PROCEEDINGS OF A SEMINAR

ON

AGRICULTURAL MARKETING

(FOOD COMMODITIES)

IN

SRI LANKA

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AGRARIAN RESEARCH AND TRAINING INSTITUTE,
114, Wijerama Mawatha, Colombo 7.

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MARKETING AND FOOD POLICY DIVISION
AGRARIAN RESEARCH & TRAINING INSTITUTE
114 WIJERAMA MAWATHA
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FOREWORD

Production increases in agricultural production are noticeably manifesting themselves in the area of marketing. Complaints by farmers, politicians and the press on problems of marketing clearly indicate that its magnitude should certainly receive priority attention. All too often studies by agencies and professionals on different aspects in the production process have not adequately analysed problems in marketing but a few diagnostic studies with the multi-disciplinary focus have thrown a ray of light on the need to undertake more vigorously a series of indepth studies to address key issues in marketing.

In view of this situation the Marketing & Food Policy Division of the ARTI organized a seminar on Agricultural (Food Commodities) Marketing. The main purpose of the seminar was to highlight the basic issues and problems related to marketing in the areas of rice, vegetables and fruits and subsidiary food crops to help policy management and policy formulation. The seminar threw some light on the practical problems of marketing and created a greater awareness among policy makers to divert their attention to key issues. This in itself is an achievement of the seminar.

The publication of the seminar proceedings was delayed by the co-ordinator's leaving the country. However, the issues and suggestions put forward are still equally or more valid. I am happy that the deliberations of the seminar were of much use in later stages in policy management and certain changes have been already made particularly in the administration structure, but the full impact and clear results of those are yet to be seen.

I thank the Ministry of Agricultural Development and Research especially Mr. Dixon Nilaweera (Addl. Secretary), for his initiative in proposing this idea, Mr. T.B. Subasinghe former Director, ARTI for planning the seminar, all speakers, resource persons, and participants for accepting our invitation, the staff of the Marketing and Food Policy Division for their contribution especially Mr. W.G. Somaratne, Research & Training Officer who co-ordinated the seminar activities, the staff of the Training Division for their documentation of proceedings, editing and printing of the final document.

J. Alwis

J.ALWIS
DIRECTOR

PREFACE

Agricultural marketing has elevated itself to a high priority area in terms of the sustainment of the country's agricultural production. It has hardly received its due place in agricultural policy planning in the past. Over the years, agricultural policies of the country have focussed attention on production and they nearly neglected the subject of marketing. It was left to happen rather than doing something about it purposely. Traditionally it was thought or assumed that when something was produced, marketing would take place automatically, but in the present context it is not so.

Over the years marketing has become a dynamic, complicated and challenging force. That is why some economists have described marketing as 'the most dynamic multiplier of an economy'. The success or the failure of any business venture agricultural/industrial/otherwise, largely if not totally, depends on marketing. More often than not marketing decisions have to be taken on fairly unreliable or unconfirmed information and data. This inherent distinction itself intensifies the importance of agricultural marketing particularly in making predictions and forecasts.

Although one would presume that marketing and selling are synonymous, in the modern context they have different meanings. Selling begins with the producer while marketing begins with the consumer. Thus, in modern marketing, the consumer predominates in all transactions. Moreover agricultural marketing is quite different from marketing of many other products for the simple reason of the highly perishable nature of agricultural commodities. They require better attention, quick decisions and actions, and also fast mobility. For instance, an industrial product can be distributed direct from the factory or the stores to the retailers. The number of retailers is also limited in the sense that most of the products are not daily consumed. On the contrary, agricultural marketing is quite complex and many more transactions and people are involved. Agricultural products generally originate far away from the consumer and the market places. They must be brought to a central marketplace (wholesale point) in bulk from widely scattered producing areas, perhaps

covering the entire country, and then distributed through the respective marketing channels. Hence, agricultural marketing embraces an array of activities from the harvesting point to the ultimate consumer.

The marketing channels should run and work efficiently so as to give a reasonable share both to the producer and the consumer. At one end, producers always complain that they get low prices and they are being exploited by middlemen, and at the other end consumers too complain that they have to pay exorbitant prices for the goods they buy. Then where does the problem lie? As the complaints from both parties represent the two sides of the same coin and have some truth, they could be dealt with by means of an efficient marketing system only.

More often we hear that in Matale, farmers cannot sell their tomatoes and they are thrown away and in Nuwara Eliya, farmers face difficulties in selling their cabbage having to sell at very cheap prices, similarly in Monaragala, farmers cannot sell their maize crop at a fair price. At the same time a Colombo housewife does not feel the changes in the producing areas and she has to pay almost the same price or sometimes more to prepare her tomato salad for the family. This situation provides 'food for thought' for the marketing economists, production planners etc. Inevitably this leads to a wrong notion on the marketing system, production plans, policy and decision makers etc., when it happens year after year.

The subject of marketing therefore, is a science which deals with many areas interlinked but with separate identities, like post-harvest technology, grading and standardization, pricing, transporting, packaging, processing, advertising, consumer behaviour etc. On certain occasions each subject has to be and can be studied separately.

Mainly due to the failure of assessing the importance of marketing in earlier agricultural plans and policies, it has now become a major constraint to agricultural production and its sustained growth.

An efficient marketing system has a very decisive role to play especially in a developing country like ours. It is not expected to

act merely as a link between producers and consumers but has a more dynamic and effective role to play as a stimulant to both the producers and the consumers. Producers could be motivated and encouraged to increase production by adopting a better pricing policy. Thus, pricing policies occupy a central important place in agricultural development. Consumers could be satisfied through an efficient marketing network by bringing down the excess marketing costs.

There is no doubt that consumers are willing to pay a reasonable marketing cost if an added value is really included. In many countries marketing costs may be higher, but a lot of changes happen to the original product in the marketing process before it reaches the ultimate consumer. Therefore the marketing spread becomes wider and the consumer has to pay a higher price. Nevertheless if he gets something extra for the price he pays so much so that he has little or nothing to grumble about. In contrast, in Sri Lanka, will this change/improvement happen in the process of marketing of agricultural produce? So, the question is whether is it justifiable to charge the consumers a higher price with little or no improvement effected on the original farm product? The consumer has to pay a higher price due to inefficiencies in the marketing process. Marketing channels should be clearly defined and identified, the quality of products has to be vastly improved and the efficiency of the marketing channels must be increased in order to give the consumer a value for his money.

When inefficiencies exist more and more middlemen can operate and the consumer is made to pay for it. When the efficiency increases, the excess middlemen have to quit and only the required number will remain in the system for its smooth functioning, which in turn would benefit the consumer in the form of reduced prices and the producer through a higher turnover.

This proves the point that the gap between the wholesale price and the retail price (consumer price) is always gratuitously higher in almost all the food commodities if inefficiencies exist in the marketing system. This is particularly so in the Sri Lankan context.

In the face of the massive irrigation and land settlement schemes now being operated, and more and more lands being brought under the plough, marketing should get its due recognition in the economy. One cannot expect the production to continue or increase in the same vigour and steadiness if the marketing system fails to handle the increased production without adverse effects to the producer. As incomes of the people increase, urbanization takes place, and the average consumer becomes wealthier, consumers go for higher quality and extra conveniences. "The size of the human stomach is limited, but the appetite for extra services appears to be insatiable". So the marketing system should be well equipped and prepared to accept the resultant challenge and deliver the goods. It has been said that "Marketing is the delivery of a standard of living". However, the ways and means adopted in production and marketing strategies should be compatible with the general economic conditions of the country.

Keeping the foregoing considerations in mind, the ARTI organized this seminar on Agricultural Marketing in order to focus the attention, especially of the policy makers. The organizers were not only keen but also specific, and they did their best to avoid it becoming 'just another seminar'. The main objective was to throw some light on the present marketing problems in the food commodities sector and to arrive at some practical solutions. It was also meant to be a means of making recommendations for implementation/change aimed at improving the efficiency of the agricultural marketing system.

As a prelude to the discussions followed, four theme papers were presented.

* An overview of Agricultural Marketing :
  Basic concepts, the theoretical base and current problems -
  Dr. Upali Nanayakkara,
  Director (Marketing),
  Agricultural Development Authority,

* Constraints in Paddy/Rice Marketing in Sri Lanka -
  Mr. Wilfred Mediwake,
  General Manager,
  Paddy Marketing Board,

* The Main Features, Market Margins and Imperfections in the Present Marketing System of Subsidiary Food Crops -
  Mr. Douglas Liyanage,
  Managing Director,
  Agroskills Ltd.,

* Marketing Problems in the Vegetable and Fruit Sector - A Practical Approach -
  Mr. W.A.W. Wickramathunge,
  Asst. Director of Agriculture,
  Nuwara Eliya District.

Dr. Nanayakkara gives a brief discription on basic concepts of agricultural marketing and explains marketing functions in his paper. He advocates a healthy combination of public and private sector participation in agricultural marketing. Dr. Nanayakkara's view is that physical distribution functions are best be performed by the private sector and most facilitating functions are to be handled by the public sector.

Mr. Mediwake briefs on the major constraints and their causes of paddy/rice marketing in Sri Lanka. He poses several questions to the policy making authorities. As a state owned organization, can the PMB act as another commercial enterprise with profit making motives? If so what would be the repercussions? Should the PMB buffer transfer costs of producers? If so, to what extent? Mr. Mediwake demands an urgent rational producer price stabilization programme.

Mr. Douglas Liyanage has prepared his paper based on the data of a survey carried out in 1979. He has identified three significant types of intermediaries in the marketing channels with regard to subsidiary food commodities (SFC), namely primary assemblers, Intermediate buyers and final wholesalers. Mr. Liyanage explains the marketing functions separately and remarks that the highest incentive to production is profitability and that profitability is linked with efficient marketing. In conclusion he states that as far as SFC are concerned there is substantial evidence that marketing channels function reasonably well and that the produce flows quickly and by the most direct routes to the wholesale market with only limited intervention by market intermediaries.

Mr. W.A.W. Wickramatunge focusses more attention on the practical problems of vegetable and fruit marketing. He deals with state and private sectors separately. Mr. Wickramathunga suggests that establishing of strong Producers' Associations that could compete with the private trader would be a desirable solution to most of the present constraints in the vegetable and fruit marketing sector.

Papers presented at this seminar together with the discussions thereon, suitably edited, comprise the present publication which has been somewhat delayed due to unavoidable reasons.

Nevertheless, as this document becomes ready for release, in 1987 it is gratifying to note that certain steps have been taken in the right direction, as a result of the seminar and the follow up colloquium. Yet there is a long way to go to achieve the expected goals.

Contd. ...

Mr. J P. Abeysinghe - Head, Training Division,
Mr. K.A.S. Dayananda - Head, Publication Unit and
Mr. Kapila Bandara - Information & Publication Officer
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Athula Chandrasiri
Head
Marketing & Food Policy Division
AGRARIAN RESEARCH AND TRAINING INSTITUTE

November 1987

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Chapter 1

INTRODUCTION

With the introduction of free market economic policies, many changes took place in the production frontier which directly relate to the supply of food commodities for the people. This necessitated the government to make marketing of agricultural produce a priority area of the Agricultural Policy. Though there is sufficient information and knowledge with regard to marketing of agricultural produce in the domestic agricultural sector in this country, the information is available in a rather diffused form. Hence, there is a need to pool together the available expertise and focus attention on the issues concerned. This seminar intends to surface basic issues of marketing of agricultural produce.

INAUGURATION

Director, ARTI, welcomed the participants of the seminar and in the course of his speech said that the seminar will be helpful in bridging the gap between theory and practice of agricultural marketing. He also mentioned that the seminar would be the initial step in the long way towards the evolution of a marketing system with equitable benefits to both the farmer, the trading community and the consumer.

Mr. Dixon Nilaweera, Additional Secretary, Ministry of Agricultural Development and Research, delivering the keynote address, explained the urgent need for an effective mechanism for purchasing what farmers produce. According to him nobody could be happy on what is presently operating in the form of agricultural marketing in the country. He said that an efficient marketing system is indispensable in the present context.

Chapter 2

AGRICULTURAL MARKETING: BASIC CONCEPTS, THEORETICAL BASE AND CURRENT PROBLEMS

Dr. Upali Nanayakkara*

People generally associate the term "Marketing" as the process of disposing of some surplus agricultural output to a potential buyer.

The modern concept of marketing is a reversal of this idea of "From Producer to Consumer" to an orientation towards "From Consumer to Producer".

In other owrds, "marketing" means, in the first place, that production capabilities and facilities are organized and geared to produce what the consumer requires rather than in terms of what the farmers can produce.

Secondly, marketing is a response of farmers to what consumers demand, not an attitude of merely attempting to sell what the farmers want to be sold.

Thirdly, if producers are to fulfill the task of satisfying consumer needs, farm managers must adopt all the managerial aspects of activity co-ordination so that they can do it at a profit.

The Macro View

The "macro" concept of marketing emphasises the need to satisfy the overall consumption needs of a given society with the most efficient use of economic resources and, perhaps, the equitable distribution of income and output among the people as well.

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* Director (Marketing), Agricultural Development Authority.

"Macro economic efficiency" in Marketing is considered in terms of a ratio between the outputs of marketing (viz. various kinds of satisfactions or utilities afforded to consumers) and the inputs of marketing. The inputs, of course, are our traditional factors of production - land, labour, capital and management.

$$M\ E = \frac{O}{I}$$

Thus, if the value of inputs can be reduced, output remaining constant, Marketing Efficiency must rise. Similarly, if inputs remaining the same, the level of consumer satisfaction can be raised, the ratio will increase. In real life, however, more marketing efficiency is associated with an increase in both the numerator as well as the denominator, with numerator increasing proportionately more than the denominator at any given time. This concept can be thought in terms of two sets of efficiencies related to the denominator : They are operational and pricing efficiencies.

The Micro View

The micro view is from the viewpoint of the individual farm or the view of marketing by the decision maker(s) on the farm. Another term for this perspective is 'the Managerial Approach to Marketing'. The managerial approach pays attention to the use of behavioural theories and quantitative analyses using consumer behavioural data and information to plan, organize, and make decisions, to satisfy consumer needs at a profit for the farm unit.

