.31	18.69	18.52	19.15
Crude oil, Brent	a/ \$/bbl	28.27	24.42	19.49	29.53	25.82	27.27	25.26	19.34	18.94	18.60	19.49
Crude oil, Dubai	a/ \$/bbl	26.08	22.71	18.29	27.47	23.62	25.09	23.90	18.24	17.53	17.64	18.29
Crude oil, West Texas Int.	a/ \$/bbl	30.33	25.92	19.69	31.94	28.79	27.86	26.67	20.36	19.59	19.31	19.69
Natural gas, Europe	\$/mmbtu	3.86	4.06	3.06	4.38	4.60	4.39	3.78	3.46	3.46	3.40	3.06
Natural gas, US	\$/mmbtu	4.31	3.96	2.25	6.51	6.32	4.36	2.73	2.41	2.36	2.41	2.25
<b>Non-Energy Commodities</b>												
<b>Agriculture</b>												
<b>Beverages</b>												
Cocoa	b/ c/kg	90.6	106.9	138.6	88.3	100.4	104.5	100.8	121.8	123.2	133.7	138.6
Coffee, arabica	b/ c/kg	192.0	137.3	128.4	157.5	146.7	146.4	129.7	126.4	129.7	125.1	128.4
Coffee, robusta	b/ c/kg	91.3	60.7	50.3	73.0	69.5	64.1	57.0	52.4	52.2	53.7	50.3
Tea, average 3 auctions	b/ c/kg	187.6	159.8	146.7	183.6	170.9	160.0	159.8	148.6	149.5	150.9	146.7
Tea, Calcutta auctions	b/ c/kg	180.6	166.1	131.2	165.6	157.3	183.1	181.5	142.6	141.4	149.0	131.2
Tea, Colombo auctions	b/ c/kg	179.3	161.7	164.7	188.6	179.8	152.9	151.2	162.8	166.8	160.9	164.7
Tea, Mombasa auctions	b/ c/kg	202.9	151.7	144.3	196.5	175.6	144.1	146.6	140.4	140.3	142.8	144.3
<b>Food</b>												
<b>Fats and Oils</b>												
Coconut oil	b/ \$/mt	450.3	318.1	362.0	345.3	297.7	301.7	347.7	325.3	330.0	339.0	362.0
Copra	\$/mt	304.8	202.1	221.0	225.0	193.3	189.3	222.7	203.0	202.0	212.0	221.0
