



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 4/3/2000

GAIN Report #CE0001

Sri Lanka

Grain and Feed

Annual Report

2000

Approved by:

Joseph Carroll

U.S. Embassy, New Delhi

Prepared by:

Adrian Mendis

Report Highlights:

Sri Lanka's 1999/00 rice harvest is estimated at 1.80 million tons (milled basis), marginally lower than last year's production level of 1.83 million tons. CY 2000 wheat imports are estimated at 900,000 tons.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

New Delhi [IN1], CE

Table of Contents

RICE	Page 2 of 10
WHEAT	Page 3 of 10
Table 1: Commodity, Rice, PSD	Page 6 of 10
Table 2: Commodity, Wheat, PSD	Page 7 of 10
Table 3: Commodity, Rice, Trade Matrix	Page 8 of 10
Table 4: Commodity, Wheat, Trade Matrix	Page 9 of 10
Table 5: Wheat Imports by Month, CY 1998 and CY 1999	Page 10 of 10

RICE

Production Situation and Outlook

Sri Lanka's 1999/00 rice harvest is estimated at 1.80 million tons (milled basis), marginally lower than last year's production level of 1.83 million tons. The Yala crop (harvested in the fall of 1999) is estimated at 656,000 tons, and the Maha crop (now being harvested) is estimated at 1.14 million tons. Last year's Yala and Maha harvest were 620,000 tons and 1.21 million tons, respectively. The decline in this year's Maha crop is attributed to adverse weather conditions.

Given normal rainfall, 2000 rice production is forecast at around 1.80 million tons. Irrigation tanks and wells have been replenished due to recent heavy rains which augers well for the upcoming Yala crop. However, prevailing low rice prices following large imports during October-December 1999 could limit Yala planting. Planting of the 2000 Maha crop, still several months away, will largely depend on the rainfall.

Sri Lanka's rice milling industry is largely controlled by the private sector, using mostly outdated equipment. The government-owned Cooperative Wholesale Establishment (CWE) owns two rice mills which process around 10 percent of the country's paddy production. The near liquidation of the Paddy Marketing Board (PMB) has eroded the public sector's ability to provide price support to farmers. However, the CWE is buying some paddy at Rs. 12.00/kg.

Consumption

Rice is the staple food grain in Sri Lanka. The preference is for locally grown short or medium grain. The emergence of fast-food restaurants and western food products has contributed to a marked increase in wheat consumption and bread and other bakery products have become a close substitute for rice in recent years. The introduction of a highly-subsidized government flour distribution program in 1994 provided a further impetus to wheat consumption.

An excellent Yala harvest combined with large imports during October-December 1999 (following a reduction in the import duty from 35 percent to 10 percent) caused a weakening of rice prices which is expected to continue till mid-April. The Food Department currently maintains 60,000 metric tons of rice as buffer stocks. The current retail price is Rs. 30/kg for premium quality locally grown rice, which is Rs. 6-7 below the level a year ago.

Trade

Heavy imports took place following the reduction in the rice import duty from 35 percent to 10 percent during October -December 1999. However, imports have virtually stopped since the imposition of the 35 percent duty in January 2000. CY 1999 imports are officially placed at 205,000 metric tons,

compared with 170,000 in 1998. Imports in CY2000 are forecast at 100,000 tons. CY 1999 imports were mostly from Pakistan and India.

Marketing

Price rather than quality is of primary concern for rice imports into Sri Lanka and therefore most rice imports are of Indian or Pakistani origin. Semi or wholly milled rice imports constitute a major share of imports. The Sri Lanka-India trade agreement provides for increased access for Indian products. Some high quality Thai rice is imported mainly for expatriates and for high income local consumers. India and Pakistan also supply high quality basmati rice for the hotel and restaurant industries and also to supermarkets and up-market retail stores. There could be a niche market for high-quality U.S. rice in this high income segment, which is growing.

WHEAT

Production

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

Consumption

Wheat consumption, which grew significantly following the expansion of consumer flour subsidies in 1994, has now more or less stabilized. The flour subsidy was gradually phased out. Despite the subsidy phase out and low rice prices, consumption of wheat flour increased in 1999. This growth is attributed to the growing popularity of flour-based products as a convenience food vis a vis rice. Flour distributed by the government totaled 661,000 metric tons (893,000-wheat equivalent) in CY 1999 compared with 633,000 in 1998. The government sales price of flour is presently Rs. 17.50/kg (12 cents/lb.). Monthly flour distribution in metric tons follows:

	1998	1999
January	56,270	51,930
February	50,694	54,350
March	53,077	61,299
April	39,735	43,496
May	43,952	52,481

June	51,280	53,628
July	57,834	57,733
August	54,915	58,986
September	55,660	57,130
October	56,029	55,307
November	53,723	57,083
December	59,538	57,590
Total	632,707	661,013
Average/Month	52,728	55,084

Wheat is imported by the Cooperative Wholesale Establishment (a government-owned corporation) and is then milled by Prima Ltd., a private operation located at Trincomalee on the east coast. The mill produces one type of all purpose flour from a 50/50 mixture of hard and soft wheat. The flour is then distributed by the government through a network of cooperative wholesale outlets at a predetermined price. Prima has a milling capacity of 3,000 tons/day, and is the largest flour mill in the world located in a single factory. The Sri Lankan government has a long-term agreement with the mill (which expires in 2005), which states that wheat will be milled into flour at a 74 percent extraction rate, with the mill entitled to all by-products. Negotiations are in progress between a Sri Lankan Feed Mill and a Dubai-based investor for a joint venture project to set up another flour mill with a 1,000 tons/day capacity as the government feels that Prima will not be able to meet future demand.

