Covid-19 & Agriculture in Asia-Pacific - Role of Mechanisation

Sri Lankan Context

Lasantha Wickremesooriya
President Agriculture Machinery & Manufacturers Association of Sri Lanka
Economic Impact to Sri Lanka

• **Decline of foreign exchange earners:**
  - Foreign employment remittances
  - Exports (Major Apparel & Textiles)
  - Tourism

• **Other significant sectors**
  - Construction & engineering
  - Retail & consumer
  - Banking & finance

Source: PwC Analysis, April 2020
Implications

Imports $>$ Exports = Trade Deficit

Fall in forex earnings increases BoP deficit

Erosion of foreign reserves → Pressure on ‘SL Rupee’

Government Introduces Import restrictions
Potential Risks Associated with Agriculture

Disconnected Logistics & Transportation

- Lack of Agricultural Inputs
- Shortage of Labour
- Interrupted Trade
- Unable to Sell Products

Delayed or Postponed Agricultural Production

- Food Waste
- Social Instability
  - Food Insecurity
  - Decline in Income
  - Decreased Purchasing Power

Country Lockdown & Quarantine
<table>
<thead>
<tr>
<th>Date Range</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>17th Mar - 31st Mar</td>
<td>Tail end of ‘Maha’ Harvesting</td>
</tr>
<tr>
<td>1st April - 30th Apr</td>
<td>Commencement of ‘Yala’ Cultivation Season</td>
</tr>
<tr>
<td>1st May - 31st May</td>
<td></td>
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<tr>
<td>To 6th June</td>
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</tbody>
</table>

**Covid-19 : Lock down period: 17th March to 6th June**
# Agriculture – Farmer’s Perspective

<table>
<thead>
<tr>
<th>Production factor</th>
<th>Difficulties</th>
<th>Implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultivation operations</td>
<td>No restrictions were imposed by the Government</td>
<td>None</td>
</tr>
<tr>
<td>Maintenance Support for Agri machinery</td>
<td>Delays experienced due to curfew restrictions</td>
<td>Some delays in machine downtime</td>
</tr>
<tr>
<td>Financing</td>
<td>• Repayment of seasonal instalments</td>
<td>• Pressured by Finance institutions to repay, farmers are in further debt with limited inflow of funds</td>
</tr>
<tr>
<td></td>
<td>• Inability to procure new machinery, due to non-granting of new facilities</td>
<td>• Affects productivity</td>
</tr>
<tr>
<td>Marketing of Produce</td>
<td>Disposing of harvest (Mostly fruit &amp; vegetables)</td>
<td>• Income reduction</td>
</tr>
</tbody>
</table>
## Agriculture – Agricultural Machinery Importer/Distributors Perspective

<table>
<thead>
<tr>
<th>Supply Chain</th>
<th>Difficulties</th>
<th>Implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incoming Logistics</td>
<td>Temporary suspension of imports</td>
<td>Delays in importing machinery &amp; parts for the new season</td>
</tr>
<tr>
<td>Operations</td>
<td>Inability to mobilise staff due to curfew restrictions</td>
<td>Delays in going to market</td>
</tr>
<tr>
<td>Output Logistics</td>
<td>Restricted distribution due to curfew restrictions</td>
<td>Delays in making products available in the market</td>
</tr>
</tbody>
</table>
| Sales & Services      | • Restrictions in staff mobilisation and travel restrictions  
                         • Inability to secure financing for machinery | • Delays in attending to service requirements  
                         • Inability to meet new demand / provide new machinery for farmers |
Positive Government response and policy support for agriculture

• Sri Lankan Government’s prioritised response to agriculture
  • Removed the barriers and allowed farmers to go about with their cultivation work, irrespective of the curfew
  • Mobilised the tri-services, state administration & private sector to ease logistics
• Government responded positively to AgMMA’s requests for certain relief measures on suspension items (parts)
• Suspended import of 16 agricultural crops (seeds & pulses) and are promoting the cultivation of same in the country
“Defeat Corona
Let’s Win the Food War”
Recommendations for agricultural mechanization

• Exporters of machinery to support our importers and comply with the Government regulation to provide 90 to 120 days credit for the relevant items

• Urgently promote farm machinery for the non-paddy segment as a matter of priority

• Such machinery should take into consideration;
  • That non-paddy segment involves small scale land holding (less than 2 hectares)
  • Female work force engaged in this sector and therefore gender friendly machinery
Recommendations for agricultural mechanization

• A sustainable solution for financing agri machinery in the long run

• Manufacturers to consider establishing assembly operations, storage facilities in proximity to markets; this will ease the pressure created in logistical issues, particularly when goods cross borders

• A contingency plan to face situations of similar nature in the future with the objective of minimising loss in food production
Thank You!

Contact details:
Email: lasantha.wick@gmail.com
Mobile: 00-94-711283533