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Research Study No. 93 March, 1995

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FOREWORD

The palmyrah palm is a vital economic unit to the people of North and East as the coconut palm is to the rest of the Island. Nevertheless the tree is under utilised. Therefore the Palmyrah Development Board (PDB) intends to develop the palmyrah industry so as to obtain full benefits of the tree. In this regard a major bottleneck is the lack of basic information on the palmyrah sector. The PDB has identified a series of studies to be undertaken with the assistance of the UNDP to fill this void. This study attempts to fill the information gap related to marketing.

The study reveals the structure, conduct and performance of the palmyrah marketing sector. As stated, the marketing system remains at primary level because of the absence of market oriented production. The report stresses the importance of marketing extension to promote commercialized production.

The findings and policy implications of the study are expected to serve as a timely and useful data base for the PDB in planning the development of palmyrah industry. This report also serves as a useful reference work for those who intends study further.

Mr L P Rupasena, Head of the Marketing and Food Policy Division, was responsible for the writing of the report and Mr Athula Chandrasiri served as a consultant for the study.

The HARTI is grateful to the PDB for sponsoring this study.

Dr S G Samarasinghe
Director/HARTI

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L P Rupasena
Athula Chandrasiri

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CHAPTER ONE

INTRODUCTION

Sri Lanka has the second largest Palmyrah population in the world next to India; around 11 million palms covering an extent of over 60,650 acres of land. A sizable population, i.e., more than 99%, spreads in the Northern and Eastern provinces of the country. A large number of people in these areas depend directly or indirectly on the Palmyrah palm. Outside the Northern and Eastern Provinces, palmyrah trees are found mostly in two other districts, namely, Puttalam and Hambantota. It is essentially a dry zone crop grown in the drier areas of Sri Lanka.

Next to paddy, the crop that occupies the largest extent of land in the Jaffna District is Palmyrah. Approximately one third of the population in these districts, where more than 90% of the palmyrah palms are located, depends directly on the palmyrah tree for their livelihood. Jaffna District (including Kilinochchi) accounts for 66% of the total palm population as well as total acreage. When Jaffna (including Kilinochchi) Mullaitivu and Mannar Districts are taken together, the same figure is over 98% (Table 1.1).

The palmyrah palm is a natural tree which yields several products of economic importance. It is not grown but allowed to be grown as a natural crop. As every part of the tree can be used, it has been called "the tree of life" and "*Katpahatharu*", which denotes its immense usefulness to the life of the people, contributing in numerous ways to food and nutrition, shelter and fuel and income generating activities.

Two palm trees i.e. coconut and palmyrah, are treasures to the nation. What the coconut tree gives to the Southerners of the country, in an atmosphere of a more harder life, the palmyrah tree gives to the people of the North and East. Nevertheless, under-utilization of the palm is a continuing problem which happens to be the major contributing factor to the low level of the development of the palmyrah industry. It has been estimated that only 2 percent of palmyrah trees (out of about nearly 11 million trees) is being utilized for tapping in the Jaffna, Kilinochchi, Mullaitivu and Mannar Districts at present.

Table 1.1
Distribution of the Palmyrah Palm in Sri Lanka

Name of the District	Acreage	No. of Palms
Jaffna (including Kilinochchi)	40,000	7,300,000
Mannar	15,000	3,000,000
Mullaitivu	5,000	500,000
Trincomalee	250	50,000
Puttalam	250	50,000
Batticaloa	50	50,000
Vavunia	50	5,000
Hambantota	50	5,000
Total	60,650	10,960,000

Source : The Palmyrah Development Board.

Having identified the economic value of the tree and its under-utilization, the Government appointed a committee in 1972 to study the state of the Palmyrah Industry and make recommendations for its development. Based on a recommendation made by the committee, the Palmyrah Development Board (PDB) was established in 1978 with a view to systematically plan and develop the industry, from the cultivation stage to the consumption of palmyrah based products. Since then, the industry has been subjected to many changes and developments and the United Nations Development Programme (UNDP) has been assisting the PDB from 1990.

1.1 Problem Setting

With regard to the development of the palmyrah industry, a major constraint appears to be the lack of basic information on palmyrah and its products which is essential to make sound policy decisions. Therefore, the UNDP project emphasized the need to develop a data base and hence a series of studies have been suggested of which this study is one. Here an attempt is made to fill the information gap in relation to the marketing aspects.

It has been said that "there is a tremendous potential for exploiting palmyrah resources for employment, generation of income and production of export oriented goods with much national benefits". There is a steady domestic and export market for palmyrah based products. The potential to be tapped is vast and therefore a careful assessment of both the existing and the latent marketing situation is necessary.

1.2 Objectives of the Study

The general objective is to describe and analyze the existing marketing situation of palmyrah products. The specific objectives are;

I) to examine the present organization, operations and performance of the marketing system,
II) to investigate both the local and the export marketing potential, and
III) to suggest policy recommendations towards the improvement of the marketing of palmyrah products.

1.3 Research Methodology

The Rapid Marketing Appraisal (RMA) technique was used to collect information. The RMA technique involved in a series of interviews with personnel representing every segment of the marketing system. The sampling procedure used in the RMA is called the tracing approach, wherein the commodity is traced through various channels from each seller to his/her buyers. This process begins at the farm level and ends at the consumption level.

Due to inaccessibility to the Northern and Eastern districts, two districts, namely Hambantota and Puttalam were selected at the producer level and major producers were interviewed in November 1992. Subsequently, in order to give the facts of the study reality and solidity, information was gathered from the districts of Anuradhapura, Ampara, Trincomalee and Batticaloa as well during the months of August and September 1993. Having interviewed the producers of the above districts, marketing channels were identified and the key participants in each marketing channel were interviewed thereafter. In addition, the concerned officers of the Palmyrah Development Board, Sri Lanka Handicrafts Board and the Export Development Board were interviewed.

While the field interviews were taking place, a literature review was undertaken with a view of collecting historical data in order to facilitate analysis.

1.4 Limitations of the Study

The given time limits compelled the research team to conduct the field interviews within a very short period of time, even though a wide range of inter-related subjects had to be covered. The researchers could visit the study areas only once. As a result, one limiting factor in the data collected in this study was the difficulty in generating sufficient and reliable information at all levels; production, distribution and consumption. Persons and firms are not found specifically involved in palmyrah activities in the study areas, but at the outlets belong to the PDB.

Time related variables, such as monthly prices, quantities sold etc. for several years could not be collected through interviews. Even at the only sales outlet of the PDB "*Katpaham*", the required data was not available in detail. Despite its importance, at least a systematic recording of events; price changes, sales figures for different items separately etc., has been neglected. In a situation like this, one cannot establish a stable base for a comprehensive marketing study. As the adequate secondary data is also not available, a proper historical review on marketing aspects could not be pursued.

The study does not cover many districts located in the Northern province where more than 95% of palmyrah population exists. This can be considered as a serious limitation as far as the study is concerned. The prevailing physical conditions in these areas do not permit the functioning of normal activities. However, an attempt was made to obtain the co-operation of the University of Jaffna to collect information using under-graduates. This did not meet with success. Interviews held with various personnel who came from Jaffna recently, revealed that the current status of the marketing of palmyrah products is poor due to the disturbed situation prevailing there. Marketing channels are not operating right now and hence the various middlemen involved in the marketing chain are inactive. Nevertheless, a review of the pre-1983 era was possible with the help of available records and the limited interviews held for the purpose of comparison and analyzing the system. One has to admit that information and data of an active business is quite different from a sluggish one.

CHAPTER TWO

PRODUCTION CHARACTERISTICS

The palmyrah palm is not systematically cultivated and is allowed to grow on its own. The palm is concentrated in the Jaffna District (including Kilinochchi), and on a lesser scale in the Mannar District and on a limited scale in the Mullativu, Trincomalee, Puttalam, Batticaloa, Vavunia and Hambantota districts (Table 2.1).

