

# Commodity Markets Review

April 15, 2002

EPPG, The World Bank

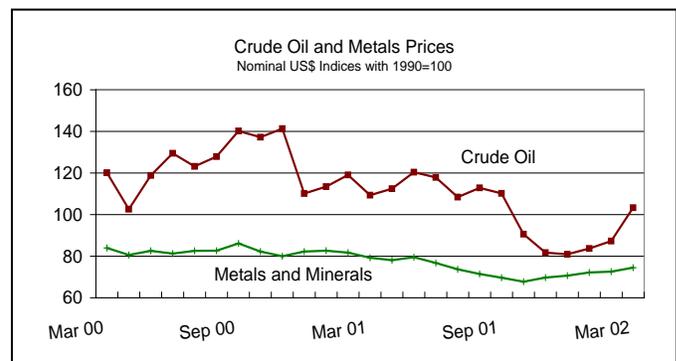
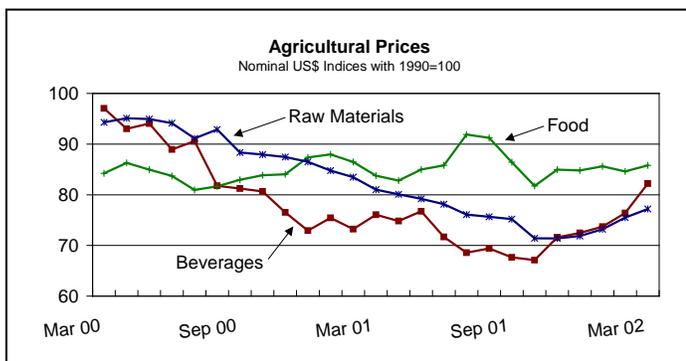
**Commodity prices continued their recent increases**, with crude oil prices up 18 percent and non-oil prices up 2.8 percent in March. The rise in crude oil prices was due mostly to uncertainty about supplies while the increase in non-oil commodity prices was due mostly to expected demand increases and signs that stocks have peaked and are turning lower.

Non-oil commodity prices have increased nearly 10 percent since their October lows and are expected to pause before continuing higher later in the year. The sharp price increases are not supported by significant increases in demand or declines in stocks. However, they do appear to reflect a change to a more bullish market sentiment.

**Agricultural prices rose 3.1 percent in March**, as commodities which have had severe price declines rebounded. Coffee prices led the increase, with both arabica and robust prices increasing. Rubber prices increased due to supply disruptions and the expectations that a global economic recovery will boost tire demand. Grains and oilseed prices were generally lower, due to weak demand, despite improving fundamentals and the prospects that U.S. production could be affected by drought. Cocoa prices continued to increase due to strong demand, and supply problems in Côte d'Ivoire.

**Crude oil prices averaged \$23.6/bbl in March**, and reached \$27 in early April before receding to \$23 at mid-month. Fears of supply disruptions from the escalating conflict in the Middle East and strikes in Venezuela largely accounted for the increase. In recent days prices have declined following the forced resignation of President Chavez and an announcement by Saudi Arabia that it would keep the markets well supplied after Iraq stopped exports for 30 days. However, the return of Chavez has brought a bullish tone back to the market. Oil market fundamentals remain weak and OPEC agreed on March 15th to extend production quotas for the second quarter.

**Metals and minerals prices rose 2.5 percent**, the fifth consecutive monthly gain, for a total increase of nearly 10 percent since October. Prices continued to rally on expectations that a strong economic rebound will lead to higher demand for metals. However, the economic recovery has yet to translate into significantly higher demand. Inventories have continued to climb to quite high levels for most metals, suggesting that recent price increases may not be sustainable in the near-term. There are also concerns that the recent price increases may cause idled capacity to be reactivated, further capping prices.



Prepared by a team from the Economic Policy and Prospects Group (EPPG) of Development Economics under the supervision of Hans Timmer and consisting of Donald Mitchell, Shane Streifel, John Baffes and Betty Dow. Katherine Rollins was the task assistant.

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

**Zinc** prices increased 6.2 percent, despite high inventories, following the price increases in nickel and other metals.

**Cocoa** prices rose 6.8 percent due to speculative buying and a poor crop in main producer Côte d'Ivoire. Prices are up 86 percent from their lows in early 2000.

**Malaysian log** prices rose 6.8 percent due to seasonal production declines, a stronger Yen vs. the dollar, and continuing strong demand from China. The improved outlook for the Japanese economy may have also contributed to the higher prices.

**Arabica coffee** prices rose 9.1 percent, despite large market surpluses. The market sentiment may soon be tested as the Brazilian and Indonesian coffee harvests begin.

**Nickel** prices rose 8.4 percent on low inventories and positive economic news that is expected to lead to higher demand. However, prices in April are 40 percent higher than October, and this raises questions about the sustainability of the rally.

**U.S. banana** prices rose 10.7 percent, following last month's 20.6 percent increase, due to lower production in main suppliers Colombia and Ecuador.

