

# Commodity Markets Review

March 12, 2002

EPPG, The World Bank

**Commodity prices continued their rise of the last several months**, with monthly crude oil prices up 4.3 percent and the index of non-oil commodity prices up 1.2 percent in February vs. January. Non-oil prices have increased nearly 7 percent since the lows in October, and oil prices have increased nearly 8 percent since their December lows.

The increase in the non-oil commodity price index is the largest during a four month period since 1997. Most of the increases appear to be based on higher expected demand or supply changes rather than actual demand increases. Speculative buying has picked up.

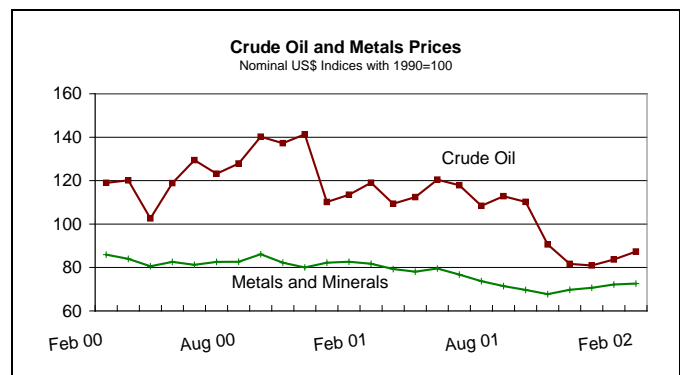
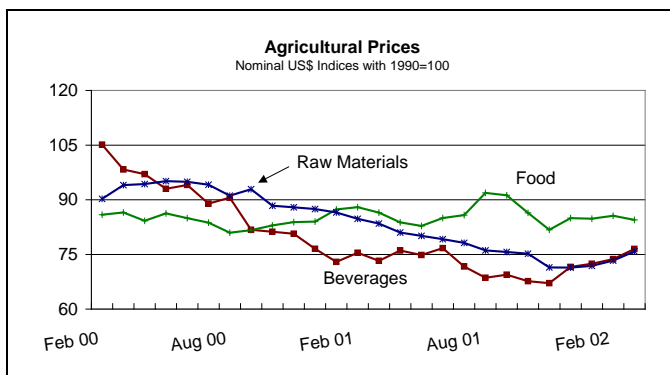
**Agricultural prices were up 1.3 percent in February**, the fourth consecutive monthly increase following the October lows. Beverage and raw materials prices were up 3.8 and 3.4 percent, respectively, while food prices were down 1.3 percent. Most of the increases were related to supply factors but the improving U.S. economic outlook also contributed to higher demand expectations.

**There are strong signs that a new El Niño is beginning** according to Scientists at the U.S. National Oceanic and Atmospheric Administration. The last El Niño in 1997-98 led to severe flooding in Africa and Asia, wildfires in Indonesia, and generally bizarre weather

patterns. It is difficult to predict how a new El Niño will affect crop production or prices, but it does increase the potential for supply disruptions and price volatility.

**Crude oil prices averaged nearly \$20/bbl in February**, and have since moved up over \$23/bbl in early March. The sharp increase has been mainly driven by expectations of military action in Iraq. Despite weak oil market fundamentals, there are also expectations that continued production restraint by oil producers and a recovery in oil demand will lead to higher prices during the year. OPEC meets March 15th and is trying to get Russia to extend its reduction in oil exports for the second quarter.

**Metals and minerals prices were up 0.6 percent in February**, the fourth consecutive monthly gain since October, for a total increase of 7.2 percent. Prices have continued to rally in March on positive economic news and expectations that economic recovery will lead to higher demand for metals. However, there has yet to be any significant increase in physical demand for primary metals. Inventories remain high and have continued to increase into March for most metals, suggesting that recent price increases may not be sustainable.



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 February<sup>1</sup>

**Coal** prices in the U.S. plunged 17.7 percent due to very weak demand from electric utilities following extremely mild winter weather. The recession, low natural gas prices, and ample generation of all fuels contributed to the declines.

**Sugar** prices fell 16.1 percent on reports of a massive Brazilian 2002/03 crop—as much as 25 percent above the current crop. This will cause us to lower our price forecast for sugar prices in 2002 and 2003.

**Soybean meal and oil** prices fell 7 and 8 percent, respectively, in what we view as unsustainable weakness. Demand is expected to increase due to a shortage of other oilseeds and the upturn in the global economy.

**Lead** prices fell 6.5 percent due to weak demand for new and replacement batteries which account for 65 percent of lead consumption.

**Gold** prices rose 5.0 percent to \$295.5/toz, continuing a rally that began in January. However, the price has failed to penetrate \$300/toz on a sustained basis, and the upward momentum appears to be fading.

