

Global Commodity Markets

COMMODITIES TEAM OF DECPG, WORLD BANK

monthly update

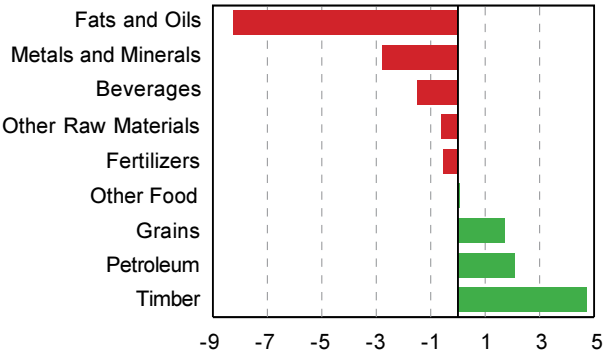
july 1999

Commodity prices lacked clear overall direction in June, with agriculture and metals prices generally lower while energy prices were higher. Supply factors dominated those commodity price movements which did occur, causing crude oil prices to remain firm and agricultural prices to weaken. Metals prices were lower but showed strength towards the end of June as production cutbacks began to materialize.

Energy prices continued to rally as production cutbacks implemented by OPEC producers and high refinery runs reduced stocks of crude oil at the start of the peak summer driving season in the US and Europe. Demand appears to be recovering in Asia, following the slump last year. In the Republic of Korea, oil demand grew by nearly 9% during the first five months of this year although a portion of this went to rebuild inventories. Crude oil futures prices moved into backwardation (nearby futures prices are higher than more distant futures prices), as investment funds bid up prices. Further price increases now seem possible unless OPEC members agree to increase supplies.

Food prices fell sharply as palm oil prices declined by 17.5% following a reduction in the Indonesian export tax. Soybean prices fell to 26-year lows on the prospect of a record US crop amid nearly ideal growing conditions in the Midwestern United States. Grain prices were higher despite estimates of higher stock levels which

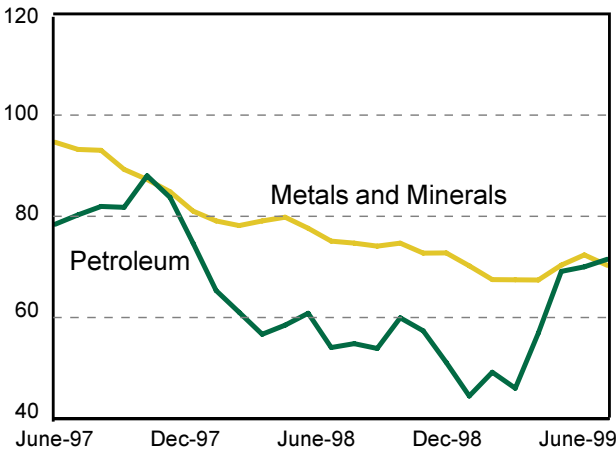
Percentage Change in Price Indices
May 1999 - June 1999



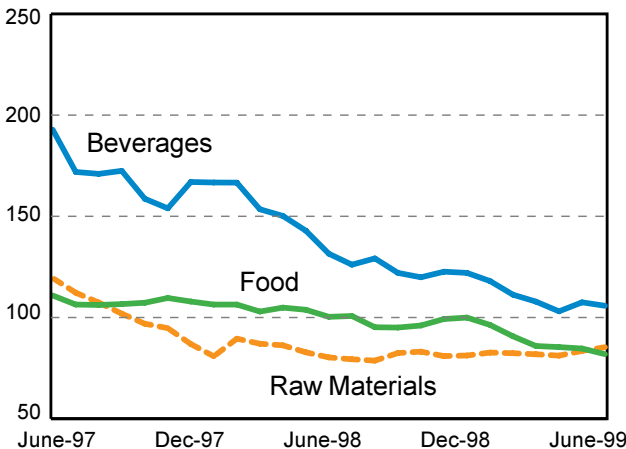
now put this year's carryover stocks 5% higher than the estimate of just three months ago. The predicted decline in global grain stocks next year also seems less certain with the good prospects of another large crop.

