Volume 3 No. 3

COMMODITY MARKETS AND THE DEVELOPING COUNTRIES

A WORLD BANK QUARTERLY

Nonfuel primary commodity prices declined 1.0%, with nearly all subgroups of commodity prices declining except grains and other foods. Metals and minerals prices declined 4.3%. Petroleum prices, which are not included in the index, rose 8.2%.

CHANGE IN QUARTERLY AVERAGES, 4Q95 TO 1Q96
Percent

Nonfuel	-1.0
Food	+2.2
Beverages	-3 4
Cocoa	-3.6
Mild coffee	-0 9
Tea	-1 9
Fats and oils	-1 1
Grains	+7.0
Other	+2.6
Agricultural raw materials	-0.8
Cotton	-5.1
Natural rubber	-1.6
Timber	+0.8
Metals and minerals	-4 3
Aluminum	-3 9
Copper	-11 5
Tin	-1.2
Petroleum	+8.2

ENERGY

FERTILIZERS

COMMODITY PRICES

SUMMARY

The World Bank's nonfuel commodity price index fell 1.0% from the fourth to the first quarter, while petroleum prices rose 8.2%. Nearly all subgroups in the index of nonfuel commodity prices were lower, including beverages (–3.4%), fats and oils (–1.1%), agricultural raw materials (–0.8%), and metals and minerals (–4.3%). Grain prices rose 7.0% and other food 2.6%.

Food prices rose 2.2%, led by higher wheat and maize prices. Concern about the US wheat crop sent prices higher as drought in the Midwest reduced yields. World grain stocks were already at record lows, and a large crop had been expected in response to last year's high prices. Import demand remained strong, adding to concern about demand-supply balances. The situation suggests that prices will remain high for at least another year before much stock rebuilding can occur. Growing conditions will be critical to prices this year.

All beverage prices were lower during the quarter: cocoa prices were down 3.6%, tea 1.9%, and mild coffee 0.9%. Cocoa prices were lower because of record arrivals in Cote d'Ivoire and a large crop in Ghana. Tea prices were lower because of seasonal factors and sharply higher output in Kenya. Low coffee stocks in consuming countries kept the price declines for coffee modest. The 1996/97 Brazilian crop will be critical to prices over the next year.

Metals and minerals prices were broadly lower, with the index down 4.3%. Weak demand and rising stocks brought aluminum prices down 4%. Copper prices dropped sharply during the early part of the quarter, as supplies were disrupted by the harsh winter, and then firmed. Iron ore prices were higher as Australian iron ore producers and Japanese steelmakers reached agreement.

Petroleum prices rose steeply because of the harsh winter and low inventories associated with just-in-time deliveries. Suppliers reduced inventories to reduce costs, a strategy that can result in sharp price increases if demand rises. The prospect of lower prices if Iraq were to return to the market also caused many buyers to delay purchases. When it became apparent that Iraqi oil would not be re-entering the market, demand increased, pushing up prices.

Natural gas prices increased sharply in the US for many of the same reasons that caused petroleum prices to rise. The cold winter, combined with low inventories and limitations on pipeline capacity, pushed prices higher in the northeastern region of the US.

Fertilizer prices remained firm, but signs of weakness began to emerge in some markets. High grain prices should boost demand for fertilizer during spring planting in the US and Europe and keep prices firm.

FIGURE 1. WEIGHTED INDEX OF PRIMARY COMMODITY PRICES FOR LOW- AND MIDDLE-INCOME ECONOMIES

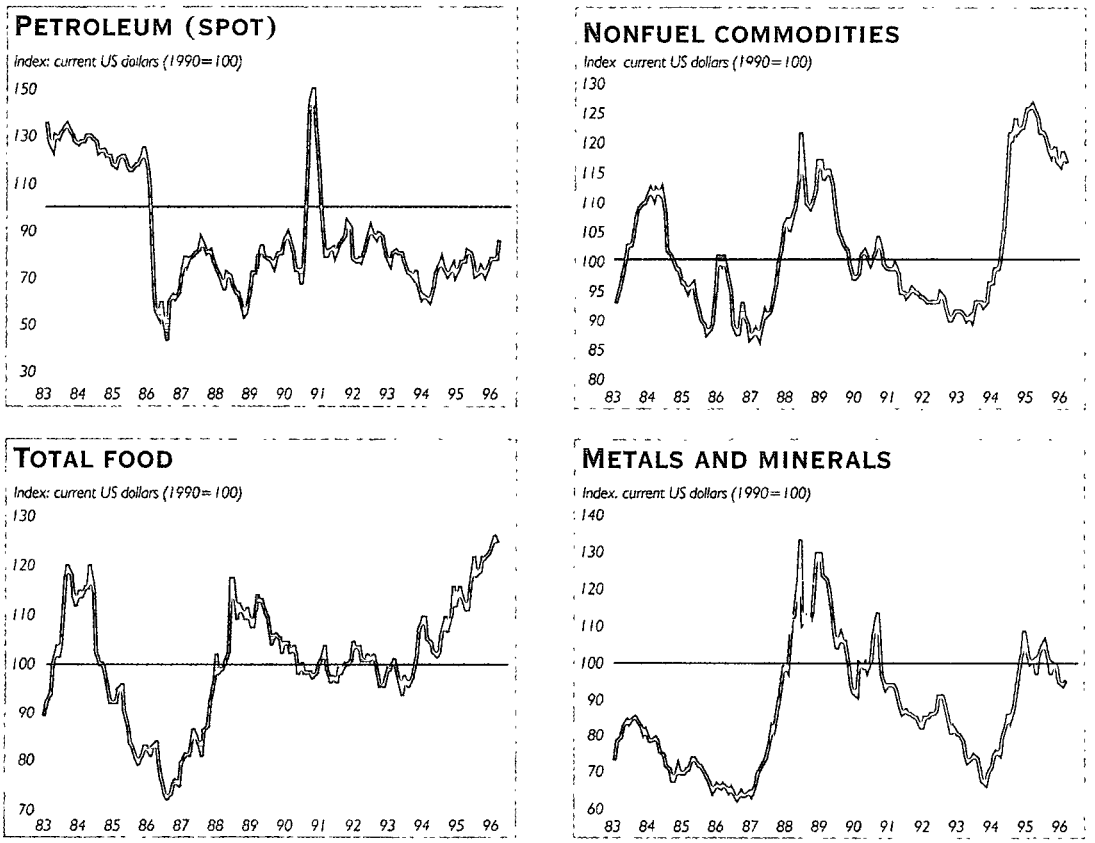


TABLE 1. WEIGHTED INDEX OF PRIMARY COMMODITY PRICES FOR LOW- AND MIDDLE-INCOME ECONOMIES IN CURRENT DOLLARS

1990=100

			Agriculture									
				Food					Raw materials			
	Petroleum	Nonfuel commodities (100.0)	Total (69.1)	Total (29.4)	Grains (6.9)	Fats and oils (10.1)	Other (12.4)	Beverages (16.9)	Total (22.8)	Timber (9.3)	Metals and minerals (28.1)	Fertilizers (2.7)
Annual												
1993	73.6	91.6	99.1	98.6	93.6	111.5	90.7	84.9	110.3	152.4	74.0	83.7
1994	69.4	111.9	123.7	106.8	102.1	126.0	93.8	150.4	125.8	156.6	84.6	93.4
1995	75.1	122.3	131.5	116.9	120.3	136.6	98.8	152.0	135.2	139.5	101.6	103.6
Quarterly												
1Q95	75.1	126.3	136.4	113.4	104.9	135.1	100.4	169.2	141.9	142.1	103.6	101.7
2Q95	79.3	124.3	134.9	112.7	110.6	131.0	98.8	163.7	142.3	143.1	100.2	102.6
3Q95	71.9	120.5	128.0	119.5	128.4	136.1	100.9	145.7	126.0	138.4	103.7	102.6
4Q95	73.9	118.3	126.7	122.1	137.6	144.2	95.3	129.4	130.6	134.5	98.9	107.5
1Q96	80.0	117.2	126.4	124.8	147.1	142.6	97.7	125.0	129.5	135.6	94.7	116.2
Monthly												
1995 Mar	75.8	126.6	138.4	113.4	105.5	135.4	99.8	174.4	143.9	137.2	100.1	102.6
1995 Apr	81.5	126.3	137.5	111.2	104.4	131.0	98.7	170.5	147.2	141.4	101.0	102.6
1995 May	80.5	124.6	136.4	111.5	108.8	129.6	98.2	167.1	145.7	143.8	97.7	102.6
1995 Jun	75.9	121.9	130.8	115.3	118.6	132.5	99.4	153.5	134.1	144.0	101.9	102.6
1995 Jul	70.3	121.7	129.2	121.7	127.8	138.5	104.5	145.0	127.3	141.8	105.0	102.6
1995 Aug	72.0	121.5	128.7	118.2	125.4	134.2	101.0	152.9	124.4	138.3	105.6	102.6
1995 Sep	73.5	118.3	126.1	118.6	131.8	135.6	97.2	139.2	126.2	135.2	100.6	102.6
1995 Oct	70.5	118.1	127.0	121.7	140.3	141.2	95.3	135.3	127.8	135.2	97.6	103.8
1995 Nov	73.2	119.7	128.2	121.9	134.8	144.0	96.5	134.2	131.8	133.8	100.1	108.9
1995 Dec	78.1	117.2	124.9	122.7	137.6	147.4	94.0	118.6	132.3	134.6	99.1	109.8
1996 Jan	77.8	116.0	124.7	123.3	143.2	145.2	94.2	119.8	130.1	134.6	94.8	113.4
1996 Feb	77.4	118.4	128.3	126.2	147.7	142.3	101.0	129.7	129.9	134.6	94.3	116.6
1996 Mar	84.8	117.2	126.3	124.9	150.4	140.2	98.0	125.4	128.6	137.7	95.0	118.7

Note Weighted by average 1987–89 export values for low- and middle-income economies.
Source World Bank, International Economics Department, Commodity Policy and Analysis Unit

A FUTURE FOR COMMODITY FUTURES EXCHANGES IN DEVELOPING ECONOMIES?

Commodity futures markets are planned or operating in a number of developing countries and emerging market economies. The rush to establish local exchanges is driven by both economic incentives and national pride. Many of these exchanges are likely to succeed, but many others lack the necessary liquidity, financial infrastructure, and regulations to ensure success. China, Hungary, India, and Russia are among recent developing countries or emerging market economies that have begun trading commodities on local exchanges. These new exchanges join existing exchanges in Argentina, Brazil, Malaysia, Singapore, and others. Countries considering or planning commodity exchanges include India (cotton), Indonesia (robusta coffee and possibly some other commodities), Mexico (grains, sugar, coffee), Morocco (orange juice, cereals), Nigeria (cocoa), Poland (grains), Turkey (cotton), and some of the new states of the former Soviet Union (mainly agricultural commodities).

The benefits of local exchanges over foreign exchanges are greatest when a country is the dominant producer or trader of a product that is not already traded on an established exchange. Malaysian palm oil fit this bill. Malaysia is a major producer and exporter of palm oil, yet there were no futures contracts for palm oil until they were introduced on the Kuala Lumpur Commodity Exchange. The Malaysian exchange allows producers, processors, and traders to use futures contracts to hedge and price palm oil rather than using soybean oil, a related commodity that is a substitute for palm oil in some uses. Soybean oil is traded in the US, but it provides an imperfect link to palm oil prices.

The two most important functions of a futures market are managing risk and establishing forward prices. Forward prices provide information to decisionmakers, which can lead to more efficient allocation of resources. Local futures contracts can reduce basis risk because the contract more closely represents the local cash commodity and because delivery can be at a domestic location. Other important benefits include more publicly available information, improved transmission of price and other commodity-related information, improved credit systems, more responsive capital markets, uniformity in repayment rules and market surveillance, reduced transactions costs, and more accurate forward prices. In addition to providing forward prices and risk management, the new exchanges aim to attract hard currency from investors. With the economic expansion occurring in emerging markets, multinational corporations also need better ways to manage financial and commodity risks.

Necessary conditions

The most basic precondition for establishing a domestic futures market is a competitive, well-functioning spot (cash) market with transparent prices. This means that the spot market should not be monopolized by either private firms or public entities. Well-functioning infrastructure for product grading, distribution, transportation, and storage is also required. So is a strong legal structure and system of property rights and enforceable contracts. Traders must be knowledgeable about the concept of ownership and be aware of the associated risk. Basic preconditions also include a stable and credible currency, reliable credit markets, a full range of financial institutions, a system for enforcing repayment rules, and provisions for liquidation in cases of bankruptcy.

Yet another set of conditions relates to futures trading itself. There must be a sufficient number of traders, speculators, and financial institutions interested in such an exchange, in addition to producers and consumers, in order to achieve a viable futures market. The involvement of foreign firms is also necessary in order to allow for external diversification of risk.

Rules for trading and procedures for solving disputes and for preventing manipulation of prices need to be established. Also important is the establishment of a clearinghouse with sufficient capital and financial resources to intermediate all trades and to generate all transactions. A well-functioning clearinghouse establishes the financial integrity of the futures market; without it traders will not have the confidence needed to use it.

While these conditions provide the basis for establishing a futures exchange, they cannot ensure its success. Success depends on several factors. First, the underlining commodity must be standardized in terms of size, grade or quality, place of delivery, and month of maturity; that is, there must be a representative price so that contracts become fungible and homogeneous. For agricultural commodities a grading system allows a wide variety of commodities to be included in the contract, with discounts and premia used to adjust the representative price. Second, for a contract to be effective as a hedging instrument, the cash price for each variety needs to be closely correlated with the futures price. The detailed specifications of the futures contract must parallel the activities and traditions of the spot market.

These conditions are broad and by no means guarantee the success of a futures contract, as measured by trading volume. A large share of new futures contracts introduced in industrial countries have not been successful, making it less likely that futures contracts in developing countries will succeed easily. According to the Commodity Futures Trading Corporation, the regulatory agency that oversees US futures markets, only one in three futures contracts approved by regulators in the last five years remains liquid and is still traded. At the Chicago Board of Trade the success rate is below 20%.

Major barriers

While a commodity futures market has a number of advantages, conditions in emerging markets often make it difficult for commodity futures exchanges to be effective. The experience so far in these countries has not been encouraging. Some major barriers to establishing successful future exchanges in developing countries are:

- Lack of infrastructure in communication, transportation, and information processing.
- Underdeveloped commercial and financial sectors.
- Government control of the commodities most likely to be traded on a futures market.
- Regulations restricting the use of futures markets or the free flow of funds necessary to trade in such markets.
- Lack of an appropriate legal and regulatory framework.
- Insufficient capital among potential market participants to form a viable clearing entity and thus to forestall counterparty risk.

This list is not exhaustive, but it is reasonably comprehensive in reflecting the experiences of developing countries in trying to establish these markets as well as the experience of analysts who have dealt with this issue. Finally, while these barriers present real challenges to establishing new futures exchanges, they are by no means insurmountable obstacles.

Recent performance

Overall, the experience of emerging market economies in developing commodity exchanges has been mixed. Excluding China, India, and Russia, of the 27 futures/options contracts listed in the 6 commodity exchanges reviewed, 5 are inactive (zero open interest) and only 10–12 are liquid. The largest of these exchanges is the BM&F in Brazil, but commodity (as opposed to financial) futures contracts account for a very small percentage of the total. Users of these contracts in emerging market economies have been mainly local individuals and corporations. There has been little, if any, foreign participation. Foreign participation makes up no more than 15% of BM&F activity and is entirely absent in China and other countries. This could change, however, since open interest in many of the above exchanges has grown significantly in the 1990s.

RISK MANAGEMENT TOOLS CAN FACILITATE TRADE FINANCE

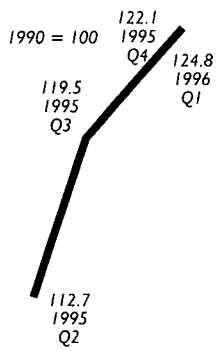
For many developing countries commodity markets provide the strongest link to the global economy. For them, commodity exports not only account for most of export earnings but also provide a conduit for financial flows. These external capital flows are essential to economic growth in these countries, which typically generate only small amounts of capital through domestic savings. For economies in transition and for recently liberalized commodity subsectors, the quick establishment of credit flows is crucial to the success of reform. For example, the question of who will finance crop exports is crucial for countries that are thinking about dissolving government commodity marketing boards. Often, these single-channel marketing structures have been in place for decades, supplanting market-based institutions and financing arrangements. This note discusses two ways of combining commodity risk management tools with traditional financial tools to enhance credit flows.

One of the simplest trade finance arrangements is export prefinancing. It is a convenient method of crop financing following marketing reforms because it requires minimal institutional infrastructure. Most cashew and cotton crops in Tanzania are prefinanced, as is most of the coffee trade from Uganda. In the most straightforward version of prefinancing, an off-shore buyer identifies a local trader and contracts to purchase a fixed quantity—for example, 100 tons of coffee. Using an observable forward price—say, the London robusta market in this case—the buyer and local trader agree on a fixed price that includes a financing charge. The off-shore buyer provides a limited line of credit to the local trader that is drawn down as the local crop is purchased. The debt owed to the off-shore buyer is canceled when the commodity is delivered. Frequently, the loan is denominated in dollars and the credit is exchanged for local currency only as required, minimizing the currency risk. The off-shore buyer may have already sold the commodity forward to minimize the price risk.

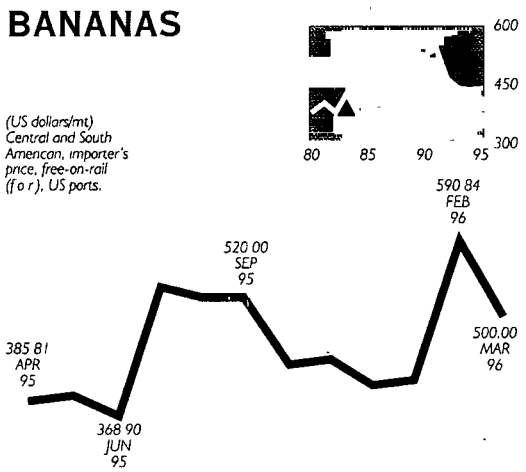
Prefinancing arrangements have been essential to the success of commodity sector reforms in Tanzania, Uganda, and other countries. Smallholders have benefited by receiving prompt payment and a greater share of the export price. However, because such loans are unsecured they entail a great deal of counterparty risk. Although the financing terms associated with prefinancing are usually much better than domestic alternatives, unsecured credit can still be expensive, encouraging local buyers to turn over their working capital quickly and limiting their ability to shop price.

An alternative method, warehouse-receipt financing, provides a means of collateralizing the crop to lower risk to the lender (and finance charges to the borrower). After placing the commodity in a bonded and insured warehouse, the local owner is issued a transferable receipt detailing the weight and quality of the stored goods. The receipt can be used as collateral when borrowing from banks or the warehouse. The lender is ensured of the quality and quantity of the collateral by the warehouse but still faces fluctuations in the value of the collateral. Thus the financial institution lends only up to the value of the stored good, though at much more favorable rates than unsecured lines of credit. If the owner combines the warehouse receipt with a put option, the financial institution can put a floor under the commodity price, thereby guaranteeing the value of the collateral.

Food prices rose 2.2%, with grains 7% higher and other foods 2.6% higher. Beverages and fats and oils were both lower.



BANANAS



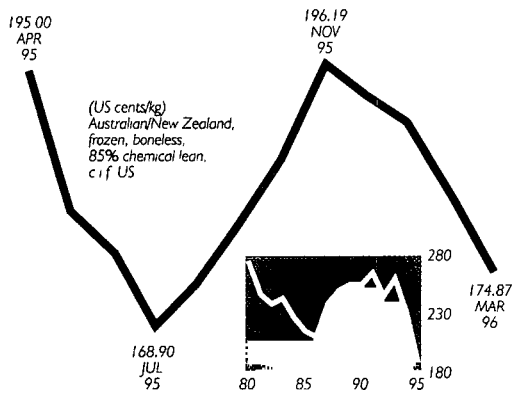
PRICES RECOVER AS EXCESS SUPPLIES CLEAR MARKETS IN THE FIRST QUARTER

The large quantities of bananas reaching EU and US markets in the last quarter of 1995 depressed prices. As supplies eased in the first quarter of 1996, however, the average price rose from $427.30/ton to $524.40/ton. This price volatility has been discussed in the EU and in the African, Caribbean, and Pacific (ACP) producing countries, which worry about the impact on markets and the returns to producers. In response to their concerns the European Commission has approved funding of ECU 9.3 million to strengthen production and marketing infrastructure for bananas in three ACP countries (Cameroon, Cape Verde, and Côte d'Ivoire). The funds are expected to ensure the viability of banana exports after 2002, when the advantages granted to ACP producers will be reviewed.

Ecuador, the world's largest banana exporter, shipped a record 3.73 million tons in 1995. However, inadequate coordination of planting area weakened prices and affected fruit quality. The Ministry of Agriculture responded with plans to reduce the planting area by 16%, to 104,205 hectares. Costa Rican exports increased 9%, to a record 110 million boxes of 18.14 kg.

Demand for banana imports in the Czech Republic has risen sharply with income. Per capita consumption hit a new high of 12 kg in 1995. Consumers are also demanding higher-quality fruit than was available a few years ago.

