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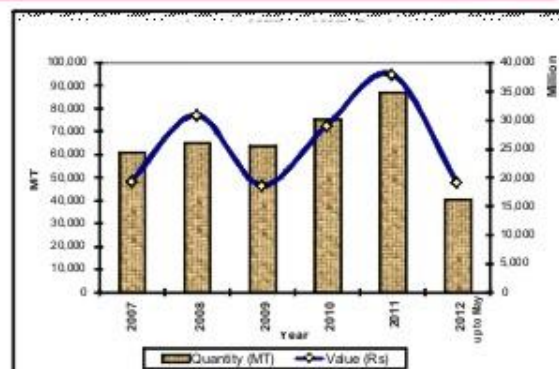


Figure 1: Import of Milk and Milk Products
2007-2012

1. Import of Milk and Milk Products

Among food of animal origin milk and milk products are the one of the main category imported in to the country. Full cream milk power is being imported to the country in larger quantities due to high demand and inadequate domestic supply of liquid milk.

Total imports and the value of milk and milk products from year 2007 to 2012 (up to May) are shown below:

Table 1. Import of Milk and Milk Products

Year	Quantity (MT)	Value (Rs)
2007	61,242	19,306,164,699
2008	65,376	30,849,032,659
2009	63,873	18,608,677,553
2010	75,483	29,029,486,785
2011	87,382	37,882,941,887
2012 up to May	40,435	19,160,960,954

Import of milk and milk products is still on an increasing trend. There had been an increase of import milk and milk products by 15.8 % (87,382 MT) 2011 when compared with year 2010 (75,483 MT). Despite that domestic milk production also has been increased by 15.8% (286,691,606 Lts) 2011 when compared with year 2010(247,554,000 Lts).

There was 40,435 MT of milk and milk product imports with a value of 19.2 billion Rupees in first five months (up to May) in 2012.

2. Assess Production Parameters and Cost Components in Egg Production

A survey was carried out by LPE Division of DAPH to assess production parameters and cost components of egg production in late 2011. This survey was conducted in North Western and Western Provinces. The survey included 64 farms in three districts namely Kurunegala, Puttalam and Gampaha according to the poultry population distribution. The sampling method was random stratified.

These parameters have been used to update the existing calculation model of cost of production of egg by LPE division.

Some of the important findings of this survey are summarized as follows:

Table 2 : Production Parameters of Eggs

No	Parameters	Average	
01	Age at onset of laying (wks)	17.8	
02	Age at maximum production (wks)	27.9	
03	Maximum production %	85.4	
04	Mortality (for the whole period)	Age below 6wks (%)	5.7
		Age 7-20 wks(%)	2.4
		Laying period (%)	4.4
05	Culling weight(Kg)	1.6	
06	Average culling age (Months)	23.4	

* Flock size Ranged from 800-1500 Birds

3. Farm - gate Prices and Supply and Demand of Table eggs

Farm gate prices of table eggs drastically dropped during early this year, even below the cost of production levels.

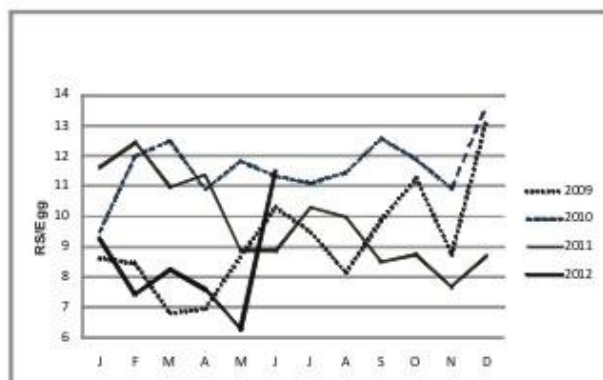


Figure 2: Farm gate price of brown eggs (Rs/egg) 2009-2012

Increased trends in layer parent stock imports over the recent years resulting significant growth in layer chick production and table egg production combined with low demand for table eggs than the anticipated levels could have contributed to this scenario.

Current cost of production of an egg is estimated to be around Rs. 10.00. Average farm gate price of eggs increased and recorded as Rs.11.50 in June. However, at the time of publishing this bulletin in July prices have dropped again towards Rs.8.50 to Rs 9.00/egg. It will be unhealthy situation in layer sector growth in future.

