

Commodity Markets Review

October 9, 2008

DECPG, The World Bank

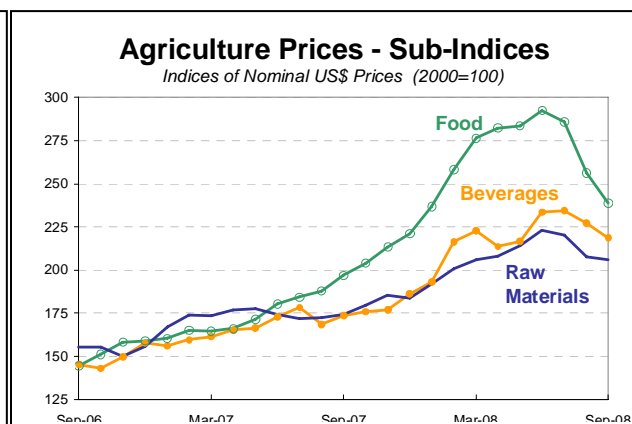
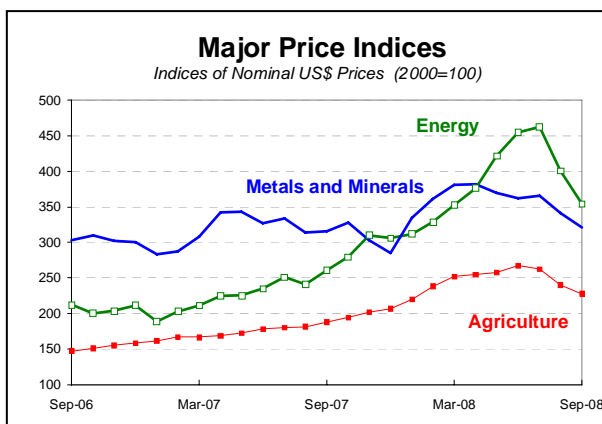
Non-energy commodity prices fell 5.2 percent in September, continuing the plunge of the past two months due to weakening global demand and appreciation of the dollar—up 4.0 percent against the euro in September. Price declines accelerated sharply in early October as concerns of global demand intensified. Only potassium chloride fertilizer prices rose significantly last month, up 10.2 percent, on a strike in Canada.

Crude oil prices fell 13.0 percent in September, averaging \$99.7/bbl, and fell below \$83/bbl in early October. The slump was due to sharply declining demand in the U.S. and Europe, and expectations of slowing demand in developing countries as the global economy slows. Non-OPEC supplies are also set to jump in the fourth quarter and in 2009 which should result in higher stocks. Inventories remain relatively low due to a number of disruptions from the Caspian, Nigeria and U.S. Gulf of Mexico. OPEC meets December 17th but it is still not known at what level the Organization may step in to support prices.

Natural gas prices in the U.S. fell 6.7 percent in September, despite significant disruptions in the wake of hurricanes Gustav and Ike, due to weak demand, rising inventories, and strong growth in shale-gas production. Coal prices fell 5.3 percent due to weakening demand and significant easing of port congestion and vessel queues in Australia.

Agriculture prices dropped 5.1 percent in September—the third consecutive monthly decline—on weakening demand, lower crude oil prices, and improved supply prospects. The largest declines were in fats and oils which plunged 9.4 percent, led by a 14 percent drop in palm oil prices due to slowing import demand and a reduction in Indonesia's export tax which had fueled the recent spike. Wheat prices fell 10 percent due to a projected 10 percent increase in global production. The soybean complex fell 7-9 percent on expectations of slowing demand in China and lower demand for biodiesel. Sugar prices fell 7 percent on expected low ethanol demand and sharp rise in global supplies.

Metals and minerals prices fell 5.8 percent in September, and continued their sharp declines in early October on concerns about global demand. Silver prices dropped 16 percent, versus only 1 percent for gold, as silver demand is more sensitive to slowing economic growth. Most base metal prices have plunged one-third or more since early July, as metals prices are most linked to industrial output. Some prices have been falling since last year, with nickel prices down three-quarters from its peak, and have fallen into the cost curve forcing output cuts. Currencies of commodity producers, e.g., Australia and Brazil, have also plunged recently, which partly offsets the price effect and helps sustain profitability and output.



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 September¹

Potassium chloride prices surged 10.2 percent—unlike other fertilizer prices—due to a labor strike in Canada, the world’s largest exporter.

Coffee robusta prices decreased 6.4 percent on early indications of record crops in Vietnam and Brazil during the 2008-09 season.

