

# Commodity Markets Review

March 7, 2008

DECPG, The World Bank

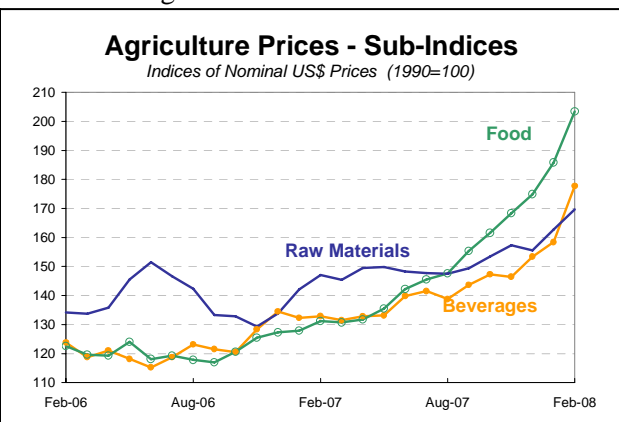
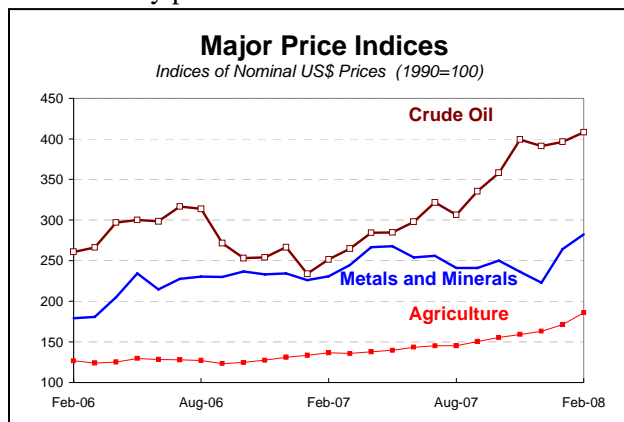
**Non-oil commodity prices surged 8.6 percent in February** due to supply tightness and strong investment demand, the latter reflecting a switch out of financial assets on concerns about inflation and further depreciation of the dollar. There were substantial increases in a number of commodities, particularly for coal and fertilizers, the latter partly due to strong demand fueled by high agriculture prices.

**Crude oil prices rose 3.0 percent in February, to average \$93.4/bbl**, and reached \$100/bbl in early March, with U.S. WTI reaching nearly \$106/bbl. Crude oil inventories have increased seasonally but remain relatively low, and geopolitical issues continue to raise concerns about supply. OPEC decided on March 5<sup>th</sup> to again leave production levels unchanged, worried about slowing demand. OPEC ministers argued that the market is well supplied and that high prices are due to significant flow of funds into the commodity market. The organization will not meet until September 9<sup>th</sup>, and this has provided further support to prices.

**Coal prices soared 43.1 percent in February to \$131/ton**, due to a series of supply problems, including China's ban on exports due to severe winter weather that depleted stocks at power stations; bad weather in Australia that curtailed output; and power shortages in South Africa which may result in lower exports as the state-owned utility plans to rebuild its coal stocks.

**Agriculture prices jumped 8.5 percent in February**, led by a 15 percent gain in grains prices. Rice prices surged 23.7 percent due to limited export supplies and the impact of rising wheat prices which gained 14.7 percent on expected record-low stocks and poor winter wheat crops in the U.S. and China. Vegetable oil prices were up sharply on strong demand for food and bio-diesel. Beverage prices jumped 12 percent, with coffee robusta and arabica prices up 16.4 percent and 12.5 percent, respectively, reflecting tight Asian supplies and earlier dry weather in Brazil. Cocoa prices rose 13.7 percent due to dry weather in Cote d'Ivoire and Ghana in January.

**Metals and minerals prices climbed 6.9 percent in February**, with large gains in lead, aluminum and copper. Lead prices surged 18 percent on falling stocks, and both strong battery demand and weather-related supply reductions in China. Aluminum prices rose 14 percent as power shortages in China and South Africa forced output cuts at energy-intensive aluminum smelters, including production in Mozambique which sources power from South Africa. Copper prices rebounded to near its peak in 2006 on falling stocks, a pick-up in Chinese imports, and expected tight supplies this year. Silver prices increased 10 percent on strong investment demand and as a hedge against inflation and the weakening dollar.



Prepared in the Development Economics Prospects Group (DECPG) by Shane Streifel, Donald Mitchell, John Baffes and Betty Dow. Katherine Rollins is task assistant. This report is available on <http://decpg.worldbank.org>.

