

# Commodity Markets Review

March 10, 2006

DECPG, The World Bank

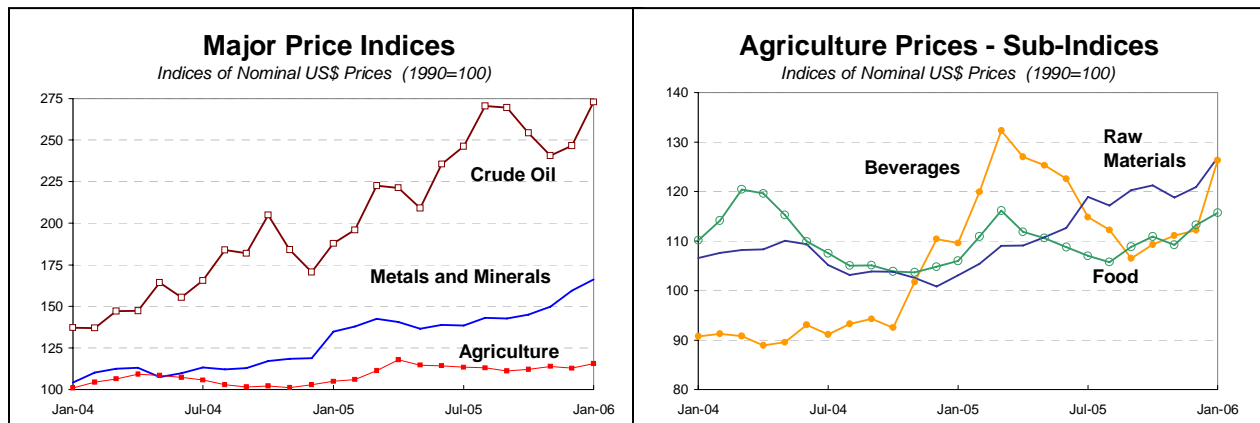
**Non-oil commodity prices rose 3.3 percent in February**, the seventh consecutive monthly gain, with strong increases spread over a large number of commodities. All metals prices rose on continuing low stocks and supply problems, while prices for several agriculture commodities increased, in part due to various weather concerns in many parts of the world.

**Crude oil prices fell 4.4 percent in February** to average \$59.7/bbl. Prices plunged in the first half of the month due to weak demand, large stocks, and temporary easing of geopolitical tensions, but rose back toward \$60/bl by month end on a number of supply concerns. Nearly 0.5 mb/d in Nigeria was shut-in from escalating attacks on oil installations, and a failed attack on the world's largest processing facility in Saudi Arabia further rattled markets. OPEC left quotas unchanged at its meeting on March 8<sup>th</sup>, with the intent of keeping prices under the \$60 level.

**In the product markets**, U.S. gasoline prices are expected to be volatile this spring and summer because of logistical snags from the phase-out of octane-enhancing MTBE from reformulated gasoline and the replacement with ethanol-blended fuel. Introduction of low sulfur gasoline will add to the problems. Transition to ultra-low-sulfur diesel June 1<sup>st</sup> will also pose distribution challenges, and could impact prices.

**Agricultural prices rose 3.3 percent in February**, up for the third straight month. Sugar prices leapt 14.5 percent on strong import demand and limited exports from Brazil due to rising ethanol production. Prices are expected to remain volatile until mid-summer when the new sugar crop becomes available. Tea prices rose 13 percent due to severe drought in Kenya, while rubber prices jumped 10 percent on poor weather in south-east Asia. Wheat prices rose 7.6 percent on supply concerns for crops in the U.S., Argentina, and central Asia, as well as prospects for higher imports by India. Prices are expected to remain volatile until the size of the summer harvest becomes better known.

**Metals and minerals prices climbed 3.6 percent in February**, up for the fifth straight month, on expectations that most markets will remain in deficit this year, mainly due to continuing supply shortfalls. Tin prices rose 11 percent on lower supplies from Indonesia due to rupiah appreciation and rising costs, especially for energy. Zinc prices were up for the eighth straight month on sharply declining stocks and supply shortfalls, the latest from strikes in Peru. Copper prices traded at record levels above \$5,000/ton during the month, on expectations that supplies will continue to disappoint amid a recovery in demand outside China.



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>

**Bananas** prices in the U.S. surged 24.6 percent as heavy rain and flooding hampered loading operations in some countries. Export volumes were further reduced during the Carnival season.

**Sugar** prices jumped 14.5 percent on strong import demand and limited exports from Brazil because of increased use of sugar cane for ethanol production.

