

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 3/29/2011

GAIN Report Number: CE1101

Sri Lanka

Grain and Feed Annual

2011

Approved By:

Holly Higgins

Prepared By:

Thom Wright

Report Highlights:

Despite flooding during the 2011 Maha season, overall 2010/11 Sri Lankan rice production is stable due to an increase in planted area following the end of Sri Lanka's armed conflict in 2009. Assuming normal conditions for the 2012 Maha season and high irrigation reservoir levels for the 2011 Yala season, the 2011/12 season is expected to increase to record levels. Sri Lankan wheat imports are stable in 2010/11 and are expected to remain flat into the 2011/12 year on regular demand.

Commodities:

Rice, Milled

Production:**Despite significant flooding losses, planting increases has kept year-on-year production changes minimal**

Since the end of armed conflict in 2009, Sri Lanka has increased its land available to rice production to an estimated 1,220,000 hectares (2 harvests combined on an October/September crop year). While the 2010/11 crop area planted was higher due to newly available crop land, severe flooding during this year's Maha season greatly reduced Sri Lanka's area harvested. The Government of Sri Lanka (GoSL) currently estimates planted area declines of 26 percent for the Maha season (the target area is reduced to approximately from 735,000 to 530,000 hectares; see Table 1 for a district-by-district summary of flooding losses). However, given the general increase in Sri Lankan area planted over the past two years and sizable 2010 Yala plantings (419,000 hectares), 2010/11 total rice area harvested has not decreased significantly year-on-year. (Note: The Maha season is typically harvested in March/April and provides about 60 to 65 percent of Sri Lanka's annual rice production. The Yala season is typically harvested in September/October typically provides 35 to 40 percent of Sri Lanka's annual rice production)

While 2010/11 paddy yields were poor, production is estimated at 3,456,000 tons compared to 3,897,000 tons in 2009/10 due to increases in area planted. Thus, while yields have fallen, total paddy production is only slightly down. This production estimate includes the 26 percent area decline in the Maha season due to flooding, as well as an additional 15 percent drop in yields due to poor sunlight conditions nationwide during the grain-filling stage of the 2011 Maha season. Estimates based on GoSL sources set 2010 Yala paddy production at approximately 1,670,000 metric tons (second in size to the 1,750,000 ton record in 2008) and 2011 Maha production at 1,780,000 tons (a seven year low).

Record production in 2011/12 based on increased planting area and water availability

Sri Lankan rice production incorporates a comprehensive irrigation system which sources heavily from rain-fed tanks and reservoirs. Typically, Maha plantings benefit from annual monsoon rains, enabling larger plantings. The Yala season, conversely, tends to have lower water availability, resulting in lower plantings and lower overall production. Due to unusually heavy rains during the 2011 Maha season, water stocks were unseasonably high, permitting earlier, expanded plantings in the upcoming 2011 Yala season of up to 485,000 hectares. Additionally, assuming normal conditions, the 2012 Maha season plantings are estimated at a record 735,000 hectares, leading to a record forecasted paddy crop of 4,750,000 tons in 2011/12.

Consumption:

Overall 2010/11 consumption is slightly down from 2,650,000 metric tons milled equivalent in 2009/10 to 2,350,000 metric tons due to decreased production. Industry and government sources indicate that shortages are not a concern, and that wholesale prices were slightly down, indicating sufficient production. Assuming a population of approximately 21 million people, this estimate puts per capita rice consumption at 115 kg per person annually, which is consistent with official GoSL consumption estimates. Overall 2011/12 consumption is estimated at 2,800,000 tons milled equivalent, a record high. This is based on forecasted record production.

Rice is the preferred staple food in Sri Lanka and production includes significant varietal differences based on local preferences. Generally, about 60 percent of consumption is made up of long grain white rice, 30 percent short grain white rice, and the remaining 10 percent parboiled “red” rice and other local varieties. A small portion of Sri Lanka’s rice consumption consists of imported basmati rice varieties.

Trade:

Despite significant losses during the 2011 Maha production season, expanded planting in the last two years and a robust 2010 Yala harvest have provided sufficient production to meet Sri Lanka’s domestic needs. As a result, it is likely that Sri Lanka will not be obligated to import additional quantities of rice. For the 2010/11 marketing year, Sri Lanka is expected to only import a modest quantity of basmati rice. This figure is currently set at 40,000 metric tons. The same quantity is forecast for the 2011/12 marketing year. 2009/10 rice imports are raised slightly based on trade data.