BEEF



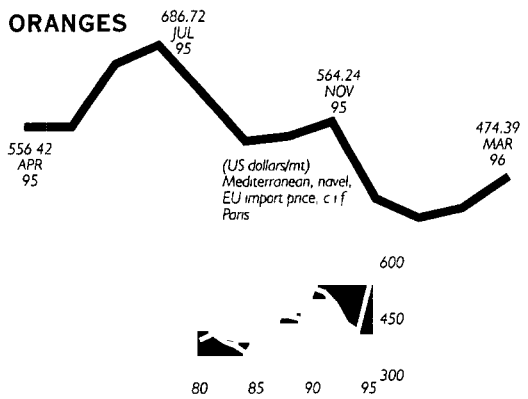
MEAT SUPPLIES ARE UP, BEEF PRICES ARE DOWN

Beef prices declined in recent months due to sharp expansions in meat supplies. US red meat and poultry output in the first quarter reached record levels. Production estimates are up for beef (200 million pounds), pork (25 million pounds), and broilers (100 million pounds). US domestic beef prices and import prices are projected to decline during the remainder of 1996 because of large supplies of competing meats.

For lean beef from choice grain-fed cattle, however, production growth may not match rising demand. High grain prices and marketing programs for lean beef have reduced supplies, while competition has increased between domestic and export markets.

Growth in US beef exports is projected to continue for 1996, with the US likely to become a net exporter for the first time since World War II. Competition in Asian markets, particularly for higher-quality grain-fed beef, will diminish in the short term as Australian producers reduce slaughter to rebuild herds following several years of drought. Higher world grain prices also could reduce supplies of Australian grain-fed beef to Pacific Rim countries. Australian exports of processing beef (grass-fed) to the US fell sharply in 1995 as US meat supplies rose. Larger US supplies of leaner processing beef are expected to hold beef imports to slightly below the low levels in 1995. However, world supplies of lower-quality processing beef are growing rapidly, and prices have fallen.

CITRUS



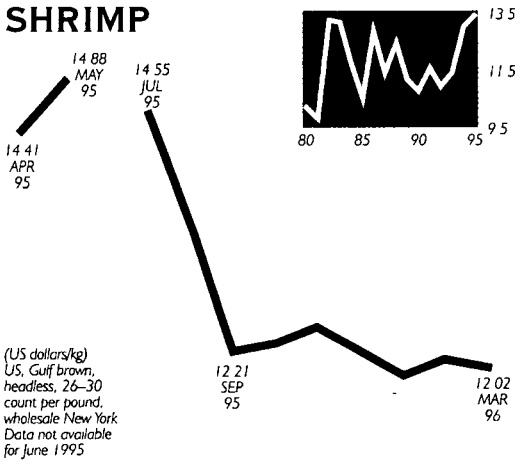
WORLD ORANGE PRODUCTION RECOVERING ITS UPWARD TREND IN 1995/96

The Food and Agriculture Organization forecasts a 4% increase in world production for the first quarter compared with harvests of the last two seasons. Much of the increase is attributed to the ending of drought in Brazil; its 1996 harvest is expected to be around 20% larger than a year earlier. US orange production is expected to increase about 1%, but harvests in Mexico and the Mediterranean region are declining. Fresh orange export demand is declining moderately, particularly for the Mediterranean region. The average price in the quarter was 14.6% lower than the 1995 fourth-quarter average and 8.9% lower than a year earlier.

World orange juice production is expected to decline in 1995/96. Brazil's smaller crop and increased domestic consumption of fresh oranges cut into processing in the last half of 1995. Its orange juice supplies for marketing will remain tight until the 1995/96 crop is available. US juice yield is estimated to be unusually low, and juice production is expected to be 2% below the record high in 1994/95. With Brazil and the US accounting for 90% of world orange juice production, supplies are expected to remain tighter well into the last quarter of the season.

Near-term futures prices for frozen orange juice concentrate have been above those of the previous two years. The higher f.o.b. futures prices may soon show up in retail.

SHRIMP



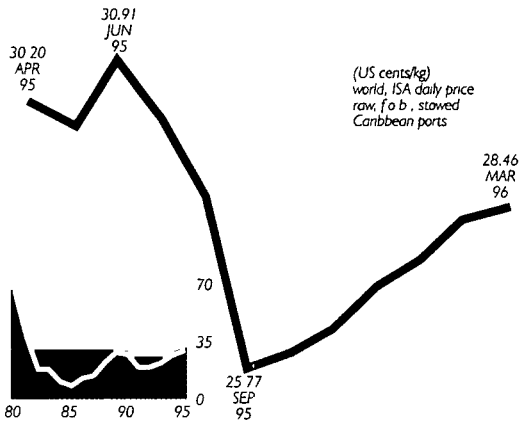
NEAR-TERM SUPPLIES LIKELY TO BE LIMITED IN SMALL SIZES

Shrimp prices averaged $12.03/kg in the first quarter, down from $13.72/kg during the same period last year. Monthly prices did not show record movements despite low production and supplies in major markets. Shrimping areas were closed during recent months of the production season in Central America and along the coast of Mexico and the Northern region of Brazil. Production in Asia is also on a seasonal decline, both for wild-caught shrimp and for pond-harvested shrimp. Because trawling seasons have ended in many places and aquaculture harvests were at seasonal lows, supplies were tight in US markets.

The US embargo on shrimp imports from countries not yet in compliance with the turtle excluder requirements is contributing to tight US supplies. US shrimp imports in 1995 were 597.2 million pounds, about 5% lower than in 1994. The leading suppliers were Thailand, Ecuador, Mexico, China, and India. The harvest season in Asia will not produce large volumes of black tiger shrimps before April, and countries such as India and Mexico continue to have disease problems.

In Japan wholesale prices are at their highest level in three years. The price of headless black tiger shrimp rose in the first quarter to 3,100 yen for 16/20 count Indian products and 3,300 yen for Indonesian and Thai products. The Japanese market is likely to remain buoyant, with further price increases in 1996.

SUGAR



SHORT NEARBY SUPPLIES KEEP MARKET INVERTED

Short nearby supplies against prospects for growing availability kept the market for sugar futures in sharp backwardation during the first quarter. World prices rose slightly. USDA estimates that 1995/96 world output will rise to a record 117.9 million tons, up from last year's 115.6 million tons. The production gains will come primarily from increases in sugar from beets—up from 34.8 to 36.4 million tons—with smaller gains from cane—81.5 million tons projected, up from 80.8 million tons. Ending stocks are projected at nearly 21 million tons, the highest level since 1992/93.

Following downward revisions by private forecasters, the Cuban government announced that national production is on target for 4.5 million tons, well up from last year's 3.3 million tons. The government issued $100 million worth of credits for inputs secured through private foreign banks and trading houses and introduced an incentive scheme for sugar workers: higher production levels are rewarded with certificates redeemable for scarce consumer items.

Production is also expected to increase in Brazil to 46.01 million tons, from 45.57 million tons. Insufficient rains in November–December caused forecasters to lower this year's crop estimates. Exports are expected to fall. A recent 15% boost in alcohol prices has encouraged processors to convert more of their sugar into alcohol for use as a domestic fuel.

A record sugar crop is anticipated in Mexico following major restructuring and privatization of the industry. Despite a labor crisis that resulted in a work stoppage in December, the crop is likely to slightly top last year's record 4.28 million tons.

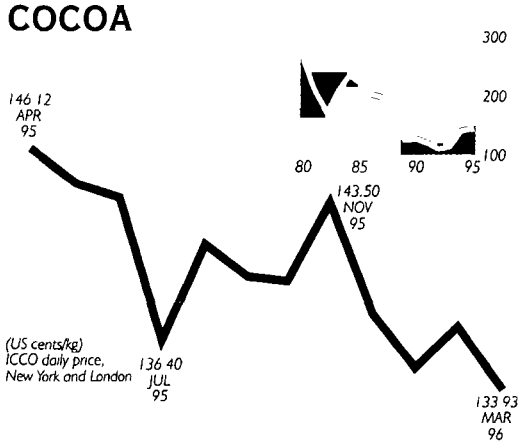
The US seems ready to introduce reforms to its sugar policy, including a one-cent decrease in support levels and elimination of minimum price guarantees, subject to certain import restrictions. The reforms are modest when compared with revisions to the grain programs.

The Thai government announced plans to partially privatize its last three sugars mills. It will retain a 25% stake. In Mauritius the government is pressing for land to be converted from tea to sugar in order to meet an additional 85,000 ton export quota under an agreement with the EU (above the normal 507,000 ton quota granted under the Lomé Sugar Protocol). Mauritius failed to meet the quota in 1995 and in 1994 due to cyclone damage.

Both the EU and the US have agreed to import more Caribbean sugar at preferential prices. As a result of the Special Preference Sugar (SPS) arrangement negotiated by the African, Caribbean, and Pacific producing countries with the EU last year, Caribbean sugar imports into the EU will be more than 119,000 tons higher this year and for the next four years than the 428,109 tons purchased under the normal EU Sugar Protocol. The SPS arrangement is intended to meet the needs of new EU members. The Sugar Protocol establishes a price of about $680/ton, more than twice current world levels, while the SPS price is about $576/ton. Moreover, the US government has increased the amount of Caribbean sugar able to enter the domestic market this year at preferential tariff rates by nearly 20,000 tons, to 84,418 tons.

In Peru a decree law on March 13 will force most of the coastal sugar cooperatives to capitalize their debts to the government. Most will have no alternative to equity shares, thereby accelerating ownership transfer.

COCOA



RECORD CROP IN WEST AFRICA CAUSES PRICE DECLINES

Record arrivals in West African cocoa producing countries depressed cocoa prices in the first quarter and led to upward revisions of the crop estimates for these countries.

By late March, arrivals in Côte d'Ivoire were estimated at 980,000 tons, well above the 775,000 tons at this time last year. The main crop in Côte d'Ivoire will likely be 1 million tons by April 30, the end of the main crop season. Preliminary prospects for the mid-crop are promising, with estimates between 125,000 and 150,000 tons. The total Ivorian crop for 1995/96 could exceed 1.1 million tons. In mid-March the Commodities Minister stated that the mid-crop would not be marketed. It is likely to be diverted instead to local processing factories and held over to be blended with the 1996/97 crop. Whether the mid-crop is marketed or not will not alter the amount of cocoa produced by Côte d'Ivoire, and the market is well aware that with the country's 1.1 million tons of cocoa there is plenty of cocoa around. Whether the record breaking crop of 1995/96 is a consequence of exceptionally good weather or of a new production plateau following the planting of hybrids some years ago is unknown. It may well be a combination of both. There is no doubt that West African cocoa producers benefited from very good weather, because production increased significantly this year in all countries. But it is also the case that there were significant new cocoa plantings in Côte d'Ivoire during the late 1980s, when producer prices were kept high, and that these plantings may have reached maturity. The market will be very sensitive to early forecasts for the 1996/97 crop since they will provide a better idea of whether production has moved up to a new plateau.

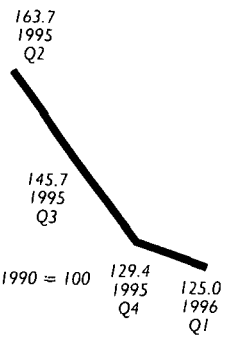
Ghana's main crop projections have also been revised upward following good purchase figures. Projections for the main crop now stand at 330,000 to 335,000 tons, up from 290,000 tons for 1994/95. Prospects for the 1996 mid-crop are good, with preliminary forecasts at around 30,000 tons. Thus the total Ghanaian 1995/96 crop is projected to be around 370,000 tons; it was 310,000 tons last year. Production in Cameroon has also benefited from the good weather. By the end of February, arrivals had reached about 100,000 tons. Thus total crops could be around 110,000 to 115,000 tons, up from 100,000 tons last year.

While West Africa expects record crops for this crop year, production in Malaysia and Brazil is expected to decline. In Malaysia reports indicate that production will most likely be between 120,000 and 140,000 tons, tens of thousands of tons short of the official estimate of 160,000 tons, due to unseasonally heavy rains followed by drought. In Brazil production keeps declining because of the combined effect of witches' broom disease and lack of proper farm care. By contrast, Indonesian production is projected to increase from 250,000 tons last year to 280,000 this year, resuming its growth after a brief period of stagnation.

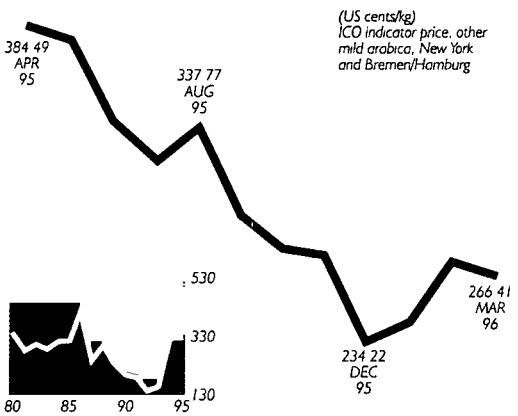
The revised production estimates indicate a surplus rather than the deficit projected earlier. For this year there is enough cocoa to meet consumption, and that will put a lid on price increases. The market will be sensitive to early projections of the 1996/97 crop. Potential problems in the development of the new crop could result in price increases during the fall.

BEVERAGES

Beverage prices were down 3.4% during the quarter, with cocoa, coffee, and tea prices all lower.



COFFEE



LOW AVAILABILITY STOPS PRICES FROM DECLINING

After declining for about a year and a half on a quarterly basis, world prices of arabica showed some signs of recovery or at least an end to the decline in the first quarter of 1996. The main reason for the change is the market's realization that world coffee supply, especially that of arabica, is very low following two frosts and a drought in Brazil in 1994 that severely affected production. In addition, Colombia's production has been low this season because of too much rain in the last quarter of 1995. Brazil's bad weather affected only the supply of arabica, however; world robusta prices remained stagnant.

Because of the shortage of coffee supply in Brazil, the government began auctioning its coffee stocks in February. So far, it has held three auctions. Only about 70% of the coffee put to auction was sold, however, despite the supply tightness. Brazilian coffee roasters argued that the limited credit facilities offered by the Bank of Brazil were the main reason for the slow auction sales. Brazil's supply tightness is evidenced by exports of only about 4 million bags during October 1995–January 1996; Brazil exported more than 6 million bags of coffee during the same period in the previous two years.

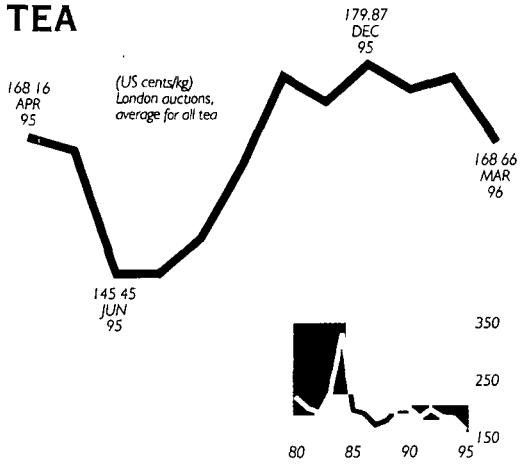
Uncertainty surrounds the 1995/96 crop in Colombia, the world's second largest coffee producer. Colombia's coffee growing regions suffered from heavy rains in September and October and again in December. Colombia's National Federation of Coffee Growers forecast the 1996 harvest at 13 million bags in January, the same as in 1995, then raised it to 13.5 million bags in February. But with production in February at 320,000 bags, well below the 800,000 bags produced in February 1995, the Federation adjusted its forecast again in late March, this time saying that the crop could be only about 11.5 million bags.

The market is now focusing on the coming crop from Brazil. After a very low crop of about 14 million bags last year, Brazil's 1996/97 crop (May/April) is expected to be considerably larger. In December 1995 USDA forecast the crop at 25.5 million bags. More recent local estimates put it at 23 to 25 million bags. Because of the frosts and drought, a large number of coffee trees have been abandoned or pruned, and Brazil's production capacity is considerably lower than it was two years ago. However, with at least some new plantings and with the increased yields from the pruned trees, production capacity is likely to increase significantly in the next year.

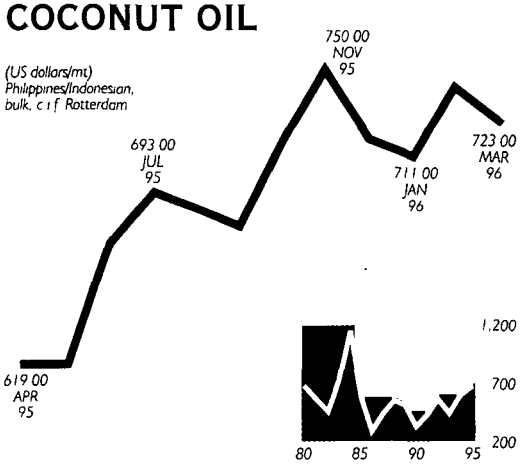
The collaborative efforts among coffee producing countries to raise world coffee prices through the stock retention program is likely to be weakened by Indonesia's withdrawal from the program. The Association of Indonesian Coffee Exporters (AEKI) stated in mid-March that its exporters will continue to store coffee until the program ends in June, but they are not interested in continuing the program after that. The exporters are waiting for government approval to end their participation in the program.

World coffee prices are likely to stay volatile. Roasters are nervous because stocks in consuming countries are very low, to the point of being just working stocks, and roasters know that world supply is low. Prices are expected to show a slow decline, but how much they drop will depend critically on Brazil's 1996/97 crop.

TEA

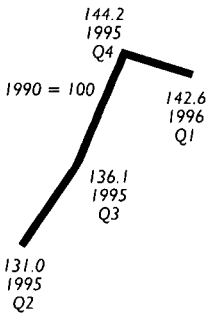


COCONUT OIL



FATS AND OILS

The index of fats and oils prices declined 1.1% largely because of lower palm oil prices. Supplies of palm oil are expected to increase 5% in 1996.



INDIA'S DEMAND HOLDS PRICES STEADY

Average London tea auction prices held relatively steady compared with the previous two quarters. Three key incidents stand out in a review of the 1995 world tea market: a record crop in Kenya, diversified imports by countries of the former Soviet Union, and reduced exports by India.

Tea output in Kenya increased to a record 245, 000 tons in 1995 after declining slightly in 1994 from the previous record of 211,000 tons in 1993. Area expansion and yield increase by smallholders accounted for the rise. Poor management of KTDA led to bottlenecks in processing this record crop.

In the past few years countries of the former Soviet Union have diversified their tea import sources. These countries had imported most of their tea from India under a barter arrangement until high prices pushed them to seek other sources of imports. Their imports from Sri Lanka and Bangladesh have increased sharply. They imported about 170,000 tons of tea in 1995.

India's tea consumption has been increasing by about 20,000 tons a year, while output has remained at around 750,000 tons for the past five years. Consequently, Indian exports declined from over 200,000 tons in the late 1980s to 145,000 tons in 1995.

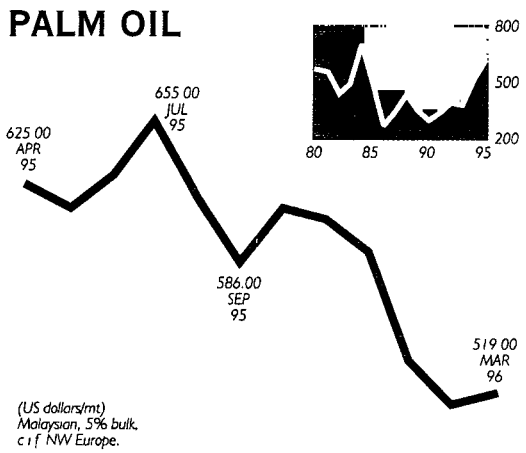
The price outlook this year depends on developments in Bangladesh, India, and Sri Lanka. Assuming that the economic growth rate and hence tea demand stay high in India, world tea prices could strengthen this year.

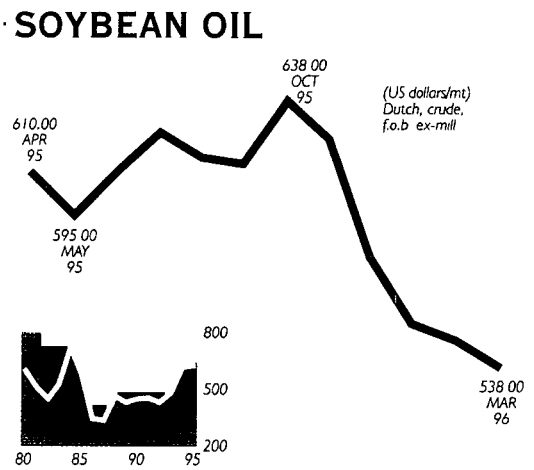
PRODUCTION, EXPORTS, AND STOCKS ALL LOW

Philippine copra production is expected to decline sharply in 1995/96 over previous years' levels. In 1994/95 copra yields boosted production to 15-year record levels, leading to a sharp expansion in coconut oil output and exports. Since October 1995 production of copra and coconut oil have been on the decline. Reductions, aggravated by low rainfall, are projected to continue until trees recover from the period of high yields. Philippine copra and coconut oil output in 1995/96 is projected to be down nearly 20% from the previous year. Annual world copra production will fall from about 5.1 million tons to about 4.8 million tons.

Since the last quarter of 1995 exports of coconut oil have been running lower than in previous years. Philippine export supplies of coconut oil for 1995/96 are expected to fall to slightly below 1 million tons, down from 1.35 million tons in 1994/95. Since lower export supplies from the Philippines will not be offset by output expansion in Indonesia, global export supplies for 1995/96 will be sharply reduced from a year ago.

World stocks of coconut oil are projected to reach 340,000 tons by the end of September 1996, down nearly 80,000 tons from a year ago. Likewise, a sharp decline in world stocks is projected for groundnut oil by the end of the 1995/96 season. Groundnut oil production is declining, and consumption is likely to exceed output in 1995/96.





GROWTH IN PRODUCTION LOWER THAN EXPECTED

Prices declined in recent months because of increasing supplies in major producing countries. However, the growth in production in 1995/96 has been lower than expected in Côte d'Ivoire, Indonesia, Malaysia, and Papua New Guinea. Lower yields in Malaysia and smaller mature acreage in Indonesia accounted for most of the decline. Despite slower growth, world production is projected to increase 5% in 1996 over last year.