Table 2.1
Palmyrah Population of Sri Lanka by District

Districts	Palms ('000)	%
Jaffna	7,300	66.60
Mannar	3,000	26.36
Mullaitivu	500	4.56
Trincomallee	50	0.46
Puttalam	50	0.46
Batticaloa	50	0.46
Vavuniya	5	0.05
Hambantota	5	0.05
Total	10,960	100.00

2.1 Type of Products

Palmyrah has a great capacity to produce several products of economic importance. It is said that every part of the tree; sap, pulp, tuber, fibre, timber and leaf can be used. The palmyrah palm is a multipurpose tree and it provides at least two basic human needs; food and shelter. All the products that can be generated from the tree can be broadly categorized into two groups;

I Edible products, and
II Non-edible products.

2.1.1 Edible Products

This group consists of three types of products.

I) sap products,
II) pulp products and
III) tuber products.

The juice is extracted by tapping the sap of the inflorescence (flower) and is mainly used to produce candy, treacle, jaggery, sugar candy and sugar, and after fermenting, toddy, arrack, vinegar and beer.

The pulp is extracted from the fruit and can be used to prepare cordials, jams, soft drinks, confectionery and dried pulp. Sun -dried pulp is an edible product known as *pinnattu*. This could be processed using treacle and spices to produce *panipinnattu*. The preserved pulp is now available in bottles to prepare edible items. *Panam* is a ready-to-serve drink which is prepared by using the pulp along with sugar, water and preservatives.

The tuber is produced from the seed and it gives products like *odiyal*, boiled *odiyal* and sweet *odiyal*. When the tuber (young shoot) is cleaned and dried it is called *kottaikilangu*. The boiled *odiyal* flour is used in the preparation of *Palm Posha*, *Laddu*, biscuits, cakes, *Pan-Opuff* (ready to serve as a breakfast meal) etc.

2.1.2 Non-edible Products

Non-edible products can be divided into four main categories based on the nature of the raw material.

I Leaf products,
II Fibre products,
III *Naar* products, and
IV Timber products.

Leaf products can be grouped into two classes;

I) Fancy items such as cake trays, covers for flower bouquets etc.
II) Utility items such as mats, hats, boxes, bags, baskets and fans.

Fibre is extracted from young palmyrah *pathal*. It is mainly used to make brushes. It has an international market.

Naar is extracted from the fibrous portion of the stalk of the palmyrah fronds. It can be used as an alternative for cane.

Palm timber is widely used as rafters and beams for houses.

2.2 Level of Production

The degree of development of palmyrah based products varies depending on several factors.

Some of them are :

1) Size and density of the palmyrah plantation,
2) Size of the human population,
3) Prevailing socio-economic and political conditions,
4) Availability of other economic resources; marketing facilities, technical know-how, credit and institutional support.

The first three factors have largely influenced the development of palmyrah based products in the districts of North and East recently. In the Hambantota District, the palmyrah industry remains at a marginal level mainly due to the limited tree population. It was observed that production is largely limited to a few products like mats and bags and also that only very few people have involved in producing them. Women who have been trained by the PDB to make decorative, value added items of handicrafts, reported that the lack of raw material is the principal cause for not continuing the work after receiving their training.

At present, in the Jaffna, Mullativu and Mannar districts, the production of toddy, arrack and jaggery and also tuber products is taking place, but the statistics are not available and marketing is somewhat secluded and done within the area itself.

In the Puttalam District, the development of the industry has been handicapped by the availability of other economic activities such as fishing, coconut plantation and cultivation of high valued cash crops like onions and chillies which are supposed to be more paying, while generating quick yields. At the time of investigation, it was found that most women in the Puttalam District who were involved in palmyrah based industries earlier are now engaged in onion processing activities and we were told that they can get one rupee per Kg, so that their income exceeds Rs.100.00 per day which is a more convenient way to get well above the possible income from the palmyrah industry. When more avenues are available people have a preference to select activities which pay more and carry higher benefits.

2.3 Nature of Production

As it is, basically the Palmyrah industry can be considered as a cottage industry. More than 90% of the industry consists of family labour (Chandrasiri, 1992). Hired labour is limited only to activities which require special skills. Also, the women who are involved in producing most of the palmyrah products do not consider it as their main economic activity because of its time consuming character and their low market value. It is only a part-time activity which brings them an additional income. Thus, the palmyrah industry has not yet established itself on a commercial basis. It is still characterized by traditional technology. As a household economic activity, the younger members of the family learn skills from the old. This tradition has been continuing from time immemorial. Due to the traditional technology that has been practiced throughout, the productivity is low, resulting in a higher unit cost. This results in it appearing less attractive to the people engaging in the palmyrah industry.

The PDB has taken steps to upgrade the technology associated with the palmyrah industry. Fibre production centres and handicraft training centres have been set up by the board in order to introduce modern technology. Young women are being trained in the handicraft training centres with the assistance of the National Design Centre. The researchers visited some of the training centres in Hambantota, Puttalam, Ampara, and Trincomalee to obtain first-hand information. This type of training, we believe, is essential because attractiveness or better appearance is a major determinant for the demand of handicrafts. However, the management system needs to be improved in the handicraft training centres as most of the places are not being properly maintained. Implementation of a regular monitoring mechanism and a target fixing procedure for each training centre would be appropriate policy instruments to increase the efficiency of their management.

The fibre production centers of the PDB appear to be operating efficiently. This may be due to the practice of making payments on a piecemeal basis which focuses extra attention on the workers. The researchers visited two fibre production centers to examine their activities.

There were 13 employees consisting of four on a permanent and the rest on a casual basis in the fibre production center at Anawasala in Kalpitiya set up in January 1991. The center produces around 100 kgs of fibre per day. The Uppuweli production center in Trincomalee was established in August 1993 and is operating with 22 casual employees of whom 16 are girls and 6 are boys. The center produces 50 kgs of fibre per day.

The major cost components of producing fibre are palmyrah leaf sheaths, labour and fuel (diesel), costing Rs. 18.00 per kg of fibre (Rs. 11.50 for sheaths, Rs. 5.50 for labour and one rupee for fuel).

On the production front there were 23 Palm Products Cooperative Societies in operation prior to 1983. Two Export Production Villages (EPVs), one in Chavakachcheri and the other in Point Pedro, have been set-up to produce quality fibre for export. The Palmyrah Research Institute was established in Kaithady, Jaffna and its scope has been expanded to that of a Resource Development Centre with the assistance of the UNDP. At one time bottled palmyrah arrack was popular even in Colombo. It appears to be that all palmyrah products have a good market. A series of steps, especially in the areas of structural and institutional adjustments required for the exploitation of palmyrah, were taken by the PDB, and basically the industry is on a sound footing and heading for gradual development. However, a lot has to be done in many spheres and especially in marketing.

Even after the PDB's activities of modernising the industry, leaf, *naar*, timber and tuber based products have remained as cottage industries, but sap, pulp and fibre based products seem to be fast becoming medium/large-scale industries. Civil disturbances which broke-out in 1983 in Northern and Eastern Provinces arrested almost all the development activities. This resulted in loss of lives, destruction of buildings, disruption of family and community organization and damage to infrastructural facilities. In this context both the production process and the marketing mechanism of palmyrah products came to an almost complete standstill.

CHAPTER THREE

MARKETING SYSTEM

Marketing includes all the activities which take place from production to consumption. In this process, different types of people who possess different types of skills, become involved in and perform certain inter-related activities and thereby contribute towards the operation of the marketing channels. These people have been called "fat ugly middlemen "by some critics. Nevertheless, as a group, they do perform a service for the functioning of the entire marketing system. They constitute an important link in the marketing chain. This whole process is called a "marketing system" and it can be broadly divided into three areas; 1) Marketing system organization, 2) Marketing system operation, and 3) Marketing system performance.

3.1. Marketing System Organization

The organization of the marketing system of palmyrah refers to the characteristics of the system participants, flows of commodity movements with their behaviour and the nature of competition. The marketing system organization for palmyrah products varies by location and type of product.

