



**Democratic Socialist Republic of Sri Lanka**

**STATEMENT OF CORPORATE INTENT  
NATIONAL LIVESTOCK DEVELOPMENT BOARD**

**Agreement between Ministry of Finance,  
Ministry of Agriculture, Livestock Development, Irrigation  
and Fisheries & Aquatic Resources Development  
and  
National Livestock Development Board**

**10<sup>th</sup> June 2019**

**Ministry of Finance**

**Colombo 01**

**Statement of Corporate Intent  
between  
Ministry of Finance, Ministry of Agriculture, Livestock Development,  
Irrigation & Fisheries & Aquatic Resources Development  
and  
National Livestock Development Board  
2019 - 2021**

This Statement of Corporate Intent is agreed between the Ministry responsible for the subject of Finance (hereinafter referred to as "Ministry of Finance") and the Ministry of Agriculture, Livestock Development, Irrigation & Fisheries & Aquatic Resources Development (hereinafter referred to as "Line Ministry") as one party, and the Board of Directors of the National Livestock Development Board (hereinafter referred to as "the Board"), a State Owned Enterprise (SOE), as the other party.

**WHEREAS**

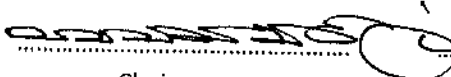
The Ministry of Finance and the Line Ministry are committed to clearly defining the working relationship between themselves and the National Livestock Development Board (NLDB) with a focus on performance;

The parties recognize the need for adequate and reasonable managerial and operational autonomy to facilitate achievement by the Board and Management of the NLDB of the agreed and freely negotiated performance targets set out in this Agreement with a shared objective to improve performance, efficiency and the quality of public services;

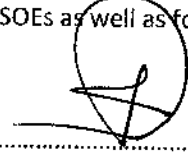
The parties are committed to improve the corporate governance of the NLDB and are desirous of enhancing transparency in the management of public resources and accountability for results;

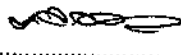
The Board and NLDB Management have indicated its capacity and competence to perform duties and undertake functions specified under this Agreement.

SCI shall be updated annually with the agreement of all the signing parties, to reflect the performance achieved in the past year and the updated performance targets for the next three years, making it a rolling and agile management tool for the SOEs as well as for the shareholders.

  
Chairman  
National Livestock Development  
Board  
**Prof. H. W. CYRIL**  
CHAIRMAN  
National Livestock Development Board  
No. 40, Nawala Road, Narahenpita,  
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.06.2019

**NATIONAL LIVESTOCK DEVELOPMENT BOARD  
STATEMENT OF CORPORATE INTENT  
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## EXECUTIVE SUMMARY

National Livestock Development Board is the largest semi-government organization which is involved with livestock breeding and production in the country. At the moment the NLDB maintains 29 livestock farms, 01 milk distribution & processing center and 01 farmer training center. The core livestock business of the NLDB is dairy farming and in addition to that, the Board involves with poultry breeding, commercial poultry, small ruminants & non-ruminants farming and processing of animal products, etc. Further, the Board maintains prime coconut estates also in the coconut triangle and mid-country as livestock-crop integrated farms.

The NLDB has mainly focused on the SCI to increase the availability of livestock & coconut production and value-added products of them within the period of the next 03 years. Neat cattle and buffalo milk production will be increased by 10%-14% against the current position by 2021 with improving reproduction performance and feeding. At the same time issue of breeding materials on neat cattle, buffalo, goat, sheep, and swine to the local farmers will be increased by 11%-28% by year 2021 against the current position as a result of improving reproduction performance of the breeding stock. Further as a result of more fresh milk production, the Board expects to increase value added products such as buffalo curd and milk toffee production by 4% and 15% respectively. As there is a big demand for UHT milk in the country, the Board has planned to increase the UHT milk production up to 130,000 liters per year by 2021.

All our products will be sold to the customers through NLDB and franchise shops comparatively at low prices. In addition to that, the Board has planned to issue a maximum number of livestock breeding materials at reasonable and affordable rates to the local farmers. The Board expects to enhance the socio-economic standards of the small scale livestock farmers by improving the existing production capacity of their farms through issuing quality breeding materials from NLDB. The forecasted financial and physical targets were prepared in order to fulfill the above objectives.

The overall effort of this process is to improve the nutritional level of our people and discourage the importation of livestock products to Sri Lanka which would save a lot of foreign exchange in the future.

## **1. INTRODUCTION**

### **1.1 Establishment**

The National Livestock Development Board was established in 1973 under the State Agricultural Corporation Act No. 11 of 1972. Its field operations commenced in 1974. The redefined functions of the Board in 1977 were aimed at arresting the diminishing trend in the national herd and to concentrate on an intensive upgrading program of cattle for the milk and to salvage as many breedable female cattle as possible. The broader objective of the Board is to uplift the socio-economic standards of the rural farmers. The many activities constitute the supply of breeding stock, to maintain and develop the Board's coconut plantations, production of value-added livestock and agricultural production and the education and training of farmers in the systems of integrated crop and livestock management. To meet these commitments the farms of the Board was geared to serve the farmers in varying agro-climatic regions while livestock breeding programs were also tailored to suit those climatic variations in different zones.

The lands vested in the government under the Land Reform Law were also handed over to the Board to establish farms for upgrading the indigenous herds to high producing dairy cattle. At present, about 4,545 Ha. of coconut lands in the coconut triangle have come under the scope of these activities. Upgrading of the cattle in the coconut triangle is carried out by cross-breeding the local animals to Sahiwal and European Breeds.

Further, during the year 1992 thirteen farms managed by the Department of Animal Production & Health (DAPH) were handed over to the Board. After the takeover of the Department of Animal Production & Health farms, the Board presently has a total of 12,520 Ha. of land.

These farms were financed starved and were in a run-down condition. The Board had to invest a colossal amount of money to resurrect these farms and as a result, the Board also faced liquidity problems. To fulfill these financial commitments the Board had to borrow from banks. Board owns large purebred herds of livestock in the country that could be considered as a national treasure.

### **1.2 Vision**

"To be the national producer of quality livestock and agricultural products for better living through Livestock."

