

Global Commodity Markets

COMMODITIES TEAM OF DECPG, WORLD BANK

monthly update

september 1999

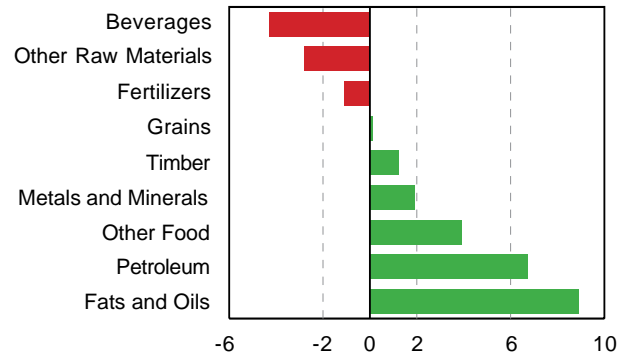
Commodity prices extended the rally which began nearly six months ago as supply control programs continued to support prices and the economic outlook improved in East Asia. Prices also got a boost from the weakness in the US dollar relative to the yen. All major groups of commodities – agriculture, energy and metals – were higher and market sentiment seems to have shifted somewhat from bearish to bullish for many commodities. However, agricultural commodities seem unable to shake their bearish cloud.

Petroleum prices were up 0.8% in August on improving fundamentals and strong buying from investment funds. OPEC continues to maintain a high degree of compliance to its production agreement and oil inventories are declining. It is unlikely that OPEC will agree to raise production at its upcoming meeting in September, and the expectation of tight markets this winter is contributing to the current buying pressure. In late August, Oil Ministers from Mexico, Saudi Arabia and Venezuela agreed to leave production quotas unchanged through March 2000.

Metals and minerals prices rose 1.9% with most of the strength occurring in nickel and zinc. All other metals prices recorded only modest gains during the summer slowdown, although a wave of merger activity spread across the aluminum and copper industries. Investment funds were active in nickel and zinc, buoyed by strengthening demand and supply tightness.

Percentage Change in Price Indices

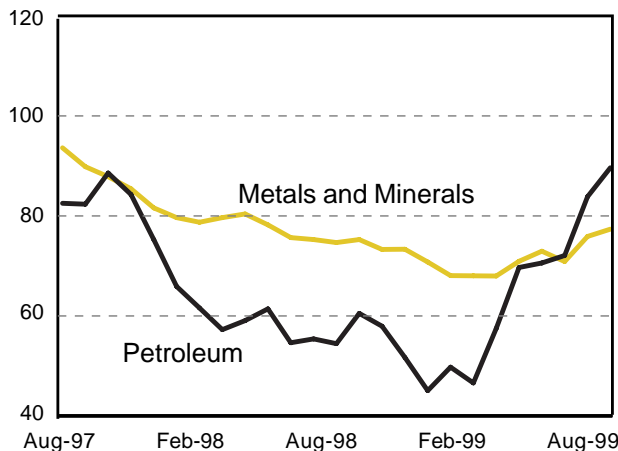
July 1999 - August 1999



Agricultural prices were up 0.5% in August. The increase was the first in three months and was due mostly to the 8.9% increase in fats and oils prices. However, the increase only partially removes the 9% fall in July and still leaves the index down 38% from the high in 1997. Soybean prices were also up 9.8%. However, other agricultural prices were mixed. Beverage prices continued to fall, with cocoa, coffee, and tea prices lower as large supplies continue to plague the market. Grain prices were mixed, with wheat prices higher and rice prices lower. Beef and sugar prices were both higher reflecting expected improvements in demand. Timber prices rose mostly due to the strength of the yen, but also due to Japan's improved economic outlook.

