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Coping with food price hikes: strategies of the poor in Kandy, Sri Lanka

by

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Abstract

High food prices have consistently forced families to adopt a myriad of coping strategies to meet their food needs. A comprehensive understanding of the nature and diversity of such strategies, the relative effectiveness of different strategies, and the factors that determine the choice of various strategies by different vulnerable groups is of prime importance in designing and implementing appropriate policies and programs on vulnerable groups. The objectives of this study are to assess: (i) the resource profile of the vulnerable households in Kandy district in Sri Lanka, (ii) food consumption pattern of the households, (iii) the coping strategies adopted by the households during the times of food price hikes, (iv) the usefulness and effectiveness of coping strategies adopted by the household, and (v) the factors that influence the decisions made by households to change their food consumption patterns in crisis situations. A primary survey was conducted with randomly selected samples of 160, 148 and 147 poor households in Gangawata-Koralaya, Harispattuwa and Doluwa which represent to urban, rural and estate sectors in Kandy district respectively using a structured questionnaire. Data was analyzed using descriptive statistics and multi-nomial logit analysis where appropriate. The results show that a variety of strategies have been used by the poor households to cope up food price hikes. Cutting down of consumption of non-food items, borrowings from the informal markets and increased dependence on friends and families are the commonly used strategies that were perceived to be useful by the households. Curtailing of food consumption has been observed, in varying degrees in different sectors and for different food items. Reductions in frequency of consumption and portion size were noted particularly in urban and estate sectors for imported food items and substitution to local products, such as jack fruit, bread fruit and yams have been noted. These findings imply that the development practitioners should pay a closer attention to the socio-cultural contexts when dealing with crises situations. The need for well articulated trade policies on imported food items, in particular wheat, sprat, soya, dhal, edible oil and milk, on which the households spends a larger share of expenditure, is highlighted.

Key words: Coping Strategies, Food Price Hikes, Sri Lanka

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1. Background and Justification

High food prices have consistently forced families to adopt a variety of coping strategies to meet their food needs. The existing empirical studies indicate that such strategies include reduction in food consumption, switching to substitutes, adopting various measures to smooth food consumption and engagement in new economic activities. The choice of a coping strategy depends on the resource profile of the household, knowledge and perceptions of the members of household on future consequences of strategies, the nature of the external environment i.e., technical, biophysical, social and political aspects within which the household operates, and the degree of the crises as perceived by the households in terms of changing variables of the external environment. Therefore, it can be argued that the effectiveness of household coping strategies will be determined by the appropriateness of the context specific strategy/strategies chosen by the household (*i.e.* from among a number of alternative strategies available for them). It can also be argued that different strategies have different short term and long term effects on the sustainability of households. Consequently, the policy makers should have a comprehensive understanding of the nature and diversity of strategic responses adopted by various vulnerable groups, the factors that determine the choice of various strategies by different vulnerable groups and the relative effectiveness of varying strategies.

As a response to the recent food price hike in the world market, a number of policies and programs have been implemented by the Sri Lankan government so as to cushion the potential adverse effects to its citizens, especially for vulnerable groups. The government continued with the programs launched at the on-set of the global food crisis, with the aim of achieving food self sufficiency viz., fertilizer subsidy program, home-gardening programs and milk production promotion programs. Cesses on imports were introduced with the aim of generating revenue for developing respective sectors. The government also intervened to regulate food prices and food distribution. Import taxes on a number of essential food items¹ were revised and controls on prices were introduced. Contrary to what was observed in many developing countries, introduction of any safety nets, in addition to what was provided over the recent past, has not been recorded in Sri Lanka.

The purpose of this study is to investigate coping strategies adopted by the vulnerable households in the context of high global food prices at a selected geographical location of Sri Lanka. The specific objectives to assess (i) the resource profile of the vulnerable households in Kandy district in Sri Lanka, (ii) food consumption pattern of the households, (iii) the coping strategies adopted by the households during the times of food price hikes, (iv) the usefulness and effectiveness of coping strategies adopted by the household, and (v) the factors that influence the decisions made by households to change their food consumption patterns in crisis situations.

