United Nations Conference on Trade and Development

14th Multi-Year Expert Meeting on Commodities and Development

09-11 October 2023, Geneva

Policies to Reduce the Impact of Commodity Price Volatility on Food Security

By

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10th October 2023
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Brief Introduction to Sri Lanka

- Population: 22.16 Mn.
- Economy: GDP at current market price $88.5 billion (2021)
- Real GDP growth rate 3.5% (2021)
- GDP growth rate - contracted by 7.8 (2022)
- Real GDP per capita $3,474 (2022)
- Human Development Index (HDI) – 0.782 (2021)
- HDI rank – 73 (among 189 countries) (2021)
- Exports: $13.1 Bn
- Imports: $18.3 Bn
- Balance of Trade: $ - 5.2 Bn
- Sri Lanka is a net food impoting developing country (NFIDC)
Factors Involved in the Price Volatility

- Food security factor
  - Availability - local production or import or its combination
  - Affordability
  - Quality
  - Safety

- Tax policy factors
  - Tax exemptions
  - Tax concessions
  - Tax adjustments under Special Commodity Levy (SCL)
Factors Involved in the Price Volatility Con.

- Regulatory factors
  - Import restrictions - Import Control License (ICL)/Temporary Suspension (TS)
  - Sanitary and Phytosanitary (SPS)
  - Technical Barriers to Trade (TBT)

- External factors:
  - Export policy of supplying countries - Restricted/Prohibited
    - Restriction on Sugar by India
    - Prohibition on Wheat Grain, Wheat Flour & Rice by India

- Export Duties
  - 40% Export Duty on Potatoes by India
Factors Involved in the Price Volatility Con.

- Natural disasters due to extreme weather conditions
- Supply side constraints in the world market
Impact of the COVID 19 and Economic Rescission

- Due to the drastic foreign reserve down fall government banned the importation of 3,200 items
- All are considered as non-essential including vehicles
- Now gradually releasing the restrictions on imports
- In June 2023 another 286 items removed from the restricted list
- Another 928 items are remaining in the restricted list
Policy Tools & Regulatory Framework

- Special Commodity Levy Act, No. 48 of 2007 - Special Commodity Levy (SCL)
- Other Duties/Taxes
- Customs Ordinance - Customs Import Duty (CID)/Surcharge
- Value Added Tax Act, No. 14 of 2002 - Value Added Tax (VAT)
- Ports and Airports Development Levy Act, No. 18 of 2011
- Ports and Airports Development Levy (PAL)
- Social Security Contribution Levy Act, No. 25 of 2022
  Social Security Contribution Levy (SSCL)
Policy Tools & Regulatory Framework Con.

- **Import Control**
  - Imports and Exports (Control) Act, No. 1 of 1969
  - Import Control License (ICL)
  - Temporary Suspension (TS)
  - Payment Terms

- **Affordability**
  - Consumer Affairs Authority Act, No. 9 of 2003
  - Consumer Affairs Authority (CAA)
  - Maximum Retail Price (MRP)
  - Specified Good
Policy Tools & Regulatory Framework Con.

- Quality
  - Sri Lanka Standards Institution Act, No. 6 of 1984
  - Sri Lanka Standards Institution Standards
  - Consumer Affairs Authority Act, No. 9 of 2003
  - Consumer Affairs Authority (CAA) Standards

- Safety
  - Food Act, No. 26 of 1980
  - Food Control Administration Unit, Ministry of Health
Regulatory Agencies

- Ministry of Finance
- Department of Import and Export Control
- Sri Lanka Customs
- Central Bank of Sri Lanka
- Ministry of Agriculture
- Ministry of Environment
- Ministry of Industries
Future Outlook

- Stabilize domestic markets
  - Act amendments
    - Consumer Affairs Act
    - Food Act etc.

- Regional market integration on International Trade to reduce volatility at domestic markets
  - Entering into new Free Trade Agreements
  - Entering into regional corporation Agreements

- New Export Strategies – Blue/Green Economy, NSW
  - Increase Exports
    - value addition
    - diversification of the export basket
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