

Rural resource based industries as a strategy of strengthening the rural economy in Sri Lanka :a case study of food processing industries in Udawalawa irrigation system area

RPIR Prasanna¹ and Yoshiharu Shiratake¹

Over 70% of Sri Lankan population lives in rural areas and their livelihood is primarily based on agriculture. The recent economic indicators show that the contribution of the rural sector to the country's economic development has decreased. Over the last few decades, the contribution of the agricultural sector to GDP has declined comparatively. For instance, the agricultural sector contribution was 26.3% of the GDP in 1990 and only 17.1% in 2005 and it showed a poor performance recording a 1.1% average growth rate in the same period, when other sectors grew at a much higher rate. In the meantime, an unchanging level of poverty of 25% to 30% can be seen in the rural areas which is also critical since rural sector and agricultural households account for 79% and 40% of aggregate poverty respectively.

The purposes of this study are to examine the effects of Food Processing Industries (FPIs) on rural economy and identify the mechanism and characteristics of the rural resource circulation system, initiated by FPIs. The data collection for the study was carried out by administering two structured questionnaires to food processing firms and households in Udawalawa Irrigation System area during July to August 2007. The results revealed that FPIs are significant in upgrading the rural economy while leading to an environmentally friendly sustainable rural resource circulating system in the rural areas. In particular, improvement of market opportunities for rural agricultural products, stabilization of agricultural product price at the rural market, and minimization of uncertainty and risk in agricultural income are the primary results of the strong links between FPIs and agriculture. Particularly, the sustainable circulation of rural resources among both agriculture and food processing sectors has improved the farm households living conditions. The study concludes that resource circulation system initiated by FPIs has created the conditions for sustainable rural development.

Key words: Food Processing Industry, Resource Circulation System, Agriculture, Rural Economy, Environment

¹ Graduate School of Agricultural Science, Saga University, Japan