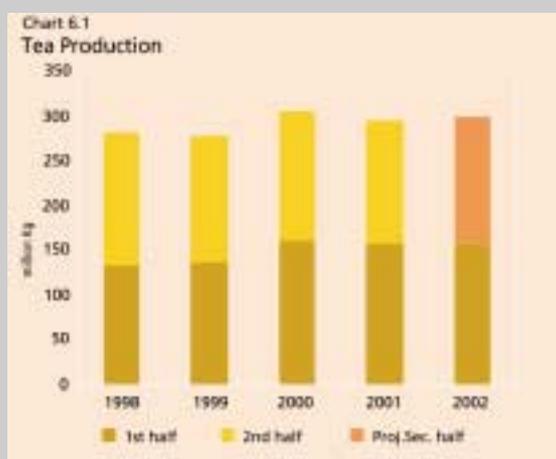


6. AGRICULTURE

The agriculture sector showed gradual recovery in 2002 from the adverse effects of the drought in the previous year. The output of major agricultural products, viz., paddy, tea and rubber increased, compared to the first half of the previous year. However, recovery in the agriculture sector has been slower than anticipated, as improvements in climatic conditions were not as favourable as expected. Value added in the agriculture sector during the first half 2002 increased by 3.2 per cent, in contrast to the 2.8 per cent decrease reported during the same period in 2001. The expected growth rate for the second half of the year is 1.2 per cent, which will result in an annual growth rate of 1.9 per cent for 2002, compared with the contraction of 3.0 per cent in 2001.



Tea

- ◆ Tea production during the first half of the year recovered marginally. The output, which was 158.7 million kg during the first half of 2001, increased by 0.3 per cent to 159.2 million kg in the first half of 2002.
- ◆ In spite of the 5 per cent decline in output in the low elevations, output increased in both high and medium elevations.
- ◆ The average price of tea at the Colombo Auctions improved by 2 per cent to Rs.157.67 per kg (US dollars 1.66 / kg). However, in US dollar terms this was a 6 per cent decline.
- ◆ The volume of tea exported during the period declined by 2.4 per cent to 144 million kg due to the drop in production during the latter part of the previous year as well as during the first quarter of this year.
- ◆ Annual tea production is projected to increase by 1.7 per cent to 300 million kg in 2002, with better output expected in the second half.
- ◆ Assuming that favourable weather conditions will prevail in 2003, the output of tea is projected to improve further by about 2 per cent to a record level of 306 million kg.

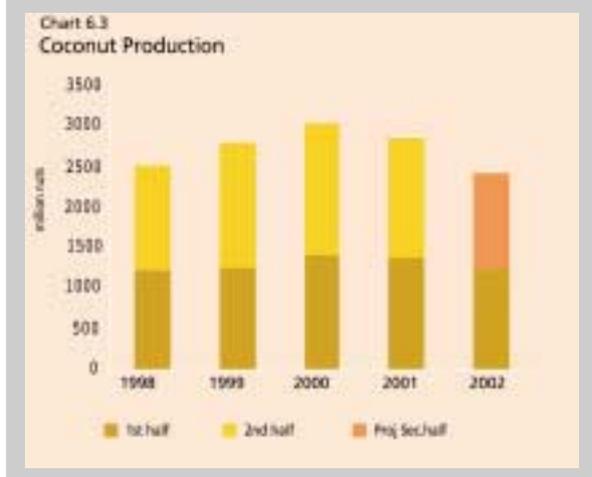
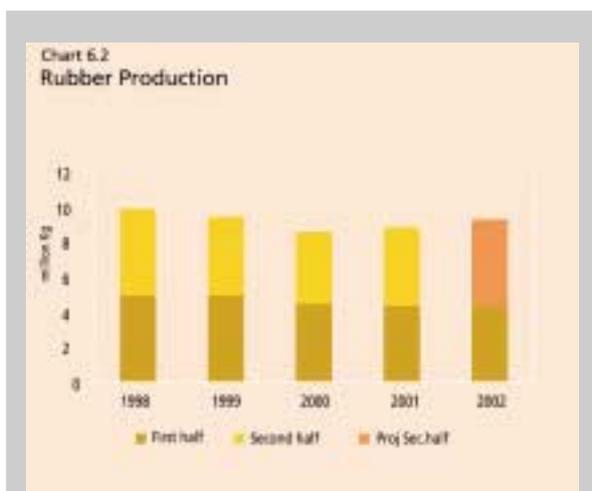
Rubber

- ◆ The output of rubber, which has been declining during the last few years, is provisionally

estimated to have increased by 2 per cent to 45 million kg during the first half of the year. Improvement in output is attributed to the increase in the number of tapping days on account of dry weather that prevailed during the period.

