COMMODITY MARKETS AND THE DEVELOPING COUNTRIES

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Commodities and the East Asian crisis

Oil prices continue to weaken

Food prices up slightly

Metals and minerals take a fall

Energy prices rise 1.0% for the quarter, but fall sharply near the end of the quarter. Nonenergy prices are down 5.6% on sharp drops in raw material and timber and smaller drops in beverages.

CHANGE IN QUARTERLY PRICES, 3Q97 TO 4Q97
Percent

Energy	+1.0
Nonenergy	-5.6
Total agriculture	-5.2
Beverages	-6.6
Total Food	+1.6
Fats and oils	+5.7
Grains	-2.0
Other foods	-1.1
Raw materials	-12.4
Timber	-20.4
Fertilizers	+1.5
Metals and minerals	-7.9

growing season. If El Niño reduces US maize yields, as happened with the last three El Niños, higher prices are likely.

Devaluation of the baht brings Thai rice prices down some 18% in US dollar terms. World production is up slightly and stocks are adequate, which means that prices may remain low for the next few months.

Large production combined with weakened demand in East Asia should keep prices low unless production falters. Stocks are expected to build in 1997/98.

OTHER FOOD

Prices continue their seasonal decline. The EU responds to the WTO decision against the EU banana regime.

The weak Japanese economy and currency result in lower imports and weaker prices. US imports are increasing thanks to a strong economy and to changing tastes for seafood.

Prices rise, but declines are anticipated. Panic buying spreads through East Asia. New supplies are expected on the market.

AGRICULTURAL RAW MATERIALS

Prices are still declining because of the Southeast Asian financial crisis. A slight increase in production will add another 400,000 tons to world stocks. India and Turkey are introducing cotton futures contracts.

International prices appear ready to crash. Producer prices improve following devaluations. Debt burdens may well increase.

Asian timber prices are down sharply following currency devaluations and falling demand. African timber prices remain steady as European demand for timber recovers.

FERTILIZERS

Prices continue to diverge, with weak nitrogen prices but firm phosphate and potash prices. Lower grain prices may spell trouble for 1998 prices, as farmers cut back on fertilizer application rates.

Efforts to promote more balanced fertilizer use in major developing countries keep import demand and prices firm. Major exporters are hoping to raise prices.

TSP and DAP prices remain strong as import demand continues to support prices. The Asian currency crisis has not yet resulted in a substantial weakness in prices.

Prices remain weak as China turns to domestic production rather than imports to meet its consumption demand. China had been the largest nitrogen fertilizer importer in recent years.

METALS AND MINERALS

The drop in prices during the fourth quarter appears linked to the Asian crisis. However, strong consumption in Western Europe and the US is supporting prices.

Further erosion of Asian demand and significant increases in global production severely depress prices in the second half of 1997. Continued oversupply and an expected downward trend in prices are expected for 1998. LME prices in 1998 should average between $1,750/ton and $1,800/ton, though price swings in either direction are possible depending on how the situation in Asia unfolds.

Prices fall to an 18 $\frac{1}{2}$ year low of $276 before rallying to $300/toz. Central bank selling and weak demand from Asia are both keeping prices low. Some major producers are experiencing bankruptcies, and others are cutting down on production.

Fundamentals in the iron ore market have suppliers seeking up to a 10% increase in prices in 1998. Performance in steel markets continues to vary among the three main consuming regions. Asian prices are down the most because of the currency crisis and could drag US and European steel down as exports are diverted from Asian to more buoyant markets.

COMMODITY PRICES

SUMMARY

The currency devaluations and economic slowdown in five East Asian countries contributed to sharp price declines in some commodities, including tropical products such as natural rubber and timber and metals such as copper, zinc, and lead. The overall index of nonenergy commodity prices declined 5.6% from the third to the fourth quarter. The index of petroleum prices rose 1.0% for the quarter, but fell sharply near the end of the quarter, from 87.6 in October to 74.7 in December—a 14.7% decline.

Rising OPEC quotas and falling demand sparked by the East Asian crisis caused crude oil prices to tumble. The threat of increased Iraqi exports also raised concerns over future supplies. At the end of November OPEC agreed to boost production quotas by 10% for the first half of 1998. But with many OPEC countries already producing at or above their quotas, no large increases in OPEC supplies are anticipated. Non-OPEC supplies, especially from the North Sea, have been rising following the end of the summer maintenance period. Growth in oil demand in Asia is expected to slow, and world oil demand is expected to grow just 2.0% in 1998, down from 3.0% in 1997.

Beverage prices fell 5.1% during the quarter, pulled down by sharp declines in coffee prices. Cocoa and tea prices were higher for the quarter. Expectations of large Brazilian crops for the coming year caused the sharp drop in coffee prices. Arabica prices fell 12% during the quarter, but regained some of their losses during December. Tea prices were strong, lifted by steady demand and lower production in Indonesia and Kenya.

Food prices were up slightly for the quarter, but rice prices fell sharply due to the currency devaluations in Thailand. Wheat and maize prices rose following sharp declines during the summer. Vegetable oil prices were up because of low stocks and prospects of lower production in East Asian countries due to weather-related problems. Other food prices were largely unchanged, with higher prices for meat and shrimp and lower prices for bananas and citrus.

Asian timber prices were lower due to the currency devaluations in East Asia, with Malaysian log prices down more than 10%. However, African timber prices remained firm, with Cameroon log prices 3.3% higher during the quarter.

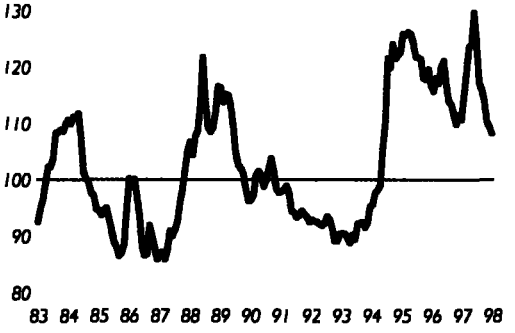
The index of metals and minerals prices fell 7.9% during the quarter due to cyclical factors and the East Asian crisis. Zinc and copper prices were down the most, with zinc down 32.8% and copper down 16.4% from September to December. Other metals also suffering declines included lead (down 10.0%), nickel (8.1%), steel products (6.8%), and aluminum (3.5%). Gold prices continued to fall, losing 9.5% for the quarter. However, prices recovered toward the end of the quarter as demand increased in response to low prices and an apparent end to central bank selling—at least for now.

ENERGY (CRUDE OIL)

Index: current US dollars (1990=100)

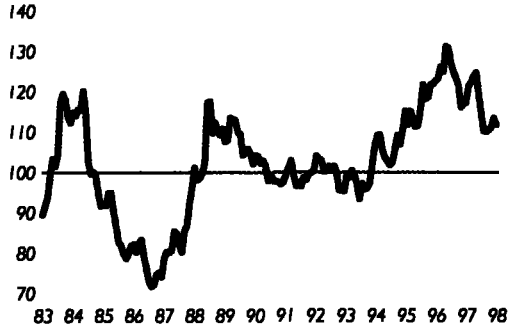
NONENERGY COMMODITIES

Index: current US dollars (1990=100)



TOTAL FOOD

Index: current US dollars (1990=100)



METALS AND MINERALS

Index: current US dollars (1990=100)

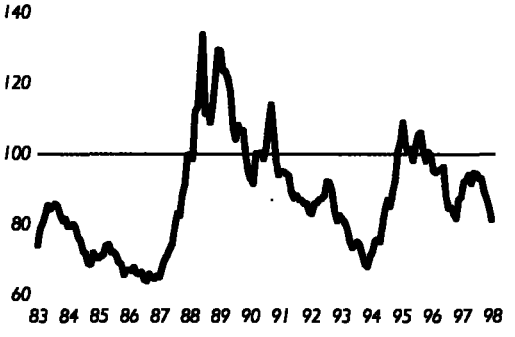


TABLE 1. WEIGHTED INDEX FOR PRIMARY COMMODITY PRICES FOR LOW- AND MIDDLE-INCOME ECONOMIES IN CURRENT DOLLARS

(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												
1995	75.1	122.2	131.3	151.2	116.9	136.6	120.4	98.8	135.2	139.5	103.6	101.6
1996	89.3	115.1	125.5	126.5	123.6	147.0	140.6	95.0	127.1	139.5	119.8	89.1
1997	83.8	117.6	128.7	171.0	116.1	147.7	112.1	92.4	113.7	125.8	119.7	90.2
Quarterly												
1996Q4	101.4	110.8	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	126.0	139.6	197.8	119.5	151.8	116.5	94.8	122.4	140.5	120.0	93.1
1997Q3	81.1	116.0	126.0	173.6	110.2	138.5	105.7	89.5	111.3	124.3	116.4	91.3
1997Q4	81.9	109.4	119.4	162.1	112.1	146.3	103.6	88.7	97.2	98.7	118.2	84.1
Monthly												
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	78.2	124.0	137.4	179.8	124.7	158.0	119.4	100.4	122.4	140.0	122.5	91.2
1997 May	84.7	129.8	144.7	219.7	119.3	152.9	118.7	92.2	122.0	140.5	118.8	94.2
1997 Jun	78.3	124.2	136.7	193.8	114.6	144.4	111.4	91.9	123.0	141.0	118.8	94.0
1997 Jul	80.1	117.5	127.6	173.4	110.2	137.7	106.6	89.8	116.1	133.8	117.9	92.6
1997 Aug	81.7	116.2	125.9	173.0	110.0	136.5	106.2	90.6	111.4	123.9	115.7	92.5
1997 Sep	81.6	114.2	124.5	174.2	110.5	141.2	104.2	88.8	105.9	114.2	115.7	88.8
1997 Oct	87.6	110.5	120.0	160.9	111.1	143.7	105.5	87.6	101.1	103.7	116.1	86.9
1997 Nov	83.4	109.4	119.1	156.4	113.4	149.4	102.4	90.0	99.0	100.8	118.5	84.5
1997 Dec	74.7	108.3	119.0	169.0	111.7	145.8	103.0	88.6	91.5	91.6	120.0	80.8

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

a. Crude oil index

Source: World Bank, Development Prospects Group

HOW IS THE ASIAN FINANCIAL CRISIS AFFECTING COMMODITIES?

The recent currency devaluations and economic slowdown in five East Asian countries (Indonesia, Republic of Korea, Malaysia, the Philippines, and Thailand) have contributed to sharp declines in some commodity prices and lesser declines in others. For some other commodities, however, other factors offset the negative impact of the slower economic growth and currency devaluations, causing prices to rise during the second half of 1997. The Asian region has accounted for the greatest demand growth in many commodities in recent years, magnifying the impact of the economic crisis on commodities. The currency devaluations should also make exports from these countries more competitive, which will pressure producers in Africa and Latin America.

Economic effects of the crisis

The crisis has had several economic effects on commodity markets. First, the prices of commodities exported by the five Asian countries fell in US dollar terms as currencies were devalued. Second, slower economic growth and higher import prices have reduced import demand. Third, the slower growth in the five Asian countries and the lower US dollar import prices also affected economic growth and demand in other countries. Whether these offsetting effects increase or decrease import demand depends on the extent of income and price changes and on their respective elasticities. Fourth, the lower world market prices will reduce export revenues for other exporters in Asia, Africa, and Latin America that have not devalued their currencies.

Some specific effects on commodities

Asia, including Japan, consumes nearly a quarter of the world's oil while producing about 10% of it. However, Asia has accounted for a disproportionately large share of the growth in oil consumption over the past decade—nearly 50%. But although oil prices have been supported by this rapid demand growth, the level of OPEC supplies has been the more dominant influence on prices. The recent decline in prices has had less to do with the Asian currency crisis than with OPEC's decision to raise quotas by 10% and with the resumption of Iraqi exports.

Among agricultural commodities, natural rubber, tropical timber, and rice experienced the largest price declines because the five Asian countries are large producers or exporters of these commodities (table 3). Metals prices were not as directly affected since the region is not a dominant exporter of these commodities. The declines in metals prices from July to December, particularly for copper and zinc, were due to other factors including rising world supplies and generally slow growth, which in Japan had predated the current crisis in East Asia. Some metals, such as aluminum, experienced price increases despite the crisis in Asia.

Natural rubber prices fell 22.7% from July to December largely because Thailand,

TABLE 2. SHARES OF THE FIVE ASIAN CURRENCY CRISIS COUNTRIES IN COMMODITY PRODUCTION, CONSUMPTION, AND TRADE
(percentage of world totals)

Commodity	*Production*	*Imports*	*Exports*	*Consumption*
Petroleum	3.6	8.3	4.6	5.9
Oilseeds	4.2	7.9	0.2	5.4
Grains	4.4	12.5	2.5	5.5
Sugar	7.8	10.6	12.9	7.1
Natural rubber	75.5	0.0	80.7	n.a.
Aluminum	1.1	3.0	1.9	6.5
Copper	4.1	8.1	1.6	7.8
Lead	5.0	10.0	0.0	10.0
Nickel	1.0	4.0	0.0	4.9

n.a. Not available.
Source: World Bank staff calculations.

Indonesia, and Malaysia account for 70% of world production and their currency devaluations lowered international (US dollar) prices. Similarly, tropical hardwood prices fell because Malaysia, the Philippines, Thailand, and Indonesia are all major exporters. And rice prices fell because Thailand accounts for more than a quarter of world exports. Price declines were smaller for commodities for which the five Asian countries are not major exporters, and even rose for some commodities. The five countries account for 11% of coarse grain imports and 10% of wheat imports. Wheat prices were up 6.2% and maize prices were up 6.9%. The USDA's forecast is for a 3% increase in world grain imports for 1997/98, suggesting that any decline in world demand would be small. Coffee prices also dropped, but the decline was due to increased supplies in Africa and Latin America rather than to demand changes in Asia. The five Asian countries account for less than 2% of world coffee imports. Cocoa and tea prices both rose during the second half of 1997.

Copper and zinc prices fell 27–28% from July to December for reasons largely unrelated to the Asian crisis. The five Asian countries account for only 8% of world copper consumption and 8% of imports and 6% of zinc consumption and 10% of imports. The drop in lead and nickel prices was due in part to lower consumption in the Asian region, though the five Asian crisis countries account for only 5% of world nickel consumption and 10% of lead consumption. Though Malaysia and Indonesia are large tin producers and account for about 40% of world exports, tin prices have not declined appreciably.

LONG-TERM EFFECTS

The longer-term effects of the Asian crisis will depend on economic growth and exchange rates in the five Asian crisis countries and in the region as a whole. If economic growth returns to its previous rate after a brief adjustment, the effects on commodity demand will be small. However, if economic growth remains sluggish for a number of years, commodity demand in the region will remain lower than it would otherwise have been. The currency devaluations will keep the prices of major commodities produced in the region lower for a while and will reduce exports from other countries that do not devalue their currencies. Tropical timber from Africa is an example of a commodity that will likely see exports decline due to the lower prices of Asian exports, although African timber prices have not yet declined along with the Asian prices. Rice exports from India and Pakistan could also be reduced because the devaluation of the baht lowered Thai rice export prices.

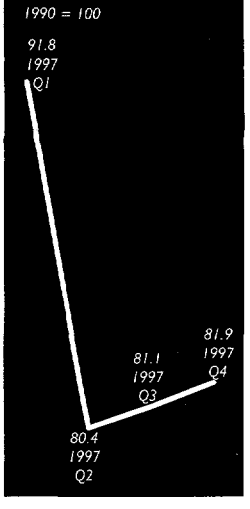
In fact, one of the effects of the currency devaluations in Asia is already being reflected in Thailand's rice exports. Thailand accounts for about one-third of world rice exports. The baht was devalued from 25.78 baht/US$1 in June 1997 to 37.395 baht/US$1 in October 1997 (45.1% decline), while the US dollar price of rice exports decreased from $323.3/ton in June to $265.8/ton in October (17.8% decline). Thailand's rice exports have been up sharply since the new crop became available, with exports for the first five weeks of 1998 at 834,495 tons, nearly double the 440,306 tons during the same period of 1997. The increase is due, in part, to the devaluation of the Thai currency.

TABLE 3. COMMODITIES EXPERIENCING LARGEST PRICE DROPS, JULY–DECEMBER 1997

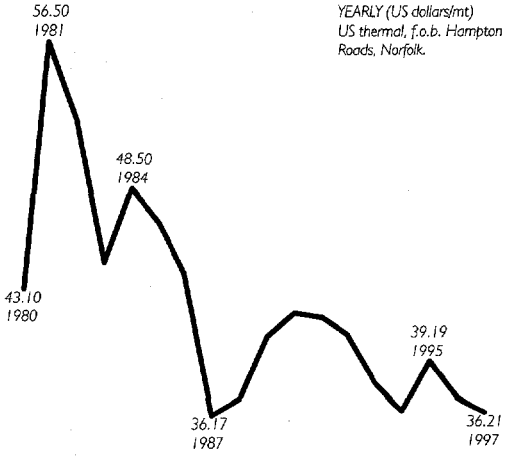
Commodity	Price unit	Average January–June	July	December	Percentage change July to December
Copper	LME, $/mt	2,463.4	2,450.5	1,762.3	–28.1
Zinc	LME, cents/kg	123.8	151.8	110.2	–27.4
Natural rubber	Malaysia, cents/kg	117.5	93.9	72.6	–22.7
Lead	LME, cents/kg	65.4	63.4	52.7	–16.9
Rice	Thai 5%, $/mt	329.8	320.0	269.7	–15.7
Timber	Logs, Malaysia, $/m	245.8	254.3	211.1	–17.0
Nickel	LME, $/mt	7,427.1	6,835.5	6,139.5	–10.2

Source: World Bank staff calculations.

Crude oil prices fall toward the end of the quarter on rising OPEC quotas and weak demand in Asia.



COAL



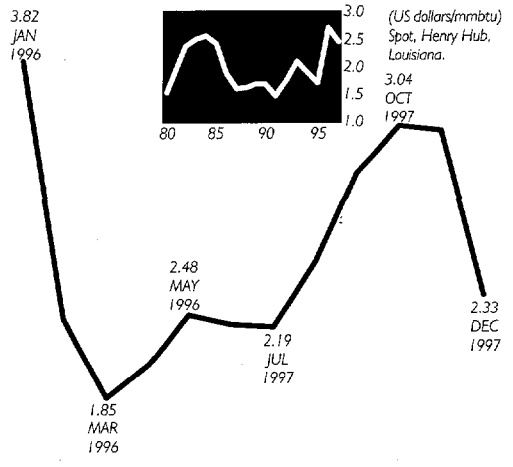
PRICES WEAKEN AS SUPPLIES GROW

International coal prices weakened further in the fourth quarter, hurt by faltering demand and growing supplies. Steam coal contracts for 1998 between Australian producers and Japan's Chubu Electric Power were settled at $3 per metric ton (mt) below last year's levels. The settlement is no longer seen as a benchmark, and other Japanese utilities may push for further cuts. The effects of the financial crisis in Asia are expected to weaken coal demand this year (and possibly next), starting in the industrial sector and then spreading to electric power. Coal importers are likely to make more spot purchases at very competitive prices—given abundant supplies—and to reduce long-term contracts. Partly offsetting the effects of lower coal demand will be the switching away from more expensive oil and liquefied natural gas where possible, as is reportedly occurring in the Republic of Korea.

Production continues to grow in a number of countries, particularly in South Africa and Colombia, and Australia's higher-cost exports are being held up by the depreciating Australian dollar. Over the medium term productivity improvements are expected to lower prices, despite anticipated demand growth and eventual economic recovery in Asia.

Prices were relatively firm in the US. Coal demand by the electricity sector—which consumes 90% of coal used in the US—grew 3% despite slow growth in electricity demand.

NATURAL GAS



US PRICES RISE ON STRONG STORAGE DEMAND BUT FALL WITH MILD WEATHER

US natural gas prices rose in October and early November on strong demand for storage, early cold weather, and concerns about supply deliverability should the winter turn out to be colder than normal (traders recalled the price spikes of the past two winters). However, prices started to recede from their peak in mid-November and were driven lower by warmer-than-normal temperatures in December. Prices fell further in January as mild weather continued to slow demand, and storage levels remained above last year's.

Expectations for a mild winter have increased, as the El Niño effect unfolded as many predicted, at least for the heating regions of North America. And because of surplus inventories, not even a bout of late-winter cold weather is likely to result in sharply higher prices. Storage withdrawls in February and March are expected to be higher than last year's low levels, which could see end-March inventories below last year's 990 billion cubic feet (Bcf). However, inventories would be well above the record low of 758 Bcf in 1996 and should provide for a season of strong injection demand.

But much will depend on the weather. With a very mild winter, prices could slip well below $2 per million btu (mmbtu), though the relatively low storage levels should prevent too much gas from being dumped on the market. In addition, lower gas prices would cap-

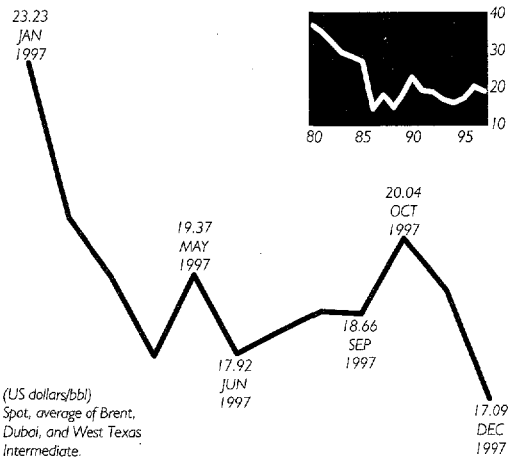
ture a portion of the dual-fuel market away from oil, thereby strengthening demand.

