

88647

COMMODITY MARKETS AND THE DEVELOPING COUNTRIES

A WORLD BANK QUARTERLY

FEBRUARY 1995

Nonfuel primary commodity prices fell 3.5% for the quarter after rising nearly 40% over the past 18 months. The decline was led by beverages, which declined 22% from September to December. Metals and minerals prices were higher by 12.7% and nonfood agricultural prices by 12.5%, but food prices were lower by 11%. Petroleum was slightly higher.

CHANGE IN QUARTERLY AVERAGES (SEPT-DEC)
Percent

Nonfuel	-3.5
Food	-11.0
Beverages	-21.7
Mild coffee	-24.1
Tea	-14.0
Cereals	+0.1
Fats and oils	+9.6
Other	-0.1
Nonfood agriculture	+12.5
Cotton	+16.1
Natural rubber	+15.2
Minerals and metals	+12.7
Copper	+19.2
Aluminum	+19.7
Petroleum	+1.1

SUMMARY

PAGE 3

SPECIAL FEATURE

■ **THE URUGUAY ROUND AND AGRICULTURAL**

TRADE PAGE 5

The Uruguay Round failed to achieved significant liberalization in agriculture.

MANAGING COMMODITY PRICE RISK

■ **DEALING WITH CURRENT MARKET**

CONDITIONS PAGE 7

High prices and high volatility mark today's commodity markets. How does this affect risk management by producers, processors, and governments?

FOOD

■ **BANANAS** PAGE 8

Seasonal prices volatile, but annual average stable.

■ **BEEF** PAGE 8

Increased US production depresses prices.

■ **CITRUS** PAGE 9

Oranges and processed products in ample supply for several more months.

■ **SHRIMP** PAGE 9

Increased supplies and seasonal decline in demand pressure prices.

■ **SUGAR** PAGE 10

Prices break 15¢/lb but are not expected to hold at that level.

BEVERAGES

■ **COCOA** PAGE 10

New arrivals from West Africa reduce concerns for the 1994/95 crop.

■ **COFFEE** PAGE 11

Prices fall on news of higher crop estimate.

■ **TEA** PAGE 12

Prices depressed by reduced Russian demand and record output in Sri Lanka.

FATS AND OILS

■ **COCONUT OIL** PAGE 13

Despite higher production, prices will remain high because of low stocks and strong demand.

■ **PALM OIL** PAGE 13

Prices rise as a result of seasonal declines in production and stocks.

■ **SOYBEAN OIL** PAGE 14

Low stocks in major net exporting countries push up prices.

GRAINS

■ **GRAINS** PAGE 14

Though the world grain stocks-to-use ratio is at its lowest since 1974, weak import demand is preventing significant price increases.

■ **MAIZE** PAGE 15

A record US crop combined with weak import demand sends prices lower.

■ **RICE** PAGE 15

The rice market had few surprises this year, causing prices to drift lower.

■ **WHEAT** PAGE 16

Low stocks could lead to volatile prices if the 1995 harvest falls below trend.

AGRICULTURAL RAW MATERIALS

■ **COTTON** PAGE 16

Crop damage in Asia tightens export availability, and prices rise sharply.

■ **JUTE** PAGE 17

A larger 1994/95 crop depresses prices.

■ **RUBBER** PAGE 18

Strong demand anticipated for 1995.

■ **TIMBER** PAGE 19

Prices hurt by weak demand, though some seasonal recovery expected.

METALS AND MINERALS

■ **ALUMINUM** PAGE 19

Prices to remain firm as consumption recoverers and production cuts are phased out.

■ **COPPER** PAGE 20

Prices surge on prospects of continued strong world demand.

■ **GOLD** PAGE 21

Prices fail to break the \$400/oz level.

■ **IRON ORE** PAGE 22

Improving economic conditions in OECD countries and China are increasing demand and pushing prices higher.

ENERGY

■ COAL PAGE 23

Rising demand and fairly tight supplies expected to push up prices.

■ PETROLEUM PAGE 24

Little growth projected in demand for OPEC oil.

FERTILIZERS

■ POTASSIUM CHLORIDE PAGE 27

Large purchases by China lead to higher prices.

■ TSP PAGE 28

TSP and DAP prices rise nearly 20% during the last quarter as demand increased.

■ UREA PAGE 28

Prices rose 64% during 1994, to reach a three-year high.

■ COMMODITY PRICE INDEXES PAGE 4

■ COMMODITY PRICE OUTLOOK PAGE 29

SUMMARY

Commodity prices fell during the fourth quarter as beverage prices backed away from the highs reached in the previous quarter. The World Bank index of 33 nonfuel primary commodity prices declined 3.5% between September and December. Vegetable oil prices increased 9.6% but cereals and other food prices were stable. Nonfood agriculture prices rose during the quarter as tightening supplies pushed cotton prices up 16.1% and natural rubber prices up 15.2%. The overall index of 33 commodities increased by 31.2% for the fourth quarter of 1994 over the same quarter in 1993. The rise was driven by price increases for beverages (92.3%), vegetable oils (27.8%), agricultural raw materials (38.7%), and metals and minerals (32.2%), which were only partly offset by declining prices for cereals (13.5%) and timber (17%). Prices for petroleum (not included in the index) increased by 15.8% over the year.

The retreat of beverage prices contributed substantially to the decline in the index dur-

ing the quarter. Coffee roasters have covered their requirements for several months, and Brazilian stocks are greater than had generally been anticipated. Also the US Department of Agriculture's (USDA) latest estimate of world production in 1994/95 is 5% higher than its previous forecast. Improved weather in West Africa aided cocoa harvesting, drying, and transport conditions, easing concerns about the crop and allowing cocoa prices to subside. Tea prices weakened in response to lower import demand in the countries of the former Soviet Union (FSU).

Although world grain supplies are expected to be sufficient in 1994/95, the ratio of end-season stocks to consumption is estimated to be the lowest since 1974. Even so, grain prices have remained stable, with consumption increasing only marginally since 1990. However, a small harvest next year could trigger large price increases.

Agricultural raw material prices increased as demand strengthened and supplies available for export tightened. Cotton supply scarcity arose as late harvests in China, India, and Pakistan fell short, a consequence of pest damage, disease, and unfavorable weather. Production in Australia is forecast to decline sharply because of serious drought. Natural rubber prices rose in anticipation of future supply tightness and shortage of some grades.

Increasing demand for metals and lower production set off a prices surge. Copper prices in the fourth quarter were 67% higher than a year earlier. Demand for copper is expected to remain strong into 1996, as mining capacity that had closed during the weak market in 1993 is reactivated. New mines have also started up in recent months, boosting supplies, and new mining projects are expected in several countries during 1995 and 1996. Steady increases in aluminum consumption and concerted reduction of production by major producers sent prices to their highest level since the spring of 1989.

Import demand for fertilizers was strong during the fourth quarter, and prices increased.

COMMODITY PRICE INDEXES

FIGURE 1. WEIGHTED INDEX OF COMMODITY PRICES

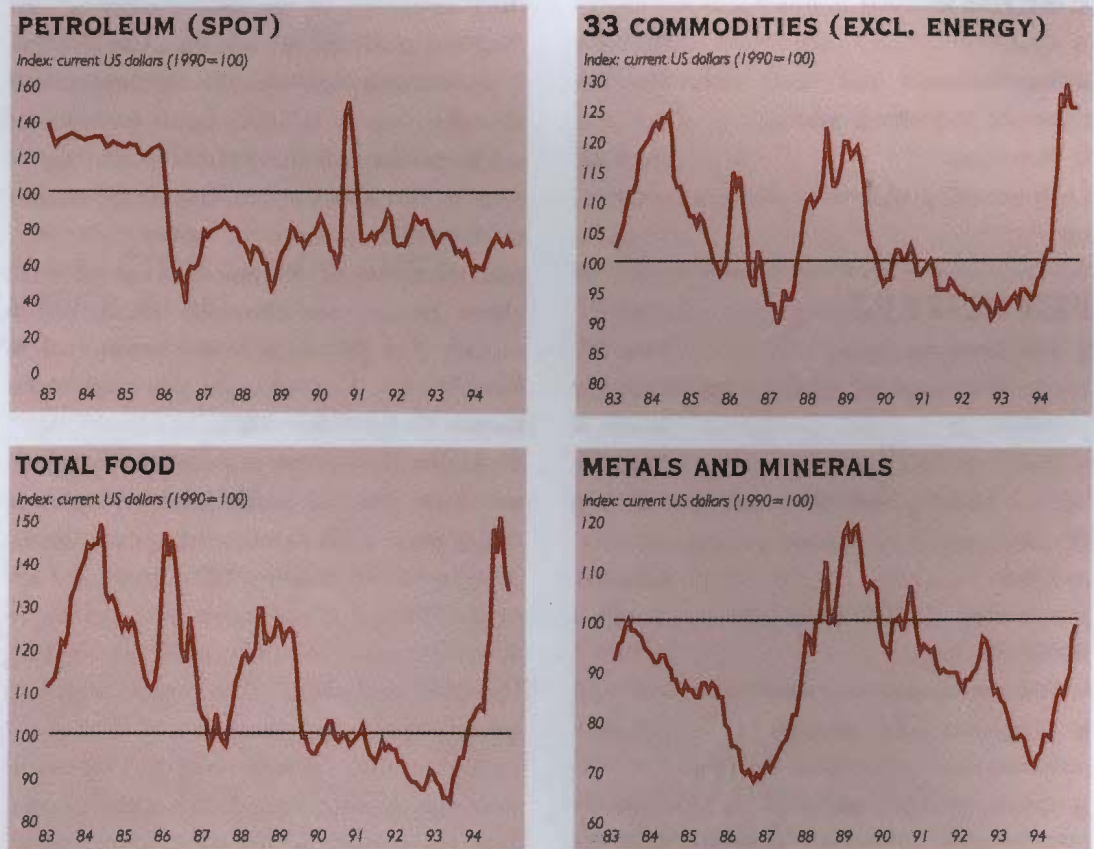


TABLE 1. WEIGHTED INDEX OF COMMODITY PRICES IN CURRENT DOLLARS
1990=100

	33 commodities (excluding energy)			Food					Nonfood			Metals and minerals
	Petroleum	(100.0)	Total agriculture (67.7) ^a	Total food (53.3) ^a	Beverages (22.3) ^a	Grains (9.4) ^a	Fats and oils (9.3) ^a	Other (12.3) ^a	agriculture (14.4) ^a	Timber (5.2) ^a	(27.1) ^a	
Annual												
1992	81.2	93.0	92.0	91.4	77.3	100.5	119.2	88.8	94.3	118.2	90.6	
1993	71.8	94.3	91.4	92.0	82.1	98.2	114.4	88.1	89.2	220.0	77.4	
1994	70.4	115.6	123.2	126.8	148.6	114.7	136.0	89.6	109.8	174.8	85.1	
Quarterly												
4Q93	64.4	95.4	97.2	99.6	91.7	116.8	117.8	87.2	88.2	191.2	72.4	
1Q94	60.6	100.0	104.0	105.7	93.5	134.7	125.0	91.2	97.5	170.9	76.5	
2Q94	70.4	109.1	113.9	116.2	123.6	121.0	131.3	87.4	105.7	190.8	81.4	
3Q94	75.9	127.6	140.1	147.2	201.1	102.1	137.1	91.5	113.8	178.5	86.7	
4Q94	74.6	125.5	134.8	138.2	176.3	101.0	150.5	88.1	122.3	158.8	95.7	
Monthly												
1993 Dec	57.8	97.2	100.8	103.7	93.9	126.9	129.4	84.3	90.0	171.9	73.8	
1994 Jan	61.5	97.7	101.7	104.1	89.5	136.9	128.7	87.2	92.5	166.4	74.5	
1994 Feb	60.6	100.6	104.5	106.2	93.5	136.7	124.1	92.6	98.2	171.2	77.4	
1994 Mar	59.8	101.8	105.8	106.9	97.7	130.4	122.2	93.9	101.8	175.2	77.7	
1994 Apr	65.6	102.2	105.9	106.5	99.6	126.3	125.1	89.9	103.7	184.1	77.2	
1994 May	70.7	110.1	115.0	117.7	126.2	122.5	132.3	87.6	105.2	193.9	81.7	
1994 Jun	75.0	115.0	120.8	124.3	145.1	114.1	136.6	84.9	108.1	194.5	85.3	
1994 Jul	78.9	128.2	140.3	147.7	204.5	102.8	130.6	91.8	112.8	187.4	86.8	
1994 Aug	76.2	125.1	136.8	142.9	190.9	101.9	138.4	90.6	114.4	178.8	85.3	
1994 Sep	72.6	129.6	143.2	151.1	208.0	101.5	142.4	92.1	114.1	169.3	88.1	
1994 Oct	73.9	126.0	137.3	142.2	190.9	100.7	140.9	86.5	119.2	164.5	90.5	
1994 Nov	76.6	125.2	133.9	137.8	175.1	100.8	154.5	85.8	119.2	157.7	97.4	
1994 Dec	73.4	125.1	133.2	134.5	162.8	101.6	156.1	92.0	128.4	154.1	99.3	

a. Percentage share of commodity group in 33-commodity index.

THE URUGUAY ROUND AND AGRICULTURAL TRADE

A recent conference on the Uruguay Round sponsored by the World Bank concluded that the Uruguay Round will result in little or no liberalization in most agricultural products, even though the conversion of quantitative restrictions into transparent tariffs and the reduction and binding of all tariffs represent a major reform in agriculture. The Uruguay Round requires industrial countries to establish tariffs for 1995 that were no higher than the equivalent level of protection during the base period (1986-88) and to reduce the tariffs by at least 15 percent and by an average of 36 percent over the next six years. During the base period, protection levels (measured as the gap between world and domestic prices) were high because world prices for most products were at their lowest levels in decades. As a result the tariffs established are usually higher than the applied rates of protection in recent years.

There is also evidence of "dirty tariffication," of bound tariffs set above their levels in the reference period. This implies that tariffication, while providing a more transparent form of protection, could result in levels of protection significantly higher than in 1986-88, when levels already exceeded current levels. Dirty tariffication is most noticeable in the European Union (EU) and European Free Trade Association (EFTA) countries, but there is also some evidence of it in the United States. The procedures used to estimate the protective effects of nontariff barriers allowed considerable discretion for many commodities. The tariffs were to be calculated at the four-digit level of the Harmonized System, but many countries offered specific tariffs at the national tariff line level, which involves eight or ten digits. Estimates of dirty tariffication are based on comparisons of the ad valorem measure of specific tariffs and the ad valorem equivalent of trade barriers based on OECD data. The conversion to ad valorem rates and the comparisons entailed aggregations of the specific tariffs, so the estimates are

only indicative and are not exact measures of the extent of dirty tariffication.

The Uruguay Round agreement also provides minimum access provisions, but the results indicate that these provisions will not increase trade significantly beyond current levels. An exception is rice, where the minimum access commitment of Japan and the Republic of Korea will increase trade by about 1 million tons annually, representing about 7% of world trade. Export subsidies were reduced, but the allowable volume of export subsidies for major commodities at the end of the implementation period will remain substantial, with the largest amount remaining in wheat (more than 40 million tons) and coarse grains (nearly 20 million tons).

While significant reforms were achieved, the extent of liberalization and the degree of reduction in agricultural protection will be significantly less than expected. Relative to average protection levels in recent years and the average during the past 10 to 15 years, the final tariff equivalents and bindings are significantly higher in most countries. An exception to the limited scope of liberalization is Japan, where significant reductions in protection were achieved from high historical levels.

Analysis of the country schedules of final commitments and estimates of pre- and post-Uruguay Round ad valorem tariff equivalents indicates that the specific and ad valorem tariff equivalents that many countries have scheduled are significantly higher than the wedge between domestic and world prices during the base period, hence providing more protection than in 1986-88. That would mean that the extent of liberalization created by the Round has been limited. More important, dirty tariffication in many OECD countries resulted in little or no liberalization in major agricultural commodities. The results indicate that protection in the European Union will increase substantially for a number of commodities if domestic prices are raised to the levels indicated by the EU's ad valorem tariff equivalents. If the European Union applies

the maximum specific tariffs in the schedules, the estimated ad valorem tariff equivalents in 1995 could be significantly higher than recent protection in major commodities and relative to the average protection in 1979-93. Where tariff reductions would have had the most significant impact on trade, countries opted for minimum reductions.

Developing countries in East and Southeast Asia, Latin America, and the Middle East reduced protection in some commodities and chose to lock in previous unilateral reforms. However, most countries in Africa (except South Africa) and South Asia did not use the Round to consolidate domestic efforts at trade reform, and many countries made no substantial liberalization commitments on border protection. Excessive tariffification also occurred in developing countries. Many countries in Asia and Africa were permitted to declare tariff bindings at levels that are unrelated to historical levels of protection. Several countries offered rates of 100%, 150%, or even more than 200% for all products.

In general, the agricultural agreement did not touch on many developing-country distortions, such as state trading monopolies and policies that tax agriculture either explicitly by taxing exports or by maintaining domestic prices below world prices or implicitly by providing protection to industry. There is no additional provision to enhance transparency in the behavior of state trading enterprises for either imports or exports. This gap will likely be an important area of trade distortion for developing countries, not only for current members but also for those seeking membership to the World Trade Organization, particularly China and the countries of the former Soviet Union, where state trading agencies still dominate trade in agriculture. The lack of control over the actions of state trading monopolies and lack of discipline on resale prices weaken or eliminate the effects of lower tariffs. In a few cases bilateral agreements provide bindings on markups, as in the case of Japan. But state trading monopolies remain

largely undisciplined in most countries. In addition, general exemptions based on balance of payments difficulties make it possible for countries to maintain trade distortions.

The extent to which developing countries choose to use tariff bindings and the resulting patterns of liberalization vary considerably by country and by commodity. Most developing countries committed to a general ceiling binding on less-traded or less-important commodities subject to unbound duties. Developing countries can raise the protection for these commodities in the future, since current applied rates are far below the final ceiling bindings. For economically and politically sensitive products subject to unbound tariffs at the beginning of the Round, most developing countries offered specific ceiling bindings, which also provide potential increased protection to these commodities in the future. The results indicate that tariffification provided countries the opportunity to raise tariffs that were already bound at the beginning of the Round or, in the case of the industrial countries, to raise bound or applied tariffs.

Tariffification will not have a significant effect on trade flows and prices in the next several years. The high levels of tariff protection in agriculture, combined with exemptions of important domestic support measures, will continue to limit access to major markets. Much remains to be done in future multilateral trade negotiations to achieve substantial and real reductions in agricultural protection. While the Round achieved new transparency in import protection, transparency came at the expense of significant liberalization. The challenge now is to build on the groundwork that has been established to achieve more serious liberalization of world trade.

Based on "Agricultural Trade Liberalization in the Uruguay Round: One Step Forward, One Step Back?" by Merlinda Ingco, a background paper for a World Bank conference on the Uruguay Round and the developing countries. The paper is available from the author upon request at fax number 202-477-0569.

DEALING WITH CURRENT MARKET CONDITIONS

Prices are high and volatile in commodity markets today. Sugar prices, for example, have fluctuated widely during the past five years (figure 2). Risk management is vital in such an environment. But techniques for managing risk have become increasingly expensive or are fraught with timing difficulties. This feature looks at how the current market affects processors, producers, and governments and covers the risk management techniques that they are likely to use.

Processors, such as oilseed crushers, sugar refiners, and coffee roasters, are more interested in the price spread between processed and unprocessed commodities than in prices. In fact, to the extent that high commodity prices are associated with shortages, processors that rely on high volume (such as oilseed crushers) may find boom periods less profitable. Processors that can use forward or futures prices to lock in the price of soybeans and soybean products can also lock in crushing fees. Price levels and price volatility do not affect the mechanics of this risk management technique.

To illustrate this technique, compare the soybean market today with the market five years ago. On January 31, 1995, soybeans for March delivery closed at \$5.475/bu, or \$204.40/ton. Soybean oil closed at \$598/ton and soybean meal at \$156.20/ton. In the crushing process a ton of soybeans produces 0.18 ton of oil

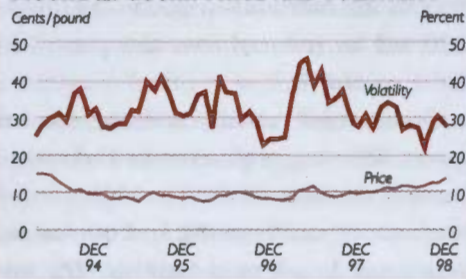
and 0.8 ton of meal. This provides the crusher an implicit fee of \$28.20/ton, which is very high by historical standards. By way of comparison, on January 31, 1990, when soybeans sold slightly higher at \$5.60/bu, the market returned an implicit crushing margin of \$2.80/ton.

