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## The impact of value addition on profit and pricing mechanisms of skipjack tuna dried fish processor in southern and western coast of Sri Lanka

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### Abstract

The degree of value addition in dried fish products is critical in price determination. However, price determination and profitability analysis are critical in shaping the structure, conduct, and performance of the dried fish market. Having lesser studies on dried fish value chain analysis, lacunae exist in determining of relevant market prices and profitability to console between processors, traders, consumers and the government. Thus, this study attempts to examine the impact of value addition on pricing mechanisms and profit of skipjack tuna dried fish processors in the south and the west coasts of Sri Lanka., The skipjack tuna dried fish value chain has been selected as it is the highly consumed large-pelagic dried fish variety in Sri Lanka irrespective of the geographical differences. A questionnaire survey was conducted with 60 dried fish processors by using simple random sampling from Hambantota, Matara, Gampaha and Puttalam. Secondary data were collected from published materials. Data were analyzed descriptively and inferentially. According to the findings, 40% of processors perform any value-added function other than grading, sorting, and packaging. Color-based grading is common for skipjack tuna. The quality ranges from top to bottom as red/pink, red mix, and white/yellow respectively. Accordingly, price changes was observed as +23.52%, +0.98% and -8.23% in each respective products comparatively normal/non-value added product price (Rs.510/=). Major 02 types of dried fish grade were identified as hard and soft and the prices changes with +11.37% and -0.98%, respectively. According to the size, there are major 04 grades as full, halves, broken and blocked portion (10-15g). Price changes are being observed in broken and blocked portions as -2.94% and +30.98%. Polythene packed products indicated 94% price increment comparatively normal/non-value-added product price. The 20% processors in the sample produce animal feed and fertilizers using the by-product. They sell these products in between Rs. 50/kg- Rs.60/kg prices. Processors who engage with grading (color-40.16%, texture-67.16%, size-64.32%) and packing (486.58%) received the highest profit than normal processors. Further, there was significant improvement of price due to value addition on color ( $p=0.00$ ), texture ( $p=0.00$ ) and size ( $p=0.007$ ). The study concluded that, processors engage with very low number of value-added activities in the area. However, value addition significantly affecting to skipjack tuna dried fish price and processor's profit improvement. Therefore, a fair price was received by processors who engage with value addition than normal processors. It was recommended that the mechanism for setting up fair dried fish price and enhancing value addition toward policy measures.

**Keywords:** Average price, Dried fish, Pricing mechanisms, Profit, Value addition

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