

# Commodity Markets Review

January 13, 2009

DECPG, The World Bank

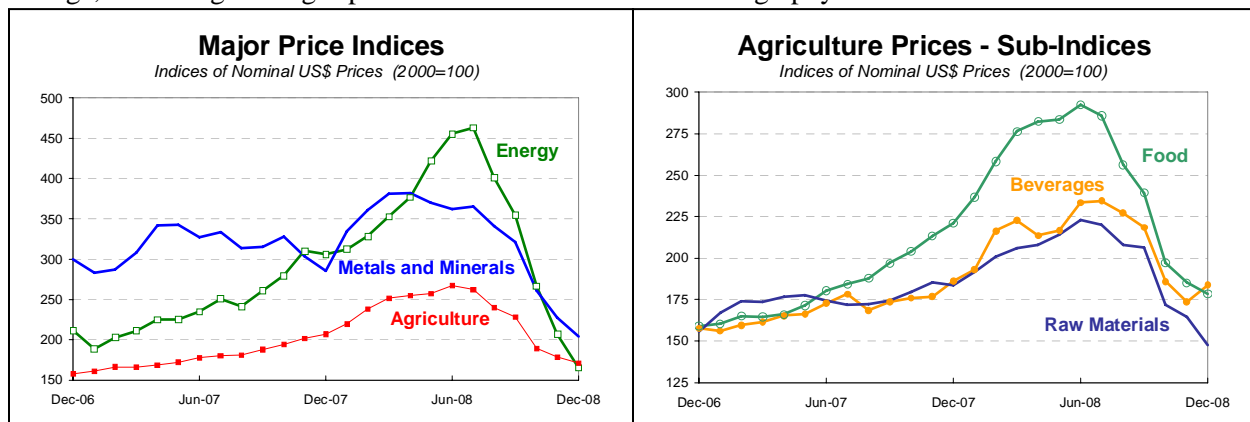
During the second half 2008, non-energy commodity prices plunged 38 percent, with most indices ending the year significantly lower than where they started. For the year, however, non-energy commodity prices posted a 21 percent gain, led by a 139 percent rise in fertilizer prices. In December, non-energy commodity prices fell 6.8 percent, down for the fifth consecutive month on weak global demand, with fertilizer prices off 10.9 percent.

**Crude oil prices fell 23.4 percent in December, averaging \$41.3/bbl, with prices dipping to \$34/bbl Christmas eve before recovering.** The drop has been due to falling demand and sharply rising inventories. U.S oil demand fell nearly 6 percent in 2008, with gasoline consumption off 3.3 percent. Demand has declined in other OECD countries, and has recently started to fall in some developing countries, notably in Asia. OPEC agreed to cut production by 2.2 mb/d as of January 1<sup>st</sup>, bringing total cuts since September to 4.2 mb/d. Saudi Arabia is reported to be aggressively reducing shipments, which has helped lift relative prices of medium/heavy sour crudes.

**Coal prices fell 14.7 percent in December** on weak global demand, as the economic slump curtails power consumption, particularly in the industrial sector. U.S. natural gas prices fell 12.9 percent, also on weak industrial demand, ample storage, and rising shale-gas production.

**Agriculture prices dropped 4.0 percent in December** on weakening demand, lower energy prices and improved supply prospects. The major declines were centered in a few commodities, with rubber recording the largest drop (off 28 percent), on lower oil prices and weak demand for vehicle tires. Groundnut oil and soybean oil prices fell 19 percent and 10 percent, respectively, on weak demand and ample supplies. Offsetting these declines was a 17 percent jump in cocoa prices due to lower shipments from Côte d'Ivoire, partly from the impact of black pod disease. Also gaining was palmkernel oil prices, up 5 percent, on increasing imports into China and the EU.

**Metals and minerals prices fell 10.2 percent in December**, down for the 8<sup>th</sup> consecutive month and 47 percent since April. The declines are due to the sharp contraction in demand, the continuing large build in inventories, and recent strength of the dollar. Prices have fallen deep into the cost curves of several metals, and there have been large cuts in production and delays/deferments of projects. The largest drop was in lead, down 25 percent, due to weak battery demand associated with the global slump in autos. Aluminum, copper and tin prices all fell 17-20 percent. Gold and silver prices were the only metal prices to post increases, up 7 and 5 percent, respectively, on safe haven buying although physical demand remains weak.



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

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

**Cocoa** prices jumped 16.5 percent due to a large slowdown in shipments to the port of Abidjan, Côte d'Ivoire, partly due to the impact of black pod disease.

**Gold** prices rose 7.3 percent on safe haven buying although physical demand remains weak.

**Palmkernel oil** prices rose 5.1 percent on higher imports by China and several European countries.

**Soybean** prices fell 4.8 percent on general weakness in the edible oils complex and a larger than expected soybean crop in the U.S.

