COMMODITY MARKETS AND THE DEVELOPING COUNTRIES

A WORLD BANK QUARTERLY

NOVEMBER 1994

Nonfuel primary commodity prices rose an average of 17% for the quarter. The index of food prices jumped 27% as beverage prices soared 63%. The index of agricultural nonfood commodity prices increased 8%. The index of metals and minerals prices rose 7%, and the index of petroleum prices increased 8%.

CHANGE IN QUARTERLY AVERAGES
Percent

Nonfuel	+17.0
Food	+26.7
Grains	–15.6
Maize	–13.1
Rice	–18.4
Fats and oils	+4.4
Beverages	+62.7
Mild coffee	+ 79.9
Palm oil	+17.7
Other	+4.6
Nonfood agriculture	+ 7.7
Natural rubber	+24.4
Metals and minerals	+6.5
Petroleum	+7.8

ENERGY

FERTILIZERS

SUMMARY

Commodity prices continued to rise sharply during the third quarter. The World Bank's index of 33 nonfuel primary commodity prices rose 17% between June and September. The increase was broad-based; only two of the nine subindices—cereals and timber—declined. Petroleum prices (not included in the index) moderated; the average spot price of OPEC crude oil increased 7.8%, down from its 25% rise during the previous quarter.

Tightening supplies of some agricultural commodities are having a strong impact on prices. The greatest rise was in coffee. Prices of robusta, Brazil, and other mild coffees increased about 80% during the quarter. Dry weather in Brazil struck another blow to prospects for coffee yields, already suffering the effects of frost damage earlier in the season. Although coffee export volumes declined in response to the stock retention program and lower stocks in producing countries, coffee export revenues rose sharply. Cocoa prices rose 12% on prospects of a moderate reduction in stocks, and tea prices were relatively stable. Despite increased soybean and copra production, vegetable oil prices continued to rise on strong import demand, but soybean meal prices declined under pressure from the large US soybean harvest.

Prices reflect mixed prospects for grain crops. Lower wheat production set off a price rise in September. Record maize production and stable import demand have pushed prices down 21% since the first quarter. Rice prices remained weak as Japan's import demand moderated on expectations of a near-record domestic crop.

Cotton production in the northern hemisphere is higher. World output is now expected to fully meet increasing consumption needs, and prices dropped 10% during the early harvest period. Natural rubber stocks have been drawn down by strong demand from automobile manufacturers and lower production in Malaysia. Tight supplies of raw materials for producing synthetic rubber are holding back production. The rubber market is expected to remain tight and prices buoyant for the remainder of the year.

The minerals and metals price index averaged 6.6% higher than in the previous quarter, in response to stock liquidation and demand growth in industrial countries. Copper stocks have stabilized with increased demand in the United States and mild recovery in Europe. Copper mines are being reopened, and additional capacities are anticipated within a few years to accommodate demand growth. Nickel demand is being stimulated by robust stainless steel production in OECD countries. China's anti-inflation measures have slowed steel output and imports.

FIGURE 1. WEIGHTED INDEX OF COMMODITY PRICES

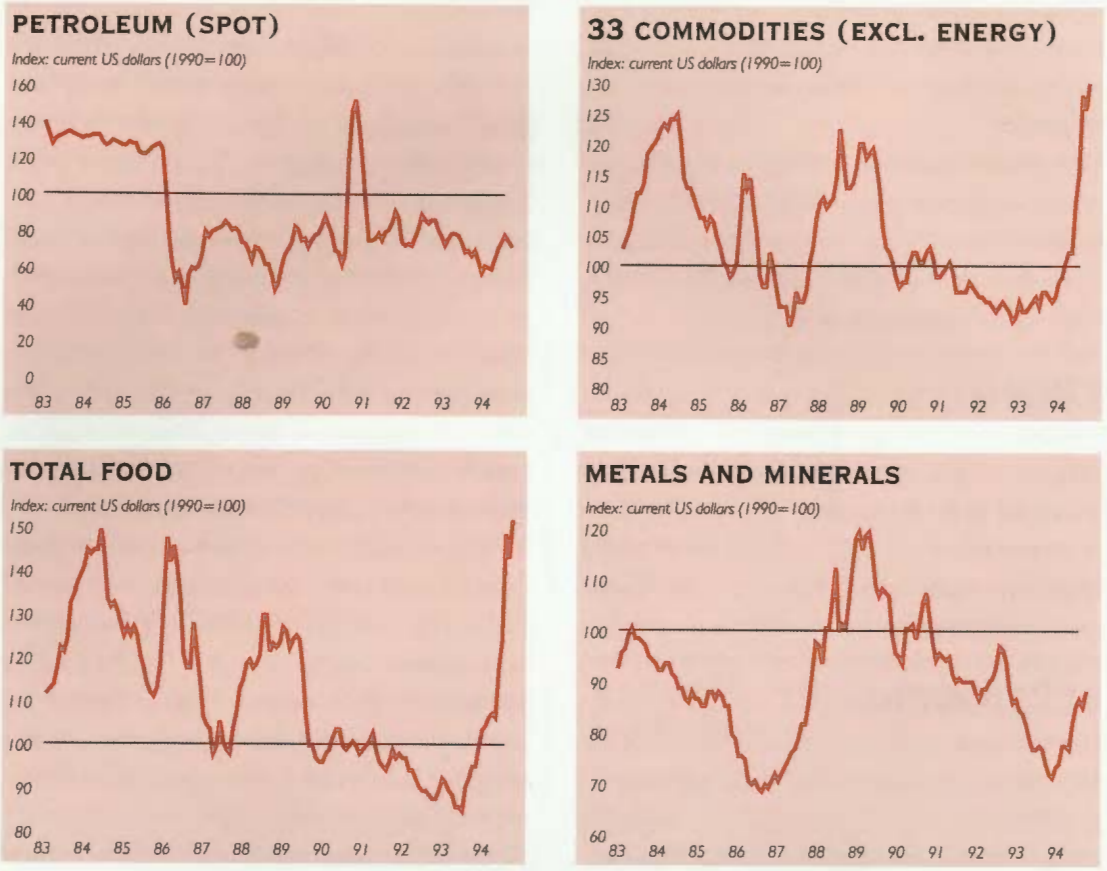


TABLE 1. WEIGHTED INDEX OF COMMODITY PRICES IN CURRENT DOLLARS
1990=100

		33 commodities (excluding energy)	Total agriculture	Food					Nonfood agriculture	Timber	Metals and minerals
	Petroleum	(100.0)	(67.7)[a]	Total food (53.2)[a]	Beverages (22.3)[a]	Grains (9.4)[a]	Fats and oils (9.3)[a]	Other (12.3)[a]	(14.4)[a]	(5.2)[a]	(27.1)[a]
Annual											
1991	81.6	97.0	98.2	97.9	94.4	102.7	107.5	93.3	99.2	108.1	91.9
1992	81.2	93.0	92.0	91.4	77.3	100.5	119.2	88.8	94.3	118.2	90.6
1993	71.8	94.3	91.4	92.0	82.1	98.2	114.4	88.1	89.2	220.0	77.4
Quarterly											
3Q93	68.8	95.3	91.5	92.6	86.2	91.5	116.1	87.3	87.3	244.8	76.1
4Q93	64.4	95.4	97.2	99.6	91.7	116.8	117.8	87.2	88.2	191.2	72.4
1Q94	60.6	100.1	104.0	105.7	93.6	134.7	125.0	91.2	97.5	170.9	76.5
2Q94	70.4	109.1	113.9	116.2	123.6	121.0	131.3	87.4	105.7	190.8	81.4
3Q94	75.9	127.6	140.1	147.2	201.1	102.1	137.1	91.5	113.8	178.5	86.7
Monthly											
1993 Sep	67.0	94.8	93.6	95.3	92.0	92.8	112.8	90.0	87.4	216.7	74.2
1993 Oct	70.3	94.1	93.8	95.6	89.9	103.6	108.3	90.3	87.0	213.4	71.9
1993 Nov	65.0	94.9	97.0	99.5	91.2	120.0	115.7	86.9	87.7	188.1	71.6
1993 Dec	57.8	97.2	100.8	103.7	93.9	126.9	129.4	84.3	90.0	171.9	73.8
1994 Jan	61.5	97.7	101.7	104.1	89.5	136.9	128.7	87.2	92.5	166.4	74.5
1994 Feb	60.6	100.6	104.5	106.2	93.5	136.7	124.1	92.6	98.2	171.2	77.4
1994 Mar	59.8	101.8	105.8	106.9	97.7	130.4	122.2	93.9	101.8	175.2	77.7
1994 Apr	65.6	102.2	105.9	106.5	99.6	126.3	125.1	89.9	103.7	184.1	77.2
1994 May	70.7	110.1	115.0	117.7	126.2	122.5	132.3	87.6	105.2	193.9	81.7
1994 Jun	75.0	115.0	120.8	124.3	145.1	114.1	136.6	84.9	108.1	194.5	85.3
1994 Jul	78.9	128.2	140.3	147.7	204.5	102.8	130.6	91.8	112.8	187.4	86.8
1994 Aug	76.2	125.1	136.8	142.9	190.9	101.9	138.4	90.6	114.4	178.8	85.3
1994 Sep	72.6	129.6	143.2	151.1	208.0	101.5	142.4	92.1	114.1	169.3	88.1

a. Percentage share of commodity group in 33-commodity index.

WORLD BANK LENDING FOR COMMODITIES

World Bank lending has contributed significantly to the increased production of primary commodities and energy. Commodity-related lending continues to be a large part of total World Bank lending, though its share has been declining in recent years. The changing needs of borrowing countries suggest that lending for the environment and social sectors will increase more rapidly in the future than will lending for commodities. The emphasis of lending is also shifting, toward using resources more efficiently rather than increasing the amount devoted to commodity production. This redirection is evident in efforts to use energy more efficiently and to promote the intensification of sustainable agricultural production systems and practices. Current lending for commodities also places more emphasis on environmental impacts, multipurpose uses of resources such as land and water, and private sector involvement.

World Bank lending to developing countries was $20.8 billion in fiscal 1994—$14.2 billion for 124 projects under the International Bank for Reconstruction and Development (IBRD) and $6.6 billion for 104 projects under the International Development Association (IDA)—down in nominal terms from $23.7 billion in fiscal 1993. Bank lending varies from year to year, in response to individual country circumstances, but two other factors also help account for the decline in fiscal 1994. The availability of private capital to developing countries increased sharply in calendar 1993, to $175 billion, so countries needed far less of the balance of payments support that normally accompanies reform programs, and more funds were available from regional development banks following replenishment of their resources.

Lending for commodities is included in several categories of Bank lending: agriculture, energy, and mining. In fiscal 1994 lending for agricultural projects accounted for 18.75% of Bank lending (table 2). Lending for energy totaled $2.8 billion, or 13.2% of total Bank lending, equally divided between power projects and oil, gas, and coal projects. Less than 0.1% of Bank lending, $14 million, was devoted to mining and other extractive activities, though this amount does not reflect all lending for metals and minerals (some industry loans may also include lending for metals, minerals, and fertilizer projects).

LENDING FOR AGRICULTURE

At $3.9 billion, lending for agricultural and rural development was the largest category of spending in fiscal 1994. Much of this lending was commodity-related, though it is difficult to break out commodity-specific lending since many projects have several components. Lending for agriculture and rural development has slipped from 30% of total lending during the early 1980s to a little less than 20% in recent years. Much of the decline can be attributed to the need to exclude or drastically reform the types of projects that have performed poorly—economically, financially, and environmentally. Low commodity prices also discouraged agricultural investments. Since 1980 lending for agriculture has averaged $3.7 billion per year in nominal terms (figure 2).

The Bank invests in environmentally sound agricultural projects. That means designing new projects that use appropriate

TABLE 2. WORLD BANK LENDING BY MAJOR PURPOSE, FISCAL 1992–94

Billions of US dollars

Purpose	*1992*	*1993*	*1994*
Agriculture	3.90	3.27	3.91
Education	1.88	2.01	2.07
Energy			
Oil, gas, coal	0.99	0.98	1.39
Power	3.06	2.61	1.37
Environment	—	0.07	0.75
Financial sector	1.53	0.96	1.50
Industry	0.34	0.33	0.69
Mining and other extractive activities	0.01	0.26	0.01
Multisector	3.43	3.60	1.42
Population, health, and nutrition	0.96	1.81	0.89
Public sector management	0.76	1.01	0.69
Social sector	—	—	0.15
Telecommunications	0.43	0.35	0.42
Tourism	—	0.13	0.02
Transportation	2.30	3.85	3.29
Urban development	1.20	1.31	1.28
Water supply and sewerage	0.91	1.15	0.98
Total	21.71	23.70	20.84

Source: World Bank Annual Report, 1994.

technologies and strengthening local institutions so that they can manage natural resources and formulate sound public policies. As these types of projects come on-stream, there should be an increase in lending that focuses on the links between agriculture and the environment, notably in such areas as watershed management, river basin development, and soil conservation. The Bank mandates an environmental assessment for all projects that may harm the environment.

A 1993 policy paper on water resources management calls for the adoption of a comprehensive analytical framework. The policy paper, which treats water as an economic good, recommends decentralized management and delivery structures, reforms to institutional and regulatory systems, greater reliance on incentives for efficiency and financial discipline, and greater participation by stakeholders. The new water policy is expected to yield environmental improvements from modernized irrigation practices, investment in small-scale irrigation, and greater attention to cost recovery, drainage, and salinity controls.

Lending for energy

The Bank's work on energy during fiscal 1994 focused on efficiency, sector restructuring and regulation, private sector involvement, gas trade, rural energy, household fuels, and renewable energy sources, with an emphasis on the analysis and mitigation of environmental impacts. The Bank strengthened its work on natural gas, an abundant and environmentally clean energy source, focusing on improving the regulatory framework and supporting projects for transporting gas to markets in such countries as Argentina, Bolivia, and Pakistan. Challenges include the distance of fields from the market and transport difficulties. Lending for energy has averaged $3.2 billion per year since 1980 in nominal terms (figure 3).

The World Bank is changing the way it does business in energy, following the principles enunciated in two policy papers published in fiscal 1993. Future Bank lending for power projects will encourage borrowers to restructure their power sectors by requiring transparent regulation of power supplies and greater openness to private investment. That would free suppliers from government interference in the day-to-day operations of power companies, opening the way to greater efficiency in the way energy is produced and consumed. By integrating environmental considerations into power sector planning and investment decisions, the new regulatory framework could lead to better economic, financial, environmental, and service policies in the power sector.

Commodity lending in a broader context

Today, the Bank is following a more integrated approach to lending for commodities. More and more, projects designed to increase commodity production are being evaluated as part of the broader strategy of sustainable, environmentally sound development. This approach has resulted in less direct commodity lending and more attention to the efficiency of resources devoted to commodity production. Such efforts will also ensure that commodity lending is consistent with the broader goals of societies.

Figure 2. World Bank lending for agriculture, 1980–94

Source: World Bank Annual Report, 1980–94.

Figure 3. World Bank lending for energy, 1980–94

Source: World Bank Annual Report, 1980–94.

OIL PRICE RISK

Many developing countries have high risk exposure to energy prices. Oil is the largest export revenue earner for 22 developing countries, including 10 non-OPEC countries. For that reason, state budgets are often heavily influenced by volatile oil prices. In Venezuela, where oil-related revenues accounted for 78% of government revenues in 1991, a 10% change in oil prices causes a 6% change in government revenues. Less well known is that oil accounts for 12–14% of total spending on imports in developing countries. In at least 19 developing countries oil imports accounted for 20% or more of the import bill in 1984–88. Market-based financial risk management techniques (futures, options, swaps, oil-indexed bonds) can help developing countries hedge their energy price risks. While these instruments cannot shelter state budgets and economic plans from the impact of a lasting drop in oil prices, they can cushion the effects of short-lived ups and downs in prices. And for long-term movements in energy prices, oil derivatives can help state planners adjust to the new oil price levels.

Developing countries have only recently begun to regularly hedge the prices of their oil exports and imports. Economic liberalization and privatization have exposed internal markets to price volatility and made governments and oil companies more responsive to market forces. Many developing-country oil exporters now base export prices on exchange-traded oil prices (such as Brent crude).

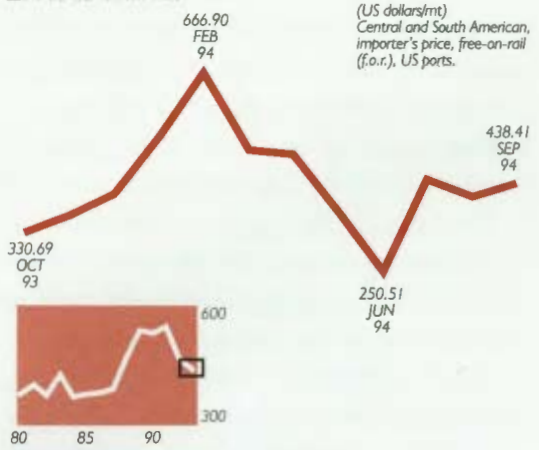
The Gulf War gave a big boost to developing countries' use of financial derivative markets, by demonstrating the benefits of longer-term hedges against oil price volatility, which creates problems for state budgets and corporate planners among oil users and producers alike. Mexico used oil derivatives to hedge its oil export revenues, while importers such as Brazil, Chile, and El Salvador used oil derivative markets to lock or set a ceiling on import prices. Mexico bought put options to guarantee a minimum selling price and used oil futures contracts and short-dated swaps to guarantee a specified price at some future date. Mexico's participation in the futures markets reassured investors that the country's economic program and budget would be sustained regardless of oil price movements.

Although the use of longer-term derivatives is spreading, short-dated instruments to hedge transaction risks during the operational cycle (from wellhead to consumer) are still the instrument of choice for developing countries. One reason is creditworthiness. Another is the lack of longer-term strategies for risk management. Because financing and budgeting needs generally cover a period of just one year, companies and governments often do not consider price variations beyond that time frame. Also, over-the-counter instruments require less monitoring of positions and can be customized to a country's needs (type of oil, contract expiration dates), making them more user-friendly for first-time users. As users gain experience with hedging instruments, they can move on to exchange-traded instruments.

Several factors still impede the use of oil risk management instruments in developing countries. Domestic institutional and legal barriers, cash flow problems, and low credit standing block access to international financial markets for some developing countries. For others, the obstacles include lack of experience, the equating of hedging with speculation, or an absence of appropriate internal company controls and accounting systems. In some cases the problem is perceived lack of liquidity for longer-term hedges, or imperfections in the correlation between spot prices and futures prices (basis risk).

Food prices were 26.7% higher for the quarter and 47.8% higher during the past year.

BANANAS

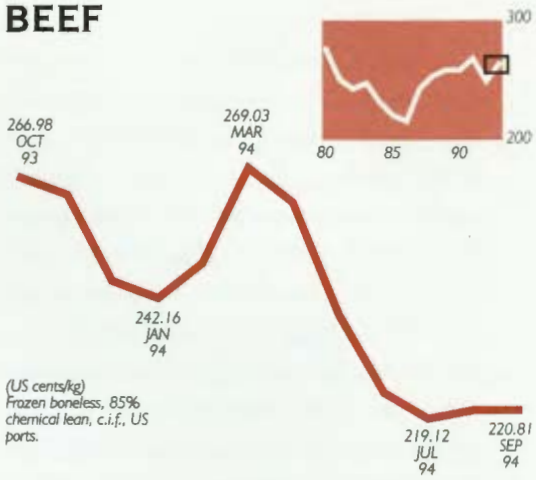


US COMPANIES FILE 301 PETITION

Chiquita Brands International and the Hawaii Banana Industry Association filed for action under trade mechanism 301 on September 2. They charge that European Union (EU) banana import quotas are damaging their interests. The petition requests a formal investigation by the US Trade Representative (USTR) into the common EU banana policy that became effective July 1, 1993, and the Framework Agreement on Bananas between the EU and Colombia, Costa Rica, Nicaragua, and Venezuela, to be implemented on October 1, 1994. Chiquita claims that the allocation of licensing eligibility for banana imports in the EU regime discriminates against US companies in favor of European multinationals. It also argues that the Framework Agreement gives the Latin American signatories preferential access to the EU market. If the USTR's investigation concludes that the EU trade practices harm US interests and if the parties fail to find a solution, the United States could consider sanctions. The United States has consistently opposed the way the EU handles its banana regime.

