

Nourishing Fear: Food (in)security concerns sweep Sri Lanka

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WFP notes impact of skyrocketing food inflation and price fluctuations

The fear of an imminent food shortage or a famine, as some have cautioned about, is very real, and stockpiling food items and shifting to inexpensive alternatives for commonly consumed food items are oft-seen sights these days. However, with overall inflation rising rapidly and in an uncontrollable manner, fulfilling day-to-day food related requirements has become a challenge, let alone getting ready to face the difficult times ahead.

The report “Market Monitor – Sri Lanka” for the month of April, issued by the United Nations World Food Programme (WFP), highlights how the prices of a number of commonly consumed food items have fluctuated during the past few months, during which time, food inflation worsened amidst the prevailing economic crisis.

Key changes in April

One of the main changes the report highlighted concerning inflation in April was overall inflation in April having increased to 33.8%, up from 21.5% in March.

It noted that food inflation had accelerated to 45.1% in April year-on-year (data compared with the corresponding ones from a year earlier), up by 10.5% from March. This, the report noted, had been driven by increased prices of rice, dhal, sugar and milk powder. Meanwhile, non-food inflation had increased to 23.9% from 14.5% in March. The average food expenditure (based on the April food inflation rate), the report said, was Rs. 30,889.02.

According to the report, the price of imported rice had risen by 20% due to the currency depreciation (Sri Lankan rupee against the US dollar), while the cost of local rice varieties had increased by 6% due to the supply shortage and high cost of production. The price of red lentils had risen to a record high, up 10% compared to last month and up by 170% from the same time, last year.

The report noted: “The Global Food Price Index demonstrates a small downward trend. April’s decline in the Food and Agriculture Organisation Food Price Index was driven by a considerable decline in the vegetable oil sub index and a modest decline in the cereal price sub index.”

The report provided these statistics based on data obtained from the Department of Census and Statistics (DCS) and Talking Economics (the blog of the Institute of Policy Studies of Sri Lanka).

With regard to changes in the policy environment, the report pointed out that Sri Lanka’s national liquefied petroleum gas (LPG) provider, Litro Gas Lanka Limited, increased the price of domestic gas cylinders by 45%, from Rs. 2,675 to Rs. 4,860 for a 12.5 kg gas cylinder, effective midnight of 26 April.

Also noting that discussions between Sri Lanka and the International Monetary Fund (IMF) commenced on 18 April in Washington, District of Columbia, US, during which the IMF indicated that they are positive about granting an Extended Fund Facility (EFF), the report said that the EFF, if expedited, could help stabilize the short term until the effects of long term solutions materialize.

It further said: "The Central Bank of Sri Lanka (CBSL) announced on 12 April its decision to resort to a pre-emptive negotiated default of its foreign debt. The Governor of the CBSL said that the decision to suspend normal debt servicing was made in order to redirect scarce foreign reserves towards the purchase of essential items."

Price fluctuations

The report analysed price fluctuation related trends of several commonly consumed food items, most of which were on an upward trajectory.

Based on data from the Hector Kobbekaduwa Agrarian Research and Training Institute (HARTI), the report analysed price trends of several rice varieties - including imported and locally produced Samba and Nadu recorded in 2019, 2020, 2021 and so far in 2022. It said that the retail price of Nadu Grade One rice had increased in the range of Rs. 10-15 per kg with prices between Rs. 210-230 per kg, and that the prices of all other local rice varieties had increased by Rs. 15-30 per kg compared to March. The retail price of Samba Grade Two had increased by 7%, with the price between Rs. 210-225 per kg.

Based on HARTI data, it added: "When compared to the same month (April) of last year, the costs of all local rice varieties have climbed by 80-100%. Further limitations have been placed on the availability of paddy in the market, and short grain prices have not fluctuated considerably in the majority of key producing regions. Long grain white rice prices were steady in all major producing regions with the exception of Kala Wewa. However, the price of long grain red has increased by approximately Rs. 4 per kg in Hambantota, and Rs. 9 per kg in Embilipitiya, two producing regions in the Southern Province".

Regarding the price trend of imported rice varieties, the report said that the prices for all imported rice varieties have risen by 20-25% since March, primarily due to the depreciation of the local currency and increasing transportation costs, and that the most significant price increases were noted in the imported Nadu varieties. It added that both local rice types, i.e. local Samba and local Nadu, began to increase in early March, exhibiting a similar price increase pattern to the imported varieties. These observations were based on HARTI data.

