

Commodity Markets Review

July 12, 2006

DECPG, The World Bank

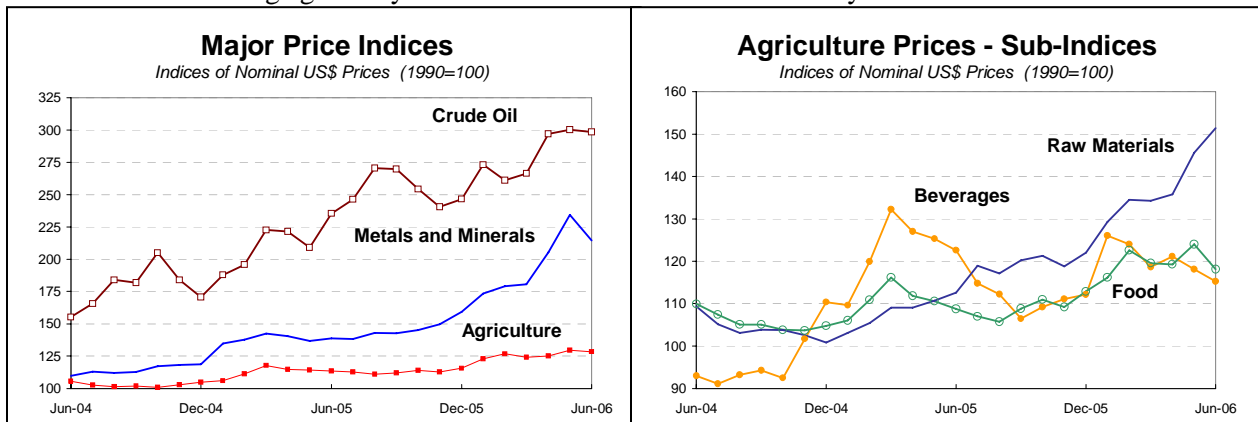
Metals prices began to recover in late June as investors signaled renewed optimism for economic growth and metal demand. Copper and zinc prices have risen 15 percent the past three weeks. The rebound follows widespread liquidation of risky assets in May and June. Agriculture and oil prices also declined in June but have exhibited far less volatility in recent months than metals. Significant declines in agriculture prices were limited to bananas, sugar, coffee and palmkernel oil.

Crude oil prices slipped 0.6 percent in June, to average \$68.3/bbl. However, since mid-June prices have steadily advanced to reach a record nominal high of nearly \$73/bbl (World Bank average) in early July. While inventories remain comfortable, geopolitical concerns and a tightening U.S. gasoline market have helped underpin prices. Tensions continue to center on Iran's refusal to suspend research on its nuclear program, which may prompt the United Nations to impose sanctions. In addition, over 0.5 mb/d of production remains off-line in Nigeria.

There are also concerns that a more active-than-normal hurricane season in the U.S. Gulf could again disrupt refinery output, as well as crude oil and natural gas production. U.S. gasoline demand has also picked up, with the latest four-week growth up 1.7 percent y/y, while distillate demand increased 3.3 percent—both well above average growth year-to-date.

Agricultural prices fell 1.0 percent in June, with declines concentrated in a few food and beverage commodities. Sugar prices fell 8.4 percent due to Brazil's large crop harvest as well as favorable production outlooks for other major producers. Lower sugar output in the European Union due to policy reform is expected to be offset by larger production in India, the U.S. and other countries. Coffee prices fell 5.7 percent on expectations of a large increase in Brazil's crop for the 2006/07 season. Partly offsetting the declines were increases in rubber prices due to supply reductions and strong demand in China. Average tea prices rose 5.0 percent reflecting an 11 percent seasonal jump in Kolkata prices.

Metals and minerals prices plunged 8.4 percent in June, part of a widespread sell-off in risky assets that was partly triggered by the falling dollar in May. Nearly all metals prices dropped by 10 percent or more, with lead and aluminum falling 17 percent and 13 percent, respectively, as stocks are higher than for nickel, copper and zinc. The one metal that did not fall sharply—and which has soared to all-time nominal highs in early July—is nickel, due to sharply declining inventories, supply tightness, and a strong recovery in stainless steel demand this year. In late-June all other metals prices began to rebound on expectations of continued strong growth in demand and supply shortfalls, amid extremely low inventories for most metals.



