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Natural shocks, technology gap, etc. affect agriculture production -CB

The Central Bank says that despite various efforts, Sri Lanka's agriculture continues to suffer from natural shocks, technology gaps, low investment, inadequate availability of quality inputs, inadequate funding, transportation problems, marketing problems and the lack of a consistent set of trade and tariff policies.

The bank in its 2002 review said that problems are manifested in post-harvest losses, low labour productivity, producer unrest, outmigration of labour, and volatile prices. The sector has to evolve into a self-reliant and efficient sector, since any government intervention in supporting the sustainability of the sector which crowds out private sector activities, has failed both historically and internationally. Inadequate irrigation systems increase the vulnerability of the sector to droughts. Small and fragmented lands do not yield economies of scale, thus discouraging mechanisation and capital investment. This in turn raises costs of production and lowers international competitiveness, as well as any profit margins. Furthermore, in the absence of productivity enhancing mechanisation, the subsidy-stimulated use of fertiliser, and pesticides may enhance productivity at the expense of deterioration of aquifers and soil.

Investment in agriculture could be stimulated if the policies governing the sector are well-specified, and consistent, and if the infrastructure facilities are put in place. As most investment in agriculture derive benefits in the long-run, the long-run policy should be made known to all stakeholders. Sri Lanka suffers from a serious policy drawback of making ad hoc changes on trade related policy measures as governments attempt to maintain a balance between low consumer prices and high producer prices.

A viable response to the falling productivity in the agriculture sector is an intense research and extension service aiming at enhancing productivity. It is often alleged that private sector research is discouraged due to inadequate intellectual property rights prevailing in the country. Government sector research activities are not well focussed on the needs of farmers and consumers, but rather are those governed by the availability of research facilities. The outcome of existing research is also not weld connected with extension services.

Agriculture research in Sri Lanka is conducted by 12 state departments and institutes. The Council for Agriculture Research and Policy (CARP) has formulated the National Agriculture Research Policy (NARP), to reorient agriculture research to support the proposed National Agricultural Policy. NARP covers development and management of technology by improving its effectiveness through several innovative approaches. It emphasises developing partnerships with universities and the need for partnership building with the private sector to increase demand driven research and development activities.

As the transfer of technology is the weakest link in the research and extension system in Sri Lanka, the policy attempts to streamline the extension services, to increase the process of dissemination of information and new innovations, and to attract investment. It also proposes to regularly update an electronic data base on agricultural research and establish a Technology Forecasting Intelligence System to create awareness among researchers.

Agricultural research received a further boost when the government allocated Rs. 100 million from Budget 2003, to CARP for research on the crop, livestock, forestry and fishery sectors. This fund is to undertake research on high priority areas for demand driven research in both private and state sector institutions. This will enhance the growth of the agricultural sector by improving agriculture technology, which leads to increased productivity. It is also important to strengthen efforts in product development in agriculture, including by-product utilisation.

The policy thrust for sustainable agriculture development in the medium term was defined by the draft policy paper prepared by the Ministry of Agriculture and Livestock on 'National Agriculture Policy and Strategy' (NAPS). The objective of NAPS was to present a series of measures aimed workers in July 2002. This adversely affected the profit margins of the tea sector. Therefore, it is necessary to adopt measures to reduce costs, including restructuring of the plantation sector linking salary increases to productivity and voluntary reduction of management fees by RPCs, for the long term growth of the tea sector.