

# Commodity Markets Review

March 8, 2007

DECPG, The World Bank

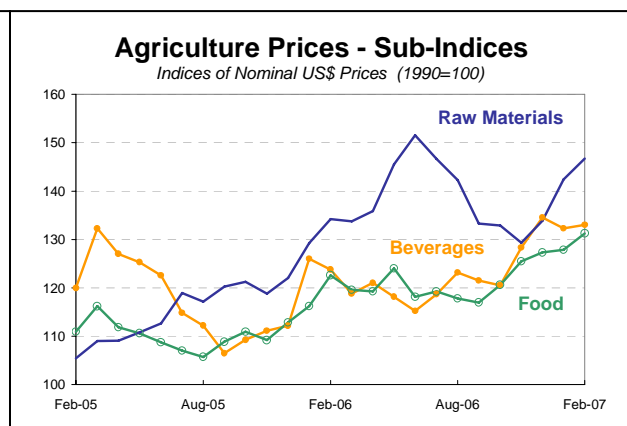
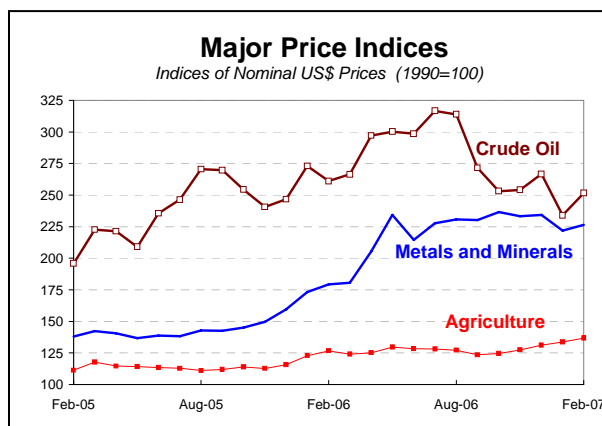
**After non-oil commodity prices rose 2.1 percent in February, March started with increased volatility.** The sharp fall in global equity markets mainly affected metals markets, where prices slumped some 7 percent in early March on concerns about slowing demand, but prices have since rebounded. The increase in commodity prices last month was fairly broad-based, and present sentiment is fairly bullish in metals, grains and crude oil markets.

**Crude oil prices rose 7.6 percent in February,** averaging \$57.6/bbl, on cold weather, tightening product markets, lower OPEC production, and geopolitical concerns over Iran and Nigeria. Product stocks in the U.S. have fallen sharply due to strong demand, lower imports, a heavy refinery maintenance season, and a spate of unplanned refinery outages in the U.S. and Canada. The belated arrival of cold weather pushed refiners to maintain distillate yields (to produce heating oil) at the expense of gasoline. Continued tightness in products will likely support crude prices heading into the spring pick-up in oil demand.

OPEC has lowered production by about 1 mb/d since September, well short of its agreed reductions of 1.7 mb/d. More than half of the cuts have occurred in Saudi Arabia, although all members have reduced output. OPEC meets March 15<sup>th</sup>, but no further cuts are anticipated, given the rise in prices and tightening balance.

**Agriculture prices rose 2.3 percent in February,** to the highest nominal levels in nearly 10 years due to strong demand for grains and fats and oils, low grain stocks, and high energy-related fertilizer prices which may lower yields for the coming crop. Maize prices rose 9 percent to the highest level in nearly 10 years on strong demand for producing ethanol in the U.S. Soybean prices rose more than 6 percent reflecting the USDA's projected 7 percent decline in U.S. soybean area in the coming year. Soybean meal prices were also up 6 percent as higher maize prices are leading to increased demand of soybean meal for animal feed. Rubber prices rose nearly 10 percent on reduced seasonal and weather-related supplies in Asia.

**Metals and minerals prices increased 2.1 percent in February,** led by sharp gains in tin and nickel. Tin prices surged 14 percent as the Indonesian government continues to restrict unauthorized production. Nickel prices jumped 12 percent to a record high in real terms on chronically low inventories, strong demand for stainless steel, and various supply shortfalls. The price of copper has rebounded from its lows—following a 40 percent drop since last May—as China's imports increased sharply in January, and may continue to rise. Gold and silver prices were up on strong investment demand. Only zinc posted a large decline due to rising exports from China, although stocks remain very low.



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

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

**DAP and Urea** fertilizer prices surged 29.1 percent and 12.8 percent, respectively, due to increased demand stemming from higher grain prices and projected increases in crop areas.

