

# Commodity Markets Review

September 10, 2003

DECPG, The World Bank

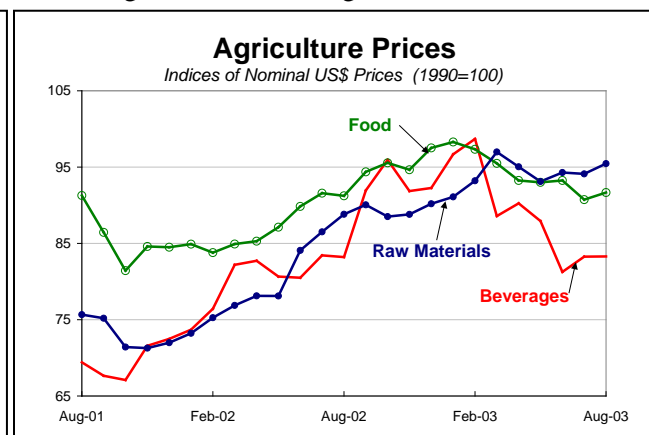
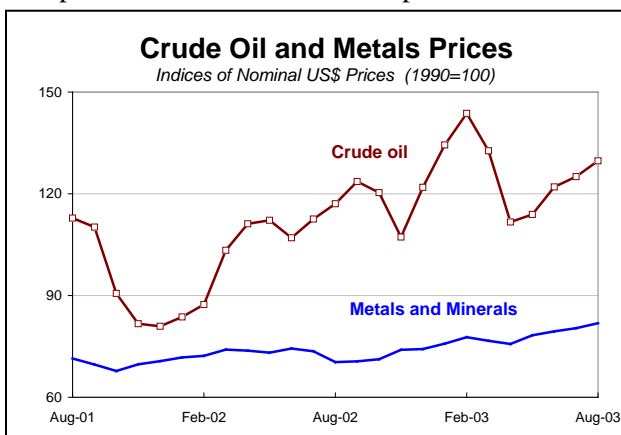
**Non-oil commodity prices rose 1.1 percent in August**, for the first overall increase in six months. Agriculture prices, which had been declining since February, rebounded mainly due to drought conditions in Europe and the U.S. There were also further increases in both non-food agriculture prices, because of reduced supplies, and metals prices because of expectations of continued economic recovery and higher demand.

**Crude oil prices rose 3.7 percent in August** to average \$29.7/bbl, amid very low stocks and concerns about possible disruptions to supply, e.g., gasoline production in the U.S. and crude exports from Nigeria. Crude prices have been rising steadily since April because of problems in resuming Iraq oil exports, and reductions in production from other OPEC producers, mainly Saudi Arabia, which lowered output by more than 1.0 mb/d.

**Iraq's oil production** averaged 1.0 mb/d in August, and is expected to rise to 1.2 mb/d in September--still less than half of pre-war levels. Net production in the north is limited to about 0.3 mb/d, because of a number of attacks on the Kirkuk-Ceyhan pipeline. Output and exports in the south were constrained by power outages in August, but output has recently risen and 0.8 mb/d is being targeted for export in September—but risks of interruption remain.

**Agricultural prices rose 0.9 percent in August**, led by a 5.3 percent increase in grains prices following the record heat wave in Europe and drought in parts of the U.S. Wheat prices in the U.S. rose 13 percent as higher export demand reduced stock levels, and dry weather led to increases in sorghum prices of 16 percent and maize prices of 4 percent. Other food prices were relatively weak, with the exception of beef which rose 8.4 percent due to tight supplies from earlier drought in Australia and reduced exports from Canada because of BSE. The only other strength was in raw materials prices, which rose 1.4 percent, largely on a 3.3 percent rise in rubber prices. Fats and oils prices fell 0.6 percent on higher production in Asia.

**Metals and minerals prices rose 1.8 percent in August**, continuing a rally over the past year where metals prices have risen 16 percent—the largest among all main commodity groups. The rally has been fueled by expectations of higher demand, but recent leading economic indicators suggest the economic recovery is now underway. The largest price increase in August was in nickel, up 6.3 percent, due to a three-month strike at Inco in Canada, although the walkout ended in late-August. Copper prices increased 2.9 percent, and are up 19 percent over the past year, benefiting from earlier supply cuts, falling stocks, and strong demand in China.



Prepared by a team from the Prospects Group of Development Economics (DECPG) consisting of Donald Mitchell, Shane Streifel, John Baffes and Betty Dow. Katherine Rollins is the task assistant. This report is available on the World Bank's intranet at <http://decpg.worldbank.org>.

## Major Movers in August<sup>1</sup>

**Sorghum** prices surged 16.0 percent in August as drought in Europe and dry weather in the U.S. are expected to result in lower supplies.

