

TRADE LIBERALIZATION POLICIES AND ITS  
IMPACT ON THE SUBSIDIARY  
FOOD PRODUCTION SECTOR

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Sri Lanka's small farm sector is engaged mainly in the production of paddy and subsidiary food crops. In 1977, the government embarked on a trade liberalization policy, and imports were allowed freely of many locally grown produce. It is believed that imports have affected local production of many commodities.

In this paper, general trends in production of a number of selected commodities that were imported in large quantities since 1977 are analysed, in order to evaluate the need for protectionist policies. The subsidiary food crops considered are chillies, big onions, red onions, red dhal, cowpea, green gram and maize.

The analysis indicated that commodities such as chillies and red onions showed a high responsiveness for price increases, while imports gradually declined as a percentage of production overtime. Maize, which showed a very high price responsiveness, has been threatened by heavy imports by the private sector since 1986. Imports of big onions far exceed local production. High domestic cost of production has limited its expansion. The production of cowpea has been negatively affected by the imports of red dhal. The impact on green gram however, has not been that severe. Although there is a strong case for restriction of red dhal imports, one has to also consider that there is a strong consumer preference for red dhal.

The above analysis indicates that, the production of some crops have been affected due to imports. Therefore, a discriminated import policy is needed and imports of certain commodities should be done as an when necessary.