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DEVELOPMENTS IN THE INTERNATIONAL COMMODITY MARKETS DURING THE FOURTH QUARTER OF 1984

A low tempo of activities characterised the international Commodity markets during the fourth quarter of 1984. The marginal movements in the price levels of most commodities were however accentuated by currency exchange rate fluctuations. The all-commodities price index rose by 5.0 and 0.3 per cent over its respective levels in the preceding quarter and the corresponding quarter of 1983. The price increase was reflected in all but three of the selected commodities. The highest price increases occurred in coffee (26.7%), cocoa (6.3%) palm oil (6%) and cotton (5.8%). Of the three commodities whose price fell, two, copra and groundnut oil, were due largely to the appreciation of the U.S. dollar in which their sales price was denominated (see Table 1).

Beverages

The prices of beverages were relatively stable. The price index of **cocoa** stood at 250.5 (1975 = 100), representing an increase of 6.3 and 16.6 per cent over the levels in the preceding quarter and the corresponding period of 1983. This increase arose largely from currency factors since the actual price of cocoa, in the world market rose from £1,930 per tonne in the third quarter to £1,940 in the fourth quarter – indicating a marginal increase of 0.5 per cent. Indeed, total cocoa output for the 1984/85 season was already estimated at 1,720,000 tonnes – a rise of 13.2 per cent over the 1983/84 season. In addition, most stock positions were known. There were thus no speculative activities arising from perceived or actual shortages during the quarter.

The 1984/85 cocoa season in Nigeria opened officially at mid-night on 18th October with producer price of grade one beans raised by 7.1 per cent from ₦1,400 per tonne in the 1983/84 season to ₦1,500. The season's price is equivalent to about £1,400 per tonne or 27.8 per cent lower than the world market price which prevailed during the quarter.

The price of **coffee** rose, thereby maintaining, though at a lower rate, the rising trend reported in the preceding quarter. At 326, the price index of coffee was 26.7 and 48.8 per cent higher than its levels in the third quarter of 1984 and fourth quarter of 1983, respectively. The increase was due in part to currency movements and in part to concern over supply shortages resulting from reports of improved demand for roasters which spurred some speculative buying and boosted contract prices.

Vegetable Oils and Oil Seeds

Vegetable oils and oilseeds, except for copra and groundnut oil, continued to maintain the rising price trends reported in the preceding quarter. The continuing price rise is attributed to improved demand on the one hand and on the other to

buffer stock operations which mopped up part of the increased production during the quarter, especially of palm oil and soyabeans. Consequently, the price of **soyabeans** rose by 3.3 per cent over its level in the preceding quarter in spite of low, carried-over stocks and sharp increase in production. However, it fell substantially by 27.8 per cent below its level in the corresponding period of 1983. Similarly, the price of **palm oil** rose by 6 per cent over its level in the preceding quarter, while it fell by 10.7 per cent from its level in the comparable period of 1983. The prices of **copra** and **groundnut oil** also fell during the quarter largely because of the appreciation of the U.S. dollar in which the sale of both commodities was denominated. While the price of copra fell by 9.2 and 15.7 per cent, respectively, that of groundnut oil declined by 12.3 and 14.0 per cent from its level in the comparable quarters. As for **groundnuts**, there has been no trading in the commodity in the world market since the third quarter of 1983. Although increased production was reported in some countries such as Senegal and U.S.A., groundnut would appear to be used increasingly for processing and for domestic consumption in producing countries.

Natural Rubber and Fibres

Excess supply and keen competition from synthetic rubber continued to depress the price of natural rubber in the world market. During the quarter, it declined by 4.1 and 20.5 per cent respectively from its levels in the comparable quarters. This decline was moderated by speculation arising from anticipated massive purchases by the U.S. for her strategic stockpile which currently stands at 120,000 tonnes. In the fibre category, low supply of cotton because of seasonal factors raised its price by 5.8 per cent above its level in the preceding quarter, although it fell by 11.0 per cent below its level in the corresponding period of 1983.

Grains and Sugar

As for grains, the world prices of selected commodities increased during the quarter (see Table 2). For example, the prices of rice and wheat rose, respectively by 8.1 and 2.6 per cent over their levels in the preceding quarter. Similarly the price of maize rose by 6.5 per cent from 117.8 to ₦153.8 per tonne. However, as a result of over-production and high stocks, the price of raw sugar fell marginally to ₦93.3 per tonne during the quarter.

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Table 1
INDICES OF WORLD PRICE (C.I.F.) OF SELECTED AGRICULTURAL COMMODITIES
1975=100

Commodities	4th Qtr.	3rd Qtr.	4th Qtr.	Percentage change between	
	1983 (1)	1984 (2)	1984 (3)	(1) & (3)	(2) & (3)
All Commodities.....	211.0	201.7	211.7	0.3	5.0
Cocoa.....	214.8	235.6	250.5	16.6	6.3
Coffee.....	219.1	257.2	326.0	48.8	26.7
Copra.....	406.4	377.3	342.4	-15.7	-9.2
Cotton.....	181.2	152.4	161.3	-11.0	5.8
Groundnut.....	—	—	—	—	—
Groundnut oil.....	136.3	133.7	117.2	-14.0	-12.3
Palm Kernel.....	286.1	289.7	293.6	2.6	1.3
Palm oil.....	201.8	170.1	180.3	-10.7	6.0
Rubber.....	169.1	140.6	134.8	-20.5	-4.1
Soyabean.....	220.8	152.4	157.5	-28.7	3.3

Source: Compiled from Financial Times, Public Ledger, CCST Commodities Market Report and Gill and Duffus

Table 2
WORLD PRICES OF SELECTED GRAINS AND SUGAR
(₦/TONNE)

	'Oct '84'	'Nov '84'	'Dec '84'	Quarterly Average		% Change
				3rd Qtr. '84	4th Qtr. '84	
Rice (parboiled 10% broken).....	549.1	575.3	596.2	530.7	573.5	8.1
Maize.....	144.0	157.6	160.5	117.8	153.8	6.5
Sugar (raw).....	99.2	96.4	90.3	96.3	95.3	-1.0
Wheat.....	150.0	158.0	160.0	154.0	158.0	2.6

Source: Compiled from Public Ledger, West African Magazine and CCST Commodities Market Report