

Global Commodity Markets

COMMODITIES TEAM OF DECPG, WORLD BANK

monthly update

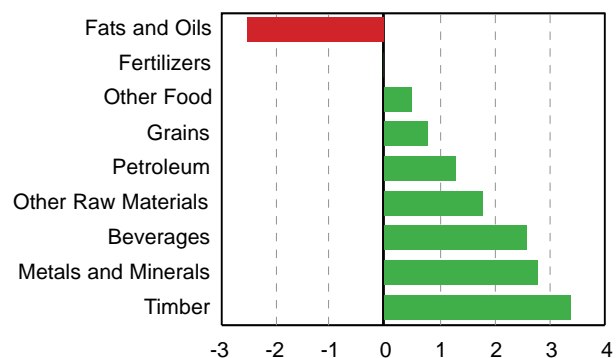
june 1999

Commodity prices were mostly higher in May, with the indices of energy and non-energy commodity prices rising together for the first time in fourteen months – non-energy prices were up 1.5% and energy prices were up 1.3%. The increases were part of the weak recovery of commodity prices which began in February and March and which now appear to be ending. The recovery was based more on expectations than actual improved market fundamentals. The strong US dollar, large stocks, and weak global import demand should keep prices from rising significantly in the near-term.

Crude oil prices remain well above recent lows, while other commodities have been unable to sustain price increases. Energy prices have risen 54% from December lows due to the agreement among OPEC members in February to cut production by 2 million barrels per day. Other commodities have shown only marginal price increases despite efforts by several major commodity producers to introduce control programs. Such attempts are difficult to maintain and are unlikely to do more than slow the decline of prices unless demand increases more than it has.

The rally in metals prices appears over for now, as copper futures in New York made new lows by the end of May after rallying sharply during April and early May. Other metals quickly followed copper prices lower. Gold was down sharply after the Bank of En-

Percentage Change in Price Indices April 1999 - May 1999

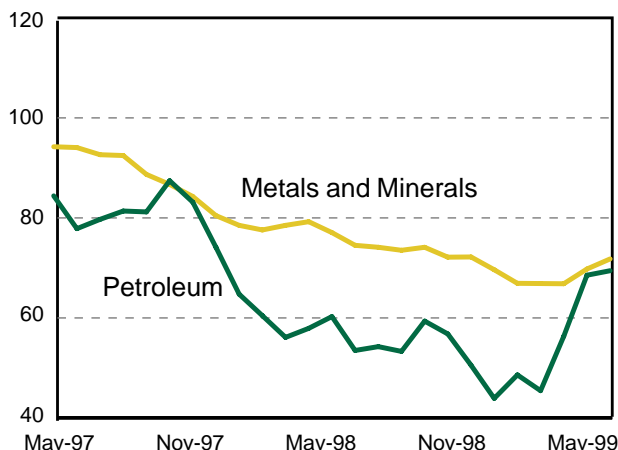


gland announced plans to auction over half of its gold reserves. There has been growing sentiment that gold has lost its luster as a store of wealth and has become an industrial commodity.

Agricultural commodity prices were weaker by the end of May, as large supplies of most commodities and good planting conditions in the Northern Hemisphere plagued the market. Demand has not increased enough to offer relief from continued increases in stocks. A few commodities bucked the trend of lower prices, but they were mostly the commodities that had already fallen to extreme lows such as sugar. Commodities that rallied from previous lows such as coffee, grains, and soybeans, turned lower by mid-month, and are now expected to test previous lows.

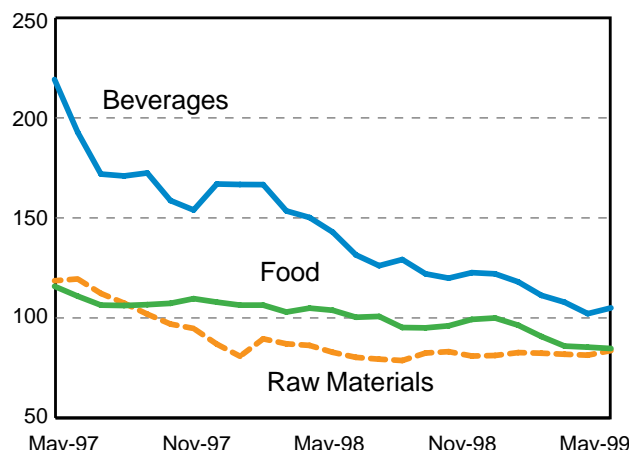
Petroleum and Metals Price Indices

May 1997 - 99 (1990 = 100)



Agriculture Price Indices

May 1997 - 99 (1990 = 100)



Major Movers in May

Arabica coffee prices rose 8.8% in May on concerns of a potential frost in Brazil, resulting from La Niña. The frost period in Brazil normally lasts two to three months and begins in late May or early June.

