

1ECM  
1ECAP

89560

# COMMODITY MARKETS AND THE DEVELOPING COUNTRIES

A WORLD BANK QUARTERLY

AUGUST 1995

Public Disclosure Authorized

Public Disclosure Authorized

Public Disclosure Authorized

Public Disclosure Authorized

Nonfuel primary commodity prices declined 1.7% because of lower prices for beverages, fats and oils, and metals and minerals. Grains were 5.2% higher and agricultural raw materials were slightly higher. Petroleum prices were up 5.6%.

CHANGE IN QUARTERLY AVERAGES (1Q95-2Q95)

	Percent
<b>Nonfuel</b>	-1.7
Food	-0.7
Beverages	-3.3
Cocoa	-2.7
Mild coffee	-4.2
Tea	-5.0
Fats and oils	-3.0
Grains	+5.2
Other	-1.7
Agricultural raw materials	+0.3
Cotton	+4.0
Natural rubber	-2.2
Timber	+0.8
Metals and minerals	-3.3
Aluminum	-6.8
Copper	-1.6
Tin	+7.3
<b>Petroleum</b>	+5.6

**SUMMARY** PAGE 3

**SPECIAL FEATURE**

■ **DUTCH DISEASE** PAGE 5  
Commodity booms can lead to Dutch disease unless carefully managed.

**MANAGING COMMODITY PRICE RISK**

■ **MEXICAN WHEAT MILLERS LEARN A HARD LESSON ABOUT CURRENCY RISK** PAGE 7  
Currency risks cause problems for Mexican wheat millers.

**FOOD**

■ **BANANAS** PAGE 8  
Supply constrains 1995 prices.

■ **BEEF** PAGE 8  
Demand grows in developing countries, and trade is buoyant in 1995.

■ **CITRUS** PAGE 9  
Production of frozen orange juice concentrate expected to be higher in 1995.

■ **SHRIMP** PAGE 9  
Low production in supplying countries and strong demand in Japan keep prices high.

■ **SUGAR** PAGE 10  
Prices fall as new supplies arrive.

**BEVERAGES**

■ **COCOA** PAGE 11  
Prices have little room to move further downward as fundamentals indicate excess demand for 1995/96.

■ **COFFEE** PAGE 12  
Prices decline on expectations of no frosts in Brazil this year.

■ **TEA** PAGE 13  
Prices decline to a historically low level with large output from Kenya.

**FATS AND OILS**

■ **COCONUT OIL** PAGE 13  
Prices expected to remain firm for the rest of 1995.

■ **PALM OIL** PAGE 14  
Southeast Asian production and exports to rise in the near to medium term.

■ **SOYBEAN OIL** PAGE 14  
Oilseed and grain markets are bullish in the second quarter.

**GRAINS**

■ **GRAINS** PAGE 15  
Low stocks, poor crops, and high demand create bullish markets for grains.

■ **MAIZE** PAGE 16  
Maize fundamentals suggest that still-higher prices are likely.

■ **RICE** PAGE 16  
Strong demand from Asia is lifting prices.

■ **WHEAT** PAGE 17  
Production problems in the United States and low stocks push prices up 40% since March.

**AGRICULTURAL RAW MATERIALS**

■ **COTTON** PAGE 17  
End of cotton and polyester fiber shortage is in sight.

■ **JUTE** PAGE 18  
Crop outturn and short-term prices are uncertain.

■ **RUBBER** PAGE 19  
New supplies bring down prices.

■ **TIMBER** PAGE 20  
Log prices show some increases in Asia but no significant changes in European markets.

**METALS AND MINERALS**

■ **ALUMINUM** PAGE 20  
Weaker-than-expected demand reduces aluminum prices despite stock reductions.

■ **COPPER** PAGE 21  
Prices remain high on tight inventories.

■ **GOLD** PAGE 22  
Gold continues to trade in a narrow range between \$380/oz and \$390/oz.

■ **IRON ORE** PAGE 23  
Despite strong iron ore markets, world steel markets continued to deteriorate.

**ENERGY**

■ **COAL** PAGE 24  
US market weakens, but international prices remain firm.



---

**■ NATURAL GAS** **PAGE 24**

Prices are expected to be weak in North America but to remain tied to oil in Europe.

**■ PETROLEUM** **PAGE 25**

Prices weaken as supply pressures are alleviated.

---

**FERTILIZERS**
**■ FERTILIZERS** **PAGE 29**

Prices may have peaked, but demand is expected to be strong next year and prices firm.

**■ POTASSIUM CHLORIDE** **PAGE 29**

The highest prices since 1980 are encouraging industry expansion, which could signal future price declines.

**■ TSP** **PAGE 30**

Demand should remain strong through year-end as farmers increase planted area.

**■ UREA** **PAGE 30**

Urea prices fall sharply after more than doubling during the past two years.

---

**■ COMMODITY PRICE INDICES** **PAGE 4**
**■ COMMODITY PRICE OUTLOOK** **PAGE 31**


---

**SUMMARY**

Coming off a rise in the first quarter, commodity prices declined moderately during the second quarter. The World Bank index of nonfuel primary commodity prices averaged 1.7% lower than in the first three months of the year. Crude petroleum prices (not included in the nonfuel index) averaged 5.6% higher.

The period of buoyant prices seems to be over for most agricultural commodities, at least for the near term. Some commodities such as grains saw rising prices this quarter because of low world stock levels, rising import demand, and growing conditions that threaten lower yields. Other commodities whose prices had been rising, such as cotton, appear to have peaked as supplies mounted and higher prices moderated consumption.

Many food prices weakened seasonally over the last three months, but the 5.2% increase in grain prices held the average food

price decline to 0.7%. Tea prices fell 5%, responding to high production in Kenya and Sri Lanka and stagnant demand. Mild coffee prices fell 4.2% on lower consumption by major importers and uncertainty about stock retention results. Fats and oils prices dipped 3%. The soybean market is slightly bullish thanks to rising maize prices that should boost demand for soybean meal. Supplies of vegetable oils are increasing, however, which will depress soybean oil prices. Sugar prices rallied in recent weeks, but the fundamentals suggest no bullish tendencies. Production is expected to be high, and stocks are likely to increase after five years of declining stock-to-use ratios.

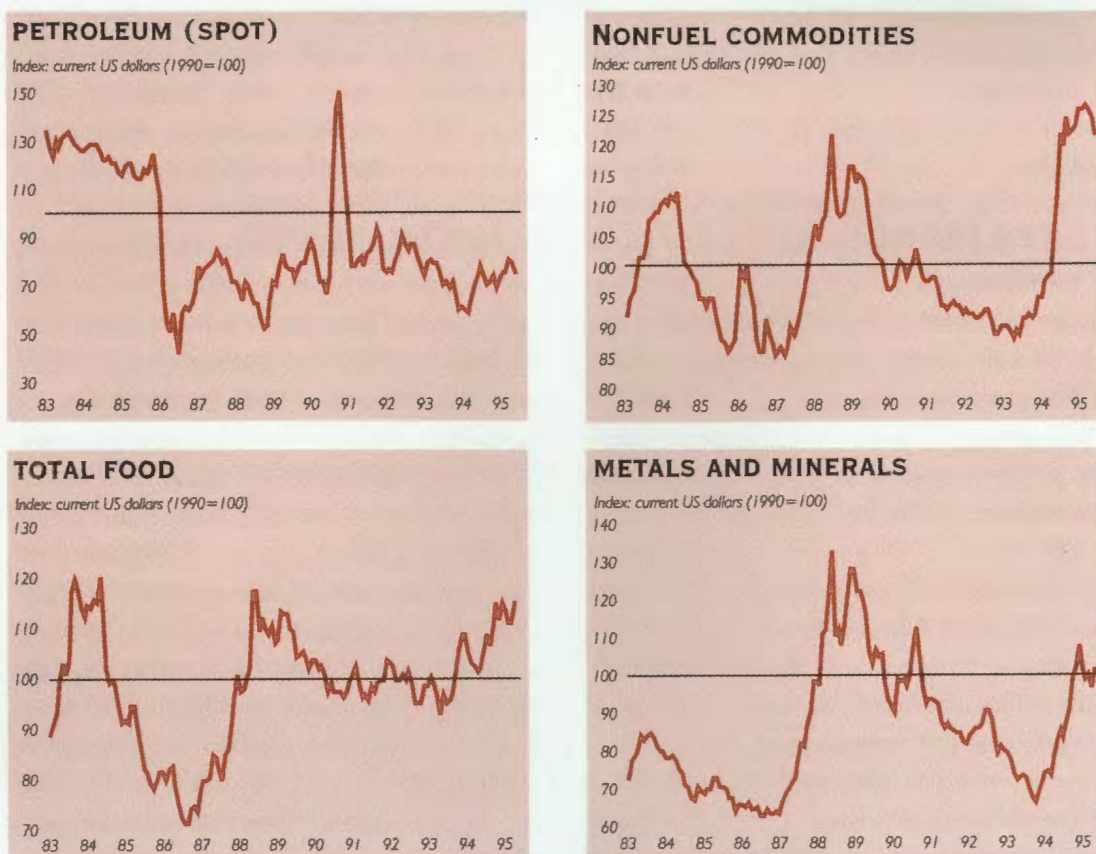
Average prices of agricultural raw materials rose a modest 0.3%. Although cotton trading for near-term delivery was stalled by limited supplies, prices averaged 4% higher than in the last quarter. Since late May prices have dropped for deliveries late in the year because of favorable prospects for early production. Demand for natural rubber slackened as production in Malaysia and Thailand stepped up and automobile production slowed. A draw-down in log inventories in South Asia during the rainy season together with a 20% rise in the royalty on Sarwak logs pushed average prices up 11% during the quarter. A modest decline of sawnwood prices, however, held the timber price index to a 0.8% rise.

The metals and minerals price index (excluding steel) fell 3.3% during the quarter, with tin the only component whose price moved up (7.3%). Aluminum prices remained weak, partly because of hedge fund liquidations of long positions taken during the steep price rise in 1994. Although copper prices were 1.6% lower than last quarter, extremely low stocks kept current prices for September 1995 delivery well above prices for September 1996 delivery.

Most fertilizer prices peaked and began to drift lower as demand wound down for spring crop planting in the northern hemisphere. Both planting area and fertilizer application are expected to be on the rise next year, which should keep prices relatively high.

# COMMODITY PRICE INDICES

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



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

	Agriculture												
	Petroleum	Nonfuel commodities (100.0)	Food					Raw materials		Metals and minerals		Fertilizers (2.7)	
			Total (69.1)	Total (29.4)	Grains (6.9)	Fats and oils (10.1)	Other (12.4)	Beverages (16.9)	Total (22.8)	Timber (9.3)	(28.1)		
<b>Annual</b>													
1992	83.1	92.1	94.4	100.0	101.7	111.7	89.5	79.4	98.3	114.5	86.1	95.8	
1993	73.6	91.6	99.1	98.6	93.6	111.5	90.7	84.9	110.3	152.4	74.0	83.7	
1994	69.4	111.9	123.7	106.8	102.1	126.0	93.8	150.4	125.8	156.6	84.6	93.4	
<b>Quarterly</b>													
2Q94	70.7	105.4	116.5	102.8	96.6	122.7	89.9	126.2	127.0	163.4	79.3	93.1	
3Q94	74.4	122.2	137.9	105.8	95.4	126.1	95.1	201.5	132.2	165.9	86.6	93.6	
4Q94	72.1	122.5	133.3	110.8	101.9	135.9	95.3	177.8	129.5	149.3	98.5	96.3	
1Q95	75.1	126.3	136.4	113.4	104.9	135.1	100.4	169.2	141.9	142.1	103.6	101.7	
2Q95	79.3	124.2	134.9	112.6	110.5	131.0	98.8	163.7	142.2	143.1	100.2	102.6	
<b>Monthly</b>													
1994 Jun	75.0	110.7	122.4	101.8	92.7	126.8	86.6	147.1	130.5	168.4	83.9	93.6	
1994 Jul	78.1	121.9	137.5	102.6	90.4	120.6	94.6	203.3	133.7	167.3	86.5	93.6	
1994 Aug	74.3	120.2	135.7	105.8	95.9	126.8	94.1	192.2	132.5	167.7	84.7	93.6	
1994 Sep	70.8	124.6	140.5	109.2	99.9	130.8	96.7	209.0	130.2	162.7	88.7	93.6	
1994 Oct	72.0	121.9	135.1	106.9	101.8	128.5	92.0	192.9	128.7	152.9	92.2	95.5	
1994 Nov	74.7	122.5	132.6	110.5	101.2	138.8	92.5	177.5	127.9	149.9	100.3	96.7	
1994 Dec	69.7	123.1	132.3	115.2	102.8	140.4	101.4	163.0	131.8	145.2	102.9	96.7	
1995 Jan	73.6	126.1	134.3	111.7	104.6	134.7	96.9	166.5	139.7	147.8	108.5	100.1	
1995 Feb	75.8	126.0	136.6	115.1	104.7	135.2	104.5	166.6	142.1	141.4	102.2	102.6	
1995 Mar	75.8	126.6	138.4	113.4	105.5	135.4	99.8	174.4	143.9	137.2	100.1	102.6	
1995 Apr	81.5	126.3	137.5	111.2	104.4	131.0	98.7	170.5	147.2	141.4	101.0	102.6	
1995 May	80.5	124.6	136.4	111.5	108.8	129.6	98.2	167.1	145.7	143.8	97.7	102.6	
1995 Jun	75.9	121.9	130.8	115.2	118.2	132.6	99.3	153.5	134.0	144.5	101.9	102.6	

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



## DUTCH DISEASE

Unless they are carefully managed, commodity booms may not be the boon they at first appear to be. In trying to deal with the current boom in commodities, countries should know that the long-term effects of commodity booms are not necessarily positive, as several countries have discovered. This paradoxical situation is called "Dutch disease," after the experience of the Netherlands during the 1960s. Dutch manufacturing suffered following natural gas discoveries that led to appreciation of the real exchange rate. Several countries suffered from Dutch disease after the commodity booms of the 1970s and 1980s.

Apart from the appreciation of the real exchange rate, commodity boom and bust cycles often cause other problems, such as financial difficulties for exporters and misallocation of investment resources. A boom in commodity exports often creates a drain on other, nonbooming exports through changes in spending and resource allocation. Resources flow into the booming sectors, often leading to overproduction at a later stage, while other sectors experience a decline in investment.

But commodity booms do more than shift profitability within the tradable sector by drawing resources from other sectors into the booming sector. They can also shift profitability from tradables to nontradables through their impact on the exchange rate. The increase in export revenues from the boom results in an increase in the supply of foreign exchange, which boosts the price of nontradables relative to that of tradables. This currency overvaluation can persist after the commodity boom ends, because the accumulated foreign exchange can reduce demand for foreign exchange for some time. Past commodity booms have been followed by sharp, long-lasting price declines. Profitability in the once-booming commodity market shrinks severely, while the large real appreciation of the currency drags down other exports as well.

## GOVERNMENT MISSTEPS

Commodity booms can also worsen the government budget deficit. When export commodity prices boom, government revenue can increase sharply. This often encourages governments to embark on programs that are driven more by political considerations than by economic ones. Then, when commodity prices decline, so do government revenues, but expenditures often stay at their new, higher levels.

The failure to cut spending when the commodity boom ends leads to external imbalances, fiscal and monetary disequilibrium, and inflation. As a result, countries are worse off after the boom than they were before. The boom leaves a legacy of economic distortions and reduced policy flexibility.

There are a variety of reasons that governments fail to cut spending. Sometimes the price falls are viewed as temporary. Other times programs are difficult to discontinue or cut back for political reasons. At some point spending cuts become unavoidable, but the cuts are often too little and too late.

Trade policies can also influence the impact of a commodity price boom. Trade restrictions may lead to further appreciation of the exchange rate if they prevent revenues from being spent on imports. Trade restrictions may also affect income distribution. For example, import and capital controls in Kenya following the coffee boom of 1976–79 increased rents to suppliers of capital goods and import-competing consumer goods, so that much of the gain from the coffee boom went to urban areas.

In an attempt to avoid the sharp declines in commodity prices, some commodity-exporting countries entered into international commodity agreements to stabilize prices through such market intervention mechanisms as international buffer stocks (cocoa and rubber), export quotas (coffee), and production management plans (recently for cocoa). Most of these programs have collapsed, however, because of the difficulty of managing commodity price movements,



causing significant financial problems for the commodity-exporting countries. Today, only the rubber agreement is still in place. The other schemes terminated their activities in the 1980s, when international commodity prices declined sharply. They failed primarily because their higher-than-equilibrium prices induced oversupply and because of the free-rider problem of nonsignatory countries.

#### WHAT GOVERNMENTS CAN DO

Although most interventions have failed, government policy is not powerless in the face of boom-bust cycles. Several measures can alleviate the problems stemming from commodity price booms. Important among them are prudent fiscal and monetary policies, accumulation of foreign reserves, and reduction of foreign debt. Governments should view commodity booms as transitory and, accordingly, they should follow stringent policies for managing increases in commodity revenues.

In the 1970s countries that adopted aggressive spending programs on the expectation that the boom prices would be permanent experienced serious debt-servicing difficulties when their expectations proved wrong. Governments should not commit to spending levels that will be unsustainable when the boom ends. They should set aside a large part of the incremental revenues from the boom to build up international reserves and government balances held by the central bank. These reserves should not be allowed to expand the monetary base and contribute to inflation. One option is for governments to keep reserves in an offshore account, ready to be used when the boom ends. Countries could even consider using the proceeds from the boom to reduce their external debt.

Monetary policy should balance concerns about inflation with concerns about currency appreciation. Lifting or reducing capital account controls (restrictions on investing abroad) and import controls provides a way for foreign exchange earnings to leave the country without affecting the monetary base. Diversification efforts should continue,

encouraged by structural adjustment programs that increase the profitability of the economy, especially in the booming subsectors. It is less painful to start structural adjustment programs when prices are high than when they are low.

Certain policy instruments that have proved useful in dealing with the problems associated with booms and busts are worth considering.

■ *Revenue stabilization fund.* By providing a basic rule to guide government expenditures, a revenue stabilization fund can reduce the need to cut expenditures when the boom subsides. The fund should be complemented by the use of market-based hedging instruments (futures, options, swaps) to make the flows into and out of the fund more predictable. If some of the fund proceeds are invested in foreign assets, currency outflows will sterilize some of the foreign exchange inflows, which could otherwise expand the monetary base. Commodity bonds (viewed as forced savings in foreign currency) can also be an effective way of sterilizing foreign exchange inflows.

■ *Export taxes.* Export taxes can protect non-booming tradables by reducing some of the spending and resource movements associated with a commodity boom. But export taxes provide only limited short-term relief and are not without dangers of their own. Governments tend to spend the incremental tax revenues, and how they spend them matters. Export taxes can offset foreign exchange inflows only if the government holds the tax proceeds in foreign assets. Export taxes also encourage smuggling and cheating.

■ *Market-based hedging instruments.* Though useful as a complement to other measures, market-based hedging instruments solve mainly the problem of price uncertainty—price movements that can be anticipated within a short period of time. But prices remain volatile, even if their movements are anticipated. For managing commodity booms and busts, then, these instruments should be reserved mainly for relatively short-lived price disruptions.



## MEXICAN WHEAT MILLERS LEARN A HARD LESSON ABOUT CURRENCY RISK

International commodity markets are a risky business. Volatile prices are a well known risk. But there is another element of risk as well: commodity-related trade and finance generate flows of goods and debt across international borders that expose the market to changes in the relative value of two or more currencies. Wheat millers in Mexico recently learned a hard lesson about the potentially catastrophic effects of currency risk.

Earlier this year the Mexican peso nosedived in value against the US dollar. In April it stabilized, trading at about 20% below its February value.

At the time of the devaluation 118 Mexican wheat mills held a total debt of US\$114 million. Almost overnight the value of this debt ballooned in peso terms from \$N 6.04 to \$N 7.75 billion. Millers were further squeezed by regulated wheat flour prices in Mexico, which put a lid on how much the mills could charge for their milled wheat. Industry analysts estimate that nearly 20% of the mills, unable to repay their suddenly larger debt, will simply go out of business.

There are a number of ways to manage currency exposure. Importers frequently arrange currency swaps with their local bank. For example, suppose that a Mexican miller borrows \$1 million to purchase wheat from the United States. The exchange rate that day is 5.3 pesos to the dollar. The miller sells the flour forward to a local bakery for delivery in 30 days at a fixed price (for example, \$N 6 million). Then the miller goes to the local bank and enters into an agreement to purchase \$N 5.3 million. The bank agrees to sell back the \$1 mil-

lion at a specified exchange rate (say 5.5 pesos to the dollar.) The miller has now locked a spread of \$N 0.5 million, regardless of movements in the exchange rate or the price of wheat flour.

What, then, went wrong in Mexico? First, when the financing is from private sources, the lender has an interest in whether the borrowing firm is hedging its currency exposure. Many of the Mexican mills, however, were borrowing from US or Canadian programs offering subsidized credit. The US program, GSM-102, offers a guarantee to US wheat exporters and therefore less-expensive credit to Mexican importers of US wheat. But the borrower draws and repays the loan in US dollars and therefore shoulders the risk of adverse movements in the exchange rate. Second, the government of Mexico has until recently actively managed the trade and pricing of essential consumer items in Mexico. Institutional arrangements and risk management techniques, not needed under the old trading arrangements, were not fully in place when the devaluation hit, although they are now being developed rapidly. Nor was there an active international futures market at the time for dollar-peso currency exchanges, which would have facilitated the development of forward currency sales and swaps.

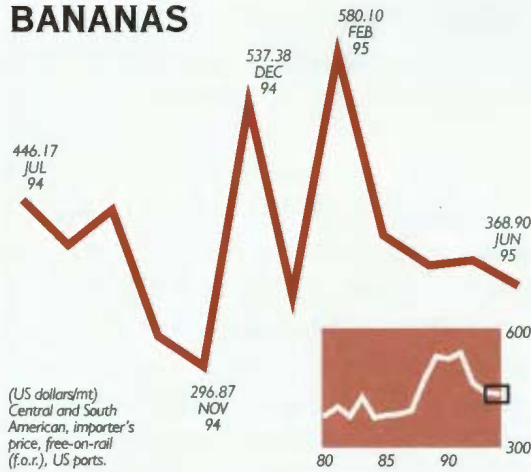
For many economies in transition, trade reforms have led to the rapid development of private entrepreneurial activities—the mechanism through which the benefit of policy reforms reach consumers and producers. Still missing in many cases, however, are the institutions needed to manage the risks associated with these activities. And that absence leaves entrepreneurial companies, and the benefits of reform, at risk.



