

COMMODITIES

COCONUT

Steep rise in nut prices forecast

The country's production of fresh nuts is expected to fall below 2,000 million and according to preliminary estimates of the Coconut Development Authority the drop in nut production for the whole of 1980 is expected to be between 15 - 20 percent lower than that of 1979. Sri Lanka's highest recorded production was 2,898 million nuts in 1984 and the lowest was 1,820 million in 1977. In 1978 it reached 2,207 million and in 1979 went up to 2,393 million; while 1980 production is expected to be in the region of 1,900 - 2,000 million nuts.

The Marketing Division of the Coconut Development Authority has also warned that "the production shortfall for the fourth quarter of 1980 may be deeper than expected if the current consumer nut price and depleted copra stocks with the millers are any indications. However, the buffer stocks of coconut oil held by the Coconut Development Authority would come to the rescue of the consumer during the lean season, but a very steep rise in consumer nut price during the latter part of 1980 and the first half of 1981 cannot be ruled out"

TABLE 1
COCONUT OIL AND D.C.
PRODUCTION
(In Metric Tonnes)

	Coconut Oil	Desiccated Coconut
1980 January	3,750	1,428
1980 February	3,840	1,495
1980 March	2,620	1,754
1980 April	3,940	2,075
1980 May	5,363	2,597
1980 June	5,530	2,797
1980 July	9,031	3,692
1980 Aug	9,700	3,767
1980 Jan.-Aug.	43,784	19,605
1979 Jan.-Aug.	66,994	29,254

The Coconut Development Authority also reports that the severity of the production crunch that had been afflicting the industry in the first two quarters of last year eased a little in the month of July and August and the production of D.C. and Coconut Oil was almost at near normal levels during these two months as compared to the preceding months.

With the upsurge in production, the Coconut Development Authority commenced purchase of Coconut Oil at the beginning of July and provided a much needed relief to the coconut oil mills both in terms of cash flow and stable levels. However, in the D.C. industry, due to sacking in the

TABLE 2. LOCAL MARKET PRICES OF COPRA, OIL AND POONAC

	Copra (Rs. per 100 kgs.)	Coconut oil (Rs. per MT.)	Poonac (Rs per MT.)
1980 January	533.50	8,550.00	1,250.00
1980 February	548.50	8,450.00	1,400.00
1980 March	556.00	8,485.00	1,545.00
1980 April	574.00	8,750.00	2,880.00
1980 May	580.00	8,945.00	2,950.00
1980 June	564.00	9,110.00	2,805.00
1980 July	622.00	10,031.00	2,535.00
1980 August	611.00	10,140.00	2,250.00
1979 August	415.45	7,214.00	867.00

TABLE 3. LOCAL MARKET PRICES OF D.C. AND FRESH NUTS

	Desiccated Coconut (Rs. per kg.) Transacted price	Average Wholesale Price (Rs. per 1000 nuts)	Average Retail Price (Rs. per nut)
1980 January	8.40	1,115.00	1.00-1.50
1980 February	8.40	1,085.00	1.00-1.50
1980 March	8.60	1,045.00	1.00-1.50
1980 April	8.90	1,145.00	0.90-1.60
1980 May	8.80	1,175.00	0.90-1.60
1980 June	8.60	1,065.00	1.00-1.60
1980 July	9.56	1,250.00	1.00-1.60
1980 August	9.76	1,281.00	1.25-1.70
1979 August	6.75	790.00	0.70-1.20

export sales, local price levels were dropping and the D.C. millers were confronted with the problem of disposing off their manufacture. With the increase in fresh coconut production in other producing countries and the resultant export of D.C., the local D.C. go-downs were piling up with unsold stocks on account of the lull in sales abroad. The maintenance of the minimum f.o.b. indicative price for DC at a high level appears to have reduced the competitiveness of exports and also acted as a disincentive to millers. The downward revision of the minimum f.o.b. price for DC in July, seems to have restored the competitiveness of exports. On the very first day after the reduction of the export sale price, a record volume of sales were registered; a figure which had never been reached on any single day in the annals of the Coconut Industry. "It was thus proved beyond any doubt that the

mournful tales of global inflation and world recession were not applicable as far as the Coconut Industry was concerned," comments the Marketing Director of the Coconut Development Authority.

