COMMODITY MARKET REVIEW

1997-98

COMMODITIES AND TRADE DIVISION
FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS
Rome, 1998

The Commodity Market Review highlights and analyses world market developments affecting agricultural, fishery and forestry products in general and for all principal primary agricultural commodities. It draws attention to events affecting the export and import activities of developing countries and summarizes the situation for each commodity in a series of tables based on information available to FAO up to January 1998.

Also available in French, Spanish, Arabic and Japanese.

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Foreword

The Commodity Market Review (CMR) is the leading annual FAO publication on commodities and trade. The Review is presented in two parts. Part I provides a synthesis of key developments in the global economy, commodity prices and export earnings as well as other developments affecting international trade in agriculture. This part also summarizes selected recent FAO studies on commodities and trade as well as the activities of the FAO Intergovernmental Commodity Groups. In this issue, two special features are reported: FAO's assessment of the possible consequences of the Asian financial turmoil on global agricultural commodity markets and agricultural trade prospects of the 70 African, Caribbean and Pacific (ACP) countries that are parties to the Lomé Convention.

Part II reviews the current world market situation and short-term outlook for 21 individual commodities, or commodity groups. These individual commodity reviews focus on market developments and summarize the more detailed commodity information and analysis available from FAO. Additional information on these commodities may be obtained from the individual commodity specialists listed in this publication.

FAO also disseminates electronically both the CMR and the more detailed individual commodity market reviews and related studies. These are available on the FAO Web page, www.fao.org (under Commodities and Trade within Economics).

J.N. Greenfield
Director
Commodities and Trade Division

February 1998

CALENDAR OF FAO COMMODITY MEETINGS IN 1998 and early 1999

Title	Date	Place
Sub-Group on Tropical Fruits (First Session)	25-28 May 1998	Pattaya, Thailand
Intergovernmental Group on Citrus Fruit (Twelfth Session)	September 1998	Rome
Intergovernmental Group on Jute Kenaf and Allied Fibres (Thirty-second Session) jointly with Intergovernmental Group on Hard Fibres (30th Session)	October 1998	Rome
Intergovernmental Group on Meat (Seventeenth Session	November 1998	to be decided
Sub-Group on Hides and Skins (Sixth Session)	November 1998	to be decided
Committee on Commodity Problems (Sixty-second Session)	12- 15 January 1999	Rome

FAO COMMODITY SPECIALISTS

Commodity	**Specialist** [1]	**Service**	**Telephone Extension** [2]
Basic foodstuffs			
Commodity policy, overall trade aspects and Intergovernmental Groups	Werner Lamadé (Chief)	ESCB	53810
Rice	Myles Mielke	ESCB	53480
	Shakib Mbabaali	ESCB	55006
Wheat, coarse grains	Myles Mielke	ESCB	53480
	Abdolreza Abbasian	ESCB	53264
Cassava	Myles Mielke	ESCB	53480
	Anna CocciaTasciotti	ESCB	54340
Oils and livestock products	AliArslan Gurkan	ESCB	52851
Oilseeds, oils and oilmeals	Peter Thoenes	ESCB	53498
Meat	Concepcion Calpe	ESCB	54136
Milk and milk products	Michael Griffin	ESCB	53837

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FAO COMMODITY SPECIALISTS (continued)

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Coffee, cocoa, tea, sugar and tropical fruits	Kaison Chang	ESCR	54346
	Raquel Christie	ESCR	54925
Temperate fruits and vegetables, citrus fruits, wine and bananas	Paul Pilkauskas	ESCR	52003
	Mario Castejon	ESCR	54335
All agricultural raw materials	Brian Moir	ESCR	54339
Jute, kenaf and allied fibres	Saidur Lasker	ESCR	54338
Hard fibres	Brian Moir	ESCR	54339
Cotton and natural rubber	Shangnan Shui	ESCR	52858
Hides and skins	Giancarlo Mattioni	ESCR	54810
Fisheries			
Overall trade aspects, commodity policy and the Sub-Committee on Fish Trade	Erhard Ruckes	FIIU	56460
Fishery products	Helga Josupeit	FIIU	56313
	Audun Lem	FIIU	52692
Forestry			
Overall forestry planning and statistics	Michael Martin (Chief)	FONS	53302
Trade and commodity analysis	Jim Bourke	FOPH	54174
	Massimo Palmieri	FONS	52964
Overall aspects of commodity projections and trade policy	Panos Konandreas (Chief)	ESCP	55149
Commodity projections	Maurizio deNigris	ESCP	53218
	Koji Yanagishima	ESCP	53119
Commodity and trade policy	Herbert Ryan	ESCP	54819
	Ramesh Sharma (*Review* editor)	ESCP	52946

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Explanatory notes

The following symbols are used:

-	=	none or negligible
...	=	not available
$	=	US dollar
"1992-94"	=	average for three calendar years 1992, 1993 and 1994
"1997/98"	=	a 12-month crop, marketing or fiscal year spanning the two years shown.

The metric system is used unless otherwise specified.

Data on production, trade, etc. are given on a calendar year basis unless otherwise specified. Data on stocks refer to levels of national stocks at the end of calendar or respective marketing years as specified by commodity.

Percentage changes and annual rates of change have been calculated from unrounded figures. Also, figures may not add up to the totals because of rounding.

Differences between total exports and total imports may be due to several factors, including the time-lag between the dispatch of goods from the exporting country and their arrival in the importing country, and the use of a different classification of the same product by exporting and importing countries. In addition, total values of exports and imports differ because exports are generally valued at the point of export (fob) and imports include insurance and freight to the point of import (cif).

Aggregate exports and imports of the EC and those of country groupings comprising the EC exclude intra-EC trade, unless otherwise stated. The EC data refer to EC-12 up to 1994 and EC-15 from 1995.

Unless otherwise stated, all statistics for China include the Province of Taiwan, but not the Special Administrative Region of Hong Kong.

Country groupings

In the presentation and analysis of data, countries are grouped into two main categories: "developing countries" and "developed countries". The designation "developing" and "developed" is intended for statistical convenience and does not necessarily express a judgement about the stage reached by a particular country or area in the development process.

The country classification within these two broad groups is as follows:

Developing countries include: *Africa* (all continental Africa, excluding the Republic of South Africa); *Near East*, comprising Afghanistan, Bahrain, Cyprus, Egypt, Gaza Strip, Islamic Republic of Iran, Iraq, Jordan, Kuwait, Lebanon, Libyan Arab Jamahiriya, Oman, Qatar, Kingdom of Saudi Arabia, Sudan, Syrian Arab Republic, Turkey, United Arab Emirates and Yemen; *Far East*, comprising all other countries in continental Asia and the Pacific region, excluding those countries of the region classified as developed countries; *Latin America and the Caribbean* (including Mexico).

Developed countries include: *North America* (excluding Mexico); *Europe*, comprising Western Europe (including the area of former Yugoslavia) and Eastern Europe (Albania, Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia); the *area of the former USSR*; *Oceania* (Australia and New Zealand); *other developed* (Israel, Japan and the Republic of South Africa).

AGRICULTURAL COMMODITY MARKETS IN 1997-98: HIGHLIGHTS

Following a decline of about 10 percent in 1996, the world index of export prices of principal primary agricultural products increased by 7 percent in 1997, approaching the high levels of 1994 and 1995. Reflecting different weights in total exports, the 1997 nominal index rose by 13 percent for the developing countries but fell slightly for the developed countries. This opposite outcome was mainly on account of sharp rises in the prices of tropical beverages on the one hand and considerable declines in the prices of cereals on the other. Price changes for most other agricultural commodities were smaller.

Despite the 13 percent increase in the price index, export earnings of the developing countries from the principal primary agricultural products are estimated to have risen by just over 3 percent in 1997 because of substantial declines in volumes. For the developed countries, for which export prices fell by 2 percent, export earnings are estimated to have declined by 10 percent, also indicating a sharp reduction in the volumes traded.

The index of the unit value of manufactures exported by industrial countries fell by 7 percent in 1997. Deflated by this index, the 1997 export price indices expressed in real terms increased by 23 percent for the developing countries, 7 percent for the developed countries and 15 percent for the world as a whole. Export earnings of the developing countries grew by 10 percent in real terms but declined for the developed countries.

From a longer-term perspective, the strengthening of agricultural commodity prices since 1994 contributed considerably to arresting the secular decline in real prices. Thus, although the real export price index for the developing countries is still 37 percent lower in 1994-97 compared with 1980-84, the annual rate of change was positive (0.65 percent) during 1990-97 whereas the index fell at the rate of 3.9 percent per annum during 1980-89.

Part I of this Review summarizes FAO's assessment of the possible consequences of the Asian financial turmoil on global commodity markets. Although some uncertainties remain as to how the situation unfolds during the rest of the 1998, the impact is generally not expected to be marked at the global level for a majority of agricultural commodities. The impact on world markets is expected to be greatest for maize, bovine meat, soybean meal, temperate fruit, cotton and hides and skins, among the commodities imported by the countries affected, and tropical fruit and rubber among the export commodities. The impact is expected to be felt mainly through reduced import demand by the countries affected. Moreover, weather-related production shortfalls in some cases and the severe squeeze on working capital are likely to reduce to some extent the ability of the countries affected to take full advantage of their increased export competitiveness.

Also summarized in Part I are the findings of a recent FAO study on the agricultural trade of the ACP countries, parties to the Lomé Convention. First, the analysis of the trade data for the 1980-95 period showed that the virtual stagnation in the growth of the value of ACP agricultural exports in real terms to the EC was largely the outcome of the generalized poor export performance and only partly due to the composition of their exports. Second, it was found that the reductions in the EC's most-favoured nation tariff rates would erode the potential value of trade preferences on ACP agricultural exports to the EC by 16 percent between 1996 and 2000. Third, the study showed that the value of intra-ACP trade in agriculture grew considerably during the eighties. The prospect is for increased intra-trade in the coming years.

Part II of the Review provides a detailed account of the developments on individual commodity

markets. In the group of tropical beverages, sugar and fruits, the world market price of coffee recovered in 1997 to the high levels of 1994 and 1995 while prices of cocoa and tea have continued to remain high. The strong import demand for bananas from several emerging markets have kept the prices firm in 1997 and the outlook for 1998 is for the market to continue to remain strong. By contrast, the global sugar market was depressed and is not expected to recover in 1998.

The global cereals markets eased considerably in 1997. With production at an all time high, wheat prices fell considerably during the first half of the 1997/98 season. The combination of a number of factors - good crops and reduced demand due to the Asian turmoil - contributed to the downward pressure on the prices of coarse grains. Rice prices in 1997 fell due to weaker import demand. With production and stocks expected to decline, prices in 1998 are likely to be firmer.

International prices of oilseed products are expected to remain relatively high, compared to the early 1990s, during most of the 1997/98 season, despite improved production prospects. The decline in average annual price of oils and fats from their 1994/95 peak during the last two seasons is expected to come to a halt, as the stocks/use ratio for oils and fats is expected to fall. Also, the steady rise in average prices of cakes and meals during the last two seasons is expected to flatten out in 1997/98, mainly as a result of relatively good supplies. The near-term outlook is for the prices of oils, fats, cakes and meals to continue to remain at relatively high levels, despite some effect of the Asian financial crisis.

International meat prices evolved differently in 1997. While beef prices recovered and pigmeat prices were firmer, the prices of both sheep meat and poultry meat weakened. For 1998, world trade is forecast to rise by four to five percent, driven by growth in poultry and pigmeat, while trade in other meats is likely to remain steady at around the 1997 level. Average export prices of most dairy products declined in 1997 and, although prices for some products rose towards the end of the year, the outlook for 1998 is for prices to be close to 1997 levels.

Global markets for the principal agricultural raw materials remained generally weak in 1997. The price index for agricultural raw materials fell by 8 percent, which follows a 14 percent decline in 1996 from its recent peak in 1995. With large stocks, increased supplies and the effect of the Asian turmoil, prices are not expected to rise in 1998.

The value of world trade in fishery products expanded further in 1997, due to both increased trade and higher prices. For 1998, the outlook for the global markets of fishery products is mixed, and is expected to be affected markedly by the El Niño phenomenon and the Asian financial crisis. The value of trade in forest products recovered strongly in 1997. This recovery mainly benefited the developed countries as the prices of pulp and paper products strengthened, while export earnings of the developing countries are estimated to have declined, reflecting lower prices for tropical wood products.

PART I

General Review

AN OVERVIEW OF THE GLOBAL ECONOMY, COMMODITY PRICES AND EXPORT EARNINGS

World economic growth projected to slow down in 1998 due to financial turmoil in Asia [1]

The IMF revised its usual October assessment of the world economic outlook in December 1997 to take into account new developments associated with the financial turmoil in east Asia. In the revised assessment, world economic activity was projected to grow by 3.5 percent in 1998, almost one percentage point less than expected in the previous assessment and 0.6 percentage points less than the 1997 figure, which was also revised mar-ginally downwards to 4.1 percent (Table 1).

In the ***industrialized countries***, economic growth in 1997 was assessed to be fairly strong, at 3 percent. For 1998, the growth rate has been revised to 2.5 percent. The impact of the Asian turmoil was expected to affect Japan the most, where the revised 1998 growth at 1.1 percent was one full percentage point smaller than anticipated earlier. For the industrial economies of Europe and North America, the downward revisions of growth rates were much more moderate, attributed to their smaller shares of trade with Asia as well as due to the stronger than expected momen-tum of growth observed recently in these countries.

In the ***developing countries***, output growth for 1997 was assessed to be strong, 5.9 percent. However, output was forecast to fall by one percentage point in 1998 to below 5 percent, about 1.3 percentage points below the growth rate projected in October, and the slowest expansion for these countries since 1991. For the countries affected by the crisis in Asia, growth projections for 1998 have been revised downward significantly - by more than 3.5 percentage points from the October 1997 assessment for Thailand, Indonesia, Malaysia and the Republic of Korea. With population growing by between 1 and 2 percent, some countries would exper-ience a decline in per caput incomes. Despite the turmoil in Asia affecting several countries, the region as a whole was expected to have the highest growth rate among developing regions in 1998. Apart from Asia, 1998 growth rates have been revised down for all developing regions, reflecting the negative impact of the slowdown in global growth, and its effects on commodity prices. In Latin America the setback was projected to be substantial, with economic expansion at 3.5 percent compared with 5.2 percent in 1987. For Africa, despite the slight setback due to the crisis, economic growth in 1998 at 4.7 percent has been projected to exceed that in 1997.

For the ***economies in transition*** in Europe and the former USSR, economic growth in 1997 was estimated to be 1.9 percent, and represents a significant recovery from the stagnation in 1996 and decline in the previous years. For the Russian Federation and several other countries of the former USSR (see footnote to Table 1), economic growth was positive in 1997 after several years of marked declines in output. Despite a reduction in the projected growth rate by 1.6 percentage points due to the Asian crisis, economic activity in this area in 1998 was seen to be robust, with growth rate at 3.4 percent. Moreover, growth rates in eastern Europe and the former USSR are expected to converge in 1998, which represents an important new development.

[1] IMF *World Economic Outlook, Interim Assessment*, December 1997.

TABLE 1. Real GDP growth rates: revised December 1997 projections
(annual percentage change)

Country/region	Revised December 1997 projections for: 1997	1998	Differences from October 1997 projections for: 1997	1998
World	**4.1**	**3.5**	**-0.1**	**-0.8**
Advanced economies	**3.0**	**2.5**	**0.0**	**-0.4**
United States	3.8	2.4	0.1	-0.2
Japan	1.0	1.1	-0.1	-1.0
European Union	2.6	2.7	0.1	-0.1
Korea, Rep.	6.0	2.5	0.0	-3.5
Developing countries	**5.9**	**4.9**	**-0.3**	**-1.3**
Africa	3.4	4.7	-0.4	-0.3
Asia	6.8	5.7	-0.9	-1.7
Thailand	0.6	0.0	-1.9	-3.5
Indonesia	5.0	2.0	-2.0	-4.2
Malaysia	7.0	2.5	-0.5	-4.0
Philippines	4.3	3.8	-1.0	-1.2
Near East	4.1	3.6	-0.5	-0.6
Latin America	5.2	3.5	1.1	-0.9
Countries in transition	**1.9**	**3.4**	**0.0**	**-0.8**
Central and eastern Europe	2.4	3.4	0.3	-0.2
Russia, Transcaucasus and central Asia [1]	1.3	3.3	-0.2	-1.6

[1] This grouping includes Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Rep., Mongolia, Russian Federation, Tajikistan, Turkmenistan and Uzbekistan.

Source: *IMF World Economic Outlook, Interim Assessment*, December 1997.

The index of agricultural export prices rose in 1997 for developing countries

Two major developments in world markets of agricultural commodities marked 1997: the sharp rises in the prices of tropical beverages and the declines in the prices of cereals. The prices of all three tropical beverages rose in 1997, by between 9 and 35 percent, and exceeded or remained close to the highs of 1994 and 1995 (Table 2). Cereal prices, on the other hand, fell by similar proportions from their peaks of 1996. Price changes for most other agricultural commodities were more limited.

Reflecting these changes, the ***world*** index of export prices for major primary agricultural commodities increased in **nominal terms** from 108 in 1996 to 116 in 1997 (1990=100), largely the outcome of a 31 percent increase in the trade-weighted index of the prices of tropical beverages, which more than offset the 22 percent decline in the index of cereal prices (Table 3). Reflecting different weights in total exports, the price index for the ***developed*** countries fell slightly, from 98 in 1996 to 96 in 1997, or by less than 2 percent. For the ***developing countries***, the overall agricultural export price index, at 135, was 13 percent higher than in 1996, and was a recovery to nearly the high levels of 1994 and 1995.

The index of the unit value of manufactures exported by industrial countries fell in 1997 by 7 percent from 1996. As a result, the export price index of agricultural commodities of developing countries rose in **real terms** by 23 percent. For the developed countries also, the

TABLE 2. Representative export prices and within-year coefficients of variation

in prices [1]

	Average price				Coefficient of variation (%)			
	1994	**1995**	**1996**	**1997**	**1994**	**1995**	**1996**	**1997**
Cocoa	1 396	1 433	1 456	1 619	8.1	3.1	4.6	7.9
Coffee	2 964	3 052	2 250	2 952	38.3	14.2	6.0	15.0
Tea	1 817	1 642	1 761	2 217	5.5	7.2	4.8	7.8
Sugar	267	293	264	251	10.3	8.3	6.6	4.1
Bananas	576	590	573	594	...	...	...	...
Wheat	151	179	210	162	7.0	13.0	13.8	9.7
Rice	289	336	352	316	17.5	11.6	5.5	10.6
Maize	108	124	165	118	10.7	12.4	19.2	5.3
Bovine	2 693	2 384	1 947	1 741	8.0	7.9	4.9	6.0
Ovine	2 907	2 975	2 621	3 295	1.1	3.2	13.4	5.4
Pork	2 977	2 680	2 492	2 713	7.8	13.8	9.1	7.3
Poultry	863	922	921	978	5.2	3.6	5.7	4.9
Milk SMP	1 526	1 486	2 045	1 922	10.8	4.2	5.4	4.6
Milk WMP	1 523	1 544	2 051	1 959	7.2	7.5	5.5	3.6
Butter	1 403	1 294	1 800	1 698	12.1	10.5	13.0	11.3
Cheese	...	...	2 081	2 117	...	...	1.8	1.0
Soybean seed	252	259	305	297	7.9	6.7	4.0	8.5
Rapeseed	293	287	301	280	4.0	5.8	4.4	6.9
Sunflower seed	317	315	294	275	5.7	5.9	7.3	8.8
Soybean oil	616	625	551	565	7.8	4.5	4.3	8.1
Palm oil	530	626	531	546	21.9	4.7	5.0	4.9
Sunflower oil	636	693	576	580	6.9	6.4	6.1	11.0
Rapeseed oil	617	613	555	565	7.4	6.0	4.1	9.4
Coconut oil	615	679	779	666	8.4	6.5	6.6	11.3
Palm kernel oil	630	677	728	652	12.1	5.9	3.5	10.5
Groundnut oil	1 024	993	903	1 019	1.8	2.6	2.9	8.4
Cottonseed oil	738	659	595	613	9.7	4.8	4.6	5.7
Soybean cake	193	197	268	276	6.7	11.7	3.9	6.4
Rapeseed cake	148	141	188	169	9.5	12.2	4.6	12.8
Palm kernel cake	111	117	132	91	4.8	9.2	11.3	17.6
Sunflower cake	119	113	153	134	6.1	20.2	5.2	8.0
Groundnut cake	168	169	213	221	7.7	6.8	8.7	14.2
Cotton	1 277	1 756	2 145	1773	7.0	11.1	4.9	2.5
Jute	271	296	366	454	17.7	24.5	13.4	14.5
Sisal	616	645	721	869	6.4	4.7	2.5	4.2
Abaca	200	204	188	205	7.1	2.9	1.1	8.1
Rubber	168	229	308	267	16.2	13.5	9.6	7.9
Hides and skins	1 742	1 608	1 450	1315	10.8	12.1	5.3	8.0

[1] Average prices for the calendar year, in US$ per tonne basis, except for rubber which is in Malaysian cents per kg.
The coefficient of variation is defined as the ratio (percentage) of the standard deviation of the monthly prices in the year to the average price in that year.

index increased in 1997 by 7 percent, compared with a 2 percent decline in nominal terms.

Table 2 also shows the degree of seasonal (within-year) variability in commodity prices in recent years. In general, seasonal prices are more variable the firmer the markets (i.e. when prices are high) and vice versa. This may be expected since in tight market situations, similar to those experienced in the recent past, stock levels are low and prices react markedly to market developments and expectations for future crops. Thus, increased average prices in 1997 for tropical beverages and some agricultural raw materials were associated with increased variability. On the other hand, average lower prices in 1997 for grains, milk products, sugar, cotton and rubber were associated with decreased variability. For several commodities, this relationship was remarkably strong, most notably for beverages and grains, where the coefficients of variation changed sharply as did the average prices. However, for several other commodities, the relationship between the average and the variability was negative, notably for rice and oil-based products.

TABLE 3. Index of export prices of major agricultural commodities[1] (current values, 1990=100)

	World		Developing		Developed	
	1996	1997	1996	1997	1996	1997
Cereals	146	114	135	113	150	115
Beverage crops	129	169	130	169	122	160
Meats	84	87	86	89	83	87
Dairy products	122	116	123	115	122	116
Bananas	86	89	86	89	86	89
Sugar	95	90	95	90	95	90
Oilseeds, oils and cakes	137	137	148	148	125	125
Oilseeds	125	121	123	120	125	122
Oils	148	148	161	160	122	124
Cakes	133	136	133	136	134	137
Agricultural raw materials	103	95	118	106	89	85
All food [2]	109	121	119	143	100	100
All food plus non-food	108	116	119	135	98	96
In real terms [3]						
All food	102	122	111	144	93	100
All food plus non-food	101	116	111	136	91	97

[1] The index is based on 1986-88 value of exports as weights.
[2] Food includes all commodities represented in the table except agricultural raw materials.
[3] Deflated by export unit value of manufactures of industrialized countries.

Agricultural export earnings of the developing countries increased in 1997

In 1996, the latest year for which complete trade statistics are available, the value of global exports of all agricultural products increased in nominal terms by 5 percent, which was sharply less than the 16 percent gains in both 1995 and 1994. This slowdown in the rate of growth affected both the developed and developing countries, but the impact was more pronounced for the latter (growth rate of 3 percent) than the former (6 percent).

This contraction in agricultural trade seemed to be further accentuated in 1997. Preliminary estimates by FAO of the value of exports for the principal primary agricultural commodities[2] for the world as a whole showed in fact a decline of 2 percent (Table 4) as against the small gain in 1996 and large gains in the previous two years. Export earnings for the developing countries are estimated to have increased in nominal terms by 3 percent, slightly more than the growth rate for 1996. The 13 percent rise in the index of export prices of the commodities covered was largely offset by considerable reductions in export volumes. For developed countries, export earnings are estimated to have declined by 10 percent in 1997, entirely due to lower volumes as the index of export prices fell by only one percent. This decline is in sharp contrast to the 4 percent growth rate of export earnings in 1996.

For the developing countries, the estimated increase in agricultural export earnings in 1997 was mainly on account of substantial gains in tropical beverages, which more than offset the losses elsewhere, notably on agricultural raw materials. Export earnings from the tropical beverages rose by 26 percent, over 80 percent of the gains due to coffee alone. In the case of other important tropical products, earnings from sugar fell by 3 percent due to reductions in both the price and volume. Export earnings from bananas are estimated to have increased by 3.5 percent, due to larger volumes traded world-wide and stronger prices, while those from citrus did not change over the 1996 level.

Export earnings from agricultural raw materials, the second most important commodity group for developing countries, are estimated to have declined by 9 percent in 1997, following a similar reduction in 1996. This largely reflects declines in cotton, natural rubber and jute/jute products. For cotton, both export prices and volumes fell markedly, causing export values to fall by a further 23 percent. In the case of natural rubber, the reduction was mainly on account of prices. While export earnings from jute fibre increased considerably in 1997, the combined value of exports from fibre and products fell by 22 percent, due to heavy fall in the sales of jute products. By contrast, export values rose slightly for hard fibres with a higher volume offsetting reduced prices, whereas increases in both volumes and prices led to higher earnings from hides and skins.

Oilseeds, oils and fats and meals account for a significant share of the total export value of primary agricultural commodities of develop-ing countries. In 1997, export earnings from this group increased by 9 percent. Earnings from both oilseeds and oils and fats rose significantly, but fell for cakes and meals. On the whole, increased volumes were more important than prices.

Export earnings of developing countries from all three cereals are estimated to have fallen in 1997 by some 20 percent while those of developed countries by an estimated 30 percent. In the case of the developing countries, while both volumes and prices were lower for rice, the earnings from wheat were

[2] The changes in the total value of exports in 1996 reported above include all agricultural products (but exclude fishery and forestry products) that are covered by the FAOSTAT data base; the value of export earnings for 1997 are preliminary FAO estimates and cover only principal primary agricultural commodities reported in Table 4, amounting to between 55 and 60 percent of total trade in all agricultural products.

TABLE 4: Value of exports of primary agricultural products in 1997 ('000 million $)

	World total			Developing countries			Developed countries		
	1996	1997	% change	1996	1997	% change	1996	1997	% change
Beverage crops	**14.5**	**18.2**	**25.7**	**14.5**	**18.2**	**25.7**	**-**	**-**	**-**
Cocoa	9.6	12.7	31.5	9.6	12.7	31.5	-	-	-
Coffee	2.9	3.2	11.2	2.9	3.2	11.2	-	-	-
Tea	2.0	2.3	18.5	2.0	2.3	18.5	-	-	-
Sugar	**12.9**	**12.0**	**-7.5**	**7.4**	**7.2**	**-2.8**	**5.6**	**4.8**	**-13.8**
Bananas	**3.3**	**3.4**	**3.5**	**3.3**	**3.4**	**3.5**	**-**	**-**	**-**
Citrus	**5.3**	**5.5**	**4.1**	**1.1**	**1.2**	**0.7**	**4.1**	**4.3**	**5.6**
Cereals	**41.4**	**32.8**	**-20.8**	**9.3**	**7.4**	**-20.4**	**35.9**	**25.4**	**-29.2**
Wheat	18.7	15.5	-17.1	1.7	1.5	-11.8	17.1	14.0	-18.1
Rice	7.8	6.8	-12.8	5.7	4.9	-14.0	2.1	1.9	-9.5
Coarse grains	14.9	10.5	-29.5	1.9	1.0	-47.4	16.7	9.5	-43.1
Cassava	**0.9**	**1.0**	**15.5**	**0.8**	**0.9**	**15.5**	**0.0**	**0.1**	**15.6**
Meat	**25.5**	**25.2**	**-1.0**	**7.6**	**7.2**	**-5.4**	**17.8**	**18.0**	**1.0**
Bovine	8.9	8.6	-2.9	2.1	2.2	2.0	6.7	6.4	-4.5
Ovine	1.5	1.5	4.8	0.1	0.1	-4.9	1.3	1.4	5.9
Pork	7.2	6.8	-6.5	2.0	1.3	-37.1	5.2	5.5	5.6
Poultry	7.1	7.6	6.2	3.0	3.3	10.8	4.1	4.2	2.9
Other meat	0.8	0.8	-3.7	0.3	0.3	-5.0	0.5	0.5	-2.0
Milk and milk products	**13.0**	**12.9**	**-0.8**	**1.2**	**1.1**	**-8.3**	**11.8**	**11.8**	**0.0**
Butter	1.7	1.7	0.0	0.1	0.1	0.0	1.6	1.6	0.0
Cheese	3.7	3.9	5.4	0.2	0.2	0.0	3.5	3.7	5.7
Powder & other products	7.6	7.3	-3.9	0.9	0.8	-11.1	6.7	6.5	-3.0
Oils, oilseeds and meals	**39.4**	**42.3**	**7.3**	**20.7**	**22.6**	**9.0**	**18.7**	**19.7**	**5.5**
Oilseeds	13.2	13.5	1.8	3.1	3.7	20.0	10.1	9.7	-3.8
Oils and fats	18.1	20.6	14.1	11.6	13.1	13.1	6.5	7.5	15.9
Cakes and meals	8.1	8.2	1.0	6.0	5.7	-4.7	2.1	2.5	17.4
Agricultural raw materials	**20.7**	**19.3**	**-6.4**	**10.2**	**9.3**	**-8.8**	**10.5**	**10.1**	**-4.1**
Cotton	7.7	6.7	-13.0	2.2	1.7	-22.7	5.5	5.0	-9.1
Jute	0.8	0.6	-25.2	0.8	0.6	-25.2	-	-	-
Hard fibres	0.4	0.4	1.4	0.4	0.4	1.4	-	-	-
Natural rubber	6.5	6.3	-3.1	6.3	6.1	-3.2	0.2	0.2	0.0
Hides and skins	5.3	5.4	1.4	0.5	0.5	1.4	4.8	4.9	1.4
Total of the above	**176.8**	**172.7**	**-2.4**	**76.2**	**78.5**	**3.1**	**104.0**	**94.0**	**-9.8**
All agricultural products [1]	**318.8**	**...**	**...**	**133.0**	**...**	**...**	**186.0**	**...**	**...**

Note: Export values for 1997 are preliminary FAO estimates, derived on the basis of estimated changes in trade volumes from 1996 and in world market prices. 1996 trade data are from the FAOSTAT. The value of exports for developed countries and the world exclude intra-trade of the EC. Oils and fats exclude butter and fish oil. Meals and cakes exclude fishmeal.

[1] These include all agricultural products reported in FAOSTAT (the trade data are not available for 1997; for 1995, the corresponding values were: $305 billion for the world; $129 billion for developing; and $176 billion for developed countries).

stable as larger sales by Argentina offset the effect of lower prices. In the case of coarse grains, the sharp drop in export earnings was due to lower prices, which more than offset increased shipments. By contrast, the export value of cassava rose by 16 percent, entirely due to larger volumes.

As regards livestock products, export earnings from meat fell by 5 percent for the developing countries. In the case of pork, export earnings fell by 37 percent, mainly reflecting reduced volumes due to the foot-and-mouth disease outbreak in the Chinese Province of Taiwan. By contrast, the strong rise in traded volumes in 1997 lifted the export value of trade in poultry meat, with both developed and developing countries benefiting. In the case of dairy products, export value fell for developing countries, but was unchanged in the far larger trade of the developed countries.

The value of global trade in fishery products expanded further in 1997, with higher volume traded and firmer prices, as in 1996. Continuing the recent trend, the share of the developing countries in global trade further rose in 1997. The value of world trade in forest products recovered in 1997 and reached $136 billion, on account of increased prices of pulp and paper products, which are mainly exported by developed countries. Indeed, export earnings for the developing countries fell in 1997, reflecting lower prices for tropical wood.

