

AGRICULTURE

Tea

In 1985, tea production increased by 3 per cent. This production increase of 6.1 million kgs. in 1985 followed a substantial increase of 28.7 million kgs. in 1984. These increases in production in the two successive years resulted in the 1985 production of 214.1 million kgs. being the highest level of production since 1971.

The increase in production in 1985 was mainly due to the combined effect of favourable weather conditions and increased fertilizer application. This increase was largely confined to low grown areas whose production increased by about 6 million kgs. or 98 per cent of the total increase in production. Medium grown tea production increased by only 0.6 million kgs. or 1 per cent, while high grown tea production fell marginally by 0.5 million kgs. or 0.6 per cent.

A noteworthy feature in tea production this year was that for the first time in the history of tea production in Sri Lanka, low grown areas accounted for the highest share in total tea output. The higher production in low grown areas was achieved by an increase in the area under cultivation and higher yields obtained through better cultural practices including increased fertilizer application by small holders in these areas. These improvements were made possible by booming tea prices which prevailed throughout last year and early this year. Tea production of the Janatha Estates Development Boards (JEDBs) excluding tea manufactured from bought leaf, fell marginally by 1.1 million kgs. or 2 per cent, while that of the Sri Lanka State Plantations Corporations (SLSPCs) rose by 3.0 million kgs. or 5 per cent over the previous year.

Tea production from bought leaf which forms a relatively low component of the total production of the JEDB's factories remained more or less at the same level as in the last year, while that of the SLSPCs' which forms a relatively high component, fell by 1.9 million kgs. or 12 per cent from the 1984 level.

Tea produced by privately owned factories rose by 6.3 million kgs. or 13 per cent over the level of production achieved last year. If all green tea produced in private estates and processed in the public sector factories are included under private sector production, the share of private estates in total tea production rises from 37 per cent in 1984 to 38 per cent in 1985. The increase in private sector tea production coincides, to a large extent, with the increase in low grown areas dominated by small holders.

Fertilizer issues to the tea sector increased by 12,700 metric tons or 9 per cent over the issues made last year. Unlike last year, this increase in fertilizer issues was rather evenly distributed throughout the year. The combined effect of favourable weather conditions and relatively better prices realized during the early part of the year may have influenced this increase to a considerable extent. Available data point to a greater share in this increase in private sector estates.

PRODUCTION OF PRINCIPAL AGRICULTURAL CROPS

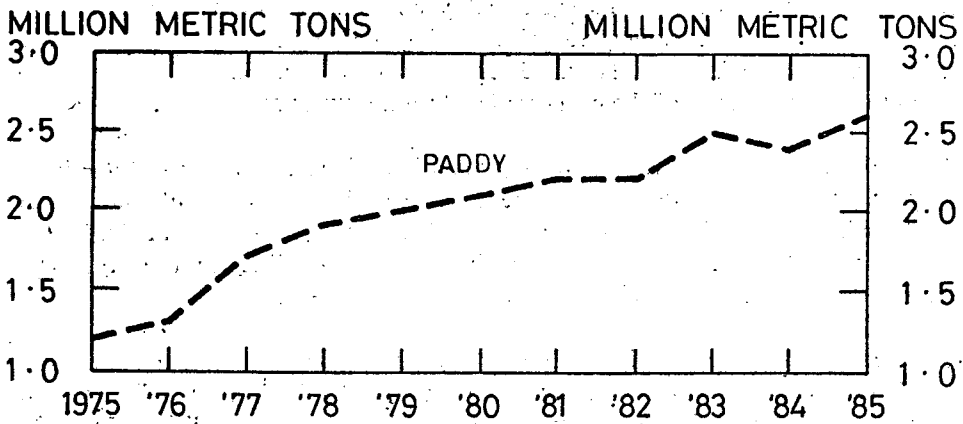
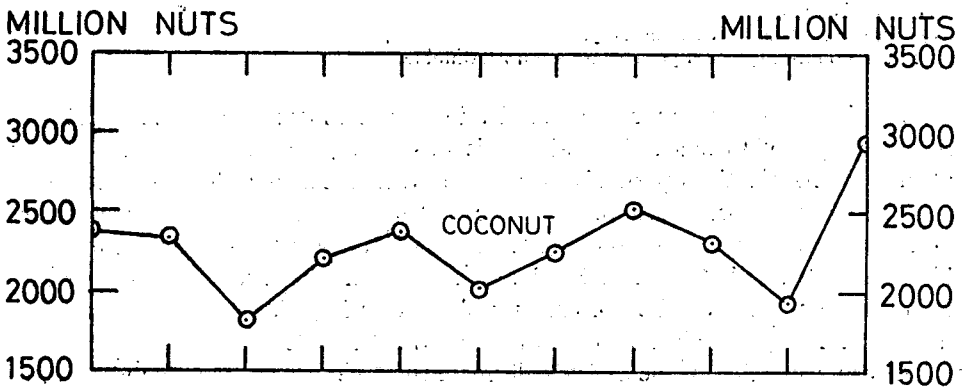
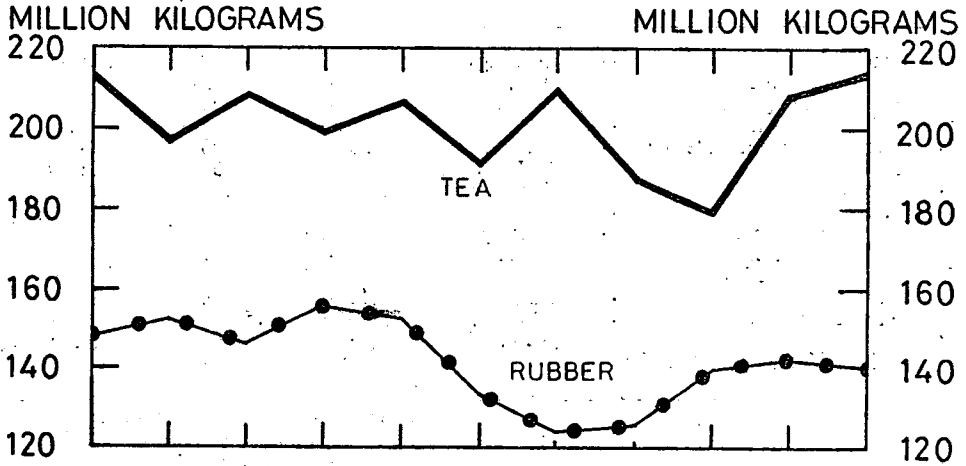


TABLE 1.7
Statistics on Tea Sector 1983 - 1985

Item	Unit	1983	1984(a)	1985(b)
1. Production	Mn. kgs.	179.3	208.0	214.1
1.1 High grown	"	67.8	79.3	78.8
1.2 Medium grown	"	48.4	54.6	55.2
1.3 Low grown	"	63.1	74.1	80.1
2. Registered extent under tea	'000 ha.	230	228	231
3. Fertilizer issues	'000 Mt. tons	115.5	137.2	149.9
4. Replanting	Hectares	1,367	n.a.	n.a.
5. Prices				
5.1 Colombo net	Rs/kg.	36.96	46.45	35.39
5.2 Export f. o. b.	"	52.52	77.20	60.31
6. Cost of production	"	26.37	34.00	35.00
7. Exports	Mn. Kgs.	157.8	204.0	198.0
8. Export earnings	Rs. Mn.	8,295.0	15,764.0	12,002.8
	(SDR. Mn.)	(330)	(605)	(434)
9. Value added as % of GDP(c)		5.0	7.4	5.6

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

(a) Revised.

