

The unsettled situation due to the insurgency in Sri Lanka has continued for over a decade leading to severe effects on the economy of the country. Thirty five percent of asweddumised paddy land in the country lies the within northern and eastern provinces where the insurgent situation is intense. This study attempts to value possible losses to the paddy production of the country as a consequence of reduced production in the region.

Data on paddy production published by the Department of Census and Statistics for the period 1975-1995 were analyzed to quantify and value possible losses due to the prevailing situation. All dry-zone districts in the country were used to form two groups as "the standard "and "the affected". Periods 1975-84, and 1895-95 were considered as "normal years" and "affected years", respectively. Each affected correlation shown during the normal period. Trends of behavior of all determinants of output were analyzed using OLS regressions. Dummy variables were employed to represent the differences between two groups and the two periods.

The analysis proved the decline of cropping intensity in the maha season and yield in the yala season after 1984. Potential production in affected years was estimated using potential cropping intensity and potential yield for each district, assuming that affected districts behaved similarly as their counterparts. The difference between estimated production in actual situation and standard situation was calculated for each district. This physical loss was valued at the current market price.

The cumulative value of production loss for the period 1985-95 due to unsettled situation is estimated at Rs 5993 million. In constant 1982 rupees in the Maha and Yala seasons respectively.