

# Commodity Markets Review

January 10, 2006

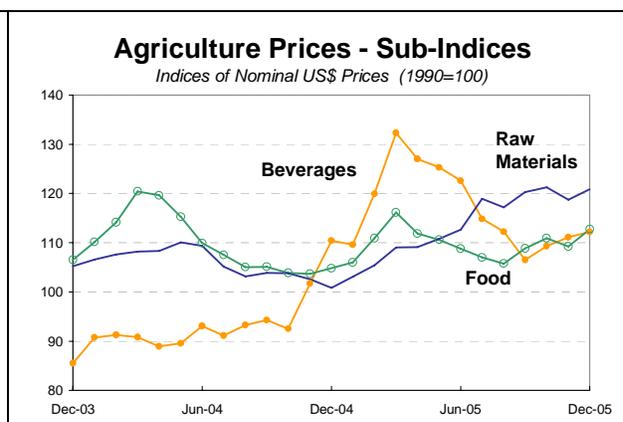
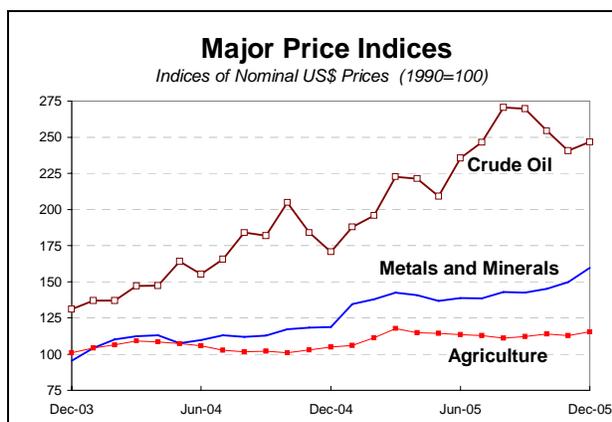
DECPG, The World Bank

**Non-oil commodity prices surged 3.6 percent in December**, the fifth consecutive monthly increase, led by large gains in all of the major metals and a few agricultural commodities, such as sugar and coffee. For the year 2005, non-oil commodity prices rose 13 percent, with metals prices climbing 27 percent and agricultural prices rising 8 percent. Agriculture markets generally are well supplied, while metals markets remain tight due to strong demand in China, very low stocks, and numerous supply problems, e.g., strikes.

**Crude oil prices rose 2.5 percent in December** to average \$56.4/bbl, reversing two months of decline. For 2005, oil prices were 42 percent above average 2004 levels mainly due to capacity constraints and concerns about possible (and actual) disruptions to supply. In December, U.S. oil demand rebounded following the post-Katrina slump, and higher natural gas prices prompted some switching to fuel oil. At month's end the natural gas dispute between the Ukraine and Russia sparked a price rally that carried into 2006, raising further concerns about the security of oil and gas supplies. Stocks are adequate at the moment, and non-OPEC supplies are projected to grow well above 1 mb/d this year. OPEC left oil production quotas unchanged at its December 12<sup>th</sup> meeting, but will meet January 31<sup>st</sup> to determine production levels.

**Agricultural prices rose 2.2 percent in December**, with relatively strong gains in a few commodities, such as sugar, bananas, coffee and maize. For 2005, the rise in agriculture prices was comprised of a 24 percent increase in beverage prices, an 8 percent gain in raw materials, and no change to overall food prices. In December, sugar prices soared 16.4 percent due to lower supplies in Brazil and strong speculative buying. Production in Thailand and Pakistan is also lower than expected due to poor weather. Coffee (robusta) prices increased 9.6 percent in response to delayed deliveries from Vietnam where heavy rains have prevented growers from drying beans.

**Metals and minerals prices jumped 6.5 percent in December**, as an investment-led rally lifted prices for all main metals on expectations that strong demand and supply constraints will keep markets tight this year. For 2005, the gains in metals prices were concentrated in iron ore, up 72 percent, and zinc and copper which gained 31 percent and 28 percent, respectively. In all cases China's import demand rose sharply. In December the largest gains were in zinc, due to poor mine supply prospects, and nickel, because of an expected rebound in stainless steel demand. Gold and silver prices also rose on fresh investment demand, partly reflecting large global liquidity.



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 December<sup>1</sup>

**Natural gas** prices in the U.S. surged 23.0 percent on cold weather, exceeding \$15/mmbtu at mid-month, but mild temperatures and ample stocks helped push prices below \$10/mmbtu by month-end.