(b) Provisional.

(c) In growing and processing only.

Note: Data on average yield per hectare are not available.

The registered extent under tea cultivation is estimated to have increased marginally by 3,650 hectares in 1985. This was largely due to the increase in the area under new plantings particularly in low grown areas as a direct consequence of the boom in tea prices last year. The extent under bearing in estates belonging to the JEDBs fell marginally from 56,744 hectares in 1984 to 56,344 hectares in 1985, while that of the SLSPCs fell by 3 per cent from 54,454 hectares in 1984 to 52,629 hectares in 1985. Data on the full extent replanted during 1985 are not available as yet, but according to available information, replanted extents of the JEDBs increased by 7 per cent while that of the SLSPCs decreased by 4 per cent, when compared with the previous year. The deteriorating liquidity position of these two corporations as a result of steadily declining tea prices during the year may have made these corporations less inclined to undertake replanting on a large scale which is rather a costly activity in terms of the expenses involved and income foregone.

Since the withdrawal of various planting subsidies from the public sector estates last year, the private sector became the sole beneficiary of such subsidies. The subsidy paid for new planting of tea on virgin lands was increased from Rs. 11,737 per hectare to Rs. 25,000 per hectare with retrospective effect from 1st January, 1985 in terms of a Cabinet decision taken on 12th June, 1985.

The average cost of production (COP) per kg. of made tea was estimated at around Rs. 35 per kg. which was marginally higher than that of last year. The average export (f.o.b.) price fell by 22 per cent from Rs. 77.20 per kg. in 1984 to Rs. 60.31 per kg. in 1985. Following this trend, the net sale average fell by 24 per cent and as a consequence the average producer margin is estimated to have fallen

by 97 per cent from Rs. 12.45 per kg. last year to Rs. 0.39 per kg. in 1985. The average producer margins in the public sector estates have varied from a negative producer margin of Rs. 3.11 per kg. in the JEDBs to a positive producer margin of Rs. 0.17 per kg. in the SLSPCs.

The boom in tea prices which prevailed throughout last year ended towards the middle of 1985. The combined effect of the higher crop production in major tea producing countries and the relaxation of restrictions imposed on the Indian CTC tea exports brought about an increase in the world supply of tea leading to a fall in prices. Even the private sector small holders have begun to feel the brunt of falling prices through reduced incomes from poor green leaf prices. This situation is likely to constrain the adoption of cultural practices by them too. Notwithstanding, in view of the highly fluctuating nature of tea prices, it becomes imperative to concentrate more on productivity increases particularly on labour productivity in public sector estates. The wage bill accounts for bulk of their expenditure following the wage increases granted from time to time and if these institutions are to make their operations viable a considerable increase in output per input of labour is required. Data on the average yield per hectare for the country as a whole are not available. However, according to the data provided by the public sector corporations, the average yield per hectare of JEDBs has decreased marginally, while that of the SLSPCs has increased by 6 per cent over the yield levels realized last year. The marginal decrease in the productivity of JEDBs may have been mainly due to the slight fall observed in fertilizer application, while the increased productivity of SLSPCs may be attributed mainly to increased fertilizer application and favourable weather conditions.

The number of factories operated by the Tea Small Holdings Development Authority (TSHDA) fell from 14 to 12 at the end of the year. These factories were able to produce 4.3 million kgs. of made tea out of 19.5 million kgs. of green leaf purchased. During the year, several important policy changes bearing on the operations of the TSHDA were made. The administration of the tea planting subsidy schemes and the planting of tea in rubber lands in the private sector estates, which were operated until then by the Tea Commissioner's Division of the Sri Lanka Tea Board were vested with the TSHDA. Further, with a view to looking after the interests of about 22,000 tea small holders in Matara and Hambantota districts a divisional office of the TSHDA was established in Matara. During the year, the TSHDA has provided subsidies to replant 414 hectares, new plant 599 hectares and plant tea on 100 hectares of rubber lands. As a result of falling tea prices, the average price per kg. of green tea paid by the TSHDA factories varied between Rs. 4.46 - Rs. 6.08 in 1985 as against Rs. 6.62 - Rs. 8.46 in 1984.

A reduction in the export duty was announced in the budget as an immediate measure of relief to tea producers who were faced with steadily declining tea prices. The export duties on bulk tea, green tea, packeted tea and instant tea was reduced by Rs. 2.00 per kg. and tea bags by Re. 1.00 per kg. These rates were made applicable from 14th November, 1985. As a further measure of relief the threshold price of the advalorem sales tax was increased from Rs. 32 to Rs. 40 per kg. with effect from 1st November, 1985. The rate of tax remained at 50 per cent.

If tea prices remain depressed at present levels, the two public sector corporations will not be in a position to generate their own funds for the envisaged development expenditure under the Medium Term Investment Programme (MTIP). Therefore, it may be worthwhile considering the restoration of subsidies paid out of the cess fund to which the two public sector corporations also contribute.

In view of the rising costs faced by the tea manufactures, the formula used in the calculation of the prices payable by the manufacturers for green leaf purchased by them was amended. Accordingly, the share received by the green leaf suppliers was reduced from 75 per cent to 70 per cent of the monthly net sale average price per kg. of tea. The out-turn ratio used for the calculation of the price paid for green leaf was also revised with effect from 1st September, 1985 as most factories found it difficult to maintain the specified out-turn ratio during the heavy cropping months. In terms of this revision, instead of the uniform out-turn ratio of 4.5 kgs. of green leaf for 1 kg. of made tea, an out-turn of 4.65 kgs. of green leaf to 1 kg. of made tea is applicable during April to June and September to December. The application of the out-turn ratio of 4.5 kgs. is to be continued for the remaining months.

During the year under review, several important institutional changes were effected. The membership of the Sri Lanka Tea Board was expanded by appointing the Chairmen of the producer organizations such as JEDBs, SLSPCs and the TSHDA to the Board, by the Sri Lanka Tea Board (Amendment) Act No. 17 of 1985.

Considering the massive contribution still made by the tea sector to the economy of the country, in terms of revenue, employment generated and foreign exchange earned etc., the tea industry should also be in a position to receive assistance when it is in distress. In addition to the tax reliefs granted to the sector, the proposed MTI Programme meant for the public sector estates and the Stabilization Fund for Tea which was established in 1985 could provide some measure of relief to tea producers. A scheme of assistance to the public as well as private sector producers under the Stabilization Fund for Tea is expected in 1986. Every attempt must be made to ensure that the objectives of these schemes are realized.

