

EXPORTING TO THE EUROPEAN UNION

A PRACTICAL
GUIDE FOR
SRI LANKAN SUPPLIERS
OF AGRICULTURAL
PRODUCTS

COLOMBO, FEBRUARY 2021

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Delegation der Deutschen
Wirtschaft in Sri Lanka
Delegation of German Industry
and Commerce in Sri Lanka





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Contents

Disclaimer	3
List of Figures.....	9
List of Tables.....	9
List of abbreviations.....	11
Introduction	12
The European Union	13
Exporting to Europe and What We Need to Know.....	14
European Market for Sri Lankan Products.....	14
Market Segmentation for the Export Products	14
Preparing your company for exporting to Europe	15
How does exporting to Europe work?.....	15
The Delegation of German Industry and Commerce in Sri Lanka (AHK Sri Lanka).....	17
The United Nations Industrial Development Organization (UNIDO)	17
Chapter 1 - Fundamental Legal Aspects	19
1.1. The Purchasing Contract.....	19
1.1.1 Overview of Mandatory Details Incorporated into a Purchasing Contract	20
1.2. Payment Modalities	21
1.2.1 Overview of Payment Modalities	23
1.3. EU Import Restrictions	24
1.4. Export Documents.....	24
1.5. Taxes and Duties	24
1.6. The Harmonized System (HS).....	25
1.7. Registering as an Exporter in Sri Lanka	25
1.7.1 Registration as an Exporter with Local Authorities	25
1.7.2 Commodity Wise Registration	25
Chapter 2 - Regulations, Certifications and Standards.....	27
2.1. Technical Regulations and Controls	27
2.1.1 Contaminants.....	27
2.1.2 Food Additives and Colors	30
2.1.3 Plant Health and Phytosanitary Regulations	30
2.1.4 Certificate of Origin / GSP Certificate.....	30
2.1.5 Health / Export Certifications	31
2.2. Certifications and Standards.....	31
2.2.1 Organic Certifications.....	31
2.2.2 Marketing Standards	32
2.3. Voluntary Food Safety Requirements by European Buyers	33
2.4. Product Traceability	34
2.5. Ethical Labels	34

Contents

2.6. Checklists of Voluntary and Mandatory Requirements	36
2.6.1 Fresh Produce	36
2.6.2 Processed Fruit and Vegetables	37
2.6.3 Spices and Herbs.....	38
2.6.4 Organic	39
Chapter 3 Packaging and Labelling	41
3.1. Ensure Safe and Cost-effective Packaging.....	41
3.2. Packaging Material	41
3.3. Food Labelling	42
3.4. Quantity Information.....	42
3.5. Using the e Mark.....	45
3.6. Mandatory Information	46
3.7. Packaging Materials Regulations: The Basics.....	47
3.8. Allergens	49
3.9. Nutrition and Health Claims.....	49
Chapter 4 - Logistics and Freight Forwarding	51
4.1. Types of Logistic Providers	51
4.2. Modes of Transport	51
4.3. The Advantages of Using a Freight Forwarder	51
4.4. Exporting to Europe with DHL Global Forwarding - A Step-by-Step Guide.....	52
4.5. Overview of Additional Leading Freight Forwarders in Sri Lanka.....	53
4.6. Exporting Trade Samples	53
Chapter 5 - Risk Management and EU Market Potential.....	55
5.1. Incoterms	55
5.1.1 Incoterms Rules 2020	56
5.1.2 Freight Collect and Freight Prepaid	58
5.2. Product Liability in the European Union	58
5.3. How to Deal with the Rejected Shipments.....	59
5.4. Currency / Foreign Exchange Risks	60
5.4.1 Foreign Exchange Risk Example.....	60
5.4.2 Foreign Exchange Risk Mitigation	60
5.5. The Demand for Agricultural Products on the European Market	60
5.5.1 Fresh Fruit and Vegetables.....	60
5.5.2 Processed Fruit and Vegetables	63
5.5.3 Spices and Herbs.....	66
5.6. Pricing on the EU Market.....	69
5.7. General Risks – Impact from Natural Disasters, Pandemics and Uncontrollable Catastrophes	69
Chapter 6 - Intellectual Property (IP) Rights in the European Union.....	71