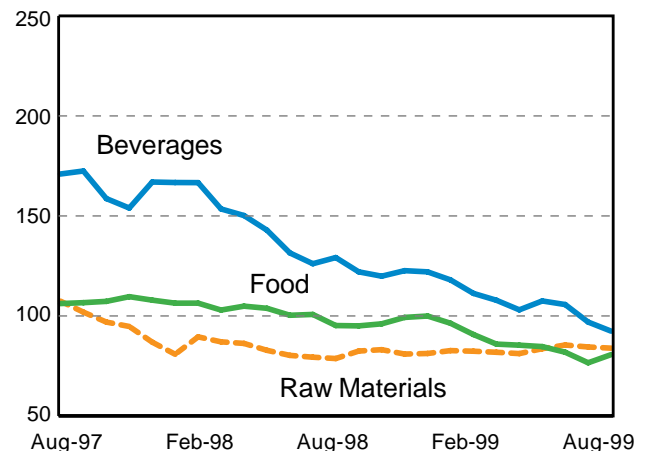
Petroleum and Metals Price Indices

August 1997 - 99 (1990 = 100)



Agriculture Price Indices

August 1997 - 99 (1990 = 100)



Major Movers in August

Beef prices rose 15.4% due to a sharp increase in import demand from Southeast Asia.

Cocoa prices fell an additional 10.3% in August, following the 4.3% decline in July. Recent estimates are that production in the third quarter of 1999 will be up 14% over the same quarter of last year (from 333,100 tons to 386,200 tons) while grindings are expected to decline by 1% (according to LMC International).

Coffee prices were mixed, with arabica prices down 3.5% following the 11.5% decline in July. Prospects for the next Brazil crop look good. Robusta prices gained 2.5% following reports that Indonesia, the dominant Asian robusta producer, may have as much as 30% lower production than originally anticipated.

Cotton prices fell 6.3% in August reaching a new low of 112.4 ¢/kg – more than 25% lower than during August of last year. Good production prospects combined with weak demand-side fundamentals account for the fall in prices. However, USDA's most recent US crop assessment was about 300,000 tons lower than the earlier forecast and this may support prices.

Fats & oils prices rebounded from the July lows, with palmoil prices up 10.2% and soybean oil prices up 6.4% in August while palmkernel oil prices increased by almost 22%. Dry conditions in major US soybean growing areas prompted USDA to reduce its soybean crop estimate by 3.3% in September causing soybean prices to rise 9.8%.

Fertilizer prices were mixed, with **DAP** down 4.0%, **TSP** down 1.7%, and **urea** prices up 6.9%. Urea prices rebounded from severely depressed levels and efforts by Baltic exporters to set higher minimum prices.

US Natural gas prices surged 20.8% due to higher demand for air-conditioning brought on by hot weather in August. This caused storage injections to slip further behind last year's levels, raising concerns about US supply deliverability this winter.

Nickel prices rose sharply (+13.1%) on low stocks, a threat of supply disruption in Canada, and production tightness elsewhere.

Rice prices fell 5.6% on weaker fundamentals including lower imports by Indonesia and stronger exports from India and Thailand. USDA's estimates of world production and stocks were also raised slightly.

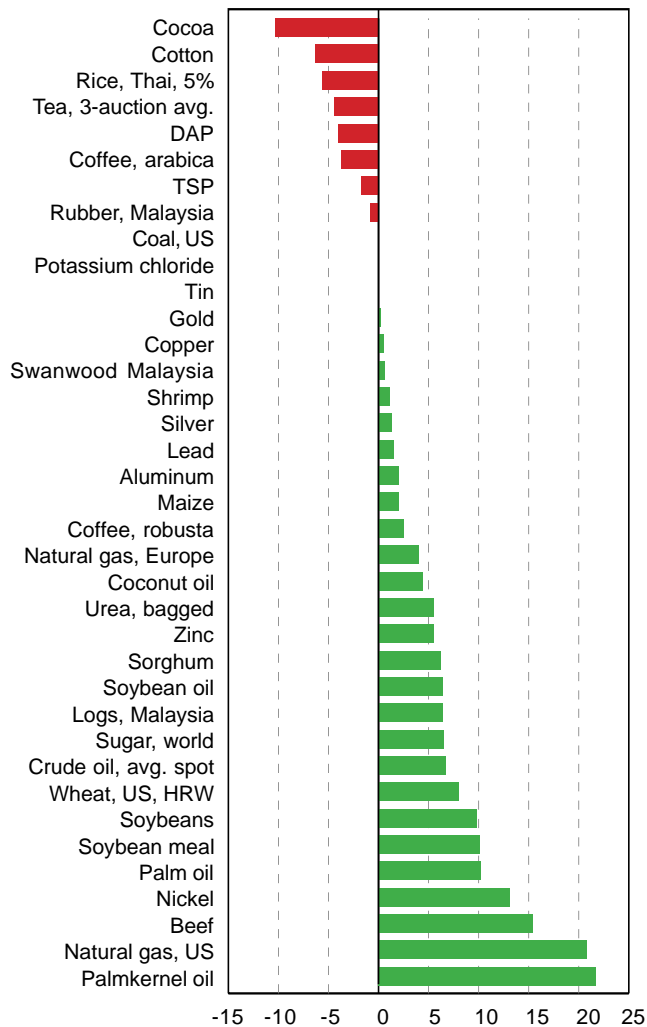
Tea (3-auction) prices were lower, with Colombo and Mombasa auctions' prices showing small gains while prices at the Calcutta auction declined by 13% due to seasonal characteristics associated with the deteriorating quality of the crop. Trading volumes have been firm.

