

# Global Commodity Markets

COMMODITIES TEAM OF DECPG, WORLD BANK

monthly update

august 1999

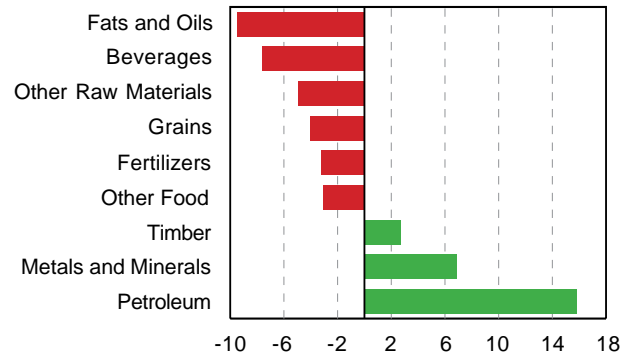
**Commodity prices diverged in July, with crude oil and metals prices higher while agricultural prices fell.** The supplies of agricultural commodities continued to increase while supplies of crude oil and metals decreased due to producer cutbacks. Demand began to recover from the depressed levels of the past year, following the faster-than-expected recovery in Asia.

**Crude oil prices rose an additional 16% to average \$19/bbl in July** as OPEC continues to show strong compliance with its production quotas. Inventories are expected to fall significantly through the remainder of the year which suggests that more oil will be required from OPEC this winter. Thus far, OPEC has not indicated plans to raise quotas at its upcoming September meeting. If the organization defers increases in production quotas until the next meeting in March, prices could still rise higher.

**Metals prices rose 7%.** Copper prices surged 15%, due to a succession of announced production cutbacks at mines and smelters, as well as several temporary closings due to labor disputes. Aluminum prices rose nearly 7% following an explosion at Kaiser Aluminum's Gramercy alumina refinery in Louisiana. Nickel prices continued to rise because of reduced shipments from the Russian Federation. Aluminum and zinc prices benefited from both lower inventories and increased speculative demand from investment funds.

## Percentage Change in Price Indices

June 1999 - July 1999

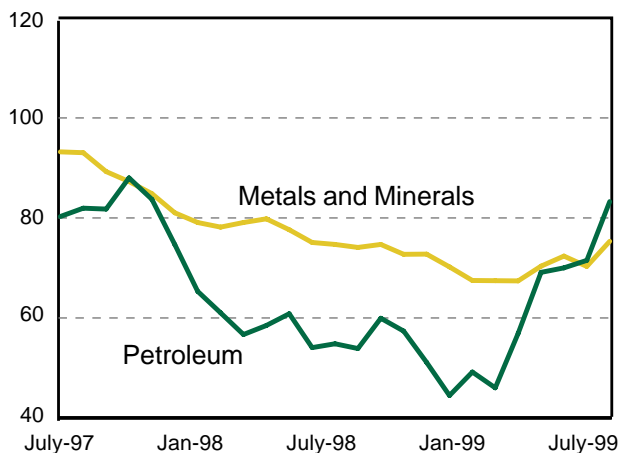


Gold prices remained weak due to concerns about further central bank sales and an additional 25 ton sale of gold by the Bank of England in July.

**Agricultural prices were down an additional 4.8%, led by sharp declines in vegetable oils, sugar, grains, and coffee.** Palm and coconut oil prices led the list of commodities lower in July, down 18% and 17%, respectively. The decline was due to the reduction in the Indonesian palm oil export tax in July, and large supplies of oil seeds. Sugar prices fell back to previous lows as building surpluses dashed hopes of a price recovery. Grain prices were very uncertain, but ended lower, as the drought in the US was judged to be too late to reduce production significantly.

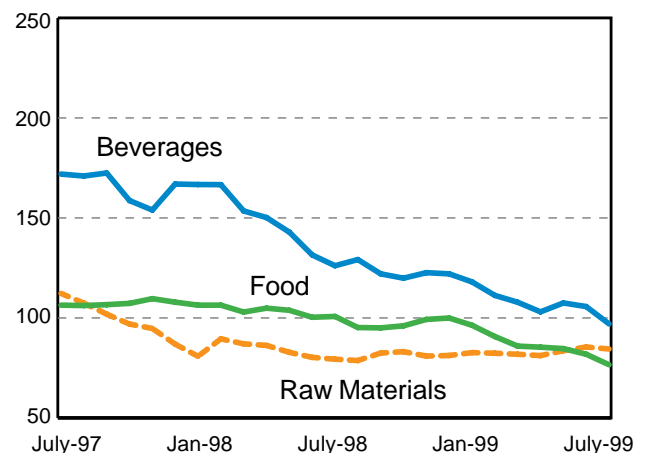
## Petroleum and Metals Price Indices

July 1997 - 99 (1990 = 100)



