TABLE 1 - 11

National Savings 1978 — 1982
(At Current Market Prices)

(Rs. Million)

Category	1978	1979	1980*	1981*	1982*
1. G.D.P. at Market Prices ..	42,665	52,387	66,527	85,005	100,314
2. Domestic Savings ..	6,517	7,218	7,443	9,944	12,102
3. Net Factor Income from abroad ..	- 237	- 240	- 432	- 1,712	- 1,969
4. Net Private Transfers from abroad	342	754	2,260	3,918	5,170
5. National Savings ..	6,622	7,732	9,271	12,150	15,303
6. Domestic Savings ratio (2 as a % of 1) ..	15 2	13·8	11·2	11·7	12·1
7. National Savings ratio (5 as a % of 1) ..	15·5	14·8	14·0	14·3	15·3

Source: Central Bank of Ceylon.

* Provisional.

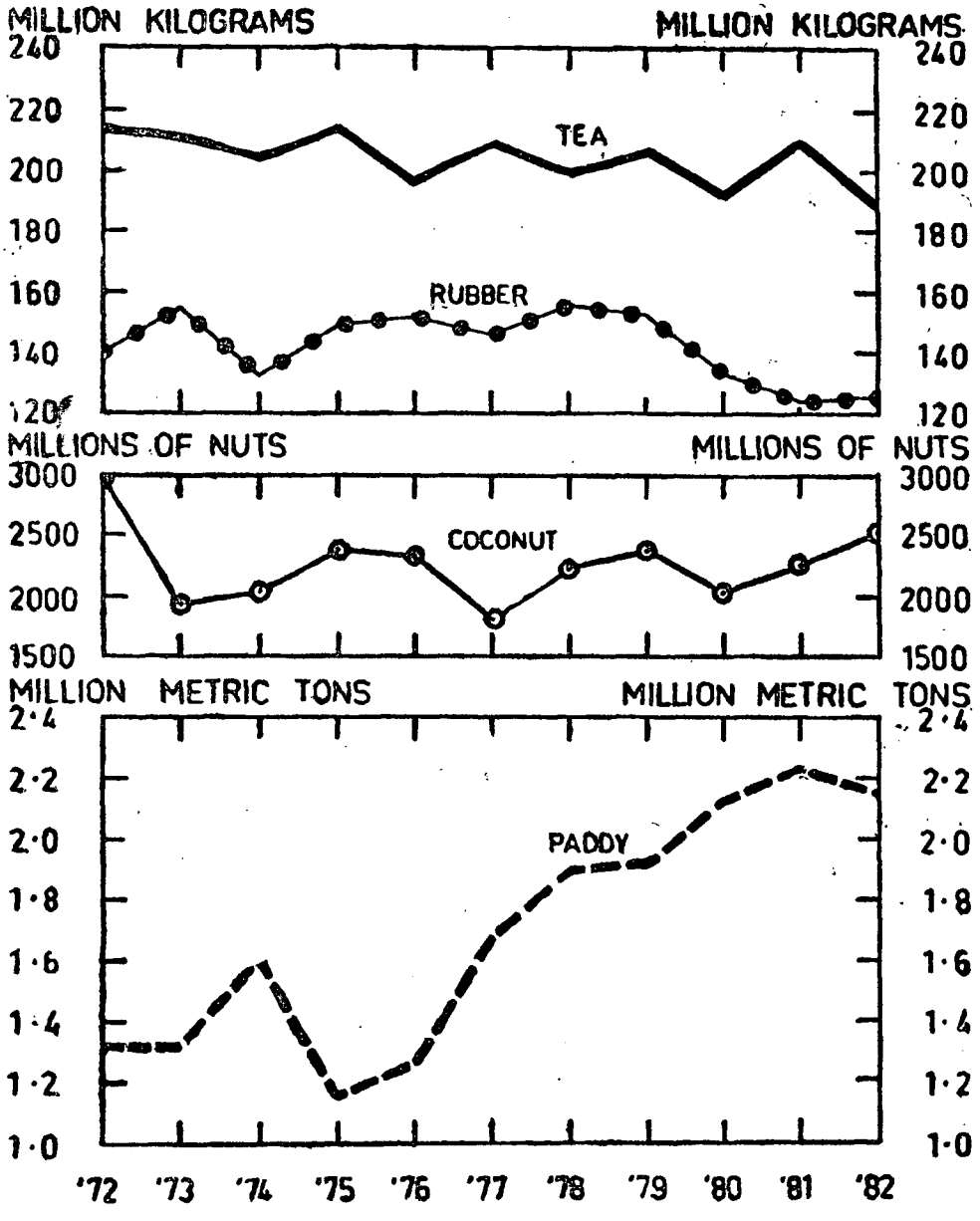
AGRICULTURE

In 1982 the agricultural sector was unable to maintain the impressive growth record achieved in the previous year. The sector as a whole, including forestry and fishing sub-sectors, grew by only 2.6 per cent in the year, as against 6.9 per cent growth achieved in the preceding year.

Tea

Tea production in 1982 has been estimated at 187.8 million kgs. which indicates a decline of 22.3 million kgs. or 10.6 per cent when compared with the production in 1981. This drop in production was evident in all three elevational categories, with low-grown areas reporting the lowest decline of 5.8 million kgs. or 8.3 per cent. High and mid-grown areas reported a decline of 8.8 million kgs. (10.9 per cent) and 7.7 million kgs. (13.0 per cent), respectively. According to information furnished by the Tea Board, production by Janatha Estates Development Boards (JEDBs) declined by 10.4 million kgs. or 13.2 per cent while that of Sri Lanka State Plantations Corporations (SLSPCs) dropped by 6.6 million kgs. or 10.3 per cent from the levels recorded in 1981. These figures relate only to production from leaf obtained from the estates belonging to these institutions. Production from 'bought leaf' decreased by 7.5 per cent (0.5 million kgs.) in the case of the JEDBs and by 12.2 per cent (1.8 million kgs.), in the case of the SLSPCs. The distribution of the decline in total tea production in 1982 by quarters was highly uneven, with the first quarter of the year accounting for 10.8 million kgs. or 48 per cent of the decline. This distributional pattern indicates that the severe drought that prevailed in the first quarter of 1982 adversely affected tea production during the year.

PRODUCTION OF PRINCIPAL AGRICULTURAL CROPS



Central Bank of Ceylon

TABLE 1.12

Tea Statistics 1980—1982

Item	Unit	1980	1981	1982*(a)*
1. Production	Mn./kgs.	191·4	210·1	187·8
1·1 High grown	,,	72·6	80·5	71·7
1·2 Medium grown	,,	55·6	59·3	51·6
1·3 Low grown	,,	63·2	70·3	64·5
2. Registered extent under tea	'000 ha.	245	245	242
3. Yield	Kg./ha.	922	n.a.*(b)*	n.a.*(b)*
4. Fertilizer issues	'000 Mt. tons	109·9	103·3	102·7
5. Replanting *(c)*	Hectares	2,156	2,677	1,981
6. Prices				
6·1 Colombo net	Rs./kg.	17·73	17·71	22·52
6·2 Export f. o. b.	,,	33·41	35·14	35·03
7. Cost of production (*c*)	,,	18·71	18·79	21·97
8. Exports	Mn. kgs.	184·7	183·4	181·0
9. Export earnings	Rs. Mn.	6,170·1	6,444.0	6,342·2
	SDR Mn.	(287)	(284)	(276)
10. Value added as % of GDP *(d)*		6·1	5·0	4·7

Sources : Sri Lanka Tea Board;
National Fertilizer Secretariat;
Central Bank of Ceylon.

(a) Provisional.

(b) Average yield per hectare cannot be computed since accurate data on actual extent in cultivation are not available.

(c) Revised.

