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Sri Lanka

Grain & Feed Annual

1999

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Report Highlights:

At an estimated 1.77 million tons, Sri Lanka's 1998/99 rice crop is slightly above last year's level. Some imports are likely in the second half of CY 99 provided the GSL waives or reduces the 35 percent duty.

The US share of Sri Lanka's wheat imports recovered to 60 percent last year due to more competitive pricing. All but one cargo purchased in the last half of CY 98 was US origin. US grain dominated soft wheat imports in the first quarter of CY 99.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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RICE

Production Situation and Outlook

Sri Lanka's 1998/99 rice harvest is estimated at 1.77 million tons, just slightly above last year's production of 1.74 million. Yala (harvested in the fall of 1998) was 620,000 tons; maha (now being harvested) is estimated at 1.15 million tons. Last year's yala and maha were 531,000 and 1.21 million tons, respectively. This year's maha would have been larger were it not for heavy rains which caused extensive damage to the ripening grain.

Assuming normal rainfall, 1999/00 rice production is forecast at 1.75 million tons. The recent heavy rains have helped replenish most irrigation tanks and wells which augurs well for the about-to-be-seeded yala. High rice prices should provide additional incentive to farmers. Planting of the 1999/00 maha is still seven months away, and production will depend largely on the north-east monsoon.

Although seeded area has declined in recent years due to shortages of labor, growing labor costs, and ethnic violence in the Northeast, yields have increased due to the greater availability of irrigation, introduction of nitrogen responsive varieties, and increased fertilizer use. While there is scope to further increase yields, the major constraint is the high cost of labor. At the same time, high fuel costs have slowed farm mechanization. The government fertilizer subsidy is now confined to nitrogenous fertilizers, resulting in unbalanced nutrient applications. This could have an adverse impact on long-term yield prospects.

Sri Lanka's rice milling industry is antiquated. However, the government-sponsored Cooperative Wholesale Establishment (CWE), with financial and technical support from India, has recently set up two large mills to produce better quality rice for distribution through their outlets. The near liquidation of the Paddy Marketing Board (PMB) has eroded public sector mechanisms to provide price support to farmers, although the CWE is buying limited quantities of paddy at the minimum guaranteed price of rs. 10.00/kg ($145/mt).

Consumption

With per capita consumption of 95 kgs/year, rice is Sri Lanka's staple grain. Almost 80 percent is parboiled. Sri Lankans prefer locally-grown short or medium grain rice, and the percentage of brokens is generally high. Wheat has emerged as a substitute for rice in recent years, especially with the introduction of a highly-subsidized flour program by the government in 1994. However, the GSL recently has managed to phase out subsidies by gradually increasing flour prices at the same time that there has been a sharp decline in the price of imported wheat.

Rice prices remained firm in early CY 1998 but softened following the harvest of bumper maha and yala crops. Inadequate stocks and recent harvest rains have driven prices higher. They currently are rs. 30/kg (20 cents/lb) for medium quality at the retail level, about rs. 4-5 higher than a year ago.

Commodity, Rice Milled, Prices Table

Prices Table			
Country:			
Commodity:			
Year:	1998		
Prices in (currency)	Rupees	per (uom)	100 Kg
Year	1997	1998	% Change
Jan	1979	2399	21.2%
Feb	1728	2013	16.5%
Mar	1412	1821	29.0%
Apr	1775	1719	-3.2%
May	1848	1822	-1.4%
Jun	1769	1859	5.1%
Jul	1849	1850	0.1%
Aug	2043	1906	-6.7%
Sep	2212	1888	-14.6%
Oct	2323	2019	-13.1%
Nov	2560	2269	-11.4%
Dec	2393	2300	-3.9%

Trade

Although there were heavy imports early last year, the reimposition of a 35 percent duty from Feb 1, 1998, combined with a good rice harvest, discouraged additional imports. CY 1998 imports are officially placed at 168,000 million tons, compared with 306,000 in CY 1997 and 340,000 tons in CY 1996. Despite the good production outlook for 1998/99, rice imports are likely during the second half of CY 1999, provided the GSL waives or reduces the duty. Our import forecast is 100,000 tons.