¹ Sprats, potato, red onion, B onion, garlic, peas, chick peas, green gram, maisoor dhal, chillie, tinned fish and sugar are the essential items identified in 2007. A special commodity levy was applied on them. Milk powder was added to the above list in 2009. In addition, the Sri Lanka State Trading Corporation has introduced a budget pack in December 2009 containing 5 items (rice, dhal, sugar, canned fish and gram).

2. Conceptual Framework

The purpose of this section is to develop a framework to conceptualize the strategies that could be adopted by the households in order to cope up with conditions created by crisis situation subject to resource constraints faced by them. The conceptual framework developed consists of three key components, i.e., (i) the household and its resource profile, (ii) the external environment, and (iii) wellbeing of the household. Figure 01 shows how different components are linked together with the household. The forthcoming discussion attempts to conceptualize, through reviewing of relevant literature especially in relation to low income households, the components and perceived linkages among them.

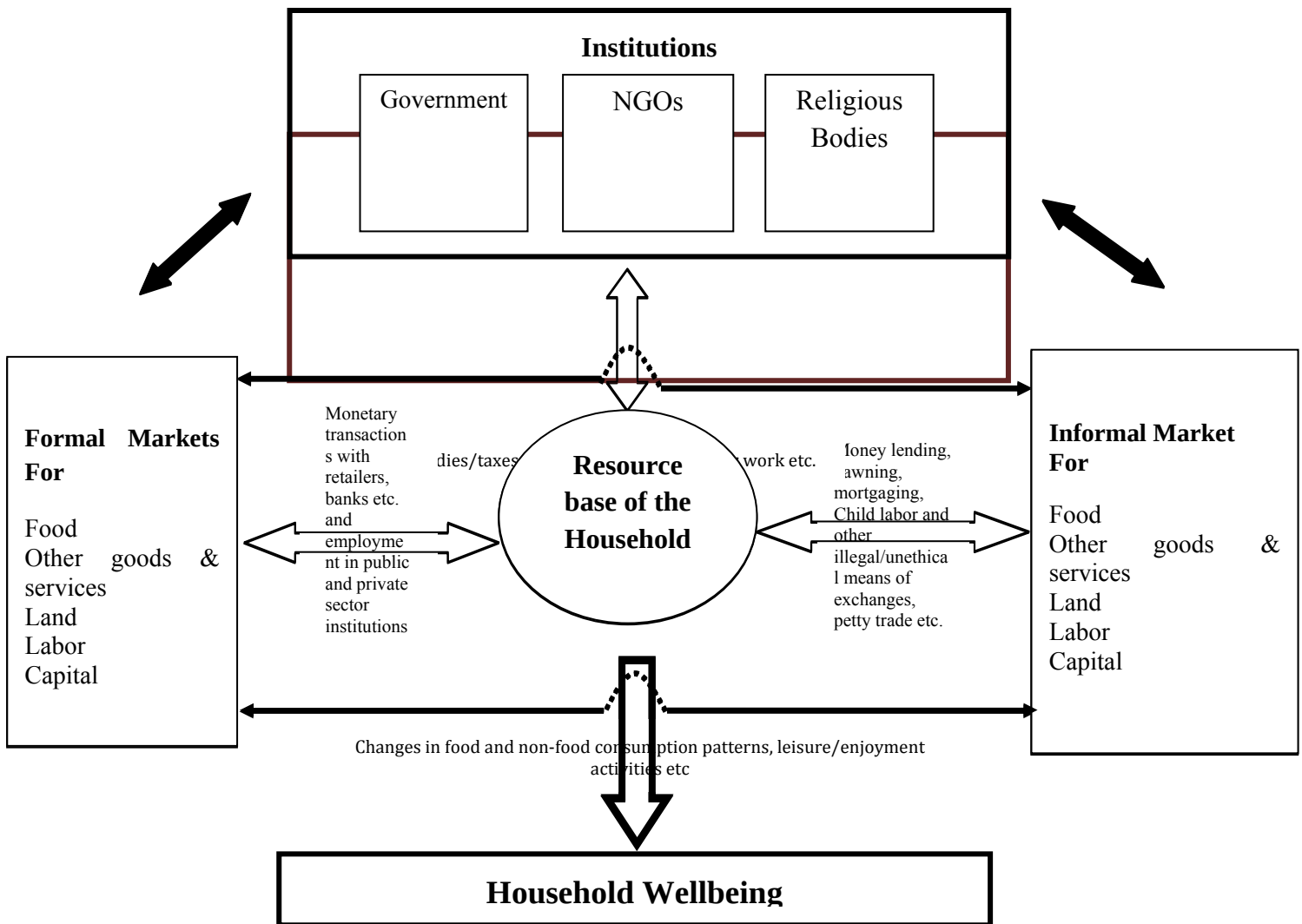


Figure 01: Conceptual Framework

2.1 Household and its Resource Profile

A household is a basic residential unit in which economic production, consumption and shelter are organized and carried out. The resource profile of the household can be broadly categorized in to (a) human (skilled and unskilled labor), (b) physical (movable and immovable assets), (c) natural (land) and (d) social (relationships with extended families, friends and social networks).

The members of household possess human resources with different skill levels and the activities they engage are dependent upon the level of skills possessed by them. Some are engaged in production activities outside of the household (by supplying labor) while the others are engaged in production activities within the household (child rearing, looking after of elderly, home production of food and other household chores) and some other members do not engage in any economic activity as they may fall into the category of dependents. The objective of the household members is to maximize satisfaction (*i.e.* household wellbeing) that they derive through consumption of various goods and services (food and non-food) and their engagement in leisure/enjoyment activities subject to their resource limitations. The wellbeing of the household hence depends on the extent to which the household members consume food and non-food items and leisure. The preferences of the household members, the resource profile and the environment within which the household operates determine the extent to which resources are utilized (*i.e.* through deferred gratification).

2.2 External Environment

The external environment is the bio-physical and socio-economic sphere outside the household for which the household do not have any control. The household interact with formal and informal market for food, labor, land, capital (pawning, mortgaging, lending), and support organization (both government and non-government) in the external environment. The accessibility to infrastructure such as markets, roads, electricity and water, is another aspect of the external environment.

