

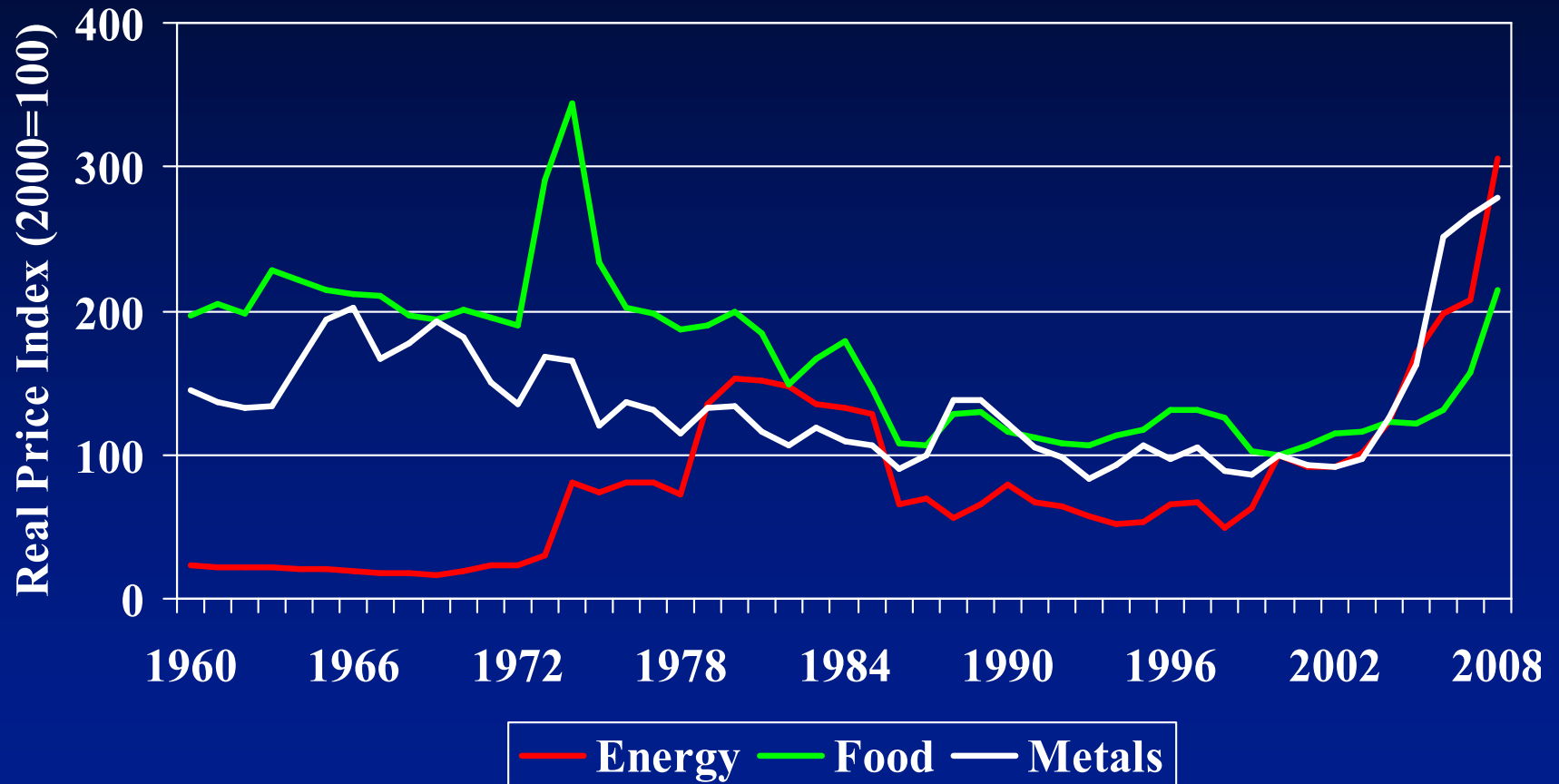
## **Financial crises and slower growth hit commodities:**

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- **Most commodity prices have peaked and are expected to fall sharply as long-delayed supply responses arrive and economic growth and demand slow. The financial crises has accelerated the decline.**
- **Oil prices have declined sharply in response to slower demand growth in the U.S. and OECD and increased OPEC supplies.**
- **Food prices are expected to fall on good supply prospects and weaker oil prices.**
- **Fertilizer prices are at unsustainable levels and will fall with energy and food prices**

