

STATE POLICY ON LOCAL PADDY PRODUCTION



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From the time of ancient kings of Sri Lanka, the accepted state policy in agriculture was to be self sufficient in rice which is the staple food of the people. Self sufficiency is not accepted as a goal, by all any more, with the same significance in today's market economy. Those who advocate the import of rice on the ground that rice is produced in other countries cheaper than in Sri Lanka however, have not been successful in changing the state policy of investment for self sufficiency in rice. This paper will describe the current state policy on paddy production, offer an explanation for the adoption of such a policy and elaborate on the measures taken to implement the policy through state and private sector interventions.

The per capita rice consumption in Sri Lanka is around 100 kg/year. Rice accounts for 45% and 40% of the per capita consumption of calories and protein respectively and 1.8 million farmers are engaged in rice production (DOA 1997). According to the Department of Agriculture (DOA), with an annual population growth rate of 1.2%, the demand for rice has been estimated to rise from 1.8 million MT in 1997 to 2.24 million MT in the year 2010. The annual requirement of paddy (rough rice), assuming 66% as the conversion rate for milled rice with an annual requirement of 0.095 million MT of paddy for seed and

animal feed with an overall wastage of 6%, will rise from 2.99 MT in 1977 to 3.70 million MT in the year 2020.

The Six Year Development Program of the Ministry of Agriculture and Lands (MA&L 1998) has set the targets for paddy production as shown in figure 1.

These targets indicate the current state policy on paddy production in the context of the accomplishment of the mission of the ministry of agriculture and lands which is to ensure food security, to produce a surplus to be invested in other sectors and to raise farmers' income. This policy needs elaboration and justification.

Ariyaratne (1998) presents a detailed account on the evolution of the current policy on a "New Agriculture". He elaborates on the prominence

given to paddy production by the ancient kings and the colonial rulers who realized the need for increasing local food production on the aftermath of the Second World War, and by the patriotic political leaders of this country such as the late prime Ministers D.S.Senanayake and S.W.R.D. Bandaranayake who realized that "Paddy Field is the Centerpiece of Sri Lankan Economy" (Ariyaratne 1998). This strong historical background continued over the years to influence state policy towards protecting the paddy lands and promoting local paddy production.

The country saw the efforts of the state to bring about policy reforms and program interventions in mobilizing irrigation, extension, inputs such as high yielding seed varieties, chemical fertilizer and agro

