

DEVELOPMENTS IN WORLD COMMODITY MARKETS WITH RESPECT TO NIGERIA'S AGRICULTURAL COMMODITIES DURING THE SECOND QUARTER OF 1985

The rising trend in world prices of some of Nigeria's agricultural produce in the first quarter of 1985 was reversed during the second quarter when a general decline in the prices of most of the commodities covered by the report was recorded. The all-commodities price index fell by 9.8 per cent. from 234.0 (1975=100) in the first quarter to 211.0 in the second quarter. This level was also about 16.0 per cent. below the level in the corresponding quarter of 1984. Except groundnut, palm kernel, palm oil and rubber for which price increases were observed, the price decline affected all the commodities (See Table 1). The general weakness of the markets was traceable to a number of factors foremost among which were the bumper harvests during the period particularly with respect to cocoa and cottonlint, and the appreciation of sterling, a major trading currency, against other currencies during the review period.

Beverages

The prices of all beverages fell during the quarter mainly as a result of increased supplies and persistent hedging by buyers because of the appreciation of the sterling against other trading currencies. Other factors which affected the prices of beverages included the usual slack in demand during the summer season.

The slack in demand was particularly significant in the case of *cocoa*. Consequently, cocoa price index for second quarter fell by 3.5 per cent. below the level in the preceding quarter to 265.7 or by 4.8 per cent. below that of the corresponding quarter of last year. Favourable weather conditions in most producing countries particularly in West Africa led to the bumper harvest and even encouraged speculation of further increases in production during the season. Nigeria's production in 1984/85 is estimated at about 155,000 tonnes, an increase of about 8 per cent. over the level in the previous season.

At 299.7, the price index for *coffee* also declined by 9.1 per cent. below the level in the preceding quarter and by 17.3 per cent. below that of the corresponding quarter of 1984. Here too, the sharp increase in supplies particularly from Brazil, coupled with speculations about further increases were largely responsible for the price decline. The state of global over-supply led to the reduction in the global quota of members of the International Coffee Organisation (ICO) from 61 to 58 million bags of 60 kilos per bag, a situation which encouraged producer members of ICO to sell to non-members at discounts.

Vegetable Oils and Oil Seeds

Except for copra and soya beans where price declines were observed, prices of all the oil seeds and vegetable oils recorded increases during the period. This was due mainly to appreciable increase in the demand for edible oils particularly among East Asian Countries like Saudi Arabia and Pakistan.

At 158.7, the price index of *groundnut oil* was 18.4 per cent. higher than the level in the preceding quarter and 12.1 per cent. above that of the corresponding quarter of 1984. The price of *palm oil* also rose by 22.2 per cent., in contrast with a decline of 5.2 per cent. in the preceding quarter. Second quarter price level was however about 18.0 per cent. below that of the corresponding quarter of 1984. Similarly the price index of *palm kernel* rose by 4.2 per cent., as against a decline of 13.3 per cent. in the preceding quarter.

In contrast, the prices of *copra* and *soyabean* recorded declines during the quarter mainly because of stiff competition from close substitutes like rapeseed, sunseed and linseed. Copra price dropped by 11.3 per cent. and that of soyabean, by 1.0 per cent. from their respective levels in the preceding quarter. When compared with the corresponding period of 1984, current copra and soyabean prices showed declines of 32.9 and 24.7 per cent., respectively.

Natural Rubber

The international rubber market on balance maintained the firmness observed since the fourth quarter of 1984. At 153.9, the price index of natural rubber rose further but by a moderate 1.6 per cent. compared with increases of 12.4 and 19.7 per cent. in the first quarter of 1985 and fourth quarter 1984, respectively. The current price was, however, lower than that of the corresponding quarter of last year by 14.1 per cent. If the past trend is anything to go by, the current low rate of increase indicates that the price level has reached the peak for the current cycle and a decline was imminent thereafter. Indication to corroborate anticipated weakening of the market was the pressure on the buffer-stock manager from the supply side. The International Natural Rubber Organisation (INRO) has consequently requested its 33 member-countries to provide extra £32 million (₦50 million) by the end of the quarter to allow the buffer stock manager to continue with his price support purchases.

