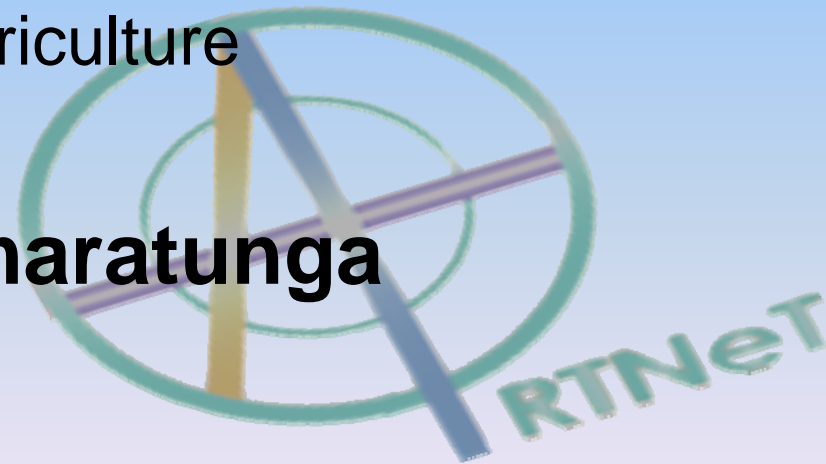


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Adapting Trade Policies to Promote Food Security and
Sustainable Agriculture

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Asia-Pacific Research and Training Network on Trade

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Adapting Trade Policies to Promote Food Security and Sustainable Agriculture

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Introduction

- Agricultural GDP - 13.4% (2008)
- Agricultural labour force – 32.7% of total employments (2008)
- Agricultural land use – approx. 45% of total land area (1990)
- Heavily concentrated on few major crops

Introduction (contd.)

- Low agricultural productivity partly explain rural poverty
 - 11% ave. monthly HH income
- Failed to grow in to a vibrant commercial industry
- Failed to provide employment to the growing no. of youths
- A sustainable increase in agricultural production
 - poverty alleviation
 - reduction in unemployment
 - improvement in rural income and
 - improving income distribution

Enhance food
security

Food Security and Agriculture

- Availability at all times of adequate world food supplies of basic food stuff to offset fluctuations in production and prices
- Original macro-biased definition has evolved over time to include micro level dimensions of food availability, accessibility and utilization.
- Trade policy has strong implications on the present food security situation in the country via all three parameters.



Food Availability –

Sufficient availability of food with the nation through domestic production, net imports and carry-over of stocks

Food Accessibility –

Individual's capability to purchase food and to be able to procure food through safety nets

Food Utilization– Consumption of food by the household in a proper form. It also takes into account food preparation, storage and utilization, food safety, nutritional safety and dietary balance

Food Security and Agriculture (contd.)

- Sri Lanka has been a net food importer since the time of the British colonial rule prior to 1948 ⇒ ⇒
- Lower productivity and competitiveness along with import surge resulted from speedy liberalization were partly responsible
- Increases in nonessential and “luxury” food items that do not contribute to improved food security.

