

COMMODITIES

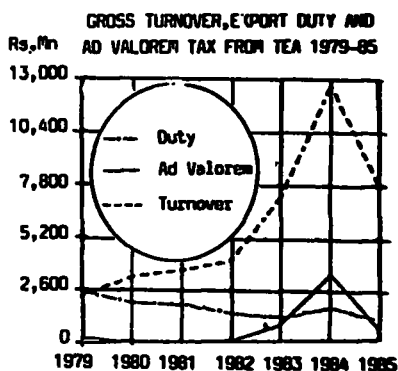
TEA

Declining Prices and Turnover

Global tea production was down by almost 10 percent at the end of August, compared to the same period last year. There were indications that Sri Lanka's 1986 crop was not likely to reach the record 214 million kgs. of last year. While Sri Lanka's production had fallen 2.6 percent upto August production in North India had fallen 13.9 percent and in Bangladesh 21.7 percent. The table below gives this comparative position of 5 major producer countries upto August.

Prices had not responded to this overall drop in global supplies and weekly sales averages continued to be well below that of 1985. The cumulative average prices for the 8 month period of 1986 were Rs 28/56 (gross) and Rs 28/31 (net) per kg as against Rs 42/28 (gross) and Rs 37/31 (net) per kg in January - August 1985. At the London Auctions average prices had fallen from approximately 225 pence per kg in 1985 to 125 pence per kg this year.

Rs 19.7 million as against Rs 647.5 million in the same period last year. This same trend was observed in export duties which reached Rs 1,768 million in 1984 and came down to Rs 1,178 million in 1985. This declining trend also continued in the case of export duty during 1986. (See Graph)



Falling prices also had an adverse impact on gross turnover in the tea industry. As in the case of other indicators gross turnover too reached a peak of Rs 12,708 million in 1984 and then declined sharply to Rs 7,696 million in 1985. In the six months of 1986, gross turnover declined by 34 percent from Rs 4,496 million in the 1985 period to Rs 2,973 million this year. It is interesting to note that

TEA PRODUCTION JAN-AUGUST

	1985	1986	Percentage Change
North India	318,090	274,000	13.9
South India	92,326	90,156	2.4
Sri Lanka	146,131	142,290	2.6
Bangladesh	26,040	20,389	21.7
Kenya	92,315	87,074	5.7
Malawi	26,902	26,880	.1
Total	701,804	640,789	8.7

These falling prices meant lower export revenue for the government and a falling profitability on most estates. The ad valorem sales tax which recorded a peak of Rs 3,373.4 million in 1984 dropped to Rs 731.6 million in 1985. The decline continued into 1986 and in the period January-June in 1985 ad valorem tax fell to

more tea was sold at the Colombo Auctions (126 kgs against 121 kgs) in the 1986 period of Jan-July and also more Sri Lankan tea was shipped to the London Auctions (3.0 mn kgs against 2.3 mn kg) but overall returns to the tea industry has been lower this year because of lower prices.

G.J.