**Urea** prices fell 6.9 percent due to continuing weak demand and inventory overhang, albeit the latter diminishing.

**Sorghum** prices decreased 8.1 percent on news of weakening demand in the EU and a larger than expected U.S. crop.

**Coffee (robusta)** prices fell 9.4 percent, a reflection of continued strong exports from Brazil due to favorable exchange rate movements and good weather conditions, and expectations of a record crop in Vietnam.

**Nickel** prices fell 9.5 percent on the large drop in stainless steel production and sharply rising inventories.

**Soybean oil** prices declined 10.4 percent as earlier high prices contributed to a deterioration of demand in the entire edible oil complex.

**Natural gas** prices in the U.S. decreased 12.9 percent on weak industrial demand, ample storage, and unconventional production gains, such as from the prolific Barnett Shale in Texas.

**Coal** prices fell 14.7 percent due to weak demand from utilities, as the economic slump lowers consumption of electric power.

**Copper** prices declined 17.4 percent on weak global demand and rising inventories, despite a rise in Chinese imports.

**Tin** prices decreased 17.6 percent on falling demand and sharp jump in LME inventories.

**Groundnut oil** prices fell 19.0 percent in response to weak demand, especially in Europe partly due to a switch to sunflower oil.

**Aluminum** prices declined 19.5 percent on falling demand, particularly in the construction

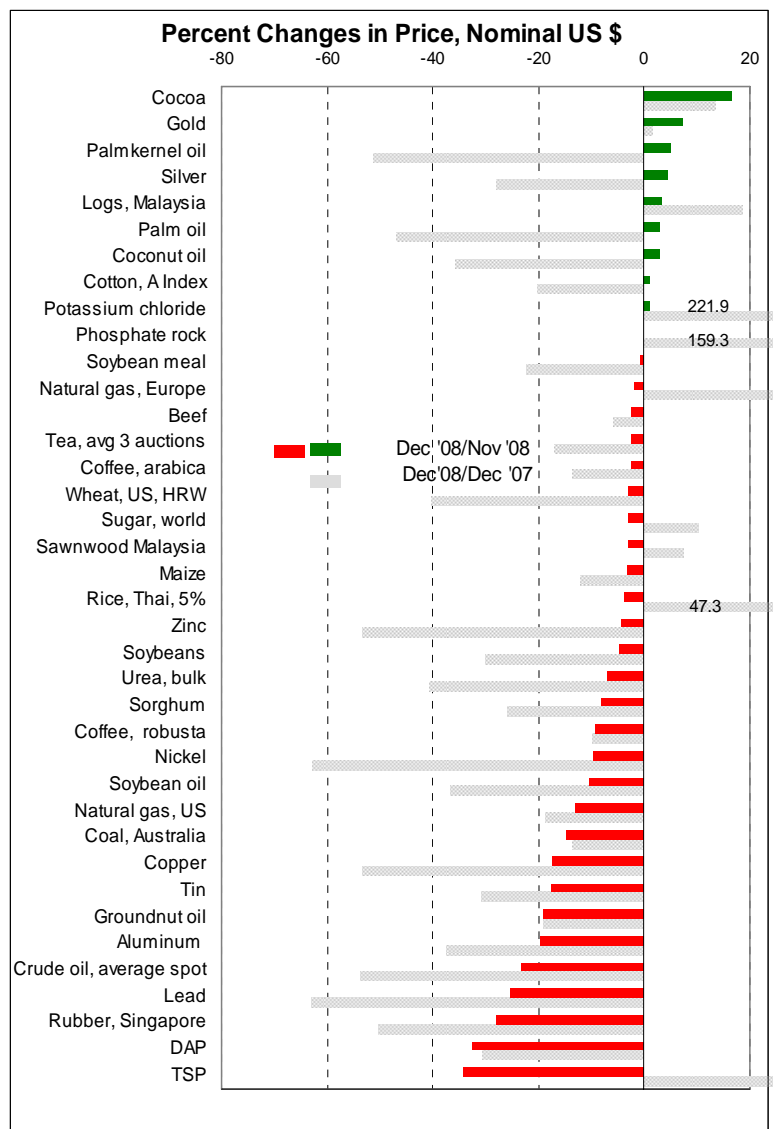
and auto sectors, and sharply rising inventories.

**Crude oil** prices dropped 23.4 percent on declining oil demand and rising inventories, while OPEC cut a further 2.2 mb/d to stem the slide in prices.

**Lead** prices fell 25.4 percent on weak demand for vehicle batteries associated with the global slump in auto production.

