

# Commodity Markets Review

November 8, 2007

DECPG, The World Bank

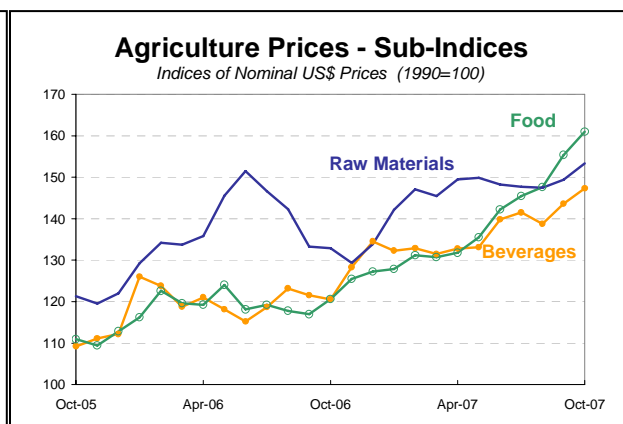
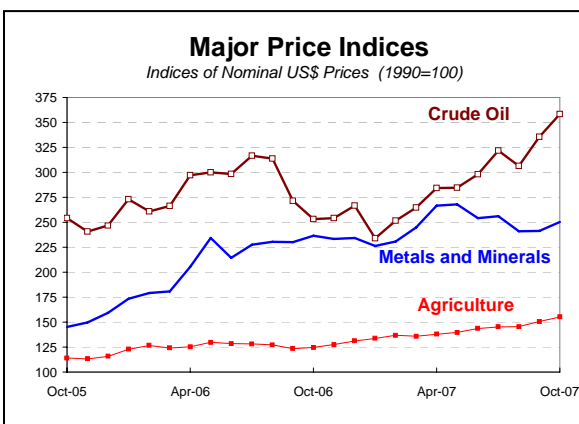
**Non-oil commodity prices jumped 3.3 percent in October**, with strong gains in most indices. Supply constraints, the falling dollar, and shifting of assets to select commodities in the wake of financial market uncertainty contributed to the increases.

**Crude oil prices surged 6.8 percent in October, averaging \$82.0/bbl**, and climbed well above \$90/bbl in early November (with US WTI exceeding \$98/bbl). The oil market has been steadily tightening since mid-year, with an atypical global stock draw in the third quarter, and further declines expected over the winter. There have been weather-related shutdowns in Mexico and the North Sea, and there are increased fears of supply disruption in oil exporting countries. OPEC agreed to raise production by 0.5 mb/d November 1<sup>st</sup>, but without targets for individual countries it was deemed a weak response. OPEC heads of state meet November 17<sup>th</sup> in Saudi Arabia (the 3<sup>rd</sup> such gathering in its 47-year history), and OPEC oil ministers next meet on December 5<sup>th</sup>.

**Other energy prices increased**, with coal prices up 9.3 percent in October (and 50 percent y-t-d), on strong demand, stagnant Australian exports from infrastructure constraints, and a sharp reduction in China's exports. European natural gas prices rose 7.3 percent on higher oil prices, while US natural gas prices increased 11.5 percent on lower LNG imports.

**Agriculture prices rose 3.0 percent in October**, led by an 8 percent jump in fats & oils prices. Strong demand for biofuels and lower production of soybeans and other oil seeds has left the overall fats & oils complex tight. The largest increase was in soybean meal, up 12.3 percent, on low stocks and strong import demand. Coconut oil and palmkernel oil (close substitutes) were up 8.5 percent, reflecting the overall tightness in oils markets; other oils also posted strong price gains. Rubber prices rose 8.1 percent on higher crude oil prices and weaker exports from Thailand. Coffee arabica prices rose 5 percent on lower supply prospects in Brazil from lack of rain.

**Metals and minerals prices jumped 3.7 percent in October**, with gains in all metals. Lead—the leading performer this year—soared 15 percent, on strong battery demand in China, ongoing production losses in Australia, and sharply reduced exports from China. Tin—the second strongest performer—surged 7 percent, on the Indonesian government's ongoing efforts to restrict unauthorized production. Nickel prices rose 5 percent, rebounding from a 50 percent plunge this year, although demand for stainless steel production remains weak and nickel stocks continue to rise. Gold prices rose 6 percent to \$755/toz, but soared above \$840/toz in early November, on safe-haven buying and concerns about the weak dollar and inflation.



