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World Commodity Prices 1999-2000

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-Working Group on Commodity Prices-

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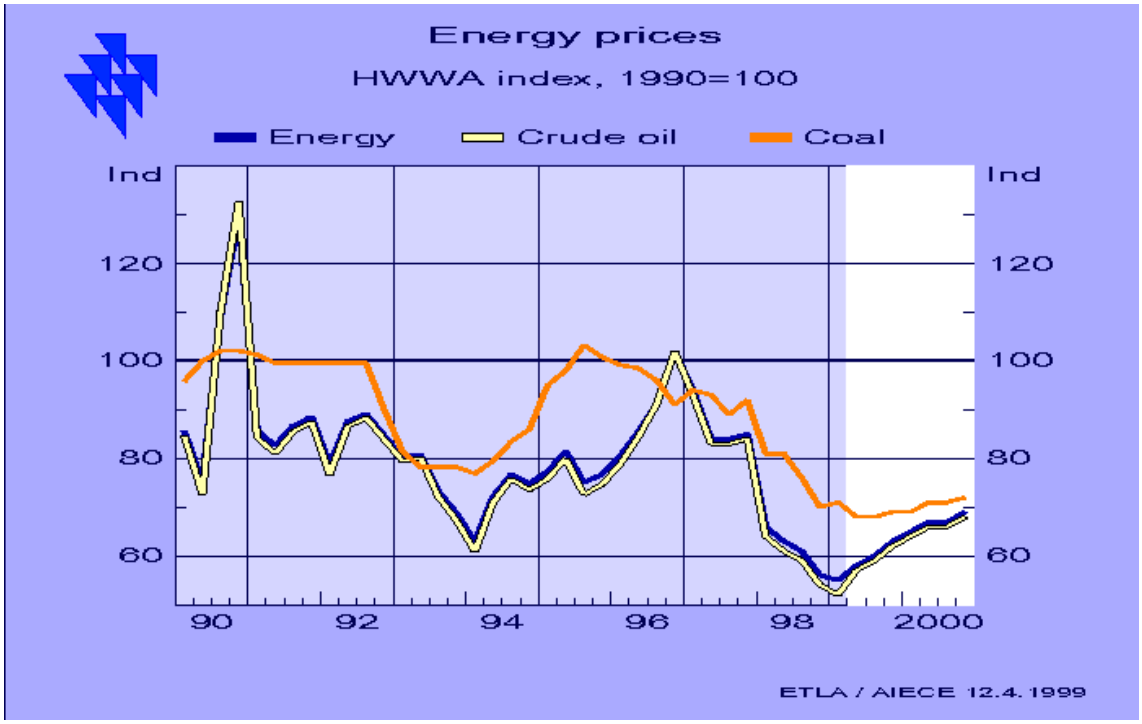


2.4 Metals and minerals

The metal markets were strongly influenced by the expectation of low world economy growth and remained depressed in the first months of this year. Price rises were mostly not the result of changed fundamentals but of special one-off events.

Aluminium prices in the first months of this year continued their downward slide that started last summer, and for a short time they even were below the October '96 level that was reached after the copper fraud crisis. Only in mid-March did they begin to rise and almost compensated the fall encountered since the beginning of the year, the reason being a shortage of aluminium in the US market. Aluminium stock levels were on the rise. LME registered warehouse stocks rose by 80 per cent since the beginning of last September and were back to April 1997 levels. Demand for aluminium in the Western world, after an increase of almost 5 per cent in 1997, hardly changed last year. A decline in consumption in Asia was compensated for by solid demand growth in Europe and the USA. Western aluminium production still increased last year too, but at a much reduced speed following two years of solid growth. The resulting supply deficit was largely filled by deliveries from Russia.

Aluminium demand will hardly rise this year and only slowly next year with the recovery in South East Asia proceeding. Production will increase further this year and next despite the low price level, as smelter capacity will rise sharply by expansions and upgrades in Australia,

on the American continent and in the Middle East. Some of the new projects have production costs well under $1000 per tonne and thus will be brought forward in spite of the low price levels. The deficit in total aluminium supplies experienced in the last years is therefore expected to turn into a surplus this year, unless existing production is scaled back further. Prices will remain depressed and hardly recover in the projection period.

Prices for ***copper*** fell further due to growing supplies and a still weak demand in Asia. In March dollar prices touched the lowest level for twelve years, a recovery in late March lasted only a few days. LME warehouse inventories as well as total stocks have risen to record levels. Copper demand in Western countries rose by 1.6 per cent last year, as consumption continued to be very strong in the European car industry and the US construction sector. Western copper output increases exceeded the rise in demand in spite of some shutdowns and suspensions of high-cost, labour-intensive production, as production from new low-cost projects continued to rise. The still resulting Western supply deficit was compensated for by deliveries from the East. Net exports from Russia and other countries lead again to a supply surplus in the world balance. Western copper demand will continue to rise only slowly this year and recover somewhat more next year due to the reduced economic growth in the industrial countries and the low production level in Asia. Recovery for copper demand in Asia relies heavily on Japan. Copper supplies are expected to increase somewhat more . On the one hand producers will reduce output in response to the low price level – additional closures or postponements of expansion projects have been announced recently by Canada and Chile – but there are also low cost producers with additional capacities coming on stream and adding to supplies in the near future. The world copper market is expected to remain over-supplied for the projection period with imports from Eastern Countries making up the Western world deficit. A tightening could be induced only if producers decided on a marked production cut, but such a step seems improbable at the current price level. Copper prices are therefore projected to remain depressed over the next two years.

Lead prices were headed for a rise this year after they had ended their slide at the end of last year, but data for March indicate that the rise has already come to an end. Lead consumption in Western countries, after a continuing rise for many years, was slightly smaller last year although demand in North America and Europe was still rising. Western output decreased at an even higher rate. Western demand exceeded production, the resulting deficit was only partly met by supplies from Eastern countries. Lead demand will hardly pick up in the near future, in line with an only slow recovery of car sales in Asia and expected smaller sales increases in the USA and Europe. Lead metal output is set to increase further at a moderate rate. Exports from Eastern countries are assumed to continue at the lower level of last year, leaving again a small supply deficit in the world balance. Therefore prices are expected to rise but only moderately in the remainder of this year and next one.

Table 5

Metals and minerals , HWWA index

1990=100 and percentage changes on previous period

COMMODITY	98 1	98 2	98 3	98 4	99 1	99 2	99 3	99 4	00 1	00 2	00 3	00 4	1997	1998	1999	2000
NON FERROUS METALS	**76**	**73**	**69**	**67**	**63**	**63**	**63**	**63**	**64**	**64**	**65**	**66**	**90**	**71**	**63**	**65**
	-9	**-3**	**-5**	**-4**	**-5**	**-1**	**0**	**1**	**1**	**1**	**1**	**1**	**2**	**-21**	**-12**	**3**
ALUMIN	89	83	81	78	73	70	70	70	71	72	72	73	97	83	71	72
	-7	-7	-3	-3	-7	-4	0	1	1	2	0	2	6	-15	-15	2
LEAD	66	68	66	61	63	62	62	63	64	64	64	64	77	65	62	64
	-5	2	-2	-7	2	-1	0	2	1	0	1	0	-19	-15	-5	3
COPPER	64	65	62	58	53	53	53	53	54	54	55	56	86	62	53	55
	-11	2	-5	-6	-9	-1	0	1	1	1	1	1	-1	-27	-15	3
NICKEL	60	55	46	44	51	56	56	56	56	56	56	56	76	51	55	56
	-12	-9	-17	-4	16	9	0	0	0	0	0	0	-11	-33	7	3
ZINC	71	70	68	63	66	68	68	68	69	69	70	70	87	68	67	69
	-10	-1	-3	-7	4	3	0	0	1	1	1	1	28	-22	-1	3
TIN	86	95	91	87	85	87	87	88	89	90	90	91	91	89	87	90
	-5	10	-4	-4	-3	2	1	1	1	1	1	1	-8	-2	-3	4
IRON ORE, SCRAP	**98**	**98**	**96**	**91**	**86**	**86**	**86**	**86**	**88**	**88**	**90**	**92**	**97**	**96**	**86**	**90**
	1	**0**	**-2**	**-5**	**-5**	**-1**	**1**	**0**	**2**	**0**	**2**	**2**	**0**	**-1**	**-10**	**4**
IRONORE	95	96	96	96	91	91	91	91	91	91	91	91	94	96	91	91
	1	2	0	0	-5	0	0	0	0	0	0	0	1	3	-5	0
STEELSCRAP	121	121	101	69	69	65	70	70	80	80	90	101	124	103	68	88
	0	0	-17	-32	0	-6	8	0	14	0	13	13	-5	-17	-34	28

Nickel prices ended their downward trend at the end of last year; since then they have re-gained May 1998 levels. Nevertheless the nickel market remains depressed, as supplies are increasing and demand is still low due to the weakening of stainless steel consumption. The rise in nickel demand in the Western world markedly slowed down last year, whereas the Western production increase doubled. Deliveries from Russia, accelerating in the second half of last year, easily filled most of the remaining western world supply deficit. Nickel demand in Western countries is barely expected to rise at all. The physical markets in Europe and North America are steady, but nickel demand in Asia will remain depressed for some time. Western production will again be expanded at a faster rate, despite cutbacks in Canada among others, as additional supply from Australia is scheduled to come on stream this year. Nickel deliveries from Russia will probably fill the continuing Western supply deficit, although Russian production can be expected to decrease this year, according to announcements from the main producer Norilsk of impending output cuts. A shortage might occur as deliveries of Russian scrap are falling due to a new duty on metal scrap exports. Steel mills in Europe might therefore be urged to buy nickel to offset the non-availability of scrap. Total nickel supply and demand are expected to be roughly balanced, and nickel prices will rise only moderately this year and the next.