As for Coconut Oil, the purchases made by the Coconut Development Authority direct from the oil millers kept the industry buoyant and prevented the slumps in the local price levels which nor-

mally accompany over-production.

The Coconut Fibre Industry has been in the 'doldrums' during recent months, but here again a lowering of the export price levels to compete with the other natural and synthetic fibres in the international market appeared to have saved the situation, but prolonged and continued sales at low prices could shatter the fragile economy of the fibre manufacturers.

Export Market

Although the shortfall in production had affected both copra and fresh coconut export sales, D.C. sales abroad have caught up with the price adjustment to reach the target levels for 1980. It is anticipated that after the August-September buying spree for Christmas requirements that export sales would show a downward trend.

In 1980 coconut oil export sales have suffered a severe set back with a drop of almost 92 percent as compared to the previous year.

**TABLE 4. EXPORT OF COCONUT KERNEL PRODUCTS
JANUARY/AUGUST 1979/80**

	Volume (Metric Tonnes)			(Value (Rs. Million))		
	Jan.-Aug. 1979	Jan.-Aug. 1980	% Change	Jan.-Aug. 1979	Jan.-Aug. 1980	% Change
	Coconut Oil ...	19,880	1,548	-92	331.20	22.36
D.C. ...	29,152	18,885	-35	546.19	416.12	-24
Copra ...	250	—	—	3.88	—	—
Fresh nuts ...	277,750	—	—	0.82	—	—
Total Kernel Products ...	358.78	140.80	-61	882.10	438.49	-50
	(Mn. nut equivalent)	(Mn. nut equivalent)				

Ministry's Concern

The Ministry of Coconut Industries is showing concern over these trends in the Industry. The Ministry's Secretary, at a seminar in the first week of October, expressed forcefully fears over falling production and rising prices and the need to increase supply and promote 'conservation'. He emphasised that the Government's contribution to the Industry had gone up from Rs. 11 million in 1978 to Rs. 30 million in 1979 and Rs. 90 million for 1980. He was convinced that with the generous subsidies and high prices people were getting more and more interested in the Industry. Commenting on the future of the industry he struck a warning note when he stated "I presume there is a feeling amongst the public that the Coconut Industry is doomed. They think that production had gone down over the years and that a time might come when Sri Lanka will have to import coconut.

I wouldn't say that these fears are baseless. Speaking about production I would like to mention that that production of coconut in Sri Lanka has not gone down except in certain years. I have the production figures from 1948 onwards. Production in that year had been estimated at 1,868 million nuts. The highest recorded production had been 2,989 million in 1964. The lowest has been 1,821 million in 1977. The following are the figures for 1978 and 1979: 2,207 million nuts; and 2,393 million nuts respectively. The average annual production for the period 1948-1978 has amounted to 2,366 nuts. So you can see that production has not gone down in any remarkable way".

"What has really happened is that without any increase in production but with the increase in population our consumption has gone up, thereby diminishing the exports. The domestic consumption of nuts in 1948 which was 889 million had gone up to 1,279 in 1978. Domestic consumption is worked out on the base of 125 nuts per person per annum. This you will see is what has really happened. If this trend — that is if the production remains sta-

tic, but the population grows at the current rate of 1.6%, by 1995 there will not be any surplus left over for exports. And on the basis of 125 nuts per capita the population of 18.4 million will eat up the 2,300 million nuts. This means that before 2000 A.D. Sri Lanka will have to import coconuts. So if we are to avert a situation whereby we have to import coconuts, we have to increase production and reduce consumption and waste.

Coconut had been a neglected crop over the years. Tea re-planting and Rubber re-planting subsidies had been introduced as far back as the 1950s. but the re-planting subsidy for coconut is only of recent origin. So you can see that there has been no attempt to increase production inspite of the fact that the consumption was increasing. It is only now that the state is coming in a big way to rehabilitate and resurrect this Industry. But unlike in the case of most other crops the results of these programmes will take more than a decade to show up.

I mention about the 'conservation' aspect. Conservation can mean the reduction of consumption. At present, the per capita consumption is calculated at 125 nuts per year. You will be surprised that a recent Central Bank Survey had revealed that the per capita consumption of coconut had gone up.