Since 1993 average annual yields have remained stagnant at the levels achieved in the mid- to late 1980s. World mature area has more than doubled since the early 1980s—from nearly 2 million hectares in 1982 to more than 5 million hectares in 1995/96. Stagnating yields are holding growth in world production sharply below the 9% growth in 1994/95. Malaysian production is expected to reach about 8.2 million tons in 1996.

The expected increase in demand growth and slower growth in output will prevent large stock buildup this season. These developments have already contributed to a reversal of the stock cycle during the first quarter. The year-to-year increase in stocks in major importing countries is projected to decline in the next six months. Just how much smaller stocks are will depend on next season's supply prospects and price developments during the next four months.

World production in 1997 is projected to be about 5.7% higher than in 1996.

PRICES REMAIN HIGH FOR SOYBEANS AND MEAL

Low US corn stocks and prospects for stronger than expected demand for meal kept prices for soybeans and soybean meal high during the first quarter of the year. Soybean prices averaged $299.70/ton during January–March 1996, above the $242.30 average for the same period last year. Soybean meal prices averaged $253/ton for the quarter, up from $181 a year ago. Soybean oil prices were pressured by large supplies of competing oils.

Growth in world production of the ten major oilseeds slowed to 5.2% in the first quarter of 1995/96 following last season's unusually sharp increase of about 9% (4.4 million tons). The decline continued in January–March 1996 and is not expected to turn around during the second half of the season. Deteriorating crush margins and high prices for soybean meal, combined with high prices for feed grain, have reduced the profitability of production for livestock and poultry. The consequent decline in demand for soybean meal will reduce soybean crushings. In contrast to this picture for soybean meal, the demand for soybean oil is expected to continue to rise in 1995/96.

Global soybean crushings are up by 1.8 million tons from last year (October–December 1995), but first-quarter declines are expected to continue into April–September. Total world stocks of major vegetable oils, excluding olive oil, are projected to reach some 9 million tons by the end of

September 1996. Most of the decline in vegetable oil stocks during the last nine months was due to declines in soybean oil. Tight soybean supplies and declining use of oilseed meal and crushings sharply reduced stocks of soybean oil during the first quarter of the year. Most of the seasonal decline occurred among the net importers, including Bangladesh, China, Myanmar, Peru, Turkey, and Venezuela.

The recent boom in corn prices has made oilmeals more competitive. Upward revisions in projected demand for soybean meal during April–August 1996 combined with projected increases in EU oil meal demand should keep soybean meal prices at recent high levels.

World production of soybean oil is projected to decline 4.5% in the second quarter and 5% in the third quarter over the same periods in 1995. Meanwhile, world production of the 17 major fats and oils is forecast to rise by more than 2 million tons to 95.3 million tons in 1995/96. The biggest increase is expected for rapeseed oil, followed by palm oil, sunflower oil, cottonseed oil, palmkernel oil, and corn oil. These production increases will be partly offset by sharp declines in olive and coconut oils and by more moderate declines in groundnut oil.

In the past declining US soybean supplies in the first half of the season have generally been offset by increasing output in South America during the second half of the season. This second-half recovery is not expected for 1995/96 because unfavorable soybean to grain price ratios induced South American planters to shift from oilseeds to grains this season.

US soybean production for 1995/96 is estimated at 9 million tons below last year's. Combined Argentine and Brazilian output for March–August 1996 is projected at 3 million tons below output for the same period last year. These developments will reduce soybean crushings and supplies of soybean meal and soybean oil for the remainder of the season.

GRAINS

Prices surge on concern over US crop

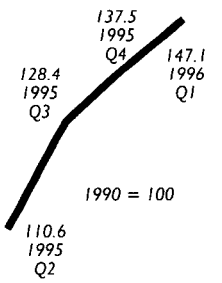
Concern over the US crop fueled sharp increases in grain prices in the past few weeks. Wheat prices are especially volatile as drought conditions in the prime US wheat growing areas of Kansas threatened yields. Prospects are still good for some easing of the world grain situation in 1996, but not enough to allow stocks to rebuild to levels considered adequate. Large crops are expected in the EU, China, and the countries of the former Soviet Union. However, for at least the next few months low grain stocks will keep prices moving.

Why are we in such a tight grain situation? A broader perspective on the current situation that looks beyond prices can provide some insight on the market. Despite concern that the world may be entering a period of food shortages, there is scant evidence to support this view. World consumption and trade are growing slowly, yields continue to rise along historical trends, and the amount of potential cropland that could return to production is high. These factors do not suggest that the world is facing a sustained period of production shortfall. However, the recent price increases do reflect a real current grain shortfall, and prices will remain high and volatile until stocks are rebuilt.

World grain consumption has been growing slower in each decade since the 1960s (side table). World grain trade has not increased measurably since the 1970s, with total 1995/96 grain trade estimated at 202 million tons—not far off the average of 207 million tons a year during the 1980s. Despite slow growth of both consumption and trade, prices have risen steeply, however, because stocks were at record low levels, the area planted to grains in the US in 1995 was down sharply because of poor planting, and growing conditions reduced stocks even further. As we reported in the May issue a year ago, "the grain market could be in the most volatile situation it has experienced in at least 15 years" (p. 16).

GRAINS

Grain prices rose 7% because of higher wheat and maize prices. Low stocks and poor growing conditions in the US sparked the increase.

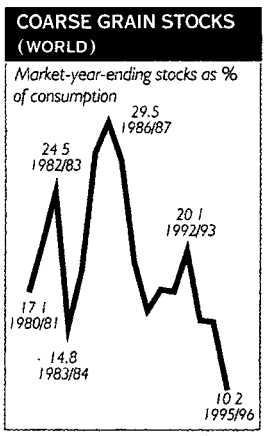


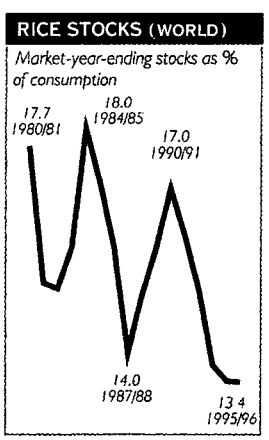
WORLD GRAIN CONSUMPTION

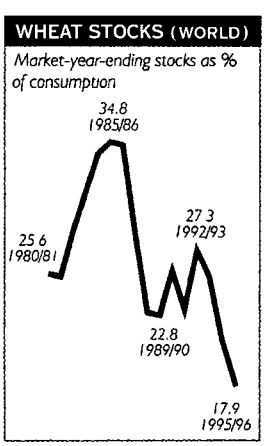
Percent

Period	*Annual growth*
1960–70	3.17
1970–80	2.70
1980–90	1.68
1990–94	1.06

Source World Bank calculations based on USDA data

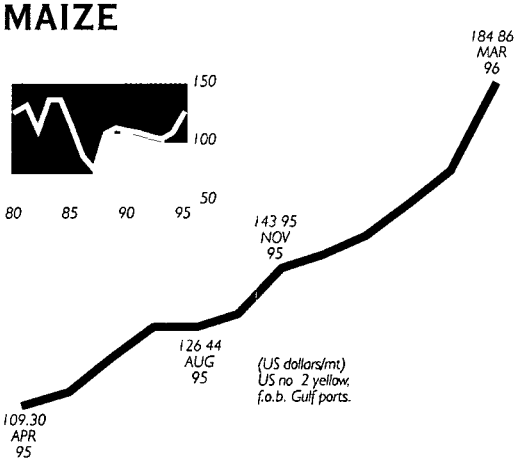






Note Data for 1994/95 and 1995/96 are estimated
Source USDA, FAS.

MAIZE

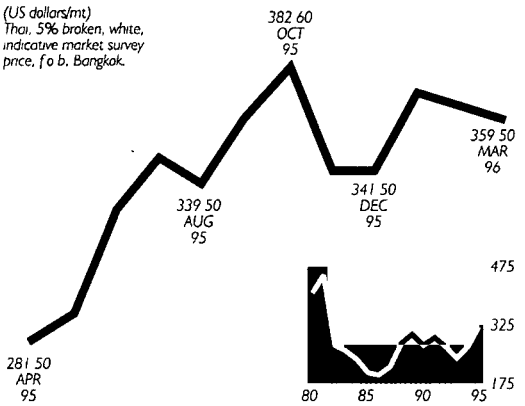


PRICES FOLLOW WHEAT HIGHER

The US maize crop is expected to increase sharply from last year's low harvest because of higher plantings and higher yields. Recent high prices should encourage farmers to plant all areas possible. The 7.5% acreage reduction program in effect last year has been removed, and areas damaged by flooding are expected to be returned to production. Some land is also expected to be released early from the Conservation Reserve Program and added to the 1996/97 plantings. Current estimates are for a 20–25% increase in harvested area, which was down sharply in 1995/96. Area planted to maize is expected to reach 81 million acres, a big increase from 1995/96's 71.2 million acres and harvested area of 65 million acres. US production of total coarse grains should hit 300 million tons, lifting year-end stocks by roughly 60 million tons. In 1995/96 the US coarse grain crop totaled 209 million tons.

World maize import demand remains strong as several Asian importers continue to buy into rising prices. China, Japan, the Republic of Korea, and Taiwan (China) have all been large importers, and Indonesia and Malaysia are importing more for their domestic feed markets. China is expected to have net imports of 3.5 million tons in 1995/96, according to the USDA, despite record production. However, with total coarse grain consumption up 25% in just the past three years, it is doubtful that consumption can continue to increase at recent rates.

RICE

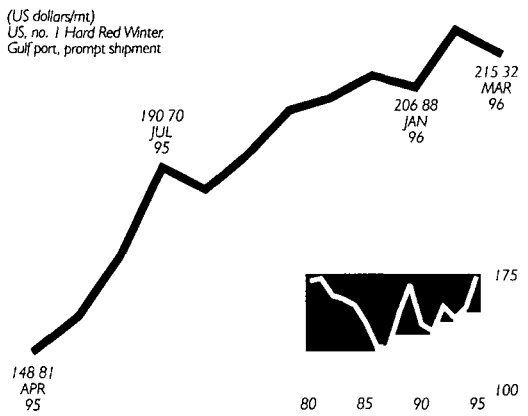


PRICES REMAIN STEADY

Prices averaged $365.6/ton for Thai 5% broken rice (indicative price), little changed from the fourth quarter's $354.9/ton but well up from the $281.2 average for 1995. The widening margin between 5% and 35% broken and between 5% broken and 100% broken A.1 Special rice reflects a weakening in the lower-quality rice and steady high prices for the high-quality rice. Large Indian exports of low-quality rice and some easing of the overall market situation are behind this. Margins were unusually small during 1995 due to heavy demand for low-quality rice and weaker demand for higher-quality rice.

World rice trade is expected to total 17.7 million tons for calendar year 1996 according to the most recent USDA figures. This is still below 1995's record 20.4 million tons but ahead of earlier expectations. India has emerged as the world's second largest exporter, shipping out 4.2 million tons in 1995. These large exports have held rice prices down while other grain prices surged. Next year looks to be much the same, as India is turning again to the world market as a source of foreign exchange and to reduce rice stocks. Thailand remains the world's largest exporter, with exports of 5.9 million tons expected for 1996 according to USDA figures. The US was third, with exports of 3.1 million tons. Vietnam exported nearly 2 million tons in 1995, putting it in fourth place. Vietnam's exports are expected to be reduced in 1996 because of flooding.

WHEAT



FUTURES PRICES SURGE TO RECORD LEVELS

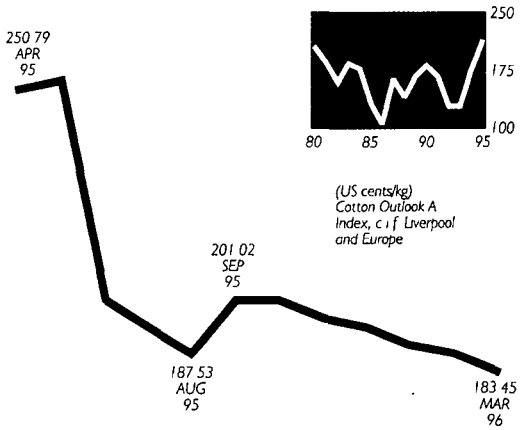
The US winter wheat crop was damaged by the cold winter and by drought conditions this spring. Farmers are reportedly plowing under the winter wheat crop and planting spring wheat or maize. This led to near-panic buying of futures contracts, pushing Chicago futures prices to more than $7.00/bushel in late April. This surge in prices seems to reflect both poor crop prospects and heavy speculator activity. Most of the price increases were in the May contract, and the gap between May and July 1996 contract prices was substantial.

Crops in other countries are generally reported to be good, and the high wheat prices are expected to boost fertilizer use. Morocco and Tunisia should need to import less next year as production improves from the drought-affected 1995/96 crop. Russia forecasts an 80 million ton grain crop in 1996/97, well above its very poor 1995/96 harvest of 64 million tons. Winter wheat plantings are up some 8% and are reportedly doing well, and spring wheat plantings are likely to increase.

The EU wheat crop is expected to be as much as 8 million tons above last season's, which could cause a sharp rise in net exports from the 12 million tons of 1995/96. Weather conditions are reported to be good.

Dry weather in China is creating poor growing conditions for its winter wheat crop. This could lead it to a repeat of its large 1995/96 imports of wheat (13 million tons) in 1996/97.

COTTON



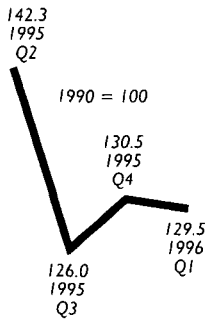
SPINNERS DELAY PURCHASES, DEPRESSING PRICES

The reluctance of some spinning mills to cover their potential cotton requirements for late in the 1995/96 season moderately depressed prices during the first quarter. The medium staple cotton indicator price (Cotlook A index) was 187¢/kg for the quarter, 5.1% lower than last quarter and 17.2% below the same quarter last year. Supporting the tendency to delay purchasing were adequate supplies of cotton, weakening prices, and low spinning margins at current yarn prices (although high-quality medium stable cotton was relatively scarce). Despite the uncovered cotton for milling late in the 1995/96 crop year, a limited number of contracts were concluded in late March for cotton from the African franc zone, Australia, and the US for delivery in the 1996/97 crop year. New crop trading often begins with forward contracts, providing flexibility for the trader to deliver common qualities from a number of sources chosen by the supplier. This mode usually gives the buyer a price discount.

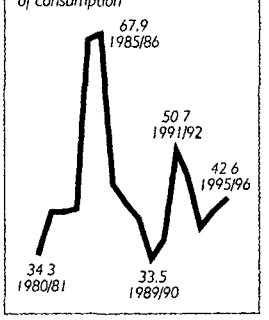
The 1995/96 harvest in the southern belt is well under way, and world production is expected to exceed 19 million tons. This output level will contribute to an increase in world end-season stocks. However, nearly all the rise in stocks will occur in China, which has had large imports and better than anticipated domestic yields. Access to those stocks depends on China's trade policy.

World consumption of cotton is increasing moderately for the second consecutive

The index of agricultural raw materials was down 0.8% because of lower cotton and rubber prices.



COTTON STOCKS (WORLD)



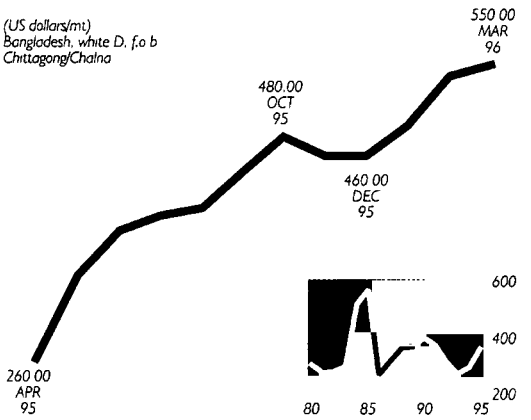
Note Data for 1994/95 and 1995/96 are estimated.
Source International Cotton Advisory Committee

season, recovering close to its 1992/93 peak of 18.7 million tons. Major textile manufacturers using more cotton this season include China, India, Indonesia, and Pakistan in Asia; Colombia, Mexico, and Peru in Latin America; and Poland and Romania in Eastern Europe. By contrast, cotton milling is declining in the EU as a whole, despite an increase in Italy. The setback of mill consumption in the US is expected to be about 100,000 tons compared with 1994/95 use. In East Asia cotton spinning is declining in Hong Kong, Japan, Taiwan (China), and the Republic of Korea. In countries of the former Soviet Union cotton use is leveling out. This recent stagnation in cotton consumption reflects weak income growth in many countries and more intensive competition from synthetic fibers. The International Cotton Advisory Committee expects cotton's world market share to remain at around 46% to 46.3% during 1996–2005, down from 49.2% at the beginning of the 1990s.

Planting of the 1996/97 crop has begun in the warmer regions of the northern hemisphere. Early indications are that the attractive prices farmers received for the last two cotton crops will maintain their production interest. However, the recent high prices for grains and oilseeds will put them in competition for crop acreage. There is also a possibility for increased yields in countries with unfavorable growing conditions in 1995/96. Unfavorable conditions in the US cut yields to 127 kg/hectare below the five-year average. Still the preliminary world forecast is for a record output from a smaller growing area. Better water supply in Australia has improved cotton production prospects. Increased production is also expected in the African franc zone and in Mexico.

These projections suggest a continuing mild decline of cotton prices in 1996/97 as stocks rise further despite increasing consumption. Even if China's cotton production does not meet its target, its domestic mill requirements could be met by current stocks without increasing import requirements.

JUTE



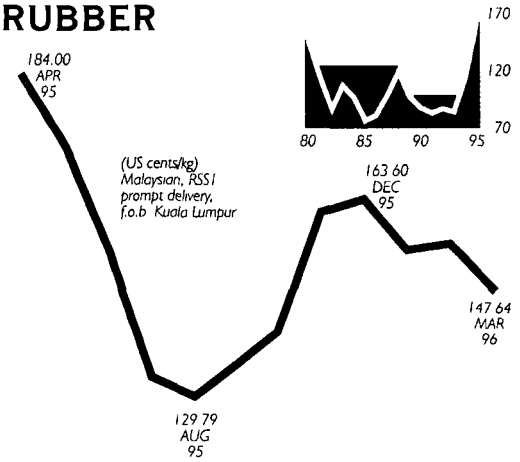
DEMAND FOR BANGLADESH RAW JUTE EXPORTS STRONG EVEN AT HIGH PRICES

The 1995/96 world jute crop fell 11% below production the previous year. The three largest producers—Bangladesh, China, and India—have smaller crops than a year ago, leaving importers with tight supplies. The 20% reduction of output in Bangladesh has made a large impact on trade because of its major market role—Bangladesh accounted for 88% of world exports of jute fiber in 1994/95.

Although exports had been sluggish during the first half of the crop season, jute fiber trade was stimulated in January by the Bangladesh government's lifting of a temporary ban on new raw jute over-land exports to India. Indian jute mills needed imports to supplement low stocks and drooping production. Other importers active in January and February included Cuba, Egypt, India, and Pakistan. In those two months exports sales increased 44,000 tons, despite disarray in the large cities and ports.

Tight fiber supplies and strong demand raised prices through the quarter. By March they had reached $550/ton f.o.b. for BWD grade fiber. The quarterly average was $525.40/ton, 12.6% higher than in the previous quarter and more than double the average a year ago. The export demand for hessian, sacking, and carpet backing cloth early in the quarter had Bangladesh manufactures sold out for months. Jute goods prices have risen along with raw jute prices.

RUBBER



Inactivity characterizes market

As the first quarter of 1996 ends, closure on the third International Natural Rubber Agreement (INRA III) remains elusive, rubber prices remain flat to slightly off, and sluggish growth is expected for supply and demand. For the year prices are expected to trend downward as new supplies exceed stable but slowly expanding demand. The fate of INRA III was to be decided at a March 28 meeting in Geneva.

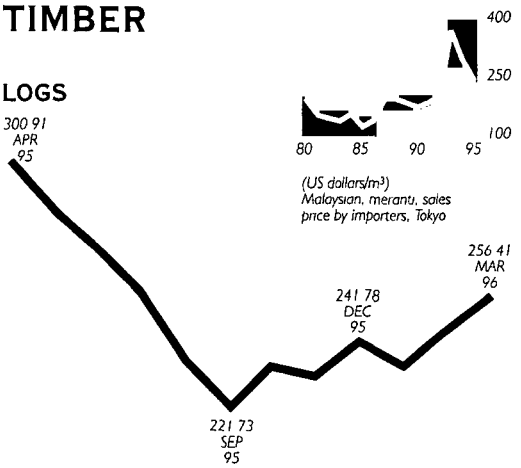
US new car inventories remain high. Sales of new cars and trucks rose significantly in February, but the increase may have reflected the poor January weather and increased incentives to liquidate inventories rather than underlying strength in demand. US tire production is now in balance with new car sales in the US, which have been sluggish since the second quarter of 1995.

Prospects for an increase in Japanese demand brightened as new car registration rose 5.5% in January, and some analysts see signs of recovery after four years of slow economic growth in Japan. However, fourth-quarter economic indicators from the EU were weaker than expected, and new car production remained slow in Germany, France, and the UK.

On the supply side, production increases were posted for 1995 in India, Indonesia, and Thailand, while flooding in Malaysia swamped expectations of recovering supplies there.