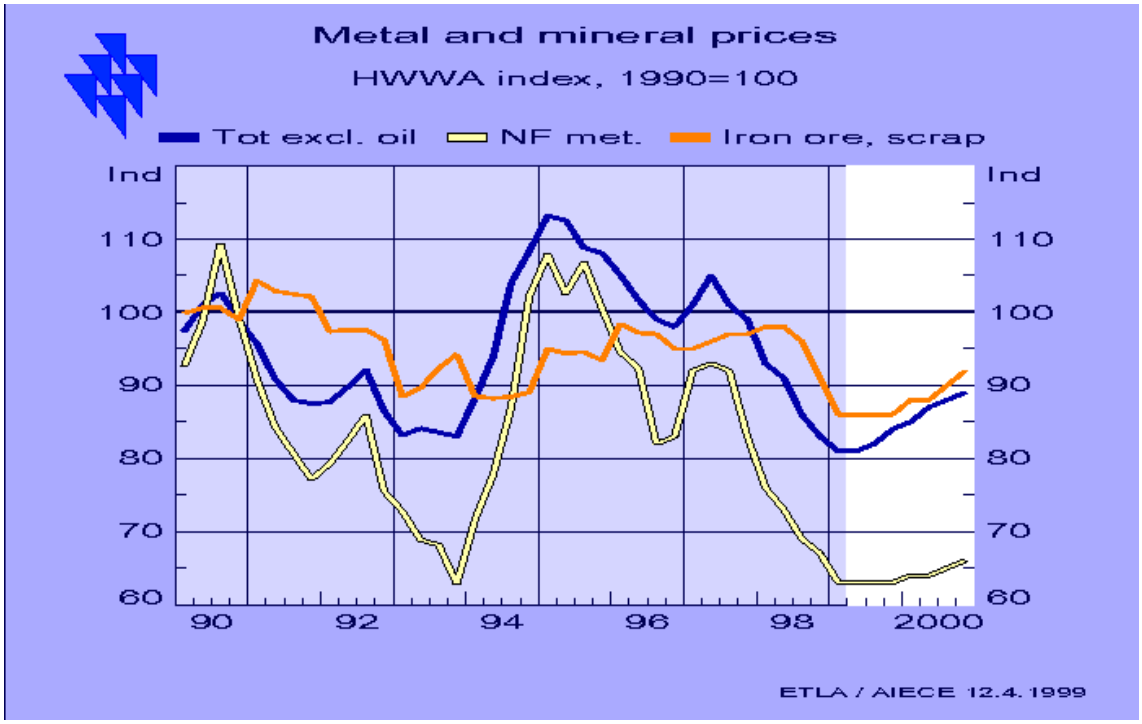
The fall in ***tin*** prices bottomed out late last year, from January on prices were rising, until the beginning of March. Since then they fell back. Future prices were rising less, but the

resulting backwardation apparently was not caused by a shortage in the market, as inventories in LME-registered warehouses were increasing. LME stocks are still relatively low compared to recent years. Tin consumption growth in the Western world was negative in 1998, and Western production followed suit, if at a lower rate. The somewhat lower Western world supply deficit was turned into a growing total surplus by exports from China and a continued release of US strategic reserves. Demand is barely expected to rise this year and only moderately in 1999. Production will also increase slowly. Tin exports from China will depend on the price level: current prices are said to be too low to induce larger export volumes. Tin prices are expected to tend somewhat upward this year and next.

Zinc together with nickel has thus far appeared to be the strongest of the major base metals in the first months of this year. Zinc prices recovered from their low year end level and rose from January to the beginning of March by 15 per cent. But until the end of that month more than half of that gain was lost again. Total zinc stocks continued their downward trend at a higher rate last year. Inventories at LME-warehouses fell further, too, but at a slowing pace – they have been reduced by 40 per cent within a year. About two thirds of the record inventories reached in the end of 1994 have disappeared since then. Western zinc demand increased at a reduced rate last year – demand in Japan dropped by 11 per cent –, whereas Western refined output growth was speeded up. Therefore the Western supply deficit for zinc was somewhat lower last year. Deliveries from Eastern Europe and China made up for almost two thirds of this gap.

Demand in Western countries will rise only slowly until next year due to weak orders from Asia and especially from Japan. Western production is expected to increase strongly, as production from new ventures is arriving this year and next. If all known expansion plans of zinc producers are realised, a large surplus in world supplies will occur in 2000. But some smelter output will be lost due to the closure of outdated facilities, and lower utilisation rates will mean that net smelter output rises less than capacities. The realisation of all projects seems improbable due to the then resulting downward pressure on prices, even if Eastern European and Chinese exports do not change. Exports from China were lower last year despite a larger production and a decreasing home demand. So a marked build up of zinc stocks in China can be expected, and some of these might be released when price levels seem appropriate. Prices are projected to rise only moderately next year.

Chart 5



Global ***steel*** production fell by 3 per cent last year to 775.3 million metric tons according to IISI figures. In the United States, the surge in domestic demand was met by low-priced imports, and steel production for the year was down 0.8 per cent from 1997 levels. Overall North American output fell by 0.6 per cent last year. The European Union was the only region to experience an expansion in steel output last year, supported by strong consumer confidence and domestic demand, and production levels were 0.9 per cent higher than the previous year. The impact of the Asian crisis on steel production was clearly felt last year, as output in that region declined by 3.2 per cent in response to depressed domestic demand. Japan, the world's third largest producer of steel, reduced output by 10.5 per cent. Korean output contracted by 5.9 per cent, while in India production fell by 2.9 per cent. In China, the world's largest steel producer, output continued to expand, and was up 4.9 per cent from the previous year.

Steel prices in 1998 continued to decline steadily. Prices in December were down almost 25 per cent from a year earlier. Global economic and financial crises in emerging markets as well as a major automobile strike in the US, in addition to the Asian crisis, have resulted in supply imbalances and very low prices. Although Asian steel production was scaled back last year, demand in that region fell even more precipitously. As a result, steel exports were redirected to the US and Europe, where greater imports could only be met through lower prices. The EU, for example, became a net importer of steel last year for the first time in its history. This, in turn, has generated a wave of trade complaints, which will stem the flood of low-priced exports this year. The US Congress is presently considering legislation that would establish quotas on steel imports. This follows a suspension agreement already worked out with Russia recently, which bans hot-rolled steel exports from that country for six months in addition to

cuts in exports of many other steel categories. Furthermore, US and European mills have recently filed numerous antidumping cases against imports of hot-rolled coil. Reduced production in response to trade complaints is expected to depress international trade in steel this year.

Global economic growth is expected to remain relatively slow this year, although there will be marked divergence in growth patterns across regions. The repercussions of the Russian and Latin American crises will contribute to the slowdown in global demand this year. Domestic demand and investment is expected to slow down in the US and Europe this year, contributing to low steel prices. In addition, inventory levels can be expected to fall in the first half of this year after having climbed to extremely high levels last year in the US, Europe and Japan. Given the extremely low steel prices resulting from excess supply, even the most efficient European producers are barely covering their operating costs. Many European steelmakers, such as British Steel, Thyssen Krupp Stahl, Riva, and Hoogovens, have already announced additional cuts in production, which, if realised, indicates an effort to raise prices already in the second quarter of this year. EU antidumping actions against low-priced imports should prevent a flood of imports into Europe following efforts to raise prices. Next year, global economic growth is expected to accelerate. There are already indications of positive developments in Asia, the largest consumer of steel per capita. Although the Japanese economy will continue to weaken this year, a turnaround is expected later in the year. Steel prices will begin to recover as the situation in Asia stabilises later this year. Next year, positive economic growth in Asia and Latin America as well as accelerating growth in the EU will strengthen steel prices.

The price of ***scrap*** (number 1 heavy melting in the US) declined last year by 17 per cent due to weaker steel markets. The decline was most pronounced at the end of the year. This year the price level will not be much better as steel production is expected to continue its decline, albeit at a more moderate rate. The markets have been quite depressed since last autumn. Last summer the price of scrap was still nearly 130 dollars per ton. At the end of last year, the price had stabilised to only slightly more than 70 dollars per ton. While markets are very fragile, there are also some signs that the low price of scrap has decreased the collection and trade of scrap. This gives some grounds for price rises. In fact, in early 1999 prices in US markets recovered slightly. However, prices quickly fell back to their prior levels. The price level is expected to remain depressed until the second half of 1999. Then, slightly increasing demand combined with lower supply will raise the price. Increasing scrap collection, however, will restrict the recovery of prices. In a previous cycle the price did not go well above 130 dollars per ton even though demand was high. The increasing use of substitutes and the rise in scrap collection capped the price. It is expected to stay well below the level mentioned in the forecast period. On the supply side, substitutes for high quality scrap, such as pig iron, direct reduced iron, DRI and the relatively new substitute, iron carbide, have suffered from the low price of scrap. For example, Nucor, a big American steel factory, is trying to sell its five-year old iron carbide plant in Trinidad. In addition to low scrap prices, technical difficulties in its production process resulted in this decision. In the longer run, the structural change in the steel industry will favour the demand for good quality scrap as well as its substitutes. The share of scrap-using electric arch furnaces will undoubtedly increase in spite of recent setbacks in East Asia. Low investment costs, flexible production and technical improvements in the production process will keep them in favour.

