

Voluntary Report – Voluntary - Public Distribution

Date: May 28, 2021

Report Number: CE2021-0007

Report Name: Sri Lanka Restricts and Bans the Import of Fertilizers and Agrochemicals

Country: Sri Lanka

Post: New Delhi

Report Category: Agricultural Situation, Agriculture in the Economy, Policy and Program Announcements, National Plan, Grain and Feed, Climate Change/Global Warming/Food Security, SP1 - Expand International Marketing Opportunities, SP2 - Prevent or Resolve Barriers to Trade that Hinder U.S. Food and Agricultural Exports, Agriculture in the News, FAIRS Subject Report

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Report Highlights:

On May 6, 2021, Sri Lanka's Minister of Finance Mahinda Rajapaksa, in accordance with Section 20 read together with Sub-Section 4(1) and Section 14 of the Imports and Exports (Control) Act, No. 1 of 1969 as amended by Act No. 48 of 1985 and Act No. 28 of 1987, promulgated the "Imports and Exports (Control) Regulations No. 07 of 2021 (regulation), effective its publication in the Sri Lanka Gazette (No. 2226/48 of May 6, 2021). The Sri Lankan government is restricting and banning the import of fertilizers and agrochemicals (including insecticides and herbicides). The regulation is applicable to the import of goods with bills of lading/air waybills issued on or after May 6, 2021.

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GENERAL INFORMATION

On May 6, 2021, Sri Lanka’s Minister of Finance Mahinda Rajapaksa, in accordance with Section 20 read together with Sub-Section 4(1) and Section 14 of the Imports and Exports (Control) Act, No. 1 of 1969 as amended by Act No. 48 of 1985 and Act No. 28 of 1987, promulgated the “Imports and Exports (Control) Regulations [No. 07 of 2021](#) (regulation), effective its publication in the [Sri Lanka Gazette](#) (No. 2226/48 of May 6, 2021) (see, Appendix I).¹

The Sri Lankan government is restricting and banning the import of fertilizers and agrochemicals including insecticides and herbicides. The regulation is applicable to the import of goods with bills of lading/air waybills issued on or after May 6, 2021. The products affected by the regulation and requiring an import control license, are inserted into Schedule I of the Special Import License Regulations, published in the Gazette Extraordinary No. 2044/40 (November 9, 2017). These include products within the Harmonized Tariff System (HS) Column I HS headings: 29.16; 29.30; 29.31; 29.32; 29.33; 31.02; 31.04; 38.08; and 85.26.

The products affected by the regulation and that are banned are inserted into Schedule IV of the Special Import License Regulations, published in the Gazette Extraordinary No. 2044/40 (November 9, 2017). These include products within the Harmonized Tariff System (HS) Column I HS headings: 31.02; 31.03; 31.04; and 31.05.

Cries of Concern Raised by Farmers and Industry Associations

The newly promulgated regulation restricting and banning the import of fertilizers and agrochemicals is leading to widespread concern among Sri Lanka’s farmer community, industry associations, practitioners, and agricultural professionals.

The Regulation, a Presidential Initiative

Sri Lanka President Gotabhaya Rajapakse claims that by limiting and banning the import of fertilizers and agrochemicals, this will help rein in rising health care costs brought about by overuse of chemicals in agricultural production. Concerns with non-communicable diseases (NCD) arising due to use of agrochemicals in Sri Lanka is highly controversial topic, with cancer becoming a countrywide concern.

¹ The Sri Lankan Cabinet of Ministers granted approval for restricting and banning the import of fertilizers and agrochemicals on April 27, 2021. The Cabinet of Ministers is the council of ministers that form the central government of Democratic Socialist Republic of Sri Lanka. These senior ministers are responsible and answerable to the Parliament of Sri Lanka. The President is a member of the cabinet and its head, in addition to being the Minister of Defense; the president may appoint himself to head any ministry he chooses. The current cabinet is the Second Gotabaya Rajapaksa cabinet, formed in August 2020, it consists of 15 members.

Chronic Kidney Disease (CKD), highly prevalent in agricultural production areas, is now also a subject of debate and concern (despite diabetes and hypertension normally considered the two main causes of CKD).

Twenty-seven percent of the economically active population, out of a labor force of 8 million, engages in agricultural production and related industries in this country of 23 million (Central Intelligence Agency, 2017, 2020, and 2021 estimates). The reasons for elevated CKD cases in rural farming communities remains inconclusive. Some believe that excessive and improper use (or misuse) and elevated exposure to fertilizers and agrochemicals might be a contributing factor to Chronic Kidney Disease.

