An Analysis of Price Behaviour of Rice in Sri Lanka after the Liberalization of Economy

Sandika AL

Department of Agricultural Economics and Extension, Faculty of Agriculture, University of Ruhuna, Mapalana, Kamburupitiya

Abstract

Wholesale prices as well as retail prices of rice have increased sharply towards the end of 2007 and 2008. The present per kg price of *Samba* (small round grain), *Kakulu* (raw) rice and *Nadu* (par-boiled) have reached Rs. 70.00, Rs 65.00 and Rs. 50.00 respectively. The objectives of the study were to identify the price behaviour of rice in Sri Lanka after the liberalization of economy while developing the appropriate price forecasting model for rice and to identify the farmers perception on high rice price in resent past. Nominal market price for *Samba, Nadu*, and *Kakulu* rice were collected from different secondary sources in year wise basis. Further, a survey was carried out to measure the farmers' perception on high rice prices in the recent past. Forty five farmers in *Thissamaharama* DS division were randomly selected to collect the primary data.

Year-wise nominal market price (NMP) of all types of rice had increased continuously. It was recorded 7.0, 7.8 and 6.0 percent per annum for *Samba, Nadu* and *Kakulu* rice, respectively. However, the real market prices (RMP) of *Sanba, Nadu* and *Kakulu* rice have decreased by 4, 3, and 5 percent per annum, respectively. The Compound Growth Rate model was most appropriate model to analyze the price behaviour of *Samba* and *Nadu* rice while Quadratic model was suitable for *Kakulu* rice in term of NMP. Further, CGR model was suitable to analyze the price behaviour of *Samba* while Quadratic model was suitable for *Nadu* and *Kakulu* rice in terms of RMP. However, 44.4 % of farmers have satisfied with the high rice price. Further, 33.3 % have mentioned that it has not helped to increase the profit since increment of the cost of production at same time. According to the farmers' view, price increment was a result of oligopolistic behaviour of middlemen and insufficient government involvement to control the price.

Keywords: nominal market price, price behaviour, price forecasting, real market price