Producers, on the other hand, are very interested in price levels. If they decide to enter into a forward contract, timing is crucial. For example, the Chicago March wheat contract closed at \$3.74/bu on January 31, 1995, but the contract has traded for as much as \$4.26 and for as little as \$3.27. Selling crops forward may guarantee a certain price level for a farmer, but in doing so the farmer may forgo better opportunities.

Some governments engage directly in the production and sale of commodities and are dependent on export earnings. Honduran growers recently estimated that each dollar move in the price of coffee in New York represents \$25 million in the country's export earnings. Further, governments frequently tax either commodity production or trade. When a commodity is subject to an ad valorem tax, the revenue generated by that tax rises and falls with the underlying commodity price.

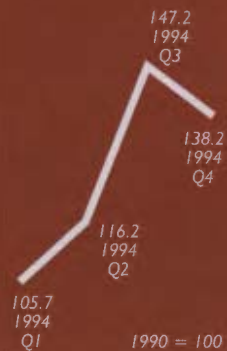
To illustrate, consider a government dependent on tax revenue from sugar exports. On January 31, 1995, the spot price for sugar stood at 14¢/lb. The cost of guaranteeing that price two months forward was 0.23¢/lb. However, in September 1992, sugar traded at 8.87¢/lb. The cost of guaranteeing that price forward two months was only 0.05¢/lb. The difference between the two rates comes not from the differences in price levels but from the differences in volatility, as shown in figure 2. The volatility, in turn, is an indication of uncertainty in the sugar market. Like many forms of insurance, the cost of the insurance increases with the risks.

FIGURE 2. SUGAR PRICE AND VOLATILITY

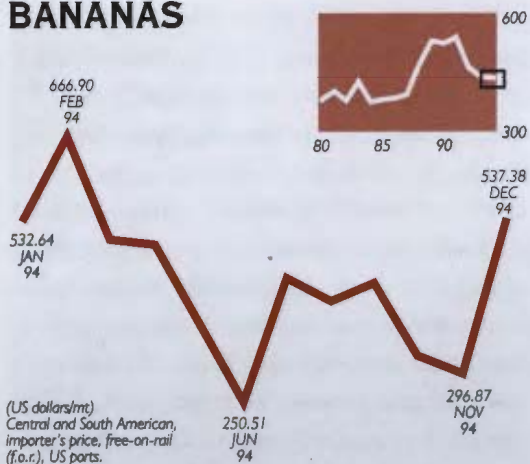


Source: World Bank data.

Food prices declined in the fourth quarter on sharply lower beverage prices.



BANANAS



RECORD EXPORTS IN 1994 FROM ECUADOR, THE LARGEST BANANA PRODUCER

Ecuador's banana exports at the end of October surpassed the previous annual record of 2.65 million tons reached in 1991. Total exports for the year are expected to exceed 3 million tons. Unusually large exports to the European Union (EU) are attributed to very competitive prices and perhaps to the loss of Caribbean production to tropical storm Debbie late in the year. Eastern Europe and the Middle East were also important buyers of Ecuadorian bananas.

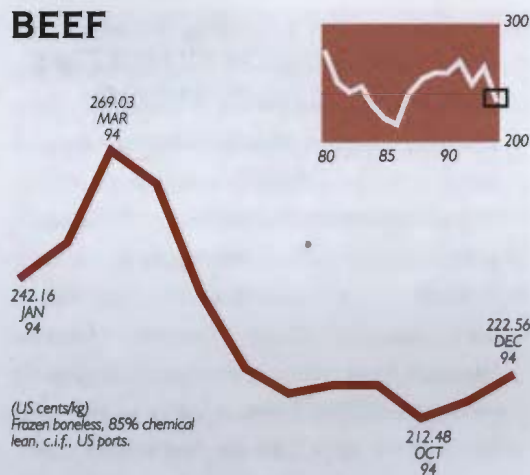
Banana producers in Costa Rica were less fortunate. The National Banana Corporation (Corbana) reported that producers were severely hurt by low prices, low yields, high costs, and insect damage in 1994. Large banana production in other countries and import quotas in the EU were also cited as detrimental to Costa Rican producers.

Import prices for Central and South American bananas in the United States have strong seasonal volatility, but fourth quarter average prices were only 4% higher than a year earlier, and the 1994 average was down less than 1 percent from the 1993 average.

The EU added 53,400 tons to the original 1994 tariff quota of 2.118 million tons in response to the severe storm damage to Caribbean production. The licenses were to be issued by December 5 and to remain valid until February 9, 1995.

The new members of the EU had imports in 1993 estimated at 455,600 tons.

BEEF



LOWER PRICES EXPECTED AS US PRODUCTION EXPANDS

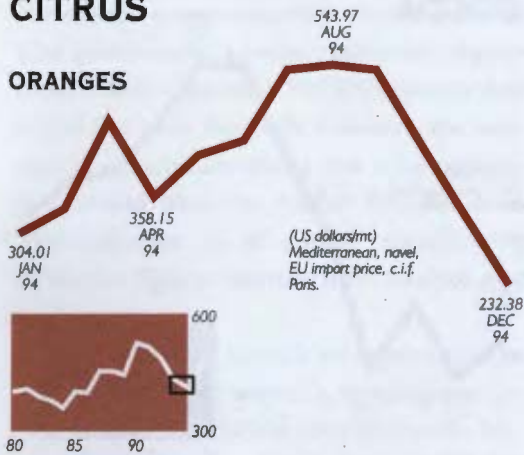
US beef production in 1994 increased by nearly 6% from 1993, reflecting increased slaughter and record slaughter weights. Higher production and lower than expected demand led to a significant drop in US beef prices during the fourth quarter. With production expected to continue to expand, US demand for imported beef is likely to remain weak in 1995.

Recent trends in Asian markets indicate a lift in beef consumption, prices, and imports. In the Republic of Korea reports indicate strong beef sales, declining stocks, and higher domestic prices. Total beef imports in Korea increased by nearly 20,000 tons—to about 126,000 tons in October–November 1994—as a result of the government's decision to raise beef imports above the minimum import quota. Market access commitments under the Uruguay Round will result in complete liberalization of the Korean beef market by 2001. During the implementation period the quota will be raised from 123,000 tons in 1995 to 225,000 tons in 2000. The in-quota tariff will be reduced over this period from 43.6% to 41.6%.

Other Asian countries have converted import licensing requirements and quantitative restrictions to tariffs. The Philippines has removed import licensing and quotas and is committed to a bound tariff of 60%, to be reduced to 40% by 2004. Malaysia also removed import licensing.

CITRUS

ORANGES

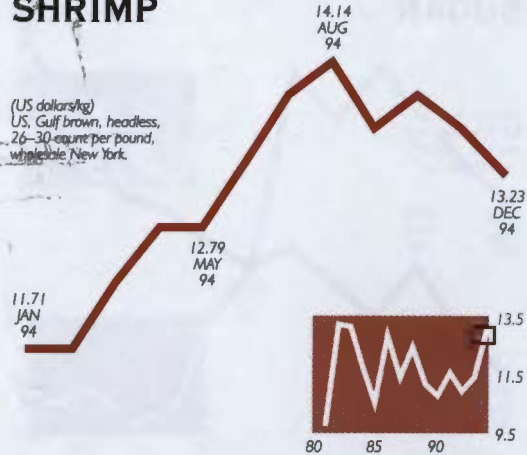


LARGE ORANGE CROP IN MEDITERRANEAN REGION HITS EUROPEAN PRICES

Same-period orange prices in the EU were 28% lower during the fourth quarter of 1994 than in 1993. Fresh orange supplies in the Mediterranean region were large, and consumers were also attracted by relatively low-priced frozen concentrated orange juice. The Spanish orange crop is officially estimated at 2.56 million tons, topping the official assessment of last year's harvest by 10%. Trade estimates put the crop somewhat higher. Orange production in Turkey is expected to increase by about 10,000 tons in 1994/95 as orange trees have been replacing field crops in Cukurova. In Greece the current orange crop is expected to be close to the previous crop of 900,000 tons. In Egypt all orange varieties except navel are expected to produce as much or more than in 1993/94. Navel oranges suffered from the unusually warm weather in the spring, and output declined sharply. The Moroccan orange crop is estimated at 24% under the 1993/94 crop, and exports are expected to decline 22%.

Brazilian orange production in 1993/94 (frozen concentrate marketed in 1994/95) was reduced by 8.5% to 325 million boxes (40.8 kgs) by drought in September and October in the São Paulo region. The orange crush during the 1994/95 marketing year is expected to be 12% less than last year, or about 232 million boxes. Brazil, the largest exporter of frozen concentrate, shipped 358.5 million gallons (42° brix) during 1993/94.

SHRIMP



HIGHER SUPPLIES, WEAKER DEMAND, LOWER PRICES

After the upward price movements from January to August, shrimp prices declined slightly in November 1994 through January 1995, reflecting increased supplies and seasonal drops in demand. Prices slid 2%, from \$13.88/kg in the third quarter to \$13.58/kg in the fourth quarter. However, prices during the third quarter remained 17% above last year's levels. Total US domestic landings in 1994 reached 127.5 million pounds, down from 130.5 million pounds last year.

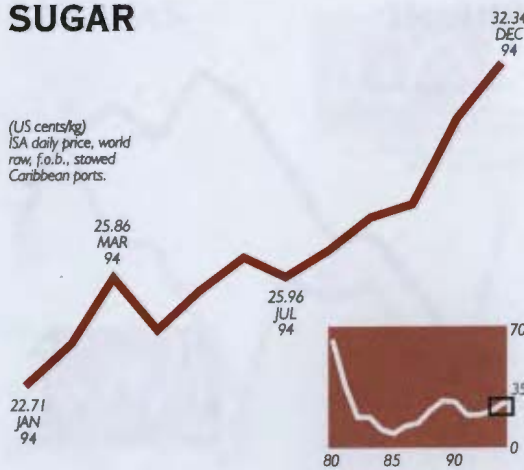
Higher recent US domestic landings and imports accounted for the lower prices during the fourth quarter. Shrimp imports from Mexico in September-December 1994 were up more than 2.6 million pounds (to 21.03 million pounds) over the same period last year. During January-October 1994 US imports of all types of shrimp from several countries were higher than a year ago, with the largest increases from Thailand (+13,978 tons), India (+2,391 tons), Mexico (+2,868 tons), Venezuela (+855 tons), Guatemala (+834 tons), Guyana (+786 tons), and Panama (+567 tons).

Shrimp imports into Japan continued to increase, reaching 275,090 tons during January-November 1994. Higher supplies from Australia, India, Indonesia, the Philippines, and Thailand accounted for most of the increase.

In December the EU was considering imposition of a tariff of up to 18% on shrimp imports from five South American countries.

SUGAR

(US cents/kg)
ISA daily price, world
raw, f.o.b., stowed
Caribbean ports.



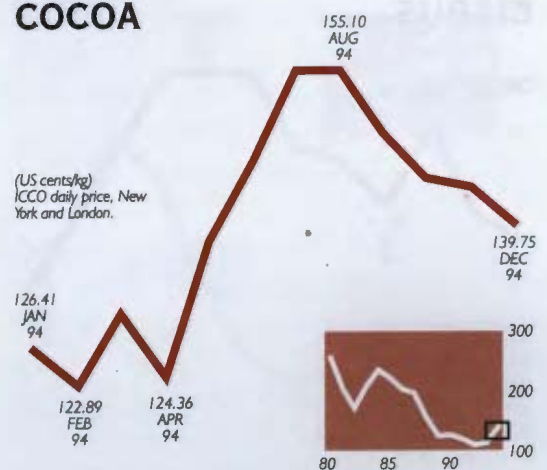
PRICES REACH NEW HIGHS

Sugar prices moved ahead sharply during the fourth quarter, as the price of raw sugar (f.o.b. Caribbean, Contract No. 11, New York) rose from about 12¢/lb in October to more than 15¢/lb during December. The increase was due to lower estimates of production and to purchases by commodity trading funds. Market fundamentals do not appear to justify significantly higher prices, but speculators may push prices even higher. Such an increase could provide an attractive marketing opportunity for exporters.

The market fundamentals are not especially bullish—growth in world sugar consumption is stagnant, stocks are adequate, and trade levels are declining. World consumption has grown only 0.6% a year since 1990, down from 2.05% during the 1980s. Such slow growth does not suggest continuing tight market conditions. At 30.09% of consumption, world stocks are the lowest in five years but still well above the lows of 20.69% in 1973 and 28.15% in 1989. World trade levels are also declining from the highs of the late 1980s because of continuing problems in the FSU. The estimate for world trade in 1994 is 29.1 million tons of raw sugar equivalent, down 17% from the 35.1 million tons in 1988. With these fundamentals, the market should about equal 1987–88 when prices averaged 9–11¢/lb. Unless the fundamentals change—if production drops or trade and consumption rise—current prices are not sustainable for long.

COCOA

(US cents/kg)
ICCO daily price, New
York and London.



REDUCED CONCERNS OVER 1994/95 PRODUCTION CAUSE PRICE DECLINES

Average cocoa prices fell 6.7% between the third and fourth quarters. The decline was due to improved weather conditions in the West African cocoa-producing countries, which reduced concerns about the upcoming 1994/95 crop.

West Africa's main crop has reportedly started more slowly than in previous years, and crop quality is questioned. Heavy rains in Côte d'Ivoire, Ghana, and Nigeria have caused problems in the harvesting and drying of crops. The result has been lower arrivals and a higher incidence of black pod disease. However, harvesting, drying, and transport conditions are reported to have improved recently along with weather conditions. Arrivals are expected to show a sharp increase throughout the coming months.

In Côte d'Ivoire crop arrivals as of December 3 were estimated to be around 255,000 tons, down from 305,000 tons at the same time last year. However, adjusting for the large quantity of the 1993 mid-crop that was blended with the 1993/94 main crop (the blended amount of the mid-crop is estimated at about 75,000 tons) would bring crop arrivals this year close to last year's level. Preliminary estimates put the main Ivorian crop at around 675,000 tons. Adding to that the 120,000 tons of the mid-crop brings the total estimated crop for 1994/95 to around 795,000 tons. In early

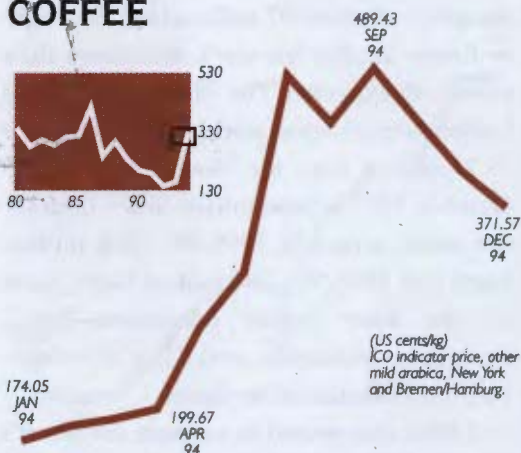
November it was reported that the Caisse (the government's cocoa marketing organization) had estimated 1994/95 production at 750,000 tons. Recently, however, the minister of agriculture stated that total production would likely be under 700,000 tons. This estimate is, of course, significantly below the figures given by most analysts and traders.

In Ghana crop arrivals are reported to be well ahead of last season's, tending to confirm the more optimistic crop prospects. The main crop is projected at around 275,000 tons, which could bring the total crop to more than 300,000 tons. Producer prices in Ghana remained unchanged over the 1993/94 mid-crop at 700,000 cedis per ton. These prices provide a good incentive to farmers and are higher than the prices that are paid to Ivorian farmers, which is encouraging some smuggling of Ivorian beans into Ghana.

While prospects for the West African crops are improving, dry weather and disease have raised concerns about the production from East Asian countries. Earlier estimates had projected the Indonesian crop at 280,000 tons and the Malaysian crop at 220,000 tons. Recent estimates have been revised downward to 250,000 tons for Indonesia and 200,000 tons for Malaysia, although it is too early to have good estimates of these crops.

On the basis of these revised crop estimates, projections of the world supply deficit have become more optimistic. The USDA predicts no supply deficit for 1994/95, although other analysts put the deficit at about 100,000 tons. With the easing of concerns over the 1994/95 crop prospects and with stocks covering about six months of consumption, prices are expected to show modest increases from current levels. The slight movement in prices is expected to come from the continuing reduction of stocks and falling stock-to-consumption ratios due to remaining supply deficits.

COFFEE



PRICES FLUCTUATE AND DECLINE WITH LOW ROASTER DEMAND AND HIGH CROP ESTIMATE

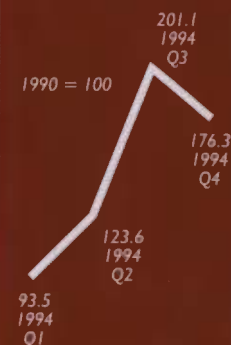
World coffee prices fluctuated widely during the fourth quarter, with the average falling 15% from the previous quarter. Roasters are reported to have covered their requirements until the spring of 1995, so they feel no immediate need to buy coffee. Coffee supplies are also adequate for the next six months. The latest USDA estimate for the 1994/95 world crop (harvesting will be completed in about four months) was higher than its June 1994 forecast by some 4 million bags, or about 5% of world production. Brazil's 1995/96 crop, hit by frost and drought, might not be as low as some had feared. The Brazilian government announced that it has about 15 million bags in stocks, or 2 million bags more than some had expected.

Roasters were able to meet part of their demand by drawing down stocks. As a result, stocks in consuming countries are estimated to have declined by more than 10 million bags in the past 12 months. Of major concern to roasters is the declining demand for coffee due to recent high prices. There is some evidence of slower roasting activities in the United States and Germany.

Prices fell following USDA's upward revision of its estimate of the 1994/95 world crop to 94.3 million bags. Brazil accounted for most of the adjustment—from an estimate of 23.5 million bags in June to 26 million bags in December. Although the global crop figure is lower than the expected world con-

BEVERAGES

Beverage prices down 12.3% for the quarter as coffee prices fall.



sumption of about 97 million bags, the higher figure implies less stock drawdown than previously expected. The latest International Coffee Organization world export figure of 71.2 million bags for November 1993 to October 1994 is substantially lower than for the same period in 1992/93 (76.6 million bags) and 1991/92 (78.0 million bags). Each of the four largest producers—Brazil, Colombia, Indonesia, and Côte d'Ivoire—recorded substantial declines.

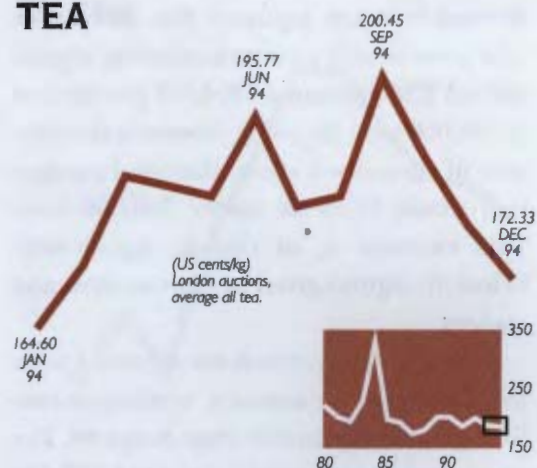
USDA also revised its estimate for Brazil's 1995/96 crop—from 17.6–19.7 million bags in August to 15.7–17.7 million bags in December. The change was due mainly to the persistent drought in Brazil from June through September.

Considerable uncertainty also surrounds Colombia's crops for the 1994/95 season and beyond. As the world's second largest coffee producer, Colombia has a large impact on the world coffee market. Jorge Cardenas, managing director of the Colombian Federation of Coffee Growers, announced in early December that Colombia's 1994/95 crop, now being harvested, would be 12.5 million bags and that production would increase to 15 million bags by 1996/97. However, several analysts are much more pessimistic, projecting production of about 10 million bags for the 1994/95 crop and further declines in coming years as a consequence of declining fertilizer use, reduced stumping, and borer worm damage.

Drought might also depress Indonesia's 1994/95 crop below USDA estimates. World coffee prices might well skyrocket again if production in Colombia and Indonesia proves to be much lower than the USDA's estimates.

The rapid price declines of the past few months induced Latin American coffee producing countries to reintroduce the retention program. Some 20% of exportable production will be kept in stock until prices reach 190¢/lb. However, East African coffee producers have said that they will not join the program, and Indonesia seems skeptical.

