

COMMODITIES

TEA

Drop in Prices

Tea prices dropped considerably during the month of May when compared to prices recorded in April 1977. These prices, however, were still considered very favourable, by the trade, as the averages recorded for April were the highest ever to be recorded at the Colombo Auctions. The gross sales average for May 1977, when compared to the same period last year still reflects a substantial advance. The total gross sales average had moved up from Rs. 8.47 during May last year to Rs. 17.57 per kilo during May this year thus recording a 107 per cent increase. Over the period January-May the gross sales average per kilo reached a peak of Rs. 18.16 as compared with Rs. 7.77 last year, an increase in prices of nearly 147 per cent for the period. (See details in table below). Prices of other beverages, particularly coffee, also suffered reversals during the month (See box). Also, the dulling trend in the tea market was evident not merely in Colombo but practically at all world auction centres.

GROSS TEA SALES AVERAGES JANUARY—MAY 1975—77

	1975	1976	1977
High Grown	—	7.57	8.23
Medium Grown	..	7.01	7.04
Low Grown	..	7.97	8.05
Total	..	7.49	7.77

The gross turnover for the month of May amounted to approximately Rs. 321 million as against Rs. 116 million for the same period last

year, an increase of nearly 167 per cent. According to a leading broker this figure is almost 1/5th of the total gross turnover. The total gross turnover recorded for the whole of last year was Rs. 1,673 million. It was evident from this fact that the tea

CROP FIGURES OF MAJOR PRODUCING COUNTRIES (In Million Kilogrammes)

Country	Month	1976	1977	Total	1976	1977
Sri Lanka	.. May	26.4	23.2	up to May	86.2	95.2
N. India	.. May	39.7	42.2	up to May	65.6	74.1
S. India	.. May	*18.2	16.9	up to May	*44.0	55.9
Kenya	.. May	4.3	7.2	up to May	20.0	37.0
Malawi	.. May	2.0	2.6	up to May	18.9	21.8
Uganda	.. April	*1.4	1.3	up to April	*4.7	4.7
Tanzania	.. May	1.0	1.3	up to May	6.4	6.9
Indonesia	.. April	*5.0	5.3	up to April	*20.7	19.8
Bangladesh	.. May	*3.2	3.2	up to May	*6.1	6.6
					<u>*272.6</u>	<u>*322.0</u>

* Estimated.

industry was continuing to play a very significant role in the national economy.

Production

By the end of May crop figures for the major producing countries showed that production had increased by

nearly 50 million kgms. in 1977. Sri Lanka's crop had increased by 9 million kgms. in the first five months of the year as compared to that of last year; while Kenya's crop had increased by as much as 17 million kgms. during this period; and South India's crop was up nearly 12 million kgms. Details in table below.

SPICES AND ESSENTIAL OILS

Earnings from the export of spices brought in an additional Rs. 43.3 million last year, an increase of nearly 165 per cent over that earned in 1975. Essential oils from spices also brought in an additional Rs. 3.5 million in

EXPORTS OF CINNAMON QUILLS AND CHIPS 1972—1976

Year	Quantity (kgm)	Value Rs.	FOB Value per kgm. Rs.
Cinnamon Quills:			
1972	4,142,465	26,937,799	6.50
1973	4,436,106	31,136,966	7.02
1974	5,037,663	50,932,847	10.11
1975	3,346,280	38,924,751	11.62
1976	5,291,764	68,510,718	12.95
Cinnamon Chips:			
1972	1,089,518	3,438,074	3.15
1973	2,083,527	6,740,590	3.23
1974	2,630,724	8,544,234	3.25
1975	464,744	1,066,643	2.29
1976	510,183	1,424,718	2.79

SHARP DECLINE IN COFFEE PRICES

By the last week of May coffee values on the London terminal had declined sharply and at one stage reached the lowest levels since February 11, this year. This decline in coffee prices continued into the early weeks of June with some major buyers in London cutting their wholesale prices by around 20 cents per pound to get rid of surplus stocks of processed coffee. The fall in prices was also the result of the drop in imported green coffee bean prices in May and early June. The week ending June 18 saw over £500 wiped off coffee values in the London Terminal Market as prices continued to plummet. Prices in most positions hit lowest levels for the year. Though there were no very specific reasons behind these falls, trade sources indicated that the market had been influenced by a number of 'bearish' features. The continuing lack of demand, consumption cutbacks, the introduction of coffee substitutes, continuing warm weather in Brazil with no fears of frost, and latest US forecasts of a 14 per cent rise in world production had all made their mark in the week's (June 11-18) trading, according to the *Public Ledger*.