**Rubber** prices dropped 28.1 percent, a reflection of falling crude oil prices as well as weak global demand for tires.

**DAP** fertilizer prices plunged 32.7 percent on a weak global demand, particularly from India, amid ample inventories.



<sup>1</sup> Percent change of average December 2008 prices compared to average November 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-Dec 2008	Oct-Dec 2007	Jan-Mar 2008	Apr-Jun 2008	Jul-Sep 2008	Oct-Dec 2008	Oct 2008	Nov 2008	Dec 2008
<b>Energy</b>												
Coal, Australia	a/ \$/mt	49.09	65.73	127.10	83.47	114.00	138.65	162.80	92.97	108.00	92.25	78.65
Crude oil, avg, spot	a/ \$/bbl	64.29	71.12	96.99	87.61	95.31	120.97	115.68	56.00	72.69	53.97	41.34
Crude oil, Brent	a/ \$/bbl	65.39	72.70	97.64	88.95	96.67	122.39	115.60	55.89	72.84	53.24	41.58
Crude oil, Dubai	a/ \$/bbl	61.43	68.37	93.78	83.21	91.30	116.67	113.47	53.67	68.62	51.38	40.99
Crude oil, West Texas Int.	a/ \$/bbl	66.04	72.28	99.56	90.67	97.94	123.85	117.98	58.45	76.61	57.29	41.44
Natural gas Index	a/ 2000=100	181.6	186.5	268.0	197.7	235.3	286.0	284.1	266.6	272.7	270.6	256.4
Natural gas, Europe	a/ \$/mmbtu	8.47	8.56	13.41	9.37	10.86	12.40	14.62	15.75	15.93	15.81	15.50
Natural gas, US	a/ \$/mmbtu	6.72	6.98	8.86	7.03	8.65	11.35	9.03	6.41	6.73	6.67	5.81
Natural gas LNG, Japan	a/ \$/mmbtu	7.08	7.68	12.58	8.96	10.45	11.71	13.33	14.84	15.01	14.90	14.60
<b>Non Energy Commodities</b>												
<b>Agriculture</b>												
<b>Beverages</b>												
Cocoa	b/ c/kg	159.2	195.2	257.7	199.7	247.7	276.4	282.6	224.1	227.4	205.5	239.4
Coffee, Arabica	b/ c/kg	252.2	272.4	308.1	296.1	328.5	315.1	321.2	267.8	272.5	268.7	262.1
Coffee, robusta	b/ c/kg	148.9	190.9	232.0	202.1	247.3	243.6	244.8	192.4	195.7	200.1	181.4
Tea, auctions (3), average	b/ c/kg	187.2	203.6	242.0	225.6	234.6	254.7	272.3	206.4	230.5	196.7	192.1
Tea, Colombo auctions	b/ c/kg	191.0	252.2	278.9	296.7	305.2	298.5	303.2	208.8	236.7	198.0	191.6
Tea, Kolkata auctions	b/ c/kg	175.4	192.1	225.3	207.1	176.6	244.0	260.9	219.6	232.3	219.5	207.2
Tea, Mombasa auctions	b/ c/kg	195.2	166.5	221.8	173.0	221.8	221.6	252.8	190.9	222.5	172.8	177.5
<b>Food</b>												
<b>Fats and Oils</b>												
Coconut oil	b/ \$/mt	607	919	1,224	1,098	1,379	1,499	1,246	772	856	719	740
Copra	\$/mt	403	607	816	724	914	1,013	817	520	585	479	495
Groundnut oil	b/ \$/mt	970	1,352	2,131	1,651	2,007	2,328	2,417	1,773	2,110	1,772	1,436
Palm oil	b/ \$/mt	478	780	949	928	1,156	1,198	928	512	545	488	503
Palmkernel oil	\$/mt	581	888	1,130	1,084	1,375	1,420	1,114	609	746	527	554
Soybean meal	b/ \$/mt	209	308	430	408	443	484	450	343	338	347	345
Soybean oil	b/ \$/mt	599	881	1,258	1,105	1,384	1,466	1,353	830	928	824	738
Soybeans	b/ \$/mt	269	384	523	485	563	585	566	377	394	378	360
<b>Grains</b>												