In locations where greater production takes place, obviously the marketing system is organized better than the other areas. More participants could be seen and hence producers have more options when selling their products. For example, the marketing system in the districts of North and East had been relatively better organized than those in other areas because production was widely concentrated. But, unfortunately the researchers did not have access to the marketing system that is prevailing in Jaffna or Mannar right now. At the time of the investigation, it was clearly observed that system participants were very limited in the districts of Hambantota, Batticaloa, Trincomalee, Ampara, Anuradhapura and Puttalam, because of lesser production. With regard to the type of production, marketing systems differs due to the nature of the respective commodity and the type of users. For example, marketing system organization for *Kottaikilangu* differs from that of fibre, where end-users are in cities like Colombo.

3.1.1 Market Participants

The size and character of the market participants vary at different levels; i.e. production, distribution, processing and consumption.

At the production level, producers are the market participants and they make products available to others. Palmyrah is more or less a family based industry. More than 90% of the labour needs is provided by the family itself (Chandrasiri, 1992). In general, low - income earning families are involved in the palmyrah industry. Another interesting feature is its gender bias; more women than men are involved in most of the activities except in toddy tapping and in the cutting of leaves. The majority of them are associated with the industry on a part time basis because it is only an additional income source to the family. Less than 20% of those who are engaged in palmyrah industry do so on a full time basis (Chandrasiri, 1992).

The number of producers directly depends on the volume of the production. In the Hambantota District palmyrah production has dropped significantly and hence producers are hardly seen. At the time of investigation, we were able to meet only six families. However, the situation in the Puttalam District was different. Unlike in Hambantota, there are palmyrah trees in plenty in Puttalam but the majority who had been engaged in palmyrah based activities earlier, have turned to more profitable agricultural activities. This again shows that palmyrah has become perhaps one of the most under-utilized resources in the Puttalam District. In the Nothern and Eastern parts of the country production of palmyrah based products takes place relatively on wider scale because of two reasons; for their own consumption and the possibility of selling in the producing area itself. Palmyrah products, especially edible ones, can be easily sold within the Tamil community itself because they are a part of their traditionally culinary habits.

Due to the established production system, there are palm products co-operative societies in the Nothern and Eastern provinces. These societies were initiated by toddy tappers in 1972 to organize the production and sale of toddy.

In Trincomalee, the Palm Products Co-operative Society consists of a membership of 200 toddy tappers. After 1974 the societies expanded their activities to include other products as well. In 1984 further development occurred with the establishing of a distillery to produce and distribute palmyrah arrack. However, at the time of investigation, the activities of the Palm Products Co-operative Society in Trincomalee were confined to the selling of toddy in the four taverns which they operate. In addition to the Palm Products Co-operative Societies, the PDA organized women's groups to take on the responsibility of handling in the respective areas of production.

3.1.2 Marketing Channels

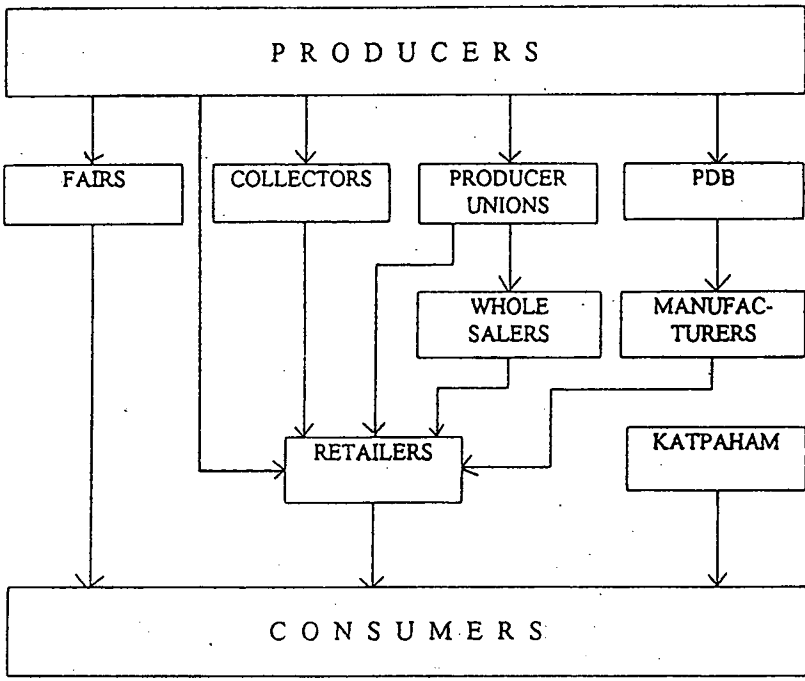
Marketing channels describe how the products move to the consumer from the producer. In general there are a number of ways in which a product moves to the end users. Figure 3.1 indicates, movements of palmyrah products from producer to consumer.

Direct selling to the consumers is common in the North and East in the case of food items, because the majority of the buyers are from neighbourhood localities. Generally buyers make advance orders with producers. As has been the tradition, there is a better understanding between the two parties. The opinion of the consumer is that the direct producer-consumer marketing system assures quality products. In minor producing areas of the Hambantota and Puttalam Districts, the prominent marketing channel for almost all products is directly selling to the consumer. In such areas, only a few families are involved in producing palmyrah items and very often they start work after an order is placed. In the Anuradhapura District, Palmyrah toddy is directly sold to the users; thus there is a direct producer- consumer relationship. Toddy tappers have built up a regular clientale and have secured their market.

The producer fair is the place where producers and buyers meet each other for transaction. In areas where fairs are held, producers take utility products and sell them to buyers. Buyers prefer to purchase such items at the fair rather than making orders personally with producers because they have a better selection and bargaining position. Producer fairs or rural markets

Figure 3.1

COMMODITY FLOW



seem to be the major as well as the most popular marketing outlet for palmyrah products.

In addition to producer fairs, palmyrah products, especially utility items, are available at consumer fairs where traders/retailers are the sellers and not the producers. During our field visit to Puttalam, it was observed that collectors were selling palmyrah utility items at fairs located at Arachchikattuwa, Wennappuwa and Marawila. Almost all traders were women and they visit producing villages frequently and collect the items.

With regard to palmyrah handicrafts, the most popular marketing channel is producer -------> collector -------> retailer -------> consumer. There is another group of diversified and established traders operating in these areas who are linked only through collectors. Hence, such traders do not have a direct connection with producers. In this way, the collector or the middleman come into the business. He makes the purchase from the producer and sell to the handicraft trader, keeping a margin.

As mentioned earlier, there are farm product cooperatives dealing with palmyrah items in the North and East. They basically handle the liquor products, namely bottled toddy and arrack and distribute it to the consumer through liquor agents and their own taverns. At the time of investigation in September 1993, the Palm Products Co-operative in Trincomalee purchased a bottle of toddy at the rate of Rs. 10.00 from the producer and sold it to the customer at a price of Rs. 15.00 through their taverns. Palmyrah liquor was not available in Colombo or Kandy during the survey period. The interviews held with the liquor dealers revealed that although it is a popular drink, the product has not been coming from the North for some years due to prevailing disturbances.

Palmyrah fibre is a raw material used by the brush making industry. Brush producing companies obtain the fibre through suppliers who collect it from the producers. At the time the survey was conducted, the marketing channel was not functioning due to the problems in these areas. Some brush manufacturers complained that they now have to get fibre from the PDB and the quantity is not adequate to run the business smoothly. The Heyleys

Company has imported 30 mt. of palmyrah fibre from India in 1992. Some companies substitute coconut fibre for palmyrah, which is a sub- standard raw material in terms of quality due to scarcity.

Institutional set-up in the marketing channel will be discussed separately under the sub heading "institutional power".