- ◆ The trend of depressed prices for rubber, which prevailed over the last few years, reversed during the second quarter of 2002. Prices began to improve in response to a global shortfall in supply.

- ◆ The domestic consumption of rubber in the industrial sector, which increased steadily over the last few years, declined by 2 per cent during the first half of the year.
- ◆ Domestic consumption of rubber in the rubber based industrial sector accounted for 57 per cent of the total production during the first half of 2002.
- ◆ With an expected improvement in international prices for rubber, output is projected to improve by 5 per cent to 90 million kg in 2002.
- ◆ Assuming that improved international prices prevail, rubber output is projected to improve by a further 2 per cent to reach 92 million kg in 2003.



Coconut

- ◆ Coconut production declined by 10 per cent to 1,238 million nuts during the first half of the year due to the lagged effect of the drought that prevailed in 2001, particularly in the areas in the coconut triangle.
- ◆ Consequently, the domestic price of fresh nuts increased substantially. As a result, production of all kernel products declined significantly.
- ◆ Desiccated coconut and coconut oil production decreased by 58 per cent and 7 per cent respectively.

- ◆ The average prices of desiccated coconut and copra increased more than two fold, while the price of coconut oil increased by 75 per cent at the Colombo Auctions during the first half of the year.
- ◆ The surcharge of Rs. 20 per kg imposed for edible oil imports was reduced to Rs. 5 per kg with effect from 1 April 2002, to reduce the pressure on fresh nut prices in the domestic market.
- ◆ Annual coconut output in 2002 is expected to decline by about 12 per cent to 2,434 million nuts due to the lagged effect of the drought in 2001.
- ◆ Annual coconut production in 2003 is projected to improve moderately by 3 per cent to 2,500 million nuts.

Other Export Crops

- ◆ Other export crops recorded a significant improvement during the first half of the year. Exports volumes of cloves and pepper more than doubled during this period. Exports of cinnamon, betel leaves and nutmeg and mace also increased significantly.
- ◆ Total export earnings during the first half of the year increased by 38 per cent to Rs.8,045 million.
- ◆ The significant improvement in exports of cloves could be attributed increased exports to India as a result of the implementation of the Indo Lanka Free Trade Agreement.

Table 6.1

Export Volumes of Selected Commodities

Commodity	(mt)		
	2001 Total	2001 First Half	2002 First Half
Cinnamon	10,444	4,068	4,310
Cloves	1,964	1,397	3,412
Pepper	2,161	1,322	2,801
Betel Leaves	1,334	697	859
Nutmeg & Mace	1,139	489	669

Paddy

- ◆ Paddy output in the 2001/2002 Maha season is estimated to have increased by 9 per cent to 1,763 thousand metric tons. The output improved both due to an increase in the extents sown and harvested, and an improvement in the yield.
- ◆ Extents sown and harvested increased by 6 per cent over the previous Maha season. The average yield improved by 3 per cent over the previous Maha season and reached 77 bushels per acre, (3,969 kg per ha) which is the best ever average yield on record for a Maha season.
- ◆ The Uda Walawe area, which has the entire extent under irrigation, reported the best average yield of over 101 bushels per acre (5,207 kg per ha).
- ◆ Fertiliser issues to the paddy sector improved by 11 per cent to 162,000 metric tons compared to the previous Maha season.

- ◆ The average price of paddy during the first half of the year was Rs.14.33 per kg.
- ◆ Rice imports during the first six months of the year amounted to 60.3 thousand metric tons compared with 10.2 thousand metric tons imported during the same period in the previous year.
- ◆ With effect from 21 January 2002, the 35 per cent import duty on rice was changed to a specific duty of Rs. 7.00 per kg. However, CWE was allowed to import 30,000 metric tons of rice at a reduced duty of Rs 3.00 per kg, to ease the escalating domestic

rice prices. Ad hoc tariff changes of this nature should be discouraged, as they have far-reaching consequences and the market mechanism to function smoothly.