TEA

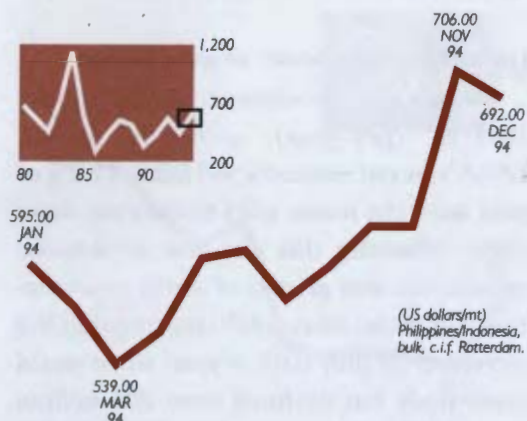


REDUCED IMPORT DEMAND DEPRESSES PRICES

Tea prices are usually high during the last quarter of the year, when high-quality tea is shipped from north India, but fourth-quarter prices in 1994 were depressed by the sharp decline in imports from countries of the former Soviet Union. The region's imports for 1994 are estimated at about 125,000 tons, compared with 200,000 tons in 1993—a drop of about 7.5% in world trade in black tea. The fall in imports resulted mainly from the deterioration in the region's distribution system, which is able to deliver tea only to consumers in large cities. In addition, problems have arisen with the debt repayment scheme under which Russia had been importing tea from India. The fourth-quarter recovery of output in Kenya, following a drought-induced drop in output during the first half of the year, also depressed prices. Unless import demand recovers in the FSU and in Iraq, world tea prices are expected to remain depressed.

Global output in 1994 is estimated to be about the same as in 1993. Increased production in India and Sri Lanka, which expect a record output of more than 240,000 tons for 1994, compensated for the output declines for the year of 4% in Kenya and 20% in Indonesia. Droughts and low prices have significantly affected tea output in Kenya since the 1980s. The tea sector also suffered from the significant appreciation of the Kenyan schilling in 1994, which has been at about 55 schillings to the US dollar recently.

COCONUT OIL

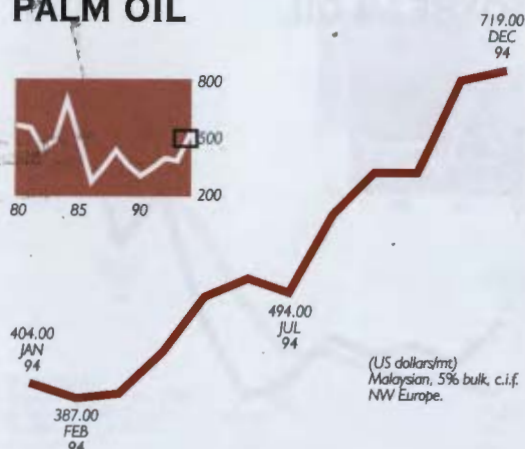


PRICES LIKELY TO EASE AS PRODUCTION RISES IN SOUTHEAST ASIA

Coconut oil prices are likely to ease as production improves in Southeast Asia but still to remain high because of low stocks and buoyant demand. Improved weather conditions boosted copra yields in the Philippines, leading to higher coconut oil exports. World copra production increased from 4.6 million tons last season to 4.9 million tons in 1994/95. Following the sharp decline in January–July 1994, crushings and exports of oil and meal began to recover in August and increased sharply in October–December 1994. Exports of coconut oil rose to 308,000 tons and exports of meal to 221,000 tons during the fourth quarter, a jump of more than 45% over the same quarter in 1993.

World supplies of coconut oil have been recovering since October 1994. The sharp increase in Philippine production and crushings of copra boosted world production of coconut oil in the fourth quarter by almost one-fifth—about 130,000 tons—over same-period 1993 levels. Additional increases are expected in 1995, bringing world coconut oil production to a record of more than 3 million tons for the 1994/95 season (October–September). World exports of coconut oil are expected to recover by more than 1.5 million tons this season. World consumption is forecast to rise to nearly 3 million tons in 1994/95, with the largest increases expected in Asian countries, particularly Indonesia, Malaysia, the Philippines, and Thailand.

PALM OIL



PRODUCTION INCREASES AS YIELDS RECOVER

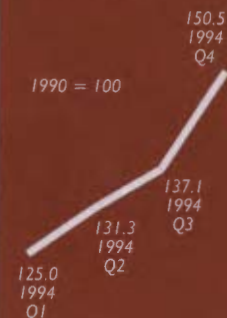
Palm oil prices increased substantially during the fourth quarter of 1994 due to a seasonal decline in palm oil production, flooding during the Malaysian harvest, and strong demand. Prices averaged \$681/ton during the fourth quarter, well above the \$367/ton during the same period in 1993.

Prices came under pressure in early 1995 from larger than expected production and export supplies in major exporting countries. Palm oil output, unlike oilseeds, depends not only on acreage planted and input use, but also on the response of trees to stress during drought or when yields increase. A recent downturn in yields lasting nearly seven months ended in September 1994. This recovery boosted fourth-quarter production well above 1993 levels, causing palm oil stocks to rise. During the quarter Malaysian palm oil yields on mature areas were far above the five-year average. Malaysian palm oil output is expected to rise by nearly 12%, to 5.8 million tons, during the first three quarters of 1995.

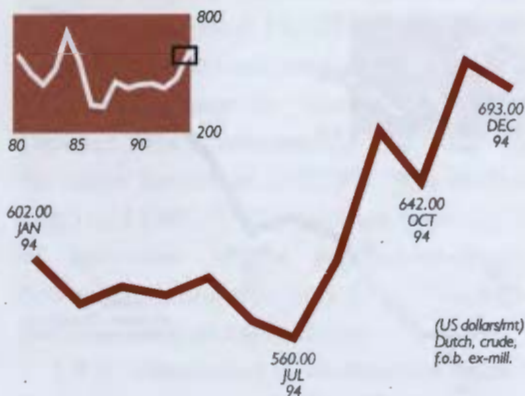
The expected increase in world production in 1995, combined with slight declines in import demand, will pressure palm oil prices during the next few months. World palm oil consumption during the first quarter of 1995 is likely to remain near last year's level in major net importing countries. World palm oil exports are expected to decline seasonally as importing countries switch to less expensive sunflower, soybean, and rapeseed oils.

FATS AND OILS

Fats and oils prices gained 9.8% for the quarter and 20% for the year.



SOYBEAN OIL



PRICES WILL LIKELY FALL IN 1994/95 AS CROP PROSPECTS IMPROVE

Soybean prices rose during the fourth quarter of 1994 despite increases in US production and carryover-stock prospects. Prices rose sharply for soybean oil, while those for soybean meal declined. The strong overall prices were a result of a soybean oil boom and an accompanying increase in the share of oil in the combined product value. The boom raised crushing margins and demand for soybeans, contributing to a sharper than expected rise in seasonal prices.

Oil tightness started to ease in 1995 as world production of vegetable oils exceeded consumption by more than 1 million tons. New crop supplies and further increases in US crop prospects eased the tight stock position, lowering prices in early 1995. World stocks of oils are expected to rise by more than 7% to around 10 million tons in the 1994/95 season (October–September), letting the stocks-to-use ratio recover to more than 0.11. The US government allowed soybean farmers to plant beans on up to half the area set aside for corn, a provision that will likely result in increased soybean plantings in 1995. Soybean oil prices are expected to fall in 1995, allowing declines in oilseed prices and a slight recovery in meal prices over the next few months.

World production of oilseeds is forecast to reach more than 250 million tons in 1994/95, an increase of about 10 percent over 1993/94.

GRAINS

LOW GRAIN STOCKS OFFSET BY WEAK DEMAND

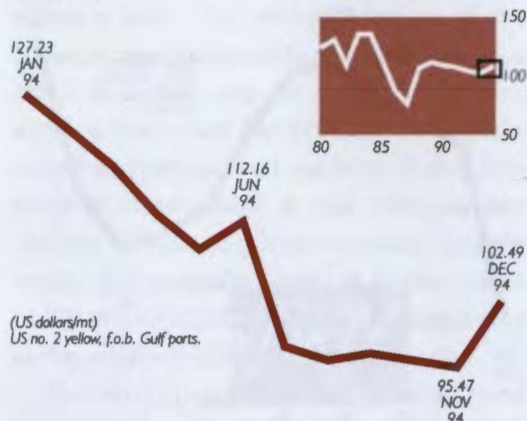
World grain carryover stocks during 1994/95 (July–June), according to the USDA's recent estimates, will fall to 17.2% of total use—the lowest stock-to-use ratio since 1974. Offsetting this very low stock-to-use ratio is the slow growth of world consumption and trade. Since 1990 consumption has increased by only 0.6% a year, while world grain trade has declined from 202 million tons to 196 million tons. The potential exists for sharp price increases because of low stocks. A poor harvest next year could trigger the increases.

Both the slow growth of world consumption and the decline in trade are due primarily to the collapse of the FSU. Since 1990 FSU grain consumption has declined by 55 million tons (about 3% of world consumption) and imports have declined by 16.5 million tons (about 8% of world trade). For the rest of the world, consumption has increased by an average 1.6% a year since 1990 and trade by 0.9%. This growth is still slow compared with rates during the 1970s and 1980s, which partially accounts for the weak prices despite the low stock levels.

Policy changes have contributed to the decline in the ratio of world grain stocks to grain use. Stocks averaged 21.4% of total use during the 1960s but fell to 18.8% during the 1970s as world demand for grain rose rapidly. The severe world recession of the early 1980s caused demand growth to slow just as supplies were increasing in response to high prices during the 1970s. The result was a surge in stocks, which peaked at 23.8% of consumption in 1982.

In the United States these changes led to a dramatic shift in agricultural policy and to lower stocks. US policy will again become the focus as congressional discussion begins on the next farm bill, which would replace the expiring 1990 legislation. The 1995 farm bill is likely to further reduce support to US farmers.

MAIZE



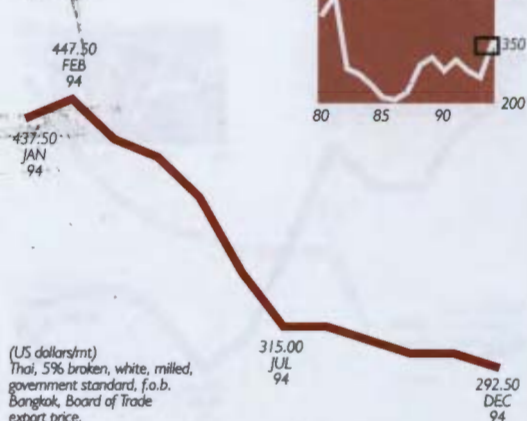
LOW IMPORT DEMAND SINKS PRICES

World maize production is expected to reach record levels in the 1994/95 marketing year, led by a record US crop. Barley and sorghum, next after maize in production volume among coarse grains, will be well below record levels because of poor Australian and EU crops. Overall coarse grain supplies will be adequate to meet likely domestic consumption and trade demand. Prices should remain near current levels until the spring planting in the northern hemisphere, when normal concerns about the new crop will emerge.

Maize prices rose in December from the harvest lows of October and November, but the quarterly average still remained 15% below the same quarter of 1993. Prices should remain in a narrow range for the next six months as large supplies are absorbed. The US maize export price averaged \$102.5 per ton in December, while grain sorghum averaged \$100.6 per ton.

World coarse grain import demand is expected to remain near last year's level of 83 million tons, close to the five-year low. Imports by the FSU are expected to fall to 5.0 million tons, far below the 26.9 million tons of 1989/90. Domestic consumption in the FSU fell 23% during this period because of lower incomes and reduced consumer subsidies. This decline in import demand has severely depressed maize prices. China is expected to export 9.2 million tons of coarse grains in 1994/95 according to the USDA, some 2.1 million tons less than in 1993/94.

RICE



PRICES DRIFT LOWER ON WEAK DEMAND

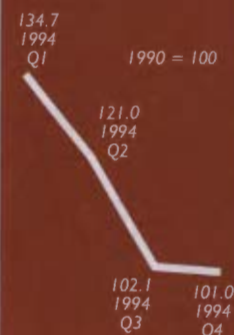
Rice prices drifted lower as world production and consumption were closely balanced, and the rice market faced few surprises. Crops were good among traditional exporters such as Burma, Pakistan, Thailand, and the United States, and nontraditional exporters such as China and India are ready to expand exports. As in recent years major importers continue to be led by non-Asian countries. Brazil is expected to be the largest importer at 1.0 million tons, followed by Iran at 800,000 tons. Japan, which imported 2.3 million tons of rice in 1994 following a 10% weather-related drop in yield the previous year, is projected to import only 400,000 tons following a record 15.0 million ton harvest.

Though the rice market has been stable, stocks remain low and higher prices seem likely. World stocks are estimated to be only 12.7% of consumption at the end of the current marketing year (in mid-1995). That level would be the lowest since 1972, which means that the margin for error is very thin.

The rice export market is increasingly being dominated by low-income Asian producers. Burma, China, India, Pakistan, Thailand, and Viet Nam are expected to supply two-thirds of 1995 world exports. Traditional non-Asian exporters such as the United States are slowly becoming net importers, especially of fragrant rice varieties. Jasmine rice from Thailand and basmati rice from India and Pakistan accounted for 83% of US rice imports in 1993.

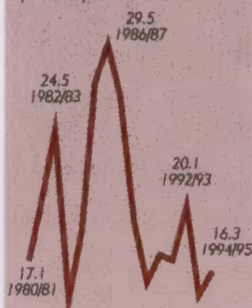
GRAINS

World grain stocks are the lowest since 1974, but prices remain low.



COARSE GRAIN STOCKS (WORLD)

Market-year-ending stocks as % of consumption



RICE STOCKS (WORLD)

Market-year-ending stocks as % of consumption



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

WHEAT



VOLATILE PRICES EXPECTED IN 1995

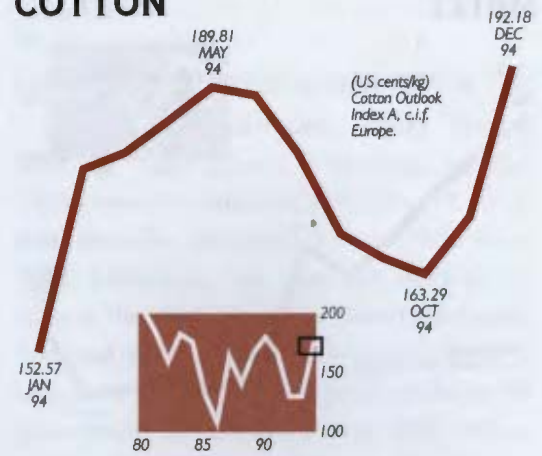
Wheat prices strengthened during the fourth quarter, with the US export price for soft red winter wheat averaging \$155.7 per ton, up from \$129.9 during the third quarter. The price for the higher-protein Canadian western red spring was 4.6% higher for the quarter. The spread between these two wheat types narrowed considerably on a poor US crop and generally stronger demand for the lower-protein wheat.

World wheat production is expected to total 527 million tons for 1994/95 (July-June), down from 559 million tons the previous year. The major exporting countries and the FSU accounted for most of the declines. Production among major exporters is estimated to be 8.6 million tons lower in Australia, 4.0 million tons lower in Canada, and 2.2 million tons lower in the United States. Production in the FSU is expected to decline by 18.8 million tons.

Wheat trade in 1994/95 is projected to decline to 95.6 million tons from 99.5 million tons in 1993/94. This level is well below the 1991/92 level of 111 million tons. Much of the drop is attributable to lower imports by countries of the FSU, which are experiencing tight foreign exchange conditions and continuing economic weakness.

The most severe drought in 22 years has hit Australia, sharply reducing wheat and barley production and exports. At 8.3 million tons, 1994/95 wheat production is estimated at half the previous year's level.

COTTON



PRICES SURGE IN DECEMBER AS MAJOR PRODUCERS IMPORT HEAVILY

Medium-staple cotton prices fell moderately from August to October as the harvest appeared to be adequate to meet world demand. However, by late November seed-cotton deliveries at ginneries and collection centers in India and Pakistan (two of the world's largest cotton producers and manufacturers) were sharply lower than a year earlier. Harvest progress in China also indicated less recovery in production than anticipated.

A moderate increase in prices during November left many cotton spinners hesitant to cover their raw material requirements beyond early 1995. But active import buying by major producers in December led traditional net importers to rush to cover their needs into the 1995/96 season. This intense activity tightened the near-term availability of cotton for export and raised the Cotlook A price index more than 15% during the quarter to 175.7¢/kg. By the last trading day of December the price index had increased to 202¢/kg.

Reports of weather and pest damage raised major concerns in cotton markets, and yield estimates were lowered for several countries. In Central Asia—a major cotton-exporting region—rain and snow closed the season prematurely and dashed hopes that increased cotton yields would offset the decline in planted area. The decline of beginning stocks in the region further constrained its export potential. The anticipated production of 2.0



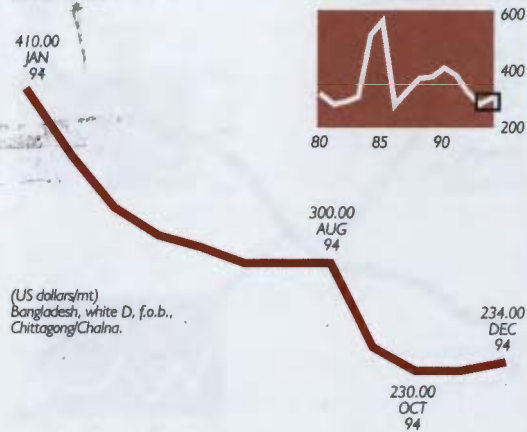
Note: Data for 1994/95 are estimated. Source: USDA, FAS.

million tons is nearly 6% less than last season's level. The year-end report of the Chinese State Statistical Bureau estimated the 1994/95 cotton crop at 4.25 million tons, which is lower than had generally been anticipated in international markets. If that estimate is correct and if mill consumption reaches 4.6 million tons as expected, imports would have to double over last season's level of 175,000 tons just to maintain ending stocks at the relatively low level of a year earlier.

Cotton crops on the Indian subcontinent were hurt by bad weather and pest damage late in the season. Pakistan experienced a substantial decline of seedcotton arrivals in mid-December compared with a year earlier. Therefore, any announcement of cotton export quotas is on hold and is likely to remain so for the entire season. Domestic cotton prices have also been stimulated by delayed import shipments. To alleviate the tight cotton supply and rising prices, the government of Pakistan has asked the United States to divert to cotton \$85 million from the larger sum of import credit guarantees already approved for grains and oilseeds. The government announced a relief package for the textile mills to help them to adjust to the raw material shortage and higher prices. In India cotton harvest arrivals through mid-December were about 8% lower than they had been during the same period last season, and the government reintroduced stock limit controls on ginners and merchants.

Cotton production in the United States reached a record 4.18 million tons on a 5% increase in harvested area and a 15% increase in yields. Production has also increased in Francophone Africa, Greece, Sudan, and Turkey. In the southern hemisphere, Argentina, Brazil, South Africa, and Zimbabwe expect increased cotton production this season. However, in Australia dry weather constrained planting, and production is expected to decline sharply. World production is expected to be around 18.7 million tons.

JUTE



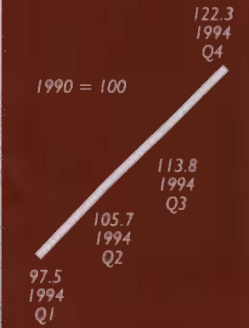
BANGLADESH EXPORTS UP IN SEASON'S OPENING QUARTER

Raw jute prices have been relatively low since the spring of 1994. After a small increase in December, Bangladesh white grade D averaged only \$231/ton f.o.b. during the quarter, too low to sustain the present level of production. Prices in the medium term are expected to increase as supply adjusts to effective demand. Exports of Bangladesh jute reportedly reached 92,931 tons in July-September, 1994, 28% above shipments in the first quarter of last season. The surge in trade resulted from the demand backlog following the low 1993/94 season-ending stocks in producing countries and is unlikely to be sustainable. Moreover, a reduction in liner services has slowed shipments to European ports.

Jute production in 1994/95 increased moderately in Bangladesh and substantially in India despite lower yields caused by inadequate rain during the growing season in northern districts of Bangladesh and in India's North Bengal and Assam regions. However, late crop yields in South Bengal were 15% higher than in 1991. Thailand's production of kenaf and jute is estimated at 128,000 tons in 1994/95 and together with last season's ending stocks is expected to meet domestic requirements; no imports are anticipated.

