

Commodity Markets Review

June 10, 2003

DECPG, The World Bank

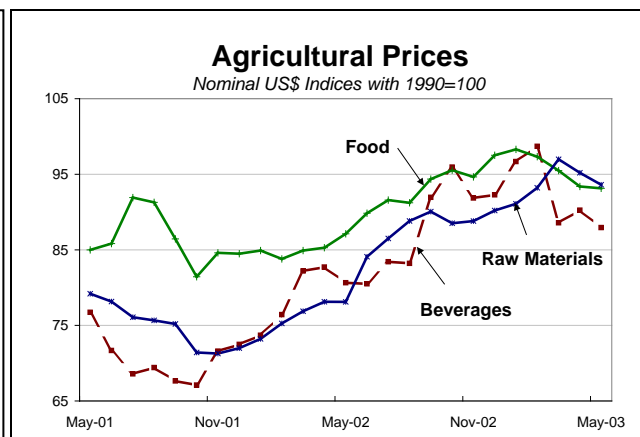
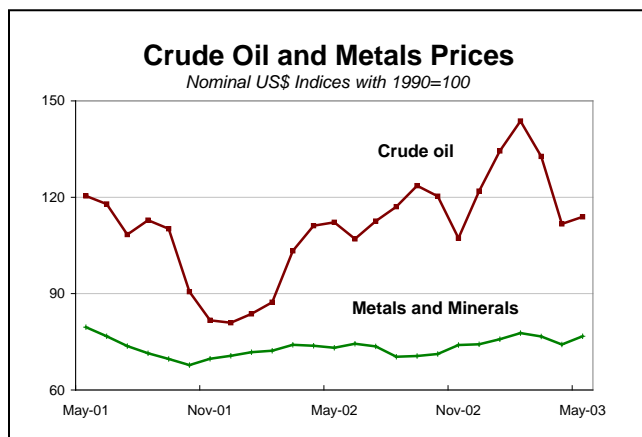
Non-oil commodity prices were marginally lower in May, as relatively strong gains in metals prices offset declines in agricultural prices. This was the third consecutive monthly decline in non-oil commodity prices, with the index down 3.4 percent since February.

Crude oil prices rose 2 percent in May to average \$26.1/bbl, largely in response to low oil inventories. U.S. oil imports have recently approached record levels, following higher OPEC production, and stocks should build in the coming weeks if this continues. At present, however, crude oil futures prices are in steep backwardation (near-by futures prices are higher than distant futures prices) providing no incentive to build discretionary stocks.

The timing of the return of Iraq's exports is still uncertain, largely because of post-war looting of equipment. Iraq exports are scheduled to commence through the port of Ceyhan, Turkey in mid-June, mainly from pre-war storage. However equipment that runs the northern pipeline to the Mediterranean has been stolen, and the pipeline may be shut for several more weeks. This sent oil prices up to \$28/bbl in early June. OPEC meets June 11, and with high prices and delays to Iraq exports, it is expected to leave quotas unchanged from what had already been agreed for June.

Agricultural prices fell 1.3 percent in May, continuing the decline of recent months. Although the declines were concentrated in a few commodities, more broadly based decreases are expected in coming months as northern hemisphere crops such as cotton, grains, and soybeans recover from last year's drought in major producing countries. Supplies of tropical commodities such as cocoa, coffee, palm oil, rubber, and sugar have also increased and appear sufficient to push prices lower. The price strength from the weaker U.S. dollar and prospects of improved economic growth are probably not sufficient to offset negative price effects of large supply increases.

Metals and minerals prices rose 3.4 percent in May, as investor demand led to another rally. Nearly all metals prices rose during the month, with aluminum, copper, lead, and tin recording lower inventories, largely on supply constraints. Nickel prices have risen above \$9,000/ton following the strike at Inco's Sudbury Canada plant June 1st. The walkout could prove lengthy and exacerbate an already tight nickel market. Gold prices rose 8.4 percent, mainly on the decline of the dollar, while silver prices increased 4.8 percent. Unlike gold, which have sustained the increase in prices, silver prices have fallen back to pre-rally levels.



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 May¹

Nitrogen fertilizer (urea) prices rose 10.4 percent due to U.S. production cuts in response to higher prices for natural gas, which is a primary production input.

Natural gas prices in the U.S. increased 10.4 percent due to extremely low inventories, and strong demand for storage.

Gold prices gained 8.4 percent, mainly due to the weak U.S. dollar.

Soybean meal prices rose 6.1 percent from tight supplies of protein meal in the U.S. and low level of soybeans available for crushing from last year's crop.

Lead prices increased 6.0 percent on falling LME inventories and reduced exports from China. Global demand, however, remains weak.

Coconut oil prices increased 5.4 percent in response to supply disruptions due to a severe tropical storm that hit the Philippines, the dominant supplier.

Nickel prices rose 5.3 percent in anticipation of a strike at Inco's operations at Sudbury, Canada—the world's second largest nickel producing site—on June 1.

Aluminum prices increased 5.0 percent on production cuts owing to power shortages, lower inventories, and tight alumina supplies.

Silver prices rose 4.8 percent on speculative demand but have since fallen back to pre-rally levels of around \$4.50/toz.