Food prices pulled down by lower prices for beverages and fats and oils. Grain prices continue to rise.



**BANANAS**



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

**PRICES OFF 14% FROM THE FIRST-QUARTER AVERAGE**

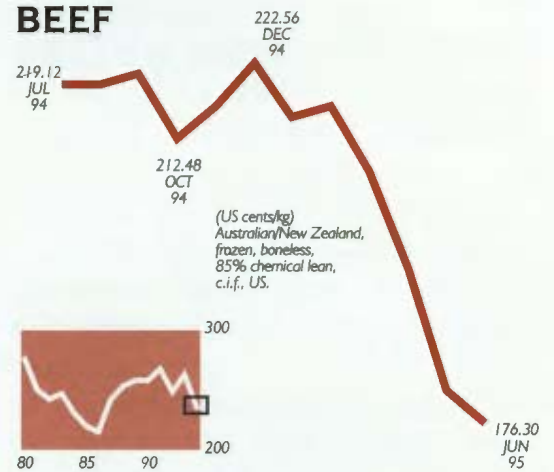
Prices of high-quality Central and South American bananas declined in the US from \$445.4/ton in the first quarter to \$382.6/ton in the second quarter (down 14%). The decline was partly seasonal, but prices declined less in June 1995 than in June 1994. Ample supplies of bananas and competing fresh fruits continued to pressure prices.

Banana production in the Windward Islands is recovering from last year's tropical storm damage, and earnings are expected to recover in the second half of the year. Philippine banana growers, facing increased competition in the Japanese market, are reducing their operations. Japan has been taking about 67% of Philippine banana exports.

Banana sales in the UK have risen well over 6%, which is over three times the average growth rate of 1.5% for fruit sales as a whole. The unusual growth has been attributed to the Banana Group's promotion efforts. They have designated 1995 as the "Year of the Banana" and have been highlighting the 50th anniversary of the return of bananas to the UK.

High banana prices in the Netherlands have curtailed consumer purchases. Prices have risen from Hf 12/kg to Hf 13/kg since the introduction of the banana regime in July 1993. Consumers have cut banana purchases by 25% in the first quarters of 1994 and 1995 compared with the first quarter of 1993 and by 32% compared with the same period in 1992.

**BEEF**



(US cents/kg) Australian/New Zealand, frozen, boneless, 85% chemical lean, c.i.f., US.

**OUTPUT AND TRADE RECOVER, PUTTING DOWNWARD PRESSURE ON PRICES**

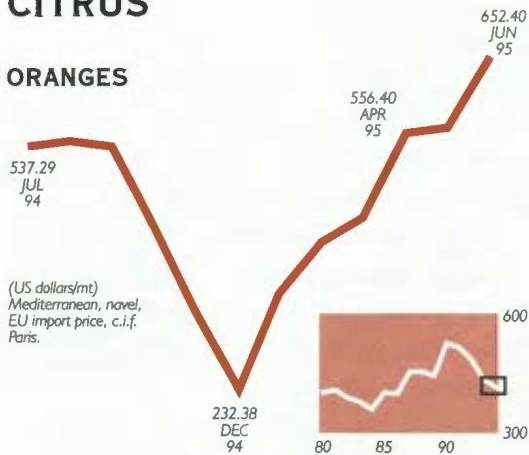
Following two years of contraction, world beef production recovered somewhat, to 53 million tons in 1994 and 1995. The continuing shift toward specialized beef herds and more grain-fed animals resulted in higher average carcass weights and production in North America. In Australia production remained unchanged because of delays in stock rebuilding. Output in the European Union also stabilized in 1994/95. In contrast, depleted stocks and depressed demand in Eastern Europe over the past several years resulted in a further decline in output, especially in Hungary and Poland. Among developing countries production continued to increase in China, the Republic of Korea, Argentina, Brazil, and Uruguay.

Japan remained one of the major import markets in 1994-95, as demand expanded and the exchange value of the yen increased. Chile, Israel, the Republic of Korea, Mexico, and the European Union also imported large amounts of beef. Strong demand growth in the Pacific markets, greater access to some markets, and a reduction in trade barriers under regional arrangements such as MERCUSOR and NAFTA contributed to a more than 8% expansion in trade in meat in 1994-95. The outlook for the remainder of 1995 and into 1996 is for faster growth in production, mainly reflecting continued expansion in North America, New Zealand, the European Union, and Latin America.



## CITRUS

## ORANGES



### BRAZILIAN ORANGE PRODUCTION LOOKING UP IN 1995/96

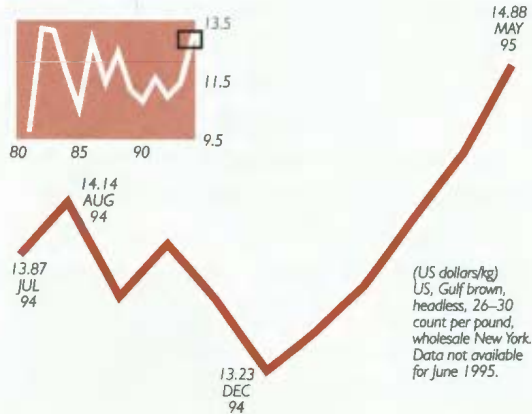
Prices of Mediterranean navel oranges averaged \$590.2/ton in the EU during the second quarter, compared with \$403.5/ton during the same quarter in 1994. The market for late oranges was very active, and prices were high for Maroc and Jaffa Lates.

Favorable weather, more bearing trees, and recovering yields are expected to raise Brazilian orange production by 15% during 1995/96. The crop is estimated at 395 million 40.8 kg boxes, compared with the revised estimate of 336 million boxes for 1994/95. The revision of last season's output takes into account the late recovery that followed the return of rain. Individual firms are estimating the 1995/96 São Paulo crop at 345 million boxes, compared with 311 million boxes last season.

Despite prospects for a larger orange crop, production of frozen concentrated orange juice is expected to fall from 1.1 million tons (65 degrees brix) in 1994/95 to 1.01 million tons in 1995/96. Brazilian exports of frozen concentrated orange juice to the United States are expected to decline sharply because of a large Florida crop.

The US Department of Agriculture (USDA) increased its 1994/95 US orange production estimate to 10.62 million tons, which is 14% higher than last year's crop. The increase is due mostly to a larger harvest of Valencia Lates (up 21% from the previous year), which are used largely for processing.

## SHRIMP



### TIGHT SUPPLIES AND STRONG DEMAND KEEP PRICES HIGH

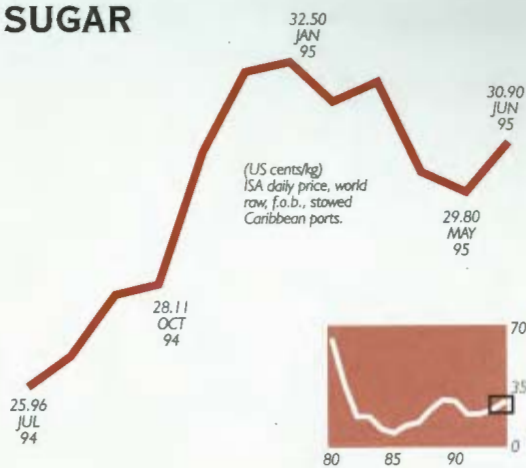
Low production in major supplying countries combined with strong demand in Japan boosted shrimp prices during the second quarter. Wholesale prices for frozen shrimp in the US market (shell-on, headless, 26-30 count per pound) rose from \$14.41/kg in April to \$14.88/kg in May. At \$14.09/kg, this year's six-month average (January-June) is 13% above last year's.

The US Gulf shrimp season, which began in mid-May, yielded mainly small shrimp. Government restrictions on trawlers' use of nets within 10 miles of the coast of Texas and Louisiana, to protect turtle populations, make the outlook for supplies of larger shrimp unpromising. Inventories of large (16-20 count) and medium (20-25) sizes are low, and importers report tight supplies from major producing areas. The most popular sizes will be in short supply at least until the end of September.

The tight supply situation reduced US shrimp imports from all sources in recent months. Asian countries report low production rates, while disease and bad weather are hurting output from Latin American countries. For January-April total imports are estimated at 168,520 pounds, down from 175,600 pounds during the same period last year. Most of the decline was in shell-on, headless, and peeled shrimp.

In Japan offer prices for shrimp from Thailand are reported at high levels.

## SUGAR



## NEW SUPPLIES DRIVE DOWN PRICES

Prices continued to decline during the second quarter of 1995 as expectations for the Indian and Thai crops were revised upward. Bumper crops are anticipated for Argentina and Australia, putting added pressure on prices for future delivery. As a result, the sugar market remains in backwardation, and further price declines are anticipated.

In Thailand, with a handful of mills still crushing, nearly 50 million tons of sugarcane have produced almost 3 million tons of raw sugar and 2.3 million tons of white sugar. Meanwhile, news from India indicates a possible bumper crop of more than 14 million tons. In anticipation of large future deliveries, the market continues to liquidate inventories, with stocks worldwide declining in April and May. Global inventories are estimated at close to 45 million tons, roughly the same as at the close of 1994.

In Mexico, with final cane payments looming, the newly privatized and financially strapped sugar mills worked with government officials to institute a new export with re-import policy. Restructuring and competition from imported high fructose corn syrup have weakened the industry, and NAFTA-related export taxes (currently running around \$260/metric ton) preclude straight exports. Sugar may be exported only if it is reimported within six months. The strategy eases current financing problems while also allowing Mexican mills to arbi-

trage the spread between spot and futures prices by selling at high spot prices and repurchasing sugar six months forward at substantially lower prices. However, the mills still face exposure on the peso, which could make dollar imports more expensive.

Despite financial problems in the milling industry, domestic production in Mexico looks promising. Current milling rates indicate a bumper crop, with production reaching around 4.1 million tons.

Policy changes are also under consideration in the United States. On May 23, a bill was introduced in the US House of Representatives to dismantle the sugar program. While analysts do not expect total elimination of the program, which boosts domestic prices by limiting imports, some of the changes sought by large sweetener consumers to scale back protection are expected to be written into law.

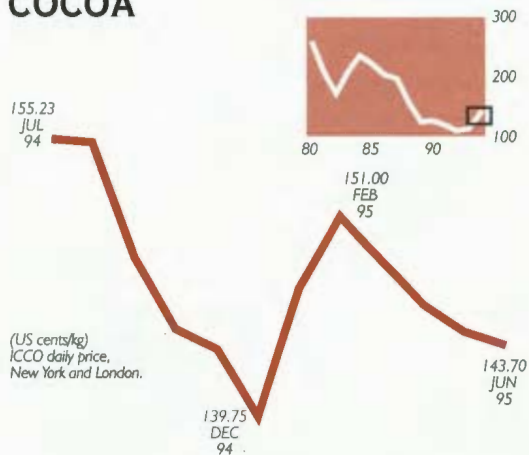
In Cuba the Dutch Bank ING recently signed a deal to manage and finance state-owned sugar operations in two of Cuba's largest sugar-producing provinces, Havana and Mantanzas. The bank will manage purchases of industry inputs such as pesticides, herbicides, fertilizers, and farm equipment. The deal—struck with the state firm CubAzucar, which controls production and distribution of sugar on the island—is a modern-age sharecropping arrangement, with ING receiving a share of production beyond a base level.

In related news, Russia and Cuba signed a 1995 oil-for-sugar barter agreement in May. The accord calls for 3 million tons of Russian crude in exchange for 1 million tons of Cuban sugar.

In Uganda the country's oldest sugar estate, founded in the 1930s, has almost completed a \$60 million modernization. The factory, which halted production when Idi Amin expelled its Asian owners, will reopen as a joint government-private sector venture. Output is expected to reach 60,000 tons as current cane matures and should double over the following two years.



## COCOA



### GOOD PROSPECTS FOR THE 1995/96 CROP KEEP PRICES DOWN

Good prospects for the 1995/96 crop in West Africa are keeping cocoa prices on their recent downward trend. Weather conditions are favorable, with adequate rainfall reportedly resulting in excellent early pod setting. Preliminary estimates put the 1995/96 crop for Côte d'Ivoire, the largest producer in the world, above the 1994/95 crop. Some analysts are even forecasting a record crop. Cocoa prices during the second quarter of 1995 were still about 7% higher than during the same period last year despite their recent declines. Prices have started to edge upward again, although at a very slow pace.

Current market conditions indicate that there is still an adequate amount of cocoa. Although it is late in the 1994/95 crop year, estimates about the current deficit diverge significantly. The USDA's revised estimates indicate only a small supply deficit, while a large trade house's upwardly revised estimates indicate a supply deficit of around 160,000 tons. Our estimate is for a supply deficit closer to 60,000 tons, which would mean that there should be no availability problem before the start of the 1995/96 crop season. The record Ivorian and Ghanaian crops (recent history) seem to be adequate to cover projected shortfalls from Brazil and Malaysia.

There is still uncertainty about trends in cocoa consumption. Recent data on cocoa bean grindings (a preliminary indicator of consumption) show divergent trends across

countries. First-quarter grindings were up 16.5% over a year ago in the United States and up 8.8% in the Netherlands, down 13.5% in Germany and 1.6% in the United Kingdom, and stable in Japan. In Brazil grindings and consumption have both dropped in response to the local unavailability of cocoa and other difficulties.

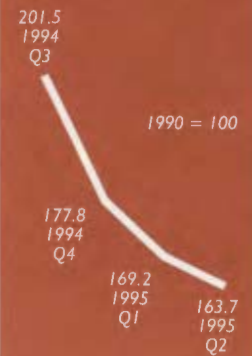
In Côte d'Ivoire arrivals through April 30 are estimated at 785,000 to 800,000 tons. About 50,000 to 60,000 tons were carried over from the 1994 mid-crop for blending with the 1994/95 main crop so that farmers could obtain the higher price that went into effect on October 1, 1994. Prospects for the 1995 mid-crop are better than originally expected. The crop is estimated at around 110,000 to 125,000 tons. A significant part of this mid-crop may not be of export quality, however, and so will be delivered for local processing. Part of the 1995 mid-crop will probably be held by farmers for blending with the 1995/96 main crop on the belief that producer prices will again go up in October. Analysts put the quantities to be held for blending at around last year's level of 50,000 to 60,000 tons.

Ghana's 1994/95 crop is estimated at 305,000 tons, 290,000 tons of main crop and 15,000 tons of mid-crop. This is one of the two largest crops that Ghana has had in the past 15 years. In Indonesia, despite weather-related problems, production is estimated at 270,000 tons, a 7% to 8% increase over the 1993/94 crop. In Brazil and Malaysia, however, crop estimates are low by historical standards, a consequence of bad weather and a deterioration in cocoa production following the prolonged period of low cocoa prices after the mid-1980s.

Cocoa prices will come under renewed upward pressures during the upcoming crop year. A supply deficit as large as 100,000 tons or more is possible, even after accounting for favorable crops in West Africa (including a record crop for Côte d'Ivoire), the resumption of Indonesia's high growth, and only a modest increase in world grindings.

### BEVERAGES

Beverage prices have dipped 18.8% since the highs of the third quarter of 1994.



## COFFEE



#### PRICES SLIDE ON EXPECTATIONS OF NO FROST IN BRAZIL

World coffee prices trended downward during the quarter, despite the frost season in Brazil, because the market sees a low probability of severe frosts in two consecutive years. Two other factors are also exerting downward pressure on coffee prices: uncertainty about the effectiveness of the stock retention program and a decline in coffee consumption in major importing countries.

Effective retention programs are currently being implemented in Colombia, Costa Rica, El Salvador, Honduras, Indonesia, and Nicaragua. Brazil has allocated \$110 million for subsidized loans for stocking purposes. In late June the Brazilian Federation of Coffee Exporters (FEBEC) approved a voluntary quota system under which 800,000 bags of coffee will be exported each month, with exporters allotted quotas in proportion to past export performance. A few African countries stated their intention to implement such a program, but no details have been provided.

One reason for the skepticism about the effectiveness of the retention program is the marketing liberalization occurring in many producing countries. In countries such as Cameroon and Uganda coffee pricing and marketing have been controlled by the government until recently. Government control made it considerably easier to regulate exports. Under a free market system effective regulation of exports depends on substantial

cooperation from the private sector, which could be hard to come by. Côte d'Ivoire, another major coffee-exporting country, is also reviewing its marketing and pricing system. One proposal is to completely liberalize the coffee market. Judging from other countries' experiences, that would transform a nontransparent system into a much more efficient one. In Tanzania's coffee market, liberalized for a year now, about 50 private buyers reportedly are purchasing coffee directly from farmers. Previously, only cooperative unions were permitted to sell coffee at the auction. At some auction sales under the new system, buyers and sellers are the same firms because most major buyers are exporters. The latest data suggest that the producer's share of export prices has increased sharply under liberalization.

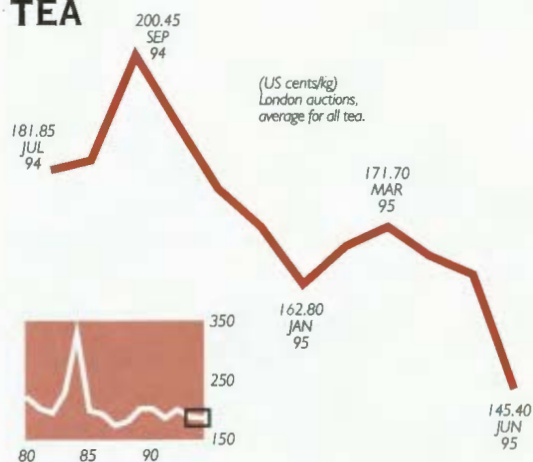
The decline in coffee consumption in major consuming markets, a response to sharply higher retail prices, also contributed to the price decline. The 1995 Winter Drinking Survey in the US, where retail prices rose 70% between June and September 1994, revealed a more than 10% drop in per capita consumption. In Central and Eastern Europe and Germany consumption declines of about 5% in 1994 and another 3% in early 1995 were recorded.

High world coffee prices have affected producer prices in many countries. In addition, devaluations in francophone African countries and market liberalization in Tanzania and Uganda, among others, helped producers' shares in export prices.

Based on fundamentals, current world coffee prices appear to be low. The market seems to be reacting to a short-term situation of adequate supply. However, harvesting of Brazil's frost-affected crop has just begun, and the actual shortage is likely to be felt in the fall. In addition, Colombia's production is expected to be low, and stock levels are low in both consuming and producing countries. Even without another frost in Brazil, coffee prices are expected to strengthen by the fall of this year.



## TEA



## HIGH PRODUCTION DEPRESSES PRICES

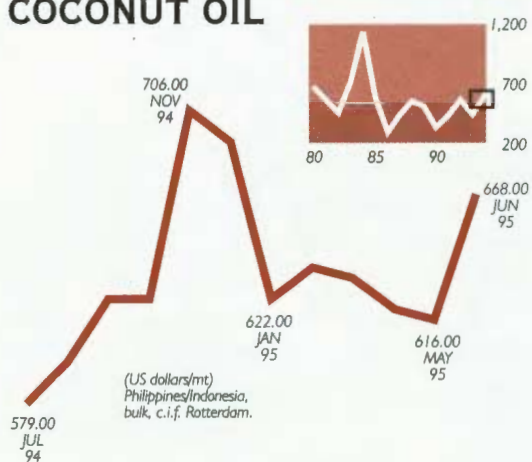
Average tea prices at the London auctions dropped to their lowest level in history during the second quarter. At 166¢/kg, they are 15% lower than the average for 1994. Stagnant world demand coupled with a sharp increase in Kenya's output and continued high output in Sri Lanka are at the root of the price fall.

Helped by good weather and expansion of smallholder tea areas, Kenya's tea output in the first four months of this year was about 25,000 tons higher than in the same period last year. Kenya's output for the year is expected to reach around 240,000 tons—an all-time high. Rapid increases in population and work force with limited opportunities for alternative employment apparently stimulated the recent expansion in smallholder output. On tea estates expansion of planted area has been limited recently by low world prices and appreciation of the Kenya shilling. This year's large expansion of smallholder tea output is reported to be causing pressure on factory processing capacity, with inefficient operations partly to blame.

Sri Lanka's output in the first quarter of the year was about the same as last year, although productivity increased substantially in many government-owned estates managed by private firms.

World import demand for tea continues to stagnate, with no significant change in Russia and the Middle East. With depressed import demand, tea supply this year is likely to be sufficient to keep world prices low.

## COCONUT OIL



## PRICES PROJECTED TO REMAIN HIGH IN 1995

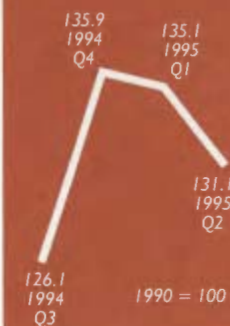
World production of coconut oil is projected at 1.6 million tons for April–September 1995, down some 150,000 tons from October–March 1994/95. Period-on-period growth slowed to an estimated 155,000 tons for April–September 1995 over 1994, a sharp decline from the 360,000-ton growth (26%) for the October–March periods. However, world supplies of coconut oil will remain at nearly 2 million tons in 1995 because of the large stocks at the beginning of April.

During the second half of this season coconut oil prices are projected to rise relative to prices of other lauric oils. During August 1994–March 1995 coconut oil was unusually attractive and offered at wide discounts over palm oil. The discounts averaged nearly \$60/ton from November to February. The price differences reflect the substantial upswing in Philippine export supplies of coconut oil and relatively tight Southeast Asian supplies of palm oil. An increasing share of domestic lauric oil production is being absorbed by growing domestic demand from oleo chemical industries in Southeast Asia.

