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**Consumer preference and demand for the locally produced rice varieties in Sri Lanka**

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Sri Lanka has reached self sufficiency in rice production with much effort. Paddy contributed around 1.5% to the country's GDP in 2012. Although Sri Lanka is self sufficient, a fair amount of rice is still imported. This is because of the preference and income effect of the Sri Lankan individuals. Based on the demand theory it is imperative that locally produced rice is maintained as a "normal good" even if the consumer's income increases. Otherwise Sri Lanka may lose a considerable portion of her foreign exchange on rice imports. Hence, the main objective of this research was to ascertain the consumer demand for locally produced rice varieties in Sri Lanka. The linear version of Almost Ideal Demand System (LA/AIDS) was employed to analyse the consumer demand for the rice varieties using monthly data which runs from January 2004 to July 2013 obtained from the Department of Census and Statistics. The own price elasticity of red nadu rice, white nadu rice and raw red rice showed an inelastic demand while samba 1, samba 2 rice and raw white rice showed an elastic demand. The positive and 1% significant level of compensated cross price elasticity values between the raw white rice and red nadu rice indicated the substitution nature of each rice variety. Specifically, when the price of raw white rice increases by 1%, the demand for red nadu rice is expected to increase by 1.25%. However, samba 1, white nadu rice, samba 2 and raw red rice showed complementary effects at 5% significant level. The expenditure elasticity measures how the quantity demand for the rice varieties changes as Sri Lankan consumer expenditure on rice changes. The calculated expenditure elasticity of demand was positive for all rice varieties and was found to be significant at 1% level. This implies that when total expenditure on rice varieties in Sri Lanka increases by 1%, *ceteris paribus*, the quantity demanded of red nadu, white nadu, samba 1, samba 2, raw red and raw white rice increases by 0.894%, 0.886%, 1.16%, 1.12%, 1.06% and 1.02% respectively. The less than one expenditure elasticities of red nadu and white nadu rice indicates the essential nature of the rice varieties. Paradoxically greater than one expenditure elasticity values of the rice varieties of samba 1, samba 2 and raw red indicates the luxury nature of these among the local consumers. It can be concluded that samba 1 and samba 2 seem to be the most preferred rice varieties among Sri Lankan consumers. Hence, future paddy production strategies, support, research and extension facilities can be extended so as to increase the samba production in Sri Lanka. To this end in order to cut down the import expenditure on rice, efforts must be made to maintain the quality of locally produced rice varieties particularly the samba varieties.

Keywords: Consumer preference for rice, cross price elasticity, expenditure elasticity, almost ideal demand system