Commodity, Rice Milled, Trade Matrix

Import Trade Matrix			
Country:		Units:	Metric Ton
Commodity:			
Time period:	Jan - Dec		
Imports for	1997		1998
U.S.	62	U.S.	0
Others		Others	
India	159582	India	100630
Pakistan	128418	Pakistan	47390
Malaysia	7676	Vietnam	16170
Vietnam	4250		
Myanmar	2193		
Australia	2158		
Singapore	1112		
Thailand	363		
Total for Others	305752		164190
Others not listed	119		3400
Grand Total	305933		167590

Marketing

As Sri Lankans tend to be more concerned with price than quality, most imported rice is Indian or Pakistani 25-35 percent broken. Given Sri Lanka's proximity to major Asian suppliers, the potential for U.S. rice sales is limited. Furthermore, Sri Lanka, India and Pakistan are members of the South Asian Preferential Trading Agreement (SAPTA), a trading arrangement between seven South Asian nations belonging to the South Asian Association for Regional Cooperation (SAARC). Sri Lanka does import small quantities of high quality rice from India, Pakistan and occasionally Australia to cater to the needs of wealthy consumers and tourists. This could be a niche market for high-quality U.S. rice.

WHEAT

Production

Due to agro-climatic constraints there is no wheat cultivation in Sri Lanka. The country's entire wheat needs are met through imports.

Consumption

Wheat consumption has grown significantly, especially following the expansion of the consumer flour subsidies in 1994. Although the flour subsidy has been eliminated through a series of price increases, consumption remained strong during CY 1998 as rice prices were firm. Flour distributed by the government totaled 633,000 metric tons (855,000 wheat equivalent) in CY 1998 compared with 617,000 in 1997 and a record 700,000 tons in 1995. There has been no revision in the government sales price of flour since August 1997 when it was increased to rs. 18.50/kg (12 cents/lb) for wholesalers and rs. 18.95/kg at retail. Monthly flour distribution in metric tons follows:

	1997	1998
January	55,527	56,207
February	47,219	50,694
March	50,276	53,077
April	43,058	39,735
May	48,236	43,952
June	49,729	51,280
July	56,334	57,834
August	50,138	54,915
September	52,886	55,660
October	57,855	56,029
November	52,075	53,723
December	53,466	59,538
Total	616,799	632.644
Average/Month	51,400	52,720

Wheat is imported by the CWE (a government company) and milled by Sri Lanka's lone flour mill, a private operation located at Trincomalee on the east coast having a milling capacity of 3,200 tons/day. The GSL has a long-term agreement with the mill (which will expire in 2005), which states that wheat will be milled into flour at a 74 percent extraction rate, and the mill is entitled to all by-products. 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. Although the government's Board of Investment (BOI) has reportedly approved another flour mill in the private sector, work has not yet started.

Almost 80 percent of the flour is used for making bread and small but increasing quantities of other bakery products. The balance is used to make home made "rotis" (unleavened bread) and string hoppers (a noodle preparation traditionally made from rice). Bread has become a well established part of the Sri Lankan diet. With increasing numbers of women entering the work force, the demand for bread as a convenience food is expected to grow. Although the only wheat flour available is an all purpose type, Sri Lankan bakers are producing a variety of breads and bakery products using innovative techniques. The fledgling fast food industry is also using this flour in the absence of speciality flours.

Trade and Competition

Sri Lanka's CY 1998 wheat imports were 894,000 tons compared with 822,000 in CY 1997. Additionally, an estimated 60,000 tons of wheat flour were imported in early 1998 to rebuild stocks, lifting total imports to 970,000 tons (wheat equivalent). Sri Lanka has become a good commercial market for wheat. Except for 75,000 tons supplied under PL 480 Title I, all CY 1998 imports were commercial.