**Wheat** prices increased 13.0 percent following record heat and drought in Europe which is expected to drop EU production by 10 percent.

**Beef** prices rose 8.4 percent due to tight supplies following earlier drought in Australia, and reduced exports from Canada because of a case of bovine spongiform encephalopathy (BSE).

**Nickel** prices rose 6.3 percent due to declining stocks and the strike at Inco's operations in Canada. In late August, however, an agreement was reached to end the three-month walkout.

**Groundnut** oil prices increased 5.1 percent due to reduced exports from Senegal to Europe. Lower oil meal demand in the U.S. and Europe also reduced crushing volumes and oil supply.

**Urea prices** rose 4.9 percent due to higher demand in Europe and Latin America, and a number of supply constraints.

**Maize** prices rose 4.0 percent as dry weather in the U.S. mid-west led the government to lower its estimate of crop condition.

**Coal** prices gained 3.8 percent due to strong electricity demand in Europe because of hot weather, and supply curtailments in Australia and South Africa as depreciation of their currencies has impacted producer profitability.

**Bananas** (U.S.) prices reached a nineteen-year low of \$286/mt, because of abundant supplies from Ecuador, Costa Rica, and Colombia.

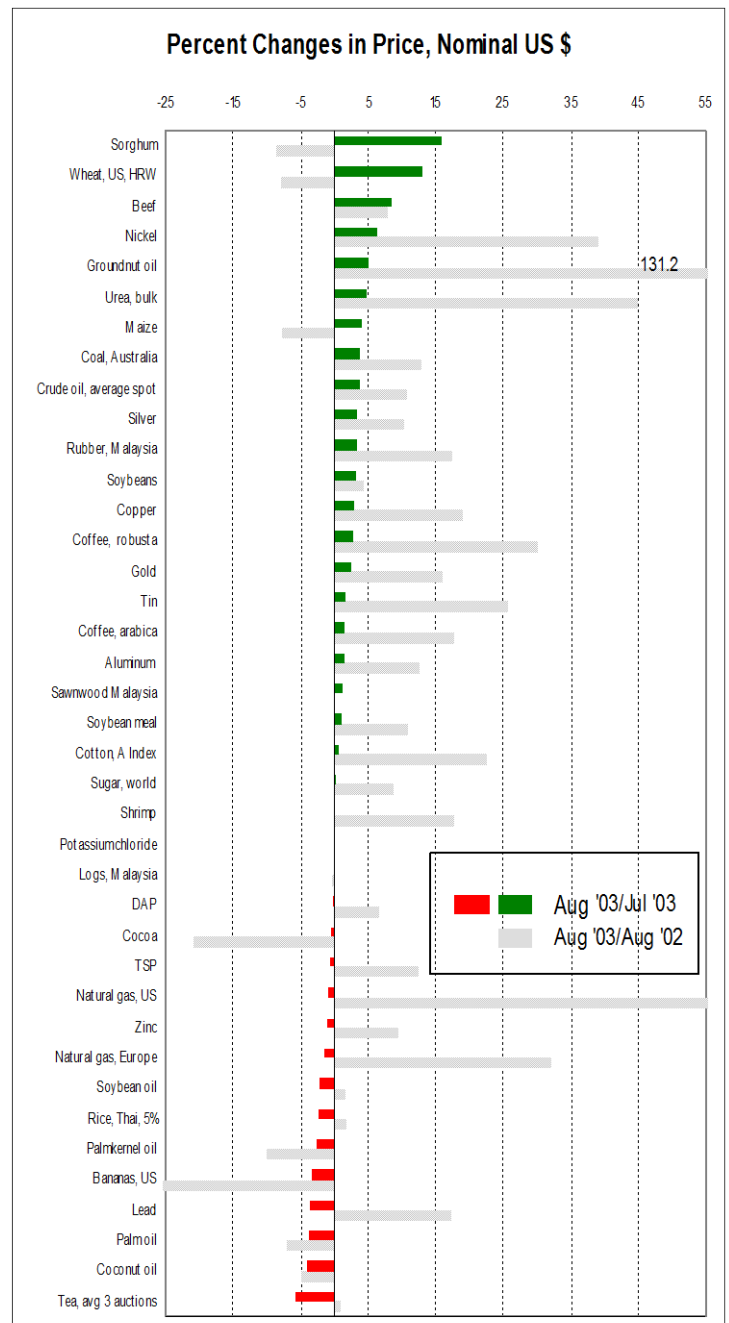
**Lead** prices decreased 3.6 percent largely reflecting profit-taking from the sharp rise in July. Prices have recently moved upwards once again and stocks continue to fall.

**Palm oil** prices fell 3.9 percent due to higher than expected production from Malaysia, the world's second largest palm oil supplier (up 27 percent from a year ago), and reduced imports by India. However, projected tight supplies over the next season are expected to keep prices firm.