### **1.3 Mission**

"NLDB is committed to foster the Livestock and dairy industry in the Island by developing quality breeding material, Livestock and agricultural products infusing new technology and innovations in due recognition of the national effort, making the country self-sufficient in Livestock and dairy products."

## **1.4 Core Business/ Principal Activities**

### **1.4.1 Livestock Activities**

To maintain optimum stocking rate with better livestock management practices using modern breeding techniques and the latest know-how in livestock management techniques to improve quality, Productivity and to minimize the cost of production.

#### **▪ Cattle & Buffaloes**

Dairy cattle and buffalos herds at Board's farms should receive special attention. Production per animal should be improved with better breeding, feeding and management techniques. Efficiency and the effectiveness in the cattle and buffalo projects should receive top priority. To achieve these objectives norms so set should be achieved. Further, from calving to breeding, management should be upgraded so that the cost of production of milk could be reduced and the quality of milk harvested could be increased. The ultimate objective of maintaining cattle and buffaloes at NLDB Farms is to issue quality-breeding material to farmers. As such, cattle and buffalo herds at board's farms should be managed efficiently and effectively.

#### **▪ Milk**

To bring about a reduction in the cost of production to be competitive in the market, using all the resources at our disposal and to Market fresh milk at all stalls opened for this purpose. Where ever possible to introduce value-added products to enhance the value of milk.

#### **▪ Curd**

To improve and increase the market share of curd by improving marketing through milk sales centers, franchise shops, and agents.

#### **▪ Chicks**

Maintain the standards and operate hatcheries at the optimum level to reduce the cost of production of hatching eggs and chicks in order to be competitive in the market adopting better marketing strategies.

#### **▪ Broiler**

To maintain only the existing broiler production units at NLDB Farms with better production and processing facilities. Any expansion will depend on Market forces.

#### **▪ Eggs**

To adopt better management practices and improve standards to reduce the cost of production at existing farms and produce eggs that could compete with other producers. Any expansion will depend on Market forces.

#### **▪ Sheep**

To introduce new blood by importing males, semen or embryos to develop the sheep projects as economically valuable entities. Board also aims to popularize sheep breeding in the Coconut Triangle of Sri Lanka. To achieve these objectives females will be issued to interested farmers.

- **Goats**

Goats are considered to be the poor man's cow. As such, it has a very important role to play in the rural economy. Board has identified selected Farms to improve Goat Farming and to achieve this objective large number of Goats will be imported or purchased locally and the existing stock upgraded, to offer farmers quality breeding material. Import of semen and embryos will be explored.

- **Pigs**

NLDB will continue to develop the pig industry by producing Piglings both for breeding and for fattening purposes. Three-way crosses will be issued as fatteners and periodically new blood should be infused to the parent stock, to maintain genotypic standards.

- **Franchise Shops**

To obtain a better price and to develop the market for farm products through franchise shops and agents will be appointed.

#### 1.4.2 Agricultural Activities

- **Coconuts**

To improve the coconut plantations new methods will be utilized. Technology and capital will be infused to obtain optimum productivity. In order to achieve this objective uprooting of old trees and replanting / under planting / new planting are being carried out every year. Further, drip irrigation where necessary will be introduced. Fertilizer application on differential fertilizer recommendations (DFR) approved by the Coconut Research Institute will be implemented.

- **Fruits and Vegetables**

Fruit crop namely Rambutan, Jack, Breadfruit, Durian, Cashew, Wood apple, Pineapple, Banana, Papaya, Mangoes, Beli, and vegetables will be cultivated in selected farms.

- **Plant Nurseries**

Particularly coconut nurseries will establish in NLDB farms to produce planting material for the "Forward Re/New planting Programme". Any excess coconut seedlings will be sold to outsiders as per the local demand.

### 1.4.3 Human Resource Activities

To create and maintain Human Resource force at an optimum level to utilize physical resources of the National Livestock Development Board efficiently and effectively to achieve its vision.

#### ▪ Training

The training centers will be geared to enhance knowledge of resource personnel and to train village level training personnel, Samurdhi Niyamakas and farmers to increase the productivity of their farming units.

#### ▪ On the Job Training Program

Board is also planning to train all management staff and lower ranks on different aspects of livestock/crop farming and farm management in order to inculcate up to date knowledge on subjects related to the above so that the staff will be able to cope up with latest trends and changing technology.

### 1.4.4 Financial Activities

Improving the availability of liquidity, reduction of overheads, eliminating waste through the improvements in the efficiency of the operational activities, to increase the financial status of the Board.

## 1.5 Market Share

Table 1: Current Market Share

Product	Cow Milk	Pullet Chick	Broiler Chick	Commercial Egg
Market Share	4.0%	6.0%	1.6%	9.0 %

Source: National Livestock Development Board



## 1.6 Performance of Past 10 years and Cadre Information

Table 2: Information to reflect the NLDB's size

Year	Non-Current Assets (Rs. Mn.)	Current Assets (Rs. Mn.)	Equity (Rs. Mn.)	Cadre No.	Livestock Population (No.)					
					Neat Cattle	Buffalos	Goat	Sheep	Swine	Poultry Parent Stock
2008	885.00	358.73	539.58	6,499	8,199	2,130	1,673	2,692	923	35,671
2009	911.04	320.93	513.48	2,457	8,621	2,191	1,656	2,956	1,514	30,951
2010	997.28	364.14	726.73	2,346	8,329	2,409	1,454	3,043	975	43,708
2011	1,234.08	422.49	988.90	2,267	8,068	2,534	945	3,411	1,439	40,138
2012	2,251.55	446.68	1,063.96	2,187	6,633	2,403	759	3,148	1,716	23,353
2013	2,988.93	453.36	997.09	2,139	7,295	2,080	776	4,358	764	25,750
2014	3,280.93	553.66	1,133.70	2,186	7,309	2,355	762	4,890	727	29,049
2015	5,980.90	619.82	1,116.96	2,145	10,556	2,408	794	4,626	1,090	36,162
2016	6,285.76	786.88	1,137.45	2,125	10,597	2,535	842	5,571	2,015	37,123
2017	5,775.42	628.88	281.15	2,083	10,683	2,734	919	6,712	1,549	38,968
2018	5,416.71	503.00	(293.38)	2,172	10,338	2,725	988	6,968	1,583	37,725