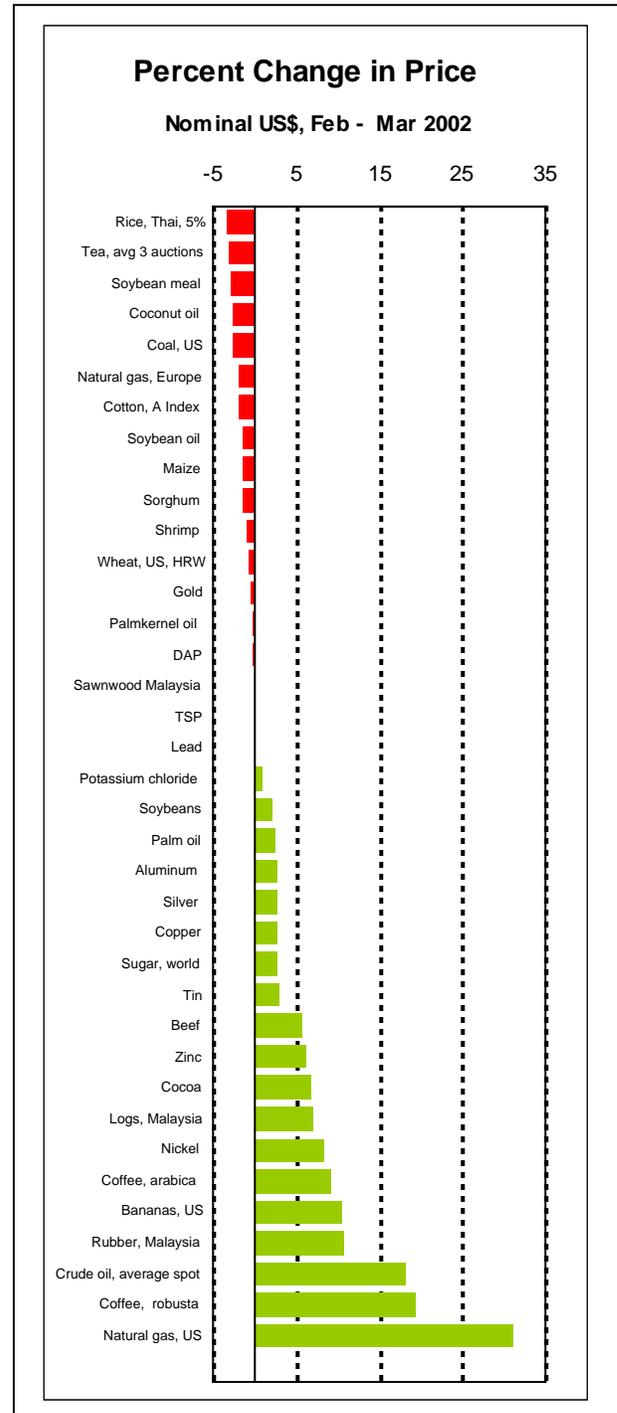
**Rubber** prices rose 10.8 percent, following a 20 percent increase in the two previous months, due to supply disruptions and government actions to support prices by the major exporters.

**Crude oil** prices rose 18 percent on fears of supply disruption and expectations of a tight market during the year from OPEC output restraint and a recovery of oil demand.

**Robusta coffee** prices jumped nearly 20 percent on reduced Vietnamese exports and hedge fund buying. Prices have been severely depressed and supplies remain large.

**Natural gas** prices in the U.S. surged 31 percent higher, despite record high

inventories, on cooler temperatures, higher oil prices and nervousness about how events in the Middle East will affect oil prices. However, prices have fallen back considerably in April.



<sup>1</sup> Based on the percent change of average March compared to average February 2002 prices measured in nominal U.S. dollars.

## Petroleum

**Crude oil prices surged in March and reached \$27/bbl in early April on fears of supply disruptions in the Middle East and Venezuela. This added to expectations that the oil market will tighten during the year from production restraint and a recovery in oil demand.**

Initial concerns about supply disruptions were focused on Iraq because of possible U.S. intentions to take military action over the issue of weapons of mass destruction and support to terrorism. However, this was eclipsed by the escalating conflict in the West Bank. In response, Iraq stopped oil exports for 30 days on April 8. Following a proposal by Iran, Libya agreed to join a boycott if other Arab producers participated. However, there seems little interest in a coordinated embargo, and Saudi Arabia indicated that consuming nations would have sufficient supplies. Further concern about oil prices was caused by a nation-wide strike in Venezuela, which briefly disrupted exports last week and culminated in the forced resignation, and subsequent return, of President Chavez. Exports are expected to resume within a few days.

Despite the run-up in oil prices, market fundamentals remain weak. World oil demand fell 1 percent (0.7 mb/d) in the first quarter, partly due to mild weather. Inventories are well above last year's levels for both crude and products. Non-OPEC supply was up 1.4 mb/d compared with last

year, however OPEC production was down 3 mb/d (see graph).