Banana prices were generally lower in the second half of the year, though third-quarter prices were 15% higher than second-quarter prices. A banana workers' strike in Honduras and production damage from bad weather in Guatemala and Mexico reduced supplies, putting upward pressure on prices. These three countries account for about 27% of US banana imports.

BEEF



STRONG ASIAN DEMAND WILL CONTINUE TO SUPPORT PRICES IN THE MEDIUM TERM

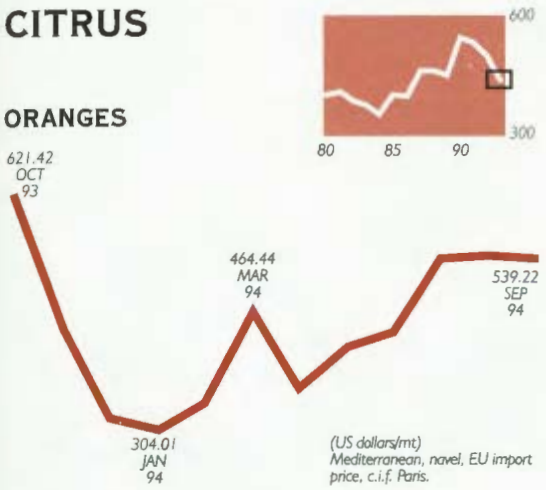
Commitments undertaken in the GATT Uruguay Round together with strong income growth over the medium term are expected to result in buoyant Asian demand for meat. The largest increase is expected in Japan, where beef, pork, and chicken imports are forecast to rise by nearly two-thirds over the medium term. The growing demand will support higher meat prices in the Pacific trading area, which includes Australia, Japan, the Republic of Korea, New Zealand, and the United States.

Beef consumption in Korea has risen more than 65% (from 141,537 tons to 233,401 tons in 1993) since 1988, when it opened its beef import market. The government recently announced that beef import quotas will rise by another 20,000 tons (boneless basis) in 1994 from the current quota of 106,000 tons. The minimum-base quotas for 1995 and 1996 were also raised, to 123,000 and 147,000 tons (boneless basis), and the government agreed to minimum quota levels for 1997 through 2001. Beginning in 2001 an above-quota tariff of 41.2% will apply for beef imports.

In the United States the continued expansion in cattle inventories and high slaughter weights resulted in increased supplies in recent months and beef prices well below year-ago levels. The indicator price of frozen imported 85% chemical lean beef began to decline in early March and by mid-April was below year-ago levels. Prices have continued to fall since then.

CITRUS

ORANGES



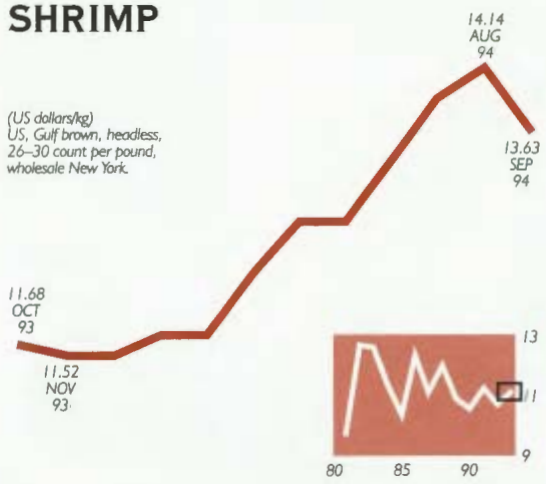
WORLD CITRUS PRODUCTION DECLINES 4% IN 1993/94

World citrus production in 1993/94, at 72 million tons, was 4% below the record 1992/93 crop, according to Food and Agriculture Organization estimates. Citrus production decreased 13% in Spain, 10% in Brazil and the United States, 6% in Italy, and 5% in Greece. Orange production in 1993/94 is estimated at 52 million tons, 6% less than in the previous season. The sharp decline in orange production in Spain (20%) accounted for the reduction. Orange prices in 1994 should be somewhat higher than the very low 1993 levels. World production of grapefruit decreased by 8%, reflecting a 15% drop in the United States. Lemon production increased by 1% over last season to reach 7 million tons, reflecting larger production in Italy and the United States. Tangerine production increased by 4%, reflecting a 4% increase in Spain and 3% in Israel and Morocco.

World orange juice production in 1993/94 was estimated at 2.04 million tons (65° brix) by the USDA, down 5% from the 1992/93 level. Exports were estimated at 1.33 million tons, 3% below the level of the previous season. Prices have recovered from their dip in the first half of 1993. However, large ending stocks (396,000 tons) should keep prices below their levels in the 1980s.

Brazil's exports account for 78% of world trade in orange juice. The 1994/95 orange production in Brazil was estimated at 14.36 million tons, up 1.7% from 1993/94.

SHRIMP

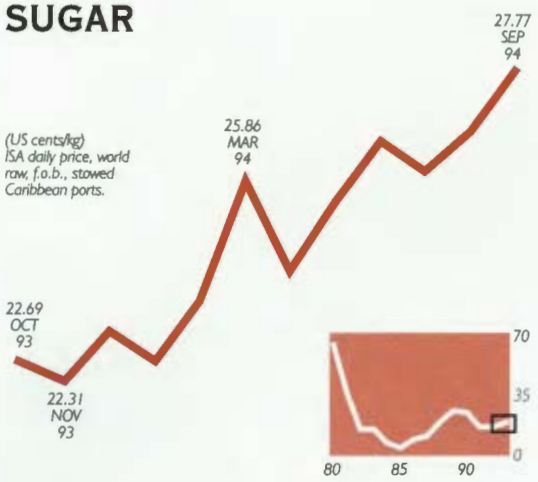


PRICES RISE AS SCARCE SUPPLIES CONTINUE

Shrimp prices continued to increase since the beginning of the year, reflecting smaller supplies. Prices rose 17%, from $11.91/kg in the first quarter to $13.88/kg in the third quarter. Lower US domestic landings and imports accounted for smaller supplies and higher prices. Landings in the Gulf Coast states of 62.4 million pounds during January–July of this year are down from 69.5 million pounds in the same period last year. Landings in the West Coast states tumbled from 45.2 million pounds in January–August 1993 to 29.2 million pounds in the same period this year, a 35% plunge. Smaller stocks and the use of turtle excluder devices in the shrimp trawls were responsible. As a result, ex-vessel prices were nearly double those of last year. Total imports in the first half of the year are estimated at 269 million pounds, falling from 276 million pounds for the same period of 1993. China's supply to the United States of 18.7 million pounds was less than half of last year's 41.5 million pounds in the first half of the year, a result of disease, typhoon, and flooding.

Shrimp imports into Japan continued to increase, from 172,354 tons during January–July 1993 to 178,265 tons in the same period of 1994. The largest increase was in black tiger shrimp, with imports up 11%, from 65,765 tons to 72,948 tons. Supplies of cheaper black tiger shrimp from India contributed to the increase. Total Japanese shrimp imports for 1993 amounted to 300,500 tons.

SUGAR



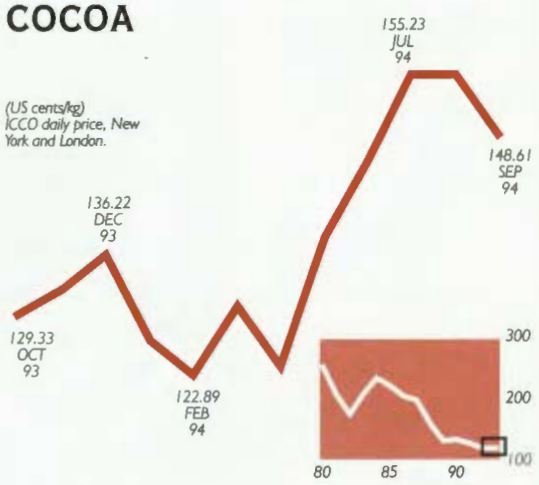
PRICES STAY FIRM AS LOWER STOCKS EXPECTED

Sugar prices remained firm during the quarter on forecasts that world consumption will surpass production for the second consecutive year. The September price for raw sugar rose to 27.8 ¢/kg (12.6 ¢/pound), up from the second-quarter average of 25.5 ¢/kg. Even with the increase prices have remained within a narrow range—as though awaiting further news.

The International Sugar Organization (ISO) expects 1994/95 (October–September) production to reach 110.3 million tons, up 2.9 million tons from the previous year. Consumption is expected to increase to 114.6 million tons, drawing down stocks. Lower stocks for the second consecutive year would likely keep prices firm through the next year. Several trading and consulting groups have also projected lower stocks during the year. The USDA also projects higher production in 1994/95, but expects stocks to remain at last year's levels. Its September estimate places the 1994/95 sugar harvest at 114.0 million tons, up 3.4 million tons from the previous year. Nonetheless, the USDA is less optimistic than the ISO about consumption levels, which it expects will equal production. It cites continuing production problems in Cuba and slower consumption growth in the former Soviet Union (FSU) as reasons for the forecast.

Regional demand for sugar continues to grow most rapidly in Asia, according to the USDA, with 1994/95 consumption expected to rise 3.6% from the previous year.

COCOA



WEATHER AND SPECULATIVE ACTIVITY KEEP PRICES HIGH

Cocoa prices continued upward through the third quarter. Prices averaged 12% higher than in the second quarter and 33% higher than in the same quarter of last year. Increased speculative activity, encouraged by the view that cocoa prices are still below historical trends despite production deficits, fueled the rise in prices. Fears that dry weather in West Africa during June and July might have adversely affected the 1994/95 main crops also stirred speculative activity, though prices declined somewhat in late August and early September as the weather improved. Recent reports on the main crops of major African producers are good. Côte d'Ivoire's main crop in 1994/95 is estimated at 700,000 tons and Ghana's at 275,000 tons, and Nigeria's production is expected to be higher than the 1993/94 output of 140,000 tons. If these projections hold, mid-crops would be average for Côte d'Ivoire and Ghana. Production also continued to expand in Indonesia, and prospects for the 1994/95 crop are good.

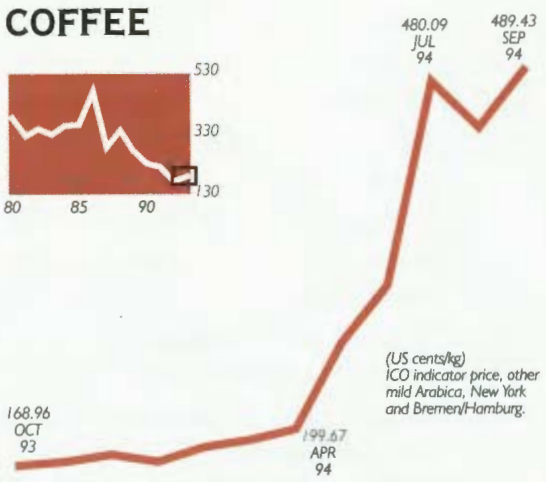
Consumption grew an estimated 3% in 1993/94, but growth is expected to drop to 2% for 1994/95. There were reports during the summer of sluggish consumption in North America and Europe and no sign of recovery in the countries of the FSU. Given this picture of supply and demand, preliminary forecasts point to a fourth consecutive year of deficit production, with the deficit for

1994/95 projected at 100,000 tons. Thus, fundamentals indicate that cocoa prices will keep rising, but at a moderate rate because of the high stock levels.

Producer prices increased in Côte d'Ivoire to 315 CFA francs (CFAF) per kilogram for the 1994/95 crop. The producer price was originally set at CFAF 290/kg. It was reported in early September that the farmers union was asking for a much larger increase, to CFAF 500/kg. Producer prices in Côte d'Ivoire are still lower than in Ghana, where cocoa producer prices are calculated at the equivalent of CFAF 400/kg.

The higher producer prices in major producing countries triggered by increases in world prices should lead to higher production. For the next year or two supply will increase mostly as a result of improved husbandry. Better farm care could increase world production by 50,000–80,000 tons, according to estimates based on short-term price elasticities. Over the longer term production increases will come from new plantings in response to today's higher cocoa prices. It will be important to watch the production response of Malaysia, a relatively high-cost producer, to the prolonged period of low prices in the early 1990s. Malaysian production has been declining since 1990, but if prices continue to rise, Malaysia could increase its production. The longer-term prospects for Brazil, the other major high-cost producer, are increasingly pessimistic. The spread of witches' broom disease is expected to hurt cocoa plantations, and farm care remains poor despite the recovery in prices.

In mid-September the International Cocoa Organization held its regularly scheduled meeting and agreed on rules for discussing the five-year production plan under the terms of the new International Cocoa Agreement. The goal of the plan is to achieve lasting equilibrium between world production and consumption. It remains to be seen how the plan will be implemented in practice.



WEATHER NEWS FROM BRAZIL BUFFETS PRICES

World coffee prices fell during August and then rose sharply in September in response to dry weather in Brazil. Yields from coffee trees already damaged by frosts in late June and early July could drop further. If dry weather continues into October, Brazil's harvest of the 1995/96 crop during the northern hemisphere's summer of 1995 could be less than the 17 million bags the market expected before the drought. Some estimates put the output below 15 million bags. Uncertainty about when Brazil will sell the stocks held by the government further destabilizes prices. During the coming months world coffee prices are likely to fluctuate widely with news from Brazil on weather, crop estimates, and stocks.

Stock levels in consuming countries are an important indicator of the tightness of supply. Estimated at about 20 million bags a year ago, stocks are now estimated at only 15 million bags. According to the International Coffee Organization, world coffee exports by producing countries for the period October–July were about 10% lower than in the two previous years because of the stock retention program and the lower availability of coffee. Declines were notable in all the major coffee-exporting countries, including Brazil, Colombia, Côte d'Ivoire, and Indonesia.

Coffee-producing countries are enjoying windfall profits from the recent sharp gains in world coffee prices. In some countries total foreign exchange earnings this year are likely to be more than twice last year's levels. Even

BEVERAGES

Beverage prices surge—up 63% for the quarter because of sharply higher coffee prices.

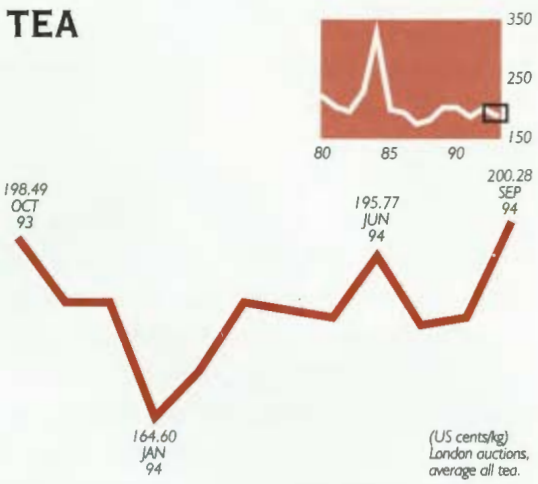
for Brazil export revenue from coffee this year and next could be much higher than last year, despite production next year that might be only half the previously expected volume.

Governments of some coffee-producing countries—Honduras, Uganda, and Viet Nam among them—have started to impose export taxes on coffee. Farmers and exporters are vigorously opposing the taxes. Governments argue that the export taxes are needed to allow windfall gains to be shared more broadly and to avoid "Dutch disease."

A number of coffee-exporting countries may find Dutch disease to be a serious problem in the next few years. When the world price of a major export commodity of a small country increases sharply, large inflows of foreign currency cause the real exchange rate to appreciate. Exports of other commodities become less competitive and production falls. When the boom ends, exports will be less diversified and export industries considerably weaker than they would otherwise have been.

In Uganda the government plans to impose an export tax to reduce the sharp appreciation of its currency. But taxing coffee is not the only way to avoid Dutch disease. Issuing bonds at attractive interest rates and obliging coffee exporters to buy bonds when they export coffee is another way. In the next few years governments of coffee-producing countries will need to be innovative in their economic policies to avoid Dutch disease while helping the coffee industry to prosper.

When world commodity prices fluctuate widely, risk management becomes important for firms involved in the commodity trade. Traders often run into financial difficulties as the currency appreciates during a boom. Several coffee exporters and importers have gone bankrupt in the past because they were unable to buffer the effect of widely fluctuating coffee prices. Risk management has become even more important today in developing countries where markets have been liberalized. Risk management is indispensable if indigenous exporters are to play a major role in the coffee sectors in these countries.



PRICES STABLE AT LOW LEVELS DESPITE COFFEE BOOM

World tea prices were fairly stable during the quarter. Output so far in 1994 has been about 15,000 tons higher than during the same period of 1993, mostly because of the large output in India, Sri Lanka, and Indonesia. Kenya's output is still suffering from the effects of the severe drought earlier in the year, with output in the first seven months of the year down 20% from the same period in 1993. Area and yield have been stagnant among smallholders, a consequence of low producer prices and little suitable land for expansion. Indonesia's output has also suffered the effects of severe drought. The drought has not affected other East African countries much. Malawi and Uganda had higher output in the first seven months than in the same period in 1993, but Tanzania's output was lower by 1,000 tons.

Russia has started to buy tea from India under a debt repayment scheme that allows Russia to import tea from India at a discount. The Tea Board of India reports that India almost doubled its tea exports to the FSU between 1992 and 1993, from 47,000 tons to 78,400 tons. Recent developments in the market prove the importance of FSU demand to prices. Limited expansion in import demand elsewhere is likely, meaning that this influence is likely to continue. Because of relatively low petroleum prices, which affected the economies of the Middle East, imports of tea in this region have been stagnant.

COCONUT OIL

RECOVERY IN COPRA PRODUCTION WILL FALL SHORT OF NEEDS

The recovery in world copra production and coconut oil and meal exports during the third quarter was below expectations. Philippine coconut oil exports increased seasonally in August, but the recovery was modest, resulting in total exports of only 350,000 tons in January–July 1994, down by more than 40% from last year.

Coconut oil supplies have been reduced and will fall short of needs in major producing countries. Philippine production in January–July 1994 was considerably weaker than anticipated, which left stocks of copra and coconut oil at very low levels. Philippine exports of coconut oil (279,000 tons) and meal (180,000 tons) for the first half of the year were down sharply (more than 30%) from last year. This shortfall resulted in a sharp decline in coconut oil stocks in major importing countries, particularly in Europe and the United States.

In August and September 1994 Philippine copra production and exports of coconut oil and meal increased seasonally, but the recovery stayed below expectations. This weak recovery and the very low stocks in Europe and the United States have pushed coconut oil prices even higher. At $599/ton in the third quarter, coconut oil prices were up by more than 34% over the same period last year. Favorable rainfall is expected to increase Philippine production in the remainder of 1994 and into 1995.

PALM OIL

LOW STOCKS AND LOWER-THAN-EXPECTED PRODUCTION WILL CURB EXPORT SUPPLIES

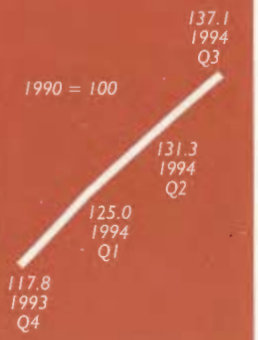
A significant increase in world palm oil import demand in 1994 and lower-than-anticipated Southeast Asian palm oil production resulted in a larger-than-expected drawdown of Malaysian and Indonesian palm oil stocks. Palm oil prices rallied in response to lower inventories and continued tight Malaysian supplies.

Palm oil prices averaged $558/ton during the third quarter, up by more than $162/ton from the first quarter and more than 57% higher than the average during the same period last year. The price rally resulted in a further narrowing of the price margin between palm oil and soybean oil. Palm oil's discount over soybean oil narrowed from $193/ton in the first quarter to $106/ton in the second. By the end of August palm oil's discount had declined to $25/ton, a difference at which consumers start to shift over to soybean oil.

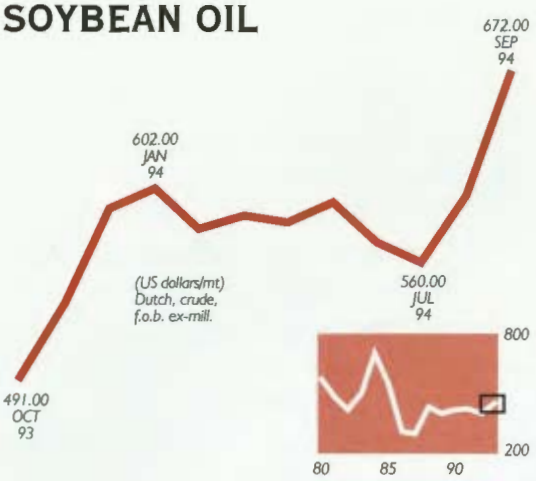
Despite a seasonal recovery to about 689,000 tons in August (up 12% from July), Malaysian crude palm oil output remained 7% below last year's output. The shortfall was due to a further downturn in the biological yield cycle, which was only partly offset by the expansion in mature area. During the remainder of 1994 palm oil output is expected to decline further, but at a slower rate than in recent months. Total output in 1994 is forecast to reach 7.04 million tons, down from 7.41 million tons in 1993.

