

# Selection of Special Agricultural Products and Products for SSM

## ***Sri Lankan Case***

# Concept

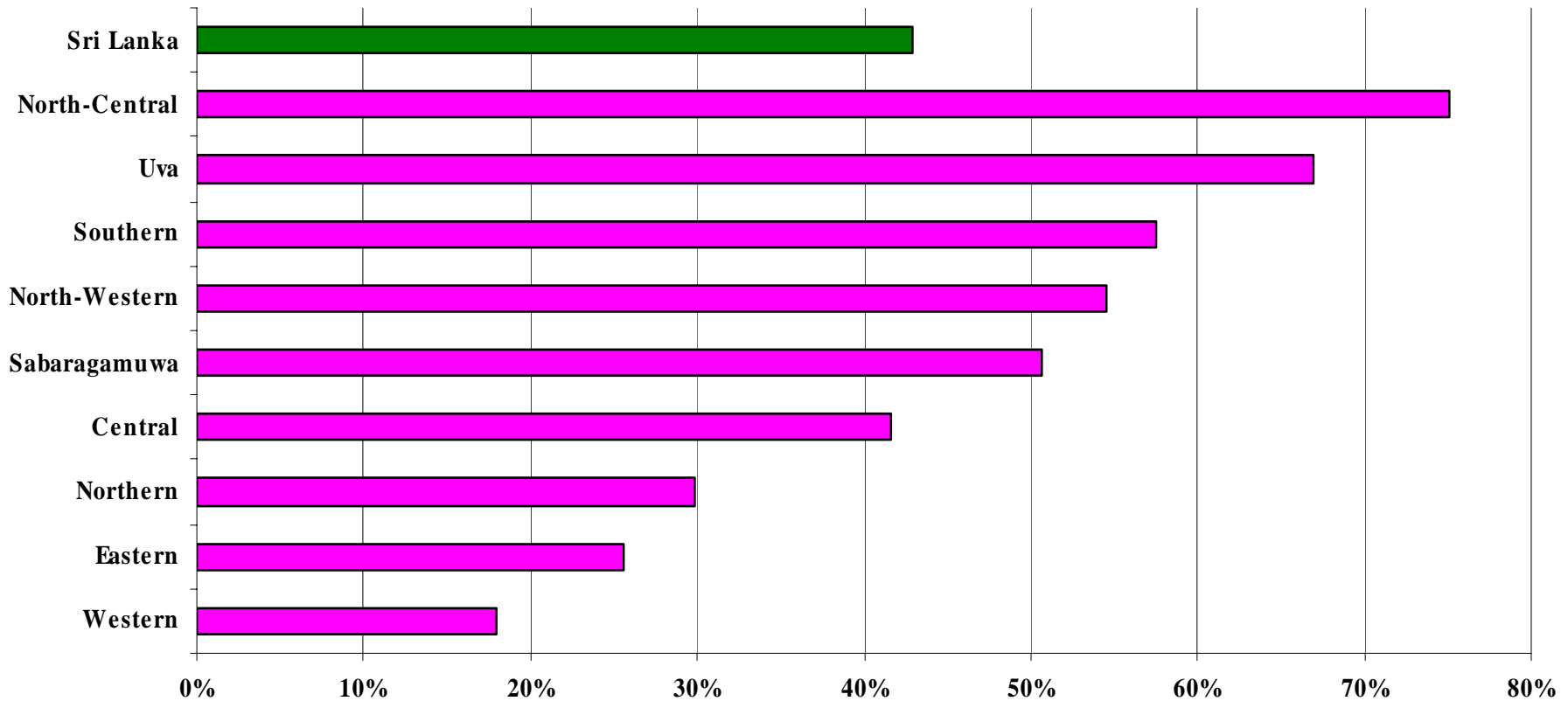
- Designation methodology quantify the contribution of products (agriculture / livestock) to 3 development issues:
  - Rural development
  - Food Security
  - Livelihood security
- Products were selected on regional basis
- SP Products then have associations with traded goods which need to be controlled- this identified through tariff line convergence process

# Regional Importance

- Contribution of agriculture to provincial GDP is much more important than valued at national level
- Employment generation due to agriculture is far more important at provincial level than national level
- Due to un-equal food distribution process regional food availability is important although national level food security is secured

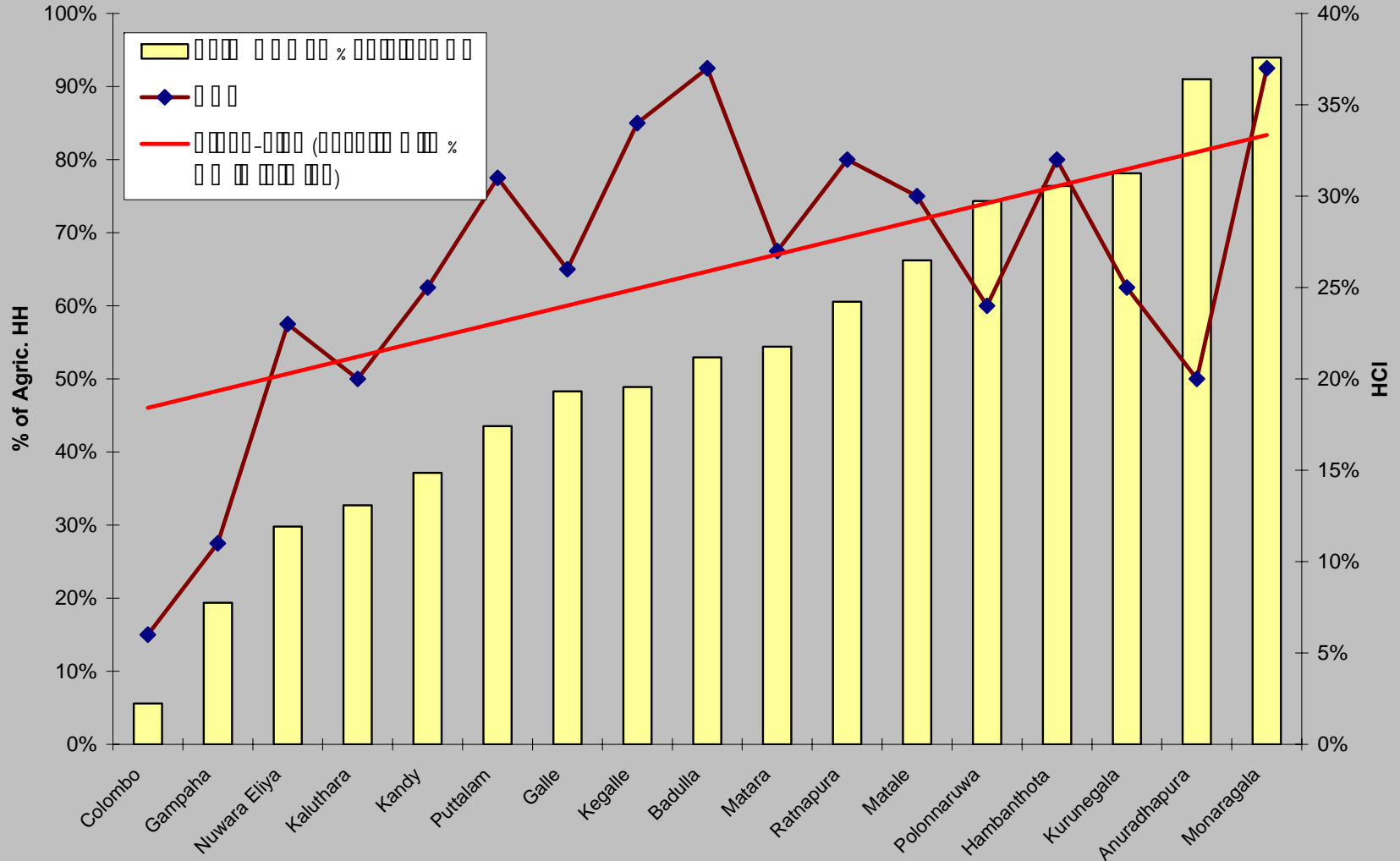
# Proportion of Population in Agriculture

Percentage of Population in Agriculture



# Poverty and Agriculture

% of HH in Farming with Head Count Index



# Initial Considerations

- Food balance sheet and key food products – *positive indicators*
- Imports share of food - less than 60% of the total volume of consumption – *negative indicators*
  - *Exception: Maize & potatoes – high potential and reduced due to tariff reduction in the past*
- Expenditure share of food – products having higher % are considered – *positive indicators*

# Food Balance Sheet

Commodity	1998 (1000 mt)		1999 (1000 mt)		2000 (1000 mt)		2001 (1000 mt)		2002 (1000 mt)		2003 (1000 mt)	
	Production	Imports	Production	Imports	Production	Imports	Production	Imports	Production	Imports	Production	Imports
<b>Cereals</b>												
Rice (paddy)	2692	246	2857	315	2860	22	2695	76	2859	140	3071	51
Maize	34	106	31	126	31	123	29	157	26	94.5	30	137
Kurakkan	4.5		5		5		4		4		5.4	
Wheat flour	0	664	0	682	0	660		649		733.5		710
<b>Roots &amp; Tubers</b>												
Potatoes	26	141	27	129	48	116	58	62.5	89	38	72	41
Manioc	257		251		249		233.5		225		229	
Sweet potatoes	52		52		52		48.5		47		44	
<b>Refined Sugar</b>			65.52	481.4	64.31	570.38	47.92	457.44	37.55	567.69	54.37	526.72
<b>Pulses and Nuts</b>												
Green gram	16	5	14	8	12	7	10	9	10	7	11	8
Soy bean	0.6	0.18	0.8	1.83	0.64	3	0.62	3	1.16	3.5	3	1.45
Cowpea and dhal	13.43	76.8	12	74	12	80	10	91	10	107	13	91
Ground Nuts	6.26	2.38	6.5	4.5	7	4	6	5	6	6	6	3
<b>Vegetables</b>	645		655		697		674		684		726	
<b>Fresh fruits</b>	136	15	137	19	146	28	140	25	144	34	252	39
<b>Meat</b>												
Beef	25	0.08	23.61	0.08	29	0.09	27	0.06	28	0.07	29	0.06
Pork	1.92	0.15	1.65		1.75		1.95		1.86		2	
Goat and Sheep	1.61	0.8	1.65	0.57	1.69	0.81	1.58	0.6	1.61	0.54	1.4	0.45
Poultry	58.93	1.17	57	2	63	1.49	82	1.52	86	1.47	88	2.43
<b>Eggs</b>	50		51		52		54		50		50	
<b>Fish</b>												
Fresh fish	260	1.33	280	0.9	304	3	285	2	303	3.47	285	5
fish	14.5	52	17	49	24	55	18	54	25	51	21	52
Canned fish		19		18		22		20		21		18.2
<b>Dairy products</b>												
Cow milk	124.5		126		128		129		129		132	
Buffalo milk	25		25.5		25		25.5		26		25.5	
Whole dried milk	9	49	9.5	48	11	49	16	43	14	50	13.4	63.7
Condensed milk	4	0.26	4.24	0.17	4.59	0.09	4.43	0.08	4.42	0.07	4.7	0.05
<b>Oil and fats</b>												
Coconut	872		918		1051		988		836		871.5	7
Coconut oil	38		35		44		64		30		21	
Margarine	8.35	5.39	8.63	6.26	10	7	11	9	10	12.6	9.88	15.3

