

Policy Brief

Policy Support for Innovative Agriculture Marketing Strategies



Main Research Report

Policy Research in the Area of Innovative Marketing Strategies

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AGRICULTURE SECTOR MODERNIZATION PROJECT

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Agriculture Sector Modernization Project

Ministry of Agriculture, Livestock, Lands and Irrigation

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Executive Summary

There has been a marked absence of Government policies or interventions in the field of agricultural marketing, other than the enactment of the Food Act of 1980 and its amendments regarding the food processing industry.

Modern marketing channels are more integrated and pay attention to post-harvest management to enhance product quality, reducing post-harvest losses by 5-10% as against 15-20% reported in conventional marketing channels. In Sri Lanka, modern marketing channels are leading only in the rice sector due to the modernization of rice mills, integrated marketing activities, and product branding.

However, the investment analysis carried out for paddy farming found that the return on investment is in a decreasing trend because the cost of production rises at a higher rate than that of sales value.

Conventional marketing channels still continue to dominate in other field crops, vegetables and fruits crop sectors. Value chain analysis carried out for vegetables and fruits shows that although the highest marketing margins are received by farmers, their incomes are inadequate to meet the family requirements due to small-scale production and lack of intensive farming.

The comparative study of the agricultural marketing systems in the countries of the region found one of the common agricultural marketing intervention of almost all the governments in the region are the Support Price Programs (SPPs) with different names for assisting the consumers as well as the producers. Though these SPPs are quite popular in the region, they are gradually being scrapped due to market distortions and the huge financial burden of these schemes. The institutional structures for agricultural marketing in the region are also similar with several institutions established for marketing in Sri Lanka, while their effectiveness and efficiency are often questioned.

Noticeable developments in agricultural marketing in the region, i.e., emerging of dedicated transportation services, reduction of cost and time of transaction through the use of IT facilities, promotion of post-harvest credit schemes to encourage farmers to store their outputs, revitalizing the value of cooperative/farmer groups in agricultural marketing, branding and labelling the fresh products (fruits and vegetables) through technology such as QR coding and Quality labelling. Furthermore, it is observed that government facilitation has been more successful than government intervention. The following factors are identified as key success factors in linking small farmers with global value chains: i) use of low-cost effective modern technologies in marketing, ii) strengthening the cooperation among small farmers, iii) availability of improved and dedicated transport and logistic facilities for farmers, iv) government intervention in quality guarantee programs and v) major role of the public sector is to facilitate the marketing process rather than being directly involved as a trader.

Based on the innovative marketing strategies studied in Sri Lanka and other countries, a series of policy recommendations were provided to upgrade the existing agricultural value chains and improve the agricultural exports. These recommendations explain how to develop the marketing led production planning, sustainable farmer collective actions, the effective government procurement system, the promotion of agro-entrepreneurship, e-marketing, digitalization of economic centers, promoting of GAP

certification, education of post-harvest management, diversification of product and export markets, and simplification of the tax structure and export procedures.

1. Introduction

After Economic Liberalization in 1977, there had been a marked absence of agricultural marketing policies or Government interventions in the field of agricultural marketing in Sri Lanka, other than the enactment of the Food Act of 1980 and its amendments in relation to the food processing industry. This is having serious implications, not only on agricultural marketing but also on the development of the entire agricultural sector of the country.

However, the government had to protect the consumers from trade malpractices and consequently resulted in enacting the Consumer Protection Act No. 1 of 1979 which was followed by a series of amendments and finally ending up with the Consumer Affairs Authority Act No.9 of 2003 that repealed all preceding acts. These policies did not have any specific impact on agricultural marketing, as the common objectives of these policies were “to protect the consumer against all marketing malpractices and the provision of all goods hazardous to health”. The only relationship to agriculture was that the above provisions were supposed to ensure food security.

To identify knowledge gaps, policy and regulatory inconsistencies in the area of Agriculture Marketing, the Agriculture Sector Modernization Project (ASMP) commissioned a policy research study to carry out an in-depth analysis of domestic and regional food marketing systems with special reference to innovative marketing strategies adopted by successful entrepreneurs in Sri Lanka and other developing countries and to recommend adjustments, reforms or new policies needed to modernize agriculture sector, thereby making agriculture sector more competitive, responsive to the market demand, sustainable and resilient.

2. Approach and Results

2.1 Approach

This research assignment has based on three input categories of information namely;

- I) Domestic agricultural marketing systems and agricultural policies
- II) Regional agricultural marketing system and regional agriculture policies
- III) Agricultural export system.

The analysis has been undertaken using both primary and secondary data collected from many sources. The secondary data and information required to analyze the organization, operation and performance of food marketing systems was collected from documents published by various local and international organizations and some unpublished reports. Desk research was undertaken at the outset by analyzing the secondary data collected.