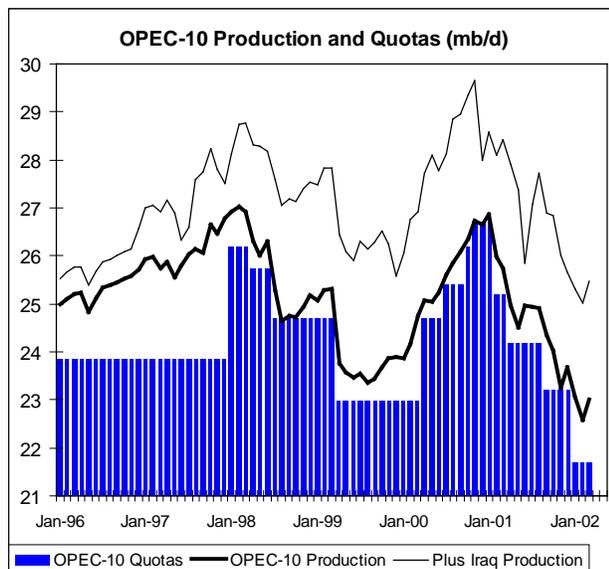
OPEC agreed on March 15<sup>th</sup> to roll-over its production quotas for the second quarter and seems intent on limiting output to keep prices within its \$22-28/bbl price band. Russia also agreed to limit exports, joining Mexico, Norway and Oman in helping OPEC achieve higher prices. OPEC production (excluding Iraq) increased more than 0.4 mb/d in March, placing the organization 1.3 mb/d above quota. Iraq produced 2.47 mb/d in March and exported 1.77 mb/d under the U.N.'s oil-for-food program which expires at end-May. Further disruptions can be expected during the negotiations of the next phase of the program.

Although OPEC has more than 6 mb/d of spare capacity (see table), risks remain for further supply disruption and sharply higher prices. Should the Middle East situation deteriorate further, pressures could mount to expand the embargo of oil exports. There is also a risk that countries with spare capacity may be unwilling to raise production, in which case prices could spike higher. Thus prices are likely to be volatile in the coming months.

### OPEC Production and Capacity (mbd/)

	Prod'n Mar-02	Capacity	Spare Capacity
Algeria	0.80	1.00	0.20
Indonesia	1.12	1.25	0.13
Iran	3.40	3.90	0.50
Iraq	2.47	2.80	0.33
Kuwait	1.84	2.40	0.56
Libya	1.30	1.45	0.15
Nigeria	1.95	2.20	0.25
Qatar	0.60	0.75	0.15
S. Arabia	7.44	10.50	3.06
UAE	2.01	2.50	0.49
Venezuela	2.55	3.20	0.65
Total Crude	25.48	31.95	6.47
NGLs	3.13		
OPEC	28.62		
Crude -Iraq	23.01	29.15	6.14