The annual ***iron ore*** contract price for this year was negotiated between Australian iron ore producers and Japanese steel makers in February. The outcome for the fiscal year 1999 was an 11 per cent drop in the price of fines. Somewhat later, Brazilian producers and European steel producers achieved similar results for the calendar year 1999. The price for lumps declined by 15 per cent, more than the drop negotiated in the Japanese agreement. Traditional steel factories with blast furnaces will also save in coking coal and freight costs, which are lower than last year. The drastic drop in the iron ore price reflects both the difficult situation of the steel industry, especially in Japan, and the decline in iron ore demand. Steel production declined last year by 3 per cent. In Japan it declined by 10.5 per cent to the lowest level in 27 years. The shift in production towards scrap-using mills continued. The price is now somewhat below the level of the year 1997. In face of these prices, producers are cancelling iron ore projects and according to iron ore producers, this might severely restrict supply when the next recovery takes place. Next year, prices are expected to roll over their low level. It will take a few years for iron ore markets to stabilise, as the recovery in steel demand will last for several years. In European trade, the benchmark quality for the price was changed. The previous benchmark quality, so called Itabira fines, was replaced by Carájas fines, as the latter is a dominant fine in Germany, for example. There was also discussion last year on whether prices should be negotiated more often, e.g. four times a year instead of annually. This discussion reflects the high fluctuations in the price of scrap and the tough competition between scrap-using mini mills and blast furnaces in many steel markets.

The demand for ***manganese*** deteriorated markedly last year as steel production declined. The price development was, however, fairly stable if compared to e.g. the record low price of manganese alloys. In the previous annual contract negotiations, the price declined only slightly as the steel cycle was in a relatively good phase last spring. Since then the market situation has worsened. The difficult market situation has, however, led to consolidation in manganese firms. With fewer players higher prices are to be expected on the market. The next annual price negotiations will, however, quite certainly lead to a drastic price drop for this year, as is the case with other steel raw materials. Next year the price is expected to increase slightly due to the better market situation.

The price of ***tungsten*** declined 17 per cent in the first quarter of this year compared to the corresponding period last year. The drop took place mainly in the latter part of last year, as was the case with many other raw materials. In addition to the decline in steel production, lower crude oil prices have lowered the demand for iron carbides. Demand for cutting tools, where tungsten is used as a principal input material, has in general deteriorated. The poor price development in the latter half of last year has been also due to the reduction of stockpiles in Russia, Kazakhstan and Eastern Europe. The future price development depends on the size of Russian and Chinese stockpiles, which are not currently known. Once the stockpiles have been depleted, the price may increase even more rapidly than forecast. The price development is assumed to be fairly stable this year. Next year the price is expected to rise from the low level as markets stabilise. The Defence National Stockpiles in the USA will be utilised to increase supply in fiscal years 1999 and 2000. However, the behaviour of a dominant producer in China will determine the final price development. 40 per cent of

tungsten reserves are situated in China. Last year, China produced more than three-quarters of world production according to the US Geological Survey.

2.5 Agricultural Raw Materials

Softwood prices kept declining to October (-25 per cent year-on-year) against a backdrop of rather weak demand for housing world-wide. But the trends are quite contrasted in the main areas: booming in the United States, stagnating in the European Union, declining in Japan. In the developing Asian countries recession took a particularly heavy toll in the construction sector. Since November, softwood prices have staged a rather strong rally (+13 p.c. between October 1998 and February 1999). This may stem from the fact that the recession may have bottomed out in developing Asia. In the European Union, the overall stagnation in housing starts reflects diverging trends among the major countries: a steep decline in the United-Kingdom, whereas the recovery in housing gathered steam very strongly in the fourth quarter in France; in Germany the sector is at best stagnating.

Looking to the next quarters, the recovery in softwood prices is excepted to continue, although perhaps at a somewhat less rapid pace than in recent months. In Asia, a recovery is probably underway in the wake of a steep decline in interest rates brought about by the stabilisation in the currencies. In Japan, the stock market rally is a hint that a turnaround might be at hand. In Europe, some growth in the housing sector can be expected in the second half with a possible recovery in the United-Kingdom on the heels of a stimulative monetary policy. But in Germany the prospects seem less favourable. All in all the positive trends are likely to become stronger. The American housing market will remain stable as the recent rise in US long term interest rates is expected to be only temporary.

The prices in dollar of ***non-coniferous woods*** as measured by the new index have risen by 1.6 per cent in the fourth quarter of 1998, after declining in the previous three quarters. The new index published by UNCTAD is calculated by the Office of National Statistics in London ; it is an import prices index but its composition is not available. The figures for the different types of tropical woods that are available (African logs, Asian sawnwood and plywood) also show a rise which is in fact higher than that of the index. This is especially the case for plywood prices, which increased by 16 per cent, after declining steeply in all the quarters since the onset of the Asian crisis in July 1997. In January (the latest figure available) the index dropped by 1.5 per cent. This drop seems to be mostly accounted for by a decline in the prices of African logs, which mainly reflects the weakening of the Euro versus the dollar since the start of the year. On the other hand the price of Asian sawnwood and plywood kept increasing in January.

These upward tendencies stem probably from two factors. Firstly, the recession in Asian developing countries which took a heavy toll on the construction industry, might be on the mend. Secondly, a lot of sawmills and plywood plants have been closed down, and as a result the supply of sawnwood and plywood is being reduced. On the other hand, the supply of logs

is relatively more abundant. For instance, in Indonesia, the taxes on the export of logs have been reduced and the country is now exporting logs to Japan for the first time in many years. The overall better demand outlook and the relatively scarce supply will speak in favour of some ongoing price rises.

Table 6

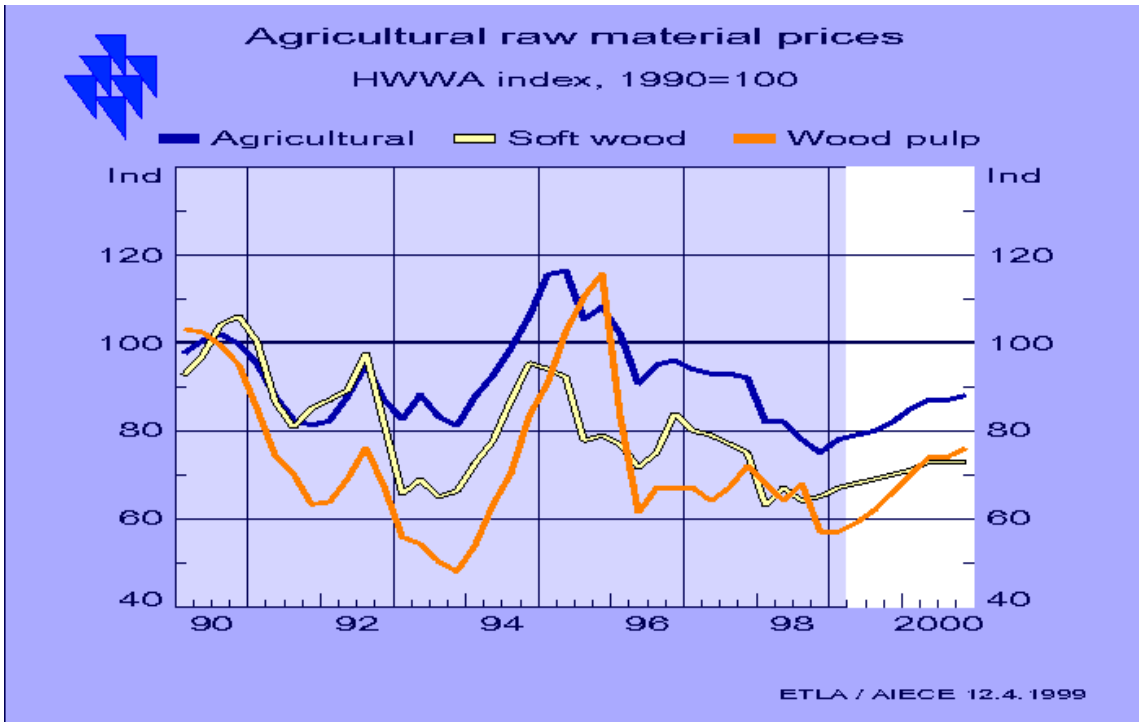
Agricultural raw materials, HWWA index

1990=100 and percentage changes on previous period

COMMODITY	98 1	98 2	98 3	98 4	99 1	99 2	99 3	99 4	00 1	00 2	00 3	00 4	1997	1998	1999	2000
AGRICULTURAL	82	82	78	75	78	79	80	82	85	87	87	88	93	79	80	86
RAW MATERIALS	-11	1	-5	-4	4	1	2	2	3	3	0	1	-4	-14	1	8
COTTON	91	94	102	90	82	78	77	77	78	80	80	80	99	94	79	79
	-5	3	9	-12	-9	-5	-2	0	2	2	0	0	-7	-5	-17	1
WOOL	75	67	55	54	53	53	53	54	55	57	57	57	92	63	53	57
	-17	-10	-18	-2	-1	0	0	1	3	3	0	0	10	-32	-15	6
HIDES	81	90	85	73	76	78	80	83	87	87	87	87	94	82	79	87
	-11	11	-6	-14	4	3	3	3	5	0	0	0	-1	-13	-3	10
SOFTWOOD	63	67	64	65	67	68	69	70	71	73	73	73	78	65	68	72
	-17	6	-4	3	3	1	2	1	2	2	0	0	1	-17	6	6
RUBBER	82	81	80	84	79	79	79	79	80	82	84	87	111	82	79	83
	-8	-1	-2	5	-6	0	0	0	2	2	3	3	-27	-26	-4	6
WOODPULP	68	64	68	57	57	59	62	66	70	74	74	76	67	64	61	73
	-5	-6	6	-16	-1	4	6	6	6	5	0	3	-3	-5	-5	20

