

Commodity Markets Review

October 12, 2006

DECPG, The World Bank

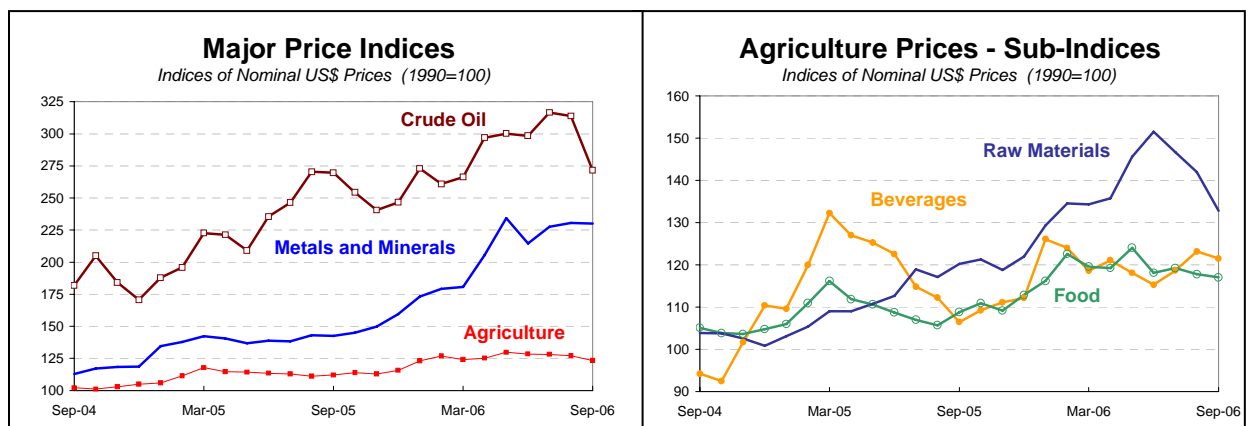
Non-oil commodity prices fell 1.7 percent in September but are up 20.0 percent year-to-date. Most of the September decrease was due to large declines in a few agriculture commodities, notably rubber and sugar which have fallen two straight months in response to slumping oil prices. Metals prices have remained firm due to low stocks and various supply interruptions.

Crude oil prices plunged 13.5 percent in September, to average \$62.1/bbl, and have dropped to \$57/bbl in early October, down nearly \$19/bbl or 25 percent since the early-August peak. Continued easing of political tensions and weak fundamentals caused large liquidation of speculative long positions on futures markets. Crude oil inventories remain high, aided by contango on futures markets (near-by contract prices below distant contract prices) which encourages stock building. Petroleum product stocks are also large, and low refining margins have reduced demand for crude.

OPEC apparently agreed in early October to cut production by 1 mb/d as of November 1st, but it is unclear whether the voluntary cuts by individual members will be from existing production or quotas. It is also uncertain how rigorously this first cut in more than two years will be implemented, as Saudi Arabia has been quiet on the agreement.

Agricultural prices fell 2.9 percent in September, led by declines in rubber and sugar prices associated with falling oil prices. Rubber prices plunged 16.6 percent on lower Chinese demand and the reduced cost of synthetic rubber, the latter due to lower oil prices. Sugar prices dropped 10.6 percent on expectations of higher global production and lower demand for ethanol from cane. Maize and wheat prices increased moderately in September on low stocks and strong import demand. However, wheat prices surged in early October due to drought in Australia, measures by the government of Ukraine to limit exports, and large import demand from India.

Metals and minerals prices slipped 0.2 percent in September, but prices remained firm at relatively high levels on extremely low stocks, numerous supply disruptions, and continued growth in demand. While U.S. demand is slowing in the residential housing sector, Chinese demand is strengthening after a period of de-stocking. Price sentiment remains bullish in the short term due to impending labor contract negotiations which could disrupt output. Lead prices increased 14.3 percent in September on strong Chinese demand and supply disruptions, and have moved to fresh all-time nominal highs, joining copper, nickel and zinc in this cycle. Gold and silver prices fell sharply on falling oil prices and easing of inflation expectations.



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 September¹

Lead prices surged 14.3 percent due to sharply falling stocks, strong seasonal demand for battery production, and various supply disruptions and delayed start-ups of new mine capacity.

Tin prices jumped 6.3 percent due to strong demand in China, and lower informal output in Indonesia.

