

COMMODITIES

GATT RELIEFS FOR TEA, SPICES AND OTHER COMMODITIES AND MANUFACTURED GOODS

Tea, coffee, cocoa and spices are among the wide range of goods from the developing countries that are due to receive trade concessions from 15 industrial countries with effect from the beginning of January 1977.

The concessions are the first concrete result of slow-moving, three year-old talks aimed at lowering world trade barriers, reports Reuter.

The Geneva-based General Agreement on Tariffs and Trade (GATT) said the nine European Common Market states, Finland, Norway, Sweden, Switzerland, and Australia and New Zealand would apply the concessions. Austria, Canada and Japan are expected to take similar steps in the coming months.

The commodities are tropical products singled out for priority treatment in the Tokyo declaration of 1973 which launched the latest talks. During the negotiations 44 developing countries asked 11 industrialised states for concessions on about 290 categories of goods, the announcement said. The developed countries offered to suspend, or reduce duties and tariffs on imports, and to make certain Third World products duty-free. A 70 nation negotiating group dealing with tropical products had discussed ways to improve the concessions.

The group—one of seven handling separate sectors of the wide ranging world

trade bargaining—is expected to keep the concessions and their implementation under review.

The Common Market is suspending partially or wholly duties in its common external tariff for about 22 items from January 1, 1977.

These include non-decaffeinated roasted coffee, on which the tariff will be reduced from seven to five per cent, and cocoa, where tariffs will be cut from 5.4 and four per cent to three per cent. Certain types of pepper and other spices will also benefit from these concessions.

The EEC has also said it will improve its generalised preferences for about 159 tariff items affecting developing countries exports, including tobacco. Some EEC member-states which impose internal taxes on certain tropical products have undertaken not to increase them, the announcement said.

TEA

Production Picks Up

Tea production picked up during the month of November and helped to reduce the existing shortfall in production. The shortfall, compared to production in 1975, which stood at 20.4 m.kgms. at the end of September 1976 was reduced to 14.8 m.kgms. by the end of November. Production reached 179.2 m.kgms. at the end of November 1976 as against 178.4 m.kgms. in the same period in 1975.

Total world production had however exceeded the 1975 figure by 20.4 m.kgms. by the end of November. Largely responsible for this increase in production was the North

Indian crop which was 18 m.kgms. above that of the 1975 figure. Other significant increases have been recorded in Kenya (4.4 m.kgms.), Malawi (4.1 m.kgms.), Bangladesh (2.9 m.kgms.) and South India (5.5 m.kgms.). For details see table below.

Reports from U.K. state that the world consumption for tea has risen, particularly in the Middle East, U.S.S.R. and Asia. Even the U.K. has at last shown encouraging signs of an upward trend. With coffee prices reaching new peaks, advancing by as much as £81 per tonne, leading brokers state that there will undoubtedly be an increased demand for tea.

CROP FIGURES OF MAJOR PRODUCING COUNTRIES
(In million kilogrammes)

Country	During Month	1975		1976		Total for Year	
		1975	1976	1975	1976	1975	1976
Sri Lanka	November	12.6	18.4	up to November	194.0	179.2	
N. India	November	40.0	34.4	up to November	372.5	389.5	
India	November	8.1	10.6	up to November*	96.4	101.9.4	
Kenya	November	7.1	7.2	up to November	49.9	55.3	
Uganda	November	1.8	1.5	up to November*	16.5	13.8	
Malawi	October	1.3	1.7	up to October	20.5	24.6	
Bangladesh	November	3.0	3.1	up to November*	27.9	30.8	
Tanzania	October	1.5	1.7	up to October	11.4	14.4	
Indonesia	October	4.8	5.1	up to October*	47.2	48.8	
Mozambique	July	0.5	0.6	up to July	10.4	10.8	
Rwanda	September	2.6	3.6	up to September	—	—	
					866.1	857.4	

* Estimated

SPICES

Cardamoms

Cardamoms fetched record prices during November at the Sundry Export Products Auctions of the Colombo Brokers' Association. At the November 5 auctions one lot of LGS quality realised Rs. 230 per kg. The market continued to improve throughout the month and at the auction held on November 24, one lot of LGS quality was sold at Rs. 273 per kg. which is the highest so far received at the public auctions for this commodity. The London Futures price which was quoted at around 2.50 sterling per lb. during the first half of the year had reached £3.70 by the end of October and by the end of November, the London Futures price was quoted at £5.70 per lb.

India was capitalising on the booming Cardamom export market and her exports totalled 1,872 tonnes in 1975-76 earning a foreign exchange of about Rs. 188 million.

There has recently been a sudden spurt in the export value of cardamom with prices in India touching Rs. 250 per kg. The demand has been growing for this spice from West Asian countries and Saudi Arabia, which has a population of eight million, alone consumes about 2,000 tonnes of cardamom a year. The demand is growing particularly for the use of this spice as a special flavouring ingredient in coffee.

ESSENTIAL OILS

Exports of essential oils from spices had shown an over 100 per cent increase, in terms of value, during the first nine months of 1976 as against the same period last year. Mainly responsible was the increased earnings from Citronella oil and Cinnamon leaf oil. Values of ginger, cardamom, nutmeg and clove oils increased more than threefold. Details of export values, in Rs. million, are given in the table below.