(d) In growing and processing only.

Fertilizer issues to the tea sector declined marginally by 600 metric tons to 102,700 metric tons during 1982 partly as a result of the price increase announced in September, 1981. Also, the drought that prevailed in the first quarter of 1982 led to a significant drop in fertilizer issues in the first quarter of the year. In contrast to the situation reported in the previous year, fertilizer application on tea plantations managed by the JEDBs and SLSPCs decreased considerably in 1982, by 13 per cent and 10 per cent, respectively. On the other hand, the data appear to indicate that fertilizer use on privately owned tea lands had increased unlike in the previous year. The increase in prices paid for green leaf during the latter part of the second half of 1982 and the improvement of tea prices at the Colombo auctions since about July, 1982 may have favourably affected the fertilizer use on privately owned tea lands.

The registered extent under tea cultivation decreased marginally in 1982, primarily as a result of the fall in extent under JEDBs and SLSPCs. However, since the tea land registers maintained by the Tea Commissioner's Division of the Tea Board have not been updated to reflect the changes in actual area cultivated with tea over the past several years, there appears to be a wide gap between the registered extent and the actual extent in cultivation. This is a serious matter for concern owing to the fact that proper development planning and evaluation of the performance of this important sector in the economy requires, among others, at least correct and reliable data on the actual extent under cultivation.

The available raw data indicate that the total extent in bearing dropped marginally by about 1 per cent in 1982. The JEDBs and SLSPCs too reported a marginal fall in extent in bearing on estates managed by them. Thus, the fall in production appears to have stemmed primarily from the decline in the average yield rather than from the lower extent in bearing during the year. More reliable data available in respect of the SLSPCs and JEDBs tend to confirm this hypothesis. The average yield per hectare dropped by 7 per cent and 6 per cent in the case of JEDBs and SLSPCs, respectively, when compared with the previous year. Meanwhile, according to the available raw data, the national average yield is estimated to have declined by about 10 per cent in 1982. This drop in average yield was a result of the drought that prevailed in the first quarter of the year.

The performance in regard to replanting has also been disappointing. The area replanted which showed a dramatic increase of 24 per cent in the preceding year decreased by 696 hectares or 26 per cent in 1982. The fall was primarily confined to estates under the SLSPCs. The extent replanted by the SLSPCs dropped from 1,289 hectares in 1981 to 747 hectares in 1982, a decrease of 42 per cent, while that of the JEDBs declined by 17 per cent from 775 hectares in 1981 to 640 hectares in 1982. Besides the unfavourable weather conditions that prevailed in the first quarter of 1982, liquidity problems experienced by the SLSPCs and JEDBs together with the increased cost of replanting explain the poor performance during the year. It is pertinent to note that the replanting subsidy given to the state sector is less than that given to smallholders and estates in private hands.

While the importance of accelerating replanting is recognized, there is an urgent need to place more emphasis on infilling as well. Infilling, unlike replanting, does not have short-term adverse effects on production. It is important to note that the decrease in bush density on many plantations has been identified as a major reason for the declining trend in production during the recent past. Therefore, it is worth considering an increase in the existing subsidy for infilling from the level of Rs. 2/- per infilled plant.

The average export (f.o.b.) price of tea decreased marginally by less than 1 per cent in1982. The average net (of Ad valorem tax) Colombo auction price, however, showed a marked improvement of 27 per cent from Rs. 17.71 per kg. in 1981 to Rs. 22.52 per kg. in 1982. The improvement in prices occured largely in the second half of the year and brought some relief to the tea industry faced with increasing costs of production and more or less stagnant prices.

The average cost of production (COP) per kg. of made tea is estimated to have increased from Rs. 18.79 in 1981 to Rs. 21.97 in 1982 (an increase of 17 per cent). Much of the benefits that would have accrued to the industry as a result of the price developments noted above would have been eroded as a result. The COP increase is attributable to the rise in wages which resulted primarily from the consolidation of allowances paid to the plantation workers in 1982[1]. In addition, the full impact

1. Allowances paid to plantation workers, such as the Plantation Workers Additional Special Allowance (PWASA) and the Private Sector Special Allowance (PSSA), were consolidated into one allowance (e.g. Rs. 5.15 for male labour and Rs. 4.95 for female) according to Act No. 72 of 1981, Allowances to Plantation Workers.

of the increase in fertilizer prices in September, 1981 was felt in 1982. Further, the increase in cost of electrical power and the increased interest cost arising from increased dependence on bank borrowings also tended to push up the COP.

As in the previous year, smallholders were also operating in a context of a rising COP in 1982. In order to cushion the adverse impact of the price rise in fertilizer effected in September, 1981 on the smallholder sector, the minimum price payable for green leaf supplied by the smallholders was raised from Rs. 2.53 per kg. to Rs. 2.86 per kg. with effect from 1st January, 1982. This was increased again to Rs.3.10 per kg. in May, 1982 to improve their margins further. At the same time, since the cost of processing green leaf into made tea rose primarily owing to the higher electricity charges, the amount deductible as manufacturing charges for processing of bought green leaf of private holdings by the factories coming under the 'Price Support Measure Scheme' (PSMS) was increased in May, 1982 from Rs. 6.12 per kg. to Rs. 6.50 per kg.

Despite the increase in minimum prices, the bulk of the smallholders who cultivate holdings below about 2 hectares would obtain prices well below the guaranteed minimum price, owing to the imperfections in the green leaf market dominated largely by various types of middlemen dealers. Evidently, market imperfections are a major factor constraining the development of the tea smallholdings in the country. Also, as noted in the previous year's Annual Report another important constraint is the lack of easy access to institutional credit for these growers. Several micro-level studies have shown that tea smallholders depend almost entirely on non-institutional sources for their credit needs. This heavy dependency appears to have significantly reduced the bargaining power of the smallholders in the green leaf market, thereby resulting in lower bought leaf prices.

The Tea Smallholdings Development Authority (TSHDA) continued to serve the tea smallholders in certain areas, particularly in the Southern Province where a dynamic smallholdings sector is found at present. The TSHDA operated six factories in 1982 primarily to process green leaf produced on smallholdings. One of these, Neluwa-Medagama factory in the Hiniduma electorate where smallholders were faced with a severe problem of lack of processing facilities, was opened in March, 1982. Considerable progress was also made in the construction activities of the other four factories being built in the Hiniduma electorate, one of which is scheduled to be commissioned in early 1983. Also, partially fulfilling a long-felt need, the TSHDA has taken steps to strengthen its limited extension staff for the benefit of the smallholders. Although it is important to build new factories in areas where serious shortages of factory capacity exist, the TSHDA should not try to pursue this policy too far, given the constraints of funds. Perhaps, it may be more beneficial to the smallholders in the country if the TSHDA places greater emphasis on improving extension services and fertilizer distribution together with the marketing facilities available to them. A concerted effort to introduce a comprehensive credit scheme for the smallholders with the co-operation of commercial banks could also prove useful. The Fertilizer Credit Scheme for Tea Smallholders came into operation on a pilot basis in the Matara district in 1982. Although useful, it appears to be

inadequate to meet the credit needs of the smallholders. While it is too premature to make any generalizations as regards the benefits of the scheme, it appears from the data available that the scheme tends in its implementation to benefit the more well-to-do farmers rather than credit needy farmers who cultivate average holdings of about 1-2 hectares in extent.

The JEDBs and SLSPCs continued to face more or less the same set of problems that they were confronted with in the previous year. The rising trend in COP at estate level continued. Tentative data indicate that the estate level COP of these institutions increased in 1982 by about 25 per cent. As explained earlier, the higher fertilizer prices and electricity charges together with higher wages explain the bulk of this upward movement in COP. However, according to provisional data, the SLSPCs appear to have been able to reduce their negative producer margin significantly. It appears that, unless urgent measures are taken to improve productivity and reduce heavy dependence on bank borrowings to meet working capital requirements, the rate of increase in the unit cost of production cannot be slowed down in the near future.