Barley	b/ \$/mt	116.6	172.4	200.5	194.6	216.8	239.1	216.6	129.5	143.4	130.1	115.2
Maize	b/ \$/mt	121.9	163.7	223.1	171.9	220.4	259.0	244.7	168.4	183.1	163.8	158.3
Rice, Thailand, 5%	b/ \$/mt	304.9	326.4	650.1	344.0	478.1	855.3	703.0	564.2	609.3	552.0	531.3
Rice, Thailand, 25%	\$/mt	277.1	306.5	n.a.	329.5	n.a.	n.a.	669.5	449.9	487.5	440.3	422.0
Rice, Thailand, 35%	\$/mt	272.0	300.1	n.a.	327.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
* Rice,Thai, A1.Special / Super	\$/mt	219.5	272.3	482.3	312.0	442.8	693.7	478.6	314.2	348.3	307.0	287.3
Sorghum	\$/mt	122.9	162.7	207.8	173.4	218.7	246.9	214.7	151.0	163.6	150.8	138.6
Wheat, Canada	\$/mt	216.8	300.4	454.6	415.3	621.7	484.4	390.2	322.1	316.4	324.7	325.1
Wheat, US, HRW	b/ \$/mt	192.0	255.2	326.0	341.9	411.8	346.5	317.7	228.1	237.4	226.8	220.1
Wheat US SRW	\$/mt	159.0	238.6	271.5	326.2	384.1	277.8	241.5	182.7	185.9	183.0	179.3
<b>Other Food</b>												
Bananas EU	\$/mt	897	1,037	1,188	1,068	1,421	1,263	1,123	944	942	883	1,006
Bananas US	b/ \$/mt	677	676	844	652	836	920	775	847	807	903	830
Fishmeal	\$/mt	1,166	1,177	1,133	1,075	1,126	1,185	1,198	1,023	1,051	983	1,036
Meat, beef	b/ c/kg	254.7	260.3	313.8	259.8	282.1	332.7	372.4	268.0	302.9	253.5	247.7
Meat, chicken	b/ c/kg	138.8	156.7	169.6	156.7	158.8	167.9	177.1	174.7	175.5	174.3	174.4
Meat, sheep	c/kg	403.6	412.0	458.5	437.9	453.6	493.2	477.3	410.0	431.5	405.4	393.1
Oranges	b/ \$/mt	829	957	1,107	982	1,103	1,322	1,163	841	910	853	760
Shrimp, Mexico	b/ c/kg	1,024	1,010	1,069	1,045	1,103	1,109	1,048	1,014	1,014	1,014	1,014
Sugar EU domestic	b/ c/kg	64.56	68.09	69.69	72.00	74.51	77.59	74.70	51.97	52.61	50.28	53.02
Sugar US domestic	b/ c/kg	48.76	45.77	46.86	44.48	44.85	46.34	51.52	44.72	47.19	43.36	43.59
Sugar, world	b/ c/kg	32.59	22.22	28.21	22.61	28.42	27.01	31.14	26.28	26.23	26.70	25.90
<b>Raw Materials</b>												
<b>Timber</b>												
Logs, Cameroon	\$/cum	318.5	381.3	526.9	409.6	530.8	554.4	548.5	473.8	492.9	452.0	476.6
Logs, Malaysia	b/ \$/cum	239.4	268.0	292.3	275.5	293.4	282.3	277.7	315.7	304.4	316.0	326.6
Plywood	c/sheets	595.6	640.7	648.6	647.0	640.4	647.3	648.6	658.2	643.9	646.5	684.4
Sawnwood, Cameroon	\$/cum	623	760	958	838	1,036	1,052	974	771	822	757	734
Sawnwood, Malaysia	b/ \$/cum	749.3	806.3	889.1	802.5	860.3	935.8	900.3	859.9	861.7	872.3	845.8
Woodpulp	\$/mt	698.6	767.0	828.1	819.4	850.2	870.7	848.8	742.6	783.0	719.8	725.0
<b>Other Raw Materials</b>												
Cotton A Index	b/ c/kg	126.7	139.5	157.4	153.0	167.9	166.5	168.2	127.0	137.3	121.1	122.4
Cotton Memphis	c/kg	133.5	142.9	164.2	155.5	174.2	171.6	170.0	86.4	135.5	123.7	n.a.
Rubber, US	c/kg	231.3	248.0	284.1	264.8	292.6	311.7	329.1	202.8	244.7	209.4	154.3
Rubber, Singapore	b/ c/kg	210.8	229.0	261.9	245.1	275.5	307.9	301.5	162.7	193.5	171.3	123.2

