

Assessment of farmer share of export agriculture crops

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Export Agriculture Crops (EAC) sector in Sri Lanka has become an attractive foreign exchange avenue in recent past with about 31,000mt. of exports and Rs.10,000 million of earnings in 2005. The group was ranked as the 4th main export avenue in the agriculture sector next to major plantation crops. EACs have historically established long market channels with several village level collectors, retail and whole sale buyers and spice auctions or exporters at the last end. However backward linkages of upper segments of the market channel (eg. whole sale buyers, exporters) with producer level are very poor hence farmers always complain that they do not get a fair share and the middlemen get the benefit of their hard work. The objective of the study was to assess the producer share of the above crops from the local auction and international prices during 1998-2005. The analysis showed that the farmers were getting a considerably higher share from the auction prices and the monthly averages for the period were cocoa 74%, coffee 87%, pepper 89%, clove 90%, nutmeg 94% and cardamom 87%.

Producer share from the international price not only indicate the Exporter's margin but also shows the recognition of Sri Lankan products at the world market. The average producer shares from the world prices showed wider fluctuations with cocoa 60%, coffee 63%, pepper 80%, clove 132%, nutmeg 34% and cardamom 101%. Nutmeg and cardamom farmers had received higher prices than the world price while coffee and cocoa growers had received fairly lower prices. Lower producer shares for coffee and cocoa may be due to the lack of established world market and poor quality of Sri Lankan products in the highly quality conscious huge international market. Sri Lankan producers pay no concern over quality due to non-commercialised farming and trading system for those products. Pepper producers were getting fair share mainly due to the transparent trade relations, established market links and recognition of the quality of Sri Lankan pepper. Results indicate that the producer price of clove was always higher than the International price of Madagascar clove. High demand from India for the clove, which is vital for their value addition industry, may be the main reason. Nevertheless, Sri Lankan producer share for nutmeg for the period was much below and only around 34% of the price of Indonesian nutmeg. Restricted imports by major buyers such as Europe and USA due to well reported higher aflatoxin levels in Sri Lankan nutmeg may be the major reason. International prices doubled during 2000-05 due to scarcity of nutmeg but Sri Lankan producers had not benefited from that. Cardamom farmers had received fair share but quantity of exports averaged less than 10mt. and stagnating throughout the period. Producer shares for many EAC, both at the local and international markets are attractive but products such as nutmeg are in a highly unfavorable position at the world market mainly due to poor quality.

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