Natural gas (U.S.) prices fell 6.7 percent on weakening demand, rising inventories, and higher domestic production of shale gas.

Coconut oil and palmkernel oil (close substitutes) prices dropped 7.5 percent and 7.3 percent, respectively, due to larger than expected palmkernel oil production with stocks reaching historical highs.

Sugar prices fell 7.4 percent as lower crude oil prices are expected to reduce demand for ethanol. Global supplies of sugar are expected to rise sharply led by a 15 percent increase in Brazilian sugar cane production.

Tin prices decreased 8.3 percent on weakening demand although stocks have remained relatively low on continued supply constraints.

Urea and DAP prices fell 8.3 percent and 6.6 percent, respectively, as demand weakened in response to lower grain prices, and export competition intensified as companies lower price expectations.

Copper prices fell 8.4 percent on weak global demand and higher inventories, with prices plunging sharply in early October on increasing concerns about global growth.

Soybeans, meal and oil prices fell 8.6 percent, 6.9 percent and 7.2 percent, respectively, as demand from China—the largest importer—is expected to weaken while global production is projected to rise from increased plantings. Demand for soybean oil for biodiesel is also expected to decline as crude oil prices fall.

Aluminum prices dropped 8.6 percent on weakening demand, sharply rising stocks, and continued growth in Chinese aluminum production and exports.

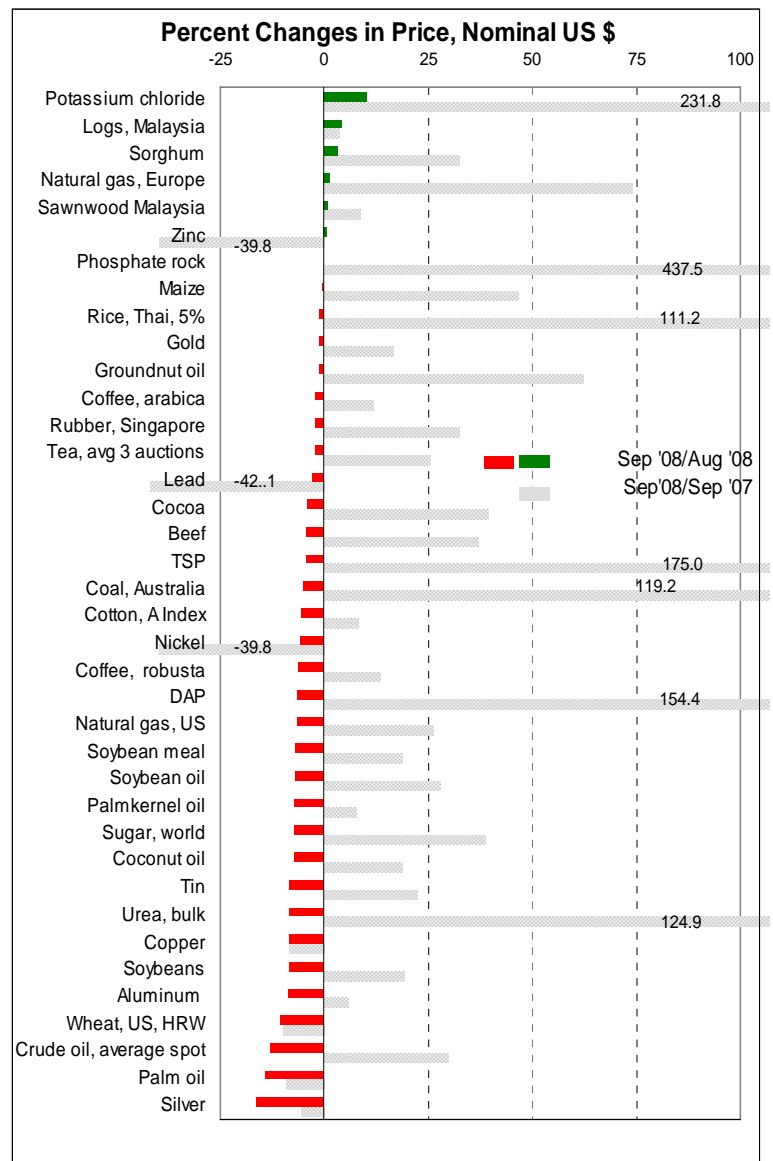
Wheat prices declined 10.6 percent as global production is projected to increase by 10 percent and ending-stocks are expected to rise by 18

percent.