4. Maize Production in Sri Lanka

Animal feed industry in Sri Lanka is largely depended on maize as one of the main ingredients. Maize is used around 45-50% of compound animal feed production. Maize has been imported from several countries to produce animal feed for a long period. To retain the large amount of foreign exchange spent on import of maize, the government together with the private sector has taken steps to develop and expand maize cultivation in Sri Lanka. Currently maize is cultivated mainly in Anuradhapura, Monaragala, Ampara, Badulla, Batticaloa, Puttlam and Kurunegala districts. There is an important place for maize among the 23 main crops named by the Government.

Since 2009, the government imposed a 35 percent CEBS on maize, to discourage importation of maize.

Table 3: Procurement of layer parent stock, production of chicks and table eggs (2009-2012)

Category	2009	2010	Increase (%)	2011	Increase (%)	2012 (up to June)
Import of Layer Parent Stock ('000)	55.1	80.1	45.3	112.2	40.0	26.1
Production of Day-old Layer Chicks (pullets)	4.67	5.08	8.8	7.47	47.0	3.69
Estimated Production of Table Eggs (m)	1622.8	1384.8	-14.6	1711.24	23.5	1058.82

Maize production shows an inclining trend over the past decade (Figure 3). Even though the production has been dropped to 128,570 MT due to several flood situations occurred during 2010/2011 Maha season in the maize cultivating areas, the importation of maize also shows reduction over the past few years. (Figure 3)

Sri Lanka is nearly self-sufficient in maize at present. The country's total maize is 243,344 MT (animal feed production - 215,344 MT and human consumption - 28,000 MT). The estimated yield for maize in year 2012 is 216,194 MT. (Source: Crop Forecast Maha 2011/2012 - Dept. of Agriculture)

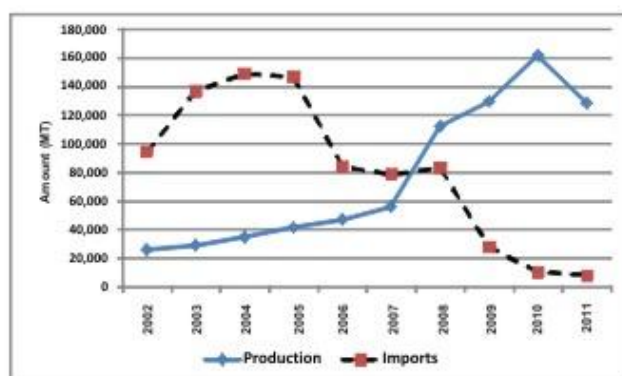


Figure 3: Production and Import of Maize (2002-2011)

Table 4: Production of Compounded Animal Feed

Year	Amount (MT)
2002	485,000
2003	498,313
2004	496,645
2005	518,365
2006	512,800
2007	536,358
2008	521,023
2009	488,760
2010	478,880
2011	681,928

Source: DAPH Annual Reports

Table 5 : Maize Production and Importation

Year	Production	Importation
	Amount (MT)	
2002	26,410	94,595.36
2003	29,650	136,697.61
2004	35,200	148,866.30
2005	41,800	146,928.74
2006	47,530	84,043.62
2007	56,438	78,757.68
2008	112,290	83,195.00
2009	129,710	28,033.80
2010	161,694	10,506.28
2011	128,570	8,244.00

Source : Dept. of Census and Statistics, Sri Lanka Customs

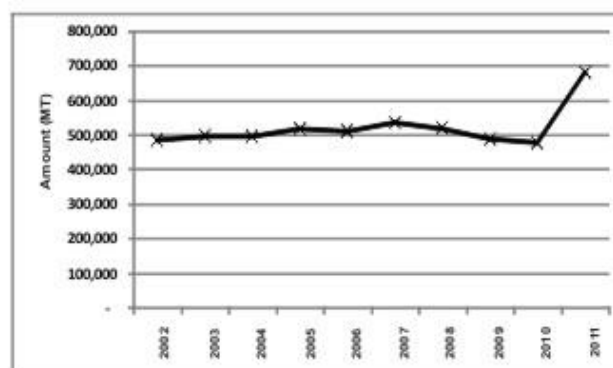


Figure 4: Total Compound Animal Feed Production

Generally compounded poultry feed production remains at a level of around 500,000 MT. However, in the year 2011 it had been drastically increased input a 681,928 due to the increase in day old chick production in the country. (Figure 4) This increase in DOC production has yielded sufficient production of chicken meat and eggs with relatively low prices.