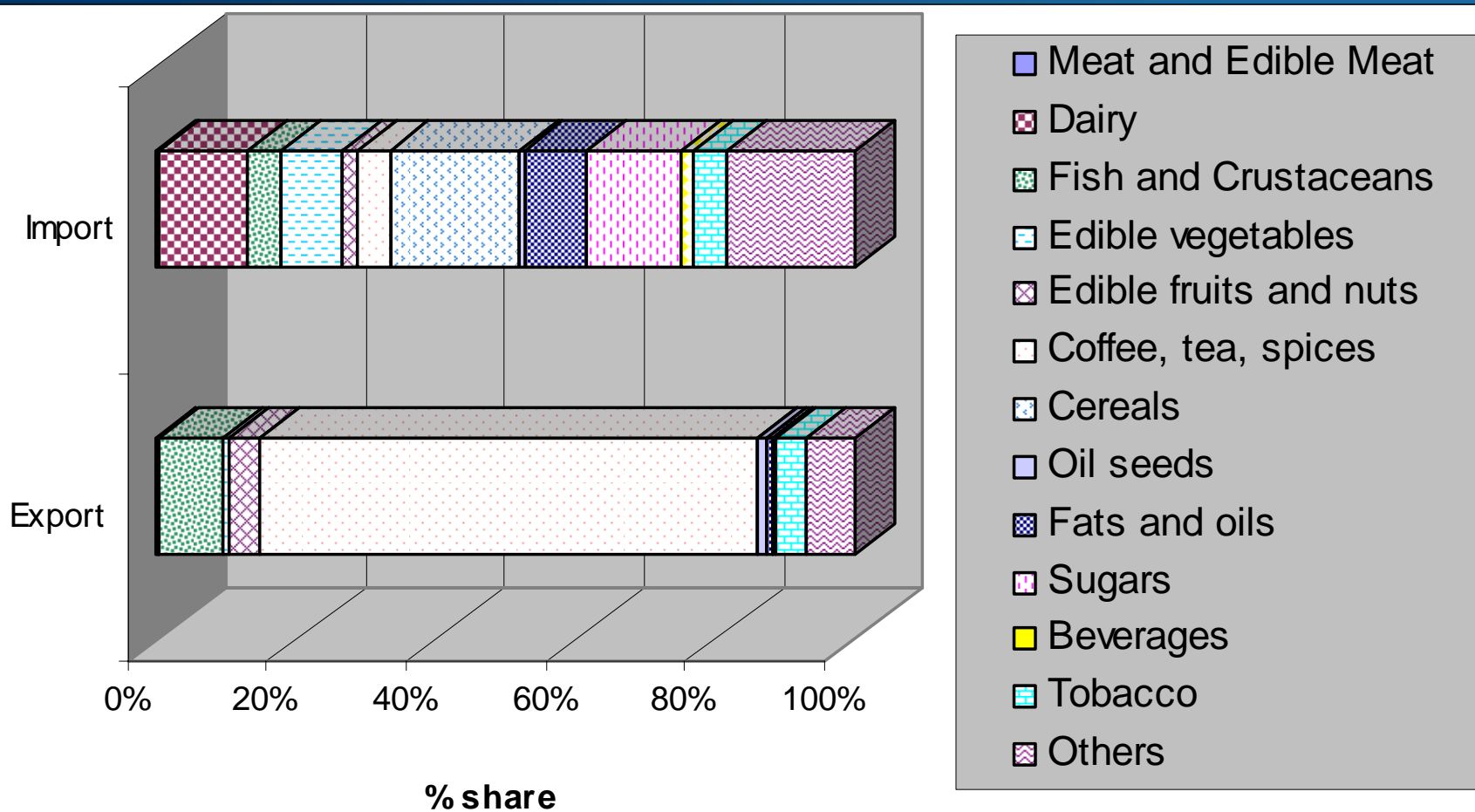


Table 1: Annual average food availability in Sri Lanka by major food commodity groups, 2000-2007

Commodity groups	Gross availability (000Mt)	Production		Exports		Imports	
		Qty (000Mt)	% of the availability	Qty (000Mt)	% of the availability	Qty (000Mt)	% of the availability
Rice	3,079.82	2,979.11	96.73	3.94	0.13	104.65	3.40
Wheat flour	703.09	0.00	0.00			703.09	100.00
Other Cereals	163.81	42.51	25.95			121.30	74.05
Roots & Tubers	403.99	346.65	85.81			57.34	14.19
Sugar	559.39	52.71	9.42			506.68	90.58
Pulses & Nuts	144.60	33.39	23.09			111.21	76.91
Vegetable	960.53	841.78	87.64	6.07	0.63	124.82	12.99
Fruits	320.70	282.77	88.17	4.31	1.35	42.25	13.17
Meat	119.75	117.72	98.30	0.07	0.06	2.10	1.75
Eggs	51.35	51.35	100.00				
Fish	356.38	294.95	82.76	15.24	4.28	76.66	21.51
Milk	272.37	215.21	79.01			57.16	20.99
Oil & Fats	977.58	1,022.59	104.60	61.93	6.33	16.93	1.73
Total	8,113.37	6,280.74	77.41	91.55	1.13	1,924.19	23.72

Source: Department of Census and statistics, Food Balance Sheets (various years)

Figure 1: Export and import concentration of agricultural product groups



Agricultural Trade Liberalization in Sri Lanka

- Level of intervention is deeper and the range of instruments much wider
- Trade interventions are increasingly focused on fewer and fewer products

Table 2: Distribution of Agricultural Tariff Bands - 2009

Rate %	Free	2.5	6	15	28	specific	ad valorem/ specific
Number of items* (HS codes)	13	53	31	244	548	48	12
Percentage of total	1	6	3	26	58	5	1

- The bulk of the domestic support to farmers has been granted through non-trade-distorting measures

- With the increased support from increased MA and various forms of subsidies,
 - agricultural export earnings have grown
 - domestic food crops-no much improvement
- Real prices of food in Sri Lanka have declined faster relative to the world food price index

