



# GIEWS Update

## The Democratic Socialist Republic of Sri Lanka

### Record prices constrain households' access to main staple foods

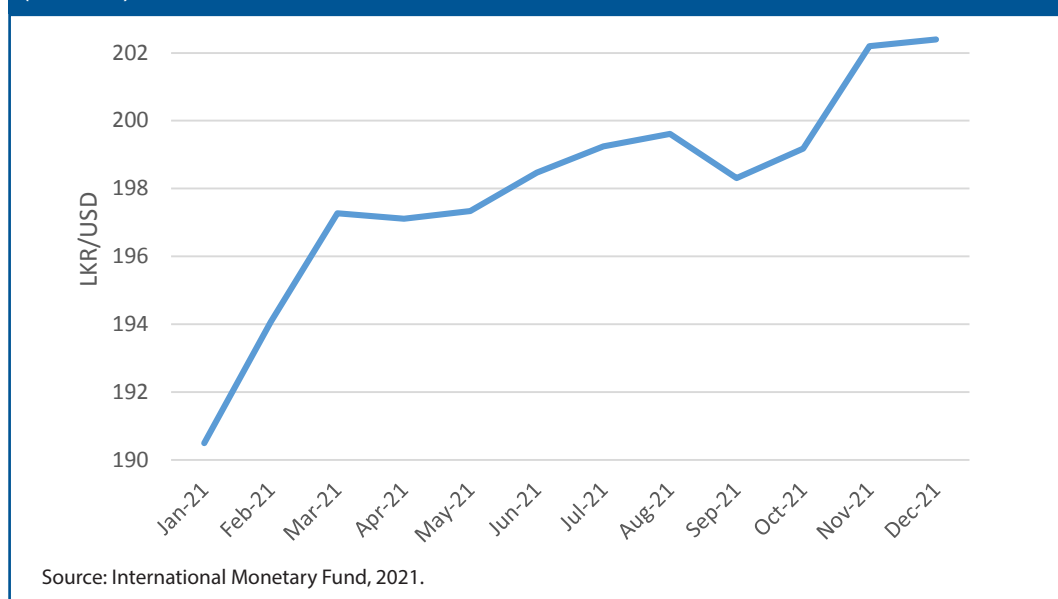
#### Highlights

- Prices of cereals and other imported basic food products started to surge in September 2021 and reached record highs in January 2022.
- Price increases are mainly driven by a significant depreciation of the national currency.
- The high prices have negatively affected the ability of vulnerable households to access food.

Since the beginning of 2021, Sri Lanka has been facing serious macroeconomic challenges, caused by high and increasing inflation rates and dwindling foreign currency reserves after revenues from merchandise exports and from the tourist sector were both severely affected by the COVID-19 pandemic

and its containment measures. The Sri Lanka rupee (LKR) depreciated steadily throughout 2021, especially during the first and fourth quarters of the year, reaching a record low value of LKR 202.4 against the US dollar in December, compared to LKR 187.2 a year earlier (Figure 1). The depreciation of the

**Figure 1: Sri Lanka – Exchange rate, January–December 2021**  
(LKR/USD)

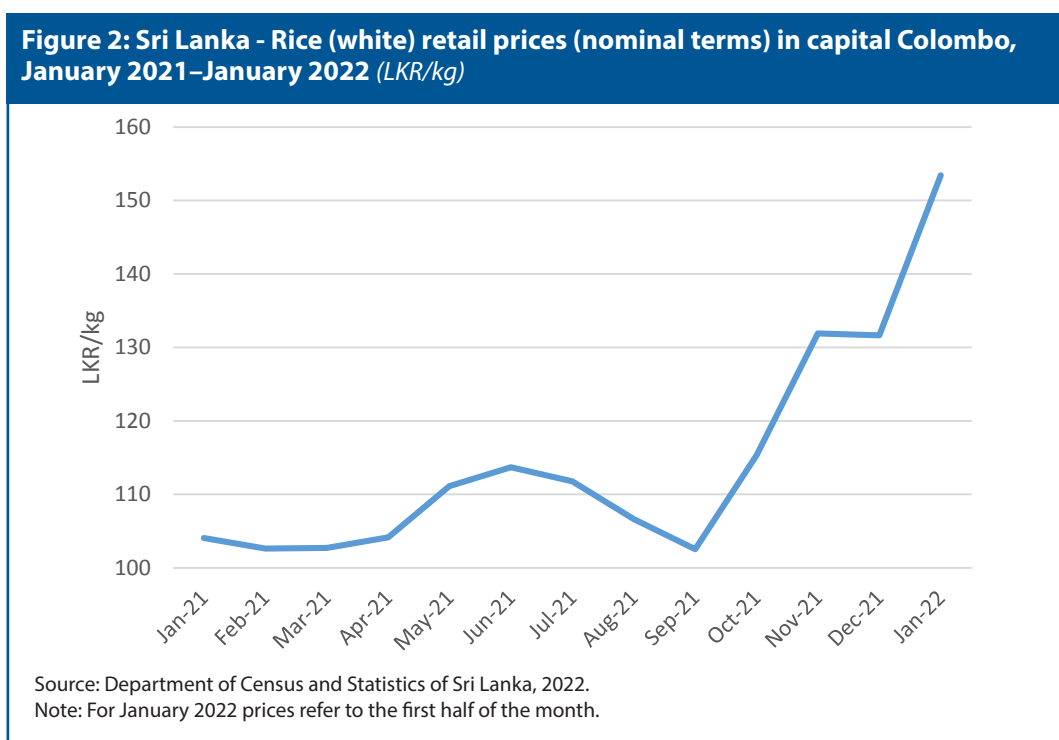


national currency caused a significant rise in domestic prices of imported food items, which has been transmitted also to several locally produced food commodities. Overall, the annual food inflation, had increased throughout 2021 and was about 22 percent from one year ago. In addition, the difficult macroeconomic environment has resulted in reduced imports and subsequent increases in domestic prices of fuel and agricultural inputs (fertilizers and pesticides), rising concerns over the 2022 cereal output.