## Major Movers February<sup>1</sup>

**Coal** prices soared 43.1 percent on a series of supply shortfalls in China and Australia due to bad weather and concerns about South African exports following power shortages that will require replenishment of utility stocks.

**Potassium chloride, TSP and DAP fertilizer** prices surged 41.0 percent, 35.3 percent, and 17.0 percent, respectively, continuing their gains of the past several months due to high energy prices, production capacity constraints, and strong demand fueled by high commodity prices.

**Rice** prices leapt 23.7 percent due to limited export supplies, deteriorating prospects for the next crop, and the impact of higher wheat prices.

**Lead** prices jumped 18.1 percent on falling stocks, strong battery demand in China, and weather-related supply reductions, also in China.

**Coffee robusta and arabica** prices jumped 16.4 percent and 12.5 percent, respectively, reflecting tight supplies in Vietnam and India, and the effects of earlier dry weather in Brazil.

**Bananas (U.S.)** prices increased 15.0 percent mainly in response to extensive rains in Ecuador (a key banana supplier to the U.S.), which delayed operations at the ports.

**Wheat** prices rose 14.7 percent due to record low stocks and poor winter-wheat crop prospects in southwest U.S. and northern China. Supplies of high protein wheat will be limited until mid-summer when the new crop becomes available.

**Cocoa** prices rose 13.7 percent to a 24-year high, as a shortfall is expected to persist this year, partly due to dry weather in January in Cote d'Ivoire and Ghana.

**Aluminum** prices rose 13.6 percent due to power cuts to energy-intensive smelters in China and South Africa which reduced production.

**Sugar** prices rose 12.9 percent due to increased use of Brazilian sugar cane for ethanol and the consequent drop in exportable sugar supplies.

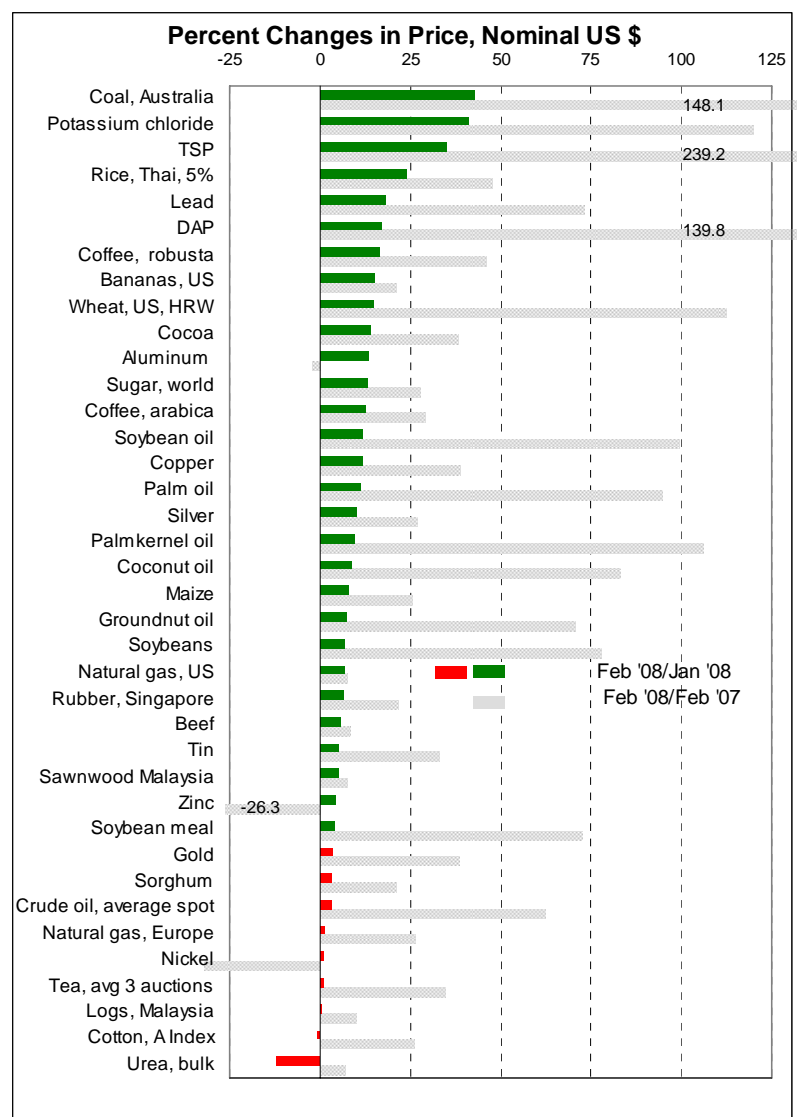
**Soybean oil and palm oil** (close substitutes) prices rose 11.7 percent and 11.2 percent, respectively, on fears that China's weather-related soybean crop losses will raise Chinese imports.

