ROLE OF AGRO-PROCESSING INDUSTRY IN SRI LANKA'S DEVELOPMENT

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At the time of independence, Sri Lanka had one of the highest per capita incomes in Asia. Since then, many countries in the region have far surpassed us, leaving Sri Lanka only marginally better than the least developed countries.

We know that Sri Lanka's economy is heavily dependent on agriculture (which contributes 25-30% of the GNP) and though the economy may be diversified, we would continue to depend on agriculture for many years to come. Sri Lanka's development will have to lean heavily on the utilization of it's resources to develop agriculture. Much of the infrastructure necessary for this purpose has been built in the recent past and the time has now come to produce a return on this investment through agriculture and agro-processing industry.

Development of agro - processing industry is one of the most important aspects in our development effort as it is complementary to development of agriculture. It plays an important supporting role for agriculture production by generating remunerative prices for the produce, reducing post harvest losses and absorbing fluctuating agricultural outputs to meet demand. It also promotes various other related activities and thus develops the rural economy which in turn reduces migration to urban areas.

With the land to man ratio declining steadily from about 100 persons per sq k in the 1980's to about 250 persons per sq.km. today due to population growth, the employment opportunities from farming alone will be inadequate particularly for the second generation of settlers on small holdings. It may be possible to generate one unit of employment from off-farm activities per unit of on-farm employment, if there is a sustained effort at development of agro-processing industry and related activities.

Agro-processing industry could also help save foreign exchange through import substitution in food and non-food items, and enhance foreign exchange earnings through exports of higher added value products.

Agro-processing is not new to Sri Lanka as our major crops have been processed in some manner or other before export and it has been so, for the locally consumed products as well. However, much of the exports have been in the form of primary processed products. This may have been good enough 50 years or even 25 years ago but today we are behind time because, what we do and how we do things are related to a time frame. It is similar to the imported products such as cars, machinery, electrical or electronic equipment or medicines their designs and performance are constantly becoming obsolete and new products and concepts evolve all the time. The decline of British industry has been due to similar reasons in not changing with the changing markets and changing circumstances with respect to time.

An examination of the purchasing power of exports from Sri Lanka reveals that this has been reduced to half every 12 years or so. This means, that (say) one metric tonne of coir fibre or any other primary

processed products generally,when exported earns only half of what it could import by way of industrially produced goods every 12 years.In other words, every 12 years we have to double our unit export prices through added value or double our export volumes or halve our import volumes if we are to offset this disadvantage. We have been consoling ourselves by stating that developing countries like ours do not have the power to determine export prices or import prices and hence these factors are beyond our control. HOwever,we can increase export prices through further processing of our agricultural produce and adding value.For adding value,we need technology in addition to all other requirements and facilities we all know about.

Agro-processing industry appropriate for Sri Lanka has to be assessed from many view points. Firstly,if we consider the major export crops such as Tea,Rubber and Coconut,any improvement in the present range of products or through innovation of new products and processes;will result in substantial export earnings due to the large volume involved.Secondly, the scope for development of paddy/rice based agro-industry is tremendous both in quality and quantity and the industry must get to the final stage of producing instant foods not only to absorb the supply peaks during harvest but also to save time for the housewife. The other crop also offer tremendous scope, both in terms of exports and import substitution.Appropriateness in terms of technology and management must take into consideration the local environment and other aspects whilst recognising the high level of hygienic requirements for food factories and packaging,particularly for exports to sophisticated markets.

The government has taken various steps in promoting export oriented and import substitution agrobased industries. Investment relief, profit tax holidays,turnover tax exemptions etc.are available for investors. Foreign investment including joint ventures and inflow of technology have been encouraged.Bank financing for projects have been made available though not strictly development finance for new entrepreneurs. These efforts have to be combined with development of indigenous technology and management capability.Indigenous technology has to be developed for some industries whilst for some industries tested foreign technologies could be used,where appropriate.The role of technological innovation and management in development of the agro-processing industry has not been stressed adequately.At present there is a dearth of appropriately educated and trained personnel responsible for technology and management in the agro-processing and similar fields.

What I have said so far has been easy to say but not easy to achieve.If we are to achieve any significant levels of development, we need a new effort and a will to accept change consistent with what all this demands.I would like to leave a few thoughts with you.

Development of agro - processing industry requires:

1. A market oriented approach, particularly for export industry.

2. Selection of industrial technology consistent with product quality and packaging.

3. Import of technology where appropriate,particularly when this can be negotiated through joint ventures.

4. Research and Development of indigenous technology where appropriate as regards capacity,mechanization etc.particularly for small and medium scale industry. For this purpose the following are relevant.

4.1 Government research institutes should make use of resource personnel from the private sector with industrial experience to reduce the gap between technical viability and commercial viability and thus reduce research time and costs.

4.2 Make use of Universities-to gear MSc degree research projects and even BSc degree projects to tackle problems of a national nature or of a particular industry.Faculties of Science,Engineering,Agriculture and Medicine may be useful for this purpose.Here again tie up with resource personnel with practical industrial experience is very important.

4.3 Formulate a scheme of servicing all private industry to carryout inhouse Research and Development using resource personnel with industrial experience.A financial package is considered necessary here.

4.4 Extension Services for improvement of technology,productivity and management of industry to enlist personnel experienced in industry.This is to highlight the fairly common situation where in Sri Lanka,most people engaged in promoting and adivsing industrial development are academicians with little or no industrial experience.

5. Develop the agricultural sector to gear to agro - processing industry by -

5.1 Transforming the subsistence farming of smallholders to highly productive commercial farming wherever feasible.

5.2 Transforming rain fed farming to irrigated farming particularly in the Dry and Intermediate Zones where feasible.

5.3 Promoting regional specialization as in the highly organized agricultural and processing industry overseas (and like our tea,rubber,coconut),by setting up planned processing centres and nucleus estates.We do have agro ecological conditions to grow a wide range of crops but if they are scattered all over the country there is difficulty in collection,storage and transport to processing units.

5.4 Breeding special varieties which facilitate processing, maximise yields and make processing profitable.

Finally before I conclude,I wish to encourage my fellow engineers to think of serving in productive or wealth creating sectors such as agro - processing industry because, you realise that the possibilities indicated require engineers of calibre to achieve.Since Sri Lanka is in its infancy where industry and technology are concerned, most of our engineers have been trained to,and serve in development of infrastructures and service sectors,and left the rest to others.It is time for our engineers to contribute towards using these infrastructures to create wealth for Sri Lanka by involving themselves in multidisciplinary exercises,making decisions in management and offering strong leadership in development affairs of this country.