**Presented by Donald Mitchell, Lead Economist, DECPG**

# The boom was unprecedented...

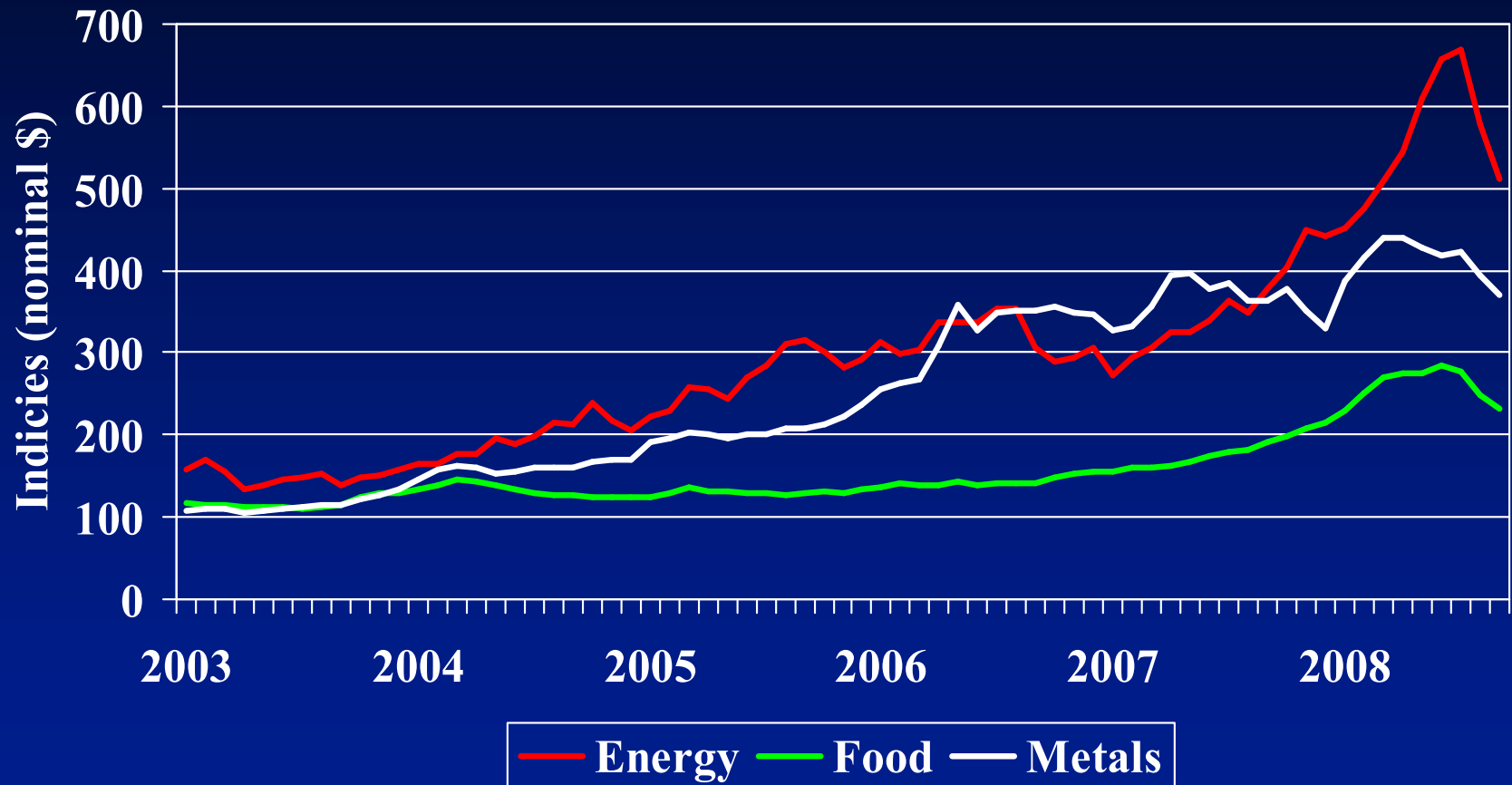


Source: DEC Prospects Group.

## ...causes by:

- Rapid demand growth in developing countries
- Years of underinvestment due to low prices during 1980s and 1990s
- Supply shocks, especially in oil, and slow supply response due to long lags in production
- Rapid increase in biofuels demand that pushed food prices higher

## ...but prices have declined



Source: DEC Prospects Group.