Crude oil prices fell 13.0 percent on accelerating demand reductions in the OECD and imminent jump in non-OPEC supplies that will extend over the next year.

Palm oil prices dropped 14.1 percent (down more than one-third since June) due to weakening demand and a reduction in the palm oil export tax by Indonesia (which partly fueled the recent price hike).

Silver prices plunged 16.4 percent on the strengthening dollar and expectations of reduced industrial demand for the metal.



¹ Percent change of average September 2008 prices compared to average August 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-Sep 2008	Jul-Sep 2007	Oct-Dec 2007	Jan-Mar 2008	Apr-Jun 2008	Jul-Sep 2008	Jul 2008	Aug 2008	Sep 2008
Energy												
Coal, Australia	a/ \$/mt	49.09	65.73	138.48	68.37	83.47	114.00	138.65	162.80	180.00	158.40	150.00
Crude oil, avg, spot	a/ \$/bbl	64.29	71.12	110.65	73.50	87.61	95.31	120.97	115.68	132.83	114.57	99.66
Crude oil, Brent	a/ \$/bbl	65.39	72.70	111.55	75.04	88.95	96.67	122.39	115.60	133.87	113.85	99.06
Crude oil, Dubai	a/ \$/bbl	61.43	68.37	107.15	69.97	83.21	91.30	116.67	113.47	131.22	113.21	95.97
Crude oil, West Texas Int.	a/ \$/bbl	66.04	72.28	113.26	75.48	90.67	97.94	123.85	117.98	133.38	116.64	103.94
Natural gas Index	a/ 2000=100	181.6	186.5	268.1	174.4	197.7	235.3	286.0	282.9	305.5	273.7	269.5
Natural gas, Europe	a/ \$/mmbtu	8.47	8.56	12.63	8.34	9.37	10.86	12.40	14.62	14.37	14.64	14.85
Natural gas, US	a/ \$/mmbtu	6.72	6.98	9.68	6.17	7.03	8.65	11.35	9.03	11.15	8.25	7.69
Natural gas LNG, Japan	a/ \$/mmbtu	7.08	7.68	11.58	7.68	8.96	10.45	11.71	12.57	12.35	12.60	12.75
Non Energy Commodities												
Agriculture												
Beverages												
Cocoa	b/ c/kg	159.2	195.2	268.9	199.9	199.7	247.7	276.4	282.6	296.7	281.6	269.6
Coffee, Arabica	b/ c/kg	252.2	272.4	321.6	271.1	296.1	328.5	315.1	321.2	324.9	322.8	315.9
Coffee, robusta	b/ c/kg	148.9	190.9	245.3	200.4	202.1	247.3	243.6	244.8	254.0	248.2	232.3
Tea, auctions (3), average	b/ c/kg	187.2	203.6	254.0	211.0	225.6	234.6	254.7	272.7	275.9	274.2	267.9
Tea, Colombo auctions	b/ c/kg	191.0	252.2	302.7	254.7	296.7	305.2	298.5	304.3	312.0	299.6	301.3
Tea, Kolkata auctions	b/ c/kg	175.4	192.1	226.8	211.3	207.1	176.6	244.0	259.6	274.5	263.0	241.3
Tea, Mombasa auctions	b/ c/kg	195.2	166.5	232.5	167.1	173.0	221.8	221.6	254.1	241.3	260.0	261.0
Food												
Fats and Oils												
Coconut oil	b/ \$/mt	607	919	1,374	923	1,098	1,379	1,499	1,244	1,436	1,193	1,104
Copra	\$/mt	403	607	914	607	724	914	1,013	817	946	780	724
Groundnut oil	b/ \$/mt	970	1,352	2,251	1,397	1,651	2,007	2,328	2,417	2,536	2,372	2,341
Palm oil	b/ \$/mt	478	780	1,093	822	928	1,156	1,198	924	1,128	885	760
Palmkernel oil	\$/mt	581	888	1,302	917	1,084	1,375	1,420	1,113	1,272	1,072	994
Soybean meal	b/ \$/mt	209	307	459	309	402	443	484	450	508	436	406
Soybean oil	b/ \$/mt	599	881	1,401	917	1,105	1,384	1,466	1,353	1,511	1,322	1,227
