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

By

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



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Contents

- ▶ Introduction
- ▶ Factors Involved in Price Volatility in Sri Lanka
- ▶ Existing Policy Framework in Sri Lanka
- ▶ Future Outlook

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 importing developing country (NFIDC)



Sri Lanka

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 constrains 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

Thank
you

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