We have to reject the view that marketing is to 'get rid of' something which farmers over produced. Most people think of marketing in this context where the Marketing Departments or business organizations, are merely considered to be those which should simply 'get rid of' anything that is produced. This is the famous 'Production Orientation' referred to above.

'Marketing' begins with the consumer and his wants as stated earlier; not, with the producer and his production capacities and capabilities.

Consumer Sovereignty

Economic theory assumes that the consumer is 'sovereign' (king). This idea is embodied in the concept called 'Consumer Sovereignty'. The concept of Consumer Sovereignty emphasizes that in a free economy, the consumer will be the ultimate judge to decide whether a commodity will clear the market or not. In this sense, he is 'soverign' in an overall sense.

The concept of consumer Sovereignty tells us that resource allocation within a free enterprise economic system is influenced by consumer decisions as expressed in the market place. Centrally planned economies do not accept this position; they determine resource allocation on the basis of the decisions of a set of planners (the Politburo in Russia) right at the top.

This 'consumer orientation' that you are being asked to look at in any type of agricultural (or other) project management is crucial if the project is to be successful within a competitive environment. We can, of course, eliminate a competitive situation with the help of public policy. We can call forth a monopolistic structure either of the government, or even that of the private sector. That would, of course, depend on the values of our society. Nevertheless, profitability and/or consumer satisfaction criteria would inevitably require that profitable project operation be in terms of what buyers desire.

Sales Orientation

In fact, a 'Sales Orientation' is actually part and parcel of the 'Production Orientation' discussed earlier. A 'Sales Oriented' approach amplifies the 'Production Orientation' where promotional and advertising gimmicks are reported to after the initial mistake of producing what the Production Oriented farmers, have already produced. Take the case of our intermittent over supplies of cabbage, sometimes of tomatoes, other times of raddish etc. Even periodic consumer resistance has not induced certain farm and agricultural project managers to really understand what a

'consumer orientation' is all about; production imperatives dominate farm project activities. 'What we can make' is taken as 'This is what people want'. This is not 'marketing'.

Consumer Satisfaction and Income

Understanding the processes of consumer decision making is important in any study of marketing. Whatever the type of economy, the consumer will exchange his hard-earned income for a good or service, if, and only if, that food or service is likely to yield him 'utility'. If we reckon a consumer's decision making horizon in terms of, say, a month, his endeavour in relation to his limited income (for the month) will be to maximize the utility (or satisfaction) gained from spending that month's salary.

His utility will be maximized when (a) he allocates this limited income in a variety of directions, and (b) when these allocations of his limited income are in accordance with what we call his set of preferences. Thus, it is a congruence between the variety of good and services he can have with his limited income (given market prices) and his objective of maximizing his utility by the judicious combination of this variety of goods and services, that will determine the consumer's buying behaviour. If your produce is competing in the market with that of every other type of product for the attention of the consumer, it better be that your produce yield the consumer (or a target set of consumers) sufficient utility to warrant his attention. Otherwise, your produce will most surely fail the market test.

Utility

We begin the analysis of purchasing behaviour on the basic assumption that the consumer endeavours to maximize utility from the limited income I has during this period of his planning horizon which we reckoned as one month for our purposes. 'Utility refers to the capacity of a commodity to satisfy a human want. So, if any commodity has the capacity to satisfy a want, the consumer may wish to purchase it. But, whether he will purchase it, or not, depends on the relative position of that commodity with other goods and services.

The concept that explains this choice process is that of 'Marginal Utility' (MU) as opposed to 'Total Utility' (TU).

The concept of MU refers to the utility derived by the consumer in the consumption of the last (marginal) unit of a given commodity X. As he obtains more and more units of X, MU will decline: The inreasing stock of purchases leads to a progressive fall in the satisfaction derived from the last unit consumed. The point of satisfaction in purchasing good X is reckoned as that point where $\frac{MUx}{Px} = 1$ (where p = price). The consumer will stop purchasing more at this point where the ratio between MUx and Px is equal to unity.

Similarly, this consumer will apply the same approach to decision making with regard to the purchase of all commodities he desires until his total income for the planning period is exhausted. In equilibrium, the ratios between the MU derived from a commodity and the respective price of the commodity will be equal such that :

$$\frac{MU_x}{P_x} = \frac{MU_y}{P_y} = \frac{MU_z}{P_z} = \ldots \frac{MU_n}{P_n} = 1$$

No ther pattern of allocation of the consumer's income will yield him as much Total Utility for the month as shown above. Stated differently, this pattern of spending will yield the consumer maximum satisfaction. When we include the income constraint for the month, this income (Y) will be eshausted then as follows :

$$(X \times P_x) + (Y \times P_y) + (Z \times P_z) = Y$$

Economists have identified four sets of satisfaction yielding characteristics of commodities, viz. FORM utility, TIME utility, PLACE utility and POSSESSION utility. Marketing is really the creation of such utilities, be it in the flow of inputs needed in the production of agricultural commodities or in the flow of outputs from production to ultimate consumption or use.

FORM - They change the form of the raw material and create something more useful. PLACE - By moving the raw material, or commodities to where

it is most useful or to where it is most desired, they create increased value. TIME The Usefulness of produce increases from periods of plenty to periods of relative scarcity (for later use). POSSESSION - Through the transfer of title to produce to those who need to use it, we add possession utility.

The Concept of Exchange

People can get goods and services in one of four ways says Kotler; via

(a) Self Production
(b) Coercion
(c) Supplication or
(d) Exchange

All marketing takes place through a process of EXCHANGE. Exchange is the method we will accept as the means of obtaining goods and services in a civilized, free society. At least two parties must gain (value) by the exchange transaction. Both parties must be better off in the end. If the exchange creates value, and the parties to the transaction are better off, we believe that the 'market' has worked.

What is a Market?

A market is the set of all actual and potential buyers of a product. This definition emphasises the buyer; it is what we call the 'demand side' of the pioture.

There is also a 'supply side' to the equation. We hold that a market is an arrangement whereby 'demand' and 'supply' are allowed to interact. Stonier and Hague say that a market is;

> "..... any organization whereby buyers and sellers of a good are kept in close touch with each other".

The notion of a physical place is unnecessary for the definition of a 'market' it only requires the existence of communication between interested parties, and that such communications lead up to 'transactions'.

The concept of a 'market' arises only if there is 'exchange' between parties in obtaining produce. If goods are obtained through self production, or coercion, or supplication, the concept of a 'market' is superfluous.

The size of a given market will be determined mainly by the variable 'price'. If price is low, more will be bought, while if price is high (generally) less will be bought. This is the famous general theory of 'demand'.

The Role of the Intermediary

Most people find it difficult to appreciate that the (private sector) intermediary is an important participant in the agricultural development process. They see the intermediary more as a 'parasite' who earns ill-gotten gains from the system by paying low farm-gate prices to farmers for their produce and by charging high retail prices from consumers. The research evidence is that these accusations against the trader are often unwarranted.

In any case, traders undertake many marketing 'functions' including that of bearing risks; of purchasing lots without meticulous inspection, risks of getting poor quality produce and much dirt and frit, spoilt produce, unripe produce or bruised produce, etc. The trader has to undertake the risks of spoilage during transport, driage during movement, losses due to price declines at terminal markets by the time they bring the produce to it, etc. If the roads are bad, produce flows are delayed. This increases costs, too; time is money in business. Overcrowded towns may be very difficult to enter because of high congestion; large numbers of people walking on the roads, indisciplined driving, and many other factors, all tend to increase the costs of intermediary functions.

So, prices to consumers tend to be high not because intermediaries make high profits, but because the marketing costs may be high. Some of these marketing functions are summarised below.

Marketing Functions

Exchange Functions
(transfer of title to goods)

1. Buying - (Concerns the needs of buyers)
2. Selling - (Concerns the needs of sellers) - merchandising, display, advertising, promotion, packing, packaging etc.

Physical Distribution Functions
(time, place and form changes)

1. Storage - (making goods available timewise) - holding inventories, stocks, etc.
2. Transportation - (making goods available place-wise) - analysis of route alternatives, crating, loading etc.
3. Processing - (making goods available form-wise) i.e. changing the basic forms of the product) - slaughter, freezing, canning, baking, drying, parboiling, milling, etc.
4. Warehousing - (time related) - stacking, palletization, use of fork-lifts, cranes, LIFO and FIFO Systems of recording and stock control, ventilation, pest protection, etc.

Facilitating Functions

(enabling the smooth performance of the 'exchange' and 'physical' functions. They grease the marketing machinery)

1. Standardization - (uniform measurements to simplify buying and selling) - well defined units of quality makes sale by sample and description possible. Grouping of lots, units of sale.

2. Financing - (advancing money to carry on the various functions of marketing - funds get tied up during marketing processor. Someone must finance the holding of stocks as well as capital expenses, etc.

3. Risk Bearing - (related to the businessman's acceptance of physical and marketing [illegible] - [illegible] risks relate to destruction and deterioration by the elements, insects, and pests, robbery and damage, etc. Unfavourable price movements are market risks.

4. Market Intelligence - (collecting, interpreting and disseminating data and information) - well informed buying and selling results in a good price mechanism. Adequate storage and inventory, transportation, etc., are all dependent on good information.

5. Market Research - (to establish objective guidelines for policy)

As economic development gets under way, the distance between farm producers and urban industrial consumers, widen. These distances widen not only in a 'physical' sense as urbanization takes place, but also due to 'economic' factors. For example, the numbers of links in the marketing chain may tend to increase. As these links increase, the number of transactions tend to rise and so do the costs of trade.

Our concept of 'division of labour' shows us that development is a process where people begin to specialise in various activities. Farmers themselves begin to limit their cultivation to a few selected crops. As they do, the degree of interdependence between these specialist parties increase and more and more intermediary functions are called for.

Thus, as growth and development occurs more traders are required, not less. Therefore, the contention that we should attempt to 'reduce the number of traders' seems to be a fallacious one. Also the increasing number of traders tends to reduce cost per unit in the market process rather than increase unit cost. This is so, because specialization leads to increased efficiency as much as it is a result thereof.

One of the implications of specialization is that the specialist becomes increasingly reluctant to perform other functions. Accordingly, we see the farmer being hesitant to undertake trading functions; his sole desire is to dispose of his produce right at the farm-gate rather than search for an extra gain by taking the produce to the market himself.

All policy makers and administrators who talk of 'a need to by-pass the intermediary' say so with the mistaken notion that they can reduce marketing costs thereby. Neither can marketing costs be reduced by by-passing the trader, nor can the approximate output be obtained in the correct form and in the correct assortment at the right time and place by eliminating intermediaries.

This leads us to the concept of the 'assortment'. The relevance of the intermediary comes clearly to light when we observe the fact that he obtains 'bulk' at the farm-gate but sells different 'lots' in the market place. In other words, the farmer cannot match the requirements of the consumer partly because he is a specialist in the production of a few items while the consumer needs a range of items. Anyway, the farmer is unwilling to go beyond his farm-gate. Also, the benefits of large scale production can accrue to the farmer only so long as he continues to specialize in agronomic matters rather than fritter away his time on activities he is not very competent in.

On the other hand, the trader is a specialist in the market place; he knows what comsumers want. The trader can match different assortments to his various target markets and provide a high degree of form, place, and time utilities to his customers purely because he knows his customers well. This intermediary is capable of providing a little bit of this and a little bit of that, some of x and some of y, and even at times some special goods the consumer likes to have from time to time.

Thus, we here the validity of the trader; he is an important element in the marketing process because he effectively links the needs of the farmer (who wants dispose his produce at the farm-gate) with the differing needs of the consumer.

The intermediary is also relevant because he performs the 'storage' and 'warehousing' functions for society. He may buy produce during periods of glut, and store, it to be sold during periods of scarcity. He may, or he may not, earn a profit by performing these accumulation and preservation functions, but we need to remember that somebody must perform these functions within the society.

If the private sector does not perform these functions spontaneously, some other institutional mechanism is necessary to provide it. The private trader performs these functions with the least cost of scarce resources. State institutions responsible for performing most marketing functions are invariably inefficient, they neither have the incentive to lower costs in performing these marketing fuctions, nor the expertise about marketing profitability. Most of all, they lack the flexibility to act quickly.

The motivation of profit is a powerful driving force. This is why the private sector is induced to perform most of the intermediary functions and to them efficiency is motivated by the possibility of gain. Profit is not necessarily an 'ill-gotten gain'. More often than not, profit is the result of hard work, and perhaps, more intelligent work. In any case, we are not talking of 'unethical practices' in marketing; 'marketing' is not compatible with unethical practices. Profit through marketing therefore is an outcome of efficiency.

Research and development is essentially one aspect which we believe is best carried out by the public sector (at our stage of economic development in Sri Lanka today). So far issues such as providing better 'grades and standards' and the provision of 'market information', 'market intelligence' and 'market research' are essentially marketing functions and facilities should provide the conditions for economic growth to occur.

DISCUSSION

Dr. Bogahawatta

He appreciated the remarks made by Dr. Nanayakkara on the lack of market research in Sri Lanka. He also said that it is also necessary to identify what type of markets are in operation in Sri Lanka. For example no attempts have been so far made to identify such markets as 'perfectly Competitive' markets. Even the evidence to identify the various types of markets such as Oligopoly is not available. Perhaps in Sri Lanka the market envisages a combination of such markets as shown above and hence the problem arises as to the criterion adopted to identify such a combination or it may be otherwise the insufficiency of the existing criteria. That is why research into them remains an indispensable component of day to day study on marketing. The concepts such as price differentiation, determination and discovery need to be subjected to thorough research. Although the community approach to research has been recognised, the systems approach to this aspect has not yet been properly researched.

Mr. Widanapathirana

The difference between what is ideal and what is real in the incidence of Agricultural Marketing in Sri Lanka need to be observed clearly. At the same time the main characteristics of commodity marketing should also be identified. The producer does not seem to be properly rewarded for the significant role played by him in Agricultural Production. The present Agricultural Marketing system prevents him from receiving a reasonable share.

Chapter 3

CONSTRAINTS IN PADDY/RICE MARKETING

Mr. Wilfred Mediwaka *

Introduction

The rapid changes that have taken place in the recent past of the production demand interplay, expansion of agricultural production particularly in grains, changing market conditions and consumption habits, have brought in new dimensions to the problem of marketing.