Timber prices were higher, with Malaysian logs up 6.4% due mostly to the strength of the yen relative to the US dollar. Improved economic conditions in Japan are also expected to lead to better demand prospects for Asian timber.

Wheat prices rose 8.0% on delayed winter wheat plantings in the US and hopes of larger exports. The fundamentals have improved from last year, but still remain bearish. Global production for the 1999/00 crop is down 1.9% from last year and ending stocks are projected to be down 8.4%; production and stocks are still adequate. A sustained rally is not expected.

Zinc prices increased more than 5.5% due to falling inventories and relatively tight supplies in Asia. A strike at the Kidd Creek mine in Canada ended in early August, easing supply problems in Canada, but supplies out of China have been lower than expected.

**Percentage Change in Price
July 1999 - August 1999**



COMMODITY PRICE DATA

Commodity	Unit	Quarterly Averages					Monthly Averages			Changes (%)			
		Jul-Sept 1998	Oct-Dec 1998	Jan-Mar 1999	Apr-Jun 1999	Jul-Sept 1999	Jun 1999	Jul 1999	Aug 1999	Q2 '99/ Q1 '98	Q2 '99/ Q2 '98	Aug '99/ Jul '99	Aug '99/ Aug '98
Energy													
Coal, Australia	\$/mt	30.49	27.76	26.43	26.10	26.10	26.10	26.10	26.10	-14.4	0.0	0.0	-0.4
Coal, US	\$/mt	34.76	34.04	33.50	33.50	33.17	33.00	33.00	33.00	-4.6	-1.0	0.0	-2.9
Crude oil, avg. spot*	\$/bbl	13.36	13.01	11.85	11.79	16.10	16.39	18.99	20.27	20.5	36.6	6.7	62.3
Crude oil, Brent*	\$/bbl	13.29	12.42	11.09	11.24	15.40	15.77	19.01	20.22	15.9	37.0	6.4	70.2
Crude oil, Dubai*	\$/bbl	12.08	12.41	11.56	11.07	15.26	15.52	17.88	19.34	26.3	37.9	8.2	58.8
Crude oil, W. TX Int'l*	\$/bbl	14.64	14.16	12.90	13.05	17.66	17.89	20.07	21.25	20.6	35.3	5.9	58.6
Natural gas, Europe	\$/mmbtu	2.52	2.37	2.15	1.99	1.89	1.91	2.00	2.08	-25.0	-5.0	4.0	-12.2
Natural gas, US	\$/mmbtu	2.24	2.01	1.91	1.81	2.23	2.30	2.31	2.79	-0.4	23.2	20.8	50.8
Non-Energy Commodities													
Agriculture													
Beverages													
Cocoa**	¢/kg	174.2	169.5	159.1	139.4	113.6	116.3	111.3	99.8	-34.8	-18.5	-10.3	-40.7
Coffee, arabica**	¢/kg	303.5	259.2	252.4	238.0	235.5	236.4	209.1	201.4	-22.4	-1.1	-3.7	-25.8
Coffee, robusta**	¢/kg	192.9	173.5	179.7	172.7	149.1	144.6	135.7	139.1	-22.7	-13.7	2.5	-20.5
Tea, Calcutta auctions**	¢/kg	229.5	214.5	190.0	162.3	223.4	229.2	241.4	210.1	-2.7	37.6	-13.0	-1.2
Tea, Colombo auctions**	¢/kg	215.3	197.3	181.4	160.3	145.9	144.3	160.3	166.4	-32.2	-9.0	3.8	-18.0
Tea, Mombasa auctions**	¢/kg	169.0	171.2	164.6	180.3	175.1	167.8	166.5	167.0	3.7	-2.8	0.3	-1.9
Food													
Fats and Oils													
Coconut oil**	\$/mt	664.3	662.0	740.3	736.0	832.3	796.0	660.0	689.0	25.3	13.1	4.4	3.3
Copra	\$/mt	404.7	404.7	459.3	457.7	521.3	530.0	449.0	431.0	28.8	13.9	-4.0	6.9