# Food Balance Sheet - % of Imports

Commodity	Yr: 1998	Yr: 1999	Yr: 2000	Yr: 2001	Yr: 2002	Yr: 2003	Total: 2003 (1000 mt)	Average Imports %
<b>Cereals</b>								
Rice (paddy)	8%	10%	1%	3%	5%	2%	3,122	5%
Maize	76%	80%	80%	84%	78%	82%	167	80%
Kurakkan	0%	0%	0%	0%	0%	0%	5	0%
Wheat flour	100%	100%	100%	100%	100%	100%	710	100%
<b>Roots &amp; Tubers</b>								
Potatoes	84%	83%	71%	52%	30%	36%	113	59%
Manioc	0%	0%	0%	0%	0%	0%	229	0%
Sweet potatoes	0%	0%	0%	0%	0%	0%	44	0%
<b>Refined Sugar</b>		88%	90%	91%	94%	91%	581	91%
<b>Pulses and Nuts</b>								
Green gram	24%	36%	37%	47%	41%	42%	19	38%
Soy bean	23%	70%	82%	83%	75%	33%	4	61%
Cowpea and dhal	85%	86%	87%	90%	91%	88%	104	88%
Ground Nuts	28%	41%	36%	45%	50%	33%	9	39%
<b>Vegetables</b>	0%	0%	0%	0%	0%	0%	726	0%
<b>Fresh fruits</b>	10%	12%	16%	15%	19%	13%	291	14%
<b>Meat</b>								
Beef	0%	0%	0%	0%	0%	0%	29	0%
Pork	7%	0%	0%	0%	0%	0%	2	1%
Goat and Sheep	33%	26%	32%	28%	25%	24%	2	28%
Poultry	2%	3%	2%	2%	2%	3%	90	2%
<b>Eggs</b>	0%	0%	0%	0%	0%	0%	50	0%
<b>Fish</b>								
Fresh fish	1%	0%	1%	1%	1%	2%	290	1%
Dried and salted fish	78%	74%	70%	75%	67%	71%	73	73%
Canned fish	100%	100%	100%	100%	100%	100%	18	100%
<b>Dairy products</b>								
Cow milk	0%	0%	0%	0%	0%	0%	132	0%
Buffalo milk	0%	0%	0%	0%	0%	0%	26	0%
Whole dried milk	84%	83%	82%	73%	78%	83%	77	81%
Condensed milk	6%	4%	2%	2%	2%	1%	5	3%
<b>Oil and fats</b>								
Coconut	0%	0%	0%	0%	0%	0%	872	0%
Coconut oil	0%	0%	0%	0%	0%	0%	21	0%
Margarine	39%	42%	41%	45%	56%	61%	25	47%

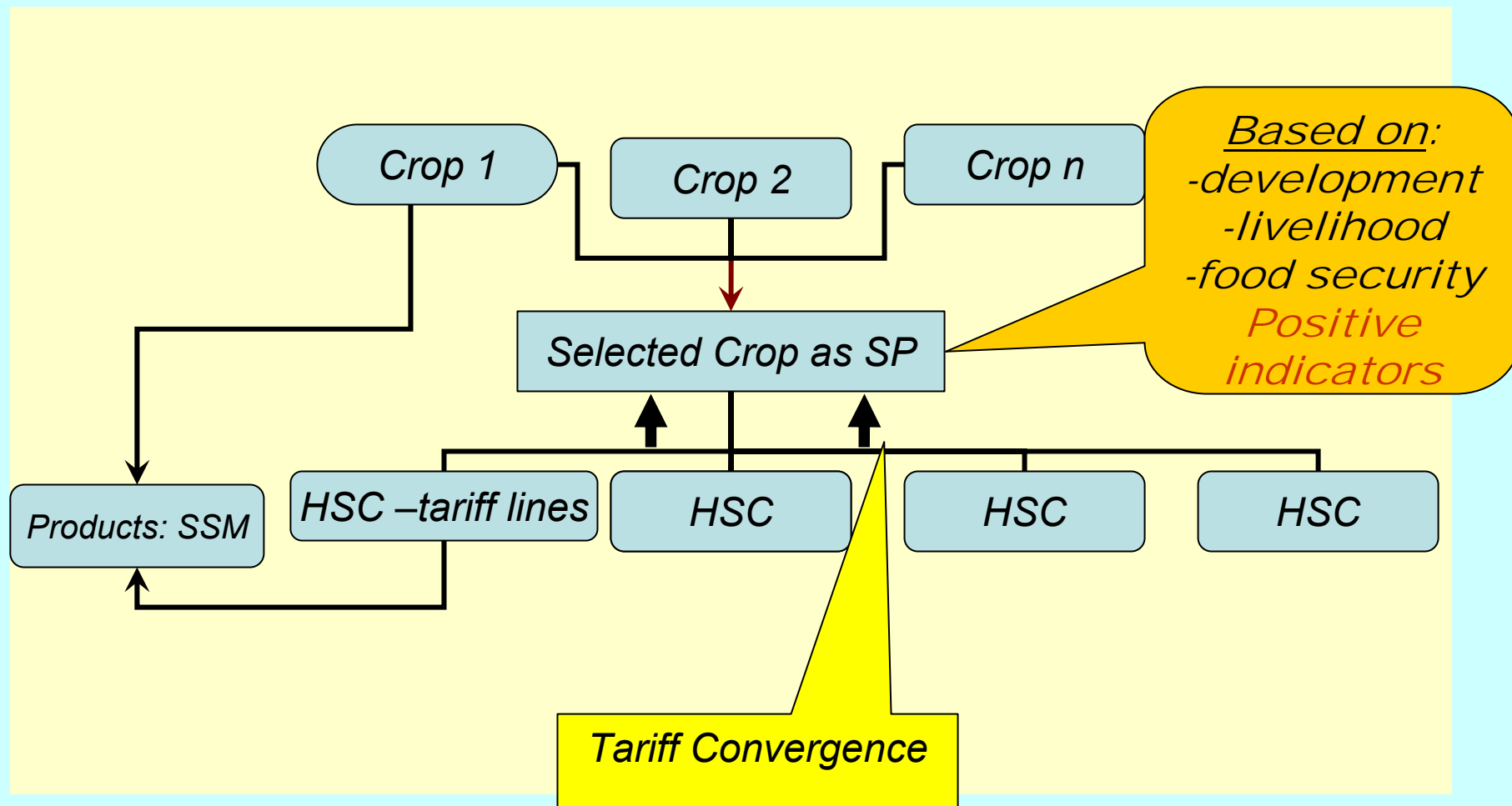
## Expenditure Share of Food (%) – based on consumer finance surveys

Food Group	1949/1950	1977	1980/1981	1985/1986	1995/1996	Average
<b>Cereals and cereal preparations</b>	<b>21.7</b>	<b>28.67</b>	<b>41.32</b>	<b>27.1</b>	<b>30.26</b>	30
Rice	10.74	15.8	28.62	18.59	22.95	19
Fish	16.47	11.29	8.65	10.17	10.2	11
Vegetables	9.61	7.76	7.56	7.55	10.2	9
Wheat Flour+bread	5.66	10.9	11.13	6.68	5.44	8
Coconut	2.99	7.68	6.21	5.92	7.54	6
Sugar	5.03	2.33	5.29	7.99	4.74	5
Dried fish	7.72	2.57	1.89	3.39	4.82	4
Meat	6.17	3.05	1.41	3.25	2.84	3
Dried chilies	2.16	4.97	2.42	3.8	1.95	3
Other	5.3	1.89	1.57	1.87	1.87	3
Coconut oil	2.21	3.01	1.55	2.85	2.02	2
Red onion	1.47	2.7	1.8	0.41	1.53	2
Fresh milk	1.93	1.91	0.73	0.8	0.28	1
Potatoes	1.12	1.08	0.97	1.21	0.96	1
Other Food Items	21.4	23.1	20.2	25.5	22.7	22.6

# Percentage of Food Imports and Food Security -sugar

Product	Import % :2002	Import % :2003	Cal	Pro	Fat
Rice	5%	2%	39%	30%	3%
Maize	78%	82%	2%	2%	1%
Wheat flour	100%	100%	14%	18%	2%
Potatoes	30%	36%	0.59%	0.39%	0.02%
Green gram	41%	42%	0.35%	0.99%	0.27%
Soy bean	75%	33%	0.1%	0.5%	0.3%
Cowpea and dhal	91%	88%	2.2%	6.3%	0.4%
Ground Nuts	50%	33%			
<b>Fresh fruits</b>	19%	13%			
Goat and Sheep	25%	24%			
Poultry	2%	3%	0.5%	5.2%	0.2%
Whole dried milk	78%	83%	1.9%	4.0%	5.6%
Condensed milk	2%	1%	0.1%	0.1%	0.1%
Margarine	56%	61%	1.2%	0.1%	7.2%

