

Commodity Markets Review

September 7, 2006

DECPG, The World Bank

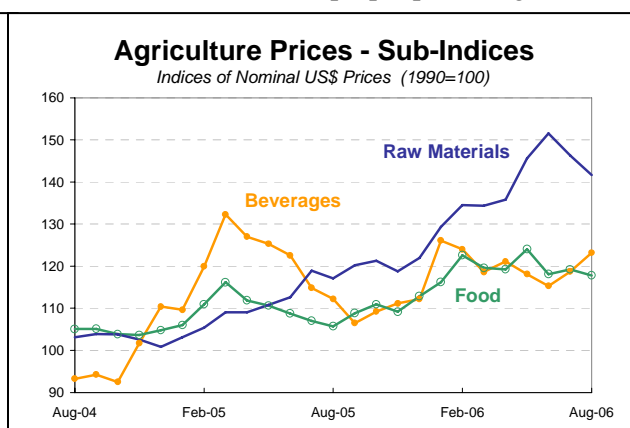
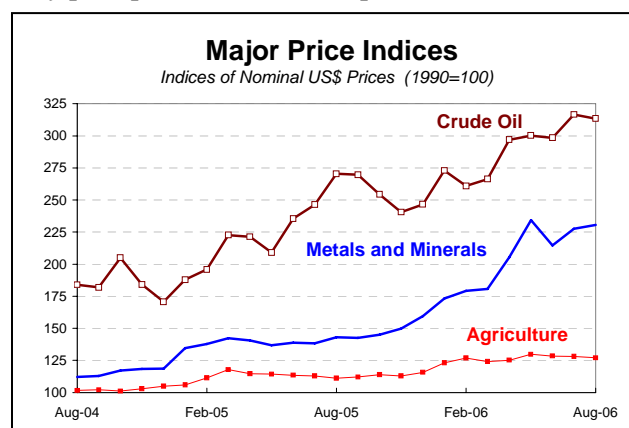
Non-oil commodity prices were unchanged in August but are up 23.7 percent year-to-date. Of that, metals prices have jumped 48 percent, with zinc prices more than doubling and copper prices up 89 percent on strong demand, supply problems and low stocks. Agriculture prices are up 12.3 percent, with beverages flat and food prices up 9.1 percent. The largest growth was in sugar and rubber, both tied to high oil prices.

Crude oil prices slipped 1.0 percent in August, to average \$71.7/bbl. However, since highs in early August of more than \$75/bbl, prices have slumped \$10/bbl or 13 percent into early September as fears of supply disruption diminish, seasonal demand weakens, and stocks continue to increase. U.S. wholesale gasoline prices have plummeted by 30% the past month after Goldman Sachs announced it would reduce the allocation of gasoline in its commodity indices (GSCI)—indicating the impact financial markets can have on commodity prices.

The U.S. summer driving season ended without major constraint, and the hurricane season in the U.S. Gulf has been less active-than-anticipated. The demand for crude oil typically weakens in September, and shrinking refinery margins and large inventories could weaken crude oil demand further. OPEC meets September 11th, and little change in production is expected. However, further prices declines may prompt OPEC to contemplate action.

Agricultural prices fell 0.8 percent in August, mainly as result of sugar and rubber prices coming of their highs. Sugar prices dropped 15.8 percent on prospects of higher output from Brazil and India—the world's two largest producers. The surge in prices last year led Brazilian sugar growers to boost planting, and sugar and ethanol producers to add mills. Rubber prices plunged 12.1 percent due to weaker demand from China and falling crude oil prices—the later affecting the price of synthetic rubber, its main substitute. Coffee (robusta) prices jumped 14.1 percent due to a poor Vietnam crop, subdued exports from Indonesia, and water damage to Italian inventories.

Metals and minerals prices rose 1.3 percent in August, with nickel prices surging 15.6 percent due to strong demand for stainless steel, low stocks, and various supply problems, including a strike in its sixth week at Inco's Voisey Bay in Canada. Demand has been strong outside China, while Chinese stainless steel producers de-stocked nickel. Copper prices were marginally lower despite a 25-day strike at the world's largest copper mine, Escondida in Chile. Stocks remain critically low and other labor contracts in Chile and Canada expire this year which could prop up prices. China has also been drawing upon its copper inventories, but with de-stocking complete, a re-emergence of strong Chinese demand could propel prices higher.



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 August¹

Nickel prices surged 15.6 percent due to strong demand for stainless steel, low stocks, and various supply problems, including a strike in its sixth week at Inco's Voisey Bay in Canada. Demand by stainless steel producers has been especially strong outside China.

