

## REVISITING THE RICE MILLING INDUSTRY: AN APPLICATION OF STRUCTURE - CONDUCT - PERFORMANCE MODEL TO RICE MILLING INDUSTRY IN POLONNARUWA DISTRICT

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Rice milling has become an important industry in the district of Polonnaruwa. Consumers are with the opinion that rice millers are enjoying large profits while millers are complaining about difficulties that they are facing due to the escalation of cost of production of rice. Therefore, this study attempted to study the behavior of rice milling industry in Polonnaruwa in using the Structure – Conduct – Performance model. A field survey was carried out in 2010 with randomly selected samples of 15 small scale rice millers, 15 medium scale rice millers and 10 large scale rice millers to collect relevant data and simple tabular methods were used to analyze data.

Rice Millers are facing difficulties due to political influences, financial difficulties, environmental problems and unsteady supply of electricity. Large scale rice millers are equipped with modern technologies and access to credit facilities as well as political power. Prices of paddy and rice and costs of electricity, transportation and other production inputs were fair according to millers but they faced difficulties due to the absence of a controlled selling price for rice. Millers did brand their rice as the demand for branded rice was growing. Average cost of production of a kg of rice of a small mill was 10% higher than that of a large mill. It was difficult for small scale rice mills to achieve economies of scale and high profit margins.

Supplying separate transformers for each mill in order to minimize power fluctuations is mandatory. Promotion of forward sales contracts, establishing a controlled price for rice, forming a strong organization of millers, curtailing of political influences, state intervention in paddy purchasing and rice marketing, and training of millers are necessary.

**Key words:** Rice Milling Industry, Economies of scale, Branding