

# Commodity Markets Review

November 14, 2003

DECPG, The World Bank

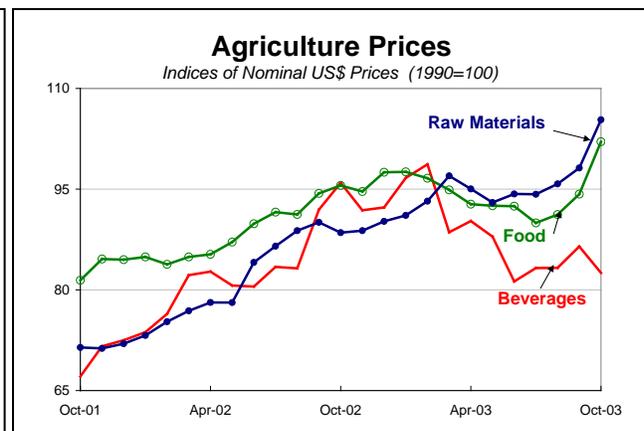
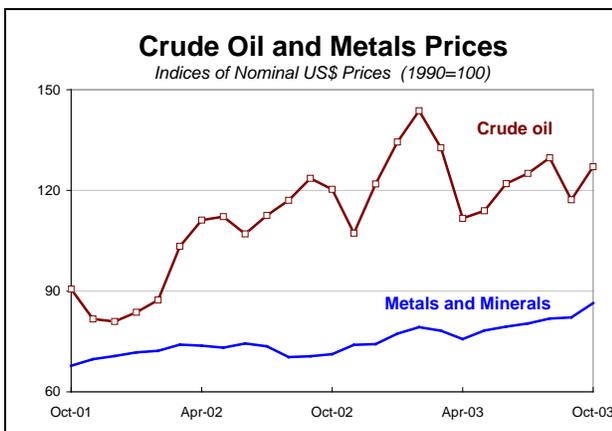
**Non-oil commodity prices jumped 5.1 percent in October** to the highest level since July 1998, driven by increasing demand, especially in China. Stocks of many agricultural commodities did not rebuild as much as expected and this has increased expectations of higher prices. Prices of all main groups except beverages increased, with fats and oils having double digit increases.

**Crude oil prices rose 8.4 percent in October**, averaging \$29.1/bbl, following OPEC's decision in late-September to cut quotas 3.5 percent November 1<sup>st</sup>. Short-covering and new long-positions by speculators drove prices near \$31/bbl in early October, but prices have settled back around \$28.50/bbl, as inventories continue to rise. Investors are awaiting further pre-emptive action by OPEC when it meets December 4<sup>th</sup>. OPEC may have to cut at least 1 mb/d from October levels in the first half of next year to sustain price, and even larger cuts may be needed depending on Iraqi developments.

**Iraq's oil production** averaged 1.65 mb/d in October, mainly from higher output from the southern fields, with exports of 1.15 mb/d through the Gulf. Exports from northern fields remain shut-in because of ongoing repairs to the Kirkuk-Ceyhan pipeline. Concern over the vulnerability of exports from the north caused the State Oil Marketing Organization to cut back estimates of total exports in 2004 to 1.6 mb/d.

**Agricultural prices rose 5.1 percent in October**, led by an 8.3 percent increase in food prices. The rise in food prices was concentrated in fats and oils (up 16.6 percent), particularly in the soybean complex because of earlier drought in the U.S. and strong demand from China, but there were also large gains in palm, coconut and palmkernel oils. Agriculture raw materials prices rose 5.9 percent, with rubber prices surging 16.6 percent on a supply shortfall in Thailand and strong demand for automobile tires in China, while cotton prices rose 13.2 percent on large imports from China and drought in Australia that will reduce global supplies. Price declines were limited, with beverages down 4.6 percent.

**Metals and minerals prices rose 5.2 percent in October**, continuing an investment-led rally the past six months, driven by declining inventories, supply curtailments, and expectations of a strong recovery in demand. All base metals recorded strong increases, with lead and zinc up sharply on news of suspension of Lennard Shelf lead/zinc mining operations in Australia related to a takeover by Teck Cominco. Nickel prices continued to rise—up 150 percent the past two years—on strong demand for stainless steel in China, very low stocks, and expectations that the nickel market will be in large deficit the next couple of years until new supplies come on-stream in 2005-06.



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 October<sup>1</sup>

**Soymeal and soybeans** prices soared 21.1 percent and 17.4 percent, respectively, due to large imports by China, a poor U.S. crop, sluggish Latin American production, and tight supplies of maize and other livestock feed.

**Palmkernel oil and close substitute coconut oil** prices surged 16.1 percent and 13.0 percent, respectively, due to low stocks and production in Malaysia and strong Chinese demand.

**Rubber** prices jumped 16.0 percent to a seven-year high, due to adverse weather in Thailand, and strong import demand from China to meet internal tire demand.

**Palm oil and soyoil** prices rose 15.5 percent and 11.8 percent, respectively, reflecting low palm oil stocks in Malaysia, and limited soyoil supplies and strong demand growth in China, India, and some African countries.

**Cotton** prices gained 13.2 percent to six-year highs on expectations China's imports will be almost 40 percent higher (y/y), and that severe drought in Australia will reduce global supplies.

**Lead** prices increased 12.7 percent on declining stocks and possible suspension of the Lennard Shelf lead/zinc mining operations in Australia related to its acquisition by Teck Cominco.

