

TEA

Preliminary unofficial forecasts of world tea production during 1976 indicate that the marginal increase of approximately 6-8 million kgm. obtained in 1975 over 1974 is likely to be repeated with Sri Lanka, India, and East Africa sharing the increase. The weather conditions in North East India during the first three months usually decide the size of the crop. During January-March, North East India produces very little tea. The unusually heavy frost and lack of rain in North East India a year ago indicates that 1976 crop would be smaller than 1975. In effect the loss of crop during the first 9 months of the year are more or less made up during the remainder of the year. In 1976 weather conditions in North East India are expected to be somewhat better. South Indian tea gardens are reported to be recording above normal production in January 1976. The steady and abundant rainfall during October-December 1975 and the comparatively less severe frosts in January 1976 have raised the hope that South India will again produce a record crop in 1976 as it did in 1975. South Indian production had reached 6.7 million kilogrammes in January 1976 as against 6.0 million kilos in January 1975.

African production went down in 1975 largely due to the drought and though a clear picture of the prevailing weather in Africa has not emerged there is nothing to indicate that the crop will suffer the same fate as in 1975. Crop in two leading East African producer countries, Kenya and Uganda, has run at about 2 million kilos ahead of the first two months of last year. January crop figures in Kenya was 6.6 million kilos in 1976 as against 5.0 million kilos in 1975; while in Uganda it was 1.4 million kilos in 1976 as against 1.2 million kilos in 1975.

Sri Lanka reports indicate that tea production in this country during 1976 is running ahead of 1975. Crop figures for January 1976 totalled 17.0 million kilos as against 15.2 million kilos in January 1975. The drought in several tea growing areas may affect production in the first quarter

of the year, though it is expected to pick up as the year goes on.

Prices at the Colombo auctions have not been as attractive as in 1975 during the first two months of the year. Upto the auction of March 2, 1976, the gross sales average prices per kilo were Rs. 7.34 as against Rs. 8.02 in 1975, a drop of 68 cts. per kilo in total average prices. The heaviest drop was in the low-growns 83 cts. followed by medium-growns 81 cts. and highgrowns 46 cts.

Tea brokers reports, throughout February, drew attention to the need for the Russian buyer to enter the Colombo auctions. Reports stated that the quality of teas available in February was, suited to Russia's requirement and the Russian buyers presence would assist producers to obtain satisfactory prices for their improved teas. Unfortunately this support from the USSR was not forthcoming and the upward movement in prices was not taking place.

Meanwhile in the month of February two world records for tea prices were also witnessed. At the February 11 auction a record was established when a Flowery BOP Fannings Special Silver Tip grade from Neuchatel Estate in the Neboda area fetched Rs. 260/- per kilo. This record was bettered at the February 24th auction when a specially manufactured line of Tippy Flowery Fannings from Talgaswela Estate in the Galle District fetched Rs. 330/- per kilo.

The total quantity of teas sold at Public Auction had also increased this year. Upto the sale of March 2, 1976 a quantity of 36.5 million kilos had been sold as against 34.7 million kilos in the same period last year.

The March 10 tea market report of brokers John Keell's Ltd. has made this observation: "several estates which we traditionally associate with the manufacture of excellent quality teas have failed to do so this year. Also, there are many more flaky teas with poor make and style to be seen each week. This fault in manufacture is probably exacerbated this year by the prolonged drought

which is causing a drop in production over most of the Island".

RUBBER

For the first time for many years natural rubber has been able to increase its share of total rubber consumption at the expense of synthetic rubber, as a result of the steep increase in production costs forced on synthetic rubber producers by the quintupling of world petroleum prices between 1973-74. Whether natural rubber will be able to maintain its enhanced market share is now the big question. The outlook is hopeful despite the intention of the Association of Natural Rubber Producing Countries (ANRPC) to establish a "floor" price for natural rubber on world markets. OPEC's wish to maintain petroleum prices high is the main factor working in favour of natural rubber. The prospects of maintaining the "floor" price of natural rubber also look reasonably good after the last ANRPC decision to create a buffer stock of 100,000 tons and Malaysia's decision to stockpile an equal amount on its own initiative.

ASEAN Approves Rubber Buffer Stock Scheme

A proposed rubber buffer stock scheme was accepted on March 9th at a meeting held at Kuala Lumpur by the Economic Ministers of the Association of South East Asian Nations (ASEAN). The scheme was first proposed in 1975 to the Association of Natural Rubber Producing Countries (ANRPC) comprising Malaysia, Singapore, Indonesia, Thailand, Sri Lanka and South Vietnam has been bogged down over the questions of the quantity of stock and finance. Sri Lanka with its limited rubber production, is expected to go along with the ASEAN ministers decision. ASEAN ministers represent Malaysia, Singapore, Indonesia, Thailand and the Philippines. The ministers agreed in principle that preferential treatment be given to ASEAN nations in times of rice and crude oil shortages by fellow members enjoying an abundance of rice and oil. ASEAN countries which produce 80% of the world rubber will make available 100,000 tons of natural rubber for the buffer stock as a part of a new rubber price stabilisation scheme.

