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Analysis on Supply Chain of Organic Vegetables and Organic Rice reaching Colombo

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Abstract

Organic food can simply be identified as the food that is produced from organic farming. The market for organic food in Sri Lanka is on the rise and the main consumer is the Colombo District. The growers are mostly from outside areas. Systematic studies on organic food from the supplier perspective however have not being carried out. The present study aims at identifying the actors of the supply chain of organic rice and vegetables and evaluating the price ranges. The methodology adopted mainly was a structured questionnaire survey among the suppliers, a market survey and key informant interviews. The study focused on the main supermarket chains in Colombo, open markets, other specific organic supermarkets and organic food exhibitions. To establish the existing supply chain the supermarkets were chosen using purposive sampling and the actors were chosen using snowball sampling. A total of 22 supermarket outlets were chosen from the supermarket chains of Keells and Softlogic Glomark. The Colombo Good market was identified as an open market and 20 individual producers were interviewed. Only the local producers were chosen for the study. The food was categorised and the price ranges were quantified. The chain supermarkets have a greater proportion of leafy vegetables, other organic vegetables but lesser varieties of organic rice. In specific and open markets the quantities available of green vegetables are greater than the leafy vegetables and a variety of organic rice is observed. Chain supermarket outlet sources indicate that only 15-20% sales are gained from organic food compared to their conventional counterparts. It was observed that the large scale suppliers earn a larger profit but small scale rice farmers in remote areas get a very low profit. Suppliers find labour as the major cost component. The minimum price increment for organic food was 27% for leafy vegetables. Higher price increments were found for recognized, certified, branded products where the price is sometimes seven times higher than the conventional price. Dedicated organic supermarkets seem to have higher prices for most of the food items. Thus the public image and the recognition play a greater role in defining price mechanism for the organic vegetables and rice. The general conclusion is that because the organic foods industry is still growing, the majority of chain supermarkets retailing organic food are not able to achieve the same level of economies of scale as conventional vegetable due to the higher prices.

Keywords: Organic food, Supply chain, Market structure, Price difference