Source: IEA



## COMMODITY PRICE DATA

Commodity	Unit	----- Annual averages -----			----- Quarterly averages -----				----- Monthly averages -----			
		Jan-Dec	Jan-Dec	Jan-Mar	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Jan	Feb	Mar
		2000	2001	2002	2001	2001	2001	2001	2002	2002	2002	2002
<b>Energy</b>												
Coal, Australia	\$/mt	26.25	32.31	29.50	32.27	33.73	33.53	29.72	29.50	29.10	29.85	29.55
Coal, US	\$/mt	33.06	44.86	40.31	36.80	46.88	49.45	46.30	40.31	46.08	37.93	36.93
Crude oil, average spot	a/ \$/bbl	28.23	24.35	20.92	26.07	26.75	25.28	19.31	20.92	19.15	19.98	23.64
Crude oil, Brent	a/ \$/bbl	28.27	24.42	21.16	25.82	27.27	25.26	19.34	21.16	19.49	20.29	23.69
Crude oil, Dubai	a/ \$/bbl	26.08	22.71	20.02	23.62	25.09	23.90	18.24	20.02	18.29	18.91	22.85
Crude oil, West Texas Int.	a/ \$/bbl	30.33	25.92	21.60	28.79	27.86	26.67	20.36	21.60	19.69	20.72	24.38
Natural gas, Europe	\$/mmbtu	3.86	4.06	3.02	4.60	4.39	3.78	3.46	3.02	3.06	3.03	2.97
Natural gas, US	\$/mmbtu	4.31	3.96	2.53	6.32	4.36	2.73	2.41	2.53	2.25	2.31	3.03
<b>Non-Energy Commodities</b>												
<b>Agriculture</b>												
<b>Beverages</b>												
Cocoa	b/ c/kg	90.6	106.9	149.0	100.4	104.5	100.8	121.8	149.0	138.6	149.1	159.3
Coffee, arabica	b/ c/kg	192.0	137.3	133.6	146.7	146.4	129.7	126.4	133.6	128.4	130.3	142.1
Coffee, robusta	b/ c/kg	91.3	60.7	56.1	69.5	64.1	57.0	52.4	56.1	50.3	53.7	64.2
Tea, average 3 auctions	b/ c/kg	187.6	159.8	144.6	170.9	160.0	159.8	148.6	144.6	146.4	146.0	141.4
Tea, Calcutta auctions	b/ c/kg	180.6	166.1	115.8	157.3	183.1	181.5	142.6	115.8	129.0	115.7	102.6
Tea, Colombo auctions	b/ c/kg	179.3	161.7	168.8	179.8	152.9	151.2	162.8	168.8	165.6	170.2	170.5
Tea, Mombasa auctions	b/ c/kg	202.9	151.7	149.2	175.6	144.1	146.6	140.4	149.2	144.7	152.0	151.0
<b>Food</b>												
<b>Fats and Oils</b>												
Coconut oil	b/ \$/mt	450.3	318.1	368.0	297.7	301.7	347.7	325.3	368.0	362.0	376.0	366.0
Copra	\$/mt	304.8	202.1	228.3	193.3	189.3	222.7	203.0	228.3	221.0	232.0	232.0
Groundnut oil	b/ \$/mt	713.7	680.3	667.0	690.3	697.7	665.7	667.3	667.0	665.0	665.0	671.0
Palm oil	b/ c/kg	310.3	285.7	335.3	249.3	246.7	334.0	312.7	335.3	338.0	330.0	338.0
Palmkernel oil	\$/mt	443.5	308.1	352.0	283.7	295.0	343.7	310.0	352.0	339.0	359.0	358.0
Soybean meal	b/ \$/mt	189.2	181.0	171.7	189.0	171.7	184.3	179.0	171.7	182.0	169.0	164.0
Soybean oil	b/ \$/mt	338.1	354.0	366.7	312.3	310.3	404.3	389.0	366.7	389.0	358.0	353.0
Soybeans	b/ \$/mt	211.8	195.8	188.7	201.7	186.0	207.3	188.3	188.7	188.0	187.0	191.0
<b>Grains</b>												
Maize	b/ \$/mt	88.5	89.6	90.8	92.5	85.1	91.7	89.3	90.8	92.0	90.8	89.6
Rice, Thai, 5%	b/ \$/mt	202.4	172.8	192.0	181.3	165.4	170.2	174.5	192.0	191.8	195.3	189.0
