



## Lanka Fruit & Vegetable Producers, Processors & Exporters Association

Secretariat: c/o The Ceylon Chamber of Commerce | 50, Navam Mawatha, Colombo 2

Tel: 11-5588800 | Fax: 11-2381012 | Email: [lankafruits@chamber.lk](mailto:lankafruits@chamber.lk) | Web: [www.lankafruits.com](http://www.lankafruits.com)

19 July 2016

Melvin Spreij ([melvin.spreij@wto.org](mailto:melvin.spreij@wto.org) / [stdfsecretariat@wto.org](mailto:stdfsecretariat@wto.org))  
Counsellor  
Secretary to the Standards and Trade Development Facility (STDF)  
Agriculture and Commodities Division  
World Trade Organization, Rue de Lausanne 154  
CH-1211 Geneva, Switzerland

Dear Sir

Application for Project Preparatory Grant (PPG) of the Lanka Fruit and Vegetable Producers, Processors and Exporters Association (LFVPPEA)

Thank you very much for giving us an opportunity to submit the attached application for a PPG for a nationally-important project in Sri Lanka.

Following the resounding success of the recently-concluded STDF 354 Project on Improving Quality and Safety of Sri Lankan Fruits and Vegetables, which was facilitated by the International Trade Centre (ITC), our Association committed itself to develop this PPG for a value addition project in the fruit and vegetable export sector. You would note that this value addition project builds on the positive externalities of the STDF 354 Project.

The proposed project has been endorsed by the Department of Agriculture (DOA), a State agency of the Ministry of Agriculture, the National Agribusiness Council (NAC) and the Sri Lanka Export Development Board (SLEDB). The proposed project would also be facilitated by ITC.

Thank you very much for supporting the fruit and vegetable export sector of Sri Lanka. We hope our Application would merit your favourable evaluation. We look forward to hear from you soon.

If you need any clarifications on the attached Application, please contact me on +94 77 789 44 11 or via email to [annesjunaid1@gmail.com](mailto:annesjunaid1@gmail.com) or [annesj.nf@cblk.com](mailto:annesj.nf@cblk.com)

Yours faithfully

Annes Junaid  
Chairman  
Lanka Fruit and Vegetable Producers, Processors and Exporters Association

Encl: Application for PPG

STDF PROJECT PREPARATION GRANT (PPG)  
APPLICATION FORM

PPG Title	Development of a Feasibility Study for value addition in the fruit and vegetable (F&V) sector of Sri Lanka through Private Public Partnerships and a Strategic Plan for the Lanka Fruit and Vegetable Producers, Processors and Exporters Association
Budget requested from STDF	\$49,500
Full name and contact details of the requesting organization(s)	Lanka Fruit and Vegetable Producers, Processors and Exporters Association (LFVPPEA), c/o Ceylon Chamber of Commerce, 50 Nawam Mawatha, Colombo 2, Sri Lanka
Full name and contact details of contact person for follow-up	Mr Annes Junaid Chairman, LFVPPEA Cell: +94 777 89 44 11 Email: <a href="mailto:annesjunaid1@gmail.com">annesjunaid1@gmail.com</a> , <a href="mailto:annesj.nf@cblk.com">annesj.nf@cblk.com</a>

I. BACKGROUND AND RATIONALE

1. Purpose of the PPG

1.1 Introduction

This Application for a Project Preparatory Grant (PPG), developed by the Lanka Fruit and Vegetable Producers, Processors and Exporters Association (LFVPPEA), seeks financial support from STDF for a Project with two components: (i) prepare a feasibility study to evaluate the economic, technical and operational feasibility of value addition of five export crops: pineapple, papaya, banana, mango and passionfruit and (ii) develop a 5-year strategic plan for LFVPPEA, including a short-term operations plan.

- The feasibility study will focus on three areas: (i) value addition strategies for the above crops by further increasing compliance with Sanitary and Phytosanitary (SPS) measures and reducing post-harvest issues (ii) a sustainable Fair Trade-based business model for a proposed partnership with world-class agribusiness firms such as Noberasco SpA (one of Italy's largest producers of dried fruits) and Goglio SpA (global leader in modern aseptic and flexible packaging)<sup>1</sup> and (iii) strategies for intercropping coconut with pineapple<sup>2</sup>. It is expected that the proposed partnerships with companies such as Noberasco and Goglio would result in establishing a fully-fledged processing centre in a selected district in Sri Lanka as a model for replicability.

<sup>1</sup> Noberasco's (one of Italy's largest producers of dried fruits) contact and visit to Sri Lanka was initiated by the STDF 354 Project on "Improving Quality and Safety of Sri Lankan Fruits and Vegetables" and facilitated by the International Trade Centre (ITC), the implementing agency of STDF 354. Based on discussions held with Noberasco, it was made clear that packaging one of the areas in which technical support is needed for Sri Lanka's exporters of fruits and vegetables. As such, the STDF Project and ITC co-funded the visits of Mr Frederic Couty, ITC's Senior Advisor on Export Packaging and facilitated the visit of Mr Emilio Carcano, Special Projects & Strategic Development of Goglio SpA (Milan-based world leader in modern aseptic and flexible packaging). Goglio's facilities were previously visited by Sri Lankan exporters and farmers as part of a study tour to Milan under STDF 354 Project