Coffee robusta prices rose 4.8 percent reflecting fears of weather-related shortages in Vietnam, the world's largest robusta supplier.

Sorghum and maize prices increased 4.5 and 4.4 percent, respectively, due to relatively strong import demand, low world stocks and limited export competition due to lower harvests in the EU, Canada and Argentina.

Soybean meal prices rose 3.4 percent, the sixth consecutive monthly gain, as global production increased less than expected.

Wheat prices increased 3.2 percent due to extremely low world stocks and strong import demand from India.

Palmkernel oil prices decreased 4.2 percent due to an upward revision of palm oil production from Indonesia and Malaysia, the world's top two suppliers.

Soybean oil prices fell 4.3 percent due to an unprecedented 10 percent y/y increase in stocks to 5.5 million tons in September of 2006.

Silver prices declined 5.3 percent, falling in tandem with gold prices, due to lower energy prices and reduced inflationary fears.

Gold prices fell 5.4 percent on the back of lower energy prices and subdued concerns about inflation.

Coal prices decreased 7.1 percent on seasonally weak demand, falling oil and natural gas prices, and rising production from some of the main exporters—Australia, Colombia and Indonesia.

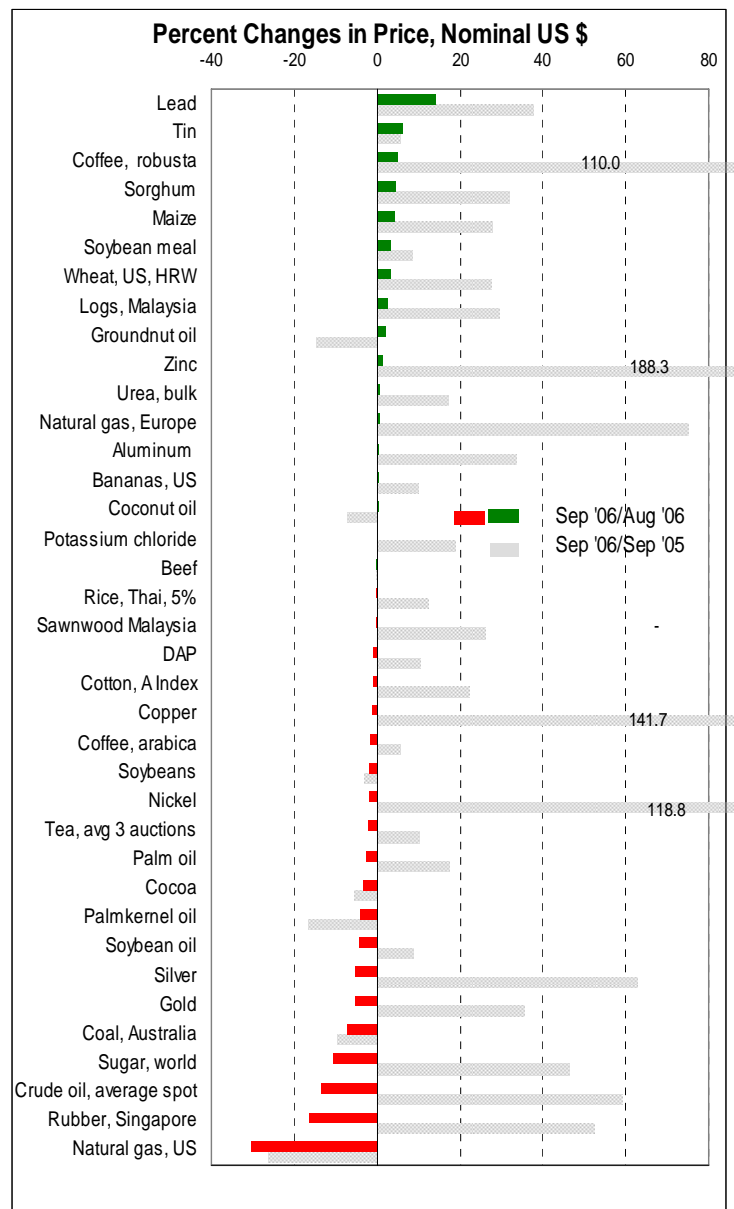
Sugar prices dropped 10.6 percent mainly due to an expected increase in global production, but also to lower crude oil prices which is expected to reduce demand for ethanol produced from sugar cane.