Prices are expected to hover in the $2.00–$2.20/mmbtu range during much of the year, reflecting little upward pressure. New US pipeline capacity in 1997 has improved gas deliverability and will reduce the chance of bottlenecks. Some concerns remain over US supply—particularly in the shallow-water Gulf of Mexico—but production is expected to increase steadily from the Gulf's deep-water areas and more than compensate for losses elsewhere, particularly over the mid-term. Exports from Canada will also rise this year following pipeline expansions, and further expansions are due to be completed over the 1999–2002 period.

Gas prices fell slightly in Europe where contracts are indexed to the price of petroleum products. In December the EU reached agreement on liberalization of its natural gas market, paving the way for competition in some of the continent's most closed markets. Liberalization is scheduled to be phased in over 10 years in three stages, and at least a third of the market will be able to pick suppliers by 2010. Effective market opening is expected to reach an even higher 44% by then, and some analysts predict that it will reach 50–60%, reasoning that once liberalization starts, momentum will move it along quickly.

While the EU directive will not instantly bring about a competitive market, it provides a framework for a truly competitive market to emerge. Market participants have been positioning themselves for some time in anticipation of greater competition. Some member states are further advanced than others, particularly the UK. By the end of 1998 all categories of UK consumers in all parts of the country should be able to choose their gas suppliers. The UK-Belgium Interconnector gas pipeline will begin operation in October 1998, facilitating exports of spot-price UK gas to buyers in the heart of Europe. Increased competition is likely to bring down the price of gas delivered to consumers, and real prices to producers are projected to decline over time.

PETROLEUM



EXCESS SUPPLIES AND WEAKENING DEMAND HURT PRICES

Crude oil prices came under severe downward pressure in late 1997, suffering multiple blows from rising OPEC production, weakening demand stemming from the financial crisis in Asia, mild winter weather, and expectations of increasing exports from Iraq. Prices began the year at $24 a barrel but ended it near $16 before dipping below $15 in early 1998. Unless a significant volume of production is kept off the market, oil prices could be relatively low this year.

Oil prices were reasonably stable during much of 1997, averaging $19 a barrel between February and November. Non-OPEC supplies failed to increase as expected, allowing OPEC production to rise—albeit through quota violations—with little impact on prices. Traders took a run at prices in late September hoping to repeat the price spikes of the previous winter when low stocks, cold weather, and the failure of Iraqi exports to enter the market as expected led to a surge in prices. However, market conditions were much improved in 1997, as reflected in much higher inventories, and the rally was short lived. Prices peaked at $21.50 in early October and, lacking momentum and support from fundamentals, they quickly receded.

At the end of November OPEC agreed to raise production quotas by 10%, or 2.5 million barrels per day (mb/d), for the first

half of 1998, from 25.033 mb/d to 27.5 mb/d (table 4). Quotas were raised 9.5% for all countries except Algeria, which garnered a larger 21% increase. During the fourth quarter OPEC produced 27.85 million barrels a day (mb/d), which was 2.82 mb/d above its old quota. All countries were producing above their previously assigned levels. Venezuela was 0.93 mb/d above quota, followed by Saudi Arabia at 0.63 mb/d over (including its half share of Neutral Zone output), Nigeria at 0.46 mb/d, and Qatar at 0.30 mb/d.

During the quarter OPEC's production was ratcheted up some 0.57 mb/d, contributing to the weakness in prices. Most of the increase occurred in the Gulf countries outside of Iraq. Saudi Arabia's production rose from 8.35 mb/d in the third quarter to 8.67 mb/d in December, only 0.09 mb/d below its new quota. Kuwait's output in December was already slightly above its new quota level of 2.19 mb/d, while Venezuela, Nigeria and Qatar were producing well above their new quotas in the fourth quarter, by a combined total of 1.25 mb/d.

With many OPEC countries producing near or above their new quotas in the fourth quarter, there was no flood of new OPEC production at the start of this year. OPEC's January production was estimated at 0.51 mb/d above December's level, with Iraq accounting for most of the increase (0.45 mb/d). Moreover, Algeria, Indonesia, Iran, and Libya will not be able to immediately raise output to their new assigned levels, and combined production from these countries could be as much as 0.5 mb/d short in the first quarter. Nevertheless, OPEC production is expected to continue to rise as countries broach their new quotas, and as Iraq's exports rise to expected new levels in 1998.

Iraq's third six-month tranche of oil exports began flowing in January—earlier than anticipated—which added to the pressure on prices. Iraq is allowed to export $2.14 billion in oil (higher than the $2 billion under the first two agreements) until early June, when the deal expires. With significantly lower oil prices, Iraq will have to export greater volumes of oil to meet the dollar target. Exports averaged 1.1 mb/d under the second arrangement, but may have to rise as high as 1.3 mb/d, depending on prices. The first 90-day period ends March 4, giving Iraq little more than 50 days to reach its allotted sales figure. It may have to strain its production-export capacity of near 2 mb/d (domestic consumption is estimated at 0.6 mb/d).

More troublesome for oil prices, the UN is proposing to more than double Iraq's humanitarian sales to $5.2 billion every six months. UN Secretary General Kofi Annan has said that $2 billion is inadequate to prevent further deterioration in living conditions and that the increase is badly needed to buy food, medicine, and other essential goods. It is uncertain whether Saddam Hussein will accept the increase, given his broader disputes with the UN over arms inspections and the full lifting of sanctions, as well as the possibility of military attacks from the US and some of its allies.

Non-OPEC supplies rose 0.82 mb/d in the fourth quarter, with relatively large gains from the North Sea following a return from summer maintenance and the start-up of new fields. Elsewhere, much of the increase in

TABLE 4. OPEC CRUDE OIL PRODUCTION AND QUOTAS

Millions of barrels per day

	1995	*1996*	*3Q97*	*4Q97*	*Quotas*
Algeria	0.76	0.82	0.85	0.86	0.908
Indonesia	1.34	1.39	1.37	1.33	1.456
Iran	3.65	3.67	3.58	3.72	3.942
Iraq	0.55	0.58	1.22	1.21	1.314
Kuwait	1.84	1.81	1.83	1.88	2.190[a]
Libya	1.41	1.39	1.43	1.42	1.522
Neutral Zone	0.43	0.48	0.54	0.55	
Nigeria	1.93	2.15	2.28	2.32	2.042
Qatar	0.45	0.49	0.65	0.68	0.414
Saudi Arabia	7.94	7.91	8.08	8.35	8.761[a]
UAE	2.20	2.23	2.25	2.24	2.366
Venezuela	2.75	2.94	3.22	3.29	2.583
Total Crude	25.23	25.84	27.28	27.85	27.500
NGLs[b]	2.42	2.61	2.83	2.86	
Total OPEC	27.66	28.45	30.12	30.71	

a. Quota includes half 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	3Q97	4Q97	Change 3Q97 to 4Q97
Unites States	8.61	8.59	8.53	8.55	0.02
Canada	2.40	2.46	2.58	2.62	0.04
United Kingdom	2.79	2.81	2.67	2.96	0.29
Norway	2.91	3.23	3.14	3.36	0.22
Other OECD	1.31	1.35	1.43	1.41	–0.02
Latin America	6.08	6.54	6.87	7.04	0.17
Africa	2.58	2.68	2.80	2.84	0.04
Middle East	1.87	1.89	1.88	1.89	0.01
China	2.99	3.12	3.19	3.15	–0.04
Other Asia	2.14	2.11	2.09	2.15	0.06
FSU	7.13	7.07	7.28	7.26	–0.02
Eastern Europe	0.23	0.22	0.22	0.22	0.00
Processing gain	1.46	1.52	1.56	1.60	0.04
Total non-OPEC	42.50	43.57	44.24	45.06	0.82

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

supplies occurred in Latin America, with notable gains in Colombia, Brazil, and Mexico (table 5).

For the full year 1997 non-OPEC supplies were up less than 0.8 mb/d, falling short of the International Energy Agency's (IEA) forecast at the beginning of the year of slightly more than 2.0 mb/d. The largest shortfalls were in the North Sea, where projected growth was 0.8mb/d but production was only marginally higher than in 1996. Technical difficulties and delayed start-up of new fields were behind the failure. The non-OECD increase of more than 0.6 mb/d was also below expected growth of 1.0 mb/d, with shortfalls in countries such as Angola, Brazil, and Colombia.

Weak demand has also contributed to the decline in oil prices. Mild winter weather in the Northern Hemisphere curtailed oil demand at the peak of the heating season. In addition, currency devaluations in several Asian countries resulted in substantial increases in the cost of oil imports, and companies immediately canceled contracts and began running down stocks. It is uncertain to what extent the reduction in demand caused the fall in oil prices, given lags in data on consumption and the extent to which stocks were drawn down (table 6).

The reduction in economic activity resulting from the financial crisis will affect the growth of oil demand in 1998 and likely in 1999 as well. While the five affected Asian countries—Indonesia, the Republic of Korea, Malaysia, the Philippines, and Thailand—account for only 6% of world oil demand, they have accounted for about a quarter of the growth in oil demand (outside of the former Soviet Union) over the past decade, led by especially large growth in Korea. All of Asia, including China and Japan, has accounted for half of the growth in oil demand.

Growth in oil demand in Asia (excluding China and Japan) is expected to slow to 0.2

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	38.3	9.9	18.2	66.3	0.4	–4.4	3.7	0.5
1991	38.3	9.4	19.0	66.7	0.2	–4.7	4.6	0.7
1992	39.0	8.2	20.1	67.3	1.7	–13.0	5.8	0.8
1993	39.2	7.0	21.5	67.7	0.5	–14.6	7.1	0.6
1994	40.2	6.0	22.5	68.6	2.4	–14.3	4.5	1.3
1995	40.6	6.0	23.5	70.1	1.0	0.0	4.6	2.1
1996	41.3	5.5	24.9	71.7	1.9	–8.3	5.8	2.3
1997	41.8	5.7	26.1	73.6	1.1	3.6	5.0	2.6
1Q96	42.3	5.9	24.9	73.1	2.6	–6.3	5.2	2.7
2Q96	39.8	5.4	24.7	69.9	1.0	–5.3	6.3	2.3
3Q96	40.8	5.4	24.6	70.8	2.0	–3.6	5.6	2.8
4Q96	42.4	5.4	25.5	73.3	2.0	–11.5	5.8	2.1
1Q97	42.0	5.7	25.9	73.6	–0.7	–3.4	4.1	0.7
2Q97	40.9	5.7	25.5	72.1	2.8	5.6	3.2	3.1
3Q97	41.7	5.7	26.1	73.5	2.2	5.6	6.1	3.8
4Q97	42.7	5.9	26.6	75.2	0.7	9.3	4.3	2.6

Source: International Energy Agency and World Bank.

mb/d, down from recent growth of around 0.6 mb/d. World oil demand is projected to increase by 1.5 mb/d or 2% this year, down from nearly 3% last year (table 7). The IEA projects that non-OPEC supplies will rise by just 1.4 mb/d—less than originally forecast—because of tightness in the equipment and services sector that is delaying the start-up of new fields.

The projections show little room for growth in OPEC production. Assuming that OPEC continues near its January level of 31.0 mb/d (including natural gas liquids), there would be sizable stockbuilds in each of the quarters, with an annual average build in excess of 1.5 mb/d (table 7). Should demand be lower than expected and should Iraqi exports increase, the implied build would be even higher. Moderate shortfalls in non-OPEC supplies would do little to correct the imbalance. Without significant output reductions by OPEC, oil prices could remain low throughout the year.

There appears to be little upside potential on the demand side, either from cold weather or from quick recovery in Asia. It is also doubtful that OPEC will take coordinated action to reduce output, given the conflicting positions within the organization—Venezuela's chronic overproduction and pronouncements about doing away with quotas, and the Gulf countries' (notably Saudi Arabia's) desire for market share. OPEC may, in fact, let events unfold without interference until its scheduled meeting in June.

An important wild card is Iraq. Should the UN allow exports of $5.2 billion every six months, Iraq would likely not be able to sustain a level of production to meet this target at current low prices. Nevertheless, the higher export level would allow the country to maximize exports at around 1.5 mb/d, exacerbating the downward pressure on prices. However, Iraq might delay or refuse acceptance of higher export levels, fearing that acceptance would reduce the pressure on the UN to lift sanctions completely. In addition, if US-led military strikes against Iraq take place, that could disrupt exports for an uncertain period. The discontinuance of Iraqi exports this year would improve the oil market balance considerably, but could still result in oil prices below last year's levels.

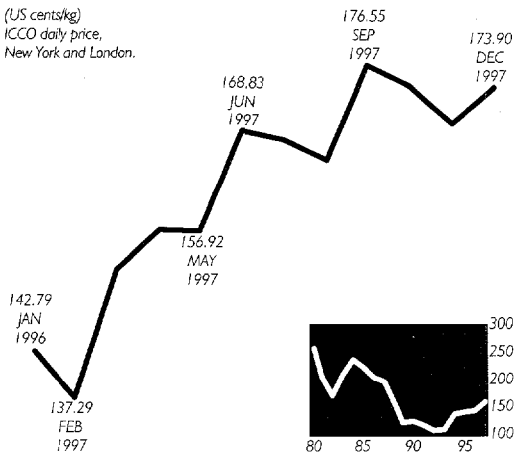
A further downside risk is a spreading of the East Asian financial crisis to other developing countries, resulting in lower economic growth and weaker oil demand. Again, without significant volumes of production being taken off the market, the result could be extremely weak prices this year. Obviously, there is considerable uncertainty about oil prices, given the uncertainty surrounding demand, Iraqi exports, and OPEC action.

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	40.6	41.3	42.0	40.9	41.7	42.7	41.8	42.7	41.1	42.1	43.5	42.3
FSU	4.8	4.3	4.3	4.4	4.5	4.6	4.4	4.7	4.5	4.3	4.8	4.6
Other	24.7	26.1	27.3	26.8	27.3	27.9	27.4	28.2	27.7	27.9	28.9	28.2
Total	70.1	71.7	73.6	72.1	73.5	75.2	73.6	75.6	73.3	74.3	77.2	75.1
Supply												
OECD	18.0	18.4	18.6	18.2	18.3	18.9	18.5	19.0	18.6	18.8	19.7	19.0
FSU	7.1	7.1	7.0	7.2	7.3	7.3	7.2	7.3	7.3	7.3	7.4	7.3
Other[a]	17.3	18.0	18.5	18.5	18.7	18.9	18.6	19.0	19.3	19.5	19.7	19.5
OPEC[b]	27.7	28.5	29.6	29.6	30.1	30.7	30.0	31.0	31.0	31.0	31.0	31.0
Total	70.1	72.0	73.7	73.5	74.4	75.8	74.3	76.3	76.2	76.6	77.8	76.8
Stock change and miscellaneous												
OECD	–0.3	–0.1	0.3	0.2	0.6	0.1	0.3					
Floating/transit	0.1	–0.1	0.1	0.5	0.5	–0.4	0.2					
Other/miscellaneous	0.3	0.5	–0.4	0.7	–0.2	0.9	0.2					
Total	0.1	0.3	0.1	1.4	0.9	0.6	0.8	0.7	2.9	2.3	0.6	1.7

Note: Includes natural gas liquids (NGLs), nonconventional, and other supply sources.
a. Includes processing gains (1.6 mb/d in 1997).
b. Includes NGLs (2.8 mb/d in 1997).
Source: International Energy Agency and World Bank.

COCOA

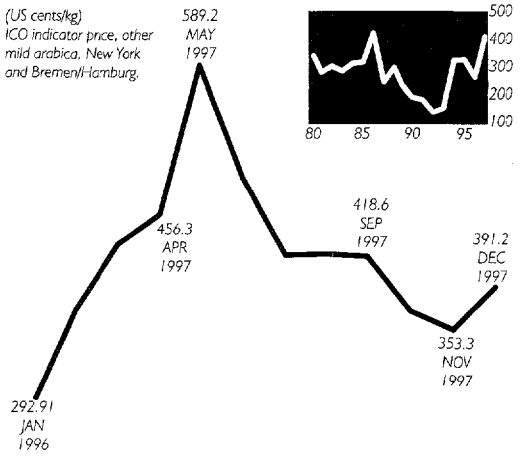


PRICES SEESAW AS THE MARKET LOOKS FOR DIRECTION

Prices fell in October and November on reports that the West African crop was larger than expected, and investment funds were selling futures contracts, possibly responding to the more optimistic crop forecasts. Estimates indicate that Ghanaian crops will be almost 13% percent higher than last year and that Ivorian crops will be up 5%. Crops in Cameroon and Nigeria will also be higher, so that total West African cocoa production is projected to be some 6% higher than last year. Overall, however, the cocoa market is expected to experience yet another year of structural deficit, estimated at between 150,000 and 200,000 tons, with production down 10% in Asia and 13% in Latin America. Prices started rising again in early December, a change that some analysts attributed to the liquidation of short positions held by investment funds. Prices in the last quarter of 1997 were 17% higher than in the same quarter in 1996. Prices are expected to rise in 1998 because of a projected deficit in the market—eading to lower inventories and a lower stock to consumption ratio—and the potential negative impact of El Niño on the size of the 1998/99 West African crop.

Cocoa prices in the next six months will be influenced by the level of arrivals in Côte d'Ivoire. Although some analysts estimate that arrivals have been slower than anticipated, arrivals are expected to increase in early 1998.

COFFEE



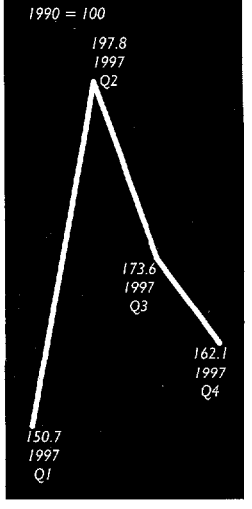
PRICES FALL ON PROSPECTS OF A LARGE BRAZILIAN CROP

Prices of arabica coffee fell 12% in the fourth quarter, before strengthening somewhat during December. This is the second consecutive quarterly price decline brought on by expectations of a large Brazilian crop for 1998/99. That crop will be harvested during the next summer in the northern hemisphere, and preliminary forecasts call for a crop of 30 million bags, up from the 26 million bags produced during the 1997/98 season. Colombia's 1997/98 crop which is currently being harvested, is likely to be 7 million bags higher than last year's crop, further depressing arabica prices.

Robusta prices increased slightly for the fourth quarter, pulled up by substantial price increases during December. The drought-induced (likely El Niño-related) decline in Indonesian production contributed to the stronger prices. Indonesia's current (1997/98) crop is estimated at 5 million bags, some 30 percent lower than last year's crop. The market is especially concerned about Indonesia's 1998/99 crop. If dry weather continues for another few months, the 1998/99 crop could be even lower than the current crop. Several analysts fear that El Niño may also cause dry weather in West Africa. If that happens, robusta production in the region could suffer a serious blow.

A hopeful spot on the production side is Vietnam, which has not been affected by El

Coffee prices fall sharply due to expected large supplies from Brazil.



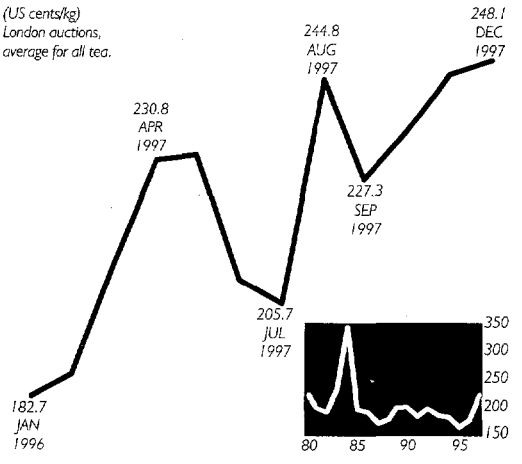
Niño and had another record crop of 5.3 million bags in 1996/97. Vietnam has been the main reason for the good availability of robustas in the world market during the 1990s. Its production has been skyrocketing since the early 1990s, when it produced about 1.5 million bags. At more than 6 million bags, the 1997/98 crop may be as much as 20% higher than the previous year's bumper crop. This increase is the result of favorable weather, additional output from recently maturing trees, and the depreciation of the currency, which has raised the real price of coffee substantially in local currency terms. Vietnam is likely to be the world's largest robusta producer in 1998.

The financial crisis in East Asia has so far had only a limited impact on the world coffee market. Most of the countries involved in the crisis do not have large world market shares in coffee production. Because Indonesia's coffee supply has been reduced by the drought, the substantial depreciation of its currency has not had the effect of increasing supply and reducing prices The impact of the depreciation has reportedly been greater in Vietnam, however. If inflation rates are controlled, the depreciations in both countries will have a significant positive impact on supply in the long run.