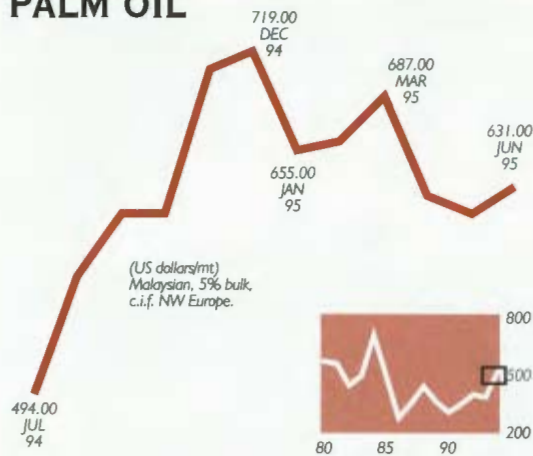
The price relation between lauric oils has changed recently. Consumers in major importing countries have switched to coconut oil and absorbed the large supplies in world markets. Coconut oil prices stabilized, while palm oil prices declined slightly in April/May 1995, resulting in a small premium of coconut oil over palm oil.

## FATS AND OILS

Prices of fats and oils decline on prospects of large 1995 crop.



## PALM OIL



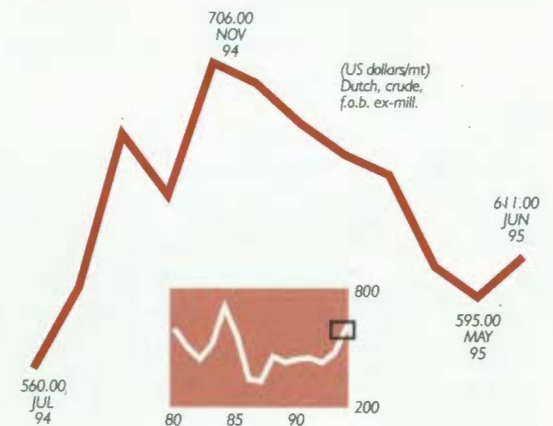
**PRICES TO DECLINE WITH EXPECTED CYCLICAL GROWTH IN PRODUCTION.**

World production of palm oil will recover seasonally in 1995/96 by about 1.5 million tons, following cyclically low growth of 0.4 million tons in 1993/94. Thus stocks will rise sharply during the second half of 1995, pushed up further by the unusually high price premiums for palm over soybean oils. This situation plus competition from other vegetable oils (rapeseed oil) will exert downward pressure on palm oil prices during the next several months. Palm oil prices remained high this season because quarterly growth in supplies was lower than last year's.

Palm oil prices are projected to decline in the next several months as a result of seasonal growth in Southeast Asian production and export supplies. Indonesian palm oil production in 1994/95 (October–September) is expected to rise by nearly 20% (326,000 tons) to 1.98 millions tons, while exports should reach 923,000 tons, up from 768,000 tons in 1993/94. World production of palm oil is projected to rise in April–September 1995 by nearly 10% from last year, to about 1.04 million tons.

Combined stocks of palm oil and coconut oil are projected to recover to 620,000 tons by the end of September 1995—up sharply from last year's low of 500,000 tons. Stocks should be replenished in major producing and importing countries, particularly in Europe, Southeast Asia, and the United States.

## SOYBEAN OIL



**TIGHT SUPPLY AND HIGH PRICES FOR OILSEEDS, AND FALLING PRICES FOR OIL.**

World oilseed production in 1995/96 is projected to decline from this season's record 285 million tons. Demand is projected to continue to increase, however, though at a slower pace, as the stocks of both oilseeds and meals reach record levels in October 1995. World demand for vegetable oils may rise even more sharply next season because of prospective lower prices and recovery in demand in countries of the former Soviet Union (FSU). As a result, world demand for oilseeds is projected to rise by about 6 million tons to 254 million tons in 1995/96. Meanwhile, demand for meals will also remain strong, particularly in the first half of next season, because of projected high prices of grains and very favorable meal-grain price ratios.

Tight supply and high grain prices are expected to result in a significant acreage shift from oilseeds to grains in major producing countries next season. As soybeans compete with grains for the same land, bullish soybean prices are expected. World grain prices have risen sharply in recent months, and the price strength may accelerate in the next 9 to 10 months if prospects of sharply declining US production materialize. The outlook for a sharp decline in world grain production will result in the lowest stock-to-utilization ratio for grains since 1973/74, when grain prices doubled.

The shortage of grains and their prices will favor demand for meals during the



remainder of 1994/95 and early part of 1995/96. The oilmeal-grain price ratio is likely to remain favorable and well below average for the remainder of this season. The ratio for Argentine soybean meal pellets (c.i.f. Rotterdam) to US corn (c.i.f. Rotterdam) declined from the 10-year average of 1.73 to 1.44 in the first half of this season and 1.3 in June, which favors a higher oilmeal share of total feed consumption at the expense of grains. In the longer term high meal and grain prices will reduce the profitability of livestock feeding, resulting in slower growth in animal numbers and reduced demand for meals next season. However, because oilseed prices will be boosted by tight supplies and high grain prices, soybean meal prices will follow their raw material prices. Crushers will find less resistance in the markets for these meals than in markets for their oils.

In contrast, downward pressures on soybean oil prices are developing because world stocks are projected to recover sharply by October 1995. In addition, total supplies of vegetable oils in 1995/96 are expected to increase more sharply than demand. A sharp increase in world palm oil production will contribute to continued high supplies of vegetable oils and downward pressure on vegetable oil prices. World stocks of vegetable oils as well as the stocks-to-utilization ratio are, therefore, projected to continue to increase in the 1995/96 season. Bearish oil prices combined with bullish meal prices will favor a significant decline in the oil share of the combined product value of the soybean complex in the 1995/96 season.

World demand for vegetable oils is projected to rise nearly 4% (more than 3 million tons) this season despite the high prices. This is the sharpest annual growth since the mid-1980s, when prices had been much lower. But production is rising even more sharply—by a record 7% (6.1 million tons) this season. Thus stocks in October 1995 are projected to rise more than 17% from last season.

## GRAINS

### GRAIN MARKETS REMAIN BULLISH

Low stocks, poor growing conditions, and strong export demand have turned grain markets bullish. Wheat futures prices have risen nearly 40% since March, while maize and rice prices have increased about 20%. World grain consumption is projected to exceed production for the third consecutive year in 1995/96 (July–June), draining stocks to record low levels.

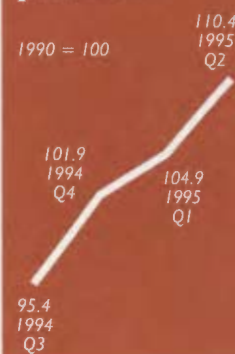
These tight fundamentals suggest that grain prices will remain firm through 1995 and perhaps well into 1996 and that further price increases are possible—in our view they are likely. The first opportunity to rebuild world stocks appears to be the summer and fall of 1996, which means that prices will likely remain volatile and high for almost a year. *A significant rebuilding of stocks in 1996 is to be expected* because of the supply effects of the current high prices on next year's area planted and yields. Grain prices should decline substantially by the end of 1996.

World grain stocks as a share of consumption are at their lowest level since 1974. The USDA's June projection for 1995/96 is for further tightening—to the lowest level on record—in large part reflecting the reduced area planted to grains over the past several years. Area planted to grains is estimated at 670 million hectares for 1995/96, below last year's 675 million hectares and well below the 692 million hectares in 1992. Recent low prices and poor growing conditions in several countries including the United States account for much of the decline.

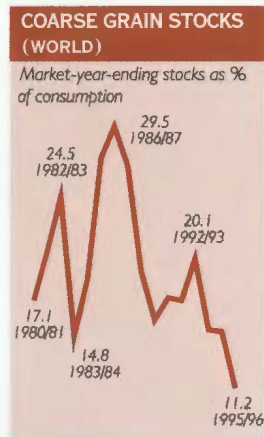
Many countries will face higher grain import prices in 1995 and 1996 because of higher world market prices and lower export subsidies in major exporters. Wheat exports will be the most affected, as subsidies fall under both the US Export Enhancement Program and the EU's export program. The lower export subsidies could boost wheat prices as much as \$40/ton.

## GRAINS

Grain prices rise 5.2% from last quarter because of low stocks and US production problems.



## MAIZE



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



### PRICES COULD MOVE HIGHER

Maize prices have not increased as much as wheat prices, but the market fundamentals suggest that they could. Stocks are very low by historical standards, import demand should be strong because of production problems in several regions, and the growing season in the United States, the major exporter, got off to a slow start. Yet maize futures prices have increased only about 20% since early spring, while wheat prices have increased about 40%.

The USDA's projections for the 1995/96 crop year (July-June) are for lower production and significantly tighter end-of-year stocks compared with the previous year. The stocks-to-use ratio is expected to drop to the lowest level on record. Given these fundamentals, prices could move sharply higher as the full impact of the tight supplies becomes evident. Lower-than-expected yields because of high fertilizer prices this past spring could put further pressure on prices.

Imports of maize and barley are expected to increase because of droughts in Africa. South Africa's maize crop is reportedly much smaller than had been expected, which could lead to substantial imports. Countries in North Africa are also expected to rely on imports to make up for production shortfalls as a result of droughts in Algeria, Morocco, and Tunisia.

An early summer drought in central and eastern Ukraine threatens to reduce the grain harvest, according to the country's chief agricultural official.

## RICE

(US dollars/mt)  
Thai, 5% broken, white,  
indicative market survey price,  
f.o.b. Bangkok.



### RECORD-HIGH IMPORTS EXPECTED

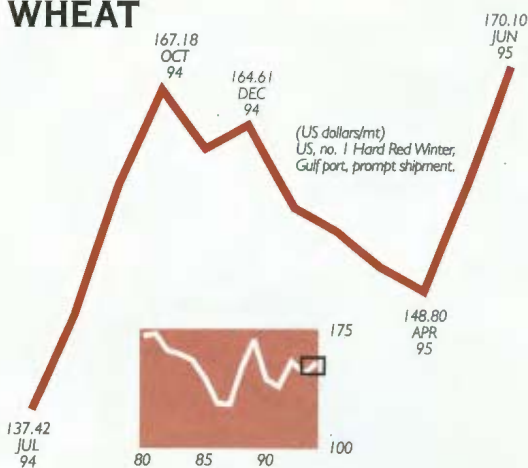
Rice prices have increased in recent months because of shortages of export supplies in Pakistan, Thailand, and Viet Nam and strong import demand within South Asia. Thailand remains the largest exporter, with exports for 1995 estimated to reach 5.2 million tons. However, Thailand is reported to be fully committed until the fall harvest. Viet Nam stopped exporting in May after strong exports pushed domestic prices higher. India, one of the few remaining suppliers, has begun to export 25-35% broken rice and is reported to have exportable supplies of 20 million tons. This should prevent substantial price rises for lower-quality rice. Supplies of high-quality rice appear tight, which could lead to higher prices if demand increases.

China has reportedly imported nearly 2 million tons of rice, the Philippines is expected to import 300,000 tons, and Indonesia is expected to import 1.7 million tons during calendar 1995. These large imports by Asian countries are a reversal of the recent trend toward lower imports in Asia and larger imports in the Middle East and Africa. World imports are expected to rise to 16.4 million tons, the highest level on record.

From March to June prices rose 23% for 100% broken A.1 special rice, 16.8% for 35% broken, and 13% for 5% broken. The greater price increases for the lower-quality rice reflect strong demand from the Middle East, Indonesia, and the Philippines—all typically importers of low- and medium-quality rice.



**WHEAT**



**HIGH PRICES TO CONTINUE**

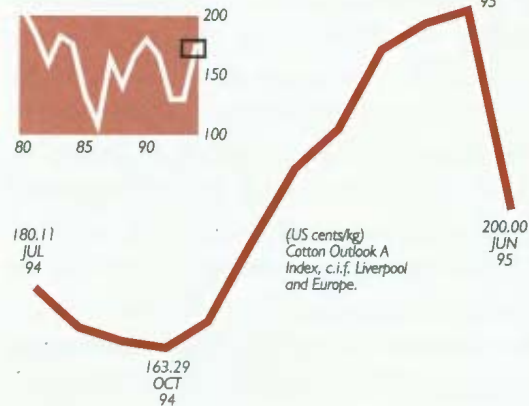
Production problems in the United States pushed wheat prices sharply higher during the second quarter. Wet weather during April and May delayed planting of spring wheat in the northern states and delayed harvest in the southern states. The wet weather has lowered the quality of wheat already harvested and is expected to cause further problems for grain yet to be harvested.

Hard red winter wheat, the primary US wheat export, has been damaged by disease and pests. US soft red winter wheat has also suffered quality problems. Since the United States is the largest exporter of wheat, high-quality wheat will be in tight supply. High-protein wheat is already selling at high premiums to standard grades.

The price of US hard red winter wheat rose from \$149/ton in April to \$170/ton in June, while the Chicago futures prices for December delivery rose from \$3.40/bu in March to \$4.50/bu by the end of June. Canadian western red spring wheat averaged \$207/ton in June, up from \$179/ton in March.

Despite the higher prices, North Africa will be a large importer of both wheat and coarse grains this year because of drought. Morocco is expected to import 3 million tons of wheat in 1995/96 (compared with 1.2 million tons last year), Algeria 4 million tons, and Tunisia 1.25 million tons. The higher prices are not expected to reduce imports substantially.

**COTTON**

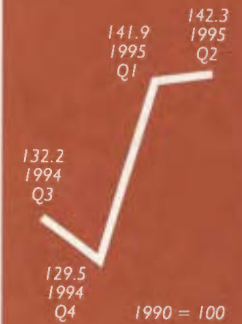


**MARKETS FOCUSING ON LARGE NEW CROP AND FALLING PRICES**

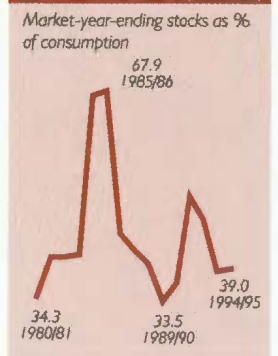
The trading transition from the 1994/95 to the 1995/96 crop was a bumpy one for cotton prices. The quotation of the Cotlook A price index for cotton delivery during June–July was suspended after reaching 257.5¢/kg on May 23, because of an inadequate volume of offers. At the same time, the price index for November–December delivery was 22% lower at 201.7¢/kg. The indicator price continued to fall on reports of encouraging prospects for the new cotton crop in the northern hemisphere, which is expected to ease the tightness of supply in the fourth quarter. Moreover, a buildup of cotton yarn stocks has placed downward pressure on yarn prices, causing some cotton spinners to reduce near-term production plans.

The supply position was strengthened by the USDA's July update of the domestic 1995/96 cotton area to 16.6 million acres (6.7 million hectares) and the crop estimate to 21.5 million bales (4.68 million tons). Also, projected demand was lowered by 1.2 million bales because of slackening domestic mill use and a one-million-bale reduction in projected exports. Exports are expected to be down because of higher production in other countries and declining import demand in major producing countries. Implied US ending-season stocks are projected at 5 million bales with a stocks-to-use ratio of 26.5%, compared with 1994/95 ending stocks of 2.25 million bales and a 10.7% ratio.

**Agricultural raw material prices edge higher.**



**COTTON STOCKS (WORLD)**



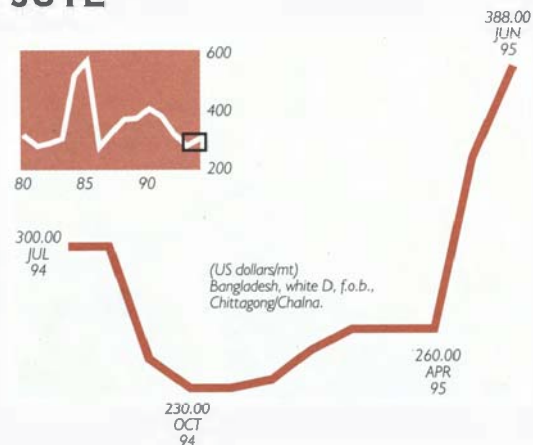
Note: Data for 1994/95 are estimated.  
Source: International Cotton Advisory Committee.

Cotton production in other countries is expected to increase by about 1 million tons during 1995/96. Among the large cotton-producing countries, Pakistan is the most likely to substantially increase output this season. An early survey in Punjab indicated an increase in planted area, and plant growth has been encouraging. Under favorable conditions, production could increase 15% or more this season over the 1994/95 crop. In China some observations have indicated an increase in the cotton-growing area this season, but growing conditions are less favorable than last season, so yields are expected to decline. In India monsoons were about two weeks late, and cotton production will depend on further developments. If favorable, the 1995/96 crop could be marginally larger than last season's. Cotton production prospects in Central Asia are roughly comparable to last year's outturn. A marginal decline in Uzbekistan is expected to be offset by production in the other countries.

Cotton crops in the Mediterranean area have progressed well. Expanded cotton area in Turkey is expected to raise production around 25% over last season. More modest increases are expected in Greece, Israel, and Syria. In Mexico a sharp increase in cotton area is likely to lift production by around 70% this season. In the African franc zone cotton planting is nearly finished, and expectations are for increased production of around 10% if the weather is favorable. The 1995/96 world cotton crop will be about 19.5 million tons if current conditions and assumptions hold, but estimates this early in the season often undergo severe alteration before the final harvest.

Cotton trading stalled during the quarter because supplies available for near-shipment dates declined and quotes remained much higher than for cotton to be shipped late in the year. Market activity is likely to remain calm during the traditionally slow summer months. Exports are expected to decline during 1995/96 as demand wanes in major producing countries, especially in China, India, and Pakistan.

## JUTE



### CROPS IN BANGLADESH AND INDIA HIT BY WEATHER

Five months of serious drought in some jute-growing areas in Bangladesh and India, followed by mid-May storms and flooding in Bangladesh, have delayed the planting of the 1995/96 crop and raised concerns about its size and quality. One exception was in the Upper Assam region in India, where sowing took place at the usual time. Sowing in north Bengal was only about 60% completed, compared with 100% at the same time last season. In South Bengal early sowing was limited to irrigated areas and was estimated to be around 25% completed, compared with 40% at the same time in 1994/95.

The prospects of a small crop in 1995/96 have intensified the effects of the tight supply situation in the major jute-producing countries. China was a substantial importer of jute fiber during 1994/95, because Chinese farmers had reduced kenaf planting in favor of more-profitable crops. Another small crop is expected in China in 1995/96. India imported substantial fiber, despite its larger jute crop in 1994/95, to meet demand for jute hessian and sacking to package large agricultural crops. Its jute mills also met active demand for jute product exports, especially from the Middle East. Demand for hessian fabric was so strong that mills in Bangladesh and India had a backlog of orders. Reportedly, delivery problems arose because of the tight supply and high prices for jute fiber, leading to the closing of five jute mills in West Bengal.



## RUBBER



## SMALLHOLDERS RESPOND TO HIGH PRICES

With Chinese buyers on the sidelines, rubber prices dropped from 184¢/kg to 154¢/kg during the second quarter of 1995. The price decline was not even across all grades. Of the three grades that compose the daily market indicator price of the International Natural Rubber Organization, RSS3 took the hardest tumble, while TSR20, which accounts for 50% of the weighted indicator-price average, dipped more moderately.

Slow demand combined with higher production out of Malaysia and Thailand led to rising inventories. Malaysian production for the first two months of 1995 was 15% above the same period in 1994. All of the growth came from smallholders, who boosted their output 25.5%. Estate production actually declined 14%. The production gain boosted exports 10%, to 169,154 tons. Thai production also rose nearly 20% over the last 12 months, easing tight supplies.

Much of the slack in demand can be traced to a slowdown in the US car industry and continued sluggish growth in Japan. In the first four months of 1995 car sales in the US slipped 8.5%, to 2.71 million vehicles. May figures were mixed, with car sales continuing to fall but light truck sales gaining. US tire sales were helped by growing exports. Original-equipment sales during the first quarter were 2.4% above first-quarter 1994, although replacement sales slipped 6.4% from a year ago. Still, boosted by a 17.8% increase in exports, production grew just

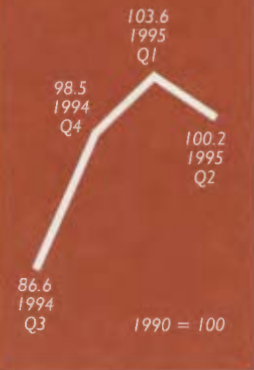
under 4%, to more than 18 million tires. In Japan the appreciating yen has hurt export sales, especially in the automotive sector, stalling signs of recovery. Tire production grew almost 9% over the low levels in the first two months of 1994, but analysts are not optimistic about further gains.

Car sales in Western Europe remained sluggish, with overall sales slipping 2.6% in April. Car and tire production is picking up steam in Poland, however. Ford plans to bring its new investment in car and van assembly at Plonsk on-line in September. Production at the facility is expected to grow from 10,000 vehicles in 1996 to 30,000 vehicles in 1998, all equipped with Polish-produced tires. Overall, car production in Poland grew 14.6% during 1994. Tire production grew 40%, to 785,000 units.

In April the government of Indonesia expanded coverage of its value-added tax to include rubber. The tax is collected at each point on the production chain. Though exporters must pay the tax, they are entitled to reclaim all of the tax on internal purchases when the commodity is exported. The government is committed to repaying the tax within two months of the export date. Still, exporters are uncertain that they will receive the rebates in a timely manner. Since 90% of Indonesian rubber is exported, most of the tax is collected only to be returned.

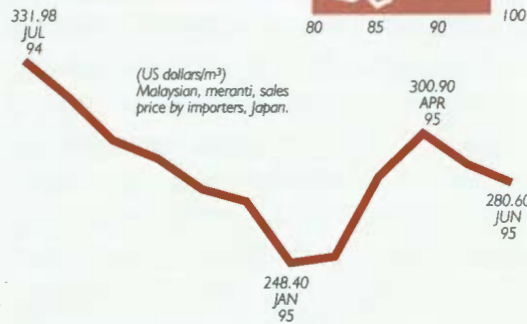
Prices are expected to continue to fall to last year's level during the third quarter as new supplies replenish low inventory levels. Also, raw material shortages, which have limited synthetic rubber production in recent months, are easing and new synthetic supplies are expected to supplement natural rubber production gains during the remainder of the year. Still, inventories remain at historically low levels, and INRO buffer stocks are depleted. Small changes in market expectations with respect to supply problems or accelerating demand could lead the market back toward previous highs.

Metals and minerals prices fall 3.3% on a 6.8% decline in aluminum prices.