Rubber

Rubber production in 1982 has been provisionally estimated at 125 million kgs. indicating a marginal increase of 1 million kgs. (about 1 per cent) over the production in the previous year. This improvement resulted entirely from the better production levels reported by the private sector including smallholders. The relatively better prices of lower grade rubber evidently induced some smallholders to resort to slaughter tapping. The favourable weather conditions that prevailed during most of the year may also have contributed to the improvement in production.

TABLE 1.13

Rubber Statistics 1980—1982

Item	Unit	1980	1981*(a)*	1982*(b)*
1. Production ..	Mn. Kgs.	133	124	125
2. Area				
2.1 Under cultivation ..	'000 ha.	227.3	205.6	205.7
2.2 Under tapping ..	,,	185.6	176.0	171.5
3. Yield ..	Kg./ha.	718.0	705.0	726.0
4. Fertilizer issues ..	'000 Mt.	22.0	16.8	16.5
5. Replanting ..	Hectares	5,434.0	6,442.0	6,782.0
6. Prices				
6.1 Exports f. o. b. ..	Rs./Kg.	21.42	21.80	17.68
6.2 Colombo R.S.S.I ..	,,	10.62	10.04	10.18
7. Cost of Production*(c)* ..	,,	8.20	8.92	9.66
8. Exports ..	Mn. Kgs.	121.0	132.5	131.3
9. Domestic consumption ..	,,	14.9	16.2	16.4
10. Export earnings ..	Rs. Mn.	2,590.5	2,889.0	2,322.6
	(SDR Mn.)	(120)	(128)	(101)
11. Value added as % of GDP *(d)* ..		2.9	2.3	2.1

Sources: Rubber Control Department; National Fertilizer Secretariat; Central Bank of Ceylon.

(a) Revised
(b) Provisional
(c) Weighted average cost of production of public sector estates, private sector estates and smallholdings.
(d) In growing and processing only.

The extent uprooted during the year amounted to 7,083 hectares. This extent exceeded the new areas which came into bearing during the year, thus leading to a fall in extent under tapping by about 3 per cent. This declining trend in area under tapping is likely to continue for several years in the future owing to the poor replanting performance in the past and the planned acceleration of replanting activities in the years to come.

The average yield per hectare in 1982 rose by 21 kgs. or 3 per cent to 726 kgs. when compared with that of the previous year. However, the average yield continues to remain far below the most recent peak yield of 845 kgs. per hectare which was reported in 1978. Since the JEDBs and SLSPCs, which together account for about 32 percent of the total extent under rubber, reported a fall in average yield on their estates by 1 per cent and 5 per cent, respectively, it appears that yield on the privately owned rubber lands has improved significantly during 1982.

Fertilizer issues to the rubber sector continued to decline for the third consecutive year and amounted to 16,500 metric tons in 1982. There has been a marginal decrease in issues of 300 metric tons or 2 per cent when compared to the amount issued in 1981. However, the JEDBs and SLSPCs each reported a greater decrease of 1,100 metric tons in the amount of fertilizer application. Consequently, it appears that issues to the private sector increased. The available data indicate that although the private sector accounts for nearly 68 per cent of the total extent under rubber, it accounts for only about one third of the total amount of fertilizer used in the rubber sector. Evidently, the bulk of the private owners do not use any fertilizer at all on mature rubber lands. Thus, given the fairly high positive correlation between fertilizer application and average yield, improved fertilizer use in the private sector rubber lands, deserves to be given greater attention.

The area replanted rose by 5 per cent from 6,442 hectares in 1981 to 6,782 hectares in 1982, despite a 40 per cent drop in the extent replanted by the JEDBs and SLSPCs. It appears that the increase in the replanting subsidy in 1981, coupled with the implementation of the rubber rehabilitation programme under World Bank assistance in the Kalutara, Kegalle and Ratnapura districts, have had a significant favourable impact on the replanting performance in the private sector. During 1982, 3,029 hectares were replanted in the three districts referred to above under the rehabilitation programme. Although the replanting achievements in 1982 exceeded the target for the year by 682 hectares, considering the slow pace of replanting in the past, a much higher rate of achievement is essential to clear the backlog.

New planting also showed a significant improvement in 1982. The extent newly planted increased from 1,056 hectares in 1981 to 1,650 in 1982, an increase of 56 per cent. In a context where the subsidy for new planting remained unchanged,

while cost of new planting was increasing, this improvement is remarkable. About 70 per cent of the newly planted extent during 1982 was in the private sector while the state sector accounted for only about 30 per cent.

The cost of production (COP) of rubber increased both in the public sector and the private sector. The public sector estates usually experience a much higher rate of increase in COP than the private sector mainly due to the increase in the cost of labour. The private sector estates and smallholdings were able to contain the increase in COP within reasonable limits mainly by keeping wage rates below those on the public sector estates.

There is scope for improvement in the rubber smallholder sector by the provision of better extension services, processing and marketing facilities. Incorrect tapping methods adopted by many smallholders seem to reduce the long term latex yield and the productive life-span of trees. Also crude methods of processing of latex adopted by many smallholders together with market imperfections appear to lower the quality as well as the price. In this respect, there is an urgent need to revive the scheme of group processing of smallholders' rubber and rehabilitate the already existing group processing centres in various rubber producing areas. It is doubtful whether the smallholder sector can be placed on a sustainable growth path without such group activities involving both the smallholders themselves and the service institutes, such as the Rubber Research Institute. Unlike in the previous year, the local consumption of rubber showed only a marginal increase from 16.2 million kgs. in 1981 to 16.5 million kgs. in 1982. However, there appears to exist ample scope for expansion of rubber based industries in the country to boost export earnings from rubber. The realization of this potential, however, depends to a large extent, upon the incentives that would be provided to such industries.

Coconut

One of the significant achievements in the production of export crops in 1982 was in coconut. Coconut production in 1982 reached a peak which has not been achieved since the early 1970s. Production has been estimated at 2,510 million nuts, representing an 11 per cent increase over 1981. This achievement was primarily due to the fact that the coconut growing areas experienced favourable weather conditions during the latter part of 1981 and the last three quarters of 1982. The liberalization of controls that characterised the coconut export trade also contributed to the positive response exhibited by producers. However, the country was unable to reap the maximum benefits of this growth in production, owing to the unfavourable price developments for coconut products in the world market.

The 40 per cent increase in the export volume of kernel products was even more remarkable. However, despite this remarkable increase in volume the value of exports of coconut kernel products remained approximately the same

as in the previous year, due to the depressed prices in the world market. The impact of the deterioration in international prices was immediately felt by the local producers. With export duties being virtually nil on coconut oil exports the government was compelled, as a form of relief to the industry, to introduce a Price Support Scheme for coconut oil in April, 1982 . Later, in September, 1982, a similar scheme was introduced for desiccated coconut (DC) with the primary objective of assisting coconut growers to obtain a more remunerative price for their nuts.

Coconut oil production and desiccated coconut production increased by 35 per cent and 4 per cent, respectively, when compared to the previous year. This somewhat skewed growth in favour of the coconut oil industry was partly due to the timing of the introduction of the price support schemes mentioned earlier. Despite the fact that the rate of decrease in DC prices was much higher than that of coconut oil, which has a substantial local market, it was the price support scheme for the latter which was introduced first and the scheme for the DC sector came much later in the year.

