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A REVIEW OF DEVELOPMENTS IN THE INTERNATIONAL COMMODITY MARKETS DURING THE FIRST QUARTER OF 1983, WITH PARTICULAR REFERENCE TO NIGERIA'S AGRICULTURAL COMMODITIES

In spite of continued world recession, the international commodity markets have remained fairly stable since the fourth quarter of 1982. The widening gap between supply and demand, which had characterised the markets for most of the commodities up to the third quarter of 1982, appeared to have narrowed considerably during the fourth quarter of 1982 and the first quarter of 1983. Consequently, the all-commodities price index¹ of Nigeria's scheduled agricultural commodities for the 1983 first quarter rose further by 6.9 per cent over the level in the preceding quarter and by 0.8 per cent above that of corresponding quarter of 1982. The price increases affected virtually all scheduled commodities, except groundnut oil for which a price decline of 2.9 per cent was recorded.

Beverages

Developments in the markets for beverages have remained favourable during the last three consecutive quarters, beginning with the second quarter of 1982. In the case of **cocoa** for instance, it was an outright reversal of the downward trend in price observed during the preceding three quarters. At 168.3, Cocoa price index for the first quarter was 22.7 and 0.6 per cent higher than the levels in the preceding and corresponding quarters of 1982, respectively. The improvement was attributable to the sharp decline in production in major cocoa producing countries like Ivory Coast, Ghana and Nigeria due to a spell of dry weather and rampant fire outbreaks. For example, Nigeria's total production of cocoa which was estimated at 181,000 tonnes in 1981/82 season, is expected to decline to 170,000 tonnes in 1982/83.

Unfortunately, the buffer stock management which would have contributed to the stability of the market was not effective during the period. This was mainly due to the non-utilisation by the Buffer Stock Manager of the loan offer of US \$75 million from a Consortium of Brazilian Banks for intervention in the market. Lack of agreement by the International Cocoa Organisation (ICO) regarding how to maximise the impact of utilising the funds was responsible for the delay. Tentative arrangements to raise more funds for buffer stock operation from a Saudi Arabian Bank and through an additional one cent levy on every one pound of cocoa export did not also materialise. Another obstacle facing the new Cocoa Agreement was the conflict between the aims of cocoa consumers on the one hand and the producers on the other. While the former wanted the buffer stock levy of 1-3 cents per pound and a downward revision in the "trigger price" range treated as a package, the latter preferred the two measures to be treated separately.

The price of **coffee** has also been on the increase since the fourth quarter of 1982, although at a much lower rate. At 226.3, the price index for coffee was 6.3 and 21.1 per cent higher than the levels in the preceding quarter and the corresponding quarter of 1982, respectively. Prompt action by the International Coffee Council to extend the life of the

second International Coffee Agreement to 30th September, 1983 coupled with rigid compliance by producers with their individual quotas were largely responsible for the observed improvement in coffee price in these two quarters. In addition, the International Coffee Organisation intensified its consumption promotion campaigns. Recently a Coffee Information Centre was opened in London and similar centres are to be opened in other big consuming countries in due course.

Vegetable Oils and Oil Seeds

There was a slight improvement in the prices of all commodities within this group during the quarter. The only exception was groundnut oil whose price continued to decline. As with beverages, the continued decline in the production of vegetable oils and oil seeds, especially groundnuts was largely responsible for the increase in prices. For instance, Nigeria's output of groundnuts has continued to decline due to rampant infestations by pest and diseases and adverse weather conditions especially in the last two years. Nigeria is yet to match its pre-Sahelian drought annual production level of 800,000 tonnes. Bennisseed prices were not quoted in the market during the first quarter. At 122.8, the index of **groundnut** price for the first quarter was 8.8 per cent higher than that for the corresponding quarter of 1982.

The downward trend in **groundnut oil** price during 1982, continued through the first quarter of 1983. At 53.9, the price index for groundnut oil was 2.9 and 30.0 per cent lower than the level in the preceding and the corresponding quarters of 1982, respectively. Competition from substitutes like sunflower, rapeseed, corn and linseed oils was largely responsible for the steady decline in groundnut oil price.

The price of **palm kernel** on the other hand has been increasing since the fourth quarter of 1982 through first quarter 1983. Compared with the level in the preceding quarter, the price index for palm kernel was 4.2 per cent higher, but when compared with the corresponding quarter of last year, it was 6.4 per cent lower. The price increase can also be attributed to low output from major producing countries.

The price of **palm oil**, which has been falling up till the previous quarter, also increased by 2.7 per cent during the first quarter. The index was, however, lower than the level in the corresponding quarter of 1982 by 23.7 per cent. Nigeria, which used to be a major producer and exporter of palm oil, has since the mid 1970s become a major importer. Current estimates put the country's annual import of palm oil at about 100,000 tonnes.

