

# Commodity Markets Review

February 8, 2008

DECPG, The World Bank

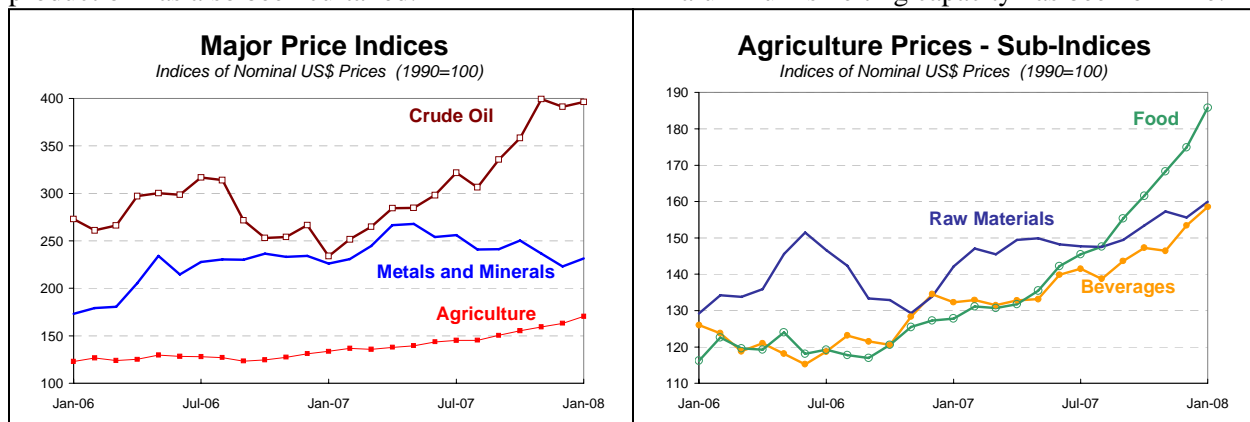
**Non-oil commodity prices jumped 5.4 percent in January** due to a surge in fertilizer prices, the weak dollar, tightening markets—particularly for agriculture—and strong investment demand. Prices began the year in strong fashion, and temporarily slumped following the drop in equity markets, but prices have rebounded and continued higher into early February.

**Crude oil prices rose 1.3 percent in January, to average \$90.7/bbl.** Prices peaked early in the year (with WTI briefly topping \$100/bbl) and have since declined more than \$10/bbl on rising stocks and concerns about weakening global demand. Recent power problems in China may give a short-term boost to diesel demand, reminiscent of acute power shortages in 2004, but otherwise world oil demand is expected to rise only moderately this year. OPEC again decided to leave production unchanged at its meeting February 1<sup>st</sup>, preferring to wait until its next scheduled meeting March 5<sup>th</sup> to make any changes to output.

**Electric power problems in China, South Africa, Zambia, Mozambique and Brazil have affected commodity production.** In China and South Africa, adverse weather has resulted in shortages of coal stocks at utilities, and China has banned steam coal exports for two months. Energy-intensive aluminum producers have been hardest hit, but platinum, gold, zinc and lead production has also been curtailed.

**Agriculture prices climbed 4.5 percent in January**, led by a 6.9 percent gain in fats & oils prices. Palm and other vegetable oil prices climbed some 12 percent on tight supplies and strong demand for food and biofuel production. Maize and sorghum prices were up 14 and 13 percent, respectively, on projected strong export demand, and in response to higher wheat prices which are expected to divert spring plantings to wheat. The anticipated large spring plantings in the northern hemisphere have also led to sharp gains in fertilizer prices, with TSP and DAP up about 20 percent. Coffee and cotton prices also rose strongly on expected poor robusta crops and lower cotton plantings, respectively.

**Metals and minerals prices rose 3.8 percent in January**, experiencing large volatility during the month. Prices rose sharply at the beginning of the year, in part due to the re-weighting of commodity indices by investment banks, and then dropped following the collapse in equity markets. Prices have rebounded into February, in part due to expectations of continuing strong demand in China and ongoing concerns about supply. The largest gains in January were in gold and silver, owing to the weak dollar, and investor concerns about inflation, economic growth and other financial assets. The sharpest recent gains have been in aluminum due to power shortages, as about 10 percent of Chinese aluminum smelting capacity has been off-line.



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 January<sup>1</sup>

**TSP and DAP fertilizer** prices surged 20.7 percent and 19.1 percent, respectively, on strong demand for spring planting in the northern hemisphere and rumors that China will raise the export tax on phosphate fertilizers from 20 to 35-45 percent to protect domestic supplies.