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 June¹

Rubber prices gained 10.7 percent to reach \$2.73/kg, a record nominal monthly high. The increase reflected high oil prices, strong demand in China, and reduced output from Indonesia, Malaysia and Thailand.

Tea prices (three-auction average) rose 5.0 percent as Kolkata prices climbed seasonally by 11 percent. Mombassa prices rallied 5 percent as unfavorable weather resulted in an 8 percent drop in Kenyan tea production in May.

Palmkernel oil prices declined 4.5 percent due to a significant increase in supplies from Indonesia.

Coffee (arabica) prices fell 5.7 percent in response to an expected 24 percent increase in Brazilian production for the 2006/07 season.

Sugar prices decreased 8.4 percent due to the large crop being harvested in Brazil and the favorable outlook for production by other major producers.

Urea and potassium chloride fertilizer prices fell 8.6 and 4.4 percent, respectively, on weaker demand following the end of the planting season in the northern hemisphere, and aggressive export competition for remaining orders.

Zinc prices decreased 9.5 percent, although inventories continue to fall sharply amid strong steel demand and insufficient supply growth.

Copper prices fell 10.5 percent although the market remains tight on critically low and falling inventories, and numerous technical and labor supply disruptions.

Tin prices decreased 10.6 percent, but have rebounded sharply recently as stocks continue to decline and Indonesia's largest producer indicated it would cut production by 10 percent this year to reduce inventories.

Gold prices fell 11.7 percent, affected by the broad-based liquidation of risky assets as well as appreciation of the dollar during much of June.

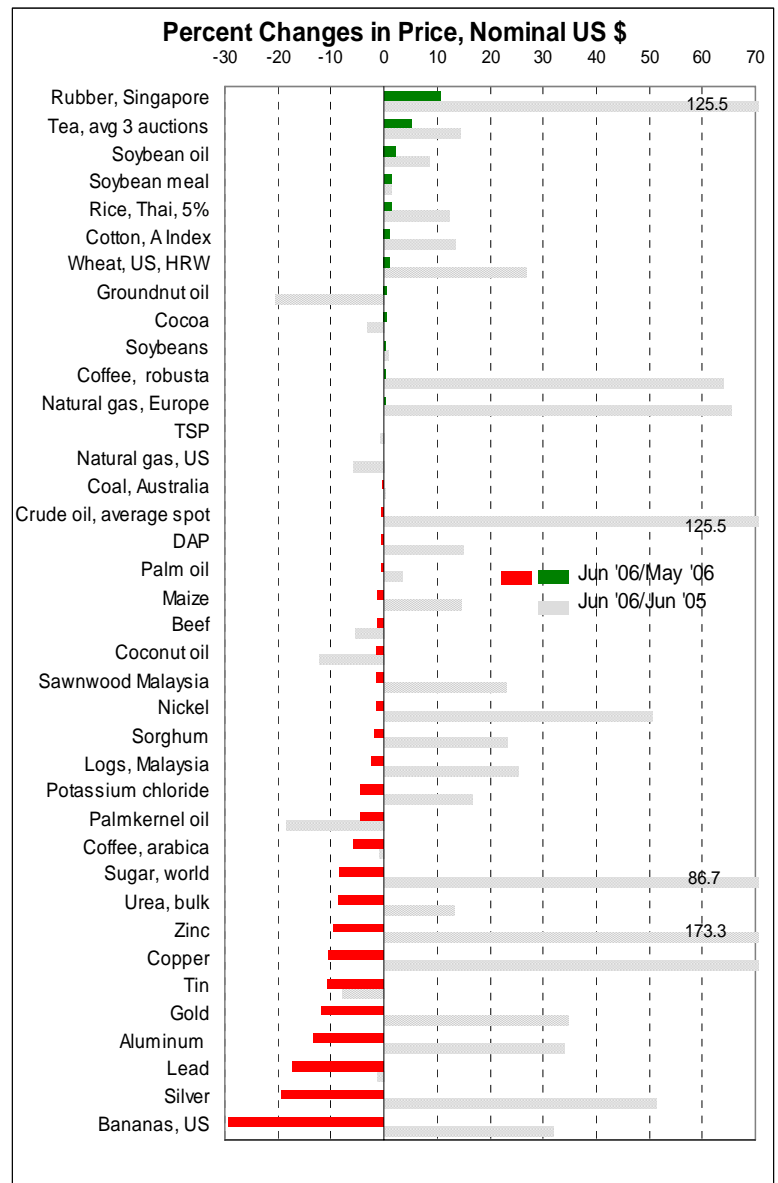
Aluminum prices decreased 13.4 percent, as inventories remain relatively large—despite strong demand—due to continued strong growth in production in China.