THE CONSEQUENCES OF THE ASIAN FINANCIAL TURMOIL ON GLOBAL AGRICULTURAL COMMODITY MARKETS

Since July 1997, there has been considerable economic turmoil in several Asian economies. As reviewed earlier, real GDP growth rates in 1998 are expected to contract sharply in several countries, notably in Indonesia, the Republic of Korea, Malaysia and Thailand, and to a lesser extent in the Philippines. In addition, the Asian turmoil would also reduce economic activities else-where in the world. As far as agricultural commodities are concerned, the impact at the global level is expected to be felt in three main ways. The first is reduced import demand due to the sharp income contraction in the region, even negative growth in per caput terms for some countries, and the large depreciation of the currencies.[3] The second is increased export competitiveness fuelled again by the depreciation of currencies and greater availability of exportable supplies. The extent to which these two factors impact on the global commodity markets would depend upon the size of the regions' excess demand for and excess supply of a particular commodity, relative to total world trade, which varies from commodity to commodity (Table 5). The third factor is through reduced incomes in other regions, closely linked to the Asian economies, leading to a lower demand for agricultural commodities at the global level.

On the basis of the above considerations, and based on information available as of January 1998, the Asian turmoil is expected to have a somewhat marked impact on world markets for the following commodities: maize, bovine meat, soybean meal, temperate fruits, cotton, and hides and skins, among the commodities imported by the region, and tropical fruits and rubber among the export commodities. On the whole, the impact is expected to be felt mainly through reduced import demand by the region, and much less through increased exports from the region. This is summarized below while individual commodity notes in Part II of this *Review* provide additional information on its consequences.

[3] Between July 1997 and the second half of January 1998, the Asian currencies depreciated as follows: Indonesian rupiah, 78 percent; Malaysian ringgit, 40 percent; Philippine peso, 33 percent; Republic of Korea won, 47 percent and Thai baht, 43 percent. Also, the Japanese yen has depreciated by some 10 percent, however, its impact at the global level is not expected to be substantial, given the relatively low income and price elasticities of demand for agricultural commodities due to the high per caput income levels.

Cereals and cassava: Among cereals, the impact of the financial turmoil is expected to be felt mainly on **coarse grains**, mostly maize, the imports of which by the affected countries are expected to be lower by between 2 and 3 million tonnes than the volume anticipated before the crisis, as a result of contraction in meat demand. Imports are likely to be reduced by all countries except Thailand. Wheat and rice are staple foods in the region. Imports of **wheat** are expected to contract very little, by no more than one million tonnes, due to the crisis. This reduction is not expected to have any notable impact at the global level. The global **rice** market is also not expected to be much affected. Three of the affected countries of the region, Indonesia, Malaysia and the Philippines, are expected to be larger rice importers in 1998, reflecting poor crops following drought and not related to the crisis. Thailand is expected to take full advantage of its increased competitiveness in rice and, unlike in 1997, would have no difficulty in exporting all of its exportable surplus. Moreover, the upward pressure on international prices is expected to be moderated somewhat by the reduced price of Thai rice in US dollar terms. As regards **cassava and products**, despite the increased competitiveness, and the decline in the prices of oilmeals and feedgrains - factors which favour increased trade and utilization - exports from the region are not expected to increase as the exportable surplus has been sharply cut by bad weather.

***Livestock products*:** The crisis is expected to have the biggest impact on the region's demand for meat, by virtue of the high price and income elasticities of this group of commodities, with bovine meat affected the most. The reduced regional import demand for **bovine meat** is expected to cause world prices to weaken somewhat in 1998; the earlier outlook was for prices to rise. This impact at the global level could be more pronounced in the following year if exporter expectations were for a continuation of the crisis, which might induce them to delay herd rebuilding, resulting in additional supplies on the market.

Both the pig and poultry meat sectors in the region are characterized by low import dependency and a high reliance on imported feedstuffs, with the exception of Japan and the Republic of Korea. In the case of **pigmeat**, the impact of some reduction in the regional import demand is expected to be negligible at the global level in view of the small size of this reduction and the scope for export diversion to other markets. The impact on the global market for **poultry meat** would be felt differently. Faced with reduced import demand in Asia, major poultry exporters are expected to adjust production downward rather than divert supplies to other markets; as a result, world prices are not expected to be under much pressure. Exports of poultry meat from Thailand are forecast to be boosted by its improved competitiveness, in part also due to Thailand's lower reliance on imported feed. Finally, changes in regional trade in **sheep meat** are not expected to cause any substantial impact on global trade. However, world prices could decline in 1998 due to competition from other meat.

In the case of **dairy products**, the impact of the reduced demand in Asia would be mainly felt on milk powder, which is mostly exported by New Zealand and Australia. World prices of other dairy products - butter and cheese - are not expected to be affected by the crisis.

***Vegetable oils, oilseeds and cakes and meals*:** The anticipated changes in incomes and prices in the region are not expected to have a marked impact on the consumption of and import demand for **vegetable oils**, these being staple foods. But the demand for **cakes and meals** would be reduced, these being important feedstuffs for the meat sector. The region's trade pattern for meals is likely to be affected in various ways: some countries may look for cheaper soybean meal from within Asia, e.g. India and China; where possible technically, soybean meal could be substituted with less expensive meals, such as palm kernel

and copra meals; and countries are expected to make efforts to increase the supply and usage of meals from domestic sources. On the whole, soybean meal is expected to be affected most, but the impact at the global level is likely to be modest, also because exporters can divert the trade to non-affected regions. On the export side, despite the very large share of the region in the global trade of tropical oils and cakes, improved potential competitiveness is not expected to boost exports markedly due to reduced export availabilities this year.

Tropical beverages and sugar: The impact of the reduced import demand from the region on world markets of tropical beverages is assessed to be very small, mainly on account of the small share of the region in world imports. The **tea** market would be affected least, due to its low income and price elasticity of demand. The demand for **coffee** is more sensitive to prices and incomes, and so import demand should fall markedly. However, the effect on global markets would be slight as the region accounts for a very small share of world imports of coffee. The case of **cocoa** is somewhat different. Producing countries in the region mainly grind their own crop and even supplement supplies of beans by imports while they export the products. Given the increased export competitiveness and the large installed processing capacity, the demand for beans for processing is expected to be sustained. As for exports of tea and coffee from the region, increased competitiveness should boost exports to some extent, but the scope is limited at least in 1998 due to weather-related short harvests, e.g. the Indonesian coffee harvest is reported to be cut by 30 percent.

Household consumption of **sugar** (over two-thirds of the total consumption) is expected to be affected only modestly in view of its relative insensitivity to changes in prices and incomes, while industrial demand would be reduced more. Thus, the crisis is expected to exert some downward pressure on world market prices as import demand falls. On the export side, despite the increased competitive-ness, it is unlikely that a full recovery in production would take place in 1998 in Thailand, which had a disastrous 1997 season.

***Fruits and vegetables*:** Imports of fruits and vegetables, which have been growing very rapidly, are expected to be affected markedly in view of their high price and income elasticity. Some marked declines in exports to the region for several **temperate fruits,** e.g. apples, but also lemons, oranges and grapefruit, as well as several processed fruit products have already been recorded towards the later part of 1997. In the Asian market, these are basically non-traditional products, and so their demand is very sensitive to changes in relative prices, as there is wide scope for substitution with local fruits. Trade in **vegetables** is mostly intra-ASEAN. But imports from outside the region, typically processed and high value vegetables, are expected to suffer sharp declines. However, in view of the small volumes involved, the global impact would be negligible.

By contrast, the region is expected to boost its exports of most **tropical fruits,** mainly to the important European and North American markets, which is likely to negatively affect other exporters from Africa and Latin America. The roughly 20 percent reduction in freight rates to Europe since the beginning of 1998 has also contributed to the region's competitiveness. Globally, the consumption of tropical fruits and vegetables is expected to

increase, but as competition among exporters intensifies prices will be depressed. In the case of **bananas**, where the main supplier to the region is the Philippines and the main importers are Japan and the Republic of Korea, the outlook is for trade not be affected much, with very few consequences for the global banana market.

***Agricultural raw materials*:** Among the various hard fibres, **sisal** is neither produced nor consumed in Asia to any significant extent. Demand remains strong in all major markets for **abaca**, over 80 percent of the world total exported from the region, with some uncertainty about sustained import demand from Japan. Import demand for **coir** from the affected region is too small for there to be any marked impact at the global level. Total imports of **jute** fibres are very small and so no impact is expected at the global level.

The region is a large importer of **cotton** (about 25 percent of world imports). The import demand for cotton destined for the domestic clothing market (about 40 percent of imports) would shrink somewhat as the demand for clothing falls. Although lower export prices for textiles have increased their potential export competitiveness, the positive impact would not be substantial because trade in textiles is restricted by various quotas under the Multi-Fiber Arrangement (MFA). Also, the shortage of foreign exchange and the squeeze on working capital would hold back this response to some extent. Thus, the overall demand for cotton in these countries would decline. The region accounts for a large share of global trade and therefore these changes would have some impact on global prices.

Import, as well as local, demand for **natural rubber** is expected to be affected through reduced demand for motor vehicles. At the same time, a greater supply of rural labour associated with the crisis is expected to increase rubber production even in the short-run. Thus, the region's export supply of rubber would increase markedly, putting downward pressure on world prices.

Several factors point to a reduction in the global demand for **raw hides and skins** and their prices. First, demand for leather and products would fall considerably in Asia, in view of their high price and income elasticity, mainly affecting demand for hides and skins by Europe. Second, import demand for raw hides and skins by the Republic of Korea, the second largest importer in the world, is expected to shrink, despite an increase in potential export competitiveness in leather and products, due to difficulties associated with access to foreign exchange and working capital. One uncertainty in this assessment is whether the tanners in Europe and elsewhere can absorb the Asian slack; if not, the prices are likely to weaken in 1998.

In conclusion, the impact of the Asian crisis on global commodity markets is generally expected to be negligible or slight for a majority of agricultural commodities and somewhat important for several others, namely maize, soybean meal, bovine meat, temperate fruits, cotton, hides and skins, tropical fruits and rubber. However, looking further ahead, several uncertainties associated with this outlook need to be noted. First, there is the question of how long it will take for recovery to occur in real incomes and what will be the evolution of exchange rates. Second, governments may respond to the crisis through trade policy measures, e.g. tariff reductions to facilitate imports of foodstuffs and raw materials. And third, the response to ease the severe credit shortage will also be important, especially for commodities that involve processing, e.g. cotton, rubber and hides and skins.

TABLE 5. Agricultural trade of five east Asian countries (1994-96 average)

	Imports	Exports
	Asia-5 [1]	Asia-5 [1]
	(as % of world imports)[2]	*(as % of world exports)*[2]
Cocoa beans	2.3	15.0
Green coffee	1.9	8.5
Tea	0.8	7.9
Sugar (total raw equiv.)	10.8	13.9
Bananas	1.1	11.2
Wheat and flour	11.4	0.2
Rice	15.3	29.8
Maize	17.8	0.3
Cassava [3]	10.6	87.6
Bovine meat	6.9	0.1
Ovine meat	4.2	0.8
Pig meat	2.3	1.3
Poultry meat	1.0	4.6
Milk, condensed+dry+fresh	15.4	1.5
Butter	5.9	0.0
Cheese	3.2	0.0
Oil of coconuts	10.1	90.3
Oil of palm kernels	1.7	97.1
Oil of soybean	2.3	2.4
Palm oil	4.0	91.3
Cake of coconuts	19.8	91.5
Cake of cottonseeds	32.1	0.4
Cake of groundnuts	53.1	2.5
Cake of palm kernels	17.3	90.4
Cake of rapeseed	19.2	0.0
Cake of soybeans	10.4	0.0
Cake of sunflowerseed	8.6	0.3
Abaca	2.4	60.3
Cotton lint	21.8	0.1
Jute	5.6	1.7
Rubber	6.2	46.1
Sisal	8.7	0.4
Hides and skins	21.3	1.9

[1] Asia-5 refers to Indonesia, Malaysia, Philippines, Republic of Korea and Thailand.
[2] World total excludes intra-EC trade.
[3] In product weight of chips and pellets, including starch and flour.
Source: FAOSTAT

PROTECTIONISM AND SUPPORT TO AGRICULTURE

Total support to agriculture in the OECD countries has been declining in recent years, but it continues to remain high.[4] The total policy-induced transfers[5] to OECD agriculture from consumers and taxpayers fell by almost 10 percent in 1996 to $297 billion, equivalent to 1.3 percent of the GDP (Table 6). Likewise, the total Producer Subsidy Equivalent (PSE), at $166 billion in nominal US dollars in 1996, was 8 percent lower than in 1995, when it was the highest ever. Expressed as a percentage of the value of production, the percentage PSE was 36 percent, four percentage points less than in 1995.

Support to agricultural producers as measured by percentage PSE varies markedly across the OECD countries, ranging from 3 percent for New Zealand to 78 percent for Switzerland. In 1996, there was virtually no change in the percentage PSEs for countries with an already low level of support, e.g. New Zealand, Australia, Canada and Turkey. In the case of the United States, the 1996 percentage PSE increased marginally due to higher payments under the 1996 Fair Act. For other countries with above average OECD support rates, there were marked declines for the EC, Japan and Iceland but negligible changes for Norway and Switzerland.

By commodity, the percentage PSE for the OECD as a whole varied in 1996 from 6 percent for wool to 82 percent for rice. In 1995, percentage PSEs were equal to or exceeded the OECD average of 40 percent for rice, sugar, milk, sheepmeat and beef and veal. In 1996, support to rice and sheepmeat fell markedly, did not change for milk and beef and veal and slightly increased for sugar. For other commodities with relatively low rates of support, percentage PSEs mostly fell in 1996. On the whole, the average percentage PSE for all crops dropped to 37 percent from 43 percent in 1995, while it increased slightly to 38 percent from 36 percent in 1995 for all livestock products together.

The changing composition of support to OECD agriculture in recent years indicates some increase in market orientation of the sector. Market price support has declined in relative importance, falling from 65 percent of the total support in 1986-88 (the base period used in the Uruguay Round negotiations on agriculture) to 59 percent in 1996. Direct payments have increased correspondingly, from 18 percent in 1986-88 to 23 percent in 1996. The shift in the composition of support was reinforced in 1996 by high world prices on the one hand and, to a lesser extent, by continuing policy shifts away from price support toward payments based on area or heads of livestock. Consequently, as prices return to more normal levels, there is the possibility that the sharp drop in the share of market price support in recent years may prove to be short-lived.

In transition economies, intervention aimed at influencing domestic prices of agricultural products continues to be widespread. According to the OECD estimates of total support to agriculture, which are available only for three central and eastern European countries, namely the Czech Republic, Hungary and Poland, the percentage PSE has been estimated to decline in 1996 for both the Czech Republic and Hungary to 10 percent, while it increased to 28 percent in 1996 from 21 percent in Poland. Direct payments to farmers are very low in these countries as support is mainly provided through Market Price Support (MPS) and other support (reduction in farm input costs).

[4] OECD *Agricultural Policies in OECD Countries: Monitoring and Evaluation 1997.*

[5] The "total transfers" include those transfers measured by the PSE and additional budget outlays associated with certain food, rural and environmental policies that are not directly attributable as transfers to agricultural producers. The PSE are calculated for a standard set of 13 commodities, which account for about 70 percent of OECD total value of production. The 1996 data are provisional estimates and include EC-15.

TABLE 6. Total transfers associated with agricultural policies in the OECD countries

	1992	1993	1994	1995 [1]	1996 [2]
Total transfers					
billion $	350	356	328	333	297
billion ECU	271	304	277	255	234
as percentage of GDP	2.0	1.9	1.6	1.5	1.3
per caput					
$	405	407	373	376	334
ECU	313	347	315	288	263
per full-time farmer					
$	15 372	16 482	15 440	15 955	14 493
ECU	11 876	14 071	13 016	12 206	11 418
per ha of farmland					
$	298	304	280	284	254
ECU	230	260	236	217	200
Producer Subsidy Equivalents (PSEs)					
billion $	175.5	166.5	174.9	179.6	166.0
billion ECU	135.6	142.1	147.5	137.4	130.8
as percentage of farmgate value of production	42	43	42	40	36
Consumer Subsidy Equivalents (CSEs)					
billion $	-124.6	-124.4	-121.3	-120.2	-95.2
billion ECU	-96.3	-106.2	-102.3	-92.0	-75.0
as percentage of the total value of consumption [3]	-34	-33	-32	-29	-23
Nominal Assistance Coefficients (NACs) [4]					
Average producer NAC	1.7	1.6	1.7	1.6	1.5
Average consumer NAC	1.5	1.5	1.5	1.4	1.3

[1] 1995 provisional. [2] 1996 estimate. [3] Valued at producer price.
[4] Producer (consumer) NAC is the ratio of the sum of border price plus the unit PSE (unit CSE) to the border price.
Source: OECD *Agricultural Policies in OECD Countries: Monitoring and Evaluation 1997.*

Data on protection rates and support to agriculture are scarce for developing countries. The trend in policy developments in these countries has been one of trade liberalization and greater market-orientation. With progressive reductions in border taxes and increased corrections of the exchange rates, the transmission of changes in world market prices to producers has increased, narrowing the gap existing in the past between the two prices and thus reducing agricultural protection or taxation. Recent developments in cereal policies in these countries on the whole indicate a continuation of liberalization measures with occasional small adjustments in import tariffs in reaction to changes in world market prices and the domestic production situation.[6] The recent survey by FAO of cereal price developments during the 1995-96 season in 32 cereal importing countries showed that most governments facing strongly rising cereal import prices reduced import tariffs and/or took other measures to provide some relief to consumers.[7] FAO is in the process of analysing the data on cereal price situation in these countries during the 1996-97 season and the response of the governments in this period to the decline in cereal prices in the world markets. The results will be available later in 1998.

[6] *Cereal Policies Review 1995-97*, Commodities and Trade Division, FAO, 1998.

[7] *Review of Cereal Price Situation in Selected Developing Countries in 1995-96 and Policy Measures to Offset the Price Rise*, Commodities and Trade Division, FAO, 1997.

THE URUGUAY ROUND AGREEMENT ON AGRICULTURE AND DISPUTE SETTLEMENT

Progress in the implementation of the Agreement on Agriculture [8]

The WTO Committee on Agriculture (CoA) continued its monitoring of the implementation of the Agreement on Agriculture (AoA), based on notifications submitted by the WTO members. These notifications and the discussion at the CoA cover the three main commitments under the AoA - market access, export subsidies and domestic support, as well as other issues related to the implementation of the AoA and the continuation of the reform process.

Tariff quotas continued to attract particular attention both as regards the considerable variation among countries in the way tariff quotas were being allocated and the actual volumes imported compared to the potential levels under the quotas. Some imports were categorized as "out-of-quota" and charged the higher rate even though the quantity inside the quota fell short of the quota limit. In some cases tariff-quota import licences were not fully used, despite prices in the domestic market often being significantly higher than in world market. The importing countries concerned usually attributed the shortfall in quota fill to domestic demand and supply conditions.

Three items in particular attracted considerable attention in 1997 in the area of **export subsidies**. One was a revenue-pooling scheme under which products are sold in domestic and export markets at different prices. The issue was whether such schemes amount to paying export subsidies as defined by the Agreement. The second concerned "inward processing" arrangements under which subsidized inputs produced in the member concerned are utilized in an export processing zone to make a processed product, which in turn is exported. The issue was whether the subsidized inputs should be counted as export subsidies and be subject to limitations on export subsidies applicable for the exported products. Also discussed was whether when a country's export subsidies in one year fall short of the limit in its WTO commitment for that year, it can transfer the shortfall for later use, up to fifth year of the implementation period.

The CoA's discussion of **domestic support policies** included, *inter alia,* the justification of measures included under the Green Box, the need for detailed calculations for measures classified under the *de minimis* clause, and explanations on the methods used in the calculation of the current Aggregate Measurement of Support (AMS). In some cases, the criteria used for the classification of public sector interventions in the market under the Green Box category of "public stockholding for food security purposes" (i.e. whether purchases/sales were made at current market prices) were questioned. Another common question, of particular relevance to developing countries, was whether the conditions for input subsidies (i.e. to resource-poor farmers) and investment subsidies (i.e. generally available) actually applied. Questions were also raised about the appropriateness of adjusting external reference prices in the calculation of the current AMS, through adjustments in exchange rates in situations where changes in exchange rates have been large since the Uruguay Round base period (1986-88) and where the external reference prices in the base period had been expressed in local currency terms.

As regards the Ministerial ***Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries***, the CoA reviews

[8] Based on *WTO Annual Report 1997*; and WTO *FOCUS*, various issues.

donor members' notifications on food aid donations (quantity and concessionality) as well as information on technical and financial assistance and other relevant information on actions taken within the framework of the *Decision*. Negotiations on a new Food Aid Convention, to also take into account food aid needs under the *Decision* as recommended by the WTO Ministerial Conference at Singapore, are underway at the Food Aid Committee in London. FAO's analysis of the food situation of these countries during the last few years and especially during the high price years of 1995 and 1996 showed that these countries experienced a substantial increase in their cereal import bills, amounting to 85 percent for the Least Developed Countries and 68 percent for the Net Food-Importing Developing Countries.[9] This increase is to be expected in view of the substantial increase in the world cereal prices during 1995/96 - what is worth noting, however, is that the cereal import bill persisted at a relatively high level despite the decline in the cereal prices since the 1995/96 spike.

Finally, the CoA, as called upon by the first WTO Ministerial Conference, agreed in its March 1997 meeting arrangements for the process of analysis and information exchange (the "AIE Process") on the built-in agenda to allow members to identify issues and exchange informal views on the continuation of the reform process scheduled to begin formally in 1999. The AIE process is being undertaken in informal meetings of the CoA.

Disputes at the WTO involving agricultural products on the rise[10]

By end 1997, the total number of disputes brought to the Dispute Settlement Body (DSB) of the WTO since its formation in 1995 exceeded 100, thus averaging over 40 cases per year, compared to roughly six cases per year prior to 1995. The most often cited Agreements in these disputes are the Agreements on Sanitary and Phytosanitary Measures (SPS), Technical Barriers to Trade (TBT), Trade-Related Aspects of Intellectual Property Rights (TRIPS) and the Agreement on Agriculture. Two Appellate Body reports involving agricultural products were adopted in 1997 (concerning desiccated coconut and bananas) and two more in February 1998 (both concerning meat hormones). As of February 1998, a total of six Panels were active in disputes involving agricultural products, while consultations were in progress for 23 disputes in 17 different cases (Table 7). Finally, there were nine cases of settled disputes or inactive panels involving agricultural products.

In *Brazil - Measures Affecting Desiccated Coconut* the Philippines had claimed that the countervailing duty imposed by Brazil on Philippine exports of desiccated coconut was inconsistent with WTO and GATT rules. The Panel concluded that the provisions of the agreements relied on by the claimant were inapplicable to the dispute. Following an appeal, the Appellate Body upheld the findings and legal interpretations of the Panel. The DSB adopted these reports in March 1997.

In the case regarding bananas, *EC - Regime for the Importation, Sale and Distribution of Bananas* (complaints by Ecuador, Guatemala, Honduras, Mexico and the United States), the complainants had alleged that the EC's regime for importation, sale and distribution of bananas was inconsistent with GATT Articles I, II, III, X, XI and XIII as well as provisions

[9] *The Food Situation in the Least Developed and Net Food Importing Developing Countries*, Commodities and Trade Division, FAO, November 1997.

[10] Based on the information available at the Internet site of WTO (http://www.wto.org), as of 13 February 1998.

of the Import Licensing Agreement, the Agreement on Agriculture, the Agreement on Trade-Related Investment Measures and the General Agreement on Trade in Services (GATS). The Panel had found that the EC's banana import regime, and the licensing procedures for the importation of bananas in this regime, were inconsistent with the GATT rules. The Panel further found that the Lomé Waiver waives not only compliance with obligations of GATT Article I (most-favoured nation) but also compliance with the obligations of Article XIII (i.e. the tariff quota), but not inconsistencies arising from the licensing system. Following the EC's appeal, the Appellate Body mostly upheld the Panel's findings, but reversed the finding that the Lomé Waiver also waived inconsistency with GATT Article XIII, and that certain aspects of the licensing regime violated Article X of GATT and the Import Licensing Agreement. The DSB adopted the Appellate Body's report in September 1997. Subsequently, the Arbitrator decided on 1 January 1999 as the latest date by which the EC should implement the recommendations of the DSB.

In the first of the two meat hormone cases, i.e. *EC - Measures Affecting Meat and Meat Products (Hormones)* (complaint by the United States) and *EC - Measures Affecting Livestock and Meat (Hormones)* (complaint by Canada), the United States claimed that measures taken by the EC under the Council Directive Prohibiting the Use in Livestock Farming of Certain Substances Having a Hormonal Action restrict or prohibit imports of meat and meat products from the United States, and are apparently inconsistent with GATT Articles III or XI, SPS Agreement Articles 2, 3 and 5, Article 2 of the Agreement on Technical Barriers to Trade (TBT) and Article 4 of the Agreement on Agriculture.

In the second case, Canada alleged the violation of SPS Articles 2, 3 and 5, GATT Article III or XI, TBT Article 2 and Agriculture Article 4. The Canadian claim was essentially the same as the United States' claim and the parties, the EC and Canada, agreed on the same panellists as were serving in the US-EC dispute.

The Panel's findings on both the cases were identical. It found that the EC ban on imports of meat and meat products from cattle treated with any of six specific hormones for growth promotion purposes was inconsistent with Articles 3.1, 5.1 and 5.5 of the SPS Agreement. Following the appeal by the EC, the Appellate Body upheld the Panel's finding that the EC import prohibition was inconsistent with Articles 3.3 and 5.1 of the SPS Agreement, but reversed the Panel's finding that the EC import prohibition was inconsistent with Articles 3.1 and 5.5 of the SPS Agreement. On the general and procedural issues, the Appellate Body upheld most of the findings and conclusions of the Panel, except with respect to the burden of proof in proceedings under the SPS Agreement. The DSB adopted on 13 February 1998 the Appellate Body report and the Panel report, as modified by the Appellate Body.

TABLE 7. Disputes at the WTO involving agricultural products

Case	Complainant(s)
A. Appellate Body Reports adopted	
1. Brazil - Measures Affecting Desiccated Coconut	Philippines
2. EC - Regime for the Importation, Sale and Distribution of Bananas	Ecuador, Guatemala, Honduras, Mexico, United States
3. EC - Measures Affecting Meat and Meat Products (Hormones)	United States
4. EC - Measures Affecting Livestock and Meat (Hormones)	Canada
B. Active Panels	
5. United States - Import Prohibition of Certain Shrimp and Shrimp Products	India, Malaysia, Pakistan, Thailand
6. Australia - Measures Affecting the Importation of Salmon	Canada
7. EC - Measures Affecting Importation of Certain Poultry Products	Brazil
8. India - Quantitative Restrictions on Imports of Agricultural, Textile and Industrial Products	United States
9. Japan - Measures Affecting Agricultural Products	United States
10. EC - Measures Affecting Butter Products	New Zealand
C. Consultations in Progress	
11. Republic of Korea - Measures Concerning the Testing and Inspection of Agricultural Products	United States
12. Rep. of Korea - Measures Concerning Inspection of Agricultural Products	United States
13. Australia - Measures Affecting the Importation of Salmonids	United States
14. Brazil - Countervailing Duties on Imports of Desiccated Coconut Milk Power from Sri Lanka	Sri Lanka
15. United States - Import Prohibition of Certain Shrimp and Shrimp Products	Philippines
16. Japan - Measures Affecting Imports of Pork	EC
17. Philippines - Measures Affecting Pork and Poultry	United States
18. India - Quantitative Restrictions on Imports of Agricultural, Textile and Industrial Products	Australia, Canada, New Zealand, Switzerland, EC
19. United States - Countervailing Duty Investigation of Imports of Salmon from Chile	Chile
20. Republic of Korea - Definitive Safeguard Measure on Imports of Certain Dairy Products	EC
21. United States - Measures Affecting Imports of Poultry Products	EC
22. Mexico - Anti-Dumping Investigation of High-Fructose Corn Syrup (Hfcs) from the United States	United States
23. Canada - Measures Affecting the Importation of Milk and Exportation of Dairy Products	United States
24. EC - Measures Affecting the Exportation of Processed Cheese	United States
25. EC - Regime for the Importation, Sale and Distribution of Bananas	Panama
26. Pakistan - Export Measures Affecting Hides and Skins	EC
27. United States - Tariff Rate Quota for Imports of Groundnuts	Argentina
28. Canada - Measures Affecting Dairy Products	New Zealand
D. Cases Settled or Currently Pending	
29. Rep. of Korea - Measures Concerning the Shelf-life of Products	United States
30. EC - Duties on Imports of Cereals	Canada
31. EC - Duties on Imports of Grains	United States
32. EC - Duties on Imports of Rice	Thailand
33. EC - Implementation of the Uruguay Round Commitments Concerning Rice	Uruguay
34. EC - Trade Description of Scallops	Canada, Peru, Chile
35. United States - Tariff Increases on Products from EC	EC
36. United States - Anti-Dumping Investigation Regarding Imports of Fresh or Chilled Tomatoes from Mexico	Mexico
37. Hungary - Export Subsidies in Respect of Agricultural Products	Argentina, Australia, Canada, New Zealand, Thailand, United States

Source: WTO Web site, based on the information available as of 13 February 1998.

AGRICULTURAL TRADE DEVELOPMENTS OF THE ACP COUNTRIES

With the fourth Lomé Convention, which governs preferential trade and other relations between the European Union (EU) and 70 African, Caribbean and Pacific (ACP) countries, due to expire in February 2000, and negotiations for the continuation of the relationship due to start in the autumn of 1998, the EU published in November 1996 a *Green Paper on the Relations between the EU and the ACP Countries on the Eve of the 21st Century: Challenges and Options for a New Partnership* with the objective of promoting debate on the future of the Lomé Convention. This debate intensified throughout 1997 and is still in progress. A Summit of the ACP Heads of State and Government was held in Libreville, Gabon, 6-7 November 1997 to discuss different options of the ACP-EU relationship. FAO contributed to that debate with analyses of the agricultural trade between the ACP countries and the EU, as well as of intra-trade in agriculture among the ACP countries. This notes summarizes three aspects of the ACP trade: the structure and the growth of the trade; the erosion of the potential value of tariff preferences; and intra-ACP trade in agriculture. [11]

Structure and growth of ACP agricultural exports

In 1993-95, the total value of agricultural exports of the ACP countries was about $11 billion, of which 83 percent was from Africa, 12 percent from the Caribbean and 5 percent from the Pacific. About ten commodities accounted for nearly 75 percent of their entire agricultural exports during 1990-94, which included tropical beverages (32 percent of the total value), agricultural raw materials (19 percent) and sugar (13 percent). Since the bulk of the ACP exports of primary agricultural commodities is absorbed by the EC, the commodity composition of the total ACP exports to the world and to the EC is similar. Over the period 1980-95, there was little growth in the value of agricultural exports in nominal terms for all three sub-regions, and in real terms they fell by between 3 and 4 percent per annum. One reason for this stagnation was the decline in the real prices of all major agricultural exports over most of the period, until recently. But there were other reasons as well.

Table 8 shows trend growth rates of exports (in volume) from the ACP countries to the EC, from ACP to the world and the EC's imports from all non-ACP sources. During 1988-94, the volume of world trade increased for most agricultural commodities with only three exceptions: sugar, sisal and vegetable oils. In the same period, ACP exports to the world grew less quickly or declined more than the corresponding growth in the world trade for all but two commodities, tea and tobacco. This indicates that the stagnation of ACP exports to the EC was also due to the generalized poor export performance, and not to the wrong composition of their exports.

At the same time, there was little correlation between the growth in ACP exports to the EC and the growth of EC's imports of these products from all sources. Thus, the growth rate of EC imports from all sources declined for sugar, sisal, vegetable oils, molasses, bovine meat, cotton lint, natural rubber and husked rice. The growth rate of ACP exports to the EC also declined for most of these commodities, with the exception of vegetable oils and bovine meat. Thus, in several cases, the ACP exports suffered because EC import demand did not grow. But, on the other hand, for several other commodities ACP exports declined even when total EC imports increased, i.e. for hides and leather, coffee, oilcakes and tea, indicating an erosion of relative competitiveness in the EC market.