Prices of rice, the country's main staple food, surged in most markets between September and November 2021. After being quite stable in December, prices resumed to increase significantly in January 2022, reaching new record highs, more than 50 percent above their year-earlier levels (Figure 2). Price increases were underpinned by the depreciation of the national currency and concerns over the production of the 2022 main "Maha" paddy crop, to be harvested from February 2022, mainly due to shortages of fuel and fertilizers. Similarly, prices of a wide range of imported basic food items, including wheat flour (not

produced in the country), sugar, dried milk and pulses have increased since last September and reached, in many cases, high levels in January 2022 (Figure 3).

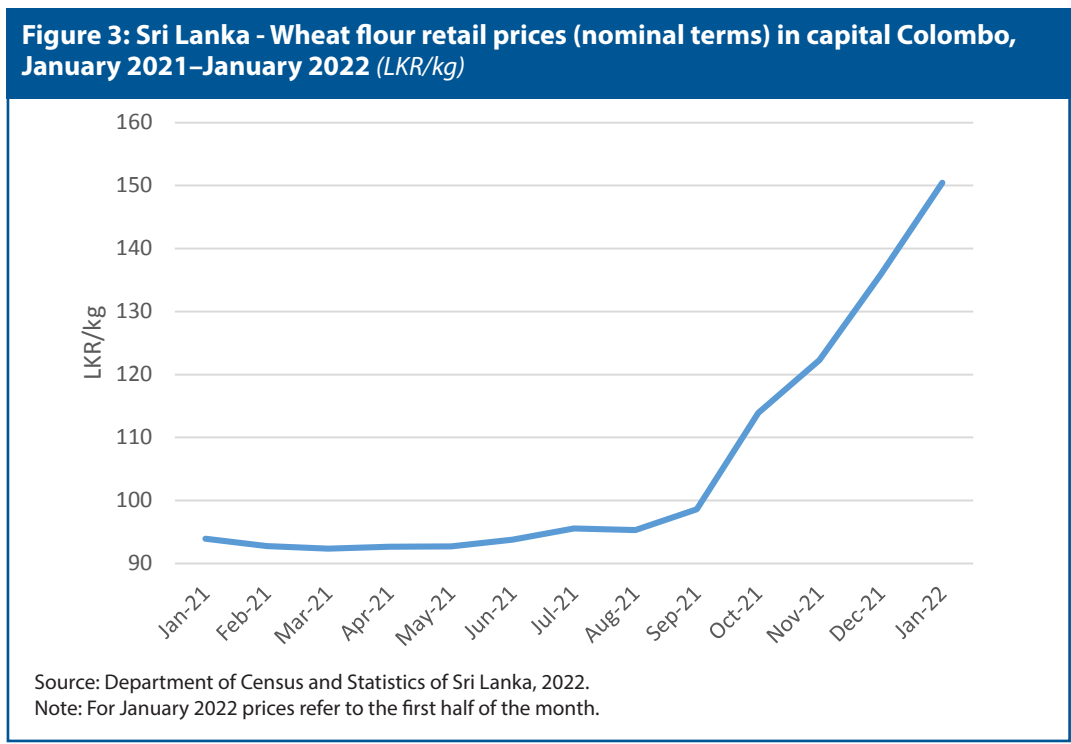
Since June 2021, the Government has put in place several measures to improve the availability of basic foods, mainly rice and sugar, in domestic markets and limit their price increases. These measures include regulation on stockholding, implementation of an Emergency Regulation to control the domestic supply of rice and sugar, increased sales at subsidized prices and reductions in charges levied on imports. Following these measures, prices of rice and sugar stabilized or softened for several months. For example, after strong increases in May and June 2021, prices of rice declined between July and September 2021. However, further depreciation of the national currency since October 2021 offset the impact of these measures, immediately instigating further price increases. As a response, the Government decided to import 100 000 tonnes of rice in late September, followed by 300 000 tonnes in early January 2022, the largest imported amount since 2017 when domestic production



was decimated by a severe drought. High prices of agricultural inputs, including fuel and fertilizers, will likely result in their reduced application, with a negative impact on yields of the 2022 main season crop. Production costs are also anticipated to rise, adding upward pressure on the already high cereal prices.

The high prices are severely affecting access to food, amid widespread income losses

and reduced purchasing power related to the COVID-19 pandemic. As rice, wheat and sugar products account for about 40, 12 and 10 percent, respectively,<sup>1</sup> of the average calories intake, vulnerable households have likely reduced their food consumption and/or switched to comparatively cheaper but less nutritious foods, with an overall negative effect on their food security, health and nutrition status.



<sup>1</sup> Agricultural Food Balance Sheet 2013-2017, Department of Census and Statistics, Ministry of Economic Reforms and Public Distribution, July 2019: [http://www.statistics.gov.lk/Resource/en/Agriculture/FoodBalanceSheet/FBS\\_Report2013-2017.pdf](http://www.statistics.gov.lk/Resource/en/Agriculture/FoodBalanceSheet/FBS_Report2013-2017.pdf)

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