TIMBER

LOGS



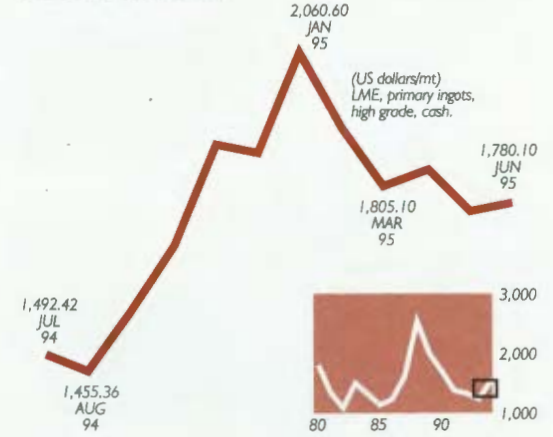
SOME PRICES RISE BECAUSE OF IMPROVEMENTS IN SUPPLY AND DEMAND FUNDAMENTALS

Tropical log and sawnwood prices in Europe showed no significant change between the first two quarters of 1995, mainly because of the slow recovery in construction activities. Scattered information from some Western European countries indicates a slow increase in furniture sales, part of a general slowdown in consumer spending. Demand for timber seems to be improving, but very slowly, while supply appears to be adequate. Prices in Europe will be influenced by the pace of economic recovery, particularly by the growth in construction activities, and by the further restrictions on log exports in Côte d'Ivoire and Ghana.

Tropical log prices increased in the Japanese market in the second quarter, mainly in response to the temporary demand caused by the Hanshin earthquake and shortages of logs coming from Malaysia. Log felling has decreased in log-producing regions of Southeast Asia, and inventories had been drawn down during the rainy season. Also contributing to log price increases has been the 20% royalty increase in Sarawak since April.

The prospects for tropical timber prices in Japan will be greatly influenced by the economic recovery. If, as several analysts predict, economic activity in Japan remains weak to the end of the year, log prices are likely to decline over the near term.

ALUMINUM



PRICES FALLING AS DEMAND SLOWS

Aluminum prices continued to fall during the second quarter of 1995, from nearly \$2,200/ton in January to a low of just over \$1,700/ton by early May. Hedge funds, to which many analysts attributed the steep rise in aluminum prices during 1994, have reportedly abandoned their long position and some have even gone short. Analyses of fundamentals and technical issues indicate that prices could go below \$1,700/ton, but not by much. Several analysts predict that the price correction that started in February is nearly over.

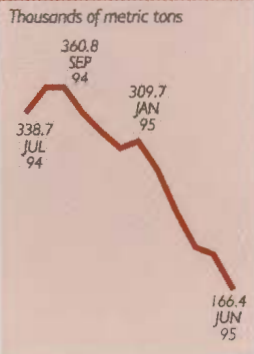
Production has been increasing because producers took advantage of the higher prices earlier this year to restart capacity. Production in April 1995 was some 19% higher than a year ago. Six major producers control 75% of the total idle capacity, most of which is in North America. The pressures to restart capacity are not as strong as they were earlier this year. Most producers are waiting for a further drop in inventories.

Aluminum prices have declined since early in the year, and alumina prices have increased significantly, from \$90/ton to about \$250/ton in May. These price developments have squeezed the margins. In addition, the appreciation of exchange rates in Japan and Europe has raised the costs of production, which may deter some of the higher-cost producers in these countries from restarting idle capacity until aluminum prices show some increase.

ALUMINUM STOCKS (LME)



COPPER STOCKS (LME)



Source: Metal Bulletin.



Demand growth has been questionable. Orders for aluminum have been slowing in the United States, Europe, and Japan. In the United States real GDP grew by 2.8%, the lowest rate since the third quarter of 1993. More important, consumer spending was weak during the second quarter, with a significant drop in auto sales, and high interest rates are holding back the construction market. In Europe demand is growing but not by as much as had been expected, and a slowdown of aluminum shipments was evident during the second quarter of 1995. Consumer expenditures remain weak: auto sales during April were 2.6% below their level a year ago. In the UK and other parts of Europe construction is weak.

In Japan the economic slowdown continues, and capital expenditures have been cut. Both housing starts and public sector expenditures on construction have been declining. There are fears that the Japanese and European economic recoveries will be slowed by the appreciation of their currencies, particularly in the case of Japan.

Aluminum demand remains strong in Brazil and in several East Asian economies, particularly China. There also are some preliminary indications that demand is improving in Russia. Russia's aluminum exports are expected to shrink because of the combination of demand recovery and production decline, which reached 3% in the first quarter of 1995.

Despite increases in production and the slowdown in demand, stocks keep falling. Stocks on the London Metal Exchange (LME) are around 1 million tons, and total primary stocks (LME stocks plus producers' primary stocks) are around 3 million tons—for both, the lowest level in two to three years. Declining stocks will put some upward pressure on prices during the remainder of the year. However, price recovery will be limited by developments in demand growth in Europe, Japan, and North America and by the restart of idle capacity as stocks are drawn down to the levels specified by the memorandum of understanding.

## COPPER



### SECOND-QUARTER PRICES REMAIN FIRM

Prices remained firm during the second quarter of 1995, as extremely low copper stocks kept nearby prices high. The market remains in steep backwardation, with a promise to deliver copper in September 1995 trading nearly 25% above a September 1996 delivery. LME copper averaged \$2,891/ton in the second quarter, more than 35% above the second quarter of 1994. Further, recent cuts in US interest rates by the Federal Reserve have dispersed the previous gloom about the US economy. Greed has surpassed fear as the driving market force.

A soft landing for the US economy would stall the impact of growing supplies. Worldwide consumption is expected to grow at slightly under 2% for the year and around 3% for 1996. Supplies from new projects and increased scrap conversion are expected to build inventories during the second half of 1995 and into 1996. This expectation explains the steep discount on later deliveries. However, with current inventory levels low at the major exchanges, prices remain volatile.

In May prices tumbled to a 1995 low of \$2,707/ton on the LME as the Chinese state trading company, CNIEC, exported excess inventories from the State Reserve Bureau. At the time of the exports, however, domestic Chinese copper prices at the Shanghai Exchange were running well ahead of LME quotes. Local buyers paid premiums over London to snap up warrants as CNIEC delivered into warehouses in Singapore.

Ironically, the copper may well head back to China for delivery against Shanghai contracts.

Meanwhile, stocks in Rotterdam, London, and New York continue to fall. Prior to the cut in US interest rates, US demand appeared to slacken, with rod orders down and COMEX inventories increasing slightly. Growth in Japan was questionable as well. However, demand in most of Europe, the Republic of Korea, and China remained strong. As a result, when US prospects improved, prices surged.

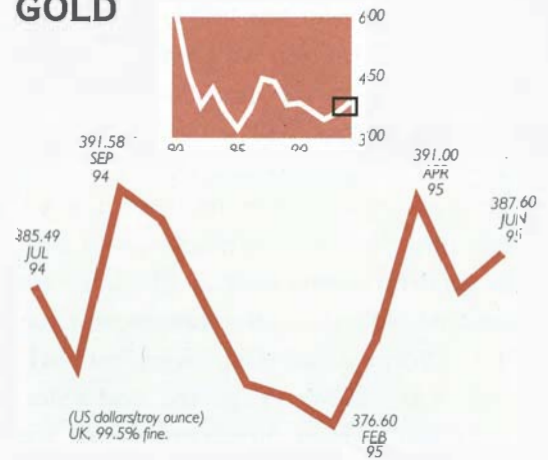
On the supply side, labor disputes disrupted production in Australia's Mt. Isa. In Zambia mineworkers rejected ZCCM's 32% pay increase offer, claiming that the company had earlier signed an agreement for pay increases of around 50%.

On the positive side, Codelco's commercial copper production grew 2.5% over first-quarter 1994. In British Columbia Mitsubishi Materials joined with Dowa Mining, Furukawa Co., and Marubeni to open a potential new mine. In Uganda Banff Resources reached agreement with the government to rehabilitate the Kilembe mine, originally developed by Falconbridge.

The second quarter saw a number of new investments in smelter facilities as well. Disputada recommissioned its flash smelter at Chagres. Thai Copper industries announced plans for a 150-kiloton smelter at Rayong.

New long-term supply forecasts remain optimistic because a new generation of huge low-cost mines are expected. Chile, already the world's largest copper producer, is expected to boost output by 1.6 million tons (from 2.2 to 3.8 million tons) over the next five years according to recent forecasts by the Comision Chilena del Cobre (Cochilco). One Chilean mine, Chuquicamata, already produces 30% of the world's copper. Two of the largest mines, due to come on-stream in the next three years, are expected to jointly produce nearly 600,000 tons. Privately financed, the mines will require joint investments of more than \$2 billion annually over the next five years.

## GOLD



### PRICES REMAIN LOCKED IN NARROW RANGE

Gold prices traded in a narrow range during the second quarter as inflation fears remained subdued and the value of the dollar firmed. Although prices were higher than those during the first quarter, they showed few signs of being able to stage a significant rally above the \$390 level. The second half of the year is traditionally a strong period for gold, so higher prices could be expected because of this historical trend.

Since 1981, July has been the low month for the year, followed by an average 3% increase in prices through December. Historically, the high for the second half of the year has occurred in September, followed by declines in October and November. The year has ended with higher prices in December. Based on this historical trend, prices should increase to almost \$400/oz in August and September and then remain between \$390/oz and \$400/oz through the end of the year. Although these trends reflect only historical seasonal averages, they may also influence speculators and investors.

Lower interest rates would likely boost gold demand because short-term rates are a major competitor for investors' funds. Lower rates in Germany, Japan, and the US are also expected by many market participants during the second half of the year. Such declines could possibly spark a rally in gold.



## IRON ORE



### STRONG IRON ORE, WEAKENING WORLD STEEL MARKET

Despite a strong iron ore market, world steel markets are weakening. International iron ore shipments have been strengthening over the past quarter, with Australian and Brazilian iron ore exporters reporting year-on-year increases in production and exports.

In addition to the slow rate of economic growth in industrial countries, there are three major reasons for this market weakness: the seasonal slowdown as summer approaches, reductions in consumer stocks following low expectations of price increases, and reduced demand in industrial countries.

Extra supply in the market has lowered European scrap prices. At the same time, high demand for scrap in the Far East, weakening domestic prices in the United States, and the falling US dollar have helped the United States gain market share against European exporters. Rising freight rates from Europe to the Far East have also contributed to European exporters' declining market share.

In the United States the steel market slowed in May, despite mixed signals at the beginning of the second quarter. Price increases announced by US Steel and Inland for the third quarter failed to go through in June. Furthermore, Nucor announced its fourth successive price reduction in sheet products. Prices have deteriorated in all product markets except beams, where fur-

ther price increases were announced. A fall in automotive and appliance purchases contributed to the soft market. In April sales of cars and light trucks reached their lowest level since last July. Overstocking and a slow summer season also had an effect on the market. Despite greater demand for long products, higher production in the domestic market and imports, especially from Mexico, prevented US mills from achieving further price increases. US mills have turned to export markets, especially in Europe and the Far East, to work off their excess inventories, helped by the increased global competitiveness brought about by the falling value of the dollar.

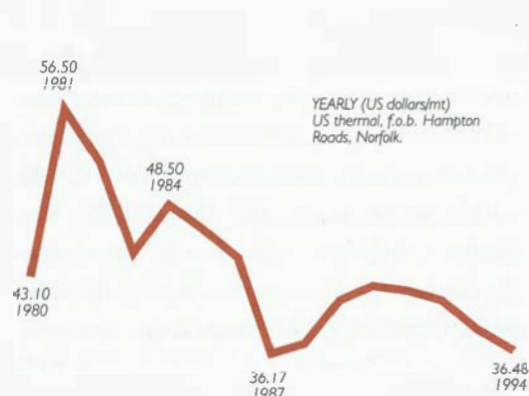
Economic activity in Western Europe is slowing, especially in the automotive industry. Although sheet producers were able to increase third-quarter prices for all products, the increase was less than had been anticipated. However, the long-product market remains weak because of weak demand from the construction industry, high imports, and political uncertainty.

The strong yen and a sluggish domestic economy continue to affect the demand for steel in Japan. The yen has appreciated almost 18% since the beginning of the year, which has cut into dollar-dominated steel export shipments. Imports also look more attractive for domestic users. Material demand for earthquake reconstruction was not as high as had been expected. Low domestic demand, high stock levels, and increasing imports drove some small bar mills and integrated mills to cut production in May and in the third quarter. There also have been price cuts for hot- and cold-rolled sheet and beams.

Despite strong demand, the sheet market in Southeast Asia started to soften because of excess supply from the United States and Russia. Raw material problems in Russia and Ukraine seem to be resolved. Construction activity in Southeast Asia has also begun to slow with the approaching monsoon season.

Energy prices were higher, with petroleum prices sharply higher in April, prior to the recent declines.

## COAL



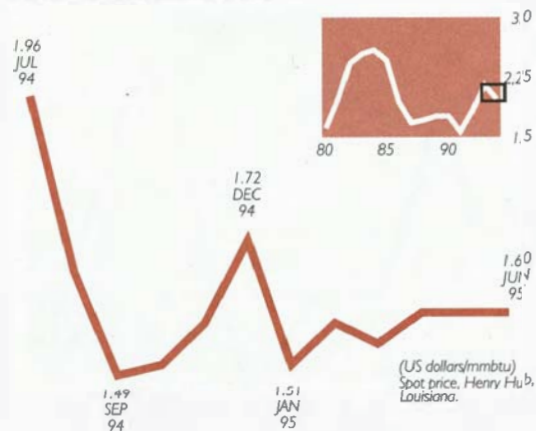
### INTERNATIONAL PRICES FIRM, BUT US MARKET WEAK

The US coal market softened heading into summer, with large stockpiles at mines and river docks throughout Appalachia. Generally mild weather through early summer resulted in lower demand for air conditioning, although there were pockets of hot weather in the deep south and elsewhere. In addition, supplies of hydropower were plentiful.

Internationally, coal markets are in balance, with supplies being reasonably tight. Following four years of decline, steam coal prices for the current contract year (April 1995 to March 1996) rose significantly (by around \$5/ton). Though tight supply conditions played a part, the gain was more of a recovery from falling prices than a signal of any significant upward trend. Lower prices have resulted in reduced investment in new capacity in many of the major producing countries, which will tend to keep prices firm in the near term.

Coal prices are not expected to record similar large increases in 1996, although some price rise is likely. Demand should continue to grow in all the main markets, while supplies outside the United States should again be reasonably tight. In Europe strong economic growth is expected to lead to higher coal demand and rising imports. In Asia rapid growth in electricity demand is expected to be the main source of rising demand well into the foreseeable future. In the longer term coal prices are not expected to rise appreciably in real terms.

## NATURAL GAS



### PRICES STILL WEAK IN NORTH AMERICA

US natural gas prices edged higher in the second quarter from relatively weak levels in the first quarter, though they remained 20% lower than in the second quarter of last year. Mild weather and high levels of storage contributed to low prices during the first half of this year. Gas consumption rebounded in the second quarter, but total first-half demand growth was less than 1%. US production also rose about 1% in the first half of this year, while Canadian imports (which represent just 11% of US supplies) were some 15% higher.

Mild weather got summer gas demand off to a weak start, resulting in higher injections into storage. Storage overhang (levels compared with a year earlier) diminished during the second quarter but remains more than 100 billion cubic feet, or 40%, above last year's levels. Some large producing companies may have reduced production in response to low prices.

Prices are expected to remain relatively weak in the third quarter unless demand gets a strong boost from air conditioning requirements. Even then, demand will be constrained by the return on-line of several key nuclear facilities and the ample availability of hydropower in the western part of the country. The relatively high storage levels have removed any urgency for injections this summer. In addition, there are indications that gas deliverability from the Gulf of Mexico is increasing.

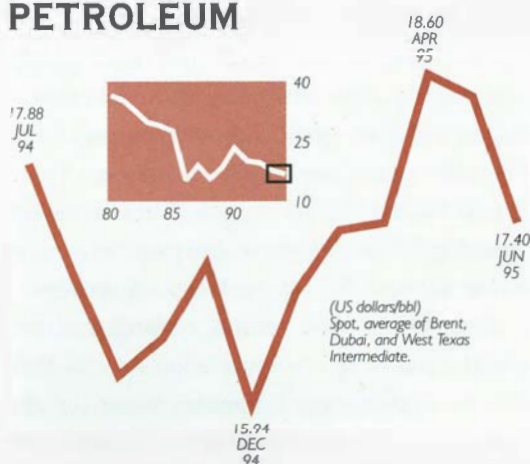


The outlook for natural gas prices this winter will depend largely on weather and storage levels. Prices are expected to be seasonally higher during the fourth quarter, assuming that surplus storage is gradually worked off. Despite the expected upturn, the average price for 1995 is projected at around \$1.60/million Btu (mmbtu), some 15% lower than in 1994. Assuming normal winter temperatures, natural gas prices could move toward the \$2.00/mmbtu level during the first quarter of next year. Given seasonal variation, average prices for 1996 are projected at \$1.80/mmbtu, some 10% higher than this year. Rising demand, diminishing surplus productive capacity, lower inventories, and normal weather conditions are expected to contribute to higher prices.

In Europe (Eastern and Western Europe combined) natural gas demand is projected to increase more than 6% this year, or some 25 billion cubic meters, because of strong economic growth and new markets, as well as the relatively low level of demand during the unusually warm heating season in 1994. In 1996 demand is projected to grow 4%, with continued gains in both Eastern and Western Europe. Following several years of decline, gas demand in Eastern Europe is expected to rise about 5% this year and next, while demand in Western Europe is projected to grow nearly 7% over last year's unusually low level and more than 3% in 1996. Higher demand will necessitate rising imports, mainly from Algeria, Norway, and Russia. Prices will continue to be linked to alternative fuels at the border and at the burner tip. Thus, trends in the oil market will directly affect natural gas prices.

While prices will continue their traditional contract links with oil in the near term, there are indications of greater competition in European gas markets in the coming years. This competition is expected to translate into lower natural gas prices in the longer term and a delinking of oil and natural gas prices.

## PETROLEUM



### PRICES DECLINE ON WEAK FUNDAMENTALS AND LIQUIDATION BY INVESTMENT FUNDS

Petroleum prices peaked in early May and then generally declined during the remainder of the quarter. Prices had been supported by a strong US market for reformulated gasoline, the oil workers strike in Brazil, low crude oil stocks, and a high level of investment fund activity. The end of the Brazilian strike, improved market fundamentals, and liquidation of investment fund positions contributed to lower prices later in the quarter. In response to the US trade ban, Iran sought new buyers for its crude, introducing another source of price weakness to the market.

OPEC, as widely anticipated, deferred discussion of its quotas at its semi-annual gathering in June. OPEC has left its quotas frozen since September 1993 because the market has required little increment in its output. Most of the increase in demand over the past few years has been captured by non-OPEC producers. This concern was addressed at the recent meeting and will be an important issue at the next scheduled gathering in November. At that time OPEC is also expected to decide whether to raise quotas for 1996.

OPEC crude oil production continued to edge higher in the second quarter, averaging 25.24 million barrels per day (mb/d). Nigeria posted the largest increase during the quarter at 0.08 mb/d, exceeding its quota by approximately that amount (table 2). However, a damaged pipeline in June kept production

0.08 mb/d below April and May levels. Total OPEC output was 0.72 mb/d above its assigned quota, with all countries except Algeria above agreed levels. Venezuela and Iraq were the largest overproducers; each was 0.15 mb/d over quota. They were followed by Saudi Arabia, whose production was some 0.08 mb/d higher than its quota level.

Non-OPEC production recorded a seasonal decline in the second quarter of 0.66 mb/d. The largest decreases were for the United Kingdom, North America, and the FSU (table 3). Latin American production fell 0.1 mb/d because of the oil workers strike in Brazil, although output in the

region's other major producing countries moved higher. The largest gains for the quarter were in Africa and Norway. Most of the increase in Africa was from Angola, where new offshore development and the restoration of onshore production lost during the civil war contributed to the gain. Production in the FSU is still on a declining trend, but the rate of decline has slowed significantly since the first quarter of 1994. Production was 6.9 mb/d in the second quarter, approximately 6.0 mb/d of it from Russia. More important for the market, net exports from the FSU rose to 2.7 mb/d from 1.8 mb/d in the first quarter, due partly to a surge in fuel oil exports that had been restricted in the first quarter. This increase contributed significantly to the decline in fuel oil prices.

World oil demand is estimated to have risen 2% over the second quarter of last year, with all the growth occurring outside the FSU and Eastern and Central Europe. OECD demand rose 1.5%, with moderate growth in Europe and North America, but relatively strong growth in the Pacific (4%) as power generation demand expanded rapidly. Demand in the United States was moderate overall, as a large reduction in residual fuel oil partly offset large increases in other products. US gasoline demand has risen nearly 4% this year—well above the underlying trend—but there is no consensus on why the data show such a large increase. Was demand genuinely higher, or is there a problem with data for the reformulated gasoline market? The US gasoline market represents 11% of total world oil demand and is an important element in the overall oil balance. Most European oil demand growth in the second quarter was in middle distillates, thanks to a cool spring and strong demand for diesel.

In the non-OECD countries (outside the FSU and Eastern Europe) oil demand is estimated to have risen 0.8 mb/d, or about 3.5%. The largest growth continues to occur in Asia, with moderate rates of increase in the other regions. The most interesting feature is the dramatic slowdown this year in the

**TABLE 2. OPEC CRUDE OIL PRODUCTION AND QUOTAS**

*Millions of barrels per day*

	1993	1994	1Q95	2Q95	Quotas
					4Q93-4Q95
Algeria	0.75	0.75	0.75	0.75	0.750
Gabon	0.30	0.32	0.34	0.35	0.287
Indonesia	1.34	1.32	1.32	1.34	1.330
Iran	3.65	3.61	3.62	3.65	3.600
Iraq	0.48	0.53	0.55	0.55	0.400
Kuwait	1.69	1.84	1.83	1.84	2.000 <sup>a</sup>
Libya	1.37	1.38	1.41	1.40	1.390
Neutral Zone	0.36	0.39	0.42	0.41	
Nigeria	1.91	1.90	1.86	1.94	1.865
Qatar	0.42	0.41	0.44	0.45	0.378
Saudi Arabia	7.96	7.90	7.93	7.88	8.000 <sup>a</sup>
UAE	2.17	2.22	2.20	2.19	2.161
Venezuela	2.31	2.41	2.48	2.51	2.359
Total crude	24.70	24.99	25.16	25.24	24.520
NGLs	2.25	2.33	2.35	2.37	
Total OPEC	26.95	27.32	27.50	27.61	

a. Quota includes Neutral Zone.  
Source: IEA, OPECNA.