- ◆ Paddy output during the 2002 Yala season is projected to decline by about 1 per cent due to the prevailing drought conditions.
- ◆ Paddy output for the 2002 cultivation year is projected to increase by 5 per cent to 2.8 million metric tons.
- ◆ Paddy output in the 2003 cultivation year is projected to improve by about 1 per cent to 2.9 million metric tons.

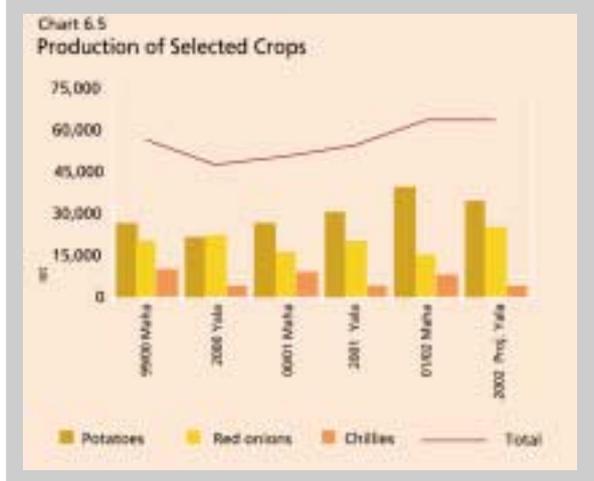
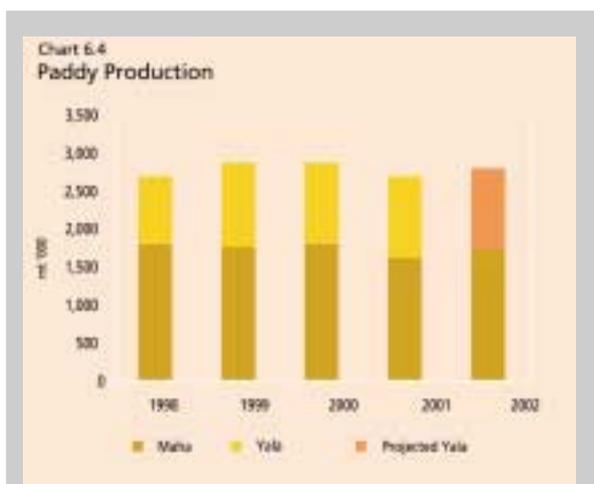


Table 6.2

Paddy Output

Season	('000mt)		
	2001	2002	%Change
Maha	1,613	1,763	9.3
Yala	1,082	1,070*	-1.1
Total	2,695	2,833	5.1

* Projected

Other Field Crops

- ◆ Other field crops reported a mixed performance during the 2001/2002 Maha season. Output of potatoes, red onions and green gram improved over the previous Maha season, while the output of chillies, maize and black gram reported reduced outputs.

- ◆ According to provisional estimates, potato output has increased more than 50 per cent in response to the protection provided through a high tariff on imported potatoes. Output of chillies is expected to have declined due to the impact of the drought.
- ◆ With an improvement in the security situation in the Northern Province, red onion output is projected to improve significantly during the year.

Fish

- ◆ Fish production during the first half of the year is estimated to have increased by 3 per cent to 146 thousand metric tons. Both marine and aquaculture sectors contributed towards this overall improvement. Output of the marine sector

improved especially during May and June as a result of increased activity in the Mannar District, after the improvement in the security situation.

- ◆ Exports of fresh and frozen fish declined by 46 per cent compared to the export volumes in the first half of 2001. Export of crustaceans and molluscs too reported a 24 per cent drop during this period compared to the first half of the previous year.
- ◆ With the improved security situation in the Northern and Eastern areas, fish production during the year is estimated to increase by 5 per cent to 300,000 metric tons during 2002.
- ◆ Fish production is projected to improve by a further 5 per cent to 315,000 metric tons in 2003.