**Natural gas** prices in the U.S. soared 21.1 percent due to strong demand from cold weather, but prices have receded into March as stocks remain above average and as winter's end nears.

**Tin** prices jumped 13.8 percent due to lower output from Indonesia as the government clamped down on unauthorized production, amid strong demand from China and falling inventories.

**Nickel** prices rose 11.9 percent due to extremely low and declining stocks, strong stainless steel demand, and on-going supply problems.

**Rubber** prices rose 9.7 percent due to production declines for the three key suppliers—Thailand, Indonesia, and Malaysia—as the typical seasonal decline during the first months of the year were exacerbated by adverse weather conditions.

**Maize** prices rose 8.7 percent on continued strong demand for ethanol production in the U.S. and projections that global stocks will fall to record lows by the end of the current crop year.

**Sorghum** (a close substitute for maize) prices rose by 3.8 percent.

**Silver** prices rose 8.4 percent on strong investment demand, but prices fell more than 10 percent into early March following the plunge in global equity markets.

**Crude oil** prices increased 7.6 percent, as the market continues to tighten from strong demand, declining stocks, and lower OPEC production.

**Cocoa** prices climbed 6.9 percent, primarily due to a short-fall in output from Cote d'Ivoire—the world's largest cocoa supplier—and was further exacerbated by recent adverse weather conditions in the western region of the country.

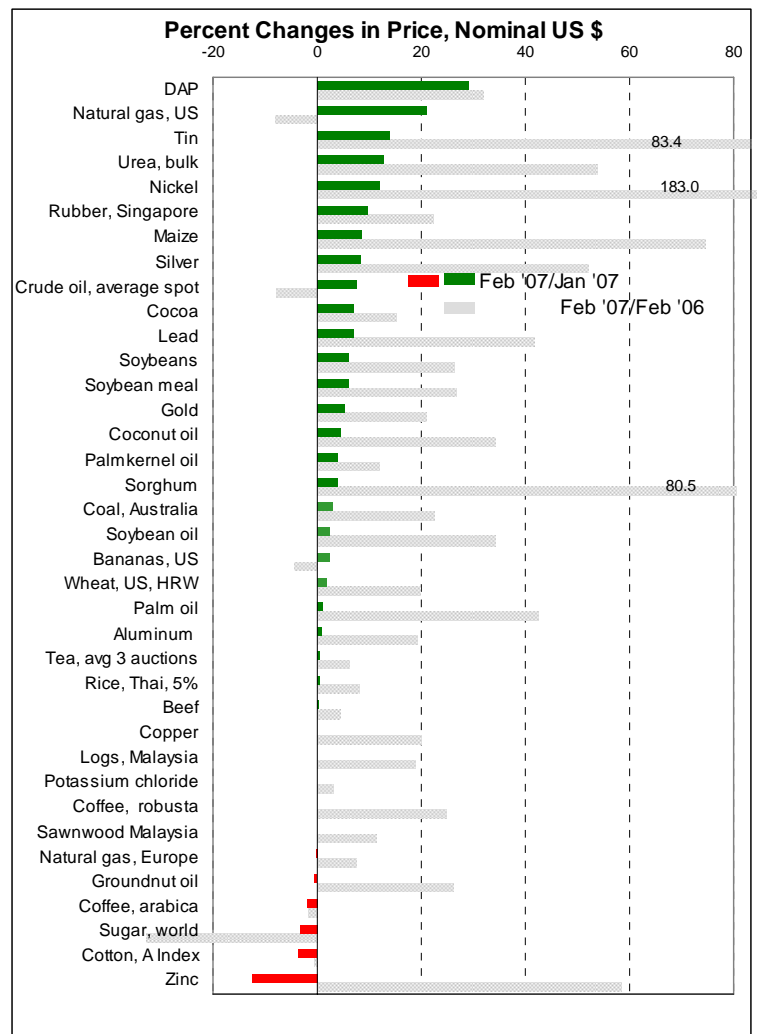
**Lead** prices rose 6.8 percent due to lower Chinese exports, sharply declining inventories, and shortages of concentrate stemming from the lack of investment in mine capacity.

**Soybeans and soybean meal** prices jumped 6.2 percent and 6.1 percent, respectively, as high maize prices are expected to both reduce soybean plantings in favor of maize, and lead to greater use of soymeal for animal feed.