# Developing countries outperform the industrial countries

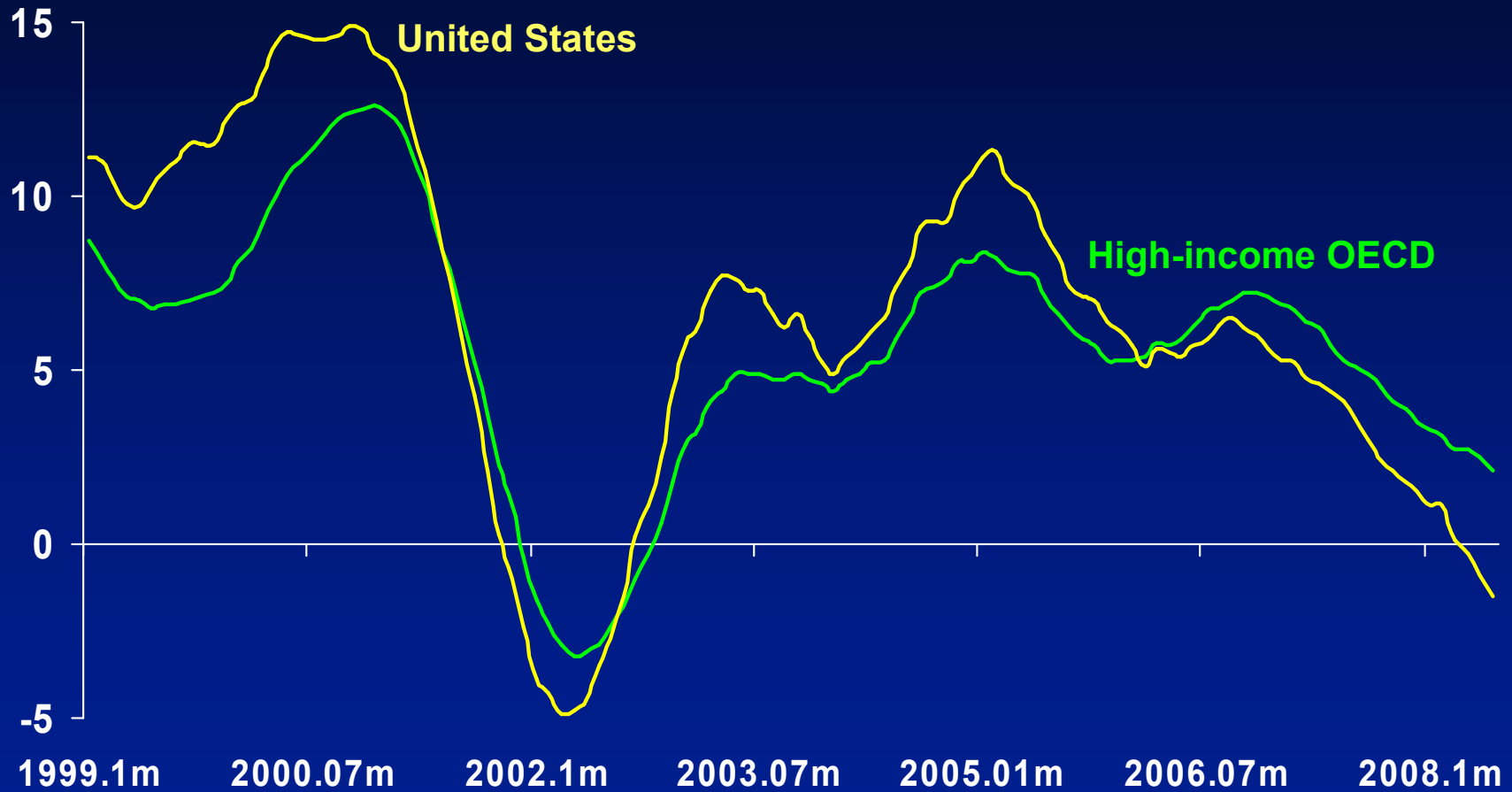


Source: DEC Prospects Group.

# Persistent decline in import growth in the high-income countries

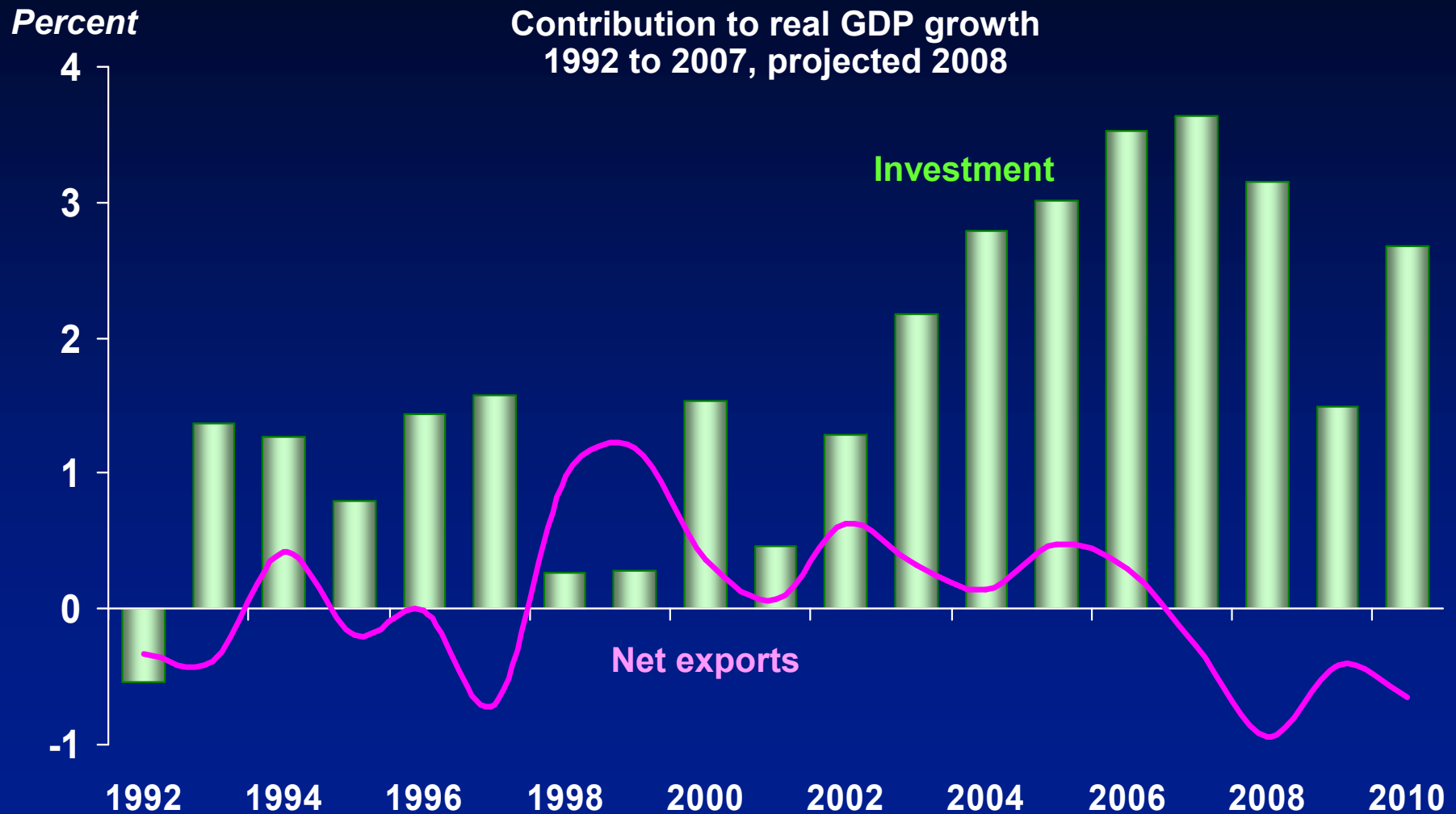
Percentage change  
(12m/12m)

