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Position of Potato Sector: Evidence from Sri Lanka

Vanitha Prasannath*

Lecturer, Department of Biosystems Technology, Faculty of Technology, Eastern University, Sri Lanka

Abstract

The potato is the world most significant root and tuber crop in worldwide and one of the important crops in Sri Lanka due to its high consumer preference and disposable profit generation. With this background, the objectives of this study were to review the trends in potato production, the area under harvested, imports and per capita availability, and to investigate the government involvement in regulating the prices and importation. The study is mainly based on secondary data which were collected from the annual reports of Central Bank of Sri Lanka and Department of Census and Statistics from 1961 to 2016. The data were first tabulated and then graphs were produced and based on the observed patterns certain interpretations were made. Total production and area under harvested display a similar trend for the study period with a sudden decline in 1997. Badulla and Nuwara-Eliya districts contributed on average 73% and 26% of the national potato production respectively in the last decade. The yield of potato states a gradual rise over the period with frequent fluctuations. The imports of potato were lesser than the production until 2006 with a surge in the years from 1997 to 2001 and thereafter importation was increased drastically and continuously, which is 148,081 metric tons in 2016. Imports of potato contribute 5.1% of the national imports and 41% of the food and beverages imports. Per capita availability of potato exhibited a growing trend and it reach nearly 10kg/year/person in 2016. The government imposes several policies such as maximum retail price and special commodity levy time to time to protect the local farmers and to make the availability of potatoes to consumers. Several input subsidies have been introduced to promote potato cultivation. Therefore, these manners of government interferences should remain to retain the potato sector capably.

Keywords: Imports, Per capita availability, Potato, Production

* Corresponding author. Tel.: +94772357384;
E-mail address: vanithap@esn.ac.lk.

1. Introduction

The potato is the world most significant root and tuber crop in worldwide and one of the important crops in Sri Lanka due to its high consumer preference and disposable profit generation. FAO data show that in 2005, for the first time, the developing world's potato production exceeded that of the developed world (FAOSTAT, 2017). Potato cultivation is expanding strongly in the developing world, where the potato's ease of cultivation and nutritive content has made it a valuable food security and cash crop for millions of farmers. Developing countries are now the world's biggest producers and importers of potatoes and potato products. China is now the biggest potato producer, and almost a third of all potatoes are harvested in China and India. In Sri Lanka, Potato is an economically attractive crop because of its high income or high disposable profit generation capability. It is grown in hill country due to favourable agro climatic conditions. Potato yield gradually declining and cost of cultivation is increasing during last decades (Kamaline et al., 2008). With this background the objectives of the study are to review the trends in potato production, the area under harvested, imports and per capita availability and to investigate the government involvement in regulating the prices and importation.

2. Methodology

The study is mainly based on secondary data which were collected from the annual reports of Central Bank of Sri Lanka and Department of Census and Statistics from 1961 to 2016. The data were first tabulated and then graphs were produced and based on the observed patterns certain interpretations were made.

3. Results and Discussion

In Sri Lanka production of potato was started in 1993 with 80,000 MT and it drastically decreased to 30,000 MT in 1988 and 1989. Thereafter it is remained between 70,000 MT to 90,000 MT with frequent fluctuation up until now. When considering the importation of potato, it was nearly zero until 1993 and surged to 130,000 MT in order to fulfill the reduction in the local production. Afterwards it showed a dropped in importation in 2004 and thereafter it showed an increasing trend and reached its peak just closer to 150,000 MT in 2016. Therefore, total supply of potato is nearly 230,000MT (figure 1).

Figure 2 shows how two major potato producing districts contribute to the national production. Almost two third of the potato is produced in Badulla followed by Nuwaraeliya. Likewise, figure 3 illustrates total area harvested in different districts. Nearly, 3,500 hectares of area is under potato production in Badulla whereas Nuwaraeliya district people cultivate only 1500 ha.