Agricultural Marketing - its importance

A recent FAO Report[1] states thus 'Urbanization in developing countries is much faster than any period in the history of the countries that are now industrialized. This alone in placing the often rudimentary agricultural marketing systems of developing countries under considerable strain'. Small size of holdings, under-specialized production, low marketable surplus, low quality of produce and inaccessibility to market centres also create problems. Due to the low-per-capita income of the vast majority of the consumers in these countries, there is a conflict between the low prices they can afford to pay for food and the demand by farmers for prices high enough to make production profitable. A more efficient, less costly and equitable marketing system can play an important role in reducing this conflict.

Typical marketing chain

Marketing chain typically available in the paddy/rice sector is shown in diagram (a). Like many Asian countries, the characteristics of the marketing chain are dominated by its simplicity, functional specialization, low unit volume, low or medium investment, the absence of high technology, big monopolies and vertical integration. The functional specialization is characterized by each group of entrepreneurs basically engaged in one function, and the next being picked up from thence.

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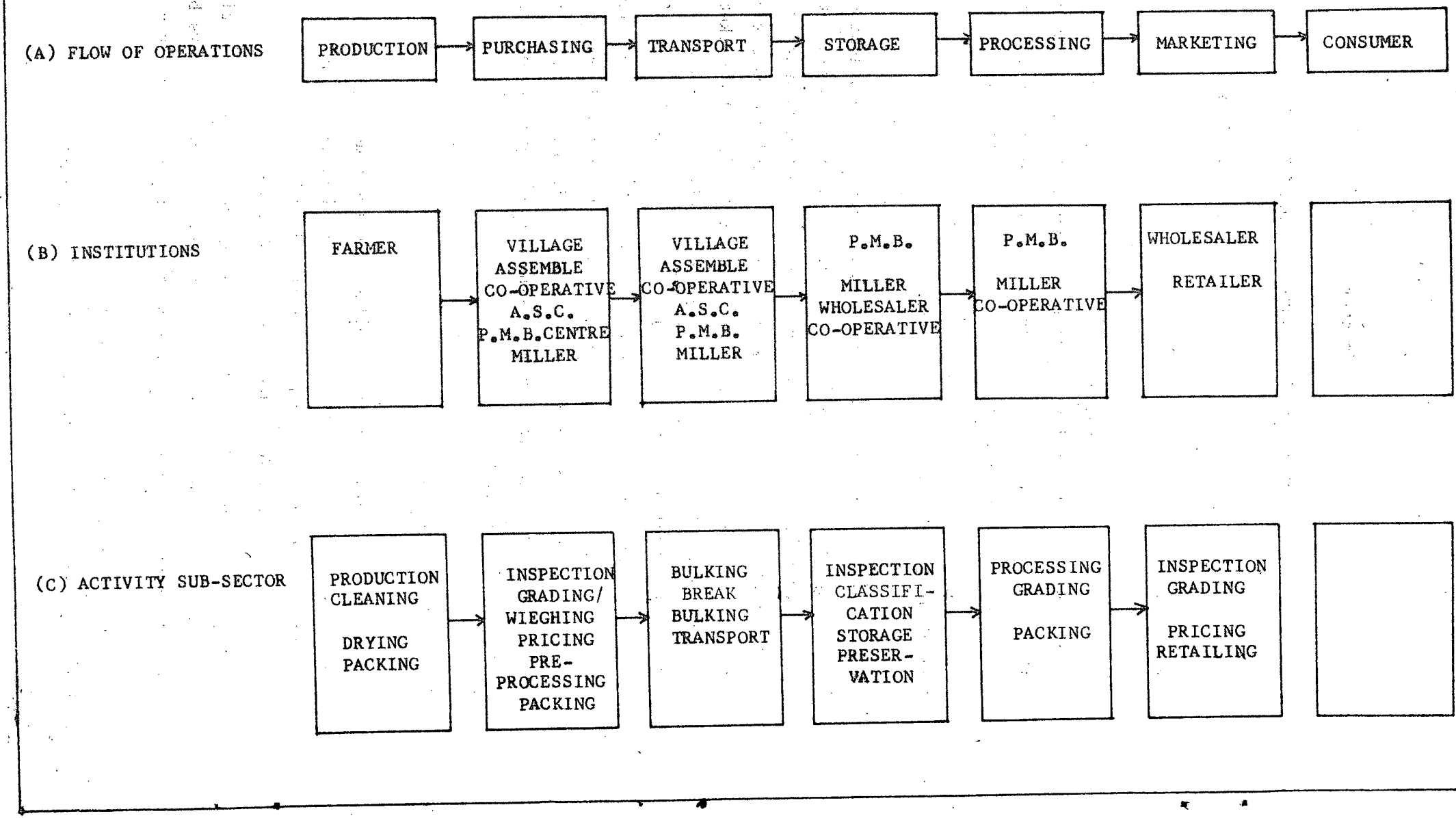
* General Manager, Paddy Marketing Board

1 Rice Marketing - FAO Marketing guide, No. 6, 1972

Diagram A

TYPICAL MARKETING OPERATIONS IN THE PADDY/RICE TRADE



The bifurcation of the chain into private sector and state sector channels takes place at the earliest stage of the chain where the producer sells his paddy either to the state or to the private sector. Therefore, one could clearly identify the segments in the marketing chain in paddy and rice as producer, assembler, miller, wholesaler and retailer. The activities can be distinguished as production, sales, collection, transport, storage processing, wholesaling and retailing. Constrains can thus be identified at each stage.

Constraints - Where they occur

Production

Marketing starts with the producers. Many production aspects later have a great bearing on marketing problems for paddy/rice. Production problems that act as constraints are both physical and economic. The variety of paddy grown by producers, the purity of seed, cultivation methods utilized, timing of planting, and the degree of inputs used, all have compound effects on the final product. In addition, time of harvesting and methods of threshing, cleaning and drying also contribute in different degrees to the marketing constraints.

The size of holding, the volume of production and the degree of retention by farmer for family consumption have a direct bearing on the marketable surplus. The economic situation of the farmers, particularly the contribution of paddy cultivation to his total income and the extent of his indebtedness contribute largely both to the volume and mode of sales and time decisions.

Lack, inadequacy or unsuitability of on-farm storage is a serious constraint affecting many farmers in marketing their produce. This alone in most cases influence the marketed volume, price realised and choice of channels. Technological constraints, particularly the adequacy or otherwise of cleaning and drying facilities available to the farmer determines the quality and standard of produce which directly affect the price realised and indirectly in the choice of channels.

In recent years, farmers in remote villages in the southern regions of Ampara district, the eastern slopes of the Kandy district, and the outback of Trincomalee district have been increasingly dependent on the PMB for the sale of their produce. These three areas have distinct geographical features, but the common factor is their relative inaccessibility to markets. Whilst this is the case in some areas, rapid growth in production in the recently developed regions, poses a different problem of grave concern both to producers and state marketing organizations i.e. The large volume which arrives in the market within a short span of time.

Assembly

Village assemblers and agents servicing wholesalers and millers generally called the 'informal sector' are accepted as an important part of an agricultural economy.

It has been noticed that with the gradual break-down of the state sponsored rural credit schemes, the village assemblers are gradually appearing as a source of credit to producers. Informal lending processes, however important they are for the continuity of production, can create serious constraints to the farmers. There have been instances where farmers were compelled to sell or mortgage the unharvested crop to village money lenders.

On the other hand, the village assemblers act only as an intermediary between the farmers and either wholesalers or millers. The price levels they maintain depend to a large extent on the prices dictated by the latter groups. They are handicapped by the volume constraint basically due to the low investment they can afford. This is due to their inability to obtain commercial credit or the high risk factor in obtaining loans. Since buying of paddy in large quantities involves substantial capital involvement, the volume handled at a time is determined by the quantity that could be disposed of, and capital recouped during a particular time frame. This in turn affects the producers, because it limits the choice and depresses the prices. In spite of the several short comings, village assemblers perform an important task.

The importance of the village assembler sector has hitherto been virtually neglected in most attempts to upgrade the paddy/rice marketing system. Therefore, one could see th e need to enhance the potential, the capacity and technological skills of this important sector as a means of eliminating some of the marketing constraints faced by farmers.

Transport

The pressure on the limited resources, compounded by the high cost of operation together with the absence of a reasonably good rural agricultural road net-work inhibit the farmer's capacity to reach market centres which are advantageous to them. Further these limitations drastically reduce the farm-gate price level he can ultimately achieve. Institutions like the PMB and Co-operatives play a vital role in alleviating the price differential by setting up purchasing points at these disadvantageous locations. However, this is not a solution by itself because the extra costs are transferred to the state sector. Therefore, it does not reflect a true picture of producer costs and marketing margins etc. Improvement of the agricultural farm to market feeder road net-work and enhancing the transporation capacity by adaptable technology seem to be the solution.

Processing

The processing sector for paddy/rice in Sri Lanka as explained earlier in this paper, is characterized by the large number of small scale millers. Due to the basic character of the paddy/rice marketing, conversion of form becomes an important element in the marketing chain. The private sector milling has become highly seasonal in output and operations. In order to reduce the high working capital costs of maintaining paddy stocks and to componsate for lack of storage, millers have turned to intensive milling during and shortly after the harvest. This has increased the turn-over of stocks and reduced the storage period of paddy. This results in the supply exceeding the demand during the harvesting seasons and demand exceeding the supply during the lean seasons. The ultimate result being very wide seasonal price disparities and a tremendous pressure on government stocks during the lean period. Intensive milling activities during the harvesting period also has its backlash on producer prices in that since price of rice in the market slumps to low levels, the producers fail to get an equitable price for their paddy.

On the other extreme, a few millers and wholesalers, due to their capacity to hold stocks over a longer period, can comman higher prices in the market during the lean period. However, there are other opinions that when the carrying costs and wastage are taken into consideration, the margins are not exorbitant.

It is common knowledge that the majority of Sri Lankas rice that goes through the market is of low quality. With the advent of liberalized government policies and the changed economic environment, the rice processing sector has a large role, but substantial improvements are slow on the uptake. Technological improvement in the rice processing industry is constrained by

(a) The high capital cost of improvements/replacements
(b) the comparatively high cost of maintenance of modern techniques
(c) the doubtful cost/benefit advantages of modernized systems
(d) the low volume demand for high quality rice at higher prices and
(e) the alternative advantage of increasing the output at low cost in harvest times and increasing the prices at marginally increased costs in lean periods.

Distribution

The distribution sector is an important segment int he marketing chain. The noteworthy features of the present rice marketing system are :

(a) The large number of small scale enterpreneurs engaged in the business,
(b) the absence of large scale monopolists,
(c) multiplicity of and lack of uniformity in quantities/grades,
(d) wide seasonal variation of prices and volumes,
(e) absence of a regulated and acceptable system of grades and standards and
(f) the simplicity in the business transactions.

The presence of a large number of small businessmen in the trade is a welcome feature because, through competition, the supply and demand imbalances are reduced and the consumers are benefited by low prices during a certain period of time. However, the disadvantageous feature is that, smaller the enterprise, the capacity to hold stocks over a longer period becomes low and they tend to drop out with upward price movements. The result is a few with either more financial capabilities and holding capacity, or large credit banking, dictating the price to the retailers during scarcity periods. In spite of the larger participation of the state marketing sector, consumers are required to pay high prices for marginally better quality rice. This of course is a distribution problem.

Grades and Standards

An established and regulated system of grades and standards is not available. The quality is generally determined by its visual appearence.

In other words due to inadequate means of effective grading the identification of grades could only be made on the best of subjective or empirical assessment.

At present many Asian countries have nationally accepted and established grades and standards. Correct and effective quality standards cannot be achieved by introducing standards of another country. Although grades and standards should reflect some degree of international linkage (mainly for purpose of export trade) they cannot be imposed on a system, instead, they must emerge from the marketing system that exists and should be designed to assist in modifying practices within the system.

The other important aspect is the lack of standard weights and measures adopted in the rice trade. Yet, farmers preference for convenience and the impracticability of country-wide enforcement of the law, make the use of illegal weights and measures rampant, mostly to the detriment of the producer.

On the other end of the system, millers, wholesalers and retailers use different standards to market rice. For instance, there is no standard weight of a bag of rice sold in the wholesale market.

In view of the foregoing, the need to establish a system of grades and standards and define the agency to enforce them a considerably urgent necessity.

Intervention by state sector agencies

State intervention is found in varying degrees in Asian countries, but the objective of maintaining a minimum price to the producer and a fair price to the consumer remains the same.

John W Mellor[1] says that "conflict between the short run welfare of poor consumers and agricultural production incentives creates some of the most difficult policy issues facing developing countries". The balance

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between these two largely depends on the efficiency of the state sector marketing agencies. The main objective of procurement by state marketing agencies is to prevent an unusually low price during the harvesting seasons from affecting producer incentives. On the other hand state sector action should discourage unusually high prices for consumers during the low supply periods, by intervention action. Does the size, constitution, efficiency and power of the present marketing agencies make it possible for them to effectively achieve these objectives? Can the PMB cater to a large volume of surplus paddy during two months of the peak harvesting period all over the country to the satisfaction of the producer and if so at what cost?

Can the PMB together with the co-operative network cater to the large demand in the urban sector during the low supply period, in order to achieve an equitable distribution? Should the PMB required to operate in areas, where due to their superior geographic and economic locations command higher than GPS prices or should the PMB be opted to purchase large volumes from outback regions where solely due to economic considerations the private sector does not offer their services to the producer. In such a paradox who should bear the additional costs? Should state marketing agencies function as a welfare organization serving the producers and consumers or should their activities reflect a realistic picture of transfer, conversion and storage costs? These are some of the issues that need critical evaluation.

Marketable surplus and producer price stabilization

Most farmers among the one million farmer families in Sri Lanka have access only to small portions of land. With the exception of the major irrigation schemes, their production is mainly aimed at satisfying their subsistence needs and a little extra to sell.

A survey conducted in Mahaweli 'H' area reveals that farmers retail at least 50 Kg of paddy per family member per month until the next harvest for consumption plus a minimum of 100 Kg per person for other needs. Where the prospects of the next crop becomes bleak, higher is the retention.

Neville Edirisinghe in his study[1] on Government intervention in rice economy in Sri Lanka, expected a higher marketing ratio in large farms and low ratio in small farms. A change in the price may in the short run bring about a change in the marketing ratio and output. But price fluctuations every season would trigger off other production decisions. Producer price stabilization becomes extremely important in a country like Sri Lanka where the choice of alternative crops is limited.