Soybeans	b/ \$/mt	269	384	571	396	485	563	585	566	634	556	508
Grains												
Barley	b/ \$/mt	116.6	172.4	224.2	173.8	194.6	216.8	239.1	216.6	248.1	212.3	189.5
Maize	b/ \$/mt	121.9	163.7	241.4	152.5	171.9	220.4	259.0	244.7	265.3	235.0	233.8
Rice, Thailand, 5%	b/ \$/mt	304.9	326.4	679.1	327.1	344.0	478.1	855.3	703.8	731.8	693.5	686.3
Rice, Thailand, 25%	\$/mt	277.1	306.5	n.a.	306.5	329.5	n.a.	n.a.	675.8	700.0	657.5	670.0
Rice, Thailand, 35%	\$/mt	272.0	300.1	n.a.	298.0	327.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
* Rice, Thai, A1.Special / Super	\$/mt	219.5	272.3	538.8	265.7	312.0	442.8	693.7	480.0	546.5	468.8	424.8
Sorghum	\$/mt	122.9	162.7	226.8	150.7	173.4	218.7	246.9	214.7	218.8	209.3	216.0
Wheat, Canada	\$/mt	216.8	300.4	498.8	309.0	415.3	621.7	484.4	390.2	400.7	400.8	369.1
Wheat, US, HRW	b/ \$/mt	192.0	255.2	358.5	274.9	341.9	411.8	346.5	317.3	328.2	329.3	294.5
Wheat US SRW	\$/mt	159.0	238.6	301.1	267.5	326.2	384.1	277.8	241.5	245.4	255.4	223.8
Other Food												
Bananas EU	\$/mt	897	1,037	1,269	999	1,068	1,421	1,263	1,123	1,103	1,158	1,107
Bananas US	b/ \$/mt	677	676	843	699	652	836	920	775	722	799	803
Fishmeal	\$/mt	1,166	1,177	1,170	1,123	1,075	1,126	1,185	1,200	1,232	1,188	1,180
Meat, beef	b/ c/kg	254.7	260.3	329.1	260.3	259.8	282.1	332.7	372.4	387.2	373.4	356.6
Meat, chicken	b/ c/kg	138.8	156.7	167.9	163.0	156.7	158.8	167.9	177.1	176.9	177.2	177.2
Meat, sheep	c/kg	403.6	412.0	474.5	416.5	437.9	453.6	493.2	476.8	501.3	476.4	452.8
Oranges	b/ \$/mt	829	957	1,196	1,135	982	1,103	1,322	1,163	1,432	1,132	924
Shrimp, Mexico	b/ c/kg	1,024	1,010	1,087	1,003	1,045	1,103	1,109	n.a.	n.a.	n.a.	1,014
Sugar EU domestic	b/ c/kg	64.56	68.09	75.60	68.28	72.00	74.51	77.59	74.70	78.32	74.40	71.39
Sugar US domestic	b/ c/kg	48.76	45.77	47.57	46.98	44.48	44.85	46.34	51.52	52.38	51.27	50.92
Sugar, world	b/ c/kg	32.59	22.22	28.86	21.86	22.61	28.42	27.01	31.14	31.37	32.21	29.83
Raw Materials												
Timber												
Logs, Cameroon	\$/cum	318.5	381.3	544.6	371.6	409.6	530.8	554.4	548.5	559.6	554.1	531.7
Logs, Malaysia	b/ \$/cum	239.4	268.0	284.5	269.6	275.5	293.4	282.3	277.7	275.8	272.9	284.5
Plywood	c/sheets	595.6	640.7	645.4	646.7	647.0	640.4	647.3	648.6	647.9	649.3	648.8
Sawnwood, Cameroon	\$/cum	623	760	1,021	756	838	1,036	1,052	974	1,057	957	910
Sawnwood, Malaysia	b/ \$/cum	749.3	806.3	898.8	820.9	802.5	860.3	935.8	900.3	932.8	879.4	888.8
Woodpulp	\$/mt	698.6	767.0	857.2	769.8	819.4	850.2	870.7	850.7	878.4	841.8	832.0
Other Raw Materials												
Cotton A Index	b/ c/kg	126.7	139.5	167.5	148.9	153.0	167.9	166.5	168.2	170.4	172.1	162.2
Cotton Memphis	c/kg	133.5	142.9	171.9	150.3	155.5	174.2	171.6	170.0	173.0	173.2	164.0
Rubber, US	c/kg	231.3	248.0	311.2	234.2	264.8	292.6	311.7	329.1	337.1	332.9	317.5
Rubber, Singapore	b/ c/kg	210.8	229.0	295.0	213.8	245.1	275.5	307.9	301.5	321.6	294.9	288.1