Groundnut oil	b/ \$/mt	713.7	680.3	665.0	685.0	690.3	697.7	665.7	667.3	668.0	668.0	665.0
Palm oil	b/ \$/mt	310.3	285.7	338.0	259.0	249.3	246.7	334.0	312.7	323.0	338.0	338.0
Palmkernel oil	\$/mt	443.5	308.1	339.0	329.7	283.7	295.0	343.7	310.0	322.0	319.0	339.0
Soybean meal	b/ \$/mt	189.2	181.0	182.0	206.7	189.0	171.7	184.3	179.0	182.0	173.0	182.0
Soybean oil	b/ \$/mt	338.1	354.0	389.0	316.7	312.3	310.3	404.3	389.0	388.0	403.0	389.0
Soybeans	b/ \$/mt	211.8	195.8	188.0	208.7	201.7	186.0	207.3	188.3	189.0	189.0	188.0
<b>Grains</b>												
Maize	b/ \$/mt	88.5	89.6	92.0	90.6	92.5	85.1	91.7	89.3	89.5	91.9	92.0
Rice, Thai, 5%	b/ \$/mt	202.4	172.8	191.8	185.6	181.3	165.4	170.2	174.5	173.5	179.3	191.8
Rice, Thai, 25%	\$/mt	172.8	153.1	173.5	159.8	153.6	143.1	155.5	160.2	159.3	163.0	173.5
Rice, Thai, 35%	\$/mt	167.2	149.1	169.5	154.5	148.8	139.1	151.5	157.0	156.3	160.0	169.5
Rice, Thai, A1.Special	\$/mt	143.5	134.1	142.5	131.3	131.3	124.4	142.1	138.5	135.0	134.3	142.5
Sorghum	b/ \$/mt	88.0	95.2	95.4	95.5	98.1	92.9	94.7	95.2	94.7	95.9	95.4
Wheat, Canada	\$/mt	147.1	151.5	150.0	152.5	156.9	152.4	148.0	148.5	148.4	150.8	150.0
Wheat, US, HRW	b/ \$/mt	114.1	126.8	125.3	128.0	130.4	130.6	122.6	123.7	125.3	122.4	125.3
Wheat, US, SRW	\$/mt	98.9	107.7	121.7	104.2	106.9	100.4	107.2	116.5	116.4	118.2	121.7
<b>Other Food</b>												
Bananas, EU	\$/mt	712.4	777.2	754.4	628.2	910.2	834.9	686.0	677.8	650.8	696.1	754.4
Bananas, US	b/ \$/mt	424.0	583.3	428.5	399.4	587.6	599.2	650.9	495.4	496.0	506.4	428.5