1976, an increase of nearly 150 per cent over that of 1975. Earnings from spices alone increased from Rs. 66.7 million in 1975 to Rs. 110 million in 1976. The largest increase in earnings from spices was obtained from cinnamon exports, which brought in a total value of Rs. 73.4 million in 1976 as against Rs. 45.0 million in 1975. Earnings from cinnamon quills almost doubled during the period, although the FOB value of cinnamon quills had not improved very significantly. Sri Lanka was able to maintain its leading position as the world's largest exporter of cinnamon accounting for nearly 75

percent of world exports. Mexico and U.S.A., the traditional major importers of cinnamon quills from Sri Lanka, continued to make heavy purchases. The total acreage under cinnamon cultivation was estimated at around 36,000 acres in 1976 which provided for the export of 5,291,764 kgms. of cinnamon quills, 795,901 kgms. of cinnamon quillings, 247,069 kgms. of cinnamon featherings, 510,183 kgms. of cinnamon chips and 907 kgms. of cinnamon tree flowers etc. in 1976. The position of exports of cinnamon quills and chips over the last five years is shown in the table on page 21.

Cardamoms

Cardamom which had been Sri Lanka's second most important export item among the spices registered a disappointing performance in 1976,

Year	Quantity (kgms)	Value Rs.	FOB Value per kgm. Rs.
1972	214,743	5,747,809	26.76
1973	186,091	8,451,457	45.41
1974	147,379	6,467,238	43.88
1975	333,775	12,727,855	38.13
1976	161,630	12,194,085	75.44

mainly because of the heavy drought in the areas of cultivation. Exports in 1976 were only 161,630 kgms. as against a total of 333,000 kgms. in 1975, a drop of nearly 52 per cent. Total export earnings, however, declined marginally mainly due to an almost 100 per cent increase in export prices. The drop in production however deprived the country of the benefits of the increase of average export prices from Rs. 38 to Rs. 77.4 per kilo in 1976. The quantities available for export over the last five years have

continued to fluctuate as seen in the table above.

Cloves

Cloves emerged as the second most important export item among the spices in 1976 with export values increasing to Rs. 17.5 million in 1976 from Rs. 4.3 million in 1975. There was a remarkable increase in quantities made available for export during 1976 though export prices did not rise very strongly. Exports in 1976 were 375,112 kgms. as compared to 105,572 kgms. in 1975, an increase of 205 per cent. Average export prices rose from Rs. 40.76 per kilogramme in 1975 to Rs. 46.44 per kilo in 1976 an increase of 14 per cent. Towards the end of 1976 prices were continuing to rise and prospects for cloves in 1977 were considered to be very bright. International prices of cloves increased rapidly during 1976 from about £3400 to about £5000 per tonne and prospects for the Sri Lanka product were expected to be very satisfactory in 1977, particularly because of increased interest shown by new importers. Sri Lanka's output of cloves is also expected to be higher in 1977 than in 1976; with the area under cloves also being increased from the estimated 2,000 acres now under cultivation.

EXPORTS OF SPICES, ESSENTIAL OILS & OTHER SUNDRY PRODUCE

	1975 Value—Rs.	1976 Value—Rs.
Spices:		
Pepper	1,192,470	1,753,396
Cinnamon Quills	38,924,751	65,510,718
Cinnamon Quillings	3,685,374	5,334,365
Cinnamon Featherings	642,143	1,051,306
Cinnamon Chips	1,066,643	1,424,718
Cinnamon Tree, Flowers etc.	733,636	10,411
Cloves-Whole fruit		134,554
Cloves-Other than Stems	4,300,346	17,419,799
Cloves Stems	455,347	844,094
Nutmeg	1,278,133	2,750,511
Mace	1,200,864	644,043
Cardamom	12,727,855	12,194,085
Ginger	442,189	913,428
Other Spices	98,670	3,149
	<u>66,748,421</u>	<u>109,988,117</u>
Essential Oil Exports		
Citronella Oil	2,022,826	3,543,227
Cinnamon Bark Oil	157,697	579,918
Cinnamon Leaf Oil	1,578,495	4,474,228
Cardamom Oil	30,707	538,294
Clove Oil	113	
Pepper Oil	8,408	114,3563
Nutmeg Oil	421,085	733,507
Ginger Oil	51,561	259,531
Lemon Grass Oil	18,876	225,240
Other Essential Oils	2,472,180	38,349
	<u>6,761,948</u>	<u>10,506,653</u>
Other Sundry Products		
Sesame Seed	22,971,188	24,358,246
Mustard Seed	1,138,800	1,221,354
Castor Seed	14,679	
Other Oil Seeds	580,079	372,497
Gingelly Oil		3,645
White Papain	2,849,222	1,977,153
Brown Papain	281,248	288,756
	<u>27,835,216</u>	<u>28,221,651</u>