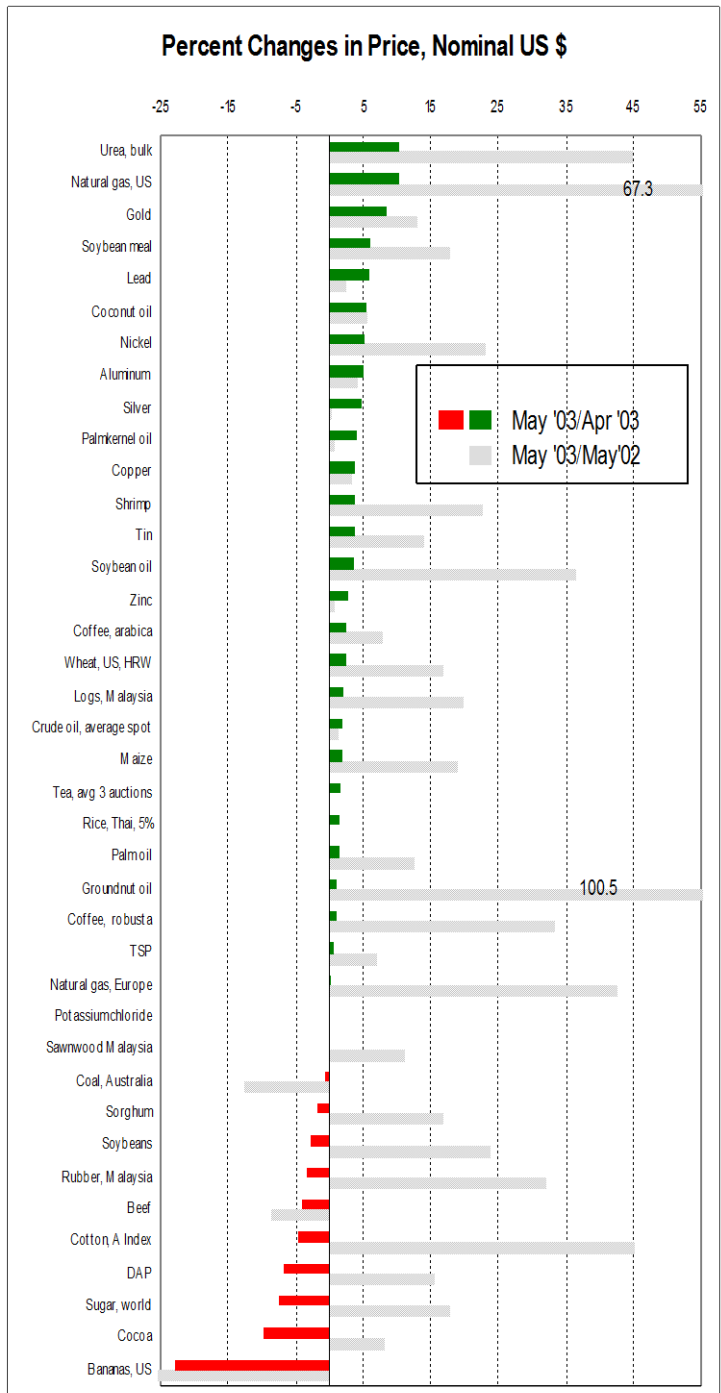
Cotton prices declined 4.7 percent following estimates by the International Cotton Advisory Committee that world cotton production area will increase by almost 10 percent in the coming season (staring August 2003).

DAP fertilizer prices fell 6.7 percent due to demand weakness following the end of the planting season in the northern hemisphere, and aggressive competition among sellers for remaining buyers.

Sugar prices dropped 7.5 percent due to large exports from Brazil following the beginning of the center-south sugar cane harvest and improved Brazilian production prospects.