The PIX ***woodpulp*** benchmark index kept falling from its peak of 575 dollars per ton on June 15, 1998 to a very low level of 460 dollars per ton at the beginning of November. This level is the lowest since the opening of the Finnish Options Exchange in September 1996 and the lowest since 1993. Since then the prices have remained at that level despite attempts by the producers to raise the price by 50 dollars on October 1 and by 20 dollars on January 1. The Asian crisis has had a huge impact on demand against a backdrop of over capacity. In 1998 NORSCAN shipments have declined by 1 per cent, but capacity increased by 3 per cent (due especially to hardwood new capacities in Asia). In the fourth quarter, producers took advantage of the low prices to replenish their inventories, but that was not enough to push up prices. Still, as a recovery in Asia seems to be underway and could spread soon to Japan, the prospects for demand are looking up despite the current slowdown in Europe. As a result the level of 460 dollars seems to be a floor and prices should start to creep up soon. The recovery in prices could gather steam in the second half as the economic upturn spreads to most industrial countries.

Chart 6



Rubber prices have stabilised in dollars term during the year 1998, after a big fall from 1995 to 1997. Between April 1995 and January 1998, prices had declined by 60 per cent. This long downturn was mainly due to a cyclical weakness of tire demand in the industrialised countries. Thus, when the Asian crisis occurred, the prices where already declining. The crisis amplified the drop twofold: firstly the demand for natural rubber was significantly reduced, as Asia accounts for 60 per cent of global consumption, and secondly the currency devaluation in the three main producing countries, Thailand, Indonesia and Malaysia, added to the downward pressure on dollar prices as rubber production was encouraged. by the remaining stable domestic prices in national currencies.

The consumption of natural rubber is forecast to reach 6.7 million tons in 1999, an increase of 2 per cent compared to 1998. The impact of Japan's economic troubles, the Asian crisis and its spread to Russia and Latin America are reflected by this feeble rise of demand which contrasts with higher growth rates between 1996 and 1997. However production and exports of natural rubber increased even more creating an oversupplied market during this period. Production now is projected to increase again by 3 per cent in 1999, attaining 6.8 million tons. Thus another supply surplus will occur and consequently prices will remain weak in 1999. The recent decision of Thailand, after Malaysia, to withdraw from INRO, the international fund aimed at shoring up rubber prices, could add to the pressure on prices. As low prices have brought about a lack of investment in rubber cultivation, the market could face a turn around and demand could overtake supply next year, when the industrial activity will improve again. As such, prices could regain some ground. After a drop of 4 p.c. in 1999 a rise of 6 p.c. is expected in the year 2000 on average.

Cotton prices followed a similar pattern as rubber prices. They peaked in the spring of 1995 and bottomed out in the fall of 1998, losing half of their value in dollars during that period. Since then, the prices have been stable. As for rubber, the cyclical downturn was extended and amplified by the Asian crisis. During the present 1998/99 season, adverse weather conditions have affected the production in the most important producing countries, China and the United States, causing the production to decline by 7.5 per cent, from 19.9 million tons in 1997/98 to 18.4 million tons in 1998/99. World production of cotton is forecast to recover in the next season to 19.1 million tons, assuming normal weather and a reduction of plantings in China. Production cuts might even be bigger, as the government has announced that the official cotton purchasing prices will be abolished in September of this year. The measure aims at preventing the Chinese cultivators from planting cotton without regard to the market. A continuing fall in prices along with a reduction of government support could also pressure American growers into reducing cotton planting in the 1999/2000 season. Mainly as a consequence of the Asian crises and the severe Russian as well Brazilian economic difficulties, cotton consumption is estimated to still fall by 3 per cent in the current season. But a slight recovery of demand is forecast during the coming season (1999/2000). Therefore the gap of supply and demand should be considerably diminished. The expected supply surplus will be only marginal. Cotton prices will stabilise year end and regain some strength in the course of next year. A cap will soon be put on a more decisive price recovery because of the intention of China to further reduce its huge cotton stockpiles in order to prepare for liberalising cotton prices.

Wool prices halved between June 1997 and September 1998. Since then, they have fluctuated at a low level. The fall began with the start of the Asian economic crisis and a slowdown of the Japanese economy. Adjusting to the resulting weaker wool demand, the farmers set about reducing the size of their flocks of sheep. World wool production will drop by 2.2 per cent in the current season and thus reach the lowest level in forty years. A further drop of 1.8 per cent is anticipated in the next season. The reduced availability of wool is aimed at preparing the ground for an upturn in prices. But, several factors are likely to postpone a sustainable rise of raw wool prices. Weak demand from Asia and Russia will extend into 1999, and high stock levels will keep prices low until autumn of the current year. A revival of wool demand in the wake of better economic prospects in the crisis countries as well as in Europe will ease downward price pressure and will give room for some price rise in the forthcoming year.

During the first quarter of the current year ***tobacco*** prices continued their weak trend which had already started in early 1998. However prices were on retreat after a three years' rally which saw prices rise from a low of around 2500 US $ / ton in April 1995 to 3645 US$ the same month in 1998, a shift of 78 per cent. The steady decrease of prices since then is attributed to a change in market fundamentals adversely affecting the outlook for tobacco producers. Cigarette demand from the Far Eastern countries will remain sluggish due to the still weak South East Asian economies. The same is true for Russia where the severe economic crises continues. The Brazilian currency turmoil will add to a bleak outlook as cigarette consumption will tend to shrink there too. The demand of unprocessed tobacco from manufacturers receded as their stocks remain high and will take some time to dwindle. The

outlook for consumption is additionally becoming worse as further price increases for final products in the US are still in the pipeline. The US industry raised retail cigarette prices by about 13 per cent last year and will step up prices further in order to acquire financial reserves for litigation expenses. Next year higher US taxes will induce another price rise. As cigarette consumption in the US is price sensitive it is forecast to slow by 2 per cent in the current and the following year. But a downward US consumption trend has already persisted for ten years because of anti-smoking campaigns.

Supply on the international markets was ample throughout 1998 although the US production decreased considerably. The planting for the 1999 crop was further reduced in the US and in some other main producing countries like Zimbabwe, Malawi and Brazil. However world production will likely exceed consumption by 3 per cent in 1999 and next year production is still expected to surpass consumption as fundamentals will hardly change much. The EU ban on tobacco advertising will come into force in the middle of this year although Germany is launching a legal challenge against Brussels. Also four big tobacco companies won the right to take legal steps against the ban at the European court by a High Court judge in London. The ban may further reduce tobacco consumption in the future.

The Common Agricultural Policy reform within the Agenda 2000: Possible effects on world markets delayed in the short run.

As part of the Agenda 2000, a broad package of agreements to prepare the European Union for the next century, the European Commission in 1997 proposed to reform the Common Agricultural Policy (CAP). The reform proposals were motivated by existing internal problems of the CAP, the planned accession of Central and Eastern European countries (CEEC's) and the upcoming trade negotiations under the WTO. A central element of the reform, which was mainly directed at cereals, oilseeds, beef and dairy products, consisted of a further shift from commodity price support to direct income support. As such the reform proposals basically amounted to an extension of the 1992 reform.

In March of this year, discussions on the reform proposals finally resulted in decision-making. However, it appeared that the original proposals have only partly been adopted. As the heads of governments of the member states vigorously strived to keep the consequences of the reform for both the EU-budget and farm incomes within certain limits, final agreements on price decreases and compensations were considerably smaller than originally proposed. Moreover, part of the reforms - for instance regarding the milk market - has been postponed, or spread out over a longer period of time mainly concerning the cereal and oilseed markets.

What will be the short term effects of the reform on world markets?

To answer this question the effects of the reform on the size of agricultural production within the EU and the trade flows between the EU and third countries have to be assessed. Looking first at production effects, it is important to note that lower support prices will largely be compensated by higher premiums. Consequently the price decreases will not have serious consequences for agricultural incomes. In addition it is not easy for agriculture to reallocate production factors. Finally, contrary to the original proposals, compulsory set-aside is to be kept intact until 2006 and it will be set at a 10 per cent level.

With respect to trade flows the most important aspect of the reform may be that current export and import regimes are kept unchanged. Therefore, despite the lowering of prices, exporting surpluses to third countries will not be easier; the only effect will be that less subsidy per unit of exports is needed. On the other hand, entering the EU market by third countries after the reform will remain as difficult as before.

