COMMODITY MARKETS AND THE DEVELOPING COUNTRIES

May

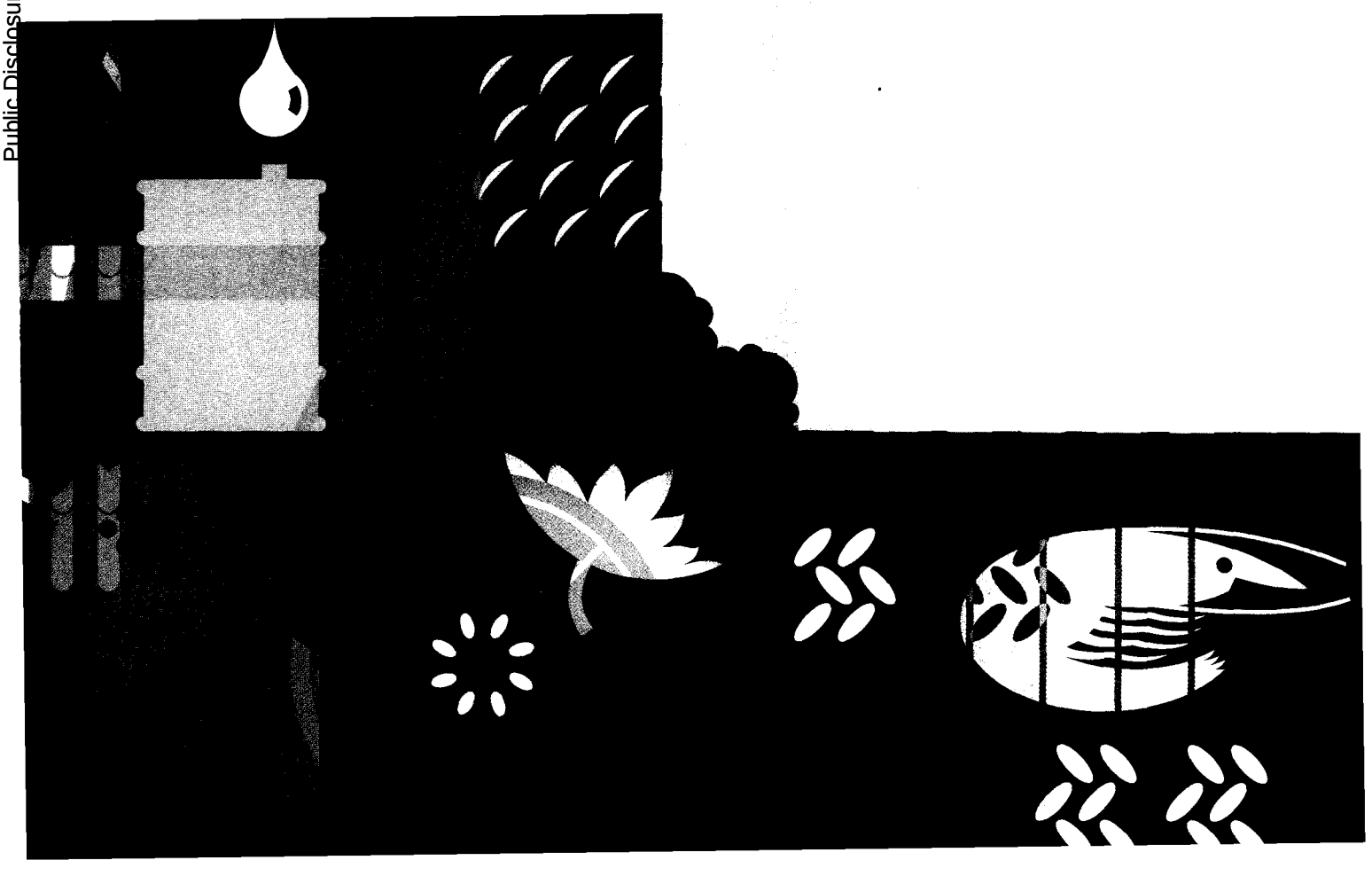
1 2 3 4

Boom to bust in grains

Oil prices collapse

Asian timber takes a fall

Metals prices continue to decline



Commodity prices fall sharply in the first quarter, led by a collapse in crude oil prices. The index of energy prices falls 24.2%. Nonenergy prices decline 3.1%, with agricultural prices down 2.3% and metals and minerals prices down 6.4%.

CHANGE IN QUARTERLY PRICES, 4Q97 TO 1Q98
Percent

Energy	-24.2
Nonenergy	-3.1
Total agriculture	-2.3
Beverages	+1.7
Total food	-2.6
Fats and oils	-4.3
Grains	+2.0
Other foods	-3.3
Raw materials	-6.9
Timber	-6.9
Fertilizers	+1.5
Metals and minerals	-6.4

keep prices weak. Favorable planting conditions and low fertilizer prices point to good prospects for the next crop.

■ RICE PAGE 18

Indonesia is expected to import 4 million tons in 1998, but abundant supplies from major exporters mean that prices will remain low. World stocks will rise about 4% in the 1997/98 crop year.

■ WHEAT PAGE 19

Production is up nearly 5% over last year and 16% over the past three years. The record crop leads to higher stocks and the prospects of lower prices. Demand is not growing fast enough to absorb the large supplies.

OTHER FOOD

■ BANANAS PAGE 19

Prices are sharply lower in the US market after importers stock up in anticipation of El Niño–related production disruptions. Supplies are larger than expected, however, driving prices down.

■ SHRIMP PAGE 20

Prices remain firm as supplies from the US, Indonesia, and Vietnam slow. Demand remains weak in Japan, but moderate in the US.

■ SUGAR PAGE 20

Large crops in major Southern Hemisphere producers on top of already well-supplied markets send prices tumbling to five-year lows. Recovery will depend on next year's production, which is a long way off.

AGRICULTURAL RAW MATERIALS

■ COTTON PAGE 21

Low prices and difficulty in raising yields are expected to reduce production in the 1998/99 season. China imposed quotas, limiting imports to 50,000 tons, substantially lower than its imports for the past two seasons, at 400,000 and 285,000 tons. Prices are expected to remain at the current low levels.

■ RUBBER PAGE 22

Prices fall to the lowest level in more than 20 years as currency devaluations devastate dollar prices. Major buyers respond by stockpiling supplies.

■ TIMBER PAGE 22

The Asian currency crisis continues to weaken prices as reduced import demand, canceled construction projects, and caution on the part of buyers combine to keep prices falling.

FERTILIZERS

■ FERTILIZERS PAGE 23

The disparity in fertilizer prices continues. Nitrogen fertilizer prices are weak owing to the import ban by China, while phosphate and potash demand remains strong and prices firm. The Asian currency crisis has had little effect on import demand.

■ POTASSIUM CHLORIDE PAGE 23

Price negotiations for potassium chloride, mostly concluded for the first half of 1998, yield a price increase of $5/ton. China continues to be a strong importer.

■ TSP PAGE 24

TSP and DAP prices finish the quarter strong as demand in the US increases with spring planting and export demand remains firm. Suppliers have committed most of their production and are holding out for higher prices.

■ UREA PAGE 24

Urea prices remain very weak following the import ban imposed by China in mid-1997. China, historically a large importer, had accounted for 20% of world imports in 1995.

METALS AND MINERALS

■ ALUMINUM PAGE 25

Prices continue to fall because of weak demand in Asia. Demand remains strong in Europe and the US, however, and with production problems in many countries, the surplus expected in 1998 is likely to be lower. Prices could drift still lower.

■ COPPER PAGE 25

Expanding supplies and weak demand in Asia push prices down by 11% in the first quarter, but strong demand in Europe and lower warehouse stocks lead to a small rebound in March. In the coming months strong demand in the US and Europe may hold prices up, but large

increases in new capacity are expected to depress prices in the second half of the year.

Prices fall in the first quarter on continued concerns about sales from central banks and weak demand in Asia. Belgium sells 299 tons of its reserves to five other central banks rather than on to the well-supplied market. Prices are not expected to rise significantly because of ample supplies and continuing demand weakness in East Asian markets.

Weak demand in Asia and cheap exports of steel are lowering prices for products in many markets. Demand remains strong in Europe and the US, but the inflow of lower-priced Asian material will constrain price increases in the near term. For many products, prices will decline.

COMMODITY PRICES

SUMMARY

Commodity prices fell sharply in the first quarter, led by a collapse in crude oil prices. The index of energy prices fell 24.2%. Nonenergy prices declined 3.1%, with agricultural prices down 2.3% and metals and minerals prices down 6.4%. A few commodity groups bucked the trend, with the index of beverage prices up 1.7%, fertilizer prices up 1.5%, and grains up 2.0%. But most commodity groups were lower, with food down 2.6% and agricultural raw materials down 6.9%.

Crude oil prices fell 25% in the first quarter because of higher OPEC supplies and weak demand in Asia (the financial crisis) and industrial countries (the mild winter). OECD stocks showed little increase in the first quarter, although the global balance suggests a significant rise in global inventories, some of it at sea. OPEC and non-OPEC producers agreed to reduce production by 1.5 mb/d starting April 1, but the surplus in the market may take some time to be absorbed. The direction of prices in the short term will depend on the extent of the economic slowdown in Asia, any change to Iraq exports, and production practices of the key oil producers.

The index of agricultural prices was down 2.3%, primarily because of lower raw materials prices, including lower prices for Malaysian logs (down 9.6%), cotton (8.7%), and natural rubber (8.0%). Asian timber and natural rubber prices continued to fall, victims of the weak currencies of the major exporters, while large crops in Argentina, Australia, and Brazil pulled down cotton prices. Food prices were lower due to lower prices for fats and oils (down 4.3%) and other foods, such as sugar (down 10.3%). Grain prices rose slightly due to a recovery in the Thai rice export price, while other grain prices declined.

Beverage prices were up 1.7%, lifted by a sharp rise in tea prices—up 15.2% for the London auction price, to a 14-year high. Strong demand from the Middle East and Eastern Europe and Central Asia and production problems in Kenya and Sri Lanka combined to push tea prices to their recent highs. Concerns about the Brazilian coffee crop also boosted coffee prices, with other milds up 1.6% and robusta up 6.8%. Cocoa prices were down 2.7%.

Metals and minerals prices continued their sharp decline following the Asian currency crisis, down 6.4% for the quarter. Prices were lower for aluminum (down 7.4%), copper (11.0%), gold (4.0%), nickel (11.9%), steel (4.9%), tin(4.8%), and zinc (10.3%). Demand remains strong in Europe and the US, but weak in Asia. Supplies have also increased as new capacity has been brought into production from projects initiated several years ago.

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

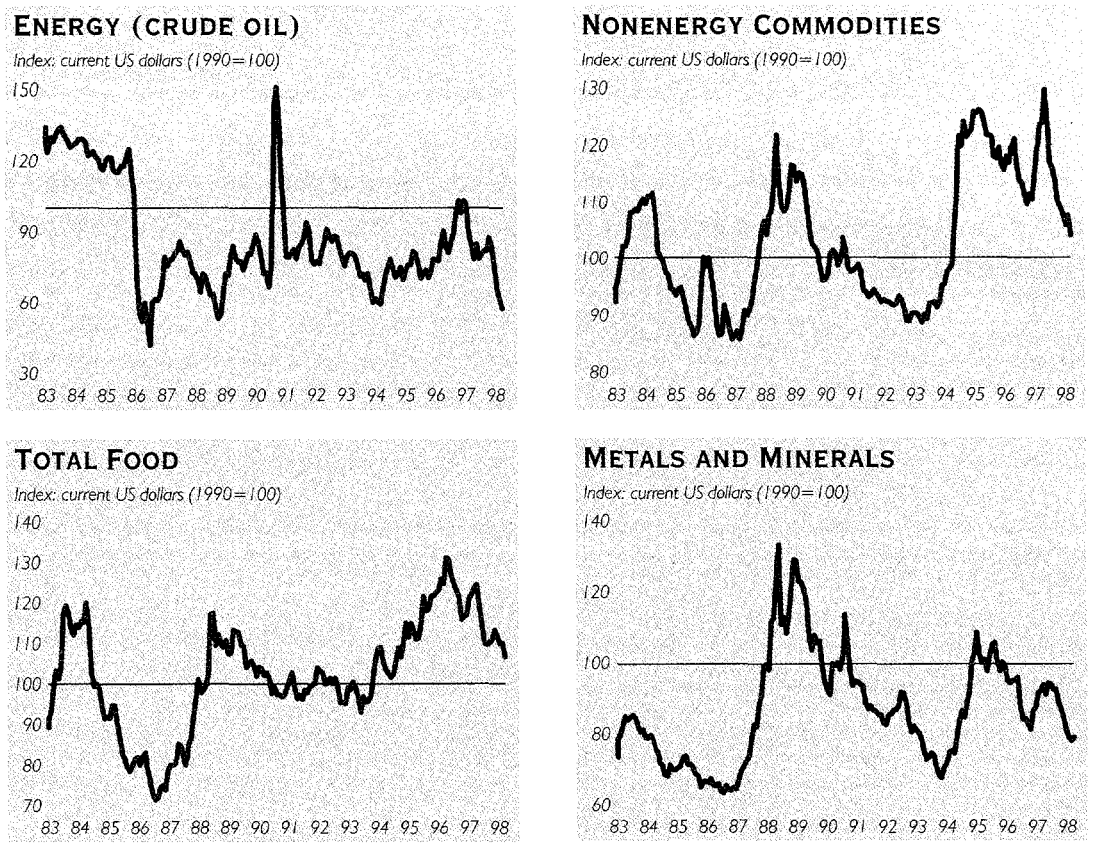


TABLE 1. WEIGHTED INDEX OF PRIMARY COMMODITY PRICES FOR LOW- AND MIDDLE-INCOME ECONOMIES IN CURRENT DOLLARS

(1990=100)

	Energy (100)[a]	*Nonenergy commodities (100)*	*Total agriculture (69.1)*	*Beverages (16.9)*	*Total food (29.4)*	*Fats and oils (10.1)*	*Grains (6.9)*	*Other food (12.4)*	*Total raw materials (22.8)*	*Timber (9.3)*	*Fertilizers (2.7)*	*Metals and minerals (28.2)*
Annual												
1995	75.06	122.20	131.31	151.19	116.90	136.56	120.38	98.84	135.22	139.54	103.59	101.61
1996	89.25	115.09	125.48	126.47	123.63	147.02	140.58	94.97	127.12	139.49	119.81	89.11
1997	83.80	117.64	128.72	171.04	116.08	147.74	112.11	92.38	113.73	125.83	119.73	90.24
Quarterly												
1997Q1	91.76	119.28	130.01	150.68	122.52	154.48	122.65	96.27	124.39	140.16	124.25	92.46
1997Q2	80.38	125.97	139.58	197.80	119.51	151.77	116.50	94.80	122.41	140.49	120.04	93.13
1997Q3	81.14	115.93	125.94	173.56	110.24	138.44	105.65	89.72	110.99	123.97	116.44	91.30
1997Q4	81.91	109.39	119.34	162.12	112.04	146.29	103.62	88.73	97.13	98.69	118.20	84.08
1998Q1	61.48	105.90	116.43	164.99	108.64	140.01	103.66	85.76	90.59	91.90	120.02	78.66
Monthly												
1997 Mar	84.49	123.67	135.87	171.30	123.93	157.53	121.63	97.69	125.08	141.24	124.10	93.66
1997 Apr	78.15	123.98	137.37	179.83	124.68	158.02	119.35	100.37	122.35	139.99	122.48	91.23
1997 May	84.66	129.78	144.71	219.74	119.32	152.88	118.71	92.17	122.01	140.50	118.81	94.16
1997 Jun	78.32	124.16	136.65	193.83	114.55	144.40	111.43	91.85	122.88	140.97	118.81	94.00
1997 Jul	80.12	117.44	127.52	173.43	110.23	137.69	106.63	89.76	115.89	133.84	117.94	92.62
1997 Aug	81.73	116.13	125.79	173.02	110.03	136.46	106.16	90.57	111.19	123.84	115.68	92.46
1997 Sep	81.56	114.22	124.51	174.23	110.46	141.16	104.16	88.84	105.88	114.24	115.68	88.81
1997 Oct	87.59	110.53	119.95	160.94	111.09	143.66	105.50	87.56	101.08	103.72	116.07	86.88
1997 Nov	83.44	109.36	119.12	156.44	113.36	149.42	102.37	90.00	98.95	100.77	118.51	84.54
1997 Dec	74.70	108.26	118.96	168.99	111.68	145.80	102.98	88.63	91.37	91.58	120.02	80.84
1998 Jan	65.65	105.96	116.40	169.56	109.88	142.00	103.14	87.37	85.51	81.93	120.02	78.96
1998 Feb	61.50	107.58	119.11	169.34	109.60	141.64	103.69	86.68	94.25	97.14	120.02	78.07
1998 Mar	57.30	104.15	113.79	156.09	106.44	136.37	104.14	83.22	92.00	96.61	120.02	78.96

Note: Weighted by average 1987–89 export values for low- and middle-income economies.

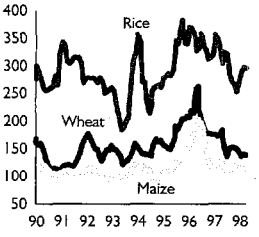
a. Crude oil index.

Source: World Bank, Development Prospects Group.

BOOM TO BUST IN WORLD GRAIN MARKETS

FIGURE 2. MONTHLY GRAIN PRICES, 1990–98

Current dollars/ton



Source: World Bank, Development Prospects Group.

Boom to bust is a familiar story in the world grain markets.[1] True to form, the boom that started in 1994 and continued into 1996 has largely gone bust. Prices are near their pre-boom levels (figure 2). By looking at what caused the boom and what caused the bust, we can identify the factors that are likely to lead to future boom and bust cycles and the signs that signal the onset of the next boom.

Grain prices rose sharply during 1995 and 1996. US maize export prices nearly doubled from $112/ton in May 1995 to $204/ton in May 1996, while US wheat export prices rose from $159/ton to $262/ton. Rice export prices also rose, but not as much, moving from $291/ton in May 1995 to $351/ton in May 1996 for Thai 5% broken. Futures prices rose even more, with Chicago wheat futures reaching $7.60/bushel in May 1996, from a low of $3.50, and maize futures rising to $5.40/bushel in July 1996, from $2.55 in March 1995.

Today, prices are back to pre-boom levels. Maize prices averaged $114.2/ton in March, wheat prices averaged $138.9/ton, and rice averaged $296.0/ton.

What Caused the Boom?

Low world grain stocks at the beginning of the 1995/96 crop year (July 1995) combined with the poor US harvest in 1995 sparked the boom. Though the details differ by grain, events in one grain market are quickly transferred to other markets. Grain stocks provide a buffer between production and consumption from one year to the next, and when stocks fall too low, they are no longer a buffer against a poor harvest.

World grain production fell 3.2% in 1995/96 over the previous year, bringing already low stocks to just 13.4% of consumption—far short of the 18.8% average over the five previous years or the 22.3% average during the 1980s. Several other factors contributed to the subsequent price increases, including high fertilizer prices (which led to lower fertilizer use and thus to lower yields). Strong demand due to the economic recovery, especially in the US, added to the already tight situation.

The conditions that led to low grain stocks in 1995 had their origins in US and EU policy changes during the mid-1980s and the low prices prevailing at the time, which discouraged investments in productive capacity. Government policy often follows economic events, which is what happened with agricultural policy during the 1980s. As world grain stocks rose to record high levels, several of the major exporting countries introduced policies to reduce production.[2] The five major exporters reduced cropland devoted to grains by 35.4 million hectares, land with a production potential of roughly 150 million tons of grain.

World grain demand did not increase significantly during this period and seems not to have been a major contributor either to the decline in stocks during the 1980s or to the price increases of 1995–96. World grain consumption grew 1.2% a year in 1980–95, down from 2.97% a year during 1965–80. This decline was due in large part to the economic slowdown in the former centrally planned economies of Eastern Europe and Central Asia, although demand growth also slowed in the developing countries.

Pressure from rising imports was also not a significant factor in the declining world stock levels of the 1980s or the price increases of 1995–96. World trade actually declined during 1980–95, from 214.7 million tons to 201.8 million tons. Grain trade peaked at 220 million tons in 1989 and again in 1991 before declining during 1992–95. Rather than contributing directly to the sharp drop in stocks, the stagnation in trade contributed to the policy changes that eventually reduced stock levels.

What Caused the Bust?

The bust in 1996 and 1997 was the result mainly of a combination of the large supply response to the high prices of 1995 and 1996 and the slow growth in world demand. The

Asian currency crisis also contributed to the decline in rice prices, though not to the decline in wheat or maize prices.

Growth in world grain production and consumption averaged 2.3% from 1960 to 1997 (figure 3). From 1992 to 1995 world production fell 1.8% due to poor incentives (low grain prices and high fertilizer prices) and poor weather (especially in 1995). However, when prices rose in 1995 and 1996, incentives changed as well and production rose 9.7% in the two years following 1995/96. This large, quick supply response was enough to rebuild stocks and send prices back down to their pre-boom levels. The growth was fastest in the major exporting countries, where production grew by 14.2%. Stocks in the five major exporting countries rose from 60 million tons at the end of the 1995/96 crop year to an estimated 109 million tons at the end of the 1997/98 crop year, while world grain stocks rose from 250 million tons to 313 million tons (figure 4). Of the total 63 million ton increase in stocks, the major exporters accounted for 49 million tons—or 78%.

The slow growth in world demand allowed stocks to quickly rebuild. From 1990 to 1997 world grain consumption grew by just 0.9% a year. The economic slowdown and currency devaluations in Asian countries (Indonesia, Malaysia, the Philippines, Republic of Korea, and Thailand) contributed to the declining grain prices. The impact was greatest in rice, because Thailand is a major rice exporter, accounting for about one-third of world exports. The Thai currency was devalued from 25.78 baht/$1 in June 1997 to 37.40 baht/$1 in October 1997, dropping the US dollar price of rice exports from $323.2/ton in June to $265.8/ton in October, a decline of 17.8%. No other major factors appear to account for the decline in the Thai rice prices.

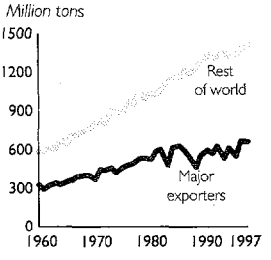
The currency crisis was much less directly responsible for the decline in wheat and maize prices. The five Asian countries accounted for just 12% of wheat imports in the 1996 crop year. The forecast is for larger wheat imports by these countries for the 1997 crop year to compensate for falling consumer incomes. Korea, a major coarse grain importer, accounted for about 9% of world trade in the 1996 crop year.