6.1. Geographical Indications for Agricultural Products and Foodstuffs.....	71
6.1.1 How to Get Protection of GIs Abroad?	72
6.1.2 Accession to the Madrid Protocol – A Chance for Sri Lankan Exporters.....	72
Chapter 7 - Marketing Platforms and Finding Buyers in the EU	75
7.1. Market Channels.....	75
7.2. Finding Buyers for Fresh Fruit and Vegetables.....	75
7.2.1 Trade Fairs	77
7.2.2 Congresses and National Events.....	77
7.2.3 European Wholesale Markets.....	77
7.2.4 Online Platforms and Trade Directories	77
7.2.5 Local Business Support Organizations.....	78
7.2.6 Member Lists of Sector Associations in Europe.....	78
7.3. Finding Buyers for Processed Fruit and Vegetables.....	78
7.3.1 Trade Fairs to Meet Buyers	78
7.3.2 Processed Fruit and Vegetable Associations	80
7.3.3 EU Company Database for Suppliers of Processed Fruit and Vegetables.....	82
7.3.4 Support Organizations for your Export to Europe	83
7.4. Finding Buyers for Spices and Herbs	84
7.4.1 Relevant Trade Fairs for Suppliers of Spices and Herbs.....	84
7.4.2 Spices and Herbs Trade Associations	87
Chapter 8 - An Overview of European and German Retailers.....	89
Bibliography.....	91



List of Figures

Figure 1: EU Organic Logo	32
Figure 2: Mandatory Packaging Label Information.....	43
Figure 3: Mandatory Nutrition Facts	44
Figure 4: The E-mark and Examples of Use.....	45
Figure 5: The CE mark (which is different from the e-mark).....	45
Figure 6: Incoterms Rules 2020	58
Figure 7: Fresh Produce Imports coming from outside the EU – Ranked according to Product Category	61
Figure 8: Major EU Importing Countries of Fresh Fruits.....	61
Figure 9: European imports of processed fruit and vegetables by product category.....	64
Figure 10: Protected Designation of Origins (PDO) Label and Protected Geographical Indications (PGI) Label	72

List of Tables

Table 1: Overview of details that should be incorporated in a purchasing contract.	20
Table 2: Overview of Payment Modalities.....	23
Table 3: Other contaminants in processed fruit and vegetables.....	29
Table 4: Overview of Requirements for obtaining a Health / Export Certificate by the FCAU.....	31
Table 5: Certification and Standards Checklists - Fresh Produce	36
Table 6: Certification and Standards Checklist - Processed Fruit and Vegetables.....	37
Table 7: Certification and Standards Checklist - Spices and Herbs	38
Table 8: Certification and Standards Checklist – Organic.....	39
Table 9: Packaging and Labelling Regulations.....	42
Table 10: Types of Logistic Providers.....	51
Table 11: Incoterms Rules 2020	56
Table 12: Fresh Produce Products with Potential on the EU Market	63
Table 13: Overview - Leading developing country suppliers of processed fruit and vegetables per product group	65
Table 14: Overview of Competing Suppliers for the six Largest Spices and Herbs Product Groups (10,000 tons)	66
Table 15: Overview of Competing Suppliers for smaller Spices and Herbs Product Groups (1.000 - 10,000 tons)	68
Table 16: Overview of relevant Trade Fairs for suppliers of Processed Fruit and Vegetables	79
Table 17: Overview of Europe´s most important processed fruit and vegetables trade associations	80
Table 18: The Largest Trade Associations in the leading European Markets for Processed Fruit and Vegetables	81
Table 19: EU Company Databases for Suppliers of Processed Fruit and Vegetables.....	82
Table 20: Matchmaking services to find processed fruit and vegetables buyers from Europe.....	82
Table 21: Support organizations for your export to Europe	83
Table 22: Relevant Trade Fairs for Suppliers of Spices and Herbs.....	85
Table 23: Relevant Trade Events for Suppliers of Spices and Herbs.....	87
Table 24: Spices and Herbs Trade Associations	87
Table 25: Top 10 Food retailers in Europe.....	89
Table 26: Germany´s Top Food Retailers.....	89
Table 27: Germany´s Top Organic Retailers.....	89



