



AGRO-BASED INDUSTRIES

Agriculture has traditionally been the base of the Sri Lankan economy, yielding a major part of the national income and providing the chief means of livelihood and subsistence for its largely rural population. With its natural agricultural resource endowments there is no reason why by now Sri Lanka should not have had a developed agro-industry sector, but this rich potential has continued to be in a state of comparative neglect for a variety of reasons. The main export agricultural commodities have continued for nearly 100 years to be exported in primary form and much of their available surpluses have been channelled into the country's social services and for developing the non-export agricultural sector. Little of these surpluses, however, have been diverted to the industrial sector nor have constructive and organised measures been adopted to move away from the stage of primary agricultural production to that of agro-processing. A broad over-view of why this has not happened indicates that the various factors required for planning and implementation of such a programme have not been harmonised

at different levels. For instance, agricultural credit, marketing and supplies, together with irrigation and scientific methods of cultivation have to be closely inter-linked to provide agricultural produce in sufficient quantities and quality to make agro-processing feasible. But this has failed to materialise. The potential for establishing agro-industries have been explored for several decades. The CISIR in its annual reports in the mid 1960's records its investigations into a wide range of vegetable and fruit processing, sugarcane products, wood products and cocoa products and spices. The experiments conducted by Sri Lankan scientists and specialists in the leading research institutes dealing with agricultural produce have uncovered many promising products, but unfortunately most of these have not moved from the laboratory stages to that of commercial production. Many of the country's development plans have also focussed on the potential in the agro-industries sector. A typical example is The Five Year Plan 1972 - 76, which states: "One of the main drawbacks of

earlier industrial programmes was their negligible impact on the rural sector, with regard to both employment and the utilisation of raw materials originating in that sector. The regeneration of the rural sector through a programme of agro-based and other small-scale industries constitutes a major element in the Plan strategy".

There is no doubt that the wide variation of climate and rainfall in Sri Lanka is conducive to the cultivation of a large range of tropical, sub-tropical and temperate fruits, vegetables and other crops. Although the development of these resources has been planned for over three decades upto now a major constraint has been both the lack of supply for buyers and an excess of supply for producers. The problem over the years has been connected with helping the cultivator with the disposal of his produce at a reasonable price, while making this produce available to the consumer also at a reasonable price. It has been widely accepted that no marketing scheme, however, could be complete unless it is closely connected with the production programme; namely of: (1) collecting produce at the growers end, (2) grading, packing and transporting of produce, (3) providing wholesale and retail facilities for distribution, (4) offsetting seasonal fluctuations through processing or preserving and also through planned production. The lack of linkages between production, processing and marketing has therefore been identified as a primary cause for the constraints in the development of the agro-industrial sector in Sri Lanka. These constraints have had strong disincentive effects on the farmer since he is never assured of a reason-

able return when producing for the agro-industry sector. Connected with this lack of incentive has been high cost of inputs or lack of it altogether particularly seed material, fertilizer and extension services.

In many respects the technology and practices in Sri Lanka's agro processing industries are still in a basic stage and have not been adopted to more recent and advanced techniques available internationally in this sector of industry. Generally, production in this sector has aimed at the domestic market and with few exceptions can hardly compete in the export market or substitute for imported products.

Another constraint in the development of this industrial sector has been in the limitations of the local market. Other problem areas for a systematic development of this sector are the non-availability of qualified food scientists and technologists, the lack of sufficient research and development, and absence of technology transfer, the high cost of imported packaging material and equipment for processing, and general lack of official support and commitment for development of this sector.

In recent years the opportunities for further development of this sector have come Sri Lanka's way more frequently particularly with promising markets opening up in the Middle East and in the developed market economies. The new emphasis on export markets has encouraged farmers, processors and exporters to concentrate on quality, variety and attractive packaging in order to compete in the international market. The opportunities for investment in this sector of industry are also wide-ranging as shown in the list (at right) compiled by the FIAC. The following three papers carry different perspectives on the resources, problems and potential in the agro-industry sector.

PROJECT IDEAS FOR AGRO-INDUSTRIES

The Foreign Investment Advisory Committee (FIAC) of the Ministry of Finance and Planning drawing attention to the investment opportunities in Sri Lanka has compiled the following list of project ideas for joint ventures based on agricultural produce.

1. Tea Sector

- Manufacture of green tea, flavoured teas and herbal teas.

2. Rubber Sector

- Manufacture of high technology rubber-based automotive components.
- Manufacture of rubber components used in civil engineering works (eg. gaskets for underground water pipes, bridge bearings, anti-vibration mounts, floor mats, sealing etc.)
- Manufacture of natural rubber-based health care products.

3. Coconut Sector

Kernel Products

- Concentrated coconut cream
- Desiccated coconut in consumer packs
- Refined coconut oil in consumer packs

Non-kernel Products

- Rubberised coir fibre for automobile industry, coir mats and mattings
- Coir mats for soil conservation
- Coir yarn/twine for coir-netting
- Coir briquettes

4. Fruits and Vegetables Sector

- Cultivation and preservation of ginger, cucumber, aubergine (egg plants) and other vegetables
- Processing a range of tropical fruits into cordials, jams, tropical fruit salads, etc. and canning and packaging into ready-to-use packs
- Processing and blending of passion fruit juices
- Papain-cultivation of papaw and the production and processing of papain

5. Other Agro-based Products

- Sugar-cultivation and processing of sugarcane
- Soya bean-cultivation and processing of soya bean
- Cocoa-manufacture of confectioneries (e.g. chocolates)
- Mushrooms-cultivation and canning of mushrooms
- Tomato-manufacture of tomato paste etc.
- Manufacture of sesame consumer products (eg. sesame paste)
- Processing of pulses in pre-germinated consumer packs (e.g. black and green)

6. Foliage and Flowering Plants

- Cut flower/plants
- Cultivation of carnations, chrysanthemums, anthuriums for export
- Cultivation of a range of tropical and sub-tropical indoor and outdoor plants

7. Wooden Products

- Manufacture of educational toys and reproduction of antique furniture