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Sri Lanka

Grain and Feed

Annual Report

2007

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Report Highlights:

Sri Lanka's MY 2007/08 (Oct - Sep) rice production is forecast at 2.2 million tons, assuming favorable weather and political conditions. MY 2006/07 rice production is estimated at 2.1 million tons. Wheat imports in CY 2007 are estimated at one million tons. Except for one consignment of 8,8400 tons of wheat from the United States under the 416 (B) food aid program, wheat imports in CY 2006 were mainly from Canada.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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SECTION I - SITUATION & OUTLOOK

RICE

Commodity, Rice, Milled, PSD

Country	Sri Lanka								
Commodity	Rice, Milled						(1000 HA)	(1000 MT)	(MT/HA)
	2005	Revised		2006	Estimate		2007	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007
Area Harvested	800	800	800	800	800	846	0	0	800
Beginning Stocks	60	60	60	60	60	60	60	120	60
Milled Production	2100	2100	2100	2150	2200	2145	0	0	2200
Rough Production	3088	3088	3088	3162	3235	3154	0	0	3235
Milling Rate (.9999)	6800	6800	6800	6800	6800	6800	0	0	6800
MY Imports	50	50	50	50	60	11	0	0	15
TY Imports	50	50	50	50	60	11	0	0	15
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	2210	2210	2210	2260	2320	2216	60	120	2275
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Total Consumption	2150	2150	2150	2200	2200	2156	0	0	2225
Ending Stocks	60	60	60	60	120	60	0	0	50
Total Distribution	2210	2210	2210	2260	2320	2216	0	0	2275
Yield (Rough)	3.86	3.86	3.86	3.9525	4.04375	3.728132	0	0	4.04375

Production Situation and Outlook

Sri Lanka's MY 2007/08 rice production is forecast at 2.2 million tons (milled basis), assuming favorable weather conditions and a stable political environment. A resumption of hostilities between the Sri Lankan government and the Liberation Tigers of Tamil Elam (LTTE), a terrorist separatist group since last year could affect rice farming in the northeastern parts of the country. Some farmers in the eastern districts of Batticaloa and Amparai were unable to harvest their crop this year due to the escalation of violence. Rice production in MY 2006/07 is estimated at 2.1 million tons, which includes a *yala* crop (harvested in the fall of 2006) of around 820,000 tons, and a *maha* crop, currently being harvested, of 1.3 million tons.

Rice is the dietary staple in Sri Lanka and is cultivated in most parts of the country, with approximately 50 percent of production confined to five southern, eastern and northwestern districts. The *maha* season crop (approximately 63% of total production) is planted in the fall and harvested in the spring, while the *yala* crop (37% of production) is planted in the summer and harvested in the fall. Although paddy prices have increased in nominal terms in recent years, profitability has been declining due to escalating production costs. Inadequate marketing channels and storage facilities often compel farmers to sell their paddy at low prices. Water management has been a challenge, particularly in the 'dry zone' in the east, southeast, and northern parts of the country, as only 42 percent of total rice area (about 870,000 hectares) has assured irrigation.

Consumption

Rice continues to be the preferred staple in Sri Lanka with around 28 percent of household food expenditure on rice. Rice is the major calorie source (45 percent) and protein source (40 percent) for most Sri Lankans. Annual per capita consumption is around 100 kilograms, and is influenced by the price of wheat flour. Rice consumption is expected to grow as the government is encouraging consumers to eat more rice instead of wheat to reduce dependency on imported wheat and flour. Retail rice prices ranged from Rs. 35 (35 cents) to Rs. 60 (60 cents) per kilogram in 2006.

Trade

Rice imports in CY 2007 are forecast at around 15,000 tons, compared with 11,000 tons in CY 2006. The current import tariff on rice is 20 percent. The GSL typically revises the tariff upward during the peak harvesting season to protect farmers' interest. Sri Lanka imports rice mainly from India and Pakistan, and smaller volumes from Australia and Thailand. Under the Sri Lanka/Pakistan free trade agreement, 6,000 tons of basmati rice imports are allowed duty free during the lean production season.

Import Trade Matrix

Country	Sri Lanka		
Commodity	Rice, Milled		
Time Period	Jan-Dec	Units:	Metric Tons
Imports for:	2005		2006
U.S.		U.S.	
Others		Others	
India	35,365	Pakistan	9,805
Pakistan	14,612	India	623
Total for Others	49,977		10,428
Others not Listed	23		572
Grand Total	50,000		11,000

Marketing

The private trade handles most of the paddy crop surplus in the country. Due to lack of proper marketing infrastructure, farmers often sell their produce at prices less than the cost of production. The government is planning to procure 110,000 tons of paddy from the current 'maha' harvest through the Agrarian Produce Marketing Authority, at support prices ranging from Rs. 16.50 (17 cents) to Rs. 17.50 (18 cents) per kilogram, depending on the variety. However, there is skepticism regarding the government's procurement operation, which according to media reports is plagued by corruption and unfair trade practices.