**Maize and sorghum** prices jumped 14.5 percent and 12.9 percent, respectively, in response to higher wheat prices which are expected to encourage farmers to divert spring plantings away from maize and sorghum, as well as higher fertilizer prices which could reduce yields.

**Potassium chloride fertilizer** prices rose 13.8 percent along with other fertilizer prices due to strong demand for spring plantings and recently negotiated contracts with large price increases.

**Natural gas** prices in Europe leapt 12.8 percent due to higher oil prices. Imported contract gas is indexed to oil product prices with a lag.

**Palmkernel oil and coconut oil** (close substitutes) prices increased 12.6 percent and 11.4 percent, respectively, on tight copra output from the Philippines (world's largest coconut oil supplier) and increased demand from China.

**Silver** prices climbed 12.2 percent due to strong investment demand driven by the falling dollar and concerns about inflation and growth.

**Sugar** prices increased 12.2 percent, despite a global surplus, as sugar cane demand in Brazil for ethanol is expected to increase, and estimates of the Indian crop were reduced.

**Natural gas** prices in the U.S. rose 11.8 percent due to colder weather and large declines in inventories, although stocks remain adequate.

**Palm oil** prices increased 11.5 percent as supplies appear insufficient to cover expansion in demand to uses normally covered by rapeseed oil—most of which is used for biodiesel.

**Gold** prices rose 10.8 percent, to average \$889.6/toz, on the weak dollar, and investor concerns about inflation and U.S. growth.

**Soybean** oil prices rose 9.6 percent on a smaller-than-expected crop in Brazil, increased demand from China and India, and higher government-mandated biofuel use.

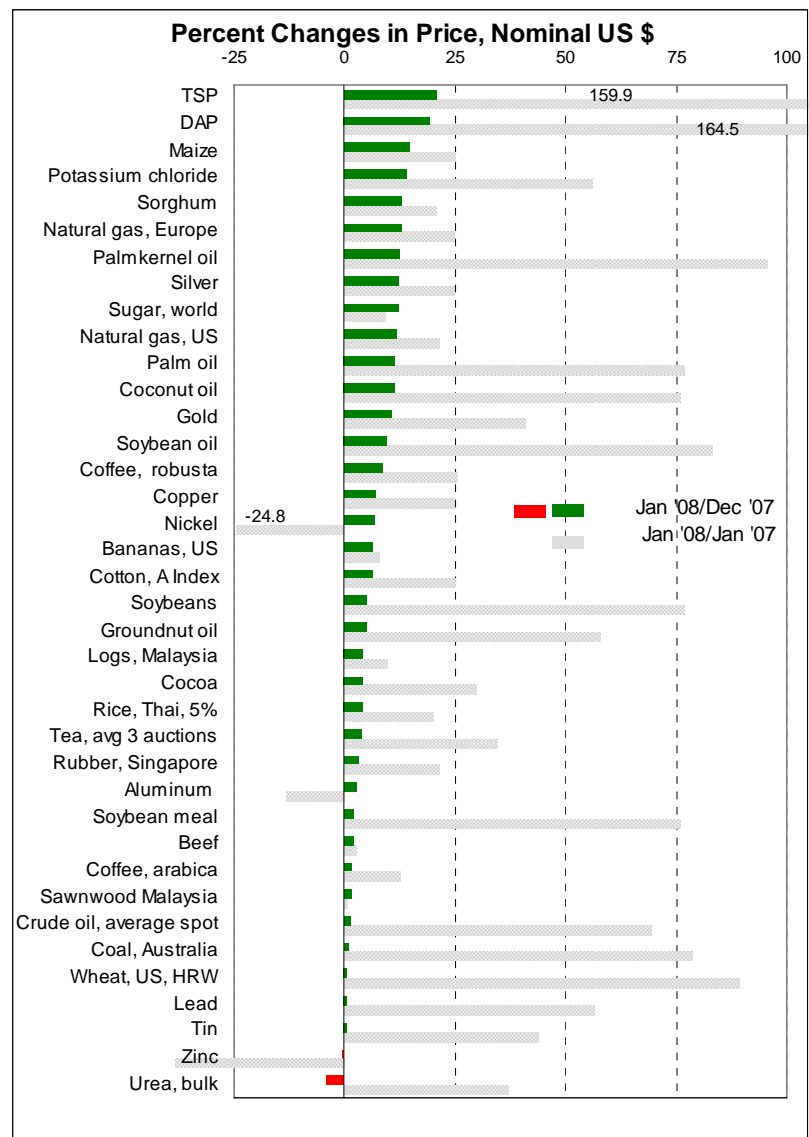
**Coffee (robusta)** prices rose 8.6 percent reflecting poor crop prospects in Cote d'Ivoire and Viet Nam, as well as disruptions to shipments from the recent turmoil in Kenya.

