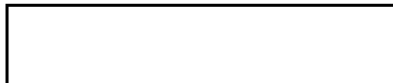


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31 January 1974

MEMORANDUM FOR: Mr. Sidney Zabludoff
Council on International Economic
Policy
Executive Office Building

SUBJECT : Commodity Price Trends



STAT

In response to our conversation of 31 January, we are forwarding the attached table on world commodity price trends. The table includes average annual prices for selected commodities as well as factors which will affect prices in 1974. Estimates of 1974 price trends are still very tentative, thus the table will be updated periodically as new information becomes available. We would be happy to provide additional information if required.

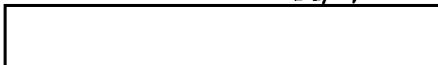
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(31Jan74)

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COMMODITY PRICE TRENDS

<u>Commodity</u>	<u>Price Unit</u>	<u>1972</u>	<u>Dec 1973</u>	<u>1973</u>	<u>1974^{a/}</u>
Bauxite	\$ per metric ton	8-12	8-12	8-12	up slightly
Tin	\$ per 100 lbs	171	285	217	up sharply
Copper	\$ per 100 lbs	49	104	81	down slightly
Rubber	\$ per metric ton	402	1136	683	down slightly
Timber	\$ per cubic meter	21	47	56	down sharply
Wheat	\$ per bushel	2	5	4	up sharply
Sugar	\$ per 100 lbs	9	11	10	firm
Rice	\$ per 100 lbs	10	30	18	up sharply
Palm Oil	\$ per metric ton	216	486	345	down slightly
Copra	\$ per metric ton	141	421	314	down slightly
Peanuts	\$ per metric ton	260	523	394	up sharply
Cocoa	\$ per 100 lbs	32	66	64	down sharply
Coffee	\$ per 100 lbs	51	71	67	up slightly
Cotton	\$ per 100 lbs	34	79	56	up slightly

a/ Change from average 1973 prices.

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31 January 1974

COMMODITY PRICE TRENDS

Commodity	Major Exporters	Price Unit	Average Prices						Remarks
			1973	1972	1971	1970	1969	1968	
Cotton	Turkey Brazil Egypt Mexico United States USSR	\$ per 100 lbs	25.10	34.30	34.70	79.30	56.06	65-75	Both supply and demand will increase in 1974. Although some farmland has been shifted from cotton because of higher prices for other crops, sharply increased yields will result in a production increase for the 1973-74 crop (Aug-July). Because of fashion's shift to natural fibers and because of the shortage and high prices of petroleum based man-made fibers, demand will remain strong. Stock piling may ease somewhat, although higher quality cotton is in relatively short supply.
Bauxite	Australia Jamaica Guinea Guyana Surinam	\$ per metric ton	8-12	8-12	8-12	8-12	8-12	10-14	There is no free market price for bauxite. Most sales are under long term contracts for which prices have not been adjusted in recent years. A meeting of bauxite producing countries in February will result in pressure for higher prices, greater control over production facilities, and more processing within the bauxite producing countries. Because prices are not market related, future price trends are difficult to estimate.

COMMODITY PRICE TRENDS

Commodity	Major Exporters	Price Unit	Average Prices					Remarks	
			1970	1971	1972	1973	1974		
Tin	Malaysia Bolivia Thailand Indonesia	\$ per 100 lbs	166.8	171.0	172.4	284.7	217.3	250-270	Prices for 1974 are expected to remain firm. Thailand has had considerable labor problems in the tin mines and some gravel pumps have closed because of fuel shortages. Some gravel pumps in Malaysia may also close. The UK's Williams Harvey smelter is still down and no alternate plant has been able to take up the slack. A world wide economic downturn may ease demand in non-canning uses of tin, particularly automobiles and housing, but even this will not be enough to cause any sizeable drop in prices particularly because prices are largely controlled by the International Tin Council.
Copper	Zambia Chile Canada Zaire	\$ per 100 lbs	64.17	48.56	50.72	104.09	81.02	85-110	Supply situation is tight and no major production increases are expected in 1974. A small increase in Chilean production and GSA stockpile releases will keep prices from soaring even higher. Prices should soften as a result of worldwide economic downturn this year and resulting reduced demand but they are not expected to drop below the 1973 average. An important factor influencing prices in 1974 will be whether the US industry can avoid a strike this summer.

