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Economics of conversion of coconut plantations: A case study from the Gampaha District

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Coconut is the largest plantation crop covering 395,000 ha of land area and contributes to a considerable amount of export earnings in the country. However, coconut lands are being increasingly converted to residential areas, especially in the Western Province. This creates concern about the loss of economic potential in coconut and its effect on the environment. The present study was therefore intended to study the economic feasibility of different options available for coconut small holders.

Fifty coconut land owners with land holding size of 1-4 ha were selected for the study from all 13 Divisional Secretariat (DS) areas of the Gampaha district. The number of respondents was proportionate to the number of coconut growers in each DS area. The small holders were interviewed during December 2007 to September 2008 and information on the land including intercropping, revenues and costs of plantations and present market values of the lands were collected. The value of each coconut land is calculated considering two scenarios, value of the land if it is fragmented and sold now (V1) and net present value of the land if it is fragmented and sold after completing the present cropping cycle at the age of 60 yrs (V2).

The coconut lands in the sample were categorised according to their age, suitability of the intercropping and vigour of the coconut plants. Results indicate that V2 scenario is more beneficial to the land owners. Only 4% of the coconut lands in the Gampaha district had lower values after the cropping cycle (V2) at 10% discount rate which is due to high land values in the area and low productivity of the coconut lands.

Fragmentation of highly productive coconut lands which have a lower ratio of V1 to V2 have to be limited. Uncultivable or unproductive land can be used as an alternative for housing schemes. Taxing could help to keep the discount rates of land owners at appropriate levels in order to reduce fragmentation of coconut lands.