

# Ominously rising foodflation needs medium to long-term strategy to improve agricultural productivity

## Foodflation raising its ugly head

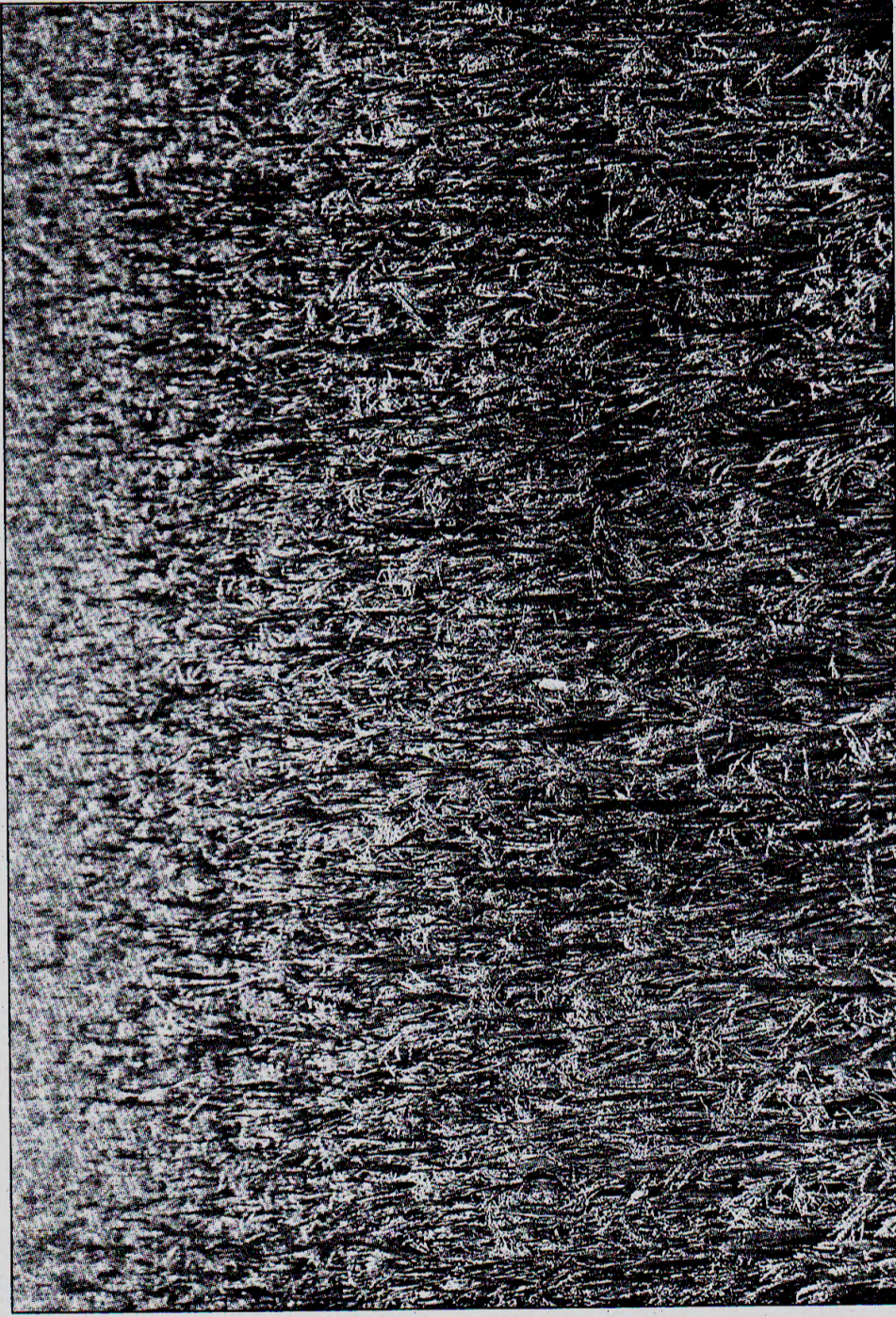
AS at end-January 2020, both price indices that record Sri Lanka's consumer price levels have shown a sudden upsurge mainly due to increases in food items, a situation known as 'foodflation'. The Colombo Consumers' Price Index or CCPI that covers only the consumers in the Colombo District accelerated 6.2% by end-February compared to the price levels that had prevailed a year ago. While non-food items had recorded an increase of only 2.9%, the food items had increased by 14.7%, up from 6.3% two months ago.