**Sugar** prices jumped 16.4 percent because of lower supplies in Brazil and strong speculative buying. Production in Thailand and Pakistan are also lower than expected due to poor weather conditions. Global stocks are expected to fall for the third consecutive year.

**Zinc** prices gained 13.1 percent on steadily declining inventories, and prospects of limited growth in mine supplies this year that will keep smelters in short supply of zinc concentrate.

**Nickel** prices rose 10.8 percent, despite rising stocks, on expectations of a recovery in stainless steel demand following production cutbacks and large de-stocking in this sector in 2005.

**Silver** prices increased 10.5 percent on strong investment demand, and its allure as an alternative investment to gold.

**Lead** prices rose 10.4 percent on strong battery demand (its primary use) and continued low inventories. A number of mine projects are coming on line this year and should allow the market to show a small surplus.

**Bananas** prices in the U.S. increased 9.6 percent reflecting increased buying during the holiday season.

**Coffee (Robusta)** prices increased 9.6 percent (up 40.5 percent for the year) in response to delayed deliveries from Vietnam because heavy rains prevented growers from drying their beans.

**Aluminum** prices climbed 9.6 percent on expectations of a tightening market this year due to supply constraints for alumina, higher electricity prices, and the effect of recent production cutbacks.

**Tin** prices increased by 9.0 percent, on a small decline in inventories, but both have since reversed due to continued supply growth, mainly from Indonesia's informal, small-scale smelters.

**Copper** prices rose 7.2 percent, the seventh consecutive monthly gain, on expectations of

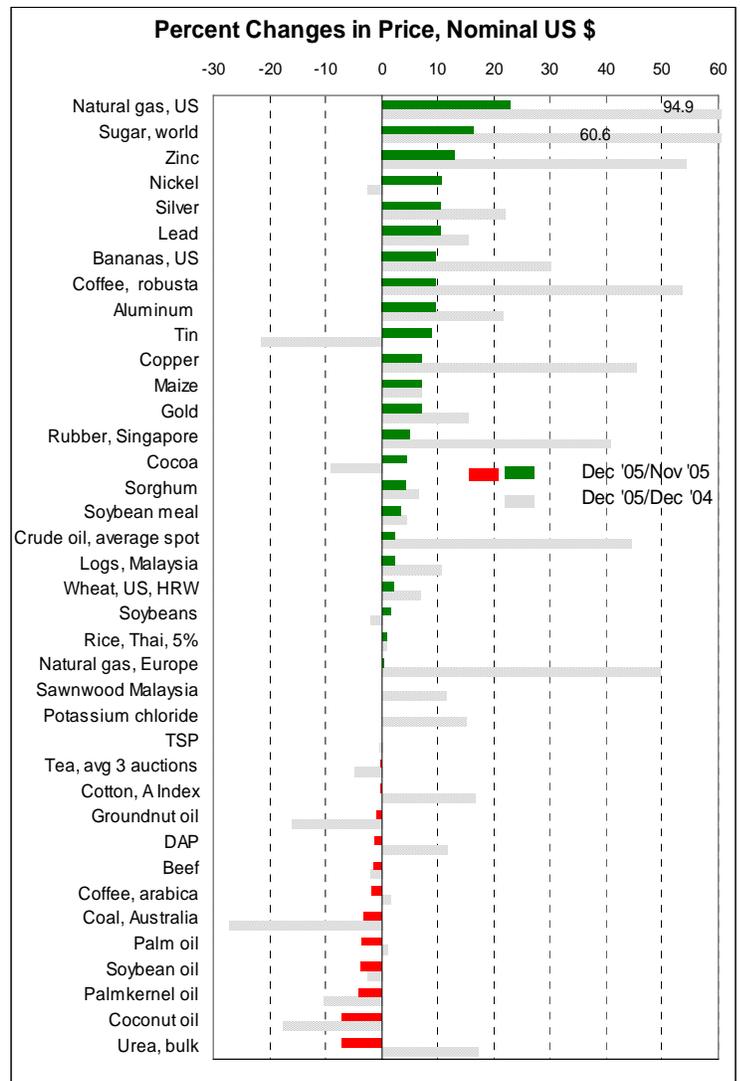
continued market deficits largely driven by numerous mine disruptions and smelter outages.

**Maize** prices increased 7.1 percent after falling 9.4 percent last month, but are still near their recent lows due to large U.S. stocks.