Rice, Thai, 25%	\$/mt	172.8	153.1	172.4	153.6	143.1	155.5	160.2	172.4	173.5	172.3	171.5
Rice, Thai, 35%	\$/mt	167.2	149.1	167.9	148.8	139.1	151.5	157.0	167.9	169.5	168.3	165.8
Rice, Thai, A1. Special	\$/mt	143.5	134.1	145.8	131.3	124.4	142.1	138.5	145.8	142.5	143.7	151.3
Sorghum	b/ \$/mt	88.0	95.2	93.3	98.1	92.9	94.7	95.2	93.3	95.4	92.9	91.7
Wheat, Canada	\$/mt	147.1	151.5	147.4	156.9	152.4	148.0	148.5	147.4	150.0	147.7	144.6
Wheat, US, HRW	b/ \$/mt	114.1	126.8	123.7	130.4	130.6	122.6	123.7	123.7	125.3	123.3	122.5
Wheat, US, SRW	\$/mt	98.9	107.7	117.2	106.9	100.4	107.2	116.5	117.2	121.7	113.4	116.6
<b>Other Food</b>												
Bananas, EU	\$/mt	712.4	777.2	844.9	910.2	834.9	686.0	677.8	844.9	754.4	869.1	911.1
Bananas, US	b/ \$/mt	424.0	583.3	505.7	587.6	599.2	650.9	495.4	505.7	428.5	516.7	571.8
Beef	b/ c/kg	193.2	212.9	230.0	196.0	203.0	226.1	226.7	230.0	222.6	227.1	240.4
Fishmeal	\$/mt	413.0	486.7	589.3	462.3	443.7	499.0	541.7	589.3	585.0	590.0	593.0
Lamb	c/kg	261.9	291.2	311.1	285.8	291.3	283.9	303.7	311.1	311.8	311.0	310.4
Oranges	b/ \$/mt	363.2	609.2	670.0	437.0	729.4	768.9	501.4	670.0	609.6	649.8	750.6
Shrimp	c/kg	1,513	1,517	1,162	1,627	1,653	1,559	1,230	1,162	1,182	1,157	1,146
Sugar, EU, domestic	b/ c/kg	55.52	52.86	52.14	53.00	53.12	52.57	52.77	52.14	52.40	52.01	52.01
Sugar, US, domestic	b/ c/kg	42.76	47.04	45.78	47.44	46.96	46.78	46.97	45.78	46.74	46.04	44.56
Sugar, world	b/ c/kg	18.04	19.04	15.42	21.65	20.15	17.96	16.40	15.42	17.13	14.37	14.77
<b>Raw Materials</b>												
<b>Timber</b>												
Logs, Cameroon	\$/cum	275.4	266.1	n.a.	273.8	259.5	264.7	266.2	n.a.	n.a.	n.a.	n.a.
Logs, Malaysia	b/ \$/cum	190.0	159.1	137.2	170.5	164.1	158.2	143.4	137.2	133.3	134.6	143.8
Plywood	c/sheet	448.2	409.8	369.9	429.2	410.4	402.6	397.0	369.9	369.4	367.0	373.5
Sawnwood, Cameroon	\$/cum	489.1	471.9	447.1	493.9	459.1	475.2	459.6	447.1	451.0	443.7	446.6
Sawnwood, Malaysia	b/ \$/cum	594.7	481.4	480.2	498.8	486.0	476.7	463.9	480.2	468.5	486.0	486.0
Woodpulp	\$/mt	664.3	517.3	429.9	648.3	544.1	432.9	444.0	429.9	440.0	424.9	424.9
<b>Other Raw Materials</b>												
Cotton, "A Index"	b/ c/kg	130.2	105.8	94.2	131.7	109.2	95.6	86.8	94.2	95.7	94.4	92.7
Cotton, Memphis	c/kg	146.2	116.6	98.5	146.7	117.5	108.5	93.6	98.5	98.1	96.0	101.3
Jute	\$/mt	277.4	329.4	350.0	295.8	339.6	347.0	335.0	350.0	350.0	350.0	350.0
Rubber, Malaysia	b/ c/kg	69.1	60.0	63.6	62.8	62.8	59.5	54.9	63.6	58.0	63.0	69.9
Rubber, US	c/kg	83.2	74.7	75.9	78.2	76.7	75.2	68.7	75.9	71.2	76.0	80.4
Rubber, Singapore	c/kg	66.7	57.5	62.1	59.5	60.2	59.0	51.3	62.1	56.7	62.4	67.1
Sisal	\$/mt	631.8	699.2	670.0	723.8	732.9	676.6	663.3	670.0	670.0	670.0	670.0
Wool	c/kg	437.0	418.7	455.7	449.7	430.7	407.0	387.3	455.7	402.0	473.0	492.0