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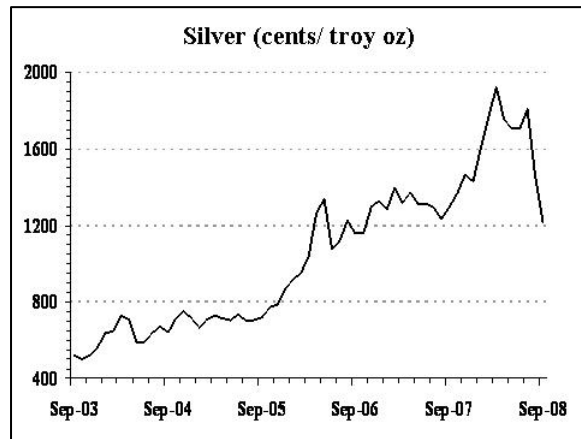
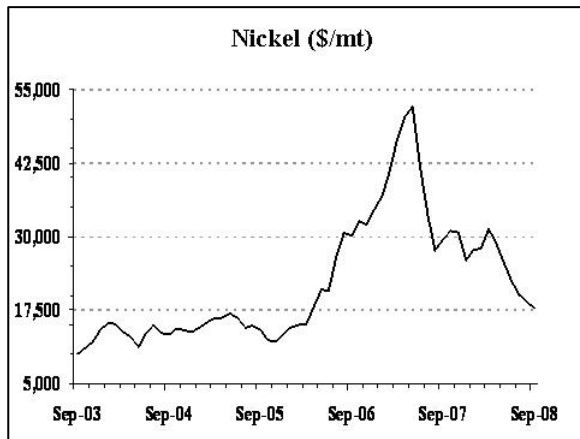
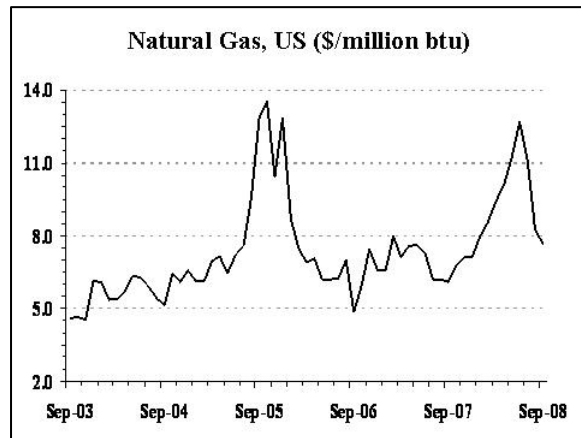
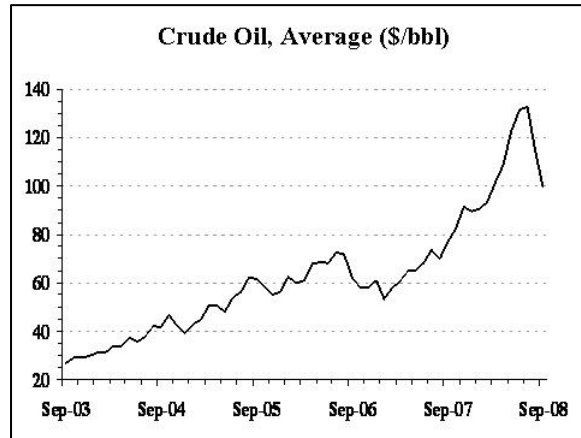
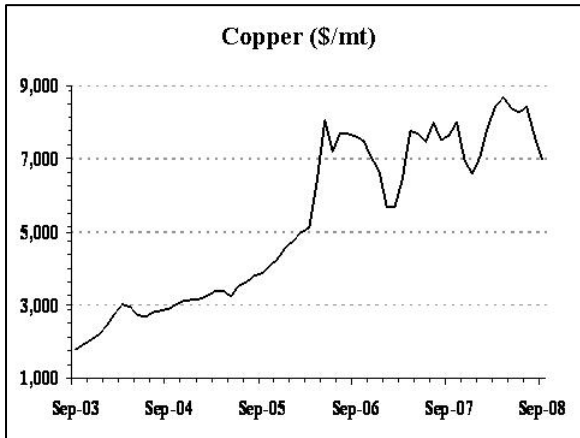
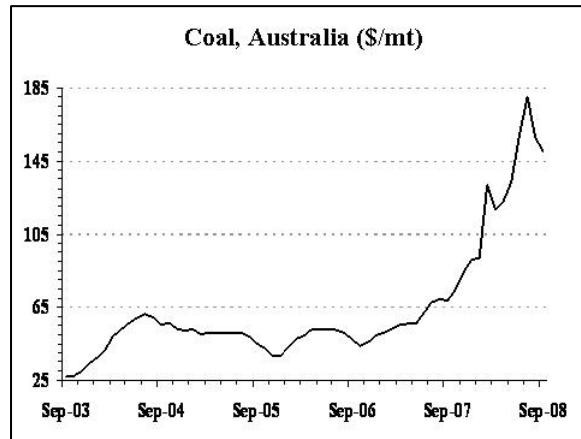
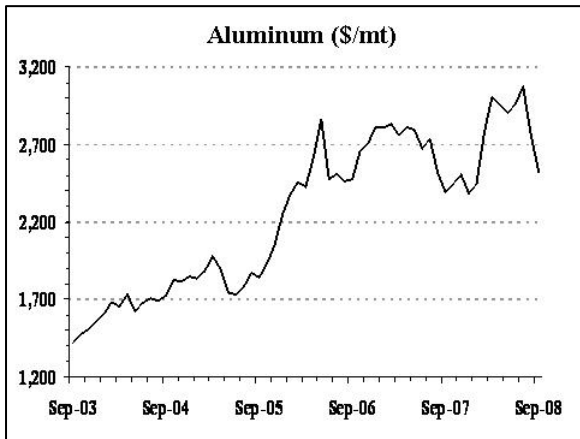
a/ Included in the energy index (2000=100) b/ Included in the non-energy index (2000=100) c/ Steel not included in the non-energy index
 \$ = US dollar ¢ = US cent bbl = barrel cum = cubic meter dmtu = Dry Metric Ton Unit kg = kilogram mmbtu = million British thermal units
 mt = metric ton toz = troy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