**Triple Super Phosphate (TSP)** prices rose 5.3 percent due to gradually increasing demand and limited supplies.

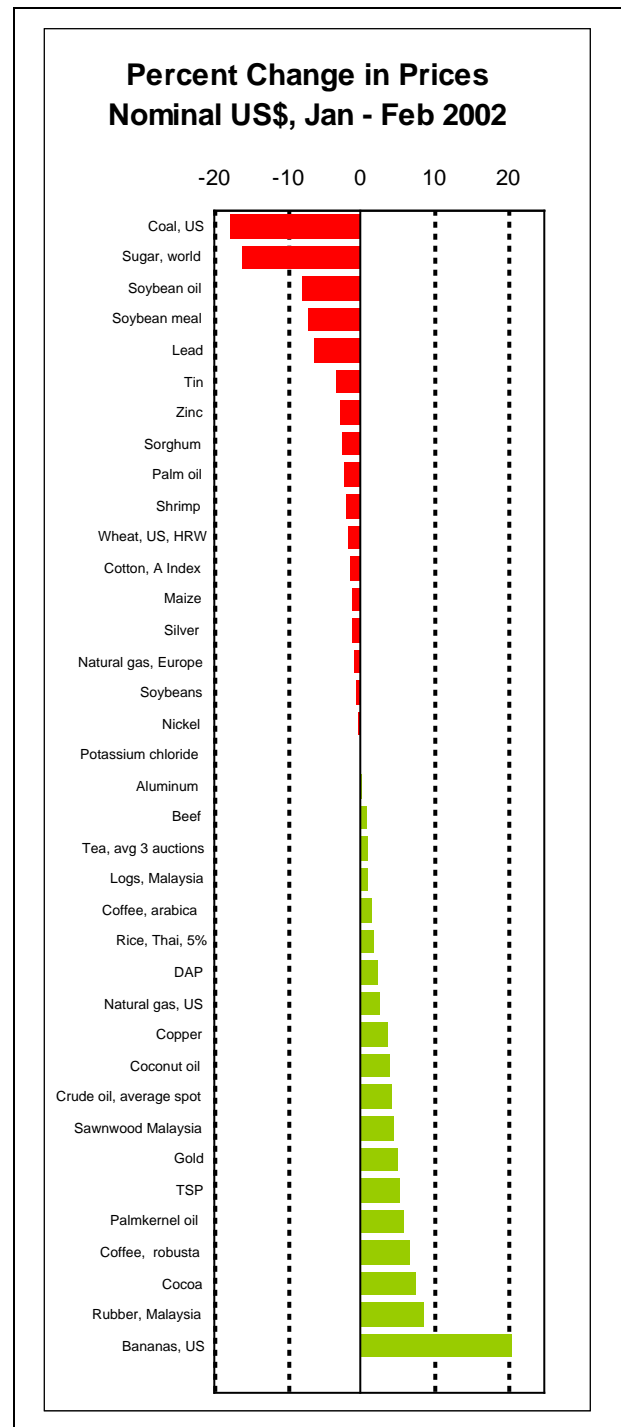
**Palmkernel oil** prices rose 6 percent while palm oil prices fell 2.4 percent in what is viewed as short-term market adjustments. However, a drought in Malaysia, the major palm oil producer, will likely send future prices higher.

**Robusta coffee** prices rose 6.8 percent in a rally fueled by speculative buying from extreme lows. Large supplies should limit the price increases.

**Cocoa** prices increased 7.6 percent on continuing concerns over the quality and quantity of production in Côte d'Ivoire.

**Rubber** prices rose 8.6 percent due to poor weather conditions in major producer Thailand which limited tapping.

**Banana** prices in the U.S. rose 20.5 percent due to lower production in main suppliers, Colombia and Ecuador.



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

## U.S. Imposes Tariffs on Steel Imports

Free trade had a set back last week as the U.S. imposed quotas and tariffs of up to 30 percent for three years on some imported steel products under the “safeguard” provision of global trade rules. The provision allows governments to provide temporary protection to industries that are overwhelmed by surges of imports.

The decision by the U.S. to impose tariffs and quotas reflects the ailing state of the U.S. steel industry and the surplus global capacity which has sent prices tumbling since before the Asia crisis in 1997 (chart). Twenty-five U.S. steel firms have reportedly declared bankruptcy since 1998, partly due to outdated and inefficient plants and a legacy of large pension and health insurance obligations.

Major steel producers met in Paris in December to try to agree to cuts in capacity in order to lift prices and avoid the U.S. trade restrictions which were just imposed. The meetings, held under the auspices of the Organization for Economic Cooperation and Development, were unable to reach an agreement to cut capacity enough to avoid the U.S. sanctions. The meeting was reportedly championed by U.S. treasury secretary, Paul O’Neill, who as a former head of aluminum producer, Alcoa, helped negotiate an international agreement to reduce aluminum capacity in the 1990s.