**Copper** prices increased 11.7 percent on falling stocks, a pick-up in China's imports, and expected tight supply conditions this year.

**Silver** prices climbed 10.0 percent on strong investment demand, led by a switch out of other financial assets, and as a hedge against the falling dollar and rising inflation.

**Palmkernel oil and coconut oil** (close substitutes) prices increased 9.4 percent and 8.8 percent, respectively, on increased import demand and supply tightness.

**Maize** prices rose 7.7 percent due to concerns that high wheat and soybean prices will limit plantings and cause year-ending stocks to decline.



<sup>1</sup> Percent change of average February 2008 prices compared to average January 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 2006	Jan-Dec 2007	Jan-Feb 2008	Oct-Dec 2006	Jan-Mar 2007	Apr-Jun 2007	Jul-Sep 2007	Oct-Dec 2007	Dec 2007	Jan 2008	Feb 2008
<b>Energy</b>												
Coal, Australia	\$/mt	49.09	65.73	111.50	46.60	53.19	57.91	68.37	83.47	91.00	91.75	131.25
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	64.29	71.12	92.04	59.02	57.23	66.13	73.50	87.61	89.52	90.69	93.39
Crude oil, Brent	a/ \$/bbl	65.39	72.70	93.37	59.73	58.07	68.73	75.04	88.95	91.45	91.92	94.82
Crude oil, Dubai	a/ \$/bbl	61.43	68.37	88.57	57.33	55.58	64.71	69.97	83.21	85.75	87.17	89.96
Crude oil, West Texas Int.	a/ \$/bbl	66.04	72.28	94.18	59.99	58.03	64.96	75.48	90.67	91.36	92.98	95.38
Natural gas, Europe	\$/mmbtu	8.47	8.56	10.77	8.96	8.51	8.00	8.34	9.37	9.49	10.70	10.84
Natural gas, US	\$/mmbtu	6.72	6.98	8.28	6.66	7.23	7.50	6.17	7.03	7.15	8.00	8.55
<b>Non Energy Commodities</b>												
<b>Agriculture</b>												
<b>Beverages</b>												
Cocoa	b/ c/kg	159.2	195.2	235.2	160.6	181.3	200.0	199.9	199.7	211.3	220.1	250.4
Coffee, Arabica	b/ c/kg	252.2	272.4	327.6	265.5	267.2	255.1	271.1	296.1	303.3	308.3	346.8
Coffee, robusta	b/ c/kg	148.9	190.9	236.6	168.0	172.8	188.3	200.4	202.1	201.5	218.7	254.5
Tea, auctions (3), average	c/kg	187.2	203.6	238.8	182.2	178.0	199.9	211.0	225.6	231.3	237.7	239.9
Tea, Colombo auctions	b/ c/kg	191.0	252.2	303.8	201.1	226.4	231.1	254.7	296.7	308.7	305.3	302.3
Tea, Kolkata auctions	b/ c/kg	175.4	192.1	184.6	173.2	141.5	208.7	211.3	207.1	211.8	193.6	175.6
Tea, Mombasa auctions	b/ c/kg	195.2	166.5	228.0	172.4	166.0	159.8	167.1	173.0	173.3	214.3	241.7
<b>Food</b>												
<b>Fats and Oils</b>												
Coconut oil	b/ \$/mt	607	919	1,341	671	754	900	923	1,098	1,153	1,285	1,398
Copra	\$/mt	403	607	885	444	499	599	607	724	765	848	921
Groundnut oil	b/ \$/mt	970	1,352	1,931	1,121	1,170	1,190	1,397	1,651	1,777	1,861	2,000
Palm oil	b/ \$/mt	478	780	1,118	546	609	762	822	928	950	1,059	1,178
Palmkernel oil	b/ \$/mt	581	888	1,337	602	678	876	917	1,084	1,134	1,277	1,398
Soybean meal	b/ \$/mt	209	307	443	230	256	260	309	402	425	434	452
Soybean oil	b/ \$/mt	599	881	1,351	662	710	794	917	1,105	1,164	1,276	1,426
