FACTORS AFFECTING DEMAND FOR COW MILK IN SRI LANKA

K.W.Y.P.Konara and L.P.Rupasena

Department of Agricultural Systems, Faculty of Agriculture, Rajarata University of Sri Lanka, Anuradhapura, Sri Lanka.

Despite the efforts made by the successive governments in Sri Lanka to popularize cow milk consumption, the annual per capita cow milk consumption remains lower than the recommended level. Household monthly consumption of cow milk decreased from 2.75 litres in 1980/81 to 0.5 litres in 2016. This study investigated the factors affecting demand for cow milk using the data from the household income and expenditure survey in 2016 to address the issue of low demand. A double log regression model was applied to find the relationship between cow milk demand and the underlying factors because the coefficients of the variables in the model directly provide the estimated elasticities. The price of cow milk and powdered milk, monthly income of the household, household size, head of the household's education level, the households with children below 5 years, and household living sector were included in the regression model as independent variables. Results revealed that the monthly income of the household ($p<0.001$), the education level ($p<0.1$), having children below 5 years old ($p<0.05$) positively affect the per capita consumption of cow milk. While household size ($p<0.001$) and cow milk price ($p<0.001$) show a negative significant relationship. Although the price of powder milk has a positive sign it is not significant. Hence it is not a closed substitute for cow milk. The tabular analysis shows that when the monthly household income increases from Rs.10,000 to Rs.50,000 per capita monthly cow milk consumption increases from 122.18ml to 247.35ml. As both price and income have inelastic demand, households consider cow milk as an essential/necessity good. Thus, it is necessary to take actions to increase production to control the price increase that affects cow milk consumption. Similarly, measures should be made to popularize cow milk consumption among low educated households and households with children below 5 years.

Keywords: Demand for cow milk, Double log regression model, Elasticity of demand