**Copper** prices increased 7.2 percent on falling stocks and expected strong Chinese import demand following the New Years holiday.

**Nickel** prices rose 6.5 percent on expectations of a rebound in stainless steel production, which plummeted in the second half of 2007.

**Bananas (U.S.)** prices increased 6.5 percent due to increased freight rates, mainly a reflection of transportation bottlenecks in South America's banana producing countries.

**Cotton** prices rose 6.3 percent on reports that cotton production in 2007/08 will fall 3 percent, driving the stock-to-use ratio to a 6-year low.



<sup>1</sup> Percent change of average January 2008 prices compared to average December 2007 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-Jan 2008	Oct-Dec 2006	Jan-Mar 2007	Apr-Jun 2007	Jul-Sep 2007	Oct-Dec 2007	Nov 2007	Dec 2007	Jan 2008
<b>Energy</b>												
Coal, Australia	\$/mt	49.09	65.73	91.75	46.60	53.19	57.91	68.37	83.47	84.60	91.00	91.75
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	90.69	59.02	57.23	66.13	73.50	87.61	91.34	89.52	90.69
Crude oil, Brent	a/ \$/bbl	65.39	72.70	91.92	59.73	58.07	68.73	75.04	88.95	92.53	91.45	91.92
Crude oil, Dubai	a/ \$/bbl	61.43	68.37	87.17	57.33	55.58	64.71	69.97	83.21	86.73	85.75	87.17
Crude oil, West Texas Int.	a/ \$/bbl	66.04	72.28	92.98	59.99	58.03	64.96	75.48	90.67	94.76	91.36	92.98
Natural gas, Europe	\$/mmbtu	8.47	8.56	10.70	8.96	8.51	8.00	8.34	9.37	9.47	9.49	10.70
Natural gas, US	\$/mmbtu	6.72	6.98	8.00	6.66	7.23	7.50	6.17	7.03	7.14	7.15	8.00
<b>Non Energy Commodities</b>												
<b>Agriculture</b>												
<b>Beverages</b>												
Cocoa	b/ c/kg	159.2	195.2	220.1	160.6	181.3	200.0	199.9	199.7	196.8	211.3	220.1
Coffee, Arabica	b/ c/kg	252.2	272.4	308.3	265.5	267.2	255.1	271.1	296.1	288.8	303.3	308.3
Coffee, robusta	b/ c/kg	148.9	190.9	218.7	168.0	172.8	188.3	200.4	202.1	204.1	201.5	218.7
Tea, auctions (3), average	c/kg	187.2	203.6	240.3	182.2	178.0	199.9	211.0	225.6	220.6	231.3	240.3
Tea, Colombo auctions	b/ c/kg	191.0	252.2	306.2	201.1	226.4	231.1	254.7	296.7	291.3	308.7	306.2
Tea, Kolkata auctions	b/ c/kg	175.4	192.1	200.1	173.2	141.5	208.7	211.3	207.1	199.8	211.8	200.1
Tea, Mombasa auctions	b/ c/kg	195.2	166.5	214.5	172.4	166.0	159.8	167.1	173.0	170.8	173.3	214.5
<b>Food</b>												
<b>Fats and Oils</b>												
Coconut oil	b/ \$/mt	607	919	1,285	671	754	900	923	1,098	1,131	1,153	1,285
Copra	\$/mt	403	607	848	444	499	599	607	724	748	765	848
Groundnut oil	b/ \$/mt	970	1,352	1,861	1,121	1,170	1,190	1,397	1,651	1,691	1,777	1,861
Palm oil	b/ \$/mt	478	780	1,059	546	609	762	822	928	952	950	1,059
Palmkernel oil	b/ \$/mt	581	888	1,277	602	678	876	917	1,084	1,116	1,134	1,277
Soybean meal	b/ \$/mt	209	307	434	230	256	260	309	402	397	425	434
Soybean oil	b/ \$/mt	599	881	1,276	662	710	794	917	1,105	1,138	1,164	1,276
