

Growth of Agriculture

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THE DECLINING IMPORTANCE IN AGRICULTURE IN the Sri Lankan economy is demonstrated by the shrinking share of agriculture in the gross domestic product in the last decade. In the period 1984-86, agriculture, in 1994-96 they accounted for only 20%. Agriculture alone formed 17% of the GDP in 1994-96 as compared to 22% in 1984-86. The shrinking share of agriculture in domestic output has been caused by its sluggish growth. According to the World Development Report 1997, Sri Lanka's average annual agricultural growth was 2.2% in 1980-90 and 2.4% in 1990-95. This growth rate was lower than those of our neighbouring countries as illustrated in the table below:

Average Annual Agricultural Growth%

	1980-90	1990-95
Sri Lanka	2.2	2.4
India	3.1	3.1
Pakistan	4.3	3.4
Indonesia	3.4	2.9
Thailand	4.0	3.1
Malaysia	3.8	2.6
China	5.9	4.3

The sluggish growth in agricultural production was an important factor underlying the slow overall growth of the economy in the last decade.

The relatively poor performance of agriculture in recent years was caused mainly by the shrinkage of the shares of paddy, coconut and rubber in the agricultural sector and the modest increase in tea. Thus, the share of paddy in total agriculture fell from 27.2% in 1984-85 to 22.8% in 1994-96; that of coconuts declined from 14.3% to 12.3% and of rubber from 3.6% to 2.5%; the share of the tea increased only marginally from 11.4% to 11.6%. On the other hand, the share of other crops-subsidary food crops and minor export crops-rose in this period from 43.5% of total agricultural production to 50.8%.

Paddy Production

Paddy production declined in the last decade (1984-86 to 1994-96) by 1.5% from an annual average of 2.556 million tons to 2.518 million tons. This fall was caused mainly by the severe drought of 1996 when paddy production declined by 27% over the previous year. Paddy yield shows a slight increase of 3.7% from 3347 kg/ha to 3470 kg/ha in this period, but the area harvested dropped by 5.3% from an average of 862,000 ha to 816,000 ha as a result of the 1996 drought. It is significant that fertilizer consumption in paddy cultivation rose by 47% in this period from 174,000 tons to 255,000 tons a year, but there was no commensurate increase in yield. Paddy production is determined largely by rainfall and good rainfall is normally accompanied by a good harvest. In 1995, for instance, good rainfall resulted in a bumper crop of 2,810,000 tons of paddy the highest on record-which almost made the country self-sufficient, rice imports in 1995 being only 9000 tons. In 1996, on the other hand, a severe drought caused production to fall to 2,061,000 tons necessitating the import of 341,000 tons of rice.

Subsidiary Food Crops

Subsidiary food crops are grown in small holdings covering an area of about 140,836 hectares. Their production in the last decade presents a mixed picture; some crops such as big onions, red onions, green gram, black gram, groundnuts and maize show an increase, but this increase was modest except in the case of big onions whose production increased over tenfold in this period as shown in the table. Production of red onions, rose by only 4.5%. On the other hand, the production of six subsidiary food crops decreased in this period-potatoes by 22%, chillies by 34%, Kurakkan by 31%, gingerly (sesame) by 25%, soybeans by 65% and cowpea by 10%. In addition, the production of manioc and sweet potatoes too appear to have dropped.

It is clear that generally production of subsidiary food crops is not keeping pace with the increasing domestic demand. This may be due partly to the free import of cheaper products in the case of potatoes and chillies and partly to the preference for rice and wheat over kurakkan, manioc and sweet potatoes with increasing incomes. It is also likely that

the domestic production of other crops such as gingerly, is no longer profitable or that land formerly used to grow such crops is now being used to grow more

profitable ones such as chillies big onions, and potatoes. It should also be noted that some of the subsidiary crops have for long been chena crops, but with chena or shifting cultivation giving way to permanent cultivation, the land available for these crops is becoming scarce. There appear to be so many factors discouraging the production of subsidiary food crops that it is incumbent on the authorities to undertake a deep and comprehensive study of the problems facing subsidiary food crops.