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Commodity	Major Exporters	Price Unit	Average Prices					Remarks	
			1970	1972	1973		1974 Est		
					Jan	Dec			
Rubber	Malaysia Indonesia Thailand	\$ per ton	462.5	402.1	506.3	1135.6	683.0	660-700	Prices will ease considerably from current high levels during 1974 but will still be substantially above prices in recent years. Demand will ease because of downturn in automobile and road building equipment industries. This will be balanced by tight supply of synthetic rubber because of feed-stock shortages.
Timber (Hard wood)	Indonesia Malaysia Philippines	\$ per cubic meter (Japanese import prices)	31.86	30.81	33.44	47.00	56.25	46	Easing of demand because of downturn in housing construction in Europe, US, and Japan will bring timber prices down in 1974. Substantial increases in Indonesian production will ensure an abundant supply.
Wheat	United States Canada Australia Argentina	\$ per bushel	1.48	1.84	2.71	5.32	3.58	5-7	Prices probably will continue to increase at least until the new crop comes in at mid-year. Australian crop is lower than anticipated and very little will be available to cover any US shortfall. Canada withheld its crop from the market in late 1973 and since then has refused to negotiate its high prices. US is attempting to delay or stagger deliveries, and wheat prices will reflect the success of this attempt.

Commodity	Major Exporters	Price Unit	Average Prices						Remarks
			1970	1972	1973		1974	1974 Est.	
					Jan	Dec	1974	Est.	
Rice	Thailand Burma Egypt United States	\$ per 100 lbs	8.60	9.75	12.80	22.85	18.11	24-29	Rice prices in 1974 were expected to decline by up to 25% from the current peak level, because the important Thai crop recently became available for export. This are not quoting prices, however, are negotiating on individual basis to take advantage of high prices. Because of the continued uncertainty, prices have remained high. World stocks are extremely low and demand will remain strong as stocks are rebuilt. Prices are unlikely to drop significantly, especially in view of tight supplies of other grains.
Palm Oil	Malaysia Indonesia	\$ per metric ton	256	216	214	486	345	275-350	Predictions of oilseed prices for coming year are very tentative. A meeting of major oilseed producers in Rome scheduled for mid-February will clarify supply situation which for the moment is extremely uncertain. Prices of palm oil have been unusually strong because of a drought in Malaysia, but drought is now over and production will recover. Prices will decline with improved world supply of all oilseeds.
Copra	Philippines Sri Lanka Papua New Guinea Indonesia	\$ per metric ton	204	141	174	421 (Nov)	314	275-325	Demand will remain strong through 1974. Supplies will hit a low in March but are expected to recover by the third quarter when the new crop will be harvested. Prices are likely to fall as world supplies of oil seeds in general increase.

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Commodity	Major Exporters	Price Unit	Average Prices					Remarks	
			1970	1972	1973		1974 Est.		
					Jan	Dec			
Peanuts	Sudan	\$ per ton	229	260	321	523	394	450-525	Some easing of peanut product prices may occur in response to increased supplies of feed and other oil seeds which serve as substitutes. The price slippage will be moderated however, because African producers have embargoed peanut exports with a view toward increasing production and sales of peanut products. Moreover, because of drought, Nigeria had a severe crop shortfall, and normal production levels are unlikely for several years. World peanut stocks remain relatively low.
	Nigeria								
	Brazil								
	Niger								
	United States								
Cocoa	Ghana	\$ per 100 lbs.	34.17	32.26	37.14	65.69	64.38	50-55	Average prices should decline some 20% in 1974. Demand will taper off both because of currently high prices and reduced grindings due to energy shortages. World production will increase by at least 6% this year.
	Nigeria								
	Brazil								
Coffee	Brazil	\$ per 100 lbs	53.94	50.74	57.31	71.47	66.56	70-75	Brazilian crop suffered considerable frost damage last year resulting in soaring prices. Production will recover this year but probably not enough to meet demand. The new crop harvested between April and June, will stabilize prices somewhat but is unlikely to cause any significant drop in prices.
	Columbia								
	Ivory Coast								

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Commodity	Major Exporters	Price Unit	Average Prices						Remarks
			1970	1972	1973	1974	1975	1976	
Sugar	Cuba	\$ per	8.09	9.11	9.40	11.40	10.27	9.11	Supply and demand will be more in balance than in past years, but world stocks are at extremely low level. Demand will remain high to rebuild stocks. A smaller European beet crop than originally expected also will help keep prices high. Prices later in the year will reflect new sugar legislation due in US and EC.
	Australia	100 lbs							
	Brazil								
	Philippines								
	South Africa								

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31 January 1974