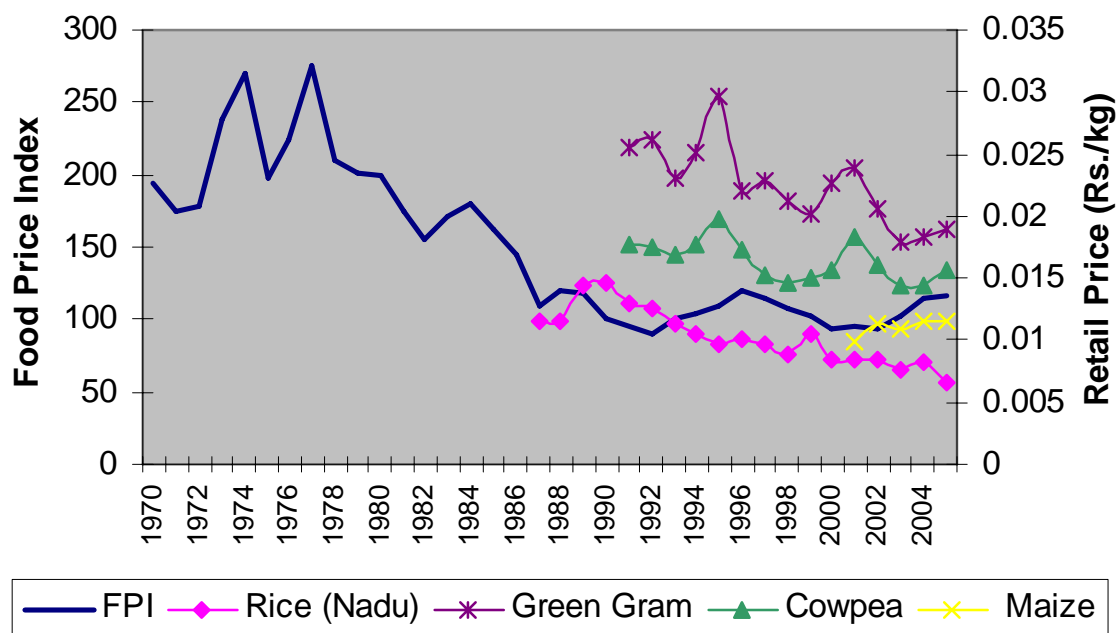


Figure 2:
Relative movements
of real annual average
food prices
in the world and Sri
Lanka