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

Commodity	Unit	----- Annual averages-----			-----Quarterly averages-----					-----Monthly averages-----		
		Jan-Dec 2000	Jan-Dec 2001	Jan-Mar 2002	Jan-Mar 2001	Apr-Jun 2001	Jul-Sep 2001	Oct-Dec 2001	Jan-Mar 2002	Jan 2002	Feb 2002	Mar 2002
<b>Fertilizers</b>												
DAP	\$/mt	154.2	147.7	155.0	163.1	143.0	139.1	145.8	155.0	152.8	156.2	156.0
Phosphate rock	b/ \$/mt	43.8	41.8	41.0	43.0	42.1	41.0	41.0	41.0	41.0	41.0	41.0
Potassium chloride	\$/mt	122.5	118.1	115.3	121.5	117.5	117.5	115.8	115.3	115.0	115.0	116.0
TSP	b/ \$/mt	137.7	126.9	135.7	129.0	125.7	124.4	128.5	135.7	131.0	138.0	138.0
Urea, Black Sea, bagged	\$/mt	112.1	105.3	n.a.	118.4	95.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Urea, Ukrain, bulk	\$/mt	101.1	95.3	96.4	106.7	84.4	90.3	99.9	96.4	106.0	95.6	87.5
<b>Metals and Minerals</b>												
Aluminum	b/ \$/mt	1,549	1,444	1,381	1,576	1,501	1,379	1,318	1,381	1,369	1,369	1,405
Copper	b/ \$/mt	1,813	1,578	1,557	1,764	1,652	1,472	1,426	1,557	1,504	1,562	1,605
Gold	\$/toz	279.0	271.0	290.4	263.5	267.7	274.5	278.4	290.4	281.5	295.5	294.1
Iron ore	¢/dmtu	28.79	30.03	30.03	30.03	30.03	30.03	30.03	30.03	30.03	30.03	30.03
Lead	b/ ¢/kg	45.4	47.6	49.1	49.3	46.3	47.0	47.9	49.1	51.3	48.0	48.0
Nickel	b/ \$/mt	8,638	5,945	6,203	6,551	6,677	5,495	5,056	6,203	6,043	6,029	6,538
Silver	¢/toz	499.9	438.6	450.7	455.8	439.9	428.5	430.3	450.7	450.2	444.8	457.0
Steel products (8) index	¢/ 1990=100	76.4	66.8	63.7	70.9	67.2	65.2	63.7	63.7	63.7	63.7	63.7
Steel, cold rolled coilsheet	\$/mt	385.8	299.2	280.0	319.6	302.0	295.0	280.0	280.0	280.0	280.0	280.0
Steel, hot rolled coilsheet	\$/mt	295.8	216.5	200.0	231.3	224.0	210.8	200.0	200.0	200.0	200.0	200.0
Steel, rebar	\$/mt	244.2	221.5	200.0	249.2	226.7	210.0	200.0	200.0	200.0	200.0	200.0
Steel, wire rod	\$/mt	291.7	302.3	300.0	309.2	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Tin	b/ ¢/kg	543.6	448.4	381.2	511.3	490.8	398.0	393.7	381.2	386.2	373.1	384.3
Zinc	b/ ¢/kg	112.8	88.6	79.5	102.0	93.4	82.6	76.3	79.5	79.3	77.1	81.9
<b>World Bank commodity price indexes for low and middle income countries( 1990 =100 )</b>												
Petroleum		123.4	106.4	91.5	114.0	116.9	110.5	84.4	91.5	83.7	87.3	103.3
Non-Energy Commodities		86.9	79.0	78.7	82.5	80.2	78.1	75.1	78.7	77.4	78.3	80.5
Agriculture		87.7	79.8	80.1	82.4	80.3	80.0	76.5	80.1	78.6	79.6	82.1
Beverages		88.4	72.1	77.4	74.9	74.4	68.6	70.4	77.4	73.7	76.4	82.2
Food		84.5	86.1	85.3	86.1	84.5	89.9	83.8	85.3	85.6	84.6	85.8
Fats and Oils		96.2	89.0	91.6	87.1	82.2	95.9	90.9	91.6	94.1	90.5	90.1
Grains		79.5	78.2	80.7	81.0	76.7	77.3	77.7	80.7	81.3	81.1	79.6
Other Food		77.7	88.1	82.8	88.0	90.8	92.0	81.5	82.8	81.1	81.7	85.8
Raw Materials		91.4	77.4	75.3	83.1	79.2	75.7	71.6	75.3	73.2	75.5	77.2
Timber		111.0	90.2	88.4	93.9	91.4	89.4	86.2	88.4	86.2	89.2	89.9
Other Raw Materials		78.0	68.6	66.3	75.7	70.8	66.3	61.6	66.3	64.3	66.1	68.5
Fertilizers		105.8	98.8	102.3	100.9	98.5	96.9	98.8	102.3	100.1	103.4	103.4
Metals and Minerals		83.0	75.1	73.1	81.2	78.1	71.6	69.4	73.1	72.2	72.6	74.5