The index of metals prices was down 2.7% as the rally which began in March paused, but held above previous lows. Copper prices have been especially volatile as production cutbacks were anticipated, discounted, and then finally materialized when major producers announced significant mine closings. Other metals showed less strength. Gold prices fell sharply following the announced sale of reserves by the Bank of England and concerns of other central bank sales.

Petroleum and Metals Price Indices
June 1997 - 99 (1990 = 100)



Agriculture Price Indices
June 1997 - 99 (1990 = 100)



Major Movers in June

Arabica and Robusta coffee prices each dropped 3.5% as the prospects of frost in Brazil diminished. The market is expected to be in surplus by 3-4 million bags.

Cocoa prices increased almost 9%. However, bearish factors seem likely to continue and carry prices lower.

Copper prices were generally lower in June but began a sharp rally at the end of the month on a series of production cuts by major producers. BHP announced that it would close a smelter and mines in Arizona and New Mexico, and this was quickly followed by announced reductions by Phelps Dodge and Asarco. It appears that prices may have bottomed.

Gold prices continue to drop, in part because of the UK's decision to begin selling more than half of its gold

reserves. The initial sale on July 6th of 25 tons was concluded at auction at \$261.20/toz. Concerns about other central bank sales and forward producer selling took prices below \$260/toz during June. In addition, the IMF is committed to selling 10 million ounces of its reserves to finance debt relief for the world's poorest countries.

Grains prices were up about 2%, with maize and rice higher while wheat prices were lower. The rally is not expected to continue as large crops are likely to be harvested in the next few months. By the end of June, prices were lower as good growing conditions persisted.

Lead prices fell 8% due to rising stocks and slack demand. Most buyers were fully booked for June/July as major producers prepared for summer shutdowns.

Malaysian log prices rose about 4% on the gradual improvement of Japanese imports. Tight log supplies in Southeast Asia caused sawnwood prices to appreciate about the same amount.

U.S. natural gas prices continued to rise on concerns about domestic supply deliverability. However, high stocks and rising imports should prevent prices from rising significantly this summer. **European natural gas** prices, which lag petroleum prices, began to reverse the steady declines of the past two years.

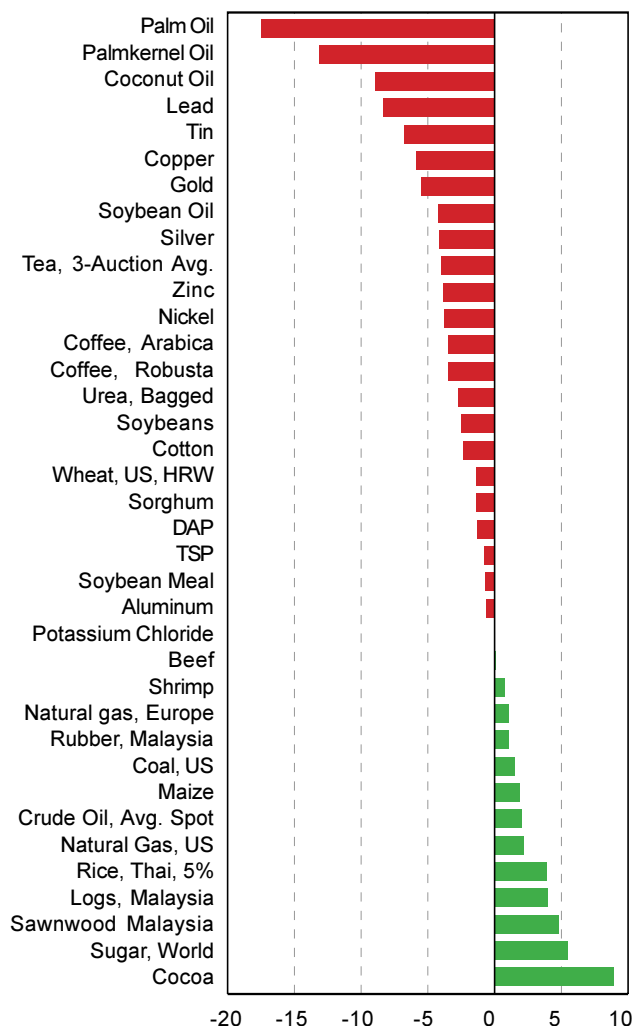
Nickel prices were 4% lower following the May rally, but rose strongly in late June due to falling stocks and lower exports out of Russia, as a smelter idled last September remains out of operation.

