

Commodity Markets Review

January 14, 2003

DECPG, The World Bank

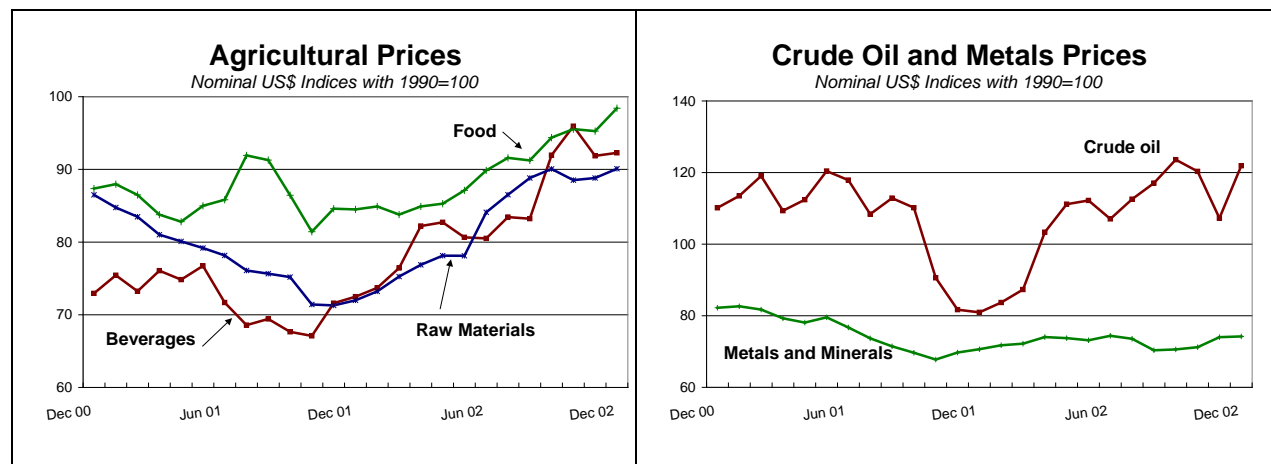
Crude oil prices rose 13.7 percent in December, compared to November, and were up 50.6 percent higher than a year-ago. The large annual increase was mostly due to concern about war in Iraq and tight supply management by OPEC producers, while the monthly increase was mainly due to supply disruptions in Venezuela due to the general strike.

Venezuelan crude oil production declined from close to 3 mb/d in November to about 0.3 mb/d by mid-December, and has tightened stocks dramatically, especially in the U.S. The disruption to oil supplies will likely endure for some time after the strike ends because of the time needed to revamp Venezuela's production. OPEC met January 12 and agreed to raise production 1.5 mb/d on February 1. However, if the strike continues and a war in Iraq begins, OPEC could not offset the total loss, and oil prices could surge sharply higher.

Non-oil commodity prices rose 1.5 percent in December, compared to the previous month, and 16.4 percent compared to December 2001. The annual increase was due mostly to reduced supplies and low stocks, rather than large demand increases, while the monthly increase was driven by special situations in a few commodities such as bananas and cocoa.

Agricultural prices were up 2.0 percent for the month and 21.6 percent for the year. The recovery of prices was broad-based (chart), following several years of sharp price declines due to large supplies and weak demand. The largest increases, compared to December 2001, were in beverages (up 27.3 percent) due to a rebound in coffee and a surge in cocoa, and raw materials (up 25.1 percent) due to a rebound in cotton and natural rubber. Food prices rose 16.5 percent in the 12 month period due mostly to higher fats and oils, and grains prices.

Metals and minerals prices rose 0.3 percent in December, and were up 5.0 percent for the year, as the industry was burdened with large stocks (despite a number of producer supply cutbacks to reduce surpluses), and slow-to-moderate demand growth. Nickel prices had the largest 12-month increase of major metals, up 37 percent, due to a recovery in stainless steel production, disruptions in producer output, and freezing of 60,000 tons of Norilsk's nickel stockpile used as collateral on a loan. The other large price increase was in gold, which rose 20 percent, mainly due to the reduction in hedge positions of gold producers, also due to investor concerns about the dollar and equity market declines.



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

Major Movers in December and comparisons to 12 month price changes¹

Banana prices in the U.S. rose 57.8 percent in December to reverse the sharp price decline in November following the end of the west coast dock workers strike and subsequent surge in imports.

Natural gas prices in the U.S. rose 17.3 percent due to abnormally cold weather in the fourth quarter which reduced gas storage inventories more than expected. Prices are double year earlier levels (see graph).

Crude oil prices rose 13.7 percent due to the strike-related disruption to Venezuela's oil supplies which has reduced its production by 90 percent.

Cocoa prices rose 12.1 percent due to continued fighting between rebel and government forces in major producer Côte d'Ivoire which has disrupted exports. Cocoa prices are up 52 percent over the past year.

Palmkernel oil prices rose 6.8 percent due to reduced production of close substitute coconut oil and large imports from China.

Cotton prices rose 6.1 percent due to estimates of lower production and declining stocks in the next crop year. Prices remain severely depressed despite being 29 percent higher than a year ago.