<sup>2</sup> Based on export revenues since 2010, banana has become the #1 export fruit from Sri Lanka (see figures from Sri Lanka Export Development Board: <http://bit.ly/29uL7AS>). However, given the export potential for pineapple, the government has been advising / promoting coconut growers to intercrop coconuts with pineapple (see Strategic Plan, 2016-2020 of the Coconut Research Institute for details of the timelines / details on intercropping coconut with pineapple: <http://bit.ly/29pZZjs>). LFVPPEA strongly supports the policy of the government – that coconut should be intercropped with pineapple and / or papaya. LFVPPEA, along with advocates of intercropping, believe that a significant proportion of existing coconut (about 400,000 hectares in 2014 - <http://bit.ly/29tJuSM>) plantations should be intercropped with pineapple to increase exports of pineapple

Prior to conceptualizing a sustainable Fair Trade-based business model, LFPPEA would review in depth, mature and successful farmer cooperatives (example: Consorzio Casalasco del Pomodoro<sup>3</sup>) in and around Italy / EU / Asia and use the learning to custom-develop a model that could be implemented in Sri Lanka by forging partnerships with farmer-based organizations and other sector-specific stakeholders.

- The 5-year strategic plan will describe how LFPPEA could help the fruit and vegetable (F&V) export sector to meet its ambitious export target of US\$ 250 million by 2020<sup>4</sup>. The plan would enable LFPPEA to become an effective and proactive association that provides private and public sectors, the support needed to improve the quality and safety of Sri Lankan fruits and vegetables and help the sector access international markets. Specifically, the strategic plan would formulate initiatives to enable LFPPEA to fulfil its mission by: (i) creating stronger linkages and establishing a system of buy-back contracts between GAP-certified growers, processors and exporters (ii) building capacity of local firms to participate in international exhibitions and high-profile events (iii) branding of selected high-value fruits and vegetables and position them in the global market.
- The operations plan, developed as part of the strategic plan, would form the basis for LFPPEA to: (i) establish a fully-staffed secretariat to implement the strategic plan and the outcomes of the feasibility study and (ii) manage the day-to-day affairs of LFPPEA so that the Executive Committee could focus largely on strategic issues and policy matters of the F&V export sector.

## 1.2 Background

Sri Lanka's agricultural sector is at cross-roads. A major milestone has been the achievement of self-sufficiency in rice production – a long sought-after goal of successive agriculture strategies since independence. However, the proportion population employed in agriculture has remained at about 28 percent over the past 5 years<sup>5</sup> and share of the sector in national GDP continues to decline and reached about 8 percent in 2015<sup>6</sup>. This inequality has forced successive governments to rethink the strategic direction of agricultural development in Sri Lanka – how to increase rural incomes and promote the development of a modern agriculture sector that position Sri Lanka as an upper-middle-income country. Hence, there is an immediate need for diversification into and the promotion of high-value, export oriented food crops such as fruits and vegetables.

Fruits, vegetables and specialized niche crops generally generate higher incomes as compared to traditional crops such as rice. But they demand new skills, higher levels of technology and innovation, better and environmentally sustainable crop management and new marketing arrangements – all of which provide opportunities for development and job creation. However, crop diversification emphasizes the need for an integrated approach where smallholder farmers, government, commercial / private sector and research institutions work closely towards a shared vision for the agricultural sector.

## 1.3 Agriculture Sector: Overview

Agriculture, forestry and fishing sector expanded by 5.5 percent in 2015 (2014: 4.9 percent) largely due to significant the expansion of rice and F&V subsectors.

In 2015, the cereals and F&V subsector recorded a growth of 18.6 percent in value added terms (2014: 4.9 percent). This sector showed a very significant growth as a result of the growth in the F&V subsector<sup>7</sup>. Table 1 shows the F&V subsector's contribution to the GDP of agriculture.

---

<sup>3</sup> For details, click [www.ccdp.it](http://www.ccdp.it)

<sup>4</sup> Junaid, A. (2016). Improving the quality and safety of Sri Lankan fruit and vegetable. Presentation, Colombo. Accessed on 11 July 2016 via <http://bit.ly/29tJuSM>

<sup>5</sup> Quarterly Report of the Sri Lanka Labor Force Survey (various years) accessed on 3 July via the website of the Department of Census and Statistics (<http://bit.ly/29ibOMS>)

<sup>6</sup> Annual Report 2015 of the Central Bank (accessed on 4 July via <http://bit.ly/29fEKQS>)

<sup>7</sup> Annual Report 2015 of the Ministry of Finance of Sri Lanka (accessed on 3 July 2016 via <http://bit.ly/29seFAT>)

Table 1: F&V sector contribution to agriculture GDP (2010 constant prices)

Economic activity	2011	2012	2013	2014
Growing of vegetables	9.7%	-2.1%	5.7%	2.1%
Growing of fruits	3.2%	1.2%	-2.3%	9.4%

The preceding discussion on the agriculture sector highlights the growing importance of the F&V subsector.

#### 1.4 Fruit and Vegetables (F&V) Export Subsector: Overview

Table 2 presents the export volumes and revenues from the F&V subsector from 2011 to 2014<sup>8</sup>.