The European Union lodged a complaint with the WTO two days after the U.S. action

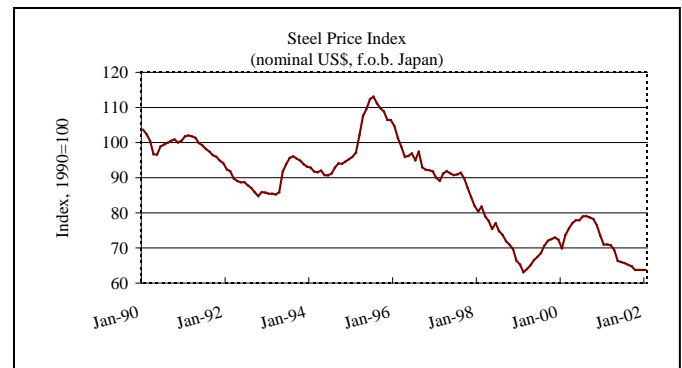
and Russia suspended poultry imports from the U.S. in what is seen as a retaliatory move. A concern is that the U.S. move may trigger additional retaliatory tariffs and touch off a round of potentially explosive trade wars. The action also undermines efforts to encourage developing countries to commit to free trade, and makes it harder for the U.S. to gain access to European agricultural markets according to C. Fred Bergsten of the Institute for International Economics (IIE). The tariffs will cost U.S. consumers \$8 billion according to IIE economists estimates.

Not all countries and steel products are affected by the tariffs, and most developing countries are excluded. Canada and Mexico are excluded because of NAFTA. However, a number of developing countries would face the new tariffs on certain products, including: Brazil, China, India, Moldova, Republic of Korea, Romania, Russia, Thailand, Turkey, and Venezuela.

The brunt of the impact will fall on industrial countries such as Australia, the E.U., Japan. The E.U., which supplies nearly 30 percent of U.S. steel imports, is expected to be hardest hit by the U.S. action. The primary impact of the U.S. action on developing countries will come through lower steel prices. Steel which is diverted from U.S. markets will find other markets and global steel prices are expected to decline in response to the tariffs. And, in an example of how the U.S. action can ripple through the world, the E.U. begins meetings this week to discussion its own safeguard action against a surge in steel imports from steel previously exported to the U.S.

U.S. Steel Imports in 2000 (billion \$s)			
Developed		Developing	
Australia	0.19	Argentina	0.16
Canada	2.55	Brazil	0.86
E.U.	4.05	China	0.45
Japan	1.23	India	0.38
Taiwán	0.60	Korea, Rep	0.98
		Mexico	1.14
		Russia	0.38
		S. Africa	0.24
		Venezuela	0.13
		Ukraine	0.30