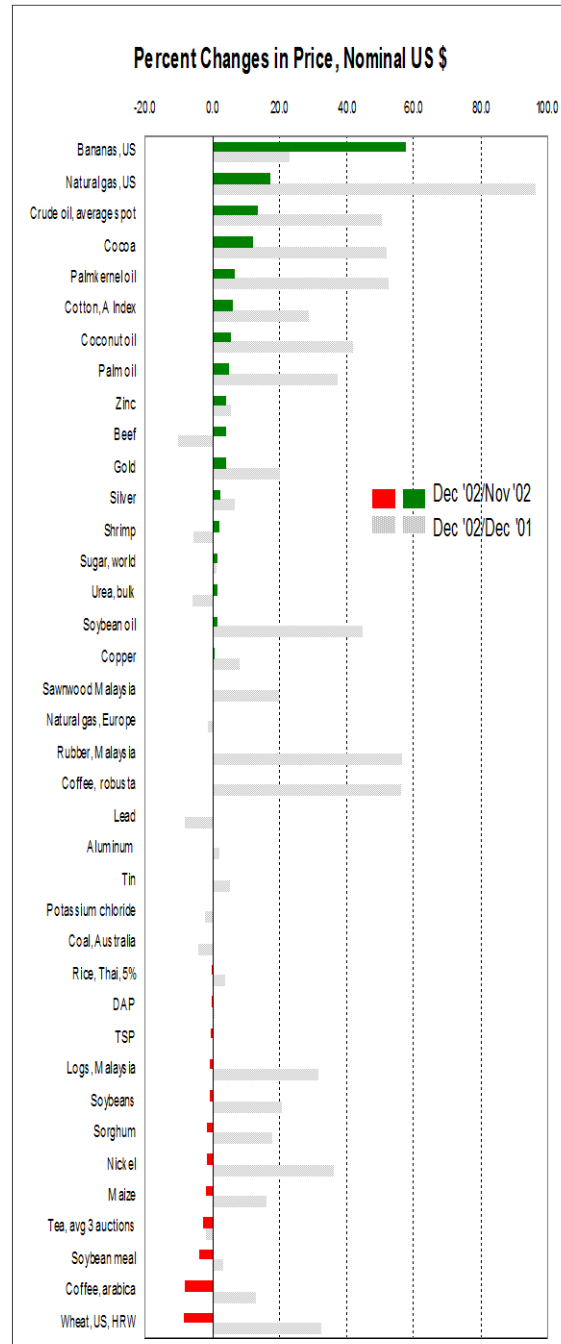
Coconut oil prices rose 5.5 percent due to a shortfall in copra supplies from major producer Philippines.

Palm oil prices rose 5.2 percent due to increased imports from China—the largest importer—and the generally tight market for vegetable oils caused by reduced supplies.

Arabica coffee prices fell 8.2 percent as weather concerns regarding the Brazilian crop diminished. Coffee stocks remain large and sustained price increases are not expected.

