

COMMODITY MARKETS



AND THE DEVELOPING COUNTRIES

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AUGUST

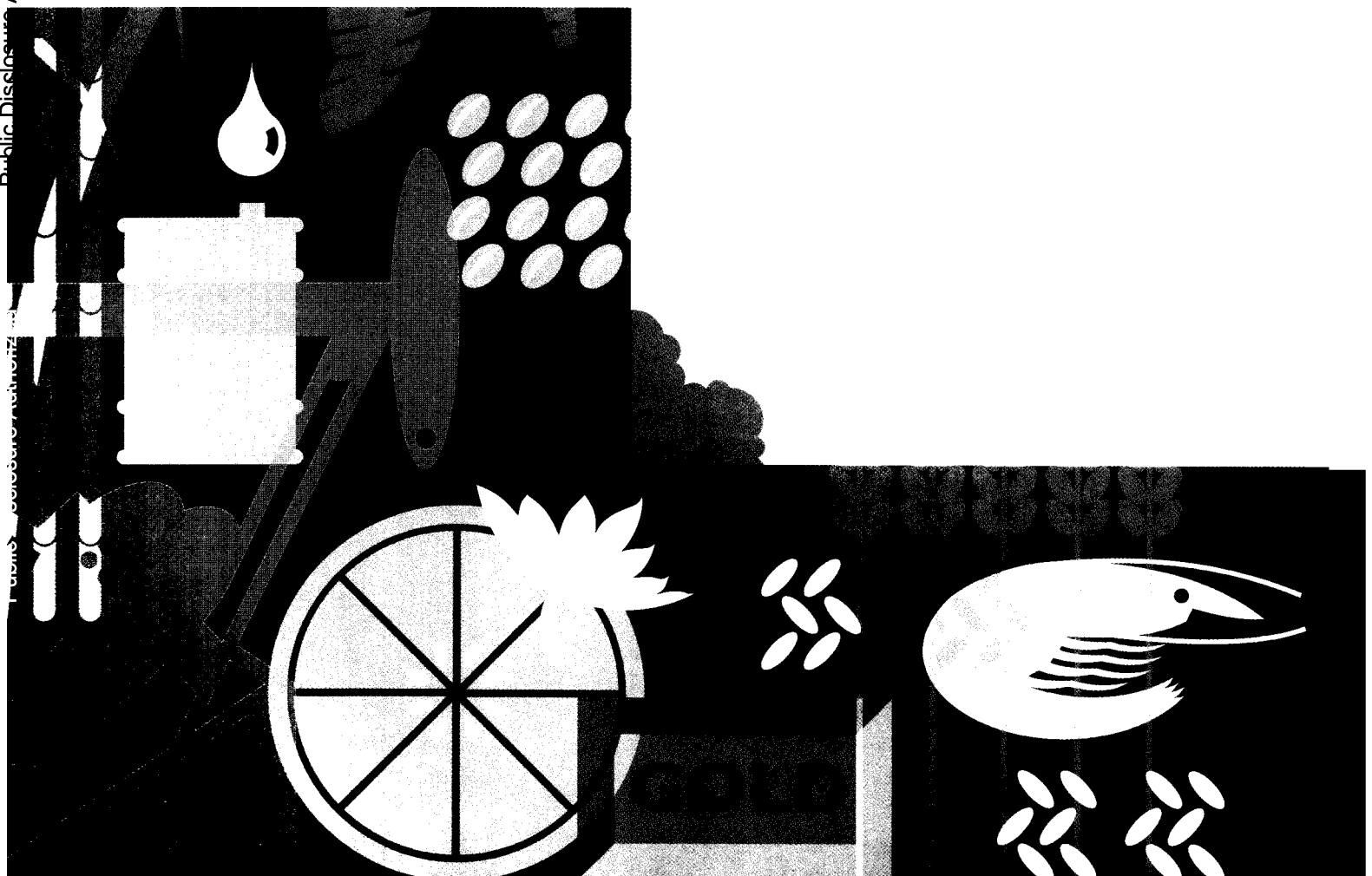


Commodity exports still

Oil prices continue to fall

Coffee prices rise sharply

Metals prices up slightly



Energy prices fell 12.4% as Iraqi exports hit the market. Nonenergy prices were up 5.4% due to a sharp rise in coffee prices.

SUMMARY PAGE 4

SPECIAL FEATURE

■ **COMMODITY EXPORTS AND THE DEVELOPING COUNTRIES** PAGE 6

Commodity exports are still important for many developing countries. Growth in agricultural trade is slowing, and its composition is changing.

ENERGY

■ **COAL** PAGE 7

International prices are weakening because of lower than expected demand and ample supplies. Mild winter and spring weather in the US has left utility stocks high and reduced typical replenishment. Prices are expected to decline next year due to productivity increases, greater competition, and more liberalization of the power sector.

■ **NATURAL GAS** PAGE 7

Bigger supplies and improved storage levels cause US gas prices to fall. Adequate inventories at the onset of winter should prevent price spikes of the sort seen the past two years. Lower oil prices are pulling down European gas prices—which are indexed to oil.

■ **PETROLEUM** PAGE 8

Prices continue to decline in the face of increasing supplies and higher stocks, although the end of the first phase of Iraqi oil exports in late May gave some support to prices. Supplies are projected to grow strongly in the third and fourth quarters, including the resumption of Iraqi exports, implying an atypical stock build over the winter season. If this materializes, prices could decline sharply.

BEVERAGES

■ **COCOA** PAGE 12

Prices rise as deficits are projected for this and the next crop year; still-adequate inventories moderate the increases, however.

■ **COFFEE** PAGE 12

Arabica prices hit a 10-year high following four consecutive years of low production and activity by speculative funds. Robusta prices rise more moderately because supplies are plenti-

ful. Prices should stay high for several more months because of low stocks.

■ **TEA** PAGE 13

Supplies are tight due to low output in Africa and Sri Lanka. Consumption continues to increase in Russia, India, and Central Asia and the Middle East. As a result, average London prices during the quarter are 36% above those during the same quarter last year in real terms.

FOOD

FATS AND OILS

■ **FATS AND OILS** PAGE 14

Despite increased global production, stocks are expected to decline, due mainly to high demand from China. Large infrastructure investments in Argentina and Brazil are expected to boost trade in the oilseed sector.

■ **COCONUT OIL** PAGE 14

Prices decline almost 12% from last quarter. Recovery in copra production in the Philippines and increased production in Indonesia as more plantings mature are expected to boost production to 3.18 million tons.

■ **PALM OIL** PAGE 15

Prices decline moderately. World palm oil production is expected to reach a new record. Yields are expected to flatten in Malaysia and Indonesia (the world's dominant palm oil producers).

■ **SOYBEAN OIL** PAGE 15

Prices remain weak, reflecting above-normal stocks and record world production, which is expected to reach 20.3 million tons in 1996/97. World imports are expected to rise 10%.

GRAINS

■ **GRAINS** PAGE 16

Prices decline as prospects for the current crop appear favorable. World grain stocks are expected to increase about 4% and stocks in the major grain-exporting countries should increase about 15%.

■ **MAIZE** PAGE 16

Prices fall from last year's levels, but world production and stocks remain unchanged. Price increases are thus possible from recent lows.

CHANGE IN QUARTERLY AVERAGES, 1Q97 TO 2Q97
Percent

Energy	-12.4
Nonenergy	+5.4
Total agriculture	+7.2
Beverages	+31.3
Total food	-2.7
Fats and oils	-1.9
Grains	-5.1
Other food	-1.8
Raw materials	-1.8
Timber	+0.2
Fertilizers	-3.4
Metals and minerals	+0.7

■ **RICE** PAGE 17

Rice prices drift as the new crop develops. The old crop harvested in late 1996 and early 1997 is 2.4% higher than the previous crop, leading to a buildup in world stocks. Lower imports are yet another drag on prices.

■ **WHEAT** PAGE 17

World wheat prices fall sharply on improved estimates of the current wheat harvest in the northern hemisphere. Stock levels are expected to rise, while consumption remains stuck at current levels. Unless a late season production problem develops, supplies should be adequate this year.

OTHER FOOD

■ **BANANAS** PAGE 18

Prices slip but remain on track. The EU appeals the WTO decision against the EU banana regime.

■ **SHRIMP** PAGE 18

Prices rise as tight supplies continue in several Asian exporters. India's Supreme Court order to close coastal farms in Kerala could have a significant impact on world shrimp trade.

■ **SUGAR** PAGE 19

Prices are firm on expectations of a slight decline in world production. The US and Mexico are at odds over sweeteners. Poland announces export subsidies.

AGRICULTURAL RAW MATERIALS

■ **COTTON** PAGE 20

Prices remain stable for the quarter. Foreign companies are moving into ginning activities in cotton-producing countries. The São Paulo cotton futures contract is not attracting the attention that had been expected. The EU did not confirm provisional antidumping duties imposed earlier.

■ **RUBBER** PAGE 21

Prices continued to slip, falling each month. Thai exporters sell in anticipation of devaluation. Buffer stock manager is likely to intervene.

■ **TIMBER** PAGE 21

Prices increase in Asia as demand holds steady and export restrictions are placed on logs. Prices remain flat in Europe, where demand is weak.

FERTILIZERS

■ **FERTILIZERS** PAGE 22

After several years of high prices, production capacity is expanding, which should slow further price increases. Other changes, such as the sharp fall in grain prices, may also slow demand growth and contribute to future oversupply problems.

■ **POTASSIUM CHLORIDE** PAGE 22

Demand remains strong, especially in China and India, so prices hold firm. Mine closures have reduced supplies, adding to tight market conditions.

■ **TSP** PAGE 23

Phosphate prices weaken during the quarter, but demand remains stronger than expected, especially from China and India. Brazil reduces import duties but imposes quotas.

■ **UREA** PAGE 23

China bans urea imports in an effort to reduce domestic inventories, dealing a severe blow to an already struggling urea fertilizer market. China has been the largest urea importer, at 6 million tons of imports in 1996.

METALS AND MINERALS

■ **ALUMINUM** PAGE 24

Strong demand and stock drawdowns are not fueling price increases. Consumption growth is rising in Europe (especially France and Italy) and the US.

■ **COPPER** PAGE 24

World prices were volatile throughout the quarter. Increases in supply stocks have resulted in lower prices. Demand remains strong.

■ **GOLD** PAGE 25

Gold prices fall sharply during the quarter as central bank selling continues. Gold sales by speculators contribute to the decline.

Global steel production surges higher through first half of 1997. Strong demand, particularly in Asia, should boost world prices. US market shows signals of slowing down.

COMMODITY PRICES

SUMMARY

The World Bank's index of energy prices fell 12.4% during the second quarter due to increasing supplies and higher stocks. Nonenergy prices were up 5.4% due mostly to a 31.3% rise in beverage prices. Arabica coffee prices hit a 10-year high because of low stocks and strong speculative buying. For the quarter, coffee prices rose 40.4%. Food prices fell 2.7% because of a 5.1% drop in grain prices and lower prices for other foods. Metals and minerals prices were up 0.7% for the quarter. Timber prices were unchanged and fertilizer prices fell as inventories built and import demand weakened.

Energy prices have now fallen 20% from the start of the year due largely to a mild winter, which reduced demand, and to large Iraqi exports under the UN-sponsored \$2 billion oil-for-food deal. Supplies are expected to build from both OPEC and non-OPEC suppliers. OPEC decided in June to keep production quotas unchanged for the second half of the year. OPEC production increased by nearly 2 million barrels per day during the second quarter, partly reflecting exports from Iraq; however, all OPEC countries were over quota. The second phase of the oil-for-food program was approved in June, but Iraqi authorities have delayed signing new contracts. Oil exports from Iraq could begin in August. Prices probably would have declined even more during the second quarter if not for strong oil demand. OECD oil demand grew by 2.5% while total demand grew by 4%.

Demand in developing countries grew an estimated 5%. The greatest increases occurred in Asia.

Coffee prices rose sharply until May and then fell. The increase for arabica prices were much larger than for robusta prices because of low stocks following three years of low crops in major producing countries. Brazil and Colombia, two of the major arabica producers, have had declining production for four years. Robusta production has not seen a similar decline because Vietnam and Uganda continue to expand production using new high-yielding varieties. Consumers have been slow to switch, which has kept price differentials at record levels. Speculators also contributed to the recent price increases when reports of the possible frost in Brazil sent prices soaring. Price prospects for the next year depend on the coming crop in Brazil and Colombia; forecasts differ widely on their production.

Food prices dropped sharply as grain and oilseed prices declined. Wheat (-3.8%), maize (-3.3%), and rice (-7.2) declined on the prospects of a good harvest. Wheat production is expected to be slightly above last year's level and large enough to rebuild world stocks slightly. Maize production is also expected to slightly exceed last year's production, while the rice crop is expected to about equal last year's crop. World stocks are likely to remain low relative to historical levels but increase from last year's levels. Global production of fats and oils increased, contributing to the decline in fats and oils prices.

Metals and minerals prices were up slightly for the quarter, led by copper (3.5%) and steel (1.3%). But aluminum (-0.7), nickel (-3.7), lead (-8.4), and tin (-3.8) were all lower, as was gold (-1.9). Gold continued to fall as central bank selling intensified and speculative selling increased. Steel demand rose 8% over levels a year ago, but production matched the increase to keep prices nearly steady.

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

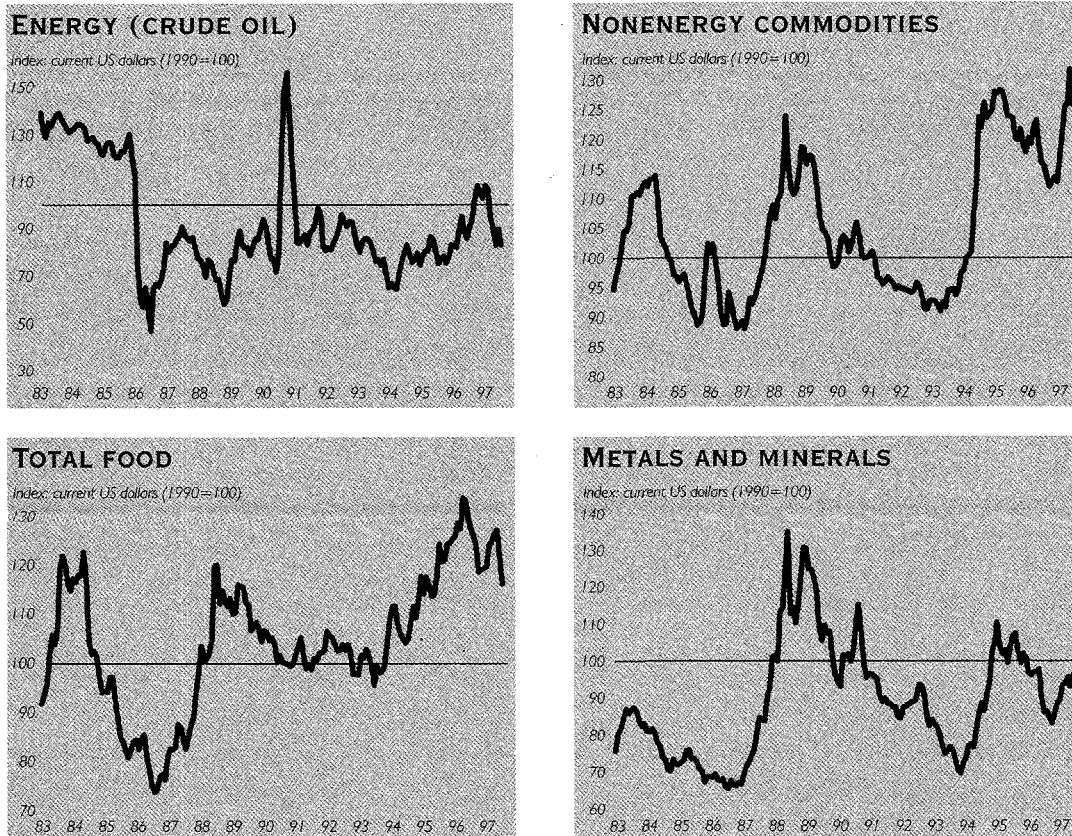


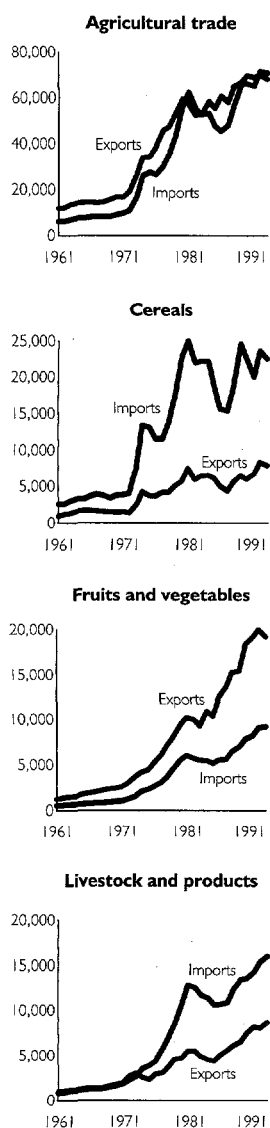
TABLE 1. WEIGHTED INDEX FOR PRIMARY COMMODITY PRICES FOR LOW- AND MIDDLE-INCOME ECONOMIES IN CURRENT DOLLARS (1990=100)

	Energy (100) ^a	Nonenergy commodities (100)	Total agriculture (69.1)	Beverages (16.9)	Total food (29.4)	Fats and oils (10.1)	Grains (6.9)	Other food (12.4)	Total raw materials (22.8)	Timber (9.3)	Fertilizers (2.7)	Metals and minerals (28.2)
Annual												
1994	69.4	111.6	123.3	148.8	106.8	125.9	102.1	93.9	125.8	156.6	93.4	84.6
1995	75.1	122.2	131.3	151.2	116.9	136.6	120.4	98.8	135.2	139.5	103.6	101.6
1996	89.3	115.1	125.5	126.5	123.6	147.0	140.6	95.0	127.1	139.5	119.8	89.1
Quarterly												
1996Q2	84.8	119.4	130.3	131.3	129.7	150.1	157.2	97.6	130.3	141.4	118.9	92.8
1996Q3	90.8	113.1	124.7	126.6	123.2	147.7	139.6	94.0	125.2	141.1	121.1	83.8
1996Q4	101.4	110.7	120.7	124.0	116.8	147.8	118.4	90.5	123.3	139.9	123.0	85.1
1997Q1	91.8	119.3	130.0	150.7	122.5	154.5	122.7	96.3	124.4	140.2	124.2	92.5
1997Q2	80.4	125.8	139.4	197.8	119.2	151.6	116.5	94.3	122.1	140.5	120.0	93.1
Monthly												
1996 Jun	80.9	117.0	129.0	130.7	127.1	146.7	153.5	96.3	130.2	140.8	119.2	87.4
1996 Jul	85.6	114.0	125.8	126.8	125.0	143.2	150.3	95.8	126.3	140.5	119.7	84.2
1996 Aug	89.3	113.6	125.2	129.4	123.3	147.2	141.2	93.8	124.4	140.7	121.1	84.4
1996 Sep	97.3	111.7	123.1	123.7	121.4	152.7	127.3	92.5	124.8	142.2	122.5	82.8
1996 Oct	103.2	109.9	121.1	126.6	116.1	145.4	120.0	89.9	123.4	142.4	123.0	81.3
1996 Nov	97.9	111.6	121.3	125.3	116.9	147.8	117.4	91.3	124.2	141.6	123.0	86.6
1996 Dec	103.2	110.7	119.7	120.1	117.4	150.2	117.9	90.3	122.4	135.8	123.0	87.4
1997 Jan	101.5	115.0	124.2	129.4	121.4	152.0	123.7	95.1	123.8	139.0	124.5	91.6
1997 Feb	89.3	119.2	130.0	151.3	122.2	153.9	122.6	96.0	124.3	140.2	124.1	92.1
1997 Mar	84.5	123.7	135.9	171.3	123.9	157.5	121.6	97.7	125.1	141.2	124.1	93.7
1997 Apr	78.1	124.0	137.4	179.8	124.7	158.0	119.3	100.4	122.3	140.0	122.5	91.2
1997 May	84.7	129.7	144.6	219.7	119.3	152.9	118.7	92.2	121.6	140.5	118.8	94.2
1997 Jun	78.3	123.8	136.1	193.9	113.7	143.9	111.4	90.3	122.3	141.0	118.8	94.0

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

FIGURE 2.
THE COMPOSITION
OF AGRICULTURAL TRADE
IS SHIFTING

Millions of US dollars



Source: FAO data.

COMMODITY EXPORTS AND THE DEVELOPING COUNTRIES

Primary commodities are still very important in world trade, especially for developing countries. According to UNCTAD they accounted for about 34 percent of total developing country exports in 1993 (the most recent complete data available). The share is smaller for industrial market economies (17.6 percent) because they export more manufactures (table 2).

SHARE OF COMMODITIES IN TRADE

The share of commodities in world exports has been falling over time because of declining commodity prices relative to manufactures and the more rapid growth of manufactures exports. But for certain regions the share of commodity exports remains very large. In Africa, for example, the share is 79 percent. Fuels account for 70 percent of Africa's commodity export revenues, with agriculture, metals, and minerals making up the balance. Other regions are less dependent on commodities, but for many regions the share is still large.

Many countries derive more than 90 percent of their export earnings from commodities, especially African countries. Algeria, Ethiopia, and Uganda derive 99 per-

cent of their export earnings from primary commodities according to UNCTAD. Other countries that are still very dependent on commodity exports are Chile (83 percent), Argentina (68 percent), Fiji (67 percent), and Vietnam (60 percent).

TRADE IN AGRICULTURAL COMMODITIES

Growth in world trade in agricultural products has slowed during the 1980s and 1990s after rising sharply in the 1970s. An increasing share of agricultural trade has shifted from bulk commodities such as cereals and oilseeds to high-valued crops such as fruits, vegetables, and meats (figure 2). Food imports by developing countries have grown in recent years. Food imports totaled \$55.3 billion in 1993, \$25.5 billion of it in bulk commodities such as cereals and oilseeds and \$29.9 billion in higher-value foods such as fruits and vegetables, livestock and livestock products, and sugar and honey (table 3). Imports of livestock products have partially replaced cereals imports and now total \$16 billion.

