

Innovative Market Oriented Advisory Services for Agro-Enterprise Development in Sri Lanka

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High transaction costs, inefficient value chains and lack of capacity to meet market demands for quality, quantity and timeliness have put small farmers in a disadvantaged position in the highly unpredictable market environment in Sri Lanka. Hence, strengthening the small scale agro-enterprises through market oriented advisory services become inevitable. The objective of this paper is, therefore, to determine how advisory services can be changed so that they contribute to the improvement of the market orientation (product, price, place and promotion) of small producers. Five cases of private organizations and/or public-private partnerships, already practicing innovative market oriented advisory services (MOAS) were selected and both quantitative and qualitative data were collected by using a pre-tested interview schedule, key informant discussions and observations to achieve the research objective. Innovative MOAS activities and performance of agro-enterprises were analysed.

The results revealed that in the conventional agricultural extension system, many producers attempt to produce higher volumes at lower costs (cost leadership) in contrast to MOAS where producers attempt to gain competitive advantage through product differentiation (organic and natural products, premium quality, value addition etc.) and niche marketing at local and international markets. Combination of scientific knowledge obtained through better advisory service with traditional indigenous knowledge help the farmers in the MOAS system to focus on both production (crop selection, planning, and cultural practices) and marketing (post-harvest handling, quality standards, packing, transportation, hygiene, etc) aspects of their enterprise. Better linkages and coordination of business activities such as production, marketing, distribution and finance, as well as continuous research and development in respective areas help the actors in the value chain to increase their profits. The weaknesses of the traditional farmer organizations have been addressed in the new system through forming empowered, networked and profit-oriented farmer groups. Innovative and differentiated products with high quality standards; additional benefits or services that justify higher prices; focus on high-end supermarkets, final processors, and export markets; and promotion through branding and value addition in various advertising media help the farmers to gain profitability, sustainability and equity.

In conclusion, MOAS can provide better solutions to all the actors in the agricultural value chain. Capacity building of the producers and making them more market-oriented would provide more competitive advantages to the small farmers. Collaboration of private and public partners would facilitate this process.