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OPEC finally agrees, but plan to end oil glut may fail

By Thomas R. Stouffer
The Christian Science Monitor

VIENNA — Will the oil glut soon be over? Will prices stop falling? Has OPEC devised a plan to soak up the world's surplus oil?

OPEC countries, meeting over the weekend, hope the answer is "yes." For the first time, they have formally agreed to cut oil output to prop up their benchmark price of $34 a barrel.

But OPEC's premise for its strategy could be in question.

Some, like Sheikh Ali Khalifa Sabah of Kuwait, think the glut arose because oil companies "psyched out" the oil-producing nations by juggling their inventories. All OPEC ministers attribute the sharp decline in oil prices to major oil companies unloading their surplus stocks as well as a media campaign to talk down prices.

The assumption, at least within OPEC, is that the crisis has been created artificially and that in time, oil prices will bounce back.

But a number of oil experts said that they think OPEC has badly miscalculated and that other factors are at work that not only explain the fall in prices but also might force the glut to stay around for some time yet.

This school of thought suggests that what has caught OPEC unaware is greater-than-expected conservation by Western countries, a recession, and a rise in the production of non-OPEC oil. Non-OPEC countries now account for as much as 48 percent of the non-communist world's oil.

Most of the cut in oil production at the Vienna emergency meeting was done by Saudi Arabia — which is producing production 300,000 barrels a day. Other countries agreed to trim a total of 300,000 barrels a day. That will drop OPEC daily flow to 17.5 million barrels, down from 18.2 million — and far below the peak of 31 million barrels three years ago.

OPEC members hope that cutting output will end the rapid fall in prices threatening their oil revenues. One reason for cutting oil production was to maintain the existing $34-a-barrel benchmark, even though some OPEC members, like Iran and Nigeria, have been forced to sell their oil for a good deal less.

If the cutbacks suffice, price pressures may ease and discounts to consumers may stop.

In an interview, Kuwait's oil minister, Ali Khalifa Sabah, affirmed his confidence that the new OPEC strategy would work because the financially strapped producers were now emboldened to "sweat it out" until inventories are down in the summer and demand increases.

A key unknown in all this is how closely OPEC production will approximate market realities. The recession, for instance, could deepen and cut demand even more. Another wild card is the war between Iran and Iraq. If that ends soon, their output there could surge.

The OPEC agreement in Vienna was closely fought, and the atmosphere recriminatory. Deep political fissures were bridged only with difficulty. The Saudis were accused, but only in the corridors, of having helped to precipitate the price crisis through their earlier refusal to cut output.

Whatever the outcome, the meeting was significant for producing OPEC's first formal agreement. Previously, OPEC members operated on a gentlemen's agreement.

OPEC's next scheduled meeting will be May 30.

Associated Press

Protest at factory

A police officer used a "pepper fogger" to spray tear gas at strikers blocking the main entrance to the Brown & Sharpe precision tool factory in North Kingstown, R.I., yesterday morning. Police dispersed about 75 strikers, some of 500 who conducted a show of solidarity as the strike against the factory entered its 22nd week.

Regulators OK new certificate for depositors

By Robert Furlow
Associated Press

WASHINGTON — Federal financial regulators voted yesterday to authorize a new high-interest, three-month savings certificate at banks and savings and loan institutions and to gradually end interest ceilings on accounts other than passbooks by 1986.

The short-term certificates authorized by the Depository Institutions Deregulation Committee will be available in minimum deposits of $7,500 compared with the $10,000 minimum for six-month certificates already offered by most banks and S&Ls.

Interest rate ceilings, which are linked to the rates on Treasury securities, will be comparable for the six- and three-month certificates — about 12.6 percent for both six- and three-month T-bills in Monday auctions.

The main effect for American savers will be to make relatively high government-insured rates available to slightly more people.

There could be a bigger effect for the nation's beleaguered savings and loan associations since they will be allowed to offer one-quarter percentage point more interest than commercial banks on the three-month certificates.

The U.S. League of Savings Associations lobbied hard for that competitive advantage, which is not available on six-month certificates under most conditions. The American Bankers Association wanted a new short-term certificate to help banks compete with unregulated money-market mutual funds.

But the bankers wanted no interest ceiling and no differential.

Under the plan approved yesterday, the differential it to expire in one year and also will disappear if T-bill yields should fall to 9 percent or less for four straight weeks.