**Coconut oil** prices declined 4.1 percent due to increased supplies from the Philippines, the world's dominant coconut oil supplier. During

July, the Philippines exported 125,000 tons, more than twice the amount exported a year ago.

**Tea** prices fell 5.8 percent, reflecting normal seasonal fluctuation in the Kolkata auction price which fell by 18.8 percent in August following the 19.5 percent rise in July. Typically, Kolkata prices are higher in July when premium quality tea arrives at the beginning of harvest.



<sup>1</sup> Percent change of average August 2003 prices compared to average July 2003 prices in nominal U.S. dollars (graph also includes 12-month changes).

## COMMODITY PRICE DATA

Commodity	Unit	Annual averages			Quarterly averages					Monthly averages		
		Jan-Dec 2001	Jan-Dec 2002	Jan-Aug 2003	Apr-Jun 2002	Jul-Sep 2002	Oct-Dec 2002	Jan-Mar 2003	Apr-Jun 2003	Jun 2003	Jul 2003	Aug 2003
<b>Energy</b>												
Coal, Australia	\$/mt	32.31	27.06	26.12	28.04	24.45	26.25	26.57	25.37	25.85	26.10	27.08
Coal, US	\$/mt	44.86	40.02	n.a.	39.73	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Crude oil, avg, spot	a/ \$/bbl	24.35	24.93	28.98	25.20	26.94	26.65	31.33	26.51	27.92	28.61	29.68
Crude oil, Brent	a/ \$/bbl	24.42	24.97	28.86	25.06	26.91	26.75	31.41	26.12	27.55	28.42	29.83
Crude oil, Dubai	a/ \$/bbl	22.71	23.72	26.64	24.28	25.57	25.01	28.56	24.39	25.50	26.65	27.66
Crude oil, West Texas Int.	a/ \$/bbl	25.92	26.09	31.43	26.26	28.32	28.19	34.02	29.02	30.71	30.77	31.55
Natural gas, Europe	\$/mmbtu	4.06	3.05	3.90	2.85	3.01	3.33	3.67	4.04	4.05	4.04	3.98
Natural gas, US	\$/mmbtu	3.96	3.35	5.75	3.38	3.21	4.30	6.38	5.63	5.77	5.01	4.97
<b>Non Energy Commodities</b>												
<b>Agriculture</b>												
<b>Beverages</b>												
Cocoa	b/ c/kg	106.9	177.8	184.4	161.0	199.7	201.5	213.6	174.4	157.1	156.0	155.2
Coffee, Arabica	b/ c/kg	137.3	135.7	141.3	136.2	126.0	146.8	142.4	141.1	134.6	138.8	140.9
Coffee, robusta	b/ c/kg	60.7	66.2	82.7	63.3	65.1	80.3	87.5	80.4	75.4	77.9	80.0
Tea, auctions (3), average	c/kg	159.8	150.6	149.3	149.2	155.8	152.6	146.2	146.5	149.2	162.7	153.3
Tea, Colombo auctions	b/ c/kg	161.7	156.2	148.8	150.0	150.1	156.1	151.6	143.6	143.1	149.4	155.4
Tea, Kokata auctions	b/ c/kg	166.1	146.4	148.1	153.3	165.9	150.6	138.8	144.9	154.1	184.1	149.5
Tea, Mombasa auctions	b/ c/kg	151.7	149.2	150.9	144.4	151.3	151.1	148.2	150.9	150.3	154.6	155.0
<b>Food</b>												
<b>Fats and Oils</b>												
Coconut oil	b/ \$/mt	318.1	421.0	449.0	425.7	432.7	457.7	470.7	440.0	459.0	439.0	421.0
Copra	\$/mt	202.1	266.3	286.6	265.3	283.0	288.3	303.7	276.0	279.0	279.0	275.0
Groundnut oil	b/ \$/mt	680.3	687.1	1232.3	648.0	655.3	778.0	1023.3	1307.7	1352.0	1397.0	1468.3
Palm oil	b/ \$/mt	285.7	390.3	425.1	377.0	410.3	438.3	445.3	419.7	430.0	411.0	395.0
Palmkernel oil	b/ \$/mt	308.1	415.8	433.9	423.7	430.0	457.7	469.3	420.3	434.0	406.0	396.0
Soybean meal	b/ \$/mt	181.0	175.2	191.9	169.0	177.7	182.3	188.7	195.7	200.0	190.0	192.0
Soybean oil	b/ \$/mt	354.0	454.3	525.2	401.7	489.0	559.7	521.3	534.3	541.0	523.0	511.7
