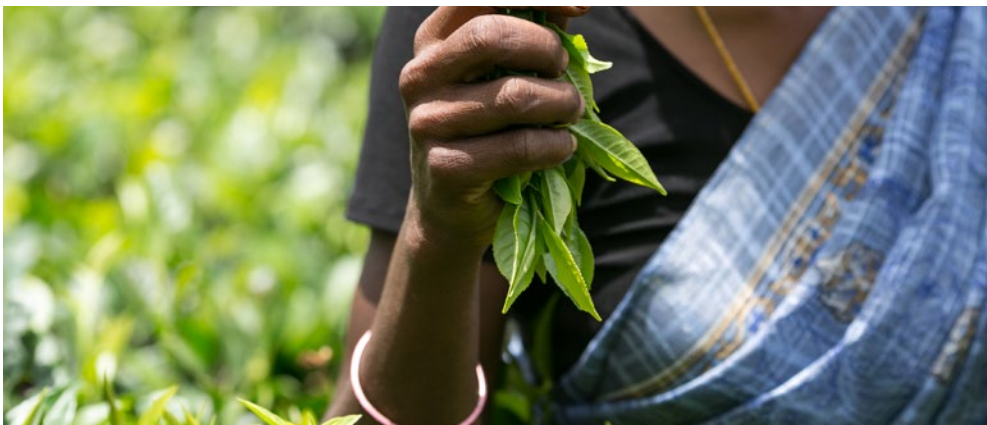




# Harnessing organic potential

## SRI LANKA TURNS TO ECOLOGICAL FARMING



In Sri Lanka's export economy it is not just the textile industry but also the farming sector that plays a leading role. The island nation is the world's third largest tea exporter and particularly prized for its Ceylon tea. There is also a long tradition of trade with spices, especially cinnamon and pepper. Another increasingly important export factor is the coconut and its products, including coconut oil and coconut milk. In Sri Lanka's 2018 National Export Strategy agricultural products are key, and although organic products already play an important role in exports today, there is still enormous potential for organic products from Sri Lanka.

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## IPD PRODUCTS

### Natural food ingredients:

- + Spices (e.g. cinnamon, pepper, cardamom, curry leaves, vanilla, nutmeg, mace, ginger)
- + Coconut products (e.g. native coconut oil, coconut butter, coconut milk, dried coconut products)
- + Dried tropical fruits (e.g. mangoes, jackfruit, amla, papayas)
- + Natural sweeteners (e.g. kithul syrup and kithul flour)
- + Essential oils and extracts (e.g. cinnamon, ginger, cloves)



## IPD'S COMMITMENT IN SRI LANKA

Sri Lanka offers a wide variety of organic farming products for export. Besides its well-known Ceylon tea, high-quality spices and coconut products, which are highly sought-after in the European market, are also grown here. The range of organic natural ingredients is constantly expanding, whilst the farming sector on the southern Asian island is an important driver of sustainable development and a creator of jobs, particularly in rural areas.

Alongside the promotion of organic farming by the Sri Lankan government, the European Union also supports trade with natural ingredients. The EU grants Sri Lanka reduced import tariffs for its processed agricultural goods through its Generalised Scheme of Preferences (GSP), a system that helps developing countries tap into the new potential offered by the EU market and increase their sales there.

The Import Promotion Desk (IPD) builds on these framework conditions. Since 2018, IPD has been helping small and medium-sized enterprises (SMEs) in Sri Lanka bring their products to the European market and establish links to trading partners. IPD's goal is to promote the farming industry and economic structures in rural areas by establishing sustainable business relationships between producers and traders. Through trading directly with European partners – rather than intermediaries – producers are able to increase their value creation.



## THE CHALLENGE: GOVERNMENT REGULATION AND LACK OF MARKET KNOWLEDGE

With its National Export Strategy, the government of Sri Lanka has laid an important foundation for promoting exports. Nevertheless, Sri Lankan exporters of natural ingredients still face numerous barriers within the country itself. Many regulations have not yet been adapted to the new strategies and are focussed mainly on agricultural production, not food processing. At the same time, the severely fragmented farming industry, the large number of small farmers and the lack of infrastructure are barriers to a consistent supply of production facilities.

In addition, many food producers lack information, know-how and experience of European business culture. This is where IPD comes in, sharing information on the target markets and their requirements, such as quality standards, EU regulations and certifications. IPD helps the SMEs in its programme to work on their export strategy, develop their products for the European market and obtain the necessary certifications.

