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Effectiveness and impact of paddy production policies in Sri Lanka: 1998 to 2018

M.D.D. Perera*

Hector Kobbekaduwa Agrarian Research and Training Institute, Colombo, Sri Lanka

Successive governments in Sri Lanka (SL) have introduced several policies related to paddy production since independence to make the country self-sufficient in rice at a cost to the economy. Hence, the main objective of this study is to evaluate the effectiveness and impact of government policies on paddy production in SL from 1988 to 2018. The study collected secondary data on seasonal paddy production by district, gross fixed capital stock in agriculture per farmer, land availability, seasonal average rainfall, temperature, rolling five-year standard deviation of nominal rate of assistant, road length, telephone penetration, cereal self-sufficiency, policy variability of all paddy growing areas and used in linear panel model to identify the impact of policies. The effectiveness of policies was estimated using indices such as producer support estimates (PSE) and market price support estimates (MPS). Irrigation, paddy farming and diversification, land, fertilizer subsidy, climate change adaptation, research and development, paddy marketing and trade policies are the broad categories of policies introduced in the last two decades. Paddy production has been increasing on average at about 4.08 percent annually since 1998, with the improved access to inputs such as fertilizers and seeds through government policies. However, there is no statistically significant difference in paddy production among different years which indicates that the increase in paddy production is marginal over the years. The rice imports are insignificant when compared to the local production during the study period. PSE and MPS are negative which indicate that the government policy instruments prevailing in Sri Lanka induces a lower farm gate and domestic market price thereby discouraging commodity production. According to the analysis, improved access to information (0.443, significant at 0.1 significant level) has a positive effect while climate variables; specially, rainfall (-0.004, significant at 0.05 significant level), has a significant negative effect on seasonal paddy production by district, which highlighted the need for more climate resilience policies and markets that are better developed and improved access to information. Agricultural policies, which move away from market-distorting measures and blanket income transfers, and policies focus on strategic investments and climate risk management which assists and enhances farmers' capacity on adaptation to rainfall variability, are recommended.

Keywords: Paddy, policies, producer support estimates (PSE), market price support (MPS)

E-mail: dilinidayashani277@gmail.com