## Agriculture Price Indices

July 1997 - 99 (1990 = 100)



## Major Movers in July

**Aluminum** prices rose 6.7% in July following an explosion at Kaiser Aluminum's Gramercy alumina refinery in Louisiana. The explosion is under investigation and company officials have not indicated when the Gramercy refinery could return to production.

**Coffee** prices were sharply lower as concerns about the potential for frost damage to the Brazilian crop faded. Arabica prices fell 11.5% and robusta prices fell 6.2% in July. The market is expected to be in surplus in the 1999/00 marketing year with production of about 102 million bags and consumption of 98-99 million bags.

**Copper** prices rose 15.3% as production cutbacks and mine closings continued to reduce the overcapacity in the industry. A dock workers' strike in Chile, the

second largest copper producer, also contributed to the expectations of higher prices. Supplies of copper at the Comex are at their lowest levels since March, but copper stocks are still high.

**Grain** prices fell an additional 4.1% as wheat and maize tumbled amid increasing evidence of another year of high stocks and low prices. **Wheat** fell 7.5% to reach the lowest level since August 1986, while **maize** prices fell 10.4% to the lowest level since December, 1987. Rice prices rose 2.0%.

**Nickel** prices increased nearly 10% due to reduced shipments from Russia after Arctic seas were blocked by ice for longer than normal this year. Russia's RAO Norilsk is the world's largest producer with a 20% share and exports 95% of its production according to Bloomberg. LME stocks are at a 2-year low.

**Petroleum** prices continued to rise, up an additional 16% in July, in anticipation of tight supplies this winter. Production cutbacks are beginning to reduce surplus crude oil inventories, although product stocks remain high. OPEC meets September 22nd to decide whether to raise output in the fourth quarter.

**Soybean** prices fell 5.2% as an expected record US soybean crop combined with large supplies of competing vegetable oilseeds and maize, sent soybean prices lower by \$10/ton to \$184/ton, f.o.b., the US Gulf. The drought which has hit the northeastern US was not widespread enough to keep soybean prices rising. **Soybean oil** prices fell 4.4% due to increased supplies of other vegetable oils as well as prospects of record US soybean oil supplies.

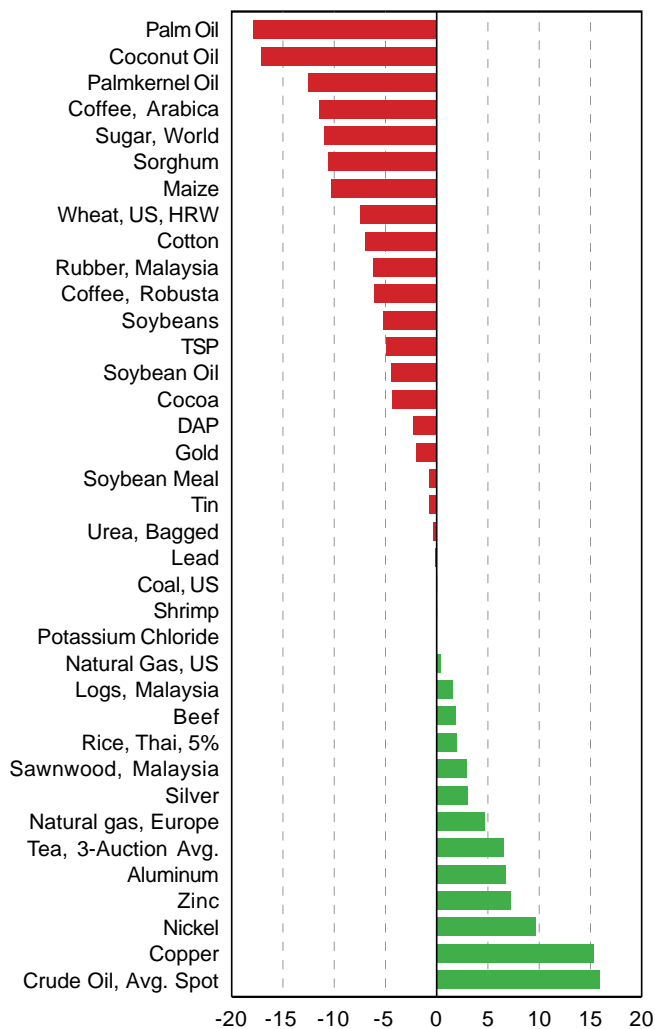
**Sugar** prices fell back to earlier lows following the flurry of demand to import sugar into Russia before the new import tax took effect in August. The magnitude of the oversupply has become clear and the prospects of a sustained price increase have decreased.