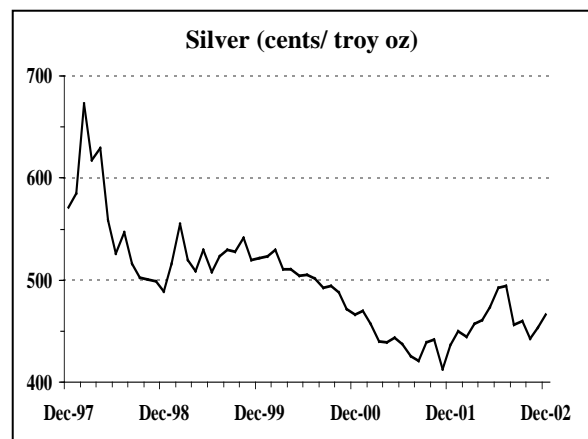
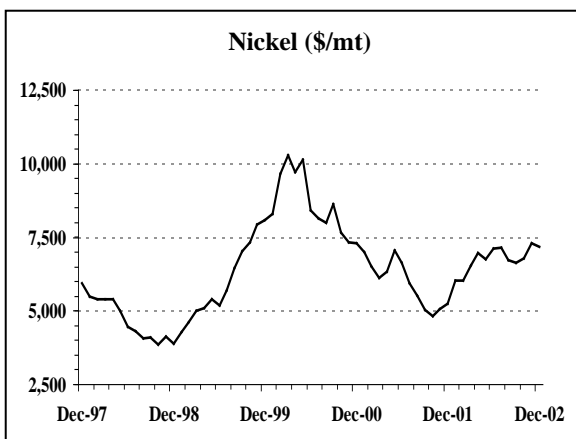
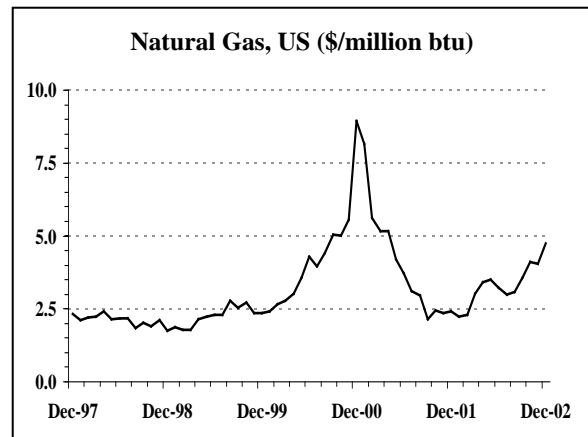
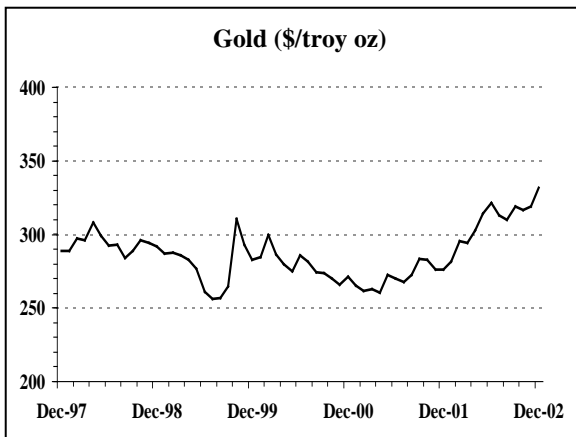
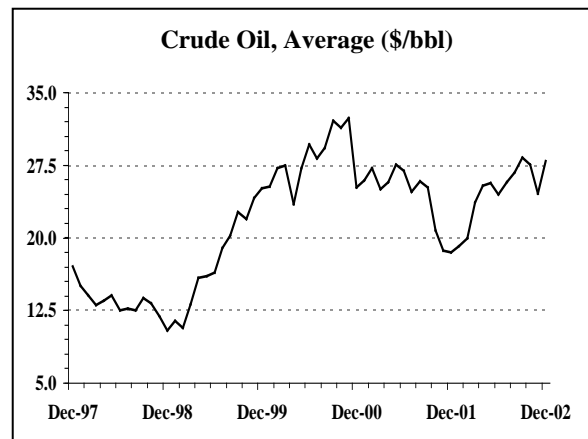
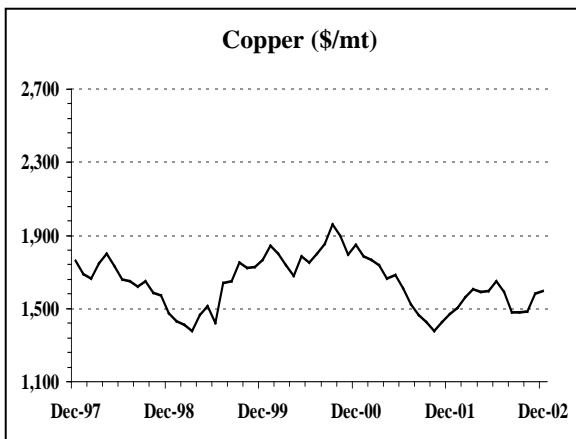
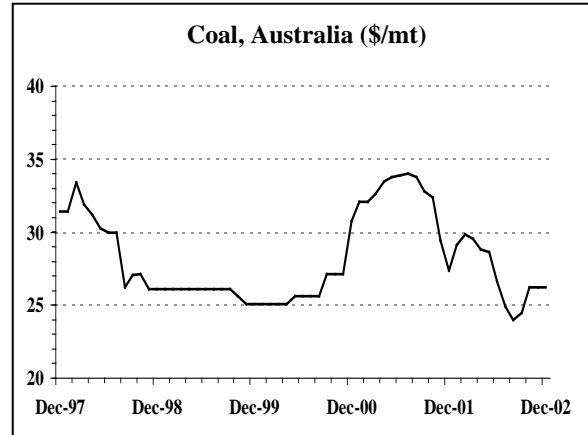
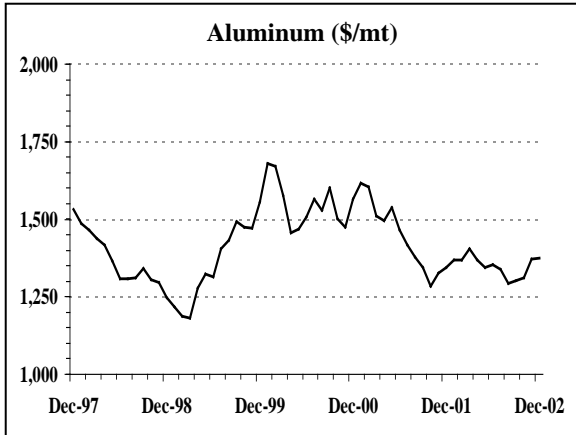
Wheat prices in the U.S. fell 27.2 percent in December due to improved moisture conditions in the U.S., which has had a

severe drought in the major wheat producing areas. The chances of further price increases have declined and the cyclical highs may have already been reached—prices are 33 percent higher than a year earlier.