# Identification Process of SPs and Products for SSM



# Potential Indicators: Food Security

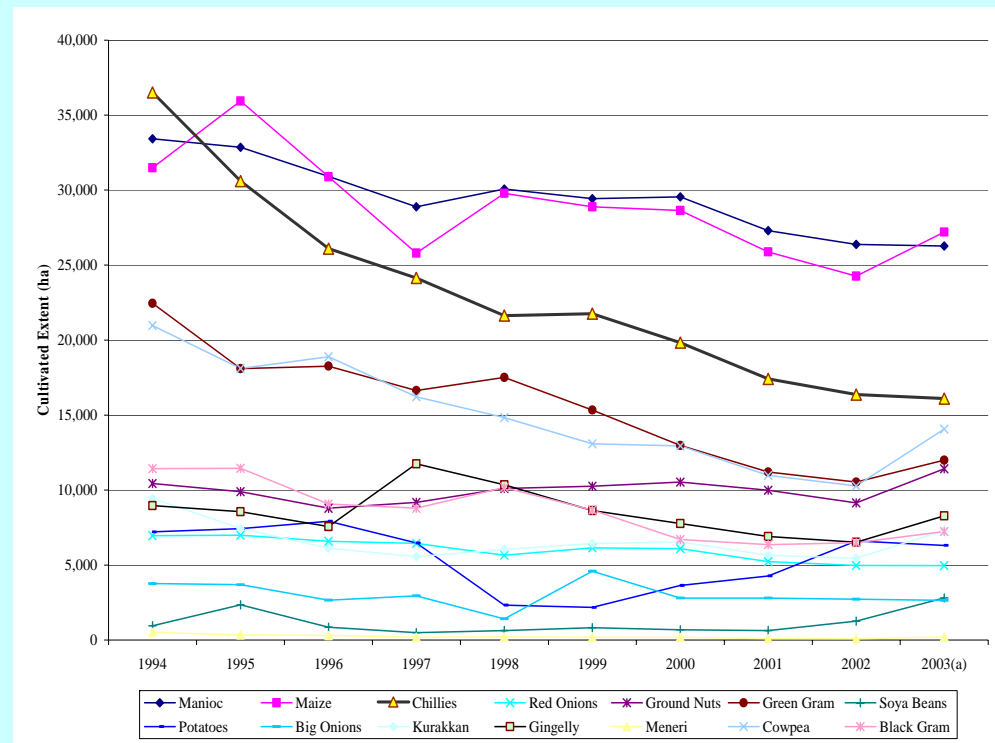
Indicator (criteria)	Data availability	Used in the SL analysis	Revised analysis of SL (will be used?)
% income spent on food item: HH	Yes for some	no	Yes
Individual food security	No	No	No
Import dependency: % from imports	Yes	Yes	
Contribution to caloric, protein, fat: country level & regional level	Yes	Yes	
Regional production contribution to total national demand of food	Yes	Yes	
Regional price instability of food (due to international price variation of imported food indicating the influence on affordability)	Yes	No	Yes
Food preferences in income categories (more for the poor)	No	No	No
Composition of food value (%) in total HH food basket (national level)	Yes	No	Yes
Food distribution efficiency (affect the regional accessibility)	No	No	No

# Potential Indicators: Livelihood Security / Rural Development

Indicator (criteria)	Data availability	Used in the SL analysis	Revised analysis of SL (will be used?)
% of producers who are smaller farmers (poverty focus)	No (farm distribution with size is not available)	no	Yes
% labour out of total agric. labour involved in a product	Yes	Yes	
% land out of total agric. land involved in a product	Yes	No	Yes
% farmers involved in a crop as the sole income source	No (often mixed cropping is found)	No	No
Income contribution of product to regional agric. GDP	Yes	Yes	
Potential backward linkages (input use)	Yes	Yes	
Environmental considerations	Qualitative	Yes	May be more
Potential forward linkages	Qualitative	Yes	May be more

# Attention on other countries concerns

- Malaysia (23/03/06) & Thailand (02/05/06)
  - Major exports of Developing countries – NO SP (this is addressed)
  - SP should be staples produced locally:
    - Agreed but taking a historical view as reduction of the extent is partly due to earlier liberalization
  - All other criteria have been included



# Attention on other countries concerns

- **US (03/05/06)**
  - *No more than 5 tariff line at the detailed level (this is not on any objective assessment???)*
  - *Products that are produced domestically - yes (Malaysia & Thailand have looked at this in more development point of view – more than 75% & 50% come from developing countries should not be SP)*
  - *No export crops are to be SP : SP is defensive, not include export crops*

# Categories in Selection Criteria for Sri Lanka

- *Category A: Rural development and livelihood security*

- Value of a product in a province as a % of the Provincial Agricultural GDP (PAGDP)

$$[GDPContributor] = \frac{\sum_{d=1}^p [NR_n * Ext_{nd}]}{PGDP} * 100$$

- Total labour use for a product in a district as a percentage of agricultural population in that district to assess employment generation

$$[Employment Generation] = \frac{LB_n * Ext_{nd}}{AgrP_d} * 100$$

- Value of backward linkages attributed to a product in a given district as a percentage of PAGDP

$$[BackwardLinkages] = \frac{\sum_{d=1}^p [BkLn_n * Ext_{nd}]}{PGDP} * 100$$

# Categories in Selection Criteria

- *Category B: National and regional level food security*

- Quantum of a product in a district as a % of the total national requirement of that product or group of product as reported in the food balance sheet

$$[FoodSupplyContribution] = \frac{Pod_{nd}}{TotFood_n} * 100$$

- Contribution of calories, protein, and fat from a product to total calorie, protein, and fat requirement in a given district taking the food distribution

$$[DistrictCalorieContribution] = \frac{[Pod_{nd} * Cal_n * 10000]}{Cal Re q_d} * 100$$

- Contribution of calories, protein, and fat from a product to total national calorie, protein and fat requirement taking the national food security

$$[NationalCalorieContribution] = \frac{[\sum_{d=1}^{25} Pod_{nd}] * Cal_n * 10000}{Cal Re q_N} * 100$$

# Categories in Selection Criteria

- *Category C: Sustainability of production systems*
  - % of a product that is imported to meet the total local demand
  - Qualitative assessment of a product in terms of maintaining an environmentally sustainable production system

# Categories in Selection Criteria

- *Category D: Forward Linkages – rural development*
  - Potential of a product in value added industries assessed in qualitative terms

# Data Used for Estimating SP Indicators

Type of data	Reporting focus	Data source
Agricultural GDP (Rs/Year)	Province	Central Bank
Total net revenue (Rs/unit/Yr)	Crop / livestock	Dep. Agriculture
Crop extent (ha)	District	Dep. Census & Statistics
Livestock (number)		
Labour use (md/unit/year)	Crop / livestock	Dep. Agriculture
Agriculture population	District	Dep. Census & Statistics
Material cost of production (Rs/unit/year)	Crop / livestock	
Production of crops & livestock (MT/year)	District	Dep. Census & Statistics DCS
National requirement of product (MT/year)	Crop / livestock	Food Balance Sheet
Nutrient conversion factors of products	Calories / 100 gm; protein & fat gm / 100 gm	Dep. Census & Statistics DCS
Calories, Protein & Fat requirement	District & National	Food Balance Sheet
Total imports of products (Mt/Year)	National	Custom Returns <sup>20</sup>

# Quantitative indicators, expressed in % terms are presented in a Screening Criteria Matrix as Below

Crops in each District		SELECTION INDICATORS FOR SP											Total Score for selecting SP	
Crop	District	Rural development & Livelihood security			Food Security									Sustainability
		GDP Contributor	Employment Generation	Backward Linkages	Food Supply contribution	District level Calorie contribution	District level Protein contribution	District level Fat contribution	National level Calorie contribution	National level Protein contribution	National level Fat contribution	Import dependency		
1	1	$I_{11}$	$I_{21}$										$I_{11,1}$	Sum of the % of each indicator
	2	$I_{12}$	$I_{22}$										$I_{11,2}$	
	3	$I_{13}$	$I_{23}$										$I_{11,3}$	
	↓													
	d = 25	$I_{1d}$	$I_{2d}$										$I_{11,d}$	
2	1													
	2													
	3													
	↓													
	d = 25													
3 ↓ n = 21					% values for the indicators								21	

# Provincial Score

- The % are summed up over the indicators and districts (per province) to compute a **Provincial Score** per each product for each Province to designate SP - the formula

$$[Pr ocincialScore] = \frac{\sum_{d=1}^p \sum_{i=1}^{11} I_{idn}}{p}$$

- ***lidn*** is the % value of ***ith*** indicator in the ***dth*** district for the ***nth*** product.
- The lower case ***i*** varies from 1 to 11 taking % for each indicator and summing over the total number of indicators, which is eleven.
- The lower case ***d*** varies from 1 to ***p*** where ***p*** denotes the number of districts per province.

# Selection of Special Products: Screening Criteria Matrix was constructed – Structure of the SC-Matrix: for each crop

Indicator→	1	2	3	4	5	6	7	8	9
Districts / Province	To: GDP (%)	To: employment (%)	Backward linkages as % GDP	To: total caloric, protein & fat intake (%)	To: product caloric, protein & fat intake (%)	To: district caloric, protein & fat intake (%)	Import dependence (%)	% Contribution to total consumption	Environmental sensitivity
Colombo ↓	Economic development & livelihood security			Food security (national & regional)			Sustainability		