The primary data were collected using a mixed method, which involves both quantitative and qualitative methods. Quantitative techniques include tracer surveys, farmer and trader surveys, while qualitative techniques comprise of Key Informant Interviews (KIIs), Focus Group Discussions (FGDs) and case studies.

2.2 Results

2.2.1 Agricultural policies on Agricultural Marketing System in Sri Lanka

Agricultural Marketing systems have been studied based on different crop sectors namely Fruit & Vegetables, Spices, Rice/Paddy, and other field crop sectors. Primary data collection has been done from 119 value chain players in selected value chains of the above crop categories.

After the introduction of open economic policies in 1977, a comprehensive policy document on Agriculture was prepared by the Planning Division of the Ministry of Finance, in 1984.

Since then, several agricultural policy documents have been prepared by the Ministry of Agriculture, as shown in the Table 1.

Table 1: Policy documents prepared by the Ministry of Agriculture from 1995 to 2018

No.	Name of the Document	Name of the Agriculture Ministry at the time	Year
01	National Policy Framework: Agriculture, Lands and Forestry	Ministry of Agriculture, Lands and Forestry	1995
02	National Policy on Agriculture and Livestock, 2003-2010	Ministry of Agriculture and Livestock	2003
03	“Let us grow and build the country”: National Food Drive, 2007- 2010	Ministry of Agriculture Development and Agrarian Service	2007
04	Cooperate Plan, 2011-2013	Ministry of Agriculture	2010
05	National Policy and Strategy on Cleaner Production for Agricultural Sector	Ministry of Agriculture	2012
06	Agricultural Policy framework	Ministry of Agriculture	2015
07	National Agricultural Policy	Ministry of Agriculture	2018

In these documents, there is either a separate chapter or a section for marketing. High price fluctuation and high post-harvest losses are the two major issues highlighted in all the policy documents and suggested strategies to solve these problems are more or less the same.

Marketing strategies included in these documents are:

- 1) Advocated planned production in terms of market demand (1995),
- 2) Build up market-oriented agriculture (2003),
- 3) Market-based production planning (2003) and
- 4) Market-oriented development (2019)

Specific strategies suggested for price stabilization are:

- 1) Government procurement through a floor price scheme,
- 2) Importation during the lean supply period
- 3) Product planning in line with market demand,
- 4) Involvement of farmer organizations in marketing
- 5) Storage and value addition, and
- 6) Private sector participation through an out-grower scheme.

Suggested strategies to reduce high post-harvest losses are: cold chain management, planned production and careful handling, packing and transporting.

Marketing strategies included in the policy document of 2019 are:

- 1) Pre-contracts between producers and traders including exporters,
- 2) Branding of agricultural produce for export,
- 3) Controls of importation of agricultural products for price stabilization,
- 4) Tax-free importation of machinery and equipment required for agricultural value addition,
- 5) Combining the state and private sector institutions and agricultural crop management system to minimize wastage of products,
- 6) Railway coaches for goods transport
- 7) Stabilization of paddy prices through purchasing by Paddy Marketing Board and
- 8) Building of a community of youthful agricultural entrepreneurs.

The functional plan is yet to be prepared to implement all these strategies

- *The review of policy documents found a lack of functional plans except in two documents (Let Us Grow and Build the Country, 2007-2010 and Cooperate Plan 2011-2013).*
- *No or few attempts have been made to implement, monitor and evaluate strategies, in the functional plans.*

Almost all above strategies are still valid, the urgent need is to prepare, implement, monitor and evaluate functional/operational plans to implement strategies whereby the prolonged marketing problems could be solved. The E-marketing strategy should be added as a new policy and should be given the highest priority because it is superior to all other supply chains.

None of the policy documents reported reasons for not achieving the given objectives and none of the policy documents referred to the earlier policy documents. Policy reforms or new policies were not reported in policy documents.

In principle, when preparing a new policy document, the starting point should be reviewing of the existing policies in order to identify the policy reforms and new policies.

2.2.2. Policies and institutions on agricultural marketing in the neighboring countries

Marketing policies and marketing institutions in the region, especially in India, Pakistan, Bangladesh, Vietnam, Thailand and Japan have been reviewed.

India:

The Central and local governments provide the required policy support for Doubling Farmers Income by 2020 initiative and Schemes like Paramparagat Krishi Vikas Yojana. Promotes e-platforms such as eNAM (National Electronic Marketing Program), Transport and Marketing Assistance program are examples of the orientation of the government of India on agricultural marketing. The infrastructure availability of the food industry is recorded with 7,845 cold storage facilities with a capacity of 35 million metric tons. Agricultural storage facilities grew at a compounded annual growth rate of 4% between 2014 and 2017. There are more than 40 Mega Food Parks and 60 export zones and more than 37,000 food processing units in India, targeting for FDI to the food processing industry. The food processing industry has identified product innovation as the key to the expansion of the sector and public/private investments are directed in achieving this goal.

