

EM.AGR.2

ANALYSIS OF ORGANIC PADDY VALUE CHAIN IN SRI LANKA

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Organic farming is a production system that sustains the health of soils, ecosystems and people. In paddy, the staple food and the major agricultural crop in Sri Lanka, there is a trend towards Organic Paddy (OP) from both supply and demand sides. However, there are hardly any studies done on the OP value chain in Sri Lanka to identify its strengths and weaknesses. Therefore, this research was undertaken to analyze the existing OP value chain in Sri Lanka and to identify strategies to strengthen the linkages among different actors in the value chain.

Sixty randomly selected value chain actors representing different levels from input supply to exports, were studied. The sample was distributed in 20 districts. A filed survey, key informant discussions, and field observations were the main primary data collection tools used in addition to the secondary data.

According to the findings, the majority of the value chain actors were males (78%) with a mean age of 37 years, and living in rural areas scattered all over the country. Two prominent players in the value chain were farmers and farmer organizations. The majority (88.3 %) of the OP farmers were small holders, who cultivated less than two acres. The mean cost of inputs for OP production was Rs. 1476 per ac and the average yield was 48 bushels/ ac. Farmer organizations were mainly involved in OP collection (80%). A small portion of OP collected was used for seed paddy and by primary processors (i.e. parboiling and steaming), while the major portion (78%) was sold to millers. OP marketing took place at wholesale, retailer, supermarket, and exporter levels. Most of the OP farmers (89%) cultivated traditional varieties, and of them the majority cultivated *Suwandell* (60%). The majority of the consumers ate organic rice considering their perceived health benefits (58%) and as a medicine (45%) mainly for diabetes. The total value addition in the OP value chain was Rs. 107/ kg. None of the actors had formal agreements in the OP value chain. Information on credit, markets and prices rarely reached small-scale farmers. Institutional support, including governmental support, was weak in the OP sub-sector.

The study found that there is a niche market for organic rice in Sri Lanka, from which small-scale farmers could earn a reasonable profit while supplying a quality product to the consumer. To strengthen the OP value chain, institutional support is needed particularly with respect to establishing an OP certification system, fair trade standards, branding, shortening the value chain and extension of technical and market information to different actors in the value chain.