Another challenge for producers is the lack of direct access to international markets. A large proportion of exports are still handled by intermediaries. IPD ensures that SMEs are able to export for themselves. The initiative brings producers from Sri Lanka to international trade fairs, accompanies them on selling missions or organises virtual matchmaking events. In addition, the IPD experts support them in preparing for meetings and follow-up measures.



## THE OPPORTUNITIES: NATURAL INGREDIENTS FROM SRI LANKA ARE WELL KNOWN AND POPULAR

Sri Lanka offers a large range of natural ingredients, every one of which is a hallmark of the country: it is one of the largest tea exporters in the world and well known for its Ceylon tea. The country is also an island of spices: 90 percent of the cinnamon on global markets comes from Sri Lanka. The next most important Sri Lankan spice product is pepper, which is exceptional for its high piperine content and particular pungency. For this reason, Sri Lanka has secured the rights to its country of origin designation and registered the trademark “Ceylon Spices” along with a number of subcategories.

Enterprises from Sri Lanka also process spices to create essential oils and extracts of ginger, cinnamon and cloves. Additionally, the country offers high-quality coconut products: every year, around 2.5 million tons of coconuts are harvested and mostly processed into native coconut oil, dried coconut meat or coconut flour. Producers from Sri Lanka also offer a yet little known sweetener: kithul syrup. This palm syrup stands out for its unique flavour and high-quality constituents.

The product range offered by Sri Lanka and its producers is well known beyond the country's borders and there is considerable demand. At the same time the enterprises are working with IPD on quality and certifications. Most of the producers in the IPD programme already offer their spices, essential oils, coconut products and processed tropical fruits as organic products. This enables them to meet the increasing demand for organic products on the EU market and exploit the opportunity for additional value creation.

## SUPPORT FOR EXPORTERS: PREPARING FOR THE EUROPEAN MARKET

IPD selects the enterprises in its programme very carefully. Since for natural ingredients, and particularly for Sri Lankan products, organic certification is an important demand criterion for the European market, IPD puts particular emphasis on finding enterprises which offer organic products.

In making their selection, the IPD experts consider not only certification but also aspects such as product quality, exportability and export capacity. Another important selection criterion is that the IPD enterprises work closely and responsibly with small farmers to enable sustainable development in the rural areas of Sri Lanka. The IPD experts collaborate intensely with the enterprises in Sri Lanka and advise them on the whole process of quality management and marketing of their products. They also provide the exporters with the expertise and knowledge they need to increase their competitiveness on the international market.

Finally, IPD provides the selected companies with valuable business contacts to potential customers at B2B meetings and trade fairs.

### AT A GLANCE: ACTIVITIES OF IPD

- + Regular (virtual) **sourcing missions** in Sri Lanka – for selection and evaluation of small and medium-sized enterprises
- + Provision of **market information** and product fact sheets on various and lesser known products (e.g. kithul)
- + **B2B matchmaking activities** at European trade fairs, e.g. Biofach, Anuga, Sial, Food Ingredients Europe
- + Organisation of **virtual B2B events** to connect with suitable importers in Europe
- + **Workshops** and **coaching** of exporters for trade fair presentations, sales coaching
- + **Study/Orientation trips** and guided visits for market orientation as well as the follow up process for business contacts
- + **Training** on export-related topics (e.g. digital marketing, corporate social responsibility [CSR], export market strategy)



The opening ceremony of the regional office in Sri Lanka took place on January 27, 2022 in Colombo together with IPD and its partner organization EDB.

### IPD'S COMMITMENT IN FIGURES

+ Number of IPD enterprises in Sri Lanka:	<b>14</b>
+ Number of concluded transactions:	<b>43</b>
+ Export turnover to Europe (in million €):	<b>14,9</b>

### COLLABORATION WITH LOCAL PARTNERS: SUSTAINABLE STRUCTURES FOR EXPORT PROMOTION

IPD regularly invites business support organisations (BSO) to specialised seminars. In Sri Lanka, IPD works closely with the Sri Lanka Export Development Board (EDB). Together, IPD and EDB developed a concept for a "Pre-Fair Workshop", in which EDB representatives will in future prepare export enterprises in advance of a trade fair for the challenges of presenting at an exhibition. In addition, IPD organized a workshop on planning country pavilions for international trade fairs and a seminar on market research and trade fair evaluation.

The aim of IPD is to expand the services of the partner organisations, improve their offer and this way to support the export promotion organisations in preparing the national enterprises for exporting in the best possible way.



**Suresh Dayanath de Mel**  
Chairman of EDB

»We are convinced that the IPD program will not only strengthen trade relations between Sri Lanka and the European Union but will also help us to develop a long-term strategy for the ever-growing demand for our Sri Lankan products in the European market.«



As at: May 2022

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