# SP selection: SC-Matrix Calculations

Districts	Province	Crop	Total GDP	Agric. GDP	Population	AgicPopula	Adjusted Agrc. GDP	Extent (ha) [milk, poultry - mt]	Employe nt	% Population	% of farming Population	Income (Rs mn)	% GDP	%AgricGD P	%Adjusted GDP	Back ward linkages (Rs)	Back ward linkages as % of Agric. GDP	Contribution to Calories (total)	Contribution to protein (total)
Colombo	Western	Kurakkan	678,093	21,393	2,234,289	27,677	19,594	0	0	0.0%	0.000%	0.00	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
Gampaha	Western	Kurakkan	678,093	21,393	2,066,096	89,028	19,594	0	0	0.0%	0.000%	0.00	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
Kaluthara	Western	Kurakkan	678,093	21,393	1,060,800	77,080	19,594	0	0	0.0%	0.000%	0.00	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
Kandy	Central	Kurakkan	131,888	44,128	1,272,463	105,043	38,810	123	128	0.0%	0.122%	4.32	0.00%	0.01%	0.01%	21,402	0.00%	0.00%	0.00%
Matale	Central	Kurakkan	131,888	44,128	442,427	65,094	38,810	300	313	0.1%	0.480%	10.53	0.01%	0.02%	0.03%	52,200	0.00%	0.00%	0.00%
Nuwara Eliya	Central	Kurakkan	131,888	44,128	700,083	46,359	38,810	238	248	0.0%	0.535%	8.36	0.01%	0.02%	0.02%	41,412	0.00%	0.00%	0.00%
Galle	Southern	Kurakkan	136,456	40,054	990,539	106,309	34,665	0	0	0.0%	0.000%	0.00	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
Matara	Southern	Kurakkan	136,456	40,054	761,236	92,037	34,665	12	13	0.0%	0.014%	0.42	0.00%	0.00%	0.00%	2,088	0.00%	0.00%	0.00%
Hambanthota	Southern	Kurakkan	136,456	40,054	525,370	89,202	34,665	1,193	1,243	0.2%	1.393%	41.88	0.03%	0.10%	0.12%	207,582	0.00%	0.01%	0.01%
Jaffna	Northern	Kurakkan	34,700	5,641	490,621	25,329	5,641	156	163	0.0%	0.642%	5.48	0.02%	0.10%	0.10%	27,144	0.00%	0.00%	0.00%
Kilinochchi	Northern	Kurakkan	34,700	5,641	151,577	13,491	5,641	51	53	0.0%	0.394%	1.79	0.01%	0.03%	0.03%	8,874	0.00%	0.00%	0.00%
Mannar	Northern	Kurakkan	34,700	5,641	149,835	5,188	5,641	5	5	0.0%	0.100%	0.18	0.00%	0.00%	0.00%	870	0.00%	0.00%	0.00%
Vavuniya	Northern	Kurakkan	34,700	5,641	121,667	12,873	5,641	46	48	0.0%	0.372%	1.61	0.00%	0.03%	0.03%	8,004	0.00%	0.00%	0.00%
Mulleitivu	Northern	Kurakkan	34,700	5,641	127,263	11,805	5,641	28	29	0.0%	0.247%	0.98	0.00%	0.02%	0.02%	4,872	0.00%	0.00%	0.00%
Batticaloa	Eastern	Kurakkan	67,524	17,911	486,447	20,476	17,911	39	41	0.0%	0.198%	1.37	0.00%	0.01%	0.01%	6,786	0.00%	0.00%	0.00%
Ampara	Eastern	Kurakkan	67,524	17,911	589,344	55,822	17,911	322	335	0.1%	0.601%	11.30	0.02%	0.06%	0.06%	56,028	0.00%	0.00%	0.00%
Trincomalee	Eastern	Kurakkan	67,524	17,911	340,158	18,857	17,911	32	33	0.0%	0.177%	1.12	0.00%	0.01%	0.01%	5,568	0.00%	0.00%	0.00%
Kurunegala	North-Western	Kurakkan	141,788	32,629	1,452,369	252,111	32,563	404	421	0.0%	0.167%	14.18	0.01%	0.04%	0.04%	70,296	0.00%	0.01%	0.01%
Puttalam	North-Western	Kurakkan	141,788	32,629	705,342	68,271	32,563	184	192	0.0%	0.281%	6.46	0.00%	0.02%	0.02%	32,016	0.00%	0.00%	0.00%
Anuradhapur	North-Central	Kurakkan	54,288	20,159	746,466	150,971	20,159	1,800	1,875	0.3%	1.242%	63.19	0.12%	0.31%	0.31%	313,200	0.00%	0.03%	0.02%
Polonnaruwa	North-Central	Kurakkan	54,288	20,159	359,197	59,329	20,159	96	100	0.0%	0.169%	3.37	0.01%	0.02%	0.02%	16,704	0.00%	0.00%	0.00%
Badulla	Uva	Kurakkan	61,102	23,425	774,555	91,169	22,039	348	363	0.0%	0.398%	12.22	0.02%	0.05%	0.06%	60,552	0.00%	0.01%	0.01%
Monaragala	Uva	Kurakkan	61,102	23,425	396,173	82,714	22,039	1,379	1,436	0.4%	1.737%	48.41	0.08%	0.21%	0.22%	239,946	0.00%	0.03%	0.02%
Ratnapura	Sabaragamuv	Kurakkan	97,471	27,513	1,008,164	135,664	20,912	489	509	0.1%	0.375%	17.17	0.02%	0.06%	0.08%	85,086	0.00%	0.01%	0.01%
Kegalle	Sabaragamuv	Kurakkan	97,471	27,513	779,774	84,716	20,912	3	3	0.0%	0.004%	0.11	0.00%	0.00%	0.00%	522	0.00%	0.00%	0.00%
Mahaweli	North-Central	Kurakkan	54,288	20,159	0	0	20,159	108	113	0.0%	0.00%	3.79	0.01%	0.02%	0.02%	18,792	0.00%	0.00%	0.00%
Colombo	Western	Maize	678,093	21,393	2,234,289	27,677	19,594	0	0	0.0%	0.000%	0.00	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%
Gampaha	Western	Maize																	0.00%
Kaluthara	Western	Maize																	0.00%
			Contribution to Calories (same food group)		Contribution to (same food group)	Contribution to Fat(same food group)	Imports % of total used	Contribution to total consumption		District Calory	District Protein	ScoreWithDisFoodSec%		District Fat	Score%				
			0.00%	0.00%	0.00%	0.00%	0.29%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
			0.00%	0.00%	0.00%	0.00%	0.29%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
			0.00%	0.00%	0.00%	0.00%	0.29%	0.02%	0.02%	0.03%	0.03%	0.01%	0.01%	0.01%	0.01%	0.22%	0.22%	0.16%	0.16%
			0.00%	0.01%	0.01%	0.01%	0.29%	0.05%	0.05%	0.16%	0.14%	0.03%	0.03%	0.03%	0.03%	0.90%	0.90%	0.56%	0.56%
			0.00%	0.00%	0.00%	0.01%	0.29%	0.03%	0.03%	0.07%	0.06%	0.02%	0.02%	0.02%	0.02%	0.74%	0.74%	0.59%	0.59%
			0.00%	0.00%	0.00%	0.00%	0.29%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
			0.00%	0.00%	0.00%	0.00%	0.29%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	0.02%	0.02%	0.02%
			0.00%	0.02%	0.02%	0.04%	0.29%	0.15%	0.15%	0.42%	0.37%	0.09%	0.09%	0.09%	2.55%	2.55%	1.67%	1.67%	
			0.00%	0.00%	0.00%	0.01%	0.29%	0.03%	0.03%	0.09%	0.08%	0.02%	0.02%	0.02%	0.97%	0.97%	0.77%	0.77%	
			0.00%	0.00%	0.00%	0.00%	0.29%	0.01%	0.01%	0.08%	0.07%	0.02%	0.02%	0.02%	0.59%	0.59%	0.43%	0.43%	
			0.00%	0.00%	0.00%	0.00%	0.29%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.11%	0.11%	0.10%	0.10%	
			0.00%	0.00%	0.00%	0.00%	0.29%	0.00%	0.00%	0.06%	0.05%	0.01%	0.01%	0.01%	0.53%	0.53%	0.41%	0.41%	
			0.00%	0.00%	0.00%	0.00%	0.29%	0.00%	0.00%	0.06%	0.05%	0.01%	0.01%	0.01%	0.39%	0.39%	0.27%	0.27%	

# Selection of Crops in the SC-Matrix

- *Each indicator was expressed as a %*
- *%'s served as an index and add them to get a composite index at district level*
- *Average the district level composite index to get the provincial index*

Provincial Index =  $[\sum I_d]/n$  {where  $I_d$  is the district composite index and  $n$  = no. of districts in a province}

# Selected Crops as SP based on Provincial Index

Crop	Central	Eastern	North-Central	Northern	North-Western	Sabaramuwa	Southern	Uva	Western	Sri Lanka	Environment sensitivity
Paddy	75%	466%	418%	185%	167%	95%	116%	143%	34%	195%	Neutral
Coconut	9%	9%	8%	19%	125%	22%	23%	16%	24%	25%	Neutral
Poultry	10%	8%	12%	31%	89%	6%	5%	4%	36%	22%	Neutral?
Milk	14%	31%	19%	37%	31%	3%	14%	23%	8%	21%	Neutral
Cowpea	1%	18%	10%	4%	9%	4%	6%	21%	0%	7%	Neutral
Ground Nuts	1%	9%	5%	9%	5%	5%	3%	28%	0%	7%	Moderate
Maize	3%	15%	10%	1%	2%	1%	2%	34%	0%	7%	Neutral
Red Onions	3%	10%	1%	18%	11%	3%	1%	4%	0%	7%	Moderate
Chilies	4%	5%	14%	8%	7%	2%	2%	7%	1%	6%	Moderate
Tomato	19%	2%	2%	3%	1%	3%	2%	25%	0%	6%	Moderate
Potatoes	11%	0%	0%	1%	0%	0%	0%	45%	0%	5%	Highly
Capsicum	11%	1%	3%	2%	10%	2%	2%	20%	1%	5%	Moderate
Cucumber	9%	4%	6%	0%	9%	3%	5%	9%	1%	5%	Neutral?
Green Gram	1%	3%	3%	3%	7%	2%	8%	17%	0%	5%	Neutral
Black gram	0%	1%	9%	16%	1%	0%	0%	1%	0%	4%	Neutral
Soya	1%	0%	22%	0%	0%	0%	0%	0%	0%	3%	Neutral
Big Onions	8%	0%	5%	0%	0%	0%	0%	0%	0%	2%	Moderate
Kurakkan	1%	0%	1%	1%	0%	0%	1%	3%	0%	1%	Neutral

## Proportion of SP Out of Total Agric. Tariff Lines – diverging SP products into Tariff Lines

Chapter	Chapter Summary	SP Products	Total lines at 6-digits	% SP out of tariff lines
Chapter 1	Live animals	0	38	0%
Chapter 2	Meat & edible meat Offal	6	59	10%
Chapter 4	Dairy, edible animal produce	14	30	47%
Chapter 5	Animal Products	0	25	0%
Chapter 6	Live trees, bulbs etc	0	18	0%
Chapter 7	Vegetables, tubers	53	81	65%
Chapter 8	Fruits & nuts, citrus fruits	26	84	31%
Chapter 9	Coffee, tea, spices	0	64	0%
Chapter 10	Cereals	10	18	56%
Chapter 11	Milled products, malts etc.	8	33	24%
Chapter 12	Oil seeds & grains	4	45	9%
Chapter 13	Lac, gums, resins	0	14	0%
Chapter 14	Vegetables planting mat.	0	15	0%
Chapter 15	Fat & oils (animal/veg)	10	60	17%
Chapter 16	Meat preparations, fish	0	27	0%
Chapter 17	Sugar & confectionery	0	22	0%
Chapter 18	Cocoa & its preparations	5	12	42%
Chapter 19	Cereal preparations	0	21	0%
Chapter 20	Veg, fruits & nut prepara.	16	60	27%
Chapter 21	Misce. Edible prepara.	0	28	0%
Chapter 23	Residues for food industry	0	32	0%
Chapter 33	Essential Oils	0	28	0%
Chapter 35	Albuminoidal substances	0	11	0%
Chapter 41	Hides & skins	0	10	0%
Total		152	835	18%
%		18%		

*This is in line with Chair's working hypothesis (para 7 of Chairman's Reference Paper (4/5/06) – 20% of tariff lines*

# Cut-Off Point of Provincial Score

- The proportion of import value of SP out of the total agricultural import determines the cut-off score to designate SP.
- According to Ruffer (2004), depending on the GDP and the population, Sri Lanka can have SPs with about 23% of total agricultural import value.
- The cut-off score of 8% yield a group of SPs contributing 17% to agricultural imports.
- SP group includes 20 products – 3 cereals, 2 livestock products, 8 vegetables including potatoes, 3 oil crops including coconut, and 4 legumes as listed in the next slide