**Tea** prices rose 13.0 percent, mainly a result of soaring prices in Kenya due to severe drought. The 2006 export crop is expected to be 16 percent lower than last year.

**Tin** prices increased 11.0 percent due to lower Indonesian supplies because of domestic currency appreciation and rising energy and operating costs.

**Coal** prices climbed 10.4 percent due to port congestion and production problems at major mines in Australia, amid strong winter demand in Europe and Japan.

**Rubber** prices increased 9.9 percent to an all-time-high as inclement weather in Malaysia and southern Thailand is likely to reduce supplies.

**Urea** prices increased 9.1 percent on cutbacks in FSU output, and as plants in Romania and Indonesia were shut temporarily due to shortage of natural gas and ammonia.

**Wheat** prices rose 7.6 percent on supply concerns for crops in the southwestern U.S., Argentina, and the Black Sea region, and prospects for larger imports by India.

**Zinc** prices gained 6.2 percent on a continued sharp drop in inventories, supply problems, strong demand for galvanized steel, and limited prospects for mine supply growth this year.

**Sorghum and maize** prices increased 5.4 and 4.4 percent, respectively, because of supply concerns in Argentina—the second largest exporter after the U.S. However, supplies appear adequate to prevent further price increases.

**Copper** prices increased 5.2 percent due to continued supply disruptions and expectations of strong demand and market deficits this year.

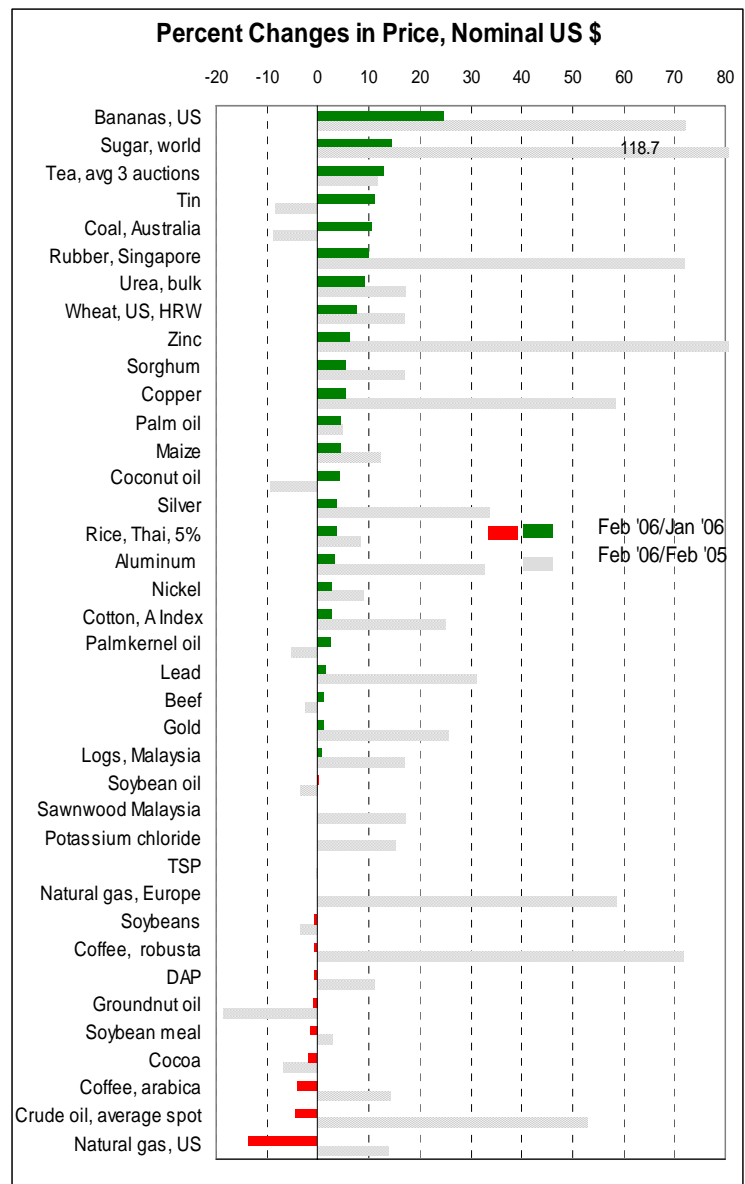
**Palm oil** prices rose 4.4 percent in the face of declining world production and stocks, while

consumption continues to rise mainly in the EU, China, Sri Lanka and Africa.

**Coffee arabica** prices fell 4.1 percent as rain in northern Brazil may have moderated the impact of the exceptional dry spell.