**TABLE 3. NON-OPEC OIL SUPPLY**

*Millions of barrels per day*

	1993	1994	1Q95	2Q95	Change
					2Q95-1Q95
Canada	2.18	2.28	2.37	2.32	-0.05
Norway	2.38	2.69	2.81	2.87	0.06
United Kingdom	2.14	2.70	2.93	2.62	-0.31
United States	8.82	8.61	8.70	8.53	-0.17
Other OECD	1.25	1.33	1.27	1.33	0.06
Africa	2.05	2.08	2.17	2.25	0.08
China	2.91	2.94	2.97	2.95	-0.02
Other Asia	1.78	1.89	1.99	2.00	0.01
Eastern Europe	0.28	0.28	0.28	0.28	0.00
FSU	7.82	7.17	7.12	6.91	-0.21
Latin America	5.77	5.94	6.09	5.99	-0.10
Middle East	1.63	1.79	1.87	1.90	0.03
Processing gain	1.45	1.51	1.52	1.52	0.00
Total non-OPEC	40.45	41.20	42.10	41.44	-0.66

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

Source: IEA.



rates of decline in the FSU and Eastern Europe (table 4). Demand had been falling since the late 1980s, but the really large declines began in 1992. Demand has clearly bottomed out in Eastern and Central Europe and appears on its way to doing so in the FSU. A turnaround in oil consumption in both of these regions could augment the strong growth of demand in other non-OECD regions.

Crude oil stocks are fairly tight in all the main OECD regions, while the surplus in product stocks has come closer to balance. Crude oil stocks are below levels of the last several years, particularly in the United States, where strong demand has resulted in higher refining runs. Product stocks in the OECD, which had been near the highs of the past several years, came into more typical balance by end-May. In particular, gasoil stocks had been chronically high due to mild winter weather, but shipments from the United States and Europe to Brazil in the wake of the refinery workers strike significantly reduced the gasoil surplus in these two regions. In addition, late cool weather in Europe and strong demand for diesel fuel helped alleviate excess product. Gasoline stocks in the United States remain near historic lows, for both reformulated gasoline and conventional grades, due to buoyant demand and the disruption to imports caused by the introduction of reformulated gasoline (which many foreign refiners are unable to

supply). Gasoline stocks remain ample in Europe but relatively tight in the Pacific.

Ample crude supplies and high product stocks are expected to keep crude oil prices relatively weak in the third quarter. The US gasoline market can still provide some strength, but in the absence of any supply problems the industry should be able to finish the high-demand summer gasoline season without a major surge in prices. Distillate stocks are at a comfortable level and will begin their seasonal increase in late summer. Thus a distillate-led price rally this fall is unlikely, unless the weather is extremely cold.

The seasonal upturn in demand is projected to lead to higher prices in the fourth quarter from the expected lows this summer. World oil demand is expected to average 71.3 mb/d in the fourth quarter, necessitating a fairly typical industry stock draw of 0.7 mb/d. However, a number of uncertainties could significantly affect prices over the remainder of the year, including the OPEC meeting in November, the possible return of Iraqi exports, and investment fund activity. Low prices this summer could attract speculative funds into the market, but underlying fundamentals will also play a decisive role.

An important element will be the OPEC meeting this fall, and whether OPEC decides to raise quotas. Projections of supply and demand for 1996 point to only a slight increase in the demand for OPEC crude oil

TABLE 4. OIL CONSUMPTION

	Millions of barrels per day				Percentage change			
	OECD	FSU and Eastern Europe	Developing countries	Total	OECD	FSU and Eastern Europe	Developing countries	Total
1990	38.0	10.2	18.4	66.5	0.4	-4.3	4.1	0.6
1991	38.2	9.7	19.1	66.9	0.4	-4.4	3.8	0.6
1992	38.9	8.2	20.2	67.3	2.0	-15.3	6.0	0.6
1993	39.1	6.9	21.4	67.4	0.6	-16.1	6.0	0.1
1994	40.0	6.2	22.2	68.4	2.2	-10.1	3.7	1.5
1Q93	39.6	7.6	21.1	68.3	-0.1	-19.1	5.0	-1.2
2Q93	37.6	6.9	21.2	65.7	0.5	-16.9	5.5	-0.2
3Q93	38.6	6.3	21.2	66.1	0.6	-17.1	6.5	0.3
4Q93	40.4	6.9	22.1	69.4	1.6	-8.0	6.3	1.9
1Q94	40.7	6.8	22.1	69.6	2.7	-10.5	4.7	1.9
2Q94	38.7	5.8	22.1	66.6	3.0	-15.9	4.2	1.4
3Q94	39.7	5.9	21.9	67.5	2.8	-6.3	3.3	2.1
4Q94	40.7	6.3	23.0	70.0	0.9	-8.7	4.1	0.9
1Q95	41.0	6.6	23.2	70.8	0.6	-2.9	5.0	1.7
2Q95	39.3	5.7	22.9	67.9	1.5	-1.7	3.6	2.0

Source: IEA, World Bank.

production (table 5). World oil demand is projected to increase about 2%, or 1.5 mb/d, while non-OPEC supplies are expected to increase 1.1 mb/d. Given possible errors in forecasting and market anomalies (such as weather), it would appear that the incremental volume is too small for OPEC to open up the difficult issue of reassigning quotas. A simple rollover with the aim of higher prices would appear to be the easier solution, certainly given the organization's decisions of the past two years.

However, OPEC has become increasingly frustrated by the persistent increases in non-OPEC supply, which are absorbing most of the growth in world oil demand. Moreover, the organization has not been able to solicit support from the major non-OPEC producers to withhold production and help OPEC achieve higher prices and market share (these efforts have been directed mainly at North Sea producers, which have made the largest gains in recent years).

There have been suggestions that OPEC might choose to increase quotas at its fall meeting to secure a higher market share and force other producers either to curb output and help support prices or to let prices slide precipitously. Given the short-run elasticity of oil demand, OPEC could suffer a large decline in revenues from this strategy. Moreover, this move might not elicit the sought-after support

from non-OPEC producers. The only possible gain from such a strategy would appear to be the long-term benefits of lowering the overall price ceiling and thereby slowing growth in non-OPEC supplies. It is impossible to predict what OPEC will decide at its November meeting, but some options present a large downside risk to prices next year.

The other main risk that continues to hang over the market is the eventual return of Iraqi exports to the market. Once the UN embargo is lifted, it is highly probable that oil prices will be extremely weak for a while as other OPEC producers accommodate higher production from Iraq. Although many suggest that the United States is a long way from agreeing to end the embargo, Iraq is making progress on meeting the conditions of UN resolutions. While it is possible that sanctions could be lifted in the coming months, there will be resistance to lifting the embargo.

The possibility that the embargo might end will affect OPEC's decision to raise quotas. The question is, will all of the increase go to Iraq, or will other members want to maintain or increase their market shares? Prices could be under great pressure next year if the embargo is lifted and OPEC seeks to increase its overall quota. On the other hand, if Iraq is kept out of the market and OPEC does not raise its quota, higher demand will keep prices reasonably firm.

**TABLE 5. WORLD PETROLEUM DEMAND AND SUPPLY**

Millions of barrels per day

	1992	1993	1Q94	2Q94	3Q94	4Q94	1994	1Q95	2Q95	3Q95	4Q95	1995	1996
<i>Demand</i>													
OECD	38.9	39.1	40.7	38.7	39.7	40.7	40.0	41.0	39.3	40.0	41.4	40.4	41.1
FSU	6.9	5.6	5.3	4.4	4.6	4.9	4.8	5.1	4.3	4.1	4.6	4.5	4.4
Other	21.5	22.7	23.6	23.5	23.2	24.4	23.6	24.7	24.3	24.2	25.3	24.6	25.6
Total	67.3	67.4	69.6	66.6	67.5	70.0	68.4	70.8	67.9	68.3	71.3	69.5	71.1
<i>Supply</i>													
OECD	16.6	16.8	17.5	17.4	17.4	18.2	17.6	18.1	17.7	17.7	18.6	18.0	18.8
FSU	9.0	7.8	7.1	7.1	7.3	7.3	7.2	7.1	6.9	6.7	6.8	6.9	6.7
Other <sup>a</sup>	15.4	15.8	16.3	16.2	16.4	16.6	16.4	16.9	16.9	17.4	17.4	17.2	17.7
OPEC <sup>b</sup>	26.2	27.0	27.2	27.2	27.3	27.6	27.3	27.5	27.6	27.6	27.8	27.6	27.9
Total	67.2	67.4	68.1	67.9	68.4	69.7	68.5	69.6	69.1	69.4	70.6	69.7	71.1
<i>Stock change and miscellaneous</i>													
OECD	0.0	0.2	-1.3	1.3	1.0	-0.3	0.2	-1.1	0.5				
Floating/transit	0.0	0.1	-0.1	0.1	-0.1	0.0	0.0	-0.3	0.3				
Other/miscellaneous	0.0	-0.2	-0.1	-0.1	0.0	0.0	-0.1	0.3	0.4				
Total	0.0	0.0	-1.5	1.3	0.9	-0.4	0.1	-1.2	1.2	1.1	-0.7	-0.1	0.0

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

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

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

Source: IEA, World Bank.



## FERTILIZERS

## MOST PRICES HAVE PEAKED

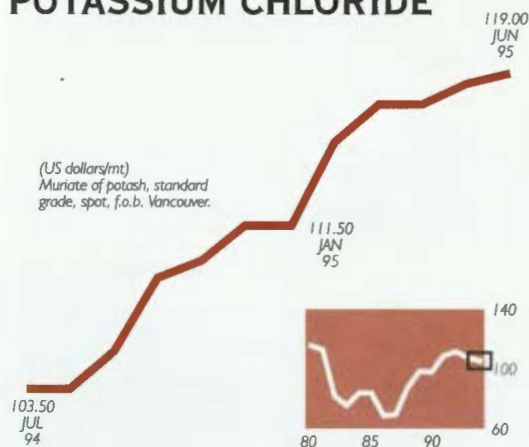
Most fertilizer prices have peaked and begun to decline as demand for spring crop planting in the US and Europe concluded. Some prices remained strong. Urea prices declined the most from recent highs, while potash prices remain firm. DAP prices weakened. The wet spring planting season caused many farmers to shift from maize to soybeans, which have lower fertilizer requirements. The focus now shifts to fall demand in the southern hemisphere and next year's demand for fertilizer in the northern hemisphere. Several factors suggest strong demand next year, and prices should remain high.

Higher current grain prices and a return to production of set-aside and flood damaged area in the US and the EU should boost fertilizer demand in 1996. The US conservation reserve also begins to release acreage next year as this year's one-year early-out option comes into play and the first of the 10-year contracts expire in 1996. Further, the agriculture ministers of the EU are considering whether to lower the set-aside from the current 12% in response to tight grain stocks and rising world market prices.

Both area and fertilizer application rates are expected to increase in 1996, which should keep prices firm for the next year. Beyond that, increased fertilizer production from reopened plants and the continuing weak demand in the FSU and Eastern Europe should hold down long-term prices.

Privatization continues to sweep the industry. The Moroccan government is renewing its effort to find a buyer for 51% of the state-owned Fertima fertilizer bagging and distribution company. In Ukraine private overseas buyers are being sought for a 30% share of the leading nitrogen producer, Cherkassy Azot. The performance of the Fosfertil companies of Brazil shows that privatization works. Since the government sold its share a year ago, the company has reported sharply higher output and an eightfold increase in profits.

## POTASSIUM CHLORIDE



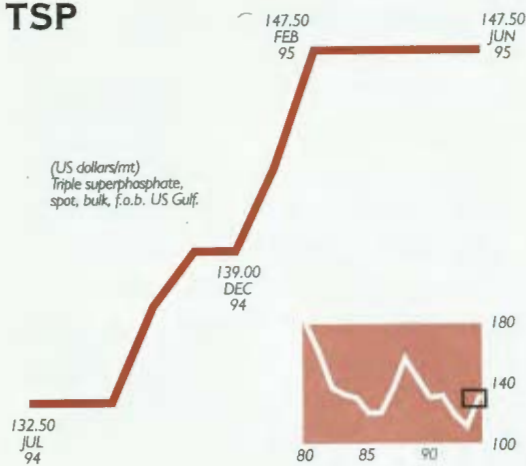
## PRICES CONTINUE STRONG

Prices have reached their highest levels since 1980, with second-quarter prices averaging \$118.3/ton, up 3% from the first quarter and 12% higher than the 1994 average. Prices remain strong, with suppliers requesting \$5/ton to \$7/ton more for second-half shipments to Chinese, Korean, and Japanese buyers. The higher prices reflect tight supplies rather than a large increase in demand. Canpotex, the Canadian potash export association, has just completed shipments that were delayed because of the rail strikes in March and April. Total demand remains weak in countries of the FSU and Eastern Europe, while demand continues strong in Asia, especially in China and India. The higher prices have led to optimism and plans for a number of expansions.

World potash demand has been declining for the past several years, but the trend may be reversed in 1996. Since 1990, total world potash use has declined by an average of 3.5% a year because of a reduction in area planted in the major exporting countries, as well as lower application rates in the countries of the FSU and Eastern Europe. Global application rates have also been declining. Higher grain prices and low stocks this year should reverse this trend in the major exporting countries in 1996, while potash use may stop falling in the FSU and Eastern Europe. If potash demand rises, it would be the first increase since the late 1980s and may mark a turning point of some significance.

Fertilizer prices were mostly lower as spring planting ended in the northern hemisphere.

**TSP**



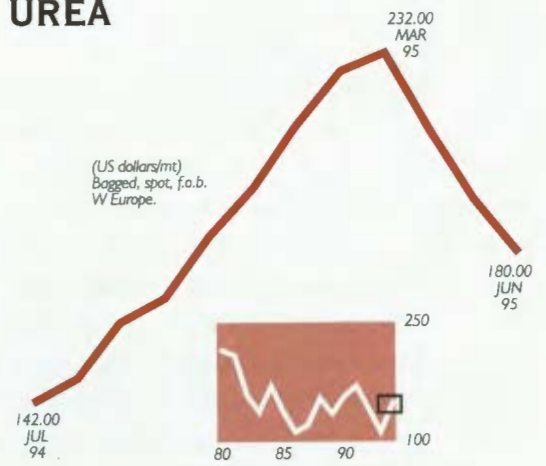
**TSP PRICES HOLD STEADY BUT DAP PRICES DROP**

TSP prices were steady at \$147.5/ton during the quarter, while DAP prices declined to an average of \$196.8/ton for the quarter, following sharp increases in the first quarter. DAP prices peaked at \$218.3/ton in February before declining to \$191.9/ton in June. Prices remain well above 1994 levels of \$132.1/ton for TSP and \$172.8/ton for DAP. Demand for DAP from China and India continues strong, and prices are expected to remain high.

The US is expected to be a large consumer in the fall as maize plantings increase, which should add a spark to prices. The southern hemisphere countries also are expected to enter the market aggressively starting in August, in time for their spring planting season. High grain prices should lead to expanded area and higher application rates. However, Brazil's overall demand for fertilizer for the first half of 1995 is reported to be 10% below the previous year's level, in part because farmers switched from soybeans to cotton in response to recent high cotton prices. The switch has reduced TSP demand.

World phosphate use has declined each year since 1990, primarily because of sharply lower use in the countries of the FSU and Eastern Europe. Demand there has declined by nearly one-third over this period. Higher grain prices and a leveling off of demand in Eastern Europe and the FSU may bring this downward trend to a halt in 1995.

**UREA**



**WET SPRING DAMPENS PRICE RISE**

Prices fell sharply as demand for spring planting in the northern hemisphere concluded and as wet planting conditions drove US farmers to plant less maize and more soybeans than had been expected. This lowered urea demand, and by June prices had declined to \$180/ton, f.o.b., Western Europe, from the March high of \$232/ton. Prices remained stronger in some markets such as China, where they stayed above \$200/ton. Discussions between Sinochem and its Middle Eastern suppliers should set prices for the next quarter.

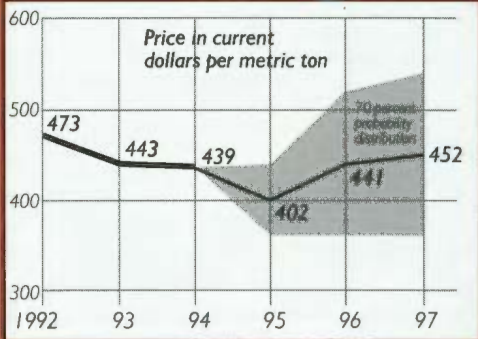
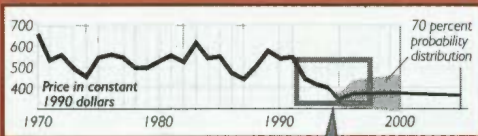
The European Commission (EC) has proposed a higher minimum import price for Russian ammonium nitrate following lobbying by the European Fertilizer Manufacturers Association. The issue involves the antidumping case against imports of Russian urea into the EU. The latest EC proposal is for a \$134/ton (at current exchange rates) minimum import price, which is below prevailing market levels.

The Mexican Ministry of Commerce forecasts that demand for fertilizer in Mexico will decline 30% in 1995 over 1994 levels because of the recent devaluation of the peso. A drop of that magnitude would reduce fertilizer use from 1.5 million tons in 1994 to 1.05 million tons in 1995. The government hopes to continue the subsidy on ammonia supplies by the state-owned Pemex organization. The Mexican fertilizer industry was privatized in 1992.

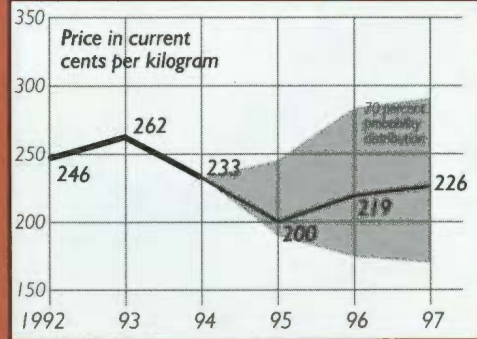
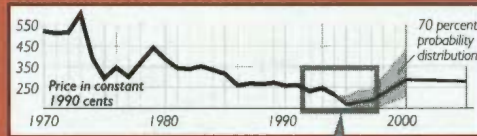


FOODS

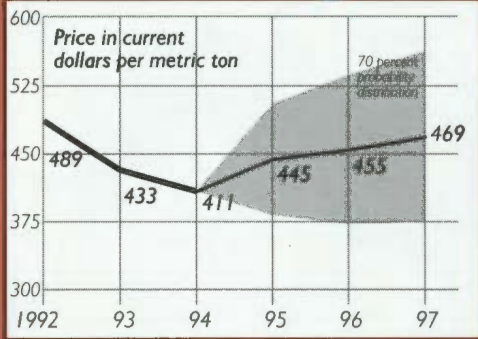
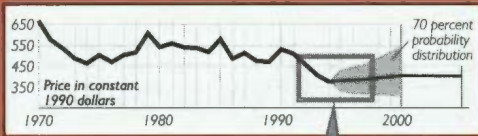
**BANANAS** *Prices expected to rise in 1996*



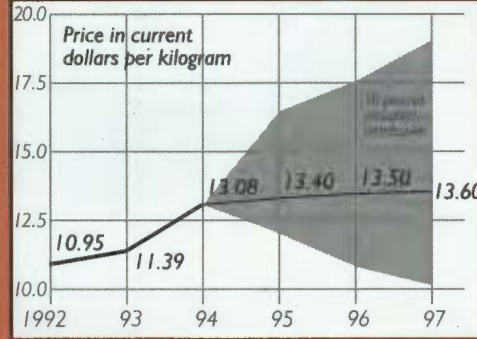
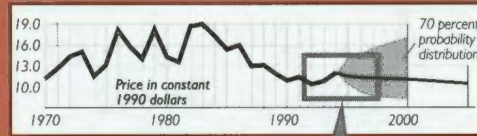
**BEEF** *Expansion in supplies will keep prices down*



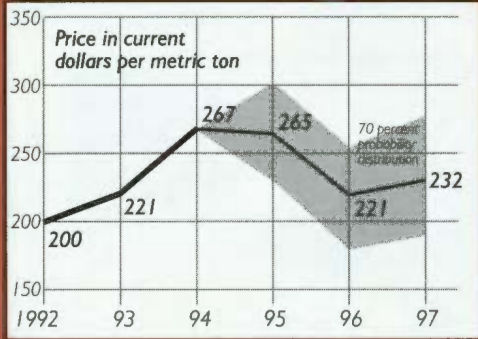
**CITRUS (ORANGES)** *Mediterranean fresh orange prices rising*



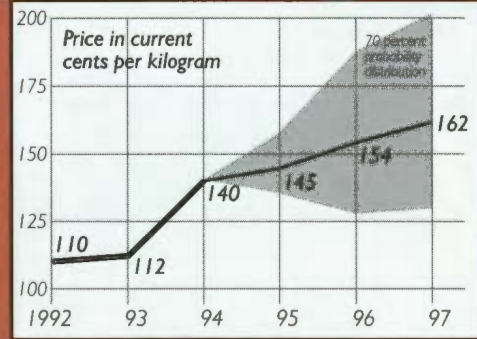
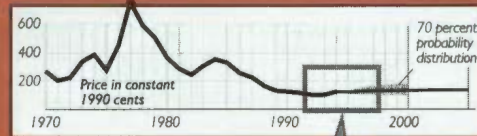
**SHRIMP** *Tight supplies keep prices high*



**SUGAR** *Moderate price declines expected*



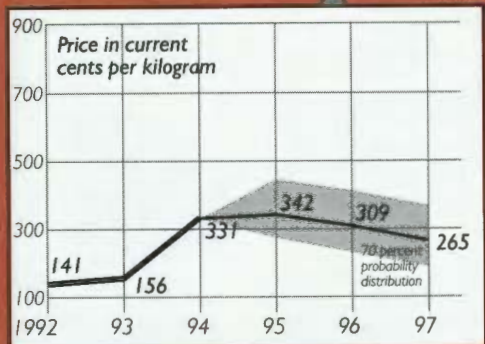
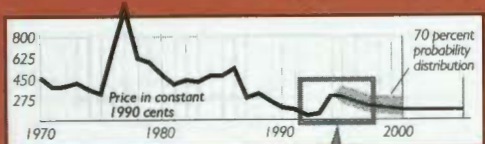
**COCOA** *Prices drop as supplies still appear plentiful*