FATS AND OILS

Fats and oils prices gained 4.4% during the quarter and 16.4% for the year.



SOYBEAN OIL



DOWNTURN IN SOYBEAN AND SOYBEAN MEAL PRICES TO CONTINUE IN EARLY 1995, BUT SOYBEAN OIL PRICES TO REMAIN HIGH

The downturn in soybean and soybean meal prices (c.i.f. Rotterdam) since the cyclical peak in February 1994 continued during the third quarter. Harvest pressure and sharply improved crop prospects in the northern hemisphere contributed to the decline. In contrast, soybean oil prices rallied to new highs in the third quarter. Stocks of soybean oil are expected to remain at very low levels in the near term despite the prospect of large crops in North America because crushings will not rise sufficiently to rebuild stocks. Prices of soybeans and competing oilseeds are likely to follow meal prices only at a distance, deriving some strength from continued high vegetable oil prices.

Additional downward price pressure was reported in October as harvesting in the United States continued, with yields mostly above expectations. Soybean meal prices fell to a seven-year low in September. Argentine pellets dropped to $182/ton, down 15% from a year earlier and down 13% from the 10-year average. However, soybean oil prices should remain high because of very strong world oilseed demand and production uncertainties in several countries. World import demand for vegetable oils accelerated under the lead of China and other Asian countries.

Improved crop prospects were reported in the United States, the EU, and Argentina. The US soybean crop in 1994 is estimated at 63 million tons by the USDA. However, oilseed crop prospects have deteriorated in several other countries, particularly in Australia, Canada, China, India, Pakistan, Turkey, and the countries of the FSU.

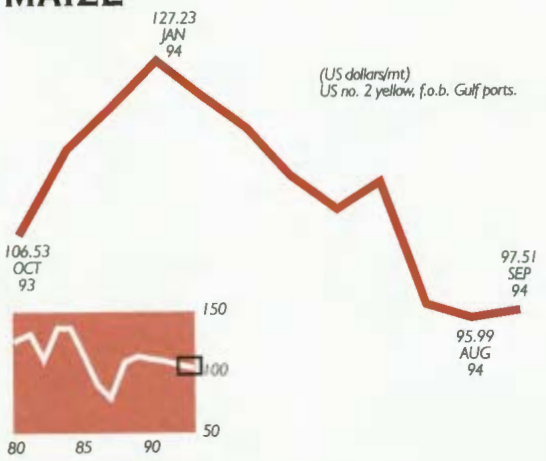
Despite the expected increase in world oilseed production, the recovery in world oilseed stocks in the 1994/95 season (October–September) will be limited by the shortfall in stocks at the start of the season and by continued strong world demand for vegetable oils. A prospective shortfall in Malaysian palm oil export availabilities in the next six months has contributed to a strong boost in soybean crushings since July.

World demand for soybeans has increased sharply since August. After a slight decline in March–July, soybean exports of the United States, Argentina, and Brazil rose by three-fifths in August. Major recipients were Western Europe, Mexico, and Asia. World import demand for soybean meal is picking up thanks to attractive low prices. Very strong import demand from the EU, Asia, and some African and Central American countries led to record exports from the United States, Argentina, and Brazil in June–August. European crushers have also sharply stepped up soybean imports and crushings to satisfy domestic demand. Increased demand for soybean oil has contributed to a significant improvement in crushing margins.

World soybean production is forecast to rise by more than 14 million tons from last season to 129 million tons in 1994/95, which would be more than 18 million tons above the average of the last five years.

Soybean oil prices are forecast to remain firm until world vegetable oil stocks are replenished. However, continued strong world demand for vegetable oils and seasonally declining Southeast Asian palm oil output are expected to prevent rebuilding of vegetable oils stocks during the first half of the 1994/95 season.

MAIZE



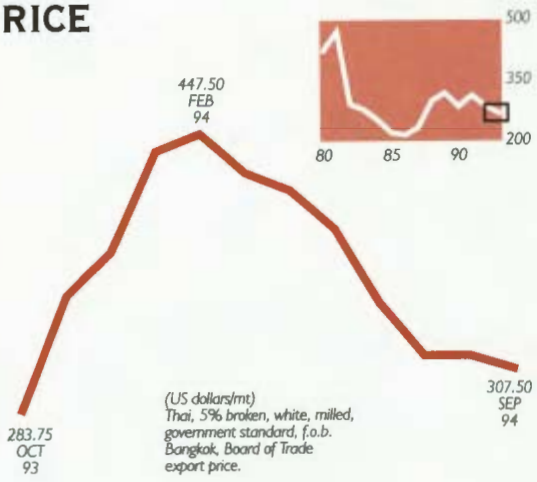
RECORD US CROP DRIVES PRICES LOWER

Nearly ideal growing conditions in the United States are expected to yield a record maize crop of 244 million tons, a substantial increase over last year's flood-damaged 161 million ton harvest. This large crop will contribute to world coarse grain production that is 10% higher than last year's harvest. Coarse grain production should reach the record 1992/93 crop level and may even exceed it. This year's large crop was due to record yields, which should reach 2.76 tons per hectare. Since 1980 world coarse grain yields have grown by 1.77% a year, while consumption has grown by 0.92% a year. During this same period total land harvested for coarse grains declined by 8%.

Maize prices averaged $97/ton during the third quarter, which was 21% below the average for the first quarter. Prospects for significantly higher prices during the balance of the year appear small because of weak import demand. Lower consumption and foreign exchange constraints are expected to hold FSU imports of coarse grains to only 5 million tons during 1994/95 (July–June crop year). These imports compare with levels of 27 million tons as recently as 1989/90. During this same period world coarse grain imports declined by 19 million tons, which suggests that nearly all of the decline in world trade is due to lower FSU imports.

China is expected to harvest another record coarse grain crop, which should keep exports near record levels.

RICE



PRICES CONTINUE TO FALL AS IMPORT DEMAND WEAKENS

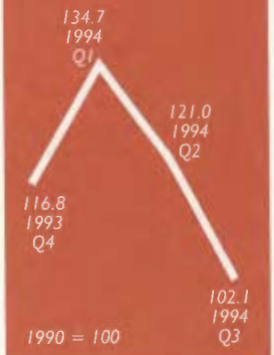
Rice prices remained weak as the impact of Japan's large 1993 imports faded. The sharp January–June decline in prices has ended, but prices have shown little evidence of an upturn. September prices averaged only $307.50/ton, far below February's $447.50/ton. Prices are expected to continue falling unless production shortfalls develop. Prices are still well above the $234/ton level of September 1993, however. Buying by Indonesia has held prices steady in recent months.

World production is estimated to remain near 350 million tons (milled) for the fourth consecutive year, while consumption has increased to an estimated 355 million tons. Year-ending stocks are expected to decline for the fifth consecutive year, to only 12% of consumption. Such low stocks relative to consumption will keep the market focused on minor changes in the supply and demand balance and will keep prices volatile.

Japan is reported to have a near-record crop of 14.4 million tons following last year's poor harvest of 9.8 million tons. The 1994/95 crop would be the largest harvest since 1986/87, but it would still be below previous record harvests. Other major producers, including Thailand, Viet Nam, and India, expect good harvests, while China's harvest is 2% smaller than last year's and Indonesia's is 5% smaller. Indonesia is expected to import 500,000 tons of rice. World imports are estimated at 15.1 million tons.

GRAINS

Grain prices fell 15.6% during the quarter on lower maize and rice prices. Wheat prices remained firm.



COARSE GRAIN STOCKS (WORLD)

Market-year-ending stocks as % of consumption

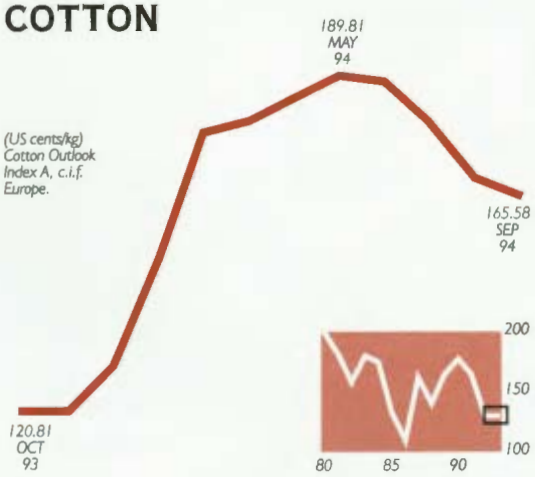
RICE STOCKS (WORLD)

Market-year-ending stocks as % of consumption

Note: Data for 1994/95 are estimated.
Source: UDSA, FAS.

WHEAT

COTTON



WHEAT STOCKS (WORLD)

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

PRICES STRONG ON WEAK HARVEST

World wheat production is projected to be down more than 4% from last year, bringing end-of-year stocks relative to consumption to their lowest level since 1972. The USDA's revised estimate of the decline in world production (from 1.7% in June to 4.4% in September) contributed to a firming of prices for the quarter. The production drop is attributed to a 3% contraction in land harvested and a 1.6% decline in yields over last year. Sharp production declines are expected in Australia (39%), Canada (15%), and the Russian Federation (13%). Smaller crops from major exporters Australia and Canada will significantly affect world export supplies, and world trade is not expected to expand substantially from last year. Lower exports from Australia and Canada combined with low US stocks could lead to volatile prices over the next six months.

Prices rose during the quarter from mid-summer lows in July and August to highs in September. Prices for the soft red winter wheat exported from the United States recovered to first-quarter levels, while prices for the higher-protein Canadian wheat failed to reach the levels of the first half of the year. This disparity occurred despite the poor Canadian crop, reflecting generally weak import demand.

China's imports are expected to rise to 10 million tons (up from 4.5 million tons last year) because of a slightly smaller crop than last year and rising consumption.

CROP BOOSTED BY PRICE, PLANTED AREA, AND WEATHER

Cotton harvesting in the northern hemisphere began with surprisingly favorable prospects. Last season's 22% price rise encouraged farmers to increase cotton plantings. The world cotton area is now estimated at 32.2 million hectares—up 6.5% over 1993/94 plantings. Very favorable weather through the third quarter is expected to boost average yields significantly this season. If these conditions hold for the full season, cotton production could match consumption, keeping world stocks at last year's end-of-season level (7.3 million tons).

Changed expectations for production have strongly altered the near-term trend of cotton prices. The Cotlook A price index for middling $1\frac{3}{32}$-inch quality c.i.f. Northern Europe dropped 10.3% from 181.3¢/kg at the end of the second quarter to 162.7¢/kg at the end of the third quarter.

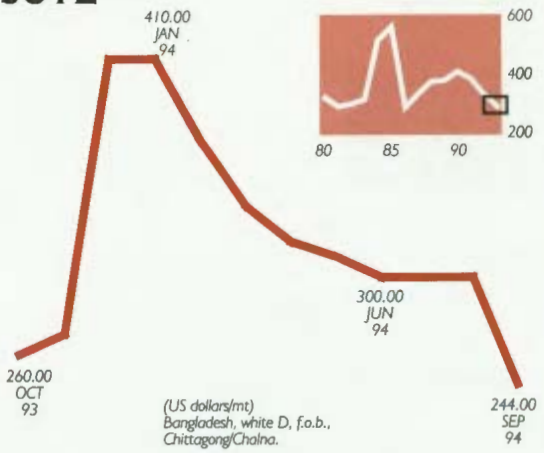
Greater production is anticipated in many countries this season, pushing estimated world production up to nearly 19 million tons. This is considerably higher than last season's output of only 16.7 million tons, which was relatively small because of reduced area and lower yields. Chinese farmers responded to the announced higher prices by increasing their planted area substantially. A larger share of their cotton was sown in the central and western regions, which have not experienced bollworm resistance to insecticides. In late September the Ministry of Agriculture

released a cotton production estimate of 4.25 million tons. In the United States the cotton area increased by 4% this year, and higher yields are expected to boost production by more than 15%, to about 4.1 million tons. In South Asia increased cotton area and recovering yields in India and Pakistan are expected to lift the region's production to 3.9 million tons, up from 3.5 million tons for the 1993/94 crop. In Sub-Saharan Africa many countries are expecting larger cotton harvests this season, and aggregate production is estimated to exceed one million tons for the second time ever and could set a new record. The bulk of cotton planting in the southern hemisphere will occur in the fourth quarter of 1994, and indications are that the growing area will increase if soil moisture conditions improve in currently dry areas, particularly in Argentina, Australia, and Brazil.

Declining cotton prices have supported increasing mill demand for cotton. The USDA has projected domestic mill use at 2.4 million tons for 1994/95, an increase of nearly 6% over last season's mill consumption and the highest level since 1942. Larger cotton supplies, prices of competitors (US polyester staple prices increased by 13% during the third quarter), and increasing cotton textile exports are keeping demand strong. In Western Europe cotton yarn prices are reported to be generally acceptable as economies recover. Mill consumption of cotton in the EU rose by 7% in 1993/94, the first increase in four years, and another moderate increase is expected in 1994/95. Pakistan's cotton spinners recently experienced an increase in domestic and export demand and recovering yarn prices. Textile market activity has improved in Brazil following changes in macroeconomic policies. World cotton consumption is expected to increase by 1.5% to 2% during 1994/95.

Further expansion in cotton trade volume is expected during 1994/95, but lower import demand from major producing countries that have a more adequate domestic supply this year will moderate the expansion.

JUTE

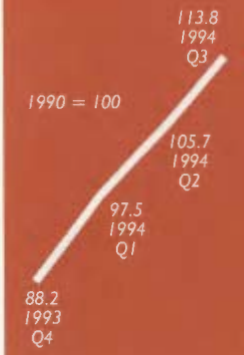


PRODUCTION RECOVERING IN SOUTH ASIA BUT SHARPLY LOWER IN CHINA

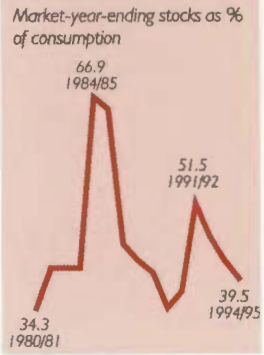
Jute crops in Bangladesh and India have benefited from favorable weather, and production forecasts are optimistic. India, the world's largest producer, is expecting a harvest of more than 1.5 million tons during 1994/95, up from last season's crop of 1.2 million tons. Bangladesh, the world's largest exporter of jute fiber and manufactured jute products, anticipates a crop of 900,000 tons. The Bangladesh crop has a higher proportion of tossa jute this year. Its acreage is estimated to be about 20% greater than in 1993, while that of white jute declined. In China, the world's third largest producer, farmers diverted substantial jute acreage to cotton in response to the sharp increase in announced cotton prices for 1994/95.

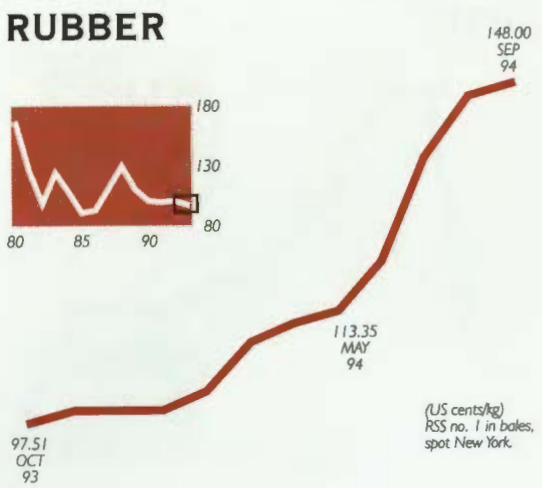
If production forecasts are realized, jute supplies should be adequate to meet demand over the next year. World import demand for jute fiber and manufactured goods has weakened during the 1990s. At 330,800 tons, global exports of jute fiber in 1993 were 16% lower than in 1990. East Asia and South Asia accounted for 56% of world imports of jute fiber last year. The two largest jute fiber importers reduced their imports between 1990 and 1993—Indonesia by 16% and Pakistan by 5%—as synthetic substitutes made inroads into sacking and wrapping uses. During the same period world import demand for jute goods fell 7%, with demand in the industrial countries down 16%.

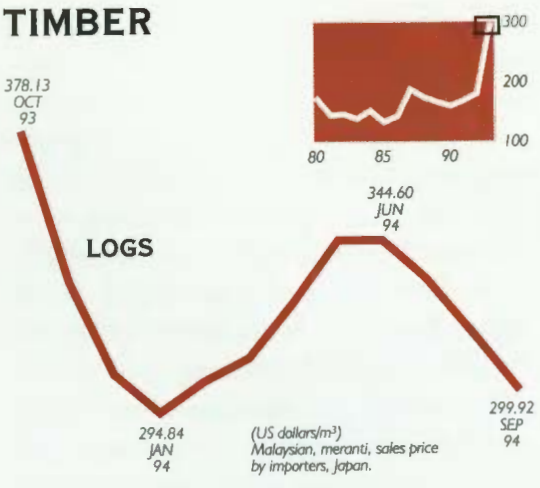
The index of agricultural raw materials prices rose 7.7% for the quarter and 29% during the past year.



COTTON STOCKS (WORLD)







INRA BUFFER SALES SLOW PRICE GAINS BUT DEPLETE STOCKS

On July 20 the daily market indicator price (DMIP) reached the International Natural Rubber Agreement's (INRA) "must-sell" zone due to the low production from Malaysia. Buffer stock manager James Haggerty had actually begun selling from inventory by the beginning of July, when the DMIP reached the "may-sell" zone. Because some of the inventory had been held since 1989 and had been frozen, the stocks were offered with a "thawing" discount. Still, by September the DMIP dropped back from the "must-sell" into the "may-sell" zone. August rains and a pickup of reported production in Malaysia for June (up 29% from June 1993) eased September prices. However, analysts believe that Haggerty has sold most of the 220,000 ton buffer stock. All Asian- and US-held stocks have reportedly been sold, and most European stocks are depleted.

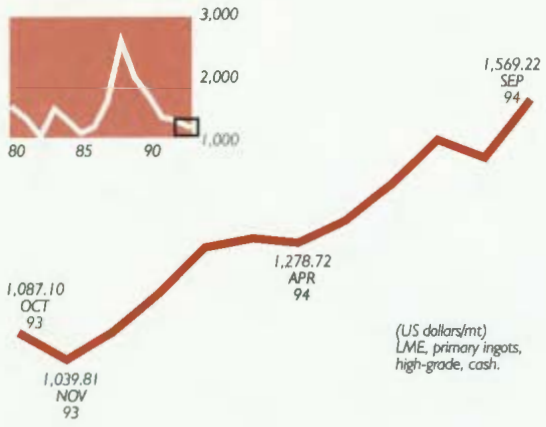
With world stocks estimated at a low 1.6 million tons, the market nervously anticipates that rising Malaysian production will continue to put downward pressure on prices. At the same time supplies of synthetic rubber also are slowing. An explosion at a US Exxon petrochemical plant in Baton Rouge, Louisiana, reduced already-tight supplies of benzene and butadiene, used in the production of synthetic rubber. Drought-induced water shortages have closed an ethylene-producing plant in Japan. A tight global market is expected through the end of 1994.

DEPRESSED DEMAND REDUCES LOG PRICES IN JAPAN, BUT EU PRICES RISE AS EUROPE RECOVERS

Malaysian log prices in the Japanese market declined by about 5% between the second and third quarters because of stagnant demand in Japan and China and improved weather in the producing region of Sarawak. Demand for logs in Japan has been affected by the poor market conditions in the Japanese plywood market. Stocks have remained about the same, but with lower consumption a rising stock-to-consumption ratio has been putting increasing downward pressure on prices. China also has reported lower log consumption due to weak demand. In Indonesia downward adjustments in plywood production have created an excess supply of logs. Improved weather in the Southeast Asian producer regions occasioned seasonal increases in felling volumes, causing prices to fall. The short-term prospects for the Malaysian log market are bearish.