**Gold** prices rose 7.0 percent on rising investment demand, and partly reflect vast global liquidity and inflationary/geopolitical concerns.

**Coconut oil** prices fell 7.2 percent due to weak demand, stock increases, and general weakness in the fats and oils complex.

**Urea** bulk prices declined 7.3 percent and are now 16 percent below their May 2005 highs, as supplies increased.



<sup>1</sup> Percent change of average December prices compared to average November 2005 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 2003	Jan-Dec 2004	Jan-Dec 2005	Oct-Dec 2004	Jan-Mar 2005	Apr-Jun 2005	Jul-Sep 2005	Oct-Dec 2005	Oct 2005	Nov 2005	Dec 2005
<b>Energy</b>												
Coal, Australia	\$/mt	27.84	54.70	49.46	55.65	53.04	52.94	50.18	41.69	44.94	40.75	39.38
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	28.90	37.73	53.39	42.68	46.24	50.79	59.98	56.55	58.19	55.04	56.43
Crude oil, Brent	a/ \$/bbl	28.85	38.30	54.43	44.17	47.64	51.61	61.55	56.93	58.52	55.54	56.75
Crude oil, Dubai	a/ \$/bbl	26.74	33.46	49.29	35.57	41.44	47.69	55.34	52.70	53.67	51.31	53.13
Crude oil, West Texas Int.	a/ \$/bbl	31.11	41.44	56.44	48.31	49.65	53.06	63.05	60.02	62.36	58.28	59.41
Natural gas, Europe	\$/mmbtu	3.91	4.28	6.33	4.93	5.49	5.89	6.52	7.41	7.28	7.46	7.49
Natural gas, US	\$/mmbtu	5.49	5.89	8.92	6.36	6.42	6.94	10.04	12.26	13.52	10.43	12.83
<b>Non Energy Commodities</b>												
<b>Agriculture</b>												
<b>Beverages</b>												
Cocoa	b/ c/kg	175.1	155.0	153.8	159.9	164.7	154.4	149.1	147.0	145.7	144.3	150.9
Coffee, Arabica	b/ c/kg	141.5	177.4	253.2	202.0	266.8	278.6	233.4	234.1	231.6	237.5	233.2
Coffee, robusta	b/ c/kg	81.4	79.3	111.5	74.3	93.9	122.6	115.2	114.2	104.8	113.4	124.3
Tea, auctions (3), average	c/kg	151.7	168.6	164.7	176.7	159.9	166.0	166.8	166.1	169.0	164.8	164.5
Tea, Colombo auctions	b/ c/kg	154.1	178.1	184.3	201.4	193.5	176.5	176.1	191.0	196.2	187.8	189.0
Tea, Kokata auctions	b/ c/kg	146.5	172.2	162.1	179.8	136.9	179.1	175.2	157.1	157.4	160.2	153.6
Tea, Mombasa auctions	b/ c/kg	154.4	155.4	147.8	149.1	149.3	142.3	149.0	150.4	153.6	146.5	151.0
<b>Food</b>												
<b>Fats and Oils</b>												
Coconut oil	b/ \$/mt	467.3	660.8	615.9	651.7	667.3	654.9	571.7	569.7	587.0	582.0	540.0
Copra	\$/mt	299.9	450.0	413.8	448.3	447.8	446.4	380.7	380.1	384.0	383.8	372.5
Groundnut oil	b/ \$/mt	1,243.2	1161.0	1060.7	1130.3	1152.4	1101.3	1025.0	964.0	982.0	960.0	950.0
Palm oil	b/ \$/mt	443.3	471.3	422.0	429.0	413.3	421.7	415.0	438.1	442.0	444.0	428.3
Palmkernel oil	b/ \$/mt	458.8	648.1	626.9	653.0	662.3	655.6	582.3	607.3	619.0	614.0	588.8
Soybean meal	b/ \$/mt	210.9	241.2	214.1	196.0	213.5	221.3	218.7	203.0	202.0	200.0	207.0
Soybean oil	b/ \$/mt	553.9	616.0	545.1	559.3	521.3	548.0	551.7	559.3	579.0	560.0	538.8
Soybeans	b/ \$/mt	264.0	306.5	274.4	258.0	270.8	290.7	278.3	257.6	257.0	255.8	260.0
<b>Grains</b>												
