

**SECTION F**

**701/F**

**Adoption of HACCP in dairy processing sector in Sri Lanka: Do firms act voluntarily when regulation is ill-defined?**

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The food economic literature suggests that there are three elements that motivate firms to adopt a system of HACCP, i.e. market forces, food safety laws and regulation and product liability laws. The purpose of this study was to explore extent to which 10 different individual incentives generating from these 03 elements have an impact on the decisions of dairy processing firms in Sri Lanka to adopt a system of HACCP. Face-to-face interviews with HACCP coordinators / quality assurance managers / owners of 34 dairy processing firms operate in the Western, North Western, Central, North Central and Southern Provinces in Sri Lanka from July to August 2007 were used to collect data. These firms were categorized into two major groups: (1) “adopters” (i.e. those who possess a fully operational system of HACCP (21%) or in the process of implementing it (9%)), and (2) “non-adopters” (70%). The data were subjected to the Confirmatory Factor Analysis techniques, including: (a) *Scale Reliability* using Cronbach Alpha; (b) *Unidimensionality* through Principal Axis Factoring, and (c) *Construct Validity* by constructing an MTMM matrix. It helps to derive Mean Scale Values for the 10 individual incentives for both adopters and non-adopters. The results highlight that both groups consider that “product liability laws” and “existing government regulations” motivate these firms’ decisions towards HACCP where the Mean Scale Values obtained by the adopters were greater than that of non-adopters. The least important incentives for adopters were “financial implications/costs” and “sales”, and for non-adopters was “commercial pressure”. On the contrary, “financial implications/costs” acts negatively on non-adopters’ decisions. The outcome of analysis, as a whole, suggests that dairy processing sector in Sri Lanka, in contrary to that in the developed countries such as Australia, Canada, the UK and the US, does not possess strong market-based incentives to adopt a system of HACCP, thus the voluntary/private action of firms towards adoption of HACCP is not significant to date.

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