In an attempt to reduce the country's timber output, the Indonesian government has put a freeze on new timber concessions to private concerns. It also announced a ban on permits for new plywood or pulp and paper manufacturing plants, except in the province of Irian Jaya. The government plans to reduce the country's annual timber output by almost 30% to 27.5 million m^3 over the next five years, down from 31.4 million m^3. Indonesia is also pushing hard to be the first tropical-timber-producing country to have an acceptable timber certification scheme.

ALUMINUM



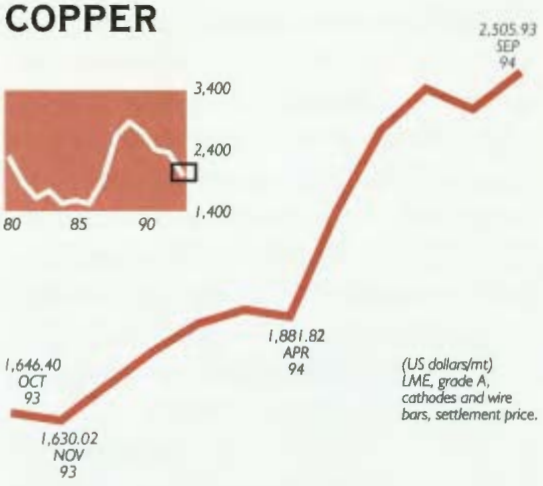
STOCKS DECLINE FURTHER AS SUPPLY CUTS CONTINUE

Aluminum prices continued to rise. The London Metal Exchange (LME) cash price of about $1,600/ton (as of early October) is more than 40% higher than the December 1993 average. Stocks at the LME declined to 2.3 million tons by the end of September, from 2.6 million tons at the end of June. Primary aluminum stocks reported to the International Primary Aluminum Institute (IPAI) peaked at a historical high of 4.7 million tons at the end of February and then dipped to 4.5 million tons at the end of August.

The lower stocks should be attributed primarily to the cutbacks in production by major producers. Production by members of the IPAI, which does not include the FSU producers, was 5% lower for March–August than in the same period of 1993 (for the first eight months of the year it was 4.3% lower). Production in the FSU, which is now largely privatized, is believed to have been lower this year, although no firm data are available. It is not clear whether this decline was mainly because of the agreement established earlier in the year with other major producers or because of technical difficulties at some producing facilities.

Demand also has increased in recent months. On a same-period basis, consumption of aluminum is believed to have been higher in the first eight months of this year. The US market, up by 7–8%, shows the most visible signs of higher consumption.

COPPER

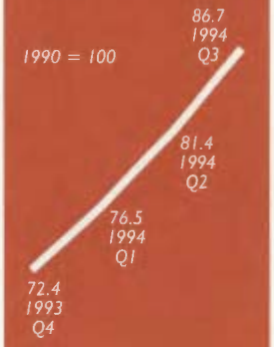


SEPTEMBER RUN-UP IN PRICES PROBABLY AN OVERREACTION TO FAVORABLE ECONOMIC NEWS

A mild seasonal downturn in copper prices in August was followed by sharp increases in September, though prices weakened toward the end of the month. At the LME spot copper prices gained an average of 5¢/lb in September, rising to an average of 114¢/lb. The upward pressure was much stronger at the New York Commodity Exchange (COMEX), where nearby (September) contracts traded as high as 128¢/lb. The extremely wide margin between the two markets reflects differences in underlying market conditions. The time to expiration for the nearby contract was too short for arbitrage trading between the two markets. The backwardation between the nearby and the December contracts was unusually large, at 9–10¢/lb. In an effort to subdue the speculative fever, COMEX increased margin requirements for the nearby contract sevenfold in two days. Following that action, December futures lost about 5¢/lb in the next few days.

The September frenzy in US copper trading, fueled primarily by near-term expectations of strong demand increases, seems to have been well ahead of market fundamentals. The LME stock changed little between August and September, after slight increases in August caused by seasonal factors. The substantial declines in COMEX stocks in September should be interpreted with caution since COMEX is a futures market. The main driving force behind the upturn in the

Metals and minerals prices rose for the fourth consecutive quarter, up 6.5% for the quarter and 19.8% for the year.



ALUMINUM STOCKS (LME)

Source: Metal Bulletin.

COPPER STOCKS (LME)

Source: Metal Bulletin.

US market appears to have been the good news about the US economy. US automobile production, housing starts, and durable goods orders experienced strong increases in August. These developments suggest continued strength in the economy and have allayed fears that a rise in interest rates would slow growth in the second half of the year. Signs of economic recovery in Europe and expectations of sustained growth in some developing countries led to further optimism.

However, US demand showed some early signs of softening. The usual seasonal upturn in copper demand in September was hardly noticeable. Some leading indicators, such as consumer confidence, have turned downward. Analysts believe that a large part of the spectacular growth in copper demand in the first half of the year went to build up stocks throughout the production chain, from raw materials to finished products. If true, copper demand will grow much slower in the second half of the year, even if the economy expands at the same rate.

Recovery in Europe so far has been mild. The market balance in Europe has improved considerably, thanks to large increases in exports from the FSU. Increased FSU exports also eased the tightness in the East Asian market caused by the fast demand growth in the Republic of Korea and Taiwan (China).

Secondary supplies of copper have increased, and the discounts in the US market for no. 2 copper scrap increased by 4–6¢/lb relative to the COMEX second position, a clear indication of increased availability of scrap in the US market. US exports of copper scrap increased 32.6% in the first seven months of this year compared with the same period last year.

The overall outlook is for a shift from a large deficit in the first half of the year to a small surplus in the second half. Improvements in market balance are expected to come from a slowdown in demand growth, new capacities coming on-stream, more exports from the FSU, and the possibility that China may export overbought copper.

IRON ORE

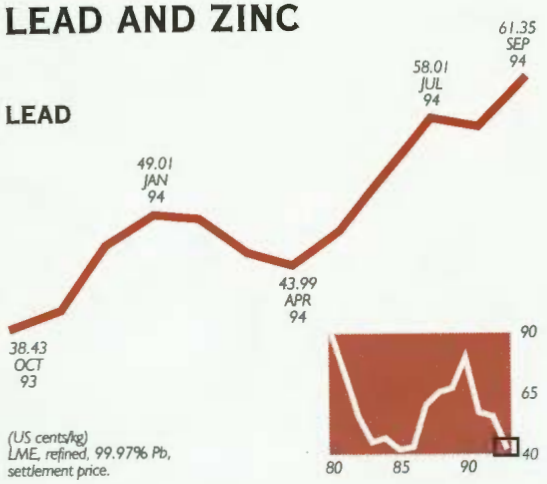
LOWER NEGOTIATED PRICE FOR 1994 NOW SEEN AS UNWARRANTED

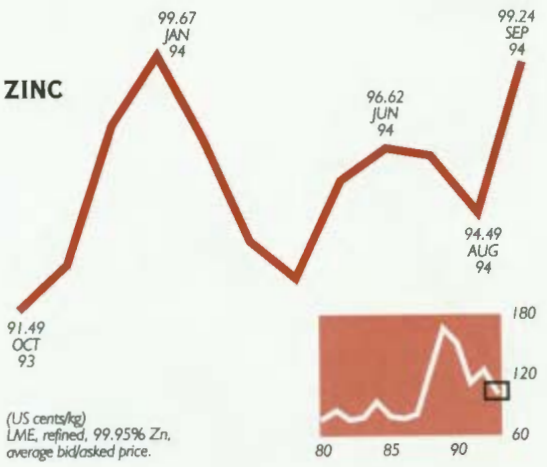
World iron ore consumption grew strongly in 1994 across many ore products. The largest increase was for pellets, despite their higher premium from fines in 1994 price negotiations.

Pellet production facilities in many countries are operating at or above full capacity. Among new capacities expected to come on-stream in early 1995 are LKAB's plant at Kiruna, Sweden, with a capacity of 2–3 million tons per year, and CVG's plant of 3.3 million tons per year at Puerto Ordaz, Venezuela. The expansion of MBR's Pico mine in Brazil will increase the supply of lump ore.

Based on robust growth in iron ore demand worldwide, the price outlook for 1995 is positive, particularly for lump ores and pellets. Although it is unlikely that iron ore prices will increase as sharply in 1995 as they did in 1989, when pellet prices rose by 17% and fine ore prices by 13%, significant increases are expected. The largest price increases will likely be for pellets, followed by lump ores and fines. There are also some factors that argue against significant price rises for next year, including sizable new pelletizing capacities coming-on stream and the weak financial position of Japanese steel producers. It is also possible that one or two low-cost iron ore producers may decide to accept a lower price settlement during the price negotiation in return for substantially increased orders.

LEAD AND ZINC





FURTHER IMPROVEMENTS IN MARKET BALANCES WILL REQUIRE ROBUST DEMAND GROWTH

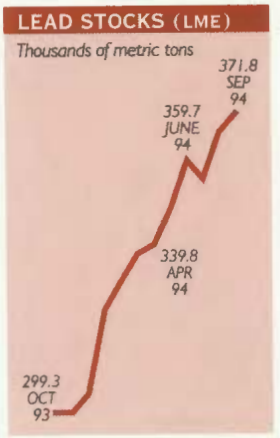
Lead prices averaged 22.5% higher in the third quarter than in the second quarter, but zinc prices were only 2.0% higher. The relative price movements reflect different market fundamentals for lead and zinc. As of end-July commercial stock-to-consumption ratios were twice as large for zinc as for lead. LME stocks of both metals have held more or less steady in the past three months, with lead stocks increasing by 3.4% and zinc by 3.1%.

Preliminary estimates by the International Lead and Zinc Study Group (ILZSG) show a 4.1% increase in lead consumption in market economies in the first half of 1994 over the same period last year and a 2.2% increase in zinc consumption. Mine production over the same period fell 4.4% for lead and 3.6% for zinc. Lead metal production increased 0.6%, and zinc metal production increased 1.0%. The differences in these rates of change explain why lead prices recovered more than zinc. In the second half of the year the demand for lead and zinc will continue to grow robustly, although lead will grow at a somewhat lower rate than in the first half. The impact of reduced concentrate production is expected to become more pronounced in the second half of the year than in the first, when the impact was mitigated by exports from the FSU and larger stocks than many had thought were available.

The European automobile industry has shown clear signs of recovery. Automobile production increased by more than 10% in the second quarter over the same period last year. The momentum appears to have slowed during the July–August holidays. All major European countries enjoyed production increases. Japan's automobile production, which fell sharply in the first half of the year, started to increase in July–August. Much of the increase was attributed to a tax rebate scheme. The outlook for further production increases for the Japanese automobile industry remains uncertain, particularly for the export market in the wake of substantial appreciation of the yen.

Despite warnings of an impending slowdown because of higher interest rates, the US economy continued to expand through the third quarter. Automobile production, housing starts, and durable goods orders all remained strong. US shipments of batteries and galvanized sheets during the first half of the year were 15% ahead of the same period last year. A substantial downturn in US demand at a time when recoveries in Europe and Japan are barely gaining momentum would prolong the market surplus for lead and zinc.

Increased net exports from China helped keep lead and zinc markets in surplus in the first half of the year. Despite disruptions caused by severe flooding, China's exports are believed to have been substantially larger than last year's—large enough to cause Singapore's stocks to rise despite strong demand in the Republic of Korea and Taiwan (China).

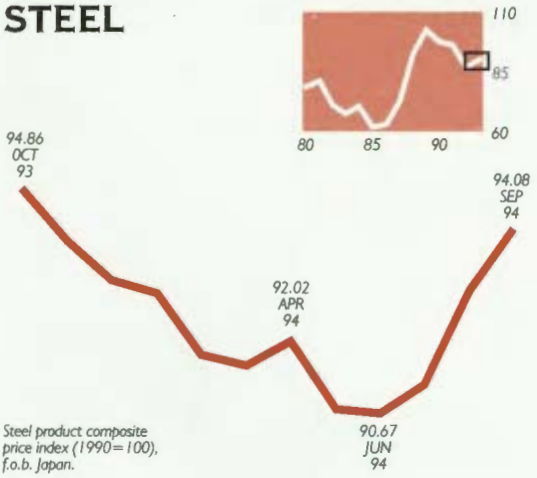


Source: Metal Bulletin.

Source: Metal Bulletin.

NICKEL

STEEL



SPECULATORS CREDITED WITH RECENT PRICE DECLINE

LME nickel prices slipped from $6,600/ton in late May to $5,700/ton in mid-August and then recovered to $6,400/ton in late September. The seasonal rise in Russian exports and subsequent speculative liquidations are believed to have caused the price decline. More recently, strong growth of stainless steel production in OECD countries and the shortage of nickel scrap in Europe pushed primary nickel prices up.

Stainless steel markets in OECD countries remained robust in the second quarter. US imports of stainless steel reached an all-time high of 207,000 tons, accounting for about 37.4% of apparent consumption—five percentage points higher than in 1993. In Europe demand for stainless steel exceeded expectations, and order books at many producers cover expected production until next year. Stocks at distribution centers were reported to be running low, and prices are expected to increase. In Japan stainless steel production also recovered sharply, driven by strong export demand. Exports increased by 21% in the first five months of 1994 over the same period last year.

Increased Russian exports of primary nickel have kept market stocks high. LME stocks have risen steadily since the summer and now stand at more than 142,000 tons. Total 1994 Russian nickel exports are expected to be 100,000–105,000 tons, from production of less than 150,000 tons.

CHINA'S STEEL IMPORTS DEPRESSED BY ANTI-INFLATIONARY MEASURES

World steel production declined by 2.2% in the first eight months of this year over the same period last year because of production declines in Japan (–6.4%) and the FSU (–24.1%). Production increased in most other countries and regions, including the EU (3.5%), the United States (1.2%), Eastern Europe (6.5%), and Latin America (5.2%). Among the countries registering substantial production gains in the first eight months of the year are Argentina (11.8%), Belgium (9.3%), Mexico (8.2%), Germany (7.1%), the Czech Republic (5.3%), Poland (5.1%), China (3.9%), and Turkey (3%).

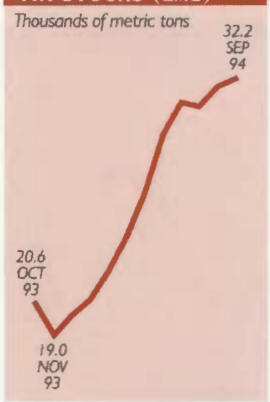
In the United States prices for sheet products have increased by $20–30/ton since the beginning of the summer because of higher demand in the first half of 1994 over the first half of 1993. Prices for certain long products have also gone up. Prices of steel products used mostly in construction have risen less. Following general increases in steel product prices, steel scrap prices have also increased, by about $20–30/ton.

Similarly, in Europe strong demand for flat products ensures that steel producers can increase prices successfully. In contrast, long product prices have yet to increase to compensate for recent increases in steel scrap prices. In Japan a severe summer drought led to water rationing and a shortage of industrial power supplies, forcing producers to reduce production.

NICKEL STOCKS (LME)

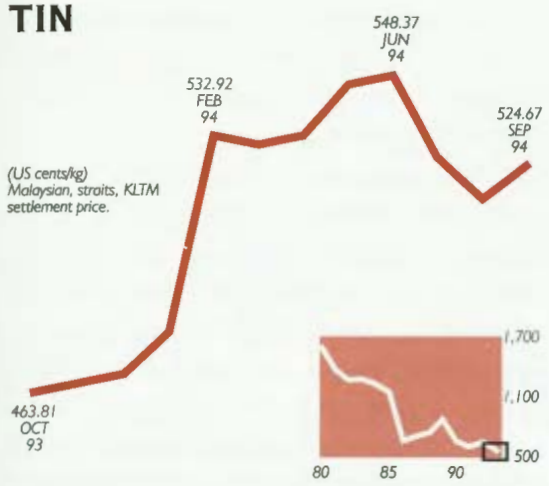
Source: Metal Bulletin.

TIN STOCKS (LME)



Source: Metal Bulletin.

TIN



COAL

Energy prices fell from their July highs, but remain 25% above end-1993 levels.

ATPC CONTINUES ITS SUPPLY RATIONALIZATION SCHEME

Tin prices reversed a rising trend in the third quarter. The cash price in the Kuala Lumpur Tin Market (KLTM) averaged $5.22/kg, down 5% from the second quarter. The fall in prices is consistent with market fundamentals. Visible stocks have been rising, with total reported stocks at 54,400 tons by the end of June, up from 47,000 tons at the beginning of the year. Stocks at the LME increased to 32,200 tons at the end of September, 60% above levels at the beginning of 1994.

World tin consumption, which has declined steadily this year, appears to be reversing the trend. US tin consumption and imports are up, and tinplate production has been operating at full capacity. In Western Europe and Japan tin demand has apparently begun to recover in recent months, although tinplate production is running below capacity.

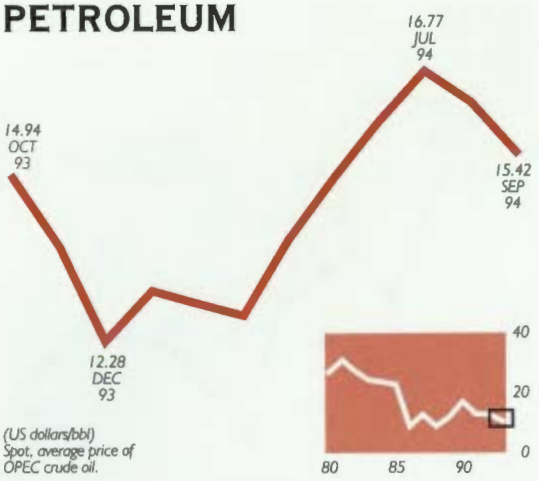
The ministerial meeting of the Association of Tin Producing Countries (ATPC), held in Bangkok on September 19 and 20, concluded with an agreement to keep the export quotas established under the Supply Rationalization Scheme (SRS). China, which became a member in June, had agreed earlier to an export quota of 20,000 tons for 1994. China is estimated to have exported at least that much in the first half of the year and now is reported to have agreed to curtail tin exports to 10,000 tons in the second half.

PRODUCERS OPTIMISTIC ABOUT NEXT YEAR'S CONTRACT PRICES

The firming trend in international thermal coal prices has been evident in recent spot transactions, with prices increasing by as much as $5/ton. Coal exporters are optimistic about next year's contracts, with negotiations scheduled to start later this year. Expectations are for significant price increases, though not by as much as $5/ton. The tightness in the market came in the wake of extremely low prices that adversely affected production capacity. Economic recovery in industrial countries and robust growth in parts of the developing world significantly increased the demand for thermal and metallurgical coals. For good-quality metallurgical coal, major exporters have committed more tonnages than their expected output for the rest of this year. This unusual market tightness is certain to spill over to thermal coal.

In the past two years Australian coal producers have been hit hard by low prices and appreciation of their currency relative to the US dollar, severely depressing profits. Australia's coal production declined by 2.4% during the first half of this year, and exports fell by 4.6% over their level in the same period last year. US production over that period increased by 7.9%, but exports declined by 15.2% because of strong domestic demand, particularly for low-sulfur thermal coal and high-volatility metallurgical coal. South Africa's production declined slightly, but exports increased by 12.8%.

PETROLEUM



PRICES SHOULD REMAIN FIRM DURING THE WINTER

The recovery in oil prices that began during the second quarter continued into early August, aided by strong demand in Japan (weather-related) and by reduced supplies from Nigeria (oil workers' strike) and Norway (heavy maintenance program). As these influences began to disappear from the market, prices declined through mid-September amid excess supplies and ample stocks. In addition, nearly 60% (62,000 contracts) of the record high positions of both noncommercial and nonreporting traders on the New York Mercantile Exchange (NYMEX) were liquidated during the first half of August. That liquidation could have been a significant factor in the drop of oil prices. The price of West Texas Intermediate (WTI), the most closely watched crude, rose 45% from its March low of $14.10/bbl to more than $20.50/bbl in early August before slipping to $16.70/bbl in mid-September. The market then began its anticipated seasonal upturn, and the price of WTI ended September at $18.40/bbl—close to the $18.48 average for 1993 but below 1992's average of $20.50. Thus the large increases in oil prices over the past two quarters were from unusually low levels, and only now are prices back to the more typical levels of recent years.