Japan:

The government is intervening in many aspects of Japanese agriculture, including marketing. The market prices as well the average price received by the Japanese farmers are affected by the government intervention such as; producer quotas, income stabilization policies, deficiency payments, the rice diversion program, hazard insurance subsidies and stockholding policies.

- Producer quotas - administered mostly for the milk production to stabilize the market price. Farmers are paid directly a payment per liter up to the level of milk production quota of the farmer.
- Income stabilization policies- the government pays the farmers a part of the losses caused by price fluctuations based on the past records of the shifts in average prices of commodity/crop.
- Deficiency payments are made to compensate the difference between expected price and the actual price. These types of programs are available for beef, pork and soya beans.
- To avoid the excess supply of rice in the market, the government is paying a substantial amount of money to the conversion of rice fields to other crops which is known as a diversion payment. An important fact to note is that the farmers are paid the diversion payments even if they cultivated paddy, but do not harvest them for food grain. If they harvest rice for some other use such as industrial usage or for manure, they are eligible for receiving the diversion payments.

- Government crop and livestock insurance programs are also provided for recovering the losses caused by sudden attacks due to diseases or some other reasons.
- Japan also uses a Tariff Rated Quota to limit the import of some agricultural products. Under this scheme, the import of certain products is allowed free of or at a lower level of tax, but any excess over the quota will have a level of tax that may completely halt the import.
- More than 80% of the Japanese farming population is now part-time employees in the agricultural sector, while the majority of them belongs to the age category of more than 60 years old. However, the annual average income of the Japanese farming households is 25–30% higher than that of the national average. This implies that the living conditions of the farming households are better than the national average. Obviously, government protection provided for the agricultural sector has a huge bearing on this scenario, but there is yet another important factor behind the better welfare levels of the farmers. This contributory factor is the organization of the Japanese farmers under one strong umbrella which is called the Japanese Agricultural Cooperatives or JA.
- Japanese Agricultural Cooperative System, which provides an impressive case study for a successful cooperative movement with enormous strengths, and economic and lobbying power.

Thailand

Thailand is popular for processed food production as well as for canned food production. Nearly half of the workforce in Thailand is engaged in agriculture. Thailand, a traditional agricultural economy, has changed to an export-led industrial economy within less than four decades. Its export share accounts for more than 1/3 of its GDP with more than US\$ 40 billion positive trade balance. Thailand's march towards an export led economy especially from food, was greatly assisted by the advanced food labelling of Thailand.

Vietnam

The agricultural sector in Vietnam contributed nearly 15% to the economy in 2018. Exports increased to US\$ 14 billion in 2000, and to US\$ 245 billion by 2018 while import growth also was similar. the trade openness of Vietnam and its successful performance over the period. Paddy and maize are the two major crops produced by Vietnam while vegetable, fruits and several other industrial crops are produced. Vietnam has trade with more than 200 countries, out of which, it receives a turnover of more than US\$ 100 from over 70 countries. Signifying the openness, Vietnam has signed 12 Free Trade Agreements with 56 countries. All these have elevated Vietnam as the 27th global exporter and 25th global importer.

Vietnam's agricultural exports increased more than 100% between 2015 and 2018 in both quantity and value. Major exports destinations of Vietnam agricultural products (in 2018) are China (US\$ 7.26 billion), European Union (US\$ 3.96 billion), USA (US\$ 3.54 billion), ASEAN (US\$ 2.64 billion) and Japan (US\$ 1.77 billion).

Vietnam is the third exporter of rice after India and Thailand. It is the second exporter of coffee after Brazil and it is the fifth exporter of tea. In addition, Vietnam is currently the largest pepper exporter in the world while it is an important player in the global market in many other agricultural products. It is very clear that “Doi Moi” policies in 1986 as well as other agricultural sector development policies and free trade agreements have contributed significantly towards the development of the agriculture sector itself and the agricultural exports of Vietnam in recent years.

