

## **A case study for market entry requirements and present situation of herbal product industry in Sri Lanka**

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The herbal product sector has been identified as a key area of promoting exports in Sri Lanka. The demand for herbal products in the world market has increased tremendously in the major herbal product markets such as Europe, Japan, and USA over the last ten years. Both synthetic and natural ayurvedic/herbal medicinal products used in pharmaceutical industry in Sri Lanka are categorized under the same coding system called Harmonized Commodity Description and Coding System. Market information related to volume exported, price and quantity consumed are not available on trade of herbal produce even in the customs of Sri Lanka. Information on major herbal products and consumption in European Union, USA, Japan were collected. Tourist hotels are the best marketing places contributing 31% followed by pharmacies (25 %) and supermarkets (25 %). No company is fully adopting GMP (Good Manufacturing Practices) and many companies limit export products as medicinal products.

High percentage of cost of production (25%) is attributed to raw materials followed by electricity and labour. Lower product quality, high cost of production, short supply, insufficient raw materials and their seasonality in harvest, lack of market information and lack of research and development, poor government policies, recognition as an industry and inadequate training and awareness programmes were recognized as constraints of the herbal industry. It is suggested that a national plan to be drawn to promote the industry for cultivation of medicinal plants, allocation of funds to educate the suppliers, extension services for farmers and for research and development to upgrade the industry. This study shows that market entry requirements for herbal medicinal products are varied depending on the country. EU has imposed strict market regulation which is observed in the EU. Import promotion programmes in Europe have created higher demand for Sri Lankan products.