In order to maintain an effective price stabilization policy, two important prerequisites must be available.

(a) A realistic floor price structure related to yield, cost of production, quality targets, transport and processing costs, consumer rice prices, price elasticity of rice and world market prices.

(b) An effective marketing infrastructure to maintain the floor price i.e. an agency willing to and capable of purchasing the surplus during the harvesting season.

Although the success of institutional arrangements and the effectiveness of the agencies are of primary importance, a recent FAO bulletin[2] concludes that "reaching a large number of small farmers for the purpose of produce buying is a very difficult challenge for the marketing agencies." Over time the marketing system has changed and with the departure of cooperative societies from the business as agents, a great burden has been cast on the PMB to purchase paddy from farmers to stabilize the price, in spite of several infrastructure limitations. Because of the breakaway of the major agencies sector, the cooperatives, the PMB had to resort to a system of directly accepting stocks from producers. However, in effect what has built up is mainly a system of inefficient agents supplying paddy at PMB wherehouses. Whether the large number of these inefficient suppliers pay the guranteed price to the producers as expected by the PMB is doubtful. The farmers who have the facilities to transport their stocks directly to the PMB stores are however benefitted by receiving the guaranteed price.

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1 Implications of Government Intervention in the Rice Economy of Sri Lanka, N. Edirisinghe, Cornell University - 1976.

2 Agricultural Marketing, FAO - 1972

Although there is a consistent policy on the GPS, one could see some degree of confusion on the application of policy and co-ordination of activities. For instance the PMB has had to change its procurement mechanisms from 1979, year by year to face changes that arose in the market from time to time. The role of the PMB, although not defined in precise terms, is described as the floor price agency. Yet it is also expected to function as a commercially viable organization. Therefore, under different situations the PMB has had to resort to short term tactics to purchase at least a stock that would make it possible to break-even. The result however is inconsistency in policy and confusion in the market.

Area locations as a marketing constraint

PMB's major source districts in recent years have been Ampara, Trincomalee, Kandy and Anuradhapura. Going further into this one would identify variations within the districts owing to transport constraints. Therefore it is evident that producers in areas where transport is costly due either to the distance from markets or unsatisfactory road conditions, have to depend greatly on the PMB for a fair price, whereas producers close to markets and in locations where there is a good network of roads, PMB's only role is cushioning extreme situations and maintaining watch-dog functions.

This phenomenon brings forth an important argument. To what extent should organizations like the PMB transfer costs to producers? Should the guaranteed price be a farm-gate price, or a market price? If the GP should be a minimum farm-gate price, attedant costs of transfer and transport should be adequately reflected in the cost of rice and should not be a burden on the PMB. If however the GP should be a market price, cost of transport should pass down to the producer which in turn would have other repercussions.

Quality as a marketing constraint

Past purchases made by the PMB and the attitudes of farmers towards state institutions, show that quality of produce purchased are in some cases either minimum or below minimum standards. Even in better locations, the private sector purchases the better varieties of paddy as well as

better quality produce at enhance prices.. Paddy which the private sector rejects or offers lower prices is offered to PMB. In the anxiety to enhance purchases quantitatively, quality suffers; which triggers off a chain reaction of lower keeping quality, storage losses and inability to produce good quality rice. Should the PMB and other state marketing agencies be required to purchase low quality produce as a means of maintaining the guranteed price? Administratively and economically the answer is obvious, but does the socio-political environment permit such as thing is in question Formulation of quality standards and strict adherence to established grades is a primary pre-requisite to evolve a reasonable marketing cycle.

Marketing constraints of the future

Rapid expansion of agriculture has brought many Asian countries to the threshold of self-sufficiency in rice. Often the concept of self-sufficiency may not be justifiable on economic grounds alone, as it may not make the most economic use of the country's resources. But political factors such as protection against food shortage or high price may be of over-riding importance. There would be a series of other problems that would emerge consequent to the over-supply situation that would result in self-sufficiency. If paddy surpluses do occur and the open market prices fall drastically below the GP, and the intake capacity of the PMB is restricted due to institutional limitations or credit restrictions, more than a given limit, is no longer profitable. In many cases producers may not have an alternative crop choice. Such price action may cause change in the paddy sector.

Rationality in pricing decisions should take into account another aspect, that of exportability of the production surplus. If floor prices are fixed above the world market price purely for the purpose of joining domestic production sectors the government will have to be aware of two factors, if the possibility of imports at prices lower than local rice and the need for subsidies to state marketing agencies engaged in mopping up the surplus.

DISCUSSION

Mrs. C. Hathurusinghe

She questioned in detail as to the method adopted for the standardization of paddy.

Mr. Mediwaka

Answered this question by saying that there was no need for standardizing rice as the measurement of the quality is done exclusively by means of visuals. However, other countries have different systems of grades and qualities.

Mrs. C. Hathurusinghe

She questioned as to what would be the measure taken to meet the demand for rice from other countries specially for long varieties even if the country has become self sufficient in the locally preferred varieties.

Mr. Nilaweera

Some countries have taken up contracts on exporting such varieties. As such countries have already developed the production of such varieties we should not endanger our position of shifting to such varieties at this crucial stage.

When we are in a time marked by the echo of self-sufficiency, it is rather unwise and dangerous to break away from such half-developed programmes.

Mr. Mediwaka

He emphasised that the world market quantity of such varieties is very low. Even for this small share the competition with a country like Thailand is very high. He also said that in pursuit of this objective some inroads are to be made into rice marketing. Then it is necessary to minimize the cost of rice production and improve rice processing.

Mr. Lanerolle

He questioned whether Sri Lanka could produce the quantities the world market needs. Whether we can offer the demand of quantities and compete with other countries that produce such varieties, are the other questions we should bear in mind.

He drew the participants' attention towards the export possibilities of a non-organic rice to Singapore markets which supply them to be sold at Bio Shops, or Health Shops in USA. This has to be a policy oriented innovation as this could entail a long time for identification of potential markets and comparative advantages.

Mr. Mediwaka

What the PMB really does is performing the role of price stabilizer in certain areas where the private sector capitalizes on such disadvantages as transport difficulties and specifically on peak supply periods just after harvesting. The mal-practices of paddy marketing and how to elimina5e them still remains a problem that need to be solved immediately in favour of national interest.

Chapter 4

MARKETING PROBLEMS IN THE VEGETABLE AND FRUIT SECTOR

Mr. W.A. Wickramatunga*

Agricultural marketing varies from marketing of many other commodities by the simple fact that most often it involves highly perishable products. When it comes to the Marketing of Vegetables & Fruits the above fact is more eminent.

This is one of the many reasons why the Marketing of Vegetables and Fruits had been considered a problematic area. Complexity of fruits and vegetable marketing depends on how far away the consumer is from the place where it is produced, and also on how the product could be transported to the consumer in good condition and in an acceptable form and how the supplies could be made when the consumer wants it.

From the point of the consumer, he will be satisfied as long as his requirement of vegetables and fruits is available in good condition at a reasonable price. But from the point of the producer, what he wants to see is a reasonable price paid for his produce. He should make a reasonable profit by selling his produce to the consumer.

Seasonal fluctuation of the production is another area which we cannot forget while we talk about marketing problems. The production of most vegetables or fruits is not constant throughout the year. But there are occassions where certain vegetables like tomatoes are over produced by the farmers due to their lack of knowledge on market requirements. The situation was aggravated by not having sufficient marketing channels and processing facilities.

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1. Present Marketing Outlets

Commission Agent

The Commission Agent operates direct through one or more intermediary local collectors and are the most widely used marketing outlets of the producers. This may be due to the fact that they are the oldest organisation or may be due to the preference of producers over the other outlets, because of their flexibility in making credit arrangements and reliability.

In the case of transport, it is the responsibility of the producer or intermediary collector. Therefore, the capital investments made by the Commission Agent is negligible. Very often Commission Agents advance money to producers and collectors in anticipation of the produce to be delivered.

As the entire procedure of transaction is very well arranged, the producers have no risk or very little risk in dealing with Commission Agents. With over 90 years of experience, Commission Agent has become a highly reliable market outlet for the producer. Local transport Agents who collect the produce from the producer are the link between the producer and the Commission Agent. Each bag of vegetables handed-over to the transport agent carries a lable giving the particulars of the producer and the commission agent for the purpose of identification. Once the consignment of vegetables is sold at the commission market, the commission agent prepares the sales invoice to be sent to the producer. In this, he gives the details of the value obtained at the market commission charges, transport charges deducted etc. and sends it to the producer with a cheque or a money order for the value of the invoice. Quite often cash is sent through the transport agent to the producer.

Marketing Department

When the Marketing Department was established, the main aim of that would have been to serve both the consumer and the producer by supplying quality vegetables and fruits to the consumer at a reasonable price and by

paying a reasonable price to the producer. But during the past 50 years (it was established in 1935) the progress made by the Department as an alternative outlet for vegetable marketing is not commendable.

Quite often producers have to transport the produce to the Marketing Department collecting point as a limited number of trucks are being used to collect the produce fromthe farmers. As a Government Department, it has very low flexibility which has made it difficult to compete with the private sector.

The Cooperative Marketing Federation (MARKFED)

This was established to work as the Apex Organisation for the co-operative societies. This handles a larger quantity of vegetables than the Marketing Department. However, it is negligible when compared with the private sector. This organization has no involvement in granting cultivation loans. As a competitor to the private sector, the MARKFED can play only a limited role in the marketing field.

Individual Assembly Traders

A producer must have a sufficient quantity of produce to be sent to Colombo direct or through transport agents. But there are small scale producers who do not have sufficient quantities. On these occassions the Individual Assembly Trader plays a major role. He goes to the producer and purchase the produce for ready cash and sends to Colombo (to the Commission Agents) or to other fairs and towns. It may be the case that one Assembly Trader would work for another one but at a small scale compared to the second. In this case he plays a role of a sub-collector to the real Assembly Trader, for a commission.

Producer's own sales directo the consumer

In villages especially where the vegetables and fruits are produced, producers tend to go for direct sales. However, as a marketing output, direct sales have very low importance.

Co-operative Societies

The role played by the Co-operative societies as a marketing outlet is not significant. This is limited to a few societies who have taken up marketing of vegetables and fruits as one of their lines of many activities.

Fairs

Producers of limited quantities of vegetables and fruits select the fair as their markeing outlet. As there are no middlemen involved the consumer can get his requirements at a reasonable price. At the same time the producer too can get a reasonable price for his produce. However, as the producer has to transport his produce to the fair on his own, the number of producers who use the fair as their market outlet is limited. Other limiting factor for this system is the availability of market space.

II. Packing, Handling & Transport of Vegetables & Fruits

None of the agencies mentioned in the first section pay due attention to handling and transport of vegetables and fruits. This has led to a considerable amount of post-harvest losses. Standardization and Grading are being done but not upto expectations. While satisfactory packing in a suitable container can reduce the post harvest losses, grade and the standard mark would develop trust between the buyer and the seller. This requires the attention of the agency concerned from the time the produce is collected from the farm until it is sold to the consumer. Very often due to post-harvest damages about 20% of the produce goes waste.

The common procedure in the process could be outlined as follows. However, this varies from place to place. In the up-country some vegetables like cabbage, leeks, and beet are often harvested by the collector but in other areas the producer has to do harvesting, cleaning, sorting and packing.

Cleaning

The degree of cleaning required differs from one variety to another. But as this is very important to fetch a high price in the market, many producers resort to some cleaning. In the case of up-country vegetables collectors also do the final cleaning before it is packed and sent to the wholesale market.

Sorting/Grading

This is mainly done to fulfill the market requirement. Very often this is done by the collector. But at the farm level there is hardly any systematic grading as many producers are not in the habit of grading because they do not consider it as important. However, up-country vegetable producers know that by grading they can get a higher price in the market.

Packing

Packing of vegetables is mainly done in gunnies and sacks. The sacks can either be coarse mesh or ordinary type. Wooden boxes are used in the case of some delicate vegetables like tomatoes and some fruits. Once the produce is packed it remains in that condition till it reaches the retail market. At present a considerable amount of post-harvest losses are due to poor packing.

Weighing

Almost all the farmers weigh the product before it is sent to the market. But once it goes to the marketing agency, a weight difference is observed by many producers. This is explained by few reasons.

i. Drying
ii. Differences of weighing balances
iii. Some irregular practices by marketing agency or by transport agent.

Collection

Collection of the produce is done by the intermediary of the commission agents, their sub-collectors, individual assembly traders or their sub-collectors. Where no proper roads exist, producers are compelled to bring the produce to a central place where trucks and other means of transport could be reached. Until the collector comes, the producer has to wait at this central point.

Transport

This plays a major role in the entire process of marketing and it accounts for a substantial portion of the marketing costs. Mode of transport is by trucks. It is the responsibility of the transport agent to deliver the produce to the commission agent in time. Transport charges are not levied on the weight of the load but on the number of sacks or boxes transported. During the peak periods of production transportation also becomes a problem to the producer. The number of transport agents working in any given area and the number of trucks owned by them is always a limiting factor.

The major portion of the wastage or post-harvest losses is attributed to poor transport though packing and grading also account for it. But the producer and the consumer at the other end of the chain will have to pay the cost of transport.

The common practice of the transport agent is to load as many 'pieces' as possible, and as the transport charges are levied on 'per piece' basis, producers pack as much produce as possible to the sack or the box. Both these contribute to a high percentage of damages.

III Problems of Marketing

It is a common complaint made by the producer that the prices paid for his produce is unreasonably low. The consumer from the other end complains the prices of vegetables and fruits are exorbitant. These

complaints make it very clear that neither the producer nor the consumer is being reasonably serviced. It proves the middleman makes more profit than the producer. Many a time only 15% to 40% of the price paid by the consumer goes to the producer. What causes this problem?

Marketing outlet

Out of all, the most prominent channel is through the Commission Agent. With a Government Department competing with the Commission Agent, yet he operates exceptionally well. There is the weak position of many producers when bargaining with wholesale buyers, because of indebtedness to them, lack of capital, inadequate knowledge of prices and market conditions and in many cases lack of competition between buyers at the farm level. These conditions often allow the wholesalers to obtain higher than the necessary profits at the expense of the producer. Secondly, wholesalers and retailers themselves incur high costs because of inadequate transport, deterioration of quality due to poor packing and handling.

