

AGRICULTURE

Tea

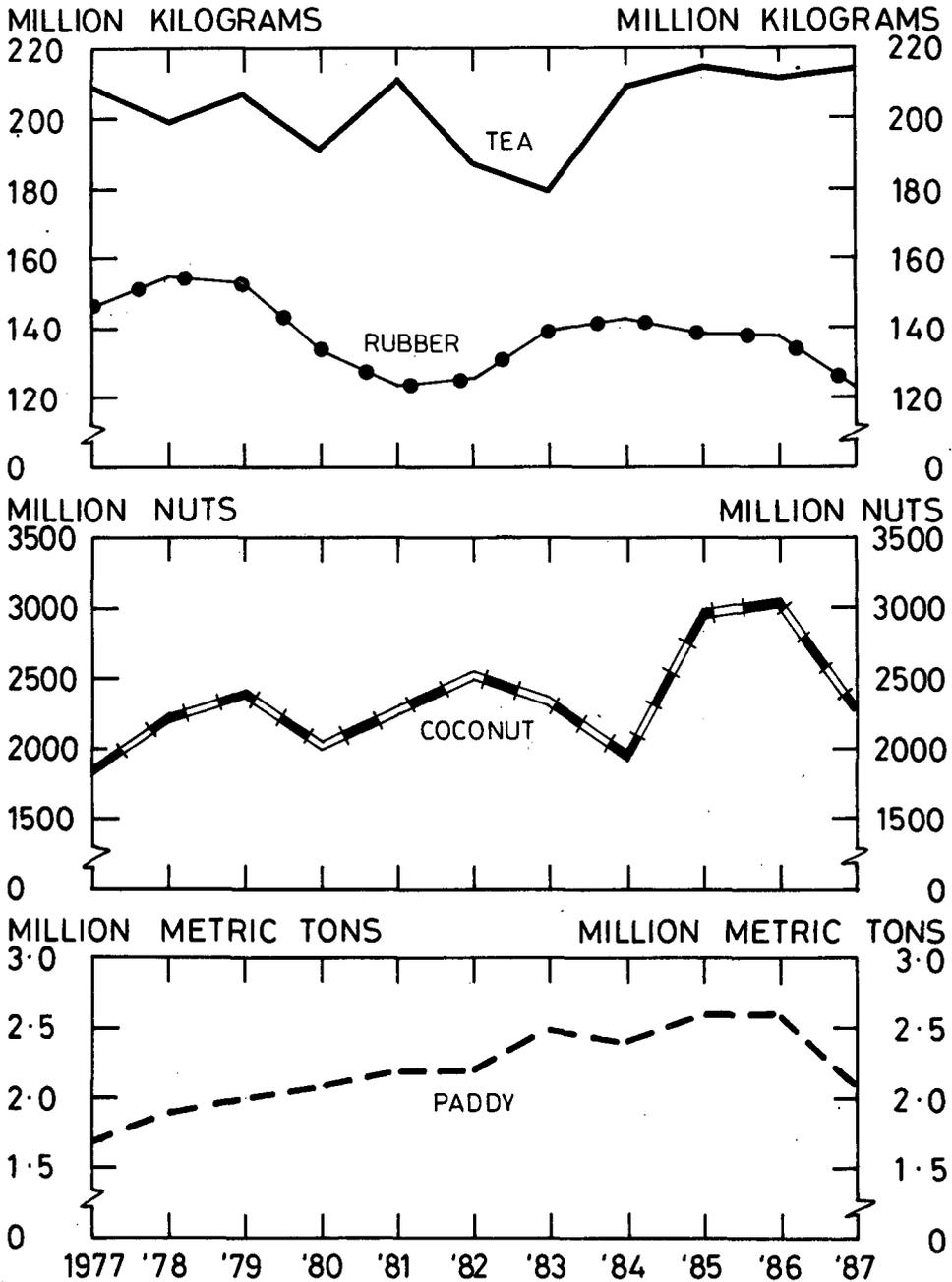
Tea production which experienced a slight set back in the previous year increased marginally by one per cent to 213.3 million kgs. in 1987, despite a significant drop in production during the first quarter of the year due to severe drought condition and reduced fertilizer application. Production performance in different elevations was highly uneven. Mid grown tea production increased marginally while the low grown tea production rose by 7 per cent to reach 86.4 million kgs., the highest level ever on record. The low grown teas accounted for 41 per cent of the total production, compared with 38 per cent in 1986. Underlying this increasing trend in production was the new plantations of tea undertaken in low grown areas during early 1980s, mainly by small holders. In contrast, high grown tea production fell for the third consecutive year, declining by 5 per cent to 73.4 million kgs. in 1987. The drop in production was attributed mainly to drought conditions that prevailed in most of the major producing areas during the early part of the year.

The production of "Orthodox" tea in 1987, estimated at 209 million kgs. showed an increase of one percent when compared with the previous year. CTC tea production also increased marginally by about one per cent to 1.1 million kgs., while LTP tea production dropped significantly by 23 per cent to 3.2 million kgs. in 1987. The drop in LTP tea is partly explained by the relatively attractive prices for orthodox tea that prevailed throughout the year, which prompted certain factories to continue to concentrate on orthodox tea production.

The increase in tea production during 1987 was entirely due to the higher output from the private sector, as production of the state-owned plantations declined. The combined production of tea by the Janatha Estates Development Boards (JEDBs) and the Sri Lanka State Plantations Corporations (SLSPCs) with leaf from their own estates dropped by 3 per cent to 123.2 million kgs. in 1987 and accounted for 58 per cent of the total tea production, compared with 60 per cent in 1986. Tea production of the JEDBs, excluding tea produced with bought leaf, dropped by 2 per cent to 67.7 million kgs., while that of the SLSPCs fell by 5 per cent to 55.6 million kgs. This decline was largely due to drought conditions which prevailed during the early part of the year and the uprooting of a large extent for replanting purposes under the Medium Term Investment Programme. Tea produced by the SLSPCs from bought leaf declined marginally by 3 per cent to 12.1 million kgs. in 1987 accounting for 18 per cent of the total production of the SLSPCs. In contrast, tea produced by the JEDBs from bought leaf recorded an increase of 4 per cent to 5 million kgs. in 1987 accounting for 7 per cent of the total production of the JEDBs.

Tea produced in the private sector increased by 10 per cent in 1987 continuing the trend which had been evident since 1981. When the green leaf produced by the private sector and processed in the factories owned by the JEDBs and SLSPCs is included under the private sector, its share in the total tea production increases from 39 per cent in 1986 to 42 per cent in 1987.

PRODUCTION OF PRINCIPAL AGRICULTURAL CROPS



Fertilizer issues to the tea sector rose by 6 per cent to 136,335 metric tons in 1987. The increase which was largely confined to the second half of 1987 was mainly attributable to favourable weather conditions and relatively better tea prices. However, fertilizer application on tea plantations managed by the JEDBs dropped by 4 per cent to 39,709 metric tons in 1987, while that on the SLSPCs estates declined substantially by 11 per cent from 34,595 metric tons in 1986 to 30,808 metric tons in 1987. However, available data tend to indicate that fertilizer use on privately owned tea lands has increased in 1987. Apparently, most of this increase was confined to the low grown areas where the drought condition during the first quarter of the year was not as severe as it was in the other elevations.