Unless there are substantial production declines in Indonesia and West Africa this year, world coffee prices are expected to weaken during 1998. Barring abnormal weather, production in other countries should increase as producers respond to the high prices coffee has enjoyed in world markets over the past few years.

Coffee prices have been especially volatile in recent years, with prices of other milds rising 112% in 1994 over the previous year and then rising 49 percent in 1997 over 1996. Robusta prices rose 126 percent in 1994 relative to 1993, but they did not increase in 1997 along with other milds prices. Other milds prices are expected to fall sharply in 1998 while robusta prices are expected to remain largely unchanged.

TEA



HIGH GLOBAL DEMAND BOOSTS PRICES

Tea prices at four major auctions continued upward in the fourth quarter in response to high global demand. The average London price was 233¢/kg for the quarter, 28% above the same quarter last year in nominal terms. Mombassa prices, already buoyant, rose 55% in nominal US$ terms following stronger demand from Pakistan and Egypt. Indian prices rose 57% on firm demand from Russia and Central Asia. And Colombo prices were up 16%, despite Sri Lanka's record crops, because of increased demand from Russia, the Middle East, Egypt, and the UK.

Production was higher in Bangladesh, India, and Sri Lanka, but down in Indonesia because of drought. Global production for the first nine months of 1997 was the same as in 1996, but still lagged behind global demand.

Kenyan exports declined in 1997 due to a drought that had lasted until June 1996. Other exporters benefited from the sharp reduction in Kenyan exports. For example, Sri Lanka's output was up 8%, while its export earnings rose 22.6%.

Global demand is expected to continue to increase, especially in Central Asia, the Middle East, Egypt, India, and Russia. Demand for tea in such value-added form as tea bags and packed tea has been increasing as well in many developing countries. This strong demand together with low global stocks is likely to keep prices firm at least until mid-1998.

FATS AND OILS

STOCKS ARE SET TO DECLINE

The Southeast Asian currency crisis still dominates the news for fats and oils, affecting production, consumption, and prices. Although its real effects are still to be determined, they may not be as large as originally anticipated. Tree crops, such as coconut and palm oil, which are produced mainly in Southeast Asian countries, take much longer to respond to price changes than do soybeans or groundnuts. It takes several years before a decision to expand the area planted to tree crops is translated into higher production. Therefore, any major supply-side impact of the devaluation is unlikely to show up soon for tree crops. Southeast Asia is less important on the demand side, since the region accounts for only 7% of global demand, part of which is used as inputs into other exportable goods.

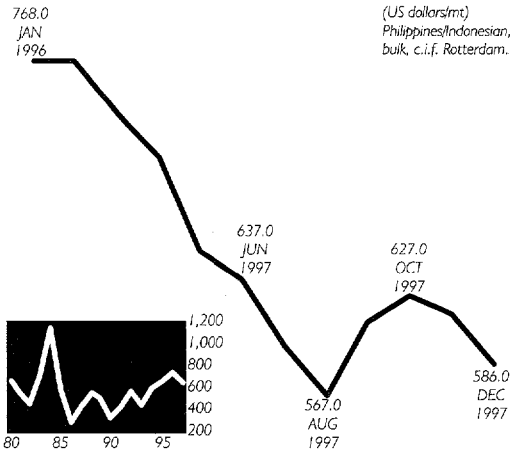
Prices of fats and oils entered a moderate but clear uptrend during November and early Decembe. *Oil World* forecasts that this season's world production of the 17 major fats and oils will reach some 101.1 million tons. That represents a 315,000 ton upward revision since the last forecast, but it is still less than needed to catch up with growth in demand.

Crop prospects are good for South America, where expansion in planted areas coupled with good weather is expected to boost soybean and sunseed production. The Brazilian soybean crop is currently estimated at more than 30 million tons.World stock to use rates are on a sharp decline and may even drop below the 1993/94 record low, due to increased demand outside of East Asia.

Oil World reports the current strengthening of prices is likely to continue. It finds that since fundamentals for fats and oils are bullish, owing mainly to the prospective production-consumption deficit and the need to sharply reduce oil stocks.

USDA forecasts global oilseed production for 1997/98 at a record 283.6 million tons, up 22.8 million tons from last year. Soybean output is forecast at 152.3 million tons, up 1.7 million tons from last year.

COCONUT OIL



PRODUCTION IS SET TO DECLINE

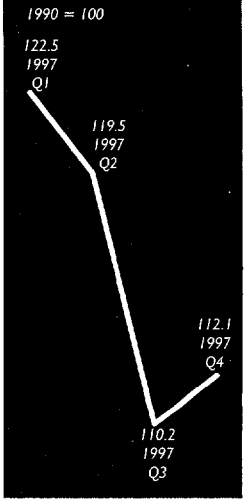
The East Asian currency crisis had little effect on coconut oil prices. Prices rose a moderate 3% over last quarter's average (from $593/ton to $608/ton) but remain 23% lower than a year ago ($753/ton).

World production of coconut oil is expected to decline slightly, from 3.17 million tons in 1996/97 to 3.12 million tons in 1997/98 (October–September). While production in the Philippines (the dominant coconut oil producer) will increase from 1.22 to 1.30 million tons, production in Indonesia (the second largest producer) is expected to suffer an almost 13% decline (from 0.8 to 0.71 million tons). Production in India (the third largest producer) is expected to remain about the same (0.35 tons). The pattern is similar in exports: up in the Philippines (from 0.95 to 1.00 million tons) and down in Indonesia (0.56 to 0.46 million tons).

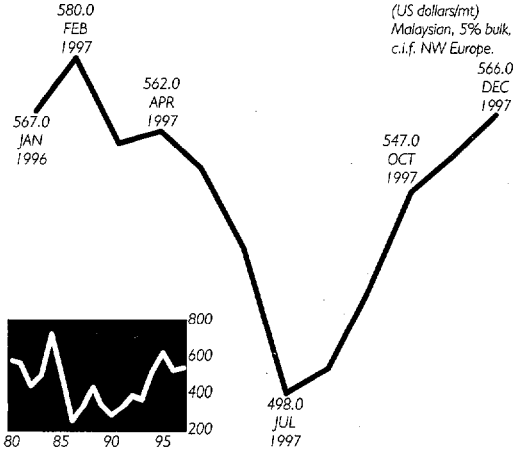
The US and the EU, the dominant coconut oil importers, will absorb 0.51 and 0.62 million tons (about 68%) of world exports, which are expected to decline from 1.71 million tons in 1996/97 to 1.64 million tons. Coconut oil exports account for about 3% of world trade in the 10 major oils.

Oil World reports a more optimistic price outlook from about March or April 1998 onward, when the drought-induced drops in Southeast Asian yields (and consequently in production) begin to be felt.

Prices of fats and oils are on an uptrend, led by soybean oil.



PALM OIL



PRICES REBOUND

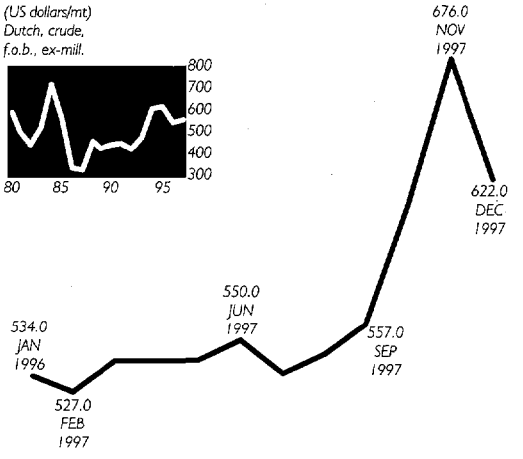
Prices averaged $556/ton in the fourth quarter, up 10% from their $509/ton level in the previous quarter and slightly higher than the $548/ton of the last quarter of last year. Palm oil accounts for 38% of world fats and oils trade.

World production of palm oil is projected to reach 17.59 million tons in 1997/98 (October–September), some 350,000 tons more than a year ago. Production should reach 8.86 million tons (2% lower than last year) in Malaysia, which accounts for more than half of world production, and 5.19 million tons (from 4.72 million tons last year) in Indonesia, the second largest production. The EU is expected to import 2 million tons, while China, India, and Pakistan together are expected to import 4.37 million tons, more than one-third of world trade.

What happens in Indonesia will be a key factor for the palm oil market. With low stocks and high domestic prices, the government of Indonesia is under pressure to curtail palm oil exports. A sizable reduction in Indonesian exports will inevitably shift demand to Malaysian palm oil, further depleting Malaysian stocks and putting pressure on world prices.

Oil World reports that, as in the case of coconut oil, poor yield and production prospects for next season are expected to add to the bullish price outlook for palm oil in the months ahead, aggravating the already tight world supply situation for all fats and oils.

SOYBEAN OIL



PRICES ARE ON THE RISE

Average prices are up more than 15% from the third quarter ($544/ton to 636/ton) and up 22% over the same quarter last year.

World soybean oil production is expected to reach 22.39 million tons in 1997/98 (October–September), 8% higher than last season. Production is expected to reach 7.67 million tons in the US, the world's dominant producer, followed by Brazil (3.86 million tons), the EU (2.92 million tons), Argentina (2.17 million tons), and China (1.44 million tons)—all substantially higher than their 1996/97 levels.

China is reported to have been in the market purchasing substantial amounts of soybean oil. With strong domestic demand and low levels of stocks, China is expected to absorb about a third of world soybean oil imports (about 2.20 million tons). World imports are expected to reach 6.66 million tons, up 150,000 tons over last season. Argentina, Brazil, and the US will export some 4.64 million tons (up from 4.22 last season), accounting for more than 70% of world soybean oil exports.

Oil World reports that these three major soybean producers will sharply increase supply during February–August 1998, bringing the stocks to use ratio to 28.8% (it was 22.2% in the same period of 1997). Favorable weather conditions in South America are largely responsible. Brazil will expand its plantings by 10–11% over last season's.

GRAINS

PRICES COULD RISE FROM CURRENT LOWS

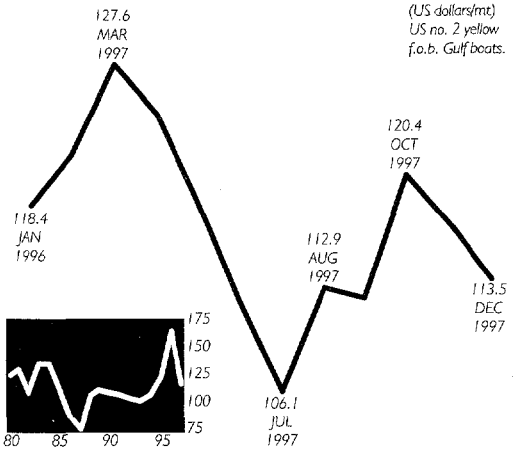
The East Asian currency crisis reduced demand for grain imports, lowered export prices for rice, and contributed to lower prices for grains in the second half of 1997. Rice prices fell the most because of the currency devaluation by Thailand, the largest rice exporter. Prices fell less for wheat and coarse grains because Asia is not the major exporter, but weaker Asian import demand contributed to the weakness in prices.

Global grain supplies increased in 1997 on record wheat and rice production and near-record coarse grain production. World grain production in 1997/98 (July–June) is expected to rise 0.4% over the previous year and 8.9% over the preceding year. Combined with lower import demand, this is expected to rebuild world grain stocks by about 3.0% and keep prices from rising during the first half of 1998. World end-of-year grain stocks are up some 40 million tons, or 15.6% in the past two years.

What happens to grain prices during the second half of 1998 depends on next year's harvest and on El Niño. El Niño has begun to dissipate and should end by mid-1998. Its global impact on grain production has been small, although certain countries, such as Australia and Indonesia, have experienced droughts. However, in the past three El Niños, US corn yields fell by at least one standard deviation from trend in the year following the start of the El Niño. Thus there is a possibility of lower than average corn yields in the US next year. There was no similar effect on wheat and rice yields from the past El Niños. El Niño remains a threat to maize yields during the coming summer harvest and will likely cause futures prices to be especially volatile.

El Niño has caused a severe drought in Indonesia, reportedly leading to a large drop in rice production. Recent reports suggest the need for Indonesia to import as much as 3 million tons during the remainder of 1998. Indonesia is the third largest producer and consumer of rice, and imports of that size would represent about 15% of world trade.

MAIZE

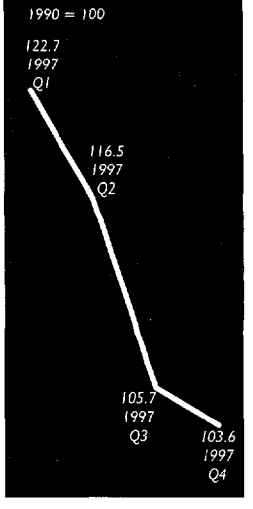


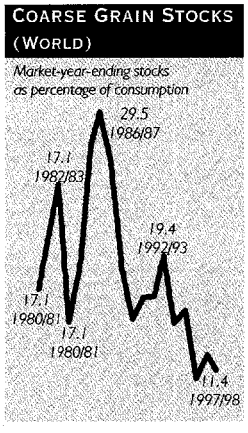
SHARPLY HIGHER PRICES ARE POSSIBLE

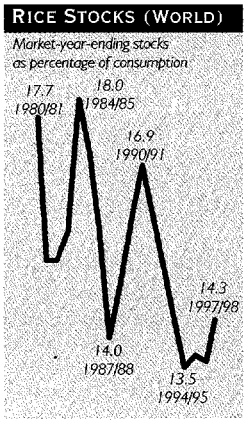
Maize prices have stabilized since the sharp declines of last summer, and price increases are now expected. Very low world stock levels could make for volatile prices during 1998, especially if El Niño reduces yields during the coming growing season. Though the East Asian currency crisis will weaken import demand in the region, current estimates suggest no dramatic decline in imports.

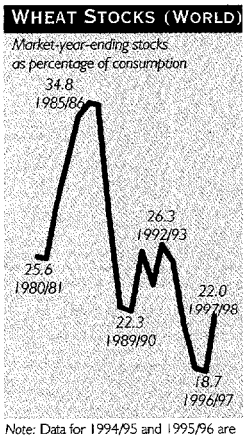
Total coarse grain production was down 2.2 percent in 1997/98 from the previous year, and with production expected to lag behind consumption, stocks are projected to fall about 12% from last year. The world stock to use ratio (a measure of the global reserves of coarse grains) is expected to fall to 11.8% by the end of the 1997/98 crop year, close to the all-time low of 11.3% in 1995/96. This extremely low stock level makes next year's harvest critical to future price movements. If yields are below trend during the coming year or if import demand rises significantly, prices could rise sharply. The East Asian currency crisis may weaken demand slightly, but not enough to weaken overall world demand, which is projected at 91.6 million tons in 1997/98—close to last year's 92.4 million tons. Imports by the Republic of Korea, the largest coarse grain importer of the most directly affected East Asian countries, are projected to total 7.8 million tons in 1997/98—down 12.8% from the previous year.

Grain prices slip 1.1% during the quarter, but rice prices fall sharply.



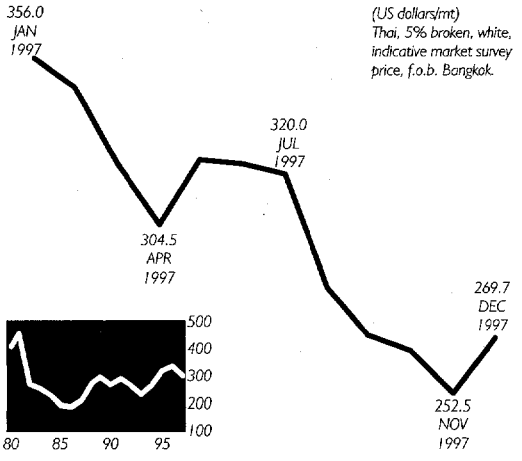






Note: Data for 1994/95 and 1995/96 are estimated.
Source: USDA, FAS.

RICE

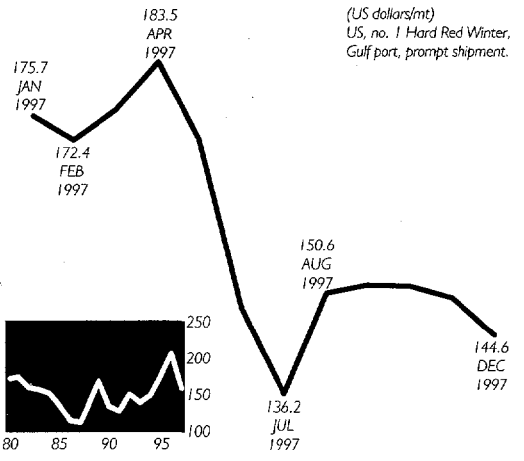


THAILAND'S CURRENCY DEVALUATION LOWERS PRICES

Thailand accounts for about one-third of world rice exports, so when Thailand devalued its currency by 45% in October, the US dollar price of Thai 5% broken rice exports shrank from $323.2/ton to $265.8/ton, or 17.8%. No other major factor, such as a record crop or large exports from another country, appears to account for the decline in Thai rice prices. The price of wheat, the closest substitute for rice, declined only 2.56% over the same period. World rice production will rise an estimated 1.1% in 1997/98, while end-of-year stocks are expected to rise by about 1.7 million tons, to 14.4% of world consumption.

A previous devaluation of the baht in October 1984 had resulted in a similar decline in rice prices. Between October 1984 and February 1985 the baht was devalued 21.5%, from 23.00 baht/US$1 to 27.95 baht/US$1. The US dollar price of Thai rice exports fell from $256.25/ton in September 1984 to $220.00/ton in February 1985, or a decline of 14.15%. Thailand's share of world rice exports rose from 30.62% during the four years before the devaluation (1980–83) to 37.26% in the four years following the devaluation (1985–88). Adjustments to the Thai rice sector were made both to stimulate production and to restrain growth in consumption. Average rice production rose 10.2% from 1980–83 to 1985–88, and consumption rose 3.6%.

WHEAT



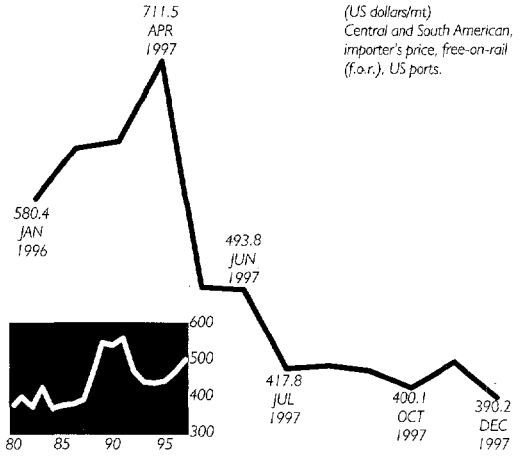
PRICES FALL SHARPLY ON LARGE HARVEST

Wheat prices fell throughout the second half of 1997 after peaking in April at $183.5/ton f.o.b. Gulf for US hard red winter wheat exports. By December prices had fallen to $144.6/ton, largely because of a record world wheat harvest of 604.7 million tons, up 3.8% from the previous year. Stocks are projected to rise to 129 million tons or 22.% of total consumption by the end of 1997/98. World consumption is expected to rise less than 1.0% in 1997/98 and world trade about 1.2%. The East Asian currency crisis has had some effect on prices, although higher production and stock levels accounted for most of the decline.

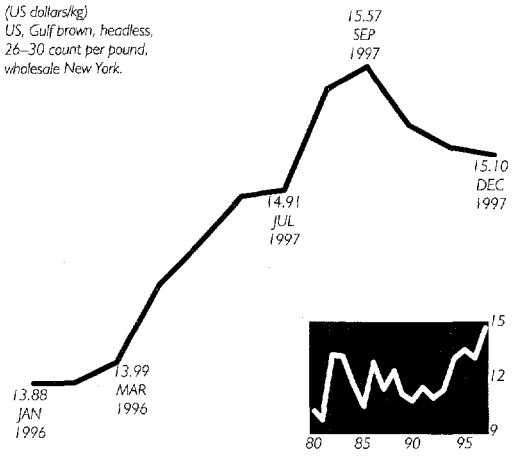
Despite the currency crisis and slower economic growth, wheat imports to the East Asian countries that were most directly affected (Indonesia, Republic of Korea, Malaysia, Philippines, and Thailand) are still expected to rise slightly in 1997/98 to 12.6% of world wheat trade, up from 12.0% in 1996/97. However, the full effects of the currency crisis on demand may take a while to reveal themselves since imports are often planned several months in advance.

Production in the five largest exporters (the US, Canada, EU, Australia, and Argentina) totaled 219 million tons in 1997/98, down from 230 million tons in 1996/97. The decline followed an exceptional harvest last year and does not likely reflect a trend.

BANANAS



SHRIMP



FREE-MARKET PRICES DECLINE

Banana prices continued their seasonal decline during the final months of 1997 as the anticipated El Niño effects failed to appear. Prices are expected to recover in February and March.

