

DIMINISHING PROFIT MARGINS
OF PADDY PRODUCTION

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After independence every successive government has considered self sufficiency in paddy as the major goal in agricultural development. As a result massive irrigation schemes, credit schemes, settlement schemes and price support schemes are being implemented.

It is clear that paddy extent sown as well as yield per acre have increased considerably over the years. Income of the paddy farmers or their standard of living, however, has not increased at the same rate due to low rate of profits. Therefore, the objective of this paper is to examine the levels of profit margins of paddy production over the past ten years in Sri Lanka.

The cost of production reports prepared by the Department of Agriculture were used to collect the data. The methodology applied in this paper is the calculation of gross margins of paddy production in the national level data over the period of 1978 to 1987.

Results show that the paddy farmers are faced with the problems of diminishing profit. The profit margins compared to the open market paddy prices was 59.25% in 1978/79 and 25.5% in 1986/87. This is even worse when compared with guaranteed prices. It was 56.12% in 1978/79 and 14.79% in 1986/87.

Paddy production in 1978 was 1891,000 MT and 21,28000 MT in 1987. Increased total production in any means was unable to compensate the reduction in income due to reduced profit margins. Production technology has not changed drastically, exchange labour is still a problem and more than 50% of the cost of production is the cost of labour. Paddy production in, Sri Lanka remained stagnant and paddy farming has not become a dynamic venture.