Annual growth of import volumes



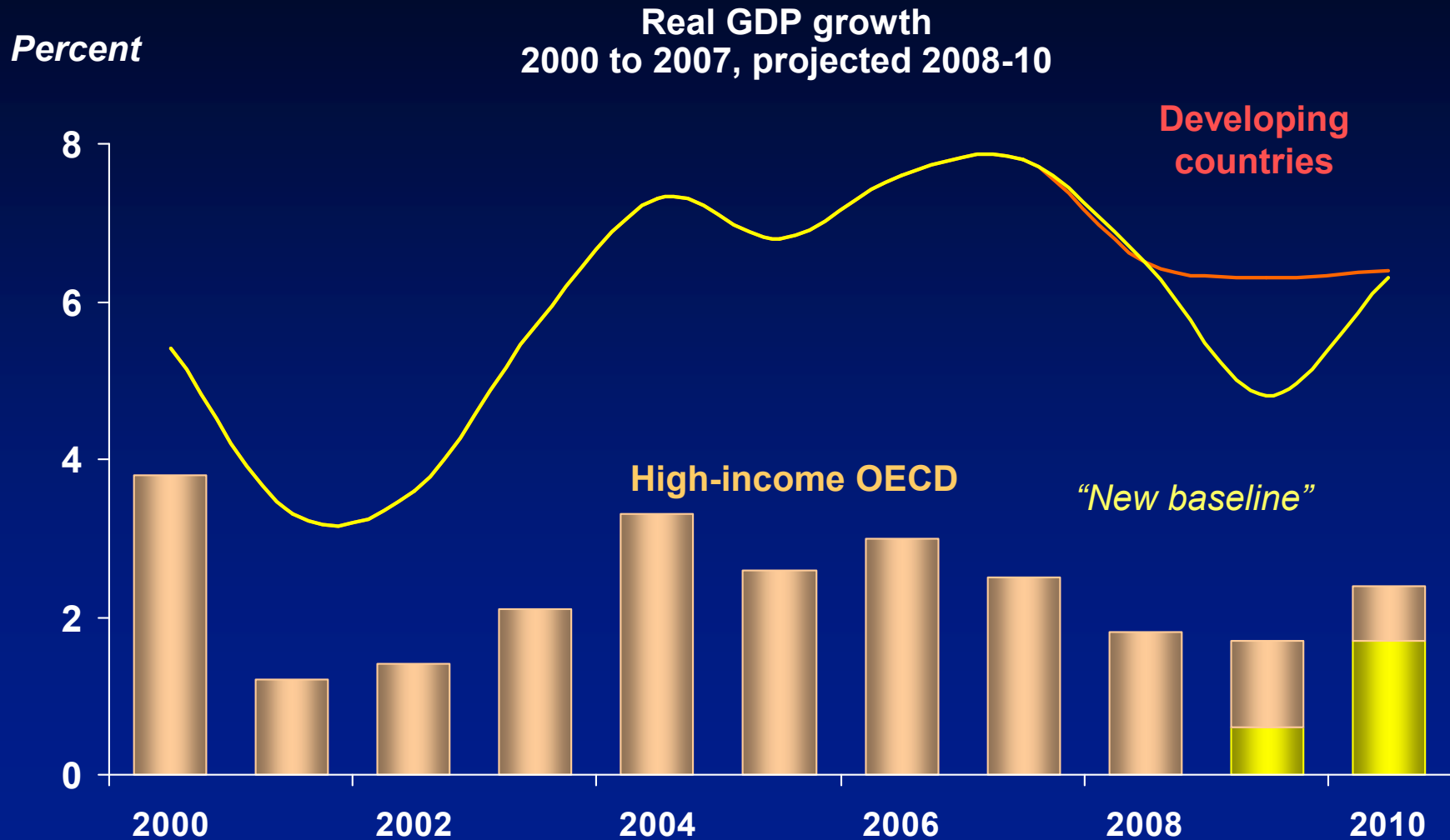
Source: DEC Prospects Group.

# Investment: the driving force for growth in developing countries



Source: DEC Prospects Group.