Cocoa prices dropped another 9.4% in May following the 10% decline in April, reaching a 6-year low. Strong supply-side fundamentals, especially a good mid-year crop in Côte d'Ivoire, combined with weak demand have contributed to the price declines.

Coconut oil prices increased 5.7% reaching an average of \$847/ton during May because of a poor copra crop. Exports from the Philippines reached a 14-year low this season while coconut oil stocks in Rotterdam have been reduced to half of normal levels.

Copper prices peaked in early May, and then fell

12% by month's end due to investment fund liquidation and forward selling by producers. Copper stocks continue to rise to all-time highs, while demand growth remains modest. Significant reductions in output are needed to balance the market.

Gold prices fell to a 20-year low following the announcement by the Bank of England that it will sell more than half of its gold reserve. The U.K. is the latest in a growing list of countries which have decided to sell part or all of their gold reserves.

Lead prices were up 4% in May but dropped 10% from their peak in the last half of the month as stocks moved sharply higher. Although demand in the Asian electronics sector has picked up, the availability of supply in the scrap market has improved.

Nickel prices rose 6%, peaking at over \$5,500/ton in mid-May, on optimism of increasing demand and the emergence of a market deficit this year. However, prices fell over 15% in late May, triggered by the drop in copper prices.

Palm oil prices dropped 6.5% in May as supplies from the major East Asian producers have been recovering strongly, led by Malaysia.

Petroleum prices were marginally higher in May, although prices peaked early in the month at \$17.45/bbl and then fell by nearly \$2 during the rest of the month as liquidation by funds and forward selling by producers ended the spectacular increase in prices. Stocks remain high, particularly for products, and it will take some time for the market balance to improve.

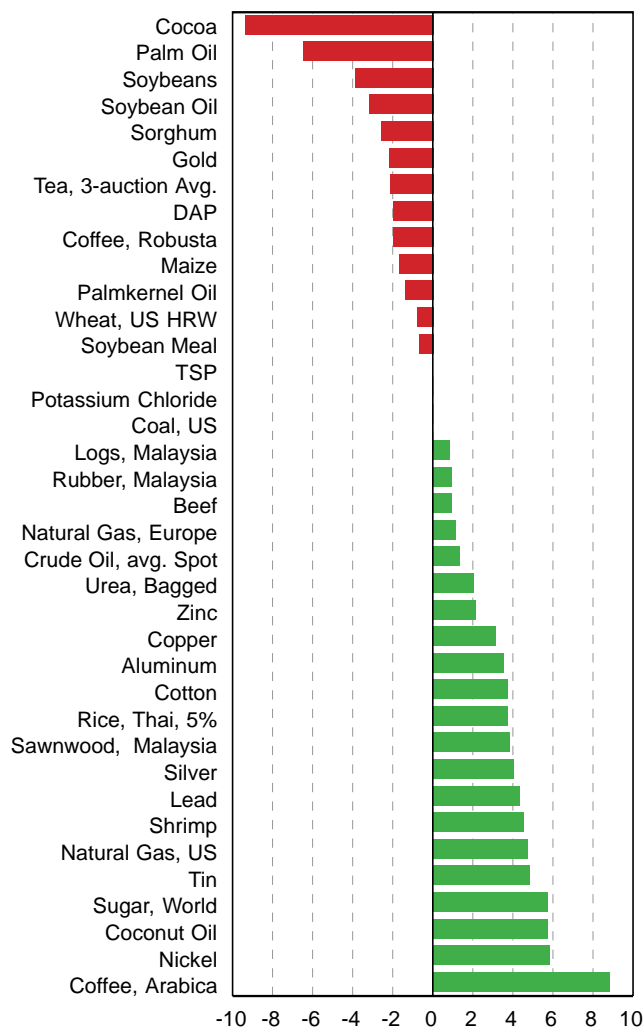
Silver prices rose 4% to \$5.30/toz in May, but slipped below \$5.00 by month's end as the market appears adequately supplied. Although world consumption continues to outstrip mine production and scrap, reports released in May show that world silver demand fell 2% last year while mine production rose to a record high.

