

## Some Facts on the Fibre Industry

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Coir Fibre has been exported from Ceylon for a number of years and while up to about 1946 it was more or less a cottage industry it has now developed into one of the major industries in the Island. In respect of export earnings Fibre compares very favourably with Ceylon produce other than Tea and Rubber, as may be seen from the following figures for 1966 :—

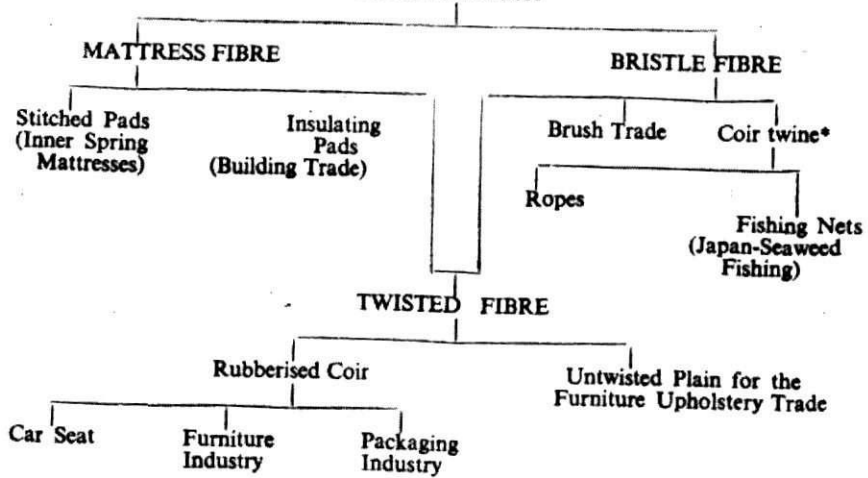
	Rs.
Coconut Oil ... ..	108,497,892
Desiccated Coconut ... ..	68,599,445
Coir Fibre ... ..	37,740,992
Cinnamon ... ..	30,363,216
Plumbago ... ..	6,177,430
Cocoa ... ..	5,925,100
Cardamoms ... ..	4,938,480
Citronella Oil ... ..	1,143,381
Coir Yarn ... ..	584,062

Since 1946, exports, of Fibre have been as follows :—

	<i>Bristle Fibre</i> <i>in cwt.</i>	<i>Mattress Fibre</i> <i>in cwt.</i>
1946 ... ..	124,567	418,179
1947 ... ..	102,550	449,223
1948 ... ..	117,322	536,600
1949 ... ..	188,392	644,834
1950 ... ..	178,553	873,948
1951 ... ..	242,958	940,556
1952 ... ..	217,562	743,446
1953 ... ..	291,051	988,561
1954 ... ..	300,143	1,076,186
1955 ... ..	349,271	1,057,101
1956 ... ..	320,366	1,056,115
1957 ... ..	312,374	1,130,206
1958 ... ..	358,333	1,157,210
1959 ... ..	423,122	1,181,975
1960 ... ..	489,749	1,215,287
1961 ... ..	395,605	1,052,422
1962 ... ..	360,946	1,156,274
1963 ... ..	398,570	1,152,286
1964 ... ..	533,915	1,444,654
1965 ... ..	440,676	1,289,561
1966 ... ..	401,183	1,114,229
1967 ... ..	507,728	1,013,909

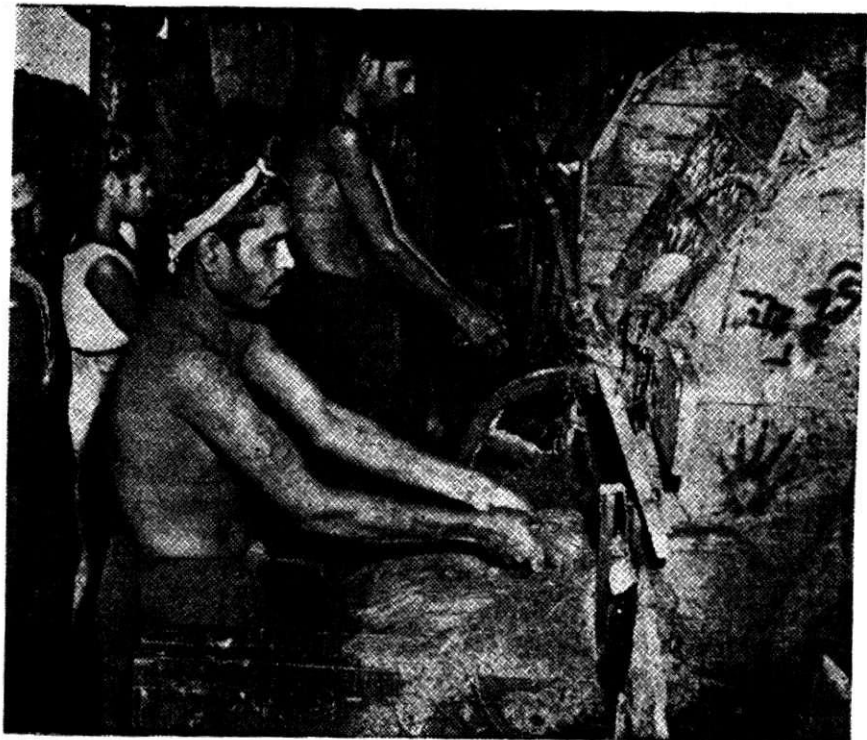
Figure 1 illustrates the uses of both Bristle and Mattress Fibre in consuming countries :

FIGURE—1  
COCONUT HUSK



\*Not to be confused with Coir Yarn extracted from Green Husk, which is used mostly for weaving mats and matting.

