

## **Emerging trends in value chain of fresh fruit and vegetable marketing system in Sri Lanka**

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A Major development that occurred in the vegetable and fruit marketing system in Sri Lanka during the last ten years is the emergence of supermarkets. This transformation began in early 1990s, with the establishment of a few supermarkets in urban areas (e.g. Colombo). Since then, the change has created a major difference in the retail marketing of these commodities and within a period of about 12 years, it has grown to a large network with 91 supermarkets operated by six major companies. In 2004, the total volume of vegetables handled by six major supermarkets in Colombo was estimated to be about 60,000 kg/day. Major objective of the study was to examine the value chain changes in the vegetable and fruit marketing system in Sri Lanka with a view to identify the major changes that have occurred at retailer level in the more recent years. This study was based on primary and secondary data (May – June 2004). Primary data were collected by direct observation of supermarkets and

commercial fruits and vegetable shops, from supermarket management and informal discussions with employees and consumers. Secondary data were obtained from government and non-government organizations.

The supermarkets have developed close direct links with the producers, bypassing some 'middlemen', enabling the negotiation of prices to mutual advantage. The sale of vegetables 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 supermarket is caused by a number of factors including sharp increase in the urban population, market liberalization, improved income levels, changes in the urban life styles and food consumption patterns, 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 improve customer service standards, better accountability, and more transparent and effective pricing mechanisms within the domestic agricultural marketing system. Increasing demand creates a pull at the retail end of the value chain and it signals towards the producer to send the products according to consumer preference. This is effective as it functions on the demand driven rather than on supply driven market mechanism. The trend of rapid spread of supermarkets and chain outlets assures a stable market for the producer, too. Due to the scale of high volume of vegetables 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 consumer.