Beef	b/ c/kg	193.2	212.9	222.6	190.1	196.0	203.0	226.1	226.7	229.9	222.3	222.6
Fishmeal	\$/mt	413.0	486.7	585.0	430.0	462.3	443.7	499.0	541.7	543.0	573.0	585.0
Lamb	c/kg	261.9	291.2	311.8	260.6	285.8	291.3	283.9	303.7	302.7	307.7	311.8
Oranges	b/ \$/mt	363.2	609.2	542.0	351.0	437.0	729.4	768.9	501.4	532.9	486.9	542.0
Shrimp	c/kg	1,513	1,517	1,182	1,540	1,627	1,653	1,559	1,230	1,213	1,165	1,182
Sugar, EU, domestic	b/ c/kg	55.52	52.86	52.40	52.89	53.00	53.12	52.57	52.77	52.61	52.62	52.40
Sugar, US, domestic	b/ c/kg	42.76	47.04	46.74	47.56	47.44	46.96	46.78	46.97	47.02	47.24	46.74
Sugar, world	b/ c/kg	18.04	19.04	17.13	22.56	21.65	20.15	17.96	16.40	16.95	17.27	17.13
<b>Raw Materials</b>												
<b>Timber</b>												
Logs, Cameroon	\$/cum	275.4	266.1	262.5	258.4	273.8	259.5	264.7	266.2	264.1	265.2	262.5
Logs, Malaysia	b/ \$/cum	190.0	159.1	133.3	185.9	170.5	164.1	158.2	143.4	142.5	138.1	133.3
Plywood	c/sheet	448.2	409.8	372.0	446.2	429.2	410.4	402.6	397.0	400.6	386.3	372.0
Sawnwood, Cameroon	\$/cum	489.1	471.9	451.0	472.7	493.9	459.1	475.2	459.6	453.6	455.6	451.0
Sawnwood, Malaysia	b/ \$/cum	594.7	481.4	468.5	522.1	498.8	486.0	476.7	463.9	461.5	468.5	468.5
Woodpulp	\$/mt	664.3	517.3	448.9	692.7	648.3	544.1	432.9	444.0	442.4	448.9	448.9
Cotton, "A Index"	b/ c/kg	130.2	105.8	95.7	140.2	131.7	109.2	95.6	86.8	83.8	94.5	95.7
Cotton, Memphis	c/kg	146.2	116.6	98.1	151.0	146.7	117.5	108.5	93.6	93.8	97.4	98.1
