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Article — Digitized Version

Raw material markets: Lasting uncertainty in the cocoa market

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1968) : Raw material markets: Lasting uncertainty in the cocoa market, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 03, Iss. 9, pp. 284-, <https://doi.org/10.1007/BF02930039>

This Version is available at:

<https://hdl.handle.net/10419/138035>

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Index Numbers of World Market Prices of Foodstuffs and Industrial Raw Materials

Index and commodity group	1967		1968				
	July	October	January	April	July	Aug. 2	Aug. 16
HWWA-Index ¹ (1952—1956 = 100)	90.9	92.2	97.6	96.1	94.2	94.1	94.3
Foodstuffs	83.9	86.8	91.1	91.0	86.2	86.4	86.1
Raw materials other than foodstuffs	94.2	94.8	100.7	98.5	98.0	97.9	98.2
Fuels	95.1	96.2	96.2	96.0	96.4	96.5	96.5
Raw materials for consumer goods	90.7	89.2	92.8	93.1	93.8	93.4	93.8
Raw materials for capital goods	95.8	97.2	110.5	104.8	102.4	102.2	102.9
Reuter's Index (18. 9. 1931) = 100	428.3	426.6	503.2	491.5	481.5	481.4	479.4
Moody's Index (31. 12. 1931 = 100)	372.6	360.4	361.6	362.2	364.8	357.6	357.1

¹ Index compiled by the Hamburg Institute for International Economics.

and durable consumer goods (passenger cars) continued growing.

In the second half of 1968 a quite differentiated development of industrial production has to be anticipated in the different regions of the world economy. In the USA in view of the reduction of stocks, which will occur after the steel-strike could have been avoided, and in view of the restrictive measures taken, a temporary cyclical decline of industrial production is

possible even. In Japan under these circumstances there is but little evidence of an early overcoming of the recession. For Western Europe, too, the braking influences originating abroad will make themselves felt. But in the first instance the continuation of the production increase is depending on the inner-European development of demand. With that the authorities responsible for economic policy will have to take a greater responsibility.

Under these circumstances, world cocoa production will presumably grow only slightly in the season 1968/69, so that—with consumption but slightly increasing—in the fourth successive year a production deficit will prospectively occur again. A new deficit could lead once more to higher prices, because traders and processors have only small stocks available.

In this situation in the cocoa market, being very favourable for producers, the conclusion of an international cocoa agreement at the UNCTAD conference, which ended early in July, had been anticipated. But regarding some points of the method of stabilising cocoa prices no consent could be reached between the participating producer and consumer countries, so that further negotiations have become necessary.

Raw Material Markets

Lasting Uncertainty in the Cocoa Market

In the international cocoa markets, the differing judgements of the future consumption and production development and the repeated currency unrests during the last months resulted in slight price fluctuations. However, the high level lasting for almost two years remained unchanged. At present, the loco price for Ghana cocoa at the New York Exchange lies with 30 $\frac{1}{3}$ c/lb about 10 per cent above the previous year's corresponding level.

The uncertainty in the cocoa market was born above all because hitherto no exact estimate of the world cocoa production in the coming season 1968/69 could be submitted. Up to now, it is only assumed that the crop in Ghana with 500,000 t will exceed that of the season 1967/68 by 100,000 t. On the other hand, in Nigeria, an important producer, the civil war must be blamed for the expected production drop; and in Brazil a very bad mid-crop is expected.

Moreover, consumer countries fear that the completion of a stabilisation agreement could push up cocoa prices even more. In contrast to this, producer countries point out that they are not interested in further price increases, because this way a rising cocoa consumption would be hampered. According to their opinion, an agreement should be completed already now, in order to counter a future price decline, which would perhaps be the result of over-production.

INTERECONOMICS · Monthly Review of International Trade and Development

Edited by The Hamburg Institute for International Economics (Hamburgisches Welt-Wirtschafts-Archiv), Director: Prof. Dr. Heinz-Dietrich Ortlieb, and The German Overseas Institute (Deutsches Übersee-Institut), President: Prof. Dr. Dr. h. c. Andreas Predöhl. Editorial Office: Dietrich Kobschull (Chief Editor), Wolfgang Reisener, Hubert Höping; published by Verlag Weltarchiv GmbH., Address: Eppendorfer Landstraße 106, 2 Hamburg 20. Advertising Representative: Dr. Hans Klemen. Printed by Otto Schwitzke, 2 Hamburg 70. Annual rate of subscription DM 48,— (US-\$ 12,—). Copyright by Verlag Weltarchiv GmbH.