Commodity trends and arrangements

In 1973 the general increases in primary commodity prices were steeper and more widespread than in any period since the Korean war. Beginning late in 1972, prices in international trade began to move upwards at a rapid pace: this upsurge continued throughout 1973 and, in the case of many individual commodities of export interest to Commonwealth countries, new peaks were reached in 1974 (see Table III). As shown below, the dollar-based index of the National Institute of Economic and Social Research (London) recorded 1973 on 1972 rises of the order of 50 per cent for export prices of primary commodities. This tallies with the United Nations unadjusted dollar price index for commodities exported by developing countries, which rose by 49 per cent, 1973 over 1972. The adjusted index shows a general price increase of 37 per cent in terms of a trade weighted average of major currencies.

NIESR export prices of primary producing countries, 1968–70 = 100

	All primary-producing countries				*Advanced primary producing countries a*
	Total	*Food*	*Agricultural raw materials*	*Minerals and metals b*	*Total*
1969 ..	101.2	99.0	104.2	101.9	101.4
1970 ..	104.3	108.6	96.5	104.6	100.6
1971 ..	101.5	109.3	93.5	96.2	102.9
1972 ..	114.6	123.6	116.7	98.1	131.7
1973 ..	169.5	171.9	204.9	132.3	208.1
1974					
1st qr ..	215.3	223.3	239.7	179.2	231.6
2nd qr ..	230.5	246.3	219.9	214.6	238.1
3rd qr ..	217.2	253.6	202.5	171.7	226.9

a Australia, New Zealand, South Africa, the Irish Republic, Greece, Turkey and Iceland.
b Excluding petroleum.

Food

As a result entirely of the rapid escalation of commodity prices during 1973, the value of commodity trade grew at a rate which exceeded that of the value of trade in manufactures – for the first time in the post-war period. The factors which combined to produce this result were rooted in the past, both immediate and more distant, so that the events of 1973 represented a culmination of these influences. In particular, the supply of food, feed and certain other agricultural materials was seriously affected by adverse weather conditions over wide areas in 1972, by failure of the monsoon in Asia, and drought in Africa. There was a

Table II Trends in total cereals production, imports and self-sufficiency *a*

(Quantities in '000 metric tons)

	Average 1961–65				Average 1969–72			
	prodn.	net imports (exports)	gross availability *b*	self sufficiency ratio *c*	prodn.	net imports (exports)	gross availability *b*	self sufficiency ratio *c*
Developing Countries								
Botswana	24	36	60	39.6	65	55	119	54.1
The Gambia ..	69	11	80	86.3	65	16	81	80.2
Ghana	397	92	489	81.2	651	113	764	85.2
Kenya	1,568	(11)	1,557	100.7	2,062	(69)	1,993	103.5
Lesotho	236	7	243	97.1	169	39	203	81.1
Malawi	850	(8)	842	101.0	1,119	28	1,147	97.6
Mauritius		112			2	130	132	1.1
Nigeria	8,024	101	8,125	98.8	8,599	350	8,949	96.1
Sierra Leone ..	261	32	293	39.1	344	66	410	63.7
Swaziland	43				95			
Tanzania	935	78	1,013	92.3	1,109	26	1,135	97.7
Uganda	940	24	964	97.5	1,301	41	1,342	96.9
Zambia	753	27	780	96.5	840	187	1,027	81.7
Bahamas		13				15		
Barbados	1	27	28	3.5	1	31	32	3.1
Grenada		13				16		
Guyana	180	(41)	139	129.5	121	(27)	94	128.7
Jamaica	7	178	185	3.8	6	281	287	2.1
Trinidad & Tobago	10	132	142	7.0	10	178	188	5.3
Bangladesh ..	10,087	761	10,848	93.0	10,769	1,378	12,147	88.7
Cyprus	151	21	172	87.5	164	129	293	56.1
India	70,107	5,380	75,487	92.9	89,451	3,066	92,517	96.7
Malaysia	784	743	1,527	51.3	1,178	865	2,043	57.7
Singapore		319				394		
Sri Lanka	675	802	1,477	45.7	980	907	1,887	51.9
Fiji	10	45	55	18.2	15	59	74	20.3
Papua New Guinea		41			2	73	75	2.7
Tonga		3				5		
Western Samoa ..		5				6		
Malta	5	84	89	5.6	5	117	122	3.7
Total Developing Countries ..	96,074	8,521	104,595	91.9	119,028	8,039	127,067	93.7
Total excluding India	25,967	3,141	29,108	89.2	29,577	4,973	34,550	85.6
Developed Countries								
Australia	10,908	(7,001)	3,907	279.2	13,031	(9,649)	3,382	385.3
Britain	11,882	8,887	20,769	57.2	14,329	8,928	23,259	61.6
Canada	28,169	(12,234)	15,935	176.8	35,025	(14,660)	20,365	172.0
New Zealand ..	396	181	577	68.7	742	19	761	97.5
Total Developed Countries ..	51,355	(10,167)	41,188	124.7	63,127	(15,362)	47,765	132.2