In May 1997 a three-person WTO panel ruled that the EU's banana import regime, including the import licensing procedures, are inconsistent with the GATT. The EU appealed, but the Appellate Body upheld and even strengthened the panel finding in September 1997. In response to the finding, the European Commission (EC) proposed a 10-year modernization program for traditional suppliers and an end to import licensing agreements. The proposal also includes a controversial two-tiered tariff quota. The current tariff quota of 2.2 million tons would be maintained at a tariff of ECU 75/ton, and an additional quota of 353,000 tons with a ECU 330/ton duty would also be established. The countries that brought the complaint—Ecuador, Guatemala, Honduras, Mexico, and the US—are considering the EC response. While the abolition of the licensing agreement is likely to please the US, Latin American producers will probably seek greater access to EU markets. Smallholder producers in the Caribbean and Africa that benefited from the earlier regime are likely to face additional price pressures, despite their modernization efforts.

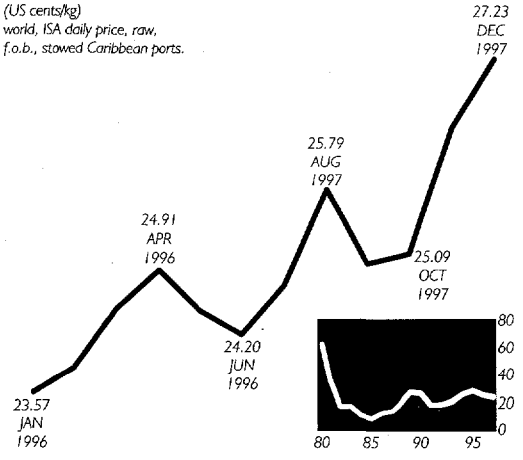
JAPANESE IMPORTS FALL

The currency depreciations in East Asia have significantly affected the world shrimp market, resulting in a decline in shrimp prices this quarter. The depreciation and continuing recession in Japan have slowed imports by raising the effective prices of imports. Shrimp imports declined by about 7% between January and October 1997. The effect of the financial crisis on the Thai and Indonesian shrimp industry is less clear. Export prices are higher in local currency terms because of the depreciations, but higher interest rates are slowing investment, and prices of imported inputs, such as fees and packaging materials, are higher. The slowdown in domestic consumption caused by the recession in Thailand and Indonesia will also result in higher exports.

US shrimp consumption and imports have continued to rise in the buoyant US economy. Imports were up 10% during the first 10 months of 1997 over the same period in 1996.

The new hazard analysis, critical control points (HACCP) program, designed to ensure the safety of imported foods, will be of increasing importance to many shrimp exporting countries. The EU started to apply it early last year, and the US has imposed it since December 18. Its application resulted in the banning of Indian and Bangladeshi imports to the EU last year; imports from some countries to the US might also be banned under the program as it begins to take full effect.

SUGAR



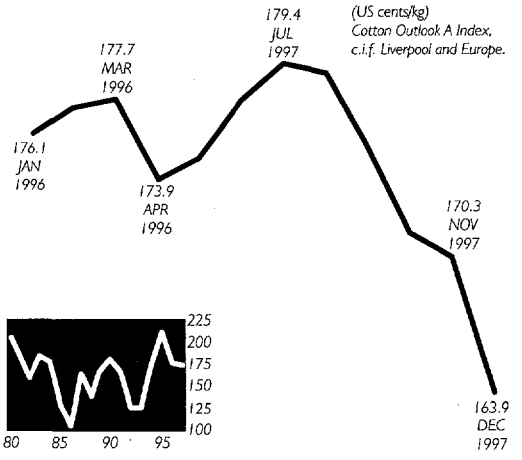
PRICES RISE BUT DECLINES ARE EXPECTED

World sugar prices rose during the final quarter or 1997. However, futures markets are in backwardation, and prices are expected to fall during the first quarter of 1998.

The financial crises in East Asia has panicked consumers in Indonesia, Malaysia, and Thailand. In Malaysia an unprecedented buying spree has emptied store shelves. Government official are counseling consumers not to hoard sugar, but consumers hope to stock their own shelves before anticipated price hikes. The Domestic Trade and Consumer Affairs Ministry delivered 5 tons of sugar to a Kuala Lumpur suburb in early January to demonstrate that sugar is in plentiful supply. The supplies were snapped up in two hours. The government has threatened to ration sugar. Smuggling from Thailand and Singapore is rampant as "ant soldiers" and swarms of consumers bring in new supplies. Meanwhile, sugar refiners are warning of additional price increases to compensate for the fallen ringgit.

The incentive to smuggle sugar into Malaysia from Thailand is also exacerbated by Thai government controls on domestic sugar prices. Local prices remain at 12,000 baht per ton, roughly $100 per ton below the $320/ton offered for Thai-quality sugar on world markets. As in Malaysia, hoarding continues as consumers, producers, and retailers anticipate further price increases.

COTTON



PRICES CONTINUE TO DECLINE BECAUSE OF EAST ASIAN CRISIS

The International Cotton Advisory Committee estimates that world cotton production for 1997/98 will be about 19.8 million tons, including 1.8 million tons estimated for the Southern Hemisphere, the highest level since 1990/91. With consumption expected to reach 19.4 million tons, another 400,000 tons would be added to world stocks, bringing them to 9.5–10 million tons by the end of 1997/98.

The medium staple cotton indicator price (Cotlook A Index) averaged 168.5¢/kg, 6% lower than last quarter's 178¢/kg and almost unchanged from the same quarter last year. Market pessimism was also reflected in the New York futures market, with nearby contracts down almost 6¢/kg during December. Price projections for 1998/99 have been somewhat lower as well, a reflection of concern about the Southeast Asian financial crisis.

Cotton production is expected to increase in South America (Argentina, Brazil, Bolivia, and Paraguay) following expansion in area planted and in Australia in response to profitable business conditions. Smaller production increases are also expected in francophone Africa and the EU. Unofficial production estimates from China and early reports from the US indicate no change from last season. Lower production is expected in Turkey, however, following a reduction in planted area.

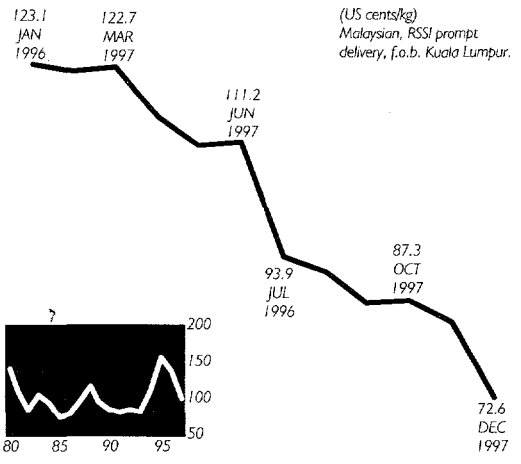
The currency devaluations and associated financial disruptions in Southeast Asia are affecting consumption and imports of cotton in Indonesia, Malaysia, the Philippines, and Thailand. But reduction in mill use (and hence in cotton imports) in these countries is expected to be temporary. Levels should climb back to normal soon, if experience with other currency devaluations is any guide (Indonesia in 1983 and 1986, Philippines in 1983 and 1984, Mexico in 1994).

Analysts at the Beltwide Cotton Conference of 1998 expressed a belief that US producers will switch from cotton to less risky crops such as corn and soybeans, now that the 1996 Farm Bill gives them greater flexibility to respond to market signals. Analysts there expressed their skepticism that genetically engineered (Bt) cotton introduced in the market two years ago will offer any yield increases, though it may boost cotton resistance to certain pests (and hence reduce spraying costs).

Cotton Outlook reported on the increased use by international cotton market participants of New York futures as a hedging devise for non-US cottons. Uzbekistan sold a substantial amount of its 1997/98 crop on an on-call basis. Non-US merchants still make very limited use of New York futures, however, so the absence of international trading instruments other than New York futures continues to be a shortcoming in the current pricing system.

It has been more than a year since Brazil launched a cotton futures contract at the Bolsa de Mercadorias & Futuros in São Paulo. Although the contract has been traded on a daily basis, average trading volume has been a low 58 contracts a day. The contract has not yet attracted much attention from hedgers or speculators. Turkey is almost ready to launch its own futures contract at the Izmir Mercantile Exchange. The Izmir contract, to be traded in US dollars, is expected to incorporate cotton produced in Uzbekistan, Greece, and Egypt. India, which has a long history of futures trading, is almost ready to reintroduce its cotton futures contract (as soon as next season).

RUBBER

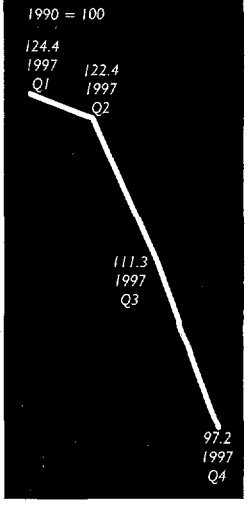


PRICES CRASH ON CURRENCY DEVALUATIONS

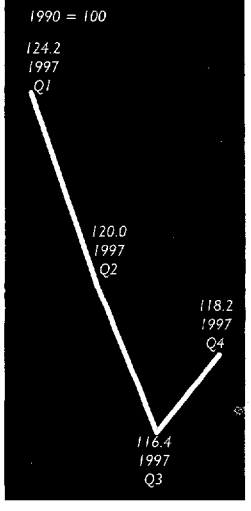
The dollar price of rubber, which began to slip during the last quarter of 1997, appears ready to crash during the first quarter of 1998. Anticipated currency declines in Indonesia, Malaysia, and Thailand have encouraged producers to dump stocks and sell forward into the dollar market wherever possible, taking deep dollar discounts in the process. Together, the three countries produced more than 72% of the world's natural rubber in 1996 according to the International Rubber Studies Group. Since June of 1997 the Malaysian ringgit has lost nearly 45% of its values, the Thai baht more than 50%, and the Indonesian rupiah 79%. Because the three countries represent such a large share of the world market, devaluations spill over and affect global prices.

The decline in dollar prices does not fully offset the devaluations, however, and farm prices will rise. Consequently, in the longer run, the devaluation will also spur production, especially among smallholders, who frequently abandon rubber stands as prices fall but return to tap trees when domestic prices rise. The currency turmoil will generate problems for producers as well. Food prices for staples such as rice, sugar, and cooking oil will rise, complicating the setting of wages for plantation workers. Further, producers, processors, and traders may find themselves overwhelmed by unhedged dollar-denominated debt.

Raw materials prices tumble 12.4%, pulled down by a 20.4% drop in timber prices.

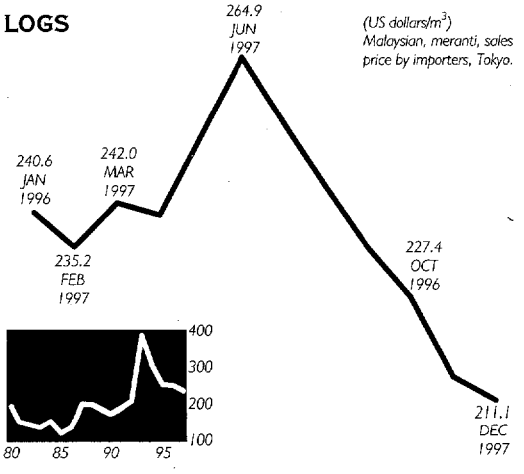


Fertilizer prices rise slightly as demand remains strong.



TIMBER

LOGS



PRICES DROP IN ASIA BUT REMAIN STEADY FOR AFRICAN TIMBER

Asian log prices showed significant declines during the last quarter of 1997 due mainly to the sharp depreciation of currencies in the region and the collapse of demand. Malaysian log prices fell 11% between the third and fourth quarters, and by December 1997 prices were 18% below their December 1996 levels.

The currency devaluations in Southeast Asia have dealt a heavy blow to timber demand in the region. For example, imports of timber products by Thailand and the Philippines, which had previously absorbed about 40% and 20% of Sarawak's sawntimber exports, have come nearly to a standstill. In addition, housing starts in Japan during the fall of 1997 have slowed more than 20% over the same period last year.

In Europe reports indicate that demand is improving in a number of countries, most notably the UK and France. These improvements in demand have supported African log and sawntimber prices in Europe. The sharp drop in Asian timber prices has increased the competitiveness of Asian timber in the European market. Malaysian meranti sawnwood prices in the UK market fell 22% between the third and fourth quarters of 1997. The decline in Asian timber prices will eventually affect African timber prices as European users find opportunities to substitute Asian for African timber.

FERTILIZERS

PRICES DIVERGE WITH PHOSPHATE AND POTASH STRONG, NITROGEN WEAK

Fertilizer markets continue to diverge, with prices weakening for nitrogen while remaining strong for phosphate and potash. The weakness in nitrogen is due primarily to China's decision in early 1997 to ban imports and rely on domestic production. Other fertilizer prices remain strong despite adequate production capacity due to a combination of strong import demand from China and India and tight supply controls by major producers.

The year ahead may see an end to the divergence as current low world grain prices lead to a weakening in phosphate and potash prices. Fertilizer demand depends heavily on grain area planted and application rates. Rice prices fell sharply during the summer as devaluation of the baht caused Thai export prices to fall from $320/ton in July to $252/ton in November for 5% broken white rice. Maize prices fared little better, falling from an average of $165.8/ton in 1996 to $117.1/ton in 1997. Wheat prices have not done as badly, though they slipped from $207.6/ton in 1996 to $159.5/ton in 1997 and ended the year at $144.6/ton in December.

The five Asian countries caught up in the currency crisis were large net importers of potash (table 8), accounting for about 10% of world imports in 1995. Malaysia was the largest importer, with about 3.5% of world imports. These countries accounted for only a small share of nitrogen and phosphate fertilizers on balance, although Indonesia accounted for about 3.6% of exports in 1995 and Thailand for about 3.0% of imports.

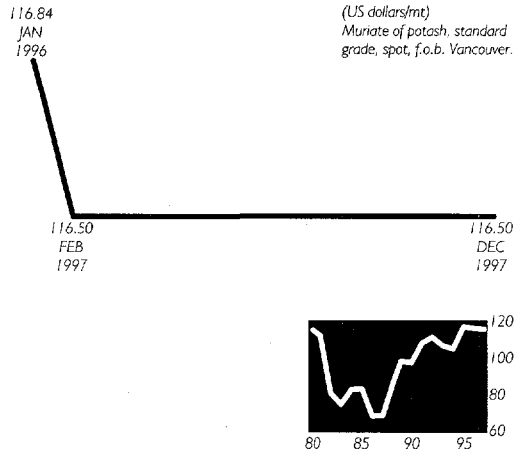
TABLE 8. NET FERTILIZER IMPORTS OF FIVE ASIAN COUNTRIES, 1995

Thousands of tons

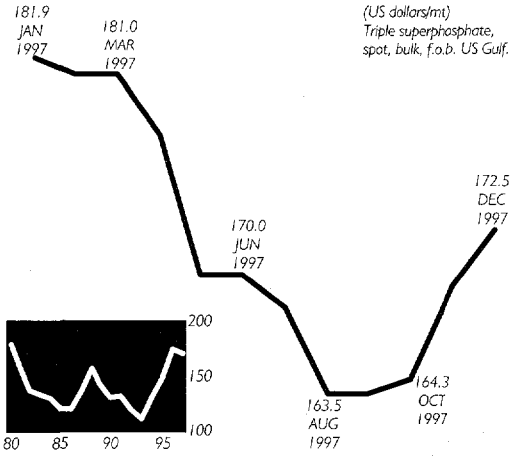
Country	*Nitrogen*	*Phosphates*	*Potash*
Indonesia	-890	1	360
Korea, Rep of	-148	-179	441
Malaysia	49	177	706
Philippines	270	-106	150
Thailand	729	0	326
Total	20	-107	1,983

Source: Food and Agriculture Organization.

POTASSIUM CHLORIDE



TSP



PRICES REMAIN STRONG

Potash prices held firm at $116.5/ton during the fourth quarter, prompting major suppliers to push for price increases. Canpotex, the Canadian potash export association, has reportedly proposed price increases of $10/ton on muriate of potash. Tight supplies and a lack of competition from the Baltic Sea exporters adds weight to their request. However, Japanese buyers seem unlikely to accept such a price increase, and discussions may continue for some time. Recent contract settlements with China lend support to the demand for higher prices. The Asian crisis has resulted in lower imports in some countries, but the largest importers such as China and India have not been affected.

The Brazilian government raised import duties on fertilizers in November in an effort to control inflation. The move increased the duty on urea, TSP, ADP, and some other fertilizer imports by 3 percentage points to 9%. The duty on muriate of potash remains below that on most other fertilizers, at 3%.

The world potash market is heavily concentrated in a few countries. Canada is the largest producer and exporter of potash fertilizers, with more than 8.1 million tons of production in 1995 and 7.85 million tons of exports. Other large producers and exporters include Germany, the Russian Federation, and Belarus. Together, the four largest producers accounted for almost three-fourths of world production and 70% of world exports.

TSP AND DAP PRICES REMAIN STRONG

TSP and DAP prices remained firm during the fourth quarter at $168.7/ton for TSP and $200.1/ton for DAP. Over the past three years DAP prices have slipped from $216.6/ton in 1995 to $199.9/ton in 1997 while TSP prices have risen from $149.6/ton to $171.9/ton. Prices have withstood the turmoil in Asia, which has dampened demand somewhat.

Efforts by China and India to improve balance in fertilizer use have strengthened the phosphate market while keeping nitrogen prices weak. India altered its subsidy policies in 1997 to reduce the price of phosphate and potash fertilizers and increase that of urea. As a result Indian imports reached a record in 1997 and are expected to rise even further in 1998 to about 1.2–1.4 million tons. The imbalance in use is common in South Asia, where nitrogen use is encouraged on paddy rice for a quick yield response, to the relative neglect of phosphate and potash, thereby threatening longer-term soil fertility. Nitrogen fertilizers made up 70.8% of chemical fertilizer applications in India in 1995 and 64.4% in China, well above the world average of 60.2% (FAO). China has been a large buyer of phosphate fertilizer in recent months. As much as 1.5 million tons are loaded for export to China, which could lead to oversupply and an end to further purchases.

The US is the major producer and exporter of phosphate fertilizer. China is the second largest producer and the largest importer.

TABLE 9. MAJOR POTASH FERTILIZER PRODUCERS RANKED BY 1995 PRODUCTION
Millions of tons

Country	Production	Consumption
Canada	8.07	0.31
Germany	3.28	0.65
Russian Fed	2.81	0.35
Belarus	2.79	—
Israel	1.33	0.03
Jordan	1.07	—
US	0.84	4.92
France	0.80	1.49
Spain	0.64	0.41
UK	0.58	0.49
Others		
Brazil	0.22	1.68
China	0.12	3.11
India	—	1.16
World	22.69	21.11

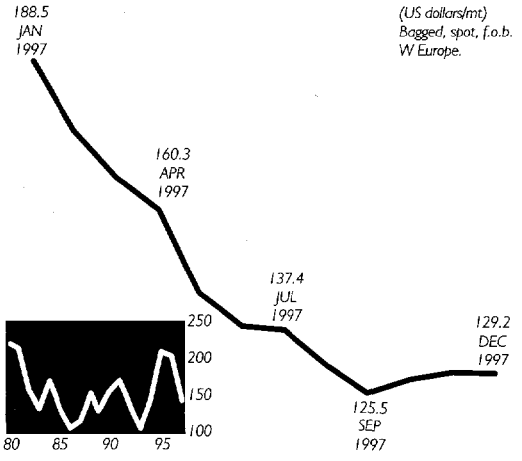
Source: Food and Agriculture Organization.

TABLE 10. MAJOR PHOSPHATE PRODUCERS RANKED BY 1995 PRODUCTION
Millions of tons

Country	Production	Consumption
US	10.50	4.09
China	6.07	8.82
India	2.62	2.90
Russian Fed	1.93	0.35
Brazil	1.24	1.49
Morocco	0.93	0.10
Tunisia	0.74	0.04
France	0.67	1.03
Mexico	0.43	0.22
Poland	0.43	0.30
World	33.80	31.02

Source: Food and Agriculture Organization.

UREA



ALUMINUM

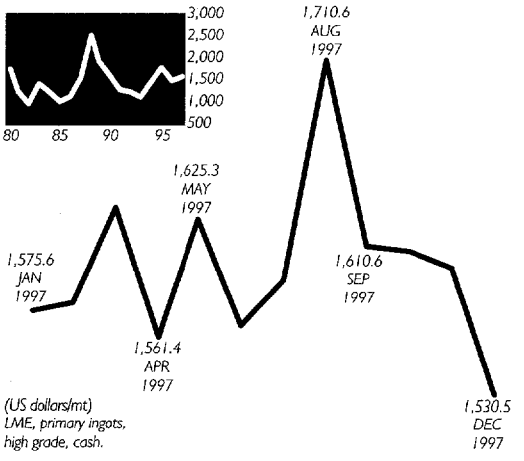


TABLE 11. MAJOR NITROGEN PRODUCERS RANKED BY 1995 PRODUCTION

Millions of tons

Country	Production	Consumption
China	18.90	23.60
US	14.24	11.11
India	8.77	9.82
Russian Fed	4.86	1.00
Canada	4.02	1.51
Indonesia	2.82	1.84
Ukraine	1.83	.63
Netherlands	1.70	.37
Pakistan	1.60	1.92
France	1.54	2.39
World	86.74	78.74

Source: Food and Agriculture Organization.

