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Report Highlights:

Rice is Sri Lanka's national staple, its productive cultivation is of national security concern. FAS Colombo (Post) forecast's Sri Lanka's market year (MY) 2024/2025 (October-September) rice production (milled) at 3.42 million metric tons (MMT), coming from a planted area of 1.1 million hectares, with yields of 4.57 metric tons (MT)/hectare (rough rice). Improved production volumes compared to MY 2023/2024 results are due to economic recovery, facilitated through an International Monetary Fund Extended Fund Facility arrangement of \$2.9 billion and increased earnings from tourism and remittances. Post estimates that Sri Lanka's MY 2023/2024 rice (milled) production will be 3.37 MMT as a result of application of the full basket of fertilizers, that includes urea, triple superphosphate (TSP), and muriate of potash (MOP) required for the rice crop to thrive. Sri Lanka is an importer of wheat and wheat flour. Sri Lanka's MY 2024/2025 wheat imports are forecast at 1.2 MMT, up by 20,000 MT from MY 2023/2024.

EXECUTIVE SUMMARY

FAS Colombo (Post) forecast's Sri Lanka's market year (MY) 2024/2025 (October-September) rice production (milled) at 3.42 million metric tons (MMT), coming from a planted area of 1.1 million hectares, with yields of 4.57 metric tons (MT)/hectare (rough rice). Improved production volumes compared to MY 2023/2024 results are due to economic recovery, facilitated through an International Monetary Fund (IMF) Extended Fund Facility (EFF) arrangement of \$2.9 billion and increased earnings from tourism and remittances. Under the EFF program, Sri Lanka received two tranches of \$670 million by December 2023 and the third tranche is expected to receive in June 2024. Sri Lanka's gross official reserves increased to \$4.5 billion in February 2024 from \$ 2.2 billion in February 2023. This will help provide foreign currency liquidity needed to meet urgent imports of medicines, food, and fertilizers.

Rice production will partially recover in MY 2023/2024 with the availability of chemical fertilizers. Post estimates that Sri Lanka's MY 2023/2024 rice (milled) production will be 3.37 MMT as a result of application of the full basket of fertilizers, that includes urea, triple superphosphate (TSP), and muriate of potash (MOP) required for the rice crop. The MY 2023/2024 rice crop is up by 850,000 MT, or 21 percent, with better yields of 4.35 MT/hectare compared to the previous market year.

Climate change is emerging as a challenge to rice production. Observed changes indicate that Sri Lanka's climate is undergoing three major changes, including the gradual increase in ambient air temperature, along with changes in rainfall distribution, and an increase in the frequency and severity of extreme weather events. The most recent event was strengthening of the El Niño (i.e., the warm phase of the El Niño-Southern Oscillation - ENSO) in 2023 (July-September), impacting the Yala 2023 season with dry weather and limiting irrigation water. Water capacity of reservoirs dropped by 60 percent.

Sri Lanka's MY 2024/2025 rice imports are forecast at 50,000 MT similar to the MY 2022/2023 estimate as the country's rice production increasing thanks to imported chemical fertilizers. With better paddy rice production in MY 2023/2024, the government is imposing the requirement of Import Control Licenses (ICL) for raw and parboiled rice (Nadu and Samba) along with higher import duties.

Sri Lanka is an importer of wheat and wheat flour. This country, the size of the State of West Virginia, with a population of just 23.3 million (Central Intelligence Agency, 2023 estimate), has no wheat production. Climatic conditions on the island make wheat cultivation commercially unviable. In 2022, in the midst of the COVID-19 pandemic days, the government facilitated wheat flour imports by lowering import duties. This was done to control wheat flour prices and shortages. In 2023, the government reversed course and increased duties to discourage wheat flour imports to favor domestic flour millers.

Post forecasts Sri Lanka's wheat total consumption in MY 2024/2025 (July-June) at 1.11 MMT, a marginal increase of 10,000 MT from the MY 2023/2024 estimate of 1.1 MMT. The consumption increase is due to the economy's gradual recovery from the political-economic crisis of 2021-22.

FAS Colombo forecasts Sri Lanka's MY 2024/2025 wheat imports at 1.2 MMT, up by 20,000 MT, from Post's earlier MY 2023/2024 estimated volume of 1.18 MMT. However, MY 2024/2025 forecasted imports are still 19 percent below the MY 2020/2021 pre-crisis value of 1.48 MMT. Post attributes the slight increase in wheat imports in MY 2024/2025 to country's gradual economic recovery.

COMMODITY:

RICE

Table 1. Sri Lanka: Commodity, Rice, Production-Supply-Distribution (PSD)

Rice, Milled Market Begin Year Sri Lanka	2022/2023		2023/2024		2024/2025	
	Oct 2022		Oct 2023		Oct 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	1150	1100	1160	1140	0	1100
Beginning Stocks (1000 MT)	822	822	586	580	0	680
Milled Production (1000 MT)	2836	2800	3332	3378	0	3420
Rough Production (1000 MT)	4171	4118	4900	4968	0	5029
Milling Rate (.9999)	6800	6800	6800	6800	0	6800
MY Imports (1000 MT)	135	135	50	50	0	50
TY Imports (1000 MT)	30	30	50	50	0	50
TY Imp. from U.S. (1000 MT)	0	1	0	0	0	0
Total Supply (1000 MT)	3793	3757	3968	4008	0	4150
MY Exports (1000 MT)	7	7	8	8	0	9
TY Exports (1000 MT)	8	8	8	7	0	9
Consumption and Residual (1000 MT)	3200	3170	3300	3320	0	3300
Ending Stocks (1000 MT)	586	580	660	680	0	841
Total Distribution (1000 MT)	3793	3757	3968	4008	0	4150
Yield (Rough) (MT/HA)	3.627	3.7436	4.2241	4.3579	0	4.5718

(1000 HA), (1000 MT), (MT/HA).
 MY = Marketing Year, begins with the month listed at the top of each column.
 TY = Trade Year, which for rice, milled begins in January. TY 2024/2025 = January 2025 - December 2025.

PRODUCTION

FAS Colombo (Post) forecast's Sri Lanka's market year (MY) 2024/2025 (October-September) rice production (milled) at 3.42 million metric tons (MMT), coming in from a harvested area of 1.1 million hectares, with yields of 4.57 metric tons (MT)/hectare (of rough rice). Improved production volumes compared to MY 2023/2024 results are premised on the economic recovery of Sri Lanka, itself being facilitated through an International Monetary Fund (IMF) Extended Fund Facility (EFF) arrangement of \$2.9 billion and increased earnings from tourism and remittances.¹ This will assist greatly in providing the foreign currency liquidity so critically needed to meet urgent imports of medicines, food, and fertilizers, that have been curtailed since mid-2022. Continued access to imported chemical fertilizers will be fundamental for the rice crop's continued recovery.

Sri Lanka's rice production is expected to partially recover in MY 2023/2024 with imports of chemical fertilizers recently made available again for the country's farmers. Post estimates that Sri Lanka's MY

¹ On March 20, 2023, the International Monetary Fund's Executive Board approved an Extended Fund Facility for Sri Lanka. Under the EFF program, Sri Lanka received two tranches of \$670 million by December 2023 and the third tranche is expected to be receive in June 2024, again upon the approval by the IMF.