National Policy Framework – The Vistas of Prosperity and Splendor Agenda

The Sri Lankan government's Vistas of Prosperity and Splendor Agenda, aiming to improve the Sri Lankan peoples' health, seeks to phase out the use of fertilizers and agrochemicals in domestic crop cultivation. The framework promotes organic agriculture, organic fertilizers, organic food consumption, and the export of organic food and agricultural products.

The government subsidizes rice production to ensure rice self-sufficiency (a national food security objective). Heretofore, it was providing local rice farmers with free, imported chemical fertilizer.² For other field crops, the government provides farmers with fertilizers at deeply discounted cost.

Sri Lanka is encountering difficulties financing its costly fertilizer subsidy program. Facing increasing difficulties managing its balance of payments, Sri Lanka may potentially be limiting and banning chemical fertilizer and agrochemicals usage to control hard currency outflows.

Costly Fertilizer Imports and Subsidy

In 2020, Sri Lankan imports (both state and private sector) of foreign fertilizers reached \$259 million, representing 1.6 percent of the country's total imports by value.³ Sources indicate that the 2021 import bill could potentially total in the range of \$300-\$400 million given current international prices. By limiting and/or banning costly foreign exchange draining fertilizer and agrochemical imports, the Sri Lankan government aims to generate significant import cost savings.⁴

The government in 2020 imported about 325,000 metric tons (MT) of fertilizers for distribution to rice farmers (cultivating fields of two hectares or less). The fertilizer subsidy program (for rice and other crops) cost the government in 2019 (latest available data) approximately Sri Lankan rupees (LKR) 46 billion (\$253 million).⁵ The total fertilizer subsidy program amounts to roughly two percent of the government's recurring expenditure. Fully subsidized fertilizer for small holder rice production, a key

² The government has supported farmers through the provision of free lands and irrigation water and facilitates fertilizer subsidies and price supports. The government is promoting the expansion of paddy rice cultivation with the goal of ensuring rice self-sufficiency. A key component of Sri Lanka's agricultural policy is the provision of the fertilizer subsidy. The modality of the fertilizer subsidy and its distribution changes over time. Paddy rice farmers receive free fertilizer allotments to cover a maximum of two hectares. Some sources estimate that imports of fertilizer for paddy rice production may reach 383,000 MT annually (see, [GAIN-SRI LANKA – CE2021-0002 – Sri Lanka Grain and Feed Annual – 2021](#)).

³ Based on Central Bank of Sri Lanka data.

⁴ FOREX LKR 197.62 = USD \$1.00 (May 24, 2021).

⁵ FOREX LKR 181.36 = USD \$1.00 (Dec 31, 2019).

component of Sri Lanka's agricultural policy, inadvertently provides farmers an incentive to over fertilize their fields.

The government's fertilizer subsidy program extends to other crops, including tea, vegetables, and coconuts, as well as to rubber, potatoes, fruit, and minor export crops. Depending on the commodity, the government subsidizes anywhere from 48-to-88 percent of the market price of a 50-kilogram bag of fertilizer.⁶ In 2019, the government distributed around 300,000 MT of subsidized imported fertilizer to the other crop farmers.⁷ Of that amount, 44 percent went to tea plantations, 24 percent to vegetable producers, and 12 percent to coconut plantations, with the balance being allocated to rubber, fruit, potatoes, and minor export crops' producers.

Shifting to Organic Fertilizers

Industry sources indicate that the Sri Lankan government aims to produce one million tons of organic fertilizers per annum. Nonetheless, Sri Lanka has yet to increase its own organic fertilizer production capabilities. In the short term, it does not have the capability to expand organic fertilizer production capacity sufficiently to meet current fertilizer use requirements.

There has been no announcement of a plan to import organic fertilizers. Sri Lankan soil scientists, however, are raising concerns on the negative impact that organic fertilizer imports could have on the country's agricultural areas. Use of such fertilizers would be widespread and in large quantities. They point to the lack of a regulatory framework in place on the safe use of imported organic fertilizers.

For the 2021 minor paddy rice cultivation season (*Yala*) which is now underway, government sources indicate that it has on hand an adequate amount of fertilizer and agrochemicals. However, for the following major paddy rice campaign (*Maha 2021/2022*), a major portion of the fields under cultivation will need to be covered with organic fertilizers.