The reform will hardly make it easier for CEEC's to fully adapt their agricultural sectors to the ones of the EU within the CAP. The coming WTO talks will be even more problematic as already the original proposals of the EU agricultural reform were opposed as insufficient by the EU's main trade partners. Therefore it may be expected that further reforms will soon be needed, first to keep the costs of associating the CEEC's at an acceptable level and second to pave the ground for achieving success in the liberalisation of world agricultural trade. Only after protection is seriously diminished can any decisive effects on world agricultural markets and finally prices be expected.

2.6 Food, tropical beverages and sugar

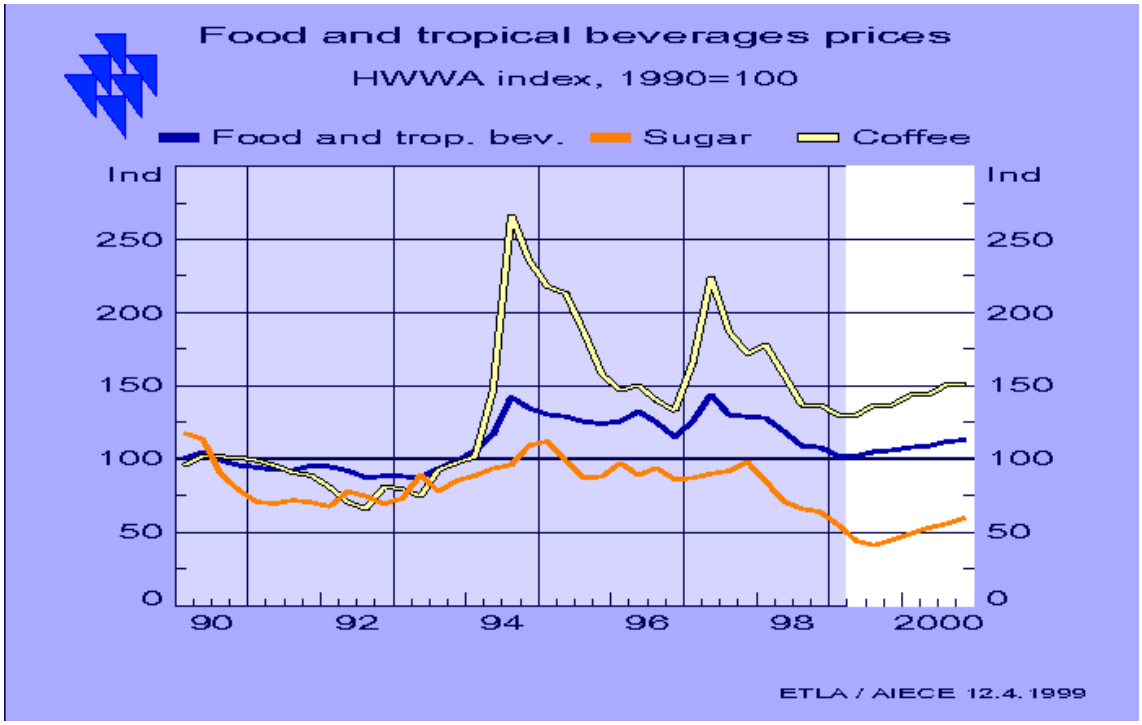
Quotations on the international ***wheat*** markets recovered in the final quarter of last year when it became obvious that expected crop results were lagging behind expectations. The world wheat crop is estimated to be 4 p.c. lower in contrast to earlier expectations of a bumper crop. The global balance for wheat in the financial year 1998/99 indicates a production deficit and a decline in the stock/consumption ratio to the very low level of 20.8 per cent. In the regional perspective, massive production shortfalls are observed for Russia (-40 p.c.), where at the same time stocks have been drawn down to a very low level. In addition, production in 1998 was lower also in China (-11 p.c.) and in Argentina (-28 p.c.). These shortfalls have been only partly compensated by a higher production in the EU (+10 p.c.).

For the financial year 1999/2000 another decline in production is expected. The area planted to wheat is forecast to decline by more than 3 per cent at the global level. Whereas in the US and Canada the relative low prices have to be seen as the main reasons, weather related problems are mostly to blame in Russia and China. In the EU, the set aside obligation has been increased from 5 to 10 per cent; a decline in area planted for wheat of 5 per cent is expected. Assuming global yields ”on the trend line” a slight decrease in production will result. At the same time demand is set to increase; on the one hand for human consumption, following the increase in population, on the other hand for feed use, because of relatively low prices compared to feed grains and grain substitutes. This is of particular relevance in the EU, where the reduction of guaranteed grain prices led to a gain in competitiveness compared to grain substitutes (e.g. manioc). However, prices remained weak and still did not reflect the change in fundamentals at the present time. Obviously the market is waiting for a clear sign of tighter supply. This is expected to be emerge soon. Thus, from the second quarter onward the outlined development of the ”fundamentals” will lead to a continued increase in wheat prices during 1999. The increase will level off in 2000, when producers react to higher prices and administrative restrictions will be abandoned.

During winter (1998/99) the international quotations for ***maize*** stabilised at the low level reached in the third quarter of 1998, due to downward corrections in production estimates for the financial year 1998/99. In contrast to the wheat market, production and consumption are expected to remain on the same level as in the previous year on the global scale. Sharp declines in production as e.g. in Russia and Argentina were compensated on the one hand by a higher US production and on the other hand by reduced (feed) consumption in Russia, thus in the latter case, the production shortfall only reached the international market to a small extent. The higher consumption of feed grains in the US is more or less balanced by a decline in South East Asia, where as a consequence of the downturn in economic activity and incomes in that area grain based food production declined. Assuming for 1999/2000 a slight recovery in demand in South East Asia and further slight increases in the western industrial countries together with an only small increase in production on the global scale, grain prices will slightly increase during spring and summer 1999 and will remain at that level in 2000.

Due to high imports by Indonesia the ***rice*** prices recovered markedly up to autumn last year. Then they slightly weakened as the urgent requirements of Indonesia were satisfied. Moreover during the winter period new crop reached the markets. The overall market balance, however, reveals continuing tight levels of supply. World stocks have recently been decisively lower than in former years. Prices are expected not to react by any major increases. The importing countries are seemingly not prepared to pay higher prices as they may partly substituting rice by inexpensive wheat. The next crop is forecast to remain on average. The Indonesian planters will not suffer another bad harvest. Nevertheless the world market balance will end up in a small production deficit. Therefore, the international rice quotations will strengthen slightly during 1999. They will remain at the same level next year as stiff competition from exporters and more abundant supply will characterise the markets.

Chart 7



In March ***soybean*** prices fell to US$ 185 per ton. As compared to last autumn prices have decreased by nearly 20 per cent. Soybeans are very cheap at present; one has to go back to 1972 for a period with lower (nominal) prices. Although the fall in prices is the outcome of both supply and demand factors, the effects of the former have certainly been dominant. Two years of bumper crops in the major soybean growing nations, viz. the United States, Brazil and Argentina, have pushed world soybean stocks to an all time record of over 26 million tons. The price fall this year was preceded by a three months period of rather stable prices. This period ended in December 1998. It then became increasingly clear that due to favourable weather conditions the soybean crop in the Southern Hemisphere countries would, by and large, equal the record 1998 harvest. The downward pressure was strengthened by the fact that global production of many other (competing) oilseeds pointed to record highs, and by the sharp devaluation of the real. As Brazil is not considering imposing taxes on exports, the currency devaluation created a prospect of increased supplies at low prices.

Because of the abundant supply, it may be expected that the pressure on soybean prices will continue in the coming months. On the other hand the current price level is so low, that a serious increase in demand (see under soybean meal and oil) is bound to come. In addition, since growing soybeans is not very profitable at current prices, farmers in the United States will probably allocate less area to soybeans this Spring. However, as prices of competing crops (grains) are quite low too, the supply reaction will be rather modest. All in all, if weather conditions remain normal, a substantial price recovery cannot be expected in the remainder of this year. And next year the situation will only be different in case of a crop failure in one of the main soybean producing countries. In the forecasts we have proceeded on the assumption of average climatic conditions. In such a scenario slight price increases seem most likely.

In an average year about 85 per cent of the ***soybean*** crop is crushed before the new crop enters the market. Therefore a record bean production is usually accompanied by a record ***meal*** production. According to USDA, production of soybean meal in 1998/99 will surpass last year's production quantity by 1.5 per cent. This may appear to be a minor increase. However to put the figure into perspective one has to take into account that in the production year 1997/98, soybean meal production reached an all time record of more than 100 million metric tons. At the moment the market conditions are not particularly favourable for absorbing such a huge production quantity. First, there is the economic crisis in Asia. Instead of a fast growing demand for meal, due to an increase in meat consumption, meal demand by most Asian countries has more or less stabilised. Second, prices of competing feedgrains are very low. For these reasons the record meal production can only be sold after serious price concessions have been made. This explains the huge drop in prices of soybean meal, from over US $300 per ton in Spring 1997 to US $156 per ton in March this year.

Since the large soybean crops from Brazil and Argentina will be entering the market in the coming months, crushing activity will increase and, consequently, the pressure on meal prices will not decrease in the short term. In the longer term the situation seems a little brighter for the producers. As the economic crisis in a number of Asian countries is bottoming out and economic growth will probably pick up from next year onwards, demand for meal will increase. Consequently prices of soybean meal will increase also.

