

COMMODITIES

COCONUT

Exports plummet in 1980

The export of coconut products from Sri Lanka last year registered one of its steepest falls in recent years, with volume exported plummeting to 57 percent below the previous year's level, while volume of exports in 1980 were 45 percent below that of 1979. The previous occasion on which exports fell below this level was in 1977 when a total of 233 million nut equivalents was exported, this being the lowest over a twenty year period. The volume of nuts exported in 1980 was estimated at 242 million nut equivalents. This depressing export performance, of what has traditionally been the country's third largest foreign exchange earner, was the combined result of the severe short-fall in local nut production and the increasing demands of domestic consumption. Over the latter half of the 1970's the coconut industry has witnessed a continuing deterioration mainly as a result of the adverse weather conditions; the accompanying reduction in fertilizer

application caused by this adverse weather and the disincentive to use fertiliser with increasing prices; and the uncertainties caused by the Land Reforms which led to a neglect in maintenance of coconut lands both large and small. The cumulative effect of these factors has been felt in recent years and several steps are being taken to rehabilitate the industry, but their effects will be more of a long term nature.

The item that suffered the largest drop in exports, both volume wise and value wise, is coconut oil. From 33,961 metric tons exported in 1979 coconut oil exports fell to 2,443 metric tons in 1980 a 93 percent decline. The drop in the value of exports too was as high as 93 percent. Desiccated coconut and copra exports also experienced heavy falls, though not as steep as that of coconut oil; while there were no fresh nut exports in 1980. Total exports of kernel products in 1980 fell by 57 percent in volume and 45 percent in value over that of the previous year. Fibre products too suffered a decline in volume though prices appeared

more favourable and there was a 29 percent increase in value of fibre exports last year. Coconut shell products also registered a decline both in volume and value in 1980. (See table 1).

Both production and exports came closer to 1977 levels, as observed in table 2. The historical annual production average of 2,500 million nuts was exceeded only in 1971, 1972 and 1975. First in 1973 and then from 1976 onwards a steady decline in production could be noticed. The export picture is even more gloomy with the annual average export volume of 1,200 million nuts, which was achieved in the 1950's and early 1960's being reached in the 1970's only in 1972 and almost reached in 1971. Here too deterioration is apparent first in 1973 and then after 1976. Perhaps one factor responsible for the decline in exports, and possibly production, is that over the years the interests of the domestic consumer have figured more prominently in the affairs of the industry. Also, other important interests such as government revenue, the millers and the livestock industry have emerged more strongly than those of the producers. In the process growers' interests have suffered.

Table 1. EXPORT OF COCONUT PRODUCTS 1978-1980

	Volume (Metric tonnes)				Value (Rs. Million)			
	1978	1979	1980	% change '80 over '79	1978	1979	1980	% change '80 over '79
1. Coconut oil ...	28,267	33,961	2,443	- 93	317,225	535.15	36.65	- 93
2. D.C. ...	40,664	41,766	32,486	- 22	626,263	819.25	716.75	- 12
3. Copra ...	924	1,080	275	- 74	9,811	16.49	4.45	- 73
4. Fresh nuts ...	—	347,550	—	—	—	1.13	—	—
5. Sub-Total ...	507.36	56.136	241.79	- 57	1,371,209	1 372.02	757.85	- 45
Kernel Products (Million nut equivalent)			(Million nut equivalent)					
6. Mattress Fibre ...	54,253	48,396	46,120	- 5	98,724	114.30	164.98	- 44
7. Bristle Fibre ...	9,350	12,168	9,720	- 20	64,774	76.98	65.15	- 15
8. Twisted Fibre ...	24,396	30,135	30,849	+ 02	68,288	92.50	138.72	- 50
9. Coir Yarn ...	2,077	2,073	1,557	- 25	13,584	16.00	13.44	- 16
10. Coir Twine ...	2,077	479	823	+ 72	13,584	4.58	10.76	- 135
11. Sub-Total Fibre Products	89 976	93 251	89 051	- 04	245,370	304.36	393.06	- 29
12. Coconut shell charcoal ...	31 058	40 296	29,208	- 27	52,211	100.43	94.72	- 06
13. Coconut shell flour	696	789	377	- 52	973	1.33	0.89	- 03
14. Coconut shells ...	1 010	1 422	741	- 48	636	1.38	0.93	- 32
15. Coconut shell Activated Carbon	696	718	710	- 01	8,186	8.90	12.26	- 37
16. Sub-Total Shell Products ...	668 533	43 225	31,019	- 28	62,006	112.04	108.80	- 03
17. Coconut Ekels	5 921	4 876	6,439	+ 32	8,893	8.16	11.33	- 39
18. Other By-products	—	—	—	—	6,672	13.45	22.75	- 69
19. Sub-Total Non- Kernel Products	—	—	—	—	322 941	438.01	335.93	- 22
20. Total value of all Products ...	—	—	—	—	1,276,240	1,810.03	1293.78	- 28

