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Sri Lanka

Grain and Feed

Annual

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Report Highlights:

Sri Lanka 2001/02 rice production is forecast at 1.95 million tons, marginally higher than this year's estimated level of production. Wheat imports are also projected to remain relatively stable and are forecast at 900,000 tons in 2001/02.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Table of Contents

RICE [Page 2 of 10](#)
 Production Situation and Outlook [Page 2 of 10](#)
 Consumption [Page 2 of 10](#)
 Trade [Page 2 of 10](#)
 Marketing [Page 2 of 10](#)

WHEAT [Page 4 of 10](#)
 Production [Page 4 of 10](#)
 Consumption [Page 4 of 10](#)
 Trade and Competition [Page 5 of 10](#)

Commodity, Rice, PSD Table [Page 6 of 10](#)

Commodity, Wheat, PSD Table [Page 7 of 10](#)

Commodity, Rice, Import Trade Matrix [Page 8 of 10](#)

Commodity, Wheat, Import Trade Matrix [Page 9 of 10](#)

Wheat Imports by Month, CY 1998 and CY 1999 [Page 10 of 10](#)

RICE

Production Situation and Outlook

Sri Lanka's 2000/01 rice harvest is estimated at 1.94 million tons (milled basis), unchanged from last year's level. The yala crop (harvested in the fall of 2000) is estimated at 730,000 tons and the maha crop (now being harvested) at 1.21 million tons. Last year's yala and maha harvests were 767,000 tons and 1.18 million tons, respectively.

Water levels in irrigation tanks and wells are normal which should help the largely irrigated yala crop. Planting of the 2001 Maha crop will be largely dependent on monsoon rains. Farm gate prices for rice continue to remain unattractive, which could have a negative impact on farmers' planting decision. Given normal weather conditions, 2001/02 rice production is forecast at around 1.95 million tons.

The cost of production of rice has increased by about 50 percent over the last five years due to increased cost of labor, fuel and fertilizer. Shortage of labor during peak periods is becoming critical, which combined with unremunerative farm price is forcing rice farmers to abandon rice cultivation in some areas. However, in the absence of alternative profitable crops and due to food security reasons, any large scale shift is unlikely. Development of hybrid varieties and application of bio-technology are identified as thrust areas by the Sri Lankan government to increase rice production. The rice milling technology is outdated, resulting in higher wastage and lower quality. Reducing post harvest losses and enhancing milling productivity would go a long way in reducing production costs.

Consumption

With an annual per capita consumption of around 100 kg, rice is Sri Lanka's staple grain. Almost 60 percent of the rice consumed is parboiled. Wheat has emerged as a major substitute for rice resulting in a decline in per capita rice consumption from a high of around 113Kg in the mid-1980's.

Trade

The imposition of a 35 percent duty on rice imports last year resulted in lower rice imports estimated at 17,000 metric tons compared with 205,000 metric tons in CY 1999. Imports were mostly from Pakistan and Australia. Imports in CY2001 are forecast at 30,000 tons. Over the past several years, Sri Lanka has become increasingly open to foreign trade and has liberalized import controls on a range of food and consumer products. However, the importation of wheat and to some extent rice is still controlled by the government.

Marketing

Since the commencement of economic liberalization in 1977, government intervention in rice marketing has declined and the private role has increased. The role of the Paddy Marketing

Board was gradually curtailed and its paddy procurement operation ceased in 1996. The paddy price support scheme is no longer operational.

As Sri Lanka tends to be more concerned with price rather than quality, most imported rice is from India or Pakistan (25-35% broken). Given Sri Lanka's proximity to major Asian suppliers, the potential for U.S. rice sales is limited. Sri Lanka does import small quantities of high quality rice from India, Pakistan and Australia to cater to the needs of wealthy consumers and tourists.

WHEAT

Production

There is no wheat cultivation in Sri Lanka. The country's entire wheat needs are met through imports.

Consumption

Despite being a major rice consuming country, Sri Lanka has a relatively high per capita wheat consumption of around 50 kg/year. Flour prices are regulated by the government and have undergone a number of revisions during the past six years. The most recent change was in November 2000, following the elections, when the retail flour price was increased to Rs. 16.95 (\$0.30)/kg from Rs. 14.95/kg, which is roughly 50 percent of the rice price. Flour distributed by the government totaled 635,000 metric tons in CY 2000 compared with 661,000 in 1999.

