

Market Prices on the Small Screen: Transforming Farmers' Markets in Sri Lanka



Photo: Oliver Dixon/Transaid Images

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Angela Pereira

At Sri Lanka's largest agricultural market a large projection screen overlooks 12 acres of stalls brimming with produce.

Traders at the Dambulla market consult the screen to receive up-to-the-minute pricing information on produce being sold in the market.

This information helps them negotiate fair prices at any of the market's 144 booths, says Harsha de Silva, head economist at Sri Lanka-based LIRNEasia, a non-profit organization and IDRC partner that aims to use information and communication technologies (ICTs) to improve the lives of Asia's people.

In the case of the Dambulla market traders, de Silva says farmers can negotiate from a stronger position because information is accessible.

Such information is vital to ensuring agricultural markets work efficiently because it helps farmers reduce their transaction costs, according to de Silva.

But most research in developing countries has focused on helping farmers access information at the end of the production cycle — like the Dambulla market price screen, says de Silva. "We always focus on the selling stage... prices are important, but what about the information that comes before the point of selling?"

He says farmers can use information available at the market to negotiate a better price for eggplant, but if there was more information available before planting crops, they might decide that onions would be a more profitable choice. This type of price projection information — common in developed countries via the Internet — is not readily available to rural farmers in developing countries, says de Silva.



Relaying information through ICTs



Photo: <http://lirneasia.net>

Five years ago, de Silva decided to explore how Sri Lankan farmers access information throughout the production cycle with a view to identifying how ICTs could quickly, cheaply, and effectively relay information to farmers. It became his “pet project,” and eventually formed part of LIRNEAsia’s research program — of which IDRC is a primary funder.

He and his colleagues studied 314 smallholder farmers at the Dambulla market, analyzing the transaction

costs they incurred at each stage of the value chain — from deciding what to grow, to seeding, planting, growing, harvesting, and selling.

He says he is “astonished” by the findings: 70% of farmers’ transaction costs are associated with information gathering. Moreover, 25% of this information cost is incurred when farmers decide what to grow.

Laurent Elder, of IDRC’s PAN Asia program, which supports the project, says this study has succeeded where others have fallen short because it provides “clear, quantitative data on how ICTs could actually improve the lives of farmers, productivity, and markets in general.”

Practical implications

Although the study shows that information can reduce farmers’ costs, and that an ICT intervention should be targeted at both the planting and selling stage, one question remains — how can farmers actually receive the information when they need it?

Research has traditionally focused on understanding how the Internet can relay information to farmers, but mobile phones are more widely accessible in developing countries, says de Silva.



Photo: <http://lirneasia.net>

“In the case of [Sri Lanka] where farmers are poor and have few assets — and a phone may be one of the only assets they have — can we use that to help them get this information?” he asks.

But this may be difficult since the study also found many farmers are willing to travel to find information — a costly and time-intensive choice — even if they have access to a phone.

“That just completely floors you,” says de Silva. “But it has a lot to do with trust and the ability to trust information delivered over the phone.”

Overcoming this mistrust as well as improving accessibility must be part of any successful strategy, says de Silva. Currently, LIRNEasia is talking with Sri Lankan banks and mobile phone companies about setting up a mobile platform that can provide price projection information to farmers.

More profits for farmers

De Silva says helping farmers reduce their costs will improve their profits and standard of living.

"In this day and age where food is so expensive, people are finding it hard to find three square meals a day and this is reality," he says. "At the end of the day, we want to increase the welfare both of consumers and producers."

- *Angela Pereira is a writer in IDRC's Communications Division*

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