Source: National Livestock Development Board

Table 3: Past 10 Years Performance of NLDB 2009 - 2018

Description	Actual										Draft
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
<b>Financial (Rs. Mn)</b>											
Total Revenue	897	1,119	1,262	1,317	1,395	2,027	2,247	3,027	2,800	2,703	
Gross Profit	171	302	360	180	873	721	759	920	180	564	
Net profit before Tax	24	176	249	26	(86)	60	35	9	(872)	(511.5)	
<b>Operational</b>											
Neat Cattle Milk Production (Ltrs. Mn)	3.3	3.2	2.9	3.4	8.7	10.0	10.2	17.2	14.3	14.0	
Buffalo Milk (Ltrs. Mn)	0.64	0.68	0.64	0.68	0.7	0.77	0.80	0.7	0.63	0.67	
Broiler Chick Production (Mn)	1.79	1.77	2.33	1.95	1.69	1.80	1.96	2.44	2.24	2.40	
Pullet Chick Production (Mn)	0.28	0.48	0.57	0.33	0.23	0.28	0.22	0.32	0.40	0.60	
Coconut (Mn)	21.48	20.60	19.94	21.39	14.18	18.44	16.20	20.95	14.54	12.90	
Egg Production (Mn)	1.9	1.0	2.1	2.5	1.2	1.3	1.1	1.0	2.5	2.0	

Source: National Livestock Development Board

## 2. MACRO-ECONOMIC POLICY OF THE SECTOR

Increasing production and quality of livestock products to satisfy the local demand and to boost rural income with the objective of making our farmers capable to compete in local and international markets

*(Source: Public Investment Plan 2017-2020, Department of National Planning)*

### Key Strategies

- Uplift the living standards of the farmers and enhance the farm productivity providing quality breeding materials and other required inputs at reasonable rates.
- Strengthen and encourage private sector and public-private partnership involvement in production, processing, value addition and marketing of livestock products.
- Promote applied research and innovation of new technology for the livestock sector and maintain the quality standards of livestock products.
- Introduce modern technological interventions to increase production, productivity, profitability, and sustainability of livestock production systems.
- Increase sustainable usage of underutilized animal feed resources, introduce improved varieties of grass and fodder, and upgrade the quality of animal feed resources by using new technologies.
- Upgrade genetic potential by introducing appropriate technologies, preserve native animal germplasm and improve animal genetic resources for higher productivity.
- Strengthening livestock extension service and related farmer training.

## 3. GOALS OF NATIONAL LIVESTOCK DEVELOPMENT BOARD

**Goal 1:-** Maintenance of an optimum stocking rate with better livestock management practices using modern breeding technics and the latest know-how in livestock management technic to improve the quality of the herd.

**Goal 2:-** Introduction of new technology, expertise, capital with better management practices, to enhance the efficiency of products and improve the productivity of farms managed by the Board while increasing the existing market share with better marketing strategies to increase the profitability.

#### 4. OBJECTIVES OF NATIONAL LIVESTOCK DEVELOPMENT BOARD

Table 4 : Medium Term Objectives of the NLDB 2019-2021

Goals	Objectives
<p>1. Maintenance of an optimum stocking rate with better livestock management practices using modern breeding technics and the latest know-how in livestock management technic to improve the quality of the herd.</p>	<p>1. To increase the number of issuance of breeding materials to the local livestock farmers by the following rates from 2019-2021;</p> <ul style="list-style-type: none"> <li>▪ Cattle male -2%</li> <li>▪ Cattle female- 28%</li> <li>▪ Buffalo Male- 7%</li> <li>▪ Buffalo Female 12%</li> <li>▪ Goat - 42%</li> <li>▪ Sheep -11%</li> <li>▪ Swine- 13%</li> </ul>
<p>2. Introduction of new technology, expertise, capital with better management practices, to enhance the efficiency of products and improve the productivity of farms managed by the Board while increasing the existing market share with better marketing strategies to increase the profitability.</p>	<p>1. To increase the production of livestock products by following rates from 2019-2021;</p> <ul style="list-style-type: none"> <li>▪ Neat Cattle milk- 10%</li> <li>▪ Buffalo milk – 14%</li> <li>▪ Goat milk- 17%</li> <li>▪ Turkey chicks- 20%</li> <li>▪ Buffalo Curd- 4%</li> <li>▪ Milk toffee-15%</li> <li>▪ UHT milk- 18%</li> <li>▪ Coconut- 2%</li> </ul> <p>2. To increase the sale of livestock, agriculture and processed products through the NLDB, franchise outlets and as well as supermarkets from 2019-2021 by 17%.</p>

## 5. KEY PERFORMANCE INDICATORS (KPIs)

Table 5 : Production Targets of the NLDB for the Years 2019-2021

Strategic Objectives	KPIs	Unit of Measurement	Base Year 2018	Target			
				2019	2020	2021	
<b>Goal 1 - Objective 1</b>	<b>INPUT</b>						
<p>To increase the number of issuance of breeding materials to the local livestock farmers by following rates from 2019-2021</p> <p>Cattle male - 2% Cattle female - 28% Buffalo Male - 7% Buffalo Female - 12% Goat - 42% Sheep - 11% Swine- 13%</p>	<b>Animal Population /Herd Size</b>						
	Neat Cattle	No.	10,336	10,500	10,700	11,000	
	Buffalo	No.	2,632	2,700	2,750	2,800	
	Goat	No.	988	1,000	1,100	1,200	
	Sheep	No.	6,944	7,200	7,400	7,600	
	Swine	No.	1,583	1,600	1,700	1,800	
	Broiler breeders	No.	26,631	26,880	26,880	26,880	
	Layer Breeder	No.	11,087	11,000	11,000	11,000	
	Quails	No.	1,599	1,600	1,700	1,800	
	Turkey	No.	947	1,200	1,300	1,500	
	Country fowl	No.	1,494	1,500	1,600	1,700	
	<b>Pasture Cultivation</b>						
	Perennial	Ac.	283	1,300	1,300	1,300	
	Non- perennial	Ac.	2,228	2,700	2,700	2,700	
	<b>Importation of Semen</b>						
	Cattle semen	Doses	5,000	8,000	8,000	8,000	
	Sheep semen	Doses	1,000	-	1,000	-	
	Swine semen	Doses	300	-	300	-	
	<b>Quantity Fed to Animals</b>						
	Silage production	Mt.	3,188	6,000	6,000	6,000	
	<b>PROCESS</b>						
	<b>Births</b>						
Neat Cattle	No.	4,272	5,211	5,428	5,549		
Buffalo	No.	780	805	835	858		
Goat	No.	412	550	596	648		
Sheep	No.	2,640	3,270	3,438	3,636		
Swine	No.	3,734	8,422	9,027	9,408		
<b>OUTPUT</b>							
<b>Issue of Breeding Materials</b>							
Neat Cattle							
Male	No.	1,199	2,427	2,456	2,475		
Female	No.	337	509	519	654		
Buffalo							
Male	No.	320	382	397	408		