Source: OECD



## COMMODITY PRICE DATA

Commodity	Unit	----- Annual averages -----			----- Quarterly averages -----					----- Monthly averages -----		
		Jan-Dec 2000	Jan-Dec 2001	Jan-Feb 2002	Oct-Dec 2000	Jan-Mar 2001	Apr-Jun 2001	Jul-Sep 2001	Oct-Dec 2001	Dec 2001	Jan 2002	Feb 2002
<b>Energy</b>												
Coal, Australia	\$/mt	26.25	32.31	29.48	28.35	32.27	33.73	33.53	29.72	27.35	29.10	29.85
Coal, US	\$/mt	33.06	44.86	42.01	33.25	36.80	46.88	49.45	46.30	45.93	46.08	37.93
Crude oil, average spot	a/ \$/bbl	28.23	24.35	19.56	29.64	26.07	26.75	25.28	19.31	18.52	19.15	19.98
Crude oil, Brent	a/ \$/bbl	28.27	24.42	19.89	29.53	25.82	27.27	25.26	19.34	18.60	19.49	20.29
Crude oil, Dubai	a/ \$/bbl	26.08	22.71	18.60	27.47	23.62	25.09	23.90	18.24	17.64	18.29	18.91
Crude oil, West Texas Int.	a/ \$/bbl	30.33	25.92	20.20	31.94	28.79	27.86	26.67	20.36	19.31	19.69	20.72
Natural gas, Europe	\$/mmbtu	3.86	4.06	3.04	4.38	4.60	4.39	3.78	3.46	3.40	3.06	3.03
Natural gas, US	\$/mmbtu	4.31	3.96	2.28	6.51	6.32	4.36	2.73	2.41	2.41	2.25	2.31
<b>Non-Energy Commodities</b>												
<b>Agriculture</b>												
<b>Beverages</b>												
Cocoa	b/ ¢/kg	90.6	106.9	143.8	88.3	100.4	104.5	100.8	121.8	133.7	138.6	149.1
Coffee, arabica	b/ ¢/kg	192.0	137.3	129.4	157.5	146.7	146.4	129.7	126.4	125.1	128.4	130.3
Coffee, robusta	b/ ¢/kg	91.3	60.7	52.0	73.0	69.5	64.1	57.0	52.4	53.7	50.3	53.7
Tea, average 3 auctions	b/ ¢/kg	187.6	159.8	147.1	183.6	170.9	160.0	159.8	148.6	150.9	146.4	147.7
Tea, Calcutta auctions	b/ ¢/kg	180.6	166.1	125.2	165.6	157.3	183.1	181.5	142.6	149.0	129.0	121.4
Tea, Colombo auctions	b/ ¢/kg	179.3	161.7	167.7	188.6	179.8	152.9	151.2	162.8	160.9	165.6	169.8
Tea, Mombasa auctions	b/ ¢/kg	202.9	151.7	148.3	196.5	175.6	144.1	146.6	140.4	142.8	144.7	152.0
<b>Food</b>												
<b>Fats and Oils</b>												
Coconut oil	b/ \$/mt	450.3	318.1	369.0	345.3	297.7	301.7	347.7	325.3	339.0	362.0	376.0
Copra	\$/mt	304.8	202.1	226.5	225.0	193.3	189.3	222.7	203.0	212.0	221.0	232.0
Groundnut oil	b/ \$/mt	713.7	680.3	665.0	685.0	690.3	697.7	665.7	667.3	668.0	665.0	665.0
Palm oil	b/ \$/mt	310.3	285.7	334.0	259.0	249.3	246.7	334.0	312.7	338.0	338.0	330.0
Palmkernel oil	\$/mt	443.5	308.1	349.0	329.7	283.7	295.0	343.7	310.0	319.0	339.0	359.0
Soybean meal	b/ \$/mt	189.2	181.0	175.5	206.7	189.0	171.7	184.3	179.0	173.0	182.0	169.0