Table 2: Key export statistics of the F&V sector

Year	Fruits (F) <sup>9</sup>		Vegetables (V)		F & V Export revenue (US\$ M) [A+B]	Contribution from F&V to total agricultural export revenue
	Export volume (‘000 kg)	Export revenue (US\$ M) [A]	Export volume (‘000 kg)	Export revenue (US\$ M) [B]		
2011	20,007	17.09	13,446	16.92	34.01	9%
2012	26,592	18.05	10,814	13.28	31.33	8%
2013	33,532	29.18	22,737	25.02	54.20	10%
2014	39,008	44.16	40,460	40.06	84.22	16%

Amidst exponentially increasing volumes and values, it is evident that the F&V export subsector is an important contributor to the national economy. Export volumes and revenues for pineapple, papaya, banana, mango and passionfruit from 2011 to 2014 also indicate increasing trends (see appendix 2 for details).

#### 1.5 Summary

Given the importance of the fruits and vegetables subsector to the national economy, the government’s National Program for Food Production 2016-2018, launched as part of the President’s Toxin-free national initiative, describes production targets, policy approaches and technical and institutional measures to increase agricultural production and productivity with the overall aim to reduce dependence on imports and improve the sector’s contribution to the national economy and exports.

The National Program explicitly highlights the need for diversification away from basic staples towards higher value crops (fruits, vegetables), specialized crops (spices), aquaculture and livestock<sup>10</sup>.

#### 1.6 Rationale

Amidst increasing competition from countries in the region, it is clear that Sri Lanka needs to differentiate its exports of fruits and vegetables by becoming a niche (value-based) exporter.

Although Sri Lanka has achieved self-sufficiency in rice production, some of the prevailing challenges of the agriculture sector are: (i) scale of production (compared with other countries in the region) (ii) relatively low productivity and low diversification levels (iii) limited technology choices for smallholder farmers to improve productivity and diversify into value-added exports

<sup>8</sup> Annual Report of the Central Bank (accessed on 4 July via <http://bit.ly/29hs2Rx>). Annual average SLR / US\$ exchange rates were used to convert SLR revenue to revenue in US\$. The rates were accessed via <http://bit.ly/29MjYZH>

<sup>9</sup> Excluding coconuts and coconut-related products. The US Food and Drug Administration classifies coconuts as tree nuts and not as a fruit (for details, <http://bit.ly/1mddLci> Accessed on 11 July 2016)

<sup>10</sup> Accessed via the website of the Ministry of Agriculture on 3 July 2016 (<http://bit.ly/29sf47F>)

crops (iv) structural constraints, such as labour shortages, land fragmentation and low organizational levels among farmers (v) relatively weak linkages between producers and domestic and international markets and (vi) underexploited opportunities for processing and value addition of agricultural produce.

In order to 'move up' the value chain, differentiated strategies are needed for different parts of Sri Lanka. For example, in the Northern and Eastern (N&E) Provinces, there is significant scope for expanding the fruit and vegetable sector – through traditional and non-traditional techniques. In the N&E Provinces, productivity remains low, markets and value addition activities remain undeveloped. In other Provinces, there is a need for increasing investment and innovation for value addition and diversification into more commercial crops. This drive for value addition and modernization are strongly advocated in the agricultural policy<sup>11</sup> and the manifesto of the government<sup>12</sup>.

In this context, it is logical for LFVPPEA, whose members account for about 80 percent of the exports of fruits and vegetables from Sri Lanka, to seek support for value addition, brand building and technology transfer from donor agencies and world-class agribusiness companies.

## 2. Key SPS Problems

### 2.1 Introduction

Among the challenges that negatively impact the growth of F&V exports, two issues warrant further attention. One is related to SPS across the value chain, while the other is a post-harvest specific one. As effective value addition strategies should propose ways to minimize these issues, the proposed feasibility study would also formulate initiatives to address SPS and post-harvest related issues of the F&V export sector.

### 2.2 SPS Issues

Non Tariff Measures (NTMs) play an increasing role in international trade and agricultural produce is no exception. One of the main forms of NTMs is SPS standards. Complying with SPS standards is critical for Sri Lanka to reach its F&V export targets amidst increasing competition from countries in the region. See appendix 3 for details on the major diseases and insects that affect the crops selected for the feasibility study.

When the SPS system functions effectively, four types of outcomes are achieved. Namely: (i) SPS standards are met (ii) the risk for importers is reduced (iii) market access is achieved and maintained and (iv) trading partners gain confidence in our ability to comply with and implement SPS standards. Gaining confidence among Sri Lanka's importers reduces the cost of doing business and improves our competitiveness of the F&V sector.

Collectively, these outcomes contribute to increased F&V exports from Sri Lanka, which is central to achieving export targets, development goals and key objectives of the sector. Also, biosecurity is achieved, which protects the natural resources (plants and animals) on which trade depends, as well as the health of consumers. In short, increased compliance with SPS standards leads to growth in exports, strengthen linkages among stakeholders in the F&V value chain, ultimately leading to improved livelihoods and reduced levels of poverty among growers.

LFVPPEA expects the proposed project to 'build' on the work done by the recently-concluded STDF 354 / ITC project on Improving the Quality and Safety of Sri Lankan Fruits and Vegetables. Unlike previous projects that addressed SPS issues in the agriculture industry in an ad-hoc manner, the STDF / ITC project was perhaps the first project in Sri Lanka that addressed the SPS issue in an organized manner by establishing a foundation for public-private partnerships.