Lead prices fell 17.4 percent on rising stocks, as

production growth continues to outpace relatively strong battery demand in China.

Silver prices plunged 19.5 percent, leading the widespread withdrawal from risky investments, and reversing the spike in prices that was partly associated with introduction of Barclay's exchange-traded fund at end-April.

Bananas prices in the U.S. dropped 29.3 percent reflecting the availability of other fruits and the reduced freight rates from lower chartering activity.



¹ Percent change of average June prices compared to average May 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-Jun 2006	Apr-Jun 2005	Jul-Sep 2005	Oct-Dec 2005	Jan-Mar 2006	Apr-Jun 2006	Apr 2006	May 2006	Jun 2006
Energy												
Coal, Australia	\$/mt	52.95	47.62	49.75	51.19	48.43	39.58	46.88	52.62	52.88	52.60	52.38
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	64.67	50.79	59.98	56.55	61.03	68.31	67.97	68.68	68.29
Crude oil, Brent	a/ \$/bbl	38.30	54.43	65.87	51.61	61.55	56.93	61.92	69.83	70.44	70.19	68.86
Crude oil, Dubai	a/ \$/bbl	33.46	49.29	61.26	47.69	55.34	52.70	57.85	64.68	64.06	64.91	65.08
Crude oil, West Texas Int.	a/ \$/bbl	41.44	56.44	66.88	53.06	63.05	60.02	63.33	70.43	69.41	70.93	70.93
Natural gas, Europe	\$/mmbtu	4.28	6.33	8.12	5.89	6.52	7.41	7.97	8.27	8.24	8.28	8.29
Natural gas, US	\$/mmbtu	5.89	8.92	7.09	6.94	10.04	12.26	7.68	6.50	7.09	6.20	6.19
Non Energy Commodities												
Agriculture												
Beverages												
Cocoa	b/ c/kg	155.0	153.8	156.9	154.4	149.1	147.0	155.5	158.4	154.8	159.6	160.7
Coffee, Arabica	b/ c/kg	177.4	253.2	251.7	278.6	233.4	234.1	262.3	241.0	254.5	241.1	227.4
Coffee, robusta	b/ c/kg	79.3	111.5	134.8	122.6	115.2	114.2	136.7	132.9	133.5	132.5	132.8
Tea, auctions (3), average	c/kg	168.6	164.7	185.9	166.0	166.8	166.2	179.2	192.6	191.4	188.4	197.9
Tea, Colombo auctions	b/ c/kg	178.1	184.3	185.7	176.5	176.1	191.0	192.7	178.6	188.8	174.6	172.4
Tea, Kolkata auctions	b/ c/kg	172.2	162.1	167.9	179.1	175.2	157.1	143.7	192.1	185.0	185.3	205.9
Tea, Mombasa auctions	b/ c/kg	155.4	147.8	204.0	142.3	149.0	150.4	201.0	207.0	200.5	205.3	215.3
Food												
Fats and Oils												
Coconut oil	b/ \$/mt	660.8	617.0	578.5	654.9	571.7	574.0	578.3	578.7	578.0	583.0	575.0
Copra	\$/mt	450.0	413.7	383.2	446.4	380.7	379.9	383.3	383.0	372.0	390.0	387.0
Groundnut oil	b/ \$/mt	1,161.0	1060.4	907.0	1101.3	1025.0	963.0	917.7	896.3	898.8	892.0	898.0
Palm oil	b/ \$/mt	471.3	422.1	437.5	421.7	415.0	438.3	436.4	438.7	439.0	440.0	437.0
Palmkernel oil	b/ \$/mt	648.1	627.0	582.0	655.6	582.3	607.7	607.0	557.1	576.3	560.0	535.0
Soybean meal	b/ \$/mt	241.2	214.4	199.1	221.3	218.7	204.0	200.8	197.3	193.0	198.0	201.0
Soybean oil	b/ \$/mt	616.0	544.9	555.8	548.0	551.7	558.7	535.3	576.3	540.0	588.0	601.0
Soybeans	b/ \$/mt	306.5	274.7	260.2	290.7	278.3	258.9	256.7	263.7	258.0	266.0	267.0