TIMBER

LOGS



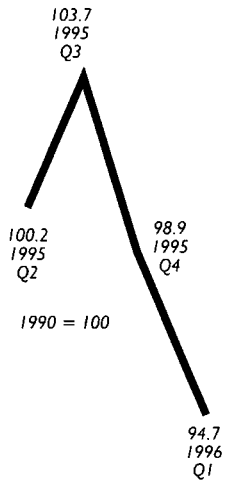
Some recovery in prices

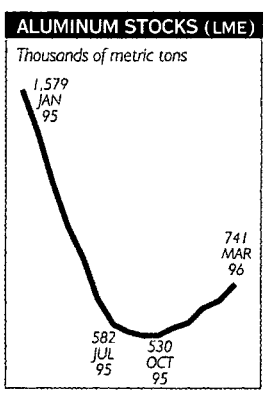
Malaysian log prices in the Japanese market increased 4.3% during the first quarter for two main reasons. First, an improvement in the Japanese economy led to some recovery in timber demand, as manifested by a 4.8% increase in housing starts during December 1995 compared with a year ago. And second, felling operations usually slow in log producing regions at this time of the year because of holidays and the rainy season. Weather this year is particularly bad. Further price increases will depend on Japan's economic recovery. However, the marketability of tropical timber has been eroding as substitute materials such as softwood and laminated lumber have increased their share in the Japanese market.

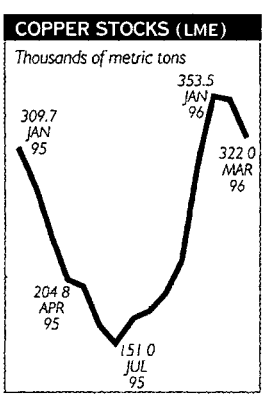
Prices of logs and sawnwood in the European market declined during the first quarter. In February prices for Cameroonian logs and Ghanaian sawnwood were some $60 per cubic meter lower than their fourth-quarter average. The decline reflects weak demand in many European countries, especially in the construction sector in France, Germany, and the UK. The Ghanaian Timber Millers Organization estimated that exporters have seen their business drop 10% since September.

Prices for woodpulp have fallen dramatically from their very high levels during the fall of 1995. Many producers signed ambitious felling contracts when prices were high, but shortly after, demand for fine paper dropped and purchases of woodpulp were cut drastically.

The index of metals and minerals prices was broadly lower, with copper prices down 11.5%.

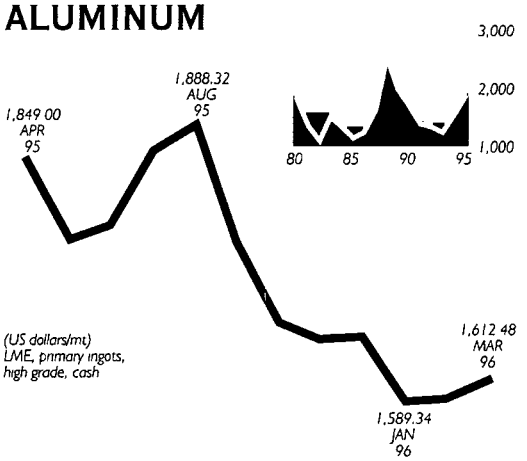






Source Metal Bulletin

ALUMINUM



WEAK DEMAND LEADS TO PRICE DECLINES

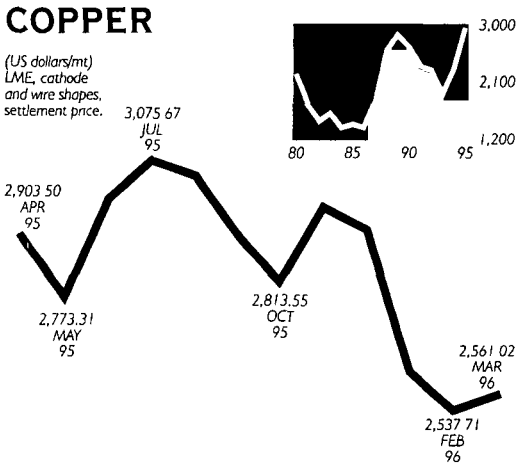
Aluminum prices declined 4% between the fourth quarter of 1995 and the first quarter of 1996. The situation during the first quarter of 1996 is very different from that of a year ago. In early 1995 aluminum prices were rising as a result of strong demand, declining stocks, and persistent buying by investment funds. During the first quarter of 1996 prices were declining as a result of weak demand and rising stocks. Stocks at the London Metal Exchange (LME) have been on the rise since September 1995. In January 1996 LME stocks were 116,000 tons higher (20%) than in September 1995—and 63,000 tons higher than in December. Total aluminum inventories at smelters, integrated fabrication plants, and other premises increased by about 100,000 tons between December and January. Prices in the first quarter of 1996 are $300–400 per ton lower than a year ago.

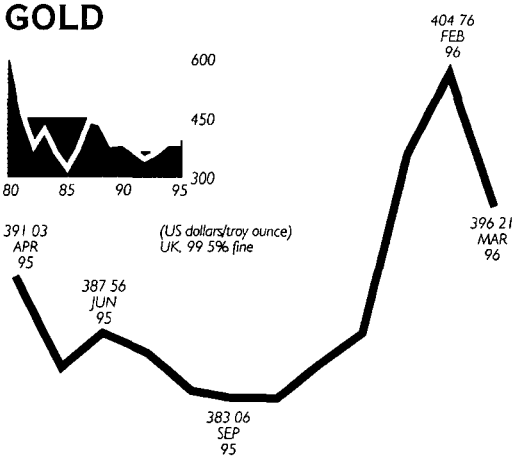
The price decline that started at the end of the third quarter last year is due mainly to the economic slowdown in Western Europe and the US. Growth in these economies was slower than expected during the fourth quarter of 1995, and there are no expectations that growth rates would post better numbers in the first quarter of 1996. Weak industrial production has been recorded in France, Germany, the UK, and the US, with only Japan showing signs of stronger growth. Also, persistent high unemployment rates in many countries in Western Europe combined with perceptions of worsening job markets have contributed to an erosion of consumer confidence.

Two key aluminum end-users, construction and transportation, have been particularly hard hit by the slowdown in economic growth. The effects of the weak consumer spending have been exacerbated by tight public spending programs, as European governments try to meet the public debt and budget deficit requirements for entry into the European Monetary Union. Growth in aluminum consumption in Europe, which was about 12% in 1994, slowed to around 3% in 1995. Some analysts project a further decline in the growth rate in 1996. Construction has also been hit in the US, along with packaging (aluminum can shipments) and car production. Primary aluminum consumption is estimated to have grown about 10% in 1994 but only about 1.5% in 1995. Some analysts predict that US growth in demand for aluminum this year will not increase significantly over 1995 levels.

Primary aluminum production increased about 6.5% (or an average of 3,000 tons daily) during the first two months of 1996 over the same period a year ago. This increase is due mainly to the restart of capacity by smaller companies that now operate at almost full capacity. Large companies still keep idle capacity and will likely restart it when demand conditions improve.

For 1996 it appears that there is enough aluminum to meet demand even if economic growth in the Western economies picks up during the second half of the year. If economic conditions continue to improve for the remainder of the year, a significant part of the incremental demand for aluminum for 1997 can probably be met by a restart of idle capacity. The strength of economic growth in Western economies and the degree of recovery in countries of the former Soviet Union will be a key determinant of what happens to aluminum prices during the second half of 1996 and into 1997.





PRICES DROP AND THEN HOLD

Copper prices registered a significant quarter-to-quarter drop to start 1996 but have held ground since January. Several events combined to keep spot markets tight. Disrupted supplies of off-grade copper have driven end-users into higher grades. Bad weather has disrupted scrap supplies in Europe, and problems at a major US refining plant have reduced supplies in North America. Copper for forward delivery is deeply discounted, however, and stocks are expected to build.

With the recent disruption of copper supplies from Russia, analysts are engaged in a shell game trying to determine the originating source of the copper. Since 1992 Russian exports of refined copper have increased from an estimated 255,200 tons to 492,000, which would account for 90% of production according to CRU International. Much of the metal appears to be transhipped from elsewhere in the former Soviet Union, especially Kazakhstan and Uzbekistan. New supplies are coming from nontraditional export sources, including railways and power companies—many of which have been paid for their inputs with copper. Elsewhere, too, new projects with implications for long-run supplies are being announced at a rapid pace.

Demand prospects are for steady expansion, but below the pace of new supplies. After a slow first-quarter start Western consumption is expected to average more than 2% for the year. Inventories are expected to rise more than 34,000 tons.

CENTRAL BANK SELLING DEPRESSES PRICES

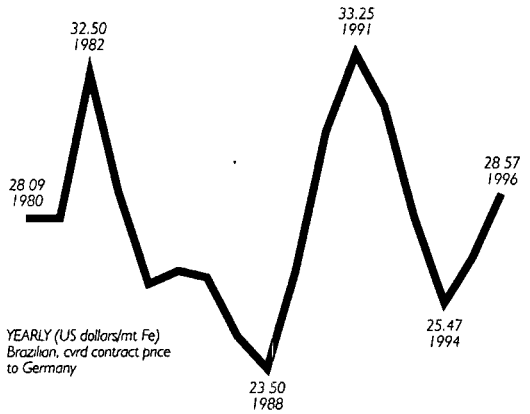
Prices retreated from the highs established at the end of 1995 amid large central bank selling. This supports the view that $400/troy ounce (toz) is the price that brings large sellers into the market. According to widely reported sources, the National Bank of Belgium made a large sale of reserve gold totaling 203 tons. The sale was made in great secrecy, probably to another central bank, although some reports suggest the sale was made directly to the market. This news could dominate market trading for some time since other factors have turned weak.

The large sale by the National Bank of Belgium is the fourth and largest sale from reserves, and the Belgian authorities indicated that the sale was aimed at reducing the share of gold in total reserves to facilitate participation in the European Monetary Union. The share of gold in Belgium's total reserves is reportedly 25%. Other countries in the EU may need to sell gold to meet similar targets. If so, this could overhang the gold market for several years.

Higher prices have weakened demand for gold from the Asian economies, including China, Singapore; and Hong Kong. Demand in Japan has also been weak, though somewhat less so. Higher prices have also dampened demand in India and in the Middle East.

With central banks ready to sell at prices near $400/toz and demand retracting at $400/toz, prices seem to be firmly balanced at the $390–400/toz level.

IRON ORE



HIGHER IRON ORE CONTRACT PRICES, POSITIVE OUTLOOK FOR STEEL MARKETS IN 1996

Agreement was reached at the end of January on the benchmark f.o.b. price increases for fines and lump ore. BHP, the largest Australian iron ore producer, and Japanese steelmakers agreed on a 6% price increase for fines (to 28.78 cents per Fe unit) and a 5% increase for lump ore (to 37.68 cents per Fe unit). The 6% increase for fines came as a surprise, given the recent deterioration in steel markets and the resultant sharp drops in pig iron output and demand for ore.

Steel product inventories have been down but are beginning to rise again. During 1995 global steel output remained at peak levels. However, a moderate amount of oversupply, rather than a decline in real steel consumption, has caused an erosion of spot steel prices since April 1995.

The first price cutting in the flat-rolled sector came from the US then spread to the world export market and to Western Europe. The world export price of hot-rolled band, f.o.b. Europe, fell from $475/ton in April to $250/ton by the end of 1995. It rose to $270/ton in January 1996 before declining again to $260/ton in March 1996.

In mid-1995, when there were initial signs of worsening demand, many steelmakers did not cut output for fear of losing market share and because cutbacks in production raise unit costs (fixed costs are high). Since most steel mills cannot easily vary employment levels to adjust output to swings in demand, many mills felt compelled to export their surplus. This may explain why most European and US steelmakers exported heavily to East Asia in 1995, where initially demand was high.

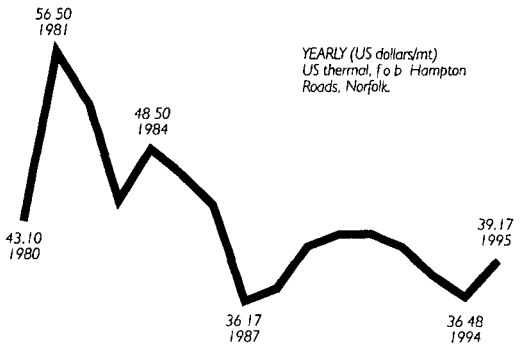
The entry into the US market of electric arc furnace-based flat-rolling mills had a negative impact on world steel prices. Nucor announced five list price cuts after expanding two of its plants in 1995.

As domestic prices went down, US producers of flat-rolled steel increased their offerings in the world market. They started exporting material to the Far East at about $325/ton, but prices deteriorated because of excessive exports to the region. By the end of 1995 US mills were receiving only $230/ton. Despite the low export prices US exports rose from 3.8 million tons in 1994 to 7.1 million tons in 1995, and imports fell from 30.1 million tons to 24.4 million tons.

The world steel market was also weakened by the slow Japanese economy and by China's rising exports, though China remained a major net steel importer. The Asian market was strong at the beginning of the year, but exports from the US, Western Europe, Russia, Ukraine, and the Eastern European countries were enough to overload demand and reduce prices. Global output for the year was up 2.5% to 748 million tons in 1995. The global operating capacity rate was 95% or higher throughout the year until December. In that month the rate fell below 90% for the first time that year.

World steel export prices should begin to rise during 1996. China will be a key element of the 1996–97 steel pricing outlook as its demand for imported steel rises. Signs of recovery in the Japanese economy and moderately strong US and European economies should lead to some improvement in the world market in 1996. Prices should begin to recover during the second half of the year.

COAL



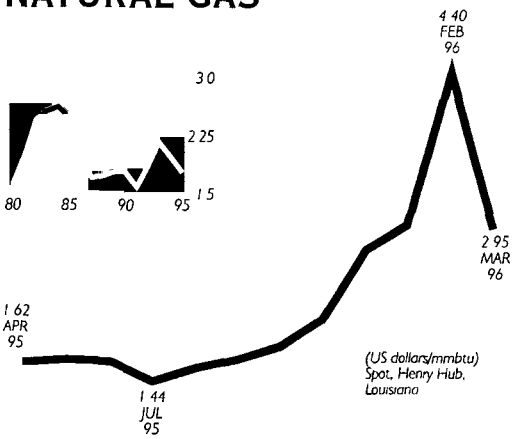
International prices relatively weak

International steam coal prices softened in the first quarter as demand lagged. A wet winter in Europe led to higher hydropower availability and cut into coal-fired electricity production in Portugal and Spain. Some Japanese utilities are continuing to "average down" their costs by agreeing to take optional tonnage from Australian producers only if offered at discounts of up to $2/mt. For the 1996 contract year options represent about 20% of total tonnage to be shipped. It is reported that 10% of Australian shipments are going at a discount to benchmark contract prices.

During the first quarter, contract settlements with Japan's Chubu Electric—representing several utilities—resulted in a rollover of steam coal prices, following a $5.95/mt or 17% increase last year. Apparently the higher prices led to more new production coming on-stream than expected, keeping a lid on further price increases. On the other hand, high-grade coking coals, with increases of $2–4/mt, appear to be benefiting from tight global supply-demand balance for metallurgical coal.

US steam coal prices appear to be on a firming trend thanks to rising demand from electric utilities. Many power companies had been reducing inventories to improve profitability in the increasingly competitive deregulated environment. Severe winter weather and delivery problems have run down utility stockpiles, leading to higher demand. Weather will continue to be a dominant factor.

NATURAL GAS



Low inventories and cold weather cause US prices to soar

Cold weather, low inventories, and transport constraints to moving surplus gas to tight eastern markets pushed US natural gas prices substantially higher over the winter. The prolonged cold—some 15% colder than normal but not dramatically colder than two years ago—caused an increase in demand of 10% or so, mainly in the residential and commercial sectors. In the electric power sector higher gas prices led to a reduction in gas use as utilities switched to other fuels.

Pipeline constraints prevented surplus gas in the west from reaching markets in the east and midwest. The average spot price at Henry Hub, Louisiana, more than doubled during the first quarter—reflecting tight supplies in the eastern part of the country—while prices lagged in Texas and points farther west because surplus gas supplies kept prices low. The disparity in regional prices raises questions about using Henry Hub as the industry's principal forward price benchmark. In addition, the "blowout" of regional basis differentials that occurred this winter will likely cause some participants to review their risk management practices.

High demand and supply bottlenecks caused large draws from storage during the winter. At end-March working gas storage was estimated at 700 billion cubic feet, some 50% less than last year (when the winter was mild) and 25% less than in 1994, following a cold winter. Many storage fields experienced all-time

Petroleum prices rose 8.2% during the quarter because of cold weather and low inventories.

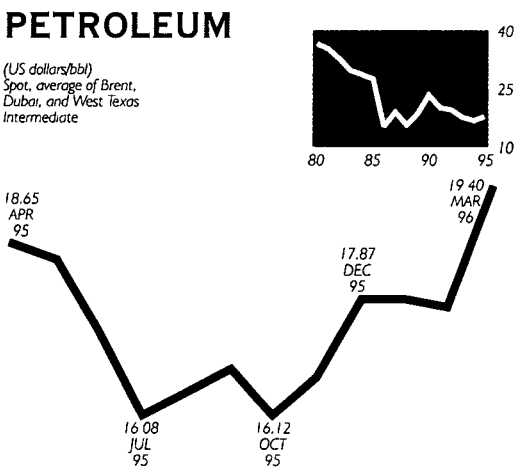
low inventories. These depleted inventories will have to be replenished, which should keep prices relatively firm for the rest of the year.

A mild summer would alleviate some of the price pressures associated with necessary injections into storage. If the weather is extremely hot, however, demand from electric utilities to meet high air conditioning requirements would divert gas from storage. The result could be higher prices this summer and low inventories heading into winter.

Assuming normal weather, natural gas prices are projected to average more than $2 per million btu this year and then decline in 1997. New pipeline connections will likely be built to move more gas into eastern and midwest markets, including higher exports from Canada. US natural gas production is expected to continue rising modestly, with additions from the Gulf of Mexico more than offsetting declines elsewhere. Thus the events of this past winter have not caused any change in our long- term price forecast.

There were no similar changes in gas markets in most of Europe, despite cold weather, because of the structure of the industry and the nature of long-term contracts. But in the UK, where deregulation is well under way, cold weather caused a spike in prices in March. It came with the initiation on March 1 of the Network Code and daily balancing regime of UK gas markets. Some growing pains are evident under Phase 1, but the International Petroleum Exchange is hoping to launch a forward contract once it has experienced a period of successful execution of the claims validation process—the method of tracking deals between buyers and sellers.

In the rest of Europe liberalization of gas markets is starting to gather momentum. As the 1998 opening of the Interconnector gas pipeline from the UK to the continent nears, gas marketing activities by producers in the UK and distributors in mainland Europe are picking up the pace. In addition, new commercial alliances and projects are being developed in anticipation of more competitive markets in the coming years.



COLD WEATHER AND LOW INVENTORIES LIFT PRICES

Oil prices rose significantly in the first quarter because of cold weather and low inventories. The petroleum industry has for some time been reducing inventories for financial reasons—to reduce working capital and enhance company profitability. The collision between this just-in-time inventory strategy and the prolonged cold winter in the US sent product and crude prices soaring. Low inventories lead to greater price volatility—as we saw this winter—and raise questions about whether just-in-time inventory behavior is a prudent strategy. Companies could have profited greatly from having held inventory this past winter.

During the height of the cold weather it appeared that Iraq would soon agree to a limited six month oil sale. This kept a loose lid on crude prices. But it merely deferred purchases and also coincided with refiners making forward purchases in futures markets. As it became increasingly evident that a resumption of Iraqi crude was some time off, low inventories, strong demand, and persistent cold weather forced buyers into the market. Marginal purchases were driving up not only spot prices but prices for much of the world's traded crude oil as well. Low inventories and the effects of the prolonged winter should keep prices firm in the second quarter.

OPEC crude oil production continued to edge upward, averaging 26.0 million barrels a day (mb/d) for the first quarter (table 2).

This put OPEC at 1.5 mb/d above its self-imposed quota, but the market obviously required this volume of crude over the winter. The largest overproducer was Venezuela, accounting for about a third of the organization's above-quota output; Nigeria was second. Nearly all members were above quota, including Saudi Arabia when its 50% share of Neutral Zone production is taken into account. Only Libya's output was estimated at slightly below quota.

OPEC has kept its quotas fixed since the fall of 1993. While its actual production has continued to move higher, its strategy of essentially fixing output for a full year is also having an impact on price volatility. In periods of tight supply the reluctance to raise output leads to upward price pressure, while in periods of weak demand the decision not to reduce output can add to downward pressures on prices.

TABLE 2. OPEC CRUDE OIL PRODUCTION AND QUOTAS
Millions of barrels per day

	1993	1994	4Q95	1Q96	Quotas
Algeria	0 74	0.75	0.79	0 78	0.750
Gabon	0 30	0.32	0 35	0.36	0 287
Indonesia	1.34	1 32	1.34	1 38	1.330
Iran	3 65	3.61	3 68	3.69	3 600
Iraq	0.48	0 53	0.55	0.55	0.400
Kuwait	1 69	1.84	1.84	1.84	2.000[a]
Libya	1 37	1.38	1.40	1 38	1.390
Neutral Zone	0 36	0 39	0 43	0.46	
Nigeria	1 91	1.90	2 01	2.09	1.865
Qatar	0 42	0.41	0.46	0.47	0.378
Saudi Arabia	7.96	7.90	7.92	7.95	8 000[a]
UAE	2.17	2.22	2.16	2 17	2.161
Venezuela	2.31	2 44	2.71	2 89	2.359
Total crude	24.69	24.99	25.65	26.01	14 520
NGLs[b]	2.25	2.38	2.48	2.56	
Total OPEC	26 95	27.37	28.13	28.57	

a. Quota includes share of Neutral Zone.
b Natural gas liquids
Source IEA, OPECNA.