List of Abbreviations

AHK	Auslandshandelskammer (Foreign Chamber of Commerce)
BRC	British Retail Consortium
B2B	Business-to-Business
B2C	Business-to-Consumer
CBI	Centre for the Promotion of Imports from developing countries - Netherlands
CAC	Codex Alimentarius Commission
Col	Certificate of Inspection
CISG	Contracts for the International Sale of Goods
DTA	Directorate of Digitalization, Technology and Agri-business (UNIDO)
DTI	Department of Digitalization, Technology and Innovation (UNIDO)
EDB	Export Development Board - Sri Lanka
EEA	European Economic Area
EFTA	European Free Trade Association
EU	European Union
FCAU	Food Control Administration Unit - Sri Lanka
FIATA	International Federation of Freight Forwarders
FSMS	Food Safety Management System
GAP	Good Agricultural Practices
GFSI	Global Food Safety Initiative
GHP	Good Hygienic Practices
GMP	Good Manufacturing Practices
GoSL	Government of Sri Lanka
GSP	Generalised Scheme of Preferences
HACCP	Hazard Analysis Critical Control Point
HS	Harmonized System
IAF	International Accreditation Forum
ICC	International Chamber of Commerce
IEC	International Electrotechnical Commission
IFS	International Featured Standards
IP	Intellectual Property
ISO	International Organization for Standardization
ITC	International Trade Centre
ITI	Industrial Technology Institute
MRL	Maximum Residue Level
NES	National Export Strategy
NMI	National Metrology Institute
NPQS	National Plant Quarantine Service
SLAB	Sri Lanka Accreditation Board
SLSI	Sri Lanka Standards Institution
SME	Small and Medium-Sized Enterprise
SPS	Sanitary and Phytosanitary
SWIFT	Society for Worldwide Interbank Financial Telecommunication
UK	United Kingdom
UN	United Nations
UNECE	United Nations Economic Commission for Europe
UNIDO	United Nations Industrial Development Organization
WCO	World Customs Organization
XCP	Export Compliance Program (UNIDO)

Introduction

The purpose of this guide is to provide Sri Lankan businesses, particularly small and medium-sized enterprises (SMEs), with a simplified overview on the steps required to export to the European Union (EU) with a special emphasis on the German and Dutch markets. The information provided has been analysed specifically for the exporters of agri-food and spice products once they are beyond the borders of Sri Lanka.

The European Union (EU) alone is the second largest importer in the world (Eurostat, 2020), with a population of 448 million (Eurostat, 2020) seeking quality products. If a Sri Lankan food company is prepared and willing to explore new markets, this guide creates a clear explanation on how to export to the EU. Furthermore, The EU is a very important trading partner for Sri Lanka; most of Sri Lankan exports enter the EU duty-free or at reduced rates of duty due to the Generalised Scheme of Preferences (GSP) given by the EU¹.

This guide provides certain key information needed to access the EU market and answers some of the questions most frequently asked by exporters, potential exporters and trade support institutions. The guide has been structured to highlight the most important topics such as legal aspects, certifications, standards, packaging, labelling, logistics, risk management, intellectual property rights, and the European consumer. The guide also includes essential links to additional information and guidance on how to comply with EU rules. This is an additional tool offered by UNIDO and AHK Sri Lanka to assist Sri Lankan exporters particularly with the opportunities created by the EU's Generalised Scheme of Preferences Plus (GSP+). This preferential access to the EU market is aimed at boosting the economic growth of developing countries around the world.