Grains												
Maize	b/ \$/mt	111.8	98.7	107.1	96.3	101.8	99.8	105.0	109.3	107.7	110.6	109.4
Rice, Thailand, 5%	b/ \$/mt	237.7	286.3	303.2	292.0	281.6	281.6	298.8	307.6	302.3	308.0	312.5
Rice, Thailand, 25%	\$/mt	225.4	265.4	273.9	270.5	260.7	259.8	271.8	276.0	271.5	276.0	280.5
Rice, Thailand, 35%	\$/mt	222.3	261.8	270.9	265.8	256.7	257.1	268.8	272.9	269.8	273.0	276.0
Rice, Thai, A1.Special	\$/mt	205.1	217.8	215.2	218.9	211.9	211.2	213.8	216.6	216.8	217.6	215.5
Sorghum	b/ \$/mt	109.8	96.2	107.6	95.4	101.0	95.5	103.5	111.7	109.4	113.8	111.9
Wheat, Canada	\$/mt	186.5	197.6	210.5	191.0	194.9	203.5	208.9	212.1	204.7	215.5	216.1
Wheat, US, HRW	b/ \$/mt	156.9	152.4	181.7	142.0	151.0	164.5	173.8	189.6	180.3	193.2	195.2
Wheat US SRW	\$/mt	144.4	135.7	144.7	132.1	130.3	135.1	145.4	144.0	140.8	150.9	140.1
Other Food												
Bananas EU	\$/mt	892.0	1175.7	947.6	1346.0	1016.7	1055.8	951.2	944.0	920.7	1,004.7	906.5
Bananas US	b/ \$/mt	524.6	602.8	779.3	565.5	466.8	621.8	788.4	770.3	730.3	926.0	654.5
Beef	b/ c/kg	251.3	261.7	248.3	264.8	266.8	256.3	249.2	247.3	248.2	248.5	245.3
Fishmeal	\$/mt	648.6	711.2	1039.0	663.1	712.3	828.8	899.6	1178.3	988.0	1207.0	1340.0
Lamb	c/kg	459.9	443.8	412.0	454.9	429.2	413.2	403.7	420.3	401.0	428.7	431.1
Oranges	b/ \$/mt	857.5	874.7	791.1	1,068.4	751.7	848.0	826.7	755.5	800.3	800.2	665.8
Shrimp, Mexico	b/ c/kg	1,022	1,034	1,047	1,047	1,028	1,031	1,047	1,047	1,047	1,047	1,047
Sugar EU domestic	b/ c/kg	66.97	66.54	65.43	67.90	65.23	63.92	64.08	66.78	64.59	68.36	67.40
Sugar US domestic	b/ c/kg	45.47	46.93	51.78	47.76	46.73	47.96	51.86	51.69	52.00	51.66	51.42
Sugar, world	b/ c/kg	15.80	21.79	37.02	19.28	21.96	26.32	37.50	36.53	38.56	37.08	33.95
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	230.1	199.9	211.4	209.1	222.9	237.3	229.4	244.2	238.5
Plywood	c/sheets	464.8	508.6	553.4	512.6	506.5	500.2	529.0	577.8	545.6	576.6	611.2
Sawnwood, Cameroon	\$/cum	587.0	559.1	600.4	562.6	546.6	528.9	583.0	617.8	588.5	643.2	621.6
Sawnwood, Malaysia	\$/cum	581.3	659.4	728.2	652.7	664.3	680.7	713.3	743.1	720.3	759.9	749.3
Woodpulp	\$/mt	640.8	635.5	653.5	651.7	607.4	605.9	627.8	679.2	661.7	688.0	688.0
Other Raw Materials												
Cotton A Index	b/ c/kg	136.6	121.7	126.5	122.6	120.4	126.1	131.1	121.8	123.7	120.2	121.5
Cotton Memphis	c/kg	137.5	129.8	132.08	130.9	128.5	134.8	134.1	130.0	132.7	126.9	130.5
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	240.1	151.6	181.5	186.4	221.6	258.7	231.9	253.6	290.4
Rubber, Singapore	b/ c/kg	130.4	150.2	224.0	138.5	167.5	168.2	202.3	245.7	217.3	246.6	273.1
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	555.0	584.5	576.5	575.0	555.0	555.0	555.0	555.0	555.0

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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 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