TABLE 1.14

Coconut Statistics 1980—1982

Item	Unit	1980	1981	1982*(a)*
1. Production*(b)*	Mn. Nuts	2,026	2,258	2,510
1·1 Desiccated coconut	Mn. Nuts*(c)*	217	276	286
1·2 Coconut oil	Mn. Nuts*(c)*	500	605	815
1·3 Copra*(d)*	Mn. Nuts*(c)*	1	10	19
1·4 Fresh coconut exports*(e)*	Mn. Nuts	—	2	9
1·5 Domestic consumption*(f)*	Mn. Nuts	1,326	1,350	1,371
2. Average price				
2·1 Colombo	Rs./Nut	1·48	1·80	1·64
2·2 Export f. o. b.	Rs./Nut	3·13	2·45	1·76
3. Fertilizer issues	'000 Mt. tons	55·8	37·7	30·2
4. Cost of production	Rs./nut	0·40	0·55	0·57
5. Export earnings	Rs./Mn.	1,234	1,438	1,497
	(SDR·Mn.)	(57)	(64)	(65)
5·1 Kernel products	Rs. Mn.	754	1,011	1,003
	(SDR Mn.)	(35)	(45)	(44)
5·2 Other products	Rs. Mn.	480	427	494
	(SDR·Mn.)	(22)	(19)	(21)
6. Value added as % of GDP*(g)*		4·1	4·1	4·1

Sources: Coconut Development Authority; National Fertilizer Secretariat; Central Bank of Ceylon.

(a) Provisional.

(b) Estimate (breakdown does not sum to total production due to adjustment for changes in copra stocks)

(c) In nut equivalent converted at 1 Mt. ton D. C = 6,800 nuts;
1 Mt. ton oil = 8,000 nuts and
1 Mt. ton copra = 4,925 nuts.

(d) Exports only.

(e) Export of fresh nuts was resumed in May, 1981 after a long period of restrictions.

(f) Estimated on the basis of per capita consumption of 90 nuts/year.

(g) In producing and processing only.

Under the Price Support Scheme for coconut oil, the Coconut Development Authority purchased oil from registered millers at Rs. 9,500 per metric ton. The millers, in turn, were expected to purchase copra at Rs. 1,400 per candy, thereby ensuring a minimum price of Rs. 1,000 per 1,000 nuts to the producer. Having been instituted early in the year this scheme played a useful role in helping to maintain producer prices at remunerative levels. The nut prices rose from around Rs. 650 in April to Rs. 1,000 per 1,000 nuts towards the end of the year.

While domestic prices of DC declined by 23 per cent in 1982, its production maintained an increasing trend during the first five months of the year and, then declined by 22 per cent during the second half of the year when compared to the same period last year. The Price Support Scheme for DC was introduced in September, 1982 at the special request of DC millers shortly after the decline in production commenced. There was, however, insufficient time for the scheme to have any definite impact on production, because it was implemented somewhat late in the year. Under this scheme, desiccated coconut millers were supported by a grant of Rs. 1,000 per metric ton of DC of exportable quality manufactured by them. The millers in turn were required to ensure that the producers from whom they purchase nuts received at least Rs. 1,000 per 1,000 nuts. In November, 1982, this scheme was revised, increasing the grant given to D.C. millers to Rs. 2,000 per metric ton as millers were reportedly unable to ensure the minimum price to producers at the rate specified earlier.

Fertilizer issues for coconut lands in 1982 continued on a declining trend, decreasing further by 20 per cent to 30,200 metric tons. This deterioration was more pronounced in the first and third quarters of the year. As cost of fertilizer application accounts for about 35 per cent of the cost of production of coconut, it appears that growers were applying fertilizer more frugally and at the most productive time to reap maximum benefits.

Despite the crucial need for credit for fertilizer, the number of loans granted and the total amount disbursed under the Coconut Fertilizer Credit Scheme have declined consistently. The number of loans granted by both the People's Bank and the Bank of Ceylon amounted to 1,198 in 1982, a decline of 31 per cent when compared to the 1,748 loans granted by them in 1981. The total amount disbursed consequently declined from Rs. 10.2 million to Rs. 9.1 million or by 11 per cent. Since the inception of the scheme in 1979, 19,288 metric tons of fertilizer have been purchased under the credit scheme. This amounts to only 11 per cent of the total amount of fertilizer issued to the coconut sector during the same period.

Only 198 hectares of coconut land were intercropped in 1982. This represents a 44 per cent decline in the area intercropped. Intercropping has been on a steady decline since 1980. The area intercropped in 1980 and 1981 amounted to 573 hectares and 355 hectares, respectively. This decline was seen in all three categories of crops covered by the intercropping subsidy scheme (i.e. coffee, cocoa and pepper), but, as in the previous year, it was most pronounced in cocoa, which declined by 87 per cent. The area intercropped with coffee and pepper declined by 44 per cent and 33

per cent, respectively. Subsidies for the intercropping of cocoa were granted for only 3 hectares, compared to 24 hectares in 1981. During the past two years, only 17 permits for intercropping of cocoa were issued each year. It appears that the popularity of cocoa as an intercrop is diminishing steadily. However, coffee has emerged as the most popular of the intercrops. Permits issued for intercropping of coffee amounted to 755 (141 hectares), which, despite a substantial drop from the 1,526 permits (251 hectares) issued in 1981 were by far the largest of all three intercrops.

Response to the subsidy scheme for intercropping has been slow and interest in the scheme appears to be gradually waning. This is mainly due to the damage caused to intercrops by intermittent droughts. The total extent intercropped under the scheme has been small and, moreover, the area receiving second and third instalments has declined steadily, indicating a high degree of neglect of intercropped land after the first subsidy instalment is obtained. It is essential to move away from the traditional view of coconut lands as strictly monocultural holdings. Intercropping stands out as a means of generating additional income to growers, which in the long run will not only ensure the economic viability of coconut lands, but also may enable coconut growers to undertake more beneficial cultivation practices to improve productivity.

The extent of coconut land rehabilitated during the year amounted to 11,200 hectares, a 27 per cent decline when compared to the area rehabilitated during the previous year. The subsidy payments for rehabilitation declined by 20 per cent to Rs. 5.7 million. The total extent underplanted and replanted at 3,543 hectares, having shown a considerable improvement (a 30 per cent increase) in 1981, remained approximately at the 1980 level during 1982. Subsidy payments for this purpose declined marginally from Rs. 13.7 million in 1981 to Rs. 12.9 million in 1982. Newly planted area, which more than doubled from 1980 to 1981, rose only marginally by less than 1 per cent in 1982, from 5,259 hectares in 1981 to 5,291 hectares. Subsidy payments for new planting rose by 12 per cent to Rs. 15.5 million. It appears that planting and rehabilitation activities during the year have stagnated somewhat in comparison to the increasing trend shown in the previous year. As mentioned in last year's Annual Report too, this is unfortunate in the light of the substantial extent of coconut land that has gone out of production due to senility, accelerated development activities and the cyclone in 1978. Unless a more concerted effort to maintain and accelerate replanting and new planting activities is made, the production base for the future would be severely undermined.

Minor Export Crops

Minor Export Crops refer to a series of perennial crops, the produce of which is mainly exported. However, most of these crops, perhaps with the exception of cinnamon and cardamom, are grown in 'mixed gardens' or 'home gardens' in small holdings. Because of this it is extremely difficult to obtain accurate data either on actual extent in cultivation or on production. This makes any analysis of the development of this sector a difficult task. However, given the fact that the bulk of the production of these crops is exported the export volume may be used as a reasonable proxy for production.

Thus, judging by the 43 per cent increase in export volume, coffee production appears to have increased significantly in 1982. However, export volume data indicate that production of all other important minor export crops has suffered a significant setback during the year.

The Department of Minor Export Crops continued to operate the assistance scheme for promoting the cultivation of these crops during 1982. The total extent planted in 1982 under the Minor Export Crop Assistance Scheme has shown a marginal increase over the previous year. Reflecting the generally favourable export prices that prevailed in the recent past, new planting of pepper, coffee and cloves under the subsidy scheme indicated a considerable improvement during 1982.