Soybeans	b/ \$/mt	269	384	560	290	318	338	396	485	515	541	579
<b>Grains</b>												
Maize	b/ \$/mt	121.9	163.7	214.7	155.7	170.9	159.4	152.5	171.9	180.3	206.7	222.7
Rice, Thailand, 5%	b/ \$/mt	304.9	326.4	420.2	300.8	315.6	319.1	327.1	344.0	360.7	375.6	464.8
Rice, Thailand, 25%	\$/mt	277.1	306.5	182.2	276.1	292.6	297.4	306.5	329.5	347.3	364.4	0.0
Rice, Thailand, 35%	\$/mt	272.0	300.1	181.0	268.6	285.8	288.8	298.0	327.7	346.3	362.0	0.0
Rice, Thai, A1.Special	\$/mt	218.0	269.6	177.3	222.5	252.3	255.2	262.7	308.1	328.3	354.6	0.0
Sorghum	b/ \$/mt	122.9	162.7	215.9	158.6	175.2	151.4	150.7	173.4	187.0	212.7	219.2
Wheat, Canada	\$/mt	216.8	300.4	623.1	230.8	232.4	244.7	309.0	415.3	470.2	513.8	732.4
Wheat, US, HRW	b/ \$/mt	192.0	255.2	397.8	208.7	198.4	205.7	274.9	341.9	368.6	370.7	425.0
Wheat US SRW	\$/mt	159.0	238.6	389.2	193.5	173.7	187.0	267.5	326.2	345.3	343.8	434.6
<b>Other Food</b>												
Bananas EU	\$/mt	897	1,037	1,310	845	1,036	1,045	999	1,068	1,054	1,169	1,451
Bananas US	b/ \$/mt	677.2	675.8	740.6	601.8	647.2	705.0	698.6	652.5	647.6	689.0	792.3
Beef	b/ c/kg	254.7	260.3	276.1	265.0	261.2	259.9	260.3	259.8	263.5	268.7	283.6
Fishmeal	\$/mt	1,166	1,177	1,111	1,244	1,251	1,260	1,123	1,075	1,088	1,103	1,119
Lamb	c/kg	403.6	412.0	439.8	399.3	394.2	399.3	416.5	437.9	431.3	429.4	450.2
Oranges	b/ \$/mt	829	957	1,039	920	817	893	1,135	982	926	1,030	1,049
Shrimp, Mexico	b/ c/kg	1,024	1,010	1,098	953	988	1,003	1,003	1,045	1,075	1,091	1,105
Sugar EU domestic	b/ c/kg	64.56	68.09	73.19	64.10	65.10	66.98	68.28	72.00	72.39	73.12	73.27
Sugar US domestic	b/ c/kg	48.76	45.77	44.62	43.85	45.17	46.47	46.98	44.48	44.55	44.68	44.56
Sugar, world	b/ c/kg	32.59	22.22	28.09	25.71	23.49	20.90	21.86	22.61	23.52	26.39	29.78
<b>Raw Materials</b>												
<b>Timber</b>												
Logs, Cameroon	\$/cum	318.5	381.3	514.8	327.4	371.3	372.8	371.6	409.6	418.9	483.9	545.7
Logs, Malaysia	\$/cum	239.4	268.0	287.7	256.6	264.8	262.0	269.6	275.5	275.3	287.1	288.4
Plywood	c/sheets	595.6	640.7	640.1	637.2	629.5	639.6	646.7	647.0	645.9	640.9	639.2
Sawnwood, Cameroon	\$/cum	622.9	759.8	1018.9	657.8	720.1	725.1	756.2	838.0	846.7	954.9	1083.0
Sawnwood, Malaysia	\$/cum	749.3	806.3	834.2	779.1	794.4	807.4	820.9	802.5	788.3	812.6	855.8
Woodpulp	\$/mt	627.5	767.0	847.5	617.8	727.4	751.3	769.8	819.4	826.6	845.1	850.0
<b>Other Raw Materials</b>												
Cotton A Index	b/ c/kg	126.7	139.5	161.0	127.8	128.8	127.4	148.9	153.0	153.3	161.5	160.5
Cotton Memphis	c/kg	133.5	142.9	164.1	132.7	135.9	130.0	150.3	155.5	155.2	165.6	162.6
Jute	\$/mt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rubber, 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, US	c/kg	231.3	248.0	289.7	199.4	241.6	251.6	234.2	264.8	273.2	282.0	297.4
Rubber, Singapore	b/ c/kg	210.8	229.0	272.8	176.0	223.3	233.9	213.8	245.1	249.0	264.4	281.3
Sisal	\$/mt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Wool	c/kg	557.6	565.0	n.a.	565.0	565.0	565.0	565.0	n.a.	n.a.	n.a.	n.a.

