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NEWSLETTER

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INFORMAL LAND TRANSACTIONS IN SETTLEMENT SCHEMES IN SRI LANKA AND THEIR IMPACT ON PRODUCTION, INVESTMENT AND INCOME OF SETTLERS

In Sri Lanka, settling people in government lands was popular as a development strategy even in early decades of the 20th century. Ultimately, the process led to the creation of human settlements. The settlement schemes were initiated in Sri Lanka with many purposes such as protecting the peasant farmers as a class, alleviation of landlessness, reducing population density in the wet zone, increasing food production etc. Apart from that, generating hydro-power, promoting industries and promoting exports were among the latterly expanded objectives. Under the settlement schemes, the land was assigned to the settler restricting sub-division and all forms of transaction methods such as transferring, leasing, mortgaging and selling. But these restrictions were loosen from time to time and sub-dividing the land among inhabitants was allowed subjecting to a minimum size of 1½ acres for low land and ¼ acres for high land. After that, it was also allowed to mortgage the land, but only to state banks and co-operatives in order to obtain loans. Gradually, informal land transactions also took place in settlement schemes.

At present the form, magnitude, causes and consequences of informal land transactions in settlement schemes have changed never before, within the contexts of liberalization and globalization which caused for technological innovations and commercial oriented production. Therefore, HARTI attempted in this study

to find out information on changed situation of informal land transactions in settlement schemes.

The main purpose of this study was to examine the causes of informal land transactions in settlement schemes and their impact on production, investment, income and well-being of the settlers and to provide information on informal land transactions, which are useful to policy makers in the land sub-sector. Apart from that, the following specific objectives were also included in the study.

- ◆ Examining the nature, magnitude and causes of informal land transactions in state sponsored land settlement schemes.
- ◆ Investigating the production and social relationship between settlers and informal land operators and its impact on crop productivity, income, agricultural investments and day to day life of the settlers as well as informal land holders.
- ◆ Finding out to which extent the informal land transactions affect on the management of settlement in terms of operating a scheduled production plan, performing maintenance activities, managing water etc.
- ◆ Investigating the possible effects of granting freehold titles in the context of various informal tenure systems.

Findings

Even though informal operation of land is a common phenomenon to both low and high lands, it greatly influences low lands; especially the lands under the settlement schemes like Parakrama Samudra and Mahaweli H where 74 and 68 per cent of land parcels respectively were under informal tenure conditions in the *maha*, 2006/07. The informal tenure systems over low lands are diverse depending on the informal method of transaction. Among them, leasing on fixed produce, leasing on cash and mortgaging are popular while the methods such as purchasing without legal documents, fragmenting etc. could also be found. Moreover, these transaction methods seem to be different from area to area and each of them depends on particular environmental conditions such as availability of water, types of cultivable crops and cropping pattern, infrastructure and marketing facilities, social and economic factors etc.

As observed, the settlers lease their lands due to reasons such as lack of family labour, living far away, impossibility to maintain etc. They mortgage land when they need money for contingencies.

As many farmers depend on micro-finance institutions which accept group guarantees, non-availability of land rights or clear titles is no longer an issue when obtaining credit in the case of informal land operations.

Moreover, it is noteworthy that lands have been transacted among relatives and friends. Therefore, the production activities and social life of both the owner and the cultivator are not badly affected by the land transaction. On the other hand, the productivity of the transacted lands is higher than the lands operated by the legal owner. This is because of the efficient and effective use of land, water and labour with capital and advanced technology for agriculture by the cultivator of the land.

But, it is a critical fact that the informal land operators neither attend the pre-cultivation meetings of the farmer

organization nor follow its decisions and cultivation schedule in the area. However, currently farmer organizations have the power to reject the applications of obtaining subsidized fertilizer of those who do not follow the decisions of *kanna* meeting.

Recommendations

As some transaction methods have functioned positively in terms of production and productivity, transactions of land should be made legal. However, issuing free hold titles for settlement lands may have negative results such as fragmenting or selling the land. Therefore, counter measures should be taken to avoid such consequences before any effort to issue free hold titles.

The informal land operators should be compelled to become members of the relevant farmer organization in the area and abide by the rules and regulations of it, especially with regard to operation and maintenance activities of the irrigation system and adherence to the decisions of the farmer organization.

The study was co-ordinated by Mr. J.K.M.D. Chandrasiri (Research Fellow).