**Gold** prices increased 5.3 percent, hitting a high of \$686/toz, on strong investment demand and “safe haven” buying, but prices fell in early March following the drop in equity markets.

**Coconut oil and palmkernel oil** prices (close substitutes) rose 4.4 percent and 3.8 percent, respectively, due to the tightness in the coconut oil market, as reduced copra production in Indonesia and the Philippines led to an 8-year low in coconut oil exports.

**Zinc** prices in the U.S. dropped 12.6 percent due to rising stocks and higher exports from China in recent months.



<sup>1</sup> Percent change of average February prices compared to average January 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	Jan-Dec	Jan-Feb	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Dec	Jan	Feb
		2005	2006	2007	2005	2006	2006	2006	2006	2006	2006	2007
<b>Energy</b>												
Coal, Australia	\$/mt	47.62	49.09	52.09	39.58	46.88	52.62	50.26	46.60	49.75	51.29	52.90
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	55.54	56.55	61.03	68.31	68.79	59.02	60.99	53.52	57.56
Crude oil, Brent	a/ \$/bbl	54.43	65.39	56.03	56.93	61.92	69.83	70.09	59.73	62.31	54.30	57.76
Crude oil, Dubai	a/ \$/bbl	49.29	61.43	53.85	52.70	57.85	64.68	65.87	57.33	58.67	52.01	55.68
Crude oil, West Texas Int.	a/ \$/bbl	56.44	66.04	56.75	60.02	63.33	70.43	70.42	59.99	62.00	54.24	59.25
Natural gas, Europe	\$/mmbtu	6.33	8.47	8.58	7.41	7.97	8.27	8.69	8.96	8.92	8.59	8.56
Natural gas, US	\$/mmbtu	8.92	6.72	7.28	12.26	7.68	6.50	6.04	6.66	6.58	6.58	7.97
<b>Non Energy Commodities</b>												
<b>Agriculture</b>												
<b>Beverages</b>												
Cocoa	b/ c/kg	153.8	159.2	175.7	147.0	155.5	158.4	162.3	160.6	170.7	169.9	181.5
Coffee, Arabica	b/ c/kg	253.2	252.2	271.8	234.1	262.3	241.0	240.0	265.5	283.2	274.5	269.0
Coffee, robusta	b/ c/kg	111.5	148.9	174.4	114.2	136.7	132.9	158.1	168.0	169.0	174.5	174.3
Tea, auctions (3), average	c/kg	164.7	187.2	179.3	166.2	178.7	192.3	195.6	182.2	182.8	178.8	179.7
Tea, Colombo auctions	b/ c/kg	184.3	191.0	218.6	191.0	192.7	179.2	190.9	201.1	212.3	209.3	227.8
Tea, Kolkata auctions	b/ c/kg	162.1	175.4	151.6	157.1	143.7	192.5	192.3	173.2	164.9	157.0	146.2
Tea, Mombasa auctions	b/ c/kg	147.8	195.2	167.6	150.4	199.8	205.3	203.5	172.4	171.3	170.0	165.3
<b>Food</b>												
<b>Fats and Oils</b>												
Coconut oil	b/ \$/mt	617.0	606.9	747.0	574.0	578.3	578.7	599.4	671.2	731.7	731.0	763.0
Copra	\$/mt	413.7	402.5	493.4	379.9	383.3	383.0	400.3	443.5	486.0	483.8	503.0
Groundnut oil	b/ \$/mt	1,060	970	1,177	963	918	896	946	1,121	1,174	1,180	1,173
Palm oil	b/ \$/mt	422.1	478.4	602.0	438.3	436.4	438.7	492.7	545.7	583.0	599.0	605.0
Palmkernel oil	b/ \$/mt	627.0	581.1	665.5	607.7	606.7	557.1	559.0	601.7	647.0	653.0	678.0
Soybean meal	b/ \$/mt	214.4	209.2	254.5	204.0	200.8	197.3	208.3	230.3	235.0	247.0	262.0
Soybean oil	b/ \$/mt	544.9	598.6	705.5	558.7	535.3	576.3	620.3	662.2	696.7	697.0	714.0