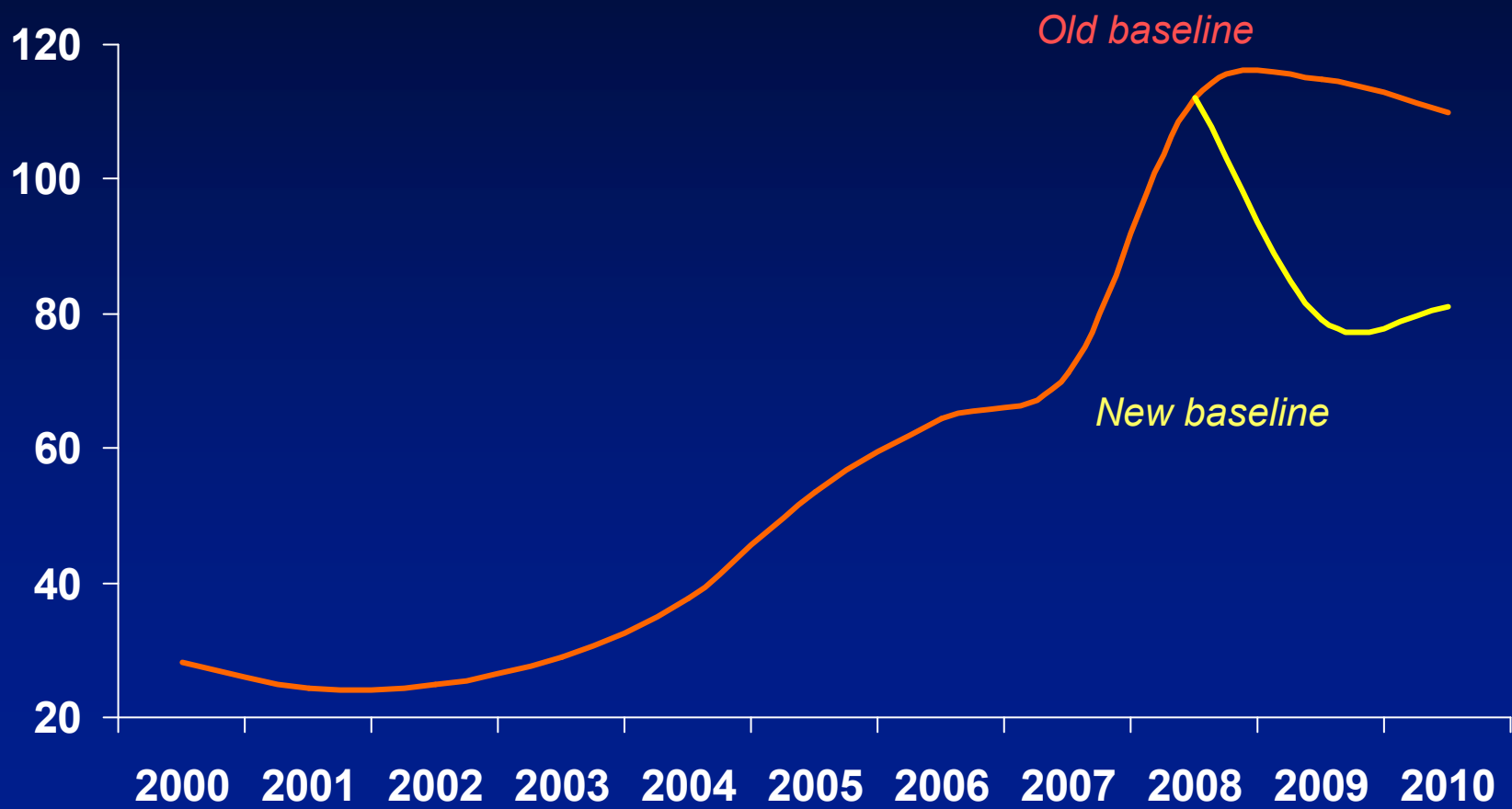
# As investment retrench, growth much diminished



Source: DEC Prospects Group.