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

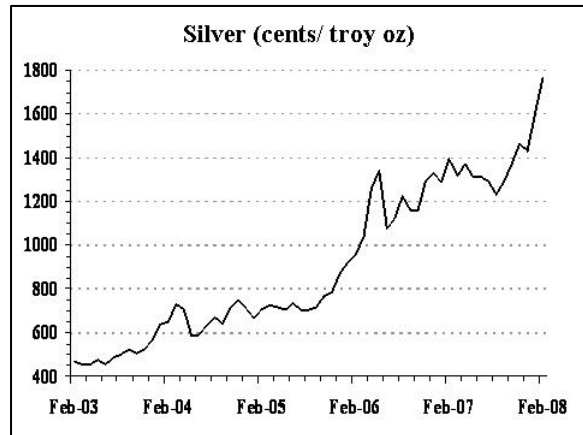
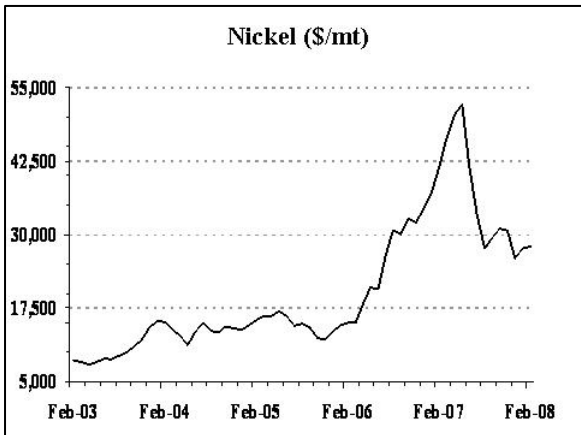
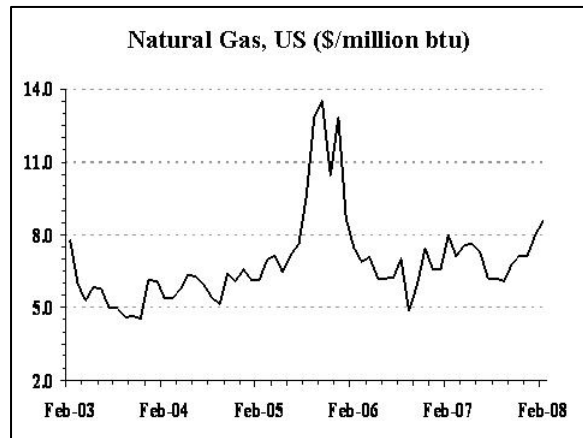
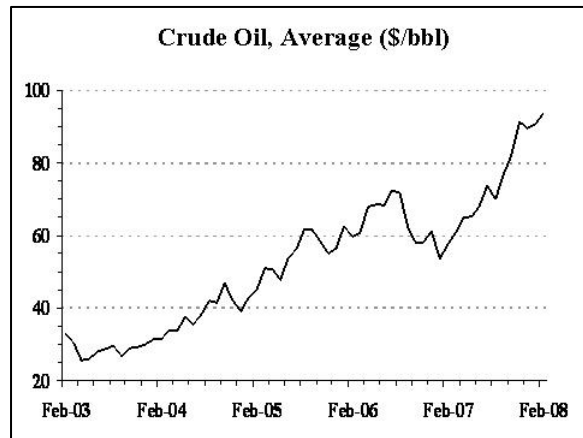
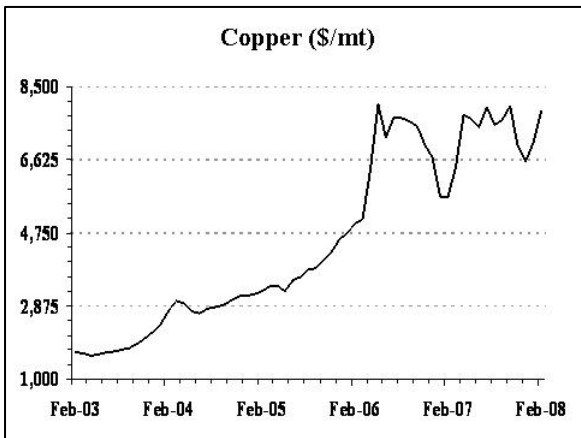
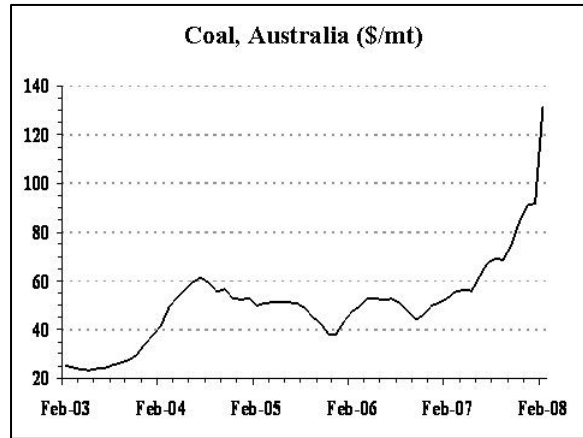
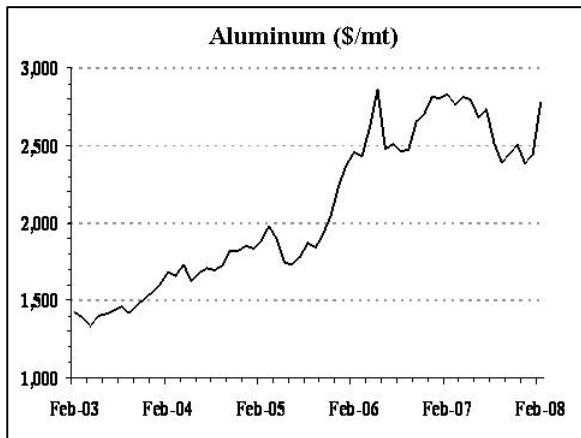
		Annual averages				Quarterly averages				Monthly averages		
		Jan-Dec	Jan-Dec	Jan-Feb	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Dec	Jan	Feb
		2006	2007	2008	2006	2007	2007	2007	2007	2007	2008	2008
<b>Fertilizers</b>												
DAP	\$/mt	260.3	432.5	767.9	254.2	344.5	431.1	432.5	522.1	594.0	707.7	828.1
Phosphate rock	b/ \$/mt	44.2	70.9	190.0	45.5	45.5	59.9	80.0	98.3	135.0	190.0	190.0
Pottasium chloride	\$/mt	174.5	200.2	329.0	175.0	175.6	184.8	209.4	230.8	240.0	273.0	385.0
TSP	\$/mt	201.6	339.1	634.3	203.2	225.7	331.0	375.0	424.5	446.9	539.2	729.4
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	222.9	309.4	347.5	234.0	297.4	291.3	283.6	365.4	385.3	369.7	325.3
<b>Metals and Minerals</b>												
Aluminum	b/ \$/mt	2,570	2,638	2,611	2,724	2,801	2,761	2,546	2,444	2,382	2,446	2,777
Copper	b/ \$/mt	6,722	7,118	7,474	7,068	5,933	7,641	7,712	7,188	6,588	7,061	7,888
Gold	\$/toz	604.3	696.7	905.9	614.5	650.3	667.4	681.1	788.0	803.2	889.6	922.3
Iron ore CVRD So & No	b/ c/dmtu	77.35	84.70	140.60	77.35	84.70	84.70	84.70	84.70	84.70	140.60	140.60
Lead	b/ c/kg	129.0	258.0	284.4	162.7	178.7	217.6	314.3	321.5	259.6	260.8	308.0
Nickel	b/ \$/mt	24,254	37,230	27,823	33,129	41,440	48,055	30,205	29,219	25,992	27,690	27,955
Silver	c/toz	1,157	1,341	1,686	1,263	1,332	1,336	1,273	1,424	1,431	1,606	1,767
