

ANNUAL REVIEW OF OILS AND OILSEEDS MARKET FOR 1950

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GENERAL REVIEW OF COMMODITY MARKETS

THE year 1950 was remarkable for the sharp rise which took place in the prices of all commodities.

When the pound sterling was devalued in September, 1949, nobody seriously thought that prices of raw materials would not rise in consequence. The rises during the last months of 1949 were, however, moderate and during the first few months of 1950 there was in some directions even a tendency for prices to decline. Half way through the year the outbreak of war in Korea brought new influences into play. It became necessary for the North Atlantic Treaty countries to take defensive measures and the substantial increase in industrial activity which this entailed was certainly a reason for some adjustment in prices. In addition there was the prospect which had to be faced of an extension of the hostilities and a decreasing flow of raw materials from the East which made it prudent to build up stocks of essential commodities.

Even so one would hardly have expected prices to skyrocket as they did. Still less would one have expected to see responsible buyers continually supporting this trend except where there was immediate great need or imminent shortage. Prices have subsequently subsided, although not yet to the level at which they stood just prior to the Korean war.

Such large and abrupt fluctuations are undesirable in every respect. They are too short-lived to be of material benefit to the producer whilst their effect on industry and the trade can be very serious.

One of the foremost reasons for the rise was shortage, which if not an acute shortage was at all events the lack of any surplus to meet an unforeseen demand. We tend perhaps to hark back too much to the conditions which existed before the last war and to forget the changes which have taken place, the destruction of wealth which must be replaced, the vast increases in population, and the changing face of Asia and the Far East. Primary producers in the British Commonwealth, as can be seen from the smallness of the increases in their production during the last few years, appear to have taken a very sceptical view of the duration of post-war prices, which latter must surely have been very remunerative. A possible reason for this is because Government Departments, by taking too much part not only in the planning and control of production, but also in the actual buying and selling, have tended to obscure the facts and thereby not allowing the forces of price variations to play their natural part. Or again it may be that producers were either deterred by political unrest in their territories or, remembering the lean years of the 1930's, did not wish to risk capital in long-term schemes. Whatever the reasons the result has undoubtedly been insufficient production, most particularly in the sterling area.

The practice of long-term buying and selling between governments is not proving successful. It is impossible for any body of people to foresee price movements very far ahead and the result, however good the intention, instead of promoting trade simply causes ill-feeling and very often broken contracts.

If it is the genuine desire, as it should be, of this country to assist production of certain essential commodities within the Commonwealth, the basis of any long-term agreement should be a guaranteed minimum price to the producer leaving him free to sell at least a part of his production through his normal trade channels at world prices. This would encourage production in a reasonable manner, providing in time sufficient of those raw materials which are most economically produced within the Commonwealth both for home consumption and for export.

However attractive it may seem as a means of providing revenue, the imposition in times of scarcity of export taxes on commodities by the governments of producing countries would appear to be short-sighted. It is a source of irritation to all sections of the trade: to the producer who resents the idea of a tax being put on his efforts, to the consumer who invariably has to pay the increase and to the intermediaries who have the distasteful task of arguing the matter backwards and forwards. The reasoning behind export taxes, which is that the higher the price the more can the producer afford to pay, can quickly prove fallacious and we know of commodities where the tax is over one-third of the market value and the supply becoming scarcer almost daily.

Greater production of raw materials within the Commonwealth will be the predominant factor in balancing our trade and practical assistance and encouragement should be given to those who have the experience and the enterprise to accomplish it.

The effect of price controls on those countries who require the raw commodities to feed and clothe their populations and to supply their manufacturing industries is felt most when markets are on the decline. Manufacturers, who are allocated raw materials at prices which are fixed from time to time, very often have no means of covering themselves against a sudden fall in raw material values, whereas if they ask a price for a finished product, based on the price paid for the raw material, they are uncompetitive in the world markets.

The facility of laying off this risk should therefore be given to the manufacturer either in the form of a future market or by allowing him or his agent to sell in the world markets with a possible loss of foreign exchange. We are having to face increasing competition in every field of our industrial activities. Price counts everywhere and on fluctuating markets a manufacturer can only be continually competitive if he is continually buying or replacing his raw materials at the current price.

A nasty taint of unscrupulous avoidance of contractual obligations has made itself felt in certain directions and judging from the number of disputes which have arisen recently, a large section of the commercial world would, no doubt, be glad to be able to avail itself more freely of the security and fair dealing which the United Kingdom produce markets, through centuries of successful trading, are able to offer.

The value of these markets as a source of revenue does not, of course, escape the notice of the responsible authorities and some additional concessions are given as each year goes by. The proper functioning of these markets is, however, a matter of interest to a wide range of both producing and consuming countries and particularly to producing countries within the Commonwealth. A continual loosening up of control within this country combined with as great a measure, as possible of convertibility of currencies seems essential from every point of view.

Copra

During 1950 there were wide fluctuations in prices but the Copra market remained generally firm with a constant upward tendency during the second half of the year. There were small

increases in exports but these were insufficient to meet the additional demand caused by stock piling. Whereas rises in price were seen in Copra from both soft and hard currency countries of production, the European demand was mainly for Copra which could be paid for in soft currencies and shipments of Philippine Copra to Europe were relatively small.

