

# COMMODITIES

## TEA

### A record year for Sri Lanka's industry

For Sri Lanka's tea industry 1983 was a paradoxical year, it turned out to be one of its worst years for production and one of the best for prices; or a record year for high prices and low production. Some sections of the trade regarded it as a 'boom' year for prices and compared 1983 to the 'peak' prices year of 1977. The difference in the two periods of price 'boom' however was that the record prices of 1977 resulted more from temporary factors, whereas in 1983 prices have reflected a more realistic value for tea.

Sales averages at the Colombo Auctions reached record levels and the price per kilo of Rs 43.27 gross and Rs 36.96 net for the year was the highest ever fetched by the industry in Sri Lanka. (See table 1 below).

Table 1 Annual Sales Averages for Teas at the Colombo Auctions (Rs per kg)

	1981		1982		1983	
	Gross	Net	Gross	Net	Gross	Net
High	19.38	19.07	24.12	23.05	41.71	35.79
Medium	16.42	16.40	22.08	21.53	40.79	35.39
Low	15.97	15.95	23.84	22.77	46.73	39.34
Total	17.31	17.19	23.44	22.52	43.27	36.96

In 1977, what contributed most to the high prices and unusual market conditions (including panic buying) was the 'coffee crisis' caused by the severe damage by frost to vast extents of coffee plantations in Brazil. The crop position of the major producing countries in 1977 was comparatively good; and for Sri Lanka particularly, in 1977 a crop of 208.6 million kgs was recorded as compared with only 179.3 million kgs in 1983. There was speculation that had last year's crop been nearer to that of 1977 or had there been similar conditions for

coffee, the prices and earnings from tea would have far surpassed the 1977 levels.

The quantities coming into the Colombo Auction were also much less than in previous years and 1983's

Table 2 Quantity sold at the Colombo Auctions (In million kgs)

	1981	1982	1983
High	72.9	62.3	61.3
Medium	57.3	49.9	44.9
Low	68.9	61.0	60.7
Total	199.1	173.2	166.9

quantities were nearly 30 million kgs less than that sold at the Colombo Auctions in 1981. (See table 2).

The months of April and May are traditionally the heavy cropping periods of the year but in 1983 the crop for April fell to its lowest in recent years, with a mere 8.4

million kgs compared to about 20 million kgs normally recorded during this month. The crop for 1983 was the lowest recorded for the past 27 years, the previous lowest being 170.7 million kgs harvested in 1956.

It was the unprecedented drought, especially in April and May, which accounted for the damage. The crop picked up in the latter part of the

year but could not make up for the shortfall of the earlier period. But despite the disappointing crop there was a continuous strength in the Colombo market, with a consistent demand and gradual increase of prices throughout the year, which also made 1983 a good year for the local tea industry.

A significant factor about prices was that Colombo was able to set the standard for prices for all other world auction centres as well. At the beginning of 1983 when prices were comparatively high in Colombo there was speculation that these prices were artificially boosted and would suddenly drop to the detriment of the local industry. In retrospect it is apparent that prices at the other centres were artificially low and that by the end of 1983 the other auction centres were falling in line with Colombo prices which reflected the real values for most categories of tea. The fortunes of Sri Lanka's tea industry, as well as its economy, were to be favoured, however, with events overseas when the Indian government issued an order banning the export of CTC teas with effect from December 26, 1983. The lull that prevailed in the sales at Colombo Auctions towards the end of 1983 was shattered at the start of 1984, mainly as a reaction to the ban on the export of CTC teas from India.

Table 3

### Sri Lanka's Crop Figures (million kgs)

1983	—	179.3
1982	—	187.8
1981	—	201.1
1980	—	191.4
1979	—	206.4
1978	—	199.0
1977	—	208.6
1976	—	196.6