**Tea** prices were generally higher in July, with prices in Calcutta up 7.8% reflecting tight supplies of premium leaf tea and seasonal characteristics. Colombo prices rose 10.4% as auction volumes dropped and demand was strong for the high and medium grades. Demand at the Mombasa auction remained relatively steady but prices fell slightly.

**Vegetable oil** prices were broadly lower as palm oil, coconut oil, and palm kernel oil led the list of declining commodity prices in July. The declines were due to the combination of a 3.7% increase in the supplies of major fats and oils in the 1998/99 (the marketing year just ended) and the reduction of the export tax on Indonesian palm oil.

**Zinc** prices rose 7% largely due to investment fund buying and lower LME stocks.

**Percentage Change in Price  
June 1999 - July 1999**



COMMODITY PRICE DATA

Commodity	Unit	Quarterly Averages				Monthly Averages			Changes (%)				
		Apr-Jun 1998	Jul-Sept 1998	Oct-Dec 1998	Jan-Mar 1999	Apr-Jun 1999	May 1999	Jun 1999	Jul 1999	Q2 '99/ Q2 '98	Q2 '99/ Q1 '98	Jul '99/ Jun '99	Jul '99/ Jul '98
<b>Energy</b>													
Coal, Australia	\$/mt	30.49	27.76	26.43	26.10	26.10	26.10	26.10	26.10	-14.4	0.0	0.0	-13.0
Coal, US	\$/mt	34.76	34.04	33.50	33.50	33.17	33.00	33.00	33.00	-4.6	-1.0	0.0	-4.7
Crude oil, avg. spot*	\$/bbl	13.36	13.01	11.85	11.79	16.10	16.06	16.39	18.99	20.5	36.6	15.9	49.5
Crude oil, Brent*	\$/bbl	13.29	12.42	11.09	11.24	15.40	15.14	15.77	19.01	15.9	37.0	20.5	58.3
Crude oil, Dubai*	\$/bbl	12.08	12.41	11.56	11.07	15.26	15.30	15.52	17.88	26.3	37.9	15.2	49.2
Crude oil, W. TX Int'l*	\$/bbl	14.64	14.16	12.90	13.05	17.66	17.75	17.89	20.07	20.6	35.3	12.2	42.2
Natural gas, Europe	\$/mmbtu	2.52	2.37	2.15	1.99	1.89	1.89	1.91	2.00	-25.0	-5.0	4.7	-16.7
Natural gas, US	\$/mmbtu	2.24	2.01	1.91	1.81	2.23	2.25	2.30	2.31	-0.4	23.2	0.4	6.5
<b>Non-Energy Commodities</b>													
<b>Agriculture</b>													
<b>Beverages</b>													
Cocoa**	¢/kg	174.2	169.5	159.1	139.4	113.6	106.8	116.3	111.3	-34.8	-18.5	-4.3	-35.2
Coffee, arabica**	¢/kg	303.5	259.2	252.4	238.0	235.5	244.9	236.4	209.1	-22.4	-1.1	-11.5	-19.3
Coffee, robusta**	¢/kg	192.9	173.5	179.7	172.7	149.1	149.8	144.6	135.7	-22.7	-13.7	-6.1	-20.1
Tea, Calcutta auctions**	¢/kg	229.5	214.5	190.0	162.3	223.4	260.1	229.2	247.2	-2.7	37.6	7.8	8.3
Tea, Colombo auctions**	¢/kg	215.3	197.3	181.4	160.3	145.9	145.8	144.3	159.4	-32.2	-9.0	10.4	-12.4
Tea, Mombasa auctions**	¢/kg	169.0	171.2	164.6	180.3	175.1	171.0	167.8	164.5	3.7	-2.8	-1.9	-17.6
<b>Food</b>													
<b>Fats and Oils</b>													
Coconut oil**	\$/mt	664.3	662.0	740.3	736.0	832.3	874.0	796.0	660.0	25.3	13.1	-17.1	-1.0
Copra	\$/mt	404.7	404.7	459.3	457.7	521.3	530.0	530.0	491.0	28.8	13.9	-7.4	22.1