# Oil Price Forecast

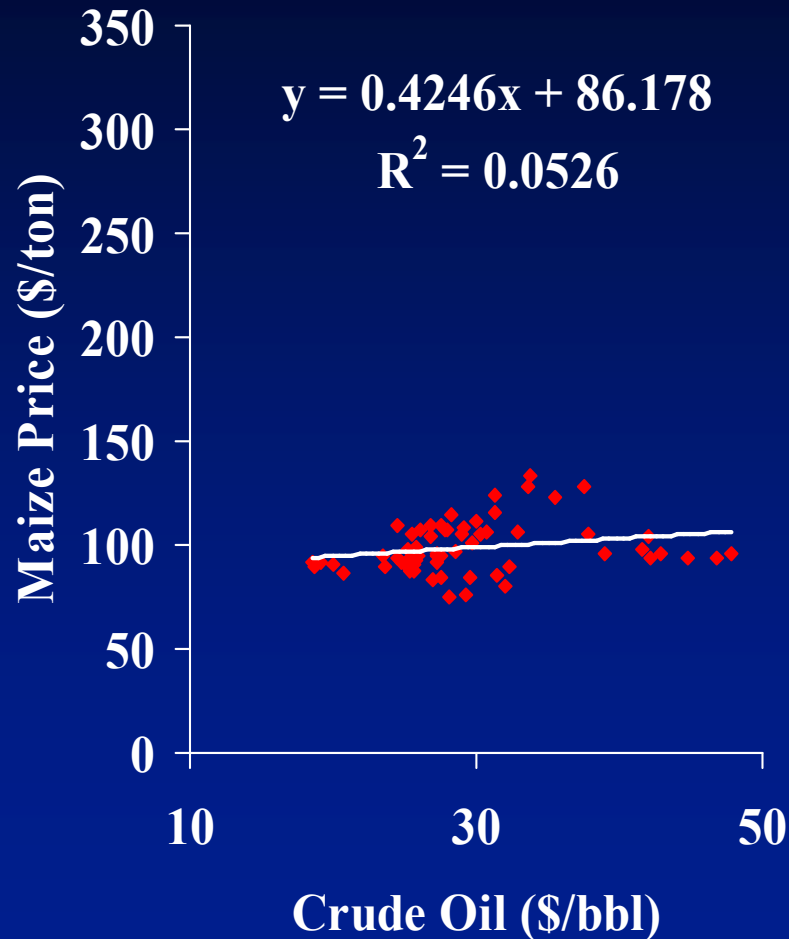
\$/barrel



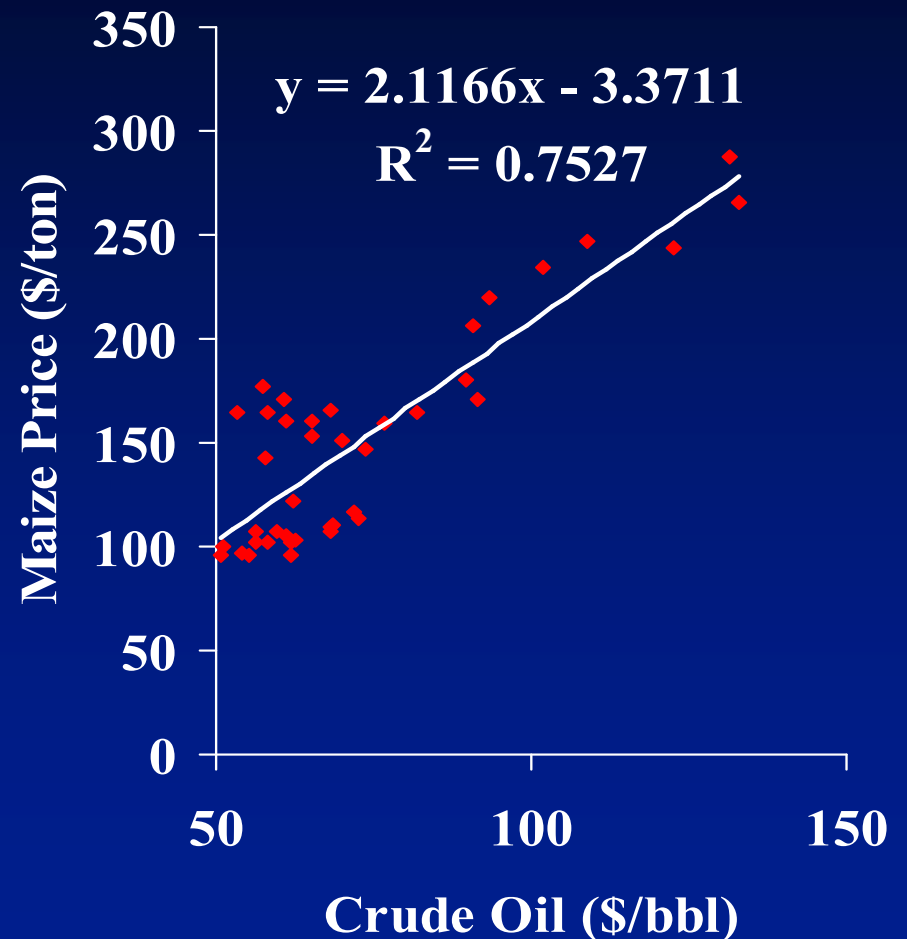
Source: DEC Prospects Group.