Soybeans	b/ \$/mt	269	384	541	290	318	338	396	485	489	515	541
<b>Grains</b>												
Maize	b/ \$/mt	121.9	163.7	206.4	155.7	170.9	159.4	152.5	171.9	171.3	180.3	206.4
Rice, Thailand, 5%	b/ \$/mt	304.9	326.4	375.6	300.8	315.6	319.1	327.1	344.0	342.0	360.7	375.6
Rice, Thailand, 25%	\$/mt	277.1	306.5	364.4	276.1	292.6	297.4	306.5	329.5	327.8	347.3	364.4
Rice, Thailand, 35%	\$/mt	272.0	300.1	362.0	268.6	285.8	288.8	298.0	327.7	326.3	346.3	362.0
Rice, Thai, A1.Special	\$/mt	218.0	269.6	354.6	222.5	252.3	255.2	262.7	308.1	307.3	328.3	354.6
Sorghum	b/ \$/mt	122.9	162.7	211.2	158.6	175.2	151.4	150.7	173.4	170.1	187.0	211.2
Wheat, Canada	\$/mt	216.8	300.4	513.8	230.8	232.4	244.7	309.0	415.3	388.0	470.2	513.8
Wheat, US, HRW	b/ \$/mt	192.0	255.2	370.7	208.7	198.4	205.7	274.9	341.9	321.8	368.6	370.7
Wheat US SRW	\$/mt	159.0	238.6	366.2	193.5	173.7	187.0	267.5	326.2	307.7	345.3	366.2
<b>Other Food</b>												
Bananas EU	\$/mt	897	1,037	1,169	845	1,036	1,045	999	1,068	1,045	1,054	1,169
Bananas US	b/ \$/mt	677.2	675.8	689.0	601.8	647.2	705.0	698.6	652.5	651.1	647.6	689.0
Beef	b/ c/kg	254.7	260.3	268.7	265.0	261.2	259.9	260.3	259.8	260.3	263.5	268.7
Fishmeal	\$/mt	1,166	1,177	1,103	1,244	1,251	1,260	1,123	1,075	1,069	1,088	1,103
Lamb	c/kg	403.6	412.0	423.5	399.3	394.2	399.3	416.5	437.9	443.2	431.3	423.5
Oranges	b/ \$/mt	829	957	1,038	920	817	893	1,135	983	1,046	928	1,038
Shrimp, Mexico	b/ c/kg	1,024	1,010	1,091	953	988	1,003	1,003	1,045	1,056	1,075	1,091
Sugar EU domestic	b/ c/kg	64.56	68.09	73.12	64.10	65.10	66.98	68.28	72.00	72.93	72.39	73.12
Sugar US domestic	b/ c/kg	48.76	45.77	44.68	43.85	45.17	46.47	46.98	44.48	44.18	44.55	44.68
Sugar, world	b/ c/kg	32.59	22.22	26.39	25.71	23.49	20.90	21.86	22.61	22.27	23.52	26.39
<b>Raw Materials</b>												
<b>Timber</b>												
Logs, Cameroon	\$/cum	318.5	381.3	430.0	327.4	371.3	372.8	371.6	409.6	422.1	418.9	430.0
Logs, Malaysia	\$/cum	239.4	268.0	287.1	256.6	264.8	262.0	269.6	275.5	279.4	275.3	287.1
Plywood	c/sheets	595.6	647.3	668.8	637.2	629.5	639.6	653.9	666.3	674.1	668.2	668.8
Sawnwood, Cameroon	\$/cum	622.9	759.8	868.1	657.8	720.1	725.1	756.2	838.0	866.0	846.7	868.1
Sawnwood, Malaysia	\$/cum	749.3	806.3	800.6	779.1	794.4	807.4	820.9	802.5	806.3	788.3	800.6
Woodpulp	\$/mt	627.5	767.0	864.3	617.8	727.4	751.3	769.8	819.4	829.4	826.6	864.3
<b>Other Raw Materials</b>												
Cotton A Index	b/ c/kg	126.7	139.5	162.9	127.8	128.8	127.4	148.9	153.0	153.7	153.3	162.9
Cotton Memphis	c/kg	133.5	142.9	166.3	132.7	135.9	130.0	150.3	155.5	155.8	155.2	166.3
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	282.0	199.4	241.6	251.6	234.2	264.8	271.4	273.2	282.0
Rubber, Singapore	b/ c/kg	210.8	229.0	256.5	176.0	223.3	233.9	213.8	245.1	250.6	249.0	256.5
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	565.0	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