With demand for traditional jute products in long-term decline, jute manufacturers are searching for alternative uses for the fiber.

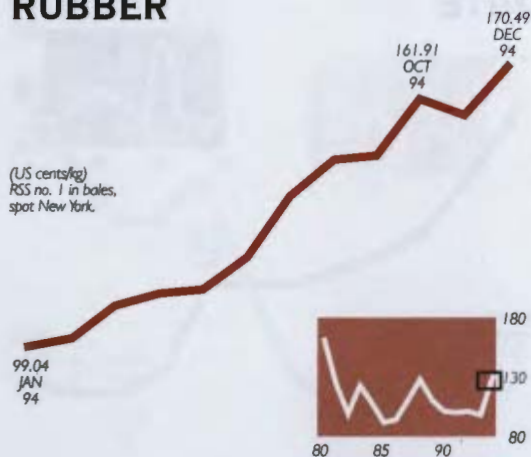
Agricultural raw material prices continue to rise as cotton prices surge.



COTTON STOCKS (WORLD)



RUBBER



PRICES RALLY AS STOCKS CHANGE HANDS

Rubber prices continued to rally, gaining nearly 66% since the fourth quarter of 1993. Still, with production of natural rubber at 5.4 million tons and consumption at 5.5 million tons forecast, the price gains have been primarily anticipatory of future tightness in the market and selective shortages of certain grades.

Stock levels at the end of 1994 (1.65 million tons) are close to those at the end of 1993 (1.69 million tons), although there have been changes in ownership of inventories. Further, traders report unusually high forward-price discounts. The rally began in February when rubber traded at less than 47¢/lb in New York; prices closed 1994 at more than 77¢/lb. During the summer and early fall most of the 220,000 tons of International Natural Rubber Agreement (INRA) buffer stocks were liquidated as inventories flowed to the private sector in anticipation of higher demand in 1995.

Privatization of production continues as Côte d'Ivoire announced plans to reduce the government's 95% share in the 15,000-hectare Société des Caoutchoucs de Grand Bereby plantation. The plantation produces 30,000 tons of rubber a year.

Production of automobiles and commercial vehicles is expected to be the major source of growing demand in 1995. Car production rose in North America (from 8.2 million units in 1993 to 8.7 million units in 1994)

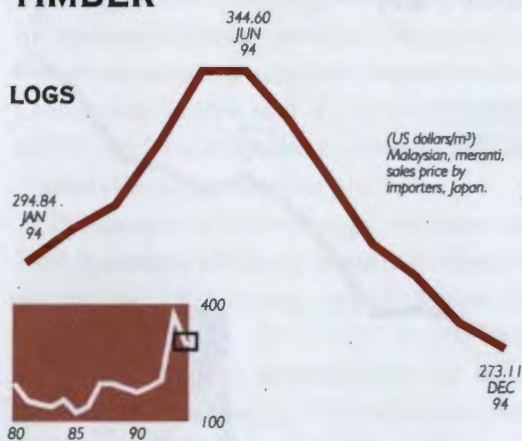
and the EU (from 11.0 million to 11.7 million units), while declining in Japan (from 8.5 million to 7.8 million units). Industry analysts expect to see a further expansion in global automobile production in 1995 (from 35.7 million to 37.8 million units), as production gains in Europe and North American continue. The outlook for commercial vehicle sales is similar, with world production expected to expand from 14.6 million to 15.4 million units.

The price of natural rubber relative to synthetic rubber remains high by historic standards. The ratio of natural rubber to styrene-butadiene (SBR), which averaged 0.84 and 0.86 in 1992 and 1993, rose to 1.02 for July to September. Demand for synthetic rubber is growing rapidly. In the United States third-quarter demand was up roughly 17% from a year ago. In China synthetic rubber's share of total rubber demand continues to grow, rising from 35% in 1981 to slightly more than 50% anticipated for 1994; SBR imports grew by 87.6% during the first nine months of 1994, to 22,200 tons. Chinese tire production facilities use a higher proportion of natural rubber than is common elsewhere, and industry analysts anticipate further expansion of SBR production facilities in 1995. One such venture announced by the Taiwan Synthetic Rubber Corporation is a planned 100,000 ton/year emulsion-SBR plant in China's Jiangsu province. The company will hold a 70% stake, with 70% of planned production going to meet local demand.

In November the INRA council voted to extend the current natural rubber agreement, known as INRA II, to allow members to complete negotiations on INRA III. A special session of the council met in Kuala Lumpur following the disposal of the second tranche of 100,000 tons from the buffer stocks. The council has discretionary powers to raise the reference price outside the automatic review mechanism, but consumers refused to accept producer calls for a 5% discretionary increase.

TIMBER

LOGS

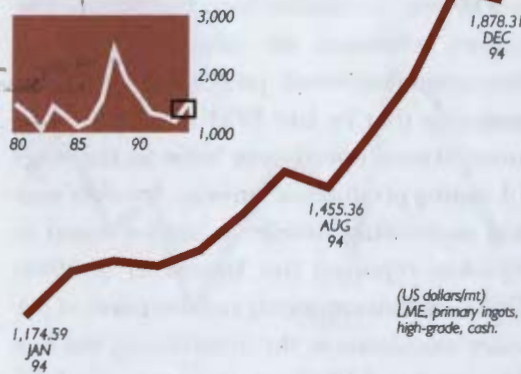


IMPROVEMENTS IN DEMAND WILL RESULT IN SOME PRICE RECOVERY

Prices of Malaysian (meranti) logs in the Japanese market dropped 11% between the third and fourth quarters of 1994 on reduced demand for logs for plywood in Japan. Demand for logs is also said to be weak in China and the Republic of Korea, reflecting weak demand for plywood, although there are signs of improvements in Korea and in Taiwan (China). Demand for logs is falling in some major timber producing countries, such as Indonesia and Malaysia, in response to declining plywood production. Prices are expected to show some recovery in the next six months, mainly because the start of the rainy season in major producing regions will make felling and transportation more difficult.

African log and sawnwood prices in Europe increased between the third and fourth quarters, mainly reflecting improved demand conditions. Buyers are in the market throughout Europe, especially in France and the United Kingdom, but for rather low quantities since construction activities are recovering slowly. In Germany, however, where housing starts rose 25% during the first six months of 1994 over the same period in 1993, demand for timber products is fairly high. Expectations for 1995 are for a continuous but slow recovery in European timber demand. Increases in interest rates could constrain this recovery, however.

ALUMINUM



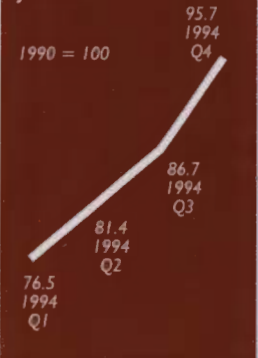
PRICES SURGE AS STOCKS CONTINUE TO DECLINE

The London Metal Exchange (LME) cash price topped \$2,000/ton in the second week of January 1995, more than 30% higher than the third-quarter average. Aluminum prices have not been that high since spring 1989. Stocks at the LME declined to less than 1.7 million tons by the end of 1994, 35% below the peak of 2.6 million tons at the end of June 1994. Primary aluminum stocks reported to the International Primary Aluminum Institute (IPAI), which had been declining slowly from the historic high of 4.7 million tons at the end of February 1994, began an accelerated decline in September 1994, dropping from 4.5 million tons to 3.8 million tons at the end of November.

The dramatic increase in prices and improvement in market balance during 1994 are attributed to steady increases in consumption and concerted cutbacks in production by major producers. The cutbacks followed a memorandum of understanding signed in Brussels in early 1994 that was intended to reduce output by 1.5–2.0 million tons a year for 18 months to two years. Just how much each factor contributed to the steady recovery in prices is unclear, however.

There is no doubt that consumption increased in 1994, but estimates of the size of the increase vary. One North American newsletter (issued on December 30, 1994) reports that primary aluminum shipments to the West were up some 14% from 1993 and

Metals and minerals prices rose for the fourth consecutive quarter, up 12.7% for the quarter and 34.6% for the year.



ALUMINUM STOCKS (LME)



Source: Metal Bulletin.

COPPER STOCKS (LME)



Source: Metal Bulletin.

that physical stocks declined by approximately 1.4 million tons while excess stocks fell by over 2.0 million tons from 1993. The report minimizes the importance of the memorandum-based production cutbacks, asserting that by late 1993 and early 1994, many Western producers "were on the verge of cutting production" anyway. Another market monitoring newsletter service based in London reported (on December 9, 1994) that real (not apparent) consumption of primary aluminum in the West during the first 11 months of 1994 was up an estimated 7% over the same period in 1993. The same source reports that total primary stocks declined 0.7 million tons between December 1993 and November 1994.

There is even greater uncertainty about what happened to aluminum consumption and production in other parts of the world, particularly in Eastern Europe, the FSU, and China. Fragmentary reports point to a continued decrease in consumption in the FSU and a continued increase in China. World primary consumption may have grown anywhere between 5% and 10% during 1994.

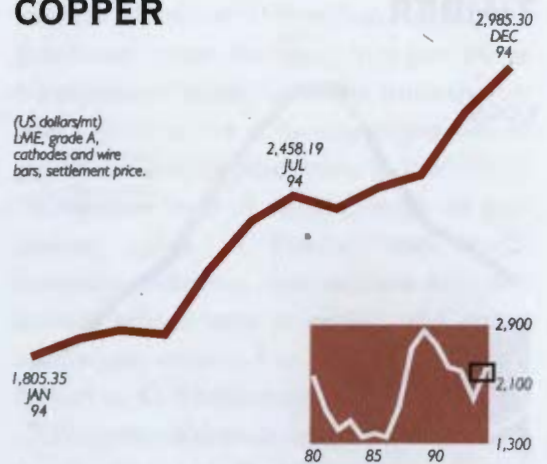
It appears that primary production in the West in 1994 was 4-5% below the level in 1993. Whether the FSU cut back its production significantly is unclear (the memorandum of understanding envisaged a reduction of 0.5 million tons in FSU production from a reported 3.0 million tons in 1993). World supply may have been cut back some 5% during 1994.

On balance, then, it appears that consumption growth may have contributed more to improving the market balance and prices than did production cuts.

The sharp price recovery of recent months is not expected to continue through 1995 because production cuts now in place are likely to be phased out soon. If the price level of more than \$2,000/ton holds, it is very likely that aluminum users will complain to antitrust authorities in the countries concerned, prompting some major producers to increase their production.

COPPER

(US dollars/mt)
LME, grade A,
cathodes and wire
bars, settlement price.



PRICES SURGE IN ANTICIPATION OF STRONG 1995 DEMAND

Copper prices continued to rally during the fourth quarter as LME cash prices averaged \$2,779/ton, up 67% from the fourth quarter of 1993. Demand in the United States surged ahead of expectations in 1994, and global supplies contracted slightly. Price volatility as measured implicitly by option prices has been high since the summer. Though inventories deliverable against nearby future contracts in London and New York are tight, overall global inventory at the end of 1994 was at about December 1992 levels, when copper was trading at \$2,200/ton. Futures markets in New York and London have experienced periods of steep backwardation, with cash prices exceeding contracts for future delivery. Industry analysts argue that recent speculative investments by commodity funds have contributed to price gains.

However, the market at the close of 1994 differs significantly from the market of December 1992 in the short-term prospects for demand relative to production capacity. Unlike 1992, the industry anticipates continued strong growth for 1995 and 1996, coming off large gains in 1994. In the United States consumption grew by about 12% in 1994 at wire mills and at tube, sheet, and strip mills. Growth in demand was a more modest 1.5% in Japan and 3.5% in Western Europe. The rate of growth is expected to slow in the United States to 2.5% in 1995 and 1% in 1996, but world demand is expected to con-

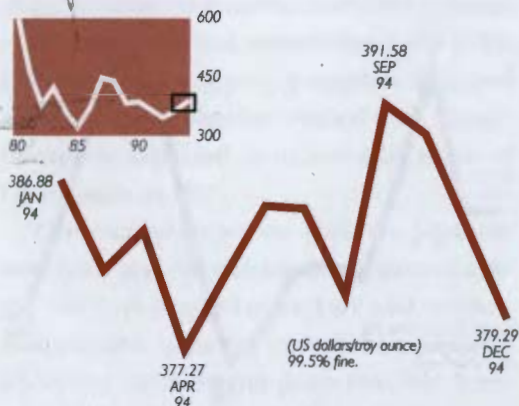
tinue to grow at 3-4%, as growth accelerates in Japan and Latin America. Demand in China continues to generate uncertainties. China closed 1994 with a flurry of buying activity, and some slowdown is expected, particularly for wire and cable products.

Production of refined copper declined in 1994, following off-lining of mining capacity during the 1993 slump. Supply began to respond during the second half of 1994 and should continue to improve over the next two years. For example, FSU exports to the EU rose to 40,000 tons a month as Norilsk, a producer in the Russian Arctic, resumed production. In recent months new mines have started up on time or ahead of schedule in Canada, Chile, and Turkey. New projects are expected in 1995 or 1996 in Chile, Indonesia, Mexico, and the United States, with a combined capacity of 210,000 tons. High prices are also expected to induce greater utilization of recycled materials as well.

In Peru, Magma Copper Co. of Tuscon, Arizona, won the bid for privatizing Tintaya. Magma will pay \$218 million in cash and deliver \$55 million face value of Peruvian government debt for 100% interest in the southern Peruvian project. The company also agreed to invest another \$85 million in improvements during the first five years of ownership. Currently, the operation produces 110 million pounds of copper a year. Magma intends to increase production by 25 million pounds.

In India a change in minerals policy is expected to induce more than \$3 billion in foreign investments in mining over the next five years. Before January 1994 foreign investment in mining had been restricted to 40% under the Mines and Minerals Act of 1957. Under the new regulations, foreign investors can hold majority equity positions and will be able to repatriate dividends subject to approval by the Reserve Bank of India. Regulations relating to foreign technicians have also been loosened. Fees to individual foreign technicians will be automatically approved subject to a \$200,000 per year ceiling.

GOLD



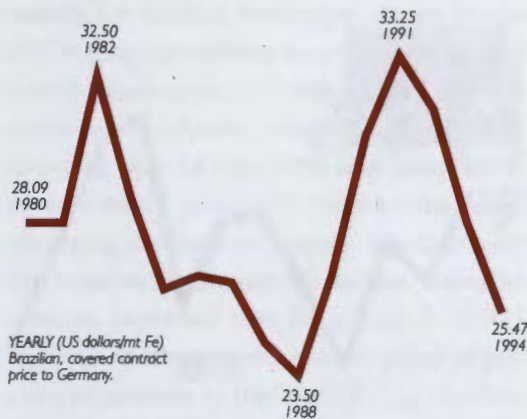
LACK OF INFLATION STALLS PRICES

Gold prices drifted lower throughout the quarter as higher interest rates and no clear signs of inflation kept investors looking elsewhere. The gold price ended the year with an average of \$379/oz for December and \$384/oz for the year. Prices tested the \$400/oz level in October but were not able to hold above that level. Most forecasts call for higher prices over the next year.

Strong fabrication demand has kept prices firm despite the lack of inflation. Total fabrication demand increased by about 3% in 1994 and should increase even faster in 1995. The spread of the economic recovery that is currently centered in the United States is expected to boost demand in 1995 in Europe and Japan. Increased demand for gold in developing countries could also tighten the world demand-supply balance. Developing countries now account for 60% of total demand for gold, much of it for use in making jewelry, which is used as a store of value.

Supplies of gold are projected to grow more slowly than demand in 1995, which should put some upward pressure on prices. World mine production is estimated to rise by 1.5% in 1995. However, prices are not expected to rise sharply unless speculative demand increases because of inflation fears. Large speculative funds in the hands of hedge funds and commodity trading firms add the possibility that prices could increase more than expected.

IRON ORE



IRON ORE AND STEEL DEMAND INCREASING AND PRICES EXPECTED TO RISE

World demand for iron ore is on the move following recovery of demand for steel. Demand has responded to continued strong economic performance in the United States and China and to the economic recovery beginning in Japan and Western Europe.

Prices of iron ore to be shipped in 1995 rose in response to the strong demand, reversing the declining trend of the past three years. In late December BHP, the second largest Australian iron ore supplier to Japan, settled with Japanese steel mills on a 5.8% increase in iron ore prices, on an f.o.b. basis, for the year starting April 1, 1995. Apart from the strong demand, producers argued that the 23% price reductions between 1991 and 1994 were unwarranted given that the Japanese steel mills' forecasts for pig iron production in 1994 proved unduly pessimistic. Brazil's CVRD and Nippon Steel are reported to have agreed to a 5.8% increase as well. CVRD's price to Germany is also expected to increase by 5.8% in 1995, to \$26.95/ton.

All steel sheet product prices in Western markets are expected to rise by \$20-\$40 per ton during the first quarter of 1995. There has been some seasonal easing in the US market, which may slow implementation of the increase, but the easing is expected to be temporary. European and Japanese steelmakers will be increasing flat product prices early next year. Reports indicate a rise in cold-rolled coil prices by Japanese steel mills on the order of

\$30-\$50 per ton. Despite the increases in export prices by Japanese steelmakers, orders are increasing rapidly for the first quarter of 1995 for all destinations except China.

Prices for long products are lagging behind those for flat products, despite improvements in demand conditions. The lags are attributed to the sluggish pace of recovery in construction activity, which is considered too slow to absorb abundant supplies, and to the presence of low-priced FSU and Eastern European steel. Many countries still suffer from an excess supply of industrial and commercial space. Exports of long steel products to China, where there appears to be excess demand for office space, remain depressed and are unlikely to improve soon. Demand in the United States is strong, but price increases will be constrained by imports. US steel imports for the first three quarters of 1994 were higher than during all of 1993.

The European Commission has formally abandoned the restructuring plan for the EU's steel industry that was launched two years ago. The plan, aimed at reducing the capacity of European steelmakers, was abandoned because of the current shortages in flat (sheet) steel products. However, there is still concern that the problem of structural overcapacity will reemerge in the next downturn.

The recent Uruguay Round agreement is expected to have an impact on the steel industry by phasing out tariffs on steel over 10 years and by stimulating economic growth worldwide. The agreement allows steel firms in one country to challenge subsidized exports from another country even if the shipments are going to a third country. However, the agreement allows government subsidies in such areas as research and development. Steelmakers want to respond further to the subsidy issue, presumably through a multilateral steel agreement, but efforts on that front have not yet started. Steel importers and consumers are complaining that steel interests have gained from provisions that make it easier to file complaints and to have penalties imposed.

COAL



PRICES TO RISE IN 1995

The year ended with little available supply, rising demand, and relatively strong spot prices. International coal prices strengthened in the fourth quarter, in part because of two train derailments in South Africa that took 2 million tons off the market and another derailment in Australia that resulted in a loss of 1 million tons. In addition, record rains and flooding led to a production loss of 1 million tons in Colombia. Demand for coal has been rising in Europe as economies recover and two large Italian coal-fired power plants returned to operation. Electricity demand continues to soar in Asia, supported by strong economic growth throughout the region. In addition, freight rates continued to rise during the fourth quarter.

In the United States an unseasonably mild fall left stock levels of steam coal high, and prices increased only modestly. US coal demand is expected to grow about 1% in 1995, with most of the increase occurring in the electric utility sector. Production is expected to increase somewhat less, with a slight drop in the East more than offset by an increase in production in the Western states. The shifts in production sources are due partly to the Clean Air Act Amendments of 1990 and to shifts in demand locales for utility coal. Prices are expected to average somewhat higher in 1995 because of higher demand and some strength in the export market, although export volumes will not rise measurably unless prices rise considerably.

Exports to Europe fell in 1994, partly as sluggish demand and strikes in 1993 adversely affected contract negotiations for 1994. However, with competing supplies tight and contract negotiations stalled in Japan, Europe is expected to increase its share of US imports in 1995.

