Pacific island commodities prices

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Copra
Quarterly average copra prices have risen from US$384 per metric tonne for the March quarter to US$405 per metric tonne for the June quarter, and to US$433 per metric tonne for the September quarter. Much of the increase in the June quarter can be attributed to the severe drought in the Philippines during that time. January-June production in the Philippines was 30 per cent down on the same period last year.

Expectations at the end of the June quarter were that the recovery in copra production would ease upward pressure on prices. However, the recovery was so modest that total exports were down by as much as 40 per cent on the same period last year. This continued supply tightness and led to the further rise in average prices over the September quarter. The month of October has seen a slight easing of upward pressure, with average prices of US$405 per metric tonne, slightly lower than average prices for May.

As a consequence of the supply tightness, the expected average price for 1994 of US$361 per metric tonne is significantly higher than the average price for 1993 of US$283 per metric tonne. However, prices are expected to fall slightly over the next two years as supply recovers.

Coconut oil
World production of lauric oils grew by only 1 per cent during 1993/94. The modest increase was the result of the drought in the Philippines, which was severe enough to cause a reduction in world stocks—offsetting the moderate production increases in Indonesia and Malaysia. The world production increase was less than demand growth, with good growth in the United States, Europe, East and South Asia. The imbalance led to quarterly average prices rising from US$446.3 per metric tonne for the September 1993 quarter to US$589 per metric tonne for the June 1994 quarter.

As in the copra market, the supply recovery in the Philippines was expected to relieve upward pressure on prices over the second half of 1994, but the weak recovery has combined with very low stocks in Europe and the United States to push prices even higher. The average price for the September 1994 quarter was US$599 per metric tonne.

Prices are expected to fall as supply from the Philippines re-establishes itself. The average price for October of US$618 per metric tonne, although higher than the average price for September quarter, is down from the average price for September of US$622 per metric tonne.
The expected average price for 1994 of US$575 per metric tonne is substantially higher than the 1993 figure of US$450 per metric tonne. Improving supply conditions are expected to lead to a slight fall in prices over the next two years.

**Palm oil**

Quarterly average prices have continued to rise from the September 1993 low of US$356.7 per metric tonne to the September 1994 figure of US$561 per metric tonne.
The most substantial increases have been during the last two quarters. The large increase in the June quarter was a consequence of lower than expected production in Malaysia and Indonesia, combined with world demand for palm oil that has been increasing strongly for several quarters. Continued low levels of inventories and tight Malaysian supply have contributed to the further price increase during the September quarter. The upward pressure continued into the month of October, which saw an average price of US$613 per metric tonne. Palm oil prices are expected to remain quite buoyant.

Palm oil was not as severely affected during the mid-1993 slump as many other commodities, but the expected increase in annual average prices for 1994 is substantial. However, the market is expected to ease over the next two years as supplies improve.

**Cocoa**

The continuing rise in quarterly average cocoa prices over the last two quarters, from 126.7 cents per kilogram for the March quarter to 153 cents per kilogram for the September quarter, was largely due to production deficits. Upward pressure on prices increased in June and July with the threat of drought in the major producing regions of West Africa, but eased as the weather became more favourable.

Production in Côte d'Ivoire, Ghana, Nigeria and Indonesia is expected to be restrained. Consumption growth in the United States and Europe is reported to be sluggish, and demand in the states of the FSU showing no sign of recovery. Despite the sluggish consumption growth, initial forecasts indicate another year of deficit production. Prices are therefore expected to continue rising over the next two years, although the existing high stock levels will restrain their rate of growth.

**Tea**

Quarterly average tea prices have remained relatively stable, varying between 171.2 cents per kilogram and 190.2 cents per kilogram since the September quarter of 1993. The September

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Figure 3  **Annual average prices: cocoa, tea, coffee, sugar and beef**, US$ per tonne

![Graph showing annual average prices for cocoa, tea, coffee, sugar, and beef from 1989 to 1996, with projections for 1995 and 1996.](image-url)

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1994 quarter average price was 188.6 cents per kilogram.