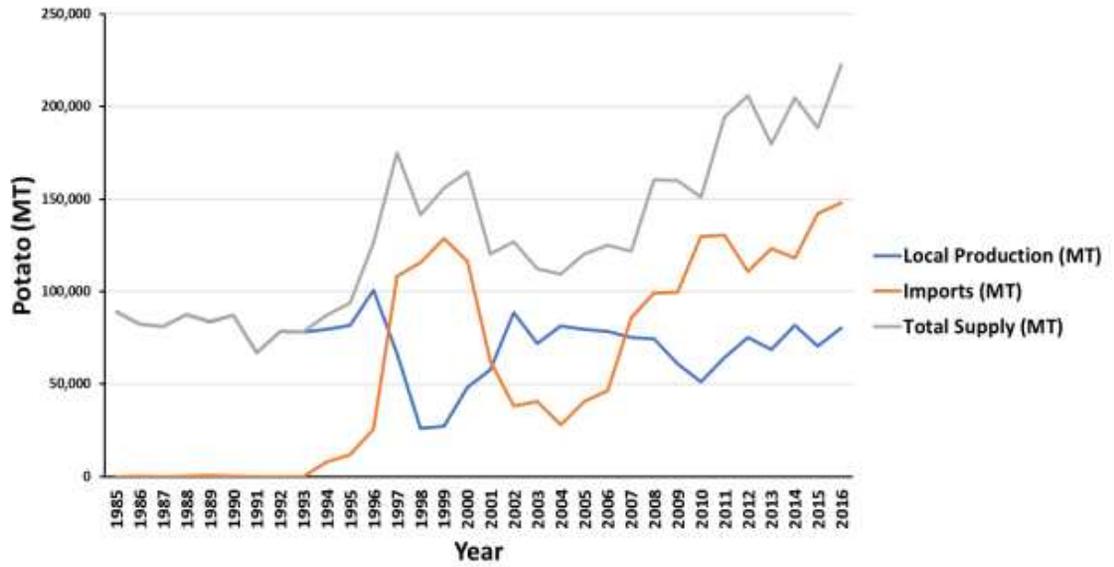


Figure 1: Local production, Imports and Total Supply of Potato (MT)