**Crude oil** prices declined 4.4 percent due to high stocks and weak demand, but geopolitical concerns continue to underpin prices.

**Natural gas** prices in the U.S. plunged 13.5 percent, despite a bout of cold weather, as inventories remain ample because of an otherwise mild winter.



<sup>1</sup> Percent change of average February prices compared to average January 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 2004	Jan-Dec 2005	Jan-Feb 2006	Oct-Dec 2004	Jan-Mar 2005	Apr-Jun 2005	Jul-Sep 2005	Oct-Dec 2005	Dec 2005	Jan 2006	Feb 2006
<b>Energy</b>												
Coal, Australia	\$/mt	52.95	47.62	45.44	53.90	51.29	51.19	48.43	39.58	38.23	43.19	47.70
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	61.08	42.68	46.24	50.79	59.98	56.55	56.43	62.46	59.70
Crude oil, Brent	a/ \$/bbl	38.30	54.43	61.75	44.17	47.64	51.61	61.55	56.93	56.75	63.57	59.92
Crude oil, Dubai	a/ \$/bbl	33.46	49.29	57.94	35.57	41.44	47.69	55.34	52.70	53.13	58.31	57.58
Crude oil, West Texas Int.	a/ \$/bbl	41.44	56.44	63.55	48.31	49.65	53.06	63.05	60.02	59.41	65.48	61.62
Natural gas, Europe	\$/mmbtu	4.28	6.33	7.96	4.93	5.49	5.89	6.52	7.41	7.49	7.96	7.95
Natural gas, US	\$/mmbtu	5.89	8.92	8.07	6.36	6.42	6.94	10.04	12.26	12.83	8.66	7.49
<b>Non Energy Commodities</b>												
<b>Agriculture</b>												
<b>Beverages</b>												
Cocoa	b/ c/kg	155.0	153.8	156.0	159.9	164.7	154.4	149.1	147.0	150.9	157.3	154.6
Coffee, Arabica	b/ c/kg	177.4	253.2	268.2	202.0	266.8	278.6	233.4	234.1	233.2	273.8	262.6
Coffee, robusta	b/ c/kg	79.3	111.5	139.3	74.3	93.9	122.6	115.2	114.2	124.3	139.8	138.8
Tea, auctions (3), average	c/kg	168.6	164.7	181.9	176.7	159.9	166.0	166.8	166.2	164.6	170.8	193.0
Tea, Colombo auctions	b/ c/kg	178.1	184.3	190.7	201.4	193.5	176.5	176.1	191.0	189.1	189.6	191.8
Tea, Kokata auctions	b/ c/kg	172.2	162.1	148.7	179.8	136.9	179.1	175.2	157.1	153.6	151.2	146.2
Tea, Mombasa auctions	b/ c/kg	155.4	147.8	206.4	149.1	149.3	142.3	149.0	150.4	151.0	171.8	241.0
<b>Food</b>												
<b>Fats and Oils</b>												
Coconut oil	b/ \$/mt	660.8	617.0	580.8	651.7	667.3	654.9	571.7	574.0	553.0	569.0	592.5
Copra	\$/mt	450.0	413.7	382.5	448.3	447.8	446.4	380.7	379.9	372.0	372.5	392.5
Groundnut oil	b/ \$/mt	1,161.0	1060.4	925.0	1130.3	1152.4	1101.3	1025.0	963.0	947.0	930.0	920.0
Palm oil	b/ \$/mt	471.3	422.1	433.6	429.0	413.3	421.7	415.0	438.3	429.0	424.3	443.0
Palmkernel oil	b/ \$/mt	648.1	627.0	613.6	653.0	662.3	655.6	582.3	607.7	590.0	606.0	621.3
Soybean meal	b/ \$/mt	241.2	214.4	205.3	196.0	213.5	221.3	218.7	204.0	210.0	207.0	203.5
Soybean oil	b/ \$/mt	616.0	544.9	532.5	559.3	521.3	548.0	551.7	558.7	537.0	532.0	533.0
Soybeans	b/ \$/mt	306.5	274.7	256.3	258.0	270.8	290.7	278.3	258.9	264.0	257.0	255.5
<b>Grains</b>												
Maize	b/ \$/mt	111.8	98.7	104.9	94.3	96.8	96.3	101.8	99.8	102.1	102.7	107.1