3.1.3 Nature of Competition

The marketing system for palmyrah products is not well established or organized mainly because of the absence of a commercial oriented production set-up. Food products are sold to the neighbours and there is no systematic price formulation. Prices vary without any acceptable foundation. This is prominent in the case of handicraft items too. In general, producers are unaware of the quality of the products. There is no mechanism to control or maintain quality. In commercialised production, especially when producing to the export market, it is extremely important to maintain a uniformity in quality. Information flow from the consumer to the producer is lacking although it is an extremely important aspect of a progressive production system. Under these circumstances a competitive environment cannot exist. A competitive business environment is neccessary to develop a marketing system with increasing efficiency.

3.2 Marketing System Operations

An assessment of the operation of an agricultural marketing system consists of understanding marketing functions and studying the behaviour of each type of firm towards its suppliers, buyers and competitors. Understanding marketing functions would help improve marketing efficiency. The main marketing functions found within a marketing system are exchange, physical distribution and facilitating.

Marketing functions associated with the palmyrah industry are not complicated, because the industry still remains more or less at the subsistence level. The surplus production is sold mainly in the neighbourhood itself. If the distance between the producer and the consumer is small, the marketing functions become limited and perhaps almost all the activities are carried out by the producer himself. The palmyrah industry runs with traditional technology and uses family labour extensively. Even functions like processing, in most cases, take place at home.

The exchange function, which mainly consists of buying and selling, is performed on an informal basis, especially at the producer level. In most cases the principal buyers at the farm level are consumers who live within the area itself. Therefore, pricing is not done systematically or scientifically. Another reason is that the cost of inputs is minimal.

Physical distribution functions, which include transporting, handling and storing, are less important due to the limited marketable surplus. The middlemen who collect products like fancy handicrafts take them to the retailer using public transport.

The marketing of palmyrah products remains at a rudimentary level. Hence, facilitating functions like market research, market information, standardization, quality control, packing and financing are hardly undertaken. Some steps have been taken by the PDB to improve the facilitating functions but, they are yet to be widely used by the market participants.

3.3 Marketing Efficiency

Marketing efficiency deals with evaluating the performance of the system. Two areas that have to be taken into account are pricing and operational efficiency. Pricing efficiency is measured by price differences by season and location. Operational efficiency is worked out by cost/returns. Due to the difficulties in obtaining adequate and reliable information, marketing efficiency could not be measured according to an acceptable form. Despite the importance, there is not a single study that has been carried out to deal with the subject up to now. It is clear that this has to be a separate research study.

Although there is no way of evaluating marketing efficiency without the required data, proxy variables can be used to understand the subject to some extent. Both producers and consumers are not happy with the prices they receive, which indicates the lack of marketing efficiency. As a result of getting low returns, producers, especially women, move away from the palmyrah industry . More profitable avenues for low income earning women are being developed. Establishment of garment factories and job opportunities opened in the Middle East countries are some of them. We found that women in the Puttalam district who were engaged in the palmyrah industry are now involved in red onion processing which gives a better income. For example, payments for red onion processing are made on piecemeal basis; i.e., one rupee per Kg. Accordingly, one can earn Rs.100.00/day on average. Women who make hats from palmyrah leaves can earn only Rs. 50.00 (two hats at a price of Rs.25.00/each) per day. On the other hand, consumers complain that the prices of palmyrah products are high compared to the prices of substitutes. Brush making companies have reported that the price of palmyrah fibre is so high that they cannot produce brushes to sell at an affordable price to the consumer.

This is ample evidence for the necessity of a systematic pricing system.

In order to achieve market efficiency, there are three pre- conditions;

(1) A large number of buyers and sellers,
(2) Free entry to the business, and
(3) Knowledge about markets.

Except for the second, the other two are absent in the palmyrah marketing set-up. Even in the case of the second condition, there are limitations; i.e. lack of market studies.

Considering the above facts, it can be argued that marketing aspects of the palmyrah industry do not function efficiently. However, an indepth analysis is needed to identify specifically where and why the inefficiencies prevail in order to develop remedies. In this regard a calculating exercise of market margins is required in order to obtain a break-down in the marketing costs showing the marketing spread in detail. But if marketing channels are not functioning properly and the personnel involved in marketing activities are out of business, reliable data and information cannot be collected for an accurate analysis. However, a systematic and timely collection and an interpretation of data with special insights from those who actually engage in producing, processing, distributing and consuming the commodities are extremely vital, but unfortunately this important exercise could not be launched in the field due to the prevailing disturbed conditions which were beyond researchers' control. Therefore, due to the above constraints, perhaps even the best research techniques available for this type of marketing study (as mentioned earlier) i.e., the Rapid Marketing Appraisal (RMA), could not be used properly and fully.

CHAPTER FOUR

INSTITUTIONAL POWER

Both the private sector and the state sector gets involved in the palmyrah industry at different times and in different ways. In chapter three we discussed, private sector engagement in the marketing system and here we review state sector involvement.

The PDB is the sole organization dealing with palmyrah development activities. The PDB was constituted by a Gazette notification on the 18th of August 1978, published in terms of Amendment, No. 24 of 1975 to the Sri Lanka Coconut Development Act No. 46 of 1971. The Board functioned initially under the Ministry of Plantation Industries and later was transferred to the Ministry of Regional Development. It was put under the Ministry of Plantation Industries once again in March, 1989.

The principal goal of the PDB is to develop Palmyrah based industries in a systematic and scientific manner in order to facilitate the optimum use of resources. A sub goal is to generate export earnings through palmyrah products. To achieve the expected goals, the board has formulated the following as objectives.

(1) to rehabilitate and enhance palmyrah cultivation and development,

(2) to enhance the production and utilization of palmyrah sap, fruit, fibre, leaf, timber and tuber based products,

(3) to promote purchase, sales and marketing of palmyrah based products both in the domestic and the external market, and

(4) to undertake development oriented research in respect of the palmyrah palm.

According to these objectives, the PDB directly involves in both production and marketing. Although the Board was initiated in 1978, its activities commenced in a broader sense only after 1981 when a Development Officer, a Production Officer and a Marketing Officer were appointed. The PDB's involvement in the industry can be broadly discussed under two headings; production and marketing.

4.1 Production

The Board has taken steps to increase the extent under palmyrah cultivation. Of these, the seed planting programme and the model estate programme are the most important. Under the seed planting programme, the number of seeds planted during the period 1982-1991 amounted to 2.56 million covering an extent of 6245 acres (Table 4.1).

Table 4.1
Palmyrah Seed Planting

Year	Acres	Seeds Planted ('000)
1982	550	220
1983	625	250
1984	875	350
1985	1250	500
1986	440	175
1987	250	100
1988	500	200
1989	650	260
1990	525	210
1991	580	290
Total	6245	2555

Source : Palmyrah Development Board.

One of the objectives of the Board is to increase the extent under palmyrah plantation. In order to achieve this objective, the Board implemented the Model Estate Programme. Information on the programme is given in Table 4.2.

The board also directly engages in producing various types of palmyrah based products. Fifteen production centres have been set up in the North and East and the major products are fruit drinks, jams, cordials, *pinnattu*, sugar, sugar candy, jaggery and treacle.

Table 4.2
Establishment of Model Estates

District	Place	Acres
Jaffna	Singai Nagar	500
	Mamanai	500
Vavuniya	Puliyankulam	10
Mannar	Naruvilkulam	50
Batticoloa	Rajadurai Farm	50
Hambantota	Weerawila	25
Total		1135

Source :Palmyrah Development Board.

With a view to promoting palmyrah based products, the PDB has opened production cum training centres. The training programmes are scheduled for a duration of three months. The National Apprenticeship Board (NAB) offers an allowance of Rs.450.00/month for a trainee. Under an UNDP project, the Board was able to get the assistance of the National Design Centre to include the teaching of new designs in the training programmes. This is very useful because the demand for products such as handicrafts is determined to a greater extent, by the attractiveness and the appearance of the products. The board has trained 8765 persons in the handicraft trade during the period 1982 - 1992 (Table 4.3).