The market is being pulled in opposite directions. Product stocks (particularly gasoil) are at relatively high levels, but the oil market is generally expected to tighten during the fall and winter months because of low crude oil stocks. OPEC meets in Bali, Indonesia, on November 21 to decide whether to increase or to roll over its production quotas. The call on OPEC production is projected to increase next year by about 1.0 million barrels per day (mb/d). However, the demand for OPEC crude is expected to remain fairly flat over the coming winter season because of significant increases in North Sea oil production. While many OPEC countries would prefer higher output, there is also strong interest in higher oil prices. Certainly, OPEC does not want to precipitate another price plunge like that of late last year, and several members seem to prefer higher prices at the expense of raising output. Thus it is quite likely that the organization could roll over its quotas into 1995.

OPEC crude oil production was reduced to only 0.1 mb/d over its self-imposed quota in August, as the oil workers' strike in Nigeria reduced that country's output to 20% below its quota (table 3). In September Nigeria's production rose to nearly its assigned level, and OPEC was 0.53 mb/d over quota for the month. Most countries were hovering close to their allocations, with Venezuela the most over quota, by 0.13 mb/d.

Non-OPEC production increased by 0.27 mb/d in the third quarter despite reductions in North Sea production because of summer maintenance. The largest increases were in the western hemisphere (table 4). In Latin America, Colombia and Mexico accounted for more than two-thirds of the 0.15 mb/d gain. However, an oil workers' strike in Brazil during the last days of September dramatically reduced production, particularly from the offshore fields in the Campos basin. In both Canada and the United States there were notable increases in supply during the quarter. Elsewhere, the largest increases were in Asia, mainly in India and China. China remains a net importer, although it continues to export crude and to import products. Surprisingly, production in the FSU has held at around 7.1 mb/d this year, which has

TABLE 3. OPEC CRUDE OIL PRODUCTION AND QUOTAS

Millions of barrels per day

	1993	1Q94	2Q94	3Q94	Quotas 4Q93–4Q94
Algeria	0.75	0.74	0.75	0.75	0.750
Gabon	0.30	0.29	0.32	0.33	0.287
Indonesia	1.34	1.31	1.30	1.34	1.330
Iran	3.65	3.65	3.55	3.60	3.600
Iraq	0.48	0.51	0.51	0.53	0.400
Kuwait	1.69	1.80	1.83	1.85	2.000[a]
Libya	1.37	1.31	1.38	1.39	1.390
Neutral zone	0.36	0.38	0.37	0.41	
Nigeria	1.91	2.04	1.94	1.72	1.865
Qatar	0.42	0.40	0.41	0.42	0.378
Saudia Arabia	7.96	7.88	7.91	7.89	8.000[a]
UAE	2.20	2.20	2.17	2.18	2.161
Venezuela	2.31	2.38	2.41	2.47	2.359
Total crude	24.73	24.89	24.84	24.88	14.520
NGLs	2.22	2.26	2.31	2.36	
Total OPEC	26.95	27.15	27.15	27.24	

a. Quota includes neutral zone.
Source: IEA, OPECNA.

TABLE 4. NON-OPEC OIL SUPPLY

Millions of barrels per day

	1993	1Q94	2Q94	3Q94	Change 3Q94–2Q94
United States	8.81	8.70	8.53	8.61	0.08
Canada	2.18	2.26	2.19	2.26	0.07
United Kingdom	2.19	2.62	2.64	2.63	–0.01
Norway	2.37	2.64	2.69	2.48	–0.21
Other OECD	1.25	1.29	1.31	1.34	0.03
Latin America	5.78	5.89	5.85	6.00	0.15
Africa	2.05	2.04	2.01	2.04	0.03
Middle East	1.63	1.75	1.79	1.79	0.00
Asia	1.82	1.87	1.86	1.93	0.07
China	2.91	3.01	2.93	2.97	0.04
FSU	7.82	7.10	7.06	7.08	0.02
Eastern Europe	0.28	0.27	0.27	0.27	0.00
Processing gain	1.50	1.50	1.50	1.50	0.00
Total non-OPEC	40.58	40.95	40.63	40.90	0.27

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

reduced the large year-on-year declines from 1.1 mb/d in the first quarter to only 0.6 mb/d in the third quarter. Net oil exports from the FSU are now reported at 2.64 mb/d for the second quarter and are estimated at 2.45 for the third quarter (although some sources place net oil exports considerably higher). Average net exports are projected to increase by 0.1 mb/d in 1994.

In Japan oil demand surged in the third quarter in response to drought and extremely hot weather, rising by 15% in July and 20% (0.9 mb/d) in August. Much of the increase was for crude and fuel oil used in power plants to meet high electricity demand for air conditioning. The rapid growth in oil demand in the United States during the first half of 1994 (4.3%) slowed considerably in the third quarter to about 1%. European oil demand remains sluggish and is up by less than 1% this year. In developing countries oil demand continues to grow strongly (table 5). The latest data for the second quarter show that demand in seven large consuming countries in Asia rose by 8.5%, with two-thirds of the increase occurring in the Republic of Korea, where growth was 12.5%. In Latin America oil demand for the first seven months increased by about 3% in Mexico and 2% in Brazil, the two largest oil-consuming countries.

Crude oil stocks continued to fall in August and neared their previous five-year lows. Product stocks continued to move higher and are comfortably within the past five-year range. However, gasoil stocks are relatively high in all of the main OECD markets, which could weaken the expected seasonal upturn in prices this fall.

In the United States provisions of the Clean Air Act Amendments of 1990 will be coming into effect in 1995 and could affect gasoline prices during the first few months. The amendments mandate the sale of reformulated gasoline in the nine metropolitan areas with the highest summer ozone levels. Other areas with high ozone levels may also opt into the program. Together, these areas are expected to represent 35% of US gasoline consumption. In addition, in cities where carbon monoxide levels are too high, refiners are obliged to sell gasoline with higher-than-normal oxygenates when the levels are deemed excessive. After January 1 all reformulated gasoline must contain minimum amounts of oxygenates, less than 1% benzene, and no heavy metals. In addition, volatile organic compounds and toxic air pollutants must be reduced by 15% from a specified 1990 baseline. To satisfy the oxygen limit, ethanol or other oxygenates can be blended into the gasoline. Some estimates place the cost of reformulated gasoline at 4–6¢ per gallon higher than conventional gasoline. However, logistical problems, dislo-

cations, and spot shortages during the first few months under the new provisions could send gasoline prices higher. Extremely cold weather in the northeast, which depends on other parts of the world for much of its supplies, could exacerbate the problem.

Projections of supply and demand for the fourth quarter indicate that the market should be nearly in balance, assuming that OPEC does not increase its production and that typical seasonal draws on inventories occur. Further increases in North Sea oil production are likely to prevent the demand for OPEC crude from rising during the quarter. The rise in North Sea production this year (an average of 0.8 mb/d higher than in 1993) has effectively limited volumetric gains to OPEC producers in 1994. Stocks of heating oil are ample at present, and the gasoil market should tighten only in the event of extremely cold weather. Crude oil stocks, however, are low. Anticipated purchases by refiners could strengthen the crude oil market this fall, resulting in higher prices while the buildup occurs.

During the first quarter of 1995, when seasonal demand is at its peak, demand for OPEC production is not expected to rise measurably, assuming normal weather patterns and no supply disruptions elsewhere. If OPEC production remains unchanged, a draw of petroleum inventories of little more than 1.0 mb/d would be required (table 6)—similar to the draw a year earlier. For the full

TABLE 5. 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	38.8	8.2	20.2	67.2	1.7	–15.3	6.0	0.5
1Q93	39.6	7.6	20.9	68.1	–0.1	–19.1	4.0	–1.4
2Q93	37.6	6.9	20.9	65.4	0.5	–16.9	4.0	–0.6
3Q93	38.7	6.3	20.9	65.8	0.9	–17.1	5.0	–0.2
4Q93	40.5	6.9	21.9	69.2	1.7	–8.0	5.3	1.6
1993	39.1	6.9	21.3	67.3	0.8	–16.1	5.5	0.1
1Q94	40.6	6.7	22.0	69.3	2.7	–12.0	5.3	1.8
2Q94	38.6	5.7	21.9	66.2	2.7	–17.5	4.8	1.2
3Q94	39.6	5.9	21.8	67.3	2.3	–6.5	4.5	2.3

Source: IEA, World Bank.

TABLE 6. WORLD PETROLEUM DEMAND AND SUPPLY

Millions of barrels per day

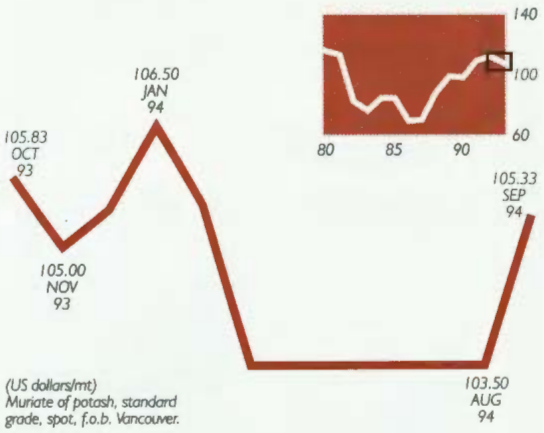
	1991	*1992*	*1Q93*	*2Q93*	*3Q93*	*4Q93*	*1993*	*1Q94*	*2Q94*	*3Q94*	*4Q94*	*1994*	*1Q95*	*1995*
Demand														
OECD	38.2	38.8	39.6	37.6	38.6	40.4	39.0	40.6	38.6	39.6	40.6	39.9	41.1	40.6
FSU	8.3	6.9	6.2	5.6	5.1	5.6	5.6	5.3	4.4	4.6	4.9	4.8	4.8	4.5
Other	20.4	21.5	22.3	22.2	22.1	23.2	22.5	23.4	23.2	23.1	24.3	23.5	24.3	24.2
Total	66.9	67.2	68.1	65.4	65.8	69.2	67.1	69.3	66.2	67.3	69.8	68.2	70.2	69.3
Supply														
OECD	16.3	16.6	16.6	16.4	16.7	17.4	16.8	17.5	17.4	17.3	18.3	17.6	18.2	17.6
FSU	10.4	9.0	8.2	8.0	7.7	7.5	7.8	7.1	7.1	7.1	6.9	7.1	6.7	6.5
Other[a]	15.2	15.5	15.8	16.0	15.8	16.2	15.9	16.3	16.2	16.5	16.8	16.4	17.0	17.2
OPEC[b]	25.0	26.2	27.3	26.4	27.0	27.1	27.0	27.2	27.1	27.2	27.2	27.2	27.2	28.0
Total	66.9	67.3	67.9	66.8	67.2	68.2	67.5	68.1	67.8	68.1	69.2	68.3	69.1	69.3
Stock change and miscellaneous														
OECD	0.0	0.0	–0.2	0.9	0.7	–0.7	0.2	–1.3	1.3	0.8	–0.6	0.1	–1.2	0.0
Floating/transit	–0.1	0.0	–0.2	0.1	0.1	0.2	0.1	–0.1	0.1	0.2	0.0	0.1	–0.1	0.0
Other/ miscellaneous	0.1	0.1	0.2	0.4	0.6	–0.5	0.2	0.2	0.2	–0.2	0.0	0.1	0.2	0.0
Total	0.0	0.1	–0.2	1.4	1.4	–1.0	0.4	–1.2	1.6	0.8	–0.6	0.2	–1.1	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.

year 1995 the call on OPEC production is expected to increase by nearly 1.0 mb/d. World oil demand is projected to increase by about 2%, assuming world GDP growth of 3.3%. A further small decline in FSU oil demand is projected for next year, but it is extremely difficult to project what will occur on the demand or supply side of the balance in that region. Non-OPEC supplies are expected to increase by about 0.4 mb/d, leaving the projected call on OPEC production at a little over 1.0 mb/d higher than its quota, but only about 0.6 mb/d above current output levels. The demand for OPEC crude is not expected to increase above current levels until the second half of the year. If OPEC raises its quotas during the year to supply the increased levels of demand, oil prices should feel no significant upward pressure next year.

Several uncertainties cloud the picture. One is the possible disruption from the new mandate for reformulated gasoline in the United States. Another is the possible resumption of oil exports from Iraq. There is a possibility that exports could resume after the six-month test period of UN weapons monitoring that was to start in October. But several countries are reluctant to allow exports from Iraq unless further conditions are satisfied. Thus any resumption of exports would not be likely to begin until the second half of 1995 at the earliest, and probably later. A resumption of Iraqi exports could severely affect prices unless other OPEC producers accommodate the increase. There is a belief that the longer Iraqi crude exports are delayed, the milder the impact on the market will be because of the expected growth in demand for OPEC crude of roughly 1.0 mb/d per year for the foreseeable future. However, OPEC (excluding Iraq) still has some 3.0 mb/d of spare capacity, and Iraq's production, which was 3.0 mb/d before the Gulf war, is currently 0.5 mb/d. With other OPEC producers expected to expand their output capacities, the return of Iraqi exports could pose a threat to oil prices for some time to come.

POTASSIUM CHLORIDE



Urea prices continued to increase while potassium chloride and TSP prices changed little.

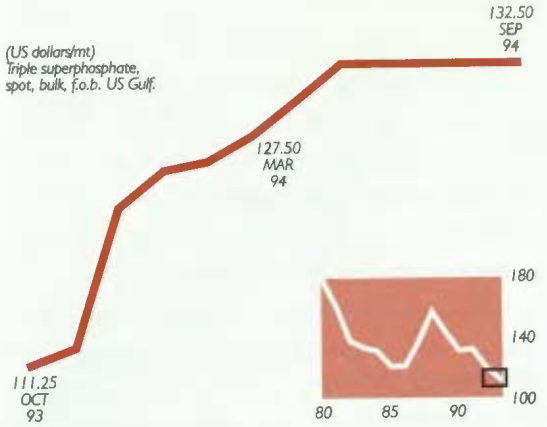
INCREASING DEMAND SHOULD DRIVE UP PRICES

World consumption of potash fertilizer is expected to grow faster than production in the next five years, according to the FAO-UNIDO–World Bank Fertilizer Working Group. World consumption is expected to increase from 19.1 million tons in 1993/94 to 21.6 million tons in 1998/99, while world production is expected to increase by only 1 million tons, to 25.5 million tons. The largest increase in consumption—1.3 million tons—will take place in Asia, followed by a 1 million ton increase in the FSU and Eastern Europe. World implied stocks are expected to fall, from 5.4 million tons to 3.9 million tons. The tighter market should reverse the declining price trend of the past four years.

Despite the 11% drop in Canadian potash stock at the end of July, the proposed price increase of $8/ton for the third quarter in the Asian market had not materialized by the end of September, when prices increased by $5.50/ton. Campotex, a Canadian offshore potash marketing company, sold China 350,000 tons in the third quarter at the same price as in the first half of the year and now wants to increase prices by $6–8/ton for the fourth quarter. Prices for the third quarter did increase from the second quarter in other major markets, such as Brazil, where prices rose by $12/ton, and India, where they were up $3/ton.

Chinese imports of muriate of potash in the first half of 1994 were estimated at 643,000 tons, a 29% drop from the first half of 1993.

TSP

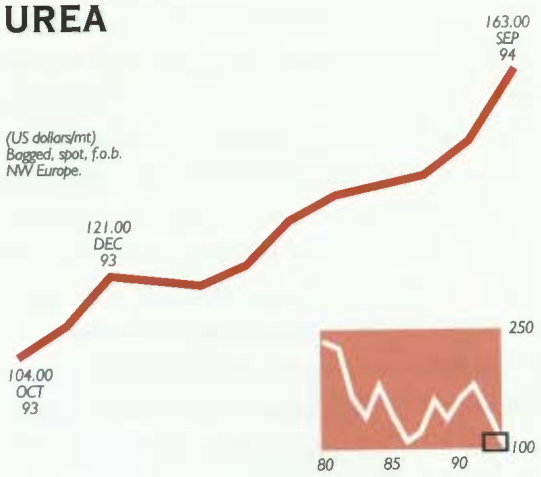


Large Chinese purchase boosts DAP prices

Diammonium phosphate (DAP) prices continued to increase and reached $176/ton in the third quarter, compared with $125/ton in the third quarter of 1993. Large purchases from China accounted for much of the price increase. In July–August the United States exported about 1 million tons of DAP to China. China imported an estimated 1.539 million tons of DAP in the first half of this year, up from 1.2 million tons in the first half of 1993. Prices are expected to continue increasing as the tight supply persists and because of the severe shortage of monoammonium phosphate (MAP) in the FSU. The shortage is mainly a result of large cutbacks in MAP production in Russia and Ukraine, where increased energy and transport costs have made its production economically unfeasible.

World phosphate fertilizer supply and demand balances are projected to decline from 4.8 million tons in 1994/95 to 4.0 million tons in 1998/99, according to the FAO-UNIDO–World Bank Fertilizer Working Group. The surplus in Africa is expected to increase by 820,000 tons, mainly because of increased production. Surpluses in the FSU and Eastern Europe are expected to decrease by about 1 million tons as consumption rises. The deficit in Western Europe is expected to shrink by 200,000 tons as the decline in consumption continues. The deficit in Asia is expected to increase by more than 0.5 million tons as consumption grows faster than production.

UREA



Indian purchases keep prices in upward trend

Urea prices continued to increase in the third quarter, averaging 11% higher than in the second quarter. Prices rose in response to tight supplies and to large purchases from India. India needed 400,000–500,000 tons for shipment by the end of the year, though offers in the August tender totaled only 340,000 tons. Offered prices were $10/ton higher than those at the beginning of August. Supplies in the urea market are expected to remain tight, and prices are expected to continue to rise through the fourth quarter. Purchases from India and emerging demand from the United States and Europe should be sufficient to compensate for lower demand from China. The ban on exports from Indonesia announced in August added another tightening factor to the urea market.

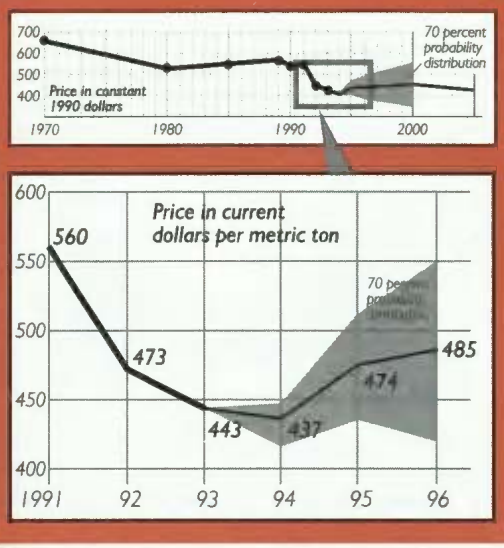
Recent projections by the FAO–UNIDO–World Bank Fertilizer Working Group for world nitrogen fertilizer supply and demand balances indicate that surplus (implied stock) will decrease from 2.42 million tons in 1994/95 to 1.74 million tons in 1998/99. The largest decrease in surplus will take place in the FSU, from 7.98 million tons in 1994/95 to 6.9 million tons in 1998/99. These declines indicate that nitrogen fertilizer prices are likely to increase in the medium term.

China has announced plans to recentralize its fertilizer trade and price controls. Fertilizer producers must sell 90% of their output through the network.