As a direct outcome of the STDF 354 Project, Rapid Alert System for Food and Feed (RASFF) notifications and the EU EUROPHYT notifications for the F&V export sector have started to decline as shown in tables 3 and 4<sup>13</sup>:

---

<sup>11</sup> Accessed via the website of the Ministry of Agriculture on 4 July 2016 (<http://bit.ly/29hILE4>)

<sup>12</sup> Accessed via the website President's Media Division on 3 July 2016 (<http://bit.ly/29vcmPi>)

<sup>13</sup> Accessed on 7 July 2016 via the Rapid Alert System for Food and Feed portal (<http://bit.ly/29nGKXb>). For EUROPHYT reports, click <http://bit.ly/1Fr5mdH> for details

Table 3: EU EUROPHYT notifications of “Other Living Plants: Fruits and Vegetables”

Year	Number of EU EUROPHYT notifications	Y-o-Y decline in notifications
2013	152	
2014	147	3.29%
2015	46	68.71%
Jan – Jun '16	16	65.22%

Table 4: RASFF notifications (see appendix 4 for details)

Year	Number of EU RASFF notifications (serious notifications in [])	Proportion of EU RASFF serious notifications to total notifications
2013	8 [6]	75%
2014	5 [3]	60%
2015	4 [2]	50%
Jan – Jun '16	None	

The reduction of EU notifications, including serious notifications, means that industry is committed to further reduce SPS issues in the fruit and vegetable sector and comply with international standards. Hence, the proposed project is likely to be launched at a time when the collective effort to further reduce SPS non-compliance issues in the sector is high. Such an enabling environment is necessary for the success of the proposed study.

### 2.3 Post-harvest Issues

Post-harvest losses significantly reduce the availability of produce in the markets. Scarcity of produce will result in the increase of prices in the market. The economic loss that accrues as a result of post-harvest issues has not been studied extensively in Sri Lanka. LFVPPEA estimates that losses are generally higher in fruits than in vegetables and the figure is around 30 percent to 40 percent of harvest [India: 20 percent to 22 percent<sup>14</sup>, Bangladesh and Pakistan<sup>15</sup> (each): 20 percent to 40 percent<sup>16</sup>].

Based on studies completed in 2011/2012, the table 4 shows the magnitude of the problem on post-harvest losses of selected fruits in Sri Lanka and Bangladesh<sup>17</sup>:

Table 5: Post-harvest losses for selected fruits

Crop	Post-harvest loss (%)				Total loss (%) in Sri Lanka	Total Loss (%) in Bangladesh <sup>18</sup> , <sup>19</sup>
	Grower	Collector	Wholesaler	Retailer		
Pineapple	2	4	8	4	18	43
Banana	2	4	8	6	20	27
Papaya	6	10	20	10	46	41

<sup>14</sup> Accessed via the website of the Center for Underutilized Crops, University of Southampton, UK on 7 July 2016 (<http://bit.ly/29E7jcy>)

<sup>15</sup> Accessed via the website of the World Bank on 7 July 2016 (<http://bit.ly/29HaHpc>)

<sup>16</sup> Accessed via the website of the National Food Policy Capacity Strengthening Program on 7 July 2016 (<http://bit.ly/29twNs3>)

<sup>17</sup> See footnote #11 for source: <http://bit.ly/29H2aml>

<sup>18</sup> See footnote #11 for source: <http://bit.ly/29mTvVA>

<sup>19</sup> See footnote #12 for source: <http://bit.ly/29CgGw3>

From field-to-fork, a large proportion of horticultural produce is lost. In addition to discarded produce, deterioration of quality (appearance, texture, flavour and nutritional value) and subsequent decreases in market value are significant factors. Quantitative and qualitative post-harvest losses can be reduced through the adoption of good agricultural practices, both before and after harvest. Any reduction in post-harvest losses serves to increase food availability to exponentially-growing populations while decreasing the total land area needed for production, thereby conserving natural resources.

As shown in table 5, there is considerable scope to reduce post-harvest losses in the F&V sector in Sri Lanka. Despite several strategies being adopted to minimize post-harvest losses in Sri Lanka, success at the farm level is limited due to the 'small' scale of cultivation, inconsistent post-harvest management practices and poor infrastructure, including lack of cold storage facilities.

The proposed study will examine the development of the F&V processing sector as a primary strategy to reduce post-harvest losses. It would also: (i) review the supply / value chains of the selected fruits to determine points of greatest product loss and (ii) propose new strategies for post-harvest handling, storage including cold chain, transportation and packaging technologies for growers, processors and exporters of fruits and vegetables in Sri Lanka.

## 2.4 Impact on Poverty

Agricultural development is one of the most powerful tools to end extreme poverty, increase shared prosperity and feed about an estimated nine billion people by 2050. Growth in the agriculture sector is about two to four times more effective in raising incomes among the poorest compared to other sectors. This is important for about 80 percent of the world's poor who live in rural areas and depend largely on farming / cultivation to make a living<sup>20</sup>.

The positive impact brought about by agriculture on poverty levels is well-documented and a large body of research exists to justify the claims related to agriculture and poverty.

- Based on the second report on Millennium Development Goals (MDGs) for Sri Lanka, published in 2008/9, poverty headcount ratio (proportion of poor who live below the poverty line) reported from districts where pineapple, papaya and mango are grown have shown a significant decrease from '91/'92 to '06/'07<sup>21</sup>.
- The third report (published in 2014) indicates that Sri Lanka achieved the first sub-goal of the first main goal (Eradicating Extreme Poverty), seven years before the 2015 target set for the achievement of MDGs<sup>22</sup>.