As it can be seen, the uses of Fibre are many. Along with the expansion of exports since 1946, there has been a diversification of uses and this has contributed not only to an increase in the volume of trade but also to a higher price being obtainable for certain grades, partly processed in Ceylon prior to shipment.



Fibre-Drums in operation.

## **The Floor Price Scheme**

Before the war, the Fibre trade enjoyed a free market, obeying the laws of supply and demand. In 1948 the Government introduced a Floor Price Scheme, whereby the exporter was required to purchase from the millers at a price which should not be beneath the price fixed from time to time by the authorities. This scheme was intended to protect Fibre millers during such times when, by force of adverse market conditions, prices are depressed below economic levels.

The Floor Price Scheme empowered the Government to revise the floor prices every half year and as market prices moved up, the floor prices were raised without due regard to the important principle that "the floor price was intended to reflect the basic production costs". The Floor Price Scheme was thus converted, over a period of years, to a Fair Price Scheme the over-bearing consideration that impelled this change having obviously been the anxiety to ensure that the highest price was paid by the shippers to the millers for as long a period as possible.

During the period 1957 to 1963, there was a steady increase in exports of Fibre, while in 1964 exports increased by as much as 30%. With this increasing demand, prices naturally advanced and as prices rose, the floor prices were adjusted upwards.

Due to the heavy imports by buying countries, particularly in 1964 and due to the resulting accumulation of stocks, the demand began to fall off in 1965. The natural result of the declining demand was a drop in overseas prices. Despite the lower overseas prices, the local floor prices remained pegged at the same old levels of prosperity, thereby encouraging over-production. The continuous over-production—at a time when supplies should have been reduced—resulted in selling pressure, which further accelerated the price declines.

One of the direct results of this floor price policy of the past was the accumulation, locally, in 1966 of large stocks of unsold Fibre. With the object of preventing the sale of these surplus stocks at cut prices and thereby eliminating a further decline in overseas prices, the Government decided, to modify the floor price scheme. The floor price below which the exporters were not permitted to buy in the local market has now been supplemented by a C & F Floor Price, below which exporters are not permitted to sell in the overseas markets.

## **Competition from Outside Ceylon**

This new policy is also fraught with danger, in fact, more so than the old one, for it now provides Ceylon's competitors with the information for which every exporter is looking, viz. the price below which the opposition cannot sell. This certain knowledge will serve as an incentive to Ceylon's competitors—who are aided by the absence of export duties, price restrictions and, in most cases, cheaper freight rates—to increase their sales and in due course, to increase production. Lower prices and increasing production in competing countries must necessarily result in Ceylon being outstaged from the Fibre trade, slowly but surely. In fact, in recent years, other countries in the coconut belt, in an endeavour to improve their economies, have launched a number of projects intended to produce Coir Fibre for export. Many of these schemes have been Government-sponsored, whilst others have been commenced by private enterprise.

Fibres from such competitive sources, particularly Zanzibar and Thailand, have made heavy inroads on our traditional markets and according to information available, further expansion of their production capacity is likely in the not too distant future. For instance, one of our largest buyers, West Germany, purchased the following quantities of Coir Fibre from January to September 1967 :—

	<i>Metric tons</i>
Ceylon ... ..	15,131
Tanganyika ... ..	1,239
Zanzibar ... ..	661
Jamaica ... ..	150
Trinidad ... ..	303
India ... ..	57
Thailand ... ..	530
Malaysia ... ..	84
Holland ... ..	348
	18,503

The above figures show that 18% of the German market has been lost to Ceylon, when, in fact, ten years ago only about 5% of this market was in the hands of our competitors. Similar percentages have been registered in all the other markets which were traditionally Ceylon's.



Sun-drying Mattress Fibre.

In all cases, without exception, if the price of Coir Fibre exceeds a certain level, manufacturers and consumers turn to synthetic materials, as these offer the following advantages over Coir Fibre:—

1. Standardised qualities, in accordance with well-defined technical specifications, which cannot be provided when dealing with a natural Fibre such as Coir.
2. Availability of long-term contracts at fixed prices, which enables the manufacturer to calculate his costs a long way ahead and ensures a stable price.
3. Assurance of continuous and reliable deliveries, which shippers in Ceylon sometimes cannot guarantee, due to circumstances beyond their control, such as adverse weather conditions in the producing area and difficulties connected with shipping opportunities.

### **Conclusion**

In order to meet this competition, it is essential that the cost of production of Coir Fibre in Ceylon is reduced to the minimum. To achieve this, more modern methods of production should be employed, such as mechanical extraction, mechanical drying, quicker and easier method of transportation of the husks and the Fibre within the mills by means of conveyor belts etc.

As the capital resources of the Fibre miller are limited, financial aid should be given to him by the State, using the funds which have accumulated as a result of the cess which has been levied since August 1960. The newly-formed Coir Board, which by Parliamentary Act now comes into operation, should have this object in mind as the first priority, i.e. to carry out the necessary research to modernise the mills and to formulate a financial scheme to assist the millers to purchase the necessary equipment. It must be finally recognised that to ensure and stabilise the value of the Coir Fibre Industry to the millers and the country, it is not only necessary to try and establish new markets overseas but also to produce better Fibre at competitive prices and this can only be achieved by united and concerted effort on the part of all concerned—the Government, the millers and the exporters.\*

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