**Nickel** prices rose 10.9 percent on earlier supply disruptions, strong demand in China, low inventories, and expectations of market deficits the next two years until new supplies emerge.

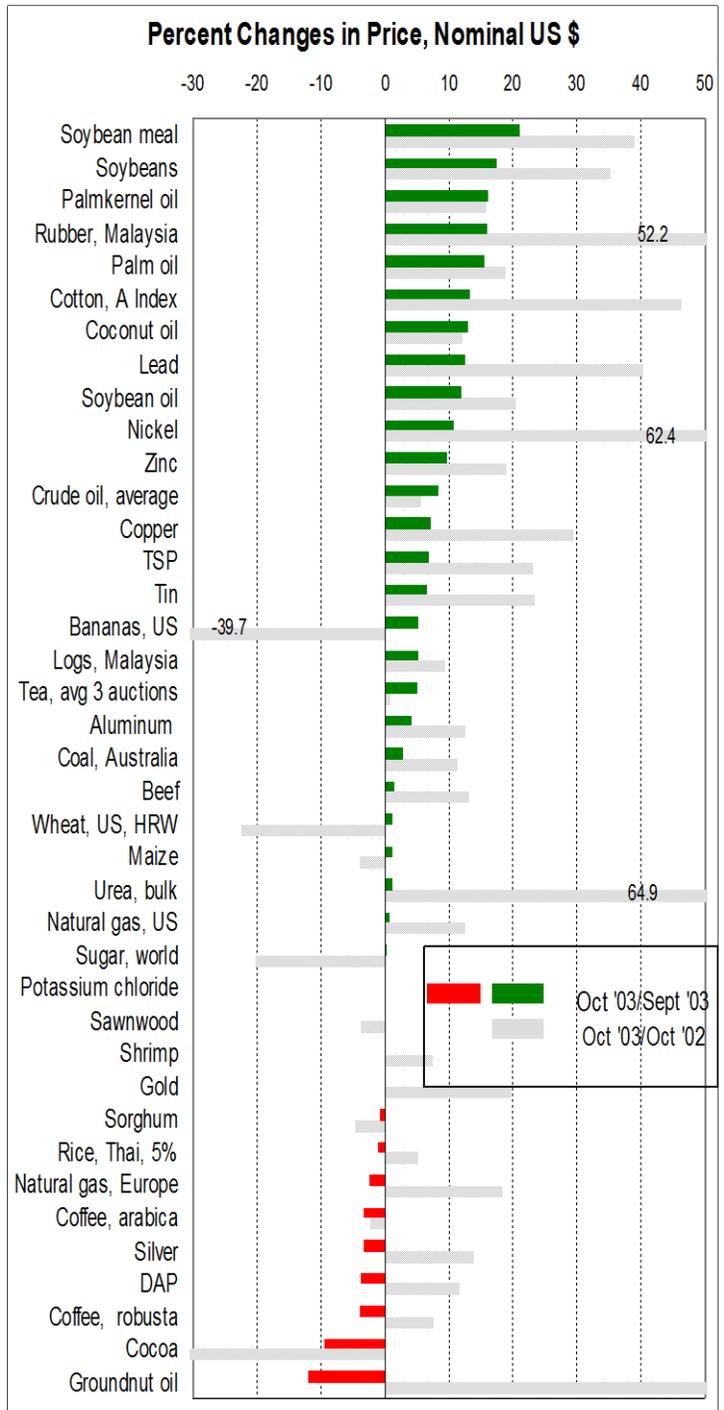
**Zinc** prices rose 9.8 percent on news of Teck Cominco's takeover (see lead), although the zinc market is in surplus and stocks remain high.

**Crude oil** prices increased 8.4 percent following OPEC's announced production cuts, and fears of further cuts when OPEC meets December 4<sup>th</sup>.

**TSP** prices rose 6.7 percent due to strong demand in China and India, price increases for production inputs, and expected higher demand following recent commodity price increases.