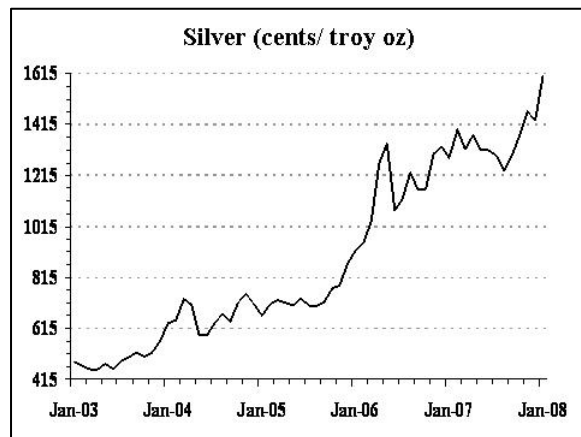
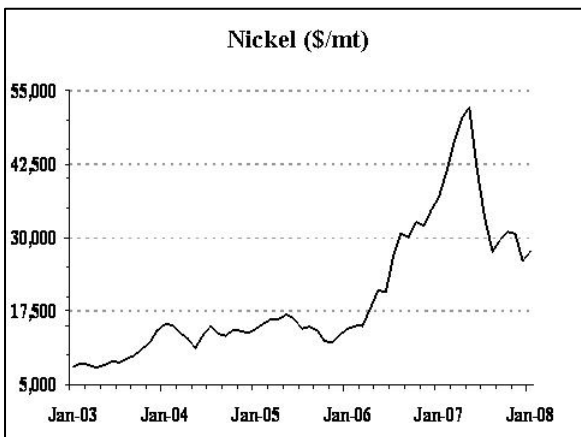
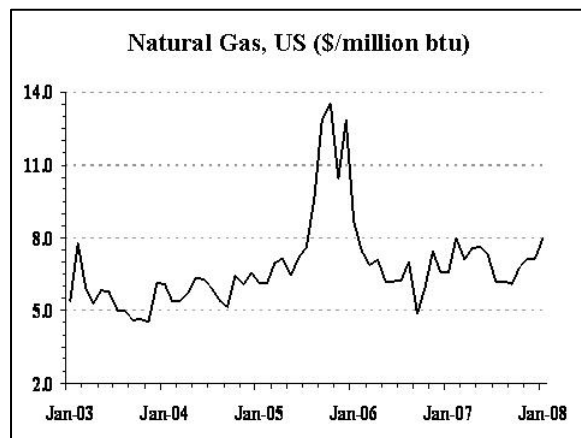
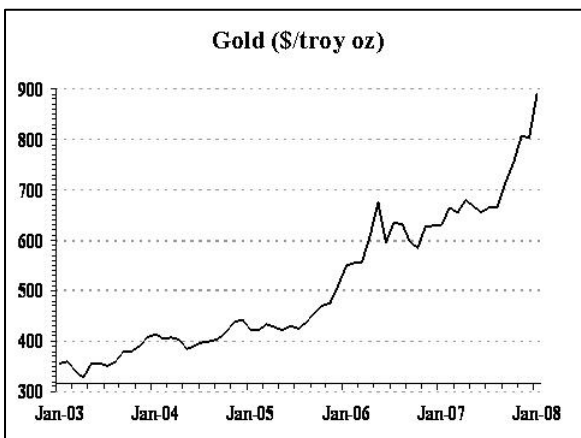
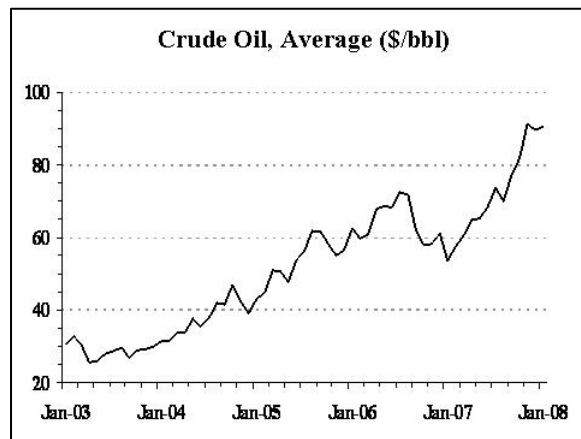
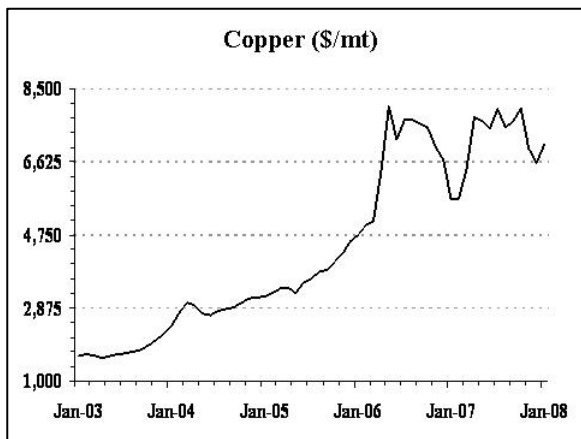
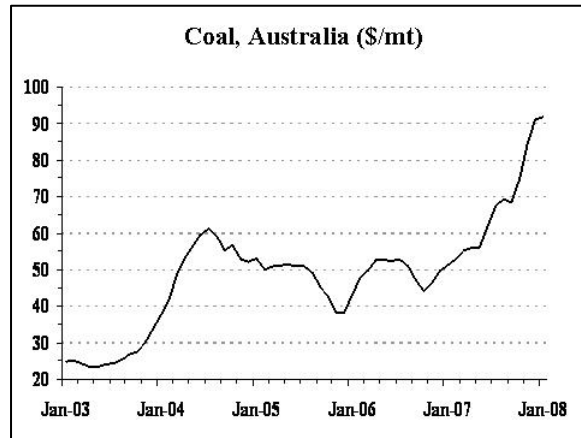
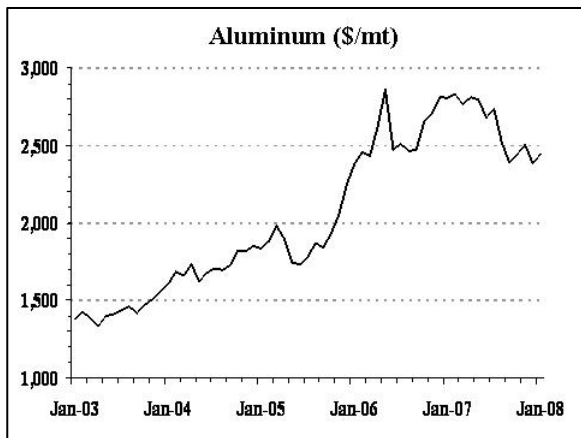
		Annual averages			Quarterly averages					Monthly averages		
		Jan-Dec	Jan-Dec	Jan-Jan	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Nov	Dec	Jan
		2006	2007	2008	2006	2007	2007	2007	2007	2007	2007	2008
<b>Fertilizers</b>												
DAP	\$/mt	260.3	432.5	707.7	254.2	344.5	431.1	432.5	522.1	521.0	594.0	707.7
Phosphate rock	b/ \$/mt	44.2	70.9	190.0	45.5	45.5	59.9	80.0	98.3	80.0	135.0	190.0
Pottasium chloride	\$/mt	174.5	200.2	273.0	175.0	175.6	184.8	209.4	230.8	232.5	240.0	273.0
TSP	\$/mt	201.6	339.1	539.2	203.2	225.7	331.0	375.0	424.5	423.8	446.9	539.2
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	369.7	234.0	297.4	291.3	283.6	365.4	377.1	385.3	369.7
<b>Metals and Minerals</b>												
Aluminum	b/ \$/mt	2,570	2,638	2,446	2,724	2,801	2,761	2,546	2,444	2,507	2,382	2,446