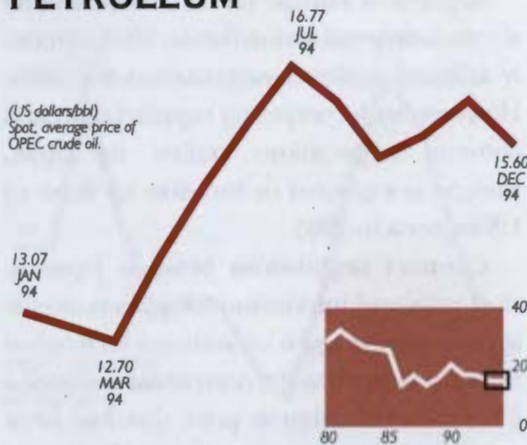
Contract negotiations between Japanese steel mills and international suppliers of coking coal have dragged on and are a lot tougher than last year, when the Australians accepted a \$3.85/ton reduction in price that had been agreed to by Canadian producers. The appreciation of the Australian dollar and strong demands for higher prices from producers and miners groups have led to the difficult discussions. Japanese steel mills often settle with one supplier, with others then following suit. However, producers are in the strongest position they have been in for several years and are trying to negotiate as significant a price increase as possible. In addition to strong resistance from Canadian and Australian suppliers, the Chinese have also refused to settle until agreements are reached with companies from the other two countries. Prices are expected to increase by some \$4/ton, although the Australians are demanding much larger increases. These negotiations are viewed as a trendsetter for 1995, and prices for the entire range of coal qualities could rise.

The lengthy negotiating process has prompted the Europeans to start lining up supplies rather than wait for the Japanese to settle because of shortage fears. However, these negotiations also are going slowly because European offers of an increase of some \$3/ton are well short of the \$5/ton or more that US suppliers are requesting. With the mild winter in the United States, stocks could increase and put some pressure on producers to settle for lower price increases.

Despite expected demand increases, suppliers are concerned about European plans to limit future hydrocarbon emissions. Most plans call for a stabilization or reduction in emissions by 2000. Lower coal use is expected to play a part in meeting these requirements.

Energy prices rose slightly during the quarter, but the mild winter through December kept price increases small.

PETROLEUM



LITTLE CHANGE EXPECTED IN PRICES

Crude oil prices weakened slightly from the third to the fourth quarter as the price rally ended earlier than anticipated. Oil prices peaked in early November, but at more than \$1/bbl below August's high for the year. Prices declined toward year-end as warm weather in the northern hemisphere weakened oil demand, and non-OPEC producers continued to increase supplies, particularly from the North Sea. In addition, policy and regulatory reversals associated with the new reformulated gasoline program in the United States contributed to a weak gasoline market. Investment funds also liquidated oil futures in December.

Refiners began selling reformulated gasoline into metropolitan areas on January 1, 1995, as mandated under the US Clean Air Act Amendments. Areas required to participate plus those that opted into the program represent about 30% of the US gasoline market. Tightness in the reformulated gasoline market had been expected, particularly in the US northeast, but refiners appeared to have adequately prepared for the new guidelines. When the Environmental Protection Agency allowed 28 Pennsylvania counties to opt out of the program in early December, followed by nine counties in New York and two counties in Maine, the market went into surplus and prices fell:

OPEC met in Bali, Indonesia, on November 21-22 and agreed to roll over its oil production quotas for a full year instead

of the six months that had been expected. Saudi Arabia surprised other OPEC delegations with the proposal to extend quotas for a year, but in the end managed to forge an agreement among all 12 members. Since the collapse of oil prices in 1986, Saudi Arabia's oil production policy has been driven mainly by a desire to increase market share. This proposal may signal a subtle shift in policy toward an emphasis on higher prices by leaving production as is until prices rise—presumably to the target of \$21/bbl for the OPEC basket, although Saudi oil minister Hisham Nazer did not say so publicly. Saudi Arabia's oil production has risen significantly in the past nine years, while nominal oil prices are similar to those of late 1986. Given the revenue needs of all the producing countries, including Saudi Arabia, an emphasis on price would be understandable. Leaving quotas fixed for a longer period has the further benefit of postponing contentious discussions of appropriate production levels within the organization.

OPEC's crude oil output averaged 25.2 million barrels per day (mb/d) in the fourth quarter, which was 0.7 mb/d (nearly 3%) above quota and 0.3 mb/d higher than in the third quarter (table 2). Venezuela had the largest production over quota at 0.15 mb/d, although Iraq was also estimated to have produced almost 0.15 mb/d over its assigned quota of 0.40 mb/d. Most other countries were somewhat over quota.

Non-OPEC supplies rose by 1.2 mb/d in the fourth quarter, with nearly two-thirds of this large increase coming from the North Sea (table 3). Fields returning to production from maintenance together with production from new fields led to record North Sea production of 6.2 mb/d in December. Elsewhere, nearly all regions recorded increases in output during the quarter, with the largest gains occurring in Asia (mainly China, India, and Malaysia) and Latin America (Mexico and Brazil). Even in the FSU, where large decreases in output have been recorded during the last few years, production is reported

TABLE 2. OPEC CRUDE OIL PRODUCTION AND QUOTAS

Millions of barrels per day

	1993	2Q94	3Q94	4Q94	Quotas
					4Q93-4Q95
Algeria	0.75	0.75	0.75	0.75	0.750
Gabon	0.30	0.32	0.33	0.34	0.287
Indonesia	1.34	1.30	1.34	1.34	1.330
Iran	3.65	3.55	3.60	3.61	3.600
Iraq	0.48	0.51	0.53	0.55	0.400
Kuwait	1.69	1.83	1.85	1.86	2.000 ^a
Libya	1.37	1.39	1.39	1.39	1.390
Neutral Zone	0.36	0.37	0.41	0.40	
Nigeria	1.91	1.94	1.72	1.94	1.865
Qatar	0.42	0.41	0.42	0.39	0.378
Saudi Arabia	7.96	7.91	7.89	7.91	8.000 ^a
UAE	2.20	2.17	2.20	2.19	2.161
Venezuela	2.31	2.41	2.47	2.51	2.359
Total crude	24.73	24.85	24.90	25.18	24.520
NGLs	2.17	2.25	2.31	2.36	
Total OPEC	26.90	27.10	27.21	27.55	

a. Quota includes Neutral Zone.

Source: IEA, OPECNA.

TABLE 3. NON-OPEC OIL SUPPLY

Millions of barrels per day

	1993	2Q94	3Q94	4Q94	Change
					4Q94-3Q94
United States	8.81	8.53	8.58	8.60	0.02
Canada	2.18	2.20	2.30	2.31	0.01
United Kingdom	2.19	2.64	2.64	2.90	0.26
Norway	2.37	2.69	2.50	2.97	0.47
Other OECD	1.26	1.30	1.35	1.37	0.02
Latin America	5.77	5.86	5.94	6.03	0.09
Africa	2.05	2.01	2.06	2.09	0.03
Middle East	1.63	1.79	1.79	1.86	0.07
Asia	1.78	1.79	1.93	2.02	0.09
China	2.91	2.92	2.91	2.97	0.06
FSU	7.82	7.06	7.26	7.28	0.02
Eastern Europe	0.28	0.28	0.28	0.28	0.00
Processing gain	1.45	1.50	1.50	1.50	0.00
Total non-OPEC	40.50	40.58	41.03	42.18	1.15

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

Source: IEA.

to have risen marginally from both the second and third quarters.

Warm weather significantly affected oil demand in North America and Europe in the fourth quarter, particularly for heating oil and residual fuel oil. OECD oil demand is estimated to have increased by less than 1%, or about 0.3 mb/d, over the fourth quarter of 1993 (table 4), and much of that increase occurred in Japan, mainly due to a large increase in crude for electricity generation. Apparent oil demand continued to decline in the FSU, falling by 0.7 mb/d, or about 12%. In the developing countries outside the FSU and eastern Europe, oil demand is estimated to have risen by about 4%, with the largest

growth continuing to be in Asia. Data for the third quarter indicate that oil demand in Asia (excluding China) grew by 7%, with relatively strong growth in most countries. Nearly half the growth was in the Republic of Korea, where demand rose by 0.2 mb/d, or 13%.

Crude oil stocks in the OECD countries fell by 12 mb in November because of a sharp rise in refinery runs. This drop left crude oil stocks trending toward the lower end of the range for the past five years. Product stocks rose by 13 mb, which was partly an effect of warm weather. Consequently, middle distillate stocks are near the top of their five-year range. US gasoline stocks rose significantly in November in anticipation of the mandated reformulated gasoline requirements.

OPEC was unable to boost its oil production by much in 1994 due to large increases in non-OPEC supply, particularly from the North Sea. In addition to new fields that came on-stream in the UK and Norwegian sectors, technological advances have slowed the rates of decline in older established fields. OPEC crude oil production increased by 0.3 mb/d in 1994 as world oil demand rose by 1.1 mb/d, while non-OPEC supplies increased by 0.7 mb/d. However, the dramatic changes in the FSU somewhat distort the underlying trends. Excluding the FSU, oil demand increased by 1.9 mb/d, and non-OPEC oil supplies rose by 1.6 mb/d (including net exports from the FSU). Of that, the North Sea accounted for 0.9 mb/d.

In 1995 the demand for OPEC oil (crude plus natural gas liquids) is not expected to increase significantly (table 5). World oil demand is projected to increase by 1.1 mb/d, or about 1.5%, similar to the increase in 1994. Demand is expected to decline 0.4 mb/d in the FSU and to rise 0.5 mb/d in the OECD countries and 1.0 mb/d in developing countries. Non-OPEC supplies outside the FSU are projected to increase by about 1.0 mb/d. Production is expected to continue to increase in the North Sea, rising by some 0.2 mb/d each in the UK and Norwegian sectors. Production is expected to increase in all

developing regions, particularly in Latin America (mainly Colombia, Mexico, and Brazil), where the increase could approach 0.4 mb/d. Other notable gains are expected in Angola and India, plus a number of smaller increases in several other developing countries. A further decline of 0.4 mb/d in the FSU is expected to partly offset the additional production elsewhere.

Based on these supply and demand projections, the demand for OPEC oil is not expected to increase measurably in 1995. Assuming that OPEC produces near its present level of output, fairly typical patterns of seasonal stock draw and stock build should result. Thus there should not be any signifi-

cant upward pressure on prices for the year as a whole. Oil prices are expected to average about \$0.50/bbl higher than during 1994, in part because prices were low in the first quarter of 1994.

Speculative elements could also affect prices in 1995. Demand for OPEC oil is expected to increase in 1996, leading to speculation about whether OPEC will raise its production quotas when it meets later this year. Depending on the prevailing level of prices and the outlook for demand and supply, OPEC may choose to raise its quotas or, perhaps, to limit production to push prices up somewhat. Much will depend on the position taken by the dominant OPEC member, Saudi

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	38.0	10.2	18.4	66.5	0.4	-4.3	4.1	0.6
1991	38.2	9.7	19.1	66.9	0.4	-4.4	3.8	0.6
1992	38.8	8.2	20.2	67.2	1.7	-15.3	6.0	0.5
1Q93	39.6	7.6	20.9	68.1	-0.1	-19.1	4.2	-1.4
2Q93	37.6	6.9	20.9	65.4	0.5	-16.9	3.9	-0.6
3Q93	38.6	6.3	20.9	65.8	0.7	-17.1	4.9	-0.2
4Q93	40.4	6.9	22.2	69.2	1.5	-8.0	5.3	1.6
1993	39.1	6.9	21.3	67.3	0.8	-16.1	5.5	0.1
1Q94	40.6	6.7	22.0	69.3	2.7	-11.8	5.0	1.8
2Q94	38.7	5.7	21.9	66.3	3.0	-17.4	4.7	1.4
3Q94	39.7	5.9	21.8	67.4	2.8	-6.3	4.3	2.4
4Q94	40.7	6.3	22.8	69.8	0.7	-8.7	4.1	0.9
1994	39.9	6.2	22.1	68.2	2.0	-10.1	3.8	1.4

Source: IEA, World Bank.

TABLE 5. WORLD PETROLEUM DEMAND AND SUPPLY

	Millions of barrels per day													
	1991	1992	1993	1Q94	2Q94	3Q94	4Q94	1994	1Q95	2Q95	3Q95	4Q95	1995	
<i>Demand</i>														
OECD	38.2	38.8	39.1	40.6	38.7	39.7	40.7	39.9	41.0	39.3	39.9	41.3	40.4	
FSU	8.3	6.9	5.6	5.3	4.4	4.6	4.9	4.8	4.8	4.0	4.2	4.6	4.4	
Other	20.4	21.5	22.4	23.4	23.2	23.1	24.2	23.5	24.4	24.2	24.2	25.2	24.5	
Total	66.9	67.2	67.1	69.3	66.3	67.4	69.8	68.2	70.2	67.5	68.3	71.1	69.3	
<i>Supply</i>														
OECD	16.3	16.6	16.8	17.5	17.4	17.4	18.2	17.6	18.3	17.6	17.5	18.3	17.9	
FSU	10.4	9.0	7.8	7.1	7.1	7.3	7.3	7.2	6.7	6.6	6.8	7.0	6.8	
Other ^a	15.2	15.5	15.9	16.3	16.1	16.3	16.7	16.4	17.0	17.2	17.3	17.4	17.2	
OPEC ^b	25.0	26.2	26.9	27.1	27.1	27.2	27.5	27.2	27.4	27.4	27.4	27.4	27.4	
Total	66.9	67.3	67.4	68.0	67.7	68.2	69.7	68.4	69.4	68.8	69.0	70.1	69.3	
<i>Stock change and miscellaneous</i>														
OECD	0.0	0.0	0.2	-1.3	1.3	1.0	-0.2	0.2	0.0	0.0	0.0	0.0	0.0	
Floating/transit	-0.1	0.0	0.1	-0.1	0.1	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	
Other/miscellaneous	0.0*	0.1	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total	0.0	0.1	0.3	-1.3	1.4	0.8	-0.1	0.2	-0.8	1.3	0.7	-1.0	0.0	

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

a. Includes processing gains (1.5 mb/d in 1993).

b. Includes NGLs (2.2 mb/d in 1993).

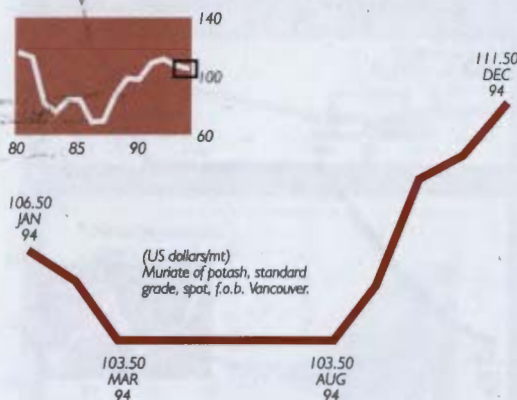
Source: IEA, World Bank.

Arabia. There have also been suggestions of further investment fund activity in oil and other commodities, similar to that experienced in metals last year. While we do not expect significant investment activity this year, it is impossible to tell with certainty. What happens will depend on how attractive other investment instruments are and how oil markets develop over the course of the year.

The timing of the return of Iraq's exports to the oil market will have a large influence on both of these elements and on the oil market as a whole. The UN continues to refuse to lift its sanctions against Iraq because it has not met all of the UN demands, particularly on disarmament. The US ambassador to the UN stated that the United States does not want the sanctions lifted until Iraq has complied with all outstanding obligations of the Gulf war cease-fire, not just disarmament. Iraq continues to refuse to accept the UN's offer of a one-time sale of \$1.6 billion worth of oil, holding out for a complete lifting of sanctions. It appears that the return of Iraqi exports is likely to be several months away at the earliest, and probably longer.

Our long-term oil price forecast has been reduced to reflect lower projections of demand for OPEC oil and anticipated difficulties when Iraq's oil exports return to the market. In the previous forecast real prices escalated relatively sharply to the year 2000 on assumptions of an early return of Iraqi oil exports and a moderately rapid increase in the demand for OPEC crude. These assumptions were adjusted to reflect sluggish growth in demand for OPEC oil in 1994 (as non-OPEC supplies increased) and little prospect for growth in OPEC production this year. In turn, the reduced expectations of growth in demand for OPEC oil will make the absorption of Iraqi crude into the market more difficult and may involve a longer than anticipated adjustment process. Thus the new forecast shows a more gradual increase in real prices over the entire forecast period and is \$1/bbl (in constant 1990 dollars) lower in 2005.

POTASSIUM CHLORIDE



STRONG DEMAND PUSHES PRICES HIGHER

Potash fertilizer prices continued to increase during the fourth quarter on strong import demand. Potassium chloride prices rose to an average of \$110.1/ton during the quarter, up from \$104.1 during the previous quarter.

China has emerged as the major potash buyer, with large new purchases from US and Canadian firms. These purchases have further strengthened an already tight fertilizer market in the United States and Canada, caused by strong demand and a slow-to-supply policy by major producers. The Chinese purchases signal strong demand and adequate foreign exchange since the contracts were based on prices at the time of shipment.

At the national chemical conference held in Beijing in December, China was projected to increase fertilizer consumption by 6.4% in 1995 over 1994. Chinese domestic fertilizer production was forecast to fall short of consumption by 20 million tons. The shortfall in potash was 6.5 million tons, which suggests large imports.

World demand for potash fertilizers is expected to grow by 2.5% a year during the next three years according to the FAO-UNIDO-World Bank Fertilizer Working Group in its latest projection. The increase would follow a 6.3% decline in world demand during the past two years. Supplies are expected to remain in surplus during the next several years according to the working group.

All fertilizer prices increased, with urea prices ahead about 21% for the quarter.

TSP

(US dollars/mt)
Triple superphosphate,
spot, bulk, f.o.b. US Gulf.



PRICES REMAIN STRONG ON LARGE CHINESE BUYING

TSP and DAP prices remained strong during the fourth quarter as import demand continued to support the market. Fourth-quarter average prices were 19.8% higher for TSP and 21.9% higher for DAP than in the fourth quarter of 1993. The average 1994 prices of \$132.1/ton for TSP and \$172.8/ton for DAP were the highest since 1991 in nominal terms.

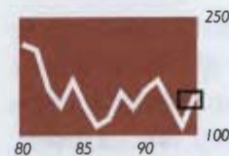
Low US inventories of DAP and a heavy shipping schedule have contributed to recent price increases. The outlook for the near term remains bullish, with further purchases expected from China and new purchases from Pakistan.

The EU council of ministers changed the system of import duties on fertilizers under its generalized system of preferences (GSP) on January 1. In compensation, duties on fertilizers will be reduced to 70% of their 1994 level. Under the new scheme, countries of the FSU will be the primary beneficiaries.

The EU's agricultural ministers have tentatively agreed to reduce the set-aside on arable land from 15% to 12% for 1995. This measure is expected to result in 1.05 million hectares of land being brought back into production in 1995. The set-aside is scheduled to return to 15% after 1995.

World demand for phosphate fertilizers is expected to grow by 2.3% a year during the next three years according to the latest projections of the FAO-UNIDO-World Bank Fertilizer Working Group. This would cause surplus capacity to decline.

UREA



(US dollars/mt)
Bagged, spot, f.o.b.
NW Europe.

UREA PRICES RISE 64% FOR THE YEAR

Strong buying from China, India, and Latin America is combining with strong North American demand to lift prices. Urea prices rose 21.1% in the fourth quarter and 64.4% for the year. Urea prices averaged \$147.9/ton for the year, up from \$106.8/ton in 1993.

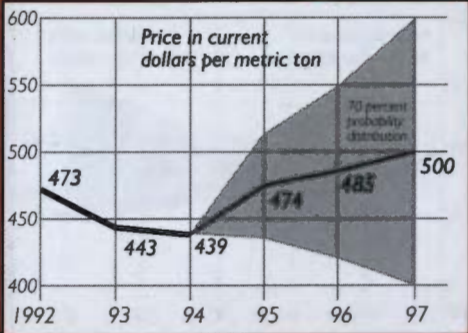
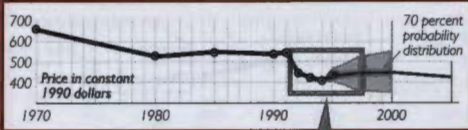
India has contributed to the recent price increases as it responds to a shortage of urea. India's urea shortfall in 1994/95 has been estimated at 800,000 tons, of which commitments to date are estimated at 400,000 tons. The Ministry of Fertilizers has allowed four public sector companies to import urea in addition to the government importing authority. With the price to farmers fixed at \$102/ton and import prices now at \$248/ton, government subsidies have risen to \$146/ton on imported urea. The budget allocation for fertilizer subsidies has been exhausted, and further allocations are uncertain.

World demand for nitrogen fertilizers is expected to grow by 1.5% a year during the next three years according to the projections of the FAO-UNIDO-World Bank Fertilizer Working Group. The rise would reverse the trend of the last several years. During that time consumption has been lower despite the low fertilizer prices. Notwithstanding the increase in demand, the surplus of consumption would remain at 1994/95 levels as capacity increases at the same rate as consumption.

