

## Structure Conduct and Performance of Rice Milling Industry in Sri Lanka

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**Abstract :** The increasing paddy production, stabilization of domestic rice consumption and the increasing dynamism of rice processing and domestic markets call for a rethinking of the general direction of the rice milling industry in Sri Lanka. The main purpose of the study was to explore levels of concentration in rice milling industry in Polonnaruwa and Hambanthota which are the major hubs of the country for rice milling. Concentration indices reveal that the rice milling industry in Polonnaruwa operates weak oligopsony and is highly competitive in Hambanthota. According to the actual quantity of paddy milling per day, 47 % is less than 8Mt/Day, while 34 % is 8-20 Mt/day, and the rest (19%) is greater than 20 Mt/day. In Hambanthota, nearly 50% of the mills belong to the range of 8-20 Mt/day. Lack of experience of the milling industry, poor knowledge on milling technology, lack of capital and finding an output market are the major entry barriers to the industry. Major problems faced by all the rice millers are the lack of a uniform electricity supply and low quality paddy. Many of the millers emphasized that the rice ceiling price is a constraint to produce quality rice. More than 80% of the millers in Polonnaruwa which is the major parboiling rice producing area have mechanical dryers. Nearly 22% millers have modern machineries like color sorters, water jet polishers. Major paddy purchasing method of large scale millers in Polonnaruwa is through brokers. In Hambanthota major channel is miller purchasing from paddy farmers. Millers in both districts have major rice selling markets in Colombo and suburbs. Huge variation can be observed in the amount of pledge (for paddy storage) loans. There is a strong relationship among the storage ability, credit affordability and the scale of operation of rice millers. The inter annual price fluctuation ranged 30%-35%. Analysis of market margins by using series of secondary data shows that farmers' share on rice consumer price is stable or slightly increases in both districts. In Hambanthota a greater share goes to the farmer. Only four mills which have obtained the Good Manufacturing Practices (GMP) certification from Sri Lanka Standards Institution can be found. All those millers are small quantity rice exporters. Priority should be given for the Small and medium scale millers in distribution of storage paddy of PMB during the off season. The industry needs a proper rice grading system, and it is recommended to introduce a ceiling price based on graded rice according to the standards. Both husk and rice bran were underutilized. Encouraging investment for establishing rice oil manufacturing plant in Polonnaruwa area is highly recommended. The current taxation procedure needs to be restructured in order to ensure the sustainability of the industry.

**Keywords :** conduct, performance, structure (SCP), rice millers

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