Soybeans	b/ \$/mt	274.7	268.6	315.5	258.9	257.0	263.7	263.9	290.0	297.0	306.0	325.0
<b>Grains</b>												
Maize	b/ \$/mt	98.7	121.9	171.9	99.8	105.0	109.3	117.4	155.7	160.4	164.8	179.1
Rice, Thailand, 5%	b/ \$/mt	286.3	304.9	313.7	281.6	298.8	307.6	312.4	300.8	305.0	313.0	314.3
Rice, Thailand, 25%	\$/mt	265.4	277.1	288.8	259.8	271.8	276.0	284.6	276.1	280.3	286.6	291.0
Rice, Thailand, 35%	\$/mt	261.8	272.0	281.9	257.1	268.8	272.9	277.6	268.6	273.3	279.4	284.3
Rice, Thai, A1.Special	\$/mt	217.8	218.0	247.5	211.2	213.8	216.6	219.2	222.5	226.3	241.6	253.3
Sorghum	b/ \$/mt	96.2	122.9	178.4	95.5	103.5	111.7	118.0	158.6	170.6	175.1	181.7
Wheat, Canada	\$/mt	197.6	216.8	231.4	203.5	208.9	212.1	215.4	230.8	236.9	229.4	233.4
Wheat, US, HRW	b/ \$/mt	152.4	192.0	198.0	164.5	173.8	189.6	196.1	208.7	204.3	196.1	200.0
Wheat US SRW	\$/mt	135.7	159.0	176.6	135.1	145.4	144.0	153.0	193.5	189.8	176.0	177.1
<b>Other Food</b>												
Bananas EU	\$/mt	1,176	897	1,027	1,056	984	991	768	845	891	985	1,069
Bananas US	b/ \$/mt	602.8	677.2	646.9	621.8	788.4	770.3	548.5	601.8	658.0	639.4	654.5
Beef	b/ c/kg	261.7	254.7	261.5	256.3	249.2	247.3	257.4	265.0	267.3	261.2	261.8
Fishmeal	\$/mt	731	1,166	1,243	852	909	1,178	1,334	1,244	1,256	1,234	1,252
Lamb	c/kg	443.8	403.6	402.6	413.2	395.8	410.7	408.5	399.3	405.5	404.6	400.7
Oranges	b/ \$/mt	874.7	829.2	819.5	848.0	826.7	755.5	814.6	920.0	792.8	797.1	841.8
Shrimp, Mexico	b/ c/kg	1,034	1,024	987	1,031	1,047	1,047	1,047	953	951	981	992
Sugar EU domestic	b/ c/kg	66.54	64.56	64.76	63.92	64.08	66.78	63.30	64.10	65.64	64.57	64.95
Sugar US domestic	b/ c/kg	46.93	48.76	44.80	47.96	51.86	51.69	47.66	43.85	43.19	43.90	45.69
Sugar, world	b/ c/kg	21.79	32.59	23.72	26.32	37.50	36.53	30.60	25.71	25.51	24.14	23.30
<b>Raw Materials</b>												
<b>Timber</b>												
Logs, Cameroon	\$/cum	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Logs, Malaysia	\$/cum	203.1	239.4	262.4	209.1	222.9	237.3	240.9	256.6	268.5	262.3	262.6
Plywood	c/sheets	508.6	595.6	622.3	500.2	529.0	577.8	638.3	637.2	640.3	622.0	622.7
Sawnwood, Cameroon	\$/cum	559.1	622.9	721.4	528.9	583.0	617.8	632.9	657.8	674.7	721.8	720.9
Sawnwood, Malaysia	\$/cum	659.4	749.3	795.9	680.7	713.3	743.1	761.9	779.1	798.2	796.4	795.4
Woodpulp	\$/mt	635.5	703.3	721.9	605.9	627.8	682.3	737.1	766.1	778.5	721.9	721.9
<b>Other Raw Materials</b>												
Cotton A Index	b/ c/kg	121.7	126.7	130.4	126.1	129.0	121.8	128.0	127.8	131.1	132.8	128.1
Cotton Memphis	c/kg	129.8	133.5	130.45	134.8	134.1	130.1	137.3	132.7	138.3	138.4	134.5
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	241.2	186.4	221.6	258.7	245.5	199.4	195.3	231.3	251.1
Rubber, Singapore	b/ c/kg	150.2	210.8	221.1	168.2	202.3	245.7	219.2	176.0	175.9	210.9	231.4
Sisal	\$/mt	885.0	885.0	885.0	885.0	885.0	885.0	885.0	885.0	885.0	885.0	885.0
Wool	c/kg	580.0	557.6	565.0	575.0	555.0	555.0	555.3	565.0	565.0	565.0	565.0

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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