Among the five members of the committee, only William Isaac, chairman of the Federal Deposit Insurance Corp., voted against the motion, arguing that the new certificate would draw money from low-interest passbook accounts and thereby harm already suffering mutual savings banks in New York.

The DIDC also voted 4-1 to phase out almost all interest rate ceilings by 1986, this time with the opposing vote coming from Richard Pratt, chairman of the Federal Home Loan Bank Board.

The proposal was similar to one approved last year but then blocked by a federal court acting on the savings associations' complaint that the plan did not retain interest differentials now existing for various account categories.

The new version tries to get around that problem by specifying deregulation for accounts that differ slightly in length of maturity from the existing accounts — in effect creating new accounts with no history of differentials.

The first phase of that deregulation plan — ending interest limits on accounts of 2½ years or longer — takes effect May 1.

Analysts say pact gives GM an edge

By Ann Job Wooley
Associated Press

DETROIT — With its tentative pact with the United Auto Workers Union, General Motors Corp. gained more ammunition to battle Japanese competitors than Ford Motor Co. got in its contract signed earlier, industry analysts said yesterday.

"GM wanted more from the start," said Harvey E. Heintach, vice president at Merrill Lynch, Pierce, Fenner & Smith Inc. in New York. "And they worked a little harder to get it."

The UAW's 26-member international executive board voted unanimously yesterday to recommend approval of the tentative pact, union spokesman David Mitchell said.

The next step is a vote Thursday in Chicago by the UAW's 200-member GM council. The council, made up of local union leaders, can vote to recommend that rank and file approve or reject the pact, or make no recommendation.

Heintach said GM clearly intends to improve productivity as well as inhibit the growth in workers' pay. He cited GM's push for help from the union in curbing rising health care costs and worker absenteeism, and strong insistence on changes in plant work rules — things not included in the Ford agreement.

"Both things must be addressed to compete with the Japanese," he said.

In exchange, GM promised to keep open four plants that it had planned to close. The automaker offered prepaid legal service for workers, better discounts for workers who buy GM vehicles, and expanded eligibility among laid-off workers for guaranteed income.

GM and the UAW reached tentative agreement on a 30-month pact late Sunday after 37 straight hours of bargaining. Under the accord, GM's 320,000 U.S. autoworkers would defer three cost-of-living allowance boosts scheduled for later this year, accept a wage-freeze and give up nine paid personal holidays a year.

In addition, workers lose their December Sunday bonus payment, and new employees would start at lower wage and benefit scales.

GM gave the union a two-year moratorium on plant closings related to the subcontracting of work to non-union and overseas facilities, improved Supplemental Unemployment Benefits and profit-sharing.

Business Briefs

Kentucky

Kentucky Utilities Co. earned $43 million or $2.37 a share of common stock during the 12 months that ended Feb. 28, compared with $30.7 million and $1.78 for the similar period of 1980-81. Operating revenues rose from $385.9 million last fiscal year to $456.4 million this year, the company said. KU, based in Lexington, is the state's largest electric utility.

A workshop on home-based careers will be held at 9:30 a.m. Saturday at the University of Kentucky Student Center Theater. The program is for adults who are considering a career change or who are re-entering the work force. The fee is $5. For more information, call (606)257-3363.

Sperry Univac Computer Systems has moved its marketing and engineering offices to Southcreek Park No. 2, 2365 Harrodsburg Road. The new phone number is (606) 223-5555.

Commercial and industrial business failures in Kentucky increased from 10 in June 1980 to 13 in June 1981, according to the Business Economics Division of Dun & Bradstreet Corp. During the first six months of 1981, 90 companies with liabilities of $19.7 million went out of business, compared with 76 and $21.5 million during the similar period of 1980.

Wal-Mart Stores Inc. plans to open a Wal-Mart Discount City store at U.S. 62 and U.S.127 in Lawrenceburg. The 34,075-square-foot retail outlet will have about 50 employees. The opening date will be announced later, the company said. Wal-Mart, based in Bentonville, Ala., now has 498 stores in 13 states, including Kentucky.

GAF willing to merge with another company

NEW YORK — GAF Corp., which recently completed a major restructuring, said yesterday that it is willing to be acquired by an unnamed company or at least to sell its building materials business.

In a terse statement, GAF said a "major corporation" had asked whether GAF was interested in being merged into that company and that two other corporations had asked if GAF would sell its building materials unit.

