

Sri Lanka: Rice shortage saga: From adequate stocks to imports

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Govt. formulating laws to regulate large-scale mills to make rice equally available

The Government's recent decision to import up to 70,000 MT of nadu rice has sparked debate, with consumers questioning the need for such a costly measure.

As previously claimed by farmer unions, Sri Lanka already has adequate rice stocks, albeit concentrated in the hands of large-scale mill owners. Therefore, the move to spend millions of dollars on imports has prompted calls for alternative solutions.

Consumers argue that instead of looking beyond borders, the Government should focus on redistributing existing stocks. If large-scale mill owners indeed hold ample reserves, as alleged by farmer unions, why not ensure these are released into the market to meet demand?

'No alternative but to import rice'

Adding fuel to the controversy is the voice of Agriculture and Livestock Deputy Minister Namal Karunaratne, a long-time champion of farmers, who holds an agricultural degree and is regarded as well qualified for his portfolio, and who once vehemently opposed rice imports under the previous administration. His current support for the policy has raised eyebrows, with critics questioning the apparent shift in his stance.

As the National Convenor of the All-Island Farmers' Federation (AIFF), Karunaratne stood firm against importing rice, arguing that it undercut local farmers and drained foreign reserves. Now, his involvement in the Government's decision has drawn scrutiny, with detractors labelling it a contradiction of his earlier principles.

The Sunday Morning sought clarification from the Deputy Minister on his evolving position, questioning how he reconciled his current endorsement of rice imports with his past objections.

Responding to *The Sunday Morning*, Karunaratne explained that there was no alternative at present but to import rice to meet the market shortage. However, he added that the Government was working on formulating laws to regulate large-scale mill owners, ensuring they were brought under Government control to make rice equally available in the market, rather than being concentrated in the hands of a few.

"Rice is a national asset. It belongs to the people. The Government invests heavily in rice production in many ways. Therefore, it cannot be controlled by just a few people; there cannot be a monopoly. We remain firm in this belief and are working to eradicate the monopoly that dominates Sri Lanka's rice market," Karunaratne stressed.

He also noted that following the rice import announcement, mill owners had agreed to release rice

at the Maximum Retail Price (MRP), which he described as a positive development.

“However, for now, we cannot let consumers continue to suffer. The lack of sufficient stock in the market has burdened consumers the most. To address this, the required rice stocks must be imported,” he said.

Nevertheless, the broader question remains: is importing rice a practical solution, or does it simply mask deeper inefficiencies in managing local production and distribution?

Economic strain

As per Central Bank of Sri Lanka (CBSL) statistics, Sri Lanka’s rice imports from 2013 to 2022 reveal a costly cycle of dependency that has placed a significant strain on the country’s economy.

Data from the CBSL highlights notable fluctuations in both import volumes and costs, underscoring the economic challenges of ensuring food security amid domestic production shortfalls.

During this period, the volume of rice imports peaked at 600,000 MT in 2018, only to fall to a low of 16,000 MT by 2022. However, the cost per metric tonne showed even starker volatility. While the average cost per tonne was Rs. 100,028 in 2013, it dropped to Rs. 61,322 in 2018 before rising sharply to Rs. 122,768 in 2022.

This significant increase in import prices reflects the dual pressures of global market fluctuations and Sri Lanka’s depreciating currency, adding to the financial burden on the country’s limited foreign reserves.

Despite Government efforts to stabilise the rice market through domestic procurement programmes, inadequate funding has undermined these initiatives. Under the Paddy Marketing Board’s (PMB) purchasing programme, 71,280 MT of paddy were purchased during the 2021/22 Maha season at rates ranging from Rs. 90-95 per kg, depending on the rice variety.

Failure of Govt. interventions

To address rising production costs, guaranteed purchase prices were revised in the 2022 Yala season, increasing to Rs. 120 per kg for nadu, Rs. 125 for samba, and Rs. 130 for keeri samba. However, the PMB fell far short of its target of purchasing 30,000 MT due to funding shortages, managing to procure only 7,076 MT.

This shortfall left many farmers with no choice but to sell their harvests at lower prices to large private millers, effectively sidelining Government intervention in the market and concentrating stock control in private hands.

In response to escalating retail rice prices, the Government introduced MRPs in May 2022, setting ceilings of Rs. 220 per kg for nadu, Rs. 230 for samba, and Rs. 260 for keeri samba. However, these measures failed to curb market inflation, with retail prices remaining well above the imposed limits due to persistent upward pressure.

Faced with declining local production, the Government issued an extraordinary gazette in June 2022, banning the use of rice and paddy for animal feed to protect domestic supply. Despite these interventions, import dependency continued. During the first eight months of 2022, Sri Lanka imported 596,502 MT of rice to stabilise market availability and control price volatility.

Economic impact of imports

The high costs of importing rice present a heavy burden for Sri Lanka's economy, particularly given the need to manage foreign reserves amidst broader fiscal challenges.

While the Government justified these imports as necessary to stabilise the market, critics argue that better management of domestic production and procurement programmes could have reduced reliance on expensive imports.

With the cost per MT of imported rice nearly doubling between 2018 and 2022, the economic impact of this strategy has become increasingly evident. As Sri Lanka grapples with ongoing financial difficulties, the need for sustainable, cost-effective solutions to secure food supply remains a pressing concern.

Ultimately, the high price of imports reflects not only the global and domestic challenges in the rice market but also the broader inefficiencies in policy and management that continue to drive up costs for consumers and the Government alike.

Govt. moves to import

Nevertheless, the Government has decided to import up to 70,000 MT of nadu rice to address the market shortage, as announced by Trade Minister Wasantha Samarasinghe. The imports will be managed by Lanka Sathosa and the State Trading Corporation (STC), with stocks expected to reach the market by 15 December.

According to ministry sources, discussions with over 30 suppliers are currently underway. The imported rice will be sold at a controlled price of Rs. 220 per kilo through Lanka Sathosa, cooperative outlets, and supermarkets.

Despite statistics indicating a surplus paddy harvest of 4.8 million MT in 2023 and 2024, the Minister cited market shortages, raising concerns about the reliability of Agricultural Ministry data.

Samarasinghe stressed that the imports were a temporary measure to prevent artificial shortages and excessive profits by millers while ensuring that the local Maha harvest remained unaffected.

Serious shortage

When contacted, All Ceylon Small- and Medium-Scale Rice Mill Owners' Association President B.K. Ranjith told *The Sunday Morning* that there was a serious shortage of rice in the market due to the lack of paddy stocks.

"As of now, all the stocks that were with the small- and medium-scale farmers are over. For the past three weeks, we have not had the required stocks," he explained.

Ranjith further noted that currently only keeri samba was available in the market, although there had been a shortage of this variety for several months. "We have informed all necessary authorities but there has been no response from them," he added.

Efforts to reach Minister of Trade, Commerce, Food Security, and Cooperative Development Wasantha Samarasinghe, as well as officials from the Consumer Affairs Authority (CAA), were unsuccessful.

Attempts to contact large-scale mill owners, including Dudley Sirisena and L.J. Mithrapala, also proved futile.

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