Maize	b/ \$/mt	105.4	111.8	98.7	94.3	96.8	96.3	101.8	99.8	101.9	95.4	102.1
Rice, Thai, 5%	b/ \$/mt	197.6	237.7	286.3	260.5	289.9	292.0	281.6	281.6	286.4	277.8	280.5
Rice, Thai, 25%	\$/mt	181.7	225.4	265.4	245.6	270.5	270.5	260.7	259.8	265.2	257.3	257.0
Rice, Thai, 35%	\$/mt	178.1	222.3	261.8	241.9	267.6	265.8	256.7	257.1	262.4	255.0	253.8
Rice, Thai, A1.Special	\$/mt	151.5	205.1	217.8	210.9	229.3	218.9	211.9	211.2	217.4	209.5	206.8
Sorghum	b/ \$/mt	106.5	109.8	96.2	92.3	92.9	95.4	101.0	95.5	97.4	92.6	96.6
Wheat, Canada	\$/mt	177.4	186.5	197.6	196.1	200.8	191.0	194.9	203.5	203.2	201.0	206.5
Wheat, US, HRW	b/ \$/mt	146.1	156.9	152.4	153.5	151.9	142.0	151.0	164.5	167.8	161.1	164.4
Wheat US SRW	\$/mt	138.6	144.4	135.7	140.6	145.4	132.1	130.3	135.1	135.3	132.3	137.6
<b>Other Food</b>												
Bananas EU (SOPISCO)	\$/mt	790.4	892.0	1176.0	988.3	1284.5	1346.0	1016.7	1056.8	1063.6	1,090.0	1,016.9
Bananas US (UPEB & SOPSIS)	b/ \$/mt	374.8	524.6	602.8	494.9	757.3	565.5	466.8	621.8	630.4	589.1	645.9
Beef	b/ c/kg	198.0	251.3	261.7	261.1	258.9	264.8	266.8	256.3	256.8	257.9	254.1
Fish.meal.Hamburg	\$/mt	610.7	648.6	711.4	642.0	640.6	663.1	712.3	829.4	793.0	841.3	854.0
Lamb	c/kg	388.4	459.9	443.3	472.7	478.1	454.9	429.2	410.8	419.8	409.5	403.2
Oranges	b/ \$/mt	680.8	857.5	876.6	774.2	830.5	1,068.4	751.7	855.6	815.1	831.6	920.2
Shrimp, Mexican	b/ c/kg	1,144	1,022	1,034	966	1,030	1,047	1,028	1,031	1,003	1,042	1,047
Sugar EU domestic	b/ c/kg	59.71	66.97	66.54	68.13	69.12	67.90	65.23	63.92	64.49	63.45	63.82
Sugar US domestic	b/ c/kg	47.37	45.47	46.93	45.84	45.26	47.76	46.73	47.96	47.89	47.70	48.28
Sugar, world	b/ c/kg	15.63	15.80	21.78	18.27	19.62	19.28	21.96	26.27	24.52	25.09	29.21
<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	187.2	197.3	203.1	196.8	192.0	199.9	211.4	209.1	211.3	205.5	210.5
Plywood	c/sheets	431.9	464.8	508.6	482.0	515.2	512.6	506.5	500.2	496.4	498.3	505.7
Sawnwood, Cameroon	\$/cum	551.6	587.0	559.1	621.5	598.5	562.6	546.6	528.9	534.6	524.4	527.6
Sawnwood, Malaysia	\$/cum	551.0	581.3	658.2	606.1	639.9	652.7	664.3	676.0	671.3	678.3	678.3
Woodpulp	\$/mt	525.7	640.8	635.0	637.4	676.9	651.7	607.4	604.0	603.5	604.3	604.3
<b>Other Raw Materials</b>												
Cotton A Index	b/ c/kg	139.9	136.6	121.7	110.4	117.6	122.6	120.4	126.1	128.3	125.2	124.9
Cotton Memphis	c/kg	156.6	137.5	129.85	116.3	124.8	130.9	128.5	134.8	138.8	132.6	133.2
Jute	\$/mt	242.2	280.6	n.a.	290.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rubber, RSS1, Malaysia	c/kg	105.6	n.q.	n.q.	n.q.	n.q.	n.q.	n.q.	n.q.	n.q.	n.q.	n.q.
Rubber, NY	c/kg	122.5	148.3	166.1	146.5	144.9	151.6	181.5	186.4	193.8	184.6	180.8
Rubber, Singapore	b/ c/kg	108.3	130.4	150.2	125.4	126.5	138.5	167.5	168.2	171.9	162.1	170.4
Sisal	\$/mt	697.9	862.1	885.0	885.0	885.0	885.0	885.0	885.0	885.0	885.0	885.0
Wool 64's UK	c/kg	538.8	541.0	580.0	557.4	583.8	584.5	576.5	575.0	575.0	575.0	575.0