World price of **copra** also rose substantially by 15 per cent, during the first quarter, above the level in the preceding quarter. This was a reversal of the downward trend observed up till the last quarter of 1982. Compared with the level in the

¹The index has recently been revised on the basis of a new set of weights.

corresponding quarter of last year. the price level for the first quarter was, however, lower by 3.9 per cent.

Spices

World prices of spices have been rather erratic over the years mainly because of the seasonal nature of production of spices. Between the first and third quarter of 1982, for instance, the price of **ginger** (the main item in the group) declined by 44.2 per cent. Between the third quarter of 1982 and first quarter of 1983, however, the trend was reversed to an increase of 53.9 per cent.

Fibres

The market for most fibres remained fairly firm during the whole of 1982 and early 1983. Consequently, prices of most fibres rose steadily throughout the period, except in the fourth quarter of 1982 when there were marginal declines.

At 146.8, the price index for **cotton lint** in the first quarter was 7.5 and 11.1 per cent higher than the levels in the preceding and corresponding quarters of 1982, respectively. This favourable trend was attributed mainly to the continued crisis in crude petroleum oil market, which led to a fall in the output of crude oil and consequently in synthetic fibre, a major by-product from crude oil and a main substitute for cotton lint.

Rubber

The demand for natural rubber, which was very low throughout most of 1982 due to world economic recession, also recovered during the first quarter. This resulted in a significant price increase of 17.7 per cent over the level in the preceding quarter. Compared with the level in the corresponding quarter of 1982, it was 9.7 per cent higher. The marked recovery was attributed partly to the recovery in the automobile industry (the main consumer of natural rubber) and partly to marked reduction in total world supply of natural rubber due to Malaysia's policy of continued withholding of supply from the markets.

Grains

Available data show that the market for grains remained fairly stable during the first quarter, in spite of substantial increases in world production of grains. Except for **wheat** whose price declined by 0.1 and 7.3 per cent in February (over January) and March (over February), respectively, the other two major grains (maize and rice) recorded steady increases in their prices during the period (see Table 2). The price of **maize** increased by 11.6 per cent in February (over January) and by 7.4 per cent in March (over February) while that of **rice** increased but at a much lower rate of 1.7 and 1.2 per cent, in the two respective months.

The observed stability in the grains market during the period was attributed to the new programme called Payment In Kind (PIK) which was introduced in the United States early in January.

The programme is directed mainly at US grain farmers and is aimed at moderating the perennial problem caused by surplus grain in the world markets.

The main features of the PIK programme include payment in grains to farmers from government stocks in exchange for reductions in hecterage planted. In addition, the scheme provides for incentives to encourage farmers to maintain their stocks for slightly longer periods, instead of putting

them on the market immediately after harvest and consequently destabilising the market. A substantial increase of \$250 million in export credit was also provided to boost US export financing scheme.

AGRIC STUDIES OFFICE
RESEARCH DEPARTMENT

TABLE 1
**INDEX OF AVERAGE PRICES (C.I.F.) IN LONDON OF NIGERIA'S
 MAJOR AGRICULTURAL EXPORT COMMODITIES IN THE
 FIRST QUARTER OF 1983¹**
 (1975 = 100)

Commodities	1st Quarter 1982 (1)	4th Quarter 1982 (2)	1st Quarter 1983 (3)	Percentage Change between	
				1 and 3	2 and 3
All Commodities	138.3	130.4	139.4	0.8	6.9
Benniseed	—	124.1	—	—	—
Cocoa	167.3	137.2	168.3	0.6	22.7
Coffee	185.3	212.9	226.3	22.1	6.3
Copra	151.9	127.0	146.0	-3.9	15.0
Cotton lint	132.1	136.6	146.8	11.1	7.5
Ginger	102.6	79.5	91.6	-10.7	15.2
Groundnuts	112.9	—	122.8	8.8	—
Groundnut oil	77.0	55.5	53.9	-30.0	-2.9
Palm kernel	144.6	129.9	135.4	-6.4	4.2
Palm oil	122.9	91.3	93.8	-23.7	2.7
Rubber	122.5	114.2	134.4	9.7	17.7
Soyabans	134.0	123.5	129.9	-3.1	5.2

¹The index has been revised on the basis of new weights.
 Source: Financial Times and Public Ledger.

TABLE 2
**AVERAGE PRICES (C.I.F.) IN LONDON OF SOME MAJOR GRAINS
 JANUARY-MARCH 1983**

Type of Grain	₦/tonne			Percentage Change	
	Jan (1)	Feb (2)	March (3)	(1) & (2)	(2) & (3)
Maize	80.43	89.74	96.37	11.6	7.4
Rice ¹	175.14	179.83	181.93	2.7	1.2
Wheat	108.84	108.74	100.82	-0.1	-7.3

¹US long-grain parboil with 5 per cent breakage.
 Source: Compiled from the Public Ledger.