It is a matter of concern that the country is not making full use of subsidiary foods to supply cheap food substitutes for the hungry and the malnourished. Manioc, sweet potatoes, maize and a variety of other tubers are easy to grow and much cheaper than rice and wheat. They form the staple diet of several countries in Africa, and are also used as cattle feed in other countries. They formed a major food supplement in Sri Lanka during the second world war and helped prevent starvation when rice and wheat were not available. They have now receded to the background because relatively cheap rice and wheat are available in plenty in the market. A variety of foods can be prepared from these subsidiary food crops and it behoves the authorities to study the different ways these crops are used as food in other countries with a view to popularizing their consumption in Sri Lanka.

		1984 -86	1994-96	% Change
1	Big Onions	4	44	987.5
2	Red Onions	56	58	4.5
3	Green Gram	17	19	10.8
4	Black Gram	7	10	39.4
5	Groundnuts	8	9	11.0
6	Maize	38	45	19.0
7	Potatoes	108	84	-22.0
8	Chillies	36	24	-34.0
9	Cowpea	19	17	-10.1
10	Kurakkan	7	5	-31.3
11	Gingelly	5	4	-25.0
12	Soya Beans	6	2	-65.0
13	Manioc	480
14	Sweet Potatoes	77

(Central Bank Annual Reports)

Fruits

A variety of fruits are produced in the country-mainly in home gardens-such as plantains, bananas, pineapples, mangoes, papaw, avocado pear, melons, rambuttan, mangoosteen, woodapple, etc., but no statistics on their production have been compiled. It appears, however, that the production of most of these fruits has increased over the last decade to meet the increasing domestic demand from the local population as well as the tourists. Domestic production, however, cannot meet the full demand in some fruits such as oranges, apples, grapes and dates which are being imported.

Fruit cultivation needs to be upgraded if we are to expand our overseas markets for fruits, only a fraction of the potential overseas markets has been captured at present.

Another food crop which has increased in the last decade is sugar cane. Sugar production from sugar cane has increased from 34,391 metric tons in 1986 to 73,010 metric tons in 1996 or by 112%. Domestic production of sugar, however, accounted for only 16% of the total consumption and 381,000 metric tons of sugar had to be imported in 1996.

Performance of Agricultural Exports

Perhaps the most significant feature in Sri Lanka's export performance in the last decade is the relative decline in the share of agricultural exports in the country's total exports. In the period 1984-86, agricultural exports constituted 53% of the total value of exports, but in the period 1994-96, they formed only 22%. Conversely, the share of industrial exports rose dramatically in this period from 40% to 75% of total exports mainly as a result of the expansion of the garments industry. In 1996, garments accounted for 41% of total exports whereas tea accounted for only 15%.

The relative decline in agricultural exports was caused by slower growth both in their volume and price as compared to industrial exports. In the period 1990-96 for instance, for which Central Bank indices are available, the volume of agricultural exports rose by only 8.8% whereas that of industrial exports increased by 97.5%, in the same period prices of agricultural exports rose by 69% while those of industrial exports increased by 103%. Expansion of export volume thus has been much slower than the increase in export price. Let us see why export volume expanded so sluggishly in recent years.

Major Agricultural Exports

The country's major agricultural exports-tea, rubber and coconut products-constitute about 86% of total agricultural exports, tea alone accounting for about 64%. In the decade 1984-86 to 1994-96, it was only tea exports which increased by 17% rubber exports declined by 41% and exports of coconut products fell by 37%. The expansion of tea exports was caused by the increase in production by 18% from an annual average of 211 million kg in 1984-86 to 249 million kg in 1994-96, mainly on account of better prices resulting from increased purchases by Russia.

The decline in exports of rubber and coconut products on the other hand was caused by a fall in production. Rubber production fell by 22% from an annual average of 139 million kg in 1984-86 to 108 million kg in 1994-96 in spite of better prices. The fall in rubber exports by 41% was even greater than the fall in production by 22%.

Coconut production declined only slightly-by 0.2% from an annual average of 2646 million nuts in 1984-86 to 2641 million nuts in 1994-96, but this caused a sharp drop of 37% in the coconut exports. Coconut exports are generally the excess of production over domestic consumption; thus, higher the production over domestic consumption, higher the exports. At the approximate per capita consumption of 118 coconuts a year, the country required around 1850 million nuts a year in 1984-86, as domestic production was 2646 million nuts about 790 million nuts or 30% was available for exports. In 1994-96 on the other hand, a higher population required about 2150 million nuts for consumption; as total production was 2641 million nuts only 497 million nuts or 19% was available for export.

The continuous decline in the production and export of rubber and coconut products is a matter of serious concern which needs government's attention.