COMMODITY PRICE DATA

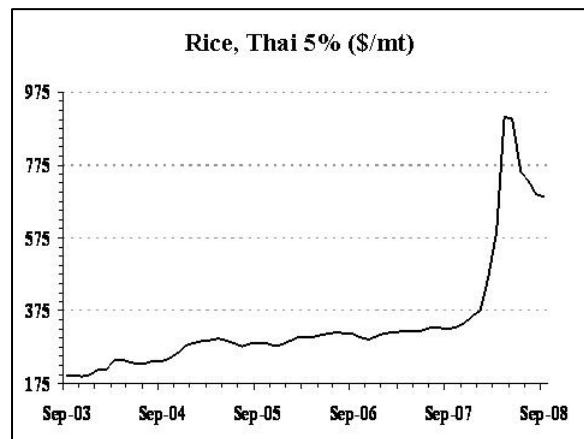
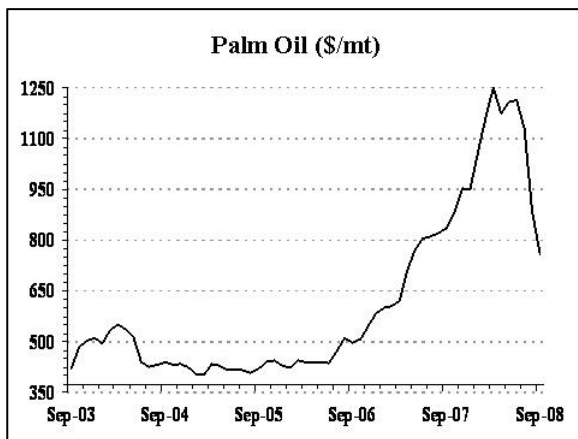
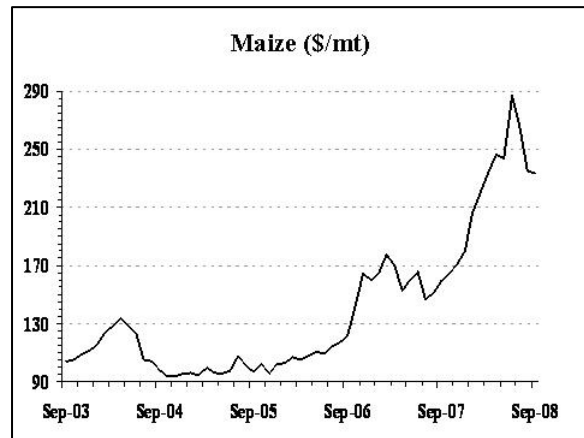
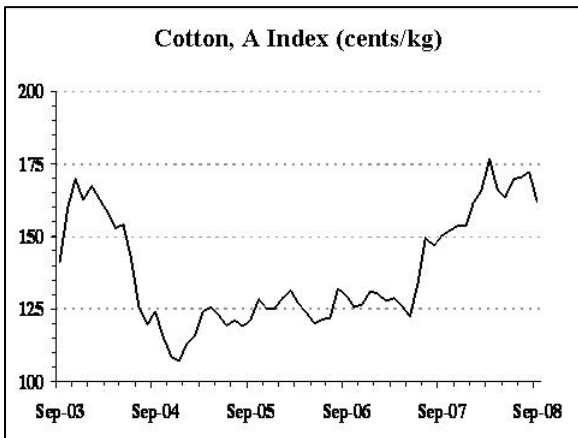
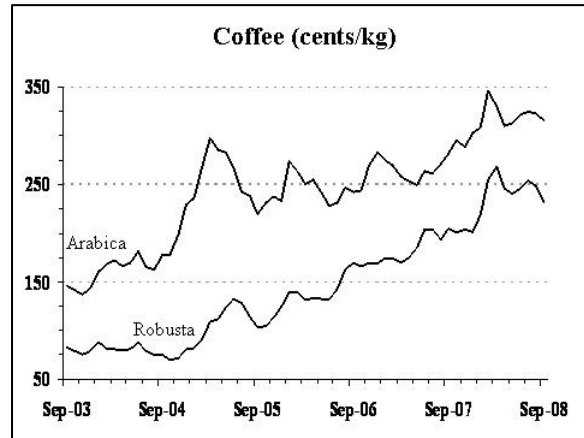
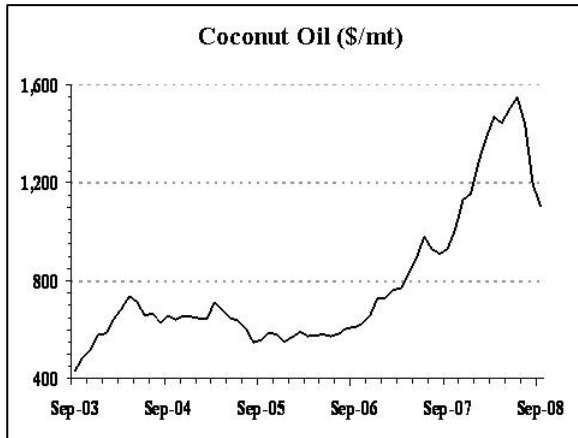
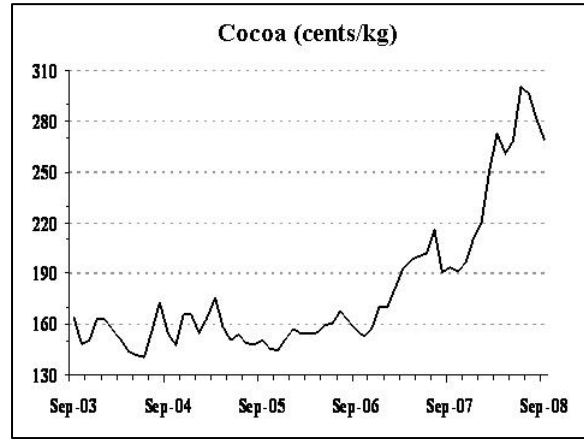
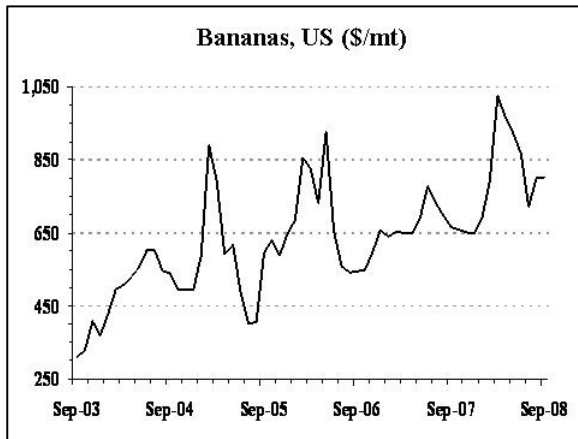
		Annual averages			Quarterly averages				Monthly averages			
		Jan-Dec	Jan-Dec	Jan-Sep	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Jul	Aug	Sep
		2006	2007	2008	2007	2007	2008	2008	2008	2008	2008	2008
Fertilizers												
DAP	b/ \$/mt	260	433	1,068	433	522	860	1,192	1,154	1,185	1,177	1,099
Phosphate rock	b/ \$/mt	44.2	70.9	337.0	80.0	98.3	234.4	367.5	409.2	367.5	430.0	430.0
Potassium chloride	b/ \$/mt	174.5	200.2	504.6	209.4	230.8	367.7	511.1	635.0	560.0	640.0	705.0
TSP	b/ \$/mt	202	339	953	375	425	715	1,036	1,108	1,113	1,132	1,079
Urea, E. Europe, bulk	b/ \$/mt	222.9	309.4	559.6	283.6	365.4	357.6	575.7	745.4	760.0	770.0	706.3
Metals and Minerals												
Aluminum	b/ \$/mt	2,570	2,638	2,823	2,546	2,444	2,743	2,940	2,787	3,071	2,764	2,526
Copper	b/ \$/mt	6,722	7,118	7,973	7,712	7,188	7,796	8,443	7,680	8,414	7,635	6,991
