

Sri Lanka: Government losing control of paddy and rice prices?

Thursday 6 July 2023, by [MUDUGAMUWA Maheesha](#) (Date first published: 1 July 2023).

Farmers are questioning the Government's ability to control paddy and rice prices, following the decision by the Paddy Marketing Board (PMB) to stop purchasing paddy from farmers with the Treasury ceasing to release funds to the board, *The Sunday Morning* learns.

The move by the Government has once again caused concern among farming communities - among the worst hit due to the economic crisis and the disastrous fertiliser policy under the Gotabaya Rajapaksa regime.

The Treasury has halted further funding to the PMB, claiming that the debt owed by the board to the Treasury and State banks is unsustainable, it is reliably learnt.

Further, *The Sunday Morning* learns that the PMB currently owes around Rs. 24 billion to the Treasury - a sum which has accumulated over the past few years, mainly due to the purchasing of paddy at a lower rate than the market price.

With the denial of funds by the Treasury, the PMB had stopped purchasing paddy early this year.

Farmers *The Sunday Morning* spoke to claimed that control of the rice market was now in the hands of several private mill owners and that the Government would have to rely on them in future to maintain the country's food security.

Many farmers lamented that paddy and rice prices would be entirely decided by mill owners in the future due to the absence of Government intervention through the PMB, which would leave farmers helpless and with no choice but to sell paddy and purchase rice at rates decided by mill owners.

As per a decision taken by President Ranil Wickremesinghe as Minister of Finance earlier this year, the Government implemented the paddy purchasing programme through District Secretaries and Divisional Secretaries during this year's Maha season.

Further, the Government decided to convert this paddy into rice in order to upgrade the distribution capacity of small-scale rice mill owners and distribute it to low-income families.

Farmer concerns

Speaking to *The Sunday Morning*, All Ceylon Farmers' Federation (ACFF) President Namal Karunaratne said that both farmers and consumers were suffering due to the Government's inability to establish a proper mechanism to control the country's rice market.

He said that although the PMB had failed to act as an effective control as it did not purchase sufficient stocks, it had contributed to a certain extent in controlling the market by deciding the

paddy purchasing prices, which had ultimately helped to decide rice prices.

“At present, in some areas in the Southern Province, a kilo of paddy is being purchased at around Rs. 60, which is too low as the current production cost has increased to almost Rs. 100. As per the calculations done by the Hector Kobbekaduwa Agrarian Research and Training Institute, the current paddy production cost is estimated at Rs. 99.50, but mill owners give a low rate for paddy and sell it to the market at higher rates while earning huge profits,” he stressed.

Karunaratne said the PMB was not purchasing paddy and that the Government too purchased only a small amount through the District Secretaries.

“By taking advantage of the situation, the middlemen and the mill owners are purchasing paddy from farmers at a very low rate. Farmers are facing huge issues because of this problem,” he said.

Urging the Government to declare a certified price for paddy, Karunaratne claimed that farmers were incurring heavy losses due to extremely low prices offered by private mill owners in the absence of the Government’s rice purchasing mechanism.

Highlighting the prices, he stressed that farmers were being offered around Rs. 60-70 per kilo of paddy by private millers, whereas the rice prices in the local market were above Rs. 200. As a result, Karunaratne explained that the farmers had been incurring heavy losses for the past two or three seasons.

“The Government earlier declared a certified price at around Rs. 120 but later abandoned it. Rice prices went up to over Rs. 200 when the certified price was fixed at around Rs. 120, but now the mill owners purchase paddy at Rs. 60 or Rs. 70 a kilo. We are helpless. By selling paddy at this rate, we can’t continue our cultivation. I don’t know how many more seasons we can go on like this,” he said, adding that although the production costs had skyrocketed since the pandemic in 2020, they were not offered a fair price for their harvest.

No more funds

The PMB was incorporated in 1972 under the Paddy Marketing Board Act No.14 of 1971. The board has been established to purchase, sell, supply, and distribute paddy and rice as a business as the main objectives.

Although it helps to maintain a buffer stock of paddy in the country, the Treasury said the debt owed by the PMB to it and State banks was unsustainable and the board had not provided a satisfactory mechanism to reduce the losses and make the institution a profitable entity.

Treasury Deputy Secretary R.M.P. Rathnayake told *The Sunday Morning* that there had been several requests from the board for funds but that the Treasury was unable to act on them as the board already owed the Treasury billions of rupees.

“We can still provide funds, but there has to be a mechanism by which the PMB will repay those funds. The board is unsustainable at present as it owes a huge sum of money,” he stressed.

When queried about the requirement of maintaining a buffer stock, the Deputy Secretary said the funds were being issued to the District Secretaries to purchase the required amounts of paddy from farmers.

Losses continue

Meanwhile, as highlighted in the special audit report on the performance of the PMB by the National Audit Office (NAO) in 2019, the PMB had become an unprofitable entity since 2008 and operations had been carried out by the board through the loan facilities that had been annually obtained from the Treasury and State banks.

The PMB had failed to settle the loans to State banks due to the sale of paddy purchased by the board at a price less than the cost.

As further revealed by the NAO, the value of loans obtained by the board from the Treasury, State banks, and other parties for the purchase of paddy during the period from 2009-2016 amounted to Rs. 40,935.96 million and a high rate of interest was being paid annually for loans obtained from State banks for the purchase of paddy. Loan interest had been paid with monies received from the sale of paddy in each instance. Interest paid from 2010 up to 31 December 2017 amounted to Rs. 5,468.6 million.

Under control

Against such a backdrop, a senior official attached to the Ministry of Agriculture, who wished to remain anonymous, stressed that in the recent past, the PMB had purchased only around 10% of the entire paddy harvest and therefore, the absence of the institution would not affect nor decide the rice market.

The official stressed that the Government would somehow secure the required stocks through District Secretaries.

However, when contacted, Agriculture Minister Mahinda Amaraweera stressed that the country would somehow maintain a buffer stock as the Government continued its paddy purchasing mechanism through Divisional Secretariats.

He told *The Sunday Morning* that the PMB's losses had been accumulated since its inception and that it was not a sudden thing.

"The reason the PMB has become such an institution is because it purchased paddy at a higher rate and sold it to the market at a lower rate. Whenever there was a rice price issue, the PMB sorted it out as per directions given by the Cabinet," he said.

Amaraweera further noted that there was no issue regarding food security, as the Government continued to purchase paddy from farmers.

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