Soybean oil	b/ \$/mt	338.1	354.0	373.5	316.7	312.3	310.3	404.3	389.0	403.0	389.0	358.0
Soybeans	b/ \$/mt	211.8	195.8	187.5	208.7	201.7	186.0	207.3	188.3	189.0	188.0	187.0
<b>Grains</b>												
Maize	b/ \$/mt	88.5	89.6	91.4	90.6	92.5	85.1	91.7	89.3	91.9	92.0	90.8
Rice, Thai, 5%	b/ \$/mt	202.4	172.8	193.5	185.6	181.3	165.4	170.2	174.5	179.3	191.8	195.3
Rice, Thai, 25%	\$/mt	172.8	153.1	172.9	159.8	153.6	143.1	155.5	160.2	163.0	173.5	172.3
Rice, Thai, 35%	\$/mt	167.2	149.1	168.9	154.5	148.8	139.1	151.5	157.0	160.0	169.5	168.3
Rice, Thai, A1.Special	\$/mt	143.5	134.1	143.1	131.3	131.3	124.4	142.1	138.5	134.3	142.5	143.7
Sorghum	b/ \$/mt	88.0	95.2	94.2	95.5	98.1	92.9	94.7	95.2	95.9	95.4	92.9
Wheat, Canada	\$/mt	147.1	151.5	148.8	152.5	156.9	152.4	148.0	148.5	150.8	150.0	147.7
Wheat, US, HRW	b/ \$/mt	114.1	126.8	124.3	128.0	130.4	130.6	122.6	123.7	122.4	125.3	123.3
Wheat, US, SRW	\$/mt	98.9	107.7	117.5	104.2	106.9	100.4	107.2	116.5	118.2	121.7	113.4
<b>Other Food</b>												
Bananas, EU	\$/mt	712.4	777.2	811.8	628.2	910.2	834.9	686.0	677.8	696.1	754.4	869.1
Bananas, US	b/ \$/mt	424.0	583.3	472.6	399.4	587.6	599.2	650.9	495.4	506.4	428.5	516.7
Beef	b/ ¢/kg	193.2	212.9	223.3	190.1	196.0	203.0	226.1	226.7	222.3	222.6	224.0
Fishmeal	\$/mt	413.0	486.7	587.5	430.0	462.3	443.7	499.0	541.7	573.0	585.0	590.0
Lamb	¢/kg	261.9	291.2	311.4	260.6	285.8	291.3	283.9	303.7	307.7	311.8	311.0
Oranges	b/ \$/mt	363.2	609.2	628.6	351.0	437.0	729.4	768.9	501.4	486.9	609.6	647.6
Shrimp	¢/kg	1,513	1,517	1,170	1,540	1,627	1,653	1,559	1,230	1,165	1,182	1,157
Sugar, EU, domestic	b/ ¢/kg	55.52	52.86	52.20	52.89	53.00	53.12	52.57	52.77	52.62	52.40	52.01
Sugar, US, domestic	b/ ¢/kg	42.76	47.04	46.39	47.56	47.44	46.96	46.78	46.97	47.24	46.74	46.04
Sugar, world	b/ ¢/kg	18.04	19.04	15.75	22.56	21.65	20.15	17.96	16.40	17.27	17.13	14.37
<b>Raw Materials</b>												
<b>Timber</b>												
Logs, Cameroon	\$/cum	275.4	266.1	n.a.	258.4	273.8	259.5	264.7	266.2	265.2	n.a.	n.a.
Logs, Malaysia	b/ \$/cum	190.0	159.1	133.9	185.9	170.5	164.1	158.2	143.4	138.1	133.3	134.6
Plywood	¢/sheet	448.2	409.8	368.2	446.2	429.2	410.4	402.6	397.0	386.3	369.4	367.0
Sawnwood, Cameroon	\$/cum	489.1	471.9	447.4	472.7	493.9	459.1	475.2	459.6	455.6	451.0	443.7
Sawnwood, Malaysia	b/ \$/cum	594.7	481.4	479.0	522.1	498.8	486.0	476.7	463.9	468.5	468.5	489.5
Woodpulp	\$/mt	664.3	517.3	440.0	692.7	648.3	544.1	432.9	444.0	448.9	440.0	440.0