FOODS

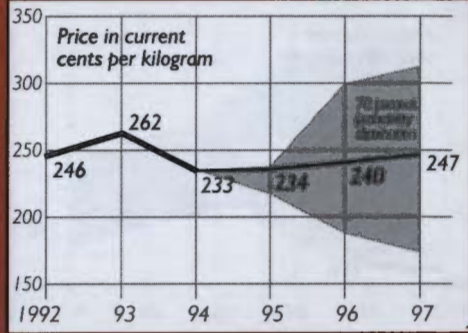
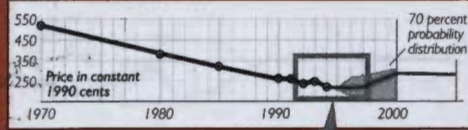
BANANAS

Income growth favorable for bananas to 1997



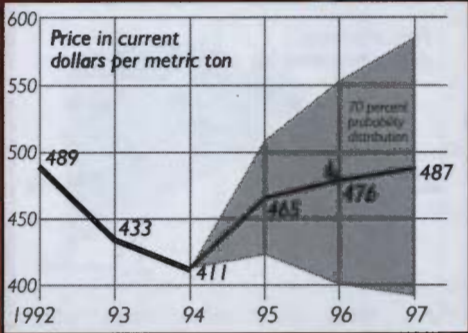
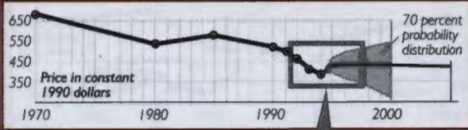
BEEF

Prices expected to fall in 1995 as US production expands



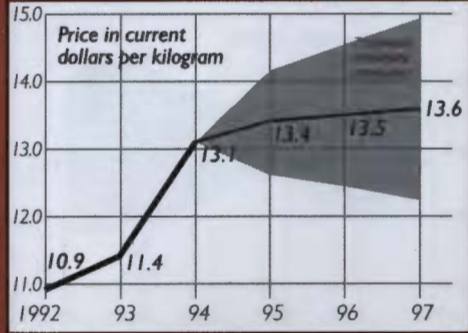
CITRUS (ORANGES)

Abundant supply depresses prices



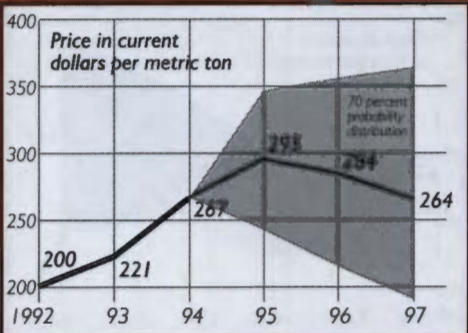
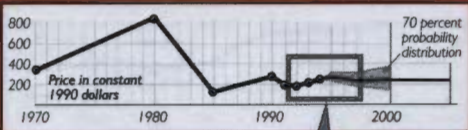
SHRIMP

Prices declining from the peak in August 1994



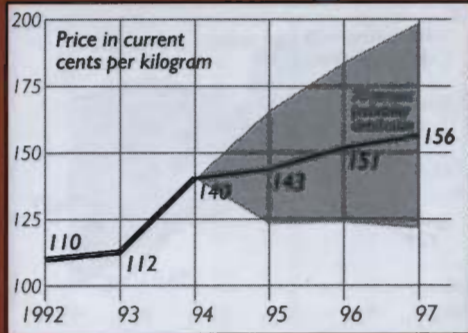
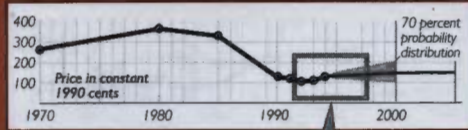
SUGAR

Higher prices due partly to speculators



COCOA

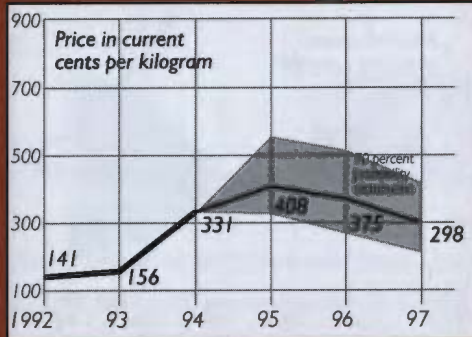
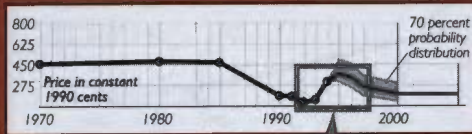
Prices decline as crop prospects improve



BEVERAGES

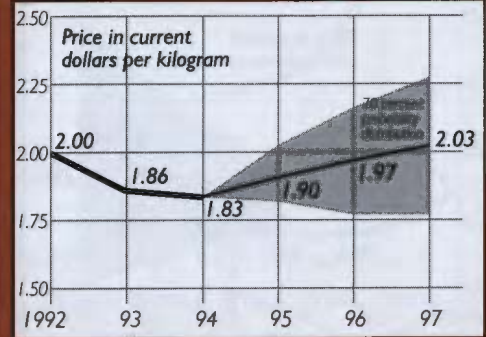
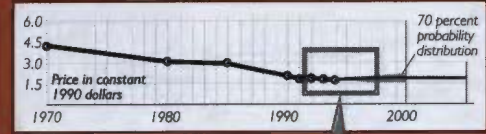
COFFEE

Prices decline but likely to fluctuate widely



TEA

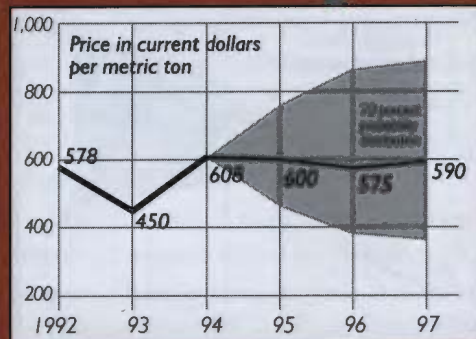
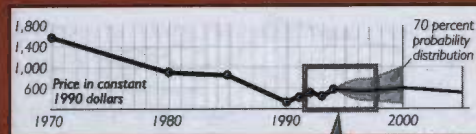
Prices low because of reduced import demand



FATS AND OILS

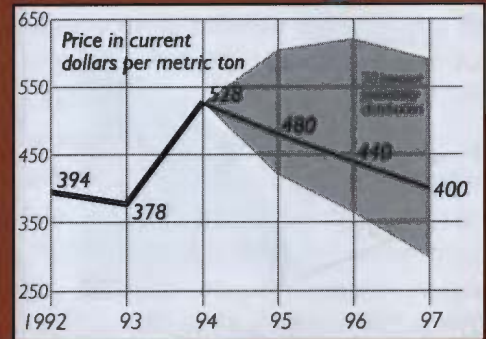
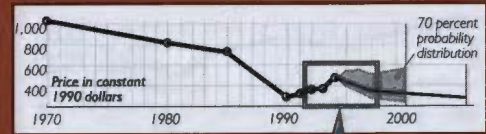
COCONUT OIL

Prices remain high because of low stocks



PALM OIL

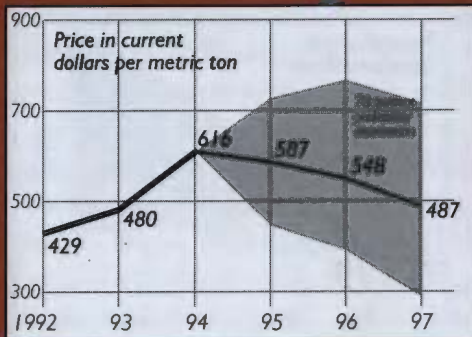
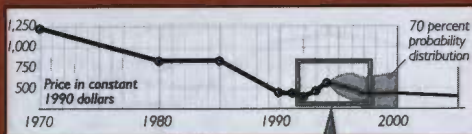
World production and stocks set to rise in 1994/95



GRAINS

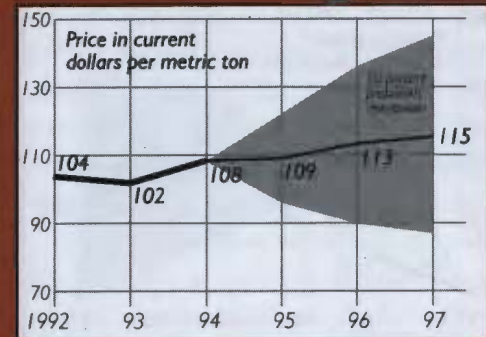
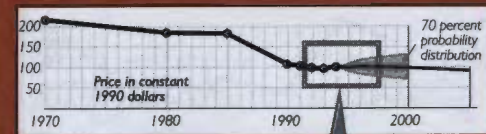
SOYBEAN OIL

Favorable crop prospects in major exporting countries

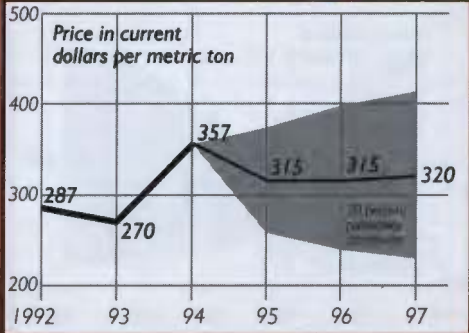
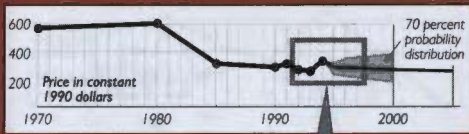


MAIZE

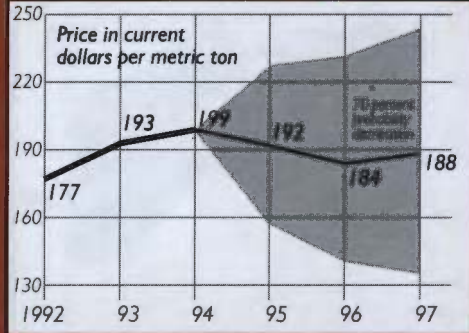
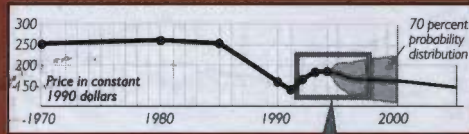
Higher production sinks prices



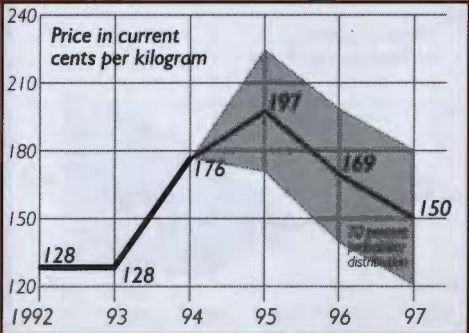
RICE Prices decline as production recovers



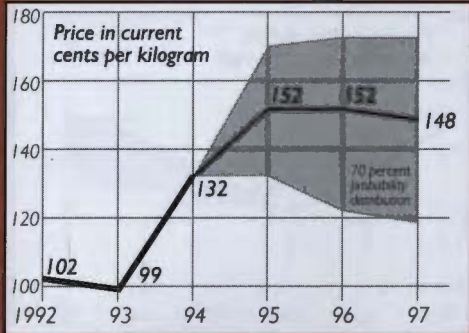
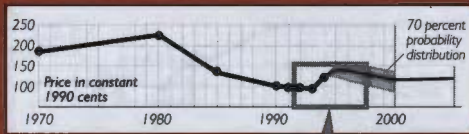
WHEAT Prices to remain firm



COTTON Tight export supplies raise prices

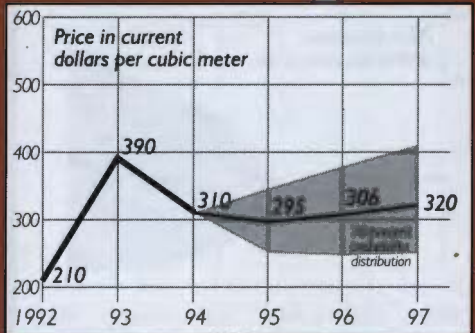


RUBBER Prices rally in anticipation of demand gains

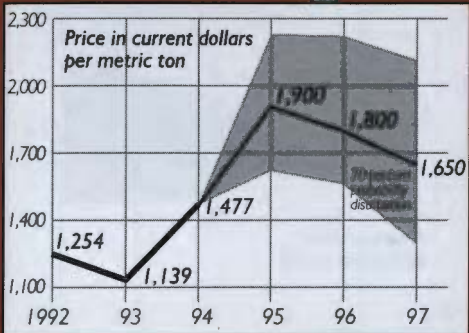
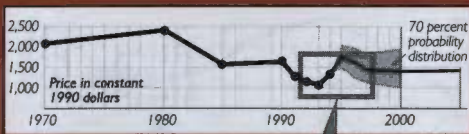


AGRICULTURAL RAW MATERIALS

TIMBER (MERANTI LOGS) Weak demand lowers prices



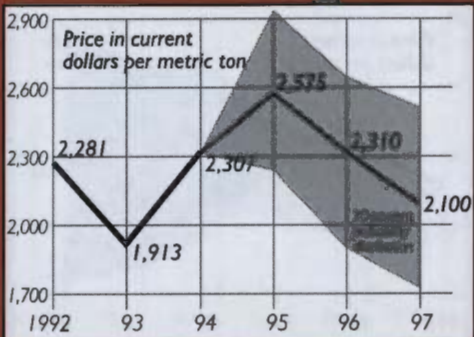
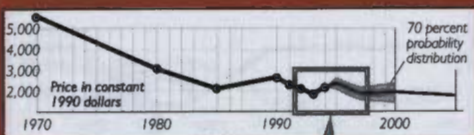
ALUMINUM The market zooms as stocks recede further



METALS AND MINERALS

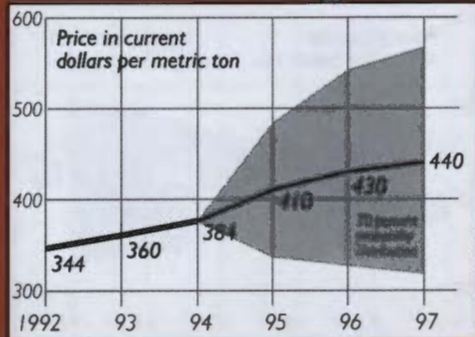
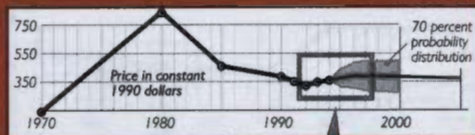
COPPER

Prices expected to peak in 1995



GOLD

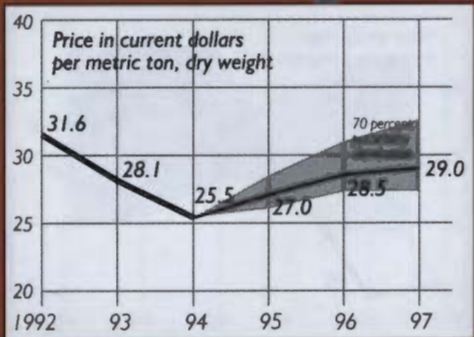
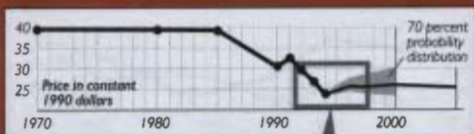
\$400/oz remains the near-term resistance price



ENERGY

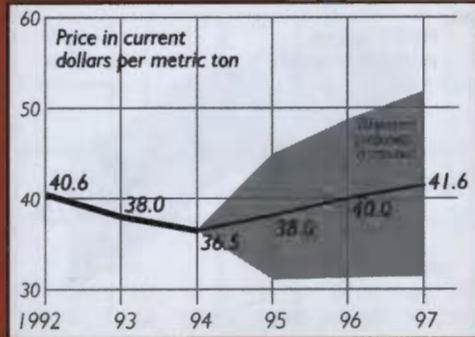
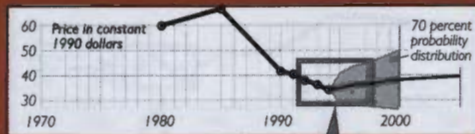
IRON ORE

Increasing demand leads to price increases



COAL

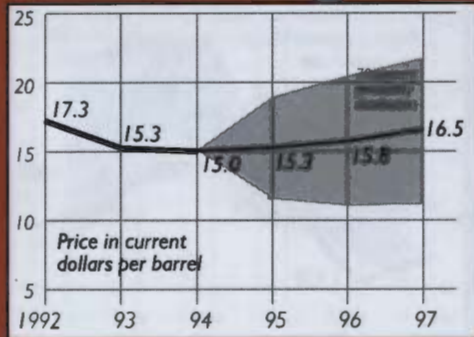
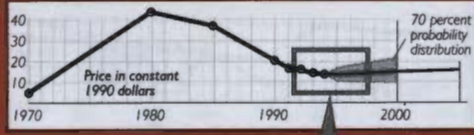
Increase in prices expected



FERTILIZERS

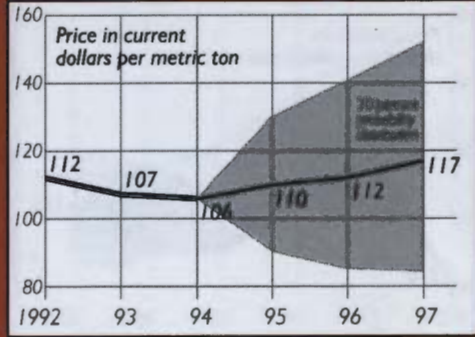
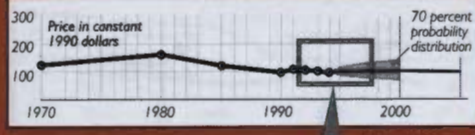
PETROLEUM

Prices expected to remain firm overall but with seasonal volatility



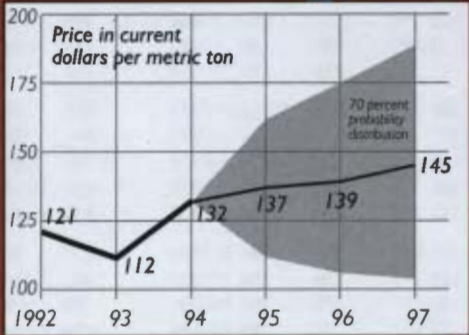
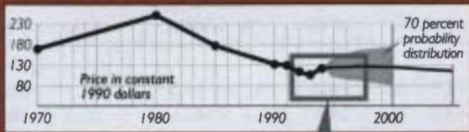
POTASSIUM CHLORIDE

Prices rise on strong demand



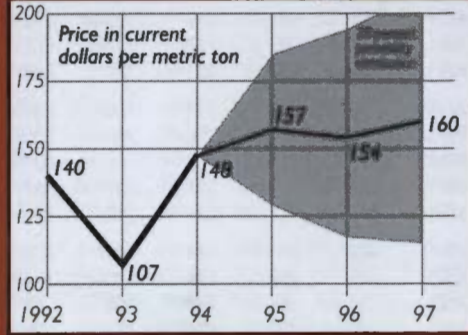
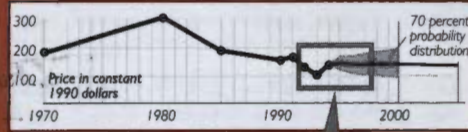
TSP