WHEAT**Commodity, Wheat, PSD**

Country	Sri Lanka								
Commodity	Wheat						(1000 HA)(1000 MT)(MT/HA)		
	2005	Revised		2006	Estimate		2007	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007
Area Harvested	0	0	0	0	0	0	0	0	0
Beginning Stocks	150	100	100	100	100	100	50	100	100
Production	0	0	0	0	0	0	0	0	0
MY Imports	1100	956	956	1050	1000	1170	0	0	1000
TY Imports	1151	950	950	1050	0	950	0	0	0
TY Imp. from U.S.	45	28	28	0	0	9	0	0	0
Total Supply	1250	1056	1056	1150	1100	1270	50	100	1100
MY Exports	150	0	0	150	0	0	0	0	0
TY Exports	158	0	0	150	0	0	0	0	0
Feed Consumption	0	0	0	0	0	0	0	0	0
FSI Consumption	1000	956	956	950	1000	1170	0	0	1000
Total Consumption	1000	956	956	950	1000	1170	0	0	1000
Ending Stocks	100	100	100	50	100	100	0	0	100
Total Distribution	1250	1056	1056	1150	1100	1270	0	0	1100
Yield	0	0	0	0	0	0	0	0	0

Production

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

Consumption

Wheat consumption continued to remain stable over the past few years despite the government focus on promoting rice consumption. The rising cost of meat, fish, and vegetables, which are traditional side dishes to rice-based meals, together with the convenience associated with wheat-based food products has helped to maintain the wheat consumption level. An increasing number of bakeries and small and medium fast food outlets specializing in wheat-based products have also supported wheat consumption. Average monthly consumption of wheat flour and bread per household is placed at 3.1 kg and 7.4 kg, respectively.

Prima Ceylon Ltd., a Singaporean firm, which is the only flourmill in Sri Lanka, supplies most of the country's flour requirements. The company has a milling capacity of 3,600 tons per day and is one of the largest mills under a single complex in the world. Under a PL 480 agreement in 2002, Prima was able to upgrade its port operation, which now has the capacity to berth larger bulk vessels. Although a second flourmill is planned in Colombo, progress has so far been slow.

The government considers wheat flour as an essential food item. Therefore, Prima is not allowed to revise flour prices without the government's permission, even when wheat prices increase, thereby impacting the consistency of its flour quality. Wheat attracts a 15 percent basic tariff with an additional surcharge of 10 percent. The government revises tariffs depending on domestic and international market conditions. Arbitrary pricing and tariff revisions tend to distort the market. The government recently withdrew a subsidy paid to Prima to offset losses due to price inflexibility. To overcome the problem of inconsistent quality of the flour supplied by Prima, some end-users/processors prefer to import flour directly to meet their specific requirements.

Trade and Competition

CY 2007 wheat imports are estimated at around one million tons. High U.S. wheat prices vis-à-vis other suppliers, and Prima's core focus on price and profit margin rather than on quality, continue to limit wheat imports from the United States. CY 2006 wheat imports were 1.1 million tons, mostly from Canada. Imports from the United States were confined to 8,800 tons, supplied under a food aid program.

Import Trade Matrix

Country	Sri Lanka		
Commodity	Wheat		
Time Period	Jan-Dec	Units:	Metric Tons
Imports for:	2005		2006
U.S.	28,000	U.S.	8,780
Others		Others	
Canada	511,029	Canada	1,154,754
Argentina	340,488	Australia	9,724
Australia	43,954		
India	32,644		
Total for Others	928,115		1,164,478
Others not Listed	23		
Grand Total	956,138		1,173,258

Wheat Imports by Month (metric ton)

	2005			2006		
	US	Non-US 1/	Total	US	Non-US 1/	Total
January	0	70,926	70,926	8,780	48,663	57,443
February	0	66,244	66,244	0	70,137	70,137
March	0	136,549	136,549	0	132,188	132,188
April	0	83,980	83,980	0	61,000	61,000
May	0	69,475	69,475	0	123,300	123,300
June	0	63,498	63,498	0	137,053	137,053
July	0	132,109	132,109	0	132,702	132,702
August	0	70	70	0	68,871	68,871
September	0	108,382	108,382	0	129,488	129,488
October	0	67,560	67,560	0	0	0
November	0	178	178	0	128,771	128,771
December	28,000	129,167	157,167	0	132,305	132,305
Total	28,000	928,138	956,138	8,780	1,164,478	1,173,258

1/ Non-US includes India, Australia, Argentina, Canada, etc.