TABLE 1. 10
Statistics on Tea Sector 1985-1987

Item	Unit	1985	1986(a)	1987(b)
1. Production	Mn. kgs.	214.1	211.3	213.3
1.1 High grown	"	78.9	77.1	73.4
1.2 Medium grown	"	55.1	53.3	53.5
1.3 Low grown	"	80.1	80.9	86.4
2. Registered extent under tea	'000 ha.	231	223	221
3. Fertilizer issues	'000 Mt. tons	149.9	128.8	136.3
4. Replanting	Hectares	1,672	1,618	1,503
5. Prices				
5.1 Colombo net	Rs./kg.	35.39	30.28	38.06
5.2 Export f.o.b.	"	60.62	44.52	52.97
6. Cost of Production	"	35.00	n.a.	n.a.
7. Exports	Mn. kgs.	198.0	207.8	201.1
8. Export earnings	Rs. Mn. (SDR Mn.)	12,002.8 (434)	9,252.8 (281)	10,653.5 (280)
9. Value added as % of GDP (c)		5.6	4.5	5.5

(a) Revised.

(b) Provisional.

(c) In growing and processing only.

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

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

Information on average yield per hectare on a country-wide basis is not available. The average yield in the plantations managed by the JEDBs rose marginally by one per cent to 1,249 kgs. per hectare in 1987 while that of the SLSPCs declined marginally by 2 per cent to 1,142 kgs. per hectare. Though data on average yield are not available for the private sector, on the basis of the 10 per cent increase in production on private sector tea lands referred to earlier, it may be safely assumed that the average yield on private sector tea lands increased during 1987.

During the year, the total registered area under tea cultivation decreased for the second consecutive year recording a decline of one per cent to 221,498 hectares. The public sector accounted for the entire reduction in the area. The extent under tea in plantations belonging to the JEDBs and the SLSPCs fell by 2 per cent each to 58,744 hectares and 54,370 hectares, respectively in 1987. This drop was mainly attributed to handing over of some of their plantations to previous owners and alienation of marginal

tea lands for other uses. The extent under tea in the private sector recorded an increase of one per cent, which, however, was not sufficient to compensate for the drop in the extent in the public sector. The extent under bearing in plantations belonging to the JEDBs declined by 3 per cent from 55,858 hectares in 1986 to 54,156 hectares in 1987, while the extent under bearing of the SLSPC plantations dropped by 2 per cent from 49,760 hectares in 1986 to 48,663 hectares in 1987.

During 1987, the total extent replanted amounted to 1,503 hectares, which was 7 per cent lower than the extent replanted (1,618 hectares) during the previous year. The area replanted in the plantations belonging to the JEDBs dropped by 60 hectares from 553 hectares in 1986 to 493 hectares in 1987 while that in the plantations managed by the SLSPCs increased by 59 hectares from 602 hectares in 1986 to 661 hectares in 1987. The data available from the Tea Small Holdings Development Authority (TSHDA) indicate that the subsidy-assisted replanting in the private sector decreased from 463 hectares in 1986 to 349 hectares in 1987. The poor performance was in part a result of the adverse weather conditions that prevailed during the early part of the year.

New planting of tea which nearly doubled in 1986 declined by 12 per cent from 1,633 hectares in 1986 to 1,437 hectares in 1987. New planting by the private sector declined by 246 hectares, whereas the JEDBs and SLSPCs together reported an increase of 50 hectares in new planting when compared with the levels reported for the previous year. It would appear that the relatively low prices which prevailed during the previous year have had a lagged adverse effect on new planting by the private sector.

Replanting and new planting subsidy rates remained unchanged during the year. But these subsidies failed to encourage replanting and new planting activities in the private sector significantly as the current rates cover only a part of the total cost of planting. In the case of replanting the subsidy rate covers only about half the costs involved. In view of the inadequacy of suitable virgin lands for new planting, gains in tea production will depend largely on increases in productivity in the extent already under cultivation. For this purpose, it is vitally important to ensure consistent and systematic replanting by giving greater incentives for the growers to undertake replanting activities.

The weighted average cost of production (COP) per kg. of made tea in the public sector plantations was estimated at Rs. 38.38 per kg. which was about 5 per cent higher than that of the last year, mainly due to an increase in wage costs and higher overhead costs resulting from unsettled conditions in the country. The cost of production of the JEDBs increased by 3 per cent to Rs. 39.50 per kg., while that of the SLSPCs rose by 8 per cent to Rs. 37.20 per kg. The average net sale price at the Colombo Auctions rose by 26 per cent, from Rs. 30.28 per kg. in 1986 to Rs. 38.06 per kg. in 1987. The producer margins of the JEDBs improved from a negative margin of Rs. 8.04 per kg. in 1986 to a negative margin of Rs. 3.38 per kg. in 1987. The producer margins of the SLSPCs changed from a negative of Rs. 2.45 per kg. in 1986 to a positive margin of Rs. 1.07 per kg. in 1987.

The Tea Small Holdings Development Authority (TSHDA) continued to provide assistance in various ways to private sector tea cultivators. Implementation of the subsidy programmes has been one of the major functions of the TSHDA. In addition, the TSHDA

operates a number of factories for the processing of green leaf produced by the small holders. The number of such factories remained at 12 during 1987, as in the previous year.

With a view to encouraging exports, the export duties on bulk tea, packeted tea, instant tea and green tea were reduced by Rs. 1.50 per kg. to Rs. 3.50 per kg., Rs. 2.00 per kg., Rs. 8.50 per kg. and Rs. 3.50 per kg., respectively in November, 1987 while the export duty on tea bags was abolished. During the year, the Tea Board introduced minimum quality standards for teas offered for sale at the Colombo Auctions in order to prevent exports of poor quality tea. It was expected that this measure would have a favourable effect on prices as well.

Since the average price of all teas at the Colombo Auctions remained over Rs. 34 per kg. during the year, no assistance was provided to the growers through the Stabilization Fund for Tea during 1987.

Rubber

Rubber production is provisionally estimated at 123 million kgs. in 1987, showing a 11 per cent decline over the previous year. This is the lowest level of production on record during the last two decades. Production which declined during the first quarter of the year due to severe drought conditions, dropped further during the third quarter of the year owing to reduced tapping in major producing areas due to heavy rains. The up-rooting of a greater extent for replanting activities too had a negative effect on production during the year.

The public sector and the private sector shared the production decline unevenly, the latter accounting for about 84 per cent of the total decline of 14.8 million kgs. When compared with the production in the previous year, the production of the private sector in 1987 estimated at 83.4 million kgs. was 13 per cent lower.

When rubber produced by the JEDBs and SLSPCs with bought latex is excluded, their combined production showed a decline of only 1.8 million kgs. or 4 per cent from 40.4 million kgs. in 1986 to 38.6 million kgs. in 1987. The production of JEDBs has suffered a decline of 4 per cent and that of the SLSPCs a decline of 5 per cent (excluding production from bought latex).

