

## COMMODITIES

### New Export Pattern Emerging

A significant shift is taking place in the pattern of Sri Lanka's exports. The concerted efforts, in recent years, towards diversification of the country's export sector appear to be bearing fruit. A fourth leg, namely that of non-traditional exports has now been added to the famed tripod of tea, rubber and coconut on which the country's economy appeared to stand unshakably over the past few decades.

Tea, Rubber and Coconut exports accounted for as much as 90 per cent of the country's exports upto 1967. Today these traditional

commodities account for only 70 per cent of our total exports. Over the seven years between 1967 and 1974 (see Table I) non-traditional exports have come to contribute a larger share than either rubber or coconut, with tea only 9 per cent ahead. The fall in the share of tea in total traditional exports is not due to a fall in export earnings from tea. In fact, earnings increased from Rs. 1,261 million in 1973 to Rs. 1,360 million in 1974. But, the rate of increase in the value of the non-traditional exports (especially petroleum products) and also coconut products were much higher and thus caused a fall in the share of earnings from tea.

TABLE I

Percentage Composition of total exports 1967-74

	1967	1968	1969	1970	1971	1972	1973	1974
Tea	63	57	55	55	59	60	48	39
Rubber	17	16	22	22	16	14	23	21
Coconut Products	10	16	12	12	14	14	6	10
<b>Total</b>	<b>90</b>	<b>89</b>	<b>89</b>	<b>89</b>	<b>89</b>	<b>88</b>	<b>77</b>	<b>70</b>
Non-traditional products	10	11	11	11	11	12	23	30
Total value of exports in Rs. million	1,690	2,035	1,916	2,033	1,947	1,942	2,630	3,503

Largely responsible for the surge in the non-traditional export earnings by 1974 were the very much higher prices received for petroleum products (including bunkers and aviation fuel supplies); precious and semi-precious stones and jewellery; spices and essential oils of spices; and other industrial pro-

ducts, particularly readymade garments, batiks, sea foods, fatty acids and edible fats, footwear, wood products and Portland cement. Table II below shows the movement in earnings of some selected industrial and agricultural exports over the last four years.

TABLE II

Selected Industrial & Agricultural Exports (Rs. Mn.)

	1971	1972	1973	1974
Petroleum products (including bunkers and aviation fuel supplies)	87	89	138	351
Precious and semi-precious stones and jewellery	4	12	153	133
Selected industrial export products	n.a.	n.a.	86	160
Spices and Essential Oils	35	40	71	88

**TEA****Rising Trend Continues**

Sri Lanka's export earnings from tea continued its upward trend into April too. Foreign exchange earnings for the first 4 months of this year were over 100% more than in the first 4 months of 1974. The total of all tea exported in the first 4 months of 1974 was 98 Mn. pounds at a value of Rs. 296.2 Mn. as against 109 Mn. pounds at a value of Rs. 625.8 Mn. in the first 4 months of this year. Exports of black tea in bulk were largely responsible for this phenomenal rise in earnings. 98 Mn. pounds has fetched a value of Rs. 564 Mn. this year as compared with 92 Mn. pounds bringing in only Rs. 276 Mn. during the same period last year. Packeted tea exports have also increased more than 200% in value and 100% in quantity. Libya which is the major buyer of packaged tea had purchased Rs. 35 Mn. worth while other new buyers from the oil rich states include Saudi Arabia — Rs. 4 Mn.; Muscat and Oman — Rs. 5 Mn; and Kuwait — Rs. 1.5 Mn. Further details in the table above right.

**RUBBER****Declining Markets**

Export earnings from rubber have decreased considerably in the opening months of this year, as compared with prices fetched early last year. Earnings during the first 4 months of this year have fallen to Rs. 160.9 Mn. as compared with earnings of Rs. 268.8 Mn. in the first 4 months of 1974. In 1974 the value of exports from rubber reached the record level of Rs. 738 Mn. The previous highest was Rs. 592 Mn. in 1973. The 25% increase in earnings in 1974 was wholly due to the increase in the average f.o.b. price by 56%. Compared with 1973, when production was 341 Mn. pounds, production in 1974 reached a record low for the '70's of 300 Mn. pounds. The volume of exports in 1974 fell substantially as a result of this declining production. The prices of natural rubber soared with the onset of the energy crisis and the subsequent sharp increase in the price of crude oil. Having reached peak levels in the last few months of 1973 and the first quarter of 1974 prices have fallen continuously thereafter.

**SRI LANKA'S****TEA EXPORTS**

1974 Jan.—April

1975 Jan.—April

	Quantity Mn. lbs.	Value Rs. Mn.	Quantity Mn. lbs.	Value Rs. Mn.
Black tea in bulk ..	92.3	276.5	98.5	564.0
Packeted tea ..	5.5	17.8	10.3	59.7
Instant tea ..	.2	1.9	.2	2.1
	<u>98.0</u>	<u>296.2</u>	<u>109.0</u>	<u>625.8</u>

**SPICES****Cardamoms Hold Firm**

Of all the spices exported from Sri Lanka only cardamoms have fetched higher prices in recent months. Other spices particularly cinnamon, cloves, pepper, nutmeg and ginger have earned much less in the first 4 months of this year as compared with the same period in 1974. Total export earnings from spices from January to April 1974 were Rs. 32.7 Mn. as compared with 22.3 Mn. in the first 4 months of this year.

Total earnings for all cinnamon products declined over this period from Rs. 14.9 Mn. in 1974 to Rs. 10.7 Mn. this year. 1974 was a boom year for cinnamon chips, cardamoms, pepper and cloves. Pepper particularly which had earned less than 1 Million in the previous two years brought in Rs. 12.9 Mn. in 1974; while cloves also fetched Rs. 10.1 Mn. in 1974 as compared with less than 1 million in the previous 2 years. The export value of unit prices for pepper, cloves and cinnamon quills showed marked increases varying from 60%—90% more when compared with 1973 prices.

According to Produce Brokers' reports cinnamon quills, cloves and mustard have been receiving progressively higher prices from dealers, over the last two months, for quality No. 1 of these products. Cinnamon Quills moved up gradually from Rs. 4/- a pound on April 4th to Rs. 5/15 per pound by May 21st. Cloves, over this same period, have moved up from Rs. 31/50 per pound to Rs. 34/- while Mustard moved up from Rs. 1/75 per pound to Rs. 2/10.

**SUGAR****Further Fall Forecast**

World market prices of sugar continued their downward plunge into May this year. By June 3 prices had reached a record low of £ 153 per ton. The fall over the past six months, from early December last year to date, has been nearly £ 500 per ton. At the end of November last year the world market price of sugar had reached its highest ever point of £ 650 per ton.

Sri Lanka has so far not made any purchases on the falling prices. Stocks now being disposed of are those purchased at the beginning of January this year when world market prices were considerably higher, in the region of £ 500. A recent United Nations gift of 10,000 tons of sugar to Sri Lanka and local production have supplemented the country's supply upto the end of September, 1975. Our next purchases are due to be made in October.

The leading French sugar brokers SUCREES ET DENREES has forecast a continuous fall in sugar prices over 1975. Their reasons are that in 1974/75 production was higher than consumption for the first time in five years, the result obtained to the detriment of consumers, who showed more price resistance than expected because of the general recession. Surpluses brought forward from 1974 were enough to currently depress the market. Together with this there were new crops in South America and unsold stocks in India. The built up stocks caused by inability of Northern Hemisphere cane producers to sell all their crop was another reason. Also, according to marketing authorities, some sellers may be tempted to dispose of their production as soon as possible rather than risk a large beet crop in October further reducing prices.