Until recently ***soybean oil*** was able to maintain its high price level rather well. There were two reason for this. First, the economic backlash in Asia barely seemed to exert a negative impact on demand for edible oils. Second, due to droughts in Indonesia and Malaysia, supplies of palm oil, an important competitor of soybean oil, were seriously cut. Since early this year the situation on the markets for edible oils has changed drastically. In the space of three months soybean prices have plunged: early March prices stood at US $ 430 per ton, while three months earlier over US $ 600 had to be paid for a ton of soybean oil. The reasons for the sharp price fall are manifold:

First, estimates of global oilseeds production for 1998/99 point to an all time record. Second, there are signs that palm oil production will recover from last year's drought stricken crop in 1998. Third, Indonesia has lowered its export tax on palm oil. And fourth, both China, which is the single most important import country of soybean oil, and Russia are importing considerably less edible oil this year than last year. The abundant supplies of both soybean oil and competing edible oils will keep prices under downward pressure for the time being. The low prices will however trigger two effects. First, although demand for edible oils is rather

price inelastic, a small per capita demand increase can be expected. Second, the low prices are no stimulus to an increase in oilseed production. For these reasons it seems reasonable to proceed from the assumption of slightly higher prices next year.

Since autumn , the composite indicator price for ***coffee*** (I.C.A.) has dropped almost 5 per cent. Early March, the I.C.A. coffee price fluctuated at around 95 cts/lb. The price decrease is the outcome of diverging price developments for Arabica and Robusta coffee. The record 1998/99 crop in Brazil, the largest producer of Arabica, led to a bigger price decrease of Arabica coffee. The price of Robusta coffee on the other hand experienced a slight increase. Most of the price decrease took place this year. Although growing optimism about Brazil's coffee output put a downward pressure on prices in the last quarter of 1998, rumours about huge damage due to Hurricane Mitch provided enough compensation. It was only after it appeared that the damage on coffee exports caused by Mitch was smaller than previously expected, that prices started to decline. Additional pressure came from the sharp devaluation of the real.

Although the price prospects for coffee do not seem very promising, we do not think that they will decrease much further. We have two reasons for this. First, notwithstanding the record production this year, stocks of coffee in both producing and consuming countries are not particularly high. They are considerably lower than in the mid-nineties, a period in which coffee prices were on average higher than they are now. Second, first estimates of the size of Brazil's coffee crop for 1999/2000 point to a sharply lower production. Brazil's association of coffee exporters has put bean output figures for next coffee year some 8 million bags below the figure for the current coffee year. If these estimates turn out to be true, the current situation of oversupply will come to an end. Instead there will be a global supply deficit in the coffee year 1999/2000.

The combination of smaller supply, not particularly large stocks and a slight increase in consumer demand will put an upward pressure on coffee prices. In the second half of 1999 the I.C.A. price is expected to surpass the 100 cts/lb. In 2000 coffee prices will increase further, although, because of the relatively balanced supply demand situation, the room for price increase will be modest. Finally, as always the price forecasts assume that average weather conditions will prevail. As stocks in both producing and consuming countries are not at a high level, a serious downward revision of the production estimates will result in significant price rises.

Global ***tea*** production increased by nearly 5 per cent in 1998. The bulk of the increase came from the leading tea-producing countries India, Kenya and Sri Lanka. In India, which is the single most important tea-producing country of the world, production reached an all-time record high of 860 million tons. Smaller producers such as Bangladesh and Indonesia also had bigger crops than in 1997. Despite the huge production increase and contrary to our expectations half a year ago, tea prices have increased during the winter period then. After a period of fast falling prices in the second and third quarter of 1998, tea prices have recovered since then. The recovery was sparked off by Russia which returned to the tea market after a lull of nearly three months. In the first months of 1999 tea prices further increased on rumours about dry weather in India, Sri Lanka and Kenya. Assam and West Bengal which together account for nearly 75 per cent of India's tea crop, have not yet received any rain. Sri Lanka which is in the same weather zone has also had a poor start of the season. And Kenya lost about 30 per cent of its January production due to weather problems.

Uncertainty about the weather will keep tea prices at a relatively high level. If the dry spell in Assam and West Bengal continues for another few months, a return to the high price level of early 1998 when prices surpassed the US$ 3000/ton level, must not be excluded. In our forecasts we have not assumed such an extreme situation. Instead the forecasts are based on the assumption that in the main tea-producing countries normal weather conditions will prevail. In that case tea prices in the coming months will stabilise at the current level. If tea-picking returns to normal levels in the second half of the year, price decreases can be expected. However, given the current tight supply/demand situation tea prices are expected to remain above the US$ 2000/ton this year.

Table 7

Food, tropical beverages and sugar,

HWWA index 1990=100 and percentage changes on previous period

COMMODITY	98 1	98 2	98 3	98 4	99 1	99 2	99 3	99 4	00 1	00 2	00 3	00 4	97	98	99	00
FOOD AND	**128**	**119**	**109**	**108**	**102**	**102**	**105**	**106**	**108**	**109**	**112**	**113**	**132**	**116**	**104**	**111**
TROPICAL	**0**	**-7**	**-9**	**0**	**-6**	**0**	**3**	**1**	**2**	**1**	**3**	**1**	**6**	**-12**	**-11**	**7**
BEVERAGES																
CEREALS	106	102	93	95	93	101	105	106	106	106	105	104	111	99	101	106
	-3	-4	-8	2	-2	8	4	1	0	0	-1	-1	-21	-11	2	4
BEVERAGES	138	125	113	111	105	103	106	107	110	111	114	115	138	122	105	113
TOBACCO SUGAR	1	-9	-9	-2	-6	-2	3	1	3	1	4	1	20	-12	-14	7
OILSEEDS AND OIL	124	122	110	113	100	98	101	103	105	108	113	117	134	117	101	111
	-3	-1	-10	2	-11	-2	3	2	2	2	5	4	-1	-13	-14	10
BARLEY	111	105	94	97	92	100	104	104	104	104	104	104	117	102	100	104
	-11	-5	-11	3	-5	8	4	0	0	0	0	0	-17	-13	-2	4
MAIZE	108	99	87	89	87	94	98	98	98	98	98	98	110	96	94	98
	-3	-8	-12	2	-2	8	5	0	0	0	0	0	-23	-13	-1	4
RICE	93	101	109	104	99	96	98	98	98	98	98	98	106	102	98	98
	2	8	8	-4	-5	-3	2	0	0	0	0	0	-12	-4	-4	0
WHEAT	107	106	99	104	103	117	121	125	125	125	121	117	116	104	116	122
	-3	-1	-7	6	-1	13	4	3	0	0	-3	-3	-21	-10	12	5
COFFEE	178	158	137	137	130	130	137	137	144	144	151	151	187	152	134	147
	3	-11	-13	0	-5	0	5	0	5	0	5	0	31	-18	-12	10
COCOA	132	138	134	125	110	107	112	120	122	125	129	130	127	132	112	126
	-3	4	-3	-6	-12	-3	5	7	2	2	3	1	11	4	-15	13
TEA	136	96	91	99	105	111	105	105	103	100	96	96	107	106	107	99
	17	-29	-5	9	6	5	-5	0	-2	-3	-4	0	25	-1	1	-7
TOBACCO	108	105	101	97	94	94	94	92	90	90	90	90	99	103	94	90
	2	-2	-4	-5	-2	0	0	-2	-3	0	0	0	10	3	-9	-4
SUGAR	85	71	66	64	55	44	41	45	49	53	56	60	91	71	46	55
	-13	-17	-6	-3	-13	-21	-5	9	8	8	7	7	0	-22	-35	18
SOYBEANS	112	107	94	95	84	83	85	87	88	90	95	99	127	102	85	93
	-5	-5	-12	1	-11	-2	3	2	2	2	5	4	0	-20	-17	10

Since our last forecasts ***cocoa*** prices have continued their downward trend they started in May 1998. A combination of rising supplies and continued weak demand, resulted in sharp price declines, especially in February and March. At the moment cocoa prices are fluctuating around 55 cts/lb nearly 30 per cent lower than last year's March average. In view of the fact that the 1998/99 cocoa year is the fourth year in a row with a production deficit the sharp price fall is remarkable. The downward price pressure in recent months has mainly to do with the increased crop arrivals from West Africa after the late start of the 1998/99 harvest, and the expectation that, due to the economic turmoil in many countries, demand for cocoa will decline.

Looking at the coming months the price picture doesn't seem very attractive for producers. Global cocoa supply is expected to increase in the coming months. At the same time demand is weakening, as the top period for chocolate consumption in many consuming countries is nearing its end. Moreover, the economic crisis in a number of regions of the world is not stimulating for demand either. Therefore there is not much room for a recovery of prices in the coming months. On the other hand cocoa is so cheap now that a further fall in prices is not very likely also. A further fall in prices will also be prevented by the small stocks. In the longer term the price picture looks somewhat brighter. At the current low prices demand will probably increase. Given a small growth in production, this means that 1999/2000 will again be a year with a production deficit. Cocoa stocks have not been so small for many years. One may expect that the increased scarcity will find expression in higher prices. In our forecast the price recovery is expected to start early this summer.

The fall in international ***sugar*** prices, which started at the end of 1997, even accelerated during the first quarter of 1999. The reason has to be seen in a higher than previously expected production – in particular in Brazil – and therefore in an unexpected production surplus for 1998/99. This will lead to a new historical record in the stock/consumption ratio. In the regional perspective slight production decreases in the EU and Eastern Europe were compensated by an increased production in South East Asia, in particular in India and Thailand. On the consumption side, the expected increase is much smaller than in former years. Whereas the sugar consumption has been stagnating for many years in Western Europe and increases in North and Central America as well as in Africa are rather small, the decline is explained by general economic problems in South East Asia and South America.