[11] Based on *The Impact of the Marrakesh Agreement on Trade of Agricultural Products in ACP Countries*, by R. Sharma, Commodities and Trade Division, FAO, July 1997.

Of the eight commodities shown in the table where the ACP countries recorded relatively high export growth rates in the EC market (vanilla, cocoa, gum arabic, bananas, rum, tobacco, crude oils and bovine meat), three are covered by the Commodity Protocols of Lomé IV (bananas, rum and bovine meat), and thus their high growth rates are probably due to the Protocols. For another three commodities, namely vanilla, gum arabic and bananas, EC imports also increased from non-ACP sources and therefore the market itself was expanding rapidly. In the case of cocoa and vegetable oils, ACP exports were associated with declines in the growth rate in EC imports from non-ACP sources, indicating some trade diversion in favour of the ACP countries.

TABLE 8. Growth rates in the volume of ACP exports and imports by the EC
(1988-94 average, percent per annum)

	ACP exports to:		Total EU imports from:		
	EU	World	World	EC imports from non-ACP sources	World trade
Vanilla	7.21	-[1]	7.84	11.78	-
Cocoa	7.14	2.28	5.12	-6.45	3.25
Gum Arabic	4.96	-	4.89	2.48	-
Bananas	6.29	5.34	3.68	3.02	6.68
Hides and leather	-2.56	-	3.05	2.57	-
Rum	7.46	-	1.91	-5.26	8.10
Coffee	-3.22	-3.83	1.81	4.73	1.09
Tobacco	4.70	13.37	1.50	0.57	3.23
Oilcakes	-7.60	-	1.20	3.42	-
Tea	-3.70	2.3	0.89	6.39	1.35
Fruits	0.35	-	0.19	0.17	-
Sugar	-0.81	-2.6[2]	-0.02	2.42	-1.25
Vegetable oils and products	4.75	-	-0.39	-1.28	-0.09
Molasses	-5.49	-0.6	-0.57	0.22	1.11
Bovine meat	12.97	-9.8[3]	-0.74	-3.31	8.48[3]
Cotton lint	-6.48	0.1	-2.09	-0.82	1.93
Natural rubber	-0.53	-2.0	-4.00	-4.80	4.73
Husked rice	-14.65	-	-5.90	-4.54	-
Sisal	-2.71	-	-8.85	-13.04	-7.54

[1] Not available.
[2] Growth rate for raw sugar; refined sugar grew at 4 percent per annum.
[3] Beef and veal.
Source: Estimated; the first, third and fourth columns are from EUROSTAT; the second and last from FAOSTAT

Erosion of the potential value of tariff preferences to ACP countries in the EC market

With the exception of bananas and sugar, the potential value of tariff preferences (VTP) to the ACP countries for both 1996 and the year 2000 was measured as the difference between the ACP tariff rates and the most-favoured nation (MFN) tariff rates multiplied by the volume of ACP exports to the EC in 1992-94.[12] In other words, no allowance was made for the possible increase in trade between 1996 and 2000 as MFN tariffs are lowered. In the case of bananas, the ACP countries have a duty free quota of 857 000 tonnes in the EC market while the non-ACP preferential rate is 75 ECUs per tonne within a quota of 2.2 million tonnes. The above-quota MFN rate is 500 ECUs per tonne. But as no trade takes place at this level of tariff, the VTP based on the tariff margin between the ACP and MFN rates would be unrealistically high. Therefore, a more accurate reflection of the margin of preference on ACP exports is the gap between the non-ACP preferential rate and the ACP rate. The VTP thus measured was 54 million ECUs, which resulted from 75 ECUs times 720 000 tonnes, the actual volume of trade during 1992-94. In the case of sugar, the VTP was estimated based on the difference between the EC's intervention price, which applies to the ACP imports, and the comparable non-ACP import price. The estimated VTP was 366 million ECUs, the product of a margin of 262 ECUs per tonne (estimated import price of 512 ECUs per tonne for ACP sugar less non-ACP price of 250 ECUs) and 1 398 000 tonnes, the actual volume of trade during 1992-94.

The potential VTP on ACP agricultural exports to the EC (Table 9) was estimated at 710 million ECUs (about $840 million) in the base period, or roughly 14 percent of the total value of agricultural imports by the EC from the ACP countries. About 52 percent of the total VTP was due to sugar alone, followed by bovine meat (21 percent), tropical beverages (10 percent) and bananas (8 percent). In all, about 81 percent of the total value was accounted for by four products under the Commodities Protocol of the Lomé IV (sugar, bananas, bovine meat and rum). The VTP on ACP agricultural exports to the EC for 1996 as well as 2000 would have been higher if there were no quota shortfalls on the Protocol commodities during 1992-94, the base period used for measuring export volumes.

The VTP was estimated to fall to 588 million ECUs by the year 2000, or by 16 percent of the base value. This difference of 122 million ECUs, which is the estimated erosion in the VTP due to the Uruguay Round, is equivalent to just over 2 percent of the value of the EC's agricultural imports from the ACP countries during 1992-94. Since the VTPs for sugar and bananas, which accounted for 60 percent of the total in the base period, were assumed not to be affected by the Uruguay Round-induced tariff changes, two commodi-ties - tropical beverages and bovine meat - account for 84 percent of the total erosion in the VTP[13]. Finally, as preferential margins fall more sharply between the base period and 2000 for non-Protocol commodities, the share accounted for by the Protocol commodities was estimated to rise to 91 percent by 2000.

[12] Although fairly straightforward conceptually, the measurement of the value of preferences is fraught with difficulties related to the data, mainly due to the often complex nature of EU tariffs, which include several tariff categories, e.g. *ad valorem*, specific, seasonal, within-quota and over-quota rates. At times, it also becomes difficult to correctly match a tariff line and the product traded. Therefore, these estimates provide only a rough order of magnitude.

[13] In the future, the VTPs on the former two commodities could change - in the case of bananas if the gap between the ACP and non-ACP preferential tariff rates narrows and/or if the volume of exports falls, and in the case of sugar, if the EC's intervention price is reduced relative to the world market price and/or the volume of ACP exports shrinks. In the opposite set of cases, the VTP could also increase.

TABLE 9. Estimated value of tariff preferences on ACP agricultural exports to the EC [1]

	Value of tariff preference (million ECUs)		
	Base period [2]	2000	difference
Tropical beverages	74	12	-62
Sugar [3]	366	366	0
Molasses and vanilla	4	3	-1
Bananas [3]	54	54	0
Fruit	25	19	-6
Vegetables	5	4	-1
Vegetable oils and meals	9	5	-5
Husked or brown rice	7	6	-1
Bovine meat	146	106	-40
Hides, skins and leather	8	6	-2
Rum	11	7	-4
Total	**710**	**588**	**-122**
Memo item:			
Total for Commodity Protocols [4]	578	534	-44
as percentage of all	81	91	36

[1] Preferential values are measured based on the differences between the MFN and the preferential tariff rates, with the exception of bananas and sugar (see text for details).
[2] Base year values are estimated on the basis of the volume of imports during 1992-94 and the tariff gap for 1996.
[3] The values of preferential margins for bananas and sugar are not assumed to fall, as they do not depend upon changes in the tariff rates (see text).
[4] Sugar, bananas, bovine meat and rum.

The study made a number of suggestions aimed at maximizing the gains from the current preferential access opportunities.

- First, concerning the under-utilization of the commodity protocols, while in part this is due to supply constraints, it is also partially due to problems in implementing the various provisions of the Lomé IV, such as the rules of origin. Many of them can be solved through better understanding of the rules and through consultations with the EC.

- Second, there remain many products on which MFN tariff rates in the EC market continue to be high, even after the Uruguay Round. The ACP countries could perhaps negotiate better access terms for some of these products which they can produce and export, e.g. livestock products.

- Third, there is the potential for expanding trade to a wider range of products. About one half of the total EC imports of agricultural products, on which there exist potential preferential margins for the ACP, are currently imported from non-ACP countries.

- Fourth, the ACP countries export very little in terms of processed higher-value products. Recent trends in these exports are encouraging and the scope for such trade has expanded further as tariff escalation has fallen.

- Fifth, Lomé IV has provisions for technical assistance aimed not only at raising general awareness of the agreements but also at product development and diversification for export in order to expand the benefits from the agreements. These remain

considerably unexploited. Moreover, it is important that if these opportunities are to be further utilized, it would seem advisable to extend them to traders and other economic agents within the ACP countries.

- Sixth, it is important to ensure that the trade is competitive and that a fair share of the gains from tariff preferences are passed on to the domestic producers. If they are not, then the potential supply response of increased access to export markets would not materialize.

Intra-trade in agriculture among the ACP countries [14]

The Lomé Convention is a preferential trading arrangement between the European Union and the ACP countries, and not a regional trading arrangement (RTA). Therefore, the Lomé Convention can not in itself be a framework to promote intra-ACP trade. However, most ACP countries are members of one or more RTAs, which should have an effect on increasing intra-ACP trade. [15]

The value of intra-ACP trade in agriculture is relatively small but grew considerably during the period 1980-1993 (Table 10). First, the absolute value of intra-trade in agriculture increased from $400 million in 1980 to $566 million in 1993, an overall growth of 42 percent in nominal terms. Second, as a result of this fairly rapid growth, the share of intra-trade in agriculture to total intra-trade (i.e. agriculture plus non-agriculture) increased from 19 percent in 1980 to 28 percent in 1990. Third, intra-ACP trade in agriculture as a percentage of all agricultural exports of the ACP countries reached 5.4 percent in 1993, up from 3.3 percent in 1980. This share increased for all the three ACP sub-regions, but most notably for the African ACP countries.

Many factors have an effect on the growth in intra-trade in agriculture, some positive and some negative. These include, *inter alia*:

- *The speed in implementing the agreed provisions*. Although most RTAs to which the ACP countries belong have, on the whole, fairly comprehensive trade liberalization provisions, typically liberalization of agricultural trade has been excluded at least in the initial phase of such agreements, in view of the sensitivity of this sector. Moreover, implementation has often been delayed as some RTAs lack automaticity in the implementation schedule, with further trade concessions subject to periodic negotiations. Implementation of the trade provisions of the RTAs was also delayed in some cases as some members, especially those with weaker economies, tried to avoid the loss of customs revenues.

- *Complementary, non-tariff provisions*. While tariff rates were gradually reduced within RTAs, trade expansion was constrained by the lack of a number of complementary measures, such as harmonization of product standards, sanitary and phytosanitary standards, common customs procedures, harmonized transit documents and so forth. In some RTAs, these measures are envisaged, such as under the Trade Protocol of the Southern African Development Community (SADC), but their implementation has been limited. Other facilitating factors, such as a clearing and payment settlement system, including the availability of mutually acceptable currency for trade, are available in some RTAs, e.g. the Common Market for Eastern and Southern Africa (COMESA), but also mostly lacking in others.

[14] *Intra-ACP Trade in Agricultural Products*, Commodities and Trade Division, FAO, 1997.

[15] Box 1 reports on intra-trade in agriculture for several of these RTAs.

TABLE 10. Intra-ACP trade in agricultural products

	Value of intra-trade in agriculture (exports, in million $)		% of agricultural intra-trade in total agricultural exports[1]		% of agricultural intra-trade in total intra-trade [2]	
ACP regions	**1980**	**1993**	**1980**	**1993**	**1980**	**1993**
Africa	302	452	3.0	5.1	23.6	32.2
Caribbean	92	106	7.2	8.3	11.0	18.3
Pacific	5	8	0.8	1.8	62.5	34.8
All ACP countries	399	566	3.3	5.4	18.8	28.2

[1] Total agricultural exports to the ACP as a percentage of total agricultural exports to the world.
[2] Total agricultural exports to the ACP as a percentage of total exports to the ACP.
Source: COMTRADE, UNSD.

- *North-South trade bias*. To some extent, preferential trading arrangements, such as the Lomé IV and the GSP, are also not conducive to the growth of intra-trade among the ACP countries. Although it is difficult to verify, the continued high concentration of the ACP exports on the EC market, especially from Africa, may divert efforts away from regional trade promotion.

- *Structural factors*. Other factors, of a more structural nature, have also impeded the growth in intra-trade. One is the high degree of similarity in some major products exported by a majority of the ACP countries, such as tropical beverages, sugar, bananas and agricultural raw materials. High inland transport costs also discourage regional trade, especially in Africa, where it is often cheaper to import cereals for the coastal cities from outside the continent than to transport them from within the country or from a neighbouring state.

- *Statistical discrepancies*. Recorded statistics on cross-border trade in many ACP countries are probably significantly under-estimated. For instance, in Africa, cross-border trade in some products, e.g. live animals and grains, is believed to be substantial, but not recorded fully.

Looking to the future, the prospect for increased intra-ACP trade is considered to be much brighter, for a number of reasons, some of which are related to the RTAs but others to the improved overall trading environment. These include:

- *Reduction in the incidence of civil strife*. This is a very important development, most notably in Africa, where civil strife had disrupted production, marketing, transport and communication, entrepreneurship and private investment and so forth, all of which limited prospects for regional trade.

- *Brighter overall economic outlook*. ACP countries are projected to grow faster over the medium-term, e.g. real GDP for Africa is projected to grow by about 5 percent a year during 1997-2000, compared to stagnation during the past two decades.

BOX 1: Agricultural Trade within Regional Trading Blocs

During the last decade there has been a proliferation of regional trading arrangements (RTAs) and expansion of the membership of existing ones. Besides co-operation in a wide range of political and economic areas, RTAs invariably have as an objective the facilitation of intra-RTA trade through the reduction of barriers to trade and trade promotion activities. This Box reports trends in intra-RTA trade in agricultural products based on 17 selected RTAs, five from Latin America, seven from Africa, three from Asia, as well as NAFTA and EU-15. The following highlights the main trends in intra-RTA trade in 1980-93 based on the figures in Table 11.

- Starting with very low bases, intra-RTA trade in agriculture expanded very rapidly during the period 1980 to 1993: on average by 6 percent per annum for the RTAs in Latin America; 7 percent in Africa; and 4 percent in Asia, with an overall average for all RTAs from the three regions of 6 percent. Compared to this, the corresponding growth rate was 6 percent for the EU-15 and 12 percent for the NAFTA. For only one RTA, ECOWAS, did intra-trade in agriculture decline over this period, while, on the other hand, growth rates exceeded 20 percent for two RTAs, namely the SADC and UDEAC.

- Intra-RTA trade in agriculture, relative to total agricultural exports by the RTA members, ranged between 2 and 16 percent for the 15 RTAs from developing countries in 1993, with an overall (weighted) average of 14 percent. Similar finding applies to trade in non-agricultural products too. The corresponding figures for intra-trade in agriculture for the NAFTA and the EC-15 were 30 and 73 percent, respectively.

- Within developing regions, intra-RTA trade in agriculture is relatively large for Latin American and Asian RTAs, roughly twice the level for African RTAs.

TABLE 11. Intra-trade in agriculture among selected regional trading blocs

	intra-trade in agriculture (million $)				intra-trade as percentage of all agricultural trade		
				growth rate			
	1980	1990	1993	%[1]	1980	1990	1993
Andean Group	193	191	476	7.2	4.6	4.9	11.9
CACM	182	136	288	3.6	5.2	4.7	10.1
CARICOM	73	105	85	1.2	12.1	12.6	9.8
LAIA	2 128	2 847	4 371	5.7	9.7	11.2	16.3
MERCOSUR	1 028	1 396	2 168	5.9	6.6	8.0	12.3
ECCAS	5	26	-	17.9	0.4	2.4	-
ECOWAS	186	156	-	-1.7	4.5	4.6	-
PTA	66	191	172	7.6	1.5	4.6	4.6
SADC	21	205	364	24.5	0.5	5.3	10.6
UDEAC	4	26	-	20.6	0.4	3.4	-
UEMOA	98	134	-	3.2	3.7	5.4	-
UMA	25	91	67	7.9	2.8	8.4	6.7
ASEAN	1 915	2 476	3 111	3.8	14.0	15.1	16.2
GCC	93	65	194	5.8	19.2	5.7	13.5
SAARC	133	176	259	5.3	3.5	3.5	5.4
EC-15	51 466	104 319	110 167	6.0	62.8	70.3	72.9
NAFTA	4 210	13 919	18 670	12.1	8.1	24.3	30.3

[1] Compound growth rate between 1980 and 1993 (1980 to 1990 for ECCAS, ECOWAS, UDEAC and UEMOA).
Source: FAO study based on COMTRADE data.
Note: CACM - Central American Common Market; CARICOM - Caribbean Common Market; LAIA - Latin American Integration Association; MERCOSUR - Southern Common Market; ECCAS - Economic Community of Central African States; ECOWAS - Economic Community of West African States; PTA - Preferential Trade Area for Eastern and Southern Africa; SADC - Southern African Development Community; UDEAC - Central African Economic and Customs Union; UEMOA - West African Economic and Monetary Union; UMA - Arab Maghreb Union; ASEAN - Association of Southeast Asian Nations; GCC - Gulf Cooperation Council; SAARC - South Asian Association for Regional Cooperation; EC - European Community; NAFTA - North American Free Trade Agreement.

- *Convergence of trade and domestic policies.* As a result of over a decade of economic reforms, sectoral and macro-economic policies of neighbouring countries are now considerably harmonized, which is a positive factor making for increased trade. In addition, the elimination of non-tariff barriers to trade under the Uruguay Round should also give a boost to intra-RTA trade.

- *Trade facilitation measures*. This relates to progress being made in product classification, harmonization of standards, customs procedures, rules of origin and so on, a process which may be accelerated by the Uruguay Round and which should benefit trade.

- *Erosion of trade preferences.* Exporters from the ACP countries may increasingly shift their attention to regional markets as tariff preferences granted under preferential trading arrangements by the developed countries are eroded.

NEW FAO STUDIES ON THE GLOBAL COMMODITY MARKET OUTLOOK

Mixed prospects for trade in sugar forAsian countries

As part of an on-going FAO study on the world sugar economy, the market outlook for sugar to the year 2005 was examined for nine countries of Asia and the Pacific: Australia, China, Fiji, India, Indonesia, Japan, Pakistan, Philippines and Thailand.[16] The FAO model was based on habit formation assumptions, where current demand is related to previous levels of consumption.

Projections indicate that per caput consumption of sugar would grow strongly in several countries, notably in Pakistan, the Philippines and Thailand, but somewhat less strongly, in India. The growth rates for China, Fiji and Indonesia were expected to be positive but slower than those observed in the past, while these are expected to fall for Japan and Australia. Similarly, production responses to prices were estimated to be small in the short run, most likely reflecting constraints facing sugar farmers in changing production decisions. Sugar production was expected to increase in most countries by the year 2005, on account of both higher area and yields. For China, in particular, relative prices between grains and sugar were found to have an impact on the level of production.

As regards the overall trade balance, the major highlights of the study were as follows. Australia would retain its position as the world's leading exporter of sugar, with total export availability of 6.5 million tonnes by 2005, about 60 percent more than in 1995. China was seen to continue to be a large sugar importer, although the volume of its net imports (ranging between 4 and 9 million tonnes in 2005) depended on assumptions about relative prices of sugar to other crops. India, the world's largest sugar producer, could meet its domestic sugar demand if additional efforts were made to increase production; otherwise, its net imports could exceed 1.5 million tonnes by 2005. Indonesia would most likely continue to be an importer. For Japan, net imports would decline marginally over time, with both consumption and production falling slightly. Pakistan was seen to continue to be a sugar importer. Finally, given its favourable agronomic conditions and lower production costs, Thailand was expected to enhance its position as a large exporter.

Medium-term outlook for the global jute market seen to be weak

A new round of projections have been made to assess the medium-term outlook for jute production, consumption and trade to the year

[16] *A Quantitative Market Outlook for Sugar to 2005 in Major Asia and Pacific Countries*, Commodities and Trade Division, FAO, 1997.

2005[17]. Global production of jute was projected to decline to close to 3 million tonnes in 2005, the same level as in 1993-95. Reflecting developments on the demand side such as the continuing competition from synthetics and bulk handling of commodities traded, world consumption of jute has been projected to decline further to just under 3 million tonnes.

Reduced demand for jute products coupled with an increased concentration of jute processing in the producing countries caused trade in fibres to contract by about 4 percent per annum between 1985 and 1995, while trade in products declined by 2.5 percent per annum in the same period. For the future, it is projected that exports of jute fibres would remain stable at about 250 000 tonnes while exports of products will contract to 740 000 tonnes by 2005. As a result, around 35 percent of jute production would enter world trade in 2005, down from 40 percent in 1993-95.

The awareness of environmental issues, which developed very strongly during the decade to 1995, has not had the expected positive effect on the use of jute. Strong promotional efforts and price competitiveness of synthetics helped to erode further the market for jute. Between now and 2005, production capacity of synthetic fibres is expected to grow by about 6 percent per annum, and their prices are expected to remain competitive. To some extent, new end-uses of jute are expected to compensate for part of the losses in the traditional products, but this requires a vigorous effort to boost demand for diversified jute products as well as a greater investment in research and development into new end-uses.

Global tea market projected to remain weak over the medium term

A new FAO study on tea that examined the relationship between traded volumes and world market prices projected that the global tea market would remain weak in the period to 2005.[18] The analysis of the relationship between export supplies and world prices showed the following. First, a hypothetical 5 percent reduction in global export availability would lead the world price of black tea to increase by 17 percent (a 10 percent reduction resulted in a 50 percent increase). These large increases in prices reflect the inelastic demand conditions in major markets. Second, the impact of reductions in export quantities on prices received by exporting countries were not uniform because of differing domestic supply and demand responses, e.g. a general 10 percent reduction in export availability would lead to a 60 percent increase in the average price received by farmers in Indonesia and to 40 percent in Turkey. Third, reduced export volumes would lead to higher export revenue for all exporting countries - at the world level, a reduction of 5 percent in export availabilities, for example, was associated with an 11 percent increase in export revenues.

One key finding was that increased import demand had a smaller impact on world price, compared with an equivalent reduction in export availabilities. Thus, a 5 percent increase in imports led to a 6 percent rise in the world price, versus a 17 percent increase associated with a 5 percent reduction in exports, as noted above. This was due to the relatively inelastic nature of the import demand while, by virtue of large output expansion potentials in major tea exporting countries, even a small rise in prices resulting from greater demand would induce a large increase in exports which would

[17] *Commodity Projections to 2005: Jute, Kenaf and Allied Fibres*, Document CCP: JU 97/3, Commodities and Trade Division, FAO, November 1997.

[18] *Trade Volumes and Prices in the World Tea Market - Preliminary Results from the World Tea Model*, Document CCP: TE 97/5, Commodities and Trade Division, FAO, July 1997.

dampen the price increase.

Bananas projected to remain in surplus in the near-term

This study explored near-term global outlook for bananas based on separate projections of demand and supply.[19] It was found that world export availabilities would grow by 3 percent per year between 1995 and 1999 to reach nearly 12.9 million tonnes. Exports from Latin America are expected to decline from 4.2 percent per annum during 1991-94 to 2.8 percent over the near term, while export growth rates for other regions are expected to be higher in the second period.

Import demand from the developed countries is projected to increase by 3.4 percent annually over the near term, mainly due to the continued growth in eastern Europe and the area of the former USSR. Imports from the developing countries are also expected to grow relatively rapidly, at 5.1 percent per annum. On the other hand, import demand by the EC was assumed to be limited to its tariff-quota volume.

Overall, the study projects bananas to be in surplus at the global level by roughly 650 000 tonnes in the near-term. Such large surpluses are not sustainable. Indeed, the banana industry appears to be already making some adjustments which could reduce the surplus. For example, lower world prices have dampened incentives for the expansion in areas devoted to bananas in the exporting countries. Also, there are signs of increased incidence of disease, chiefly Black Sigatoka, while, at the same time, resources to sustain disease control measures are falling. These could lead to lower yields in many areas and ultimately bring the supply in line with demand in the medium term.

[19] *Medium-term Outlook for World Trade in Bananas*, Document CCP: BA 96/3, Commodities and Trade Division, FAO, 1997.

ACTIVITIES OF THE FAO COMMODITY BODIES

The ***Intergovernmental Group on Bananas*** held its 15th Session in Rome in May 1997. Apart from assessing the current situation and medium term outlook, the Group covered a number of topics, including: the importance of banana production and exports as sources of income and rural employment in developing countries; the role of the emerging banana markets; and market prospects in eastern Europe and the area of the former USSR. On the latter, it was emphasized that continued economic growth in this area is a prerequisite for further market development, since the market is generally very price sensitive. It was pointed out that, due to technical and logistical difficulties, eastern Europe and the area of the former USSR could not be considered alternatives to traditional markets for some smaller exporting countries. The Group also evaluated the progress of the Banana Improvement Project (BIP), which aims to develop a disease resistant variety, particularly against Black Sigatoka.

The ***Intergovernmental Group on Jute, Kenaf and Allied Fibres*** had its 31st Session in Rome in November 1997. Reviewing the developments in the world jute economy, it noted that global stocks of jute, kenaf and allied fibres were expected to remain high in 1997/98 and prices were set to remain depressed in the short run. The Group assessed the long term prospect for jute, kenaf and allied fibres and recognised considerable potential for these fibres in diversified uses, and stressed that further attempts should be made to develop markets in these areas. Reviewing the prospects for the world jute spinning industry, it welcomed the locational shift of the industry from Europe to the producing countries.

The ***Intergovernmental Group On Tea*** held its 12th Session in Bali, Indonesia, in July 1997. It considered the contribution of export earnings from tea on smallholder food security and encouraged co-operation between export-

ing and importing countries to promote demand. The Group reviewed a quantitative analysis of the world tea market, and requested FAO to make available the global tea model to member countries and to provide necessary training. It also reviewed the progress in the implementation of the project on *Health Benefits of Tea Consumption* and suggested that FAO should promote tea research in the exporting and importing countries. Finally, the Group endorsed the *Statement of Priorities* which would be presented to the Common Fund for Commodities (CFC).

The ***Intergovernmental Group on Oilseeds, Oils and Fats*** held its 28th Session in Rome in mid-December 1997. It noted that despite an expected increase in the production of oils, fats and oilmeals in 1997/98, the stock-to-trend utilisation ratios for these commodities could decrease further, and that the changing demand and supply conditions could reverse the increases in oilmeal prices and decreases in oil prices observed over the past two seasons, later in 1998. The Group discussed a number of other issues, which included: the impact of modern techniques and practices in the cultivation and processing of soybeans and oil palm on the environment; the nature and impact of biotechnology research to date, making the observation that the competitive positions of oilcrops as a result of such research would only be felt at a later stage; and policies related to sanitary and phytosanitary (SPS) measures in the member countries of the EU. The Group also reviewed the implementation of ongoing CFC projects.

The FAO Secretariat, with the cooperation of the Government of Fiji, organized a ***Sugar Conference*** in Fiji in October 1997 to discuss sugar policy issues in the Asian and Pacific countries in the context of the upcoming multilateral negotiations on agriculture. The conference made a number of observations: the marginal cost of sugar production has generally declined in real terms; currency fluctuations are becoming increasingly important for sugar trade; and the linkage between sugar production and food security is critical. The conference reviewed developments related to the world trading system, e.g. the Uruguay Round, the Lomé Convention and upcoming negotiations on the continua-tion of the reform process under the WTO. It stressed that there is a risk of marginalisation of several small producing countries and thus further reforms of the sector would need to take into account their special concerns. As regards the preparations for 1999, suggestions were made that special analyses are required on issues such as the likely reduction in protectionism and its impact on world prices, the administration of tariff quotas, the environment, the possible erosion of preferential margins and growing food import costs.

PART II

Review of Commodity Markets

Beverages, sugar and fruits

COFFEE

Coffee prices rose dramatically during the first eight months of the 1996/97 season (October/September). In late May 1997, the International Coffee Agreement (ICA) composite daily price reached 223 US cents per pound, the highest level since 1986, and 125 percent higher than the level in October 1996. However, by September the composite price had receded to 133 US cents per pound. The 1997/98 crop year started with the composite price of 123 US cents per pound. Unlike the previous episodes of price rises in 1985/86 and 1994/95, which were caused by frosts in Brazil, the price rise in the 1996/97 season was driven by strong demand and the tightness of supply of Arabica coffee, particularly Colombian and other milds. Reflecting this tightness, the price of Arabica rose by over 100 percent between January and May 1997, compared with only 39 percent for robusta. As a result, the price differential between the Arabica and robusta varieties increased by more than three times in this period. Arabica coffee accounts for about 70 percent of all coffee produced globally and more than 60 percent of world trade. Arabica, particularly the Colombian milds, is quality coffee and commands higher premiums, while robustas are generally used as "fillers" in a blend.

In consuming countries, the demand for Arabica has increased markedly since the late 1980s, while that for robusta has remained relatively stable. The 600 000 tonnes decline in the production of Arabica in the 1995/96 crop year had caused considerable tightness in supplies and higher prices, which continued well into the 1996/97 season. Adverse weather and industrial action at ports in Colombia and Brazil further added to the supply problem. However, as recovery in 1997/98 production in Colombia became evident, prices eased back.

World coffee production in 1996/97 was 6.14 million tonnes (green beans), of which 4.12 million tonnes were Arabica and 2.02 million tonnes were robusta, representing an increase of 16 percent over the 1995/96 output. The declines in Colombian and other milds were more than offset by increases in unwashed Arabica, particularly from Brazil and robusta from Indonesia, Viet Nam and Côte d'Ivoire. Among other producing countries, increases in output recorded by Guatemala, Ethiopia and Uganda were more than sufficient to offset declines in Mexico and Kenya.

World coffee consumption in 1996/97 was estimated at 5.94 million tonnes, almost the same level as in 1995/96. Domestic coffee consumption in exporting countries continued to grow, from 1.35 million tonnes in 1995/96 to 1.4 million tonnes in 1996/97, reflecting increases in Brazil, Colombia, Ethiopia, Indonesia and Mexico. Consumption of Arabica increased in 1996/97 while that of robusta declined.

World coffee exports increased by almost 15 percent to 4.5 million tonnes in 1996/97 as many countries increased their exports to take advantage of the high prices. Some countries exceeded their Association of Coffee Producing Countries (ACPC) suggested export quota limits, some at the expense of a further depletion of their stocks. Among the major exporting countries, the largest increases occurred in Indonesia and Uganda as shipments from these countries rose by 63 percent (or, by 148 000 tonnes) and 51 percent (94 000 tonnes), respectively. Exports from Brazil and Colombia also increased, by 6 percent (48 000 tonnes) and 8 percent (46 000 tonnes) respectively. As a result of these developments in supply and demand, the global stocks-to-use ratio at the end of the 1996/97 season was 35 percent, lower than the 42 percent level recorded at the end of 1995/96 season and the average of 50 percent over the past five years.

For the 1997/98 crop year, world production is estimated to increase slightly to reach 6.2 million tonnes and world exports are estimated to increase to 4.6 million tonnes. The rise in production is mainly due to Brazil, Viet Nam and Mexico. Production in Columbia is also expected to increase over 1996/97, but it will remain below past average levels due to drought conditions. Harvests are likely to be affected adversely by weather in other major producing countries, notably Indonesia (due to drought) and in Uganda and Kenya (excess rains).

In the case of Arabica coffee, the market in 1997/98 is expected to ease slightly as production in Brazil continues to recover and increased output from central America partially offsets the relatively low level of production in Columbia. There are three categories of Arabica coffee beans most commonly traded: Colombian milds, other milds, and Brazilian and other Arabica. Columbia is the largest producer of the premium Colombian milds and production in 1997/98 is expected to be around 708 000 tonnes, which, while above the reduced level of 1996/97, is below the average attained in earlier years of about 770 000 tonnes. This shortfall would be only partially offset by increases of other milds in other countries in central America, notably Guatemala. The output of the lower premium Brazilian and other Arabicas is expected to reach almost 1.8 million tonnes.