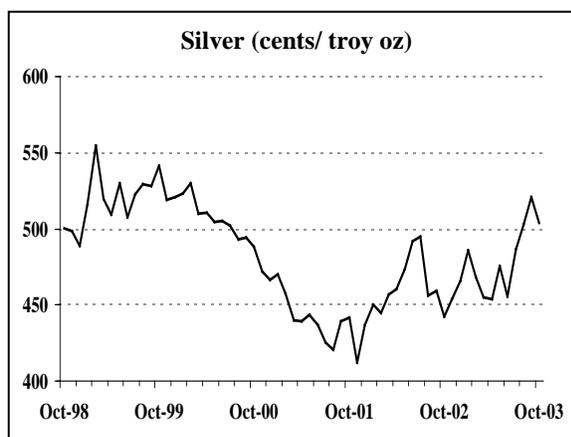
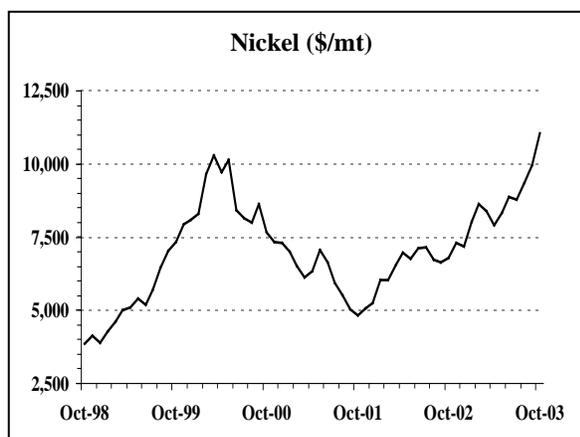
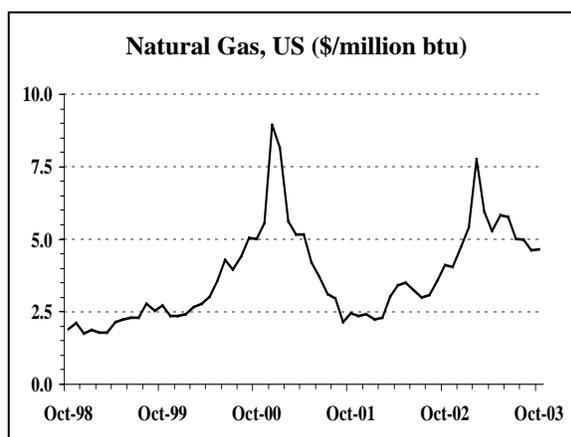
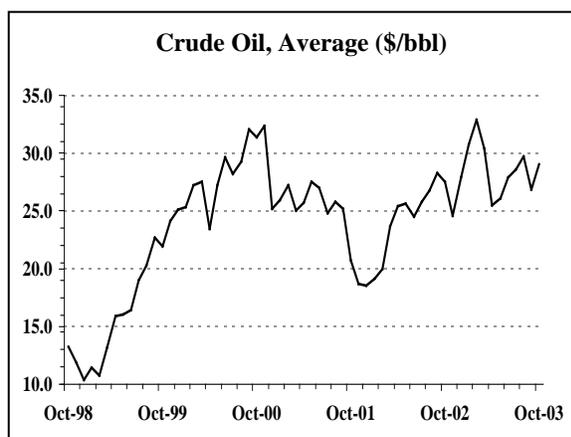
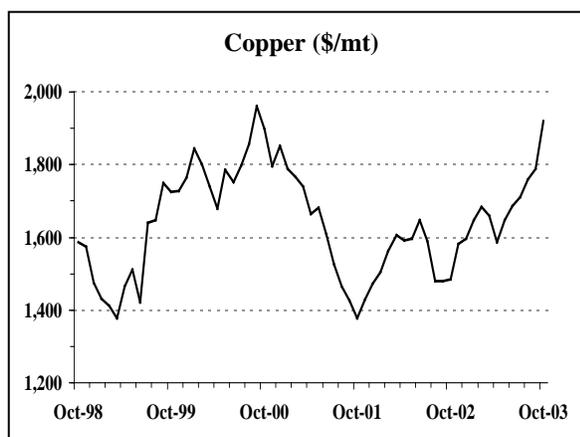
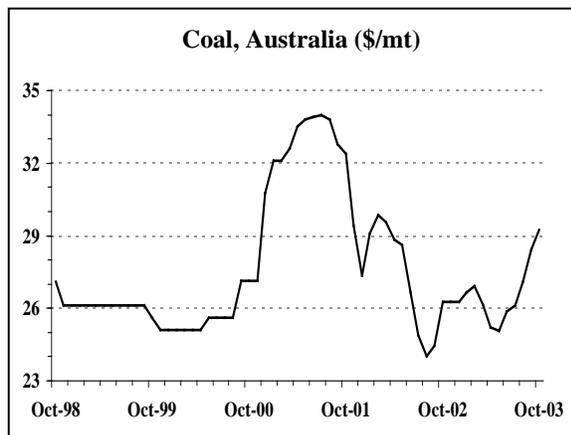
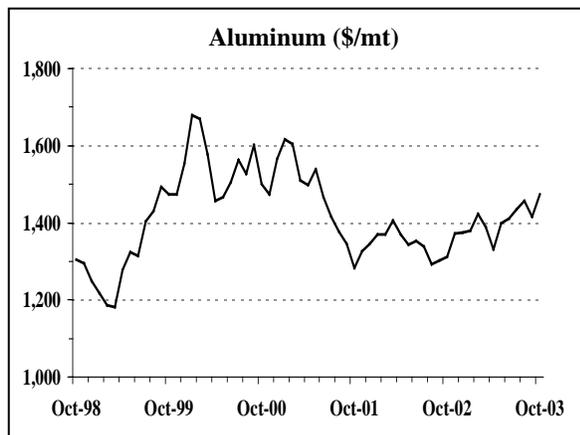
**Cocoa** prices declined 9.5 percent on estimates that 1.5 million tons of cocoa is expected to be shipped to Europe from West Africa (mainly Cote d'Ivoire), while European manufacturers still have six months of supplies in stocks.

**Groundnut oil** prices fell 12 percent due to increased exports from India and the U.S., and improved prospects in Senegal from beneficial rainfall.