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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

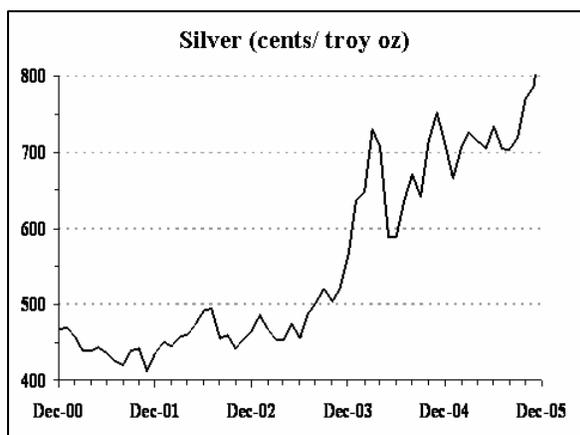
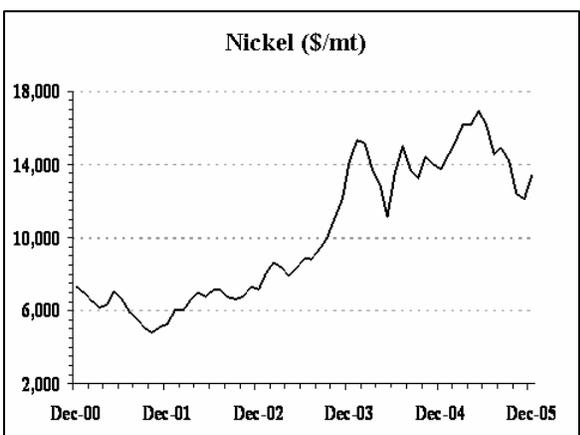
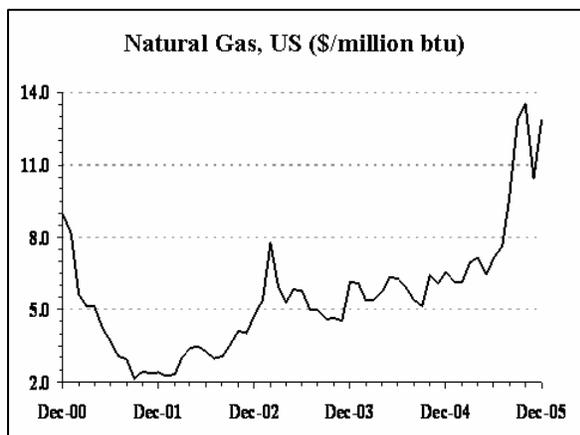
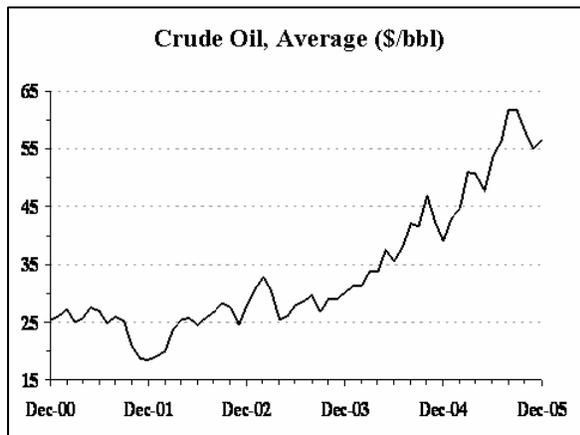
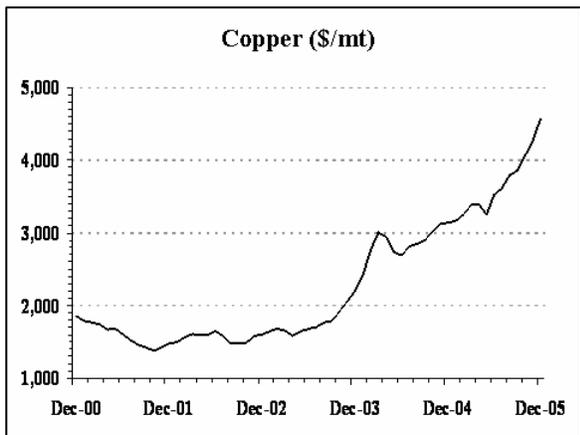
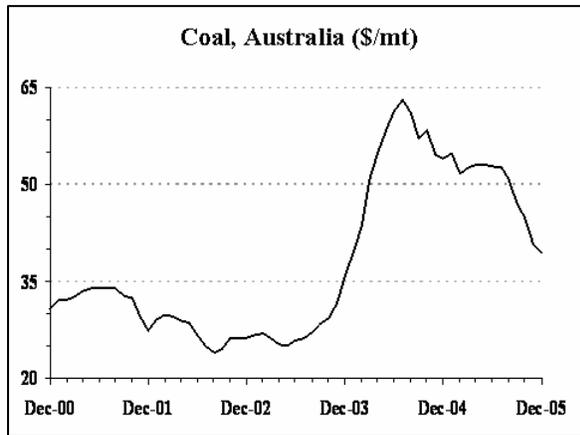
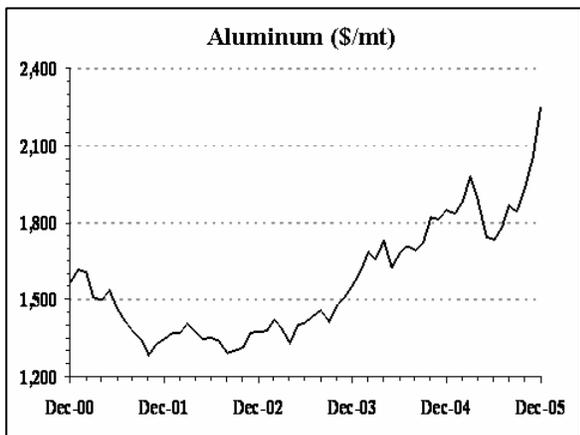
		Annual averages			Quarterly averages				Monthly averages			
		Jan-Dec	Jan-Dec	Jan-Dec	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Oct	Nov	Dec
		2003	2004	2005	2004	2005	2005	2005	2005	2005	2005	2005
<b>Fertilizers</b>												
DAP	\$/mt	179.4	221.2	247.0	234.6	226.4	235.6	261.6	264.5	266.4	265.3	261.9
Phosphate rock	b/ \$/mt	38.0	41.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0
Pottasium chloride	\$/mt	113.3	124.6	158.2	138.2	147.5	151.7	163.5	170.0	170.0	170.0	170.0
TSP	\$/mt	149.3	186.3	201.5	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	138.9	175.3	219.0	210.9	198.1	241.6	211.7	224.7	225.5	232.8	215.8
<b>Metals and Minerals</b>												
Aluminum	b/ \$/mt	1,431	1,716	1,898	1,828	1,899	1,790	1,829	2,076	1,929	2,051	2,247
Copper	b/ \$/mt	1,779	2,866	3,679	3,093	3,268	3,389	3,757	4,302	4,060	4,269	4,577
Gold	\$/toz	363.5	409.2	444.8	434.0	427.1	427.3	439.5	485.6	469.9	476.7	510.1
Iron ore CVRD So & No	b/ c/dmtu	31.95	37.90	65.00	37.90	65.00	65.00	65.00	65.00	65.00	65.00	65.00
Lead	b/ c/kg	51.5	88.7	97.6	95.8	97.8	98.7	89.2	104.9	100.5	101.8	112.4
Nickel	b/ \$/mt	9,629	13,823	14,744	14,073	15,348	16,411	14,567	12,649	12,403	12,116	13,429
Silver	c/toz	491.1	669.0	733.8	726.2	699.9	718.2	708.8	808.3	769.9	786.4	868.7
