



# THE ECONOMIC TIMES

## Balance of Payments a major concern

The achievements of the development goals outlined in the five year plan depends crucially on the capacity to manage the balance of payments successfully and mobilise the external resources.

The widening gap in the country's balance of payments which was a feature of the past decade and assumed major proportions during the latter half of the period constitutes a major problem.

In 1969 as 1970 the external resource gap (the difference] between total foreign exchange earnings and payments) exceeded Rs. 1,100 million, which amounts to nearly 50 per cent of the country's total foreign exchange earnings. In 1971 the resource gap is estimated to be approximately Rs 1433 million.

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# FEW M'FACTURING CORPS. FARE WELL

BY A STAFF REPORTER

**SOME OF CEYLON'S STATE MANUFACTURING CORPORATIONS HAVE FARED SUBSTANTIALLY WELL DURING THE YEAR 1970-71 COMPARED WITH THE PREVIOUS YEAR (1969-70). SIGNIFICANT INCREASES IN PRODUCTION WERE RECORDED IN A FEW INSTANCES AND NOTEWORTHY FOREIGN EXCHANGE EARNINGS AND SAVINGS HAVE BEEN EFFECTED.**

This is revealed in the latest statistics released by the Ministry of Industries and Scientific Affairs.

Nine of the sixteen State Manufacturing Corporations recorded increases in production in 1970-71 compared with the period 1969-70. The Corporations which recorded increases in production were: Cement, Steel, Flour, Paper, Tyre, Hardware, Mineral Sands, Paranthan Chemicals and Plywoods.

At the Ceramics Corporation although there was a fall in production of crockery and wall tiles, a modest increase was recorded in sanitaryware and kaolin. Production of salt which is largely dependent on weather conditions was seriously hampered by adverse weather resulting in a consequent fall in production.

During the year under review the Ceylon State Hardware Corporation produced for the first time 700 tons of cast iron product, with the commissioning of the cast iron Foundry at Enderamulla; while with the stage I of the Puttalam Cement Works going into production 96,272 tons of cement were produced.

Table 1 below shows the increase in production of these nine manufacturing Corporations.

The total value of production (at selling prices) of all manufacturing Corporations for the year 1970-71 amounted to Rs. 773 million. In the manufacturing Corporations the total value of production increased from Rs. 306.6 million in 1969-70 to Rs. 346.7 million in 1970-71, representing a 13 per cent increase.

In 10 of these Corporations the value of production in 1970-71 exceeded that of the previous year while decreases were recorded at National Textiles, Ceramics, Leather, Oils & Fats, and Salt.)

The increases in most of the 10 Corporations were due largely to better utilisation of plant capacities.

### Raw material utilisations

Of the 16 manufacturing Corporations the local content of raw materials used in terms of value exceeded 27 per cent in respect of 12 Corporations while in 7 Corporations it was as high as 69 per cent.

It would be interesting to mention here that the value of local raw materials used in total industrial production in 1970 constituted only 24.3 per cent.

### Sales earnings

In terms of sales earnings 11 Corporations exceeded their previous year's performance, with substantial increases being recorded by Cement, Steel and Paper Corporation, Flour Corporation, however, recorded lower sales in the period under review.

The total value of sales of manufacturing Corporations, with the exception of the Ceylon Petroleum Corporation increased from Rs. 379 million in 1969-70 to Rs. 412 million in 1970-71 an increase of 8 per cent.

### Employment

The total volume of direct employment provided by all Corporations and Boards under the purview of the Ministry of Industries as on 31 March 1971, amounted to 24,376.

The highest volume of employment was provided by the National Textile Corporation amounting to almost 3,500 persons.

### Foreign exchange earnings & savings

A very significant amount of foreign exchange was saved and earned by Corporations in the period under review.

The total foreign exchange savings and earnings by State Corporations in 1970-71 was Rs. 188,018,034, with the Ceylon Petroleum Corporation contributing Rs. 103,000,000. The Foreign exchange savings and earnings in 1969-70 was only Rs. 89,237,019.

The other noteworthy performances were Cement (Rs. 24.2 million) Ceramics (Rs. 13.2 million) Paper (Rs. 9.7 million) Tyre (Rs. 7.9 million) and Plywoods (Rs. 6.5 million).

Seven Corporations exported products during the period under review and the total foreign exchange earned amounted to Rs. 58.9 million.

The highest export earnings was recorded by the Ceylon Petroleum Corporation with Rs. 48.6 million.

### Expansion programme

With the decision of Government to undertake a vi-

gorous programme for the export of manufactured goods, efforts are now being made to expand the area and volume of Corporation exports.

Profits made by State manufacturing Corporations in 1970-71 was Rs. 79.6 million compared with Rs. 46.7 million in 1969-70.

The highest profit was earned by the Petroleum Corporation with Rs. 41.9 million. Other Corporations which earned substantial profits were Cement (Rs. 22.7 million) Tyre (Rs. 6.2 million) Ceramics (Rs. 4.2 million) Paper (Rs. 2.9 million) Salt (Rs. 2.3 million) and Mineral Sands (Rs. 2.1 million).

### Capital

The total authorised capital of all producing Corpo-

rations functioning under the Ministry in the period under review totalled Rs. 1,826,580,000. This includes the authorised capital of the State Fertilizer Manufacturing Corporation.

Capital contributions made by Government to these Corporations as at March 31, 1971 was Rs. 1,073,771,263 while capital employed for production amounted to Rs. 796,441,826.

Season's Greetings  
We wish  
Our readers  
A very bright and happy  
New Year

Corporation	Unit	1969/70	1970/71
Cement	Cement (tons)	268,636	350,802
	Rolled Products (tons)	20,688	23,344
Steel	Wire products	4,925	5,566
	"	41,428	48,028
Flour	Flour (tons)	12,967	15,196
	Bran	328	609
	Semolina	1,680	1,996
	Pollard	8,912	9,403
	"	31,026	71,403
Paper	Truck tyres Nos	38,946	99,325
	Car tyres	25,297	32,529
Tyre	Flaps	15,592	18,537
	Mammot's (Nos) other agricultural Implements (nos)	652,099	666,549
Hardware	Builders Hardware (nos)	43,331	65,398
	Water fittings (nos)	142,635	143,667
	Cutlery (nos)	48,903	55,938
	Engineering tools (nos)	5,907	228,834
	Misc. items (nos)	—	703
Mineral Sands	Cast iron products (ton)	77,357	92,412
	Ilmenite (tons)	1,549	2,160
Paranthan Chemicals	Rutile (tons)	9,615	224
	Zircon (ton)	853	1,375
Plywood	Caustic Soda (tons)	505	576
	Chlorine	288	276
	Table Salt	13	8
	Pottassium	78	192
	Hydrochloric Acid	903,650	1,043,902
Plywood	Tea chests	10,369	15,650
	Flush doors	20,060	22,068
	Block Boards (nos)	2,396,604	3,145,780
	Ply. Boards (sq.ft.)	509,330	473,628
	Veneer (sq.ft.)	—	—

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# MARKET PRICES

**COLOMBO**

**CLOSING PRICES 14-12-71**

**TEA (Rs. Cts. Per lb.)**

Approximate range of prices (including teas sold Ex.Estates)

	B.O.Ps		B.O.P.Fs	
	Rs. Cts	Rs. Cts	Rs. Cts	Rs. Cts
<b>High Grown:</b>	1.90	3.15	2.00	3.30
	3 at 3.70	2 at 3.15	2 at 2.35	
		1 at 3.35		
<b>Medium-Grown:</b>	1.80	2.10	1.80	2.05
<b>Small Leaf Low-Grown:</b>	2.00	2.20	1.72	1.90
<b>Leafy Low-Grown:</b>	2.15	2.45		
<b>Tea For Price:</b>	1.55	1.73	1.50	1.60
	F.B.O.Ps		F.B.O.P.Fs.	
	2.30	2.50	2.15	8.60
<b>Tippy Teas:</b>	4 at 2.55		1 at 9.40	1 at 10.40
			1 at 9.90	

**RUBBER PRICES FOR THE WEEK ENDED 12.12.71.**

	(Rs. cts.—per lb.)		Avg. to Same Period	
	Closing	Quotations	Avg. to date	
			1971	1970
RSS No. 1	68 1/4	79 3/4	91 1/4	
RSS No. 2	63 3/4	71	86 1/4	
RSS No. 3	62 1/2	69	84 1/4	

**COPRA**

	Opening Price	Clos. Price
ate Copra No. 1	157.75	164.00
<b>COCONUT OIL (Rs. per ton)</b>		
December	1250.00	1250.00
January	1250.00	1250.00

**DESSICATED COCONUT**

	Opening price	Closing Price
December	.54	.54
January	.56	.55

**PRICES OF THE WEEK ENDING 12.12.71**

Commodity	Buyers (Per lb)	Quotations	Export DUTY
Cardamoms	10.00	—12.00	40%e
Cardamom Seeds	16.50	—	on true
Cloves	38.00	— 40.00	F.O.B.
Cloves Stems	6.50	— 7.00	value
Mace	17.00	—18.00	
Nutmeg (Shelled)	4.00	— 4.50	
Nutmeg (Unshelled)	2.00	— 2.25	
Pepper (Black)	5.00	— 5.25	
Papain (White)	21.00	—22.00	
Papain (Brown)	17.00	—18.00	
Cinnamon H/1	3.05	—	40% on
Cinnamon H/2	2.85	—2.90	true f.o.b
Cinnamon Quilings No. 1	2.60	—	value
	Per Cwt.	Export Duty	
Cocoa	Unquoted	40% on	
Coffee	425.00	—400.15	true f.o.b
Kapok (Clean)	140.00	—	value
Kapok (Unelan)	48.00	—	
Cotton Seeds	100.00	—125.00	
<b>Essential Oils</b>	Per 25. op./bl		
Cinnamom Leaf Oil	17.50	per 25 ozs	
Cinnamom Bark Oil	Per oz 20.00	per oz.	
Citronella Oil Estate Quality	Per lb. 7.30	per lb.	10% on
Citronella Oil Ordinary	Per lb 7.15		true f.o.b

**SUBSIDIARY CROPS WEEKLY PRICE LIST POYA ENDING 12.12.71**

The undernoted quotations are the Wholesale Buyers Prices paid in Colombo and is maintained as a guide to the trade. Every effort has been made to be as accurate as possible.

Cereals	(Per Bag 154/158 lbs)	(Per bushel)
—Paddy	13.00— 14.00	
—Other varieties	12.00—	
—Rice Per Boiled	68.00— 70	
—Country Rice No. 1	88.00— 90.00	
—Country Rice No. 2	85.00— 86.	
—Samba Rice	100.00—105.00	
—Kora	100.00—110.00	
—Maize	Per Cwt. 33.00— 34.00	

**TEA REPORT**

Auction No. 46 held on 13th and 14th December, 1971.

The total quantity offered was 8,253,113 lbs., comprising 4,159,991 lbs. Leaf Grades, 761,194 lbs. Dusts, 25,427 lbs. Reprints 57,211 lbs. Sundry Lots and 3,274,707 lbs. Ex.Estate. Quality, particularly Westerns, showed a further improvement this week, while keen and sustained interest pushed up prices further, especially in the lower and middle price ranges.

**High-Grown Teas:** Best Western Broken improved by 10/40 cents per lb. while lighter liquoring teas were firm to a few cents dearer. Brighter BOPF's met spirited support and were then 20/30 cents a lb. dearer, though the very best were irregularly easier. Uvas followed much the same trend, though the price advances were limited and on a smaller scale. Leaf Grades except for the brighter Pekoes were generally easier.

**Medium-Grown Teas:** Most medium BOP's moved up 5/10 cents and BOPF's 10/15 cents a lb. However, by end of the Sale, some Uva Broken were about unchanged on last rates though their BOPF's maintained the 10/15 cents improvement. OPs were generally easier while Pekoes were about firm.

**Low-Grown Teas:** There was most interest this week, with most well manufactured Small Leaf BOP's and BOPF's showing an advance of between 5/10 cents a lb. BOPF's except for a few of the brighter teas, were a few cents easier. OPs declined further by 10/20 cents while Pekoes were generally easier by a few cents.

# Commodity Commentary

**Tippy Teas:** FBOP's were firm to slightly dearer for the best, while most Small Leaf Flowery Fannings were often 10/20 cents dearer. A limited number of showy types sold at irregularly dearer rates.

**Off Grades:** There was fair demand though at lower rates. All BM's were 5/10 cents per lb. easier and except for a few select Westerns and Uva Fannings which moved up markedly, others declined by around five cents per lb. BO's were fully firm on last prices.

**Dusts:** All well made, grainy Dusts were generally 5/10 cents dearer. A few of the best moved up substantially. Powdery sorts met with less demand and were usually 5/10 cents a lb. easier.

**RUBBER REPORT**

Week-ending 12th December, 1971

RSS NO. 1 opened 1/4 cent dearer at 70 cents per lb. improved the following day to 70 1/2 cents per lb. but declined thereafter in line with overseas advices to its lowest levels for the year at 68 cents per lb. before recovering fractionally to close at 68 1/4 cents per lb.