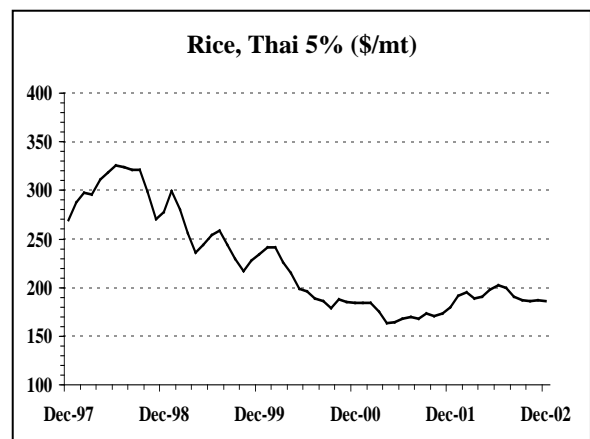
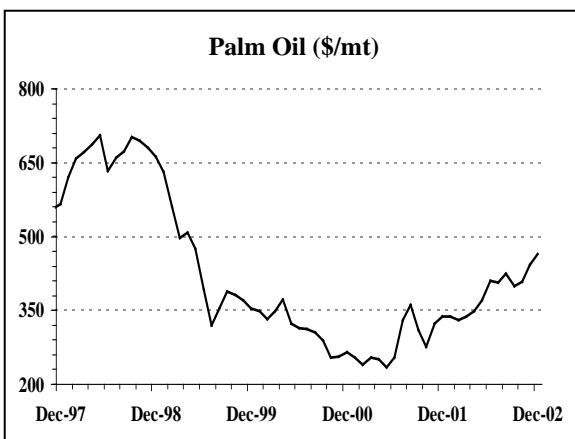
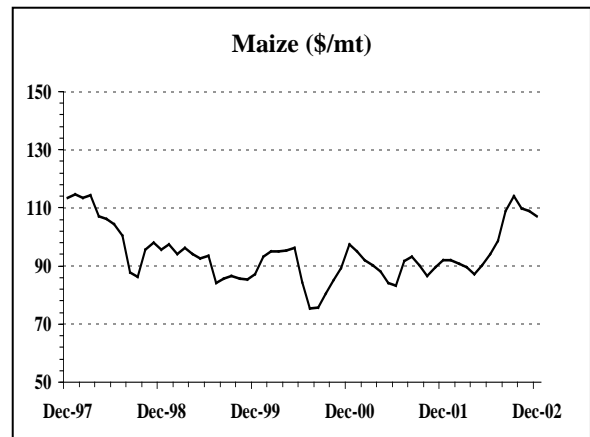
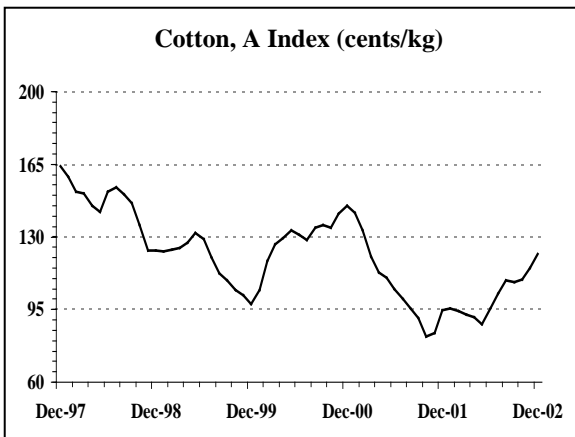
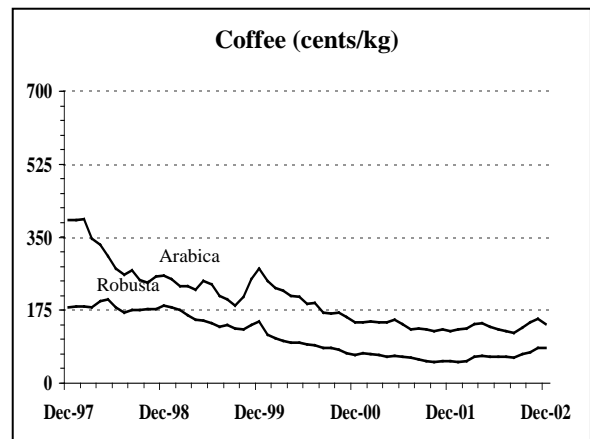
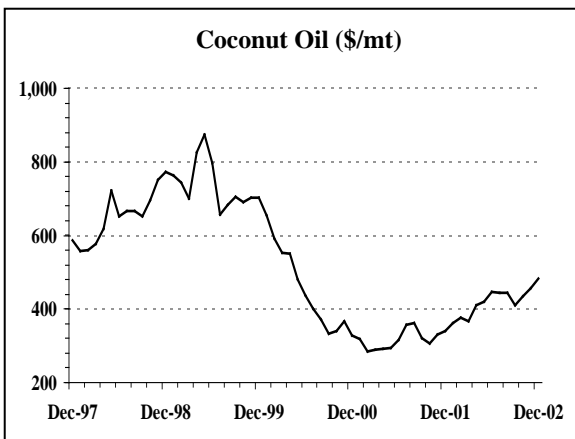
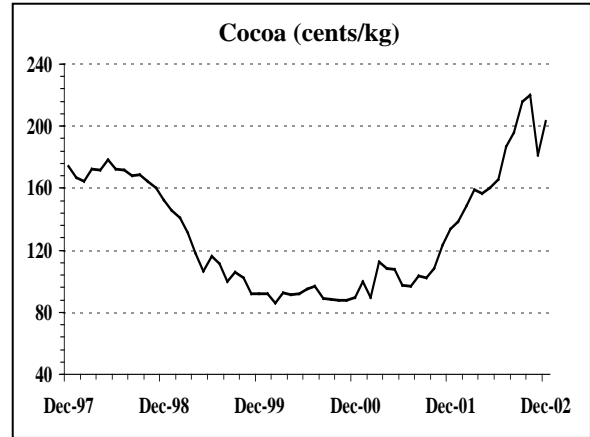
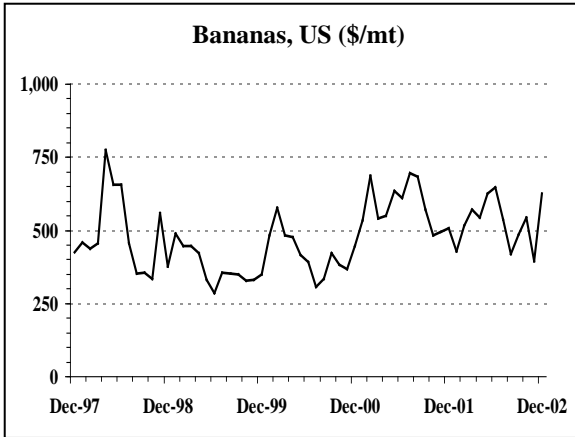


¹ Based on the percent change of average December 2002 compared to average November 2002 and December 2001 prices in nominal U.S. dollars.