Copper	b/ \$/mt	6,722	7,118	7,061	7,068	5,933	7,641	7,712	7,188	6,967	6,588	7,061
Gold	\$/toz	604.3	696.7	889.6	614.5	650.3	667.4	681.1	788.0	806.2	803.2	889.6
Iron ore CVRD So & No	b/ c/dmtu	77.35	84.70	84.70	77.35	84.70	84.70	84.70	84.70	84.70	84.70	84.70
Lead	b/ c/kg	129.0	258.0	260.8	162.7	178.7	217.6	314.3	321.5	332.8	259.6	260.8
Nickel	b/ \$/mt	24,254	37,230	27,690	33,129	41,440	48,055	30,205	29,219	30,610	25,992	27,690
Silver	c/toz	1,157	1,341	1,606	1,263	1,332	1,336	1,273	1,424	1,467	1,431	1,606
Steel products (8) index	a/ 1990=100	134.5	134.8	149.1	132.1	132.0	133.4	133.6	140.1	140.3	140.1	149.1
Steel cr coilsheet	\$/mt	693.8	650.0	687.5	658.3	650.0	650.0	650.0	650.0	650.0	650.0	687.5
Steel hr coilsheet	\$/mt	600.0	550.0	600.0	558.3	550.0	550.0	550.0	550.0	550.0	550.0	600.0
Steel, rebar	\$/mt	443.8	521.5	574.8	450.0	484.2	540.8	504.2	556.8	569.0	556.5	574.8
Steel wire rod	\$/mt	581.3	533.3	680.0	550.0	500.0	530.0	550.0	553.3	555.0	555.0	680.0
Tin	c/kg	878.1	1453.7	1633.7	1033.5	1272.9	1409.8	1497.8	1634.2	1669.2	1626.3	1633.7
Zinc	b/ c/kg	327.5	324.2	234.0	420.4	345.6	366.4	322.7	262.3	254.1	235.3	234.0