Liberalization from the Import Side

Figure 3: Annual averages of real farm gate prices of selected commodities

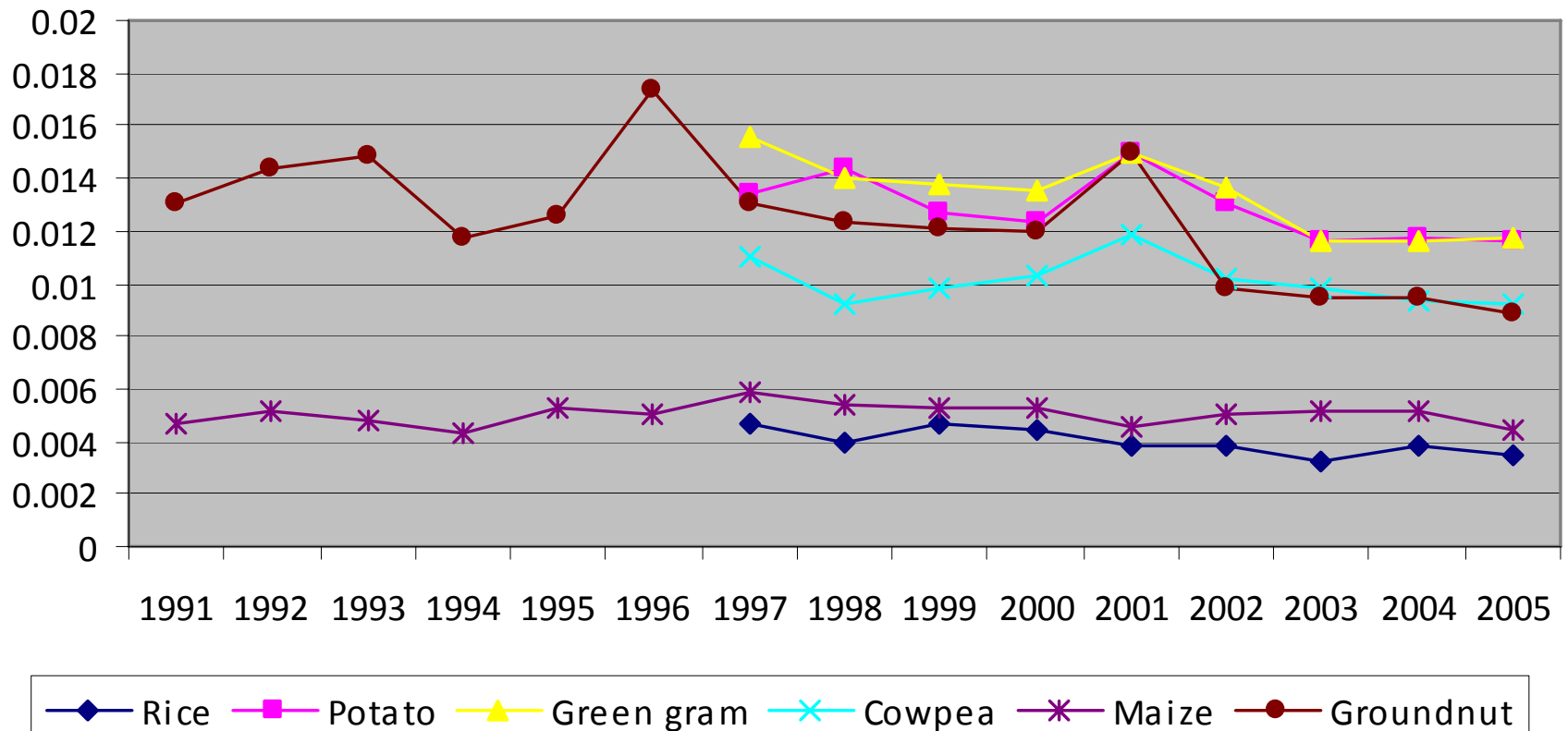