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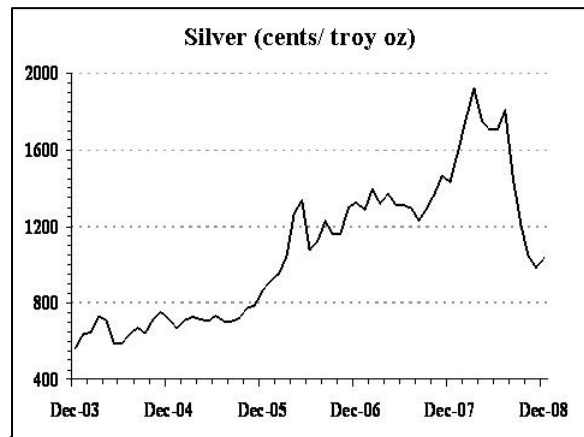
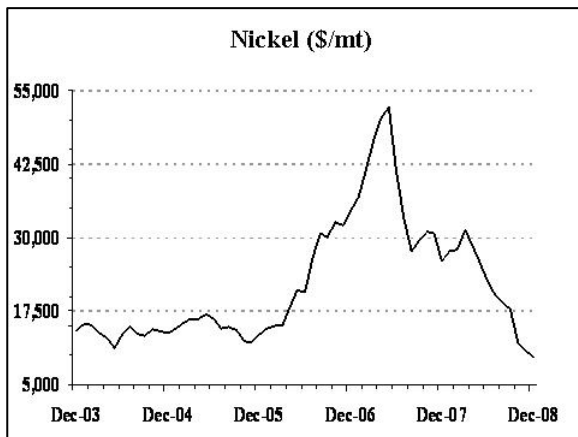
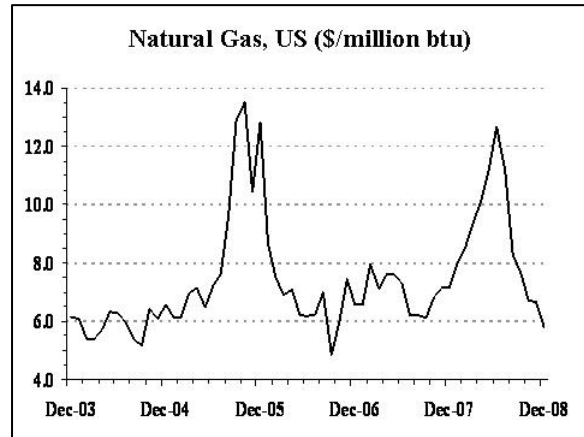
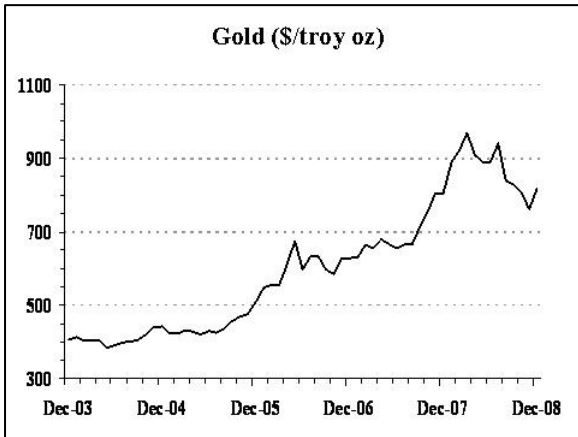
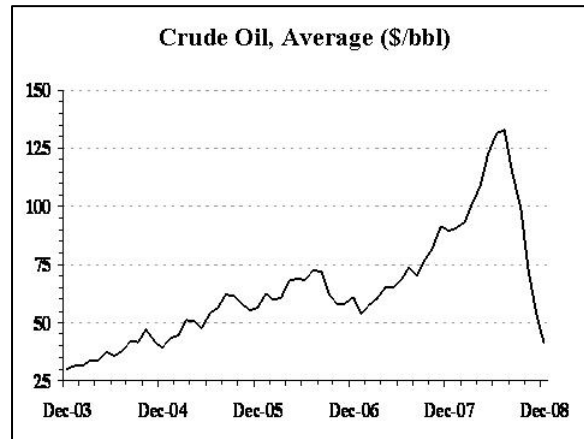
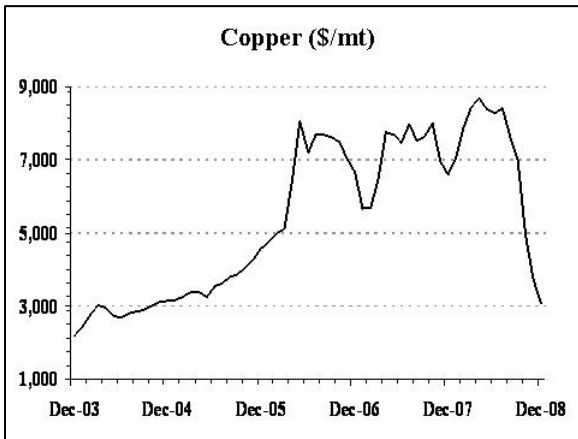
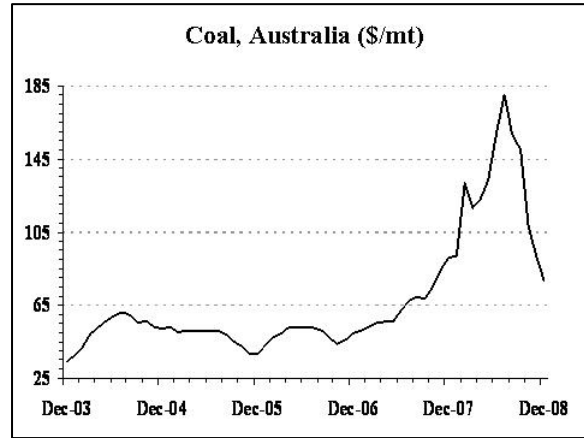
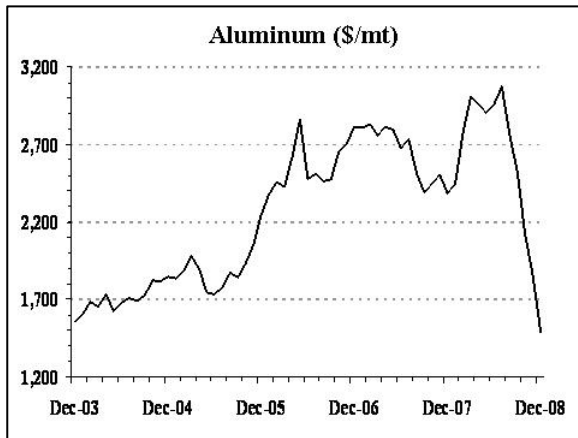
a/ Included in the energy index (2000=100)      b/ Included in the non-energy index (2000=100)      c/ Steel not included in the non-energy index  
 \$ = US dollar    ¢ = US cent    bbl = barrel    cum = cubic meter    dmtu = Dry Metric Ton Unit    kg = kilogram    mmbtu = million British thermal units  
 mt = metric ton    toz = troy oz    n.a. = not available    n.q. = no quotation