Oilseeds prices were lower due to policy changes in Indonesia and large supplies. **Palm oil** prices fell an additional 17.5% in June following the 6.5% decline in May. Good supply prospects in most producing countries and Indonesia's decision to reduce its palm oil export tax from 40% to 10% accounted for the decline. **Coconut oil** prices fell almost 9% to a 15-year low. Further price declines are likely as production recovers from the delayed effects of El Niño. **Palmkernel oil** prices declined by 13.1% due to good crop prospects and also the reduction of Indonesia's export tax. **Soybean** oil prices fell 2.5% due to the declines in the overall sector and the prospects of a record soybean crop.

Sugar prices showed unexpected strength, despite large surpluses, as prices rose 5.5%. The increase was sparked by Russia's decision to impose a 45% import duty on sugar arriving after August 1st. This led to aggressive buying in order to avoid the tax increase.

Tea prices were slightly lower in Colombo and Mombasa auctions because of the weak import demand from Russia. Calcutta prices broke with the global trend due to a new crop tea which carries a premium. This led to a sharp increase in prices in May and then a 10% fall in prices in June as the new crop premium decreased.

**Percentage Change in Price
May 1999 - June 1999**



COMMODITY PRICE DATA													
Commodity	Unit	Quarterly Averages				Monthly Averages			Changes (%)				
		Apr-Jun 1998	Jul-Sept 1998	Oct-Dec 1998	Jan-Mar 1999	Apr-Jun 1999	Apr 1999	May 1999	Jun 1999	Q2 '99/ Q2 '98	Q2 '99/ Q1 '98	Jun '99/ May '99	Jun '99/ Jun '98
Energy													
Coal, Australia	\$/mt	30.49	27.76	26.43	26.10	26.10	26.10	26.10	26.10	-14.4	0.0	0.0	-13.0
Coal, US	\$/mt	34.76	34.04	33.50	33.50	33.17	33.50	33.00	33.50	-4.6	-1.0	1.5	-3.3
Crude oil, avg. spot*	\$/bbl	13.36	13.01	11.85	11.79	16.10	15.86	16.06	16.39	20.5	36.6	2.1	30.8
Crude oil, Brent*	\$/bbl	13.29	12.42	11.09	11.24	15.40	15.30	15.14	15.77	15.9	37.0	4.2	30.8
Crude oil, Dubai*	\$/bbl	12.08	12.41	11.56	11.07	15.26	14.96	15.30	15.52	26.3	37.9	1.4	33.0
Crude oil, W. TX Int'l*	\$/bbl	14.64	14.16	12.90	13.05	17.66	17.34	17.75	17.89	20.6	35.3	0.8	30.5
Natural gas, Europe	\$/mmbtu	2.52	2.37	2.15	1.99	1.89	1.87	1.89	1.91	-25.0	-5.0	1.1	-23.6
Natural gas, US	\$/mmbtu	2.24	2.01	1.91	1.81	2.23	2.15	2.25	2.30	-0.4	23.2	2.2	6.0
Non-Energy Commodities													
Agriculture													
Beverages													
Cocoa**	¢/kg	174.2	169.5	159.1	139.4	113.6	117.8	106.8	116.3	-34.8	-18.5	8.9	-32.5
