

**A STUDY ON FACTORS AFFECTING THE COST OF
PADDY PRODUCTION IN MANMUNAI SOUTHWEST D.S
DIVISION**



MS. JEYAPIRATHEEBA IYATHURAI



FCM771



Project Report
Library - EUSL

Department of Economics

Faculty of Commerce and Management

Eastern University, Sri Lanka

2006

Abstract

This study attempted to analyze the factors affecting the cost of paddy production. Specifically the study also investigated the ways and means to reduce the cost of production while increasing the paddy production in Manmunai South West D.S. Division. Both primary and secondary data were used in this study. The primary data were collected through self development structured questionnaires. Accordingly a field survey was carried out to collect primary data from farmers in Manmunai South West D.S. Division for 2005/2006 Maha Season.

The analysis of the cost of production for 2005/2006 Maha season indicated the total average cost was Rs. 15,000/= in one acre. This cost excludes the land rent. All the total cost was ranging from Rs. 12,500 to Rs. 20,100 in one acre. Out of the total cost, labour cost and machinery cost are accounted the highest share of 35% and 28% respectively. Cost of fertilizer represents 17% of the total and 11% for agrochemicals. The land rent range was Rs. 2500/= to Rs. 3500/= in this division. The average yield was 1079kg in an acre. The cost of production of paddy per kilogram was Rs. 13.50/=, this excluded land rent. The selling price of one kilogram for farmers was Rs. 13.00/=. Farmers obtained a total income of Rs. 14027. On this basis the Net return (excludes land rent) Rs. (-560/=).

Multiple regression model was also used to study the effect of various production factors on the level of paddy yield. The estimated production function shows that the regression coefficient of labour and land was found negative. It means that negative significant effect on paddy yield. Agro-chemical, fertilizer, seed paddy and farm power were found positive which implies a positive effect on paddy production in Manmunai South West D.S. Division for 2005/2006 Maha Season.

In regards to reducing the cost of production in cultivation, three means were identified.

- (I) Reduce the over use or unnecessary inputs.

- (2) Increase the production per unit of land area so that farmers can get profit, and
- (3) Strengthen the institutional framework to support the farmers to increase their production, to obtain reasonable price and to reduce the overall total cost of production.

These findings will be useful when developing and implementing technologies, cultural practices and efficient irrigation water management in paddy farming in future to further increase the level of paddy yield in Manmunai SouthWest D.S. Division.

Table of Contents

	Page
Acknowledgment	i
Abstract	ii
Table of Contents	vi
List of Figures	viii
List of Tables	ix

Chapter - 01 Introduction 1 - 16

1.1 Economy and Agriculture of Sri Lanka	1
1.2 Batticaloa District Paddy Production	6
1.3 Research Study Area	12
1.4 Statement of Problem	15
1.5 Objectives of the Study	15
1.6 Significance of the Study	16
1.7 Assumptions	16
1.8 Limitations	16

Chapter - 02 Literature Review 17 - 36

2.1 Introduction	17
2.2 Paddy Production	17
2.3 Extent Under Paddy Cultivation	18
2.4 Average Yields	19
2.5 Major Problem and Issues in the Paddy Sector	20
2.6 Cost of Production of Paddy	21
2.7 Factors Contributing for the Cost of Paddy	23
2.8 State Policy on Local Paddy Production	26
2.9 Cost Related Review of Literature	31
2.10 Derivation of Research Model	36
2.11 Chapter Summary	36

Chapter - 03 Conceptualization and Methodology	37 - 46
3.1 Introduction	37
3.2 Conceptualisation Model for the Research Study	37
3.3 Research Methodology	43
3.4 Data Analysis Method	45
3.5 Summary	46
Chapter - 04 Results and Discussion	47 - 63
4.1 Introduction	47
4.2 Socio -Economic Characteristics of the Farmers	47
4.3 Cultural Practices in Rice Production	49
4.4 Cost of Production of Paddy	55
4.5 The Yield, Farm Gate Price and Return	56
4.6 Methods of Reducing the Cost of Production	57
4.7 Results of Multiple Regression Analysis	62
Chapter - 05 Conclusion and Recommendation	64 - 68
5.1 Introduction	64
5.2 Conclusion	64
5.3 Recommendation	66
Bibliography	69
Appendix - 01 Questionnaire English	75
Appendix - 02 Questionnaire Tamil	81