Fibres

World fibre market especially for cotton, has been very stable during the preceding four quarters. Intense competition from synthetic fabrics has not stopped cotton's growing popularity in recent years following the introduction of a new technique for producing cotton cloth requiring little pressing. During the current quarter, however, cotton prices fell by about 7.7 per cent. below the level in the preceding quarter. This is in contrast to an increase of 1.5 per cent. during the first quarter. Current price level is, however, 14.1 per cent. higher than that of the corresponding quarter of 1984. The lull in the cotton market during the quarter has been attributed mainly to the sharp increase in world supply due to good weather.

Grains

At ₦202 per tonne the average price of rice (parboiled with 5 per cent. broken) for the quarter showed an increase of about 1.0 per cent. over the level for the preceding quarter and 3.0 per cent. above that of the corresponding quarter of 1984. The price of maize also rose by 3.7 and 7.4 per cent. to ₦169.80 per tonne during the period, compared with the levels in the preceding quarter and the corresponding quarter of last year, respectively. (See Table 2).

Sugar

The price of sugar rose by 26.6 per cent. to an average of ₦207.70 per tonne during the quarter. This was also about 49.0 per cent. higher than that of the corresponding quarter of 1984. The sharp increase in sugar price has been attributed to the modest increase in world consumption of sugar relative to world estimated production.

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Table 1

**INDEX OF WORLD PRICES (C.I.F) OF SELECTED NIGERIAN
AGRICULTURAL COMMODITIES**

(1975 = 100)

| Commodity | 2nd Qtr | 1st Qtr | 2nd Qtr | Percentage Change between | |
|-----------------|---------|---------|---------|---------------------------|-----------|
| | 1984 | 1985 | 1985 | (1) & (3) | (2) & (3) |
| | (1) | (2) | (3) | | |
| All Commodities | 251.3 | 234.0 | 211.0 | -16.0 | -9.8 |
| Cocoa | 279.2 | 275.4 | 265.7 | -4.8 | -3.5 |
| Coffee | 362.5 | 329.8 | 299.7 | -17.3 | -9.1 |
| Copra | 411.9 | 311.4 | 276.2 | -32.9 | -11.3 |
| Cotton lint | 132.4 | 163.7 | 151.1 | 14.1 | -7.7 |
| Ginger | - | - | 282.3 | - | - |
| Groundnut | - | 290.4 | - | - | - |
| Groundnut oil | 141.6 | 134.0 | 158.7 | 12.1 | 18.4 |
| Palmkernel | - | 254.6 | 265.3 | - | 4.2 |
| Palmoil | 254.8 | 170.9 | 208.9 | -18.0 | 22.2 |
| Rubber | 179.2 | 151.5 | 153.9 | -14.1 | 1.6 |
| Soyabean | 214.1 | 162.8 | 161.1 | -24.8 | -1.0 |

NB = Crop not quoted in the market

Source:- Public Ledger, Gill and Duffus, West Africa and Financial Times.

Table 2

WORLD PRICES OF SELECTED GRAINS AND SUGAR FOR SECOND QUARTER 1985

Unit:- N/Tonne

| Type of Item | 2nd Qtr | 1st Qtr | 2nd Qtr | Percentage Change between | |
|----------------------------|---------|---------|---------|---------------------------|-----------|
| | 1984(1) | 1985(2) | 1985(3) | (1) & (3) | (2) & (3) |
| Rice (Parboiled 5% broken) | 196.1 | 200.0 | 202.0 | 3.0 | 1.0 |
| Maize | 158.1 | 163.8 | 169.8 | 7.4 | 3.7 |
| Wheat | 140.8 | 103.6 | - | - | - |
| Sugar (Raw) | 139.3 | 164.0 | 207.7 | 49.1 | 26.6 |

Source:- Compiled from Financial Times and Public Ledger.