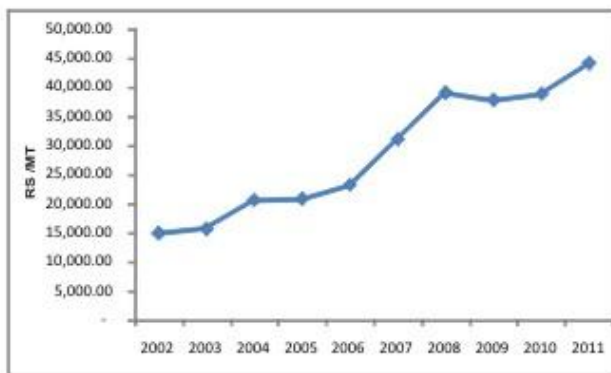


Figure 5: Local Market Price of Maize

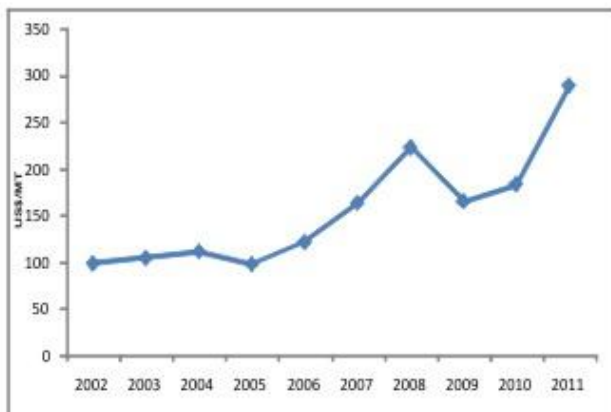


Figure 6: International Market Price of Maize

Local and International market price of maize has shown similar trend and increased by approximately 300% from 2002 to 2011. (Figure 5-6)

Above 90% of the total compound animal feed is produced for poultry industry. The Figure 7 illustrate the retail price of poultry feed during 2002 to 2011.

During this period (2002 to 2011) retail price of compound poultry feed has also increased by approximately 300%.

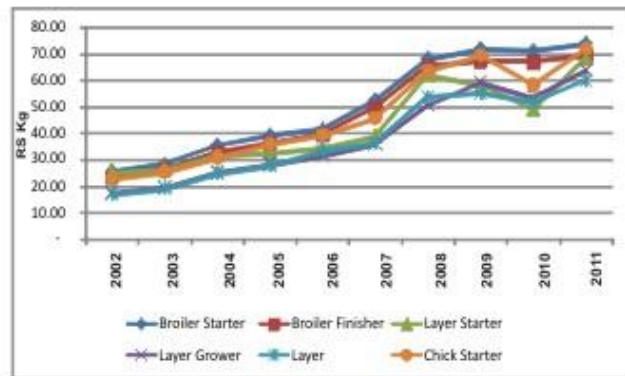


Figure 7: Poultry Feed Prices (2002-2011)

Cost of production of maize is currently Rs. 22.00. (Source: Dept. of Agriculture) Even though maize is produced locally, local market price of maize is maintained at a comparatively higher level in par with the international market price.

The productivity of maize is being enhanced by introducing new improved cultivars to the maize growing areas, and good post-harvest technologies to minimize wastages. Thus local market price of maize should necessarily be reduced in the future. Eventually it is anticipated to set low retail prices of animal feeds, leading to increase production of milk, meat and eggs at comparatively low prices.

Contributors

Dr (Ms) P.Wijewantha
Dr. K.M.H.G. Sarath Priyantha
Mr. P.S. Wijegunaratne
Mr. H.N. Samarakoon
Ms. R.K.K. Ranasinghe

Compilation:

Dr. K.M.H.G. Sarath Priyantha
 Assistant Director (Livestock Economics)

Editor:

Dr. (Ms)K.A.C.H.A. Kothalawala
 Livestock Economist

Livestock Planning and Economics Division
Department of Animal Production and Health
 Peradeniya
 Sri Lanka
 Tel/fax: 94 081 2388186 , Email: daphlpe@sltnet.lk