1. EU's GSP removes import duties from products coming into the EU market from vulnerable developing countries. This helps developing countries to alleviate poverty and create jobs based on international values and principles, including labour and human rights.

The European Union

The European Union (EU) has brought political stability and economic prosperity to its citizens for over half a century, and created a frontier-free single market and a single currency, the Euro. Europe as a whole is a major economic and commercial power and the EU membership has grown from 6 to 27 nations; the four (4) European Free Trade Association (EFTA) countries (Switzerland, Norway, Iceland and Liechtenstein) united with the EU, bringing the total population of Europe closer to half a billion. Today, the countries in the EFTA and the EU together form the European Economic Area (EEA), resulting in 30 countries operating as one single market. Switzerland is not part of the EEA, but has bilateral agreements with the EU to participate in this single market.

With one of the world's largest markets, the EU has transparent rules and regulations, with a secure legal investment framework that is amongst the most open in the world, and the most open market to developing countries. In practice, people, goods, services and money can move between the countries in the single market as freely as they would within a single country.

Export to Europe and What We Need to Know

With over 448 million consumers, the EU offers many opportunities to potential exporters. Choosing to export to the EU must fit a company's plans, just like the products must fit the foreign markets that you are targeting. In order to export to Europe, the company requires thorough preparation. The competitiveness and escalating customer expectations of European markets press exporters to scale up their production, with growing minimum order quantities. New markets mean new sets of requirements, preferences and cultures that the exporters need to adapt to. Besides production and logistics, the staff will need to adapt too, which may require additional training. Exporting requires extra financial resources, because it brings extra costs with it, such as international marketing, sending samples by courier, travel expenses and potentially product and equipment modifications. In brief, exporting to Europe offers opportunities, but also requires commitment and investment of resources. The potential exporter must be willing and able to invest in their company to make it export ready.

European Market for Sri Lankan Products

Before investing in export preparations, the potential exporter must find out whether there is a market for their products in Europe. Once a high-potential market identified, then a good strategy should be mapped out to identify and understand market preferences. Furthermore, it is important to also identify high impact channels to introduce and promote your product; establishing initial B2B and B2C contacts will play a crucial role at the onset of your export venture.

There is an extensive amount of information available online that can be

extremely vital in identifying winning export products. Market case studies, statistics, data on sectors including consumer trends, behaviour and forecasting are readily available to deduce if a product fits the market.

When a product crosses the border of the EU, it is registered at customs. This information is not only used for customs procedures, but also for trade data: import and export figures are based on these registrations. This information provides a general idea of a market. Trade statistics will give information on the product's import and export, but also on how the product fits European trends.

If the product is not imported to the potential target market, it does not automatically mean that there are no opportunities. Likewise, a declining market does not mean a market with no opportunities. This initial research is highly recommended and will help exporters to further fine-tune the steps to follow.

Another very important consideration is to check if the potential product has the duty preference given by the EU GSP+. This can give a competitive advantage against exports produced in other countries.

Market Segmentation for Export Products

Different segments within the same market will give different importance to factors such as price and quality, but also volumes, colours, flavours, and trends. It is recommended to identify where the product fits, to know in which segments to look for buyers or if it is required to change product features to fit in a different segment. A better fit means a better chance at securing buyers.

There are several ways of dividing a market into segments, with the most imperative step being the identification of your target consumer market. This enables you to identify specific needs and requirements of that segment, and adapt your offering



to address their requirement. Price range and quality requirements are two of the most important factors when identifying a market segment. You need to find out in which price range your products fall in the target market, and determine if the products meet the quality requirements that apply in that segment. Both price range and quality requirements within one segment may differ between existing markets and the new target market. A typical target market can be divided in to three segments according to price and quality are: high-end (top quality, specialty, high price, small quantities), middle range (good quality, medium price, large quantities), and low-end (reasonable quality, low price, bulk quantities). A target market can also be divided based on other factors such as age (Europe's population is getting relatively older where products and services designed for an aging target market could offer more opportunities), background (ethnic populations familiar with exotic products could be interesting market-entry segments), and function (final products for different uses, or ingredients and materials for manufacturers) to name a few.