Crude oil prices fell 13.5 percent due to high

stocks, weak seasonal demand and easing of political tensions.

Rubber prices dropped 16.6 percent, the largest monthly decline in the recent history of the commodity, due to weaker demand from China and lower oil prices. Natural rubber is a close substitute to synthetic rubber which is made primarily from crude oil.

Natural gas prices in the U.S. plunged 30.5 percent on record inventories, falling oil prices, moderate weather, and lack of hurricane activity or other disruptions to supply.



¹ Percent change of average September prices compared to average August 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-Sep 2006	Jul-Sep 2005	Oct-Dec 2005	Jan-Mar 2006	Apr-Jun 2006	Jul-Sep 2006	Jul 2006	Aug 2006	Sep 2006
Energy												
Coal, Australia	\$/mt	52.95	47.62	50.18	48.43	39.58	46.88	52.62	50.33	52.75	50.94	47.31
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	66.05	59.98	56.55	61.03	68.31	68.79	72.45	71.81	62.12
Crude oil, Brent	a/ \$/bbl	38.30	54.43	67.28	61.55	56.93	61.92	69.83	70.09	73.90	73.61	62.77
Crude oil, Dubai	a/ \$/bbl	33.46	49.29	62.80	55.34	52.70	57.85	64.68	65.87	69.05	68.78	59.77
Crude oil, West Texas Int.	a/ \$/bbl	41.44	56.44	68.06	63.05	60.02	63.33	70.43	70.42	74.40	73.04	63.82
Natural gas, Europe	\$/mmbtu	4.28	6.33	8.31	6.52	7.41	7.97	8.27	8.69	8.58	8.71	8.77
Natural gas, US	\$/mmbtu	5.89	8.92	6.74	10.04	12.26	7.68	6.50	6.04	6.25	7.00	4.86
Non Energy Commodities												
Agriculture												
Beverages												
Cocoa	b/ c/kg	155.0	153.8	158.7	149.1	147.0	155.5	158.4	162.3	167.9	162.1	156.9
Coffee, Arabica	b/ c/kg	177.4	253.2	247.8	233.4	234.1	262.3	241.0	240.0	231.5	246.3	242.1
Coffee, robusta	b/ c/kg	79.3	111.5	142.6	115.2	114.2	136.7	132.9	158.1	142.2	162.2	170.0
Tea, auctions (3), average	c/kg	168.6	164.7	188.9	166.8	166.2	178.7	192.3	195.6	200.5	195.5	190.7
Tea, Colombo auctions	b/ c/kg	178.1	184.3	187.6	176.1	191.0	192.7	179.2	190.9	183.3	189.8	199.6
Tea, Kolkata auctions	b/ c/kg	172.2	162.1	176.2	175.2	157.1	143.7	192.5	192.3	203.2	187.8	185.8
Tea, Mombasa auctions	b/ c/kg	155.4	147.8	202.8	149.0	150.4	199.8	205.3	203.5	215.0	208.8	186.8
Food												
Fats and Oils												
Cocunut oil	b/ \$/mt	660.8	617.0	585.4	571.7	574.0	578.3	578.7	599.1	583.3	606.0	608.0
Copra	\$/mt	450.0	413.7	388.9	380.7	379.9	383.3	383.0	400.3	383.8	404.0	413.0
Groundnut oil	b/ \$/mt	1,161.0	1060.4	920.1	1025.0	963.0	917.7	896.3	946.3	930.0	944.0	965.0
Palm oil	b/ \$/mt	471.3	422.1	455.9	415.0	438.3	436.4	438.7	492.7	471.0	510.0	497.0
Palmkernel oil	b/ \$/mt	648.1	627.0	574.4	582.3	607.7	607.0	557.1	559.0	557.0	572.0	548.0
Soybean meal	b/ \$/mt	241.2	214.4	202.1	218.7	204.0	200.8	197.3	208.3	201.8	208.0	215.0
Soybean oil	b/ \$/mt	616.0	544.9	577.3	551.7	558.7	535.3	576.3	620.3	630.0	629.0	602.0
