

DEVELOPMENTS IN WORLD COMMODITY MARKETS WITH RESPECT TO NIGERIA'S AGRICULTURAL COMMODITIES DURING THE THIRD QUARTER OF 1984

The rising trend observed in the world prices of some of Nigeria's agricultural commodities in the first and second quarters of 1984 was reversed during the third quarter when a general decline in the prices of all the commodities covered by the report was recorded. The all-commodities price index fell by 8.5 per cent from 251.3 (1975 = 100) in the second quarter to 229.9 in the third quarter, but increased by 7.5 per cent over the index in the corresponding quarter of 1983. The price decline affected all the commodities and ranged from 5.6 per cent for groundnut oil, to 37.2 per cent for natural rubber (see Table 1). The weakness in the commodity markets was traceable to a number of factors foremost among which were the anticipation by major buyers of bumper harvests during the period and the inability of the various Commodity Councils (Cocoa, Coffee, etc) to agree on new quotas and price ceilings for the period.

Beverages

The prices of all beverages fell during the quarter mainly as a result of uncertainties about the existing levels of stocks in the 1984/85 crop season, especially in some major African producing countries. Other factors which affected prices of beverages included persistent hedging by buyers against new crops at the time of the year when market focus had in fact started to shift from current supply situations to anticipated bumper harvests in the new crop year, starting in October 1984.

In the case of **cocoa** the price index fell from the second quarter's level of 279.2 to 235.6, a decline of 15.6 per cent, but it showed an increase of 3.8 per cent recorded over the level in the corresponding quarter of 1983. The decline was attributed mainly to the slack in demand in the major consuming countries such as the United States of America, Western Germany and the United Kingdom. The discovery of large stocks of hidden cocoa beans during the period also enhanced the lull in the market. In the 1984/85 cocoa season, a production increase of 160,000 tonnes is expected to come mostly from Nigeria and Brazil. This optimism, in the case of Nigeria, was based on possible favourable impact of the new enhanced producer price of ₦1,500 per tonne for 1984/85 season, which is about 7.0 per cent higher than the price in the 1983/84 season.

At 257.2, the index for **coffee** fell by 29.0 per cent, from the level in the preceding quarter but represented an increase of 4.9 per cent over the level in the corresponding quarter of 1983. Latest reports from the coffee growing areas of Brazil showed that damages due to frost, which had hampered supply in the second quarter, had moderated during the period under review. This development, coupled with the delay by the International Coffee Organisation (ICO) in agreeing on new quotas for the 1984/85 season tended to depress the coffee market, resulting in the sharp fall in coffee price during the period. However, a compromise was reached on the ceiling price and quotas for the new "Coffee Year". The global quota was raised to 59 million bags of 60 kilos per bag, from 56.2 million bags in 1983/84 season. Nigeria's export quota allocation in 1983/84 was 73,408 bags, but her actual exportable production for the year was only 42,000 bags, showing a shortfall of 31,408 bags.

Vegetable Oils and Oilseeds

At 133.7, the price index of **groundnut oil** declined by 5.6 per cent from the level in the preceding quarter. In contrast, there was an increase of 39.1 per cent over the level in the corresponding quarter of 1983. The decline was attributed mainly to anticipated increase in the United States' output of groundnuts, which was expected to hit a record level of 1.93 million tonnes, an increase of 29 per cent from the level of 1983. This achievement was expected mainly from the favourable weather conditions which had characterised the current planting season. Gambia's groundnut harvest for 1984/85 was also expected to reach about 95,000 tonnes, while that of China was expected to reach a record level of 4 million tonnes. Nigeria's production forecast for 1984 was put at about 500,000 tonnes, as against 400,000 and 300,000 tonnes in 1983 and 1982, respectively.

At 170.1, the price index of **palm oil** showed a decline of 33.2 per cent from the level in the preceding quarter, as against a marginal increase of 2.5 per cent over the level in the corresponding quarter of 1983. Prices of **copra** and **soyabean** also recorded sharp declines during the quarter mainly because of uncertainty about their supply. Copra price dropped by 8.4 per cent, while that of soyabean fell by 28.8 per cent from the level in the preceding quarter. This outcome was also attributable to substitution effect among the major vegetable oils and oil seeds. However, when compared with the corresponding quarter of 1983, current copra price showed an increase of 18.9 per cent while that of soyabean showed a decline of 12.3 per cent.

Natural Rubber

At 179.2, the price index of **rubber**, dropped by 37.3 per cent from its level in the preceding quarter and by 32.0 per cent compared to that of the corresponding quarter of 1983. Owing to this development, Malaysia's Rubber Industry Small Holders Development Authority (RISDA) set up to cater for small holders' interest, has since the middle of August been saddled with 5,000 tonnes of September rubber contract (RSS Type) in both Malaysian and Singapore markets. Future prospects therefore, appeared very gloomy in view of the depression in the automobile industry.

Grains and Sugar

The average price of **rice** (parboiled and 50% broken) increased by 3.7 per cent from ₦196.1 per tonne in the preceding quarter, to ₦203.40. It also showed an increase of 0.5 per cent over the average price in the corresponding quarter of 1983. The price of **maize** fell by 9.3 per cent below its level in the preceding quarter. **Wheat** price rose by 7.4 per cent to ₦151.25 per tonne, compared with that of the preceding quarter. However the quarter price level was lower than that of the corresponding quarter of 1983 by 5.4 per cent. **Sugar** price rose sharply by 55.2 per cent to ₦216.20 per tonne in the reviewed quarter. The increase was as a result of moderation in speculative sales due partly to the growing strength of the US dollar and partly to the drying up of excess supplies in the EEC during the 1983/84 crop year

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

Commodity	3rd Qtr. 1983 (1)	2nd Qtr. 1984 (2)	3rd Qtr. 1984 (3)	Percentage change between	
				(1) & (3)	(2) & (3)
All Commodities	213.8	251.3	229.9	7.5	-8.5
Benniseed	—	—	—	—	—
Cocoa	227.0	279.2	235.6	8.8	-15.6
Coffee	245.3	362.5	257.2	4.9	-29.0
Copra	317.3	411.9	377.3	18.9	-8.4
Cotton lint	—	132.4	—	—	—
Ginger	—	—	—	—	—
Groundnut	—	—	—	—	—
Groundnut oil	96.1	141.6	133.7	39.1	-5.6
Palm Kernel	237.1	—	289.7	22.2	—
Palm oil	165.9	254.8	170.1	2.5	-33.2
Rubber	165.5	179.2	112.6	-32.0	-37.2
Soyabean	173.7	214.1	152.4	-12.3	-28.8

Source: Compiled from Public Ledger and Weekly West Africa
 NB— = Crop not quoted in the market during the period

Table 2
WORLD PRICES OF SELECTED GRAINS AND SUGAR FOR THIRD QUARTER 1984
 UNIT — (N/TONNE)

Type of Item	3rd Qtr. 1983 (1)	2nd Qtr. 1984 (2)	3rd Qtr. 1984 (3)	Percentage change between	
				(1) & (3)	(2) & (3)
Rice (Parboiled 50% broken)	202.30	196.10	203.40	0.54	3.72
Maize	166.50	158.10	143.45	-13.84	-9.27
Wheat	143.40	140.80	151.25	5.47	7.42
Sugar (Raw)	191.00	139.30	216.20	13.19	55.20

Source: Compiled from Financial Times and Public Ledger