Monthly flour distribution in metric tons follows:

| | 1999 | 2000 |
|---------------|---------|---------|
| January | 51,930 | 51,467 |
| February | 54,350 | 54,743 |
| March | 61,299 | 57,518 |
| April | 43,496 | 39,759 |
| May | 52,481 | 51,203 |
| June | 53,628 | 54,156 |
| July | 57,733 | 48,747 |
| August | 58,986 | 57,620 |
| September | 57,130 | 54,469 |
| October | 55,307 | 56,816 |
| November | 57,083 | 57,375 |
| December | 57,590 | 50,991 |
| Total | 661,013 | 634,864 |
| Average/Month | 55,084 | 52,905 |

Wheat continues to be imported by the Cooperative Wholesale Establishment (CWE) - a government-owned corporation, and milled by Prima Ltd., Sri Lanka's lone flour mill, located at Trincomalee on the east coast having a milling capacity of 3,200 tons/day. The Sri Lankan government and Prima have an agreement that permits Prima to be the exclusive miller in Sri

Lanka until 2005. The mill produces an all purpose flour from a 50/50 mixture of hard and soft wheat, which is distributed by the government through a network of cooperative wholesale outlets at a predetermined price. This flour is used primarily for bread, bakery products and traditional Sri Lankan food. Although the end use industry is mostly dated, several new companies are emerging as producers of quality products, generating demand for high quality, specialty flours.

Trade and Competition

Typically the CWE tenders simultaneously for one vessel (around 50,000 tons) of hard wheat and one vessel of soft wheat so that they can produce an all purpose flour. The hard/soft ratio seldom varies even as price relationships change. Sri Lanka's CY 2000 wheat imports were 915,000 tons compared with 876,000 in CY 1999, with a US share of 55 percent. All imports were commercial with the exception of 40,000 tons of wheat imported from the US under Section 416(b). The CWE did not import any flour in CY 2000. After flour imports were liberalized in November 1999, there was a flurry in flour imports by the private trade. However, following last year's reduction in flour prices sold by the government, flour imports declined.

CY 2001 wheat imports are estimated at 900,000 tons. During the first two months of CY 2001, the US sold 100,000 tons, accounting for 50 percent of total Sri Lankan wheat imports. Aggressive pricing by US competitors (Australia and Canada) and some concern with the U.S. quality assurance system could temper US market share this year.

Due to fragile economic conditions, and the reluctance of the central bank to accept Credit Guarantee Agreement, the GOSL has not utilized the GSM-102 allocations in the past several years. However, the GOSL recently expressed increased interest in this program as it strives to conserve dwindling foreign exchange reserves. However, without the commitment by the Ministry of Finance and Central Bank to pass on the program benefits to the importing agency, the program is unlikely to be used.

Commodity, Rice, PSD Table

| PSD Table | | | | | | | |
|------------------------|--------------|---------|-------|---------|-----|---------|-----------------|
| Country: | Sri Lanka | | | | | | |
| Commodity: | Rice, Milled | | | | | | |
| | | 1999 | | 2000 | | 2001 | UOM |
| | Old | New | Old | New | Old | New | |
| Market Year Begin | | 10/1999 | | 10/2000 | | 10/2001 | (MONTH/YEAR) |
| Area Harvested | 720 | 720 | 710 | 770 | 0 | 730 | (1000 Hectares) |
| Beginning Stocks | 350 | 350 | 350 | 350 | 0 | 300 | (1000 MT) |
| Milled Production | 1,800 | 1,947 | 1,800 | 1,940 | 0 | 1,950 | (1000 MT) |
| Rough Production | 2,647 | 2,863 | 2,647 | 2,853 | 0 | 2,868 | (1000 MT) |
| Milling Rate(.9999) | 6,800 | 6,800 | 6,800 | 6,800 | 0 | 6,800 | (1000 MT) |
| TOTAL Imports | 170 | 17 | 150 | 30 | 0 | 50 | (1000 MT) |
| Jan-Dec Imports | 100 | 17 | 150 | 30 | 0 | 50 | (1000 MT) |
| Jan-Dec Import U.S. | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TOTAL SUPPLY | 2,320 | 2,314 | 2,300 | 2,320 | 0 | 2,300 | (1000 MT) |
| TOTAL Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Jan-Dec Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TOTAL Dom. Consumption | 1,970 | 1,964 | 2,000 | 2,020 | 0 | 2,000 | (1000 MT) |
| Ending Stocks | 350 | 350 | 300 | 300 | 0 | 300 | (1000 MT) |