Rice, Thai, 5%	b/ \$/mt	237.7	286.3	296.4	260.5	289.9	292.0	281.6	281.6	280.5	291.3	301.5
Rice, Thai, 25%	\$/mt	225.4	265.4	270.6	245.6	270.5	270.5	260.7	259.8	257.0	266.3	275.0
Rice, Thai, 35%	\$/mt	222.3	261.8	267.1	241.9	267.6	265.8	256.7	257.1	253.8	262.5	271.8
Rice, Thai, A1.Special	\$/mt	205.1	217.8	213.1	210.9	229.3	218.9	211.9	211.2	206.8	211.0	215.3
Sorghum	b/ \$/mt	109.8	96.2	103.4	92.3	92.9	95.4	101.0	95.5	96.6	100.6	106.1
Wheat, Canada	\$/mt	186.5	197.6	212.2	196.1	200.8	191.0	194.9	203.5	206.5	211.0	213.3
Wheat, US, HRW	b/ \$/mt	156.9	152.4	173.5	153.5	151.9	142.0	151.0	164.5	164.4	167.2	179.8
Wheat US SRW	\$/mt	144.4	135.7	146.7	140.6	145.4	132.1	130.3	135.1	137.6	144.2	149.2
<b>Other Food</b>												
Bananas EU (SOPISCO)	\$/mt	892.0	1176.0	944.9	988.3	1284.5	1346.0	1016.7	1056.8	1016.9	919.2	970.5
Bananas US (UPEB & SOPIS)	b/ \$/mt	524.6	602.8	769.9	494.9	757.3	565.5	466.8	621.8	645.9	685.5	854.3
Beef	b/ c/kg	251.3	261.7	251.7	261.1	258.9	264.8	266.8	256.3	254.1	250.5	253.0
Fish.meal.Hamburg	\$/mt	648.6	711.2	880.5	642.0	640.6	663.1	712.3	828.8	852.0	882.8	878.3
Lamb	c/kg	459.9	443.8	384.1	472.7	478.1	454.9	429.2	413.2	410.2	374.9	393.3
Oranges	b/ \$/mt	857.5	874.7	823.8	774.2	830.5	1,068.4	751.7	848.0	849.4	797.7	849.9
Shrimp, Mexican	b/ c/kg	1,022	1,034	1,047	966	1,030	1,047	1,028	1,031	1,047	1,047	1,047
Sugar EU domestic	b/ c/kg	66.97	66.54	64.25	68.13	69.12	67.90	65.23	63.92	63.82	64.58	63.92
Sugar US domestic	b/ c/kg	45.47	46.93	52.37	45.84	45.26	47.76	46.73	47.96	48.28	51.54	53.20
Sugar, world	b/ c/kg	15.80	21.79	37.25	18.27	19.62	19.28	21.96	26.32	29.34	34.72	39.77
<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	197.3	203.1	221.8	196.8	192.0	199.9	211.4	209.1	210.5	221.0	222.5
Plywood	c/sheets	464.8	508.6	524.9	482.0	515.2	512.6	506.5	500.2	505.7	519.7	530.2
Sawnwood, Cameroon	\$/cum	587.0	559.1	583.0	621.5	598.5	562.6	546.6	528.9	527.6	587.0	579.0
Sawnwood, Malaysia	\$/cum	581.3	659.4	713.3	606.1	639.9	652.7	664.3	680.7	685.3	713.3	713.3
Woodpulp	\$/mt	640.8	635.5	618.8	637.4	676.9	651.7	607.4	605.9	609.8	618.8	618.8
<b>Other Raw Materials</b>												
Cotton A Index	b/ c/kg	136.6	121.7	132.0	110.4	117.6	122.6	120.4	126.1	124.9	130.2	133.9
Cotton Memphis	c/kg	137.5	129.9	134.26	116.3	124.8	130.9	128.5	134.8	133.1	131.8	136.7
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, RSS1, 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, NY	c/kg	148.3	166.1	217.2	146.5	144.9	151.6	181.5	186.4	180.8	205.1	229.2
Rubber, Singapore	b/ c/kg	130.4	150.2	198.6	125.4	126.5	138.5	167.5	168.2	170.4	189.3	208.0
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 64's UK	c/kg	541.0	580.0	555.0	557.4	583.8	584.5	576.5	575.0	575.0	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