Nutmeg and Mace

Earnings from nutmeg and mace also increased during 1976. The quantity of nutmeg exported in 1976 was 295,601 kgms. as compared with 131,729 kgms. in 1975 an increase of 124 per cent. There was, however, a fall in export prices in 1976; the average value realised per kilogramme being Rs. 9.30 as compared to Rs. 9.70 per kilogramme in 1975. Total earnings were higher, mainly because of the increased quantities exported, which amounted to Rs. 2,750,511 in 1976 as against Rs. 1,278,133 in 1975.

The quantity of mace exported in 1976 was 295,651 kilogrammes which brought in earnings to the value of Rs. 2,750,051.

The average f.o.b. price established on this basis is Rs. 20.35 per kilogramme. A comparison with the 1975 figures is not possible on account of a serious error in the statistics as given in the Sri Lanka Customs Returns of 1975. According to these statistics, 1,415,732 kilogrammes had been exported bringing in earnings of only Rs. 1,200,864 which gives an export price of Rs. 0.84 per kilogramme. Clearly, the volume has been overstated and it has been observed by the trade that even the figure for 1976 appears to be over recorded. The total area under nutmeg is estimated to be around 2,500 acres.

Pepper

The earnings from pepper increased marginally in 1976. While the quantities exported registered a decline, earnings in 1976 amounted to Rs. 1,753,396 as against Rs. 1,192,470 in 1975. Although international prices improved during the year (in the commodity markets of Europe and New York), Sri Lanka's exports were restricted because of the increased domestic consumption, and short-fall in the crop. Exports in 1976 were 89,742 kilogrammes compared to 96,119 kilogrammes in 1975, a decline of 12 per cent. The average export price per kilogramme in 1976 decreased by 42 per cent below the levels of 1975 (the average export price in 1976 was Rs. 20.68 compared to the 1975 figure of Rs. 35.48). The total extent under pepper is estimated to be around 16,000 acres.

Ginger and Other Spices

Earnings from ginger exports increased by over 100 per cent in 1976 going up to Rs. 913,438 from Rs. 442,189 in 1975. The recorded value of other spice exports in 1976 was Rs. 3,149 as against 98,678 in 1975.

Essential Oils

Earnings from essential oils increased to Rs. 10.5 million in 1976 as against Rs. 6.8 million in 1975. Cinnamon leaf oil accounted for the largest share of earnings amounting to Rs. 4,474,228 for 110,863 kilogrammes as against an earning of Rs. 1,578,495 in 1975.

The other major item of essential oil was citronella oil. A total of 227,220 kgms. was exported in 1976 at a value of Rs. 3,543,227. Earnings in 1975 were Rs. 2,022,826.

Cardamom oil, ginger oil and nut-

meg oil also registered heavy increases in earnings in 1976: 523 kilos of cardamom oil fetching Rs. 538,294 in 1976, earnings in 1975 were 30,375; 538 kilos of ginger oil fetched Rs. 259,531 in 1976, earnings in 1975 were Rs. 50,561; 70,964 kilos of nutmeg oil fetched Rs. 733,507 in 1976. Earnings in 1975 were Rs. 420,081. See table on page 22.

The increases in earnings from cardamom oil and lemon grass oil during 1976 were unprecedented; the former recording a 1,655 per cent increase over 1975 earnings and the latter recording a 1,093 per cent increase over 1975 earnings. The percentage increase in export earnings last year for pepper oil was 450 per cent and ginger oil 403 per cent.