The extreme price fluctuations are not least of all the result of national policies shielding consumers and/or producers from fluctuations in the world market price. Thereby normal reactions of supply and demand on fluctuating prices are thereby hindered or very much dampened to the least. Examples in case are the EU and the US that have different market regimes but exhibit very much the same outcome. However, we expect that price declines will come to an end during summer 1999, because many producers cannot cover any longer even the variable production costs and will therefore cut production. In addition, some countries (regions) as in particular the EU, will run into problems with the WTO commitment on export subsidies. Here, not only will above-quota production - which is profitable with high world market prices - end, but in addition, administrative measures such as a cut in basic production quotas cannot be excluded. Already with the expectation of a smaller global production and a recovery of economic activity in South East Asia alone - and thereby in sugar consumption - prices will increase during the forecast period.

2.7 Shipping Rates

In September 1998, a slight increase of German overall sea freight rates of ***liner trade*** was expected for the fourth quarter of 1998. But the liner freight rates fell about 6 per cent compared with the second quarter of 1998 The main reason for this development was the decline of the oil price which reduced fuel costs so that a tightening of supply by less readily available bulk carrier capacity was not reflected in higher rates. In the meantime, a price recovery of liner freight rates has been observed. Positive world market growth prospects and the upward trend of the oil price will cause a continued slight upturn of liner freight rates in the current and following year. Because of the strong decline in 1998 the rates will remain about 2 per cent lower in 1999, on average. For 2000 a continuous increase (3 p.c.) is anticipated because of accelerating growth of the world economy and seaborne trade.

Due to the strong decline of the oil price last year, the fuel costs for transports by tankers fell sharply and thus the ***tanker*** rates too. In the 4th quarter of the past year the tanker rates were almost 19 per cent lower than in the second quarter of 1998. Since the beginning of 1999 a strong recovery of the rates has been observed. In February the rates were 22 per cent higher than the average of the 4th quarter, despite continuously low oil prices as tanker demand revived. In line with the now higher oil price and the accelerating economic growth, the rates should further increase in the 2nd half of the current year. Therefore the relatively low level of the rates in 1998 will probably be surpassed in 1999 by around 10 per cent. But the growing number of tankers will limit the recovery of rates. Due to their low level it is assumed that the rates will continue to increase during the next year.

The decrease of the ***tramp freight*** rates in the first half of 1998 continued in the 3rd quarter. Up to the 4th quarter the tramp freight rates declined by about 4 per cent compared with the second quarter of 1998. The main reason for this pattern is to be seen in the lower fuel costs. For 1999 almost unchanged tramp rates are expected due to a relatively tighter US dollar. Better growth prospects of the world economy will entail more trade in bulk commodities and the increase of oil prices will cause a rise of shipping costs. In addition with the declining number of cargo ships in 1998 the rates will tend to be firmer. In 2000 accelerating economic growth and the still higher oil prices will finally be responsible for an expected 5 per cent increase of the tramp rates on average.

Table 8

ACTUAL AND FORECASTED COMMODITY PRICE INDICES

(IN DOLLAR TERMS INDEX 1990 = 100 AND PERCENT CHANGE)

COMMODITY	1998 1	1998 2	1998 3	1998 4	1999 1	1999 2	1999 3	1999 4	2000 1	2000 2	2000 3	2000 4	1997	1998	1999	2000
HWWA TOTAL	**77**	**74**	**71**	**67**	**65**	**67**	**69**	**72**	**73**	**75**	**76**	**77**	**93**	**72**	**68**	**75**
	-16	**-3**	**-5**	**-6**	**-2**	**3**	**3**	**3**	**2**	**2**	**1**	**2**	**-2**	**-22**	**-5**	**10**
TOTAL EXCEPT CRUDE OIL	**93**	**91**	**86**	**83**	**81**	**81**	**82**	**84**	**85**	**87**	**88**	**89**	**101**	**88**	**82**	**87**
	-6	**-2**	**-6**	**-3**	**-2**	**0**	**2**	**2**	**2**	**2**	**1**	**1**	**0**	**-13**	**-7**	**6**
INDUSTR. MATERIALS AND FOOD	**94**	**91**	**86**	**83**	**81**	**81**	**83**	**84**	**86**	**87**	**89**	**90**	**102**	**88**	**83**	**88**
	-6	**-3**	**-6**	**-3**	**-2**	**0**	**2**	**1**	**2**	**2**	**1**	**1**	**1**	**-14**	**-7**	**7**
FOOD AND TROPICAL BEVERAGES	**128**	**119**	**109**	**108**	**102**	**102**	**105**	**106**	**108**	**109**	**112**	**113**	**132**	**116**	**104**	**111**
	0	**-7**	**-9**	**0**	**-6**	**0**	**3**	**1**	**2**	**1**	**3**	**1**	**6**	**-12**	**-11**	**7**
CEREALS	106	102	93	95	93	101	105	106	106	106	105	104	111	99	101	106
	-3	-4	-8	2	-2	8	4	1	0	0	-1	-1	-21	-11	2	4
BEVERAGES TOBACCO SUGAR	138	125	113	111	105	103	106	107	110	111	114	115	138	122	105	113
	1	-9	-9	-2	-6	-2	3	1	3	1	4	1	20	-12	-14	7
OILSEEDS AND OIL	124	122	110	113	100	98	101	103	105	108	113	117	134	117	101	111
	-3	-1	-10	2	-11	-2	3	2	2	2	5	4	-1	-13	-14	10
INDUSTRIAL RAW MATERIALS	**82**	**81**	**78**	**74**	**75**	**75**	**76**	**77**	**79**	**80**	**81**	**81**	**92**	**79**	**75**	**80**
	-9	**-1**	**-4**	**-4**	**0**	**0**	**1**	**2**	**2**	**2**	**1**	**1**	**-2**	**-14**	**-4**	**6**
AGRICULTURAL RAW MATERIALS	82	82	78	75	78	79	80	82	85	87	87	88	93	79	80	86
	-11	1	-5	-4	4	1	2	2	3	3	0	1	-4	-14	1	8
NON FERROUS METALS	76	73	69	67	63	63	63	63	64	64	65	66	90	71	63	65
	-9	-3	-5	-4	-5	-1	0	1	1	1	1	1	2	-21	-12	3
IRON ORE, SCRAP	98	98	96	91	86	86	86	86	88	88	90	92	97	96	86	90
	1	0	-2	-5	-5	-1	1	0	2	0	2	2	0	-1	-10	4
ENERGY RAW MATERIALS	**66**	**63**	**61**	**56**	**55**	**58**	**60**	**63**	**65**	**67**	**67**	**69**	**87**	**61**	**59**	**67**
	-23	**-4**	**-4**	**-8**	**-2**	**7**	**4**	**5**	**3**	**3**	**1**	**3**	**-4**	**-29**	**-4**	**13**
COAL IND	89	89	85	81	80	77	77	78	78	80	80	81	95	86	78	80
	-6	0	-4	-5	-2	-4	0	2	0	2	0	2	-2	-9	-10	2
CRUDE OIL	64	61	59	54	52	57	59	62	64	66	66	68	86	59	58	66
	-25	-4	-4	-8	-2	8	4	5	3	3	1	3	-4	-31	-3	15

Table 9

ACTUAL AND FORECASTED PRICES OF INDIVIDUAL COMMODITIES

(IN DOLLAR TERMS INDEX 1990 = 100 PERCENT CHANGE)