Source: Marketing Division, Coconut Development Authority.

Table 2. COCONUT PRODUCTION AND EXPORTS 1970-80

Year	Total Production (Million Nuts)	Exports (Million Nuts)
1970	2,445	905
1971	2,668	1,109
1972	2,828	1,231
1973	1,946	351
1974	2,030	495
1975	2,585	914
1976	2,330	794
1977	1,825	233
1978	2,208	507
1979	2,225*	561
1980	1,900*	242

*Provisional estimate

TEA

Prices firm in first quarter

A far greater weight of local teas have sold at the Colombo auctions at prices in excess of Rs. 50/- per kilo during January-March this year, than during the same period last year. A significant feature, noted by brokers, is that in the range of Western High Grown BOP and BOPF tea prices, at the top of each auction during the first quarter of 1981, reached an average of Rs. 54/- per kilo whilst the corresponding figure last year was Rs. 48/- per kilo. Even if the decline in the value of the rupee in 1981, against Sterling and the U.S. dollar (when compared to 1980) were taken into consideration, the trade has seen a positive improvement in overall prices this year.

All elevational averages, as well as total sales averages have recorded gains over last years figures. (see table). The most significant increase is in respect of Medium Growns which were previously at the bottom of the market; this year the gap between Medium Grown prices and Low and High Growns was not so marked. However, if the rupee gains were related to the decline in the external value of the rupee the increase may not be very marked, with the High Growns average in fact recording a slight decline. Thus, though rupee prices have been significantly higher the real gains have not been as considerable due to the decline in the external value of the rupee.

COLOMBO TEA AUCTIONS SALES AVERAGES (Rs. per kgm.)

	Jan.-Mar.'79		Jan.-Mar. '80		Jan.-Mar. '81	
	Gross	Nett	Gross	Nett	Gross	Nett
High Grown	15.35	12.44	19.77	18.87	21.82	20.77
Medium Grown	10.31	9.57	14.69 *	14.60	18.63	18.23
Low Grown	10.69	10.02	19.45	18.70	22.95	21.70
Total	12.17	10.72	18.18	17.56	21.35	20.41

The main trends in the tea market during the first quarter of 1981 were influenced by the recession in the Western world, together with irregular weather patterns, experienced in the Western planting districts of the country, which adversely affected the peak seasonal quality. This resulted in top prices of 1980 not being matched this year. However, a greater weight of teas were sold at higher levels, thus enabling the top price bracket to average a level more favourable than that obtained during this same period in 1980.

Another important feature was that the stronger market at the lower peak level of prices narrowed the differences in prices between top quality and lower quality teas. This trend was unusual for the Quality Season when there is normally a greater spread of prices.

An encouraging trend for the industry was the increase in crop together with higher sales averages. This was expected to give a substantial gain in the total rupee turnover when compared to the same period in 1980.