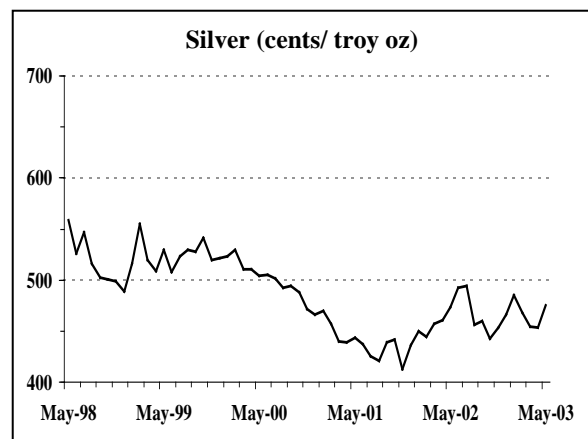
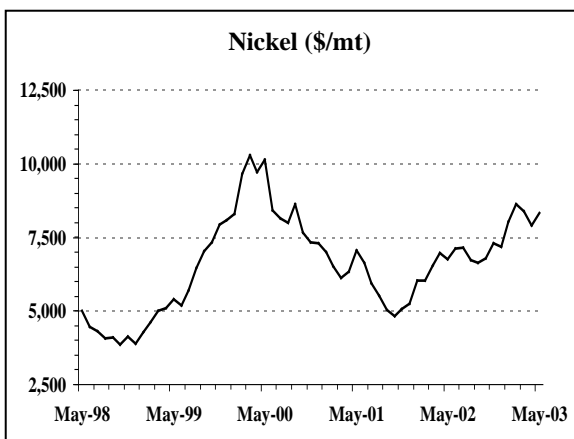
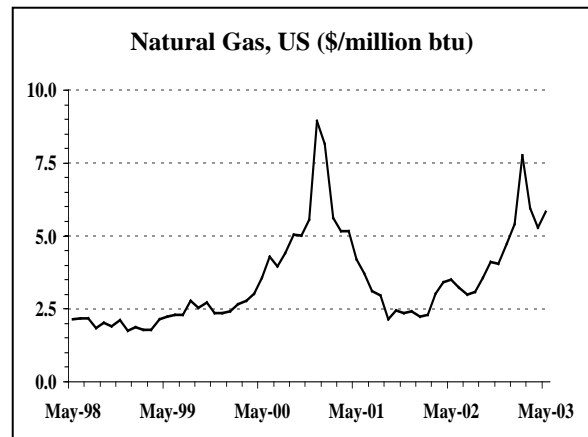
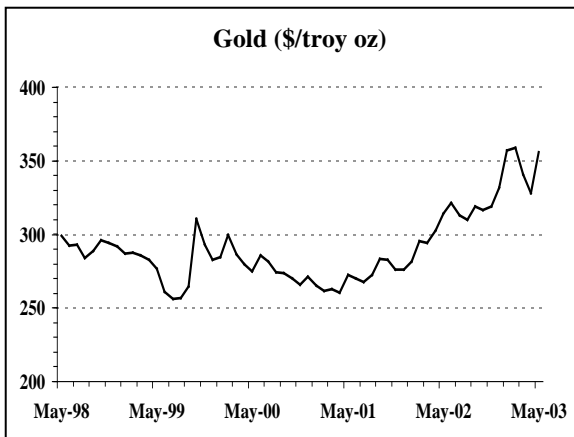
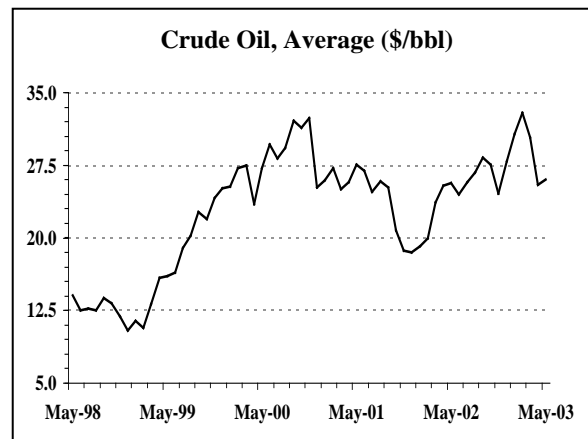
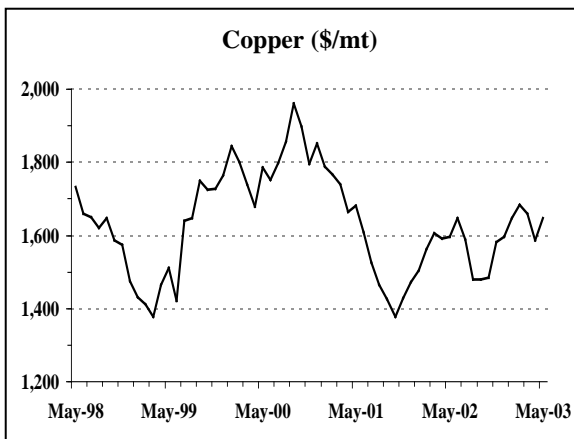
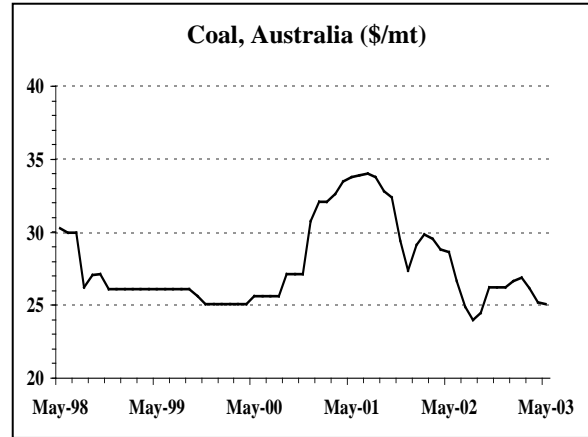
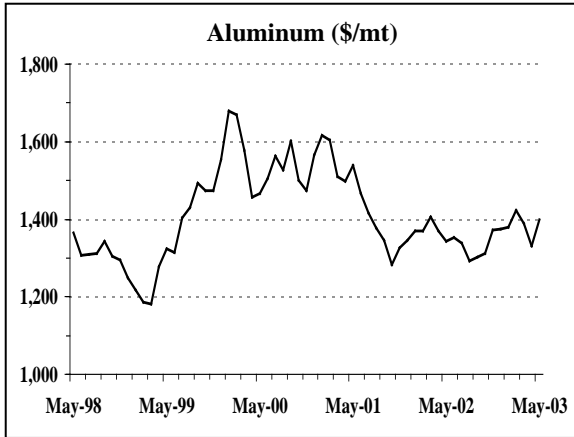
Cocoa prices declined 10 percent, as reports indicate a large surplus this season from good crops in Cote d'Ivoire, Ghana, and Nigeria in response to last year's high prices.

Bananas prices in the U.S. declined almost 23 percent, mostly in response to high exports from Ecuador, the dominant U.S. banana supplier.