2023/2024 rice (milled) production will be about 3.37 MMT as a result of application of the full basket of three key fertilizers for rice crop production: urea, muriate of potash (MOP), and triple superphosphate (TSP). The MY 2023/2024 rice crop is up by 850,000 MT, or 21 percent, with better yields of 4.35 MT/hectare compared to the previous market year.

High production costs continue to be a challenge for rice farmers due to increase expenses for fuel, machinery rental, labor, imported chemical fertilizers, and agrochemicals. As a result, during the Maha 2023/2024 season, many smallholder farmers had few options but to applied below the Department of Agriculture (DOA) recommended levels of chemical fertilizers to their crop.

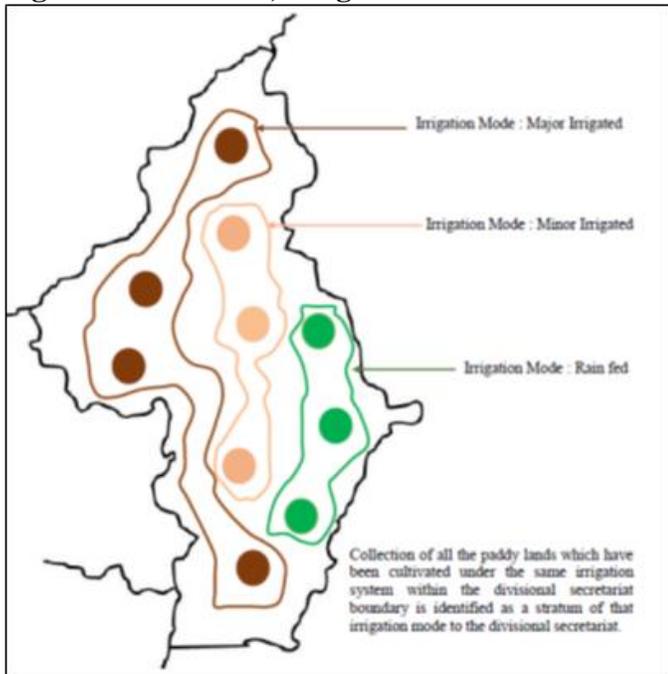
Previously, in MY 2021/2022, the Sri Lankan government's abrupt decision to ban imports of chemical fertilizers (in effect May-November 2021), decimated that market year's rice crop (see, [GAIN-SRI LANKA | CE 2021-0007 | Sri Lanka Restricts and Bans the Import of Fertilizers and Agrochemicals](#) and [GAIN-SRI LANKA | CE 2022-0004 | Grain and Feed Annual – 2022](#)). Without the application of chemical fertilizers, while relying solely on the previous season's residue fertilizer in the soil with the addition of limited amounts of organic fertilizers (mainly manures), the Maha 2021/2022 (October-March) crop failed to deliver the anticipated production volume. Sri Lanka's Department of Census Statistics and Department of Agriculture sources report that rough rice production dropped 3.39 MMT, with average yields of 3.03 MT/hectare. This represents a drop of 34 percent compared to its previous years' volume that had ranged 4.6-4.9 MMT.

Rice Planting Seasons: In Sri Lanka, rice plantings occur during the country's two main production seasons – the Maha (the main, first season) and Yala (the minor, second season). Under normal climatic conditions the Maha season produces the country's major rice crop (i.e., 60-65 percent of the annual production), with harvesting occurring in March. Water supply for rice crop cultivation is a critical factor. The Maha season ends typically in March, with the retreat of the northeast monsoon (which normally occurs December-February/March). The rice crop's productivity is susceptible to the availability of good and timely monsoon rains.

The subsequent Yala season (running May to August) normally produces the country's minor rice crop (i.e., 35-40 percent of annual production), with an August-September harvest date. This growing season tends normally to have lower water availability deriving from the southwest monsoon (May-September), resulting often in lower plantings and lower overall production.

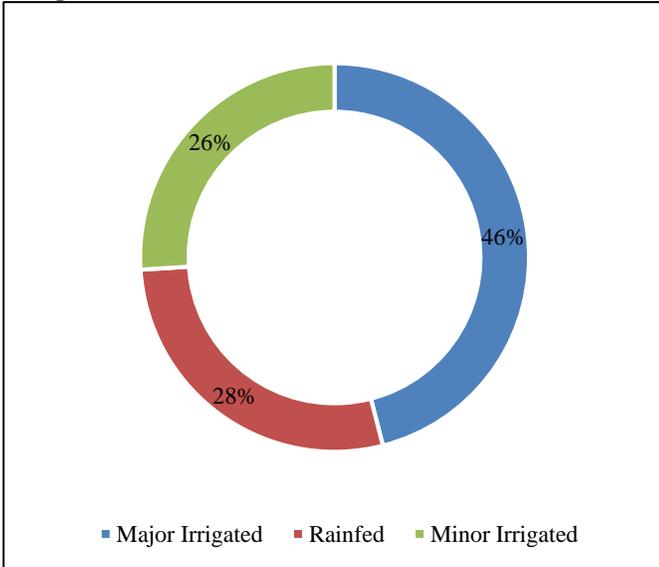
Sri Lanka's paddy rice (rough) cultivation is dependent on rainfall water, distributed under the rainfed irrigation method. The minor irrigation mode of production includes recourse to the water tanks (known locally as *wewa*). The major mode of irrigation includes reservoirs that supply water through formal control systems; handling paddy fields with extensions greater than 80 hectares.

Figure 1. Sri Lanka, Irrigation Modes



Source: Department of Census and Statistics.

Figure 2. Sri Lanka, Rice Cultivation Extent by Irrigation Method - Maha 2022/2023



Source: Department of Census and Statistics.

Climate Change and Water Availability: Climate change is a growing challenge to Sri Lanka's rice production. Observed and projected changes indicate that Sri Lanka's climate is undergoing three major changes: 1) a gradual increase in ambient air temperature; 2) changes in distribution pattern of rainfall; and 3) an increase in the frequency and severity of extreme weather events. Sri Lanka has already faced severe problems with droughts and floods. The most recent event was the strengthening of the El Niño

(i.e., the warm phase of the El Niño-Southern Oscillation - ENSO) in late 2023 (specifically during the July-September period). This impacted the Yala 2023 season’s cultivation, which experienced drier than normal weather and limited irrigated water availability. Water capacity of most reservoirs dropped by over 60 percent; rice fields irrigated under the Mahaweli scheme were the ones worse affected by drought.² Farmers protested demanding the release of water for irrigation instead of for hydroelectric power generation. Furthermore, unprecedented rains from October 2023 to January 2024, impacted the harvest operations of the Yala 2023 rice crop and the planting of Maha 2023/2024 rice crop.

Fertilizer Availability: Tight international fertilizer markets, coupled with Sri Lanka’s domestic currency depreciation made it difficult to purchase foreign fertilizers for crop production. Besides rice, other key crops significantly impacted by limited imported fertilizers include corn (for animal feed) and the export revenue generating crops of tea, coconuts, rubber, and spices.