Steel products (8) index	a/ 1990=100	134.5	134.8	159.4	132.1	132.0	133.4	133.6	140.1	140.1	149.1	169.7
Steel cr coilsheet	\$/mt	693.8	650.0	743.8	658.3	650.0	650.0	650.0	650.0	650.0	687.5	800.0
Steel hr coilsheet	\$/mt	600.0	550.0	675.0	558.3	550.0	550.0	550.0	550.0	550.0	600.0	750.0
Steel, rebar	\$/mt	443.8	521.5	586.6	450.0	484.2	540.8	504.2	556.8	556.5	574.8	598.5
Steel wire rod	\$/mt	581.3	533.3	702.5	550.0	500.0	530.0	550.0	553.3	555.0	680.0	725.0
Tin	c/kg	878.1	1453.7	1677.4	1033.5	1272.9	1409.8	1497.8	1634.2	1626.3	1633.7	1721.0
Zinc	b/ c/kg	327.5	324.2	238.9	420.4	345.6	366.4	322.7	262.3	235.3	234.0	243.8
<b>World Bank commodity price indices for low and middle income countries( 1990 =100)</b>												
Energy		281.0	310.8	402.3	257.9	250.1	289.1	321.2	382.9	391.3	396.4	408.2
Non Energy Commodities		151.8	175.7	213.5	158.2	163.6	176.9	177.8	184.7	184.9	204.7	222.3
Agriculture		126.6	145.6	178.8	127.8	135.6	140.4	147.0	159.4	163.4	171.5	186.0
Beverages		122.5	139.4	168.1	127.8	132.2	135.2	141.3	149.0	153.4	158.4	177.7
Food		120.6	146.0	194.6	124.5	129.9	136.5	149.4	168.3	174.9	185.8	203.4
Fats and Oils		126.4	191.2	277.5	140.4	155.3	174.3	196.7	238.4	249.7	266.9	288.0
Grains		120.9	148.8	207.3	133.1	137.5	135.8	149.9	172.1	182.8	192.8	221.8
Other Food		115.7	107.5	119.7	106.6	104.9	105.9	110.4	108.7	109.2	115.5	123.8
Raw Materials		137.4	149.6	166.2	132.0	145.3	149.2	148.2	155.5	155.9	162.8	169.7
Timber		139.9	151.3	157.3	146.0	149.1	151.0	153.8	151.2	148.9	153.7	160.8
Other Raw Materials		135.7	148.4	172.4	122.5	142.7	148.0	144.4	158.5	160.7	169.0	175.7
Fertilizers		136.8	227.2	476.8	138.8	149.6	213.3	252.6	293.0	336.9	431.0	522.5
Metals and Minerals		215.0	244.9	273.5	234.7	233.9	263.0	246.1	236.6	223.0	264.3	282.6