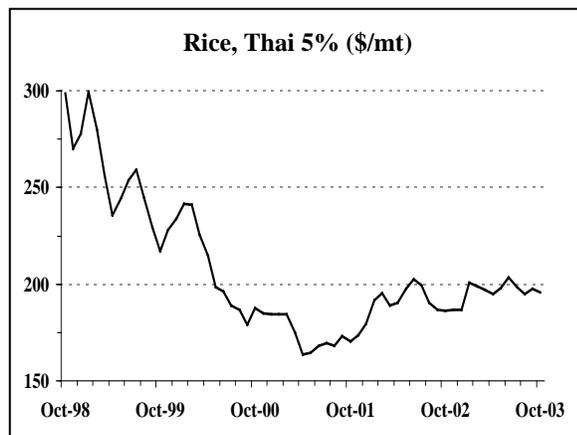
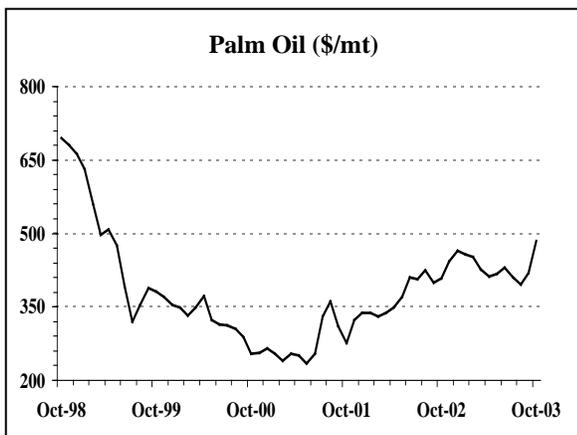
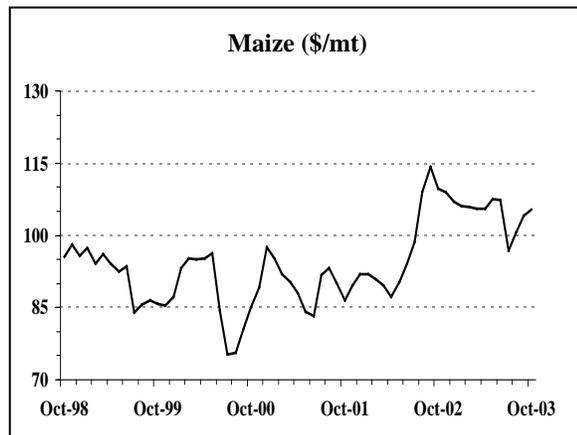
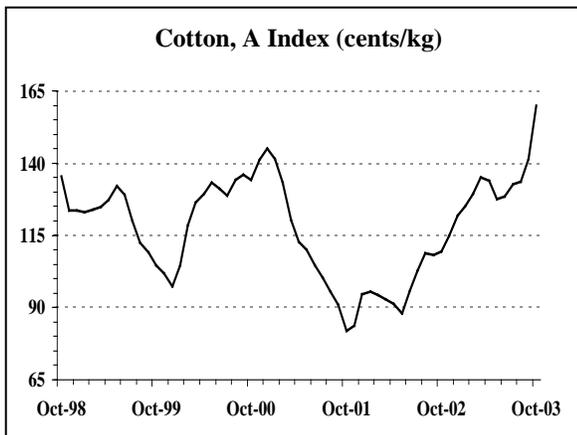
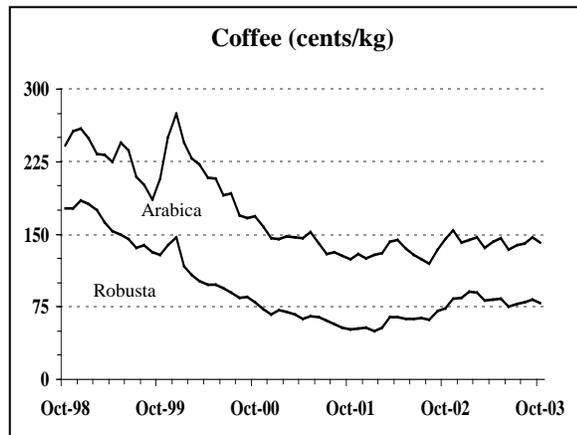
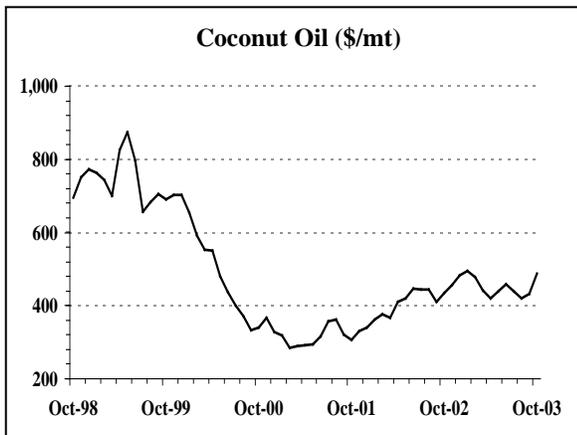
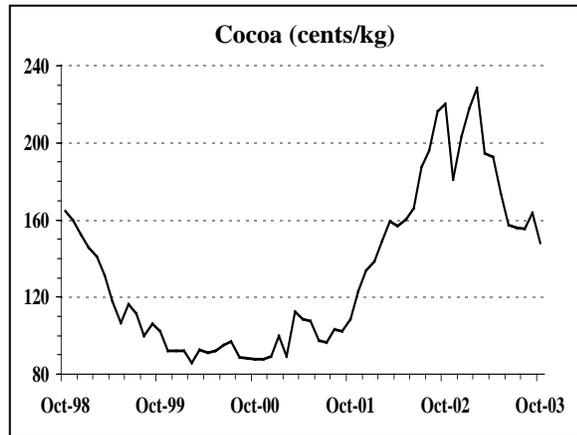
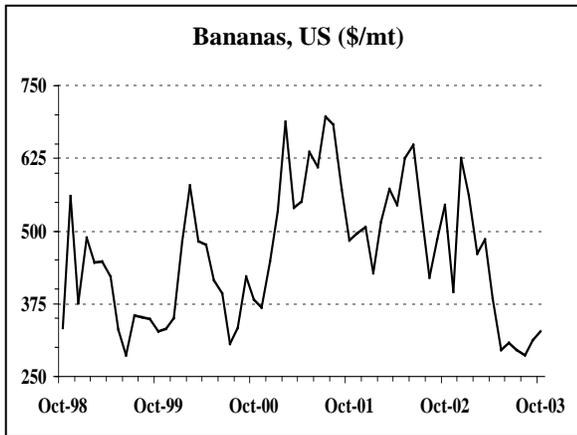


