

IMPACT OF RURAL DIVERSIFICATION ON PADDY PRODUCTION

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The majority of the poor live in rural areas and depend on agriculture for their livelihood. Off-farm activities (trade, business, construction, transport, agro processing and various kind of rural services) are becoming a major component in rural economy today. The income from these activities is higher than agricultural activities because supply is limited in agricultural income due to factors such as natural disasters and high elasticity of demand for off-farm goods and services. Therefore promoting rural diversification would accelerate rural development. This study investigates the farm level performance of full time (farmers without off farm activities) and part time paddy farmers (farmers with off farm activities) or the impact of rural diversification on paddy production of Thamankaduwa divisional secretariat area in Polonnaruwa district, during the period of Yala 2008. Data used in this study were obtained from a survey conducted with a sample of 86 farmers. (49 full time farmers and 37 part time farmers). The technical efficiency and inefficiency of farmer groups were estimated by the parametric approach using a stochastic frontier production function. The technical inefficiency was estimated by stochastic frontier production. Marginal value product (MVP) and Marginal factor cost (MFC) of the inputs were the parameters used to calculate the allocative efficiency. The ratio of MVP/MFC was used as the indicator of allocative efficiency estimate.

Results showed that the average yield, average cost of production and average profit of full time farmers and part time farmers were not significantly different from each other ($P < 0.05$). Results of the production function analysis showed that cost of seed, agro chemicals and land size were the most important input variables with higher elasticities of production of part time farmers. Cost of fertilizer, seed and pre harvest farm power were the most important input variables with higher elasticities of production of full time farmers. Results of the Chow's test revealed that production coefficient of the two farmer groups were significantly different from each other. ($P < 0.05$). Based on the findings it is possible to conclude farming alone cannot provide a sustainable future for rural areas. If employment in rural areas is to be sustained and to increase, these jobs must be created in the non-farm sector. Therefore rural diversification is needed to enhance rural well being.

Key word: Off farm activity, Rural diversification, Technical and Allocative efficiency