Completed Studies

AN ANALYSIS OF PRICE MARGINS OF AGRO-CHEMICALS

Agro-chemicals have substantially contributed to the increase of yield in agriculture by controlling pests and diseases. Hence, the agro-chemicals are used as a major input in crop production and on the other hand, use of agro-chemicals results in increasing the cost of production. Over the last five decades, the role of agro-chemicals in agricultural production, crop protection and productivity has increased in Sri Lanka. Agro-chemicals are not manufactured in Sri Lanka and are either imported in bulk for re-packing or

brought in as concentrates (technical grade material) for formulation locally prior to marketing, whilst agro-chemical trade is solely handled by the private sector. Only the licensing and registration of agro-chemicals are handled by the Registrar of Pesticides. Prices of agro-chemicals affect the resource allocation in agriculture. Therefore, the analysis of price behaviour has become important to understand the performance of the marketing and pricing systems of agro-chemical industry. Hence, Hector Kobbekaduwa Agrarian Research and Training Institute conducted this study to bridge the information gap regarding the pricing mechanism and the margins of the agro-chemical trade in Sri Lanka focusing mainly on the performance, cost structure and price margins.

The following objectives were also taken into consideration.

- ◆ Preparing a database on CIF prices and retail prices of agro-chemicals marketed by different agro-chemical companies in Sri Lanka.
- ◆ Finding out the price margin between CIF and retail prices of agro-chemicals used in Sri Lanka.
- ◆ Finding out the cost structure for the agro-chemical industry in Sri Lanka.

Findings

- ◆ According to the cost structure of agro-chemical companies, the landed cost is around 8 - 10 per cent. They maintain a 40 - 45 per cent of cost, as company margin and factory charges.
- ◆ Pesticides companies maintain a dealer margin of 25 - 30 per cent and this varies depending on the company.
- ◆ According to the cost structure, the price gap between CIF prices and label prices is around 150 per cent. However, it varied from 120 - 250 per cent in field observations. This depends on the product and the company. Company's factory charges are nearly 20 per cent and they maintain a 20 - 25 per cent

gross company margin. As an undertaking, highly competitive companies have to spend more on dealer incentives and publicity. Further, all pesticides are subjected to 15 per cent VAT. Due to these high margins, a high price gap is reported between CIF and retail price.

- ◆ The stiff competition prompts the main dealer to give a higher discount and according to the companies, it varies from 20 - 25 per cent with a net margin of 5 per cent. However, in field observations, it varied from 10 - 30 per cent and the net margin for the distributor would more or less change by 5 per cent.
- ◆ Retail prices of pesticides are lower than the label prices in most of the agricultural producing areas.
- ◆ Retail price of a product for a same pack size varies from location to location depending on the discount.

The research team consisted of Mrs. R.P. Vidanapathirana (Co-ordinator) and Mrs. R.N.K. Rambukwella (Co-researcher).

ACTION RESEARCH IN MUCHCHAGAMA VILLAGE IN IPALOGAMA DSD UNDER "GAMA NEGUMA" PROGRAMME

HARTI carried out an action research project on rural development at Machchagama village in the Anuradhapura district where the socio-economic condition was at a very lower level.

Objectives of the study:

- ◆ Promoting the use of available resources in the village to increase productivity, income and employment of the people.
- ◆ Examining better methods and mechanisms to mobilize people for more productive economic activities.
- ◆ Promoting involvement of women in economic activities.

- ◆ Investigating to establish a sustainable area based organizational mechanism in order to take responsibility of planning, implementing and monitoring.
- ◆ Evaluating the development activities.
- ◆ Co-ordinating and building linkages between the village and the outside.

Activities implemented and lessons learned

Under this programme, an organizational mechanism was formed with the Divisional Secretary of the project area as the head. The key officials representing the provincial council and the other important agencies which provide agricultural services in the district were also included. An action programme was prepared and implemented with the participation of villagers to promote productivity of home gardens and paddy fields. Under that, 80 bushels of a new seed paddy variety (BG-358) were distributed among 34 farmers to cultivate as a *yaya* model. The total cost of these seeds was Rs. 52,325. Out of this, an amount of Rs. 32,325 was borne by the project funds, while the rest amount was borne by the farmers. The total amount has been recovered and used as a revolving fund to release credit requirements in future.

Another activity implemented was the distribution of 265 (*karthacolomban*) mango plants with clay pots (to store water inside) to develop home gardens. The people have successfully cultivated them and in future they can benefit yield.