Brokers warned, however, that if the reasonable results of the first quarter of 1981 were to be maintained in the second quarter, which is traditionally the heavy cropping period, a reasonably good standard of teas should be ensured in order to maintain a steady average level of prices. Unlike in the latter part of 1980, an over supply situation of tea globally was not anticipated and therefore stable conditions were expected to prevail. Locally production was expected to increase (especially when compared with last year's disappointing performance) and producers have been warned that heavy crops should not mean an abundant supply of poor teas, since buyers in the traditional market were becoming more selective and quality oriented.

A leading broker commenting, in March this year on the influence of this factor on the local tea market states "whilst the useful, coloury, thick liquoring teas regularly maintained a fairly satisfactory level of prices, with some of the improved

quality offerings in this category achieving more enhanced levels, the lighter teas with much more seasonal character fared comparatively disappointingly overall; although there were invoices in this category too which reached the attractive high-priced levels following special enquiry. This situation has possibly been due to limited buying interest from the North American continent, apparently resulting from the severe recession which is being experienced in the USA and Canada. To aggravate this unhappy situation, the continental countries of Europe, which also support such teas, were unfortunately affected by the recent diverse exchange rate fluctuations against the dollar and more sharp effects of the world-wide recession now being experienced in such countries. These sharp effects of the world-wide recession now being experienced in such countries, coupled with the situation where the main traditional market for Western High Growns is unable to support the light but seasonal quality offerings with even a faintly greenish character, as these teas are unsuitable for their standards, have resulted in what might be termed unrewarding prices for most of the teas, particularly in this category. Further it now makes it very important that the standard of teas in the off-season is consistently maintained at a satisfactory level, to ensure remunerative prices for the rest of the year".

RUBBER

Sheet Rubber Crisis Anticipated

Sheet rubber stocks have continued to build up over the past six months and by mid March the government was contemplating positive relief measures for producers of sheet rubber. The near crisis situation has arisen in the local rubber market due to the oversupply of sheet rubber, causing much concern to both producers and the trade. This situation was the outcome of the steep increase in sheet rubber production during recent months, together with reduced purchases from China. Having taken over 55 percent of Sri Lanka's rubber exports in 1976 the proportion of China's purchases have kept falling to 35 percent in 1979 and 17 percent in 1980. Generally there is congestion in the rubber stores at the beginning of every year arising from the cropping season at this time, and this has further aggravated the situation.

The crisis was caused, however, with the anomaly in the price structure of sheet and crepe rubber, with sheet selling at Rs. 2 to Rs. 3 per kg. above that of Latex Crepe. For instance, when Latex Crepe No. 1 prices were around Rs. 8/30 to Rs. 9/80 per kg. RSS No. 1 prices went upto between Rs. 10/40 and Rs. 12/05 per kg. In addition the manufacturing cost of sheet rubber was much lower than that of Latex Crepe. Few producers therefore failed to take advantage of this situation where both cost and price were heavily in favour of sheet rubber production for a continuous period of over 6 months, from almost August 1980. The end result was the build up of sheet rubber stocks and that the rubber producers and trade, especially the sheet rubber sector, were finally compelled to put up with extremely difficult conditions by the beginning of the year and this situation kept getting further aggravated up to mid March. The regular buyers were keeping out of the market while some were attempting to take advantage of the situation and offering to buy sheet rubber at discount prices. Meanwhile the producers, mainly small holders, faced considerable hardships as they were not able to dispose off their stocks.

Further compounding the situation were the unattractive prices being offered for natural rubber in the international markets. There has been a marked absence of buying interest and speculative selling resulting in a decline in values in the main markets. Demand has also not been impressive, and the International Rubber Study Group reported recently that in 1980 the world consumption of rubber fell for the first time in five years. The world economic depression and cutbacks in motor vehicle production and road transport services had seriously affected the demand for rubber from the latter half of 1980. In the U.S. for instance, there was a 25 percent reduction in rubber consumption upto the year ending January 1981; with US demand reaching 1.5 million tons for the year as against 2 million tons in the previous 12 months. In Western Europe too the demand has been poor and remained static. A clear indication of weakening demand was the erratic prices being offered at the main auction centres. RSS No. 1 spot rubber on the London Physical Market fell to 53 pence a kilo on March 24, the lowest price since December 1978.