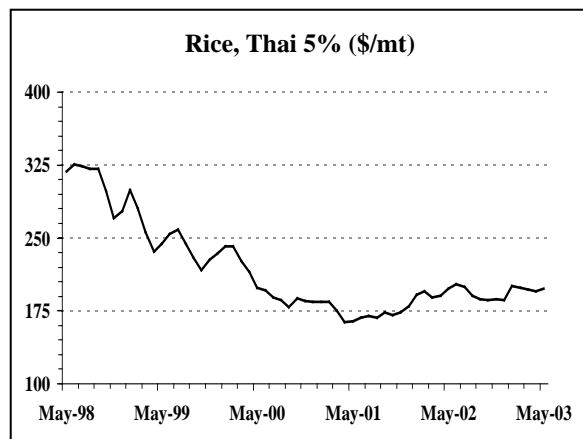
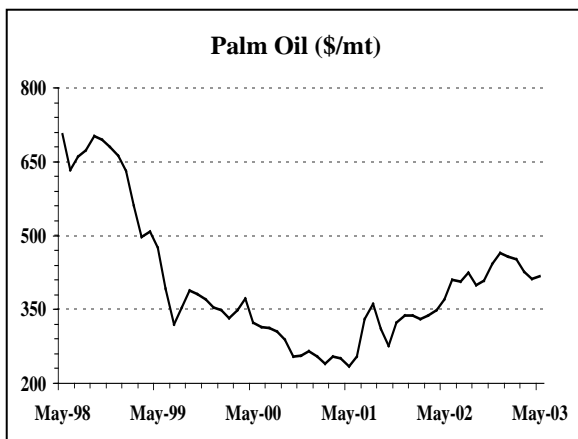
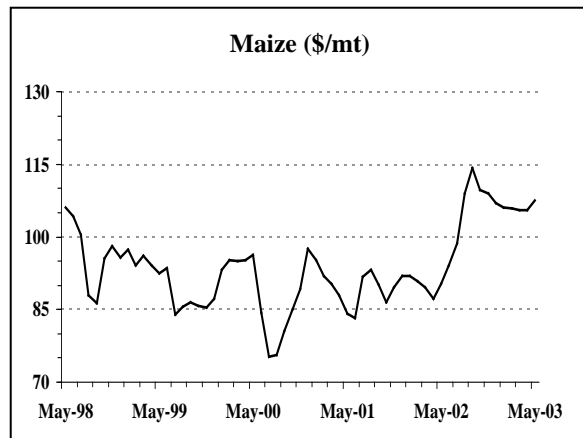
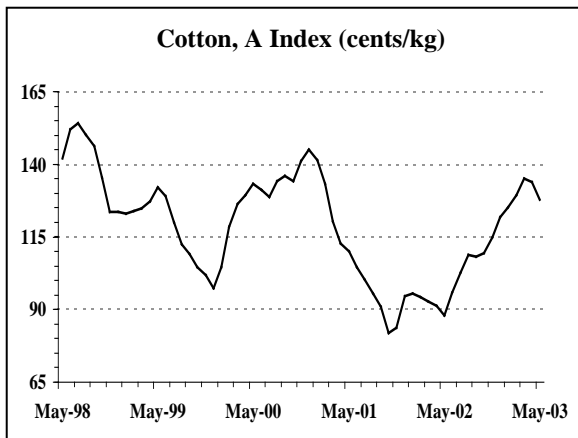
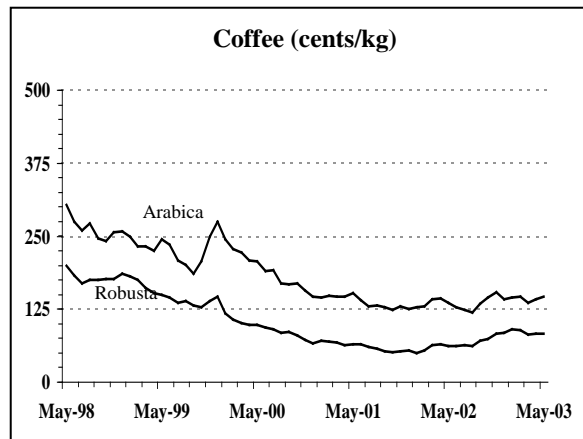
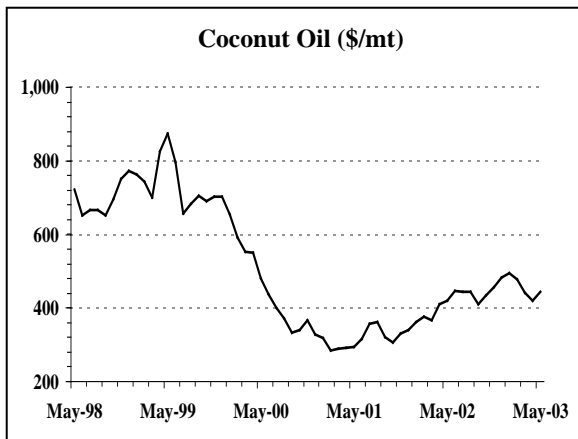
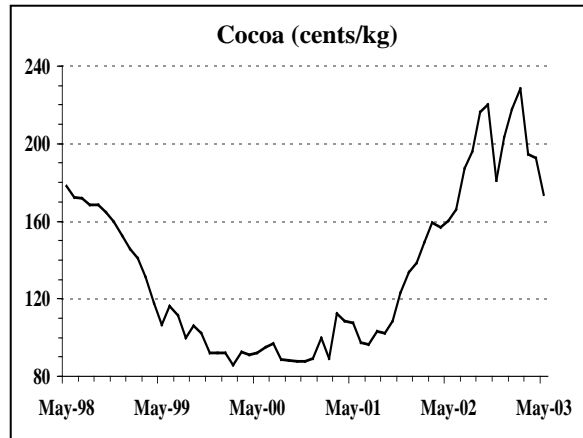
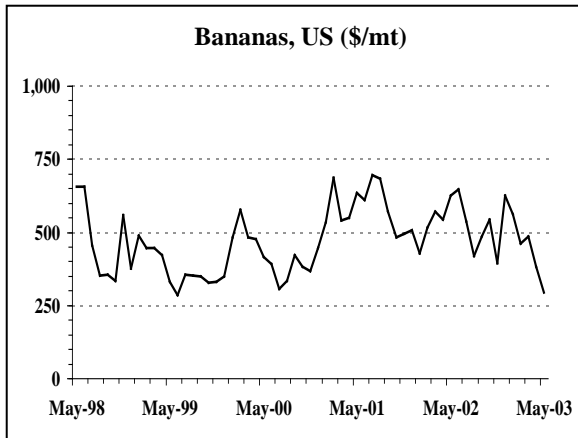