	Female	Nos.	18	130	126	146	
	Goat	Nos.	89	354	459	504	
	Sheep	Nos.	805	1435	1508	1595	
	Swine	Nos.	3,225	7,051	7,607	7,944	
<b>Goal 2 – Objective 1</b>							
<b>OUTPUT</b>							
To increase the production of livestock products by following rates from 2019 to 2021 N/C milk - 10% Bu. milk - 14% Goat milk - 17% Bu. Curd - 4% Milk toffee -15% UHT milk- 18% Coconut- 2%	Neat cattle milk production	Ltrs.Mn	14.0	14.4	15.2	15.89	
	Buffalo milk production	Ltrs.Mn	0.67	0.73	0.79	0.83	
	Goat milk production	Ltrs.	10,285	10,541	11,413	12,358	
	Commercial egg production	No. Mn	1.94	2.14	2.14	2.14	
	Broiler Day Old Chicks	No. Mn	2.17	2.52	2.52	2.52	
	Layer Day Old Chicks	No. Mn	0.558	0.576	0.576	0.576	
	<b>Processed Livestock &amp; Agricultural Products</b>						
	Buffalo curd	Ltrs.	398,511	405,000	414,000	423,000	
	Milk Toffee	Pkt.	185,849	200,000	215,000	230,000	
	UHT milk	Ltrs.	79,674	110,000	120,000	130,000	
Curry Pork	kg	2,830	16,000	16,000	16,000		
Leg cuts	kg		9,960	9,960	9,960		
Loin chops	kg		7,475	7,475	7,475		
Coconut oil	Ltrs.	10,390	27,000	27,000	27,000		
Coconut production	Nuts. Mn	13.0	20.6	20.8	21.0		
<b>IMPACT</b>							
	Contribution to Gross National Production from Livestock Products	%	To be forecasted				
<b>Goal 2 – Objective 2</b>							
<b>INPUT</b>							
To increase the sale of livestock, agriculture and processed products through the NLDB, franchise outlets and as well as supermarkets by	No. of Farm Shops	No.	16	17	18	19	
	No. of Milk Outlets	No.	46	48	51	53	
	NLDB Franchise Shops	No.	48	50	52	54	
	Agents appointed for NLDB products	No.	2	4	6	82	
	Mobile milk dispensers	No.	-	2	2	2	
	Marketing Capital Budget/Investment	Rs. Mn.	2.8	6.2	5.4	5.8	

17% from 2019 to 2021	<b>OUTPUT</b>					
	<b>Expected Sales of Each Product Items.</b>					
	Neat cattle milk production	Ltrs.Mn	12.6	12.96	13.68	14.301
	Buffalo milk production	Ltrs.Mn	0.603	0.657	0.711	0.747
	Goat milk production	Ltrs.	9,257	9,487	10,272	11,122
	Commercial egg production	No. Mn	1.746	1.926	1.926	1.926
	Broiler Day Old Chicks	No. Mn	2.17	2.52	2.52	2.52
	Layer Day Old Chicks	No. Mn	0.558	0.576	0.576	0.576
	Buffalo curd	Ltrs.	398,511	405,000	414,000	423,000
	Milk Toffee	Pkt.	167,264	180,000	193,500	207,000
	UHT milk	Ltrs.	71,707	99,000	108,000	117,000
	Pork	kg	2,547	18,000	18,000	18,000
	Coconut oil	Ltrs.	9,351	24,300	24,300	24,300
	Coconut production	No. (Mn.)	9	14	15	15
	<b>OUTCOME</b>					
Turn over	Rs. Mn	2,702.5	3,032.8	3,297.6	3,541.3	
Profitability	Rs.Mn	(511.5)	(218.7)	(161.1)	4.8	
<b>IMPACT</b>						
Market Share						
Cattle & Buffalo milk	%	4.0	4.5	5.0	5.3	
Broiler chicks	%	1.6	1.8	1.8	1.8	
Layer chicks	%	6.0	6.1	6.2	6.3	

## **6. FACTORS AFFECTING THE SCI**

Following key factors will affect the performance.

### **6.1 Production Level**

- Availability of roughage feed
- Quality of feed
- Weather condition
- Outbreak of diseases
- Infrastructure facilities
- Reproduction disorders
- Market behaviors

### **6.2 Sale of livestock & livestock products**

- Demand and the market price
- Government policies & taxes
- The purchasing power of the people( farmer and consumer)
- Importation of livestock product
- Political environment

### **6.3 The high cost of production**

- Expenditure on inputs (the price of feed ingredients, pasture seeds, semen, drugs, electricity & fuel, etc...)
- Production performance
- Labor Wages