Prepared in the Development Economics Prospects Group (DECPG) by Shane Streifel, Donald Mitchell, John Baffes and Betty Dow. Katherine Rollins is task assistant. This report is available on <http://decpg.worldbank.org>.

## Major Movers October<sup>1</sup>

**Lead** prices soared 15.3 percent due to strong battery demand in China, indefinite supply disruption in Australia, and reduced exports from China.

**Soybean meal** prices surged 12.3, having lagged increases in soybean prices in recent months, due to very low warehouse stocks in Rotterdam and strong import demand.

**Natural gas** prices in the U.S. leapt 11.5 percent on lower LNG imports and start of the winter heating season, despite ample inventories.

**Coal** prices jumped 9.3 percent due to strong demand, congestion at Australian ports, a sharp decrease in Chinese exports, and concerns of whether Indonesia can fill the gap.

**Coconut oil and palmkernel oil** prices (close substitutes) increased 8.6 percent and 8.5 percent, respectively, reflecting overall tightness in fats & oils markets due to strong demand for biofuels and lower production of some oils.

**Rubber** prices climbed 8.1 percent on higher crude oil prices and weaker exports from Thailand (world's largest rubber producer) due to adverse weather conditions.

**Natural gas** prices in Europe rose 7.3 percent due to higher oil prices, as import contracts are indexed to oil and petroleum product prices.

**Tin** prices rose 7.0 percent due to declining stocks and production constraints in Indonesia, as the government continues to clamp down on unauthorized output.

**Crude oil** prices leapt 6.8 percent on expectations of continued market tightening and increasing fears of disruption to supply in oil exporting countries.

**Urea** prices increased 6.3 percent due to continuing strong demand for fertilizers because of high agriculture prices.

**Silver** prices rose 6.1 percent on the declining dollar and as an alternative investment to gold.

**Gold** prices rose 5.9 percent to average \$755/toz on safe-haven buying and expectations of rising inflation and continued dollar weakness.

**Soybean** prices climbed 5.6 percent due to low stocks and strong demand for vegetable oils for

biodiesel production, and for soybean meal for animal and poultry feed.

**Tea** prices rose 5.5 percent, led by an 11 percent gain in the Colombo prices, as Sri Lankan production has fallen 18 million kg this year from poor weather and earlier labor strike.

**Soybean oil and palm oil** (close substitutes) prices increased 5.5 percent, respectively, as unusually low production has led to stock depletion, amid strong demand exacerbated by a reduction in tariffs by a number of importers.

**Nickel** prices increased 5.1 percent, up for the second straight month following a halving of prices this year, on expectations that stainless steel production will rebound in 2008.

**Coffee arabica** prices rose 4.9 percent, as a shortage of rain in Brazil (world's dominant arabica supplier) may result in supply shortages.