The proposed study, with its strong focus on value addition, good agricultural practices and processing centres for value addition in suitable rural areas would (i) identify new agri-business opportunities to attract men and women from poor households (ii) suggest ways to empower farmers through the formation of farmer societies and (iii) speak of creating linkages between producers and exporters.

## 3. Partnerships with other Organizations

The LFPPEA, as the lead implementing agency of this study, would partner with selected State, Private-sector Associations and Universities to generate ideas, share information and best practices, draw expertise and disseminate the findings of the proposed study.

The State agencies are: (i) Department of Agriculture (DOA), an agency of the Ministry of Agriculture (ii) Sri Lanka Export Development Board (SLEDB) (iii) Coconut Research Institute (CRI) (iv) Industrial Technology Institute (ITI) (v) Ministry of Development Strategies and International Trade and (vi) the Ministry of Health, Nutrition and Indigenous Medicine.

---

<sup>20</sup> World Bank communiqué (accessed on 4 July 2016 via <http://bit.ly/29sscll>)

<sup>21</sup> Accessed via the website of UNDP Sri Lanka on 8 July 2016 (<http://bit.ly/29pu5Sf>)

<sup>22</sup> Ibid (<http://bit.ly/29BICzO>)

The Private-sector Associations are: (i) National Agribusiness Council (NAC) and (ii) the Ceylon Chamber of Commerce (CCC).

Although there are eight universities in Sri Lanka that offer courses in agriculture, agri-business and agricultural technology<sup>23</sup>, due to logistical and administrative constraints, for this Project, LFVPPEA would work two universities, namely: (i) Institute of Agro-Technology and Rural Sciences (UCIARS) of the University of Colombo and (ii) Wayamba University of Sri Lanka.

Based on discussions held by LFVPPEA with DOA, SLEDB and NAC, these three organizations have endorsed this project. Letters of support from these three organizations and others will be submitted to STDF in due course. The letter of support issued by UCIARS is given in appendix 1.

One of the objectives of the International Trade Centre (ITC) is to help developing countries to improve the quality and quantity of fruits and vegetables exported by such countries<sup>24</sup>. Hence, LFVPPEA seeks to collaborate with ITC on this STDF-funded Project to facilitate: (i) trade visits of Sri Lankan and Italian delegations between Sri Lanka and Italy / EU (ii) the creation of agribusiness partnerships, match-making, linkages between exporters from Sri Lanka and importers from Italy / EU and (iii) the flow of international expertise and technical assistance in value addition, processing, SPS compliance and related issues to Sri Lanka. LFVPPEA also seeks ITC's help to source international consultants to develop the feasibility study. LFVPPEA has submitted a letter to ITC requesting support to source international consultants.

#### 4. Lessons Learned

The proposed study would leverage on the positive externalities of the recently-concluded STDF / ITC-funded project, Improving Safety and Quality of Sri Lankan Fruits and Vegetables. Some of the positive externalities of the previous project, which the proposed project would utilize, are:

- Technical staff (master trainers, field level trainers, plant quarantine officers, etc) and farmers who were trained extensively on SPS standards, pest risk analysis / surveillance and entrepreneurial skills.
- Training manuals / materials and printed literature on SPS standards.
- The foundations of Public Private Partnerships on which to further address SPS issues.
- Established links with potential buyers / suppliers.

LFVPPEA would contact lead implementing agencies of selected on-going projects in the agriculture / fruits and vegetables sector to share ideas, best practices and lessons learned. Such discussions would ensure that the proposed study would not duplicate activities / components of past projects or on-going projects in the sector. Specifically, LFVPPEA would review the following on-going projects and use the learning to design and execute the proposed study. LFVPPEA would also seek to draw resources / expertise from these on-going projects in agriculture sector.

- The World Bank-funded 2016 Agriculture Sector Modernization Project (5-year project to be implemented): the project will support agricultural value chain development to promote commercial and export oriented agriculture, with particular focus on higher value fruits and vegetables<sup>25</sup>.
- EU-funded project on "Trade Related Assistance in Sri Lanka" with indirect management with ITC whose specific objective is to increase trade competitiveness of Sri Lankan Small and Medium Enterprises (SMEs) in regional and EU markets and build synergies on trade strategies and enhanced value chains performances.

---

<sup>23</sup> Accessed via the University Grants Commission website on 3 July 2016 (<http://bit.ly/29977PL>)

<sup>24</sup> Accessed via ITC's website on 16 July 2016 (<http://bit.ly/29Dxnjmj>)

<sup>25</sup> Accessed via the World Bank website on 5 July 2016 (<http://bit.ly/29rZfhj>)

- Projects of SriEco: implemented by ICEI (Istituto Cooperazione Economica Internazionale)<sup>26</sup>, a Milan-based international non-profit association, in association with Overseas and Ecowave (Guarantee) Limited, a social enterprise, funded by the Ministry of Foreign Affairs of Italy, aims to address the needs of small and micro entrepreneurs engaged in organic and eco-friendly production, sales, marketing of fruits, vegetables, spices, heirloom rice, rice flour and paddy seeds, compost, plants, handicraft items as well as tourist services<sup>27</sup> in the districts of Ampara and Moneragala<sup>28</sup>. An ongoing project of SriEco targets the establishment of a Spice Processing Unit (in Moneragala) to create business and income opportunities for small farmer communities, with a plan to process approximately 280 tons of spices per year. The facility also hopes to expand to produce dehydrated fruits and vegetables in the near future.