Exports from developing countries have grown nearly as rapidly as imports. Growth has been especially rapid in fruits and vegetables. By 1993 exports of fruits and vegetables from developing countries reached nearly \$20 billion, almost offsetting imports of cereals.

TABLE 2. SHARE OF PRIMARY COMMODITIES, INCLUDING FUELS, IN TOTAL MERCHANDISE TRADE VALUES

Region	1970	1980	1990	1993
World	36.2	42.5	25.9	22.7
Industrial market economies	25.3	25.6	18.6	17.6
Developing countries	80.4	79.3	44.6	34.2
Americas	90.0	83.7	63.3	51.4
Africa	93.8	96.1	82.6	79.1
Asia	70.7	75.1	35.1	26.9
Eastern Europe	31.0	42.3	41.5	39.3

Source: UNCTAD Commodity Yearbook 1995 (New York and Geneva, 1995).

TABLE 3. DEVELOPING COUNTRY TRADE IN AGRICULTURAL PRODUCTS, 1970 AND 1993

Billions of US dollars

Commodity group	1970		1993	
	Imports	Exports	Imports	Exports
Agricultural trade ^a	10.7	19.3	95.3	93.0
Agricultural raw material ^b	1.4	4.0	13.8	13.9
Beverages ^c	0.4	4.5	1.7	8.9
Food	7.1	8.1	55.3	45.2
Cereals	3.8	1.5	22.5	7.9
Fruits and vegetables	0.9	2.3	9.2	19.2
Livestock	1.6	1.6	16.0	8.6
Oilseeds	0.2	0.6	3.0	2.8
Sugar and honey	0.6	2.0	4.7	6.7

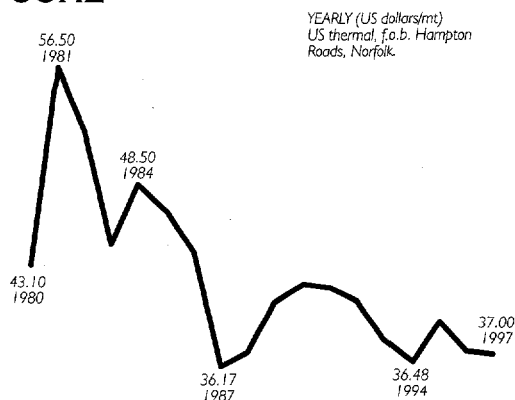
a. Excludes fisheries and forestry.

b. Textile fibers, natural rubber, and tobacco.

c. Cocoa, coffee, tea, and mate.

Source: FAO data.

COAL



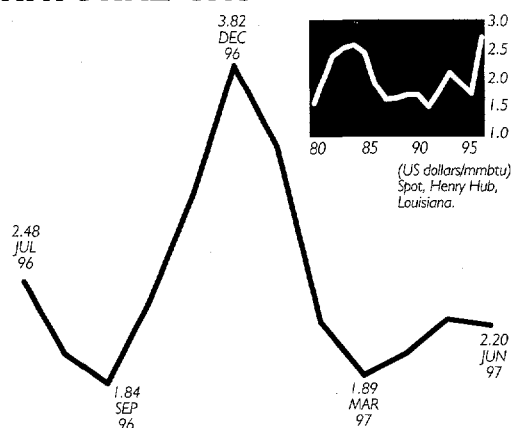
PRICES FALL AMID AMPLE SUPPLY

US coal prices continued downward in the second quarter on weaker demand and growing supplies. Mild winter weather left utilities and mines with large stockpiles, and reduced demand for typical spring restocking. Continuing mild weather in the spring further reduced coal usage, contributing to the slump in the market. On the supply side, mild weather has been nearly perfect for coal production, especially in surface mines in the east, which companies have been operating full-out to minimize production costs. In the west, however, bituminous coal supplies are sold out for the year, and supplies could remain tight next year despite several planned mine startups and expansions. Exports are expected to slip slightly this year in response to weak international market conditions.

US coal demand is expected to increase moderately in 1998, mainly for power generation, and production is projected to increase commensurately, mainly in the west. Continued gains in productivity and increased competition are expected to lead to lower prices, especially in the increasingly deregulated power sector.

Internationally, demand will register lower than expected growth this year, primarily in Europe and Asia. Plentiful supplies from major producers have further lowered prices. However, prospects are for solid demand growth next year and beyond, and production increases are expected in all the main regions.

NATURAL GAS



US PRICES DECLINE AS SUPPLY IMPROVES

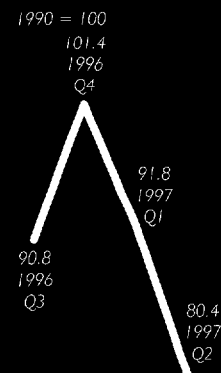
US natural gas prices have weakened significantly this year due to mild winter weather, higher supplies, and improved inventories. The market, which has generally been tight since late 1995, with periods of extremely high prices, is entering a period when production is expected to grow faster than demand for several years.

Mild winter weather had minimized pressure on storage levels and allowed inventories to begin the injection season 30% above the depleted levels of a year earlier. Inventories have risen steadily in a moderate price environment, and at the end of the second quarter were 15% above last year's levels. Heading into winter, stocks are expected to be at more comfortable levels than they have been for the past two years, although still below historical levels. With improved deliverability and inventories, prices should average considerably less over the heating season than during the previous two winters. What path prices take, however, depends critically on the strength of winter demand—and thus on the weather.

The downward price pressures developing this year are expected to continue into 1998. In the absence of unusually cold winter weather, gas prices could fall below \$2 per million Btu for much of next year, although prices are projected to average slightly higher than \$2 for the year.

Much of the anticipated decline in prices is due to new production, particularly from the Gulf of Mexico, and to new pipeline

Crude oil prices fell sharply on Iraqi exports. However, demand for crude oil remained strong. Coal prices fell in the US but rose in Australia. Natural gas prices declined.



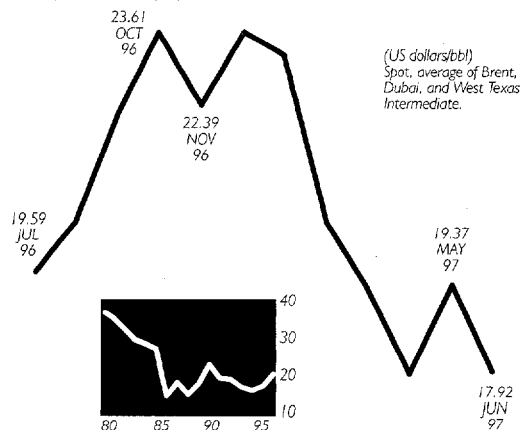
capacity. The new pipeline capacity will improve deliverability and help reduce the basis differentials between western supply areas and consuming markets in the east. Pipeline expansions out of western Canada will be completed this year, but significant additions will not be completed until late 1998. Intensive drilling activity keeps Canadian gas production rising, so the increase in spot prices may prove short lived. Further pipeline projects out of Canada are planned for 1999–2000 which could boost exports substantially.

In Europe natural gas prices have fallen this year along with lower oil prices, to which all major contracts are indexed. Further declines in oil prices could lead to lower gas prices, although increased competition and liberalization of markets are expected to lower prices over the longer term.

Gas demand soared in Europe last year, rising by more than 10%, or 40 billion cubic meters (bcm). Most countries recorded strong growth, with consumption in at least 10 countries rising by double digits. The highest growth was in the very competitive UK market, where demand rose 17%, overtaking Germany as the largest European consumer—even though German demand was up 12%. Much of the growth in demand was in the residential sector spurred by colder than normal weather and new grid connections. For 1997–98 the largest growth is expected in the power sector, as growing liberalization of markets takes effect.

Production in the three main producing countries grew rapidly—19% (13 bcm) in the UK, 31% (10 bcm) in Norway, and 13% (9 bcm) in the Netherlands. Production was up in Europe's main foreign suppliers, 8% in Algeria and 1% in countries of the former Soviet Union. The supply potential from the main importing regions—countries of the former Soviet Union, North Africa, and the North Sea—is substantial over the medium to long term and will contribute to lower prices as markets are liberalized and new pipelines are built.

PETROLEUM



PRICES DECLINE AS SUPPLIES GROW

Oil prices declined again in the second quarter as growing supplies and higher stocks mounted. Prices are more than 20% lower than at the start of the year, when the market was tight and inventories were extremely low. Mild winter weather prevented the situation from worsening and greatly reduced the pressure on stocks. Rising crude oil supplies and lower seasonal demand have allowed inventories to build. Strong demand and the ending of Iraqi oil exports in late May kept prices from falling further. For the rest of the year, rising supplies from both OPEC and non-OPEC sources should boost stocks and lower prices—possibly through the coming winter season.

OPEC met in late June and again rolled over its crude production quota at 25.033 million barrels per day (mb/d) for the second half of this year. OPEC production leapt to over 27 mb/d during the second quarter, partly reflecting exports from Iraq under the UN-sponsored \$2 billion six-month oil-for-food deal. OPEC production fell slightly for the quarter as a whole because Iraqi oil exports ended in late May under terms of first phase of the UN agreement.

Except for Iraq, all OPEC countries were over quota, including Saudi Arabia and Kuwait when their equal shares of Neutral Zone production are counted. For these 10 OPEC members overproduction was nearly 2 mb/d (table 4). Once again Venezuela at

0.80 mb/d above quota and Nigeria at 0.43 mb/d were the two largest overproducers. Saudi Arabia was over by 0.16 mb/d (including its share of the Neutral Zone) but is sending proceeds of 0.15 mb/d of its Abu Safa production to Bahrain. Algeria was 0.10 mb/d over quota as the government continues to attract foreign investment to help develop its hydrocarbon resources.

The second phase of the UN-mandated oil-for-food program was approved by the Security Council June 4, but Iraqi authorities have delayed signing new contracts, apparently in protest of the slow progress of aid shipments from the first six-month program. Iraq is delaying oil exports under the second phase—which began June 8—until its aid distribution plan is approved by the UN. The plan will likely be approved by early August, after which Iraq must submit oil contracts to the UN Security Council for approval.

Thus oil could well begin flowing from Iraq in August, although there could be yet another glitch. Under the UN agreement, Iraq's \$2 billion in oil exports are divided into two 90-day periods of \$1 billion each (the first period runs from June 8 to September 8). Iraq may well request that the starting date of the first period be moved forward, but the UN might hold Iraq to the letter of the agreement. Iraq could not export

\$1 billion of oil by September 8. Oil exports of \$1 billion are roughly equal to 65 million barrels or 0.7 mb/d, depending on prevailing prices. Iraq claims to be able to export 1 mb/d, and so would need at least two months to export 65 million barrels. Thus while oil could begin flowing in August, resolution of the timing issue for the two 90-day periods could affect not only the second-phase exports, but also negotiations for further UN-sanctioned oil sales.

Non-OPEC production edged about 0.1 mb/d higher in the second quarter. Declines for maintenance in the North Sea and coker turnarounds at synthetic oil sands plants in Canada tended to mask gains in other regions. Outside of the UK and Canada, non-OPEC supplies rose more than 0.5 mb/d, with increases of about 0.1 mb/d each in Latin America, Australia, and countries of the former Soviet Union (table 5). Non-OPEC supplies are set to grow significantly in the third and fourth quarters, which should tip the overall balance into surplus.

Oil demand rose strongly in the second quarter, up nearly 4% (table 6). OECD oil demand rose an estimated 2.5% with moderate growth in the US. The main increases were in transport fuels—diesel and jet—with only moderate growth in gasoline. Demand in developing countries grew at an estimated

TABLE 4. OPEC CRUDE OIL PRODUCTION AND QUOTAS

Millions of barrels per day

	1995	1996	1Q97	2Q97	Quotas
Algeria	0.76	0.82	0.85	0.85	0.750
Indonesia	1.34	1.39	1.36	1.38	1.330
Iran	3.65	3.67	3.68	3.69	3.600
Iraq	0.55	0.58	1.11	1.05	1.200
Kuwait	1.84	1.81	1.84	1.80	2.000 ^a
Libya	1.41	1.39	1.41	1.43	1.390
Neutral Zone	0.43	0.48	0.53	0.51	
Nigeria	1.93	2.15	2.24	2.30	1.865
Qatar	0.45	0.49	0.56	0.56	0.378
Saudi Arabia	7.94	7.91	7.98	7.90	8.000 ^a
UAE	2.20	2.23	2.29	2.23	2.161
Venezuela	2.58	2.97	3.09	3.16	2.359
Total crude	25.07	25.87	26.93	26.84	25.033
NGLs ^b	2.42	2.60	2.74	2.84	
Total OPEC	27.48	28.47	29.67	29.68	

a. Quota includes share of Neutral Zone.

b. Natural gas liquids.

Source: International Energy Agency and OPECNA.

TABLE 5. NON-OPEC OIL SUPPLY

Millions of barrels per day

	1995	1996	1Q97	2Q97	Change 1Q97 to 2Q97
United States	8.61	8.59	8.64	8.66	0.02
Canada	2.40	2.46	2.52	2.36	-0.16
United Kingdom	2.79	2.81	2.94	2.65	-0.29
Norway	2.91	3.23	3.29	3.36	0.07
Other OECD	1.28	1.29	1.30	1.40	0.10
Latin America	6.08	6.54	6.73	6.84	0.11
Africa	2.58	2.72	2.83	2.88	0.05
Middle East	1.87	1.92	1.96	1.97	0.01
China	2.99	3.12	3.21	3.26	0.05
Other Asia	2.07	2.09	2.11	2.15	0.04
FSU	7.13	7.07	7.06	7.16	0.10
Eastern Europe	0.27	0.28	0.28	0.28	0.00
Processing gain	1.46	1.52	1.57	1.56	-0.01
Total non-OPEC	42.44	43.66	44.45	44.51	0.06

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

Source: International Energy Agency.

5%, much of it originating in Asia. Apparent oil demand in the FSU (derived from production and trade figures) showed a strong increase, likely reflecting an increase in stocks rather than a spurt of growth. Technical and weather problems constraining exports in June resulted in higher apparent demand.

Crude oil stocks have improved significantly due to mild winter weather and steady growth in supply, while product stocks have improved less and remain low. In the US crude stocks have risen significantly since the beginning of the year, while gasoline stocks remain on the low side. US gasoline demand has shown only moderate growth this year, but some tightness appeared in the market during the first part of the summer driving season. In Europe crude and product stocks are below last year's levels, but only product stocks appear unduly low, reflecting a decrease in refinery runs. Stocks in OECD Pacific countries are well above last year's levels. The data suggest some stockbuilding in developing countries during the second quarter.

Crude oil supplies are expected to increase significantly in the second half of the year, with particularly large gains in the fourth quarter. Total non-OPEC supplies are projected to reach 46.7 mb/d in the fourth

quarter (compared with 44.5 mb/d in the second quarter). The largest increase is expected in Europe, where production should rise by over 1 mb/d, largely in the North Sea. Gains come from new field developments in both the UK and Norwegian sectors and a rebound following summer maintenance programs. Notable increases are also expected in a number of other countries, such as Angola, Australia, Brazil, Canada, Colombia, and Mexico.

Assuming that Iraq's oil exports resume in August, OPEC crude production could again exceed 27 mb/d. Crude oil stocks are projected to increase in the third quarter, which is not atypical, and in the fourth quarter, which is (table 7). Projections suggest that crude stocks may build slightly in the first quarter of next year, which would be very unusual. Normally, stocks are withdrawn over the winter months when demand is seasonally highest. If the supply and demand projections by the International Energy Agency (IEA) prove correct, too much crude would enter the market and prices would decline—possibly through much of the winter season.

At the beginning of the third quarter the forward curve of crude oil futures prices was fairly flat, reflecting a market in reasonably good balance. As the expected sur-

TABLE 6. OIL CONSUMPTION

	Millions of barrels per day				Percentage change			
	OECD	FSU and Eastern Europe	Developing countries	Total	OECD	FSU and Eastern Europe	Developing countries	Total
1990	38.1	10.1	18.2	66.4	0.3	-5.0	4.1	0.5
1991	38.2	9.7	18.9	66.8	0.4	-4.1	3.7	0.6
1992	38.8	8.3	20.1	67.3	1.7	-13.8	6.4	0.8
1993	39.0	7.0	21.5	67.5	0.5	-16.1	6.7	0.3
1994	40.0	6.2	22.6	68.8	2.5	-11.4	5.3	1.9
1995	40.4	6.2	23.7	70.3	1.0	0.0	4.9	2.2
1996	41.2	5.7	25.1	72.0	2.0	-8.1	5.9	2.4
1Q96	42.2	6.1	24.9	73.2	2.6	-6.2	4.2	2.4
2Q96	39.6	5.6	24.7	69.9	1.1	-3.4	4.9	2.0
3Q96	40.6	5.6	24.8	71.0	2.0	-3.4	6.1	2.9
4Q96	42.2	5.6	25.9	73.7	1.9	-11.1	6.1	2.2
1Q97	41.9	5.9	26.1	73.9	-0.6	-3.3	4.8	1.0
2Q97	40.6	6.0	26.0	72.6	2.5	7.1	5.3	3.9

Source: International Energy Agency and World Bank.

plus develops, futures prices would widen into contango, reflecting an oversupplied market.

A number of risks could prevent prices from falling as projected. The return of Iraqi oil exports is a major factor. Prices could remain much firmer than expected if the exports do not resume. A combination of strong weather-related demand and some disruption in supplies could also prevent prices from falling since crude and product stocks—while much improved—remain low by historical standards in some regions.

Non-OPEC oil supplies in 1996 came in well short of expectations, mainly because of technical problems and delayed startup of new fields. So far this year, the IEA has already lowered its supply forecast for 1997 by 0.4 mb/d, and further downward revisions are possible (some forecasters place non-OPEC supply growth well below the IEA estimate). In addition, demand figures for the non-OECD countries lag considerably, and demand levels could be higher than estimated. Thus there is a reasonable set of circumstances under which prices could remain firm. Overall, though, the projected buildup

of supplies and the threat of little or no stock draw during the winter season imply an oversupplied market and a significant decline in prices.

The surplus is expected to hold for 1998, especially if Iraqi exports continue. If so, a stock build for the entire year is projected which should result in lower prices and push the futures market into steeper contango. The path of prices will not be smooth but will remain volatile as prices respond to prevailing market conditions. Any of a variety of incidents could temporarily move prices in either direction—weather, stock levels, Iraqi exports, supply problems, speculation on futures markets, and so on. Nevertheless, an oversupplied market appears in the offing, and prices are expected to decline.

OPEC meets in late November, when it is expected to roll over quotas yet again. However, the variance among overproducers is widening, and Saudi Arabia has not been able to raise production in nearly seven years. Any attempt to increase market share could result in a major price collapse, reminiscent of 1986. While this is not expected any time soon, it remains a risk to prices in the medium term.

TABLE 7. WORLD PETROLEUM DEMAND AND SUPPLY

Millions of barrels per day

	1995	1996	1Q97	2Q97	3Q97	4Q97	1997	1Q98	2Q98	3Q98	4Q98	1998
Demand												
OECD	40.4	41.2	41.9	40.6	41.3	42.9	41.7	42.5	40.7	41.8	43.4	42.1
FSU	4.8	4.3	4.3	4.5	4.2	4.5	4.4	4.4	4.5	4.3	4.6	4.4
Other	25.1	26.5	27.7	27.5	27.3	28.5	27.7	29.0	28.8	28.5	29.8	29.1
Total	70.3	72.0	73.9	72.6	72.8	75.9	73.8	75.9	74.0	74.6	77.8	75.6
Supply												
OECD	18.0	18.4	18.7	18.4	18.9	19.9	19.0	19.6	19.3	19.7	20.9	19.9
FSU	7.1	7.1	7.1	7.2	7.1	7.2	7.1	7.3	7.4	7.3	7.5	7.4
Other ^a	17.4	18.1	18.6	18.9	19.1	19.6	19.1	19.6	19.8	20.1	20.4	19.9
OPEC ^b	27.5	28.5	29.7	29.7	29.7	29.8	29.7	29.8	29.8	29.8	29.9	29.8
Total	70.0	72.1	74.1	74.2	74.8	76.5	74.9	76.3	76.3	76.9	78.7	77.0
Stock change and miscellaneous												
OECD	-0.3	-0.1	0.3	0.6								
Floating/transit	0.1	-0.1	0.2	0.3								
Other/miscellaneous	-0.1	0.3	-0.3	0.7								
Total	-0.3	0.2	0.2	1.6	2.0	0.6	1.1	0.4	2.3	2.3	0.9	1.4

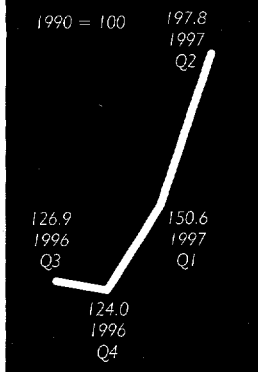
Note: Includes natural gas liquids (NGLs), nonconventional, and other supply sources.

a. Includes processing gains (1.5 mb/d in 1996).

b. Includes NGLs (2.6 mb/d in 1996).

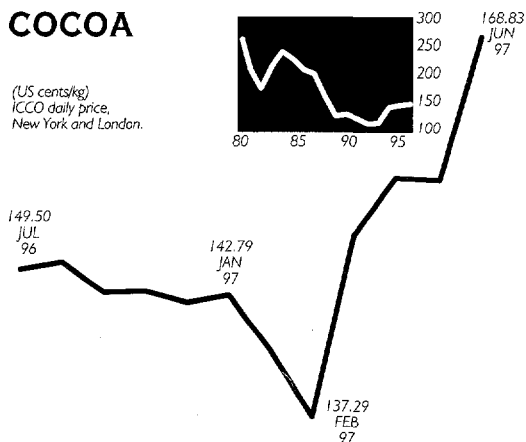
Source: International Energy Agency and World Bank.