Coffee (robusta) prices rose 14.1 percent due to a poor Vietnam crop, subdued exports from Indonesia, and water damage to Italian inventories. High prices caused roasters to shift to arabica use in their blends, in turn helping boost arabica prices by 6.4%.

Natural gas prices in the U.S. rose 11.9 percent due to a nation-wide heat wave in the first part of August. Natural gas has been substantially less expensive than oil this year, adding to demand pressures.

Lead prices increased 11.6 percent due to falling stocks and strong demand for batteries in new vehicles in China.

Silver prices rose 9.3 percent partly due to depreciation of the dollar and increased demand in the iShares Silver Trust, traded on the American Stock Exchange. The Trust holds physical bullion to generally reflect investment in the Trust.

Palm oil prices increased 8.3 percent, to the highest level since May 2004, due to optimistic demand prospects as well as current consumption growth. This season's imports (Oct/Sep 2005/06) increased by more than 6%.

Cotton prices rose 7.8 percent reflecting deteriorating weather condition in the US, India, and Pakistan--these three countries account for almost 45% of global cotton supplies.

Cocoa prices decreased 3.5 percent, following a brief rally in July which was fuelled by reports of adverse weather condition in West Africa.

Soybeans prices fell 3.6 percent on improved weather conditions, as rain in U.S. brought relief after several weeks of drought.

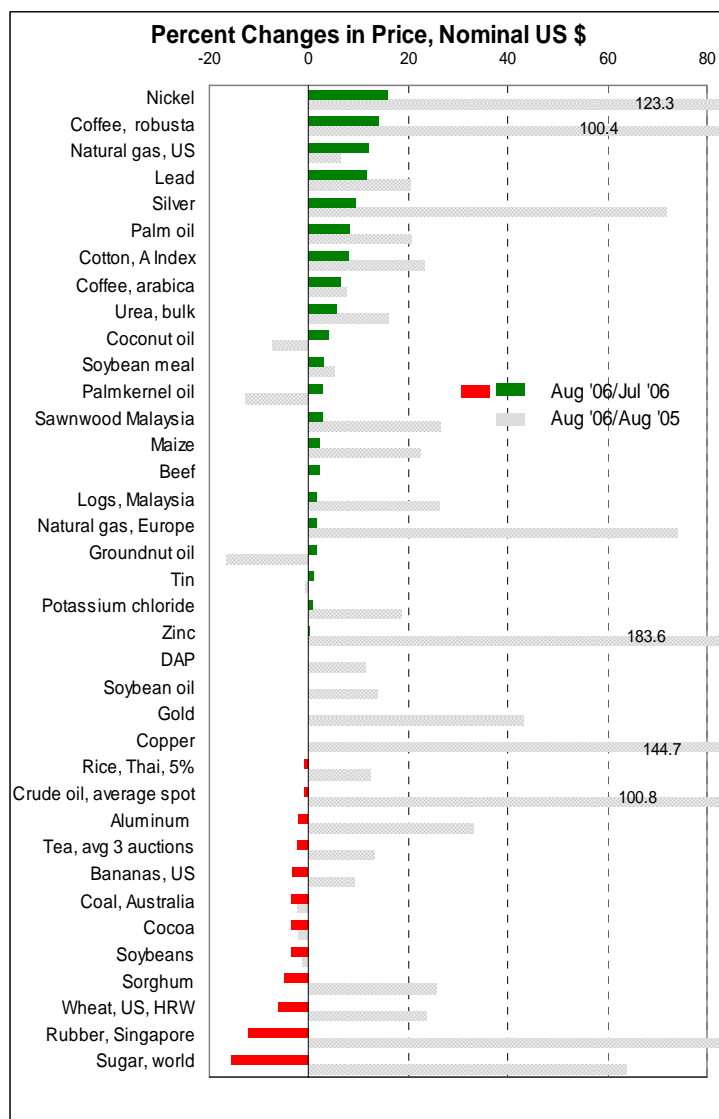
Sorghum prices decreased 5.0 percent on improved supply prospects.

Wheat prices fell 6.2 percent, following gains every month this year except March, as drought

conditions eased in Europe and output is expected to be higher than previously thought.

Rubber prices plunged 12.1 percent mainly a response to weakening demand from China (world's dominant consumer, accounting for almost one quarter of global consumption) and falling crude oil prices—the later affecting the price of synthetic rubber, its main substitute.