¹ Percent change of average May 2003 prices compared to average April 2003 prices in nominal U.S. dollars (graph also includes 12-month changes).

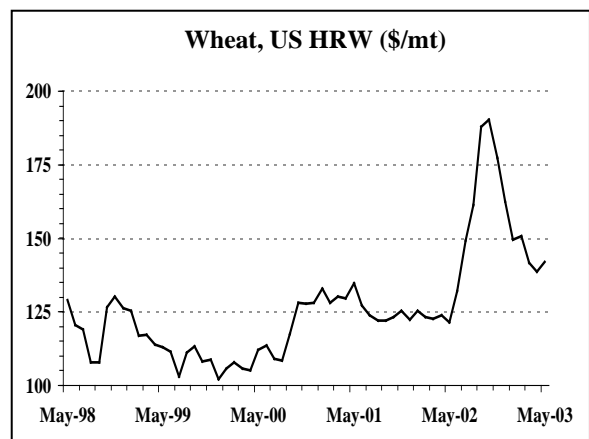
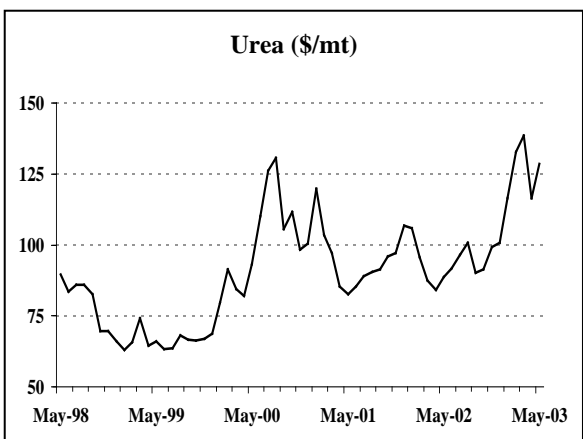
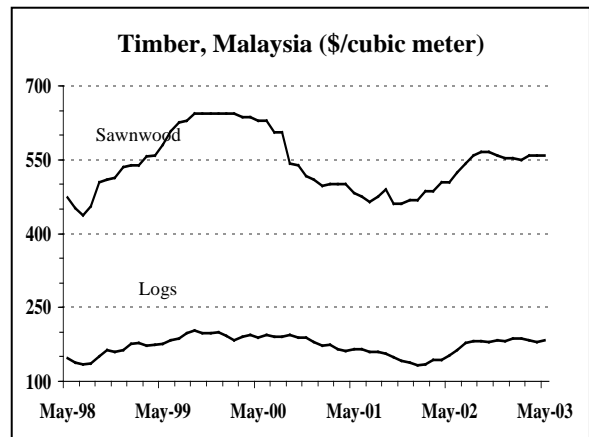
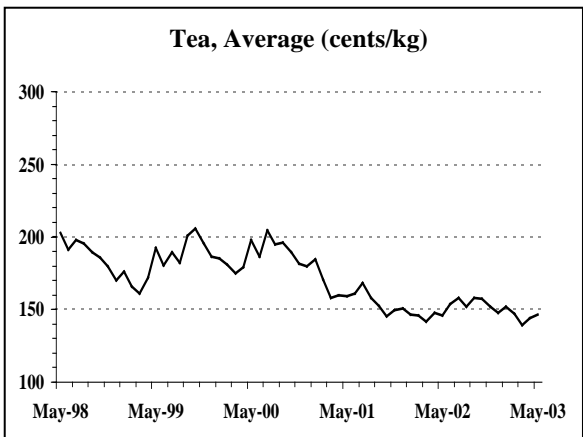
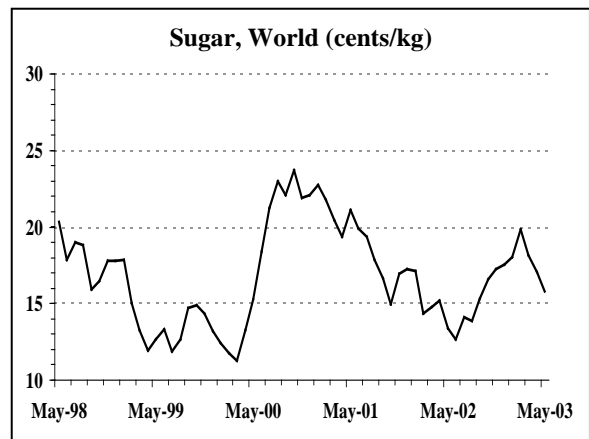
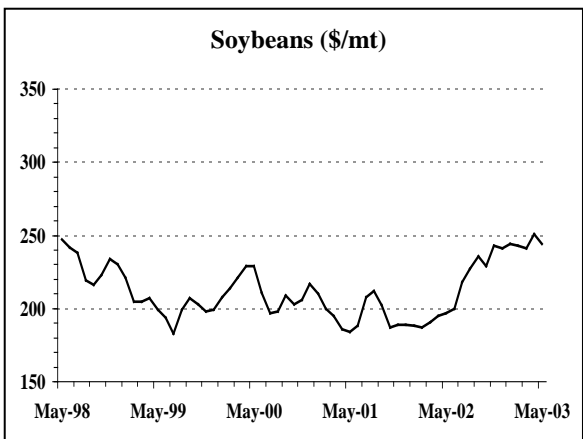
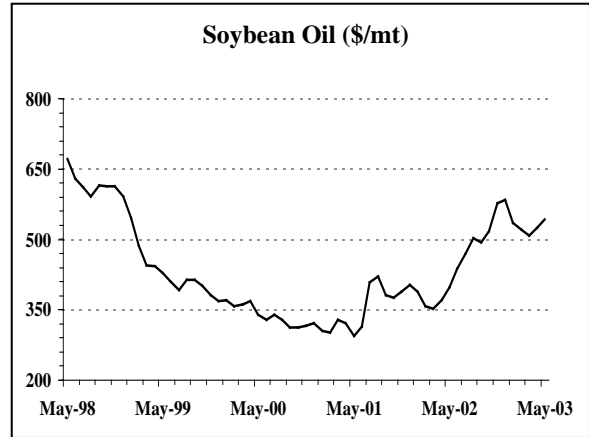
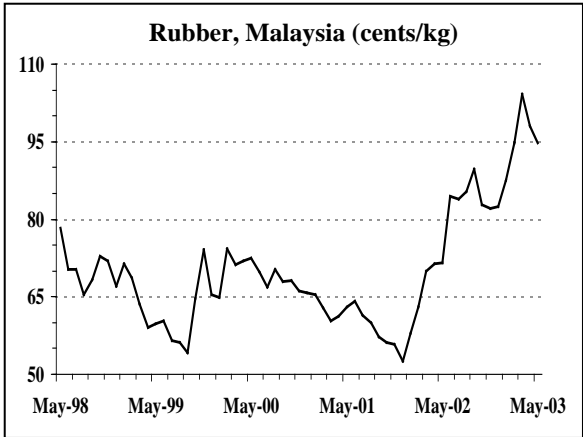
Selected Commodity Prices, Nominal US dollars, 1998-2003