## 5. Co-funding

The Executive Committee of LFPPEA has had internal discussions to determine the value of in-kind contribution towards this study. As part of this study, LFPPEA would field a 10-member trade mission (this includes two farmers) for a week to Italy / EU Italy to visit Noberasco, Goglio and other companies and farmer cooperatives such as Casalasco to evaluate different options and business models. LFPPEA's in-kind and financial contribution towards the proposed project would be the total of: (i) cost of airfare, food and accommodation of the trade mission and (ii) first-year recurrent expenditure of LFPPEA's secretariat.

LFPPEA, with the support of ITC, would also explore the possibility of working with selected donor agencies such as the Italian Agency for Development and Cooperation (AICS), whose new strategy aims to connect Italian SMEs to business opportunities in developing countries by hedging the risk of finding buyers and suppliers. Other agencies include (i) International Fund for Agricultural Development (IFAD) (ii) Japanese International Cooperation Agency (JICA) and (iii) the United States Agency International Development (USAID).

LFPPEA's discussions with ITC and private sector companies such as Noberasco and Goglio are progressing well. On-going discussions with private sector companies would also explore joint venture opportunities in projects of the F&V export sector.

## 6. Cross-cutting Issues

LFPPEA has identified the following cross-cutting issues.

### Social

The project is expected to identify positive social benefits and sustainable poverty reduction opportunities for F&V farmer communities in rural areas across Sri Lanka. Improved agricultural productivity, organization development and value chain development are expected to create additional economic returns for farmer households in the future. Benefit identification would also include agri-business employment opportunities for poorer households, individual and collective empowerment through membership in formal farmer producer organizations and partnership arrangements with agribusinesses, improved access technology, markets and fruit processing facilities, as well as new technical and management skills.

### Environment

The project is expected to bring positive environmental benefits to the F&V cultivation areas through the introduction and expansion of modern technology applications that help improve cropping patterns and farming methods, increase efficiency in the management of water resources, protect agriculture soils and roll out integrated pest management.

<sup>26</sup> For details: <http://icei.it/icei/en/mission/> (accessed on 4 July 2016)

<sup>27</sup> For details: <http://www.srieco.org/about-us/> (accessed on 4 July 2016)

<sup>28</sup> Accessed via the website of ICEI on 3 July 2016 (<http://bit.ly/29eEslP>)

## Gender

The project is expected to identify entrepreneurial and employment opportunities for women, especially women-headed households in farmer producer organizations and would suggest ways to provide them with targeted and customized training in technology and business skills. The project would ensure that interested women groups (informally and formally organized) would have sufficient access to study-related information through outreach activities.

## II. IMPLEMENTATION & BUDGET

### 7.1 Lead Implementing Agency

The lead implementing agency of the study is the LFPPEA. Founded in 1986 as a Company Limited by Guarantee, LFPPEA, with thirty-three members, has strived hard to bring recognition to the fruit and vegetable export sector as a key subsector of the national economy<sup>29</sup>. About 80 percent of the exports from the fruits and vegetable sector are controlled by the members of LFPPEA.

Having worked closely with the CCC, the lead implementing agency of the recently-concluded STDF / ITC-funded project, LFPPEA has gained expertise in planning, organizing and implementing donor-funded projects. Although LFPPEA is confident in its ability to execute the proposed project in a manner that would achieve the outcomes of the project, two key priorities need to be resolved in the short term:

- (i) As LFPPEA does not have a fully-staffed secretariat, of lately, it has increasingly relied on CCC for secretarial and administrative work. Matters arising from EXCO meetings and other sector-specific issues are completed by the EXCO members themselves, who have their own businesses / companies to manage. For services rendered by CCC, a management fee is paid to CCC by LFPPEA.

Amidst increasing exports and international recognition for the F&V export sector, LFPPEA is of the opinion that it should restructure its ways of working to meet the growing challenges of the industry. Thus, the short-term operations plan for a proposed secretariat of LFPPEA would propose ways to restructure LFPPEA so that its day-to-day operations could be delegated to fulltime (paid) staff, leaving EXCO to focus on nationally-important strategic issues and policy matters.

- (ii) LFPPEA expects to bring all sector-relevant stakeholders to commit to a unified vision for the F&V export sector. The strategic plan for LFPPEA would be developed with this goal of unifying and collating support from multiple stakeholders in the F&V sector. With significant growth in the export of fruits and vegetables and increasing competition from regional markets, a strategic plan for LFPPEA is the blueprint for the F&V export sector.

### 7.2 Project Implementation

LFPPEA would form a high-level Joint Coordination Committee (JCC) with a broad remit to manage / execute the proposed project. Representatives from partner organizations (POs) (see #3) and other institutions – selected on the basis of contribution, expertise and / or importance to the F&V export sector would form the JCC.

Regular meetings and brainstorming sessions of the JCC would ensure that: (i) all POs are informed of the progress of the project in a timely manner (ii) scope changes are fully discussed and evaluated before approval (iii) issue logs are cleared with inputs of the JCC and (iv) STDF reporting formalities and documentation requirements are complied with.

---

<sup>29</sup> LFPPEA's 10-member Executive Committee (EXCO) is appointed at its annual general meeting. Five persons from EXCO act as the Office Bearers. Unless reappointed by the members, the Chairman's term lasts for a year.