Coffee prices increased sharply on concerns about production in Brazil and Colombia. Cocoa prices also rose because production is expected to fall short of consumption.



COCOA

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



PROJECTED MARKET DEFICITS KEEP PRICES RISING

Cocoa prices rose in the second quarter, responding to growing concerns about cocoa availability. Early estimates of the size of the 1997/98 West African crop are causing particular concern. If a strong El Niño weather pattern—low rainfall and drought in Southeast Asia—emerges as some fear, cocoa yields could fall below the projected production deficit for 1997/98.

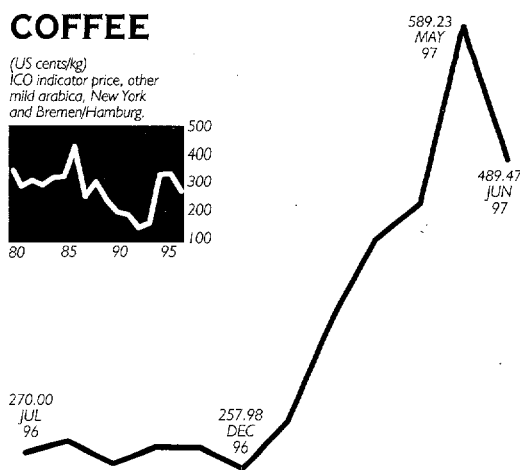
Right now, the estimated production deficit for 1996/97 is around 100,000 tons, reflecting lower production in Brazil and Ghana. Côte d'Ivoire's production is also projected at below last year's—1.15 million tons instead of 1.2 million tons. Production is expected to hold steady in Nigeria and Cameroon. The only projected production increase is from Indonesia.

Cocoa inventories are healthy enough to avoid significant price increases despite the projected deficit for this year. Closing stocks (September 1997) are projected at around 41% of world grindings—a measure of consumption. What worries the industry is the possibility of production deficits in the next couple of years, which could lead to significant price hikes.

Even though Ghana's farmgate price was up 50% (from \$580/ton to \$870/ton), prices to Ghanaian cocoa farmers are still 20–30% below those to cocoa farmers elsewhere. Only cocoa farmers in Côte d'Ivoire receive less. The government of Ghana announced plans to split the state Produce Buying Company into two companies and to sell them.

COFFEE

(US cents/kg) ICO indicator price, other mild arabica, New York and Bremen/Hamburg.



ARABICA PRICES REACH 10-YEAR HIGH

Arabica prices continued to rise steeply during the second quarter, while robusta prices rose more slowly. As a result arabica prices were more than twice robusta prices. The last time monthly average arabica prices went over \$250/lb was in 1977, when a killer frost hit Brazil's coffee growing areas.

The arabica price hikes stem from three consecutive years of low crops in major producing countries. Brazil's production—more than 30 million bags in good years—has not reached that level in four years. Colombia's output has been declining for the past four years, and the 1996/97 crop is estimated at 10 million bags, well below the 13 million bags in 1994/95. Stocks in both producing and consuming countries have declined to historically low levels.

Robusta prices increased less because production was way up in Vietnam and Uganda. Vietnam continues to expand its robusta production at a record pace—from 3.5 million bags in 1994/95 to 5 million bags in 1997/98. Uganda's production rose from 3.1 million bags in 1994/95 to over 4 million bags the following year, where it remains. The availability of the new high-yielding varieties makes continuing production increases likely.

In the long run, substitution by consumers between the two types of coffee should reduce the large price differential between arabicas and robustas. In the short run, however, substitution is likely to be limited.

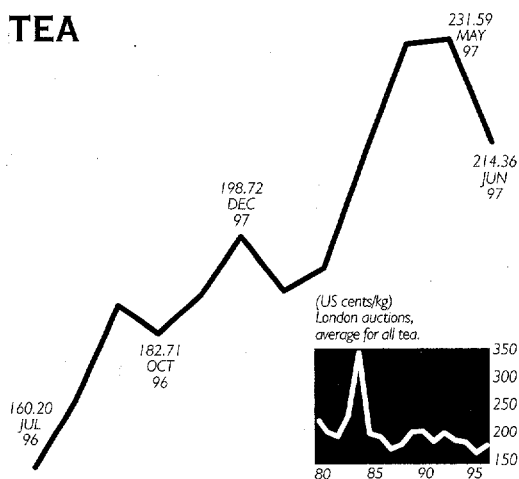
Apart from the fundamentals, speculative fund activities have also influenced the market. Speculative funds have evidently been flowing into coffee futures since the beginning of the year. This speculation was enhanced with reports of the possibility of frost in Brazil (during the summer in the northern hemisphere).

The large price differential between arabicas and robustas has prompted several countries to encourage expansion of arabica production, Vietnam, Uganda, and India among them.

The Vietnamese government obtained a \$30 million loan from the French Development Fund, nearly half of the \$68 million to be used to increase arabica production. The government expects the country's arabica production to reach 50,000 tons by 2001. Uganda also has launched a campaign to increase arabica output in the highland regions. Because land suitable for growing arabicas is limited, however, incremental arabica output will not be significant unless high-yielding varieties are developed.

Price prospects for the next 12 months depend critically on the size of coming crops in Brazil and Colombia. There is a wide divergence of forecasts for Brazil's current crop. USDA estimates put it at last year's—28.5 million bags—a figure strongly protested by Brazil, which projects a substantially smaller crop than last year's. Colombia's last crop was the lowest in years, mainly because of too much rain, but the National Federation of Coffee Growers expects the 1997/98 crop to be more than 12 million bags, an upturn after four years of declining production. Judging from the quick supply response of Colombia's coffee output to prices in the past, Colombia's production in the coming season (starting October 1997) should be considerably higher than last year's. Even if the increases in Brazil's output materialize as forecasted, arabica prices in Colombia are likely to remain high because of increased demand in producing countries (especially Brazil) and historically low levels of stocks in producing and importing countries.

TEA



PRICES STILL RISING

Tea prices remained strong at all major tea auctions during the second quarter, a response to tight supply, strong demand, and low stocks. The short supply of African tea pushed Mombasa prices up 47% in real terms over the same quarter last year. London prices averaged 225.6 ¢/kg during the quarter, 36% above the 171.2 ¢/kg of the same quarter last year in real terms.

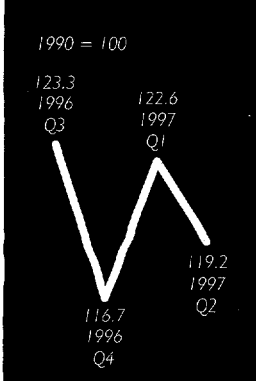
Dry weather in East Africa and Sri Lanka was behind the low world tea production in the first half of the year. Drought damage was especially severe in Kenya, where tea output for the first four months of the year (10,920 tons) is running at half last year's pace. India is one of the sole producers to see an increase in production.

Rising consumption in many major tea-consuming countries has kept world tea demand high, especially in Russia, India, and Central Asia and the Middle East. Demand was weak in the US and UK, however.

The Intergovernmental Group on Tea of the Food and Agriculture Organization held its twelfth annual session in Indonesia in July. The group discussed recent global tea market developments and recent findings on the possible beneficial effects of black tea on health which, if confirmed, should boost tea demand.

World tea demand is likely to continue to increase. If recovery of production is slow in East Africa, prices are likely to remain high in the near term.

The index of food prices fell 2.7% on lower grain and soybean prices.



FATS AND OILS

STOCKS TO DECLINE DESPITE LARGE PRODUCTION

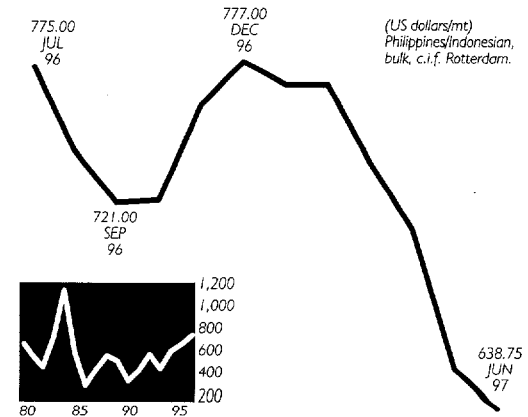
Large carryover stocks of oilseeds kept supplies ample in the first quarter and adequate in the second quarter, but the market is expected to tighten in the second half of this season. Contributing to this tightness has been the minimal increase in world production and the above-average growth in world usage, which is estimated at 3.1 million tons. World oilseed production in 1996/97 will reach 259.4 million tons, nearly 3 million tons higher than last year, according to the US Department of Agriculture. Most of the resulting decline in stocks is taking place in the US, with the drawdown expected to pressure prices for most oilseeds. *Oil World* forecast a 15% drop in fats and oils stocks to 1.27 months of use, down from 1.49 last season—the second-lowest postwar level after the 1.22 months of 1993/94.

Global vegetable oil production is expected to get an additional kick next season from upward revisions in olive oil and palm oil output and favorable conditions for Chinese groundnut production. Demand for fats and oils is also expected to rise, mainly in China where income is forecast to grow 9% in 1997.

Recent developments in South America are expected to influence the oil market. The Brazilian private sector, in conjunction with the government, is pushing ahead a major project to improve transport and port facilities. The project will make the Brazilian soybean industry more competitive internationally.

Argentina, already a leader in vegetable oil and meal exports, could become even more dominant thanks to continuing investments in oilseed crushing facilities. Argentina may also look to its Mercosur partners, Paraguay and Brazil, and perhaps to Bolivia for additional supplies. Brazil has dropped its export tax on soybeans, which should encourage shipments to Argentina. Bolivia's rapid expansion in soybean production and transportation projects will make exports to Argentine crushing facilities more cost-efficient.

COCONUT OIL



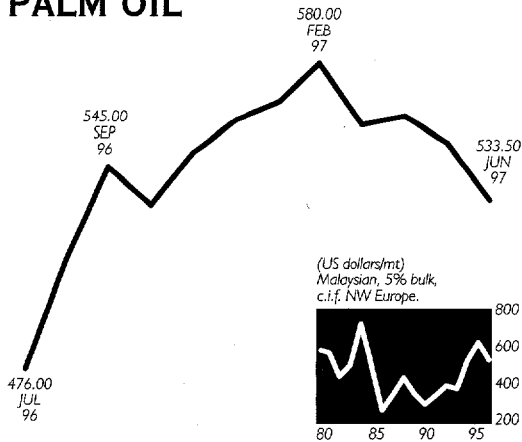
PRICES ARE DECLINING SHARPLY

Despite the fact that copra production has not recovered to the extent expected, coconut oil prices have dropped sharply. They plunged from \$758/ton last quarter to \$668/ton this quarter, down almost 15% from a year ago (\$783/ton). Exports of coconut oil also fell short of expectations, at 185,000 tons in the first quarter, 14% below last year. Exports to the EU accounted for most of the reduction.

Oil World reports that world supplies of lauric oils will be increasing in the next year, mainly as a result of a nearly 0.5 million ton recovery in copra production in the Philippines—due to improved yields—and a sizable increase in Indonesian production as more coconut tree plantings mature. Lauric oils are expected to reach 3.18 million tons, with Indonesia accounting for 0.77 and the Philippines for 1.29 million tons.

Coconut oil exports through 1996/97 are expected to increase to 1.53 million tons, an increase of 11% from 1995/96 but far below the record production of 1.77 million tons in 1994/95. Indonesia and the Philippines, the two dominant exporters, will account for 1.34 million tons of exports. With world imports estimated at 1.53 million tons, the stocks to usage ratio will be at a relatively high 1.45 (about 45 days of use). Coconut oil imports will be directed mainly to the US (460,000 tons) and the EU (594,000 tons).

PALM OIL



SUPPLIES GROW MODERATELY

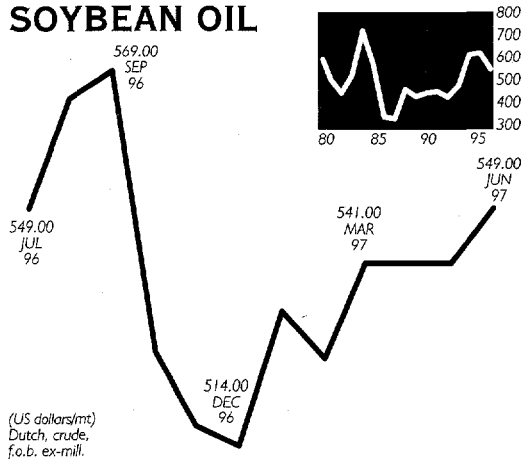
Palm oil prices dropped to \$550/ton from \$569/ton last quarter, but they are still higher than the \$541/ton of the second quarter last year. *Oil World* reports that for calendar 1997 world palm oil production will reach 17.03 million tons. A new record, the increase is only 6% over last year's production (the rise in the preceding year was 7.2%). As in the past, the growth will be due mainly to sharp global expansion of mature palm oil area, up some 5.4%. The average mature area will expand by 12.5% in Indonesia alone, 3.3% in Malaysia, and 2.3% in the rest of the world.

Forecasts of world palm oil production are up 1.13 million tons, due to the sizable upward revision for Malaysia. Forecasts were at 0.76 million tons three months ago and 0.93 million tons last season. Still, the predicted rate of growth is far below the 1.65 million tons in 1992/93, the only season this decade when world seed oil production declined sizably.

Malaysian palm oil production increased 10.6% from January to May 1997. Exports increased sharply from last year, mainly to India and Pakistan but also to China, Turkey, the US, and the EU. Cumulative shipments since January come to a record 2.5 million tons, up 6% from the same period in 1996. Demand within Malaysian also grew considerably.

Palm oil yields in both Indonesia and Malaysia (which account for 80% of the world total production) are expected to decline.

SOYBEAN OIL



IMPORTS TO RISE

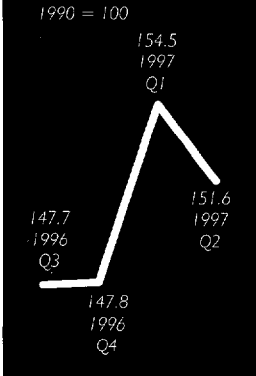
Soybean oil prices averaged \$543/ton in the second quarter, almost 2% higher than in the first quarter but considerably less than the \$579/ton of the same quarter last year. The weakness in prices reflects above-normal stocks and record world production, according to the US Department of Agriculture (USDA).

World soybean oil production is forecast to reach 20.3 million tons in 1996/97 (123,000 tons higher than in 1995/96), the highest in the last six seasons. Production will reach 7.03 million tons in the US, the world's largest producer, followed by Brazil at 3.85 million tons. Ending stocks are expected to drop to 2.27 million tons in 1996/97, down from 2.75 in 1995/96.

Oil World reports that world demand for soybean oil will keep rising sharply since soybean prices have remained relatively low, oil's price relationship with meal and soybeans is generally attractive, and supplies of competing oils (sunseed, rape, palm, and lauric oils) are relatively small. World soybean oil imports are expected to rise by more than 10% over last year (from 5.09 million tons in 1995/96 to 5.63 million tons in 1996/97).

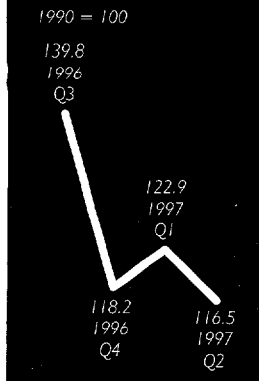
World supply for the next season is set to decline by 1%, mainly because of conditions in China (which has much smaller carryover stocks), the EU, and Brazil. So, in addition to pressure on world stocks (expected to reach a low of 1.35 months of use in October, down from 1.51 in January), some upward pressure should be expected on soybean oil prices.

FATS AND OILS
Prices were mixed, with palm oil lower and soybean oil higher.



GRAINS

Prices declined as production prospects appear good. Maize prices fell 3.3%, rice prices fell 7.2%, and wheat prices fell 3.8%.



GRAINS

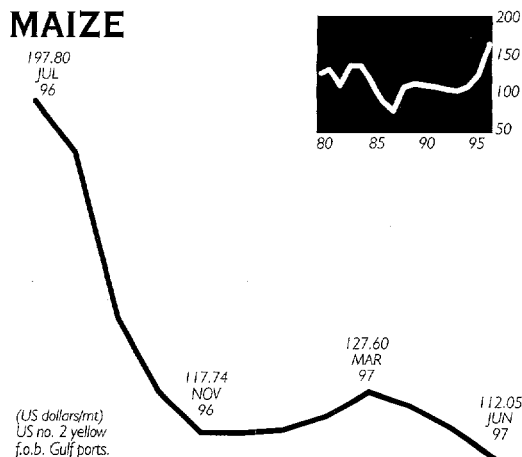
SUPPLIES APPEAR ADEQUATE FOR 1997 CROP

Prices declined this quarter as prospects for the year's harvest continue to look favorable. The USDA's mid-July world grain crop estimate was for 2,047 million tons in the 1997/98 crop year (beginning July), slightly below last year's record of 2,050 million tons. Many analysts believe that the estimate is conservative and that final production will be larger. Unless a late-season problem develops, production should be adequate to meet world demand and also allow a small rebuilding of stocks. Carryover stocks at the end of June 1998 are estimated by the USDA at about 15.9% of consumption, close to last year's 15.5% and the 14.2% percent of two years ago.

Although the tight stock levels of the past two years are likely to improve with this year's harvest, they might not reach levels that would remove concerns about next year. Policy changes in the major exporting countries have kept world stock levels low by historical standards for the past four years. Since 1990 stocks in the five largest grain exporters have ranged from a high of 150 million tons in 1992 to a low of 60 million tons in 1995. Stocks in the rest of the world have ranged from 190 million tons to 215 million tons. Stocks in the five largest exporters are expected to rebuild to 105 million tons in 1997/98, which would bring them to their highest level since 1992. The level of stocks held by the major exporters strongly influences the world price because of their ready availability for export.

World grain consumption continues to grow slowly, with the growth rate since 1990 at only 0.9 percent a year, well below the boom period growth rates of 1.7% a year during the 1980s and 2.7% during the 1970s. Slow growth in the former centrally planned economies and the industrial countries has been largely responsible. Consumption has grown faster in the developing countries. Trade has remained stagnant at about 200 million tons a year during the 1990s, and the estimate for 1997 is for 207 million tons—not much higher than the 202 million tons in 1990.

MAIZE



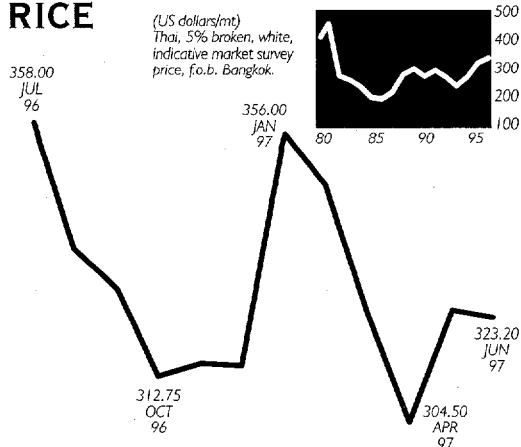
PRICES FALL, BUT INCREASES POSSIBLE

Maize prices fell during the quarter, but low stocks and strong demand may lift prices later in the year. The US export price of maize fell from \$122.5/ton in the first quarter to \$118/ton the second quarter, well below the \$197.3/ton during the first quarter of 1996. Prices appear to be near their mid-summer lows and could rise.

World coarse grain production (maize and other feed grains) is projected by the USDA at slightly below last year's levels, which would lead to lower carryover stocks. Good growing conditions in the US have led some analysts to expect future yield increases above current estimates of 2.2%. Production in China is expected to fall 4.2% from last year, which is only to be expected after a more than 20% increase in the previous three years. Production is also expected to fall in Argentina, Australia, and Canada after large crops last year. Increases of 7.4% are expected for countries of the former Soviet Union, while little change from the previous year's harvest is projected for most other countries.

World stocks are expected to remain constant from 1996/1997 to 1997/98, a level that still puts them at 26% above the lows of 1995/96. If stocks hold at last year's levels, prices will likely rise during the year in response to uncertainties about demand and trade. Prices rebounded slightly in early July, a pattern that is expected to continue unless production estimates rise significantly.

RICE



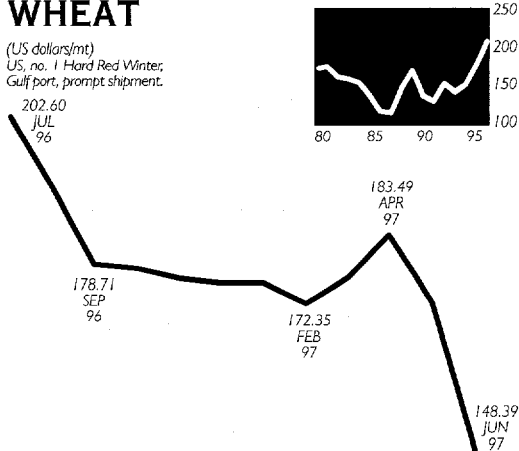
PRICES DRIFT AS NEW CROP DEVELOPS

Prices ranged between \$304/ton and \$356/ton for Thai 5% broken white rice during the first half of 1997, ending the quarter at \$323/ton. Thus far in 1997, production has been adequate, stocks have increased, and trade levels have fallen. World production rose an estimated 2.4% in 1996/97 while consumption rose 1.7%, resulting in a 9.0% increase in stocks. Stocks are expected to total about 14.4% of use by the end of the 1997/98 crop year. Trade fell to 17.6 million tons in 1997, from 19.4 million tons in 1996.

Spreads between high- and low-quality rice remain wide, with 5% broken Thai at \$323/ton and 35% broken Thai white at \$256/ton. Low-quality rice is abundant, but demand seems to be for the higher qualities. It is too early to know about the 1997/98 crop, which will not be harvested until late 1997, but prospects appear favorable. China and India, the largest producers, are expected to have good—although not record—crops. Prospects are also good for Thailand and Vietnam, the two largest exporters, and for Pakistan and the US, also exporters.