TABLE 3. NON-OPEC OIL SUPPLY
Millions of barrels per day

	1993	1994	4Q95	1Q96	Change, 4Q95 to 1Q96
United States	8.82	8.64	8.51	8.49	-0.02
Canada	2.18	2.28	2.42	2.34	-0 08
United Kingdom	2 14	2.71	2.94	2.91	-0.03
Norway	2.38	2.69	3 19	3.24	0.05
Other OECD	1 24	1.32	1 24	1.34	0.10
Latin America	5 77	5.94	5.94	6.41	0.47
Africa	2 05	2.06	2 26	2.31	0.05
Middle East	1.63	1 79	1 93	1.93	0.00
China	2.91	2.84	3 03	3.10	0.07
Other Asia	1.78	1.94	2.11	2.10	-0 01
FSU	7.95	7.22	7.18	7 18	0.00
East Europe	0.28	0.28	0.27	0 28	0.01
Processing gain	1.39	1.43	1 48	1.51	0 03
Total non-OPEC	40 51	41.14	42 50	43.13	0.63

Note Includes NGLs, nonconventional, and other supply sources.
Source. IEA

Non-OPEC oil supplies rose by more than 0.6 mb/d during the second quarter (table 3), but much of the increase was in Mexico and reflected mainly reduced production in the fourth quarter of 1995 because of hurricanes. Mexican production fell by about 0.4 mb/d on average in the fourth quarter and rose by nearly 0.5 mb/d in the first quarter of this year. The largest individual gain in the quarter was in China and reflects higher than expected output from offshore fields. Sharp increases are also expected in the second quarter as new fields come on faster and because maintenance schedules have been greatly reduced.

The most important changes in non-OPEC supply are the reductions in the main OECD regions. The International Energy Agency (IEA) forecasts of OECD output were 0.7 mb/d higher for the first quarter than actually occurred. Weather and technical difficulties led to lower than expected production in the North Sea, Canada, Alaska, and Australia. Each area had its own set of explanatory circumstances, but the net effect was shortfalls in all regions. The IEA believes that these events are largely temporary, and it has not altered its robust production outlook for the remainder of the year. In the non-OECD countries there was a much smaller net shortfall in production, with India accounting for most of it. Plateauing offshore production could affect future output in India.

Cold weather undoubtedly influenced demand over the winter, but the revisions to IEA forecasts were relatively small. OECD oil demand grew 1.7% in the fourth quarter of 1995 and an estimated 2.5% in the first quarter over the same periods a year earlier (table 4). Despite cold weather in all northern OECD regions, demand was not excessively

high—although some products, notably middle distillate, experienced sharp demand increases. Nevertheless, the estimated 1.0 mb/d growth in the first quarter was much higher than the underlying trend in the OECD and even exceeded the estimated growth in developing countries.

Non-OECD oil consumption outside countries of the former Soviet Union (FSU) and Eastern Europe was estimated to have grown less than 1.0 mb/d in the first quarter. While OECD demand apparently outstripped consumption in developing countries in the first quarter due to cold weather, much of the future growth in global oil demand is expected to be in developing countries—with the largest growth expected to continue in Asia. Declines in demand in the FSU slowed significantly in 1995, and demand appears to be bottoming out at nearly half its peak in the late 1980s. Demand in Eastern Europe, on the other hand, has been recording overall net growth since 1994.

A key element in the recent oil market is the level of inventories. While companies have been deliberately carrying lower stocks, cold winter weather resulted in significant drawdowns in both crude and products. However, there were large variations among the main OECD regions. Total product stocks in Europe and Japan were the lowest in 10 years, while in the US they were the lowest in 20 years. Distillate stocks remain well below last year's levels in all regions, yet all markets were well supplied despite cold weather. US incremental demand was essentially satisfied through imports, because distillate is still an easily tradable and fungible commodity despite stricter quality specifications.

The situation is different for US gasoline. Only a few non-US refiners are willing to supply reformulated gasoline. Gasoline stocks are low in the US but adequate in Europe and Japan. Should US gasoline demand prove robust this summer because of larger cars on the road, decreasing efficiency, and a buoyant economy, low inventories could put upward pressure on domestic and international prices. Traditional gasoline trade between Europe and New York has been severely reduced by the dominance of reformulated gasoline in the northeast. While higher prices will curb some of the demand growth, there may be concerns about supplying the growing reformulated gasoline market.

Crude oil stocks are low in the US but adequate in Europe and Japan. Seasonal demand declines in the second quarter, while oil supplies remain unchanged to slightly higher. Thus crude oil inventories are apt to build. However, given the backwardation in the market and the willingness of companies to hold low inventories, some producers may have trouble selling crude.

TABLE 4. OIL CONSUMPTION

	Millions of barrels per day				*Percentage change*			
	OECD	*FSU and Eastern Europe*	*Developing countries*	*Total*	*OECD*	*FSU and Eastern Europe*	*Developing countries*	*Total*
1990	38.1	10.1	18.3	66.4	0.3	-5.0	4.3	0.5
1991	38.2	9.6	19.1	66.9	0.3	-4.8	4.5	0.7
1992	38.9	8 4	20 3	67.5	1.8	-12.5	6.3	1 0
1993	39.1	7 0	21 7	67.7	0.5	-16 7	6.4	0 2
1994	40.0	6.1	22.7	68.7	2.3	-12.1	4.2	1.3
1995	40 3	6.2	23 5	70.0	1 1	-0 8	4 4	2 0
1Q94	40.7	6.7	22 4	69.8	2.7	-13.0	5.3	1 9
2Q94	38 7	5.7	22.2	66.6	2.9	-18 6	4.3	1.1
3Q94	39.7	5.9	22.3	67.9	2 8	-7.8	4.7	2 4
4Q94	40.8	6.3	23.4	70.5	0.9	-10.0	5.5	1.3
1Q95	41.0	6.5	23.4	70.9	0 6	-3.0	4.7	1.6
2Q95	39 1	5.9	23.2	68 2	1 1	3 5	4 4	2.4
3Q95	39.7	5 8	23 1	68 6	0.0	-1.7	3 6	1.0
4Q95	41.5	6 3	24 2	72 0	1.7	0.0	3.5	2.1
1Q96	42.0	6 3	24.3	72.6	2.5	-3.1	3 8	2.4

Source: IEA, World Bank.

That could reduce both the general price level and the degree of backwardation.

In the near term the strength of the US market, especially for gasoline, is apt to drive global fundamentals. Low inventories and rising demand should give strong support to prices in the second quarter. However, as summer gasoline supplies are satisfied and as world crude oil supplies increase, prices should again recede below the $20 level (basis West Texas Intermediate).

World oil demand is projected to rise 1.7 mb/d or 2.4% in 1996 according to the IEA, but part of the increase reflects high first-quarter demand due to cold weather (table 5). Non-OPEC supplies are expected to increase by about the same volume or even slightly more this year, which means that there will be little room for higher production from OPEC. Given the steady increase in OPEC natural gas liquids, the call on OPEC crude oil production for the year as a whole is actually lower than in 1995.

Non-OPEC supplies are projected to increase 1.8 mb/d in the third quarter and a staggering 2.7 mb/d in the fourth quarter—with a 1.0 mb/d increase in the North Sea alone. Given these projections of much higher non-OPEC output later this year, it would appear that the recent strength in prices should subside, especially if Iraq agrees to a limited oil sale.

Other forecasters assume that non-OPEC supplies will be much lower than the IEA projects, partly because of the IEA's downward revisions for the first quarter. However, the production shortfalls were largely one-time factors that need not affect anticipated production increases later in the year. It is our view that non-OPEC supplies will indeed grow substantially in the fourth quarter and that prices will decline from anticipated highs during the spring.

Unquestionably, lower inventories have intensified price volatility in oil markets. However, the volatility works in both directions—periods of surplus supplies can lead to much lower prices. In this regard, the apparent imminent resumption of sales of Iraqi crude on a limited basis—$2 billion worth for six months—could seriously weaken prices if sales commence when the market is weak. While recent high prices might suggest that Iraqi output of some 0.7 mb/d could be absorbed quite easily, it is not clear that that would be the case in a few months, when markets are less tight. It is likely that incremental output from Iraq will have a noticeable impact on the market.

TABLE 5. WORLD PETROLEUM DEMAND AND SUPPLY
Millions of barrels per day

	1993	1994	1Q95	2Q95	3Q95	4Q95	1995	1Q96	2Q96	3Q96	4Q96	1996
Demand												
OECD	39 1	40 0	41.0	39.1	39 7	41 5	40.3	42.0	39.8	40.5	42 0	41.1
FSU	5.7	4.8	5 1	4 5	4.5	4.9	4.8	4 8	4 5	4 3	4.9	4.7
Other	22 9	23 9	24.8	24 6	24 4	25 6	24 9	25 8	25.6	25.6	26 7	25 9
Total	67 7	68.7	70.9	68.2	68.6	72.0	70 0	72 6	69.9	70.4	73.6	71 7
Supply												
OECD	16.8	17.6	18.1	17.7	17.7	18.3	18.0	18.3	18.4	18.7	19 7	18.8
FSU	7.9	7.2	7 1	7 2	7.1	7.2	7.2	7 2	7 2	7.2	7.3	7.2
Other[a]	15 8	16 2	17.0	16.8	17.3	17.0	17 0	17 6	17.9	18.1	18 2	18 0
OPEC[b]	26.9	27.4	27.5	27.6	28.0	28.1	27.8	28.6	28.6	28.6	28 6	28 6
Total	67.4	68.4	69.7	69 3	70.1	70.6	70.0	71.7	72.1	72.6	73.8	72.6
Stock change and miscellaneous												
OECD	0.2	0.2	-1.3	0.7	0.5	-1.4	-0.4	-1.2				
Floating/transit	0.1	-0.1	-0.3	0.1	0 5	0.3	0.1	-0.2				
Other/miscellaneous	-0.5	-0.3	0.3	0.4	0.5	-0.3	0.2	0.5				
Total	-0.3	-0.2	-1.2	1.1	1.5	-1.4	0.0	-0.9				

Note Includes natural gas liquids (NGLs), nonconventional, and other supply sources.
a. Includes processing gains (1 5 mb/d in 1995)
b. Includes NGLs (2.4 mb/d in 1995).
Source: IEA, World Bank

Fertilizer prices were mixed, with some signs of weakness following last year's high prices.

FERTILIZERS

PRICES STRONG, BUT NO LONGER RISING

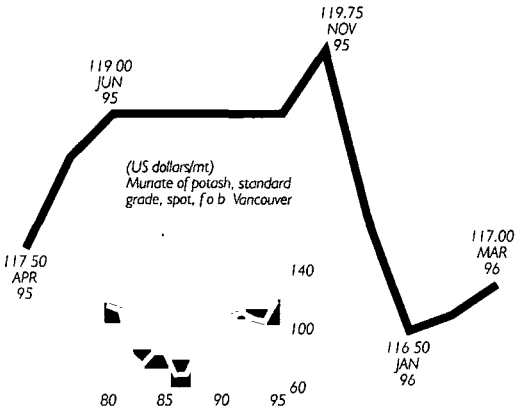
Fertilizer prices held at near their recent high levels on expectations of strong demand for the spring crop planting in the northern hemisphere. However, some signs of a weakening of prices began to emerge, suggesting that prices may well have peaked for the year.

The increase in grain prices is expected to lead to greater area planted and higher fertilizer application rates per hectare. In the US maize crop plantings are expected to reach 80 million acres, up from 71 million acres last year. This should stimulate this increase in maize crop plantings demand since maize is a major fertilizer user. Russia is also expected to expand fertilizer use this year following last year's low application rates and poor crop.

Industry experts expect nitrogen and phosphate prices to remain high until 1997, although this optimism is also leading to expansion plans. If the plans are realized, this prediction may become self-defeating. Nitrogen projects are planned or under development in several countries, including a very large joint venture between companies from India and Oman for a 1.5 million ton a year urea plant. Other projects are being considered in Argentina, Myanmar, and Vietnam, according to industry sources. Phosphate projects have been slower to develop, and no major new projects are planned at this time.

The success of these new projects and the future of fertilizer prices are closely linked to grain prices. World grain production accounts for roughly half of world crop land use and for a large share of fertilizer use. Both rice and maize are large users of fertilizer, and grain prices have increased sharply during the past two years. Grain prices appear to be nearing a peak, but they should remain high for the balance of the planting season, which should keep demand for fertilizers high.

POTASSIUM CHLORIDE

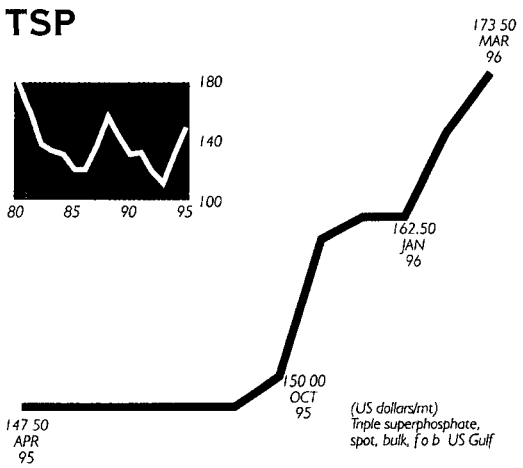


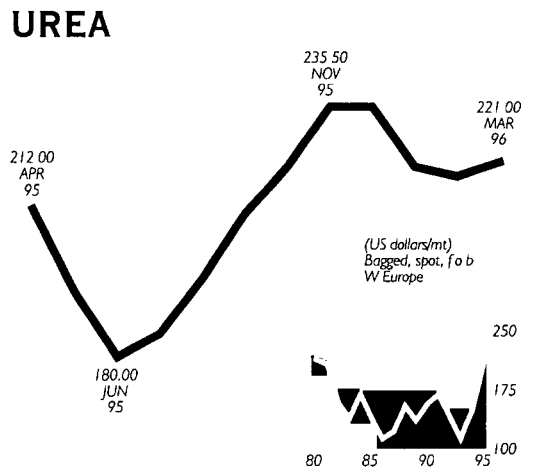
PRICES DECLINE FROM RECENT HIGHS

Potassium chloride prices were slightly lower during the quarter, averaging $116.7/ton for standard grade spot, f.o.b. Vancouver. This compares with $118.9/ton during the fourth quarter and $117.8 for all of 1995. Price prospects for the year appear to be weaker than previously thought, with negotiations under way between major exporters and importers and no agreement in sight.

The proposal by the Canadian potash export association, Canpotex, for a $7/ton increase to contract buyers in Japan has been rejected. Negotiations are expected to be protracted because Canpotex is determined to increase prices despite recent market weakness. Negotiations in Asia recently settled on lower prices, and Russian exports are available in the market at a $10/ton discount to the Canadian price. Last year Canpotex was able to achieve a $6.50/ton increase and to conclude negotiations by February. However, the Canadian exporters were unable to secure a price increase for shipments during the second half of 1995. But with high grain prices and expanded world area planted to grains, prices could still rise to meet their demands.

There is excess capacity in the industry, most of it in Canada and the countries of the former Soviet Union. While many of the smaller Canadian and Middle Eastern producers operate near full capacity, the large Canadian producers are well below capacity, and this makes negotiating price increases difficult.





Demand remains strong, prices high

TSP prices continued upward, rising from an average of $157.70/ton during the fourth quarter to $168.40/ton this quarter. Export demand continues strong, and suppliers have little reason to reduce prices. DAP prices showed some weakness from the fourth quarter as quarterly prices declined from $243.90/ton to $231.70 in the first quarter.

China imported record levels of fertilizer in 1995. Its urea imports totaled 6 million tons, DAP/MAP imports 5 million tons, and potash imports 3.5 million tons. Expecting continued large imports in 1996, China has issued import licenses for the first half of 1996 at levels comparable to those in 1995. China introduced a 3% import tax on fertilizer, effective January 1, 1996, with the tax expected to be paid by end-users. Domestic production rose 12.9% in 1995, according to government officials, to a record 114 million tons. Urea production reached 8.1 million tons, and other nitrogen production was 10.4 million tons. Phosphate reached 4.6 million tons, while potash output was only 122,000 tons. The US phosphate export association PhosChem signed an annual contract with Sinochem to supply DAP in approximately equal monthly shipments throughout 1996 at levels believed to be near those of 1995.

Philphos, the Philippine Phosphate Fertilizer Corporation, produced more than 1 million tons of fertilizers for the first time in 1995, up 25% from 1994. Two-thirds of the increase went to the export market.

Prices show weakness

Urea prices held near $220/ton f.o.b. West Europe during the first quarter, down slightly from the fourth quarter. Demand has not been strong enough from China, India, and the US to keep prices moving higher, and some weakness in prices is expected to continue. Importers have taken a wait-and-see attitude. Large US plantings of maize are expected to support prices through late spring.

Imports from India were halted by a government refusal to authorize payments for additional urea imports pending new funding from parliament. The government has now issued import targets of 925,000 tons of urea for April–June, and tenders are expected to be issued for this amount.

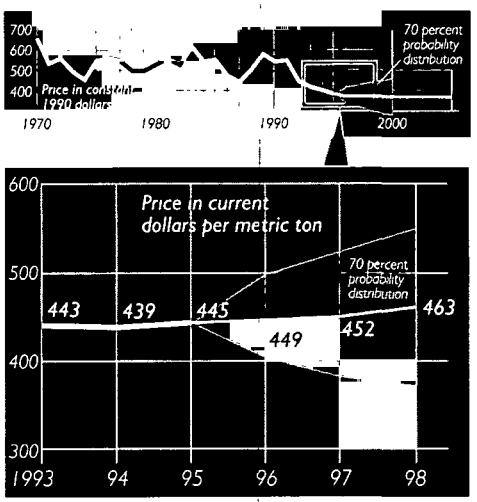
China has continued to import, though it may also wait for lower prices now that India is absent from the market. Russia has increased its budget for agriculture in the wake of last year's poor harvest of 65 million tons. Part of these funds will be used for increased credits for fertilizers.

Vietnam is the third largest importer of urea fertilizers after China and India, with imports of 1.3 million tons in 1995. Annual domestic production capacity is just 54,000 tons of ammonia and 100,000 tons of urea. Demand for urea is expected to remain strong in Vietnam, a major rice exporter, since rice requires large applications of urea. Import quotas of 1.4 million tons have been issued for 1996.

FOODS

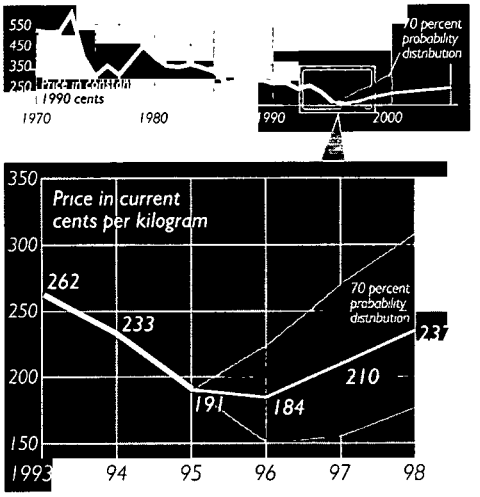
BANANAS

Real price trend relatively stable



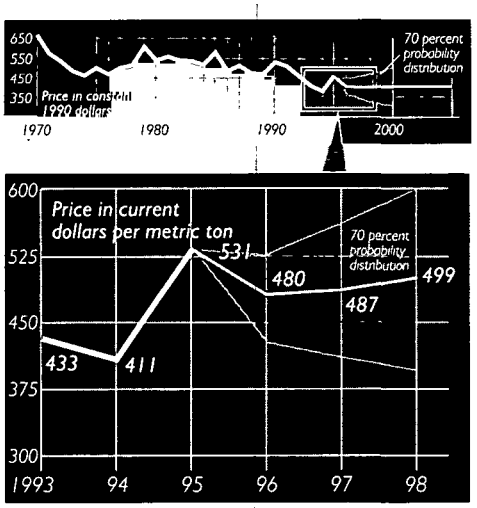
BEEF

Lower prices projected in 1996



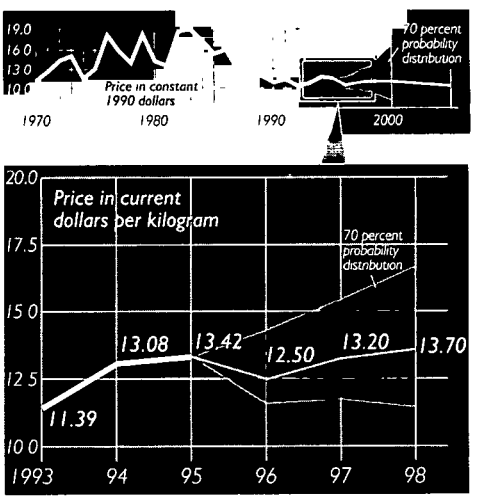
CITRUS (ORANGES)

Real orange prices stable



SHRIMP

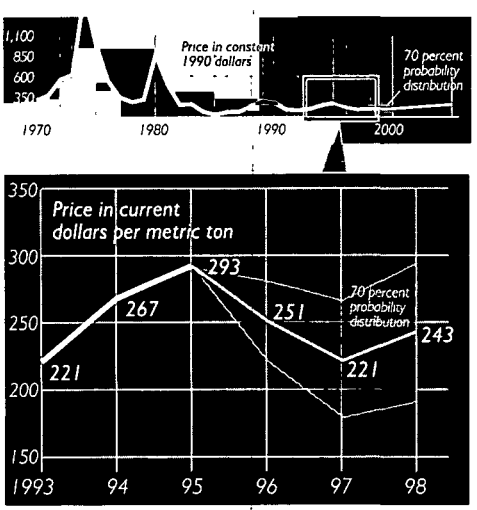
Prices stagnant during the first quarter