a Includes rice on milled equivalent basis, assuming 66.7% milling rate.

b Gross availability exceeds human consumption, as there are losses in storage and food preparation and usage for seed and animal feed.

c Self-sufficiency ratio is calculated as production as a percentage of gross availability.

severe downturn in Soviet grain production and practical disappearance of anchovies from the coast of Peru. The impact of these developments was mainly felt in 1973, when stocks were reduced to unprecedentedly low levels. These short-term developments were superimposed on the longer-term trends of increasing dependence of several developing countries on food imports, and of a number of agricultural products being at a low point in their production cycles.

After years of acreage controls and a progressive rundown of stocks in North America, the tight supply situation of grains continued in 1973, pushing prices to record heights and reducing stocks to a dangerous level. A proximate cause of the shortage had been the large grain purchases by the Soviet Union in the second half of 1972. Several other factors, including poor Far Eastern rice crops and a general shortage of non-grain animal feed, later combined to intensify the upward pressure on prices. World prices of wheat and maize in 1973 were almost twice as high on average as in 1972, and were still rising at the end of the year. The acute shortage of rice led to widespread restrictions on exports, and commercial shipments eased during the second half of 1973.

The part played by trade in the food supplies of Commonwealth countries is illustrated in Table II by reference to their supplies of cereals (wheat, coarse grains and rice). The Commonwealth as a whole is a net exporter of cereals, due primarily to the large shipments, predominantly of wheat, from Canada and Australia; Kenya and Guyana are the only net exporters among the developing countries, but their shipments are small by comparison. Britain is usually by far the largest importer; in the period 1969–72 her imports exceeded those of all Commonwealth developing countries together. During this period Commonwealth developing countries other than India showed an overall decline in self-sufficiency.

In the year 1972–73, most Commonwealth developing countries for which figures are available, Bangladesh being a notable exception, imported less wheat and flour than in 1971–72, while rice imports in 1973 were also generally lower than in 1972. Imports since 1972 have been affected by scarcity and rising prices and thus are not a true reflection of physical needs. Although India's wheat production continued to rise in 1972–73, her rice and maize crops declined and she experienced the beginning of an overall deficiency in new grain supplies which was made good mainly by calling on reserve stocks. Since then, continued bad weather has resulted in further disappointing crops and, despite the general scarcity of supplies and high prices, India has apparently reverted to large imports of wheat at a time of acute difficulty with financing imports of high-priced petroleum.

Petroleum

The price of petroleum is a cost of production, directly or indirectly, for most other commodities: its posted price was quadrupled between 16 October 1973 and 1 January 1974, and average f.o.b. prices have risen also as a result of the partial or total elimination of the producing companies' equity in the output. The following data show the movement of c.i.f. prices in Britain, while the terms of trade for this commodity are shown in Table IV.