Middleman

Another cause for low prices paid to the producers is the number of 'Middlemen' involved in the marketing channel. Many of these collectors send their collection to a Commission Agent in Colombo. Some are individual assembly traders. Some assembly traders are in the habit of having local sub-collectors. The sub-collector is more knowledgeable in current market situation than the producer. As there is hardly any competition among these traders they fix local prices paid to the producer. The small scale producer is not in a position to bargain for the price set by the local trader.

Seasonal Fluctuation of Production

Many vegetables and fruits have their own seasons of production. When the production is heavy the market prices of vegetables go down sharply. At this stage producers make very low profits. Transport agencies find it difficult to arrange transport facilities to the producers to send their produce to the wholesale market. Very often this

happens when the producer is not aware of what the consumer needs and in what quantities. One of the Agricultural economic problems is the tendency of farmers to feel that what they grow should automatically find consumers, rather than exploring what consumers want most and then producing it.

Transport

Wherever a good network is not found we can see the prices obtained by the producer is much lower t[illegible] where the road accessibility is rather improved. If there is no motorable road closeby, the producers are compelled to transport the produce upto the nearest road. These producers very often find a few assembly traders operating in such areas. Whatever the price they quote, producers will have to sell the produce at that price as there is no other alternative. This looks like a near monopolized situation.

Where the road network is rather improved, the problem arises from another angle. The already existing transport agents do not allow new entrants to operate as they fear that their opportunities would be lost. Above all the capital investment to enter into vegetable trade is very high in terms of vehicles etc. Therefore, even in the areas where road accessibility is improved, traders operate a near monopolized system. This problem is aggravated when the peak production of vegetables and fruits have to be disposed to the wholesale market. In may occassions existing transport agencies cannot meet the demand for transport which caused a glut in one area where the prices paid to the producer is far below the prices fetch at the central markets.

Lack of formal credit facilities to the producer

Indirectly, this causes a marketing problem. When the formal channels of credit facilities are not within the farmers' reach they are compelled to resort to the merchant or professional money-lender which makes them obliged to sell their produce to the merchant quite often at the price set by him. I was in doubt whether the professional money lender or merchant to be classified as a problem or as a method of solving the problem because if not for his services many farmers in villages would not have cultivated their lands.

The commission agent himself, or through his intermediary collector, lends large sums of money to their producers not only for cultivation but for other purposes. Repayment of the loan is done by sending the vegetables. These loans are granted without any formal procedures at no interest or at very low interests.

In contrast to this, the Government Banks or the other institutions which provide agricultural credit have no flexibility.

Centralized marketing

The commission agents mainly operate from Colombo which makes the system highly centralized. As the system is centralized, physical congestion can be seen at any wholesale market. This prevents any kind of effective bargaining between buyers and sellers.

IV Solution

State Intervention

During the past few decades the state sector has taken up some measures to pay a fair price to the producer while selling the produce to the consumer at a reasonable price. However, yet the majority of the vegetable and fruit market is being handled by the private traders. This shows that the state institutions such as the Marketing Department and MARKFED were not able to provide an effective competition to the private sector.

Planned Production

When think of a practical solution to the problems faced by the producer and the consumer we must first think of the production. The present production pattern is not geared to supply the needs of the consumer but tries to produce whatever possible and as much as possible. This has caused many problems in the past by over producing which at last ends with very low profit margins gained to the producer. To overcome this problem the producer must be exposed to the market situation,

prevailing prices, and future trends, consumer demand and production in other areas etc. This type of well planned production will eliminate over production by which the producer's profit margin will be reasonable.

Producers' Associations

One of the most effective ways of solving many marketing problems will be the establishment of strong producers' associations. These associations should involve every aspect of vegetable production, and marketing, at the producer level. These associations should not necessarily cover a very large area. They can be started as small farmer groups at village level.

As many producers in the country have a common problem (Marketing) a catalyst working independently will be able to initiate group activities among them. It can be a 'Change Agent' who goes to the village, lives with the producers and Governmental and Non-Governmental local authorities and promote these activities. At the inception he should be able to co-ordinate activities between the group and all other authorities concerned. In a latter stage, when the group has got it's bearings, he can pull-out easily.

Working Capital

Inadequate income of the farmer does not allow him any savings. Even if there is some surplus money with the farmer, he is reluctant to deposit it as a saving in the society. In developed countries, this type of associations mainly rely on the members' deposits for a greater part of their working capital. In our country this source of working capital is lacking. Even the share capital subscribed by members is the lowest allowable according to the laws of the society. This leaves room for many problems. Therefore, it is very important for the catalyst to educate members in saving. Banks also can help in this exercise. However, if the state can organize a <u>revolving</u> fund to support producer associations to start with, it would be highly appreciated. Once the association can look after it's own financial activities and once it builds up the capital this fund can be utilized to promote another association.

Credit facilities

When the association is strong enough it will be possible for that to look after the credit requirements of it's members. But at the beginning the State Banks will have to be more attentive to see a success in the system.

At present, Credit from the Bank in the main towns requires many visits and anyhow the procedure to get credit is long and cumbersome. Because of the distance between Bank and farmer, it has become an impersonal relation. Members of the associations should be trained frequently by Bank officials in procedures involved in obtaining credit and timely repayment of the same. Banks will not have to grant credit facilities to individual members but to the associations. Associations should see that the repayment is made in time. If farmers cannot come to the Bank, the Bank should go to the farmers not necessarily by putting up new branches everywhere, which is much too expensive, but by establishing a net work of Mobile Credit Officers. They can have a very close contact with the association and make the credit available and monitor the progress of the activities.

Institutional Support

Government & Non-Governmental Institutions which are working in the agricultural sector should extend their co-operation towards the associations. This will be mostly by supporting them to obtain requirements of inputs, technical knowledge etc. Frequent visits and training by the local authorities of these institutions will make members of the associations more knowledgeable.

The producers' associations at village level will not be able to handle wholesale and retail marketing activities effectively on their own. These primary associations can achieve only a limited amount of success in ensuring that the member obtains the maximum return possible. In order to obtain more benefits from large unit activities particularly in transport, and ultimate marketing as well as in bulk purchasing of

agricultural requirements, primary associations should integrate vertically into secondary and tertiary organizations etc. which will be at sub district, district & national levels to carry out these functions.

The secondary organizations must be able to provide services to their member associations otherwise their existence is not justified.

The government should see to it that these organizations are given opportunities to enter wholesale and retail markets by providing them with space and other necessary support.

District level organiations should make arrangements to decentralize the marketing channels by organising a lateral spread of the produce with other districts. This can reduce transport and handling costs and wastage. At the same time price defferentials between markets can be minimized.

State Marketing Activities & Producer Associations

Many steps have been taken in the past few years to recognize the state Marketing Systems. But so far the results shown are not very significant. I think when we try to differentiate the producers' associations & the state marketing organisation we will see how the state marketing organisation should be recognized.

(1) Producers' association is run by the members themselves. State marketing is conducted by the paid officials with rigid rules & regulations with very little contacts with producers.

(ii) Producer has no control over the state organisation. Therefore, he does no have to be loyal to it. He uses the services of the state organisation when he wants it and for his advantage. But in the case of producers' association he has a loyalty and a measure of control towards it.

(iii) State trading is not run as a commercial business. If there is a loss it can be written-off. There is very low or no loyalty seen from the point of State paid employees. Very little or no attempt is made to upgrade the marketing activities at producers' level. Producers' associations on the other hand should run like any other business organization that can survive only by their business efficiency in competing with other traders.

(iv) Due to political pressures State organisations make them vulnerable to draw backs. Changes of Governments can make things disastrous for the organisation as the policies can change with the Government change. Producers' Associations should be run without any political influences and make no changes with the change of Government policies.

Therefore, any reorganisation of the present state marketing should be geared to compete with the private traders to stabilize the prices and to promote producers' associations. If the producers' associations can replace the state marketing organisations in time to come, by gaining more strength to compete with the private trader, it would be the most desirable situation.

V. Conclusion

A practical solution to the marketing problems in vegetable and fruits sector can only be found by constant vigilance of many who are concerned about the market situations, producers' problems, marketing trends, consumer requirements and production patterns. The above analysis will not be sufficient to implement a successful programme to find a definite solution. This will require more statistical data, and a more analytical approach.

DISCUSSION

Mr. Rupasena pointed out that the distance from the producer to the market is a very important factor to be considered. He also emphasised the need for having a processing, packaging and storage systems so as to avoid the losses caused in the process of marketing.

Mrs. Nirmala Fernando also emphasised the significance of product associations which can handle packaging, transportation etc. effectively. It is also necessary that the Marketing Department should give them some training in these aspects. She stated the steps have been taken to benefit the marketing of fruits and vegetables by the Department of Marketing through its wholesale outlets etc.

Mr. Chandrapala argued that investments should be made with forward looking policies with regard to the marketing of vegetables, fruits etc.

Another participant Complained that the opportunities for marketing the produce they purchase are inadequate. Specifically in the process of allocating space for stalls to market such products has to be done systematically. The present unsystamatic allocations of stalls in the markets have caused many traders to face serious short-comings. Along with Mr. Chandrapala he suggested that Urugodawatta is a place which can ensure better market facilities without such difficulties as inadequacy of space the present day traders face.

said that there was an original plan to develop as a wholesale market but later it was rejected on account of the difficulties in getting the whole extent of the area.

Chapter 5

THE MAIN FEATURES, MARKET MARGINS AND IMPERFECTIONS IN THE PRESENT MARKETING SYSTEM OF SUBSIDIARY FOOD CROPS

By Mr. Douglas Liyanage*

A great deal of work has been done during the past three decades to identify the structures of agricultural produce markets in developing countries.

Much of the conclusions of these studies in this region has been reflected in a World Bank report[1/]. This report quotes extensively from the work of Uma J. Lele, who through the 1970's had devoted much time to the study of the marketing of grains by Indian Farmers. She was quoted as saying that the "Efficiency" of marketing systems depends on (i) physical infrastructure; (ii) financial institutions; (iii) communication network; (iv) enterpreneural and managerial manpower; in addition to the mere contractual relationships between sellers and buyers. Obviously it would be idle to speak of improved marketing in terms of better farmgate prices without paying due attention to the physical and institutional needs on which improved marketing depends.

A definitive work covering the scope of this paper and relating to the crops specified was carried out by Agro-skills in October of 1983 as a component of the National Agriculture, Food and Nutirtion Strategy[2/]. The major component of field research in this study was carried out during the Maha of 1982-83 with a total of 2,300 farmer interviews and in the follow-up survey in the 1983 Yala, 1,800 farmers were interviewed. The study accounted for 14 Subsidiary Food Crops (SFC) which included.

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1/ World Bank Staff Working Paper No. 320, "Small farmer and the landless in South Asia", February 1979.

2/ Subsidiary Food Crops Marketing Study, (for the Ministry of Finance and Planning and United States Agency for International Development) Agroskills, 1983.

(1) Chillies
(2) Onions
(3) Legumes (Cowpea, Soyabean)
(4) Pulses (Black gram, Green gram, Ground nut)

For the purpose of the survey and to facilitate subsequent analysis and presentation of marketing information the island was divided into 7 zones as follows :

Zone 1 Northern	: Jaffna and Mannar Districts
Zone 2 North Central	: Mullativu, Vavuniya, Anuradhapura Trincomalee and Polonnaruwa Districts.
Zone 3 North Western	: Puttalam, Kurunegala and Matale Districts
Zone 4 Eastern	: Batticaloa, Ampara and Eastern part of Monaragala Districts
Zone 5 Lower Central	: Part of Kandy, northern part of Badulla, north western part of Monaragala Districts
Zone 6 Southern	: Lower Uva region of Badulla and Monaragala southern part of Ratnapura and Hambantota Districts.
Zone 7 Upper Central	: Elevated areas of Nuwara Eliya and Badulla Districts

Main Features of Marketing System

Only a limited number of crops entered market channels in each region in significant quantitites indicating some degree of regional specialisation in production. The market channels themselves and the volumes handled at different levels of the marketing chain were studied for each crop in the growing regions.

Intermediaries

Three significant types of intermediaries man the market channels of these commodities. They are ;

(1) Primary Assemblers : local collectors, local traders, co-operatoves etc.

(2) Intermediate Buyers : traders who purchase these commodities from other traders and not directly from producers.

(3) Final Wholesalers : Wholesalers who are the final purchasers of the produce in Colombo, or other major urban centres.

Tables 2 and 3 indicate respectively the relative market shares of the various categories of primary assemblers, and of the intermediaries and wholesalers.

The local trader however is the largest of most of these groups. Local traders keep themselves well informed of commodity prices, some receiving telegraphic or telephonic information on Colombo prices and others obtaining information from their own trading area or from their buyers at regional level.

Polas (periodic markets which are generally conducted weekly) also facilitate primary assembly in many areas and the survey revealed SFC being purchased at polas from producers by local collectors acting as agents for outside wholesalers as well as by outside collectors and transporters.

Intermediate buyers

Intermediary functions in the production regions are performed by local traders who purchase from local collectors, by divisional traders dealing with local collectors and local traders, and by regional wholesalers receiving supplies from local collectors, local traders and divisional traders. As a result of many primary assemblers forwarding the bulk of their produce direct to the wholesalers, less than 40 percent of SFC from primary assemblers entered the intermediary channel. Crops which accounted for over 40 percent intermediary transactions were groundnut in zone 4 (46 percent), dried chillies in Zone 2 (71 percent) and cowpea in Zone 6 (53 percent). Shares of the commodity flows handled by these intermediaries are presented in Tables 1 & 2.