Soybeans	b/ \$/mt	306.5	274.7	261.3	278.3	258.9	256.7	263.7	263.6	271.8	262.0	257.0
Grains												
Maize	b/ \$/mt	111.8	98.7	110.6	101.8	99.8	105.0	109.3	117.4	114.0	116.6	121.7
Rice, Thailand, 5%	b/ \$/mt	237.7	286.3	306.6	281.6	281.6	298.8	307.6	313.4	315.4	312.7	312.0
Rice, Thailand, 25%	\$/mt	225.4	265.4	277.7	260.7	259.8	271.8	276.0	285.3	286.6	284.3	285.0
Rice, Thailand, 35%	\$/mt	222.3	261.8	273.3	256.7	257.1	268.8	272.9	278.1	279.0	277.7	277.8
Rice, Thai, A1.Special	\$/mt	205.1	217.8	216.5	211.9	211.2	213.8	216.6	219.1	217.2	217.7	222.5
Sorghum	b/ \$/mt	109.8	96.2	111.0	101.0	95.5	103.5	111.7	118.0	120.0	114.4	119.5
Wheat, Canada	\$/mt	186.5	197.6	212.2	194.9	203.5	208.9	212.1	215.4	230.2	208.6	207.5
Wheat, US, HRW	b/ \$/mt	156.9	152.4	186.5	151.0	164.5	173.8	189.6	196.1	202.4	189.9	196.0
Wheat US SRW	\$/mt	144.4	135.7	147.5	130.3	135.1	145.4	144.0	153.0	143.9	148.4	166.9
Other Food												
Bananas EU	\$/mt	892.0	1175.7	914.3	1016.7	1055.8	983.5	991.3	768.0	750.0	757.9	796.2
Bananas US	b/ \$/mt	524.6	602.8	702.4	466.8	621.8	788.4	770.3	548.5	559.8	541.5	544.3
Beef	b/ c/kg	251.3	261.7	251.3	266.8	256.3	249.2	247.3	257.4	253.8	259.3	259.0
Fishmeal	\$/mt	648.6	711.2	1137.6	712.3	828.8	899.6	1178.3	1335.0	1379.0	1357.0	1269.0
Lamb	c/kg	459.9	443.8	361.1	429.2	413.2	395.8	410.7	276.8	414.1	416.4	n.a.
Oranges	b/ \$/mt	857.5	874.7	798.9	751.7	848.0	826.7	755.5	814.6	734.4	830.8	878.6
Shrimp, Mexico	b/ c/kg	1,022	1,034	1,047	1,028	1,031	1,047	1,047	1,047	1,047	1,047	1,047
Sugar EU domestic	b/ c/kg	66.97	66.54	64.72	65.23	63.92	64.08	66.78	63.30	63.01	63.65	63.23
Sugar US domestic	b/ c/kg	45.47	46.93	50.40	46.73	47.96	51.86	51.69	47.66	49.17	47.15	46.65
Sugar, world	b/ c/kg	15.80	21.79	34.88	21.96	26.32	37.50	36.53	30.60	35.38	29.80	26.63
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	233.7	211.4	209.1	222.9	237.3	240.9	236.1	240.0	246.5
Plywood	c/sheets	464.8	508.6	581.7	506.5	500.2	529.0	577.8	638.3	635.4	638.6	641.0
Sawnwood, Cameroon	\$/cum	587.0	559.1	611.2	546.6	528.9	583.0	617.8	632.9	621.9	637.4	639.5
Sawnwood, Malaysia	\$/cum	581.3	659.4	739.4	664.3	680.7	713.3	743.1	761.9	749.6	769.3	766.7
Woodpulp	\$/mt	640.8	635.5	682.0	607.4	605.9	627.8	682.3	735.9	728.8	739.4	739.4
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	122.1	132.1	131.0
Cotton Memphis	c/kg	137.5	129.8	133.93	85.7	134.8	134.1	130.1	137.6	131.3	143.4	138.1
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	241.9	181.5	186.4	221.6	258.7	245.5	273.4	253.4	209.8
Rubber, Singapore	b/ c/kg	130.4	150.2	222.4	167.5	168.2	202.3	245.7	219.2	251.7	221.3	184.6
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	555.1	576.5	575.0	555.0	555.0	555.3	555.0	555.0	556.0

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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