Steel products (8) index	a/ 1990=100	78.8	121.5	137.9	128.5	132.7	141.6	138.6	138.6	138.6	138.6	138.6
Steel cr coilsheet	\$/mt	444.6	607.1	733.3	650.0	683.3	750.0	750.0	750.0	750.0	750.0	750.0
Steel hr coilsheet	\$/mt	320.2	502.5	633.3	550.0	583.3	650.0	650.0	650.0	650.0	650.0	650.0
Steel, rebar	\$/mt	265.8	428.8	423.1	400.0	402.5	430.0	430.0	430.0	430.0	430.0	430.0
Steel wire rod	\$/mt	300.0	487.5	579.2	550.0	550.0	566.7	600.0	600.0	600.0	600.0	600.0
Tin	c/kg	489.5	851.3	738.0	889.0	807.7	796.3	704.7	643.2	642.3	616.0	671.4
Zinc	b/ c/kg	82.8	104.8	138.1	111.4	131.5	127.3	129.7	164.0	148.8	161.1	182.2
<b>World Bank commodity price indices for low and middle income countries( 1990 =100)</b>												
Energy		126.3	164.9	233.4	186.6	202.1	222.0	262.2	247.2	254.3	240.6	246.6
Non Energy Commodities		91.5	107.4	121.8	108.0	119.8	121.6	120.8	125.1	123.3	123.8	128.3
Agriculture		94.7	104.7	112.9	102.9	111.7	114.1	111.9	114.0	113.9	112.8	115.3
Beverages		87.1	94.0	116.9	101.5	120.6	125.0	111.2	110.8	109.2	111.1	112.2
Food		96.4	110.0	109.9	104.1	111.0	110.4	107.2	111.0	110.9	109.2	112.8
Fats and Oils		120.6	137.1	122.8	119.4	122.5	126.5	122.7	119.6	120.4	119.6	118.9
Grains		90.2	100.2	103.2	98.2	103.0	101.3	103.1	105.2	107.2	102.7	105.6
Other Food		80.1	93.2	103.1	94.8	106.2	102.4	96.8	107.1	105.3	104.3	111.8
Raw Materials		98.2	105.8	113.9	102.4	105.9	110.8	118.6	120.3	121.3	118.7	120.9
Timber		103.7	109.3	122.3	113.3	118.5	121.2	123.9	125.7	125.1	125.8	126.1
Other Raw Materials		94.4	103.4	108.2	94.9	97.2	103.8	115.0	116.6	118.7	113.9	117.3
Fertilizers		106.2	126.6	134.9	133.4	135.1	135.0	134.7	134.6	134.6	134.6	134.6
Metals and Minerals		82.0	112.4	142.5	118.1	138.4	138.7	141.3	151.4	145.1	149.7	159.5

