

RUBBER

Declines in quantities on offer at auctions, prices and export earnings

Supplies of rubber, both Sheet and Crepe, at the Colombo Rubber Auctions have continued to decline while prices have shown a gradual upward movement. The Colombo auction price for RSS No. 1 which was Rs 15.37 per kg in February this year went up to a peak of Rs 16.82 per kg during July and since then came down gradually to an average of Rs 16.03 per kg by September.

Higher prices in 1985 may be observed in a comparison with the 1984 prices; when RSS No. 1 was quoted at Rs 13.80 a kg in April 1984 and then dropped to Rs 11.55 per kg by June that year. Thereafter prices improved gradually and by the end of September 1984 had reached Rs 14.00 per kg.

In 1984, however, the Colombo Market prices of all varieties of rubber, other than Latex Crepe, increased over the levels prevailing in 1983. Despite the increase in rubber prices in the Colombo Market during 1984 the international auction centres of Singapore, London and New York experienced significant price declines over the levels of 1983. This trend has continued into 1985 where the price decline was seen as a result of a combination of factors such as high stock levels, increase in US interest rates, unrest in European markets and increased supply of rubber due to lower rates in production.

In the latter part of the April-June 1985 period too there was a sharp decline in foreign markets as a result of continued lower overseas advices, currency

considerations, and adequate consumer inventories in the USA which all led to poor consumer interest and dull and featureless conditions in the market.

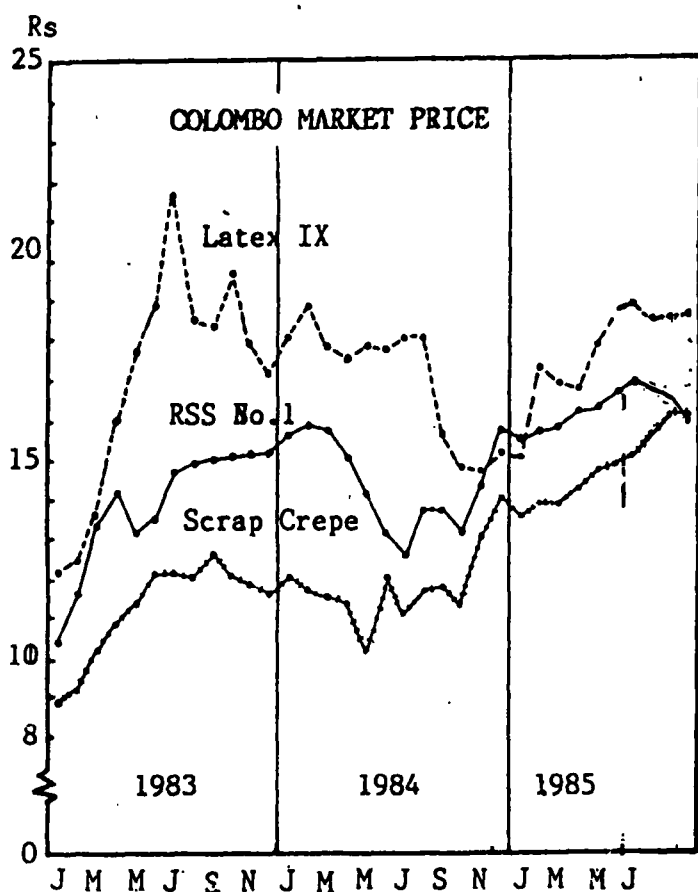
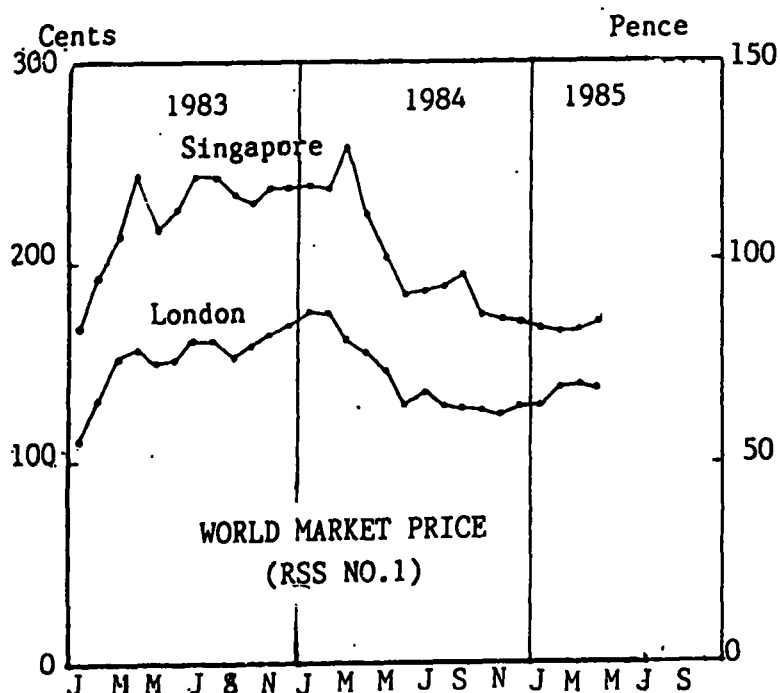
Despite the fact that the Colombo prices have been higher than in 1984, between April and September this year, the quantities offered at the auctions were on the decline, state market reports. There were decreases in the quantities of sheet rubber, crepe and scrap crepe offered.