Pakistan

is a net food importer though there are several products that Pakistan exports to the world. Pakistan exports of rice to the world market equals to 10% of the total trade. Major agricultural crops in Pakistan include cotton, wheat, rice, sugarcane, fruits and vegetables. The Pakistan irrigation system is known as the largest irrigation system of the world. A noticeable difference in agriculture in Pakistan is the slow progress in the transformation of agricultural system as a whole, as well as the agricultural marketing system. More than 40% of the total arable land area is owned by larger land owners who control most of the irrigation system. Most of the powers with relation to Pakistan agriculture sector is vested with provincial governments though some powers are still with the central government. Therefore, much of policies and programs on agricultural marketing systems are handled by the provincial governments. The major focus of the Pakistan agriculture sector presently is to move from self-reliance agriculture to profitability in the sector. Major agricultural policies of Pakistan are targeted at provision of foods at an affordable price to the poor people. As more than 70% of the people in Pakistan live in rural areas where agriculture is the top livelihood, agricultural policies directly affect these people's lives. However, performance of the agricultural sector of Pakistan is a huge concern at present owing to the capacity of the sector to feed the ever-increasing population of Pakistan. Though the slow progress of the sector is attributed to different reasons, Ghafoor et al. (2017) raise the concern of the weak performance of the agricultural marketing framework.

Bangladesh

Bangladesh is one of the fastest growing economies in recent time. More than 83 per cent of the rural people depend on agriculture as their livelihood activity. Adverse climatic conditions frequent in Bangladesh that affect the rural agricultural sector. The agriculture sector contributes around 17% to the total GDP, employs more than 45% of the total workforce, provides the inputs for the industrial sector and contributes to the export sector.

Value addition to agricultural raw products and agri-business management further enhances the ability of the sector in reducing poverty. Furthermore, increases in the number of middle-income earners and in the urban population and the increased demand for value added products in the Bangladesh markets has been noted (Agri Business Development Project - 2004).

The study found the following policy mix relevant to agricultural marketing in the above selected countries (Table 2). All the countries concerned have policies on price support, institutional support, legal support and infrastructure support, but the structure and level of operation varies as explained in the foregoing sections.

Table 2: Policy mix in the selected countries

Policy mixes/ variables	India	Pakistan	Bangladesh	Thailand	Vietnam	Japan
Support price system (staple products)	Yes	Yes	Yes	Yes	Yes	Yes
Institutional development for Agricultural Marketing	Yes	Yes	Yes	Yes	Yes	Yes
Dedicated legislation for Agricultural marketing	Yes	Yes	Yes	Yes	Yes	Yes
Modern Warehousing facilities	Yes	Yes	Yes	Yes	Yes	Yes

All these governments intervene in the markets with minimum prices for agricultural commodities for the protection of producers especially with the objective of food security and sustainability.

However, there is a gradual decrease in government direct intervention in the food market in the region and private participation in export and import of agricultural food has increased significantly in recent

years. At present, government intervention can be seen in providing institutional arrangements for agricultural marketing, including the regulatory framework. It is also found that many countries in the region provide several support services such as roads, transportation and warehousing for smooth functioning of the market, combined with several other support services especially targeted at small scale farmers.

2.2.3 Institutional development and legislation

There are several institutional developments in the region for assisting in agricultural food marketing at national and local levels.

- India has established the Food Corporation of India (FCI), the National Agricultural Cooperative Marketing Federation (NAFED), the Cotton Corporation of India, the Jute Corporation of India, the Tobacco Board, the Rubber Board and the Coffee Board for operation of the marketing systems. There is also a Commission for Agricultural Costs and Prices (CACP) to advise the government on a regular basis on all matters related to agricultural marketing. The major role of the commission is to advise the government on setting the minimum support prices of the designated crops and also ensuring that agricultural productivity is in line with the market demand. In setting the minimum support prices, CACP analyses the demand and supply, cost of production, price trends in the market, both domestic and international, inter-crop price parity, terms of trade between agriculture and non-agriculture, a minimum of 50% as the margin over cost of production, and likely implications of minimum support prices on consumers of that product.
- The Nepal Food Corporation, the Malaysia Federal Agricultural Marketing Authority, the Philippines National Food Authority, the Myanmar Agricultural Produce Trading (MAPT), the BULOG in Indonesia, the Public Corporation for Jute in Bangladesh, the National Agricultural Cooperative Federation, the Agricultural and Fisheries Marketing Corporation in the Republic of Korea, the Pakistan Agricultural Storage and Services Corporation (PASSCO) and Warehouse Organization in Thailand are some examples of other formal government sponsored organizations working in the field of agricultural marketing.

These institutions assist the government to operationalize its policies and programs.

(Refer Final Report - Section II, Annex 06 for details of agricultural marketing related policy document and journal articles review and Annex 07 for literature review on role of ICT in modern agricultural marketing)

3 Conclusions and Recommendations -

3.1 Sector specific conclusions

3.1.1. Rice, other field crops, vegetables and fruit sectors

Structural changes taken place in the modern rice marketing system has created an oligopolistic market structure as the traditional rice marketing system is unable to compete with the modern rice marketing system, which has become a national issue today.