CHINA'S IMPORT BAN KEEPS PRICES WEAK

Urea prices remained weak as China's 1997 ban on imports continued to influence the market. China was the world's largest consumer and importer of nitrogen fertilizer in 1995. Prices, which averaged $205.5/ton in 1996, fell to $146.1/ton in 1997, with fourth quarter averages at $128.9/ton for West Europe. India has been reluctant to purchase urea, given its high inventories, weak currency, and uncertainties about the new government. Vietnam is expected to import about 1.6 million tons in 1998, which would put it among the major importers.

China's plan to replace urea imports with higher domestic production may have been put on hold by weak urea prices and the rising costs of constructing new production facilities. The plan was to achieve self-sufficiency in nitrogen fertilizer by 2000. The authorities have since postponed construction of several new projects. The government will instead renovate several smaller plants to increase capacity along the lines of its Ninth Five-Year Plan for the fertilizer industry.

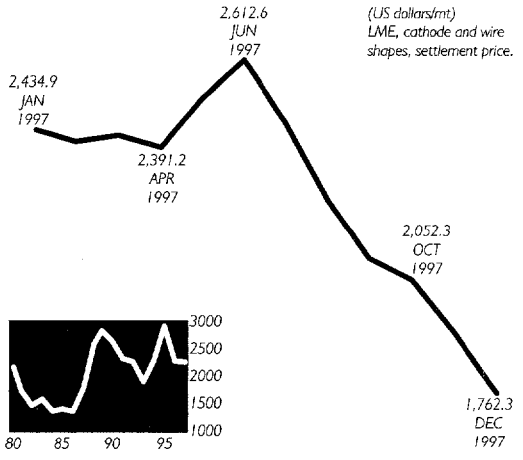
India has reduced its subsidy on nitrogen fertilizers while increasing that on phosphate and potash fertilizers in an effort to get farmers to apply more balanced fertilizer to crops. In the past farmers have favored nitrogen because of the quick yield response. However, balanced fertilizer applications are required to ensure longer-term soil fertility.

TURMOIL IN ASIA HURTS PRICES

As with most other base metals the price of aluminum has come under pressure following the financial crisis in Asia and weakening demand. Prices in December are some 5% lower than they were in September–October. The impact of the Asian crisis has been more immediate and severe in Japan than anticipated. The Japanese manufacturing sector, a survey found, was much less confident than in September. Some analysts predict that the recent crisis will reduce aluminum consumption in Asia in 1998 by 2-4% from projections made earlier in 1997. In Western Europe, where the economic outlook has been improving, strong growth of some 4% in the index of industrial production for 1997 is helping aluminum consumption. Car sales in Europe were up about 10% during 1997, giving a boost to aluminum consumption. The US economy remains strong, with expansion in computer and automobile sales and construction spending continuing to boost growth in aluminum consumption.

Consumption growth in Western Europe and the US is expected to remain strong into 1998, but the combination of demand contraction in Asia and the availability of sufficient production capacity in the market will likely result in a market surplus. Also, CIS exports could be higher than anticipated if consumption growth does not resume. Several analysts predict that prices will move within the $1500 to $1650 range during 1998.

COPPER



PRICES PLUMMET AS UNCERTAINTY IN ASIA CONTINUES

Spot prices plunged 20% during the fourth quarter, from $2,147/ton on October 1 to $1,723/ton on December 31. They continued their collapse in January 1998, breaking through the $1,700/ton level and trading most recently on the London Metal Exchange (LME) at $1,687/ton. Three-month futures prices have retained the contango levels reached during the second half of the third quarter, somewhere in the $25–$35 a ton range above spot prices.

Stocks remained virtually the same throughout the quarter, closing the quarter where they opened it, at about 332,000 tons. China remains the unknown factor for 1998 in the supply and demand equation. Analysts estimate that there will be a market surplus of 180,000 tons in the Chinese market for 1997, and this stockpiling could more than double to 400,00 tons in 1998. Expected increases in CIS exports could also push supplies higher than current levels.

One need only look at the breakdown of average quarterly prices for 1997 to see how the erosion of demand in Asia has pushed prices consistently lower. Average quarterly LME prices for spot copper in 1997 were $2,421/ton (Jan–Mar), $2,505/ton (Apr–Jun), $2,259/ton (Jul–Sep), and $1,912/ton (Oct–Dec). The drop in prices after July, when the crisis began, is clear. Moreover, the fourth quarter average was below that for 1996 ($2,145/ton). This marks a year on year decline of approximately 11% despite the tremendous momentum prices developed during the first two quarters.

Because of its severity, the financial crisis in Asia is now expected to hurt merchant and producing sectors that have copper for sale. Liquidity in the region has dissipated as banks refuse to roll over old loans, and some loans are being called in for immediate repayment. These actions make it more difficult for consumers to hold inventories as their working capital disappears. As a result, copper material is being shipped back to LME warehouses.

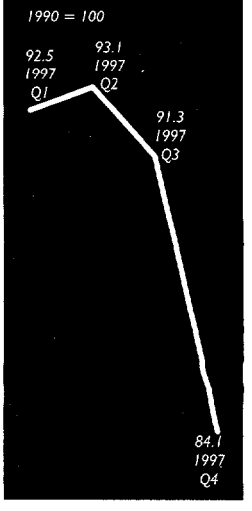
In Southeast Asia there are many worries. Analysts fear that the Hong Kong banking sector could continue to reduce funding for regional infrastructure projects in Indonesia, Malaysia, and Thailand. These cancellations are drastically affecting the consumption of copper wire and cable.

Elsewhere in Asia, Japan is already facing sluggish domestic demand for copper—up just over 1%. If its exports to all of Asia, which account for 40% of total exports, erode any further, the ramifications for the Japanese economy could be disastrous. Conditions are not much better in the Republic of Korea. With Korean banks unable to confirm letters of credit, the ability of Koreans to import copper materials is increasingly uncertain. Korea's absence from the market would represent a serious blow since its copper demand is equal to that of India and the ASEAN countries combined.

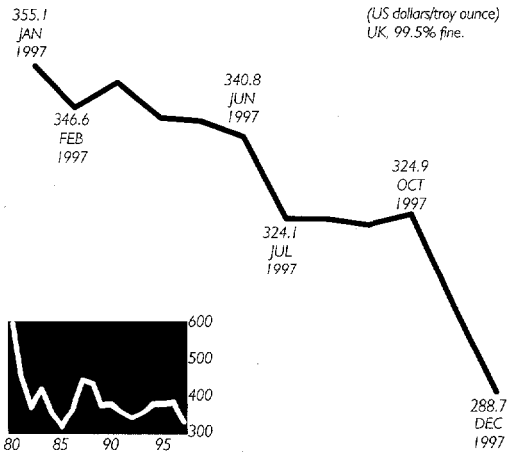
By contrast, the US market remains strong. Consumption of copper wire rod has been brisk, and although the market is beginning to show signs of tightening there have been no shortages. Copper cable, tube, and strip markets are strong as well due to healthy construction activity and automotive sales.

Europe may currently be the strongest market for copper. The business climate remains positive, and the construction sector is the only area of the economy that is still sluggish. Sales in the automobile sectors are strong.

Metals prices fall 7.9%, due largely to the East Asian crisis.



GOLD



PRICES FALL TO 18½ YEAR LOW

Gold prices fell to an 18½ year low of $276/toz in mid-January amid concerns that central banks will continue to reduce their gold reserves in favor of more liquid, interest-bearing treasury bills and notes. Central banks hold about one-quarter of the world's refined gold; the three largest holders are the central banks of the US, Germany, and France. The central banks of Argentina and Australia sold most of their gold reserves in 1997, and the central banks of Belgium and the Netherlands were heavy sellers in 1996. Some European central banks may sell gold prior to the creation of the new EU central bank that will manage the euro, the common currency for Europe. Switzerland reportedly plans to sell as much as 800 tons of gold once voters approve a plan to use the proceeds to help the needy.

The Republic of Korea was a major seller in January, using the proceeds to pay its foreign debt and stabilize its currency. Korean citizens have been donating or selling private gold stocks and jewelry to the government as part of a campaign to increase the countries' foreign reserves. Thailand was also a gold seller during the second half of 1997, as individuals sold gold to pay their debts, reversing a trend of recent years as a net buyer for private hoarding and jewelry.

Gold demand has been strong in response to the falling prices, but not strong enough to halt the declines. India, which has not been hit hard by the East Asian currency crisis, continued as a net buyer of gold in 1997, reflecting strong economic growth and a move to liberalize the gold market and allow the margin between domestic and international prices to narrow.

Supply is beginning to respond to the fall in prices, with several major producers cutting production. The lower prices have also led to several bankruptcies, including that of Pegasus, which operated mines in the US. Anglogold of South Africa, the world's largest gold producer, is cutting output 17% (2% of world output) as it tries to deal with falling prices. Like many producers, it has been able to avoid the full effect of lower prices through its heading and forward selling operations. Cash operating costs are reported to be about $268/toz.

Gold mine production is shifting from Africa to Latin America and Asia according to the Gold Institute. In 1996 Africa accounted for 27% of world production, followed by North America with 21%, Oceania and Latin America with 13% each, and Asia with 9%. By the year 2000 the Gold Institute projects that China may be the fourth largest producer, and Latin America's share may rise to 16% while Africa's falls to 22%. Mexico, Venezuela, Chile, and Peru are all expected to increase production.

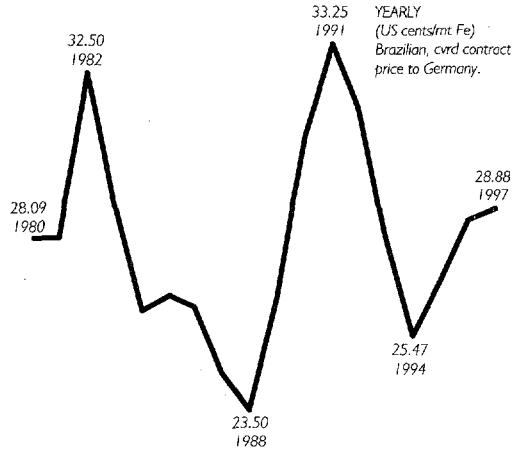
Despite falling prices in 1997, total supply increased more than 15% (global demand and supply balances for 1995–97 are shown in table 12). Fabrication demand for jewelry, electronics, coins, and other uses increased nearly 14%.

TABLE 12. WORLD GOLD DEMAND AND SUPPLY
Tons

Item	*1995*	*1996*	*1997*
Total supply	3,634	3,477	4,025
Mine production	2,269	2,347	2,402
Old gold scrap	625	644	575
Net official sales	182	239	393
Total demand	3,634	3,477	4,025
Fabrication	3,266	3,290	3,750
Bar hoarding	306	182	275

Source: Gold Fields Mineral Services, Ltd.

IRON ORE AND STEEL



STEEL CONTINUES LOWER, IRON ORE HEADS UPWARD

Iron ore suppliers are expected to push for increases of up to 10% during this year's negotiations. Australian suppliers have already started talking with Japanese steel mills. Although the steel mills will try to keep price increases below 10%, the iron ore market is fundamentally strong and this strength should be reflected in the final agreements.

The continuing economic problems afflicting East Asia are stifling demand and exerting downward pressure on both sheet and long prices. Prices dropped $10/ton in November for sheet shipped from the CIS, followed in December by declines of up to $30/ton for non-CIS steel sheet, as demand within East Asia virtually collapsed. While sheet mills in the region seek to increase sales through greater exports, the decline in currency values has raised prices for importers. Lack of working capital and loss of confidence have forced cancellations or long delays in construction projects.

Price declines have been less dramatic for long products. Markets for higher-quality long products and billet experienced the most severe price drops, while products from the CIS even experienced slight increases because of rising Chinese consumption. Prices for CIS-origin wire rod rose $5/ton to $253/ton. Strong Chinese demand has at times resulted in shortages, and buyers were scrambling to fill import licenses before the close of the Chinese new year.

Exporters in Japan continue to be hampered by the financial crisis. The depreciations of Southeast Asian currencies have sent local currency prices of Japanese exports soaring throughout the region. That means that Japanese steel markets can no longer count on support from exports to other Asian countries, which has helped them through previous economic slumps. As a result, Japanese producers have been forced to lower production for 1998.

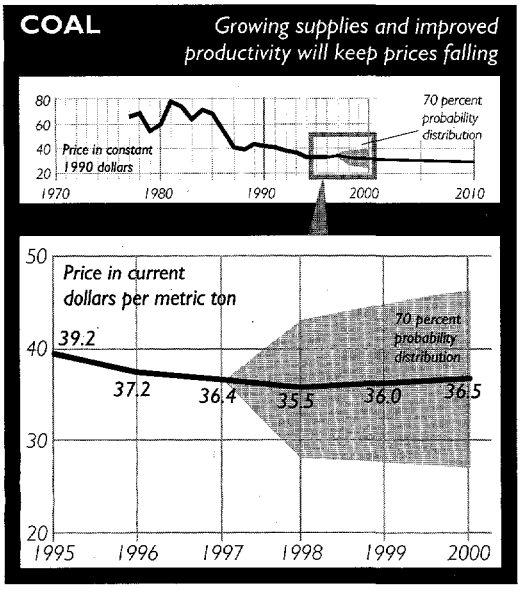
At home, Japanese prices have slid by as much as $30/ton. Demand continues to be depressed and is not likely to improve in the near future. The automotive sector has been hit particularly hard—vehicle registrations in October fell 13% on a year on year basis. This marked the seventh straight monthly decline in 1997—and the largest.

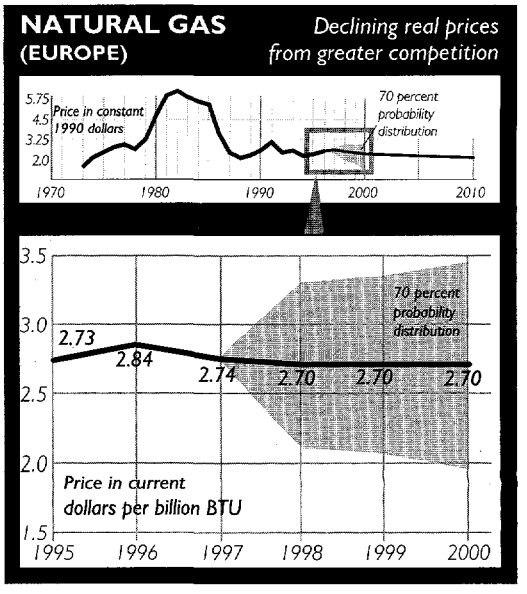
The long-term outlook for steel sheet in Asia is for continued slack demand and pressure for even lower prices. Demand in the region will erode further over the Chinese new year. China has been the only market in the region exhibiting any signs of growth. As a result, exporters are expected to divert steel to the North American and European markets during the first quarter of 1998.

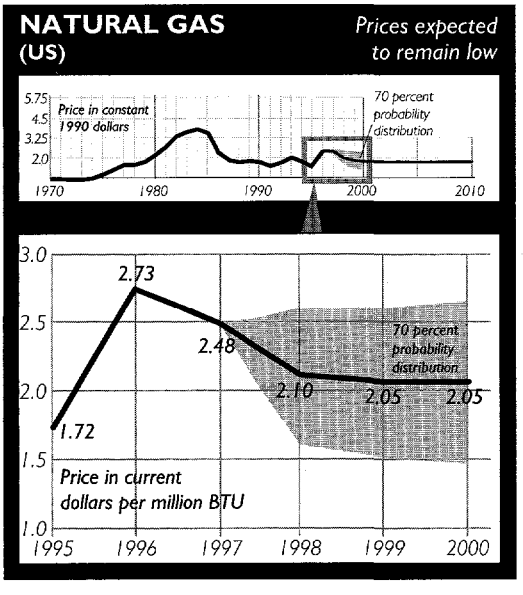
In the US, steel sheet markets have already witnessed price cuts. In November, Nucor announced price cuts of $25/short ton for cold-rolled and coated coil, dropping prices to $435/ton and 490/ton. It had already reduced hot-rolled coil by that amount in September. These price cuts were dictated by the expansion of capacity and a sharp, sustained increase in the amount of imports. Prices were much stronger for US plate and could actually rise because stocks have been drawn down and imports from China, Russia, and Ukraine have been limited under trade arrangements that guarantee reduced imports from these nations.

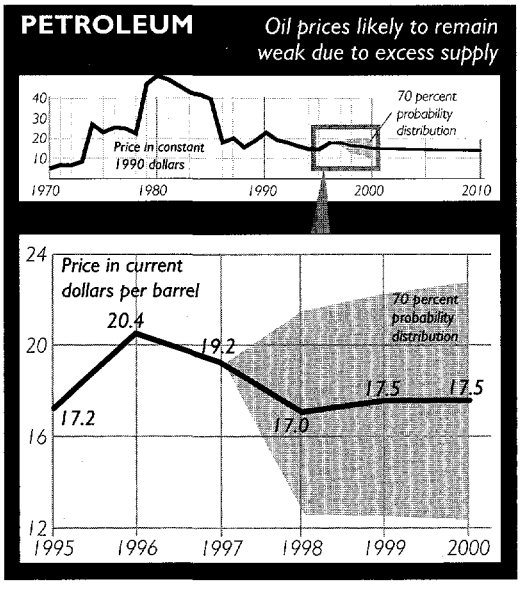
In Europe, sheet and long markets have continued to exhibit strength over the fourth quarter.