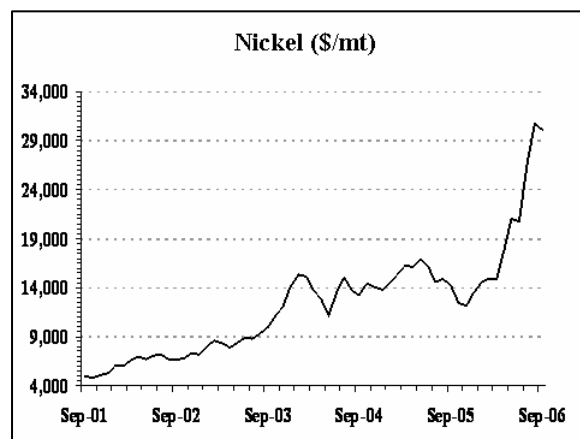
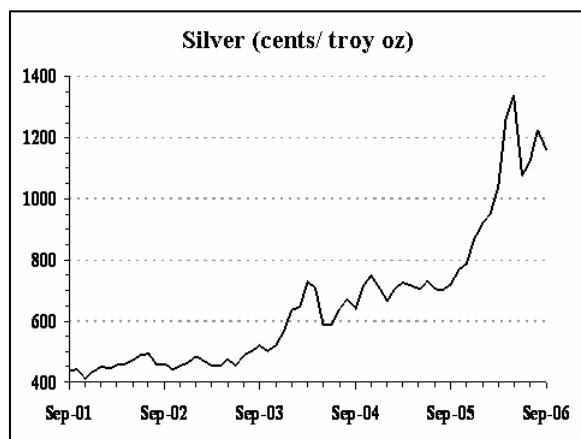
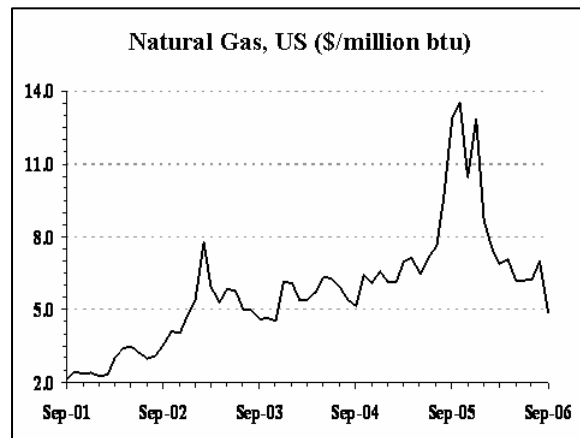
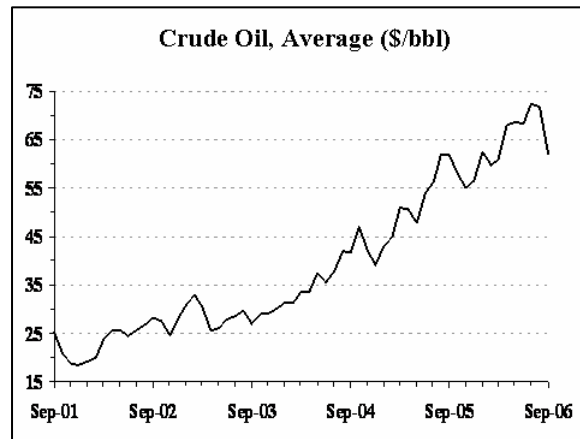
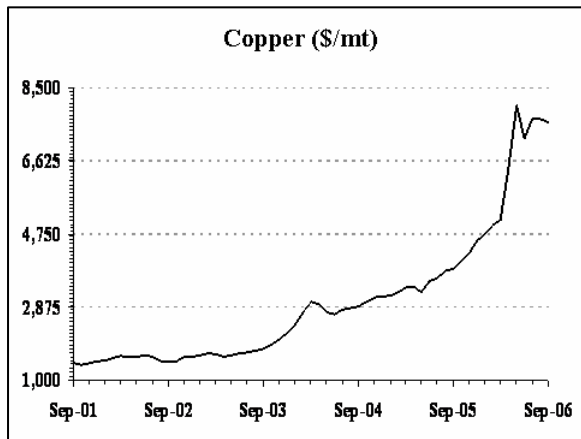
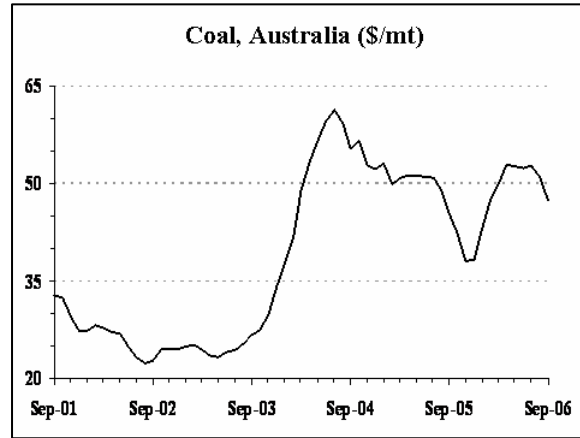
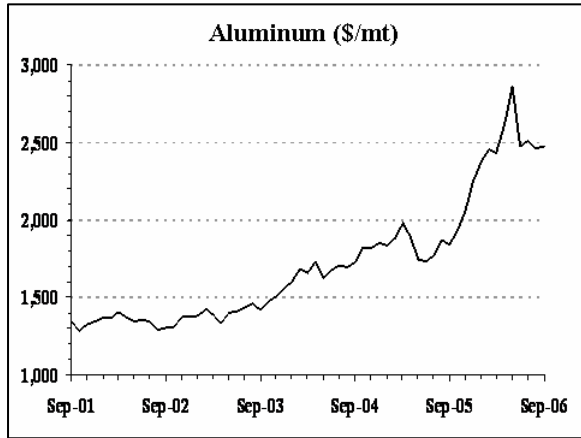
		Annual averages			Quarterly averages				Monthly averages			
		Jan-Dec	Jan-Dec	Jan-Sep	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Jul	Aug	Sep
		2004	2005	2006	2005	2005	2006	2006	2006	2006	2006	2006
Fertilizers												
DAP	\$/mt	221.2	247.0	262.3	261.6	264.5	259.6	266.9	260.3	261.3	260.9	258.8
Phosphate rock	b/ \$/mt	41.0	42.0	43.8	42.0	42.0	42.3	43.5	45.5	45.5	45.5	45.5
Pottasium chloride	\$/mt	124.6	158.2	174.3	163.5	170.0	171.1	177.3	174.6	173.8	175.0	175.0
TSP	\$/mt	186.3	201.5	204.9	201.2	201.0	200.9	200.5	230.1	230.1	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	219.2	211.7	224.7	219.2	228.1	210.4	202.3	213.7	215.3
Metals and Minerals												
Aluminum	b/ \$/mt	1,716	1,898	2,519	1,829	2,076	2,421	2,653	2,482	2,513	2,460	2,473
Copper	b/ \$/mt	2,866	3,679	6,607	3,757	4,302	4,940	7,210	7,670	7,712	7,696	7,602
Gold	\$/toz	409.2	444.8	601.0	439.5	485.6	554.0	627.4	621.5	633.7	632.6	598.2
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	117.7	89.2	104.9	124.2	110.0	119.0	105.2	117.4	134.2
Nickel	b/ \$/mt	13,823	14,744	21,296	14,567	12,649	14,810	19,925	29,154	26,586	30,744	30,131
Silver	c/toz	669.0	733.8	1121.5	708.8	808.3	969.4	1226.1	1168.9	1121.2	1225.4	1159.9
Steel products (8) index	a/ 1990=100	121.5	137.9	135.3	138.6	138.6	138.6	131.6	135.8	135.8	135.8	135.8