Table 1 : Market Share of Primary Assemblers

(Percentage)

Crop	Zone	Ex-farm gate volume	Primary Assemblers: Local collector	Local trader	Outside collector	Co-operatives	Divisional wholesaler	Regional wholesaler
Maize	2	96	12	66	-	-	18	-
	3	95	24	48	-	-	23	-
	4	95	16	17	-	62	-	-
	5	83	23	38	-	22	-	-
	6	74	-	40	21	-	-	13
Finger millet	3	100	33	56	-	-	-	11
	5	100	39	43	18	-	-	-
	6	90	-	30	30	-	30	-
Cowpea	2	85	-	48	-	-	20	17
	3	98	-	18	-	-	56	24
	4	94	40	54	-	-	-	-
	5	93	39	9	-	45	-	-
	6	77	-	33	29	-	15	-
Green gram	3	96	-	20	-	-	38	38
	5	100	79	21	-	-	-	-
	6	81	-	32	31	-	18	-
Blackgram	2	87	16	26	-	-	-	45
Soyabean	2	83	21	62	-	-	-	-
Onions	1	69	27	21	21	-	-	-
Dried chillies	1	75	-	28	28	-	19	-
	2	77	19	40	18	-	-	-
Potatoes	1	77	31	31	-	-	15	-
	6	87	50	-	26	-	-	11
Sesame	6	72	-	-	22	-	22	28
Groundnut	3	100	18	81	-	-	1	-
	4	96	10	33	-	53	-	-
	6	79	-	38	23	-	-	18
Castor	6	79	-	30	27	-	22	-

Note : This table summarises the primary assembly activity detailed in:

(a) the flow charts of market channels.

(b) the tables presenting volumes and prices at different links of the marketing chain

Table 2 : Market shares of Regional Intermediaries and Final Wholesalers as a Percentage of Volume Assembled by Primary Traders

(Percentage)

Crop	Zone	Regional inter-mediaries	Colombo whole-saler	Outside whole-saler	State sector wholesaler	Retained/ Retailed within the zone
Maize	2	12	39	23	-	38
	3	25	37	45	-	18
	4	28	18	-	74	08
	5	25	43	20	32	05
	6	-	72	24	-	04
Finger millet	3	10	-	-	-	100
	5	8	-	-	-	100
	6	-	-	-	-	100
Cowpea	2	19	53	44	-	03
	3	15	48	44	-	10
	4	53	32	49	-	19
	5	25	54	24	-	22
	6	18	59	25	-	16
Greengram	3	18	66	18	-	16
	5	38	84	15	-	01
	6	26	75	17	-	08
Blackgram	2	6	68	26	-	6
Soyabean	2	13	57	40	-	3
Onion	1	4	84	10	-	6
Dried chillies	1	21	55	40	-	5
	2	-	45	28	-	27
Potatoes	1	-	74	21	-	5
	7		72	26	-	2
Sesame	6	-	58	36	-	6
Groundnut	3	34	92	-	-	8
	4	46	38	5	55	2
	6	22	56	22	-	12
Caster	6	32	73	19	-	8

Final Wholesalers

The principal buyers of these commodities operate in Colombo and trade in different commodities used to take place in particular locations in the city: wholesalers in pulses and other grains in Old Moor Street, New Moor Street, Dam Street and Wolfendhal Street; wholesalers in perishable commodities (chillies, onions and potatoes) in Fourth and Fifth Cross Streets; wholesalers in vegetables at Manning Market, and in fish at St. John's Market. One of the constraints still operating is the scarcity of wholesale "floors". To obtain user rights to a wholesale floor, traders have to pay "key money" which at present could run to the order of half a million rupees.

The day to day prices of commodities are determined by a current "price leader" who has established himself for the day (or for a few days) in a leadership position on the strength of "orders in hand". However, since all wholesalers have free access to these same and end-users and exporters, the price leadership on the wholesale floor in any commodity changes regularly, and the extent of competition in this sector is sufficient to eliminate the possibility of cartels coming into existence.

Marketing functions

Marketing functions carried out by all categories of traders covered by the survey consisted only in bulking and transportation to the demand centres. No grading, milling or processing activity took place at the various links of the marketing chain.

Little storage took place at primary buying centres in the case of most of the commodities covered. Most produce is disposed of within a week of collection, except in the case of onions and potatoes where disposal is completed within two days. However, a few divisional traders and regional wholesalers tend to stock non-perishable items for periods ranging from two to three months. The bulk of the storage taken place in Colombo for off-season release to retail markets which draw their requirements as and when needed. Debulking of onions and potatoes takes place almost on the day of receipt by the final wholesalers, on account of their perishability.

Timing of sales by farmers

The time at which the farmer sells his crops in relation to his date of harvest is considered crucial to his profitability; pre harvest sales generally against loans and advances, are considered disadvantageous to the farmer and delayed sales at off-season prices are considered highly profitable. The scheduling of the Agroskills field survey for the period immediately following the harvesting of 82-83 Maha crops yielded reliable information on the timing of SFC sales by farmers.

Predictably perishable crops like potatoes are sold immediately after harvest although it was found that onion which are not amenable to long stroage - are held back in some quantity in Zone 1 to take advantage of off-season prices. For non-perishable crops the timing of sales appears to vary in different areas, a very high proportion of farmers in Zone 6 selling their produce wholly at harvest and most farmers in Zone 3 selling only a part of their produce at harvest. Variation in the timing of sales run to other crops as well with groundnut being disposed of immediately after harvest, probably on account of rapid spoilage, and the sale of pulse crops being delayed in many areas for better off-season prices.

The heavy flows of produce at the peak of the harvest season makes excessive demand of market services such as storage space and transportation and financing capacities of traders; all these factors tending to enhance the costs of both the assembly and the intermediary sectors thereby depressing prices offered at farmgate.

Farmer Marketing Practices

Two major factors that appear to have adverse effects on marketing at the farmgate were costs of transportation and problems of storage. Bullock-carts and bicycles were generally the main modes of transport, and head-loads were resorted to in situations where road access was unavailable or where the level of production was low. Transport charges for the same transportation mode showed substantial variations within the same zone probably due to variability of access to farmgates, and

collective transportation was not noticeable to any appreciable extent. (This feature may be contrasted with the remarkably sophisticated level of collection of vegetables in Zone 7 by Commission Agents; and potatoes from this zone benefit from the highly organized collection system through transport contractors).

SFC produce is mostly stored in gunny bags stocked on the floors of farmers' houses; lack of storage space and scarcity of gunny bags posing constant problems. Under frequent damage to both coarse grain and legumes, the severity of recorded damage being greater for the latter group. Control measures adopted by farmers were however quite different from the traditional methods of mixing with ash or select types of leaves; farmers tended to dust their stored produce with chemicals which included toxic materials such as DDT and Malathion.

Price Information

Producers who based their sales on the Guaranteed Price Scheme prices received significantly higher prices than those who based their sales on other sources of price information. Predictably crops thus benefitted were those which were handled in significant quantities by the PMB, namely maize, groundnut, soyabean, and cowpea. Other State sector buyers negotiated their own prices which is most cases exceeded the floor price.

Generally it appears that the method of price determination by producers is more zone-specific than crop-specific :

(a) In Zones 1, 2 and 3 prices are mostly based on the locally prevalent price.

(b) In Zones 5 and 6 most sales are on the basis of prices suggested by the buyer - except in the case of sesame.

(c) In Zone 4 (the maize belt) the GPs is a popular guiding factor for maize. For other crops the popular method is through own enquiries outside.

II MARKET MARGINS

A study of market margins would obviously pay primary attention to the producer's share of the total price as well as to the adequacy of this share.

Producer's Share

The Agroskills survey assessed gross trader margins and deducted t[illegible]are of the wholesaler's price received by the producer.

It will be observed that in all but four of the twenty five figures quoted, producers receive more than 75 percent of the wholesale price and in 18 of these cases, more than 80 percent of this price. The apparently low receipts in Zone 1 are attributable to the unreliability of information obtained from producers and can be considered eminently fair since trader margins include costs of all marketing functions performed at various links of the marketing chain.

The evidence tends to contradict the popularly held view that the market structure for agricultural produce exploits the farmer and that marketing intermediaries make exorbitant profits at the expense of producers and consumers alike. At least as far as SFC are concerned, there is substantial evidence that market channels function reasonably well and that the produce flows quickly and by the most direct routes to the wholesale markets with only limited intervention by market intermediaries.

Marketing Costs

Marketing costs incurred by the trader are limited mainly to collecting, packaging and transport. It should be noted that the cost of packaging materials has not being included in the computation since these are either replaced, returned or costed separately. The trader margins in the majority of cases are less than 15 percent of the turnover. However, trader margins for the three major SFC in Zone 1 appear to be unusually high - this is probably attributable more to the

distinctly noticed tendency of producers in this region to under-state the prices they receive, than to a high degree of exploitation by traders. The only other area in which a high trader margin was noticeable was in Zone 5 where traders appeared to have benefitted from steep price fluctuations in green gram. The lowest margins were recorded in Zone 4, and the crop traded at the lowest margin was maize (3 to 11 percent).

The availability of both market prices and farm gate prices permits an analysis of changes in marketing margins over time. The marketing margins do not appear to have either widened or narrowed over this period. It is also interesting to note that, except for certain years, farmers appear to have received quite a high proportion of the consumers' rupee. This however varies with crops.

III MARKET IMPERFECTIONS

An efficient marketing system is described as one that :

1. Provides a timely supply of inputs;
2. Distributes seasonally produced outputs to processors and consumers at minimum cost;
3. Mobilizes market surpluses in the short run, and
4. Integrates local market with national markets.

The popular view of traditional marketing systems is that they do not operate efficiently and that large price spreads and high profit margins are evidence of monopolistic tendencies that specially victimise small farmers. Reverting to the South Asian experience, Lele[1/], provides extensive evidence to the contrary. She found that there are too many intermediaries to permit monopolistic practices. Although "strong bargaining positions" are enjoyed by some traders, profits are usually limited by large number of intermediaries. The high profits earned by a few traders are due to their large scale of operations or their command or capital, and these are not monopolistic.

1/ Distribution efficiency and agricultural price policy of food grain marketing in India, Uma J Lele, Oct. 1972.

Although regional and intra-regional disparities in output and input prices do exist (and are often cited as conclusive evidence of monopolistic trading), it has been demonstrated that prices of comparable varieties do not differ by more than transport costs. Further, seasonal price variations reflect real changes in demand and supply price conditions with the cost of storage being the major factor. Nevertheless governments have continued to interfere extensively in the market system "to correct their imperfections" in the belief that they are acting in the interest of the farmers, specially small farmers. In the Asian region in general the results of such intervention have been dismal, it will hardly be disputed that the Sri Lankan experience has not been remarkably different. It has been shown that government controlled markets have not been more efficient that the private markets they were designed to replace; in fact the marketing margins incurred by government and para-statal agencies were almost invariably higher than those incurred by traditional traders.

The experience both in Sri Lanka and in the South Asian region tends to suggest that government intervention in this sector might be much more carefully directed towards the improvement of physical and service infrastructures than in attempts to supplant the market intermediaries.

Pricing efficiency

Theoretically the pricing efficiency of a market system is assumed to be at its highest if :

(a) the difference in price of a product between two time period is equal to the cost of storage of the product between the first time period and the second ;
(b) the price difference between two markets does not exceed the transport costs between them ; and
(c) the price difference between the process product and the unprocessed product is equal to the cost of processing.

A study of a change of prices with time (temporal or seasonal price variations) needs the support of adequate time series data on prices.

The inadequaty of such data had restircted the study of this component of pricing efficiency to the following crops : dried chillies, red onions (small), red onions (large), green gram and cowpea.

The technique adopted in the relevant study was to construct an index of seasonal prices, the base period being the average of 48 months from January 1979 to December 1982. The index for the base period was set at 100 and monthly index numbers varied around this base, this meant that each monthly price was expressed as a percentage of 48 months' average.

The general picture that emerged from the analysis of price behaviour with time was that the crops under study had a good transport system and sensible timing of sales by the producers. The analysis indicated a very high degree of competition in the successive stages of marketing; speculative activities seemed to occur only when there was a restriction on private trade. The analysis showed that storage time necessary to benefit from seasonal price differences was quite large and tended to make the storing of these commodities for speculative purpose either impracticable or unprofitable. Even in the case of red onions where prices were found to vary from a low of Rs. 14.02 per Kg in march to a high of Rs 23.74 in December, storage did not appear to be practicable for technical reasons. The only exception appeared to be dry chillies which are capable of prolonged storage, however in the case of this commodity, price increases were restrained by the release of imported buffer stocks.

The study suggested a high level of pricing efficiency through a high degree of competition as evidenced by the behaviour of the temporal variation of prices.

Regional Price Variations

The principle which underlines price differences between regions (assuming a competitive market structure including homogenous commodities, perfect knowledge, and no barriers inhibiting trade) can be summarised as follows :

(1) Price differences between any two regions that trade with each other will barely equal transport costs.
(2) Price difference between any two regions that do not engage in trade with each other will be less than or equal to transfer costs.

Price differences between regions cannot normally exceed transfer costs. The reason for this is clear; any time the price difference is greater than transfer costs, buyers will purchase commodities from the low-priced market and transport them to the higher-priced market, thereby raising prices in the former and reducing them in the latter. This form of arbitrate will continue until it is no longer profitable to transport commodities between markets, that is until the price difference between them no longer exceeds transport costs.

The results of this analysis showed a very high correlation of the price behaviour among producing areas and between producing areas and the Colombo city, the major wholesale market in the country. This implies a very high level of pricing efficiency and an equally high degree of market integration.

The overall conclusion from the analysis of the survey results is that markets are more highly integrated than they are often thought to be. In the absence of barriers to the free movement of commodities, inter-regional price relationships will therefore respond to changes in transfer costs. The results seem to suggest that imrpvements in the marketing system should be sought more through improvements in market infrastructure facilities, enforcement of market regulations relating to weights and measures and to grading and the establishment of effective mechanisms to avoid frauds through adulteration, mis-labelling etc. rather than by direct State intervention in the marketing process.

IV IMPROVEMENT OF MARKETING

Since the concept of marketing embraces the entire gamut of activities from the design of the product to its ultimate desposal, constraints to the marketing of agricultural commodities, will need to be identified from the point of commencement of harvest.

Timing of harvests

Poor timing of harvests is a noticeable constraint in the marketing of many crops not grown on a plantation scale. One important reason for premature harvesting, particularly of crops grown in homesteads and village gardens, is the farmer's anxiety to foil the theft of his produce. This is a serious problem affecting not only SFC but a wide range of high-value crops such as coffee and cocoa, large extents of which are grown in village gardens. The resulting heavy losses from premature harvests through driage and perhaps even greater losses in values through decline in quality, make it necessary to consider the imposition of more stringent legal sanctions against thefts of praedial produce than exists now.