Figure 4: Profitability of selected domestic food commodities: 1980-2004

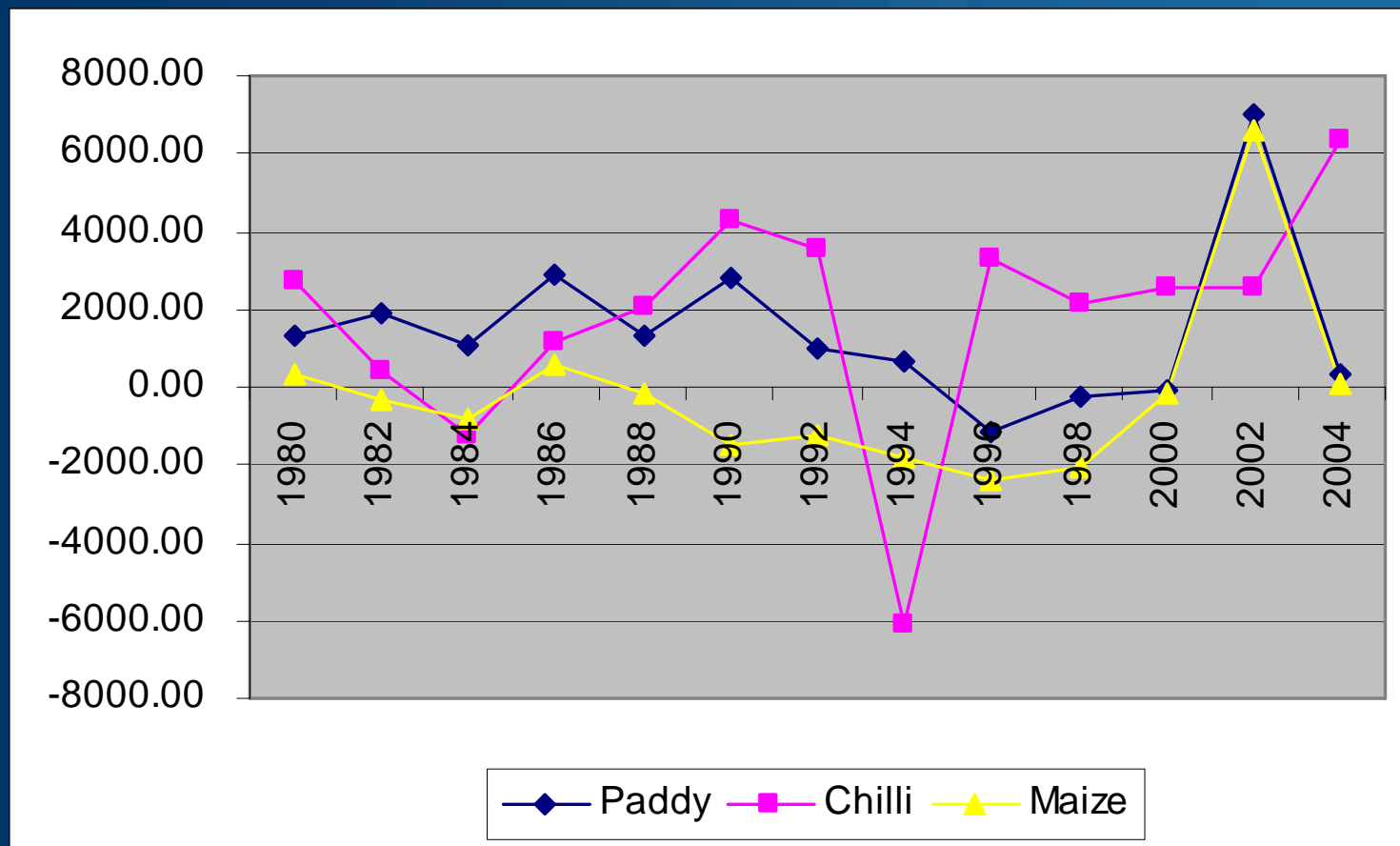
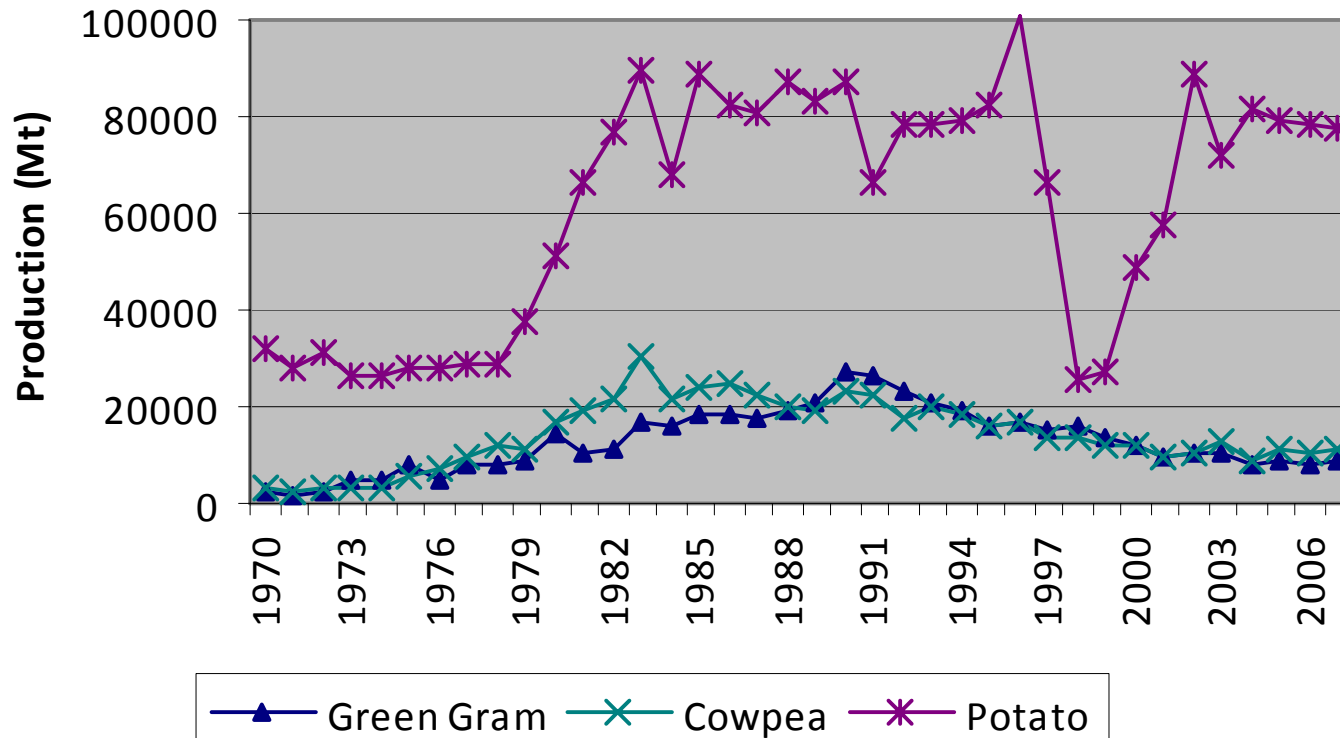


