

CHANGES IN PRODUCER INCENTIVES IN SRI LANKA'S PADDY SECTOR
(1980-1986)

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This paper reviews the returns to paddy farmers in major paddy growing districts in the context of the substantially large changes that have taken place in the economy in the recent past. In addition, it also examines the current incentive structure of the paddy producers, using cross section data relating to 1985-86 period in Hambantota, a surplus paddy producing district in the dry zone.

Since late 1970s, the prices of production inputs in paddy have undergone remarkable changes leading to substantial increases in production costs. Much of the cost escalations have been due to increases in wage bills to hired labour and payments to hired draught power. The analysis shows that although, during the past, significant increases have taken place in the producer price of paddy, consequent to rising input costs, farmer's profit margin has been gradually eroded.