Currently Sri Lanka maintains a base import duty of RP 20 per kg (approximately 30 percent of the maximum retail price of local rice). Additionally, a 5 percent Port and Airport Levy (PAL) and a 2 percent Nation Building Tax (NBT) are charged. Over the past several years, this duty has been increased to encourage growth of domestic rice production. In the event of a short crop, the rate can be lowered, but this is not expected given the current crop outlook. There are no reported shipments of Food Aid rice to Sri Lanka since 2008, although data reporting food aid shipments may be delayed.

Sri Lankan rice exports are small and tend to serve specialty consumers looking specifically for Sri Lankan rice varieties. This demand is likely led by Sri Lankan expatriates working overseas. A majority of Sri Lankan exports are destined for the United Arab Emirates with additional exports also going to Australia and Canada. In 2009/10, Sri Lankan rice exports totaled 6,800 tons. 2010/11 and 2011/12 are set at 10,000 tons, reflecting consistent demand and available supply.

Stocks:

The Government of Sri Lanka maintains a price floor for producers through the Paddy Marketing Board, which enters the market if prices fall below a certain level. As of March 2011, the Paddy Marketing Board purchase price for paddy ranges between RP 28 and RP 30 per kilogram (\$.25-\$.27 per kilogram) and Paddy Marketing Board-held stocks were at 182,000 tons. Reports from traders indicate that with the upcoming harvest, wholesale prices are lower, (despite significant production losses due to flooding) indicating that the Paddy Marketing Board likely will not be releasing stocks. For these reasons, 2010/11 ending stocks are estimated at 171,000 tons.

The 2011/12 marketing year is currently poised to yield a record crop. If normal conditions prevail, Sri Lankan stocks are set to increase to record levels as well.

Policy:

The Government of Sri Lanka has a policy intended to create self-sufficiency in rice production and to encourage rice consumption. The GoSL guarantees a minimum price to farmers through the Paddy Marketing Board and also maintains a maximum retail price for consumers. The price floor as of March 2011 is between RP 28 and RP 30 per kilogram (\$.25-\$.27 per kilogram) and the maximum retail price is set between RP 60 and RP 70 per kilogram (\$.54 and \$.63 per kilogram). In addition to these measures, the GoSL has implemented a tariff on rice imports of RP 20 per kg (\$.18 per kg) and has also increased the tariff on competing goods (ie wheat) to discourage competition with local production. The GoSL further subsidizes up to 95 percent of the cost of fertilizer and provides free irrigation water through Sri Lanka’s vast reservoir system.

Government officials report that rice yields in Sri Lanka average less than 4 tons per hectare. Current policy is addressing the need for improved yields through research and development, specifically in the areas of seed development and availability, improved management, and irrigation practices. Additional outreach is focused on improving agronomic practices intended to lower input usage and decrease post harvest losses, as well as the challenges related to soil fertility and salinity.

Production, Supply and Demand Data Statistics:

Table 1: Commodity, Rice Milled, PSD

Rice, Milled Sri Lanka	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	898	991	900	950		1,220
Beginning Stocks	45	45	194	191		171
Milled Production	2,650	2,650	2,500	2,350		3,230
Rough Production	3,897	3,897	3,676	3,456		4,750
Milling Rate (.9999)	6,800	6,800	6,800	6,800		6,800
MY Imports	165	169	40	40		40
TY Imports	125	125	40	40		40
TY Imp. from U.S.	0	0	0	0		0
Total Supply	2,860	2,864	2,734	2,581		3,441
MY Exports	0	7	0	10		10
TY Exports	0	0	0	0		0
Consumption and Residual	2,666	2,666	2,640	2,400		2,800
Ending Stocks	194	191	94	171		631
Total Distribution	2,860	2,864	2,734	2,581		3,441
Yield (Rough)	4.	3.9324	4.	3.6379		3.8934
TS=TD		0		0		0