The household constantly engage in exchange relationships with the external environment through supplying resources and obtaining goods and services. In return, they obtain wages, salaries, various types of rental payments and in-kind payments (food, labor, etc.).

The level of income generation, the extent to which resources are utilized (both during crisis times and non-crisis times), changes made to the patterns of consumption of food and non-food item as well as the costs incurred by the households for leisure/enjoyment ultimately determine the level of wellbeing of a given household.

2.3 Strategies Adopted During Crisis Times

A food crisis situation can be described as a change in the availability and prices in formal market, i.e., food market in the external environment. The strategies adopted by the households in dealing with such situations have been classified into various groups by the previous researches.

Curtis (1993), by assessing famine household coping strategies during armed conflicts, argued that the household will adopt different types of strategies in the form of: (i) increasing its access to extraordinary resources, (ii) reducing its consumption, and (iii) disposing its assets so as to maintain its economic and social viability. The same author classifies strategies according to their response to risky activities by minimizing risk (at the onset of famine), absorbing risk (during famine) or taking risks (at peak of the famine). Minimization of risks can be found in the form of (a) maintenance of a minimum level of productivity (inter-cropping and planting of risk-averse crops), (b) accumulation of assets (increasing food storage, investing in valuable, and amassing capital), (c) expansion of access to credit and barter through setting up of a social support network, and (d) diversification of income base through starting-up of non-farm activities, whereas risk absorbing strategies may include selling of accumulated assets, selling farm animals (small ones first and then larger ones), calling back of outstanding loans, searching for more credit, reducing or dismissing hired farm wage laborers, cutting down the consumption of food (initially adults will eat smaller meals and as things worsen adults will miss meals and children will have smaller meals), migrating to areas with more employment opportunities (entire family or individual members) and also relying upon support from religious entities.

Maxwell *et al.* (2003) divided the coping strategies into two groups: long-term (*i.e.* longer term alteration of income earning or food production patterns and one-off responses such as asset sale) and short-term (*i.e.* immediate and short-term alteration of consumption patterns). They identified four types of household coping strategies viz; (i) changing diets (from preferred food to cheaper less preferred food), (ii) attempting to increase food supplies using short term strategies that are not sustainable over a long period (*i.e.* borrowing, purchasing on credit, consuming wild foods), (iii) reducing the number of people to be fed by sending some of them elsewhere, and (iv) attempting to manage the shortfall by rationing the available food at the household level.

In such a situation, a household may adopt one or both of the following strategies: (a) it may earn

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