In 1987, according to the data provided by the Rubber Control Department, the average yield decreased by 10 per cent to 744 kgs. per hectare compared with that of the previous year. The SLSPCs reported a 5 per cent decline in average yield and the JEDBs a 3 per cent decline.

As in the previous years, the trend of converting marginal rubber lands particularly into tea and clearing of rubber lands for development activities continued in 1987, contributing to a marginal reduction in the total registered area under rubber. In 1987, the total area under tapping decreased by one per cent to 165,565 hectares, which is the lowest level recorded in the recent past. The declining trend in area under tapping has been evident since 1980.

TABLE 1.11
Statistics on Rubber Sector 1985 - 1987

Item	Unit	1985	1986(a)	1987(b)
1. Production ..	Mn. kgs.	137.5	137.8	123.0
2. Area				
2.1 Under cultivation ..	'000 hectares	205.5	205.2	205.1
2.2 Under tapping ..	"	168.2	166.7	165.6
3. Yield	Kg./hectare	818	826	744
4. Fertilizer issues	'000 Mt. tons	24.2	26.3	24.7
5. Replanting	Hectares	6,694	5,911	5,512
6. Prices				
6.1 Export F.O.B. ..	Rs./Kg.	21.34	23.83	27.63
6.2 Colombo RSS 1 ..	"	15.90	16.62	21.10
7. Cost of Production (c) ..	"	10.50	10.93	11.37
8. Exports ..	Mn. Kgs.	120.2	110.0	106.0
9. Domestic consumption ..	"	15.1	16.4	18.0
10. Export earnings ..	Rs. Mn. (SDR. Mn.)	2,566.0 (93)	2,622.0 (80)	2,929.3 (77)
11. Value added as % of GDP (d) ..		1.4	1.4	1.4

(a) Revised.

(b) Provisional.

(c) Weighted average cost of production of private sector.

(d) In growing and processing only.

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

Fertilizer issues to the rubber sector declined by 6 per cent to 24,706 metric tons in 1987, mainly due to adverse weather conditions as well as a reduced extent replanted and newly planted. Fertilizer application on rubber lands managed by the JEDBs and SLSPCs declined in 1987 by 5 per cent and 2 per cent, respectively compared with the previous year. In contrast to the trend observed during the previous seven years, fertilizer use on privately owned lands too dropped substantially by 8 per cent in 1987.

According to provisional data of the Rubber Control Department, the extent replanted during the year declined by 7 per cent to 5,512 hectares from 5,911 hectares in 1986. The extent replanted on the plantations managed by the JEDBs declined by 8 per cent to 796 hectares in 1987, while those of the SLSPCs rose substantially by 11 per cent to 1,224 hectares. Replanting in the private sector plantations dropped significantly by 12 per cent to 3,492 hectares. This reflected the reluctance of rubber small holders to carry out replanting activities as sheet rubber fetched high prices throughout the year. The non-availability of plants which are less susceptible to "corynespora leaf spot" disease in sufficient quantities also had a bearing on replanting activities in 1987. The World Bank assisted Small Holding Rubber Rehabilitation Programme continued to cover Kegalle, Kalutara and Ratnapura districts in 1987. Under this scheme, 2,749 hectares have been replanted in 1987 bringing the cumulative extent replanted under this project by the end of 1987 to 19,924 hectares.

The area newly planted which declined by 33 per cent in 1986 dropped further by 14 per cent to 1,460 hectares in 1987. The decline was shared by the SLSPCs and the private sector. In the case of JEDBs there was an increase of 20 hectares in the extent newly planted. Prolonged adverse weather conditions which prevailed in most of the growing areas appear to have had a bearing on this decline. Apart from the problem of unfavourable weather conditions, new planting of rubber in 1987 also suffered from the lack of suitable lands for further expansion.

Both the public sector estates and private sector growers experienced increases in cost of production (COP) during 1987. In the case of the private sector, the COP is estimated to have increased by 4 per cent from Rs. 10.93 per kg. in 1986 to Rs. 11.37 per kg. in 1987. The JEDBs reported a significant increase of 13 per cent in their COP from Rs. 18.45 per kg. in 1986 to Rs. 20.92 per kg. in 1987, while the SLSPCs reported a marginal increase of 2 per cent from Rs. 18.30 per kg. in 1986 to Rs. 18.74 per kg. in 1987.

Natural rubber experienced a mini boom in prices in international markets during 1987. The average export (f.o.b.) price of rubber which increased by 12 per cent to Rs. 23.83 per kg. in 1986 recorded a significant increase of 16 per cent to Rs. 27.63 per kg. in 1987. This was the highest price level recorded in the recent past. The average prices of all varieties of sheet rubber and scrap crepe at the Colombo Auctions recorded substantial increases during 1987 when compared with those of 1986, while those of latex crepe rubber showed significant declines. One of the major developments at the Colombo Auctions in 1987 was the record price levels of Ribbed Smoked Sheets (RSS). The important contributory factors for this development were the reduced domestic supplies due to unfavourable weather conditions and active demand resulting from low stocks with consumers and better performance of the automobile and tyre industries of developed countries and periodic low rubber output in major rubber producing countries, viz. Malaysia, Thailand and Indonesia. The other major development at the Colombo Auctions in 1987 was the active demand of domestic rubber manufacturers and exporters for off grade varieties of rubber. While the rubber small holders benefitted from the increased prices of sheet rubber, low prices of crepe rubber had a negative effect on the producer margins of the public sector estates. The producer margins of the JEDBs deteriorated from a positive margin of Rs. 3.36 per kg. in 1986 to a negative margin of Rs. 0.53 per kg. in 1987, while the positive margin of the SLSPCs dropped from Rs. 2.98 per kg. in 1986 to Rs. 1.17 per kg. in 1987.

Domestic consumption of rubber improved substantially by 10 per cent from 16.4 million kgs. in 1986 to 18 million kgs. in 1987, accounting for 15 per cent of the total production. Domestic consumers actively purchased lower grades of rubber throughout the year at the Colombo Auctions, resulting in a steady increase in prices of low quality rubber.

Subsidy schemes for various planting practices in the rubber sector remained unchanged during the year. The 'Corynespora cassicola' leaf spot disease adversely affected particularly the clone RRIC 103 which had been planted under the Rubber Replanting and New Planting Subsidy Schemes. This disease was found mainly in the regions of Avissawella, Ratnapura, Galle and Kalutara. During the year, an extent of 872 hectares

affected by the disease in the private sector was uprooted and 364 hectares were replanted with a clone that has a capacity to resist the disease.

The Rubber Research Cess was increased by 10 cents to 25 cents per kg. in November, 1987 bringing the total cess payable on every kilogram of rubber exported to Rs. 1.46 per kg.

Coconut

Highly weather dependent coconut production which reached a record level of 3,039 million nuts in 1986 experienced a severe setback in 1987 recording a significant decline of 25 per cent to 2,292 million nuts. In the first half of 1987, the production declined by 19 per cent while during the second half the decline was 30 per cent when compared with the corresponding periods of the previous year. The sharp decline reflected largely the effect of the prolonged drought conditions in 1986 and 1987. Also, depressed coconut prices in 1985 and early 1986 led to a drop in fertilizer usage in those years with lagged adverse effects on production.