<sup>1</sup> Percent change of average October 2003 prices compared to average September 2003 prices in nominal U.S. dollars (graph also includes 12-month changes).

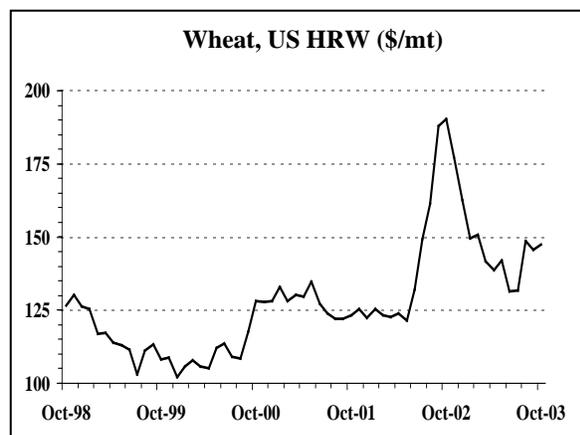
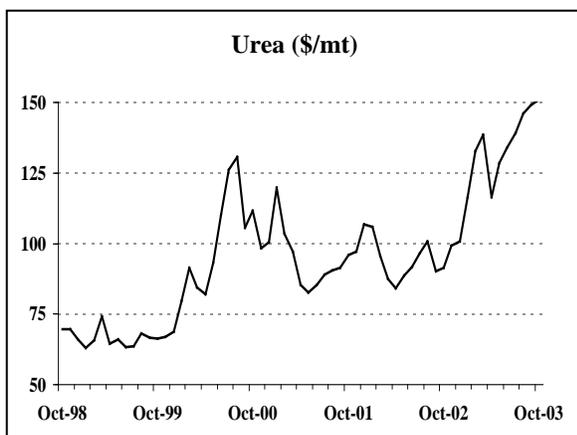
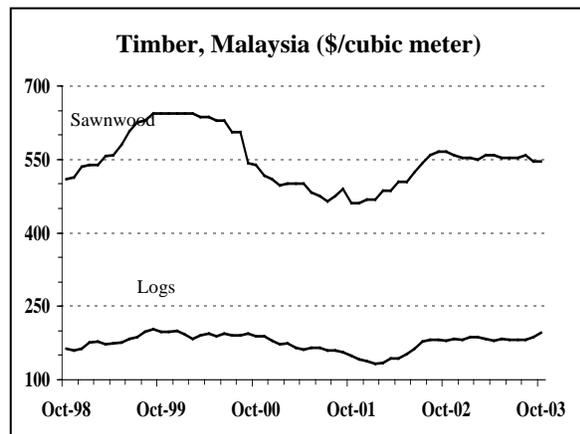
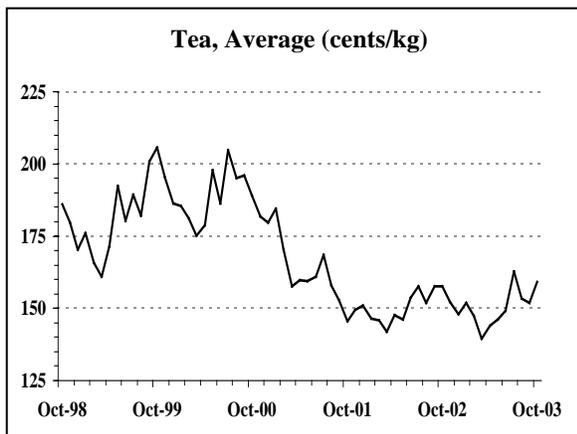
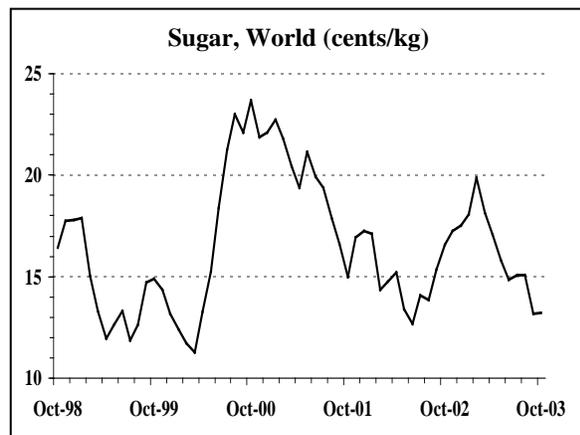
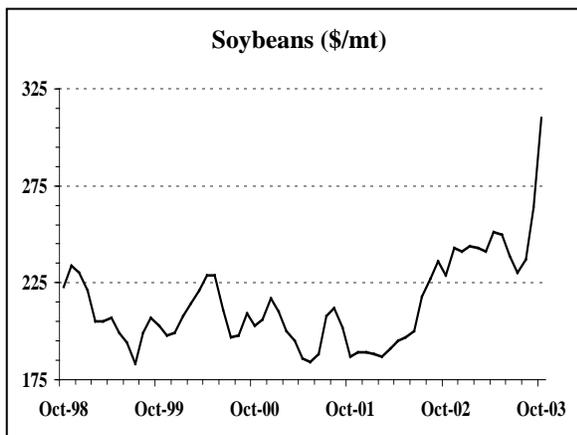
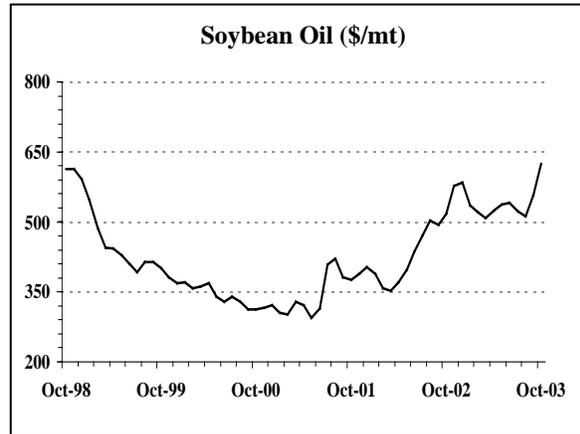
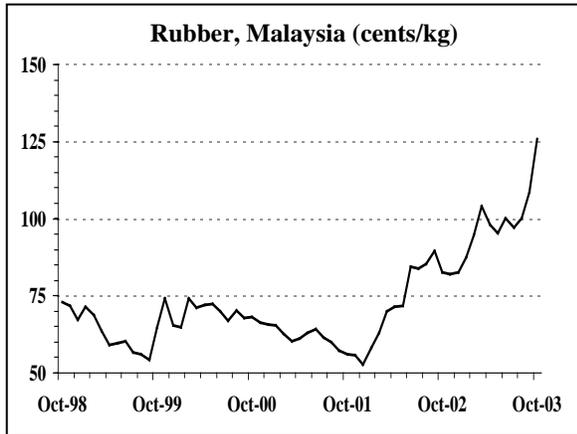
## Selected Commodity Prices, Nominal U.S. dollars, 1998-2003



