

Households Demand for Selected Food Commodities in Uva Province of Sri Lanka

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The pattern of food consumption in Sri Lanka has been undergoing dramatic changes over the last decades. The changes in food prices and income have a greater effect on the food consumption pattern of households, especially among the poorer households. This study investigates the effects of food price and income variation on households' food consumption patterns in the Uva province using Household Income and Expenditure Survey 2016 conducted by the Department of Census and Statistics. The study estimated the demand for selected food items namely rice (white kekulu – normal), bread, dhal, chicken, coconut, milk powder, and sugar applying the Linear Approximation of the strict Almost Ideal Demand System model using the Seemingly Unrelated Regression procedure. Descriptive analysis show households in Uva province spend mainly on cereals and vegetables while the lowest amount spends on sugar, meat, and pulses compared to other provinces. Especially, liquor consumption is remarkably high in Uva province. The result shows that all food items are normal goods because all items have positive expenditure elasticity. Expenditure elasticity for rice, milk powder, and coconuts are greater than one implies these food items are luxury goods. The own-price elasticities are negative for all food items and less than one in absolute value, indicating price inelastic demand in these goods. Besides, almost all cross-price elasticities show negative values imply that they are complementary goods. This study concludes that households in Uva province are highly sensitive for price changes of some necessary foods including rice. Finally, this analysis suggests formulating targeted food policies to increase local production of luxury food items such as milk and rice to assist the poor families in the Uva province.

Keywords: Almost ideal demand system, Elasticity, Food consumption pattern, Household, Uva province