The sharp fall in nut production had its negative effects on both production of coconut oil and desiccated coconut (DC) during the year. In 1987, thus, coconut oil production and DC production declined by 50 per cent and 18 per cent, respectively. Copra and fresh nut exports during the year recorded decreases of 8 per cent and 11 per cent, respectively, compared with 1986.

Fertilizer issues to the coconut sector increased by 34 per cent to 42,178 metric tons in 1987. The increase in fertilizer application was most pronounced during the second half of the year coinciding with relatively favourable weather conditions in the major coconut growing areas and significant improvement in nut prices. The Coconut Fertilizer Credit Scheme (CFCS) operated by the two state-owned commercial banks, the Bank of Ceylon and the People's Bank has recorded a marginal increase in the number of loans granted. During the year 1987, the total amount disbursed under the scheme at Rs. 3.3 million was approximately similar to the amount disbursed in 1986.

The severe drought conditions which characterised the early part of 1987 appear to have adversely affected the performance of various subsidy schemes. The extent of coconut lands rehabilitated during the year decreased by 16 per cent to 6,383 hectares. In contrast, the total subsidy payment for rehabilitation increased by 44 per cent to Rs. 17 million, due mainly to increased interest shown by growers to obtain second and third instalments of the subsidy as a result of the strengthening of the support services particularly those relating to input distribution.

In 1987, the combined extent underplanted and replanted declined by 31 per cent to 2,922 hectares and the total subsidy paid on this account dropped by 18 per cent to Rs. 16.6 million. In contrast, the areas newly planted in coconut (other than small-holdings below 0.4 hectares) rose by 26 per cent to Rs. 1,850 hectares. The total subsidy paid for this purpose increased by 16 per cent to Rs. 15.3 million. Inter cropping of coconut lands with grass fodder, pepper, coffee and cocoa dropped by 40 per cent, 12 per cent, 36 per cent and 53 per cent, respectively in 1987.

TABLE 1. 12
Statistics on Coconut Sector 1985-1987

Item	Unit	1985	1986	1987 (a)
1. Production(b) ...	Mn. nuts	2,958	3,039	2,292
1.1 Desiccated coconut ...	Mn. nuts(c)	362	428	350
1.2 Coconut oil ...	Mn. nuts(c)	1,038	1,146	573
1.3 Copra (d) ...	Mn. nuts(c)	37	48	44
1.4 Fresh nut exports ...	Mn. nuts	10	18	16
1.5 Domestic nut consumption (e) ...	Mn. nuts	1,425	1,451	1,368
2. Average Price				
2.1 Colombo ...	Rs./nut	2.18	1.83	3.29
2.2 Export f.o.b. ...	"	2.63	1.57	2.80
3. Fertilizer issues ...	'000 Mt. tons	41.0	31.6	42.2
4. Cost of Production ...	Rs./nut	0.64	0.66	0.62
5. Replanting/Under planting(f) ...	Hectares	4,102	4,206	2,922
6. New planting(f) ...	Hectares	1,561	1,465	1,850
7. Export earnings ...	Rs. Mn.	3,093	2,389	2,140
7.1 Kernel products ...	(SDR Mn.)	(112)	(73)	(56)
7.2 Other products ...	Rs. Mn.	2,383	1,609	1,423
	(SDR Mn.)	(86)	(49)	(37)
	Rs. Mn.	710	780	717
	(SDR Mn.)	(26)	(24)	(19)
8. Value added as % of GDP(g) ...		3.3	2.6	2.6

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

(a) Provisional.

(b) Estimated (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) Exports only.

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

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

(g) In producing and processing only.

Prices of the three major coconut products recovered significantly in international markets during 1987 due to a combination of factors, such as strong demand, low stocks with importers and producers and reduced supplies from the South East Asian countries, particularly from the Philippines which has been severely affected by prolonged drought conditions and typhoons. However, Sri Lanka failed to realise the maximum advantage from the substantial increase in international prices due to the sharp fall in production and consequent increase in domestic prices which together had a depressing effect on the exportable surplus. The nut equivalent of exports of coconut kernel products declined by 51 per cent to 538 million nuts in 1987.

In 1987, the producers benefitted from the sharp increase in nut prices. The average Colombo market price of coconut increased significantly by 80 per cent from Rs. 1.83 per nut in 1986 to Rs. 3.29 per nut in 1987. The cost of production in 1987, estimated at Rs. 0.62 per nut was 6 per cent lower than Rs. 0.66 per nut reported for 1986, mainly due to the reduced intensity of adoption of certain cultural practices in response to unfavourable weather conditions, referred to earlier.

During 1987, two schemes of assistance were in operation under the Stabilization Fund for Coconut. These schemes were subsidisation of cost of transport of coconut fertilizer and payment of interest on rescheduled coconut fertilizer loans. Under the first scheme, a subsidy of Rs. 150 per metric ton was paid to fertilizer distributors for the transport of coconut fertilizer. Interest on rescheduled loans obtained by the growers under the Coconut Fertilizer Credit Scheme from the People's Bank and the Bank of Ceylon was subsidised under the second scheme. The Coconut Development Authority (CDA) operated both schemes on behalf of the Stabilization Fund. With the improvement in the coconut prices these two schemes of assistance were suspended with effect from December 31, 1987.

With a view to minimising export documentation work and to remove restrictive regulations that affect export of coconut products, the Government abolished the export licensing of copra, coconut oil, desiccated coconut and coir fibre with effect from December 1, 1987. However, the CDA continued to conduct the copra auctions and provide all the other services connected with the auctions, for the benefit of the buyers and the sellers. Further, the arrangements regarding labelling, sampling and testing of desiccated coconut produced for export at mills registered with the CDA remained effective during the year.

Minor Export Crops

Minor export crops include a wide range of perennial crops grown mostly in homestead gardens. Therefore, it is difficult to obtain accurate data on the area under cultivation or of production. However, since bulk of the production of these crops is exported, export volume is considered as a reasonable proxy for production.

On the basis of export data, production performance of minor export crops appears to have been mixed during 1987. The significant increase in the volume of exports indicates that the production of cashewnuts and pepper increased substantially in 1987. The export volume of cashewnuts more than doubled during 1987. Export volume of pepper which increased by 5 per cent in 1986 rose by 58 per cent in 1987. However, the export volume of three other important crops viz. cloves, nutmeg and mace and cardamom declined by 34 per cent, 26 per cent and 30 per cent, respectively, reflecting declines in production.

Fertilizer issues to the minor export crop sector increased by 35 per cent from 2,356 metric tons in 1986 to 3,191 metric tons in 1987.