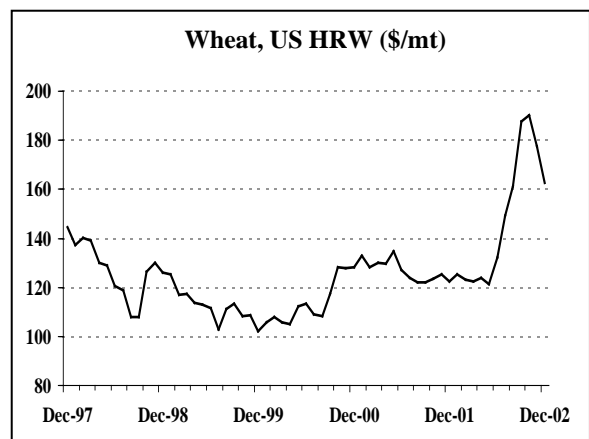
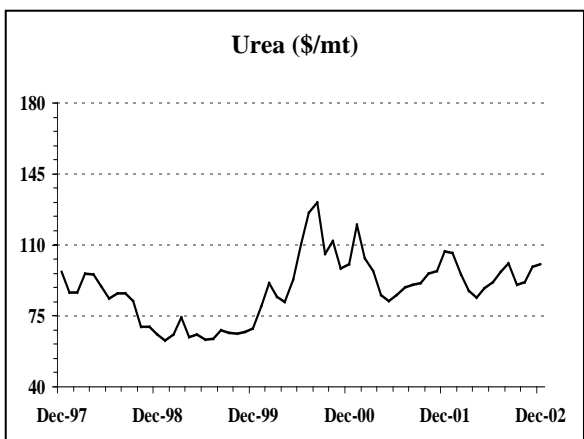
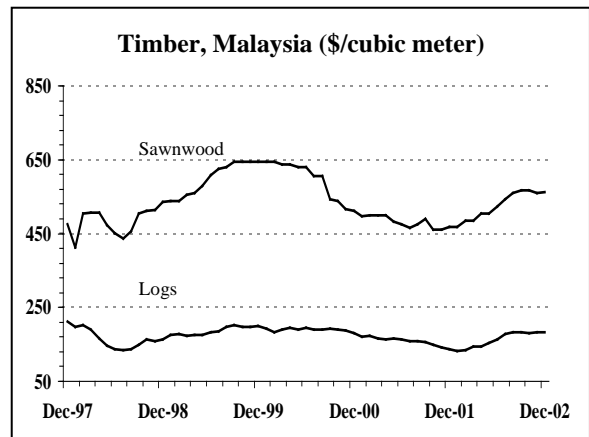
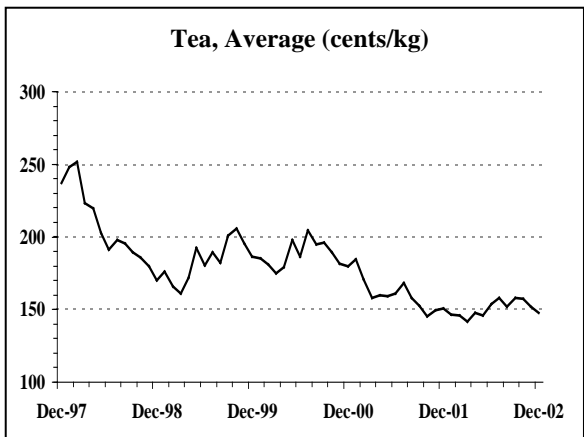
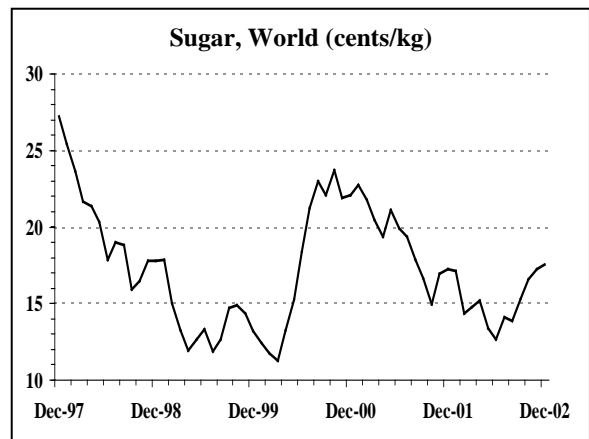
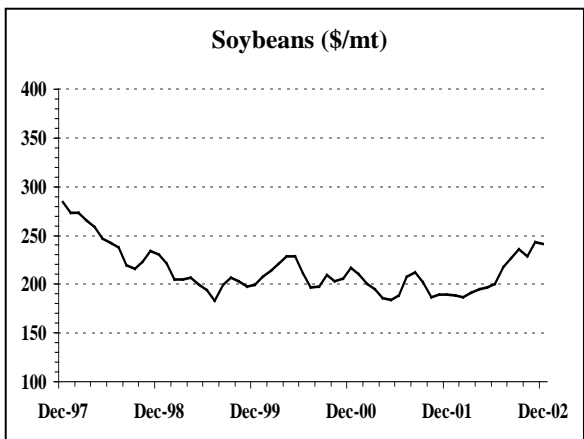
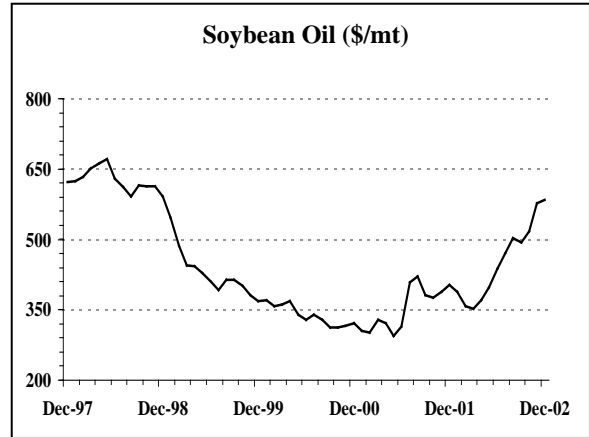
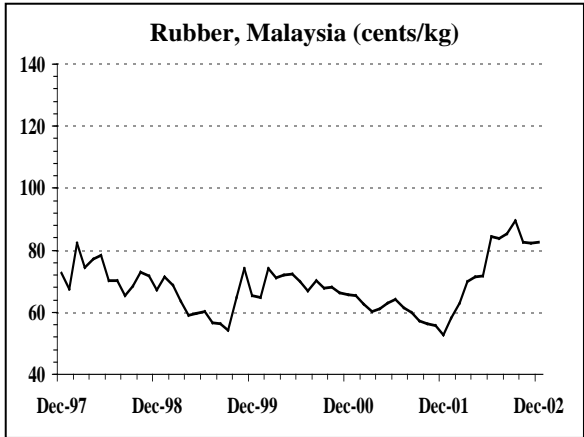
Selected Commodity Prices, Nominal U.S. dollars, 1997-2002



