

Agriculture and Rural Development in Sri Lanka:

A Felicitation Volume in Honour of Dr. S.M.P. Senanayake

The recently published book, "Agriculture and Rural Development in Sri Lanka", is a sequel of the untiring efforts of a group of academics in the Department of Economics at the University of Colombo and some of his friends outside the university who have been keen to pay tribute to their eminent colleague and friend, Prof. S.M.P. Senanayake for his vast academic contributions. Having an illustrious career as a dedicated university teacher and a formidable researcher, Prof. Senanayake has mostly concentrated on the issues relating to agriculture and rural development as reflected in his numerous publications including several books and monographs based on the ground realities.

In the face of economic liberalisation and globalisation, Sri Lanka's agricultural sector faces enormous challenges. This sector, once protected by stringent tariff and non-tariff barriers, has now been exposed to foreign competition under the trade agreements with the World Trade Organisation (WTO) which provides legal ground rules for a free global trading system. In terms of the rules pertaining to the agricultural agreements, the member countries of the WTO are committed to formulate market-oriented policies with regard to market access, domestic support and export subsidies. These policies are meant to drastically curtail the protective policy measures that had been provided by the government to agriculture for several decades. In the backdrop of these market-oriented policy initiatives, the

question is whether the agricultural sector of Sri Lanka has been able to face the global competition. Several papers in this volume address this critical issue. This volume also covers other themes of current interest including economic development and agriculture, rural farming, small enterprises, food security, climate change and non-plantation agriculture.

Global Challenges

G.M. Henegedara, in his paper, articulates the implications of the global challenges, focusing on the paddy-dominated food crop sector which has a considerable bearing on food security and rural employment. Referring to both partial and general equilibrium models, the author argues that though the domestic food production has increased over time, this sector has not been able to effectively deal with the problems of hunger, food insecurity, income inequity and urban-rural disparities. Production inefficiency, comparative disadvantage, low labour productivity and land fragmentation are some of the key factors that inhibit the growth of the food crop sector. Hence, the need to implement conducive policies to sustain small farming in the context of the evolving WTO negotiations is emphasised in the article.

Saman Kelegama, in his paper on liberalisation of tea exports, highlights the adverse consequences of continuing export of bulk tea in pure form. He emphasises the need to formulate a long-term strategy to this vital

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industry in the face of rising cost of production and vulnerability of the local tea industry to international shocks. Raising value addition should be an important component of this long-term strategy. In this regard, promotion of blended tea production could play a vital role. Liberalisation of tea trade by allowing the manufacturers to import different types of tea will promote the tea blending industry and thereby enhance value-added tea exports. This will enable the country not only to regain some of her lost markets, but also to reduce the cost of production and to mitigate the adverse effects of domestic production fluctuations. Taking into account the sector-specific and macroeconomic benefits, the author strongly recommends liberalisation of the tea trade.

U.P.P. Serasinghe questions the effectiveness of the neo-liberal policies with regard to plantation agriculture in Sri Lanka. The author points out that the removal of State monopolies and technical provisions in line with the liberalisation have had adverse repercussions on the plantation agriculture. Various facilities given by the government to the plantation sector, such as, extension services and subsidised credit schemes, were withdrawn following the liberalisation. In the meantime, the agrarian service

centres and commodity purchase department outlets were gradually closed down. The privatisation process was carried out based on the low efficiency and productivity arguments. Despite these reforms, the average yield and labour productivity of the plantation sector in Sri Lanka still remain well below those of the major foreign competitors. The author also argues that the new world trading order manifested by liberalisation and globalisation has not been favourable to countries like Sri Lanka.

Deepthi Wickramasinghe examines the implications of climate changes on agriculture. Drawing evidence from the literature, the author points out that climate changes, such as, increased frequency of heat stress, droughts and floods, negatively affect crop yields and livestock. Climate variability also escalates the risks of fires, and pest and pathogen outbreaks, negatively affecting food production. Rising carbon dioxide levels, high temperature, shortage of water resources and extreme weather conditions are the major climate-related factors that hinder agricultural development. The author points out that the corrective actions, such as, changes in crop patterns, effective use of water, fertiliser and pesticides, prudent irrigation systems and improved farmer adaptation strategies should be taken to overcome the adverse consequences of the climate changes.