The main tank of the village was cleaned by removing the vegetation. For cleaning of the village tank, an amount of Rs. 287,121 was spent by HARTI in addition to the amount of Rs. 47,495 spent by the Agricultural Ministry of North Central Provincial Council. The people also contributed their labour. As estimated by the Department of Irrigation of North Central Province, total value for this activity was one million. But, actual amount spent was Rs. 334,616. This is a good lesson learned from this project.

Under the objective of promoting women for economic development, the arrangements were made for them to benefit from the

home garden development programme – *Siriliyaka Saviya* of the North Central Provincial Council. In addition to advice and instructions given, seeds were also distributed by it.

Another lesson learned from the project was the possibility of taking active service of the AI for village development activities. Since AI's range of service covers a number of villages it is difficult to obtain his service for such activities. Moreover, the research team has identified some positive aspects about taking participation of village people for their own development activities. This village had been considered a backward village in terms of taking participation of people for village development by service providing institutions in the area.

The research team consisted of Mr. R.L.N. Jayatissa (Co-ordinator) and Mr. M.A.C.S. Bandara (Co-researcher).

THE ROLE OF AGRICULTURAL RESEARCH AND PRODUCTION ASSISTANTS: PRESENT SITUATION AND FUTURE PROSPECTS

The Agricultural Research and Production Assistants (ARPAs) were appointed at village level with the purpose of uplifting the living conditions of the rural farming communities through the development of the rural agricultural sector. It was expected that the above objectives could be achieved through the appointment of a cadre of village youth who had a better understanding of agrarian relations and agricultural resources at village level.

Paradoxically, the current response of the society towards ARPAs is not favourable and their service is not adequately recognized due to many reasons such as the nature of appointments, their knowledge and experience on agriculture and duty-relations with higher officials. Given the context, it was arguable whether the expected development in rural areas could have been achieved through ARPAs. Hence, it became a timely necessity to investigate the contribution,

potentials and problems of ARPAs as facilitators.

The basic objective of this study was to investigate the potentials of and constraints on the ARPAs in addition to their role at rural level in Sri Lanka. Further, the following objectives were also taken into consideration.

- ◆ Studying the role of ARPAs and their activities in the rural agricultural sector.
- ◆ Investigating the potentials of ARPAs and the constraints faced by them.
- ◆ Providing necessary policy guidelines to utilize ARPAs more effectively and efficiently for the development of the rural agricultural sector in Sri Lanka.

The study was conducted in seven districts where the agricultural activities are prominent. The information was gathered using primary and secondary data. ARPAs were selected from 21 Agrarian Service Centres in seven districts for the questionnaire survey.

Findings

- ◆ Around 96 per cent of the ARPAs has fulfilled minimum educational qualifications required for the post of ARPA and they are adequately qualified to fulfil their list of duties.
- ◆ As observed, 24.3 per cent of the sample has been given long-term trainings. The ARPAs who had long-term training show a higher performance than non-trained.
- ◆ One major expectations of the ARPA is to become an 'essential officer' to the farming community. This is due to adverse perceptions still prevailing in society with regard to ARPAs.
- ◆ The priority is given to current implementation programmes introduced by the government. They do not directly contribute to provide the extension services but play a co-ordination role when providing extension services to the farming community.
- ◆ Fifty eight duties which are very complex in nature have been assigned

to ARPAs. Therefore, it is very difficult either to define the nature and scope of the duties or to evaluate the performance of the ARPAs.

- ◆ Even though both male and female ARPAs equally perform their duties, only female ARPAs face transport difficulties in performing duties in the field.
- ◆ Majority (75%) of the ARPAs have medium level of job satisfaction. Only eleven per cent shows high level of job satisfaction whereas the rest of fourteen per cent show low level of satisfaction.

Recommendations

- ◆ Re-arranging the duties of the ARPAs to obtain the maximum benefit from this huge human resource for the rural agricultural development in Sri Lanka.
- ◆ Job improvement followed by compulsory agricultural training.
- ◆ Formal job performance evaluation and promotion scheme.
- ◆ Appropriate transfer schemes.
- ◆ Implement motivational strategies.

The research team consisted of Mrs. Susila Lurdu (Co-ordinator), Mrs. P.R. Weerakkody (Co-researcher) and Mrs. R.N.K. Rambukwella (Co-researcher).