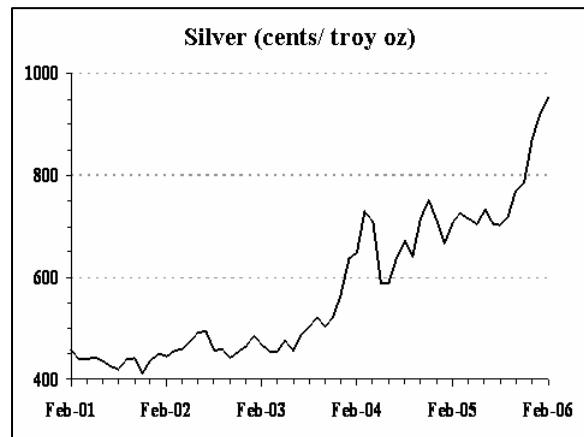
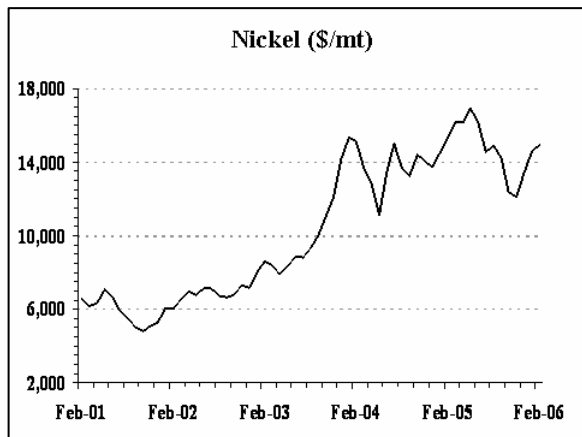
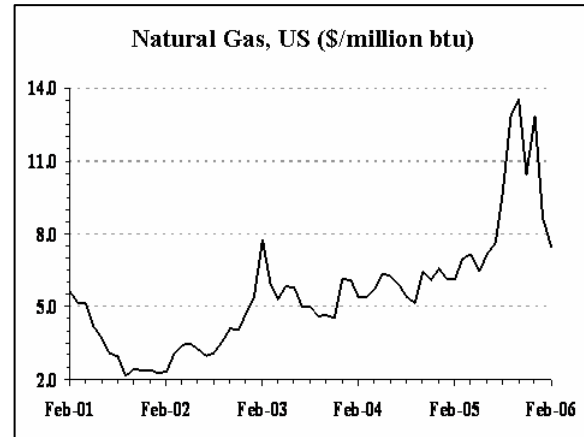
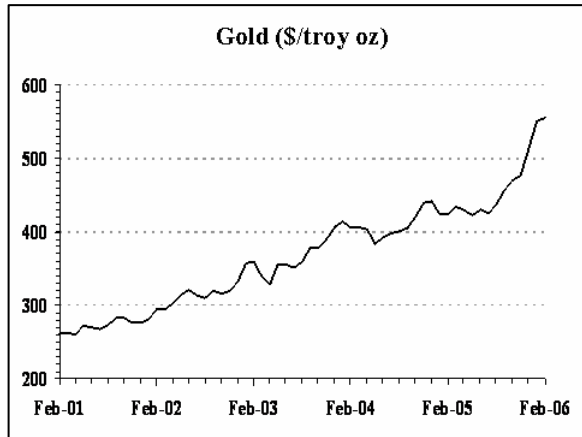
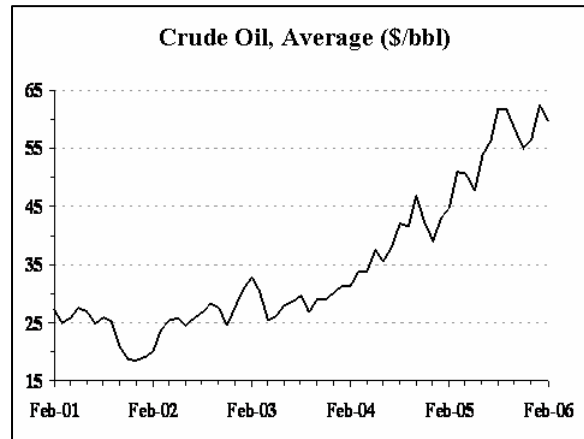
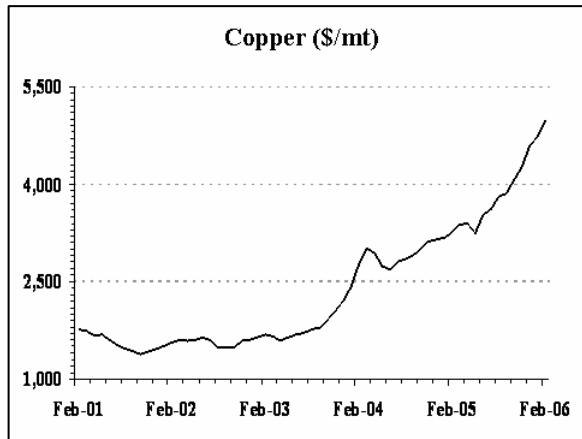
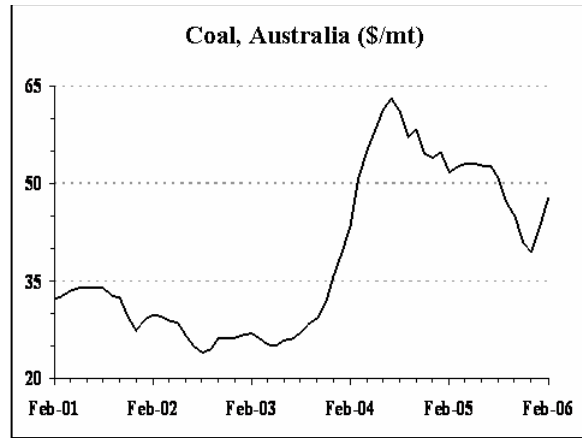
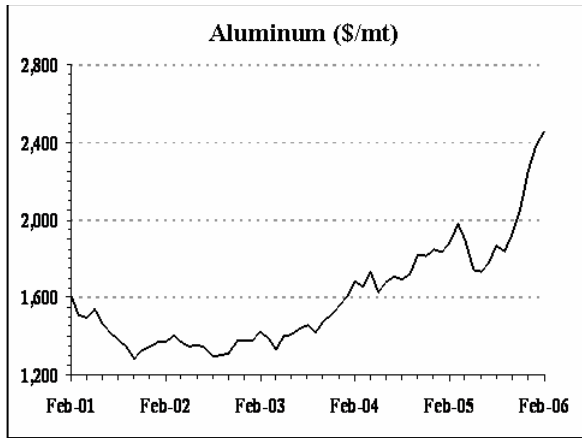
		Annual averages				Quarterly averages					Monthly averages		
		Jan-Dec	Jan-Dec	Jan-Feb	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Dec	Jan	Feb	
		2004	2005	2006	2004	2005	2005	2005	2005	2005	2005	2006	2006
<b>Fertilizers</b>													
DAP	\$/mt	221.2	247.0	261.1	234.6	226.4	235.6	261.6	264.5	261.9	262.0	260.3	
Phosphate rock	b/ \$/mt	41.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0	
Pottasium chloride	\$/mt	124.6	158.2	170.0	138.2	147.5	151.7	163.5	170.0	170.0	170.0	170.0	
TSP	\$/mt	186.3	201.5	201.0	198.5	202.0	201.7	201.2	201.0	201.0	201.0	201.0	
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	206.8	210.9	198.1	241.6	211.7	224.7	215.8	197.8	215.8	
<b>Metals and Minerals</b>													
Aluminum	b/ \$/mt	1,716	1,898	2,417	1,828	1,899	1,790	1,829	2,076	2,247	2,378	2,455	
Copper	b/ \$/mt	2,866	3,679	4,858	3,093	3,268	3,389	3,757	4,302	4,577	4,734	4,982	
Gold	\$/toz	409.2	444.8	552.4	434.0	427.1	427.3	439.5	485.6	510.1	549.9	555.0	
Iron ore CVRD So & No	b/ c/dmtu	37.90	65.00	65.00	37.90	65.00	65.00	65.00	65.00	65.00	65.00	65.00	
Lead	b/ c/kg	88.7	97.6	126.7	95.8	97.8	98.7	89.2	104.9	112.4	125.6	127.7	
Nickel	b/ \$/mt	13,823	14,744	14,767	14,073	15,348	16,411	14,567	12,649	13,429	14,555	14,979	
Silver	c/toz	669.0	733.8	935.3	726.2	699.9	718.2	708.8	808.3	868.7	918.5	952.1	
Steel products (8) index	a/ 1990=100	121.5	137.9	138.6	128.5	132.7	141.6	138.6	138.6	138.6	138.6	138.6	