Table 4.3
Training in Handicraft

Year	No. of persons
1982	400
1983	550
1984	475
1985	590
1986	650
1987	700
1988	750
1989	900
1990	975
1991	1200
1992	1575
Total	8765

Source : Palmyrah Development Board.

4.2 Marketing

The PDB is directly involved in marketing at all levels; producer, wholesale and retail. The PDB's marketing channel is shown in figure 1 on page .

At the producer level, the board collects items produced by trainees at centres, including fibre production centres. In addition, the Board purchases products from individual producers, especially from those who have been trained by the board. The producers' decision to sell to the Board depends on the price that is offered to them. If the open market price is higher, they will obviously go for it.

Wholesale trading is limited to a few items like liquor and fibre. Fibre is sold to brush manufacturers, both local and foreign. In the case of food items, the Board does not undertake wholesale trading.

The Board carries out retailing of palmyrah products through its retail outlets called "*Katpaham*". There are 14 outlets in the country. Other products, especially groceries, are also available at these outlets. The total turnover in 1992 exceeded 16 million rupees with 12.86 million rupees from Colombo alone (Table 4.4). Compared to sales of Rs. 5.19 million in 1990, an increase of more than 200 percent was witnessed in 1992. This clearly shows that the retail outlets of the PDB are becoming very popular among urban dwellers. However, actual sales of palmyrah products have decreased in the recent past. This is a matter to be concerned about as far as the main objectives are considered. Sales details of *Katpaham* (Colombo) which is the principal sales outlet of the PDB, are given in table 4.5.

This indicates that, although its name and popularity is associated with palmyrah products, in reality, *Katpaham* thrives on selling other items and not palmyrah products. During the years 1990 and 1991 the sale of palmyrah products has come down and the sale of other items has increased tremendously (by more than two fold). As nearly 80% of the total sales consists of other items, *Katpaham* has become another grocery store which is also selling palmyrah products. Sales figures suggest a lesser concentration on selling palmyrah products and a deterioration of supply sources and a break-down in marketing channels.

Table 4.4
Sales of *Katpahams* by Districts in 1992 (Rs)

Month	Colombo	Trinco	Batti	Vavuniya	Jaffna	Total
January	847,926.10	30,171.50	9,285.00	5,348.15	197,250.00	1,089,980.75
February	885,689.40	27,310.30	18,353.75	10,283.55	203,500.00	1,145,137.00
March	871,600.65	30,812.85	23,230.00	8,163.80	212,000.00	1,145,807.30
April	884,679.31	31,216.65	16,110.75	10,964.00	198,700.00	1,141,670.71
May	929,996.15	23,116.70	22,667.05	38,250.00	195,500.00	1,209,529.90
June	1,070,968.35	30,467.05	16,054.25	37,149.00	196,750.00	1,351,388.65
July	1,306,822.00	49,935.55	13,118.50	26,655.00	195,200.00	1,591,731.05
August	1,211,417.19	32,241.65	24,443.50	22,787.00	201,700.00	1,492,589.34
September	1,277,053.97	29,955.00	18,231.75	28,380.90	203,250.00	1,556,871.62
October	1,180,605.53	50,437.40	29,375.25	38,715.90	197,300.00	1,496,434.08
November	1,083,885.07	38,297.25	17,086.25	25,991.25	183,750.00	1,349,009.82
December	1,313,735.82	55,479.40	21,734.75	29,874.00	256,784.00	1,677,607.97
Total	12,864,379.54	429,441.30	229,690.80	282,562.55	2,441,684.00	16,247,758.19

Source : Palmyrah Development Board

As the sole authority in the development of the palmyrah industry in the country, the PDB has to spread the institutional power through a well inter-connected mechanism to cover the whole gamut of palmyrah cultivation, production and marketing. The institutional power executed by the PDB cannot be gauged due to the prevailing inaccessibility to the main producing areas and marketing channels.

Table 4.5
Value of sales, *Katpaham*, Colombo 1990 and 1991

Distribution	1990 Rs.	1991 Rs.
Palmyrah products	590,514	446,961
Other products	2,226,430	4,508,574
Total	2,816,944	4,955,535
% of palmyrah products to the total	20.96	9.02

Source : Palmyrah Development Board.

The PDB has opened a new retail outlet recently at the World Trade Centre (now the name has changed) to cater to the tourist. It is still too early to evaluate its performance. However, the new outlet would help promote external trading. The Board also attended various 'Export Promotion Fairs' organised by the Export Development Board (EDB) in major cities of the world and managed to obtain export orders for palmyrah products. Every indication supports the view that palmyrah products have a satisfactory export market, especially in the west (USA, EEC countries and Scandinavian countries), Japan and Australia. The PDB has to exploit the potential and organise production links to cater to that market efficiently and sufficiently.

CHAPTER FIVE

MARKET POTENTIAL

The Market is a place where suppliers and buyers meet together for transactions. Although the supplier has some influence on the consumer's choice, the consumer is the final decision maker in any transaction. Therefore, the market potential for a commodity is determined by consumer preference and by his behaviour. The factors affecting consumer demand are explained in economic theory. The price of the particular commodity, price of substitutes, income and consumer preference are described as the principal factors governing consumer demand. Thus, the above factors influence the market potential of a commodity. The relative importance of these factors depends on the nature of the commodity. In addition to these factors, population also affects the demand for a commodity as it expands with the growth of population.

This chapter discusses the relative importance of the above mentioned factors for palmyrah products in the domestic and international markets in order to assess the market potential. The domestic market situation will be discussed first.

5.1 Domestic Market

At present, production is mainly marketed domestically and the targeted consumers are mainly Tamils. Therefore, palmyrah products are widely sold in areas where the Tamil community predominates. In 1984, the Export Development Board (EDB) set up two Export Production Village companies (EPVs) to promote the production of palmyrah fibre for export. These EPVs are inactive at present due to the disturbed conditions prevailing in the North.

5.1.1 Price of Palmyrah Products and Substitutes

The price of the palmyrah product is crucial in determining demand because almost all the palmyrah products have substitutes at different levels. For example, coconut fibre for palmyrah fibre, cane sugar for palmyrah sugar and coconut liquor for palmyrah liquor. When there are close substitutes, the consumer reaction to the price change of a commodity is clearly visible, especially in a tight economic situation as experienced at present by the large majority of the population. If the price of a particular commodity rises, consumers generally go for cheaper substitutes resulting in a loss in the market share of the commodity concerned. At the time of investigation, we found that the price of palmyrah fibre was relatively high and some brush making companies tended to use substitutes, i.e. coconut fibre. In the case of other products like handicrafts, prices are almost similar to those of competitive products. Therefore, pricing would be a crucial factor in the marketing of palmyrah products.

5.1.2 Consumer Income

Income elasticity of demand, i.e., consumer reaction to demand in relation to change in income, is widely used to forecast market potential. If the income elasticity for a commodity is positive, there will be a growing market for the commodity. Evidence shows that income elasticities for fancy - handicrafts, liquor products and processed food items are positive. Thus, markets for such products would be assured and expected to grow over time. Interviews held with traders dealing with handicrafts and liquor products mentioned that their turnover has increased satisfactorily.

Table 5.1 shows an increase in the sale of handicrafts of LAKSALA during the 1989-1991 period. The turnover has gone up from 1.1 million to 2.7 million rupees within a period of 3 years. But the alarming and noteworthy feature is that except for palmyrah leaf handicrafts sales of other leaf based handicrafts have increased quite promisingly. The increase in sales especially of "*Gallaha*" products is tremendous. Why have only palmyrah leaf handicrafts suffered? The reason could be easily attributed to the shortage in supply. This is no doubt a crucial issue for the authorities to be concerned with.