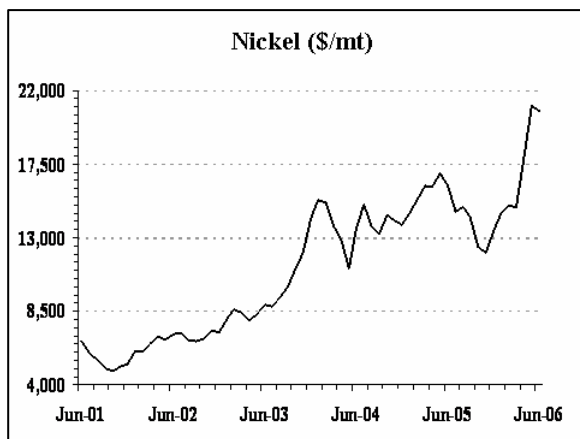
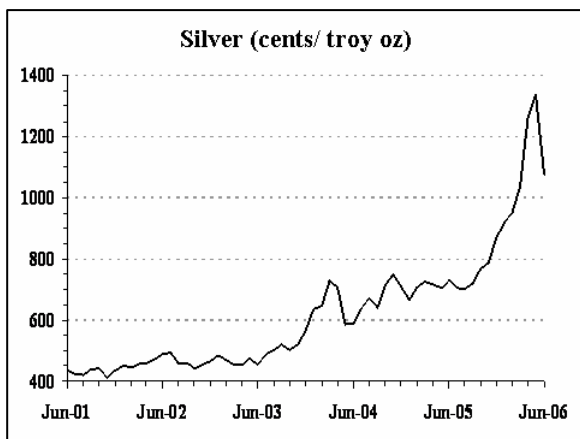
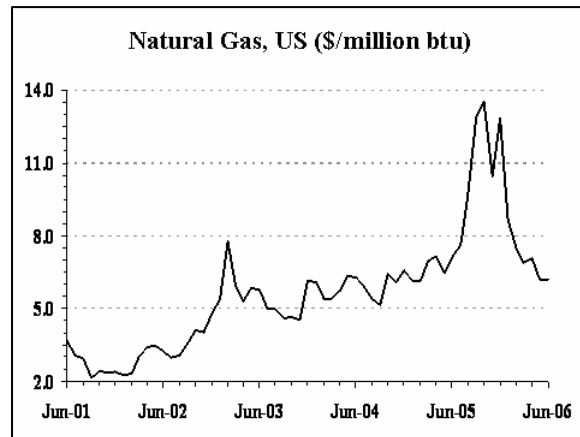
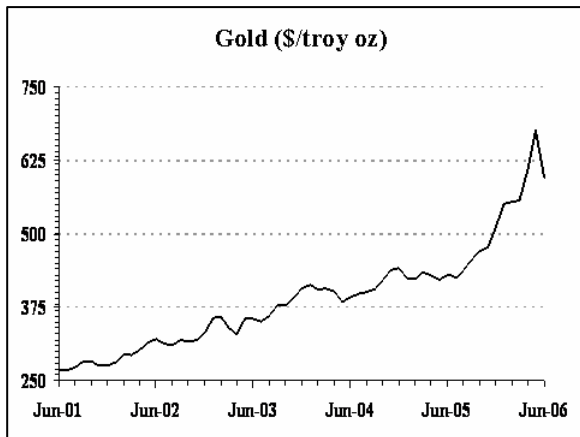
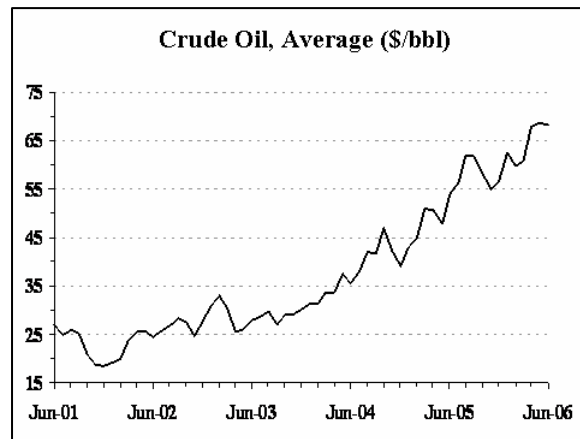
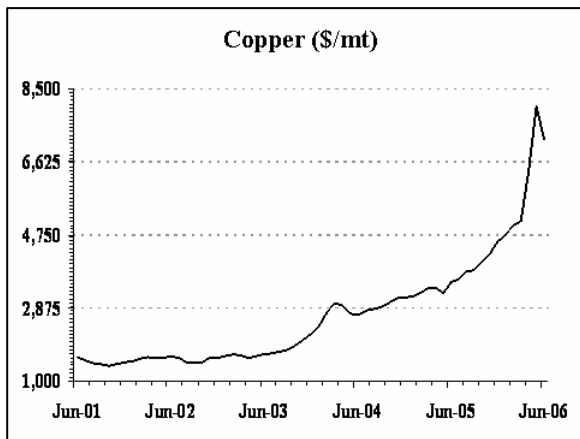
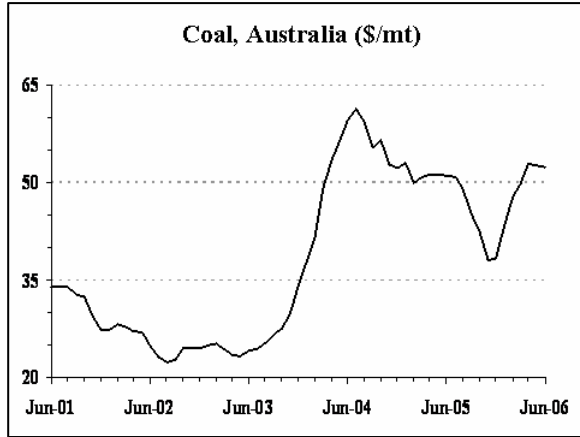
		Annual averages			Quarterly averages				Monthly averages			
		Jan-Dec	Jan-Dec	Jan-Jun	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Apr	May	Jun
		2004	2005	2006	2005	2005	2005	2006	2006	2006	2006	2006
Fertilizers												
DAP	\$/mt	221.2	247.0	263.3	235.6	261.6	264.5	259.6	266.9	260.8	270.8	269.2
Phosphate rock	b/ \$/mt	41.0	42.0	42.9	42.0	42.0	42.0	42.3	43.5	43.0	43.0	44.5
Pottasium chloride	\$/mt	124.6	158.2	174.2	151.7	163.5	170.0	171.1	177.3	180.0	180.0	172.0
TSP	\$/mt	186.3	201.5	200.7	201.7	201.2	201.0	200.9	200.5	200.5	200.5	200.5
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	223.7	241.6	211.7	224.7	219.2	228.1	248.4	227.8	208.2
Metals and Minerals												
Aluminum	b/ \$/mt	1,716	1,898	2,537	1,790	1,829	2,076	2,421	2,653	2,621	2,861	2,477
Copper	b/ \$/mt	2,866	3,679	6,075	3,389	3,757	4,302	4,940	7,210	6,388	8,046	7,198
Gold	\$/toz	409.2	444.8	590.7	427.3	439.5	485.6	554.0	627.4	610.7	675.4	596.1
Iron ore CVRD So & No	b/ c/dmtu	37.90	65.00	77.35	65.00	65.00	65.00	77.35	77.35	77.35	77.35	77.35
Lead	b/ c/kg	88.7	97.6	117.1	98.7	89.2	104.9	124.2	110.0	117.0	116.7	96.4
Nickel	b/ \$/mt	13,823	14,744	17,368	16,411	14,567	12,649	14,810	19,925	17,942	21,077	20,755
Silver	c/toz	669.0	733.8	1097.8	718.2	708.8	808.3	969.4	1226.1	1263.2	1337.8	1077.4
Steel products (8) index	a/ 1990=100	121.5	137.9	135.1	141.6	138.6	138.6	138.6	131.6	138.6	125.2	131.2