# Food and fuel linked by biofuels when oil prices exceed \$50

## Oil < \$50

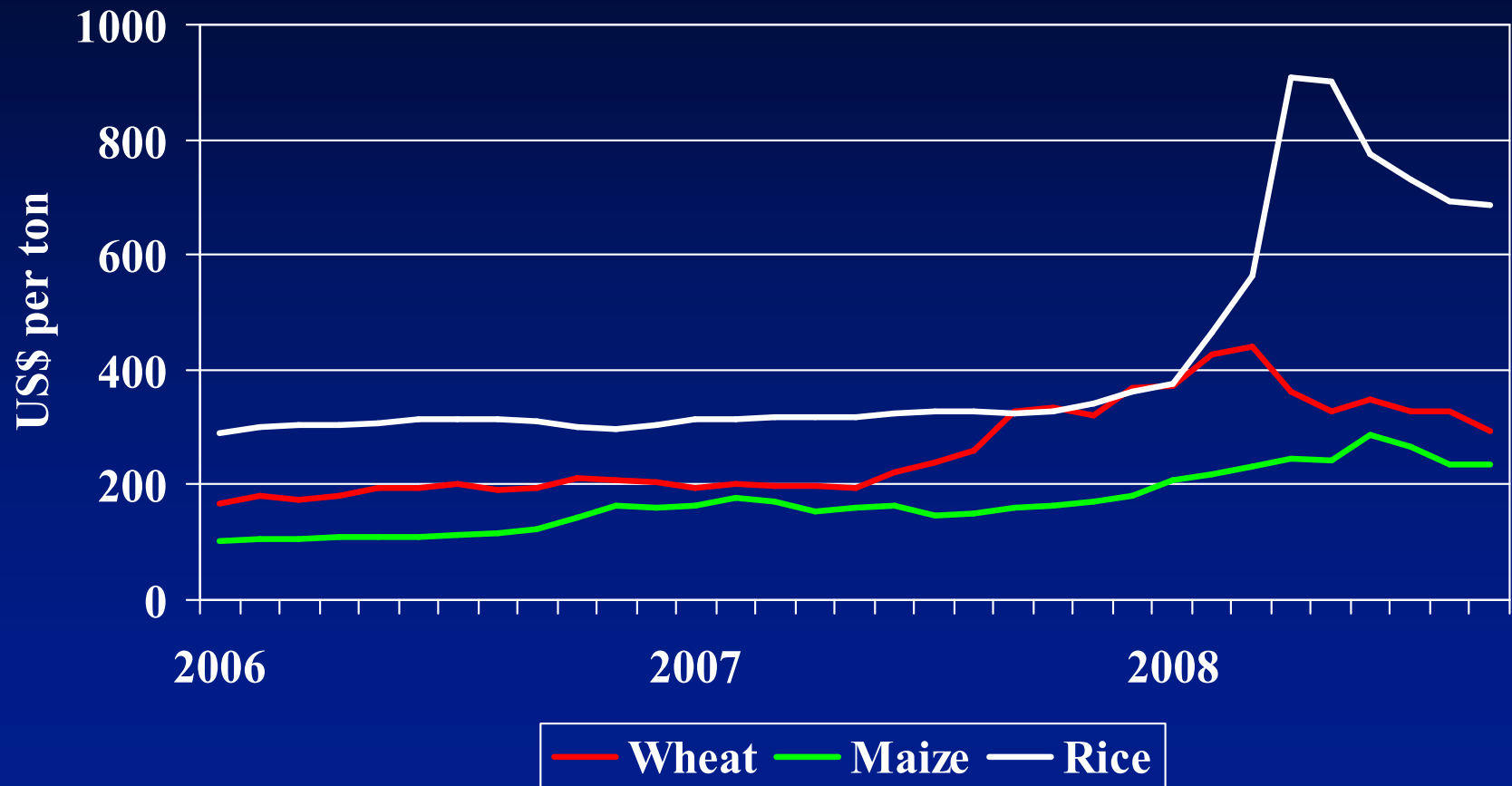


## Oil > \$50



Source: DEC Prospects Group.

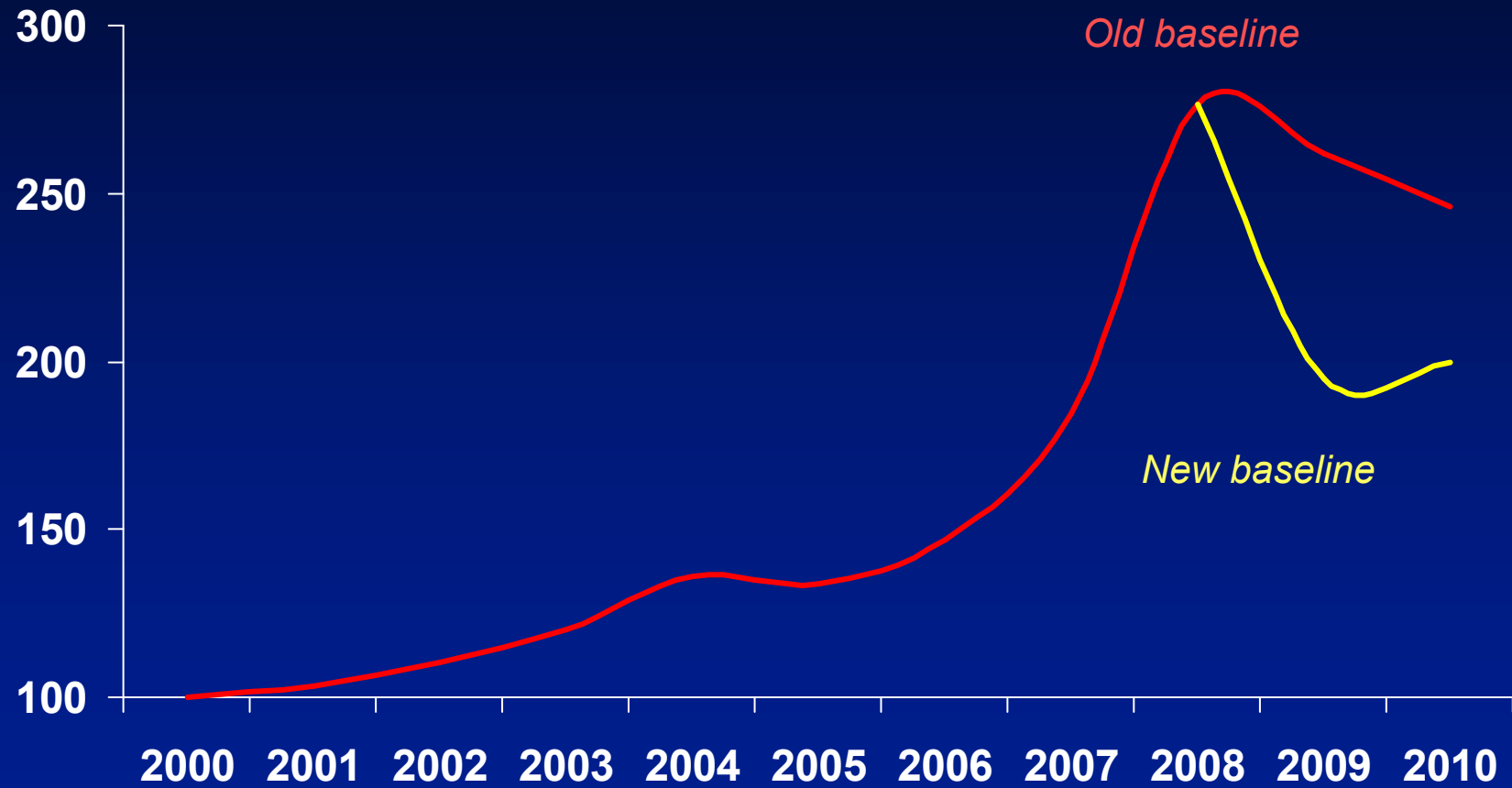
## Grain prices have declined ...