Stock market rally gathers momentum

By Chet Currier
Associated Press

NEW YORK — The stock market rang up its best gain in almost two months yesterday as the rally that began last week gathered momentum.

The Dow Jones average of 30 industrials, which had risen 9.88 points last Thursday and Friday, climbed 13.88 to 639.54. That was the largest single-day gain for the average since it rose 21.38 on Jan. 28.

Volume on the New York Stock Exchange reached 57.61 million shares, against 46.25 million Friday.

The New York exchange's composite index rose 1.24 to 64.96.

Nationwide turnover in issues listed on the New York exchange, including trades in those stocks on regional exchanges and in the over-the-counter market, totaled 67.15 million shares.

Standard & Poor's index of 400 industrials rose 2.32 to 123.27, and S&P's 500-stock composite index was up 2.16 at 112.77.

At the American Stock Exchange, the market value index gained 7.19 to 280.81. The NAS-DAQ composite index for the over-the-counter market closed at 173.83, up 2.07.

Agricultural & Money Markets

Interest rates

Prime lending rate at large New York banks: 16½.
Commercial paper: 30-180 days, 13.90-13.45. Finance company: 30-270 days, 13.75-13.65.
Interbank offered rates: Eurodollars: Spot/next, 30-59 days, 15.75-15.65; 60-89 days, 15.65-15.55; 90-119 days, 15.75-15.65; 120-149 days, 15.75-15.75; 150-179 days, 15.90-15.80; 180-270 days, 15.90-15.80.
Certificates of deposit: 30-89 days, 13.70-13.60; 90-119 days, 13.80-13.70; 120-149 days, 13.90-13.80; 150-179 days, 13.95-13.85; 180-270 days, 13.95-13.85; 271-364 days, 13.95-13.85.
Treasury bills: three-month as of March 19, 12.908; six-month as of March 19, 12.662.
Six-month savings certificates: as of March 9, 12.33%; commercial banks, 13.05; as of March 16 thrifts, 13.21; commercial banks, 13.21.

Gold

London afternoon fixing $320.80, up $0.05.
Paris $321.75, off $0.61.
Frankfurt $321.00, up $0.50.
Zurich (late fixing $320.00, up $0.80 bid; $323.00 asked).
Handy & Harman (only daily quote) $320.00, up $0.35.
Engelhard (only daily quote) $320.80, up $0.05.
Engelhard (only daily quote) manufactured $338.84, up $0.30.

Silver

Silver $7.066 troy ounce, Handy & Harman (only daily quote).
Silver futures prices yesterday in troy ounces (a troy ounce equals 1.09 avoirdupois ounces). The "hunge" in foreign markets (prices issued by groups of major gold dealers, based on buy and sell orders on their books) are subject to change in subsequent trading.

Financial futures

	Open	High	Low	Settle	Chg.
GOLD					
100 troy oz.; dollars per troy oz.					
Mar	320.60	324.20	320.50	323.50	+0.80
Apr	322.80	325.00	321.80	324.80	+0.80
May				326.10	+0.80
Jun	326.00	328.50	327.00	328.00	+0.80
Jul	327.80	329.50	324.50	329.00	+1.00
Aug	329.00	331.00	326.00	330.50	+1.00
Sep	331.00	333.00	330.00	332.00	+1.00
Oct	331.00	333.00	330.00	333.00	+1.00
Dec	334.00	336.00	333.00	335.00	+1.00
Jan	336.00	337.00	336.00	336.00	+0.40
Feb	338.00	339.00	338.00	338.00	+0.40
Mar				339.90	+0.40
Apr	342.00	342.00	342.00	342.00	+1.70
Jun	342.50	342.50	342.50	343.50	+1.70
Dec				352.00	+1.70
Prev. sales 30,000					
Prev. day's open int 132,075, off 1,362					
SILVER					
5,000 troy oz.; cents per troy oz.					
Mar	710.0	713.0	708.0	711.0	+10.0
Apr	712.0	717.0	710.0	714.0	+10.0
May	723.0	724.0	719.0	723.0	+10.0
Jul	735.0	736.0	731.0	734.0	+10.0
Sep	746.0	748.0	743.0	746.0	+10.0
Dec	757.0	760.0	755.0	758.0	+10.0
Mar	779.0	780.0	775.0	778.0	+10.0
May	789.0	790.0	785.0	788.0	+10.0
Jul				801.0	+10.0
Sep				814.0	+10.0
Dec				827.0	+10.0
Jan				841.0	+10.0
Mar				854.0	+10.0
May				867.0	+10.0
Jul	910.0	910.0	910.0	880.0	+10.0
Prev. sales 7,195					
Prev. day's open int 27,587, off 660.					
U.S. Treasury bills					
$1 million; pts. of 100 pct.					
Apr	87.26	87.53	87.23	87.52	+.44
Jun	87.13	87.39	87.08	87.37	+.38
Sep	86.90	87.16	86.85	87.13	+.35
Dec	87.00	87.44	86.80	87.09	+.32
Mar	86.95	87.32	86.94	87.21	+.30
Jun	86.80	87.15	86.80	87.07	+.29
Sep	87.02	87.10	86.80	87.07	+.29