Approximately 1,071 tons of LATEX CREPES were offered during the week under review, a substantial increase of 751 tons compared to the previous week's total. At the First Sale, best latex crepes eased sharply by 5 cents per lb. whilst the FAQ Offerings too fell by 4 to 7 cents. Duller sorts were also marked

down by 1/2 cent per lb. At the following Sale, however, best latex and FAQ offerings recovered by 1 to 2 cents per lb. whilst the duller sorts too were 1/2 to 1 cent per lb. better. Inferior grades, however, were 1 cent per lb. easier.

Approximately 209 Tons of SCRAP CREPES were offered, a substantial increase of 150 tons compared to the previous week's total. At the first Sale, light, dark brown and dark scrap crepes met with a slightly easier market and were quoted, 1 to 3 cents per lb. Flat Bark however, were marked up by 1 1/2 cents per lb. At the following Sale, light brown scrap crepes remained unchanged but the dark brown sorts declined further by 1 cent per lb. Darker offerings were irregular. Flat Bark was quoted 1 cent per lb. lower.

Approximately 48 tons of SOLE CREPE were offered during the week under review, a substantial increase of 27 tons compared to the quantities offered at the previous sale. Demand continued poor and at the First Sale, in the absence of suitable bids, all Smooth FAQ Standard Thicknesses were unquoted. However, one line of Pebbly Sole Crepe of the 1/4' dimension fetched the attractive price of Rs. 1/49 per lb. At the following Sale, better demand was in evidence and consequently most offerings were sold at prices slightly below last levels. Poorer sorts and miscellaneous thicknesses were transacted at between Rs. 1/- to Rs. 1/16 per lb.

# Produce Report

Week-ending 12th December, 1971

**Cardamoms:** 7,098 lbs. of Cardamoms were offered, an appreciable decrease of 6,266 lbs. compared to the previous week's total. The market more or less remained at last week's levels with No.1 quality continuing to be quoted at Rs. 10/- to 12/- per lb.

Pulses	Per Cwt
—Red Gram (Toor Dhal)	40.00
—Black Gram (Undu)	61.00
—Bengal Gram	46.00
—Green Gram	53.50
—Bombay Cowpea	40.00

Millet	Per Bushel
—Finger Millet (Kurrakkan)	12.00— 12.50
—Sorghum	Unquoted (per ton)
—Soya Beans	850.00 (per cwt)

Spices Condiment	Per lb.
—Mustard	7.00— 8.50

Chillies	Per Cwt.
—Dried Long	370.00— 375.00
—Dried Round	Unquoted
—Off Grade	Unquoted
—Goraka	.85— .95.00
—Vanilla	Per lb
—Tamarind	Per cwt 115.00— 120.00
—Ground Nuts	Per 80 lb 68.00— 70.00
—Cashew	Per lb.

**Cocoa:** 551 cwt. of Cocoa were on offer, a decrease of 99 cwt. The market continued to decline further and in the absence of any demand, No. 1 quality was once again unquoted. Below best grades were much easier to be quoted at Rs. 95/- to Rs. 105/- per cwt., a drop of around Rs. 15/- to Rs. 20/- per cwt. Darker and Poorer sorts too were neglected and sold at the low rates of Rs. 25/- to Rs. 55/- per cwt. With world wide increase in production especially in Ghana, it is very unlikely that the market for Cocoa will recover in the near future.

**Coffee:** Approximately 16 cwt. of Coffee were on offer with best quality Arabica fetching Rs. 425/- per cwt., and one lot of Robusta raising Rs. 305/- per cwt. Dealers' quality Coffee however was transacted at Rs. 185/- to Rs. 200/- per cwt.

**Nutmeg:** 204 lbs. of Nutmeg which were on offer were withdrawn due to lack of suitable bids.



## TRADE OFFERS FROM W. GERMANY

Messrs Stahlgruber Otto Gruber & Co., a leading manufacturing and trading company in West Germany has made an offer to enter into a long-term reciprocal trade agreement with Ceylon. This firm is interested in importing from Ceylon the traditional export products as well as a wide range of non-traditional products of which a detailed list has been called for.

This offer is now under consideration by the Ministry of Finance.

The firm is particularly interested in importing the following: rubber goods, tea, rasped coconut, precious stones, timber and plywood.

For the payments of the goods BAFAGAG, respectively by Bayerische Vereinsbank, Munich, will open a local currency account in Ceylon from which both our imports and exports will be paid. This account will allow a swing of about 20% of a proposed total sum of 25 million DM.

### JOINT VENTURES

Further, the firm is also prepared to participate in joint industrial ventures based on local raw materials and export oriented. Some of the fields in which we can interest them are manufacture of Glass, Specialised Paper, Food Essence Oils from rubber selds, Yeast

Rubber Goods, Banana Fibre from Plaintain—this industrial venture will not only save the vast drain of foreign ex-



Al-Haj M. S. A. GAFFOOR

change for the imporation a gunny bags but will also be foreign exchange spinner.

## EXPORT INTELLIGENCE

### Export Opportunities

The following foreign firms are interested in importing from Ceylon the products indicated below:-

M/s. H. A. Kara, P.O. Box 83, Mbeya, Tangania. Electrical Goods.

M/s. Mohamed Ramadan Khan, P.O. Box 14, Dorce, Libiya. Ready-made Garments.

Agenzia Italiains, Reppresentage Estera, Via Edoards Rubino, 81-326, 742-10187, Torino, Italy. Coirmats, Coir and Jute products.

M/s. Patangas Iowa, Ste. Cevenols du Caoutchous, S.A. 30, Saint - Chritol-Les-Ales, France.

Rubber Shoes (half boots, Slip on type rubber shoes, shoes for basket ball and tennis.

M/s. Momodu Amedi & Sons, 103, Railway Einc, Odi-Olowa, Mushin, Lagos, Nigeria.

Textiles Readymads goods, wears and headties

### COMPANY MEETING REPORTS

The Economic Times regularly features Company Meeting Reports.

Annual Reports of Companies may be addressed to:

Editor, (Company News)  
C/o. The Economic Times  
(1st Floor.)  
157, Jayantha Weerasekera  
Mawatha,  
Colombo

## PLANTATION INDUSTRY

### Programme for subsidiary foodcrops

Import-substitution in subsidiary food crops is a vital element in the whole strategy of the Five Year Plan. Apart from its impact on employment, it is one of the most significant means by which the country's meagre foreign exchange resources could be conserved and utilized for development.

Policies have been framed for stimulating the production of these crops. 68,000 acres of irrigated land will be released for the cultivation of these crops. Double cropping of the land will be encouraged through better water management and more economic use of water. An extensive programme for the growing of chillies and other crops in home gardens will be implemented.

By raising the guaranteed price, banning the import of some items and progressively restricting the import of others an incentive will be given to producers. The Divisional Derelopment counls will play an important role in the expansion of production in this field.

Soya bean offers a promising new field for expansion. There is reason to conclude that it would be readily acceptable to farmers for cultivation as a rotational crop in irrigated land. The main constraint however is the absence of an organised market. Soya bean has a wide variety of uses—edible oil, animal feed, soya flour, soya milk and numerous industrial applications. It is superior in protien value to pulses, milk, eggs and many other popular items of protein food. Therefore the Plan includes a special effort for the development of this crop. Effective arrangements will be made to provide an assured market for the output, and supporting investment for processing and the full exploitation of its potential will be undertaken. On the results of the initial efforts, the Plan targets for this crops will be revised upwards if feasible.

### MULBERRY

There is a firm export market for natural silk and Ceylon

natural silk could also be an input of the domestic textile industry. A central unit of approximately 200 acres has been established at Pallakelle Estate to undertake:

- the production and multiplication of mulberry and silk worm,
- research and extension work in sericulture.

On the basis of the performance of the pilot project, an extension programme for small-holdings and estates will be carried out with incentives being granted in the form of subsidies and loans for initial capital costs and guaranteed prices for cocoons.

### CASHEW

There is a considerable market for cashew abroad and it is planned to increase the acreage under this crop. At present total domestic production amounts to about 18,000 cwts from scattered holdings The Ceylon State Plantatio. Corporatiin wil develop approximately 20,000 acres. An additional 5,000 acres will be alienated as small-holdings and the necessary advisory and extension services and state asistance for the establishment of processing centres will be provided.

### HORTICULARE

A major expansion of horticultural products is planned. Pineapples, passion fruit and mango are the main crops in this programme. Credit scheme will be organised for land clearing and fencing, purchase of planting materials and fertilizer. Subsidised fertilizer will be issued as an incentive to growers under the proposed fertilizersubsidy scheme for all crops. This is another field where the Divisional Development Councils can stimulate production and marketing.

The expansion of these crops is mainly based on a plan to increase exports. A necessary condition for this is the expansion of processing facilities. The supply of fruits on a contract basis to the state-owned factories will be encouraged in order to assure the cultivator of a firm market. The general

## Ceylon's rubber statistics January - Sept 1971

Rubber Production in Ceylon during January/September, 1971 totalled 99,285 tons compared to 114,561 tons during the corresponding period in the previous year, a further substantial decrease of 15,276 tons.

export plan will seek means expanding the foreign market for these products.

### VEGETABLES

Special production and marketing programmes will be undertaken during the Plan period for the expansion of vegetable production. The main features of the programme would be the following:

- Intensification of production in existing vegetable growing areas of Badulla, Kandy, Nuwara Eliya, Matale, Ratnapura, Kuru negala, Puttalam, Chilaw and Colombo, by improving fertilizer supplies, credit facilities, market intelligence, and the entire organization for marketing.
- Expansion of production under Mahaveli and Uda Walawe projects.
- Expansion of off-season production of vegetable under pump and gravity irrigation in selected areas.
- A programme for the reduction of the high percentage of waste in handling and marketing of vegetables by improving facilities for packing, transport and wholesale marketing.
- Marketing of vegetables through co-operative organisations.

### COCOA

There is a large potential for expanding cocoa cultivation especially for export. The present acreage under cocoa is estimated at 25,000 acres.

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Opportunities will also be provided for the training of local personnel in the various fields of industry undertaken by them.

Besides the enormous trade prospects with West Germany, a vast trade potential also exists in the Middle Eastern Countries and several other European countries.

The man responsible for providing the country with this big business opportunity is Al-Haj M.S.A. Gaffoor, who has just returned to the island after an extensive overseas tour with the purpose of developing Ceylon's export trade, particularly non-traditional products.

Consumption of Natural Rubber during January/September, 1971 was 3,468 tons compared to 2,575 tons during the corresponding period in the previous year, an increase of 893 tons.

Actual Exports of Rubber during January/September, 1971 was 97,392 tons compared to 116,309 tons during the corresponding period in the previous year, a substantial decrease of 18,917 tons.

### India's sugar exports trebled

India's exports of sugar and sugar preparations have more than trebled during 1970-71. The value of exports came to more than Rs. 29 crores as against Rs. 8 crores the previous year. Among the sugar preparatons exported are solid and liquid glucose, jaggery, palm sugar and sugar confectionery.

## SHARE MARKET REPORT

Quiet conditions persisted on the Share Market, according to the Colombo Brokers' Association Report for the week ended 10.12.1971.

	Previous Price Dec.		
	Price	12th	
	Rs.Cts	R.Cts.	Rs.Cts
<b>Teas</b>			
The resias	9.00	8.00	1.00
Uplands	4.75	4.25	.50s
<b>Tea-cum-Rubbers</b>			
Pelmadulla Valleys	6.00	5.00	1.00
Saffragams	5.50	5.50	
<b>Commercials</b>			
Wellawatte Mills	4.00	5.00	1.00
Kandy Hotels	10.00	10.00	
<b>Investment Trusts</b>			
Ceylon Investments	5.00	4.50	.50

The following were quoted ex-dividend:—Richard Pieris and Co. Ltd.—34% Final on 16.12.71. Acme Aluminium Co. Ltd.—74% Interim on 20.12.71. Millers Ltd.—54% Final on 29.12.71. Colombo Fort Land and Building Co. Ltd.—25% Final on 13.12.71. Pure Beverages Co. Ltd.—74% Final on 14.12.71. Mocha Tea Co. of Ceylon Ltd.—10% Final on 14.12.71. Walker and Greig Ltd.—6% Final on 18.12.71. Brown and Co. Ltd.—12% Final on 18.12.71.



## Practical school furniture for special Subjects

A new system of school furniture that provides favourable conditions for the teaching and learning process has been developed in the German Democratic Republic. This new system of school furniture has been worked out along the lines of the most advanced teaching principles, both methodic and didactic.

In the daily class work the new teaching programmes call for the use of a great variety of instruction aids. Among these are basic technical equipment, models, experimental kits, demonstration sets and working equipment. In the classroom the introduction of teaching aids can take place fully and unhindered and can be made useful in pedagogic and didactic work only when school furniture is available that meets the demands of the teaching process.

Instruction aids, school furniture and classroom must be seen in their functional interaction when designing and equipping special-subject classrooms. They form the material, technical and organisational basis for the realisation of the curricula and their pedagogic and didactic basic principles.

It has been shown in many schools in the GDR that an improvement in the conditions for the shaping of the teaching process is possible in all classrooms which are specially equipped for the teaching of particular subjects in the 5th to 10th grades and in progressively designed classrooms for the 1st to 4th grades.

It is the object of this system of specialised classrooms to achieve favourable conditions for the shaping of the teaching

process and to increase its effectiveness in conformity with the advanced requirements of the community. The characteristics of the system of classes in specific subjects, were, therefore, another essential starting in the development of the new system of school furniture.