Coffee, arabica**	¢/kg	303.5	259.2	252.4	238.0	235.5	225.1	244.9	236.4	-22.4	-1.1	-3.5	-14.2
Coffee, robusta**	¢/kg	192.9	173.5	179.7	172.7	149.1	152.8	149.8	144.6	-22.7	-13.7	-3.5	-20.7
Tea, Calcutta auctions**	¢/kg	229.5	214.5	190.0	162.3	224.9	180.8	260.1	233.8	-2.0	38.6	-10.1	9.6
Tea, Colombo auctions**	¢/kg	215.3	197.3	181.4	160.3	146.3	147.4	145.8	145.7	-32.0	-8.7	0.0	-12.4
Tea, Mombasa auctions**	¢/kg	169.0	171.2	164.6	180.3	175.1	186.7	171.0	167.7	3.6	-2.9	-1.9	-17.6
Food													
Fats and Oils													
Coconut oil**	\$/mt	664.3	662.0	740.3	736.0	832.3	827.0	874.0	796.0	25.3	13.1	-8.9	22.1
Copra	\$/mt	404.7	404.7	459.3	457.7	521.3	504.0	530.0	530.0	28.8	13.9	0.0	28.0
Groundnut meal	\$/mt	114.3	108.0	105.0	102.3	103.0	103.0	n.a.	n.a.	-9.9	0.7	n.a.	n.a.
Groundnut oil**	\$/mt	906.3	862.7	857.7	808.0	755.7	763.0	751.0	753.0	-16.6	-6.5	0.3	-15.5
Palm oil**	\$/mt	675.3	679.3	679.3	563.3	458.7	509.0	475.0	392.0	-32.1	-18.6	-17.5	-38.1
Palmkernel oil	\$/mt	706.3	694.3	741.0	704.7	729.0	776.0	755.0	656.0	3.2	3.5	-13.1	-6.3
Soybean meal**	\$/mt	162.0	149.0	160.7	145.7	140.0	141.0	140.0	139.0	-13.6	-3.9	-0.7	-12.6
Soybean oil**	\$/mt	654.0	606.3	606.3	492.3	426.7	442.0	428.0	410.0	-34.8	-13.3	-4.2	-34.8
Soybeans**	\$/mt	249.3	224.3	229.0	210.3	200.0	207.0	199.0	194.0	-19.8	-4.9	-2.5	-19.8
Grains													
Maize**	\$/mt	105.8	91.6	96.5	95.9	93.6	94.1	92.5	94.2	-11.5	-2.4	1.9	-9.6
Rice, Thai, 5%**	\$/mt	318.4	322.3	282.2	278.7	244.5	235.5	244.3	253.8	-23.2	-12.2	3.9	-22.0
Rice, Thai, 25%	\$/mt	262.0	273.7	257.7	239.6	211.6	204.5	207.0	223.2	-19.3	-11.7	7.8	-16.8
Rice, Thai, 35%	\$/mt	249.7	262.1	251.6	232.9	205.9	198.5	201.8	217.4	-17.5	-11.6	7.8	-17.8
Rice,Thai, A1.Special	\$/mt	199.8	225.6	238.5	214.2	189.5	184.0	184.3	200.2	-5.1	-11.6	8.7	-12.6
Sorghum**	\$/mt	100.4	90.5	90.0	90.9	87.6	89.5	87.2	86.0	-12.8	-3.6	-1.4	-10.9
Wheat, Canada	\$/mt	165.3	153.0	164.7	160.7	148.2	147.5	146.1	151.1	-10.3	-7.7	3.4	-6.6
Wheat, US, HRW**	\$/mt	126.6	111.6	127.7	119.9	112.8	113.9	113.0	111.4	-10.9	-5.9	-1.4	-7.7
Wheat, US, SRW	\$/mt	112.6	95.3	109.0	99.5	96.4	99.7	96.6	92.9	-14.4	-3.1	-3.8	-13.3
Other Food													
Bananas**	\$/mt	567.5	456.5	520.1	479.3	444.0	462.9	447.5	421.5	-21.8	-7.4	-5.8	-29.8
Beef**	¢/kg	176.1	166.7	166.2	177.1	175.6	174.4	176.0	176.2	-0.3	-0.9	0.1	3.2
Fishmeal	\$/mt	681.3	670.3	601.3	453.3	343.3	348.0	337.0	345.0	-49.6	-24.3	2.4	-48.9
Lamb	¢/kg	272.3	251.1	264.2	247.0	263.2	254.2	267.5	267.9	-3.3	6.5	0.2	9.3