Groundnut meal	\$/mt	114.3	108.0	105.0	102.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Groundnut oil**	\$/mt	906.3	862.7	857.7	808.0	755.7	751.0	753.0	764.0	-16.6	-6.5	1.5	-12.6
Palm oil**	\$/mt	675.3	679.3	679.3	563.3	458.7	475.0	392.0	322.0	-32.1	-18.6	-17.9	-51.3
Palmkernel oil	\$/mt	706.3	694.3	741.0	704.7	729.0	755.0	656.0	574.0	3.2	3.5	-12.5	-17.3
Soybean meal**	\$/mt	162.0	149.0	160.7	145.7	140.0	140.0	139.0	138.0	-13.6	-3.9	-0.7	-12.1
Soybean oil**	\$/mt	654.0	606.3	606.3	492.3	426.7	428.0	410.0	392.0	-34.8	-13.3	-4.4	-35.9
Soybeans**	\$/mt	249.3	224.3	229.0	210.3	200.0	199.0	194.0	184.0	-19.8	-4.9	-5.2	-22.7
<b>Grains</b>													
Maize**	\$/mt	105.8	91.6	96.5	95.9	93.4	92.5	93.7	84.0	-11.7	-2.6	-10.3	-16.4
Rice, Thai, 5%**	\$/mt	318.4	322.3	282.2	278.7	244.5	244.3	253.8	259.0	-23.2	-12.2	2.0	-20.1
Rice, Thai, 25%	\$/mt	262.0	273.7	257.7	239.6	211.6	207.0	223.2	231.0	-19.3	-11.7	3.5	-13.2
Rice, Thai, 35%	\$/mt	249.7	262.1	251.6	232.9	205.9	201.8	217.4	225.0	-17.5	-11.6	3.5	-11.6
Rice, Thai, A1.Special	\$/mt	199.8	225.6	238.5	214.2	189.5	184.3	200.2	216.0	-5.1	-11.6	7.9	2.4
Sorghum**	\$/mt	100.4	90.5	90.0	90.9	87.6	87.2	86.0	76.9	-12.8	-3.6	-10.6	-19.4
Wheat, Canada	\$/mt	165.3	153.0	164.7	160.7	148.2	146.1	151.1	146.8	-10.3	-7.7	-2.8	-7.4
Wheat, US, HRW**	\$/mt	126.6	111.6	127.7	119.9	112.8	113.0	111.4	103.0	-10.9	-5.9	-7.5	-13.4
Wheat, US, SRW	\$/mt	112.6	95.3	109.0	99.5	96.4	96.6	92.9	85.3	-14.4	-3.1	-8.2	-11.9
<b>Other Food</b>													
Bananas**	\$/mt	567.5	456.5	520.1	479.3	444.0	447.5	421.5	411.6	-21.8	-7.4	-2.3	-26.5
Beef**	¢/kg	176.1	166.7	166.2	177.1	175.6	176.0	176.2	179.6	-0.3	-0.9	1.9	7.8
Fishmeal	\$/mt	681.3	670.3	601.3	453.3	343.3	337.0	345.0	355.0	-49.6	-24.3	2.9	-46.2
Lamb	¢/kg	272.3	251.1	264.2	247.0	263.2	267.5	267.9	264.0	-3.3	6.5	-1.5	8.9
Oranges**	\$/mt	450.1	516.3	415.1	420.3	458.6	444.3	484.4	460.3	1.9	9.1	-5.0	-15.2
Shrimp	¢/kg	1661	1574	1427	1413	1470	1488	1499	1499	-11.5	4.0	0.0	-7.9
Sugar, EU, domestic**	¢/kg	59.59	58.59	60.88	59.72	58.78	59.08	58.36	57.54	-1.4	-1.6	-1.4	-1.4
Sugar, US, domestic**	¢/kg	49.15	49.10	48.27	49.45	49.88	49.93	49.89	49.82	1.5	0.9	-0.1	-0.3
Sugar, world**	¢/kg	19.85	17.92	17.34	15.40	12.63	12.63	13.32	11.86	-36.4	-18.0	-11.0	-37.6
<b>Raw Materials</b>													
<b>Timber</b>													
Logs, Cameroon	\$/cum	282.7	279.4	295.9	282.3	255.3	251.3	245.2	243.8	-9.7	-9.6	-0.6	-11.0
Logs, Malaysia**	\$/cum	150.2	140.7	162.0	175.3	178.4	176.5	183.6	186.5	18.8	1.8	1.6	38.2
Plywood	¢/sheet	361.1	344.3	395.2	426.4	429.9	425.7	430.1	428.5	19.1	0.8	-0.4	23.0
Sawnwood, Cameroon	\$/cum	523.6	519.2	532.0	461.5	424.4	429.7	419.2	424.7	-18.9	-8.0	1.3	-16.8
Sawnwood, Malaysia**	\$/cum	476.7	465.5	519.8	544.3	582.8	580.4	608.4	625.9	22.2	7.1	2.9	43.0
Woodpulp	\$/mt	540.5	507.5	458.3	447.6	491.5	494.0	508.0	508.0	-9.1	9.8	0.0	-4.8