BEVERAGES

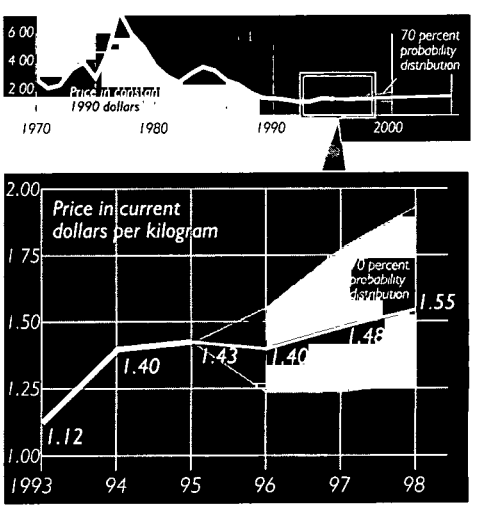
SUGAR

Prices continue to slide



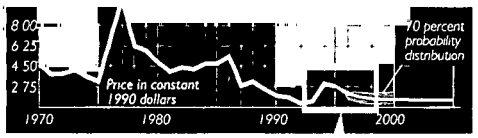
COCOA

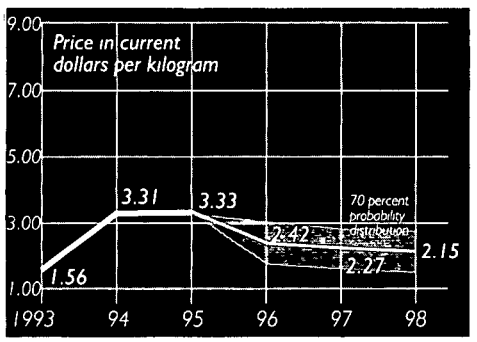
Record African production puts a lid on prices



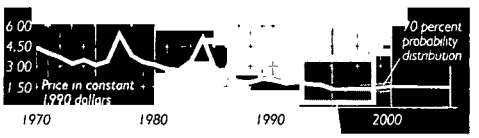
FATS AND OILS

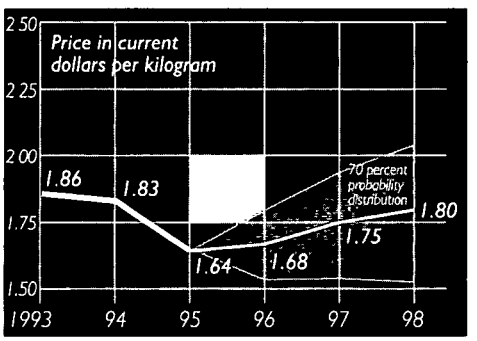
COFFEE
Prices expected to continue recent decline for another year or so



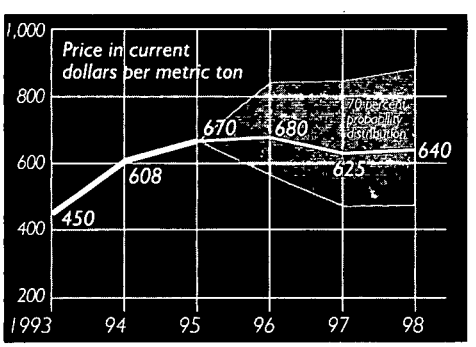


TEA
Long-term decline might be over

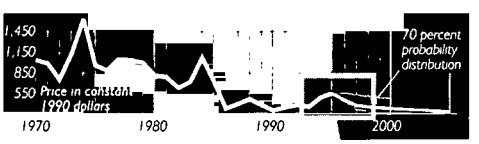


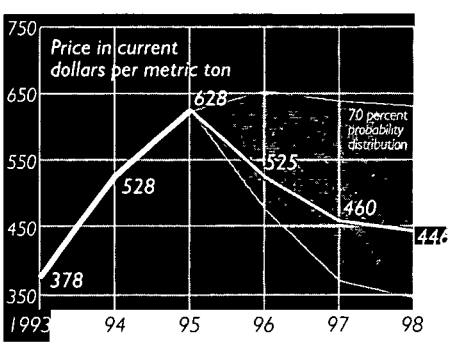


COCONUT OIL
Prices to remain high in 1996



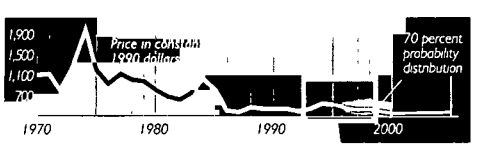
PALM OIL
Supply expansion lowers prices

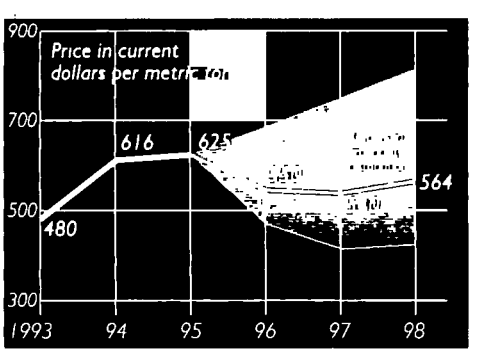




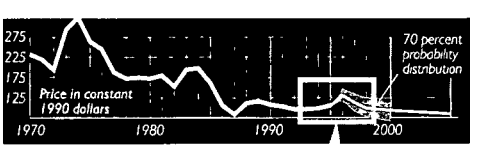
GRAINS

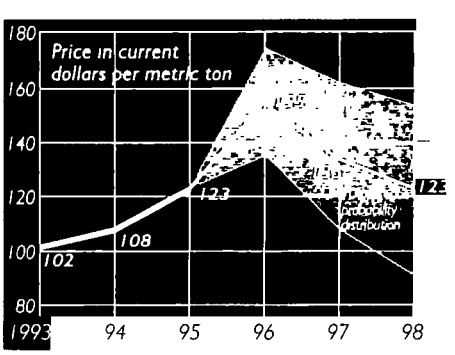
SOYBEAN OIL
High soybean and oilmeal prices likely





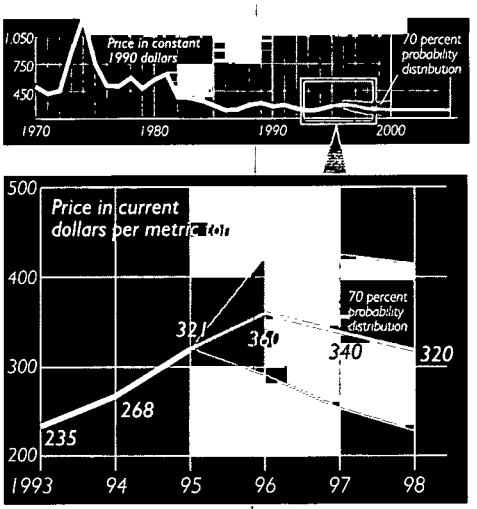
MAIZE
Prices surge



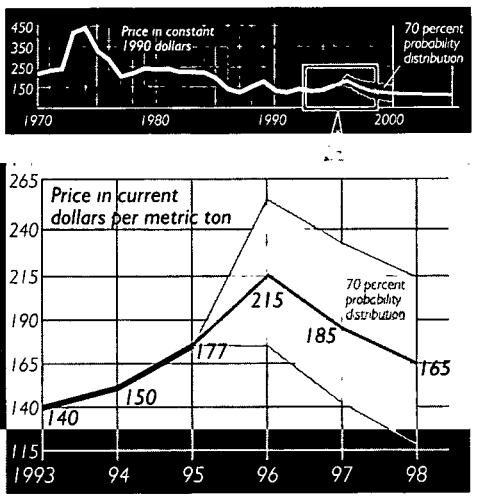


AGRICULTURAL RAW MATERIALS

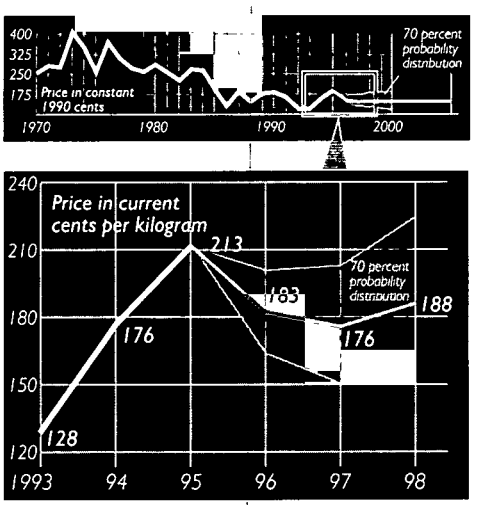
RICE
Large exports hold down prices



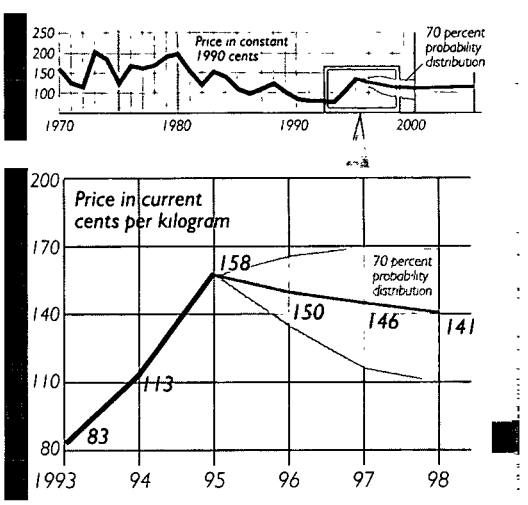
WHEAT
Record high prices



COTTON
Real price trend reflects stock position

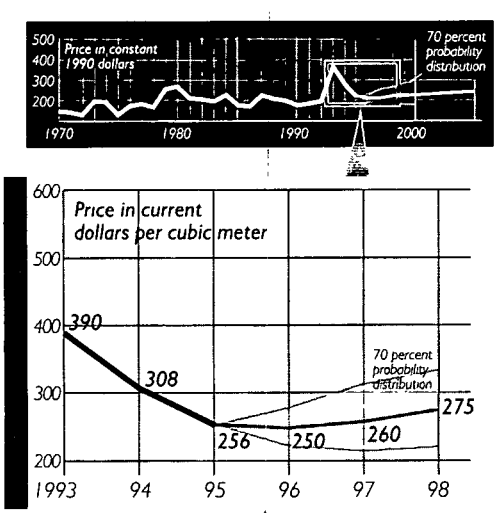


RUBBER
Prices flat to falling

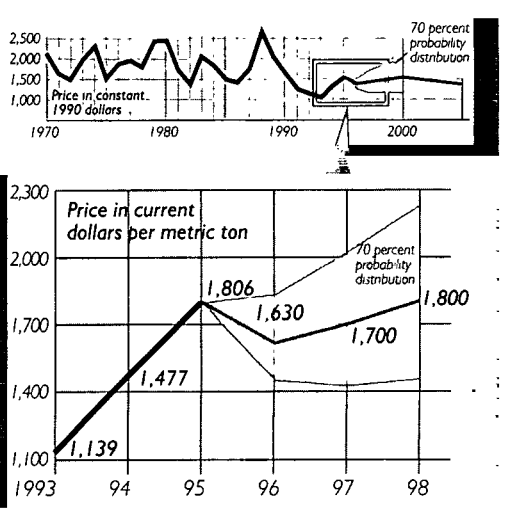


METALS AND MINERALS

TIMBER (MERANTI LOGS)
Prices in Japan increase due to recovery in demand

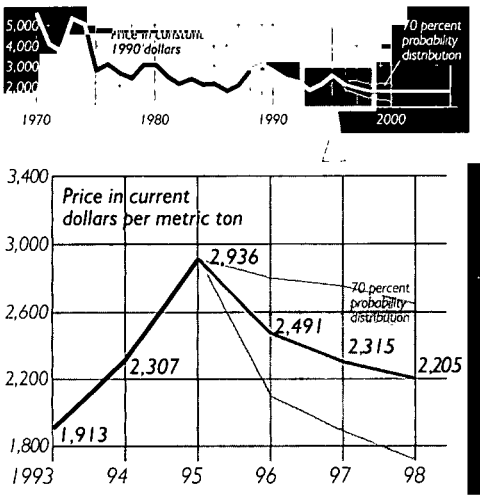


ALUMINUM
Lower prices due to weak demand



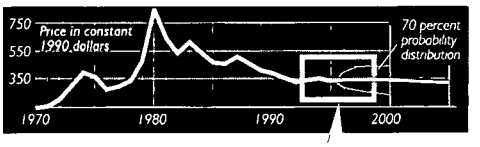
COPPER

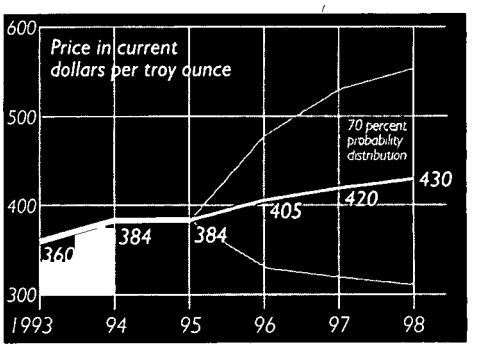
Prices continue to slide



GOLD

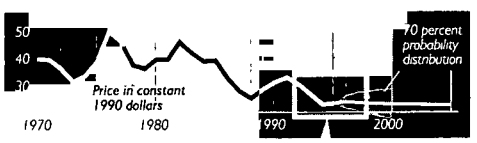
Prices stall at $400/troy ounce

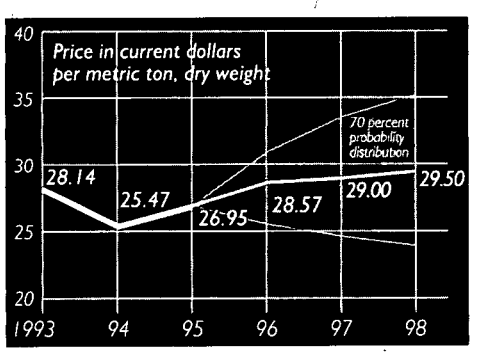




IRON ORE

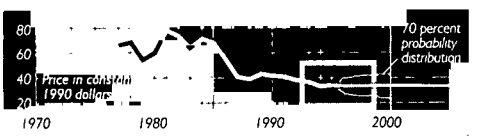
Prices expected to rise in 1996

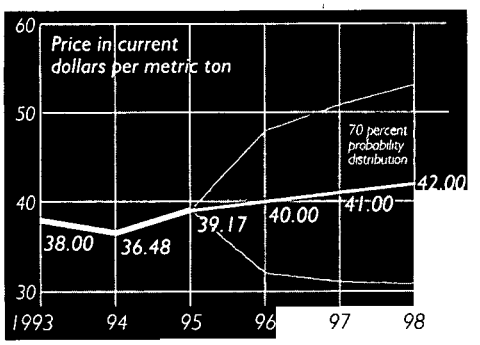




COAL

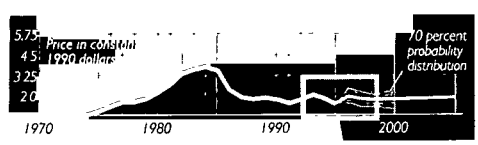
Long-term prices to remain flat

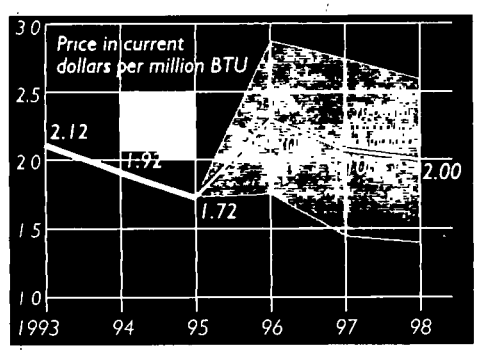




NATURAL GAS (US)

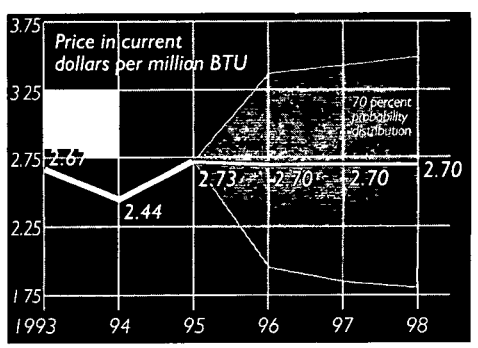
Storage reinjection to keep prices firm





NATURAL GAS (EUROPE)

More competition over the longer term

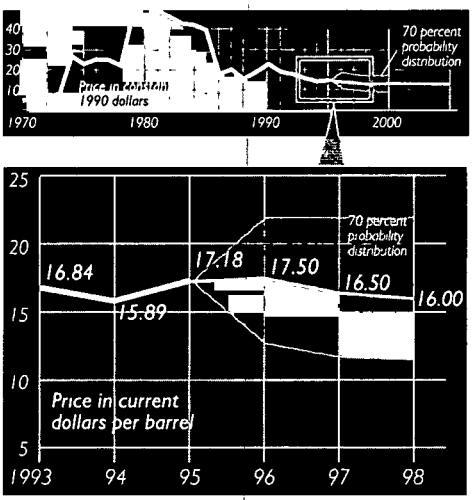


ENERGY

FERTILIZERS

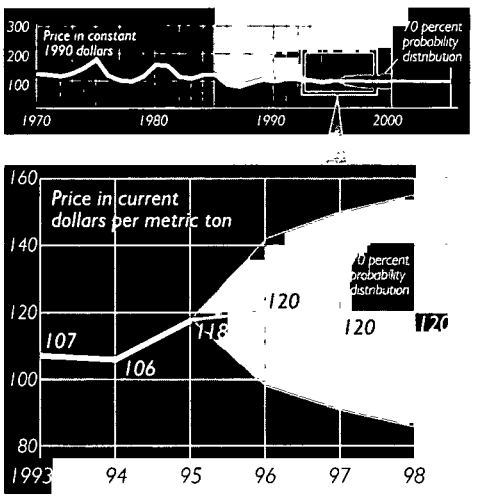
PETROLEUM

Long-term prices unaffected by recent price surge



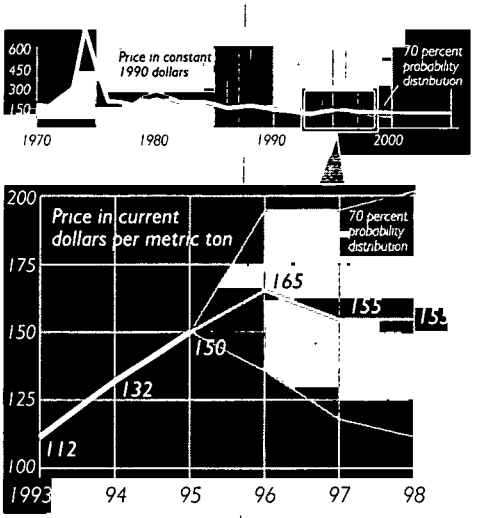
POTASSIUM CHLORIDE

Prices steady



TSP

Higher prices likely



UREA

Prices showing weakness

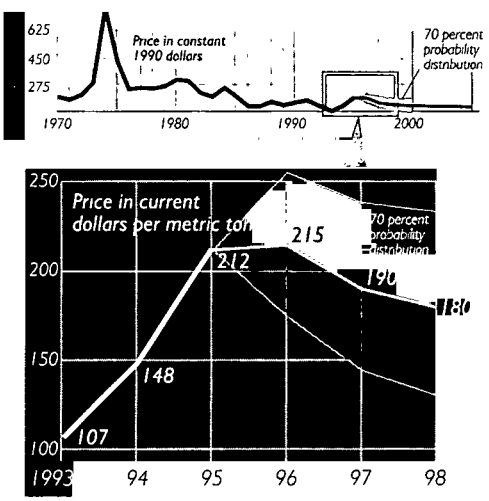


TABLE A1. COMMODITY PRICES AND PRICE PROJECTIONS IN CONSTANT 1990 DOLLARS

		Actual								Short-term projections			Long-term projections	
Commodity	Unit	1970	1980	1985	1990	1992	1993	1994	1995	1996	1997	1998	2000	2005
Energy														
Petroleum	$/bbl	4.82	51.23	39.62	22.88	17.84	15.84	14.42	14.92	14.71	13.55	12.80	12.94	12 83
Coal	$/mt		59.89	67.93	41.80	38.07	35.74	33.10	34 03	33.62	33.66	33.61	33 49	33 10
Natural gas, US	$/mmbtu	0.68	2.15	3.57	1 70	1 66	1.99	1.74	1.49	1.93	1.72	1 60	1.67	1 82
Natural gas, Europe	$/mmbtu	..	4.72	5.39	2.55	2 40	2.51	2.21	2.37	2 27	2 22	2.16	2.05	1.96
Food														
Coffee (other milds)	¢/kg	457	482	471	197	132	147	300	289	203	186	172	167	162
Coffee (robusta)	¢/kg	364	451	386	118	88	109	238	241	166	148	136	133	130
Cocoa	¢/kg	269	362	329	127	103	105	127	124	118	122	124	129	135
Tea	¢/kg	437	310	289	203	188	175	166	143	141	144	144	152	149
Sugar	$/mt	323	878	130	277	187	208	242	254	211	181	194	207	238
Beef	¢/kg	520	384	314	256	230	246	212	166	155	172	190	205	243
Shrimp	¢/kg	1,108	1,421	1,529	1,079	1,027	1,071	1,187	1,165	1,051	1,084	1,096	1,097	1,040
Bananas	$/mt	659	527	551	541	444	417	399	387	377	371	371	370	369
Oranges	$/mt	670	543	581	531	459	407	373	462	403	400	399	406	406
Rice	$/mt	504	571	287	271	251	221	243	279	303	279	256	244	235
Wheat	$/mt	219	240	198	136	142	132	136	154	181	152	132	114	108
Maize	$/mt	233	174	164	109	98	96	98	107	130	111	98	92	84
Grain sorghum	$/mt	207	179	150	104	96	93	94	103	126	108	95	90	82
Fats and oils														
Palm oil	$/mt	1,037	811	730	290	369	355	480	546	441	378	357	321	281
Coconut oil	$/mt	1,584	936	860	337	542	424	551	582	572	513	512	563	484
Groundnut oil	$/mt	1,510	1,194	1,319	964	572	695	928	861	786	706	624	587	445
Soybean oil	$/mt	1,142	829	834	447	402	452	559	543	462	443	451	381	396
Soybeans	$/mt	466	412	327	247	221	240	229	225	252	242	215	232	245
Copra	$/mt	897	629	563	231	357	278	379	381	286	271	315	419	340
Groundnut meal	$/mt	407	334	208	185	146	158	153	147	151	147	138	167	185
Soybean meal	$/mt	411	364	229	209	192	196	175	171	209	193	181	196	222
Nonfood agriculture														
Cotton	¢/kg	252	284	192	182	120	120	160	185	154	145	150	150	150
Jute	$/mt	1,092	428	850	408	300	257	271	320	378	328	285	280	275
Rubber	¢/kg	162	198	111	86	81	78	102	137	126	119	113	110	117
Tobacco	$/mt	4,290	3,162	3,807	3,392	3,226	2,535	2,395	2,293	2,227	2,176	2,141	2,080	1,947
Timber														
Logs (meranti)	$/m³	148	272	177	177	196	367	279	222	210	213	220	228	243
Logs (sapelli)	$/m³	171	350	253	344	311	292	300	295	244	255	268	285	304
Sawnwood	$/m³	699	551	448	533	569	713	745	643	618	616	632	647	675
Metals and minerals														
Copper	$/mt	5,634	3,032	2,066	2,662	2,139	1,799	2,094	2,550	2,094	1,901	1,764	1,742	1,742
Tin	¢/kg	1,465	2,331	1,682	609	572	528	496	540	528	516	503	503	570
Nickel	$/mt	11,348	9,058	7,142	8,864	6,566	4,979	5,753	7,147	6,558	6,404	6,322	6,164	6,173
Aluminum	$/mt	2,153	2,466	1,517	1,639	1,176	1,071	1,340	1,568	1,370	1,396	1,440	1,522	1,351
Lead	$/mt	1,212	1,259	570	811	508	382	497	548	626	554	532	514	462
Zinc	$/mt	1,176	1,057	1,141	1,513	1,163	905	905	896	895	878	872	856	848
Iron ore	$/mt	39.23	39 03	38.72	30.80	29 65	26.47	23 11	23.41	24 01	23.81	23 61	23.21	22.25
Gold	$/toz	143	845	463	384	322	338	348	334	340	345	344	339	317
Silver	¢/toz	706	2,867	895	482	369	404	480	451	454	460	459	440	405
Fertilizers														
Phosphate rock	$/mt	44	65	49	41	39	31	30	30	33	33	32	31	30
Urea	$/mt	193	309	199	157	132	100	134	184	181	156	144	132	126
TSP	$/mt	169	251	177	132	113	105	120	130	139	127	124	116	107
DAP	$/mt	215	309	246	171	136	121	157	188	189	172	168	151	141
Potassium chloride[a]	$/mt	126	161	122	98	105	101	96	102	101	99	96	97	91

.. Not available.