Although minor export crops at present contribute only a small proportion (about 4 per cent) of total export earnings, there is a vast potential for expansion of these crops in coconut, rubber and uneconomical tea lands. In fact, there is ample room for expansion of crops such as cocoa, coffee and pepper as intercrops in coconut lands and several other minor export crops as intercrops in rubber lands. Undoubtedly, a system of mixed cropping in these lands, if properly done, could be more economical than a system of monocropping. Such a system could also lead to more employment and better utilization of scarce land resources in the country. In this respect, JEDBs and SLSPCs which together manage about 270,000 hectares of tea, rubber and coconut lands can play a major role.

In the small holding sector, use of better varieties for cultivation, adoption of other improved cultivation practices such as use of fertilizer, pest and disease control measures together with new planting to replace low yielding old plants are required to raise production.

Paddy

The impressive gains achieved in the production of paddy in the past received a temporary setback due to adverse weather conditions, particularly during Maha, 1981/82. The Department of Census and Statistics has estimated paddy production in 1982 at 2.16 million metric tons (103.3 million bushels of paddy or 1.5 million metric tons of rice). This represents a decrease of 3.3 per cent when compared to production in the previous year. Paddy production in Maha, 1981/82 was estimated at 1.4 million metric tons (65 million bushels), a decline of 159,575 metric tons or 11 per cent when compared to the previous Maha season. The Maha, 1981/82 harvest accounted for 63 per cent of the total production in 1982, whereas the corresponding Maha, 1980/81 harvest accounted for 68 per cent of the production in 1981. Production in Yala, 1982, however, recorded a substantial increase of 12 per cent and was estimated at 792,849 metric tons (38 million bushels).

The marginal decline in paddy production in 1982 was due to the shortfall in production which occurred during the Maha season. The significant drop in production during the 1981/82 Maha season can be attributed to the fact that a substantial extent of the area sown was abandoned or damaged as a result of the drought

which prevailed in the first quarter of the year. The decline in fertilizer issues may also have had an adverse effect on Maha production. The production level achieved in Yala, however, was the highest ever recorded during a Yala season, and helped partially compensate the losses sustained during Maha. The increased production in Yala, 1982 was primarily the result of substantial increases in yield in the major producing districts.

TABLE 1.15

Paddy Statistics 1981—1982

Item	Unit	1981			1982 *(a)*		
		Maha	Yala	Total	Maha	Yala	Total
Gross extent sown ..	'000 Hectares	597	280	877	568	277	845
Fertilizer issues*(b)* ..	'000 Mt. Tons	111	54	165	92	49	141
Credit granted ..	Rs. Mn.	71	26	97	114	13	127
Extent under improved seeds ..	'000 Hectares	577	262	839	515	248	763
Gross extent harvested ..	'000 Hectares	565	272	837	479	268	747
Yield per hectare*(c)* ..	Kgs.	3,005	2,933	3,014	3,150	3,332	3,260
Net extent harvested ..	'000 Hectares	501	239	740	424	237	661
Production	'000 Mt. tons	1,523	707	2,230	1,363	793	2,156
Purchases under GPS ..	,,	98·2	0·6	98·8	71	13	84
Purchases under Tender Scheme *(d)* ..	,,	28·3	0·5	28·8	—	—	—
Imports (paddy equivalent) ..	,,	170	55	225	70	159	229

Sources : Department of Census and Statistics;
Department of Agriculture;
Ministry of Agricultural Development and Research;
Paddy Marketing Board;
Ceylon Fertilizer Corporation.

(*a*) Provisional.

(*b*) The fertilizer issues during cultivation year and calendar year are invariably different. Calendar year counts from January to December. Cultivation year comprises Maha (Sept /Oct. – March/April) and Yala (April/May – August/September).

(c) Yield per hectare for Maha and Yala are calculated using data from the Department of Census and Statistics which are based on crop cutting surveys, while total yield is calculated by dividing total production by the net extent harvested.

(d) The Tender Scheme was started in February, 1981.

While total production in 1982 registered a marginal decrease, the average yield per hectare increased from 3,014 kgs. in 1981 to 3,260 kgs. This increase of 246 kgs. in yield during 1982 is a significant achievement when compared with the improvement of 86 kgs. recorded during the preceding year. The average yield in Maha, 1981/82 rose by 145 kgs. (or 5 per cent) when compared with the preceding Maha season. Although, in this season the average yield in areas under minor irrigation schemes increased by an impressive 12 per cent, the yield in areas under major irrigation schemes rose by only 3 per cent. This is particularly disappointing

given the fact that rainfed areas too reported a 2 per cent improvement in yield per hectare amidst adverse weather conditions. Since new land has been brought under cultivation in major irrigation schemes at a very high capital cost per hectare, the potential for yield improvements that now exists should be exploited as quickly as possible.

According to the provisional data for Yala, 1982, the average yield in this season rose by 399 kgs. per hectare or 14 per cent, largely due to the significant improvement that occurred both in areas under major and minor irrigation schemes. Unlike during Maha, the average yield in areas under both major and minor irrigation schemes improved significantly by 19 per cent and 18 per cent, respectively, while that in the rainfed areas increased by 9 per cent. In Yala, 1982, both major and minor irrigation schemes reported a higher average yield than what was achieved in the Maha season.

Despite an impressive increase in average yield, the extent under new improved varieties decreased by 9 per cent to 763,000 hectares during the 1982 cultivation year. This is a setback when compared to the 23 per cent increase in extent brought under new improved varieties during 1981, at which time 839,000 hectares were planted. This decrease may be partially due to the 11 per cent decrease in extent under improved varieties during Maha, when the drought conditions coupled with higher fertilizer prices may have proved a disincentive to the use of improved varieties.

Due to the persistent shortage of water and the high yield potential of the shortage varieties of rice (3-3½ month gestation) which are presently available, it appears that farmers have begun to shift to the cultivation of shortage varieties in both seasons rather than simply during the Yala season. Due to the shorter growth duration of these varieties, farmers have less time for good crop management. Therefore, the Central Rice Breeding Station at Batalagoda has developed a new variety, BG 380-2, which matures in 4 months and has a high yield potential. The use of this new variety should minimise any production losses and management lapses which may have resulted from the shift toward shortage varieties, as well as provide an incentive for the further use of new improved varieties.

The total sown extent of paddy in 1982 decreased by 32,816 hectares (or 4 per cent) when compared to the previous year. This was primarily due to the 5 per cent decrease in sown extent during Maha, 1981/82. During the previous Maha season, the extent sown in both rainfed areas and the areas under minor irrigation recorded decreases of 3 per cent and 20 per cent, respectively, while the extent sown in areas under major irrigation increased by 4 per cent. The difference between the sown and harvested extent in 1982 was 98,515 hectares, or 12 per cent of the gross sown extent. This is more than double that of the corresponding figure for the previous cultivation year which was 40,121 hectares or 5 per cent of the gross sown extent. For Maha, 1981/82 this difference was 89,096 hectares or 16 per cent of the extent sown during the season. In Yala, 1982 this difference amounted to only 3 per cent of the extent sown. The substantial increase in the incidence of crop failure during 1982 was primarily the result of the severe drought that prevailed during the first quarter, which took its toll of the Maha harvest.