Figure 5: Production of a few selected crops from 1970 to 2007



Therefore, liberalization of agricultural trade has had mixed results for the food security of the people and the sustainable development of the agricultural sector.

Liberalization from the Export Side

- Sri Lankan agricultural exports rose to a modest one fourth of total exports in the year 2008.

Figure 6: Value of agricultural exports for the last decade

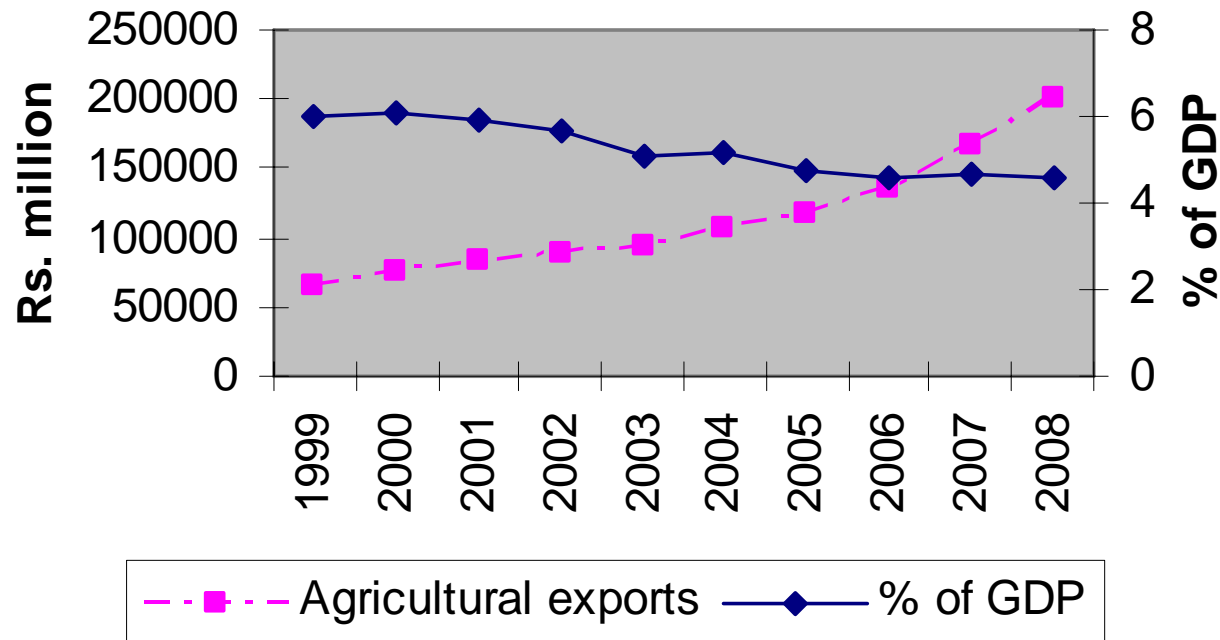
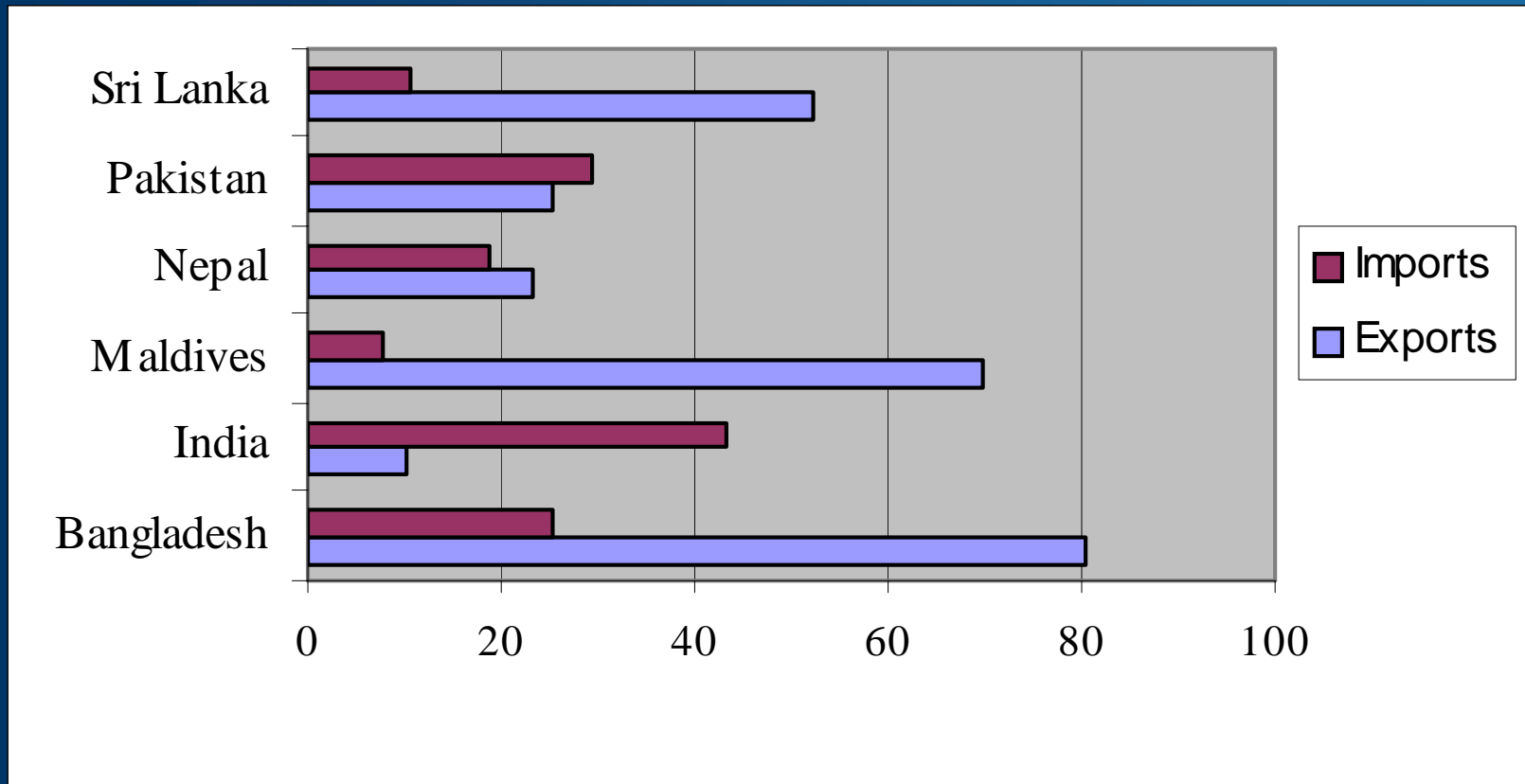