Timber prices were higher, with Malaysian sawnwood up 3.8% on signs of gradually improving economics conditions in the region. Malaysian log prices were up 0.8%.

Sugar prices rose 5.7% in what appears to be a brief respite from the heavy selling by Brazilian producers. The latest estimate from F. O. Licht is for a 10-year high in global stocks.

US natural gas prices rose nearly 5% due to lower levels of storage injections than a year earlier, and declining US production. Yet, inventories remain relatively high and prices are unlikely to move significantly higher in the absence of extremely hot weather or hurricane activity in the Gulf of Mexico.

**Percentage Change in Price
April 1999 - May 1999**



COMMODITY PRICE DATA

Commodity	Unit	Quarterly Averages				Monthly Averages			Changes (%)				
		Jan-Mar 1998	Apr-Jun 1998	Jul-Sep 1998	Oct-Dec 1998	Jan-Mar 1999	Mar 1999	Apr 1999	May 1999	Q1 '99/ Q1 '98	Q1 '99/ Q4 '98	May '99/ Apr '99	May '99/ May '98
Energy													
Coal, Australia	\$/mt	32.24	30.49	27.76	26.43	26.10	26.10	26.10	26.10	-19.0	-1.2	0.0	-13.8
Coal, US	\$/mt	35.24	34.76	34.04	33.50	33.50	33.50	33.50	33.50	-4.9	0.0	0.0	-3.6
Crude oil, avg. spot*	\$/bbl	14.07	13.36	13.01	11.85	11.79	13.16	15.86	16.06	-16.2	-0.5	1.3	14.5
Crude oil, Brent*	\$/bbl	14.08	13.29	12.42	11.09	11.24	12.47	15.30	15.14	-20.2	1.4	-1.0	5.2
Crude oil, Dubai*	\$/bbl	12.44	12.08	12.41	11.56	11.07	12.37	14.96	15.30	-11.0	-4.2	2.3	19.6
Crude oil, W. TX Int'l*	\$/bbl	15.69	14.64	14.16	12.90	13.05	14.66	17.34	17.75	-16.8	1.2	2.4	19.1
Natural gas, Europe	\$/mmbtu	2.63	2.52	2.37	2.15	1.99	1.95	1.87	1.89	-24.3	-7.4	1.1	-24.7
Natural gas, US	\$/mmbtu	2.18	2.24	2.01	1.91	1.81	1.79	2.15	2.25	-17.0	-5.2	4.7	5.1
Non-Energy Commodities													
Agriculture													
Beverages													
Cocoa**	¢/kg	167.8	174.2	169.5	159.1	139.4	131.4	117.8	106.8	-17.0	-12.4	-9.4	-40.1
Coffee, arabica**	¢/kg	377.5	303.5	259.2	252.4	238.0	232.3	225.1	244.9	-37.0	-5.7	8.8	-19.3
Coffee, robusta**	¢/kg	183.0	192.9	173.5	179.7	172.7	161.9	152.8	149.8	-5.6	-3.9	-2.0	-25.1
Tea, Calcutta auctions**	¢/kg	231.8	229.5	214.5	190.0	162.3	147.3	137.0	n.a.	-30.0	-14.6	n.a.	n.a.
Tea, Colombo auctions**	¢/kg	236.0	215.3	197.3	181.4	160.3	147.1	147.4	145.0	-32.1	-11.6	-1.6	-12.4
Tea, Mombasa auctions**	¢/kg	254.8	169.0	171.2	164.6	180.3	188.8	186.7	181.7	-29.2	9.5	-2.7	-17.6
Food													
Fats and Oils													
Coconut oil**	\$/mt	565.0	664.3	662.0	740.3	736.0	700.0	827.0	874.0	30.3	-0.6	5.7	20.9
Copra	\$/mt	375.7	404.7	404.7	459.3	457.7	451.0	504.0	530.0	21.8	-0.4	5.2	26.2
Groundnut meal	\$/mt	137.3	114.3	108.0	105.0	102.3	100.0	103.0	n.a.	-25.5	-2.5	n.a.	n.a.