Cattle markets

Blue Grass, Louisville, Omaha reported by the Federal-State Market News Service Monday Sales

	NO	LOW	OMA
CATTLE			
Receipts	1,000	2,100	n-a
SLAUGHTER COWS			
"Prime Trend"	1 hr	33-34	n-a
Utility	34-40	31-42	n-a
Cutter	34-39	33-38	n-a
Canner	29-34	28-32	n-a
SLAUGHTER BULLS			
"Prime Trend"	steady	—	n-a
Yield grade 1-2	44-52	48-51	n-a
VEALERS			
"Prime Trend"	steady	unchd	n-a
Choice	65-70	60-64	n-a
FEEDER STEERS			
Medium 1-2			
"Prime Trend"	1 hr	Sale	n-a
300-400 lbs.	84-91	82-88	n-a
400-500 lbs.	83-91	83-88	n-a
500-600 lbs.	78-85	77-84	n-a
600-700 lbs.	74-81	73-80	n-a
700-800 lbs.	69-84	69-82	n-a
800-900 lbs.	64-76	63-72	n-a
900-1000 lbs.	59-62	58-61	n-a
FEEDER HEIFERS			
Medium 1-2			
"Prime Trend"	1 hr	Sale	n-a
300-400 lbs.	84-92	82-90	n-a
400-500 lbs.	84-89	83-87	n-a
500-600 lbs.	78-85	77-84	n-a
600-700 lbs.	73-77	71-80	n-a
700-800 lbs.	63-67	60-66	n-a
STOCK COWS	300-480	no test	n-a
COWS W-CALVES	425-600	no test	n-a
BEEDING BULLS	—	no test	no test
BABY CALVES	—	no test	n-a

Hog, sheep markets

East St. Louis, Louisville, Omaha reported by the Federal-State Market News Service Monday Sales

	BT.LOU	LOU	OMA
SLAUGHTER HOGS			
Receipts	5,500	900	n-a
BARROWS & GILTS			
"Prime Trend"	1 hr	1.25hr	n-a
U.S. 1-2 200-230 lbs.	51-52	52-60	n-a
SLAUGHTER SOWS			
"Prime Trend"	1-2 hr	steady	n-a
U.S. 1-2 300-500 lbs.	40-50	41-44	n-a
SLAUGHTER BOARS			
Over 300 lbs.	42-50	41-50	n-a
	BT.LOU	LOU	OMA
SHEEP			
Receipts	no sale	20	n-a
SLAUGHTER LAMBS			
"Prime Trend"	no sale	steady	n-a
Choice & Prime	no sale	52-60	n-a
SLAUGHTER EWES	no sale	no sale	n-a
FEEDER LAMBS			
Good & Choice	no sale	no sale	n-a
* Price Trend compared to last sale			

Cash grain prices

	Chicago	Louisville	Cent. Ky.
CORN No. 2	2.77	2.68-2.80	2.57-2.67
SOYBEANS No. 1	6.08	5.90-6.08	5.80-5.87
WHEAT No. 2DURM	3.66	3.62	no bid