Steel cr coilsheet	\$/mt	607.1	733.3	705.6	750.0	750.0	750.0	666.7	700.0	700.0	700.0	700.0
Steel hr coilsheet	\$/mt	502.5	633.3	613.9	650.0	650.0	650.0	591.7	600.0	600.0	600.0	600.0
Steel, rebar	\$/mt	428.8	423.1	441.7	430.0	430.0	430.0	445.0	450.0	450.0	450.0	450.0
Steel wire rod	\$/mt	487.5	579.2	591.7	600.0	600.0	600.0	575.0	600.0	600.0	600.0	600.0
Tin	c/kg	851.3	738.0	826.3	704.7	643.2	760.6	852.9	865.3	841.9	850.2	903.9
Zinc	b/ c/kg	104.8	138.1	296.6	129.7	164.0	224.2	329.2	336.3	334.0	334.7	340.3
World Bank commodity price indices for low and middle income countries(1990 =100)												
Energy		164.9	233.4	288.7	262.2	247.2	266.8	298.6	300.7	316.7	313.9	271.5
Non Energy Commodities		107.4	121.9	149.7	120.8	125.3	139.8	153.4	156.0	156.8	156.9	154.2
Agriculture		104.7	113.0	126.2	112.0	114.3	124.6	127.8	126.2	128.2	127.1	123.4
Beverages		94.0	116.9	120.7	111.2	110.8	122.9	118.1	121.1	118.7	123.2	121.5
Food		110.0	109.9	119.3	107.2	111.1	119.5	120.5	118.0	119.2	117.8	117.0
Fats and Oils		137.1	122.9	121.7	122.7	120.0	118.6	119.4	127.1	124.6	128.6	128.1
Grains		100.2	103.2	116.9	103.1	105.2	111.4	117.4	121.8	122.8	120.0	122.6
Other Food		93.2	103.1	118.8	96.8	107.1	124.7	123.1	108.5	112.9	107.7	104.8
Raw Materials		105.8	114.1	139.1	118.7	121.0	132.4	144.3	140.5	146.7	142.0	132.9
Timber		109.3	122.5	137.8	123.9	126.4	132.8	138.7	142.0	139.7	143.2	143.2
Other Raw Materials		103.4	108.3	139.9	115.0	117.2	132.2	148.1	139.5	151.4	141.2	125.8
Fertilizers		126.6	134.9	140.8	134.7	134.6	134.9	135.7	151.8	151.8	151.8	151.8
Metals and Minerals		112.4	142.5	208.4	141.3	151.4	177.7	218.1	229.5	227.7	230.6	230.2