Groundnut oil**	\$/mt	1011.0	906.3	862.7	857.7	808.0	776.0	763.0	751.0	-20.1	-5.8	-1.6	-16.6
Palm oil**	\$/mt	650.3	675.3	679.3	679.3	563.3	497.0	509.0	476.0	-13.4	-17.1	-6.5	-32.5
Palmkernel oil	\$/mt	605.0	706.3	694.3	741.0	704.7	661.0	776.0	765.0	16.5	-4.9	-1.4	-1.4
Soybean meal**	\$/mt	209.7	162.0	149.0	160.7	145.7	142.0	141.0	140.0	-30.5	-9.3	-0.7	-13.6
Soybean oil**	\$/mt	637.0	654.0	606.3	606.3	492.3	444.0	442.0	428.0	-22.7	-18.8	-3.2	-36.2
Soybeans**	\$/mt	270.3	249.3	224.3	229.0	210.3	205.0	207.0	199.0	-22.2	-8.2	-3.9	-19.4
Grains													
Maize**	\$/mt	114.1	105.8	91.6	96.5	95.9	96.2	94.1	92.5	-15.9	-0.5	-1.7	-12.8
Rice, Thai, 5%**	\$/mt	293.8	318.4	322.3	282.2	278.7	256.2	235.5	244.3	-5.1	-1.2	3.7	-23.3
Rice, Thai, 25%	\$/mt	246.0	262.0	273.7	257.7	239.6	220.6	204.5	207.0	-2.6	-7.0	1.2	-20.0
Rice, Thai, 35%	\$/mt	235.3	249.7	262.1	251.6	232.9	213.4	198.5	201.8	-1.0	-7.5	1.6	-18.7
Rice, Thai, A1.Special	\$/mt	188.2	199.8	225.6	238.5	214.2	197.2	184.0	184.3	13.8	-10.2	0.1	-6.5
Sorghum**	\$/mt	111.2	100.4	90.5	90.0	90.9	91.4	89.5	87.2	-18.3	0.9	-2.6	-13.5
Wheat, Canada	\$/mt	168.7	165.3	153.0	164.7	160.7	155.4	147.5	146.5	-4.8	-2.4	-0.7	-12.0
Wheat, US, HRW**	\$/mt	138.7	126.6	111.6	127.7	119.9	117.3	113.9	113.0	-13.6	-6.1	-0.8	-12.3
Wheat, US, SRW	\$/mt	129.1	112.6	95.3	109.0	99.5	100.2	99.7	96.6	-23.0	-8.8	-3.1	-14.0
Other Food													
Bananas**	\$/mt	422.2	567.5	456.5	520.1	479.3	452.4	462.9	447.5	13.5	-7.8	-3.3	-13.3
Beef**	¢/kg	181.3	176.1	166.7	166.2	177.1	179.9	174.4	176.0	-2.3	6.6	0.9	-0.7
Fishmeal	\$/mt	694.7	681.3	670.3	601.3	453.3	406.0	348.0	337.0	-34.7	-24.6	-3.2	-50.8
Lamb	¢/kg	312.5	272.3	251.1	264.2	247.0	245.6	254.2	267.5	-21.0	-6.5	5.2	1.8
Oranges**	\$/mt	388.2	450.1	516.3	415.1	420.3	439.6	447.1	444.3	8.3	1.3	-0.6	-1.0
Shrimp	¢/kg	1653	1661	1574	1427	1413	1411	1424	1488	-14.5	-1.0	4.5	-10.0
Sugar, EU, domestic**	¢/kg	59.94	59.59	58.59	60.88	59.72	59.24	58.89	59.08	-0.4	-1.9	0.3	0.0
Sugar, US, domestic**	¢/kg	48.05	49.15	49.10	48.27	49.45	49.69	49.82	49.93	2.9	2.4	0.2	1.5
Sugar, world**	¢/kg	23.57	19.85	17.92	17.34	15.40	13.29	11.95	12.63	-34.7	-11.2	5.7	-37.9
Raw Materials													
Timber													
Logs, Cameroon	\$/cum	287.7	282.7	279.4	295.9	282.3	273.7	269.3	251.3	-1.9	-4.6	-6.7	-12.1
Logs, Malaysia**	\$/cum	196.9	150.2	140.7	162.0	175.3	172.5	175.2	176.5	-11.0	8.2	0.8	20.3
Plywood	¢/sheet	403.6	361.1	344.3	395.2	426.4	417.4	417.3	413.4	5.7	7.9	-0.9	14.0
Sawnwood, Cameroon	\$/cum	530.5	523.6	519.2	532.0	461.5	431.3	424.3	429.7	-13.0	-13.3	1.3	-17.5
Sawnwood, Malaysia**	\$/cum	474.6	476.7	465.5	519.8	544.3	555.9	559.4	580.4	14.7	4.7	3.8	22.8
Woodpulp	\$/mt	527.5	540.5	507.5	458.3	447.6	443.0	443.0	443.0	-15.1	-2.3	0.0	-18.0