Gold	\$/toz	604.3	696.7	897.4	681.1	788.0	926.8	896.0	869.6	939.8	839.0	829.9
Iron ore	b/ c/dmtu	77.4	84.7	140.6	84.7	84.7	140.6	140.6	140.6	140.6	140.6	140.6
Lead	b/ c/kg	129.0	258.0	237.3	314.3	321.5	289.9	230.7	191.2	194.5	192.4	186.8
Nickel	b/ \$/mt	24,254	37,230	24,533	30,205	29,219	28,957	25,682	18,961	20,160	18,928	17,795
Silver	c/toz	1,157	1,341	1,660	1,273	1,424	1,765	1,720	1,495	1,806	1,458	1,219
** Steel products index, Japar	c/ 2000=10	181.6	182.0	282.3	179.8	192.0	229.6	279.2	338.2	333.8	341.9	338.8
Steel cr coilsheet, Japan, Reir	c/ \$/mt	693.8	650.0	920.8	650.0	650.0	762.5	900.0	1100.0	1100.0	1100.0	1100.0
Steel hr coilsheet, Japan, Reir	c/ \$/mt	600.0	550.0	844.4	550.0	550.0	700.0	833.3	1000.0	1000.0	1000.0	1000.0
Steel, rebar, Japan, Reinstat	c/ \$/mt	443.8	521.5	803.7	504.2	556.8	639.4	837.5	934.2	980.0	1030.0	792.5
Steel wire rod, Japan, Reinsta	c/ \$/mt	581.3	533.3	946.3	550.0	553.3	754.0	950.0	1135.0	1075.0	1130.0	1200.0
Tin	b/ c/kg	878	1,454	2,032	1,498	1,634	1,778	2,265	2,051	2,314	2,003	1,837
Zinc	b/ c/kg	327.5	324.2	210.5	322.7	262.3	243.0	211.3	177.0	185.2	172.3	173.5
NEW World Bank commodity price indices for low and middle income countries(2000 =100)												