Sugar prices dropped 15.8 percent on prospects of higher output from Brazil and India—the world's two largest producers. The surge in prices last year led Brazilian sugar growers to boost planting, and sugar and ethanol producers to add mills.



¹ Percent change of average August prices compared to average July 2006 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-Aug	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jun	Jul	Aug
		2004	2005	2006	2005	2005	2005	2006	2006	2006	2006	2006
Energy												
Coal, Australia	\$/mt	52.95	47.62	50.18	51.19	48.43	39.58	46.88	52.62	52.38	52.75	50.94
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	37.73	53.39	66.53	50.79	59.98	56.55	61.03	68.31	68.29	72.45	71.72
Crude oil, Brent	a/ \$/bbl	38.30	54.43	67.81	51.61	61.55	56.93	61.92	69.83	68.86	73.90	73.35
Crude oil, Dubai	a/ \$/bbl	33.46	49.29	63.18	47.69	55.34	52.70	57.85	64.68	65.08	69.05	68.78
Crude oil, West Texas Int.	a/ \$/bbl	41.44	56.44	68.59	53.06	63.05	60.02	63.33	70.43	70.93	74.40	73.04
Natural gas, Europe	\$/mmbtu	4.28	6.33	8.25	5.89	6.52	7.41	7.97	8.27	8.29	8.58	8.71
Natural gas, US	\$/mmbtu	5.89	8.92	6.97	6.94	10.04	12.26	7.68	6.50	6.19	6.25	7.00
Non Energy Commodities												
Agriculture												
Beverages												
Cocoa	b/ c/kg	155.0	153.8	158.9	154.4	149.1	147.0	155.5	158.4	160.7	167.9	162.1
Coffee, Arabica	b/ c/kg	177.4	253.2	248.5	278.6	233.4	234.1	262.3	241.0	227.4	231.5	246.3
Coffee, robusta	b/ c/kg	79.3	111.5	139.1	122.6	115.2	114.2	136.7	132.9	132.8	142.2	162.2
Tea, auctions (3), average	c/kg	168.6	164.7	189.0	166.0	166.8	166.2	179.2	192.9	198.9	200.7	195.5
Tea, Colombo auctions	b/ c/kg	178.1	184.3	186.1	176.5	176.1	191.0	192.7	179.2	174.1	183.3	189.8
Tea, Kolkata auctions	b/ c/kg	172.2	162.1	175.0	179.1	175.2	157.1	143.7	192.5	207.2	203.2	188.0
Tea, Mombasa auctions	b/ c/kg	155.4	147.8	206.1	142.3	149.0	150.4	201.0	207.0	215.3	215.5	208.8
Food												
Fats and Oils												
Coconut oil	b/ \$/mt	660.8	617.0	582.5	654.9	571.7	574.0	578.3	578.7	575.0	583.3	606.0
Copra	\$/mt	450.0	413.7	385.8	446.4	380.7	379.9	383.3	383.0	387.0	383.8	404.0
Groundnut oil	b/ \$/mt	1,161.0	1060.4	914.5	1101.3	1025.0	963.0	917.7	896.3	898.0	930.0	944.0
Palm oil	b/ \$/mt	471.3	422.1	450.8	421.7	415.0	438.3	436.4	438.7	437.0	471.0	510.0
Palmkernel oil	b/ \$/mt	648.1	627.0	577.7	655.6	582.3	607.7	607.0	557.1	535.0	557.0	572.0
Soybean meal	b/ \$/mt	241.2	214.4	200.5	221.3	218.7	204.0	200.8	197.3	201.0	201.8	208.0
Soybean oil	b/ \$/mt	616.0	544.9	574.3	548.0	551.7	558.7	535.3	576.3	601.0	630.0	629.0
Soybeans	b/ \$/mt	306.5	274.7	261.8	290.7	278.3	258.9	256.7	263.7	267.0	271.8	262.0
Grains												
Maize	b/ \$/mt	111.8	98.7	109.2	96.3	101.8	99.8	105.0	109.3	109.4	114.0	116.6