Note Computed from unrounded data and deflated by MUV (1990=100). Forecast as of April 19, 1996

a. Also known as muriate of potash.

Source World Bank, International Economics Department, Commodity Policy and Analysis Unit

TABLE A2. COMMODITY PRICES AND PRICE PROJECTIONS IN CURRENT DOLLARS

		Actual								Short-term projections			Long-term projections	
Commodity	*Unit*	*1970*	*1980*	*1985*	*1990*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*	*2000*	*2005*
Energy														
Petroleum	$/bbl	1 21	36.87	27.18	22.88	19.02	16.84	15.89	17.18	17.50	16.50	16.00	17 00	19.00
Coal	$/mt	.	43.10	46.60	41.80	40.60	38.00	36 48	39.17	40.00	41.00	42.00	44 00	49 00
Natural gas, US	$/mmbtu	0 17	1.55	2.45	1.70	1.77	2.12	1 92	1.72	2.30	2.10	2.00	2 20	2 70
Natural gas, Europe	$/mmbtu	..	3.40	3.70	2 55	2.56	2.67	2.44	2.73	2.70	2 70	2.70	2 70	2 90
Food														
Coffee (other milds)	¢/kg	115	347	323	197	141	156	331	333	242	227	215	220	240
Coffee (robusta)	¢/kg	91	324	265	118	94	116	262	277	198	180	170	175	193
Cocoa	¢/kg	68	260	225	127	110	112	140	143	140	148	155	170	200
Tea	¢/kg	110	223	198	203	200	186	183	164	168	175	180	200	220
Sugar	$/mt	81	632	90	277	200	221	267	293	251	221	243	272	353
Beef	¢/kg	130	276	215	256	246	262	233	191	184	210	237	269	359
Shrimp	¢/kg	278	1,023	1,049	1,079	1,095	1,139	1,308	1,342	1,250	1,320	1,370	1,441	1,539
Bananas	$/mt	165	379	378	541	473	443	439	445	449	452	463	486	546
Oranges	$/mt	168	391	398	531	489	433	411	531	480	487	499	533	601
Rice	$/mt	126	411	197	271	268	235	268	321	360	340	320	320	348
Wheat	$/mt	55	173	136	136	151	140	150	177	215	185	165	150	160
Maize	$/mt	58	125	112	109	104	102	108	123	155	135	123	121	125
Grain sorghum	$/mt	52	129	103	104	103	99	104	119	150	131	119	118	122
Fats and oils														
Palm oil	$/mt	260	584	501	290	394	378	528	628	525	460	446	422	416
Coconut oil	$/mt	397	674	590	337	578	450	608	670	680	625	640	740	716
Groundnut oil	$/mt	379	859	905	964	610	739	1,023	991	935	860	780	771	659
Soybean oil	$/mt	286	597	572	447	429	480	616	625	550	540	564	500	586
Soybeans	$/mt	117	296	224	247	236	255	252	259	300	295	269	305	363
Copra	$/mt	225	453	386	231	380	295	417	439	340	330	394	550	504
Groundnut meal	$/mt	102	240	143	185	156	168	168	169	180	179	173	219	274
Soybean meal	$/mt	103	262	157	209	204	208	192	197	249	235	226	257	328
Nonfood agriculture														
Cotton	¢/kg	63	205	132	182	128	128	176	213	183	176	188	197	222
Jute	$/mt	274	308	583	408	320	273	298	368	450	400	356	368	407
Rubber	¢/kg	41	142	76	86	86	83	113	158	150	146	141	145	173
Tobacco	$/mt	1,076	2,276	2,612	3,392	3,440	2,695	2,639	2,639	2,650	2,650	2,675	2,733	2,883
Timber														
Logs (meranti)	$/m^3	37	196	122	177	210	390	308	256	250	260	275	300	360
Logs (sapelli)	$/m^3	43	252	174	344	331	310	330	340	290	310	335	375	450
Sawnwood	$/m^3	175	396	307	533	607	758	821	740	735	750	790	850	1,000
Metals and minerals														
Copper	$/mt	1,413	2,182	1,417	2,662	2,281	1,913	2,307	2,936	2,491	2,315	2,205	2,289	2,579
Tin	¢/kg	367	1,677	1,154	609	610	561	546	621	628	628	628	661	844
Nickel	$/mt	2,846	6,519	4,899	8,864	7,001	5,293	6,340	8,228	7,802	7,800	7,900	8,100	9,138
Aluminum	$/mt	540	1,775	1,041	1,639	1,254	1,139	1,477	1,806	1,630	1,700	1,800	2,000	2,000
Lead	$/mt	304	906	391	811	541	406	548	631	745	675	665	675	684
Zinc	$/mt	295	761	783	1,513	1,240	962	998	1,031	1,065	1,070	1,090	1,125	1,255
Iron ore	$/mt	9.84	28.09	26.56	30.80	31 62	28.14	25.47	26.95	28.57	29.00	29.50	30.50	32 94
Gold	$/toz	36	608	318	384	344	360	384	384	405	420	430	445	470
Silver	¢/toz	177	2,064	614	482	394	430	528	519	540	560	573	578	600
Fertilizers														
Phosphate rock	$/mt	11	47	34	41	42	33	33	35	39	40	40	41	44
Urea	$/mt	48	222	136	157	140	107	148	212	215	190	180	174	187
TSP	$/mt	43	180	121	132	121	112	132	150	165	155	155	153	158
DAP	$/mt	54	222	169	171	145	129	173	217	225	210	210	198	209
Potassium chloride[a]	$/mt	32	116	84	98	112	107	106	118	120	120	120	127	135

.. Not available.

Note Computed from unrounded data. Forecast as of Apnl 19, 1996

a Also known as muriate of potash.

Source World Bank, International Economics Department, Commodity Policy and Analysis Unit

TABLE A3. WEIGHTED INDEX OF COMMODITY PRICES IN CURRENT DOLLARS AND IN CONSTANT 1990 DOLLARS

1990=100

			Agriculture									
				Food					Raw materials			
Year	Petroleum	Nonfuel commodities (100 0)	Total (69 1)[a]	Total (29.4)[a]	Grains (6.9)[a]	Fats and oils (10.1)[a]	Other (12.4)[a]	Beverages (16 9)[a]	Total (22 8)[a]	Timber (9.3)[a]	Metals and minerals (28.1)[a]	Fertilizers (2.7)[a]
						Current dollars						
1980	161 1	126.3	138.9	139.2	134 3	148 6	134.3	185.1	104.3	79 0	95.1	128.9
1985	118.8	91.7	100 5	86.3	89.2	113.0	62 9	165 3	70.8	59.1	70.2	89 0
1990	100.0	100 0	100.0	100.0	100.0	100 0	100.0	100.0	100.0	100 0	100.0	100.0
1991	84.7	95.5	97.9	99.2	101.7	104.5	93.3	93.8	99.1	104.2	88.9	102.4
1992	83 1	92.1	94.4	100.0	101.7	111.7	89.5	79 4	98.3	114.5	86.1	95 8
1993	73.6	91.6	99.1	98 6	93.6	111.5	90 7	84 9	110.3	152.4	74 0	83 7
1994	69.4	111.9	123 7	106 8	102.1	126 0	93.8	150.4	125 8	156 6	84.6	93.4
1995	75 1	122.3	131.5	116 9	120.3	136 6	98 8	152.0	135 2	139 5	101.6	103 6
1996	76 5	114.8	123 2	121 1	143.0	141 1	92 4	119.7	128 5	138.3	94.1	114 6
1997	72.1	111 4	118 8	113.5	128 2	131 4	90.5	115 9	127.8	141.5	93 3	110.7
1998	69.9	111.4	118 5	111 3	117.6	126 9	94 9	113.4	131 5	149.1	94.1	110 7
2000	74 3	116.9	124 2	115 8	114.0	135 0	101 1	119.2	138 7	160.7	99.8	110 6
2005	83.0	131.6	141 8	131.7	121.5	154 5	118 8	133.0	161.5	189 6	107.9	115 8
						Constant 1990 dollars						
1980	223 8	175.4	192 9	193 4	186.5	206.4	186 5	257 2	144 9	109.7	132 1	179 0
1985	173 2	133.6	146 5	125.9	130.0	164 8	91.7	241.0	103 3	86.1	102.3	129 8
1990	100.0	100.0	100 0	100.0	100.0	100 0	100.0	100.0	100 0	100.0	100.0	100 0
1991	82.8	93.4	95.7	97 0	99.5	102.2	91.3	91.8	97 0	102.0	87.0	100 2
1992	78 0	86.4	88.6	93.8	95.4	104.8	84.0	74.5	92 2	107.4	80.8	89 9
1993	69.3	86.2	93 2	92.7	88.1	104 9	85.3	79.9	103.7	143.3	69 6	78.7
1994	63.0	101.6	112.3	97.0	92.6	114 3	85.2	136.5	114 2	142.1	76 8	84 7
1995	65.2	106.3	114 3	101.6	104 6	118.7	85.9	132 0	117.5	121 2	88.3	90 0
1996	64 3	96.5	103.5	101 8	120.2	118 6	77 6	100.6	108 0	116.2	79 1	96.3
1997	59.2	91 5	97.5	93.1	105 2	107.9	74.3	95.2	104 9	116 2	76.6	90 9
1998	55.9	89 1	94.8	89.0	94.1	101.5	75 9	90.7	105.2	119 3	75.2	88 6
2000	56 5	89.0	94 5	88.1	86 7	102.7	76.9	90 7	105.6	122 3	75.9	84 2
2005	56.1	88 8	95.8	88 9	82.0	104.3	80 2	89.8	109.0	128 0	72.9	78 2

Note: Figures for 1996–2005 are projections. Weights used are the average 1987–89 export values for low- and middle-income economies. Forecast as of April 19, 1996.

a. Percentage share of commodity group in nonfuel index.

Source: World Bank, International Economics Department, Commodity Policy and Analysis Unit.

TABLE A4. INFLATION INDICES FOR SELECTED YEARS

	G-5 MUV index[a]		US GDP deflator		G-5 GDP/GNP deflator[b]		G-7 CPI[c]	
Year	1990=100	% change	1990=100	% change	1990=100	% change	1990=100	% change
1980	71.98		64 54		63.99		63 13	
1985	68.61	-0.95	83 77	5.66	67.57	1.09	64.96	0.57
1990	100.00	7 83	100.00	3 61	100.00	8 16	100.00	9 01
1991	102.23	2 23	103 95	3.95	104.73	4 73	104 62	4.62
1992	106.64	4 31	106.84	2.78	111.04	6 03	110 11	5.24
1993	106 33	-0.29	109 62	2.60	115.01	3.58	110 09	-0.01
1994	110 21	3.65	112.18	2.34	117 49	2.15	112 51	2.20
1995	115.13	4.47	114.85	2 38	119.60	1.79	114 74	1.98
1996	118.99	3 35	117.61	2.40	121.92	1 94	117.24	2.18
1997	121.82	2.38	121.13	3 00	125.09	2.60	120 21	2.53
1998	124 98	2.59	124.53	2.80	128 36	2.62	123.51	2.75
2000	131.41	2.54	131.21	2.65	135.06	2.58	130.24	2 69
2005	148.06	2.41	153.74	3.22	155 53	2.86	147.94	2.58

Note: Figures for 1995–2005 are projections. Forecast as of April 26, 1996. Growth rates for years 1985, 1990, 2000, and 2005 are compound annual rates of change between adjacent end-point years, all others are annual growth rates from the previous year.

a. Unit value index in US dollar terms of manufactures exported from the G-5 countries (France, Germany, Japan, the UK, and the US), weighted proportionally to the countries' exports to the developing countries.

b. Aggregate index of GDP/GNP deflators in US dollar terms for the G-5 countries, using SDR-based moving weights.

c. Aggregate consumer price index in US dollar terms for the G-7 countries (Canada, France, Germany, Italy, Japan, the UK, and the US), weighted by the countries' 1988–90 average GDP/GNP in current US dollars.

Source: G-5 MUV index, G-5 GDP/GNP deflator, and G-7 CPI: World Bank. US GDP deflator: US Department of Commerce.

TABLE A5. COMMODITY PRICE PROBABILITY DISTRIBUTIONS IN CONSTANT 1990 DOLLARS

		70% probability distribution			
Commodity	*Unit*	*1996*	*1997*	*1998*	*2000*
Energy					
Petroleum	$/bbl	10.72–18.49	9.77–18.06	9.20–17 60	8.60–17.50
Coal	$/mt	26.89–40.34	25.45–41.87	24.68–42 53	23 25–43.72
Natural gas, US	$/mmbtu	1.47–2.40	1.19–2.26	1 12–2.08	1.07–2.28
Natural gas, Europe	$/mmbtu	1 64–2.83	1.52–2 81	1.44–2.80	1.29–2.79
Food					
Coffee (other milds)	¢/kg	161–255	142–239	126–230	110–240
Coffee (robusta)	¢/kg	131–208	112–189	99–182	88–190
Cocoa	¢/kg	104–131	101–145	101–153	98–171
Tea	¢/kg	130–154	128–158	122–164	126–178
Sugar (world)	$/mt	186–237	148–217	151–235	149–259
Beef	¢/kg	126–188	127–222	142–246	143–307
Shrimp	¢/kg	987–1,177	975–1,279	936–1,336	801–1,700
Bananas	$/mt	340–415	315–427	296–445	278–462
Oranges	$/mt	363–444	340–460	319–479	304–507
Rice	$/mt	248–357	212–352	184–333	158–353
Wheat	$/mt	148–213	115–191	95–172	74–158
Maize	$/mt	115–146	89–133	75–124	64–124
Grain sorghum	$/mt	111–142	86–129	73–120	63–121
Fats and oils					
Palm oil	$/mt	399–550	304–525	277–509	224–482
Coconut oil	$/mt	483–714	398–702	392–712	394–845
Groundnut oil	$/mt	681–954	591–973	504–904	410–880
Soybean oil	$/mt	395–580	341–616	339–651	266–571
Soybeans	$/mt	212–319	189–324	159–311	163–349
Copra	$/mt	234–395	205–402	247–463	293–670
Groundnut meal	$/mt	124–193	110–204	98–202	116–250
Soybean meal	$/mt	180–260	152–259	137–253	137–293
Nonfood agriculture					
Cotton	¢/kg	139–169	123–167	120–180	113–187
Jute	$/mt	340–416	279–378	228–342	210–350
Rubber	¢/kg	113–139	96–140	88–135	79–133
Tobacco	$/mt	2,004–2,450	1,849–2,501	1,712–2,568	1,560–2,599
Timber					
Logs (meranti)	$/m^3	187–235	178–256	178–271	173–302
Logs (sapelli)	$/m^3	216–271	213–305	217–331	216–378
Sawnwood	$/m^3	550–690	514–737	512–780	489–856
Metals and minerals					
Copper	$/mt	1,780–2,366	1,558–2,280	1376–2,135	1,254–2,177
Tin	¢/kg	475–581	438–593	407–598	377–629
Nickel	$/mt	5,901–7,213	5,442–7,363	5,120–7,522	4,623–7,705
Aluminum	$/mt	1,220–1,529	1,166–1,671	1,167–1,777	1,150–2,014
Lead	$/mt	563–689	471–637	431–633	385–642
Zinc	$/mt	806–985	747–1,010	706–1,038	642–1,070
Iron ore	$/mt	21.60–26.47	20.28–27.42	19.12–28.08	17 43–28.99
Gold	$/toz	279–402	262–434	248–444	232–445
Silver	¢/toz	372–536	349–579	330–591	293–586
Fertilizers					
Phosphate rock	$/mt	27–39	25–41	23–42	20–44
Urea	$/mt	148–213	119–197	104–187	86–185
TSP	$/mt	114–164	97–160	89–161	76–163
DAP	$/mt	155–223	131–217	121–218	98–211
Potassium chloride[a]	$/mt	83–119	75–124	69–125	63–133

Note Forecast as of April 19, 1996.
a. Also known as muriate of potash
Source World Bank, International Economics Department, Commodity Policy and Analysis Unit.

TABLE A6. COMMODITY PRICE PROBABILITY DISTRIBUTIONS IN CURRENT DOLLARS

		70% probability distribution			
Commodity	*Unit*	*1996*	*1997*	*1998*	*2000*
Energy					
Petroleum	$/bbl	12.75–22.00	11 90–22 00	11.50–22.00	11.30–23.00
Coal	$/mt	32.00–48 00	31.00–51.00	30.85–53.15	30.55–57 45
Natural gas, US	$/mmbtu	1 75–2 85	1.45–2.75	1.40–2.60	1 40–3 00
Natural gas, Europe	$/mmbtu	1.95–3.37	1.85–3.42	1.80–3.50	1.70–3 66
Food					
Coffee (other milds)	¢/kg	191–303	173–291	157–288	145–315
Coffee (robusta)	¢/kg	156–248	137–230	124–228	116–250
Cocoa	¢/kg	124–156	124–177	126–191	128–225
Tea	¢/kg	155–183	156–193	153–205	166–234
Sugar (world)	$/mt	221–282	181–265	189–293	196–340
Beef	¢/kg	150–224	155–270	177–307	188–403
Shrimp	¢/kg	1,175–1,400	1,188–1,558	1,170–1,670	1,052–2,234
Bananas	$/mt	404–494	384–520	370–556	365–607
Oranges	$/mt	432–528	414–560	399–599	400–666
Rice	$/mt	295–425	258–428	230–416	208–464
Wheat	$/mt	176–254	141–233	119–215	98–207
Maize	$/mt	136–174	108–162	93–155	85–163
Grain sorghum	$/mt	132–168	105–157	91–150	83–159
Fats and oils					
Palm oil	$/mt	475–655	370–640	346–636	295–633
Coconut oil	$/mt	575–850	485–855	490–890	518–1,110
Groundnut oil	$/mt	810–1,135	720–1,185	630–1,130	539–1,156
Soybean oil	$/mt	470–690	415–750	424–814	350–750
Soybeans	$/mt	252–380	230–395	199–389	214–458
Copra	$/mt	278–470	250–490	309–579	385–881
Groundnut meal	$/mt	148–230	134–249	123–253	153–328
Soybean meal	$/mt	214–309	185–315	171–316	180–385
Nonfood agriculture					
Cotton	¢/kg	165–201	150–203	150–225	148–246
Jute	$/mt	405–495	340–460	285–427	276–460
Rubber	¢/kg	135–165	116–170	110–169	104–175
Tobacco	$/mt	2,385–2,915	2,252–3,047	2,140–3,210	2,050–3,416
Timber					
Logs (meranti)	$/m^3	223–279	217–311	223–339	227–397
Logs (sapelli)	$/m^3	257–322	259–371	272–413	283–496
Sawnwood	$/m^3	655–821	626–898	640–975	642–1,125
Metals and minerals					
Copper	$/mt	2,118–2,815	1,898–2,778	1,720–2,668	1,648–2,861
Tin	¢/kg	565–691	534–722	509–747	496–826
Nickel	$/mt	7,022–8,582	6,630–8,970	6,399–9,401	6,075–10,125
Aluminum	$/mt	1,452–1,820	1,420–2,035	1,459–2,221	1,512–2,646
Lead	$/mt	671–820	574–776	539–791	506–844
Zinc	$/mt	959–1,172	910–1,231	883–1,297	844–1,406
Iron ore	$/mt	25 70–31.50	24.70–33.40	23 90–35.10	22 90–38.10
Gold	$/toz	332–478	319–529	310–555	305–585
Silver	¢/toz	443–637	426–706	413–739	385–770
Fertilizers					
Phosphate rock	$/mt	32–46	30–50	29–52	27–57
Urea	$/mt	176–254	144–239	130–234	113–244
TSP	$/mt	135–195	118–195	112–202	99–214
DAP	$/mt	185–266	160–265	151–273	129–277
Potassium chloride[a]	$/mt	98–142	91–151	86–156	83–175

Note Forecast as of April 19, 1996

a. Also known as muriate of potash.

