

RUBBER Production returns to normal

Sri Lanka's natural rubber production appeared to be returning to normalcy by the end of 1985. Annual production which dropped to around 125,000 tonnes in 1981 and 1982 was moving up to production figures of the 1970's of around 150,000 tonnes per annum. Supplies were increasing and averaged about 500 tonnes per auction by the end of 1985, but this was expected to lead to a decline in values.

Despite improved local production international market prices remained depressed from most part of the year and in Sri Lanka too Colombo auction prices were easing towards the end of the year. Most latex crepe grades fetched comparatively higher values whereas scrap crepes dropped in price due to reduced demand, mainly because of the absence of a leading local manufacturer from the market. Sheet rubber market prices however, have continued to fluctuate though there was not much variation in prices from those of a year earlier. Latest Rubber Control Department statistics reveal that in the seven months of Jan-July 1985 production reached 84,919 tonnes compared to 84,754 tonnes in the seven months of the previous year.

Local Consumption

Local consumption also showed an increasing trend moving up to 80,533 tonnes in the first seven months of 1985 from 80,207 tonnes over the same period of the previous year. Exports in the month of July 1985 reached nearly 15,000 metric tons with 60 percent of supplies taken by five leading importing countries namely, China (1.4 mn.kg); USSR (1.1 mn.kg); India (1.0 mn.kg); Poland (2.2 mn.Kg); and Japan (2.2 mn. kg). Another eight countries taking a further 25 percent of exports were Pakistan (0.9 mn.kg); Bulgaria (0.8 mn.kg); West Germany (0.7 mn.

kg); Italy (0.5 mn.kg); Mexico (0.4 mn.Kg); Rumania (0.6 mn.Kg); UK (0.4 mn.kg); and USA(0.3 mn.Kg).

Exports

exports during this seven month period of 1985 went up to 76,705 tonnes from 74,174 tonnes in the same period of 1984. Total earnings from export of rubber during the first seven months of 1985 at Rs 1,601 million (SDR 60 million) dropped from Rs 2,081.5 million in the same period of 1984, showing a decrease of 24 percent in SDR terms below that of the same period of the previous year. The average (f.o.b) price decreased by 26 percent in SDR terms from Rs 28.06 (SDR 1.07) per kg. to Rs 20.94 (SDR 0.79) per kg. between the two periods.

The drop in earnings from agricultural exports in the 1985 period was considerable, mainly due to fall in earnings from tea and rubber. Increased earnings from industrial products and other exports made up partly for the loss from tea and rubber.(See table)

SRI LANKA'S AGRICULTURAL PRODUCTS EXPORT EARNINGS (JANUARY - JULY)

Value: Rs.Million
(SDR Million in brackets)

Item	1984	1985
<u>Agricultural Exports</u>	12,619.8 (480.4)	10,742.4 (401.1)
Tea	9,069.2 (345.3)	6,975.1 (261.9)
Rubber	2,081.5 (79.2)	1,601.9 (60.2)
Coconut	678.9 (25.9)	1,590.2 (59.7)
<u>Minor Agricultural Products</u>	790.2 (30.1)	575.2 (21.6)
<u>Other Exports</u>	7,972.9 (303.6)	9,566.6 (361.5)
Total Exports	20,592.7 (784.0)	20,309.0 (762.6)

Source: Customs, Sri Lanka.

International Market Trends

International rubber markets continued to remain featureless in the latter part of 1985. The effectiveness of the International Natural Rubber Organisation's (INRD) buffer stock mechanism was being questioned, particularly by Malaysian producers who were the largest suppliers to the international market. The producing countries were expected to meet the costs of purchases of the buffer stock which had grown to about 350,000 tonnes or nearly 9 percent of annual world consumption by mid 1985. But there were no signs of prices rising as a result of the buffer stock buying. The buffer stock was expected to mop up marginal surpluses but has proved ineffective in a situation of oversupply over the long term. One Malaysian proposal was that the Association of Natural Rubber Producing Countries (ANRPC) members agreed to cut production to remove the surplus, since then there were fears that if the stockpile was allowed to grow to 555,000 tonnes, the upper limit under the agreement it would depress the market for years. In the case of Malaysia depressed rubber prices were well below the country's cost of production and slack market demand was expected to continue

Most of the surplus in 1985 arose from the rapid production increases by Indonesia and Thailand, the largest producers after Malaysia. Indonesia's aggressive marketing, offering three months' credit at minimal interest, had strained relations with Malaysia on this issue. But Indonesia needed the export revenue to offset declines in income from petroleum. Thailand was equally worried about its deficit and it appeared to be difficult for Malaysia to persuade them to cut production. In this situation the market prospects at the beginning of 1986 did not appear bright. G.J.