What to Watch For

Following the supply-control policy changes of the 1980s and 1990s, low world stocks are expected to continue. This could lead to more frequent booms and busts in grain prices. During the 1980s world grain stocks averaged 354 million tons, and 48% of stocks were held by the five largest exporters. During the 1990s stocks have averaged 308 million tons and the share held by the five largest exporters has fallen to 34%. Consumption meanwhile has grown more rapidly in the 1990s than in the 1980s (about 12% faster on average), giving added significance to the lower stock levels.

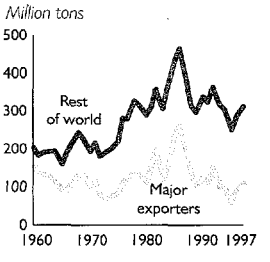
Stock levels in the five largest grain-exporting countries are a key indicator of world grain market prices. These stocks are the most readily available to the world market because the major exporting countries have the transportation and export facilities to quickly ship grain to any destination. Nontraditional exporters may have surplus production in certain years, but they do not have the loading facilities to ship grain quickly, which adds to loading costs and delays shipping. When stocks fall below 100 million tons, price increases are likely. The large price increases in the 1970s and in 1995-96 occurred when stocks in the five largest exporters fell below 100 million tons (see figure 4). Currently, stocks are at 109 million tons and unless production is well below normal, stocks are expected to remain above 100 million tons. This suggests that prices will not boom in 1998.

FIGURE 3. WORLD GRAIN PRODUCTION, 1960–97



Source: World Bank, Development Prospects Group.

FIGURE 4. WORLD GRAIN STOCKS, 1960–97



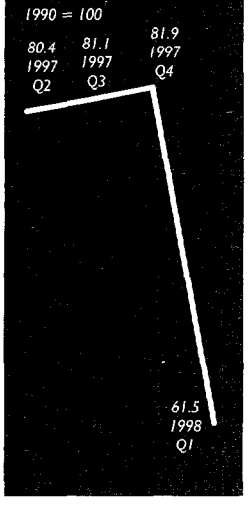
Source: World Bank, Development Prospects Group.

Notes

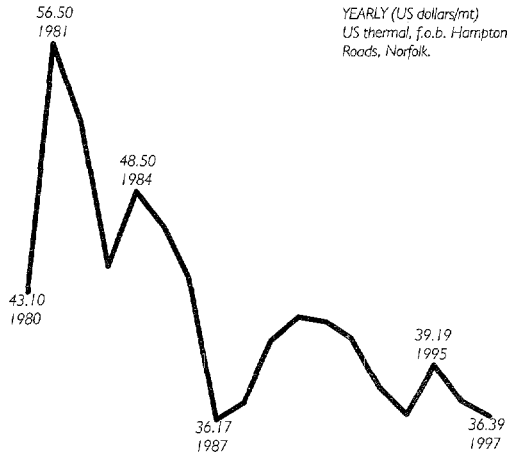
1. This special feature looks at the overall grain market, which consists of wheat, rice, and coarse grains (maize, oats, barley, sorghum, rye, and other mixed grains). In the past three years production shares were 28.7% for wheat, 27.9% for unmilled rice, 28.2% for maize, and 15.2% for other grains.

2. The five largest grain-exporting countries and their share of exports during 1980–90 were: the US (41.4%), the EU (21.7%), Canada (10.7%), Australia (6.9%), and Argentina (6.1%).

Oil prices collapse under the weight of rising supplies and weak demand, fall 24% from the previous quarter. Coal and natural gas fall too, but not as much.



COAL

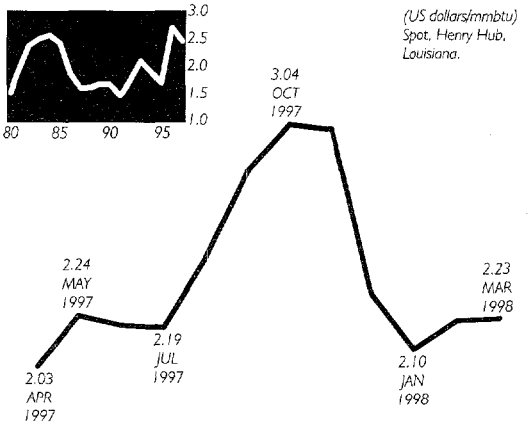


PRICES FALL ON WEAK DEMAND AND GROWING SUPPLIES

Coal prices declined in the first quarter owing to growing global supplies and weak demand in Asia. Producers in Australia and, to a lesser extent, Indonesia will benefit from devaluation of their currencies, and coal exports are expected to rise. Much of Indonesia's coal operations are dollar based, however, and there will be limits on how far export prices are reduced to attract new business. Exports to Asia from South Africa and China are also expected to rise, but higher-cost exports from North America will inevitably decline. The Asian financial crisis has led to the deferral or cancellation of a number of power projects in some of the affected countries.

US prices slipped because of reduced power demand caused by the mild winter and because of sluggish export sales. The mild weather leaves utility stocks high and will reduce postwinter restocking demand. Prices for oil and gas could also affect coal demand as East Coast utilities capable of burning all three fuels increase use of the coal substitutes. The near-term outlook will depend increasingly on summer weather. A hot summer, following the mild ones of the past two years, would help raise demand. The New York Mercantile Exchange has approved a proposal to add a futures contract for coal and hopes to launch the contract early next year.

NATURAL GAS



US PRICES DECLINE OWING TO MILD WINTER WEATHER

US natural gas prices fell significantly in the first quarter as both mild winter weather and price-induced fuel switching to oil weakened demand. Storage inventories are well above last year's levels because of moderate seasonal withdrawals. The first half of March was the winter's only real bout of cold weather in the Northeast and Midwest. The cold temperatures necessitated heavy draws from storage, yet inventories at the end of the first quarter are estimated at nearly 1,200 billion cubic feet (Bcf), some 200 Bcf above levels a year earlier.

Because of a series of production delays in the deep-water Gulf Coast, prices did not fall further, despite the extreme weakness in demand. In addition, growing concerns about supply from the Gulf have prompted strong storage demand as buyers prepare to manage any surge in peak summer demand.

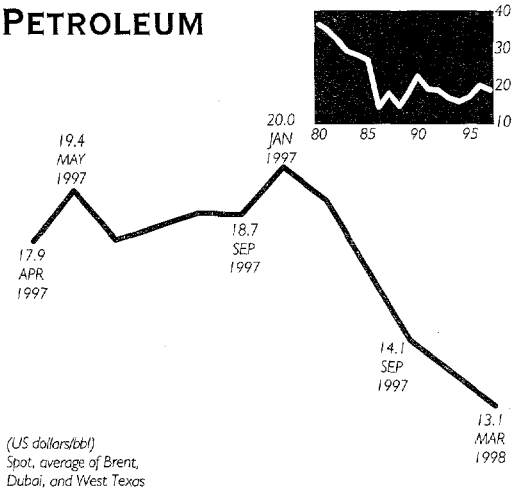
Prices are expected to weaken into the summer to about $2.00 per million btu (mmbtu), but they will largely depend on weather. The past two summers have been moderate, but hotter-than-normal weather this year could cut into storage injections and send prices above $2.50 per mmbtu. A rapid increase in oil prices, further unplanned nuclear outages, or delay in the return of unavailable nuclear units could also strengthen prices.

The outlook for next winter will depend in part on storage levels heading into the heating season and, as always, on the weather. Despite delays in deep-water Gulf supply, production is set to rise this year and next by some 500 million cubic feet per day (mmcf/d). Canadian imports also are expected to increase, following completion of nearly 1.2 Bcf/d of additional pipeline capacity late this year or early 1999. This will likely begin a transition to a looser North American supply/demand balance, although prices may be little changed from the relatively low levels expected this year. Prices for Canadian producers will almost certainly improve next year with the added export capacity; bottled up surplus supply has led to depressed prices compared with US levels.

In Europe gas prices have fallen somewhat owing to lower oil prices and will probably erode further in the coming months if oil prices remain low because of gas contracts' lagged indexing to oil prices (and other variables). Natural gas consumption, which fell last year as a result of mild weather, is poised to increase this year, particularly in the power sector and industry. Indigenous production is expected to increase, along with imports from Europe's two main suppliers, Russia and Algeria.

The Interconnector pipeline joining the UK to the continent will be completed in the fourth quarter of this year. UK gas prices are already decoupled from oil prices, but it remains to be seen how quickly markets on the continent will adopt this practice once spot UK gas begins penetrating Europe. The recent EU directive opening up 20% of the gas market by 2000 (and at least 33% by 2010) will pave the way for increased competition, but the advent of liberalization could see the market open more quickly than scheduled. The UK continues to make rapid progress toward a free-functioning natural gas market, which will undoubtedly influence developments on the continent. In 1998 some 19 million customers in the UK will be able to choose their gas supplier (and 23 million customers their electricity supplier).

PETROLEUM



(US dollars/bbl)
Spot, average of Brent, Dubai, and West Texas Intermediate.

PRICES COLLAPSE WITH RISING SUPPLIES AND FALLING DEMAND

Oil prices fell substantially during the first quarter, averaging 25% below prices in the fourth quarter of 1997. The low point of $11.25 per barrel on March 17 reflected a 35% decline from the end of December and was less than half the level at the beginning of 1997. Late in the quarter prices recovered somewhat as OPEC and non-OPEC producers pledged to rein in production by 1.5 million barrels per day (mb/d) beginning April 1. The proposed cutbacks, if enacted, will help remove the surplus, but it will take some time to be fully absorbed. Prices are expected to remain weak, and further cuts may be needed.

The sharp price decline began in late 1997 as a result of higher OPEC production and weak demand. OPEC raised quotas by 10% for the first half of this year, and Iraq's oil-for-food exports rose to $2.14 billion. Lower oil prices meant that Iraq's exports had to be raised significantly to meet the dollar target. OPEC's February production of 28.85 mb/d exceeded December's by 1.3 mb/d, contributing significantly to the price decline. The financial crisis and economic slowdown in Asia reduced the demand for crude oil, and mild winter weather in northern industrial countries also curtailed energy needs.

Futures prices fell into steep contango during the quarter, providing a large financial incentive to store oil. Global oil stocks

appeared to rise counter-seasonally, but OECD on-land stocks showed little if any build. Much of the surplus oil may have been still at sea. A strong summer driving season in the US might be the only boost to demand, but even this effect will be limited given the abundance of supply. More ominous for supply, the UN approved a doubling of Iraq's humanitarian exports to $5.2 billion, and more oil could soon be on the market.

While the weakness in demand has clearly contributed to the oil market glut, a main problem has been overproduction of oil. An agreement by OPEC and non-OPEC producers on March 22 to voluntarily cut production spurred a rebound in prices, but there was skepticism about whether the cuts are sufficient to remove the surplus and whether the pledged reductions would be fully enacted.

OPEC agreed to reduce output by 1.245 mb/d, and three non-OPEC producers agreed to lower production by 0.25 mb/d. The non-OPEC production cuts were spearheaded by Mexico, which, together with Saudi Arabia and Venezuela, initiated the broader agreement to reduce production following private meetings in March. Mexico pledged to reduce output by 0.1 mb/d, and Norway followed with an identical reduction. Oman agreed to a reduction of 0.3 mb/d, and Egypt 0.2 mb/d.

OPEC formalized its output reductions on March 31 at a ministerial meeting in Vienna. Saudi Arabia agreed to reduce output by 0.3 mb/d, and Venezuela by 0.2 mb/d. Iran, Kuwait, Nigeria, and the United Arab Emirates (UAE) all agreed to reductions of more than 0.1 mb/d, while Iraq was excluded from the agreement because of its exceptional circumstances. Production is to be cut beginning April 1 and remain at the new levels through the rest of the year.

The agreed cuts represent a decline of 4.3% as compared with 10% quota increases at the start of the year. The reductions for Algeria and Venezuela are nearly 6%, while the smallest percentage cut is Saudi Arabia's, at 3.4%. As the new cuts are from February levels of output rather than from quota, the agreement effectively suspends the quota system for the rest of the year—although several OPEC producers have ignored their ceiling limits.

In the first quarter OPEC production was 0.7 mb/d higher than in the fourth quarter (table 2). Much of the increase was in Iraq (0.37 mb/d), the UAE (0.21 mb/d), and Saudi Arabia (0.08 mb/d). Several countries were over quota—Venezuela, Qatar, Nigeria, and the UAE. And several other countries have quotas above current production capacity—Algeria, Indonesia, Iran, and Libya.

OPEC agreed that February production levels totaling 28.637 mb/d would be the basis for the production cuts (including Iraq at 1.65 mb/d). Production is to be reduced to 27.392 mb/d from April 1 until the end of the year, which includes Iraq's February level of 1.65 mb/d. Iraq's production could rise under the newly approved UN agreement, but given that export constraints limit its production to around 2.1 mb/d, OPEC's crude oil production could be under 28 mb/d for the foreseeable future.

Non-OPEC supplies rose by 0.25 mb/d in the first quarter (table 3). Among OECD producers, small increases in the North Sea were more than offset by declines in the US, Canada and Australia. The largest increases occurred in Latin America, with production in Brazil

TABLE 2. OPEC CRUDE OIL PRODUCTION AND QUOTAS

Millions of barrels per day

	3Q97	4Q97	1Q98	Quotas	New agreement April 1998
Algeria	0.85	0.86	0.87	0.908	0.818
Indonesia	1.37	1.33	1.32	1.456	1.310
Iran	3.58	3.72	3.59	3.942	3.483
Iraq	1.22	1.21	1.58	1.314	1.650
Kuwait	1.83	1.88	1.94	2.190	2.080[a]
Libya	1.43	1.42	1.46	1.522	1.373
Neutral Zone	0.54	0.55	0.53		
Nigeria	2.28	2.32	2.31	2.042	2.133
Qatar	0.65	0.68	0.71	0.414	0.670
Saudi Arabia	8.08	8.35	8.43	8.761	8.448[a]
UAE	2.25	2.24	2.45	2.366	2.257
Venezuela	3.22	3.29	3.36	2.583	3.170
Total Crude	27.28	27.85	28.55	27.500	27.392
NGLs[b]	2.83	2.86	2.86		
Total OPEC	30.12	30.71	31.41		

a. Quota includes half share of Neutral Zone.
b. Natural gas liquids.
Source: International Energy Agency and OPECNA.

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

	1995	1996	4Q97	1Q98	Change 4Q97 to 1Q98
Unites States	8.61	8.59	8.51	8.48	–0.03
Canada	2.40	2.46	2.63	2.59	–0.04
United Kingdom	2.79	2.81	2.94	2.95	0.01
Norway	2.91	3.23	3.36	3.38	0.02
Other OECD	1.31	1.35	1.42	1.39	–0.03
Latin America	6.08	6.54	6.98	7.19	0.21
Africa	2.58	2.68	2.82	2.86	0.04
Middle East	1.87	1.89	1.88	1.89	0.01
China	2.99	3.12	3.15	3.18	0.03
Other Asia	2.14	2.11	2.15	2.10	–0.05
FSU	7.13	7.07	7.26	7.31	0.05
Eastern Europe	0.23	0.22	0.22	0.22	0.00
Processing gain	1.46	1.52	1.60	1.64	0.04
Total non-OPEC	42.50	43.57	44.91	45.16	0.25

Note: Includes natural gas liquids (NGLs), nonconventional, and other supply sources.
Source: International Energy Agency.

up 0.10 mb/d and in Mexico by 0.03 mb/d. Output in the countries of the former Soviet Union was estimated to have risen by 0.04 mb/d, and in China by 0.03 mb/d.

World oil demand rose by 2% or 1.4 mb/d in the first quarter over the same quarter last year (tables 4 and 5) despite the mild weather in northern industrial countries and the slowdown in Asia. OECD demand increased by 0.2 mb/d despite the mild temperatures, in part because the previous winter was also mild. Transportation demand may have been spurred by the mild weather, lower prices, and robust economic activity. Non-OECD oil demand is estimated to have increased by 1.25 mb/d, but this includes an increase in apparent demand of 0.3 mb/d in the countries of the former Soviet Union. Demand growth in Asia slowed dramatically as a result of the financial crisis and economic downturn. Demand in Thailand, which has been declining since last August, fell by 7% in the fourth quarter and another 9% in January. Demand in the Republic of Korea reportedly fell by some 20% in January and February. Demand growth in India and China also appeared to slow, leaving little increase in oil demand in the region during the quarter.

Global oil supplies are estimated to have exceeded demand by 1.5 mb/d in the first quarter, at a time when demand is seasonally highest and sizable stock withdrawals are the norm. OECD stocks showed little increase, implying that much of the apparent build is at sea or that there are further problems with the global data.

The outlook for prices depends on how quickly the surplus is absorbed—and hence on the strength of demand, the level of inventories, and Iraqi exports. Demand in the second quarter will be seasonally lower by 1.6 mb/d, but is still projected to be 1.8% above the levels of a year earlier. Non-OPEC supplies are projected to decline by more than 0.2 mb/d with the agreed cuts and the beginning of maintenance in the North Sea, which will more than offset increases elsewhere. Assuming the cuts are fully enacted, a global stockbuild of more than 2 mb/d can be expected, not untypical for this time of year. But the ample stocks suggest that inventories may merely stabilize rather than the overhang

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	38.3	9.9	18.2	66.3	0.4	–4.4	3.7	0.5
1991	38.3	9.4	19.0	66.7	0.2	–4.7	4.6	0.7
1992	39.0	8.2	20.1	67.3	1.7	–13.0	5.8	0.8
1993	39.2	7.0	21.5	67.7	0.5	–14.6	7.1	0.6
1994	40.2	6.0	22.5	68.6	2.4	–14.3	4.5	1.3
1995	40.6	5.9	23.6	70.1	1.0	–1.3	4.9	2.1
1996	41.3	5.5	24.8	71.7	1.9	–6.6	5.3	2.3
1997	41.8	5.7	26.1	73.6	1.1	3.4	5.0	2.6
1Q97	42.0	5.7	25.9	73.6	–0.9	–4.2	4.8	0.8
2Q97	40.9	5.7	25.6	72.1	2.8	4.8	3.6	3.2
3Q97	41.7	5.7	25.8	73.3	2.2	7.3	5.3	3.7
4Q97	42.6	5.8	26.9	75.3	0.5	6.6	5.9	2.9
1Q98	42.2	6.0	26.8	75.0	0.6	5.6	3.6	2.0

Source: International Energy Agency and World Bank.

declining. Prices could stabilize in the second quarter but may not rise appreciably, especially given the uncertainties of Asian demand and Iraqi exports.

In the second half of the year Iraq could be exporting oil at full capability under the new UN agreement, but it is unlikely to be able to export $5.2 billion of oil, as Iraq fully admits. Production could rise to some 2.1 mb/d in the near term, with output being restrained near that level by export constraints. Export capacity could rise if Iraq is allowed to import equipment necessary to repair facilities. Its production capacity is currently around 2.5 mb/d.

Assuming Iraqi production of 2.1 mb/d, an annual stockbuild of at least 1 mb/d is projected for this year. In the fourth quarter a modest stockdraw could be required, suggesting no significant tightening of the market this year. But if producers hold firm to agreed production cuts or indeed enact further reductions in output, the surplus would gradually decline throughout the year and prices could rise. If production continues to be restrained next year, prices will firm and are expected to average well above the depressed prices in the first quarter of this year.

A number of risks remain. The crisis in Asia is having a growing impact on the oil market. The economic slowdown in the affected countries is quite severe, and the general slowdown in the region could take a significant share of previously expected demand growth out of the market. If the crisis spreads and demand falters in the region's other large consuming countries—China and India—oil prices could suffer.

The most obvious downside price risks on the supply side are nonadherence to the new production agreement and rising Iraqi exports. But there are also upside risks that may result in an earlier reduction of the surplus and firmer prices. Continued strong demand in the rest of the world could be enhanced by lower prices and hot summer weather. Non-OPEC supplies could remain lower than expected because of technical problems, continued tightness in the service and equipment sectors, and the impact of lower prices. And Iraqi exports could also decline if the country again becomes embroiled in disputes with the UN.

But given the possibility of weaker demand in Asia and higher supplies from Iraq, it appears that the surplus will take some time to be absorbed, especially if producers fail to fully adhere to production cuts or do not make further adjustments if the market imbalance worsens.

TABLE 5. WORLD PETROLEUM DEMAND AND SUPPLY

Millions of barrels per day

	1995	*1996*	*1Q97*	*2Q97*	*3Q97*	*4Q97*	*1997*	*1Q98*	*2Q98*	*3Q98*	*4Q98*	*1998*
Demand												
OECD	40.6	41.3	42.0	40.9	41.7	42.6	41.8	42.2	41.0	42.1	43.3	42.2
FSU	4.8	4.3	4.3	4.4	4.5	4.6	4.4	4.6	4.5	4.4	4.7	4.5
Other	24.7	26.1	27.3	26.8	27.1	28.1	27.4	28.2	27.9	27.9	29.2	28.3
Total	70.1	71.7	73.6	72.1	73.3	75.3	73.6	75.0	73.4	74.4	77.2	75.0
Supply												
OECD	18.0	18.4	18.6	18.2	18.4	18.9	18.5	18.7	18.5	18.5	19.5	18.8
FSU	7.1	7.1	7.0	7.2	7.3	7.3	7.2	7.3	7.3	7.3	7.3	7.3
Other[a]	17.3	18.0	18.5	18.5	18.5	18.7	18.6	19.1	19.0	19.3	19.4	19.2
OPEC[b]	27.7	28.5	29.6	29.6	30.1	30.7	30.0	31.4	30.7	30.7	30.8	30.9
Total	70.1	72.0	73.7	73.5	74.3	75.6	74.3	76.5	75.5	75.8	77.0	76.2
Stock change and miscellaneous												
OECD	–0.3	–0.1	0.3	0.3	0.4	0.1	0.3					
Floating/transit	0.1	–0.1	0.1	0.5	0.5	–0.3	0.2					
Other/miscellaneous	0.3	0.5	–0.3	0.6	0.2	0.5	0.2					
Total	0.1	0.3	0.1	1.4	1.1	0.3	0.7	1.5	2.1	1.4	–0.2	1.2

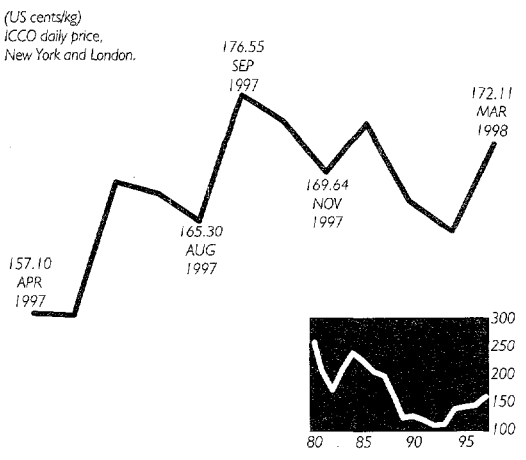
Note: Includes natural gas liquids (NGLs), nonconventional, and other supply sources.

a. Includes processing gains (1.6 mb/d in 1997).