<sup>1</sup> Percent change of average October prices compared to average September 2007 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 2005	Jan-Dec 2006	Jan-Oct 2007	Jul-Sep 2006	Oct-Dec 2006	Jan-Mar 2007	Apr-Jun 2007	Jul-Sep 2007	Aug 2007	Sep 2007	Oct 2007
<b>Energy</b>												
Coal, Australia	\$/mt	47.62	49.09	61.32	50.26	46.60	53.19	57.91	68.37	69.35	68.44	74.81
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	53.39	64.29	67.25	68.79	59.02	57.23	66.13	73.50	70.13	76.76	81.97
Crude oil, Brent	a/ \$/bbl	54.43	65.39	68.84	70.09	59.73	58.07	68.73	75.04	70.80	77.13	82.86
Crude oil, Dubai	a/ \$/bbl	49.29	61.43	64.79	65.87	57.33	55.58	64.71	69.97	67.21	73.25	77.14
Crude oil, West Texas Int.	a/ \$/bbl	56.44	66.04	68.13	70.42	59.99	58.03	64.96	75.48	72.38	79.91	85.90
Natural gas, Europe	\$/mmbtu	6.33	8.47	8.37	8.69	8.96	8.51	8.00	8.34	8.34	8.54	9.16
Natural gas, US	\$/mmbtu	8.92	6.72	6.95	6.04	6.66	7.23	7.50	6.17	6.20	6.10	6.80
<b>Non Energy Commodities</b>												
<b>Agriculture</b>												
<b>Beverages</b>												
Cocoa	b/ c/kg	153.8	159.2	193.5	162.3	160.6	181.3	200.0	199.9	190.5	193.4	191.1
Coffee, Arabica	b/ c/kg	253.2	252.2	267.6	240.0	265.5	267.2	255.1	271.1	271.6	282.3	296.1
Coffee, robusta	b/ c/kg	111.5	148.9	188.5	158.1	168.0	172.8	188.3	200.4	192.8	204.5	200.8
Tea, auctions (3), average	c/kg	164.7	187.2	199.2	195.6	182.2	178.0	199.9	211.0	206.9	213.3	225.1
Tea, Colombo auctions	b/ c/kg	184.3	191.0	242.6	190.9	201.1	226.4	231.1	254.7	254.6	260.8	289.5
Tea, Kolkata auctions	b/ c/kg	162.1	175.4	189.4	192.3	173.2	141.5	208.7	211.3	204.7	202.5	210.2
Tea, Mombasa auctions	b/ c/kg	147.8	195.2	165.4	203.5	172.4	166.0	159.8	167.1	161.3	176.5	175.5
<b>Food</b>												
<b>Fats and Oils</b>												
Coconut oil	b/ \$/mt	617.0	606.9	874.3	599.4	671.2	754.3	900.2	923.0	910.0	930.0	1010.0
Copra	\$/mt	413.7	402.5	577.2	400.3	443.5	498.6	599.2	607.2	595.0	613.8	657.5
Groundnut oil	b/ \$/mt	1,060	970	1,273	946	1,121	1,170	1,190	1,397	1,404	1,445	1,463
Palm oil	b/ \$/mt	422.1	478.4	746.1	492.7	545.7	608.7	762.3	822.3	821.0	835.0	881.0
Palmkernel oil	b/ \$/mt	627.0	581.1	841.2	559.0	601.7	677.7	875.7	916.8	904.0	922.5	1001.0
Soybean meal	b/ \$/mt	214.4	209.2	286.0	208.3	230.3	255.7	260.3	309.5	297.0	342.0	384.0
Soybean oil	b/ \$/mt	544.9	598.6	827.5	620.3	662.2	709.7	793.9	917.5	908.0	959.0	1012.0
Soybeans	b/ \$/mt	274.7	268.6	360.4	263.9	290.0	317.7	338.3	395.5	385.0	426.0	450.0
<b>Grains</b>												
Maize	b/ \$/mt	98.7	121.9	161.7	117.4	155.7	170.9	159.4	154.0	151.2	164.1	164.1
Rice, Thailand, 5%	b/ \$/mt	286.3	304.9	321.5	312.4	300.8	315.6	319.1	327.1	327.5	325.0	329.2