Russia’s 2022 invasion of Ukraine and the Yemeni Houthis’ (Iran-backed) 2023 attacks on Red Sea shipping (fourth wave of strikes in the waterway since 2015/16) have disrupted international fertilizer supply chains and driven fertilizer prices up. Irrespective of affordability, there were sufficient fertilizer made available during the Maha 2023/2024 season. The Ministry of Agriculture provided a direct cash transfer of Sri Lanka rupees (LKR) 30,000 (~\$99.01) for a maximum two hectares, to farmers’ bank accounts for assistance with the purchase of fertilizers. The current market prices of fertilizers are:

- Urea: LKR 9,000 (~\$29.70) per 50-kilogram (kg.) bag.
- TSP: LKR 20,000 (~\$66.01) per 50- kg. bag.
- MOP: LKR 15,000 (~\$49.50) per 50-kg. bag.

Post anticipates that rice yields will vary depending on fertilizer quantity usage, as well as the fertilizers mix choices among farmers. Especially smallholder rice farmers during periods of higher prices; with farmers often preferring to use nitrogen instead of potash and phosphate. Although the result of reduced nitrogen is readily observable during the growing season; the impact of cutting back on potash and phosphate use, and its effects on yields and soil health, may take years to materialize.³

Table 2. Sri Lanka: Fertilizer Requirements, Per Hectare and Fertilizer Costs

Fertilizer Type	Approximate Fertilizer Requirement per hectare of Rice Paddy in kilograms (For 3.5 months variety)	Expenditure to Purchase Fertilizer at Current Market Price (LKR/Ha)
Urea	225	40,500 (\$125.01)
TSP	55	22,000 (\$67.90)
MOP	60	16,800 (\$51.85)

Source: Fertilizer requirement data [Dry and Intermediate Zone \(Rainfed\) Crop Calendar](#) and [Dry and Intermediate Zone \(Irrigated\) Crop Calendar](#).

² The Mahaweli Development program, initiated in 1961, is the largest multipurpose national development program in the history of Sri Lanka; it is considered the keystone of the government’s development program.

³ Hebebrand, C. and Glauber, J. (2023). [The Russia-Ukraine War After a Year: Impacts on Fertilizer Production, Prices, and Trade Flows](#). International Food Policy Research Institute (IFPRI) blog, 2024.

What to Expect in MY 2024/2025 and Beyond: The critical requirement for bringing back Sri Lankan agricultural production to the pre-chemical fertilizer import ban (2021) level, and in particular rice production, will be determined by farmers' access to imports of chemical fertilizers. With the support from the IMF loan, Sri Lanka's foreign reserves are gradually increasing allowing access to foreign chemical fertilizers. FAS Colombo forecasts Sri Lanka's MY 2024/2025 paddy rice (un-milled) production at 5.02 MMT, up 2 percent from the MY 2023/2024 estimate of 4.96 MMT. Productive recovery is also subject to favorable weather conditions. Post expects that production costs to marginally decrease in tandem with declines in global fertilizer prices along with an appreciation of the Sri Lankan rupee (i.e., the local currency) against the U.S. dollar.

The Sri Lankan DOA estimates that about 10 percent (or 77,489 hectares) of the 805,347 hectares were impacted during Maha 2023/2024 season with floods, pests, and diseases. Flood damages mainly occurred in Ampara inter-provincial (IP), Polonnaruwa IP, Kilinochchi, Vavuniya, Mannar, Mullaitivu, Gampaha, Puttalam, Batticaloa, and the Mahaweli system. Pest damages are attributable to the Brown Plant Hopper (BPH), White Backed Plant Hopper (WBPH), leaf folder, mites, stem borer, and thrips. Pest damages reported mainly from Jaffna, Kilinochchi, Anuradhapura, Trincomalee, Kurunegala districts, and Polonnaruwa IP.

Sri Lankan government institutions and international donor agencies are now shifting away from emergency humanitarian assistance to more sustainable long-term solutions for paddy rice production. The focus is now to increase the productivity and resilience of the rice-based ecosystems in the dry and intermediate zones by using less water and chemical inputs along with cost-effective production methods. This can potentially release upwards of 100,000 hectares in the wet zone area for other field crops, while reducing the country's reliance on imports.⁴

The Rice Research and Development Institute (RRDI) of Sri Lanka in this regard is expediting experimentation with new rice varieties and their release. These upcoming varieties benefit from better abiotic stress tolerance (i.e., improve tolerance to drought, high temperature, heat, salinity, iron toxicity, and flooding) and are intended to achieve an average productivity of 5 MT/hectare within next five years and 5.5 MT/hectares within 10 years.

CONSUMPTION

FAS Colombo forecasts Sri Lanka's MY 2024/2025 rice consumption at 3.3 MMT, nearly the same volume as Post's MY 2023/2024 estimate. The similar consumption rates are due to stabilized rice prices (except for Keeri Samba), recovery in local rice production attributable to chemical fertilizer imports, and the country's ongoing economic recovery.

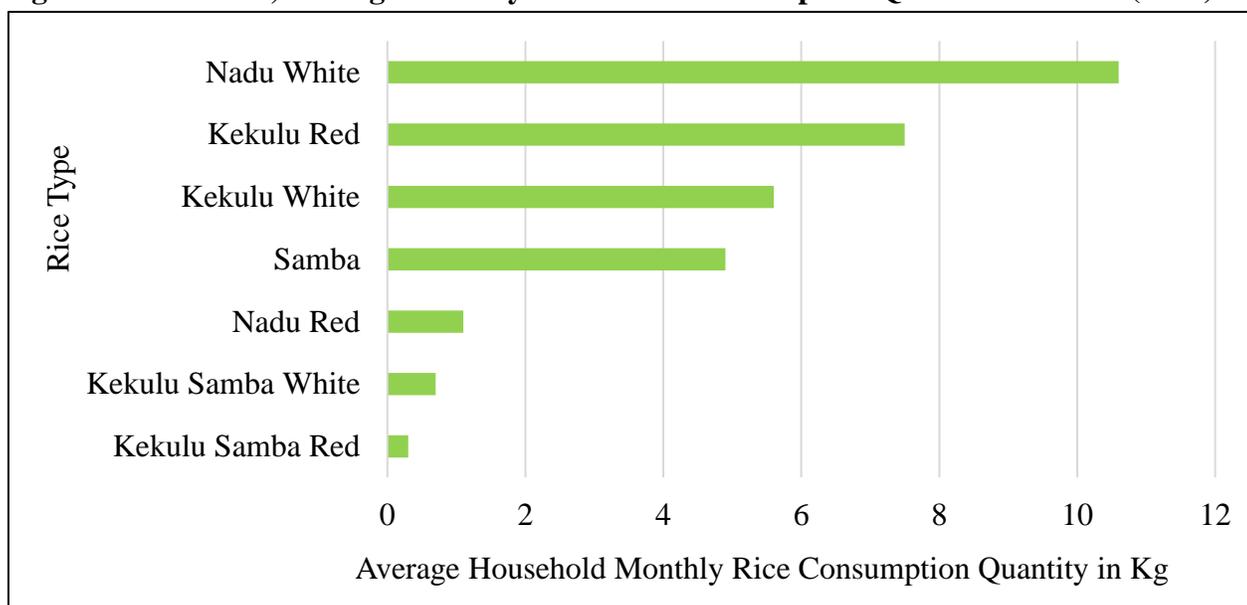
Rice remains a mainstay in Sri Lanka's diet and lifestyle, two of every three daily meals are comprised of rice and curry. It is the staple food of the vast majority of the country's population of 23.3 million (Central Intelligence Agency, 2023 estimate). Rice provides the populace with about 45 percent of its total calories and 40 percent of the total protein requirements. On a per capita consumption basis, Post is

⁴ Food and Agriculture Organization in Sri Lanka, 2023. The Government of Sri Lanka, USAID, and FAO to boost rice-based ecosystem productivity and increase revenue for smallholder farmers.

expecting an increase in overall rice consumption in MY 2023/2024 to 107 kilograms per annum, up from its previous value of 102 kilograms per annum.