The scheme for the development of practical school furniture includes the following basic requirements:

— It must be possible to set up all the equipment necessary for the modern teaching process quickly and without crowding both during class and during the work outside of class time. It must be possible to do this progressively and in a way that is conducive to teaching and learning. The school furniture is, therefore, so designed that it provides suitable conditions for the handling of the instruction aids and good working conditions for teacher and pupil.

— The basic technical equipment makes an essential contribution to the rationalisation and effectiveness of modern instruction. It includes slide projectors, record players, film projectors, tape recorders, radio and television sets, as well as the "Poly-lux" overhead projector. When designing the new school furniture the fittings and the connections necessary for the installation of this equipment must be taken into consideration. Provision must also be made for appropriate facilities for storing, transportation and setting-up that ensure time-saving employment with little physical effort on the part of teacher and pupil.

— A distinctive feature of the modern instruction process is the independent activity of the pupils, which includes practical and theoretical exercises, during classes and in work outside of class time.

(Contd. on page 5)

## SCIENCE AND TECHNOLOGY

### SPLASHLESS CONING OIL

New coning oil for knitting yarns is completely splashless and is more effective than conventional ones in reducing friction, claim its British makers. It results in less waste, cleaner machines and working environments.

Tests with standard yarn friction apparatus have shown that when the oil is applied at the normal three per cent to polyester or polyamide yarns of high or low denier the yarn-to-metal and yarn-to-ceramic frictions are at least 25 per cent lower than those obtained with other coning oils. Friction is not only less but also constant over a wide range of oils. contents; this helps to overcome two problems common to knitting processes - snarling and "barriness" (an unwanted bar effect in a knitted garment.)

#### ADVANTAGES

The oil's pick-up characteristics are said to be so good that the rollers taking the yarn through the oil can run at about half the normal speed, giving the operator greater control and making for more consistent oiling.

#### FASTEST PAPER MACHINE

A machine capable of producing tissue at the rate of one mile per minute and with an average daily output of 150 tons is now in operation in Britain's latest paper tissue mill.

The mill, at Prudhoe, in northern England, was recently opened by Princess Anne. Regarded as a showplace for the European tissue industry it produces an entire range of tissue products.

Over 3,500 tons of steelwork were used in the building. The floor of the machine house basement is a raft eight feet thick, comprising 13,000 cubic yards of reinforced concrete.

Another advantage is the oil's freedom from any tendency to migration, which in some other oils causes an uneven distribution within the core, the concentration becoming higher in the centre than at the periphery.

The oil is easily scoured from yarn or fabric in neutral detergent and water. Solvent scouring methods can also be used.

### Freddie the efficient filter

There is no longer any need for the owners of machine tools to install oil filters on every machine, or to go through the laborious business of cleaning out sumps by hand. A device called Freddy, a mobile filtration unit, can be taken round to every machine, drawing off the oil—it doesn't matter how thick or dirty it is—purifying it and putting it back again.

More than 400 Freddies have been sold by the West makers, Paul Delapena, of Worcestershire, to factories in West Germany, Italy and Belgium, among other places.

In fact Freddy has done so well that he makers have just now brought out an improved version called Freddy II. Like the Mark I, this machine looks rather like a mechanised baby elephant, with a long, flexible trunk to suck the oil out of the sump, and round body containing a tank into which the oil is passed through a very fine filter, and out of which it is pumped back through another flexible hose.

### Faster Mushroom Growing

The growing time for mushrooms can be reduced by up to three days with a mushroom compost activator which provides nitrogen and simple carbohydrate in exactly the required quantity for speeding growth and therefore increasing profits.

The activator's formula of carbon and nitrogen is supplied by brewery by-products and molasses which are specially processed. It can be used to 'tailor-make' any compost no matter what basic materials or techniques are used and gives a quick release of ammonia during the peak heat period. No supplements such as cotton-seed meal, sugar beet pulp and the like are required, provided that the activator is applied in the correct quantities.

The product is supplied in plastic bags of 112 lb.

## Company Meeting Reports

### Lankem's plan a broad based set-up

The Chairman's statement and Accounts for the period 16th March to 31st December 1970, covering the very first 9 1/2 months of trading of Lankem (Ceylon) Ltd. was tabled recently. Excerpts of the Chairman's statement for the period under review are given below:-

"The contributions from the industrial and agrochemical sales were satisfactory and constituted the major source of income. A new consumer division was formed during the year to take charge of all miscellaneous and domestic products which do not come under the definition of agrochemicals or industrial chemicals. The technical and advisory service of the Company has greatly helped not only to bring in, but also retain, customers.

#### Dividends

It is the recommendation of the Directors that a dividend of Rs. 1.20 per Rs. 10/- share should be paid for period under review.

#### Prospects

My task of forecasting results for the current and future years would be simple if I could foresee the extent of restrictions that would be imposed by Government on normal trading or the extent to which various Government institutions would enter into manufacturing and trading activities. The announced policy of the Government that is proposed to strengthen the public sector does not allow us to be over optimistic of our future performance.

However, it seems clear that the more broad based the Company is in its activities, the less are the chances that it would be affected drastically by such policies. It is with this in mind that the consumer division was formed during the year in order to give an impetus to manufacture and distribution of a wider variety of products. The Company will be looking for openings to widen its manufacturing and trading activities further in the future.

What the final outcome of the current year's working will be is extremely difficult to predict in view of uncertainties of Governmental restrictions and other inroads which I have referred to. However, on our performance during the first six months of the current financial year, shareholders can look forward to a successful year, though it is too early to assess that it would be better than the period reviewed in this report.

There is one other matter that must be mentioned. We have been operating on Government land, and this is required by the Government in the near future. The Company therefore intends purchasing suitable land, and our financial position would enable us to do so.

John Donne said that no man is an island. The same is true of any commercial organisation and this Company is no exception. We are dependent on various Government authorities for our smooth functioning, and I wish to record my thanks to the various public servants for the assistance they have rendered. We are also dependent on our customers, distributors, raw material suppliers and collaborators, and I would like to record our appreciation of their co-operation. I am also appreciative of and thankful for the services rendered by my Co-Directors."

#### ADDENDUM

After the Chairman's Statement was prepared, the Government vested in the Ceylon Petroleum Corporation the Company's bulk tank facilities together with the contents of the tanks and the land on which the tanks are sited.

This action was taken by the Government in view of the Ceylon Petroleum Corporation's plan to manufacture at its refinery the hydrocarbon solvents, which have hitherto been imported by the Company and stored in these bulk tanks.

## PROFIT AND LOSS ACCOUNT

For the period 16th March 1970 to 31st December 1970

	Rs.	Rs.
Trading Profit after charging expenses including	377,284	1,568,580
Other Income		265
Profit Before Taxation		1,568,845
Provision for taxation		750,000
Nett profit after Taxation		818,845
Appropriated as follows		
Transfer to General Reserve		525,000
Amount written off expenses on issue of shares, and preliminary and formation expenses		45,093
Dividends—Rs. 1.20 per Rs. 10/- share less taxation	160,000	
Taxation thereon	80,000	240,000
Unappropriated profit carried forward		8,752
		818,845



# MANAGEMENT

## Turning inputs into outputs

In the last 10 years new production ideas such as group technology and cell manufacture, and new techniques, have all helped to transform production practice. At the same time the complexity and cost of production equipment has increased rapidly, and a widening gulf has opened between the potential of production processes and management's ability to use them and the equipment efficiently. External pressures on industry have also changed; most companies are now facing increased competition from both home and abroad. Quality, price, delivery, performance and reliability are all of greater importance now than they were last year or the year before. In many cases, variety has been increased, but often this change has been accompanied by pressures to limit prices and reduce delivery times.

In some industries labour relations have become more difficult, with labour turnover and absenteeism higher, and the demand for skilled craftsmen as great as ever. While production managers attempt to deal with the considerable and often conflicting demands of marketing, engineering, finance and industrial relations, they often seem preoccupied with day-to-day problems and continually on the defensive. Until recently, too, production systems could realistically be classified into mass, batch and jobbing, but nowadays the distinctions are rapidly becoming obsolete. On the one hand there are pressures to shift jobbing towards batch, and to shift batch towards mass production, and on the other, classical mass production systems are becoming fragmented into arrangements better described as batch production.

Indeed, the traditional basic principles of production management are now subject to mounting scrutiny and criticism. What makes the new mood of introspection all the more important is that the production function is still the heart of most industrial enterprises and accounts for investment. In the capital goods industries, production and product design are the dominant functions, and company growth and profitability depend largely upon the efficiency and quality of each. In the consumer goods industries, where the marketing function is normally dominant, the investment in production facilities is often at its highest. Note that it is not the relative importance of these two functions which differs, but rather the initiative which they exercise in corporate matters.

It has also been estimated that approximately one-third of all practising managers are in production. Yet the unhappy fact remains that there are fewer opportunities for

A Facelift for Production. Failure of production have just as damaging an effect on company profits as poor marketing or research—and often more immediate ones. Yet few training courses devote the attention to production management that its key position demands. A broader and more positive approach to the subject under the name Operations Management, is urgently needed, writes Ray Wild. (Courtesy Management Today)

training in production management than in the financial, personnel, marketing and other areas. The problem with teaching production and production management is that the terms (like so many others in management) mean different things to different people, and few are likely to agree on definitions except in the broadest sense. Problems in the shipbuilding industry differ widely from those in pharmaceuticals or confectionery. The practising manager accepts those differences as facts of life, but the teacher must find some way of dealing with his subject despite such differences—unless, of course, all his students are drawn from or intended for the same industry. The amorphous nature of production problems has bedevilled management teaching for many years, but certain concepts are now emerging which should clarify some of the issues involved.

The starting point is to regard production as simply the process by which inputs are converted, or transformed, into outputs. These inputs take the form of resources such as material, labour etc., and the outputs are normally goods. Production management, therefore, is usually considered to be concerned with the management—that is, the design, construction and operation—of transformation processes. The definition includes manufacture, but this is not the only example of an input-transformation-output system, which may also be used to create services. Clearly 'service-creating' systems such as hospitals, libraries and airlines differ one from another and from manufacture, but despite the technological peculiarities, the management problems have a lot in common.

Much of the theory and practice developed for one transformation process is appropriate in some others and is to some extent independent of the technology involved. Consequently, in the last 10 years production management has been redefined as the managements of systems for

providing goods of services; also a new field of study and practice has been established known as 'operations management.' There is a danger of causing confusion by redefining a term which is in widespread and largely unquestioned use. Moreover, the redefinition might imply that all aspects

of the management of transformation processes are independent of the technology (a situation which is regrettably untrue). Fortunately the term is now slowly gaining widespread acceptance in business and education.

(TO BE CONTINUED)

## PRACTICAL SCHOOL FURNITURE..

(Contd. from page 4)

The school furniture is used in buildings of different age and in classrooms of varying size. The dimensions and possibilities for setting up the new school furniture must be so maintained that they enable the work space for pupils and teachers to be arranged in such a manner that it meets all demands of the teaching process.

The application of various methods during the lesson and in the work of the pupils outside of class time often makes it necessary to vary the arrangement of the furniture. This applies mainly to the 1st to 4th grades and to after-school centres but also, on an increasing scale, to music instruction for the 5th to 10th grades and to group work outside of class time. Therefore, a specific new type school furniture must be designed in such a way that it can quickly be changed in its arrangement by pupils and teachers without special physical effort.

The furniture includes floor-to-ceiling cupboards that consist of diverse single sections with distinct inner construction. The cupboards can be used as built-in units and also as add-on and build-up furniture used predominantly in newly-built schools and in modernised old buildings. Add on and build-up furniture makes it possible for all schools to choose the furniture that is best suited to meet teaching and learning requirements as well as given space conditions. The principle used for the design of floor-to-ceiling cupboards and their individual sections enables the furniture to be extended as the need arises. Complete floor-to-ceiling cupboards or combinations of different single units can be put together in the course of several years. It is also possible to obtain and use cabinet sections as single pieces of furniture.

The interior of the cabinet sections has been designed to suit specific uses and the number and dimensions of teaching aids. Basic conditions have been provided for storing the teaching aids so that they are easily seen, orderly, and in a safe condition. They can conveniently be grasped for quick incorporation into the lesson and easily be replaced into the cupboard after use. Thus, the experimental equipment for physics lessons is arranged in sets on pallets. The pallets are easily inserted into a cabinet section designed for them and can be taken out and

carried to the pupil's work space without difficulty.

Furthermore, cabinet sections have been developed to accommodate slide collections, sheets for overhead projects, rolled maps and call charts. A special cabinet is used for accommodating a film projector mounted on a trolley. This section is provided with a connection for electric current and is incorporated into the floor-to-ceiling cupboards in such a manner that films placed in a neighbouring section are quickly available. In a similar way the requirements of all specific subjects are considered in the interior design of the cabinet sections, partly through solutions which suit varying purposes. The two-seater work tables for pupils for natural science classes have outside for gas and electricity. They

have a work area sufficient for two pupils.

The work surface permits the pupils to work with the teaching materials during classes and in work outside of class time without getting in each other's way. Suspension sections can be supplied for these work tables if this is desired by the customer.