The report noted that the price of red lentils, for which Sri Lanka relies on imports, hit a high in April, following the repeal of the minimum price in 2020, and that the price of lentils has increased by 170% since April 2021. Due mostly to the depreciation of the local currency, it said, the price of red lentils climbed fast by more than 10% month-to-month. These observations were based on DCS data.

Regarding the price trend of potatoes, the report highlighted (based on HARTI data): "In December, 2021, the price of Nuwara Eliya potatoes reached a high of Rs. 320 per kg. In April, 2022, the price has increased by 5% month-to-month. The present prices of Nuwara Eliya potatoes and other imported potato varieties have climbed by 55% compared to the same time period of last year. Considering month-to-month fluctuations, the prices of both domestic and foreign kinds have climbed marginally."

Even though egg prices seem to have increased in the local market, the report said that due to the

high supply, retail prices of both brown and white eggs have reduced by Rs. 1 per egg, in accordance with lower wholesale prices. Adding that a brown egg costs between Rs. 24-27, whereas a white egg costs between Rs. 23-26.10, it further noted that the prices of white and brown eggs have climbed by 69% and 62%, respectively, when compared to the same period last year. These observations were based on HARTI data.

Analyzing the price trend of onions based on HARTI data, the report noted that in April, the average price of big onions increased by 8% compared to March, and that the current prices of Sinnan (up by 2%), Vidalia (up by 38%), imported red onions (up by 39%), and imported large onions (up by 8%) are all more than what they were during the same time last year. Prices for Vidalia and imported red onion have increased by Rs. 14 per kg and Rs. 21 per kg, ranging from Rs. 360-480 per kg, according to the report.

With regard to the price trend of sugar (based on DCS data), it stated: "Following an increase in August and September, the price of white sugar had stabilized at Rs. 146 per kg until January. Due to the recent depreciation of the local currency, the price of sugar has climbed by 58% since January. The price of sugar has reached its highest point during the month of April at Rs. 233.92 per kg."

Moreover, regarding the price trend of brinjal, it said: "In April, the price of brinjal increased by 2.3% compared to the previous month. Prices of most vegetable varieties have increased due to the lower supply following the Maha vegetable season. Prices of most upcountry vegetables, such as cabbage, leek and beetroot, have decreased due to an increased supply from the Nuwara Eliya area."

It was also noted that overall, the price of broiler chicken and curry chicken had increased by 6% from one month to the next, and that the prices of skinless broiler chicken and skinless curry chicken have risen by Rs. 50 per kg and Rs. 60 per kg, respectively, as a result of growing production costs, particularly the cost of feed. Prices have increased on average by 60% compared to the same month last year, the report said, based on HARTI data.

Explaining the price trend of fuel, it said that in April, the State-owned oil company, the Ceylon Petroleum Corporation raised retail prices for petrol and diesel by 33% for 92-Octane, 31% for 95-Octane, and 65% for diesel, compared to the previous increases implemented in March, 2022. Also noting that this price change followed a price rise by a competitor, the Lanka Indian Oil Corporation, the report said that as a result, production and delivery prices for locally produced goods have risen.

With regard to the Global Price Index on Major Food Groups, the report said: "The global vegetable oil and cereal price indices decreased, respectively, by 5% and 0.5%, compared with the previous month. The decline was driven by lower world prices of palm, sunflower and soy oils, which more than offset higher rapeseed oil quotations. In April, international wheat prices increased, although marginally, by 0.2%. Price rises were mitigated by larger shipments from India, higher than anticipated exports from the Russian Federation, and a minor decrease in worldwide demand due to high pricing."

Key issues for attention

In this context, the report underscored several issues that Sri Lanka must pay attention to.

The report cautioned that, based on a joint WFP and Department of National Planning rapid assessment, more than 80% of households are eating less preferred, cheaper food and/or limiting portion sizes, due to the rising prices of food and reduced purchasing power. It added that

households are consuming less diversified and nutritious diets, which fuels the risk of higher rates of malnutrition.

“The continuation of escalating fuel prices and fuel shortages is anticipated with an impact across sectors, including food systems,” it added.

Moreover, it added that the poor performance of the ongoing Yala paddy cultivation is expected, impacted by fuel shortages and the limited availability of fertilisers and pesticides, and that the reduced paddy yield from two consecutive seasons will likely drive an increase in household food insecurity.

Of a plethora of impacts of the economic crisis on the people, food security takes a special place, and both local and international actors discussing the matter have cautioned a further increase in food prices and decrease in the availability of food. According to the report, these projections are based on a number of factors including the foreign reserves situation, exchange rates, and also the scarce supply of fuel. In this context, the authorities’ attention needs to be paid to these factors as well.

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