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		Jan-Dec 2000	Jan-Dec 2001	Jan-Feb 2002	Oct-Dec 2000	Jan-Mar 2001	Apr-Jun 2001	Jul-Sep 2001	Oct-Dec 2001	Dec 2001	Jan 2002	Feb 2002
<b>Other Raw Materials</b>												
Cotton, "A Index"	b/ ¢/kg	130.2	105.8	95.0	140.2	131.7	109.2	95.6	86.8	94.5	95.7	94.4
Cotton, Memphis	¢/kg	146.2	116.6	98.2	151.0	146.7	117.5	108.5	93.6	97.4	98.1	98.4
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/ ¢/kg	69.1	60.0	60.5	66.7	62.8	62.8	59.5	54.9	52.6	58.0	63.0
Rubber, US	¢/kg	83.2	74.7	73.6	82.0	78.2	76.7	75.2	68.7	66.9	71.2	76.0
Rubber, Singapore	¢/kg	66.7	57.5	59.6	63.8	59.5	60.2	59.0	51.3	48.8	56.7	62.4
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	¢/kg	437.0	418.7	437.5	448.3	449.7	430.7	407.0	387.3	395.0	402.0	473.0
<b>Fertilizers</b>												
DAP	\$/mt	154.2	147.7	154.6	158.3	163.1	143.0	139.1	145.8	149.8	152.8	156.4
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	134.5	133.1	129.0	125.7	124.4	128.5	131.0	131.0	138.0
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	100.8	103.5	106.7	84.4	90.3	99.9	106.8	106.0	95.6
<b>Metals and Minerals</b>												
Aluminum	b/ \$/mt	1,549	1,444	1,369	1,513	1,576	1,501	1,379	1,318	1,345	1,369	1,369
Copper	b/ \$/mt	1,813	1,578	1,533	1,848	1,764	1,652	1,472	1,426	1,472	1,504	1,562
Gold	\$/toz	279.0	271.0	288.5	269.2	263.5	267.7	274.5	278.4	275.9	281.5	295.5
Iron ore	¢/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	49.7	47.2	49.3	46.3	47.0	47.9	48.3	51.3	48.0
Nickel	b/ \$/mt	8,638	5,945	6,036	7,444	6,551	6,677	5,495	5,056	5,264	6,043	6,029
Silver	¢/toz	499.9	438.6	447.5	475.5	455.8	439.9	428.5	430.3	436.7	450.2	444.8
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	379.6	526.2	511.3	490.8	398.0	393.7	401.9	386.2	373.1
Zinc	b/ ¢/kg	112.8	88.6	78.2	107.2	102.0	93.4	82.6	76.3	75.5	79.3	77.1
<b>World Bank commodity price indexes for low and middle income countries( 1990 =100 )</b>												
Petroleum		123.4	106.4	85.5	129.6	114.0	116.9	110.5	84.4	81.0	83.7	87.3
Non-Energy Commodities		86.9	79.0	77.9	83.6	82.5	80.2	78.1	75.1	76.2	77.4	78.3
Agriculture		87.7	79.8	79.2	83.7	82.4	80.3	80.0	76.5	77.6	78.7	79.7
Beverages		88.4	72.1	75.1	76.7	74.9	74.4	68.6	70.4	72.5	73.7	76.5
Food		84.5	86.1	85.1	85.1	86.1	84.5	89.9	83.8	84.8	85.6	84.5
Fats and Oils		96.2	89.0	92.3	93.0	87.1	82.2	95.9	90.9	92.2	94.1	90.5
Grains		79.5	78.2	81.2	80.6	81.0	76.7	77.3	77.7	78.8	81.3	81.1
Other Food		77.7	88.1	81.3	81.1	88.0	90.8	92.0	81.5	82.1	81.1	81.5
Raw Materials		91.4	77.4	74.6	87.1	83.1	79.2	75.7	71.6	72.0	73.3	75.8
Timber		111.0	90.2	88.0	98.9	93.9	91.4	89.4	86.2	86.6	86.2	89.8
Other Raw Materials		78.0	68.6	65.4	79.1	75.7	70.8	66.3	61.6	62.0	64.5	66.3
Fertilizers		105.8	98.8	101.7	102.9	100.9	98.5	96.9	98.8	100.1	100.1	103.4
Metals and Minerals		83.0	75.1	72.4	81.5	81.2	78.1	71.6	69.4	70.7	72.2	72.6

