

COMMODITIES

TEA

Production fluctuates

World tea production by the end of April this year was lagging slightly behind that for the same period last year. Among the major producers North India recorded the biggest drop in crops — nearly 5 million kgs. less than in the first four months of 1977. Crop figures for Sri Lanka indicate a 2.5 million kgs. deficit for the first four months of this year. The adverse weather conditions were largely responsible for a heavy fall in production in the local tea crop in April and this situation was likely to continue into May with a further shortfall in production being anticipated.

The only significant increase in crops for any country was recorded in Kenya where production continued its upward trend of recent years and was up by 4.2 million kgs. during the first four months of this year. Kenya's rise in production of 24.3 million kgs. in 1977 was the largest increase ever recorded by a new producing country; production increased from a total of 53.5 million kgs. in 1974 to 62 million kgs. in 1976 and 86.3 million kgs in 1977. Kenya's share of the U.K. market rose to over 20 per cent last year from about 15 per cent in 1976.

CROP PRODUCTION OF MAJOR PRODUCING COUNTRIES

		1977		1978	
		m.kgs	Percent	m.kgs	Percent
Sri Lanka	upto April	72.1	33.7	69.6	32.8
North India	upto April	31.9	14.9	27.0	12.8
South India	upto April	39.0	18.2	39.4	18.6
Kenya	upto April	29.7	13.9	33.9	16.0
Malawi	upto April	19.2	9.0	19.1	9.0
Uganda	upto April	4.6	2.2	3.8	1.8
Tanzania	upto March	4.4	2.1	5.9	2.8
Indonesia	upto February	9.7	4.5	10.9	5.1
Bangladesh	upto April	3.4	1.6	2.3	1.1
Total		214.0	100.0	211.9	100.0

Prices fall

By the end of April it was apparent that tea prices at the Colombo Auctions were not as firm as

they were during the early months of last year. A drop of Rs. 2.60 was recorded in the gross sales average prices and Rs. 3.35 in the net sales average prices upto the end of April this year. There was a marked falling of prices in April this year and the general performance of teas appeared disappointing. Medium grown teas suffered the most and came down from Rs. 28/48 in April last year to Rs. 10/32 this year — a drop of 175 percent. Low Grown's have recorded the smallest decline in prices with a drop of 72 percent. The picture may not look too gloomy if the conditions that prevailed last April are considered. This period of last year represented the peak of a boom period for not only Sri Lanka teas but for teas of all origins. A comparison of gross prices for the first four months of 1977 and 1978 are given below.

Gross Sales Average Prices at the Colombo Auctions upto end of April

	1977	1978
High Grown	19.78	14.92
Medium Grown	17.43	11.25
Low Grown	17.70	20.19
Total sales average	18.35	15.75

Turnover deficit

The Gross Turnover recorded for April in respect of all categories of tea shows a very striking deficit. The total Gross Turnover shows a shortfall of approximately Rs. 140

million with High Grown's topping the list at Rs. 62.8 million followed by Medium and Low Grown's at Rs. 45.5 and Rs. 32 million respec-

Gross Turnover (approx.)

	Jan/April 1977		Jan/April 1978	
	kgs	Rs. M	kgm	Rs. M
High Grown	20,030,730	396	19,732,688	296
Medium Grown	17,887,555	311	17,775,395	200
Low Grown	19,071,031	338	21,475,427	437
Total	56,991,316	1,045	58,987,510	933

tively.

When the figures for January to April 1978 are considered, High and Medium Grown's are seen to have recorded deficits of Rs. 100 million and Rs. 112 million respectively while Low Grown's have done extremely well to record a surplus of approximately Rs. 100 million compared to the same period of last year, thus reducing the total deficit to Rs. 112 million.

RUBBER

Brighter prospects

Prices for rubber at all auction centres continued their upward trend through April this year and were expected to show more favourable trends in the coming months. Closing prices at the Colombo auctions at the end of May of RSS No. 1 had moved up to Rs. 6.68½ per kg. as compared with Rs. 3.98 at the same time last year. On May 26, a record price of Rs. 6.67½ per kg. was recorded for RSS No. 1 Infact this was the highest price recorded for sheet rubber since Rs. 6.67 per kg. was touched on March 10, 1961 at the height of the Korean boom.

In all other grades too prices were far above those recorded during May last year. (This data has been made available at time of going to press).

The improvement in local auction prices on all grades of rubber is seen in the table below.

Grade	Closing Prices per kgm at end of month	
	May '77	May '78
RSS No. 1	3.98	6.68½
Latex Crepes	4.93	7.01
Scrap Crepes	6.25	8.50
Sole Crepe	3.69	6.23
Froth & Cuttings	2.67	4.75
Scrap No. 1		
Curly & Shell	1.75	3.00

Further, the overall steady market conditions in Colombo were attributed to short covering demand in the face of reduced arrivals at the public auctions. In the international auction centres too prices were moving strongly. In Singapore values were channelled on an upward path on strong speculative buying following reports that a Rubber Producers draft had been completed for UNCTAD's rubber Stock Pile scheme. Also, reports were out that the US Senate Armed Services Committee had approved the Stockpile Scheme and a Purchase Bill on commodi-

ties. In New York too, following these schemes, rubber prices continued to hold steady with information that the US General Service Administration intended to implement further rubber stockpile purchases of 5,000 pounds of sheet rubber monthly from October onwards.

