

Fresh fruit and vegetable marketing system in Sri Lanka: Emerging changes and their implications

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Abstract

Emergence of supermarkets is a major development in the vegetable and fruit marketing system in Sri Lanka during the last ten years. The change that began in early 1990s with the establishment of a handful of supermarkets in the more affluent areas in Colombo. Since then, the change has created a major difference in the retail marketing of these commodities and within a span of about twelve years it has grown to large network with 91 supermarkets operated by six major companies. The total volume of vegetables handled by six major supermarkets in Colombo is estimated to be about 60,000 kg/day in 2004.

Most supermarkets have established close direct links with the producers, bypassing some of the 'middlemen', enabling the negotiation of prices to mutual advantage. The sale of vegetable and fruits through the system of supermarkets has facilitated the process of value addition through better grading, sorting, processing, improved packaging and transport.

The rapid rise in the supermarkets is caused by a number of factors including sharp rises in the urban population, market liberalization, improved income levels, changes in the urban life styles and food consumers and increased information flows. The growth in consumer demand for supermarket style trading service has provided a highly competitive environment for the supermarket operators as well. This competition in turn has led to improved customer service standards, better accountability and more transparent and effective pricing mechanisms within the domestic agricultural marketing system. This study also identifies several areas that the government and other institutions should focus in improving and expanding the service of the supermarket system.

Introduction

Market stagnation has been a chronic problem in the developing agriculture sector in Sri Lanka. Vegetable and fruit production in particular, are hindered in many ways due to lack of dynamic markets. This is evident in

considering the production, intensity of input use, acreage, varieties produced, export incomes. Also the cost of production has increased gradually and the consumer has been made to pay higher price for the product. A key reason for this problem is the stagnation of production due to lack of dynamic markets. This study focuses on the marketing system of vegetables and fruits with emphasis on the emerging changes.

The broad objective of this study is to examine the value chain changes in the vegetable and fruit marketing system in Sri Lanka with a view to identifying the major changes that have occurred at the retailer level in the more recent years.

Research Design

The study is based on both secondary and primary data . Primary data were collected by direct observation of supermarkets and commercial fruit and vegetable shops, from supermarket managements and informal discussions with employers and consumers. Secondary data were obtained from government and non government organizations including Hector Kobbakaduwa Agrarian Research and Training Institute, Department of Census and Statistics, Central Bank of Sri Lanka and the Export Development Board. Emerging changes were identified through an examination of the process of spreading of outlets, volume of sales, value of sales, value of sales, price of commodities and exports.

Results and Discussion

During the last few years the supermarkets have entered the scene progressively triggering a real difference and trend in the marketing system. With the increase in the popularity among the consumers, supermarkets have increased their sales volumes and profits. They have been able to make themselves attractive to the consumers. Though the high volume-low profit approach the volume of sales through supermarkets have shown a significant increase. This is a good indicator of the emergence of dynamic marketing system.

The trend of patronizing supermarkets has grown conspicuously in urban areas than in rural areas, but with the springing up supermarkets in few towns an increasing trend can be expected in the near future. The special facilities featured in most of the supermarkets are reasonable pricing, high quality goods, wide range of choices, easy access to products, timely service, sufficient space for parking vehicles, central checkouts and express checkouts that ensures quick service to the customer, transaction through credit cards, discounts for many products, purchasing goods in exact amounts as required,

accuracy in weighing, less congestion and a pleasant environment with air conditioning. Some have even shown concern for environmental issues such as the use of biodegradable polythene bags.

One of the major benefits that arise due to these changes in the vegetable and fruit marketing system is the creation of employment opportunities. Increasing competition among supermarkets is now visible. They advertise highlighting their strengths and unique features over the others creating very competitive edges. There is increasing competition among supermarkets resulting in higher expenditures for advertising, promotion and other campaigns.

Most supermarkets have begun to focus their attention beyond the urban and sub urban areas to rural areas. A significant rise in these outlets can be seen in the past 2-3 years. Supermarkets look for factors like parking space, displaying ability, accessibility and less congested convenience areas when opening their outlets. A crucial consideration in locating sites for supermarkets in urban areas is to have ample parking space, which becomes less important in rural outlets, which cater mainly to walk-in customers. They focus on placing their outlets in centers of towns that are easily accessible to customers.

Conclusion

Emergence of supermarket chains, commercial retail shops and expansion of export were identified as emerging fields in marketing of vegetable. Increasing demand creates a pull at the retail end of the value-chain and it spreads towards the producer inducing increasing production. This is effective as it functions on the demand driven pull rather than on supply driven push factors. The trend of rapid spread of supermarkets and chain outlets assure a stable market for the producer. The supermarket phenomenon has both positive and negative sides. New job opportunities have been created due to expansion of outlets, processing, grading and packaging needs. Due to the scale of high volume of vegetable and fruits and increasing systemic efficiency, the supermarkets are able to provide the consumers with lower price products. Improved packaging better quality and value added products benefit the consumers.

Some of the factors, which induced the emergence of supermarkets, are urban growth, reduction in government intervention and market liberalization, increasing incomes, changing food habits and expenditure patterns.