

Food Expenditure and Own Price Elasticities of Rice Demand in Sri Lanka and its Implications: A Household Survey Data Analysis

Prasanna, R.P.I.R.

Department of Social Sciences, Rajarata University of Sri Lanka

prasannarit@gmail.com

It is evident that increased per capita income inevitably influences households' consumption patterns, and consumption of basic staples towards more diversified diets. This paper attempt to estimate food expenditure and price elasticity of rice demand in Sri Lanka to identify the likely impact of income changes on demand pattern of the country's staple food—rice— and thereby its implications to nutritional status of households living in different income thresholds. In this connection, the study employed the consumer behaviour model developed by Deaton (1988). Data for the study was drawn from a household survey conducted among urban, rural, and estate sectors, in March 2016. The study results clearly indicate that, in aggregate level, rice is still an essential good in Sri Lanka. In consideration of disaggregate levels of household income, households in the highest income category in urban sector make quality choices among rice varieties; this indicate that urbanization and increasing household income simultaneously influence improving preferences of households on quality rice varieties. In contrast, homes in rural sector differentiate their choices among low-value rice varieties. Possible explanations here would be the higher dependency of rural households on agriculture activities for their livelihoods and thereby relatively low factor earnings, and less availability of high-value rice varieties at the rural market due to higher growing of low-value rice varieties at the agricultural fields. Thus, it is not possible to predict the movement of rural household preferences from quantity rice demand to quality rice demand, without increasing the factor earnings in agriculture and changing rice varieties in the agricultural fields. According to results of own price elasticity, any increase in unit value of rice decreases rice consumption among the lowest income category in urban and estate sectors. It indicates that these households are more vulnerable to food price inflation. Thus, any price hike in staple

food leads to undernourishment among the households in the lowest income categories, particularly in urban and estate sectors.

Key words: *Food Expenditure and Price Elasticity, Staple food, Household income, Sri Lanka.*