## Selected Commodity Prices, Nominal U.S. dollars, 1998-2003 cont'd



## Selected Commodity Prices, Nominal U.S. dollars, 1998-2003 cont'd



## COMMODITY PRICE DATA

Commodity	Unit	Annual averages			Quarterly averages					Monthly averages		
		Jan-Dec	Jan-Dec	Jan-Oct	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Aug	Sep	Oct
		2001	2002	2003	2002	2002	2003	2003	2003	2003	2003	2003
<b>Energy</b>												
Coal, Australia	\$/mt	32.31	27.06	26.67	24.45	26.25	26.57	25.37	27.21	27.08	28.45	29.25
Coal, US	\$/mt	44.86	40.02	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Crude oil, avg, spot	a/ \$/bbl	24.35	24.93	28.77	26.94	26.65	31.33	26.51	28.37	29.68	26.81	29.07
Crude oil, Brent	a/ \$/bbl	24.42	24.97	28.75	26.91	26.75	31.41	26.12	28.41	29.83	26.98	29.65
Crude oil, Dubai	a/ \$/bbl	22.71	23.72	26.55	25.57	25.01	28.56	24.39	26.49	27.66	25.17	27.19
Crude oil, West Texas Int.	a/ \$/bbl	25.92	26.09	31.01	28.32	28.19	34.02	29.02	30.20	31.55	28.28	30.36
Natural gas, Europe	\$/mmbtu	4.06	3.05	3.90	3.01	3.33	3.67	4.04	4.00	3.98	3.97	3.88
Natural gas, US	\$/mmbtu	3.96	3.35	5.52	3.21	4.30	6.38	5.63	4.86	4.97	4.61	4.64
<b>Non Energy Commodities</b>												
<b>Agriculture</b>												
<b>Beverages</b>												
Cocoa	b/ c/kg	106.9	177.8	178.7	199.7	201.5	213.6	174.4	158.3	155.2	163.8	148.3
Coffee, Arabica	b/ c/kg	137.3	135.7	141.8	126.0	146.8	142.4	141.1	142.0	140.9	146.4	141.8
Coffee, robusta	b/ c/kg	60.7	66.2	82.3	65.1	80.3	87.5	80.4	80.1	80.0	82.3	79.1
Tea, auctions (3), average	c/kg	159.8	150.6	150.5	155.8	152.6	146.2	146.5	155.9	153.3	151.8	159.2
Tea, Colombo auctions	b/ c/kg	161.7	156.2	151.4	150.1	156.1	151.6	143.6	154.3	155.4	158.2	165.1
Tea, Kokata auctions	b/ c/kg	166.1	146.4	147.0	165.9	150.6	138.8	144.9	157.8	149.5	139.8	145.6
Tea, Mombasa auctions	b/ c/kg	151.7	149.2	153.1	151.3	151.1	148.2	150.9	155.7	155.0	157.5	167.0
<b>Food</b>												
<b>Fats and Oils</b>												
Coconut oil	b/ \$/mt	318.1	421.0	451.0	432.7	457.7	470.7	440.0	430.3	421.0	431.0	487.0
Copra	\$/mt	202.1	266.3	286.4	283.0	288.3	303.7	276.0	276.1	275.0	274.3	297.0
Groundnut oil	b/ \$/mt	680.3	687.1	1262.1	655.3	778.0	1023.3	1307.7	1445.0	1468.0	1470.0	1293.0
Palm oil	b/ \$/mt	285.7	390.3	430.6	410.3	438.3	445.3	419.7	408.7	395.0	420.0	485.0
Palmkernel oil	b/ \$/mt	308.1	415.8	439.8	430.0	457.7	469.3	420.3	410.3	396.0	429.0	498.0
Soybean meal	b/ \$/mt	181.0	175.2	199.7	177.7	182.3	188.7	195.7	197.0	192.0	209.0	253.0
Soybean oil	b/ \$/mt	354.0	454.3	538.4	489.0	559.7	521.3	534.3	531.0	512.0	558.0	624.0
Soybeans	b/ \$/mt	195.8	212.7	250.9	227.0	237.7	242.7	246.7	243.7	237.0	264.0	310.0
<b>Grains</b>												
Maize	b/ \$/mt	89.6	99.3	104.5	107.3	108.5	105.9	106.8	100.5	100.7	104.1	105.4