Energy		220.9	244.8	384.9	251.1	298.6	331.1	417.8	405.9	462.8	400.8	354.2
Non Energy Commodities		192.1	224.8	294.0	228.8	237.3	281.4	308.1	292.7	311.5	290.8	275.7
Agriculture		150.4	180.5	246.6	183.3	200.9	236.6	259.8	243.6	262.6	240.2	227.9
Beverages		145.4	169.9	219.6	173.3	179.4	210.7	221.4	226.8	234.5	227.2	218.7
Food		147.0	184.7	267.9	189.7	212.9	257.2	286.3	260.4	285.9	256.3	238.9
Fats and Oils		137.9	208.8	308.8	216.2	259.1	310.2	327.7	288.4	332.1	279.7	253.5
Grains		149.8	189.0	302.8	188.3	215.6	274.6	335.2	298.5	316.1	295.0	284.5
Other Food		156.4	149.0	182.7	156.1	149.7	171.9	187.4	188.9	197.8	190.5	178.4
Raw Materials		161.4	175.8	208.7	172.8	182.8	199.5	215.2	211.3	220.3	207.7	205.8
Timber		126.0	136.8	150.8	138.9	137.2	146.8	155.4	150.2	154.3	147.0	149.5
Other Raw Materials		200.0	218.5	271.9	209.8	232.7	257.2	280.5	278.0	292.4	274.0	267.4
Fertilizers		168.6	240.1	591.5	240.2	292.0	409.4	624.1	741.1	719.4	763.7	740.1
Metals and Minerals		280.3	314.0	357.4	320.8	305.7	358.7	371.1	342.4	365.4	340.7	321.1

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
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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

