

DAIRY FARMERS' PRICE SATISFACTION AND FARM BUSINESS PERFORMANCE: A STUDY IN THE KURUNEGALA DISTRICT

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The dairy industry is an important sub-sector of the agricultural sector with a significant potential to contribute to the economy of Sri Lanka. The relationship between the dairy farmer or supplier and the dairy processor or buyer is the most vital linkage in the dairy supply chain. Price satisfaction is important to build up a long-term relationship between the supply chain participants. To maintain long term sustainable relationships, buyers and suppliers need to understand the importance of price satisfaction. In business to business (B2B) commerce strong supplier-buyer relationship significantly contributes to business performance. There is limited empirical research on the influence of price satisfaction on the supplier-buyer relationship, especially from the supplier's perspective. This study aims to empirically examine the influence of price satisfaction through producer loyalty on the supplier-buyer relationship. Thereby farm business performance from the supplier's perspective in the dairy industry in the Kurunegala district. For this study, 120 dairy farmers from Kurunegala districts were selected using stratified random sampling. To analyze the structural relationships, structural equation modeling (SEM) was employed. The result from the study revealed that price fairness and price transparency influenced farmers' loyalty and contributed to farm business performance. A comparison of price satisfaction dimensions of two prominent dairy processors revealed that there was no significant difference in price reliability but showed significant difference concerning price transparency and price fairness. However, the highest level of loyalty was enjoyed by the processor who scored low in price satisfaction but had provided a higher level of non-financial benefits as against financial benefits. Overall, the study revealed that not only price satisfaction dimensions but also non-financial benefits are important to develop and maintain long-term relationships between milk processors and dairy farmers.

Keywords: Dairy industry, Dairy supply chain, Farm business performance, Price satisfaction