Source: DEC Prospects Group.

# Food price forecast

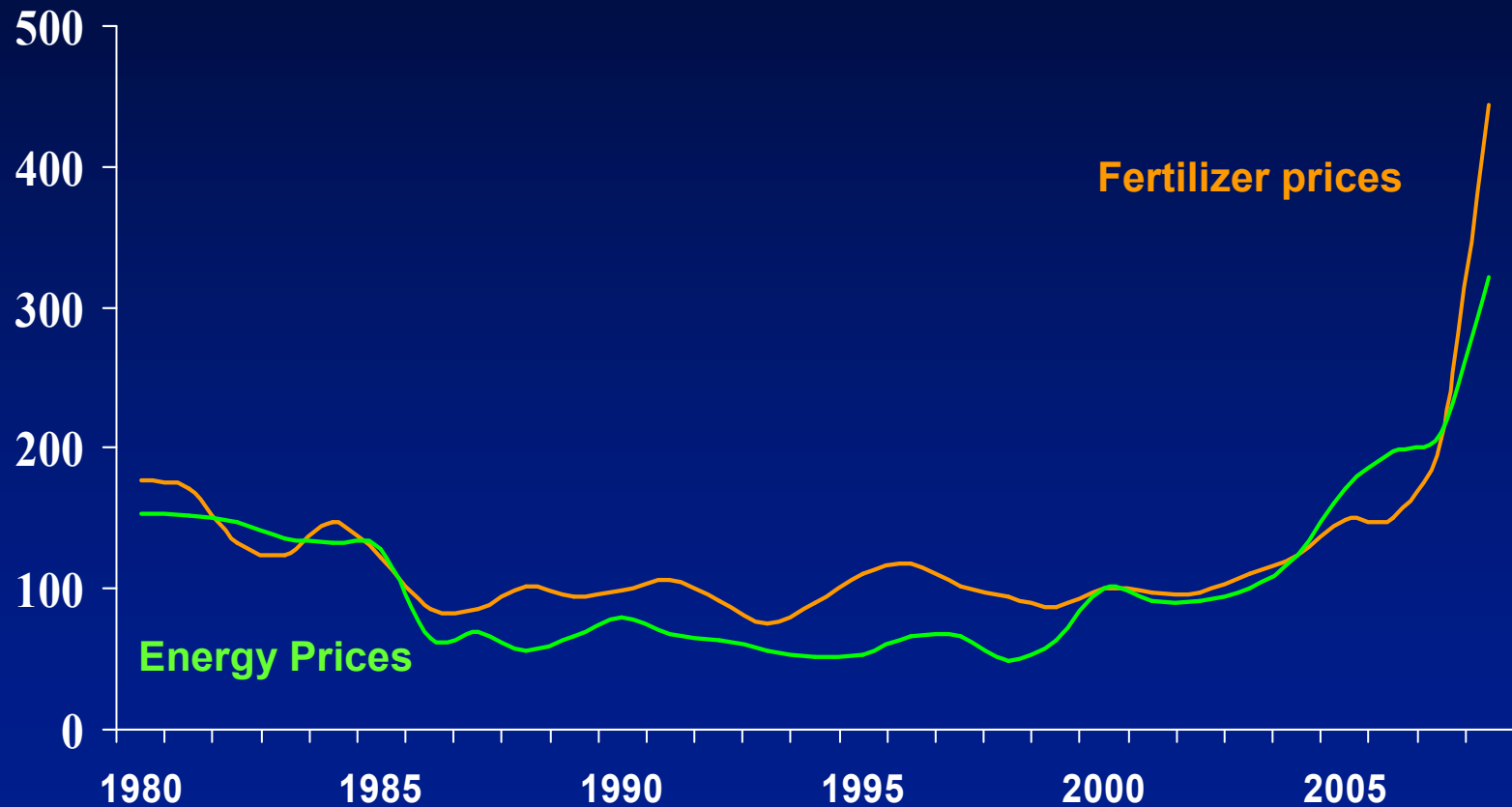
Index (2000 = 100)



Source: DEC Prospects Group.

# Fertilizer prices are closely linked to energy prices and should decline

Index in constant 2000\$s  
relative to MUV



Source: DEC Prospects Group.

\* 2008 is January-June average