Soybeans	b/ \$/mt	195.8	212.7	241.9	197.3	227.0	237.7	242.7	246.7	239.0	230.0	237.0
<b>Grains</b>												
Maize	b/ \$/mt	89.6	99.3	104.4	90.5	107.3	108.5	105.9	106.8	107.3	96.8	100.7
Rice, Thai, 5%	b/ \$/mt	172.8	191.9	198.2	196.8	192.2	186.5	198.8	198.8	203.4	198.5	194.0
Rice, Thai, 25%	\$/mt	153.1	175.0	181.7	177.0	176.1	174.4	182.5	181.9	186.2	182.3	178.0
Rice, Thai, 35%	\$/mt	149.1	170.5	178.0	170.8	171.8	171.5	179.0	178.2	182.8	178.3	174.5
Rice, Thai, A1.Special	\$/mt	134.1	150.2	148.0	148.5	149.8	156.6	149.8	145.0	151.2	150.3	149.0
Sorghum	b/ \$/mt	95.2	101.7	103.8	89.2	110.5	114.0	108.9	103.1	97.6	89.8	104.1
Wheat, Canada	\$/mt	151.5	175.8	178.9	143.7	190.1	221.8	187.1	174.2	171.9	169.3	177.7
Wheat, US, HRW	b/ \$/mt	126.8	148.1	141.8	125.7	166.1	176.7	147.4	137.3	131.4	131.6	148.7
Wheat US SRW	\$/mt	107.7	130.0	132.8	113.1	135.1	154.4	135.9	127.1	126.3	129.0	144.2
<b>Other Food</b>												
Bananas EU (SOPISCO)	\$/mt	777.2	759.4	810.5	790.7	707.0	695.1	963.3	825.5	691.8	632.7	485.2
Bananas US (UPEB & SOPSI)	b/ \$/mt	583.3	528.6	384.9	605.8	480.9	521.9	502.7	329.7	308.3	296.3	285.9
Beef, US	b/ c/kg	212.9	212.7	210.5	216.1	210.2	194.5	214.2	201.0	205.5	210.2	227.8
Fish.meal.Hamburg	\$/mt	486.7	605.9	599.9	621.7	617.0	595.7	591.3	603.7	630.0	617.0	597.0
Lamb	c/kg	291.2	330.3	372.3	319.2	339.7	351.5	356.7	375.8	402.7	394.1	386.6
Oranges	b/ \$/mt	595.5	564.5	659.6	616.7	639.3	506.0	561.8	692.7	719.4	753.2	760.1
Shrimp, Mexican	b/ c/kg	1,517	1,052	1,170	983	992	1,069	1,172	1,168	1,168	1,168	1,168
Sugar EU domestic	b/ c/kg	52.86	54.92	58.90	53.44	56.61	57.48	58.62	59.21	60.72	59.41	58.28
Sugar US domestic	b/ c/kg	47.04	46.14	48.06	43.74	46.41	48.62	48.85	48.01	47.67	47.07	46.86
Sugar, world	b/ c/kg	19.04	15.18	16.75	13.76	14.43	17.12	18.69	15.91	14.84	15.08	15.10
<b>Raw Materials</b>												
<b>Timber</b>												
Logs, Cameroon	\$/cum	266.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Logs, Malaysia	\$/cum	159.1	163.4	183.5	153.6	180.9	181.9	186.3	182.1	182.3	181.7	181.5
Plywood	c/sheets	409.8	393.1	421.4	385.9	411.2	405.4	420.8	422.2	422.8	421.3	420.8
Sawnwood, Cameroon	\$/cum	471.9	486.4	551.3	473.5	511.4	513.5	542.0	564.3	572.1	556.9	534.5
Sawnwood, Malaysia	\$/cum	481.4	526.5	554.6	510.5	555.9	559.4	553.6	554.8	552.5	552.5	559.4
Woodpulp	\$/mt	517.3	452.3	515.7	443.3	483.9	450.7	466.6	553.0	554.7	533.4	533.4
<b>Other Raw Materials</b>												
Cotton A Index	b/ c/kg	105.8	101.9	130.7	91.6	106.5	115.3	129.8	130.0	128.5	132.8	133.5
Cotton Memphis	b/ c/kg	116.6	104.9	17.56	98.1	109.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Jute	\$/mt	329.4	270.8	240.8	n.a.	235.0	227.33	233.75	245.0	245.0	245.0	245.0
Rubber, RSS1, Malaysia	b/ c/kg	60.0	77.1	97.1	75.9	86.3	82.5	95.5	97.8	100.1	97.0	100.2
Rubber, NY	c/kg	74.7	90.7	114.0	85.9	101.0	100.0	113.5	112.8	114.9	114.4	119.1
Rubber, Singapore	c/kg	57.5	76.5	100.5	74.0	86.1	83.8	98.6	100.9	103.1	100.5	105.1
Sisal	\$/mt	699.2	659.6	665.6	668.3	650.0	650.0	650.0	675.0	675.0	675.0	675.0
Wool 64's UK	c/kg	418.7	469.0	542.9	447.3	438.3	534.7	564.4	525.6	488.2	543.8	529.5