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

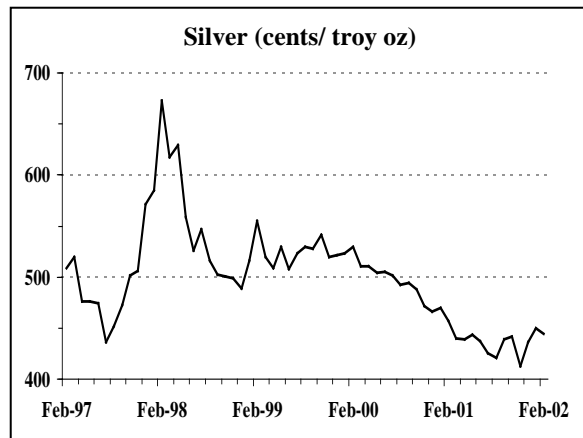
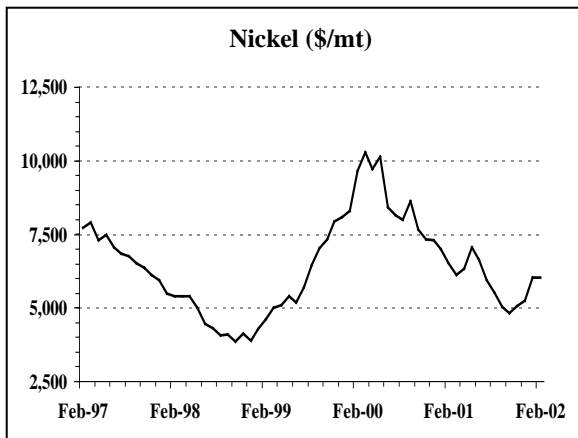
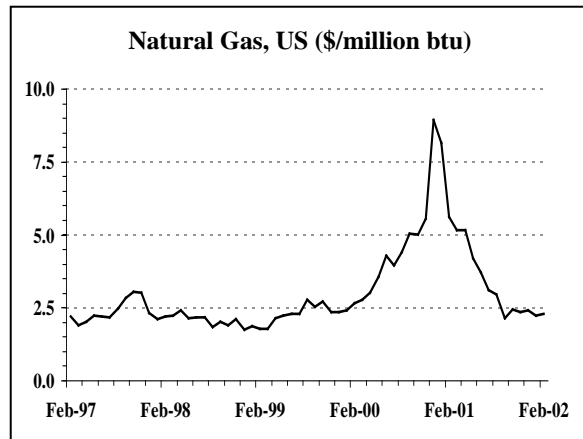
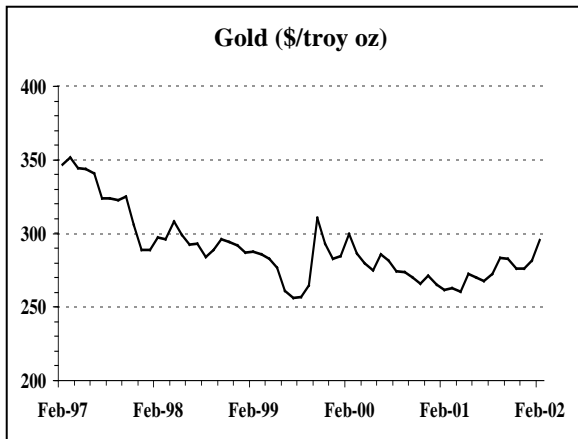
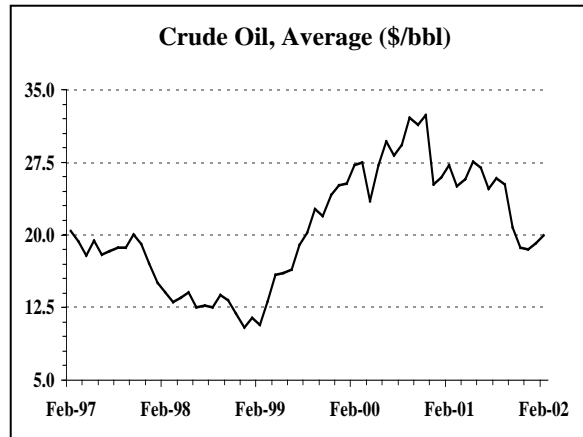
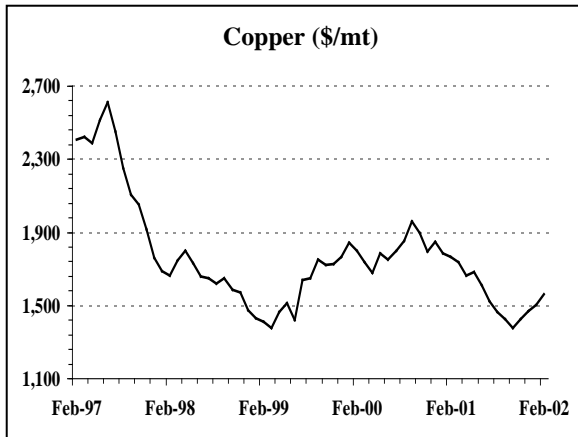
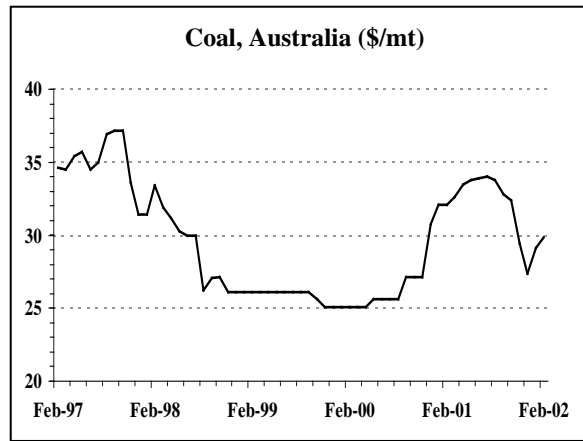
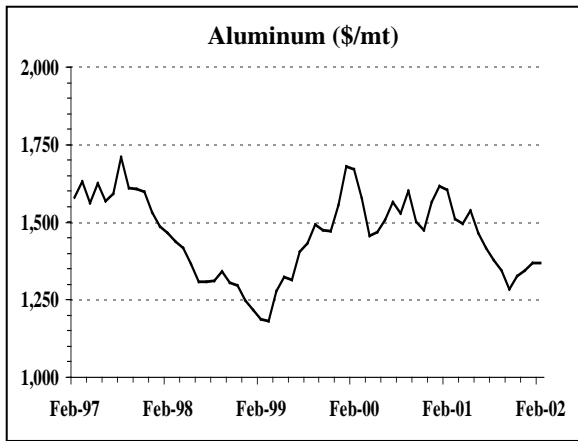
kg = kilogram