Trade levels fell in 1997 because of good harvests in traditionally large importers. Indonesia harvested a near-record crop and reduced imports, while China's harvest surpassed the previous record by more than 5%. Brazil and Iran are expected to be the largest importers in 1998, with imports of 1.25 million tons. China, Indonesia, and the Philippines are expected to import 1.0 million tons.

WHEAT



HIGHER PRODUCTION ESTIMATES DEPRESS PRICES

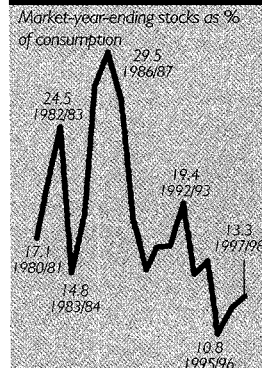
Wheat prices fell sharply during the second quarter and into July as estimates for the new crop rose. The US export price for hard red winter wheat fell from \$183.5/ton in April to \$148.4/ton in June. The average for the quarter was \$168.2/ton, well below the \$249/ton during the same period of 1996. The early-year price increase has largely been eroded.

World carryover stocks are expected to increase to 120 million tons from 110 million tons last year. The level of grain stocks in the major exporting countries is expected to rise about 5.0% in the current crop year to 43 million tons. If stocks rebuild, prices will likely remain near current levels during the remainder of 1997 and into 1998. However, demand could increase enough to offset these increased stock levels.

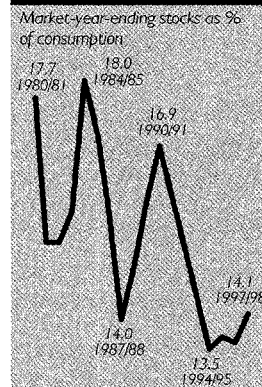
World wheat production is estimated to be slightly above last year's level and nearly 12.0% above the low in 1994. Production is expected to increase significantly in the US (up 6.5%), the world's largest exporter (28% of world trade in 1996/97), and in China (3.4%), India (7.0%), Eastern Europe (27.0%), and the countries of the former Soviet Union (10.3%). Lower production is expected in some countries, however: Argentina (-16.1%), Australia (-21.6%), and Canada (-16.4%).

Consumption should remain around last year's level, boosting stocks by about 10% by the end of the current crop year (June 1998). World consumption has grown just 0.4% a year since 1990.

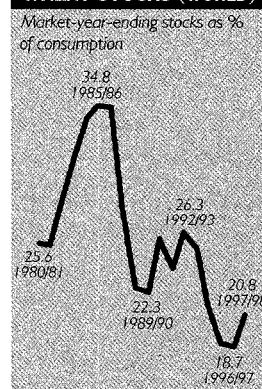
COARSE GRAIN STOCKS (WORLD)



RICE STOCKS (WORLD)



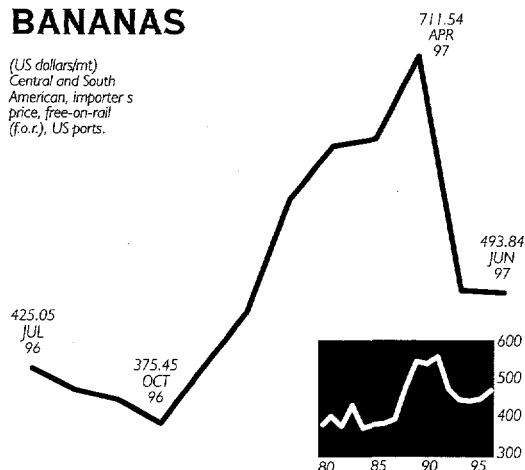
WHEAT STOCKS (WORLD)



Note: Data for 1996/97 are estimated.
Source: USDA, FAS.

BANANAS

(US dollars/mt)
Central and South
American, importers
price, free-on-rail
(f.o.r.), US ports.



FREE-MARKET PRICES SLIP

Second quarter free-market banana prices fell more than 15% from the first three months of the year. Still, prices are only slightly below those in the second quarter of 1996 and significantly above annual averages for the past five years. Banana prices are on-track to average nearly \$9/ 40 lb box for the year—the best showing since 1991.

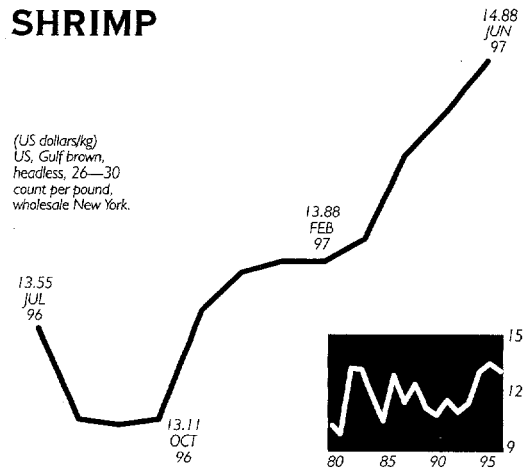
Prospects for the upcoming season are less optimistic. A recent meeting of the Intergovernmental Group on Bananas (IGB) reported that producers expect the pace of production to outstrip demand growth, putting downward pressure on prices.

The IGB expects demand to expand in both industrial and developing countries; however, some markets appear to be reaching saturation. Imports are expected to reach 21.1 kg per capita in New Zealand, 18.9 kg in Canada, and 13.1 kg in the US. However, the IGB expects the EU's tariff-quota regime to effectively bind consumption to 3.35 million tons—about 9 kg per capita. Demand in countries of Eastern Europe and the former Soviet Union is expected to reach nearly 2.1 million tons (5.1 kg per capita)—a nearly five-fold increase over 1991.

The EU has appealed the April WTO ruling against the EU's banana regime, which was found to be unfair to Latin American producers. It is widely expected that the WTO will turn down the appeal in September. If so, the EU would have 30 more days to respond to the WTO's decision.

SHRIMP

(US dollars/kg)
US, Gulf brown,
headless, 26—30
count per pound,
wholesale New York.



SHORT SUPPLY KEEPS PRICES HIGH

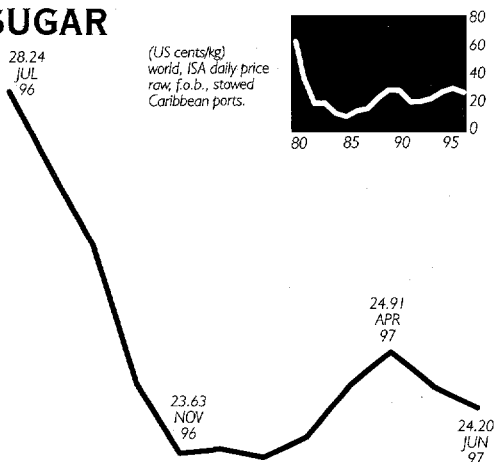
The year-long upward trend in shrimp prices continued during the second quarter, driven by reduced output in Asia. China's exports to Japan and the US declined substantially in the first three to four months of the year as shrimp fell prey to a viral disease.

Uncertainty surrounds production in other major Asian countries as well. High labor costs are cutting into Thailand's exports as it slips in competitiveness with countries such as Bangladesh and Indonesia. A viral disease hit Bangladesh's first shrimp crop, but the second crop seems to have recovered.

India too has had a number of problems recently. Shrimp ponds were infected by a virus and the Supreme Court ordered the closure of coastal farms in Kerala because of environmental problems and the dislocation of local people. If the order is enforced, the implications for the Indian industry and the world shrimp market could be substantial. In another blow to the Indian shrimp industry, the EU Commission has black listed all crustacean and cephalopod products because of traces of vibrio cholera and salmonella in imported products. The commission has called for complete inspection of all shrimp products from India.

The virus problems in several countries and the uncertainty in India's industry should exert continuing pressure on shrimp prices, although some weakening is possible in the short run because of importers' resistance to recent high prices.

SUGAR



PRICES CHANGE LITTLE

Free-market prices for sugar averaged 24.5¢/kg during the second quarter, close to the first quarter average of 24.0¢. The commodity trading house E. D. & F. Mann expects a slightly tighter market in 1997/98, with global production falling slightly from 123.71 million tons to 122.96 million tons. Weather has been particularly favorable in Europe (France, Germany, Bulgaria, Hungary, Poland, the Russian Federation). Area is down significantly in Russia (from 1.071 million to 944,000 hectares), which will offset expected yield gains. Analysts expect another production record in Brazil. As of June 1, cane production in the Center-South reached 32.9 million tons, up more than 19% from a year ago, according to F.O. Licht.

Chinese imports are down dramatically and are expected to decline further. September to May imports were 633,000 tons, less than half the 1.48 million tons for the same period in 1995/96. Sugar production is expected to increase in 1997 to 88 million tons — up from 82.5 million tons in 1996.

Looking ahead, however, the US National Oceanic and Atmospheric Administration warns of severe weather disruptions resulting from the El Niño—caused warming of the Pacific. A typical El Niño leads to increased rainfall across the southern US and Peru and drought in Brazil, Africa, and the eastern Pacific. Thailand's Cane and Sugar Board has forecast a 10–15% fall in the country's sugar production for 1997/98.

The Mexican government approved a 20% increase in the import duty on high-fructose corn syrup from the US, bringing import duties to almost \$175/ton. In March the Mexican government initiated an antidumping investigation. According to F.O. Licht, the tariff is equivalent to average dumping margins for two high-fructose corn syrups (HFCS-42 and HFCS-52). The governments of Mexico and the US have been at odds over the sugar trade since a last-minute modification to the sugar section of NAFTA in 1993. More recently, the Mexican Sugar Chamber has been pressing the US for greater access to US markets. The US Corn Refiners Association is urging the US Trade Representative to challenge Mexico's decision.

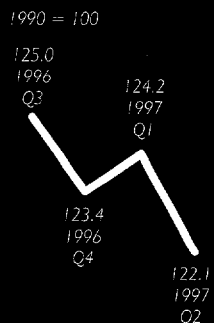
The Polish government announced a minimum sugar price of 1.5 zlotys/kg (about 43.3¢) for the 1997/98 marketing year, up 12.8% from this year's minimum price. Although the increase is below the inflation rate, the minimum is 31% above the current free-market price. Subsidized exports were set at 109,000 tons.

In Vietnam a consortium of three Taiwanese (China) firms and Vietnam's state-run First Sugar Company began operations this quarter. The plant has a 6,000 ton daily crushing capacity. The joint venture, in which the government holds a 25% stake, was formed in 1993.

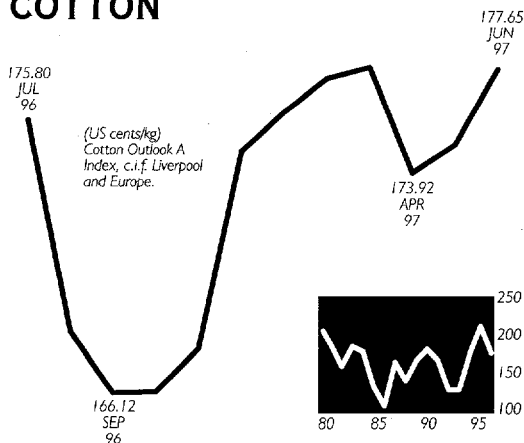
In Kenya the government announced that two state-owned sugar firms—Mumias Sugar Co., Kenya's largest, and Chemelil Sugar Co.—will be privatized this year. Shares will be offered through the Nairobi Exchange. Five of Kenya's seven sugar firms are state-owned.

In anticipation of the expiration of the Lomé Convention and possible changes in the Sugar Protocol, the Mauritius Sugar Authority plans to consolidate sugar milling, reducing the number of mills from 17 to no more than 14 by 2000. In 1996 nearly 98% of Mauritius's 588,000-ton crop was exported to the EU under the Sugar Protocol, which grants favored access to ACP countries under a quota system.

Prices fell 1.8% due largely to a decline in natural rubber prices.



COTTON



MARKET CONTINUES TO BE STABLE

With production and consumption in near balance at slightly more than 19 million tons and world trade holding steady at 6 million tons, the world cotton market continues to experience relative stability.

Despite some sharp movements in New York futures, overall trading in raw cotton has been slow. The medium staple cotton indicator price (Cotlook A index) averaged 176¢/kg, still below the 183¢/kg average for the same quarter of 1996 but close to last quarter's 177¢/kg. Projections by the International Cotton Advisory Committee suggest that the Cotlook A index will rise about 4% in 1997/98 and remain there for most of 1998/99. Driving these projections are tighter than usual ending stocks outside China, further reductions in the use of barter by exporting countries in Central Asia, and continued imports by China.

World cotton consumption is rising but at a slower pace than population growth, so per capita cotton consumption is declining. Cotton is losing market share to synthetic fibers. On the production side, 1996/97 marks the first five-year period of no growth in average world yield since World War II. Yields in major producing countries have been affected by the resistance to pesticides in eastern China, the leaf curl virus in Pakistan, policy reforms in the US, and economic difficulties in Central Asia. Area planted to cotton is expected to decline

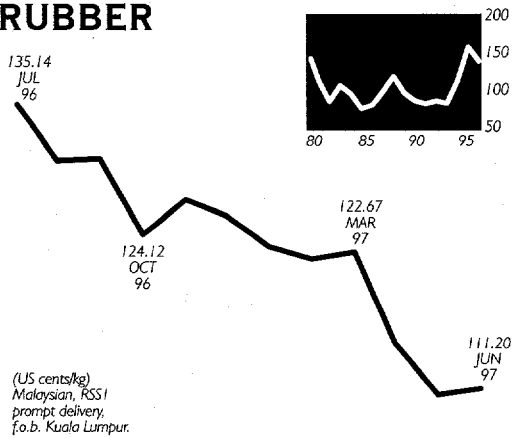
about 1% in 1997/98, mainly due to reductions in China and India. Competition for land with other crops and with urban uses, combined with rising production costs, seems to be preventing a sustained increase in world cotton area, despite relatively high prices.

The cotton futures contract launched in November 1996 at the Brazilian Commodities and Future Exchange has not attracted significant interest as an instrument for hedging and speculation. However, analysts believe that differences in the timing of harvest in the northern and southern hemispheres provide an underlying rationale for a southern hemisphere futures contract. Prices of New York and São Paulo contracts moved closely together during the first month of trading, and then diverged. Brazil's Ministry of Agriculture has proposed that the government subsidize buyers of domestic cotton. If adopted, the subsidy would likely bring futures prices in São Paulo more in line with those in New York.

As governments have gradually moved out of the cotton industry in developing countries, investors have been attracted to cotton ginning, confirming the current trend among trading companies seeking to ensure ready sources of supply. Africa has been a focus of attention, notably Tanzania, Uganda, Zimbabwe, and lately parts of the African franc zone. Foreign involvement in ginning is also growing in Central Asia, especially Kazakhstan and Uzbekistan. Azerbaijan is in the process of privatizing its ginning sector

Cotton Outlook reported that the European Commission, by a majority vote of its member states, failed to confirm the provisional antidumping duties imposed six months earlier on imports of unbleached grey cotton cloth from China, Egypt, India, Indonesia, Pakistan, and Turkey. Despite strong reaction from France, the decision is unlikely to be reversed.

RUBBER



PRICE SLIDE IS UNBROKEN

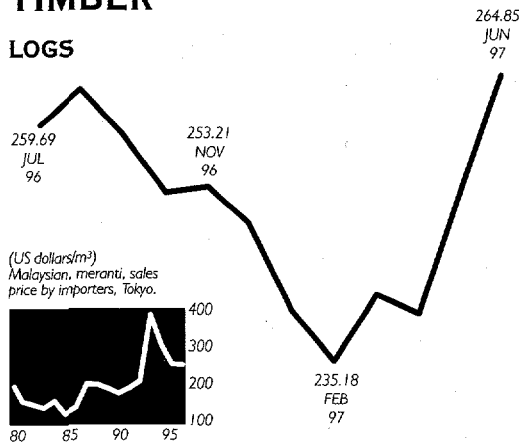
Natural rubber prices continued to slip during the second quarter, falling each month. Prices are expected to recover over the next year, however, because of weakening producer incentives—especially in Malaysia—and anticipated intervention by the International Natural Rubber Organization’s (INRO) newly reactivated buffer stock. However, the recent devaluation of the baht will reduce production costs in Thailand, boosting supplies and holding price gains in check.

Trade in rubber futures contracts at the Singapore Commodity Exchange (SICOM) reached record volume as Thai producers sold heavily late in the quarter, anticipating a devaluation of the baht. Earlier reports of lower Malaysian production had generated hope of some price recovery, but Thai exporters were willing to push down the price of SICOM contracts, denominated in Singapore cents, in anticipation of exchange rate gains. The devaluation will ease labor cost pressure for Thai producers and likely bring an end to a beleaguered Thai intervention scheme that attempted to boost domestic prices through government purchases. The scheme provided little relief to international prices while generating a large government obligation.

Recent price declines have brought INRO’s indicator price close to its “may buy” range, and interventions are expected should prices drift further. The buffer stock is backed by credits worth 70 million Malaysian ringgit (\$26.7 million.)

TIMBER

LOGS



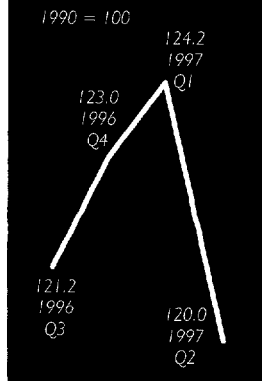
PRICES INCREASE IN JAPAN BUT REMAIN WEAK IN EUROPE

Malaysian timber prices rose in the Japanese market during the second quarter as the log quota policy reduced shipments from Sarawak. Demand for logs from Japan, Taiwan (China), the Republic of Korea, and Hong Kong (China) remained stable. Competition from cheaper softwood logs and African and Papua New Guinean logs for plywood manufacturing is keeping meranti log prices from rising further. The switch to panel products such as medium-density fiberboard and particleboard is also holding down the prices of tropical hardwood logs.

Prices of tropical logs and sawnwood remain weak in the European market. Consumption is weak in France, and more aluminum and plastic (PVC) are reportedly being used in joinery. In the UK prices have remained stable despite a buoyant housing market.

African countries appear to be taking a stronger line on protecting forests. The government of Côte d’Ivoire has banned log exports and prohibited logging in certain areas. In addition, proposals are being considered for cracking down on illegal cocoa farming in national parks. In Ghana the government has not been renewing concessions and has built up a bank of concessions for future allocation. The concessions are expected to go only to companies that will use the timber rights according to accepted standards for sustainability and the technical prescriptions laid down by the Forestry Department.

Prices fell sharply due mostly to a change in import policy by China.



FERTILIZERS

INCREASED PRODUCTION CAPACITY SHOULD LOWER PRICES

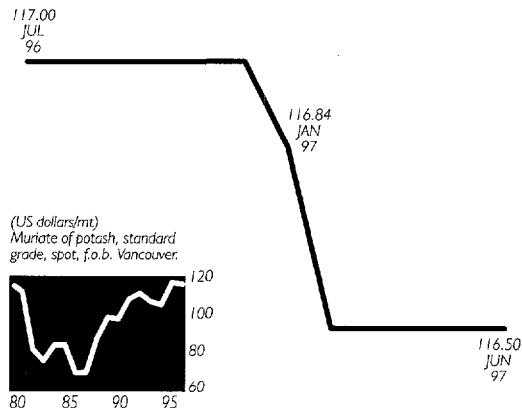
A ban on urea fertilizer imports by China led to a sharp decline in prices and further weakened an already weak nitrogen market. Demand for potash and phosphate has remained strong, however, especially from China and India. China's decision to ban urea imports has boosted demand for other fertilizers since the budget allocation was shifted to other fertilizers. Prices of DAP, TSP, and potassium chloride remained firm during the quarter.

Several longer-term economic adjustments are beginning to take hold that could weaken fertilizer prices. Among them are the increase in fertilizer production capacity and supplies that emerged in response to the large price increases of the past several years. Lower grain prices in 1997, which dampened demand for fertilizers, are also part of the longer-term economic adjustments to past high grain prices. Shorter-term market developments, which have contributed to the recent declines in fertilizer prices, include policy changes in some countries, especially in China.

New production capacity takes three to five years to develop. Fertilizer prices began to increase in about 1993, and the new capacity is now becoming available. For example, urea reached its price high at the end of 1995, at \$233/ton f.o.b. Western Europe. This price increase provided strong incentive for companies to expand capacity, and this new capacity is now producing. If past market cycles are any guide, a period of price declines lies ahead as this new capacity is used for production.

The cycle in world grain prices also plays a role. Most grain prices reached their peaks about a year ago and have fallen sharply since then as production responded to the higher prices. Today's lower grain prices further depress demand for fertilizer and exacerbate the price declines for fertilizer.

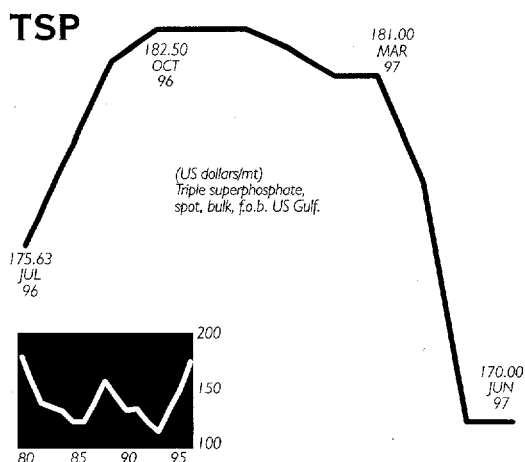
POTASSIUM CHLORIDE



DEMAND REMAINS FIRM, PRICES HIGH

Potassium chloride prices remained unchanged at \$116.5/ton f.o.b. Vancouver, Canada for the second quarter. Negotiations for second-half contracts are under way between major suppliers and Japan and other Asian buyers. A \$5/ton increase has been proposed by Canpotex, the Canadian potash export association, for the second half of the year. Canpotex has reported strong sales so far this year, with China and India both large buyers. India imported more than 2 million tons of potassium chloride in the first half of 1997. China imported a similar amount. Part of the strength in demand from China stems from the ban on urea imports and the shift in government import allocations to potassium chloride. The large shipments to China have kept export capacities utilized. Large imports by countries of the former Soviet Union have added to the overall strength of the market. Buyers are still expected to resist the price increase and to argue for lower prices. The German potash company Kali & Salz has agreed to hold prices unchanged for sales to Indonesia. Negotiations between Canpotex and Japanese buyers continue.

