

EFFICIENCY IN BIG ONION MARKETING SYSTEM IN SRI LANKA

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Big onion is one of the most popular condiments in Sri Lanka with an increasing per capita consumption over time. Therefore enhancing efficiencies in production and marketing of big onion is beneficial. Hence, the objective of this study was to examine the efficiency in big onion marketing system in Sri Lanka during the period from 2000 to 2014. This study was done using secondary data. Nominal prices were converted to real prices using the Colombo Consumer Price Index. The size of the price spread between farm gate and retail prices was examined as it reflects the level of operational efficiency of marketing. Price spread between the farm gate prices and retail prices at Dambulla and Colombo were calculated and coefficient of variation was used to find stability of the prices. The pricing efficiency was measured using the correlation coefficient between wholesale prices at Colombo and Dambulla markets. Results revealed that price spread has been increased over the years in a much slower growth trend in Dambulla market because there are a large number of small scale retailers operating in the markets. Normally they maintain higher margins because they sell small quantities of vegetables. In Colombo, decreased market price spread over the year means decreased marketing cost and increased operational efficiency. Price instability was higher at farm gate level than wholesale and retail levels indicating that farmers are not safer than traders in the presence of price fluctuations. Because correlation coefficient was high and significant ($r=0.91$), there is a high level of market integration of whole sale prices between Colombo and Dambulla markets. That means high level of pricing efficiency. It is concluded that some measures should be taken to reduce price instability at the farm gate and marketing margins, though big onion marketing system in Sri Lanka is functioning more or less efficiently.

Keywords: Correlation coefficients, Marketing efficiency, Price spread, Price stability