With rice fields still saturated with chemical fertilizers from previous planting campaigns, yields are not expected to decrease markedly, at least initially. Sri Lanka does, however, grow high yielding paddy rice varieties that are fertilizer responsive. It is assumed that nutrient deficiencies will creep in, eventually leading to lower yields. Most of the vegetable and fruit crops cultivated on the island, are hybrid varieties dependent on chemical fertilizers for higher yields. Tea, rubber, and coconut yields are expected to decline with the shift to organic fertilizers and result in lowered export earnings.

Risking Food Security, A Conversion to 100 Percent Organic Agricultural Production

The lack of organic fertilizer productive capacity, coupled with the absence of a formalized plan to import organic fertilizers in lieu of chemical fertilizers, raises the potential for an adverse impact on food security. There has been no mention by the government yet as to how it would tackle a food security crisis brought about by drops in crop yields.

Sri Lanka's leading agricultural economists indicate that the immediate, non-phased- in replacement of chemical fertilizers with organic ones, will result in significant drops in crop yields. Rice productivity

⁶ Sri Lanka Ministry of Finance Annual Report 2020 data.

⁷ Ibid.

drops are being calculated to potentially lead to losses of 33 percent. A similar 35 percent productivity drop in the tea crop, can result in income losses of LKR 84 billion (\$425 million).⁸

The Presidential Task Force, Creating a Green Sri Lanka with Sustainable Solutions to Climate Change, led by Special Representative to the President Mr. Basil Rajapakse (a brother of the president), was established in May 2020. Its task is to transform Sri Lanka into a sustainable, green socio-economy adapted to climate change. This task force is charged with establishing the plan for the national transformation to organic agriculture.

The government is pledging to bear the cost of converting national agricultural production from conventional to fully organic. President Rajapakse along with Minister of Agriculture Mahindananda Aluthgamage are assuring farmers that the government will purchase their paddy rice crop at above the guaranteed price level, even if yields are lower. At the same time, they are assuring consumers that the retail price of rice will remain unaffected.

A copy of the Sri Lankan government's recently issued regulations concerning imports of agricultural production inputs including fertilizers and different pesticides, follow.

⁸ FOREX LKR 197.62 = USD \$1.00 (May 24, 2021).

APPENDIX I - IMPORTS AND EXPORTS (CONTROL) REGULATIONS NO. 07 OF 2021

Gazette No. 2226/48 of May 6, 2021

Imports and Exports (Control) Act, No. 1 of 1969

IN terms of the powers vested in me by Section 20 read together with Sub-Section 4(1) and Section 14 of the Imports and Exports (Control) Act, No. 1 of 1969 as amended by Act No. 48 of 1985 and Act No. 28 of 1987, I, Mahinda Rajapaksa, the Minister of Finance, promulgate following Regulations.


Mahinda Rajapaksa,
Minister of Finance.

Ministry of Finance,
Colombo 01,
06. May 2021.

REGULATIONS

1. These Regulations may be cited as the “Imports and Exports (Control) Regulations No. 07 of 2021”.
2. The Regulations prescribed in this *Gazette* shall only be applicable to the importation of goods which have the date of Bill of Lading/ Air Waybill on or after 06. May 2021.
3. Goods described below together with their corresponding entries shall be inserted into the **Schedule I** of the Special Import License Regulations, published in the *Gazette Extraordinary* No. 2044/40 dated 09 November 2017, as amended.

	Column I HS Heading	Column II HS Code		Column III Description	Column IV Import Control License (L)
251	29.16			Unsaturated acyclic monocarboxylic acids, cyclic monocarboxylic acids, their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives.	
			-	Unsaturated acyclic monocarboxylic acids, their anhydrides, halides, peroxides, peroxyacids and their derivatives :	
		2916.20.00	-	Cyclanic, cyclenic or cycloterpenic monocarboxylic acids, their anhydrides, halides, peroxides, peroxyacids and their derivatives :	
		2916.20.40	---	Transfluthrin	L
252	29.30			Organo-sulphur compounds.	
		2930.20.00	-	Thiocarbamates and dithiocarbamates :	
		2930.20.10	---	Thiobencarb	L
		2930.90.00	-	Other :	
		2930.90.20	---	Edifenphos	L
		2930.90.30	---	Fenamiphos	L
		2930.90.40	---	Fenthion	L
		2930.90.50	---	Phenthoate	L
253	29.31			Other organo-inorganic compounds.	
			-	Other organo-phosphorous derivatives:	