Stacking tables and chairs for pupils have been developed that are intended mainly for classrooms for the 1st to 4th grades and for rooms for after-school activities. This type of stacking furniture is also, suitable for multipurpose rooms, for school lunch rooms for rooms for the youth organization and for meeting rooms. It simplifies the changing of the furniture according to functional requirements.

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## SUBSIDIARY CROPS...

(Contd. from page 3)

This includes mixed and pure planting. About 45 per cent of the total constitutes holdings larger than 30 acres, of which 7,500 acres are in well-managed plantations. Whilst the average yield is very low—1/2 to 2 cwt. per acre—yields of 6 to 8 cwt. are possible. Steps will be taken to increase the yield on the present acreage as well as to extend the acreage under cocoa cultivation by planting of uneconomic tea and rubber new planting will be realised only after the Plan period.

Essentially, what is required is replanting the present acreage, which mainly consists of ageing plants, with a high-yielding variety. The cocoa replanting subsidy scheme introduced in 1965 offered a subsidy of Rs. 850 per acre and had a replanting target of 500 acres per year. Progress under this scheme was very poor and only about 400 acres were replanted during the six-year period. A new scheme increasing the grant has been framed in terms of a subsidy and loan scheme. Further a selective fertilizer programme will be undertaken covering the well-managed plantations, and cocoa will be brought under the fertilizer subsidy scheme.

The planned rate of new planting will be 2,100 acres

per year, primarily on uneconomic tea and rubber holdings.

An advisory and extension service for cocoa will be estimated together with nurseries for the supply of plants. The proposed research institute for minor export crops will include cocoa.

### COTTON

During the Plan period 24,000 acres of irrigated land on the right and left banks of the Walawe will be cultivated with cotton. About 18,000 tons of medium staple seed cotton will be produced.

The land is to be alienated to individual cultivators so as to avoid the problems which have arisen by using hired labour for large-scale cultivation. The allotments will be blocked out so that they belong to distinct units of 500 to 1,600 acres which could be worked collectively or co-operatively for the main agricultural operations such as tillage, pest control and seed treatment. Cotton will be made a compulsory crop for Yala cultivation in a major part of the Walawe Scheme. A choice of crops will be allowed for the Maha season. A credit scheme and extension services will support the cotton programme.



# Slowing Population Growth...

(Contd. from Page 8)

Some developing nations set economic development goals. For example, a government might aspire to a three percent annual increase in income per person, and it may seek foreign assistance to help reach this goal. With low fertility, foreign assistance would soon cease to be needed in most cases.

Main percentage results: By the year 1985, lower fertility gives 7 percent less unemployment, 9 percent higher savings rates and 20 percent fewer dependent children. By the year 2000, lower fertility gives 27 percent smaller population and 36 percent higher income per person.

## PUBLIC SERVICE NEEDS

The impact of rapidly increasing populations on government public services is perhaps of more immediate concern to many nations than the eventual impact on per capita income.

The Minister of Education must find the funds and resources to educate a fast growing number of children in school. The Minister of Health must somehow protect an ever growing population against epidemics besides caring for the ill, possibly the aged, and the increasing number of mothers having their deliveries in hospitals. Other leaders must concern themselves with grants for urban housing, for increased highway, harbor and airport construction, and all the other expenses of government that grow with a rising population.

Analysis by the demographic-economic model clearly shows that the burden of public service needs will be considerably greater in *Developa* within 15 years if there is not a reduction in fertility (Fig. 4).

— Many social services are provided only to poor families, so the number of persons living below an arbitrarily defined "poverty" line is important. With high fertility there will be 50 percent more such "poor" people as with low fertility.

— Urban populations are growing much faster than the general population, and it is estimated that by 1985 *Developa* will have an urban population 10 percent greater with high rather than low fertility. Housing, water and sewage requirements, among others will sharply increase.

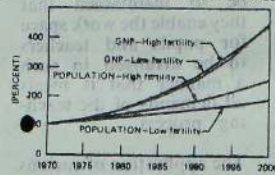
— School-age population increases at about the same rate as the general population if fertility and mortality rates for specific ages remain unchanged. With declining fertility, school-age population increase less rapidly than general population, and educational budgets could then allow a greater percentage of children to attend school.

— The number of deliveries is one of many indications of how expenditures on health are related to fertility. With proportionately more women having deliveries in hospitals, and more deliveries with a larger population, continued high fertility could absorb an ever increasing share of public health budgets.

— Unemployment results not only in an economic loss of GNP, but it also generates financial burdens on local and central governments for various kind of relief. The number of unemployed will be higher with high fertility. High employment levels, especially if concentrated in urban areas, can be a source of serious political unrest.

It is important to realize that all social or public welfare program and services are financed ultimately out of GNP. It would not matter so much if high fertility raised GNP in

FIGURE 4 POPULATION AND GNP AS PERCENTS OF 1970 VALUES



addition to increasing the cost of public services, but this is not the case. Fortunately, low fertility results in lower public service costs but does not lower the GNP from which they are drawn.

## THE CAPACITY MULTIPLIER

People often assume that an X percent increase in national population will increase the total cost of various public services by X percent of their recurrent operating budgets. They forget all the extra net investment that is required for the "capacity" to provide more services.

There are "capacity" costs in both the public and private sectors. For example, more people mean more postal services, and this means not only more salaries for postal employees but more post offices and trucks. Larger urban populations mean not only more employees in Water and Sanitation departments, but also large investments to increase the capacity of dams and sewers. The total annual costs of operating private homes, including maintenance costs, may increase yearly by the percentage increase in population, but the costs of extra housing must also be added.

If special capacity costs are greater than recurrent operating costs per person served, an

slowly with low fertility rates provides big dividends.

The high fertility rates which accompany high growth rates result in a large portion of the population being too young to be in the labor force. They consume but do not produce. Where birth rates are over four percent a year, children under 15 will be about 40 percent of the population. The high percentage of these dependent children results in more spending for immediate consumption restricts both private and public savings, and inhibits productive investment. With slower there is a larger capital stock, more capital per labor (meaning higher wages per worker), a smaller population, a higher savings from GNP rate, and a smaller fraction of children by the time the population goal has been achieved.

In the final analysis, quantitative projections such as those resulting from the model should help to provide more concrete information on the consequences of differing rates of population growth. This information might well lead, in turn, to active programs of providing individuals with the knowledge and the means for planning their families in the hope of offering better lives to their children and those that follow.

X percent increase in persons served will require extra funds that are more than double X percent of last year's recurrent costs. For example, more than 20 percent of additional budget funds might be required to provide a given service to only 10 percent more people. Overlooking those special capacity costs can lead to serious underestimation of what a rapidly increasing population costs.

## MAJOR FOCAL POINTS

The main point of the model is very clear: while a larger population does not contribute to a substantially higher level of output than a smaller one, it does mean that this output will have to be divided among more people — and each person will then have less (Fig. 4).

A second major item demonstrated by the model is that the absolute size of a nation's population is less important for economic well-being than is its rate of population growth. This point is particularly important for the many nations which have large areas of "empty" land that could support farming or industry. National leaders might with good reason, favor a much higher total population. However, reaching that total more

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## Four p. c. growth forecast in Britain's National output

London

A 4 per cent growth in national output in 1972 is forecast by the National Institute of Economic and Social Research in the survey of the British economy in its November issue, just published in London.

The main reason given for this is the stimulus given by the July reflationary package. The Chancellor of the Exchequer, Mr. Anthony Barber, then looked for a growth rate of 4 - 4 1/2 per cent.

The Institute is an independent non-profit-making body financed by grants from both Government and other sources. Its forecast are made on the basis of present policies.

The July measures, says the Review, appear to have had immediate and substantial effects on consumer demand, with consumer expenditure probably more than 1 per cent higher in the third than in the second quarter, and about 2 half per cent higher than the average for the first half of the year. It expects consumers' expenditure to grow by something like 3 1/2 per cent in 1972.

So far this rise in consumer demand, led by expenditure on cars and durable goods, appears to have been met largely by the running down of stocks without marked impact on production. Now, however, the immediate outlook is for a further sharp rise in output, says the Review, predominantly reflecting the gradual adjustment of production schedules to the revival in final demand.

The Review bases its growth expectations in part on the recent performance of exports, which it finds a great deal better than expected. It estimates the increase in the actual volume of goods plus services

in the third quarter at 1 per cent, coming after the strong recovery already registered in the second quarter.



### DIAMOND: HARDEST CURRENCY

Hamburg

The beginning of recession in West Germany has resulted in a boom in diamonds hailed by the dealers as "the hardest currency in the world".

Jewellers and diamond dealers disclosed record sales for this season.

The floating of the Mark has resulted in 8 records being broken of diamond prices in German Marks, once West Germany returns to the fixed dollar - mark.

Between 1928 and 1960 dollar prices for diamonds fell by 170 per cent and in the sixties the price increase 3-3 accelerated. Experts expect diamond prices to reach four times the present rates during the seventies. These forecasts are based mainly on calculations of the American "bureau of mines."

According to its survey, the known diamond deposits of the western world will be exhausted in about 25 years, time even if so far in known deposits are being taken into consideration the experts believe that in about fifty years no more first quality stones will be found so that diamonds of the quality will by that time have to be bought only second hand for exorbitant prices.

### SAVARIA SHOES IN THE SOVIET UNION

Budapest

The Shoe Factory of Szombathely (Western Hungary) has supplied footwear to the USSR

via TANNIMPEX foreign trading company, for the last ten years. In 1961 only 350,000 pairs of shoes were ordered, whereas in the current year 1,300,000 pairs were supplied. Bookings for 1972 exceed the current year's by 15-20 per cent.

The Soviet purchasers are steadily raising demand. For instance the choice included 38 models in 1971, whilst 65 in 1972.

There has been a particularly keen demand for winter shoes and boots, and also Ladies' sportswear with strong massive heels are much sought for. For the first time this year the factory has introduced rubber leather shoes in the Soviet market. Sandals too are much in demand. This year the factory is to export 110,000 pairs of them, while for the next year it has booked orders for 240,000 pairs.

### "MERCEDES" IN YUGOSLAVIA

Bonn

The government of the Federal Republic of Germany recently approved plans of MERCEDES to invest in Yugoslavia. This was the final detail of a long-term business-technical-financial cooperation contract signed last July between DAIMLER BENZ and FAB FAMOS. This contract gives FAB FAMOS the right to produce all types of MERCEDES vehicles and to utilize any of their future innovations.

By contract DAIMLER BENZ is to provide 24 million DM as fixed investment and to make available finances as needed through a revolving credit fund of 30 million DN. The project is very attractive so that other investors have also extended offers. A consortium of Yugoslav banks has



been formed to guarantee the investment, and two sessions of the joint DAIMLER BENZ - FAB FAMOS management board have already been held.

The first cooperative activity under this arrangement will be the production of 10,000 vehicles in the FAB FAMOS factories. These will be marketed beginning in 1975.

The president of the board of directors of the Stuttgart company, Dr. Jpakim Can, announced that the signing of the contract with Fab Famos marked the beginning of business, and then made the observation that "the very fact that business has begun means that half the job is already completed."

Dr. Can mentioned that the cooperation between DAIMLER BENZ and FAB FAMOS could serve as a model for arrangements of other foreign investors in Yugoslavia.

### YUGOSLAV - POLISH COMMODITY EXCHANGE Belgrade

Trends of commodity exchange and other aspects of economic cooperation between Yugoslavia and Poland were the themes of discussion at the meeting of the Yugoslav-Polish Chamber of Economy. After analysing commodity exchange during the first seven months of this year, the two delegations came to the conclusion that the results were

favourable, and justified the belief that the volume of exchange envisaged by the protocol for this year would be realized if certain obstacles which have meanwhile cropped up were removed.

It was pointed out that from January to June business was concluded to the value of 145 million dollars. This is 95 per cent of the volume of trade envisaged for this year, the value of business expected being 156 million dollars. Within the framework of this planned exchange, imports were 100 per cent fulfilled, but the export of certain products from Yugoslavia, encountered some obstacles on the Polish market.

### SOVIET VESSELS FOR IRAN

Pahlevi, Iran

The ceremony of passing over to Iran a flotilla of Soviet-made fishing boats has taken place in the Iranian town of Pahlevi. The flotilla consists of trawler-leader Gilyan with a displacement of 1,100 tons and five medium seiners.

Speaking at the ceremony, Iranian Minister of Agriculture Natural Resources, Mansour Rouhani emphasised that the Soviet - built flotilla was another example of growing cooperation between the two countries in the sphere of economy. (APN)

## SOVIET SOURCES OF MEANS FOR INDUSTRIALISATION

What made unparalleled economic progress possible in the Soviet Union? Where and how did the country manage to find means necessary for its spectacular economic growth?

In the initial Soviet years the country's economy was in a particularly bad shape, because of the colossal damage caused by World War I and foreign military intervention. Large investments were necessary to promote economic growth.

Capitalist states flatly refused to provide the young Soviet Republic with loans. V. I. Lenin wrote that we were refused loans until we restored the property of the capitalists and land owners, but we could not, nor would we do this. Such was the Soviet state's resolute and unequivocal answer to Western demands. Compelled to change their position, capitalist states eventually agreed to give credits to the Soviet Union. These credits were not big enough. Besides, the Soviet country had to pay exorbitant interests on them. That is why the Soviet Union soon refused to accept such fettering loans.