Oranges**	\$/mt	450.1	516.3	415.1	420.3	458.6	447.1	444.3	484.4	1.9	9.1	9.0	5.9
Shrimp	¢/kg	1661	1574	1427	1413	1470	1424	1488	1499	-11.5	4.0	0.7	-10.5
Sugar, EU, domestic**	¢/kg	59.59	58.59	60.88	59.72	58.78	58.89	59.08	58.36	-1.4	-1.6	-1.2	-0.6
Sugar, US, domestic**	¢/kg	49.15	49.10	48.27	49.45	49.88	49.82	49.93	49.89	1.5	0.9	-0.1	0.9
Sugar, world**	¢/kg	19.85	17.92	17.34	15.40	12.63	11.95	12.63	13.32	-36.4	-18.0	5.5	-25.4
Raw Materials													
Timber													
Logs, Cameroon	\$/cum	282.7	279.4	295.9	282.3	255.3	269.3	251.3	245.2	-9.7	-9.6	-2.4	-10.7
Logs, Malaysia**	\$/cum	150.2	140.7	162.0	175.3	178.4	175.2	176.5	183.6	18.8	1.8	4.0	33.6
Plywood	¢/sheet	361.1	344.3	395.2	426.4	429.9	434.0	425.7	430.1	19.1	0.8	1.0	23.4
Sawnwood, Cameroon	\$/cum	523.6	519.2	532.0	461.5	424.4	424.3	429.7	419.2	-18.9	-8.0	-2.4	-18.7
Sawnwood, Malaysia**	\$/cum	476.7	465.5	519.8	544.3	582.8	559.4	580.4	608.4	22.2	7.1	4.8	34.8
Woodpulp	\$/mt	540.5	507.5	458.3	447.6	472.5	472.5	472.5	472.5	-12.6	5.5	0.0	-15.6
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COMMODITY PRICE DATA (continued)													
Commodity	Unit	Quarterly Averages				Monthly Averages			Changes (%)				
		Apr-Jun 1998	Jul-Sept 1998	Oct-Dec 1998	Jan-Mar 1999	Apr-Jun 1999	Apr 1999	May 1999	Jun 1999	Q2 '99/ Q2 '98	Q2 '99/ Q1 '98	Jun '99/ May '99	Jun '99/ Jun '98
Non-Energy Commodities (continued)													
Agriculture (continued)													
Other Raw Materials													
Cotton**	¢/kg	146.2	150.2	127.5	123.9	129.4	127.3	132.1	129.0	-11.5	4.5	-2.3	-15.1
Jute	\$/mt	258.8	260.0	270.0	250.0	260.0	250.0	250.0	280.0	0.5	4.0	12.0	7.7
Rubber, Malaysia**	¢/kg	75.3	68.0	70.6	68.0	59.7	59.2	59.7	60.4	-20.6	-12.1	1.1	-14.1
Rubber, NY	¢/kg	92.0	86.1	87.0	83.7	77.5	77.1	78.9	76.4	-15.8	-7.4	-3.2	-16.1
Rubber, Singapore	¢/kg	73.4	68.3	69.0	65.5	59.9	58.3	60.2	61.1	-18.4	-8.6	1.4	-5.3
Sisal	\$/mt	805.0	850.0	850.0	779.2	731.7	750.0	750.0	695.0	-9.1	-6.1	-7.3	-16.8
Wool	¢/kg	350.8	313.0	307.2	301.4	308.7	309.7	307.7	n.a.	-12.0	2.4	n.a.	n.a.
Fertilizers													
DAP	\$/mt	205.3	209.5	204.4	199.3	189.7	193.4	189.1	186.6	-7.6	-4.8	-1.3	-10.8
Phosphate rock**	\$/mt	43.0	43.0	43.0	44.0	44.0	44.0	44.0	44.0	2.3	0.0	0.0	2.3
Potassium chloride	\$/mt	116.5	116.5	118.1	119.1	122.5	122.5	122.5	122.5	5.2	2.9	0.0	5.2
TSP**	\$/mt	175.9	175.0	168.9	164.1	162.6	163.0	163.0	161.8	-7.5	-0.9	-0.8	-8.9
Urea, E. Europe, bagged	\$/mt	111.7	102.3	88.0	79.5	75.9	75.6	77.1	75.0	-32.0	-4.6	-2.8	-26.8
Urea, E. Europe, bulk	\$/mt	89.5	84.8	68.3	67.6	64.6	64.6	65.9	63.3	-27.8	-4.4	-4.0	-24.3