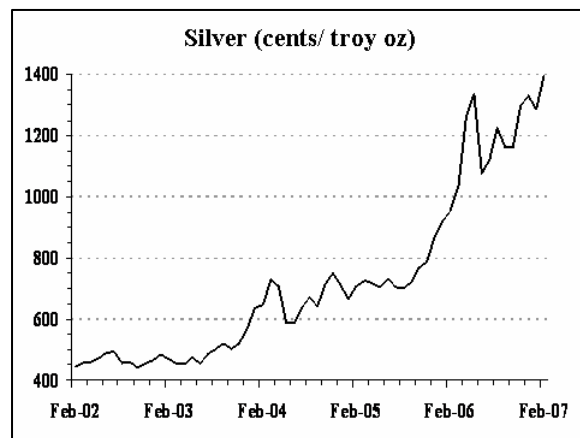
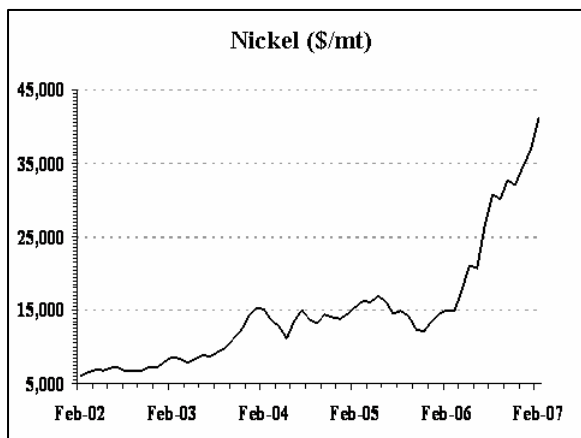
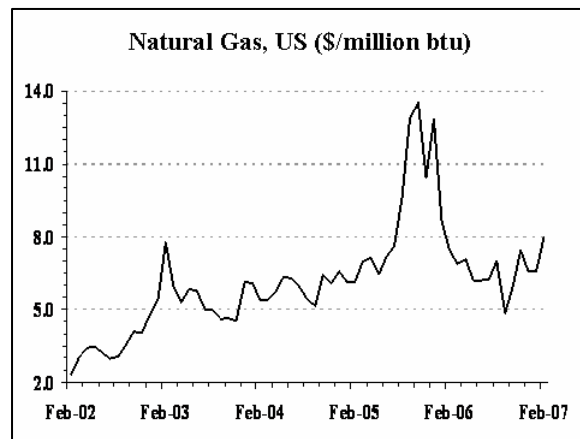
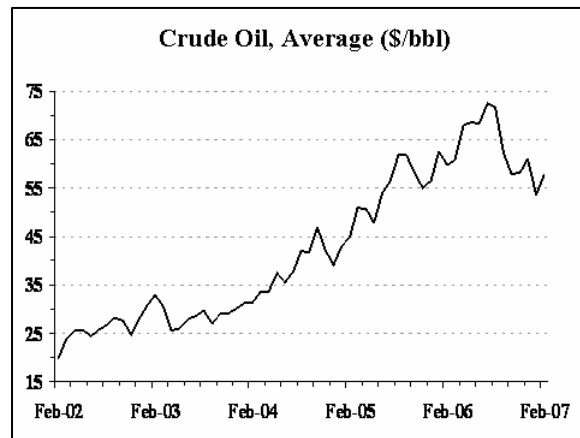
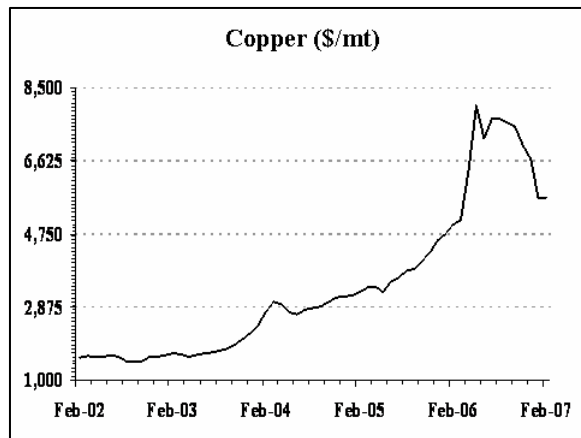
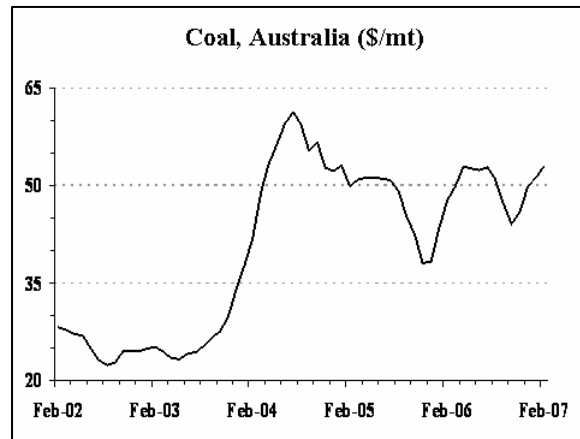
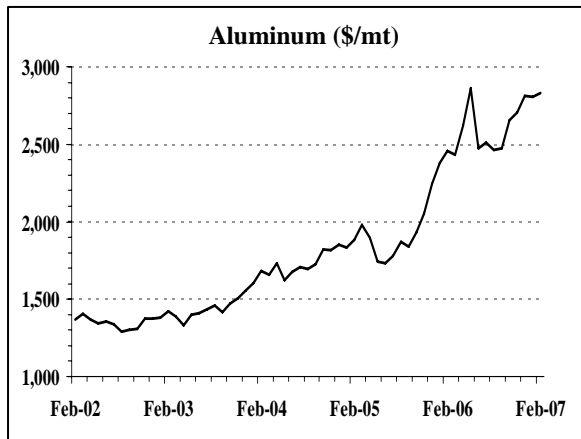
		Annual averages				Quarterly averages				Monthly averages		
		Jan-Dec	Jan-Dec	Jan-Feb	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Dec	Jan	Feb
		2005	2006	2007	2005	2006	2006	2006	2006	2006	2007	2007
<b>Fertilizers</b>												
DAP	\$/mt	247.0	260.3	306.5	264.5	259.6	266.9	260.3	254.2	253.5	267.6	345.4
Phosphate rock	b/ \$/mt	42.0	44.2	45.5	42.0	42.3	43.5	45.5	45.5	45.5	45.5	45.5
Pottasium chloride	\$/mt	158.2	174.5	175.0	170.0	171.1	177.3	174.6	175.0	175.0	175.0	175.0
TSP	\$/mt	201.5	204.9	n.a.	201.0	200.9	200.5	230.1	n.a.	n.a.	n.a.	n.a.
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	287.0	224.7	219.2	228.1	210.4	234.0	254.7	269.8	304.3
<b>Metals and Minerals</b>												
Aluminum	b/ \$/mt	1,898	2,570	2,821	2,076	2,421	2,653	2,482	2,724	2,814	2,809	2,832
Copper	b/ \$/mt	3,679	6,722	5,673	4,302	4,940	7,210	7,670	7,068	6,675	5,670	5,676
Gold	\$/toz	444.8	604.3	648.0	485.6	554.0	627.4	621.5	614.5	629.8	631.2	664.7
Iron ore CVRD So & No	b/ c/dmtu	65.00	77.35	77.35	65.00	77.35	77.35	77.35	77.35	77.35	77.35	77.35
Lead	b/ c/kg	97.6	129.0	172.3	104.9	124.2	110.0	119.0	162.7	172.6	166.6	178.0
Nickel	b/ \$/mt	14,744	24,254	38,998	12,649	14,810	19,925	29,154	33,129	34,570	36,811	41,184
Silver	c/toz	734	1,157	1,341	808	969	1,226	1,169	1,263	1,330	1,287	1,395
Steel products (8) index	a/ 1990=100	137.9	134.5	131.4	138.6	138.6	131.6	135.8	132.1	131.0	131.4	132.0
