

SECTION F

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An empirical Investigation on factors affecting the performance of food system for processed fruits and vegetables in Sri Lanka

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Consumer perceptions towards a number of factors, including: (1) level of food safety; (2) convenience to buy; (3) taste; (4) ethical issues; (5) cost of transaction; (6) origin of product; (7) available choices; (8) level of health & nutrition, and (9) behavior of firms have a greater impact on the effective performance of a food system of a country. This study examined this particular issue empirically using the data from processed fruit and vegetable product industry in Sri Lanka. An index – “*Consumer Welfare Index*” (CWI) was developed for this purpose, which is a product of two other indices: (a) *Consumer Importance Index* (CIM) to illustrate extent to which consumers judge the “relative importance” of each factor on their decisions to purchase a generic food item from the market, and (b) *System Performance Index* (SPI) to reflect the degree to which consumers perceived on the performance of this particular food system (i.e. processed fruit & vegetables sector) with regard to each of these 9 factors. The primary data collected from 500 consumers who belong to individual households in the *Wennappuwa* electorate (North Western Province) from June to August 2006 were used. With the idea of minimizing the empirical problems associated with unobservability of the true impact of each factor and subjectivity of which to the decision maker, the Confirmatory Factor Analysis techniques (CFA), including “Scale Reliability” (Cronbach Alpha), “Unidimensionality” (Principle Axis Factoring), and “Construct Validity” (Multi-Trait Multi Method Matrix) were employed to estimate the indices. The results suggest that, for the entire sample, the factors such as “food safety”, “health and nutrition”, and “origin of the product” has, in general, the highest impact in this respect. In opposite, the “behavior of firms” and “convenience to buy” possesses the least impact. Interestingly, the relative effect of individual factors did not vary significantly with respect to consumer demographic characteristics such as gender, place of living, level of education and income. The results suggest that food producers/marketers can “differentiate” their products/markets to retain a better share from consumers representing different demographic characteristics by performing satisfactorily on the factors that they placed a high preference