Steel cr coilsheet	\$/mt	607.1	733.3	708.3	750.0	750.0	750.0	750.0	666.7	750.0	600.0	650.0
Steel hr coilsheet	\$/mt	502.5	633.3	620.8	650.0	650.0	650.0	650.0	591.7	650.0	550.0	575.0
Steel, rebar	\$/mt	428.8	423.1	437.5	430.0	430.0	430.0	430.0	445.0	430.0	460.0	445.0
Steel wire rod	\$/mt	487.5	579.2	587.5	566.7	600.0	600.0	600.0	575.0	600.0	550.0	575.0
Tin	c/kg	851.3	738.0	806.7	796.3	704.7	643.2	760.6	852.9	885.3	883.7	789.6
Zinc	b/ c/kg	104.8	138.1	276.7	127.3	129.7	164.0	224.2	329.2	308.5	356.6	322.6
World Bank commodity price indices for low and middle income countries(1990 =100)												
Energy		164.9	233.4	282.7	222.0	262.2	247.2	266.8	298.6	297.1	300.2	298.5
Non Energy Commodities		107.4	121.9	146.6	121.6	120.8	125.3	139.9	153.4	148.0	159.3	152.9
Agriculture		104.7	113.0	126.2	114.1	112.0	114.3	124.7	127.8	125.2	129.7	128.4
Beverages		94.0	116.9	120.5	125.0	111.2	110.8	122.9	118.2	121.1	118.1	115.2
Food		110.0	109.9	120.0	110.4	107.2	111.1	119.5	120.5	119.3	124.0	118.1
Fats and Oils		137.1	122.9	119.0	126.5	122.7	120.0	118.6	119.4	117.4	120.1	120.6
Grains		100.2	103.2	114.4	101.3	103.1	105.2	111.4	117.4	114.2	118.6	119.4
Other Food		93.2	103.1	123.9	102.4	96.8	107.1	124.7	123.1	123.7	130.3	115.3
Raw Materials		105.8	114.1	138.5	110.8	118.7	121.0	132.7	144.3	135.8	145.6	151.4
Timber		109.3	122.5	135.7	121.2	123.9	126.4	132.8	138.7	134.4	141.9	139.8
Other Raw Materials		103.4	108.3	140.4	103.8	115.0	117.2	132.7	148.1	136.8	148.1	159.3
Fertilizers		126.6	134.9	135.3	135.0	134.7	134.6	134.9	135.7	135.3	135.3	136.6
Metals and Minerals		112.4	142.5	197.9	138.7	141.3	151.4	177.7	218.1	205.4	234.3	214.5