Continued

COMMODITY PRICE DATA (continued)

Commodity	Unit	Quarterly Averages				Monthly Averages			Changes (%)				
		Jan-Mar 1998	Apr-Jun 1998	Jul-Sep 1998	Oct-Dec 1998	Jan-Mar 1999	Mar 1999	Apr 1999	May 1999	Q1 '99/ Q1 '98	Q1 '99/ Q4 '98	May '99/ Apr '99	May '99/ May '98
Non-Energy Commodities (continued)													
Agriculture (continued)													
Other Raw Materials													
Cotton**	¢/kg	153.9	146.2	150.2	127.5	123.9	124.8	127.3	132.1	-19.5	-2.9	3.7	-6.9
Jute	\$/mt	243.3	258.8	260.0	270.0	250.0	250.0	250.0	250.0	2.7	-7.4	0.0	-3.8
Rubber, Malaysia**	¢/kg	74.8	75.3	68.0	70.6	68.0	63.7	59.2	59.7	-9.1	-3.8	0.9	-23.7
Rubber, NY	¢/kg	92.8	92.0	86.1	87.0	83.7	80.1	77.1	78.9	-9.8	-3.8	2.3	-16.1
Rubber, Singapore	¢/kg	73.1	73.4	68.3	69.0	65.5	61.5	58.3	60.2	-10.3	-5.0	3.3	-21.3
Sisal	\$/mt	778.3	805.0	850.0	850.0	779.2	750.0	750.0	750.0	0.1	-8.3	0.0	-5.1
Wool	¢/kg	374.3	350.8	313.0	307.2	301.4	295.7	309.7	307.7	-19.5	-1.9	-0.6	-13.7
Fertilizers													
DAP	\$/mt	194.6	205.3	209.5	204.4	199.3	196.5	193.4	189.5	2.4	-2.5	-2.0	-7.5
Phosphate rock**	\$/mt	43.0	43.0	43.0	43.0	44.0	44.0	44.0	44.0	2.3	2.3	0.0	2.3
Potassium chloride	\$/mt	116.5	116.5	116.5	118.1	119.1	120.2	122.5	122.5	2.2	0.9	0.0	5.2
TSP**	\$/mt	172.5	175.9	175.0	168.9	164.1	163.0	163.0	163.0	-4.9	-2.8	0.0	-7.6
Urea, E. Europe, bagged	\$/mt	110.3	111.7	102.3	88.0	79.5	85.8	75.6	77.1	-27.9	-9.6	2.0	-32.9
Urea, E. Europe, bulk	\$/mt	89.7	89.5	84.8	68.3	67.6	74.1	64.6	66.3	-24.6	-1.1	2.5	-26.0
Metals and Minerals													
Aluminum**	\$/mt	1463.0	1363.4	1320.8	1282.7	1195.6	1181.6	1278.2	1323.5	-18.3	-6.8	3.5	-3.0
Copper**	\$/mt	1700	1731	1640	1545	1407	1378	1466	1511	-17.3	-8.9	3.1	-12.8
Gold	\$/toz	294.2	299.9	288.7	293.9	286.8	286.0	282.6	276.4	-2.5	-2.4	-2.2	-7.6
Iron ore**	¢/dmtu	29.69	29.69	29.69	29.69	26.96	26.96	26.96	26.96	-9.2	-9.2	0.0	-9.2
Lead**	¢/kg	53.6	54.8	53.4	49.6	50.5	50.8	51.9	54.2	-5.8	1.7	4.3	-0.4
Nickel**	\$/mt	5425	4963	4169	3961	4635	5011	5103	5399	-14.6	17.0	5.8	7.6
Silver	¢/toz	624.8	571.2	522.0	495.8	530.2	519.9	509.2	529.8	-15.1	6.9	4.0	-5.2
