

**POLICY OPTIONS FOR SUSTAINABLE PADDY FARMING:
SCOPE FOR LAND CONSOLIDATION IN SRI LANKA**

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Agricultural sectors in many developing countries in the world are characterized by small-scale farming. Many small holders do not earn a sufficient income from farming and poverty is predominant among the farmers in these countries. Recent trends in paddy farming indicate an increase in land area under cultivation, increase in small-scale farmers, stagnant paddy yields and reduction in real prices of paddy in Sri Lanka. These changes imply a reduction in real income from paddy farming over the years, especially among small-scale paddy farmers. Despite low returns, paddy farming still exists, probably because it is closely linked with the rural livelihood. However, the protection of paddy sector is difficult due to commitments with global and regional trade agreements and donor agencies.

Many developing countries have adopted a variety of strategies to increase incomes of the small-scale farmers. They include interventions in trade and marketing, and provision of irrigation and other inputs such as fertilizer and credit facilities at concessionary rates. This study examines scope of land consolidation as a strategy to increase the income from small-scale agriculture, using paddy farming in Sri Lanka as a case study. The specific objectives of this study are to assess the comparative advantage and to assess the financial profitability of paddy farming in Anuradhapura, Kurunegala and Gampaha districts by land size classes.

Comparative advantage of paddy farming using domestic resource cost (DRC) and financial profitability using Net Present Value (NPV) and Benefit Cost Ratio (BCR) were assessed. Primary data collected from a questionnaire survey conducted during Yala 2003 among 360 farmers in Anuradhapura, Kurunegala and Gampaha districts were used for the analysis. Contrary to other studies, results of this study show that Sri Lanka possesses a comparative advantage in producing paddy and it is still profitable to operate when it is practised in a large scale. Small-scale paddy farmers do not earn a sufficient income for farm families. Results also show that although there are significant regional differences in DRCs, NPVs and BCRs, the larger the extent, the higher the per-acre profits are and higher the comparative advantage is. Hence, it is concluded large-scale cultivation of paddy would be a sustainable venture in Sri Lanka. Therefore, it is suggested to consolidate lands by removing current land restrictions to achieve financial and economic gains.