Selected Commodity Prices, Nominal U.S. dollars, 1997-2002 cont'd



Selected Commodity Prices, Nominal U.S. dollars, 1997-2002 cont'd



COMMODITY PRICE DATA

Commodity	Unit	Annual averages			Quarterly averages					Monthly averages		
		Jan-Dec 2000	Jan-Dec 2001	Jan-Dec 2002	Oct-Dec 2001	Jan-Mar 2002	Apr-Jun 2002	Jul-Sep 2002	Oct-Dec 2002	Oct 2002	Nov 2002	Dec 2002
Energy												
Coal, Australia	\$/mt	26.25	32.31	27.06	29.72	29.50	28.04	24.45	26.25	26.25	26.25	26.25
Coal, US	\$/mt	33.06	44.86	40.02	46.30	40.31	39.73	n.a.	n.a.	n.a.	n.a.	n.a.
Crude oil, average spot	\$/bbl	28.23	24.35	24.93	19.31	20.92	25.20	26.94	26.65	27.53	24.54	27.89
Crude oil, Brent	\$/bbl	28.27	24.42	24.97	19.34	21.16	25.06	26.91	26.75	27.55	24.18	28.52
Crude oil, Dubai	\$/bbl	26.08	22.71	23.72	18.24	20.02	24.28	25.57	25.01	26.18	23.16	25.70
Crude oil, West Texas Int.	\$/bbl	30.33	25.92	26.09	20.36	21.60	26.26	28.32	28.19	28.85	26.28	29.44
Natural gas, Europe	\$/mmbtu	3.86	4.06	3.05	3.46	3.02	2.85	3.01	3.33	3.28	3.34	3.36
Natural gas, US	\$/mmbtu	4.31	3.96	3.35	2.41	2.53	3.38	3.21	4.30	4.12	4.04	4.74
Non-Energy Commodities												
Agriculture												
Beverages												
Cocoa	¢/kg	90.6	106.9	177.8	121.8	149.0	161.0	199.7	201.5	220.2	181.2	203.2
Coffee, arabica	¢/kg	192.0	137.3	135.7	126.4	133.6	136.2	126.0	146.8	144.9	154.0	141.5
Coffee, robusta	¢/kg	91.3	60.7	66.2	52.4	56.1	63.3	65.1	80.3	73.5	83.6	83.9
Tea, average 3 auctions	¢/kg	187.6	159.8	150.6	148.6	144.8	149.2	155.8	152.6	157.5	152.2	148.0
Tea, Colombo auctions	¢/kg	179.3	161.7	156.2	162.8	168.6	150.0	150.1	156.1	161.1	153.7	153.5
Tea, Kolkata auctions	¢/kg	180.6	166.1	146.4	142.6	115.8	153.3	165.9	150.6	157.0	151.5	143.4
Tea, Mombasa auctions	¢/kg	202.9	151.7	149.2	140.4	150.1	144.4	151.3	151.1	154.5	151.5	147.3
Food												
Fats and Oils												
Coconut oil	\$/mt	450.3	318.1	421.0	325.3	368.0	425.7	432.7	457.7	434.0	457.0	482.0
Copra	\$/mt	304.8	202.1	266.3	203.0	228.3	265.3	283.0	288.3	274.0	290.0	301.0
Groundnut oil	\$/mt	713.7	680.3	687.1	667.3	667.0	648.0	655.3	778.0	718.0	771.0	845.0
Palm oil	\$/mt	310.3	285.7	390.3	312.7	335.3	377.0	410.3	438.3	408.0	442.0	465.0
Palmkernel oil	\$/mt	443.5	308.1	415.8	310.0	352.0	423.7	430.0	457.7	430.0	456.0	487.0
Soybean meal	\$/mt	189.2	181.0	175.2	179.0	171.7	169.0	177.7	182.3	182.0	186.0	179.0
Soybean oil	\$/mt	338.1	354.0	454.3	389.0	366.7	401.7	489.0	559.7	517.0	577.0	585.0
Soybeans	\$/mt	211.8	195.8	212.7	188.3	188.7	197.3	227.0	237.7	229.0	243.0	241.0
Grains												
Maize	\$/mt	88.5	89.6	99.3	89.3	90.8	90.5	107.3	108.5	109.7	108.9	107.0
Rice, Thai, 5%	\$/mt	202.4	172.8	191.9	174.5	192.0	196.8	192.2	186.5	186.3	186.8	186.5