The US share of Sri Lanka's wheat imports, which dropped to 20 percent in 1997, recovered to 60 percent in 1998, due largely to competitive pricing. During the first quarter of CY 1999, the US maintained a market share of 33 percent out of a total imports of around 300,000 tons. Major competitors are Australia and Argentina, both with a market shares of around 33 percent during Jan-Mar 1999. Total CY 1999 imports are estimated at 900,000 tons. Due to a delay in the arrival of wheat purchased from Argentina, the CWE recently made an emergency purchase of 30,000 tons of wheat from Australia outside the normal tendering process. Although a GSM-102 allocation of $50 million is in place for US wheat, Sri Lanka is not utilizing the program. A donation of 50,000 tons of US wheat under the 416(b) program is pending.

Wheat imports continue to be handled by the CWE through regular tendering. Typically CWE simultaneously tenders 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.

Commodity, Wheat, Trade Matrix

Import Trade Matrix			
Country:		Units:	Metric Ton
Commodity:			
Time period:	Jan-Dec		
Imports for	1997		1998
U.S.	165,003	U.S.	533,495
Others		Others	
Australia	237,547	Argentina	257,990
Canada	165,374	Australia	52,500
Argentina	149,086	Canada	50,000
United Kingdom	105,000		
Total for Others	657,007		360,490
Others not listed			
Grand Total	822,010		893,985

Commodity, Wheat, PSD Table

PSD Table							
Country:	Sri Lanka						
Commodity:	Wheat						
		1997		1998		1999	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		01/1997		01/1998		01/1999	(MONTH/ YEAR)
Area Harvested	0	0	0	0	0	0	(1000 Hectares)
Beginning Stocks	70	70	20	20	0	80	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
TOTAL Mkt. Yr. Imports	820	820	900	970	0	900	(1000 MT)
Jul-Jun Imports	850	890	900	950	0	900	(1000 MT)
Jul-Jun Import U.S.	260	320	300	530	0	400	(1000 MT)
TOTAL SUPPLY	890	890	920	990	0	980	(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	870	870	870	910	0	900	(1000 MT)
Ending Stocks	20	20	50	80	0	80	(1000 MT)
TOTAL DISTRIBUTION	890	890	920	990	0	980	(1000 MT)

Commodity, Rice Milled, PSD Table

PSD Table							
Country:	Sri Lanka						
Commodity:	Rice, Milled						
		1997		1998		1999	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10/1997		10/1998		10/1999	(MONTH/ YEAR)
Area Harvested	652	723	630	703	0	720	(1000 Hectares)
Beginning Stocks	200	200	400	400	0	350	(1000 MT)
Milled Production	1,682	1,743	1,600	1,768	0	1,750	(1000 MT)
Rough Production	2,474	2,563	2,353	2,600	0	2,574	(1000 MT)
Milling Rate(.9999)	6,800	6,800	6,800	6,800	0	6,800	(1000 MT)
TOTAL Imports	300	300	100	100	0	150	(1000 MT)
Jan-Dec Imports	150	168	150	100	0	150	(1000 MT)
Jan-Dec Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	2,182	2,243	2,100	2,268	0	2,250	(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	1,782	1,843	1,800	1,918	0	1,950	(1000 MT)
Ending Stocks	400	400	300	350	0	300	(1000 MT)

Wheat Imports by Month, CY 1997 and CY 1998, by Country of Origin (metric tons):

	1997			1998		
	US	Non-US 1/	Total	US	Non-US 2/	Total
January	0	101,276	101,276	52,500	52,500	105,000
February	0	100,786	100,786	0	52,500	52,500
March	0	100,800	100,800	0	152,990	152,990
April	0	51,604	51,604	0	52,500	52,500
May	0	120,327	120,327	0	0	0
June	0	0	0	102,437	0	102,437
July	0	51,416	51,416	52,497	0	52,497
August	64,981	52,194	117,175	73,562	0	73,562
September	0	0	0	0	0	0
October	52,499	0	52,499	152,500	0	152,500
November	47,523	6,000	53,523	50,000	50,000	100,000
December	0	72,604	72,604	50,000	0	50,000
Total	165,003	657,007	822,010	533,496	360,490	893,986

1/ Includes 237,547 tons Australian, 149,086 Argentinian, 165,374 Canadian and 105,000 U.K.
2/ Includes 257,990 tons Argentinian, 52,500 Australian and 50,000 Canadian.