



POLICY NOTE

Policy Research on Fruits, Vegetables and Other High-Value Crop Sectors to Improve Value Chains of The Potential Crops for the Export Markets

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Advancing Sri Lanka's Fruits, and Vegetable Exports

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EXECUTIVE SUMMARY

Sri Lanka's fruits, vegetables, and high-value crop sectors hold significant untapped potential in global markets. However, challenges such as limited production volumes, inadequate quality standards, and insufficient market diversification hinder competitiveness. This policy brief identifies strategic interventions to enhance value chains, improve compliance with international standards, and expand into emerging markets. Key recommendations include infrastructure development, regulatory alignment, and capacity building to position Sri Lanka as a leader in sustainable agricultural exports.

INTRODUCTION

Sri Lanka's agricultural sector is a cornerstone of its economy, contributing 7.3% to GDP and supporting the livelihoods of millions of rural households. Despite this, exports of fruits and vegetables account for a mere 0.46% of the total, reflecting underutilization of potential. The Agriculture Sector Modernization Project highlights the urgent need to improve productivity, quality standards, and market access. Enhancing the export potential of high-value crops is critical for boosting economic growth, improving rural incomes, and increasing competitiveness on a global scale. This brief outlines actionable policies and strategies to overcome these challenges.

THE PROBLEM

Sri Lanka's performance in global fruit and vegetable markets is constrained by multiple factors. The country ranks 37th for banana exports and 42nd for mangoes, guavas, and mangosteens, underscoring its minimal presence in international markets. Non-adherence to internationally recognized certifications such as GlobalGAP and Fair Trade restricts access to premium markets, while limited infrastructure—particularly cold chain systems and processing facilities—exacerbates post-harvest losses. Furthermore, over-reliance on Middle Eastern markets heightens vulnerability to regional demand fluctuations and economic conditions. The lack of digital tools like e-commerce platforms and traceability systems further limits Sri Lanka's ability to compete in a rapidly evolving global marketplace.



RESEARCH OVERVIEW

The findings presented in this policy brief are based on extensive research conducted. Key data sources include reports from the Export Development Board, UN ComTrade Database, and case studies from regional success stories such as Thailand, India, and Bangladesh. The research methodology involved both qualitative and quantitative approaches, including market analysis, policy evaluations, and stakeholder consultations. This evidence-based approach ensures that the recommendations provided are both actionable and aligned with global best practices.

POLICY OPTIONS

Market diversification offers a significant opportunity to reduce reliance on existing markets and tap into high-value regions. By promoting niche products—such as organic and sustainably grown fruits—Sri Lanka can target premium markets and attract health-conscious consumers. Infrastructure investments, such as cold chain networks and processing zones, are essential to reduce spoilage and enhance product quality, although these initiatives require substantial financial commitments. Regulatory alignment with international standards like GlobalGAP and Fair Trade can facilitate access to premium markets but may necessitate significant time and resources for certification processes. Capacity-building initiatives, including training programs for farmers and exporters, can create long-term benefits but require sustained funding and coordination among stakeholders.

RECOMMENDATIONS

1. Use Regulatory Instruments:

These policies establish rules and standards that exporters, producers, and other stakeholders must follow to enhance quality, compliance, and competitiveness. However, these should be implemented with care such that it does not create bottle necks in the export process.

2. Use Economic Instruments

These tools provide financial incentives or disincentives to encourage desired behaviors and investments in the agricultural sector. These [1] include subsidies and financial support for farmers and exporters to cover certification costs and investments in post-harvest infrastructure, cold chain systems, and processing facilities. [2] Export incentives such as tax rebates, duty-free import schemes for agricultural machinery, and reduced export taxes for certified high-quality products and introducing financial rewards for exporters achieving specific milestones, such as entering new markets or increasing export volumes. [3] Pricing Policies and Minimum Support Prices such as ensuring price stability for export-oriented farmers by setting minimum support prices to protect them from market volatility. [4] Public-Private Partnership (PPP) Funding such as attracting the private sector investment in agricultural technology, infrastructure, and R&D through government co-funding or risk-sharing mechanisms.

3. Use Institutional Instruments

Strengthening and coordinating institutions to support exporters, farmers, and the entire value chain is critical. These can include strengthening the already established export development institutions such

as EDB, creating trade facilitations and logistics centers, creating farmer and exporter cooperatives, establishing specialized export councils.

4. Use Supportive Instruments

These policies foster an enabling environment for agricultural export growth. Develop a centralized database for exporters to access market research, global trends, and buyer requirements. These can be done through the proposed export councils or the EDB. Conduct overseas promotional campaigns, participate in international trade fairs, and showcase Sri Lankan produce under a national brand. Train farmers, processors, and exporters on quality standards, sustainable farming practices, and value-added production. Sri Lanka can Collaborate with international organizations like FAO or ITC to provide technical assistance and training. Increase awareness among local stakeholders about the economic and social benefits of export-oriented agriculture and international certifications using public awareness campaigns.

5. Use Trade and Market Access Instruments

Facilitate international trade agreements and partnerships to open up new markets for Sri Lankan products. Sri Lanka can establish bilateral and multilateral Trade Agreements, export quotas and tariff reduction agreements and collaborations with multinational corporations.

6. Research and Development (R&D) Policies

Invest in agricultural research to enhance product diversification, innovation, and climate resilience.

7. Digital and Technological Instruments

Adopt modern technologies to enhance efficiency and market connectivity such as E-Commerce platforms, Digital Certification Systems and mobile apps and SMS based farmer connectivity programs to provide farmers with timely updates on export requirements, market prices, and quality standards.

8. Leverage Environmental and Sustainability Instruments

Promote environmentally sustainable practices to enhance product appeal in eco-conscious markets. This can be done through subsidizing certifications like Rainforest Alliance and Organic for environmentally sustainable farming practices.

IMPLEMENTATION CONSIDERATIONS

Implementing these recommendations will require a phased approach, starting with market research to identify high-potential regions and consumer preferences. Public-private partnerships can be instrumental in mobilizing the necessary investments for infrastructure development. Establishing a robust monitoring framework is crucial to ensure policy compliance and evaluate progress. Financial constraints and resistance from stakeholders to adopt new practices may pose challenges, but these can be mitigated through targeted funding from international development agencies and capacity-building initiatives. Collaboration with neighboring countries that have successfully enhanced their export sectors can also provide valuable insights and models for implementation.

CONCLUSION

Sri Lanka's agricultural export sector stands at a pivotal moment. By addressing critical gaps in quality, infrastructure, and market diversification, the country can unlock significant economic and social benefits. The urgency for action is clear: enhancing competitiveness and sustainability in the fruits and vegetables sector is not just an opportunity but a necessity for long-term growth and resilience.