Rice, Thailand, 25%	\$/mt	265.4	277.1	300.3	284.6	276.1	292.6	297.4	306.5	306.5	306.3	313.4
Rice, Thailand, 35%	\$/mt	261.8	272.0	292.9	277.6	268.6	285.8	288.8	298.0	297.5	300.0	310.6
Rice, Thai, A1. Special	\$/mt	217.8	218.0	259.9	219.2	222.5	252.3	255.2	262.7	261.3	267.8	288.6
Sorghum	b/ \$/mt	96.2	122.9	159.5	118.0	158.6	175.2	151.4	150.7	150.3	163.3	162.9
Wheat, Canada	\$/mt	197.6	216.8	274.8	215.4	230.8	232.4	244.7	310.1	294.9	357.7	386.3
Wheat, US, HRW	b/ \$/mt	152.4	192.0	237.2	196.1	208.7	198.4	205.7	274.9	259.7	326.5	335.1
Wheat US SRW	\$/mt	135.7	159.0	220.8	153.0	193.5	173.7	187.0	268.4	253.9	325.7	320.9
<b>Other Food</b>												
Bananas EU	\$/mt	1,176	897	1,035	768	845	1,036	1,045	999	936	1,107	1,104
Bananas US	b/ \$/mt	602.8	677.2	681.1	548.5	601.8	647.2	705.0	698.6	697.2	664.9	658.7
Beef	b/ c/kg	261.7	254.7	260.0	257.4	265.0	261.2	259.9	260.3	261.0	260.7	255.5
Fishmeal	\$/mt	731	1,166	1,197	1,334	1,244	1,251	1,260	1,123	1,087	1,079	1,068
Lamb	c/kg	443.8	403.6	406.9	408.5	399.3	394.2	399.3	416.5	411.1	429.5	439.3
Oranges	b/ \$/mt	875	829	940	815	920	817	893	1,136	1,231	1,033	862
Shrimp, Mexico	b/ c/kg	1,034	1,024	998	1,047	953	988	1,003	1,003	1,003	1,003	1,003
Sugar EU domestic	b/ c/kg	66.54	64.56	67.18	63.30	64.10	65.10	66.98	68.28	67.67	69.04	70.68
Sugar US domestic	b/ c/kg	46.93	48.76	46.06	47.66	43.85	45.17	46.47	46.98	48.06	46.31	44.71
Sugar, world	b/ c/kg	21.79	32.59	22.08	30.60	25.71	23.49	20.90	21.86	21.63	21.52	22.05
<b>Raw Materials</b>												
<b>Timber</b>												
Logs, Cameroon	\$/cum	334.4	318.5	373.5	314.8	327.4	371.3	372.8	371.6	371.2	378.7	387.7
Logs, Malaysia	\$/cum	203.1	239.4	266.1	240.9	256.6	264.8	262.0	269.6	270.9	275.0	271.7
Plywood	c/sheets	508.6	595.6	642.6	638.3	637.2	629.5	639.6	653.9	651.1	660.8	656.6
Sawnwood, Cameroon	\$/cum	559.1	622.9	740.5	632.9	657.8	720.1	725.1	756.2	744.9	779.4	801.2
Sawnwood, Malaysia	\$/cum	659.4	749.3	808.1	761.9	779.1	794.4	807.4	820.9	816.7	819.6	813.0
Woodpulp	\$/mt	635.5	698.6	753.7	737.1	747.2	727.4	751.3	769.8	771.7	791.7	791.7
<b>Other Raw Materials</b>												
Cotton A Index	b/ c/kg	121.7	126.7	136.6	128.0	127.8	128.8	127.4	148.9	146.8	150.2	150.9
Cotton Memphis	c/kg	129.8	133.5	138.7	137.3	132.7	135.9	130.0	150.3	148.6	150.8	155.1
Jute	\$/mt	n.a.	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	166.1	231.3	243.2	245.5	199.4	241.6	251.6	234.2	235.7	234.8	249.8
Rubber, Singapore	b/ c/kg	150.2	210.8	224.9	219.2	176.0	223.3	233.9	213.8	213.4	218.0	235.8
Sisal	\$/mt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Wool	c/kg	580.0	557.6	565.0	555.3	565.0	565.0	565.0	565.0	565.0	565.0	n.a.