	Jan.-Sept.	
	1975	1976
Citronella Oil	1.6	3.0
Cinnamon Leaf Oil	1.1	3.0
Cinnamon Bark Oil	0.2	0.4
Other Spice Oils	0.3	1.1
Total	3.2	7.5

HARD FACTS OF FALLING TERMS OF TRADE

Tea provides a typical example of the deteriorating terms of trade facing Third World exporters of raw materials and commodities.

An UNCTAD study shows that between 1954 and 1970 there were 48 countries with a total population of 1.52 billion which experienced deteriorating terms of trade. In the 14 years since 1962, Sri Lanka has lost an estimated 500 million annually as a result of the decline in real prices for our commodities in terms of the prices we pay for our imports, the Prime Minister told the UN General Assembly which she addressed in New York on September 30th this year. She stated:

Tea accounts for more than 50 per cent of Sri Lanka's export earnings. We have increased our production of tea, and systematically improved its quality over the years and in the 14 years since 1962 we have watched its real price, in terms of the prices we pay for our imports, plummet by more than 70 per cent. This represents a loss for Sri Lanka today of 500 million dollars per annum which, expressed in our national currency, amounts roughly to 6 billion rupees. This is almost the entire budget of my country for one whole year. How long and how far can modern human society, even parts of it, expect to prosper or even survive with such an economic system?

COFFEE & COCOA

Coffee prices climbed to new peaks on the London terminal market by the end of November in response to the announcement of higher export taxes and minimum export prices for Brazilian coffee. Meanwhile latest F.O.A. forecasts are that coffee production in 1976 would decline by as much as 20%. Estimates of the Brazilian crop range from only 350,000 tons to 570,000 tons.

Production of cocoa is expected to be about 10% lower in 1976 reflecting falls of a similar scale in Africa. The F.O.A. estimates that the Nigerian crop could be the smallest in 15 years.

By October 1976 cocoa prices had reached record levels as the expected considerable shortfall in production coincided with surprisingly strong

recovery in consumption. The International Cocoa Organization has not been able to accumulate stocks, and national cocoa stocks were also at very low levels by November 1976.

RUBBER

Local rubber prices which have moved up steadily from March this year, reached a peak in August and then showed a slight decline in September. The average F.O.B.

price for all rubbers in March 1976 stood at Rs. 4.70 per kg; by August it reached 8.21 per kg, and in September fell to Rs. 7.26 per kg. Colombo market prices of all grades of Crepe and Sheet rubber averaged a decline of 59 cents per kg, largely due to heavy arrivals at the auctions. Rubber production has also shown an increasing trend and by the end of September was over 10 million kg. above that of production for the same period in 1975.

COCONUT

Significant Production Drop

By November 1976 there were clear signs of a significant drop in monthly coconut production. This resulted in a sharp rise in the local market prices of practically all coconut produce. During November coconut oil production was estimated at around 7,500 metric tonnes compared with nearly 10,000 metric tonnes in October and 10,600 tonnes in August 1976. Desiccated coconut production in November was around 2,750 metric tonnes compared with nearly 5,000 metric tonnes the previous month. There was also a drop in fibre production mainly due to the rains in October and November.

The export value of all coconut products during the eleven months upto November 1976 amounted to Rs. 459 million compared to Rs. 462 million for the same period last year.

This shows a marginal decline of Rs. 3 million. The reason for this decline was the fall in the export volume of coconut oil by 5000 MT compared to the same period in 1975. The DC exports declined by over 4,000 MT but the export value at Rs. 167 million showed an increase of Rs. 8 million over the previous year. The total export volume of kernel products at 753 million nut equivalents showed a decline of 71 million nuts (9%) compared to that of 1975. The export value of kernel products at Rs. 354 million showed a decline of 5% in relation to the previous year. The export volume of practically all by-product exports (coir fibre, coconut shell products and ekel) showed an improvement in relation to those of 1975. The total export value of by-product exports at Rs. 106 million represents an improvement of Rs. 16 million (18%) over those of 1975. (See details in table below).

EXPORTS OF COCONUT PRODUCTS

	January-November 1975		January-November 1976	
	Volume (MT)	Value (Rs. Thousand)	Volume (MT)	Value (Rs. Thousand)
Coconut Oil	61,834	202,012	56,837	172,295
D.C.	46,499	158,805	42,037	167,046
Copra	950	4,769	1,145	6,436
Fresh Nuts	8,408,220 (number)	7,922	7,207,080 (number)	7,911
Sub-Total	823.95	373,508	753.39	353,688
Kernel Products	(million nut	equivalents)	(million nut	equivalents)
Mattress Fibre	37,536	38,111	44,751	35,474
Bristle Fibre	7,245	12,779	10,482	18,497
Twisted Fibre	14,137	20,256	22,968	29,221
Coir Yarn/Twine	2,734	5,582	3,089	6,639
Coconut Shell Charcoal	17,058	9,935	23,154	9,005
Coconut Shell Flour	407	309	813	449
Coconut Shells	986	297	1,092	403
C'nut Shell Activated Carbon	198	809	393	2,041
Coconut Ekel	1,977	1,407	5,370	3,995
Total value of by-products	89,485	105,724
Total value of all products	462,003	459,412