Metals and Minerals													
Aluminum**	\$/mt	1363	1321	1283	1196	1306	1278	1323	1315	-4.2	9.2	-0.6	0.6
Copper**	\$/mt	1731	1640	1545	1407	1467	1466	1511	1422	-15.3	4.2	-5.9	-14.3
Gold	\$/toz	299.9	288.7	293.9	286.8	273.5	282.6	276.4	261.3	-8.8	-4.6	-5.5	-10.6
Iron ore**	¢/dmtu	29.69	29.69	29.69	26.96	26.96	26.96	26.96	26.96	-9.2	0.0	0.0	-9.2
Lead**	¢/kg	54.8	53.4	49.6	50.5	51.9	51.9	54.2	49.6	-5.3	2.9	-8.4	-6.1
Nickel**	\$/mt	4963	4169	3961	4635	5232	5103	5399	5195	5.4	12.9	-3.8	16.1
Silver	¢/toz	571.2	522.0	495.8	530.2	515.6	509.2	529.8	507.7	-9.7	-2.8	-4.2	-3.5
Steel products (8) index***	1990=100	76.7	73.4	69.0	64.1	66.4	65.1	66.5	67.5	-13.5	3.5	1.4	-12.4
Steel-cold rolled coilsheet	\$/mt	386.7	360.0	320.0	306.7	328.3	320.0	330.0	335.0	-15.1	7.1	1.5	-6.9
Steel-hot rolled coilsheet	\$/mt	293.3	270.0	236.7	206.7	223.3	215.0	220.0	235.0	-23.9	8.1	6.8	-13.0
Steel, rebar	\$/mt	260.0	233.3	240.0	230.0	230.0	230.0	230.0	230.0	-11.5	0.0	0.0	0.0
Steel, wire rod	\$/mt	336.7	336.7	326.7	293.3	290.0	290.0	290.0	290.0	-13.9	-1.1	0.0	-14.7
Tin**	¢/kg	585.3	561.0	538.9	524.6	543.6	539.3	564.9	526.6	-7.1	3.6	-6.8	-11.8
Zinc**	¢/kg	105.6	102.3	95.6	99.3	102.0	101.9	104.0	100.1	-3.4	2.7	-3.8	-0.9
World Bank Commodity Price Indices for Low and Middle Income Countries (1990 = 100)													
Petroleum		58.4	56.9	51.8	51.5	70.4	69.3	70.2	71.6	20.6	36.6	2.1	30.8
Non-Energy Commodities		101.0	95.2	94.5	89.8	87.8	87.2	88.8	87.5	-13.1	-2.2	-1.4	-10.1
Agriculture		109.7	102.6	102.7	97.6	93.4	92.7	94.2	93.3	-14.8	-4.3	-1.0	-11.4
Beverages		144.2	129.0	124.9	116.0	109.3	107.0	111.3	109.7	-24.2	-5.8	-1.5	-18.5
Food		107.0	101.1	102.6	95.3	88.6	89.9	89.2	86.5	-17.2	-7.1	-3.0	-17.1
Fats and Oils		132.6	127.2	131.5	115.6	106.0	110.9	108.0	99.1	-20.1	-8.3	-8.3	-22.2
Grains		104.5	98.3	96.5	94.3	86.8	85.9	86.6	88.0	-17.0	-7.9	1.7	-15.2
Other Food		87.3	81.4	82.4	79.3	75.3	75.0	75.4	75.4	-13.8	-5.1	0.1	-12.1
Raw Materials		87.7	84.9	86.4	86.9	87.9	85.8	88.1	89.9	0.2	1.2	2.0	5.7
Timber		88.8	86.3	96.7	101.7	108.2	104.2	107.7	112.8	21.8	6.4	4.7	34.6
Other Raw Materials		87.0	83.9	79.4	76.8	74.1	73.3	74.7	74.2	-14.8	-3.6	-0.6	-13.5
Fertilizers		123.4	123.0	120.1	118.7	118.0	118.2	118.2	117.6	-4.4	-0.6	-0.5	-5.4
Metals and Minerals		77.4	74.5	72.0	67.7	71.2	70.5	72.5	70.5	-8.1	5.1	-2.8	-6.2

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

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

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