Unit value of crude petroleum imports into Britain

1971	*J*	*F*	*M*	*A*	*M*	*J*	*J*	*A*	*S*	*O*	*N*	*D*	*Year*
£ per ton	7.8	8.1	8.3	8.6	8.8	9.0	9.3	9.2	9.2	9.0	9.0	9.0	9.0
$ per barrel	2.5	2.6	2.7	2.8	2.8	2.9	3.0	3.0	3.0	3.0	3.0	3.1	2.9
1972													
£ per ton	8.8	8.6	8.8	8.8	8.6	8.6	8.7	8.9	9.0	9.0	9.2	9.3	8.9
$ per barrel	3.1	3.0	3.1	3.1	3.0	2.8	2.9	2.9	2.9	2.8	2.9	2.9	2.9
1973													
£ per ton	9.4	9.8	10.0	9.8	10.2	10.2	10.4	11.0	11.9	12.7	14.8	17.8	11.3
$ per barrel	3.0	3.3	3.3	3.3	3.5	3.5	3.5	3.6	3.8	4.1	4.6	5.5	3.7
1974													
£ per ton	21.3	29.8	32.8	35.4	34.8	35.3	35.3	35.0	35.0	35.9	35.9	37.2	34.0
$ per barrel	6.4	9.2	10.5	11.5	11.1	11.3	11.2	10.8	11.0	11.2			

Tea

As would be expected, price movements of individual commodities in 1973–74 showed considerable variation. Tea, a major export of Bangladesh, India, Kenya and Sri Lanka – among the countries most seriously disadvantaged by the rise in petroleum prices – was one of the few commodities whose price did not rise sharply in 1973. The annual average of London auction prices was only marginally higher than in 1972. During the past quarter, however, and the first of 1974, prices strengthened considerably on account of drought-induced reductions in the 1973 crops of several countries, including Kenya, and partly because of fears that higher oil and fertilizer prices might reduce the 1974 crop. In the first eight months of 1974, London auction prices averaged about 40 per cent higher than in the corresponding period of 1973, though the terms of trade for this commodity were still well below the 1960–70 average.

Sugar

World demand for sugar continued to exceed available supplies, and stocks declined to an exceptionally low level, resulting in intense pressure on free market prices in 1972, 1973 and, most spectacularly of all, in 1974. A United Nations Sugar Conference was held in September/October 1973 to negotiate a new International Sugar Agreement, to succeed the 1968 Agreement which expired at the end of 1973, but it was unable to agree on regulatory provisions and the new Agreement therefore omits such provisions. The Commonwealth Sugar Agreement (CSA) continued in force to the end of 1974.

At the triennial series of meetings of the parties to the Commonwealth Sugar Agreement held at the end of 1971, the price for sugar within the negotiated price quotas under the CSA was fixed at £50/ton f.o.b., to which a supplement was added: £7 in the case of developing countries except the West Indies, for which the supplement amounted to £11. As a result of cost inflation since then the parties to the Agreement, and the Governments of the countries involved, drew the attention of the British Government to the position they found themselves in, and pressed for an increase of the negotiated price for the year 1974. Following discussions, the British Government decided to increase the negotiated price by £22/ton for developing countries and by £11 for Australia. The top price for CSA sugar was thus £83/ton f.o.b. and the bottom (for Australia) £61/ton f.o.b.

Free market prices of sugar continued to move strongly in sellers' favour throughout most of 1974. In Britain, a critical shortage of supplies had developed as a result of the poor beet crop and diversion of some Commonwealth Agreement supplies to more lucrative markets. To obviate the need for rationing in Britain, the Minister of Food agreed to a price of £140/ton f.o.b. for shipment by Guyana of 87,000 tons, part of its Agreement quota in 1974. Following this settlement, it was agreed towards the end of October that the same price for raw sugar would be paid for n.p.q. supplies delivered in the last quarter of the year from several other CSA exporting countries – not including Jamaica, Barbados, Trinidad and Tobago, and other Caribbean producers which had shipped substantial quantities to the United States or to the world market. Britain assured the developing Commonwealth sugar-exporting countries that, during the negotiations for an agreement between them and the EEC on arrangements to replace the CSA, it would press for continuing access to the Community on fair terms for not less than 1.4 million tons of their sugar exports.

Meanwhile, agriculture ministers of the EEC had agreed to the introduction of a Community subsidy to lower the price of extra sugar bought on the world market to cover an estimated sugar deficit in the Community during 1974–75 of about 600,000 tons. An agreement that the Community should supply its members with adequate amounts of sugar, at the Community's threshold price of about £157 a ton for refined sugar, superseded negotiations between Britain and Australia on the possibility of a long term sugar agreement outside the Community framework.

As well as agreeing to the scheme to subsidise sugar imports, the EEC agriculture ministers decided the shape of the regime for Community sugar production over the next five years (1975/76–1979/80). The regulation of production by quotas under the provisional system of market organisation for sugar, which was introduced in 1968, is to be retained in the new regime which will replace it at the end of June 1975.