Rice, Thailand, 5%	b/ \$/mt	172.8	191.9	198.0	192.2	186.5	198.8	198.8	197.0	195.0	197.6	195.8
Rice, Thailand, 25%	\$/mt	153.1	175.0	181.5	176.1	174.4	182.5	181.9	180.3	178.5	180.0	181.5
Rice, Thailand, 35%	\$/mt	149.1	170.5	177.9	171.8	171.5	179.0	178.2	176.4	175.0	176.0	178.3
Rice, Thai, A1.Special	\$/mt	134.1	150.2	149.6	149.8	156.6	149.8	145.0	151.6	150.0	154.6	157.0
Sorghum	b/ \$/mt	95.2	101.7	104.7	110.5	114.0	108.9	103.1	101.0	104.1	109.1	108.3
Wheat, Canada	\$/mt	151.5	175.8	176.3	190.1	221.8	187.1	174.2	171.0	177.7	165.8	166.2
Wheat, US, HRW	b/ \$/mt	126.8	148.1	142.8	166.1	176.7	147.4	137.3	142.0	148.7	145.6	147.5
Wheat US SRW	\$/mt	107.7	130.0	134.3	135.1	154.4	135.9	127.1	137.2	144.2	138.4	142.8
<b>Other Food</b>												
Bananas EU	\$/mt	777.2	759.4	788.9	707.0	695.1	963.3	825.5	612.2	485.2	718.7	686.3
Bananas US	b/ \$/mt	583.3	528.6	371.9	480.9	521.9	502.7	329.7	298.0	285.9	311.8	327.9
Beef	b/ c/kg	212.9	210.5	189.8	210.2	185.6	185.9	176.5	197.8	200.9	213.9	216.9
Fishmeal	\$/mt	486.7	605.9	602.5	617.0	595.7	591.3	603.7	605.2	597.0	601.5	624.0
Lamb	c/kg	291.2	330.3	379.7	339.7	351.5	356.7	375.8	394.5	391.9	397.7	416.1
Oranges	b/ \$/mt	595.5	564.5	692.5	639.3	506.0	561.8	692.7	775.3	793.2	783.0	836.2
Shrimp, Mexico	b/ c/kg	1,517	1,052	1,153	992	1,069	1,172	1,168	1,135	1,135	1,102	1,102
Sugar EU domestic	b/ c/kg	52.86	54.92	59.12	56.61	57.48	58.62	59.21	58.85	58.28	58.84	61.22
Sugar US domestic	b/ c/kg	47.04	46.14	47.75	46.41	48.62	48.85	48.01	46.86	46.86	46.66	46.35
Sugar, world	b/ c/kg	19.04	15.18	16.03	14.43	17.12	18.69	15.91	14.44	15.06	13.18	13.21
<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	185.2	180.9	181.9	186.3	182.1	183.4	181.5	187.2	196.8
Plywood	c/sheets	409.8	393.1	426.1	411.2	405.4	420.8	422.2	425.4	420.8	434.1	456.3
Sawnwood, Cameroon	\$/cum	471.9	486.4	548.7	511.4	513.5	542.0	564.3	541.4	534.5	532.8	543.7
Sawnwood, Malaysia	\$/cum	481.4	526.5	552.8	555.9	559.4	553.6	554.8	552.5	559.4	545.5	545.5
Woodpulp	\$/mt	517.3	452.3	515.7	483.9	450.7	466.6	553.0	524.3	514.4	525.3	525.3
<b>Other Raw Materials</b>												
Cotton A Index	b/ c/kg	105.8	101.9	134.7	106.5	115.3	129.8	130.0	135.9	133.5	141.3	160.0
Cotton Memphis	b/ c/kg	116.6	104.9	150.27	109.4	117.8	n.a.	n.a.	143.3	138.8	151.2	171.2
Jute	\$/mt	329.4	270.8	241.6	235.0	227.3	233.8	245	245.0	245.0	245.0	245.0
Rubber, Malaysia	b/ c/kg	60.0	77.1	101.1	86.3	82.5	95.5	97.8	101.9	100.2	108.5	125.9
Rubber, US	c/kg	74.7	90.7	118.0	101.0	100.0	113.5	112.8	120.0	119.1	126.6	141.1
Rubber, Singapore	c/kg	57.5	76.5	104.5	86.1	83.8	98.6	100.9	105.6	105.1	111.3	130.0
Sisal	\$/mt	699.2	659.6	682.5	650.0	650.0	650.0	675.0	691.7	675.0	725.0	775.0
Wool	c/kg	418.7	469.0	540.1	438.3	534.7	564.4	525.6	533.1	529.5	525.9	531.7