Economic Development and Agriculture

Examining the future role of agriculture, Nimal Sandaratne emphasises that, irrespective of the declining share of agricultural production in the national output due to structural changes of the economy, this sector could still make a major contribution to economic development by way of

meeting the domestic food demand. Acceleration of domestic food production will help, not only to ease the balance of payments difficulties, but also to reduce rural poverty, unemployment and malnutrition. The positive contributions that could be derived from plantation agriculture are also unquestionable. Development of the agricultural sector calls for marked shifts towards commercialised agriculture, viable part-time and mixed-cropping systems and use of productive technologies. The selection of crops, the farming practices, the size of holdings, the technology used and the marketing and processing of crops would have to be necessarily different. The author draws the attention of the policy makers to place greater emphasis on productivity improvements, research, better extension services and market facilities.

Siri Gamage reviews the evolving development models in the light of the needs of the developing countries. Each of these models focused on different dimensions of development such as basic needs, free market mechanism and modernization. The author shows how the international agencies, governments and development thinkers influence developing countries to determine the direction and texture of development understandings and undertakings. Such bodies are instrumental in the process of transferring development thinking, knowledge, and related funding to developing countries. Therefore, Gamage concludes that the sustainable development models advocated by international agencies have to be critically examined from a developing country perspective so as to judge how much of local autonomy, participation, and inputs are included from the beginning to the end of development projects in the rural agricultural sector.

Bilesha Weeraratne and Takuya Hasbe focus on intergenerational dynamics with regard to the choice

of being a farmer. Using the micro-level data on rural investment climate, the authors find a significant impact of the first generation occupational choice of being farmers on the second generation individual being a farmer. However, such a clear relationship was not evident in the case of second generation effect on third generation individual being a farmer. It was also found that the third generation individuals' choice of being a farmer is greatly influenced by their grandparents being farmers. The authors attribute this empirical irregularity to the fact that the second generation is still active in the farm, while the third generation is still in an exploratory phase in terms of occupational choice. Based on these findings, they conclude that when parents are farmers, there is a high probability of the child to follow parents' footsteps, and therefore, agriculture is unlikely to lose its share in the labour force.

Rural Farming and Small Enterprises

S.P. Premaratne analyses the role of clusters and networks as a tool for development of small enterprises. It is noted that, individually, small enterprises have limited capacity to capture market opportunities due to their smallness and isolation. Clusters and networking could help them to overcome these capacity constraints and to improve their competitiveness. A cluster, which is a group of firms located in a particular geographic area and working in the same industry, could engage in backward and forward linkages. A network is a collection of firms working in cooperation which are not necessarily in same place or in same industry. Networks could be developed within or out of clusters, and they could be eventually converted into a cluster. Both types of grouping could give small firms comparative advantages and collective efficiency benefits. Considering the severe shortage of resources among the small

enterprises, the author argues that collective efforts in the form of clusters and networks must be encouraged.

J.A. Karunaratne puts forward the argument that rural areas are not disjointed from the urban regions as treated in the standard definitions, but an integral component of the market economic system. This denotes a distinction between the feudal countryside and the capitalist rural economy, as much as there is a distinction between the feudal town and the capitalist urbanity. The capitalist development is not merely a massive shift of human resources in favour of urban concentration, but it also involves a transformation of the countryside towards ruralisation. In effect, the countryside becomes the centre of production of agricultural and non-agricultural goods supplying food products and industrial raw materials. Karunaratne concludes that the process of transition from the feudal system to capitalism reflects a major paradigm shift with regard to the rural sector.

K.Amirthalingam and R.W.D.Lakshman, in their article on agricultural livelihoods and IDPs (Internally-Displaced Persons) in Sri Lanka, analyse how civil conflicts decimate agriculture. Using the household survey data gathered from selected conflict-affected areas in the country, the authors provide economic quantification of increased impoverishment risk resulted from displacement. The study reveals that IDPs have various coping strategies for their survival. Human capital on its own is of marginal use as a source of livelihood, and the physical capital assets and institutional structures are essential to make use of human capital effectively. The study also reveals that different types of agricultural livelihoods respond differently to displacement.

Ranjith Bandara examines the impact of the drip irrigation system on the livelihood of the small-scale farmers who benefited from this system in two districts by using the data collected from a sample of households. Based on the results of paired 't' tests, the author finds a positive relationship between the household income and the use of drip irrigation. However, he observes certain deficiencies, primarily in technology delivery and confidence building in rural communities in the current phase of drip irrigation system. Hence, there is an urgent need to disseminate knowledge amongst all stakeholders so as to bridge the information gap. Bandara draws the attention of the policymakers to take appropriate action in this regard in the next phase of the drip irrigation project.