Another cause of premature harvesting is the farmer's desire to come into the market with a crop of "earlies" to catch the high off-season prices before they dip with the onset of the harvest. Cashing in on "earlies" is not only a distinct possibility, but a highly profitable commercial activity provided the farmer has sufficient information on the market and adequate knowledge of the age and degree of maturity of his crop.

Sometimes a particular export narket required harvesting at an immature stage; green gram and black gram for the Japanese market should be harvested at a tender stage suitable for sprouting. In the development of such markets, education of farmers in recording the dates of sowing and in precise timing of their harvests becomes extremely important.

Post harvest techniques

One of the principal weaknesses of rural farming systems is the lack of attention to post-harvest techniques and the failure to recognise the need for such technology. Handling of produce immediately after harvest- and many crucial to their subsequent preservation and quality. For example, sesame harvested in the early part of the day picks up both moisture and soil from the ground and the subsequent drying of the sesame on open ground does little to reduce the percentage of impurities; in other countries the drying of sesame on cement harbecues ensures a very low level of impurities.

No facilities for proper storage, including protection from weevils and rodent attack, is available either in farmers' homes or in traders' premises; good storage facilities are however available, including stacking on pallets, in the regional purchasing centres of the PMB, but only a small percentage of SFC pass through such stores. None of these items are subject ot fumigation in the marketing channels until they reach wholesalers' stores and the practice of chemical or radiation treatment to prevent sprouting has still to be introduced. Particularly in the case of sesame, the establishment of sound drying facilities (preferably of barbecues) in production areas could result in direct transportation from production areas to exporters, thus making for greater marketing efficiency.

Packaging of SFC, particularly in the case of onions, potatoes and chillies, provides a great deal of scope for improvement. The use of crates instead of bags now used for transporting onions and potatoes will not only reduce wastage, but also improve the quality of the products resulting in better prices. However, the cost of transportation is substantially higher for crates than for bags and the cost of return of empty crates would add to this cost. Some research would therefore need to be undertaken in the economical packaging of potatoes and onions and demonstrating the cost effectiveness of such techniques. The trend towards replacement of jute bags by polythene sacks prevents the breathing of the stored product and this has adverse effects on commodities like green gram and black gram. The problems caused by this form of packaging would be worth investigating particularly since polythene sacks are much cheaper than jute bags.

However, the low volume of trade in SFC and in related as well as the high cost of construction of storage facilities make it uneconomic at the present time to expand the network of regional storage facilities and the only practical answer would be to educate and encourage the producer himself to provide his own storage the traditional "bissa" has much to commend it as an inexpensive and effective storage system for most items of SFC.

Quality standards

At present only a few SFC exports are covered by Bureau of Standards certificates; other export produce is traded on the basis of samples and General Superintendence Certificates. While the latter is an acceptable form of international trading, the use of standards generally applicable in world trade of other SFC would greatly facilitate export business. It is therefore highly desirable that the Bureau of Standards should interest itself without delay in establishing standards for all commodities with substantial export potential.

An integral part of quality control in SFC is the necessity to prevent the indiscriminate use of pesticides on SFC either in the sensitive period of growth immediately preceding harvest or during the storage period after harvest. It is known that lethal pesticides, some types of which should not be used at all and some of which may be used with safety only up to a certain stage before harvesting, are being used by farmers without concern for the safety of users of these commodities. Legislation introduced by Government for the purpose of such control still awaits implementation and it is urgent that necessary administrative measures be adopted towards early implementation. Both farmer and consumer education could help in eradicating this menace and every effort should be made to interest mass media in publicising this danger and in eradicating this menace and every effort should be made to interest mass media in publicising this danger and in educating farmers.

The only forecast of agricultural production is contained by the Agricultural Implementation Programme produced by the Ministry of Agricultural Development & Research which sets out target acreages for principal agricultural

crops in each district. However, performances in the sector depending on many factors some of them beyond the farmers' control, do not always match expectations, and no information is available to the public on actual acreages sown or awaiting harvest.

The Marketing & Food Policy Division of the ARTI receives monthly reports of expected production from the divisional officers of the Agriculture Department and this information forms the basis of import decisions made by the National Food Policy Committee. The trade, however, particularly in view of the growing interest in exports of SFC, requires more up to date information on the state of crops, and likely volumes and dates of harvests. Collection and dissemination of such information could fall within the legitimate purview of the Ministry of Agriculture or the Ministry of Trade, or even the Ministry of Information. Both the farmer and the trader - not to mention the national interest - would benefit from an individual or a joint effort by State agencies to procure and publish this information in a regular perhaps fortnightly, bulletin - extracts of which the business columns of the national press would gladly carry.

Marketing extension

Extension work in agriculture has so far been confined to improvement of production; it is time that the Agriculture Ministry gave thought to the desirability of carrying out extension education in the improvement of produce marketing as well. The importance of marketing extension must be viewed in the light of the fact that one of the highest incentives to production is profitability, and that profitability is linked with efficient marketing. The cultivation of SFC needs guidance not only in production but also in the storage, handling and disposal of his produce. For example, the adoption of sound post-harvest technology can best be brought to the farmer through the efforts of extension staff. These efforts will be rewarded by enhanced farmgate prices, and where even limited processing activities are possible, by greater generation of income and retention of surpluses in rural areas. It would not take too great an effort to train the subject matter specialists of the Agriculture Department in marketing techniques as well, and to disseminate this knowledge to farmers through their extension staff.

Physical improvement

Several studies of rural marketing have emphasised the need for improvement of the physical layout and structure of both established markets and of periodic markets. The physical improvements called for in most such markets are :

(1) increase of the areas of covered accomodation;
(2) improvement of access and internal roads;
(3) facilities for parking of lorries and other vehicles;
(4) provision of water for drinking and for cleaning of produce;
(5) provision of weighing machines, yards for bulking and packing of produce, etc;
(6) provision of lights in the premises; and
(7) the improvement of hygiene and provision of sanitary facilities, and in appropriate instances, overnight accomodation for traders and drivers.

These reports have also highlighted the fact that most markets in rural areas suffer badly from the absence of proper management. The apparent lack of interest of local authorities in the management of markets is difficult to understand since these authorities derive very substantial revenue from these markets and the improvements of facilities and of management will draw in large number of patrons increasing the revenue yield of these markets.

A joint effort should be initiated by the Ministries of Agriculture and of Local Government for the improvement of physical standards and of management of all rural markets.

Auctions

The establishment of auctions for pulses and grains would ultimately become necessary both to cope with larger volumes entering trade channels and to cater to larger numbers of buyers, particularly buyers in the export trade. Auctions would also help to eliminate trading in substandard grades of produce and in making available both to the trade and to producers

regular and accurate information regarding prices both in the local market as well as in overseas markets; the resulting regular contacts between buyers and suppliers would be invaluable in promoting the efficiency of the market and benefits to producers. Subsequently, as export volumes increase, entry into the export through public auctions could be made mandatory.

However it would be premature to consider the establishment of auctions, for SFC at the present time both on account of the small volumes of produce entering wholesale markets and on account of the difficulty of introducing a satisfactory grading system in the short-term. At the same time existing marketing arrangements at wholesale levels for commodities like red onions, potatoes and dried chillies are known to operate satisfactorily. Producers are aware of the quality and grade which market requires and the prices for such grades, and there are approximately 40 wholesalers who operate as produce brokers (designated Commission Agents) performing a function similar to that of brokers at public auctions.

DISCUSSION

Mr. Lanerolle commented that the position of subsidiary food crops marketing and intermediary personnals involved in this process is not satisfactory. In support of the geographical presentation, the farm gate share of the export price should also be included in the paper.

Dr. Bogahawatte argued that without measuring the technical or price efficiencies, it is inaccurate to talk of the market efficiency.

Mr. Sapukotane pointed out that credit facilities with low interest rates should be given to the linkage persons in agricultural marketing as a means of encouragement.

Mr. Weragoda drew that attention of participants to such measures as the formation of national food policies to solve the agricultural marketing problems. It needs to systamatise those efforts so as to suit the effective marketing systems under the open economic policies.

Mr. Lanarolle said that the marginal costs and the export margins are very important where export marketing is concerned. In the first instance therefore it is necessary to improve the presentation of products to the local consumer. Once the local consumer is satisfied with the presentation, avenues can be explored for exporting such production. Therefore the products have to be improved first locally and second to suit international conditions.

In concluding the seminar, Mr. T.B. Subasinghe remarked that the seminar should be a good inducer of new policies towards an affective agricultural marketing system. In this direction recommendations have to be made in the long and short run. It was also suggested that such recommendations should be made to the Development Secretaries' Committee for implementation. In making such recommendations the participation of traders who function in the process of agricultural marketing, is necessary.

Chapter 6

Part I

SUMMARY & RECOMMENDATIONS

Agricultural Marketing has to be pragmatic and objective. The optimum utilization of the scarce resources for the benefit of society where consumer is the key component, is important in marketing. Marketing begins from the consumer and production decisions are based on market information and not vice versa. In marketing, operational and pricing efficiencies are very important. In looking at input-output an analysis of marketing, efficiency is a vital criterion. It was revealed that intermediaries are important in the marketing chain. Hence, it was recommended to;

(a) Increase the number of intermediaries and increase competition among them.

(b) Offer a package of incentives to intermediaries in order to enhance their productivity. This includes demand analysis agro-processing minimizing risk, provision of infrastructure and communication.

(c) The need to strengthen the market research function in the public sector to influence agricultural policy decision making. In this regard an autonomous institution for food technology and market research was mooted.

(d) The lack of research in Sri Lanka and the need to improve the validity of data base for systematically analysing with all available tools to understand the nature, form and characteristics of the commodities and the markets, including levels of margin at each stage in the chain. A system approach to study agricultural marketing too was recommended.

II

An overall inquiry on paddy/rice marketing has not been undertaken yet. The constraints of paddy/rice marketing is relevant in the current situation when the country is reaching the stage of self sufficiency. This in turn can bring about a series of problems never experienced before in Sri Lanka. Hence, the need to reassess the paddy/rice marketing becomes important in order to identify the broad and narrow areas of

of constraints with a view to bring about policy changes, physical and material improvements and changes in norms and attitudes in the system.

The following have been identified as constraints to the smooth flow of paddy/rice in the marketing system.

(a) Inconsistency of operational policies of the government marketing agencies brings confusion in the production sector.
(b) Lack of strong infrastructure with the state sector.
(c) Absence of an accepted system of grades and standards.
(d) Lack of strong price inentives based on quality.
(e) Technology deficiencies inthe processing sector.
(f) Location factors.

The constraints are classified into two broad areas.

Identification based on factors which influence the constraints

These are:

i. Government policy attitudes and actions.
ii. Government policy consistency and strength.
iii. Economic factors determining the marketing surplus of individual farmers.
iv. Their ability to select marketing alternatives.
v. Institutional credit facilities.
vi. Non-formal credit arrangements
vii. The extent to which paddy contributes to the total income of farmers.
ix. Political influence on marketing channels and decisions.

There is thus, a need to evolve a coherent and realistic paddy/rice marketing policy as an integral part of the national food and agricultural strategy. There is a need to evolve appropriate government policy actions to minimuze as to create a mutually acceptable environment to operate. The very role of the state agency in paddy/rice marketing has to be determined in the present stage of economic development. Undoubtedly, with all its defects

the state agencies were performing an important role in safeguarding the producer-consumer interests. Hence, it was recommended that;

a. Upgrade the physical facilities and capabilities of farmers.
b. Improving the storage and milling quality of rice.
c. Revamp the par boil milling industry.
d. Introduction of a new system and promoting improved methods of traditional on-farm storage.
e. Extension of good post-harvest and storage practices.
f. Encouraging farmers to hold a portion of marketable surplus in off-farm storage.
g. Introduction of a storage loan system with a view to improve holding capacity and their bargaining power.
h. Making credit facilities available to the intermediaries to purchase paddy and to improve their storage and transport facilities.
i. Improving the quality of paddy and rice through a breeding programme and enhancing breeding varieties that have a greater appeal and acceptance in the domestic and the export market.
j. Establish and enforce acceptable system of grades and standards for paddy and rice and rigid enforcement of such grades and standards.
k. Improve farm to market feeder roads.
l. Training of farmers on quality standards of paddy and rice.

III

Vegetables and fruits are cultivated on an unplanned basis and gluts occur of a particular variety and producers do not receive reasonable prices. During acute scarcities consumer prices rise to exorbitant levels. There is thus, a need to adopt an annual production plan based on consumer demand for fruits and vegetables. This plan should envisage a diversification of areas of production to keep the production flow going throughout the year.

The need to organize producers into producer associations in all aspects from production to marketing has become vital and these associations be assisted through a revolving fund with regard to working capital and credit facilities.

There is also a need to introduce an acceptable grading system for vegetable and fruits with a view to improving quality of the produce.

Another area of concern is in regard to post harvest losses and the high percentage of losses that could be arrested by improving the quality of packing and transport.

The need to make available wholesaler floors for vegetables and fruits marketing and the need for marketing finances at a reasonable rate of interest to improve and construction of stores becomes vital in the marketing chain of the producer. There is also a need to provide information on current market conditions to producers. Education and guidance for export oriented producers are also important for planned production. Therefore, it is recommended that;

a. Innunciate an Annual Production Plan (with diversification of area) for vegetables and fruits.
b. Establish Producer Associations linking them from production to marketing.
c. Provision of working capital and credit facilities including a revolving fund to support Producer Associations from the initial stages. Bank credit be provided also through mobile credit facilities.
d. Introduction of proper and acceptable grading system for vegetables and fruits.
e. Minimising post-harvest losses by better packing and transport of produce.
f. Provision of wholesaler floors and assisting marketing of produce of wholesalers by providing finances for storage construction and improvements.
g. Need to establish a network of information to producers and markets and prices for vegetables and fruits.

h. Provision of guidance and training to producers of produce for export markets.

IV

The study on marketing of subsidiary food crops revealed three main features.

a. Regional specialization
b. Different channels and volumes exist for each commodity
c. The existence of intermediaries and the important role played by them.