Rice, Thailand, 5%	b/ \$/mt	237.7	286.3	305.9	292.0	281.6	281.6	298.8	307.6	312.5	315.4	312.7
Rice, Thailand, 25%	\$/mt	225.4	265.4	276.8	270.5	260.7	259.8	271.8	276.0	280.5	286.6	284.3
Rice, Thailand, 35%	\$/mt	222.3	261.8	272.7	265.8	256.7	257.1	268.8	272.9	276.0	279.0	277.7
Rice, Thai, A1.Special	\$/mt	205.1	217.8	215.7	218.9	211.9	211.2	213.8	216.6	215.5	217.2	217.7
Sorghum	b/ \$/mt	109.8	96.2	109.9	95.4	101.0	95.5	103.5	111.7	111.9	120.0	114.0
Wheat, Canada	\$/mt	186.5	197.6	212.7	191.0	194.9	203.5	208.9	212.1	216.1	230.2	208.6
Wheat, US, HRW	b/ \$/mt	156.9	152.4	185.3	142.0	151.0	164.5	173.8	189.6	195.2	202.4	189.9
Wheat US SRW	\$/mt	144.4	135.7	145.0	132.1	130.3	135.1	145.4	144.0	140.1	143.9	148.4
Other Food												
Bananas EU	\$/mt	892.0	1175.7	880.7	1346.0	1016.7	1055.8	951.2	944.0	906.5	683.8	676.1
Bananas US	b/ \$/mt	524.6	602.8	722.2	565.5	466.8	621.8	788.4	770.3	654.5	559.8	541.5
Beef	b/ c/kg	251.3	261.7	250.3	264.8	266.8	256.3	249.2	247.3	245.3	253.8	259.3
Fishmeal	\$/mt	648.6	711.2	1121.2	663.1	712.3	828.8	899.6	1178.3	1340.0	1379.0	1357.0
Lamb	c/kg	459.9	443.8	406.3	454.9	429.2	413.2	395.8	410.7	419.4	414.1	416.4
Oranges	b/ \$/mt	857.5	874.7	789.0	1,068.4	751.7	848.0	826.7	755.5	665.8	734.4	830.8
Shrimp, Mexico	b/ c/kg	1,022	1,034	1,047	1,047	1,028	1,031	1,047	1,047	1,047	1,047	1,047
Sugar EU domestic	b/ c/kg	66.97	66.54	64.91	67.90	65.23	63.92	64.08	66.78	67.40	63.01	63.65
Sugar US domestic	b/ c/kg	45.47	46.93	50.87	47.76	46.73	47.96	51.86	51.69	51.42	49.17	47.15
Sugar, world	b/ c/kg	15.80	21.79	35.91	19.28	21.96	26.32	37.50	36.53	33.95	35.38	29.80
Raw Materials												
Timber												
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	197.3	203.1	232.1	199.9	211.4	209.1	222.9	237.3	238.5	236.1	240.0
Plywood	c/sheets	464.8	508.6	574.3	512.6	506.5	500.2	529.0	577.8	611.2	635.4	638.6
Sawnwood, Cameroon	\$/cum	587.0	559.1	607.7	562.6	546.6	528.9	583.0	617.8	621.6	621.9	637.4
Sawnwood, Malaysia	\$/cum	581.3	659.4	736.0	652.7	664.3	680.7	713.3	743.1	749.3	749.6	769.3
Woodpulp	\$/mt	640.8	635.5	673.5	651.7	607.4	605.9	627.8	682.3	697.3	728.8	728.8
Other Raw Materials												
Cotton A Index	b/ c/kg	136.6	121.7	126.6	122.6	120.4	126.1	131.1	121.8	121.5	122.4	131.9
Cotton Memphis	c/kg	137.5	129.8	132.95	130.9	85.7	134.8	134.1	130.1	130.6	131.3	139.7
Jute	\$/mt	280.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rubber, Malaysia	n.q.	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	148.3	166.1	245.9	151.6	181.5	186.4	221.6	258.7	290.4	273.4	253.4
Rubber, Singapore	b/ c/kg	130.4	150.2	227.1	138.5	167.5	168.2	202.3	245.7	273.1	251.7	221.3
Sisal	\$/mt	862.1	885.0	885.0	885.0	885.0	885.0	885.0	885.0	885.0	885.0	885.0
Wool	c/kg	541.0	580.0	555.0	584.5	576.5	575.0	555.0	555.0	555.0	555.0	555.0