## 7. ASSUMPTIONS UNDERLYING THE SCI

Table 6: Assumptions Underlying the SCI for the Years 2019-2021

Underlying Performance Factor	Assumed Value	Sensitivity
Intensities of Rainfall	Up-country: >5000 mm Mid country:2500-5000 mm Coconut Triangle:1750-2500 mm Dry zone >=1750 mm	The decrease of the expected of rainfall will directly affect the profitability of the organization which is Rs. 0.1 Mn per any mm of rainfall.
The market price of livestock products Milk Egg Day old chick- Layer Day old chick- Broiler Coconut Curd Milk Toffee UHT milk	Rs. 85.00/ltr. >=Rs. 15.00/egg >Rs. 80.00/chick >Rs. 75.00/chick > Rs. 40.00/nut >Rs. 220.00 ltr. >Rs. 120/pkt >Rs. 200/lts.	Rs. 14.0 Mn/per change of Rs. 1.00 Rs. 2.5 Mn/per change of Rs. 1.00 Rs. 0.4 Mn/per change of Rs. 1.00 Rs. 2.4 Mn/per change of Rs. 1.00 Rs. 20.0 Mn/per change of Rs. 1.00 Rs. 0.5 Mn/per change of Rs. 1.00 Rs. 0.2 Mn/per change of Rs. 1.00 Rs. 0.2 Mn/per change of Rs. 1.00
Inflation Rate	<= 5% / Annum	Expenditure will increase due to high inflation rate. Milk – Rs.0.94 per 1% Egg – Rs. 0.13 per 1% Day old chick- Layer - Rs.0.67 per 1% Day old chick- Broiler Rs.0.55 per 1% Coconut - Rs.0.20 per 1% Curd - Rs.1.5 per 1% Milk Toffee - Rs.1.20 per 1% UHT milk - Rs.1.50 per 1%
Staff salary and labor wages	2018- Rs. 36 million	Salary and labor wages proposed by the annual national budget of the parliament would make a significant impact on the recurrent expenditure of the Board.  Rs. 0.4 Mn by 1% salary increased per month.



## The Assumptions for the Preparation of Financial Statements for Next Three Years (2019-2021)

- Bank interest rates, FD interest rate, overdraft interest and government taxes would remain unchanged.
- Current Exchange Rate (loss or gain) was not considered for the Wellard loan.
- The valuation gain on the biological assets was not considered.
- The dividend benefit of the subsidy company (Sri Lanka Poultry Development Company) was not considered.
- Salary increases recommended by the National Budgets by time to time was not considered for the gratuity provision.
- The repayment loan amount for the Wellard loan is only 1.0 Mn per month.
- The income of fixed assets disposal was not considered to the total revenue.
- An overall increase in the prices of goods and services were considered as 3% and an overall increase in the expenditure was considered as 5% based on the 2018 estimate of NLDB.

## 8. MAJOR RISKS TO DELIVER THE SCI OUTCOMES AND MITIGATION STRATEGIES

Table 7 : Major Risks to Deliver the SCI Outcomes and Mitigation Strategies

No.	Anticipated Risk	Mitigation Strategy
01	Decrease of Milk production due to lack of roughages, because of drought conditions.	Introduction of irrigation systems for the Pasture and Fodder fields. Introduction of pasture conservation methods to the farms. Introduction of agri-byproducts to the animal feed.
02	Decrease of reproduction performance of the animals due to heat stress.	Introduction of cooling or ventilation systems to the sheds (Proper housing).
03	Decrease of poultry production and fertility due to heat stress.	Introduction of poultry close houses in the farms.
04	Low market prices for the raw livestock products which affect the revenue and the profitability.	Introduction of value-added products to the market. (UHT milk, yogurt, ice cream, curd & processed meat, etc....)
05	Decrease of coconut yields due to drought conditions and pests attacks.	Introduction of irrigation systems as much as possible to the coconut plantations and implementation of proper cultural practices. Introduction proper biological control methods for the pest attack.
06	Lack of Labor even at high wages	Mechanization of farm activities.

## 9. COMPETITIVE NEUTRALITY

Under the government policy on the self-sufficient in milk of the country, the Ministry of Finance has entered into export credit loan agreements with foreign financing agencies on behalf of the NLDB in order to import dairy cattle from Australia and other infrastructure development activities carried out in the upcountry farms and Ridiyagama farm of NLDB from 2012 to 2015.

Subsequently, Subsidiary Loan Agreements were signed between the General Treasury and NLDB to on-lend the loan proceeds of the said loans.

Table 8 : Repayment of Export Credit Facilities

Project	Loan Amount (USD Mn.)	Repayments made by the Treasury on behalf of the NLDB as of 30.04.2019 (Rs. Mn.)		
		Principal	Interest	Other Fees
Importation of 2,000 Dairy Animals Project	12.94	1,292.94	153.13	-
Importation of 2,500 Dairy Animals Project	20.74	1,451.83	376.44	11.64

Source: Department of External Resources and Department of Treasury Operations.

### 9.1 Major Issues Currently Face by NLDB:

#### ▪ Loan obtained for the Sri Lanka Dairy Development Project

NLDB has to pay back the loan Rs. 4,462,252,655 within 15 years by annual installments which was borrowed to import 4,500 Nos. cattle from Australia and carried out other infrastructure developments in Bopaththalawa, Menikpalama, Dayagama and Ridiyagama farms of NLDB during 2012-2015. The NLDB has been facing a severe problem of servicing the above loan due to high financial losses generated by the above all four farms since the beginning of the project mainly due to low productivity. Therefore the cost of production in milk of those farms is very high against the NSA. The high cost of concentrate feed is also another factor which has caused for the above situation. Therefore the Board has to provide additional funds generated by other profit-making farms to manage the above four farms every year since 2012. Because of heavy financial losses of above four farms, the entire Board is running at a heavy financial loss at the moment.

Further, NLDB has to spend a lot of own funds to construct new cattle sheds in those farms to accommodate replacement stock and purchase certain essential machinery and equipment to run the farms smoothly. Especially the actual required number of sheds had not been included into the previous project proposal of Wellard. If the required replacement stock will not be maintained in those farms, the Board would have to import further consignments of cattle after every 5 years' time to continue this project.

Because of the above situation, the NLDB is not in a position to service the above treasury loan and there is no other alternative to overcome this issue rather than converting it to the equity of NLDB.

- **Loan Granted to NLDB at the privatization of Ambewella and New Zealand farms:**

The total revenue received at the privatization of Ambewella and New Zealand farms was taken by the Treasury and granted only Rs. 50.0 Mn to NLDB as a loan later. The Board has invested a lot of capital funds to develop those farms during the period managed by the NLDB. Therefore the Board suggests to write-off the above loan.

- **Scheme of Recruitment:**

There are significant delays on granting approvals for new SOR submitted to Management Services Department at present and increase of certain carder positions which required according to the expansion of farm activities of NLDB. Because of the above situation, the Board is facing management problems when recruiting employees for new positions.

- **Issues on Obtaining Bank Loans for Capital Development Activities and Working Capital:**

As the current financial position of NLDB, it is not in a position to invest required funds for the capital development projects which is essentially needed for the development of livestock sector in Sri Lanka. Therefore the Board has to seek required funds through the local commercial bank's, loans. The Board expects high intervention of the treasury and provides all assistance to obtain such bank loans in the future.