<b>World Bank commodity price indices for low and middle income countries( 1990 =100)</b>												
Energy		281.0	310.8	396.4	257.9	250.1	289.1	321.2	382.9	399.2	391.3	396.4
Non Energy Commodities		151.8	175.7	194.8	158.2	163.6	176.9	177.8	184.7	184.2	184.8	194.8
Agriculture		126.6	145.6	170.6	127.8	135.6	140.4	147.0	159.3	159.3	163.3	170.6
Beverages		122.5	139.4	158.5	127.8	132.2	135.2	141.3	149.0	146.4	153.4	158.5
Food		120.6	146.0	185.8	124.5	129.9	136.5	149.4	168.3	168.3	174.9	185.8
Fats and Oils		126.4	191.2	266.9	140.4	155.3	174.3	196.7	238.4	240.9	249.7	266.9
Grains		120.9	148.8	192.6	133.1	137.5	135.8	149.9	172.1	167.2	182.8	192.6
Other Food		115.7	107.5	115.6	106.6	104.9	105.9	110.4	108.7	109.4	109.2	115.6
Raw Materials		137.4	149.5	159.9	132.0	145.3	149.2	148.2	155.4	157.3	155.6	159.9
Timber		139.9	151.3	151.7	146.0	149.1	151.0	153.8	151.2	152.1	148.9	151.7
Other Raw Materials		135.7	148.4	165.6	122.5	142.7	148.0	144.4	158.3	160.9	160.2	165.6
Fertilizers		136.8	227.2	431.0	138.8	149.6	213.3	252.6	293.0	276.1	336.9	431.0
Metals and Minerals		215.0	244.9	231.5	234.7	233.9	263.0	246.1	236.6	236.5	223.0	231.5