BEVERAGES

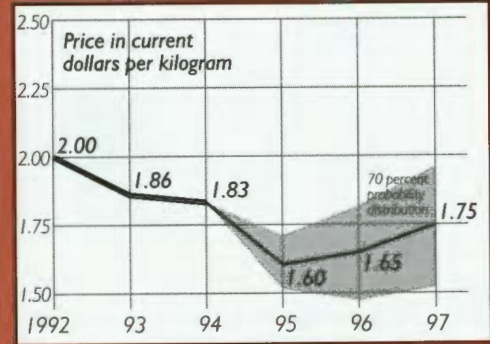
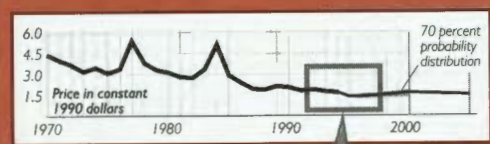
**COFFEE**

Prices expected to decline as production recovers



**TEA**

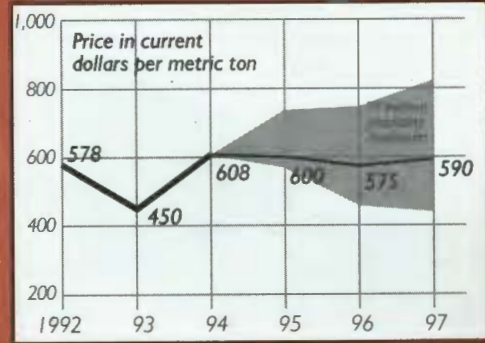
Prices to stay low with stagnant world demand



**FATS AND OILS**

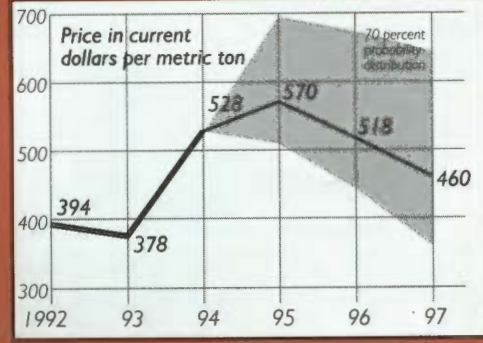
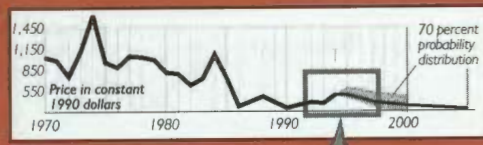
**COCONUT OIL**

Prices to remain firm



**PALM OIL**

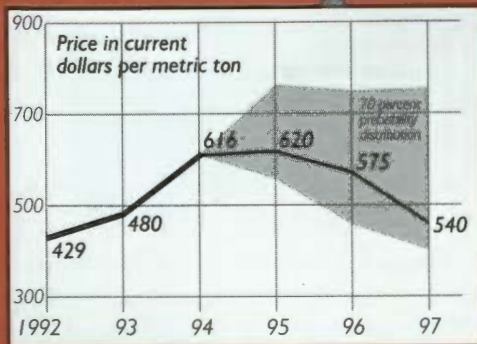
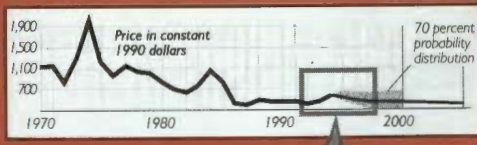
Prices to decline on large supplies from Southeast Asia



**GRAINS**

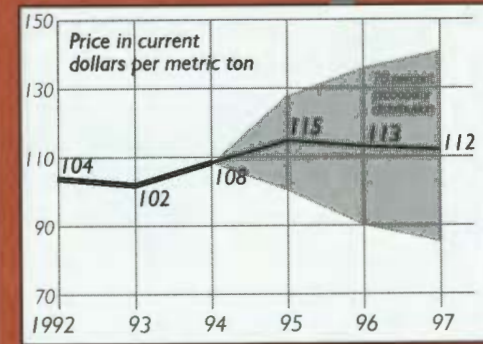
**SOYBEAN OIL**

Prices pressured by expanding production and stocks



**MAIZE**

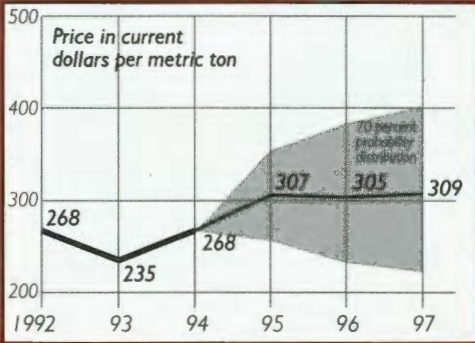
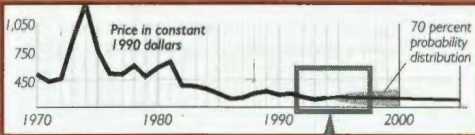
Prices expected to increase





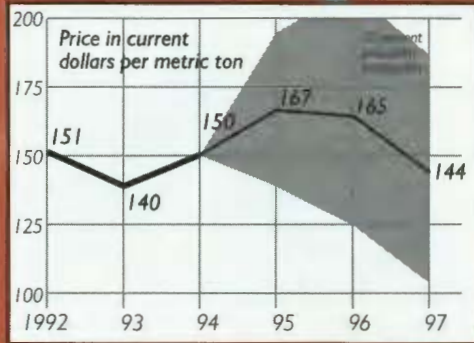
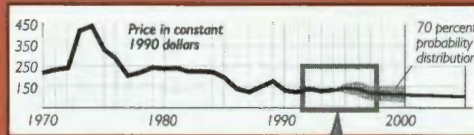
**RICE**

*Prices could rise further*



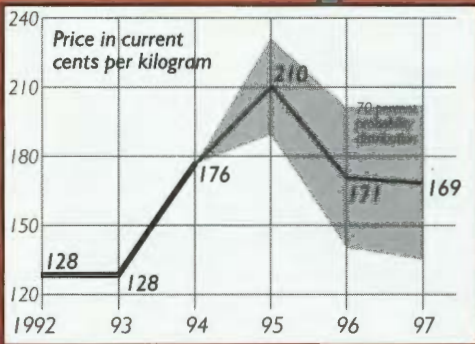
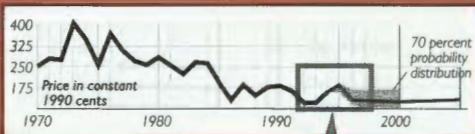
**WHEAT**

*High prices to last into 1996*



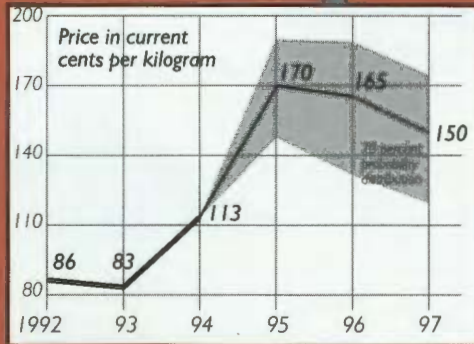
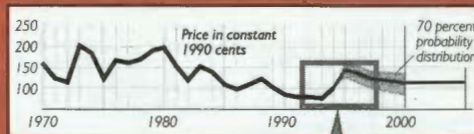
**COTTON**

*Prices moderating*



**RUBBER**

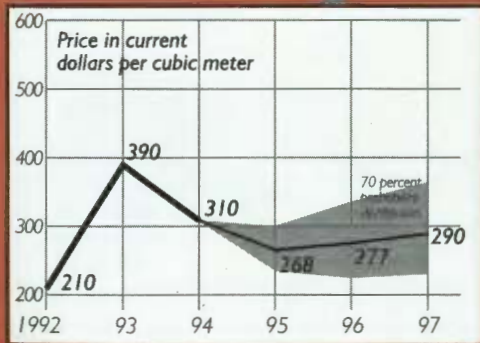
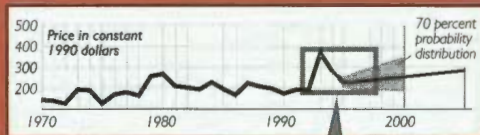
*Prices falling from historic highs*



**AGRICULTURAL  
RAW  
MATERIALS**

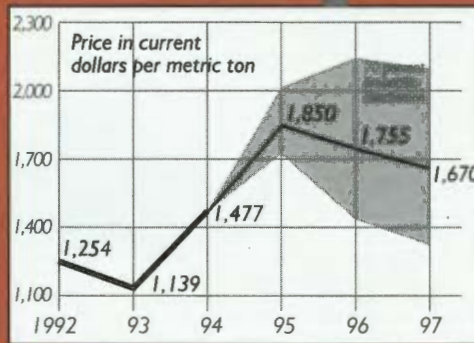
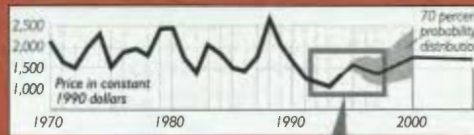
**TIMBER  
(MERANTI LOGS)**

*Some price increases, but demand still weak*



**ALUMINUM**

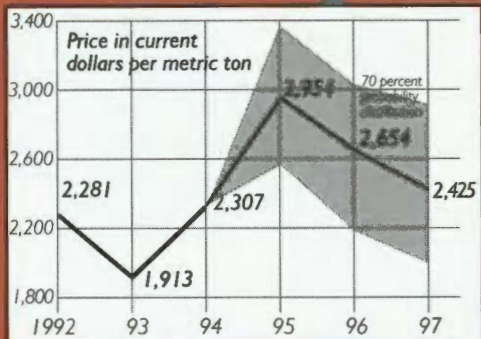
*Prices decline with signs of a demand slowdown*



**METALS  
AND  
MINERALS**

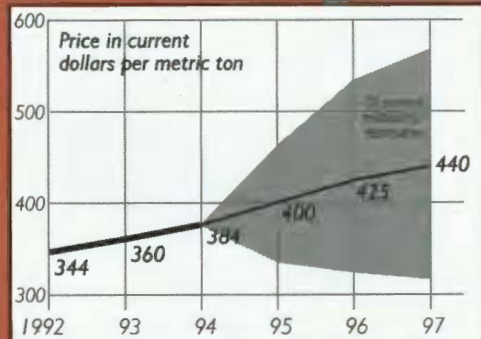
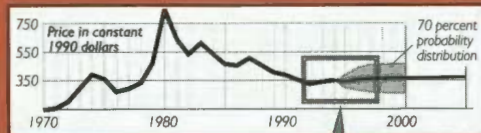
**COPPER**

*High prices hold*



**GOLD**

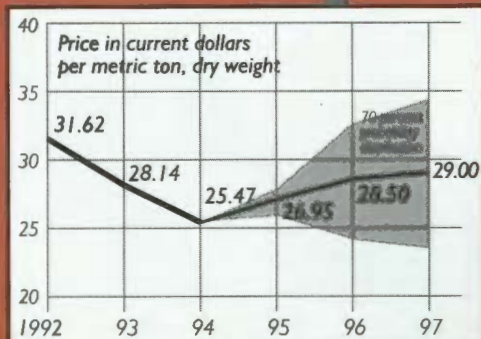
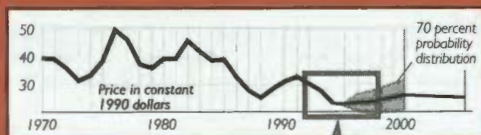
*Prices stuck in neutral*



**ENERGY**

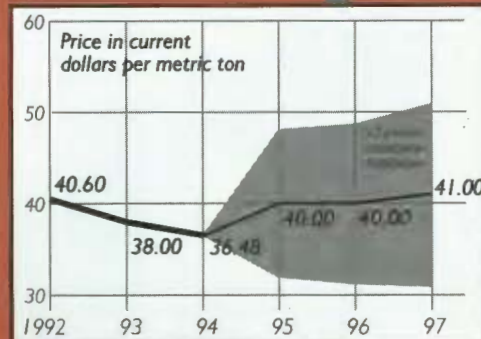
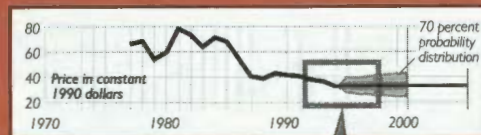
**IRON ORE**

*High production and exports*



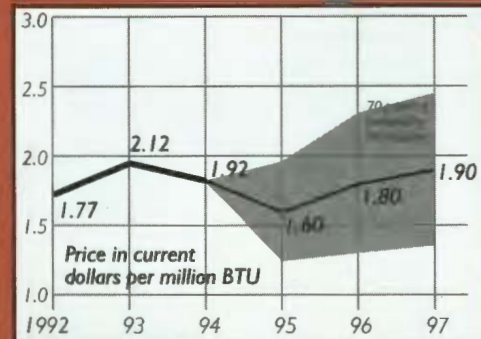
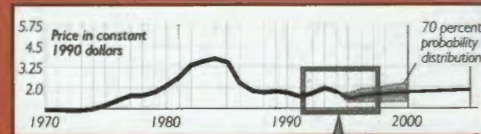
**COAL**

*Tight supplies to keep prices firm*



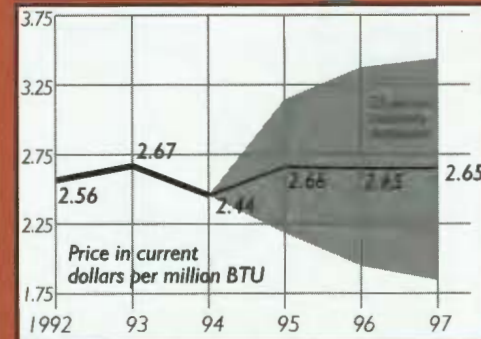
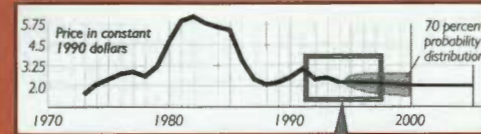
**NATURAL GAS (US)**

*Prices expected to increase but to remain weak*



**NATURAL GAS (EUROPE)**

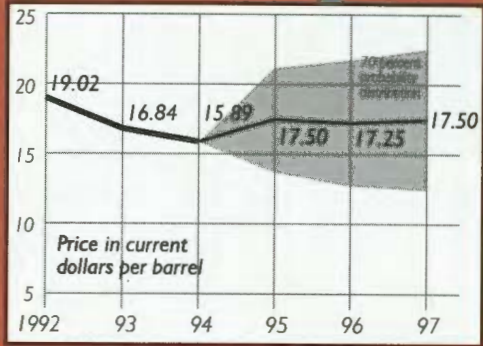
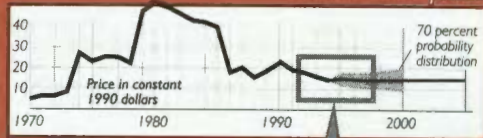
*Supply competition increasing in the longer term*



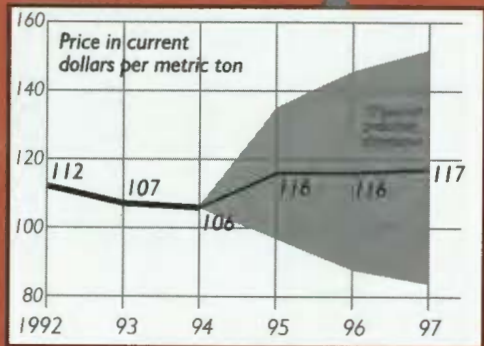
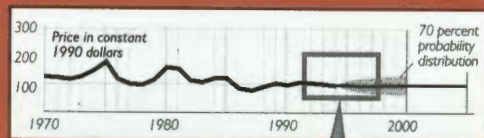


# FERTILIZERS

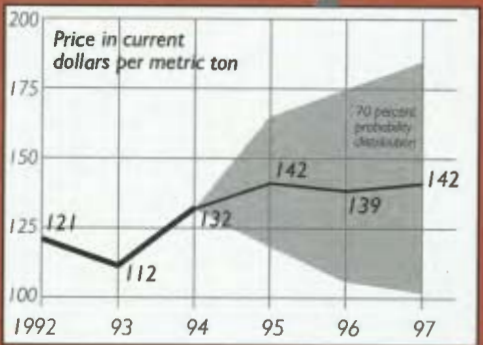
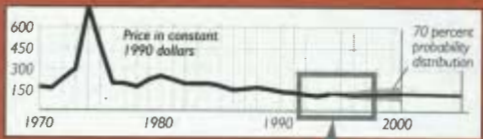
## PETROLEUM *Higher OPEC production and resumption of Iraqi exports could weaken prices*



## POTASSIUM CHLORIDE *Strong demand continues*



## TSP *Demand remains firm*



## UREA *Prices decline from recent highs*

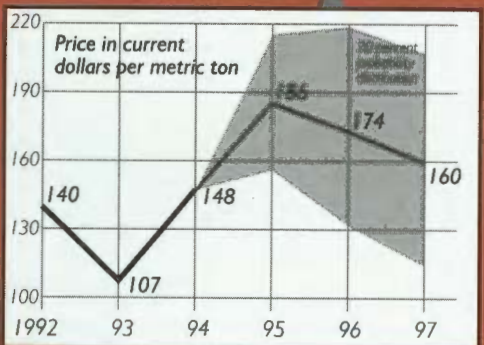
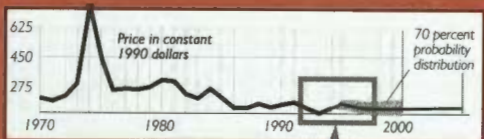


TABLE A1. COMMODITY PRICES AND PRICE PROJECTIONS IN CONSTANT 1990 DOLLARS

Commodity	Unit	Actual								Short-term projections			Long-term projections	
		1970	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997	2000	2005
<b>Energy</b>														
Petroleum	\$/bbl	4.82	51.23	39.62	22.88	18.95	17.84	15.85	14.50	14.95	14.44	14.42	14.65	14.86
Coal	\$/mt	..	59.89	67.93	41.80	40.59	38.07	35.77	33.30	34.16	33.49	33.78	33.93	33.86
Natural gas, US	\$/mmbtu	0.68	2.15	3.57	1.70	1.46	1.66	2.00	1.75	1.37	1.51	1.57	1.70	1.87
Natural gas, Eur.	\$/mmbtu	..	4.72	5.39	2.55	3.04	2.40	2.51	2.23	2.27	2.22	2.18	2.04	2.00
<b>Food</b>														
Coffee (other milds)	c/kg	457	482	471	197	183	132	147	302	292	259	218	187	185
Coffee (robusta)	c/kg	364	451	386	118	105	88	109	239	236	194	163	140	131
Cocoa	c/kg	269	362	329	127	117	103	105	127	124	129	133	135	139
Tea	c/kg	437	310	289	203	180	188	175	167	137	138	144	158	149
Sugar	\$/mt	323	878	130	277	193	187	208	244	226	185	191	220	235
Beef	c/kg	520	384	314	256	260	230	246	213	171	183	186	291	280
Shrimp	c/kg	1,108	1,421	1,529	1,079	1,129	1,027	1,072	1,193	1,144	1,130	1,121	1,105	1,051
Bananas	\$/mt	659	527	551	541	547	444	417	401	343	369	372	374	367
Oranges	\$/mt	670	543	581	531	510	459	407	375	380	381	386	406	403
Rice	\$/mt	504	571	287	271	287	251	222	244	262	255	255	244	233
Wheat	\$/mt	219	240	198	136	126	142	132	137	143	138	119	112	105
Maize	\$/mt	233	174	164	109	105	98	96	98	98	95	92	93	86
Grain sorghum	\$/mt	207	179	150	104	103	96	93	95	95	92	89	91	84
<b>Fats and oils</b>														
Palm oil	\$/mt	1,037	811	730	290	332	369	356	482	487	434	379	322	284
Coconut oil	\$/mt	1,584	936	860	337	424	542	424	554	512	481	486	599	489
Groundnut oil	\$/mt	1,510	1,194	1,319	964	874	572	696	933	794	622	593	588	450
Soybean oil	\$/mt	1,142	829	834	447	444	402	452	562	529	481	445	434	400
Soybeans	\$/mt	466	412	327	247	234	221	240	230	214	226	223	233	248
Copra	\$/mt	897	629	563	231	280	357	278	381	318	285	272	420	344
Groundnut meal	\$/mt	407	334	208	185	147	146	158	154	137	160	158	167	187
Soybean meal	\$/mt	411	364	229	209	193	192	196	176	162	180	181	196	224
<b>Nonfood agriculture</b>														
Cotton	c/kg	252	284	192	182	164	120	121	161	179	143	139	138	144
Jute	\$/mt	1,092	428	850	408	370	300	257	272	299	314	288	280	275
Rubber	c/kg	162	198	111	86	81	81	78	103	145	138	124	115	117
Tobacco	\$/mt	4,290	3,162	3,807	3,392	3,424	3,226	2,537	2,409	2,161	2,135	2,134	2,028	2,012
<b>Timber</b>														
Logs (meranti)	\$/m <sup>3</sup>	148	271	199	177	196	196	367	283	229	232	239	255	287
Logs (sapelli)	\$/m <sup>3</sup>	171	350	253	344	309	311	292	301	290	297	307	320	337
Sawnwood	\$/m <sup>3</sup>	699	551	448	533	540	569	714	749	641	645	659	694	726
<b>Metals and minerals</b>														
Copper	\$/mt	5,634	3,032	2,066	2,662	2,288	2,139	1,801	2,106	2,523	2,222	1,998	1,830	1,753
Tin	c/kg	1,465	2,331	1,682	609	547	572	528	499	478	472	480	577	584
Nickel	\$/mt	11,348	9,058	7,142	8,864	7,978	6,566	4,983	5,786	6,843	6,765	5,933	7,502	7,687
Aluminum	\$/mt	2,153	2,466	1,517	1,639	1,274	1,176	1,072	1,348	1,580	1,469	1,376	1,774	1,728
Lead	\$/mt	1,212	1,259	570	811	545	508	383	500	521	515	511	616	555
Zinc	\$/mt	1,176	1,057	1,141	1,513	1,093	1,163	906	911	905	908	906	1,188	1,092
Iron ore	\$/mt	39.23	39.03	38.72	30.80	32.52	29.65	26.49	23.25	23.02	23.86	23.90	26.11	25.43
Gold	\$/toz	143	845	463	384	354	322	339	350	342	356	363	364	371
Silver	c/toz	706	2,867	895	482	395	369	405	482	444	452	461	450	447
<b>Fertilizers</b>														
Phosphate rock	\$/mt	44	65	49	41	42	39	31	30	30	31	31	32	32
Urea	\$/mt	193	309	199	157	168	132	101	135	159	146	132	134	137
TSP	\$/mt	169	251	177	132	130	113	105	121	121	116	117	118	115
DAP	\$/mt	215	309	246	171	169	136	122	158	165	151	153	153	153
Potassium chloride <sup>a</sup>	\$/mt	126	161	122	98	107	105	101	96	99	97	96	98	99

.. Not available.