As regards *robusta* coffee, the market situation in 1997/98 is expected to remain similar to that in 1996/97. While weather-related production declines are expected in Indonesia, Côte d'Ivoire, Uganda and Kenya, these would be partially offset by a rise in output in Viet Nam, where a record output of almost 350 000 tonnes is expected, making Viet Nam the largest robusta producing country in the world. This position was previously held by Indonesia, where for 1997/98 output is forecast to fall to 330 000 tonnes due to the prolonged drought, compared with 492 000 tonnes in 1996/97 and an average of about 385 000 tonnes in the earlier years.

Production [1]

	1992-94 Average	1995	1996	1997 F'cast
	'000 tonnes			
World total	**5 474**	**5 147**	**6 146**	**6 228**
Brazil	1 649	945	1710	1 800
Colombia	763	773	647	708
Guatemala	233	240	258	198
Mexico	237	332	306	330
Côte d'Ivoire	151	152	320	264
Ethiopia	144	172	228	228
Kenya	86	100	99	80
Uganda	154	195	254	240
Indonesia	386	384	492	330
Viet Nam	178	236	300	348

[1] Production of green beans in crop year beginning 1 October in the year shown.

Exports [1]

	1992-94 Average	1995	1996 Prov.
	'000 tonnes		
World total	**4 400**	**3 930**	**4 507**
Brazil	1 038	864	912
Colombia	797	589	635
Guatemala	221	222	239
Mexico	179	218	278
Côte d'Ivoire	232	150	165
Ethiopia	76	77	110
Kenya	84	87	114
Uganda	144	185	279
Indonesia	308	237	385
Viet Nam	139	213	227

[1] Green beans only.

Stocks [1]

	1992-94 Average	1995	1996 Prov.
	'000 tonnes		
Producing countries [2]	**2 099**	**2 094**	**1 506**
Brazil	721	960	858
Colombia	309	381	247
Ethiopia	205	25	13
Uganda	174	18	18
Consuming countries [3]	**1 006**	**563**	**588**
United States	426	119	80
EC-15 [4]	217	151	137
Japan	81	50	59
Other countries	282	243	192

[1] Green beans only.
[2] Stocks at the end of the marketing year beginning in the year shown.
[3] Stocks at the end of the calendar year (including those in Free Ports) in importing member countries of ICO.
[4] Excludes Greece and Ireland.
Source: Producing: *World Coffee Situation*, USDA; Consuming: ICO Statistics.

Imports [1]

	1992-94 Average	1995	1996 Prov.
	'000 tonnes		
World total [2]	**4 437**	**4 011**	**4 554**
United States	1 016	959	1 050
Canada	129	127	140
EC-15	2 076	1 985	2 094
Poland	102	92	97
Area of former USSR	103	136	141
Algeria	81	54	64
Korea, Rep.	60	61	60
Japan	352	337	385
Australia	46	49	51

[1] Green beans only.
[2] Excluding quantities subsequently re-exported
.

Prices [1]

	1992-94 Average	1995	1996	1997	1997 Jan-Mar	1997 Apr-Jun	1997 Jul-Sep	1997 Oct-Dec
					US cents/lb (450 g)			
Unwashed Arabicas	89	146	120	167	156	193	162	157
Colombia milds	100	158	131	199	183	248	193	171
Other milds	95	149	120	185	164	227	185	163
Robustas	71	127	83	81	75	89	79	80
Composite price	**83**	**138**	**102**	**134**	**120**	**159**	**133**	**123**

[1] ICO indicator price.
Source: ICO

COCOA

There were two distinct trends in the world market prices of cocoa during the 1996/97 season (October/September) - a downward trend in the first five months and an upward trend until the end of the season. The crop year opened with an average monthly International Cocoa Organization (ICCO) price of $1 477 per tonne in October 1996 and began to move downwards to its lowest level for the season in mid-February 1997 of $1 323 per tonne. Large shipments from Côte d'Ivoire kept a downward pressure on prices despite the expectations of a global deficit in supply. The upward trend began with a dramatic up-turn in prices in March as concern over the continuing structural deficit in the global market surfaced and weather-related concerns over crops in West Africa and Indonesia emerged. Prices averaged $1 524 per tonne in March and peaked by the end of July at a ten-year high of $1 835 per tonne. Initial reaction to the El Ninõ phenomenon was increased purchases by both market speculators and grinders, which underpinned the strong surge in prices. As further analysis of the impact of the phenomenon on cocoa production became available, concern dissipated and prices stabilized, ending the year with the price of $1 770 per tonne in September 1997, which was 20 percent higher than the price in October 1996 when the season opened.

World cocoa production in 1996/97 decreased by 7.6 percent to 2.7 million tonnes. This was due to a combination of a reduction in area under cocoa and weather-related shortfalls. Production in Africa and Latin America declined by 8 percent and 14 percent, respectively, while output in Asia increased by one percent. Côte d'Ivoire remained the world's largest producing country, accounting for 42 percent of global production, although 9 percent lower than the record 1.2 million tonnes produced in 1995/96 as early rains delayed flowering. For similar reasons, output in Ghana, the second largest cocoa producing country, was 18 percent less than in 1995/96. Production in Brazil continued to decline, by 29 percent in 1996/97, as a result of a reduction in area due to the infection of trees from the fungal disease *witches' broom*, while production in Indonesia increased by 14 percent to 325 000 tonnes, as the number of trees reaching bearing stage continued to rise.

World demand for cocoa continued its upward trend in 1996/97, with the quantity of beans ground increasing to 2.8 million tonnes, up 3 percent. Most of the rise in grindings took place in producing countries, reflecting a trend that has become evident in the 1990s as cocoa producing countries pursue a policy of increasing value added exports. Grindings increased by 11 percent in Africa and 12 percent in Latin America. In the traditional markets, there was a rise of 6 percent in North America, while in the EC grindings declined by almost 2 percent. In eastern Europe, grindings have increased by 8.5 percent in 1996/97, partly due to rising incomes and partly due to a shift in operations from the EC to eastern Europe by some companies.

Global net exports of cocoa beans in 1996/97 were 2.08 million tonnes, a decline of 1.5 percent from the previous year, as supplies of beans were tight. However, net exports of cocoa products (cake, powder, butter, paste and liquor) increased by 6.5 percent to 1.05 million tonnes, and net exports of chocolate and chocolate products increased by 12 percent to 2.2 million tonnes, reflecting the growing processing capacities in cocoa producing countries mentioned above. As a result of increased consumption in the face of falling output, world stocks of cocoa beans declined in 1996/97 by around 150 000 tonnes and at 1.23 million tonnes the stocks-to-grind ratio was 44 percent, as compared to 51 percent in 1995/96.

In 1997/98, world cocoa production is forecast to increase by 4 percent to 2.8 million tonnes, with production increases in West Africa expected to offset weather-related short-falls in south-east Asia. Global demand is expected to continue its upward trend outpacing production growth and resulting in another draw down from stocks in the range of 50 000 tonnes to 350 000 tonnes, depending upon the weather. Therefore, prices are expected to remain firm.

Production [1]

	1992-94 Average	1995	1996	1997
	'000 tonnes, raw value			
World total	**2 423**	**2 916**	**2 695**	**2 800**
Brazil	272	231	165	180
Dominican Rep.	56	55	52	52
Ecuador	76	103	95	90
Cameroon	101	135	120	120
Côte d'Ivoire	830	1 200	1 125	1 150
Ghana	292	404	330	370
Nigeria	141	158	155	145
Indonesia	247	285	325	350
Malaysia	183	115	100	110

[1] Production of beans in crop year beginning 1 October in the year shown.

Exports [1]

	1992-94 Average	1995	1996
	'000 tonnes, raw value		
World total [2]	**1 769**	**2 117**	**2 087**
Brazil	74	27	33
Dominican Rep.	49	50	51
Ecuador	46	64	59
Cameroon	93	93	97
Côte d'Ivoire	726	1 038	998
Ghana	249	331	349
Nigeria	136	147	142
Indonesia	197	224	211
Malaysia	93	47	43

[1] Beans only.
[2] Excluding re-exports.

Stocks [1]

	1992-94 Average	1995	1996	1997 Prov.
	'000 tonnes			
World total [2]	**1 488**	**1 227**	**1 382**	**1 235**
ICCO buffer stocks	214	128	77	26

[1] At the end of September of the year shown.
[2] ICCO data.

Imports [1]

	1992-94 Average	1995	1996
	'000 tonnes, raw value		
World total	**1 974**	**2 210**	**2 366**
United States	340	445	453
Canada	36	39	38
EC	1 508	1 277	1 411
Poland	30	32	32
Czech Rep.	11	14	14
Area of former USSR	97	104	110
China	31	33	33
Japan	39	49	50
Philippines	8	10	11
Singapore	112	88	84

[1] Beans only.

Prices [1]

	1992-94 Average	1995	1996	1997	1997 Jan-Mar	1997 Apr-Jun	1997 Jul-Sep	1997 Oct-Dec
ICCO daily								
$ / tonne	1 204	1 433	1 456	1 619	1 442	1 609	1 700	1 725
Ghana, spot London								
£stg / tonne	841	966	991	-	928	1 050	1 095	-
$ / tonne	1 345	1 525	1 548	-	1 513	1 717	1 780	-

[1] Prices are calendar year averages.

TEA

World market prices of tea rose sharply in 1997, by 26 percent to average $2.22 per kg, after recovering in 1996, when the London tea auction price had averaged 7 percent higher than in 1995. This increase was underpinned by both shortfalls in supply, due to unfavourable weather in Kenya, Indonesia and India, and the general strengthening in demand, particularly in the Russian Federation. Prices in the major auction centres in producing countries (Colombo, Calcutta, Cochin and Mombasa) followed a similar pattern to the average London auction price.

World tea production in 1997, at 2.6 million tonnes, was similar to the record in 1996, although significant disruptions occurred in some major tea producing areas - drought in Kenya followed by floods and also drought in Indonesia. However, the recovery in Sri Lankan production following the drought in late 1996 together with increased output in India, Malawi and Uganda more than offset the losses in Indonesia and Kenya.

Provisional export data for 1997 indicate gains by China, India and Sri Lanka and reductions for Indonesia and Kenya compared to 1996. The total volume of exports was 1.13 million tonnes in 1996, as shipments from all major exporting countries except India were larger. Kenya, with 244 200 tonnes of tea shipped, reached the level of exports of the leading exporter, Sri Lanka, for the first time. Other major exporters were China, India and Indonesia. India declined by 5.5 percent to 154 000 tonnes in 1996, reflecting rising domestic consumption.

Global imports reached 1.12 million tonnes in 1996. Provisional data on imports for 1997 indicate a slight increase compared to 1996. Shipments were smaller into Pakistan, the United Kingdom, the United States and Germany, while imports by Japan and the Russian Federation continued their upward trend. After the sharp decline in 1995, net imports into the United Kingdom recovered by 9 percent to reach 148 500 tonnes in 1996. Imports by the CIS continued to rise in 1996, reaching 163 000 tonnes, supported by an improving economic situation and the availability of import credits. Imports by other developed countries improved as well, notably by the United States, Japan, France and Germany. Imports by developing countries expanded moderately in 1996, with larger shipments to Egypt and Afghanistan more than offsetting lower imports by Pakistan and the Islamic Republic of Iran.

World tea prices at the beginning of 1998 were expected to remain firm as the recovery in Kenya would not be complete and the con-tinuing drought in Indonesia would further reduce the supply on the world market. Some easing of prices could occur from the second quarter of the year as exports from India, Sri Lanka and China are expected to rise. Overall, the volume of world trade is unlikely to be different from the level reached in 1997.

Production

	1992-94 Average	1995	1996	1997 Prov.
		'000 tonnes		
World total	**2 559**	**2 556**	**2 575**	**2 581**
Bangladesh	50	48	55	53
China	604	609	533	558
India	746	754	780	800
Indonesia	139	145	144	134
Sri Lanka	219	246	258	265
Kenya	203	244	257	218
Malawi	34	34	37	38
Tanzania	22	24	20	20
Argentina	44	32	43	43
Japan	90	85	89	89

Exports

	1992-94 Average	1995	1996
		'000 tonnes	
World total [1]	**1 081**	**1 096**	**1 133**
Bangladesh	28	25	26
China	191	170	173
India	166	163	154
Indonesia	110	79	102
Sri Lanka	204	240	244
Kenya	179	238	244
Malawi	36	33	34
Tanzania	19	20	18
Zimbabwe	8	9	10
Argentina	41	41	41

[1] Excluding re-exports.

Imports

	1992-94 Average	1995	1996
		'000 tonnes	
World total [1]	**1 051**	**1 064**	**1 115**
EC-15	220	206	229
Area of the former USSR	133	161	163
United States	91	83	89
Australia	17	17	17
Japan	40	45	49
Iran, Islamic Rep. of	42	30	29
Syria	22	20	17
Egypt	70	57	67
Morocco	30	38	38
Pakistan	120	117	115

[1] Excluding re-exports.

Prices

	1992-94 Average	1995	1996	1997 Prov.	1997 Jan-Mar	1997 Apr-Jun	1997 Jul-Sep	1997 Oct-Nov.
				national currency/kg				
Average auction prices								
Colombo (rupees)	65	72	104	118	103	116	123	134
Calcutta (rupees)	48	54	57	75	56	72	83	84
Cochin (rupees)	37	42	45	61	47	52	65	76*
London (pence)	119	104	114	135	123	137	140	147*
				US cents/kg [1]				
Colombo [2]	140	164	188	200	179	197	208	225
Calcutta	168	168	160	209	157	200	230	230
Cochin	129	126	126	168	132	146	180	209*
Mombasa	158	130	142	200	165	196	209	233*
Average [3]	150	143	162	198	167	193	208	226
London	189	164	176	220	200	223	227	235*

[1] Converted monthly on the basis of average exchange rates reported by IMF. [2] Including export duties. [3] Weighted average of the four series

shown. * Oct-Dec.

SUGAR

Sugar prices have become increasingly stable in recent years due to structural changes in the global sugar economy that have reduced wide fluctuations in production and trade volumes. These changes include policies aimed at a greater degree of self-sufficiency by developing countries and the increased availability of non-nutritive sweeteners in developed countries. In 1996/97 (October/ September), sugar prices were relatively stable, opening at 11.12 US cents per pound in October 1996 and closing at 11.33 US cents per pound in September 1997. The average price declined by 9 percent in 1996/97, following a 11 percent decline in 1995/96 from the high level of 1994/95.

World production of centrifugal sugar in 1996/97 was 122.7 million tonnes, marginally lower than the 123.4 million tonnes in the previous season, yet well above the three year average of 112.8 million tonnes during 1992/93-1994/95. The decline was mainly due to a 2 million tonne reduction in cane sugar which was offset partially by beet sugar. Output was lower in several Asian countries. The large decline in India, by about 3.3 million tonnes, was mainly due to a reduction in area under cane following consecutive record harvests in 1994/95 and 1995/96. Payment arrears from millers to farmers caused farmers to shift production away from cane and in some cases diverted cane supplies to producers of alternative sweeteners such as *gur* and *khandsari*. A further reduction is expected in 1997/98.

Production in other regions rose in 1996/97. Beet sugar production was 5 percent higher in Europe. Production in the EC increased by 4 percent to reach 17.9 million tonnes in 1996/97, while output rose by an additional one million tonnes in eastern Europe, mostly due to Poland. In Africa, production increased by almost 6 percent to 8.5 million tonnes, mostly due to the 14 percent increase in South Africa and to a lesser extent in Kenya, Mauritius, Morocco, Swaziland and Zimbabwe. In Latin America, output increased by nearly one million tonnes, mainly accounted for by Brazil and smaller increases in Mexico, Guatemala, Costa Rica and Venezuela offsetting declines in Cuba and Peru. Among the Caribbean ACP countries, increases were recorded by Guyana, Jamaica, the Dominican Republic, Barbados, and Trinidad and Tobago while a marginal reduction was recorded in Belize. In North America, production in the United States fell by 100 000 tonnes. Despite a reduction in area planted to beet, yields were higher, resulting in a net increase in beet sugar production of 100 000 tonnes. However, a sharp decline in cane sugar production in Hawaii due to mill closings as well as damage from freezes in Louisiana offset any gains in beet production. In Oceania, production in Australia increased by 11 percent to a total of 5.7 million tonnes due to expansion in harvested area and favourable weather, while output in Fiji remained stable at 456 000 tonnes.

World sugar consumption in 1997 was 120.9 million tonnes. The current trend in global sugar consumption is towards slower growth rates in developed countries (0.6 percent in 1997), mostly due to already high per caput levels and growing availability of alternative sweeteners. In contrast, con-sumption continued to grow quite rapidly in the developing countries (3.3 percent in 1997) on account of their relatively low base per caput intake, rising incomes and growing populations.

With global production at 122.7 million tonnes and consumption at 120.9 million tonnes in 1996/97, 1.7 million tonnes were added to stocks which stood at 45.6 million tonnes at the close of the season. This was a more balanced supply/demand situation compared to 1995/96 when stocks increased by 5 million tonnes, putting downward pressure on world prices. The world stocks-to-

consumption ratio remained around 40 percent in 1996/97.

Gross world trade in sugar accounted for about 29 percent of total production in 1996. World sugar exports were estimated at 35.3 million tonnes (raw value), about the same level as in 1995. Among the major exporting countries, larger shipments were registered for Cuba, Thailand and Australia and declines for Brazil, the EC and Ukraine (19.3 percent). Global imports in 1996 at 34 million tonnes left a slight imbalance in trade, which was mainly due to unaccounted shipments in transit and different reporting periods. Among major importing countries, an increase in imports from the Russian Federation, United States, Canada, Malaysia and the Islamic Republic of Iran more than compensated for the declines in China and the EC.

For the 1997/98 crop year, FAO's forecast is for a slight drop in global output, mainly due to declines in Thailand, India, Ukraine and the Russian Federation. Although production increases in Australia, Brazil and Cuba are expected to offset these declines, they would not be sufficient to match the trend increase in consumption. Global consumption is expected to rise to 123.3 million tonnes, while output would remain at 123 million tonnes, with stock and trade levels largely unchanged. However, in several Asian countries, imports and consumption in 1997 could increase at a slower rate than in recent years due to higher domestic prices caused by the depreciation of currencies.

Production [1]

	1992-94 Average	1995	1996	1997 F'cast
	Million tonnes, raw value			
World total	**112.8**	**123.4**	**122.7**	**123.0**
EC-15	17.7	17.2	17.9	18.2
Brazil	10.9	13.7	14.7	15.3
India	12.7	18.0	14.7	13.0
China	7.0	6.8	6.7	7.0
United States	7.0	6.7	6.6	6.9
Australia	4.7	5.1	5.7	5.9
Thailand	4.4	6.4	6.1	5.5
Mexico	4.3	4.7	4.7	4.8
Cuba	4.0	4.5	4.3	4.2
Ukraine	3.9	3.8	3.3	3.0
South Africa	1.5	2.1	2.4	2.6
Others	34.9	34.5	35.7	36.6

[1] Crop year starting in the year shown

Exports

	1992-94 Average	1995	1996
	Million tonnes, raw value		
World total [1]	**30.7**	**35.6**	**35.3**
Brazil	3.0	6.4	5.3
EC-15	5.5	5.6	4.2
Australia	3.0	4.0	4.3
Thailand	2.9	3.8	4.6
Cuba	4.3	2.6	3.8
Ukraine	1.2	2.1	1.7
Guatemala	0.7	0.9	0.9
China	1.6	0.5	0.6
Colombia	0.6	0.5	0.8
Mauritius	0.6	0.5	0.6
Others	7.3	8.6	8.5

[1] Calendar year.

Stocks [1]

	1992-94 Average	1995	1996	1997
	Million tonnes, raw value			
World total	**39.2**	**38.9**	**43.8**	**45.6**
India	4.8	7.1	10.3	9.4
EC-15	5.2	4.9	5.7	7.0
Brazil	2.9	2.3	3.7	3.0
United States	1.7	1.6	1.8	2.3
China	2.5	2.0	1.6	1.3
Indonesia	1.9	1.7	1.9	2.0
Others	20.1	19.3	18.9	20.8

[1] Stocks as of the end of August of the year shown.

Imports [1]

	1992-94 Average	1995	1996
	Million tonnes, raw value		
World total [1]	**29.4**	**32.0**	**34.0**
Russian Federation	4.2	3.2	3.3
China	1.0	3.0	1.3
EC-15	2.0	2.0	1.9
Japan	1.7	1.7	1.7
United States	1.8	1.7	2.9
Korea Rep.	1.2	1.3	1.4
Iran, Islamic Rep.	0.6	1.1	0.9
Malaysia	0.9	1.0	1.1
Canada	1.1	1.0	1.3
Algeria	0.7	0.7	0.8
Others	14.0	15.3	17.4

[1] Calendar year.

Prices

	1993	1994	1995	1996	1997 Jan-Mar	1997 Apr-Jun	1997 Jul-Sep	1997 Oct-Dec
					US cents/lb (450 g)			
ISA daily price	10.0	12.1	13.3	12.0	10.9	11.3	11.4	11.9

BANANAS

Banana prices generally strengthened in major markets in 1997. Average import prices in the major import markets of the United States, Japan and the EC rose by varying degrees in 1997. Possible factors responsible for the rising price trend in these markets included adverse weather conditions which disrupted supply from some growing areas and import growth in certain emerging markets which contributed to the underlying strength of prices.

The preliminary estimate of the import volume in 1997 by the United States, of around 3.3 million tonnes, is 2 percent lower than in the previous year. In the EC, the quota limit for imports in 1997 from all sources totalled 3 411 700, which includes a duty free quota of 857 700 tonnes for traditional ACP quantities and a tariff quota of 2 554 000 tonnes for third country imports, including 90 000 tonnes of non-traditional ACP imports. When compared with actual import volumes in 1996, this amount represented an increase of around 254 000 tonnes, or 8 percent. In Japan, import volumes are estimated to have risen to 880 000 tonnes in 1997, from 819 000 tonnes in 1996.

The growth of import demand in the developing countries seems to have absorbed some of the excess supplies looming in the world market and thus supported some price recovery in 1997. One noteworthy development in world banana trade is the more than three-fold increase in imports by China, to over half a million tonnes in 1996, and a further substantial increase to an estimated 610 000 tonnes in 1997. Although China shows significant long-term market potential, in the near term, lack of adequate infrastructure, particularly insufficient ripening and storage capacity, may be a constraint.

As regards 1998, trade growth is likely to continue, although there are some uncertainties concerning the rate of market development in China and the slower growth in imports by the area of the former USSR. As for the three largest markets, i.e. the United States, the EC and Japan, no major changes in recent trends are expected.

Price levels and trends in 1998 would depend partly on the sustainability of the import growth by China and, to a lesser extent, by the area of the former USSR. It would also depend upon the reaction of the banana exporting countries in terms of adjustments to supply in anticipation of the changes in the EC's Banana Import Regime following the conclusion of the banana dispute at the WTO.

BANANAS

Exports

	1992-94 Average	1995	1996	1997*
			'000 tonnes	
World	**10 200**	**11 318**	**11 423**	**12 027**
Ecuador	2 768	3 737	3 842	4550
Costa Rica	1 819	2 033	1 933	1940
Colombia	1 477	1 335	1 407	1491
Philippines	1 044	1 213	1 253	1255
Panama	736	705	643	580
Guatemala	492	646	611	630
Honduras	703	522	574	570
Former Windward Islands	232	193	194	137
Côte d'Ivoire	159	173	196	230
Cameroon	138	171	166	175

*Preliminary estimate.

Imports

	1992-94 Average	1995	1996	1997*
			'000 tonnes	
World	**9 870**	**10 766**	**10 869**	**11 637**
United States	3 199	3 266	3 368	3 300
EC	3 184	3 107	3 158	3 412
Japan	873	874	819	880
Area of the former USSR	264	730	431	600
Canada	382	400	408	415
Argentina	202	201	248	255
Poland	166	227	238	260
Czech Republic	111	159	149	155
China	48	160	513	610
Chile	124	145	151	155

*Preliminary estimate.

Prices

	1992-94 Average	1995	1996	1997 Jan-Mar	1997 Apr-Jun	1997 July-Sep	1997 Oct-Dec
				national currency/kg			
Import prices							
France (francs)	4.7	3.8	3.4	3.9	3.8	4.6	4.0
Germany (DM)	1.3	1.5	1.4	1.3	1.3	1.6	1.7
United States (US cents)	46.2	44.9	47.6	61.5	56.7	42.4	41.2
Japan (yen)	61.3	43.6	53.8	47.0	60.7	57.0	

TROPICAL FRUITS

World production of tropical fruits in 1997 is estimated to have reached some 56 million tonnes, most of which were absorbed domestically in the producing countries, either in fresh or processed form. Although global trade in fresh tropical fruits is estimated to be less than 5 percent of production, fresh produce is available all year round in importing countries because of the different growing and harvesting cycles in the producing regions of Africa, Asia and Latin America. In general, each market tends to import from its closest regional supplier in view of lower transportation cost and shorter duration from harvesting to retail distribution. Thus, North American markets are typically supplied by Latin America, European markets by Africa and, to a lesser extent, by Latin America (mostly to take advantage of space availabilities at competitive freight rates of banana cargoes to Europe) and India, while trade in the Far East is mainly intra-regional. Of the 55.8 million tonnes of tropical fruits produced in 1997, 40 percent were mangoes, 23 percent pineapples, 9 percent papayas, 4 percent avocados. Other tropical fruits (mangosteen, lychee, rambutan, durian, etc.) made up the balance of 24 percent.

World production of ***mangoes*** in 1997 increased slightly to 22.2 million tonnes. India remained the world's largest producing country, accounting for almost 50 percent of the global output, followed by China (9 percent) and Mexico (6 percent). World production of ***pineapples*** increased by close to 3 percent in 1997 to 12.6 million tonnes, of which Thailand was the largest producer and accounted for 16 percent of global output, closely followed by Brazil (15 percent) and the Philippines (12 percent). World production of ***papaya*** in 1997 was estimated at similar levels to 1996, around 5 million tonnes. Brazil was the largest producer (35 percent of the global output), followed by Indonesia (12 percent) and Nigeria (10 percent). World production of ***avocado*** increased by 9 percent to 2.1 million tonnes in 1997. Mexico remained the largest producer (30 percent of the global output), followed by Indonesia (10 percent) and the United States (8 percent). The global production of ***other tropical fruits*** increased by almost two percent in 1997 to 13.8 million tonnes, accounted by the Philippines (27 percent of the global output), India (24 percent) and Indonesia (14 percent).

World trade in fresh tropical fruits in 1996, the latest year for which trade data were available, reached 1.8 million tonnes, an increase of 14 percent over 1995. ***Pineapple*** is one of the most widely traded tropical fruits, mostly in processed form. In 1996, 2.9 million tonnes or 23 percent of the fresh pineapple produced globally were utilized for processing and represented 62 percent of the international trade in pineapples. Demand for fresh pineapples has also been growing by an average of 12 percent annually over the past five years due to a combination of an expansion in distribution networks through supermarkets and increasing consumer awareness. In 1996, global trade in fresh pineapple accounted for 47 percent of the total trade in fresh tropical fruits. Costa Rica was the largest exporting country of fresh pineapples, closely followed by Côte d'Ivoire and the Philippines, while Thailand was the leading exporter of processed pineapple.

Mangoes were the second largest internationally traded tropical fruits. In 1996, they accounted for 23 percent of the total fresh tropical fruits traded internationally, and over the past five years averaged an 8 percent growth rate per annum, mainly due to growing consumer awareness in Europe and North America. Mexico remained the largest exporting country for fresh mangoes, accounting for nearly 40 percent of the 407 000 tonnes mangoes exported globally. Most of its exports went to North America. The Philippines and India were also significant exporting countries, together accounting for 16 percent of the world market. The main destination for the Philippines was the Chinese Special Administrative Region of Hong Kong,

an important re-export centre in the Far East, while exports from India mainly went to the United Kingdom and the Near East. Processed mango pulp and juice are becoming popular drinks either on their own or mixed with other juices. However, the bulk of the consumption occurs in the producing countries themselves. In 1996, 807 000 tonnes of mango pulp and 136 980 tonnes of juice were produced, while exports of pulp and juice amounted to 45 971 tonnes and 6 752 tonnes, respectively.

Exports of fresh avocados and papayas have been both increasing at the average rate of 10 percent annually over the past five years. In 1996, some 15 percent of ***avocado*** production was exported. The largest import market was the EC, with France alone accounting for 40 percent of total EC imports. The United States was a relatively smaller import market as consumption is supplied mainly from domestic production. The global market for fresh ***papayas*** in 1996 absorbed 113 000 tonnes, or below 3 percent of production. A short shelf-life and current phytosanitary requirements in several major markets constrain growth in exports. In 1996, Mexico increased its papaya exports by almost 50 percent to 54 000 tonnes overtaking Malaysia as the biggest exporting country, with the United States being the largest import market. The recent lifting of phytosanitary restrictions for papayas from Brazil (the largest papaya producing country in the world) by the United States may lead to greater imports from that origin.

Trade in ***other fresh tropical fruits*** has been increasing by almost 10 percent annually in recent years, to around 150 000 tonnes in 1996. Malaysia remained the largest exporting country for other fresh tropical fruits, increasing exports by almost 70 percent to 69 000 tonnes, with the majority of trade being intra-regional in the Far East. Many of these fruits are not well known outside the Far East, where the majority of these fruits are consumed. In North America and Europe, demand was initially driven by preferences of ethnic groups, but these fruits have been slowly gaining market recognition and demand is increasing. A marked success story in this category is ***lychees.*** While production is concentrated in the Far East, lychees can now be found in supermarkets all over the world fresh, canned or as juice.

Production of tropical fruits

	1992-94 Average	1995	1996	1997
		'000 tonnes		
Mangoes	**18 965**	**21 599**	**22 142**	**22 216**
India	9 908	10 800	10 800	10 800
China	1151	1 750	1 800	1 900
Mexico	1115	1 342	1 420	1 420
Pineapples	**11 707**	**12 122**	**12 296**	**12 605**
Thailand	2 380	2 088	2 031	2 031
Brazil	1 300	1 371	1 578	1 830
Philippines	1 253	1 469	1 477	1 477
Avocados	**2 110**	**1 827**	**1 932**	**2 108**
Mexico	750	421	478	635
Indonesia	96	189	200	200
United States	185	168	173	173
Papaya	**4 513**	**5 059**	**5 059**	**5 059**
Brazil	1 553	1 763	1 763	1 763
Indonesia	400	597	597	597
Nigeria	500	500	500	500
Other fruits, nes	**11 719**	**13 209**	**13 626**	**13 823**
Philippines	3 475	2 590	3 640	3 695
India	2 952	3 300	3 300	3 300
Indonesia	1 230	1 780	1 900	1 900
Total production	**49 014**	**53 816**	**55 055**	**55 811**

Exports of fresh tropical fruits [1]

	1992-94 Average	1995	1996
		'000 tonnes	
Mangoes	**277**	**351**	**407**
Mexico	104	132	165
Philippines	29	44	40
India	26	27	23
Pineapples	**673**	**766**	**839**
Costa Rica	117	171	179
Côte d'Ivoire	129	136	170
Philippines	156	164	144
Avocados	**175**	**244**	**288**
Mexico	23	55	79
Israel	32	41	46
South Africa	26	28	32
Papaya	**73**	**102**	**120**
Mexico	12	36	54
Malaysia	31	36	33
United States	8	8	9
Other fruits, nes	**108**	**115**	**151**
Malaysia	57	41	69
United States	16	20	25
Kenya	7	10	10
Total fresh exports	**1 306**	**1 578**	**1 805**

[1] Including re-exports.

Imports of fresh tropical fruits

	1992-94 Average	1995	1996
		'000 tonnes	
Mangoes	257	354	374
United States	103	142	171
EC-15	47	63	65
China (Hong Kong SAR)	25	37	35
Pineapples	**664**	**693**	**761**
EC-15	239	242	274
United States	127	125	135
Japan	121	108	97
Avocados	**176**	**207**	**255**
EC-15	85	105	110
United States	19	19	25
Canada	7	10	11
Papaya	**69**	**92**	**113**
United States	14	33	57
Singapore	20	21	19
China (Hong Kong SAR)	12	14	12
Other fruits, nes	**99**	**118**	**157**
Singapore	38	48	62
Malaysia	15	14	37
Canada	15	18	21
Total fresh imports	**1 265**	**1 464**	**1 660**

CITRUS

Developments in world fresh citrus prices were mixed in 1996/97, weakening in certain major markets, notably the EC, but trending higher in others such as the United States and Japan. Wholesale prices for tangerines, lemons and grape-fruit weakened in Europe, while those for oranges remained stable or firmed up. Wholesale prices for grapefruit and lemons rose in the United States and Japan, but declined in Germany.