World demand expected to grow



UREA

Prices expected to remain strong



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

Commodity	Unit	Actual								Short-term projections			Long-term projections	
		1970	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997	2000	2005
Energy														
Petroleum	\$/bbl	5.2	42.4	38.9	21.2	17.0	16.3	14.6	13.9	14.0	14.2	14.5	15.3	16.1
Coal	\$/mt	..	59.9	67.9	41.8	40.6	38.1	36.5	34.0	34.9	36.1	36.6	38.2	39.6
Food														
Coffee	\$/kg	457	482	471	197	183	132	150	308	374	338	262	202	196
Cocoa	\$/kg	269	362	329	127	117	103	107	130	131	136	137	143	147
Tea	\$/kg	437	310	289	203	180	188	179	171	174	178	178	180	179
Sugar	\$/mt	323	878	130	277	193	187	212	249	271	256	232	242	235
Beef	\$/kg	520	384	314	256	260	230	251	217	215	216	217	291	280
Shrimp	\$/kg	1,108	1,421	1,529	1,079	1,129	1,027	1,093	1,218	1,230	1,217	1,195	1,105	1,051
Bananas	\$/mt	659	527	551	541	547	444	425	409	435	437	439	451	425
Oranges	\$/mt	670	543	581	531	510	459	415	383	427	429	428	425	422
Rice	\$/mt	574	603	315	287	308	270	259	333	289	284	281	271	267
Wheat	\$/mt	250	265	253	156	140	166	185	185	176	166	165	162	147
Maize	\$/mt	233	174	164	109	105	98	98	100	100	102	101	99	91
Grain sorghum	\$/mt	207	179	150	104	103	96	95	97	97	99	98	96	89
Fats and oils														
Palm oil	\$/mt	1,037	811	730	290	332	369	363	492	440	397	352	322	284
Coconut oil	\$/mt	1,584	936	860	337	424	542	432	566	551	518	518	599	489
Groundnut oil	\$/mt	1,510	1,194	1,319	964	874	572	709	953	838	640	621	588	450
Soybean oil	\$/mt	1,224	829	834	447	444	402	461	573	539	494	428	434	400
Soybeans	\$/mt	466	412	327	247	234	221	245	235	230	224	223	233	248
Copra	\$/mt	897	629	563	231	280	357	283	389	367	330	308	420	344
Groundnut meal	\$/mt	407	334	208	185	147	146	161	157	139	137	134	167	187
Soybean meal	\$/mt	411	364	229	209	193	192	200	179	176	180	182	196	224
Nonfood agriculture														
Cotton	\$/kg	252	284	192	182	164	120	123	164	181	152	132	150	146
Jute	\$/mt	1,092	428	850	408	370	300	262	278	294	287	285	280	292
Rubber	\$/kg	185	226	135	102	99	96	95	123	139	137	130	114	117
Tobacco	\$/mt	3,938	3,196	2,843	1,964	2,158	2,307	2,015	1,783	1,776	1,758	1,757	1,746	1,743
Timber														
Logs (meranti)	\$/m ³	148	271	199	177	196	196	374	288	271	276	281	302	325
Logs (sapelli)	\$/m ³	171	350	253	344	309	311	298	308	322	329	331	339	356
Sawnwood	\$/m ³	370	507	403	524	462	481	516	725	743	744	745	751	767
Metals and minerals														
Copper	\$/mt	5,634	3,032	2,066	2,662	2,288	2,139	1,836	2,150	2,363	2,082	1,845	1,921	1,753
Tin	\$/kg	1,432	2,284	1,682	609	536	562	490	503	541	541	542	577	584
Nickel	\$/mt	11,348	9,058	7,142	8,864	7,978	6,566	5,080	5,906	8,259	8,114	7,030	7,501	7,686
Aluminum	\$/mt	2,153	2,466	1,517	1,639	1,274	1,176	1,093	1,376	1,744	1,623	1,450	1,405	1,414
Lead	\$/mt	1,212	1,259	570	811	545	508	390	510	587	586	580	616	555
Zinc	\$/mt	1,176	1,057	1,141	1,513	1,093	1,163	923	929	1,028	1,037	1,055	1,188	1,092
Iron ore	\$/mt	39.2	39.0	38.7	30.8	32.5	29.7	27.0	23.7	24.7	25.7	25.5	26.1	25.4
Bauxite	\$/mt	47.8	44.5	52.0	35.5	36.5	34.0	33.6	32.6	34.0	33.8	32.5	31.8	30.7
Gold	\$/toz	143	845	463	384	354	322	345	358	376	388	387	385	371
Silver	\$/toz	706	2,867	895	482	395	369	412	492	496	496	492	477	447
Fertilizers														
Phosphate rock	\$/mt	44	65	49	41	42	39	32	31	32	33	34	33	32
Urea	\$/mt	193	309	199	157	168	132	102	138	144	139	141	142	137
TSP	\$/mt	169	251	177	132	130	113	107	123	126	125	127	125	115
DAP	\$/mt	215	309	246	171	169	136	124	161	162	162	163	162	153
Potassium chloride ^a	\$/mt	126	161	122	98	107	105	103	98	101	101	103	104	99

... Not available.

Note: Computed from unrounded data and deflated by manufacturing unit value (MUM) index (1990=100). Forecast as of January 17, 1995.

a. Also known as muriate of potash.

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

TABLE A2. COMMODITY PRICES AND PRICE PROJECTIONS IN CURRENT DOLLARS

Commodity	Unit	Actual								Short-term projections			Long-term projections	
		1970	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997	2000	2005
Energy														
Petroleum	\$/bbl	1.3	30.5	26.7	24.2	17.3	17.3	15.3	15.0	15.3	15.8	16.5	18.8	22.0
Coal	\$/mt	..	43.1	46.6	41.8	41.5	40.6	38.0	36.5	38.0	40.0	41.6	46.8	54.3
Food														
Coffee	¢/kg	115	347	323	197	187	141	156	331	408	375	298	247	268
Cocoa	¢/kg	68	260	225	127	120	110	112	140	143	151	156	175	201
Tea	¢/kg	110	223	198	203	184	200	186	183	190	197	203	220	245
Sugar	\$/mt	81	632	90	277	198	200	221	267	295	284	264	296	322
Beef	¢/kg	130	276	215	256	266	246	262	233	234	240	247	356	383
Shrimp	¢/kg	278	1,023	1,049	1,079	1,155	1,095	1,139	1,308	1,340	1,350	1,360	1,354	1,438
Bananas	\$/mt	165	379	378	541	560	473	443	439	474	485	500	553	582
Oranges	\$/mt	168	391	398	531	521	489	433	411	465	476	487	521	578
Rice	\$/mt	144	434	216	287	314	287	270	357	315	315	320	332	365
Wheat	\$/mt	63	191	173	156	143	177	193	199	192	184	188	198	201
Maize	\$/mt	58	125	112	109	107	104	102	108	109	113	115	121	125
Grain sorghum	\$/mt	52	129	103	104	105	103	99	104	106	110	112	118	122
Fats and oils														
Palm oil	\$/mt	260	584	501	290	339	394	378	528	480	440	400	394	389
Coconut oil	\$/mt	397	674	590	337	433	578	450	608	600	575	590	734	669
Groundnut oil	\$/mt	379	859	905	964	894	610	739	1,023	913	710	707	720	616
Soybean oil	\$/mt	307	597	572	447	454	429	480	616	587	548	487	532	548
Soybeans	\$/mt	117	296	224	247	240	236	255	252	251	248	254	285	340
Copra	\$/mt	225	453	386	231	286	380	295	417	400	366	350	515	471
Groundnut meal	\$/mt	102	240	143	185	150	156	168	168	151	152	153	205	256
Soybean meal	\$/mt	103	262	157	209	197	204	208	192	192	200	207	240	307
Nonfood agriculture														
Cotton	¢/kg	63	205	132	182	168	128	128	176	197	169	150	184	199
Jute	\$/mt	274	308	583	408	378	320	273	298	320	318	324	343	399
Rubber	¢/kg	46	162	92	102	101	102	99	132	152	152	148	140	160
Tobacco	\$/mt	988	2,300	1,950	1,964	2,206	2,460	2,100	1,914	1,935	1,950	1,999	2,139	2,386
Timber														
Logs (meranti)	\$/m ³	37	195	136	177	200	210	390	310	295	306	320	370	445
Logs (sapelli)	\$/m ³	43	252	174	344	316	331	310	330	351	365	377	415	487
Sawnwood	\$/m ³	93	365	276	524	472	513	538	778	810	825	848	920	1,050
Metals and minerals														
Copper	\$/mt	1,413	2,182	1,417	2,662	2,339	2,281	1,913	2,307	2,575	2,310	2,100	2,354	2,400
Tin	¢/kg	359	1,644	1,154	609	548	599	511	540	590	600	617	707	799
Nickel	\$/mt	2,846	6,519	4,899	8,864	8,156	7,001	5,293	6,340	9,000	9,000	8,000	9,190	10,520
Aluminum	\$/mt	540	1,775	1,041	1,639	1,302	1,254	1,139	1,477	1,900	1,800	1,650	1,721	1,936
Lead	\$/mt	304	906	391	811	558	541	406	548	640	650	660	755	760
Zinc	\$/mt	295	761	783	1,513	1,117	1,240	962	998	1,120	1,150	1,200	1,455	1,495
Iron ore	\$/mt	9.8	28.1	26.6	30.8	33.3	31.6	28.1	25.5	27.0	28.5	29.0	32.0	34.8
Bauxite	\$/mt	12.0	32.0	35.7	35.5	37.3	36.3	35.0	35.0	37.0	37.5	37.0	38.9	42.0
Gold	\$/toz	36	608	318	384	362	344	360	384	410	430	440	472	508
Silver	¢/toz	177	2,064	614	482	404	394	430	528	540	550	560	584	612
Fertilizers														
Phosphate rock	\$/mt	11	47	34	41	43	42	33	33	35	37	39	41	44
Urea	\$/mt	48	222	136	157	172	140	107	148	157	154	160	174	187
TSP	\$/mt	43	180	121	132	133	121	112	132	137	139	145	153	158
DAP	\$/mt	54	222	169	171	173	145	129	173	177	180	186	198	209
Potassium chloride ^a	\$/mt	32	116	84	98	109	112	107	106	110	112	117	127	135

.. Not available.

Note: Data have been rounded. Forecast as of January 17, 1995.

a. Also known as muriate of potash.

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

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

1990=100

Year	Petroleum	33 commodities (excluding energy) (100.0)		Food					Nonfood agriculture (14.4) ^a	Timber (5.2) ^a	Metals and minerals (27.1) ^a
		Total agriculture (67.7) ^a	Total food (53.3) ^a	Beverages (22.3) ^a	Grains (9.4) ^a	Fats and oils (9.3) ^a	Other (12.3) ^a				
Current dollars											
1980	143.5	137.5	148.3	152.7	173.5	133.4	158.2	125.4	132.1	110.3	115.8
1985	125.6	103.3	113.1	120.2	158.8	90.9	124.0	69.4	86.9	68.7	85.5
1990	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1991	81.6	97.0	98.2	97.9	94.4	102.7	107.5	93.3	99.2	108.1	91.9
1992	81.2	93.0	92.0	91.4	77.3	100.5	119.2	88.8	94.3	118.2	90.6
1993	71.8	94.3	91.4	92.0	82.1	98.2	114.4	88.1	89.2	220.0	77.4
1994	70.4	115.6	123.2	126.9	148.7	114.7	136.0	89.5	109.8	174.8	85.1
1995	72.0	125.8	134.5	137.8	177.3	107.9	129.7	94.8	122.5	166.5	96.1
1996	74.1	121.9	129.2	132.5	167.0	108.6	124.2	94.2	117.1	172.7	93.7
1997	77.6	114.8	119.3	121.2	140.3	110.5	122.1	93.9	112.3	180.6	90.7
2000	88.2	119.6	120.5	121.3	125.6	115.6	137.2	105.8	117.4	208.8	100.3
2005	103.5	131.9	132.2	132.4	138.1	122.6	147.7	118.1	131.4	251.1	108.0
Constant 1990 dollars											
1980	199.3	191.0	206.0	212.1	241.0	185.3	219.7	174.2	183.4	153.2	160.9
1985	183.0	150.6	164.8	175.2	231.5	132.5	180.8	101.2	126.7	100.1	124.6
1990	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1991	79.8	94.9	96.1	95.8	92.3	100.5	105.2	91.3	97.0	105.7	89.9
1992	76.2	87.2	86.3	85.7	72.6	94.3	111.8	83.3	88.4	110.9	85.0
1993	68.9	90.5	87.7	88.3	78.8	94.2	109.8	84.5	85.6	211.1	74.2
1994	65.5	107.6	114.7	118.1	138.5	106.8	126.6	83.4	102.2	162.7	79.2
1995	66.1	115.4	123.4	126.4	162.7	99.0	119.0	86.9	112.4	152.7	88.2
1996	66.8	109.9	116.5	119.5	150.6	97.9	112.0	85.0	105.6	155.7	84.5
1997	68.2	100.8	104.8	106.5	123.3	97.1	107.3	82.5	98.7	158.7	79.7
2000	72.0	97.6	98.3	99.0	102.5	94.3	112.0	86.3	95.8	170.5	81.9
2005	75.6	96.3	96.6	96.7	100.9	89.6	107.9	86.2	96.0	183.4	78.9

Note: Figures for 1994–2005 are projections. Forecast as of January 17, 1995.

a. Percentage share of commodity group in 33-commodity index.

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

TABLE A4. INFLATION INDICES FOR SELECTED YEARS

Year	G-5 MUV index ^a		US GDP deflator		G-5 GDP/GNP deflator ^b		G-7 CPI ^c	
	1990=100	% change	1990=100	% change	1990=100	% change	1990=100	% change
1980	71.98		63.33		63.99		63.13	
1985	68.61	-0.95	83.38	5.66	67.57	1.09	64.96	0.57
1990	100.00	7.83	100.00	3.70	100.00	8.16	100.00	9.01
1991	102.23	2.23	103.80	3.80	104.73	4.73	104.62	4.62
1992	106.64	4.31	106.71	2.81	111.04	6.03	110.11	5.24
1993	104.22	-2.26	109.00	2.15	115.01	3.58	110.09	-0.01
1994	107.35	3.00	111.35	2.10 ^d	117.68	2.32	112.72	2.38
1995	108.99	1.52	115.53	3.80	121.07	2.88	115.90	2.83
1996	110.94	1.79	118.99	3.00	124.08	2.49	119.03	2.70
1997	113.81	2.59	122.21	2.70	127.14	2.46	122.28	2.73
2000	122.53	2.49	133.54	3.00	137.71	2.70	132.69	2.76
2005	136.89	2.24	153.76	2.86	157.08	2.67	152.48	2.82

Note: For 1985, 1990, 2000, and 2005, the average annual growth rates for the period starting with the year shown above. Figures for 1993 are provisional estimates, except for US GDP deflator, which is actual; all figures for 1994–2005 are projections, unless otherwise noted. Forecast as of January 12, 1995.

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

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

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

d. Preliminary estimate.

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

Commodity	Unit	70% probability distribution			
		1995	1996	1997	2000
Energy					
Petroleum	\$/bbl	10.6-17.4	9.9-18.5	9.8-19.2	9.4-21.2
Coal	\$/mt	28.4-41.3	28.1-44.0	27.6-45.5	26.1-50.3
Food					
Coffee	¢/kg	299-502	247-463	183-366	137-302
Cocoa	¢/kg	113-152	111-166	108-174	101-203
Tea	¢/kg	166-186	160-196	156-199	153-212
Sugar	\$/mt	222-319	195-323	167-320	133-387
Beef	¢/kg	199-217	169-270	151-274	151-311
Shrimp	¢/kg	1,158-1,301	1,121-1,312	1,077-1,313	948-1,263
Bananas	\$/mt	400-470	379-496	351-527	347-556
Oranges	\$/mt	387-466	360-498	343-513	301-549
Rice	\$/mt	237-341	216-358	202-366	176-393
Wheat	\$/mt	144-208	126-209	119-215	105-223
Maize	\$/mt	88-112	81-122	77-127	69-133
Grain sorghum	\$/mt	86-109	79-119	75-124	67-130
Fats and oils					
Palm oil	\$/mt	385-554	329-559	264-518	234-574
Coconut oil	\$/mt	422-702	341-780	316-782	277-1,005
Groundnut oil	\$/mt	677-1,090	455-955	393-938	298-976
Soybean oil	\$/mt	410-668	352-692	252-630	266-705
Soybeans	\$/mt	207-261	180-291	162-291	165-335
Copra	\$/mt	303-545	246-533	114-510	199-799
Groundnut meal	\$/mt	111-188	90-200	77-200	108-282
Soybean meal	\$/mt	158-220	138-252	125-257	140-314
Nonfood agriculture					
Cotton	¢/kg	156-206	125-179	105-158	118-183
Jute	\$/mt	252-335	235-322	228-342	218-341
Rubber	¢/kg	121-156	110-156	104-152	82-138
Tobacco	\$/mt	1,527-2,024	1,441-2,074	1,405-2,108	1,361-2,130
Timber					
Logs (meranti)	\$/m ³	230-317	224-340	219-360	213-428
Logs (sapelli)	\$/m ³	274-378	267-406	258-425	239-481
Sawnwood	\$/m ³	633-872	603-917	580-957	529-1,065
Metals and minerals					
Copper	\$/mt	2,055-2,688	1,728-2,395	1,513-2,214	1,383-2,402
Tin	¢/kg	490-591	463-618	450-635	451-701
Nickel	\$/mt	6,761-10,086	6,318-10,416	5,208-9,489	5,038-11,212
Aluminum	\$/mt	1,485-2,046	1,315-2,002	1,129-1,862	990-1,993
Lead	\$/mt	500-689	475-723	452-744	434-874
Zinc	\$/mt	875-1,206	840-1,279	822-1,354	837-1,685
Iron ore	\$/mt	23.9-26.1	24.5-27.9	24.0-28.6	23.5-30.0
Bauxite	\$/mt	30.6-37.3	29.4-37.9	28.0-37.0	27.0-37.1
Gold	\$/toz	308-444	295-488	278-499	264-506
Silver	¢/toz	406-585	377-625	354-635	317-635
Fertilizers					
Phosphate rock	\$/mt	26-38	25-42	25-45	22-47
Urea	\$/mt	118-170	105-175	101-183	92-199
TSP	\$/mt	103-148	95-158	92-166	81-175
DAP	\$/mt	133-192	123-204	118-212	105-226
Potassium chloride	\$/mt	83-119	77-127	74-134	67-143

Note: Forecast as of January 17, 1995.

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

TABLE A6. COMMODITY PRICE PROBABILITY DISTRIBUTIONS IN CURRENT DOLLARS

Commodity	Unit	70% probability distribution			
		1995	1996	1997	2000
Energy					
Petroleum	\$/bbl	11.5-19.0	11.0-20.5	11.2-21.8	11.5-26.0
Coal	\$/mt	31.0-45.0	31.2-48.8	31.4-51.8	32.0-61.6
Food					
Coffee	¢/kg	326-547	274-514	208-417	168-370
Cocoa	¢/kg	123-166	124-184	122-198	123-248
Tea	¢/kg	181-203	177-217	177-227	187-260
Sugar	\$/mt	242-348	216-358	190-364	163-474
Beef	¢/kg	217-237	187-300	172-312	185-382
Shrimp	¢/kg	1,262-1,418	1,244-1,456	1,226-1,494	1,161-1,547
Bananas	\$/mt	436-512	420-550	400-600	425-681
Oranges	\$/mt	422-508	399-553	390-584	369-673
Rice	\$/mt	258-372	239-397	230-416	216-481
Wheat	\$/mt	157-227	140-232	135-244	129-273
Maize	\$/mt	96-122	90-136	87-145	85-163
Grain sorghum	\$/mt	93-119	88-132	85-141	83-159
Fats and oils					
Palm oil	\$/mt	420-604	365-620	300-590	287-704
Coconut oil	\$/mt	460-765	378-865	360-890	339-1,231
Groundnut oil	\$/mt	738-1,188	505-1,060	447-1,067	365-1,196
Soybean oil	\$/mt	447-728	391-768	287-717	326-864
Soybeans	\$/mt	226-285	200-323	184-331	202-410
Copra	\$/mt	330-594	273-591	130-580	244-979
Groundnut meal	\$/mt	121-205	100-222	88-228	132-346
Soybean meal	\$/mt	172-240	153-280	142-292	172-384
Nonfood agriculture					
Cotton	¢/kg	170-225	139-199	120-180	144-224
Jute	\$/mt	275-365	261-357	259-389	267-418
Rubber	¢/kg	132-170	122-173	118-173	101-169
Tobacco	\$/mt	1,664-2,206	1,599-2,301	1,599-2,399	1,668-2,610
Timber					
Logs (meranti)	\$/m ³	251-346	248-377	249-410	261-525
Logs (sapelli)	\$/m ³	299-412	296-450	294-484	292-589
Sawnwood	\$/m ³	690-951	669-1,018	660-1,089	648-1,306
Metals and minerals					
Copper	\$/mt	2,240-2,930	1,917-2,657	1,722-2,520	1,695-2,943
Tin	¢/kg	534-644	514-686	512-723	552-859
Nickel	\$/mt	7,369-10,993	7,009-11,556	5,927-10,799	6,173-13,738
Aluminum	\$/mt	1,619-2,230	1,459-2,221	1,285-2,119	1,213-2,442
Lead	\$/mt	545-751	527-802	514-847	532-1,071
Zinc	\$/mt	954-1,314	932-1,419	935-1,541	1,025-2,065
Iron ore	\$/mt	26.1-28.5	27.2-31.0	27.3-32.5	28.8-36.8
Bauxite	\$/mt	33.3-40.6	32.6-42.0	31.9-42.1	33.1-45.4
Gold	\$/toz	336-484	327-542	317-568	324-620
Silver	¢/toz	443-637	418-693	403-722	389-778
Fertilizers					
Phosphate rock	\$/mt	29-41	28-47	28-51	27-57
Urea	\$/mt	129-185	117-194	115-208	113-244
TSP	\$/mt	112-162	106-175	104-189	100-214
DAP	\$/mt	145-209	137-227	134-242	129-277
Potassium chloride	\$/mt	90-130	85-141	84-152	83-175

Note: Forecast as of January 17, 1995.