Figure 1 Paddy production Targets ('000MT) 1999 - 2004

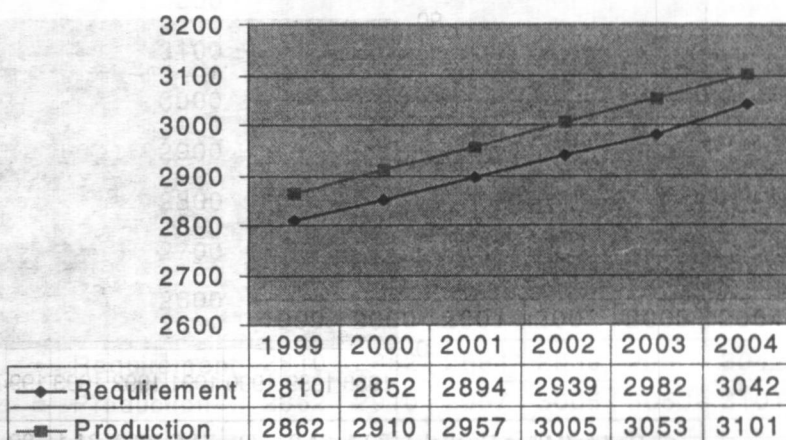




Figure 2

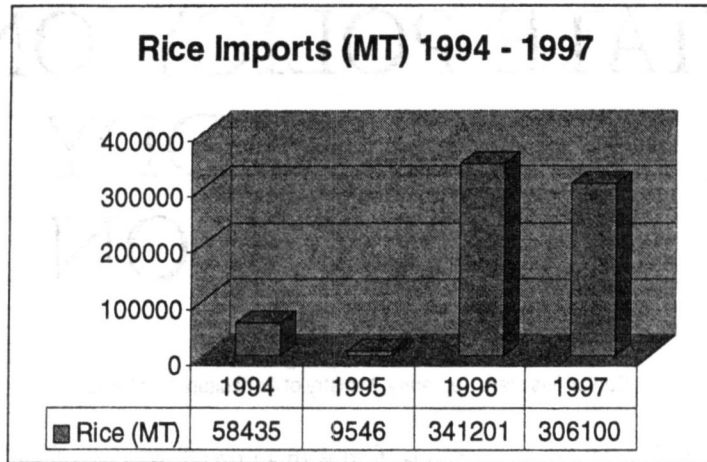


Figure 3

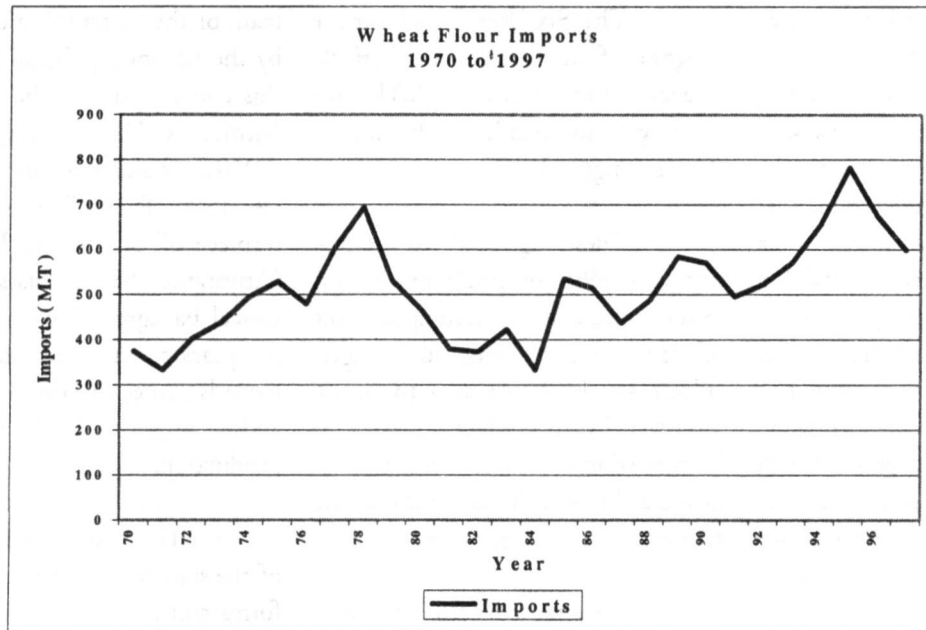
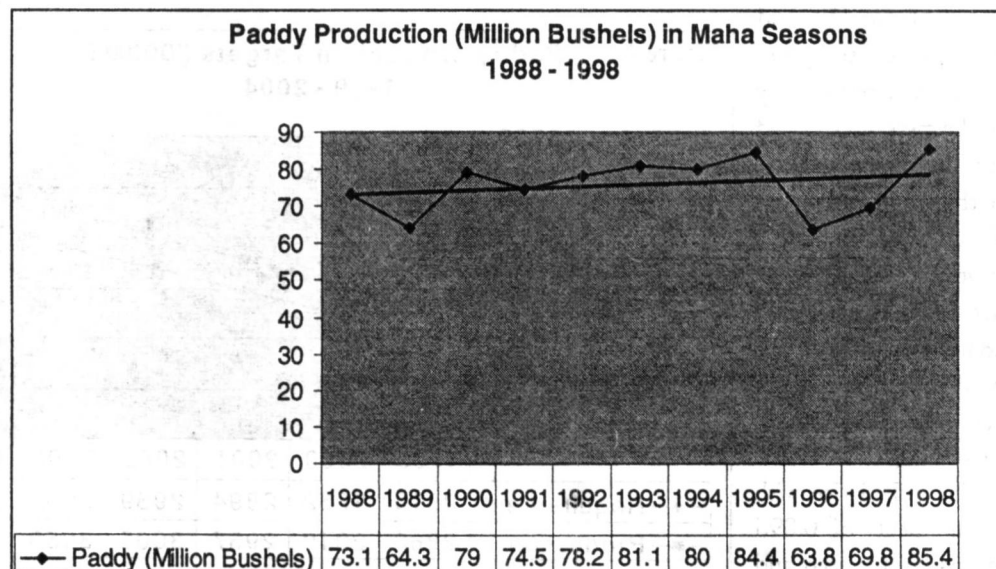


Figure 4



chemicals, technology, credit and subsidies to the paddy lands. Institutional reforms were introduced by legislation such as Paddy Lands Act, Agricultural Productivity Law, the Guaranteed Price Scheme for paddy and the establishment of the Paddy Marketing Board and the Ceylon Fertilizer Corporation. From the time of establishment of the colonization schemes to settle farmers on irrigated paddy lands to the present day, farmer protection measures such as farmers' pension scheme, Govi Jana Bank and proposed farmers' health insurance scheme, the efforts in the process, quite naturally, hinted a "paddy bias".