Note: Computed from unrounded data and deflated by MUV (1990=100). Forecast as of July 27, 1995.

a. Also known as muriate of potash.

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



TABLE A2. COMMODITY PRICES AND PRICE PROJECTIONS IN CURRENT DOLLARS

Commodity	Unit	Actual								Short-term projections			Long-term projections	
		1970	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997	2000	2005
<b>Energy</b>														
Petroleum	\$/bbl	1.21	36.87	27.18	22.88	19.37	19.02	16.84	15.89	17.50	17.25	17.50	19.00	21.50
Coal	\$/mt	..	43.10	46.60	41.80	41.50	40.60	38.00	36.48	40.00	40.00	41.00	44.00	49.00
Natural gas, US	\$/mmbtu	0.17	1.55	2.45	1.70	1.49	1.77	2.12	1.92	1.60	1.80	1.90	2.20	2.70
Natural gas, Eur.	\$/mmbtu	..	3.40	3.70	2.55	3.11	2.56	2.67	2.44	2.66	2.65	2.65	2.65	2.90
<b>Food</b>														
Coffee (other milds)	c/kg	115	347	323	197	187	141	156	331	342	309	265	243	268
Coffee (robusta)	c/kg	91	324	265	118	107	94	116	262	276	232	198	181	190
Cocoa	c/kg	68	260	225	127	120	110	112	140	145	154	162	175	201
Tea	c/kg	110	223	198	203	184	200	186	183	160	165	175	205	215
Sugar	\$/mt	81	632	90	277	198	200	221	267	265	221	232	286	340
Beef	c/kg	130	276	215	256	266	246	262	233	200	219	226	377	405
Shrimp	c/kg	278	1,023	1,049	1,079	1,155	1,095	1,139	1,308	1,340	1,350	1,360	1,433	1,521
Bananas	\$/mt	165	379	378	541	560	473	443	439	402	441	452	485	531
Oranges	\$/mt	168	391	398	531	521	489	433	411	445	455	469	527	583
Rice	\$/mt	126	411	197	271	293	268	235	268	307	305	309	316	337
Wheat	\$/mt	55	173	136	136	129	151	140	150	167	165	144	146	152
Maize	\$/mt	58	125	112	109	107	104	102	108	115	113	112	121	125
Grain sorghum	\$/mt	52	129	103	104	105	103	99	104	112	110	109	118	122
<b>Fats and oils</b>														
Palm oil	\$/mt	260	584	501	290	339	394	378	528	570	518	460	418	411
Coconut oil	\$/mt	397	674	590	337	433	578	450	608	600	575	590	777	708
Groundnut oil	\$/mt	379	859	905	964	894	610	739	1,023	930	743	720	762	651
Soybean oil	\$/mt	286	597	572	447	454	429	480	616	620	575	540	563	579
Soybeans	\$/mt	117	296	224	247	240	236	255	252	250	270	271	302	359
Copra	\$/mt	225	453	386	231	286	380	295	417	372	340	330	545	498
Groundnut meal	\$/mt	102	240	143	185	150	156	168	168	160	191	192	217	271
Soybean meal	\$/mt	103	262	157	209	197	204	208	192	190	215	220	254	324
<b>Nonfood agriculture</b>														
Cotton	c/kg	63	205	132	182	168	128	128	176	210	171	169	179	208
Jute	\$/mt	274	308	583	408	378	320	273	298	350	375	350	363	398
Rubber	c/kg	41	142	76	86	83	86	83	113	170	165	150	149	169
Tobacco	\$/mt	1,076	2,276	2,612	3,392	3,500	3,440	2,695	2,639	2,530	2,550	2,590	2,630	2,912
<b>Timber</b>														
Logs (meranti)	\$/m <sup>3</sup>	37	195	136	177	200	210	390	310	268	277	290	330	415
Logs (sapelli)	\$/m <sup>3</sup>	43	252	174	344	316	331	310	330	340	355	373	415	487
Sawnwood	\$/m <sup>3</sup>	175	396	307	533	553	607	758	821	750	770	800	900	1,050
<b>Metals and minerals</b>														
Copper	\$/mt	1,413	2,182	1,417	2,662	2,339	2,281	1,913	2,307	2,954	2,654	2,425	2,373	2,536
Tin	c/kg	367	1,677	1,154	609	560	610	561	546	560	564	582	748	845
Nickel	\$/mt	2,846	6,519	4,899	8,864	8,156	7,001	5,293	6,340	8,013	8,080	7,200	9,728	11,123
Aluminum	\$/mt	540	1,775	1,041	1,639	1,302	1,254	1,139	1,477	1,850	1,755	1,670	2,300	2,500
Lead	\$/mt	304	906	391	811	558	541	406	548	610	615	620	799	803
Zinc	\$/mt	295	761	783	1,513	1,117	1,240	962	998	1,060	1,085	1,099	1,541	1,580
Iron ore	\$/mt	9.84	28.09	26.56	30.80	33.25	31.62	28.14	25.47	26.95	28.50	29.00	33.85	36.80
Gold	\$/toz	36	608	318	384	362	344	360	384	400	425	440	472	537
Silver	c/toz	177	2,064	614	482	404	394	430	528	520	540	560	584	647
<b>Fertilizers</b>														
Phosphate rock	\$/mt	11	47	34	41	43	42	33	33	35	37	38	41	46
Urea	\$/mt	48	222	136	157	172	140	107	148	186	174	160	174	198
TSP	\$/mt	43	180	121	132	133	121	112	132	142	139	142	153	166
DAP	\$/mt	54	222	169	171	173	145	129	173	193	180	186	198	221
Potassium chloride <sup>a</sup>	\$/mt	32	116	84	98	109	112	107	106	116	116	117	127	143

.. Not available.

Note: Computed from unrounded data and deflated by MUV (1990=100). Forecast as of July 27, 1995.

a. Also known as muriate of potash.

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

**COMMODITY PRICE OUTLOOK**
**TABLE A3. WEIGHTED INDEX OF COMMODITY PRICES IN CURRENT DOLLARS AND IN CONSTANT 1990 DOLLARS**  
 1990=100

Year	Agriculture											
	Petroleum	Nonfuel commodities (100.0)	Food						Raw materials		Metals and minerals (28.1) <sup>a</sup>	Fertilizers (7.7) <sup>a</sup>
			Total (69.1) <sup>a</sup>	Total (29.4) <sup>a</sup>	Grains (6.9) <sup>a</sup>	Fats and oils (10.1) <sup>a</sup>	Other (12.4) <sup>a</sup>	Beverages (16.9) <sup>a</sup>	Total (22.8) <sup>a</sup>	Timber (9.3) <sup>a</sup>		
Current dollars												
1980	161.1	126.3	138.9	139.2	134.3	148.6	134.3	185.1	104.3	72.0	25.1	120.7
1985	118.8	91.7	100.5	86.3	89.2	113.0	62.9	165.3	70.8	59.1	70.2	89.0
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	95.5	97.9	99.2	101.7	104.5	93.4	93.8	99.1	104.2	88.9	102.4
1992	83.1	92.1	94.4	100.0	101.7	111.7	89.5	79.4	98.3	114.5	86.2	95.8
1993	73.6	91.6	99.1	98.6	93.6	111.5	90.7	84.9	110.3	152.4	74.0	83.7
1994	69.4	111.9	123.7	106.8	102.1	126.0	93.8	150.4	125.8	156.6	84.6	93.4
1995	76.5	121.5	130.3	110.2	113.8	128.3	93.4	154.3	138.4	142.1	101.9	99.9
1996	75.4	116.9	125.4	108.9	112.6	129.3	90.2	143.4	133.3	146.0	97.6	100.3
1997	76.5	112.8	121.2	107.6	108.5	125.4	92.4	130.4	131.9	151.8	93.4	102.6
2000	83.0	123.2	128.4	119.2	112.5	135.7	109.5	127.1	141.0	171.1	111.8	110.6
2005	94.0	136.9	143.8	130.7	118.0	152.7	119.8	140.0	163.5	201.8	121.3	121.9
Constant 1990 dollars												
1980	223.8	175.4	192.9	193.4	186.5	206.4	186.5	257.1	144.9	109.7	132.1	179.0
1985	173.2	133.6	146.5	125.9	130.0	164.8	91.7	241.0	103.3	86.1	102.3	129.8
1990	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1991	82.8	93.4	95.7	97.0	99.5	102.2	91.3	91.8	97.0	102.0	87.0	100.2
1992	78.0	86.4	88.6	93.8	95.4	104.8	84.0	74.5	92.2	107.4	80.8	89.9
1993	69.3	86.2	93.3	92.8	88.2	105.0	85.4	79.9	103.8	143.5	69.6	78.8
1994	63.4	102.1	112.9	97.5	93.1	115.0	85.6	137.3	114.8	142.9	77.2	85.2
1995	65.3	103.7	111.3	94.1	97.2	109.6	79.7	131.8	118.2	121.3	87.0	85.3
1996	63.1	97.8	104.9	91.2	94.2	108.2	75.5	120.0	111.6	122.2	81.6	83.9
1997	63.0	93.0	99.8	88.6	89.4	103.3	76.1	107.4	108.6	125.1	77.0	84.5
2000	64.0	95.0	99.0	91.6	86.8	104.6	84.5	98.0	108.7	131.9	86.2	85.3
2005	64.9	94.6	99.4	90.3	81.6	105.5	82.8	96.8	113.0	139.5	83.8	84.2

Note: Figures for 1995–2005 are projections. Weights used are the average 1987–89 export values for low- and middle-income economies. Forecast as of July 27, 1995.

a. Percentage share of commodity group in nonfuel index.

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

**TABLE A4. INFLATION INDICES FOR SELECTED YEARS**

Year	G-5 MUV index <sup>a</sup>		US GDP deflator		G-5 GDP/GNP deflator <sup>b</sup>		G-7 CPI <sup>c</sup>	
	1990=100	% change	1990=100	% change	1990=100	% change	1990=100	% change
1980	71.98		63.33		63.99		63.13	
1985	68.61	-0.95	83.38	5.66	67.57	1.09	64.96	0.57
1990	100.00	5.65	100.00	4.42	100.00	6.47	100.00	9.52
1991	102.23	2.23	103.80	3.80	104.73	4.73	104.62	4.62
1992	106.64	4.31	106.71	2.81	111.04	6.03	110.11	5.24
1993	106.24	-0.37	109.00	2.15	115.01	3.58	110.09	-0.01
1994	109.58	3.14	111.30	2.11	117.49	2.15	112.51	2.20
1995	117.11	6.87	114.75	3.10	120.46	2.53	115.46	2.62
1996	119.45	2.00	118.19	3.00	123.46	2.49	118.58	2.70
1997	121.38	1.62	121.38	2.70	126.50	2.46	121.82	2.73
2000	129.69	2.23	132.64	3.00	137.01	2.70	132.18	2.76
2005	144.72	2.22	152.72	2.86	156.29	2.67	151.99	2.83

Note: For 1985, 1990, 2000, and 2005, the average annual growth rates for the period starting with the year shown above. Figures for 1992–94 are provisional estimates, except the US GDP deflator, which is actual; all figures for 1995–2005 are projections. Forecast as of May 3, 1995.

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

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

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

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



TABLE A5. COMMODITY PRICE PROBABILITY DISTRIBUTIONS IN CONSTANT 1990 DOLLARS

Commodity	Unit	70% probability distribution			
		1995	1996	1997	2000
<b>Energy</b>					
Petroleum	\$/bbl	11.74-18.15	10.67-18.21	10.30-18.54	9.21-19.97
Coal	\$/mt	27.32-40.99	26.12-40.85	25.54-42.02	23.56-44.30
Natural gas, US	\$/mmbtu	1.07-1.67	1.09-1.93	1.11-2.02	1.08-2.31
Natural gas, Eur.	\$/mmbtu	1.88-2.69	1.63-2.82	1.52-2.82	1.31-2.82
<b>Food</b>					
Coffee (other milds)	¢/kg	237-383	194-349	157-305	127-281
Coffee (robusta)	¢/kg	190-308	146-262	118-229	95-209
Cocoa	¢/kg	116-135	107-156	107-166	98-186
Tea	¢/kg	130-146	123-152	125-161	130-190
Sugar (world)	\$/mt	196-258	151-212	157-229	162-276
Beef	¢/kg	162-210	147-239	140-240	204-436
Shrimp	¢/kg	1,030-1,407	904-1,469	840-1,569	807-1,713
Bananas	\$/mt	309-377	303-435	298-447	285-463
Oranges	\$/mt	326-433	312-450	309-464	301-549
Rice	\$/mt	220-304	194-322	183-331	159-354
Wheat	\$/mt	120-165	105-174	85-154	73-155
Maize	\$/mt	87-109	76-114	70-116	65-126
Grain sorghum	\$/mt	85-106	73-110	68-113	64-123
<b>Fats and oils</b>					
Palm oil	\$/mt	435-593	371-563	297-531	225-483
Coconut oil	\$/mt	487-630	385-626	365-681	419-898
Groundnut oil	\$/mt	715-977	497-809	445-830	412-882
Soybean oil	\$/mt	476-652	385-626	334-623	304-651
Soybeans	\$/mt	201-263	181-294	167-312	163-349
Copra	\$/mt	286-413	228-398	204-408	294-672
Groundnut meal	\$/mt	123-168	128-208	119-222	117-251
Soybean meal	\$/mt	146-200	144-234	136-251	137-294
<b>Nonfood agriculture</b>					
Cotton	¢/kg	161-197	117-169	111-167	105-171
Jute	\$/mt	269-329	257-370	231-346	213-347
Rubber	¢/kg	126-162	111-158	99-145	83-139
Tobacco	\$/mt	1,944-2,376	1,751-2,519	1,707-2,561	1,541-2,514
<b>Timber</b>					
Logs (meranti)	\$/m <sup>3</sup>	202-257	190-283	190-301	183-354
Logs (sapelli)	\$/m <sup>3</sup>	269-316	243-363	244-387	230-445
Sawnwood	\$/m <sup>3</sup>	593-696	528-787	524-830	499-965
<b>Metals and minerals</b>					
Copper	\$/mt	2,195-2,876	1,838-2,547	1,639-2,397	1,317-2,287
Tin	¢/kg	430-526	401-543	388-571	433-721
Nickel	\$/mt	5,713-7,971	5,539-8,262	4857-7,245	5,626-9,376
Aluminum	\$/mt	1,471-1,725	1,203-1,795	1,093-1,732	1,275-2,467
Lead	\$/mt	469-573	438-592	414-608	463-771
Zinc	\$/mt	815-996	772-1,045	733-1,078	891-1,485
Iron Ore	\$/mt	22-24	20-27	19-28	20-32
Gold	\$/toz	287-396	270-448	261-468	250-478
Silver	¢/toz	364-515	344-570	332-595	300-600
<b>Fertilizers</b>					
Phosphate rock	\$/mt	25-35	24-39	23-41	21-44
Urea	\$/mt	133-184	111-184	95-171	87-188
TSP	\$/mt	102-141	88-147	84-152	77-165
DAP	\$/mt	138-191	115-190	110-199	99-214
Potassium chloride <sup>a</sup>	\$/mt	83-115	74-122	69-125	64-135

Note: Forecast as of July 27, 1995.

a. Also known as muriate of potash.

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

TABLE A6. COMMODITY PRICE PROBABILITY DISTRIBUTIONS IN CURRENT DOLLARS

Commodity	Unit	70% probability distribution			
		1995	1996	1997	2000
<b>Energy</b>					
Petroleum	\$/bbl	13.75-21.25	12.75-21.75	12.50-22.50	11.95-25.90
Coal	\$/mt	32.00-48.00	31.20-48.80	31.00-51.00	30.55-57.45
Natural gas, US	\$/mmbtu	1.25-1.95	1.30-2.30	1.35-2.45	1.40-3.00
Natural gas, Eur.	\$/mmbtu	2.20-3.15	1.95-3.37	1.85-3.42	1.70-3.66
<b>Food</b>					
Coffee (other milds)	£/kg	277-448	232-417	190-370	165-364
Coffee (robusta)	£/kg	223-361	174-313	143-278	123-271
Cocoa	£/kg	136-158	128-187	130-202	127-241
Tea	£/kg	152-171	147-182	152-196	168-246
Sugar (world)	\$/mt	230-302	180-254	190-278	210-357
Beef	£/kg	190-246	175-285	170-291	264-566
Shrimp	£/kg	1,206-1,648	1,080-1,755	1,020-1,904	1,046-2,221
Bananas	\$/mt	362-442	362-520	362-542	369-601
Oranges	\$/mt	382-507	373-537	375-563	390-712
Rice	\$/mt	258-356	232-384	223-402	206-459
Wheat	\$/mt	140-194	125-208	104-187	95-201
Maize	\$/mt	102-128	90-136	85-141	85-163
Grain sorghum	\$/mt	99-124	88-132	83-137	83-159
<b>Fats and oils</b>					
Palm oil	\$/mt	510-694	443-673	360-644	292-626
Coconut oil	\$/mt	570-738	460-748	443-826	544-1,165
Groundnut oil	\$/mt	837-1,144	594-966	540-1,008	534-1,144
Soybean oil	\$/mt	558-763	460-748	405-756	394-844
Soybeans	\$/mt	235-308	216-351	203-379	211-453
Copra	\$/mt	335-484	272-476	248-495	381-871
Groundnut meal	\$/mt	144-197	153-248	144-269	152-325
Soybean meal	\$/mt	171-234	172-280	165-305	178-381
<b>Nonfood agriculture</b>					
Cotton	£/kg	189-231	140-202	135-203	136-222
Jute	\$/mt	315-385	307-442	280-420	276-450
Rubber	£/kg	148-190	132-189	120-175	107-180
Tobacco	\$/mt	2,277-2,783	2,091-3,009	2,072-3,108	1,999-3,261
<b>Timber</b>					
Logs (meranti)	\$/m <sup>3</sup>	236-301	227-338	230-365	237-459
Logs (sapelli)	\$/m <sup>3</sup>	315-370	291-434	296-469	298-577
Sawnwood	\$/m <sup>3</sup>	695-815	630-940	636-1,007	647-1,252
<b>Metals and minerals</b>					
Copper	\$/mt	2,570-3,368	2,196-3,042	1,989-2,910	1,708-2,966
Tin	£/kg	504-616	479-649	471-693	561-935
Nickel	\$/mt	6,691-9,335	6,616-9,869	5,895-8,794	7,296-12,160
Aluminum	\$/mt	1,723-2,020	1,437-2,144	1,327-2,102	1,654-3,199
Lead	\$/mt	549-671	523-707	502-738	600-1,000
Zinc	\$/mt	954-1,166	922-1,248	890-1,308	1,156-1,926
Iron Ore	\$/mt	26.0-28.0	24.2-32.8	23.5-34.5	25.4-42.0
Gold	\$/toz	336-464	323-536	317-568	324-620
Silver	£/toz	426-603	410-680	403-722	389-778
<b>Fertilizers</b>					
Phosphate rock	\$/mt	29-41	28-47	27-49	27-57
Urea	\$/mt	156-216	132-219	115-208	113-244
TSP	\$/mt	119-165	106-175	102-185	100-214
DAP	\$/mt	162-224	137-227	134-242	129-277
Potassium chloride <sup>a</sup>	\$/mt	97-135	88-146	84-152	83-175

<sup>a</sup>Note: Forecast as of July 27, 1995.

a. Also known as muriate of potash.