TABLE 2: Planting Losses from Flooding, District-by-District, Maha 2011

District	Planting as of Jan 2011 (ha)	Total affected area (ha)	Loss as a percentage of planted area
Colombo	5633	126	2.24%
Gampaha	13424	528	3.93%
Kalutara	15780	817	5.18%
Galle	17301	660	3.81%
Matara	16080	2435	15.14%
Ratnapura	14101	0	0.00%
Kegalle	9543	44	0.46%
Kurunagala	85777	2364	2.76%
Puttalam	21280	953	4.48%
Kandy	15357	824	5.37%
Matale	21488	612	2.85%
N eliya	3334	207	6.21%
Badulla	18049	878	4.86%
Monaragalla	35622	229	0.64%
Jaffna	10520	751	7.14%
Kilinochchi	16200	10979	67.77%
Vavniya	17368	4800	27.64%
Mullative	9723	1501	15.44%
Mannar	18321	4053	22.12%
Anuradhapura	77018	13974	18.14%
Polonnaruwa	34126	8497	24.90%
Trincomalee	39014	32099	82.28%

Batticaloa	59863	58099	97.05%
Ampara	81974	48438	59.09%
Hambantota	27731	2322	8.37%
Udawalawa	14074	0	0.00%
System H	23611	170	0.72%
System H1	6421	75	1.17%
System B	19055	5372	28.19%
System C	23636	1865	7.89%
System G	4983	180	3.61%
System L	855	163	19.06%
Sri Lanka	777260	204017	26.25%

Source: Socio Economic and Planning Centre, Dept of Agriculture, Sri Lanka, Crop Forecast, Feb 15, 2011

Commodities:

Wheat

Production:

Sri Lanka does not produce wheat. There are two wheat milling companies operating in Sri Lanka which import the entirety of Sri Lanka's wheat needs. The larger of the two milling companies has a milling capacity of 3,600 tons per day and accounts for a significant majority of Sri Lanka's milling activity.

Consumption:

Over the last several years, Sri Lanka has promoted the domestic rice industry over wheat imports. As a result, while wheat imports were subsidized prior to 2004, the subsidy has been removed and the duty on wheat has grown to 15 percent or RP 16 per kilo, whichever is highest. A 5 percent PAL and 2 percent NBT are also charged. This has led to Feed Seed Industrial (FSI) consumption leveling off at around 750,000 to 850,000 tons annually. Wheat is not used as a feed grain in Sri Lanka.

Domestic consumption of wheat products has various forms, including pan style white breads, whole grain Indian flat breads (roti), and various Asian noodle products. There is additional demand for wheat products (buns) in quick service restaurant.

Trade:

MY 2010/11 imports are set at 946,000 metric tons, on par, but slightly less than the 2009/10 year. Industry sources indicate that with the abundance of local rice and high tariffs on wheat, local wheat demand has softened. As a result, Sri Lankan wheat imports are expected to remain flat into the 2011/12 marketing year. The bulk of Sri Lankan wheat imports are Canadian Dark Northern Spring. The U.S. primarily exports soft white wheat to Sri Lanka.

Sri Lankan wheat millers benefit from duty free imports on re-exported wheat products. As a result, there are some wheat and wheat flour exports from Sri Lanka to India. 2010/11 exports are at 280,000 tons, and 2011/12 exports are set at 200,000 tons, reflecting average demand. Sri Lanka also benefits from a Free Trade Agreement with India. While Sri Lanka's entire agricultural sector is included on the negative list, (i.e Indian agricultural goods do not benefit from a preferential tariff arrangement), some Sri Lankan agricultural goods do benefit from tariff reductions on exports to India. In the case of wheat

and wheat flour, Sri Lankan exports benefit from a nil duty. However, Sri Lankan exporters claim that wheat and wheat flour exports to India are not significant at this time.

Stocks:

The government does not maintain reserve wheat stocks. Post estimates industry held stock at approximately 130,000 metric tons in 2010/11 and 80,000 metric tons in 2011/12.

Production, Supply and Demand Data Statistics:

Table 3: Commodity, Wheat, PSD

Wheat Sri Lanka	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0		0
Beginning Stocks	100	100	127	214		130
Production	0	0	0	0		0
MY Imports	1,258	1,058	1,000	946		900
TY Imports	1,258	1,258	1,000	900		900
TY Imp. from U.S.	119	119	0	100		0
Total Supply	1,358	1,158	1,127	1,160		1,030
MY Exports	381	94	200	280		200
TY Exports	238	238	250	200		0
Feed and Residual	0	0	0	0		0
FSI Consumption	850	850	825	750		750
Total Consumption	850	850	825	750		750
Ending Stocks	127	214	102	130		80
Total Distribution	1,358	1,158	1,127	1,160		1,030
Yield	0.	0.	0.	0.		0.
TS=TD		0		0		0