Under the quota system, each member state is allocated a basic quota ('A' quota) for white sugar production, and a maximum quota, which is fixed at a certain percentage above the basic quota. The difference between the basic and the maximum quotas is known as the 'B' quota. Basic quota sugar production is fixed and always qualifies for support at the full Community intervention price, while 'B' quota production can be varied annually and levies imposed on it if necessary, effectively cutting producers' returns in times of surplus.

In view of the shortage of sugar in the Community, the agriculture ministers fixed the maximum quota for the Community as a whole in 1975–76 at the substantially increased level of more than 13 million tonnes: over 9 million tonnes of 'A' quota production and about 4 million tonnes under the 'B' quota. In addition, it was agreed that 'B' quota production in 1975–76 should be eligible, like the 'A' quota, to receive the full intervention price. Britain's 'A' quota was increased from 900,000 tonnes to 1.04 million tonnes, and its maximum quota then stood at the appreciably higher level of more than 1.5 million tonnes. Sugar consumption in the EEC was estimated at 3 million tonnes short of maximum production quotas, but it was thought unlikely that Community producers would be capable of producing as much as the quotas allowed them to.

Cocoa

Strong demand conditions, and supply shortages due to bad weather in some West African producing countries, as well as speculation due to extraneous events, caused cocoa prices to rise sharply in the first seven months of 1973. However, expectations of a larger crop in 1973–74 led to a price reaction during the latter half of the year and this was accentuated in the last two months by reports of falling consumption, especially in the United States. Nevertheless, the price was still almost 80 per cent higher in December than at the beginning of the year, and the annual average price for 1973, as shown in Table III, was twice as high as that for 1972. The market price afterwards rose even further above the price range of 23–32 cents/lb established under the International Cocoa Agreement, which had entered into force on 30 June, 1973, without it having been possible to utilize the Agreement's regulatory provisions. In the middle of 1974 the International Cocoa Council raised the target price range by 6.5c/lb, but world prices were still well above Agreement prices and control mechanisms did not come into play at any time in 1974.

Coffee

Mainly due to frost, drought and disease damage in Brazil, supplies of coffee continued to lag behind demand in 1973. The International Coffee Organization indicator price for all coffees rose by 23 per cent, comparing the average for 1973 with that for the preceding year, and world stocks fell to their lowest for several years. The 1968 International Coffee Agreement, which had effectively ceased to function in 1972 as a result of differences of view between exporting and importing members regarding the level of indicator prices following devaluation of the dollar, was extended for two years from October 1973, with its regulatory provisions omitted. With the aim of maintaining prices, and with only limited success, exporting countries continued to influence the level of supplies in 1973. Agreement to extend the International Coffee Agreement on a standby basis, for a further year to September 1976, was reached by the Council meeting in London in September 1974.