FOODS

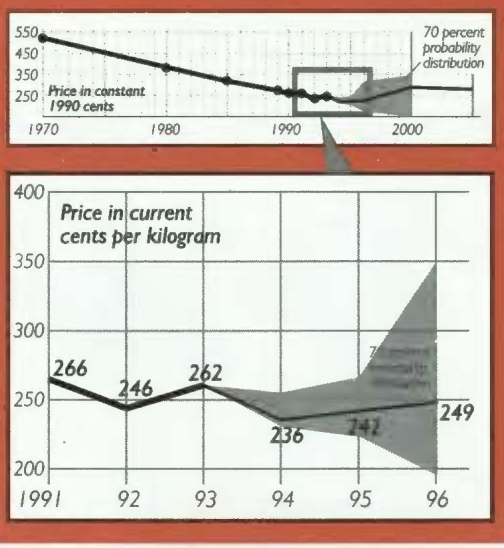
BANANAS

Prices to increase through 1997



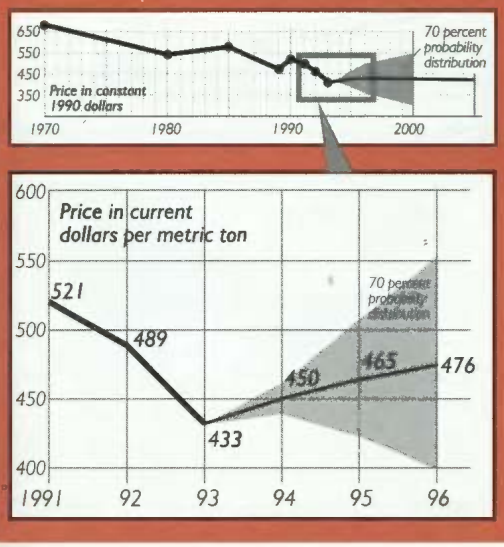
BEEF

Higher US production pressures prices



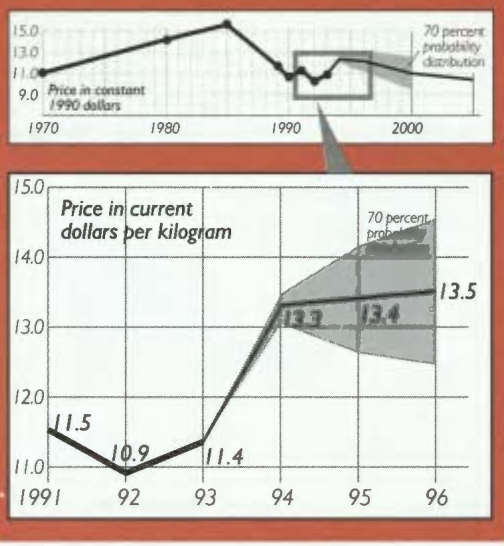
CITRUS (ORANGES)

Smaller production boosts prices



SHRIMP

Tight supplies push up prices



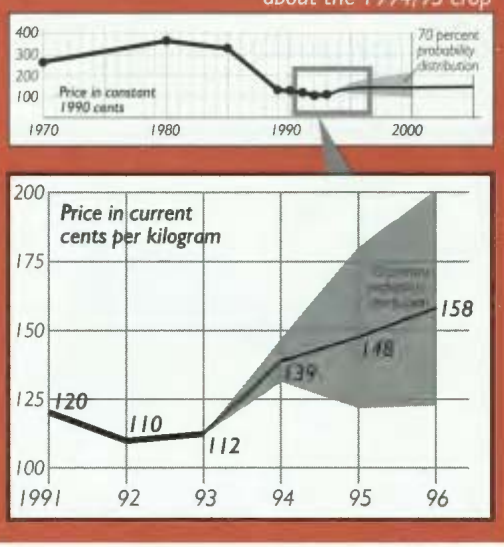
BEVERAGES

SUGAR

Prices remain firm

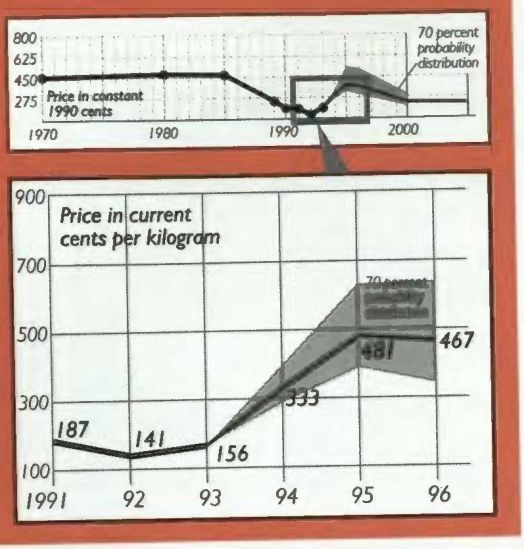
COCOA

Prices trending upward in response to early concerns about the 1994/95 crop

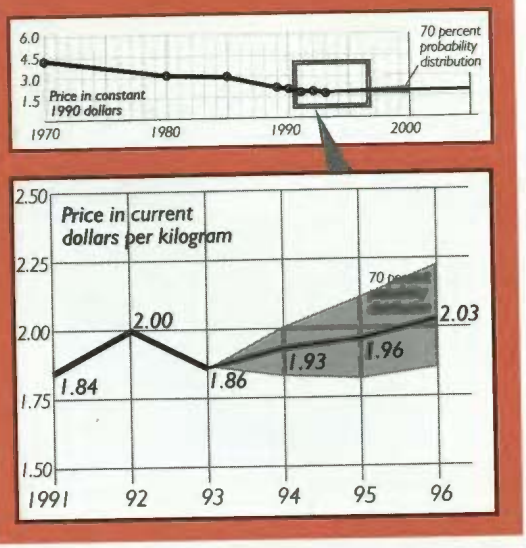


FATS AND OILS

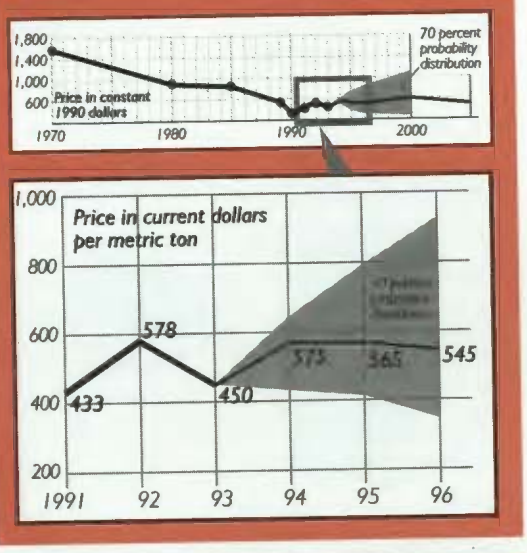
COFFEE
Roller coaster prices likely to continue



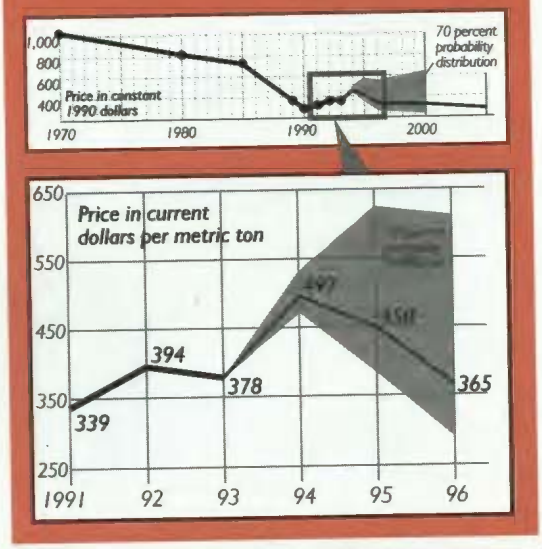
TEA
Prices to remain low



COCONUT OIL
Prices up sharply from last year

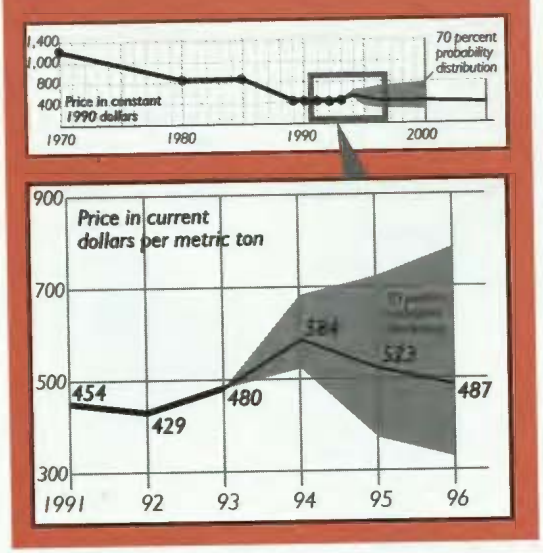


PALM OIL
Low stocks and expected strong demand lift prices

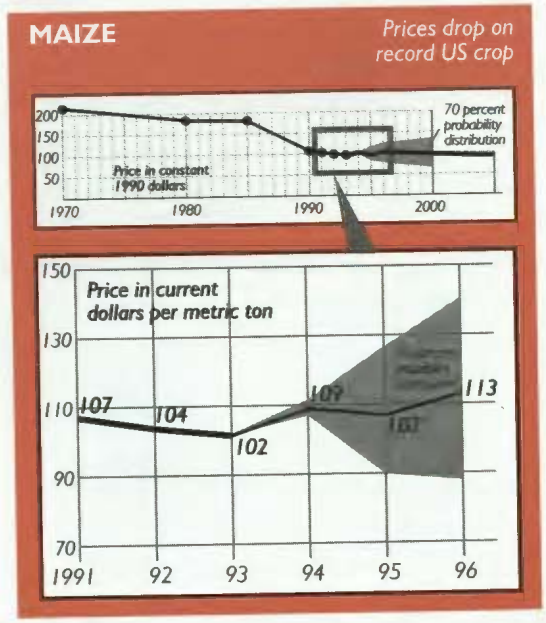


GRAINS

SOYBEAN OIL
Prices rally to new highs

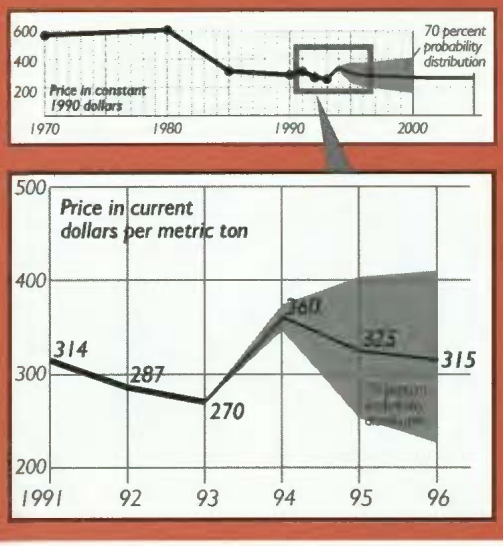


MAIZE
Prices drop on record US crop



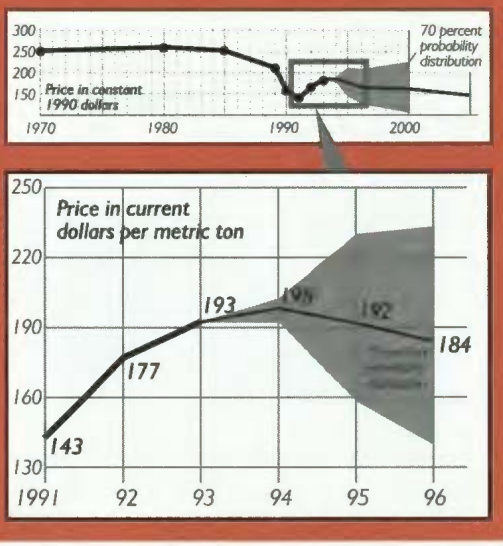
RICE

Lower prices expected



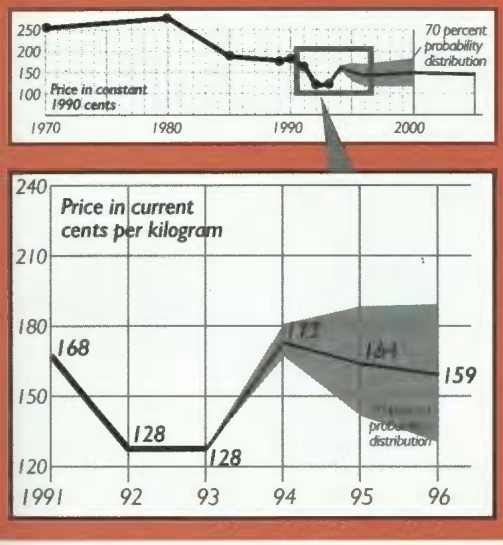
WHEAT

Low production lifts prices



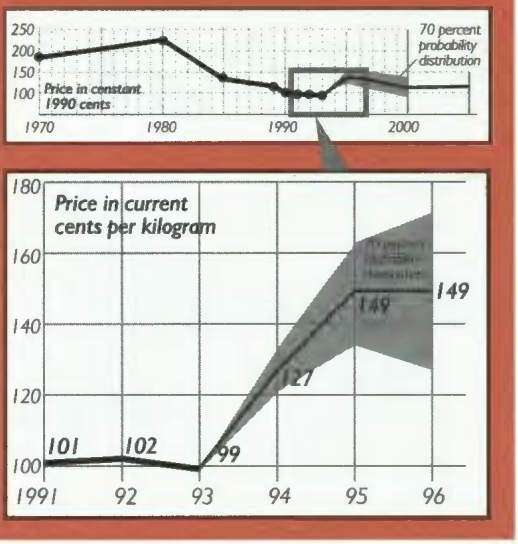
COTTON

Prices easing on supply recovery



RUBBER

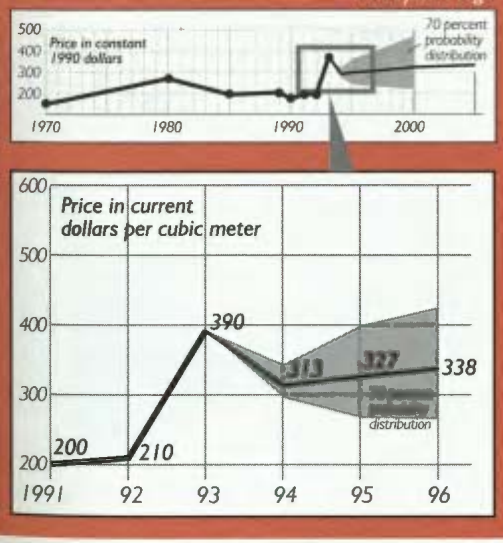
The INRA "must-sell" zone reached on July 20



AGRICULTURAL RAW MATERIALS

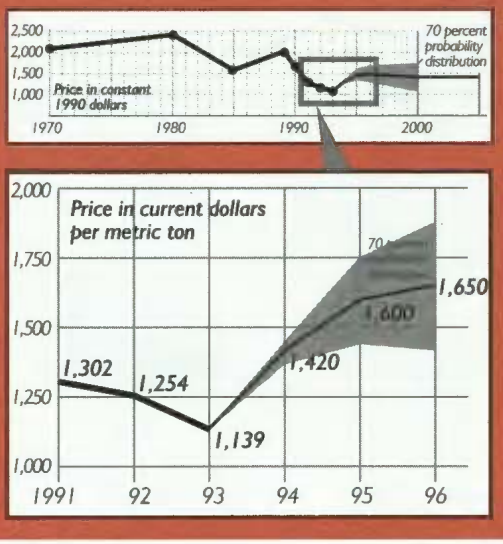
TIMBER (MERANTI LOGS)

Weak demand conditions in Japan reduce prices for Malaysian logs



ALUMINUM

The market zooms as stocks sink

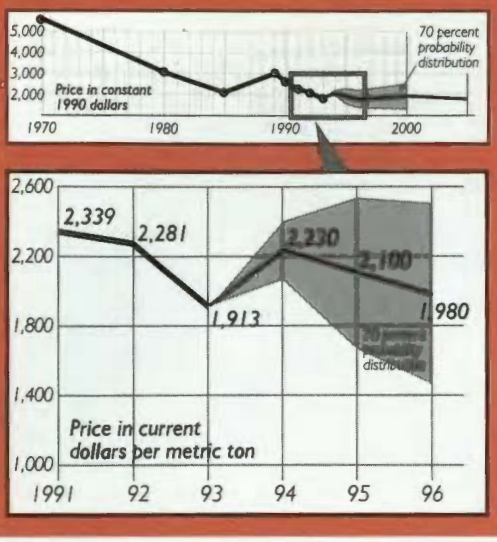


METALS AND MINERALS

ENERGY

COPPER

Likely that prices have topped out

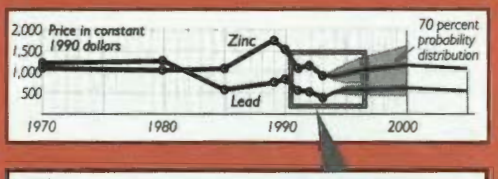


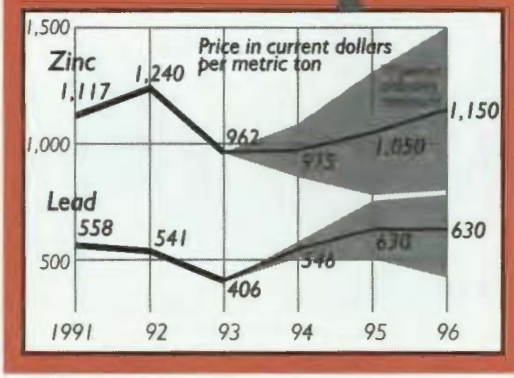
IRON ORE

Prices expected to rise in 1995

LEAD AND ZINC

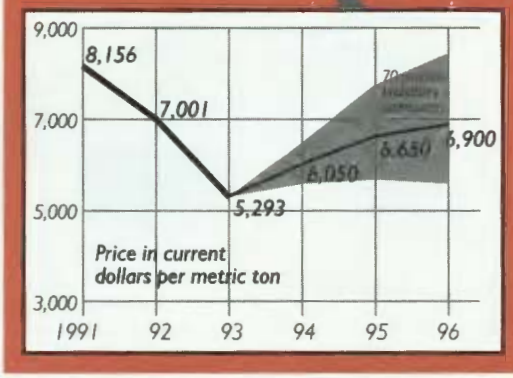
Zinc price bottomed out?





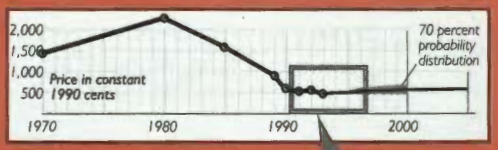
NICKEL

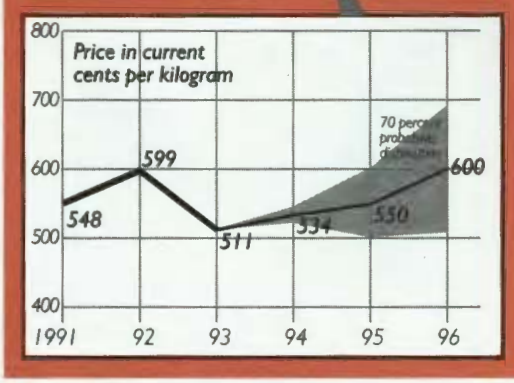
Prices expected to remain firm in the near future