# Position of Designated SPs in total Imports of the Country

Chapter	Chapter Summary	SP Products	Import Value of SP Products (Rs million)				
			Year 2005	Year 2004	Year 2003	Year 2002	Year 2001
Chapter 1	Live animals	0	0	0	0	0	0
Chapter 2	Meat & edible meat Offal	6	112	64	144	70	93
Chapter 4	Dairy, edible animal produce	14	1,078	1,410	155	2,749	7,601
Chapter 5	Animal Products	0	0	0	0	0	0
Chapter 6	Live trees, bulbs etc	0	0	0	0	0	0
Chapter 7	Vegetables, tubers	53	3,999	4,036	3,493	3,374	3,533
Chapter 8	Fruits & nuts, citrus fruits	26	274	235	16	321	221
Chapter 9	Coffee, tea, spices	0	0	0	0	0	0
Chapter 10	Cereals	10	1,590	8,748	2,770	2,980	2,801
Chapter 11	Milled products, malts etc.	8	7	6	8	12	1
Chapter 12	Oil seeds & grains	4	107	97	82	262	239
Chapter 13	Lac, gums, resins	0	0	0	0	0	0
Chapter 14	Vegetables planting mat.	0	0	0	0	0	0
Chapter 15	Fat & oils (animal/veg)	10	77	146	2,721	1,042	10
Chapter 16	Meat preparations, fish	0	0	0	0	0	0
Chapter 17	Sugar & confectionery	0	0	0	0	0	0
Chapter 18	Cocoa & its preparations	5	2	0	5	24	4
Chapter 19	Cereal preparations	0	0	0	0	0	0
Chapter 20	Veg, fruits & nut prepara.	16	164	183	179	147	101
Chapter 21	Misce. Edible prepara.	0	0	0	0	0	0
Chapter 23	Residues for food industry	0	0	0	0	0	0
Chapter 33	Essential Oils	0	0	0	0	0	0
Chapter 35	Albuminoidal substances	0	0	0	0	0	0
Chapter 41	Hides & skins	0	0	0	0	0	0
<b>Total</b>		<b>152</b>	<b>7,409</b>	<b>14,926</b>	<b>9,573</b>	<b>10,982</b>	<b>14,605</b>
<b>%</b>		<b>18%</b>	<b>12%</b>	<b>25%</b>	<b>18%</b>	<b>20%</b>	<b>30%</b>
Total Import Value of Agricultural Imports (Rs million)			61,410	60447	54,459	54,112	48,683

# Treatment for SP at HS Code Level

Chapters	Cut rates	0%	12%	30%	Total Lines (6 digits)	Average Cut	% of SP
	Description	SP Products	Products with tariff 28%	Products with tariff <28%			
Chapter 1	Live animals	0	27	11	38	17%	0%
Chapter 2	Meat & edible meat Offal	6	53	0	59	11%	10%
Chapter 4	Dairy, edible animal produce	14	11	5	30	9%	47%
Chapter 5	Animal Products	0	0	25	25	30%	0%
Chapter 6	Live trees, bulbs etc	0	9	9	18	21%	0%
Chapter 7	Vegetables, tubers	53	22	6	81	5%	65%
Chapter 8	Fruits & nuts, citrus fruits	26	56	2	84	9%	31%
Chapter 9	Coffee, tea, spices	0	58	6	64	14%	0%
Chapter 10	Cereals	10	2	6	18	11%	56%
Chapter 11	Milled products, malts etc.	8	18	7	33	13%	24%
Chapter 12	Oil seeds & grains	4	18	23	45	20%	9%
Chapter 13	Lac, gums, resins	0	0	14	14	30%	0%
Chapter 14	Vegetables planting mat.	0	4	11	15	25%	0%
Chapter 15	Fat & oils (animal/veg)	10	32	18	60	15%	17%
Chapter 16	Meat preparations, fish	0	17	10	27	19%	0%
Chapter 17	Sugar & confectionery	0	14	8	22	19%	0%
Chapter 18	Cocoa & its preparations	5	7	0	12	7%	42%
Chapter 19	Cereal preparations	0	17	4	21	15%	0%
Chapter 20	Veg, fruits & nut prepara.	16	44	0	60	9%	27%
Chapter 21	Misce. Edible prepara.	0	18	10	28	18%	0%
Chapter 23	Residues for food industry	0	1	31	32	29%	0%
Chapter 33	Essential Oils	0	1	27	28	29%	0%
Chapter 35	Albuminoidal substances	0	0	11	11	30%	0%
Chapter 41	Hides & skins	0	0	10	10	30%	0%
Total		152	429	254	835	<b>15.3%</b>	18%
%		18%	51%	30%	100%		

# Responses for Chairman's Comments

- Condition in Para 7 (04/05/2006), less than 20% agric. of tariff lines, is complied
- Although 20% could be selected to cover more than 90%, initial criteria of subjecting products having less than 60% imports (at the high end) do not lead to trade restrictions (mode is <40%). The “mismatch” referred in para 6 & 10 is not reflected in practice.
- If emphasis is given for locally produced commodities, then 20% of the tariff line for SP could be very positively considered.
- The proposed treatment of not cutting tariff for SP (while others will subject to cuts) will not restrict trade (14<sup>th</sup> para).
- *If there is a hint for abolishing SP (para 16) it needs to be critically looked at as a sound process could be adopted to select SP for genuine need*

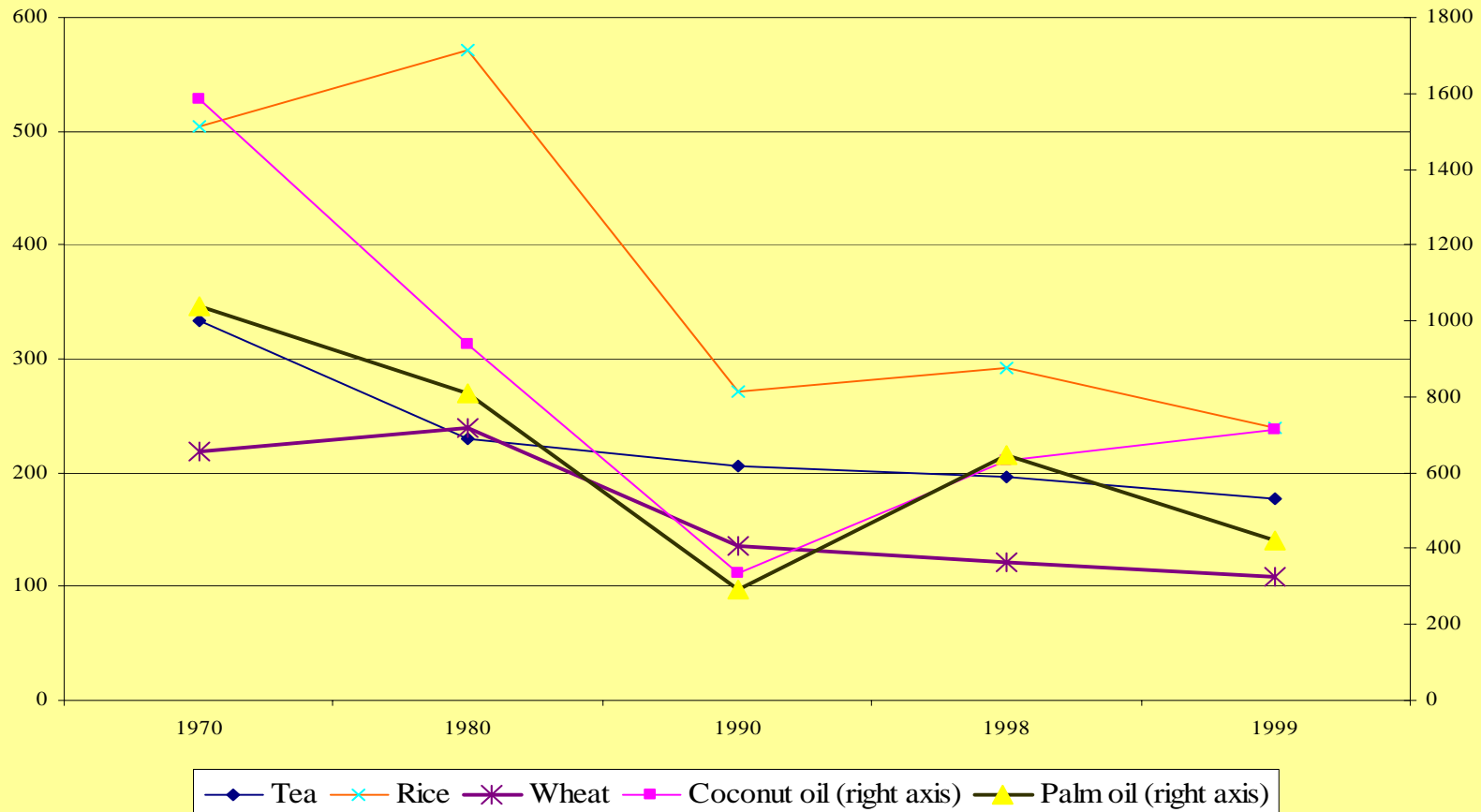
# Special Safeguard Mechanisms (SSM)

# Sri Lankan Current Position

- We do not have necessary conditions to invoke Special Agricultural Safeguard (*according to Article 5 of the WTO*)
  - *Local regulations and institutions*
  - *Tariffication of quota*
- **Even then to invoke; we lack capacity to prove injury to local industries**
- We face highly subsidized products (eg): dairy products; maize; wheat, soya etc.
- There are import surges
- We face reducing world prices