Rice, Thai, 25%	\$/mt	172.8	153.1	175.0	160.2	172.4	177.0	176.1	174.4	174.0	175.3	174.0
Rice, Thai, 35%	\$/mt	167.2	149.1	170.5	157.0	167.9	170.8	171.8	171.5	171.0	172.5	171.0
Rice, Thai, A1.Special	\$/mt	143.5	134.1	150.2	138.5	145.8	148.5	149.8	156.6	157.3	158.3	154.3
Sorghum	\$/mt	88.0	95.2	101.7	95.2	93.3	89.2	110.5	114.0	113.6	115.1	113.3
Wheat, Canada	\$/mt	147.1	151.5	175.8	148.5	147.4	143.7	190.1	221.8	233.8	225.8	205.8
Wheat, US, HRW	\$/mt	114.1	126.8	148.1	123.7	123.7	125.7	166.1	176.7	190.3	177.4	162.5
Wheat, US, SRW	\$/mt	98.9	107.7	130.0	116.5	117.2	113.1	135.1	154.4	156.8	160.0	146.2
Other Food												
Bananas, EU	\$/mt	712.4	777.2	759.4	677.8	844.9	790.7	707.0	695.1	683.8	649.1	752.5
Bananas, US	\$/mt	424.0	583.3	528.6	495.4	505.7	605.8	480.9	521.9	544.3	396.1	625.2
Beef	¢/kg	193.2	212.9	212.7	226.7	230.0	216.1	210.2	194.5	191.7	191.9	200.0
Fishmeal	\$/mt	413.0	486.7	605.9	541.7	589.3	621.7	617.0	595.7	606.0	593.0	588.0
Lamb	¢/kg	261.9	291.2	330.3	303.7	311.1	319.2	339.7	351.5	346.6	351.1	356.6
Oranges	\$/mt	363.2	595.5	576.2	438.5	518.8	604.6	609.1	572.3	586.9	565.0	565.0
Shrimp	¢/kg	1,513	1,517	1,052	1,230	1,162	983	992	1,069	1,025	1,080	1,102
Sugar, EU, domestic	¢/kg	55.52	52.86	54.92	52.77	52.14	53.44	56.61	57.48	56.94	57.51	57.98
Sugar, US, domestic	¢/kg	42.76	47.04	46.14	46.97	45.78	43.74	46.41	48.62	48.13	49.16	48.56
Sugar, world	¢/kg	18.04	19.04	15.18	16.40	15.42	13.76	14.43	17.12	16.56	17.26	17.53
Raw Materials												
Timber												
Logs, Cameroon	\$/cum	275.4	266.1	n.a.	266.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Logs, Malaysia	\$/cum	190.0	159.1	163.4	143.4	137.2	153.6	180.9	181.9	179.9	183.5	182.2
Plywood	¢/sheet	448.2	409.8	402.4	397.0	369.9	389.9	430.7	419.0	415.8	424.1	417.1
Sawnwood, Cameroon	\$/cum	489.1	471.9	486.4	459.6	447.1	473.5	511.4	513.7	505.1	515.9	520.0
Sawnwood, Malaysia	\$/cum	594.7	481.4	527.4	463.9	480.2	510.5	555.9	563.0	566.4	559.4	563.0
Woodpulp	\$/mt	664.3	517.3	452.9	444.0	431.4	443.3	483.9	453.0	463.7	447.6	447.6
Other Raw Materials												
Cotton, "A Index"	¢/kg	130.2	105.8	101.9	86.8	94.2	91.6	106.5	115.3	109.3	114.8	121.8
Cotton, Memphis	¢/kg	146.2	116.6	104.9	93.6	98.6	98.1	109.4	117.8	114.4	121.3	n.a.
Jute	\$/mt	277.4	329.4	270.8	335.0	350.0	n.a.	235	227.3	225.0	227.0	230.0
Rubber, Malaysia	¢/kg	69.1	60.0	77.1	54.9	63.6	75.9	86.3	82.5	82.7	82.2	82.5
Rubber, US	¢/kg	83.2	74.7	90.7	68.7	75.9	85.9	101.0	100.0	100.8	99.1	100.0
Rubber, Singapore	¢/kg	66.7	57.5	76.5	51.3	62.1	74.0	86.1	83.8	82.7	84.0	84.7
Sisal	\$/mt	631.8	699.2	659.6	663.3	670.0	668.3	650.0	650.0	650.0	650.0	650.0
Wool	¢/kg	437.0	418.7	469.0	387.3	455.7	447.3	438.3	534.7	493.0	551.0	560.0