Fredirck Abeyratne, in his paper, analyses the nexus between poverty and governance, and its impact on the agricultural sector focusing on the non-plantation sector. Despite the significant contribution of agriculture to the country's GDP (Gross Domestic Product), employment, and foreign exchange earnings, a substantial proportion of those who are engaged in agriculture remains poor. Limitations, such as, the absence of a consistent long-term vision/mission, people's participation, and results-oriented strategy and the dichotomy of research and extension, have retarded the growth of the agricultural sector. Unless these governance parameters are in place, investment in agriculture will not contribute towards alleviating the poverty status of the vast majority who are engaged in this enterprise. Abeyratne argues that, in the context of worldwide attention on governance issues, the prospects of solving governance-related issues are more promising now than ever before.

Food Security and Non-Plantation Agriculture

W.G. Somaratne presents an extensive analysis of the factors

affecting the global food crisis and its impact on Sri Lankan agriculture with special reference to food security in the country. The author warns that the global food crisis will continue in the future, resulting in a further rise in the price of food to unprecedented levels in this century. Globally, demand for food is expected to escalate due to rapid economic growth in many developing countries, particularly in China and India. On the contrary, there will be a decline in food supply as a result of the unfavourable climate changes and the diversion of farm products to the production of bio-fuel as a substitute for fossil fuel. In the background of these adverse trends, the author stresses the critical role of government intervention in ensuring food security in Sri Lanka. The government needs to take a gamut of initiatives including investment in R&D (Research and Development), supply chain development and management, marketing, public food delivery systems and value addition. High priority should also be given to invest in rural infrastructure to provide an enabling environment for growth in the agricultural sector. Somaratne underscores that the government should recognise and support the role of different stakeholders, including the private sector and NGOs (Non-Government Organisations), in the agricultural promotion drive.

Anura Ekanayake deals with domestic agriculture and food security in his presentation. The paper begins with an outline of the instability of global food markets and their causes of instability including climate change. The paper cautions that a step change in food output occurred following the ethnic conflict does not necessarily guarantee a sustainable growth of food production in Sri Lanka to meet the growing food demand. Considering the adverse trends, such as, declining value added, slow productivity growth, low incomes and high poverty levels in the rural sector coupled with the declining

labour absorption, the author emphasises the need to change the food cultivation strategies. More productive farming practices, such as, higher levels of mechanisation, better post-harvest technology and cost effective storage facilities, should be encouraged so as to enhance farm-level returns. Ekanayake, however, notes that there is no reason to rely solely on one form of agriculture to suit the needs of Sri Lanka. As in many other sectors, an appropriate combination of small, medium and large entities will have to exist based on market conditions and other realities. The author concludes that the best approach would be to allow the markets to function and for any number of feasible models to emerge in keeping with the market dynamics will.

Rev. Wijitapure Wimalaratana thera analyses the role of the agricultural information system in promoting the food sector in Sri Lanka. The author points out that the

agriculture sector lacks free flow of information, which is a basic requirement for efficient operation of competitive markets. This has resulted in a considerable gap between the actual and potential market signals. The responsibility of collection of agricultural statistics lies with different government agencies, and therefore, the agricultural information system in the country is scattered and poorly coordinated. Allocation of the subject of agriculture among several ministries, departments and organisations has further worsened the situation. The need to establish a centralised and timely agricultural information system so as to facilitate market operations is emphasised in the paper.

Timely Publication

Given the current challenges faced by the agricultural sector in the midst of global competition, climate change, food insecurity, productivity limitations and rural

poverty, this volume is an appropriately-timed publication. As discussed above, the volume deals with all these critical issues at this crucial juncture when the agricultural sector of the country is at crossroads. It draws the attention of the reader to the dismal performance of the sector in spite of the policy reforms. This calls for drastic changes in the current policy strategies. This volume is a fitting tribute to Prof. S.M.P. Senanayake for his enormous academic contributions in the fields of rural development and agriculture. I would like to take this opportunity to congratulate the organising team led by Rev. Wijitapure Wimalaratana thera for painstakingly undertaking the mammoth task of compiling this valuable volume. I am confident that this will be an important reference material to policymakers, researchers, academics, students and to those who are interested in the field in years to come.