World citrus production increased by just over one percent in 1996/97, exceeding the record of the previous season. Most of the growth was due to the orange crop in the United States, and, to a lesser extent, due to lemon output in the Mediterranean region. The world output of grapefruit and tangerines also grew modestly in 1996/97.

Production is expected to expand further in 1997/98. Production of ***oranges*** in the United States should increase, as expanded plantings from the early 1990s mature and yields rise. Higher output is also expected in Brazil, due to yield increases. Elsewhere, output will also be higher in Spain and Morocco, reflecting a recovery from the reduced crops in 1996/97. World ***tangerine*** output is expected to rise again in 1997/98, as increases in Spain, Italy and Morocco would more than offset contractions in Turkey and the United States. Global ***grapefruit*** production is likely to contract due primarily to reduction in the United States. Returns to producers of grapefruit for processing were so low during 1996/97 that an estimated 8 percent of the Florida crop was left unharvested. The world ***lemon*** harvest is also expected to decline in 1997/98 due to reduced output in Italy and Turkey and despite larger crops expected in the United States, China and Spain.

World exports of fresh citrus are likely to increase in 1997/98, as expanded trade in oranges and tangerines is likely to offset reductions in the trade for lemons and grapefruit. Exports of oranges and tangerines from Spain and Morocco are expected to increase, while trade in lemons is forecast to decline, due to reduced export availabilities in the Mediterranean region. Grapefruit exports from this region, mainly those of white varieties, are also expected to decline due to production contractions in Cyprus and Turkey.

Increased consumer demand is unlikely to fully absorb the expected higher citrus production, putting pressure on prices. Fore-casts for higher citrus production in the Mediterranean region may put downward pressure on fresh orange and tangerine prices in the EC in 1997/98. Moreover, a larger orange crop expected in the United States may lead to relatively weak prices there and in some of its export markets. While they are not expected to strengthen significantly in 1997/98, grapefruit prices may begin to stabilize as output in Florida is expected to decline.

Prices of orange juice are expected to be weaker in 1997/98 due to ample stocks of Frozen Concentrated Orange Juice (FCOJ), record orange crops and high juice yields in Brazil and the United States. FCOJ exports from Brazil are likely to remain relatively stable, with growth in shipments to Europe and possibly to Japan, but a reduction is expected in the United States and in other Asian markets. Increased supplies of FCOJ in the United States could be largely absorbed by domestically, but some export growth is expected to Europe and Canada.

Production

	1992/93 1994/95 Average	1995/96	1996/97	1997/98 F'cast
		'000 tonnes		
World total	**77 509**	**83 262**	**84 336**	**86 273**
Brazil	15 689	17 868	17 755	19 755
United States	13 755	14 517	15 662	16 942
China	5 888	7 641	8 108	8 300
Spain	5 151	4 679	4 418	5 506
Mexico	4 391	4 206	4 091	4 100
Italy	3 257	3 348	3 402	3 142
Egypt	2 236	2 472	2 818	2 692
Japan	1 940	1 834	1 625	1 600
Turkey	1 622	1 755	1 795	1 313
Morocco	1 181	1 378	1 193	1 552
Others	22 401	23 564	23 470	21 371

Exports

	1992/93 1994/95 Average	1995/96	1996/97	1997/98 F'cast
		'000 tonnes		
World total	**8 530**	**8 693**	**8 850**	**9 210**
Spain	2 751	2 503	2 675	2 871
United States	1 170	1 166	1 247	1 337
Morocco	479	620	514	700
South Africa	540	753	817	850
Turkey	348	325	368	285
Greece	411	410	436	455
Israel	275	337	331	348
Argentina	226	326	298	295
Italy	178	249	149	140
Cyprus	159	175	148	119
Others	1 994	1 829	1 866	1 811

Prices

	1992/93	1993/94	1994/95	1995/96	1996/97
		national currency/kg			
ORANGES AND TANGERINES					
France (francs)					
Moroccan oranges	2.99	2.65	3.72	3.29	3.41
Moroccan clementines	5.81	5.88	5.56	5.66	4.89
Germany (DM)					
Spanish navels	1.38	1.17	1.28	1.46	1.43
Spanish clementines	2.22	2.06	1.89	2.25	2.16
United States (cents)					
California navels	71.35	72.03	67.83	66.20	70.70
Japan (yen)					
Mikan	173.40	180.43	248.00	193.00	254.60
LEMONS					
United States (cents)					
California	91.95	119.60	106.70	98.80	114.30
Germany (DM)					
Spanish	1.25	1.64	1.43	1.84	1.52
Japan (yen)					
Average wholesale	178.25	211.42	201.08	181.44	217.00
GRAPEFRUIT					
United States (cents) [1]					
Florida, seedless	53.47	39.20	40.20	42.16	50.40
Germany (DM)					
Israeli	1.70	1.37	1.30	1.42	1.37

[1] United States prices in calendar year, for the first year shown.

Imports

	1992/93 1994/95 Average	1995/96	1996/97*
		'000 tonnes	
World total	**7 791**	**8 061**	**8 257**
Germany	1 005	1 189	1 200
France	1 068	1 017	1 020
United Kingdom	369	656	660
Netherlands	720	724	730
Japan	518	473	559
Canada	394	391	395
Belgium-Luxembourg	400	500	505
Saudi Arabia	342	345	348
Poland	282	298	330
Area of the former USSR	546	584	620
Others	2 145	1 885	1 890

* Preliminary estimate.

Cereals[20] and cassava

RICE

International rice prices were on a downward trend during most of 1997 largely due to lower global import demand attributed to bumper harvests in 1995 and 1996 in many of the major importing countries, leading to a build-up of stocks. Prices came under further downward pressure during the second half of 1997 when the Thai baht depreciated markedly. The FAO Rice Export Price Index (1982-84=100), which had a seasonal high of 133 in February, plunged to as low as 118 in November before recovering to 122 in December. This recovery is largely attributed to the jump in import demand in some major importing countries, especially Indonesia and the Philippines, which more than offset the impact of the weaker Thai baht. Overall, the index averaged 127 during 1997, 9 points below the 1996 average. Unlike in 1996, when lower quality rice took the brunt of the price decline, the 1997 indices for both lower quality and higher quality rice declined by almost the same magnitude, reflecting weaker import demand for both qualities of rice.

World paddy production for 1997 is estimated at a new record of 571 million tonnes, up 2 million tonnes from the previous record in 1996. Output rose by about 2 million tonnes in both India and China, which more than offset the close to 2 million tonne reduction in Indonesia. Production in the other major rice producing countries was at about the same level as in 1996. As a result of the increased harvests and larger stocks in most of the major importing countries, the latter due to higher imports during the 1995 and 1996 seasons, international trade in rice declined in 1997, to an estimated 18.2 million tonnes, or 1.3 million tonnes below the volume traded in 1996 and 2.5 million tonnes less than the record of 1995.

The outlook is for increased trade in 1998 as production is expected to be reduced while consumption demand is anticipated to increase. There are already indications of lower plantings in some major countries in the southern hemisphere and water reserves are relatively low in some of the major rice producing countries in Asia. In Indonesia, the planting of the 1998 main season crop has already been delayed. Indonesia and the Philippines are anticipated to be large rice importers in 1998. Also, purchases by the Islamic Republic of Iran, a major importer, are also forecast to increase due to consumption growth exceeding the growth in production. On the export side, Thailand is expected to benefit from this anticipated expansion in rice trade. Exports from the United States, Pakistan and Uruguay are also expected to rise. Vietnamese exports are likely to set another record in 1998, following three consecutive years of good harvests.

Given the expectation of a lower production in 1998 and the continuation of the growth in consumption, global rice stocks at the end of the marketing seasons in 1998 are forecast to decline from their opening levels. In these circumstances, and also given the anticipated increase in import demand, the expectation is for rice prices to remain firm in 1998.

[20] Current information on the rice, wheat and coarse grains markets can be found in FAO's bi- monthly *Food Outlook* report.

Production (paddy) [1]

	1992-94 Average	1995	1996	1997
		Million tonnes		
World total	**532**	**553**	**569**	**571**
Bangladesh	27	27	28	28
China	182	187	197	198
EC	2	2	3	3
India	118	120	121	123
Indonesia	48	50	51	49
Japan	13	13	13	13
Pakistan	5	6	6	6
Thailand	20	21	21	21
United States	8	8	8	8
Viet Nam	24	27	27	28

[1] Production refers to the calendar year in which the harvest or bulk of the harvest took place.

Exports (milled) [1]

	1992-94 Average	1995	1996	1997
		Million tonnes		
World total	**15.3**	**21.0**	**19.5**	**18.3**
Argentina	0.2	0.4	0.4	0.4
China	1.4	0.2	0.3	0.9
EC	0.3	0.3	0.2	0.2
India	0.8	4.2	3.6	1.6
Myanmar	0.4	0.7	0.3	-
Pakistan	1.2	1.6	1.7	1.7
Thailand	4.8	5.9	5.2	5.1
United States	2.5	3.1	2.6	2.3
Uruguay	0.4	0.5	0.5	0.7
Viet Nam	2.0	2.3	3.1	3.5

[1] Excludes re-exports

Stocks (milled) [1]

	1992-94 Average	1995	1996	1997
		Million tonnes		
World total	**64.8**	**54.5**	**53.9**	**56.3**
Bangladesh	2.7	2.2	1.6	1.3
China	16.2	10.6	10.6	12.3
India	22.0	20.6	18.0	17.0
Indonesia	5.3	4.3	5.4	5.4
Thailand	1.5	0.7	0.8	0.9
United States	1.0	1.0	0.8	0.9
Viet Nam	1.9	1.8	1.7	1.6

[1] At the end of national crop years.

Imports (milled) [1]

	1992-94 Average	1995	1996	1997
		Million tonnes		
World total	**15.2**	**20.7**	**19.5**	**18.2**
Bangladesh	0.1	1.3	0.5	0.1
Brazil	0.8	0.9	0.9	1.1
China	0.3	2.0	0.8	0.4
EC	0.6	0.7	0.7	0.6
Indonesia	0.4	3.2	2.1	1.0
Iran, Isl. Rep.	0.8	1.3	1.3	1.2
Japan	0.8	-	0.4	0.6
Malaysia	0.4	0.4	0.6	0.6
Saudi Arabia	1.0	1.1	0.7	0.9
Senegal	0.4	0.4	0.5	0.4

[1] Excludes re-exports

Export prices (fob)

	1992	1993	1994	1995	1996	1997 Jan-Mar	1997 Apr-Jun	1997 Jul-Sep	1997 Oct-Dec
					$/tonne				
Thai 100% B	278	250	289	336	352	354	328	307	275
Thai A1 Super	180	161	186	268	234	228	218	210	200

WHEAT

International wheat prices remained under down-ward pressure throughout the first half of the 1997/98 season (July/June) due to generally improved supply conditions. By late January 1998, prices of wheat from most origins had lost nearly $20 per tonne since October 1997 and about $40 per tonne since the corresponding period in 1997. Latest estimates put the 1997 wheat output at an all-time high of about 611 million tonnes, some 19 million tonnes, or over 3 percent, larger than in 1996 and more than 5 percent above its long-term trend. Higher yields combined with larger plantings, triggered partly by relatively strong wheat prices in 1996, boosted production in several countries. While wheat production in 1997 could be considered to have largely escaped the adverse impacts of the El Niño, other unfavourable weather developments affected production in several regions, especially in northern Africa. Adverse weather combined with lower planted areas also hit production in several countries, namely Argentina, Australia and Canada, which in 1996 had bumper harvests.

The bulk of the anticipated expansion in wheat utilization in 1997/98 would be on account of higher food consumption, stemming mainly from the growth in world population. Ample availabilities of low quality wheat is also expected to contribute to a relatively large feed usage in 1997/98. International trade, however, would not benefit from the anticipated increase in world utilization. Marginally below 93 million tonnes, world wheat imports in 1997/98 (July/June) would be roughly the same as in the previous two years. The main reason for the stagnation of global trade is the favourable output in China, India and some countries in eastern Europe. Regarding exports, smaller domestic production in Australia is likely to keep exports below the previous year's record volume, while shipments from Argentina and the EC are also expected to fall below the 1996/97 levels. By contrast, larger sales are anticipated by Canada, the United States and a few smaller exporting countries, such as Hungary and Romania.

Expected bumper crops in several major wheat producing countries are responsible for this year's anticipated improvement in the volume of carry-over stocks. Global ending stocks in 1998 are expected to reach 125 million tonnes, up 13 million tonnes, or 12 percent, from their opening levels, but still close to historically low levels when related to utilization. Consequently, the adequacy of global wheat supplies in 1998/99 to meet the trend utilization would again be strongly conditioned by the size of the expected crops. Among the major exporters in the northern hemisphere, the latest official planting estimates point to unexpectedly low winter wheat planting in the United States. The EC, however, is maintaining the 5 percent set-aside which, under normal weather conditions, could allow larger production than in 1997 when adverse weather was the main factor for the decline in yields. In the southern hemisphere, the outlook for wheat crop yields has improved considerably in recent weeks with the adverse impact of the El Niño proving to be less significant than feared earlier.

Production

	1992-94 Average	1995	1996	1997
		Million tonnes		
World total	**552.4**	**547.6**	**591.7**	**610.6**
Argentina	10.3	9.5	16.0	13.0
Australia	13.4	17.3	23.7	17.9
Canada	26.7	25.0	29.8	24.3
China	102.4	102.2	110.6	122.6
EC	82.8	87.8	100.0	95.2
India	57.6	65.8	62.6	68.7
Pakistan	15.7	17.0	16.9	16.3
Turkey	19.3	18.0	18.5	18.7
United States	65.2	59.4	62.2	68.8
CIS	76.9	63.7	67.4	80.1

Exports [1]

	1992/93 1994/95 Average	1995/96	1996/97	1997/98
		Million tonnes		
World total	**97.3**	**89.9**	**95.3**	**92.7**
Main exporters	**90.2**	**79.2**	**88.8**	**84.8**
Argentina	6.3	4.2	9.4	7.8
Australia	10.1	12.1	18.2	14.5
Canada	20.5	17.0	17.9	19.0
EC	19.1	12.2	16.2	15.5
United States	34.3	33.7	27.0	28.0
Others	**7.1**	**10.7**	**6.5**	**7.9**
Hungary	0.8	2.3	0.5	1.5
Romania	0.0	1.5	0.0	1.2
Turkey	1.6	0.9	1.0	1.0
CIS	0.3	0.2	0.8	1.0

[1] Trade season July/June.

Closing stocks [1]

	1992/93 1994/95 Average	1995/96	1996/97	1997/98
		Million tonnes		
World total	**137.8**	**103.8**	**112.3**	**125.4**
Main exporters	**44.7**	**28.8**	**36.2**	**40.4**
Argentina	0.3	0.4	0.4	0.3
Australia	3.1	1.9	2.6	3.0
Canada	9.7	6.7	9.1	6.6
EC	17.1	9.5	12.0	10.5
United States	14.6	10.2	12.1	20.0
Others	**93.1**	**75.0**	**76.1**	**85.0**
China	14.1	14.7	15.2	19.3
Egypt	3.0	2.8	3.0	3.0
India [2]	7.0	9.1	3.7	5.0
Japan	1.8	1.3	1.2	1.3
CIS	27.1	13.3	9.6	13.2

[1] At the end of national crop years.
[2] Government stocks only.

Imports [1]

	1992/93 1994/95 Average	1995/96	1996/97	1997/98
		Million tonnes		
World total	**96.5**	**93.0**	**93.1**	**92.7**
Algeria	3.9	2.7	3.0	4.2
Brazil	6.0	5.5	5.2	5.7
China	7.7	14.4	5.2	3.6
Egypt	6.1	6.3	6.9	7.0
Indonesia	3.1	3.6	4.2	4.2
Iran ,Islamic Rep.	3.2	2.8	6.9	5.2
Japan	5.9	5.7	5.9	6.1
Korea Rep.	4.6	2.5	3.9	3.5
Morocco	2.1	2.9	1.3	2.4
CIS	9.9	3.9	2.7	2.3

[1] Trade season July/June.

Export prices

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98 Jul-Dec
			$/tonne			
Argentina: Trigo pan [1]	124	120	136	218	157	150
US Hard Winter No.2 [2]	143	143	157	216	181	149
US Soft red Winter No.2 [3]	140	132	145	198	158	139
EC: Standard [4]	132	95	129	210	170	146
Australia: Standard White [5]	157	154	175	231	203	168

[1] Fob Argentine ports. [2] Fob US Gulf ports. [3] Fob US Atlantic ports. [4] Fob France (Rouen) . [5] Fob East Coast.

COARSE GRAINS

International prices for nearly all types of coarse grains have remained generally below the previous year's levels since the beginning of the 1997/98 marketing season (July 1997). However, as in the previous year, coarse grain prices, and particularly maize prices, continued to be volatile. Prices have dropped significantly since December 1997. Several factors contributed to the downward pressure on prices so far in the season. The most important, the economic crisis in Asia, resulted in several of the world's largest maize importing countries purchasing less, mainly in anticipation of reduced feed demand by their livestock sector. Moreover, a large portion of this year's record wheat crop is likely to be used for feed purposes due to the abundance of lower quality wheat, thus further reducing the demand for maize. Finally, the United States export prices, the most representative international prices, have been affected by strong competition from large maize sales by China and several countries in eastern Europe.

Current indications put world coarse grain production in 1997 at nearly 908 million tonnes, down 9 million tonnes from 1996, mainly on account of a sharp fall in output in China and in several countries in Africa and of slightly smaller production in Canada and the United States. Despite the decline in global output, total utilization in 1997/98 is expected to increase by nearly 2 percent. Aggregate feed utilization is forecast to grow by about 3 percent, only slightly slower than in 1996/97. The rise in total utilization would mainly result in a draw-down of world stocks which, for crop years ending in 1998, are expected to reach 116 million tonnes, some 5 percent below their opening levels. The largest decline in coarse grain carryovers is expected in China due to a combination of a significant decrease in production and an expected increase in domestic feed use and exports.

Global imports of coarse grains in 1997/98 (July/June) are forecast to expand by 1.6 million tonnes, or by 2 percent, to around 89 million tonnes. The bulk of the increase would be on account of larger imports by the developing countries despite this year's anticipated slowing down of purchases by several countries in Asia. By contrast, total imports by the developed countries are expected to continue their decline and fall to 31 million tonnes, the lowest level in more than three decades. While the prevailing financial crisis in Asia is expected to take its toll on the volume of export sales from the major exporting countries, larger exports are anticipated from China, the CIS and several eastern European countries.

In the coming months, developments in the global coarse grain markets would continue to depend on two factors: El Niño and the Asian crisis. Currently, coarse grain crops being planted for harvest in 1998 would be particularly vulnerable to potentially adverse El Niño-related weather, especially in Kenya and southern Africa. Should 1998 coarse grain crops be affected by drought in that part of Africa, additional imports might be required by those countries, most of which would occur during the 1998/99 marketing season. At the same time, the full impact of the financial problem in Asia remains uncertain and the short term market situation would be conditioned by the extent of the general economic recovery in that region.

Production

	1992-94 Average	1995	1996	1997
		Million tonnes		
World total	**859.9**	**810.1**	**917.0**	**907.6**
Argentina	14.3	13.8	13.5	18.0
Brazil	31.7	36.8	32.8	34.8
Canada	22.6	24.3	28.5	25.3
China	118.4	129.1	145.9	122.6
EC	82.5	90.1	105.1	109.1
India	32.5	29.7	34.3	31.5
Mexico	22.7	20.9	23.3	25.2
Poland	14.0	17.2	16.7	17.0
United States	249.9	209.6	267.8	265.6
CIS [1]	89.0	61.0	55.3	67.6

[1] Clean weight basis.

Exports [1]

	1992/93 1994/95 Average	1995/96	1996/97	1997/98
		Million tonnes		
World total	**89.3**	**92.0**	**91.9**	**88.7**
Main exporters	**72.2**	**84.3**	**81.2**	**73.2**
Argentina	5.8	6.3	11.3	8.5
Australia	3.3	3.7	4.4	3.5
Canada	4.7	3.7	4.9	4.6
EC	8.4	4.3	7.7	6.5
United States	50.0	66.4	52.9	50.0
Others	**17.1**	**7.7**	**10.7**	**15.5**
China	9.4	0.0	2.2	4.0
Hungary	0.7	0.3	0.7	1.7
Romania	0.0	1.0	0.5	0.8
South Africa	1.6	0.5	1.8	2.0
Turkey	0.7	0.0	0.6	0.8

[1] Trade season July/June.

Closing stocks [1]

	1992/93 1994/95 Average	1995/96	1996/97	1997/98
		Million tonnes		
World total	**151.5**	**102.9**	**121.7**	**115.7**
Main exporters	**69.0**	**31.8**	**49.7**	**56.5**
Argentina	0.3	0.3	0.5	0.5
Australia	1.1	1.0	0.6	0.7
Canada	4.6	3.1	5.5	4.0
EC	17.7	13.0	16.1	22.2
United States	45.3	14.4	27.0	29.0
Others	**82.5**	**71.1**	**72.0**	**59.2**
China	26.5	28.4	33.1	19.9
Egypt	1.2	1.5	1.6	1.7
Japan	2.2	1.7	1.8	2.0
Mexico	2.5	3.3	2.2	2.6
CIS	16.2	5.9	3.0	5.2

[1] At the end of national crop years.

Imports [1]

	1992/93 1994/95 Average	1995/96	1996/97	1997/98
		Million tonnes		
World total	**89.1**	**93.1**	**87.1**	**88.7**
Brazil	1.6	0.5	0.6	1.4
China	7.4	11.8	8.0	7.5
Colombia	0.9	1.3	1.6	1.5
EC	2.9	4.4	3.0	2.5
Egypt	2.3	2.4	3.1	2.8
Japan	21.1	20.0	20.2	20.2
Korea, Rep.	7.0	10.4	9.1	8.0
Malaysia	1.8	2.4	2.4	2.2
Mexico	4.9	8.1	6.3	5.4
Saudi Arabia	5.6	4.5	6.9	6.9

[1] Trade season July/June.

Export prices

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98 Jul-Dec
			$/ tonne			
Maize, US No.2 [1]	97	113	104	159	135	114
Sorghum, US No.2 [2]	95	109	103	156	125	112

[1] Yellow, delivered US Gulf ports.
[2] Yellow, fob US Gulf ports.

CASSAVA

In 1997, the import price of cassava pellets in the main market, the EC, continued the slide that began in September 1996. The price averaged $108 per tonne in 1997, 29 percent lower than in corresponding period of 1996 and the lowest level for ten years. This decline, reflecting weak import demand in the EC for chips and pellets, was due to a combination of factors, which included: a swine fever outbreak, particularly in the Netherlands, Belgium, Spain and Germany; lower grain prices; and higher prices of protein meal, particularly soymeal, which discouraged the use of the cassava/oilmeal mix.

Apart from the reduction in demand, the fall in the price of cassava pellets also reflected ample production of poor quality roots, larger carryover stocks, the removal of the stock check system in Thailand [21] which encouraged export competition and the depreciation of currencies of the major exporters. In Thailand, domestic prices of cassava roots were 24 percent below the level in 1996.

World cassava output in 1997 is estimated to have grown by 2.7 percent to 169 million tonnes in fresh root equivalent, mainly reflecting increases in Africa and Asia. Cassava production increased in Mozambique by 12 percent to reach 5.3 million tonnes, and in Thailand by 4 percent to reach 18.1 million tonnes. In both cases, the increase was due to yields, favoured by good weather. In Latin America and the Caribbean, on the other hand, production did not change in 1997.

World trade in cassava products in 1997 is estimated to have risen by 9 percent to reach 6.3 million tonnes. Due to strong import demand for chips, pellets, starch and flour from China, Indonesia, Israel, Philippines, Pakistan and Turkey, shipments to non-EC markets are estimated to have risen by 21 percent to reach 2.8 million tonnes. Imports of starch by China are also estimated to have increased, triggered by a cut in the import duty from 35 to 20 percent, as well as imports of starch by Indonesia. On the other hand, imports of chips and pellets by the EC, at 3.4 million tonnes, are estimated to be 4 percent lower than in 1996.

Preliminary indications for global cassava production in 1998 pointed to the possibility of smaller crops in the southern hemisphere, where the El Ninõ continued to be a threat. Global trade in 1998 would depend on a number of factors, including price developments for feedgrains and soymeal in the EC and the availability of competitively priced cassava chips and pellets in major exporting countries.

[21] The stock check system restricted exports by tying sales to previous levels of stocks held by exporters and past performance.

Production [1]

	1992-94 Average	1995	1996	1997 Prel.
	Million tonnes			
World	**162.2**	**165.0**	**164.5**	**169.0**
Nigeria	30.1	31.4	33.2	34.0
Brazil	22.7	25.3	24.9	25.4
Thailand	19.9	18.2	17.4	18.1
Congo, Dem.Rep.	19.3	18.9	16.8	16.8
Indonesia	16.5	15.4	17.0	17.2
Tanzania	7.1	6.0	4.3	4.4
India	5.7	4.7	4.7	4.7
Ghana	4.8	6.6	7.1	7.1
Mozambique	3.4	4.2	4.7	5.3
China	3.4	3.5	3.5	3.5
Uganda	2.7	2.2	2.2	2.3
Paraguay	2.6	2.7	2.8	3.2
Viet Nam	2.5	2.2	2.2	2.1
Madagascar	2.3	2.4	2.4	2.4
Others	19.2	21.3	21.3	22.5

[1] In fresh root equivalent

Trade [1]

	1992-94 Average	1995	1996	1997 Prel.
	Million tonnes			
World exports	**9.28**	**5.21**	**5.83**	**6.34**
Thailand	7.73	3.90	4.64	5.12
Indonesia	1.08	0.53	0.41	0.40
China	0.31	0.37	0.37	0.37
Viet Nam	0.03	0.03	0.03	0.03
Others	0.13	0.39	0.38	0.42
World imports	**9.26**	**5.21**	**5.83**	**6.34**
EC	6.40	3.33	3.53	3.55
China	0.76	0.45	0.34	0.55
Japan	0.40	0.33	0.35	0.35
Korea, Rep.	0.63	0.21	0.56	0.50
United States	1.00	0.03	0.09	0.08
Turkey	-	-	0.06	0.10
Israel	0.07	-	-	0.04
Others	-	0.86	0.90	1.17

[1] In product weight of chips and pellets (1 tonne of flour equivalent to 2 tonnes of pellets).

Prices [1]

	1993	1994	1995	1996	1997	1997 Jan-Mar	1997 Apr-Jun	1997 Jul-Sep	1997 Oct-Dec
					$/tonne				
Cassava pellets [2]	137	144	177	152	108	121	111	99	101
Cassava-soybean meal [3]	151	154	181	175	142	154	147	131	134
Barley [4]	197	182	209	194	161	169	169	157	149
Maize [5]	102	107	124	165	117	123	119	111	117

[1] In the EC, the major import market.
[2] Fob Rotterdam (barge or rail) including 6 percent duty.
[3] Consisting of 80 percent cassava pellets and 20 percent soybean meal.
[4] Selling price in Spain.
[5] US Maize No. 2 Yellow f.o.b. Gulf Port.

Oilseeds, oils/fats and cakes/meals [1]

International prices of oilseed products are expected to remain relatively high (compared to the early 1990s) during most of the 1997/98 season, despite improved production prospects. The decline in average annual price of oils and fats from their 1994/95 peak during the last two seasons is expected to come to a halt, as the stocks/use ratio for oils and fats is expected to fall in 1997/98. At the same time the steady rise in average prices of cakes and meals during the last two seasons, generated mainly by sustained demand for livestock and aquaculture products and supported by a pronounced increase in demand caused by the rise in feed grain prices in 1995/96, is expected to flatten out in 1997/98, mainly as a result of relatively good supplies. Although noticeable rises have been observed in the prices of some oils and meals during the first quarter of this season, this development should not be considered as indicative of the season as a whole.

Global production of the ***seven major oilcrops***[22] is forecast to reach a record of almost 283 million tonnes in 1997/98. The expected 8 percent rise in output would be mainly on account of the increase in soybean crops in the United States, Brazil and Argentina. This, coupled with increments in world output of rapeseed, sunflower seed and cotton-seed, is expected to more than offset the decline in the world production of groundnuts, following the reduction of yields due to dry growing conditions in China and a decline in area planted in India.

World production of major oilseeds [1]

	1992/93 1994/95 Average	1995/ 1996	1996/ 1997 Prelim.	1997/ 1998 F'cast
	Million tonnes			
Soybeans	125.3	125.8	132.2	150.5
Sunflowerseed	22.1	26.2	24.1	25.4
Groundnut	26.6	29.4	29.9	27.7
Cottonseed	32.2	35.6	34.1	34.7
Rapeseed	27.6	34.7	30.7	33.7
Copra	5.0	4.7	5.1	5.0
Palm kernels	4.7	5.1	5.4	5.5
Linseed	2.2	2.5	2.2	2.5

[1] The split years bring together northern hemisphere annual crops harvested in the latter part of the first year shown, with southern hemisphere annual crops harvested in the early part of the second year shown. For tree crops, which are produced throughout the year, calendar year production for the second year shown is used.

Based on the above crop estimates, world production of ***edible/soap oils and fats*** in 1997/98 is forecast to surpass the previous season's level by some 4 to 5 percent, exceeding 100 million tonnes. The increase in total output would mainly be on account of the higher soybean crop, while the growth in the production of palm oil and lauric oils is expected to be below average, essentially due to the adverse climatic effects of El Niño. Soft oils are estimated to account for 54 percent of the global output of edible/soap oils and fats (over half of which will be soybean oil), animal fats and oils and palm oil for 18 percent each, lauric oils for 6 percent and miscellaneous

[1] Almost the entire volume of oilcrops harvested world-wide is crushed in order to obtain oils and fats for human nutrition or industrial purposes and cakes and meals used as feed ingredients. Therefore, rather than referring to oilseeds, the analysis of the market situation is mainly undertaken in terms of oils/fats and cakes/meals. Hence, production data for oils (cakes) refer to the oil (cake) equivalent of that part of the total crop which is available for crushing, regardless of whether it is crushed in producing countries or shipped in unprocessed form for crushing in the importing country, while the data on trade in oils and cakes refer to the sum of trade in oils and cakes plus the oil and cake equivalent of oilseed trade.

[2] Soybeans, cottonseed, groundnuts, sunflowerseed, rapeseed, palm kernels and copra.

facts and oils for the rest. As a consequence of the rise in output, global supplies of edible/soap oils and fats in 1997/98 are expected to be higher than in 1996/97 despite lower stocks at the beginning of the 1997/98 season.

World production of ***cakes and meals*** expressed in protein equivalent is foreseen to increase to over 70 million tonnes, rising 10 percent above the 1996/97 level. The increase in output expected for soybean meal, and in the cake of rapeseed and cottonseed would more than compensate for the decrease in world production of fishmeal, mainly due to the negative impact of the El Niño phenomenon on the East Pacific fish catch, and the fall in groundnut cake output. Global supplies of meals and cakes in 1997/98 are expected to be above the previous season's level, despite a decline in opening stocks.

Despite relatively high prices, total consumption of ***edible and soap fats and oils*** is still expected to expand - albeit at a slower pace if compared to preceding seasons - possibly reaching 100 million tonnes. The main factors supporting demand are the generally favourable economic conditions and the sustained growth in world population. The economic crisis affecting some Asian countries (notably Indonesia, the Republic of Korea, the Philippines, Thailand and Malaysia) since late last year is not expected to dampen their level of oil consumption in a notable manner, given that oils and fats are staple food products. With respect to the composition of global consumption, the share of soybean, rapeseed and sunflower oils is likely to increase, as world supplies of palm oil and lauric oils are anticipated to change only marginally.