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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

COMMODITY PRICE DATA

Commodity	Unit	Annual averages			Quarterly averages				Monthly averages			
		Jan-Dec	Jan-Dec	Jan-Dec	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Oct	Nov	Dec
		2000	2001	2002	2001	2002	2002	2002	2002	2002	2002	2002
Fertilizers												
DAP	\$/mt	154.2	147.7	157.5	145.8	155.0	155.8	167.3	152.1	153.9	151.4	151.0
Phosphate rock	b/ \$/mt	43.8	41.8	40.4	41.0	41.0	41.0	41.0	38.5	39.6	38.0	38.0
Potassium chloride	\$/mt	122.5	118.1	113.3	115.8	115.3	112.9	112.5	112.5	112.5	112.5	112.5
TSP	b/ \$/mt	137.7	126.9	133.1	128.5	135.7	132.3	132.1	132.2	133.1	132.0	131.5
Urea, Black Sea, bagged	\$/mt	112.1	105.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Urea, Ukrain, bulk	\$/mt	101.1	95.3	94.4	99.9	96.4	88.2	95.8	97.1	91.5	99.1	100.7
Metals and Minerals												
Aluminum	b/ \$/mt	1,549	1,444	1,350	1,318	1,381	1,356	1,310	1,353	1,311	1,372	1,375
Copper	b/ \$/mt	1,813	1,578	1,559	1,426	1,557	1,611	1,516	1,554	1,484	1,582	1,596
Gold	\$/toz	279.0	271.0	310.0	278.4	290.4	312.8	314.2	322.5	316.6	319.1	331.9
Iron ore	¢/dmtu	28.79	30.03	29.31	30.03	29.31	29.31	29.31	29.31	29.31	29.31	29.31
Lead	b/ ¢/kg	45.4	47.6	45.3	47.9	49.1	45.5	43.0	43.5	41.8	44.2	44.4
Nickel	b/ \$/mt	8,638	5,945	6,772	5,056	6,203	6,946	6,833	7,104	6,804	7,314	7,193
Silver	¢/toz	499.9	438.6	462.5	430.3	450.7	475.4	470.1	454.0	442.3	453.9	465.8
Steel products (8) index	c/ 1990=100	76.4	66.8	67.7	63.7	63.7	66.0	69.7	71.4	71.4	71.4	71.4
Steel, cold rolled coilsheet	\$/mt	385.8	299.2	328.3	280.0	280.0	300.0	353.3	380.0	380.0	380.0	380.0
Steel, hot rolled coilsheet	\$/mt	295.8	216.5	246.7	200.0	200.0	236.7	270.0	280.0	280.0	280.0	280.0
Steel, rebar	\$/mt	244.2	221.5	204.2	200.0	200.0	200.0	206.7	210.0	210.0	210.0	210.0
Steel, wire rod	\$/mt	291.7	302.3	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Tin	b/ ¢/kg	543.6	448.4	406.1	393.7	381.2	415.3	404.1	423.6	424.2	423.0	423.7
Zinc	b/ ¢/kg	112.8	88.6	77.9	76.3	79.5	78.2	76.6	77.3	75.5	76.5	79.8
World Bank commodity price indexes for low and middle income countries(1990 =100)												
Petroleum		123.4	106.4	109.0	84.4	91.5	110.1	117.7	116.5	120.3	107.3	121.9
Non-Energy Commodities		86.9	79.0	83.0	75.0	78.3	81.2	84.8	87.7	87.3	87.3	88.7
Agriculture		87.7	79.8	86.5	76.4	79.7	83.5	89.6	93.3	93.3	92.3	94.2
Beverages		88.4	72.1	84.6	70.4	77.4	81.3	86.2	93.4	95.9	91.9	92.3
Food		84.5	86.0	90.2	83.5	84.5	87.4	92.4	96.4	95.6	95.3	98.4
Fats and Oils		96.2	89.0	101.2	90.9	91.6	96.7	105.2	111.3	106.8	113.0	114.0
Grains		79.5	78.2	88.1	77.7	80.7	81.6	94.1	95.9	99.0	96.3	92.6
Other Food		77.7	87.9	82.4	80.7	80.9	83.1	80.9	84.5	84.4	80.2	88.9
Raw Materials		91.4	77.4	83.2	71.6	75.1	80.1	88.5	89.1	88.5	88.8	90.1
Timber		111.0	90.2	98.1	86.2	88.4	94.6	104.0	105.2	105.6	104.8	105.3
Other Raw Materials		78.0	68.6	73.1	61.6	66.0	70.2	77.9	78.2	76.8	77.9	79.7
Fertilizers		105.8	98.8	100.5	98.8	102.3	100.7	100.6	98.4	99.8	97.8	97.6
Metals and Minerals		83.0	75.1	72.8	69.4	72.7	73.8	71.5	73.2	71.2	74.0	74.2

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