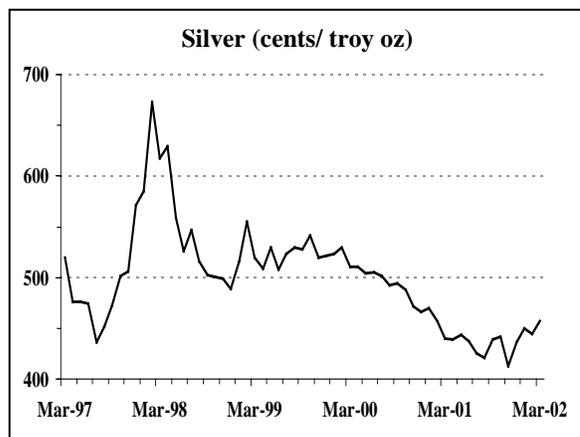
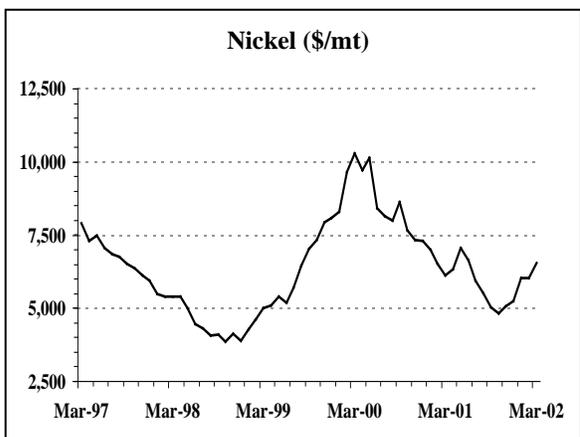
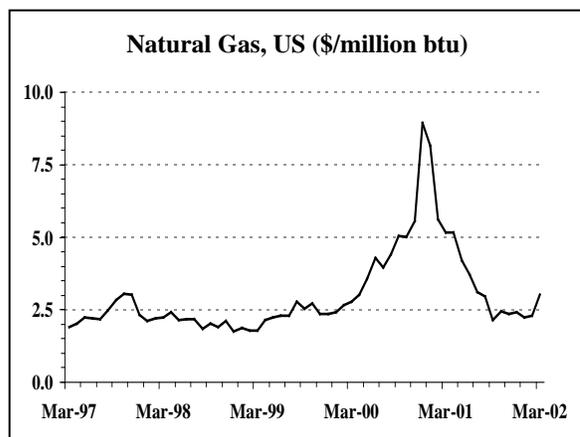
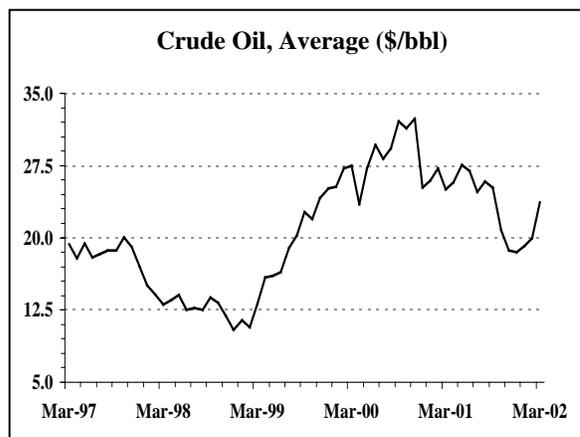
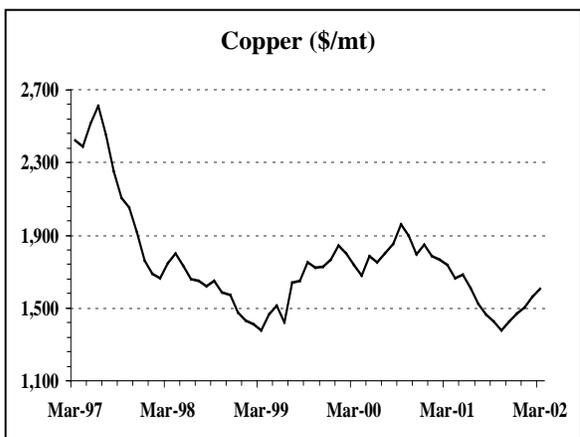
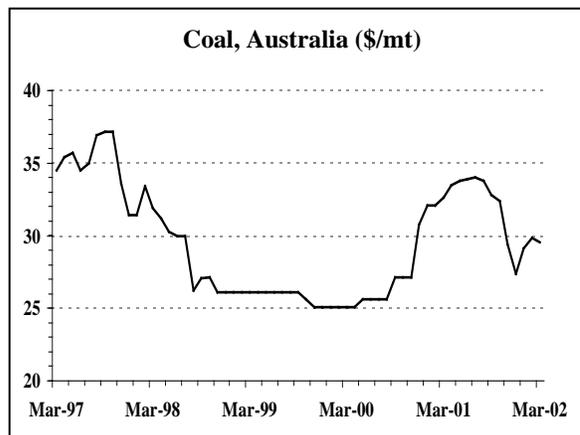
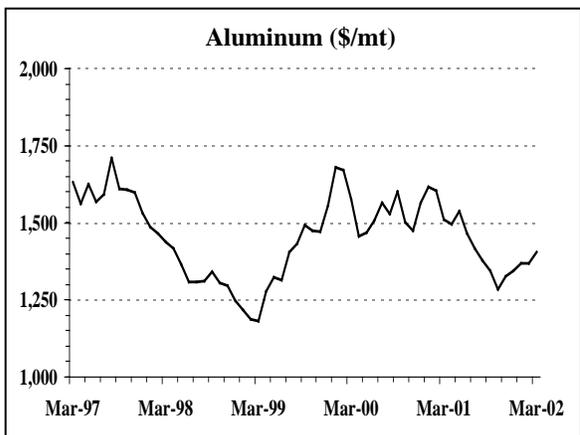
a/ Included in the petroleum ind