Continued

**COMMODITY PRICE DATA (continued)**

Commodity	Unit	Quarterly Averages				Monthly Averages			Changes (%)				
		Apr-Jun 1998	Jul-Sept 1998	Oct-Dec 1998	Jan-Mar 1999	Apr-Jun 1999	May 1999	Jun 1999	Jul 1999	Q2 '99/ Q2 '98	Q2 '99/ Q1 '98	Jul '99/ Jun '99	Jul '99/ Jul '98
<b>Non-Energy Commodities (continued)</b>													
<b>Agriculture (continued)</b>													
<b>Other Raw Materials</b>													
Cotton**	¢/kg	146.2	150.2	127.5	123.9	129.4	132.1	129.0	120.0	-11.5	4.5	-7.0	-22.1
Jute	\$/mt	258.8	260.0	270.0	250.0	260.0	250.0	280.0	290.0	0.5	4.0	3.6	11.5
Rubber, Malaysia**	¢/kg	75.3	68.0	70.6	68.0	59.7	59.7	60.4	56.6	-20.6	-12.1	-6.2	-19.5
Rubber, NY	¢/kg	92.0	86.1	87.0	83.7	77.5	78.9	76.4	74.1	-15.8	-7.4	-3.0	-15.9
Rubber, Singapore	¢/kg	73.4	68.3	69.0	65.5	59.9	60.2	61.1	55.9	-18.4	-8.6	-8.5	-22.5
Sisal	\$/mt	805.0	850.0	850.0	779.2	731.7	750.0	695.0	680.0	-9.1	-6.1	-2.2	-20.0
Wool	¢/kg	350.8	313.0	307.2	301.4	307.8	307.7	306.0	n.a.	-12.3	2.1	n.a.	n.a.
<b>Fertilizers</b>													
DAP	\$/mt	205.3	209.5	204.4	199.3	189.7	189.1	186.6	182.3	-7.6	-4.8	-2.3	-12.7
Phosphate rock**	\$/mt	43.0	43.0	43.0	44.0	44.0	44.0	44.0	44.0	2.3	0.0	0.0	2.3
Potassium chloride	\$/mt	116.5	116.5	118.1	119.1	122.5	122.5	122.5	122.5	5.2	2.9	0.0	5.2
TSP**	\$/mt	175.9	175.0	168.9	164.1	162.6	163.0	161.8	153.9	-7.5	-0.9	-4.9	-13.3
Urea, E. Europe, bagged	\$/mt	111.7	102.3	88.0	79.5	75.9	77.1	75.0	74.8	-32.0	-4.6	-0.3	-26.3
Urea, E. Europe, bulk	\$/mt	89.5	84.8	68.3	67.6	64.6	65.9	63.3	63.5	-27.8	-4.4	0.4	-26.2
<b>Metals and Minerals</b>													
Aluminum**	\$/mt	1363	1321	1283	1196	1306	1323	1315	1404	-4.2	9.2	6.7	7.2
Copper**	\$/mt	1731	1640	1545	1407	1467	1511	1422	1640	-15.3	4.2	15.3	-0.7
Gold	\$/toz	299.9	288.7	293.9	286.8	273.5	276.4	261.3	256.1	-8.8	-4.6	-2.0	-12.6
Iron ore**	¢/dmtu	29.69	29.69	29.69	26.96	26.96	26.96	26.96	26.96	-9.2	0.0	0.0	-9.2
Lead**	¢/kg	54.8	53.4	49.6	50.5	51.9	54.2	49.6	49.6	-5.3	2.9	-0.1	-9.2
Nickel**	\$/mt	4963	4169	3961	4635	5232	5399	5195	5700	5.4	12.9	9.7	31.8
Silver	¢/toz	571.2	522.0	495.8	530.2	515.6	529.8	507.7	522.8	-9.7	-2.8	3.0	-4.4