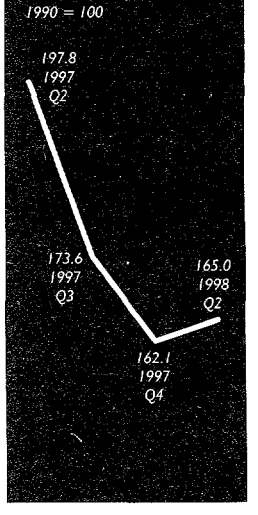
b. Includes NGLs (2.8 mb/d in 1997).

Source: International Energy Agency and World Bank.

COCOA



Tea prices reach a 14-year high on strong demand growth and production problems in several major producers. Coffee prices rise slightly on concerns about the Brazilian crop.



PRICES STILL SHOW NO CLEAR DIRECTION

Prices showed a small decline between the last quarter of 1997 and the first quarter of 1998. Early in the first quarter prices fell as arrivals from West Africa pointed to excellent crops. After the middle of February cocoa prices started to rally, recovering most of the losses earlier in the year. The price rally is mainly due to the seasonal decline in arrivals, particularly in West Africa, and the growth in cocoa grindings in Western Europe and the US.

Arrivals in Côte d'Ivoire and Ghana indicate that their 1997/98 crops will be as good as their record crops of 1995/96. Expectations are for a total crop of 1.18 million tons for Côte d'Ivoire and 400,000 tons for Ghana. Cocoa production in the rest of Africa is expected to be at about the same level as last year.

In contrast, production in Asia (Indonesia and Malaysia) and Latin America (Brazil and Ecuador) will be significantly lower than last year, mainly because of the effects of El Niño. Production is expected to decline 7% in Asia, and 12% in Latin America. As a result of the lower production, Brazil and Malaysia have become net importers of beans to satisfy local grindings demand.

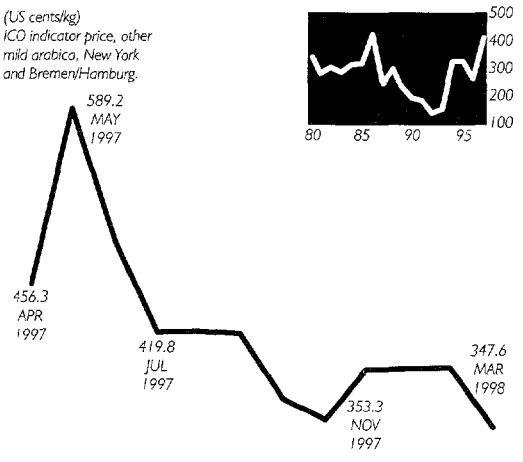
For Ecuador cocoa production in 1997/98 is projected at 65,000 tons, reflecting a decline of almost 40% over 1996/97. Ecuador is only a marginal exporter, and its premium has increased considerably because some manufacturers need a certain amount of Ecuadorian beans for their recipes. Toward the end of March premiums for most cocoas increased, reflecting concerns over the availability of good-quality cocoas as the main crops in West Africa come to an end. The International Cocoa Organization (ICCO) forecasts a production deficit of some 145,000 tons for the 1997/98 crop year.

On the consumption side, grindings in the fourth quarter of 1997 showed increases in Germany (8.8%), the Netherlands (5.9%), the UK (1%), and the US (4.1%). Overall in 1997, grindings increased in Western Europe and the US despite rising cocoa bean prices. Cocoa prices in several European currencies increased considerably, owing to the appreciation of both the US dollar and the British pound.

The Asian crisis has had little effect on cocoa prices, as Asian countries are relatively small consumers of cocoa. According to some estimates, consumers in East Asia, excluding China and Japan, buy about 50,000 tons of cocoa, less than 2% of world cocoa consumption. Including China and Japan, Asia accounts for about 8% of world consumption.

A larger potential impact of the crisis is the effect of currency devaluation on cocoa production in Asia. Currency devaluations have caused the domestic producer price of cocoa to double in Malaysia and quadruple in Indonesia compared with prices a year ago. If labor costs, which account for the largest part of production costs, increase by less than the devaluation, profitability for Asian cocoa producers will improve, with potential benefits for future production. In Japan growth in cocoa consumption has been cooling off, after about 50% growth in the past 10 years, as a result of the country's economic problems. Reports have put imports of cocoa beans during the second half of 1997 at 17,000 tons, compared with 32,500 tons during the same period in 1997.

COFFEE



PRICES SHOW VOLATILITY BECAUSE OF UNCERTAINTY OVER BRAZILIAN CROPS

During the first quarter of 1998 both arabica and robusta prices were strong, mainly because of the uncertainty over Brazilian supply. Although Brazil's 1998/99 coffee season started on April 1, 1998, estimates of the previous season's output still range between the government's estimate of 18.9 million bags and that of the US Department of Agriculture (USDA), at 26 million bags. Estimates for Brazil's 1998/99 crop by various organizations are being fed by the market. The Brazilian government expects the crop to be 31.2 million bags, while several private firms have forecast it considerably higher, in the range of 35–40 million bags.

The International Coffee Organization (ICO) estimates producer stocks at 31 million bags—the lowest level in many years. Stocks in consuming countries are hovering around the historically low level of 4 million bags.

The first quarter also saw the price difference between robusta and arabica coffees narrow as a result of the long-delayed demand reaction to the price differentials and lower world supply of robustas compared with 1997.

But supply is probably the more important reason. The current crop in Indonesia, the world's largest robusta producer, is expected to be between 6 and 6.5 million bags, almost 2 million bags less than the previous year. This shortfall is considerably larger than the expected increase in Vietnam's output, estimated to be around 0.5 million bags. In addition, Uganda's production is expected to decline by about 1 million bags owing to heavy rain between October and January and to logistical and infrastructure problems. Côte d'Ivoire is also expected to see its robusta production decline by more than 1 million bags, because of the biannual production cycle, poor crop husbandry, and a switch to cocoa production.

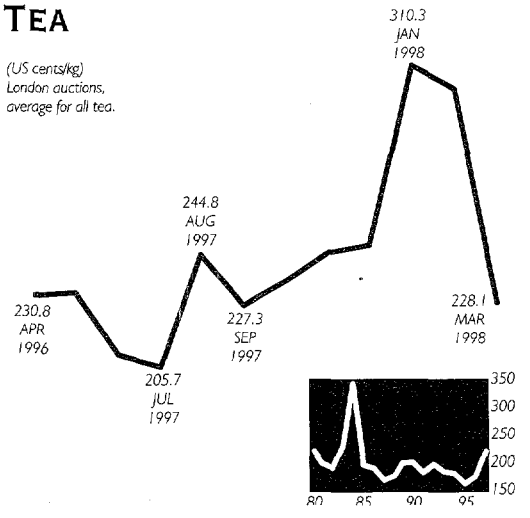
The trend of market liberalization is continuing. Côte d'Ivoire has agreed to liberalize its coffee market in October of this year, and its cocoa market in October 1999. The reforms will abolish the bareme system under which prices at each stage of marketing, including farmgate prices, were fixed by the government. But there is some confusion in the market because the government has not yet officially announced the liberalization plan.

One of the beneficial effects of market liberalization can be observed in East Africa, where producers and traders are launching their own initiatives to improve the industry. The Uganda Coffee Trade Association has proposed creating the Eastern Africa Coffee Cooperation Forum to share scientific information among member states. The forum will aim at consolidating professional research exchange programs and addressing the coffee production problems of its members (Burundi, Ethiopia, Kenya, Rwanda, Tanzania, and Uganda).

The high prices in 1997 have depressed coffee demand in many countries. The impact has been significant in Western Europe and Japan, where currencies depreciated substantially against the US dollar in 1997. A bright spot in consumption is China. Although insignificant in terms of world imports, demand in China is reported to be increasing sharply with income in recent years.

Prospects for Brazil's 1998/99 crop, to be harvested during the Northern Hemisphere summer, are likely to affect world prices. If the crop is close to 30 million bags, arabica prices are expected to rise; if it is close to 40 million bags, arabica prices are likely to slacken. Robusta prices, at only slightly more than half of arabica prices, are likely to be considerably firmer.

TEA



PRICES STAND AT 14-YEAR HIGH

World tea prices soared to their highest level since 1985 as demand increased and adverse weather reduced Kenyan output in the first half of the quarter. London prices averaged 303¢/kg for the quarter, 41% above the already buoyant prices in the same quarter last year. London auction prices for Ceylon tea were especially strong thanks to the high quality of stocks. Colored Kenyan tea also received firm prices. Prices improved in all major auctions —by 53% in Mombasa, 45% in Calcutta, and 33% in Colombo in nominal US dollar terms.

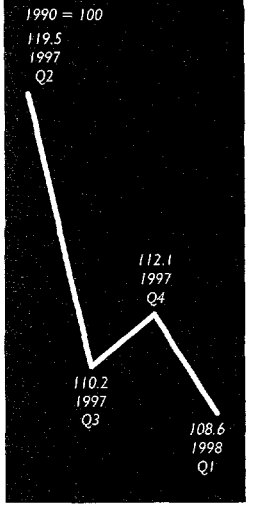
Kenyan output finally recovered from heavy rains in the fourth quarter last year and in January this year. India is heading for another good crop because of favorable weather in both north and south. But Sri Lanka has had poor rainfall in recent months. The El Niño weather phenomenon is expected to cause a drought, which may pull down output in Sri Lanka and southern India. If that does not occur, world production, stimulated by the higher prices, could reach new record-high levels this year.

Despite the higher global production in 1997, demand continued to increase worldwide, especially in the Middle East and the countries of the former Soviet Union.

Strong global demand is likely to keep prices high. But the short-term outlook for prices depends largely on the weather effects of El Niño in Sri Lanka and southern India.

FATS AND OILS

Fats and oils prices are mixed, with palm oil higher and soybean meal lower.



LARGE SUPPLIES, WEAK DEMAND LEAD PRICES LOWER

The prices of major oils and meals diverged during the quarter, with oil prices generally firm and meal prices weak. The price index for fats and oils declined in March, owing primarily to a decline in groundnut oil and soybean meal prices, though this was somewhat offset by higher prices for palm oil. For the quarter, the index fell 4.3% compared with the fourth quarter of 1997. Weak meal prices reflected large supplies of soybean meal and low prices for feed grains. Maize prices have declined 7% compared with the first quarter of last year.

The current outlook for the global 1998/99 oilseed crop is favorable, and further price declines are likely, though the uncertainty of yields always makes price prospects uncertain. The Asian currency crisis will likely reduce demand in that region as well as prices, with currency devaluations in major oilseed exporters such as Indonesia, Malaysia, the Philippines, and Thailand expected to lead to lower prices.

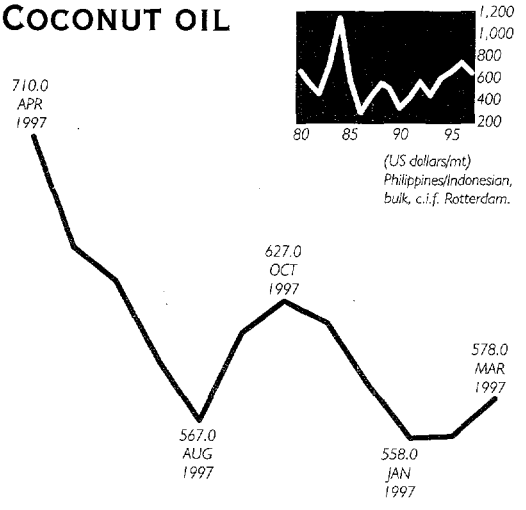
Global production of major oilseeds is expected to reach a record in 1997/98, up 8.2% from the previous year (table 6). Oilseed area expanded 3.9%, and yields about 4.3%. The increases are due to strong growth in the soybean crop, up 15.7% from 1996/97. Most of the growth stems from a 14.4% increase in production in the US—the largest producer with 48.8% of world production in 1997/98. Soybeans accounted for 54% of world oilseed production in 1997/98.

TABLE 6. GLOBAL PRODUCTION OF MAJOR OILSEEDS
Million tons

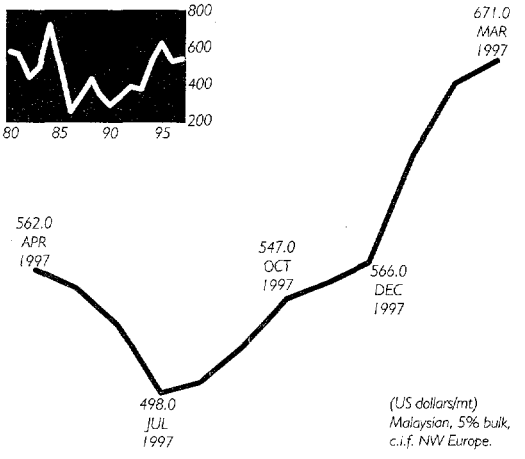
Oilseed	1993/94	1994/95	1995/96	1996/97 (Preliminary)	1997/98 (Estimate)
Soybean	117.83	137.72	124.96	131.58	152.21
Cottonseed	29.49	32.90	35.93	34.44	34.47
Peanut	25.23	28.32	28.40	28.94	27.74
Sunflowerseed	20.83	23.48	25.89	23.93	23.66
Rapeseed	26.80	30.38	34.52	31.43	33.67
Copra	4.97	5.48	5.03	5.83	5.67
Palm Kernel	4.25	4.61	4.98	5.31	5.38
Total	229.40	262.90	259.71	261.45	282.79

Source: USDA.

COCONUT OIL



PALM OIL



PRICES DECLINE DESPITE LOWER PRODUCTION

Coconut oil prices declined 7.3% for the quarter, despite lower production in the major producers, because of large global exports and building stocks in major consuming countries. The average price of coconut oil for the first quarter was $565/ton for Philippine and Indonesian exports (c.i.f. Rotterdam), compared with $758/ton for the first quarter of 1997. Currency devaluations in major producing countries also contributed to the price weakness.

Global production in the 1997/98 crop year is expected to decline about 2.4% as a result of droughts in Indonesia and the Philippines—the two largest producers, together accounting for nearly 70% of world production. Philippine production, which accounts for 40% of the total, is expected to remain about equal to last year's 1.4 million tons, although drought conditions may cause it to fall below this level. Indonesia, with about 28% of world production, is expected to see production decline about 12% from the previous year. India is the third largest producer, with 12% of world production; it is expected to increase production by about 8%.

Global demand for coconut oil in 1997/98 is expected to remain nearly unchanged from the previous year. About 75% of Philippine production and 45% of Indonesian production are exported, primarily to Europe and the US.

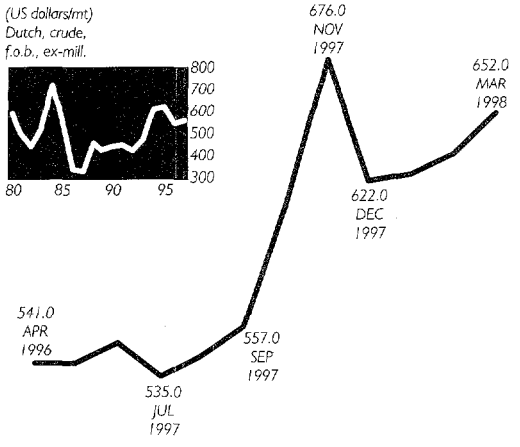
INDONESIA BANS EXPORTS

Palm oil prices rose 17% for the quarter, primarily as a result of an export ban imposed by the government of Indonesia in January. By March palm oil prices had climbed to $671/ton, up from $556/ton during the last quarter of 1997. Indonesia banned palm oil exports because of government concerns over rising domestic prices and the possibility of shortages of palm oil, a major cooking oil and staple in Indonesian diets. Domestic prices rose more than 30% in December, and exports rose sharply in November and December as the rupiah was devalued. The ban is expected to be lifted in late April and replaced with an export tax designed to keep domestic prices from rising to world market levels.

World palm oil production is expected to remain unchanged from last year's level of 17.6 million tons. The two largest producers —Malaysia, with 50% of world production, and Indonesia, with 31%—are expected to harvest crops of near normal size, despite lower-than-normal rainfall in both countries. Fires remain a concern in Indonesia, but the effects on palm oil production are unclear. The lingering effects of El Niño also increase production uncertainty.

Palm oil is the second largest vegetable oil after soybean oil, accounting for about 23% of total world vegetable oil production. Palm oil accounts for the largest share of vegetable oil exports, with 38% of the world total.

SOYBEAN OIL



PRICES REMAIN FIRM DESPITE LARGE SUPPLIES

Soybean oil prices remained firm despite record world soybean production, with the average price for the first quarter unchanged from the previous quarter at $637/ton. The high price of palm oil added strength to the soybean oil market, since the two oils are close substitutes in some uses. Import demand has remained strong despite the slow economic growth in East Asia due to the currency crisis. China is expected to import 1.8 million tons of soybean oil in 1997/98, up sharply from only that 0.6 million tons in 1993/94. The increased imports reflect the rapidly rising demand that has come with strong economic growth.

World exports are expected to rise about 9.7% in 1997/98, with larger exports from Argentina, Brazil, and the US. The four largest producers and exporters are the US (with 35% of production and 20% of exports), Brazil (17% and 20%), the EU-15 (12% and 19%), and Argentina (10% and 32%). Argentina has been expanding its share of both world production and exports in recent years; since 1993/94 its exports have grown by 45%.

Brazilian soybean production is expected to reach 30 million tons, up 12% from the previous year. Argentine soybean production is expected to rise to a record 16 million tons, up 43% from the previous year thanks to excellent growing conditions and expanded investments in soybean production.

GRAINS

WORLD STOCKS REBUILD

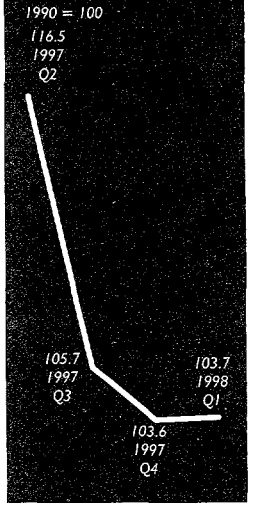
World grain stocks are expected to rise to 16.8% of world consumption at the end of the 1997/98 crop year (July–June), up from 15.5% in 1996/97 and 14.2% in the previous year. World production has grown nearly 10% in the past two years—twice as fast as consumption. A large Southern Hemisphere grain crop has further added to the already adequate supplies from the Northern Hemisphere crop.

The rising estimates of end-of-year stocks over the past several months have led to generally weak wheat and maize prices. But rice prices have been rising on strong export demand since the lows reached in November. Thailand's rice export prices fell sharply during 1997 following the devaluation of the baht.

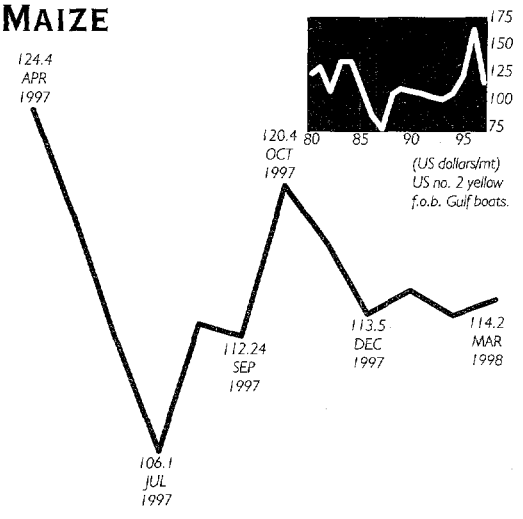
The end-of-year stocks in the five largest exporting countries are expected to rise by 26% to 109 million tons, a large share of the world total of 312 million tons. These large stocks will provide a strong buffer against a sharp price rise this year. By comparison, stocks in the major exporters in 1995/96, when prices rose sharply, totaled only 60 million tons.

World demand for grain imports in 1997/98 is expected to be about equal to last year's 209 million tons, with higher rice and wheat imports but lower coarse grain imports. The Asian currency crisis has weakened demand somewhat, with coarse grain imports by the Republic of Korea, for example, expected to be down 11% from last year. Other factors have also contributed to the slow growth in import demand. In China a 12% increase in wheat production reduced the demand for wheat imports. A large increase in grain production in the countries of the former Soviet Union has reduced their import demand as well. Rice imports have risen largely because of a poor rice crop in Indonesia, which led to 4 million tons of rice imports.

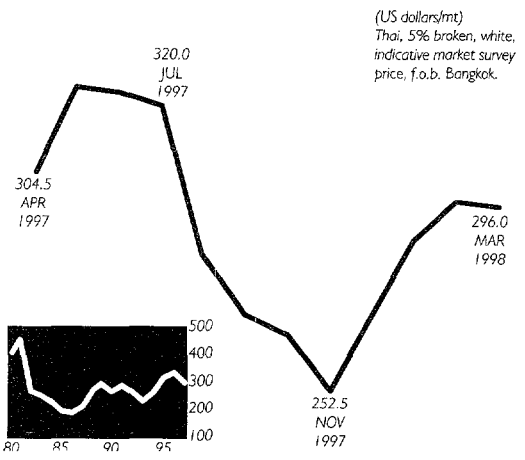
Rice prices recover from their recent lows, while maize and wheat prices fall on large Southern Hemisphere production and weak Asian demand.



MAIZE

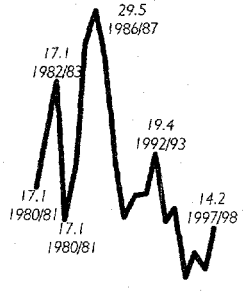


RICE



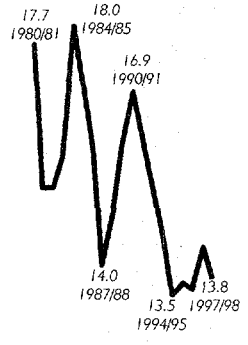
COARSE GRAIN STOCKS (WORLD)

Market-year-ending stocks as percentage of consumption



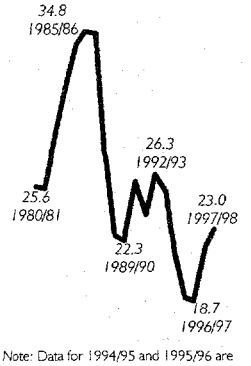
RICE STOCKS (WORLD)

Market-year-ending stocks as percentage of consumption



WHEAT STOCKS (WORLD)

Market-year-ending stocks as percentage of consumption



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

PRICES DRIFT LOWER AS SUPPLIES GROW

Maize prices fell about 2.5% during the quarter as large exports from Argentina and China were met by weak import demand from Asia. World maize trade is expected to contract by about 4% in 1997/98 (July–June). The contraction will stem in part from lower imports by the Philippines (down 44% from last year), Indonesia (33%), Malaysia (16%), Taiwan, China (13%), and the Republic of Korea (10%). Exports from Argentina are expected to rise 27%, and exports from China 28%. US exports are expected to decline, owing to the weak global demand and strong export competition, but US exports will still account for two-thirds of world exports.