Steel products (8) index*** 1990=100		80.4	76.7	73.4	69.0	64.1	64.0	65.1	66.5	-20.2	-7.0	2.2	-11.8
Steel-cold rolled coilsheet	\$/mt	416.7	386.7	360.0	320.0	306.7	310.0	320.0	330.0	-26.4	-4.2	3.1	-13.2
Steel-hot rolled coilsheet	\$/mt	316.7	293.3	270.0	236.7	206.7	210.0	215.0	220.0	-34.7	-12.7	2.3	-24.1
Steel, rebar	\$/mt	296.7	260.0	233.3	240.0	230.0	220.0	230.0	230.0	-22.5	-4.2	0.0	-8.0
Steel, wire rod	\$/mt	328.3	336.7	336.7	326.7	293.3	290.0	290.0	290.0	-10.7	-10.2	0.0	-12.1
Tin**	¢/kg	530.9	585.3	561.0	538.9	524.6	536.0	539.3	564.9	-1.2	-2.7	4.8	-3.8
Zinc**	¢/kg	106.3	105.6	102.3	95.6	99.3	103.0	101.9	104.0	-6.5	4.0	2.1	-2.0
World Bank Commodity Price Indices for Low and Middle Income Countries (1990 = 100)													
Petroleum		61.5	58.4	56.9	51.8	51.5	57.5	69.3	70.2	-16.2	-0.5	1.3	14.5
Non-Energy Commodities		105.9	101.0	95.2	94.5	89.8	87.5	87.1	88.4	-15.2	-5.0	1.5	-12.8
Agriculture		116.4	109.7	102.6	102.7	97.6	94.3	92.6	93.7	-16.1	-5.0	1.2	-15.0
Beverages		164.3	144.2	129.0	124.9	116.0	111.6	106.1	108.9	-29.4	-7.1	2.6	-25.2
Food		109.1	107.0	101.1	102.6	95.3	90.4	89.9	89.3	-12.6	-7.1	-0.7	-17.2
Fats and Oils		140.0	132.6	127.2	131.5	115.6	107.6	110.9	108.1	-17.4	-12.1	-2.5	-20.6
Grains		105.7	104.5	98.3	96.5	94.3	90.4	85.9	86.6	-10.8	-2.3	0.8	-17.6
Other Food		85.8	87.3	81.4	82.4	79.3	76.4	75.0	75.4	-7.5	-3.7	0.5	-12.3
Raw Materials		90.3	87.7	84.9	86.4	86.9	86.5	86.0	88.3	-3.8	0.6	2.6	1.0
Timber		91.9	88.8	86.3	96.7	101.7	103.4	104.2	107.7	10.7	5.1	3.4	22.5
Other Raw Materials		89.2	87.0	83.9	79.4	76.8	74.9	73.7	75.0	-13.9	-3.2	1.8	-13.9
Fertilizers		121.8	123.4	123.0	120.1	118.7	118.2	118.2	118.2	-2.6	-1.1	0.0	-4.5
Metals and Minerals		78.7	77.4	74.5	72.0	67.7	67.7	70.5	72.5	-13.9	-6.0	2.8	-6.6

*Included in the petroleum index. **Included in the non-energy index. ***Steel not included in the non-energy index.

\$ = U.S. dollar ¢ = U.S. cent bbl = barrel cum = cubic meter dmtu = dry metric ton kg = kilogram

mmbtu = million British thermal units mt = metric ton toz = troy ounce