Supplies of potassium chloride remain tight due to strong demand and mine closings in Canada and Israel. The PCS and IMC Kalium mines in Canada have scheduled closures for routine maintenance and summer vacation. Mines at Rocanville and Lanigan have scheduled production cutbacks for inventory control.



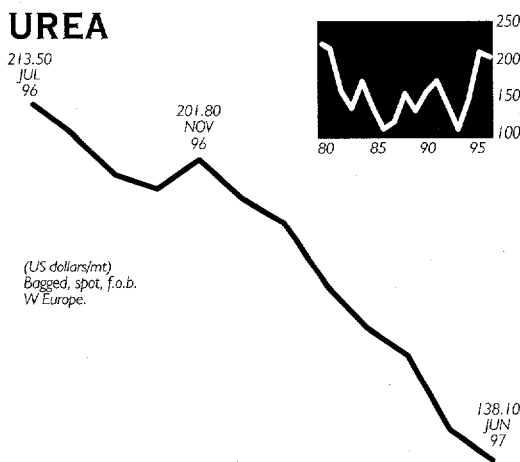
PRICES WEAKEN SLIGHTLY

TSP prices declined from \$181.3/ton during the first quarter to \$172.5/ton in the second quarter for bulk, spot, f.o.b. US Gulf. DAP prices remained nearly constant. The price of phosphate rock remained firm, with some quotes at higher than \$41/ton. Demand has been stronger than expected from China and India, which has kept prices from declining further. Supplies are adequate to meet current demand, which should prevent prices from rising in the near term.

The Chinese government reportedly plans to increase phosphate fertilizer production to meet domestic demand and allow more balanced fertilizer applications. Historically, China's fertilizer applications have concentrated on nitrogen rather than phosphate and potassium, and the ratio of nitrogen, phosphate, and potash is now about 1/.3/.13 instead of the 1/.5/.25 ratio recommended by Chinese agronomists. More balanced fertilizer application would boost grain yields as much as 10% according to some estimates.

Brazil reduced import duties on urea, DAP, MAP, and TSP from 6% to 2%, but imposed quotas to limit imports. The lower tariffs were part of a program to liberalize trade, and the quotas were designed to protect local producers. Imports above the quota would pay the full tariff.

Apatit, the Russian phosphate rock producer, is planning to construct a plant to produce TSP. The project would proceed in two phases.

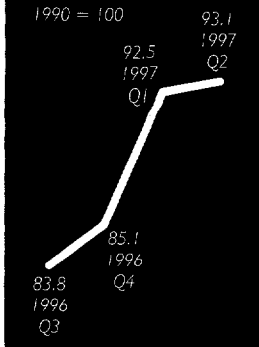


CHINA BANS UREA IMPORTS

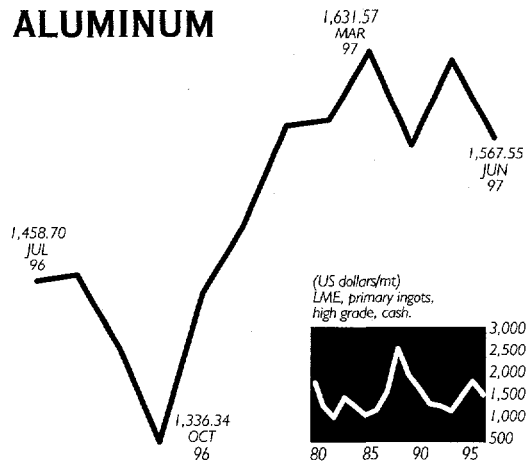
Urea prices collapsed following the announcement in April that China was banning urea imports indefinitely. Urea prices fell from \$166.4/ton in March to \$138.1/ton in June. Prices as low as \$110/ton have been reported, and some traders expect prices to fall below \$100/ton. The withdrawal of China, the world's largest urea importer, was a severe shock to the market. However, prices for bagged urea (f.o.b. Western Europe) had already dropped in March from \$201.8/ton in December, a response to weaker import demand from China, weak demand generally, and increased fertilizer supplies. A sharp decline in maize prices, from a high of \$204/ton in May 1996 to \$112/ton in June, contributed to the weak demand for urea. Since maize production requires heavy nitrogen applications to obtain high yields, the two prices are closely linked.

China's decision to ban urea imports created significant problems for companies that had already contracted for fertilizer shipments to China or had begun shipments. According to trade sources, Chinese importers defaulted on these import contracts, creating an oversupply in the remaining market (China had imported 6 million tons in 1996). The import ban was in response to inventory accumulations from domestic production and is expected to last until supplies are reduced. The move is also seen as part of China's effort to achieve self-sufficiency in nitrogen fertilizer by 2000.

The index of metals and minerals prices increased slightly but prices were mixed, with aluminum lower and copper higher.



ALUMINUM

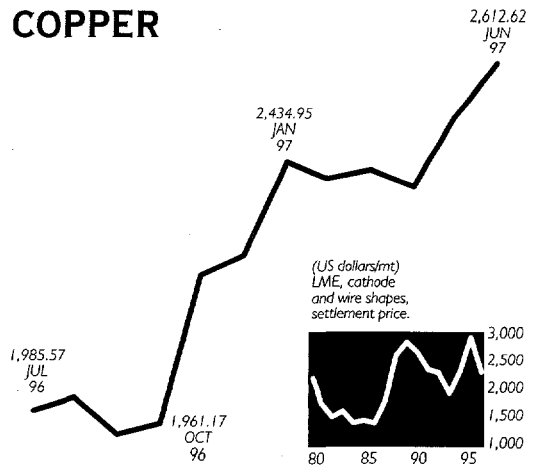


MARKET LACKS DIRECTION, PRICES REMAIN FLAT

Aluminum prices traded within the \$1,550–\$1,670/ton range during most of the second quarter. Prices declined in early June due to hedge fund selling and producer hedging to lock in forward prices. Renewed consumer buying then caused prices to rally. Stocks have been drawn down about 22% at the London Metals Exchange (LME) and producer stocks have declined by 9% since the start of the year. The decline in stocks reflects strong consumption growth during the first half of the year. However, the fall in visible stocks (LME plus producer stocks) may overstate real end-use consumption. Some reports indicate that stocks coming out of the LME are simply being transferred into consignment stocks.

Consumer demand has been strong during the first half of the year. Reports in Europe indicate that orders are 5–10% higher than last year. Recovery in construction activity, particularly in France and Italy, has contributed to the strong consumption in Europe. Germany's construction sector remains weak, although overall industrial production rose nearly 4% in the first quarter, indicating good demand for aluminum products. In Japan aluminum consumption was aided by the weaker dollar to yen exchange rate, but a sales tax increase in April has slowed consumption growth. In the US increased activities in the automotive, aerospace, and construction sectors kept consumption growth rising.

COPPER



VOLATILE SECOND QUARTER FOLLOWS STABLE FIRST

World copper prices moved erratically from April through the beginning of July. LME spot prices followed a bumpy course, from a low of \$2,250/ton in mid-April to a high of about \$2,725/ton in mid-June. LME spot prices began to plummet from this high during the last week of June—eventually losing over \$300/ton by the second week of July.

LME three-month copper prices followed a similar pattern. They nearly reached \$2,600/ton by mid-June (from quarterly lows of below \$2,250/ton in early April), only to retreat to \$2,275 by mid-July.

The ups and downs in copper prices were matched by similar fluctuations in the level of backwardation. The cash-to-three-month backwardation remained consistently in the \$45/ton to \$65/ton range for most of April and May, except during a one-week period when backwardization widened to between \$100/ton and \$200/ton before settling back to prior levels. As prices began to rise in mid-June, backwardization again widened above \$100/ton—where it has stayed through mid-July.

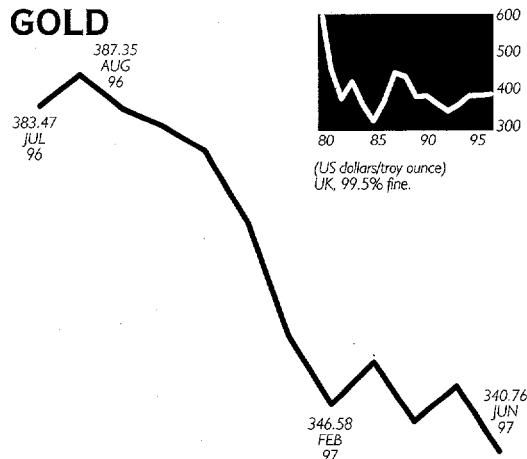
One reason for the price collapse in late June was fund selling. A number of US-housed funds decided to short the market, exerting a sudden downward pull on prices. Although short fund selling may have prematurely triggered the timing and increased its magnitude, the increase in world copper supply over this period was the main cause of the downturn.

At the time of the collapse there were large deliveries to the LME's Singapore warehouses. Copper exports from China have been noticeably higher as slumping local prices reduced demand for scrap. Southeast Asia is also experiencing lower than anticipated consumption in countries like the Republic of Korea (which has been a major seller of late), Thailand, Indonesia, and Taiwan (China).

In contrast, demand for refined copper has remained strong—up 3.5% through May. The automobile sector has been especially strong, with May exports up 30% over last year. However, much of the success was due to strong export demand helped by the relatively weak yen. Furthermore, the continued strength of consumption during the second half of the year in Japan appears to be in doubt as the yen has strengthened in recent weeks. And the Japanese economy is not nearly as solid as it appeared earlier; auto sales and construction activities have fallen sharply from the levels reached earlier this year.

Europe also began selling more copper toward the end of the second quarter. Increased supplies should become even more visible in the third quarter since Norilsk has resumed shipments from Russia and the annual slowdown comes in July and August. Other countries in the region, particularly Kazakhstan, have also been exporting higher than expected amounts of copper. The rising exports reflect increased production in the region and, more strongly, depressed consumption. Copper consumption is currently estimated at 200,000 tons a year for 1997, down from 1.3 million tons about a decade ago.

Even the US copper market has weakened. Demand has remained steady, at an annual increase of 3% through May, but supplies are up. Kennecott's return to a more typical level of production, the growth in deliveries from Latin America, and the increased availability of No. 1 scrap have all put downward pressure on prices in the US market.

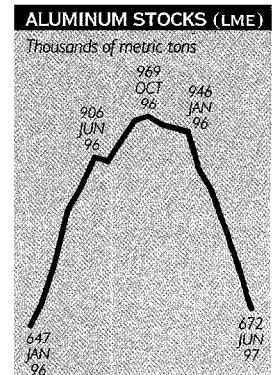


THE BOTTOM CONTINUES TO FALL

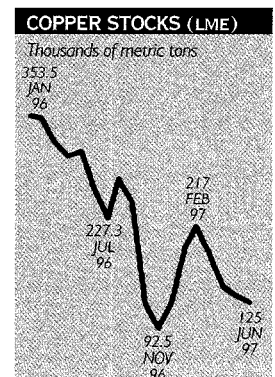
Gold prices dropped sharply again during the quarter, trading at \$325/toz by the end of June. Prices continued to fall in early July, dipping below \$320/toz before rallying. Prices a year ago were \$385/toz. Gold prices averaged \$344.7/toz for the quarter, well below the \$390/toz for the same quarter a year ago.

Low inflation, strong competition from bullish stock markets, and the end of the Cold War have all depressed demand for gold. The recent decline in prices, however, is blamed on central bank selling, which has been pressuring prices for some time. Australia's recent announcement that it had sold 167 tons of gold—two-thirds of its gold reserves—rocked the market even though the sales had been made some months ago. The Australian sales were made for forward delivery, and thus the impact on the price of gold should have been felt at the time of the sales. It was perhaps viewed as a warning that further central bank selling remains a real possibility since gold is viewed as a risky asset that earns no interest (or only small amounts when it is leased to traders who must deliver on contracts).

Central bank selling has actually been quite limited, with large sales only by the Netherlands, Belgium, and Australia and smaller sales by Greece and Portugal. The G-7 central banks have not been large sellers, and they appear constrained either by



Source: Metal Bulletin.



Source: Metal Bulletin.

their operating rules or by their responsibility for leadership and stabilization of the market. When Germany began to discuss revaluing its gold reserves to reflect current prices, markets took these discussions as a sign of future sales and panicked, leading the German government to reconsider its plan. Switzerland has since suggested a similar plan to revalue its gold reserves. Adding to concerns about central bank selling are the debt to GDP ratios for countries in the EU that plan to join the European Monetary Union.

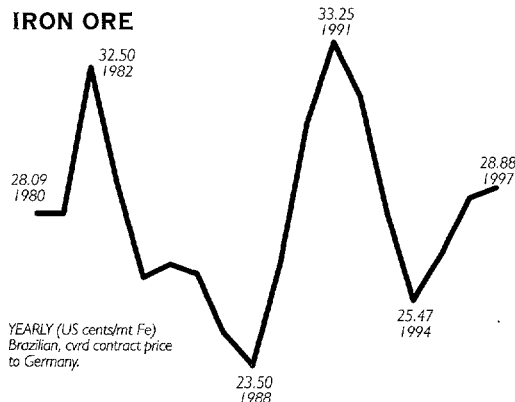
The price declines have spurred new selling from gold producers who want to sell forward rather than risk further price drops. Australian mines have high average costs, and several smaller mines closed as prices fell. Costs are also rising in South Africa, the largest gold-producing country, as wage rates increase. More closures are expected, although total production has not fallen enough to stabilize prices. Mine mergers are also expected as financially weak mines are sold to more efficient operators. Speculators have also been pressuring prices as they build short positions in a falling market.

Mostly lost in all the concern over central bank selling is the rapid increase in demand from developing countries as prices have fallen while incomes are rising. Asian countries, especially China and India, and countries in the Middle East have all seen sharp increases in gold demand, mostly for jewelry, a traditional store of wealth in many countries.

Turkey appears to lead the list of countries in which gold demand has surged, with sales of bullion up more than 300% over the previous year. Dubai has also seen rapid demand growth, in part because of its sales to India. In Hong Kong, China, imports are more than triple the levels of last year, reflecting higher sales to the Republic of Korea and perhaps to mainland China as well.

IRON ORE AND STEEL

IRON ORE



PRICES, DEMAND STRONG DURING FIRST HALF

Global steel production rose to nearly 795 million metric tons on a seasonally adjusted annual rate through May—up 8% over the 739 million metric tons (mt) during the same period last year. Production was up 9% in Japan through May, followed by 7% in China and 5% in the EU (5%) and Eastern Europe. Prices continue to recover for all grades of iron ore and steel scrap.

US steel prices enjoyed a robust first half despite a modest production increase (1%). Year on year demand has risen along with prices. US steelmakers shipped 26 million tons of steel in the second quarter of this year, slightly more than the 25.8 last year. Prices have risen simultaneously: the average price of all steel products was \$504 a ton during the second quarter this year, compared with \$495 a ton last year. Prices are expected to peak and then level out during the third and fourth quarters for most products because of slower, seasonally related demand and expected supply increases.

Hot- and cold-rolled materials are exhibiting increased signs of weakness in the face of reduced demand from the auto industry, stepped-up production capacity, and continued high import levels. Prices will weaken further if the nine-month-old strike at Wheeling-Pittsburgh is resolved and more product comes on-stream.

Strong demand conditions persist for both long products and rebar, and one more round of price increases is expected. A 50¢/cwt rise on long products should be implemented by August, and rebar prices could increase by as much as 75¢/cwt because of reduced competition from imports following antidumping actions against Turkish imports. These price hikes are expected to be the last in 1997 and will be followed by relative stability for the remainder of the year.

While the US market is slowing down, the European market continues to strengthen. Since the end of 1996 the spot price for hot-rolled band f.o.b. Europe has increased 19%—from \$295 a ton to \$350. The European recovery in steel is mostly the result of restocking and increased trade. The strong dollar has provided the incentive for mills to withdraw excess production for exports.

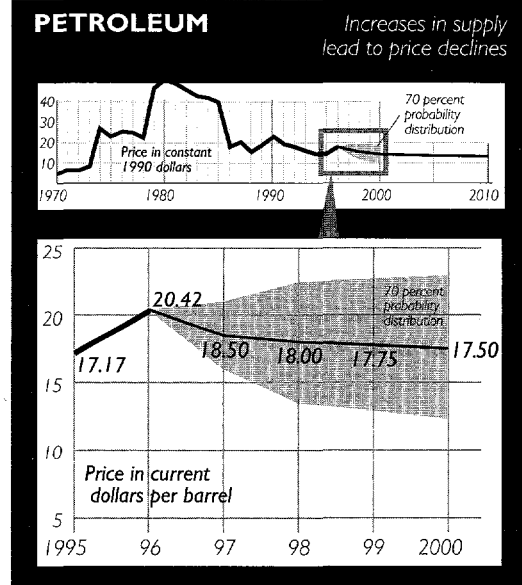
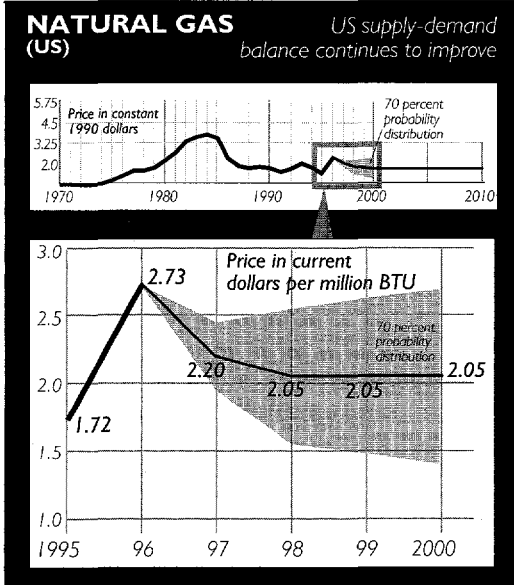
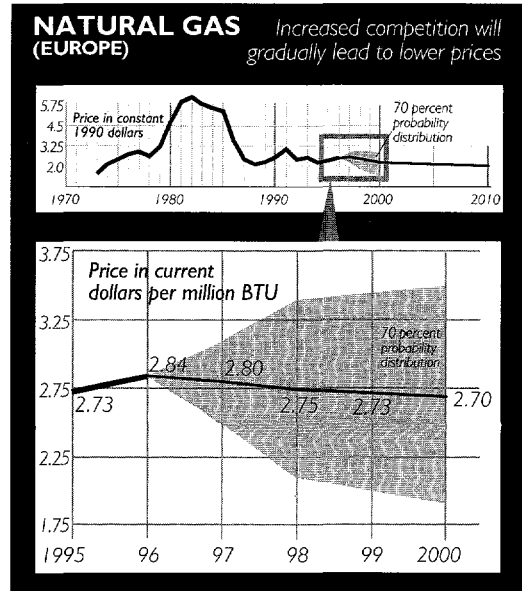
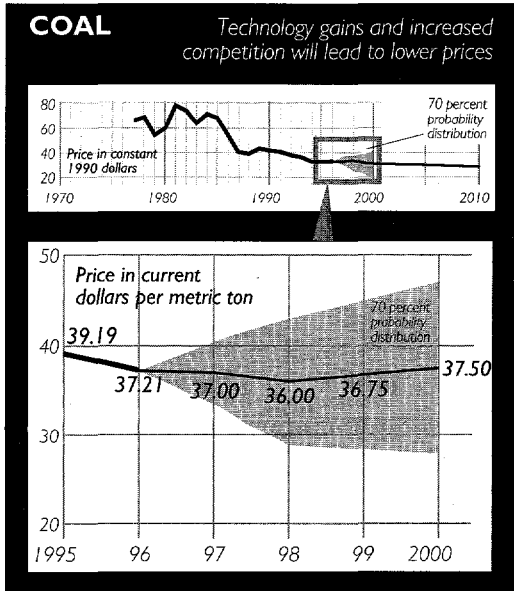
Among sheet products announcing third-quarter price rises are cold-rolled coil and electrogalvanized, whose markets have been sluggish until recently. Long products are expected to experience price changes at the end of July. Exports of long products have been strong to the US and the Far East. One

of the main causes of the expected price increases for long products is the pressure exerted on mills by higher scrap prices. World prices for ferrous scrap have risen over the second quarter as Asian demand skyrocketed.

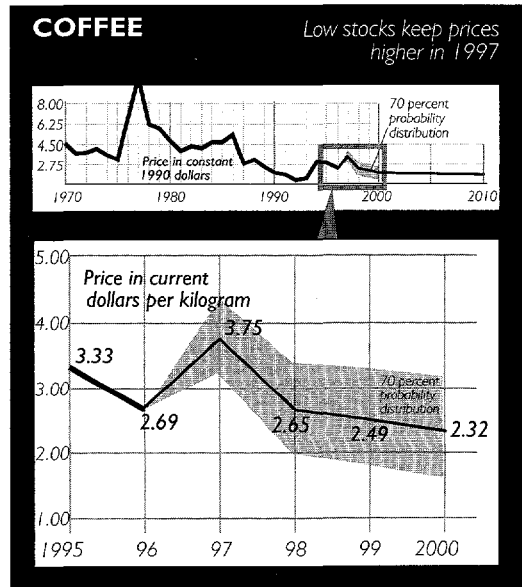
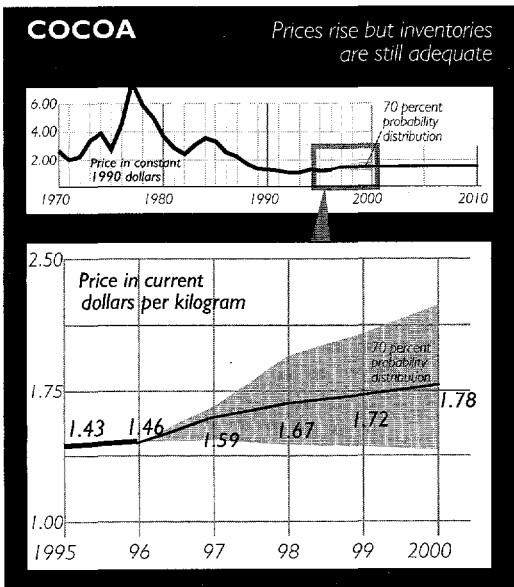
Mini-mill capacity has increased in the Republic of Korea by 3.5 million tons a year over the past two years. An Asian consumption surge, combined with constraints on blast furnace output, has resulted in a 7% increase in mini-mill production during the first quarter. Korea and Taiwan (China) have been at the forefront of Asian growth in steel scrap consumption.