Commodity, Wheat, PSD Table

| PSD Table | | | | | | | |
|------------------------|-----------|---------|-----|---------|-----|---------|-----------------|
| Country: | Sri Lanka | | | | | | |
| Commodity: | Wheat | | | | | | |
| | | 1999 | | 2000 | | 2001 | UOM |
| | Old | New | Old | New | Old | New | |
| Market Year Begin | | 01/1999 | | 01/2000 | | 01/2001 | (MONTH/YEAR) |
| Area Harvested | 0 | 0 | 0 | 0 | 0 | 0 | (1000 Hectares) |
| Beginning Stocks | 80 | 80 | 60 | 60 | 0 | 60 | (1000 MT) |
| Production | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TOTAL Mkt. Yr. Imports | 890 | 880 | 900 | 915 | 0 | 900 | (1000 MT) |
| Jul-Jun Imports | 890 | 890 | 900 | 915 | 0 | 900 | (1000 MT) |
| Jul-Jun Import U.S. | 500 | 470 | 500 | 505 | 0 | 500 | (1000 MT) |
| TOTAL SUPPLY | 970 | 960 | 960 | 975 | 0 | 960 | (1000 MT) |
| TOTAL Mkt. Yr. Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Jul-Jun Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Feed Dom. Consumption | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TOTAL Dom. Consumption | 910 | 900 | 900 | 915 | 0 | 900 | (1000 MT) |
| Ending Stocks | 60 | 60 | 60 | 60 | 0 | 60 | (1000 MT) |
| TOTAL DISTRIBUTION | 970 | 960 | 960 | 975 | 0 | 960 | (1000 MT) |

Commodity, Rice, Import Trade Matrix

| Import Trade Matrix | | | |
|---------------------|-----------|-----------|------------|
| Country: | | Units: | Metric Ton |
| Commodity: | | | |
| Time period: | Jan - Dec | | |
| Imports for | 1999 | | 2000 |
| U.S. | 0 | U.S. | 1890 |
| Others | | Others | |
| India | 90570 | India | 1544 |
| Pakistan | 102438 | Pakistan | 8053 |
| Australia | 1815 | Australia | 2928 |
| Thailand | 3827 | | |
| UAE | 2392 | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 201042 | | 12525 |
| Others not listed | 4000 | | 2600 |
| Grand Total | 205042 | | 17015 |

Commodity, Wheat, Import Trade Matrix

| | | | |
|---------------------|---------|-----------|-------------|
| Import Trade Matrix | | | |
| Country: | | Units: | Metrric Ton |
| Commodity: | | | |
| Time period: | Jan-Dec | | |
| Imports for | 1999 | | 2000 |
| U.S. | 468,000 | U.S. | 504,627 |
| Others | | Others | |
| Argentina | 100,000 | Australia | 206,370 |
| Australia | 208,000 | Canada | 203,903 |
| Canada | 100,000 | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 408,000 | | 410,273 |
| Others not listed | | | |
| Grand Total | 876,000 | | 914,900 |

Wheat Imports by Month, CY 1999 and CY 2000 by Country of Origin
(metric tons)

| | 1999 | | | 2000 | | |
|-----------|---------|--------------|---------|---------|-----------|---------|
| | US | Non-US 1/ | Total | US | Non-US 2/ | Total |
| January | 0 | 52,500 | 52,500 | 51,617 | 52,500 | 104,117 |
| February | 0 | 52,500 | 52,500 | 52,499 | 49,289 | 101,788 |
| March | 0 | 52,500 | 52,500 | 0 | 52,500 | 52,500 |
| April | 52,500 | 40,500 | 93,000 | 104,998 | 0 | 104,998 |
| May | 52,500 | 105,000 | 157,500 | 0 | 52,500 | 52,500 |
| June | 52,500 | 0 | 52,500 | 46,451 | 49,288 | 95,739 |
| July | 0 | 52,500 | 52,500 | 0 | 0 | 0 |
| August | 0 | 52,500 | 52,500 | 52,499 | 49,615 | 102,114 |
| September | 105,000 | 0 | 105,000 | 52,499 | 52,500 | 104,999 |
| October | 55,500 | 0 | 55,500 | 52,499 | 0 | 52,499 |
| November | 50,000 | 0 | 50,000 | 39,065 | 0 | 39,065 |
| December | 100,000 | 0 | 100,000 | 52,500 | 52,081 | 104,581 |
| Total | 468,000 | 408,000 | 876,000 | 504,627 | 410,273 | 914,900 |