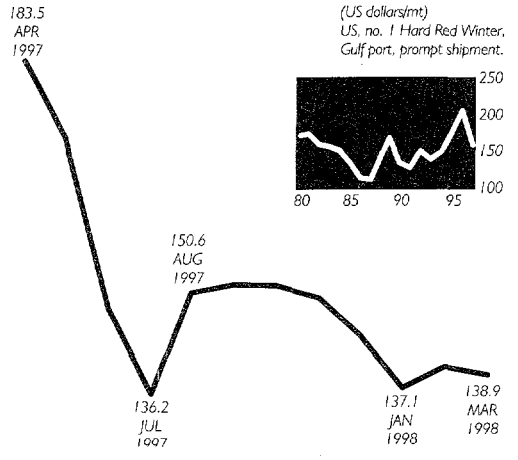
World production of all coarse grains for the 1997/98 crop year fell slightly below the record harvest of last year but is still large enough to maintain world stocks at last year's 122 million tons. Stocks in the five major exporters (US, Argentina, EU, Canada, Australia) are expected to rise significantly—from 46 million tons last year to 63 million tons this year. These stocks are the most readily available for export and so have the greatest impact on prices. Annual growth of world production has averaged 1.5% since 1989–91, while consumption growth has averaged 1.4% a year. Favorable planting conditions and low fertilizer prices point to good prospects for the 1998/99 crop.

INDONESIA IMPORTS 4 MILLION TONS

Indonesia is expected to import 4 million tons of rice in 1998 to offset the shortfall from a drought-damaged domestic rice crop. Domestic production is expected to total 47.5 million tons in the 1997/98 crop year, down from 49.3 million tons in 1996/97 and 51.1 million tons in the previous year. The country will also import 4.5 million tons of wheat to meet its food needs and to keep food prices low to alleviate the effects of the past year's poor economic conditions. If the next monsoon, expected to begin in October, is normal, rice imports could drop back to the usual level of about 1 million tons.

The Indonesian rice imports increased world trade to an estimated 21.4 million tons, from 18.9 million tons in the previous year. Despite the big jump in imports, rice prices remain below $300/ton for Thai 5% broken white rice. Much of the rice to be exported has already been placed under contract, according to industry sources, and some is under special arrangements with major exporters. A large world harvest is expected to push up stocks by about 4%. China had a large harvest and is expected to export about 1.7 million tons, largely offsetting the Indonesia imports. Other major exporters—such as Thailand, Vietnam, and the US—have also had good crops and large, if not record, exports. India is expected to continue in its new role as rice exporter, with exports of about 2 million tons.

WHEAT

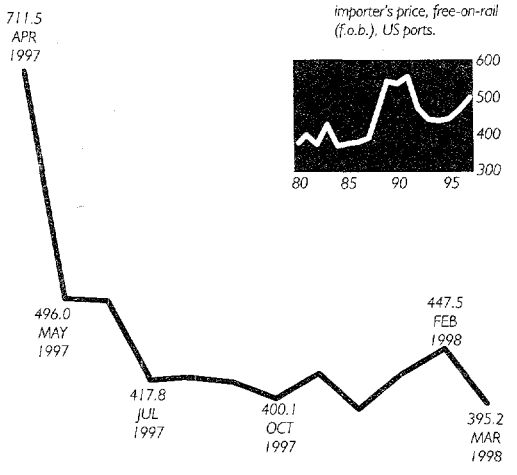


LARGE SOUTHERN HEMISPHERE CROP SINKS PRICES

Wheat prices declined 6.7% for the quarter and 20.7% compared with the first quarter of 1997. The decline reflects good harvests in the Southern Hemisphere and increased estimates for the Northern Hemisphere crops. Production for the 1997/98 crop year (July–June) is now expected to exceed the previous year's by 4.7%, reaching a record 610 million tons. Over the past three years world production has increased 16.2%, while consumption has risen 6.8%. End-of-year stocks are expected to rise to 135 million tons, with stocks in the five largest exporters totaling 44 million tons. World trade is expected to remain about equal to last year's 98 million tons, with higher imports by Latin America, the Middle East, and South Asia and lower imports by Africa, East Asia, Eastern Europe, and the countries of the former Soviet Union.

Increased production in major importing countries has kept imports low. In 1997/98 China produced 124 million tons, up 12.6% from the previous year and 21.3% from the year before that. Imports fell from 12.5 million tons two years ago to an estimated 2 million tons in the current year. Production in Eastern Europe and the countries of the former Soviet Union is expected to reach 116 million tons in 1997/98, up from 91 million tons in the previous year. Imports are expected to fall to 7 million tons from 10 million tons during the previous year.

BANANAS



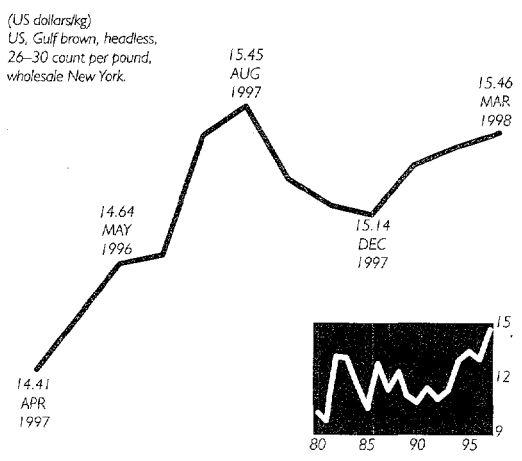
PRICES FALL SHARPLY FROM YEAR-AGO LEVELS

Banana prices fell sharply in March, to $395/ton in the US market. At $422/ton the first quarter average was well below last year's $615/ton. Better than expected supplies from Central America and inventory accumulations by importers concerned about possible El Niño-induced production problems drove the sharp decline. Importers had stocked up on Colombian and Ecuadorian bananas in anticipation of supply disruptions, but the disruptions never came. These large inventories are now being reduced, and prices are expected to strengthen in the second quarter.

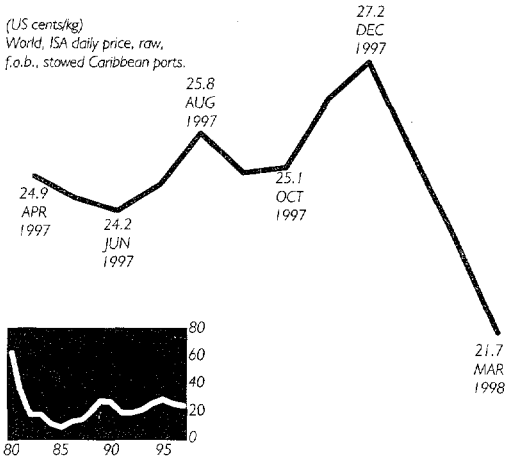
A strike by some 4,000 employees at the Chiriqui Land Company, a subsidiary of Chiquita Brands, in Panama, has seriously disrupted production. The strike is at the Armuelles division, which accounts for about half of Chiquita's annual production in Panama. About two-thirds of the bananas from Armuelles go to Europe and one-third to US markets.

The European Commission has proposed a change in the EU's banana import regime in response to a September WTO ruling. The WTO upheld a complaint by Ecuador, Guatemala, Honduras, Mexico, Panama, and the US that the EU's preferential treatment of bananas from African, Caribbean, and Pacific countries discriminates against Latin American banana exporters. The EU proposal would provide for a communitywide banana market with licensing arrangements regulated by the Commission.

SHRIMP



SUGAR



WEAK DEMAND IN JAPAN HOLDS DOWN PRICES

Shrimp prices were unchanged to slightly higher during the quarter as weak demand in Japan held prices down. Demand in the US was moderate despite the good economic conditions, in part because of high prices and low US production.

Japanese demand has been weak, a casualty of the overall economic slowdown. Retail sales rose with the start of the cherry blossom season, but are expected to fall again. Demand is weakest for the larger sizes such as 13/15 count; 16/20 count are faring better. Imports during January–February were down about 20% over last year. India and Indonesia have been Japan's largest suppliers in 1998, accounting for half of total imports. Vietnam, the third largest supplier of shrimp to the Japanese market, should begin harvesting black tiger shrimp in May.

US shrimp sales have been weak, with domestic output down because of reduced production from the Gulf of Mexico. January imports were about 10% higher then last year. Ecuador and Thailand remained the largest suppliers, each with about 25% of the market. India's exports are up from a year ago following a good harvest of black tiger shrimp.

The outlook is for continuing price weakness for the next several months as weak economic conditions persist in Japan. Futures prices for black tiger shrimp are slightly lower through July.

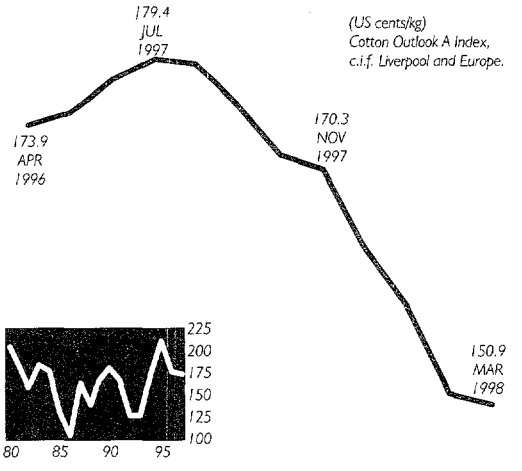
LARGE SOUTHERN HEMISPHERE CROP SINKS PRICES

World sugar prices turned sharply lower in early 1998, with raw sugar futures on the New York Coffee, Sugar, and Cocoa Exchange (CSCE) falling below 9¢/lb in April for the first time in five years. The World Bank's indicator price fell to 21.69 ¢/kg in March for c.i.f. New York imports. Pushing these declines are indications of further production increases in an already well-supplied market. With world production exceeding consumption in 1997 for the fifth consecutive year, prospects for a significant price recovery appear to be quite weak.

More than 60% of raw sugar exports are from Southern Hemisphere countries, reaching the market in the second half of the calendar year. Expectations for the 1998 harvest in the Southern Hemisphere, which is just beginning, are that exports from Australia, Brazil, and South Africa will be large. That suggests that prices could remain weak for the rest of this year. The market was already well supplied from Northern Hemisphere producers such as the EU, whose crop in 1997 was up 8.5% from the previous year's.

Cuba and Thailand are experiencing poor crops. Cuba has had poor weather, and the continued poor economic conditions have reduced inputs for the sugar sector, leading to sharply lower yields. Production is expected to fall below 3 million tons.

COTTON



PRICES ARE STILL ON THE DECLINE

The medium staple cotton price indicator (Cotlook A Index) averaged 1539 ¢/kg, almost 10% lower than last quarter's 168.5¢/kg and 15% lower than in the same quarter last year. The pessimism in the cotton market was also reflected in the New York futures markets, whose nearby contracts closely track the A Index's downward trend.

The International Cotton Advisory Committee (ICAC) estimates that world cotton production for 1997/98 will be about 19.6 million tons—that includes 1.9 million tons for the Southern Hemisphere, now becoming a significant player in the world market. Consumption for 1997/98 is expected to remain at the previous estimate of 19.4 million tons. That means another 200,000 tons will be added to world stocks, which are expected to reach 9.4 million tons by the end of the season.

Cotton production in Argentina is expected to rise to 425,000 tons from 300,000 tons last season. Despite disease and drought early in the season and excessive rain recently, production in Brazil will reach an estimated 400,000 tons, up from 315,000 tons in 1996/97. Australia is expected to reach a record level of 680,000 tons, up 11% from last season's record. While production in Zimbabwe, South Africa, and Zambia is estimated at 170,000 tons, the same as last season, poor weather in Tanzania and Uganda is expected to reduce their combined production by 50%—to less than 50,000 tons.

Prospects for 1998/99 production are now lower than originally anticipated, mainly reflecting current low prices and continuing difficulties in raising yields. Production in the Northern Hemisphere is expected to fall by half a million tons in 1998/99, to 17.4 million tons. China, the world's largest cotton producer, will account for part of this reduction. Its production is projected to fall to 4 million tons from 4.4 million tons in the current season.

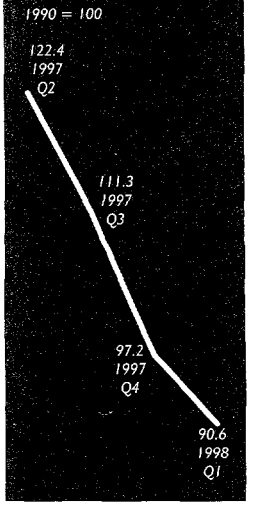
Despite the loss of consumer purchasing power and slowdown in economic growth in East Asian countries, the financial crisis has had little effect on cotton trade in these countries. US cotton export commitments to China, the Republic of Korea, and Thailand, for example, are higher than in 1996/97, while commitments to Indonesia are only 7% lower than last season. And mill use in Indonesia, Korea, and Thailand (the three countries most affected by the crisis) is down only 10%.

The US Department of Agriculture (USDA) reported that the Export Credit Guarantee Program (known as GSM-102 and administered by the Commodity Credit Corporation) facilitated substantial sales of cotton to Asian countries affected by the crisis. In the current fiscal year, for example, USDA has allocated $3.4 billion of GSM for the purchase of agricultural commodities, including $130 million for cotton sales to Korea.

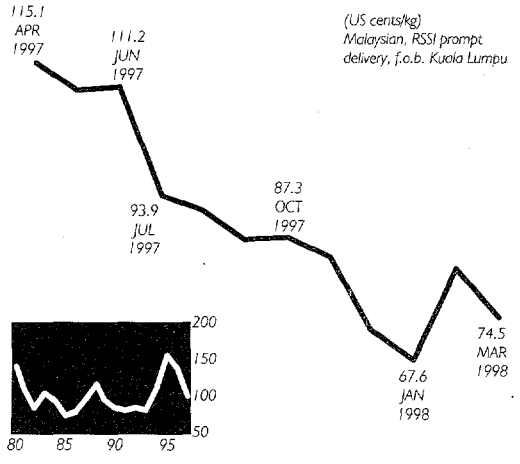
The government of China announced in January that cotton imports may be limited by quotas during 1998 and announced a quota of 50,000 tons by the Ministry of Foreign Trade. With China importing 400,000 tons in 1996/97 and 285,000 tons in 1997/98, prices are likely to remain at their current low levels if the quotas are maintained.

Cotton Outlook reported that the European Community's recent decision to impose provisional antidumping duties on six external suppliers of unbleached cotton (China, Egypt, India, Indonesia, Pakistan, and Turkey) has divided opinion between the primary textile sector and the finishing industry. The antidumping duties are scheduled to remain in force for six months.

Agricultural raw materials prices fall 6.9% due to sharply lower Asian timber prices and lower natural rubber and fiber prices.

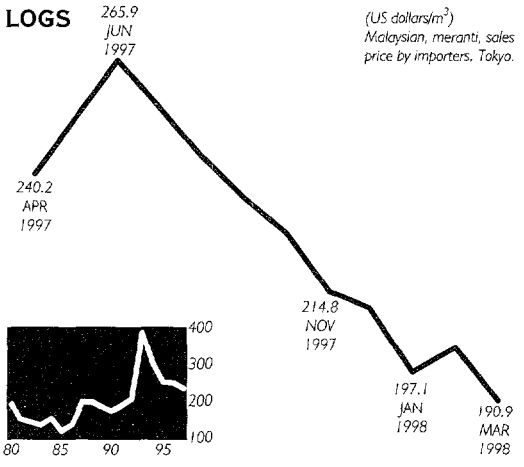


RUBBER



TIMBER

LOGS



PRICES FALL TO THE LOWEST LEVEL IN 20 YEARS

The Asian currency crisis has severely cut the dollar price of natural rubber, sending the Malaysian export price to its lowest level in more than 20 years (in nominal terms). The export price plunged from an average of 102.0 cents/kg in 1997 to 67.6 cents/kg in January.

Asian producers account for a significant share of world production, with Indonesia, Malaysia, and Thailand alone producing 72% of world output. Major tire producers, responding to lower prices and concern over potential civil unrest in the region, have been stockpiling natural rubber. Government stocks in Thailand are also large. Global demand is expected to stagnate in 1998 after surging 4%–6% in 1997. The high stocks and demand spell trouble for any price recovery.

The currency devaluations have improved producer incentives, according to LMC International. The rupiah factory-gate price paid to Indonesian smallholders for rubber coagulam rose 162% from July 1997 to February 1998—far outpacing domestic inflation. The price hike should provide strong incentives to smallholders to boost production levels by maximizing tree tapping. The margins between factory gate and international prices have also widened. The wider margins suggest that intermediaries have captured some of the benefit. However, these margins declined in February and should decline further as currencies stabilize and competition increases.

ASIAN CURRENCY CRISIS CONTINUES TO WEAKEN PRICES

The Asian currency crisis continues to weaken tropical timber prices, which fell from $\$264/m^3$ in June 1997 to $\$166/m^3$ in March. Prices of sapele, the African redwood, have not declined proportionately because it is exported primarily to European markets. European importers are reluctant to switch to Asian timber because of the higher freight charges and the uncertain situation in Asia.

Indonesian exports have declined as prospects of further currency devaluations have caused many buyers to place small orders to reduce the currency risk. Demand in Japan has been seriously affected by low housing starts, with December starts down 19% over last year, and January starts down 16%. Japan's log imports are expected to drop 31% in the first half of 1998 over the same period last year. Also, stocks in Japan and the UK are high. An inability to procure financing has resulted in very limited orders by Korean importers since December.

Malaysia faces many of the same problems as Indonesia, with competition between Malaysian mills keeping prices low. Sawmills in Sabah and Sarawah are the hardest hit, with activities down some 60%, according to the International Tropical Timber Organization. The industry has been further set back by the cancellation or suspension of many large construction projects.

FERTILIZERS

Fertilizer prices rise 1.5%, with higher potassium chloride and phosphate prices.

NITROGEN PRICES REMAIN WEAK, WHILE PHOSPHATE AND POTASH PRICES REMAIN STRONG

Fertilizer prices were largely unchanged during the quarter, with urea prices remaining weak and potash and phosphate prices remaining firm.

China continues to be a large buyer of phosphate and potash fertilizers, while also continuing to sharply curtail imports of nitrogen fertilizers. Imports by Latin America have also been strong, largely offsetting the somewhat slower import demand by the Asian countries caught in the currency turmoil and economic slowdown. Indian demand too has remained strong.

The disparity between the nitrogen fertilizer market and the phosphate and potash market continues, with two factors accounting for the difference. The decision by China to ban urea imports in mid-1997 was certainly the main reason that urea prices fell, but other factors are also at play in maintaining high potash and phosphate prices. Several large developing countries, including China and India, are taking policy actions to rebalance their fertilizer use.

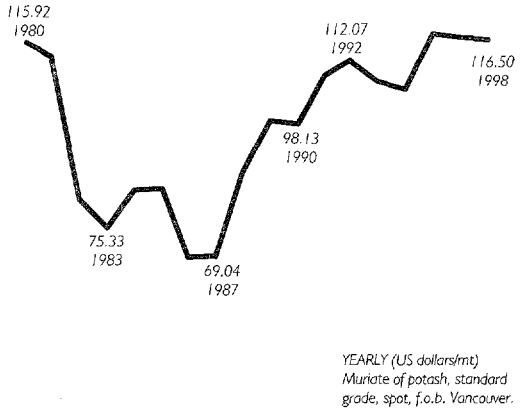
Some Asian countries have used a larger share of nitrogen fertilizers than the world average, and in many cases they have not applied adequate amounts of other nutrients to keep fertilizer applications in balance (table 7). That has led to soil fertility problems and reports of yield declines in rice. Efforts to correct this fertilizer imbalance are expected to maintain strong demand for phosphate and potash fertilizers. This strong demand was reflected in 1997 exports, with US exporters, for example, increasing their shipments by 10% in the second half of the year.

TABLE 7. FERTILIZER APPLICATION SHARES, 1995
Percent

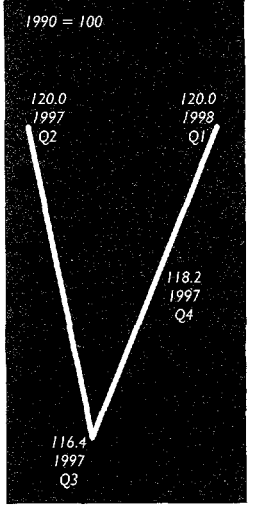
Country	*Nitrogen*	*Phosphates*	*Potash*
China	66.4	24.8	8.7
India	70.8	20.9	8.3
Indonesia	73.4	14.8	11.8
World	60.2	23.7	16.1

Source: Food and Agriculture Organization.

POTASSIUM CHLORIDE



YEARLY (US dollars/mt)
Muriate of potash, standard grade, spot, f.o.b. Vancouver.

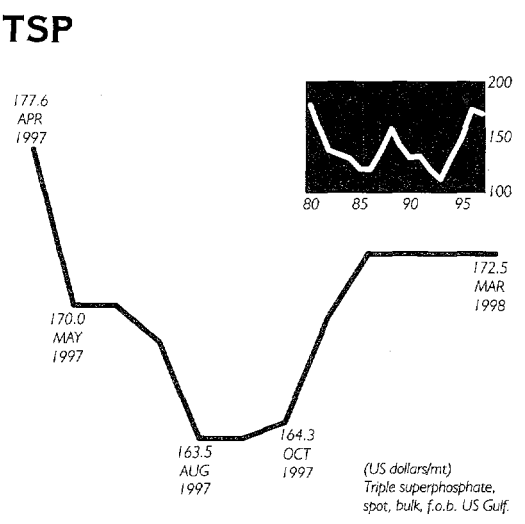


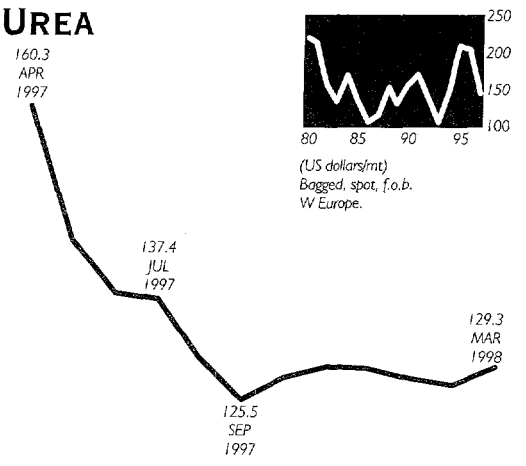
CONTRACT NEGOTIATIONS CONCLUDE WITH A $5/TON INCREASE

Strong demand has led to higher prices in contract negotiations between major suppliers and importers. It appears that negotiations will lead to a price increase of about $5/ton for the first half of 1998 over the second half of 1997. Canpotex, the Canadian potash export association, has agreed on a $5/ton increase with major Japanese buyers, and other companies appear to be reaching similar agreements. Although several buyers are reportedly resisting the price hike and negotiations are still ongoing, increases of $2–$3/ton seem to represent the minimum offered by exporters. India, a major importer, reportedly has not yet agreed to the higher prices.