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



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



COMMODITY PRICE DATA

Commodity	Unit	Annual averages			Quarterly averages					Monthly averages		
		Jan-Dec	Jan-Dec	Jan-May	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Mar	Apr	May
		2001	2002	2003	2002	2002	2002	2002	2003	2003	2003	2003
Energy												
Coal, Australia	\$/mt	32.31	27.06	25.99	29.50	28.04	24.45	26.25	26.57	26.15	25.20	25.05
Coal, US	\$/mt	44.86	40.02	n.a.	40.31	39.73	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Crude oil, avg, spot	a/ \$/bbl	24.35	24.93	29.12	20.92	25.20	26.94	26.65	31.33	30.36	25.56	26.06
Crude oil, Brent	a/ \$/bbl	24.42	24.97	29.01	21.16	25.06	26.91	26.75	31.41	30.34	25.02	25.81
Crude oil, Dubai	a/ \$/bbl	22.71	23.72	26.67	20.02	24.28	25.57	25.01	28.56	27.42	23.43	24.25
Crude oil, West Texas Int.	a/ \$/bbl	25.92	26.09	31.68	21.60	26.26	28.32	28.19	34.02	33.32	28.22	28.13
Natural gas, Europe	\$/mmbtu	4.06	3.05	3.82	3.02	2.85	3.01	3.33	3.67	3.74	4.03	4.04
Natural gas, US	\$/mmbtu	3.96	3.35	6.05	2.53	3.38	3.21	4.30	6.38	5.95	5.29	5.84
Non Energy Commodities												
Agriculture												
Beverages												
Cocoa	b/ c/kg	106.9	177.8	201.3	149.0	161.0	199.7	201.5	213.6	194.7	192.4	173.6
Coffee, Arabica	b/ c/kg	137.3	135.7	143.2	133.6	136.2	126.0	146.8	142.4	136.1	142.6	146.1
Coffee, robusta	b/ c/kg	60.7	66.2	85.7	56.1	63.3	65.1	80.3	87.5	82.0	82.5	83.3
Tea, auctions (3), average	c/kg	159.8	150.6	145.8	144.8	149.2	155.8	152.6	146.2	139.5	144.1	146.5
Tea, Colombo auctions	b/ c/kg	161.7	156.2	148.6	168.6	150.0	150.1	156.1	151.6	146.6	143.4	145.1
Tea, Kokata auctions	b/ c/kg	166.1	146.4	139.5	115.8	153.3	165.9	150.6	138.8	121.1	138.7	142.0
Tea, Mombasa auctions	b/ c/kg	151.7	149.2	149.4	150.1	144.4	151.3	151.1	148.2	150.8	150.3	152.3
Food												
Fats and Oils												
Coconut oil	b/ \$/mt	318.1	421.0	455.4	368.0	425.7	432.7	457.7	470.7	441.0	421.0	443.8
Copra	\$/mt	202.1	266.3	292.1	228.3	265.3	283.0	288.3	303.7	291.0	273.0	276.3
Groundnut oil	b/ \$/mt	680.3	687.1	1130.3	667.0	648.0	655.3	778.0	1023.3	1195.0	1284.0	1297.5
Palm oil	b/ \$/mt	285.7	390.3	433.2	335.3	377.0	410.3	438.3	445.3	426.0	412.0	418.0
Palmkernel oil	b/ \$/mt	308.1	415.8	447.3	352.0	423.7	430.0	457.7	469.3	436.0	406.0	422.5
Soybean meal	b/ \$/mt	181.0	175.2	190.7	171.7	169.0	177.7	182.3	188.7	187.0	188.0	199.5
Soybean oil	b/ \$/mt	354.0	454.3	526.1	366.7	401.7	489.0	559.7	521.3	508.0	524.0	542.3
Soybeans	b/ \$/mt	195.8	212.7	244.6	188.7	197.3	227.0	237.7	242.7	241.0	251.0	244.0
Grains												
Maize	b/ \$/mt	89.6	99.3	106.1	90.8	90.5	107.3	108.5	105.9	105.6	105.5	107.5
Rice, Thailand, 5%	b/ \$/mt	172.8	191.9	197.9	192.0	196.8	192.2	186.5	198.8	197.0	195.0	198.0