Figure 7: Agricultural Trade Concentration: The Hirschmann-Herfindahl Index

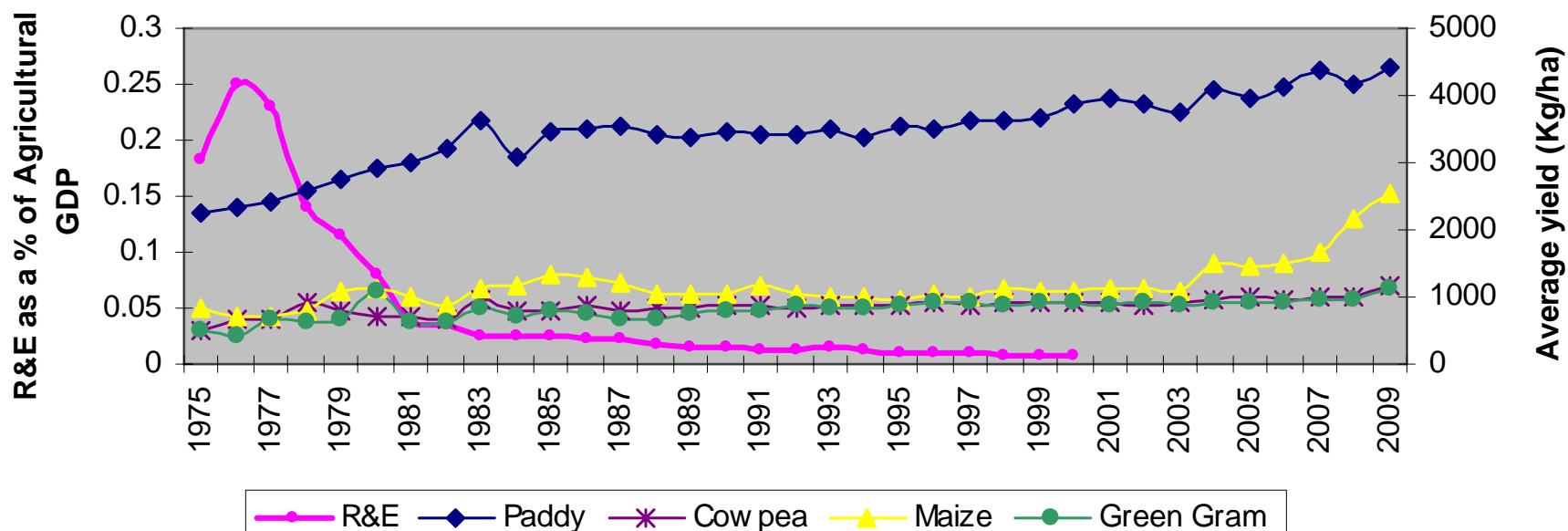


- Limited export drive was not sufficient to improve income levels of the majority rural poor substantially and therefore could not result in any improvement in the food security situation of the country