Indonesia was granted independence at the beginning of 1950. The change over in Government delayed shipments and the quantity originally expected did not materialise. Controls were maintained on Indonesian Copra and on a great deal of Copra from British territories, whilst Ceylon and Seychelles Copra were released from control.

United Kingdom.—Imports for 1950 totalled 113,818 tons, as against 106,842 tons for 1949, and were chiefly from the South Sea Islands, augmented with some supplies from British East Africa and Copra bought under long-term contracts from several of the estates in Malaya. Ceylon Copra was no longer available under a bulk contract and the contract with Seychelles also expired and was not renewed.

Ceylon.—Exports for 1950 totalled 21,117 tons. In 1949 there were 21,575 tons. Very little Ceylon Copra went to Europe during 1950, exports being chiefly to India and Pakistan. The increase in crushing capacity continues to reduce the supplies of Copra available for export. In March the control on Desiccated Coconut in the U.K. was lifted, which resulted in an immediate increased demand for Desiccated Coconut from Ceylon, which still further reduced the number of nuts available for Copra. Generally speaking, prices for Ceylon Copra have been somewhat above the parity of Straits Copra throughout the year. No Ceylon Copra was sold to the U.K. as in former years, due to the contract for purchases of Copra from Ceylon not having been continued. The Government of Ceylon encourages the export of Coconut Oil and the alterations of export duties early in 1951 left the export duty on Copra double the parity of the export duty on Coconut Oil.

Coconut Oil

During the year the last vestiges of control on export of Coconut Oil from Ceylon were removed. On 30th June the somewhat nominal control exercised by the Ceylon Government by means of Export Licences based on minimum prices was discontinued so that thenceforward export of Coconut Oil from the main sterling producing areas, Ceylon and Malaya, became absolutely free. The U.K. received practically no oil from these centres—the records show that only 199 tons were shipped from Ceylon and none from Malaya.

Shipments from Ceylon were lower, being 75,717 tons against 89,184 in 1949 and from Malaya 57,032 tons against 61,226 tons in 1949. Shipments from the Philippine Islands were higher at 69,892 tons against 64,147 tons in 1949.

Shipments of Coconut Oil into the U.K. were considerably reduced, being only 17,396 tons of which 9,873 tons were from Fiji and 7,511 from other Commonwealth countries, but as mentioned there were no exports from Malaya to the U.K. during 1950.

Malayan prices showed no great variation during the first six months of the year and in Ceylon prices during the early months were maintained at a rather artificial level, but during the last six months of the year all prices rose fairly substantially in common with other produce on the impetus given by the outbreak of war in Korea.

Ceylon.—As mentioned above the Ceylon Government removed all price controls on the 30th June. Previously to this the Government fixed from time to time minimum export

prices below which Export Licences were not to be granted and as a consequence of this, trade with Ceylon was somewhat irregular and difficult during the first half of the year. Pakistan appeared to be the best buyer, continuing to be a good regular buyer at the limit prices. However, as Pakistan buys only Oil in packages the main Ceylon export trade, which is the bulk business, was very quiet, although in May Canada was reported to have bought almost 5,000 tons of Oil in bulk at the parity of £136 per ton c.i.f. The price of Ceylon Coconut Oil was maintained at artificially high limits during the first few months of the year—in January the official price was about £154 per ton, in February/March about £160 and thereafter it dropped fairly sharply and it was clear that trade was being licensed at under the minimum prices.

Efforts were being made to persuade the Government to reduce the published minimum prices, but while good prices were still being obtained from Pakistan, the Government saw no reason to do so. As time went on, however, it seemed clear that the price limit was in fact decided by the figure at which the Millers would sell and by the end of June Oil in bulk was down to about £111 per ton c. i. f., which was cheaper than Straits Coconut Oil at the time.

The decision of the Ceylon Government, taken at the end of June, to allow the market to find its own level in the future was, no doubt, a wise one. At the same time the Ceylon Government put an extra duty of 150 rupees per ton on export of Copra in order to protect the Millers by discouraging export of Copra and encouraging export of Oil.

With the commencement of the war in Korea in July, prices started to rise slowly and in August there was a sharp rise caused by general buying especially from Germany. By September a price of £157 per ton had been reached. There was a slight recession at the beginning of October to £136 per ton, but a firmer tone very soon reasserted itself and prices continued to rise gradually through the last few months of the year and closed at about £155 per ton c.i.f.

It is thought that the tendency will be for the exportable surplus of Oil from Ceylon to be reduced owing to the continual increase in domestic consumption. As will be seen from the statistics, the average exports are 75,000-85,000 tons per annum and the annual production is reckoned to be about 120,000 tons per annum. The consumption in Colombo alone is reported to be about 50 tons per day, say about 18,000 tons per annum, and this is continually growing.

The analyses of the Ceylon export figures are rather interesting. They show that out of the total export of 75,717 tons India took 4,249 tons, Pakistan 11,298 tons, Italy 10,396 tons, Germany 9,351 tons and Holland 18,601 tons. A great part of the latter total, no doubt, includes Oil shipped to Holland in transit for Germany.