

Investing in a Material World

***Hot Commodities* author Jim Rogers explains why the bull market for raw materials isn't drying up anytime soon**

Raw materials have been good to Jim Rogers. The commodities guru and intrepid traveler has seen prices of metals, energy, and other goods rise almost continually since 1998 when, during the height of the dot-com bubble, he started the Rogers International Commodities Index. The strength in commodity prices have, at least so far, vindicated his belief that this is a golden age of hard material investing, which he thinks could last another decade.

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Rogers' 2004 book *Hot Commodities* lays out why he thinks commodities remain the best choice for investors (see BW Online, 12/8/04, "[An Early Christmas for Jim Rogers](#)"). The book dips heavily into his travels, where he has seen growing demand in developing regions, especially Asia. This has only hardened his view that commodities are a better investment than stocks.

Rogers recently spoke with BusinessWeek Online reporter [Alex Halperin](#) about which commodities are undervalued, the public's ongoing fear of investing in them, and why India is no match for China. Following are edited excerpts from their conversations:

Other than historical precedent, why do you see the bull market in commodities lasting about 18 years?

This is not a prediction. If history is any guide, the shortest bull market I found lasted 15 years, and the longest lasted 23 years. The average has been 18 years. If history is any guide, this bull market will last until sometime between 2014 and 2022.

How come?

Supply and demand are seriously out of whack. There's been no major oil discovery anywhere in the world in over 35 years. All the oil fields in the world are in decline. All the mines in the world are in decline. There's been one lead mine opened in the

last 25 years.

That might indicate that the bull market for commodities could last longer than 18 years.

It certainly could. There are things in place that may mean this one could last longer. The U.S. is now a debtor nation. The world's reserve currency, the U.S. dollar, is in serious, serious trouble. This sort of thing has not happened in previous bull markets in commodities. It could last longer. I don't know though.

You say people automatically associate the words "commodities" and "risky." During the bull market of the last seven years, have you noticed any change in how people perceive hard assets?

Not for the most part. Most people are still afraid of them. Most people don't understand them. If you walk around the streets of San Francisco, say, and ask people if they've ever bought a commodity, I doubt you'd find anybody. They're still perceived as being risky. It's an incorrect assumption as I explained [in my book]. But be that as it may, it's still the conventional wisdom.

While you see China as the world's next economic superpower, you're much more bearish on India. Is it because that country can only get so far on high-tech industries that add little infrastructure?

Anybody who knows about India knows that India doesn't have much high-tech. Maybe a million people in India are employed in high-tech, and that's a stretch. And a million people out of one billion people is one-tenth of 1% of the population. So it'll take a lot more than high-tech to get India going.

Even in America, which some people consider a fairly high-tech country, not that many people work in high-tech. We still do a lot of other things that have nothing to do with high-tech, other than that we may use it in our schools or in our work.

India has myriad problems in becoming the next China. But India is trying. And if India only grows 2% or 3% a year -- they, of course, claim they're going to grow much faster than that... that's [out] of a billion people. And there's going to be a huge amount of demand for everything, especially raw materials.

You're a pessimist about the amount of remaining oil. Over the next decade do you see any commodity that will benefit from low supplies?

Coal is the best situated. Uranium [has potential], but it takes a long time to bring new nuclear power plants on. But the Chinese are building 25 or so. Lots of people are building nuclear power plants. America probably will soon. So coal and uranium are the best situated.

I recently interviewed an [investor](#) who said gold will hit \$850 per ounce this year. What do you think about this prediction?

I own some gold, so I hope he's right. If the world's going to come to an end this year, of course he's right. I think it will hit an all-time high during this bull market. Whether it's going to happen this year or not, I don't have a clue, but it's going to happen someday.

In your book, you mention sugar and lead as potentially lucrative investments. Are there any other commodities that people don't necessarily think of that could pay off?

I use sugar and lead both as teaching examples. I didn't mean to imply that I was bullish or bearish on either. I expect all commodities to do well. The supply-and-demand situation for nearly all of them is out of balance, and it takes a long time for those forces to change. That's why bull markets have lasted so long and likewise, why bear markets have lasted so long.

Sugar has certainly done extremely well. Lead is near an all-time high, but I expect all commodities to do well. It depends on the price. I would expect corn to do well because crude oil has gone up in price and corn hasn't so much.

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