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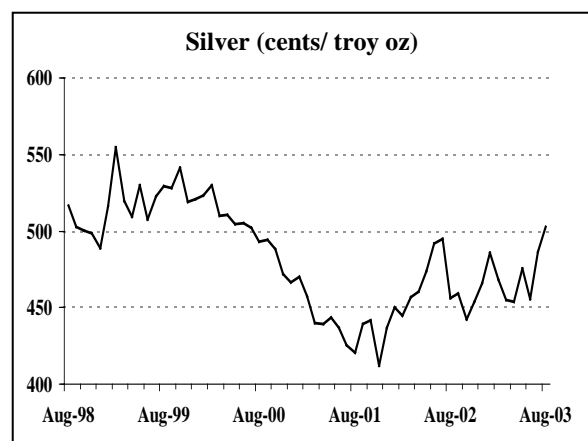
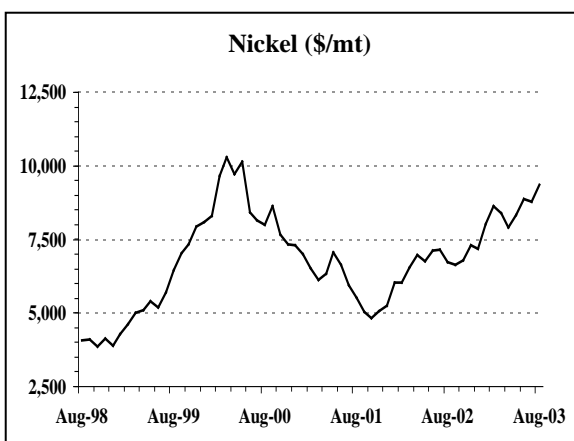
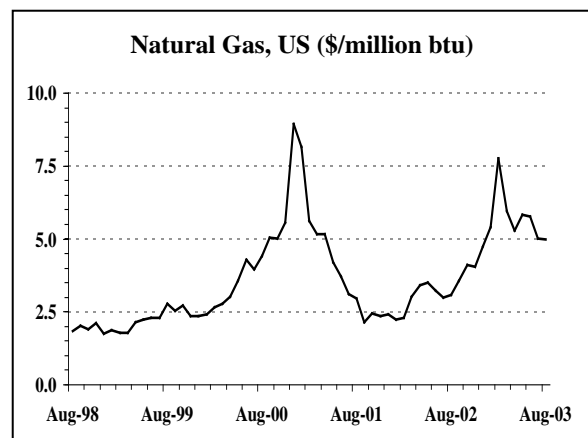
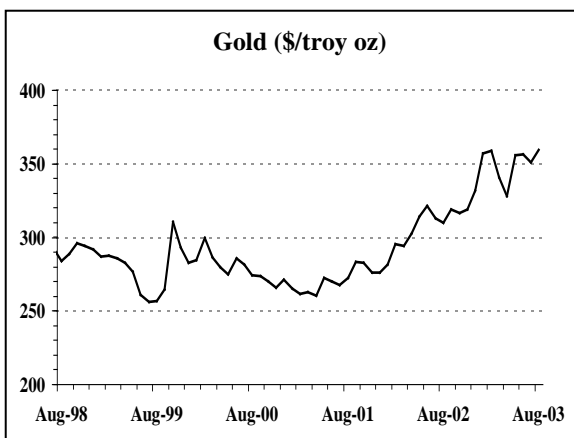
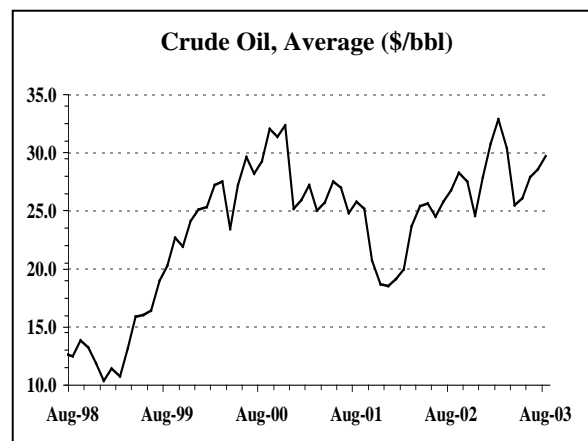
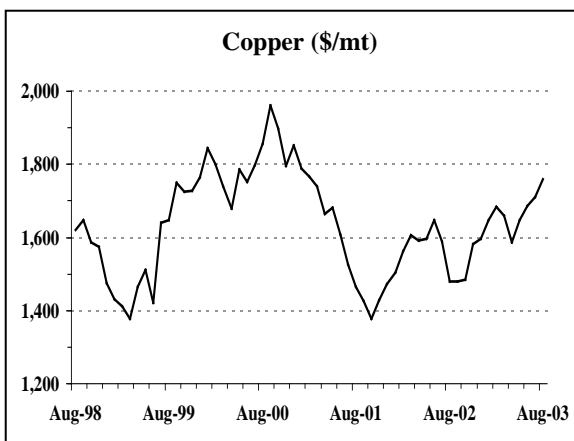
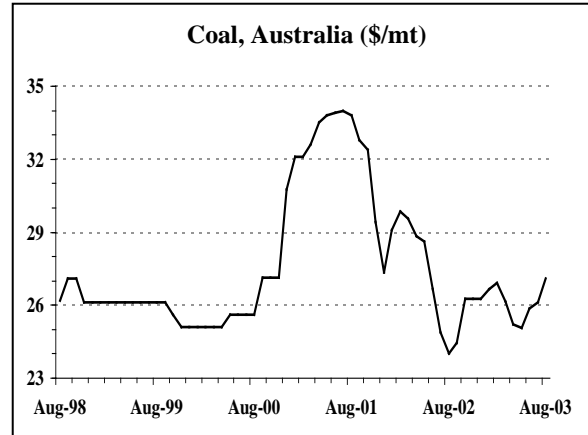
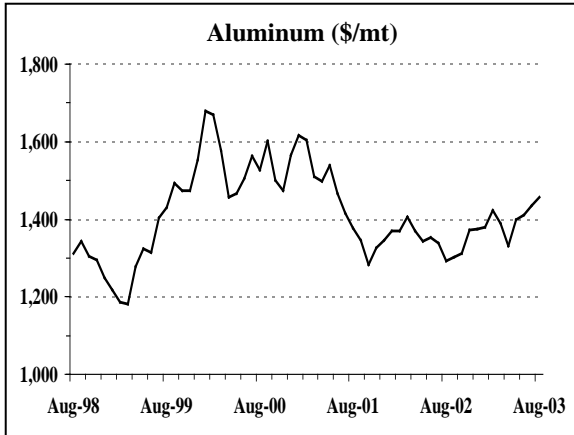
a/ Included in the petroleum index      b/ Included in the non-energy index      c/ Steel not included in the non-energy index  
 \$ = U.S. dollar    ¢ = U.S. cent    bbl = barrel    cum = cubic meter    dmtu = Dry Metric Ton Unit    kg = kilogram    mmbtu = million British thermal units  
 mt = metric ton    toz = troy oz    n.a. = not available    n.q. = not quotation