Global consumption of ***cakes and meals*** is forecast to increase further in 1997/98, reaching about 68 million tonnes in protein equivalent in 1997/98. The bulk of the increase is expected to occur in China and the United States, while in the above mentioned Asian countries reduced economic growth is expected to slow down the expansion in the consumption of meat (as a more income-sensitive, high-value added product), which in turn may result in lower demand for oilmeals. In the EC, where consumption of cakes and meals has been affected by the substantial increase in international prices over the last two seasons, consumption is anticipated to stagnate in 1997/98, while in Eastern European countries only moderate increases are foreseen, because of problems still encountered in their livestock sectors. As to the different meals, a strong rise in soybean meal consumption is considered likely, while global consumption of vegetable cakes and meals other than soybean meal is anticipated to change little and utilisation of fishmeal is expected to decline due to a shortfall in production.

Based on the above supply and demand forecasts for the 1997/98 season, stocks of oils and fats at the end of the season are likely to recover slightly from the previous season's below-average level, while the stock-to-utilisation ratio is, nevertheless, anticipa-ted to fall further by the end of 1997/98. As a result prices for oils and fats are expected to remain at relatively high levels in 1997/98. Further rises in the price index for edible/soap fats and oils for the season as a whole are considered unlikely, in spite of recent increases in the price of some oils.

As in 1996/97, further expansion in global demand for oilseed products is expected to lead to an increase in world trade in ***oilseed products*** in 1997/98. With regard to imports, a sharp rise in purchases of oilseed-based products is expected in China. From a net exporter in 1993/94, this country has became one of the largest importers of oilseed products. A further widening in the domestic supply/demand gap for oilseeds, oils and meals, mainly due to production difficulties, is expected to bring the country's net imports of oils and fats as well as cakes and meals from 4.4 and 3.9 million tonnes respectively in 1996/97 to 5.6 and 5.2 million tonnes

respectively this season. The timing and magnitude of Chinese purchases of oilseed-based products are anticipated to be a major factor influencing international price developments for these products during 1997/98. Net imports of oils and fats are expected to rise further also in other major importing countries, i.e. India, Pakistan, Mexico, Japan, the EC and the Republic of Korea. As to imports of cakes and meals, the anticipated slowdown in oilmeal consumption in parts of South-East Asia should translate into some reduction in imports, but it is not expected to have a significant impact on global import demand.

Net exports of oils and fats are estimated to reach 36 million tonnes, rising some 3 percent above last season's level. Following the usual pattern, the main suppliers of oils will be Argentina, Brazil and the United Sates for soybeans, sunflowerseeds and their oils; Indonesia and Malaysia for palm and palmkernel oil; the Philippines for copra and coconut oil; and Canada for rapeseed and its oil. The shares of soybean oil and palm oil in total shipments of oils and fats are estimated at 32 and 28 percent respectively - basically the reverse of last season - followed by sunflowerseed oil (9 percent), rapeseed oil (7 percent), tallow (6 percent) and coconut oil (5 percent). Net exports of cakes and meals are likely to increase around 5 percent, possibly exceeding 33 million tonnes of protein equivalent in 1997/98. The share of soybean meal in world export trade is estimated to rise to 80 percent, while the share of fishmeal is expected to decrease because of the reduction in output. No significant expansion in shipments of oils and cakes from exporting Asian countries (in particular Malaysia, Indonesia and the Philippines) is considered likely. While their exports have become more competitive due to strong devaluations in local currencies, adverse weather (El Niño) has negatively affected production prospects in those countries, thus limiting export availabilities in 1998.

With regard to the 1998/99 season, developments in the markets of all field crops that compete for land with oilseeds are expected to play a major role in determining oilseed plantings in the northern hemisphere. Should output expectations concerning maize and oilseed crops already in the ground in the countries of the southern hemisphere materialise, the ratio of maize-oilseeds prices in the first quarter of 1998 could be relatively high compared to the same time last year, which may curtail oilseed plantings in the next season. Furthermore, the global demand for feed ingredients in 1998/99 may be conditioned by economic difficulties faced by major south east and east Asian countries. Although it is difficult to determine their effect on the oilseed markets as a whole, devaluation of currencies and reduced economic growth may eventually have a negative effect on global trade, particularly in oilmeals.

On balance, while the driving force in the oilcrop economy during the last two seasons was the demand for oilcakes and meals, market developments during 1998 and 1999 are expected to be more equally determined by a combination of supply and demand factors relating to the output of oilseeds on the one hand and demand for oils and cakes on the other, as well as to supply of and demand for commodities competing for land with oilseeds. Thus, prices of oils, fats, cakes and meals could continue to remain at relatively high levels, although with a rising share of oils in the total value of oilseeds.

Production of oils and fats [1]

	1991/92 1993/94 Average	1994/ 95	1995/ 96	1996/ 97 Prel.	1997/ 98 F'cast
			Million tonnes		
WORLD TOTALS					
All fats and oils	**87.06**	**96.79**	**97.70**	**99.24**	**103.82**
Edible/soap fats and oils	**85.23**	**94.90**	**95.74**	**97.33**	**101.84**
Edible fats	**10.76**	**10.89**	**10.88**	**10.85**	**10.96**
Butter (fat content)	5.81	5.67	5.65	5.64	5.63
Lard	4.95	5.22	5.24	5.21	5.33
Soft oils [2]	**47.99**	**54.53**	**54.84**	**54.84**	**59.29**
Soybean	17.68	21.28	19.33	20.52	23.93
Sunflowerseed	7.78	8.77	9.56	8.81	9.32
Groundnut	4.27	4.84	4.99	5.08	4.75
Cottonseed	3.36	3.43	3.58	3.45	3.54
Rapeseed	9.35	10.53	12.00	10.52	11.60
Olive	2.15	2.04	1.76	2.73	2.41
Lauric acid oils	**4.83**	**5.60**	**5.13**	**5.59**	**5.61**
Coconut	2.96	3.43	2.90	3.23	3.19
Palm kernel [3]	1.87	2.17	2.24	2.36	2.42
Others [4]	**21.65**	**23.88**	**24.88**	**26.06**	**25.98**
Tallow and greases	6.14	6.25	6.17	6.30	6.32
Palm	13.89	15.9	17.03	18.13	18.45
Marine	1.25	1.33	1.28	1.21	1.09
Technical oils [5]	**1.44**	**1.49**	**1.54**	**1.48**	**1.57**
Linseed	0.72	0.79	0.82	0.71	0.80
Castorseed	0.49	0.47	0.49	0.55	0.55
Tung	0.08	0.08	0.08	0.08	0.08
Miscellaneous oils [6]	**0.38**	**0.41**	**0.42**	**0.42**	**0.41**

[1] The output of vegetable oils in a given year is not based on actual crushings but is calculated by applying extraction rates to the proportion of the oilseed crop that is estimated to be available for crushing, regardless of whether it is crushed in producing countries or exported in unprocessed form for crushing in importing countries, or put into stock.

[2] In addition to the oils listed, includes maize, mustard, rice bran, safflower and sesameseed oils

[3] Includes babassu oil.

[4] In addition to the fats and oils listed, includes sheanut butter.

[5] In addition to the oils listed, includes poppyseed and hempseed oils.

[6] Mainly seed oils not elsewhere specified.

Exports of oils and fats [1]

	1991/92 1993/94 Average	1994/ 95	1995/ 96	1996/97 Prel.
			Million tonnes	
WORLD TOTALS				
All fats and oils	**27.78**	**33.49**	**32.35**	**34.92**
Edible/soap fats and oils	**27.25**	**32.77**	**31.66**	**34.23**
Edible fats	**0.72**	**0.67**	**0.62**	**0.88**
Butter (fat content)	0.56	0.51	0.42	0.67
Lard	0.16	0.16	0.20	0.30
Soft oils [2]	**13.94**	**17.77**	**16.76**	**17.53**
Soybean	7.88	9.97	8.83	9.60
Sunflowerseed	1.93	2.94	3.19	3.05
Groundnut	0.67	0.69	0.74	0.68
Cottonseed	0.30	0.37	0.31	0.33
Rapeseed	2.26	2.91	2.68	2.19
Olive	0.26	0.18	0.18	0.83
Lauric acid oils	**2.27**	**2.54**	**2.31**	**2.55**
Coconut	1.43	1.73	1.40	1.64
Palm kernel [3]	0.84	0.81	0.91	0.91
Others [4]	**10.32**	**11.80**	**13.27**	**13.43**
Tallow and greases	1.95	2.28	1.95	2.10
Palm	7.89	8.89	9.43	10.62
Marine	0.46	0.60	0.58	0.53
Technical oils [5]	**0.47**	**0.65**	**0.61**	**0.56**
Linseed	0.25	0.33	0.32	0.28
Castorseed	0.18	0.28	0.26	0.25
Tung	0.03	0.02	0.02	0.02
Miscellaneous oils [6]	**0.06**	**0.06**	**0.08**	**0.04**
REGIONAL TOTALS				
Developing countries	**16.84**	**19.87**	**19.61**	**21.60**
Latin America	5.60	7.26	6.78	6.72
Argentina	3.21	4.13	4.00	3.67
Africa	0.69	0.56	0.60	0.84
Near East	0.13	0.19	0.22	0.23
Far East	10.09	11.54	11.69	13.48
Indonesia	2.09	2.05	2.38	3.31
Malaysia	6.43	7.34	7.73	8.10
Developed countries	**10.94**	**13.62**	**12.74**	**13.32**
North America	8.14	11.13	9.21	9.56
Canada	1.74	2.67	2.28	2.09
United States	6.40	8.45	6.93	7.48
Europe	1.51	1.14	1.21	1.71
EC	0.83	0.49	0.49	0.83
Eastern Europe	0.49	0.53	0.61	0.76
Oceania	0.76	0.79	0.89	1.00

[1] Including oil equivalent of oilseeds; excluding main re-exports of oil from imported oilseeds.

[2] In addition to the oils listed, includes maize, mustard, rice bran, safflower and sesameseed oils.

[3] Including babassu oil.

[4] In addition to the fats and oils listed, includes sheanut butter.

[5] In addition to the oils listed, includes poppyseed, hempseed oils.

[6] Mainly seed oils not specified elsewhere.

Imports of oils and fats [1,2]

	1991/92 1993/94 Average	1994/ 95	1995/ 96	1996/ 97 Prel.
	Million tonnes			
World total	**26.77**	**32.53**	**31.96**	**34.84**
Developing countries	**14.56**	**19.64**	**19.14**	**21.45**
Latin America	3.30	3.48	3.61	4.31
Mexico	1.51	1.50	1.71	1.99
Africa	2.85	3.09	3.33	3.78
Near East	3.40	4.29	3.55	4.29
Egypt	0.81	0.92	1.01	1.13
Far East	5.95	9.82	9.79	10.32
China	1.99	4.39	4.10	4.43
Pakistan	1.26	1.47	1.37	1.64
Developed countries	**12.21**	**12.89**	**12.82**	**13.40**
North America	1.53	1.49	1.55	1.68
United States	1.39	1.33	1.39	1.51
Europe	6.91	7.43	7.48	7.94
EC	5.98	6.50	6.65	7.06
Eastern Europe	0.42	0.47	0.51	0.56
Oceania	0.26	0.26	0.25	0.23
Other developed countries	3.51	3.71	3.54	3.32
Japan	2.19	2.60	2.62	2.64

[1] Excluding quantities subsequently re-exported.
[2] Including the oil equivalent of oilseeds.

Prices of oils and fats

	1991/92 1993/94 Average	1994/ 95	1995/ 96	1996/97 Prel.
	FAO price index 1984-87=100 [1]			
All fats and oils	**97**	**130**	**120**	**114**
Edible/soap	97	131	120	115
Soft [2]	100	131	117	110
Lauric acid [3]	88	109	123	114
Others [4]	93	139	124	125
Technical [5]	87	115	106	102
		$/tonne		
Soybean oil [6]	491	641	574	537
Sunflowerseed oil [7]	525	691	617	543
Groundnut oil [8]	762	1008	933	967
Rapeseed oil [6]	479	635	566	540
Palm oil [9]	407	645	544	545
Coconut oil [10]	541	666	768	708

[1] Fats and oils index excludes butter and lard.
[2] Cottonseed, groundnut, rapeseed, soybean and sunflowerseed oils.
[3] Coconut and palm kernel oils.
[4] Fish and palm oils and tallow.
[5] Castor and linseed oils.
[6] Dutch, fob ex-mill.
[7] Any origin ex tank, Rotterdam.
[8] Any origin cif, Rotterdam.
[9] Generally Indonesian origin, cif NW Europe.
[10] Philippines, Indonesia, cif Rotterdam/Hamburg.

Production of oilcakes and meals [1]

	1991/92 1993/94 Average	1994/ 95	1995/ 96	1996/ 97 Prel.	1997/ 98 F'cast
	Million tonnes(protein equivalent)				
WORLD TOTALS					
All oilcakes and meals	**56.84**	**65.60**	**63.15**	**64.21**	**70.50**
Vegetable oilcakes [2]	52.49	61.19	58.80	59.90	66.65
Soybean	34.53	41.55	37.74	39.96	46.43
Sunflowerseed	3.34	3.84	4.09	3.80	3.73
Groundnut	2.85	3.21	3.29	3.37	3.14
Cottonseed	4.64	4.69	4.95	4.73	4.86
Rapeseed	5.10	5.69	6.51	5.78	6.32
Copra/palm kernel	0.80	0.92	0.88	0.95	0.92
Linseed	0.45	0.49	0.51	0.44	0.49
Fishmeal	4.35	4.42	4.35	4.30	3.85

[1] The output of vegetable oilmeals in a given year is not based on actual crushings but is calculated by applying extraction rates to the proportion of the oilseed crop that is estimated to be available for crushing regardless of whether it is crushed in producing countries or exported in unprocessed form for crushing in importing countries, or put into stocks.
[2] In addition to the oilcakes listed, includes safflower and sesameseed cakes and meals.

Exports of oilcakes and meals [1]

	1991/92 1993/94 Average	1994/ 95	1995/ 96	1996/ 97 Prel.
	Million tonnes (protein equivalent)			
WORLD TOTALS				
All oilcakes and meals	**27.50**	**30.91**	**29.87**	**31.38**
Vegetable oilcakes [2]	25.41	28.60	27.82	29.00
Soybean	20.90	23.60	22.54	23.99
Sunflowerseed	0.96	1.34	1.58	1.27
Groundnut	0.57	0.59	0.58	0.55
Cottonseed	0.66	0.44	0.56	0.53
Rapeseed	1.38	1.58	1.54	1.59
Copra/palm kernel	0.57	0.63	0.63	0.68
Linseed	0.18	0.23	0.21	0.17
Fishmeal	2.09	2.31	2.05	2.37
REGIONAL TOTALS				
Developing countries	**16.72**	**17.81**	**16.86**	**17.92**
Latin America	12.87	14.46	13.74	14.70
Argentina	4.78	5.39	5.37	4.82
Brazil	5.61	6.15	5.69	6.78
Africa	0.30	0.28	0.33	0.35
Near East	0.07	0.08	0.11	0.11
Far East	3.53	3.04	2.76	2.84
China	1.51	1.17	0.45	0.36
India	1.43	1.24	1.69	1.74
Developed countries [3]	**10.78**	**13.10**	**13.01**	**13.45**
North America	10.14	12.45	11.93	12.46
United States	9.31	11.16	10.85	11.48
Europe [3]	0.48	0.50	0.55	0.51
Eastern Europe	0.21	0.27	0.30	0.29
Oceania	0.06	0.06	0.11	0.15

[1] Including the cake equivalent of oilseeds; excluding main re-exports of cake from imported oilseeds. [2] In addition to the oilcakes listed, includes safflower, sesameseed and unspecified oilcakes and meals. [3] Excludes intra-EC trade.

Imports of oilcakes and meals [1,2]

	1991/92 1993/94 Average	1994/ 95	1995/ 96	1996/ 97 Prel.
	Million tonnes (protein equivalent)			
World total	**27.36**	**29.74**	**29.83**	**31.75**
Developing countries	**8.32**	**9.60**	**10.70**	**12.49**
Latin America	2.10	2.22	2.63	2.90
Mexico	1.08	1.03	1.29	1.24
Venezuela	0.28	0.34	0.26	0.38
Africa	0.28	0.35	0.35	0.43
Near East	1.11	1.27	1.43	2.12
Far East	4.83	5.75	6.28	7.62
China	1.66	1.82	2.30	4.30
Korea Rep.	1.04	1.32	1.47	1.41
Philippines	0.41	0.48	0.49	0.47
Thailand	0.55	0.72	0.82	0.90
Developed countries	**19.04**	**20.14**	**19.13**	**19.26**
North America	0.55	0.53	0.57	0.58
Europe	13.84	15.22	15.08	14.97
EC	12.41	13.68	13.61	14.00
Eastern Europe	0.89	0.99	1.18	0.74
Oceania	0.14	0.22	0.14	0.16
Other developed countries	3.26	3.55	3.34	3.55
Japan	2.85	3.01	2.87	2.90

[1] Excluding quantities subsequently re-exported. [2] Including the oilcake equivalent of oilseeds.

Prices of oilcakes and meals

	1991/92 1993/94 Average	1994/ 95	1995/ 96	1996/97 Prel.
	FAO price index 1984-87=100 [1]			
All oilcakes and meals	**112**	**103**	**141**	**149**
Vegetable [1]	110	100	138	147
Fish	123	132	173	170
	$/tonne			
Soybean meal [2]	204	184	257	278

[1] Prices of copra, cottonseed, groundnut, linseed and palm kernel cakes and of soybean, rapeseed and sunflowerseed meals.
[2] Pellet 45-46 percent, Argentina, cif Rotterdam.

Livestock products

MEAT

International prices of meat followed a mixed pattern in 1997: prices of cow beef recovered from the very low levels they had fallen to in the aftermath of the BSE scare in 1996, but failed to recoup the loss fully. Prices for high quality beef, however, remained subdued. Sheep meat prices, which reached a record high in 1996 because of short supplies combined with strong demand, started to weaken in the second half of 1997 to remain, on average, close to or slightly above the previous year's level. Similarly, international prices of pig meat products were under moderate upward pressure in 1997 as reduced exportable supplies coincided with sluggish import demand. By contrast, prices of poultry meat products fell, reflecting slowing growth in import markets and keen competition among exporters, with chicken leg-quarter prices sliding to their lowest level since 1993. Although, overall, there was little upward pressure on international meat prices in 1997, the strengthening of the United States dollar meant, for many countries, higher trading prices when converted into domestic currencies.

World meat production and consumption rose by three percent in 1997, to 223 million tonnes. Production in the developed economies dropped marginally, with a sizeable contraction of the livestock sector in the CIS not fully offset by production increases in North America and Oceania. In the developing countries, meat production rose in all regions, although there was a noticeable slackening in the rate of expansion in Asia, particularly China.

International trade in meat (excluding trade in live animals and trade among EC and CIS member countries) increased by 4 percent to 14 million tonnes in carcass weight equivalent, with poultry and bovine meat providing all the thrust. The CIS was confirmed as the most important destination for meat traders, a position it had gained in 1996 after displacing Japan as the major importer. The United States shipped over a quarter of global meat exports in 1997, well above the EC which has seen its share of the international meat market dwindle since 1995.

Poultry meat

Growth in global poultry meat production accelerated from 6 to 7 percent in 1997, with output rising to 62 million tonnes. This increase was fostered by a reduction in feed costs which, in many countries, compensated for falling poultry producer prices. All regions recorded growth, except the CIS where the sector's performance continued to be negative. Among the largest producers, China maintained a double digit rate of expansion, reflecting improved poultry-to-feed price relationships.

International trade in poultry meat products reached 5.8 million tonnes, 8 percent more than in 1996. The principal destination was the CIS where larger imports were made to cover production shortfalls and meet dynamic domestic demand. Purchases by China also surged, with the bulk consisting of cheap poultry cuts. Other major growth markets in 1997 included Argentina, Canada and Mexico. By contrast, imports by Japan remained at a standstill, reflecting depressed demand, while those by Saudi Arabia fell in parallel with the rise in domestic output. On the export side, Brazil, China, Thailand and the United States raised sales while EC exports to third countries were smaller, reflecting mainly a contraction in non-subsidized sales.

Pigmeat

World pigmeat production, at 89 million tonnes, rose by some two percent in 1997, substantially less than the 5 to 6 percent growth recorded in recent years. Various factors contributed to this slow-down, including a slackening in the rate of expansion in China and disease problems, in particular swine fever in several EC member countries and foot-and-mouth disease (FMD) in the Chinese Province of Taiwan, which resulted in massive slaughtering of animals. In many other instances, high feed prices caused a down-sizing in breeding herds in 1996, limiting the potential for expansion in 1997.

World trade in pigmeat contracted by close to 6 percent in 1997 to 2.4 million tonnes, constrained by a reduction in supplies in major exporting countries, which coincided with depressed import demand. The FMD outbreak in the Chinese Province of Taiwan, in particular, was immediately followed by a ban on its exports. Similarly, the incidence of swine fever in various EC member countries lifted domestic prices and reduced the Community's ability to sell without subsidies to third markets. The decline in global pig-meat imports was mainly a reflection of a sharp contraction in purchases by Japan, despite the lowering of the minimum entry price in July, and by the CIS. These declines were compensated only partially by increased imports by Mexico, the Republic of Korea and Bulgaria.

Bovine meat

Global bovine meat production rose by less than one percent to 57 million tonnes in 1997. Production in China continued to expand at over 10 percent per year, boosted by dynamic domestic demand. Output was also larger in the Republic of Korea, where the sector entered a liquidation phase in response to falling prices, and in Australia, where drought conditions resulted in increased slaughtering. Production in the United States was almost unchanged. By contrast, there was a further substantial contraction in the CIS, where cattle opening inventories in 1997 were 9 percent lower. Production also fell in the EC, following the introduction, in recent years, of various schemes to limit surpluses. With much reduced cattle inventory following drought problems in 1995 and 1996, Argentina also recorded a fall in production. The same tendency was apparent in Brazil, where herds were cut in the last two years as improved economic conditions have reduced the benefit of holding cattle as a hedge against inflation.

International trade in bovine meat increased by more than 5 percent to 4.8 million tonnes, after the decline recorded in 1996 when various health scares depressed demand. Imports by the United States rose, stimulated by higher domestic prices. Purchases by Japan recovered from the depressed 1996 level, while deliveries to CIS countries expanded to compensate for dwindling production. In Latin America and the Caribbean, strong domestic demand boosted imports especially in Brazil, Chile and Mexico. The increase in global trade was sustained by larger exports from Australia, Canada, New Zealand and Uruguay. By contrast, sales from Argentina and Brazil declined in line with output.

Sheep meat

Global sheep meat production in 1997 reached 11.4 million tonnes in 1997, 3 percent more than in the previous year, reflecting a large expansion in the developing countries. Growth was particularly marked in China and Pakistan, where the sector was boosted by strong domestic demand. In Africa, growth was underpinned by increased slaughtering in Morocco, following serious drought problems, and in Nigeria. Output also rose in Australia after several years of uninterrupted declines, reflecting a larger lamb crop. By

contrast, production dropped in New Zealand, owing mainly to reduced mutton output. Production was also down in the EC and fell significantly in the CIS.

Global trade in sheep meat, at 630 000 tonnes, was up marginally in 1997. Larger imports were made by the United States, to offset the decline in output, and by the CIS. A small increase was also recorded in the EC. By contrast, purchases by Japan and Saudi Arabia diminished. Exports by Australia recovered after several years of contraction, which more than compensated a fall in deliveries by New Zealand.

Outlook for 1998

Global meat production is anticipated to expand vigorously in 1998, driven by continued low feed prices which should boost the poultry and pig meat sectors. Sheep meat production should also rise in line with increased herds. By contrast, little growth in bovine meat output is forecast, as many important producers will enter a herd rebuilding phase that will limit slaughtering. Region-wise, a large expansion is forecast in North America, especially in the United States, where pig and poultry meat production are anticipated to reach new highs. By contrast, a down-sizing of the livestock sector is again forecast in the CIS, in the light of poor producer returns and strong competition from imports. In the developing countries, sustained output growth is anticipated in all regions. However, several Asian countries, including Indonesia, Malaysia and the Philippines, that meet most of their domestic requirements through local production, may record some decline under the combined effects of higher input costs following the currency devaluation and depressed demand for meat. In several instances this fall will be associated with sharp reductions in live animal imports. By contrast, Thailand could take advantage of the its improved competitiveness on foreign markets to step up poultry meat production for export.

International trade in meat is forecast to rise by 4 to 5 percent this year, driven by growth in poultry and, in particular, pig meat flows. By contrast, trade in both sheep and bovine meat might remain steady around the 1997 level, constrained by limited export availability. Purchases by the CIS, which have become of critical importance to the international meat markets, are forecast to record another sharp increase to compensate the decline in output and to meet rising demand. Imports of meat by countries in the Far East have been revised downward in the light of the sharp currency devaluation and lower income growth prospects in a number of countries in the region. Under the new economic background, purchases of meat, especially beef, by the Republic of Korea, Japan and the Philippines are anticipated to contract compared with last year. However, since supplies are likely to be diverted to other markets, for instance in the Near East, North America and in the CIS, the overall impact of the Asian financial crisis on global meat trade should be rather limited. The expansion in global meat exports in 1998 should be sustained by growing shipments from North America, South American and Asia. In the latter region, the currency devaluation is forecast to give an additional boost to sales to foreign markets, especially of poultry from Thailand.

The Asian crisis has also modified the original expectations for international meat prices in 1998: poultry meat prices were forecast to fall in line with developments in the feed markets. This outlook is not expected to be altered by the current financial crisis in Asia, despite an expected contraction in imports by the Asian economies affected. Indeed, it is probable that exporting countries will cut poultry output rather than having the excess supply diverted to other markets, which would have depressed prices further. The early forecast for international pig meat prices was for a substantial fall, reflecting expectations for ample export supplies relative to import demand. The Asian crisis paradoxically may

limit such a drop, especially as it may induce an increase in pig meat purchases by Japan, the world's second largest importer and the highest price market. This could occur because, under the system of minimum import prices in place in the country, a devaluation would not trigger an increase in import prices expressed in the local currency, while local pigmeat producers would be confronted with higher input costs, limiting their ability to compete with foreign suppliers. However, this outcome is still subject to a large degree of uncertainty. According to earlier assessments, bovine meat prices were anticipated to rise compared with last year, reflecting a rather tight market situation due to relatively short export supplies. In the new situation, much reduced deliveries to Asian countries affected by the crisis may reverse this original forecast, with prices possibly falling below the 1997 levels. This impact will be aggravated if exporter expectations are for a continuation of the crisis in the region, which might induce them to delay the herd rebuilding process, resulting in additional supplies being placed on the market. International mutton and lamb prices are anticipated to remain steady around the relatively high 1997 level, even though ample meat supplies world-wide might exert some indirect downward pressure on them. The crisis in the Asian region is unlikely to alter this outlook to a significant extent.

Production [1]

	1992-94 Average	1995	1996	1997
	Million tonnes cwe			
TOTAL MEAT [2]	**191.5**	**208.5**	**217.0**	**223.4**
Bovine meat	**54.6**	**56.0**	**56.8**	**57.1**
United States	10.8	11.6	11.8	11.7
EC	7.8	8.0	8.0	7.8
CIS	6.7	5.6	5.1	4.8
Brazil	4.4	4.8	5.0	4.9
China	2.5	4.2	4.9	5.6
Others	22.4	21.8	22.0	22.3
Ovine meat	**10.0**	**10.6**	**11.0**	**11.4**
China	1.4	2.0	2.4	2.7
EC	1.2	1.2	1.2	1.1
CIS	0.9	0.7	0.7	0.6
Pakistan	0.6	0.7	0.7	0.8
India	0.6	0.6	0.7	0.7
Others	5.3	5.4	5.3	5.5
Pig meat	**75.6**	**83.2**	**87.1**	**88.6**
China	30.1	37.7	41.6	43.5
EC	14.9	16.1	16.5	16.3
United States	7.9	8.1	7.8	7.7
CIS	4.2	3.2	3.0	2.9
Poland	1.9	2.0	2.0	1.8
Others	16.6	16.1	16.2	16.4
Poultry meat	**47.8**	**54.9**	**58.1**	**62.3**
United States	12.5	13.8	14.6	15.1
China	6.5	10.0	11.3	13.5
EC	7.0	7.8	8.0	8.3
Brazil	3.2	3.8	4.2	4.5
CIS	2.0	1.3	1.1	1.0
Others	16.6	18.2	18.9	19.9

[1] In terms of carcass weight (cwe), excluding slaughter fats and offals.
[2] Including "Other meat".

Exports [1]

	1992-94 Average	1995	1996	1997
	Million tonnes cwe			
TOTAL MEAT [2]	**10.70**	**12.49**	**13.48**	**13.96**
Bovine meat	**4.66**	**4.74**	**4.63**	**4.84**
Australia	1.06	1.04	0.97	1.05
EC	1.11	0.99	0.97	0.96
United States	0.59	0.76	0.78	0.82
New Zealand	0.39	0.41	0.40	0.45
Argentina	0.25	0.44	0.33	0.31
Others	1.26	1.10	1.18	1.25
Ovine meat	**0.68**	**0.65**	**0.66**	**0.67**
New Zealand	0.36	0.36	0.35	0.34
Australia	0.23	0.21	0.22	0.24
Others	0.09	0.08	0.09	0.09
Pig meat	**1.92**	**2.31**	**2.56**	**2.39**
EC	0.68	0.78	0.83	0.80
China	0.39	0.53	0.49	0.22
United States	0.21	0.36	0.44	0.45
Canada	0.27	0.30	0.32	0.36
Others	0.37	0.34	0.48	0.56
Poultry meat	**3.02**	**4.54**	**5.39**	**5.81**
United States	1.16	2.08	2.43	2.62
EC	0.61	0.83	0.84	0.80
Brazil	0.47	0.44	0.58	0.67
Thailand	0.18	0.20	0.18	0.20
Others	0.60	0.99	1.36	1.52

[1] Excluding live animals and offals.
[2] Including "Other meat".

Imports [1]

	1992-94 Average	1995	1996	1997
		Million tonnes cwe		
TOTAL MEAT [2]	**10.37**	**12.27**	**13.28**	**13.79**
Bovine meat	**4.60**	**4.68**	**4.55**	**4.78**
Japan	0.70	0.87	0.84	0.88
United States	1.02	0.78	0.88	1.02
EC	0.47	0.41	0.37	0.39
Korea, Rep.	0.16	0.19	0.19	0.20
Canada	0.25	0.24	0.23	0.21
Others	2.00	2.19	2.04	2.08
Ovine meat	**0.65**	**0.62**	**0.63**	**0.63**
EC	0.20	0.21	0.22	0.22
Saudi Arabia	0.03	0.04	0.05	0.03
Japan	0.06	0.05	0.04	0.04
Others	0.36	0.32	0.32	0.34
Pig meat	**1.89**	**2.22**	**2.50**	**2.34**
Japan	0.62	0.65	0.77	0.61
United States	0.34	0.32	0.30	0.30
China (Hong Kong SAR)	0.12	0.14	0.13	0.14
Mexico	0.11	0.06	0.06	0.07
Others	0.70	1.05	1.24	1.22
Poultry meat	**2.86**	**4.48**	**5.32**	**5.76**
China (Hong Kong SAR)	0.39	0.70	0.77	0.88
Japan	0.45	0.63	0.66	0.60
Saudi Arabia	0.22	0.29	0.28	0.24
Mexico	0.18	0.20	0.22	0.23
Others	1.62	2.66	3.39	3.81

[1] Excluding live animals and offals.
[2] Including "Other meat".
[3] Excluding EC intra-trade.