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

COMMODITY PRICE DATA

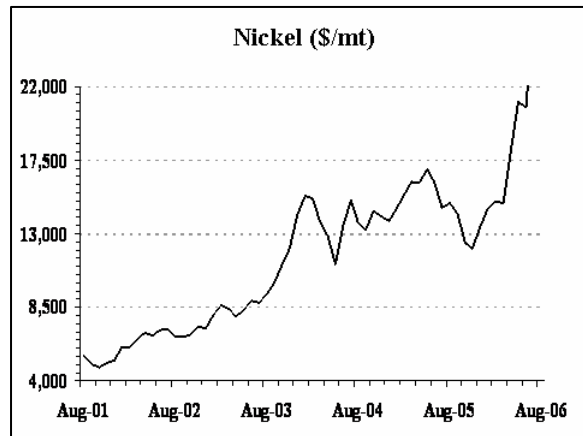
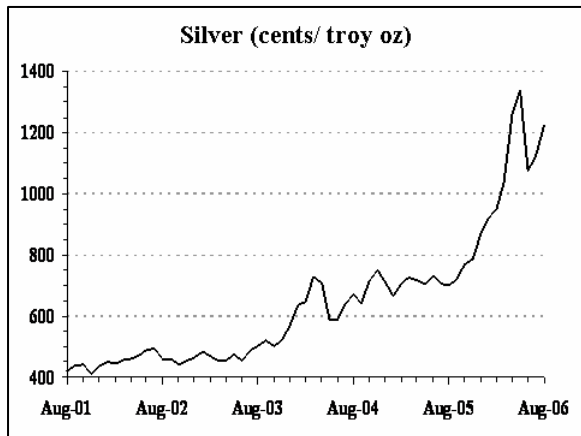
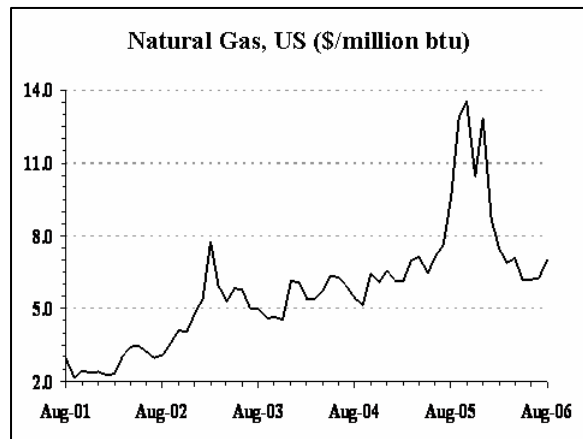
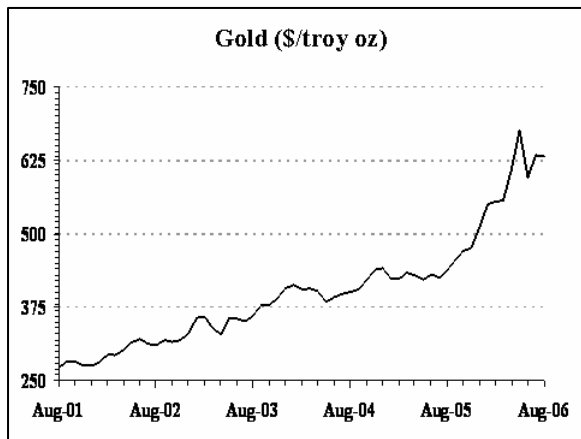
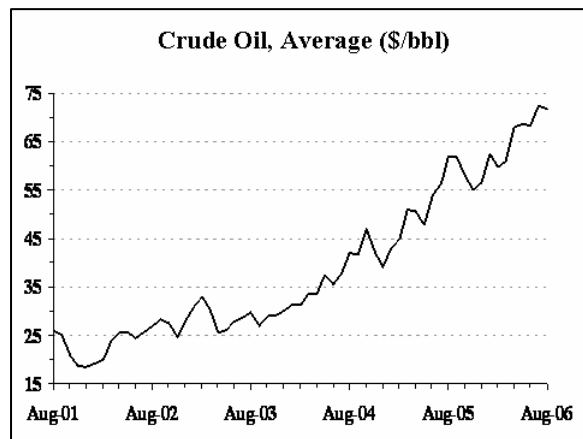
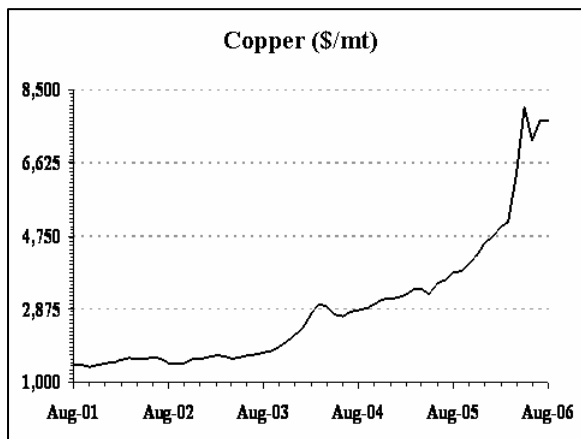
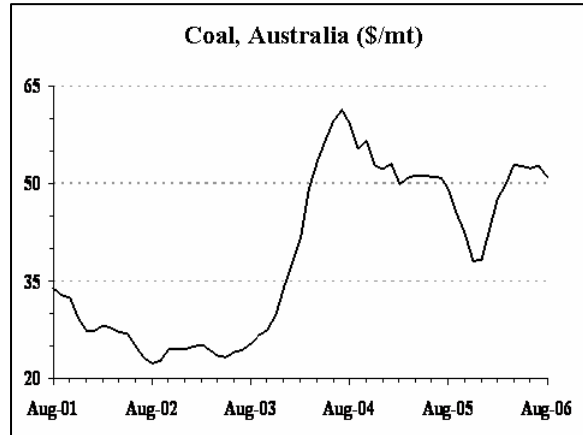
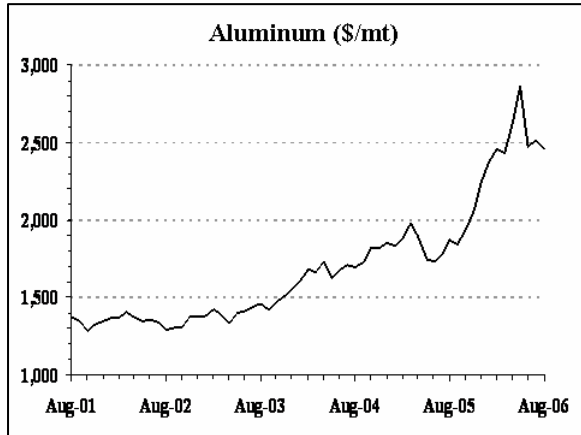
		Annual averages			Quarterly averages					Monthly averages		
		Jan-Dec	Jan-Dec	Jan-Aug	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jun	Jul	Aug
		2004	2005	2006	2005	2005	2005	2006	2006	2006	2006	2006
Fertilizers												
DAP	\$/mt	221.2	247.0	262.7	235.6	261.6	264.5	259.6	266.9	269.2	261.3	260.9
Phosphate rock	b/ \$/mt	41.0	42.0	43.6	42.0	42.0	42.0	42.3	43.5	44.5	45.5	45.5
Pottasium chloride	\$/mt	124.6	158.2	174.3	151.7	163.5	170.0	171.1	177.3	172.0	173.8	175.0
TSP	\$/mt	186.3	201.5	204.9	201.7	201.2	201.0	200.9	200.5	200.5	230.1	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	175.3	219.0	219.7	241.6	211.7	224.7	219.2	228.1	208.2	202.3	213.7
Metals and Minerals												