The increase in production of low grown teas in 1985 is indicative of the potential to expand small holder tea production in these areas. Yet, the majority of small holders face constraints such as insufficient processing facilities, middlemen dominated marketing channels and limited access to institutional sources of credit. In spite of the attempts made by the TSHDA to overcome some of these problems there still remain constraints to the realization of the full potential of the small holder sector. Hence, an integrated development approach is necessary to improve the lot of small holders particularly in low grown areas.

Rubber

Rubber production has been provisionally estimated at 138 million kgs. in 1985. This decrease of 4.4 million kgs. is three per cent less than the production in 1984. As in the previous year, the entire drop in production occurred in the public sector estates. Rubber production in the private sector estates remained

more or less at the same level as last year. Consequently, the relative share of the private sector in total production increased from 67 per cent in 1984 to 70 per cent in 1985. The drop in production in the public sector was the combined effect of a decline in the extent under bearing, and a fall in the average yield per hectare. The production in both the public and private sector estates may also have been affected by reduced tapping in major rubber producing areas due to rainy weather conditions.

Both the total registered extent under rubber and the area under tapping decreased marginally in 1985. The former is mainly due to the planting of tea in some marginal rubber lands. The area under tapping decreased largely as a result of increased replanting. The increasing trend in average yield since 1982 also fell marginally in 1985. In spite of the increase in fertilizer use, the decrease in average yield may have been largely due to the reduced number of tapping days in most rubber producing districts due to rainy weather.

The increasing trend in fertilizer issues to the rubber sector continued. The total quantity of fertilizer issued to the rubber sector at 24,200 metric tons indicated a slight increase of 700 metric tons over the previous year. Despite the increasing trend in fertilizer issues to the private sector, fertilizer application continues to be confined to immature plants. Private sector growers must be induced by adequate incentives to apply fertilizer on mature rubber lands without which a significant increase in productivity is not possible.

TABLE 1.8
Statistics on Rubber Sector 1983—1985

Item	Unit	1983	1984(a)	1985(b)
1. Production	Mn. Kgs.	140	142	138
2. Area				
2.1 Under cultivation	'000 hectares	205.6	205.6	205.5
2.2 Under tapping	"	170.5	169.0	168.2
3. Yield	Kg./hectare	818	840	838
4. Fertilizer issues	'000 Mt. tons	18.6	23.5	24.2
5. Replanting	Hectares	4,862	5,530	6,694
6. Prices				
6.1 Export f.o.b.	Rs./Kg.	22.77	26.16	21.33
6.2 Colombo RSSI	" "	13.95	14.94	16.17
7. Cost of production(c)	" "	9.90	12.06	13.67
8. Exports	Mn. Kgs.	125.2	126.2	120.2
9. Domestic consumption	" "	16.4	15.1	15.2
10. Export earnings	Rs. Mn.	2,852.0	3,301.0	2,566.0
	(SDR, Mn.)	(114)	(127)	(93)
11. Value added as % of GDP(d)		1.7	1.6	1.4

Sources: Rubber Control Department;
National Fertilizer Secretariat;
Central Bank of Sri Lanka;
and other sources.

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

According to provisional data provided by the Rubber Control Department, the total extent replanted during the year increased by 1,164 hectares or 21 per cent. The private sector accounted for 64 per cent of this increase, while the public sector accounted for the remaining 36 per cent. The relatively better performance of the private sector is largely due to the World Bank aided Small Holder Rubber Rehabilitation Programme which is under way in the three main rubber producing districts of Kegalle, Kalutara and Ratnapura. Under this programme, 10,865 hectares have been replanted during the four year period from 1981 to 1984 and 3,461 hectares have been uprooted for replanting in 1985. The increase in the rubber replanting subsidy during the year may also have contributed towards this increase.

New planting of rubber which suffered a severe setback last year, showed a considerable improvement in 1985. The area newly planted with rubber more than doubled from 1,263 hectares in 1984 to 2,723 hectares in 1985. This may have been largely a direct consequence of the increase in the rate of subsidy since the beginning of this year. As a further incentive to induce replanting and new planting the subsidy for replanting of rubber in the private sector estates and smallholdings was increased from Rs. 22,857 per hectare to Rs. 24,710 per hectare and the subsidy granted for new planting of rubber was increased from Rs. 20,386 per hectare to Rs. 22,239 per hectare.

Small private estate owners and small holders were able to contain cost increases by keeping wages low. In the case of small holders only a marginal increase is observed in the cost of production (COP) from Rs. 10.28 per kg. in 1984 to Rs. 10.85 per kg. in 1985. In contrast the COP of large private sector estates increased by 19 per cent from Rs. 13.83 per kg. in 1984 to Rs. 16.48 per kg. in 1985. Of the public sector estates, the COP of the SLSPCs increased by 11 per cent from Rs. 14.00 per kg. in 1984 to Rs. 15.58 per kg. in 1985, while that of the JEDBs increased by 29 per cent from Rs. 13.01 per kg. in 1984 to Rs. 16.72 per kg. in 1985. The COP of the public sector estates and large private sector estates remained at a higher level than that of the small holders and small private estates because of the wage increases granted to the public sector workers last year. The COP of the large estates in the private sector would have increased as they may have found it difficult to obtain labour without paying a wage comparable to that of the public sector estates.

Tapping of rubber trees constitutes a problem for small holders at times, particularly for those who have their holdings on the outskirts of large private or public sector estates. Since labour is employed at higher wages in large estates, some small holdings without their own family labour remain untapped on certain days due to the non-availability of labour. Even when they are able to obtain labour, higher wages paid leave them with a very small margin.

In spite of a fall in export (f.o.b.) price of all grades of rubber by 18 per cent, the Colombo market price of RSS 1 increased by 8 per cent. The small holders and private small estates may have benefitted from this price increase to some extent but in the case of public sector estates and large private sector estates the increase was not sufficient to offset the increase in their C. O. P.

Since the revisions in export duty last year, no changes were made in the system of taxation pertaining to the rubber sector during the year under review. Also, there were no major policy changes affecting the rubber sector during 1985. However, as a further step in decentralizing the administrative activities of the Rubber Control Department, a regional office was opened in Galle in 1985 to look after Galle and Matara districts. In response to revelations made by the 1984 Census on Rubber, steps were taken in 1985 to have mobile offices located in difficult areas to register some 32,736 hectares (80,890 acres) of unregistered rubber lands. These cultivators were issued permits and arrangements were made to provide extension services. In view of the development expenditure envisaged for the public sector estates under the Medium Term Investment Programme (MTIP) no financial assistance was provided to replant, new plant or establish new factories in public sector rubber estates in 1985.

Rubber production has approached a plateau in terms of production, yield per hectare and extent in bearing. In view of the limited scope for expansion of the area under cultivation, the future prospects for increasing production would depend, to a greater extent, on increasing productivity, while maintaining an effective level of replanting. To this end, the expansion in the use of high yielding varieties and the maintenance of cultural practices including fertilizer application at desired levels are vital. However, the low incomes of small holder dominated rubber sector precludes a more widespread adoption of better cultural practices.

