

**FACTORS AFFECTING CONSUMER DEMAND FOR COCONUT OIL
IN SRI LANKA**

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Coconut oil is the major cooking oil in the Sri Lankan diets but its consumption is declining. It is believed that cheap palm oil price affected to reduce the coconut oil consumption. This study attempts to determine the factors affecting consumer demand for coconut oil in Sri Lanka by using multiple regression technique with double log form of equation. Annual data from 1998 to 2017 collected from the United States Department of Agriculture PSD database and statistical reports of Central Bank of Sri Lanka were used to estimate the model. Cochrane-Orcutt method was applied to correct auto correlation. The estimated coefficients of palm oil price and trend variables were significant at 5% probability level while coefficients of price of coconut oil and per capita gross domestic product were significant at 10% probability level. All variables have expected signs. The model explains 57% of the behaviour of the per capita coconut oil consumption. Estimated elasticity is -0.923 for own price, 1.442 for cross price and 1.158 for income. Results revealed that one percent increase in coconut oil price results in decrease in coconut oil consumption by 0.92 percent, one percent increase in palm oil price increases coconut oil consumption by 1.44 percent and one percent increase in consumer income will lead to increase coconut oil consumption by 1.16 percent. Findings also indicate that coconut oil consumption is decreasing over time. The study concludes that decreased price of palm oil, increased coconut oil price and consumer perception reduce coconut oil consumption. Hence attention should be given in increasing coconut oil production, rationalization of import duties of palm oil and rectifying the ill effect of coconut oil consumption on human health.

Keywords: Coconut oil consumption, Palm oil price, Sri Lanka