Jute	\$/mt	277.4	329.4	350.0	262.5	295.8	339.6	347.0	335.0	350.0	350.0	350.0
Rubber, Malaysia	b/ c/kg	69.1	60.0	58.0	66.7	62.8	62.8	59.5	54.9	55.9	52.6	58.0
Rubber, US	c/kg	83.2	74.7	71.2	82.0	78.2	76.7	75.2	68.7	68.6	66.9	71.2
Rubber, Singapore	c/kg	66.7	57.5	56.7	63.8	59.5	60.2	59.0	51.3	51.4	48.8	56.7
Sisal	\$/mt	631.8	699.2	670.0	680.0	723.8	732.9	676.6	663.3	670.0	670.0	670.0
Wool	c/kg	437.0	418.7	402.0	448.3	449.7	430.7	407.0	387.3	386.0	395.0	402.0

## COMMODITY PRICE DATA

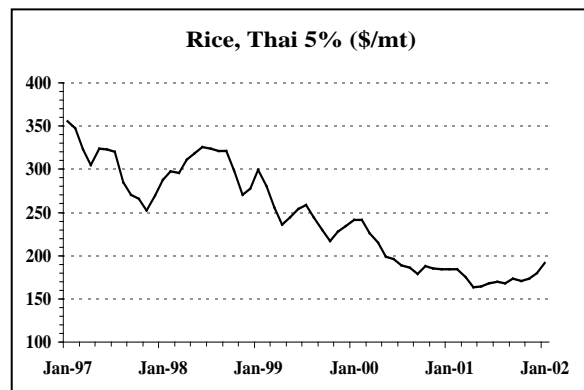
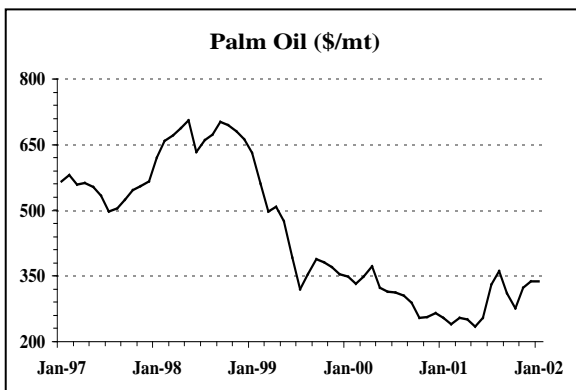
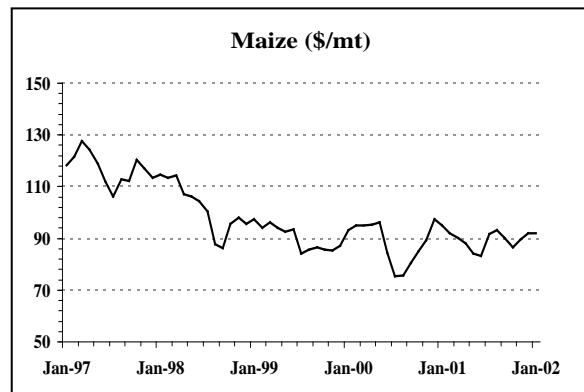
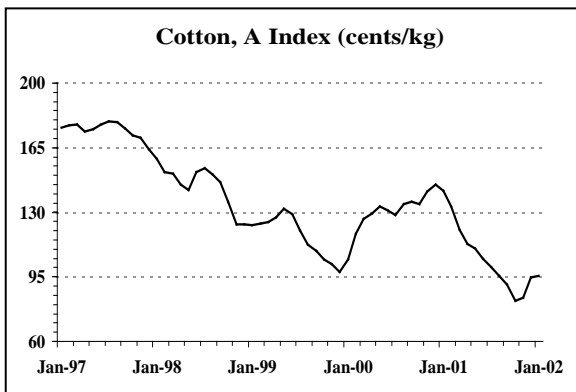
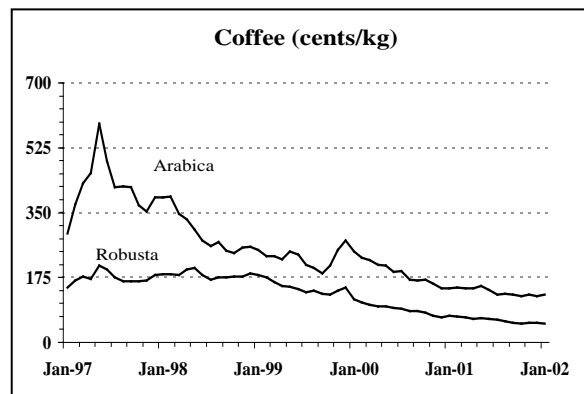
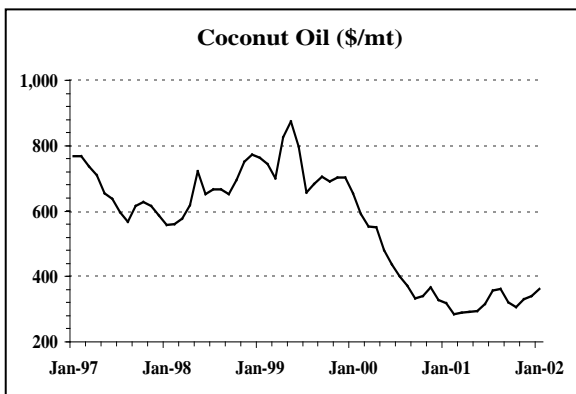
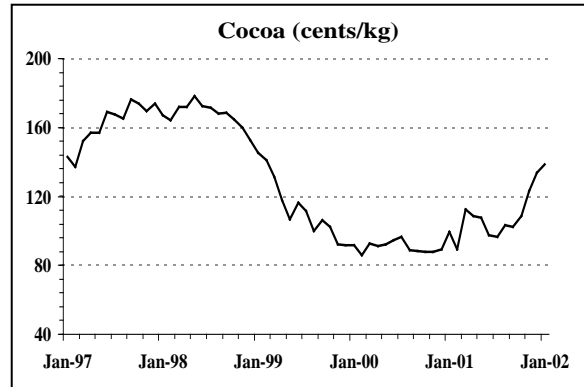
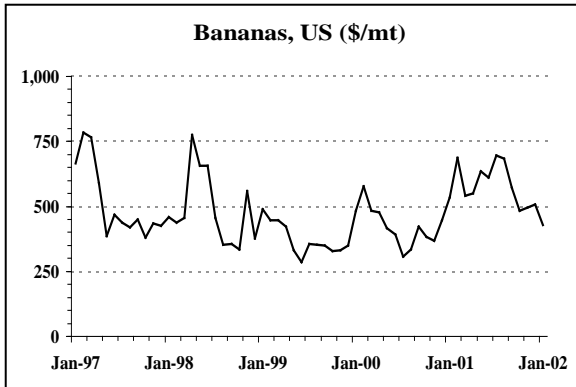
Commodity	Unit	Annual averages			Quarterly averages					Monthly averages		
		Jan-Dec 2000	Jan-Dec 2001	Jan-Jan 2002	Oct-Dec 2000	Jan-Mar 2001	Apr-Jun 2001	Jul-Sep 2001	Oct-Dec 2001	Nov 2001	Dec 2001	Jan 2002
<b>Fertilizers</b>												
DAP	\$/mt	154.2	147.7	152.8	158.3	163.1	143.0	139.1	145.8	146.5	149.8	152.8
Phosphate rock	b/ \$/mt	43.8	41.8	41.0	43.0	43.0	42.1	41.0	41.0	41.0	41.0	41.0
Potassium chloride	\$/mt	122.5	118.1	115.0	122.5	121.5	117.5	117.5	115.8	115.0	115.0	115.0
TSP	b/ \$/mt	137.7	126.9	131.0	133.1	129.0	125.7	124.4	128.5	130.0	131.0	131.0
Urea, Black Sea, bagged	\$/mt	112.1	105.3	n.a.	114.5	118.4	95.9	n.a.	n.a.	n.a.	n.a.	n.a.