The trend in local rubber production, however, has been towards a rise in recent years, moving up from 124 million kgs in 1981 to 125 million kgs in 1982, and a jump to 140 million kgs in 1983; and then 142 million kgs in 1984.

But export prices (f.o.b) for all types of rubber dropped from Rs 21.80 per kg in 1981 to Rs 17.68 per kg in 1982; while from 1983 there was an increase from Rs 22.77 per kg to Rs 26.16 per kg in 1984. However in 1985, during the first four months of the year the average (f.o.b) price decreased by 25 percent to Rs 20.78 per kg, from Rs 28.16 per kg during the same period in 1984.

The most apparent decline may be observed in the quantity exported. From a total amount of 132.5 million kg in 1981 exports dropped to 131.3 million kg in 1982. In 1983 total exports were 125.2 million kgs and in 1984 they moved up slightly to 126.2 million kgs; but in the first four months of 1985 total exports decreased to 42.3 million kgs from 48.3 million kgs in the same period of 1984.

Total exports earnings from rubber in rupee terms



showed an upward trend over the last two years, going up from Rs 2,323 mn in 1982 to Rs 2,852 mn in 1983 and Rs 3,301 mn in 1984; but in the first four months of 1985 total

earnings from exports of rubber at Rs 880 mn showed a considerable decrease, falling nearly 30 percent below that of the same period last year.

G.J

COCONUT

Increased Production Depresses Prices

Coconut production has recorded a considerable increase this year. Fair weather conditions has been the main causal factor. Government subsidies and the credit facilities extended by the Commercial banks have resulted in an increase in the use of fertilizer. As a result of the severe drought conditions that prevailed throughout 1983 the supply of coconut products to both the domestic and export markets declined sharply in 1984. This drop in supply of coconut products resulted in an increase in price levels, which in turn urged producers on towards increased production. The end-result has been a steady increase in coconut production during this year; and although production of coconut during the year 1984 amounted to 1,920 million nuts, this year (1985) it is estimated at 2,800 million nuts. Coconut oil and Desiccated Coconut (DC) production in recent months was as given in the table below.

Since the production of coconut during the year 1984 was adversely affected by various factors, it is appropriate to compare the production of the two years 1983 and 1985. In this comparison it may be observed that production in the year 1985 is higher than in 1983 (First six months each year).

During the period January to June 1985 the exports of coconut products (in terms of number of nuts) has been 328.6 million nuts, and foreign exchange

Table 1

	Jan - June Coconut oil (6 months)		Desiccated Coconut	
	M.Tons	% change	M.Tons	% change
1983	34,711		10,992	-
1984	14,299	-59	5,821	-69
1985	49,406	+246	24,074	+314

Source: Coconut Development Authority

earnings from these exports amounted to Rs 1,196.1 million.

