

Impact of the Procurement System of Supermarkets on the Rural Vegetable Farmers in Sri Lanka

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Changes in the Scio-economic environment over the past years have contributed to the emergence of supermarkets in Sri Lanka. Previous research studies have observed that the procurement system of the supermarket chain with the largest number of outlets has created an alternative channel which is different from the existing traditional vegetable supply chains. The particular channel purchase vegetables directly from the producer and sells directly to the consumer with the supermarket being the only intermediary in between. It was found to be comparatively more efficient and effective as opposed to the traditional vegetable supply chains in moving vegetables from the producer to the consumer. The proposed study aimed to investigate this aspect further by investigating the possible impacts the supermarket channel under consideration may have on the farmers in vegetable producing areas.

The research was conducted in the form of a case study in Hanguranketha. The sample of farmers was selected using the simple random sampling technique. Data was collected using semi-structured interviews and observations from a sample of 30 farmers who supply to the supermarket channel and 30 farmers who supply to traditional market channels.

The research revealed that the supermarket channel pay a higher price to the farmers, which has contributed to increase their income. It has reduced the degree of dominance among intermediaries attached to traditional channel. Employees attached to the supermarket provide farmers with information and advice relating to production. However, it was found that only farmers in the near vicinity of the regional collecting centre of the supermarket have the ability to access the particular channel. Even among farmers who do have access, only about 29% of their total harvest was purchased by the supermarket. There were no buy-back agreements between the supermarket and the farmers. Hence, due to the uncertainty with respect to price and quantity, farmers were not willing to change the production practices. Thus, it can be concluded that the emergence of the particular supermarket channel deem to be beneficial to farmers. However, there is a scope for possible improvements.

Key Words: Procurement system; Supermarkets; Rural vegetable farmers; Supply chain; Market channels

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