b/ Included in the non-energy index

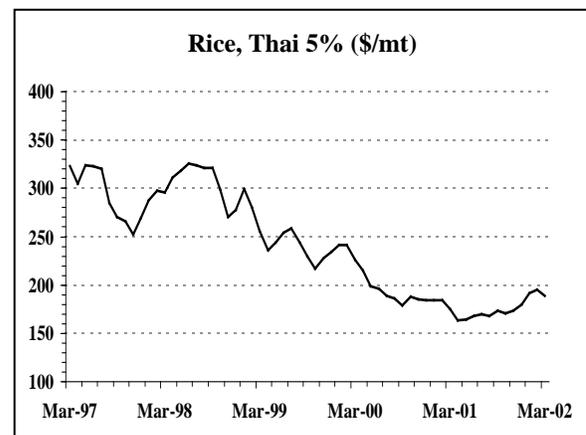
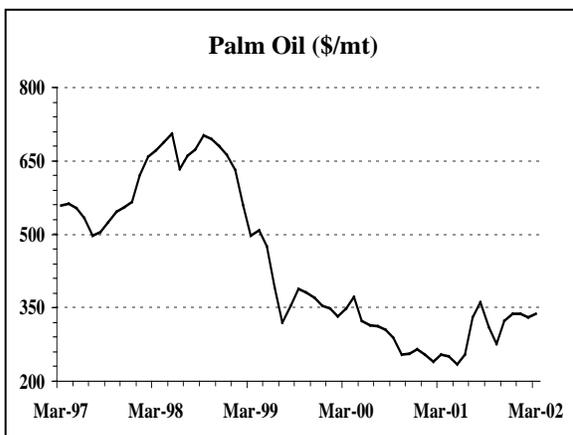
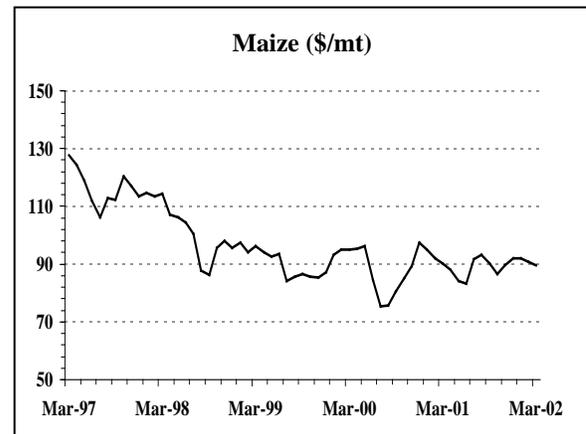
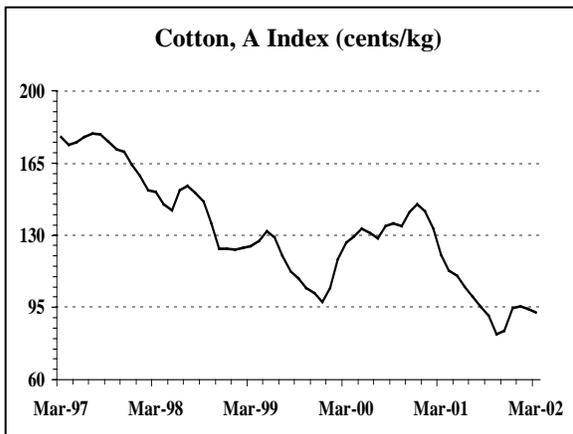
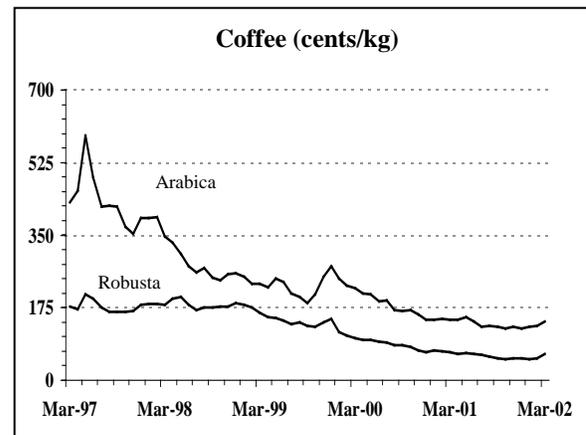
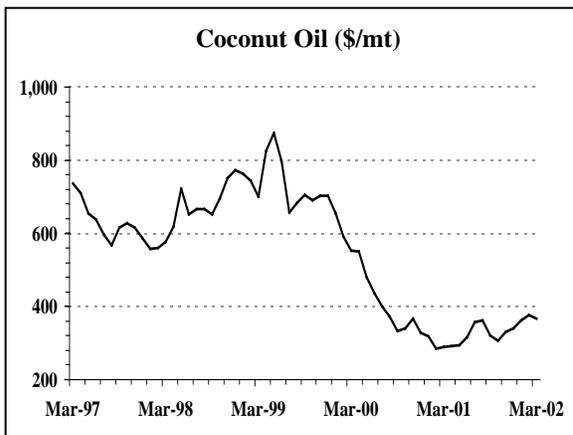
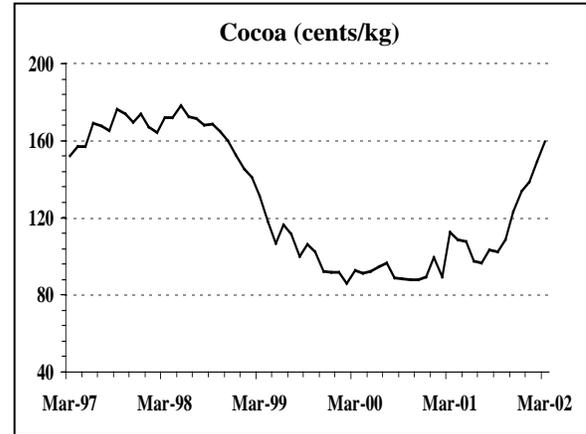
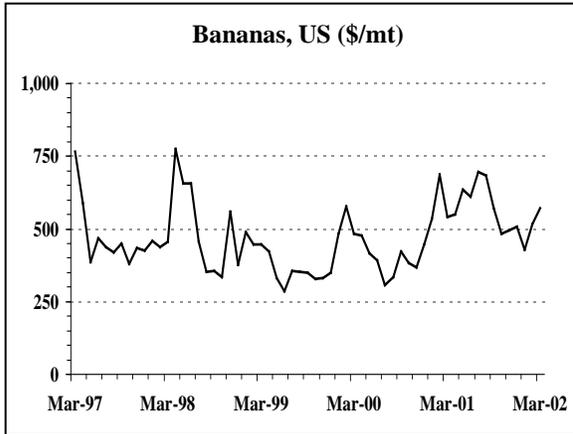
c/ Steel not included in the non-energy index

\$ = 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

# Selected Commodity Prices, Nominal US dollars, 1997-2002



# Selected Commodity Prices, Nominal US dollars, 1997-2002 cont'd



# Selected Commodity Prices, Nominal US dollars, 1997-2002 cont'd