TIN

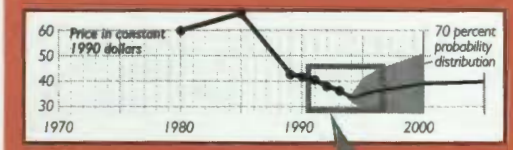
Prices to climb moderately through 1996

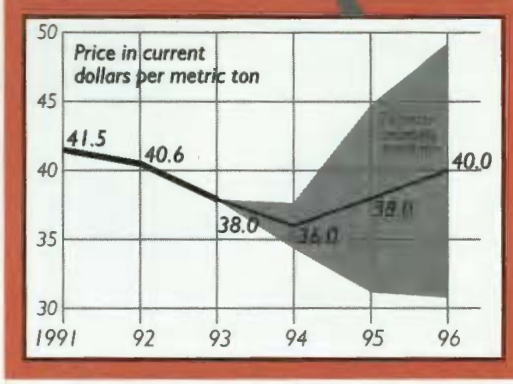




COAL

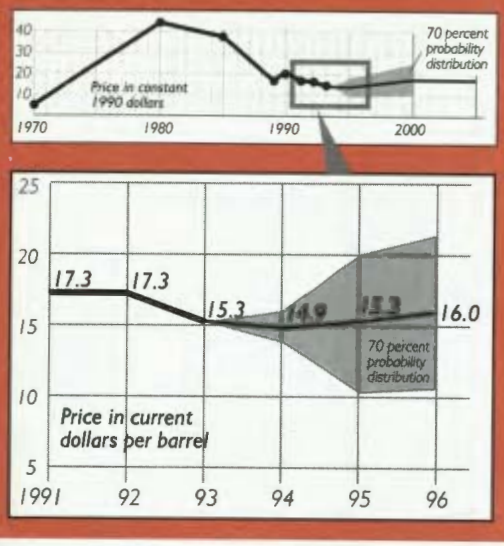
Market is looking up



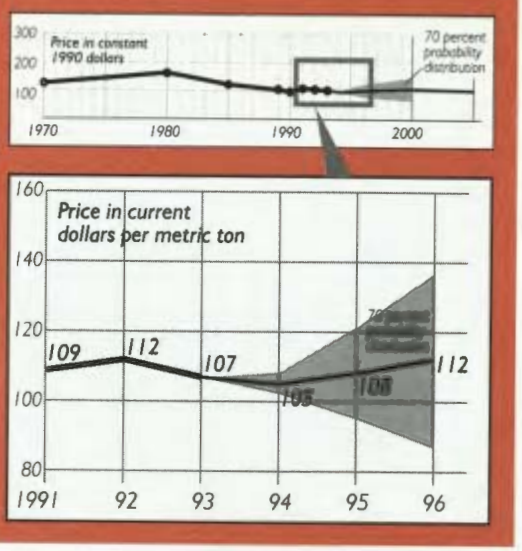


FERTILIZERS

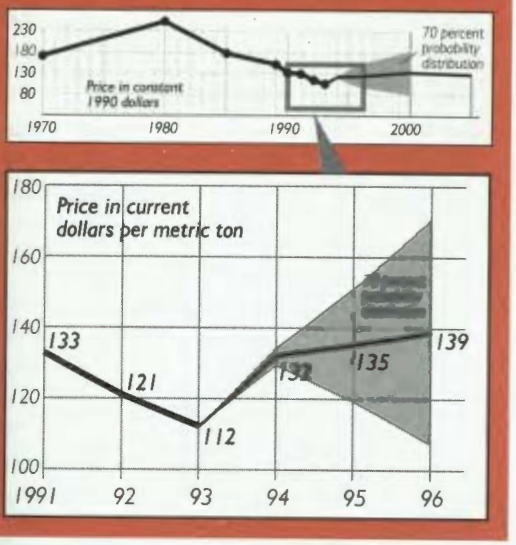
PETROLEUM — *Prices to remain firm*



POTASSIUM CHLORIDE — *Price increase expected*



TSP — *Higher prices expected*



UREA — *Prices continue upward*

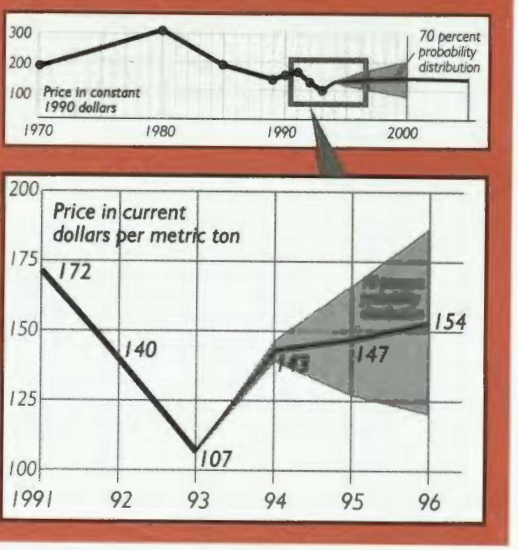


TABLE A1. COMMODITY PRICES AND PRICE PROJECTIONS IN CONSTANT 1990 DOLLARS

		Actual								Short-term projections			Long-term projections	
Commodity	*Unit*	*1970*	*1980*	*1985*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*2000*	*2005*
Energy														
Petroleum	$/bbl	5.2	42.4	38.9	17.2	21.2	17.0	16.3	14.6	13.9	14.0	14.4	17.5	17.1
Coal	$/mt	..	59.9	67.9	42.8	41.8	40.6	38.1	36.5	33.5	34.9	36.1	39.0	39.8
Food														
Coffee	¢/kg	457	482	471	252	197	183	132	150	310	442	421	212	195
Cocoa	¢/kg	269	362	329	131	127	117	103	107	129	136	142	143	146
Tea	¢/kg	437	310	289	213	203	180	188	179	180	180	183	184	188
Sugar	$/mt	323	878	130	298	277	193	187	212	243	243	235	254	262
Beef	¢/kg	520	384	314	271	256	260	230	251	220	222	225	290	278
Shrimp	¢/kg	1,108	1,421	1,529	1,179	1,079	1,129	1,027	1,093	1,235	1,230	1,218	1,104	1,045
Bananas	$/mt	659	527	551	578	541	547	444	425	407	435	438	451	423
Oranges	$/mt	670	543	581	471	531	510	459	415	419	427	429	425	420
Rice	$/mt	574	603	315	338	287	308	270	259	335	298	284	271	268
Wheat	$/mt	250	265	253	213	156	140	166	185	184	177	166	161	146
Maize	$/mt	233	174	164	118	109	105	98	98	102	98	102	99	91
Grain sorghum	$/mt	207	179	150	112	104	103	96	95	99	95	99	96	89
Fats and oils														
Palm oil	$/mt	1,037	811	730	370	290	332	369	362	463	413	329	321	283
Coconut oil	$/mt	1,584	936	860	546	337	424	542	432	536	519	492	598	486
Groundnut oil	$/mt	1,510	1,194	1,319	819	964	874	572	709	939	826	631	587	448
Soybean oil	$/mt	1,224	829	834	456	447	444	402	461	544	480	439	434	398
Soybeans	$/mt	466	412	327	291	247	234	221	245	238	230	224	232	247
Copra	$/mt	897	629	563	368	231	280	357	283	361	341	307	420	342
Groundnut meal	$/mt	407	334	208	211	185	147	146	161	198	174	172	167	186
Soybean meal	$/mt	411	364	229	260	209	193	192	200	183	181	180	196	223
Nonfood agriculture														
Cotton	¢/kg	252	284	192	177	182	164	120	123	161	150	143	150	145
Jute	$/mt	1,092	428	850	394	408	370	300	278	298	301	299	295	290
Rubber	¢/kg	185	226	135	118	102	99	96	95	118	137	134	114	116
Tobacco	$/mt	3,938	3,196	2,843	1,998	1,964	2,158	2,307	2,015	1,784	1,776	1,759	1,744	1,734
Timber														
Logs (meranti)	$/m^3	148	271	199	201	177	196	196	374	292	300	305	326	338
Logs (sapelli)	$/m^3	171	350	253	289	344	309	311	298	307	312	320	329	354
Sawnwood	$/m^3	370	507	403	446	524	462	481	517	720	725	722	738	763
Metals and minerals														
Copper	$/mt	5,634	3,032	2,066	3,009	2,662	2,288	2,139	1,836	2,078	1,928	1,786	1,919	1,771
Tin	¢/kg	1,432	2,284	1,682	902	609	536	562	490	498	505	541	576	581
Nickel	$/mt	11,348	9,058	7,142	14,061	8,864	7,978	6,566	5,080	5,638	6,104	6,224	7,493	7,687
Aluminum	$/mt	2,153	2,466	1,517	2,062	1,639	1,274	1,176	1,093	1,323	1,469	1,488	1,403	1,407
Lead	$/mt	1,212	1,259	570	711	811	545	508	390	509	578	568	614	557
Zinc	$/mt	1,176	1,057	1,141	1,753	1,513	1,093	1,163	923	909	964	1,037	1,187	1,092
Iron ore	$/mt	39.2	39.0	38.7	28.0	30.8	32.5	29.7	27.0	23.8	24.3	25.0	25.4	25.3
Bauxite	$/mt	47.8	44.5	52.0	37.5	35.5	36.5	34.0	33.6	32.6	33.0	33.8	31.7	30.5
Gold	$/toz	143	845	463	403	384	354	322	345	361	376	388	385	369
Silver	¢/toz	706	2,867	895	581	482	395	369	412	501	496	496	476	445
Fertilizers														
Phosphate rock	$/mt	44	65	49	43	41	42	39	32	31	32	33	36	34
Urea	$/mt	193	309	199	140	157	168	132	102	133	135	139	144	140
TSP	$/mt	169	251	177	152	132	130	113	107	123	124	125	133	129
DAP	$/mt	215	309	246	183	171	169	136	124	160	161	162	166	160
Potassium chloride[a]	$/mt	126	161	122	104	98	107	105	103	98	99	101	107	103

.. Not available.

Note: Computed from unrounded data and deflated by manufacturing unit value (MUV) index (1990=100). Forecast as of October 14, 1994.

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

		Actual								Short-term projections			Long-term projections	
Commodity	*Unit*	*1970*	*1980*	*1985*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*2000*	*2005*
Energy														
Petroleum	$/bbl	1.3	30.5	26.7	16.3	21.2	17.3	17.3	15.3	14.9	15.3	16.0	21.5	23.5
Coal	$/mt	..	43.1	46.6	40.5	41.8	41.5	40.6	38.0	36.0	38.0	40.0	47.8	54.7
Food														
Coffee	¢/kg	115	347	323	239	197	187	141	156	333	481	467	260	268
Cocoa	¢/kg	68	260	225	124	127	120	110	112	139	148	158	175	201
Tea	¢/kg	110	223	198	202	203	184	200	186	193	196	203	226	259
Sugar	$/mt	81	632	90	282	277	198	200	221	261	265	261	312	360
Beef	¢/kg	130	276	215	257	256	266	246	262	236	242	249	356	383
Shrimp	¢/kg	278	1,023	1,049	1,116	1,079	1,155	1,095	1,139	1,325	1,340	1,350	1,354	1,438
Bananas	$/mt	165	379	378	547	541	560	473	443	437	474	485	553	582
Oranges	$/mt	168	391	398	445	531	521	489	433	450	465	476	521	578
Rice	$/mt	144	434	216	320	287	314	287	270	360	325	315	332	369
Wheat	$/mt	63	191	173	201	156	143	177	193	198	192	184	198	201
Maize	$/mt	58	125	112	112	109	107	104	102	109	107	113	121	125
Grain sorghum	$/mt	52	129	103	106	104	105	103	99	106	104	110	118	122
Fats and oils														
Palm oil	$/mt	260	584	501	350	290	339	394	378	497	450	365	394	389
Coconut oil	$/mt	397	674	590	517	337	433	578	450	575	565	545	734	669
Groundnut oil	$/mt	379	859	905	775	964	894	610	739	1,008	900	700	720	616
Soybean oil	$/mt	307	597	572	432	447	454	429	480	584	523	487	532	548
Soybeans	$/mt	117	296	224	275	247	240	236	255	255	251	248	285	340
Copra	$/mt	225	453	386	348	231	286	380	295	387	372	340	515	471
Groundnut meal	$/mt	102	240	143	200	185	150	156	168	212	190	191	205	256
Soybean meal	$/mt	103	262	157	246	209	197	204	208	196	197	200	240	307
Nonfood agriculture														
Cotton	¢/kg	63	205	132	167	182	168	128	128	173	164	159	184	199
Jute	$/mt	274	308	583	373	408	378	320	290	320	328	332	362	399
Rubber	¢/kg	46	162	92	112	102	101	102	99	127	149	149	140	160
Tobacco	$/mt	988	2,300	1,950	1,891	1,964	2,206	2,460	2,100	1,914	1,935	1,950	2,139	2,386
Timber														
Logs (meranti)	$/m^3	37	195	136	191	177	200	210	390	313	327	338	400	465
Logs (sapelli)	$/m^3	43	252	174	274	344	316	331	310	329	340	355	404	487
Sawnwood	$/m^3	93	365	276	422	524	472	513	538	773	790	800	905	1,050
Metals and minerals														
Copper	$/mt	1,413	2,182	1,417	2,848	2,662	2,339	2,281	1,913	2,230	2,100	1,980	2,354	2,437
Tin	¢/kg	359	1,644	1,154	853	609	548	599	511	534	550	600	707	799
Nickel	$/mt	2,846	6,519	4,899	13,308	8,864	8,156	7,001	5,293	6,050	6,650	6,900	9,190	10,576
Aluminum	$/mt	540	1,775	1,041	1,951	1,639	1,302	1,254	1,139	1,420	1,600	1,650	1,721	1,936
Lead	$/mt	304	906	391	673	811	558	541	406	546	630	630	753	766
Zinc	$/mt	295	761	783	1,659	1,513	1,117	1,240	962	975	1,050	1,150	1,456	1,503
Iron ore	$/mt	9.8	28.1	26.6	26.5	30.8	33.3	31.6	28.1	25.5	26.5	27.7	31.1	34.8
Bauxite	$/mt	12.0	32.0	35.7	35.5	35.5	37.3	36.3	35.0	35.0	36.0	37.5	38.9	42.0
Gold	$/toz	36	608	318	381	384	362	344	360	387	410	430	472	508
Silver	¢/toz	177	2,064	614	550	482	404	394	430	538	540	550	584	612
Fertilizers														
Phosphate rock	$/mt	11	47	34	41	41	43	42	33	33	35	37	44	47
Urea	$/mt	48	222	136	132	157	172	140	107	143	147	154	177	193
TSP	$/mt	43	180	121	144	132	133	121	112	132	135	139	163	178
DAP	$/mt	54	222	169	173	171	173	145	129	172	175	180	204	220
Potassium chloride[a]	$/mt	32	116	84	99	98	109	112	107	105	108	112	131	142

.. Not available.

Note: Data have been rounded. Forecast as of October 14, 1994.

a. Also known as muriate of potash.

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

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

1990=100

Year	Petroleum	33 commodities (excluding energy) (100.0)	Total agriculture (67.7)[a]	Food					Nonfood agriculture (14.4)[a]	Timber (5.2)[a]	Metals and minerals (27.1)[a]
				Total food (53.2)[a]	Beverages (22.3)[a]	Grains (9.4)[a]	Fats and oils (9.3)[a]	Other (12.3)[a]			
						Current dollars					
1980	143.5	137.5	148.3	152.7	173.5	133.4	158.2	125.4	132.1	110.3	115.8
1985	125.6	103.3	113.1	120.2	158.8	90.9	124.0	69.4	86.9	68.7	85.5
1990	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1991	81.6	97.0	98.2	97.9	94.4	102.7	107.5	93.3	99.2	108.1	91.9
1992	81.2	93.0	92.0	91.4	77.3	100.5	119.2	88.8	94.3	118.2	90.6
1993	71.8	94.3	91.4	92.0	82.1	98.2	114.4	88.1	89.2	220.0	77.4
1994	70.1	115.1	123.1	127.3	149.9	115.6	132.5	91.2	107.3	176.6	83.4
1995	72.0	128.4	141.2	148.4	204.7	108.8	126.3	93.2	114.7	184.5	85.4
1996	75.3	127.3	138.5	145.2	201.3	108.6	115.8	93.2	114.0	190.8	87.0
2000	101.2	121.8	122.3	123.6	130.6	115.6	137.2	106.9	117.5	225.7	100.3
2005	110.6	133.3	133.0	133.5	138.9	123.2	147.7	120.8	131.4	262.4	109.1
						Constant 1990 dollars					
1980	199.3	191.0	206.0	212.1	241.0	185.3	219.7	174.2	183.4	153.2	160.9
1985	183.0	150.6	164.8	175.2	231.5	132.5	180.8	101.2	126.7	100.1	124.6
1990	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1991	79.8	94.9	96.1	95.8	92.3	100.5	105.2	91.3	97.0	105.7	89.9
1992	76.2	87.2	86.3	85.7	72.6	94.3	111.8	83.3	88.4	110.9	85.0
1993	68.9	90.5	87.7	88.3	78.8	94.2	109.8	84.5	85.6	211.1	74.2
1994	65.3	107.3	114.7	118.7	139.7	107.8	123.5	85.0	100.0	164.6	77.7
1995	66.1	117.8	129.6	136.2	187.8	99.8	115.8	85.5	105.3	169.3	78.3
1996	67.9	114.8	124.9	130.9	181.5	98.0	104.4	84.1	102.8	172.0	78.5
2000	82.5	99.3	99.7	100.8	106.4	94.2	111.8	87.1	95.7	184.0	81.8
2005	80.4	96.9	96.7	97.0	101.0	89.6	107.3	87.8	95.5	190.7	79.3

Note: Figures for 1994–2005 are projections. Forecast as of October 14, 1994.
a. Percentage share of commodity group in 33-commodity index.
Source: World Bank, International Economics Department, Commodity Policy and Analysis Unit.

TABLE A4. INFLATION INDICES FOR SELECTED YEARS

Year	G-5 MUV index[a]		US GDP deflator		G-5 GDP/GNP deflator[b]		G-7 CPI[c]	
	1990=100	% change[d]	1990=100	% change[d]	1990=100	% change[d]	1990=100	% change[d]
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	7.83	100.00	3.70	100.00	8.16	100.00	9.01
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	104.22	–2.26	109.00	2.15	115.01	3.58	110.09	–0.01
1994	107.32	2.97	112.05	2.80	117.30	1.99	112.72	2.38
1995	108.95	1.52	116.31	3.80	120.27	2.52	115.90	2.83
1996	110.87	1.76	120.15	3.30	123.07	2.33	119.19	2.84
2000	122.66	2.56	135.76	3.10	134.94	2.33	132.83	2.75
2005	137.59	2.32	156.62	2.90	150.24	2.17	153.04	2.87

Note: Figures for 1993 are provisional estimates, except for US GDP deflator, which is actual; all figures for 1994–2005 are projections. Forecast as of September 21, 1994.
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.
d. For 1985, 1990, 2000, and 2005, the average annual growth rate for the previous five-year period.
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			
		1994	1995	1996	2000
Energy					
Petroleum	$/bbl	12.9–14.9	9.4–18.4	9.5–19.4	10.0–25.0
Coal	$/mt	32.1–35.0	28.6–41.1	27.8–44.4	27.1–50.8
Food					
Coffee	¢/kg	266–373	353–583	308–577	148–318
Cocoa	¢/kg	122–135	112–165	111–181	96–212
Tea	¢/kg	171–187	167–195	167–201	157–218
Sugar	$/mt	234–253	175–317	170–325	140–407
Beef	¢/kg	215–239	206–245	177–315	151–346
Shrimp	¢/kg	1,214–1,255	1,158–1,302	1,122–1,313	947–1,261
Bananas	$/mt	398–417	400–470	379–496	346–555
Oranges	$/mt	409–430	387–466	360–499	301–549
Rice	$/mt	322–348	232–370	205–370	165–406
Wheat	$/mt	179–189	145–211	126–209	105–226
Maize	$/mt	100–103	83–116	79–126	66–135
Grain sorghum	$/mt	97–101	78–113	78–123	64–132
Fats and oils					
Palm oil	$/mt	440–496	353–574	262–551	234–638
Coconut oil	$/mt	499–601	381–730	314–837	276–1,115
Groundnut oil	$/mt	846–1,126	656–1,175	446–1,091	298–1,083
Soybean oil	$/mt	488–637	342–664	298–709	266–783
Soybeans	$/mt	214–270	203–285	180–327	165–372
Copra	$/mt	319–454	268–566	223–567	199–887
Groundnut meal	$/mt	174–239	138–244	125–265	108–313
Soybean meal	$/mt	169–322	158–245	138–286	140–348
Nonfood agriculture					
Cotton	¢/kg	155–168	129–172	117–170	117–183
Jute	$/mt	286–310	259–343	245–354	230–360
Rubber	¢/kg	113–124	123–150	115–154	91–137
Tobacco	$/mt	1,694–1,873	1,527–2,025	1,442–2,075	1,360–2,128
Timber					
Logs (meranti)	$/m^3	273–320	243–367	237–386	219–470
Logs (sapelli)	$/m^3	278–327	253–385	249–411	221–491
Sawnwood	$/m^3	649–765	582–904	556–936	495–1,101
Metals and minerals					
Copper	$/mt	1,922–2,234	1,523–2,332	1,321–2,250	1,280–2,558
Tin	¢/kg	485–509	461–551	459–623	450–700
Nickel	$/mt	5,216–6,092	5,226–7,128	5,069–7,641	5,342–10,505
Aluminum	$/mt	1,277–1,351	1,322–1,606	1,281–1,696	1,060–1,745
Lead	$/mt	476–541	463–694	427–711	416–812
Zinc	$/mt	804–1,013	723–1,205	726–1,348	744–1,630
Iron ore	$/mt	22.8–24.7	22.0–26.9	21.8–28.7	20.1–31.9
Bauxite	$/mt	31.5–34.5	30.6–36.1	29.9–37.4	27.0–37.0
Gold	$/toz	341–380	305–448	295–481	264–505
Silver	¢/toz	464–539	392–599	367–625	317–634
Fertilizers					
Phosphate rock	$/mt	29.8–31.7	26.6–37.6	25.3–41.5	22.8–48.9
Urea	$/mt	130–137	117–153	108–170	81–208
TSP	$/mt	120–126	109–139	97–154	81–185
DAP	$/mt	157–164	144–177	131–194	109–223
Potassium chloride	$/mt	95–101	87–111	78–124	65–148