The Department of Minor Export Crops continued its assistance scheme for promoting the cultivation of these crops during 1987. The total extent of newly planted, replanted and rehabilitated in 1987 under the Minor Export Crop Assistance Scheme

increased substantially by 29 per cent to 1,087 hectares in 1987. Reflecting the impact of favourable export prices, rehabilitation of cinnamon and new planting of pepper increased substantially. The amount of subsidy paid under the Minor Export Crop Assistance Scheme increased by 16 per cent from Rs. 12 million in 1986 to Rs. 13.9 million in 1987. The export duties on minor agricultural products were also abolished by the Government in November, 1987 to provide a greater incentive for production and exports.

Although minor export crops at present contribute only a small proportion to total exports, a vast potential exists for increasing production as well as export earnings of minor export crops. In order to realize this potential, it is important to identify the technical constraints on improvement of yields and to eliminate them. The provision of better extension services is also an important step in this regard.

Paddy

In 1987, paddy production declined by 18 per cent to 2.1 million metric tons (102 million bushels of paddy or 1.5 million metric tons of rice). This was the second consecutive year in which paddy production dropped, and the level in 1987 was the lowest since 1979.

The production decline in 1987 was mainly due to the prolonged drought conditions experienced in most of the major paddy producing areas during the cultivation year. The shortage of water not only delayed the commencement of cultivation and reduced the extent sown but also led to a reduction in fertilizer application and the extent harvested which in turn resulted in a lower production during both Maha, 1986/87 and Yala, 1987. The unsettled conditions in the Northern and Eastern Provinces also had a bearing on the substantial drop in paddy production during the year.

Production in Maha, 1986/87 estimated at 1.39 million metric tons (66.7 million bushels) was a substantial decline of 18 per cent over that of the previous Maha season. The combined output of the districts of Kurunegala, Mannar, Anuradhapura and Puttalam which accounted for 30 per cent of Maha, 1985/86 harvest, recorded a substantial decline in Maha, 1986/87.

Production in Yala, 1987 also fell by 18 per cent or 164,675 metric tons when compared with the previous Yala season. The combined production of the districts of Kurunegala, Mannar, Anuradhapura and Puttalam which accounted for 12 per cent of the total paddy output in Yala 1986 declined by 35 per cent or 38,263 metric tons in Yala, 1987.

The average yield per hectare during the cultivation year 1987 increased marginally by about 2 per cent to 3,564 kgs. when compared with the previous year due mainly to higher average yield achieved in major irrigated areas. The average yield per hectare in Maha, 1986/87 rose by 2.6 per cent to 3,678 kgs. over the preceding Maha season. The highest average yield of 5,973 kgs. per hectare in Maha season was reported from the Udawalawe area which was 17 per cent higher than that of the previous Maha season. The Mahaweli 'H' area recorded the next highest yield of 5,272 kgs. per hectare during the Maha, 1986/87. The increase in average yield was largely confined to most of the major irrigated areas which used more fertilizer during Maha, 1986/87.

TABLE 1. 13
Statistics on Paddy Sector 1986 - 1987

Item	Unit	1986			1987 (a)		
		Maha	Yala	Total	Maha	Yala	Total
1. Gross extent sown ..	'000 Hectares	555	340	895	508	273	781
2. Fertilizer issues (b) ..	'000 Mt. tons	124	73	197	115	36	151
3. Credit granted ..	Rs. Million	101	89	190	183	79	262
4. Gross extent harvested	'000 Hectares	527	308	835	433	246	679
5. Yield per hectare (c)	Kgs.	3,585	3,287	3,500	3,678	3,362	3,564
6. Net extent harvested ..	'000 Hectares	468	271	739	380	217	597
7. Production ..	'000 Mt. tons (^{'000 Bushels})	1,688 (80,896)	900 (43,130)	2,588 (124,026)	1,392 (66,727)	735 (35,239)	2,128 (101,966)
8. Purchases under GPS (d)	'000 Mt. tons	138	16	154	57	7	64
9. Rice Imports (Paddy equivalent)		—	—	220 (314)	—	—	102 (146)

Sources: Department of Census and Statistics;
Department of Agriculture;
Ministry of Agricultural Development
and Research;
Paddy Marketing Board;
Food Commissioner's Department;
Central Bank of Sri Lanka.

(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 average yield in Yala, 1987 also registered an increase of 2.3 per cent to 3362 kgs. per hectare compared with the previous Yala season. Unlike in the Maha season, this increase was brought about by the improvement in yields in minor irrigated areas which more than offset the adverse impact of the fall in yield in rainfed areas on the overall yield. The average yield in the major irrigated areas in Yala, 1987 remained at the same level as in the previous Yala season. The highest yield of 4,602 kgs. per hectare for this season was reported from the Udawalawe area. Ampara district recorded the next highest average yield of 4,280 kgs. per hectare while Hambantota district followed with an average yield of 4,261 kgs. per hectare.

The gross extent sown under paddy declined by 13 per cent in 1987, when compared with the previous year. The gross extent sown during Maha, 1986/87 declined by about 9 per cent to 507,830 hectares, while that in Yala decreased by 20 per cent to 273,396 hectares. Substantial declines in the extent sown under paddy were recorded in the major paddy producing districts of Kurunegala, Anuradhapura and Trincomalee. The drop in the gross extent sown during Maha, 1986/87 was much greater at 19 per cent in minor irrigated areas, and was comparatively lower at 6.8 per cent and 3.8 per cent,

respectively in rainfed and major irrigated areas. In Yala season too, the minor irrigated areas registered the greatest decline of about 30 per cent in the gross extent sown while rainfed areas and major irrigated areas recorded decreases of 18 and 17 per cent, respectively.

The total gross extent harvested during 1987 recorded a 19 per cent decline when compared with the previous year. The gross extent harvested in Maha, 1986/87 declined by 18 per cent, while that of Yala declined by 20 per cent. The difference between the extent sown and the gross extent harvested in 1987 amounted to 102,479 hectares or 13 per cent of the gross extent sown due mainly to drought conditions. The incidence of crop failure during Maha season was higher with 15 per cent of the gross extent sown. In the Yala season, the incidence was 10 per cent. The highest crop failure during both seasons was in the Kurunegala district which experienced most severe drought conditions. The gross extent harvested in the district of Kurunegala was only 32 per cent and 53 per cent of the gross extent sown in Maha, 1986/87, and Yala, 1987, respectively. The extent totally damaged by the drought conditions in the Kurunegala district was about 50 per cent of the gross extent sown in Maha and 33 per cent in Yala.

According to the Ministry of Agricultural Development and Research, fertilizer issues to the paddy sector during the cultivation year 1987, amounted to 150,900 metric tons. This was 23 per cent lower than the issues in the previous cultivation year. Fertilizer issues during Maha, 1986/87 fell by 7 per cent to 115,320 metric tons, and during Yala, 1987 declined substantially by 51 per cent to 35,576 metric tons. The fall in fertilizer application was a combined result of the adverse weather conditions and the reduced extent sown. The average quantity of fertilizer used per sown hectare increased marginally by one per cent in the Maha season while in Yala 1987 it declined by 41 per cent when compared with the corresponding previous seasons. According to the National Fertilizer Secretariat, fertilizer issues to the paddy sector on a calendar year basis, amounted to 215,036 metric tons in 1987 showing a decrease of about 8 per cent over the issues during 1986.

