

TRENDS IN MILK PRODUCTION AND ANALYSIS OF PRICE BEHAVIOUR OF DAIRY SECTOR IN SRI LANKA

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The dairy sector, among other livestock sub-sectors in Sri Lanka has been identified as a priority sector for the development. This study was focused to identify the trends in milk production and analyse the price behaviour of the dairy sector in Sri Lanka. Secondary data on the Sri Lankan dairy sector was used from 1980 to 2019, obtained from the Livestock Planning and Economics Division of the Department of Animal Production and Health (DAPH). Data on milk production, importation, exportation, farmgate prices were analyzed by simple statistical tools to study the background of the sector. Trends in milk production were evaluated using time series milk production data in simple regression analysis. Multiple linear regression was used to establish a relationship between the annual average milk production and the annual average farmgate prices, milk collection, processing and milk import & export quantities. The results indicated that, the coefficient of the year was statistically insignificant ($p > 0.05$) with the annual average milk production. Further, annual milk collection and processing, annual milk import and export quantities did not show any significant relationship ($p > 0.05$) with the annual average milk production. However, the annual average farmgate price had a significant positive relationship ($p < 0.05$) with the annual average milk production. The prediction accuracy of the dataset was 97%. The study concludes that the very low farmgate price is one of the major factors to the virtual stagnation of the dairy industry in Sri Lanka. If dairy farming is to be a profitable venture, major policy changes would require with a strong commitment and sustained implementation strategy by the government in partnership with the private sector. Farmgate price can be increased by reducing the gap between the producer price and selling price of fresh milk and by making fresh milk more available in the market than imported milk powder.

Keywords: Dairy industry, Exportation, Farmgate prices, Importation