Japan's consumption rose 9.5% in May, the eighth consecutive year on year gain. Japanese sheet market prices remain firm as tight supply continues to bolster Asian flat prices. Recognizing the current market conditions, Japanese producers have successfully negotiated price increases for August 1997–January 1998 shipments to China. However, the recent increase in the value of the yen should result in a slowdown in Japan during the second half of the year. Likewise, domestic end-use is beginning to weaken as automobile sales and construction activities are reduced.

ENERGY

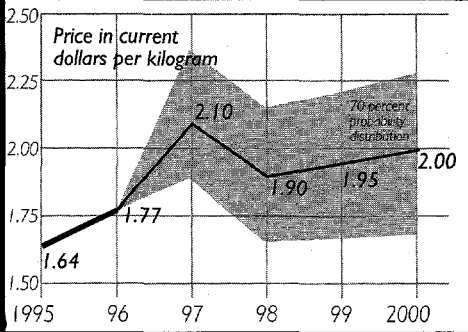
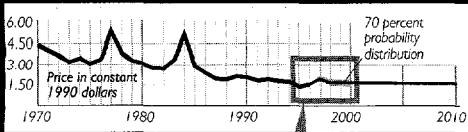


BEVERAGES



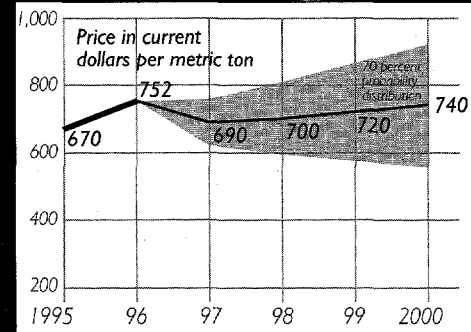
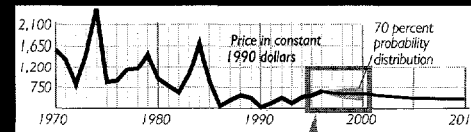
TEA

Market fundamentals keep prices high



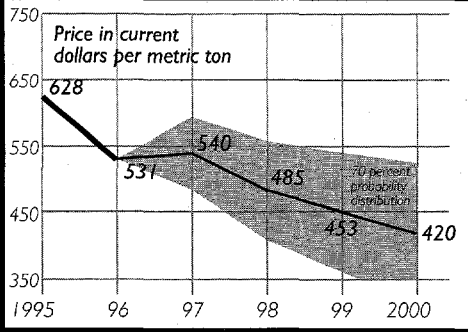
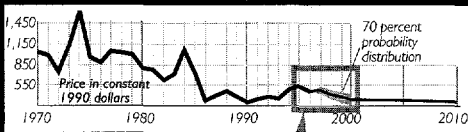
COCONUT OIL

Prices decline sharply in 1997



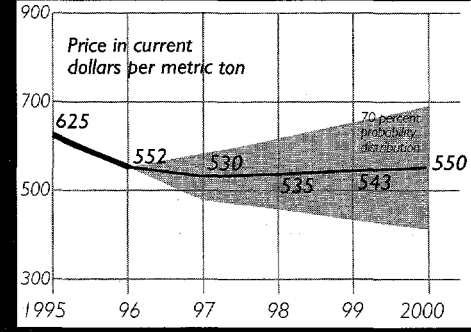
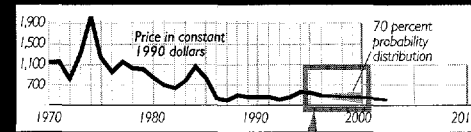
PALM OIL

Prices continue to fall



SOYBEAN OIL

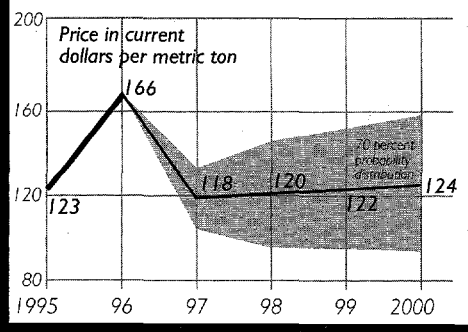
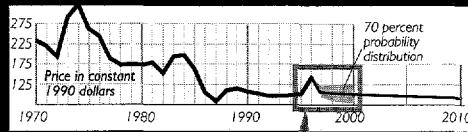
Prices remain weak



**FOOD
FATS AND OILS**

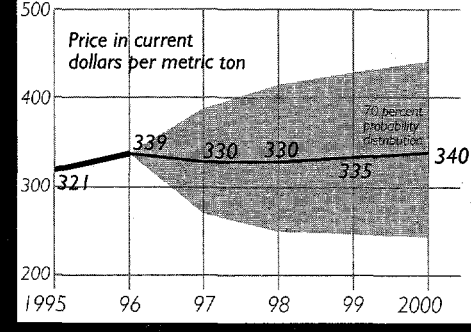
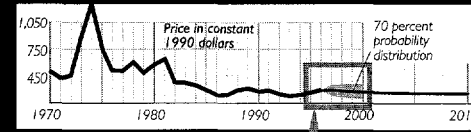
MAIZE

Prices in 1997 fall from last year's peak



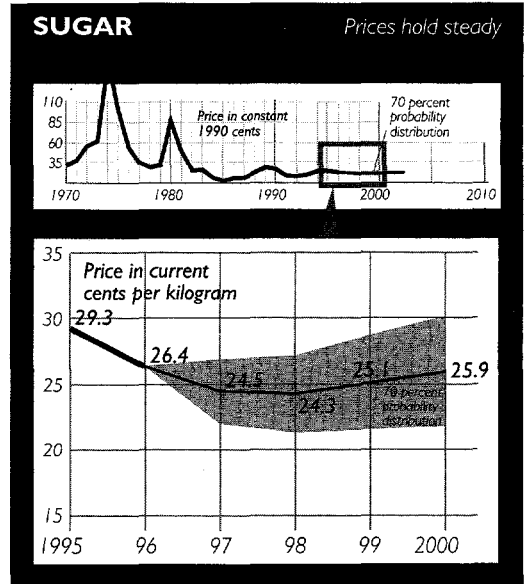
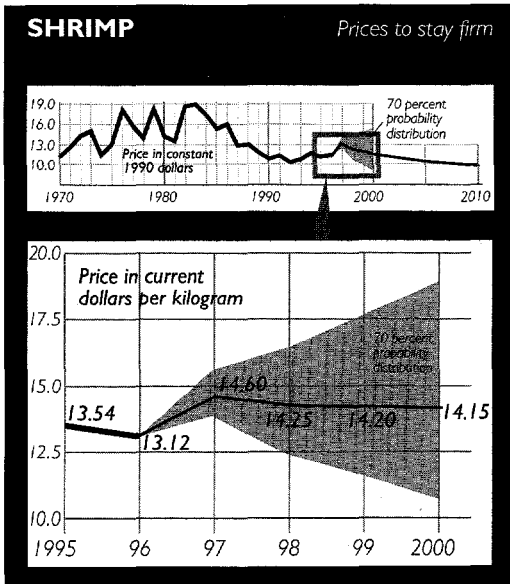
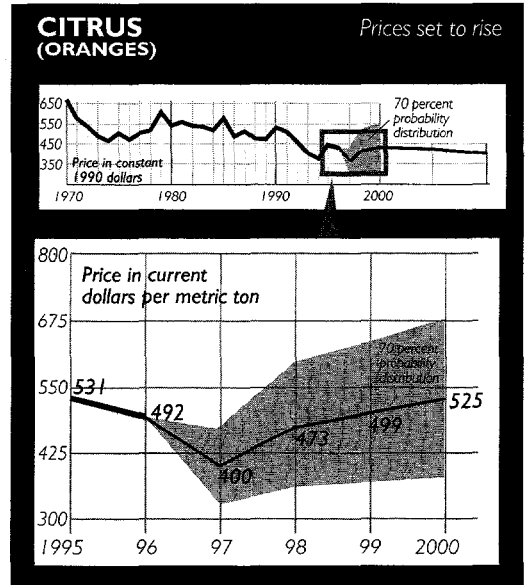
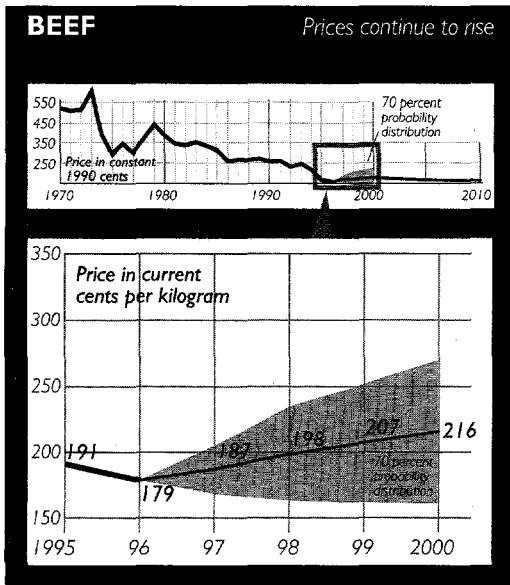
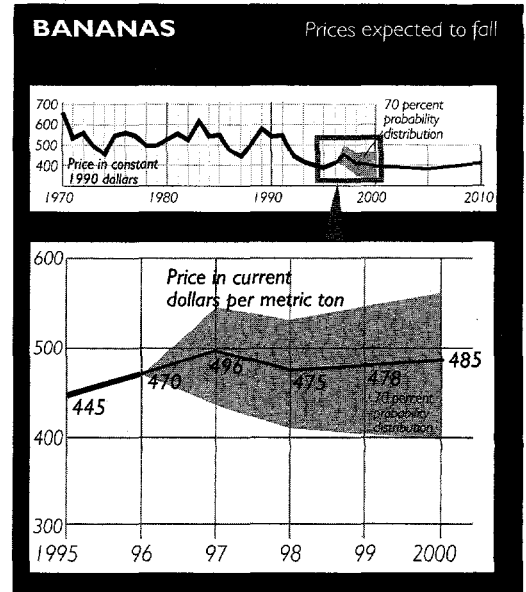
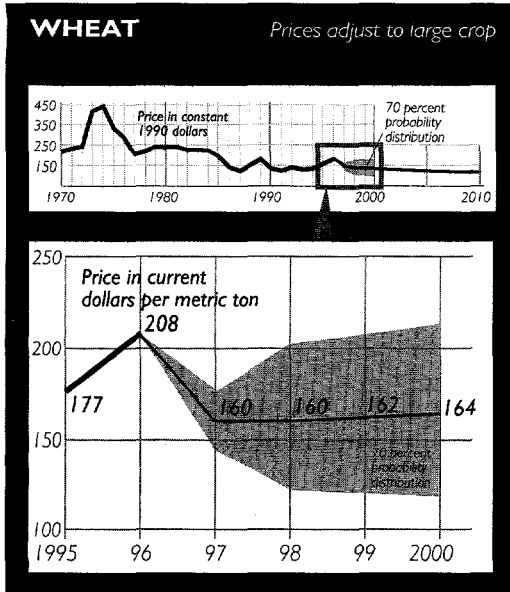
RICE

Prices remain steady

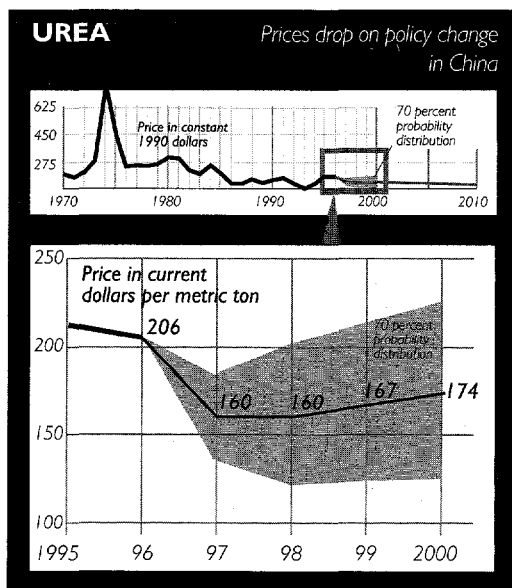
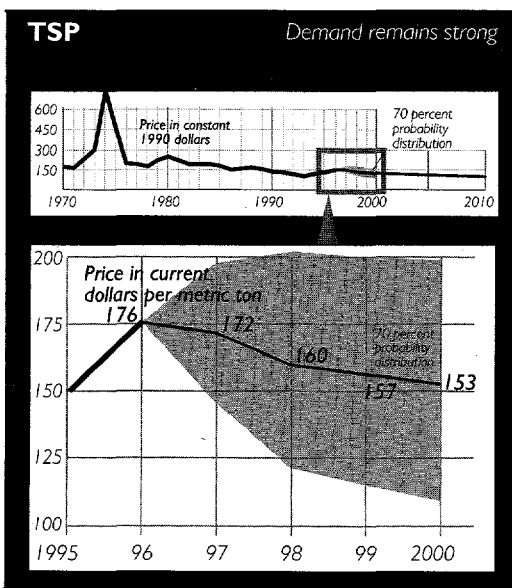
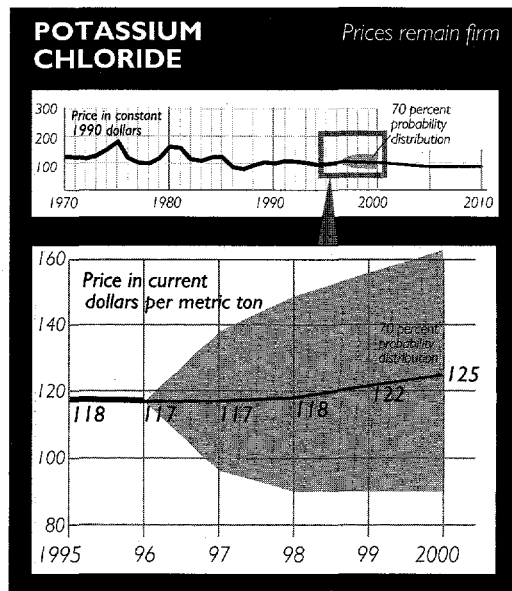
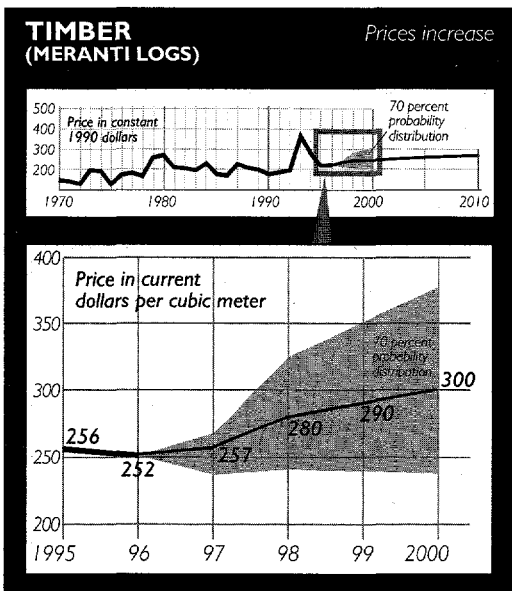
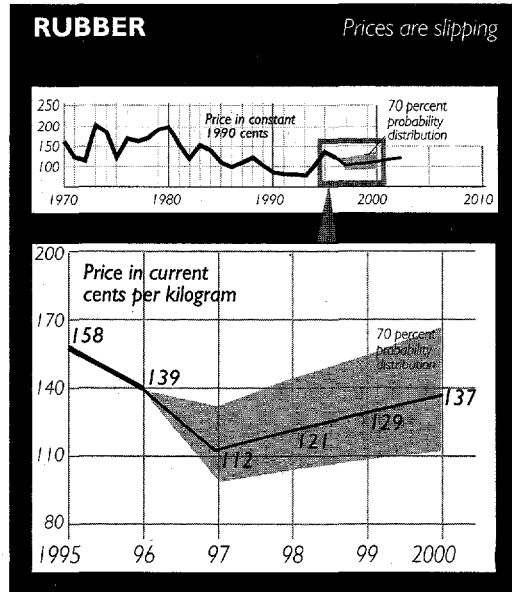
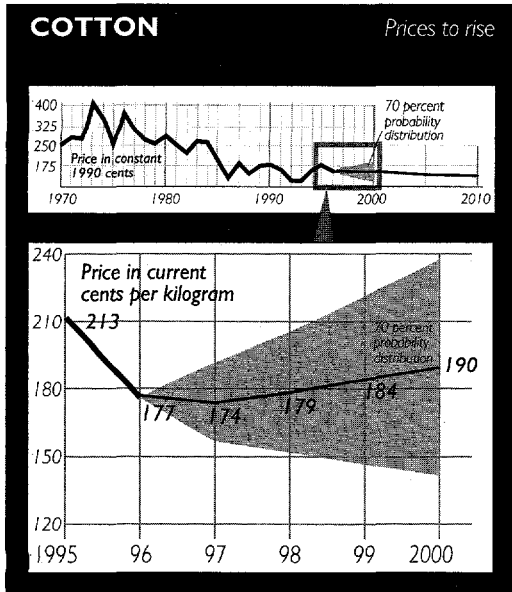


GRAINS

OTHER FOOD



AGRICULTURAL RAW MATERIALS



FERTILIZERS

METALS AND MINERALS

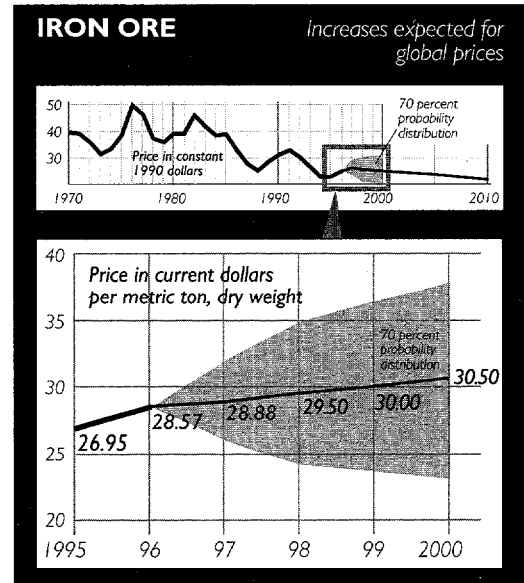
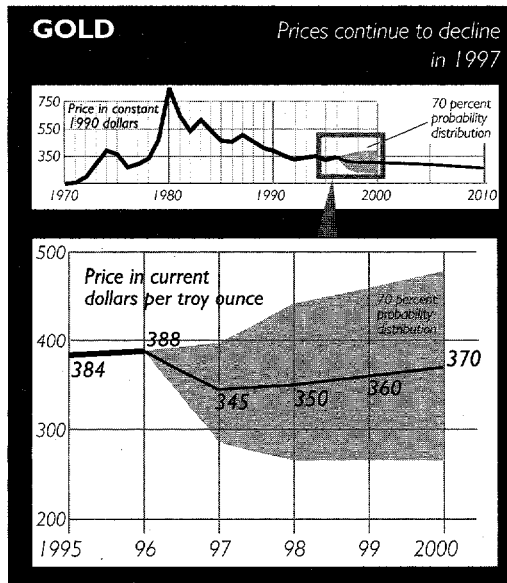
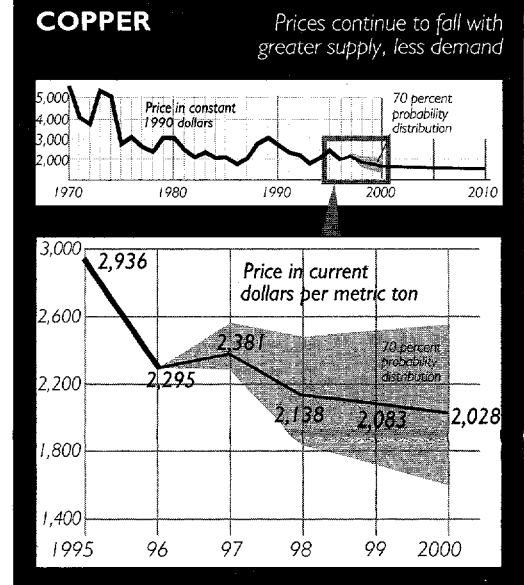
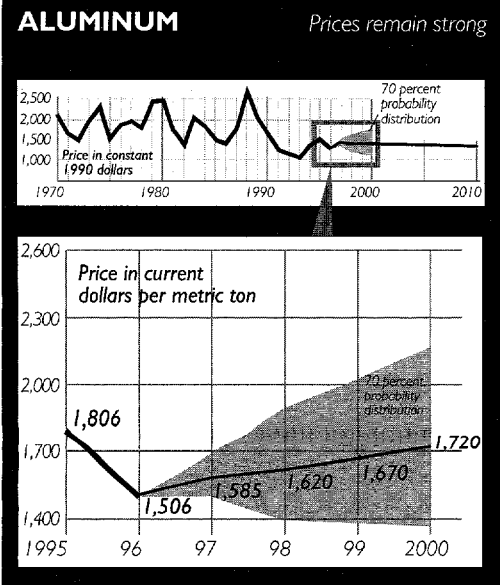