The rice equivalent of the total paddy production in 1987, after adjusting for wastage and seed paddy requirements, amounted to about 1.3 million metric tons or about 80 per cent of the estimated total annual consumption. The Food Commissioner (FC) who had a rice stock amounting to 155,500 metric tons at the beginning of the year under review, imported 102,416 metric tons of rice during the year.

Purchase of paddy under the Guaranteed Price Scheme (GPS) by the Paddy Marketing Board (PMB) during 1987 amounted to 63,868 metric tons (3.1 million bushels) showing a substantial decline of 58 per cent when compared with the purchases made during the previous year. This was the lowest level of purchases made under the GPS since 1953. However, the PMB was able to supply rice requirements of the FC during the year by drawing on accumulated stocks. This substantial decline in purchases was largely attributed to the reduced purchases made from drought affected major paddy producing areas in the Dry Zone. The combined purchases from the districts of Anuradhapura, Polonnaruwa, Trincomalee, Ampara and Kurunegala which accounted for 74 per cent of the total purchases in 1986 declined by 63 per cent to 41,669 metric tons (65 per cent of the total purchases) in 1987. This decline was mainly attributable to a com-

bination of factors such as reduced paddy production, the unsettled situation that prevailed particularly in the Eastern Province and the more active role played by paddy traders in the private sector.

Throughout the year, the open market price of paddy remained higher than the guaranteed price of Rs. 70.00 per bushel (Rs. 3.35 per kg.). The annual average open market price per bushel at Rs. 87.84 (Rs. 4.20 per kg.) was 4 per cent higher than that of 1986. The spread between the average open market price and the guaranteed price rose from Rs. 16.09 per bushel in the first half of 1987 to Rs. 19.59 per bushel during the second half. This increasing trend in open market prices of paddy reflected mainly lower availability of rice in the market due to reduced production in both Maha and Yala. Following the same trend, open market prices of raw, par boiled and samba varieties of rice also increased during the year. The price of samba varied between Rs. 10.29 per kg. and Rs. 11.90 per kg., while par boiled rice prices varied between Rs. 7.11 per kg. and Rs. 8.12 per kg. during the year. The price of raw rice fluctuated between Rs. 7.56 per kg. and Rs. 8.33 per kg.

In December 1987, the Internal Trade Commissioner issued a directive to paddy millers and rice traders under the Consumer Protection Act (CPA) No.1 of 1979, to comply with the Sri Lanka Standard in respect of production and marketing of raw and par boiled rice. Accordingly, the millers were required to categorize the rice they produce as special grade I, grade II, grade III and off-grade. The PMB also commenced standardization of rice milled and marketed in accordance with the provisions of the CPA, towards the end of 1987.

Sugar

Total sugar production declined substantially by 15 per cent to 29,304 metric tons in 1987 from the peak level of 34,325 metric tons reported in the previous year. Sugar production by the Sri Lanka Sugar Corporation (SLSC) declined substantially by about 29 per cent to 15,035 metric tons while that of the private sector rose by 9 per cent from 13,116 metric tons in 1986 to 14,269 metric tons in 1987.

The lower output of the SLSC was largely due to reduced production of Kantale and Sevenagala factories. The production of the Kantale factory decreased by 66 per cent to 2,288 metric tons in 1987, while that of the Sevenagala dropped by 37 per cent to 4,107 metric tons. However, sugar production at the Hingurana factory increased by 9 per cent to 8,640 metric tons in 1987. The sharp decline in total sugar production in the factories of the SLSC was mainly due to prolonged drought conditions which reduced supplies of cane for crushing and deteriorated the quality of cane. The production at Kantale factory suffered the most severe setback, since unfavourable weather conditions aggravated the slackening of output due to the breach of the Kantale dam. Civil disturbances also had an adverse effect on production at Kantale and Hingurana. A large extent under sugar cane was left unharvested during the year due to terrorist activities and shortage of labour. Sugar production at the Pelwatte Sugar factory was also severely affected by the drought and the factory was able to produce only 14,269 metric tons in 1987 as against the targetted production of about 32,000 metric tons.

The total extent under sugar cane cultivation (including ratoonnings) fell marginally by one per cent from 10,577 hectares in 1986 to 10,461 hectares in 1987. The extent under cane cultivation of the Kantale factory declined significantly by 49 per cent to 977 hectares in 1987 compared with the previous year, while that of the Sevenagala factory dropped by 7 per cent to 1,949 hectares. In contrast, the extent under sugar cane managed by the Hingurana factory and the Pelwatte Sugar Company increased by 8 per cent and 19 per cent, respectively to 2,331 hectares and 5,204 hectares in 1987.

The average sugar recovery rate of all sugar factories dropped from 7.79 per cent in 1986 to 7.35 per cent in 1987 mainly as a result of severe and prolonged drought conditions which led to a reduction in the sugar content in cane. The sugar recovery rate of Kantale factory declined substantially from 8.09 per cent in 1986 to 6.70 per cent in 1987 while those of Hingurana, Sevenagala and Pelwatte factories dropped to 7.30 per cent, 7.67 per cent and 7.41 per cent, respectively. Total quantity of cane purchased by factories from the private cultivators increased substantially by 27 per cent to 75,101 metric tons in 1987 despite a 24 per cent drop in quantity of sugar cane purchased by the Kantale factory.

The data on cost of production (COP) of sugar in the SLSC factories are not available. The cost of production of the Pelwatte Sugar Company is estimated to have increased by 57 per cent from Rs. 24.57 per kg. in 1986 to Rs. 38.50 per kg. in 1987. The sharp rise in cost of production is partly due to higher interest payments on foreign loans with continued depreciation of the Rupee and partly to the shortfall in output in relation to targets owing to adverse weather conditions. Since the Government is committed to meet the difference between the open market price of sugar and the COP, the escalation of costs at the Pelwatte Sugar Company is a matter for concern.

There was a noteworthy change in the arrangements with respect to the importation and distribution of sugar in 1987. From April 1, 1987 the Food Commissioner ceased to deal with sugar. The holding of a buffer stock of sugar which was hitherto undertaken by the Food Commissioner (FC) was handed over to E.D. and F. Man (Sugar), an international trading company. Under the revised arrangement, the FC is no longer required to purchase domestic production of sugar, import sugar for distribution or maintain buffer stocks. The procurement of sugar through imports or in the domestic market was handled entirely by the private sector. The private sector importers and the Co-operative Wholesale Establishment were required to purchase sugar produced by the Pelwatte Sugar Company at an agreed price.

Minor Food Crops

Except for a few crops such as potatoes, chillies and onions most of the minor food crops are grown under 'chena' type of cultivation or in home gardens as mixed crops. Therefore, the data available on this crop sector suffer from a number of shortcomings and most of such data are crude estimates.

According to tentative data provided by the Ministry of Agricultural Development and Research, production of a number of minor food crops increased during 1987. During the cultivation year 1987, blackgram, greengram, cowpea, maize, gingelly and red onions recorded significant expansion in production mainly as a result of increased extent under those crops. Perhaps, the drought conditions that adversely affected paddy cultivation

during the year compelled many dry-zone farmers to shift to minor food crop cultivation and increase the extent under such crops to ensure a minimum level of income and food security.