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-Oct	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Aug	Sep	Oct
		2001	2002	2003	2002	2002	2003	2003	2003	2003	2003	2003
<b>Fertilizers</b>												
DAP	\$/mt	147.7	157.5	176.9	167.3	152.1	172.0	180.5	179.8	180.3	178.3	171.7
Phosphate rock	b/ \$/mt	41.8	40.4	38.0	41.0	38.5	38.0	38.0	38.0	38.0	38.0	38.0
Pottasium chloride	\$/mt	118.1	113.3	112.5	112.5	112.5	112.5	112.5	112.5	112.5	112.5	112.5
TSP	\$/mt	126.9	133.1	146.6	132.1	132.2	136.1	146.4	151.5	150.0	153.6	164.0
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	135.2	95.8	97.1	129.2	126.3	144.8	146.0	149.1	150.9
<b>Metals and Minerals</b>												
Aluminum	b/ \$/mt	1,444	1,350	1,411	1,310	1,353	1,397	1,380	1,436	1,456	1,416	1,474
Copper	b/ \$/mt	1,578	1,559	1,709	1,516	1,554	1,663	1,641	1,753	1,760	1,790	1,921
Gold	\$/toz	271.0	310.0	356.5	314.2	322.5	352.1	346.7	363.2	359.8	379.0	378.9
Iron ore CVRD So & No	b/ c/dmtu	30.03	29.31	31.95	29.31	29.31	31.95	31.95	31.95	31.95	31.95	31.95
Lead	b/ c/kg	47.6	45.3	48.7	43.0	43.5	45.9	45.6	51.1	49.7	52.1	58.7
Nickel	b/ \$/mt	5,945	6,772	8,930	6,833	7,104	8,343	8,372	9,371	9,351	9,965	11,047
Silver	c/toz	438.6	462.5	480.7	470.1	454.0	469.5	461.5	503.3	502.9	520.6	503.9
Steel products (8) index	a/ 1990=100	66.8	67.7	77.9	69.7	71.4	74.6	76.4	81.4	81.7	81.9	81.9
Steel cr coilsheet	\$/mt	299.2	328.3	435.5	353.3	380.0	400.0	410.0	478.3	482.5	490.0	490.0
Steel hr coilsheet	\$/mt	216.5	246.7	318.3	270.0	280.0	306.7	320.0	324.2	322.5	330.0	330.0
Steel, rebar	\$/mt	221.5	204.2	263.0	206.7	210.0	250.0	260.0	273.3	272.5	280.0	280.0
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	473.2	404.1	423.6	453.7	466.6	482.5	482.3	491.2	523.7
Zinc	b/ c/kg	88.6	77.9	80.4	76.6	77.3	78.6	77.4	82.1	81.8	81.8	89.8
<b>World Bank commodity price indices for low and middle income countries( 1990 =100)</b>												
Energy		106.4	109.0	125.8	117.7	116.5	136.9	115.9	124.0	129.7	117.2	127.1
Non Energy Commodities		79.0	83.0	89.8	84.8	87.6	90.5	88.1	89.0	88.7	90.8	95.4
Agriculture		79.8	86.5	93.3	89.7	93.1	95.1	91.6	91.4	90.8	93.6	98.4
Beverages		72.1	84.6	87.9	86.2	93.4	94.7	86.5	84.3	83.3	86.5	82.5
Food		86.0	90.1	94.4	92.6	95.9	96.4	92.6	91.8	91.2	94.3	102.1
Fats and Oils		89.0	101.2	115.8	105.2	111.3	113.6	113.5	112.7	109.6	118.3	137.9
Grains		78.2	88.1	89.2	94.1	95.9	90.9	88.6	87.8	89.1	89.9	90.2
Other Food		87.9	82.1	79.9	81.3	83.2	85.4	77.7	76.9	77.3	77.0	79.3
Raw Materials		77.4	83.2	95.7	88.5	89.2	93.8	94.1	96.1	95.8	98.2	105.3
Timber		90.2	98.1	103.8	104.0	105.2	104.0	103.9	103.6	104.6	102.8	103.5
Other Raw Materials		68.6	73.1	90.2	77.9	78.3	86.8	87.4	90.9	89.7	95.0	106.6
Fertilizers		98.8	100.5	104.9	100.6	98.4	99.8	104.8	107.2	106.5	108.2	113.2
Metals and Minerals		75.1	72.8	79.9	71.5	73.2	78.3	77.8	81.5	81.8	82.2	86.4

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