Table 5.1
Sale of Selected Leaf Based Handicrafts,
LAKSALA 1989 - 1991

Product	1989	1990	1991
Wetakeya	417,933	435,671482,678	
Indikola	154,189	277,642361,570	
Gallaha	203,319	809,7851,292,987	
Palmyrah	106,435	131,770	78,384
Talipot	244,950	329,541	536,922
Total	1,126,826	1,984,4092,752,541	

Source : Sri Lanka Handicrafts Board (LAKSALA)

5.1.3 Consumer Preference

Palmyrah products are popular, especially among the Tamil community. Low income earning families consume food-items made of palmyrah. Similarly, there is a growing demand from urban consumers for processed food items. Interviews held with the Colombo *Katpaham*, indicated that the present supply is inadequate to meet the demand. The demand for processed food items appears to be increasing at a higher rate with the increase of the urban population.

The consumer survey reveals that some palmyrah products are superior to competitive products. Palmyrah fibre and utility items are among them. Palmyrah brushes are popular and they have a good demand because of the thickness of the fibre. Palmyrah utility items are preferred by consumers on account of their durability. Similarly, palmyrah arrack has special qualities and taste and those who have a liking for alcoholic beverages have a special preference for it.

In the case of fancy items, attractiveness is the most important factor in consumer selection. According to the traders, most customers who want to purchase souvenirs, have no idea of what they need when they enter the shop. They go for attractiveness and items with a good finish. It was found that in many instances palmyrah items lack this quality, adversely affecting demand.

5.1.4 Domestic Market Potential

The major palmyrah products have to be sold at food markets, handicraft markets, liquor market and fibre markets. All these markets appear to have expanded over time showing market potential. Marketing sources are affirmative with this opinion and show undeniable historical facts and figures to prove it.

As an average consumer spends more than 70% of his income on food items, the food market seems to be the largest. In Sri Lanka, nearly 50% of the population live below the officially accepted poverty line, reflecting a considerable demand for adequate food as income levels increase. As mentioned earlier the demand for processed food items increases with the expansion of the urban population.

At present, domestic production is inadequate to meet the local demand for many commodities. For example, the self- sufficiency rate in sugar production is less than 20% and thus sugar imports have increased over the years (Annex 1). Therefore, even a tremendous increase in palmyrah sugar production could find a ready market if the price and quality are comparable to cane sugar.

Sri Lanka has a growing market for wheat flour due to changes in food habits, especially towards meals that are easy to prepare and also less expensive. As a result, imports of wheat/wheat flour are on the increase (Annex 2). Depending on so many factors such as taste, supply, price, quality etc. commercial palmyrah starch could be a substitute for wheat flour at least among a section of the population.

Handicrafts are of two types; utility items and fancy items. Both markets are growing. Population growth and economic growth are the principal factors that help develop markets for utility items. Generally, the consumer attitude is changing towards natural products, leaving out synthetic goods. For instance, consumers prefer table-mats made of palmyrah leaves to synthetic ones. The market for fancy items is growing mainly due to the development of tourism and the increase in travel by Sri Lankans.

The liquor market is expanding all over the world and Sri Lanka is no exception. According to records, liquor consumption has increased at a high rate in the recent past (Table 5.2). Table 5.2 shows a steady increase in the production and consumption of alcoholic beverages. Since this data relate only to the recorded formal sector production and consumption, the actual figures could be very much higher than those given. Observers say that palmyrah toddy and arrack are very popular among liquor consumers and that they have a highly promising market. According to the information given by the Palm Products Co-operative in Trincomalee, palmyrah toddy sales are increasing over time. Average daily sales of 2000-3000 bottles are recorded during the season (January to June).

Fibre is used to produce brushes. Hence, the demand for fibre depends on the demand for brushes. The supply is in-sufficient to meet the present demand and brush manufacturers have had to import fibre from India. Therefore, the market for brushes as well as for fibre is likely to expand. Furthermore, palmyrah fibre has a healthy export market.

Table 5.2
Production & Consumption of Legally Produced Alcoholic Beverages In Litres ('000)

Year	Variety: Arrack	Foreign liquor	Beer	Toddy
1963-64	12,658	-	-	24,858
1964-65	13,751	415	5,286	23,907
1965-66	13,763	515	5,064	22,023
1966-67	-	-	-	22,815
1968-69	17,767	415	9,817	19,933
1978	24,267	273	12,703	25,003
1980	26,635	363	14,283	28,982
1981	14,956	238	5,723	-
1982	18,465	213	7,404	19,299
1983	27,271	160	13,623	18,609
1984	27,487	339	8,052	14,014
1985	26,283	403	8,085	5,029
1986	31,163	-	7,195	3,700
1937	29,114	-	7,462	10,312
1988	33,926	354	9,028	7,748
1989	29,511	281	7,165	1,593
1990	37,244	513	7,981	1,228
1991	46,332	520	7,462	1,424

Source : Administration Reports of the Excise Commissioner, Colombo

Pectin is an another valuable by product which can be extracted from the palmyrah fruit pulp. Pectin has a market potential because it is imported at present. Since pectin imports have increased over time there is no doubt it has a growing market (Annex 3).

5.1.5 Constraints

The above facts reveal that market potential exists for palmyrah products. Nevertheless, the possibilities appear to be limited due to many reasons. The major reasons are:

(a) Producers are not market oriented but the product markets are highly competitive due to two reasons; (I) competitive environment under the open economic policy, and (II) the availability of substitutes for palmyrah products.

(b) Lack of market information and market research.

5.2 Export Market

Palmyrah trees are available in plenty in India, Sri Lanka, Indonesia, Thailand, Malaysia, Vietnam, Myanmar and in some parts of South Africa. Nevertheless, they are not fully utilized throughout the world. International trade is also limited to a few products like fibre and handicraft items. India is the largest producer as well as the largest exporter of palmyrah products in the world. The major importing countries are the developed countries. Fibre is mainly imported by Japan, U.S.A., U.K, Germany, Belgium and Poland, while Japan is the principal importer of handicraft items. If the country can march forward to establish a well-developed palmyrah industry, Sri Lanka can easily be a world leader in this sector.

5.2.1 Export Potential

Palmyrah fibre, leaf and timber based handicrafts and palmyrah pulp based products have been identified as potential export products (National Export Development Plan, 1990-94, E.D.B). Palmyrah fibre is used to manufacture brushes which have a growing demand in the world. Many developed countries like Japan, Australia and European countries use palmyrah brushes to clean their machines because synthetic brushes run the risk of melting at certain temperatures. Also, palmyrah brushes are used widely in cleaning vehicles. Since the Auto-mobile industry is ever-expanding, the demand for palmyrah fibre would also increase. Due to the high quality of palmyrah fibre, the U.K. is increasing its fibre imports from India by about 07% every year. The Heyleys Company in Sri Lanka exports brushes made of palmyrah fibre mainly to European countries and its exports have increased by about 05% annually.

There is a market potential for handicraft items in Japan. Local traders reported that there is a good demand for palmyrah trays and "*Hambili*" (purses) from Japanese tourists. In countries like Malaysia, Thailand and Indonesia the handicrafts market is expanding. Therefore, markets could be developed in such countries. Once, Lakpahana Company Ltd., exported linen baskets made of palmyrah to the USA and the response had been extremely good. However, imports could not be continued due to the lack of adequate supply. The trend is that consumers in developed countries are now changing their preference from synthetic products to natural products. This seems to be a very encouraging sign as far as the future market for handicrafts is concerned. The authorities of the palmyrah industry should be in a position to grab this global change of attitude at once to the advantage of the country (our producers).

Fresh fruit juice based "Natural Health Drinks" have a big export market, in Western Europe and especially in Germany, Switzerland etc. Therefore, palmyrah based drinks like *panam - panam* could be exported to these countries if smooth and continuous production could be maintained. Quality and packing are the key words in this connection. The export market for all these products could be further explored. Export promotion activities and popularisation campaigns through advertisements and obtaining the assistance of our Embassies and High Commissions abroad may be desirable propositions in this regard.

5.2.2 Constraints

Although some palmyrah products have export potential possibilities, there are limitations too.