The Soviet Republic tried to develop business cooperation with foreign entrepreneurs by giving them concessions to mineral mining and leasing some industrial enterprises. Meeting the interests of both sides, this cooperation could have been used by the Soviet state to receive not only money but also know-how and experience, attract qualified specialists to the country, etc. However, the significance of this source of means was very limited because foreign capitalists did not want to help the Soviet people in the development of the socialist economy and were interested only in receiving maximum profits.

Using the advantages of the socialist economy, the USSR succeeded in finding the money necessary for its economic progress. The exploiter classes the capitalists and the landlords, were done away with at the initial state of the revolution in Soviet Russia. The exploiters were dispossessed, without compensation, of their plants, factories, banks and railways. The property of Russian and of foreign capitalists was nationalised. Incidentally, foreigners controlled the production of the following pro-

portions of selected products in Russia: pig iron, 70 per cent; oil, 60 per cent; electricity and electrical equipment 90 per cent. Every year they pumped 800 - 900 million roubles in gold out of the

By  
PROF.  
LEV KLOCHKOVSKY

country. Having become the master of these major sources of money, the socialist state received an opportunity to use them for stepping up national economic growth. In line with the growth of state enterprises, rising labour productivity and falling production costs, the significance of this source of means was increasing.

Nationalisation of land provided the young Soviet Republic with another important source of money. Peasants spent over 20 per cent of their net incomes on taxes, dues, and rent. Soviet power freed peasants from paying rent to the landlords and the necessity of purchasing land, which cost them a tremendous sum of 700 million roubles a year. Simultaneously, their aggregate debt of several hundred million roubles to the Peasant Land

Bank was cancelled. Implementations worth 300 million roubles, formerly owned by landlords, were turned over to peasants. As a result, peasants received an opportunity to invest more into Soviet Russia's economic development.

Another important measure of the Soviet state was the cancellation of the overthrown tsarist regime's state loans to a tune of 64,000 million golden roubles. This freed the country from a great burden and provided one more source of financial resource for the state.

The active mobilisation of domestic financial resources and their thrifty use enabled the USSR to make tremendous economic progress. The following figures (in constant prices) testify to the rapid growth of accumulations in the USSR. Investments by state and cooperative organisations totalled 16,500 million roubles in 1918-1928; 64,900 million roubles in 1929-32, 147,000 million roubles in 1933-1937; and 145,300 million roubles in the next three, and a half years. In the postwar period, i.e., since 1945, the rates of growth of socialist accumulations have

remained very high. They greatly exceed the growth of accumulations in many capitalist countries. In 1966-1970 investments increased by 42 per cent. Under the 1971 - 75 Soviet economic plan investments will grow by about 40 per cent on the preceding five years.

The Soviet experience of exploring domestic sources of financial resources is extensively used by socialist countries and nations which embarked on their road of independent development.

Naturally enough, the methods of using domestic resources are determined by the conditions obtaining in every given country. However, it is important that these methods meet the interests of the broad sections of the working people and guarantee countries' advancement towards their main aim-political and economic independence and social progress.

(APN)



# Economic benefits of slowing population growth

If policies seeking to limit rates of population growth are to be accepted and effective, the consequences of high growth rates must be clearly understood. Both leaders and men on the street need to know how differing rates of growth affect their own lives and the development of their nations. Key decision makers must be able to compare the costs and requirements of an effective program to reduce fertility with the costs and requirements of additional health, education, transportation and other public services demanded by unchecked population increase. Such quantifiable information is difficult to acquire, but a new economic demographic model applicable to a number of countries may help to emphasize these consequences and encourage high priority attention to population problems.

Under an Agency for International Development contract TEMPO, General Electric's Centre for Advanced Studies, has set up the model. It utilizes various types of data collected on a given country to predict the effects of changes in fertility rates on such factors as per capita income, unemployment, education provided, level of savings, use per person of food and other consumer items, and a number of other development indicators. All of these indicators are highly correlated because they are different aspects of a general advance in well-being which is economic development.

## PER CAPITA INCOME

Except for grants and borrowing the amount of labor, capital and natural resources a country employs in production and how effectively it uses them determine Gross National Product. GNP divided by the total population of a country gives that nation's per capita GNP (here called per capita income or income per person.) It is this ratio of GNP to population that, in general determines national development and individual well-being. The availability of goods and services per person cannot increase unless GNP is increasing by a higher percentage than population. If GNP increase by 4 percent a year, for example population growth would have to be held to 1 percent a year to give a 3 percent real increase in per capita income. It is easy to see why the progress a nation makes in growing more food and producing more goods can be swiftly negated by a booming rate of population growth.

But what are the facts? How does one factor influence another to produce changes in per capita income? To predict the economic effect of different fertility rates, the TEMPO model - using income per person as a proxy for other aspects of development - captures the interaction of major quantifiable variables, some of which tend to accelerate and others to show the growth of income per person.

In the demographic section of the model, a country's age-specific and sex-specific fertility and mortality rates are

used to project future population. Among the demographic outputs are crude birth and death rates, the numbers of persons of each sex and age, and total population.

The economic portion of the model describes the developing economy of a nation. Among the inputs are labor force size (derived from population totals), stock of capital the contributions to GNP of

Every future demographic estimate for *Developa* can be multiplied by 1.8 to obtain the estimate for the real country

—By STEPHEN ENKE—  
Dr. Enke, a former Yale University professor, is Manager of Economic Development Programs for General Electric TEMPO and author of the book, *Economics for Development*.

Figure 1 DEVELOPA

## A. 1970 TO 2000 AD

1. *Developa* represents a typical LDC from 1970 to 2000 AD that will develop faster if it reduces its birth rate.
2. Situation in 1970  
Income per head \$-200  
Savings/Income 6.9 percent  
Unemployment 15.0 percent  
Children/population 43.9 percent  
Crude birth rate 44.0 per thousand  
Crude death rate 14.0 per thousand
3. Contrasted are the economic results of "high" fertility vs. "low" (i.e., declining) fertility 1970 to 2000 AD.

more employed labor or employed capital, annual increases in GNP because of improved technology, and the propensity of households, business, and government to save and invest from income. Among the outputs are GNP, income per person, return on capital, the marginal product of labour, fixed capital per full-time worker, available labor force, employment and unemployment, number of persons living in "poverty," and the amount of foreign investment assistance that would be required to maintain nation's annual increase in per capita income at some stipulated rate.

## 'DEVELOPA' AND THE MODEL

To demonstrate the model, TEMPO researchers analyzed data for a typical but non-existent developing nation called *Developa*. A set of initial conditions (e.g. population size in first year) is first programmed for the computer (Fig. 1A). Two different sets of future age-specific fertility rates are then assumed. The "high" rate results in certain population sizes and age distributions, savings rates, per capita incomes, etc. Similar projections are made under "low" fertility assumptions. *Developa* is assumed to have high age-specific fertility rates, not very much capital per worker, and a low output or income per capita. Over the next 30 years, until 2000 AD it will have a growing population and a growing Gross National Product, but how rapidly the population grows as compared with the GNP will be strongly influenced by birth rates.

## DEMOGRAPHIC ASSUMPTIONS (FIG. 1B)

For easy computation and application to real countries, an initial population of 10 million is assumed for *Developa*. For a real country with a population of 18 million, for example, the translation is simple

## B. The Demographic Assumptions

Population—1970	10 million		
Initial fertility rates in 1970 (per thousand)			
15-19	111	30-34	248
20-24	295	35-39	183
25-29	304	40-44	81
		45-49	20
Crude Birth Rate (per thousand)		'High'	'Low'
1970		44	44
1985		44	30
2000		44	26
Life expectancy from 1970 to 2000 AD:		Males	Females
1970		51.9	55.0
2000		57.3	60.8

## C. The Economic Assumptions

GNP in 1970:	\$-2.0 billion
Initial capital stock:	\$-5.0 billion
Annual saving is:	20 percent of GNP minus \$ 30 per head
GNP increases (with full employment)	
6 percent if:	Labor increases 10 percent
3.5 percent if:	Capital increases 10 percent
Doubling labor and capital increase GNP by 95 percent.	
Technology (the "State of the Arts") improves 1.5 percent a year.	

## Opportunities for small industrialists

Readymade Garments include the following:

1. Shirts
2. Slacks
3. Ladies Garments
4. Children's Garments

Readymade garments in the market are now produced locally. At present there are a large number of approved units for manufacturers of Shirts and Slacks. Approximately 78 Shirts and slacks manufacturers are given about 55% of the foreign exchange allocation of Rs. 21,500,000 for readymade garments. These manufacturers too are expanding their product range to include Children's Garments. This is an indication of a growing demand for these items.

This study examines the profitability of having small scale manufacturing units for children's garments.

## MARKET DEMAND

The market for Children's Garments covers children between birth and 10 years. The type of readymade garments for children are baby suits, boy suits, frocks.

The 1968 children population is as under:

Age	Male	Female	Total
0 - 4	957	930	1,887
5 - 10	821	805	3,626
(Thousands)	1,778	1,735	35

## Growth Rate

0 - 4	2.48	% per year
5 - 10	2.47	

On the basis of the growth rate the 1970 children's population taken for the study is estimated at

Age	Male	Female	Total
0 - 4	1,000	970	1,970
5 - 10	860	840	1,700
	1,860	1,810	3,670

intial fertility rates for *Developa* give the average number of live births per thousand women in the same five-year age group. Crude birth rates give the number of live births per thousand of the total population. The crude birth rate depends on both the age-specific fertility rates and the age composition of the population. For example, if two countries had the age-specific birth rates given for *Developa*, and

the composition of the population were identical except that the first country had 1,000 more women ages 25 to 29 (with an age-specific birth rate of 304 per thousand) and 1,000 fewer women ages 45 to 49 the first country would have a higher crude birth rate than the second.

The crude birth rates are influenced by a shift in the age composition which increased the rate. Had the age

composition of the population remained unchanged, the crude birth rate in 2000 would have been 22 per thousand instead of 26 per thousand.

Age-specific mortality rates can be converted into future life expectancies at time of birth (or from any other "chance" age). If the survival expectancy of every year is multiplied that of the next, the resulting product series will slowly decline. When it has declined to 0.5, the estimated life expectancy is the number of years that went into the calculation. Thus, multiplying survival expectancies year by year may give 0.5 after 53 years. This means that the conditions do not change, and the half of this year's live births will be before 53 years, and one after 53 years of life.

## THE ECONOMIC ASSUMPTIONS (Fig. 1C)

*Developa's* GNP in 1970 assumed to be \$-2 billion with the population of 10 million, gives an income per head of \$ 200 yearly.

This GNP is generated the application of employed labor to the existing capital stock and the country's natural endowment of resources land. Accordingly, the

Increases have been calculated on the basis of annual increases of population against each group

According to the Consumer Finances Survey report (1963) of Central Bank (Page 55) about 85% of the income earners have an income of Rs. 200.00 per month and under. Assuming that those with

Rising tailoring costs, preference for embroidery work in Children's Garments, saving in time, ability to pre-select design and use of presentation sets are given as reasons for the growth in consumer preference for Readymade Garments.

## EXPORT DEMAND

Apart from the local de-

mand, there appears to be a potential demand for export. One firm has exported 18,500 units of baby suits, boys suits and frocks to African and Middle East countries in 1969.

## CHILDREN'S READY-MADE GARMENTS

An income over Rs. 200/- would have the discretionary income to purchase Readymade Garments, and the number of children are equally distributed in the families we estimate the number of Children i.e. users to be about 15-170 Children population. i.e. 550,500.

Readymade Garments are for, Homewear, Schoolwear and Socialwear. The market for schoolwear has not been examined in this report.

Broadly cotton Garments are in demand for Homewear and Synthetics are for Socialwear.

Number of garments used by children can be estimated around 10 numbers for Homewear and 3 numbers for Socialwear, per head per annum. The potential demand for readymade garments on the basis of 2 for Homewear and 1 for Socialwear will be as under for the estimated children population.

Cotton	1,001,000 units
Synthetics	500,500 units
	1,501,500 units per annum

Manufacturers consulted feel that there is a large untapped market for Children's Garments.

mand, there appears to be a potential demand for export. One firm has exported 18,500 units of baby suits, boys suits and frocks to African and Middle East countries in 1969.

## SUPPLY

There are about 40 registered manufacturers for Children's Garments. The foreign exchange allocation given to them in 1970 was about Rs. 650,000. Rs. 1/- is the upper limit of cif. value per yard of imported Textiles. An average of 14 yards is used for a garment. On this basis we estimate the present total production of Children's Garments by the regulated manufacturers to be 420,000 units.

400 smaller manufacturers are registered for General made up garments, quite apart from those registered for specific groups of Readymade Garments. Each of them are given exchange allocation of Rs. 3,000. These manufacturers concentrate on Shirts and Slacks. However, an estimated 10% of the allocation is on Children's Garments - an output of about 100,000 units by this group.

Quite apart from these manufacturers supply of 540,000 units of readymade Children's Garments on Foreign Exchange allocations, there

## RETAIL PRICES

The manufacturers get foreign exchange quotas to maintain the Textiles at a Rs. 2.40 per yard for synthetic and about Rs. 2.00 per yard for Cottons. Unregistered manufacturers obtain synthetic material at about Rs. 5.00 per yard and Cotton at Rs. 4.00 per yard. The costs of production of the latter are high.

