Category	: International Rice Research Conference
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Keyword 1	: Rice supply, demand, and trade
Keyword 2	: Value chain analysis
Keyword 3	: Value chain analysis
Title of Entry	: An investigation of purchase and sale of rice in terms quality-learning the trick of the trade
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Abstract : The lack of enforcement of quality standards is detrimental to the functioning of the value chain. However, the associated theoretical and empirical evidence is lacking. For rice, it is simply hypothesized that the absence of labelling creates opportunities for intentionally mixing products such as the high quality/aromatic species, which are in relatively short supply, with non-aromatic low-quality rice. This does not explain the observed quality-price variations across the season, especially based on key visual quality aspects. The study investigates the quality-price-quantity relationship based on a theoretical model which postulates that price is determined by quality supply and the cost of conversion towards quality improvement. The price paid to producers at purchase is expected to fall with higher overall supply or if conversion costs rise; the large supply will however be sold at a lower price. The model was tested with data collected between July to October 2015 and February to May 2016 in 3 markets in Dar es Salaam/Tanzania. The first period corresponds to abundance where overall supply is high after harvest and the second period corresponds to relative scarcity. The study includes 429 rice purchases records and 1730 rice sales records. Larger purchases are made in the abundance period compared to the scarcity period (average of 4.3 tons and 2.3 tons per transaction respectively with no significant price differences), while no differences are observed for sales (around 700 kg per transaction, the sale price is higher in the scarcity period); differences are observed between wholesalers and retailers. The instrumented hedonic price estimations confirm that the price indeed declines with quantity, and unit cost of cleaning (for purchase); it significantly increases with cleanness and low breakage. Traders take advantage of buying low quality rice in large quantities in the abundance period, clean and sell it during the scarcity period, at higher prices. This market strategy implies that if farmers can store rice, they can benefit by not selling simultaneously large quantities even during scarcity, but rather choose the appropriate time and quantity to deliver periodically to obtain better price, should they just be able to demonstrate its good quality.

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