1. World market prices are lower than the domestic prices. For instance one Kilogram of fibre is selling at a price of more than Rs.50.00 in the domestic market. According to the Heyleys Company, c.i.f. price per Kg of good quality Indian palmyrah fibre is around Rs.40.00 in local currency. The lack of price competitiveness can be disastrous.

2. In case of handicrafts, Sri Lankan products are relatively poor in quality compared to other countries like India, Indonesia, Malaysia and Thailand. In these countries, the quality of handicrafts, their finish and appearance are very appealing and attractive.

3. Exploitation of the potential export markets; lack of attention to this important aspect seems to be a big constraint.

4. Lack of export market oriented research.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

The palmyrah industry is not a growing industry at present. Due to reasons that were avoidable and mostly man-made many people have abandoned the palmyrah industry. Consequently, under-utilization has become an acute problem. Nevertheless, it is found that the market potential for palmyrah products both in the domestic and international markets is quite promising. In this chapter, an effort is made to offer suggestions to uplift the palmyrah industry (especially marketing), based on the limited information and data gathered.

1) The Palmyrah industry remains at a subsistence level. Hence, production is not market oriented. Those involved in the industry produce what they can and try to find markets for the excess after consumption. This production process requires a change to enable the producer to get an additional income on a regular basis through the palmyrah tree. Producers should be educated and trained to produce what consumers want and not to continue the present system where they produce what they can. The PDB has to develop a marketing extension programme to shift from the subsistence production level to what we call the "commercial type of production". In short, a market oriented production system has to be developed.

   The marketing extension programme should be able to address the following questions:

   a) What should be produced?
   b) How should it be produced?
   c) When and where to sell ?

   A process of collection and dissemination of market information is required to answer the above questions correctly. At present there is no market information system which is an essential in commercial production (Fig. 6.1). A capable and an active Marketing Division in the PDB should be created to handle the entire marketing system with authority.

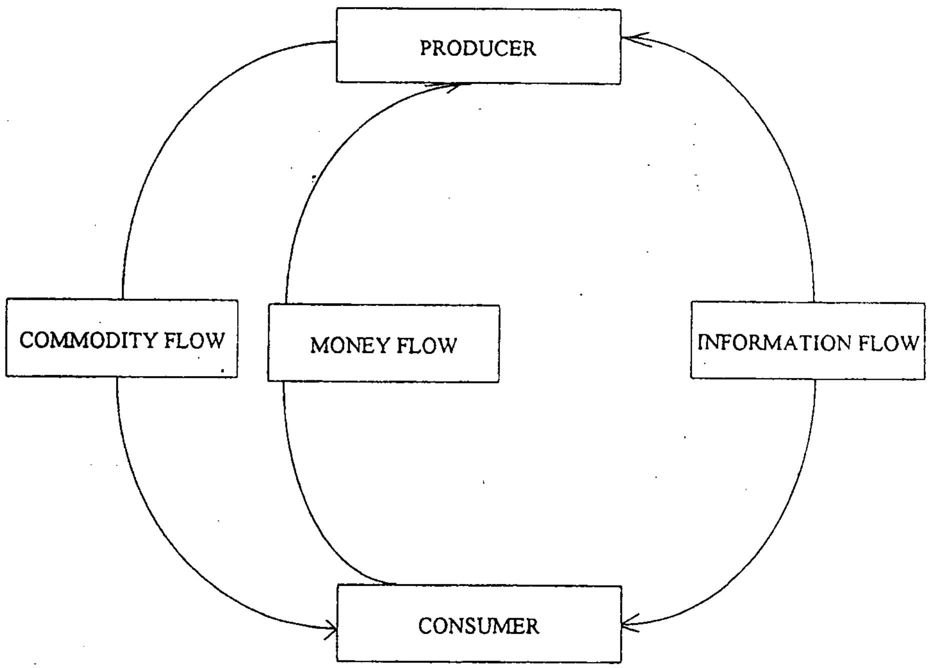
2) Market possibilities, both domestic as well as international have been limited mainly due to high prices as a result of higher unit cost. Production takes place using family labour with traditional technology. Thus the production activities of the palmyrah industry are difficult and time consuming. Therefore, attractive returns have to be planned and executed in order to keep people within the trade and to uplift the industry. Establishing small industrial units as cottage industries and introducing appropriate technology with suitable small machinery are stressed.

Mechanization of the industry is an appropriate policy to increase returns by reducing unit cost and increasing productivity. For instance, the amount of pulp extracted mechanically is 25 times more and the cost of extraction is reduced by as much as three fold (Prof. Balasubramaniam, 1992). The PDB has already worked on these lines with the assistance of the University of Jaffna and the CISIR and shown good results. Nevertheless mechanization at the producer level is very low and slow. It seems to be difficult to develop mechanization on an individual basis because of lesser production and financial problems. Therefore, mechanization can be implemented by organizing small production units under the umbrella of the Palmyrah Producers' Association.

3) The marketing system for palmyrah products does not work efficiently mainly due to the poor facilitative functions of marketing (grading, standardization, market research, credit, market promotion, risk bearing, etc.). At the time of investigation we found that consumers are unaware of products that have been newly developed by the PDB. Consumer decisions could be changed through market promotion programmes like advertisements and popularisation campaigns. Palmyrah products have high nutritional value but the consumer is totally unaware of this. Research and laboratory findings are confined to a small cell. Due to the absence of a grading and standardization system, product promotion has been limited. The facilitative functions

Figure 6.1

MARKETING FLOWS FOR PALMYRAH PRODUCTS



have to be improved in order to have a smooth marketing system. In general, the private sector does not like to invest on palmyrah industry because of high cost and low returns. Improvement of facilitating functions in the marketing system may be a very healthy incentive to attract private investors which will undoubtedly help to boost the industry. A fundamental requirement is the need for substantial investment to increase production and productivity. At the moment most edible products are at an experimental stage. Products have just been introduced to the market and are not freely available. Therefore, one cannot estimate or forecast the market, but simply can say that there is a potential market for these products.

4) The PDB undertakes exchange functions of marketing such as the buying and selling of palmyrah products. However, the level of efficiency is unknown because of the lack of data. "*Katpaham*" is the sales outlet of the board. It is required to maintain separate accounts for each category in order to examine efficiency. This however, has not been done. The Marketing Division of the board should take the responsibility of running all *Katpahams* efficiently. If not, their survival is questionable under the present open economic policy. One important thing that has to be kept in mind in this regard is that the real success of *Katpaham* depends on how it promotes and increases the sales of palmyrah products to earn higher incomes and profits, because *Katpaham* was meant for that purpose. As the present trend in the sales of palmyrah products does not show a satisfactory progress, '*katpaham*' has to be reorganised and rejuvenated in order to achieve the main objective.

5) The *katpahams* sell many products in addition to the Palmyrah products. By doing so, the number of customers has been increased. Nevertheless, wholesale trading is not undertaken by the *Katpahams*. In India, more than 90% of sales of palmyrah takes place on a wholesale basis. Most of the retailers in Wellawatta complained that the *Katpaham* does not sell products on a wholesale basis. Some consumers in Wellawatta area mentioned that they want to buy palmyrah products but they are not available in the vicinity. It is worthwhile for *Katpahams* to consider the suggestion of undertaking wholesale trading in addition to retailing.