Minor Agricultural Exports

In the decade 1984-86 to 1994-96, some minor agricultural exports have increased in volume while others have declined. The four minor exports which have shown the highest increase are vegetables, fruits, unmanufactured tobacco and others (un-classified) as shown in the table. Fruits show the highest increase of 676%, followed by unmanufactured tobacco-402 others 233% and vegetables

212 %. The current volume of exports, despite these increases, are yet small. The volume of vegetable exports was only 10,468 tons in 1996 and of fruits 5817 tons; the export volumes, however, are lower than in 1983 when vegetable exports reached 17,827 tons and in 1981 when fruits reached 23,862 tons. Betel leaves have shown only a marginal increase of 89% in export volume while cashew nuts increased by 17%. Arecanuts experienced a moderate rise of 69%; but the volume is small; in 1980, arecanut exports were 5490 tons but in 1996 they were only 3109 tons.

Agricultural Exports
(Volume in metric tons)

	Export	Average Annual Volume of Exports		
		1984-1986	1994-1996	% Change
	Major			
1	Tea	203,341	238,157	17.1
2	Rubber	118,800	69,833	-41.2
3	Coconut million nuts	789	497	-37.0
	Minor			
1	Vegetables	3,352	10,468	212.3
2	Fruits	749	5,817	676.6
3	Betel Leaves	1,922	2,079	8.2
4	Cashew Nuts	305	358	17.4
5	Arecanuts	1,218	2,061	69.2
6	Unmanufactured Tobacco	649	3,263	402.8
7	Others	12,228	40,678	232.7
8	Cinnamon	7,639	10,323	35.1
9	Pepper	1,563	3,082	97.2
10	Cloves	664	1,132	70.5
11	Nutmeg & Mace	382	835	118.6
12	Coffee	3,862	2,115	-45.2
13	Cocoa Products	785	83	-89.4
14	Cardamom	207	17	-91.8
15	Essential Oils	1,311	315	-76.0
16	Sesame Seed	1,575	83	-94.7
17	Other Oil Seeds	1,975	149	-92.5
18	Papain	14	0	-100.0

In the spices group, nutmeg and mace increased in volume by 119% but the volume of exports is yet small - only 835 tons; pepper increased by 97% and cloves by 71% Cinnamon is the largest in the spices group, but the volume of exports has risen by only 35% to 10,323 tons. Cloves exports averaged 1132 tons in 1994-96, but this was lower than the peak export of 2292 tons in 1990. Cardamom is the only item in the spices group which has actually declined in volume in this period from 207 tons in 1984-86 to 17 tons in 1994-96 or by 92%.

Actually, exports of cardamom in 1996 were as low as 6 tons. This is a matter which needs to be investigated by the authorities.



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Apart from Cardamom, six other minor agricultural exports have declined in volume-coffee, cocoa products, essential oils, sesame seed, other oil seeds and papain as shown in the table. Coffee has fallen by 45% to 2115 tons in 1994-96; this is in contrast to 1985 when exports were 5268 tons. Cocoa products have declined from 1092 tons in 1995 to as low as 43 tons in 1996 and appears to be fading out altogether. Essential oils exports have declined by 76% to 315 tons. Sesame seed exports were as high as 23,383 tons in 1982 but fell to as low a level as only 2 tons in 1996. Japan is interested in purchasing large quantities of sesame seed from Sri Lanka and this may provide an opportunity to revive this much neglected crop. Exports of other oil seeds too have declined from the high figure of 4080 tons in 1982 to 127 tons in 1996. The minor export crop which has faded out completely is pa pain; although 32 tons were exported in 1992, nothing appears to have been exported in 1994-96. Formerly Japan was importing papain from Sri Lanka as well as some East African countries for its beer industry. It is

not clear whether the demand from Japan has declined or whether bottlenecks such as shortage of papain collectors have arisen in the local industry.

The picture presented by figures of agricultural exports is certainly not a rosy one. Major exports such as rubber and coconut products appear to be declining while seven minor agricultural exports coffee, cocoa products, cardamom, essential oils, sesame seed, and other oil seeds - have fallen sharply and papain has practically disappeared. As our declared policy is export-led growth, agricultural exports have a crucial role to play in rapid economic development. It appears as if we are concentrating too much on industrial exports and not paying adequate attention to agricultural exports. This tendency must be reversed.