## COMMODITY PRICE DATA

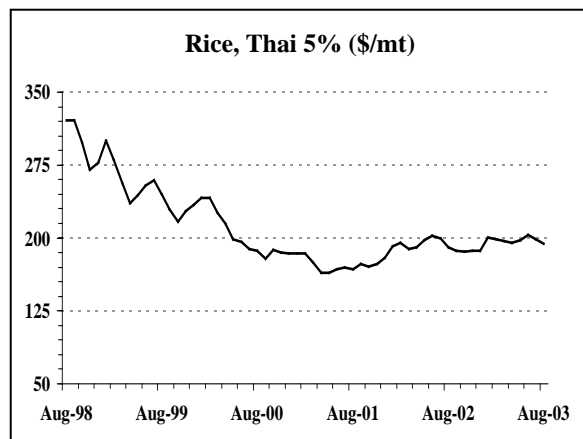
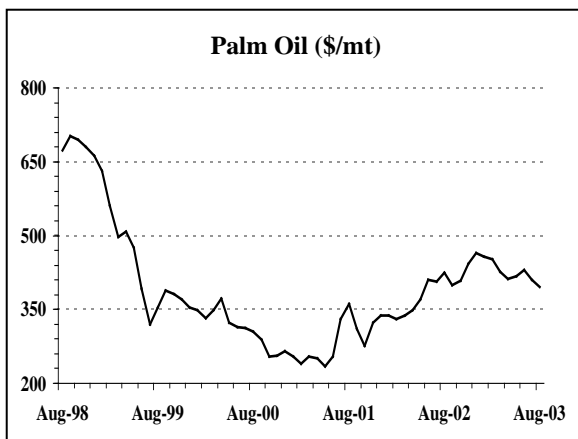
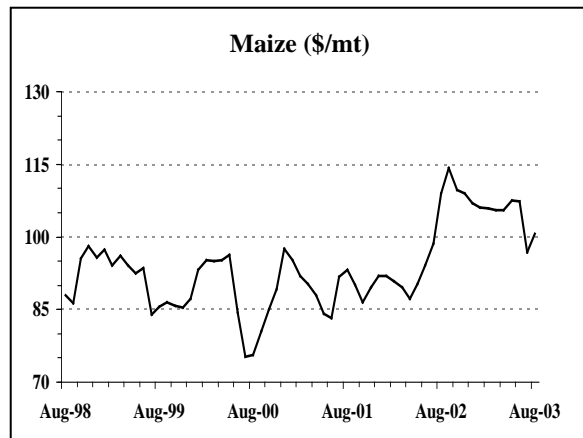
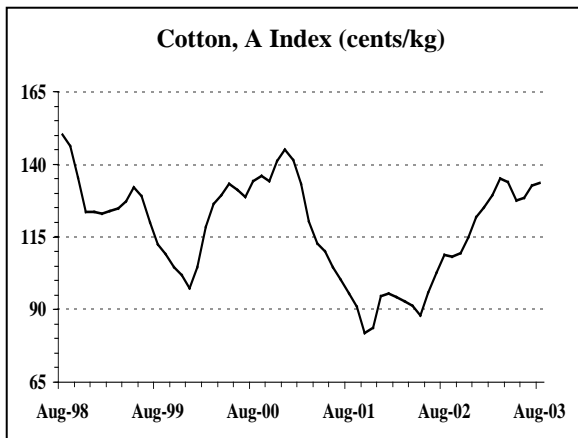
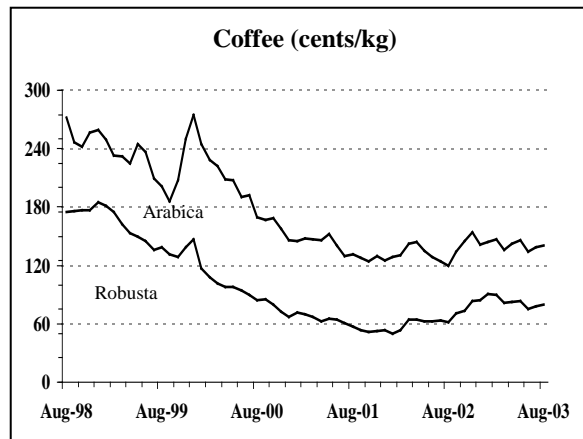
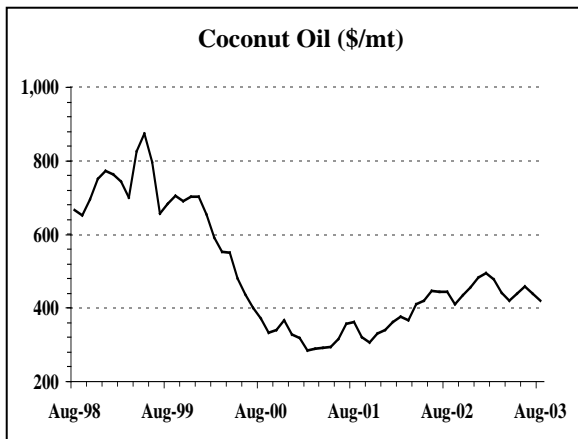
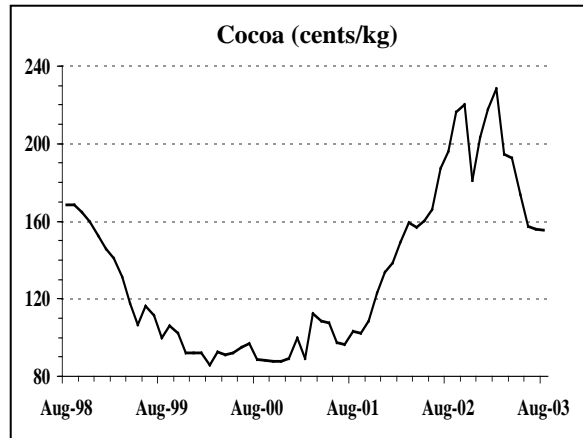
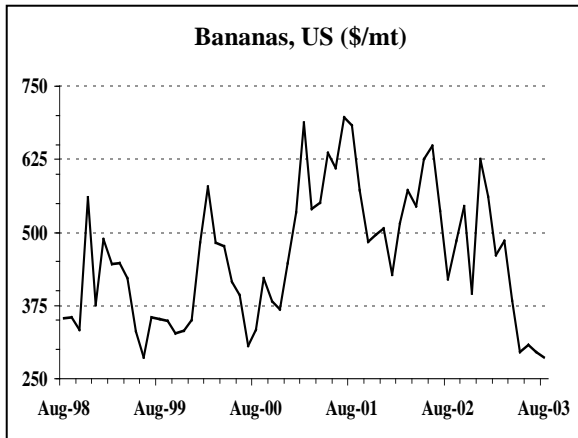
		Annual averages			Quarterly averages					Monthly averages		
		Jan-Dec	Jan-Dec	Jan-Aug	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jun	Jul	Aug
		2001	2002	2003	2002	2002	2002	2003	2003	2003	2003	2003
<b>Fertilizers</b>												
DAP	\$/mt	147.7	157.5	177.3	155.8	167.3	152.1	172.0	180.5	173.9	180.8	180.3
Phosphate rock	b/ \$/mt	41.8	40.4	38.0	41.0	41.0	38.5	38.0	38.0	38.0	38.0	38.0
Pottasium chloride	\$/mt	118.1	113.3	112.5	112.9	112.5	112.5	112.5	112.5	112.5	112.5	112.5
TSP	\$/mt	126.9	133.1	143.6	132.3	132.1	132.2	136.1	146.4	148.3	150.9	150.0
Urea, E. Europe, bagged	\$/mt	105.3	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	95.3	94.4	131.5	88.2	95.8	97.1	129.2	126.3	133.9	139.2	146.0
<b>Metals and Minerals</b>												
Aluminum	b/ \$/mt	1,444	1,350	1,403	1,356	1,310	1,353	1,397	1,380	1,410	1,436	1,456
Copper	b/ \$/mt	1,578	1,559	1,673	1,611	1,516	1,554	1,663	1,641	1,687	1,710	1,760
Gold	\$/toz	271.0	310.0	350.9	312.8	314.2	322.5	352.1	346.7	356.4	351.0	359.8
Iron ore CVRD So & No	b/ c/dmtu	30.03	29.31	31.95	29.31	29.31	29.31	31.95	31.95	31.95	31.95	31.95
Lead	b/ c/kg	47.6	45.3	47.0	45.5	43.0	43.5	45.9	45.6	46.8	51.5	49.7
Nickel	b/ \$/mt	5,945	6,772	8,537	6,946	6,833	7,104	8,343	8,372	8,875	8,797	9,351
Silver	c/toz	438.6	462.5	472.8	475.4	470.1	454.0	469.5	461.5	455.6	486.5	502.9
Steel products (8) index	a/ 1990=100	66.8	67.7	76.9	66.0	69.7	71.4	74.6	76.4	76.8	80.4	81.7