## **10. NON-COMMERCIAL GOODS OR SERVICES**

- **Heavy Financial Loss of the farms where allocated Imported Cattle**

By end of the year 2018, the NLDB farms namely Bopaththaiawa, Dayagama, Menikpalama, and Ridiyagama are running at heavy financial losses where maintained 4,500 dairy cattle imported during the period from 2012 to 2015. According to the draft accounts in 2018 the total financial loss of NLDB is Rs. 511.0 Mn. and the total loss of above 04 farms is Rs. 411.4 Mn (Table 13) and make a contribution to the entire loss of the Board by 80%. Because of this poor financial performance of those farms, the Board has to spend additional funds to maintain the above four farms than the total annual financial profit generated by the profit-making farms of NLDB.

Not receiving the expected average milk yield from an imported cow which is only 14 ltrs. against the target of 20 ltrs. is the major factor caused by the above situation (Table 11). Further, the Board has to spend around Rs.750.0 Mn to purchase concentrate cattle feed for the imported animals and their offspring annually. The average price per kg of cow feed was around Rs. 63.00 in 2018. For the body maintenance and production of a cow, it is needed to supply, 11 kg of concentrate feed, 35 kg of fodder, mineral mixture, and beer pulp, daily where the total cost is approximately Rs. 1150.00 against the average milk income of a cow which is maximum Rs. 1050.00 (14ltrs\*75/=). Then the average loss per cow per day because of only feed was around Rs. 100.00.

The NLDB was agreed to accommodate the above numbers of imported cattle in the upcountry and Ridiyagama farms as per the decision of cabinet of parliament under the government policy to self – sufficient in milk by the year 2025. During the period from 2012 to 2018, the above four farms have produced 65.5 Mn. ltrs. of milk and issued 1,019 numbers of heifers to the public for breeding purposes where the overall contribution is 4% to the national milk production. (Equal to 2,000 Mt of milk powder). Although a significant benefit to the country made by this project, the above four farms are running at a heavy financial loss and created a severe financial crisis in NLDB at the moment.

Therefore the treasury is requested to make a high intervention on the above issue and consider to grant financial assistance by paying a sufficient financial subsidy Rs 400.00 Mn per year to NLDB to cover up the existing financial losses incurred due to low production and reproduction performance of the imported cattle as the NLDB was requested to implement the above project by the cabinet of parliament under the national policy of self-sufficient in milk.

**Table 9: Average Number of Milking Cows in up country & Ridiyagama farms from 2012-2018**

Farm	2012	2013	2014	2015	2016	2017	2018	Average
Menikpalama	459	659	705	664	616	534	450	584
Bopaththalawa		189	294	282	269	259	243	256
Dayagama		332	471	407	365	330	277	364
Ridiyagama				301	1814	1393	1669	1294
<b>Total</b>	<b>459</b>	<b>1180</b>	<b>1470</b>	<b>1654</b>	<b>3064</b>	<b>2516</b>	<b>2639</b>	<b>2498</b>

Source: National Livestock Development Board

**Table 10: Milk Production Performance from 2012-2018 (Ltrs.Mn.)**

Farm	2012	2013	2014	2015	2016	2017	2018	Total
Menikpalama	1.2	3.7	3.8	4.0	3.4	2.5	1.9	20.5
Bopaththalawa		1.1	1.8	1.7	1.5	1.5	1.3	8.8
Dayagama		1.8	2.6	2.4	1.9	1.5	1.1	11.2
Ridiyagama				0.43	8.9	7.5	8.1	25.0
<b>Total</b>	<b>1.2</b>	<b>6.6</b>	<b>8.1</b>	<b>8.5</b>	<b>15.7</b>	<b>13.0</b>	<b>12.4</b>	<b>65.5</b>

Source: National Livestock Development Board

**Table 11: Average yield of imported cattle from 2012-2018**

Farm	Targeted Avg. Yield milking cow/day (ltrs.)	Actual Avg. Yield /milking cow/day (ltrs.)						
		2012	2013	2014	2015	2016	2017	2018
Menikpalama	20	20.3	15.6	14.7	17.7	14.8	14.8	11.5
Bopaththalawa	20		17.1	15.4	16.5	15.2	15.9	15.0
Dayagama	20		15.8	15.1	16.0	13.0	10.8	10.1
Ridiyagama	20				13.0	14.0	14.0	13.0

Source: National Livestock Development Board

**Table 12: Overall Profit & loss from 2012-2018 (Rs.Mn)**

Farm	2012	2013	2014	2015	2016	2017	2018	Total
Menikpalama	(35.7)	(72.5)	(42.7)	26.6	(135.6)	(185.7)	(132.7)	(578.3)
Bopaththalawa		(25.1)	(16.4)	6.9	(7.2)	(72.3)	(59.8)	(173.9)
Dayagama		(41.2)	(2.1)	21.7	(31.4)	(99.7)	(53.5)	(206.2)
Ridiyagama					7.6	(440.0)	(165.4)	(597.8)
<b>Total</b>	<b>(35.7)</b>	<b>(138.8)</b>	<b>(61.2)</b>	<b>55.2</b>	<b>(166.6)</b>	<b>(797.7)</b>	<b>(411.4)</b>	<b>(1556.2)</b>

Source: National Livestock Development Board

## 11. FINANCING POLICY

The capital structure of the investment would be determined by the financial position and investment value. The debt-equity ratio is 41.13.

## 12. LEVY POLICY

Payment to the Consolidated Fund of a return on the Capital grants of the government at such rate or payment to the Consolidated Fund of such amount as may be determined from time by the Minister of Finance.

## 13. RESPONSIBILITIES OF TRI-PARTIES

### 13.1 Secretary, Ministry of Finance

- As the trustee of the public property signs the tripartite agreement. Moreover, the Ministry of Finance will make policy directives affecting the SOEs and ensure the compliance of the SCI process.
- Submit progress reports on SOEs progress to the Cabinet of Ministers bi-annually.
- Arrange meetings and discussions as and when required.