Steel products (8) index*** 1990=100		76.7	73.4	69.0	64.1	66.4	66.5	67.5	68.5	-13.5	3.5	1.5	-8.4
Steel-cold rolled coilsheet	\$/mt	386.7	360.0	320.0	306.7	328.3	330.0	335.0	340.0	-15.1	7.1	1.5	-8.1
Steel-hot rolled coilsheet	\$/mt	293.3	270.0	236.7	206.7	223.3	220.0	235.0	240.0	-23.9	8.1	2.1	-14.3
Steel, rebar	\$/mt	260.0	233.3	240.0	230.0	230.0	230.0	230.0	240.0	-11.5	0.0	4.3	0.0
Steel, wire rod	\$/mt	336.7	336.7	326.7	293.3	290.0	290.0	290.0	290.0	-13.9	-1.1	0.0	-12.1
Tin**	¢/kg	585.3	561.0	538.9	524.6	543.6	564.9	526.6	523.0	-7.1	3.6	-0.7	-7.5
Zinc**	¢/kg	105.6	102.3	95.6	99.3	102.0	104.0	100.1	107.2	-3.4	2.7	7.2	3.1
<b>World Bank Commodity Price Indices for Low and Middle Income Countries (1990 = 100)</b>													
<b>Petroleum</b>		58.4	56.9	51.8	51.5	70.4	70.2	71.6	83.0	20.6	36.6	15.9	49.5
<b>Non-Energy Commodities</b>		101.0	95.2	94.5	89.8	87.8	88.8	87.5	85.7	-13.0	-2.2	-2.1	-11.0
<b>Agriculture</b>		109.7	102.6	102.7	97.6	93.4	94.3	93.3	88.8	-14.8	-4.3	-4.8	-14.6
Beverages		144.2	129.0	124.9	116.0	109.3	111.3	109.6	101.2	-24.2	-5.8	-7.6	-21.7
Food		107.0	101.1	102.6	95.3	88.6	89.2	86.5	81.4	-17.2	-7.1	-5.9	-22.3
Fats and Oils		132.6	127.2	131.5	115.6	106.0	108.0	99.1	89.6	-20.1	-8.3	-9.5	-30.4
Grains		104.5	98.3	96.5	94.3	86.8	86.6	87.9	84.3	-17.0	-8.0	-4.1	-17.6
Other Food		87.3	81.4	82.4	79.3	75.3	75.4	75.4	73.1	-13.8	-5.1	-3.1	-15.5
<b>Raw Materials</b>		87.7	84.9	86.4	86.9	88.0	88.2	90.0	89.0	0.3	1.3	-1.1	5.9
Timber		88.8	86.3	96.7	101.7	108.2	107.7	112.8	115.8	21.8	6.4	2.7	42.5
<b>Other Raw Materials</b>		87.0	83.9	79.4	76.8	74.2	74.9	74.5	70.8	-14.6	-3.4	-5.0	-17.7
Fertilizers		123.4	123.0	120.1	118.7	118.0	118.2	117.6	113.8	-4.4	-0.6	-3.2	-8.4
Metals and Minerals		77.4	74.5	72.0	67.7	71.2	72.5	70.5	75.3	-8.1	5.1	6.9	0.8

\*Included in the petroleum index. \*\*Included in the non-energy index. \*\*\*Steel not included in the non-energy index.

\$ = U.S. dollar ¢ = U.S. cent bbl = barrel cum = cubic meter dmtu = dry metric ton kg = kilogram

mmbtu = million British thermal units mt = metric ton toz = troy ounce