		2931.39.00	--	Other	
		2931.39.10	---	N-(phosphonomethyl) Glycine and its salts and derivatives (Glyphosate)	L
		2931.39.90	---	Other	L
		2931.90.00	-	Other :	
		2931.90.10	---	Triphenyl tin	L
254	29.32			Heterocyclic compounds with oxygen hetero- atom(s) only	
			-	Compounds containing an unfused furan ring (whether or not hydrogenated) in the structure:	
		2932.20.00	-	Lactones :	
		2932.20.10	---	Coumatetralyl	L
255	29.33			Heterocyclic compounds with nitrogen hetero- atom(s) only (+)	
		2933.39.00	--	Other :	
		2933.39.10	---	Paraquat dichloride	L
		2933.99.00	-	Other :	
		2933.99.10	---	Bitertnol	L
256	31.02			Mineral or chemical fertilisers, Nitrogenous.	
		3102.10.00	-	Urea, whether or not in aqueous solution	L
			-	Ammonium sulphate; double salts and mixtures of ammonium sulphate and ammonium nitrate :	
		3102.21.00	--	Ammonium sulphate	L
		3102.29.00	--	Other	L
		3102.30.00	-	Ammonium nitrate, whether or not in aqueous solution	L
		3102.50.00	-	Sodium nitrate	L
257	31.04			Mineral or chemical fertilisers, potassic.	
		3104.20.00	-	Potassium chloride	L

		3104.30.00	-	Potassium sulphate	L
258	38.08			Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants and similar products, put up in forms or packings for retail sale or as preparations or articles (for example, sulphur-treated bands, wicks and candles, and fly-papers).	
		3808.52.00		DDT (ISO) (clofenotane (INN)), in packings of a net weight content not exceeding 300g	L
259	85.26			Radar apparatus, radio navigational aid apparatus and radio remote control apparatus.	
			-	Other :	
		8526.91.00	--	Radio navigational aid apparatus	L

4. Goods described below together with their corresponding entries shall be inserted into the **Schedule IV** of the Special Import License Regulations, published in the Gazette Extraordinary No. 2044/40 dated 09 November 2017, as amended.

	Column I HS Heading	Column II HS Code		Column III Description	Column IV Banned (B)
13	31.02			Mineral or chemical fertilisers, Nitrogenous.	
		3102.40.00	-	Mixtures of ammonium nitrate with calcium carbonate or other inorganic non-fertilising substances	B
		3102.60.00	-	Double salts and mixtures of calcium nitrate and ammonium nitrate	B
		3102.80.00	-	Mixtures of urea and ammonium nitrate in aqueous or ammoniacal solution	B
		3102.90.00	-	Other, including mixtures not specified in the foregoing sub headings	B
14	31.03			Mineral or chemical fertilisers, phosphatic.	
			-	Superphosphates:	
		3103.11.00	-	Containing by weight 35% or more of diphosphorus pentoxide (P ₂ O ₅)	B
		3103.19.00	--	Other	B
		3103.90.00	-	Other	B
15	31.04			Mineral or chemical fertilisers, potassic.	
		3104.90.00	-	Other	B
16	31.05			Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen,	

				phosphorus and potassium; other fertilisers; goods of this Chapter in tablets or similar forms or in packages of a gross weight not exceeding 10 kg.	
		3105.10.00	-	Goods of this Chapter in tablets or similar forms or in packages of a gross weight not exceeding 10 kg	B
		3105.20.00	-	Mineral or chemical fertilisers containing the three fertilising elements nitrogen, phosphorus and Potassium	B
		3105.30.00	-	Diammonium hydrogenorthophosphate (diammonium phosphate)	B
		3105.40.00	-	Ammonium dihydrogenorthophosphate (monoammonium phosphate) and mixtures thereof with diammonium hydrogenorthophosphate (diammonium phosphate)	B
			-	Other mineral or chemical fertilizers containing the two fertilising elements nitrogen and phosphorus :	
		3105.51.00	--	Containing nitrates and phosphates	B
		3105.59.00	--	Other	B
		3105.60.00	-	Mineral or chemical fertilizers containing the two fertilising elements phosphorus and potassium	B
		3105.90.00	-	Other	B

Attachments:

No Attachments.