Rice, Thailand, 25%	\$/mt	153.1	175.0	181.4	172.4	177.0	176.1	174.4	182.5	180.3	178.6	180.8
Rice, Thailand, 35%	\$/mt	149.1	170.5	177.8	167.9	170.8	171.8	171.5	179.0	176.8	174.8	177.0
Rice, Thai, A1. Special	\$/mt	134.1	150.2	146.6	145.8	148.5	149.8	156.6	149.8	147.0	141.4	142.5
Sorghum	b/ \$/mt	95.2	101.7	107.7	93.3	89.2	110.5	114.0	108.9	106.8	106.8	105.0
Wheat, Canada	\$/mt	151.5	175.8	182.4	147.4	143.7	190.1	221.8	187.1	180.6	175.4	175.3
Wheat, US, HRW	b/ \$/mt	126.8	148.1	144.6	123.7	125.7	166.1	176.7	147.4	141.8	138.6	142.0
Wheat US SRW	\$/mt	107.7	130.0	132.5	117.2	113.1	135.1	154.4	135.9	129.4	125.8	129.2
Other Food												
Bananas EU	\$/mt	777.2	759.4	934.9	844.9	790.7	707.0	695.1	963.3	1007.3	892.2	892.6
Bananas US	b/ \$/mt	583.3	528.6	437.8	505.7	605.8	480.9	521.9	502.7	485.7	384.4	296.3
Beef, US	b/ c/kg	212.9	212.7	208.1	230.0	216.1	210.2	194.5	214.2	210.3	202.8	194.7
Fishmeal	\$/mt	486.7	605.9	590.9	589.3	621.7	617.0	595.7	591.3	577.0	577.0	603.5
Lamb	c/kg	291.2	330.3	356.3	311.1	319.2	339.7	351.5	356.7	352.2	350.3	361.1
Oranges	b/ \$/mt	595.5	564.5	621.1	496.2	616.7	639.3	506.0	561.8	633.2	700.0	720.0
Shrimp, Mexico	b/ c/kg	1,517	1,052	1,175	1,162	983	992	1,069	1,179	1,213	1,168	1,168
Sugar EU domestic	b/ c/kg	52.86	54.92	58.55	52.14	53.44	56.61	57.48	58.62	57.88	57.58	59.34
Sugar US domestic	b/ c/kg	47.04	46.14	48.58	45.78	43.74	46.41	48.62	48.85	49.05	48.19	48.16
Sugar, world	b/ c/kg	19.04	15.18	17.79	15.42	13.76	14.43	17.12	18.69	18.14	17.09	15.81
Raw Materials												
Timber												
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	184.5	137.2	153.6	180.9	181.9	186.3	184.2	180.0	183.9
Plywood	c/sheets	409.8	402.7	433.9	369.9	389.9	430.7	420.4	433.4	434.5	429.9	439.2
Sawnwood, Cameroon	\$/cum	471.9	486.4	549.3	447.1	473.5	511.4	513.5	542.0	545.6	542.3	578.4
Sawnwood, Malaysia	\$/cum	481.4	526.5	555.9	480.2	510.5	555.9	559.4	553.6	559.4	559.4	559.4
Woodpulp.cif.North.Sea	\$/mt	517.3	452.3	495.6	431.4	443.3	483.9	450.7	466.6	502.1	539.2	539.2
Other Raw Materials												
Cotton A Index	b/ c/kg	105.8	101.9	130.2	94.2	91.6	106.5	115.3	129.8	135.0	134.0	127.7
Cotton Memphis	b/ c/kg	116.6	104.9	n.a.	98.6	98.1	109.4	n.a.	n.a.	n.a.	n.a.	n.a.
Jute	\$/mt	329.4	270.8	238.3	350.0	n.a.	235.00	227.33	233.8	241.3	245.0	245.0
Rubber, Malaysia	b/ c/kg	60.0	77.1	95.8	63.6	75.9	86.3	82.5	95.5	104.2	98.0	94.7
Rubber, NY	c/kg	74.7	90.7	103.5	75.9	85.9	101.0	100.0	106.7	105.7	101.2	96.2
Rubber, Singapore	c/kg	57.5	76.5	99.1	62.1	74.0	86.1	83.8	98.6	106.4	99.8	99.8
Sisal	\$/mt	699.2	659.6	660.0	670.0	668.3	650.0	650.0	650.0	650.0	675.0	675.0
Wool	c/kg	418.7	469.0	557.5	455.7	447.3	438.3	534.7	564.4	563.1	545.9	548.3