The average retail price for Children's garments available in Colombo are:

For Baby Synthetic Suits, Boy ties Suits and Frocks	Size	8/-	10/-	15/50	9/-	14/-
	10"	10/50	15/50	9/-	14/-	
	16"	13/50	17/-	9/-	14/-	
	18"	14/-	19/-	9/-	16/5	
	20"	14/-	20/-	9/-	16/5	

The high retail prices of Children's Garments also indicate an increasing market for them.

## INVESTMENT

We propose the establishment of small scale manufacturing units with a capacity 12,000 Children's Garments per year, to meet a part of the potential untapped demand well-designed and good quality garments at present in



# TOURISM DEVELOPS

TRAVEL IS GENERATING A FLOW OF RESOURCES FROM RICHER TO POORER ON A NEW SCALE: BUT THERE ARE DANGERS TOO.

In recent years tourism has become an increasingly important source of foreign exchange for developing countries and the prospects for further growth are considerable. But

there are pitfalls as well as advantages in the exploitation of the industry and this article touches on both.

Over the past five years, world tourist spending has risen by about 8 per cent a year, or appreciably faster than the world's real economic output, which has grown by less than 5 per cent a year. In some areas, like Asia and Africa, tourist earnings have risen much faster than the average, though admittedly from a relatively low base. According to the World Bank, there are now more than 20 developing countries relying on tourist earnings for 15 per cent or more of their total foreign exchange receipts; and half a dozen for whom the tourist industry provides more than a quarter of all foreign exchange earnings.

required for passengers being disgorged from jumbo jets.)

A particular attraction of developing countries for foreign tourists is that they are often distant, romantic, relatively unexplored and not yet overrun by cars, factories and the other trappings of an industrial society. For these countries themselves, tourism is not only an export industry but an exceptionally efficient source of foreign exchange because of its small import content. Most of the capital equipment (airports, roads and hotels) can be built with local materials, while the food, drink, souvenirs and services needed by tourists can mostly be supplied locally too. And, by generating demand for the domestic building, manufacturing and food industries, tourism helps to promote some balanced growth for the economy.

However, the important decision to cater for tourists on a mass rather than a selective scale not only increases the dangers of spoiling the environment as described by the World Bank; it also puts an inevitably larger investment at risk in the instability which characterises the industry. There are not only the normal but extreme seasonal fluctuations, but also the sensitivity of tourist flows to natural disasters and violent political change; certainly the flow of visitors tends to recover as rapidly as it falls after an earthquake or a coup, but the industry can suffer a damagingly lean season in the interim. Last but not least, tourist spending, being a luxury expenditure, tends to respond sensitively to changes in the business cycle in the richer countries: for instance, there was a very marked decline in the growth of world tourism in 1967 and when the American economy started slowing down, followed by a dramatic recovery in 1969 when most of continental Europe and Japan were experiencing a boom, even though the American economy continued its slow-down that year.

Such uncertainties are no greater than those facing countries mainly dependent on a single export crop, but they do suggest the need for some caution in the building of a tourist industry.

The three main factors in the growth of tourism in the developing countries are the efforts of those countries themselves to expand their tourist facilities (helped by the World Bank and its affiliate, the International Finance Corporation, as well as some official aid and a good deal of private investment from industrial countries); the growing affluence of the industrial countries and the relative decline in the cost of travel; and finally, a drive by carriers to promote tourism to new areas.

This drive owes a good deal to the increasing initiative of charter airlines in exploiting the openings left by the excessive rigidity of fare structures of the International Air Transport Association, which governs scheduled airlines, through the charter lines are sometimes the subsidiaries of important scheduled carriers, like Condor, the Lufthansa subsidiary which has done so much to build up tourist traffic to East Africa. But the scheduled carriers, who have now entered a cyclical phase of re-equipment and initial over-capacity (as in 1958, when they switched to jets), have their own imperatives for developing traffic as fast as possible (and for helping to build the hotels

increase GNP by 9.5 percent. (In theory the remaining 0.5 percent of income would go to owners of natural resources as economic land rent.)

Every year there is assumed to be a compounding improvement in technology. This annual gain is put at 1.5 percent a year. This means that with the same amount of employed labor, capital stock, and natural resources, GNP would nevertheless, increase by 1.5 percent. (Contd on Page 6)

of this capital stock is important. (Sometimes it can be estimated "backwards" from observations of return on capital and the share of GNP that flows to owners of capital.)

The national capital stock increases from year to year according to net domestic savings that are invested (plus net capital inflows from abroad, if any). Annual domestic savings are assumed to increase with more GNP and to decrease with more population. The economic part of the computer model must include assumptions regarding "labor output elasticities" and capital output elasticities. The former is the ratio of the percentage change in employed labor that caused it; the latter is a similar ratio for capital stock. For instance, a 10 percent increase in capital stock is assumed to increase GNP by 3.5 percent and "capital output elasticity" is .35.

For *Developa* these two output elasticities sum to less than unity, which means that there are diminishing returns to labor and capital, possibly because of an increasing scarcity of land and other natural resources. In fact, a 10 percent increase in both employed labor and capital stock would in-

Figure 2  
DEVELOPA-ITS FUTURE SUMMARIZED  
AD 1985 AD 2060

	High	Low	High	Low
<b>Fertility:</b>				
Population, million ...	15.9	14.4	25.7	18.8
GNP, - billions ...	4.05	4.10	9.03	8.98
Employment, million ...	5.04	5.08	8.36	7.878
Unemployment, percent ...	11.5	10.7	.3	54
Savings/GNP, percent ...	9.7	10.6	12.6	14.4
Capital/worker, - thousands	1.68	1.70	2.23	2.51
Children/work age population	.845	.674	.866	5.08
Crude death rate/1000/yr.	13	11	11	10
Crude birth rate/1000/yr.	44	33	43	26

Figure 3  
DEVELOPA-PUBLIC SERVICE NEEDS IN 1985.

Assumed Fertility Projection	High	Low
Persons living below \$100 "poverty line" (millions) ...	2.34	1.85
Urban resident population (millions) ...	6.29	5.72
School-age population (millions) ...	5.86	5.27
Number of deliveries (thousands) ...	698	455
Workers (equivalent unemployed) (millions)...	653	610

## PROFITABILITY STATEMENT

	Synthetic		Cotton		Total
	No. of Garments	Per Unit	Per Unit	Total	
<b>Sales</b>		Rs.		Rs.	Rs.
	4000	7.00	28,000	5.50	44,000
	8000				28,000
<b>Total Sales</b>					72,000
<b>Variable Costs</b>					
Materials:					
Cloth ...		3.00	12,000	2.50	20,000
Sewing Thread ...		0.12	480	0.12	960
Embroidery Thread ...		0.90	3,600	—	3,600
Hooks and Eyes etc., ...		0.20	800	0.20	1,600
Sundry materials ...		0.05	240	0.06	480
Packing materials ...		0.12	480	0.12	960
<b>Total Variable Costs</b>		4.40	17,600	3.00	24,000
<b>Labour</b>					
Wages ...		1.57	6,300	0.82	6,600
E.P.F. ...		0.05	200	0.05	400
<b>Total Labour</b>		1.62	6,500	0.87	7,000
<b>Total Variable Costs</b>		6.02	24,100	3.87	31,000
<b>Contribution</b>		0.97	3,900	1.62	13,000
<b>Fixed Costs:</b>					
Manager's Salary ...				3,600	
E.P.F. ...				216	
Transport ...				600	
Electricity ...				160	
Rates and Taxes ...				160	
General Expenses ...				160	
Depreciation ...					
Land and buildings ...				300	
Machinery ...				413	
Equipment and Furniture ...				240	
Allowance for spoilage ...				1,000	
<b>Total Fixed Costs</b>				7,449	
<b>Net Profit before tax</b>					9,451

Contd on Page 10

the population aged, the crude 100 would have thousand instead said. mortality rates into future 'at time of other chosen multiplied by the resultant has declined life-ex number of into the calcul multiplying survi-year by year after 53 years. conditions one half of this will die and one half life.

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MENT the establish- ale manufactur- a capacity of s Garment per a part of the ped demand for and good quality present in the



# READY-MADE GARMENTS...

(Contd. from Page 9)

Units should be located near urban areas as the demand will be primarily from this sector. Suggested locations are Galle, Kandy, Negombo, Kuru negala, Jaffna, Kalutara. At present nearly all approved units are in Colombo.

## CAPITAL REQUIREMENTS

Capital outlay	
Land 10 Perches @ Rs. 200/-	2,000
Building 360 sq. ft. @ Rs. 25/-	9,000
Installation of Power and Water supply	1,000
Machinery	4,125
Other Equipment & Furniture	1,200
Contingencies	75
	<u>17,400</u>

## Working Capital

For mix of products - 1 Synthetic to 2 cotton garments per month

Raw Materials:	
Cloth	2,667
Embroidery thread	300
Sewing thread	120
Hooks and Eyes	200
Packing Materials	120
Sundry Materials	60
Finished Goods	5,000
Wages	1,075
E.P.F. 6% on Rs. 825/-	50

Transport	50
Electricity	30
Rates & Taxes	30
Managers' Salary	300
E.P.F. - 6—	18
General Expenses	30
	<u>10,050</u>
	<u>17,400</u>

Total Capital Employed	Rs. 27,450
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## RAW MATERIALS

The textiles used in the manufacture of Children's Garments are Nylons & Synthetic Textiles; Cotton poplin and Cambric, other material requirements are Sewing Thread, Embroidery Thread, Buttons, fancy plastic etc, books and eyes.

## YARDAGE REQUIREMENT

The Textiles Consumption for Garments depend on the Size of the garment. A leading firm in Colombo consumes the following amounts:

Children's Age	Garments Size	Material in yds
Birth to 6 months	10"	1 1/2 yd.
6 months to 3 yrs.	12", 14", 16"	1 1/4 yd.
3 yrs. to 5 yrs.	16", 18", 20"	4 yds.
5 yrs. to 9 yrs.	18", 20", 22"	3 3/4 yds.

## COSTS OF TEXTILES

The textiles for Garment is now imported. The delivered price now for synthetics is Rs. 2.10 per yard. In future all the textiles will be imported through Lanka Salu Sala. An official when consulted informed that the delivered price will be in the region of Rs. 2.40 for synthetics and Rs. 2.00 for Cotton.

## MANUFACTURING PROCESS FOR CHILDREN'S GARMENTS

The cloth and lining material is laid on the table.

The pieces to be cut is traced on the cloth. Cutting of Cloth.

Relevant portion of cut cloth embroidered.

Stitching cut pieces into Garments.

Buttons, hooks & eyes are fixed. Button holding is done. Inspection.

Ironing and packing in Polythene bags.

Packing dozen Garments in cardboard cartons.

## MACHINERY REQUIREMENTS

Machinery requirements for a small scale units of garment manufactures will be within the reach of Capital available in Rural and near Urban Areas.

For a unit producing embroidered social wear synthetic textile garments the machinery and equipment requirements are as follows:

(i) 3 Sewing machines (Semi Industrial) at Rs. 825/- each	2,475
(ii) 2 Sewing machines (General purpose) at Rs. 800/- each	1,600
(iii) Accessories for embroidery at Rs. 26/- per set for 2 sets	52
(iv) 2 Tables, 2 Cupboards, Scissors, etc.,	1,200
	<u>5,327</u>

## EMPLOYMENT

The process of manufacturing of Garments is a simple one and the employment required for a unit having 5 machines for stitching and embroidery work is as follows:

1 Manager	Rs. 300
1 Cutter	250
3 Girls for stitching @ for 333 garments -75 cts. per garment	250
2 Girls for embroidering	150
1 Labour	50
	<u>1,375</u>

## EVALUTION

1. Return on Capital 34%
2. The Payback period and is 3 years on fixed and working capital.
3. Investment per worker is 2,745 (10)
4. Breaking Point is Rs. 23,643 for a mix of 1:2
5. Profit/Volume ratio for Synthetics is .14
6. Profit / Volume ratio for Cottons is .29

## SPECIAL CONSIDERATIONS

Small scale units will have to operate on foreign exchange allocations for the supply of textiles.

Training of the manager and the cutter in designs, proper choice of colours and presentation is necessary for these units to operate successfully in the market.

## BENEFITS

Employment can be provided for 10 per unit.

Price to trade for a synthetic garment is Rs. 7 ex-factory and for cotton garments Rs. 5.50/= The present retail prices to the consumer is around Rs. 13.50 and Rs. 9/- respectively, with the prices rising higher for attractive and good quality garments. The products of the small scale units are likely to be very competitive in the market.

(AN IDB STUDY)

With the Compliments  
of

# CEYLON SHIPPING CORPORATION

## CEYLON'S NATIONAL SHIPPING ENTERPRISE

ONE MILLION RUPEES NET PROFIT IN  
FIRST HALF YEAR 1971





# Ceylon's First State Flour Mill

## Third Anniversary - A Special Supplement

### MINISTER'S MESSAGE



It gives me pleasure to send a message to the Economic Times supplement which is being published to mark the third Anniversary of the inauguration of the production of flour by the State Flour Milling Corporation.