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

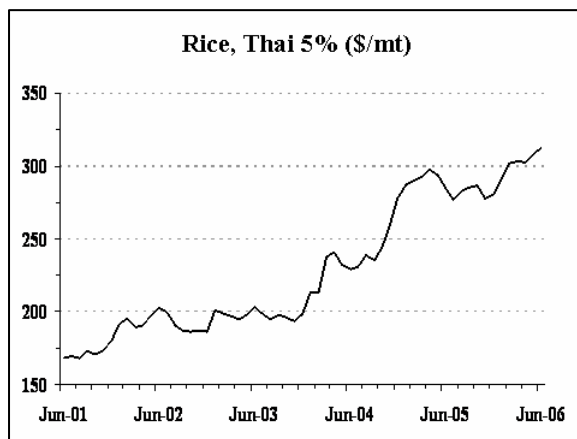
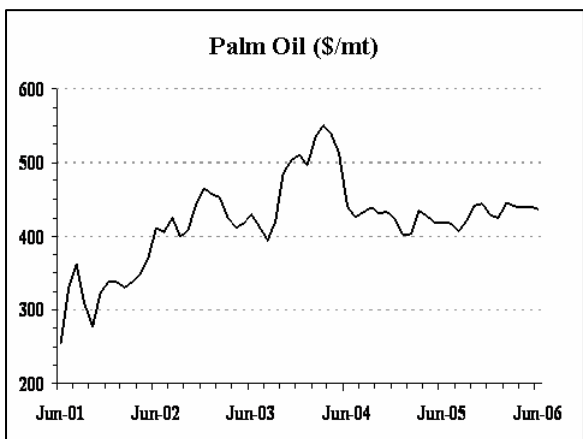
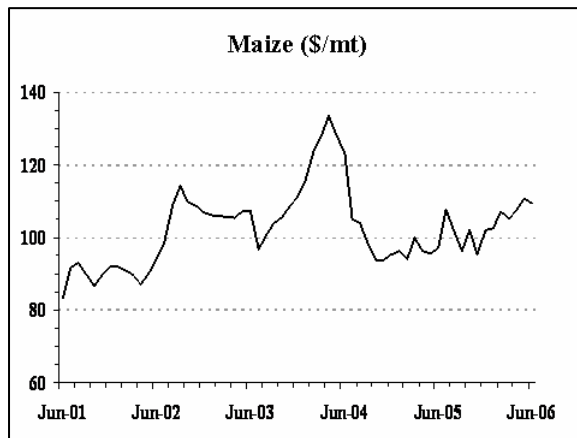
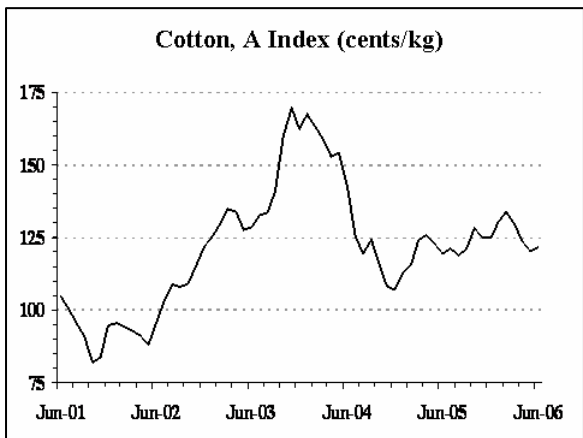
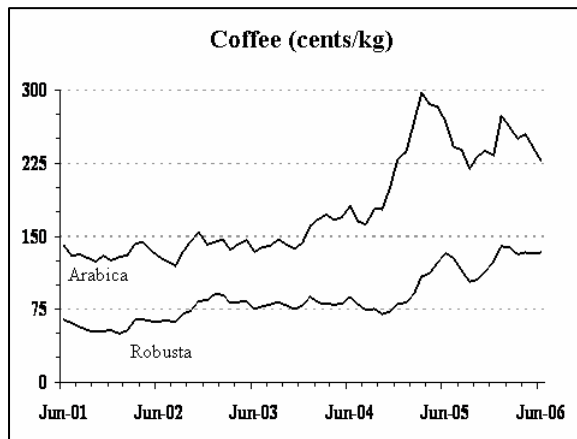