Sri Lanka’s Household Income and Expenditure Survey (HIES) – 2019 (the latest one), places at the national level, the average monthly household consumption of rice at 30.7 kilograms. Consumer behaviors differ among urban, rural, and estate sectors. The largest consumption of rice occurs within the estate sector, where households consume 35.9 kilograms of rice monthly. Rural household rice consumption is lower at 31.8 kilograms monthly but is lowest in urban areas where households have trimmed back monthly rice intake to 24.1 kilograms. Nadu White is the highest consumed rice variety, followed by Kekulu Red, Kekulu White, and Samba. Consumer preferences on rice variety varies by sector. Both the estate and rural sectors are large consumers consumes of Nadu White, while the urban sector favors Samba rice.

Figure 3. Sri Lanka, Average Monthly Household Consumption Quantities of Rice (2019)



Note: Kekulu is the raw rice. Parboiled rice produced from short-grain paddy rice is known locally as Samba rice, while the long-grain paddy is referred to Nadu rice.

Source: [Household Income and Expenditure Survey 2019](#), Department of Census and Statistics of Sri Lanka.

While Sri Lanka’s economy is in the recovery phase, lower income earning households still struggle to come back to pre-crisis levels of income earnings and consumption. The World Bank estimates, Sri Lanka’s poverty rates have doubled from 13 percent to 28 percent between 2021 and 2023.

A recent study by Sri Lanka’s Department of Census and Statistics found the 2022 economic collapse further contributed to a scale back in consumption. Nationally, the average Food Consumption Score (FCS) was found to be 70.2. The FCS is a composite indicator that considers the dietary diversity, frequency and nutritional importance of the food groups consumed by the households. Based on this indicator, 93 percent of the households were categorized as having acceptable food consumption while 7

percent had borderline or poor consumption.⁵ In addition, middle- and high-income earning families are also affected by the high direct and indirect taxes as measures for economic recovery. As coping strategies, households often compromise in the quality, quantity, and regularity of meals. However, rice is a staple food, its consumption did not drop drastically even during the economic crisis.

Keeri Samba (Bg 360) Shortage during MY 2023/2024: The controlled price for Keeri Samba rice created shortages and a parallel market pricing for Keeri Samba from early MY 2023/2024 to date. The maximum price of Keeri Samba stands at LKR 260/kg., while actual market prices range from LKR 295 to 300 a kilogram. However, the demand has further pushed up the prices, with millers saying they are unable to supply it to traders to be sold at the controlled price. The maximum Retail Price (MRP) for Keeri Samba discouraged farmers from cultivating it. Specially the yield from Keeri Samba rice is lower than the cultivation of other commonly cultivated rice varieties such as At 362, Bg 352, and Bg 300. Though there's no large demand for this rice variety at the national level, consumers from the Western Province, and hotels and restaurants prefer it over other rice varieties due to its grain characteristics.

As an immediate response to scarcity, the Sri Lankan government approved the import of 100,000 MT of Keeri Samba from India. This was done to ensure sufficient stocks during the Christmas and New Year festive season in 2023/24. However, Keeri Samba (BG-360) is an indigenous rice variety, introduced by Batalegada Rice Research Institute. Importers had to consequently import Ponni Samba (GR11) from India, which is quite similar to Keeri Samba.

The DOA encouraged farmers to cultivate over 80,000 hectares Keeri Samba during the Maha 2023/2024 season. To provide a supply that matches the demand, cultivation of Keeri Samba needs to be expanded. For upcoming Maha 2024/2025 season, the DOA expects to expand Keeri Samba by about 100,000 hectares.

Table 3. Most Popular Rice Varieties in Major Rice Cultivation Districts

Variety	Duration	Key Characteristics	Average Yield	Key Rice Growing Districts
Bg 300	3 months	White pericarp, medium size grain	4.5-5.5 MT/Ha	Anuradhapura, Polonnaruwa
Bg 94-1	3.5 months	White pericarp, medium size grain	4.0-4.5 MT/Ha	Ampara
Bg 360 (Keeri Samba)	3.5 months	White pericarp, round shape, short grain	4.0-4.5 MT/Ha	Mahaweli
Bg 352		White pericarp, medium size grain	5.0-5.5 MT/Ha	Mahaweli, Anuradhapura, Polonnaruwa
At 362	3.5 months	High yield, red pericarp, long grain	5.5-6.5 MT/Ha	Hambantota, Mahaweli, Ampara

Source: Rice Varietal Distribution in Sri Lanka, Rice Research and Development Institute, 2017.

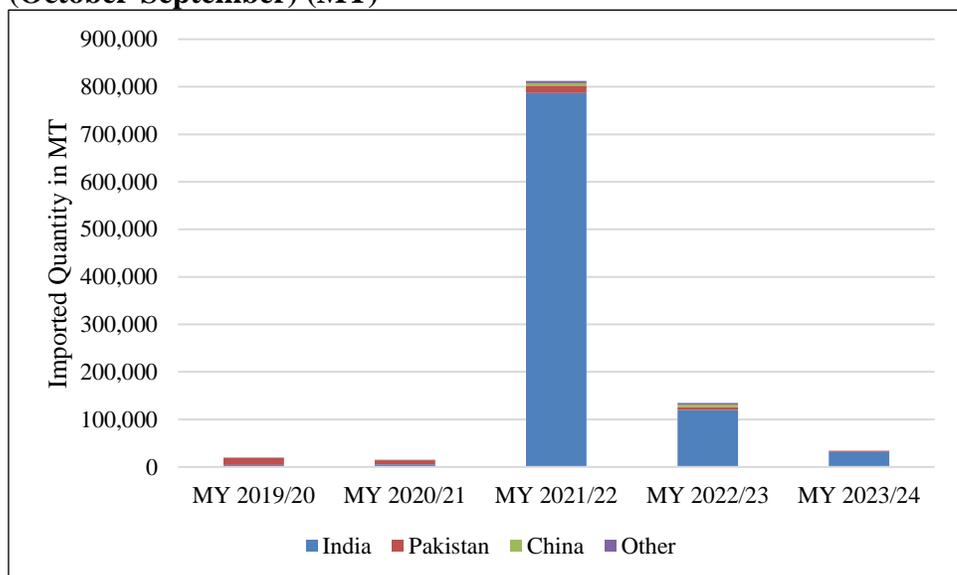
TRADE

⁵ [Household Survey on Impact of Economic Crisis – 2023, Department of Census and Statistics, Ministry of Finance, Economics Stabilization and National Policies.](#)

Imports: FAS Colombo forecasts Sri Lanka’s MY 2024/2025 rice imports at 50,000 MT, similar to the MY 2023/2024 estimate. Post attributes declines in import volumes, compared to MY 2021/2022 and MY 2022/2023 levels, as a result of the country’s rice production increasing with the renewed used of imported chemical fertilizers.