Urea, Ukrain, bulk	\$/mt	101.1	95.3	106.0	103.5	106.7	84.4	90.3	99.9	97.1	106.8	106.0
<b>Metals and Minerals</b>												
Aluminum	b/ \$/mt	1,549	1,444	1,369	1,513	1,576	1,501	1,379	1,318	1,327	1,345	1,369
Copper	b/ \$/mt	1,813	1,578	1,504	1,848	1,764	1,652	1,472	1,426	1,428	1,472	1,504
Gold	\$/toz	279.0	271.0	281.5	269.2	263.5	267.7	274.5	278.4	276.2	275.9	281.5
Iron ore	c/ dmtu	28.79	30.03	30.03	28.79	30.03	30.03	30.03	30.03	30.03	30.03	30.03
Lead	b/ \$/kg	45.4	47.6	51.3	47.2	49.3	46.3	47.0	47.9	48.7	48.3	51.3
Nickel	b/ \$/mt	8,638	5,945	6,043	7,444	6,551	6,677	5,495	5,056	5,078	5,264	6,043
Silver	c/ toz	499.9	438.6	450.2	475.5	455.8	439.9	428.5	430.3	412.4	436.7	450.2
Steel products (8) index	c/ 1990=100	76.4	66.8	63.7	76.1	70.9	67.2	65.2	63.7	63.7	63.7	63.7
Steel, cold rolled coilsheet	\$/mt	385.8	299.2	280.0	360.0	319.6	302.0	295.0	280.0	280.0	280.0	280.0
Steel, hot rolled coilsheet	\$/mt	295.8	216.5	200.0	263.3	231.3	224.0	210.8	200.0	200.0	200.0	200.0
Steel, rebar	\$/mt	244.2	221.5	200.0	260.0	249.2	226.7	210.0	200.0	200.0	200.0	200.0
Steel, wire rod	\$/mt	291.7	302.3	300.0	310.0	309.2	300.0	300.0	300.0	300.0	300.0	300.0
Tin	b/ \$/kg	543.6	448.4	386.2	526.2	511.3	490.8	398.0	393.7	404.2	401.9	386.2
Zinc	b/ \$/kg	112.8	88.6	79.3	107.2	102.0	93.4	82.6	76.3	77.3	75.5	79.3
<b>World Bank commodity price indexes for low and middle income countries( 1990 =100 )</b>												
Petroleum		123.4	106.4	83.7	129.6	114.0	116.9	110.5	84.4	81.7	81.0	83.7
Non-Energy Commodities		86.9	79.0	77.4	83.6	82.5	80.2	78.1	75.1	75.7	76.3	77.4
Agriculture		87.7	79.8	78.6	83.7	82.4	80.3	80.0	76.5	77.2	77.7	78.6
Beverages		88.4	72.1	73.7	76.7	74.9	74.4	68.6	70.4	71.6	72.5	73.7
Food		84.5	86.1	85.3	85.1	86.1	84.5	89.9	83.8	85.0	84.8	85.3
Fats and Oils		96.2	89.0	94.1	93.0	87.1	82.2	95.9	90.9	92.4	92.2	94.1
Grains		79.5	78.2	81.3	80.6	81.0	76.7	77.3	77.7	77.9	78.8	81.3
Other Food		77.7	88.1	80.2	81.1	88.0	90.8	92.0	81.5	82.8	82.1	80.2
Raw Materials		91.4	77.4	73.7	87.1	83.1	79.2	75.7	71.7	71.3	72.3	73.7
Timber		111.0	90.2	86.2	98.9	93.9	91.4	89.4	86.2	85.8	86.6	86.2
Other Raw Materials		78.0	68.6	65.1	79.1	75.7	70.8	66.3	61.8	61.4	62.6	65.1
Fertilizers		105.8	98.8	100.1	102.9	100.9	98.5	96.9	98.8	99.6	100.1	100.1
Metals and Minerals		83.0	75.1	72.2	81.5	81.2	78.1	71.6	69.4	69.7	70.7	72.2

a/ Included in the petroleum ind                                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

# Selected Commodity Prices, 1997-2001



## Selected Commodity Prices, 1997-2001 cont'd



## Selected Commodity Prices, 1997-2001 cont'd