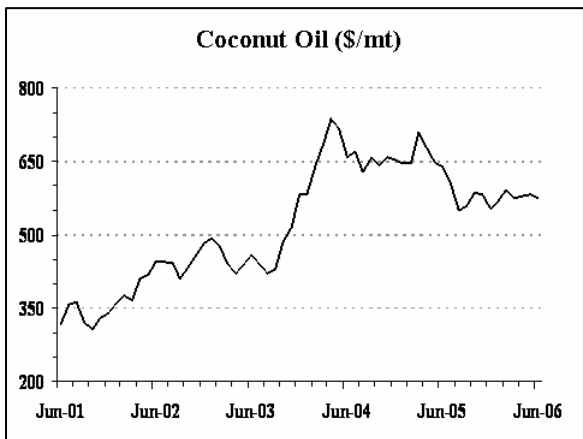
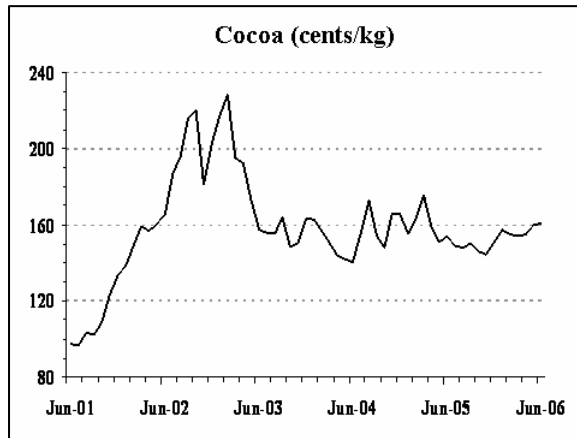
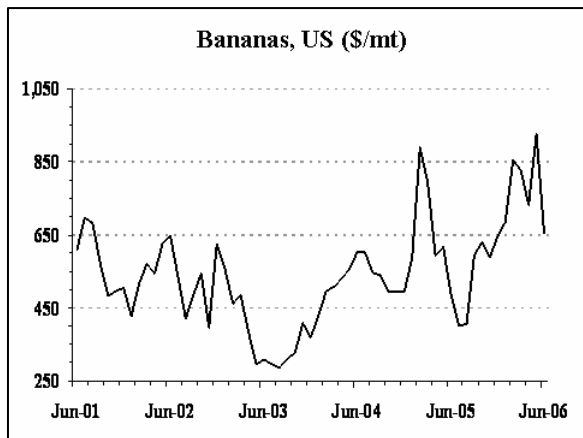
b. Not included in index/

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, 2000-2005 cont'd



Selected Commodity Prices, Nominal US dollars, 2000-2005 cont'd