Aluminum	b/ \$/mt	1,716	1,898	2,524	1,790	1,829	2,076	2,421	2,653	2,477	2,513	2,460
Copper	b/ \$/mt	2,866	3,679	6,482	3,389	3,757	4,302	4,940	7,210	7,198	7,712	7,696
Gold	\$/toz	409.2	444.8	601.3	427.3	439.5	485.6	554.0	627.4	596.1	633.7	632.6
Iron ore CVRD So & No	b/ c/dmtu	37.90	65.00	77.35	65.00	65.00	65.00	77.35	77.35	77.35	77.35	77.35
Lead	b/ c/kg	88.7	97.6	115.7	98.7	89.2	104.9	124.2	110.0	96.4	105.2	117.4
Nickel	b/ \$/mt	13,823	14,744	20,192	16,411	14,567	12,649	14,810	19,925	20,755	26,586	30,744
Silver	c/toz	669.0	733.8	1116.6	718.2	708.8	808.3	969.4	1226.1	1077.4	1121.2	1225.4
Steel products (8) index	a/ 1990=100	121.5	137.9	135.3	141.6	138.6	138.6	138.6	131.6	131.2	135.8	135.8
Steel cr coilsheet	\$/mt	607.1	733.3	706.3	750.0	750.0	750.0	750.0	666.7	650.0	700.0	700.0
Steel hr coilsheet	\$/mt	502.5	633.3	615.6	650.0	650.0	650.0	650.0	591.7	575.0	600.0	600.0
Steel, rebar	\$/mt	428.8	423.1	440.6	430.0	430.0	430.0	430.0	445.0	445.0	450.0	450.0
Steel wire rod	\$/mt	487.5	579.2	590.6	566.7	600.0	600.0	600.0	575.0	575.0	600.0	600.0
Tin	c/kg	851.3	738.0	816.6	796.3	704.7	643.2	760.6	852.9	789.6	841.9	850.2
Zinc	b/ c/kg	104.8	138.1	291.1	127.3	129.7	164.0	224.2	329.2	322.6	334.0	334.7