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

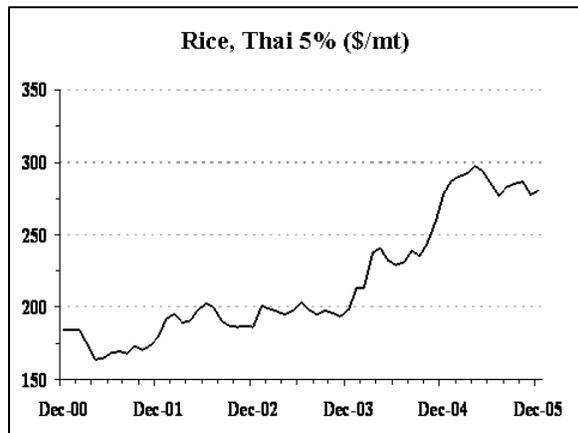
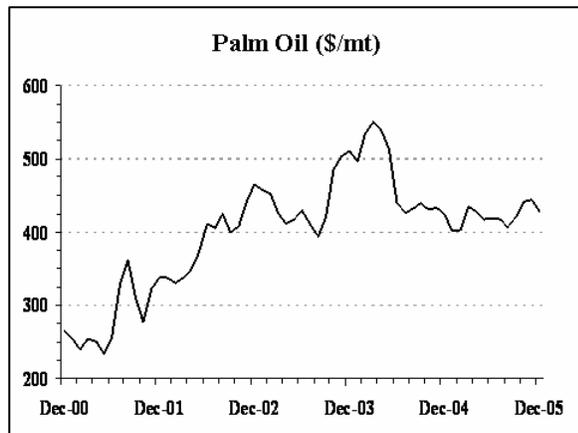
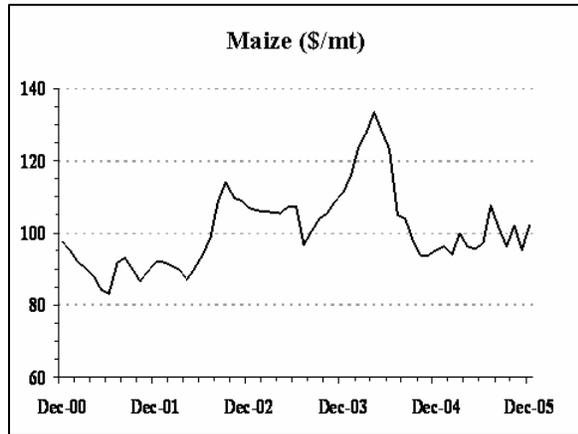
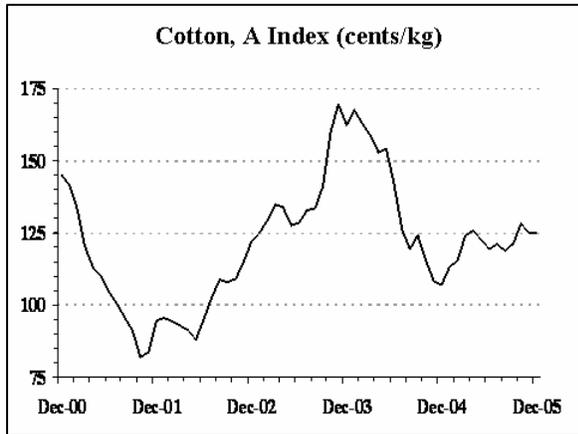