In the category of high value minor food crops, only red onions recorded an increase in production while the production of potatoes, chillies and Bombay onions declined. The cultivation of chillies was severely affected by the drought conditions, leading to a substantial decline of 39 per cent in production during the year.

Production of red onions, greengram, cowpea, blackgram and maize increased considerably during Maha, 1986/87. Most of these crops reported significant increases during Yala, 1987 as well. Cowpea production in Yala, increased by 60 per cent while blackgram production recorded more than a three-fold increase. Production of soyabean declined in both seasons, by 3 per cent in Maha and 24 per cent in Yala.

Fertilizer issues to the minor food crops sector increased by 6 per cent to 20,207 metric tons in 1987.

The Floor Price Scheme (FPS) operated by the Paddy Marketing Board (PMB) for eight selected minor food crops continued to be in force during the year. The floor prices for groundnut, gingelly and blackgram were increased in January, 1987. The floor price of groundnut was increased by Rs. 0.75 cents to Rs. 7 per kg. and that of blackgram was raised to Rs. 6 per kg. The price of white gingelly and black gingelly was raised to Rs. 9.00 and Rs. 7.50 per kg., respectively. Under the FPS, the PMB purchased 6,880 metric tons of maize during the year. Soyabean purchases under the Scheme increased by 66 per cent or 281 metric tons to 705 metric tons in 1987. The quantities of cowpea, greengram, gingelly and kurakkan purchased by the PMB during the year remained small as in the previous years.

Although the minor food crop sector has considerable development potential, there appears to be several constraints on the development of the sector. These include relatively low levels of institutional support, limited availability of high yielding varieties suitable for different agro-ecological areas and marketing problems. Partly as a result of these factors, many farmers still appear to show a greater preference for paddy cultivation. Since the country is moving towards self-sufficiency in paddy production, there is need to change this preference pattern through policy measures to achieve a more balanced growth in the agricultural sector.

Fish and Livestock

Fish production in 1987 is provisionally estimated at 190,002 metric tons showing an increase of 4 per cent when compared with that of the previous year. The production of the coastal fishery, which accounts for about 79 per cent of the total production, increased by 3 per cent from 144,266 metric tons in 1986 to 149,278 metric tons in 1987. Off-shore and deep sea fish production which accounts for a very small share of about 2 per cent in the total fish production rose by 25 per cent in 1987, compared with the previous year while inland fishery sector recorded a marginal increase of 3 per cent to 36,465 metric tons. The private sector continued to be a major contributor to total

fish production. The Fisheries Corporation concentrated largely on purchasing fish from the private sector.

The implementation of several special fishery development projects funded by foreign sources continued during 1987. These included the North West Coast Fishery Development Project, The East Coast Fishery Development Project, the West Coast Integrated Fishery Project and the Sri Lanka Aquaculture Development Project. Under the North West Coast Fishery Development Project, 80 (34 ft.) boats were constructed and issued for commercial fishing during the year. Construction of 20 boats has been completed during 1987 under the East Coast Fishery Development Project. In 1987, the loan termination date of the West Coast Integrated Fishery Project was further extended upto April, 1988 by the Asian Development Bank. The Phase (I) of the fisheries development component of the Hambantota Integrated Rural Development Programme (IRDP) was completed during the year. Under the Puttalam IRDP, the construction of boat lifting arrangements at Wellamankara and fisheries service centre at Kalpitiya were completed during 1987.

The implementation of several subsidy schemes was also continued during 1987. The total amount of money disbursed under different subsidy schemes to the marine and inland fishery sectors amounted to Rs. 27 million and Rs. 1 million in 1987. Under the Pond Subsidy Scheme, about 5 hectares were brought under pond culture and a total of Rs. 949,700 was paid as subsidy. Under different subsidy schemes, 379 boats, 266 traditional crafts, 890 boat engines and 76 vessel hulls were also issued to the fishery sector during 1987.

One of the important developments in the fisheries co-operative sector during the year was the launching of the Sweden-Sri Lanka Co-operative Development Project to extend assistance to fishermen. This was funded by the Sweden Co-operative Centre and carried out by the Sri Lanka Co-operative Federation.

The performance of the fishery sector on the whole remained much below expectations. A combination of factors such as distribution problems, high fuel cost, high cost of preservation of fish and the inadequate supply of fish led to an increase in the price of fish during the year. While consumer prices continue to rise, the majority of the fishermen in the country remain economically disadvantaged as the benefits of high prices do not trickle down to the level of fishermen. Therefore, while making an effort to increase production, greater attention has to be focussed on the distribution of benefits to ensure that the benefits of these efforts reach the producers at large. In this respect, there is urgent need to evaluate the different subsidy schemes which have been in operation for several years with a view to assessing the extent to which they have benefitted the fishermen with relatively low socio-economic status.

According to provisional estimates of the Department of Census and Statistics, milk production (including buffalo milk) 1987 was 275 million litres, an increase of 54 per cent compared to 178 million litres produced in the previous year. The Milk Industries of Lanka Co. Ltd. (MILCO) collected 69 million litres of milk in 1987. This was marginally higher than the combined amount collected by the National Milk Board (January-July, 1986) and MILCO (August-December, 1986) in 1986.

The Department of Animal Production and Health and the National Livestock Development Board under the Ministry of Rural Industrial Development continued with their Programmes of assistance such as the provision of breeding services and immunization against infectious diseases. The implementation of several special projects to develop the livestock sector continued in 1987. These projects included the Sri Lanka/German Goat Development Project, the Sri Lanka/Swiss Livestock Development Project, the Kurunegala District Livestock Development Project, the Anuradhapura Dry Zone Agricultural Project and the Sri Lanka/ADB Livestock Development Project.

The Department of Census and Statistics has provisionally estimated egg production in 1987 at 815 million showing an increase of 22 per cent over the preceding year. The greater availability of institutional finance at concessionary rates of interest under refinancing schemes of the Central Bank appears to have exerted a favourable effect on the poultry farm sector.

Rural Credit

Institutional credit to the rural sector is provided by several banking institutions. Rural credit provided by these institutions include short-term crop cultivation loans as well as medium and long-term loans for a wide array of economic activities. However, this section of the Report deals only with the loans granted by the banks for paddy and other food crop cultivation under the New Comprehensive Rural Credit Scheme (NCRCS). Loans granted under various medium and long-term credit schemes are not covered due to difficulties in disaggregating data to determine how much of such loans has gone to the rural sector. Details of the medium and long-term credit schemes are discussed in Part II of this Report.

In 1987, the NCRCS was revised to enable the participating banks to grant loans to the borrowers without the guarantee of two other farmers, at the discretion of the Manager of the relevant bank branch. Further, the rescheduling of previous unpaid loans under the scheme, which was originally restricted to loans granted for one cultivation season, was extended in 1987 to cover loans for two seasons. Also, the Central Bank recognised the Commercial Bank of Sri Lanka as a participating bank in the scheme. The number of Thrift and Credit Co-operative Societies registered with the Central Bank for participation in the NCRCS increased from 22 in 1986 to 29 in 1987. However, as in the past, the two state-owned banks, the Bank of Ceylon and the People's Bank, continued to be the main source of credit under the Scheme.