Although structural changes in the marketing of other crops are taking place, the traditional marketing system still shows dominance. The operation of the vegetable marketing system is favored by the traders, they adopt the variable pricing principle, keeping higher margins at main harvesting season and lowering it during the lean supply season. Although this mechanism favors price stabilization, but the farmers are not benefited.

This is mainly due to the absence of channel competition and limited agro entrepreneurs to undertake innovative marketing strategies elevating it to the next level. The behavior of traders is having adverse effects on the farmers resulting in decreasing the farmers' share over time, instead of improving efficiency. In this backdrop, it can be seen that agro-value chain players lack business orientation and collaboration towards achieving the common goal of maximizing profit through customer satisfaction

3.1.2. Spice and floriculture sectors

The traditional spice marketing system is based on exporting of primary products in bulk form. Sri Lanka cannot compete in the global spice market unless a strict quality control system is exercised. The intrinsic quality of Sri Lankan spices has not been used as a marketing tool in the export market (somewhat in the Cinnamon sector). Minimum or no use of agrochemicals in the production process is also a good marketing tool which also has not been made utilized so far. It was revealed that the absence of a legally enacted institution to deal with trade related matters is a serious weakness and has to be rectified for the betterment of the spice industry.

Linking of producers and buyers was unsatisfactory in the floriculture sector. The present export rules and regulations are not export-friendly. The advantages of the year-round cool climate in the hill country have not been used for boosting the floriculture industry in Sri Lanka.

3.2 Agricultural exports

Sri Lanka's policy framework has been conducive for exporting, although exports remain limited. Export products and markets have not diversified and the penetration of the world markets through Sri Lankan trade names, trade promotion, and certification measures have been very slow. The major reasons for low export performance is attributed to heavy dependence on a few export markets and high dependence on imports to meet the domestic food requirement.

In addition, Sri Lanka has not been able to adjust to the world market requirements of agricultural products to cater to the changing demand. The value addition in the value chain is very low, and produce deteriorates as it changes many hands from farmer to consumer.

Research and Development (R & D) activities, have mostly been carried out without having a clear understanding of market demands and customer requirements.

Sri Lanka has the most complicated tariff system and traders complain that they have to face many Non-Tariff barriers, Para-Tariffs, Procedural Obstacles (POs) and Trade Related Business Environments (TBEs).

Trade barriers also make it difficult to access world class inputs at competitive prices thus reducing the ability of firms to compete and integrate into global value chains and regional value chains.

The poor performance in trade logistics has led to weak integration into global production networks.

In the case of Sri Lankan agricultural exports such as coconut, cinnamon, cloves and nutmeg, the traders have to comply with strict technical regulations applied by various countries to import from Sri Lanka. Where organic products from Sri Lanka to the EU are concerned, EU buyers need to obtain a special import authorization for organic products which is costly and time consuming for EU buyers. Sri Lanka has not been classified by the EU as an equivalent country in terms of an organic regime. Sri Lankan exporters of organic foods depend on very few authorized buyers and therefore traders cannot diversify across them.

3.3. Regional market analysis

- Agricultural marketing systems in the region are quite similar to Sri Lanka, through price support systems aiming to benefit both producers and consumers are popular in the region, but gradually growing less at present.

- Modern IT infrastructure in facilitating agricultural marketing activities is getting popular, Agricultural Marketing Information Systems (AMIS) and web-based marketing platforms are introduced in many economies in the region that shorten the agricultural value chains.
- Food labelling integrated with modern technology also plays an important role in present agricultural marketing systems in the region. Use of QR Codes that ensures traceability of agricultural produce down to the farmer level have increased the consumer confidence in the agricultural products.
- Intervention of the government in ensuring quality standards in food marketing is important as the quality improvements have led to increased popularity of certain brands not only in local markets, but also in the international markets. These quality brandings have taken place from production, transportation, storing stages and to the retail trade.
- The study also found that there are a number of public institutions established for assisting the agricultural marketing systems even though the efficiency and effectiveness of these public institutions are often questioned.
- Provision of the e-warehouse receipt system is a noticeable improvement in agricultural marketing in the region.
- Though there are several trials and errors in the use of farmer cooperatives in agricultural marketing in the region, the formation of agricultural cooperatives is still seen as relevant in the area of agricultural marketing.
- Farmer companies have also been introduced in place of farmer cooperatives at present. Nevertheless, strong farmer cooperatives have benefited the farmers substantially.

The following factors are identified as key successes in agricultural marketing in this region:

- i) Use of low-cost, effective modern technologies in marketing,
- ii) Strengthening the cooperation among small farmers,
- iii) Availability of improved and dedicated transport and logistic facilities for farmers,
- iv) Government intervention in quality guarantee programs and
- v) Public sector's role as a facilitator in the marketing process rather than being directly involved as a trader.