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

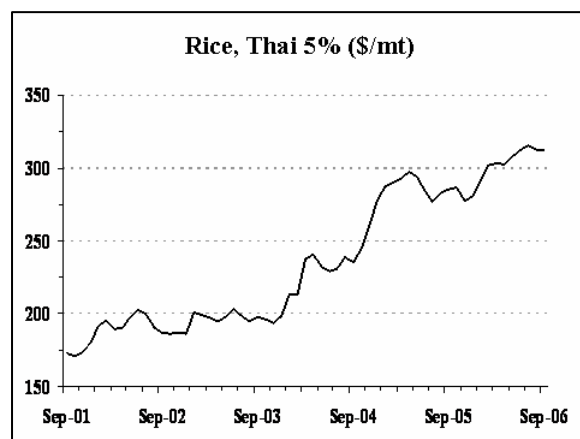
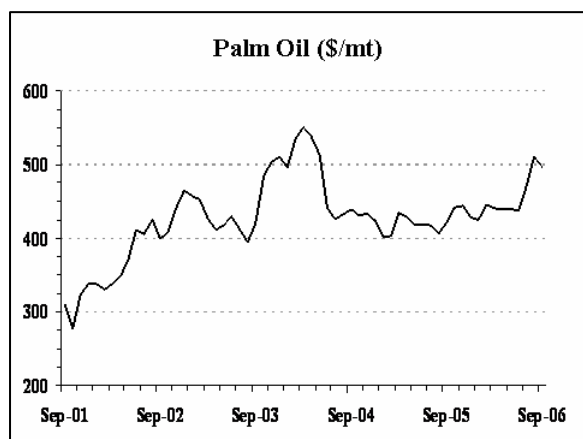
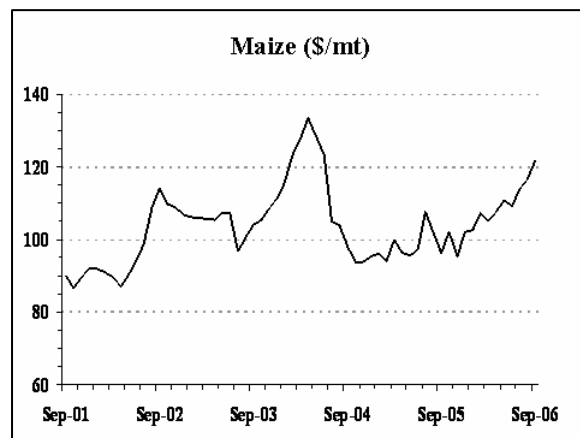
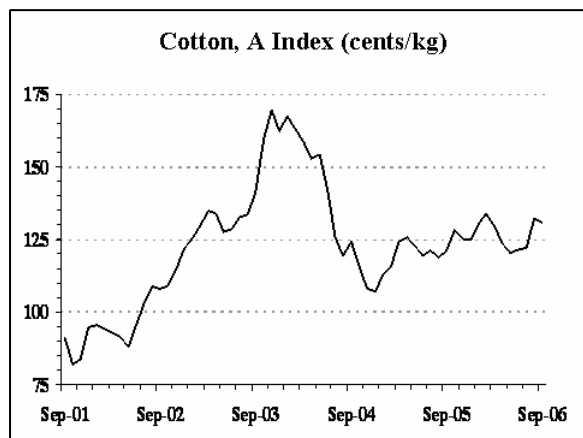
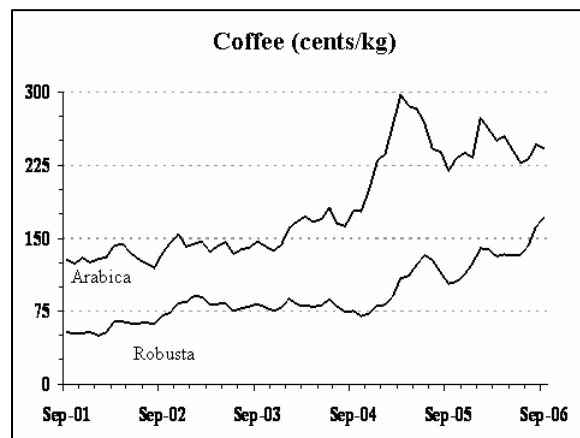
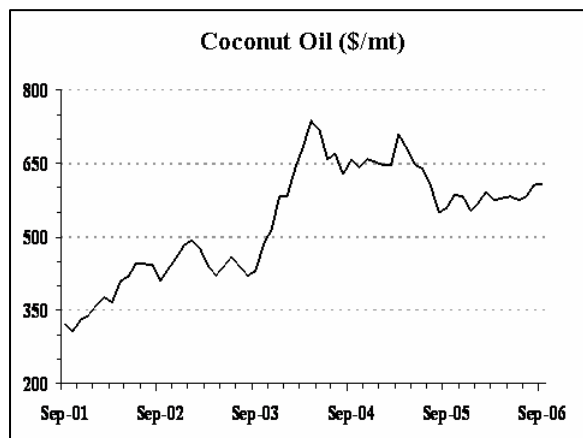