Source World Bank, International Economics Department, Commodity Policy and Analysis Unit.

TABLE A7. RECENT COMMODITY PRICES

Commodity	Unit	Annual averages			Quarterly averages					Monthly averages		
		Jan–Dec 1994	Jan–Dec 1995	Jan–Mar 1996	Jan–Mar 1995	Apr–Jun 1995	Jul–Sep 1995	Oct–Dec 1995	Jan–Mar 1996	Jan 1996	Feb 1996	Mar 1996
Beverages												
Cocoa	¢/kg	139.6	143.2	135.3	148.8	144.8	139.1	140.3	135 3	134.9	137 0	133 9
Coffee												
Other milds	¢/kg	330.8	333 2	261.3	383 5	367.4	318 4	263 6	261.3	243 9	273.6	266.4
Robust[a]	¢/kg	262.0	277.1	204.2	303.0	304.6	268 2	232 5	204.2	198.4	213 6	200.5
Tea	¢/kg	183 2	164.3	173.6	167.7	159.4	153.0	177.0	173.6	175.2	176.8	168.7
Cereals												
Grain sorghum	$/mt	103 9	119 0	160.0	102 2	108.1	121.7	144.0	160.0	154 3	159 8	165.8
Maize	$/mt	107.6	123.5	168.6	107.8	113.7	128.0	144.5	168 6	156.1	164.8	184.9
Rice. Thailand												
5% BOT[a]	$/mt	357 2	327.7	373.5	283.2	298.8	347.9	380.8	373.5	378 0 b	372.5	370.0
5% Indicative	$/mt	267.6	321 0	365.6	281 2	299.5	348.3	354 9	365.6	369 2	368.0	359.5
35% Indicative[a]	$/mt	218.5	290 2	311.6	253 9	270.7	317.1	319 3	311.6	324.2	309.8	301.0
A1.Special[a]	$/mt	182.3	262.8	262.5	225 6	246.7	288.9	290.1	262.5	271.6	256 3	259.5
Wheat												
Canada[a]	$/mt	198.6	207 1	232.6	180 6	194.2	221.6	232.2	232.6	228.9	235.8	233.0
US HRW	$/mt	149.7	177.0	213.7	153.6	159.2	189 6	205.5	213.7	206 9	218.9	215.3
US SRW[a]	$/mt	138.6	167.4	202 2	148.6	145 8	175.8	199.2	202 2	197.0	204.0	205 5
Meat												
Beef· US	¢/kg	233.1	190.7	182.5	213 1	184.0	173.9	191 8	182.5	190.2	182 5	174.9
Lamb[a]	¢/kg	297 5	262.1	262 6	273.0	256.6	254 0	264.7	262.6	260.8	263.1	263.9
Fruits												
Bananas	$/mt	439.8	445 1	501.4	445.4	382 6	525 1	427.3	501.4	413 4	590.8	500.0[d]
Oranges	$/mt	411.3	531.5	442 1	406.0	591 1	610.9	517.9	442 1	417.5[d]	434.5[d]	474.4[d]
Fats and oils												
Copra[a]	$/mt	417.3	438.5	464 0	412.7	416.0	452.0	473.3	464.0	456 0	475.0	461.0
Soybeans	$/mt	251.8	259.3	299.7	242 3	250.3	261 3	283.0	299.7	305.0	299 0	295.0
Coconut oil	$/mt	607 5	669.6	724.0	630.0	634.3	685 3	728.7	724.0	711.0	738.0	723.0
Groundnut oil	$/mt	1022.8	990.9	931 7	1023.0	973.0	976.7	991 0	931.7	959 0	925.0	911.0
Palm oil	$/mt	528.4	628.3	524.0	667 7	622.3	619 0	604 0	524.0	535 0	518 0	519.0
Soybean oil	$/mt	615.6	625.1	546.7	663.0	605.3	618.7	613 3	546.7	554 0	548 0	538.0
Groundnut meal[a]	$/mt	168 3	168.6	186.3	167.3	156.7	166 0	184 3	186.3	183 0	186.0	190.0
Soybean meal	$/mt	192 4	196 9	253.0	181 0	180.7	196.3	229 7	253.0	260 0	253.0	246.0
Fisheries												
Shrimp[a]	¢/kg	1307.5	1341.5	1203.0	1372.9	1464.7	1340.4	1229 1	1203.0	1197 8[b]	1209.8	1201.5
Fish meal[a]	$/mt	376.3	495 0	635.3	439 7	450.0	500.0	590 3	635.3	649.0	641.0	616.0
Fibers												
Cotton	¢/kg	176 3	212.8	187.0	225.7	234.7	193.7	197.1	187.0	190.0	187.5	183 4
Jute[a]	$/mt	298.3	368.0	525.4	256.7	330 2	418 7	466.7	525 4	488.8	537.5	550 0
Sisal[a]	$/mt	605.3	709 7	843.3	687.5	700.0	715.8	735.3	843.3	820 0	850.0	860.0
Wool[a]	¢/kg	389.3	488.3	430.0	502.8	512.8	487.9	430.4	430.0	433.1	430.9	426.1
Rubber												
RSS1. Malaysia	¢/kg	112.6	158.0	152.8	173 9	170.1	132 6	155.3	152.8	155.0	155.8	147.6
Singapore[a]	¢/kg	115.4	160.3	156.9	177.3	172.6	134.6	156.5	156.9	154 5	159.4	156.6
US[a]	¢/kg	131.6	181 4	176.2	200.3	193.7	155.1	176.5	176.2	176 6	176.1	175.8
Sugar												
EU domestic	¢/kg	62.2	68.8	68.7	66.1	70.3	69.6	69.3	68.7	68 7	68.9	68 5
US domestic	¢/kg	48.6	50.8	49.6	49.8	51.0	52.3	50.2	49 6	49.4	49 8	49.8
World	¢/kg	26.7	29 3	28.1	32 2	30.3	28 1	26.5	28 1	27.6	28 3	28.5
Metals and minerals												
Aluminum	$/mt	1476.8	1805 7	1597.8	1927 3	1797.2	1836.4	1661.7	1597.8	1589 3	1591 6	1612.5
Copper	$/mt	2307.3	2935.6	2571 7	2936.9	2890.5	3009.3	2905.7	2571.7	2616.4	2537 7	2561.0
Nickel	$/mt	6339.8	8228 0	8033.1	8543 3	7500.5	8648.8	8219 5	8033.1	7862 0	8215.5	8021.7
Tin	¢/kg	546.4	621.4	622.1	573 7	615.6	666.3	629.9	622.1	627 2	619.5	619.6
Lead	¢/kg	54.8	63.1	76 6	61.1	60 6	61.3	69.5	76.6	70.9	77.0	81.8
Zinc	¢/kg	99 8	103.1	104.0	107.0	103.6	100 9	100.9	104.0	101 9	103.6	106.4
Gold[a]	$/toz	384 0	384.2	400.1	379.1	387.9	384.3	385.3	400.1	399.5	404 8	396.2
Silver[a]	¢/toz	528.4	519.1	553 7	470.2	547 6	532.7	526 0	553.7	547.0	562 8	551.4
Iron ore	$/mt	25 5	27.0	28.6	27.0	27.0	27.0	27.0	28.6	28 6	28.6	28.6

TABLE A7. RECENT COMMODITY PRICES (CONTINUED)

Commodity	Unit	Annual averages			Quarterly averages					Monthly averages		
		Jan–Dec 1994	Jan–Dec 1995	Jan–Mar 1996	Jan–Mar 1995	Apr–Jun 1995	Jul–Sep 1995	Oct–Dec 1995	Jan–Mar 1996	Jan 1996	Feb 1996	Mar 1996
Steel												
Rebar[a]	$/mt	322.5	381.7	370.0	346 7	410 0	390 0	380.0	370.0	380 0	370.0	360.0
Wire rod[a]	$/mt	371.7	420.8	463.3	366 7	426.7	433.3	456.7	463.3	480 0	460.0	450.0
Hr coilsheet[a]	$/mt	402.9	440.8	390.0	416.7	453 3	466.7	426 7	390.0	400 0	390.0	380 0
Cr coilsheet[a]	$/mt	511 7	554.2	523.3	526.7	560 0	576.7	553 3	523 3	540.0	520 0	510 0
Energy												
Coal												
Australia[a]	$/mt	32.3	39.4	39.2	37 7	38.9	41.0	40 0	39.2	39 4	39 3	39.0
US[a]	$/mt	36.5	39.2	36 8	41.2	40 5	38.6	36.5	36 8	36.8	36.8	36 6
Crude oil												
Spot, average[c]	$/bbl	15 9	17.2	18.3	17.2	18.1	16 5	16.9	18.3	17.8	17 7	19 4
Brent[c]	$/bbl	15.8	17 1	18.6	16.9	18.1	16.2	17.0	18.6	17.9	18.0	20.0
Dubai[c]	$/bbl	14.7	16.1	16 6	16.4	17 0	15 3	15.8	16.6	16 6	16.0	17.0
West Texas Int[c]	$/bbl	17.2	18.3	19 7	18.2	19.3	17 8	18.0	19.7	18 9	19.1	21.2
Natural gas												
Europe[a]	$/mmbtu	2.4	2.7	2 7	2.7	2 7	2 8	2.8	2 7	2 7	2.8	2.7
US[a]	$/mmbtu	1 9	1 7	3.4	1.5	1.6	1.5	2 2	3 4	2.9	4 4	3 0
Timber												
Logs												
Cameroon[a]	$/m^3	330.3	339.5	278 1	340.7	345 8	343.6	328.0	278 1	299.7	267.8	266 9
Malaysia	$/m^3	307.5	255 6	245.7	261.1	286 9	239.0	235.5	245 7	234.3	246.4	256 4
Sawnwood												
Ghana[a]	$/m^3	618.5	632 5	530.8	651.1	648 7	640.3	589.8	530 8	556.6	528 9	507 0
Malaysia	$/m^3	821.0	740.0	720.6	753.5	746 9	740.9	718 5	720.6	719.3	713 7	728.7
Plywood[a]	¢/sheet	601.2	584 4	535 8	602.2	642.5	557.6	535.5	535 8	529.1	548.6	548 6
Woodpulp[a]	$/mt	552.5	853.1	712.6	736 3	835.0	898.5	942.7	712.6	832 3	652 8	652.8
Fertilizers												
Phosphate rock	$/mt	33.0	35.0	39.0	35.0	35.0	35.0	35 0	39.0	39.0	39 0	39 0
DAP[a]	$/mt	172 8	216 6	231.7	215 0	196.8	210.7	243 9	231.7	240.0	236 8	218 4
Potassium chloride[a]	$/mt	105 7	117 8	116.7	114 8	118.3	119.0	118 9	116 7	116.5	116 7	117 0
TSP	$/mt	132.1	149.6	168.4	145.8	147.5	147.5	157 7	168.4	162.5	169 1	173.5
Urea[a]	$/mt	147 9	211.5	220.0	224 3	195.3	197.3	229.0	220 0	220.5[d]	218.5[d]	221.0[d]
World Bank commodity price indices for low- and middle-income countries (1990=100)												
Agriculture		123 7	131.5	126.4	136.4	134.9	128.0	126.7	126.4	124.7	128.3	126 3
Food		106 8	116 9	124.8	113 4	112.7	119.5	122.1	124 8	123.3	126.2	124 9
Cereals		102 1	120.4	147.1	104 9	110 6	128.4	137.6	147 1	143.2	147.7	150.4
Fats and oils		126 0	136.6	142.6	135.1	131 0	136.1	144.2	142 6	145 2	142 3	140.2
Other food		93.8	98.8	97 7	100.4	98 8	100 9	95.3	97.7	94 2	101 0	98.0
Beverages		150 4	152 0	125.0	169.2	163 7	145 7	129.4	125.0	119 8	129 7	125 4
Agricultural raw materials		125.8	135.2	129.5	141.9	142.3	126.0	130.6	129.5	130.1	129.9	128 6
Timber		156.6	139 5	135 6	142.1	143.1	138 4	134.5	135.6	134 6	134 6	137.7
Other raw materials		104 8	132.3	125.4	141.8	141.8	117.4	128.0	125.4	127.0	126.7	122.4
Metals and minerals (excl steel)		84.6	101 6	94 7	103.6	100.2	103.7	98.9	94.7	94 8	94 3	95 0
Steel products[a]		92 7	106.7	101.6	98 4	109.8	111.3	107.2	101 6	104.7	101.3	98.8
Fertilizers		93.4	103 6	116 2	101.7	102.6	102 6	107 5	116.2	113.4	116.6	118 7
Nonfuel commodities (excl steel)		111.9	122.3	117.2	126.2	124.3	120.5	118 3	117.2	116.0	118.4	117 2
Petroleum, crude		69 4	75.1	80.0	75.1	79.3	71.9	73.9	80 0	77 8	77.4	84.8

... Not available.

Note Prices as of April 3, 1996.

a Not included in index

b Average for less than period indicated

c. Included in the petroleum index but not in the nonfuel index

d Estimate

Source World Bank, International Economics Department, Commodity Policy and Analysis Unit.

COMMODITY DESCRIPTIONS

Foods

Bananas (Central and South American), first-class quality tropical pack, importer's price to jobber or processor, f o b. US ports

Beef (Australian/New Zealand), cow forequarters, frozen boneless, 85% chemical lean, c.i.f US port (East Coast), ex-dock

Cocoa (ICCO), International Cocoa Organization daily price, average of the first three positions on the terminal markets of New York and London, nearest three future trading months

Coffee (ICO), International Coffee Organization indicator price, other mild arabicas, average New York and Bremen/Hamburg markets, ex-dock

Coffee (ICO), International Coffee Organization indicator price, robustas, average New York and Le Havre/Marseilles markets, ex-dock

Fishmeal (any origin), 64-65%, c&f Hamburg, nfs

Lamb (New Zealand), frozen whole carcasses, wholesale price, Smithfield market, London

Oranges (Mediterranean exporters) navel, EEC indicative import price, c.i.f. Paris

Shrimp (US), frozen, Gulf brown, shell-on, headless, 26 to 30 count per pound, wholesale price at New York

Sugar (EU), European Union negotiated import price for raw unpackaged sugar from African, Caribbean and Pacific (ACP) under Lomé Conventions c.i.f. European ports

Sugar (US), import price, nearest future, c i f New York

**Sugar (world)*, International Sugar Agreement (ISA) daily price, raw, f o b. and stowed at greater Caribbean ports

Tea (London auctions), average price received for all tea

Fats and oils

Coconut oil (Philippines/Indonesian), bulk, c.i.f. Rotterdam

Copra (Philippines/Indonesian), bulk, c.i.f. N.W. Europe

Groundnut meal (Argentine), 48/50%, c.i.f. Rotterdam

Groundnut oil (any origin), c.i.f. Rotterdam

Palm oil (Malaysian), 5% bulk, c.i.f. N. W. Europe

Soybean meal (any origin), Argentine 45/46% extraction, c.i.f. Rotterdam; prior to 1990, US 44%

Soybean oil (Dutch), crude, f o b ex-mill

Soybeans (US), c.i.f. Rotterdam

Grains

Grain sorghum (US), no. 2 milo yellow, f o.b. Gulf ports

Maize (US), no. 2, yellow, f.o.b. US Gulf ports

Rice (Thai), 5% broken, white rice (WR), milled, Board of Trade (BOT) posted export price, government standard, f.o b. Bangkok

**Rice (Thai)*, 5% broken, WR, milled, indicative market price based on weekly surveys of export transactions (indicative survey price), government standard, f.o.b. Bangkok

Rice (Thai), 35% broken, WR, milled, indicative survey price, government standard, f.o.b. Bangkok

Rice (Thai), 100% broken, A 1 Special, broken kernel obtained from the milling of WR 15%, 20%, and 25%, indicative survey price, government standard, f.o b. Bangkok

Wheat (Canadian), no. 1, Western Red Spring (CWRS), in store, St. Lawrence, export price

**Wheat (US)*, no 1, hard red winter, ordinary protein, export price delivered at the Gulf port for prompt or 30 days shipment

Wheat (US), no. 2, soft red winter, export price delivered at the Gulf port for prompt or 30 days shipment

Agricultural raw materials

Cotton (Cotlook A index), middling 1-3/32 inch, c.i f Europe

Jute (Bangladesh), raw, white D, f.o.b. Chittagong/Chalna

**Rubber (Malaysian)*, RSS1, in bales, Malaysian Rubber Exchange & Licensing Board, midday buyers' asking price for prompt or 30 days delivery, f o.b. Kuala Lumpur

Rubber (Asian), RSS1, in bales, Rubber Association of Singapore Commodity Exchange (RASCE)/ Singapore Commodity Exchange, midday buyers' asking price for prompt or 30 days delivery; prior to June 1992, spot, Singapore

Rubber (any origin), RSS1, in bales, Rubber Traders Association (RTA), spot, New York

Sisal (East African), UG (rejects), c.i.f UK

Tobacco (US) unmanufactured, unit value of general imports, twelve-month moving averages

Wool (Dominion), crossbred, 56's, clean, c i.f. UK

Timber

Logs (Malaysian), meranti, Sarawak, sale price charged by importers, Tokyo; prior to February 1993, average of Sabah and Sarawak weighted by Japanese import volumes

Logs (West African), sapelli, high quality (loyal and marchand), f.o.b. Cameroon

Plywood (Southeast Asian), Lauan, 3-ply, extra, 91 m^3 x 182 m^3 x 4 mm, wholesale price, spot Tokyo

Sawnwood (Ghanaian), sapele, bundled, f o.b. Takoradi

**Sawnwood (Malaysian)*, dark red seraya/meranti, select and better quality, General Market Specification (GMS), width 6 inches or more, average 7 to 8 inches; length 8 inches or more, average 12 to 14 inches; thickness 1 to 2 inch(es); kiln dry, c&f UK ports

Woodpulp (Swedish), softwood, sulphate, bleached, air-dry weight, c.i.f. North Sea ports

Metals and minerals

Aluminum (LME) London Metal Exchange, unalloyed primary ingots, high grade, minimum 99.7% purity, cash price

Copper (LME), grade A, minimum 99.9935% purity, cathodes and wire bar shapes, settlement price

Gold (UK), 99 5% fine, London afternoon fixing, average of daily rates

Iron ore (Brazilian), CVRD Southern System standard sinter feed, 64 3% purity (dry weight) ores from Itabira and other southern mines, contract price to Germany, f o.b. Tubarao; unit refers to US dollars per metric ton Fe, which is equivalent to US cents per Fe unit (1%)

Lead (LME), refined, 99.97% purity, settlement price

Nickel (LME), cathodes, minimum 99 8% purity, official morning session, weekly average bid/asked price

Silver (Handy & Harman), 99.9% grade refined, New York

Steel products price index, 1990=100, (Japanese), composite price index for eight selected steel products based on quotations f o b Japan excluding shipments to the United States and China, weighted by product shares of apparent combined consumption (volume of deliveries) at Germany, Japan, and the US. The eight products are as follows. rebar (concrete reinforcing bars), merch bar (merchant bars), wire rod, section (H-shape), plate (medium), hot rolled coil/sheet, cold rolled coil/sheet, and galvanized iron sheet

Tin (LME), refined, 99.85% purity, settlement price

Zinc (LME), special high grade, minimum 99 995% purity, weekly average bid/asked price, official morning session; prior to April 1990, high grade, minimum 99.95% purity, settlement price

Energy

Coal (Australian), thermal, 12,000 btu/lb, less than 1 0% sulfur, 14% ash, f.o.b. piers, Newcastle/Port Kembla

**Coal (US)*, thermal, 12,000 btu/lb, less than 1.0% sulfur, 12% ash, f.o b piers, Hampton Road/Norfolk

Natural Gas (Europe), average import border price

Natural Gas (US), spot price at Henry Hub, Louisiana

**Petroleum (spot)*, average spot price of Brent, Dubai, and West Texas Intermediate, equally weighed

Petroleum (spot), UK Brent 38° API, f o b. UK ports

Petroleum (spot), Dubai Fateh 32° API, f.o.b. Dubai

Petroleum (spot), West Texas Intermediate (WTI) 40° API, f.o b. Midland, Texas

Fertilizers

DAP (diammonium phosphate), bulk, spot, f.o.b US Gulf

Phosphate rock (Moroccan), 70% BPL, contract, f.a.s Casablanca

Potassium chloride (muriate of potash), standard grade, spot, f.o.b. Vancouver

TSP (triple superphosphate), bulk, spot, f.o.b. US Gulf

Urea (varying origins), bagged, spot, f.o.b. West Europe

* The price series forecast in tables A1 and A2.

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