Every effort will have to be made to get the public to consume less coconut. The Ministry is proposing to introduce palm oil which is a very good substitute for coconut oil through the B.C.C. We have already substituted tallow in place of coconut oil in soap making. Conservation means not only the reduction of consumption, but also the conservation of Kurumba and Gok Athu."

He emphasised: "The future of the Industry, accordingly, is the concern of all of us. It is not too late to avert a situation when we have to obtain coconut from abroad. But if at all we do, even at current price, it will be more than Rs. 5/-. Anyway, I am an optimist."

RUBBER

U.S. AIMS AT SELF-SUFFICIENCY IN NATURAL RUBBER

The U.S. Department of Agriculture has announced a programme of tapping new sources of rubber aimed at helping the U.S. to reach self-sufficiency in natural rubber, according to reports from Washington. This programme is expected to provide seeds for the rubber-producing guayule shrub which would be planted in large acreages to enable commercial production of natural rubber. Seed production will be centred in Arizona, California, New Mexico and Texas; where weather and climate are suitable for propagation and where an estimated 5m acres of land could support guayule production, the USDA said.

In the years 1977 and 1980 the U.S. has imported over 750,000 tonnes of natural rubber annually, though there has been a general fall in rubber consumption (both natural and synthetic). In the industrialised countries over the last two years deepening recession was the biggest contributor to the drop in total rubber consumption between 1979 and 1980.

The projection of a turnaround into a period of modest growth matches the general economic outlook for Western Europe, which has been forecast by the International Institute of Synthetic Rubber Producers. An annual rate of increase of 1.8 per cent is forecast during the 1980s. The IISRP states that during this period the share of the world rubber market held by synthetic rubber should rise slightly to 65.7 per cent in 1990 from 64.2 per cent in 1980

MINOR EXPORT CROPS

Earnings decline

Earnings from minor export crops registered a decline in 1980. During the period January to November 1980 export earnings amounted to Rs. 748 million (SDR 35 million) as compared with a total of Rs. 760 million (SDR 38 million) in the same period of 1979. Largely responsible for this decline in export earnings were the drop in exports of cardamoms, nutmeg and mace, pepper, coffee, sesame seed, betel leaves and unmanufactured tobacco. Major declines in both volume and value of exports were recorded in cardamoms, coffee, sesame seed, betel and tobacco. Items where impressive gains were noted are cloves, cinnamon, essential oils, other oil seeds, cadjunuts and arcanut.

The data in Table I also reveals that in the case of cinna-

Table 1
EXPORT OF 12 MAIN MINOR AGRICULTURAL PRODUCTS (VOLUME & VALUE-JANUARY TO NOVEMBER 1979 AND 1980)

Commodity	Volume ('000 kilos)		Value (Rs. millions)	
	1979	1980	1979	1980
1. Cinnamon ...	5918.2	5547.7	174.9	203.6
2. Cloves ...	766.7	1059.1	93.4	169.9
3. Cardamoms ...	147.6	145.6	51.7	39.4
4. Pepper ...	836.5	554.7	21.7	26.7
5. Essential Oils ...	572.5	191.6	22.0	26.3
6. Cocoa ...	574.7	630.3	29.9	26.4
7. Coffee ...	2201.2	804.1	89.5	36.5
8. Sesame Seed ...	11285.2	10463.3	150.1	117.2
9. Betel Leaves ...	1242.9	109.1	24.0	3.6
10. Tobacco Leaves ...	876.5	229.8	28.9	6.7
11. Arecanut ...	3650.8	5058.9	48.3	51.3
12. Cashewnut ...	40.2	351.0	8.9	26.0

Source: *Central Bank Monthly Bulletin*.

mon though smaller quantities (6 per cent less) were exported in 1980, earnings were up by nearly 12 per cent; also in the case of pepper the quantity exported declined by nearly 34 per cent while earnings increased by 23 per cent. The situation regarding essential oils was even more striking with the decline in quantity exported amounting to nearly 170 per cent while the value of earnings increased by 20 per cent. In strong contrast was the situation of cocoa products where the quantity exported increased by nearly 10 per cent while earnings fell by over 10 per cent. In the case of cashewnut too while the quantity exported increased by over 700 per cent earnings increased by only 190 per cent. (See Table I).