Steel cr coilsheet	\$/mt	607.1	733.3	750.0	650.0	683.3	750.0	750.0	750.0	750.0	750.0	750.0	
Steel hr coilsheet	\$/mt	502.5	633.3	650.0	550.0	583.3	650.0	650.0	650.0	650.0	650.0	650.0	
Steel, rebar	\$/mt	428.8	423.1	430.0	400.0	402.5	430.0	430.0	430.0	430.0	430.0	430.0	
Steel wire rod	\$/mt	487.5	579.2	600.0	550.0	550.0	566.7	600.0	600.0	600.0	600.0	600.0	
Tin	c/kg	851.3	738.0	743.9	889.0	807.7	796.3	704.7	643.2	671.4	705.1	782.6	
Zinc	b/ c/kg	104.8	138.1	215.5	111.4	131.5	127.3	129.7	164.0	182.2	209.0	221.9	
<b>World Bank commodity price indices for low and middle income countries( 1990 =100)</b>													
Energy		164.9	233.4	267.0	186.6	202.1	222.0	262.2	247.2	246.6	273.0	261.0	
Non Energy Commodities		107.4	121.9	137.6	108.0	119.8	121.6	120.8	125.3	128.5	135.4	139.8	
Agriculture		104.7	113.0	124.9	102.9	111.7	114.1	111.9	114.2	115.7	122.9	126.9	
Beverages		94.0	116.9	125.0	101.5	120.6	125.0	111.2	110.8	112.2	126.1	123.9	
Food		110.0	109.9	119.3	104.1	111.0	110.4	107.2	111.1	112.9	116.0	122.7	
Fats and Oils		137.1	122.9	119.3	119.4	122.5	126.5	122.7	120.0	120.1	118.7	119.8	
Grains		100.2	103.2	110.9	98.2	103.0	101.3	103.1	105.2	105.6	108.1	113.7	
Other Food		93.2	103.1	124.1	94.8	106.2	102.4	96.8	107.1	111.0	118.1	130.1	
Raw Materials		105.8	114.0	132.1	102.4	105.9	110.8	118.6	120.8	122.0	129.5	134.7	
Timber		109.3	122.5	132.7	113.3	118.5	121.2	123.9	126.4	127.3	132.6	132.7	
Other Raw Materials		103.4	108.3	131.7	94.9	97.2	103.8	115.0	117.0	118.4	127.4	136.1	
Fertilizers		126.6	134.9	134.6	133.4	135.1	135.0	134.7	134.6	134.6	134.6	134.6	
Metals and Minerals		112.4	142.5	169.0	118.1	138.4	138.7	141.3	151.4	159.5	166.1	172.0	