# We face a declining price in the world

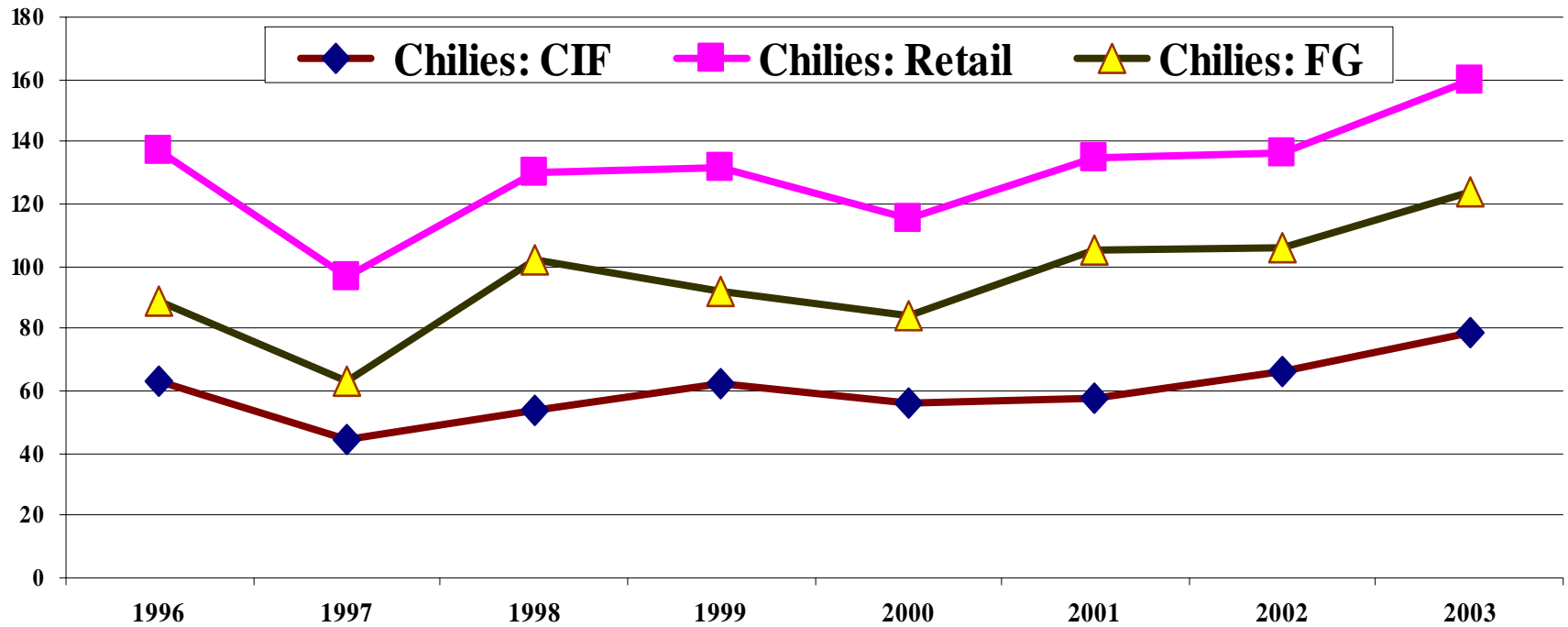
Global Commodity Prices - Constant US \$ [1990] per MT



Source: World Bank - Global Commodity Market (2000)

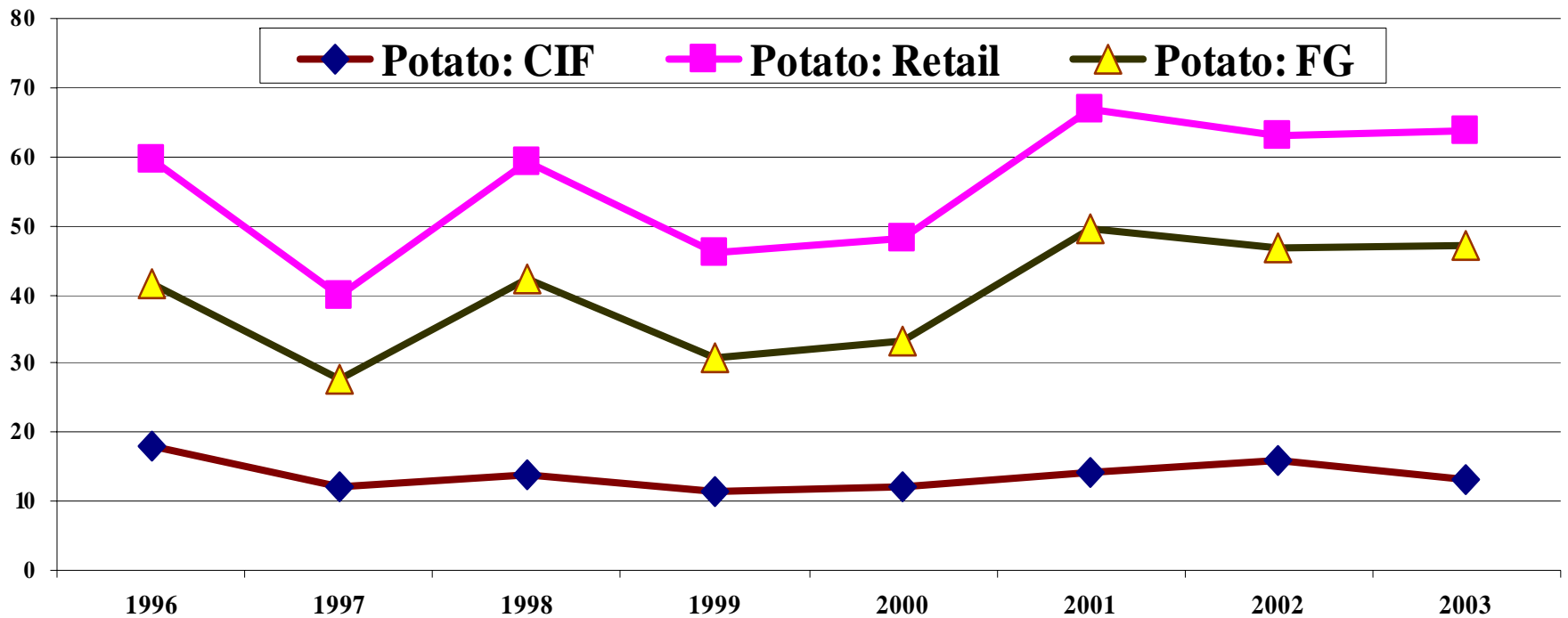
# Low CIF prices - Chilies

CIF, Retail and Farm-gate Prices: Chilies (Rs/kg)



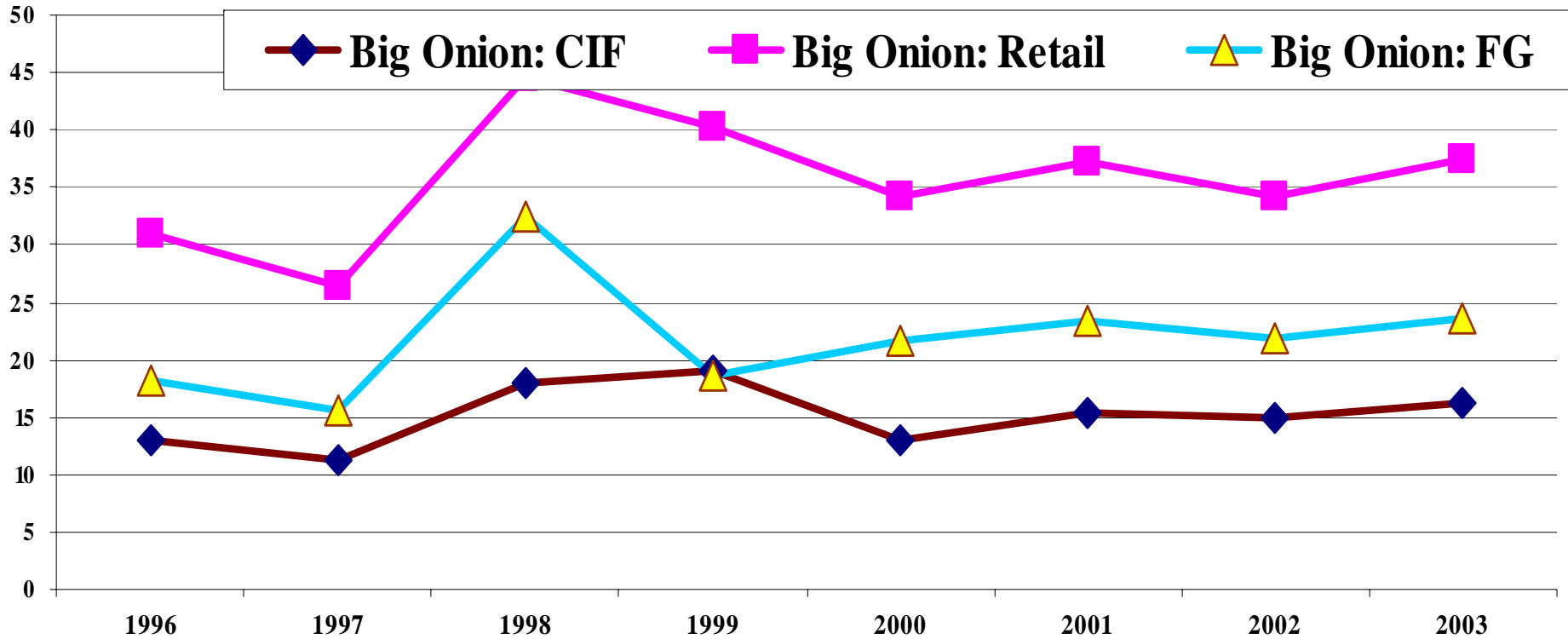
# Low CIF prices - Potato

CIF, Retail and Farm-gate Prices: Potato (Rs/kg)



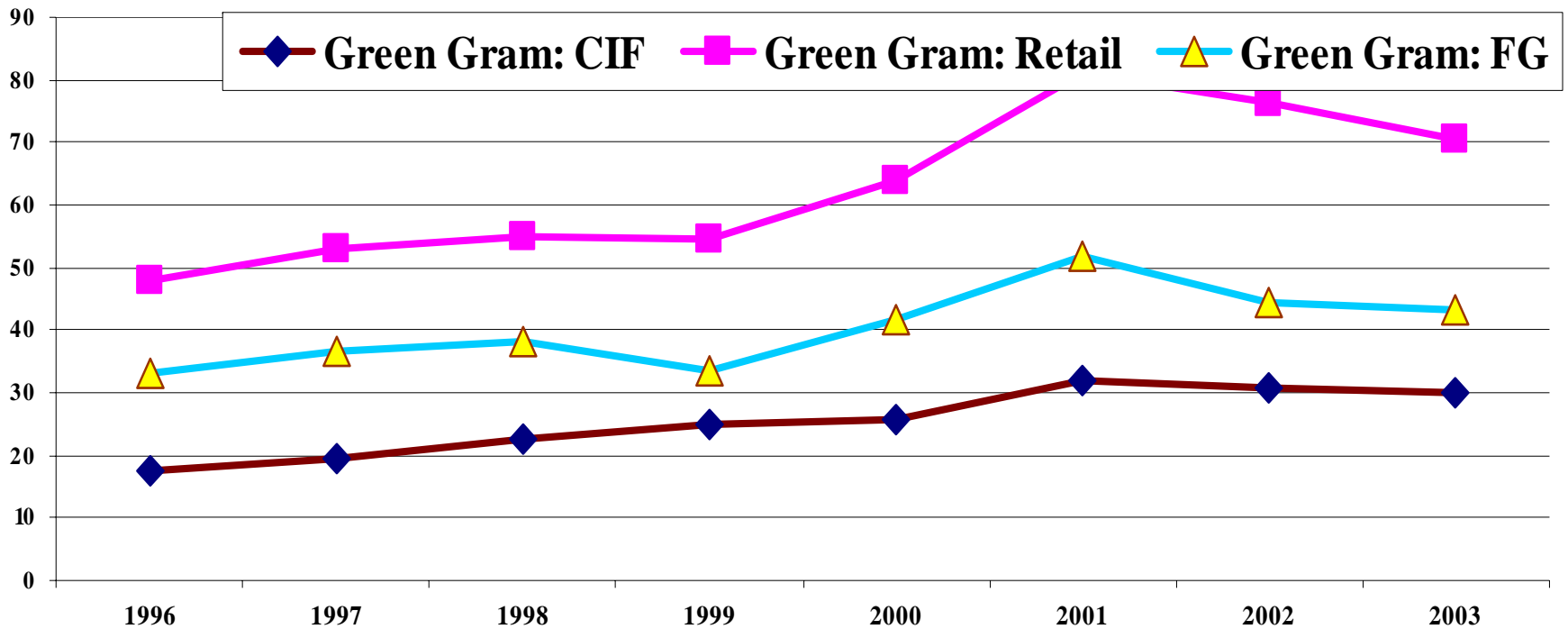
# Low CIF prices - Onion

CIF, Retail and Farm-gate Prices: B-Onion (Rs/kg)