Upto the third quarter of 1980 the total earnings from this sector amounted to Rs. 218 million. Whilst spices had accounted for 53 per cent of this, cocoa and coffee had contributed only 5.4 per cent (cocoa — 4.8%, and coffee — 0.8%), as compared with a contribution of 9 per cent during the same period in 1979 (cocoa — 2.2%, coffee — 6.7%) Both reduction in volume of exports as well as a drop in world

market prices were mainly responsible for this unfavourable situation. Table II below shows the quantities offered and sales prices of cocoa and coffee exports during the second half of 1980.

During the second half of 1980 quantities of cocoa offered for sale at the public auctions have been widely fluctuating from a high of 40,000 kilos in July to 26,000 kilos in December (Table II). Prices quoted for Grade I cocoa fluctuated from Rs. 1,750 — 1,800 per kilo in July, reached a peak of Rs. 1,880 in November and again dropped to Rs 1,740 in December. August and October were devoid of any offers from Grade I due to lack of sufficient inquiries from buyers, consequent to declining world market prices.

Activity on the coffee market was more or less stagnant, with scant quantities being offered for sale during the last six months of 1980. Even the small quantities offered during the months of August and September were mostly withdrawn due to lack of suitable bids. Uncertainties in the world coffee market was mainly responsible for this situation.

Table II
QUANTITIES OFFERED FOR SALE AND PRICES-SECOND HALF OF 1980

Month	Cocoa		Coffee	
	Qty. ('000 kilo)	Price (Rs. /50 kilo)	Qty. ('000 kilo)	Price (Rs. /50 kilo)
July ...	40.30 (71.40)	1,750-1,810 ^{2/}	0.35 (25.20)	2,650
August ...	16.44 (56.0)	1,350 ^{3/}	1.02 (11.00)	2,500
September ...	4.29 (70.0)	1,705 ^{2/}	0.81 (—)	2,595
October ...	6.01	1,650 ^{3/}	0.22	—
November ...	35.25	1,840-1,880 ^{2/}	0.40	2,500
December ...	26.38	1,710-1,740 ^{2/}	3.60	2,300

1/ Exports of cocoa products,
3/ Price of grade II cocoa.

2/ Price of grade I-cocoa,

Source: *Colombo Brokers Market Report*.

TEA

Impressive Demand

Colombo auction prices were moving in sellers' favour during the first six weeks of 1981 and by the auction of February 10 (the sixth for the year) gross sales averages were Rs. 20.33 per kilogramme as compared with Rs. 16.22 during the first six weeks of 1980 and Rs. 12.64 for the same period in 1979. The net average price was estimated at Rs. 18.83 per kg. upto the end of January 1981 as against Rs. 15.38 per kg. in the same period of 1980. Despite allowance for inflation, over the last 12 months there appeared to be an improvement in real prices, with demand strong all round.

At the beginning of February Iran, Iraq, Australia and U.K. had absorbed a fair quantity of Medium teas and below best broken teas at the Colombo auctions. Meanwhile buyers for South Africa, Western Europe and North America accounted for best Western grown teas on offer. Medium BOPF were sought after by Pakistan and India. There were also reports that China had bought a fair quantity of tea at the Colombo auctions and that the first consignment had already been shipped. Brokers speculated that this was possible in lieu of a Tunisian tender which was awarded to China recently. Low grown teas continued to receive good support from buyers for the Middle East with Iraq, Saudi Arabia and also Iran operating in strength at the auctions on February 10.

India's Output

Increased demand at the beginning of 1981 is possibly related to tighter supplies towards the latter part of last year. World production in 1980 was estimated to have risen about 15 mn. kgs. over that of the previous year; although Sri Lanka, South India and Kenya registered lower production in 1980. India which is the largest producer of tea (575 mn. kg. in 1980) recorded an overall increase in production of about 27 mn. kgs. with a 38 mn. kg. increase in its North Indian crop. India's exports, however, are reported to have fallen below target in 1980 despite a 15 mn. kg. rise in its tea exports over the preceding year; exports reached 225mn. kgs. as against a target of 240 mn. kgs. Industry sources maintained that the target could have been achieved but for the trouble at Calcutta tea warehouses towards the end of 1980. The result was that India was left with about 340 mn. kgs. of its total crop for the domestic market, but growth rate in domestic consumption was much below the average rate mainly because of the high prices of sugar ruling in Indian markets.