## COMMODITY PRICE DATA

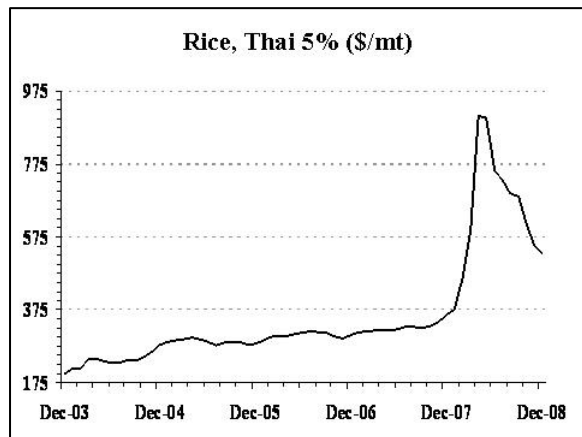
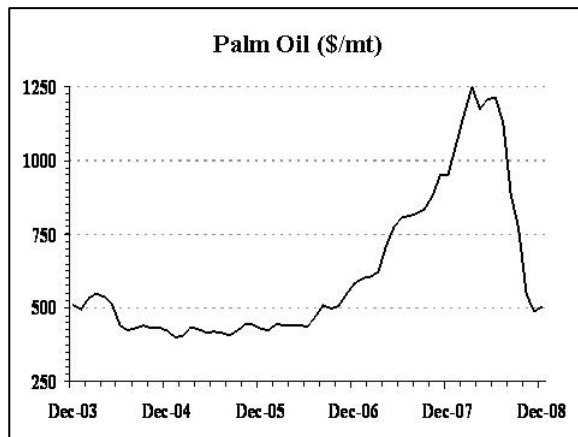
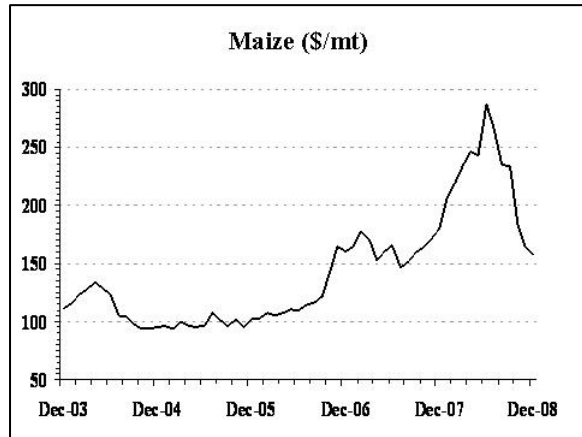
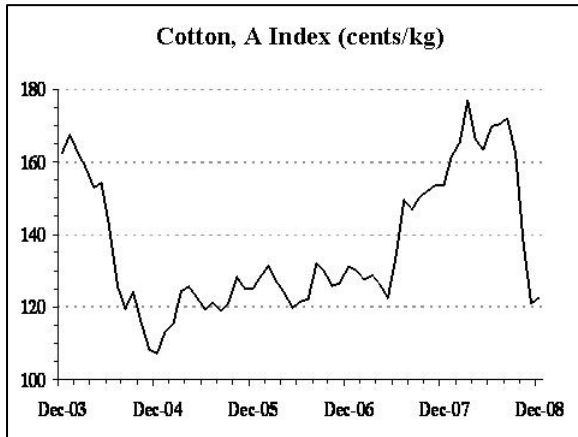
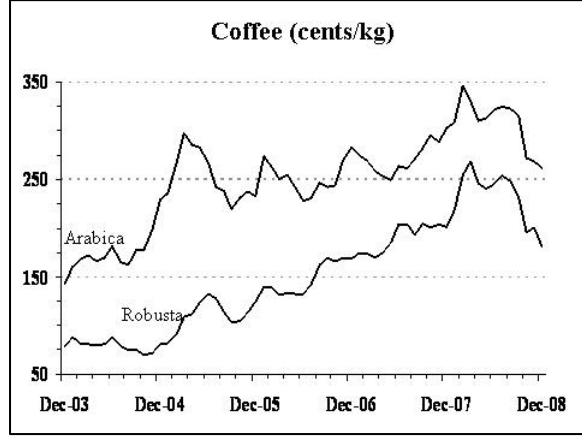
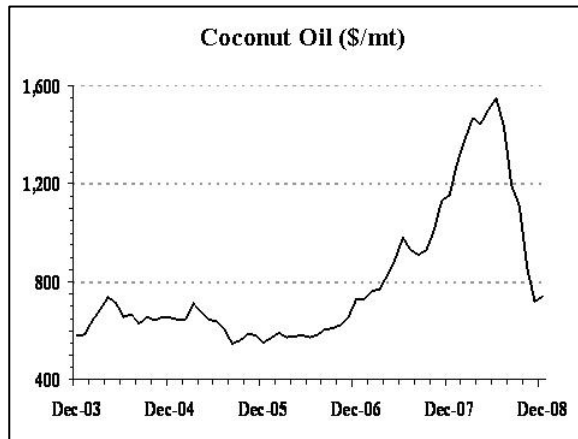
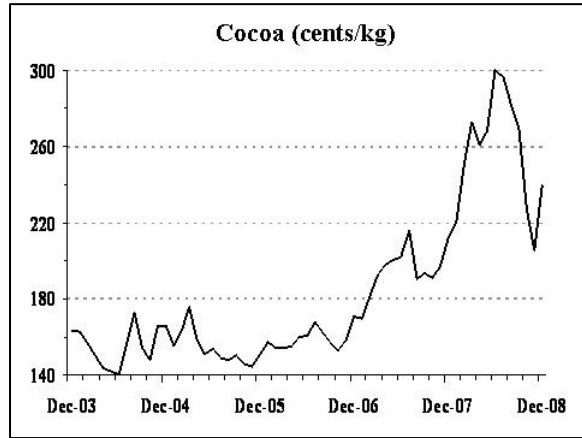
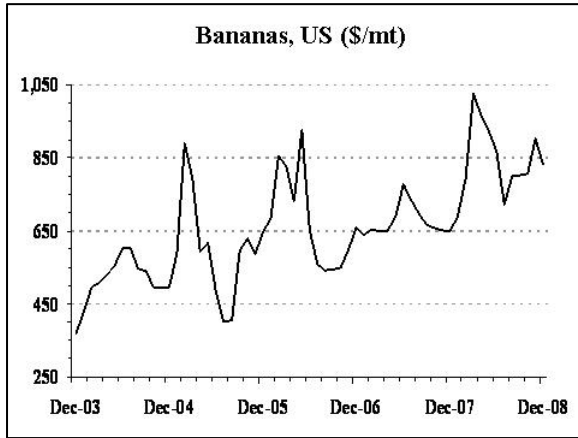
		Annual averages			Quarterly averages				Monthly averages			
		Jan-Dec	Jan-Dec	Jan-Dec	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Oct	Nov	Dec
		2006	2007	2008	2007	2008	2008	2008	2008	2008	2008	2008
<b>Fertilizers</b>												
DAP	b/ \$/mt	260	433	968	522	860	1,192	1,154	665	970	613	413
Phosphate rock	b/ \$/mt	44.2	70.9	345.6	98.3	234.4	367.5	409.2	371.3	414.0	350.0	350.0
Potassium chloride	b/ \$/mt	174.5	200.2	570.1	230.8	367.7	511.1	635.0	766.7	762.5	765.0	772.5
TSP	b/ \$/mt	202	339	951	425	715	1,036	1,108	827	965	915	n.a.
Urea, E. Europe, bulk	b/ \$/mt	222.9	309.4	493.0	365.4	357.6	575.7	745.4	293.4	405.5	245.8	228.8
<b>Metals and Minerals</b>												
Aluminum	b/ \$/mt	2,570	2,638	2,573	2,444	2,743	2,940	2,787	1,821	2,121	1,852	1,490
Copper	b/ \$/mt	6,722	7,118	6,956	7,188	7,796	8,443	7,680	3,905	4,926	3,717	3,072
Gold	\$/toz	604.3	696.7	871.7	788.0	926.8	896.0	869.6	794.5	806.6	760.9	816.1