When compared with the year 1983 the rise in exports amounted to 17 percent and the foreign exchange earnings doubled (110%). Coconut oil exports for the same period increased by 9 percent. During 1985 prices were higher than the 1983 levels; while Desiccated Coconut exports for 1985 also increased by 33 percent and the foreign exchange earnings increased by 140 percent. Although the world market prices for DC, compared to 1984, had fallen by 20 percent in 1985, it was slightly more than the 1983 price levels. The quantity of copra exports dropped by 40 percent while exchange earnings had also fallen by 16 percent compared to 1984. Copra prices too dropped by 38 percent though it was above the 1983 levels.

A significant feature observed during this three year period, due to a fall in the world coconut production, is that there was a contraction in coconut supply resulting in an instant price hike in the world market as well as local markets. In the year 1984 the prices of Copra in the world market increased by 106 percent and that of coconut oil by 12 percent and DC by 48 percent. But during the year 1985 the prices of Copra, Coconut oil and DC fell by 38 percent, 39 percent and 20 percent respectively.

In response to world market trends the local prices of copra fell by 37 percent and the price of coconut oil and desiccated coconut also fell by 43 percent and 41 percent respectively. However, the price levels were higher than those of 1983. This drop in prices is mainly due to the increase in production while local consumption also dropped by 10 percent. Use of vegetable oils and other substitutes for coconut oil and the change in patterns of consumption too have caused this decline. Under the circumstances coconut growers, producers of coconut oil and DC and traders faced severe problems and the coconut industry is continuing to press for relief in this situation.

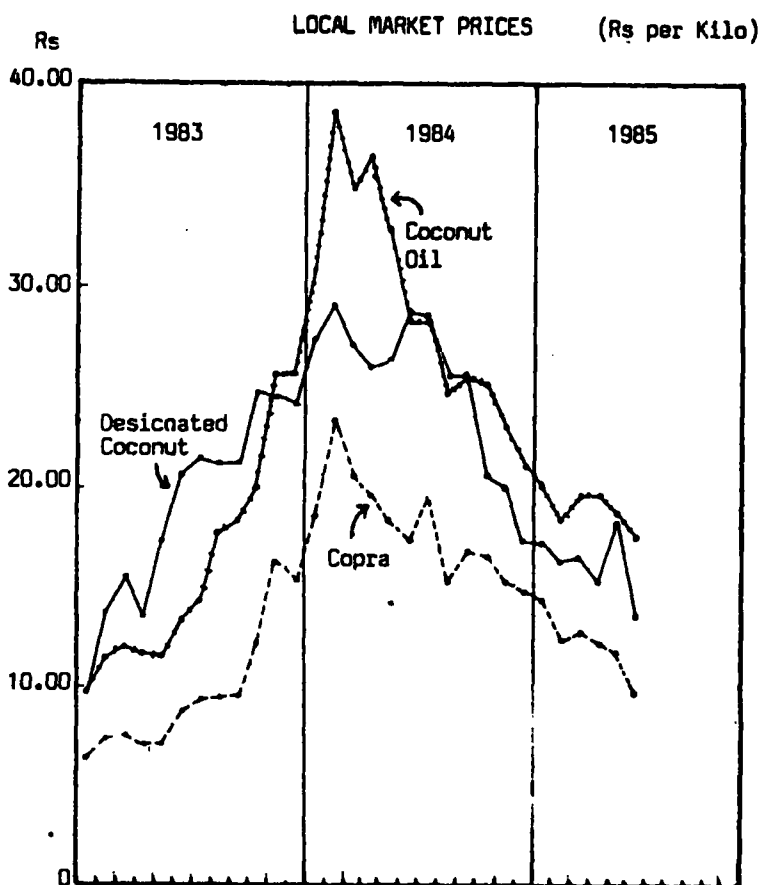
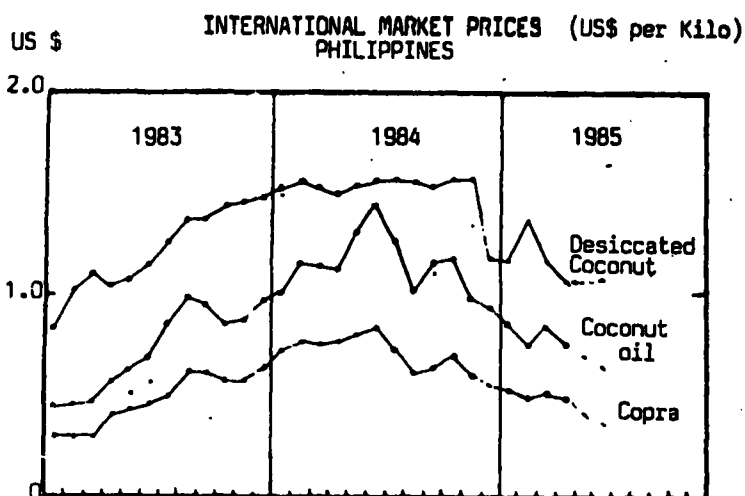
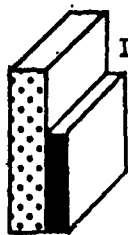