Table III Selected commodity prices *a* 1972–74

Commodity	Price	Year	January	February	March	April	May	June	July	August	September	October	November	December	Annual averages
							GRAINS								
Wheat															
US, No. 2	$/60lb	1972	1.63	1.63	1.63	1.64	1.64	1.63	1.64	1.69	2.07	2.38	2.42	2.80	1.90
Hard Red Winter	f.o.b. Gulf	1973	2.95	2.69	2.68	2.75	2.78	2.95	3.12	4.74	5.21	4.94	4.87	5.36	3.75
(ord)		1974	5.85	6.02	5.42	4.32	3.85	4.18	4.62	4.62	4.67	5.25	5.21	5.05	4.92
Maize															
US, No. 3	$/tonne	1972	58.1	58.1	57.3	58.7	59.0	58.0	60.0	61.7	67.9	67.5	69.7	-	61.4
	c.i.f. UK	1973	92.2	87.9	86.1	87.2	100.0	122.1	139.4	144.3	127.9	127.2	133.9	146.6	116.2
		1974	139.8	156.4	156.5	142.6	140.0	142.9	150.7	162.6	161.0	171.5	165.7	161.0	154.2
						TROPICAL PRODUCTS									
Sugar															
Raw	US cents/lb	1972	7.90	8.19	8.40	7.08	6.63	6.33	5.56	6.26	7.07	7.41	7.28	9.15	7.27
	f.o.b. bulk	1973	9.40	8.98	8.77	8.99	9.35	9.38	9.52	8.97	8.94	9.51	10.14	11.85	9.48
	Caribbean	1974	15.15	21.05	21.08	21.58	23.63	23.51	25.03	30.63	34.15	39.50	56.14	44.88	29.66
Coffee															
Colombian Mild Arabicas	US cents/	1972	50.71	49.93	51.79	51.61	52.89	53.61	60.46	63.94	59.68	61.00	61.28	62.52	56.61
	lb Ex-dock	1973	68.62	73.66	73.39	70.57	73.62	76.16	75.48	73.38	72.32	71.18	70.86	70.96	72.51
	New York	1974	75.29	80.43	79.58	81.19	82.33	82.16	78.10	73.53	70.73	72.18	77.09	81.44	77.84
Coffee															
Robustas	US cents/	1972	42.17	42.22	43.08	43.67	43.75	43.66	46.90	47.20	46.95	47.03	47.40	47.80	45.15
	lb Ex-dock	1973	47.81	49.53	50.34	48.88	48.74	48.88	48.02	47.35	50.08	52.00	52.97	53.91	49.87
	New York	1974	55.64	60.54	62.77	64.04	64.53	61.80	59.13	55.93	53.92	54.94	55.66	55.21	58.68
Cocoa															
Ghana (Accra)	US cents/	1972	25.8	26.7	28.3	28.6	30.3	31.1	32.4	34.5	36.7	38.1	37.3	37.7	32.3
	lb Spot New	1973	37.1	39.0	43.9	51.4	61.8	70.4	86.5	80.8	81.8	80.7	73.5	66.1	64.3
	York	1974	65.1	74.3	88.1	109.7	117.2	103.3	106.5	106.9	106.6	115.1	103.1	85.5	98.5
Tea															
(All Tea)	New Pence/	1972	42.56	41.52	42.10	41.38	41.30	42.09	40.98	41.27	39.62	42.71	44.03	44.84	42.03
	kg London	1973	43.95	43.46	44.00	43.63	42.67	41.11	39.13	39.09	42.13	45.12	45.88	48.27	43.20
	Auct Prices	1974	50.65	55.31	66.76	61.84	59.88	59.46	58.33	56.98	57.10	60.90	65.70	65.30	59.86
Groundnuts															
Nigerian	$/tonne	1972	250	249	250	258	262	259	255	247	255	257	298	310	262
Shelled	c.i.f. European	1973	316	342	364	340	367	437	495	474	387	376	373	525	399
	pean Ports	1974	-	-	-	605	616	-	-	-	-	617	613	608	. .
Palm Oil															
Malayan 5%	$/tonne	1972	222	187	215	227	227	214	214	221	225	224	219	214	217
	c.i.f. Euro/	1973	212	262	281	288	326	366	464	532	421	434	427	498	376
	Ports	1974	587	667	633	619	589	604	613	733	721	831	772	697	672