continued on next page

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

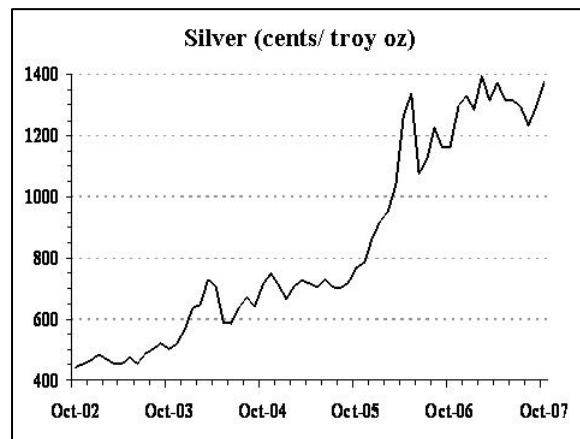
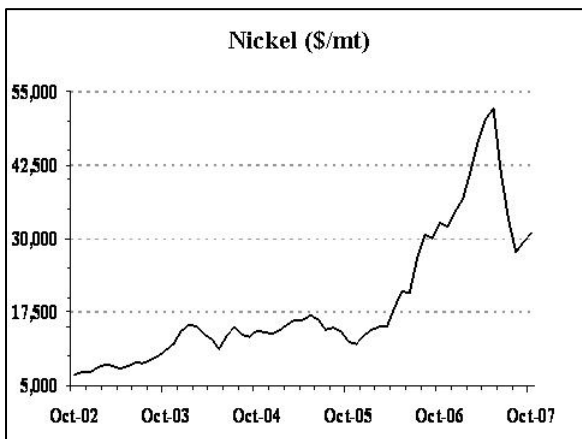
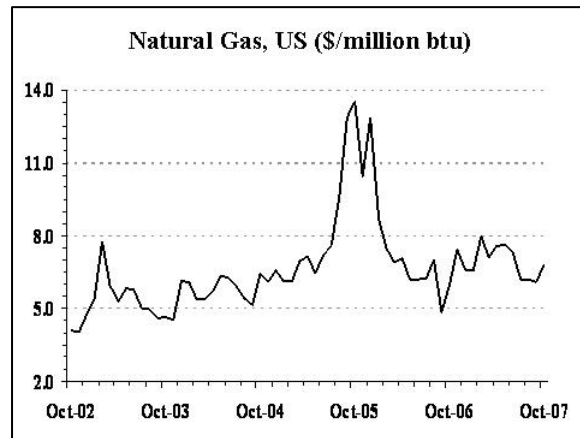
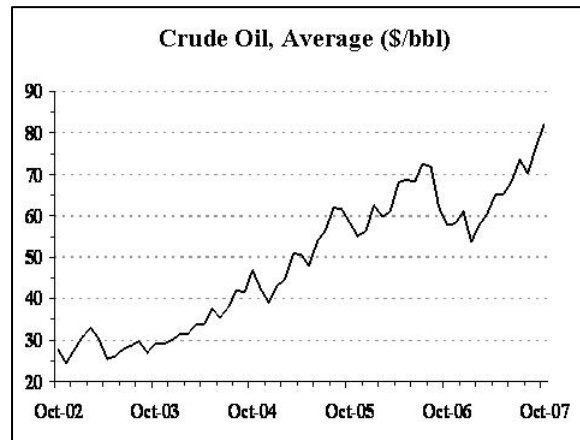
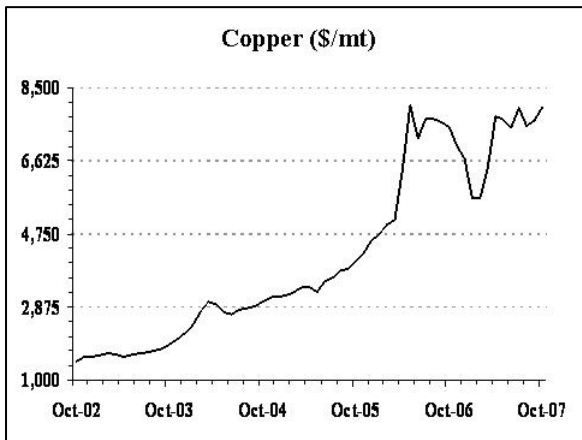
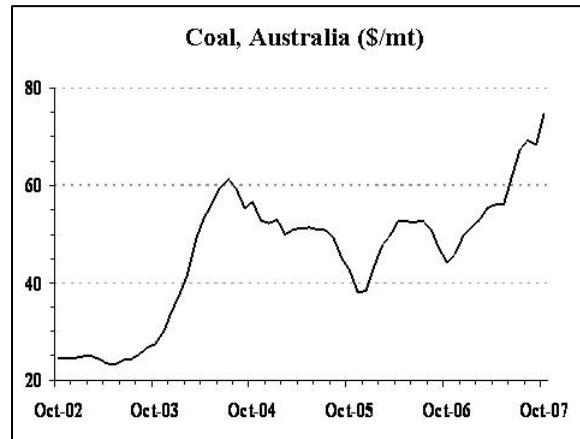
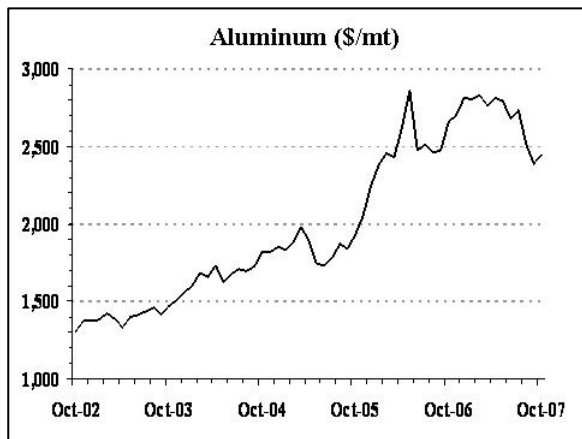
		Annual averages			Quarterly averages				Monthly averages			
		Jan-Dec	Jan-Dec	Jan-Oct	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Aug	Sep	Oct
		2005	2006	2007	2006	2006	2007	2007	2007	2007	2007	2007
<b>Fertilizers</b>												
DAP	\$/mt	247.0	260.3	407.6	260.3	254.2	344.5	431.1	432.5	429.4	431.9	451.3
Phosphate rock	b/ \$/mt	42.0	44.2	63.6	45.5	45.5	45.5	59.9	80.0	80.0	80.0	80.0
Potassium chloride	\$/mt	158.2	174.5	192.9	174.6	175.0	175.6	184.8	209.4	212.5	212.5	220.0
TSP	\$/mt	201.5	201.6	319.803	202.0	203.167	225.667	331.042	375	377.5	392.5	402.9
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	219.0	222.9	295.0	210.4	234.0	297.4	291.3	283.6	269.0	314.0	333.7
<b>Metals and Minerals</b>												
Aluminum	b/ \$/mt	1,898	2,570	2,677	2,482	2,724	2,801	2,761	2,546	2,516	2,391	2,442
Copper	b/ \$/mt	3,679	6,722	7,186	7,670	7,068	5,933	7,641	7,712	7,514	7,649	8,008
Gold	\$/toz	444.8	604.3	675.1	621.5	614.5	650.3	667.4	681.1	665.4	712.7	754.6
Iron ore CVRD So & No	b/ c/dmtu	65.00	77.35	84.70	77.35	77.35	84.70	84.70	84.70	84.70	84.70	84.70
Lead	b/ c/kg	97.6	129.0	250.4	119.0	162.7	178.7	217.6	314.3	311.9	322.7	372.0
Nickel	b/ \$/mt	14,744	24,254	39,016	29,154	33,129	41,440	48,055	30,205	27,652	29,538	31,055
Silver	c/toz	734	1,157	1,320	1,169	1,263	1,332	1,336	1,273	1,233	1,293	1,372
