

COMMODITIES

RUBBER

Earnings rise while production falls

Local rubber production during the first six months of this year has been on the decline; the main reason being the consistent rainfall during the months of April and May which reduced latex intake drastically. In May 1978, for instance, production dropped to 11.8 million kgs., recording a decrease of 3.2 million kgs. over the previous month. Production for the period Jan. — May 1978, however, was 0.7 million kg. or 1 percent less than the corresponding period in 1977. The fall in production was mainly in sheet rubber which recorded 36.5 million kgs. during Jan. — May 1978 as against 37.6 million kgs. over the same period last year. The result was that during the months of April to June arrivals at the public auctions were reduced and exporters had to undergo considerable difficulties in meeting their forward contractual commitments.

Export earnings from rubber showed a steep increase, particularly in rupee terms, during the first six months of this year. Total earnings reached Rs. 1,151 million in Jan. — June 1978 as against Rs. 534 million in the same period last year, an increase of 106 percent. In SDR terms, however, the value of rubber exports amounted to SDR 60 million which represents a 2 percent increase when compared with earnings of the first six months of 1977. The fact that rubber was fetching better export prices this year and also larger quantities have been exported accounted for the increased export earnings. Prices of all grades of rubber showed an upward trend with RSS No. 1 reaching a record price on June 23, 1978. On this date RSS No. 1 touched Rs. 7.67½ cts. per kg. the highest price recorded for sheet rubber since March 7, 1952 when sheet rubber reached Rs. 7.28 per kg. The price of sheet rubber in Singapore and New York rubber markets at 226.65 cts. per kg. and 107.00 cts. per kg. respectively also reached an all time high in June 1978. The latter part of this period witnessed bull-

ish sentiment in the world rubber markets, with signs of an International Price Stabilisation Scheme in sight and details completed on the producers draft for the UNCTAD Rubber Stockpile Scheme. Also, the decline in rubber production this year, recorded in the major producing countries, and reports of an International Rubber Study Group forecast of a 1978/79 production deficit gave added impetus to an already steady market situation.

COCONUT

Better prices and increased export volume

Sri Lanka's total export earnings from all coconut products during the first half of 1978 amounted to Rs. 516.2 million as against Rs. 200 million during the same period last year, an increase of about 118 percent for 1978. Though in SDR terms the real earnings were much less the increase is substantial. The major share of these earnings came from desiccated coconut exports which contributed Rs. 230 million or 45 percent of the total value of exports. The average export price of DC which stood at Rs. 8.52 per kg. in June 1977 rose to Rs. 15.32 per kg. by June 1978. With the with-

drawal of controls, particularly with regard to DC exports, the volume of DC exports moved up from 13,200 metric tons in Jan. — June 1977 to 14,600 metric tons in Jan. — June 1978.

Most significant, however, was the increase in the volume of exports of coconut oil which went up from 2,065 million metric tons in 1977 to 12,033 metric tons in 1978 — Italy taking 2,707 m. tons, India 2,250 m. tons, U.S.A. 2,000 m. tons, Bangladesh 1,680 m. tons and Canada 1,550 m. tons. Earnings too increased from Rs. 10.3 million in 1977 to Rs. 123.6 million in 1978 and contributed about 24 percent of total coconut export values during the period. Fibre exports brought in Rs. 164 million or 25 percent of total export earnings. Further details of exports are more than in 1977.

Some of the controls enforced by the Coconut Board were withdrawn on receipt of reports of an improved supply situation. On the basis of available data it was expected that coconut production in 1978 would be in the region of 2,000 million nuts or 10 percent more than in 1977.

Poonac was one by-product where though the production increase was considerable this was still not sufficient to make the necessary impact on the local market. Poonac production during

EXPORTS OF COCONUT PRODUCTS

	Jan — June 1977		Jan — June 1978	
	Volume (MT)	Value (Rs. '000)	Volume (MT)	Value (Rs. '000)
Coconut Oil	2,065	10,253	12,033	123,641
D. C.	13,200	115,182	14,615	230,159
Copra	150	888	545	5,618
Fresh Nuts	—	—	—	—
Sub-Total	107.02	126,323	198.33	359,418
	equivalents)		Million nut	
	Million nut		equivalents)	
Mattress Fibre	28,496	24,542	25,718	51,829
Bristle Fibre	6,291	16,544	4,466	34,826
Twisted Fibre	14,662	20,365	11,300	34,530
Coir Yarn Twine	798	1,905	811	5,058
Shell Charcoal	13,459	8,184	13,590	20,208
Shell Flour	333	193	295	404
Coconut Shells	700	171	735	445
Coconut Shell Activated				
Carbon	174	832	356	3,613
Coconut Ekels	1,330	989	1,799	2,663
Total value of By-Products	—	73,725	—	156,830
Total value of All Products	—	200,048	—	516,248

the first half of 1978 was in the region of 17,000 million tons as compared to 9,000 million tons for the same period of 1977 — an increase of nearly 90 percent. However, the national poonac requirement is estimated to be around 5,000 — 6,000 million tons per month and the 17,000 that was produced in the first six months of the year fell far short of requirements. Hence prices for poonac continued to remain high, averaging around Rs. 1,300 per m. ton during the first half of 1978. The price for the corresponding period in 1977 was Rs. 1,900 per m. ton and in 1976 around Rs. 650 per m. ton.