With improved paddy rice production in MY 2022/2023, the Sri Lankan government is now imposing on importers the requirement of obtaining an Import Control License (ICL) for the import of raw and parboiled rice (Nadu and Samba). The import of basmati rice remains allowed, not restricted, but is subject to a general tariff duty rate of 20 percent or LKR 80/= per kilogram and other import duty tariffs. Under normal weather conditions, Post expects these import duties on rice to continue to help protect domestic rice producers. In December 2023, the Sri Lankan government authorized the import of 100,000 MT of Ponni Samba from India to address the domestic Keeri Samba rice shortage.

Figure 4. Sri Lanka, Rice Imports by Origin and Market Year (October-September) (MT)



Note: MY 2022/2023 includes data only through February 2023.

Source: Trade Data Monitor, FAS Colombo office research.

Earlier in MY 2021/2022, in response to the domestic rice crop’s massive production drop, the Sri Lankan government was forced to allow the import of 820,000 MT (record high) of rice, mainly from India, to supply domestic consumption. The government allowed from November 2021 onwards imports of raw rice, as well as of parboiled Nadu and Samba rice types.

Table 4. Sri Lanka, Rice, Import Control Measures, and Import Duty Tariff Rates

HS Code	Description	Import Control Measure	General Duty	VAT	PAL	CESS	SSCL
1006	Rice						
1006.10	Rice in the husk (paddy or rough)	Imports Control License	20% or Rs.80/= per kg	18%	Excluded	10% or Rs.40/= per kg	2.5%
1006.20	Husked (brown) rice	Temporary Suspension	20% or Rs.80/= per kg	18%	Excluded	10% or Rs.40/= per kg	2.5%
	Raw Rice						
1006.30.11	Basmati rice (as defined by Department of Agriculture)		20% or Rs.80/= per kg	18%	10%	10% or Rs.40/= per kg	2.5%
1006.30.19	Other	Imports Control License	20% or Rs.80/= per kg	18%	Excluded	10% or Rs.40/= per kg	2.5%
	Parboiled Rice						
1006.30.21	Basmati rice (as defined by Department of Agriculture)		20% or Rs.80/= per kg	18%	10%	10% or Rs.40/= per kg	2.5%
1006.30.29	Other	Imports Control License	20% or Rs.80/= per kg	18%	Excluded	10% or Rs.40/= per kg	2.5%
1006.40	Broken rice	Temporary Suspension	20% or Rs.140/= per kg	18%	10%	10% or Rs.70/= per kg	2.5%

Note: Computation formulae for import duties are available in [Preamble](#) of Import Tariff on the Sri Lanka Customs' website. VAT = Value-Added-Tax; PAL = Port and Airport Development Levy; SSCL = Social Security Contribution Levy; CESS = Cess levy under Sri Lanka Export Development Act.

Source: [Import Tariff](#), Sri Lanka Customs as of March 24, 2024.

Exports: FAS Colombo forecasts Sri Lanka's MY 2024/2025 rice exports at 9,000 MT, a small portion of the total rice (milled) production. The major rice export destinations for Sri Lankan rice include the United Arab Emirates (UAE), Australia, Canada, and the United Kingdom, all of which count with Sri Lankan expat workers and residents.

Table 5. Sri Lanka, Rice Exports to World, MY 2019/2020 to MY 2023/2024

Market Year (October/September)	MY 2019/2020	MY 2020/2021	MY 2021/2022	MY 2022/2023	MY 2023/2024
Total Exported Rice Quantity (MT)	7,308	7,331	5,814	6,879	3,278

Note: MY 2023/2024 includes data only through February 2024.

Source: Trade Data Monitor; FAS Colombo office research.

STOCKS

The Sri Lankan government provides no official statistics on the country's paddy and rice stocks volumes – complicating actual stock level estimations. Accusations abound that there has been hoarding by traders and that farmers have also held back rice in hopes of obtaining higher prices. The ongoing economic crisis coupled with a lack of available fertilizer at the correct application time have reduced country's rice stocks volumes. Renewed imports of chemical fertilizers and overall favorable weather will support Maha 2023/2024 production and help build up stock levels gradually. Maha rice production output normally supplies about nine months of rice supply, while the Yala season's production provides an additional six months for a total of 15 months of supply. With rice production in recovery, FAS Colombo forecasts Sri Lanka's MY 2024/2025 rice stock volume to reach 841,000 MT.

POLICY

The Sri Lankan government normally subsidized the production of rice in pursuit of rice self-sufficiency, which is a national food security concern. Until 2021, the government would import fertilizers and provide these to rice farmers in allotments sufficient to cover two hectares of paddy rice fields. Irrigation water is also provided free of charge to farmers through an extensive canal system. However, since the 2021/22 economic crisis, the government can no longer afford to distribute fertilizer free of charge.

In 2016, the Sri Lankan government earlier introduced the Fertilizer Cash Grant (FCG) Program with the key objective to reduce the excessive use of synthetic fertilizers, promote the adoption of organic fertilizers, and use of fertilizers in appropriate quantities based on soil testing. The FCG program only lasted four seasons and subsequently price subsidies were reintroduced. In 2023, the government again decided to provide a FCG to small scale paddy farmers for up to a maximum of LKR 30,000 (\$92) per hectare. Under this initiative, farmers engaging in paddy rice farming in the Maha season-2023/2024 received a maximum allowance of LKR 15,000 per hectare of cultivated land. This financial assistance would be directly credited to their accounts. According to Agrarian Services Department, about 1.2 million farming families are qualified to receive this benefit.⁶

Increasing rice productivity, reducing input use, diversifying suitable rice fields with other cash crops are the Ministry of Agriculture's priorities. Sri Lanka is heavily dependent on importing most of other field crops (i.e., cereals, condiments, oil crops, and legumes). In this context, the U.S. Agency for International Development (USAID) funded a \$9.2-million activity to revitalize Sri Lankan agriculture by enhancing paddy productivity, diversifying crops on marginal land, and promoting sustainable farming practices. About 10,000 Sri Lankan paddy farmers across four districts – Hambanthota, Vauniya, Anuradhapura, and Kurunegala will benefit from this project. The Food and Agriculture Organization (FAO) and the Ministry of Agriculture as part of this project will help farmers diversify the use of 1,250 hectares of paddy lands during the Yala cultivation season, aiming to cultivate suitable cash crops (e.g., green gram, cowpea, ground nut, chilies, and onions). In addition, the activity will help farmers use resources such as water and fertilizer more efficiently across 5,000 acres of paddy. The

⁶ Kumudu Kopiyawattage, Jeevika Weerahewa and Devesh Roy. Sri Lanka's New Fertilizer Cash Grant (FCG) Scheme for Paddy. What do Participants and Associates Look and Hope For? International Food Policy Research Institute (IFPRI), 2024.

project builds on the United States' 2022 donation of 36,000 metric tons of Triple Super Phosphate amid the country's economic and food security crisis.