Steel products (8) index	a/ 1990=100	137.9	134.5	133.7	135.8	132.1	132.0	133.4	133.6	132.6	135.3	139.8
Steel cr coilsheet	\$/mt	733.3	693.8	650.0	700.0	658.3	650.0	650.0	650.0	650.0	650.0	650.0
Steel hr coilsheet	\$/mt	633.3	600.0	550.0	600.0	558.3	550.0	550.0	550.0	550.0	550.0	550.0
Steel, rebar	\$/mt	423.1	443.8	513.3	450.0	450.0	484.2	540.8	504.2	475.0	545.0	545.0
Steel wire rod	\$/mt	579.2	581.3	529.0	600.0	550.0	500.0	530.0	550.0	550.0	550.0	550.0
Tin	c/kg	738.0	878.1	1414.9	865.3	1033.5	1272.9	1409.8	1497.8	1517.4	1502.3	1607.1
Zinc	b/ c/kg	138.1	327.5	340.1	336.3	420.4	345.6	366.4	322.7	325.3	288.1	297.5
<b>World Bank commodity price indices for low and middle income countries( 1990 =100)</b>												
Energy		233.4	281.0	294.0	300.7	257.9	250.1	289.1	321.2	306.5	335.5	358.3
Non Energy Commodities		121.9	151.8	174.0	155.6	158.2	163.6	176.9	177.8	175.3	179.1	184.9
Agriculture		113.0	126.6	142.4	126.3	127.8	135.6	140.4	147.1	145.4	150.6	155.1
Beverages		116.9	122.5	137.3	121.1	127.8	132.2	135.2	141.3	138.7	143.6	147.3
Food		109.9	120.6	140.9	118.0	124.5	129.9	136.5	149.5	147.6	155.4	161.0
Fats and Oils		122.9	126.4	180.3	127.1	140.4	155.3	174.3	196.7	192.8	207.8	224.4
Grains		103.2	120.9	143.7	121.7	133.1	137.5	135.8	150.3	146.5	163.7	166.1
Other Food		103.1	115.7	107.0	108.5	106.6	104.9	105.9	110.4	111.2	107.8	106.1
Raw Materials		114.1	137.4	148.2	140.8	132.0	145.3	149.2	148.2	147.5	149.4	153.4
Timber		122.5	139.9	151.4	142.0	146.0	149.1	151.0	153.8	153.2	153.9	152.6
Other Raw Materials		108.3	135.7	145.9	139.9	122.5	142.7	148.0	144.4	143.6	146.4	153.9
Fertilizers		134.9	136.8	211.3	137.8	138.8	149.6	213.3	252.6	253.8	261.1	266.1
Metals and Minerals		142.5	215.0	247.9	229.5	234.7	233.9	263.0	246.1	241.1	241.3	250.3