Groundnut meal	\$/mt	114.3	108.0	105.0	102.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Groundnut oil**	\$/mt	906.3	862.7	857.7	808.0	755.7	753.0	766.0	781.0	-16.6	-6.5	2.0	-9.4
Palm oil**	\$/mt	675.3	679.3	679.3	563.3	458.7	392.0	322.0	355.0	-32.1	-18.6	10.2	-47.3
Palmkernel oil	\$/mt	706.3	694.3	741.0	704.7	729.0	656.0	571.0	695.0	3.2	3.5	21.7	0.4
Soybean meal**	\$/mt	162.0	149.0	160.7	145.7	140.0	139.0	138.0	152.0	-13.6	-3.9	10.1	4.8
Soybean oil**	\$/mt	654.0	606.3	606.3	492.3	426.7	410.0	392.0	417.0	-34.8	-13.3	6.4	-29.6
Soybeans**	\$/mt	249.3	224.3	229.0	210.3	200.0	194.0	183.0	201.0	-19.8	-4.9	9.8	-8.2
Grains													
Maize**	\$/mt	105.8	91.6	96.5	95.9	93.4	93.7	84.0	85.7	-11.7	-2.6	2.0	-2.5
Rice, Thai, 5%**	\$/mt	318.4	322.3	282.2	278.7	244.5	253.8	259.0	244.5	-23.2	-12.2	-5.6	-23.9
Rice, Thai, 25%	\$/mt	262.0	273.7	257.7	239.6	211.6	223.2	231.0	220.3	-19.3	-11.7	-4.7	-19.9
Rice, Thai, 35%	\$/mt	249.7	262.1	251.6	232.9	205.9	217.4	225.0	215.3	-17.5	-11.6	-4.3	-18.6
Rice, Thai, A1.Special	\$/mt	199.8	225.6	238.5	214.2	189.5	200.2	216.0	202.8	-5.1	-11.6	-6.1	-11.4
Sorghum**	\$/mt	100.4	90.5	90.0	90.9	87.6	86.0	76.9	81.6	-12.8	-3.6	6.2	-10.3
Wheat, Canada	\$/mt	165.3	153.0	164.7	160.7	148.2	151.1	146.8	147.6	-10.3	-7.7	0.5	-2.5
Wheat, US, HRW**	\$/mt	126.6	111.6	127.7	119.9	112.8	111.4	103.0	111.3	-10.9	-5.9	8.0	3.1
Wheat, US, SRW	\$/mt	112.6	95.3	109.0	99.5	96.4	92.9	85.3	92.8	-14.4	-3.1	8.8	-0.1
Other Food													
Bananas**	\$/mt	567.5	456.5	520.1	479.3	444.0	421.5	411.6	412.1	-21.8	-7.4	0.1	5.5
Beef**	¢/kg	176.1	166.7	166.2	177.1	175.6	176.2	179.6	207.3	-0.3	-0.9	15.4	23.4
Fishmeal	\$/mt	681.3	670.3	601.3	453.3	343.3	345.0	355.0	371.0	-49.6	-24.3	4.5	-44.6
Lamb	¢/kg	272.3	251.1	264.2	247.0	263.2	267.9	264.0	269.2	-3.3	6.5	2.0	9.8
Oranges**	\$/mt	450.1	516.3	415.1	420.3	458.6	484.4	460.3	492.4	1.9	9.1	7.0	-3.1
Shrimp	¢/kg	1661	1574	1427	1413	1470	1499	1499	1516	-11.5	4.0	1.1	-4.5
Sugar, EU, domestic**	¢/kg	59.59	58.59	60.88	59.72	58.78	58.36	57.54	58.75	-1.4	-1.6	2.1	1.6
Sugar, US, domestic**	¢/kg	49.15	49.10	48.27	49.45	49.88	49.89	49.82	46.85	1.5	0.9	-6.0	-4.4
Sugar, world**	¢/kg	19.85	17.92	17.34	15.40	12.63	13.32	11.86	12.63	-36.4	-18.0	6.5	-32.9
Raw Materials													
Timber													
Logs, Cameroon	\$/cum	282.7	279.4	295.9	282.3	255.3	245.2	243.8	250.5	-9.7	-9.6	2.7	-9.0
Logs, Malaysia**	\$/cum	150.2	140.7	162.0	175.3	178.4	183.6	186.5	198.4	18.8	1.8	6.4	44.9
Plywood	¢/sheet	361.1	344.3	395.2	426.4	429.9	430.1	423.6	446.2	19.1	0.8	5.3	33.1
Sawnwood, Cameroon	\$/cum	523.6	519.2	532.0	461.5	424.4	419.2	424.7	444.4	-18.9	-8.0	4.6	-13.4
Sawnwood, Malaysia**	\$/cum	476.7	465.5	519.8	544.3	582.8	608.4	625.9	629.4	22.2	7.1	0.6	38.2
Woodpulp	\$/mt	540.5	507.5	458.3	447.6	491.5	508.0	507.4	507.4	-9.1	9.8	0.0	-0.1