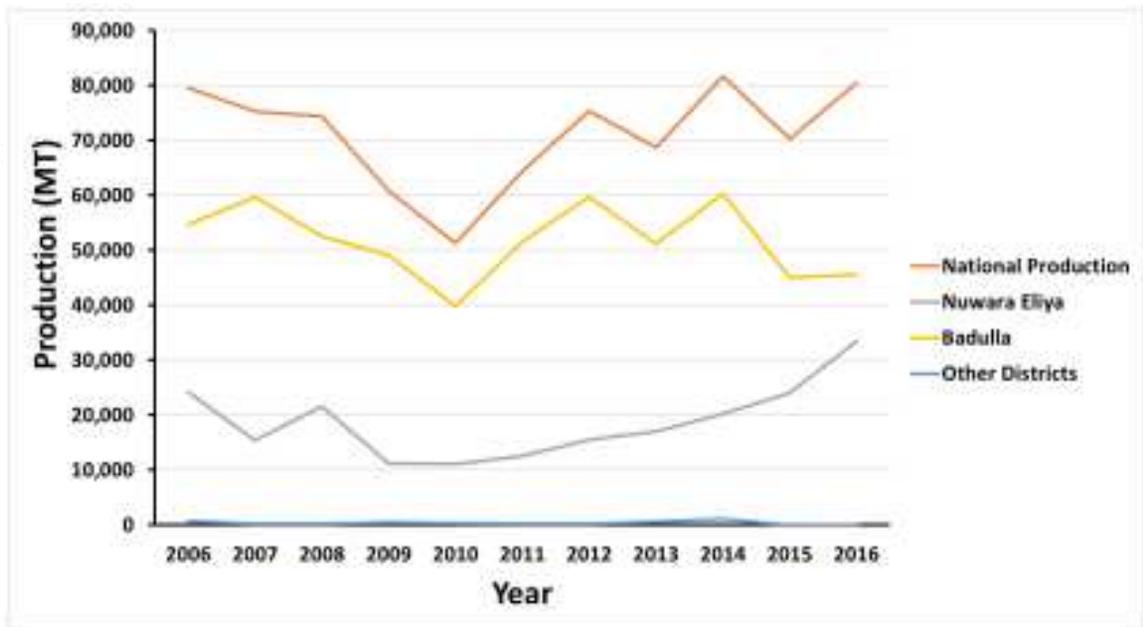


Figure 2: Potato Production (MT) in different districts

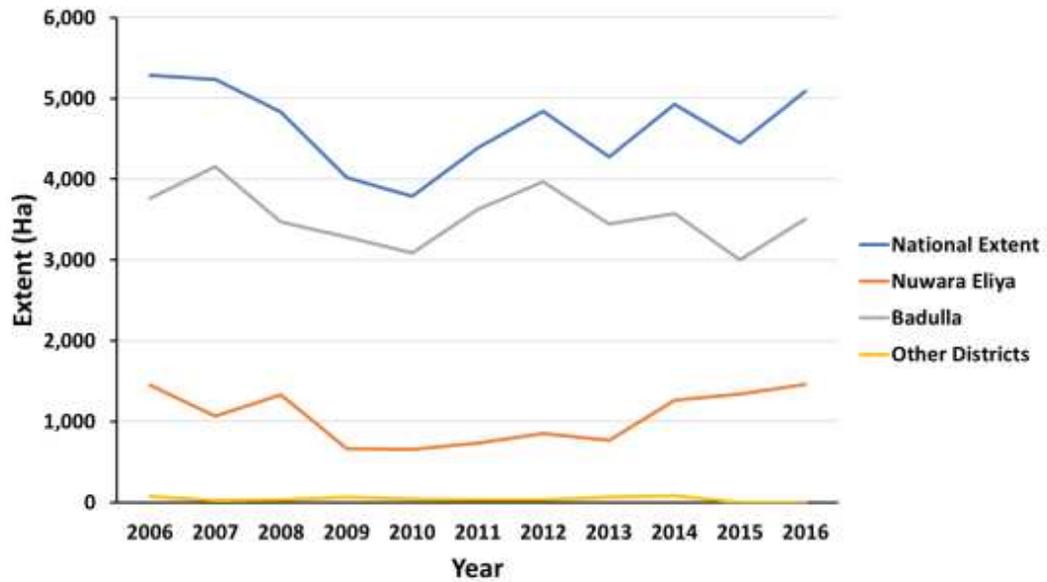


Figure 3: Total area of potato harvested (ha) in different districts

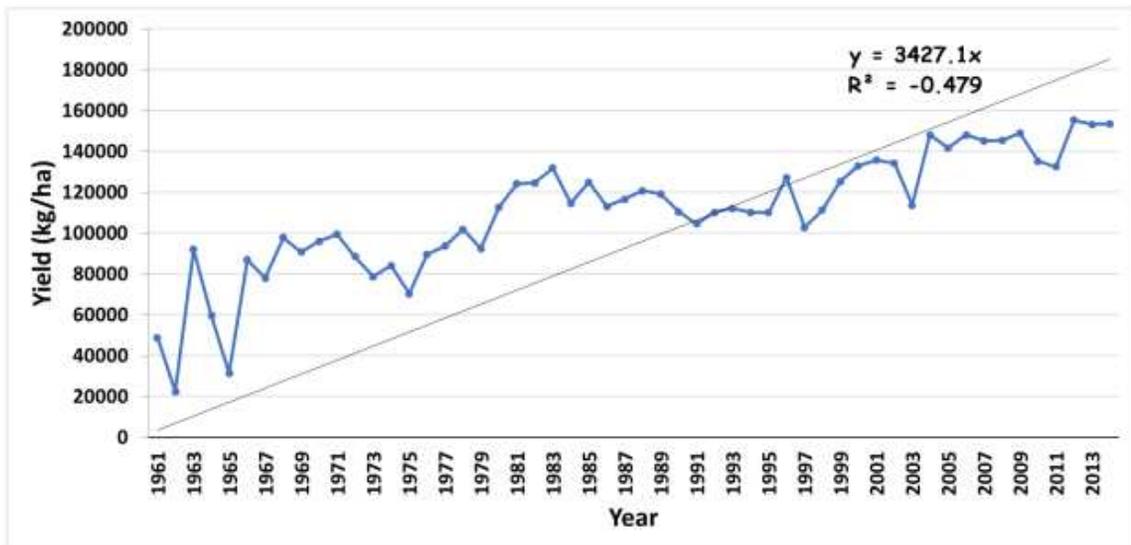


Figure 4: Trend in potato yield kg/(ha)

As far as yield of potato is concerned, it showed a very slow progress which is mild increasing trend over the last five decades. The current yield is approximately 135,000 kg/ha from 2012 to 2016 (figure 4). At the same time, per capita availability of potato showed an increasing trend where it was doubled from 3.89 kg/year to 7.79 kg/year during the period from 1995 to 1997 and reached its peak of 10.5 kg/year in 2016.