COMMODITY	Country	1998 1	1998 2	1998 3	1998 4	1999 1	1999 2	1999 3	1999 4	2000 1	2000 2	2000 3	2000 4	1997	1998	1999	2000
BARLEY	CAN	111	105	94	97	92	100	104	104	104	104	104	104	117	102	100	104
		-11	-5	-11	3	-5	8	4	0	0	0	0	0	-17	-13	-2	4
MAIZE	USA	108	99	87	89	87	94	98	98	98	98	98	98	110	96	94	98
		-3	-8	-12	2	-2	8	5	0	0	0	0	0	-23	-13	-1	4
RICE	THAI	93	101	109	104	99	96	98	98	98	98	98	98	106	102	98	98
		2	8	8	-4	-5	-3	2	0	0	0	0	0	-12	-4	-4	0
WHEAT	CAN	107	106	99	104	103	117	121	125	125	125	121	117	116	104	116	122
		-3	-1	-7	6	-1	13	4	3	0	0	-3	-3	-21	-10	12	5
COFFEE	USA	178	158	137	137	130	130	137	137	144	144	151	151	187	152	134	147
		3	-11	-13	0	-5	0	5	0	5	0	5	0	31	-18	-12	10
COCOA	USA	132	138	134	125	110	107	112	120	122	125	129	130	127	132	112	126
		-3	4	-3	-6	-12	-3	5	7	2	2	3	1	11	4	-15	13
TEA	GB	136	96	91	99	105	111	105	105	103	100	96	96	107	106	107	99
		17	-29	-5	9	6	5	-5	0	-2	-3	-4	0	25	-1	1	-7
TOBACCO	USA	108	105	101	97	94	94	94	92	90	90	90	90	99	103	94	90
		2	-2	-4	-5	-2	0	0	-2	-3	0	0	0	10	3	-9	-4
SUGAR	USA	85	71	66	64	55	44	41	45	49	53	56	60	91	71	46	55
		-13	-17	-6	-3	-13	-21	-5	9	8	8	7	7	0	-22	-35	18
SOYBEANS	USA	112	107	94	95	84	83	85	87	88	90	95	99	127	102	85	93
		-5	-5	-12	1	-11	-2	3	2	2	2	5	4	0	-20	-17	10
COTTON	USA	91	94	102	90	82	78	77	77	78	80	80	80	99	94	79	79
		-5	3	9	-12	-9	-5	-2	0	2	2	0	0	-7	-5	-17	1
WOOL	AUSTR	75	67	55	54	53	53	53	54	55	57	57	57	92	63	53	57
		-17	-10	-18	-2	-1	0	0	1	3	3	0	0	10	-32	-15	6
HIDES	USA	81	90	85	73	76	78	80	83	87	87	87	87	94	82	79	87
		-11	11	-6	-14	4	3	3	3	5	0	0	0	-1	-13	-3	10
SOFTWOOD	SWED	63	67	64	65	67	68	69	70	71	73	73	73	78	65	68	72
		-17	6	-4	3	3	1	2	1	2	2	0	0	1	-17	6	6
RUBBER	GB	82	81	80	84	79	79	79	79	80	82	84	87	111	82	79	83
		-8	-1	-2	5	-6	0	0	0	2	2	3	3	-27	-26	-4	6
WOODPULP	SCAN	68	64	68	57	57	59	62	66	70	74	74	76	67	64	61	73
		-5	-6	6	-16	-1	4	6	6	6	5	0	3	-3	-5	-5	20
ALUMIN	GB	89	83	81	78	73	70	70	70	71	72	72	73	97	83	71	72
		-7	-7	-3	-3	-7	-4	0	1	1	2	0	2	6	-15	-15	2
LEAD	GB	66	68	66	61	63	62	62	63	64	64	64	64	77	65	62	64
		-5	2	-2	-7	2	-1	0	2	1	0	1	0	-19	-15	-5	3
COPPER	GB	64	65	62	58	53	53	53	53	54	54	55	56	86	62	53	55
		-11	2	-5	-6	-9	-1	0	1	1	1	1	1	-1	-27	-15	3
NICKEL	GB	60	55	46	44	51	56	56	56	56	56	56	56	76	51	55	56
		-12	-9	-17	-4	16	9	0	0	0	0	0	0	-11	-33	7	3
ZINC	GB	71	70	68	63	66	68	68	68	69	69	70	70	87	68	67	69
		-10	-1	-3	-7	4	3	0	0	1	1	1	1	28	-22	-1	3
TIN	GB	86	95	91	87	85	87	87	88	89	90	90	91	91	89	87	90
		-5	10	-4	-4	-3	2	1	1	1	1	1	1	-8	-2	-3	4
IRONORE	CAN	95	96	96	96	91	91	91	91	91	91	91	91	94	96	91	91
		1	2	0	0	-5	0	0	0	0	0	0	0	1	3	-5	0
STEELSCRAP	USA	121	121	101	69	69	65	70	70	80	80	90	101	124	103	68	88
		0	0	-17	-32	0	-6	8	0	14	0	13	13	-5	-17	-34	28
COAL	AUSTR	81	81	76	70	71	68	68	69	69	71	71	72	92	77	69	71
		-12	0	-7	-8	1	-4	0	2	0	2	0	2	-4	-16	-11	2
CRUDEOIL(av)	(ALL)	64	61	59	54	52	57	59	62	64	66	66	68	86	59	58	66
		-25	-4	-4	-8	-2	8	4	5	3	3	1	3	-4	-31	-3	15

Table 10

Commodities not included in the HWWA index,
Percentage change over the previous period:

	98/3	98/4	99/1	99/2	99/3	99/4	00/1	00/2	00/3	00/4	1998	1999	2000
Soyameal	-9	2	-8	2	1	3	2	3	4	5	-33	-13	11
Soybean Oil	-7	0	-20	-9	0	2	6	3	6	4	11	-28	12
Tropical Hardwood	-1	2	-2	2	2	2	2	2	0	0	-4	0	5
Coking Coal	-2	-3	-4	-5	0	0	0	2	0	2	-2	-10	1
Manganese ore	0	0	0	-2	-3	0	0	3	0	0	-1	-3	0
Tungsten concentrates	-5	-6	-7	0	5	13	0	11	0	10	-6	-9	24
Steel :Reinforcing rounds	-12	-9	-4	3	0	5	5	5	5	0	-11	-15	15
SHIPPING RATES													
Tankers	-7	-12	20	5	1	3	3	1	1	2	-21	10	9
Tramp	-5	1	0	2	2	1	0	1	3	2	-11	0	5
Liners	-2	-4	1	0	2	1	0	1	1	0	-5	-2	3

***Some abbreviations*:**

Barrel	42 US gallons	158.987 litres	2.3597 m^3
lb.	Imperial pound	0.45359237 kg	
Long ton	1016.0469 kg		
Short ton	907.18474 kg		

ANNEX 1 :

The HWWA Raw Material Price Index in dollar terms, basis 1990=100.

Weights of the commodities and commodity groups			
Share in %			
HWWA Index ,total	100.00	Industrial raw materials	29.53
HWWA Index excluding energy	39.48	Agricultural raw materials	16.90
Food, tropical beverages	9.95		
Cereals	2.07	Cotton	1.23
Wheat	0.61	Wool	1.11
Maize	1.10	Hides	0.76
Barley	0.11	Woodpulp	4.27
Rice	0.26	Wood	8.58
Oilseeds, oil	1.95	Rubber	0.94
Soybeans	1.62	Non-ferrous metals	8.95
Coconut oil	0.13	Aluminium	3.84
Palmoil	0.10	Copper	3.04
Sunflower oil	0.10	Lead	0.22
Beverages, sugar, tobacco	5.93	Zinc	0.63
Coffee	2.48	Tin	0.27
Cocoa	0.71	Nickel	0.95
Tea	0.36	Iron ore, scrap	3.69
Tobacco	1.33	Iron ore	3.00
Sugar	1.05	Steel scrap	0.69
		Energy	60.52
		Coal	5.03
		Crude oil	55.48

Price quotations included in the HWWA index

Commodity	Variety, quality	Market country of origin	Unit and currency of quotation
Barley	Western No. 1/2, first month	Winnipeg	Can. $ per t
Maize	Yellow No 2, first month	Chicago	US cents per bushel
Rice	Thailand, white milled 5% broken	Bangkok	US $ per t
Wheat	Canadian, Western Red Spring 1, 13.5 % protein	Winnipeg	Can. $ per t
Wheat	Standard, first month, ex warehouse	Chicago	US cents per bushel
Soybean	Yellow No 2, US	Chicago	US cents per bushel
Coconut oil	Philippines, cif Rotterdam/Hamburg	London	US $ per t
Palmoil	Malaysian, 5 % , cif England, first month	London	US $ per t
Sunflower seed oil	All origins, ex tank Rotterdam, first month	London	US $ per t
Coffee	Composite price of unweighted average	New York	US cents per lb
	of different qualities, ICO price, ex dock		
Cocoa	ICCO-price, Average daily, NY, London	London/NY	SDR per t
Tea	All origins, auction price average all teas	London	p per kg
Tobacco	Leaf Tobacco, US import price	USA	US $per t
Sugar	Raw, world contract No 11, spot New York	New York	US cents per lb
Cotton	Middling upland, 1 1/16 inches, contract No. 2,first month	New York	US cents per lb
Wool	New Zealand, crossbred, 48's, clean	Bradford	US cents per kg
	dry-combed basis		
Wool	Australian, Merino, type 78, first month	Sydney	Austr. cents per kg
Hides	US, heavy native steers packers type over 58 lbs	Chicago	US cents per lb
Sawn Wood	Swedish pine fob Nedderbottens, 63 x 75 mm	Sweden	Skr per cbm
Round wood	Logs, exports ex Washington	USA	US $ per cbm
Rubber	RSS 1, cif European ports, first month	London	p per kg
Woodpulp	Sulfate, bleached, Swedish, cif North Sea ports	Helsinki	US $ per t
Aluminium	99.5 % Al, Ingots, all origins,free market cif Europe	London	US $ per t
Lead	99.97 % Pb, spot ,ex warehouse	London	US $ per t
Copper	Electrolytic wire bares , spot,ex warehouse	London	US $ per t
Nickel	Free market, cif UK, prompt delivery,	London	US $ per lb
	ex warehouse Rotterdam		
Zinc	98 % Zn, Ingots, spot, ex warehouse	London	US $ per t
Tin	99.75 % Sn, spot, ex warehouse	London	US $ per t
Iron ore	Brasilian origin , fob Tubarao,	Germany	US $ per t
Steel scrap	Heavy melting No 1, Pittsburgh	Pittsburgh	US $ per long ton
Steel scrap	Heavy, Siemens-Martin, Belgium	Belgium	Belg. Francs per t
Thermal coal	Thermal , fob New Castle	Australia	US $ per t
Coking coal	Coking coal, import price cif North Sea ports	EU	US $ per t
Crude oil	Dubai, 32% API, next month, fob	London	US $ per barrel
Crude oil	Brent, 38% API, next month, fob	London	US $ per barrel
Crude oil	West Texas Intermediate, 40% API, next month	London	US $ per barrel