4. Overarching Policy recommendations

Policy recommendations are made in the form of new policies, policy reforms, and policy adjustments for consideration in the short and medium terms.

4.1 Short Term Policies

New Policies	Policy Reforms	Policy Adjustments
Encourage sustainable informal farmer collective actions in addition to formal collective actions.	National Planning Department (NPD) should be responsible for preparing and monitoring of economic plans including agriculture. At present, NPD prepares a Public Investment Program (PIP) but there is no implementation and monitoring mechanism.	Agro-product Branding - Promoting geographical and general branding of Sri Lanka and product differentiation as Sri Lankan brands in global agro-food value chains.
Strengthening of warehouse receipt financing system (WRFS) In addition to direct government purchasing, at the harvesting time.	Promote Agriculture into agribusinesses and farmers into agro-entrepreneurs. Transfer production-oriented extension system into a market-oriented system make market pull production system instead Market push system. Agrarian Service Centers (ASCs) should be upgraded as Agri. business development centers.	Providing output subsidies for farmers that encourage production of market demand products - to promote organic products as a pilot basis
Collective actions for Export promotion, by all the agricultural related ministries, export promotion boards and other agencies to develop and capture the export market.	Create simplified tariff structure and formulate trade policy to encourage Product diversification, product differentiation, quality differentiation, value addition and value creation to growth in Agric. exports.	Promoting organic products and Facilitation in getting organic certifications - The domestic bottleneck in testing and certification infrastructure should be improve
	Improve market intelligence for new market links, niche markets, prices, technology, potential markets, quality & testing requirements, export procedures, logistics, and raw material supplies for providing information on value added industries and identifying new investors.	

4.2 Medium Term Policies

New Policies	Policy Reforms	Policy Adjustments
i)Promotion of Agro entrepreneurship - Sri Lanka is in shortage of agricultural entrepreneurs. Entrepreneurial degree programs, certificate or diploma level courses should be extended, targeting especially the farming youth.	i)Agricultural value chain upgrading- Current agricultural value chains are too long, fragmented and non-transparent. Traders hide their margins. It is proposed to implement a transparent information flow on quantity, quality and price to establish business trust among players through the block chain technology to have effective and efficient agro value chains.	i)Sustainable formal farmer collective actions to solve marketing problems faced by farmers - Farmer organizations have been in operation in Sri Lanka under different agencies, it is proposed to give full authority to the Department of Agrarian Development to create, develop and sustain farmer organizations to reap higher benefits for member farmers, as in Japan and India
ii)Introduction of digital marketing platform for economic centers- Operational efficiency of economic centers can be improved by introducing an electronic marketing system.	ii)Transportation of Agro-products through railway- to reduce cost by having introduced dedicated but technically upgraded cargo wagon in to regular trains initially and later to introduce dedicated trains for agricultural product transportation.	ii)Formula for guaranteed price - Decline in agricultural commodity prices during the harvesting time is a critical issue, setting of guaranteed prices is done in an ad hoc basis in Sri Lanka. Proposed to adopt a systematic price formula, before planting.
iii)Direct marketing by farmers to consumers - Community Supported Agriculture (CSA) System practiced in many countries farmers directly sell products to the community. Farmer markets, agro-tourism and virtual markets are widely used direct marketing tools in the world.	iii)Government procurement system- Even with open economic policies, in many countries in the region, government organizations involved in agricultural marketing, in Sri Lanka only PMB is available to purchase rice. It is necessary to revise the PMB Act enable it to procure other agricultural products as the apex body for food and agriculture marketing.	iii)Promoting GAP certification, GAP implementation should become a core practice in the future, institutional strengthening to ensure island wide certification is of prime importance to facilitate agriculture exports. Accreditation of Sri Lanka GAP certification to international standards to match the 'Global GAP' Certification is recommended.
iv)Simplification and automation of documentation in Trade facilitation especially in support of SMEs and identification of backend production opportunities are the steps needed to support farmers to be aligned national export procedures.	iv)Promote multilateral trade and customs union- to negotiate trade deals as a large economic block.	
v)Education on post-harvest management- Sri Lanka should educate farmers on post-harvest technologies especially storage and preservation to avoid large post-harvest losses and quality level losses as famers lack this knowledge and technology.		

4.3 Specific recommendations, trade policies and facilitation for spices and floriculture

Based on the empirical findings, the following recommendations can be made with respect to spice and floriculture trade policies. Policy recommendations common to spice sector are discussed first and the recommendations for cinnamon, pepper and cardamom are then discussed as they are specific to the ps. Finally, policy recommendations for the floriculture sector are given.

