

COMMODITIES

TEA

Healthy Trends

Healthy trends were observed in Sri Lanka's tea market towards the end of 1981. Among the more important factors that contributed to this feature were the reduction in export duty; the tightening world crop situation; increasing local production; Iran beginning to operate fairly strongly; Iraq increasing purchases and limits; and USSR operating in Colombo's tea centre and helping to stabilise prices at remunerative levels.

By the end of 1980 the importance of the tea industry in the export sector appeared to have diminished considerably over the preceding 15 years. (See table 1). In 1965, tea exports represented approximately 70 per cent of Sri Lanka's total export earnings and though the early predominant position has changed drastically since then, the Tea Industry is still our major foreign exchange earner, accounting for 36 per cent of our total export earnings.

TABLE 1. EXPORT EARNINGS FROM TEA

Year	Volume in Million Kgs.	Value Rs. in Million	% Share of the Export Value
1965	224.5	1,210.0	70% (app.)
1966	200.0	1,027.1	60%
1967	216.8	1,061.0	62%
1968	208.6	1,161.0	57%
1969	201.6	1,061.1	55%
1970	208.6	1,118.8	55%
1971	200.9	1,141.2	56%
1972	188.7	1,162.1	57%
1973	205.9	1,260.7	47%
1974	175.5	1,359.0	39%
1975	212.7	1,931.6	48%
1976	199.9	2,099.7	43%
1977	185.7	3,502.5	53%
1978	192.7	6,400.9	48%
1979	187.5	5,722.2	37%
1980	184.2	6,170.0	36%

Source: Forbes and Walker Market Report

In 1981 however, the position had changed somewhat with production for the first 11 months of the year nearly 20 m kgm. above that of 1980: though total sales averages in 1981 have remained slightly below that of 1980. Crop figures of the major producing countries received up to about October indicated that despite Sri Lanka's increased production, other major producers such as India and Kenya had fallen behind their previous years production.

Sri Lanka's position in the International Tea Market has also kept declining over the years. From 35 per

cent of the total share of global exports in 1967 it had gone down to below 25 per cent in 1980. (See table 2).

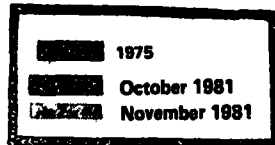
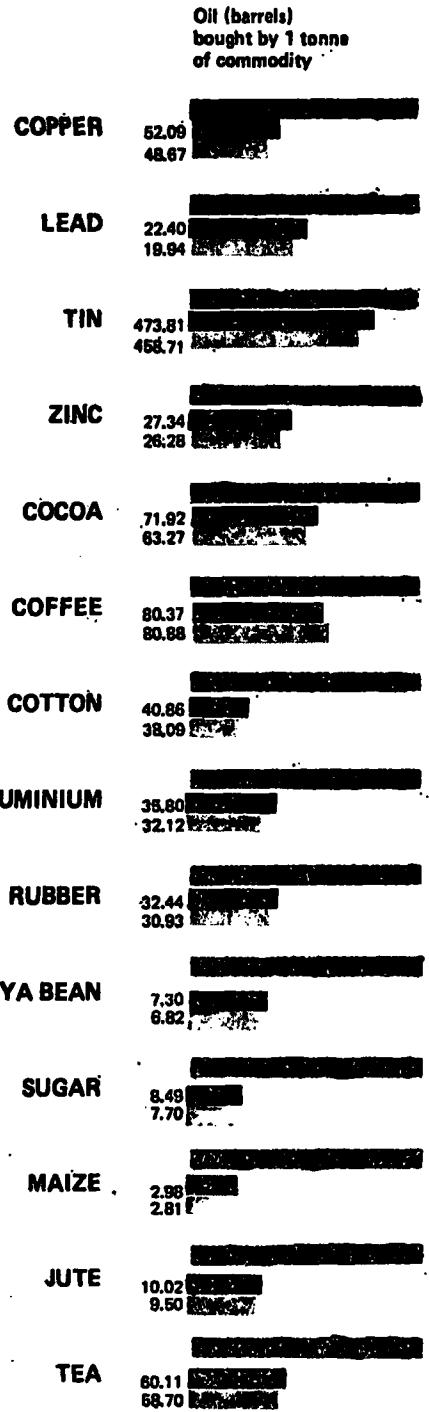
TABLE 2. WORLD TEA EXPORTS & SRI LANKA'S MARKET SHARE (1967-1980)

Year	(in million kilos)		Market Share %
	Sri Lanka	World	
1967	216.5	607.9	35.0
1968	207.6	623.7	33.2
1969	201.3	584.9	34.4
1970	208.2	637.5	32.6
1971	200.7	666.8	30.1
1972	190.0	691.2	27.4
1973	205.5	693.2	29.6
1974	185.0	716.8	25.8
1975	212.4	740.0	28.9
1976	199.7	785.3	25.4
1977	185.5	793.8	23.3
1978	192.5	754.0	25.5
1979	187.5	770.0	24.5
1980	184.6	810.0 (app.)	23.0

Source: Forbes and Walker Market Report.

In view of the declining trend up to the end of 1980 the year 1981 appears to have boosted seller's hopes. As one of our leading brokers comments on this phenomenon after the first quarter of this year 'the market took a dramatic turn and prices collapsed with BOPs selling at around Rs. 10.00 per kg — well below the cost of production. This continued for sometime and Sellers were alarmed at the situation the industry was in. Iraq — the mainstay of this market over the years, operated at lower levels during this period. However, the world crop position proved to be the deciding factor which helped raise this market from the doldrums. It is possible that major buyers were adopting the 'wait and see' policy hoping that the crop position would improve and they could then replenish their stocks. This was not to be, and towards the latter part of the year it was evident that many buyers around the globe seemed to be replenishing their stocks; prices firmed up. Iraq too increased their quantities gradually."

It was also reported that after a long spell of relative inactivity shippers to Iran bid forcefully on the Flowery Grades and here, the better Tippy Teas were appreciably dearer. Sri Lankan shippers secured a sizeable tender from Syria and hence Iraq was expected to maintain present purchase quantities and small leaf teas in particular were likely to hold favourable price levels till the year's end. A note of buoyancy was evident in tea trade circles by December.



Tea and Rubber were among the commodities where value in real terms has kept falling. Source: South.