Preparing Your Company for Exporting to Europe

When doing business in a new market, it is required that the exporting company adopt a new mindset to meet the requirements of the international buyer. The same requirement will apply when sending a product sample and when negotiating the first order. The exporter must be fully prepared and able to respond during these crucial initial interactions, anticipating changes with required flexibility to meet EU regulations as well as consumer preferences and buyer (importers/distributors) requirements.

You and your staff may need to communicate in a new language in order to engage and nurture new business relations. You will need to build a team that can elevate its capacity to carry out relevant market research, customer identification and profiling, and most importantly - export experience. Should your

product need modifications to fit the new market, it is advantageous to have a certification for sustainability, organic production or any other authentication awarded by an international certification body recognized in Europe². The production may need to be scaled up, with the potential exporters required to ascertain the capacity, cost effectiveness, and adequate facilities to comply with the order. It is important to have a quality control system compliant with European and international standards. Therefore, it becomes clear that a company must strategically and resourcefully invest capital in order to equip your company as a potential exporter to Europe.

How Does Exporting to Europe Work?

Exporting to Europe means exporting to one or more European countries, which vary in culture, language and preferences. However, exporting to European countries may also have some practical similarities. Cooperation among European countries is far reaching when it comes to practical international trade issues such as legal aspects, import requirements, and border control, since EU member countries operate as one single market. The implications for exporting to the UK compared to exporting to the EU after Brexit are not yet known. For more information on Brexit and the EU-UK Trade and Corporation Agreement, visit the official Brexit page of the British government or the European Commission.

For exporters, once a product enters the single EU market, you have access to all EU and EFTA countries; no additional customs procedures are required to move from one EU country to another. However, for goods to enter the European single market and move freely around it, they must meet requirements that have been harmonized among EU Members by common European legislation. It is important to mention that each country will have different market surveillance and food safety control systems, thus even if the product can move freely, it needs to comply with the national regulation once it is placed on a shelf.

2. Usually, a product certification or system certification is internationally recognized when it is issued by an accredited certification body. This accreditation must be recognized by international agreements within the International Accreditation Forum - IAF.



The Delegation of German Industry and Commerce in Sri Lanka (AHK Sri Lanka)

As the official representative of German business in Sri Lanka and mandated platform for the promotion of the bilateral economic relations between Germany and Sri Lanka, the Delegation of German Industry and Commerce in Sri Lanka (AHK Sri Lanka) has long-term experience in the promotion of foreign trade, the enhancement of business-related synergies and the establishment of sustainable partnerships. AHK Sri Lanka is part of the German Chamber Network supported by the German Federal Ministry for Economic Affairs and Energy (BMWi). With 142 locations in 92 countries around the world, the members of the German Chambers (AHKs) offer their experience, connections and services to German companies and those of its respective partner countries. AHKs are located in all countries of particular importance to German companies and are closely connected to the Chambers of Industry and Commerce (IHKs) in Germany. Together they support German companies to build-up and extend their business relations to foreign countries, representing in total 3.6 million German companies.

The United Nations Industrial Development Organization (UNIDO)

The United Nations Industrial Development Organization (UNIDO) is a UN specialized agency that promotes industrial development for poverty reduction, inclusive globalization and environmental sustainability. UNIDO's mission is to promote and accelerate inclusive and sustainable industrial development in developing countries and economies in transition.

The Export Compliance Program (XCP), an initiative of UNIDO within the framework of the EU-Sri Lanka Trade-Related Assistance project, aims to enhance the competitiveness of small and medium-sized enterprises (SMEs) along the processed food & beverage as well as the spices & concentrates value chains, to improve their access to regional and EU markets. XCP provides non-financial assistance in the form of training, coaching, skills development, transfer of know-how, technical services and consulting services.