China has been a strong buyer. Its imports rose by about a third in 1997 over 1996, to 4.6 million tons. Its largest suppliers were in Eastern Europe and Central Asia, with a market share of about 50%. Canadian potash exporters, with about a quarter of the market, saw their exports to China rise more than 40%. Other suppliers to China, including Israel and Jordan, also recorded increases.

Demand has remained relatively strong in the Asian countries caught in the currency crisis—possibly because of the essential nature of fertilizer. The five countries most affected by the currency crisis imported 10% of world totals in 1995.





PRICES REMAIN FIRM ON STRONG IMPORTS

Average prices for DAP were down slightly for the quarter, but strong toward the end of the quarter as prices in the US Gulf exceeded $200/ton. TSP prices were up slightly from the previous quarter.

China remained a strong buyer, with 1997 imports of DAP at 4.6 million tons, up slightly from 1996. Its total consumption of phosphate fertilizers was up 5.6% in 1997, reflecting a faster rate of growth than for nitrogen fertilizer. An additional increase of about 5% is expected for phosphate fertilizers in 1998, based on both increased domestic production and higher imports. The increase reflects government support for greater use of phosphate and potash fertilizers.

With low domestic stocks, India also continues to be a strong buyer. But many traders are waiting for a decision on the new fertilizer subsidy. This is expected to come out of a government review of recommendations by a committee of experts on the country's long-term policy on fertilizers. India retroactively reduced the DAP subsidy paid to producers and importers by 7%–11% for the period October 1997 to March 1998. The move was intended to offset lower production costs, according to the Ministry of Agriculture. The cut in the subsidy is expected to reduce domestic production from the 16.6% higher level registered during the last three quarters of 1997.

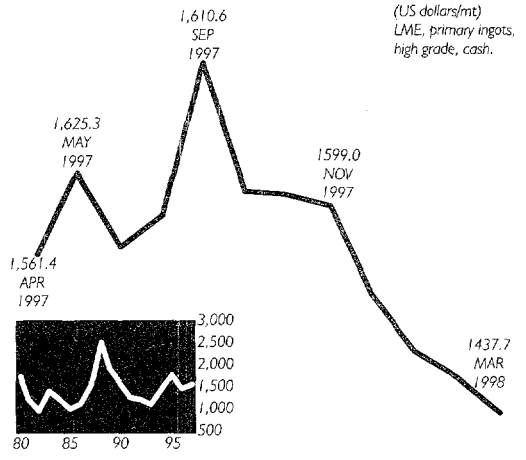
PRICES REMAIN SEVERELY DEPRESSED

The Chinese ban on urea imports in mid-1997 caused a severe price shock in the nitrogen fertilizer market. During the first quarter spot urea prices averaged $128.20/ton—nearly unchanged from the previous quarter, but well below the $176.70/ton of the first quarter of 1997. China had been the largest importer in 1995, accounting for about 20% of world trade. The ban was designed to promote domestic production and was also a response to inventory accumulation.

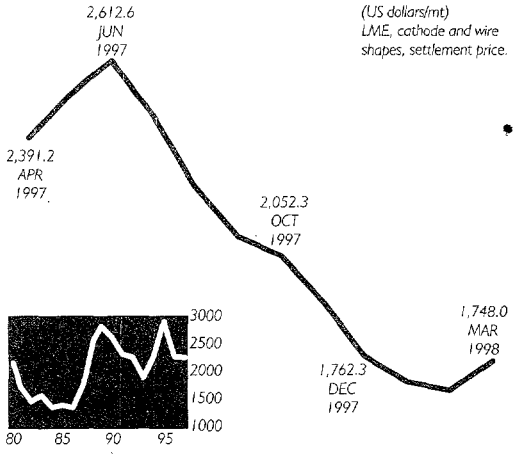
As a result of the ban, China's imports fell from 6.0 million tons in 1996 to 3.4 million tons in 1997. The decision to ban urea imports seems to have had little effect on grain production in China. In 1997/98 total grain production remained about equal to the previous year's output. But if the ban leads to lower use of nitrogen fertilizers, concern over food production could lead the government to reconsider its decision.

India's government is reconsidering its fertilizer subsidy policy on the basis of a recent report from a government commission. The report proposes that the new government dismantle the unitwise retention price scheme on urea and replace it with a uniform pricing system. It also recommends basing the subsidy for manufacturers on tons of fertilizer sold. Many manufacturers would receive substantially lower subsidies than they do now and, predictably, are concerned.

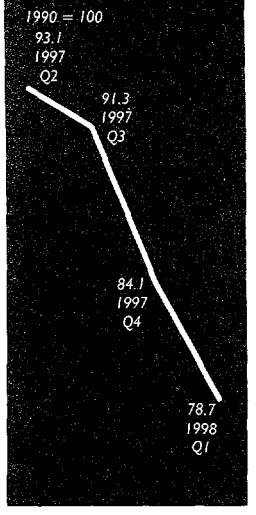
ALUMINUM



COPPER



Metals prices fall 6.9% on weak Asian demand.



PRICES FALL ON WEAK ASIAN DEMAND

Aluminum prices have fallen for seven consecutive months—15% overall—with March prices 6% below December's. Despite strong demand in Europe and the US, weak demand in Asia is redirecting shipments to non-Asian destinations, exerting downward pressure on prices in other markets. Demand in Asia is estimated to have fallen 15% in the fourth quarter and 12% in the first quarter.

London Metal Exchange (LME) stocks fell in January and February, with much of the withdrawal from UK warehouses. But a rise in International Primary Aluminum Institute stocks and Japanese trader stocks has more than offset the LME declines.

Demand is expected to remain robust in the US and Europe, particularly in the European automobile sector. The region's auto producers are both expanding production and increasing the intensity of aluminum use (as are auto producers elsewhere). But in part because of falling demand in Asia, no shortage of supply is likely.

The supply surplus expected for this year is likely to be lowered, in part because of sharply lower output in Ghana and Indonesia. Prices could drift in either direction depending on recovery in Asia, the strength of demand in Europe and the US, and the extent of production problems in many countries, including possible losses in the former Soviet states because of lower prices.

PRICES FALL ON RISING SUPPLY, WEAK ASIAN DEMAND

Copper prices fell 11% in the first quarter as supplies rose and demand in Asia weakened. February prices of $1,665/ton were more than a third below those of last June. Prices rebounded in March with a spurt of demand and declining stocks in Europe, averaging 5% above February levels. The rise, which appeared to be partly technically driven, was cut short by sizable producer and hedge fund selling.

Large shipments from Chile were received into various LME warehouses during the quarter—Hamburg, Germany in January; New Haven, Connecticut (US) in February; and Bilbao, Spain in March. But large quantities were also withdrawn in March, with much of the material taken from Singapore owing to some stepped-up activity in Asia. European warehouses also saw a steady outflow of material, partly because of a tight scrap market. Refiners and producers have been pressed to use cathode as a substitute for scrap, and despite higher prices in March the availability of scrap remains low. Unlike the LME, Comex stocks increased slightly in March to a four-and-a-half-year high.

In Western Europe and the US, strong economic activity has boosted copper consumption. The auto and wire and cable sectors were particularly strong in Europe, with strong growth in vehicle sales and production contributing to the buoyant wire sales. In the US, housing starts are relatively high, driven by a

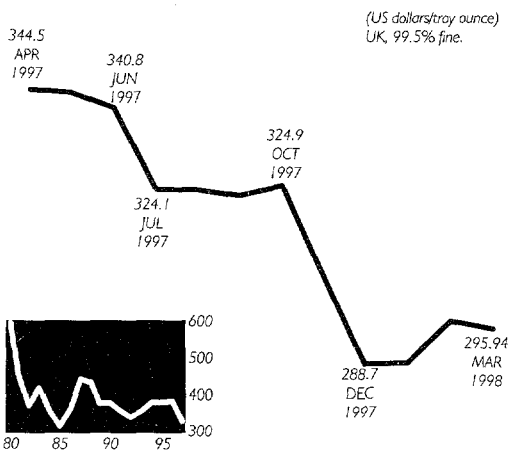
strong economy, low interest rates, and unseasonably mild weather. Demand for wire rod in the domestic wire and cable markets remains strong, and most wire and rod producers have sold out of material for 1998. The effects of the Asian crisis may be starting to filter through to the manufacturing sector, the first that will suffer, particularly the high tech industry. Exports to Asia will fall with declining demand, and domestic sales may suffer from cheaper Asian imports. In Japan, demand is extremely weak because of the faltering economy and declining exports to Asia.

Outside the former centrally planned economies, world demand for copper is projected to increase by 1.7% this year. But supply is expected to outstrip demand, particularly in the second half of the year, when much higher supplies are anticipated. Low prices have prompted announcements of mine closures, but the capacity that will be closed down is relatively small compared with the new production capacity expected. Some companies, particularly high-cost producers in Australia, have responded to lower prices by reducing costs, warding off a shutdown of operations.

Stocks are expected to rise strongly this year, particularly in the second half as the large supply increase materializes. Strong demand in Europe and the US could support prices in the coming months, but rising supplies and weakening demand in Asia are expected to lower prices in the second half of the year.

Copper prices are expected to remain in the doldrums over the next couple of years as supplies rise faster than demand. In addition to the 1.3 million tons of new and expanded capacity that will be commissioned this year, new projects and expansions—financed and under construction or in the commissioning phase—will add another 1.1 million tons in 1999 and 0.7 million tons in 2000. Closures will partly offset the new capacity but may not be large enough to prevent prices from weakening over the period. A recovery is expected at the turn of the century, depending on the pace of global economic activity.

GOLD



PRICES REMAIN WEAK

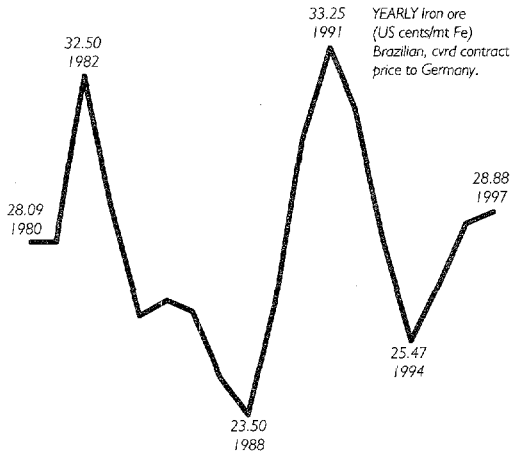
Gold prices continued their downward slide of the past two years, falling 4% over the last quarter of 1997. Concerns about further sales by central banks and reduced demand in Asia drove the decline. The Belgian Central Bank, a frequent seller of gold since 1988, announced in March that it had sold 299 metric tons of its gold reserves, reducing them to 297 tons.

After falling in January to the lowest level in almost two decades, prices rebounded by more than 10% at the start of the second quarter, reaching $310/toz. Fueling the rise were more positive sentiments on the likely levels of gold reserves that will be held by the new European Central Bank and the revelation that the Belgian sales went to five other central banks and not into the already well-supplied market.

Demand in main markets rose 9% in 1997 according to the World Gold Council, with demand in India soaring 45% to 737 tons. Demand fell sharply in countries affected by the Asian crises, and the slump has continued into 1998. Imports into these countries have been further reduced because consumers have been selling gold back into the market.

The continuing weakness in Asian demand, together with an expected increase in producer sales should prices firm, means that gold prices are unlikely to rise significantly. Further sales from central banks could also occur. Prices falling under $300/toz will tend to stimulate demand and cause production cuts.

IRON ORE AND STEEL



PRICES WEAKEN DUE TO THE ASIAN CRISIS

Japanese mills accepted a price increase of 2.8% for iron ore fines and lump from Australia for fiscal 1998. Expecting their steel production to drop this year as a result of weak domestic and Asian export markets, they had hoped for a rollover of prices. But given the global supply situation of ore, suppliers had the leverage.

The European benchmark followed with a price increase of just under 3%. This pushed the price of Standard Sinster Fines f.o.b. Tubarão and Itabira (the price series used in this report) to 29.69 cents per mtu. But in a significant change in this year's negotiations, Carajas fines have taken over as the reference grade for calculating the benchmark cfr Rotterdam price. CVRD has been campaigning for the switch for several years because it supplies much greater tonnage of Carajas than Itabira. The price of Carajas fines into Europe for calendar 1998 is 31.00 cents per mtu f.o.b. Ponta da Madeira. Including freight, the new reference price in Europe for Carajas is 38.84 cents, up from last year's 37.19 cents. (For the time being this report will continue to record the old series.)

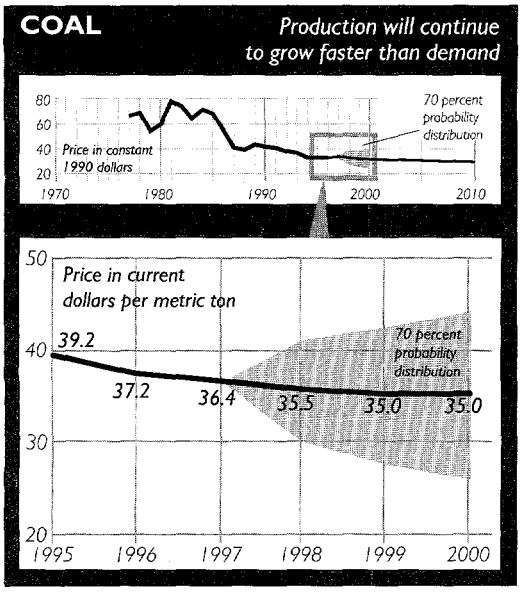
Steel prices continued to fall in the first quarter as a result of fallout from the Asian crisis. Prices averaged 5% lower than in the fourth quarter of 1997, and March prices were some 12% below those of last September. Although demand in the US and Europe remains strong, exports to Asia are being diverted to other markets, and cheaper imports from Asian suppliers are pressuring prices in many markets.

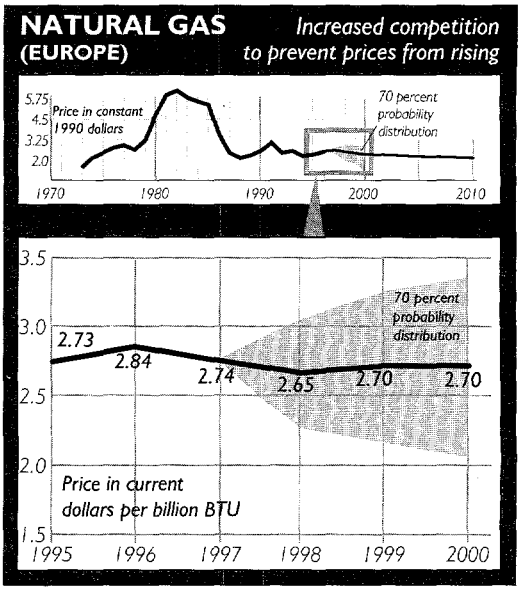
In the US, despite strong demand, the cheaper imports from Asia are preventing much of an increase in second quarter prices. Hot- and cold-rolled product and construction-grade HDG have been most successful in garnering price increases. Given new supplies from minimills and continued flow of cheap imports, sheet prices could fall in the third quarter. Reversing mill plate may be the only flat product able to hold onto modest price increases. Demand for carbon steel bars remains firm and prices are rising, but imports may prevent further increases this summer. Beam markets have recovered, but prices are unlikely to rise because of increasing penetration of imports. Wire rod markets are heavily exposed to imports, and prices have fallen.

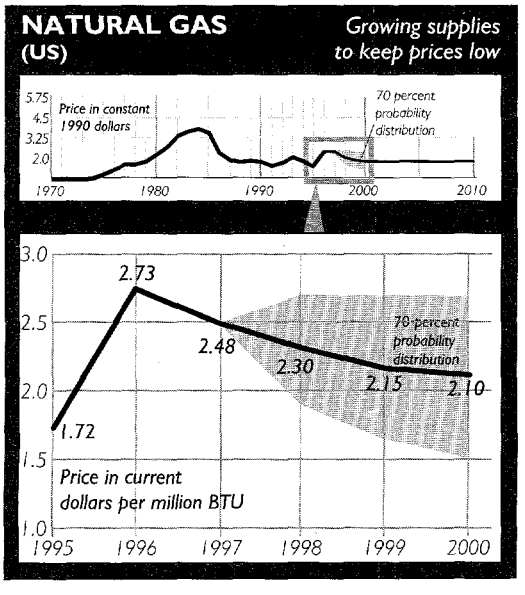
In Europe, exporters of rebar and mesh quality wire rod have been most affected by the Asian crisis. Shipments have fallen because of cheaper Turkish exports displaced from Asia. Manufacturing demand for steel is strong, especially in the automobile sector, as is the market for plate steel. While prices for these products have risen, higher imports could limit further increases in the near term.

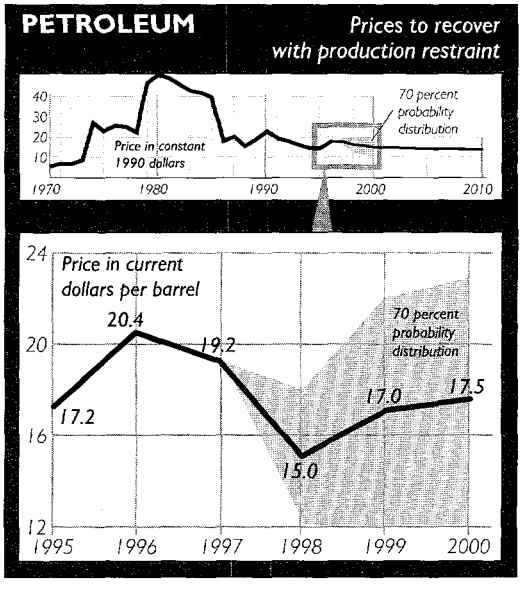
Japanese steel production continues to decline because of weak domestic demand, falling export markets, and strong competition from imports. The only bright spot is the North American export market. Financially troubled countries such as Indonesia, the Republic of Korea, and Thailand have continued to export material at competitive prices in order to capture market share—initially out of inventory. Prospects for Asian sheet prices will depend in part on whether East Asian mills continue to export material at low prices. Many input costs are dollar denominated, but more than a third of production is from domestically sourced metallics. Steel production might be diverted away to higher-value export manufacturers such as the Korean auto sector.