MARKETING

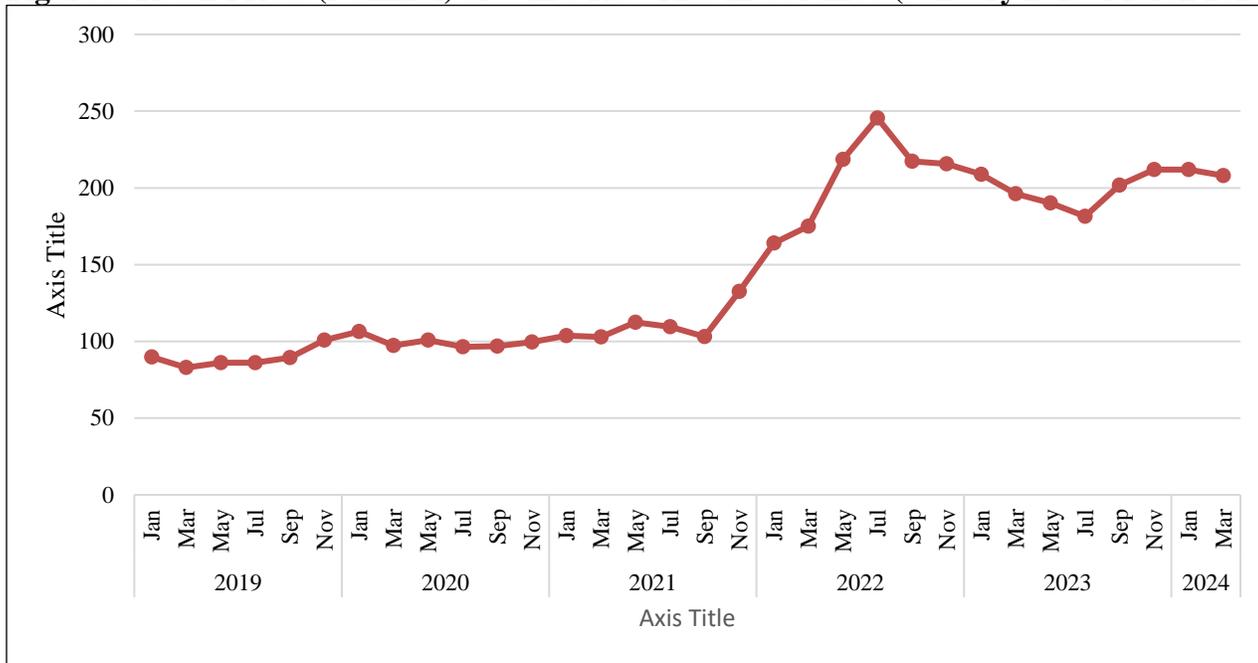
The paddy rice (rough) marketing system in Sri Lanka consists of both the private and public sectors. However, 90 percent of paddy rice produced is picked up by the private sector directly off the fields. The government, even when it has the financial resources available, will at best absorb 10 percent of domestic rice production.⁷ The private sector is motivated strictly by profit, while public sector value-chain aims at delivering a service to both the producers and consumers. The biggest problem faced by the paddy rice farmers at harvest time is the very low paddy rice prices prevailing in the market. During the harvest, prices plummet below the minimum floor price due to the excess supply of paddy rice.

The Paddy Marketing Board (PMB) resumed its paddy purchasing operations in March 2024, after a two-year break, utilizing funds received from the Treasury (LKR 500 million) and the Farmer's Trust Fund (LKR 500 million). However, farmers are currently hesitant to sell their paddy to the PMB as the private sector offers higher prices. As per PMB, the minimum purchase price of paddy for the Maha 2023/2024 season (rupees per kilogram) is as follows: for standard paddy with a moisture content of 14 percent (Nadu – LKR 105, Samba – LKR 120, and Keeri Samba – LKR 130), and for wet paddy with a moisture content of more than 14 percent (Nadu – LKR 90, Samba – LKR 100, and Keeri Samba – LKR 120). Since PMB purchasing started, paddy prices (moisture content of more than 14 percent) have surged from LKR 80-85 to LKR 105 per kilogram.

Prices: Food commodities' prices have been on a steady increase since the last quarter of 2021 and reached record highs in July 2022, with the food inflation rate reaching over 90 percent year-on-year. Similarly, prices of domestic rice have been increasing since October 2021, and have more than doubled, from LKR 111.77/kg (~\$0.57) in June 2021 to LKR 245.73/kg (~\$0.68) in July 2022. The price spikes are associated with tight market availability, due to the sharply reduced production in MY 2021/2022. High fuel prices for transportation and high electricity cost coupled with the compounded impact of a steep domestic currency depreciation added inflationary pressure on prices. Rice imports and significant recovery of domestic rice production helped to lower rice prices without shortages. As of March 2024, commonly consumed rice retails for LKR 190-210 (~\$0.03 to ~\$0.04). However, prices of all Samba varieties show a notable increase in prices in 2024.

⁷ Japan International Cooperation Agency (JICA) and System Science Consultants Pvt. Limited (SSC). 2013. Agricultural Distribution and Marketing Network in Sri Lanka: A Report Submitted to JICA Tokyo, 2013.

Figure 5. Retail Prices (Nominal) of White Raw Rice in Colombo (January 2019–March 2024)



Source: Department of Census and Statistics, Sri Lanka.

COMMODITY:

WHEAT

Table 6. Sri Lanka: Commodity, Wheat, Production-Supply-Distribution (PSD)

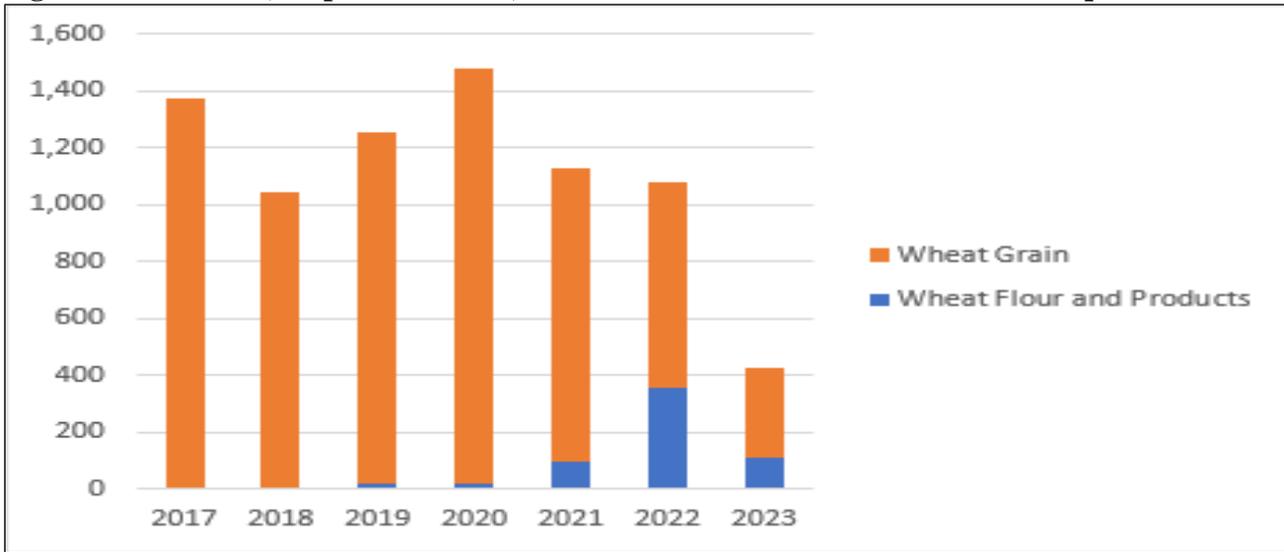
Wheat	2022/2023		2023/2024		2024/2025	
	Jul 2022		Jul 2023		Jul 2024	
Sri Lanka	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	0	0	0	0	0	0
Beginning Stocks (1000 MT)	168	168	120	120	0	120
Production (1000 MT)	0	0	0	0	0	0
MY Imports (1000 MT)	1077	1077	1150	1180	0	1200
TY Imports (1000 MT)	1077	1077	1150	1180	0	1200
TY Imp. from U.S. (1000 MT)	20	0	0	20	0	20
Total Supply (1000 MT)	1245	1245	1270	1300	0	1320
MY Exports (1000 MT)	75	75	75	80	0	90
TY Exports (1000 MT)	75	75	75	80	0	90
Feed and Residual (1000 MT)	50	50	50	50	0	60
FSI Consumption (1000 MT)	1000	1000	1000	1050	0	1050
Total Consumption (1000 MT)	1050	1050	1050	1100	0	1110
Ending Stocks (1000 MT)	120	120	145	120	0	120
Total Distribution (1000 MT)	1245	1245	1270	1300	0	1320
Yield (Rough) (MT/HA)	0	0	0	0	0	0