Steel cr coilsheet	\$/mt	299.2	328.3	421.9	300.0	353.3	380.0	400.0	410.0	410.0	462.5	482.5
Steel hr coilsheet	\$/mt	216.5	246.7	315.3	236.7	270.0	280.0	306.7	320.0	320.0	320.0	322.5
Steel, rebar	\$/mt	221.5	204.2	258.8	200.0	206.7	210.0	250.0	260.0	260.0	267.5	272.5
Steel wire rod	\$/mt	302.3	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Tin	c/kg	448.4	406.1	464.6	415.3	404.1	423.6	453.7	466.6	469.5	473.9	482.3
Zinc	b/ c/kg	88.6	77.9	79.1	78.2	76.6	77.3	78.6	77.4	79.1	82.8	81.8
<b>World Bank commodity price indices for low and middle income countries( 1990 =100)</b>												
Energy		106.4	109.0	126.7	110.1	117.7	116.5	136.9	115.9	122.0	125.1	129.7
Non Energy Commodities		79.0	83.0	89.2	81.3	84.8	87.7	90.7	88.2	87.9	87.8	88.8
Agriculture		79.8	86.5	92.8	83.5	89.7	93.1	95.4	91.9	90.7	90.0	90.9
Beverages		72.1	84.6	88.7	81.3	86.2	93.4	94.7	86.5	81.3	83.3	83.3
Food		86.0	90.1	94.1	87.5	92.6	96.1	97.0	93.2	93.3	90.7	91.7
Fats and Oils		89.0	101.2	112.7	96.7	105.2	111.3	113.6	113.5	115.2	110.3	109.6
Grains		78.2	88.1	89.0	81.6	94.1	95.9	90.9	88.6	87.9	84.5	89.0
Other Food		87.9	82.2	81.8	83.3	81.3	83.7	87.0	79.0	78.3	78.2	78.5
Raw Materials		77.4	83.2	94.2	80.1	88.5	89.2	93.8	94.1	94.3	94.1	95.5
Timber		90.2	98.1	104.0	94.6	104.0	105.2	104.0	103.9	103.5	103.5	104.6
Other Raw Materials		68.6	73.1	87.4	70.2	77.9	78.3	86.8	87.4	88.0	87.7	89.2
Fertilizers		98.8	100.5	103.4	100.7	100.6	98.4	99.8	104.8	105.6	106.9	106.5
Metals and Minerals		75.1	72.8	78.8	73.8	71.5	73.2	78.3	77.8	79.4	80.4	81.8

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

## Selected Commodity Prices, Nominal US dollars, 1998-2003



## Selected Commodity Prices, Nominal US dollars, 1998-2003 cont'd



## Selected Commodity Prices, Nominal US dollars, 1998-2003 cont'd