ENERGY

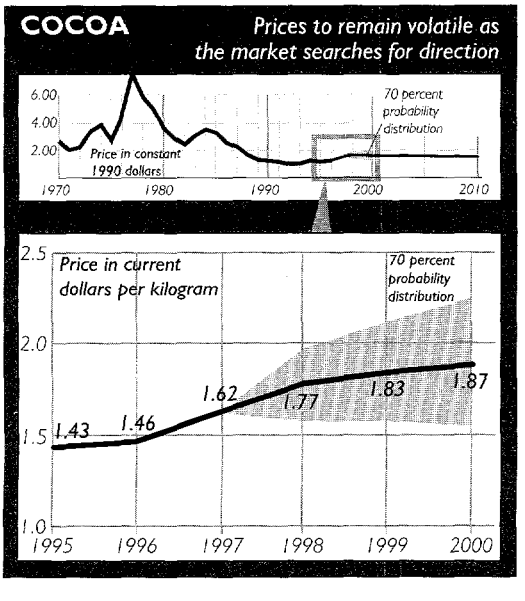


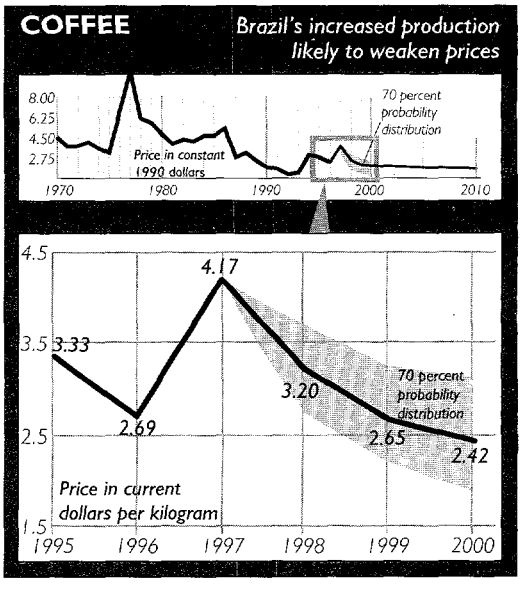






BEVERAGES



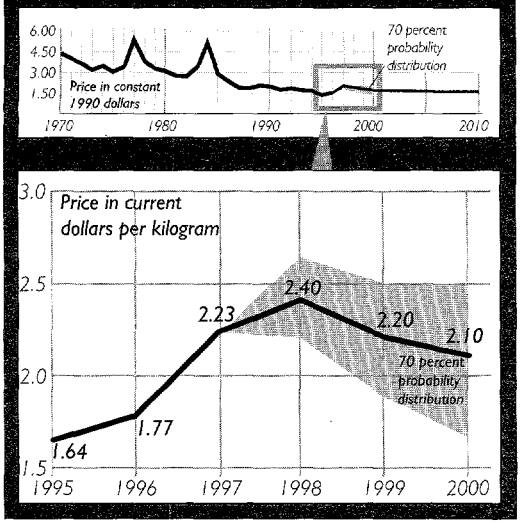


FOOD

FATS AND OILS

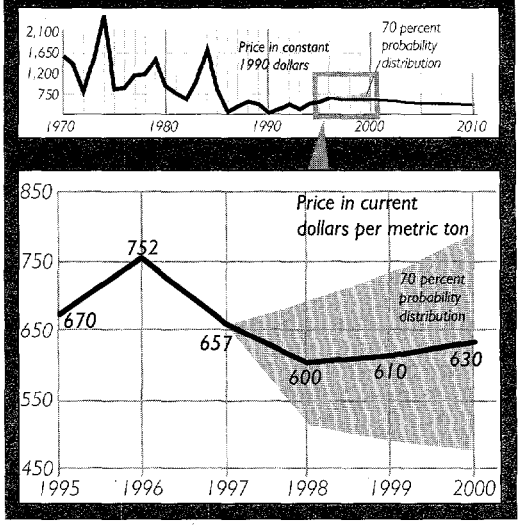
TEA

Short-term outlook depends largely on El Niño effects



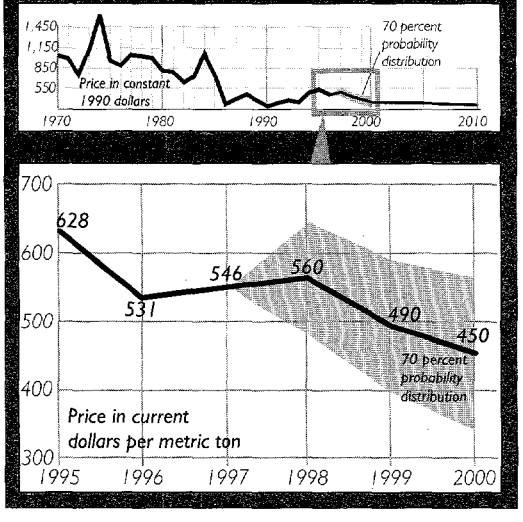
COCONUT OIL

Lower prices expected due to currency devaluations



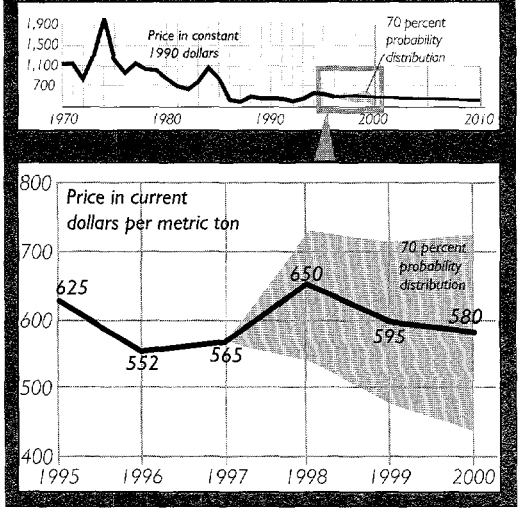
PALM OIL

Lower prices expected



SOYBEAN OIL

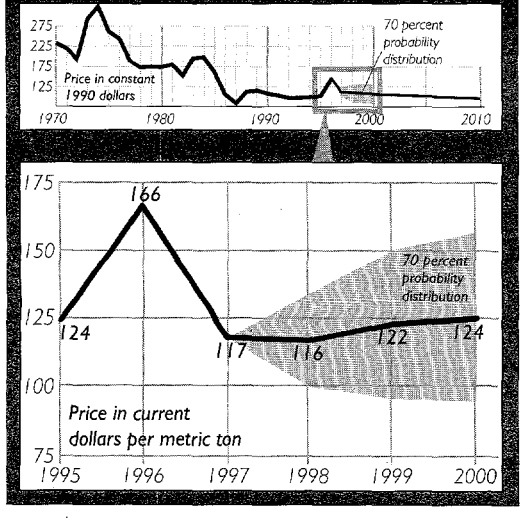
Prices to fall in 1998



GRAINS

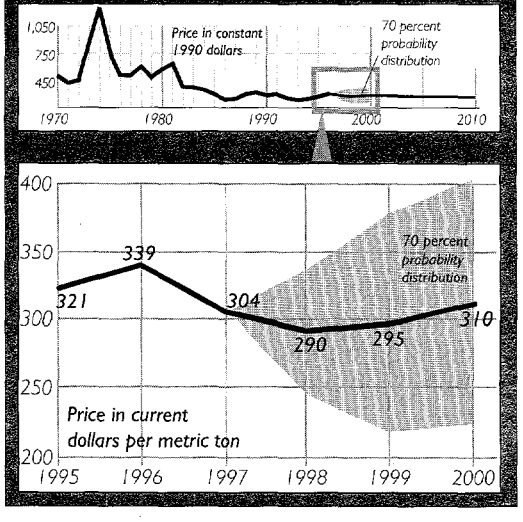
MAIZE

Prices to remain weak due to large supplies

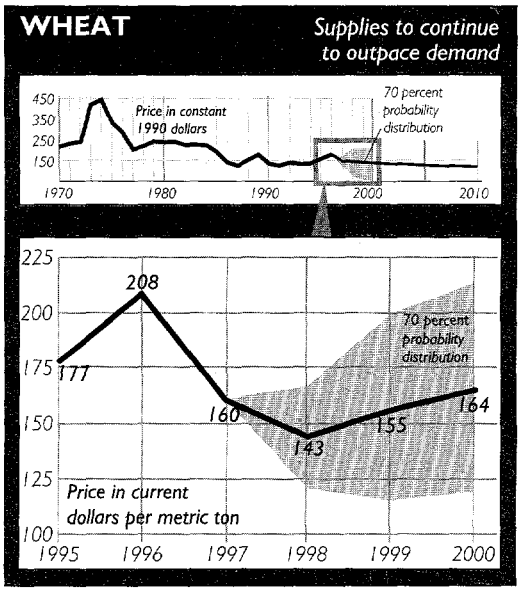


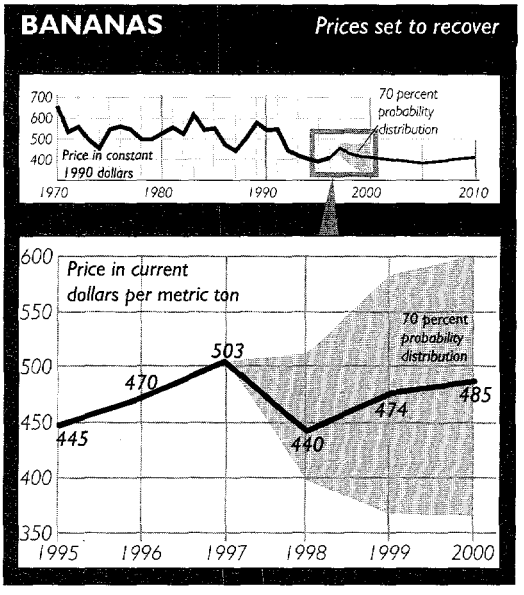
RICE

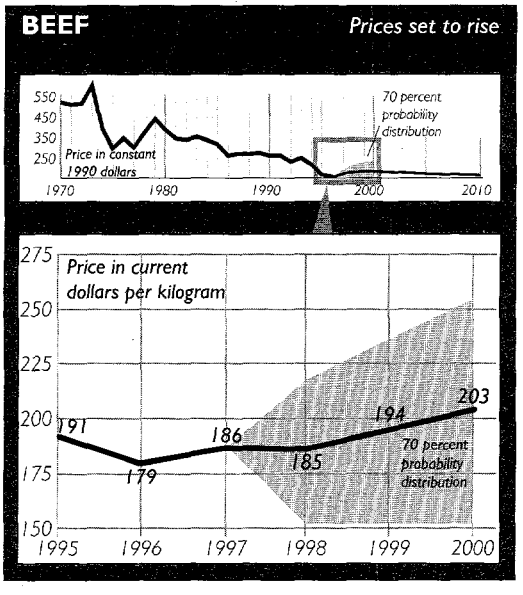
Currency devaluations expected to keep prices low

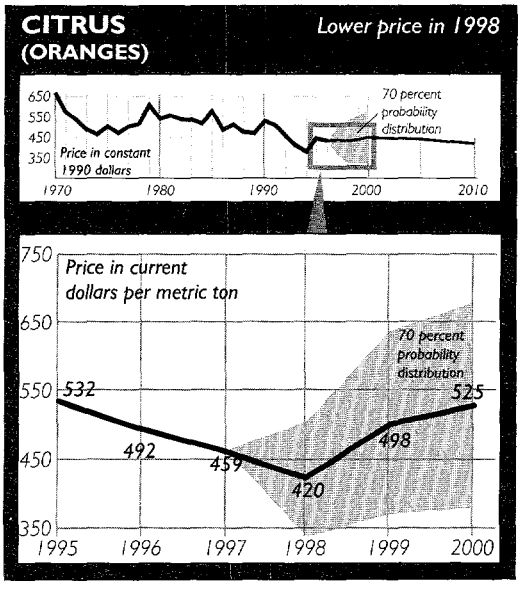


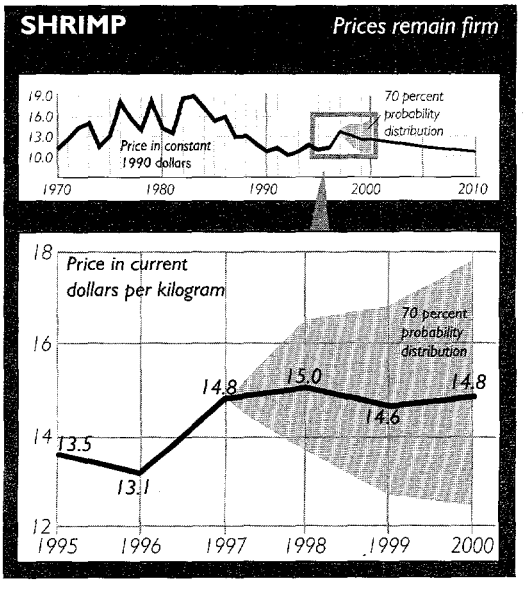
OTHER FOOD

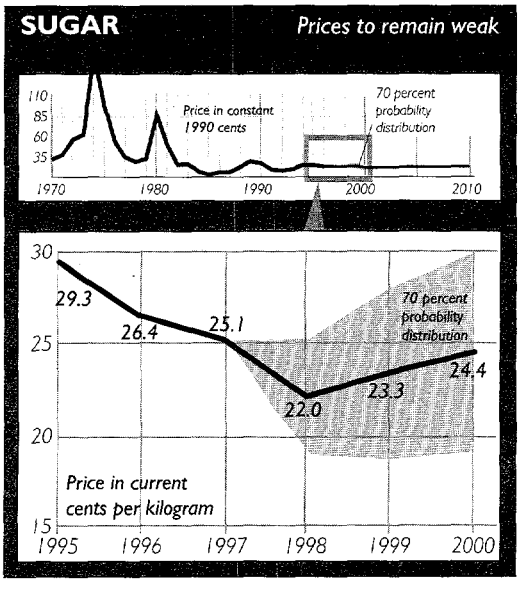

WHEAT
Supplies to continue to outpace demand
Price in constant 1990 dollars
70 percent probability distribution
Price in current dollars per metric ton
208
177
160
143
155
164


BANANAS
Prices set to recover
Price in constant 1990 dollars
70 percent probability distribution
Price in current dollars per metric ton
503
470
445
440
474
485

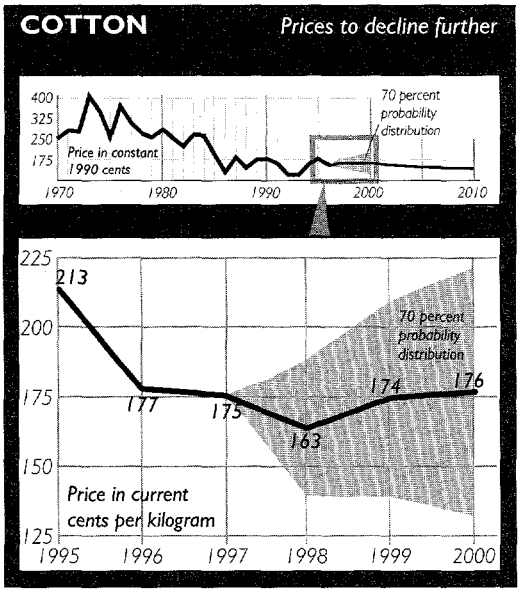

BEEF
Prices set to rise
Price in constant 1990 dollars
70 percent probability distribution
Price in current dollars per kilogram
191
179
186
185
194
203

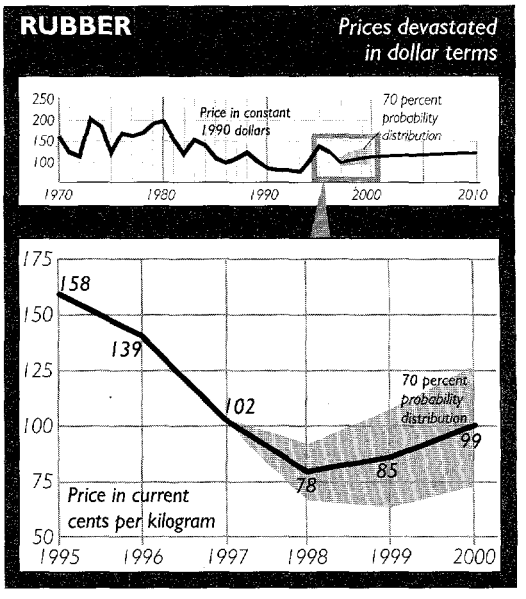

CITRUS (ORANGES)
Lower price in 1998
Price in constant 1990 dollars
70 percent probability distribution
Price in current dollars per metric ton
532
492
459
420
498
525


SHRIMP
Prices remain firm
Price in constant 1990 dollars
70 percent probability distribution
Price in current dollars per kilogram
13.5
13.1
14.8
15.0
14.6
14.8

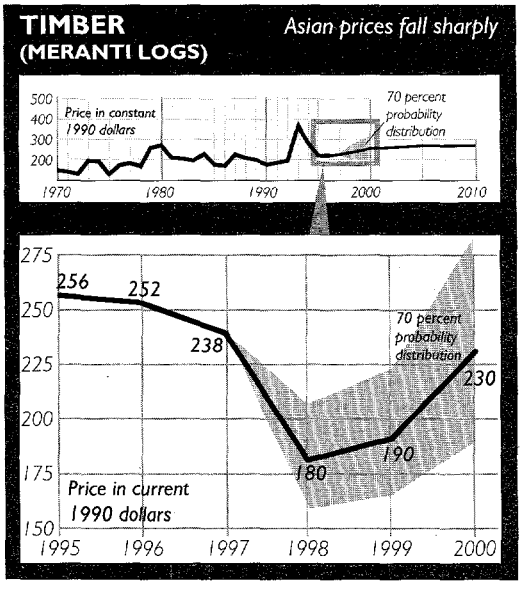

SUGAR
Prices to remain weak
Price in constant 1990 cents
70 percent probability distribution
Price in current cents per kilogram
29.3
26.4
25.1
22.0
23.3
24.4