On-Going Studies

MARKETING OF VEGETABLES THROUGH SUPERMARKETS: PROCUREMENT PRACTICES AND ITS IMPLICATION ON FARMERS

As elsewhere in the world, even in Sri Lanka, the supermarkets have caused for the break down of the traditional purchasing system and the industry is set for explosive growth resulting from rapid urbanization, per capita income

growth and growth of a "middle class", increasing employment of women, "westernization" of lifestyles, particularly among younger people, growing use of credit cards, changes in family structure (a growing proportion of nuclear families and even, one-person households, as opposed to extended families) etc.

The supermarket concept was initiated in Sri Lanka by the departmental stores namely Cargills and Millers, which were established during the British rule. Even though the supermarkets were initially started in Sri Lanka in the 1980s, the industry began to expand after the year 2000. Today, the supermarket industry is at the growing stage of its Industry Life Cycle. Two major companies' supermarket chains i.e. Cargills Food City and Keells Super dominate the industry. At present, Cargills (Ceylon) Limited operates 110 outlets in 17 districts and Keells Super operates 37 outlets. In addition to the two major supermarket chains, there are 33 outlets operated by other supermarket chains such as Magna, Sun Up, Arpico Super centres, Sentra, Cristal and Prince Super etc. Arpico Super centers and Cargills Big City are the hypermarkets function at present in Sri Lanka. In Sri Lanka, out of the consumers shopping from supermarkets, only about 33 per cent procure their vegetables from the supermarket outlets, while others prefer to procure their vegetables from traditional retail outlets (Wickramarachchi, 2004).

Although, the supermarkets are expanding day by day with the changes of supply chains, to date, no research has been conducted to understand the characteristics of supermarket supply chain system and their limitations with respect to procurement and distribution practices in marketing of vegetables. Further, there is no proper study to understand the implications on farmers in supplying vegetables to supermarkets. Do farmers get additional benefits such as higher producer price etc, compared to the traditional marketing channels? Are their vegetables priced at a competitive level compared to traditional marketing channel? These are the issues and the

Hector Kobbekaduwa Agrarian Research and Training Institute has decided to conduct this study to realize the present situation of supermarket procurement and distribution practices and its effect on vegetable farmers in Sri Lanka.

The specific objectives of the study are:

- ◆ To understand the characteristics of supermarket supply chain systems and their limitations in marketing vegetables.
- ◆ To identify the implications on vegetable farmers in supplying vegetables to supermarkets.
- ◆ To compare the farmers' view in supplying vegetables to supermarkets against that of conventional marketing channels.
- ◆ To analyse the variation of retail prices of vegetables at different supermarkets and conventional retail markets.

The study methodology includes reviews of literature, key informant discussions and a questionnaire survey. The questionnaire survey will be conducted in the Nuwara Eliya, Bandarawela and Thambuththegama areas and the total sample size is 200 farmers.

The research team consists of Ms. Ruvini Vidanapathirana (Co-ordinator), Mr. W.H.D. Priyadarshana (Co-researcher) and Ms. Roshini Rambukwella (Co-researcher).

THE STATUS OF TECHNOLOGY TRANSFER IN THE SMALLHOLDING AGRICULTURE SECTOR: A CASE OF NORTH CENTRAL PROVINCE

It is the dissemination and adoption of appropriate technology and information that provide the foundation for global competitiveness of our agriculture. This requires new knowledge and technologies to be assimilated, objectively evaluated, systematically transferred to end-users and rightly

altered in accordance with the feedback from subsequent field application by the end users, the farmers.

In the recent past, there were hardly any attempts to study the micro level situation of the extension function at the grass-roots level. This has created a huge vacuum of vital information pertaining to the technology transfer process. For instance, there is no proper understanding of the resource constraints that affected the technology transfer process under each extension management system and how extension organization worked with the available physical and human resources during the recent past. There is also a shortage of information to confirm the means of channeling of the feedback to the source of technology, the frequency of receiving the feedback, the degree of incorporating the technology, the effectiveness of the two way process of information flow and the role played by different stakeholders in channeling the feedback to make appropriate modifications to the technologies so as to ensure wider adoption. Finally, what are the effective means of strengthening extension organization at the grass-roots level?

Thus, it has been a long-felt need to fill the above information gap which will help to maximize the resource use and minimize the risk of investment in agricultural research and extension as anticipated by the Extension and Training Division of the Department of Agriculture. With the main objective of assessing the present status and the effectiveness of technology transfer process in the smallholding agriculture sector in Sri Lanka, this research project is based on the North Central Province where all extension management systems are in practice.

The research team consists of Mrs. P.R. Weerakkody, (Co-ordinator) and Mrs. S.K.Kumara (Co-researcher).