International prices

	1992	1993	1994	1995	1996	1997	1997 Jan-Mar	1997 Apr-Jun	1997 July-Sep	1997 Oct-Dec
						$/tonne				
BEEF										
Australia cow, cif [2]	2 439	2 748	2 292	1 874	1 714	1 860	1 940	1 883	1 859	1 836
Argentina: frozen cuts, fob	3 305	2 831	2 429	2 667	2 429	2 391 [5]	2 271	2 394	2 591	
Japan: fresh or chilled boneless, cif	5 678	5 454	5 737	6 160	5 538	5 255 [6]	5 373	5 276	5 116	5 278 [8]
SHEEP MEAT										
New Zealand: frozen lamb [2]	2 652	2 907	2 975	2 621	3 295	3 393	3 655	3 328	3 261	3 330
Australia: frozen mutton [3]	1 329	1 240	1 290	1 371	1 457	1 490 [4]	1 522	1 475	1 463 [7]	
PIG-MEAT										
United States: fresh or frozen, export unit value	3 087	2 733	2 659	2 470	2 733	2 864 [5]	2 932	2 900	2 740	
Japan: frozen, boneless, cif	4 880	5 533	5 894	6 476	6 178	5 442 [6]	5 857	5 851	4 866	4 700 [8]
CHICKEN MEAT										
United States: parts, export unit value	970	859	921	922	978	858 [5]	883	866	836	
Japan: broiler, frozen, cif	2 226	1 966	2 273	2 487	2 357	2 069 [6]	2 154	2 096	1 990	1 966 [8]

[1] Destination : United States. [2] Whole carcasses, UK wholesale. [3] Cost and freight, United Arab Emirates. [4] January-August. [5] January-September. [6] January-October. [7] July-August. [8] October only.

MILK AND MILK PRODUCTS

While average export prices for most dairy products in 1997 were lower than those of 1996, some products registered price rises towards the end of the year, as a result of rising import demand in the face of limited stocks. Cheese was largely unaffected by changes in the value of other dairy products and stayed around $2 150 per tonne (fob) throughout the year. Prices for this product were supported to some extent by commitments to limit subsidized exports under the Uruguay Round Agreement on Agriculture.

Global output of milk increased by 1 percent in 1997. After several years of stagnation, world milk production started to expand, although in the CIS total milk output continued its decline, largely as a result of falling production in the two major producing countries - the Russian Federation and the Ukraine. By contrast, production rose particularly strongly in New Zealand and, to a lesser extent, in Australia. Output also grew in a number of countries of eastern Europe, in particular in Poland. In the United States, milk production expanded only marginally. Milk output in a number of other developed countries (the EC, Canada, Japan, Norway, Switzerland) is subject to production restrictions and, as a result, changes little from year to year.

In developing countries, growth was especially strong in Asia and Latin America. In India, milk production in recent years has been stimulated by rising farm-gate prices, partly resulting from the liberalization of the Indian dairy sector in 1991, which has increased competition for milk supplies. Many Latin American countries saw milk output expand as a result of increased demand from their domestic markets; however, dry conditions restrained production growth in Argentina. Rising demand in the region as a whole stimulated trade, especially amongst members of the MERCOSUR (Argentina, Brazil, Chile, Paraguay and Uruguay), with Brazil being the main market and Argentina and Uruguay the principal suppliers.

The main cheese importing countries maintained their level of foreign purchases during 1997. In the case of butter, a substantial increase in purchases by the Russian Federation over the previous year was the main factor behind rising demand on the international market. Despite substantial orders by some countries at the beginning of 1997, for example by Mexico, imports of milk powder were subdued for most of 1997; however, since September, demand for powder strengthened and international prices increased. Stemming from rises in their production, New Zealand and Australia saw a significant increase in their exports during 1997.

As a result of strong demand from the internal market and significant growth in exports, year-end public stocks of butter in the EC were well below the average for the early 1990s. While EC year-end public stocks of skimmed milk powder were above the average level for the early 1990s, they had no depressing effect on the international market.

As regards 1998, milk output is expected to show a small increase over the previous year, but supplies of dairy products on the international market in 1998 should change little. For most dairy products, average international prices in 1998 are expected to be similar to those of the previous year.

Production

	1992-94 Average	1995	1996	1997 Est.
		Million tonnes		
TOTAL MILK				
World total	**530**	**537**	**539**	**545**
EC-15 [1]	125	125	125	125
United States	69	71	70	71
India	61	66	68	71
Russian Fed.	45	39	36	35
Pakistan	17	19	20	21
Brazil	16	17	18	19
Ukraine	19	17	16	14
Poland	13	12	12	11
New Zealand	9	9	11	11
Turkey	10	11	10	10
Australia	8	8	9	9
		'000 tonnes		
WHOLE MILK POWDER				
World total	**2 315**	**2 396**	**2 424**	**2 549**
EC-15	912	947	926	950
New Zealand	305	342	333	371
Brazil	174	200	220	240
Argentina	87	112	160	190
Australia	80	104	113	125
SKIMMED MILK POWDER				
World total	**3 366**	**3 436**	**3 368**	**3 510**
EC-15	1 269	1 229	1 255	1 259
United States	489	588	482	455
Australia	186	210	229	242
New Zealand	159	171	202	231
Japan	204	185	200	205
BUTTER AND GHEE				
World total	**6 836**	**6 615**	**6 644**	**6 764**
EC-15	1 766	1 772	1 780	1 737
India	1 123	1 300	1 400	1 450
United States	631	584	533	520
Pakistan	335	373	394	415
New Zealand	262	265	297	372
Russian Fed.	661	419	350	340
Ukraine	289	222	200	185
Poland	174	162	165	170
Australia	126	138	153	165
CHEESE				
World total	**14 334**	**14 634**	**15 023**	**15 384**
EC-15	5 979	6 207	6 430	6 508
United States	3 382	3 493	3 627	3 700
Argentina	357	369	385	410
Egypt	331	349	355	355
Canada	298	301	296	298
Australia	214	241	264	270
New Zealand	158	197	229	250

[1] In this and the tables on exports and imports, EC-15 for all years.

Exports

	1992-94 Average	1995	1996 Est.	1997 Est.
		'000 tonnes		
WHOLE MILK POWDER				
World total	**1 076**	**1 257**	**1 116**	**1 161**
EC-15 [1]	580	595	546	585
New Zealand	276	318	278	325
Australia	73	105	111	115
Argentina	15	57	48	90
United States	32	65	18	25
BUTTER AND GHEE				
World total	**721**	**678**	**675**	**760**
New Zealand	230	234	238	305
EC-15	218	214	198	260
Australia	69	82	84	105
United States	99	38	21	15
SKIMMED MILK POWDER				
World total	**1 031**	**1 221**	**1 246**	**1 288**
EC-15	296	375	227	250
New Zealand	144	168	151	205
Australia	140	185	213	200
Poland	120	98	77	95
CHEESE				
World total	**903**	**1 048**	**943**	**998**
EC-15	471	512	520	515
New Zealand	122	169	173	220
Australia	87	116	135	145
Switzerland	61	64	57	65

[1] EC-15 for all years.

MILK AND MILK PRODUCTS

Imports

	1992-94 Average	1995	1996 Est.	1997 Est.
		'000 tonnes		
WHOLE MILK POWDER				
World total	**896**	**1 088**	**937**	**1 002**
Brazil	35	217	116	105
Algeria	112	75	78	75
Malaysia	51	54	53	55
Thailand	27	41	50	55
Venezuela	49	66	50	45
Philippines	31	34	37	40
Peru	23	30	33	35
Mexico	51	29	32	34
BUTTER AND GHEE				
World total	**666**	**660**	**660**	**730**
Russian Fed.	179	241	235	300
EC-15 [1]	64	75	88	87
Egypt	48	49	50	50
Morocco	28	22	28	25
Algeria	31	22	8	20
Mexico	39	20	19	19
SKIMMED MILK POWDER				
World total	**1 173**	**1 266**	**1 246**	**1 291**
Mexico	177	127	127	117
Algeria	110	108	108	105
Philippines	80	104	84	90
Malaysia	72	89	80	90
Japan	85	103	75	83
Thailand	62	80	67	80
Indonesia	40	61	46	60
CHEESE				
World total	**853**	**1 009**	**918**	**973**
Japan	136	157	164	170
United States	144	154	155	155
Russian Fed.	45	79	130	120
EC-15	89	84	99	102

[1] EC-15 for all years.

Closing stocks [1]

	1992-94 Average	1995	1996	1997
		'000 tonnes		
BUTTER				
EC	189	70	93	53
United States	86	0	0	0
SKIMMED MILK POWDER				
EC	52	8	125	125
United States	6	6	0	0

[1] Publicly funded.

International market prices

	1992	1993	1994	1995	1996	1997 Jan-Mar	1997 Apr-Jun	1997 Jul-Sep	1997 Oct-Dec
					$/ tonne				
Whole milk powder [1]	1 712	1 523	1 544	2 051	1 959	1 817	1 752	1 675	1 788
Skimmed milk powder [1]	1 705	1 526	1 486	2 045	1 922	1 842	1 755	1 662	1 683
Butter [1]	1 608	1 403	1 294	1 800	1 698	1 408	1 425	1 508	1 817
Cheddar Cheese [2]	1 944	1 919	1 856	2 081	2 117	2 150	2 150	2 158	2 200

[1] 1992-1994 : Mid-point Fob Western Europe - Source: ZMP.
from 1995 : Mid-point Fob prices reported by New Zealand Dairy Board.
[2] 1992-1994 : Mid-point Fob prices reported to GATT.
from 1995 : Mid-point Fob prices reported by New Zealand Dairy Board.

Agricultural raw materials

COTTON

From the peak of $2.04 per kg in the 1994/95 season (August/July), the world cotton price (Cotton Outlook "A" index) fell by 8 percent in 1995/96 and by a further 8 percent in 1996/97 to average $1.73 per kg. At this level, the price of cotton was still 23 percent higher than that during the depressed seasons of 1991/92 to 1993/94. A notable feature of the global cotton market during 1996/97 was a remarkable stability in monthly prices, which fluctuated within a narrow band of $1.66 to $1.79 per kg. This high degree of price stability was in part a reflection of the close balance between global supplies and demand coupled with a steady increase in stocks during 1996/97.

Global cotton production is estimated to have declined by 3 percent to 19.5 million tonnes in 1996/97, due mainly to a 5 percent decline in the harvested area. Cotton production fell in a number of countries, with output contracting significantly in China, Turkey, Argentina, Brazil and Pakistan. Production targets are not expected to be achieved in Uzbekistan and Tajikistan, the two largest producers in the area of the former USSR, as the actual deliveries of seed cotton were lower. On the other hand, output rose by 6 percent in the United States, the world's largest producer, and by 8 percent in India over the 1995/96 levels. Production also rose in Egypt by more than 40 percent from the extremely low level of the previous year.

Global cotton exports fell by 1 percent to 5.9 million tonnes in 1996/97, following a contraction of 2 percent in 1995/96. Reduced exports from Mexico and the United States more than offset the increases from Australia, Argentina, Egypt and Uzbekistan. Purchases by two major importers, the EC and China, also declined in 1996/97. The combined effect of the reduced volume of trade and lower prices was a sharp decline in the value of exports in 1996/97. Global cotton imports are expected to contract further in the 1997/98 season. Among the large markets, imports by China are expected to fall by about 30 percent, on account of higher domestic production and the government policy of reducing the domestic stocks of cotton. Imports by Brazil would also fall by 30 percent due to a bigger harvest. Elsewhere, imports by east Asian countries affected by the financial crisis are expected to decline, most notably by the Republic of Korea and Indonesia.

World cotton production in 1997/98 is expected to increase due to bumper crops in several major producing countries. Given the outlook on global demand, it is expected that global production would exceed consumption, leading to a further increase in stocks to an estimated 9.7 million tonnes by the end of the season in July 1998. At this level they would represent 50 percent of world consumption. The continuation of the build-up of stocks would curtail price increases in the 1997/98 season. Indeed, cotton prices fell steadily during the first five months of the 1997/98 season - from about $1.80 per kg in August 1997 to $1.64 per kg in December 1997.

COTTON

Production [1]

	1992-94 Average	1995	1996	1997 Proj.
	'000 tonnes			
World total	**17 858**	**20 248**	**19 480**	**19 647**
United States	3 775	3 897	4 124	4 010
China	4 197	4 767	4 203	4 300
India	2 277	2 754	2 975	2 800
Pakistan	1 462	1 886	1 615	1 590
Area of former USSR	2 043	1 804	1 442	1 690
Turkey	601	851	784	760
Australia	346	429	615	622
EC -15	364	477	408	464
Argentina	243	420	320	425
Brazil	480	410	285	400
Egypt	343	242	341	346
Others	1 728	2 311	2 368	2 240

[1] Season beginning 1 August.
Source: ICAC - Cotton World Statistics, October 1997.

Exports [1]

	1992-94 Average	1995	1996	1997 Proj.
	'000 tonnes			
World total	**5 908**	**6 005**	**5 911**	**5 898**
Area of former USSR	1 968	1 508	1 434	1 451
United States	1 558	1 671	1 513	1 500
Australia	344	308	515	542
EC-15	246	372	265	250
Argentina	108	261	285	271
Mali	123	152	180	214
Pakistan	119	310	50	183
Syria	156	126	164	144
Benin	92	135	134	153
Sudan	69	45	96	100
China [2]	151	48	34	32
Others	974	1069	1241	1 058

[1] Season beginning 1 August.
[2] Includes Hong Kong SAR, but excludes Taiwan Province.
Source: ICAC - Cotton World Statistics, October 1997.

Stocks [1]

	1993-95 Average	1996	1997	1998 Proj.
	'000 tonnes			
World total	**7 592**	**8 960**	**9 328**	**9 684**
China [2]	2 658	4 220	4 183	3 998
India	706	860	760	861
United States	787	566	904	980
Area of former USSR	699	576	495	548
Pakistan	313	345	16	461
EC-15	289	308	241	252
Brazil	291	266	213	254
Argentina	159	240	187	233
Australia	168	227	272	332
Japan	126	117	100	95
Turkey	158	115	151	169
Others	1 239	1 120	1 806	1 501

[1] Stocks on 1 August of the year shown.
[2] Includes Hong Kong SAR but excludes Taiwan Province.
Source: ICAC - Cotton World Statistics, October 1997.

Imports [1]

	1992-94 Average	1995/96	1996/97	1997/98
	'000 tonnes			
World total	**6 032**	**5 883**	**6 071**	**5 941**
EC-15	1 032	1 025	954	959
China [2]	554	1 156	878	694
Brazil	385	384	500	446
Area of former USSR	667	321	284	336
Indonesia	443	466	500	514
Thailand	339	336	275	250
Korea, Rep.	377	362	316	300
Japan	431	330	285	254
Turkey	196	114	250	293
United States	4	89	88	5
Others	1 604	1 300	1 741	1 890

[1] Season beginning 1 August.
[2] Includes Hong Kong SAR but excludes Taiwan Province.
Source: ICAC - Cotton World Statistics, October 1997.

Prices [1]

	1992-94 Average	1995/96	1996/97	1997/98 [2]
	US cents/kg			
COTLOOK 'A' Index	153	189	173	176

[1] Season beginning 1 August.
[2] Average from 1 August to 17 October.

JUTE, KENAF AND ALLIED FIBRES

Declining export prices of raw jute from late 1996 to the early months of the 1997/98 (July-June) season reflected a build-up of stocks resulting from a sharp recovery in production in the 1996/97 season. Export prices of BWD grade fibre from Bangladesh ports fell to about $244 per tonne in November 1997 from a peak of $550 in March 1996. Prices of jute products also eased somewhat. Export prices of hessian from Bangladesh ports fell to $19.92 per 100 yards in November 1997 from $26.10 in the same month of the previous year and that of sacking fell to $56.77 per 100 bags from $62.23 one year earlier.

Prices of polypropylene (PP) polymer, the raw material for synthetic products competing against jute products, remained at about $830 throughout 1996 and well into 1997, but weakened in the third quarter. Prices of jute, however, fell by more than those of PP, thereby enhancing jute's competitiveness against synthetics.

World production of jute, kenaf and allied fibres, which had recovered by 29 percent in 1996/97, is forecast to rise further in 1997/98 to reach 3.5 million tonnes. While production in Bangladesh is forecast to expand by a further 10 percent in 1997/98 reflecting high prices at the time of sowing, output is expected to decline slightly in India. Production has continued to decline in China and Thailand.

World exports of raw jute recovered sharply in 1996/97 to about 379 000 tons, reflecting increased exports from Bangladesh, the largest exporter, particularly to China, where imports rose to 126 000 tons from only 32 000 tons in the previous season to make up for the shortfall in supplies caused by flood damage. Pakistan's imports rose by 34 percent. Among other importing countries, Côte d'Ivoire emerged as a market for 20 000 tons, a rise of over 83 percent from the previous year following investment in processing capacity in the country. Global exports of jute products fell by 12 percent in 1996, with contractions in the United States, the area of former USSR, Turkey, Sudan, and Japan, which more than offset the rise in Indonesia, the Islamic Republic of Iran, Egypt and the Syrian Arab Republic.

Total stocks of jute, kenaf and allied fibres in the major producing countries, excluding China, rose sharply to an estimated 618 000 tons, or 30 percent of mill requirements, at the end of July 1997 from 231 000 tons, or 11 percent of mill requirements, a year earlier.

Despite the prospect for a rise in world imports of raw jute in 1997/98, global stocks are forecast to rise to about 849 000 tons by the end of the season as a result of another large harvest coupled with limited growth in mill consumption in the major producing countries. At this level, stocks in producing countries would amount to 38 percent of the mill requirements with inventories in India, in particular, reaching a ten-year high. These large stocks are expected to continue to dampen prices, which could lead to reduced plantings in 1998/99.

JUTE, KENAF AND ALLIED FIBRES

Production of fibres [1]

	1992/93 1994/95 Average	1995/96	1996/97	1997/98 Prov.
		'000 tonnes		
World total	**3 109**	**2 664**	**3 430**	**3 509**
India	1 395	1 404	1 773	1 764
Bangladesh	898	653	1 062	1 170
China	549	371	365	350
Thailand	137	115	111	105
Myanmar	34	37	40	36
Viet Nam	21	15	15	15
Nepal	11	15	14	14
Brazil	21	12	8	9
Indonesia	8	9	5	5
Sudan	3	3	3	3
Egypt	2	2	7	8
Others	31	29	29	29

[1] Crop year beginning 1 July.

Imports of fibres and products

	1992/93-1994/95 Average	1995/96	1996/97	1997/98 Est.
		'000 tonnes		
FIBRES [1]				
World	**326**	277	389	420
Australia	5	5	5	5
Brazil	11	6	9	5
China	3	32	126	180
Côte d'Ivoire	18	11	21	25
Egypt	15	15	22	25
Europe [3]	38	35	27	26
India	31	32	32	18
Indonesia	23	9	4	6
Pakistan	83	60	80	70
Thailand	33	11	2	2
Turkey	7	10	3	3
United States	7	6	4	4
Others	52	46	54	51
PRODUCTS [2]				
	1992-94 Average	**1995**	**1996**	**1997**
World	**895**	**811**	**746**	**...**
United States	77	85	51	...
Europe [3]	303	294	292	...
Australia	41	39	35	...
Japan	50	54	45	..
Algeria	21	8	5	...
Egypt	14	13	14	...
Sudan	61	50	26	...
Iran, Islamic Rep.	46	19	42	...
Syria	55	52	56	...
Turkey	28	41	30	...
Indonesia	19	3	13	...
Others	179	153	138	...

[1] Marketing year beginning at 1 July in the year shown. [2] Products in calendar year. [3] Includes eastern European countries (excludes countries of the area of the former USSR).

Exports of fibres and products [1]

	1992/93 1994/95 Average	1995/96	1996/97	1997/98 Est.
		'000 tonnes		
FIBRES [1]				
World total	**327**	**243**	**379**	**437**
Bangladesh	279	215	356	396
China	18	6	3	2
Europe [2]	10	8	9	9
India	3	0	0	18
Myanmar	2	1	2	5
Nepal	4	1	1	-
Thailand	5	3	4	4
Viet Nam	3	5	3	2
Others	2	4	2	2
PRODUCTS [3]	**1992-94 Average**	**1995**	**1996**	**1997**
World total	**906**	**824**	**728**	**...**
Europe [2]	68	77	68	...
Bangladesh	499	438	418	...
China	44	24	15	...
China (Hong Kong SAR)	3	1	1	...
India	187	219	175	...
Nepal	10	10	10	...
Pakistan	10	0	0	...
Singapore	4	4	2	...
Thailand	55	34	17	...
Others	27	17	21	...

[1] Marketing year beginning 1 July.
[2] Includes eastern European countries (excludes countries of the area of the former USSR).
[3] Products in calendar year.

Closing stocks [1]

	1994/95	1995/96	1996/97	1997/98 Est.
		'000 tonnes		
World total [2]	**512**	231	618	849
Bangladesh	256	90	190	352
India	176	61	308	344

[1] As at 30 June of the second year shown.
[2] Includes only Bangladesh, India, Myanmar, Nepal and Thailand.

Prices (fob)

	1994	1995	1996	1997
		$/tonne		
Jute (BWD Grade)	296	366	454	308 [1]
Polypropylene (Raffia)	717	1 066	832	838 [1]
		$/100 yards		
Hessian (40" x 10 oz)	17	20	26	22 [2]
		$/100 bags		
Sacking (B-Twills)	39	41	61	60 [2]

[1] January-November 1997.
[2] January - October 1997.

HARD FIBRES

Prices of African grades of sisal fibre weakened somewhat during 1997, but remained well above levels seen earlier in the decade. In January 1997 the price of UG (Under Grade) fibre dropped below the level of the indicator price of $860 per tonne recommended by the Integovernmental Group on Hard Fibres in September 1996. Prices of the two African grades, 3L and UG weakened further in the course of 1997. Prices of Brazilian fibre, on the other hand, gained some ground in the latter part of the year. As a result of these movements, the large differential between African and Brazilian fibre which existed in 1996 was reduced to more usual levels.

World sisal production is estimated to have continued to decline, falling 7 percent in 1997. While production in Brazil remained at around 125 000 tonnes, output in most other producing countries contracted, particularly in Tanzania and Kenya, which were affected by adverse climatic conditions. Global exports, however, are estimated to have expanded in 1997, supported by draw down of the Brazilian stocks.

Prices of baler twine, both sisal and poly-propylene, were largely unchanged in 1997 in Europe, but strengthened a little in the United States. Sisal now accounts for barely 10 percent of the twine market in Europe. Imports to the United States, however appear to have increased in 1997, reflecting increased demand by users coupled with some build up of stocks.

Demand for sisal baler twine depends partly on its price *vis-à-vis* polypropylene twine. Prices of polypropylene granules, the raw material from which synthetic twine is manufactured, remained fairly stable from mid-1996 to mid-1997 at around $850 per tonne in both Europe and the United States and did not change much in the remainder of 1997.

Baler twine accounts for a declining proportion of world sisal use, as this traditional market has continued to contract while consumption of higher valued products, particu-larly woven products such as carpets, has grown. The past year has, however, seen some decline in prices of carpets as demand in Germany, one of the major markets, has weakened, and as an increased supply of lower-priced sisal carpets came onto the European market.

Abaca prices weakened a little in the course of 1997. The indicator price dropped from $170 per bale in January to $150 per bale in October, due largely to the depreciation of the Philippine peso. Nevertheless, prices remained around the middle of the range of the indicative price recommended by the Intergovernmental Group of $128 to $185 per bale, reflecting continuing sound demand and relatively stable supplies. Global production in 1996 and 1997 was disrupted by the after-effects of a typhoon in the Philippines at the end of 1995. Farmers were forced to strip damaged plants immediately following the typhoon, which boosted production in 1996. The impact of the damage, however, continued into 1997 when production is estimated to have contracted by 4 percent to 81 000 tonnes. Production also increased in Ecuador in 1996, but contracted in 1997. The possibility of disruption to regular weather patterns as a result of El Niño is of concern to abaca producing countries, which can be subject to extreme weather patterns.

Global exports of abaca expanded in 1997, although there was some contraction in Ecuador's shipments. Exports from the Philippines of both fibre and of manufactures, including pulp and cordage, expanded in 1997, with only handicrafts showing some contraction. The market for pulp and for fibre in Japan strengthened, while shipments of cordage, mainly to the United States, recovered from a slump in 1996. Demand is likely to remain strong in 1998, but it could suffer a little if Japan's economic growth weakens.

Production of brown coir fibre expanded by a further 17 percent to reach 255 000 tonnes in 1997, largely to meet domestic requirements in India. Contrary to a long term downward trend, some expansion in Sri Lanka's production and exports of fibre occurred in 1997. Exports of most manufactured coir goods, particularly yarn and doormats from India and brushes and brooms from Sri Lanka, also expanded in 1997.

Production of fibres

	1992-94 Average	1995	1996	1997 Prel.
		'000 tonnes		
Sisal and henequen	**345**	**324**	**308**	**286**
Brazil	165	140	125	128
Tanzania	28	26	27	18
Kenya	34	28	26	24
Abaca	**74**	**77**	**84**	**81**
Philippines	62	64	70	67
Coir fibre (brown)	**190**	**209**	**218**	**-**
India	112	136	149	181
Sri Lanka	68	64	59	64
Coir yarn [1]	**177**	**199**	**215**	**228**

[1] Including yarn from brown fibre.

Exports of fibres and products

	1992-94 Average	1995	1996	1997 Prel.
		'000 tonnes		
FIBRES				
Sisal and henequen	**88**	**70**	**70**	**79**
Brazil	40	27	30	38
Kenya	28	24	21	22
Tanzania	5	3	3	3
Abaca [1]	**28**	**31**	**31**	**32**
Philippines [1]	17	19	18	19
Coir fibre	**68**	**68**	**61**	**63**
Sri Lanka	56	56	49	50
Coir yarn [2]	**20**	**21**	**21**	**24**
India	16	18	17	20
PRODUCTS [3]				
Sisal and henequen	**112**	**106**	**82**	**87**
Brazil	68	61	39	44
Tanzania	17	18	16	15
Abaca	**35**	**37**	**37**	**39**
Philippines	35	37	37	39
Coir (India)	**18**	**25**	**28**	**44**

[1] In fibre equivalent
[2] Including yarn from decorticated fibre.
[3] From the fibre producing countries.

Imports of fibres

	1992-94 Average	1995	1996	1997 Prel.
		'000 tonnes		
Sisal and henequen	88	70	70	79
Abaca	28	31	31	32
Coir fibre	68	68	61	63
Coir yarn [1]	20	21	21	24

[1] Including yarn from decorticated fibre.

Prices of fibres

	1992-94 Average	1995	1996	1997 Prel.
		$/tonne, cif		
Sisal				
East African UG	583	721	870	781
East African 3L	650	776	976	925
Brazil N.3	454	582	660	647
		$/bale, fob		
Abaca				
S2	199	188	205	184
G	173	160	160	147
JK	131	150	152	145

NATURAL RUBBER

The International Natural Rubber Organization (INRO) Daily Market Indicator Price of natural rubber (DMIP) has trended down since it reached a historically high level in late 1995. The monthly average of DMIP fell steadily from 308 Malaysian/Singapore cents per kg in January 1996 to 187 Malaysian/Singapore cents per kg in July 1997 due to higher production and some shift of demand to synthetic rubber in response to the relatively high natural rubber prices. The DMIP, however, has recovered since July 1997 (see below).

Global production is estimated to reach 6.5 million tonnes in 1997, about 4 percent higher than in 1996. Production increased not only in countries with relatively young plantations, such as India, Indonesia, Thailand (expected to be a record) and Sri Lanka, but also in China where the more intensive use of inputs resulted in higher yields. Malaysia, however, saw its production fall by about 4 percent to about one million tonnes, due largely to adverse weather conditions.

Consumption of natural rubber is estimated to total about 6.3 million tonnes in 1997, an increase of 3 percent over 1996, due largely to economic growth promoting demand for motor vehicles and hence for tyres. Consumption is estimated to have increased by over 5 percent in eastern Europe and by about 2 percent in the United States, Canada, Italy and Spain. With global production expected to exceed consumption in 1997, world stocks are estimated to have increased further.

At 4.4 million tonnes, world gross exports of rubber in 1996 were 4 percent higher than the previous year, with Guatemala, Indonesia, Thailand and Viet Nam showing the highest increase. Liberian exports recovered by 4 percent, but still remained less than half of the 1992-94 average level. By contrast, shipments from Malaysia and Nigeria were significantly lower than in the previous year. Japan, one of the largest importers of natural rubber, increased its purchases in 1996 as did France. China's imports rose by 62 percent in 1996 compared with the previous year due mainly to the increased demand for domestic motor vehicles and flat domestic rubber production in 1996. Imports by Brazil fell by 15 percent in 1996, while those of Canada, Germany, UK and the United States declined by 3 percent, 9 percent, 7 percent and 1 percent, respectively, in 1996.

The monthly average of DMIP recovered significantly from July 1997, partly due to the depreciation of Asian currencies, but dropped back to the July 1997 level in the first week of January 1998. Further significant falls in price in 1998 are likely to be prevented by market intervention by INRO under the 1995 International Natural Rubber Agreement (INRA III), whereby INRO is required to stabilize prices through buffer stock operations. In the near term, market forces will continue to dampen the outlook for prices. Over the medium term, the rapid expansion of production this decade in Thailand, Viet Nam and other countries is expected to continue for the next few years, resulting in a further increase in global supplies which already exceed world consumption requirements.

Production

	1992-94 Average	1995	1996	1997
	'000 tonnes			
World	**5 753**	**6 040**	**6 340**	**6 520**
Thailand	1 630	1 804	1 978	2 096
Indonesia	1 458	1 535	1 578	1 650
Malaysia	1 116	1 089	1 089	1 050
India	398	500	540	576
China	336	424	430	450
Sri Lanka	105	106	113	115
Côte d'Ivoire	71	75	91	91
Nigeria	121	93	91	90
Brazil	39	44	44	45
Guatemala	24	28	29	31
Others	454	342	357	326

Exports

	1992-94 Average	1995	1996
	'000 tonnes		
World	**4 027**	**4 250**	**4 430**
Indonesia	1 242	1 324	1 434
Thailand	1 472	1 636	1 763
Malaysia	830	778	710
Sri Lanka	72	68	72
Viet Nam	75	82	88
Nigeria	67	99	69
Liberia	28	13	14
Guatemala	18	21	23
Cambodia	24	34	33
Others	197	196	224

Source : IRSG - Rubber Statistical Bulletin Vol. 51 No. 10 - July 1997.

Closing stocks

	1992-94 Average	1995	1996	1997
	'000 tonnes			
World	**1 563**	**1 620**	**1 780**	**1 850**
Producing countries	520	450	440	490
Consuming countries	710	810	1 010	1 000
Stocks Afloat	333	360	330	360

Imports

	1992-94 Average	1995	1996
	'000 tonnes		
World	**4 025**	**4 243**	**4 454**
United States	959	1026	1014
Japan	651	696	724
China	380	400	646
Korea, Rep	283	289	299
Germany	192	212	193
France	174	176	182
Spain	110	130	130
Canada	95	121	118
United Kingdom	126	120	111
Brazil	98	106	91
Others	957	968	945

Prices

	1992-94 Average	1995	1996	1997*
	national currency/kg			
London (pence)				
RSS1 cif.	65.0	106.0	94.2	75.1
SMR 20 cif	63.1	101.9	88.6	71.9
Kuala Lumpur (M. cents)				
RSS1 cif.	241.9	395.6	351.8	292.3
SMR 20 cif	234.9	385.0	330.8	280.2
	Malaysia/Singapore cents/kg			
INRO DMIP[1]	190.4	307.9	267.2	222.6

[1] DMIP is the Daily Market Indicator Price of the International Natural Rubber Organization.
* Jan-June averages.

HIDES AND SKINS

Although global production of bovine hides and skins increased somewhat in 1997, markets remained tight due to strong demand especially for superior quality leather. International prices of most types of hides and skins strengthened in the first part of 1997 and, despite some weakening later in the year, averaged above the levels of 1996. Prices of finished leather from sheep and goatskins, however, declined as demand from the leather garment sector for these items weakened in 1997.