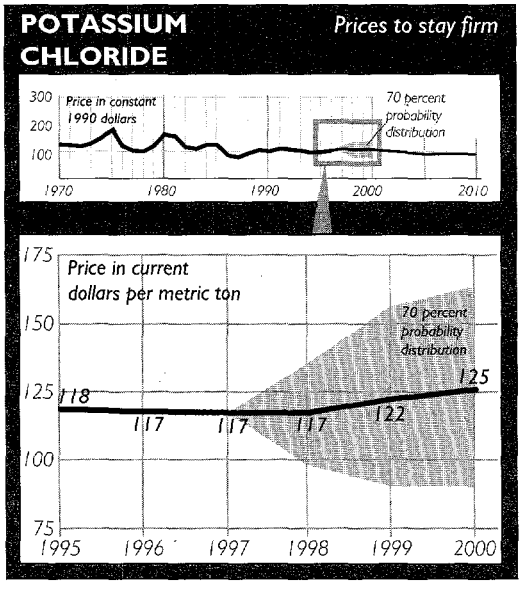
AGRICULTURAL RAW MATERIALS

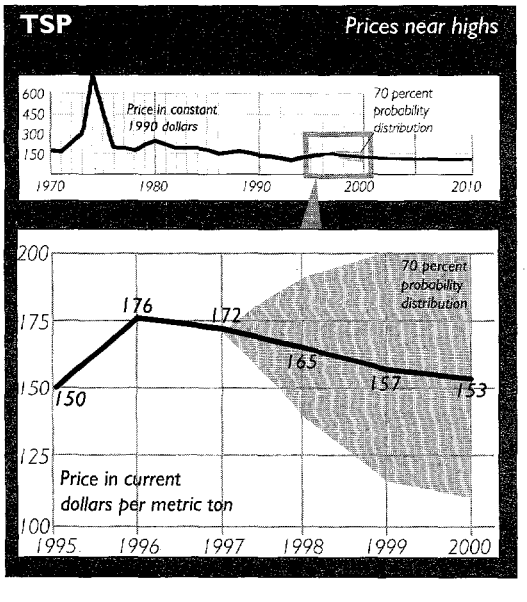


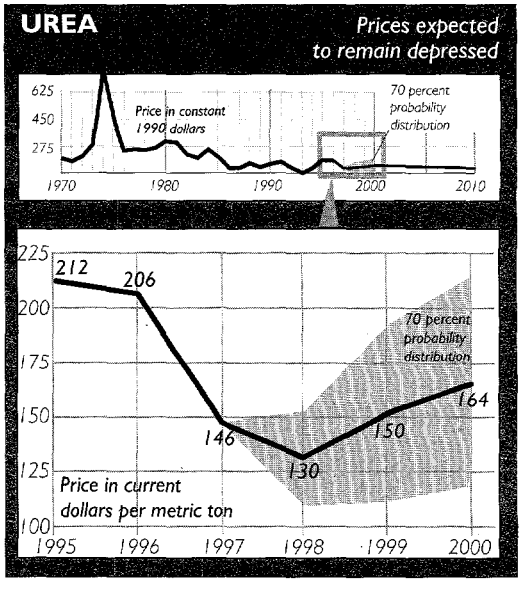


FERTILIZERS

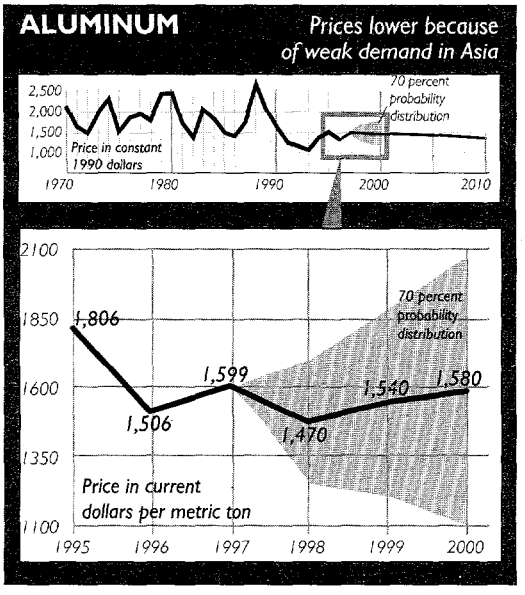


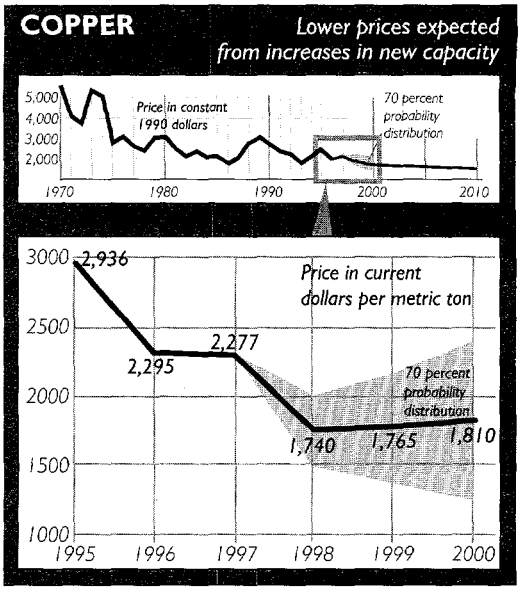


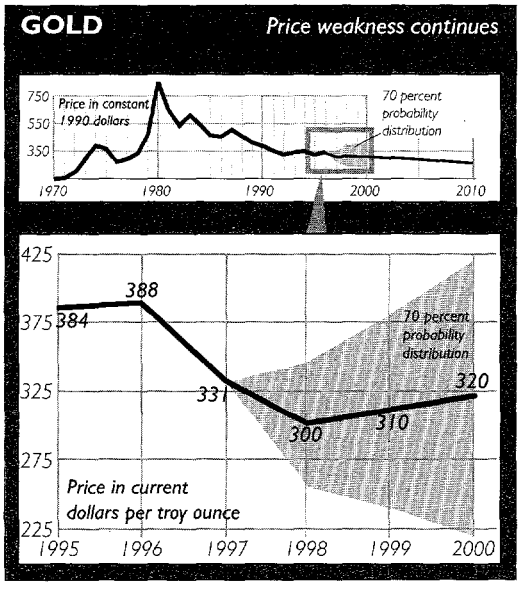




METALS AND MINERALS







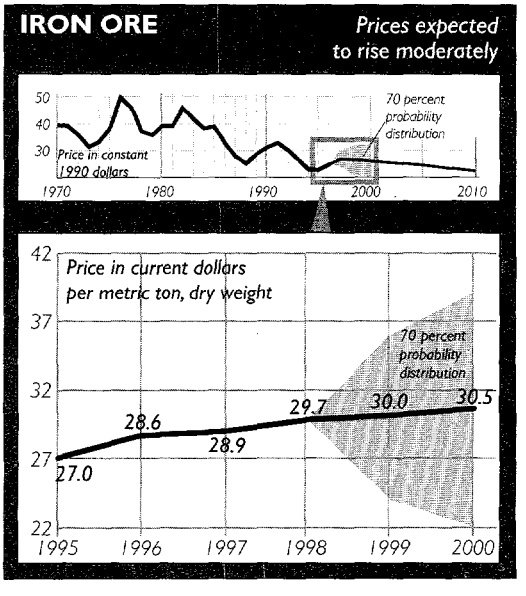


TABLE A1. COMMODITY PRICES AND PRICE PROJECTIONS IN CONSTANT 1990 DOLLARS

		Actual								Short-term projections			Long-term projections	
Commodity	*Unit*	*1970*	*1980*	*1985*	*1990*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2005*	*2010*
Energy														
Coal, US	$/mt	..	59.88	67.96	41.75	33.10	32.87	32.65	33.78	33.81	32.89	32.07	30.25	28.54
Crude oil, avg. spot	$/bbl	4.82	51.22	39.62	22.88	14.41	14.41	17.91	17.80	14.28	15.98	16.04	15.33	14.98
Natural gas, Europe	$/mmbtu	..	4.72	5.39	2.55	2.22	2.29	2.50	2.54	2.52	2.54	2.47	2.22	2.14
Natural gas, US	$/mmbtu	0.68	2.15	3.57	1.70	1.74	1.44	2.40	2.30	2.19	2.02	1.92	1.90	1.85
Beverages														
Cocoa	c/kg	269.1	361.7	328.6	126.7	126.7	120.2	127.7	150.3	168.1	172.0	171.4	163.8	156.2
Coffee, other milds	c/kg	457.2	481.6	470.9	197.2	300.1	279.5	236.4	386.9	304.7	249.1	221.8	205.2	188.7
Coffee, robusta	c/kg	362.8	450.6	386.0	118.2	237.7	232.4	158.4	161.2	179.0	166.4	163.1	150.2	137.2
Tea, auctions, avg	c/kg	358.8	250.4	263.5	205.1	143.1	128.1	148.2	195.2	199.5	182.6	171.0	158.6	146.3
Tea, London, all	c/kg	436.4	310.0	289.0	203.2	166.2	137.8	155.6	206.9	228.6	206.8	192.5	180.3	168.1
Food														
Fats and oils														
Coconut oil	$/mt	1,584	936.1	860.2	336.5	551.2	561.7	659.3	609.8	571.4	573.3	577.4	537.2	497.1
Copra	$/mt	896.5	629.0	562.6	230.7	378.7	367.8	428.9	402.7	433.3	404.1	380.3	355.9	331.4
Groundnut meal	$/mt	407.4	333.9	211.7	184.8	152.7	141.4	186.6	205.2	183.8	192.7	195.2	186.1	177.0
Groundnut oil	$/mt	1,509	1,193	1,319	963.7	928.0	831.2	787.1	938.0	809.5	751.9	705.7	623.9	542.1
Palm oil	$/mt	1,037	810.9	729.6	289.8	479.5	527.0	465.8	506.7	533.3	460.5	412.4	374.8	337.1
Soybean meal	$/mt	409.0	364.6	229.1	200.2	174.6	165.2	234.7	256.0	228.6	211.5	210.8	203.7	194.7
Soybean oil	$/mt	1,142	830.2	833.7	447.3	558.6	524.4	483.8	524.3	619.0	559.2	531.5	486.7	441.9
Soybeans	$/mt	466.2	411.5	327.1	246.8	228.5	217.5	267.4	274.2	271.4	263.2	261.2	252.5	243.7
Grains														
Maize	$/mt	232.9	174.0	163.6	109.3	97.6	103.6	145.5	108.7	110.5	114.7	113.6	106.2	98.8
Rice, Thai, 5%	$/mt	503.6	570.6	287.0	270.9	242.8	269.2	297.3	281.8	276.2	277.3	284.1	274.1	264.2
Sorghum	$/mt	206.5	179.0	150.1	103.9	94.3	99.8	131.6	101.8	106.7	111.2	110.3	103.1	95.9
Wheat, US, HRW	$/mt	218.9	240.0	198.0	135.5	135.9	148.5	182.1	148.1	136.2	145.7	150.3	138.6	126.9
Other food														
Bananas	$/mt	662.2	524.1	551.0	540.9	399.1	373.4	412.0	466.7	419.0	445.5	444.5	411.7	378.9
Beef, US	c/kg	520.1	383.4	314.0	256.3	211.7	160.0	156.6	172.3	176.2	182.3	186.0	178.5	170.9
Oranges	$/mt	670.0	556.0	580.7	531.1	373.2	445.8	431.3	426.1	400.0	468.1	481.1	456.7	432.3
Shrimp	c/kg	1,108	1,421	1,529	1,079	1,186	1,136	1,151	1,370	1,428	1,372	1,356	1,273	1,189
Sugar, world	c/kg	32.79	87.75	13.04	27.67	24.22	24.56	23.12	23.27	20.95	21.90	22.36	23.36	23.42
Agricultural raw materials														
Timber														
Logs, Malaysia	$/m^3	172.0	271.6	177.4	177.2	279.1	214.4	221.2	221.2	171.4	178.6	210.8	229.9	256.8
Logs, Cameroon	$/m^3	171.5	349.7	253.4	343.5	299.7	284.8	238.3	238.9	234.3	244.4	256.6	282.4	306.8
Sawnwood, Malaysia	$/m^3	697.8	550.2	447.5	533.0	745.0	620.7	650.4	616.9	457.1	488.7	513.2	580.9	649.2
Other raw materials														
Cotton	c/kg	269.7	286.5	192.1	181.9	160.0	178.5	155.6	162.2	155.2	163.5	161.3	150.6	139.9
Rubber, RSS1, Malaysia	c/kg	162.4	197.9	110.6	86.5	102.2	132.5	122.3	94.5	74.6	79.8	91.0	87.5	84.7
Tobacco	$/mt	4,290	3,162	3,807	3,392	2,395	2,214	2,676	3,276	3,285	3,102	2,978	2,707	2,436
Fertilizers														
DAP	$/mt	215.3	308.7	246.3	171.4	156.8	181.7	187.0	185.6	190.5	188.0	181.5	162.8	144.1
Phosphate rock	$/mt	43.9	64.9	49.4	40.5	29.9	29.4	34.2	38.1	39.4	39.2	38.5	35.0	31.6
Potassium chloride[a]	$/mt	127.6	160.8	122.4	98.1	95.9	98.8	102.6	108.2	110.9	114.2	114.6	104.3	94.0
TSP	$/mt	171.5	250.4	176.9	131.8	119.9	125.5	154.3	159.6	157.1	147.1	140.2	125.7	111.2
Urea	$/mt	191.4	308.6	198.7	157.0	134.2	177.4	180.3	135.6	123.8	141.0	150.3	143.8	137.2
Metals and minerals														
Aluminum	$/mt	2,217	2,023	1,517	1,639	1,340	1,515	1,321	1,485	1,400	1,447	1,448	1,432	1,409
Copper	$/mt	5,645	3,032	2,066	2,661	2,094	2,463	2,013	2,114	1,657	1,659	1,659	1,638	1,605
Gold	$/toz	143.5	844.7	463.4	383.5	348.4	322.3	340.1	307.4	285.7	291.4	293.3	277.0	260.7
Iron ore	c/dmtu	39.23	39.02	38.71	30.80	23.11	22.61	25.06	26.81	28.27	28.20	27.95	25.49	23.33
Lead	c/kg	120.8	125.8	57.0	81.1	49.7	52.9	67.9	57.9	53.3	54.5	54.1	50.0	46.0
Nickel	$/mt	11,348	9,056	7,140	8,864	5,752	6,902	6,580	6,431	5,238	5,545	5,682	5,345	5,101
Silver	c/toz	705.7	2866.9	895.2	482.0	479.5	435.5	454.7	454.2	552.3	545.1	522.4	467.9	420.9
Tin	c/kg	1,465	2,330	1,682	608.5	495.8	521.3	540.8	524.2	461.9	521.6	522.4	476.0	435.2
Zinc	c/kg	118.0	105.8	114.2	151.4	90.5	86.5	89.9	122.2	105.7	111.4	110.0	98.8	89.2

.. Not available.

Note: Computed from unrounded data and deflated by MUV (1990=100). Forecast as of May 15, 1998.

a. Also known as muriate of potash.

Source: World Bank, Development Economics, Development Prospects Group.

TABLE A2. COMMODITY PRICES AND PRICE PROJECTIONS IN CURRENT DOLLARS

		Actual								Short-term projections			Long-term projections	
Commodity	*Unit*	*1970*	*1980*	*1985*	*1990*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2005*	*2010*
Energy														
Coal, US	$/mt	..	43.10	46.63	41.75	36.48	39.19	37.21	36.39	35.50	35.00	35.00	37.50	40.00
Crude oil, avg. spot	$/bbl	1.21	36.87	27.18	22.88	15.89	17.17	20.42	19.17	15.00	17.00	17.50	19.00	21.00
Natural gas, Europe	$/mmbtu	..	3.40	3.70	2.55	2.44	2.73	2.84	2.74	2.65	2.70	2.70	2.75	3.00
Natural gas, US	$/mmbtu	0.17	1.55	2.45	1.70	1.92	1.72	2.73	2.48	2.30	2.15	2.10	2.35	2.60
Beverages														
Cocoa	c/kg	67.5	260.4	225.4	126.7	139.6	143.2	145.6	161.9	176.5	183.0	187.0	203.0	219.0
Coffee, other milds	c/kg	114.7	346.6	323.1	197.2	330.8	333.2	269.4	416.8	320.0	265.0	242.0	254.4	264.5
Coffee, robusta	c/kg	91.0	324.3	264.9	118.2	262.0	277.1	180.6	173.6	188.0	177.0	178.0	186.1	192.4
Tea, auctions, avg	c/kg	90.0	180.2	180.8	205.1	157.7	152.7	168.9	210.2	209.5	194.3	186.6	196.6	205.1
Tea, London, all	c/kg	109.5	223.1	198.3	203.2	183.2	164.3	177.4	222.9	240.0	220.0	210.0	223.5	235.6
Food														
Fats and oils														
Coconut oil	$/mt	397.2	673.8	590.2	336.5	607.5	669.6	751.6	656.8	600.0	610.0	630.0	665.9	696.7
Copra	$/mt	224.8	452.7	386.0	230.7	417.3	438.5	488.9	433.8	455.0	430.0	415.0	441.1	464.5
Groundnut meal	$/mt	102.2	240.3	145.3	184.8	168.3	168.6	212.8	221.0	193.0	205.0	213.0	230.7	248.1
Groundnut oil	$/mt	378.6	858.8	904.9	963.7	1022.8	990.9	897.3	1010.4	850.0	800.0	770.0	773.3	759.9
Palm oil	$/mt	260.1	583.7	500.6	289.8	528.4	628.3	530.9	545.8	560.0	490.0	450.0	464.5	472.6
Soybean meal	$/mt	102.6	262.4	157.2	200.2	192.4	196.9	267.5	275.8	240.0	225.0	230.0	252.5	272.9
Soybean oil	$/mt	286.3	597.6	572.0	447.3	615.6	625.1	551.5	564.8	650.0	595.0	580.0	603.3	619.4
Soybeans	$/mt	116.9	296.2	224.4	246.8	251.8	259.3	304.8	295.4	285.0	280.0	285.0	312.9	341.6
Grains														
Maize	$/mt	58.4	125.3	112.2	109.3	107.6	123.5	165.8	117.1	116.0	122.0	124.0	131.7	138.5
Rice, Thai, 5%	$/mt	126.3	410.7	196.9	270.9	267.6	321.0	338.9	303.5	290.0	295.0	310.0	339.8	370.3
Sorghum	$/mt	51.8	128.9	103.0	103.9	103.9	119.0	150.0	109.6	112.0	118.3	120.3	127.7	134.4
Wheat, US, HRW	$/mt	54.9	172.7	135.8	135.5	149.7	177.0	207.6	159.5	143.0	155.0	164.0	171.8	177.9
Other food														
Bananas	$/mt	166.1	377.3	378.1	540.9	439.8	445.1	469.6	502.7	440.0	474.0	485.0	510.3	531.1
Beef, US	c/kg	130.4	276.0	215.4	256.3	233.3	190.7	178.5	185.5	185.0	194.0	203.0	221.2	239.6
Oranges	$/mt	168.0	400.2	398.4	531.1	411.3	531.5	491.7	459.0	420.0	498.0	525.0	566.1	605.9
Shrimp	c/kg	278.0	1,023	1,049	1,079	1,308	1,354	1,312	1,476	1,500	1,460	1,480	1,577	1,666
Sugar, world	c/kg	8.22	63.16	8.95	27.67	26.70	29.28	26.36	25.06	22.00	23.30	24.40	28.95	32.83
Agricultural raw materials														
Timber														
Logs, Malaysia	$/m^3	43.1	195.5	121.7	177.2	307.6	255.6	252.1	238.3	180.0	190.0	230.0	285.0	360.0
Logs, Cameroon	$/m^3	43.0	251.7	173.9	343.5	330.3	339.5	271.6	257.4	246.0	260.0	280.0	350.0	430.0
Sawnwood, Malaysia	$/m^3	175.0	396.0	307.0	533.0	821.0	740.0	741.4	664.5	480.0	520.0	560.0	720.0	910.0
Other raw materials														
Cotton	c/kg	67.6	206.2	131.8	181.9	176.3	212.8	177.3	174.8	163.0	174.0	176.0	186.7	196.2
Rubber, RSS1, Malaysia	c/kg	40.7	142.5	75.9	86.5	112.6	158.0	139.4	101.8	78.3	84.9	99.3	108.4	118.8
Tobacco	$/mt	1,076	2,276	2,612	3,392	2,639	2,639	3,051	3,529	3,450	3,300	3,250	3,355	3,414
Fertilizers														
DAP	$/mt	54.0	222.2	169.0	171.4	172.8	216.6	213.2	199.9	200.0	200.0	198.0	201.8	202.0
Phosphate rock	$/mt	11.0	46.7	33.9	40.5	33.0	35.0	39.0	41.0	41.4	41.7	42.0	43.4	44.2
Potassium chloride[a]	$/mt	32.0	115.7	84.0	98.1	105.7	117.8	116.9	116.5	116.5	121.5	125.0	129.3	131.8
TSP	$/mt	43.0	180.3	121.4	131.8	132.1	149.6	175.8	171.9	165.0	156.5	153.0	155.8	155.8
Urea	$/mt	48.0	222.1	136.3	157.0	147.9	211.5	205.5	146.1	130.0	150.0	164.0	178.2	192.4
Metals and minerals														
Aluminum	$/mt	556	1,456	1,041	1,639	1,477	1,806	1,506	1,599	1,470	1,540	1,580	1,775	1,975
Copper	$/mt	1,416	2,182	1,417	2,661	2,307	2,936	2,295	2,277	1,740	1,765	1,810	2,030	2,250
Gold	$/toz	36.0	608.0	317.9	383.5	384.0	384.2	387.7	331.1	300.0	310.0	320.0	345.0	370.0
Iron ore	c/dmtu	9.84	28.09	26.56	30.80	25.47	26.95	28.57	28.88	29.69	30.00	30.50	31.60	32.70
Lead	c/kg	30.3	90.6	39.1	81.1	54.8	63.1	77.4	62.4	56.0	58.0	59.0	62.0	64.5
Nickel	$/mt	2,846	6,519	4,899	8,864	6,340	8,228	7,501	6,927	5,500	5,900	6,200	6,625	7,150
Silver	c/toz	177.0	2,064	614.2	482.0	528.4	519.1	518.3	489.2	600.0	580.0	570.0	580.0	590.0
Tin	c/kg	367.3	1,677	1,154	608.5	546.4	621.4	616.5	564.7	545.0	555.0	570.0	590.0	610.0
Zinc	c/kg	29.6	76.1	78.3	151.4	99.8	103.1	102.5	131.6	111.0	118.5	120.0	122.5	125.0

.. Not available.

Note: Computed from unrounded data and deflated by MUV (1990=100). Forecast as of May 15, 1998.

a. Also known as muriate of potash.

Source: World Bank, Development Economics, Development Prospects Group.

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

1990=100

Year	Energy (100)	Nonenergy commodities (100)[a]	Agriculture: Total agriculture (69.1)[a]	Agriculture: Beverages (16.9)[a]	Agriculture: Food: Total food (29.4)[a]	Agriculture: Food: Fats and oils (10.1)[a]	Agriculture: Food: Grains (6.9)[a]	Agriculture: Food: Other foods (12.4)[a]	Agriculture: Raw materials: Total raw materials (22.8)[a]	Agriculture: Raw materials: Timber (9.3)[a]	Fertilizers (2.7)[a]	Metals and minerals (28.2)[a]
						Current dollars						
1980	161.2	125.9	138.3	182.4	139.3	148.7	134.3	134.3	104.6	79.0	128.9	95.1
1985	118.8	91.4	100.2	164.1	86.3	113.0	89.2	62.8	70.8	59.1	89.0	70.2
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
1992	83.1	91.8	94.0	77.5	100.0	111.7	101.7	89.5	98.3	114.5	95.8	86.1
1993	73.6	91.4	98.8	83.6	98.6	111.5	93.7	90.7	110.3	152.4	83.7	73.9
1994	69.4	111.6	123.3	148.8	106.8	125.9	102.1	93.9	125.8	156.6	93.4	84.6
1995	75.1	122.2	131.3	151.2	116.9	136.6	120.4	98.8	135.2	139.5	103.6	101.6
1996	89.3	115.1	125.5	126.5	123.6	147.0	140.6	95.0	127.1	139.5	119.8	89.1
1997	83.8	117.6	128.7	171.0	116.1	147.7	112.1	92.4	113.7	125.8	119.7	90.2
1998	65.6	104.2	113.7	149.0	110.1	140.9	106.4	87.0	92.1	91.6	116.8	79.7
1999	74.3	103.3	111.6	133.4	109.8	131.1	111.4	91.5	97.7	98.8	113.0	82.1
2000	76.5	105.1	113.4	127.5	111.6	129.4	116.2	94.4	105.1	108.3	111.5	84.1
2005	83.0	114.7	124.1	135.2	119.8	138.5	124.5	101.8	121.5	138.4	114.2	91.6
2010	91.8	124.0	134.5	141.9	125.5	146.5	132.4	104.6	140.4	174.9	115.0	99.2
						Constant 1990 dollars						
1980	223.9	174.9	192.2	253.4	193.5	206.6	186.6	186.6	145.3	109.8	179.1	132.1
1985	173.2	133.3	146.0	239.2	125.8	164.7	130.1	91.5	103.3	86.1	129.8	102.3
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
1992	78.0	86.1	88.1	72.6	93.8	104.7	95.4	84.0	92.2	107.3	89.8	80.8
1993	69.2	85.9	92.9	78.6	92.7	104.9	88.1	85.3	103.7	143.3	78.7	69.5
1994	63.0	101.3	111.9	135.0	96.9	114.3	92.6	85.2	114.2	142.1	84.7	76.8
1995	63.0	102.5	110.2	126.8	98.1	114.6	101.0	82.9	113.4	117.1	86.9	85.2
1996	78.3	101.0	110.1	110.9	108.5	129.0	123.3	83.3	111.5	122.4	105.1	78.2
1997	77.8	109.2	119.5	158.8	107.7	137.2	104.1	85.8	105.6	116.8	111.2	83.8
1998	62.4	99.2	108.2	141.9	104.9	134.2	101.4	82.9	87.7	87.2	111.2	75.9
1999	69.8	97.1	104.9	125.4	103.2	123.2	104.7	86.0	91.8	92.9	106.2	77.2
2000	70.1	96.3	103.9	116.9	102.3	118.6	106.4	86.5	96.4	99.2	102.2	77.1
2005	67.0	92.5	100.1	109.1	96.6	111.7	100.4	82.1	98.0	111.7	92.1	73.9
2010	65.5	88.5	95.9	101.3	89.6	104.5	94.4	74.6	100.2	124.8	82.0	70.8

Note: Figures for 1998–2010 are projections. Weights used are the average 1987–89 export values for low- and middle-income economies. Forecast as of May 15, 1998.
a. Percentage share of commodity group in nonenergy index.
Source: World Bank, Development Economics, Development Prospects Group.

TABLE A4. INFLATION INDICES FOR SELECTED YEARS

Year	G-5 MUV index[a] 1990=100	G-5 MUV index[a] % change	US GDP deflator 1990=100	US GDP deflator % change
1980	71.98		64.54	
1985	68.61	–0.95	83.77	5.66
1990	100.00	7.83	100.00	3.61
1991	102.23	2.23	103.95	3.95
1992	106.64	4.31	106.84	2.78
1993	106.33	–0.29	109.62	2.60
1994	110.21	3.65	112.18	2.34
1995	119.21	8.17	114.96	2.48
1996	113.99	–4.38	117.20	1.95
1997	107.72	–5.50	119.54	2.00
1998	105.01	–2.52	121.46	1.60
1999	106.40	1.32	123.76	1.90
2000	109.12	2.56	126.86	2.50
2005	123.95	2.58	141.24	2.17
2010	140.17	2.49	156.91	2.13

Note: Figures for 1997–2010 are projections. For 1996, US GDP deflator is actual; MUV is a preliminary estimate. Forecast as of April 8, 1998. Growth rates for years 1985, 1990, 2000, 2005 and 2010 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, UK, and US), weighted proportionally to the countries' exports to the developing countries.
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*	*1998*	*1999*	*2000*	*2005*
Energy					
Coal, US	$/mt	28.57–39.04	25.85–39.94	23.83–40.32	18.96–41.55
Crude oil, avg. spot	$/bbl	11.43–17.14	11.28–20.68	11.00–21.08	8.87–21.78
Natural gas, Europe	$/mmbtu	2.14–2.90	2.02–3.05	1.88–3.07	1.45–2.99
Natural gas, US	$/mmbtu	1.81–2.57	1.55–2.54	1.37–2.47	1.13–2.66
Beverages					
Cocoa	¢/kg	151–188	149–198	143–205	124–217
Coffee, other milds	¢/kg	262–353	207–304	173–286	148–281
Coffee, robusta	¢/kg	156–204	138–201	127–207	108–205
Tea, auctions, avg.	¢/kg	184–219	157–208	137–203	122–192
Tea, London, all	¢/kg	210–251	178–236	154–229	139–218
Food					
Fats and oil					
Coconut oil	$/mt	486–657	459–688	433–722	376–698
Copra	$/mt	369–498	323–485	285–476	249–463
Groundnut meal	$/mt	156–211	154–231	147–244	130–242
Groundnut oil	$/mt	689–931	602–902	530–883	437–811
Palm oil	$/mt	453–613	368–553	310–516	262–487
Soybean meal	$/mt	194–263	169–254	159–264	143–265
Soybean oil	$/mt	514–695	447–671	399–664	341–633
Soybeans	$/mt	230–312	211–316	196–326	177–329
Grains					
Maize	$/mt	94–127	89–141	86–143	69–143
Rice, Thai, 5%	$/mt	232–320	205–355	205–369	175–373
Sorghum	$/mt	91–123	87–137	84–139	67–139
Wheat, US, HRW	$/mt	114–158	108–187	108–195	89–189
Other food					
Bananas	$/mt	352–486	345–546	334–550	256–544
Beef, US	¢/kg	144–208	143–222	140–233	120–237
Oranges	$/mt	320–480	346–597	346–621	306–607
Shrimp	¢/kg	1,300–1,571	1,194–1,578	1,139–1,628	1,018–1,667
Sugar, world	¢/kg	17.98–23.93	17.48–26.33	17.43–27.31	15.89–30.84
Agricultural raw materials					
Timber					
Logs, Malaysia	$/m^3	151–195	154–208	173–258	173–304
Logs, Cameroon	$/m^3	206–267	210–284	210–313	213–373
Sawnwood, Malaysia	$/m^3	401–520	420–568	420–626	439–769
Other raw materials					
Cotton	¢/kg	132–179	131–196	121–203	105–196
Rubber, RSS1, Malaysia	¢/kg	63–86	59–101	66–116	57–122
Tobacco	$/mt	2,776–3,793	2,435–3,769	2,234–3,723	1,814–3,600
Fertilizers					
DAP	$/mt	160–221	139–241	131–236	106–220
Phosphate rock	$/mt	33–46	29–50	28–50	23–47
Potassium chloride[a]	$/mt	93–129	84–146	82–149	65–144
TSP	$/mt	132–182	109–188	101–182	78–173
Urea	$/mt	104–144	104–180	108–195	89–198
Metals and minerals					
Aluminum	$/mt	1,190–1,609	1,133–1,762	1,003–1,892	859–2,005
Copper	$/mt	1,409–1,905	1,292–2,025	1,127–2,190	984–2,291
Gold	$/toz	243–329	226–357	202–385	169–387
Iron ore	¢/dmtu	28–28	23–34	20–36	17–34
Lead	¢/kg	45–61	42–67	37–71	30–70
Nickel	$/mt	4,428–6,047	4,182–6,814	3,872–7,492	3,207–7,483
Silver	¢/toz	476–667	404–686	348–696	281–655
Tin	¢/kg	443–595	409–634	357–683	286–666
Zinc	¢/kg	90–122	86–136	75–145	59–138

Note: Forecast as of May 15, 1998.
a. Also known as muriate of potash.
Source: World Bank, Development Economics, Development Prospects Group.