Steel cr coilsheet	\$/mt	733.3	693.8	650.0	750.0	750.0	666.7	700.0	658.3	650.0	650.0	650.0
Steel hr coilsheet	\$/mt	633.3	600.0	550.0	650.0	650.0	591.7	600.0	558.3	550.0	550.0	550.0
Steel, rebar	\$/mt	423.1	443.8	468.8	430.0	430.0	445.0	450.0	450.0	450.0	450.0	487.5
Steel wire rod	\$/mt	579.2	581.3	500.0	600.0	600.0	575.0	600.0	550.0	480.0	500.0	500.0
Tin	c/kg	738.0	878.1	1214.8	643.2	760.6	852.9	865.3	1033.5	1115.9	1136.2	1293.3
Zinc	b/ c/kg	138.1	327.5	354.8	164.0	224.2	329.2	336.3	420.4	440.5	378.7	331.0
<b>World Bank commodity price indices for low and middle income countries( 1990 =100)</b>												
Energy		233.4	281.0	242.8	247.2	266.8	298.6	300.7	257.9	266.6	233.9	251.6
Non Energy Commodities		121.9	151.9	160.7	125.3	139.8	153.4	156.0	158.5	160.8	159.0	162.4
Agriculture		113.0	126.6	135.3	114.3	124.6	127.8	126.3	127.8	131.2	133.7	136.8
Beverages		116.9	122.5	132.7	110.8	122.9	118.1	121.1	127.8	134.5	132.3	133.0
Food		109.9	120.6	129.6	111.1	119.5	120.5	118.0	124.5	127.3	127.9	131.3
Fats and Oils		122.9	126.4	154.1	120.0	118.6	119.4	127.1	140.4	146.7	151.1	157.1
Grains		103.2	120.9	137.5	105.2	111.4	117.4	121.7	133.1	134.5	135.2	139.8
Other Food		103.1	115.7	105.0	107.1	124.7	123.1	108.5	106.6	107.3	104.6	105.3
Raw Materials		114.1	137.4	144.6	121.0	132.4	144.3	140.8	132.0	133.9	142.4	146.7
Timber		122.5	139.9	149.1	126.4	132.8	138.7	142.0	146.0	150.0	149.2	149.1
Other Raw Materials		108.3	135.7	141.4	117.2	132.2	148.1	139.9	122.5	122.9	137.8	145.1
Fertilizers		134.9	143.5	151.8	134.6	134.9	135.7	151.8	151.8	151.8	151.8	151.8
Metals and Minerals		142.5	215.0	224.1	151.4	177.7	218.1	229.5	234.7	234.2	221.8	226.4

