

Maximum Residue Level (MRL): Dilemma of Agricultural Product Exporters in Sri Lanka

Eranda Roshan Fernando¹

01. Introduction

During past decades, tariffs have been reduced all over the world due to various reasons such as bilateral, regional and multilateral trade agreements etc. Despite such reduction in tariffs, the wide range of Non-Tariff Barriers is on the rises that in turn restrict or distort international trade flow between countries. The Non-Tariff Barriers include various measures such as quotas, licensing, prohibitions etc.

The terms Non-Tariff Measures (NTM) and Non-Tariff Barriers (NTB) have been used interchangeably in trade literature. Therefore, it is important to understand the difference between Non-Tariff Measures and Non-Tariff Barriers. According to UNCTAD report on Non-Tariff Measures (2010), the term Non-Tariff Measures (NTM) can be defined as “Policy measure, other than ordinary customs tariff, that can potentially have an economic effect on international trade in goods, changing quantities traded or price or both”. The term NTM is a neutral one which does not indicate any negative or positive impact on trade.

NTM becomes a NTB if particular NTM has “protectionist or discriminatory Intent”. Not all NTMs caused negative impact on international trade. But NTBs definitely cause negative impact on trade flow either restricting the quantity of goods traded or increasing prices. Therefore, NTBs can be described as subset of NTMs that obstruct free trade. There are different taxonomies developed by academics on NTMs and NTBs.

One of the main categories under NTMs is Sanitary and Phyto-sanitary measures. Testing related to Maximum Residue Level (MRL) can be categorized as one of Sanitary and Phyto-sanitary measure.

¹ The author is MPhil candidate at University of Colombo with over 07 years research experience in the field of exports. (email:eranda1580@gmail.com)

Due to increased emphasis on consumer health, majority of developed countries such as EU, Japan, USA insist on MRL testing of food items which has to be done by the exporters. The Codex Alimentarius Commission which is an inter-governmental body with over 180 member countries is sponsored by Food and Agriculture Organization (FAO) and the World Health Organization (WHO) has prescribed Maximum Residue Levels for various food items. However, in Sri Lanka, only a handful number of institutions provide the services of MRL testing and there are some capacity constraints also.

02. Research Methodology

According to EDB exporters directory there are around 45 fresh fruit and vegetable exporters in Sri Lanka. The researcher drew a sample of 10 exporters using random sampling method. In-depth interviews were conducted with each exporter for primary data collection. 02 officers representing laboratory testing service providers also interviewed.

03. Implications for the Exporters

Generally, when exporting to EU, the exporters have to do the MRL testing for around 480 chemical substances. This would mean, exporters have to send samples to overseas for testing because of the capacity constraints of laboratories in Sri Lanka. Consequently, exporters have to spend more time and money to for the MRL testing. The high cost of testing affects the profitability of exporters in general and small and medium scale exporters in particular. The high cost of testing for MRL, has to be viewed in the context, that majority of the agricultural product exporters do not enjoy higher profit margins unlike some other product exporters. In a situation where the exporters have to send sample to overseas laboratories, it takes lot of time as the samples has to be delivered via courier and then the time required for testing and finally getting the test results. Considering the perishable nature of the agricultural commodities, exporters can not wait long time to get the laboratory reports which may in turn will lead to loss of market opportunities and affect the competitiveness.

Another interesting observation is that there are no CODEX standards for certain fruits and vegetables exported from Sri Lanka. For example, there are several fruits and vegetables that are cultivated in Sri Lanka such as Tamarind, Jackfruit, Cassava, Bitter gourd and Custard Apple for which no CODEX standards available.

Table 01: Availability of MRL for Fruit and vegetables

Commodity	CODEX	Canada	EU
Jackfruit	No	Yes	Yes
Tamarind	No	Yes	Yes
Bitter gourd	No	Yes	Yes
Custard Apple	No	Yes	Yes

(Source: Codex Website and MRL databases of Canada and EU, 2021)

According to the above table, it is clear for certain fruit and vegetable items there are no CODEX, MRL standards although countries like Canada and EU established their own MRL. Absence of CODEX MRL standards for certain fruits and vegetables is an an obstacle for exporting countries as the CODEX is the universal guideline to compare the MRL established by importing countries.

CODEX standards are not mandatory, they are only voluntary standards. However, according to the article 03 of World Trade Organization SPS agreement, member countries are encouraged to harmonize national SPS measures with international standards. Therefore, non-availability of the CODEX MRL standards for some fruit and vegetable items as pointed out above, make the importing countries are unable to harmonize their own national standards because the CODEX is the universal guideline relating to MRL.

Table 02: Comparison of total number of chemical substances in pesticide MRL Testing

Commodity	Canada	Japan	Codex	EU
Banana	29	224	42	479
Cucumber	99	318	47	479
Mango	23	223	21	479
Papaya	24	193	17	479

(Source: Codex Website and MRL databases of Canada and EU, 2021)

The above table amply demonstrates some countries follow stringent MRL policies. For CODEX has specified only 42 chemical substances in pesticide for MRL testing for banana whereas Japan and EU have specified 224 and 479 respectively.

Table 03: MRL for selected chemical substances in Banana (Milligram per kilogram)

Chemical Substance	CODEX	EU
Bitertanol	0.5	0.01
Carbendazim	0.2	0.1
Fenamiphos	0.05	0.02
Fenbutatin Oxide	10	3
Fenpropimorph	2	0.6
Flusilazole	0.03	0.01
Haloxypop	0.02	0.01
Isopyrazam	0.06	0.05

(Source: CODEX website and MRL database of EU, 2018)

The above table gives a comparison of MRL for selected chemical substances relating to Banana, prescribed by CODEX and EU. Lower value of MRL means more stringent. Accordingly, it is evident EU follow stringent MRL policies that even more strict than CODEX.

According to the article 2 of WTO SPS agreement, member countries have the freedom to adopt sanitary and phytosanitary measures as long as such measure are based on scientific principles, scientific evidence and non-discriminatory, among member countries. Therefore, importing countries can justify MRL levels varied from CODEX based on the above premise. However, the question is whether adoption of stringent MRL standards which exceed the CODEX standards is a hidden form of protectionism or not.

04. Recommendations

The Codex Alimentarius Commission should formulate MRL for all the fruit and vegetable items. Because it is the CODEX standards that provide basis for comparison of MRL set by various countries and minimize the arbitrary adoption of MRL. International organizations such as WTO, UNCTAD, ITC, FAO should encourage all countries to adopt CODEX standards regarding MRL or harmonize their national MRL standards with CODEX which will prevent the countries from using MRL as an NTB.

Government of Sri Lanka should intervene to increase the capacity of both Government (eg: Industrial Technology Institute) and private laboratories to conduct MRL testing quickly and covering all chemical substances demanded by importing countries. At present even leading laboratories in Sri Lanka do not have capacity to test MRL of all 480 chemical substances in pesticides demanded by EU importers. Therefore, Government can directly provide funds to state laboratories and for private laboratories the Government can offer concessionary loans or other form of assistance (eg: duty free importation of testing equipment) to reach a level that such laboratories are able to provide test results for all chemical substances and deliver fast service to the Exporters.

References

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