There was a decline in fertilizer issues to the paddy sector. Issues to this sector during the cultivation year 1982, decreased by 29,398 metric tons. This represents a decline of 14 per cent when compared to the amount issued in 1981. Issues during Maha declined by 17 per cent while those during Yala declined by 9 per cent. The average amount of fertilizer issued per sown hectare dropped by 12 per cent, from 186 kgs. in Maha, 1980/81 to 163 kgs. in Maha, 1981/82. The corresponding figure for Yala, 1982 decreased by only 8 per cent from 193 kgs. in 1981 to 177 kgs. in 1982. Adverse weather conditions during the Maha season in conjunction with the higher fertilizer prices announced in September, 1981 explain this drop in fertilizer issues.

Purchases of paddy under the Guaranteed Price Scheme (GPS) by the Paddy Marketing Board (PMB) during 1982 amounted to 84,101 metric tons indicating a decline of 15 per cent when compared to 1981. As in 1981, the increased role of the private sector contributed to the reduced purchases of paddy by the PMB. The decline in production during Maha, when the majority of purchases are made, would also have contributed to the lower level of purchases. As in previous years, the bulk of the purchases (83 per cent) were made in the dry zone surplus districts, particularly in Amparai, Trincomalee and Anuradhapura. While less than 1 per cent of the PMB's purchases during 1981 were made during the second half of the year, the PMB was able to purchase 16 per cent of its total paddy purchases in 1982 during the second half of the year, primarily due to the vast improvement in the Yala harvest.

In 1981, under the Tender Scheme which was introduced to attract paddy from private trading sources, the PMB was able to purchase 28,850 metric tons. However, no purchases were made under this scheme in 1982. It appears that the scheme was subjected to considerable interference from middlemen and hence not operated during the year. In 1981, 56 per cent of the total purchases by the PMB were direct purchases from farmers. During 1982 the PMB made a concerted effort to increase this share of direct purchases from farmers, particularly in deficit districts where private traders play a reduced role. Nervertheless, taking into account total purchases made by the PMB in 1981, inclusive of the Tender Scheme, the PMB procured 34 per cent less paddy in 1982 than in the previous year.

Given the fact that the open market price of paddy remained far above the guaranteed price (on average Rs. 72/-) throughout 1982, the PMBs' reduced purchases are not surprising. However, the PMB appears to have played an important role as a floor price operator, preventing a sharp fall in prices below GPS prices during harvesting seasons, particularly in surplus districts. The PMB commenced large scale milling in July, to enable it to have sufficient stocks to counteract the expected increases in the price of rice during the last quarter of the year. Further, the PMB sold a substantial quantity of rice through mobile units as well as transferred stocks to the Food Commissioner in the last quarter. The prices of all qualities of rice are reported to have increased by only 4 per cent, on average, from the first to the latter half of 1982. In 1981, over the same period, the corresponding increase was 12 percent. There is some evidence to indicate that the PMB contributed towards arresting the increase in prices which usually occurs over this period.

Sugar

Sugar production (net of production from sweepings purchased from the Food Commissioner) by the Sri Lanka Sugar Corporation in 1982, has been estimated at 22,783 metric tons. This indicates a decrease of 4 per cent when compared with the production for the previous year. The production at Hingurana factory reported a marginal decrease of 1 per cent, while Kantalai factory reported an 8 per cent decrease. The drop in production at both factories was mainly due to the lower supply of cane available for processing.

The extent under cane (extent planted plus ratoonings) managed by the Hingurana factory decreased by 14 per cent , while the area harvested dropped by 4 per cent in 1982. The amount of cane harvested declined by 9 per cent, owing to the 5 per cent decline in yield and the lower extent harvested. However, the supply of cane to the factory by the private sector reported a dramatic increase of 43 per cent, when compared with that of the previous year. This increase in supply of cane by the private sector offset, to a large extent, the adverse impact of the decline in the amount of cane harvested by the factory. The private sector accounted for 22 per cent of the total amount of cane processed at the Hingurana factory in 1982, as against the corresponding share of 15 per cent in 1981.

The extent under sugar cane managed by the Kantalai factory increased by 8 per cent, while the area harvested remained unchanged at the previous year's level. However, since the average yield per hectare dropped by 14 per cent in 1982, the amount of cane harvested declined by 14 per cent in comparison with the previous year. Unlike in the case of Hingurana, supply of cane by the private sector to the Kantalai factory was negligible, as in previous years.

Sugar recovery rates of both factories, estimated to be 7·8 per cent, increased when compared to last year, but were still far below those achieved in other major sugar producing countries. On the whole, the performance of the two factories indicates that there is much room for improvement of efficiency both with respect to cultivation and processing.

Smallholder participation is a major characteristic of cane cultivation in Hingurana. At present, marketing problems prevent cultivators from getting a good return on their crop. The Sugar Corporation should make a concerted effort to provide better marketing facilities to the smallholder growers in Hingurana. Also, a better system of extension to promote fertilizer use and other improved cultivation practices, particularly the use of healthy seed cane of good varieties, is essential to improve the smallholders' sugar cane cultivation in the area.

Since local production of sugar is adequate to meet only about 10 per cent of the total sugar requirements of the country, the government has extended a series of incentives to attract private sector participation in the field of sugar cane cultivation and processing. There were indications in 1982 that the private sector would respond positively to these incentives and mobilize its resources to develop

the sugar industry in the country. In addition, a new state-owned factory at Sevenagala in the Moneragala district is being constructed with financial assistance from the Asian Development Bank.

Minor Food Crops

The increasing trend observed during the past two years in the production of minor food crops continued into 1982. The area under all minor food crops, for which data are available, increased significantly with the exception of sorghum and cowpea. This expansion in area cultivated together with the improved producer prices were the main factors which contributed to the better performance of this sector during 1982. This increase in production was achieved in a context where fertilizer issues to this sector decreased by about 8 per cent when compared with the previous year.

A noteworthy achievement during the year was the considerable increase in soya bean production. In Maha, 1981/82 alone, soya bean production showed a nearly six-fold increase over the production in the previous Maha. The existence of the floor price scheme, the higher demand generated by the food processing industry, together with the increase in farmers' knowledge of cultivating this crop, explain this dramatic improvement in production. Production of Bombay onions also showed a marked improvement over the previous year. No significant improvement was observed in potato production apparently due to the problems associated with availability and distribution of good seed potatoes for cultivation. When compared with 1981, cowpea production appears to have dropped, perhaps owing to the greater availability of imported dhal at attractive prices in the market.

The Mahaveli 'H' area continued its contribution to the improvement in subsidiary food crop production, particularly the production of chillies. The extent under minor food crops in this area rose substantially. The shift by some farmers from paddy to minor food crops because they wished to obtain higher returns and also because they were faced with a shortage of water for paddy cultivation seems to be a major factor responsible for this increase.

There is a vast potential as well as a need for the development of subsidiary food crop cultivation in the country. At a time when the country is moving fast towards achieving self-sufficiency in rice production, concerted efforts to induce farmers to realize this potential can improve their incomes as well as the state of the agricultural economy. For this purpose it is vitally important to intensify the extension network and improve marketing facilities, both of which appear to constrain the accelerated development of this sector at present.

Fertilizer

The total amount of fertilizer issued during 1982 increased by 13,100 metric tons or 4 per cent. Data on crop-wise issues indicate, however, that except the paddy sector all other major crop sectors experienced a decline in issues. The coconut sector reported the largest decline in issues, 7,500 metric tons or 20 per cent,

when compared with the issues made in 1981. The issues to the tea and rubber sectors dropped marginally. The minor food crop and minor export crop sectors too reported a marginal decline in fertilizer issues. Issues to the paddy sector, on a calendar year basis, rose by 11,600 metric tons or 7 per cent over the amount issued in 1981, while issues to unspecified crops which had declined in 1981 showed a substantial increase of 35 per cent.