Training Programmes

TRAINING PROGRAMME ON MARKETING EXTENSION

With the introduction of the open economy in 1977, several changes occurred in the economy of Sri Lanka.

The major effect of the open economy is the beginning of commercialization; especially in the industrial and service sectors. But, commercialization has not yet much affected the agriculture of the country. Since the agriculture has not been converted into a profit earning business within the context of open economy, income of the people who are engaged in agricultural activities is at a very lower level.

The present agricultural extension service is only production oriented even though it should also be marketing oriented. Accordingly, farmers try to increase the production without any concern on the market situation and the demand. As a result, production exceeds the demand. Then, the producer price will be lower than the cost of production. This is a critical issue faced by the present farmers. In order to overcome this problem, the agriculture should be transformed to a commercialized industry which fulfils the market demand and increases the profit of the farmer. Hence, the marketing extension service is an essential and timely feature which should be included in the agricultural extension service.

HARTI conducted this programme on the above subject matter with the purposes of enhancing the knowledge on the concept of marketing extension, emphasizing the need of creating mutual understanding between the farmer and the purchaser, investigating the ways and means of delivering market intelligence among farmers, developing forward and backward linkages aiming market participants whereby to improve supply chain management etc. The training programme which was for the Subject Matter Officers, Monitoring Officers and Agriculture Instructors who serve under the Department of Agriculture of the Sabaragamuwa province, was held at Balangoda from 20th-22nd April 2009.

Co-ordinators: Dr. L.P. Rupasena and Mr. R.M.R. Bandara.

TRAINING PROGRAMME ON NEW AND EMERGING CHALLENGES IN RURAL DEVELOPMENT FOR ADDRESSING POVERTY ALLEVIATION

In Sri Lanka, various types of rural development programmes such as Gamidiriya, Gama Neguma and Maga Neguma have been implemented aiming at rural development and poverty alleviation. These programmes are focussed on infrastructure development, enhancing income generating avenues and social empowerment. As a result, country has been able to reduce poverty to 15 per cent in 2006/07 from 23 per cent in 2002. Therefore, a forum to exchange ideas, knowledge and experience gained through these programmes is invaluable. Hence, the Commonwealth Secretariat and the Hector Kobbekaduwa Agrarian Research and Training Institute jointly organized this training programme to share the experience in implementing rural development programmes on poverty alleviation and to identify new and emerging challenges in implementing such programmes.

The training programme which was held from 18th-22nd May, 2009 in Polonnaruwa, was designed to enhance the knowledge of senior level officers who are involved in planning and implementing poverty focused rural development programmes. Participants comprised of academics and practitioners from government and non-government organizations. Each participant presented their experience in implementing rural development projects.

Co-ordinators: Dr. L.P. Rupasena and Mr. N.S.B. Epakanda

AWARENESS PROGRAMME ON THE PROBLEM OF MAIZE MARKETING

Maize has a growing demand as animal feed. Industry prefers to import maize due to lower price and assured supply. As a result, bulk of the requirement is fulfilled by imports. Therefore, the present government promoted maize cultivation under the accelerated food production programme known as *Api Wawamu Rata Nagamu* in order to save foreign exchange, increase income and employment in the rural sector. In the meantime, world market prices had gone up due to use of maize to produce bio-fuel as a result of high petroleum prices. Both internal and external factors led to increase maize cultivation. Accordingly, in *maha* 2008/09, the highest maize production was recorded. But the increased production created a huge problem of maize marketing; especially in Anuradhapura due to a failure of marketing mechanism followed by the private sector companies.

Hence, the current situation was studied by the MFPA division of HARTI and the data were collected through the rapid appraisal technique from the Central Bank of Anuradhapura, North Central Provincial Council, Department of Agriculture, farmers, traders and private sector companies. The report of the study was included the origin of the problem, analysis of the situation and remedies. The report was presented to the Board of Governors of HARTI to make them aware of the current situation and submitted to the Ministry of Agriculture.

Conducting of the field study and the preparation of the report were done by Mr. W.A.N. Wijesuriya and Mr. W.H.D. Priyadarshana (Research officers) and the report was presented by Dr. L.P. Rupasena (Deputy Director – Research).

FOOD COMMODITIES BULLETIN

The Marketing, Food Policy and Agri-business Division of HARTI issues a weekly Food Commodities Bulletin on every Friday providing wholesale and retail prices as well as supply information of food commodities. Subscription rates are as follows:

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Unsolicited information on agricultural research and development programmes implemented by other organizations is welcome and will be included under "MISCELLANY".

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