

**RUBBER: Auction Price Increases**

The increase in rubber prices continued throughout the first five months of 1986, with Latex crepe fetching much higher prices than Sheet rubber. The average Colombo Market price during the first five months of 1986 for Latex crepe was Rs 22.72 per kg as against Rs 16.17 per kg during the same period in 1985. The price of RSS No 1 averaged Rs 16.44 per kg during Jan-May 1986 as against Rs 15.76 per kg during the same period of the previous year, while in the case of Scrap crepe prices declined during this period from Rs 14.03 per kg in 1985 to Rs 13.56 per kg in 1986. (See table 1).

The increase in prices is seen more clearly in the monthly Colombo Market average prices where in 1986

Latex crepe No IX - Rs 26.92  
Scrap Crepe - Rs 15.50

Data recently released for last year shows that total export earnings from rubber in 1985 were Rs 2,566 million (SDR 93 mn), which was a decrease of 27 percent in SDR terms compared to the previous year. Also the average FOB price decreased by 23 percent in SDR terms from Rs 26.16 (SDR 1.00) per kg in 1984 to Rs 21.34 (SDR 0.77) per kg in 1985.

In spite of a fall in export (FOB) prices in all grades, the Colombo market price of RSS 1 increased by 8 percent. Small holders and private small estates may have benefitted from this increase in local market prices to a small extent. But in the

**Table 1 Colombo Market Price—Rubber (Monthly Average)**  
(Rs per kg)

Year	RSS No 1	Latex Crepe IX	Scrap Crepe No 1
Jan-May 1984	15.31	18.03	11.39
1985	15.76	16.72	14.03
1986	16.44	22.72	13.56

*Colombo Rubber Trader's Association*

RSS No 1 moved up from Rs 15.74 per kg in January to Rs 15.82 in May, while the price of Latex crepe increased from Rs 19.65 per kg in January to Rs 13.52 per kg in May. Prices of Scrap crepe have also continued to increase during the first five months of 1986, as seen in Table 2 below.

In the last weekly sale for May 1986 maximum prices per kg at the Colombo auctions were as follows:

RSS No 1 - Rs 16.86

case of the public sector estates and large private sector estates the increase was not sufficient to offset the increase in their cost of production, according to Central Bank findings.

The Central Bank has warned that rubber production has approached a plateau in terms of production, yield per hectare and extent in bearing. In view of the limited scope for expansion of the area under cultivation, the future prospects for increasing production would depend, to a greater extent, on increasing productivity, while maintaining an effective level of replanting. To this end, the expansion in the use of high yield varieties and the maintenance of cultural practices including fertilizer application at desired levels are vital. However, the low incomes of the small holder dominated rubber sector precludes a more widespread adoption of better cultural practices.

Small holders are also constrained by insufficient processing facilities and are sometimes made to carry latex for processing over a long distance. Crudely processed latex in the absence of better processing facilities fetches low prices making their plight even worse. Therefore, the Bank suggests that some incentives are necessary to revive this vital sector of the economy.

**Table 2 Colombo Market Prices Rs (Per kg)**

1986	RSS No 1	Latex IX	Scrap Crepe No 1
January	15.74	19.65	12.88
February	16.86	22.26	13.05
March	16.45	23.96	13.89
April	16.32	24.22	13.50
May	16.82	23.52	14.46

*Source: Colombo Rubber Trader's Association*

## TEA

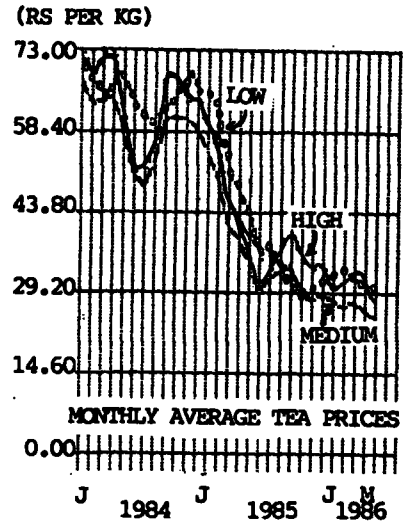
### Crop Declines While Prices Plunge

Sri Lanka's crop figures upto April 1986 show a decline of 7 percent compared to the same period in 1985; production for 1985 period being 79.1 mn kg as against 73.9 mn kg in the first four months of 1986. This decline, however, was considerably lower than total world tea crop figures upto April 1986 which had fallen to 225.3 mn kg in the first four months of this year from 260.5 mn kg in the same period last year. The largest decline was recorded in North India's crop which had dropped by 24.1 mn kg during the 1986 period. In the case of Sri Lanka's crop the fall is attributed to mixed weather conditions experienced in the plantation districts and the delayed monsoon. A significant decline has been noted in the low grown crop. Colombo tea auction prices continued their downward trend upto the end of May this year and there were

indications that the decline would continue into June as well. Considering the last three years Colombo auction prices were substantially lower in the first five months of 1986, averaging Rs 29.95 per kg for all grades, compared with Rs 48.59 per kg and Rs 67.56 per kg for the relative periods in 1985 and 1984 respectively.

As seen in the diagram the highest monthly average price for tea in 1986 was Rs 34.00 per kg for low elevation teas in February; while the lowest average price was Rs 24.00 per kg for medium elevation teas. Table 2 shows that the largest decline in prices over the last three years has been in the category of high grown teas.

Concern for the declining price trends was greater since all major producers were recording lower harvest this year and the quality of Sri Lankan teas remains unchanged. Meanwhile the government



decided to make payments from a Stabilisation Fund to both private and public sector producers at the rate of 25 cents per kilogram of green leaf and Rs 1.15 per kilogram of made tea when the weekly factory average prices are between Rs 22/- and Rs 34/-; while factories will be required to pay smallholders at the rate of an extra 25 cents per kilogram of green leaf.

**COCONUT - Lower Unit Prices**  
Earnings from exports of coconut products had declined to Rs 731 mn in Jan/March this year compared with exports of Rs 751 mn in the first quarter of 1985. The unit value of kernel products recorded a steep fall with 130.6 metric tons earning Rs 546 mn in the first quarter of 1985 as against 372.6 metric tons earning only Rs 561 mn in the first quarter of 1986. In this kernel products category while export volume increased 185 percent values increased only by 3 percent. The most marked decline was in coconut oil, where the volume exported increased by 550 percent but value increased only by 200 percent. Even local prices recorded a sharp decline with a metric ton selling at Rs 7,664.50 in March 1986 as against Rs 19,696.25 in March 1985. Furthermore, transacted price of desiccated coconut in the local market which was Rs 16.54 per kilogram in March 1985 dropped to 7.85 per kilogram in March 1986. G.J.

Table 1 Monthly Average Prices for Tea in 1983  
(Rs per kg)

1986	High	Medium	Low	Total
Jan.	30.11	27.42	32.13	30.12
Feb.	31.08	26.81	34.04	31.38
March	33.32	27.46	32.31	31.54
April	31.24	26.05	30.28	29.58
May	27.62	24.31	29.28	27.45

Source: Broker's Reports

Table 2 Average Prices for Tea Over Five Month Period  
(Rs Per Kg)

Jan-May	High	Medium	Low	Total
1984	69.33	64.44	67.99	67.56
1985	47.17	43.88	53.60	48.59
1986	30.51	26.38	31.60	29.95

Source: Broker's Reports