TABLE A1. COMMODITY PRICES AND PRICE PROJECTIONS IN CONSTANT 1990 DOLLARS

Commodity	Unit	Actual								Short-term projections			Long-term projections	
		1970	1980	1985	1990	1993	1994	1995	1996	1997	1998	2000	2005	2010
Energy														
Coal, US	\$/mt	..	59.88	67.96	41.75	35.74	33.10	32.88	32.59	33.73	31.36	30.76	29.83	28.43
Crude oil, avg. spot	\$/bbl	4.82	51.22	39.62	22.88	15.84	14.41	14.41	17.88	16.86	15.68	14.35	13.74	13.42
Natural gas, Europe	\$/mmbtu	..	4.72	5.39	2.55	2.51	2.22	2.29	2.49	2.55	2.40	2.21	2.10	2.01
Natural gas, US	\$/mmbtu	0.68	2.15	3.57	1.70	1.99	1.74	1.45	2.39	2.01	1.79	1.68	1.68	1.69
Beverages														
Cocoa	c/kg	269.1	361.7	328.6	126.7	105.0	126.7	120.2	127.5	144.9	145.5	146.0	149.0	149.8
Coffee, other milds	c/kg	457.2	481.6	470.9	197.2	146.7	300.1	279.6	235.9	341.8	230.9	190.3	183.7	175.7
Coffee, robusta	c/kg	362.8	450.6	386.0	118.2	108.9	237.7	232.4	158.1	165.0	148.1	146.0	139.6	127.8
Tea, auctions, avg	c/kg	358.8	250.4	263.5	205.1	157.7	143.1	128.1	147.9	170.1	149.1	146.7	140.5	136.2
Tea, London, all	c/kg	436.4	310.0	289.0	203.2	175.3	166.2	137.8	155.3	191.4	165.5	164.1	159.1	156.6
Food														
<i>Fats and oils</i>														
Coconut oil	\$/mt	1,584	936.1	860.2	336.5	423.5	551.2	561.7	658.1	629.0	609.9	607.0	519.2	499.0
Copra	\$/mt	896.5	629.0	562.6	230.7	277.8	378.7	367.9	428.1	433.0	396.4	340.4	332.6	308.6
Groundnut meal	\$/mt	407.4	333.9	211.7	184.8	158.1	152.7	141.4	186.3	163.2	150.7	174.7	166.3	164.9
Groundnut oil	\$/mt	1,509	1,193	1,319	963.7	695.1	928.0	831.3	785.7	884.2	740.6	631.6	519.2	463.3
Palm oil	\$/mt	1,037	810.9	729.6	289.8	355.3	479.5	527.1	464.9	492.3	422.6	344.5	332.6	308.6
Soybean meal	\$/mt	409.0	364.6	229.1	200.2	195.8	174.6	165.2	234.2	237.0	183.0	188.7	197.4	195.5
Soybean oil	\$/mt	1,142	830.2	833.7	447.3	451.8	558.6	524.4	482.9	483.1	466.1	451.2	437.5	411.5
Soybeans	\$/mt	466.2	411.5	327.1	246.8	239.9	228.5	217.5	266.9	260.7	219.6	229.7	238.6	236.4
<i>Grains</i>														
Maize	\$/mt	232.9	174.0	163.6	109.3	96.0	97.6	103.6	145.2	107.6	104.6	101.7	96.9	92.0
Rice, Thai, 5%	\$/mt	503.6	570.6	287.0	270.9	221.4	242.8	269.3	296.7	300.8	287.5	278.9	266.8	262.0
Sorghum	\$/mt	206.5	179.0	150.1	103.9	93.1	94.3	99.8	131.4	104.4	101.4	98.7	94.0	89.3
Wheat, US, HRW	\$/mt	218.9	240.0	198.0	135.5	131.9	135.9	148.5	181.8	145.9	139.4	134.5	124.4	118.2
<i>Other food</i>														
Bananas	\$/mt	662.2	524.1	551.0	540.9	416.7	399.1	373.4	411.2	452.1	413.0	397.8	386.2	413.4
Beef, US	c/kg	520.1	383.4	314.0	256.3	246.2	211.7	160.0	156.3	170.8	172.9	177.3	166.3	162.9
Oranges	\$/mt	670.0	556.0	580.7	531.1	406.8	373.2	445.9	430.5	364.6	412.1	430.7	423.8	402.6
Shrimp	c/kg	1,108	1,421	1,529	1,079	1,071	1,186	1,136	1,149	1,331	1,242	1,161	1,051	985
Sugar, world	c/kg	32.79	87.75	13.04	27.67	20.78	24.22	24.56	23.08	22.31	21.13	21.25	22.49	22.49
Agricultural raw materials														
<i>Timber</i>														
Logs, Malaysia	\$/cum	172.0	271.6	177.4	177.2	366.6	279.1	214.5	220.8	234.3	243.9	246.1	260.3	269.7
Logs, Cameroon	\$/cum	171.5	349.7	253.4	343.5	291.9	299.7	284.8	237.8	246.1	252.7	278.9	310.9	334.8
Sawnwood, Malaysia	\$/cum	697.8	550.2	447.5	533.0	713.1	745.0	620.8	649.2	692.8	688.3	697.2	723.1	729.1
<i>Other raw materials</i>														
Cotton	c/kg	269.7	286.5	192.1	181.9	120.4	160.0	178.5	155.3	158.8	155.6	155.6	143.2	139.3
Rubber, RSS1, Malaysia	c/kg	162.4	197.9	110.6	86.5	78.2	102.2	132.6	122.1	102.5	105.7	112.2	117.0	121.3
Tobacco	\$/mt	4,290	3,162	3,807	3,392	2,535	2,395	2,214	2,671	3,008	2,788	2,641	2,444	2,268
Fertilizers														
DAP	\$/mt	215.3	308.7	246.3	171.4	121.4	156.8	181.7	186.7	182.3	178.6	162.4	151.1	134.2
Phosphate rock	\$/mt	43.9	64.9	49.4	40.5	31.0	29.9	29.4	34.2	37.4	36.1	34.5	31.8	29.4
Potassium chloride*	\$/mt	127.6	160.8	122.4	98.1	101.0	95.9	98.8	102.4	106.7	102.8	102.5	86.8	87.5
TSP	\$/mt	171.5	250.4	176.9	131.8	105.3	119.9	125.5	154.0	156.8	139.4	125.5	114.3	103.5
Urea	\$/mt	191.4	308.6	198.7	157.0	100.4	134.2	177.4	179.9	145.9	139.4	142.7	135.2	127.8
Metals and minerals														
Aluminum	\$/mt	2,217	2,023	1,517	1,639	1,071	1,340	1,515	1,318	1,445	1,411	1,411	1,388	1,356
Copper	\$/mt	5,645	3,032	2,066	2,661	1,799	2,094	2,463	2,010	2,170	1,863	1,664	1,592	1,548
Gold	\$/toz	143.5	844.7	463.4	383.5	338.4	348.4	322.3	339.5	314.5	304.9	303.5	289.3	262.0
Iron ore	c/dmtu	39.23	39.02	38.71	30.80	26.46	23.11	22.61	25.02	26.33	25.70	25.02	23.72	21.73
Lead	c/kg	120.8	125.8	57.0	81.1	38.2	49.7	52.9	67.8	59.3	57.5	55.4	49.2	44.7
Nickel	\$/mt	11,348	9,056	7,140	8,864	4,978	5,752	6,903	6,568	6,563	6,360	6,316	5,640	5,240
Silver	c/toz	705.7	2,867	895.2	482.0	404.3	479.5	435.5	453.9	446.7	435.6	434.8	390.5	357.8
Tin	c/kg	1,465	2,330	1,682	608.5	485.4	495.8	521.3	539.9	515.0	498.3	498.8	453.4	413.4
Zinc	c/kg	118.0	105.8	114.2	151.4	90.5	90.5	86.5	89.8	118.5	113.3	93.5	85.3	81.2

.. Not available.

Note: Computed from unrounded data and deflated by MUV (1990=100). Forecast as of July 23, 1997.

a. Potassium chloride, also known as muriate of potash.

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

COMMODITY PRICE OUTLOOK
TABLE A2. COMMODITY PRICES AND PRICE PROJECTIONS IN CURRENT DOLLARS

Commodity	Unit	Actual								Short-term projections			Long-term projections	
		1970	1980	1985	1990	1993	1994	1995	1996	1997	1998	2000	2005	2010
Energy														
Coal, US	\$/mt	..	43.10	46.63	41.75	38.00	36.48	39.19	37.21	37.00	36.00	37.50	41.25	44.50
Crude oil, avg, spot	\$/bbl	1.21	36.87	27.18	22.88	16.84	15.89	17.17	20.42	18.50	18.00	17.50	19.00	21.00
Natural gas, Europe	\$/mmbtu	..	3.40	3.70	2.55	2.67	2.44	2.73	2.84	2.80	2.75	2.70	2.90	3.15
Natural gas, US	\$/mmbtu	0.17	1.55	2.45	1.70	2.12	1.92	1.72	2.73	2.20	2.05	2.05	2.33	2.65
Beverages														
Cocoa	c/kg	67.5	260.4	225.4	126.7	111.7	139.6	143.2	145.6	159.0	167.0	178.0	206.0	234.5
Coffee, other milds	c/kg	114.7	346.6	323.1	197.2	156.0	330.8	333.2	269.4	375.0	265.0	232.0	254.0	275.0
Coffee, robusta	c/kg	91.0	324.3	264.9	118.2	115.7	262.0	277.1	180.6	181.0	170.0	178.0	193.0	200.0
Tea, auctions, avg	c/kg	90.0	180.2	180.8	205.1	167.7	157.7	152.7	168.9	186.6	171.1	178.9	194.3	213.2
Tea, London, all	c/kg	109.5	223.1	198.3	203.2	186.4	183.2	164.3	177.4	210.0	190.0	200.0	220.0	245.0
Food														
Fats and oils														
Coconut oil	\$/mt	397.2	673.8	590.2	336.5	450.3	607.5	669.6	751.6	690.0	700.0	740.0	718.0	781.0
Copra	\$/mt	224.8	452.7	386.0	230.7	295.4	417.3	438.5	488.9	475.0	455.0	415.0	460.0	483.0
Groundnut meal	\$/mt	102.2	240.3	145.3	184.8	168.1	168.3	168.6	212.8	179.0	173.0	213.0	230.0	258.0
Groundnut oil	\$/mt	378.6	858.8	904.9	963.7	739.1	1022.8	990.9	897.3	970.0	850.0	770.0	718.0	725.0
Palm oil	\$/mt	260.1	583.7	500.6	289.8	377.8	528.4	628.3	530.9	540.0	485.0	420.0	460.0	483.0
Soybean meal	\$/mt	102.6	262.4	157.2	200.2	208.2	192.4	196.9	267.5	260.0	210.0	230.0	273.0	306.0
Soybean oil	\$/mt	286.3	597.6	572.0	447.3	480.4	615.6	625.1	551.5	530.0	535.0	550.0	605.0	644.0
Soybeans	\$/mt	116.9	296.2	224.4	246.8	255.1	251.8	259.3	304.8	286.0	252.0	280.0	330.0	370.0
Grains														
Maize	\$/mt	58.4	125.3	112.2	109.3	102.1	107.6	123.5	165.8	118.0	120.0	124.0	134.0	144.0
Rice, Thai, 5%	\$/mt	126.3	410.7	196.9	270.9	235.4	267.6	321.0	338.9	330.0	330.0	340.0	369.0	410.0
Sorghum	\$/mt	51.8	128.9	103.0	103.9	99.0	103.9	119.0	150.0	114.5	116.4	120.3	130.0	139.7
Wheat, US, HRW	\$/mt	54.9	172.7	135.8	135.5	140.2	149.7	177.0	207.6	160.0	160.0	164.0	172.0	185.0
Other Food														
Bananas	\$/mt	166.1	377.3	378.1	540.9	443.0	439.8	445.1	469.6	496.0	474.0	485.0	534.0	647.0
Beef, US	c/kg	130.4	276.0	215.4	256.3	261.8	233.3	190.7	178.5	187.4	198.4	216.1	230.0	255.0
Oranges	\$/mt	168.0	400.2	398.4	531.1	432.5	411.3	531.5	491.7	400.0	473.0	525.0	586.0	630.0
Shrimp	c/kg	278.0	1,023	1,049	1,079	1,139	1,308	1,354	1,312	1,460	1,425	1,415	1,453	1,542
Sugar, world	c/kg	8.22	63.16	8.95	27.67	22.10	26.70	29.28	26.36	24.47	24.25	25.91	31.10	35.19
Agricultural raw materials														
Timber														
Logs, Malaysia	\$/cum	43.1	195.5	121.7	177.2	389.8	307.6	255.6	252.1	257.0	280.0	300.0	360.0	422.0
Logs, Cameroon	\$/cum	43.0	251.7	173.9	343.5	310.3	330.3	339.5	271.6	270.0	290.0	340.0	430.0	524.0
Sawnwood, Malaysia	\$/cum	175.0	396.0	307.0	533.0	758.3	821.0	740.0	741.4	760.0	790.0	850.0	1000.0	1141.0
Other raw materials														
Cotton	c/kg	67.6	206.2	131.8	181.9	128.0	176.3	212.8	177.3	174.2	178.6	189.6	198.0	218.1
Rubber, RSS1, Malaysia	c/kg	40.7	142.5	75.9	86.5	83.1	112.6	158.0	139.4	112.4	121.3	136.8	161.8	189.8
Tobacco	\$/mt	1,076	2,276	2,612	3,392	2,695	2,639	2,639	3,051	3,300	3,200	3,220	3,380	3,550
Fertilizers														
DAP	\$/mt	54.0	222.2	169.0	171.4	129.1	172.8	216.6	213.2	200.0	205.0	198.0	209.0	210.0
Phosphate rock	\$/mt	11.0	46.7	33.9	40.5	33.0	33.0	35.0	39.0	41.0	41.4	42.0	44.0	46.0
Potassium chloride ^a	\$/mt	32.0	115.7	84.0	98.1	107.4	105.7	117.8	116.9	117.0	118.0	125.0	120.0	137.0
TSP	\$/mt	43.0	180.3	121.4	131.8	111.9	132.1	149.6	175.8	172.0	160.0	153.0	158.0	162.0
Urea	\$/mt	48.0	222.1	136.3	157.0	106.8	147.9	211.5	205.5	160.0	160.0	174.0	187.0	200.0
Metals and minerals														
Aluminum	\$/mt	556	1,456	1,041	1,639	1,139	1,477	1,806	1,506	1,585	1,620	1,720	1,920	2,122
Copper	\$/mt	1,416	2,182	1,417	2,661	1,913	2,307	2,936	2,295	2,381	2,138	2,028	2,201	2,423
Gold	\$/toz	36.0	608.0	317.9	383.5	359.8	384.0	384.2	387.7	345.0	350.0	370.0	400.0	410.0
Iron ore	c/dmtu	9.84	28.09	26.56	30.80	28.14	25.47	26.95	28.57	28.88	29.50	30.50	32.80	34.00
Lead	c/kg	30.3	90.6	39.1	81.1	40.6	54.8	63.1	77.4	65.0	66.0	67.5	68.1	70.0
Nickel	\$/mt	2,846	6,519	4,899	8,864	5,293	6,340	8,228	7,501	7,200	7,300	7,700	7,800	8,200
Silver	c/toz	177.0	2,064	614.2	482.0	429.8	528.4	519.1	518.3	490.0	500.0	530.0	540.0	560.0
Tin	c/kg	367.3	1,677	1,154	608.5	516.1	546.4	621.4	616.5	565.0	572.0	608.1	627.0	647.0
Zinc	c/kg	29.6	76.1	78.3	151.4	96.2	99.8	103.1	102.5	130.0	130.0	114.0	118.0	127.0

.. Not available.

Note: Computed from unrounded data and deflated by MUV (1990=100). Forecast as of July 23, 1997.

a. Potassium chloride, also known as muriate of potash.

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

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

1990=100

Year	Agriculture											
	Energy (100)	Nonenergy commod- ities (100) ^a	Total		Food			Raw materials			Metals and minerals (28.2) ^a	
			agriculture (69.1) ^a	Beverages (16.9) ^a	Total food (29.4) ^a	Fats and oils (10.1) ^a	Grains (6.9) ^a	Other foods (12.4) ^a	Total raw materials (22.8) ^a	Timber (9.3) ^a		Fertilizers (2.7) ^a
Current dollars												
1980	161.2	125.9	138.3	182.4	139.3	148.7	134.3	134.3	104.6	79.0	128.9	95.1
1985	118.8	91.4	100.2	164.1	86.3	113.0	89.2	62.8	70.8	59.1	89.0	70.2
1990	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1991	84.7	95.3	97.6	92.9	99.2	104.5	101.7	93.4	99.2	104.2	102.4	88.9
1992	83.1	91.8	94.0	77.5	100.0	111.7	101.7	89.5	98.3	114.5	95.8	86.1
1993	73.6	91.4	98.8	83.6	98.6	111.5	93.7	90.7	110.3	152.4	83.7	73.9
1994	69.4	111.6	123.3	148.8	106.8	125.9	102.1	93.9	125.8	156.6	93.4	84.6
1995	75.1	122.2	131.3	151.2	116.9	136.6	120.4	98.8	135.2	139.5	103.6	101.6
1996	89.3	115.1	125.5	126.5	123.6	147.0	140.6	95.0	127.1	139.5	119.8	89.1
1997	80.9	117.8	128.4	158.5	115.9	143.2	116.8	92.9	122.3	142.9	119.8	91.5
1998	78.7	111.6	120.4	128.4	110.4	126.1	117.3	93.6	127.5	149.5	114.4	89.7
2000	76.5	114.1	123.6	122.7	113.5	128.2	120.8	97.3	137.5	160.7	111.5	90.9
2005	83.0	126.4	138.2	136.1	124.8	144.6	129.7	105.7	157.1	189.6	115.8	98.3
2010	91.8	139.2	153.4	148.8	136.4	158.3	141.5	115.7	178.6	217.2	119.5	106.1
Constant 1990 dollars												
1980	223.9	174.9	192.2	253.4	193.5	206.6	186.6	186.6	145.3	109.8	179.1	132.1
1985	173.2	133.3	146.0	239.2	125.8	164.7	130.0	91.5	103.2	86.1	129.8	102.3
1990	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1991	82.8	93.2	95.5	90.9	97.0	102.2	99.5	91.3	97.0	101.9	100.2	87.0
1992	78.0	86.1	88.1	72.6	93.8	104.7	95.4	84.0	92.2	107.3	89.8	80.8
1993	69.2	85.9	92.9	78.6	92.7	104.9	88.1	85.3	103.7	143.3	78.7	69.5
1994	63.0	101.3	111.9	135.0	96.9	114.3	92.6	85.2	114.1	142.1	84.7	76.8
1995	63.0	102.5	110.2	126.8	98.1	114.6	101.0	82.9	113.4	117.1	86.9	85.2
1996	78.2	100.8	109.9	110.7	108.3	128.7	123.1	83.2	111.3	122.1	104.9	78.0
1997	73.7	107.4	117.0	144.5	105.6	130.6	106.4	84.7	111.5	130.3	109.2	83.5
1998	68.5	97.2	104.9	111.8	96.2	109.9	102.2	81.6	111.1	130.2	99.6	78.1
2000	62.7	93.6	101.4	100.7	93.1	105.2	99.1	79.8	112.8	131.8	91.5	74.6
2005	60.1	91.4	99.9	98.4	90.2	104.6	93.8	76.5	113.6	137.1	83.7	71.1
2010	58.7	88.9	98.0	95.1	87.2	101.2	90.4	73.9	114.1	138.8	76.4	67.8

Note: Figures for 1997–2010 are projections. Weights used are the average 1987–89 export values for low- and middle-income economies. Forecast as of July 23, 1997.

a. Percentage share of commodity group in nonenergy index.

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

TABLE A4. INFLATION INDICES FOR SELECTED YEARS

Year	G-5 MUV index ^a		US GDP deflator	
	1990=100	% change	1990=100	% change
1980	71.98		64.54	
1985	68.61	-0.95	83.77	5.66
1990	100.00	7.83	100.00	3.61
1991	102.23	2.23	103.95	3.95
1992	106.64	4.31	106.84	2.78
1993	106.33	-0.29	109.62	2.60
1994	110.21	3.65	112.18	2.34
1995	119.20	8.15	114.96	2.48
1996	114.20	4.19	117.20	1.95
1997	109.70	-3.94	119.66	2.10
1998	114.78	4.63	122.18	2.10
2000	121.91	3.06	127.11	2.00
2005	138.29	2.55	141.72	2.20
2010	156.50	2.50	158.01	2.20

Note: Figures for 1996–2010 are projections, except 1996 US GDP deflator is a preliminary estimate. Forecast as of April 22, 1997. Growth rates for years 1985, 1990, 2000, 2005 and 2010 are compound annual rates of change between adjacent end-point years; all others are annual growth rates from the previous year.