It was revealed that there was no grading, milling and processing taking place at various links of the marketing chain. There was also no storage taking place at primary level. Packaging and packaging materials were a constant problem in this SFC sector. Under this condition therefore, the risk of insect damage was high. Some farmers did use DDT, Malatheon which are toxic to prevent insect and pest attack. The farmers based their prices on floor prices rather than on buyers suggested price. producers also generally received more than 75% of the wholesale price. The SFC marketing channel functions reasonably well. The marketing margin for perishables like potatoes was high and for other SFC like chillies low. There was adequate justification for state intervention in improvement of the physical and service infrastructure. The study revealed that improvements in the marketing system should by sought more through improvement in market infrastructure facilities, enforcement of market regulations related to weights and measures to reduce marketing abuses like adulterating.

Hence the following was recommended :

i. Introduction of grading, milling and processing of SFC.
ii. Improvement of packaging and packaging materials.
iii. Regulations of the use of toxic elements in preventing insect attack of SFC.
iv. State intervention in provision of physical and service infrastructure facilities.

v. Enforcement of standards, regulations related to weights and measures and minimising marketing abuses of produce.

vi. Scheduling and timing of harvesting of crops.

vii. Introduction of post-harvest techniques and introduction of produce fumigation at all levels by providing assistance for on-farm storage and storage in production areas.

viii. Introduction of Marketing Extension to the farmers.

ix. Upgrading 'polas' and improvement of the management standards of the polas.

x. Introducing strong penalties for agricultural thefts.

XXXXXXXXXXXXXXXXX

Chapter 6

Part II

RECOMMENDATIONS MADE AT THE FOLLOW-UP COLLOQUIUM OF THE SEMINAR ON AGRICULTURAL MARKETING (FOOD COMMODITIES) IN SRI LANKA, HELD ON 23rd SEPTEMBER, 1985 AT THE AGRARIAN RESEARCH AND TRAINING INSTITUTE

The colloquium held on 23rd September, 1985 as a follow-up forum of the seminar of 9th August 1985, on the above subject, hosted a number of top level officers from various institutions concerned with the production and marketing of food commodities in the country. The meeting was presided over by Mr. N.V.K.K. Weragoda, Secretary of the Ministry of Agricultural Development and Research. The recommendations and decisions were made in such a way as to cover various important aspects as estimation of production, marketable surplus, marketing channels, producer prices, wholesaling, retailing and export possibilities of subsidiary food crops, rice, vegetables and fruits.

The following recommendations were made with regard to the afore-said four types of crops.

(1) As the prevalent production estimates are inaccurate, it is necessary that the Department of Agriculture and the Department of Census and statistics together with the ARTI should discuss this problem to take remedial action in the future.

(2) The Department of Agriculture should provide production figures to such purchasing and exporting institutions as CWE, MARKFED, Oils and Fats Corporation, Department of Marketing etc. well in advance, thus enabling them to make early purchasing arrangements.

(3) The Department of Marketing, CWE, MARKFED and other relevant institutions must establish contact with the farmers at rural level to help them receive better prices for their products.

(4) The Extension Division of the Department of Agriculture should launch better programmes to create an awareness among the rural

farmers particularly on grading, quality control, packaging and marketing of their products.

(5) It is necessary that newly introduced Regional Development Banks be properly instructed to provide as much agricultural credit facilities as possible.

(6) As the potatoe production in the Jaffna district has been seriously hampered, the Department of Agriculture should give more attention to explore the possibilities of growing potatoes in areas like Puttalam where the soil conditions are more desirable for this crop.

(7) Since the production of maize has seriously declined over the past few years, on account of low-yielding varieties, the Department of Agriculture should introduce high-yielding varieties as early as possible to arrest this trend.

(8) In order to upgrade the quality of cowpea dhal and green gram dhal which suffer a declining demand in the market at present and to help them to compete with the imported masoor dhal, cowpea processing should be improved by the agencies concerned.

(9) A separate Division of Food Technology should be created within the Ministry of Agricultural Development and Research.

(10) At present there is a good export market for such products as gingelly, green gram, green chillies, ginger and tumeric. Therefore, the Department of Agriculture should make arrangements to improve the quality and production of these commodities both at farmer and trader levels. On the basis of an undertaking given by the CWE, to purchase the total quantity of Bombay onion produced locally at Rs 10/kg, the Department of Agriculture promised to increase its production to meet the entire local demand so that the import of this commodity can be done away with.

(11) The Extension Division of the Department of Agriculture should launch an awareness programme of the significance of and the need for a production plan suitable for the consumer preference and market conditions.

(12) The Paddy Marketing Board agreed to provide a list of intermediaries and their financial requirements to the People's Bank and the Bank of Ceylon in relation to paddy marketing.

(13) Union Cold Storage Ltd. (33/1, New Bridge Approach Road, Wellampitiya) has cold storage facilities with a temperature suitable for agricultural produces such as fresh vegetables and cut flowers. The company leases these facilities to the private traders. But the electricity needed for this purpose is on the high side. If the government would provide subsidies for these activities, the company can increase its storage capacity. The Secretary of the Ministry of Agricultural Development and Research agreed to look into this matter.

ANNEX 1

LIST OF PARTICIPANTS AT THE SEMINAR AND THE FOLLOW UP COLLOQUIUM

01.	Mr. N.V.K.K. Weragoda	- Secretary, Ministry of Agricultural Development and Research
02.	Mr. Dixon Nilaweera	- Addl. Secretary, Ministry of Agricultural Development and Research
03.	Mr. U. Sapukotane	- Director (Agricultural Development) Ministry of Agricultural Development and Research
04.	Mr. T.B. Subasinghe	- Director, Agrarian Research and Training Institute
05.	Mr. Asoke de Lanerolle	- Chairman, Export Development Board
06.	Dr. Upali Nanayakkara	- Director (Marketing), Agricultural Development Authority
07.	Mr. W. Mediwake	- General Manager, Paddy Marketing Board
08.	Mr. Douglas Liyanage	- Managing Director, Agroskills
09.	Mr. W.A.W. Wickramathunga	- Asst. Director (Agriculture), Department of Agriculture
10.	Mr. Charles Uphaus	- Asst. Agriculture Development Officer, USAID
11.	Mr. Tissa de Soyza	- Project Officer, USAID
12.	Mr. D.R. Wijetilake	- Deputy Director, Ministry of Agricultural Development and Research
13.	Mr. H.A. Chandrapala	- Economist, Central Bank of Sri Lanka
14.	Mr. G. Amarasena	- General Manager, MARKFED
15.	Mr. L.A.P. Senarath	- Plan Implementation Officer, District Ministry, Kurunegala
16.	Miss Nirmala Fernando	- Asst. Commissioner, Department ffor Development of Marketing
17.	Mr. R.A.A.K. Ranawake	- Asst. Commissoner, Department for Development of Marketing

18.	Mr. A.M.U. Dissanayake	- Statistician, Department of Census and Statistics
19.	Mr. J.N.S. Dias	- Asst. Director, Export Development Board
20.	Mr. C. Ratnayake	- Executive, Ceylon Oils and Fats Corporation
21.	Mr. B.K.D.S. Samarasinghe	- Manager,(Business Development and Marketing), Mahaweli Authority of Sri Lanka
22.	Mr. Andrew Fernando	- Deputy Director (Marketing), Agricultural Development Authority
23.	Mr. R.H.S. Samarathunge	- Asst. Director, Ministry of Finance and Planning
24.	Mr. U. Vidanapathirana	- Research Officer, People's Bank
25.	Mr. S. Balasuriya	- Agricultural Economist, Department of Agriculture
26.	Mr. W.H.D. Kularatne	- Agricultural Economist, Department of Agriculture
27.	Mr. C.H.D.A. Jayasinghe	- Deputy Director, Ministry of Agricultural Development and Research
28.	Mrs. C. Manuelpillai	- Asst. Director, Export Development Board
29.	Mr. Ariya Abeysinghe	- Deputy Director, Ministry of Agricultural Development and Research
30.	Mrs. Malini Perera	- Directress, Orient Commercial Enterprises Ltd.
31.	Mr. Brian Forbes	- Asst. General Manager (Agriculture) Bank of Ceylon
32.	Mr. Nihal Jayawardena	- Asst. General Manager (Cooperatives and Development), People's Bank
33.	Mr. H.M.C. Kapilaratne	- Commissioner, Department of Agrarian Services
34.	Mr. S. Gunasekara	- Director, Union Cold Storage Ltd.
35.	Mr. L.F.W. Ponnaiah	- Secretary, Union Cold Storage Ltd.
36.	Mr. T.R. Fernando	- Addl. General Manager, C.W.E.

37.	Dr. N. Ranaweera	- Deputy Director, Department of Agriculture
38.	Mr. M. Kodituwakku	- Secretary, Regional Rural Development Bank, Matara
39.	Mr. P.T. Sirisena	- Deputy Director, Economic Research, Central Bank of Sri Lanka
40.	Mr. W.H.W. Soysa	- Asst. Commissioner, Department of Marketing Development
41.	Mr. Shyaman Jayasinghe	- Commissioner, Department for Development of Marketing
42.	Mr. P.D. Dharmasiri	- Asst. Commissioner, Department of Cooperatives
43.	Mr. Austin Fernando	- Commissioner, Department of Cooperatives
44.	Mr. A. Amarasekera	- Chairman, MARKFED
45.	Mr. D.M.B. Marapona	- Chairman, Paddy Marketing Board
46.	Dr. W. Fernando	- Director, Department of Agriculture
47.	Mr. T.M.A. Tennakoon	- Addl. Deputy Director, Department of Agriculture
48.	Mr. T.M.M. Tennakoon	- Chairman, Regional Rural Development Bank, Anuradhapura
49.	Mr. K. Amarathunge	- Marketing Manager, Oils & Fats Corporation
50.	Mr. W.A. Jayaratne	- Research & Training Officer, Agrarian Research & Training Institute
51.	Mrs. C. Hathurusinghe	- Research & Training Officer, Agrarian Research & Training Institute
52.	Mr. R.P.U. Pathirana	- Research & Training Officer, Agrarian Research & Training Institute
53.	Mr. W.G. Somaratne	- Research & Training Officer, Agrarian Research & Training Institute
54.	Mr. L.P. Rupasena	- Research & Training Officer, Agrarian Research & Training Institute
55.	Dr. C. Bogahawatte	- Consultant, Agrarian Research & Training Institute / Lecturer, University of Peradeniya

56. Mr. T.A. Dharmaratne	-	Research & Training Officer, Agrarian Research & Training Institute
57. Mrs. Ranjani Athukorale	-	Research & Training Officer, Agrarian Research & Training Institute
58. Mr. T.M.Z. Muthaliph	-	Research & Training Officer, Agrarian Research & Training Institute
59. Mr. R.M.R. Bandara	-	Research & Training Officer, Agrarian Research & Training Institute
60. Mr. Athula Chandrasiri	-	Deputy Director/Marketing and Food Policy Division, Agrarian Research & Training Institute

SEMINAR ON

AGRICULTURAL (FOOD COMMODITIES) MARKETING IN SRI LANKA

Date : 09th August 1985
Venue : ARTI Conference Hall

AGENDA

8.30 - 9.00 : Registration

9.00 - 9.15 : Opening Session

Chairman : Mr. Dixon Nilaweera,
Addl. Secretary, Ministry of Agricultural Development and Research

: Welcome address

Seminar Objectives and the procedures -
Mr. T.B. Subasinghe, Director/ARTI

Rapportuer: Mr. Ariya Abeysinghe,
Deputy Director, Ministry of Agricultural Development and Research

9.15 - 9.30 : An overview of Agricultural Marketing; Basic concepts, the Theoretical Base & Current problems -
Dr. Upali Nanayakkara, Director (Marketing),
Agricultural Development Authority

9.30 - 10.00 : Comments

1. Dr. C. Bogahawatta, University of Peradeniya and Consultant, MFPD/ARTI
2. Mr. U. Vidanapathirana, Research Officer. Peoples' Bank

10.00 - 10.30 : Discussion

10.30 - 10.45 : Tea Break

Rapportuer: Mr. C.H.D.A. Jayasinghe,
Deputy Director, Ministry of Agricultural Development & Research

10.45 - 11.00 : Paddy/Rice Marketing

Mr. W. Mediwaka, General Manager, Paddy Marketing Board

11.00 - 11.30 : Comments
1. Mrs. C. Hathurusinghe/Mr. T.M.Z. Muthaliph
R & T OO, ARTI
2. Mr. H.A. Chandrapala, Economist,
Central Bank of Sri Lanka

11.30 - 12.00 : Discussion
Rapportuer: Mr. G. Amarasena, General Manager,
Sri Lanka Co-operative Marketing Federation Ltd.

12.00 - 12.15 : Vegetable and Fruit Marketing
Mr. W.A.W. Wickramathunga, Asst. Director of Agriculture, Nuwara Eliya District

12.15 - 12.45 : Comments
1. Mr. L.P. Rupasena/Mr. R.P.U. Pathirana
R & T OO, ARTI
2. Miss Nirmala Fernando/Mr. R.A.A.K. Ranawaka
Asst. Commissioners, Department for Development of Marketing

12.45 - 1.15 : Discussion

1.15 - 2.15 : Lunch
Chairman : Evening Session -
Mr. Asoka de Lanerolle, Chairman, Export Development Board
Rapportuer : Mr. D.R. Wijethilaka, Deputy Director,
Ministry of Agricultural Development and Research

2.15 - 2.45 : The main features, market margins and imperfections in the present marketing system of subsidiary food crops.
Mr. Douglas Liyanage, Managing Director, Agroskills

2.45 - 3.15 : Comments
1. Mr. W.A. Jayaratne/Mr. T.M.Z. Muthaliph
R & T OO, ARTI
2. Mr. Desmond Perera, Marketing Manager,
Lanka Grain Elevators Ltd., Colombo 15.

3.15 - 3.45	:	Discussion
3.45 - 4.00	:	Tea
4.00 - 4.45	:	Presentation of Rapportuers' Reports and Formulation of Recommendations
4.45 - 5.15	:	Concluding remarks

1. Mr. Asoka de Lanerolle, Chairman, Export Development Board
2. Mr. D. Nilaweera, Addl. Secretary, Ministry of Agricultural Development & Research
3. Mr. Charles Uphaus, Asst. Agriculture Development Officer, USAID
4. Mr. T.B. Subasinghe, Director, ARTI