As shown in Table 1.14 the total amount of loans granted in the cultivation year, 1987 under NCRCS of Rs.330 million reflected an increase of 17 per cent when compared with the amount granted during the previous cultivation year. The increase, to some extent, may be considered the result of the greater efforts made by all participating banks to disburse more credit with the revision of the Comprehensive Rural Credit Scheme, implemented until Yala, 1986. The Credit Guarantee Scheme introduced by the Central Bank with effect from Yala, 1986 may also have had a bearing on this increase. The increase in volume of credit in 1987 was confined to the Maha season, which more than offset the decline during the Yala season.

TABLE 1.14

Cultivation Loans Granted under the Comprehensive and the New Comprehensive Rural Credit Schemes ^(a)
(Position as at 31st December, 1987)

Period	(Rs. Million)																	
	People's Bank			Bank of Ceylon			Hatton National Bank*			Indian Overseas Bank			Regional Rural Dev. Banks			Total Loans		Total Loans under the CRCS and NCRCS
	Paddy	Minor food crops	Total	Paddy	Minor food crops	Total	Paddy	Minor food crops	Total	Paddy	Minor food crops	Total	Paddy	Minor food crops	Total	Paddy	Minor food crops	
1986 Maha	44.7	5.2	49.9	43.2	11.2	54.4	12.7	2.9	15.6	—	—	—	0.1	—	0.1	100.7	19.3	
Yala	53.3	51.1	104.4	30.4	13.2	43.6	4.8	7.5	12.3	0.2	—	0.2	0.7	—	0.7	89.4	71.8	161.2
Cultivation year 1986	98.0	56.3	154.3	73.6	24.4	98.0	17.5	10.4	27.9	0.2	—	0.2	0.8	—	0.8	190.1	91.1	281.2
1987 Maha	94.8	12.2	107.0	72.4	22.8	95.2	12.5	3.1	15.6	0.3	—	0.3	2.9	0.1	3.0	182.9	38.2	221.1
Yala	39.1	13.9	53.0	37.3	11.9	49.2	0.5	3.4	3.9	—	—	—	2.2	0.2	2.4	79.1	29.4	108.5
Cultivation year 1987 ^(b)	133.9	26.1	160.0	109.7	34.7	144.4	13.0	6.5	19.5	0.3	—	0.3	5.1	0.3	5.4	262.0	67.6	329.6

(a) Amount released by the banks.

(b) Provisional.

* Includes loans granted by the HNB outside CRCS/NCRCS.

Sources: People's Bank,
Bank of Ceylon,
Hatton National Bank Ltd.,
Indian Overseas Bank,
Regional Rural Development Banks.

All participating banks together granted a total of Rs. 221 million for Maha, 1986/87 under the NCRCS, showing a 84 per cent increase, compared with the amount granted for the same season in the previous year under the Comprehensive Rural Credit Scheme (CRCS). The Bank of Ceylon (43 per cent) and the People's Bank (48 per cent) accounted for 91 per cent of the loans granted for the season. As in the past, the bulk of the loans (about 83 per cent) were for the cultivation of paddy. The People's Bank and the Bank of Ceylon reported substantial increases in their paddy loans. While the People's Bank granted 52 per cent of the total quantum of paddy loans in Maha 1986/87, the Bank of Ceylon granted 40 per cent. The Hatton National Bank's share was 7 per cent. The RRDBs accounted for 1 per cent.

The loans granted for minor food crops which include, among others, chillies, potatoes and onions, amounted to Rs. 38 million in Maha, 1986/87, showing a two-fold increase over the amount granted in the same season last year. The Bank of Ceylon accounted for 60 per cent of this lending while the People's Bank share amounted to 32 per cent. Each bank's lending for minor food crops showed a two-fold increase.

In contrast to the significant increase reported in the quantum of credit during the Maha season there was a sharp fall in the amount of credit granted during Yala, 1987. Loans granted in Yala, which amounted to Rs. 109 million, showed a 33 per cent decline over the same season last year. The sharp decline (59 per cent) in the amount of loans granted for minor food crops accounted for almost the entirety of this drop. Persistent drought conditions that prevailed in major producing areas had a bearing on this decline. Data on bank-wise distribution of minor food crop loans show that the People's Bank granted only Rs. 14 million in Yala, 1987 as against Rs. 51 million granted in previous Yala, accounting for bulk of the decline in the total quantum of minor food crop loans.

Loans granted for paddy cultivation in Yala, 1987 declined to Rs. 79.1 million by 11 per cent when compared with the same season last year. The two state-owned banks, the Bank of Ceylon and the People's Bank, jointly accounted for 97 per cent of the paddy loans during the season. The People's Bank reported a 27 per cent drop in the amount of paddy loans provided for Yala, 1987 while the Bank of Ceylon, reported a 23 per cent increase, when compared with the same season, last year.

Of the total amount of loans granted in the cultivation year 1987 under the NCRCS, the People's Bank accounted for 49 per cent, and the Bank of Ceylon for 44 per cent. The corresponding shares for the previous cultivation year were 55 per cent and 35 per cent, respectively. Although, the People's Bank was still the most important source of short-term cultivation loans, its relative position has decreased considerably in 1987. In contrast, the Bank of Ceylon which increased the total quantum of such loans by 47 per cent in the cultivation year 1987 improved its relative position considerably. Yet, as in the past, the banking sector as a whole, continued to provide only a very small share of the credit needs of the farmers. In 1986/87 Maha season, only 34,480 paddy loans were granted while in Yala, 1987 the number amounted to only 15,374.

An analysis of borrowers according to tenure types shows that in both Maha, 1986/87 and Yala, 1987 the majority of the borrowers under the NCRCS were colonists accounting for 50 per cent and 59 per cent of the total number of borrowers in the respective seasons. Of the total extent of 95,620 acres of land, in respect of which credit was extended under the NCRCS in 1986/87 Maha season, 76 per cent was in major irrigation schemes, 11 per cent in minor irrigation schemes and 13 per cent under rain-fed farming. Loans granted for Yala, 1987 too followed more or less the same pattern with major irrigation schemes accounting for 79 per cent of the extent, minor irrigation areas 9 per cent and rain-fed areas 12 per cent.

In 1987, the re-scheduling facility of the NCRCS was extended to borrowers whose cultivation activities were adversely affected by natural calamities. Of the loans defaulted in Maha, 1986/87 season, 1,920 loans involving approximately Rs. 7 million were re-scheduled. The credit guarantee was invoked in 1987 in respect of the loans defaulted in Yala, 1986. The total claim amounted to Rs. 12 million of which Rs. 6 million was paid to the lending banks as the first instalment of the claim. The total exposure of the Central Bank under the credit guarantee given to NCRCS loans in Maha, 1986/87 amounted to Rs. 128 million and the amount of premia collected was Rs. 1.3 million. The corresponding figures for Yala, 1987 were Rs. 62 million and Rs. 0.6 million, respectively.