I take pleasure in saying that during the past three years the various sections of the State Flour Milling Corporation had achieved rapid progress. The earning of rupees 50 lakhs by way of foreign exchange during the period under review by the exporting of various products of the Corporation could be considered as having special significance. Although according to the established plan of this factory, the highest production rate envisaged was the grinding of 235 tons of wheat per day. But due to the enthusiasm and efforts of our industrial officers, I have learnt that it has been possible to grind 325 tons of wheat per day during this year.

I have learnt that among the workers councils set up under my Ministry to create greater co-ordination between the employee and the employer according to Government policy, the one inaugurated at the Flour Milling Corporation was progressing smoothly.

The Government should be assisted by exporting products out of the production of flour. I think that at a time when the country has been faced with an economic crisis in order to overcome the economic depression the maximum co-operation of the public sector should be forthcoming.

In order to proceed with the development of the country

in the years hence, attention has been drawn towards the state sponsored Corporations and Boards, and for such development work a sum of Rs. 10 lakhs is being anticipated from the public sector. Whilst requesting the State Flour Milling Corporation to be a party in performing this task, I would be thankful if steps are taken to repay a substantial portion of the money spent in setting up the Flour Milling Corporation to the Government.

In order to overcome these two facts, it is essential for the employer and employee to work in greater co-ordination in the matter of pro-

duction. I hope that efforts will be made to popularise the two products Atta Flour and Rulung manufactured by this Corporation by supplying them at a reasonable price and also enabling the people to buy them with ease.

I also wish to thank the Soviet Union for supplying economic and industrial aid in the setting up of this Corporation, and all employees who are now engaged in the production and maintenance of the Corporation.

T. B. Subasinghe  
Hon. Minister of Industries and Scientific Affairs.

### Message from the Economic Counsellor

13th December, 1971 is the third anniversary of the opening of the Ceylon State Flour Mill.

The Flour Mill is the first of its type in Ceylon and its successful performance, as that of the Tyre Factory and Steel Works, all of which have been built with the economic and technical cooperation of the USSR, contribute to the further strengthening and development of the public sector of Ceylon's economy.

The personnel of the Flour Mill have in a comparatively short time, mastered the operation of a modern plant with rather complex equipment. As a result the Flour Mill achieved its designed capacity in the very first year. In the second year they fulfilled the task of keeping up the designed production rate steadily and in 1971, the third year of production, the Flour Mill exceeded this level and maintained 120% of its designed output. The high quality flour produced by the Mill is in great demand and sells out quickly. The Flour Mill's achievement of exceeding its capacity by 20% is the result of joint efforts undertaken by Ceylonese and Soviet specialists in 1970.

A further increase of its capacity almost by 50% may be achieved by making some



inexpensive modifications and installation of additional equipment

In the meantime the Soviet organisations are completing the draft contract and the preliminary project report for the expansion of the Flour Mill.

On the occasion of the third anniversary of the commissioning of the Flour Mill, I congratulate the management and all the employees of the Corporation on their success in mastering and exceeding the designed capacity of their Flour Mill and wish them further success in their work for the development of Ceylon.

V. KALININ  
(Counsellor for Economic Affairs) of the USSR Embassy in Ceylon.

### CHAIRMAN'S MESSAGE



I CONSIDER it a privilege as Chairman of the Ceylon State Flour Milling Corporation to write this message to The Economic Times supplement that is being published to mark the third anniversary of the founding of the Corporation.

Since the beginning of this year, steps have been taken to make available to the public the benefit that derive from this institution as a trading concern, and not a mere government department. Further the Corporation has been entrusted with the onerous task of seeking foreign markets to sell the by-products of flour milling. Our sustained efforts resulted in the sale of bran this year at prices ranging from £18 to £22 a ton as against £12 a ton in the first half of last year.

Besides the milling of flour by the Corporation, we have also made available to the public at fair prices atta flour, and semolina. We have also opened a "Piti Kade" at 415 Galle Road, Colombo.

#### Problems

One of the big problems—facing the Corporation is the rise in freight rates for the import of wheat. As a solution the Corporation entered into an agreement with the Ceylon Shipping Corporation this year for the import of wheat from Australia. Consequently, this year the foreign exchange saving for freight charges will be about Rs. 1,400,000.

The declaration of this Corporation as an essential service on April 9, this year, enabled the various sections of the work

force to work with greater effort through a 24-hour period each day. At a time of much strife the employees of this Corporation gave of their best considering the enterprise as a national asset. This is very significant.

As planned earlier, besides the ancillary benefits the Corporation was able to provide, it enriched the State coffers to the extent of Rs. 5 million in foreign exchange during the past eleven months. We propose next year to increase our earnings of foreign exchange from the supply of semolina and other by-products of milling. We also propose to increase supplies of Atta flour and semolina and make available to the public new products at a fair price.

#### Output

We have already published several reports detailing the Corporation's output. However I wish to take this opportunity to place on record that although the milling capacity of the Corporation was 235 tons of wheat a day, the efforts of the work force enabled output to be increased to 280 to 290 tons a day. On one occasion output reached 325 tons. Production and supply this year reached unprecedented levels.

I wish also to place on record the successful functioning of the Corporation's Workers' Council and Production Committee, both of which helped considerably in the development of the Corporation and the promotion of good relations between workers and management. Expansion of the Corporation is under way with assistance from the Government of the Soviet Union both economically and technically. Consequently, the Corporation's foreign exchange earnings should increase, for the larger output of bran and pollard should lead to more exports.

May I thank the Board of Directors of the Corporation, the executives and all other employees whose co-operation has made the Corporation achieve its work targets and for the smooth functioning of the undertaking after its declaration as an essential service.

W. M. NANDISENA  
Chairman Ceylon Flour Milling Corporation.

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## Economic prospects of flour milling

Flour Milling in Ceylon is a comparatively new industry which has been facilitated by the technical and economic collaboration of the Union of Soviet Socialist Republic in the upgrading of the industrial potential of an under-developed nation.

By

A. B. G. Kulasekera

Commercial Manager

STATE FLOUR MILLING CORPORATION

Wheat Flour which comprises one of the staple food imported at a foreign exchange cost which the country's dwindling foreign exchange reserves would not permit. The economic feasibility of commencing the milling of wheat flour locally is thus established firstly by the partial saving in foreign exchange as grain is comparatively low priced than the final product in world markets and secondly it opens up new vistas of industrial progress and employment.

The local demand for wheat flour has been estimated to be around 360,000 tons per annum. The flour mill produces 60,000 tons on the basis of present installed capacities, and this production is expected to be increased up to 102,000 tons per annum during the Five Year Plan period by 1976. The resultant foreign exchange saving will be considerable, when compared with the initial outlay proposed for the expansion of capacity. Thus with the present foreign exchange problems facing the country any saving that could be affected in the expenditure on food imports, could well be directed towards more productive means. Paradoxically as it may appear the less developed areas of the world are also faced with a rising consumption curve, with a bias towards the consumption of imported goods much to the detriment of economic and industrial progress. At the same time it has become a compelling necessity for governments to meet the food demand of the people, as experience on the political front depicts that it is expedient to feed the hungry rather than let them starve, because for the first time in history the world's hungry are clothed with political power. In reconciling the dilemma, most governments have thrown sanity to the wind. It is in this context that the question of obtaining the cheaper substitute for rice, whole wheat gains importance, and the economic justification for milling of whole wheat locally is to be viewed against this background.

The milling of whole wheat results in the production of categories of offals such as bran and pollard, the quantum of which is based on the rate of extraction. The standard that has been accepted for local milling is 72% extraction, which is the Australian and continental standard, guaranteeing the minimum quantities of offals in the final product. The annual production of wheat bran and pollard at present is in the region of 20,000 tons per annum.

These by-products are mainly used for the production of compounded poultry and cattle feeds both locally and abroad. From the commencement of production these products have catered to the needs of the local poultry and animal husbandry industry, but due to the limited local demand, the Corporation was faced with the problem of surplus stocks. From time to time this product has found its way to foreign markets but the foreign exchange earned by the Corporation had been very meagre. However, since the beginning of 1971, the Corporation has built up its export markets systematically, and currently is in a position to ship a minimum of around 1500 to 2000 tons of wheat bran and wheat pollard per month.

The above products are mostly exported to the Far Eastern markets, and currently efforts are being made to break in to the Middle Eastern Markets with greater potential. As in the case of all export commodities, the Corporation too experienced quite a lot of teething problems, which are being overcome gradually. Experience has proved that the building of an export market is based on broad based market research, but ironically the avenues available locally for the purpose are extremely meagre and in most instances the assistance of our trade representatives and foreign market research organisations have to be solicited.

With the current trend towards export oriented industry it would be advisable to establish an organization to process and tabulate, all information statistical and otherwise, which can be obtained regarding the requirements and possibilities of each market, the standing of agents, customs regulations, trend of prices etc. by means of research which has been universally acclaimed as reliable and useful. This would be a basic requirement for any export promotion programme, as the absence of information could be a disadvantage in the competitive world market.

(Contd. on page 16)

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# THREE YEARS OF PROGRESS

From the Harbour and many other points in Colombo one can see the high buildings of the Ceylon State Flour Mill, situated on the Prince Vijaya Quay facing the Indian Ocean.

The production of the Flour Mill—fresh and high quality flour enjoys good fame and big demand. Bran and pollard, its by products have become an additional source of foreign exchange for the country.

The Flour Mill was built by the Ceylon Flour Milling Corporation with State Engineering Corporation as a sub-contractor and with the economic and technical assistance of Soviet organisations. The 13th of December is the 3rd anniversary of its commissioning.

The Flour Mill is an industrial complex with modern technical equipment and its consistent and strict technology.

The Flour Mill consists of the following basic and standard sections:

By  
**I. M. NAUMOV**  
Consultant Director,  
Ceylon State Flour Mill

- travelling pneumatic intake for unloading grain from ships;
- grain silos with the working-house;
- mill;
- stores for keeping and issuing finished products;
- power sub-station;
- workshops and others.

To achieve the designed capacity of the Mill and to attain the maximum technical and economic efficiency priority was given to the training of local specialists. Such training was started when the Flour Mill was still under construction and the equipment, shipped from the USSR was being installed. Later, special training classes were organised for labourers, operators and foremen.

It should be mentioned here that the employees of the Flour Mill managed to master the complex equipment in a

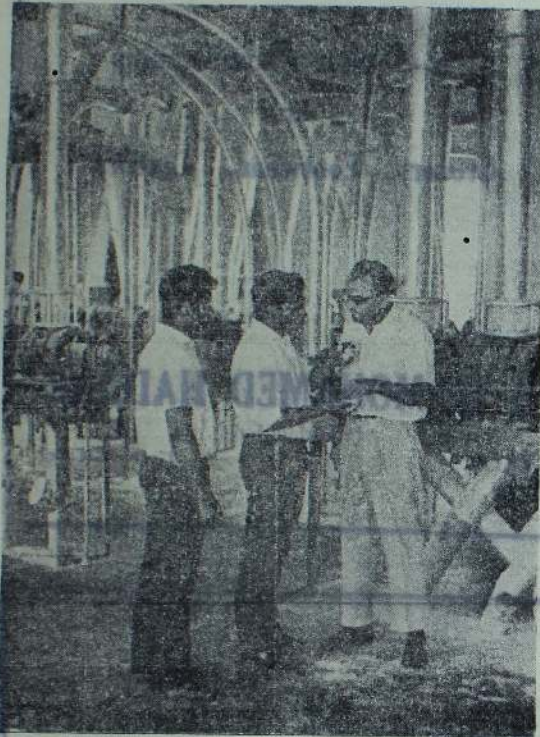
comparatively short period of time. After 8—9 months of its operation the Flour Mill repeatedly achieved the designed daily capacity and by the end of the 2nd year its steady maintenance of the designed production was ensured. In the meantime the employees of the Flour Mill were perfecting methods of production, as they fully realised the necessity of giving such an important item of food as wheat flour. In the 2nd year of operation the Ceylonese specialists, with the assistance of the Soviet experts, worked out and implemented a number of modifications which helped to improve the technological process, to raise the industrial efficiency, to increase the flour extraction and to increase the efficiency in the Mill in general. As a result, in the 3rd year of operation the Flour Mill has been steadily maintaining 115—120% of the designed output.

Altogether over 80,000 tons of wheat should be milled in 1971, as against the designed 70,000 tons, producing about 60,000 tons of flour. This is a great achievement of the employees and the management of the Ceylon Flour Milling Corporation.

A further increase of the Flour Mill capacity, by about 50% will be made possible after some inexpensive modifications. The preliminary technical report and the draft contract on this reconstruction are being prepared at present by the Soviet organisations.

In connection with the achievements of the Flour Mill, I would like to mention specially the Chairman of the Corporation, Mr. W. M. Nandisena, and the General Manager, Mr. V. C. Karunanda, who could ensure the well organised work of the Corporation. Much effort on mastering the equipment and implementation of the modifications in the Flour Mill has been made by its Mechanical Engineer M. D. Peiris, Assistant Mechanical Engineer K. S. Fernando, Assistant Flour Technologist P. Ramanathan, Chemist P. C. Gomis, Foremen D. R. Gamage, D. Sayakara, K. Vijayanathan, A. Jinadasa and other employees of the Flour Mill.