An analysis of quarterly data on fertilizer issues indicate that the drop in issues to the tea sector occured almost entirely during the first quarter of the year at which time severe drought conditions prevailed. Although the issues picked up in the third and fourth quarters of the year, the increase achieved in these two quarters was not large enough to offset the impact of the significant drop in the first quarter. The picture regarding issues to the rubber sector was more or less the same. Issues to the paddy sector continued to drop during the first three quarters and increased significantly in the fourth quarter, more than offsetting the drop in the first three quarters. The coconut sector continued to experience a drop in fertilizer issues in all quarters, but the drop in the last quarter of the year was marginal.

TABLE 1.16

Fertilizer Issues by Crops — 1979-1982

'000 mt. tons

Crop	1979	1980	1981	1982*(a)*
1. Paddy	130.4	190.0	155.6	167.2
2. Tea	105.2	109.9	103.3	102.7
3. Rubber	23.2	22.0	16.8	16.5
4. Coconut	49.6	55.8	37.7	30.2
5. Minor food crops	—	—	14.8	13.5
6. Minor export crops	—	—	3.2	2.3
7. Other	64.0*(b)*	62.0*(b)*	34.9	47.0
Total	372.4	439.7	366.3	379.4

Sources: Ceylon Fertilizer Corporation; National Fertilizer Secretariat.

(a) Provisional.

(b) Includes fertilizer issues to the minor food crop and minor export crop sectors.

Thus, the quarterly data seem to indicate that the picture of fertilizer issues to all major crop sectors improved somewhat by the last quarter of the year. However, it is still too premature to state whether this favourable trend would continue into 1983. The lagged effect of the price increase of fertilizer announced in September, 1981 together with the severe drought that prevailed during the first quarter of 1982 explain the drop in fertilizer issues during the first quarter of the year.

In the recent past the share of fertilizer cost in total cost of production has risen markedly in all crop sectors. Also it has become difficult to contain the state subsidy bill on fertilizer within reasonable limits. The provision for the fertilizer subsidy in the 1982 Budget amounted to Rs. 1,000 million. In this context, the

promotion of more efficient use of fertilizer has become much more important than ever before. There are signs that the increase in prices has promoted the efficient use of fertilizer particularly in the paddy sector. It is important to intensify research on fertilizer to determine whether locally available less costly materials can be used as substitutes for costly imported varieties of fertilizer. In this regard, it is encouraging to note that researchers at the Central Agricultural Research Institute have found that paddy straw is an efficient substitute for Muriate of Potash. Policy makers should promptly introduce measures to induce farmers to make use of findings of this nature which not only lower COP but also save a considerable amount of foreign exchange, reducing the country's dependence on imported fertilizer.

The wholesale distribution of fertilizer has improved considerably over the past few years. Further improvements may be expected soon with the opening of more regional warehouses. Several measures were also taken during the year to improve marketing of fertilizer at retail levels since it was necessary, as pointed out in last year's Annual Report, to harness the full benefits of the rationalization of fertilizer distribution at the wholesale level. An attempt was made to improve the margin given to retailers, which deteriorated in 1981, by increasing the commission paid to them by Rs. 30 per metric ton, The financial assistance scheme to promote construction at the retail level by the Multi-Purpose Co-operative Societies and the private sector fertilizer stores was in operation during 1982 as well. In order to realize the full benefits of these important measures, they must be co-ordinated with a pro gramme of strengthening the extention services and improving marketing of farm produce.

The state-owned urea factory at Sapugaskande was in production during the year, except in the second quarter. The total production of Urea at this factory increased significantly to 210,829 metric tons in 1982 as against 83,484 metric tons in the previous year. The marked increase in local production of urea resulted in a considerable drop in imports of Urea during the year. In fact, part of the production was exported. With the higher local production the government continued its efforts to promote substitution of Urea for Sulphate of Ammonia subject to the agronomic requirements of different crops.

Fish and Livestock

The Ministry of Fisheries has provisionally estimated fish production in 1982, at 207,120 metric tons, a marginal increase of 1.7 per cent over the production in the previous year. Production in the coastal sector, and the deep sea and off-shore sector increased by 1 per cent and 4 per cent, respectively. The increase in the production of these sectors was associated with the mechanization of existing traditional crafts and utilization of new and more efficient fishing gear. However, higher fuel cost may be the crucial factor which affected the lower rate of growth of production in these sectors. Production in the inland sector also registered a 4 per cent increase. This reflects the impact of the state sponsored development programme which emphasised the importance of inland fishing. Continued growth in inland fishing is a healthy development owing to its relatively low energy intensity and the low unit cost. Also the rapid development of the inland fisheries sector is likely to reduce fish prices in remote areas and have an impact on the nutritional level of a large segment of the rural population.

The subsidy payment for issue of new boats and for mechanization of traditional crafts amounted to Rs. 39 million in 1982. Of this, Rs. 15 million was made in respect of the inland fisheries projects. In 1981, only Rs. 6.5 million was paid to this sector under the same subsidy scheme. The subsidy for the marine fisheries sector, however, decreased from Rs. 37 million in 1981 to Rs. 24 million in 1982. Perhaps, this may be due to the fact that most of the eligible fishermen would have already benefitted from this subsidy scheme during the previous years.

The Department of Census and Statistics has provisionally estimated milk production (including buffalo milk) in 1982 at 304 million litres, a decrease of 1.6 per cent when compared with the production in 1981. The National Milk Board collected 55.1 million litres of milk in 1982. This is 6 per cent less than the amount collected in the preceding year. The Department also has provisionally estimated the egg production in 1982 at 521 million, a decrease of 7 per cent when compared with that of the previous year.

Rural Credit

The total amount of credit extended to the rural sector during 1982 declined marginally (by 1.8 per cent) from Rs. 156.8 million in 1981 to Rs. 153.9 million. This includes loans extended under the Comprehensive Rural Credit Scheme (CRCS) by People's Bank, the rural banks, by Bank of Ceylon sub-offices at Agrarian Service Centres and Hatton National Bank, as well as, other loans to the rural sector by these institutions. Credit granted to the rural sector by the main branches of the Bank of Ceylon and the credit granted to the rural sector by the People's Bank, outside the CRCS, are not included as complete data were not available. This decline in credit extended to the rural sector was primarily the result of the decline in lending under the CRCS by the People's Bank during the year. However, the Hatton National Bank's increased role in rural lending was able to partially compensate for this decline.

As in previous years, the Bank of Ceylon sub-offices at Agrarian Service Centres (ASCs) and the Co-operative Rural Banks affiliated with the People's Bank continued to function as the main outlets for granting loans to the rural sector. The People's Bank in conjunction with rural banks provided Rs. 81.5 million or 53 per cent of the total loans granted during 1982. However, their share in rural lending during the year declined when compared to 1981 (when it was 58 per cent) due to the fact that the People's Bank disbursed only Rs. 17.5 million during 1982, almost half the amount (Rs. 32.8 million) granted in 1981. Rural banks contributed Rs. 64.0 million (or 42 per cent) as against Rs. 58.1 million (or 37 per cent) in 1981, a 10 per cent increase. The Bank of Ceylon sub-offices, several of which were amalgamated and relocated during 1981 compelling the main branches of the Bank of Ceylon to perform the functions of some ASCs, disbursed Rs. 37.8 million, recording a marginal decline of 2 per cent when compared to the previous year. The Hatton National Bank provided Rs. 34.6 million or 22 per cent of the total loans granted to the rural sector in 1982, as against Rs. 27.4 million or 17 per cent in the previous year. Its lending for cultivation purposes, however, was confined to a few regions like the Debara Ara Wewa and Mahaveli 'H-5' areas, unlike the other institutions which lend island-wide.