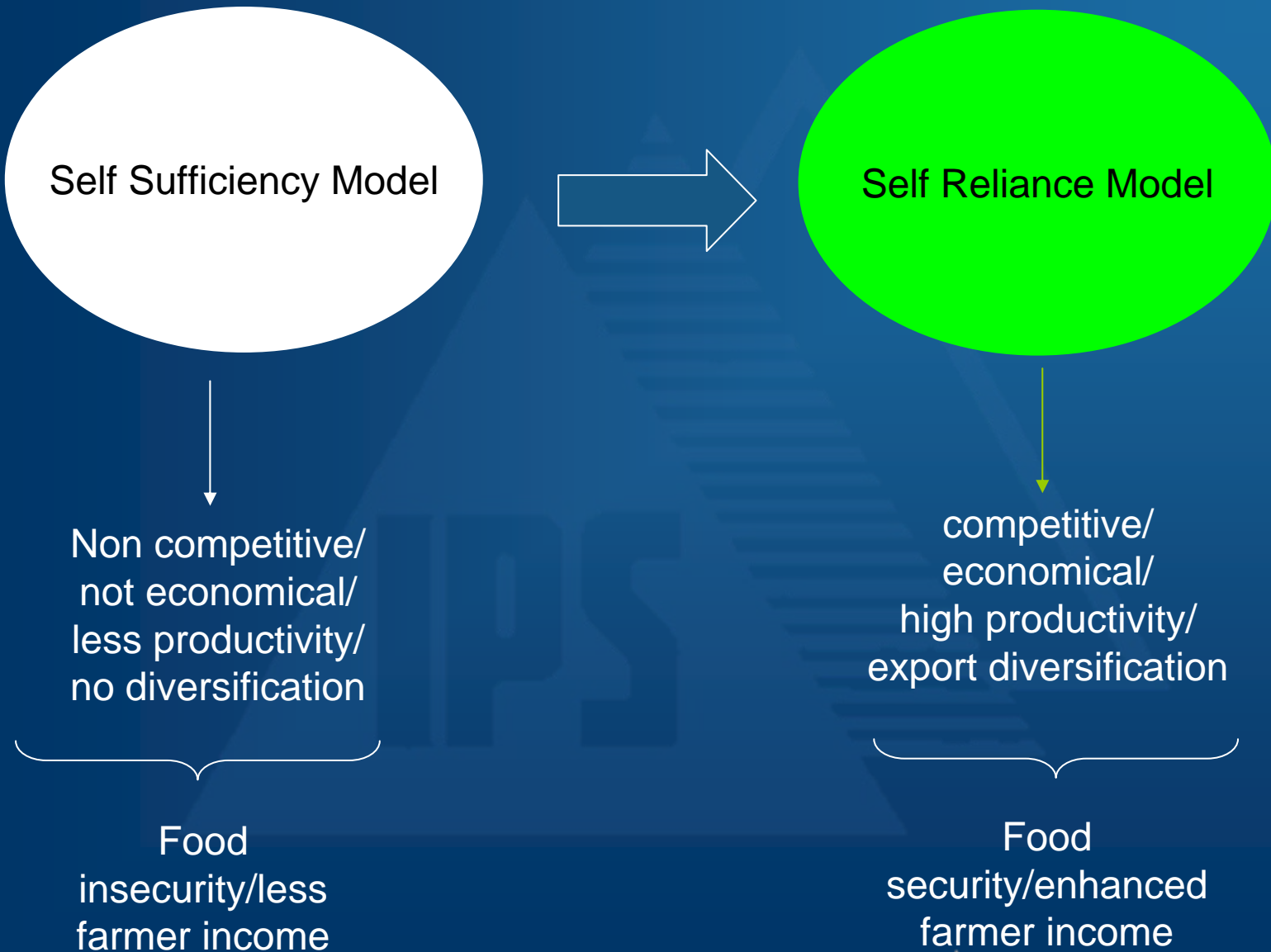
Sri Lankan Stagnation

- Trade liberalization $\xrightarrow{\text{faults in methods}}$ unstable food security
- Sri Lanka should have promoted exportable agricultural enterprises through diversification and thereby increasing income in the rural sector
- concern was more on imports of agricultural products and adjusting their tariff rates, removing barriers etc mainly to benefit the consumers and some times to protect farmers

Figure 8: Investment in Agricultural Research and Extension in Sri Lanka and Productivity Growth



An Alternative View



An Alternative View (contd.)

- National level food security has to be handled with a combination of domestic food production and trade.
- Trade policy has a role to play in stimulating agricultural productivity growth, particularly in the earlier stages of economic development
- Such productivity growth is critical for achieving wider development objectives
- It is essential to adjust trade policies in line with production and agricultural policies in the country.
- Trade negotiations
 - give priority to development objectives/set policy goals
 - trade instruments that would be conducive to pursuing this objective (e.g. sensitive and special products, SSM, maintaining preferences etc)

Investment as a Solution

- investments required to shift resources out of subsistence, basic food or traditional export crop agricultural activities into higher-value alternative export activities
- Highest returns are for investment in R&D followed by infrastructure (roads) and institutions
- Investment traditionally in area expansion and yield expansion
- Even under most favourable conditions in economic and natural environments only a 20 percent increase in area cultivated can be expected in Sri Lanka
- Under the present yield levels, therefore, the production can not reach the national requirements - Area expansion will not be a solution
- Agricultural research and technological improvements is the only viable options for meeting future food needs and demands at reasonable prices

CONCLUSION AND POLICY IMPLICATIONS

- The “sensible balance” between domestic production and trade should be found considering
 - Non level playing field situation in global trade and technology
 - Transparency of trade policy
 - Stability in domestic food markets-price policy and infrastructure
 - Continuous investment in technology development/acquisition
 - Regional cooperation in the above
 - Maintaining growth in food production-with or without protection

THANK YOU



Institute of Policy Studies of Sri Lanka