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

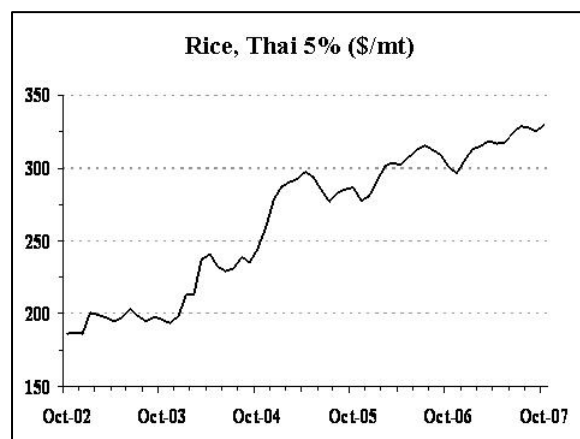
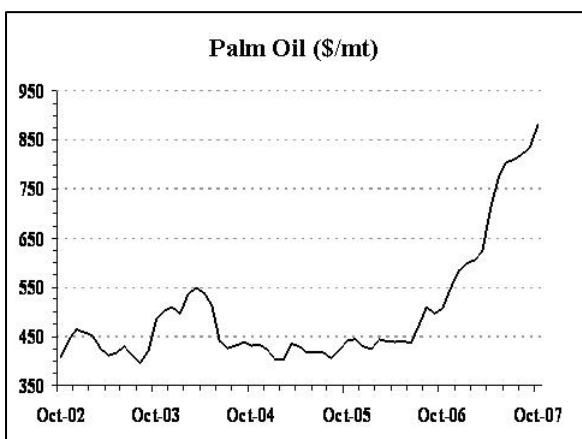
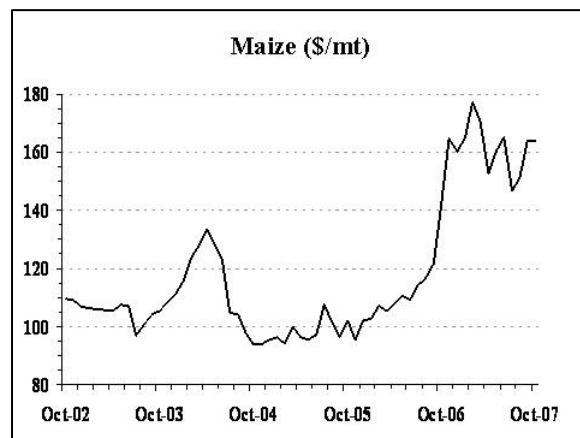
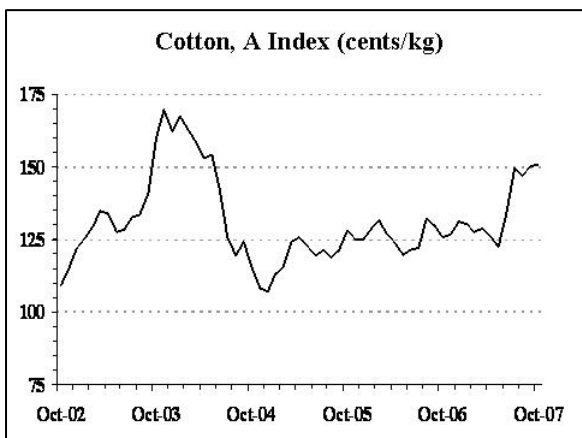
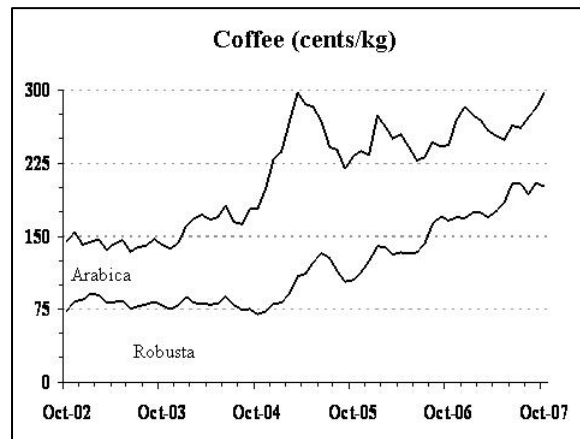
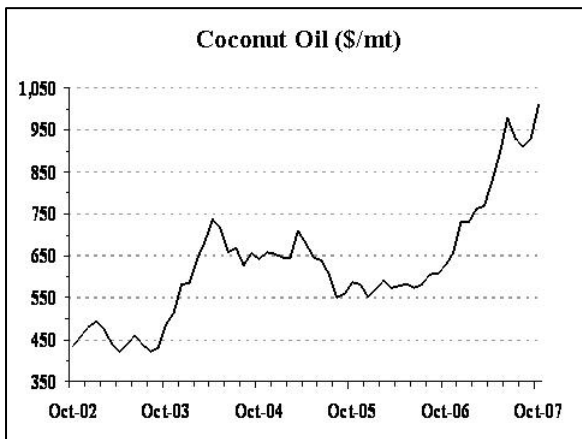
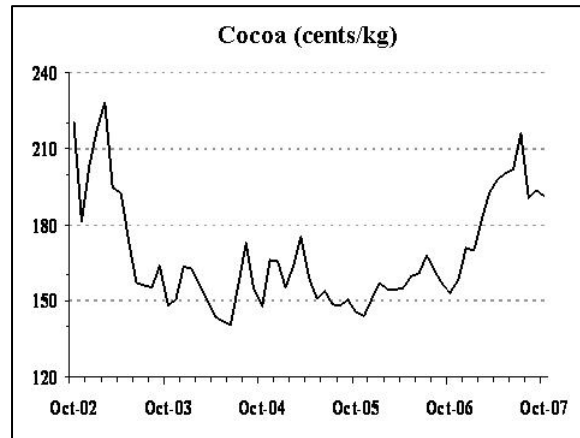
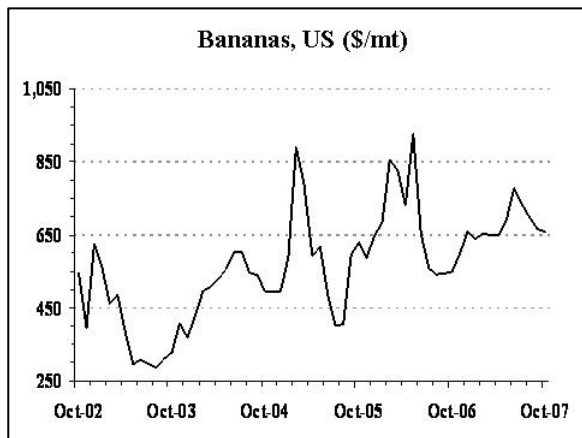
b. Not included in index/

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

## Selected Commodity Prices, Nominal US dollars, 2001-2007



## Selected Commodity Prices, Nominal US dollars, 2001-2007 cont'd



## Selected Commodity Prices, Nominal US dollars, 2001-2007 cont'd