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

TABLE A7. RECENT COMMODITY PRICES

Commodity	Unit	Annual averages			Quarterly averages					Monthly averages		
		Jan-Dec	Jan-Dec	Jan-Dec	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Oct	Nov	Dec
		1992	1993	1994	1993	1994	1994	1994	1994	1994	1994	1994
Beverages												
Cocoa	¢/kg	110.0	111.7	139.6	132.5	126.7	136.0	153.0	142.7	144.8	143.5	139.8
Coffee												
Robusta ^a	¢/kg	94.0	115.7	262.0	133.9	135.9	205.1	374.3	332.5	373.5	338.0	286.0
Brazilia	¢/kg	124.5	146.8	315.8	161.9	173.6	251.3	453.4	384.9	421.5	381.0	352.1
Other mild arabicas	¢/kg	141.2	156.0	330.8	173.8	183.6	261.5	470.5	406.6	445.0	403.3	371.6
Tea	¢/kg	200.0	186.4	183.2	190.2	175.0	188.3	188.7	180.6	189.9	179.6	172.3
Grains												
Rice	\$/mt	287.4	270.0	357.2	338.1	436.0	382.9	312.5	297.5	300.0	300.0	292.5
Grain sorghum	\$/mt	102.8	99.0	103.9	111.6	118.5	106.6	93.5	96.9	92.4	97.7	100.6
Maize	\$/mt	104.2	102.1	107.6	115.0	123.3	111.7	97.1	98.1	96.5	95.5	102.5
Wheat												
Canada	\$/mt	177.0	192.7	198.6	224.9	216.9	207.0	181.0	189.3	191.1	188.9	188.0
US ^a	\$/mt	145.1	134.8	138.6	134.9	143.5	125.1	129.9	155.7	157.4	152.4	157.3
Meat												
Beef	¢/kg	245.5	261.8	233.1	259.1	253.5	241.7	220.0	217.2	212.5	216.7	222.6
Lamb ^a	¢/kg	265.1	290.7	297.5	297.8	298.0	295.7	296.3	300.0	303.5	302.6	294.0
Fruits												
Bananas	\$/mt	473.1	443.0	439.8	371.2	568.4	374.1	430.7	386.0	323.8	296.9	537.4
Oranges	\$/mt	489.2	432.5	411.3	461.1	369.5	403.5	540.2	332.2	434.9	329.2	232.4
Fats and oils												
Palm oil	\$/mt	393.5	377.8	528.4	367.0	395.3	476.7	561.0	680.7	616.0	707.0	719.0
Coconut oil	\$/mt	577.6	450.3	607.5	499.3	569.0	589.0	599.0	673.0	621.0	706.0	692.0
Groundnut oil	\$/mt	609.9	739.1	1,022.8	846.3	1,005.7	1,021.3	1,017.7	1,046.3	1,029.0	1,048.0	1,062.0
Soybean oil ^a	\$/mt	428.9	480.4	615.6	538.7	588.3	583.0	610.7	680.3	642.0	706.0	693.0
Soybeans	\$/mt	235.5	255.1	251.8	264.0	276.3	260.7	234.0	236.3	227.0	239.0	243.0
Copra	\$/mt	380.4	295.4	417.3	329.7	384.0	405.0	433.0	447.3	409.0	464.0	469.0
Groundnut meal	\$/mt	155.7	168.1	168.3	184.3	187.3	169.3	161.3	155.3	155.0	156.0	155.0
Soybean meal	\$/mt	204.4	208.2	192.4	212.7	207.3	197.3	188.7	176.3	177.0	174.0	178.0
Fisheries												
Shrimp ^a	\$/kg	1,095.3	1,139.0	1,307.5	1,160.0	1,190.5	1,293.4	1,387.6	1,358.6	1,391.7	1,361.4	1,322.8
Fish meal ^a	\$/mt	481.5	364.8	376.3	354.7	360.7	359.3	382.0	403.3	398.0	394.0	418.0
Fibers												
Cotton												
A index	¢/kg	127.8	128.0	176.3	124.2	170.3	187.8	171.6	175.5	163.3	171.0	192.2
US ^a	¢/kg	130.3	127.2	176.7	121.5	168.3	190.3	168.8	179.4	166.0	174.9	197.3
Jute	\$/mt	319.6	273.3	298.3	313.3	371.7	308.8	281.3	231.3	230.0	230.0	234.0
Sisal ^a	\$/mt	505.6	615.3	605.3	646.3	633.3	606.7	578.0	603.3	600.0	600.0	610.0
Wool ^a	¢/kg	393.2	301.7	389.3	308.9	326.5	369.8	422.6	436.4	425.0	438.9 ^b	445.3
Sugar												
Sugar	¢/kg	20.0	22.1	26.7	22.7	24.1	25.5	26.8	30.4	28.1	30.7	32.3
Rubber												
US	¢/kg	101.9	99.3	131.6	98.4	103.3	115.6	143.8	163.5	161.9	158.2	170.5
Singapore ^a	¢/kg	86.1	83.0	115.4	82.1	87.4	100.9	132.2	141.3	139.2	134.4	150.2
Metals and minerals												
Copper	\$/mt	2,281.2	1,913.1	2,307.3	1,666.9	1,862.2	2,132.2	2,456.5	2,778.5	2,547.7	2,802.4	2,985.3
Tin	¢/kg	599.3	510.6	539.6	466.0	514.2	542.5	522.4	579.3	541.5	607.3	589.2
Nickel												
LME	\$/mt	7,001.2	5,293.4	6,339.8	4,734.0	5,663.5	5,925.5	6,150.3	7,620.0	6,748.3	7,556.1	8,555.5
Free market ^a	\$/mt	7,003.2	5,352.5	6,435.5	4,856.8	5,746.0	6,000.2	6,241.3	7,754.4	6,781.4	7,707.4	8,774.4
Aluminum												
LME	\$/mt	1,254.3	1,139.0	1,476.8	1,073.7	1,244.5	1,334.0	1,505.7	1,823.0	1,698.1	1,892.6	1,878.3
Free market ^a	\$/mt	1,331.9	1,207.0	1,583.0	1,135.1	1,315.6	1,423.3	1,635.1	1,958.2	1,837.3	2,033.1	2,004.1
Lead	¢/kg	54.1	40.6	54.8	41.5	47.6	48.0	58.8	64.8	64.2	66.7	63.4
Silver ^a	¢/toz	393.6	429.8	528.4	460.2	528.5	538.0	533.7	513.5	544.1	519.6	476.9
Gold ^a	\$/toz	343.7	359.8	384.0	373.8	384.3	381.4	385.8	384.5	389.8	384.4	379.3
Zinc												
US ^a	¢/kg	128.7	101.8	108.6	99.0	102.6	101.2	106.1	124.5	118.2	129.1	126.3
LME	¢/kg	124.0	96.2	99.8	93.9	96.7	94.8	96.7	110.8	105.8	115.2	111.4
Iron ore	\$/mt	31.6	28.1	25.5	28.1	25.5	25.5	25.5	25.5	25.5	25.5	25.5

(table continued on next page)

COMMODITY PRICE OUTLOOK
TABLE A7. RECENT COMMODITY PRICES (CONTINUED)

Commodity	Unit	Annual averages			Quarterly averages					Monthly averages		
		Jan-Dec 1992	Jan-Dec 1993	Jan-Dec 1994	Oct-Dec 1993	Jan-Mar 1994	Apr-Jun 1994	Jul-Sep 1994	Oct-Dec 1994	Oct 1994	Nov 1994	Dec 1994
Steel												
Rebar ^a	\$/mt	306.7	348.8	322.5	348.3	338.3	313.3	310.0	328.3	320.0	335.0	330.0
Merch bar ^a	\$/mt	308.3	361.7	317.1	363.3	326.7	303.3	310.0	328.3	320.0	325.0	340.0
Wire rod ^a	\$/mt	372.5	395.8	371.7	390.0	390.0	373.3	366.7	356.7	360.0	360.0	350.0
Section ^a	\$/mt	331.3	357.9	348.8	375.0	361.7	340.0	340.0	353.3	350.0	350.0	360.0
Plate ^a	\$/mt	445.0	442.5	455.4	443.3	448.3	453.3	453.3	466.7	460.0	470.0	470.0
H.r. coil sheet ^a	\$/mt	369.2	375.8	402.9	393.3	391.7	400.0	410.0	410.0	410.0	410.0	410.0
C.r. coil sheet ^a	\$/mt	469.2	470.0	511.7	500.0	500.0	510.0	516.7	520.0	520.0	520.0	520.0
Galvan. sheet ^a	\$/mt	555.3	549.2	564.2	560.0	543.3	543.3	576.7	593.3	590.0	590.0	600.0
Energy												
Crude oil												
Official ^a	\$/bbl	17.3	17.0	15.2	16.7	14.3	14.8	16.0	15.9	15.7	16.3	15.6
Spot ^a	\$/bbl	17.3	15.2	15.0	13.7	12.9	15.0	16.1	15.9	15.7	16.3	15.6
Coal												
Australia ^a	\$/mt	38.6	31.3	32.3	31.0	30.5	31.5	33.1	34.1	33.1	33.1	36.1
US ^a	\$/mt	40.6	38.0	36.5	38.0	37.7	35.8	35.4	37.0	36.0	37.0	38.0
Timber												
Logs												
Cameroon ^a	\$/m ³	331.3	310.3	330.3	303.9	306.8	319.6	345.4	349.2	354.5	351.4	341.6
Malaysia ^c	\$/m ³	209.5	389.8	309.6	338.7	302.9	338.1	316.2	281.4	291.5	279.4	273.1
Sawnwood												
Malaysia ^a	\$/m ³	513.1	538.1	778.5	633.1	723.4	766.9	809.8	813.9	813.9	814.3	813.3
Ghana ^a	\$/m ³	523.5	530.7	618.5	573.7	586.7	606.2	627.3	654.1	638.8	670.7	652.7
Plywood ^a	\$/sh	380.8	661.4	602.0	604.3	594.1	637.9	615.7	560.2	567.9	562.7	550.0 ^d
Woodpulp ^a	\$/mt	563.0	423.9	553.6	390.4	438.0	513.9	578.1	684.3	677.7	687.6	687.6
Fertilizers												
Phosphate rock	\$/mt	41.8	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0
Urea ^a	\$/mt	140.3	106.8	147.9	111.7	120.7	136.0	151.3	183.7	169.0 ^d	185.0 ^d	197.0 ^d
TSP ^a	\$/mt	120.7	111.9	132.1	115.4	126.0	131.7	132.5	138.2	136.6	139.0	139.0
DAP ^a	\$/mt	145.2	129.1	172.8	149.0	162.5	171.4	175.7	181.6	178.5	179.8	186.5
Potassium chloride ^a	\$/mt	112.1	107.4	105.7	105.4	105.2	103.5	104.1	110.1	109.0	109.8	111.5
Selected price indices (1990=100)												
Agricultural food		91.4	92.0	126.8	99.6	105.7	116.2	147.2	138.2	142.2	137.8	134.5
Fats and oils		119.2	114.4	136.0	117.8	125.0	131.3	137.1	150.5	140.9	154.5	156.1
Agricultural nonfood		94.3	89.2	109.8	88.2	97.5	105.7	113.8	122.3	119.2	119.2	128.4
Agricultural timber ^c		118.2	220.0	174.8	191.2	170.9	190.8	178.5	158.8	164.5	157.7	154.1
Metals and minerals (excl. steel)		90.6	77.4	85.1	72.4	76.5	81.4	86.7	95.7	90.5	97.4	99.3
Steel products		88.1	91.4	92.7	93.9	92.1	91.2	92.7	94.6	94.0	94.6	95.3
33 selected commodities (excl. petroleum and steel)		93.0	94.3	115.6	95.4	100.0	109.1	127.6	125.5	126.0	125.2	125.1

a. Not included in index.

b. Average for less than period indicated.

c. No quotation.

d. Estimate.

Source: World Bank, International Economics Department, International Trade Division.

COMMODITY DESCRIPTIONS

Energy

Petroleum, average OPEC price: OPEC government sales weighted by export volumes through 1981; beginning 1982, OPEC spot prices weighted by OPEC export volumes.

Thermal coal (12,000 BTU/lb, less than 1.0% sulfur, 12% ash), f.o.b. piers, Hampton Roads, Norfolk.

Foods

Coffee (ICO), indicator price, other mild arabicas, average New York and Bremen/Hamburg markets, ex-dock for prompt shipment.

Cocoa (ICCO), daily average price, New York and London, nearest three future trading months.

Tea (London auction), average price received for all teas.

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

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

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

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

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

Grains

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

Wheat (Canadian), no. 1 Western Red Spring (CWRS) 13.5%, basis in store Thunder Bay, domestic through March 1985; subsequently, St. Lawrence, export.

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

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

Fats and oils

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

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

Groundnut oil (Nigerian/West African), bulk c.i.f. UK, through January 1977; subsequently (any origin), c.i.f. Rotterdam.

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

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

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

Groundnut meal (Indian), 48%, c.i.f. Rotterdam through 1981; thereafter, Argentine, 48/50%.

Soybean meal (US), 44% extraction, c.i.f. Rotterdam through 1990; thereafter, Argentine, 45/46%.

Nonfood agriculture

Cotton (outlook A index), middling (1³/₃₂"), c.i.f. Europe.

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

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

Tobacco (Indian), flue-cured, average export unit value.

Timber

Logs (Southeast Asian), Philippines, Lauan for plywood and veneer, length over 6.0 m, diameter over 60 cm, average wholesale price in Japan through 1976; from 1977 to 1981, Malaysian, meranti, Sabah SQ best quality, sale price charged by importers, Tokyo; 1982 through January 1993, average of Sabah and Sarawak in Tokyo weighted by their respective import volumes in Japan; beginning February 1993, Sarawak in Tokyo.

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

Sawnwood (Malaysian), dark red meranti, select and better quality, standard density, c.i.f. French ports.

Metals and minerals

Copper (LME), cash wirebars through November 1981; from December 1981 through June 1986, high-grade cathodes, settlement price; subsequently, grade A.

Tin (Malaysian), Straits quality, ex-smelter, Penang, official settlement price.

Nickel (Canadian), electrolytic cathodes, Ni 99.9% shipping point through 1979; subsequently, cathodes, minimum 99.8% purity, official morning session weekly average bid/asked price.

Aluminum, indicative price of US unalloyed primary ingot in the European market through 1978; subsequently, LME standard grade, minimum 99.5% purity, cash price.

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

Zinc (LME), settlement price, good ordinary brand through August 1984; thereafter, high-grade brand.

Iron ore (Brazilian), CVRD Itabira sinter feed produced from 64.2% purity ore, metal content weight, contract to Germany, Federal Republic, f.o.b. reference price through 1974; from 1975 through 1985, standard sinter feed from 64% purity ore; starting 1986, Southern System (Itabira and other southern mines) 64%; during 1988 and 1989, 64.2%; beginning 1990, 64.3% purity ores.

Bauxite, crude and dried, US import reference price based on imports from Jamaica through 1974; from 1975, US import price, c.i.f. US port.

Gold (UK), 99.5% fine, London afternoon fixing, average of daily rates.

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

Fertilizers

Phosphate rock (Moroccan), 72% BPL, FAS Casablanca through 1980; from 1981, 70% TPL contract.

Urea (any origin), bagged, f.o.b. NW Europe.

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

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

Potassium chloride (muriate of potash), bulk, f.o.b. Vancouver.

World Bank quarterlies

Financial Flows and the Developing Countries

The most comprehensive source on the subject is also the only source that brings you the dependable data and authoritative analyses used by senior executives at the World Bank.

Four times a year World Bank experts analyze the data from over 140 developing countries, including exclusive information reported by members under our Debtor Reporting System.

Only *Financial Flows* covers the entire developing world, not just the top emerging markets. It's organized in seven sections for easy reference:

- International lending and capital markets
- Equity portfolio and foreign direct investment
- Secondary markets for developing-country debt
- Bilateral and multilateral official capital flows
- Debt relief update
- Commercial bank provisioning and capital adequacy
- Special financial brief

Financial Flows gives you a wealth of statistical information as well. A statistical appendix includes tables with invaluable time-series data on external debt, foreign direct investment, commercial bank claims on developing countries, secondary market price of developing-country debt, funds and loans raised on international capital markets, and more.

Issued February, May, August, and November.

Approximately 40 pages/ISSN 1020-0975

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—44 in all—with substantive yet succinct reports on:

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

Issued February, May, August, and November.

Approximately 40 pages/ISSN 1020-0967

Yes, please enter my subscription for the World Bank quarterlies, as indicated

_____ Financial Flows and the Developing Countries
US\$150/year

_____ Commodity Markets and the Developing Countries
US\$150/year

Enclosed is my check for US\$_____ 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: _____

1104

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.

One world, one resource

WORLD*DATA 1994: World Bank Indicators on CD-ROM

Introducing the most comprehensive resource on the global economy the World Bank has ever produced, with the convenience of CD-ROM.

When you need dependable information on the world's economies and the social factors that shape them, WORLD*DATA 1994: World Bank Indicators on CD-ROM is the ultimate resource. You'll command an entire library of information with a few taps on your computer keyboard!

Over 700 socioeconomic time-series indicators. WORLD*DATA includes information from 1960 through 1992, with complete data sets from our print publications *World Tables*, *World Debt Tables*, and *Social Indicators of Development*, plus the complete text of *Trends in Developing Economies*.

Data for over 200 economies. The CD-ROM format allows you to select groups of countries (for example, Southeast Asia) or create your own groups for easy comparison of indicators.

Information you can't get from any other World Bank source. Statistics in WORLD*DATA go as far back as 1960 wherever available, compared with 1970 for our print publications. GDP figures are restated in US dollars for easy country-to-country comparison.

A powerful tool. WORLD*DATA contains the complete version of Javelin Plus 3.1 software. More than a spreadsheet, Javelin lets you visualize and analyze data in multidimensional ways.

Compatibility and ease of use. DOS-based WORLD*DATA uses the World Bank's popular and user-friendly Socioeconomic Time-Series Access and Retrieval System (*STARS*) and works with any IBM-compatible computer that has a CD-ROM reader and 512K of available memory. A 24-page user's guide helps you get up to speed fast.

"The volume of data was incredible on WORLD*DATA"

—Michael R. Yurkiv, Analyst, Dugg & Phelps Credit Rating Co.

"A very exciting product"

—Laura Guy, Data and Program Library Service,
University of Wisconsin.

Yes, please send me the publication specified below

_____ WORLD*DATA 1994: World Bank Indicators on CD-ROM
US\$275.00 / Stock No. 13106

Enclosed is my check for US\$_____ 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: _____

1108

Cut out form above and mail to:

The World Bank
PO Box 7247-8619
Philadelphia, PA 19170-8619
USA

To have your order shipped faster, call 202-473-1155 to charge by credit card, or send this completed order coupon by facsimile to 202-676-0581.

COMMODITY MARKETS AND THE DEVELOPING COUNTRIES

A WORLD BANK QUARTERLY

Commodity Markets and the Developing Countries is produced by the Commodity Policy and Analysis Unit of the International Economics Department of the World Bank. For information about the contents call Donald Mitchell at 202-473-3854 or fax 202-477-0569.

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. (Note that the schedule has been moved forward one month in order to present quarterly data as soon as they are available.)

The annual subscription rate is \$150.00. Send subscription orders to World Bank Publications, Box 7247-7956, Philadelphia, PA 19170-7956, USA



© 1995 The International Bank for Reconstruction and Development/The World Bank
1818 H Street, NW, Washington, DC 20433, USA
All rights reserved
Manufactured in the United States of America
Vol. 2, no. 2
ISSN 1020-0967
ISBN 0-8213-3209-0



Printed on recycled paper.