In the proposed project, LFVPPEA would work with international and national consultants. National consultants, former technical staff of DOA and other agencies / institutions with technical knowledge on F&V export sector, processing, packaging, value addition, field extension services, SPS issues, etc would work closely with international consultants with expertise on F&V value addition, packaging, etc. The 'right' mix of local and international consultants would ensure that the work of the latter is customized for the Sri Lankan context.

## 8. Schedule of Activities

Activity	Responsible for the activity	Estimated budget (US\$)
<p>Collect required data through desk research, engage in literature review and conduct preparatory work for developing the feasibility study.</p> <ul style="list-style-type: none"> <li>In particular, data on supply would include past figures on harvests (five fruits / crops), exports, disease types, SPS issues, packaging methods, post-harvest technologies, etc. Utilize data, findings and survey results of the Final Report of the F&amp;V Study in Sri Lanka (STDF Project 354) and identify information 'gaps' for the proposed project and sources of such information<sup>30</sup>.</li> <li>As for data on demand, potential partners (such as Noberasco, Goglio and others) would be consulted on the type of data needed to determine the financial feasibility of the proposed value addition facility in Sri Lanka. Examples include, data on processing scale, pricing, technical requirements, transfer of know-how, certification requirements, financial investment / business model, support for fair trade initiatives in Sri Lanka, etc.</li> </ul>	International consultant (IC) and domestic consultant (DC)	<p>IC: two visits (10 man-days per visit) to Sri Lanka: 20 man-days * \$600 per day = \$12,000</p> <p>Round air-fare of IC: \$1,500 per trip * 2 trips = \$3,000</p> <p>DC: 30 man-days * \$200 per day = \$6,000</p>
Organize a trade visit (8 LFVPPEA members + 2 farmers) to Italy / EU for a 7-day visit to partner organizations such as Noberasco and other parties to evaluate different options and business models. Facilitate a trade visit from partners such as Noberasco to Sri Lanka (at their own cost) to further study the F&V export sector and give inputs to formulating the feasible business proposition / model.	LFVPPEA's financial contribution	<p>Airfare = \$1,000 * 10 persons = \$10,000</p> <p>Food and lodging = \$250 per person per day * 7 days * 10 persons = \$17,500</p> <p>Travel in Italy = \$2,000</p>
<p>Compile / develop the feasibility study, hold discussions with partner organizations to review the drafts, finalize the report and disseminate findings via a public forum.</p> <p>Organize and conduct in-country brainstorming sessions with partners such as Noberasco, other organizations and the international and domestic consultants. Such sessions would help the industry to finalize a set of recommendations for value addition, which would be acceptable to all key</p>	JCC / LFVPPEA	\$2,500

<sup>30</sup> Accessed via the website of the STDF 354 Project on 11 July 2016 (<http://bit.ly/29JC2G4>)

Activity	Responsible for the activity	Estimated budget (US\$)
stakeholders of the industry and mobilize support for the implementation.		
Develop a five-year strategic plan for LFVPPEA by commissioning national consultants. As part of the strategic plan, a short-term operations plan would also be developed for LFVPPEA. The operations plan would form the basis for restructuring LFVPPEA.	Domestic consultant (DC)	DC: 50 man-days * \$200 per day = \$10,000
Inputs from ITC to: (i) facilitate and participate in the trade visits of Sri Lankan delegation to Italy (ii) follow-up on the formation of one agribusiness partnership, match-making, linkages between exporters from Sri Lanka and importers from Italy / EU and (iii) the identification of international expertise in value addition, processing, SPS compliance for the feasibility study.	ITC expertise on export quality management	Fixed fee for advisory, support and participation in the trade mission to Italy (7 days) = \$10,000
Per-diem for international consultant (two trips to Sri Lanka)		\$200 per day * 20 days = \$4,000
General operating expenses (secretarial support, event coordinating charges, printing, etc)	LFVPPEA financial contribution	\$2,000
In-country travel for the consultants		\$2,000
Total		\$49,500*

\*excluding LFVPPEA's financial contribution of \$31,500

## Appendices

Appendix 1: Letter of support from UCIARS supporting this Application for PPG

Appendix 2: Export statistics for pineapple, papaya, banana and mango

Appendix 3: Major pests and diseases that affect the selected fruits

Appendix 4: Analysis of RASFF serious notifications



කොළඹ විශ්වවිද්‍යාලය කෘෂි තාක්ෂණික හා ග්‍රාමීය විද්‍යා ආයතනය  
கொழும்புப் பல்கலைக்கழக கமத்தொழில் தொழில்நுட்பவியல் மற்றும்  
கிராமிய விஞ்ஞானங்களுக்கான நிறுவனம்  
University of Colombo Institute for Agro-Technology and Rural Sciences

2016/07/16  
UCIARS/Dir/1/2016/19

Annes Junaid  
Chairman  
Lanka Fruit and Vegetable Producers, Processors and Exporters Association  
c / o Ceylon Chamber of Commerce  
No.50, Nawam Mawatha  
Colombo 2

Dear Mr. Junaid,

**Partnering with LFPVPEA on a Grant Application to International Trade Center (ITC)**

We write to you with reference to your letter of 14<sup>th</sup> July 2016 on the above subject.

We are pleased to inform you that we would like to partner with you on your application to ITC for the Project Preparatory Grant (PPG) that seeks funding support from ITC to complete a feasibility study to formulate value addition strategies for Coconut, Banana, Papaya, Mango and Pineapple.