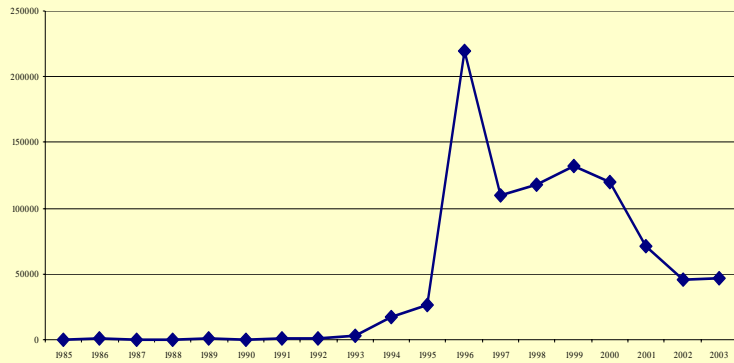
# Low CIF prices – Green Gram

CIF, Retail and Farm-gate Prices: Green Gram (Rs/kg)

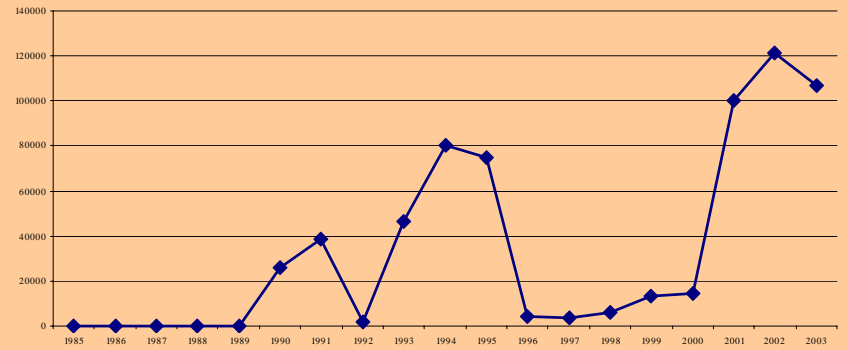


# Import Surges – selected products

## Potato



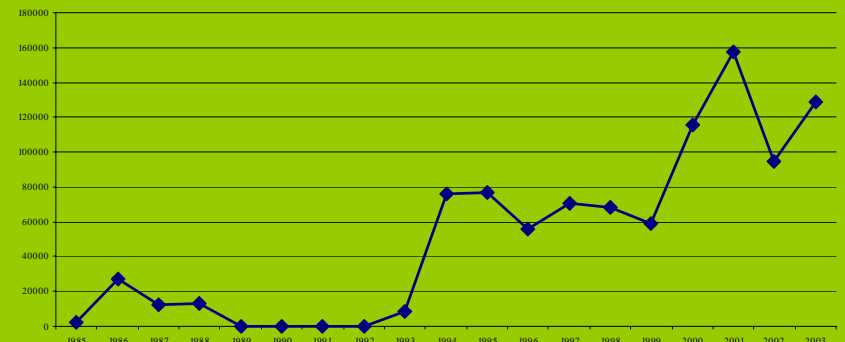
## Pluses



## Onion

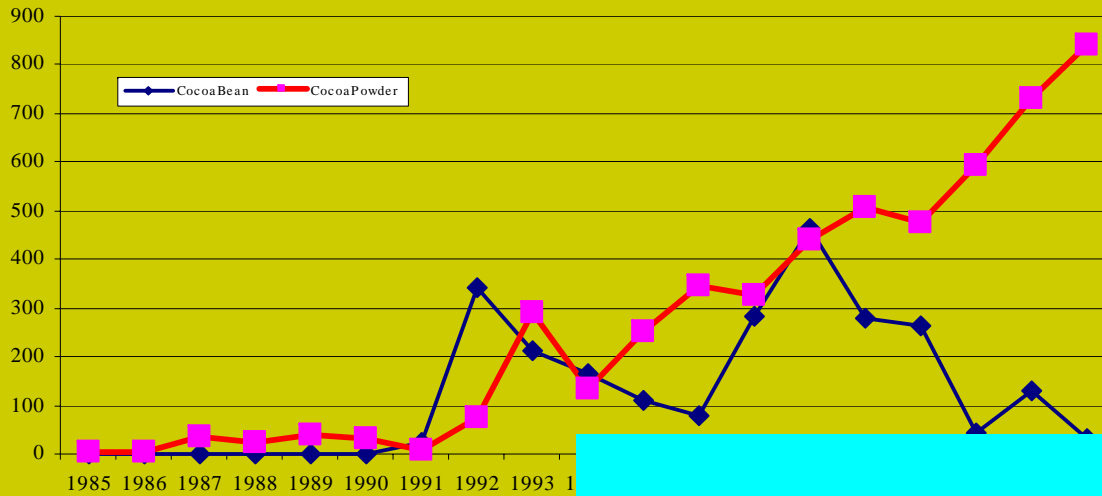


## Maize

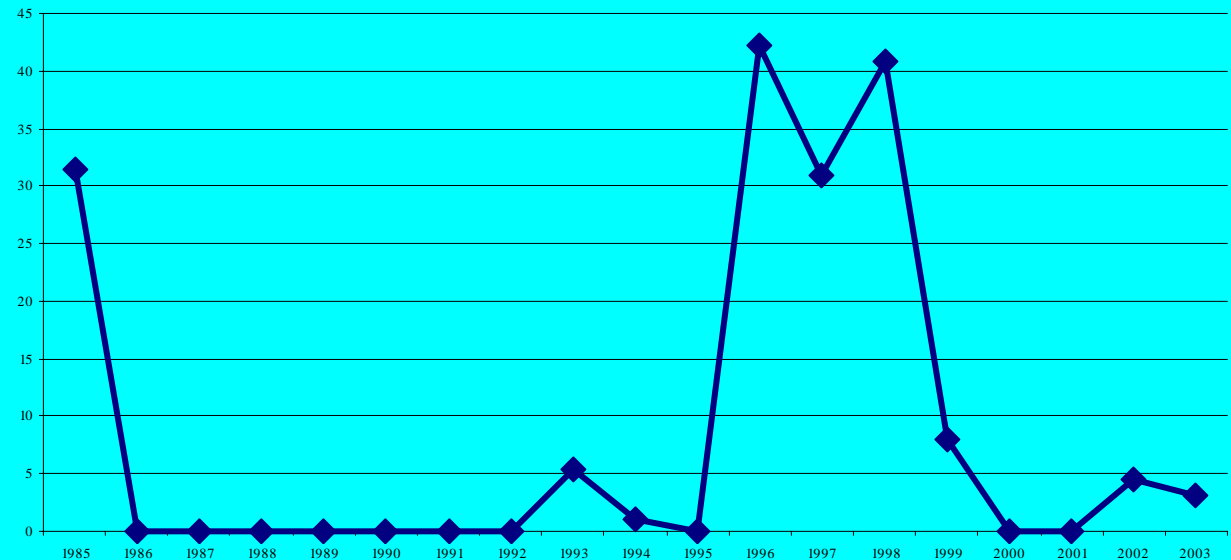


# Import Surges (mt) – selected products

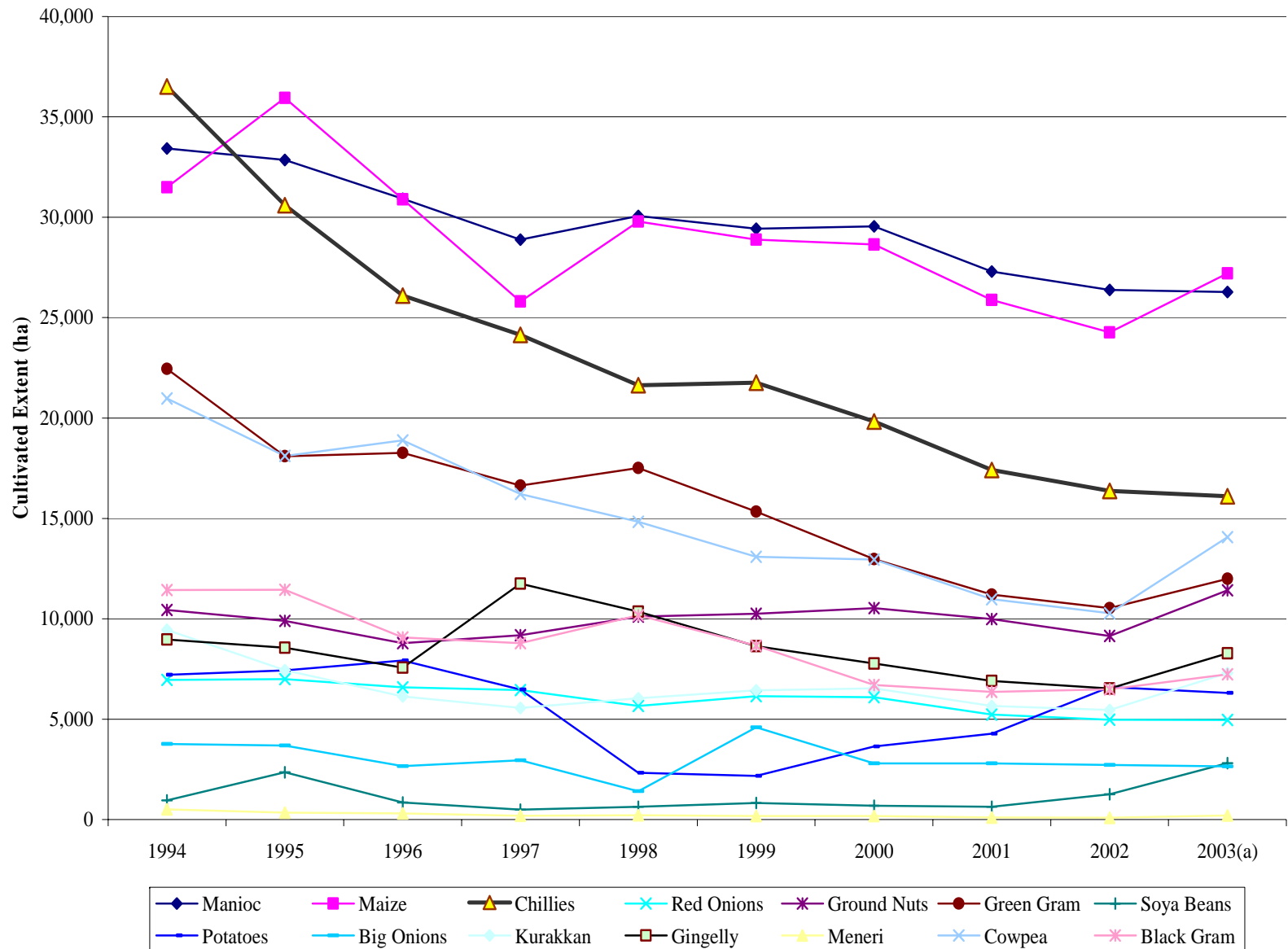
## Cocoa Products



## Cardamom



# One of the results :OFC Extent Dropped Rapidly



# Criteria for Selecting Products for SSM

- Sri Lanka proposed to adopt following a priori indicators to select products (reference para 6 of Chair's paper-20/4/2006)
  - Food balance sheet and key food products – *positive indicators*
  - Imports share of food – no limit is imposed (as in the case of SP) – *positive indicators*
  - Expenditure share of food – products having higher % are considered – *positive indicators*
  - Price fluctuation and volume surges – *positive indicator*
  - *All other indicators used in SP selection*