ENERGY

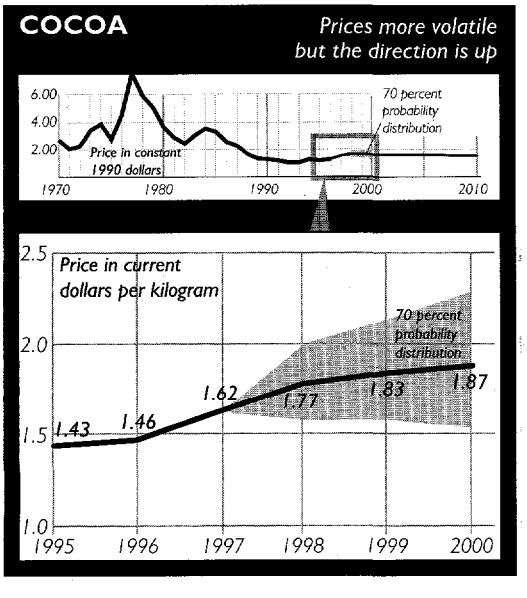


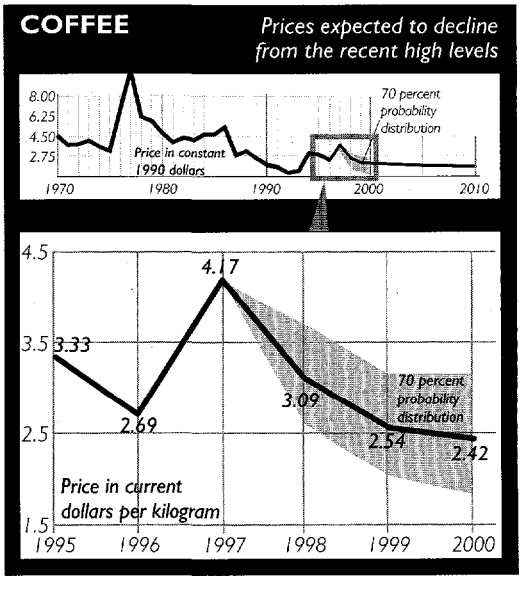






BEVERAGES



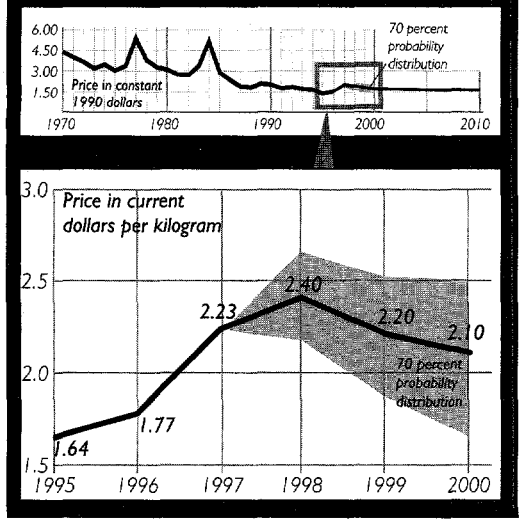


FOOD

FATS AND OILS

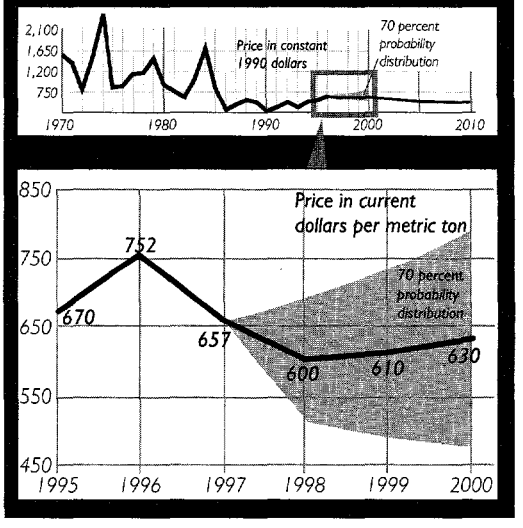
TEA

Low stocks and strong demand keep prices high in 1998



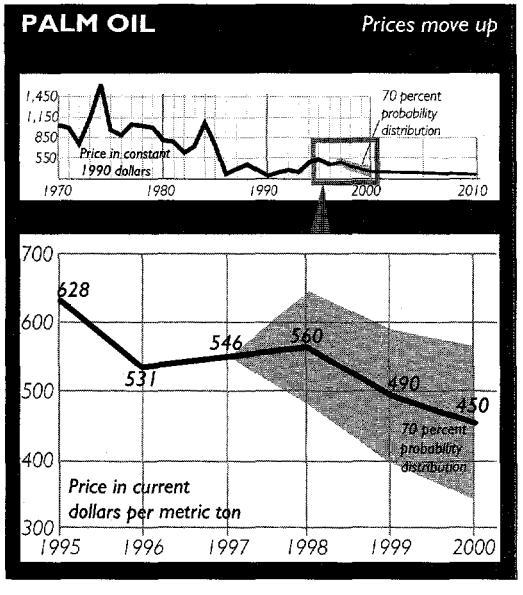
COCONUT OIL

Prices remain low



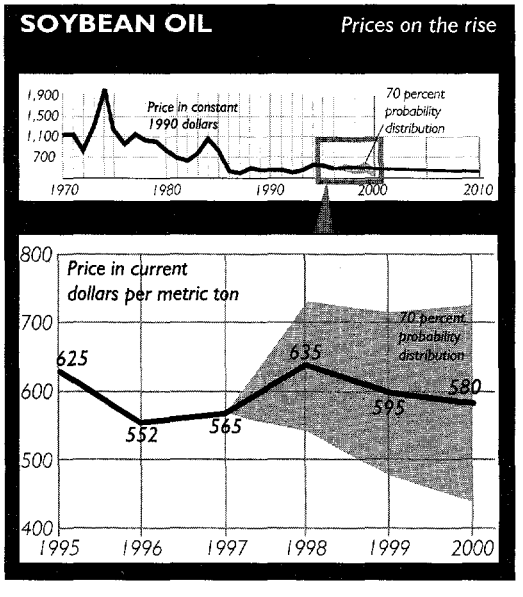
PALM OIL

Prices move up



SOYBEAN OIL

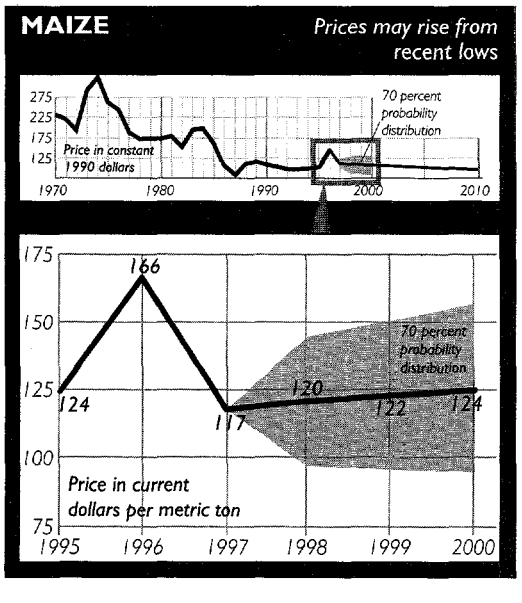
Prices on the rise



GRAINS

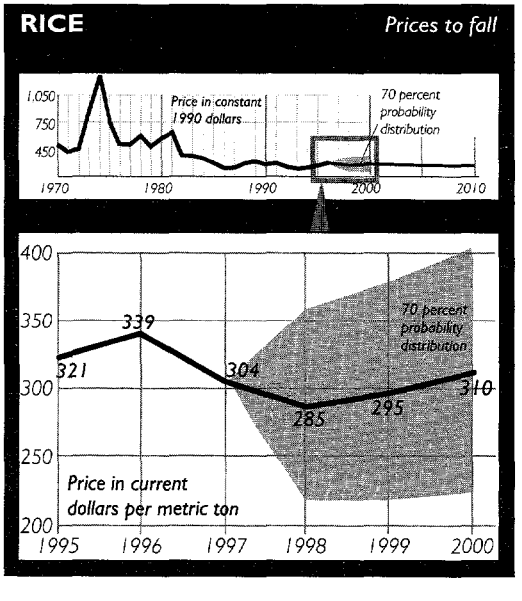
MAIZE

Prices may rise from recent lows



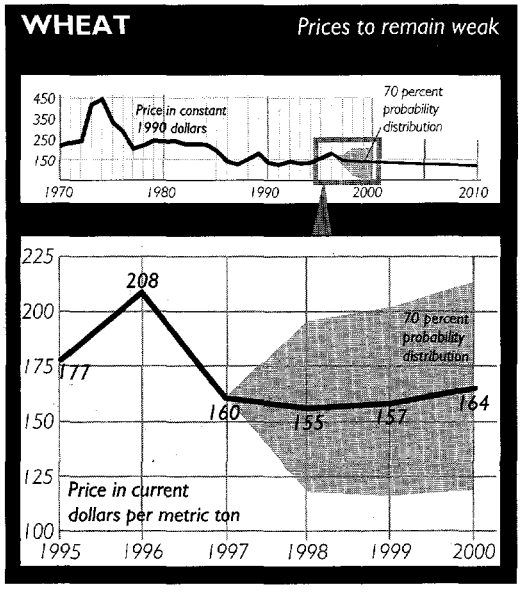
RICE

Prices to fall

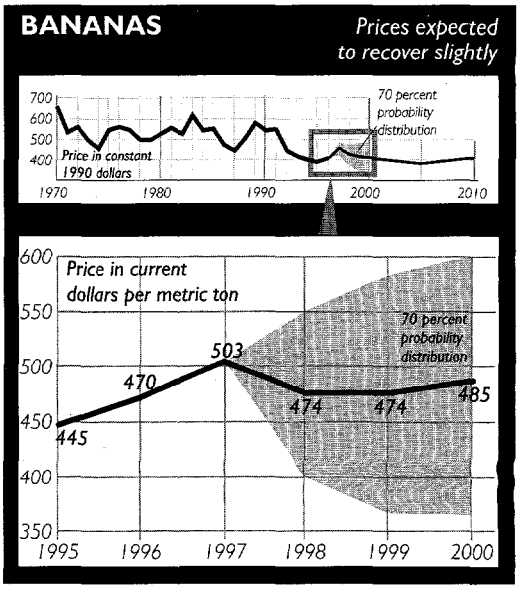


OTHER FOOD

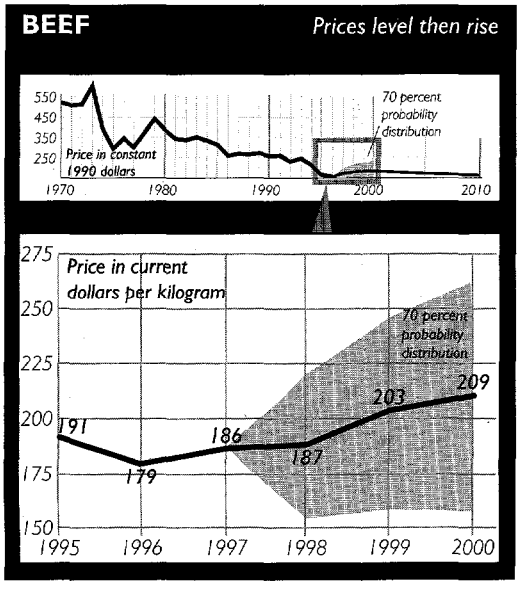
WHEAT — *Prices to remain weak*



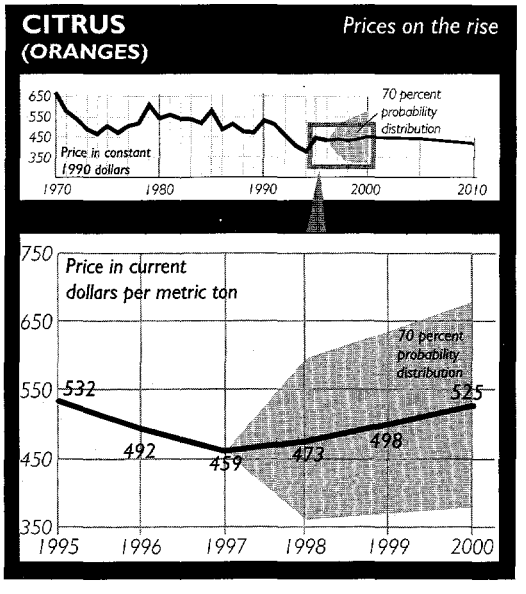
BANANAS — *Prices expected to recover slightly*



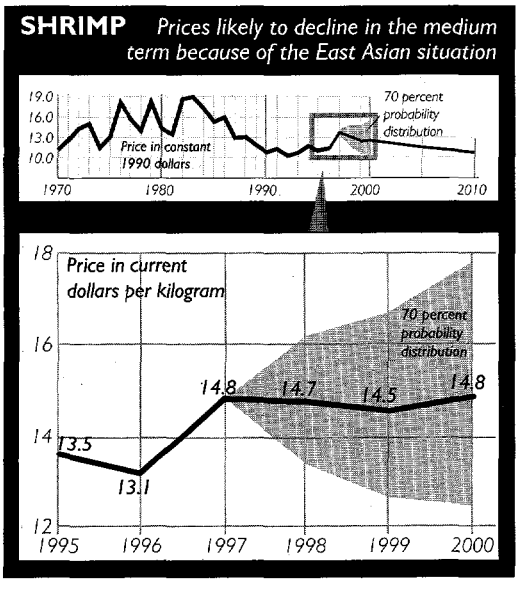
BEEF — *Prices level then rise*



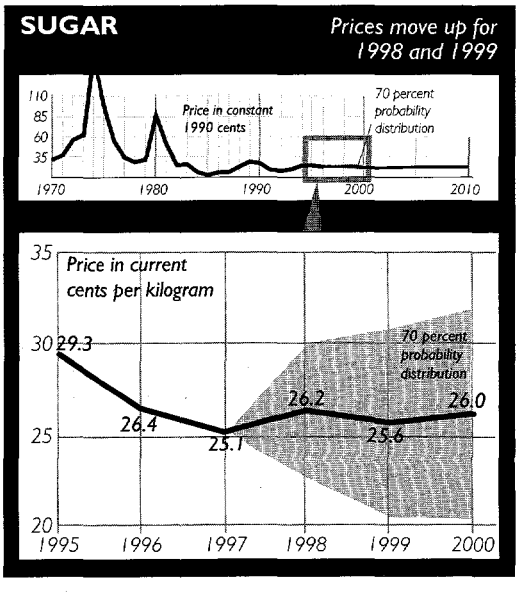
CITRUS (ORANGES) — *Prices on the rise*



SHRIMP — *Prices likely to decline in the medium term because of the East Asian situation*

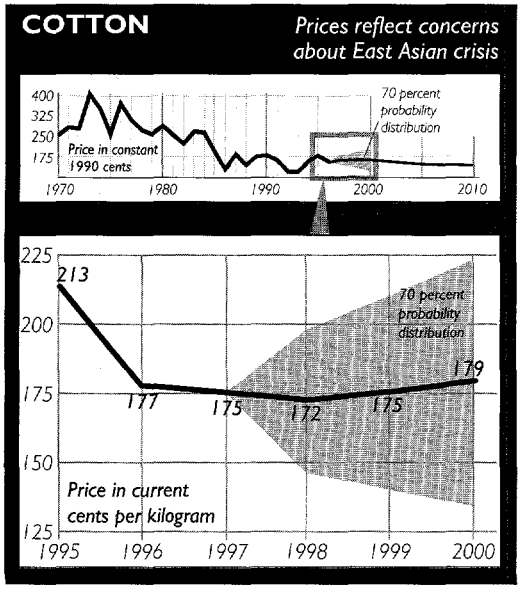


SUGAR — *Prices move up for 1998 and 1999*

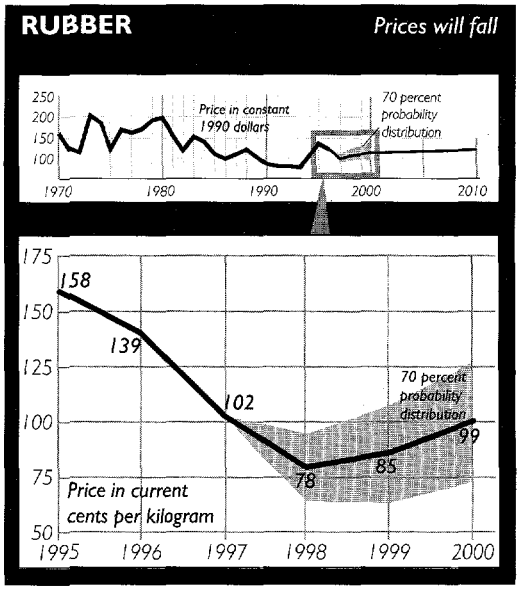


AGRICULTURAL RAW MATERIALS

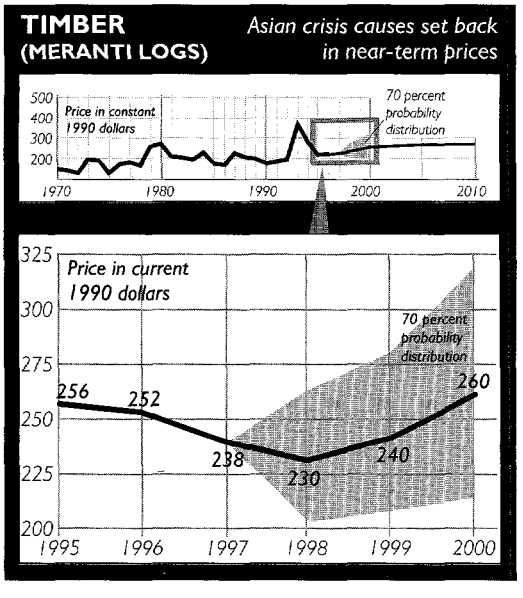
COTTON — *Prices reflect concerns about East Asian crisis*



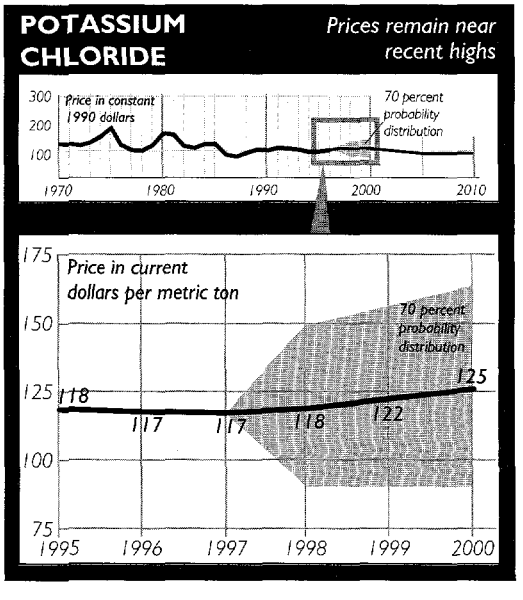
RUBBER — *Prices will fall*



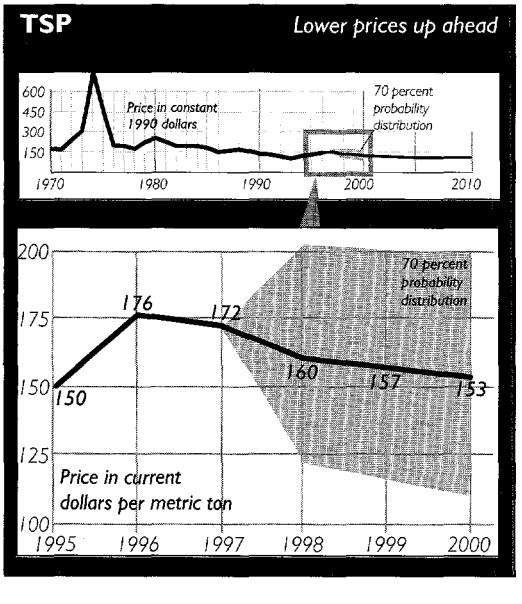
TIMBER (MERANTI LOGS) — *Asian crisis causes set back in near-term prices*



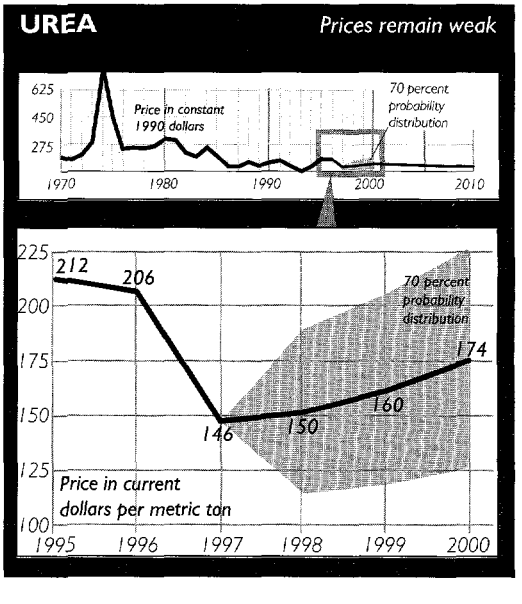
POTASSIUM CHLORIDE — *Prices remain near recent highs*