The paddy bias in agricultural research and extension was the subject of much discussion during the late seventies. The country could claim a status of excellence in rice breeding while being blamed for giving less attention to research and development of other crops that the country needed. Among several other arguments that paved the way for the absorption of the large number of Krushikarma Vyapthi Sevaka (KVS) officers into the Grama Seva service was the proposition that the KVSs could not have been expected to contribute more towards the already paddy-biased agriculture with saturated status of production.

A third argument of having no comparative advantage for paddy, followed the paddy bias and saturated production arguments by those who advocated free market policy. They argued that the country has no comparative advantage for rice and several other field crops due to the high cost of production and low returns caused by low productivity. They advocated a shift from paddy to other field crops, while the country can import rice cheaper from international markets.

The arguments on comparative advantage were strongly countered by local experts who proved that the country has a comparative advantage in producing those crops while maintaining rice production at a high level (Wijyaratna, et al.1996). Comparative advantage can be changed by policy measures. The record of the past, however, is that the country had to import increasing quantities of rice every year. The self sufficiency ratio of rice has always been less than 100% although we have few occasions of export of rice in little quantities. The average paddy yield has been stagnating during the past decade at 3.5 Mt/Ha.

Figure 2 presents the growing trend of rice imports during the recent past.

Wheat imports also has been on the increase (figure 3) showing an increase of per capita consumption

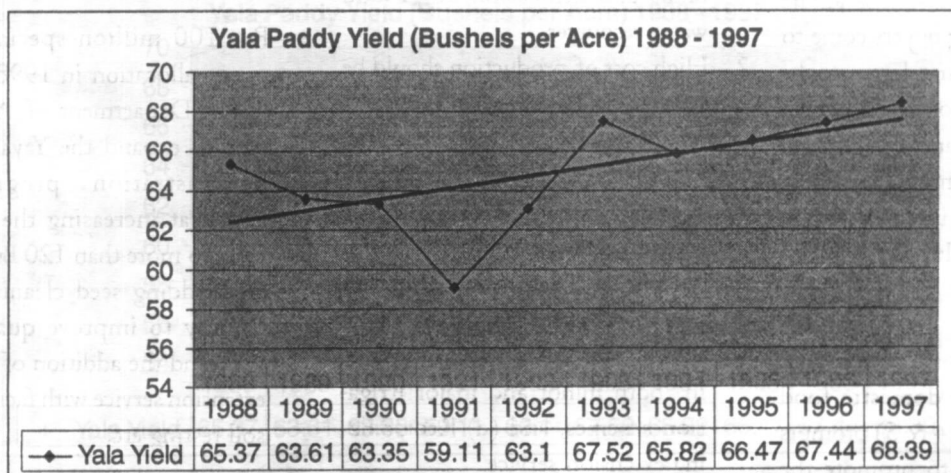
from 31 kg in 1993-94 to 41 kg in 1995. The wheat consumption has come down to 36 kg in 1996 and 32 kg per capita in 1997.



Do these tendencies influence a change of state policy towards promoting or reducing local paddy production? What are the major concerns on the issue?

The pressures from trade liberalization and food security considerations have presented new challenges to the state in policy making. On the one hand, the advocacy of free trade and the obligations and commitments to the free trade agreements ensuing therefrom compel the government to abandon the protectionist policy in regards to local production. The food security concerns in the context of the current forecast of local and international rice production, on the other hand, force the government to consider a surplus production to ensure availability of the staple food to all at affordable prices with a stable supply.

The state policy is clear in addressing both issues. First, the country continues to put emphasis on increasing paddy production and





regions where a better potential exists.

Second, the state does not relax the existing law preventing the use of paddy lands for other purposes. Even in the wet zone, where ecological functions of the wetlands demand such lands to remain so but where paddy is the only suitable crop, paddy is promoted.

Third, the Six Year Development Program for 1999-2004 (MF&P 1998) maintains the emphasis on paddy production with the state banks earmarking funds to ensure purchase of rice from farmers.

Fourth, the food security considerations point to the reduction in the world rice production by five million MT due to floods in China, India and Bangladesh and high demand for rice in Indonesia due to the financial crisis (FAO 1999) adding to the uncertainty in availability. Jakarta Post published a request of the President of Indonesia requesting the public to refrain from eating rice two days a week since the country's rice stock had been reduced to just one week's provisions at the time of crisis. If big buyers come to the market demanding large stocks what will happen to the small resources of poor countries in crisis? A vulnerability premium has been recommended to be included in free trade negotiations (Hoga 1999) to ensure food security.