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

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

TABLE A5. COMMODITY PRICE PROBABILITY DISTRIBUTIONS IN CONSTANT 1990 DOLLARS

Commodity	Unit	70% probability distribution			
		1997	1998	2000	2005
Energy					
Coal, US	\$/mt	30.54-36.92	25.27-37.46	22.97-38.55	18.44-41.22
Crude oil, avg. spot	\$/bbl	14.59-19.14	11.76-19.60	10.05-18.87	7.95-19.52
Natural gas, Europe	\$/mmbtu	2.28-2.83	1.83-2.96	1.56-2.87	1.34-2.86
Natural gas, US	\$/mmbtu	1.78-2.23	1.35-2.22	1.15-2.21	1.01-2.36
Beverages					
Cocoa	¢/kg	134-151	125-169	116-184	110-201
Coffee, other milds	¢/kg	297-400	173-295	133-261	123-261
Coffee, robusta	¢/kg	142-195	116-186	105-197	98-198
Tea, auctions, avg.	¢/kg	153-189	130-168	123-167	110-169
Tea, London, all	¢/kg	172-216	144-187	138-187	124-191
Food					
<i>Fats and oils</i>					
Coconut oil	\$/mt	566-692	518-701	455-759	364-675
Copra	\$/mt	390-477	337-456	255-426	233-432
Groundnut meal	\$/mt	147-180	128-173	131-218	116-216
Groundnut oil	\$/mt	796-973	630-852	474-790	364-675
Palm oil	\$/mt	443-541	359-486	258-431	233-432
Soybean meal	\$/mt	213-261	156-211	142-236	138-257
Soybean oil	\$/mt	435-531	396-536	339-564	307-569
Soybeans	\$/mt	234-287	186-253	172-287	167-310
<i>Grains</i>					
Maize	\$/mt	95-121	84-125	77-128	63-136
Rice, Thai, 5%	\$/mt	247-355	219-362	201-363	160-400
Sorghum	\$/mt	92-117	81-122	75-124	61-132
Wheat, US, HRW	\$/mt	131-160	106-176	97-175	75-178
<i>Other food</i>					
Bananas	\$/mt	398-498	355-463	326-462	239-509
Beef, US	¢/kg	153-187	142-204	133-222	111-221
Oranges	\$/mt	299-430	313-519	310-556	284-564
Shrimp	¢/kg	1,264-1,424	1,080-1,428	882-1,555	772-1,524
Sugar, world	¢/kg	20.07-24.54	18.59-23.66	17.85-24.65	15.29-29.68
Agricultural raw materials					
<i>Timber</i>					
Logs, Malaysia	\$/cm	216-244	210-283	196-310	193-351
Logs, Cameroon	\$/cm	229-259	217-294	222-351	230-420
Sawnwood, Malaysia	\$/cm	649-732	592-800	554-878	536-976
<i>Other raw materials</i>					
Cotton	¢/kg	143-175	132-179	117-194	100-186
Rubber, RSS1, Malaysia	¢/kg	90-120	91-125	92-136	76-176
Tobacco	\$/mt	2,557-3,459	2,286-3,290	1,981-3,302	1,638-3,250
Fertilizers					
DAP	\$/mt	155-210	136-225	117-211	98-204
Phosphate rock	\$/mt	32-43	27-45	25-45	21-43
Potassium chloride ^a	\$/mt	91-123	78-130	74-133	52-121
TSP	\$/mt	133-180	106-176	90-163	69-160
Urea	\$/mt	124-168	106-176	103-186	81-189
Metals and minerals					
Aluminum	\$/mt	1,365-1,539	1,215-1,640	1,121-1,776	1,029-1,874
Copper	\$/mt	2,085-2,346	1,604-2,165	1,322-2,094	1,179-2,148
Gold	\$/toz	258-362	232-384	219-392	174-419
Iron ore	¢/dmtu	23.70-28.99	21.08-30.32	19.03-31.01	16.63-31.53
Lead	¢/kg	50.41-68.19	43.74-72.49	39.87-71.45	32.76-66.45
Nickel	\$/mt	5,579-7,548	4,834-8,014	4,548-8,148	3,384-7,896
Silver	¢/toz	366-514	331-549	313-561	234-566
Tin	¢/kg	438-592	379-628	359-643	272-589
Zinc	¢/kg	101-136	86-143	67-121	57-114

Note: Forecast as of July 23, 1997.

a. Also known as muriate of potash.

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

TABLE A6. COMMODITY PRICE PROBABILITY DISTRIBUTIONS IN CURRENT DOLLARS

Commodity	Unit	70% probability distribution			
		1997	1998	2000	2005
Energy					
Coal, US	\$/mt	33.50-40.50	29.00-43.00	28.00-47.00	25.50-57.00
Crude oil, avg. spot	\$/bbl	16.00-21.00	13.50-22.50	12.25-23.00	11.00-27.00
Natural gas, Europe	\$/mmbtu	2.50-3.10	2.10-3.40	1.90-3.50	1.85-3.95
Natural gas, US	\$/mmbtu	1.95-2.45	1.55-2.55	1.40-2.70	1.40-3.26
Beverages					
Cocoa	¢/kg	147-166	144-194	141-224	153-278
Coffee, other milds	¢/kg	326-439	199-339	162-318	170-361
Coffee, robusta	¢/kg	156-214	133-213	128-240	135-274
Tea, auctions, avg.	¢/kg	168-207	149-193	150-204	152-233
Tea, London, all	¢/kg	189-237	165-215	168-228	172-264
Food					
<i>Fats and oils</i>					
Coconut oil	\$/mt	621-759	595-805	555-925	503-933
Copra	\$/mt	428-523	387-523	311-519	322-598
Groundnut meal	\$/mt	161-197	147-199	160-266	161-299
Groundnut oil	\$/mt	873-1,067	723-978	578-963	503-933
Palm oil	\$/mt	486-594	412-558	315-525	322-598
Soybean meal	\$/mt	234-286	179-242	173-288	191-355
Soybean oil	\$/mt	477-583	455-615	413-688	424-787
Soybeans	\$/mt	257-315	214-290	210-350	231-429
<i>Grains</i>					
Maize	\$/mt	104-132	96-144	94-156	87-188
Rice, Thai, 5%	\$/mt	271-389	251-416	245-442	221-554
Sorghum	\$/mt	101-128	93-140	91-152	85-182
Wheat, US, HRW	\$/mt	144-176	122-202	118-213	103-246
<i>Other food</i>					
Bananas	\$/mt	437-546	408-531	398-563	331-704
Beef, US	¢/kg	168-205	163-234	162-270	154-306
Oranges	\$/mt	328-472	360-596	378-677	393-779
Shrimp	¢/kg	1,387-1,562	1,240-1,639	1,075-1,896	1,068-2,107
Sugar, world	¢/kg	22.02-26.92	21.34-27.16	21.76-30.05	21.15-41.05
Agricultural raw materials					
<i>Timber</i>					
Logs, Malaysia	\$/cm	237-268	241-325	238-378	267-486
Logs, Cameroon	\$/cm	252-284	250-337	270-428	319-580
Sawnwood, Malaysia	\$/cm	712-803	680-918	675-1,070	741-1,350
<i>Other raw materials</i>					
Cotton	¢/kg	157-192	152-205	142-237	139-257
Rubber, RSSI, Malaysia	¢/kg	99-132	104-144	112-166	105-243
Tobacco	\$/mt	2,805-3,795	2,624-3,776	2,415-4,025	2,265-4,495
Fertilizers					
DAP	\$/mt	170-230	156-258	143-257	136-282
Phosphate rock	\$/mt	35-47	32-52	30-55	29-59
Potassium chloride ^a	\$/mt	100-135	90-149	90-163	72-168
TSP	\$/mt	146-198	122-202	110-199	95-221
Urea	\$/mt	136-184	122-202	125-226	112-262
Metals and minerals					
Aluminum	\$/mt	1,498-1,689	1,394-1,882	1,367-2,165	1,422-2,592
Copper	\$/mt	2,287-2,574	1,841-2,485	1,612-2,553	1,631-2,971
Gold	\$/toz	283-397	266-441	266-477	240-580
Iron ore	¢/dmtu	26.00-31.80	24.20-34.80	23.20-37.80	23.00-43.60
Lead	¢/kg	55-75	50-83	49-87	45-92
Nickel	\$/mt	6,120-8,280	5,548-9,198	5,544-9,933	4,680-10,920
Silver	¢/toz	402-564	380-630	382-684	324-783
Tin	¢/kg	480-650	435-721	438-784	376-815
Zinc	¢/kg	111-150	99-164	82-147	79-157

Note: Forecast as of July 23, 1997.

a. Also known as muriate of potash.

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

COMMODITY PRICE OUTLOOK
TABLE A7. RECENT COMMODITY PRICES

Commodity	Unit	Annual averages			Quarterly averages					Monthly averages		
		Jan-Dec 1995	Jan-Dec 1996	Jan-Mar 1997	Apr-Jun 1996	Jul-Sep 1996	Oct-Dec 1996	Jan-Mar 1996	Apr-Jun 1997	Apr 1997	May 1997	Jun 1997
Energy												
Coal												
Australia	\$/mt	39.37	38.07	34.99	38.58	38.28	36.22	34.78	35.21	35.40	35.73	34.50
US	\$/mt	39.19	37.21	37.32	37.10	37.60	37.38	37.80	36.84	37.80	37.55	35.18
Crude oil, average spot ^a												
Brent ^a	\$/bbl	17.17	20.42	19.69	19.41	20.76	23.21	20.99	18.39	17.88	19.37	17.92
Dubai ^a	\$/bbl	17.07	20.65	19.61	19.47	20.93	23.57	21.17	18.05	17.47	19.14	17.55
West Texas Int. ^a	\$/bbl	16.11	18.54	18.42	17.25	18.94	21.41	19.32	17.52	16.77	18.46	17.34
Natural gas												
Europe	\$/mmbtu	2.73	2.84	2.81	2.91	2.79	2.95	2.87	2.76	2.77	2.74	2.76
US	\$/mmbtu	1.72	2.73	2.32	2.32	2.12	3.07	2.47	2.16	2.03	2.24	2.20
Beverages												
Cocoa ^b												
	c/kg	143.2	145.6	152.5	150.6	149.1	147.3	144.1	161.0	157.1	156.9	168.8
Coffee												
Other milds ^b	c/kg	333.2	269.4	438.1	278.0	270.0	268.4	364.5	511.7	456.3	589.2	489.5
Robusta ^b	c/kg	277.1	180.6	177.3	196.9	169.8	151.5	163.8	190.9	170.6	206.4	195.6
Tea												
Auctions (4), average ^b	c/kg	152.7	168.9	191.6	170.4	175.0	171.7	176.4	206.8	198.9	212.5	209.1
London auction ^b	c/kg	164.3	177.4	212.2	172.7	172.9	190.2	198.8	225.6	230.8	231.6	214.4
Food												
Fats and oils												
Coconut oil ^b	\$/mt	669.6	751.6	712.6	783.3	746.0	753.0	757.7	667.6	710.0	654.0	638.8
Copra	\$/mt	438.5	488.9	466.7	510.7	501.3	479.7	497.0	436.3	466.0	428.0	415.0
Groundnut meal	\$/mt	168.6	212.8	244.2	217.7	215.0	232.0	239.0	249.4	256.0	254.0	238.3
Groundnut oil ^b	\$/mt	990.9	897.3	938.3	898.7	888.7	870.0	885.3	991.3	938.0	981.0	1055.0
Palm oil ^b	\$/mt	628.3	530.9	559.1	540.7	511.3	547.7	568.7	549.5	562.0	553.0	533.5
Soybean meal ^b	\$/mt	196.9	267.5	289.1	269.0	273.7	274.3	287.3	290.9	301.0	300.0	271.8
Soybean oil ^b	\$/mt	625.1	551.5	538.8	578.7	561.0	519.7	534.0	543.7	541.0	541.0	549.0
Soybeans ^b	\$/mt	259.3	304.8	309.0	315.3	316.0	288.3	313.7	304.3	338.0	298.0	276.8
Grains												
Maize ^b												
	\$/mt	123.5	165.8	120.5	197.3	176.2	121.1	122.5	118.4	124.4	118.8	112.1
Rice												
Thai, 5% ^b	\$/mt	321.0	338.9	329.8	333.7	340.6	315.7	342.1	317.4	304.5	324.5	323.2
Thai, 35% ^b	\$/mt	290.2	275.8	261.5	272.7	269.2	249.8	268.8	254.3	251.0	256.3	255.6
AI, Special	\$/mt	262.8	232.7	221.4	243.2	218.9	206.3	225.0	217.8	217.3	215.5	220.6
Sorghum ^b	\$/mt	119.0	150.0	112.2	183.1	148.8	108.2	112.2	112.2	118.0	114.2	104.3
Wheat												
Canada	\$/mt	207.1	230.8	187.1	277.2	220.2	193.3	186.9	187.3	195.7	186.0	180.0
US, HRW ^b	\$/mt	177.0	207.6	171.5	249.0	191.0	176.7	174.9	168.2	183.5	172.6	148.4
US, SRW	\$/mt	167.4	187.4	149.0	213.9	175.3	158.4	150.5	147.6	158.6	152.7	131.6
Other food												
Bananas ^b												
	\$/mt	445.1	469.6	591.1	541.8	409.0	426.1	615.0	567.1	711.5	496.0	493.8
Beef ^b	c/kg	190.7	178.5	190.4	176.2	173.9	181.2	191.2	189.6	200.9	191.3	176.6
Fishmeal	\$/mt	495.0	586.0	556.8	570.0	550.7	588.0	562.7	550.8	547.0	548.0	557.5
Lamb	c/kg	262.1	329.5	349.2	332.3	351.0	371.9	365.5	332.8	331.1	333.9	333.4
Oranges ^b	\$/mt	531.5	491.7	414.4	536.0	527.7	460.9	417.0	411.9	451.2	470.1	314.2
Shrimp	c/kg	1353.7	1311.9	1428.5	1365.9	1325.5	1353.3	1392.6	1464.4	1441.3	1463.9	1488.1
Sugar												
EU, domestic ^b	c/kg	68.8	68.3	65.0	68.0	68.5	68.1	66.3	63.6	63.4	63.5	63.9
US, domestic ^b	c/kg	50.8	49.3	48.0	49.7	48.9	48.9	48.2	47.8	47.9	47.8	47.7
World ^b	c/kg	29.3	26.4	24.2	26.1	27.3	23.9	24.0	24.5	24.9	24.5	24.2
Agricultural raw materials												
Timber												
Logs												
Malaysia ^b	\$/cum	255.6	252.1	245.8	256.7	260.6	246.6	239.3	252.4	240.2	252.2	264.9
Cameroon	\$/cum	339.5	271.6	263.9	254.0	267.4	286.8	268.1	259.6	260.3	261.2	257.3
Plywood	c/sheet	584.4	529.5	499.4	526.7	532.4	523.3	495.0	503.8	486.0	512.7	512.7
Sawnwood												
Malaysia ^b	\$/cum	740.0	741.4	749.4	750.8	747.6	746.5	751.3	747.4	749.8	747.6	744.9
Ghana	\$/cum	632.5	540.8	562.7	524.8	531.5	576.1	548.9	576.6	563.7	597.0	569.0
Woodpulp	\$/mt	853.5	574.1	523.8	499.2	545.5	573.0	527.4	520.2	506.1	527.2	527.2

TABLE A7. RECENT COMMODITY PRICES (CONTINUED)

Commodity	Unit	Annual averages			Quarterly averages					Monthly averages		
		Jan-Dec 1995	Jan-Dec 1996	Jan-Mar 1997	Apr-Jun 1996	Jul-Sep 1996	Oct-Dec 1996	Jan-Mar 1996	Apr-Jun 1997	Apr 1997	May 1997	Jun 1997
Other raw materials												
Cotton ^b	c/kg	212.8	177.3	176.3	182.8	170.1	169.5	177.0	175.5	173.9	174.9	177.7
Jute	\$/mt	368.0	457.5	344.4	502.3	403.3	399.2	364.8	324.0	317.5	332.0	322.5
Rubber												
Malaysia ^b	c/kg	158.0	139.4	117.5	147.1	132.0	125.6	122.6	112.3	115.1	110.7	111.2
NY	c/kg	181.4	160.7	134.2	166.9	153.4	146.1	139.7	128.6	132.2	127.3	126.4
Singapore	c/kg	160.0	140.9	116.1	148.7	131.8	126.2	121.3	111.0	112.0	111.6	109.4
Sisal	\$/mt	709.7	868.3	789.5	860.0	890.0	880.0	809.0	770.0	770.0	770.0	770.0
Wool	c/kg	488.3	416.3	433.5	410.8	412.4	412.0	424.4	442.6	432.8	443.0	452.1
Fertilizers												
DAP	\$/mt	216.6	213.2	200.2	204.5	206.9	209.5	200.6	199.8	196.0	204.0	199.5
Phosphate rock ^b	\$/mt	35.0	39.0	41.0	39.0	39.0	39.0	41.0	41.0	41.0	41.0	41.0
Potassium chloride	\$/mt	117.8	116.9	116.6	117.0	117.0	117.0	116.6	116.5	116.5	116.5	116.5
TSP ^b	\$/mt	149.6	175.8	176.9	173.9	178.6	182.5	181.3	172.5	177.6	170.0	170.0
Urea	\$/mt	211.5	205.5	162.2	198.5	206.4	197.0	176.7	147.6	160.3	144.4	138.1
Metals and minerals												
Aluminum ^b	\$/mt	1805.7	1505.7	1590.2	1553.0	1443.2	1428.7	1595.7	1584.8	1561.4	1625.3	1567.6
Copper ^b	\$/mt	2935.6	2294.9	2463.4	2475.8	1978.5	2153.4	2420.7	2506.0	2391.2	2514.3	2612.6
Gold	\$/toz	384.2	387.7	347.9	390.0	384.7	376.0	351.2	344.7	344.5	348.8	340.8
Iron ore ^b	c/dmtu	27.0	28.6	28.9	28.6	28.6	28.6	28.9	28.9	28.9	28.9	28.9
Lead ^b	c/kg	63.1	77.4	65.4	81.7	79.9	71.6	68.2	62.5	64.3	61.9	61.5
Nickel ^b	\$/mt	8228.0	7500.8	7427.1	7926.3	7192.0	6851.8	7567.3	7287.0	7315.5	7482.9	7062.5
Silver	c/toz	519.1	518.3	488.7	529.9	504.8	484.9	501.7	475.6	476.4	475.9	474.6
Steel products (8) index ^c 1990=100		106.7	96.3	90.7	96.4	95.1	92.1	90.1	91.3	91.9	91.2	90.7
Steel												
Cold rolled coilsheet	\$/mt	554.2	483.9	445.0	500.0	474.0	438.3	440.0	450.0	450.0	450.0	450.0
Hot rolled coilsheet	\$/mt	440.8	365.6	335.8	373.3	367.3	331.7	331.7	340.0	340.0	340.0	340.0
Rebar	\$/mt	381.7	360.2	335.0	353.3	360.7	356.7	330.0	340.0	340.0	340.0	340.0
Wire rod	\$/mt	420.8	438.5	393.3	443.3	437.3	410.0	393.3	393.3	400.0	390.0	390.0
Tin ^b	c/kg	621.4	616.5	577.7	636.2	615.4	592.3	589.0	566.4	571.3	571.1	556.6
Zinc ^b	c/kg	103.1	102.5	123.8	103.0	100.2	102.9	117.4	130.2	124.0	131.1	135.4
World Bank commodity price indices for low and middle income countries (1990 = 100)												
Petroleum		75.1	89.3	86.1	84.8	90.8	101.4	91.8	80.4	78.2	84.7	78.3
Nonenergy commodities		122.2	115.1	122.6	119.4	113.1	110.7	119.3	125.8	124.0	129.7	123.8
Agriculture		131.3	125.5	134.7	130.3	124.7	120.7	130.0	139.4	137.4	144.6	136.1
Beverages		151.2	126.5	174.2	131.3	126.6	124.0	150.7	197.8	179.8	219.7	193.9
Food		116.9	123.6	120.9	129.7	123.2	116.8	122.5	119.2	124.7	119.3	113.7
Fats and oils		136.6	147.0	153.0	150.1	147.7	147.8	154.5	151.6	158.0	152.9	143.9
Grains		120.4	140.6	119.6	157.2	139.6	118.4	122.7	116.5	119.3	118.7	111.4
Other food		98.8	95.0	95.3	97.6	94.0	90.5	96.3	94.3	100.4	92.2	90.3
Raw materials		135.2	127.1	123.2	130.3	125.2	123.3	124.4	122.1	122.3	121.6	122.3
Timber		139.5	139.5	140.3	141.4	141.1	139.9	140.2	140.5	140.0	140.5	141.0
Other raw materials		132.3	118.7	111.6	122.8	114.3	112.0	113.6	109.5	110.3	108.7	109.6
Fertilizers		103.6	119.8	122.1	118.9	121.1	123.0	124.2	120.0	122.5	118.8	118.8
Metals and minerals		101.6	89.1	92.8	92.8	83.8	85.1	92.5	93.1	91.2	94.2	94.0

Note: Prices as of July 3, 1997. Monthly updates of commodity prices are available on the internet at <http://www.worldbank.org/html/ieccp/ieccp.html>

a. Included in the petroleum index.

b. Included in the nonenergy index.

c. Steel not included in the nonenergy index.

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

COMMODITY DESCRIPTIONS

Energy

Coal (*Australian*), thermal, 12,000 btu/lb, less than 1.0% sulfur, 14% ash, f.o.b. piers, Newcastle/Port Kembla

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

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

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

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

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

Natural Gas (*Europe*), average import border price

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

Beverages

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

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

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

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

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

Foods**Fats and oils**

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

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

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

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

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

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

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

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

Grains

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

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

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

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

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

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

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

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

Other foods

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

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

Fishmeal (*any origin*), 64-65%, c&f Hamburg, n/s

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

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

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

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

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

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

Agricultural raw materials**Timber**

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

Logs (*West African*), sapelli, high quality (loyal and marchand), f.o.b. Cameroon
Plywood (*Southeast Asian*), Lauan, 3-ply, extra, 91 cum x 182 cum x 4 mm, wholesale price, spot Tokyo

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

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

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

Other raw materials

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

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

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

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

Rubber (*Asian*), RSS no. 1, in bales, Rubber Association of Singapore Commodity Exchange (RASCE)/Singapore Commodity Exchange, midday buyers' asking price for prompt or 30 days delivery; prior to June 1992, spot, Singapore

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

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

Fertilizers

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

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

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

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

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

Metals and minerals

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

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

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

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

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

Nickel (*LME*), cathodes, minimum 99.8% purity, official morning session, weekly average bid/asked price

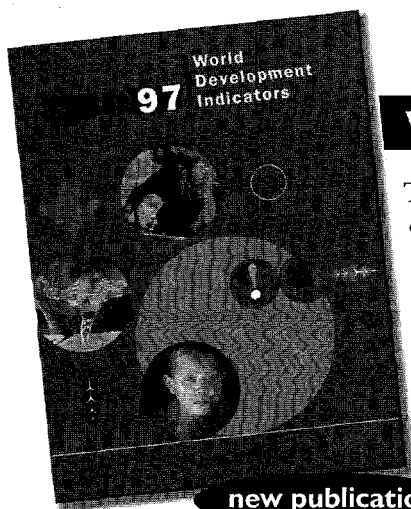
Silver (*Handy & Harman*), 99.9% grade refined, New York

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

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

Zinc (*LME*), special high grade, minimum 99.995% purity, weekly average bid/asked price, official morning session; prior to April 1990, high grade, minimum 99.95% purity, settlement price

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