

Mapping of the Maize Value Chain and Assessment of the Relationship Between the Buying Price and Farmer Loyalty towards the Buyer: A Study in Anuradhapura and Monaragala Districts

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Maize, the key ingredient of provender products receive a high demand from poultry feed producers. As a result, outgrower operating Agribusiness firms engaged in maize farming promote the maize cultivation while developing a loyal farmer group by helping them to mitigate limitations in production. Importance in identifying inefficiencies exist in this vertical integration is to reduce main affective factors by agribusiness firms for their long term sustainability. Therefore, the main objectives were to identify the nodes of the maize value chain, to assess the value addition at the upper stream nodes and to measure the farmer loyalty and success of adapting outgrower operations for a guaranteed supply. Convenience sampling and value chain analysis was adapted to map the value chain and to assess the value addition. Multistage cluster sampling was adapted to select a sample of 67 outgrower farmers. Farmer loyalty was assessed by adapting Farmer Loyalty Index and Spearman's correlation test was used to detect any relationship between a firm's price and farmer loyalty. Results revealed that farmers access multiple inputs suppliers and their direct buyers could be a collector, stockist or even feed miller. Direct sales for outgrower operators and drying as a value addition enable farmers to obtain higher income from maize cultivation. Although majority showed a higher loyalty perception, outgrower operations was a less effective strategy of developing the farmer loyalty because they are highly sensitive to the net per kilo price. Due to lack of farmer assurance of direct sales with outgrower operator, outgrower farming has become a less effective business strategy in Sri Lanka. Therefore, conducting the outgrower operations with the collaboration of government while establishing responsible farmer organizations is more convenient to obtain positive outcome during buying back operations and to overcome the loopholes in national policy development especially in pricing.

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