India, Sri Lanka and Indonesia have recorded large outputs which have combined to boost global production over the same period last year, despite the drought-induced reduction in output from Kenya. The effect of the increased output has been offset by the impact of Russian purchases of Indian tea. As a consequence of limited import demand expansion elsewhere, the influence of the FSU on prices is likely to continue, with annual average prices expected to rise over the next two years.

Coffee

Quarterly average coffee prices have risen sharply over the last two quarters, from 135.9 cents per kilogram for the March quarter to 205.1 cents per kilogram for the June quarter, and to 374.3 cents per kilogram for the September quarter. The recent dramatic increase is a response to dry weather in Brazil which, if it continues, could see Brazil’s harvest significantly lower than expected. The course of coffee prices into next year are expected to fluctuate wildly along with developments in crop estimates, the Brazilian weather and stock levels.

Declines in stock levels were significant in Brazil, Colombia, Côte d’Ivoire and Indonesia, which is testimony to the tightness of the market. Accordingly, prices are expected to remain high over the next two years.

Sugar

Quarterly average sugar prices have remained firm around the 25 cents per kilogram mark for the last three quarters. The firmness is a result of an expected excess of consumption over production. Consequently, stocks are expected to be run down for another year, keeping upward pressure on prices.

Although the demand for sugar continues to grow, most rapidly in Asia,
prices are expected to remain firm but stable over the next two years. Can be attributed to increased cattle inventories and higher slaughter weights in the United States. Increased global demand should support prices over the next two years.

**Beef**

Despite the continuing fall in beef prices since December 1993, from the December quarterly average of 259.1 cents per kilogram to the September 1994 quarterly average of 220 cents per kilogram, Uruguay Round commitments and strong income growth in Asia are expected to ensure their buoyancy. The fall in prices can be attributed to increased cattle inventories and higher slaughter weights in the United States. Increased global demand should support prices over the next two years.

**Copper and gold**

Copper prices have continued to rise quickly, particularly in the month of September when the average price rose from US$2406.2 per metric tonne in August to US$2505 per metric tonne. This rise

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**Figure 5**  **Annual average prices: copper and gold**

![Annual average prices: copper and gold](image)

**Figure 6**  **Quarterly average prices: copper and gold**

![Quarterly average prices: copper and gold](image)
continued into October. The increase was prompted by expectations of strong increases in demand. The strong demand in the United States seems to have been a consequence of good economic news. If a large part of this demand growth was dedicated to increasing stocks, as some analysts believe, then copper demand can be expected to grow much more slowly over the second half of the financial year, even if the US economy continues to grow at the same rate. Large increases in exports from the FSU have contributed towards restoring market balance in Europe, and have helped to ease pressure in the East Asian market caused by the fast demand growth in the Republic of Korea and Taiwan.

Improvements in world market balance are expected from a slowdown in demand growth, the generation of new capacity, increased FSU exports and the possible export of overbought copper by China. Consequently, prices are expected to fall slightly over the next two years.

The average price of gold remained relatively stable throughout the year, hovering around US$350/toz. Annual average prices continue to rise, and are expected to do so over the next two years.

**Timber**

The quarterly average price of meranti (Malaysian) logs fell to US$316.2 per cubic metre for the September quarter of 1994. The fall is a consequence of both weaker demand in Asia, particularly in Japan and China, and of improved weather conditions in Sarawak. The improved weather has led to seasonal increases in felling volumes. Prices are expected to remain near present levels, and even to increase over the next two years.

In contrast, the growth of European demand has led to solid increases in the price of sapelli (African) logs. Their price has risen consistently over the last year, from an average of US$301.2 per cubic metre for the September quarter of 1993 to US$345.4 per cubic metre for the same quarter of 1994. Sapelli prices are also expected to continue rising over the next two years.
Malaysian sawnwood prices have been consistently higher than those for sawn wood from Ghana, but the prices of both have been rising and are expected to keep doing so.

References


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