Chicago futures

	Open	High	Low	Settle	Chg.
CATTLE					
40,000 lbs.; cents per lb.					
Apr	67.75	67.90	67.05	67.55	+1.25
Jun	65.80	66.00	65.40	65.77	+1.45
Aug	63.45	63.42	63.10	63.37	+1.45
Oct	61.50	61.60	61.30	61.57	+1.45
Dec	61.40	61.60	61.40	61.55	+1.45
Feb	62.50	61.40	60.60	61.40	+1.50
Apr				61.90	+1.50
Prev. sales 13,223					
Prev. day's open int 34,560, off 691					
FEEDER CATTLE					
44,000 lbs.; cents per lb.					
Mar	67.42	67.42	67.05	67.42	+1.50
Apr	68.10	68.25	68.00	68.22	+1.50
Aug	64.90	65.27	64.60	65.25	+1.40
Sep	64.60	64.80	64.60	64.80	+1.40
Oct	64.75	64.80	64.60	64.80	+1.40
Nov	65.00	64.65	63.50	64.65	+1.35
Prev. sales 1,195					
Prev. day's open int 8,728, off 425.					
HOGS					
30,000 lbs.; cents per lb.					
Apr	51.57	51.57	51.57	51.57	+1.50
Jun	54.40	54.50	54.00	54.07	+1.50
Jul	54.47	54.47	53.47	53.47	+1.50
Aug	53.20	53.20	53.20	53.20	+1.50
Oct	54.00	54.00	53.00	53.02	+1.50
Dec	53.12	53.12	53.12	53.12	+1.50
Feb	53.50	53.50	53.50	53.50	+1.50
Apr	49.40	49.75	49.60	49.75	+1.50
Jun	50.40	50.40	50.30	50.40	+1.50
Prev. sales 11,140					
Prev. day's open int 38,538, up 1,310					
PORK BELLIES					
38,000 lbs.; cents per lb.					
Mar	75.70	75.70	75.70	75.70	+2.00
May	75.90	75.95	75.65	75.65	+2.00
Jul	75.90	75.95	75.45	75.45	+2.00
Aug	73.30	73.30	73.30	73.30	+2.00
Feb	71.00	71.00	71.00	71.00	+2.00
Mar				72.00	+2.00
Mar				72.90	+2.00
Jul	73.70	73.70	73.70	73.70	+2.00
Prev. sales 7,000					
Prev. day's open int 21,171, off 113.					
PLYWOOD					
76,000 lbs. minimum, dollars per hundred					
Mar	3.90	3.91	3.90	3.91	+.001
Apr	3.91	3.91	3.91	3.91	+.001
Jul	3.94	3.95	3.774	3.79	+.07
Sep	3.91	3.92	3.85	3.90	+.06
Dec	4.00	4.11	4.00	4.09	+.06
May	4.21	4.25	4.17	4.25	+.05
Prev. sales 12,412.					
Prev. day's open int 45,625, off 691.					
CORN					
5,000 bu. minimum, dollars per bushel					
Mar	2.66	2.68	2.62½	2.62½	+.06¾
Jul	2.72½	2.73½	2.72½	2.73	+.06¾
Jul	2.81½	2.82	2.81½	2.82½	+.07
Sep	2.85½	2.85½	2.85	2.85½	+.07½
Dec	2.94	2.94½	2.93½	2.94½	+.07½
Mar	3.02	3.03	3.02	3.04	+.07½
Prev. sales 21,000.					
Prev. day's open int 133,942, up 764.					
OATS					
5,000 bu. minimum, dollars per bushel					
Mar	1.73½	1.73½	1.73½	1.73½	+.03½
Jul	1.67½	1.67½	1.67	1.66½	+.02
Sep	1.58	1.58	1.58	1.56½	+.01½
Dec	1.76½	1.76½	1.76½	1.75	+.01
Mar	1.77½	1.79½	1.76½	1.77½	+.01
Prev. sales 1,211.					
Prev. day's open int 7,663, off 376.					
SOYBEANS					
5,000 bu. minimum, dollars per bushel					
Mar	6.23	6.23	6.23	6.23	+.12
May	6.31½	6.31½	6.23½	6.27½	+.08½
Jul	6.43½	6.46	6.42	6.45½	+.08½
Aug	6.48	6.50½	6.44½	6.48	+.08½
Sep	6.50	6.52	6.46½	6.50½	+.08½
Nov	6.52	6.55½	6.49½	6.53½	+.08½
Jan	6.60	6.67½	6.60½	6.64½	+.04½
Mar	6.66	6.69	6.70	6.70½	+.04½
May				6.80½	+.04½
Prev. sales 27,916.					
Prev. day's open int 19,296, up 793.					

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