

## **ASSESSMENT OF GOVERNMENT INTERVENTION ON POTATO, BIG ONION, RED ONION, CHILLI AND GROUND NUT**

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Crops like Potato, Big Onion, Red Onion, Chilli and Ground nut are major import substitutes in Sri Lanka. Importation of these crops creates competitive pressure on local producers. A study was conducted to analyze the government interventions, competitiveness and the level of protection for the above crops. The Policy Analysis Matrix (PAM) was used to analyze the competitiveness and degree of government intervention in production and imports of the above crops. Nominal Protection Coefficient on Output (NPCO), Nominal Protection Coefficient on Input (NPCI) and Effective Protection Coefficient (EPC) were used to evaluate the effects of the local policy intensives. The Domestic Resource Cost (DRC) ratio was calculated as an indicator of the international competitiveness of the products. The NPCO ratios of five crops were greater than one, indicating that the five production systems were protected. The NPCI values of Chilli (0.85) and Big onion (0.88) were less than one because the systems were subsidized by the policy. NPCI for Potato (1.61), Red onion (1.38) and Ground nut (1.14) were greater than one, because the systems were taxed by the policies. The EPC of all crops were greater than one showing the direct taxes on the product and the indirect taxes on tradable inputs have provided positive incentives to producers. The NPCO and EPC indicated positive protection to producers at the expense of the consumers. All the DRC ratios except Potato were less than one indicating a comparative advantage and an efficient allocation of domestic resources. Red onion and Big onion had the smallest DRC (0.31 and 0.56) for Chilli and 0.67 for Ground nut. Potato had the highest DRC (1.48) due to higher tradable input cost. There is still a higher scope to increase the production and profit in the future. Reforms there need to ensure better allocation of domestic resources according to comparative advantage of the country.

**Key words:** DRC, EPC, Import substitute, NPC, PAM