4.3.1. Short term Policies

New Policies	Policy Reforms	Policy Adjustments
<p>i) Creating of a trade information portal as a means of facilitating trade through a single, user-friendly website. All the producers and users (buyers) should be registered with relevant information.</p>	<p>i) Strengthening inter- agency cohesion to facilitate value addition and marketing of spices. - DEA assists production & value additions, DOA mediates issuing of quarantine certificates, EDB does trade facilitation and the Customs enables exports & imports. The Spice Council and Spices and Allied Produce Producers' and Traders Association (SAPPTA) comprises of large-scale producers and exporters of spices engaged in marketing activities. A cohesive mechanism is needed among these agencies.</p>	<p>i) Establishment of Marketing linkages for farmers, with buyers and exporters whom can guide the farmers in production.</p>
	<p>ii) Marketing of quality attributes of pepper- The quality is determined according to bulk density (liter weight) and Piperine content. Desired bulk density is >530 g/liter can be obtained, harvesting 6.5 months after flowering. Piperine content of Sri Lankan pepper is always above 8.0%, Required level is > 6%. There is high potential for Sri Lanka.</p>	<p>ii) Government support for Trade promotion, including businessmen to participate Trade promotional missions to popularize Sri Lankan pepper and cinnamon abroad.</p>

4.3.2 Medium Term Policies

New Policies	Policy Reforms
<p>i) Establishment of laboratory facilities- If spice products to be exported to European countries, the USA and Japan, quality certificates are mandatory. Sri Lanka has two accredited laboratories, one is semi-government and the other is a private one, for testing quality and issuing certificates. The cost of certification is high and take long time. If two more well equipped accredited laboratories with Govt. involvement would solve these problems.</p>	<p>i) Enforcement of Export Agricultural Promotional (Revised) Act of 1992 No.46- It has surfaced from the study that trade malpractices have undesirably affected spice marketing, but no legal body to prosecute the errant traders and exporters, The Act of 1992 No 46, contains clauses that enable legal actions against defaulters of law by authorizing the Department of Export Agriculture (DEA). It is a timely requirement to enact the act and make regulations to empower the DEA legally.</p>
	<p>ii) Creating a ‘single window’ license issuing body to facilitate spice exports- number of institutions are involved in granting clearance for export; DEA, DOA- Plant quarantine, Dept of Commerce, IRD, Import export Control, Customs. No coordination among these organizations as a result there are delays.</p>
	<p>iii) Approaching niche markets- Except cinnamon (Sri Lankan true cinnamon share in the global market is 80%), the share of other spices in the global market is negligible. Pepper about 4% and other spices share even less than 0.1%. Sri Lankan spices are renowned for high intrinsic quality. Two niche markets which are possible to be penetrated viz., organic market and fair-trade product market.</p>
	<p>iv) Introduction of value-added products to market- about 75% of our pepper exports in bulk form- oil and white pepper are the value-added products that fetch higher prices. Nano technology can do miracles in the spice industry for the products in the pharmaceutical and cosmetic production. More funding for research and coordination among institutes is needed.</p>
	<p>v) Obtaining Geographical Indication (GI) certification for cinnamon and pepper for safeguarding the Sri Lankan identity and to prevent illegal trade. High flavor and pungent characteristics of pepper have been identified in region-wise of Sri Lanka. Rattota, Walapane, Rakwana, Badalkumbura and Kandaketiya. Diplomatic intervention is needed to find new markets, in addition to the traditional existing markets. Europe and China are emerging markets.</p>

4.4 Specific recommendations for floriculture

4.4.1 Short term - Policy Adjustments

i) Sector Specific restrictions on Agrochemical use

Due to the belief that the Unidentified Kidney Disease (UKD) in the dry zone was associated with the use of Glyphosate, Sri Lanka banned importation of Glyphosate by the Government Extraordinary Gazette No. 1813/14 of 5-6-2013, under the Import and Export (control) Act No. 01 of 1969. As a result, the cut-flower and foliage export to Australia was terminated because Glyphosate is the only dipping treatment permitted by Australia. Sri Lanka lost the export potential to Australia as they selected other compliant suppliers.

Revisions are required to introduce alternative nematicides in place of Carbofuran, in the government extraordinary gazette No. 1894/4 of 22/12/2014 under the Control of Pesticides Act No. 33 of 1980.

It is necessary to study each sub sector and make appropriate amendments, as well as conduct country-to-country negotiations for alternative compromises to the large and potential market of exports in the future.

ii) Strengthen of inter-agency coordination

Floriculture producers are organized into different producer societies by different Organizations in different locations.