### 13.2 Secretary, Line Ministry

- Supervise and provide policy directives to the SOEs at all stages of SCI process through the audit and management committee of the ministry.
- Appoint a liaison officer to coordinate the SCI process with the respective agencies.
- Ensure timely submission of the monthly, quarterly and annual progress reports of the SCI with his/her recommendations to the Department of Public Enterprises.

### 13.3 Chairman and Board of Directors of National Livestock Development Board

- Should ensure the implementation of the SCI process efficiently and effectively and ensure sub-agreements have been signed with the management to implement the SCI and to achieve the stipulated targets.
- Should actively negotiate the targets and expectations of SCI, Corporate Plan to be achieved and other limitations.
- Should empower the SOE management to ensure the achievement of the objectives and targets stipulated in the SCI and hold it accountable for results.

- Should introduce proper risk management strategies to identify, assess and mitigate the potential risks of SOEs.
- Should submit a board memorandum to discuss the progress and monitor the achievements against KPIs as stipulated in SCI at monthly Board meetings and provide directives to the management.
- Should establish a proper mechanism to ensure the timely submission of relevant information and progress reports of SCI to the relevant Line Ministry and to the Ministry of Finance.
- Should appoint a liaison officer to coordinate the SCI process with the respective ministries - line ministry and MOF.
- Should report and actively participate at the audit and management committee meeting of the line ministry.

## 14. FINANCIAL INFORMATION

### 14.1 Forecasted Financial Statements

Table 13: Forecasted Income Statement 2019- 2021

Description	Actual	Forecasted		
	2018	2019	2020	2021
	Rs.	Rs.	Rs.	Rs.
<b>Revenue</b>				
Gains arising from changes in fair value less costs to sell of dairy livestock	2,702,521,171	3,032,844,427	3,297,614,833	3,541,320,190
<b>Total Revenue</b>	2,702,521,171	3,032,844,427	3,297,614,833	3,541,320,190
Cost of Sales	2,180,778,289	2,628,514,614	2,792,895,586	2,832,038,240
<b>Gross Profit</b>	521,742,881	404,329,813	504,719,246	709,281,951
Other Income	41,993,751	44,093,439	46,298,110	48,613,016
	563,736,632	448,423,251	551,017,357	757,894,967
Add- Treasury Subsidies	-	400,000,000	400,000,000	400,000,000
Distribution Cost	(10,595,853)	(7,769,628)	(8,227,998)	(8,789,691)
Administrative Expenses	(871,057,021)	(864,591,904)	(907,821,500)	(953,212,575)
Other Expenses	(14,825,909)	(11,907,303)	(12,502,668)	(13,127,801)
	(332,742,150)	(35,845,584)	22,465,190	182,764,899
Finance Cost	(178,793,841)	(182,862,615)	(183,612,409)	(177,912,385)
Profit Before Tax	(511,535,991)	(218,708,199)	(161,147,219)	4,852,513
Less - Tax Expenses	-	-	-	-
<b>Net Profit For the Year</b>	(511,535,991)	(218,708,199)	(161,147,219)	4,852,513

**Table 14: Forecasted Statement of Financial Position 2019 - 2021**

Description	Actual		Forecasted					
	2018		2019		2020		2021	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>ASSETS</b>								
<b>Non- Current Assets</b>								
- Property, Plant & Equipments	2,830,950,448		2,614,767,441		2,437,775,284		2,249,433,519	
- Investment in subsidiary Co's	149,123,327	2,980,073,775	149,123,327	2,763,890,768	149,123,327	2,586,898,611	149,123,327	2,398,556,846
<b>Biological Assets</b>								
- Plantations	847,270,748		966,218,275		1,080,165,738		1,196,778,497	
- Livestock Capital	1,589,369,803		1,395,631,608		1,172,741,930		1,064,104,833	
- Livestock Cattle/Goats Bank		2,436,640,551		2,361,849,884		2,252,907,663		2,260,883,331
<b>Intangible Assets</b>								
<b>Current Assets</b>								
- Trading & Other Stocks	195,321,425		197,608,110		205,977,058		211,978,929	
- Livestock Trading	19,615,974		18,798,431		19,738,353		20,725,271	
- Trading, Other Receivables & Adva	215,501,369		228,618,844		241,726,320		254,838,796	
- Deposits & Pre-Payments	5,297,853		5,562,536		5,840,662		6,132,695,40	
- Other Current Assets	68,913,835		81,142,252		65,223,330		64,320,587	
- Fixed Deposits	64,079,668		66,906,330		70,185,090		73,648,287	
- Cash & Cash Equivalents	(65,723,364)		24,735,275		32,144,549		46,764,234	
		503,006,561		623,366,780		640,845,363		678,408,800
<b>TOTAL ASSETS</b>		5,919,720,886		5,749,107,432		5,480,651,641		5,337,848,976
<b>EQUITY &amp; LIABILITIES</b>								
<b>Equity</b>								
- paid - up - Capital	576,587,649		576,587,649		576,587,649		576,587,649	
<b>Other Components of Equity</b>								
- Capital Reserve	130,696,928		130,696,928		130,696,928		130,696,928	
- Revenue Reserve	44,529,422		44,529,422		44,529,422		44,529,422	
- Revaluation Reserve	110,731,360		110,731,360		110,731,360		110,731,360	
- Revolving Fund	37,500,000		37,500,000		37,500,000		37,500,000	
- Retained earnings	(1,193,429,259)	(293,383,900)	(1,412,137,459)	(512,092,100)	(1,573,284,679)	(673,239,319)	(1,568,432,166)	(668,386,807)
<b>Non- Current Liabilities</b>								
- Interest payable Term Loans	3,540,946,871		3,567,061,084		3,371,984,107		3,332,284,107	
- Interest Free Loans	50,000,000		50,000,000		50,000,000		50,000,000	
- Gratuity on Retirement	188,564,497		186,316,916		183,905,445		181,321,888	
- Differed Revenue on Leased Assets	31,458,341		30,546,221		29,634,100		28,721,980	
		3,810,969,710		3,833,924,221		3,635,523,652		3,592,327,974
<b>Current Liabilities</b>								
- Trade and other Payables	1,158,780,361		1,160,631,260		1,272,004,869		1,188,656,117	
- Short -term Borrowings	16,265,277		15,452,013,62		14,679,413		13,945,442	
- Payables on Loans within 12 month	1,227,089,417		1,251,192,036		1,251,683,225		1,211,306,248	
		2,402,135,075		2,427,275,309		2,518,367,308		2,413,907,808
<b>TOTAL EQUITY &amp; LIABILITIES</b>		5,919,720,886		5,749,107,432		5,480,651,641		5,337,848,976