Continued

COMMODITY PRICE DATA (continued)

Commodity	Unit	Quarterly Averages					Monthly Averages			Changes (%)			
		Jul-Sept 1998	Oct-Dec 1998	Jan-Mar 1999	Apr-Jun 1999	Jul-Sept 1999	Jun 1999	Jul 1999	Aug 1999	Q2 '99/ Q1 '98	Q2 '99/ Q2 '98	Aug '99/ Jul '99	Aug '99/ Aug '98
Non-Energy Commodities (continued)													
Agriculture (continued)													
Other Raw Materials													
Cotton**	¢/kg	146.2	150.2	127.5	123.9	129.4	129.0	120.0	112.4	-11.5	4.5	-6.3	-25.2
Jute	\$/mt	258.8	260.0	270.0	250.0	260.0	280.0	290.0	290.0	0.5	4.0	0.0	11.5
Rubber, Malaysia**	¢/kg	75.3	68.0	70.6	68.0	59.7	60.4	56.6	56.2	-20.6	-12.1	-0.8	-14.0
Rubber, NY	¢/kg	92.0	86.1	87.0	83.7	77.5	76.4	74.1	74.1	-15.8	-7.4	0.1	-12.9
Rubber, Singapore	¢/kg	73.4	68.3	69.0	65.5	59.9	61.1	55.9	54.9	-18.4	-8.6	-1.9	-15.0
Sisal	\$/mt	805.0	850.0	850.0	779.2	731.7	695.0	680.0	650.0	-9.1	-6.1	-4.4	-23.5
Wool	¢/kg	350.8	313.0	307.2	301.4	307.8	306.0	n.a.	n.a.	-12.3	2.1	n.a.	n.a.
Fertilizers													
DAP	\$/mt	205.3	209.5	204.4	199.3	189.7	186.6	182.3	175.0	-7.6	-4.8	-4.0	-16.7
Phosphate rock**	\$/mt	43.0	43.0	43.0	44.0	44.0	44.0	44.0	44.0	2.3	0.0	0.0	2.3
Potassium chloride	\$/mt	116.5	116.5	118.1	119.1	122.5	122.5	122.5	122.5	5.2	2.9	0.0	5.2
TSP**	\$/mt	175.9	175.0	168.9	164.1	162.6	161.8	153.9	151.3	-7.5	-0.9	-1.7	-13.6
Urea, E. Europe, bagged	\$/mt	111.7	102.3	88.0	79.5	75.9	75.0	74.8	78.9	-32.0	-4.6	5.5	-24.2
Urea, E. Europe, bulk	\$/mt	89.5	84.8	68.3	67.6	64.6	63.3	63.6	68.0	-27.8	-4.4	6.9	-20.9
Metals and Minerals													
Aluminum**	\$/mt	1363	1321	1283	1196	1306	1315	1404	1431	-4.2	9.2	2.0	9.2
Copper**	\$/mt	1731	1640	1545	1407	1467	1422	1640	1648	-15.3	4.2	0.5	1.6
Gold	\$/toz	299.9	288.7	293.9	286.8	273.5	261.3	256.1	256.7	-8.8	-4.6	0.2	-9.7
Iron ore**	¢/dmtu	29.69	29.69	29.69	26.96	26.96	26.96	26.96	26.96	-9.2	0.0	0.0	-9.2
Lead**	¢/kg	54.8	53.4	49.6	50.5	51.9	49.6	49.6	50.3	-5.3	2.9	1.5	-6.3
Nickel**	\$/mt	4963	4169	3961	4635	5232	5195	5700	6449	5.4	12.9	13.1	58.0