Note: Forecast as of October 14, 1994.
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			
		1994	1995	1996	2000
Energy					
Petroleum	$/bbl	13.8–16.0	10.3–20.0	10.5–21.5	12.3–30.7
Coal	$/mt	34.4–37.6	31.2–44.8	30.8–49.2	33.3–62.3
Food					
Coffee	¢/kg	286–400	385–635	341–640	182–390
Cocoa	¢/kg	131–145	122–180	123–201	118–260
Tea	¢/kg	183–201	182–212	185–223	192–267
Sugar	$/mt	251–271	191–345	188–360	172–499
Beef	¢/kg	231–256	224–267	196–349	185–424
Shrimp	¢/kg	1,303–1,347	1,262–1,418	1,244–1,456	1,161–1,547
Bananas	$/mt	427–447	436–512	420–550	425–681
Oranges	$/mt	439–461	422–508	399–553	369–673
Rice	$/mt	346–374	253–403	227–410	203–498
Wheat	$/mt	192–203	158–230	140–232	129–277
Maize	$/mt	107–111	90–126	88–140	81–166
Grain sorghum	$/mt	104–108	85–123	86–136	79–162
Fats and oils					
Palm oil	$/mt	472–532	385–625	290–611	287–782
Coconut oil	$/mt	535–645	415–795	348–928	339–1,368
Groundnut oil	$/mt	908–1,208	715–1,280	495–1,210	365–1,329
Soybean oil	$/mt	524–684	373–723	330–786	326–960
Soybeans	$/mt	230–290	221–311	200–362	202–456
Copra	$/mt	342–487	292–617	247–629	244–1,088
Groundnut meal	$/mt	187–257	150–266	139–294	132–384
Soybean meal	$/mt	181–346	172–267	153–317	172–427
Nonfood agriculture					
Cotton	¢/kg	166–180	141–187	130–188	144–224
Jute	$/mt	307–333	282–374	272–392	282–442
Rubber	¢/kg	121–133	134–163	127–171	112–168
Tobacco	$/mt	1,818–2,010	1,664–2,206	1,599–2,301	1,668–2,610
Timber					
Logs (meranti)	$/m^3	293–343	265–400	263–428	268–576
Logs (sapelli)	$/m^3	298–351	276–419	276–456	271–603
Sawnwood	$/m^3	697–821	634–984	617–1,038	607–1,350
Metals and minerals					
Copper	$/mt	2,063–2,397	1,659–2,541	1,465–2,495	1,570–3,138
Tin	¢/kg	521–546	502–600	509–691	552–859
Nickel	$/mt	5,598–6,538	5,694–7,766	5,620–8,472	6,553–12,886
Aluminum	$/mt	1,370–1,450	1,440–1,750	1,420–1,880	1,300–2,140
Lead	$/mt	511–581	504–756	473–788	510–996
Zinc	$/mt	863–1,087	788–1,313	805–1,495	913–1,999
Iron ore	$/mt	24.5–26.5	24.0–29.3	24.2–31.8	24.7–39.1
Bauxite	$/mt	33.8–37.0	33.3–39.3	33.2–41.5	33.1–45.4
Gold	$/toz	366–408	332–488	327–533	324–620
Silver	¢/toz	498–578	427–653	407–693	389–778
Fertilizers					
Phosphate rock	$/mt	32–34	29–41	28–46	28–60
Urea	$/mt	139–147	127–167	120–188	99–255
TSP	$/mt	129–135	119–151	107–171	99–227
DAP	$/mt	168–176	157–193	145–215	134–274
Potassium chloride	$/mt	102–108	95–121	87–137	80–182

Note: Forecast as of October 14, 1994.
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 1992	Jan–Dec 1993	Jan–Sep 1994	Jul–Sep 1993	Oct–Dec 1993	Jan–Mar 1994	Apr–Jun 1994	Jul–Sep 1994	Jul 1994	Aug 1994	Sep 1994
Beverages												
Cocoa	¢/kg	110.0	111.7	138.6	114.2	132.5	126.7	136.0	153.0	155.2	155.1	148.6
Coffee												
Robusta[a]	¢/kg	94.0	115.7	238.5	125.2	133.9	135.9	205.1	374.3	361.5	358.5	403.0
Brazilia	¢/kg	124.5	146.8	292.8	157.7	161.9	173.6	251.3	453.4	467.0	424.1	469.0
Other mild arabicas	¢/kg	141.2	156.0	305.2	168.7	173.8	183.7	261.5	470.5	480.1	441.9	489.4
Tea	¢/kg	200.0	186.4	184.0	171.2	190.2	175.0	188.3	188.6	181.9	183.7	200.3
Grains												
Rice	$/mt	287.4	270.0	377.1	231.3	338.1	436.0	382.9	312.5	315.0	315.0	307.5
Grain sorghum	$/mt	102.8	99.0	106.2	97.3	111.6	118.5	106.6	93.5	93.8	95.0	91.8
Maize	$/mt	104.2	102.1	110.7	100.8	115.0	123.3	111.7	97.1	97.8	96.0	97.5
Wheat												
Canada	$/mt	177.0	192.7	201.6	192.1	224.9	216.9	207.0	181.0	182.2	176.4	184.4
US[a]	$/mt	145.1	134.8	132.8	117.3	134.9	143.5	125.1	129.9	119.5	128.1	142.1
Meat												
Beef	¢/kg	245.5	261.8	238.4	278.6	259.1	253.5	241.7	220.0	219.1	219.9	220.8
Lamb[a]	¢/kg	265.1	290.7	296.7	300.4	297.8	298.0	295.7	296.3	295.8	296.5	296.6
Fruits												
Bananas	$/mt	473.1	443.0	457.7	339.5	371.2	568.4	374.1	430.7	446.2	407.4	438.4
Oranges	$/mt	489.2	432.5	437.7	484.2	461.1	369.5	403.5	540.2	537.3	544.0	539.2
Fats and oils												
Palm oil	$/mt	393.5	377.8	477.7	356.7	367.0	395.3	476.7	561.0	494.0	575.0	614.0
Coconut oil	$/mt	577.6	450.3	585.7	446.3	499.3	569.0	589.0	599.0	579.0	596.0	622.0
Groundnut oil	$/mt	609.9	739.1	1,014.9	825.3	846.3	1,005.7	1,021.3	1,017.7	1,017.0	1,018.0	1,018.0
Soybean oil[a]	$/mt	428.9	480.4	594.0	492.3	538.7	588.3	583.0	610.7	560.0	600.0	672.0
Soybeans	$/mt	235.5	255.1	257.0	273.7	264.0	276.3	260.7	234.0	237.0	232.0	233.0
Copra	$/mt	380.4	295.4	407.3	299.0	329.7	384.0	405.0	433.0	430.0	443.0	426.0
Groundnut meal	$/mt	155.7	168.1	172.7	182.7	184.3	187.3	169.3	161.3	166.0	160.0	158.0
Soybean meal	$/mt	204.4	208.2	197.8	221.3	212.7	207.3	197.3	188.7	193.0	189.0	184.0
Fisheries												
Shrimp[a]	$/kg	1,095.3	1,139.0	1,290.5	1,098.3	1,160.0	1,190.5	1,293.4	1,387.6	1,386.7	1,413.7	1,362.5
Fish meal[a]	$/mt	481.5	364.8	367.3	356.7	354.7	360.7	359.3	382.0	376.0	378.0	392.0
Fibers												
Cotton												
A index	¢/kg	127.8	128.0	176.5	123.8	124.2	170.3	187.8	171.6	180.1	169.0	165.6
US[a]	¢/kg	130.3	127.2	175.8	119.6	121.5	168.3	190.3	168.8	176.1	164.4	166.0
Jute	$/mt	319.6	273.3	320.6	260.0	313.3	371.7	308.8	281.3	300.0	300.0	244.0
Sisal[a]	$/mt	505.6	615.3	606.0	660.0	646.3	633.3	606.7	578.0	594.0	550.0	590.0
Wool[a]	¢/kg	393.2	301.7	365.8	280.4	308.9	326.5	369.8	422.6	0.0[b]	417.2[c]	427.9[c]
Sugar	¢/kg	20.0	22.1	25.5	21.0	22.7	24.1	25.5	26.8	26.0	26.7	27.8
Rubber												
US	¢/kg	101.9	99.3	120.9	96.8	98.4	103.3	115.6	143.8	137.1	146.3	148.0
Singapore[a]	¢/kg	86.1	83.0	106.8	82.2	82.1	87.4	100.9	132.2	130.1	134.9	131.4
Metals and minerals												
Copper	$/mt	2,281.2	1,913.1	2,150.3	1,912.2	1,666.9	1,862.2	2,132.2	2,456.5	2,458.2	2,406.2	2,505.0
Tin	¢/kg	599.3	510.6	526.4	472.9	466.0	514.2	542.5	522.4	527.1	515.5	524.7
Nickel												
LME	$/mt	7,001.2	5,293.4	5,913.1	4,703.6	4,734.0	5,663.5	5,925.5	6,150.3	6,226.8	5,859.5	6,364.8
Free market[a]	$/mt	7,003.2	5,352.5	5,995.8	4,744.6	4,856.8	5,746.0	6,000.2	6,241.3	6,327.3	5,941.5	6,455.1
Aluminum												
LME	$/mt	1,254.3	1,139.0	1,361.4	1,163.2	1,073.7	1,244.5	1,334.0	1,505.7	1,492.4	1,455.4	1,569.2
Free market[a]	$/mt	1,331.9	1,207.0	1,461.1	1,225.8	1,135.1	1,324.8	1,423.3	1,635.1	1,621.1	1,578.4	1,705.6
Lead	¢/kg	54.1	40.6	51.4	38.4	41.5	47.6	48.0	58.8	58.0	57.1	61.3
Silver[a]	¢/toz	393.6	429.8	533.4	467.2	460.2	528.5	538.0	533.7	528.7	519.5	552.9
Gold[a]	$/toz	343.7	359.8	383.9	375.4	373.8	384.3	381.4	385.8	385.5	380.4	391.6
Zinc												
US[a]	¢/kg	128.7	101.8	103.3	95.8	99.0	102.6	101.2	106.1	105.2	103.3	109.7
LME	¢/kg	124.0	96.2	96.1	89.5	93.9	96.7	94.8	96.7	96.4	94.5	99.2
Iron ore	$/mt	31.6	28.1	25.5	28.1	28.1	25.5	25.5	25.5	25.5	25.5	25.5

(table continued on next page)

TABLE A7. RECENT COMMODITY PRICES (CONTINUED)

Commodity	Unit	Annual averages			Quarterly averages					Monthly averages		
		Jan–Dec 1992	Jan–Dec 1993	Jan–Sep 1994	Jul–Sep 1993	Oct–Dec 1993	Jan–Mar 1994	Apr–Jun 1993	Jul–Sep 1994	Jul 1994	Aug 1994	Sep 1994
Steel												
Rebar[a]	$/mt	306.7	348.8	320.6	360.0	348.3	338.3	313.3	310.0	300.0	310.0	320.0
Merch bar[a]	$/mt	308.3	361.7	313.3	403.3	363.3	326.7	303.3	310.0	300.0	310.0	320.0
Wire rod[a]	$/mt	372.5	395.8	376.7	406.7	390.0	390.0	373.3	366.7	370.0	370.0	360.0
Section[a]	$/mt	331.3	357.9	347.2	373.3	375.0	361.7	340.0	340.0	330.0	340.0	350.0
Plate[a]	$/mt	445.0	442.5	451.7	450.0	443.3	448.3	453.3	453.3	450.0	450.0	460.0
H.r. coilsheet[a]	$/mt	369.2	375.8	400.6	390.0	393.3	391.7	400.0	410.0	400.0	410.0	420.0
C.r. coilsheet[a]	$/mt	469.2	470.0	508.9	490.0	500.0	500.0	510.0	516.7	510.0	520.0	520.0
Galvan. sheet[a]	$/mt	555.3	549.2	554.4	580.0	560.0	543.3	543.3	576.7	570.0	580.0	580.0
Energy												
Crude oil												
Official[a]	$/bbl	17.3	17.0	15.0	17.0	16.7	14.3	14.8	16.0	16.2	16.3	15.6
Spot[a]	$/bbl	17.3	15.2	14.7	14.6	13.7	12.9	15.0	16.1	16.8	16.2	15.4
Coal												
Australia[a]	$/mt	38.6	31.3	31.8	31.0	31.0	30.9	31.5	33.1	33.1	33.1	33.1
US[a]	$/mt	40.6	38.0	36.3	38.0	38.0	37.7	35.8	35.4	35.5	35.5	35.3
Timber												
Logs												
Cameroon[a]	$/m^3	331.3	310.3	323.9	301.2	303.9	306.8	319.6	345.4	343.8	344.8	347.8
Malaysia[b]	$/m^3	209.5	389.8	319.1	433.8	338.7	302.9	338.1	316.2	332.0	316.7	299.9
Sawnwood												
Malaysia[b]	$/m^3	513.1	538.1	766.7	511.0	633.1	723.4	766.9	809.8	802.7	811.4	815.2
Ghana[a]	$/m^3	523.5	530.7	606.7	541.0	573.7	586.7	606.2	627.3	628.2	623.3	630.3
Plywood[a]	¢/sh	380.8	661.4	619.7	688.3	604.3	594.1	637.9	626.9	649.7	631.0	600.0
Woodpulp[a]	$/mt	563.0	423.9	506.0	409.1	390.4	438.0	513.9	566.0	556.0	571.0	571.0
Fertilizers												
Phosphate rock	$/mt	41.8	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0
Urea[a]	$/mt	140.3	106.8	136.0	101.7	111.7	120.7	136.0	151.3	142.0[d]	149.0[d]	163.0[d]
TSP[a]	$/mt	120.7	111.9	130.1	106.7	115.4	126.0	131.7	132.5	132.5	132.5	132.5
DAP[a]	$/mt	145.2	129.1	169.9	124.8	149.0	162.5	171.4	175.7	173.5	174.4	179.1
Potassium chloride[a]	$/mt	112.1	107.4	104.3	107.5	105.4	105.2	103.5	104.1	103.5	103.5	105.3
Selected price indices (1990=100)												
Agricultural food		91.4	92.0	123.0	92.6	99.6	105.7	116.2	147.2	147.7	142.9	151.1
Fats and oils		119.2	114.4	131.1	116.1	117.8	125.0	131.3	137.1	130.6	138.4	142.4
Agricultural nonfood		94.3	89.2	105.6	87.3	88.2	97.5	105.7	113.8	112.8	114.4	114.1
Agricultural timber[b]		118.2	220.0	180.1	244.8	191.2	170.9	190.8	178.5	187.4	178.8	169.3
Metals and minerals (excl. steel)		90.6	77.4	81.5	76.1	72.4	76.5	81.4	86.7	86.8	85.3	88.1
Steel products		88.1	91.4	92.0	95.7	93.9	92.1	91.2	92.7	91.2	92.9	94.1
33 selected commodities (excl. petroleum and steel)		93.0	94.3	112.3	95.3	95.4	100.1	109.1	127.6	128.2	125.1	129.6

Note: Prices as of October 5, 1994.
a. Not included in index.
b. No quotation.
c. Average for less than period indicated.
d. Estimate.
Source: World Bank, International Economics Department, Commodity Policy Analysis Unit.

COMMODITY DESCRIPTIONS

Energy

Petroleum, average OPEC price: OPEC government sales weighted by export volumes through 1981; beginning 1982, OPEC spot prices weighted by OPEC export volumes.
Thermal coal, (12,000 BTU/lb, less than 1.0% sulfur, 12% ash), f.o.b. piers, Hampton Roads, Norfolk.

Foods

Coffee (ICO), indicator price, other mild arabicas, average New York and Bremen/Hamburg markets, ex-dock for prompt shipment.
Cocoa (ICCO), daily average price, New York and London, nearest three future trading months.
Tea (London auction), average price received for all teas.
Sugar (world), ISA daily price, f.o.b. and stowed at greater Caribbean ports.
Beef (Australian/New Zealand), cow forequarters, frozen boneless, 85% chemical lean, c.i.f. US port (East Coast), ex-dock.
Bananas (Central and South American), first-class-quality tropical pack, importer's price to jobber or processor, f.o.r. US ports.
Oranges (Mediterranean exporters), navel, EU indicative import price, c.i.f. Paris.
Shrimp (US), frozen, Gulf brown, shell-on, headless, 26–30 count per pound, wholesale price at New York.

Grains

Rice (Thai), white, milled, 5% broken, government standard, Board of Trade–posted export price, f.o.b. Bangkok.
Wheat (Canadian), no. 1 Western Red Spring (CWRS) 13.5%, basis in store Thunder Bay, domestic through March 1985; subsequently, St. Lawrence, export.
Maize (US), no. 2, yellow, f.o.b. Gulf ports.
Grain sorghum (US), no. 2, milo yellow, f.o.b. Gulf ports.

Fats and oils

Palm oil (Malaysian), 5% bulk, c.i.f. NW Europe.
Coconut oil (Philippines/Indonesian), bulk, c.i.f. Rotterdam.
Groundnut oil (Nigerian/West African), bulk c.i.f. UK, through January 1977; subsequently (any origin), c.i.f. Rotterdam.
Soybean oil (Dutch), crude, f.o.b. ex-mill.
Soybeans (US), c.i.f. Rotterdam.
Copra (Philippines/Indonesian), bulk, c.i.f. NW Europe.
Groundnut meal (Indian), 48%, c.i.f. Rotterdam through 1981; thereafter, Argentine, 48/50%.
Soybean meal (US), 44% extraction, c.i.f. Rotterdam through 1990; thereafter, Argentine, 45/46%.

Nonfood agriculture

Cotton (outlook A index), middling ($1\frac{3}{32}$"), c.i.f. Europe.
Jute (Bangladesh), white D, f.o.b. Chittagong/Chalna.
Rubber (any origin), RSS no. 1, in bales, spot, Rubber Traders Association (RTA), New York.
Tobacco (Indian), flue-cured, average export unit value.

Timber

Logs (Southeast Asian), Philippines, Lauan for plywood and veneer, length over 6.0 m, diameter over 60 cm, average wholesale price in Japan through 1976; from 1977 to 1981, Malaysian, meranti, Sabah SQ best quality, sale price charged by importers, Tokyo; 1982 through January 1993, average of Sabah and Sarawak in Tokyo weighted by their respective import volumes in Japan; beginning February 1993, Sarawak in Tokyo.
Logs (West African), sapelli, high quality, loyal and marchand, f.o.b. Cameroon.
Sawnwood (Malaysian), dark red meranti, select and better quality, standard density, c.i.f. French ports.

Metals and minerals

Copper (LME), cash wirebars through November 1981; from December 1981 through June 1986, high-grade cathodes, settlement price; subsequently, grade A.
Tin (Malaysian), Straits quality, ex-smelter, Penang, official settlement price.
Nickel (Canadian), electrolytic cathodes, Ni 99.9% shipping point through 1979; subsequently, cathodes, minimum 99.8% purity, official morning session weekly average bid/asked price.
Aluminum, indicative price of US unalloyed primary ingot in the European market through 1978; subsequently, LME standard grade, minimum 99.5% purity, cash price.
Lead (LME), settlement price, refined lead, purity 99.97%.
Zinc (LME), settlement price, good ordinary brand through August 1984; thereafter, high-grade brand.
Iron ore (Brazilian), CVRD Itabira sinter feed produced from 64.2% purity ore, metal content weight, contract to Germany, Federal Republic, f.o.b. reference price through 1974; from 1975 through 1985, standard sinter feed from 64% purity ore; starting 1986, Southern System (Itabira and other southern mines) 64%; during 1988 and 1989, 64.2%; beginning 1990, 64.3% purity ores.
Bauxite, crude and dried, US import reference price based on imports from Jamaica through 1974; from 1975, US import price, c.i.f. US port.
Gold (UK), 99.5% fine, London afternoon fixing, average of daily rates.
Silver (Handy & Harman), 99.9% grade refined, New York.

Fertilizers

Phosphate rock (Moroccan), 72% BPL, FAS Casablanca through 1980; from 1981, 70% TPL contract.
Urea (any origin), bagged, f.o.b. NW Europe.
TSP (triple superphosphate), bulk, f.o.b. US Gulf.
DAP (diammonium phosphate), bulk, f.o.b. US Gulf.
Potassium chloride (muriate of potash), bulk, f.o.b. Vancouver.

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