mmbtu = million British thermal units

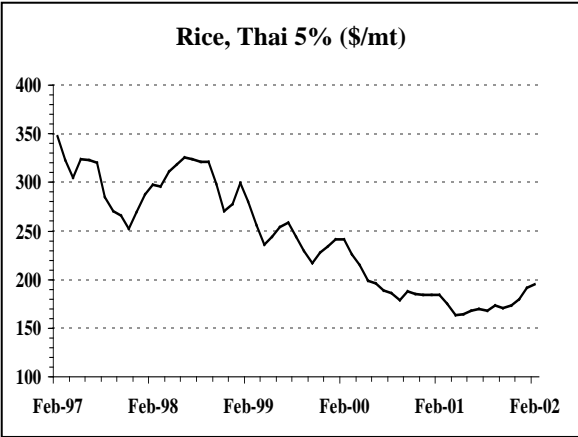
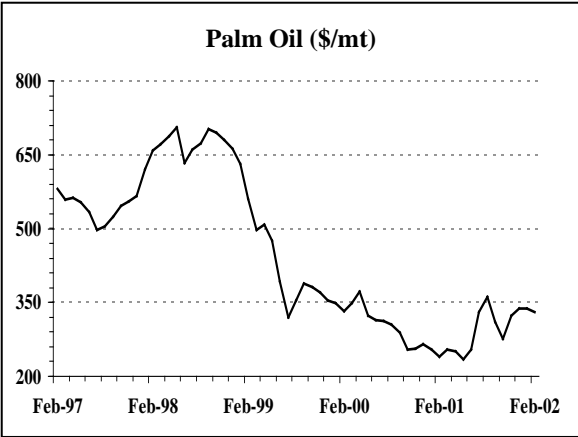
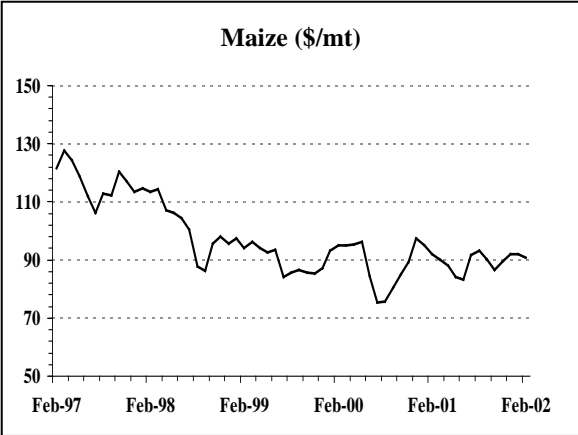
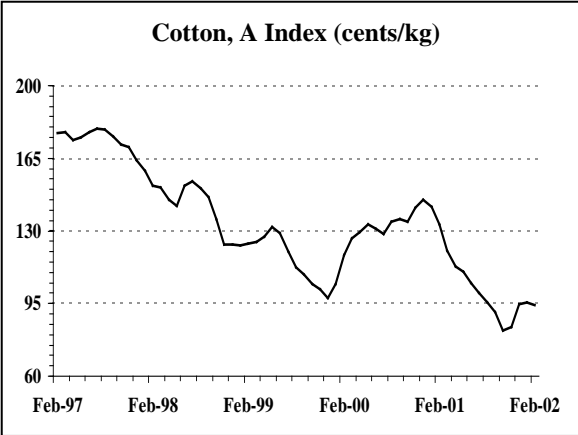
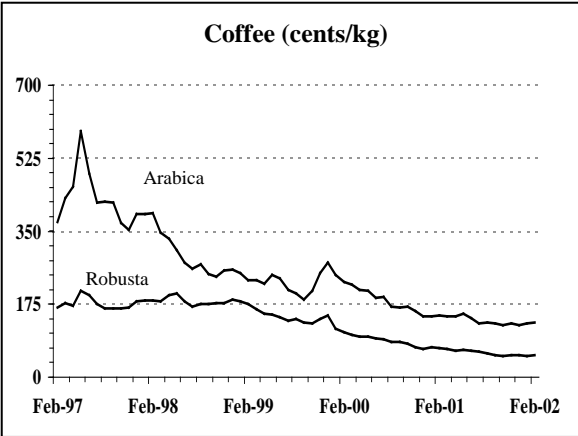
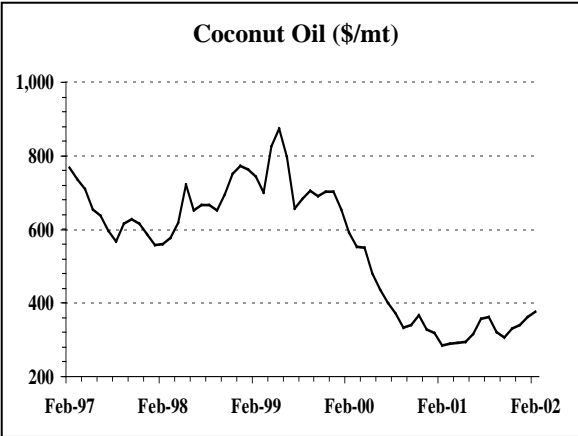
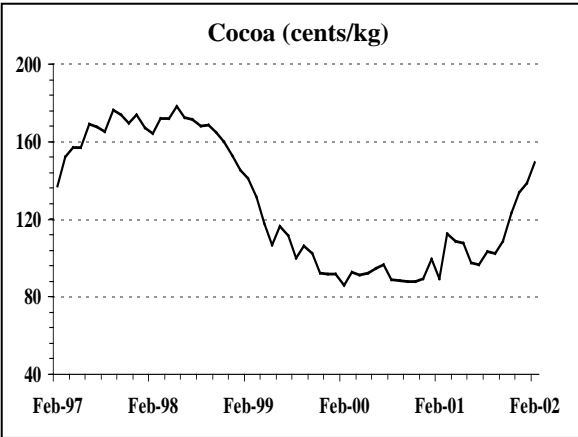
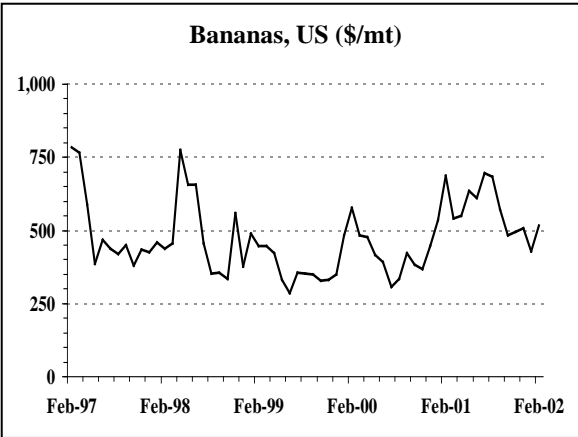
mt = metric ton toz = troy oz

n.a. = not available n.q. = not quotation

# Selected Commodity Prices, 1997-2002



**Selected Commodity Prices, 1997-2002 cont'd**



**Selected Commodity Prices, 1997-2002 cont'd**