TABLE 1 · 17

Rural Credit (*a*) 1981 — 1982

Rs. Million

Purpose	People's Bank (*b*)		Rural Banks		Bank of Ceylon sub-offices (*c*)		Hatton National Bank (*c*)		Total	
	1981	1982(*d*)	1981	1982(*d*)	1981	1982(*d*)	1981(*e*)	1982(*d*)	1981(*e*)	1982(*d*)
1. Crop cultivation	32.8	17.5	4.1	3.1	22.6	22.9	25.8	31.7	85.3	75.2
1.1 Paddy	(27.4)	(14.4)	(2.0)	(2.2)	(16.1)	(16.8)	(19.1)	(29.4)	(64.6)	(62.8)
1.2 Minor food crops	(5.4)	(3.1)	(2.1)	(0.9)	(6.5)	(6.1)	(0.9)	(1.0)	(14.8)	(11.1)
1.3 Other crops	(—)	(—)	(—)	(—)	(—)	(—)	(5.8)	(1.2)	(5.8)	(1.3)
2. Animal husbandry	—	—	2.0	2.1	0.2	0.5	0.7	0.9	2.9	3.5
3. Small industry	—	—	2.4	2.8	0.5	0.4	0.4	0.6	3.3	3.8
4. Purchase of machinery	—	—	—	—	3.9	0.7	0.1	0.5	4.0	1.2
5. Debt redemption	—	—	4.7	4.5	—	...	—	—	4.7	4.5
6. Consumption	—	—	2.8	2.7	0.3	0.6	—	—	3.1	3.3
7. Housing, electrification and water supply	—	—	30.4	34.9	1.4	1.6	—	—	31.8	36.5
8. Trade and other	—	—	11.7	13.9	9.7	11.1	0.3	0.9	21.7	25.9
Total ..	32.8	17.5	58.1	64.0	38.6	37.8	27.4	34.6	156.8	153.9

(*a*) Excluding overdrafts and advances under pawn broking.
(*b*) Under the CRCS only.
(*c*) Includes loans granted under the CRCS.
(*d*) Provisional.
(*e*) Revised.

Sources: People's Bank;
Bank of Ceylon;
Hatton National Bank Ltd.

Of the total lending to the rural sector during 1982, loans for crop cultivation purposes declined from Rs. 85.3 million (or 54 per cent) in 1981 to Rs. 75.2 million (or 49 per cent) in 1982. Loans to the paddy sector declined by 3 per cent to Rs. 62.8 million, while those to the minor food crop sector declined by 25 per cent to Rs. 11.1 million. No loans were granted during 1982 for the cultivation of sugar cane and cotton, as in the previous year. (Details of cultivation loans granted under the CRCS are given in the Statistical Appendix). Lending for non-cultivation purposes amounted to Rs. 78.7 million, a 10 per cent increase over the amount granted in 1981. Loans for housing, electrification and water supply and those for trade and other purposes accounted for the highest share (79 per cent) of total lending for non-cultivation purposes.

From 1967 to the end of 1982, initially under the New Agricultural Credit Scheme and subsequently under the CRCS, Rs. 1,434 million has been granted for the cultivation of paddy . Of this, only Rs. 747 million has been recovered by the end of 1982. Similarly, of the Rs. 439 million granted for the cultivation of other crops during the same period, only Rs. 218 million has been recovered. Thus, high rates of default continue to be an unsatisfactory feature of rural lending. In 1982, only Rs. 86.2 million of the Rs. 150.4 million disbursed during the 1981/82 cultivation year was recovered, resulting in the deterioration of the recovery rates for both paddy and minor food crops when compared to the previous year. The substantial losses incurred during Maha 1981/82 as a result of the drought may partly account for this deterioration. This experience highlights the need for an efficient crop insurance scheme or a stabilization fund to provide refinacing for bank loans which require rescheduling, in those situations where crop failures due to natural calamities are the primary cause for high rates of default. In fact, the establishment of a National Agricultural Credit Fund was under active consideration by the Rural Credit Advisory Board (RCAB) in 1982.

In 1981, with a view to improving recoveries, the RCAB initiated a rescheduling scheme of cultivation loans granted under the CRCS from January 1st, 1977 to June 30th, 1981. This scheme was inaugurated with the intent of giving farmers an opportunity to rehabilitate themselves and become eligible for new loans, as well as initiate dialogue between commercial banks and delinquent borrowers, breaking the stalemate that existed under an earlier decision by commercial banks to prosecute them for the recovery of loans. Under the scheme, a farmer who has defaulted can become eligible for a new loan by initially paying 10 per cent of the overdue loan (which has been consolidated and frozen as at June 30th, 1981) along with interest at 9 per cent per annum up to June 30th, 1981. Thereafter, at each harvesting season he is expected to repay the balance amount of the loan over a period of 5 years. In addition, in the case of farmers who pay the first seven instalments regularly, the scheme provides for the waiver of the last three instalments. The deadline for submitting applications for rescheduling which was September 30th, 1982 has been extended to April 30th, 1983 with the intention that improved publicity would encourage more farmers to respond to the scheme.

During 1982, the Bank of Ceylon commenced the consolidation and rescheduling of loans under this scheme. As at end 1982, the total amount of consolidated loans stood at Rs. 7.8 million while the amount collected as initial deposits

amounted to Rs. 1.1 million, indicating that many farmers have put down more than the specified 10 per cent down payment. The People's Bank, however, has yet to implement the scheme.

INDUSTRY [1]

While the agricultural sector was unable to maintain the impressive growth record achieved in 1981, manufacturing industry, on the other hand, showed an appreciable improvement during the year under review. Following the temporary set back suffered in 1981, industrial production, overall, increased by 9 per cent in real terms in 1982. The comparable record in 1981 was an increase of only 2 per cent.

The major components of the impressive increase in overall industrial production of 9 per cent[2] include an 18 per cent real growth in the private sector industries and a 5 per cent growth in the public sector. When the sectorwise increases in industrial production are considered, significant increases were recorded in textile, wearing apparel and leather products (25 per cent), food, beverages and tobacco products (14 per cent), wood and wood products (11 per cent), fabricated metal products (10 per cent), chemical and petroleum products (11 per cent) and paper and paper products (9 per cent). There was, however, a decline in the production of basic metal products by 38 per cent, and non-metallic mineral products by 17 per cent. Although the growth in the total public sector industrial production was

TABLE 1.18

Value of Industrial Production 1978—1982

Rs. Million

Category	1978	1979	1980	1981	1982(*b*)
1. Food, beverages and tobacco ..	2,609	2,856	3,899	4,496	5,246
2. Textile, wearing apparel and leather products ..	1,008	1,128	1,923	3,040	3,863
3. Wood and wood products (including furniture)	124	166	289	315	361
4. Paper and paper products ..	376	445	476	626	725
5. Chemicals, petroleum, coal, rubber and plastic products ..	3,279	4,508	9,416	12,015	13,099
6. Non-metallic mineral products (except petroleum and coal) ..	592	710	1,156(*a*)	1,250(*a*)	1,370
7. Basic metal products ..	219	349	478	428	262
8. Fabricated metal products, machinery and transport equipment ..	590	569	620	782	904
9. Manufactured products not elsewhere specified (n.e.s.) ..	55	50	54	58	74
Total	8,852	10,781	18,311	23,010	25,904

(*a*) Revised
(*b*) Provisional

Source: Central Bank of Ceylon

1. As in the past, data relating to the performance of the industrial sector for 1982 are based on the returns to a questionnaire addressed by the Central Bank to all known and recorded manufacturing industries-large, medium and small in the public and private sectors. (However, this does not include the export processing activities of the plantation sector, which are classified as manufacturing activity in the National Accounts.) Generally, replies are received from about a third of addressees and these represent almost all of the major industries. In areas where data were not available, estimates based on the information available with various government agencies and institutions have been incorporated.

2. On the basis of gross value of production. These figures are consistent with the estimates of industrial production based on turnover tax collected by the Department of Inland Revenue for the relevent year.