A major portion of the flour sold in the market is used for bread and bakery products. There are an increasing number of bakeries in Colombo serving good quality products. Convenience has been a major factor in the increased consumption of bakery products. Bread has become a well-established part of the Sri Lankan diet. Some flour is used to make home made "rotis" (unleavened bread) and string hoppers (a noodle preparation traditionally made from rice). The government has liberalized flour imports and during the past ten months, almost 14,000 metric tons of flour have been imported at a concessional duty rate of 10 percent, mainly for industries requiring specific types of flour such as the biscuit industry.

Trade and Competition

Sri Lanka's CY 1999 wheat imports are estimated at 864,000 tons compared with 894,000 in CY 1998. Additionally, an estimated 15,000 tons of wheat flour were imported in early 1999 to meet shortfalls and replenish stocks. With the proposed new mill expected to be operational in 2002, wheat consumption is likely to exceed one million tons in the not too distant future. With the exception of

50,000 metric tons of wheat donated by the USDA under the 416(b) program, all wheat imports in 1999 were commercial.

The US share of Sri Lanka's wheat imports in 1999 was 55 percent compared to 60 percent in 1998. Competitive pricing, reasonable quality and timely delivery enabled US suppliers to maintain their market share in 1998 and 1999. During the first two months of CY 2000, the US secured orders for 100,000 tons out of total of around 200,000 tons purchased. Major competitors are Australia and to a lesser extent Canada. Total CY 2000 imports are estimated at 900,000 tons.

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

Table 1: Commodity, Rice, PSD

PSD Table							
Country:	Sri Lanka						
Commodity:	Rice, Milled						
		1998		1999		2000	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10/1998		10/1999		10/2000	(MONTH/YEAR)
Area Harvested	703	703	720	720	0	710	(1000 Hectares)
Beginning Stocks	400	400	350	350	0	350	(1000 MT)
Milled Production	1,768	1,830	1,750	1,800	0	1,800	(1000 MT)
Rough Production	2,600	2,691	2,574	2,647	0	2,647	(1000 MT)
Milling Rate(.9999)	6,800	6,800	6,800	6,800	0	6,800	(1000 MT)
TOTAL Imports	100	100	150	170	0	150	(1000 MT)
Jan-Dec Imports	100	205	150	100	0	150	(1000 MT)
Jan-Dec Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	2,268	2,330	2,250	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	1,918	1,980	1,950	1,970	0	2,000	(1000 MT)
Ending Stocks	350	350	300	350	0	300	(1000 MT)

Table 2: Commodity, Wheat, PSD

PSD Table							
Country:	Sri Lanka						
Commodity:	Wheat						
		1998		1999		2000	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		01/1998		01/1999		01/2000	(MONTH/YEAR)
Area Harvested	0	0	0	0	0	0	(1000 Hectares)
Beginning Stocks	20	20	80	80	0	60	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
TOTAL Mkt. Yr. Imports	970	970	900	890	0	900	(1000 MT)
Jul-Jun Imports	950	950	900	890	0	900	(1000 MT)
Jul-Jun Import U.S.	530	530	400	500	0	500	(1000 MT)
TOTAL SUPPLY	990	990	980	970	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	910	900	910	0	900	(1000 MT)
Ending Stocks	80	80	80	60	0	60	(1000 MT)
TOTAL DISTRIBUTION	990	990	980	970	0	960	(1000 MT)

Table 3: Commodity, Rice, Trade Matrix

Import Trade Matrix			
Country:		Units:	Metric Ton
Commodity:			
Time period:	Jan - Dec		
Imports for	1998		1999
U.S.	0	U.S.	0
Others		Others	
India	100630	India	90570
Pakistan	47390	Pakistan	102438
Vietnam	16170	Australia	1815
		Thailand	3827
		UAE	2392
Total for Others	164190		201042
Others not listed	3400		4000
Grand Total	167590		205042

Table 4: Commodity, Wheat, Trade Matrix

Import Trade Matrix			
Country:		Units:	Metric Ton
Commodity:			
Time period:	Jan-Dec		
Imports for	1998		1999
U.S.	533,495	U.S.	468,000
Others		Others	
Argentina	257,990	Argentina	100,000
Australia	52,500	Australia	208,000
Canada	50,000	Canada	100,000
Total for Others	360,490		408,000
Others not listed			
Grand Total	893,985		876,000

**Table 5: Wheat Imports by Month, CY 1998 and CY 1999,
by Country of Origin (metric tons):**

	1998			1999		
	US	Non-US 1/	Total	US	Non-US 2/	Total
January	52,500	52,500	105,000	0	52,500	52,500
February	0	52,500	52,500	0	52,500	52,500
March	0	152,990	152,990	0	52,500	52,500
April	0	52,500	52,500	52,500	31,500	84,000
May	0	0	0	52,500	105,000	157,500
June	102,437	0	102,437	52,500	0	52,500
July	52,497	0	52,497	0	52,500	52,500
August	73,562	0	73,562	0	52,500	52,500
September	0	0	0	105,000	0	105,000
October	152,500	0	152,500	52,500	0	52,500
November	50,000	50,000	100,000	50,00	0	50,000
December	50,000	0	50,000	100,000	0	100,000
Total	533,496	360,490	893,986	465,000	399,000	864,000