(1000 HA), (1000 MT), (MT/HA).
MY = Marketing Year, begins with the month listed at the top of each column.
TY = Trade Year, which for wheat, begins in January. TY 2023/2024 = January 2024 - December 2024.

PRODUCTION

Sri Lanka for decades has been importing wheat for flour milling. The country does not produce wheat locally. Recently the Sri Lankan government has facilitated wheat flour imports by lowering import taxes. However, imported wheat flour quantities remains minimal when compared to the import volume of wheat grain for flour milling. Nonetheless, the share of imported wheat flour, when converted to a wheat equivalent basis, is evidencing an upward trend in recent years.

Figure 6. Sri Lanka, Imported Wheat, and Wheat flour (Converted to Wheat Equivalent Basis)



Source: Trade Data Monitor.

CONSUMPTION

FAS Colombo (Post) forecasts Sri Lanka's market year (MY) 2024/2025 (July-June) wheat total consumption at 1.11 million metric tons (MMT), representing a marginal increase of just 10,000 metric tons (MT) from Post's earlier MY 2023/2024 estimate of 1.1 MMT.

The slight increase in consumption is attributed to the Sri Lankan economy's gradual recovery from the political-economic crisis of 2021-22. With the Sri Lankan government in December 2023, coming to a negotiated bailout agreement with the International Monetary Fund (IMF) of \$2.9 billion, much needed foreign currency (forex) has again been made available for the financing of imported food and agricultural commodities such as wheat. At the same time, there has been a revival of the country's tourism sector with the large-scale influx of tourists from Russia and China, as well as from India. Hard currency remittances from Sri Lankan expatriate workers are also up.

The influx of foreign tourists is fueling increased consumption of wheat flour-based bakery and foods. Foreign tourists tend to eat more flour-based products rather than rice. In 2023, Sri Lanka welcomed 1.48 million visitors, nearly double the visitor arrivals of 2022, and targets at least 2.3 million visitors in 2024. This is no small number when compared to Sri Lanka's population of just 23.3 million (Central Intelligence Agency, 2023 estimate).

Wheat flour prices have also reduced significantly compared to the latter part of MY 2021/2022 and into the early part of MY 2022/2023. During March 2024, the price of a kilogram (kg) of wheat flour has dropped nearly 9 percent, compared to prices in the previous year. Still, these prices are more than double than pre-crisis values. Although the wheat flour price helps in stabilizing the market, many households have not achieved their pre-crisis levels of consumption. This is due to limited disposable income after paying higher direct and indirect taxes, high electricity and water expenditures, and increased payments for other essentials such as cooking gas. Consumers are known to have cut back on

their consumption, turning to alternative sources of carbohydrates such as those derived from root-flour and even jackfruit.

Sri Lanka's bakery industry was severely affected by the 2021-22 political-economic crisis. It confronted higher prices demanded by manufacturers of food ingredients, such as margarine, butter, and eggs. To date the supply of imported eggs from neighboring India remains irregular. Prices for locally produced eggs remain high, costing Sri Lankan rupees (LKR) 60.00 (U.S. dollars 0.20) each.⁸

TRADE

Imports: Wheat and wheat flour account for the largest share of Sri Lanka's cereal imports. Large quantities of rice and corn (maize) are only imported when local production is insufficient to cover domestic needs.⁹ FAS Colombo forecasts Sri Lanka's MY 2024/2025 imports at 1.2 MMT, up by 20,000 MT, from Post's earlier MY 2023/2024 estimated volume of 1.18 MMT. However, MY 2024/2025 forecasted imports are still 19 percent below the MY 2020/2021 pre-crisis value of 1.48 MMT. Post attributes the slight increase in wheat imports in MY 2024/2025 to country's gradual economic recovery.

Sri Lanka's main wheat suppliers include Canada, Russia, Australia, Pakistan, India, and Romania. During MY 2022/2023, wheat flour imports from Turkey were substantially large because of reduced taxes being levied on wheat flour imports, as well as Turkey-origin wheat price advantages. Although the Sri Lankan government increased wheat flour import taxes in August 2023, a considerable quantity of wheat flour is still imported from Turkey. FAS Colombo anticipates that this trend will continue through MY 2024/2025. Currently, the import of wheat flour for animal feed is subject to obtaining import control licenses and the prior approval from Sri Lanka's Department of Animal Production and Health (DAPH).

Sri Lanka's current import requirements disallow U.S.-origin feed wheat. Entry requirements are highly restrictive for de-husked, bulk wheat imported for animal feed production. Unlike the case of wheat imports for human consumption, where the two millers' production locations are easily verifiable by authorities, small- to medium-sized feed mills are scattered throughout the country and often lack adequate infrastructure (i.e., including silos).

At present there is a 5 percent, or LKR 6 per kg import tax levied on foreign-origin wheat grain imports. Although import of wheat flour is taxed at 20 percent or LKR 27 per kg, the difference does not deter the large-scale dumping of Turkish flour onto the local market.

⁸ Sri Lanka Rupee (LKR) 1.00 = U.S. dollar (USD) 0.0033 (as of March 26, 2024).

⁹ Corn is the key ingredient used in animal feed production in Sri Lanka. According to the FAO/WFP Special Report Crop and Food Security Assessment Mission (CFSAM) to the Democratic Socialist Republic of Sri Lanka in May 2023, corn (maize) production (mostly grown during the Maha season) is estimated at 272,100 MT in the Maha 2022/2023 season. This amount is about 13 percent below the five-year average, reflecting low levels of plantings and yields due to lack of fertilizer.