TSP — *Lower prices up ahead*

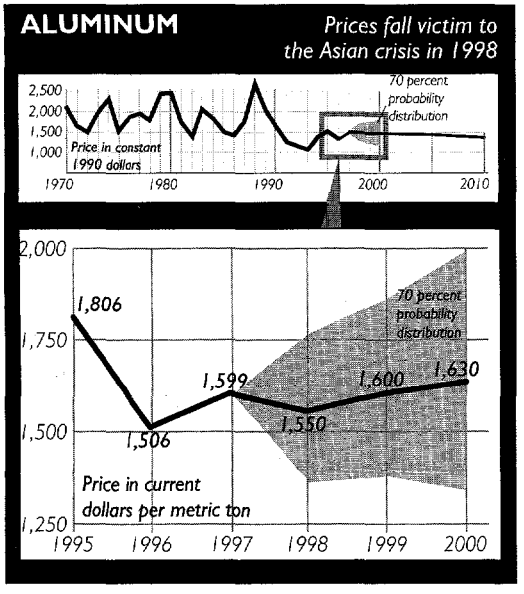


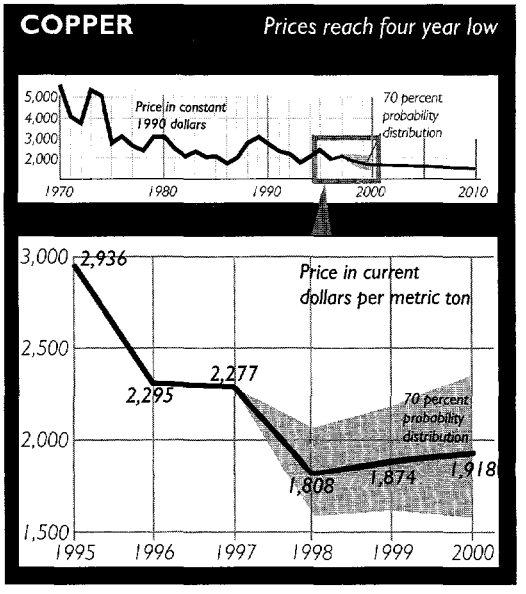
UREA — *Prices remain weak*

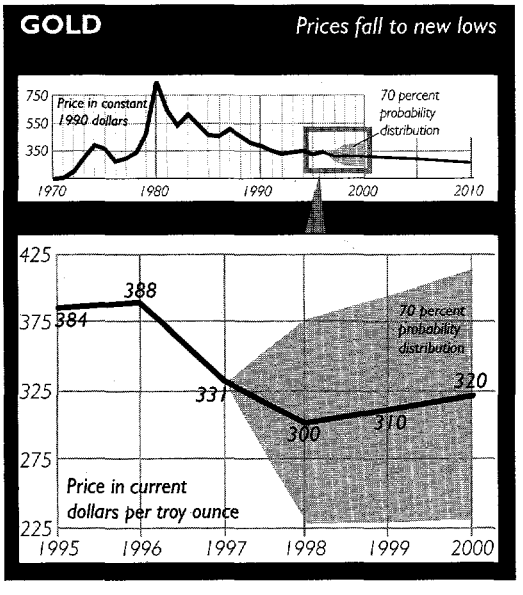


FERTILIZERS

METALS AND MINERALS







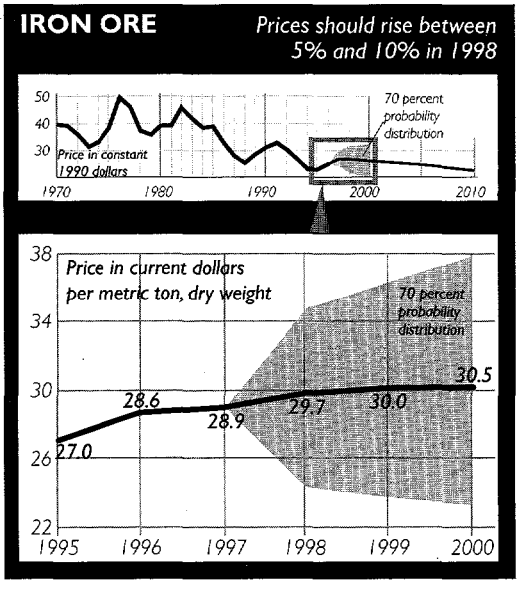


TABLE A1. COMMODITY PRICES AND PRICE PROJECTIONS IN CONSTANT 1990 DOLLARS

		Actual								Short-term projections			Long-term projections	
Commodity	*Unit*	*1970*	*1980*	*1985*	*1990*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2005*	*2010*
Energy														
Coal, US	$/mt	..	59.88	67.96	41.75	33.10	32.87	32.65	33.78	32.21	31.69	31.21	29.61	27.67
Crude oil, avg. spot	$/bbl	4.82	51.22	39.62	22.88	14.41	14.41	17.91	17.80	15.42	15.40	14.96	14.24	13.84
Natural gas, Europe	$/mmbtu	..	4.72	5.39	2.55	2.22	2.29	2.50	2.54	2.45	2.38	2.31	2.17	2.08
Natural gas, US	$/mmbtu	0.68	2.15	3.57	1.70	1.74	1.44	2.40	2.30	1.91	1.80	1.75	1.75	1.75
Beverages														
Cocoa	c/kg	269.1	361.7	328.6	126.7	126.7	120.2	127.7	150.3	160.6	161.1	159.9	157.4	150.0
Coffee, other milds	c/kg	457.2	481.6	470.9	197.2	300.1	279.5	236.4	386.9	280.3	223.6	206.9	190.4	181.2
Coffee, robusta	c/kg	362.8	450.6	386.0	118.2	237.7	232.4	158.4	161.2	159.7	152.3	150.5	144.7	131.8
Tea, auctions, avg	c/kg	358.8	250.4	263.5	205.1	143.1	128.1	148.2	195.0	190.1	170.9	159.6	151.4	140.5
Tea, London, all	c/kg	436.4	310.0	289.0	203.2	166.2	137.8	155.6	206.9	217.7	193.6	179.6	172.4	161.4
Food														
Fats and oils														
Coconut oil	$/mt	1,584	936.1	860.2	336.5	551.2	561.7	659.3	609.8	544.3	536.9	538.7	530.7	487.6
Copra	$/mt	896.5	629.0	562.6	230.7	378.7	367.8	428.9	402.7	412.8	378.5	354.9	344.8	318.2
Groundnut meal	$/mt	407.4	333.9	211.7	184.8	152.7	141.4	186.6	205.2	175.1	180.4	182.1	172.4	170.0
Groundnut oil	$/mt	1,509	1,193	1,319	963.7	928.0	831.2	787.1	938.0	771.1	704.2	658.4	538.2	477.7
Palm oil	$/mt	1,037	810.9	729.6	289.8	479.5	527.0	465.8	506.7	508.0	431.3	384.8	344.8	318.2
Soybean meal	$/mt	409.0	364.6	229.1	200.2	174.6	165.2	234.7	256.0	217.7	198.1	196.7	204.7	201.6
Soybean oil	$/mt	1,142	830.2	833.7	447.3	558.6	524.4	483.8	524.3	576.1	523.7	495.9	453.5	424.3
Soybeans	$/mt	466.2	411.5	327.1	246.8	228.5	217.5	267.4	274.2	258.6	246.5	243.7	243.6	230.6
Grains														
Maize	$/mt	232.9	174.0	163.6	109.3	97.6	103.6	145.5	108.7	108.9	107.4	106.0	100.5	94.9
Rice, Thai, 5%	$/mt	503.6	570.6	287.0	270.9	242.8	269.2	297.3	281.8	258.6	259.7	265.1	254.9	253.7
Sorghum	$/mt	206.5	179.0	150.1	103.9	94.3	99.8	131.6	101.8	105.6	104.1	102.9	97.5	92.1
Wheat, US, HRW	$/mt	218.9	240.0	198.0	135.5	135.9	148.5	182.1	148.1	140.6	138.2	140.2	128.9	121.9
Other food														
Bananas	$/mt	662.2	524.1	551.0	540.9	399.1	373.4	412.0	466.7	430.0	417.2	414.7	385.8	363.8
Beef, US	c/kg	520.1	383.4	314.0	256.3	211.7	160.0	156.6	172.3	170.0	178.5	179.1	170.2	164.1
Oranges	$/mt	670.0	556.0	580.7	531.1	373.2	445.8	431.3	426.1	429.1	438.3	448.9	439.3	415.1
Shrimp	c/kg	1,108	1,421	1,529	1,079	1,186	1,136	1,151	1,370	1,334	1,276	1,266	1,162	1,087
Sugar, world	c/kg	32.79	87.75	13.04	27.67	24.22	24.56	23.12	23.27	23.80	22.51	22.27	21.16	22.49
Agricultural raw materials														
Timber														
Logs, Malaysia	$/m^3	172.0	271.6	177.4	177.2	279.1	214.4	221.2	221.2	208.7	211.3	222.3	247.4	270.2
Logs, Cameroon	$/m^3	171.5	349.7	253.4	343.5	299.7	284.8	238.3	238.9	241.3	246.5	256.5	299.9	320.2
Sawnwood, Malaysia	$/m^3	697.8	550.2	447.5	533.0	745.0	620.7	650.4	616.2	453.6	466.5	495.9	599.7	670.1
Other raw materials														
Cotton	c/kg	269.7	286.5	192.1	181.9	160.0	178.5	155.6	162.2	156.0	154.0	153.1	142.4	135.1
Rubber, RSS1, Malaysia	c/kg	162.4	197.9	110.6	86.5	102.2	132.5	122.3	94.5	71.0	74.7	84.9	94.1	90.4
Tobacco	$/mt	4,290	3,162	3,807	3,392	2,395	2,214	2,676	3,277	3,084	2,905	2,779	2,534	2,339
Fertilizers														
DAP	$/mt	215.3	308.7	246.3	171.4	156.8	181.7	187.0	185.6	186.0	176.0	169.3	156.7	138.4
Phosphate rock	$/mt	43.9	64.9	49.4	40.5	29.9	29.4	34.2	38.1	37.6	36.7	35.9	33.0	30.3
Potasium chloride[a]	$/mt	127.6	160.8	122.4	98.1	95.9	98.8	102.6	108.2	107.1	06.9	106.9	90.0	90.3
TSP	$/mt	171.5	250.4	176.9	131.8	119.9	125.5	154.3	159.6	145.2	37.8	130.8	118.4	106.7
Urea	$/mt	191.4	308.6	198.7	157.0	134.2	177.4	180.3	135.6	136.1	40.8	148.8	140.2	131.8
Metals and minerals														
Aluminum	$/mt	2,217	2,023	1,517	1,639	1,340	1,515	1,321	1,485	1,406	1,408	1,394	1,387	1,360
Copper	$/mt	5,645	3,032	2,066	2,661	2,094	2,463	2,013	2,114	1,640	1,650	1,640	1,574	1,550
Gold	$/toz	143.5	844.7	463.4	383.5	348.4	322.3	340.1	307.4	272.2	272.9	273.6	262.4	250.4
Iron ore	c/dmtu	39.23	39.02	38.71	30.80	23.11	22.61	25.06	26.81	26.93	26.41	26.08	24.59	22.40
Lead	c/kg	120.8	125.8	57.0	81.1	49.7	52.9	67.9	57.9	50.8	51.1	50.5	47.6	44.2
Nickel	$/mt	11,348	9,056	7,140	8,864	5,752	6,902	6,580	6,431	5,489	5,501	5,430	5,135	4,876
Silver	c/toz	705.7	2866.9	895.2	482.0	479.5	435.5	454.7	454.2	440.0	448.9	444.6	397.3	362.4
Tin	c/kg	1,465	2,330	1,682	608.5	495.8	521.3	540.8	524.2	518.9	522.8	520.0	470.0	426.3
Zinc	c/kg	118.0	105.8	114.2	151.4	90.5	86.5	89.9	122.2	102.1	104.3	102.6	93.7	85.7

.. Not available.

Note: Computed from unrounded data and deflated by MUV (1990=100). Forecast as of February 20, 1998.

a. Also known as muriate of potash.

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

TABLE A2. COMMODITY PRICES AND PRICE PROJECTIONS IN CURRENT DOLLARS

		Actual								Short-term projections			Long-term projections	
Commodity	*Unit*	*1970*	*1980*	*1985*	*1990*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2005*	*2010*
Energy														
Coal, US	$/mt	..	43.10	46.63	41.75	36.48	39.19	37.21	36.39	35.50	36.00	36.50	39.50	42.00
Crude oil, avg. spot	$/bbl	1.21	36.87	27.18	22.88	15.89	17.17	20.42	19.17	17.00	17.50	17.50	19.00	21.00
Natural gas, Europe	$/mmbtu	..	3.40	3.70	2.55	2.44	2.73	2.84	2.74	2.70	2.70	2.70	2.90	3.15
Natural gas, US	$/mmbtu	0.17	1.55	2.45	1.70	1.92	1.72	2.73	2.48	2.10	2.05	2.05	2.33	2.65
Beverages														
Cocoa	c/kg	67.5	260.4	225.4	126.7	139.6	143.2	145.6	161.9	177.0	183.0	187.0	210.0	227.7
Coffee, other milds	c/kg	114.7	346.6	323.1	197.2	330.8	333.2	269.4	416.8	309.0	254.0	242.0	254.0	275.0
Coffee, robusta	c/kg	91.0	324.3	264.9	118.2	262.0	277.1	180.6	173.6	176.0	173.0	176.0	193.0	200.0
Tea, auctions, avg	c/kg	90.0	180.2	180.8	205.1	157.7	152.7	168.9	210.1	209.5	194.2	186.6	201.9	213.2
Tea, London, all	c/kg	109.5	223.1	198.3	203.2	183.2	164.3	177.4	222.9	240.0	220.0	210.0	230.0	245.0
Food														
Fats and oils														
Coconut oil	$/mt	397.2	673.8	590.2	336.5	607.5	669.6	751.6	656.8	600.0	610.0	630.0	708.0	740.0
Copra	$/mt	224.8	452.7	386.0	230.7	417.3	438.5	488.9	433.8	455.0	430.0	415.0	460.0	483.0
Groundnut meal	$/mt	102.2	240.3	145.3	184.8	168.3	168.6	212.8	221.0	193.0	205.0	213.0	230.0	258.0
Groundnut oil	$/mt	378.6	858.8	904.9	963.7	1022.8	990.9	897.3	1010.4	850.0	800.0	770.0	718.0	725.0
Palm oil	$/mt	260.1	583.7	500.6	289.8	528.4	628.3	530.9	545.8	560.0	490.0	450.0	460.0	483.0
Soybean meal	$/mt	102.6	262.4	157.2	200.2	192.4	196.9	267.5	275.8	240.0	225.0	230.0	273.0	306.0
Soybean oil	$/mt	286.3	597.6	572.0	447.3	615.6	625.1	551.5	564.8	635.0	595.0	580.0	605.0	644.0
Soybeans	$/mt	116.9	296.2	224.4	246.8	251.8	259.3	304.8	295.4	285.0	280.0	285.0	325.0	350.0
Grains														
Maize	$/mt	58.4	125.3	112.2	109.3	107.6	123.5	165.8	117.1	120.0	122.0	124.0	134.0	144.0
Rice, Thai, 5%	$/mt	126.3	410.7	196.9	270.9	267.6	321.0	338.9	303.5	285.0	295.0	310.0	340.0	385.0
Sorghum	$/mt	51.8	128.9	103.0	103.9	103.9	119.0	150.0	109.6	116.4	118.3	120.3	130.0	139.7
Wheat, US, HRW	$/mt	54.9	172.7	135.8	135.5	149.7	177.0	207.6	159.5	155.0	157.0	164.0	172.0	185.0
Other food														
Bananas	$/mt	166.1	377.3	378.1	540.9	439.8	445.1	469.6	502.7	474.0	474.0	485.0	514.7	552.2
Beef, US	c/kg	130.4	276.0	215.4	256.3	233.3	190.7	178.5	185.5	187.4	202.8	209.4	227.0	249.1
Oranges	$/mt	168.0	400.2	398.4	531.1	411.3	531.5	491.7	459.0	473.0	498.0	525.0	586.0	630.0
Shrimp	c/kg	278.0	1,023	1,049	1,079	1,308	1,354	1,312	1,476	1,470	1,450	1,480	1,550	1,650
Sugar, world	c/kg	8.22	63.16	8.95	27.67	26.70	29.28	26.36	25.06	26.23	25.57	26.04	28.23	34.14
Agricultural raw materials														
Timber														
Logs, Malaysia	$/m^3	43.1	195.5	121.7	177.2	307.6	255.6	252.1	238.3	230.0	240.0	260.0	330.0	410.0
Logs, Cameroon	$/m^3	43.0	251.7	173.9	343.5	330.3	339.5	271.6	257.4	266.0	280.0	300.0	400.0	486.0
Sawnwood, Malaysia	$/m^3	175.0	396.0	307.0	533.0	821.0	740.0	741.4	663.8	500.0	530.0	580.0	800.0	1017.0
Other raw materials														
Cotton	c/kg	67.6	206.2	131.8	181.9	176.3	212.8	177.3	174.8	172.0	175.0	179.0	190.0	205.0
Rubber, RSS1, Malaysia	c/kg	40.7	142.5	75.9	86.5	112.6	158.0	139.4	101.8	78.3	84.9	99.3	125.6	137.2
Tobacco	$/mt	1,076	2,276	2,612	3,392	2,639	2,639	3,051	3,530	3,400	3,300	3,250	3380	3550
Fertilizers														
DAP	$/mt	54.0	222.2	169.0	171.4	172.8	216.6	213.2	199.9	205.0	200.0	198.0	209.0	210.0
Phosphate rock	$/mt	11.0	46.7	33.9	40.5	33.0	35.0	39.0	41.0	41.4	41.7	42.0	44.0	46.0
Potasium chloride[a]	$/mt	32.0	115.7	84.0	98.1	105.7	117.8	116.9	116.5	118.0	121.5	125.0	120.0	137.0
TSP	$/mt	43.0	180.3	121.4	131.8	132.1	149.6	175.8	171.9	160.0	156.5	153.0	158.0	162.0
Urea	$/mt	48.0	222.1	136.3	157.0	147.9	211.5	205.5	146.1	150.0	160.0	174.0	187.0	200.0
Metals and minerals														
Aluminum	$/mt	556	1,456	1,041	1,639	1,477	1,806	1,506	1,599	1,550	1,600	1,630	1,850	2,064
Copper	$/mt	1,416	2,182	1,417	2,661	2,307	2,936	2,295	2,277	1,808	1,874	1,918	2,100	2,352
Gold	$/toz	36.0	608.0	317.9	383.5	384.0	384.2	387.7	331.1	300.0	310.0	320.0	350.0	380.0
Iron ore	c/dmtu	9.84	28.09	26.56	30.80	25.47	26.95	28.57	28.88	29.69	30.00	30.50	32.80	34.00
Lead	c/kg	30.3	90.6	39.1	81.1	54.8	63.1	77.4	62.4	56.0	58.0	59.0	63.5	67.0
Nickel	$/mt	2,846	6,519	4,899	8,864	6,340	8,228	7,501	6,927	6,050	6,250	6,350	6,850	7,400
Silver	c/toz	177.0	2,064	614.2	482.0	528.4	519.1	518.3	489.2	485.0	510.0	520.0	530.0	550.0
Tin	c/kg	367.3	1,677	1,154	608.5	546.4	621.4	616.5	564.7	572.0	594.0	608.1	627.0	647.0
Zinc	c/kg	29.6	76.1	78.3	151.4	99.8	103.1	102.5	131.6	112.5	118.5	120.0	125.0	130.0

.. Not available.

Note: Computed from unrounded data and deflated by MUV (1990=100). Forecast as of February 20, 1998.

a. Also known as muriate of potash.

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

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

1990=100

Year	Energy (100)	Nonenergy commodities (100)[a]	Agriculture: Total agriculture (69.1)[a]	Agriculture: Beverages (16.9)[a]	Agriculture: Food: Total food (29.4)[a]	Agriculture: Food: Fats and oils (10.1)[a]	Agriculture: Food: Grains (6.9)[a]	Agriculture: Food: Other foods (12.4)[a]	Agriculture: Raw materials: Total raw materials (22.8)[a]	Agriculture: Raw materials: Timber (9.3)[a]	Fertilizers (2.7)[a]	Metals and minerals (28.2)[a]
						Current dollars						
1980	161.2	125.9	138.3	182.4	139.3	148.7	134.3	134.3	104.6	79.0	128.9	95.1
1985	118.8	91.4	100.2	164.1	86.3	113.0	89.2	62.8	70.8	59.1	89.0	70.2
1990	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
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	83.8	117.6	128.7	171.0	116.1	147.7	112.1	92.4	113.7	125.8	119.7	90.2
1998	74.3	106.1	115.4	145.0	113.4	140.6	109.3	93.5	96.0	98.5	114.4	82.6
1999	76.5	104.5	112.1	130.0	111.1	131.1	111.8	94.5	100.0	104.1	113.0	85.1
2000	76.5	106.7	114.6	127.4	112.5	129.4	116.2	96.5	107.8	113.7	111.5	86.8
2005	83.0	119.3	129.3	137.3	121.8	144.0	125.2	101.8	132.9	154.8	115.8	95.1
2010	91.8	131.4	143.2	147.6	131.3	155.9	137.6	107.5	155.3	196.1	119.5	103.6
						Constant 1990 dollars						
1980	223.9	174.9	192.2	253.4	193.5	206.6	186.6	186.6	145.3	109.8	179.1	132.1
1985	173.2	133.3	146.0	239.2	125.8	164.7	130.1	91.5	103.3	86.1	129.8	102.3
1990	100.0	100.0	100.0	00.0	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	102.0	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	114.2	142.1	84.7	76.8
1995	63.0	102.5	110.2	126.8	98.1	114.6	101.0	82.9	113.4	117.1	86.9	85.2
1996	78.3	101.0	110.1	110.9	108.5	129.0	123.3	83.3	111.5	122.4	105.1	78.2
1997	77.8	109.2	119.5	158.8	107.8	137.2	104.1	85.8	105.6	116.8	111.2	83.8
1998	67.4	96.3	104.7	131.5	102.9	127.6	99.2	84.8	87.1	89.4	99.4	74.9
1999	67.3	92.0	98.6	114.5	97.8	115.4	98.4	83.1	88.0	91.6	99.4	74.9
2000	65.4	91.2	98.0	108.9	96.2	110.7	99.3	82.5	92.2	97.3	95.4	74.2
2005	62.3	89.4	96.9	103.0	91.3	108.0	93.9	76.3	99.7	116.0	86.8	71.3
2010	60.5	86.6	94.3	97.2	86.5	102.7	90.7	70.9	102.3	129.2	78.7	68.2

Note: Figures for 1998–2010 are projections. Weights used are the average 1987–89 export values for low- and middle-income economies. Forecast as of February 20, 1998.
a. Percentage share of commodity group in nonenergy index.
Source: World Bank, Development Economics, Development Prospects Group.

TABLE A4. INFLATION INDICES FOR SELECTED YEARS

Year	G-5 MUV index[a]: 1990=100	G-5 MUV index[a]: % change	US GDP deflator: 1990=100	US GDP deflator: % change
1980	71.98		64.54	
1985	68.61	–0.95	83.77	5.66
1990	100.00	7.83	100.00	3.61
1991	102.23	2.23	103.95	3.95
1992	106.64	4.31	106.84	2.78
1993	106.33	–0.29	109.62	2.60
1994	110.21	3.65	112.18	2.34
1995	119.21	8.17	114.96	2.48
1996	113.99	–4.38	117.20	1.95
1997	107.72	–5.50	119.66	2.10
1998	110.23	2.32	121.94	1.90
1999	113.61	3.07	124.37	2.00
2000	116.95	2.94	126.86	2.00
2005	133.40	2.67	141.44	2.20
2010	151.77	2.61	157.70	2.20

Note: Figures for 1997–2010 are projections. For 1996, US GDP deflator is actual; MUV is a preliminary estimate. Forecast as of January 15, 1998. Growth rates for years 1985, 1990, 2000, 2005 and 2010 are compound annual rates of change between adjacent end-point years; all others are annual growth rates from the previous year
a. Unit value index in US dollar terms of manufactures exported from the G–5 countries (France, Germany, Japan, UK, and US), weighted proportionally to the countries' exports to the developing countries.
Source: G–5 MUV index, G–5 GDP/GNP deflator, and G–7 CPI: World Bank. US GDP deflator: US Department of Commerce.