Small holders are also constrained by insufficient processing facilities and are sometimes made to carry latex for processing over long distances. Crudely processed latex in the absence of better processing facilities fetches low prices making their plight even worse. Hence, some incentives are necessary to revive this vital sector of the economy.

Coconut

In 1985 coconut production reached a record level of 2,958 million nuts. This was an increase of 52 per cent over the previous year and is the highest level of production since 1972. This phenomenal increase in coconut production may be attributed mainly to the lagged effect of favourable weather conditions of previous years and increased fertilizer application. There were widespread rains in the main coconut producing areas most of last year and a considerable increase in fertilizer application was also observed during the last few years. The largest increase was observed in the second half of the year 1985 with the production peak being September-October.

The increase in nut production led to a more than three-fold increase in coconut oil production and a 64 per cent increase in desiccated coconut production. During 1985, copra exports rose more than three-fold while fresh nut exports increased more than two-fold. The availability of nuts in abundance and cheaper prices resulted in the diversion of larger volumes of nuts for processing and very large increases in coconut product exports. The removal of certain export restrictions on coconut products also enabled higher copra and fresh nut exports in spite of these products not being very competitive in world markets during 1985.

Fertilizer issues to the coconut sector which displayed an increasing trend since 1982 fell by 18 per cent in 1985 mainly due to the drastic fall in nut prices observed in 1985. The entire drop in fertilizer application was during the second half of the year when nut production was highest and prices lowest.

Under the Coconut Fertilizer Credit Scheme (CFCS) operated more or less evenly by the Bank of Ceylon and the People's Bank, the number of loans granted fell by 34 per cent from 1,614 in 1984 to 1,063 in 1985 and the total amount of loans disbursed fell by 36 per cent from Rs. 13.5 million in 1984 to Rs. 8.7 million in 1985. This is in contrast to the large increase of such loans granted last year. The poor performance of the scheme during 1985 reflected the reluctance of the cultivators to invest due to drastically reduced nut prices.

Although, several cultivation practices in the coconut sector were poor in the recent past, some improvements were evident in 1985. The extent rehabilitated rose by 22 per cent from 5,092 hectares in 1984 to 6,230 hectares in 1985; the extent replanted/underplanted increased substantially by 61 per cent from 2,553 hectares in 1984 to 4,102 hectares in 1985; and inter-cropping under the Government Subsidy Scheme increased. Inter-cropping with grass and pepper rose by 37 per cent and 7 per cent respectively, while inter-cropping with coffee increased marginally. There was hardly any increase in inter-cropping with cocoa during the year.

The improvement in rehabilitation, replanting and under-planting may be largely attributed to the substantial increases last year in the subsidy rates for these purposes. The increase in the extent inter-cropped with grass may have been also due to various incentives offered for dairy farming. In the intensive use of coconut land to generate additional income and employment through inter-cropping, progress has been limited. The subsidy rates, which have remained unrevised for the last several years, are an inadequate incentive in view of the increase in costs. Hence, an increase in the subsidy along with other incentives such as better access to fertilizer, extension services etc., is necessary to promote greater expansion of inter-cropping. Encouragement of dairy development projects will also help to supplement producer incomes.

The substantial increase in coconut production the world over and increases in production of other vegetable oils resulted in a sharp fall in the international prices of coconut products in 1985. The prices of major coconut products such as coconut oil, desiccated coconut (DC), and copra towards the end of the year were less than one half of what they were at the beginning of the year. This severe fall in prices necessitated changes in the export levies on coconut products. Consequently, a duty reduction was announced in the budget as an urgent measure of relief to coconut exporters. With effect from 14th November, 1985 the export duty on DC as well as on edible copra was reduced by Rs. 2,500 per metric ton to bring the export duty on DC down from Rs. 7,500 per metric ton to Rs. 5,000 per metric ton and that on edible copra from Rs. 7,250 per metric ton to Rs. 4,750 per metric ton.

TABLE 1.9
Statistics on Coconut Sector 1983—1985

Item	Unit	1983	1984	1985(a)
1. Production(b)	Mn. nuts	2,312	1,942	2,958
1.1 Desiccated coconut	Mn. nuts(c)	295	221	362
1.2 Coconut oil	Mn. nuts(c)	663	295	1,039
1.3 Copra exports	Mn. nuts(c)	18	12	37
1.4 Fresh nut exports	Mn. nuts	6	4	10
1.5 Domestic nut consumption(d)	Mn. nuts	1,373	1,404	1,421
2. Average Price				
2.1 Colombo	Rs/nut	2.42	4.07	2.18
2.2 Export f.o.b.	Rs/nut	3.66	6.48	3.59
3. Fertilizer issues	'000 Mt. tons	35.7	50.0	41.0
4. Cost of production	Rs/nut	0.60	0.63	0.64
5. Replanting /under planting(e)	Hectares	2,641	2,553	4,102
6. New planting(e)	Hectares	3,394	1,580	1,561
7. Export earnings	Rs. Mn	1,921	2,118	3,093
7.1 Kernel products	(SDR.Mn.)	(76)	(81)	(112)
7.2 Other products	Rs.Mn	1,409	1,553	2,383
	(SDR.Mn)	(56)	(60)	(86)
	Rs.Mn	512	566	710
	(SDR.Mn)	(20)	(22)	(26)
8. Value added as % of GDP(f)		4.2	3.5	3.5

Sources : Coconut Cultivation Board;
Coconut Development Authority;
National Fertilizer Secretariat;
Central Bank of Sri Lanka.

(a) Provisional.

(b) Estimate (breakdown does not add to total production due to adjustment for changes in Copra stock).

(c) In nut equivalent converted at 1 Mt. ton DC = 6,800 nuts
1 Mt. ton oil = 8,000 nuts and
1 Mt. ton Copra = 4,925 nuts.

(d) Estimated on the basis of per capita household consumption of 90 nuts. Excludes industrial use.

(e) This excludes planting activities undertaken on holdings less than 0.4 hectares in size owing to lack of detailed data.

(f) In producing and processing only.

The minimum price at which DC exports were permitted was revised several times during the year and with effect from 18th August, 1985 this minimum price requirement was abolished. Following this revision, exporters are now able to export DC products at prices prevailing in international markets. The cess on coconut exports which was collected under various Acts upto 1971 was revised and with effect from 1st February, 1985 the cess was collected in terms of sub-section 1 Section 33 of the Coconut Development Act No. 46 of 1971.

In terms of an Amendment to the Coconut Products Prohibition of Exports Regulation No. 2 of 1983 on 16th December, 1985 the export of some coconut by-products such as fresh nuts, coconut shells, coconut ekels, young king coconuts or coconuts, coconut rafters, coconut shell charcoal etc. were exempted from the requirement of obtaining export licences.