Chapter 1

Fundamental Legal Aspects

1.1. The Purchasing Contract

To provide a legal framework for exporting to Europe, Sri Lankan businesses are required to establish an official purchasing contract with their European buyers. As an instrument for effective risk bearing, the contract does not only protect the exporter, but also conveys a sense of quality and trust to the EU importer. Although Sri Lanka is not a signatory of the UN Convention on Contracts for the International Sale of Goods (CISG³), CISG rules apply to the contract if the Sri Lankan exporter agrees (1) and if the EU importer is based in a “contracting” state that is a signatory to the CISG (2) (Daily FT, 2020). With the objective to increasingly facilitate international trade, CISG provides rules that shed light on the obligations and duties of parties to a commercial transaction. Despite these safeguard mechanisms, it should be noted that the enforcement of contracts in Europe remains a challenge.

Driven by the need to decrease risks, Sri Lankan exporters are therefore advised to carefully review formulated purchase conditions and to verify the completeness of the purchasing contract under negotiation. While special attention must be paid to the general terms and conditions, the following details should be included as minimum requirements when intending to export to Europe (Centre for the Promotion of Imports from developing countries / CBI, 2020b).

3. <https://www.uncitral.org/pdf/english/texts/sales/cisg/V1056997-CISG-e-book.pdf>

1.1.1 Overview of Mandatory Details Incorporated into a Purchasing Contract

Table 1: Overview of details that should be incorporated in a purchasing contract.

1	Name and addresses of the parties.
2	Product specification (following internationally accepted standards).
3	Quantity (units of measure in both figures and in words).
4	Total value: Specify the currency. State both the price per unit and the total. It is possible to agree on a price escalation clause, which ties the price to a certain exchange rate. In addition to this, it is possible to enter into a so-called SWAP transaction with banks for the purpose of a currency hedge.
5	Type of payment such as advance payment or payment deadline.
6	Terms of Delivery: State the delivery terms based on one of the Incoterms 2020 ⁴ .
7	Taxes, duties and charges: Clarify responsibility for all taxes. The prices quoted by the seller may include taxes, duties, and charges. Levies in the country of import (if any) are the buyer's responsibility.
8	Delivery: Specify the place of dispatch and delivery. Also, state whether the period of delivery will run from the date of the contract, from the date of notification of the issue of an irrevocable Letter of Credit, or from the date of receipt of the notice of issuance of the import license by the seller.
9	Packaging, labelling, and marketing: Note all packaging, labelling, and marking requirements in the contract.
10	Terms of payment and payment security.
11	Insurance to protect goods against loss, damage or destruction during transportation. Specify the type of risks covered and the extent of the coverage.
12	Documentation requirements such as the bill of exchange, commercial invoices and other invoices, bill of lading or airway bill, insurance policy and letter of credit.
13	Intellectual Property Clauses: Required under the sale (if any).
14	Force Majeure or Excuse for Non-Performance of Contract: Include provisions in the contract defining the circumstances that would relieve partners of their liability for non-performance of the contract. To avoid disputes in the light of uncontrollable circumstances, exporters should especially define what the force majeure situation includes. Alongside floods, hailstorms and droughts, which can be acceptable reasons for farmers to breach an agreement with a European importer, also recent occurrences, such as pandemics should be considered and explicitly mentioned in an agreement.
15	Remedial Action: As defaults in contractual obligations by any of the parties can occur, it is always advisable to include certain specific remedial actions. These remedial actions should reflect the mandatory provisions of the law applicable to the contract.
16	Governing Law: Since trade with foreign partners mostly involves two laws, it is possible to select one of them as the governing law.
17	Place of Jurisdiction: Foreign trade contracts usually include a provision on the place of jurisdiction. The place of jurisdiction defines which court is competent for a possible dispute between the parties.
18	Arbitration: As an alternative to legal proceedings before a general jurisdiction court, it is also possible to settle disputes between contracting parties before an arbitration court.
19	Inclusion of General Terms and Conditions: You may agree not to have them.
20	Signatures: Of both parties.
21	Pro-forma Invoice: The exporter should prepare a pro-forma invoice and send it to the buyer. Product description, quality, price, terms of payments (L/C, D/P, D/A etc), terms of delivery based on Incoterms 2020 (FOB, CFR, CIF etc.), packing & marking details, should all be provided in the pro-forma invoice.