COCONUT

The weakened demand conditions resulting from global economic recession and the recovery of vegetable oil supplies from the low levels recorded during 1973/74 resulted in Sri Lanka's 1975 export earnings from its coconut products falling short of 1974 export values by nearly Rs. 80 million.

Export Earnings

The export earnings from all coconut products in 1975 compared with 1974 are given in Table 1. The total value of all coconut product exports in 1975 amounted to Rs. 505.3 million, which is quite high in relation to export values in previous years with the exception of 1974. The total export values in the years 1974 and 1975 were as follows:—

TABLE 1
EXPORT EARNINGS FROM COCONUT PRODUCTS
(Rs Million)

	1974	% of total	1975	% of total
Coconut Oil	170.4	29.2	218.9	43.3
D.C.	261.3	44.7	172.2	34.1
Fresh Nuts	3.1	0.5	9.3	1.8
Copra	2.4	0.4	6.1	1.2
Sub-total: Kernel Products	437.1	74.8	406.4	80.4
Coir Fibre and Yarn	110.0	19.0	84.5	16.7
Coconut Shell Products	33.3	5.7	11.9	2.4
Coconut Ekel	3.2	0.5	1.5	0.2
Coconut Poonac	—	—	1.1	0.2
Sub-total: By-products	147.3	25.2	99.0	19.6
Total: All Products	584.4	100.0	505.3	100.0

Export Value 1970 to 1973 (Rs. Million)

1970 — 295 1972 — 330
1971 — 345 1973 — 222

1974 was an exceptional year when the export prices reached unprecedented levels and the total export value in that year reached the highest level so far recorded in the annals of the coconut industry. In 1975, the export values of all coconut products averaged prices considerably below those achieved in 1974. In the case of kernel products, the average export value realised per nut equivalent was 44 cents in 1975 as against 88 cents in 1974—a decline of 50%. Table 2 shows how the average export value

realised per nut equivalent for each export product has declined from the high levels recorded in 1974. The impact of this price decline on the total export earnings was however partly offset by a rise in the export volume of kernel products by as much as 85% in relation to 1974. The total export value of kernel product exports at Rs. 406 million was only 7% below the 1974 level.

The export value of coir fibre and yarn at Rs. 84.5 million represents a decline of 24% from the level attained in 1974. This is entirely a reflection of the decline in the export volume by nearly 36%. The average export

TABLE 2
AVERAGE EXPORT VALUE PER NUT
EQUIVALENT (in Rupees)

	1974	1975	Relative Change (—decline)
Coconut Oil	0.84	0.40	—52.4%
Desiccated Coconut	0.91	0.50	—45.1%
Copra	1.12	1.00	—10.7%
Fresh Nuts	1.55	0.97	—37.4%
Average	0.88	0.44	—50.0%

AVERAGE EXPORT VALUE PER METRIC
TONNE (in Rupees)

Coir Fibre and Yarn	1044.7	1235.2	18.2%
Coconut Shell Charcoal	1055.7	571.9	—45.8%

value per tonne of fibre and yarn in 1975 has shown an increase of 18%. The total export value of coconut shell products at Rs. 12 million shows a decline of 64% in relation to 1974. This decline was brought about by a price decline of 45% and a quantity decline of nearly 40%.

Of the total export earnings 80% was contributed by kernel products with coconut oil contributing the largest share (43%) followed by DC (34%).

The share of the by-products in the total export earnings recorded a decline from 25% in 1974 to 20% in 1975.

SUGAR

U.S. sugar prices are expected to strengthen sometime early in 1976 from levels in the fourth quarter of 1975. The world sugar crop, although up by about 4% from 1974/75 is below the earlier expectations. Poor weather conditions in the Soviet Union and in other areas particularly droughts in Cuba, Dominican Republic, South Africa, the Soviet Union and much of Europe; considerable flooding in India, Columbia, Romania and the Red River Valley (U.S.A.); heavy rains in Australia and severe frosts in Argentina and Brazil, reduced crop prospects for 1975/76. The current estimate is around 90.3 million short tons (raw value) of sugar. Estimated world beet sugar output in 1976 is about 35 million short tons (raw value) and the estimated world cane sugar is 55 million tons. Despite the many reports of poor weather around the globe, estimated production in 1975/76 will be down from 1975 in only five of the 20 major countries each of which usually produces over a million tons of sugar annually—Argentina, Brazil, Cuba, India and the Soviet Union. In Australia, Dominican Republic, Peru and South Africa, production will total about the same as in 1974/75. In France, West Germany, People's Republic of China, Italy, Poland, Indonesia, Pakistan, Thailand, Turkey, Mexico and the USA production is expected to be significantly above 1975 levels. Thus, the expected gain in world sugar consumption tightens the world supply—use balance, and may hold carry-over stocks near the low beginning level.