In spite of various concessions granted to the coconut export sector, the domestic producers continued to be affected by falling nut prices. The average price of a coconut in the Colombo market at Rs. 2.18 was almost half of what it was last year. The experience in 1985 aptly demonstrated the plight of producers in the event of a glut in the market. The processing sector which took advantage of the depressed nut prices carried large stocks and at times had to be provided with financial assistance to enable the purchasing of nuts. Reduced fertilizer application when nut prices fall could lead to depressed production in future affecting the consumers. Therefore, the proposed Coconut Stabilization Fund may be in the interest of producers as well as consumers.

During the year under review regulations prohibiting certain activities in the coconut processing industry were relaxed. Earlier, permission was not granted either to open new DC mills or increase the capacity of existing ones. With a view to enabling the production of quality DC products to meet the requirements of overseas markets, this regulation was amended in 1985 to grant permission to open new DC mills or increase the capacity of existing ones subjected to the guidelines laid down by the Coconut Development Authority. However, as has been repeatedly pointed out in previous Annual Reports, the coconut processing industry continues to be affected by obsolete machines and out-dated techniques of production. In view of the stiff competition faced from other substitute edible oils, upgrading the quality of our coconut products is essential to be able to be competitive in world markets. Towards this end a package of incentives to manufacturers is essential.

Minor Export Crops

Minor export crops are grown as mixed crops, mostly in homestead gardens; hence, data on either the extent in bearing or production are scanty. Therefore, a direct assessment of this important sector's performance is not possible. Changes in export volumes are therefore used as a proxy to ascertain the movements in production as very large proportion of these products is exported.

On the basis of export data, the production of most minor export crops except coffee, cardamom, sesame and cocoa fell during 1985. The production of pepper, cloves, nutmeg, betel leaves, arecanuts and essential oils fell substantially. The export volumes of vegetables and fruits too showed large decreases. Cinnamon production fell marginally, while the decline in the production of other oil seeds was moderate. However, the domestic demand for most of these products was good.

The production of sesame seeds increased more than three-fold while cocoa and cardamom production almost doubled. Coffee production rose by about 43 per cent. However, some of these estimates of production increases are in comparison with a low level of production in the previous year.

The increase in coffee, cocoa and cardamom production was mainly due to good prices for these commodities. The attractive coffee prices in 1985 enabled a larger collection for export even from very remote parts of the country.

The extent newly planted with cocoa and cinnamon under the Minor Export Crop Assistance Scheme (MECAS) increased marginally. In contrast the extent under cardamom, coffee, cloves and pepper fell by 47 per cent, 5 per cent, 33 per cent and 14 per cent, respectively. The extent replanted with cocoa, cinnamon and cardamom under this scheme rose substantially. The replanted extent under cocoa increased more than eight-fold while the extent replanted with cinnamon and cardamom more than doubled.

The various planting subsidies such as replanting and new planting subsidies, have been inadequate in the past several years in view of cost increases. This explains the poor response in the utilization of these subsidies. The arrangements that are being made to increase the subsidies from early 1986 should help boost production of these crops.

Notwithstanding intermittent increases in output, the production of most of these crops has declined in spite of stable international prices for most of them. Among the reasons for this declining trend is that they are grown mostly as mixed crops in homestead gardens, which are widely scattered. This renders the provision of extension services difficult. Middlemen dominated marketing channels keep producer prices low. Research effort in respect of these crops has also not been as impressive as in the major plantation crops and paddy.

Paddy

Paddy production in 1985 is provisionally estimated at 2.7 million metric tons (128 million bushels of paddy or 1.9 million metric tons of rice). This indicated an increase of 10 per cent when compared with the production in 1984.

The entire increase in paddy production in 1985 came from the 1984/85 Maha harvest which was estimated at 1.75 million metric tons. This increase of 29 per cent over the production in the previous Maha was achieved in spite of a decrease in the volume of fertilizer applied. Favourable weather conditions in major producing areas, higher net extent harvested and increased yield per hectare accounted for this increase. The net extent harvested during 1984/85 Maha increased by 10 per cent indicating less incidence of crop failure. The average yield per hectare increased by 15 per cent from 3,031 kgs. per hectare in 1984 to 3,498 kgs. per hectare in 1985. The highest yield of 4,874 kgs. per hectare for this season was reported from Polonnaruwa district where yields increased by 16 per cent, over the yield obtained in Maha 1983/84. The Mahaweli "H" area recorded the next highest yield of 4,760 kgs. per hectare while Udawalawe followed with a yield of 4,628 kgs. per hectare. The total output would have been higher but for the unexpected rainfall at an inappropriate period in the crop cycle in the Western and Southern provinces.

In Yala, 1985, paddy production declined by 14 per cent over the record production level of 1 million metric tons in the previous Yala season. Despite the increase in fertilizer application and increased average yield per hectare, the fall in Yala harvest to 0.91 million metric tons, was mainly due to the reduced area sown and harvested owing to unfavourable weather conditions in major paddy producing areas, during the height of the season. The gross extent sown fell by 19 per cent while the gross extent harvested also fell by 19 per cent when compared with the same season last year. The yield per hectare increased by 6 per cent from 3,146 kgs. per hectare in Yala, 1984 to 3,343 kgs. per hectare in Yala, 1985. This may have been largely due to the 16 per cent increase in the fertilizer application over the previous Yala season which when applied to the reduced area under cultivation implies a substantial increase in the fertilizer use per unit of land cultivated.

TABLE 1.10
Statistics on Paddy Sector 1984 — 1985

Item	Unit	1984			1985(a)		
		Maha	Yala	Total	Maha	Yala	Total
Gross extent sown	'000 Hectares	606	384	990	569	312	881
Fertilizer issues	'000 Mt. tons	112	59	171	84	69	153
Credit granted	Rs. Million	136	40	176	83	37	120
Gross extent harvested	'000 Hectares	509	377	886	559	305	864
Yield per hectare(c)	Kgs.	3,031	3,146	3,076	3,498	3,343	3,464
Net extent harvested	'000 Hectares	451	336	787	498	270	768
Production	'000 Mt. tons	1,360	1,060	2,420	1,751	910	2,661
	('000 Bushels)	(65,154)	(50,814)	(115,968)	(83,908)	(43,607)	(127,515)
Purchases under GPS(d)	'000 Mt. tons	115	54	169	94	7	101
Import (paddy equivalent)	'000 Mt. tons	—	—	26	—	—	182

Sources : Department of Census and Statistics;
Department of Agriculture;
Ministry of Agricultural Development & Research;
Paddy Marketing Board;
National Fertilizer Secretariat;
Food Commissioner's Department.

(a) Provisional.

(b) The fertilizer issues during cultivation year and calendar year are invariably different. Cultivation year comprises Maha (September / October — 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) Maha paddy harvest is purchased during the period from January to July, while Yala harvest is purchased during the period from August to December.

The total extent of paddy land cultivated in 1985 during both seasons fell by 11 per cent. A larger drop of 19 per cent was reported during the Yala season, while the decrease in Maha season was 6 per cent. The drop in the gross extent sown during Maha 1984/85 was higher in rainfed areas and minor irrigated areas at 11 per cent and 8 per cent, respectively and was marginal in major irrigated areas. In Yala, 1985, the highest drop in gross extent sown of 35 per cent was in minor irrigated areas. Gross extent sown in major irrigated areas and rainfed areas fell by 15 per cent and 13 per cent, respectively.