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

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		Annual averages			Quarterly averages				Monthly averages			
		Jan-Dec	Jan-Dec	Jan-May	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Mar	Apr	May
		2001	2002	2003	2002	2002	2002	2002	2003	2003	2003	2003
Fertilizers												
DAP	\$/mt	147.7	157.5	176.7	155.0	155.8	167.3	152.1	172.0	190.9	190.3	177.5
Phosphate rock	b/ \$/mt	41.8	40.4	38.0	41.0	41.0	41.0	38.5	38.0	38.0	38.0	38.0
Pottasium chloride	\$/mt	118.1	113.3	112.5	115.3	112.9	112.5	112.5	112.5	112.5	112.5	112.5
TSP	\$/mt	126.9	133.1	139.9	135.7	132.3	132.1	132.2	136.1	143.8	145.0	146.0
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	126.5	96.4	88.2	95.8	97.1	129.2	138.4	116.4	128.5
Metals and Minerals												
Aluminum	b/ \$/mt	1,444	1,350	1,384	1,381	1,356	1,310	1,353	1,397	1,389	1,332	1,398
Copper	b/ \$/mt	1,578	1,559	1,645	1,557	1,611	1,516	1,554	1,663	1,659	1,587	1,648
Gold	\$/toz	271.0	310.0	348.1	290.4	312.8	314.2	322.5	352.1	340.6	328.2	355.7
Iron ore	b/ c/dmtu	30.03	29.31	29.31	29.31	29.31	29.31	29.31	29.31	29.31	29.31	29.31
Lead	b/ c/kg	47.6	45.3	45.6	49.1	45.5	43.0	43.5	45.9	45.7	43.7	46.4
Nickel	b/ \$/mt	5,945	6,772	8,254	6,203	6,946	6,833	7,104	8,343	8,379	7,910	8,331
Silver	c/toz	438.6	462.5	467.5	450.7	475.4	470.1	454.0	469.5	454.7	453.6	475.3
Steel products (8) index	a/ 1990=100	66.8	67.7	75.2	63.7	66.0	69.7	71.4	74.6	76.4	75.6	76.8
Steel cr coilsheet	\$/mt	299.2	328.3	404.0	280.0	300.0	353.3	380.0	400.0	410.0	410.0	410.0
Steel hr coilsheet	\$/mt	216.5	246.7	312.0	200.0	236.7	270.0	280.0	306.7	320.0	320.0	320.0
Steel, rebar	\$/mt	221.5	204.2	254.0	200.0	200.0	206.7	210.0	250.0	270.0	260.0	260.0
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	458.3	381.2	415.3	404.1	423.6	453.7	460.5	456.6	473.7
Zinc	b/ c/kg	88.6	77.9	77.8	79.5	78.2	76.6	77.3	78.6	79.1	75.5	77.6
World Bank commodity price indices for low and middle income countries(1990 =100)												
Energy		106.4	109.0	127.3	91.5	110.1	117.7	116.5	136.9	132.7	111.7	113.9
Non Energy Commodities		79.0	83.0	89.4	78.3	81.3	84.8	87.7	90.2	89.6	88.2	88.1
Agriculture		79.8	86.5	94.3	79.7	83.5	89.7	93.1	95.4	94.3	93.2	92.0
Beverages		72.1	84.6	92.4	77.4	81.3	86.2	93.4	94.7	88.6	90.3	87.9
Food		86.0	90.1	95.5	84.4	87.5	92.6	96.1	97.0	95.5	93.4	93.1
Fats and Oils		89.0	101.2	113.2	91.6	96.7	105.2	111.3	113.6	111.1	111.1	114.2
Grains		78.2	88.1	90.1	80.7	81.6	94.1	95.9	90.9	89.2	88.2	89.7
Other Food		87.9	82.2	84.1	80.7	83.3	81.3	83.7	87.0	86.2	81.8	77.8
Raw Materials		77.4	83.2	94.0	75.1	80.1	88.5	89.2	93.8	97.0	95.2	93.6
Timber		90.2	98.1	104.3	88.4	94.6	104.0	105.2	104.0	104.8	104.5	104.8
Other Raw Materials		68.6	73.1	87.0	66.0	70.2	77.9	78.3	86.8	91.6	88.8	86.0
Fertilizers		98.8	100.5	101.6	102.3	100.7	100.6	98.4	99.8	103.5	104.1	104.6
Metals and Minerals		75.1	72.8	76.2	72.7	73.8	71.5	73.2	76.7	76.7	74.2	76.7

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