TABLE A5. COMMODITY PRICE PROBABILITY DISTRIBUTIONS IN CONSTANT 1990 DOLLARS

		70% probability distribution			
Commodity	*Unit*	*1998*	*1999*	*2000*	*2005*
Energy					
Coal, US	$/mt	25.40–39.01	24.21–39.17	23.09–39.33	18.37–40.85
Crude oil, avg. spot	$/bbl	11.34–19.50	11.00–19.58	10.47–19.45	8.25–20.24
Natural gas, Europe	$/mmbtu	1.91–2.99	1.80–2.95	1.67–2.95	1.39–2.96
Natural gas, US	$/mmbtu	1.45–2.36	1.32–2.29	1.24–2.27	1.05–2.44
Beverages					
Cocoa	¢/kg	142–181	139–187	131–195	119–208
Coffee, other milds	¢/kg	236–334	179–277	156–269	137–261
Coffee, robusta	¢/kg	137–183	121–186	116–192	104–198
Tea, auctions, avg.	¢/kg	173–210	145–196	126–190	116–183
Tea, London, all	¢/kg	198–241	165–223	142–214	133–208
Food					
Fats and oil					
Coconut oil	$/mt	463–626	430–644	404–674	371–690
Copra	$/mt	351–474	303–454	266–444	241–448
Groundnut meal	$/mt	149–201	144–217	137–227	121–224
Groundnut oil	$/mt	656–887	563–845	494–823	377–699
Palm oil	$/mt	432–584	345–518	289–481	241–448
Soybean meal	$/mt	185–250	158–238	148–246	143–266
Soybean oil	$/mt	490–662	419–628	372–620	318–590
Soybeans	$/mt	220–298	197–296	183–304	171–317
Grains					
Maize	$/mt	87–131	84–132	81–134	65–141
Rice, Thai, 5%	$/mt	196–326	192–332	191–345	153–382
Sorghum	$/mt	84–127	81–128	78–130	63–136
Wheat, US, HRW	$/mt	107–177	102–177	101–182	77–184
Other food					
Bananas	$/mt	361–499	323–512	312–513	239–509
Beef, US	¢/kg	139–201	140–217	134–224	114–226
Oranges	$/mt	326–541	324–559	323–579	294–584
Shrimp	¢/kg	1,214–1,467	1,111–1,468	1,063–1,519	930–1,522
Sugar, world	¢/kg	20.42–27.18	17.96–27.06	17.36–27.19	14.39–27.94
Agricultural raw materials					
Timber					
Logs, Malaysia	$/m^3	183–238	182–246	182–272	187–328
Logs, Cameroon	$/m^3	212–275	212–286	210–313	226–397
Sawnwood, Malaysia	$/m^3	398–516	401–542	406–605	454–794
Other raw materials					
Cotton	¢/kg	132–180	123–185	115–191	100–185
Rubber, RSS1, Malaysia	¢/kg	57–85	55–94	62–108	61–131
Tobacco	$/mt	2,529–3,456	2,281–3,530	2,085–3,474	1,698–3,370
Fertilizers					
DAP	$/mt	141–234	130–225	122–220	102–212
Phosphate rock	$/mt	29–47	27–47	26–47	21–45
Potassium chloride[a]	$/mt	81–135	79–137	77–139	54–126
TSP	$/mt	110–183	102–176	94–170	71–166
Urea	$/mt	103–171	104–180	107–193	84–196
Metals and minerals					
Aluminum	$/mt	1,235–1,601	1,212–1,636	1,142–1,702	1,048–1,835
Copper	$/mt	1,440–1,868	1,420–1,916	1,342–2,003	1,190–2,083
Gold	$/toz	207–343	202–348	197–353	157–380
Iron ore	¢/dmtu	21.95–31.57	20.86–31.95	19.84–32.32	17.24–32.68
Lead	¢/kg	38.65–64.05	37.76–65.14	36.34–65.07	31.63–64.24
Nickel	$/mt	4,171–6,916	4,071–7,014	3,909–7,005	3,081–7,189
Silver	¢/toz	334–554	332–572	320–574	238–576
Tin	¢/kg	394–654	387–667	374–671	282–611
Zinc	¢/kg	78–129	77–133	74–132	62–125

Note: Forecast as of February 20, 1998.
a. Also known as muriate of potash.
Source: World Bank, Development Economics, Development Prospects Group.

TABLE A6. COMMODITY PRICE PROBABILITY DISTRIBUTIONS IN CURRENT DOLLARS

		70% probability distribution			
Commodity	*Unit*	*1998*	*1999*	*2000*	*2005*
Energy					
Coal, US	$/mt	28.00–43.00	27.50–44.50	27.00–46.00	24.50–54.50
Crude oil, avg. spot	$/bbl	12.50–21.50	12.50–22.25	12.25–22.75	11.00–27.00
Natural gas, Europe	$/mmbtu	2.10–3.30	2.05–3.35	1.95–3.45	1.85–3.95
Natural gas, US	$/mmbtu	1.60–2.60	1.50–2.60	1.45–2.65	1.40–3.26
Beverages					
Cocoa	¢/kg	157–200	158–213	153–228	159–278
Coffee, other milds	¢/kg	260–368	203–315	182–315	183–348
Coffee, robusta	¢/kg	151–202	138–211	136–225	139–264
Tea, auctions, avg.	¢/kg	191–232	165–223	147–222	155–244
Tea, London, all	¢/kg	218–266	187–253	166–250	177–278
Food					
Fats and oil					
Coconut oil	$/mt	510–690	488–732	473–788	495–920
Copra	$/mt	387–523	344–516	311–519	322–598
Groundnut meal	$/mt	164–222	164–246	160–266	161–299
Groundnut oil	$/mt	723–978	640–960	578–963	503–933
Palm oil	$/mt	476–644	392–588	338–563	322–598
Soybean meal	$/mt	204–276	180–270	173–288	191–355
Soybean oil	$/mt	540–730	476–714	435–725	424–787
Soybeans	$/mt	242–328	224–336	214–356	228–423
Grains					
Maize	$/mt	96–144	95–150	94–156	87–188
Rice, Thai, 5%	$/mt	217–359	218–378	223–403	204–510
Sorghum	$/mt	93–140	92–146	91–152	85–182
Wheat, US, HRW	$/mt	118–195	116–201	118–213	103–246
Other food					
Bananas	$/mt	398–550	367–581	365–600	319–679
Beef, US	¢/kg	154–221	159–246	157–262	152–302
Oranges	$/mt	360–596	369–635	378–677	393–779
Shrimp	¢/kg	1,338–1,617	1,262–1,668	1,243–1,776	1,240–2,030
Sugar, world	¢/kg	22.51–29.96	20.41–30.74	20.30–31.80	19.20–37.27
Agricultural raw materials					
Timber					
Logs, Malaysia	$/m^3	202–262	207–279	213–318	249–437
Logs, Cameroon	$/m^3	234–303	241–325	246–366	302–529
Sawnwood, Malaysia	$/m^3	439–569	456–616	475–708	605–1,059
Other raw materials					
Cotton	¢/kg	146–198	140–210	134–223	133–247
Rubber, RSS1, Malaysia	¢/kg	63–94	63–107	72–126	82–175
Tobacco	$/mt	2,788–3,810	2,591–4,010	2,438–4,063	2,265–4,495
Fertilizers					
DAP	$/mt	156–258	148–256	143–257	136–282
Phosphate rock	$/mt	32–52	31–53	30–55	29–59
Potassium chloride[a]	$/mt	90–149	90–156	90–163	72–168
TSP	$/mt	122–202	116–200	110–199	95–221
Urea	$/mt	114–189	118–205	125–226	112–262
Metals and minerals					
Aluminum	$/mt	1,361–1,765	1,377–1,859	1,335–1,991	1,398–2,448
Copper	$/mt	1,587–2,059	1,613–2,177	1,570–2,343	1,587–2,779
Gold	$/toz	228–378	229–395	230–413	210–508
Iron ore	¢/dmtu	24.20–34.80	23.70–36.30	23.20–37.80	23.00–43.60
Lead	¢/kg	42.60–70.60	42.90–74.00	42.50–76.10	42.20–85.70
Nickel	$/mt	4,598–7,623	4,625–7,969	4,572–8,192	4,110–9,590
Silver	¢/toz	369–611	377–650	374–671	318–769
Tin	¢/kg	435–721	440–757	438–784	376–815
Zinc	¢/kg	86–142	88–151	86–155	83–167

Note: Forecast as of February 20, 1998.
a. Also known as muriate of potash.
Source: World Bank, Development Economics, Development Prospects Group.

TABLE A7. RECENT COMMODITY PRICES

Commodity	Unit	Annual averages			Quarterly averages					Monthly averages		
		Jan-Dec 1995	Jan-Dec 1996	Jan-Dec 1997	Oct-Dec 1996	Jan-Mar 1997	Apr-Jun 1997	Jul-Sep 1997	Oct-Dec 1997	Oct 1997	Nov 1997	Dec 1997
Energy												
Coal												
Australia	$/mt	39.37	38.07	35.10	36.22	34.78	35.21	36.36	34.05	37.15	33.60	31.40
US	$/mt	39.19	37.21	36.39	37.38	37.80	36.84	35.26	35.66	35.68	35.65	35.65
Crude oil, average spot[a]	$/bbl	17.17	20.42	19.17	23.21	20.99	18.39	18.56	18.74	20.04	19.09	17.09
Brent[a]	$/bbl	17.07	20.65	19.09	23.57	21.17	18.05	18.52	18.62	19.85	19.00	17.00
Dubai[a]	$/bbl	16.11	18.54	18.10	21.41	19.32	17.52	17.67	17.87	19.06	18.38	16.18
West Texas Int.[a]	$/bbl	18.34	22.07	20.33	24.64	22.48	19.59	19.50	19.73	21.21	19.88	18.09
Natural gas												
Europe	$/mmbtu	2.73	2.84	2.74	2.95	2.87	2.76	2.68	2.65	2.63	2.66	2.65
US	$/mmbtu	1.72	2.73	2.48	3.07	2.47	2.16	2.50	2.80	3.04	3.02	2.33
Beverages												
Cocoa[b]	c/kg	143.2	145.6	161.9	147.3	144.1	161.0	169.9	172.5	174.1	169.6	173.9
Coffee												
Other milds[b]	c/kg	333.2	269.4	416.8	268.4	364.5	511.7	419.7	371.4	369.6	353.3	391.2
Robusta[b]	c/kg	277.1	180.6	173.6	151.5	163.8	190.9	168.5	171.3	164.3	167.6	182.1
Tea												
Auctions (4), average[b]	c/kg	152.7	168.9	210.1	171.7	176.4	206.7	222.5	234.9	229.9	236.3	238.4
London auction[b]	c/kg	164.3	177.4	222.9	190.2	198.8	224.1	225.6	243.1	235.7	245.6	248.1
Food												
Fats and Oils												
Coconut oil[b]	$/mt	669.6	751.6	656.8	753.0	757.7	667.0	593.0	609.7	627.0	616.0	586.0
Copra	$/mt	438.5	488.9	433.8	479.7	497.0	436.3	395.7	406.0	412.0	412.0	394.0
Groundnut meal	$/mt	168.6	212.8	221.0	232.0	239.0	248.7	220.7	175.7	199.0	170.0	158.0
Groundnut oil[b]	$/mt	990.9	897.3	1010.4	870.0	885.3	988.7	1090.7	1077.0	1083.0	1090.0	1058.0
Palm oil[b]	$/mt	628.3	530.9	545.8	547.7	568.7	549.3	509.0	556.3	547.0	556.0	566.0
Soybean meal[b]	$/mt	196.9	267.5	275.8	274.3	287.3	291.7	257.3	266.7	260.0	276.0	264.0
Soybean oil[b]	$/mt	625.1	551.5	564.8	519.7	534.0	544.0	544.7	636.3	611.0	676.0	622.0
Soybeans[b]	$/mt	259.3	304.8	295.4	288.3	313.7	304.7	280.0	283.3	278.0	288.0	284.0
Grains												
Maize[b]	$/mt	123.5	165.8	117.1	121.1	122.5	118.4	110.4	117.0	120.4	117.2	113.5
Rice												
Thai, 5%[b]	$/mt	321.0	338.9	303.5	315.7	342.1	317.4	291.9	262.6	265.8	252.5	269.7
Thai, 35%	$/mt	290.2	275.8	246.8	249.8	268.8	254.3	241.3	222.9	224.0	212.7	232.0
Thai, A1.Special	$/mt	262.8	232.7	210.4	206.3	225.0	217.8	209.3	189.5	192.3	180.7	195.7
Sorghum[b]	$/mt	119.0	150.0	109.6	108.2	112.2	112.2	102.4	111.8	112.8	112.3	110.2
Wheat												
Canada	$/mt	207.1	230.8	181.4	193.3	186.9	187.3	178.6	172.7	175.7	171.8	170.6
US, HRW[b]	$/mt	177.0	207.6	159.5	176.7	174.9	168.2	146.2	148.7	151.6	149.9	144.6
US, SRW	$/mt	167.4	187.4	143.7	158.4	150.5	147.6	137.3	139.2	143.7	138.2	135.7
Other food												
Bananas[b]	$/mt	445.1	469.6	502.7	426.1	615.0	567.1	423.9	404.8	400.1	424.0	390.2
Beef[b]	c/kg	190.7	178.5	185.5	181.2	191.2	189.3	180.0	181.7	175.6	183.5	185.8
Fishmeal	$/mt	495.0	586.0	606.3	588.0	562.7	551.0	613.0	698.3	658.0	716.0	721.0
Lamb	c/kg	262.1	329.5	339.3	371.9	365.5	332.8	326.0	333.0	327.3	338.6	333.0
Oranges[b]	$/mt	531.5	491.7	459.0	460.9	417.0	453.7	544.7	420.5	493.5	415.0	352.9
Shrimp	c/kg	1353.7	1311.9	1476.3	1353.3	1392.6	1464.4	1531.6	1516.5	1525.6	1513.9	1510.2
Sugar												
EU, domestic[b]	c/kg	68.80	68.31	62.72	68.08	66.31	63.59	60.49	60.50	59.44	61.49	60.56
US, domestic[b]	c/kg	50.82	49.29	48.36	48.93	48.19	47.81	48.93	48.52	49.05	48.28	48.24
World[b]	c/kg	29.28	26.36	25.06	23.94	23.96	24.86	25.17	26.27	25.09	26.48	27.23
Agricultural Raw Materials												
Timber												
Logs												
Malaysia[b]	$/m^3	255.6	252.1	238.3	246.6	239.3	252.2	243.8	217.8	227.4	214.8	211.1
Cameroon	$/m^3	339.5	271.6	257.4	286.8	268.1	259.6	246.8	255.0	254.6	258.3	252.1
Plywood	c/sheet	584.4	529.5	485.0	523.3	495.0	508.0	497.3	439.5	454.3	439.0	425.1
Sawnwood												
Malaysia[b]	$/m^3	740.0	741.4	663.8	746.5	751.3	747.4	650.0	506.3	533.3	519.4	466.2
Ghana	$/m^3	632.5	540.8	567.5	576.1	548.9	576.6	566.4	578.3	564.5	590.1	580.4
Woodpulp	$/mt	853.5	574.1	554.9	573.0	527.4	527.6	573.9	590.5	598.5	586.5	586.5

TABLE A7. RECENT COMMODITY PRICES

Commodity	Unit	Annual averages Jan-Dec 1995	Jan-Dec 1996	Jan-Dec 1997	Quarterly averages Oct-Dec 1996	Jan-Mar 1997	Apr-Jun 1997	Jul-Sep 1997	Oct-Dec 1997	Monthly averages Oct 1997	Nov 1997	Dec 1997
Other Raw Materilas												
Cotton[a]	c/kg	212.8	177.3	174.8	169.5	177.0	175.5	178.0	168.5	171.4	170.3	163.9
Jute	$/mt	368.0	457.5	304.6	399.2	364.8	324.0	287.2	242.3	243.0	243.8	240.0
Rubber												
Malaysia[b]	c/kg	158.0	139.4	101.8	125.6	122.6	112.3	90.8	81.3	87.3	84.1	72.6
NY	c/kg	181.4	160.7	121.6	146.1	139.7	128.6	114.9	103.3	113.2	106.1	90.4
Singapore	c/kg	160.0	140.9	101.0	126.2	121.3	111.0	90.8	80.8	87.6	82.0	72.9
Sisal	$/mt	709.7	868.3	776.6	880.0	809.0	770.0	767.5	760.0	760.0	760.0	760.0
Wool	c/kg	488.3	416.3	430.3	412.0	424.4	442.6	441.4	412.9	427.7	414.4	396.7
Fertilizers												
DAP	$/mt	216.6	213.2	199.9	209.5	200.6	199.8	199.2	200.1	199.4	200.5	200.5
Phosphate rock[b]	$/mt	35.0	39.0	41.0	39.0	41.0	41.0	41.0	41.0	41.0	41.0	41.0
Potassium chloride	$/mt	117.8	116.9	116.5	117.0	116.6	116.5	116.5	116.5	116.5	116.5	116.5
TSP[b]	$/mt	149.6	175.8	171.9	182.5	181.3	172.5	165.1	168.7	164.3	169.4	172.5
Urea	$/mt	211.5	205.5	146.1	197.0	176.7	147.6	131.2	128.9	128.1	129.4	129.2
Metals and Minerals												
Aluminum[b]	$/mt	1805.7	1505.7	1599.3	1428.7	1595.7	1584.8	1637.7	1579.1	1607.9	1599.0	1530.5
Copper[b]	$/mt	2935.6	2294.9	2276.8	2153.4	2420.7	2506.0	2269.7	1910.7	2052.3	1917.5	1762.3
Gold	$/toz	384.2	387.7	331.1	376.0	351.2	343.0	323.6	306.6	324.9	306.0	288.7
Iron ore[b]	c/dmtu	26.95	28.57	28.88	28.57	28.88	28.88	28.88	28.88	28.88	28.88	28.88
Lead[b]	c/kg	63.1	77.4	62.4	71.6	68.2	62.5	62.6	56.3	60.0	56.3	52.7
Nickel[b]	$/mt	8228.0	7500.8	6927.4	6851.8	7567.3	7287.0	6700.2	6155.1	6380.3	6139.5	5945.4
Silver	c/toz	519.1	518.3	489.2	484.9	501.7	475.6	453.3	526.2	501.2	506.0	571.5
Steel products (8) index[c]	1990=100	106.7	96.3	89.1	92.1	90.1	91.3	90.7	84.5	87.1	84.5	81.9
Steel												
Cold rolled coilsheet	$/mt	554.2	483.9	448.2	438.3	440.0	450.0	459.3	443.3	460.0	440.0	430.0
Hot rolled coilsheet	$/mt	440.8	365.6	337.3	331.7	331.7	340.0	347.3	330.0	335.0	330.0	325.0
Rebar	$/mt	381.7	360.2	325.2	356.7	330.0	340.0	324.0	306.7	310.0	310.0	300.0
Wire rod	$/mt	420.8	438.5	382.7	410.0	393.3	393.3	397.3	346.7	370.0	340.0	330.0
Tin[b]	c/kg	621.4	616.5	564.7	592.3	589.0	566.4	545.6	557.8	556.1	565.8	551.4
Zinc[b]	c/kg	103.1	102.5	131.6	102.9	117.4	130.2	160.4	118.5	128.0	117.3	110.2
World Bank commodity price indices for low and middle income countries (1990 =100)												
Petroleum		75.1	89.3	83.8	101.4	91.8	80.4	81.1	81.9	87.6	83.4	74.7
Nonenergy Commodities		122.2	115.1	117.6	110.8	119.3	126.0	115.9	109.4	110.5	109.4	108.3
Agriculture		131.3	125.5	128.7	120.7	130.0	139.6	125.9	119.3	120.0	119.1	119.0
Beverages		151.2	126.5	171.0	124.0	150.7	197.8	173.6	162.1	160.9	156.4	168.9
Food		116.9	123.6	116.1	116.8	122.5	119.5	110.2	112.0	111.1	113.4	111.7
Fats and Oils		136.6	147.0	147.7	147.8	154.5	151.8	138.4	146.3	143.7	149.4	145.8
Grains		120.4	140.6	112.1	118.4	122.7	116.5	105.7	103.6	105.5	102.4	103.0
Other Food		98.8	95.0	92.4	90.5	96.3	94.8	89.7	88.7	87.6	90.0	88.6
Raw Materials		135.2	127.1	113.7	123.3	124.4	122.4	111.0	97.2	101.1	98.9	91.5
Timber		139.5	139.5	125.8	139.9	140.2	140.5	124.0	98.7	103.7	100.8	91.6
Other Raw Materials		132.3	118.7	105.5	112.0	113.6	110.1	102.1	96.1	99.3	97.7	91.4
Fertilizers		103.6	119.8	119.7	123.0	124.3	120.0	116.4	118.2	116.1	118.5	120.0
Metals and Minerals		101.6	89.1	90.2	85.1	92.5	93.1	91.3	84.1	86.9	84.5	80.8

Note: Prices as of January 12, 1998. 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, Development Economics, Development Prospects Groups.

COMMODITY DESCRIPTIONS

Energy

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

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

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

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

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

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

Natural Gas (Europe), average import border price

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

Beverages

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

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

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

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

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

Foods

Fats and oils

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

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

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

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

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

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

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

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

Grains

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

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

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

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

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

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

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

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

Other foods

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

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

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

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

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

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

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

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

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

Agricultural raw materials

Timber

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

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

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

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

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

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

Other raw materials

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

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

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

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

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

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

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

Fertilizers

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

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

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

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

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

Metals and minerals

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

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

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

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

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

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

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

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

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

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