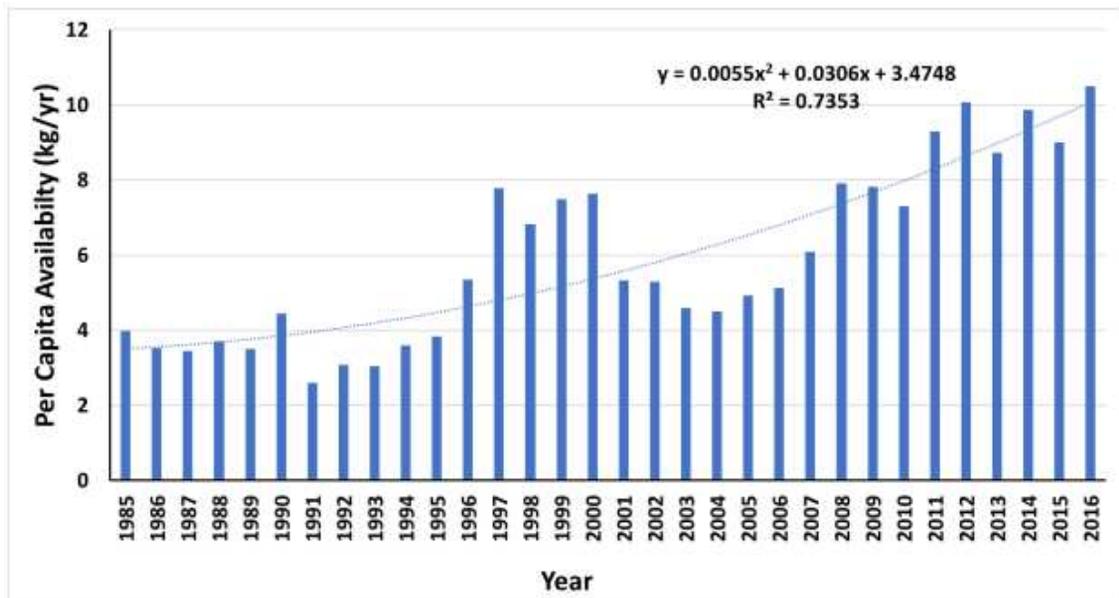


Figure 5: Per capita availability of Potato (kg/year/person)

Table 1: Share of Imports

Year	Share of Food and Beverages Imports	Share of Total Imports
2012	41.2%	4.9%
2013	44.3%	5.3%
2014	35.4%	4.7%
2015	41.4%	5.5%
2016	43%	5.2%

Table 1 depicts how the shares of imports change over last five year. Potato contributes approximately 41% of the food and beverages imports and 5.1% of the national imports. Even though, government encourages the local farmers the production is low because of the high cost of production.

Potato farmers in Sri Lanka experienced a series of policy reforms under the economic liberalization measures and regional trade agreements (RTAs) since mid-1990s. South Asian Free Trade Area (SAFTA) agreement and the Indo-Sri Lanka free trade agreement were more influential to the country's potato sector (Epaarachchi et al., 2002). Trade liberalization measures and the free trade agreements allowed traders to import potato from low cost producing countries such as India and Pakistan. Subsequently, potato production of Sri Lanka declined significantly until 2010. From 2004 to 2010 the production declined from 81,544 tons to 51,348 tons (37% of reduction) (Department of Census and Statistics, 2014). During the year 2004 to 2014, self-sufficiency ratio declined from 74.4% to 40.8%. Similarly area under cultivation was declined by 10.3%, from 5,495 ha to 4,929 ha and imports showed a drastic increased 322% from 28,010 MT to 118,220 MT.

Government of Sri Lanka implemented several adhoc policies such as maximum retail price and special commodity levy was imposed time to time at different value for particular period. . The government imposes

these policies in order to protect the local farmers as well as to make the availability of potatoes to consumers when demanded. Several input subsidies have been introduced to promote potato cultivation. Consequently, these modes of government interventions should remain to retain the potato sector competently.

4. Conclusions

Both total production and total area under harvested displayed the similar trend. At the same time, Badulla and Nuwara-Eliya districts contributed on average 73% and 26% of the national potato production respectively. Even though the yield expresses a gradual increase over the period with frequent fluctuations importation was increased drastically and continuously, which is 148,081 MT in 2016. Imports contribute 5.1% of the national and 41% of the food and beverages. Per capita availability of potato reached its peak of 10.5 kg/year in 2016. The government imposes several policies such as maximum retail price (MRP) and special commodity levy (SCL).

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