The total extent harvested during 1985 fell marginally by 2 per cent. The extent harvested during the Maha 1984/85 season increased by 10 per cent, while the extent harvested in Yala 1985 decreased by 19 per cent. The data on gross extent sown and gross extent harvested in Maha, 1984/85, indicate that the incidence of crop failure was negligible both in irrigated areas as well as rainfed areas. This compares with the relatively higher incidence of crop loss particularly in major irrigated and rainfed areas during the last Maha season. The incidence of crop failure was slightly higher during Yala, 1985 when compared with that of the same season last year.

According to the National Fertilizer Secretariat, fertilizer issues to the paddy sector in 1985 (calendar year) increased by 15,650 metric tons or 10 per cent over the issues in 1984. This was largely due to the increased fertilizer issues made during the final quarter of the year for the next Maha season. According to the data provided by the Ministry of Agricultural Development and Research, fertilizer application during 1985 on a cultivation year basis fell by 18,391 metric tons or 11 per cent when compared with that of the last year. The drop in fertilizer application was entirely due to the reduced fertilizer use in the Maha 1984/85 season. The amount of fertilizer applied during this season fell by 27,847 metric tons or 25 per cent over that of the same season last year. The average quantity of fertilizer used per sown hectare also indicated a decrease of 17 per cent. The amount of fertilizer used during the Yala 1985 however increased by 9,500 metric tons or 16 per cent over Yala 1984. The average quantity of fertilizer used per sown hectare during Yala 1985 showed an increase of 47 per cent.

In 1985 paddy purchases under the Guaranteed Price Scheme (GPS) by the Paddy Marketing Board (PMB) decreased by 40 per cent. Following the trend observed over the last two or three years, the active role played by the private sector contributed to the reduction in paddy purchased by the PMB to only 101,000 metric tons. Most of the PMB purchases were from the substantially higher Maha production.

Relatively lower production during the Yala season and unsettled conditions in some of the paddy producing districts in the Northern and Eastern areas also affected PMB purchases. Following the usual pattern, bulk of the purchases were made from the dry zone surplus districts of Ampara (23,049 metric tons), Anuradhapura (14,673 metric tons), Polonnaruwa (14,471 metric tons) and Trincomalee (11,430 metric tons). Purchases from the unsettled Batticaloa district were only 415 metric tons as against 25,054 metric tons purchased in 1984.

The paddy production level attained in 1985 despite a shortfall in the Yala season approximates the rice consumption requirements of the country. On the basis of 100 kgs. of rice per person per month, as estimated in the Consumer Finances and Socio Economic Survey of 1981-82, the total consumption requirement is 1.6 million metric tons. With due allowance for wastage and seed paddy requirements, the level of production was just adequate to meet the country's rice consumption requirements.

The implications of attaining self-sufficiency in rice require to be well thought out, as otherwise, excess production may result in the depression of producer prices.

Further, there is a need to determine a proper pricing policy for rice and wheat flour so as to avoid an imbalance between rice production and rice consumption.

Minor Food Crops

The performance of minor food crops was poor in 1985, as in 1984. According to provisional data, production suffered a setback in Maha 1984/85, but there was some improvement in Yala 1985. The substantial drop in the extent under most minor food crop cultivation in the Maha season was largely responsible for the decline in production during that season. The production of chillies, red onions, groundnuts and black gram increased inspite of the reduction in the extent cultivated due to the combined effect of favourable weather conditions and increased productivity. Due to favourable weather as well as better prices for potatoes the extent under cultivation increased by 44 per cent, and production more than doubled in the Maha season. The higher production of potatoes in Maha resulted in lesser land being brought under potato cultivation in Yala, 1985. Consequently, the extent under potato cultivation fell by 19 per cent and production declined by 40 per cent. The increased production of several minor food crops such as green gram, cowpea, and gingerly in the Yala season, partly compensated for the loss of production of these crops in the Maha season. Induced by higher domestic prices, larger extents of land were used for chillie cultivation, particularly in areas like Kalawewa, during the Yala season. Consequently, the extent under chillie cultivation increased by 14 per cent.

The production of minor food crops during 1985 was affected by several factors. Increased availability of water for paddy cultivation, particularly during the Maha season, reduced the extent available for cultivation of minor food crops during that season and the reduced production of these crops in the last two years resulted in lesser seed availability for their cultivation. The conspicuous fall in the production of crops like soya bean may have been principally due to the low consumer demand. Despite the reduced area under cultivation of some of these crops, their productivity increased mainly due to favourable weather and increased fertilizer application.

The Floor Price Scheme (FPS) operated by the Paddy Marketing Board (PMB) for eight selected minor food crops continued during the year with floor prices remaining at last year's levels. PMB purchased 846 metric tons of maize and 20 metric tons of soya beans under the FPS. These purchases compare with 3,152 metric tons of maize and 200 metric tons of soya beans purchased last year.

With the economy now at the threshold of self-sufficiency in paddy production, the development of a crop diversification programme becomes urgent. Their cultivation will not only increase farmer incomes but could also help raise the level of nutrition.

The performance of the minor food crops sector is constrained by several factors. Less attention has been paid to research and development of high yielding varieties. Fertilizer application is poor and no fertilizer is applied at all in the case of certain crops. Marketing also constitutes a setback in certain remote areas with producers obtaining low prices. Limited access to institutional credit and extension services are also constraints to the realization of the full production potential in this sector. More attention has been paid to increasing productivity and improving marketing of these products during the year under review.

Sugar

In 1985, sugar production by the Sri Lanka Sugar Corporation (excluding sweepings purchased from the Food Commissioner) estimated at 17,717 metric tons was a further decrease of 3 per cent over the reduced production last year. Sugar production by the Hingurana factory fell by 6 per cent, while that of the Kantale factory remained more or less at the same level as last year.

The extent under sugar cane cultivation (including ratoonnings), managed by the Hingurana factory fell by 16 per cent from 2,629 hectares in 1984 to 2,196 hectares in 1985. The extent harvested as a percentage of the extent cultivated was 98 per cent, as against 94 per cent last year. However, with a 14 per cent reduction in the average yield per hectare, the amount of cane harvested decreased by 26 per cent to 92,671 metric tons in 1985. The extent under sugar cane cultivation managed by the Kantale factory increased by 11 per cent from 2,327 hectares in 1984 to 2,594 hectares in 1985. The area harvested as a percentage of extent cultivated was 91 per cent in 1985 as against 95 per cent last year. In spite of a fall in the average yield per hectare by 4 per cent, the amount of cane harvested increased marginally to 95,843 metric tons as a result of the larger extent cultivated.