TEA

Real earnings show decline

Sri Lanka's real earnings from tea showed a decline in the first half of this year when compared with the same period in 1977. Export earnings from tea, in terms of SDRs, declined from SDR 172 million during Jan. — June 1977 to SDR 160 million during the first half of this year. In rupee terms, however, export earnings for the first half of 1978 reached Rs. 3,049 million which was an increase of 95 percent over earnings in the corresponding period of 1977.

The quantity of tea exported also recorded a decline of about 5 million kgs. for the period Jan. — June, 1978. Exports in the first half of 1978 were 91 million kgs. as against 96 million kgs. in the same period of 1977. The decrease was reflected mainly in the high and medium grown teas.

Production in the period Jan. — June 1978 registered a drop of about 4.4 million kgs. as compared with the same period last year and this was attributed to problems associated with management, producer margins, application of fertilizer, labour shortages and adverse weather conditions.

The total production of the major producing countries by June 1978 had fallen behind last years crop figures by 3.2 million kgs. Largely responsible were the producers in the Indian sub-continent — India, Bangladesh and Sri Lanka — whose combined production was 11 million kgs. less than that of the first six months of 1977. The African countries, however, with the exception of Uganda had all recorded greater production in 1978. Maintaining its upward trend of recent years, Kenya's increase of 5.2 million kgs. was the highest. Despite the in-

creasing African production, forecasts for 1978 indicate that this years crop will fall short of that of 1977.

Crop figures of major producers

Country	Jan.—June	
	(In million kgs.)	
	1977	1978
Sri Lanka	113.9	109.5
Bangladesh	11.2	9.1
North India	126.5	124.2
South India	71.0	68.9
Kenya	22.8	48.8
Malawi	22.8	23.1
Tanzania	8.3	10.1
Uganda	7.2	6.1
Indonesia	25.7	27.2
Total	430.2	427.0

* Estimated

SUNDRY PRODUCE

Upward trend in prices

Prices of Sri Lanka's main minor agricultural crops, termed 'Sunday Produce' in trading circles, have shown sharp increases in 1978. Gingelly or Sesame seed has shown the steepest rise in prices in the first quarter of this year, moving up from Rs. 4,754 per ton to Rs. 8,180 per ton. Prices of Coffee, Cocoa, Papain, Arecanut and Kapok have also shown impressive increases over the last three years. Coffee has shown the steadiest upward trend in prices moving up progressively from Rs. 247 per 50 kgs. in 1974 to Rs. 2,102 per 50 kgs. in the first quarter of 1978.

Total earnings from sundry exports have increased appreciably in recent years on account of the favourable market situation. It is most disconcerting to note, however, that the country has not been able to exploit this situation to its fullest due to a significant fall in export quantities of these products; with the exception of cocoa and gingelly where exports reached 1,324 metric tons and 8,500 metric tons respectively, representing an increase of 20 percent and 45 percent respectively last year. Coffee exports in 1977 recorded 986 metric tons, 42 percent below that

of 1976; while papain, kapok and arecanut exports fell by 14%, 43% and 57% respectively. Adverse weather conditions in 1976 has been put down as the primary reason for the low volume of exports in 1977.

However, the high prices for Sundry Produce boosted Sri Lanka's earnings inspite of a low volume of exports. Total sundry export earnings recorded an increase of 62 per cent from Rs. 83 million in 1976 to Rs. 138 million in 1977. Major contributions to this increase were coffee, cocoa and gingelly, which together accounted for over 80% of the total. Papain's performance was most impressive, it's earnings increasing from Rs. 2.3 million in 1976 to Rs. 9.6 million last year, although it's individual share to total earnings was only 7%.

The year 1978 shows promise of brighter prospects than in the past year judging from the first quarter's performance. Gingelly exports have already reached 5,500 metric tons which is a 250 percent increase over the first quarter of 1977, and is almost 65 per cent of gingelly exports in 1977. A similar performance may be observed with regard to coffee which has already reached 720 metric tons during the first three months of this year, this is 73 percent of 1977 coffee exports and a quarterly increase of almost 60 percent over the corresponding period last year; while papain recorded an increase of 15 percent; cocoa, arecanut and kapok have shown declines. Higher world market prices once again have been responsible for a substantial increase in export earnings during this quarter.

If the present price trends continue Sri Lanka's sundry exports face bright prospects. However, if we are to benefit fully from these favourable price levels policy makers and planners will have to think strongly of expanding production rather than depending on existing levels.

Average Annual FOB Prices 1974—1977 and First Quarter 1978

		1974	1975	1976	1977	%1976	1978
Coffee	Rs. per	247.00	381.00	717.00	1685.00	136.0	2102.00
	50						
Cocoa	kg.	525.00	391.00	590.00	1466.00	149.0	2344.00
Papain W.	Rs. per	85.00	55.00	56.00	262.00	368.0	581.00
Papain B.	kgm.	59.00	30.00	30.00	—	—	—
Arecanut	Rs. per	59.99	30.00	1193.00	2217.00	86.0	5385.00
Kapok	mtc.	1093.00	10.76.00	1399.00	3117.00	123.0	5454.00
Gingelly	ton.	—	3177.00	4158.00	4754.00	14.0	8180.00