Fifth, uncertainty caused by fluctuations in domestic food production (Figures 4 & 5) prompts to adopt a policy to promote the

production of a surplus to ensure an adequate reserve of rice as minimum stocks for emergency.

Sixth, food security is considered as part of national security (Ibid 1999). Therefore, certain interventions as policy measures to ensure food security cannot be compromised to ensure other commitments of free trade.

How is the state policy towards achieving self-sufficiency in rice implemented?

The national policy framework for agriculture, Lands and Forestry published by the Ministry of Agriculture Lands and Forestry (MAL&F 1995) identified several major problems affecting the growth of the paddy sector. Stagnant yield/ha, low cropping intensity, inadequacy of certified seed, declining use of long aged varieties, low profitability and high cost of production were major problems addressed. The policy recommendations included the following measures.

1. Rice yields should be increased to 4.5 MT/Ha through a package of practices by (a) increasing the supply of seed paddy preferably of long aged varieties from the current 4% to 10% and (b) increasing cropping intensity by expanding water management programmes through rehabilitation of minor tanks and utilization of ground water resources.
2. High cost of production should be reduced by the use of cultural practices including, (a) Integrated Pest Management, (b) Integrated nutrient management, use of organic material, straw recycling, (c) Use of straight fertilizer instead of mixers and the use of fertilizer based on soil testing, (d) Timely water issues in both minor and major irrigation schemes, and (e) Reorganizing extension service.

3. Marketing, storage and processing of paddy should be streamlined using strategies of (a) continuation of paddy purchasing by the Paddy Marketing Board (this has been replaced with alternative mechanisms of paddy purchasing by the CWE, Cooperatives, Farmer Organizations and Farmer Companies supported by the credit facilities from the State Banks, (b) Bonded Stores where banks provide cash to farmers on interest, (c) par-boiling of paddy by farmers to improve both quality of rice and farmer income, (d) farmers organizations undertaking production, storage, processing and marketing and input supplies, (e) Value added products such as rice flour, convenience foods for urban markets, and (f) future policy in wheat imports and subsidies studied particularly in view of the GATT agreement.
4. Research and Development should focus on the breeding of high yielding rice varieties suitable for different agro-ecological regions.

A special effort was made by the government to translate these policy recommendations to action making special budgetary provisions for specific interventions. The following are highlights of such interventions.

- Rs. 100 million special budgetary allocation in 1998, made to the Department of Agriculture to expand the Yaya Paddy demonstration programme aimed at increasing the paddy yield to more than 120 Bushels/acre, adding seed cleaning machinery to improve quality of seed, and the addition of mobile extension service with facilities of soil testing etc.

- Involving the private sector for seed production by offering initially two government seed farms to the private sector.
- Continued research on developing high yielding rice varieties suitable for different conditions and the issue of a new Basmathi variety of superior quality.
- Increasing fertilizer subsidy especially in reducing the price of Urea, which is widely used for paddy cultivation.
- Managing the trade policy in rice imports by joint decision making not to flood the market with cheap rice imports at the time of harvest but to supplement the market with the required amount of rice while maintaining consistency in applying tariff measures.
- Mobilizing the private sector and the CWE, Cooperatives, Farmer Organizations and Farmer Companies to purchase paddy with the credit support provided by the state banks at a low rate of interest and maintaining an attractive price for paddy for the farmers.
- Promoting the emergence of a network of 80 Farmer companies in 17 districts to undertake commercial agriculture including paddy purchasing, storage, processing, value addition and marketing. The stores and other facilities belonging to the PMB will be made available to these Farmer Companies to relieve the state from directly involvement in the rice market, while facilitating business operations from the farming community and the private sector.

The results observed have been encouraging. During the past three cultivation seasons, the

paddy price at the time of harvest has been attractive to farmers. During this season, purchase prices ranging from Rs.10/kg to 14/kg have been reported from almost all producing areas. The private sector traders, who are knowledgeable about the current trend of increasing prices of food grains in the world market, have moved in a big way to purchase paddy from the farmers. The CWE has been mobilized to purchase 50,000MT of paddy to form a buffer stock. A good price signal always results in an increased area of cultivation as observed during the past. The state policy will support this trend by prudent interventions in implementing the recommendations of the National Agricultural Policy framework.

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