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Raw material markets: Boom in the cocoa market

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

Index and commodity group	1967	1968					
	November	February	May	August	November	Nov. 29	Dec. 13
HWHA-Index¹ (1952-1956 = 100)	94.2	99.6	95.0	94.3	96.9	97.3	97.5
Foodstuffs	87.9	91.8	90.8	86.5	91.5	92.0	91.5
Raw materials other than foodstuffs ...	97.3	103.4	97.1	98.1	99.5	99.8	100.3
Fuels	96.5	96.4	96.0	96.5	96.7	96.7	96.7
Raw materials for consumer goods ..	89.4	92.7	92.4	93.5	94.8	94.5	94.1
Raw materials for capital goods	103.3	117.6	101.3	102.8	105.4	106.6	108.2
Reuter's Index (18. 9. 1931 = 100)	456.6	510.9	488.9	479.9	504.1	508.8	515.1
Moody's Index (31. 12. 1931 = 100)	362.8	361.8	364.6	357.7	365.5	368.1	366.2

¹ Index compiled by the Hamburg Institute for International Economics.

ernment to reshape the taxation system—besides other restrictions and the control of exchange—have by rough estimations nearly the same effect as a devaluation by 2 per cent would have had. Under certain assumptions about the expected reactions it can be assumed that the increase in imports will be impaired twice as much, while the effects on the French export proceeds should be small.

The measures decided upon by Western Europe will in the

international trade tend towards a balance movement in favour of France and Great Britain and against the Federal Republic of Germany. At the same time the economic trend in the industrial countries, especially the anticipated demand damping in the USA, is expected to produce a noticeable slow down in the expansion of world trade. In the yearly average—statistically influenced by the rapid improvement since the middle of 1968—it still should increase 1969 by nearly 8 per cent.

it would surpass production considerably.

This new deficit could theoretically still be covered by the old stocks, whose volume should by the end of 1967/68 have been about 250,000 t. But, besides the fact that a certain quantity of cocoa has to be kept on stock in the producing and consuming countries to guarantee the continuous course of trade and processing, a part of the old stocks should not meet the quality requirements of the processors. Even considering the high price level at the moment, a market regulation by means of the existing stocks must be questioned, since then additional speculative purchases are to be expected.

On the other hand there is a limit to a continuous rise in prices. The higher prices for cocoa will increasingly restrain the consumption of cocoa, so that at an even higher price level a "relaxation" of the market situation will take place. But in the short run the critical situation on the cocoa market will change little.

Compiled by the Department for Business Trends Research of the Hamburg Institute for International Economics

Raw Material Markets

Boom in the Cocoa Market

Since the middle of August 1968 the prices on the international cocoa market show a strong upward tendency, while during the preceding 1½ years relatively little change had taken place in the price level. At the moment the price for Ghana-cocoa at the New Yorker Exchange lies at 47½ c/lb; it has gone up by 50 per cent as compared with the price before the boom began.

The increasing prices on the cocoa market are mainly due to the fact that for the fourth con-

secutive year the demand will lie considerably higher than the level of production. Following the predictions of the FAO and the US-Ministry of Agriculture that heavy deficits of production would occur during the current season 1968/69, the London firm Gill & Duffus now forecasts the deficit at 174,000 t. The production will go back according to this prediction by 10 per cent to 1.187 mn t. The consumption shall also be lower 1969 by 2.5 per cent compared with 1968, but with 1.361 mn t

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