						AGRICULTURAL RAW MATERIALS									
Cotton															
US Memphis	New pence/	1972	35.57	36.25	31.69	31.85	31.52	30.51	31.27	29.51	28.83	30.24	35.14	38.06	35.53
S.M. 1-1/16"	kg UK c.i.f.	1973	40.65	39.78	40.38	42.53	45.88	48.08	54.40	71.58	. .	76.59	73.72	86.61	56.33
	Liverpool	1974	91.07	81.15	73.52	67.86	58.45	59.32	59.97	58.33	56.11	54.01	49.45	48.71	63.16
Wool															
64's (Dry-combed	New pence/kg	1972	79	86	87	93	97	108	106	119	133	182	172	185	120
basis)	UK Domi-	1973	240	290	365	275	285	305	290	290	280	265	250	280	284
	nion Clean	1974	275	260	240	227	220	220	210	210	175	160	165	165	211
Jute															
Raw, Bangladesh	£/ton f.o.b.	1972	128	135	130	125	121	118	116	118	118	118	117	117	121
B.W.D.	Chittagong	1973	118	119	120	120	120	119	119	117	120	121	122	122	119
		1974	123	124	126	131	139	145	150	156	171	190	209	210	156
Sisal															
Tanzania/Kenya	$/tonne	1972	200.9	208.8	214.8	220.0	255.2	270.9	256.4	257.2	256.2	252.0	267.4	296.7	246.3
No. 3 Long	c.i.f. London	1973	352.4	432.2	442.1	442.1	450.9	460.4	523.9	594.4	593.1	629.5	680.6	818.8	535.0
		1974	990.0	1,056.7	1,060.0	1,060.0	1,072.7	1,084.0	1,093.3	1,105.0	1,105.0	1,105.0	1,105.0	1,105.0	1,078.0
Rubber															
Singapore No. 1	S'pore cents/	1972	89.2	88.5	87.3	86.7	92.2	92.2	91.6	89.3	87.2	101.8	104.6	113.3	93.6
RSS	kg f.o.b.	1973	125.2	130.5	138.8	137.5	140.0	170.5	198.4	187.2	173.0	167.9	191.1	243.9	167.0
		1974	271.1	242.2	227.6	201.8	202.7	177.6	162.2	163.8	147.1	141.7	113.4	133.9	182.1
						METALS									
Copper															
Electrolytic Wire	£/tonne	1972	419	427	442	434	423	412	423	427	434	429	428	436	427
Bars	L.M.E. Cash	1973	475	512	610	639	613	678	795	843	800	850	950	960	727
		1974	913	1,007	1,172	1,268	1,191	1,020	803	768	630	599	608	553	878
Zinc	£/tonne	1972	147.7	149.7	151.7	151.3	147.9	144.0	148.9	148.4	150.9	151.9	161.1	159.9	151.1
	L.M.E. Cash	1973	164.1	173.7	191.9	206.6	216.9	254.6	331.4	369.2	403.2	478.6	680.1	700.2	347.5
		1974	597.9	666.7	696.5	728.8	738.4	589.8	458.9	454.1	393.5	353.6	341.5	331.3	529.3
Tin	£/tonne	1972	1,412	1,413	1,475	1,497	1,467	1,457	1,530	1,531	1,557	1,571	1,576	1,591	1.506
	L.M.E. Cash	1973	1,611	1,658	1,736	1,722	1,718	1,764	1,951	2,025	2,068	2,213	2,350	2,788	1.960
		1974	2,930	3,308	3,528	3,847	3,855	3,775	3,563	3,739	3,951	3,181	3,182	3,079	3,497

a Monthly averages of daily quotations

Oilseeds and oils

Prices of the major oilseeds and oils increased by very large but varying percentages, comparing the averages for 1973 with those for the preceding year. The average price of shelled groundnuts rose by over a half, and that of palm oil (Table III) by over 70 per cent. Several factors contributed to the remarkable increases, including exceptionally heavy demand for animal feed and an unusually widespread coincidence of poor crops, particularly the 1972–73 soyabean crop in the United States and groundnut crops in West Africa. Prices of lauric oilseeds and oils, which had been extremely low in 1972, came back into a more usual relationship with those of soft oilseeds and oils. During the course of 1974, vegetable oilseeds and oils generally showed hesitancy or weakening tendencies in the second quarter, which continued in the case of the hard oils: palm oil prices, however, rose from May onwards, and the almost continuous rise in monthly average prices of soyabean oil was given an added spur by severe autumnal frosts in the main US crop-growing areas, which cut the estimated soyabean harvest by a fifth. Soyabean production in Canada also suffered from unfavourable weather.

Rubber

In April 1972, prices of natural rubber were the lowest for over twenty years: by the end of 1973, they were higher than at any time since the Korean War, and the terms of trade for this commodity were something over the 1960–70 average (see Table IV below). Strong industrial demand for all types of rubber, the accelerating switch to radial tyres in the United States, reduced production of natural rubber and low stocks in consuming countries, all contributed to this change. An important factor in the long run will be the effect of higher petroleum prices on synthetic rubber competitiveness: in the short run, the deepening slump in new car sales in 1974 resulted in a halving of the price of natural rubber by October. Towards the end of November, the Malaysian Government announced a programme of support-buying from its own smallholders, production control measures, and regulations governing locally held stocks. It was claimed that these measures in themselves would take 190,000 tons p.a. off the market, while the co-operation of Thailand and Indonesia was being sought for complementary measures on their part and the creation of an international buffer stock. In the first week after the Malaysian announcement the price of RSS No. 1 rose 20 per cent in London.