World Bank commodity price indices for low and middle income countries(1990 =100)												
Energy		164.9	233.4	290.8	222.0	262.2	247.2	266.8	298.6	298.5	316.7	313.5
Non Energy Commodities		107.4	121.9	149.2	121.6	120.8	125.3	139.9	153.4	152.9	156.7	156.8
Agriculture		104.7	113.0	126.5	114.1	112.0	114.3	124.7	127.8	128.5	128.0	127.0
Beverages		94.0	116.9	120.6	125.0	111.2	110.8	122.9	118.2	115.3	118.7	123.2
Food		110.0	109.9	119.6	110.4	107.2	111.1	119.5	120.5	118.1	119.2	117.8
Fats and Oils		137.1	122.9	120.9	126.5	122.7	120.0	118.6	119.4	120.6	124.6	128.6
Grains		100.2	103.2	116.1	101.3	103.1	105.2	111.4	117.4	119.4	122.8	120.0
Other Food		93.2	103.1	120.5	102.4	96.8	107.1	124.7	123.1	115.3	112.9	107.7
Raw Materials		105.8	114.1	139.9	110.8	118.7	121.0	132.7	144.3	151.5	146.3	141.6
Timber		109.3	122.5	137.1	121.2	123.9	126.4	132.8	138.7	139.8	139.7	143.2
Other Raw Materials		103.4	108.3	141.7	103.8	115.0	117.2	132.7	148.1	159.5	150.9	140.6
Fertilizers		126.6	134.9	139.4	135.0	134.7	134.6	134.9	135.7	136.6	151.8	151.8
Metals and Minerals		112.4	142.5	205.7	138.7	141.3	151.4	177.7	218.1	214.5	227.7	230.6