Iron ore	b/ c/dmtu	77.4	84.7	140.6	84.7	140.6	140.6	140.6	140.6	140.6	140.6	140.6
Lead	b/ c/kg	129.0	258.0	209.1	321.5	289.9	230.7	191.2	124.5	148.0	129.1	96.3
Nickel	b/ \$/mt	24,254	37,230	21,111	29,219	28,957	25,682	18,961	10,843	12,140	10,702	9,686
Silver	c/toz	1,157	1,341	1,500	1,424	1,765	1,720	1,495	1,020	1,043	987	1,032
* * Steel products index, Japar	c/ 2000=10	181.6	182.0	289.3	192.0	229.6	279.2	338.2	310.4	335.6	312.2	283.4
Steel cr coilsheet, Japan, Reir	c/ \$/mt	693.8	650.0	965.6	650.0	762.5	900.0	1100.0	1100.0	1100.0	1100.0	1100.0
Steel hr coilsheet, Japan, Reir	c/ \$/mt	600.0	550.0	883.3	550.0	700.0	833.3	1000.0	1000.0	1000.0	1000.0	1000.0
Steel, rebar, Japan, Reinstat	c/ \$/mt	443.8	521.5	760.2	556.8	639.4	837.5	934.2	629.6	760.0	682.5	446.3
Steel wire rod, Japan, Reinsta	c/ \$/mt	581.3	533.3	1009.8	553.3	754.0	950.0	1135.0	1200.0	1200.0	1200.0	1200.0
Tin	b/ c/kg	878	1,454	1,851	1,634	1,778	2,265	2,051	1,310	1,440	1,364	1,124
Zinc	b/ c/kg	327.5	324.2	187.5	262.3	243.0	211.3	177.0	118.5	130.2	115.3	110.1
<b>NEW World Bank commodity price indices for low and middle income countries( 2000 =100)</b>												
Energy		220.9	244.8	342.0	298.6	331.1	417.8	406.0	213.0	266.3	207.2	165.4
Non Energy Commodities		192.1	224.9	272.5	237.4	281.4	308.1	292.8	208.0	226.6	205.6	191.6