Table 15: Forecasted Cash Flow Statement 2019 - 2021

Description	Actual	Forecasted		
	2018 Rs.	2019 Rs.	2020 Rs.	2021 Rs.
<b>Cash Flow From Operating Activities</b>				
<b>Cash Inflow</b>				
Coconut Income	437,439,708.62	619,005,000.00	677,294,637.50	757,736,388.00
Neat Cattle milk Income	997,299,823.50	1,092,825,619.15	1,204,348,975.16	1,285,290,490.58
Buffalo Milk Income	16,775,328.00	23,979,180.00	29,650,724	33,124,932
Goat Milk Income	2,057,000.00	2,158,650.00	2,454,281	2,715,900
Commercial Egg Income	37,340,054.34	34,272,000.00	38,556,000	39,712,680
Broiler Day old Chicks Income	183,372,755.14	210,000,000.00	216,300,000	222,789,000
Layer Day old Chicks Income	45,380,511.21	70,400,000.00	73,600,000	75,808,000
Turkey Day old Chicks Income	3,574,560.00	4,600,000.00	5,170,000	5,760,000
Country Fowl Day old Chicks Income	330,840.00	1,600,000.00	1,648,000	1,697,440
Processed Livestock & Agriculture Products Income	144,814,850.00	189,467,250.00	205,134,813	223,432,329
Farm Level Project Other Income	645,581,415.29	568,827,650.56	615,954,872	654,375,373
Milk Project Income	199,575,141.27	131,040,000.00	138,600,000	145,530,000
Sales Center Income	77,762,818.02	84,669,077.00	88,902,531	93,347,657
	<b>2,791,304,805.39</b>	<b>3,032,844,426.71</b>	<b>3,297,614,832.64</b>	<b>3,541,320,190.49</b>
<b>Cash Outflow</b>				
Pasture Cultivation Expenditure	(70,804,342)	(125,459,645)	(129,223,434)	(133,100,137)
Importation Of Semen Expenditure	(11,526,352)	(12,040,089)	(16,978,906)	(12,773,331)
Concentrate Expenditure	(1,035,549,211)	(1,199,542,216)	(1,240,186,905)	(1,282,321,337)
Silage Making Expenditure	(25,504,000)	(48,000,000)	(49,440,000)	(50,923,200)
Fertilizer Application Expenditure	(10,350,000)	(17,250,000)	(17,767,500)	(18,300,525)
Under Planting Expenditure		(52,509,960)	(54,085,259)	(55,707,817)
Farm level Project Expenditure	(650,454,380)	(776,756,984)	(869,772,061)	(894,192,326)
General Charges of Farms	(456,724,966)	(479,561,214)	(503,539,275)	(528,716,238)
Head Office Payments	(131,441,380)	(161,715,123)	(180,291,513)	(199,565,832)
Tax Expenditure	(48,000,000)	(50,400,000)	(52,920,000)	(55,566,000)
Payment for E.P.F Arrears	(1,200,000)	(2,000,000)	(2,500,000)	(2,500,000)
Gratuity Payment	(25,000,000)	(26,250,000)	(27,562,500)	(28,940,625)
Milk Project Expenditure	(199,488,184)	(73,080,000)	(76,734,000)	(80,570,700)
Sales Center Expenditure	(74,509,699)	(79,588,932)	(83,568,379)	(87,746,798)
Other Creditor's Payments		(120,000,000)	(187,000,000)	(325,000,000)
	<b>(2,740,552,514)</b>	<b>(3,224,154,164)</b>	<b>(3,491,569,731)</b>	<b>(3,755,924,866)</b>
<b>Net Cash Flow from Operating Activities</b>	<b>50,752,292</b>	<b>(191,309,737)</b>	<b>(193,954,899)</b>	<b>(214,604,676)</b>
<b>Cash Flow From Investing Activities</b>				
FD Interest	6,731,622	7,312,066	7,962,330	8,360,447
Investment on FD	(2,435,823)	(2,826,662)	(3,288,760)	(3,453,198)
Fixed Assets Purchase/Renovation	(27,089,332)	(125,000,000)	(50,000,000)	(50,000,000)
Disposal of Fixed Assets	7,528,000			
<b>Net Cash Flow from Investing Activities</b>	<b>(15,265,533)</b>	<b>(120,514,596)</b>	<b>(45,326,430)</b>	<b>(45,092,751)</b>
<b>Cash Flow From Finance Activities</b>				
Treasury subsidies Received		400,000,000.00	400,000,000.00	400,000,000.00
Bank Loan	28,500,000	125,000,000		
Bank Loan Interest	(25,107,520)	(33,957,520)	(38,674,186)	(29,507,520)
Loan Repayment	(56,375,000)	(72,200,000)	(84,700,000)	(69,033,333)
Leasing Repayment	(16,696,659)	(11,759,508)	(5,935,212)	(3,142,035)
Farmer's Trust Fund Loan Repayment	(4,800,000)	(4,800,000)	(24,000,000)	(24,000,000)
	<b>(74,479,179)</b>	<b>402,282,972</b>	<b>246,690,602</b>	<b>274,317,112</b>
<b>Net Cash Increase /(Decrease ) During the year</b>	<b>(38,992,420)</b>	<b>90,458,640</b>	<b>7,409,273</b>	<b>14,619,685</b>
<b>Cash and Cash Equivalents at the Beginning of</b>	<b>(26,730,944)</b>	<b>(65,723,364)</b>	<b>24,735,275</b>	<b>32,144,549</b>
<b>Cash and Cash Equivalents at the end of the Year</b>	<b>(65,723,364)</b>	<b>24,735,275</b>	<b>32,144,549</b>	<b>46,764,234</b>
(Bank OD) Limit Rs.75,375,000				



## 14.2 Capital Investment Plan

Table 16: Capital Investment Plan (Rs. Mn)

Year	2019	2020	2021
Total Investment	125	50	50
Source of Finance			
Debt	125	50	50