TABLE A6. COMMODITY PRICE PROBABILITY DISTRIBUTIONS IN CURRENT DOLLARS

		70% probability distribution			
Commodity	*Unit*	*1998*	*1999*	*2000*	*2005*
Energy					
Coal, US	$/mt	30.00–41.00	27.50–42.50	26.00–44.00	23.50–51.50
Crude oil, avg. spot	$/bbl	12.00–18.00	12.00–22.00	12.00–23.00	11.00–27.00
Natural gas, Europe	$/mmbtu	2.25–3.05	2.15–3.25	2.05–3.35	1.80–3.70
Natural gas, US	$/mmbtu	1.90–2.70	1.65–2.70	1.50–2.70	1.10–3.30
Beverages					
Cocoa	¢/kg	158–197	159–211	156–224	154–269
Coffee, other milds	¢/kg	275–371	220–323	189–312	183–349
Coffee, robusta	¢/kg	164–214	147–214	139–226	134–255
Tea, auctions, avg.	¢/kg	193–230	167–221	149–222	151–238
Tea, London, all	¢/kg	221–264	189–251	168–250	172–270
Food					
Fats and oil					
Coconut oil	$/mt	510–690	488–732	473–788	466–865
Copra	$/mt	387–523	344–516	311–519	309–573
Groundnut meal	$/mt	164–222	164–246	160–266	161–300
Groundnut oil	$/mt	723–978	640–960	578–963	542–1,005
Palm oil	$/mt	476–644	392–588	338–563	325–604
Soybean meal	$/mt	204–276	180–270	173–288	177–328
Soybean oil	$/mt	540–730	476–714	435–725	423–785
Soybeans	$/mt	242–328	224–336	214–356	220–407
Grains					
Maize	$/mt	99–133	95–150	94–156	86–178
Rice, Thai, 5%	$/mt	244–336	218–378	223–403	217–462
Sorghum	$/mt	95–129	92–146	91–152	83–172
Wheat, US, HRW	$/mt	120–166	115–198	118–213	110–234
Other food					
Bananas	$/mt	369–510	367–581	365–600	317–674
Beef, US	¢/kg	152–218	152–236	152–254	148–294
Oranges	$/mt	336–504	369–635	378–677	379–753
Shrimp	¢/kg	1,365–1,650	1,271–1,680	1,243–1,776	1,262–2,066
Sugar, world	¢/kg	18.88–25.13	18.60–28.01	19.02–29.80	19.69–38.22
Agricultural raw materials					
Timber					
Logs, Malaysia	$/m^3	158–205	164–221	188–281	215–377
Logs, Cameroon	$/m^3	216–280	224–302	230–342	264–463
Sawnwood, Malaysia	$/m^3	421–546	447–604	459–684	545–953
Other raw materials					
Cotton	¢/kg	139–188	139–209	132–221	131–243
Rubber, RSS1, Malaysia	¢/kg	66–91	63–107	72–126	70–151
Tobacco	$/mt	2,915–3,983	2,591–4,010	2,438–4,063	2,249–4,462
Fertilizers					
DAP	$/mt	168–232	148–256	143–257	131–272
Phosphate rock	$/mt	35–48	31–53	30–55	28–59
Potassium chloride[a]	$/mt	98–135	90–156	90–163	80–178
TSP	$/mt	139–191	116–200	110–199	97–215
Urea	$/mt	109–151	111–192	118–213	110–246
Metals and minerals					
Aluminum	$/mt	1,250–1,690	1,205–1,875	1,095–2,065	1,065–2,485
Copper	$/mt	1,480–2,000	1,375–2,155	1,230–2,390	1,220–2,840
Gold	$/toz	255–345	240–380	220–420	210–480
Iron ore	¢/dmtu	29.69–29.69	24.00–36.00	22.00–39.00	21.00–42.00
Lead	¢/kg	47.50–64.50	45.00–71.00	40.00–78.00	37.20–86.80
Nickel	$/mt	4,650–6,350	4,450–7,250	4,225–8,175	3,975–9,275
Silver	¢/toz	500–700	430–730	380–760	348–812
Tin	¢/kg	465–625	435–675	390–745	355–825
Zinc	¢/kg	94–128	92–145	82–158	74–172

Note: Forecast as of May 15, 1998.
a. Also known as muriate of potash.
Source: World Bank, Development Economics, Development Prospects Group.

TABLE A7. RECENT COMMODITY PRICES

Commodity	Unit	Annual averages Jan-Dec 1996	Jan-Dec 1997	Jan-Dec 1998	Quarterly averages Jan-Mar 1997	Apr-Jun 1997	Jul-Sep 1997	Oct-Dec 1997	Jan-Mar 1998	Monthly averages Jan 1998	Feb 1998	Mar 1998
Energy												
Coal, Australia	$/mt	38.07	35.10	32.24	34.78	35.21	36.36	34.05	32.24	31.40	33.44	31.88
Coal, US	$/mt	37.21	36.39	35.24	37.80	36.84	35.26	35.66	35.24	35.39	35.44	34.88
Crude oil, average spot[a]	$/bbl	20.42	19.17	14.07	20.99	18.39	18.56	18.74	14.07	15.02	14.07	13.11
Brent[a]	$/bbl	20.65	19.09	14.08	21.17	18.05	18.52	18.62	14.08	15.09	14.06	13.08
Dubai[a]	$/bbl	18.54	18.10	12.44	19.32	17.52	17.67	17.87	12.44	13.47	12.36	11.48
West Texas Int.[a]	$/bbl	22.07	20.33	15.69	22.48	19.59	19.50	19.73	15.69	16.51	15.81	14.76
Natural gas												
Europe	$/mmbtu	2.84	2.74	2.63	2.87	2.76	2.68	2.65	2.63	2.65	2.63	2.60
US	$/mmbtu	2.73	2.48	2.18	2.47	2.16	2.50	2.80	2.18	2.10	2.22	2.23
Beverages												
Cocoa[b]	c/kg	145.6	161.9	167.8	144.1	161.0	169.9	172.5	167.8	167.1	164.3	172.1
Coffee												
Other Milds[b]	c/kg	269.4	416.8	377.5	364.5	511.7	419.7	371.4	377.5	392.0	392.8	347.6
Robusta[b]	c/kg	180.6	173.6	183.0	163.8	190.9	168.5	171.3	183.0	183.9	183.8	181.2
Tea												
Auctions (4), average[b]	c/kg	168.9	210.2	252.0	176.4	206.7	222.5	235.5	252.0	263.4	264.5	228.1
London auction[b]	c/kg	177.4	222.9	280.1	198.8	224.1	225.6	243.1	280.1	310.3	302.1	228.1
Food												
Fats and Oils												
Coconut oil[b]	$/mt	751.6	656.8	565.0	757.7	667.0	593.0	609.7	565.0	558.0	559.0	578.0
Copra	$/mt	488.9	433.8	375.7	497.0	436.3	395.7	406.0	375.7	378.0	371.0	378.0
Groundnut meal	$/mt	212.8	221.0	137.3	239.0	248.7	220.7	175.7	137.3	148.0	139.0	125.0
Groundnut oil[b]	$/mt	897.3	1010.4	1011.0	885.3	988.7	1090.7	1077.0	1011.0	1055.0	1029.0	949.0
Palm oil[b]	$/mt	530.9	545.8	650.3	568.7	549.3	509.0	556.3	650.3	621.0	659.0	671.0
Soybean meal[b]	$/mt	267.5	275.8	209.7	287.3	291.7	257.3	266.7	209.7	231.0	214.0	184.0
Soybean oil[b]	$/mt	551.5	564.8	637.0	534.0	544.0	544.7	636.3	637.0	625.0	634.0	652.0
Soybeans[b]	$/mt	304.8	295.4	270.3	313.7	304.7	280.0	283.3	270.3	273.0	273.0	265.0
Grains												
Maize	b/	$/mt	165.8	117.1	114.1	122.5	118.4	110.4	117.0	114.1	114.7	113.4
114.2												
Rice												
Thai, 5%[b]	$/mt	338.9	303.5	293.8	342.1	317.4	291.9	262.6	293.8	288.0	297.3	296.0
Thai, 35%	$/mt	275.8	246.8	235.3	268.8	254.3	241.3	222.9	235.3	236.3	234.8	234.8
Thai, A1.Special	$/mt	232.7	210.4	188.2	225.0	217.8	209.3	189.5	188.2	184.8	186.8	193.2
Sorghum[b]	$/mt	150.0	109.6	111.2	112.2	112.2	102.4	111.8	111.2	111.4	111.7	110.5
Wheat												
Canada	$/mt	230.8	181.4	168.7	186.9	187.3	178.6	172.7	168.7	163.8	169.4	172.9
US, HRW[b]	$/mt	207.6	159.5	138.7	174.9	168.2	146.2	148.7	138.7	137.1	140.1	138.9
US, SRW	$/mt	187.4	143.7	129.1	150.5	147.6	137.3	139.2	129.1	130.2	127.3	129.9
Other food												
Bananas[b]	$/mt	469.6	502.7	422.2	615.0	567.1	423.9	404.8	422.2	423.8	447.5	395.2
Beef[b]	c/kg	178.5	185.5	181.3	191.2	189.3	180.0	181.7	181.3	182.7	181.0	180.1
Fishmeal	$/mt	586.0	606.3	694.7	562.7	551.0	613.0	698.3	694.7	703.0	699.0	682.0
Lamb	c/kg	329.5	339.3	312.5	365.5	332.8	326.0	333.0	312.5	323.3	310.4	304.0
Oranges[b]	$/mt	491.7	459.0	388.2	417.0	453.7	544.7	420.5	388.2	361.6	394.7	408.4
Shrimp	c/kg	1311.9	1476.3	1539.3	1392.6	1464.4	1531.6	1516.5	1539.3	1532.2	1539.6	1546.0
Sugar												
EU, domestic[b]	c/kg	68.31	62.72	59.94	66.31	63.59	60.49	60.50	59.94	59.57	59.73	60.52
US, domestic[b]	c/kg	49.29	48.36	48.05	48.19	47.81	48.93	48.52	48.05	48.17	48.04	47.93
World[b]	c/kg	26.36	25.06	23.57	23.96	24.86	25.17	26.27	23.57	25.40	23.63	21.69
Agricultural Raw Materials												
Timber												
Logs												
Malaysia[b]	$/m^3	252.1	238.3	196.9	239.3	252.2	243.8	217.8	196.9	197.1	202.5	190.9
Cameroon	$/m^3	271.6	257.4	246.0	268.1	259.6	246.8	255.0	246.0	246.6	246.5	245.0
Plywood	c/sheet	529.5	485.0	411.6	495.0	508.0	497.3	439.5	411.6	409.4	412.7	412.7
Sawnwood												
Malaysia[b]	$/m^3	741.4	664.5	474.6	751.3	747.4	650.0	509.4	474.6	413.4	504.2	506.1
Ghana	$/m^3	540.8	567.5	561.6	548.9	576.6	566.4	578.3	561.6	571.7	552.9	560.2
Woodpulp	$/mt	574.1	556.5	565.0	527.4	527.6	573.9	597.0	565.0	565.0	565.0	565.0

TABLE A7. RECENT COMMODITY PRICES

Commodity	Unit	Annual averages Jan-Dec 1996	Jan-Dec 1997	Jan-Mar 1998	Quarterly averages Jan-Mar 1997	Apr-Jun 1997	Jul-Sep 1997	Oct-Dec 1997	Jan-Mar 1998	Monthly averages Jan 1998	Feb 1998	Mar 1998
Other Raw Materilas												
Cotton[b]	c/kg	177.3	174.8	153.9	177.0	175.5	178.0	168.5	153.9	159.0	151.8	150.9
Jute	$/mt	457.5	304.6	241.3	364.8	324.0	287.2	242.3	241.3	240.0	236.3	247.5
Rubber												
Malaysia[b]	c/kg	139.4	101.8	74.8	122.6	112.3	90.8	81.3	74.8	67.6	82.2	74.5
NY	c/kg	160.7	121.6	92.8	139.7	128.6	114.9	103.3	92.8	89.5	96.9	91.9
Singapore	c/kg	140.9	101.0	73.1	121.3	111.0	90.8	80.8	73.1	69.5	78.2	71.5
Sisal	$/mt	868.3	776.6	778.8	809.0	770.0	767.5	760.0	778.8	767.5	778.8	790.0
Wool	c/kg	416.3	430.3	374.3	424.4	442.6	441.4	412.9	374.3	376.5	373.4	372.9
Fertilizers												
DAP	$/mt	213.2	199.9	194.6	200.6	199.8	199.2	200.1	194.6	196.0	192.6	195.1
Phosphate rock[b]	$/mt	39.0	41.0	41.0	41.0	41.0	41.0	41.0	41.0	41.0	41.0	41.0
Potassium chloride	$/mt	116.9	116.5	116.5	116.6	116.5	116.5	116.5	116.5	116.5	116.5	116.5
TSP[b]	$/mt	175.8	171.9	172.5	181.3	172.5	165.1	168.7	172.5	172.5	172.5	172.5
Urea	$/mt	205.5	146.1	128.2	176.7	147.6	131.2	128.9	128.2	128.0	127.2	129.3
Metals and Minerals												
Aluminum[b]	$/mt	1505.7	1599.3	1463.0	1595.7	1584.8	1637.7	1579.1	1463.0	1485.8	1465.6	1437.7
Copper[b]	$/mt	2294.9	2276.8	1700.4	2420.7	2506.0	2269.7	1910.7	1700.4	1688.5	1664.8	1748.0
Gold	$/toz	387.7	331.1	294.2	351.2	343.0	323.6	306.6	294.2	289.1	297.5	295.9
Iron ore[b]	c/dmtu	28.57	28.88	29.69	28.88	28.88	28.88	28.88	29.69	29.69	29.69	29.69
Lead[b]	c/kg	77.4	62.4	53.6	68.2	62.5	62.6	56.3	53.6	53.2	51.6	56.0
Nickel[b]	$/mt	7500.8	6927.4	5424.8	7567.3	7287.0	6700.2	6155.1	5424.8	5491.8	5386.9	5395.8
Silver	c/toz	518.3	489.2	624.8	501.7	475.6	453.3	526.2	624.8	584.6	672.7	617.2
Steel products (8) index[c]	1990=100	96.3	89.1	80.4	90.1	91.3	90.7	84.5	80.4	80.4	81.8	79.0
Steel												
Cold rolled coilsheet	$/mt	483.9	448.2	416.7	440.0	450.0	459.3	443.3	416.7	420.0	420.0	410.0
Hot rolled coilsheet	$/mt	365.6	337.3	316.7	331.7	340.0	347.3	330.0	316.7	320.0	320.0	310.0
Rebar	$/mt	360.2	325.2	296.7	330.0	340.0	324.0	306.7	296.7	300.0	300.0	290.0
Wire rod	$/mt	438.5	382.7	328.3	393.3	393.3	397.3	346.7	328.3	320.0	335.0	330.0
Tin[b]	c/kg	616.5	564.7	530.9	589.0	566.4	545.6	557.8	530.9	520.6	524.3	547.7
Zinc[b]	c/kg	102.5	131.6	106.3	117.4	130.2	160.4	118.5	106.3	109.7	104.4	104.8
World Bank commodity price indices for low and middle income countries (1990 =100)												
Petroleum		89.3	83.8	63.6	91.8	80.4	81.1	81.9	61.5	65.7	61.5	57.3
Nonenergy Commodities		115.1	117.6	107.0	119.3	126.0	115.9	109.4	106.0	106.1	107.8	104.3
Agriculture		125.5	128.7	118.0	130.0	139.6	125.9	119.3	116.6	116.6	119.4	114.0
Beverages		126.5	171.0	169.5	150.7	197.8	173.6	162.1	165.0	169.6	169.3	156.1
Food		123.6	116.1	110.2	122.5	119.5	110.2	112.0	109.1	110.2	110.2	106.9
Fats and Oils		147.0	147.7	141.8	154.5	151.8	138.4	146.3	140.0	142.0	141.6	136.4
Grains		140.6	112.1	105.5	122.7	116.5	105.7	103.6	105.7	104.6	106.4	106.0
Other Food		95.0	92.4	87.0	96.3	94.8	89.7	88.7	85.8	87.4	86.7	83.2
Raw Materials		127.1	113.7	90.0	124.4	122.4	111.0	97.1	90.6	85.5	94.3	92.0
Timber		139.5	125.8	89.8	140.2	140.5	124.0	98.7	91.9	81.9	97.1	96.6
Other Raw Materials		118.7	105.5	90.1	113.6	110.1	102.1	96.1	89.7	88.0	92.3	88.9
Fertilizers		119.8	119.7	120.0	124.3	120.0	116.4	118.2	120.0	120.0	120.0	120.0
Metals and Minerals		89.1	90.2	78.5	92.5	93.1	91.3	84.1	78.7	79.0	78.1	79.0

Note: Prices as of April 8, 1998. Monthly updates of commodity prices are available on the internet at http://www.worldbank.org/html/eccp/eccp.html

a. Included in the petroleum index.

b. Included in the nonenergy index.

c. Steel not included in the nonenergy index.

Source: World Bank, Development Economics, Development Prospects Groups.

COMMODITY DESCRIPTIONS

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

Crude oil (spot), average spot price of Brent, Dubai and West Texas Intermediate, equally weighed

Crude oil (spot), U.K. Brent 38° API, f.o.b. U.K ports

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

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

Natural Gas (Europe), average import border price

Natural Gas (U.S.), spot price at Henry Hub, Louisiana

Beverages

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

Tea (Auctions, average), leaf at Calcutta auction, and all tea at Colombo, London, and Nairobi/Mombassa auctions, arithmetic averages of weekly quotes

Tea (London auctions), all tea, arithmetic averages of weekly quotes

Foods

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

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

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

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

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

Other foods

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

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

Agricultural raw materials

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 (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

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

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

Other raw materials

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

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

Rubber (Malaysian), RSS no. 1, in bales, Malaysian Rubber Exchange & Licensing Board, midday buyers' asking price for prompt or 30 days delivery, f.o.b. Kuala Lumpur

Rubber (any origin), RSS no. 1, in bales, Rubber Traders Association (RTA), spot, New York

Rubber (Asian), RSS no. 1, 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

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

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

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

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 fines (SSF), 64.2% Fe (iron) content (dry weight) ores, moisture content 6.5%, contract price to Europe, f.o.b. Tubarao. Unit dry metric ton unit (dmtu) stands for mt 1% Fe-unit. To convert price in cents/dmtu to $/dmt SSF (dry ore), multiply by percent Fe content. For example, 28.88 cents/dmtu is $18.54 /dmt SSF. To convert to wet mt SSF (natural or wet ore), multiply by percent Fe content by (1 minus percent moisture content). 28.88 cents/dmtu is $17.34 /Wet mt SSF. Iron ore in most countries is traded in terms of dry mt, and shipped in wet mt. For 1989–96, Fe content was 64.3% and moisture content 6.9%

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 United States. 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

Book and CD-ROM Order Form

Quantity	Title	Stock #	Price	Total Price

Subtotal cost US$ _____

Shipping and handling* US$ _____

Total US$ _____

CHECK METHOD OF PAYMENT

❑ Enclosed is my check payable to the World Bank.

❑ Charge my ❑ VISA ❑ MasterCard ❑ American Express

_____

credit card account number

_____

Expiration Date Signature (required to validate all orders)

❑ Bill me. (Institutional customers only. Purchase order must be included.)

PLEASE PRINT CLEARLY

Name _____

Address _____

_____

City _____ State _____ Postal Code _____

Country _____ Telephone _____

Customers in the United States: Complete this coupon and return to

The World Bank
P.O. Box 960
Herndon, VA 20172-0960
USA

To have your order shipped faster, charge by credit card by calling 703-661-1580 or send this completed order coupon by facsimile by dialing 703-661-1501.

Customers outside the United States: Contact your local Bank publications distributor for information on prices in local currency and payment terms. If there is no distributor in your country or region, send in your order using the contact information provided above.

* SHIPPING AND HANDLING charges are $5.00 per order. If a purchase order is used, actual shipping will be charged. For air mail delivery outside the United States, charges are $13.00 for one item plus $6.00 for each additional item.

Commodity Markets and the Developing Countries

Not just the facts, unbiased analyses. The World Bank isn't in the business of selling commodities. As an international lender putting millions of dollars at risk every day, we demand objectivity regarding the commodities markets that play such an important role in developing countries. That is why you get unbiased forecasts that are based on our own research.

Four times a year World Bank commodity experts examine production, consumption, and factors from climate to exchange rates to give you the intelligence you need to make better decisions.

Only *Commodity Markets* covers such a wide range of the world's commodities—28 in all—with substantive yet succinct reports on:

- Energy resources: coal, natural gas, petroleum
- Foods and beverages: bananas, beef, citrus, shrimp, sugar; cocoa, coffee, tea; coconut oil, palm oil, soybean oil; maize, rice, wheat
- Agricultural raw materials: cotton, jute, rubber, timber
- Fertilizers: potassium chloride, TSP, urea
- Metals and minerals: aluminum, copper, gold, iron ore and steel

Issued February, May, August, and November.
Approximately 40 pages/ISSN 1020-0967

❑ Yes, please enter my subscription for *Commodity Markets and the Developing Countries*, at US$150/year

❑ Enclosed is my check for US$150.00 drawn on a US bank and payable to the World Bank in US dollars. For payment in local currency, please ask for the distributor in your area.

Charge my:

_____ VISA _____ MasterCard _____ American Express

_____
Credit Card Account Number *Expiration Date*

_____
Signature

Name: _____

Company: _____

Address: _____

_____

City/State/Postal Code: _____

Country: _____

❑ Bill my organization. Institutional customers only. Please include a purchase order.

Name: _____

Company: _____

Address: _____

_____

City/State/Postal Code: _____

Country: _____

CQ058

Cut out form above and mail to:
The World Bank
PO Box 7247-7956
Philadelphia, PA 19170-7956
USA

To have your order shipped faster, call 201-476-2192 to charge by credit card, or send this completed order coupon by facsimile to 201-476-2197.

Visit the World Bank's publications catalog on the World Wide Web: http://www.worldbank.org/

COMMODITY MARKETS
AND THE DEVELOPING COUNTRIES

A World Bank Business Quarterly

Commodity Markets and the Developing Countries is produced by the Development Prospects Group of the Development Economics Vice Presidency of the World Bank. For information about the contents call Donald Mitchell at 202-473-3854 or fax 202-522-3564. The opinions expressed are those of the authors and should not be attributed in any manner to the World Bank, to its Board of Executive Directors, or to the countries they represent. It is published quarterly in February, May, August, and November. The annual subscription rate is $150.00. Send subscription orders to World Bank Publications, Box 7247-7956, Philadelphia, PA 19170-7956, USA, telephone 201-476-2192

Manufactured in the United States of America
Vol. 5, no. 3
ISSN 1020-0967
ISBN 0-8213-4260-6

Printed on recycled paper