# Linking Crops to SSM

Other considerations:  
1. Import surges  
2. Low prices  
3. Subsidized imports

Crop 1

Crop 2

Crop n

Selected Crop as SP

Based on:  
-development  
-livelihood  
-food security

Products: SSM

SP with HSC

SP with HSC

SP with HSC

SP with HSC

# Products Proposed for SSM (tariff lines)

Chapter	Chapter Summary	SP Products	Total lines at 6-digits	Products for SSM	% of SSM
Chapter 1	Live animals	0	38	0	0%
Chapter 2	Meat & edible meat Offal	6	59	22	37%
Chapter 4	Dairy, edible animal produce	14	30	29	97%
Chapter 5	Animal Products	0	25	0	0%
Chapter 6	Live trees, bulbs etc	0	18	0	0%
Chapter 7	Vegetables, tubers	53	81	81	100%
Chapter 8	Fruits & nuts, citrus fruits	26	84	62	74%
Chapter 9	Coffee, tea, spices	0	64	0	0%
Chapter 10	Cereals	10	18	13	72%
Chapter 11	Milled products, malts etc.	8	33	13	39%
Chapter 12	Oil seeds & grains	4	45	5	11%
Chapter 13	Lac, gums, resins	0	14	0	0%
Chapter 14	Vegetables planting mat.	0	15	0	0%
Chapter 15	Fat & oils (animal/veg)	10	60	15	25%
Chapter 16	Meat preparations, fish	0	27	0	0%
Chapter 17	Sugar & confectionery	0	22	0	0%
Chapter 18	Cocoa & its preparations	5	12	8	67%
Chapter 19	Cereal preparations	0	21	0	0%
Chapter 20	Veg, fruits & nut prepara.	16	60	54	90%
Chapter 21	Misce. Edible prepara.	0	28	0	0%
Chapter 23	Residues for food industry	0	32	0	0%
Chapter 33	Essential Oils	0	28	0	0%
Chapter 35	Albuminoidal substances	0	11	0	0%
Chapter 41	Hides & skins	0	10	0	0%
Total		152	835	302	
%		18%		36%	36%

# Conditions for volume trigger

- This will be applied to products (at 6-digit level) with -
  - Local prices lower than international prices so that they are locally competitive, but imports of high volumes even at a higher price may harm the industry
    - fresh milk, butter, cheese, poultry products, some vegetables and fruits etc.
  - Seasonal nature of harvest so that the product is adequately available at the harvesting seasons and any further imports will lead to depressed prices for the producers
    - onion, tomatoes, potatoes, cereal and legumes etc.
  - High food security concerns where even with lower prices imports are allowed to some extent so that food security concerns are not hampered.

# Conditions for price trigger

- ***Price Trigger*** will be applied to products (at 6-digit level) with:
  - International prices lower than or close to the local prices so that local industry cannot compete and at the same time the local industry will be severely hurt if cheap imports are flowing in
  - High fluctuating prices (historical nature) so that even a small quantity can come into the country at a very low price.

# Concerns for Both Triggers *(based on 2004 imports)*

- Developing country markets – *can dominate in imports*
- Trading under regional agreements – *Prices may not under MFN basis*
- Natural variations in developing countries which can make fluctuations

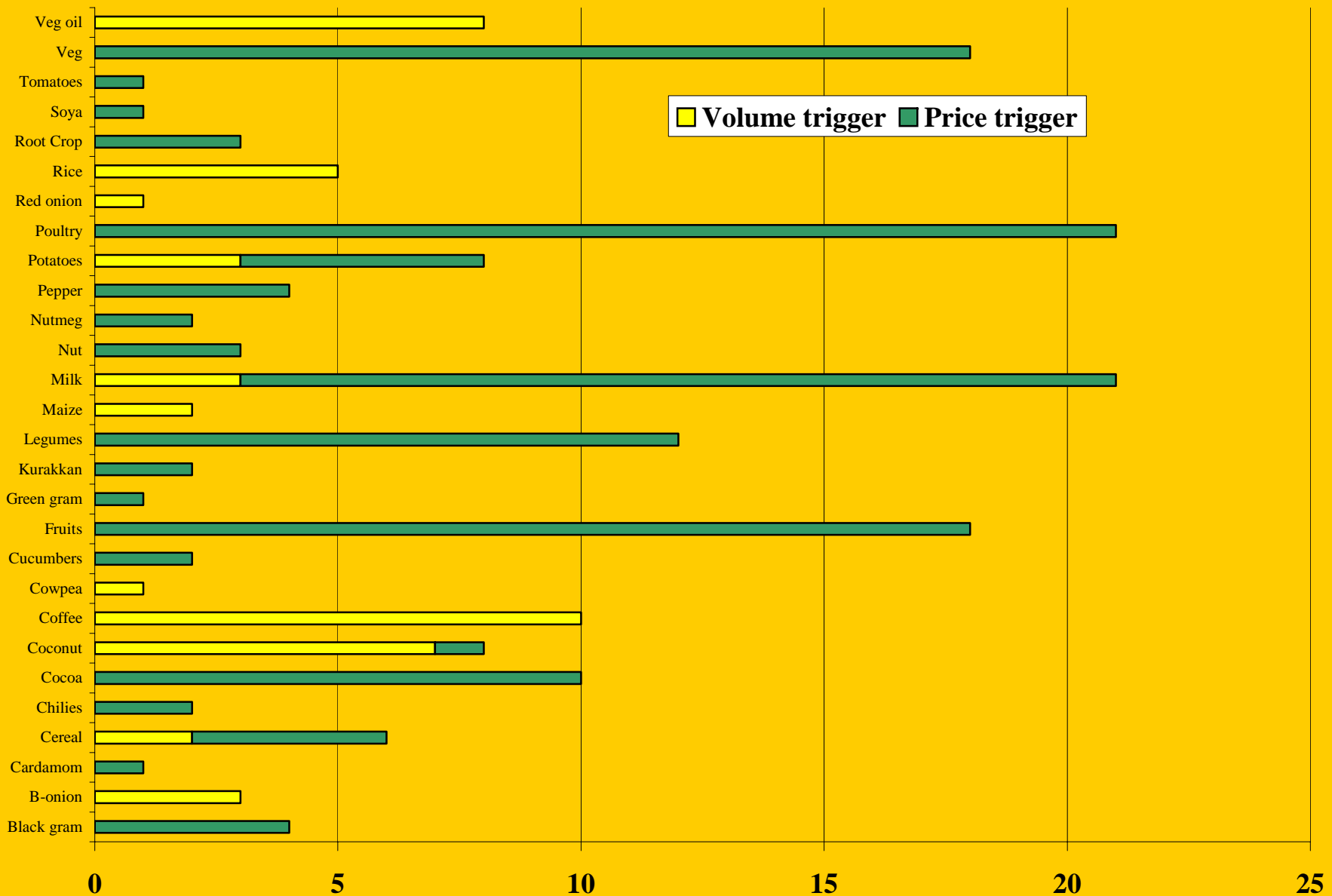
## Treatment

<b>Commodities</b>	India	Pakistan	Singapore	New Zealand	Total	Other Countries
Rice	149,907	58,078	162	0	221,663	Australia
Nuts	25	0	0	0	61	China
Chilies	0	0	0	0	0	Denmark
Coconut	125	0	535	0	888	Germany
Cowpea	118	0	0	0	118	Hong Kong
Vegetable	2,318	17	1,891	0	5,369	Italy
Green gram	313	1,860	1,240	0	12,673	Japan
Maize	136,819	0	9,527	0	148,866	Malaysia
Poultry	0	0	0	0	1,645	Myanmar
Milk	301	0	634	38,619	54,294	Netherlands
Onion	114,465	5,288	0	0	120,080	Thailand
Potatoes	6,851	20,691	0	0	31,738	U.A.E
Oil	184	0	2,438	0	4,045	U.K
Wheat	0	0	0	0	0	U.S.A
Total (mt)	411,425	85,935	16,428	38,619	601,439	
%	68%	14%	3%	6%	100%	

# Proposed Products for SSM

Product Group	No. tariff line products	No. products proposed for Volume trigger	No. products proposed for Price trigger	% of agric. Imports
Black gram	4		4	0.34%
B-onion	3	3		3.18%
Cardamom	1		1	0.00%
Cereal	6	2	4	0.01%
Chilies	2		2	3.21%
Cocoa	10		10	0.26%
Coconut	8	7	1	0.02%
Coffee	10	10		0.02%
Cowpea	1	1		0.00%
Cucumbers	2		2	0.00%
Fruits	18		18	0.07%
Green gram	1		1	0.36%
Kurakkan	2		2	0.03%
Legumes	12		12	1.66%
Maize	2	2		2.85%
Milk	21	3	18	0.25%
Nut	3		3	0.12%
Nutmeg	2		2	0.00%
Pepper	4		4	0.04%
Potatoes	8	3	5	0.92%
Poultry	21		21	0.22%
Red onion	1	1		0.01%
Rice	5	5		1.21%
Root Crop	3		3	0.00%
Soya	1		1	0.06%
Tomatoes	1		1	0.00%
Veg	18		18	0.10%
Veg oil	8	8		4.02%
Total	185	47	138	19.04%

# Type of SSM: Volume / Price Triggers



Thank you