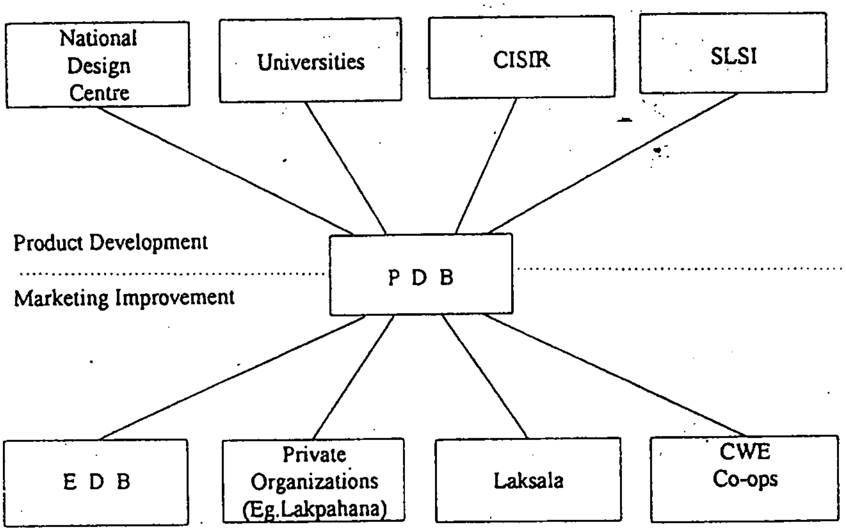
6) Training cum production centres that are controlled by the PDB need to be investigated with a view to calculate costs/returns. At the time of the field investigation, it was found that the centres in Hambantota and Puttalam are not engaged in productive work. Trainees are attending classes in order to get the allowance of Rs.450.00/month paid by the NAB. There is no plan to absorb the trained people into the production system or to give some sort of assistance in getting employment, self-employment or otherwise, for them. This might be the reason why the trainees do not continue to work in the industry after training. It may be useful to carry out a study to find out how many are involved in the palmyrah industry after obtaining training at state expanse. If a majority is leaving the industry the effort would seem to be futile and the result would be only the cost and no returns. A change is suggested on the lines of establishing a system of absorbing the trainees into the production process.

7) Institutional power and ability may be used to improve supply/production sources and to have a clear marketing channel. The PDB should have a closer relationship with other trading agencies like LAKSALA, LAKPAHANA, LAKMEDURA etc. for marketing arrangements for handicrafts, Heyleys for fibre; University of Jaffna and CISIR for research work and the EDB for exports. Wholesale trading may be a possibility with those NGOs which help producers. The PDB can play a role of a "worthwhile link". (Fig.6.2).

8) The programme formulated by the PDB to grow palmyrah under other plantations is important, because, planting of palmyrah on a single crop basis is not economically viable. This programme needs to be strengthened further. Possibilities should be examined to get marginal lands from the Presidential Task Force on National Land Utilization and Distribution. It is an additional advantage if palmyrah can be grown on less fertile marginal lands in those drier districts where palmyrah tree is easily propagated.

Figure 6.2

INSTITUTIONAL POWER



9) It is advisable to develop domestic marketing before entering the international market because production takes place on a small scale. Further, attempts at exporting without proper experience in domestic marketing is bound to fail. Identification of target groups or target markets is important for a successful marketing programme. First, due to obvious reasons the target group of consumers would be the Tamil community. Attempts should be made to find markets in the hill country/plantation sector where more Tamil people live. A potential target market for palmyrah liquor would be the estate sector, because the highest consumption of toddy and arrack has been observed in that sector (Table 6.1). Including palmyrah food products in the mid-day school meal programme in the Tamil areas is also a possibility. Palmyrah based food and drink products should not be confined to Tamil people but must be popularised among other sectors as well in order to expand the local market.

10) The PDB has undertaken research and experiments over the years and identified the economic importance of palmyrah products and their great potential. Now the main focus must be on the improvement of production and setting up the marketing channels properly. As at present without increasing production with quality products, attempts in other spheres would be meaningless or less attractive. In the first place, to organize and operate marketing channels, there should be a sufficient flow of production.

11) Fibre, leaf and timber based handicrafts and pulp based products have been identified as items with export potential by the EDB. Although India is the principal exporter of palmyrah fibre in the world, palmyrah fibre from Sri Lanka is of better quality since it is of "prime stiff type". As the best export potential lies with fibre, a greater concentration should be placed on it. India is exporting fibre to 33 countries and therefore there is a good possibility of finding international markets. It has been found that 5 MT of good quality fibre could be produced monthly for the export market. This target has to be regularised and kept increasing.

Export markets should be carefully selected. It can make the difference between success and failure in exporting. Manufacturing quality products is a must for the export market. Applying a permanent quality control system therefore, is strongly suggested. Even in a small scale, undertaking export oriented marketing research is important. Identifying attractive export markets, estimating the export potential for different products, characteristics of demand, consumer requirements, social differences etc. have to be seriously studied and evaluated in this connection.

Table 6.1
Per Capita Consumption of Liquor per year (ml)

Items	1973	1978/79	1981/82	1986/87
Toddy All	3105	3510	2174.40	1573.20
Urban	2025	1800	924.00	340.80
Rural	3240	3600	2379.60	1510.80
Estate	4140	7470	3498.00	4947.60
Arrack All	450	900	303.60	435.60
Urban	540	630	487.20	834.00
Rural	360	990	220.00	259.20
Estate	990	1350	681.60	1166.40
Beer All	45	90	7.20	15.60
Urban	180	180	18.00	55.20
Rural	-	90	3.60	4.80
Estate	135	90	27.60	22.80
Whisky/Brandy/Gin				
All	-	-	-	4.80
Urban	-	-	-	8.40
Rural	-	-	-	4.80
Estate	-	-	-	-
Kassippu				
All	-	450	381.60	698.40
Urban	-	180	273.60	775.20
Rural	-	630	426.00	736.80
Estate	-	360	196.80	164.40

Source : Various Issues of Consumer Finance Surveys Central Bank of Sri Lanka.

Annex 1

Sugar Imports - 1970-1992

Year	Qty. ('000)	Value (Rs. Million)
1970	283.20	169.6
1971	291.74	242.9
1972	226.54	247.8
1973	193.00	321.0
1974	67.76	189.9
1975	55.57	247.6
1976	24.41	63.6
1977	100.28	196.7
1978	175.97	619.8
1979	45.82	929.6
1980	208.57	1914.9
1981	237.80	2662.7
1982	122.62	927.1
1983	265.48	1677.3
1984	233.11	1192.6
1985	362.93	1870.0
1986	323.53	1783.0
1987	340.09	2164.7
1988	318.96	2927.1
1989	320.06	4326.0
1990	305.00	5173.0
1991	358.40	5138.0
1992	370.05	4952.4

Source : Sri Lanka Customs

Annex II

Imports of Wheat 1972 - 1992

Year	Wheat grain		Wheat Flour	
	Qty. (mt)	Value (Rs. Mn)	Qty. (mt)	Value (Rs. Mn)
1970	29743	12.4	425272	260.1
1971	44261	23.3	322747	206.4
1972	102230	44.3	306208	192.9
1973	87336	60.7	402276	453.0
1974	81045	116.7	408200	856.4
1975	88979	136.0	438954	1002.0
1976	90277	144.6	330046	670.9
1977	119926	143.8	545375	871.2
1978	81458	136.3	631783	2191.8
1979	131478	295.8	475234	1690.4
1980	197051	553.6	370478	1785.7
1981	509949	1871.6	2890	24.8
1982	356509	1318.1	7188	58.8
1983	423548	1623.4	18720	104.7
1984	641208	1635.5	13783	24.9
1985	661647	2894.3	42225	203.0
1986	504898	2003.7	12839	87.9
1987	422273	1410.3	12341	93.4
1988	681098	2914.5	36728	302.0
1989	477494	2963.1	17025	174.3
1990	416850	2770.3	128736	1387.0
1991	454672	3358.6	43	1.4
1992	462307	2850.8	93	2.9

Source : Sri Lanka Customs.

Annex III

Imports of Pectin 1983 - 1992

Year	Qty. (Kg)	Value (Rs)
1983	6103	1174931
1984	28158	2532107
1985	13097	2356232
1986	13555	1987025
1987	30950	5731351
1988	14792	4442027
1989	11204	3585699
1990	13830	6015713
1991	13131	6309419
1992	10520	5753885

Source : Sri Lanka Customs

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1 Name of the institute was changed as Hector Kobbekaduwa Agrarian Research & Training Institute (HARTI) from February 1995.