Agriculture		150.4	180.6	230.0	201.1	236.6	259.8	243.7	179.7	189.3	178.5	171.3
Beverages		145.4	169.9	210.0	179.4	210.7	221.4	226.8	181.2	186.0	173.7	183.8
Food		147.0	184.7	247.7	213.2	257.2	286.3	260.5	187.0	197.2	185.2	178.5
Fats and Oils		137.9	209.0	278.1	259.9	310.2	327.7	288.9	185.6	195.7	183.3	177.9
Grains		149.8	189.0	281.7	215.6	274.6	335.2	298.5	218.5	234.8	214.4	206.5
Other Food		156.4	149.0	177.1	149.7	171.9	187.4	188.9	160.1	165.1	161.3	154.1
Raw Materials		161.4	175.8	196.9	182.8	199.5	215.2	211.5	161.4	172.0	164.6	147.4
Timber		126.0	136.8	150.5	137.2	146.8	155.4	150.2	149.4	148.3	151.0	148.8
Other Raw Materials		200.0	218.5	247.6	232.7	257.2	280.5	278.4	174.5	198.0	179.4	146.0
Fertilizers		168.6	240.1	573.4	292.0	409.4	624.1	741.1	519.1	602.5	505.0	449.8
Metals and Minerals		280.3	314.0	325.7	305.7	358.7	371.1	342.4	230.6	260.5	227.3	204.0

a/ Included in the energy index (2000=100)      b/ Included in the non-energy index (2000=100)      c/ Steel not included in the non-energy index  
 \$ = US dollar    ¢ = US 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. = no quotation

## Selected Commodity Prices, Nominal US dollars, 2001-2008



**Selected Commodity Prices, Nominal US dollars, 2001-2008 cont'd**



## Selected Commodity Prices, Nominal US dollars, 2001-2008 cont'd

