

COMMODITIES

RUBBER

Prospects Brighten

Sri Lanka's production of natural rubber in 1978 at 155,662 tons recorded an increase of over 9,000 tons compared with the previous year and is the highest since 1970, when production reached a peak of 159,158 tons. This spurt in production can be attributed to the increased prices that prevailed during 1978 which may have encouraged severe exploitation of the trees. The yield per acre was the highest ever recorded, reaching 753 lbs. per acre and yielding nearly 9 percent more than in 1977. On the other hand, in 1978 the area under tapping was about 2 per cent less than in the previous year. The increase has been mainly in sheet rubber where production rose from 84,737 tons in 1977 to 91,974 in 1978. Production of sheet rubber is virtually confined to the smallholder sector. The effects of the price incentive is more directly felt in this sector, and the form and pattern of exploitation of the rubber tree is to a great extent dependent on this factor. The results of this will not be apparent immediately, but it could mean a drop in production in the near future.

PRODUCTION EXPORTS PRICES — 1976-1978

	1976	1977	1978
Production (000 mt)	152.1	146.2	155.7
Exports (000 mt)	136.9	134.5	138.04
Export value (Rs. mln.)	889.3	932.0	2,020.5
Unit Value Rs./Kg.	6.49	6.92	14.64
Producer Price RSS Rs./Kg.	4.35	4.53	6.94

The rubber replanting programme was stepped up in 1978 and nearly 8,000 acres were replanted last year; this 23 per cent increase in replanting over that of the previous year was partly attributed to the enhanced replanting subsidy announced in November 1977. This subsidy is expected to have an even greater impact on replanting in 1979, but with the future prospects for rubber prices bright an even 100 per cent increase in replanting has been deemed not excessive.

Exports in 1978 at 138,045 tons shows only a slight increase com-

pared with 134,529 tons exported in 1977. This is substantially below the peak of 160,865 tons achieved in 1975. Exports of sheet rubber at 77,433 tons remained virtually the same as in the previous year whilst latex crepe recorded a marginal increase of about 2,000 tons with total latex crepe exports at 36,774 tons. This however, is well below the average of 40,000 tons achieved in the past. A substantial increase in exports of Block Rubber was witnessed in 1978, with a total of 5,156 tons being shipped abroad. Total export earnings at Rs. 2,020.5 million in 1978 has more than doubled when compared with 1977 and the f.o.b. unit price amounted to Rs. 14.64 per kg. in comparison with Rs. 6.92 in 1977. The value of all rubber exports amounted to Rs. 2,021 million or SDR 103 in 1978 as against Rs. 931 million or SDR 93 in 1977.

During 1978 prices reached a peak in October with RSS I fetching an average of Rs. 8.20 per kilogramme and Latex Crepe IX averaging Rs. 9.60 per kg. The average prices for the year were Rs. 6.94 per kg. RSS I and Rs. 8.78 per kg. for Latex Crepe IX. Whereas in 1977, the prices were Rs. 4.53 per kg. and Rs. 5.94 per kg.

for RSS I and Latex Crepe IX respectively.

Price Rises Continue into 1979

In the first quarter of 1979 the rising trend of prices continued and this was helped by the OPEC decision to increase petroleum prices as well as the tightness of nearby rubber in the New York Market. Prices for RSS I at end of March touched an average of Rs. 8.90 per kg., whilst the average for the corresponding period in 1978 was Rs. 5.58 per kg. Demand for latex crepes improved considerably with top

prices of Rs. 13.10 and Rs. 12.90 per kg. respectively. These prices surpassed the records established for the two grades. Crepe sheet differential at the last sale stood at Rs. 3.81 per kg. The sole crepe market remained unquoted for most of the period under review. However, the prices fetched were between Rs. 13.50 to Rs. 15.15 per kg.

During the first quarter of 1979 a total of 8,576 tons of latex crepe was offered for sale at the auctions, compared with 7,335 tons during January-March 1978, an increase of 1,241 tons. Sole crepe offerings during the same period in 1979 at 189 tons was lower by 324 tons when compared with the first quarter of 1978.

Maximum closing prices per kilogramme at the end of March

	March '78	March '79	% increase in prices
	Rs.	Rs.	Rs.
RSS No. 1	6.01	7.67	27.6
Latex crepe	6.20	13.10	111.2
Scrap crepe	5.76	6.83	18.6
Sole crepe	9.00	15.15	68.3

TEA

Outlook Uncertain

By the end of March this year Sri Lanka's tea production was trailing behind that of production during the same period last year. There has also been a somewhat depressing market trend during this period and prices for tea at the Colombo Auctions were well behind that of the first quarter of 1978.

Crop figures for the period January-March 1979 were 49.1 million kgs. as against 49.4 million kgs. in the same period last year. Crop figures of some of the major producing countries upto the end of March showed that their combined production was nearly 5 million kgs. more in 1979. When compared with that of the previous year, South India's tea production was up nearly 4 million kgs. and Kenya's by 1.4 million kgs. In Sri Lanka, medium grown teas and high grown teas showed an increase in production in the first quarter of 1979 whereas the recorded low grown production was nearly 1 million kg. less than that of the previous year.