On the occasion of the 3rd anniversary of the commissioning of the Flour Mill I would like to congratulate the employees and the management of the Corporation on their great achievements and to wish them further success in their work.



Picture shows Mr. I. M. Naumov, a Soviet specialist, talking with Mr. D. Sankar, shift superintendent, and Mr. S. Aberatne, foreman of the grinding shop at extreme left.

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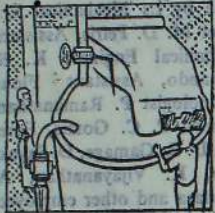




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# Ceylon's first State flour mill

Ceylon's First State Flour Mill established with technical and material assistance from the Soviet Union has proved a dynamic success. Considerable outlays in foreign exchange hitherto expended on the importation of wheat flour are now being saved and gainfully diverted for development purposes. Apart from making available for consumption freshly milled flour, a number of valuable by-products including Bran, Semolina, Pollard, Feed Meal, Crushed Wheat, Broken Wheat and the latest "Atta Flour" are now being produced.

Employment opportunities for as many as 500 persons have been provided while Ceylonese technicians have been able to master a new technology—manufacture of wheat flour. The Corporation has now been successful as a potential foreign exchange earner since its comparatively recent entry into the export market. Following the success of the First Mill, Government is now actively considering the establishment of a Second Flour Mill which could effect a further saving and earning in foreign exchange for the country.

These were the main points which emerged from an exclusive interview I had with Mr. W. M. Nandisena, Chairman of the State Milling Corporation.

## Soviet Assistance

The flour mill at Mutwal was the third industrial undertaking established with Soviet assistance in terms of the Technical and Economic Co-operation Agreement of 1958 between the Government of Ceylon and the USSR.

Designs for the supply of plant and equipment was undertaken by the Soviet organization Messrs Prommash-export under a line of credit granted by the USSR. In addition to the cost of plant, the cost of technical documentation and technical assistance in supervising the

construction and installation of the mill was also met from the line of credit.

Besides undertaking the designing and equipping the Flour Mill, the USSR, also trained the local technicians, most of whom are today responsible for the smooth running of the Mill. Four Russian specialists were loaned to the Flour Corporation to assist us in the initial commissioning and production stages of the Mill.

These specialists in a comparatively short period of time trained local personnel to run the entire works. Today, Ceylonese technicians assisted by one Senior Russian Consultant are responsible for the running of the Mill.

The State Flour Milling Corporation was established on March 12, 1964, under the State Industrial Corporations Act of 1957. The Flour Milling Project was undertaken on the premise that the transport of bulk wheat is considerably cheaper than the transport of bagged wheat or flour. A pneumatic intake plant was installed at Prince Vijaya Quay to enable direct discharge of bulk wheat to the factory. The other main sections of the Mill consist of an elevator into which wheat is received from the vessel, 20 silos with a capacity of 1,000 tons each, 26 Roller Mills and accommodation for the storage of finished products.

The main civil engineering contractor was the State Engineering Corporation. Civil Engineering work commenced early in 1965 and the factory commissioned in mid 1968 with commercial production commencing in the same year.

The total approved capital investment on the entire project was Rs. 32 million. This includes the value of Soviet Assistance for this plant. This figure is very much higher than the initial authorised capital which was Rs. 16 mil-

lion but which had to be increased consequent on increased costs.

## Production

The Mill was designed to grind annually 70,000 tons of whole wheat and extract 50,000 tons of flour, 16,000 tons of Bran, 4,000 tons of Pollard and 1,000 tons of Semolina. On this basis the daily milling rate was 235 tons.

At commencement of operations it was difficult to increase the milling rate due mainly to frequent pipe blockages, flour bins getting full etc. These initial problems were overcome in a short period of time and from July 1969 onwards the daily milling rate was steadily increased to average around 240 tons.

By  
E. Moldrich

With the installation of the new Bagging plant production moved up still further to reach 270 tons per day.

It may be interesting to mention here that in the third quarter of this year, the Corporation established another record by milling 22,000 tons of wheat. This works out to approximately 88,000 tons per annum against a rated capacity of 70,000 tons. The yield of flour has also considerably risen and is now in the region of 75 per cent.

During the period March 31, 1970 to March 31, 1971, production of flour increased 16 per cent to reach 48,028 tons. This volume of production represented a 96 per cent utilisation of installed capacity. There was also a corresponding increase in the production of by-products while the value of production increased by approximately Rs. 5.5 million.

The following table gives details of production and the value of production:

Year	Production (in tons)	Value of Production
1968/1969	6,531	Rs. 30,581,271
1,12.68—31.3.69	138.5	Rs. 36,123,341
1969/70	3,226	
	41,428	
	328	
	1,680	
	102	
	380	
1970/71	48,028	
	15,196	
	609	
	1,996	
	82	
	407	

Source (Ministry of Industries and Scientific Affairs).

In July this year the Corporation introduced the latest of its by-products, namely Atta Flour, which is now proving to be extremely popular. Despite the fact that the Mill has been in existence for only three years, the Corporation was able to earn a profit of Rs. 1,755,962 in 1970-71 compared with Re. 212,626 in 1969-70 (before taxation)

The value of the Corporation's products calculated at current market prices in the year 1970/71 stood at Rs. 35,236,84 while the return on investment in the same period was 6.62 per cent.

## Process of Production

The wheat issued by the Elevator after weightment is taken into the mill and cleaned of all impurities and extraneous matter. The cleaned wheat is finally moistened and tempered and made ready for milling.

The wheat is then put into the Roller Mills and milled in several stages, 6 Brake systems, 4 sizing systems and 10 Reduction systems.

Flour from the milled wheat is removed in several stages using sifters. The Bran and Flour particles of equal sizes are separated using a system of 26 purifiers employing a suction device. Here the Semolina which is of higher particle size is removed and bagged. The Bran which is then crushed outer coating of the wheat grain and the Pollard which is similar to the Flour particles size but from which no further Flour could be removed are separated and bagged. During the cleaning process and also while unloading wheat grain from the ship, dust and broken wheat particles are separated and removed pneumatically from which Feed Meal is separately packed. Due to prevailing marketing conditions, flour and all-by-products are bagged as no bulk handling methods are employed.

## Benefits

With the setting up of Ceylon's first State Flour Mill huge sums of foreign exchange hitherto expended on the importation of wheat flour are being saved and gainfully diverted for development purposes.

Every year Ceylon imports around 400,000 tons of wheat flour at a total cost of approximately Rs. 225 million.

The quality of the products turned out by the Flour Mill particularly Atta Flour have found wide acceptance. In view of its freshness and freedom from infestation by insects and rodents, locally milled flour is in greater demand than the imported variety.

## Foreign Exchange Earner

Besides the local popularity of the products currently marketed by the Flour Milling Corporation, wheat Bran and Pollard are finding increasing markets overseas.

Since its comparatively recent entry into the export market the Corporation was able to earn Rs. 3.3 million by the export of 9,107 tons of Bran and Pollard to Singapore and other Far Eastern countries.

Efforts are now being made to find markets in Middle Eastern countries where these products have great potential.

The Flour Milling Corporation is now exploring the possibility of exporting semolina and is ambitious of being able to commence regular exports from next year.

Presently the Corporation is in a position to ship around 1,500 to 2,000 tons of wheat bran and wheat pollard per month and is doing its best to increase the quantity of its exports.

## Future Plans

Plans are now being drawn up to further increase production by making some inexpensive modifications and installation of additional equipment.

It is planned to step up the capacity of the existing mill to approximately 350 tons per day. This will result in the annual milling capacity increasing to 105,000 tons of wheat.

The construction of 10 additional silos to provide storage facilities for another 10,000 tons of whole wheat is envisaged.

In order to realise a considerable saving in foreign exchange by eliminating the need for imported packing materials, the Corporation is considering the introduction of a scheme for the bulk transport of flour.

The production of wheat germ and paste goods such as macaroni, spaghetti and vermicelli is contemplated.

Government is now actively pursuing the establishment of another Flour Mill with an annual production capacity of around 200,000 tons of wheat.

In this connection the Soviet Organisation is completing the draft contract and preliminary project report on the proposed expansion programme.

A further saving in foreign exchange and the creation of more employment would be the immediate benefits if the country would derive if the Corporation is able to successfully go ahead with its proposed expansion programme.

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# THE ECONOMIC TIMES

Editorial Department  
Thursday 16th December, 1971

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## THE FIVE YEAR PLAN

The new medium-term plan (1972-76) seeks to achieve accelerated economic growth and "social justice" which involves the creation of employment, more equitable income distribution and improvements in the levels of nutrition, housing and sanitation etc. The 1970 political change demonstrated in no uncertain manner that if the process of development was to receive popular acceptance and support in the democracy which Ceylon has developed, the "growth" objectives had to be translated into tangible and identifiable social benefits. And this must be ensured if the country's political and social fabric should remain unstrained in the future. In this context it might perhaps be pertinent to quote what W. Arthur Lewis has to say of Development Planning:-

*"The (planners') test of success tends to be growth of the aggregate called gross domestic product. The people's test is what is happening to food, clothes, education, health services, housing and employment"*

Savings and investment form the corner stone of the Five Year Plan. The present rate of savings which is approximately 12 per cent of the Gross National Product (G.N.P. is considered low, and during the plan period the rate of the savings is expected to increase to 17 per cent of G.N.P. The success of the plan will of course depend largely on achieving this increased rate of savings.

Redistribution of incomes which the plan seeks to achieve would actually result in a slower growth rate of private savings. The level of savings would also tend to reduce under the impact of the ceiling on income and the capital levy tax. This must be made up by more vigorous resource mobilisation in the public sector so that the overall level of savings and investments will not be unduly affected.

The crucial development challenge that the government faces is to integrate the whole community so as to enjoy a better living standard at the level of the resources available to it, and at the same time take the community towards significantly improved conditions in the future. The crux of the problem would be how best to reconcile the competing claims for consumption and savings in our socialist democratic society.

In regard to investment targets the private sector is expected to provide about 45 per cent of the total investment envisaged in the plan. Although this magnitude of investment is expected to generate from the private sector the existing "uncertainties" that shroud this sector have yet to be removed. Foreign private capital is also expected to play a major role in the development process—the extent to which this would materialize once again depends on the government creating the correct investment climate. It is hoped that the white paper on foreign investment which is now being drawn up would dispel all doubts and provide the necessary incentives to spur the private sector.

Ceylon's economic outlook for the coming years is extremely bleak. The adverse terms of trade and balance of payments difficulties will aggravate the country's external financial problems. In this context it is hard to see how the medium-term plan could solve all the country's economic ills and bring in an era of plenty and prosperity. This could however act as a prelude to a long term development plan, if successfully implemented. And for this the active co-operation of the people is essential.

In this connection the Plan concludes on a note of caution and the onus for its successful implementation has been placed squarely on the community. It states that the sum total of the efforts of the people throughout the length and breadth of the country will go to form the national achievement during the next five years and sum up thus: "In this context the total commitment of the nation as a whole to the objectives and targets of the Plan is a precondition for its success". If the planned targets are not achieved the fault would only lie in ourselves and not in our planners.

## Britain's official reserves up

Britain's official reserves of gold, dollars and IMF Special Drawing Rights (SDR) rose by £151 million in November to stand at £2,322 million at the end of the month.

The figures are based on the official sterling-dollar parity (2.40 dollars to the pound sterling). Throughout last month the spot rate on the exchanges was well above this

sterling the month at 2.4910-20 to the pound and closing at 2.4939.

On this basis the sterling equivalent of the rise in the reserves would be less than the £151 million given above.

But in any case the size of the monthly movement is not an indicator of much importance at a time when the authorities are no longer committed to holding the sterling-dollar spot below the official ceiling of 2.42 dollars to the pound.

It has now been decided to put out other products such as Brown Flour, Wheat Germ etc. to the market in packeted form, with a view to ensuring that our products reaches the consumer regularly and at reasonable prices, it is also proposed to put the distribution network on a much more broader base, with the 'Piti Kade' as the Centre of distribution activity. It is hoped that with the implementation of the above schemes, the final consumer will reap the benefits of obtaining a wholesome product at a marked price.

Thus in a final analysis it could be stated that the Flour Milling industry in Ceylon has tremendous potential as a foreign exchange saving concern which is the key note in present industrial policy.

## Economic prospects of flour

(Contd. from page 12)

The Corporation is presently exploring the possibility of exporting another of its products—Semolina, and the basic inquiries have already been made through the different organizations, and it could be hoped that during the next year, we would be in a position to export a fair quantity of this product too.

Further during the year the Corporation undertook the production and distribution of Atta Flour, which trade was

in the hands of a minority of persons who had installed grinders for this purpose. Today Atta Flour is manufactured and packed under more hygienic conditions and is distributed throughout the island directly by the Corporation.

The following table would indicate the progress made in the field of exports and the foreign exchange earned by the Flour Milling Corporation over the past year.

Month	Quantity of Bran and Pol-lard shipped. (Tons)	Total Foreign Exchange earned (Rs. Million)
January	375.0	.153
February	975.0	.380
March	350.0	.128
April	916.0	.330
May	1970.0	.690
June	1759.0	.660
July	1420.95	.500
August	950.70	.360
September	2003.99	.730
October	1348.66	.480
November	2000.00	.700
December	—	—
TOTAL	14069.30	5.111

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