Following the same trend, Sri Lanka's National Consumers' Price Index or NCPI that covers the whole island too recorded an increase of 7.6% by end-January, compared to 1.2% a year ago. Of this, the non-food items rose only by 3%, while food items steeped by 13.7%, up from again 8.6% a month ago. According to NCPI, the main culprits have been vegetables, coconuts, red onions and fresh fish which had recorded a sharp increase compared to their levels in December 2019.

In Colombo District, in addition to these four culprits, the prices of three popular varieties of rice too had recorded sharp increases compared to the prices that had prevailed a year ago. Against this foodflation, the consolation for consumers had been the slower rise in the non-food items that had been included in the indices. That component in NCPI constitutes 56% of a consumer's budget.

## This time, it isn't a seasonal issue

Food prices are seasonal and therefore with the expected entry of the Maha crop to the market in about two months' time, they could be expected to reverse. However, in this year, in addition to the seasonal factors, they have been adversely affected by the prolonged drought and warm weather conditions in most of the food producing areas in the country. This is also shown by the reversal, by the end of the year, of the downward



The long-term solution to foodflation is to improve productivity and yield levels in main agricultural crops in the country - Pic by Shehan Gunasekara

ness, changes in relative prices of rice as against meat and inventions made through the development of science and technology base of the country. The science part is the handiwork of a new sub-area called 'biotechnology' which has now been added to the curricula of some state universities and private higher learning institutions.

## Rice: the water guzzler

The problem with rice compared to maize or corn is that it is a 'water guzzler'. In farming, paddy fields are flooded by water and about a half of that is lost through seepage and percolation. It is the balance half which is used by the rice plant for its own purposes, known as evaporation and transpiration.

The researchers at the Manila based International Rice Research Institute or IRRI have computed, after verifying a vast amount of data collected from field surveys conducted throughout the globe, the amount of water used by rice plant to produce 1 kg of rice. Total flooding of the paddy fields from sowing to harvest will use about 2500 litres of water to produce 1 kg of rice. About a half of this is lost through seepage and percolation; accordingly, the real use of water by the rice plant to produce 1 kg of rice is about 1432 litres (available at: <https://www.scribd.com/document/34622848/Rice-Today-Vol-8-No-1>).

Imagine the price of rice if water is costed at one rupee per litre. Fortunately for consumers, water is supplied to rice farmers almost free of charge either through rains or government sponsored irrigation schemes. But, shortage of water due to droughts will affect both the production and productivity of rice farmers. This is a serious problem in many rice producing nations like China, India and Sri Lanka.

## Developing drought resistant paddies

Scientists in IRRI and in leading universities are now engaged in developing water-efficient paddy cultivation methods. IRRI has come up with an 'alternative wetting and drying' method. In this method, a field is flooded for a few days and after that water is used up, kept it dry for a few more days before it is flood-

## A technical report covering all the subsectors in the agriculture sector

A technical report released in May 2018 and authored by Verite Research for the National Planning Department and the European Union on Sri Lanka's agriculture sector has listed out the measures to be taken in the medium to long-run to improve both the productivity and the output. It is a comprehensive report covering all the subsectors in Sri Lanka's agriculture: paddy, field crops, vegetables, fruits, tea, rubber and coconut, sugar, floriculture, inland fisheries, livestock and agroforestry.

The previous government did not consider it necessary to implement these

retailers, millers, transport agents and collectors in the supply chain. The cost of processing by the miller has been about 7%, while his margin has been only 3% of the final price paid by consumers.

In the case of vegetables, the comparison of the farmgate price with the market price paid by consumers reveals that there is a price-gap of about 40%. However, this high price gap is due to the high transport costs, on the one hand, and the high waste of vegetables, estimated to be around 40%, in transit, on the other. An improvement in post-harvest handling systems through improved technology will certainly reduce this high waste costs, thereby narrowing the price gap significantly. It

market. But this cannot be fulfilled before the elections and therefore, it can be considered as a medium to long-term remedy to the problem.

## The charge against so-called oligopolistic paddy-millers

The general perception of many is that the middlemen are exploiting both the producers and consumers. As a result, they claim that producers are getting a price lower than what they should get. At the other end, consumers are paying a price higher

## My View