Private sector producers did remarkably well during the year under review compared to the public sector. The volume of sugar cane supplied by private producers increased by 75 per cent from 46,029 metric tons in 1984 to 80,652 metric tons in 1985. Almost the entirety of private sector production was purchased by the Hingurana factory. Private sector's share in the total cane harvest rose from 27 per cent in 1984 to 46 per cent in 1985. The private sector supply of sugar cane to the Kantale factory continued to be negligible.

The sugar recovery rates at both factories fell in 1985 as well. Following the past trend, the Hingurana factory displayed a lower recovery rate which decreased further from 6.4 per cent in 1984 to 5.9 per cent in 1985. The sugar recovery rate at the Kantale factory dropped from 7.8 per cent in 1984 to 6.9 per cent in 1985.

The poor performance of both public sector factories is due to the combined effect of several factors. Difficulties in obtaining labour on time resulting in insufficient numbers being employed at the stages of planting and harvesting constitute a major problem for these two factories. Disruptions by the ethnic disturbances have exacerbated this problem recently. Kantale sugar plantations in particular are frequently affected by damages caused by animals. Hingurana sugar plantations are affected by water logging conditions which explain, to a considerable extent, the relatively lower sugar recovery rate of this factory. Low sugar recovery rates at both factories are also caused by delayed harvesting and delays in transport of sugar cane for processing to factories. This in turn is caused by the labour shortages and transport problems. Even after the sugar cane is transported to the factory, delays in processing due to failure of machinery etc. tend to lower the sugar recovery rates further. The constrained supply of spares caused by insufficient funds renders proper maintenance of machinery difficult. Underutilized capacity of machinery in operation resulting from poor yields and low sugar cane supply causes further inefficiencies.

The commissioning of the state-owned and the Asian Development Bank assisted new factory at Sevanagala, which is expected to produce 27,000 metric tons of sugar at full capacity, was scheduled for July 1985, but the slow progress of the contractor delayed its commissioning. This factory is expected to start production in 1986. Even after this factory comes into operation, public sector sugar production will meet only about 20 per cent of the annual domestic consumption requirements.

The initiatives of the government to encourage foreign private sector participation in sugar production received a somewhat favourable response. Pelwatte Sugar Company managed by Bookers International of England and the Moneragala Sugar Company backed by Mehta International of Bermuda have already committed themselves to this task. Pelwatte Sugar Company is expected to commence production in late 1986 with an initial capacity of 15,000 metric tons and is expected to produce 47,000 metric tons at full capacity by 1989. The Moneragala Sugar Company will start production in 1988 and has a production capacity of 43,000 metric tons. These two companies together with the state owned factories at Kantale, Hingurana and Sevanagala are expected to produce 142,000 metric tons of sugar or 56 per cent of the annual requirement by 1990.

The extent to which the private sugar cane producers or the cane growers outside the projects benefit will depend to a considerable extent on the successful implementation of these projects. If producers receive the envisaged benefits under these projects such as price incentives and the provision of necessary inputs etc., private sugar cane producers will be in a position to make an effective contribution to sugar production in the country. Since these enterprises have a captive market, it is important to ensure that domestic prices are not grossly out of line with international prices.

Fish and Livestock

Fish production in 1985 is provisionally estimated at 168,040 metric tons. This marginal increase over the reduced production last year was mainly due to a rise in coastal and deep sea fishing. Coastal fish production, which accounted for about

80 per cent of the total fish catch, increased marginally while inland fish production remained more or less at the same level as last year. Offshore and deep sea fish production whose relative share in total fish output is only about 1 per cent, increased by about two-thirds.

The marine fishery sector which was performing well until 1983 suffered a severe setback since then. In particular, coastal fishing in the northern and eastern areas, which supply a substantial portion of the total fish catch, continues to be affected by security problems in those areas. The improvement in offshore and deep sea fishing was mainly due to the introduction of offshore boats issued during the year under the Abu Dhabi Fund Programme. The implementation of several fishery development projects with foreign financial assistance continued during 1985.

The total amount of subsidy paid to the marine fishery sector under the mechanization programme declined from Rs. 14 million in 1984 to Rs. 11.1 million in 1985 as a result of a reduction in the budgetary allocation. The total amount of subsidy paid to the inland fishery sector by way of boat and pond subsidies was Rs. 2.7 million.

The poor performance of the fisheries sector, caused increases in the prices of all varieties of fish including dry fish during the year. The prices of certain varieties of fish such as seer remained above the reach of the average consumer. This situation is unlikely to improve until the unsettled conditions in the north and eastern areas return to normal. The production of the Fisheries Corporation is also affected due to the obsolete nature of their trawlers which have been purchased as far back as 1965.

As fish constitutes an important item of food in the diet of Sri Lankans, increased fish production is a priority. While encouraging the mechanization of coastal fishing with adequate incentives particular attention is also required to encourage offshore deep sea fishing. As evidenced in the fish production estimates, this sector has not been adequately exploited. It is somewhat disappointing to note that this is an area where the organized private sector has hardly ventured into and their participation with or without foreign collaboration must be encouraged under adequate incentives such as credit for the purchase of medium or large scale trawlers. The offshore and deep sea fishery sector may be induced to make an effective contribution to the total fish production of the country.

Milk production in 1985 (including buffalo milk) provisionally estimated at 334 million litres showed a marginal increase of 2 per cent over that of the previous year. The National Milk Board (NMB) collected 67 million litres of milk and this was 16 per cent higher than the amount collected in 1984. Higher collection was mainly due to the increase of 50 cents per litre in the producer price of milk by the NMB during the latter part of last year and the increased number of milk collecting centres. The production of sterilized milk and pasteurized milk by the NMB fell by 9 per cent and 15 per cent respectively. The production of full cream milk powder rose by 32 per cent due to increased milk collection.

The attempts at improving the livestock sector of the country through the implementation of special development projects continued in 1985. These projects included the CIDA project for Poultry Development, Sri Lanka/Netherlands Poultry Development Project, Sri Lanka/West German Goat Development Project, Sri Lanka/Swiss Livestock Development Project and the Sri Lanka/ADB Livestock Development Project.

The total egg production in 1985 estimated at 612 million was an increase of 9 per cent when compared with the production in 1984.

Rural Credit

The year 1985 was characterised by a number of improvements in the sphere of rural credit. The Central Bank established four Regional Rural Development Banks (RRDBs), established its third Regional Office in Matale, inaugurated a credit guarantee fund with a sum of Rs. 300 million to assist commercial banks to extend credit to the rural sector and continued its support to expand the volume of credit flowing for off-farm activities.

An important measure taken by the Central Bank was the review of the Comprehensive Rural Credit Scheme (CRCS) which had been in operation since 1973. A number of modifications will become effective in 1986.

The commencement of farm credit operations in the Matara district by the state-owned National Savings Bank (NSB) in June, 1985 was a new development in the provision of farm credit in Sri Lanka. Hitherto, the NSB operated merely as a savings bank. It is now seeking to establish a close link between savings and rural credit.