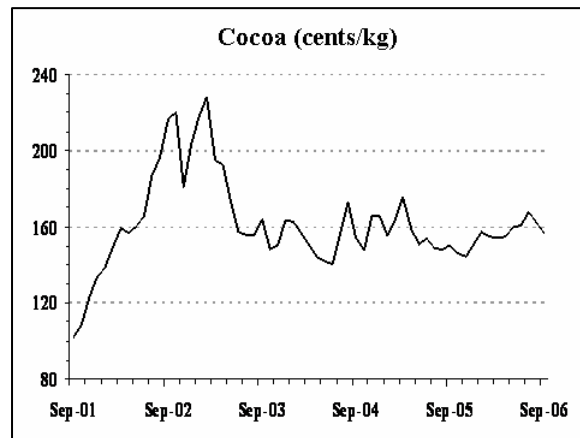
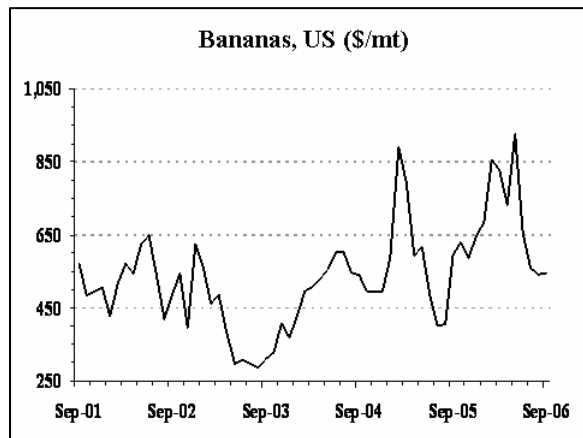
b. Not included in index/

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

Selected Commodity Prices, Nominal US dollars, 1998-2003



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



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