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

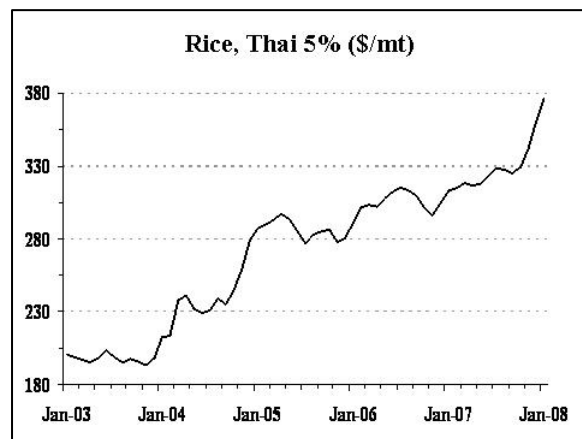
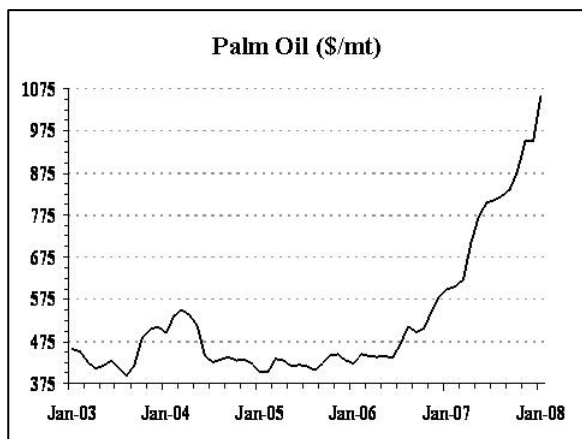
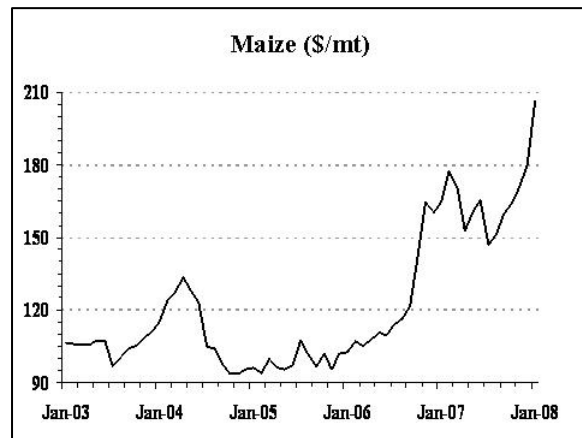
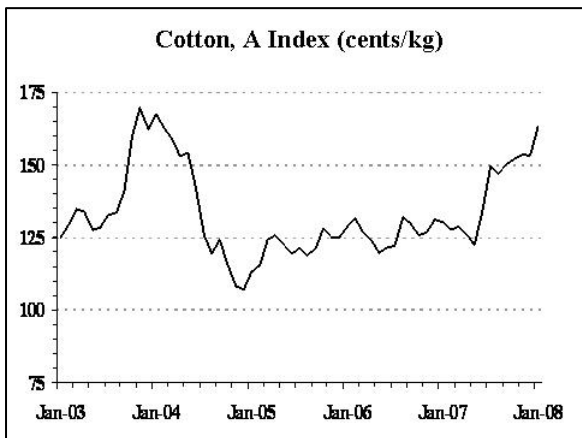
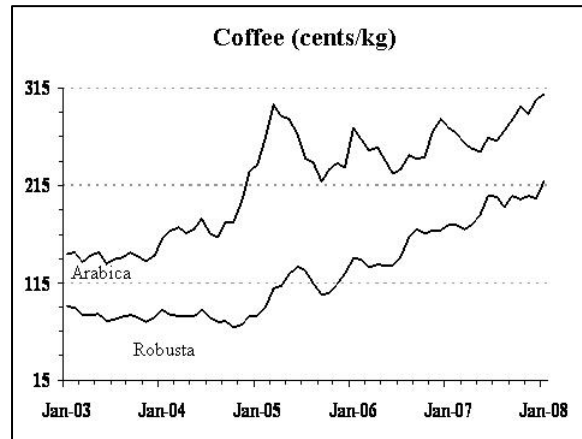
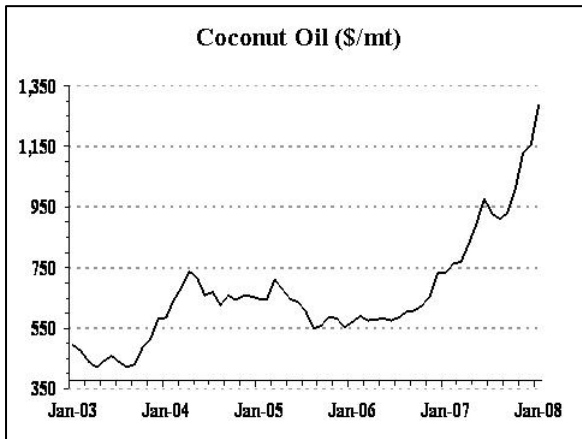
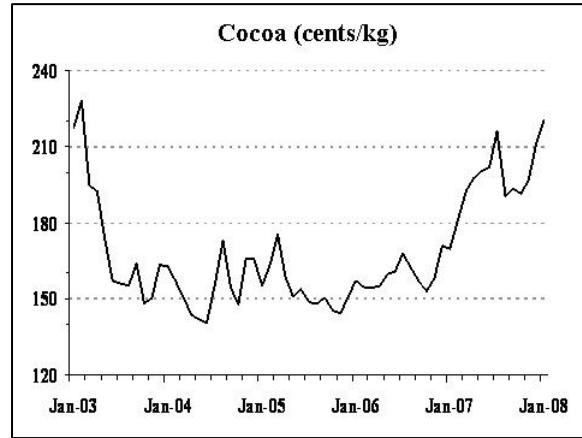
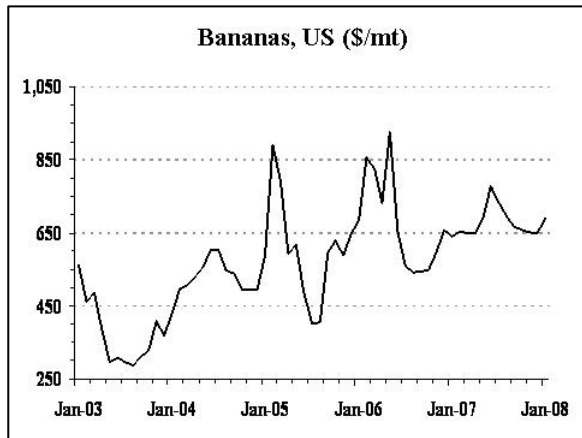
b. Not included in index/

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

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



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



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