Table 7. Sri Lanka, Import Tariffs on Wheat, and Wheat Flour (March 2024)

Description (HS Code)	Custom Duty or General Duty	VAT	PAL	SSCL
Wheat grain- non-Durum (1001.99)	5% or LKR 6.00/Kg (Preferential duty-free for Pakistan)	Exempted	5%	2.5%
Wheat flour (1101.00)	20% or LKR 27/Kg (Preferential duty-free for Pakistan)	Exempted	10%	2.5%

Note: Computation formulae for import duties are available in [Preamble](#) of Import Tariff on Sri Lanka Customs Website. VAT = Value Added Tax; PAL = Port and Airport Development Levy; SSCL = Social Security Contribution Levy.

Source: [Import Tariff](#), Sri Lanka Customs as of March 19, 2024

Exports: FAS Colombo forecasts Sri Lanka’s MY 2024/2025 wheat product exports at about 90,000 MT, up by 10,000 MT compared to Post’s MY 2023/2024 estimated quantity of 80,000 MT. The higher export volume going forward, compared to that of previous years, is premised on the increase in wheat imports for flour milling resulting from better access now to adequate forex currency available for financing imports and the gradual recovery of the country from the 2021-22 political-economic crises.

The Sri Lankan market of late, has been saturated with domestically milled wheat flour. Even during the economic crisis in 2021-22, Sri Lanka managed to export nearly 0.1 MMT of excess wheat flour production to neighboring and regional foreign markets. To date, the country’s main export destinations include the Maldives, Thailand, Malaysia, and Singapore.

Table 8. Sri Lanka, Total Wheat Imports and Exports

Item	MY 2017/2018 (MT)	MY 2018/2019 (MT)	MY 2019/2020 (MT)	MY 2020/2021 (MT)	MY 2021/2022 (MT)	MY 2022/2023 (MT)	MY 2023/2024 (MT)
Wheat Imports to Sri Lanka from World	1,371,114	1,046,231	1,254,766	1,481,120	1,129,206	1,077,012	471,184
Wheat Exports from Sri Lanka to World	70,993	92,920	114,244	96,972	133,203	74,992	50,411

Note: MY 2023/2024 data includes only figures through January 2024. Wheat imports and exports include wheat grain, flour, and processed products using wheat like pasta and couscous.

Source: Trade Data Monitor.

STOCKS

FAS Colombo forecasts Sri Lanka’s MY 2024/2025 wheat ending stocks at 120,000 MT. With wheat imports gradual increasing, along with marginal increments in consumption combined with a slower pace in exports, ending stocks should again commence to rise. Some wheat for flour milling will likely go into storage, contributing to rising stocks.

Wheat Flour Milling: In Sri Lanka there are only two flour millers (Prima Ceylon Ltd., and Serendib Flour Mills) operating (milling wheat for human consumption). These millers are responsible for most of Sri Lanka’s annual wheat imports. With a 3,600 MT/day milling capacity, the larger of the two

millers, accounts for the bulk of Sri Lanka’s flour milling. Sri Lanka has excess milling capacity that outpaces domestic demand for wheat flour. [Note: The largest milling facility has 350,000 MT storage capacity]. A significant volume of Sri Lanka’s wheat imports in previous years was making its way to other Asia-Pacific region countries as milled wheat flour exports.

POLICY

Sri Lankan agricultural policy has focused over the years on achieving national self-sufficiency in rice production. It has favored rice production over wheat imports. Given the staunch political-economic support for rice production, wheat consumption has been increasing marginally. Imported wheat is milled under controlled conditions at the port-of-entry (Colombo and Trincomalee). Wheat flour products like *roti* (that is, the round flatbread native to the Indian subcontinent) is often used to feed estate plantation workers and their families.

MARKETING

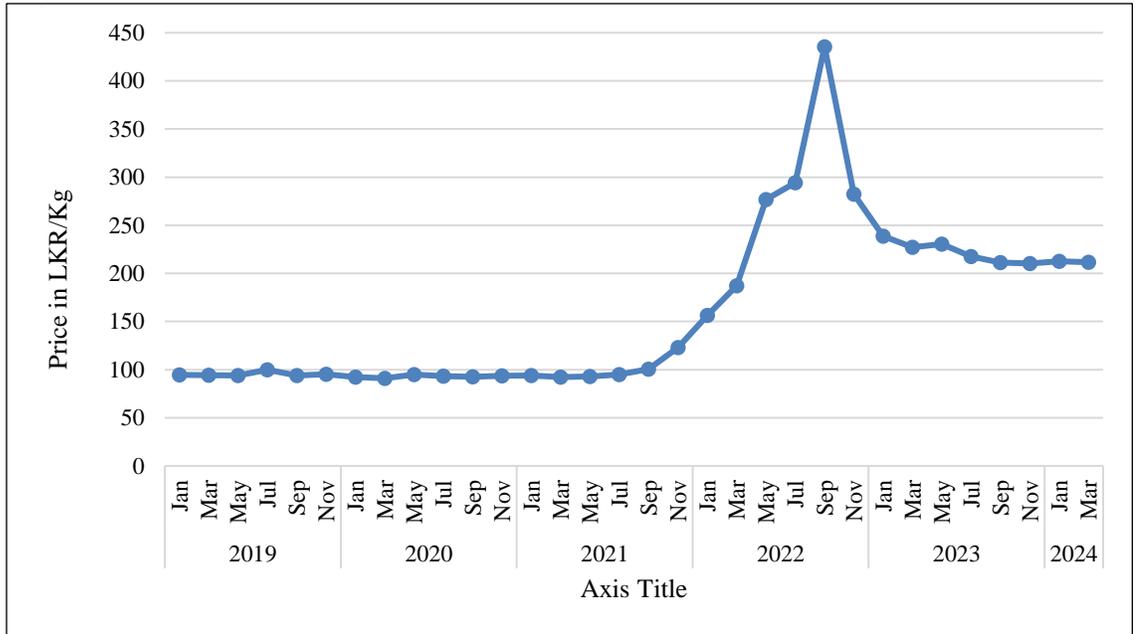
Prices: The rapid Sri Lankan rupee’s depreciation contributed to rapid increase in wheat flour and wheat flour-based products prices. In Colombo, the retail price of one kilogram of wheat flour went up nearly fourfold, going from LKR 100.64 (~\$0.51) in September 2021, to LKR 435.42 (\$1.22), up 332 percent by September 2022. This spike in prices occurred at the time when rising global wheat prices also made it more difficult for the forex starved Sri Lankan economy to finance wheat imports for flour milling. However, domestic wheat flour prices have declined since October 2022, reflecting increased imported quantities and low international wheat flour quotations. Yet, as of March 2024, prices were still double than the pre-crisis level.

Table 9. Sri Lanka, Retail Price, Wheat Flour in Main Markets in Colombo District (March 2024)

Item	Average Price (LKR/Kg)		% Change in Price 1st Week of March 2024 compared to March 2023
	First Week March 2024	First Week March 2023	
Wheat Flour	211.61	231.67	-8.7 %
Bread (450 grams)	145.83	167.50	-12.9 %

Source: Department of Census and Statistics of Sri Lanka.

Figure 7. Sri Lanka, Wheat Flour Retail Prices (Colombo) (2019-2024)



Source: Department of Census and Statistics of Sri Lanka.

Attachments:

No Attachments