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

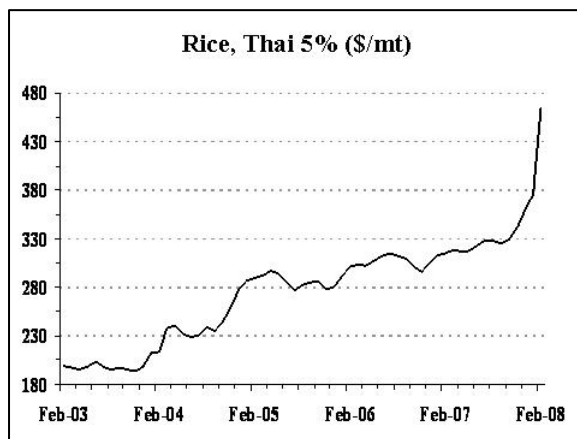
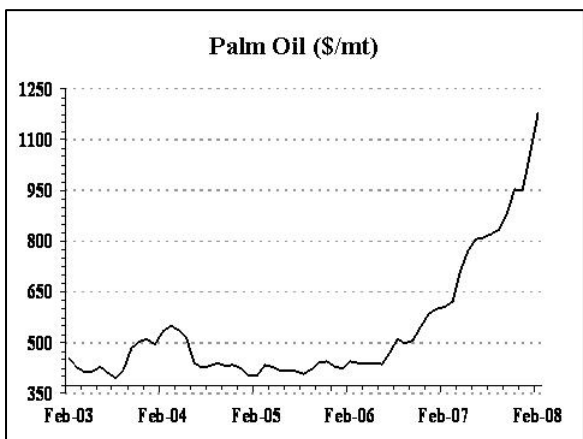
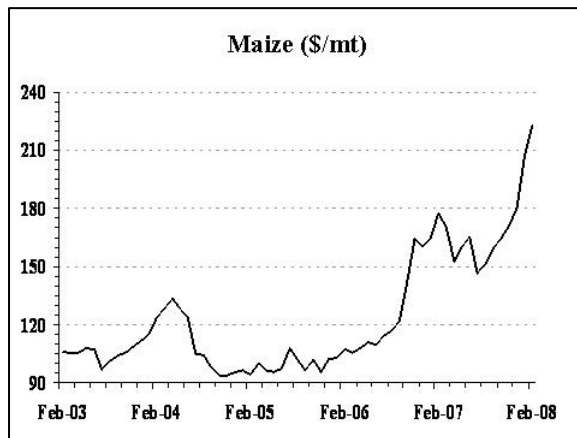
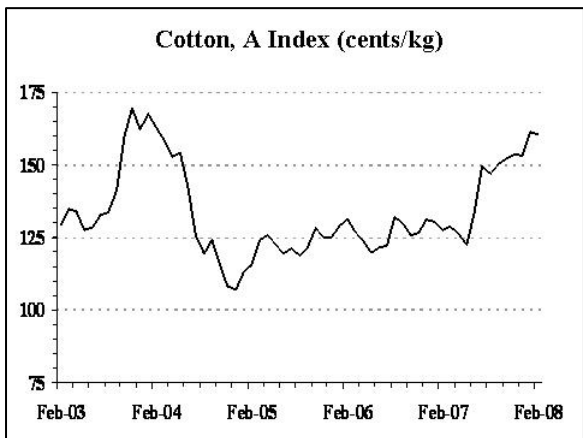
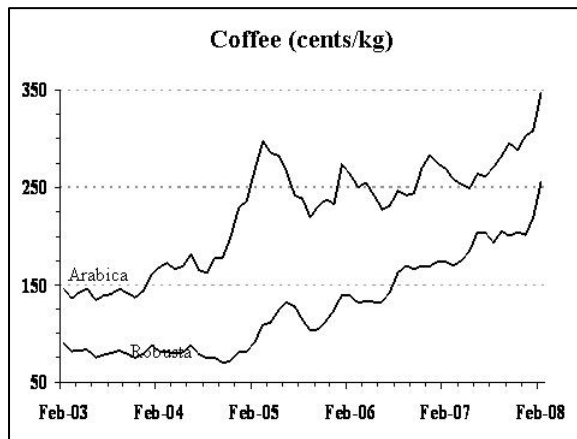
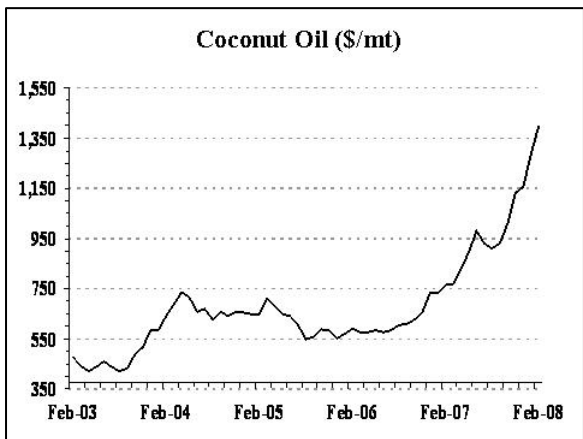
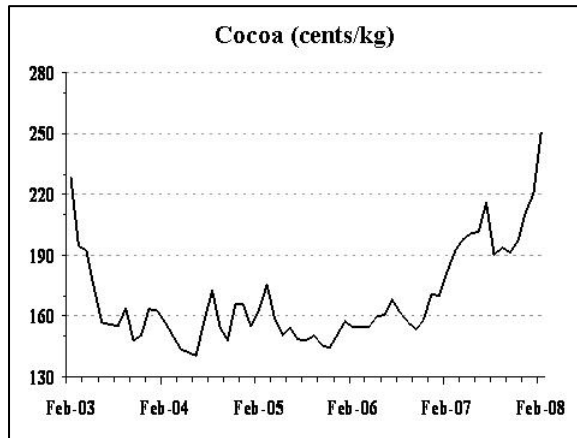
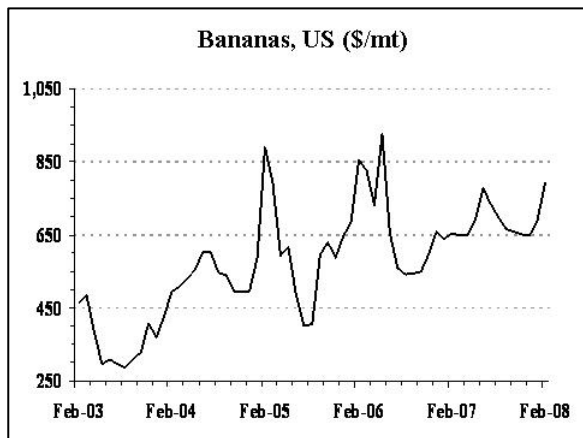
b. Not included in index/

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

## Selected Commodity Prices, Nominal US dollars, 2001-2007



## Selected Commodity Prices, Nominal US dollars, 2001-2007 cont'd



## Selected Commodity Prices, Nominal US dollars, 2001-2007 cont'd