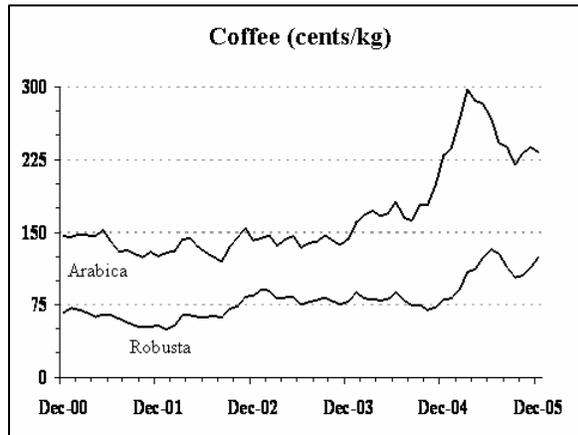
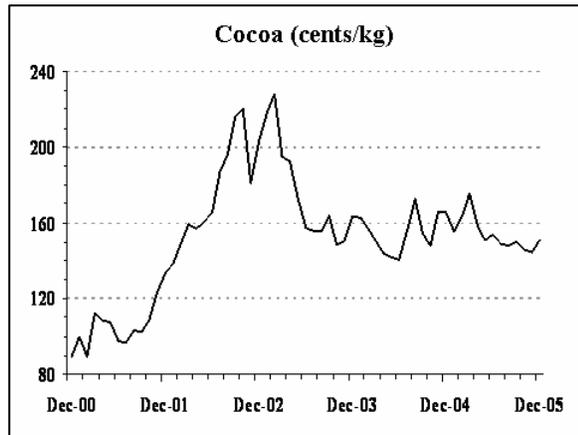
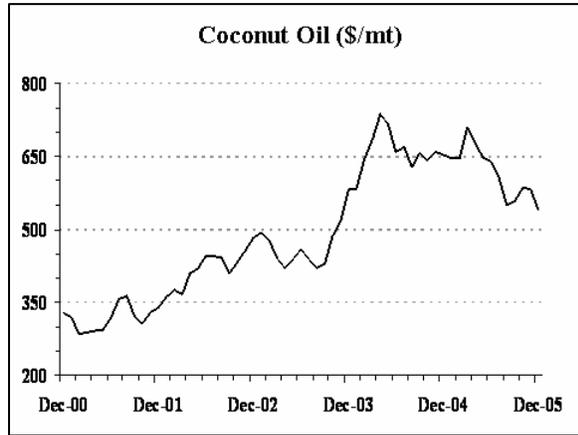
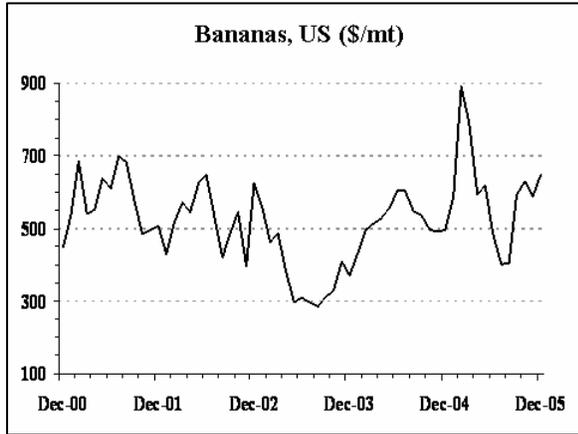
b. Not included in index/

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