Floriculture Societies

Responsible Organization	Floriculture societies Name	Number	Membership	Product
The Department of National Botanic Gardens	'Suhas mal Samithi'	200	7000	cut-flower, ornamental and pot plants, with nurseries
The Department of Agriculture	'Liya Abhimani' in Kandy district	05	100	anthurium, orchid and ornamental plants
Sri Lanka Export Development Board	floriculture villages under the 'one village one product' program in the Kegalle district.			

Other departments, institutions like Ministry of Self-employment, Department of Samurdhi, Department of Health (for mentally retarded patients), Central Bank and Provincial Councils have also assisted in establishing nurseries of flower and ornamental plants. It was found that these institutions operate in isolation without planning and coordination resulting in problems such as over-production of plants and

difficulties of selling, competition among fellow-growers for marketing and non-uniformity of price setting. It is a timely requirement to bring all the institutions together and to form a one apex/coordinating body, preferably under the leadership of the Director General of the National Botanic Gardens Department, and decide on how to develop the industry.

iii) Initiation of a large-scale cut-flower project in upcountry

One of the biggest constraints that Sri Lanka faces is insufficient investments in large-scale floriculture ventures. Foreign collaboration is also suggested for required technology, obtaining seed and planting material, and arranging buyback of the production.

The volume of cut-flower export of Sri Lanka has diminished mainly due to insufficient production of flowers on par with international standards to face high competition among producing countries for price and quality. The year-round cool climate in the upcountry, suitable for temperate cut-flower production continuously, has not been utilized to the national advantage.

Many growers mainly supply for the local market are willing to go for intensive and large-scale production but land is a limiting factor for expansion of the business. Under-utilized lands available in Badulla and Nuwara Eliya districts which belong to plantation companies could be leased out or get into partnerships for floriculture. Government assistance is needed for improving infrastructure facilities such as water and electricity supply, cold storage facilities and getting erecting net houses, Micro irrigation systems, etc.

iv) Creating a conducive environment for export

Lack of coordination among the institutes involved in production and export have created problems of exporting floricultural products. The Department of Export Agriculture and the Department of Forest should have clear guidelines on import and export restrictions on different plant species under Flora and Fauna Act. Export Agricultural Promotional Act No. 46 is in the process of being finalized but the Flora and Fauna Act has not been revised for three and half decades and that needs to be revised to the current context.

v) Increase exports sharing targets among plant nurseries distributed across the country

The setback of the floriculture industry is associated with reasons within the country and outside our borders as well. Countries like Thailand produced new varieties of anthurium, orchid and other ornamental plants with rapid succession and most of them have been patented. New plant varieties are propagated in mass-scale and made available to entire world through their airlines worldwide. Investment-friendly laws and policies are adopted in Netherland and Ethiopia, etc., and therefore importing and exporting of plants is made easy.

In contrast, Sri Lankan exporters suffer from inefficient procedures at the border. This is reflected by the country's global ranking in efficiency of border procedures, measured by Global Trade Enabling Index. The ranking went down by ten places within two years, from 87th place (2014) to 97th (2016) out of 136 countries (Sri Lanka's domestic barriers to trade: Case studies of agricultural exports, 2017). It was revealed that investment-friendly policies are also lacking and investors have experienced barriers in getting necessary approvals for exporting produce and delays in receiving approval. Sri Lanka has imposed stringent rules and regulations, as an agricultural country, to protect our plant species from intrusive species of flora and fauna.

Considering the above facts, it is suggested to import plants, re-grow and re-export under direct government intervention and supervision. Since tissue-cultured plants are not restricted, the government should intervene and encourage the import of such plants suitable for our environmental conditions. For instance, orchids and anthuriums can be distributed among already established nurseries for further growth with the hope of buyback and re-export.

4.4.2. Medium-term - Policy Adjustments

i) Initiation of a demand-driven marketing system instead of supply-driven

European buyers are actively looking for new suppliers that can meet their market requirements in quantity and quality, comply with delivery time and comply with food safety (<http://www.cbi.eu/market-information/spices-herbs/pepper>). The conditions to fulfill the European market are: sustainable production, minimum agrochemical residual limits, consistent supply, sanitary and phytosanitary requirements (microbial qualities) and traceability of producers, etc.

Establishment of processing centers, with drying facility, in major spice growing areas is required enabling farmers to obtain necessary services of these centers by paying a nominal fee and thereby improve the quality of the produce that meet the European market. The 'Export agricultural promotion societies' formed by the DEA should be further strengthened and purchasing of produce should be done from the societies enabling the subsequent establishment of traceability.

5. Reference:

Research Report on “**Policy Research in the Area of Innovative Marketing Strategies**” by International Institute of Development Training (Pvt) Ltd (IIDT) , undertaken for Agriculture Sector Modernization Project, Ministry of Agriculture, February 2021, available at www.asmp.lk

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