Global production of ***bovine hides and skins*** increased in 1997 by close to 2 percent to a record 5.6 million tonnes, with higher output in major developing countries offsetting reductions in some developed countries. As in 1996, the strongest growth in the developing countries was in Asia, dominated by China. Output stagnated in the United States, the largest producer, and fell in the EC by 2 percent as food safety concerns reduced beef demand. Output also declined in the Russian Federation and in Poland in line with reduced beef demand. By contrast, there was a growth of 3 percent in Australia, as slaughter levels rose due to the combined effects of the drought in southern Australia, weak cattle prices and improved prospects for the wool sector.

World exports of bovine hides and skins are estimated to have expanded slightly in 1997. While shipments increased from Brazil due to reduced domestic demand, exports fell from the United States by about 3.5 percent due to reduced supply and a stronger dollar, coupled with lower import demand from Asia. Imports of bovine hides in Italy, the world's largest market, increased slightly in 1997. The Republic of Korea also retained its position as the world's second largest importer of bovine hides despite a decline of about 4 percent.

The 1997 global output of *both* ***sheep and goat skins*** remained virtually unchanged as increased slaughter in China offset reductions elsewhere, notably in the countries of the former USSR, as well as in Romania, Poland and Bulgaria. Output also declined in New Zealand due to lower slaughter on account of reduced inventories.

World trade in raw sheep skins expanded in 1997, with larger exports from the developing countries. Preliminary indications are that world exports of goat skins in 1997 remained close to the levels of 1996.

As regards the outlook for 1998, domestic demand for leather and leather products, and hence for hides and skins, is expected to continue to grow in 1998 in Europe, the largest consuming region. However, the growth in demand in Europe would be affected by reduced import demand for leather products from Asia. At the same time, import demand by Asia for hides and skins is anticipated to fall due to the crisis. On balance, reduced global demand for hides and skins is expected to limit the prospects for higher prices of most types of hides and skins in 1998, despite the preliminary indication that global production of bovine hides and skins would be lower.

Production

	1992-94 Average	1995	1996 Prel.	1997 Est.
		'000 tonnes		
BOVINE HIDES AND SKINS				
World total	**5 336**	**5 480**	**5 532**	**5 620**
United States	874	932	964	962
EC -15 [1]	769	730	703	690
Area of former USSR	735	715	673	675
India	344	354	357	358
China	259	403	478	557
Others	2 355	2 346	2 357	2 378
SHEEPSKINS				
World total	**400**	**410**	**406**	**405**
China	31	45	52	54
New Zealand	48	48	44	42
Australia	40	40	35	36
Others	282	277	275	273
GOATSKINS				
World total	**196**	**214**	**228**	**230**
India	66	68	69	69
China	33	43	55	57
Pakistan	16	18	18	18
Others	81	85	86	86
		million pieces		
BOVINE HIDES AND SKINS				
World total	**289**	**299**	**303**	**310**
United States	35	37	39	38
EC-15	32	30	29	28
Area of former USSR	39	38	35	36
India	34	35	36	36
China	16	25	30	35
Others	133	134	134	137
SHEEPSKINS				
World total	**516**	**540**	**546**	**548**
China	61	89	104	108
New Zealand	35	35	32	31
Australia	34	33	29	30
Others	386	383	381	379
GOATSKINS				
World total	**270**	**297**	**320**	**323**
India	66	68	69	69
China	55	72	98	95
Pakistan	23	26	26	26
Others	126	131	127	133

[1] In this table, EC-15 for all the years shown. Includes intra-trade.

Prices

	1992-94 Average	1995	1996	1997 Prel.
		1991 April=100		
Hide	108	127	120	126
Sheepskin	124	160	183	168
Goatskin	94	116	105	100

Source: International Trade Centre, Geneva.

Exports

	1992-94 Average	1995	1996 Prel.	1997 Est.
		'000 tonnes		
BOVINE HIDES AND SKINS				
World total	**2 033**	**2 200**	**2 240**	**2 260**
EC -15 [1]	678	652	668	680
United States	610	726	734	708
Area of former USSR	210	294	290	290
Australia	123	111	113	115
Others	412	417	435	467
SHEEPSKINS				
World total	**161**	**167**	**170**	**175**
Australia	20	24	31	32
New Zealand	25	24	18	18
Iran, Islamic Rep.	22	26	25	28
United Kingdom	13	14	13	14
Others	81	79	83	83
GOATSKINS				
World total	23	23	25	25
China	10	10	11	11
EC -15	2	2	3	3
South Africa	1	1	1	1
Others	10	10	10	10

[1] In this table, EC-15 for all the years shown. Includes intra-trade.

Imports

	1992-94 Average	1995	1996 Prel.	1997 Est.
		'000 tonnes		
BOVINE HIDES AND SKINS				
World total	**2 087**	**2 284**	**2 290**	**2 295**
Italy	435	532	519	525
Korea, Rep.	371	342	341	327
Japan	170	151	122	130
China	199	353	360	380
Others	912	906	948	933
SHEEPSKINS				
World total	**167**	**174**	**180**	**190**
EC -15 [1]	68	67	60	62
Turkey	30	24	26	28
Korea, Rep.	8	5	5	4
Others	61	78	89	96
GOATSKINS				
World total	**24**	**24**	**23**	**23**
EC -15	6	7	5	5
Lebanon	4	4	4	3
Mexico	1	0	0	1
Others	13	13	14	14

[1] In this table, EC-15 for all the years shown. Includes intra-trade.

Fishery products

The value of world trade in fishery products as a whole expanded further in 1997, due to both higher volumes traded and increased prices. 1997 also saw some developments having important bearings on the global markets for fishery products. These include the El Niño effect and the Asian financial turmoil, but also the increasing recourse to sanitary and phytosanitary regulations on fish trade.

The El Niño led to a boom in ***shrimp*** production by Ecuador, which increased its exports by 37 percent during the first nine months of 1997 compared to the corresponding period of 1996. Several other main supplying countries had to lower their export prices and look for alternative markets. With import prices somewhat reduced, shrimp consumption recovered to the record level of 1994 in the United States, which benefited exporters like Thailand and Ecuador. Demand for shrimp was also steady in Europe for most of 1997, but prices rose in the latter part of the year due to reduced exports from India and Bangladesh. The economic crisis in Asia was a big setback for the shrimp trade. In addition to the reduced demand in Japan, the main market of the region, the recent trend in increased consumption of domestically produced shrimp in Thailand and Malaysia is also expected to come to a halt.

Despite a sharp increase in ***tuna*** catches in the second half of 1997, prices of tuna raw materials stayed high. The overall outlook is for lower tuna catches in most of 1998, while demand is expected to be strong in all the main markets, especially for canned tuna. In 1997 the price of the raw material for tuna canneries grew by 20 percent for yellowfin and by 30 percent for skipjack. As a result, retail prices of canned tuna are not likely to fall. The overall sales of tuna in Japan were depressed somewhat in 1997 with total consumption (excluding skipjack) 4 percent down in the first nine months of the year. Skipjack consumption, however, grew because of higher landings of this species in Japanese ports. At the same time, total imports of frozen tuna declined by 12 percent, while fresh tuna imports rose sharply.

According to the recent INFOFISH Tuna Conference, the outlook for tuna stocks was not considered to be positive, with hardly any stocks remaining under-exploited. With, however, the United States' ban on yellowfin tuna caught in association with dolphin almost over, yellowfin catches are likely to pick up and prices to fall.

The last quarter of 1997 saw a strong rising trend in ***groundfish*** prices, in expectation of lower supplies in 1998. The cod quota in the Barents Sea was set much lower than in 1997, and indications are for a shortage of groundfish on the world market. The Icelandic cod quota has been increased and the North Sea cod Total Allowable Catch is expanded by one third in 1998. Hake catches were also low in 1997, due to the El Niño effect and over-exploitation of many hake resources in the southern hemisphere. With Alaska pollack expected to be in shorter supply, the prices of groundfish products are bound to be higher in 1998. The global cod market is expected to be tighter in 1998, pushing prices up.

The world ***squid*** market was volatile in 1997. The large Illex catches in the south-west Atlantic in early 1997 led to an over-supply in the main markets, causing prices to tumble. For 1998, Illex catches are expected to be lower, as many vessel owners are reluctant to renew the fishing licence in view of the current low price levels. Octopus catches were sharply down in 1997. Various fishing bans were observed in the central-eastern Atlantic, the main fishing area, in order to protect the resource. The EC market was hit by the ban on Indian cephalopods, and products arriving from Thailand were traded at soaring prices.

Octopus catches are also likely to be disappointing in 1998, with the Japanese importers asking for lower prices in view of the subdued demand there.

Total ***fishmeal*** production in the main exporting countries was 3.4 million tonnes in the first nine months of 1997, roughly similar to the 1996 level. For 1998, fishmeal production is expected to be lower. With all stocks already sold, supply to the world market would be short and prices expected to soar. With fishmeal prices high, possibilities for substitution of fishmeal with other protein meals increase.

Global production of ***fish oil*** did not increase in 1997, due in part to the fishing bans in South America. In addition, the oil content in the fish was very low, due to the El Niño effect. Exporters of fish oil from South America also faced difficulties meeting specifications of importers. At current higher prices, processors could substitute fish oil with other oil sources, such as vegetable oils.

Production

	1991-93 Average	1994	1995	1996 Prel.
	Million tonnes			
World total	**100.4**	**110.5**	**113.1**	**116.7**
China[1]	15.2	20.7	24.4	27.4
Peru	7.8	12.0	8.9	9.5
Chile	6.2	7.8	7.6	6.9
Japan	8.6	7.4	6.8	6.6
United States	5.7	5.9	5.6	5.4
India	4.3	4.7	4.9	5.0
Russian Federation	5.7	3.8	4.4	4.7
Indonesia	3.5	3.9	4.1	4.4
Thailand	3.2	3.5	3.5	3.6
Norway	2.4	2.6	2.8	3.0
Korea, Rep.	2.6	2.7	2.7	2.8
Philippines	2.3	2.2	2.2	2.1
Iceland	1.4	1.6	1.6	2.1
Dem. P. Rep. of Korea	1.8	1.8	1.9	1.8
Denmark	1.8	1.9	2.0	1.7
Others	27.8	27.8	29.6	29.7

[1] Excludes Taiwan Province and Hong Kong SAR.

Imports

	1991-93 Average	1994	1995	1996
	Million $			
World	**44 441**	**51 093**	**56 051**	**56 892**
Japan	13 035	16 140	17 853	17 024
United States	6 105	7 043	7 141	7 080
France	2 806	2 797	3 221	3 194
Spain	2 759	2 639	3 106	3 135
Italy	2 488	2 257	2 281	2 591
Germany	2 063	2 316	2 479	2 543
United Kingdom	1 816	1 880	1 910	2 065
Denmark	1 147	1 415	1 574	1 619
China	565	856	941	1 184
China (Hong Kong SAR)	1 336	1 647	1 832	1 928
Canada	728	913	1 034	1 159
Netherlands	849	1 018	1 192	1 142
Korea, Rep.	535	718	825	1 057
Belgium	778	921	1 036	966
Thailand	942	816	826	818
Portugal	707	670	763	783
Singapore	524	620	660	642
Chinese Prov. of Taiwan	498	561	590	613
Sweden	427	449	546	587
Norway	321	324	490	536
Brazil	176	261	398	481
Australia	366	431	426	475
Switzerland	379	390	418	396
Others	3 094	4 010	4 509	4 873

[1] Excludes Taiwan Province and Hong Kong SAR.

Exports

	1991-93 Average	1994	1995	1996
	Million $			
World	**40 182**	**47 457**	**52 055**	**52 780**
Thailand	3 126	4 190	4 449	4 118
Norway	2 340	2 735	3 123	3 416
United States	3 348	3 230	3 384	3 148
China [1]	1 428	2 320	2 854	2 857
Denmark	2 258	2 359	2 460	2 699
Chinaese Prov. of Taiwan	1 900	2 213	2 328	2 362
Canada	2 103	2 182	2 314	2 291
Chile	1 148	1 304	1 704	1 697
Russian Federation	1 033	1 720	1 635	1 686
Indonesia	1 261	1 583	1 667	1 678
Korea, Rep.	1 395	1 411	1 565	1 513
Netherlands	1 353	1 436	1 447	1 470
Spain	766	1 021	1 191	1 461
Iceland	1 223	1 265	1 343	1 426
India	719	1 125	1 241	1 215
Peru	567	980	870	1 120
United Kingdom	1 102	1 180	1 195	1 081
France	913	910	993	1 003
Germany	687	790	899	958
Ecuador	591	724	872	925
Argentina	572	728	918	822
New Zealand	620	692	811	816
Australia	629	758	855	798
Morocco	567	620	786	743
Mexico	381	481	708	739
Japan	802	743	713	711
Others	7 348	8 756	9 730	10 026

[1] Excludes Taiwan Province and Hong Kong SAR.

Forest products

HIGHLIGHTS

Two major highlights in the global market for forest products in 1997 were: the strong recovery in the European markets and the notable increase in world pulp and paper production, after the decline in 1996. The markets for European forest products recovered from the very slack demand seen during most of 1996. Demand strengthened and consumption of nearly all forest products rose. At the same time, markets remained highly competitive and prices for some products were under downward pressure. In North America, market conditions continued to remain satisfactory as consumption of all forest products was up. Towards the end of the year, however, demand for coniferous sawnwood in the United States weakened notably as a reflection of a down-turn in housing starts and prices fell markedly.

In some countries in transition, such as Poland and Romania, demand for mechanical forest products was estimated to grow strongly in 1997. Consumption in the Russian Federation was estimated to have continued to fall in 1997. However, a recovery is expected in 1998.

In 1997, Japan experienced a marked decline in wooden housing starts reflecting the lack of growth in the economy. As a result, Japanese imports of processed wood products, both temperate and tropical, which had grown steadily in previous years, decreased sharply.

Prices for most tropical wood products such as logs, sawnwood and plywood experienced notable declines in 1997 reflecting the weak demand in major importing countries in Asia. On the other hand, international prices for wood pulp and some paper products recovered marginally after the very sharp fall of 1996. For most other wood products, prices rose marginally in 1997.

The total value of world trade in forest products, which had declined sharply in 1996 reflecting falling pulp and paper prices, recovered strongly in 1997. The value of exports of these two products, mainly exported by developed countries, rose by 5 percent. On the other hand, the value of exports of the developing countries declined, reflecting lower prices for tropical wood products.

INDUSTRIAL ROUNDWOOD

In 1997, world production of ***roundwood*** is estimated to have grown by only 2 percent, mainly reflecting the steadily growing trend in the use of ***fuelwood and charcoal*** in the developing countries and the notable recovery in ***industrial roundwood*** production in the developed countries. Fuelwood continued to remain the main roundwood component and the dominant energy source in many developing countries.

Coniferous logs and ***pulpwood*** removals enjoyed one of the strongest growths in 1997 reflecting the much improved performance of forest industries in most developed countries, following the poor record in 1996. The increase in pulpwood production is attributed to the strong recovery of the pulp and paper industries in most developed countries. Sweden and Finland reported increases in pulpwood removals of 8 and 12 percent respectively, while Canada's production was estimated to be up 6 percent. On the other hand, production in the Russian Federation is estimated to have fallen by a further 10 percent. Pulpwood output in the United States remained at the previous year’s high level, reflecting the increased use of recovered paper as a fibre source. The increased activity of the

sawmilling sector in Europe and the continuation of the positive trend in sawnwood production in North America led to a notable recovery in the production of coniferous logs.

Production of ***non-coniferous logs of the temperate regions***, almost exclusively confined to the developed countries, recovered in 1997 due to the improved market situation in Europe for furniture and parquet. Production in North America continued to increase notably - in the United States, production was up 4 percent and exports grew much more rapidly.

Production of ***tropical logs,*** exclusively confined to the developing countries, is estimated to have grown only marginally in 1997. Despite an increased domestic demand, production in these countries was hampered by logging restrictions introduced to protect tropical forests. Many logging companies in the tropics have also been required to adhere to strict sustainable forest management plans.

With the exception of tropical roundwood, trade in industrial roundwood, both coniferous and non-coniferous from the temperate zone, increased in 1997. Trade in ***coniferous industrial roundwood*** grew in 1997 by about 1.5 percent, recovering from the decline of 1996. There were, however, different trends among products. Exports from the United States of coniferous logs, a major component of coniferous roundwood trade, continued its secular downward trend, declining by a further 8 percent in 1997, partly reflecting harvesting restrictions in the forests of the Pacific Northwest. On the other hand, exports from Western Europe and the Russian Federation were reported to have increased. Increased log exports from Russia were directed mainly to the Baltic countries, Turkey, Hungary, Japan and the Republic of Korea. Trade in coniferous pulpwood also increased, albeit at a slower rate than logs. A notable increase was reported for pulpwood exports from the Russian Federation and from some Baltic countries and mainly directed to the pulp industries in the Scandinavian countries. The past few years have seen an increased globalization of trade in wood raw materials, notably pulpwood. In the European markets, competition from low cost wood sources exerted downward pressure on prices.

Trade in ***non-coniferous industrial roundwood*** in 1997 is estimated to have grown by about 3 percent, double the growth in coniferous industrial roundwood. While European trade remained at the previous year's low level, exports (mainly pulpwood) from countries of the former USSR increased notably, reflecting the continuation of the positive export trend of the Baltic countries. Exports of non-coniferous logs from the United States reached some 1.5 million m^3, up 3 percent, and were mainly directed to Canada and the Pacific Rim.

Trade in ***tropical logs*** declined by an estimated 11 percent in 1997, continuing a secular trend as some of the main log exporters introduced export bans or restrictions in order to encourage domestic processing. In addition, log markets in the Pacific Rim were very depressed as demand in some major Asian markets fell sharply in the last part of 1997. Thus, log exporters from Solomon Islands and Papua New Guinea are reported to have faced the worst market conditions in a decade with prices falling rapidly. Log exports from the state of Sarawak in Malaysia, the world’s largest exporter, went down by an estimated 25 percent.

MECHANICAL WOOD PRODUCTS

World sawnwood markets recovered strongly in 1997 led by a vigorous production growth in Europe. In addition, market conditions in North America remained very favourable. World ***sawnwood*** production is estimated to have grown in 1997 by 2.5 percent despite a further decline in sawnwood production in the Russian Federation, by about 12 percent, reflecting a weak domestic demand, shortage

of capital by sawmills and high log transportation costs.

The increase in output of ***coniferous sawnwood*** in Europe in 1997 is mainly attributed to the notable rise of sawnwood consumption in Germany (plus one million m^3) and to stock build-up in some Scandinavian countries to normal levels after a sharp decline in 1996. Despite a slowdown in housing starts in the United States in the second part of 1997, demand for residential housing in North America as a whole remained strong. Because of strong economic growth, housing starts went up by 20 percent in Canada; as a result, domestic consumption of coniferous sawnwood was estimated at some 30 percent higher. In the United States, consumption was up 4 percent and production by an estimated 7 percent.

Production of ***non-coniferous sawnwood from the temperate regions*** is estimated to have grown marginally in 1997. European production appeared to have ended its secular decline and grew marginally. Output in the Russian Federation declined sharply, by 23 percent. On the other hand, production in North America is estimated to have grown considerably, thanks to 16 percent expansion of exports from the United States.

Trade in ***coniferous sawnwood*** in 1997 is estimated to have remained at the previous year's level. While trade grew in Europe, with 2 million m^3 exported to Japan from Finland, Sweden, Germany and Austria, it declined in North America due to lower imports by the United States from Canada, partly owing to the slower pace of housing starts in the United States. The Softwood Lumber Agreement, signed in 1996, between the United States and Canada continued to be controversial, and in mid-1997, the United States Congress introduced legislation to reverse the Agreement.

Trade in ***non coniferous sawnwood from the temperate zone*** is estimated to have increased by 7 percent in 1997, mainly led by increasing exports from the United States and was directed to Europe and Asia. The Asian furniture industry is increasing the processing of the raw material and exporting higher value products such as furniture and furniture parts.

Tropical sawnwood trade was estimated to have fallen by a further 5 percent in 1997 as many producing countries are favouring exports of processed products. In addition, markets in the Pacific Rim were facing severe economic difficulties and demand fell sharply. Exports from Malaysia, the world's largest exporter, went down by almost 20 percent. On the other hand, Malaysian exports of wooden furniture were up by 10 percent, mainly drawing from rubber wood grown in plantations.

World production of ***wood based panels*** was estimated to have increased by 2 percent in 1997, the expansion being slightly stronger in the developed countries. As in the past, there were notable differences among products. Production of ***plywood*** declined further in 1997 by an estimated 3 percent in the developed countries and by 8 percent in the developing countries. In North America, the largest producing region, plywood continued to suffer from competition from Oriented Strand Board (OSB) in the structural panel market, which faced overcapacity and saw prices fell to very low levels.

Production of ***tropical plywood*** is estimated to have declined by 8 percent in 1997. Indonesian production was estimated to be down by half a million m^3 or by 7 percent, while Malaysian production fell 9 percent. Demand also fell in major Asian markets. In addition, the use of softwood plywood is increasing in Japan, replacing tropical plywood in structural uses.

World production of ***particleboard*** is estimated to have grown by 5 percent in 1997. There was a notable expansion of both production and consumption in North America, by 9 percent, led by a further growth

of OSB, often replacing plywood. Over-capacity in the market led to considerably depressed prices. European production rose only slightly and markets remained very competitive, while some less efficient mills closed. European production of OSB is still limited, at about 2 percent of total production. Production of particleboard in the developing countries was reported to have increased considerably.

The expansion of world production of ***fibreboard,*** by 5 percent in 1997, is attributed to the continuation of the strong growth of Medium Density Fibreboard (MDF). European MDF represents 70 percent of the total fibreboard capacity, with an increasing portion exported outside the region. Also elsewhere, the MDF capacity continues to expand, especially in Canada. Major growth is also reported in the developing countries.

Trade in wood based panels is estimated to have grown by only 2 percent in 1997. The growth was confined to the developed countries and mainly in North America, due mainly to the expansion of OSB and MDF. OSB exports from Canada rose by 12 percent. Trade in tropical plywood declined due to weakened demand in Asia, but Asian imports of MDF from Europe and North America continued to grow. Exports from Indonesia were down by half a million m^3, those from Malaysia by an estimated 5 percent.

PULP AND PAPER

World production of ***wood pulp*** increased by 4 percent in 1997, recovering from the previous year's slump. This increase was due to higher production of paper as wood pulp is the key raw material. Pulp prices recovered from last year's low by about 5 percent but were still 35 percent less than the peak reached in 1995. Inventories decreased from the 1996 highs of 2.5 million tonnes to 1.6 million tonnes, which is considered to be closer to that of a balanced market. The "commodity" nature of the pulp markets and the increasingly volatile and rapid price cycles have led to the establishment of futures contracts for market pulp in Helsinki and London.

World production of ***paper and paperboard*** increased by about 6 percent in 1997, more rapidly than wood pulp. The strongest growth was seen in Western Europe with remarkable growth in graphic grades while growth in Japan was one of the slowest, reflecting the sluggish economic performance. Because of the Asian financial crisis, analysts have predicted a decline in Asian consumption in 1998, which is expected to depress world demand for pulp and paper in 1998, leading to sharply reduced prices.

Production

	1992-94 Average	1995	1996	1997 Est.
WORLD TOTAL				
		Million m^3		
Roundwood	3 279	3 327	3 335	3 394
Fuelwood and charcoal	1 801	1 834	1 865	1 898
Industrial roundwood	1 478	1 492	1 470	1 496
Sawlogs and veneer logs :				
coniferous	601	614	606	622
non-coniferous	305	306	306	309
Pulpwood and particles	402	419	406	414
Other industrial roundwood	169	153	152	152
Sawnwood and sleepers	434	428	429	439
Wood based panels	128	146	149	152
		Million tonnes		
Wood pulp	155	162	156	162
Paper and paperboard	260	287	287	303
DEVELOPING COUNTRIES				
		Million m^3		
Roundwood	2 014	2 059	2 106	2 152
Fuelwood and charcoal	1 593	1 637	1 678	1 720
Industrial roundwood	422	422	429	432
Sawlogs and veneer logs :				
coniferous	81	82	85	86
non-coniferous	178	174	177	177
Pulpwood and particles	63	63	63	64
Other industrial roundwood	100	102	104	105
Sawnwood and sleepers	111	113	114	115
Wood based panels	34	45	46	47
		Million tonnes		
Wood pulp	15	17	19	19
Paper and paperboard	52	66	68	71
DEVELOPED COUNTRIES				
		Million m^3		
Roundwood	1 265	1 268	1 228	1 242
Fuelwood and charcoal	209	197	187	178
Industrial roundwood	1 056	1 070	1 041	1 064
Sawlogs and veneer logs :				
coniferous	520	532	522	536
non-coniferous	271	132	129	132
Pulpwood and particles	339	356	343	350
Other industrial roundwood	69	51	48	47
Sawnwood and sleepers	324	315	315	324
Wood based panels	94	101	103	106
		Million tonnes		
Wood pulp	140	144	138	143
Paper and paperboard	208	221	219	232

Exports

	1992-94 Average	1995	1996	1997 Est.
		Million m^3		
INDUSTRIAL ROUNDWOOD, coniferous				
World total	**43.9**	**49.3**	**45.7**	**46.4**
Developing countries	**2.8**	**4.0**	**3.6**	**3.4**
Developed countries	**41.2**	**45.3**	**42.1**	**43.0**
North America	14.3	12.3	11.3	10.4
Europe	12.5	12.6	10.9	11.9
Area of the former USSR	9.6	14.6	13.8	14.6
INDUSTRIAL ROUNDWOOD, non-coniferous				
World total	**14.3**	**22.6**	**18.0**	**18.6**
Developing countries	**1.3**	**2.5**	**2.0**	**2.2**
Developed countries	**13.0**	**20.1**	**16.0**	**16.6**
North America	1.4	1.7	1.6	1.9
Europe	6.2	6.7	6.0	6.0
Area of the former USSR	5.3	11.5	8.2	8.5
CONIFEROUS ROUNDWOOD, tropical				
World total	**20.6**	**15.8**	**15.0**	**13.4**
Developing countries	**20.5**	**15.7**	**14.9**	**13.3**
Far East	13.5	9.6	8.6	7.5
Africa	4.2	4.0	4.0	3.8
Oceania	2.7	2.1	2.2	2.0
SAWNWOOD AND SLEEPERS				
World total	**101.1**	**110.0**	**111.0**	**111.0**
Developing countries	**12.6**	**11.8**	**11.4**	**10.8**
Latin America	2.4	3.4	3.3	3.4
Africa	1.3	1.5	1.3	1.3
Far East	8.3	6.4	6.0	5.4
Developed countries	**88.5**	**98.2**	**99.6**	**100.2**
North America	51.0	55.4	57.6	57.1
Europe	29.6	33.4	33.5	34.4
of which Eastern Europe	4.2	5.0	4.8	5.2
Area of the former USSR	6.8	8.2	7.3	7.3
WOOD BASED PANELS				
World total	**33.4**	**41.5**	**44.1**	**44.9**
Developing countries	**15.6**	**17.0**	**17.6**	**16.9**
Latin America	1.4	2.0	2.2	2.3
Far East	14.2	14.4	14.8	14.0
Developed countries	**18.3**	**24.5**	**26.5**	**28.0**
North America	7.0	8.9	9.8	11.0
Europe	11.3	13.0	14.2	14.6
		Million tonnes		
PAPER AND PAPERBOARD				
World total	**66.5**	**74.5**	**73.2**	**75.1**
Developing countries	**6.4**	**6.5**	**7.3**	**7.1**
Latin America	1.6	1.4	1.4	1.5
Far East	4.4	4.7	4.9	4.6
Developed countries	**60.1**	**68.0**	**65.9**	**68.0**
North America	20.1	22.4	22.5	22.8
Europe	37.0	41.7	39.7	41.5

Value of exports

	1992-94 Average	1995	1996	1997 Est.
World total				
All forest products exports	106.5	143.2	131.7	136.0
Roundwood exports	10.1	11.5	10.9	10.5
Sawnwood and panels exports	34.2	40.1	40.7	41.0
Pulp and paper exports	60.5	89.6	78.9	84.5
Developing countries				
All forest products exports	19.8	24.4	23.3	22.2
Roundwood exports	3.6	4.0	3.9	3.4
Sawnwood and panels exports	10.4	11.4	11.2	10.8
Pulp and paper exports	5.6	8.8	8.1	8.0
Developed countries				
All forest products exports	86.7	118.8	108.4	113.8
Roundwood exports	6.5	7.5	7.0	7.1
Sawnwood and panels exports	23.8	28.7	29.6	30.2
Pulp and paper exports	55.0	80.9	70.8	76.5

Prices

	1992-94 Average	1995	1996	1997 Est.
		$/m³		
Coniferous logs				
Germany (domestic price)	93	121	98	98
United States (export price)	190	190	187	189
Tropical logs				
Cameroon (export price)	301	305	285	283
Malaysia, Sarawak (export price)	301	258	254	245
Coniferous sawnwood				
United States (framing composite price)	202	188	223	234
Tropical sawnwood				
Malaysia Peninsula (Export price)	729	740	741	714
		$/ tonne		
Wood pulp				
Northern softwoods	519	873	546	575
Newsprint				
United States (domestic price)	515	739	728	600
Coated paper				
United States (domestic price)	1 023	1 310	1 058	1 065

Imports

	1992-94 Average	1995	1996	1997 Est.
			Million m³	
INDUSTRIAL ROUNDWOOD, coniferous				
World total	**43.9**	**50.3**	**46.6**	**47.3**
Developing countries	**8.7**	**8.8**	**8.7**	**7.2**
Developed countries	**35.2**	**41.5**	**37.9**	**40.1**
North America	4.3	5.8	5.2	5.6
Europe	16.0	19.9	17.0	19.0
Japan	14.8	14.9	14.7	14.5
INDUSTRIAL ROUNDWOOD, non-coniferous				
World total	**19.5**	**27.1**	**20.7**	**21.3**
Developing countries	**1.6**	**1.7**	**1.5**	**1.8**
Developed countries	**17.9**	**25.4**	**19.3**	**20.5**
North America	1.2	1.6	1.5	1.8
Europe	16.0	23.1	17.3	18.0
Japan	0.7	0.5	0.3	0.4
INDUSTRIAL ROUNDWOOD, tropical				
World total	**19.6**	**17.3**	**16.1**	**14.5**
Developing countries	**9.8**	**8.7**	**7.7**	**6.7**
Far East	9.4	8.4	7.4	6.5
Developed countries	**9.8**	**8.6**	**8.4**	**7.8**
Europe	2.2	1.9	2.0	2.1
Japan	7.3	6.5	6.3	5.5
SAWNWOOD AND SLEEPERS				
World total	**100.1**	**107.8**	**108.9**	**109.0**
Developing countries	**15.3**	**17.2**	**17.5**	**17.2**
Latin America	0.6	0.4	0.4	0.4
Africa	3.7	5.2	5.0	5.0
Far East	7.3	8.2	8.5	8.1
Developed countries	**84.8**	**90.6**	**91.4**	**91.8**
North America	37.2	42.9	45.5	45.1
Europe	35.3	33.7	32.5	33.8
Japan	10.2	11.8	11.5	11.0
WOOD BASED PANELS				
World total	**35.8**	**41.6**	**43.5**	**44.3**
Developing countries	**10.2**	**12.0**	**12.0**	**12.1**
Latin America	0.2	0.3	0.3	0.3
Far East	7.5	9.3	9.2	9.2
Developed countries	**25.6**	**29.6**	**31.5**	**32.2**
North America	6.2	7.8	9.1	10.5
Europe	13.8	14.8	14.8	14.3
Japan	5.0	6.0	6.7	6.4
			Million tonnes	
PAPER AND PAPERBOARD				
World total	**65.0**	**69.6**	**68.1**	**70.0**
Developing countries	**16.1**	**16.7**	**17.8**	**17.0**
Latin America	2.0	2.7	2.7	2.7
Far East	9.5	9.6	10.5	9.8
Developed countries	**48.9**	**52.9**	**50.3**	**53.0**
North America	12.7	14.4	13.3	14.1
Europe	33.0	34.5	33.2	34.7