Fibres

In the wool market the buoyant demand and the tight supply situation which had characterised the previous year continued well into 1973. Under the influence of exceptionally heavy Japanese buying, prices rose more steeply than those of any other major agricultural raw material. At their peak in March 1973, prices of fine merino wools were over four times higher than a year earlier.

Thereafter they eased, to give annual averages well over double those for 1972. The slide in prices continued for most of 1974, necessitating heavy buying by the Australian Wool Corporation and the accumulation of official stocks in other exporting countries, in the absence of sustained interest by Japanese buyers. Meanwhile, legislation was being prepared in Australia to increase the powers of the Wool Corporation in trading on its own account.

The strong, post-independence recovery of jute production and trade in Bangladesh in the 1972–73 season offset the tendency for prices to rise in consequence of higher raw material costs in the industries producing competing synthetics. The average f.o.b. price of jute was marginally lower in 1973 than in 1972, but there was upward pressure in the closing months of the year, and strong price rises were experienced in consecutive months of 1974.

Prices for another non-apparel fibre, sisal, rose particularly rapidly in the last quarter of 1973 and the first of 1974, with the average for the whole of 1974 working out at roughly double that for the preceding year.

Metals

Metal supplies in general in 1973 were tight, resulting in rising world prices. The increase in world consumption of refined copper in 1973 was about 10 per cent, that of mine production about 6 per cent and that of refinery output 3 per cent. World market prices were lifted by inflation, speculation and hedging against possible falls in currency values. The monthly average price of cash wirebars (copper) on the London Metal Exchange (LME) more than doubled between January and December, the annual average being 76 per cent higher than in 1972. Major factors contributing to the shortage of supplies were the closure of the Zambia/Rhodesia border, a decline in output in Chile, and pollution problems and strikes at a number of smelters.

Supplies of tin, including possible releases from the United States strategic stockpile, seemed likely to exceed consumption in 1973. The Penang price in Malaysian dollars, which serves as the indicator price for the International Tin Agreement (ITA), started the year in the lowest of the three sectors of the Agreement's price range. The ITA imposed restrictions on exports in January 1973, and they were maintained until September, by which time the Penang price had moved into the upper sector of the price range. The range itself was raised in September but the market moved above the ceiling of the new range in November, and higher still in December. Although there had been production setbacks in several producing countries, and loss of output from a major smelter in Britain, this had been offset by ITA buffer stock sales and releases from the United States stockpile. Tin consumption during 1973 reached 235,650 tons, about 9 per cent more than in 1972, and the Penang price averaged 10 per cent higher than in the previous year. The increase in the London price was much greater as a result of the Malaysian dollar having appreciated considerably in relation to sterling during the year. On average the LME spot price rose by about 30 per cent.

A turnround in metal prices came in April/May 1974, with a shakeout of speculative positions on the LME. The downturn in copper was reinforced by US anti-inflation legislation late in 1973, permitting disposal of 281,000 tons from the strategic stockpile, by a strong expansion of Chilean output, by some export sales of refined copper by Japanese smelters, and by settlement in the United States of the new labour contract peacefully in mid-1974. Copper stocks in LME warehouses rose from a low of about 11,000 tons in April to over 131,000 tons in the space of eight months. As a result the price of cash wire-bars fell from a peak of over £1,400/metric ton in April to below £600, at a time when mine production costs were still climbing. Against the background of a reversal of speculative demand for copper, and output reductions at car plants throughout the world, the Council of Copper Exporting Countries (CIPEC)* announced a plan to cut exports by 10 per cent from 1 December 1974, compared with the levels of the preceding six months.

The movement of tin prices was somewhat different. This metal, which had lived through most of 1973 under the "threat" of heavier GSA disposals than actually took place, was stimulated by a change of sentiment in Congress early in 1974: this seemed to allay the worst fears of producers, and the ITA price range was lifted again in May (to a point still well below the market). Average monthly prices in Penang drifted down from that point onwards, and on a number of occasions in the last quarter of 1974 ex-smelter prices in the East reached the point below which the Buffer Stock Manager could have supported the market.

* Of which Zambia, Chile, Peru and Zaire are the members.