Our role, as a **Knowledge Partner** in this study, would be largely limited to sharing ideas, expertise and best practices through brainstorming, joint workshops / meetings and disseminating the findings of the study among our stakeholders.

We are pleased to nominate Dr. Sujatha Weerasingha, Senior Lecturer from our institution to represent us in your Sub Committee that would plan and execute the proposed feasibility study. His / her contact details are:

Dr. Sujatha Weerasingha - Senior Lecturer (UCIARS)  
Mobile: +94 71 2092011 Email: sujawee@gmail.com

If you need any clarification on our nomination, please contact me on +94 71 480 33 53 (mobile), or piyathilakam@yahoo.com (email). We sincerely hope that you would be successful in your grant application to ITC.

Yours sincerely,

  
M.D. Piyathilaka  
Director - UCIARS

cc: Dr. Sujatha Weerasinghe - Senior Lecturer, UCIARS

වැලිගැට නව නගරය, හම්බන්තොට, සෞඛ්‍ය සේවා පර්යේෂණ අධ්‍යයන මධ්‍යස්ථානය - Weligatta New Town, Hambantota.  
Tel : +94-47-3489085/+94-47-3620468/+94-47-3620468 Fax : +94-47-3620468 Email : info@uciars.cmb.ac.lk

Appendix 2: Export volumes and revenues for the selected fruits

Pineapple		
Year	Volume* exported (kg '000)	Export revenue (US\$ M)
2011		1.80
2012		1.52
2013		2.96
2014		4.91

\*Not available

Melons and papayas*		
Year	Volume exported (kg '000)	Export revenue (US\$ M)
2010	786	0.74
2011	678	0.73
2012	1,276	0.81
2013	1,663	1.17
2014	3,242	1.87

\*Only aggregate data is available

Banana		
Year	Volume exported (kg '000)	Export revenue (US\$ M)
2010	5,080	2.01
2011	10,186	4.08
2012	16,292	6.39
2013	19,640	8.71
2014	20,450	17.00

Dates, figs, guava and mangoes*		
Year	Volume exported (kg '000)	Export revenue (US\$ M)
2010	1,550	2.70
2011	1,562	2.73
2012	1,041	2.31
2013	2,159	3.84
2014	2,988	5.87

\*Only aggregate data is available

Source: Fruit and vegetable Sector Statistical Analysis 2014, published by the Ceylon Chamber of Commerce in August 2015

Appendix 3: Major pests and diseases that affect pineapple, papaya, banana, mango and passion fruit

Crop	Insect / pest	Diseases
Pineapple	Mealy bug	Mealy bug wilt rot
Papaya	False spider mite, yellow peach moth, two-spotted mite, fruit-piercing moth, spiraling whitefly	Papaya ringspot, bacterial leaf spot, transit rot, powdery mildew
Banana	Rhizome weevil, Stem weevil, Banana aphid	Bunchy top, banana leaf spot disease, banana freckle, rhizome soft rot
Mango	Fruit fly, mango seed weevil, mango hopper, mango leaf hopper, leaf-eating and cutting weevil	Stem end rot, bacterial black spot, bacterial flower disease
Passionfruit	Passionvine bug, false spider mite	Phytophthora blight, anthracnose

Appendix 4: Details of serious RASFF notifications

2013: Serious notifications (6)

Classification	Notifying country	Subject
Border rejection	Finland	Salmonella poona in fresh water spinach from Sri Lanka
Border rejection	Finland	Salmonella Weltevreden (present /25g) in fresh centella (Centella asiatica) from Sri Lanka
Border rejection	Italy	Salmonella Weltevreden (present /25g) in fresh centella (Centella asiatica) from Sri Lanka
Information for attention	Norway	Salmonella Weltevreden in fresh spinach from Sri Lanka
Information for attention	United Kingdom	Salmonella spp. (present /25g) in paan leaves from Sri Lanka
Information for attention	Switzerland	Unauthorized substances methamidophos (0.61 mg/kg - ppm), acephate (2.08 mg/kg - ppm), profenofos (1.61 mg/kg - ppm) and tetramethrin (0.05 mg/kg - ppm) in green chillies from Sri Lanka

2014: Serious notifications (3)

Classification	Notifying country	Subject
Information for attention	Germany	Chlorpyrifos (0.53 mg/kg - ppm) and unauthorised substance carbofuran (0.25 mg/kg - ppm) in spinach leaves from Sri Lanka
Information for attention	Switzerland	Unauthorized substances methamidophos (0.07 mg/kg - ppm) and acephate (0.83 mg/kg - ppm) in bitter melon (Momordica charantia) from Sri Lanka
Information for attention	Sweden	Chlorothalonil (1.5 mg/kg - ppm) and tebuconazole (0.28 mg/kg - ppm) and unauthorised substances carbofuran (0.95 mg/kg - ppm), dithiocarbamates (8.9 mg/kg - ppm) and chlorfluazuron (0.19 mg/kg - ppm) in mukunuwenna (Alternanthera sessilis) from Sri Lanka

2015: Serious notifications (2)

Classification	Notifying country	Subject
Information for attention	Netherlands	Unauthorised substance carbofuran (0.087 mg/kg - ppm) in papaya and passion fruit from Sri Lanka
Information for attention	Switzerland	Acetamiprid (0.34 mg/kg - ppm) and thiophanate-methyl (2.2 mg/kg - ppm) and unauthorised substance carbofuran (0.037 mg/kg - ppm) in longbeans from Sri Lanka