Table 2. Exports of Coconut Kernel Products-By Quantity

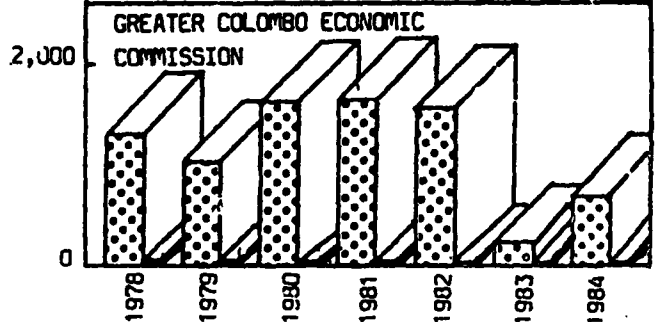
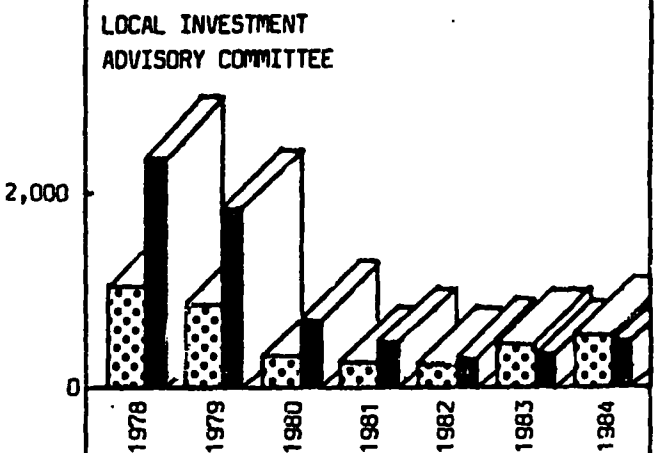
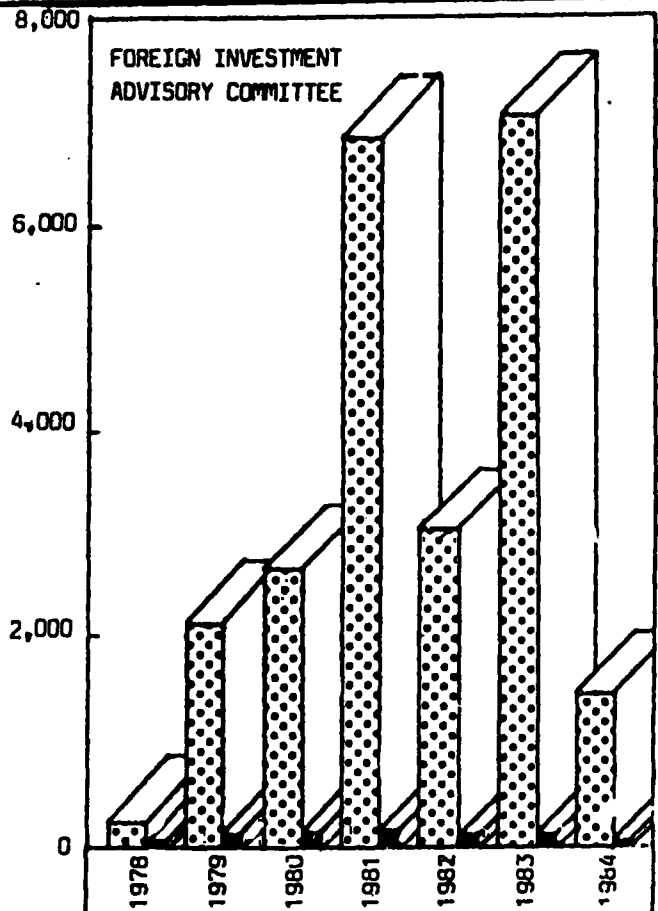
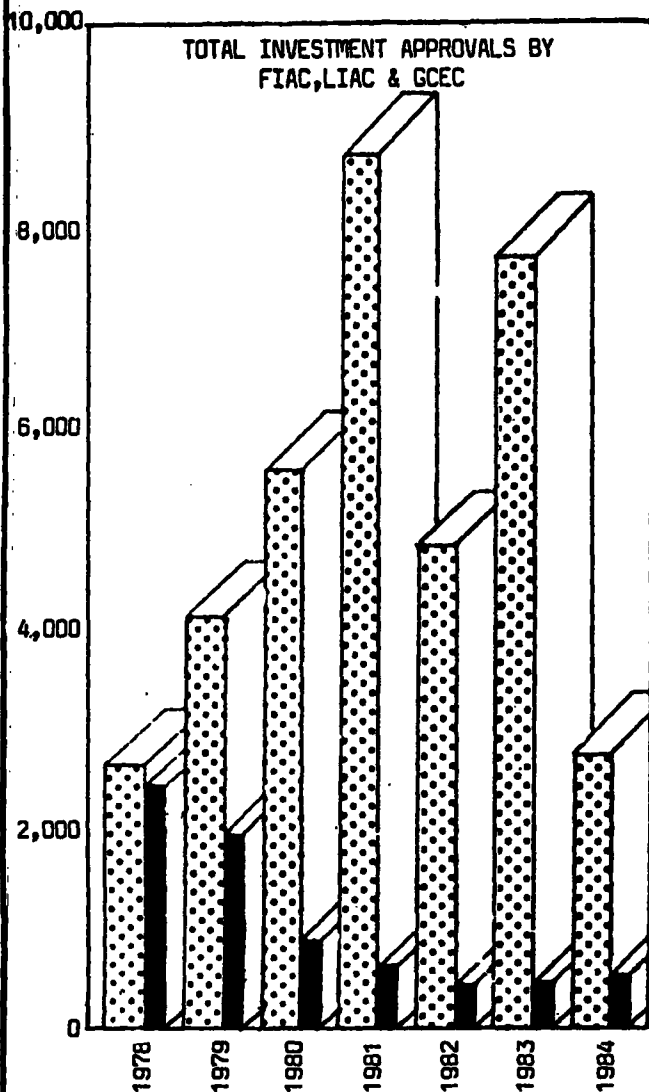
	VOLUME MT					
	1983	% change over '82	1984	% change over '83	1985	% change over '84
Coconut oil	17,863	(45)	40	(-99)	19,554	(000)
Desiccated Coconut	17,860	(-14)	5,999	(-69)	23,788	(325)
Copra	2,472	(111)	461	(-81)	1,480	(221)
Fresh nuts (Million)	3.5	(58)	1.5	(-59)	3.2	(117)
Total Kernel products	280.07	(12)	40.93	(-85)	328.64	(703)

SRI LANKA'S INVESTMENT APPROVALS 1978 - 1984



Investment approvals in Rs Mn

Units in numbers



Source: Central Bank Bulletin