As in previous years, three domestic commercial banks, namely the People's Bank, Bank of Ceylon and Hatton National Bank (HNB) and one foreign bank—the Indian Overseas Bank continued to play an important role in the provision of credit to the rural sector. Since August, 1985 the RRDBs also commenced lending operations in the rural sector on a very small scale. These institutions are designed not only to provide short-term cultivation credit under the CRCS, but also to extend medium and long-term credit to meet the investment credit requirements in the rural sector, especially among the weaker sections in the rural population.

As shown in Table 1.11 the total amount of cultivation loans given under the CRCS by the two state banks and HNB amounted to Rs. 156.6 million during the cultivation year 1984/85 compared to Rs. 211.7 million in the previous year. This decrease of 26 per cent over the previous cultivation year was shared by all three institutions. The greatest decline (37 per cent), was in the People's Bank while there were decreases of 26 per cent and 11 per cent, respectively in the HNB and Bank of Ceylon. The People's Bank, which accounted for the largest share of cultivation

TABLE 1.11

**Cultivation Loans granted under the Comprehensive Rural Credit Scheme
(Position as at 31st December, 1985)**

Rs. Million

Period	People's Bank			Bank of Ceylon			Hatton National Bank			Total loans		Total loans under the CRCS
	Paddy	Minor food crops	Total	Paddy	Minor food crops	Total	Paddy	Minor food crops	Total	Paddy	Minor food crops	
1983/84 Maha	65.95	8.87	74.82	43.06	11.75	54.81	24.15	2.64	26.79	133.16	23.26	156.42
1984 Yala	21.59	5.10	26.69	14.37	7.48	21.85	3.30	3.39	6.69	39.2	15.97	55.23
Cultivation year 1984	87.54	13.97	101.51	57.43	19.23	76.66	27.45	6.03	33.48	172.42	39.23	211.65
1984/85 Maha	35.49	5.16	40.65	32.93	13.08	46.01	14.49	1.59	16.08	82.91	19.83	102.74
1985 Yala	17.55	5.74	23.29	14.09	8.02	22.11	5.15	3.43	8.58	36.79	17.19	53.98
Cultivation year 1985*	53.04	10.90	63.94	47.02	21.10	68.12	19.64	5.02	24.66	119.70	37.02	156.72

* Provisional.

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



RECORDED

loans in previous years, became the second largest for the first time since 1967 when the banking sector began to participate in agricultural lending. The shares of People's Bank and Bank of Ceylon were 41 per cent and 43 per cent, respectively, while that of the HNB remained around 16 per cent as in the previous year. The decline in the amount of credit disbursed under the CRCS in 1985 was mainly a reflection of the lagged effect of the high rate of defaults in the previous year when inclement weather conditions reduced farmers' capacity to repay their loans. This is particularly true in the case of the People's Bank.

The total loans disbursed for paddy cultivation during the cultivation year 1985, at Rs. 119.7 million was 31 per cent less than that in the previous year. Loans for paddy accounted for 76 per cent of the total cultivation loans under the CRCS: The corresponding proportion in the previous year was 81 per cent. The People's Bank's lending of Rs. 53.0 million to the paddy sector, which accounted for 44 per cent of total paddy cultivation loans, was a drop from the previous year's share of 51 per cent. Although the Bank of Ceylon's share of total paddy loans disbursed under CRCS increased to 39 per cent from 33 per cent in the previous year, the total amount of loans extended for cultivation of paddy by the Bank decreased by 18 per cent.

Loans for paddy cultivation during the Maha season at Rs. 82.9 million accounted for 69 per cent of the total amount of paddy loans under the CRCS during the year. The corresponding share in the previous cultivation year was 77 per cent. The People's Bank loaned Rs. 35.5 million or 43 per cent of the total Maha paddy credit. This amount is 46 per cent less than that of the corresponding cultivation season in the previous year. The Bank of Ceylon's share in Maha paddy loans under the CRCS during the year was 40 per cent which was an improvement from 32 per cent over the previous Maha season. The quantum of loans disbursed by the Bank of Ceylon was Rs. 10.1 million (or 23 per cent) less compared to that of Maha, 1983/84. The HNB also reported a decline in paddy loans during the Maha season. However, its relative share did not decline significantly. The total amount of paddy loans for Yala, 1985 was Rs. 36.8 million, 6 per cent less than the amount disbursed in Yala, 1984. The decline reported by the People's Bank was largely responsible for this lower quantum of credit during the season. The HNB, however, reported an increase in its volume of credit during the same season.

The total quantum of loans for minor food crops under the CRCS also fell by 6 per cent from Rs. 39.2 million in 1984 to Rs. 37.0 million in 1985. The loans by the People's Bank for this purpose was Rs. 10.9 million, a decrease of 22 per cent compared to the previous cultivation year. The HNB also reported a decline in its credit to minor food crops. In contrast, the Bank of Ceylon increased its lending under the CRCS for minor food crops by 10 per cent to Rs. 21 million in the cultivation year 1984/85 and accounted for 57 per cent of the total loans given for minor food crops under this scheme.

An improvement was recorded in the recovery of cultivation loans given under the CRCS in 1985 compared with the previous year. The rate of recovery of paddy loans increased from 65 per cent in 1984 to 70 per cent in 1985. Of the total amount

of paddy loans disbursed during the 1984/85 Maha season, 68 per cent had been recovered by the end of 1985 whereas only 64 per cent of the 1983/84 Maha paddy loans had been recovered by the end of 1984. The rate of recovery of loans for minor food crops, on the other hand, declined from 64 per cent in the cultivation year 1984 to 60 per cent in 1985. The cumulative recovery position of all loans under (CRCS) also improved from 53 per cent in 1984 to 60 per cent in 1985.

As in 1984, the progress of the rescheduling scheme of existing cultivation loans which was implemented only by the Bank of Ceylon, continued to be poor. At the end of 1985, in response to a Cabinet directive, the People's Bank took steps to implement this scheme during 1986.

As in previous years, several new credit schemes were introduced in 1985 with Central Bank refinancing under the Medium and Long-term Credit Fund with a view to promoting institutional credit for investment purposes in the rural sector. The two Regional Offices of the Central Bank at Anuradhapura and Matara continued their special programmes in promoting rural development. The third Regional Office which was established in Matale in December, 1985 will undertake a similar programme in the area coming within its purview through established lending institutions. The main emphasis of this programme which is under preparation would be to promote the flow of credit to unemployed and other disadvantaged groups of people with a view to generating a larger volume of self-employment opportunities using raw materials, technical know-how and skills available locally in rural areas.

Background: The Government of Sri Lanka has been committed to the development of the rural sector and to the improvement of the living standards of the rural population. This commitment is reflected in the various policies and programmes of the Government, particularly in the area of credit and financial services.

During the period 1984/85, the Government continued to implement its policy of providing credit facilities to the rural sector. This was done through the Central Bank, the People's Bank, and various other financial institutions. The Government also continued to support the development of the rural sector through various other measures, such as the provision of technical assistance and the promotion of self-employment opportunities.

Background: The Government of Sri Lanka has been committed to the development of the rural sector and to the improvement of the living standards of the rural population. This commitment is reflected in the various policies and programmes of the Government, particularly in the area of credit and financial services.