

GOVERNMENT TO LIFT THE BAN ON PALM OIL CULTIVATIONS**Key highlights**

Report date: 12.12.2023

The 2021 ban on oil palm cultivation in Sri Lanka stemmed from considerable concerns about its enduring environmental impact. These worries revolved around critical issues like soil erosion, depletion of natural springs, and the resulting negative effects on biodiversity and the well-being of local communities. Presently, there's a looming possibility of the ban being lifted due to the potential economic benefits it could offer. Here are the key highlights surrounding this contentious issue.

The latest development

Former Finance Minister Ravi Karunanayake suggests that the Sri Lankan government may lift the ban on palm oil cultivation, initially imposed by former President Gotabaya Rajapaksa in 2021. This potential reversal comes after discussions with the association of palm oil growers, who highlighted the adverse impact of the ban on livelihoods and emphasized the potential for palm oil to generate substantial foreign exchange revenue. Karunanayake indicated plans to consult experts and facilitate the revival of palm oil cultivation, aiming to lift the ban as early as January following discussions with President Ranil Wickremesinghe.

Counters with exposure to palm oil

9 counters have exposure to palm oil cultivations locally, the largest being WATA and NAMU. Some of these companies were moving to alternative crops or other strategic investments post the imposing of the ban. These counters would benefit from a possible lifting of the ban.

Company	Ticker	Cultivated area (Hectares)	Revenues (LKR 000)	Gross profit (LKR 000)
Watawala Plantations PLC	WATA.N	3,393	7,573,251	3,706,759
Namunukula Plantations PLC	NAMU.N	2,159	3,268,127	2,522,224
Aitken Spence Plantation Management PLC	ASPM.N	1,608	2,334,565	1,434,222
Elpitiya Plantation PLC	ELPL.N	1,589	2,334,565	1,272,746
Agalawatte Plantations PLC	AGAL.N	1,324	1,217,935	872,299
Kotagala Plantation PLC	KOTA.N	526	394,120	238,123
Horana Plantations PLC	HOPL.N	250	NA	NA
Kegalle Plantations PLC	KGAL.N	57	39,250	20,592
Bogawantalawa Tea Estates PLC	BOPL.N	NA	178,627	86,134

Source: Company reports, Ambeon Research estimates

A study by the Institute of Policy Studies revealed that Sri Lanka's palm oil industry plays a crucial role in saving roughly USD 17 million annually in foreign exchange outflows. It meets approximately 6% of the nation's demand for edible oil, while also creating employment for over 33,000 individuals and attracting a significant capital investment of LKR 23 billion. These statistics highlight the industry's substantial positive economic impact.

Key features of palm oil cultivations

As a commercial crop, palm oil has several benefits. Compared to some other oilseed crops, palm oil cultivation requires relatively less labor. Palm oil is renowned for its incredibly high productivity. It yields significantly more oil per hectare compared to other oilseed crops, typically producing between 4-10 times more oil per unit of land. This high yield efficiency makes it a sought-after oil for commercial cultivation. Palm oil trees are relatively resilient to various weather conditions, including droughts and high temperatures. Their adaptability to different climates contributes to their consistent productivity even in less favorable environmental conditions.

AMBEON SECURITIES (PVT) LIMITED

No: 10, 2nd Floor
 Gothami Road,
 Colombo 08,
 Sri Lanka.
 T : +94 11 532 8 100
 F : +94 11 532 8 177
 E: research@ambeonsecurities.lk

Sales Team

Charith Kamaladasa	Director/CEO	charithk@ambeonsecurities.lk
Niranjan Niles	Executive Director	niles@ambeonsecurities.lk
Romesh Kenny	Senior Manager Institutional Sales	romesh@ambeonsecurities.lk
Chinthaka Weeraratna	Senior Investment Advisor	chinthaka@ambeonsecurities.lk
Pasindu Yatawara	Senior Investment Advisor	pasindu@ambeonsecurities.lk

Research Team

Hansinee Beddage	Manager Investment Research	hansinee@ambeonsecurities.lk
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