THE ECONOMIC IMPACT OF FERTILIZER SUBSIDY FOR THE SMALL SCALE TEA GROWERS IN SOUTHERN PROVINCE, SRILANKA

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ABSTRACT

In view of the growing competition in the world tea market, high production cost will be an important determinant of the future of Sri Lankan tea industry. Even though Small holders play significant role in tea industry; they are highly sensitive to high input prices and not able stand against with higher fertilizer cost. Assistance such as fertilizer subsidy for small holders may help to reduce cost of production & they can obtain better crop by applying recommended quantity of fertilizer. Therefore, fertilizer subsidy may give valuable point to rural development in small scale tea growers section & cyclically it helps to national economic development. By keeping the above crux in the view, the research was conducted to find the economic impact of fertilizer subsidy for the small scale tea growers in southern province of Sri Lanka. The data used in this study were gathered through a field survey in sample of 335. The data were analyzed by employing multiple linear regression model and paired t-test.

Results of the paired t-test indicate that there is an improvement of the 2009 tea yield income per hectare when compared to that of 2008 due to the fertilizer subsidy. According to the Regression analysis, land extent, labour and subsidized fertilizer cost per hectare has a significant impact on the 2009 tea yield income per hectare. The result concluded that subsidized fertilizer cost was one of the important factors that cause for the increase in 2009 yield income compared to 2008 yield. The study also found that majority of small scale tea growers are not satisfied with the quality of given NPK fertilizer mixture, and suffered by higher transportation cost.

It can be recommended from this study that subsidized fertilizer mixtures should be provided to small holders continuously to enhance the production.

Key words: fertilizer subsidy, small scale tea growers, yield income per hectare, multiple linear regression, paired t-test