

Sri Lanka: Food prices: Tackling middlemen a task for later?

Friday 8 November 2024, by [DULLEWE Maneesha](#) (Date first published: 3 November 2024).

While many accusations have been traded over the years about the impact of middlemen on prices in the rice and vegetable market in Sri Lanka and how it leads to the exploitation of farmers and consumers, the new Government appears to be biding its time until next year to undertake concrete action to tackle this.

Middlemen are key persons in Sri Lanka's vegetable and rice value chain, given that the marketing operation has a crucial role in deciding farmer profits and consumer availability. They play key roles such as collecting, grading, storage, distributing, and selling in the marketing channels.

An inextricable situation?

Farmer unions have been vocal about this state of affairs, with All-Island Farmers' Federation (AIFF) National Convenor Namal Karunaratne having been a particularly strident advocate against middlemen.

Speaking to *The Sunday Morning*, Karunaratne explained the complications that had recently emerged in relation to paddy.

"The previous Government emptied all warehouses by selling paddy stocks prior to the election at a loss of Rs. 50. Since the Yala season crop has been harvested and the Maha season has just started, farmers also have no paddy in their possession. As such, it is the middlemen and mill owners who have paddy at present; the Government does not possess any paddy since the stocks it held have been sold."

He pointed out that the Government would have to import rice in order to resolve this, which would be problematic given that there was enough rice in the country. "Importing rice would significantly affect farmers," he claimed, adding that existing stocks should be brought out instead.

While noting that investigations had been conducted in this regard and the Consumer Affairs Authority (CAA) was also making interventions, he pointed out that this remained a complex situation, especially with certain large-scale mill owners now also being involved in politics, even contesting the upcoming election from various parties, further complicating any attempts at resolution.

Against this backdrop, prices of essentials are likely to remain high this season. "This is anyway a season when rice prices increase, as do coconut prices, since this is one of the seasons where the coconut harvest is the lowest," Karunaratne said.

Further, he noted that vegetable prices typically fluctuated during this season given the rainy weather, adding that these prices too required a proper mechanism for control.

New Govt.'s plans

Considering this backdrop, the new NPP Government's policy direction on addressing price inflation in the market remains to be seen, especially given its pre-election pledges and stances.

Ministry of Agriculture Secretary M.P.N.M. Wickramasinghe told *The Sunday Morning* that there were currently no mechanisms in place to address the issue of market prices being inflated by middlemen.

"There will be no price control; prices will depend on the market," he said.

Addressing the conundrum posed by middlemen and whether the Government would be taking steps in this regard, he said: "Currently, there is no time to implement a special programme for this. When it comes to rice, the Government has no buffer stock, so we cannot do anything. We therefore strive as much as possible to control prices through discussions with millers."

However, he shared that relevant measures were in the pipeline. "From next year, a strong mechanism allowing the Government to intervene must be established. A mechanism will be devised next year, but nothing can be done this year."

He also pointed out that the Government had reestablished the Food Policy Committee, which would unveil programmes under the leadership of the President in the future.

Explaining the steps that have been taken at present, Karunaratne said that discussions had been held with mill owners, who had agreed to provide rice at controlled prices. However, he noted: "There are signs that this agreement is being broken. We will however ensure that the law will be activated against this. The CAA has also been instructed by the Government to take action in this regard."

He pointed out that addressing the problem of middlemen was complicated under the present circumstances. "In order to tackle this issue, the Government needs to possess rice stocks, which it lacks since the warehouses have been emptied. The only option for the Government is to import rice. However, we are trying to resolve the situation without resorting to that."

Future direction

Karunaratne also pointed out that the transitory nature of the present Government impeded the immediate commencement of policy measures.

"Since this is a provisional Government, we will definitely take forward this task along with the farming community once this becomes a stable government," he said, stressing that the moves would involve significantly reducing existing rice prices.

"For this, the production cost of paddy must be reduced while the harvest is increased. Subsequently, the price of paddy must also be reduced in a manner that is fair to farmers. This must lead to a reduction in the production cost of a kilo of rice, for which there must be an enabling environment for rice producers. All this will lead to lower rice prices," he explained.

He claimed that such a situation would be facilitated in future, adding that they would reduce both paddy and rice prices without causing any injustice to farmers. "We have formulated the relevant plan and we will definitely undertake it. At present, however, we will only be able to make a temporary attempt."

Acknowledging that high prices in the vegetable and rice markets were an ongoing issue, he pointed out that certain matters such as these could not be resolved immediately, since they either needed time or required the establishment of a Parliament, given that it was currently a transitional period in Government.

Protecting consumers

Meanwhile, consumer rights activist Asela Sampath noted that while the Government had started investigating the “monopolistic and mafia-like activities” of middlemen in the market, what needed to be done was to strengthen the CAA Act.

“The CAA has certain powers to enforce price displays. If this is properly enforced, the mafia of middlemen can be dismantled somewhat,” he asserted, adding that the Government should mandate that all retail and wholesale traders display prices.

He pointed out that middlemen in Sri Lanka hoarded stocks, thereby creating an artificial shortage and earning excess profit. “For instance, they purchase vegetables at low prices and sell them at various economic centres at higher prices. When it comes to coconuts, we have been informed that certain groups have hoarded large amounts of coconuts in warehouses, leading to shortages.”

Sampath therefore commended the CAA’s current programme of investigating the storage capacities of warehouses, asserting that this was one solution to the problem. He further advocated price controls for vegetables in the market in order to control the rapid fluctuation of prices as witnessed at present.

Pointing out that the upcoming Christmas season would see high sales of essentials, he called for a certain level of price control in order to protect consumers from exploitation.

Maneesha Dullewe

[Click here](#) to subscribe to ESSF newsletters in English and or French.

P.S.

The Morning

https://www.themorning.lk/articles/6BjtIeHLM1kxXiHoOebz?fbclid=IwY2xjawGZ0-pleHRuA2FlbQIxMQABHWi4gL5521PSup9R_FG7NMB7fgdycCtRBg8J8triAr8IO-LjsSPPuwIZNA_aem_RUMkfp-wIWHfpRdztSSBFw