

Consumers' Demand for Different Types of Rice, Wheat and Rice Flour in Western Province of Sri Lanka

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This study investigates consumers' demand for different types of rice, wheat and rice flour in Western Province, Sri Lanka by using the data obtained from Household Income and Expenditure Survey (HIES) carried out in 2016. The Quadratic Almost Ideal Demand System (QUAIDS) model was developed to estimate the demand for the products concerned, using the Shonkwiler and Yen method to account for zero consumption. The findings of this study show that expenditure elasticities of all types of rice and wheat and rice flour at means are positive. It indicates that these commodities are normal goods for most of the households. However, the minimum value of expenditure elasticity for white kekulu nadu, red kekulu nadu and white nadu are negative. It shows that, for some households, these commodities are inferior goods. Among these commodities, samba, wheat flour, rice flour and basmati are considered as luxury goods and white kekulu nadu and red kekulu nadu are considered as necessity goods. Uncompensated price flexibilities indicate that white kekulu samba and wheat flour have inelastic demand. Cross-price elasticities indicate that wheat and rice flour are complementary goods. Estimates of these Price and income elasticities would be useful to the policy makers to develop an appropriate policy to increase households' welfare in this province.

Keywords: Expenditure Elasticity, Price Flexibility, QUAIDS Model, Shonkwiler & Yen method