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

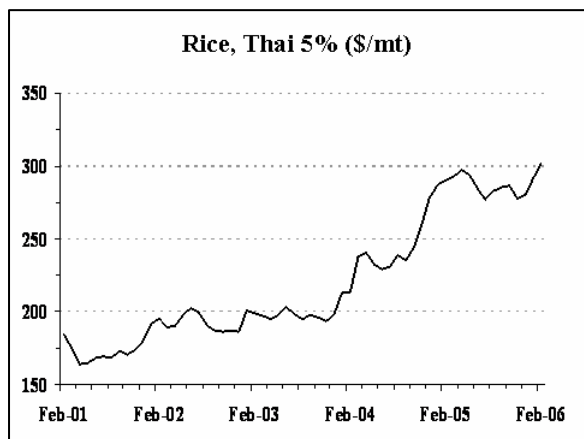
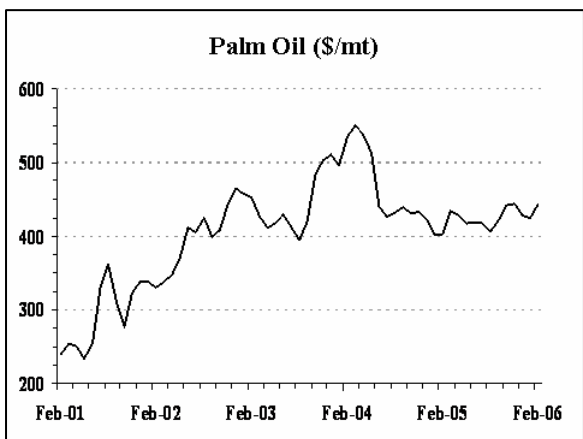
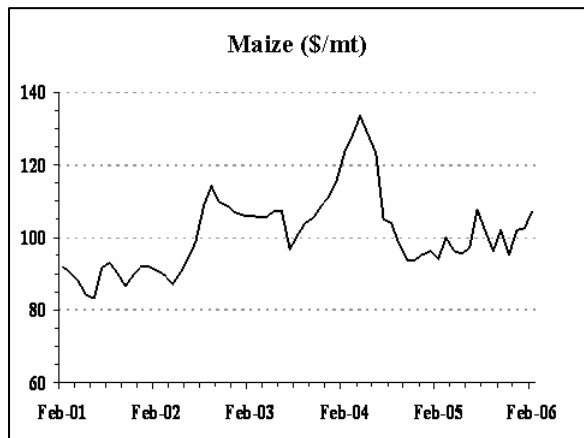
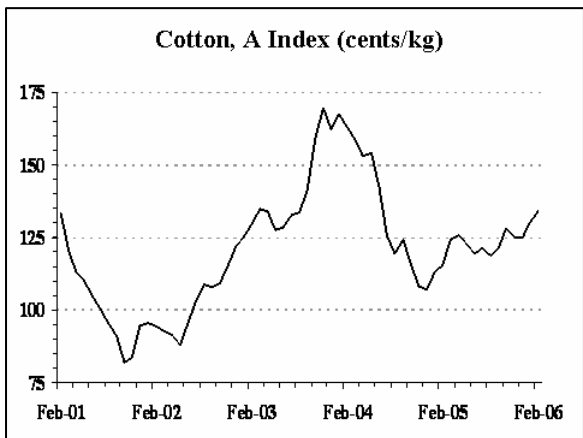
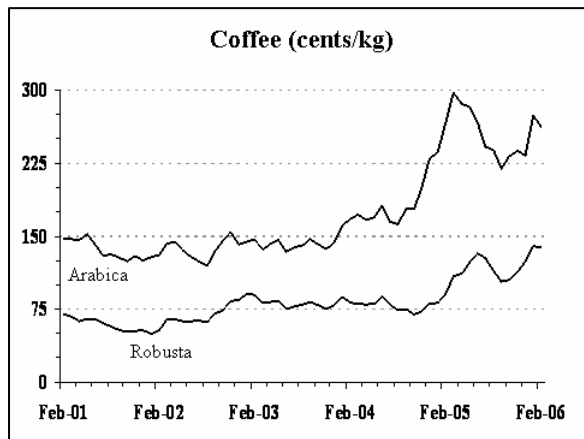
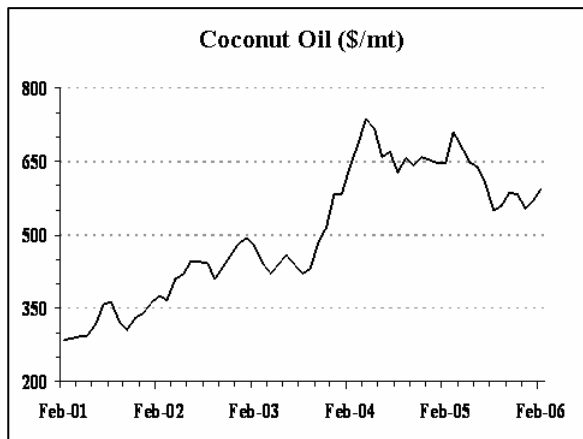
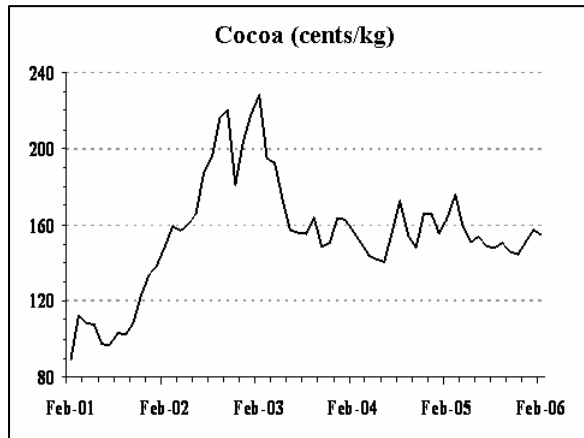
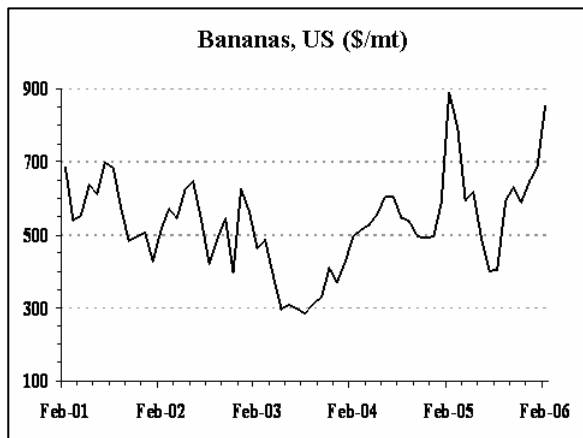
b. Not included in index/

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

## Selected Commodity Prices, Nominal US dollars, 2000-2005



## Selected Commodity Prices, Nominal US dollars, 2000-2005 cont'd



## Selected Commodity Prices, Nominal US dollars, 2000-2005 cont'd