Silver	¢/toz	571.2	522.0	495.8	530.2	515.6	507.7	522.8	529.4	-9.7	-2.8	1.3	2.5
Steel products (8) index*** 1990=100		76.7	73.4	69.0	64.1	66.4	67.5	68.5	70.7	-13.5	3.5	3.2	-4.1
Steel-cold rolled coilsheet	\$/mt	386.7	360.0	320.0	306.7	328.3	335.0	340.0	350.0	-15.1	7.1	2.9	-2.8
Steel-hot rolled coilsheet	\$/mt	293.3	270.0	236.7	206.7	223.3	235.0	240.0	270.0	-23.9	8.1	12.5	0.0
Steel, rebar	\$/mt	260.0	233.3	240.0	230.0	230.0	230.0	240.0	240.0	-11.5	0.0	0.0	4.3
Steel, wire rod	\$/mt	336.7	336.7	326.7	293.3	290.0	290.0	290.0	290.0	-13.9	-1.1	0.0	-14.7
Tin**	¢/kg	585.3	561.0	538.9	524.6	543.6	526.6	523.0	523.0	-7.1	3.6	0.0	-8.1
Zinc**	¢/kg	105.6	102.3	95.6	99.3	102.0	100.1	107.2	113.1	-3.4	2.7	5.5	9.8
World Bank Commodity Price Indices for Low and Middle Income Countries (1990 = 100)													
Petroleum		58.4	56.9	51.8	51.5	70.4	71.6	83.0	88.6	20.6	36.6	6.7	62.3
Non-Energy Commodities		101.0	95.2	94.5	89.8	87.8	87.5	85.6	86.3	-13.0	-2.2	0.8	-9.0
Agriculture		109.7	102.6	102.7	97.6	93.4	93.3	88.7	89.2	-14.8	-4.3	0.5	-12.7
Beverages		144.2	129.0	124.9	116.0	109.3	109.6	101.1	96.7	-24.2	-5.8	-4.3	-26.9
Food		107.0	101.1	102.6	95.3	88.6	86.5	81.4	85.3	-17.2	-7.1	4.8	-14.1
Fats and Oils		132.6	127.2	131.5	115.6	106.0	99.1	89.6	97.5	-20.1	-8.3	8.9	-22.2
Grains		104.5	98.3	96.5	94.3	86.8	87.9	84.3	84.4	-17.0	-8.0	0.1	-12.6
Other Food		87.3	81.4	82.4	79.3	75.3	75.4	73.1	75.9	-13.8	-5.1	3.9	-4.7
Raw Materials		87.7	84.9	86.4	86.9	88.0	90.0	89.0	88.5	0.3	1.3	-0.6	6.0
Timber		88.8	86.3	96.7	101.7	108.2	112.8	115.8	117.3	21.8	6.4	1.2	39.0
Other Raw Materials		87.0	83.9	79.4	76.8	74.2	74.5	70.8	68.8	-14.6	-3.4	-2.8	-16.9
Fertilizers		123.4	123.0	120.1	118.7	118.0	117.6	113.8	112.5	-4.4	-0.6	-1.1	-8.5
Metals and Minerals		77.4	74.5	72.0	67.7	71.2	70.5	75.3	76.7	-8.1	5.1	1.9	3.5

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

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

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