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

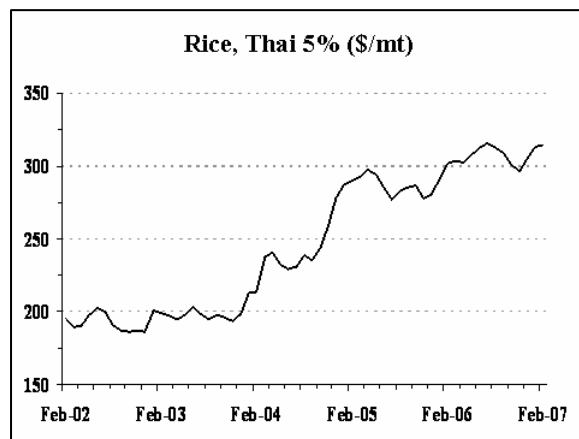
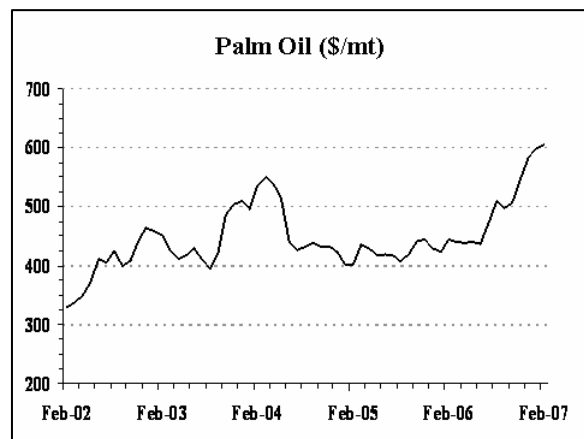
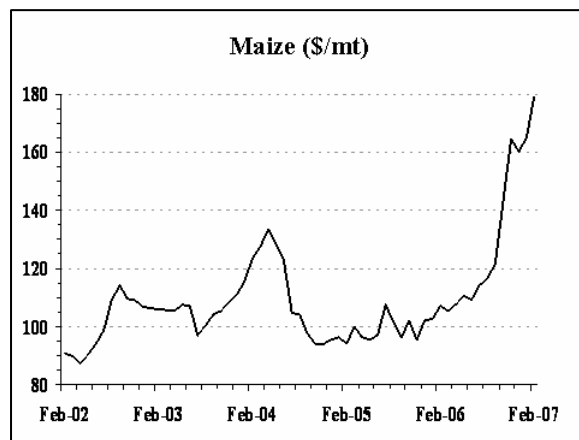
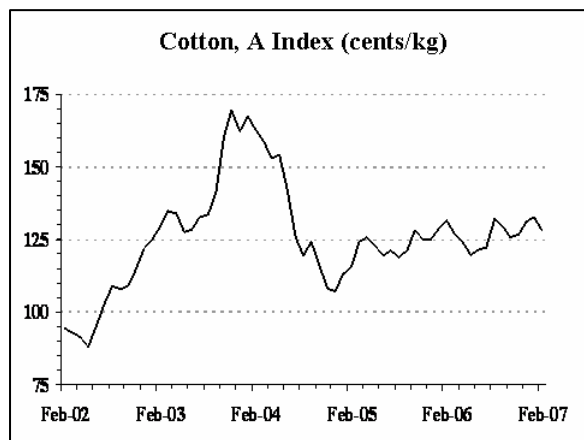
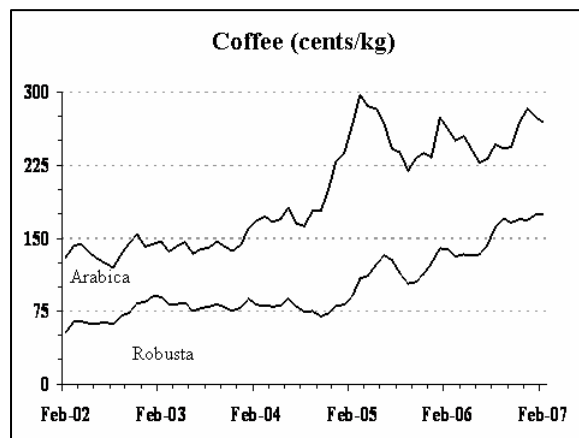
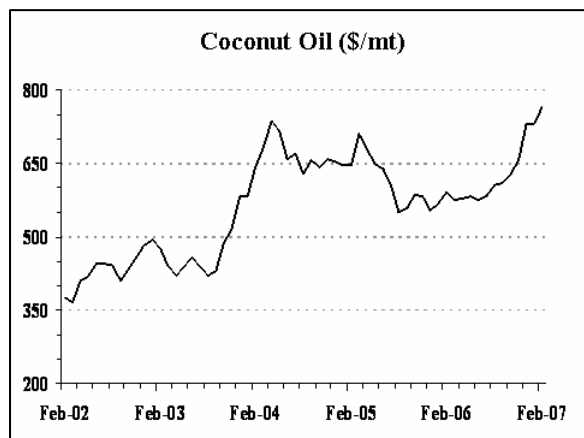
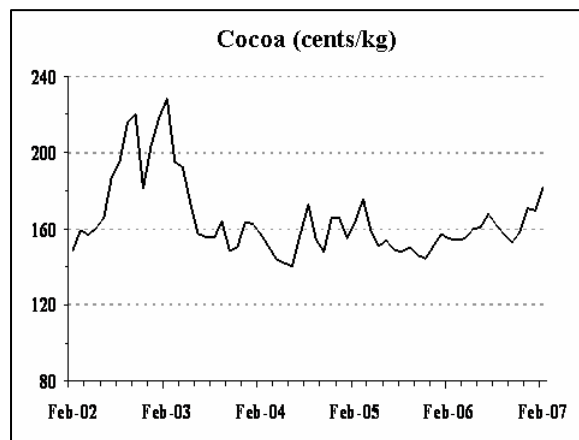
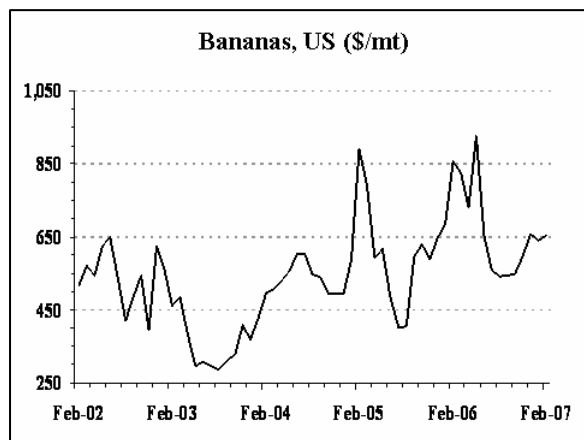
b. Not included in index/

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

## Selected Commodity Prices, Nominal US dollars, 2001-2006



# Selected Commodity Prices, Nominal US dollars, 2001-2006 cont'd



## Selected Commodity Prices, Nominal US dollars, 2001-2006 cont'd