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

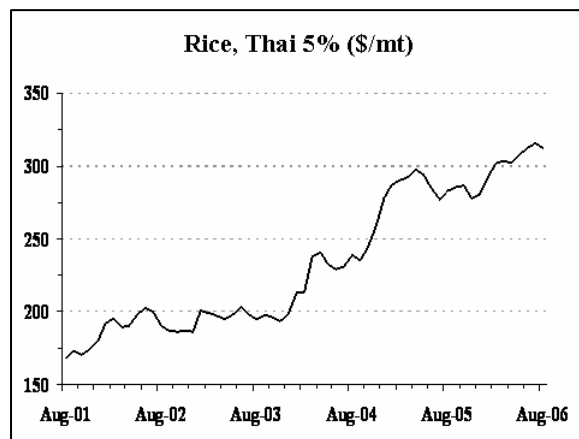
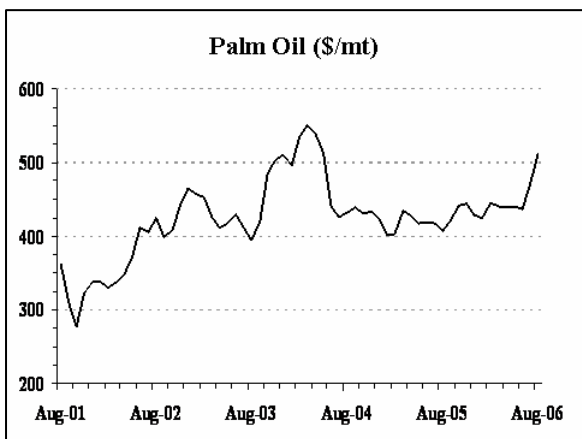
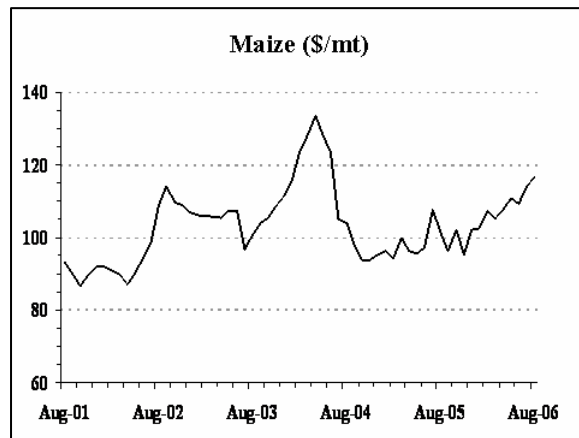
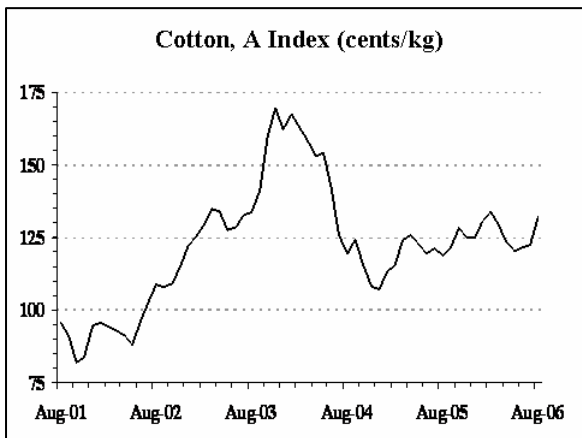
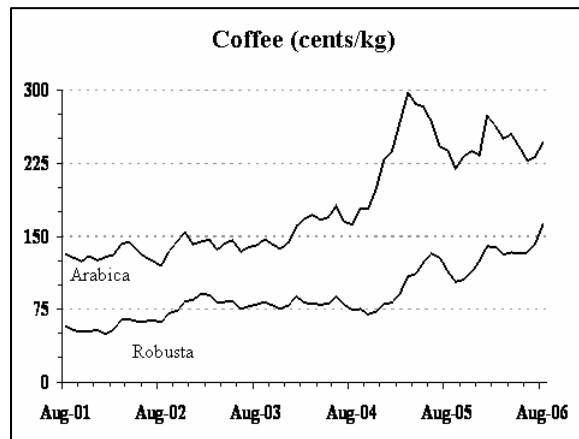
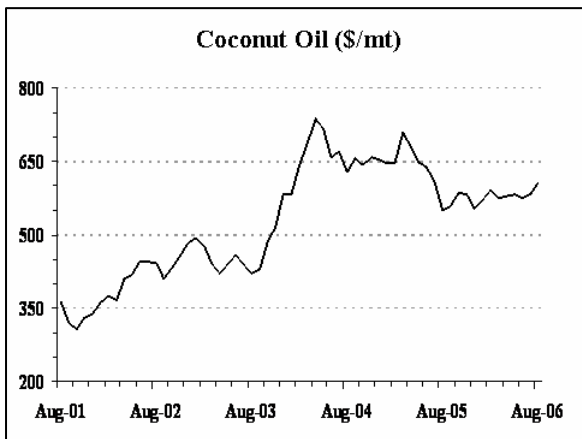
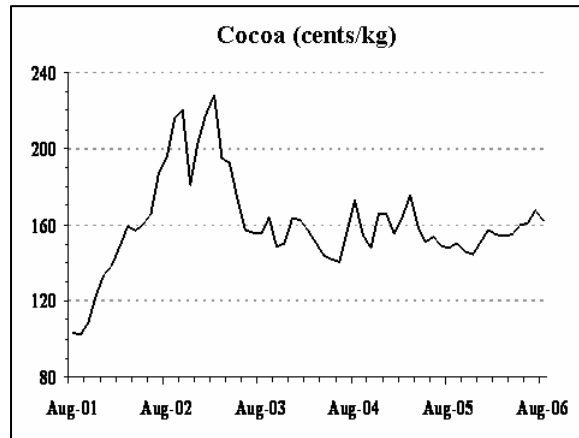
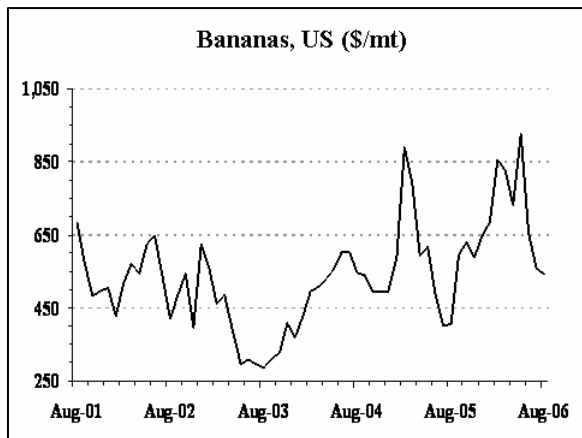
b. Not included in index/

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

Selected Commodity Prices, Nominal US dollars, 1998-2003



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



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

