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Sri Lanka's Strategy for Export-Oriented Agriculture

By

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SRI LANKA'S STRATEGY FOR EXPORT-ORIENTED AGRICULTURE

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*UNCTAD MULTI-YEAR EXPERT MEETING
ON COMMODITIES AND DEVELOPMENT,
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STRUCTURAL WEAKNESSES

- ▶ Limited value addition
- ▶ Small scale farming/ fragmented landholdings
- ▶ Weak market linkage between farmer and exporter
- ▶ Lack of modern processing technologies
- ▶ High energy costs/ high cost of production for value addition
- ▶ Low /stagnant productivity
- ▶ Insufficient investment in R&D
- ▶ Government intervention - price controls, fertilizer subsidies, price supports etc distort the trade
- ▶ Vulnerability to climate shocks- floods, drought, landslides etc

AGRICULTURAL SECTOR MODERNIZATION PROGRAM (ASMP)- 2017-2024

- ▶ With the WB and the EU support the government initiated the ASMP aimed to support small holder farmers and agribusinesses
 - ▶ Enhance Productivity Enhancement & Diversification into high value crops
 - ▶ Value addition and sectoral efficiencies
 - ▶ Strengthen Market access through standards/compliance
 - ▶ Promote sustainable farming practices
 - ▶ Value chain integration

- ▶ Challenges
 - ▶ Institutional resistance to private sector engagements
 - ▶ Weak financial sector support

IMPLEMENTATION ISSUES

- ▶ Economic crisis- Exchange rate fluctuations/Inflation/ fertilizer bans, agro chemical bans & other inputs bans
- ▶ Covid 19 - lockdowns, logistical disruption, export restrictions of inputs, etc
- ▶ Frequent political transitions and sudden policy changes
- ▶ Administrative and systematic issues
- ▶ Delays in securing land rights

NATIONAL EXPORT STRATEGY(NES 2018-2022)

- ▶ Amongst the agricultural products, identified processed foods & Spices and concentrations as high potential sectors
 - ▶ Focus on value addition, branding, sustainability
 - ▶ Diversification through innovation
 - ▶ Strengthen export competitiveness of emerging sectors through standards, market access and trade facilitation
 - ▶ Development of trade and logistics infrastructure
 - ▶ Challenges- lack of coordination, frequent changes of government regimes/ policies

PROPOSED NATIONAL EXPORT DEVELOPMENT PLAN (NEDP) 2025-2029

- ▶ Strengthen upstream production
- ▶ Enhancing Value Addition & Processing-
- ▶ Digital Traceability & supporting Standards & Compliance
- ▶ Export Infrastructure & Logistics Enablement
- ▶ Inclusive SME & Smallholder Integration
- ▶ Climate smart agriculture & sustainable agriculture
- ▶ Promoting Diversification
- ▶ Identifying sector specific development plans
- ▶ Market Access- International trade fair participation, niche market segments, market intelligence
- ▶ Commitment to achieve USD 30 Billion exports in 2030

CEYLON TEA

- ▶ Exports in 2024: 245 million kg with an average price of USD 5.84 per kg
- ▶ Export revenue : USD 1.43 billion (50% of total agricultural exports)
- ▶ 58% Value addition (packaged, bagged, instant tea, speciality blend)
- ▶ Product Diversification- Organic, Herbal, RTD segments
- ▶ Branding: Pure Ceylon tea with lion logo -premium positioning in EU/ UK markets
- ▶ GI Certification - application is submitted and under review with the support of EU
- ▶ Challenges - climate vulnerabilities, high logistics and energy costs, access to finance for certification and technology, limited modernization options among smallholders, geopolitical tensions, unilateral trade restrictions and high tariffs

VALUE ADDED SUPPORTING SCHEMES FOR TEA

- ▶ 50% subsidy for private brand positioning
- ▶ 5% incentive scheme for the net revenue growth from value added tea
- ▶ 50% subsidy scheme for participation in international trade fairs for two years
- ▶ Higher export cess for bulk tea exports
- ▶ Subsidy scheme for innovative tea products
- ▶ Special promotional support for artisan/ speciality tea
- ▶ Brand activation and sampling sessions in super/hyper malls in overseas markets

CINNAMON

- ▶ Sri Lanka supplies 80% of true cinnamon to the world (not Cassia)
- ▶ Protected through GI certification in the EU, ensures authenticity and premium positioning
- ▶ Obtained Codex recognition for SO₂ limits in Cinnamon- Ensuring market access in international markets
- ▶ Value added products: oleoresins, extracts, essential oils, cinnamon infused tea, cosmetics, nutraceuticals etc.
- ▶ Challenges: fragmented SME supply chains requires technical & branding support

PROCESSED FOODS- COCONUT RELATED VALUE ADDED PRODUCTS

- ▶ Value-added exports, particularly RTE/RTC foods, coconut based beverages and derivatives, VCO, Coconut milk, Coconut flour, coconutcream/ sugar/ sweetened coconut spread
- ▶ Premium niche markets for organic and vegan products
- ▶ Opportunities for value addition in wellness products, nutraceuticals and cosmetics requires R&D support
- ▶ Requires investment in certification, packaging, and processing infrastructure to enhance compliance

FUTURE DIRECTIONS AND WAY FORWARD

- ▶ Climate-Smart & Sustainable crops for resilience
- ▶ Organic and sustainability certified value chains for premium markets
- ▶ Digital traceability systems for EU supply chain compliances
- ▶ Strengthening GI branding and certification
- ▶ PPP for export-oriented processing zones
- ▶ Diversification to high value crops - Spices, Fruits
- ▶ Innovation, R&D for further value addition
- ▶ Policy coordination and resolving institutional barriers in value chains
- ▶ Market expansion and foreign investment attraction through integration into global value chains by entering into regional trade agreements, FTAs, RCEP

THANK YOU