

Price Volatility of Vegetable Farming in Sri Lanka: A Review of Causes and Effects of Up Country Vegetable Farming

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Abstract

Fluctuation of vegetables price is one of the key issues in sustaining small farming agriculture in Sri Lanka. It affects greatly to the economy both in terms of producers' income and consumers' welfare i.e. farm income and food security of the nation. Thus, nearly 500,000 small farm families involve in vegetable farming in Sri Lanka and often they suffered from price fluctuations. Subsequently, vegetable production pattern and supply chain also change leading imbalance food consumption and government expenditure. The causes attributed to the issue are related with uncertainty, information asymmetry and lack of resources. Thus effects of the issue are related with low production, irregular supply, frequent price fluctuation and changing producers and consumer welfare. Thus, causes and effects become the prime issue of sustainable vegetable farming in Sri Lanka. Diagnostic and descriptive literature described causes and effects of price fluctuation. Thus Cobweb theorem has diagnosed three price fluctuation patterns such as constant, convergent and divergent fluctuations and tested empirically in several countries. This paper aims to review factors influenced in price fluctuation of vegetable farming in Sri Lanka in view of Cobweb theorem and to predict consequence effects. The methodology of the study was based on quantitative data analysis. Both survey data and secondary data were used for the analysis. The study findings accepted the facts of cobweb theorem indicating a convergent type of price fluctuation in up country vegetable production that determined sale prices on the prices of previous season. The study predicts consequence effects to be addressed by policy makers and recommends suitable policy options to minimize the price fluctuation.

Key words: Price fluctuation, Demand, Supply, Producer' surplus, vegetables, Welfare, small Farmers

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