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



TABLE A7. RECENT COMMODITY PRICES

Commodity	Unit	Annual averages			Quarterly averages					Monthly averages		
		Jan-Dec 1993	Jan-Dec 1994	Jan-Jun 1995	Apr-Jun 1994	Jul-Sep 1994	Oct-Dec 1994	Jan-Mar 1995	Apr-Jun 1995	Apr 1995	May 1995	Jun 1995
<b>Beverages</b>												
Cocoa	¢/kg	111.7	139.6	146.8	136.0	153.0	142.7	148.8	144.8	146.1	144.5	143.7
Coffee												
Other milds	¢/kg	156.0	330.8	375.4	261.5	471.3	406.6	383.5	367.4	384.5	377.0	340.6
Robusta	¢/kg	115.7	262.0	303.8	205.1	374.3	332.5	303.0	304.6	319.2	310.6	284.0
Tea	¢/kg	186.4	183.2	163.6	188.3	188.7	180.6	167.7	159.4	168.2	164.7	145.4
<b>Grains</b>												
Rice: Thailand												
5% BOT <sup>a</sup>	\$/mt	270.0	357.2	290.8	382.9	312.5	297.5	283.2	298.4	285.0	289.0	321.3
5% Indicative	\$/mt	235.4	267.6	289.9	238.7	246.2	262.3	281.2	298.6	281.5	291.0	323.3
35% Indicative <sup>a</sup>	\$/mt	191.4	218.5	262.3	193.5	218.4	236.7	253.9	270.7	253.5	262.0	296.5
A1. Special <sup>a</sup>	\$/mt	157.3	182.3	236.1	161.1	195.8	218.6	225.6	246.7	226.3	238.0	275.8
Grain sorghum	\$/mt	99.0	103.9	105.1	106.6	93.5	96.9	102.2	108.1	103.3	108.1	112.8
Maize	\$/mt	102.1	107.6	110.7	111.7	97.1	98.1	107.8	113.7	109.3	112.0	119.9
Wheat												
Canada <sup>a</sup>	\$/mt	192.7	198.6	187.4	207.0	181.0	189.3	180.6	194.2	181.7	194.0	206.9
US HRW	\$/mt	140.2	149.7	156.4	139.9	147.3	164.6	153.6	159.2	148.8	158.7	170.1
US SRW <sup>a</sup>	\$/mt	134.8	138.6	147.2	125.1	129.9	155.7	148.6	145.8	140.7	143.3	153.5
<b>Meat</b>												
Beef: US	¢/kg	261.8	233.1	198.6	241.7	220.0	217.2	213.1	184.1	195.0	180.8	176.3
Lamb <sup>a</sup>	¢/kg	290.7	297.5	264.8	295.7	296.3	300.0	273.0	256.6	263.2	253.4	253.3
<b>Fruits</b>												
Bananas	\$/mt	443.0	439.8	414.0	374.1	430.7	386.0	445.4	382.6	385.8	393.0	368.9
Oranges	\$/mt	432.5	411.3	498.1	403.5	540.2	332.2	406.0	590.2	556.4	561.9	652.4
<b>Fats and oils</b>												
Palm oil	\$/mt	377.8	528.4	645.3	476.7	561.0	680.7	667.7	623.0	625.0	611.0	631.0
Coconut oil	\$/mt	450.3	607.5	632.2	589.0	599.0	673.0	630.0	634.3	619.0	616.0	668.0
Groundnut oil	\$/mt	739.1	1,022.8	998.0	1,021.3	1,017.7	1,046.3	1,023.0	973.0	981.0	973.0	965.0
Soybean oil	\$/mt	480.4	615.6	634.3	583.0	610.7	680.3	663.0	605.7	610.0	595.0	611.0
Soybeans	\$/mt	255.1	251.8	246.3	260.7	234.0	236.3	242.3	250.3	249.0	250.0	252.0
Copra <sup>a</sup>	\$/mt	295.4	417.3	414.3	405.0	433.0	447.3	412.7	416.0	413.0	410.0	425.0
Groundnut meal <sup>a</sup>	\$/mt	168.1	168.3	162.0	169.3	161.3	155.3	167.3	156.7	165.0	155.0	150.0
Soybean meal	\$/mt	208.2	192.4	180.8	197.3	188.7	176.3	181.0	180.7	181.0	181.0	180.0
<b>Fisheries</b>												
Shrimp <sup>a</sup>	¢/kg	1,139.0	1,307.5	1,409.6	1,293.4	1,387.6	1,358.6	1,372.9	1,464.7	1,441.3	1,488.1	..
Fish meal <sup>a</sup>	\$/mt	364.8	376.3	444.8	359.3	382.0	403.3	439.7	450.0	447.0	436.0	467.0
<b>Fibers</b>												
Cotton	¢/kg	128.0	176.3	230.2	187.8	171.6	175.5	225.7	234.7	250.8	253.4	200.0
Jute <sup>a</sup>	\$/mt	273.3	298.3	293.4	308.8	281.3	231.3	256.7	330.2	260.0	342.5	388.0
Sisal <sup>a</sup>	\$/mt	615.3	605.3	693.8	606.7	578.0	603.3	687.5	700.0	700.0	700.0	700.0
Wool <sup>a</sup>	¢/kg	301.7	389.3	509.4	369.8	422.6	436.4	502.8	515.9	517.8 <sup>b</sup>	514.9	505.6
<b>Rubber</b>												
RSS1: Malaysia	¢/kg	83.1	112.6	172.0	99.3	126.0	139.2	173.9	170.1	184.0	172.3	154.2
Singapore <sup>a</sup>	¢/kg	83.0	115.4	175.0	100.9	132.2	141.3	177.3	172.6	184.9	175.9	157.0
US <sup>a</sup>	¢/kg	99.3	131.6	197.0	115.6	143.8	163.5	200.3	193.7	206.0	197.3	177.7
<b>Sugar</b>												
EU domestic	¢/kg	61.9	62.2	68.2	60.0	63.7	65.6	66.1	70.3	70.1	70.7	70.2
US domestic	¢/kg	47.6	48.6	50.4	49.0	48.8	48.1	49.8	51.0	50.2	50.9	51.9
World	¢/kg	22.1	26.7	31.2	25.5	26.8	30.4	32.2	30.3	30.2	29.8	30.9
<b>Metals and minerals</b>												
Copper	\$/mt	1,913.1	2,307.3	2,913.7	2,132.2	2,456.5	2,778.5	2,936.9	2,890.5	2,903.5	2,773.3	2,994.6
Tin	¢/kg	516.1	546.4	594.7	546.6	526.5	586.0	573.7	615.6	587.2	592.7	667.1
Nickel	\$/mt	5,293.4	6,339.8	8,021.9	5,925.5	6,150.3	7,620.0	8,543.3	7,500.5	7,397.8	7,232.2	7,871.6
Aluminum	\$/mt	1,139.0	1,476.8	1,862.3	1,334.0	1,505.7	1,823.0	1,927.3	1,797.2	1,849.0	1,762.7	1,780.1
Lead	¢/kg	40.6	54.8	60.9	48.0	58.8	64.8	61.1	60.8	60.8	59.7	61.8
Silver <sup>a</sup>	¢/toz	429.8	528.4	508.9	538.0	533.7	513.5	470.2	547.6	552.4	555.3	535.3
Gold <sup>a</sup>	\$/toz	359.8	384.0	383.5	381.4	385.8	384.5	379.1	387.9	391.0	385.2	387.6

(table continued on next page)

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

Commodity	Unit	Annual averages			Quarterly averages					Monthly averages		
		Jan-Dec 1993	Jan-Dec 1994	Jan-Jun 1995	Apr-Jun 1994	Jul-Sep 1994	Oct-Dec 1994	Jan-Mar 1994	Apr-Jun 1995	Apr 1995	May 1995	Jun 1995
Zinc	¢/kg	96.2	99.8	105.3	94.8	96.7	110.8	107.0	103.6	106.1	103.6	101.0
Iron ore	\$/mt	28.1	25.5	27.0	25.5	25.5	25.5	27.0	27.0	27.0	27.0	27.0
Steel												
Rebar <sup>a</sup>	\$/mt	348.8	322.5	378.3	313.3	310.0	328.3	346.7	410.0	410.0	410.0	410.0
Wire rod <sup>a</sup>	\$/mt	395.8	371.7	396.7	373.3	366.7	356.7	366.7	426.7	420.0	430.0	430.0
Hr coilsheet <sup>a</sup>	\$/mt	375.8	402.9	435.0	400.0	410.0	410.0	416.7	453.3	440.0	450.0	470.0
Cr coilsheet <sup>a</sup>	\$/mt	470.0	511.7	543.3	510.0	516.7	520.0	526.7	560.0	550.0	560.0	570.0
<b>Energy</b>												
Crude oil												
Spot, average <sup>c</sup>	\$/bbl	16.8	15.9	17.7	16.2	17.0	16.5	17.2	18.1	18.6	18.4	17.4
Brent <sup>c</sup>	\$/bbl	17.0	15.8	17.5	16.0	16.8	16.5	16.9	18.1	18.7	18.4	17.4
Dubai <sup>c</sup>	\$/bbl	14.9	14.7	16.7	14.8	15.8	15.3	16.4	17.0	17.4	17.3	16.2
West Texas Int <sup>c</sup>	\$/bbl	18.6	17.2	18.8	17.7	18.5	17.6	18.2	19.3	19.9	19.6	18.5
Natural gas												
Europe <sup>a</sup>	\$/mmbtu	2.7	2.4	2.7	2.4	2.5	2.6	2.7	2.7	2.7	2.7	2.7
US <sup>a</sup>	\$/mmbtu	2.1	1.9	1.6	2.0	1.7	1.6	1.5	1.6	1.6	1.6	1.6
Coal												
Australia <sup>a</sup>	\$/mt	31.3	32.3	38.3	31.5	33.1	34.1	37.7	38.9	37.1	38.8	40.8
US <sup>a</sup>	\$/mt	38.0	36.5	40.8	35.8	35.4	37.0	41.2	40.5	41.5	40.0	40.0
<b>Timber</b>												
Logs												
Cameroon <sup>a</sup>	\$/m <sup>3</sup>	310.3	330.3	343.2	319.6	345.4	349.2	340.7	345.8	350.6	341.0	345.8
Malaysia	\$/m <sup>3</sup>	389.8	307.5	275.7	338.1	316.2	273.0	261.1	290.4	300.9	289.7	280.6
Sawnwood												
Ghana <sup>a</sup>	\$/m <sup>3</sup>	530.7	618.5	649.9	606.2	627.3	654.1	651.1	648.7	653.1	645.5	647.7
Malaysia	\$/m <sup>3</sup>	758.3	821.0	750.2	849.5	874.3	792.2	753.5	746.9	730.8	750.8	759.1
Plywood <sup>a</sup>	¢/sheet	661.4	602.0	622.4	637.9	615.7	560.2	602.2	642.5	665.1	635.4	627.0
Woodpulp <sup>a</sup>	\$/mt	423.9	552.5	772.8	513.9	578.1	679.9	736.3	809.3	813.0	807.5	807.5
<b>Fertilizers</b>												
Phosphate rock	\$/mt	33.0	33.0	35.0	33.0	33.0	33.0	35.0	35.0	35.0	35.0	35.0
Urea <sup>a</sup>	\$/mt	106.8	147.9	209.8	136.0	151.3	183.7	224.3	195.3	212.0 <sup>d</sup>	194.0 <sup>d</sup>	180.0 <sup>d</sup>
TSP	\$/mt	111.9	132.1	146.6	131.7	132.5	138.2	145.8	147.5	147.5	147.5	147.5
DAP <sup>a</sup>	\$/mt	129.1	172.8	205.9	171.4	175.7	181.6	215.0	196.8	205.9	192.7	191.9
Potassium chloride <sup>a</sup>	\$/mt	107.4	105.7	116.6	103.5	104.1	110.1	114.8	118.3	117.5	118.5	119.0
<b>World Bank commodity price indices for low- and middle-income countries (1990=100)</b>												
Agriculture		99.1	123.7	135.7	116.5	137.9	133.3	136.4	134.9	137.5	136.4	130.8
Food		98.6	106.7	113.0	102.8	105.8	110.8	113.4	112.6	111.2	111.5	115.2
Cereals		93.6	102.1	107.7	96.6	95.4	101.9	104.9	110.4	104.4	108.8	118.2
Fats and oils		111.5	126.0	133.1	122.7	126.1	135.9	135.1	131.1	131.0	129.6	132.6
Other food		90.7	93.9	99.6	89.9	95.1	95.3	100.4	98.7	98.7	98.2	99.3
Beverages		84.9	150.4	166.4	126.2	201.5	177.8	169.2	163.7	170.5	167.1	153.5
Agricultural raw materials		110.3	125.8	142.1	127.0	132.2	129.5	141.9	142.3	147.2	145.7	134.0
Timber		152.4	156.6	142.7	163.5	165.9	149.3	142.1	143.2	141.4	143.8	144.5
Other raw materials		81.5	104.8	141.7	102.1	109.1	115.9	141.8	141.6	151.2	146.9	126.8
Metals and minerals (excl. steel)		74.0	84.6	101.9	79.3	86.6	98.5	103.6	100.2	101.0	97.7	101.9
Steel products		91.4	92.7	104.1	91.2	92.7	94.6	98.4	109.8	107.6	109.6	112.3
Fertilizers		83.7	93.4	102.2	93.1	93.6	96.3	101.7	102.6	102.6	102.6	102.6
Nonfuel commodities (excl. steel)		91.6	111.9	125.2	105.4	122.2	122.5	126.3	124.2	126.3	124.6	121.9
Petroleum, crude		73.6	69.4	77.2	70.7	74.4	72.1	75.1	79.3	81.5	80.5	75.9

<sup>a</sup>Note: Prices as of July 6, 1995.

.. Not available.

a. Not included in index.

b. Average for less than period indicated.

c. Included in the petroleum index but not in the nonfuel index.

d. Estimate.

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



## COMMODITY DESCRIPTIONS

### Foods

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

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

*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

*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 unpacked sugar from African, Caribbean and Pacific (ACP) under Lomé 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

*Tea (London auctions)*, average price received for all tea

### 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

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

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

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

*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

*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

### Agricultural 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 (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

*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

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

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

### 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)*, Luan, 3-ply, extra, 91 cum x 182 cum x 4 mm, wholesale price, spot Tokyo

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

*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

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

### 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 feed, 64.3% purity (dry weight) ores from Itabira and other southern mines, contract price to Germany, f.o.b. Tubarao; unit refers to US dollars per metric ton fe, which is equivalent to US cents per fe unit (1%)

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

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

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

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

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

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

### 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

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

*Natural Gas (US)*, spot price at Henry Hub, Louisiana

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

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

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

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

### 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

# The most extensive library of socioeconomic databases in the world

## WORLD☆DATA 1995: World Bank Indicators on CD-ROM

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

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

Over 700 socioeconomic time-series indicators. WORLD☆DATA includes information from 1960 through 1994, with complete data sets from our print publications *World Tables*, *World Debt Tables*, and *Social Indicators of Development*, plus the complete text of *Trends in Developing Economies*.

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

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

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

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

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

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

"A very exciting product"

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

### Yes, please send me the publication specified below

\_\_\_\_\_ WORLD☆DATA 1995: World Bank Indicators on CD-ROM  
US\$275.00/Order No. 13324/Single user version

\_\_\_\_\_ WORLD☆DATA 1995: World Bank Indicators on CD-ROM  
US\$550.00/Order No. 13454/Network version

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

Charge my:

\_\_\_\_\_ VISA    \_\_\_\_\_ MasterCard    \_\_\_\_\_ American Express

\_\_\_\_\_ Credit Card Account Number

\_\_\_\_\_ Expiration Date

\_\_\_\_\_ Signature

Name: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Postal Code: \_\_\_\_\_

Country: \_\_\_\_\_

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

Name: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Postal Code: \_\_\_\_\_

Country: \_\_\_\_\_

1164

Cut out form above and mail to:  
The World Bank  
PO Box 7247-8619  
Philadelphia, PA 19170-8619  
USA

To have your order shipped faster, call 202-473-1155 to charge by credit card, or send this completed order coupon by facsimile to 202-522-2627.

Visit the World Bank's publications catalog on the Internet. Address: <http://www.worldbank.org/>



# New reports from the World Bank

## Trends in Developing Economies 1995

This seventh annual collection of profiles describes the recent economic performance of 119 developing economies as of May 1995. The country profiles describe each country's economic features, current socioeconomic issues, recent political developments, and medium-term prospects and summarize national development strategies.

The text describes current events in and the recent past of each economy. It places the events in context by highlighting the distinguishing characteristics of an economy, its problems and prospects, and the principal elements of its development strategy. Several themes recur from country to country: government initiatives in progress or under consideration; economic and social factors affecting development; and external finance and debt issues.

1995. 586 pages.

## Extracts

Three regional extracts from *Trends in Developing Economies* present analytical descriptions and data on recent socioeconomic performance and trends. Volume 1 covers 23 economies of Eastern Europe and Central Asia. Volume 2 concentrates on 22 developing countries where stock markets have grown rapidly since the early 1980s and foreign investment has increased since 1989. Volume 3 presents individual profiles of 41 Sub-Saharan countries.

- Volume 1. Eastern Europe and Central Asia
- Volume 2. Emerging Capital
- Volume 3. Sub-Saharan Africa

## TIDE☆STARS☆1995

*Trends in Developing Economies* is available on diskette. The World Bank's user-friendly Socioeconomic Time-series Access and Retrieval System includes time-series data for 1979-94 and links between text and data tables. The 3 1/2" diskette allows users of DOS 2.1 or higher operating systems to view and select all the data, which can be exported to other computer applications such as Lotus 1-2-3™, Javelin Plus™, or any program that reads ASCII characters.

Cut out form at right and mail to:  
The World Bank  
PO Box 7247-8619  
Philadelphia, PA 19170-8619  
USA

To have your order shipped faster, call 202-473-1155 to charge by credit card, or send this completed order coupon by facsimile to 202-522-2627.

Yes, please send me the publications specified below

\_\_\_\_\_ Trends in Developing Economies  
US\$28.95/Order No. 13281

### Extracts

\_\_\_\_\_ Volume 1. Eastern Europe and Central Asia  
US\$12.95/Order No. 13282

\_\_\_\_\_ Volume 2. Emerging Capital Markets  
US\$12.95/Order No. 13283

\_\_\_\_\_ Volume 3. Sub-Saharan Africa  
US\$12.95/Order No. 13284

### TIDE☆STARS

\_\_\_\_\_ Individual version  
US\$45.00/Order No. 13406

\_\_\_\_\_ Network version  
US\$90.00/Order No. 13408

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

### Charge my:

\_\_\_\_\_ VISA      \_\_\_\_\_ MasterCard      \_\_\_\_\_ American Express

\_\_\_\_\_ Credit Card Account Number

\_\_\_\_\_ Expiration Date

\_\_\_\_\_ Signature

Name: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

City/State/Postal Code: \_\_\_\_\_

Country: \_\_\_\_\_

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

Name: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

City/State/Postal Code: \_\_\_\_\_

Country: \_\_\_\_\_

# Get a global view of the labor situation today—plus a preview of the future

## World Development Report 1995: Workers in an Integrating World

The first edition in the series devoted to a study of the linkages between development strategies and labor. The *Report* explains how changes in the world economy are affecting the lives and expectations of workers across the world. Current trends are bringing new opportunities to billions of people, and these changes are set to continue. Factors that influence the labor supply, the demand for labor, and the functioning of labor markets are examined in detail. The *Report* also explores the relations between international economies and labor. A central message is that market-based development strategies are the best way to raise living standards of workers, including the world's poorest. Also included are *World Development Indicators 1995*, see below.

*Published for the World Bank by Oxford University Press.  
18th Edition, 252 pages.*

"Takes on a question which ought to be at the top of the international policymaking agenda in years to come."

—*The Financial Times*

## World Development Indicators 1995: Data on Diskette

Statistical tables providing instant access to the most comprehensive and current data on social and economic development in more than 200 economies. Data range from agricultural production to international trade. *World Development Indicators* are available in electronic form, so that users can access the data on a personal computer. Each package includes a users guide to the ☆STARS☆ retrieval system and a 3½" double density diskette for PCs with a hard disk, at least 512K RAM, and MS-DOS version 2.1 or higher.

## World Development Report on CD-ROM, 1978–95

A complete archive of all World Development Reports, this CD-ROM is a mine of information on the economic and social state of the world today. These 18 editions of the Report represent the World Bank's leading contribution to the economic development debate. With its easy-to-use but powerful search engine, this product gives you an invaluable resource and a comprehensive database on the development debate. System requirements: Windows 3.1, minimum 4MB free RAM, 386 or faster processor, CD-ROM drive to MPC level 1 specification.

*Published for the World Bank by Asia 2000 Ltd.*

*Available in the U.S. from the World Bank.*

*For availability in other countries contact:*

*Asia 2000 Ltd.*

*46–48 Wyndham Street, Winning Centre, 7th Floor  
Central, Hong Kong*

*Tel: 2530-1409*

*Fax: 2526-1107*

**Yes, please send me the publications specified below**

\_\_\_\_\_ World Development Report 1995  
US\$19.95/Order No. 61102/Paperback/252 pages

\_\_\_\_\_ World Development Indicators 1995: Data on Diskette  
US\$45.00/Order No. 12921/Single user version  
US\$90.00/Order No. 13412/Network version

\_\_\_\_\_ World Development Report on CD-ROM, 1978–95  
US\$375.00/Order No. 31590/Single user version  
US\$750.00/Order No. 31604/Network version

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

Charge my:

\_\_\_\_\_ VISA    \_\_\_\_\_ MasterCard    \_\_\_\_\_ American Express

\_\_\_\_\_ Credit Card Account Number

\_\_\_\_\_ Expiration Date

\_\_\_\_\_ Signature

Name: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Postal Code: \_\_\_\_\_

Country: \_\_\_\_\_

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

Name: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Postal Code: \_\_\_\_\_

Country: \_\_\_\_\_

1166

*Cut out form above and mail to:*

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

*To have your order shipped faster, call 202-473-1155 to charge by credit card, or send this completed order coupon by facsimile to 202-522-2627.*



# World Bank quarterlies

## Commodity Markets and the Developing Countries

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

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

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

- Foods: bananas, beef, citrus, shrimp, sugar; cocoa, coffee, tea; coconut oil, palm oil, soybean oil; maize, rice, wheat
  - Agricultural raw materials: cotton, jute, rubber, timber
  - Metals and minerals: aluminum, copper, gold, iron ore and steel
  - Energy resources: coal, natural gas, petroleum
  - Fertilizers: potassium chloride, TSP, urea
- Issued February, May, August, and November.*  
*Approximately 40 pages/ISSN 1020-0967*

## Financial Flows and the Developing Countries

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

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

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

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

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

*Issued February, May, August, and November.*  
*36 pages/ISSN 1020-0975*

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

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

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

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

Charge my:

\_\_\_\_\_ VISA    \_\_\_\_\_ MasterCard    \_\_\_\_\_ American Express

\_\_\_\_\_ *Credit Card Account Number*

\_\_\_\_\_ *Expiration Date*

\_\_\_\_\_ *Signature*

Name: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Postal Code: \_\_\_\_\_

Country: \_\_\_\_\_

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

Name: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Postal Code: \_\_\_\_\_

Country: \_\_\_\_\_

1167

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

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

# COMMODITY MARKETS AND THE DEVELOPING COUNTRIES

A WORLD BANK QUARTERLY

*Commodity Markets and the Developing Countries* is produced by the Commodity Policy and Analysis Unit of the International Economics Department of the World Bank. For information about the contents call Donald Mitchell at 202-473-3854 or fax 202-477-0569. The opinions expressed are those of the authors and should not be attributed in any manner to the World Bank, to its Board of Executive Directors, or to the countries they represent. It is published quarterly in February, May, August, and November. The annual subscription rate is \$150.00. Send subscription orders to World Bank Publications, Box 7247-7956, Philadelphia, PA 19170-7956, USA.



© 1995 The International Bank for Reconstruction and Development/The World Bank  
1818 H Street, NW, Washington, DC 20433, USA.  
All rights reserved  
Manufactured in the United States of America  
Vol. 2, no. 4  
ISSN 1020-0967  
ISBN 0-8213-3425-5



*Printed on recycled paper.*