SPICES

Prices rise but less available

Once again Sri Lanka's commodities are failing to gain maximum advantage from buoyant export commodity prices. The most recent example is that of spices where, despite an almost 100 percent increase in prices for several of the local spices, production as recorded during the first quarter of this year has shown a drastic fall. Despite the fact that a total of 1,787 metric tons of six different spices was exported in the first quarter of this year as against 1,960 metric tons in the same period last year, earnings during the first quarter of this year have reached Rs. 75 million as against Rs. 42 million in the same period last year.

An annual review of the spices situation for last year however, shows that in 1977 the total volume of spices exported increased by nearly 1,000 metric tons over that of the previous year. This situation was primarily due to a considerable increase in exports of pepper and cloves. Pepper exports amounted to 632 metric tons in 1977 compared to 10 metric tons in 1976; whilst cloves recorded an export volume of 978 metric tons as much as 603 metric tons more than in the previous year or an increase of over 160 percent. Exports of other spices however, recorded a decline in 1977; nutmeg and mace reaching a level of

only 40 percent and cardamoms 60 percent of corresponding 1976 figures. Cinnamon recorded only a marginal decline.

In terms of value, total export earnings from spices in 1977 showed a marked increase. Earnings in 1977 reached Rs. 156 million from Rs. 99 million in 1976, an increase of nearly 60 percent. All spices, except nutmeg and mace, contributed towards this increase mainly due to higher prices received by them in 1977. A major share of this increase was from cinnamon which earned the country

increased earnings. Average Colombo market price for cinnamon, cloves, nutmeg and mace and cardamoms moved up in 1977 over 1976 levels, (see table I). Despite a fall in the average yearly price of pepper from Rs. 38.17 per kilo in 1976 to Rs. 28.31 per kilo in 1977, export earnings from this commodity were significantly higher due to a greater volume of exports.

While 1977 on the whole had been a good year for spices, the performance of this commodity during the first quarter of 1978

TABLE II — EXPORTS OF SPICES FIRST QUARTER 1977—78

	1977			1978		
	Volume (Metric tons)	Value (Rs. m.)	% of total	Volume (Metric tons)	Value (Rs. m.)	% of total
Pepper	—	—	—	514.8	16.1	21.47
Cinnamon	1,481.50	18.1	42.89	992.70	32.8	43.73
Cloves	376.70	18.3	43.36	198.54	15.5	20.67
Nutmeg & Mace	66.20	1.0	2.37	50.90	0.9	1.20
Cardamoms	35.60	4.8	11.37	30.54	9.7	12.93
Total	1,960.00	42.2	100.00	1,786.89	75.0	100.00

Rs. 73.6 million, contributing almost 50 percent of the total share of earnings from spices. The export earning from cloves, cardamoms and nutmeg and mace were Rs. 57.9 million, Rs. 9.8 million, and Rs. 1.8 million in 1977 compared to earnings of Rs. 68.9 million, Rs. 17.4 million and Rs. 3.4 million respectively in 1976. The most significant increase was that of pepper exports; though pepper contributed only 8 percent to the total spice earnings, this items performance was remarkable in that it increased its earnings from a low of Rs. 0.23 million in 1976 to Rs. 13.82 million in 1977.

Greater overseas demand and prices, and higher prices at the Colombo auctions last year, were the factors responsible for the

presents a less promising picture. The volume of exports of all spices has dwindled during this period in comparison to the same period in 1977. (Table II). Higher prices again have been the major factor for increased export earnings from cardamoms and cinnamon during the first quarter of 1978, resulting in increased total export earnings during this period from Rs. 42.2 million in 1977 to Rs. 75 million in 1978.

It is unfortunate that the country is not in a position to take advantage of such favourable market prices due to fluctuations in our production. What is required is greater planned production and building of buffer stocks to exploit favourable market situations.

TABLE I — EXPORTS OF SPICES 1976—1977

	1976				1977			
	Volume (Metric tons)	Av. yearly price (Rs. per kilo)	Value (Rs. m.)	% of total	Volume (Metric tons)	Av. yearly price (Rs. per kilo)	Value (Rs. m.)	% of total
Pepper	10.00	38.17	0.23	0.23	632.22	28.31	13.28	8.49
Cinnamon quills & chips	5,801.95	9.80	68.94	69.76	5,739.37	14.95	73.56	47.02
Nutmeg		15.87				30.74		
Mace	372.29	31.98	3.39	3.43	153.29	36.21	1.83	1.17
Cloves	375.11	80.16	17.42	17.62	978.21	88.04	57.93	37.03
Cardamoms	121.48	137.29	8.85	8.95	71.48	199.27	9.84	6.29
Total	6,880.83	—	98.83	100.00	7,574.48	—	156.44	100.00