Source: Centre for the Promotion of Imports from developing countries / CBI (2020b)

4. <https://iccwbo.org/resources-for-business/incoterms-rules/incoterms-2020/>

1.2. Payment Modalities

To maintain a stable cash flow and to reduce risks, Sri Lankan exporters have to choose the right payment terms. The choice of payment terms depends in particular on the supplier – client relationship and the type of products involved. Generally, it can be distinguished between clean and documentary payments. “In clean payments there are no extra security measures for advanced payment. In documentary payments, a different level of security is achieved by using banking systems and specific accompanying documents” (CBI, 2020b).

A reliable and authentic business credit report showcases an organization’s ability to follow the necessary contractual obligations based on their public records and payment history. A strong credit record indicates timely payments to all associated parties, lower instances of defaulted payments, and a long list of happy customers. Hence, before choosing a buyer, one needs to spend a significant amount of resources in terms of time, effort and money to determine their overall credibility. Choosing the right buyer would give a necessary edge over the competitors, hence, it is advisable to obtain a “Buyer Status Report” prior to the contractual obligations. Most of the leading Commercial Banks of Sri Lanka have a facility to check the creditworthiness of buyers and issue such reports for a nominal fee.

Following the objective to avoid discrepancies, it is important to investigate the EU buyers’ history and creditworthiness before reaching an agreement. It can be noted that EU buyers want to especially check the fresh agricultural products before making any payment. Documentary credit is thus not a common practice any more in the fresh produce business. To avoid risks, buyers are often hesitant to do business with smaller and

non-established suppliers from abroad. Nevertheless, and despite the possibility of rejections due to liability concerns, small suppliers from Sri Lanka should try to negotiate an advance payment and prove themselves on the EU market.

“In the fresh produce sector, payments can also be made at different moments: as pre-season advances (most common for integrated partnerships), prior to shipment, after arrival or after the products are resold and the final price is calculated based on the account of sales. The account of sales includes the final selling price in Europe, and the total costs of product handling, testing, commission and taxes” (CBI, 2020b). As Cash Against Documents and Letters of Credit provide no guarantee of quality to EU buyers, they are not the preferred payment modality in the trade of fresh fruit and vegetables.

On the contrary, for suppliers of processed fruit, vegetables as well as spices and herbs, it is advisable to require advance payment for the first export shipments before moving to the Letter of Credit and eventually to the Standby Letter of Credit. While the Letter of Credit is considered to be the year, you only need to open one Standby Letter of Credit that covers the average volume over the year. This can also be a good solution for deferred payment” (CBI, 2020c). Deferred payment should be only accepted if an export insurance service is used. In this regard, Sri Lankan exporters are additionally protected by the EU Directive on unfair trading practices in the agricultural and food supply chain. The legislation, which was adopted on 30 April 2019, bans inter alia specific unfair trading practices such as late payments for perishable food products, last minute order cancellations, unilateral changes to contracts, refusal to enter into a written contract, returning unsold or wasted products and payment for buyer’s marketing.



1.2.1 Overview of Payment Modalities

Table 2: Overview of payment modalities

Advance Payment	Desirable, maximum security for the Sri Lankan exporter, often not accepted by EU buyers.
Cash Against Documents	This method guarantees physical control of the goods before you get paid. Documents (such as invoices, shipping documents, insurance and the like) are transferred through the banking system. Importers can access the documents only when they comply with the instructions you sent to the collecting bank (Documents against Payment or Documents against Acceptance). This method guarantees physical control of the goods, but it does not guarantee that you will actually get paid in the end. If the importer does not pay you, you can return or store the products. Of course, this is not an ideal situation.
Letter of Credit	Other than payment in advance, the Letter of Credit is considered the most secure method of payment for you. In this process, the buyer's bank will only make the payment when the presentation of documents complies with the Letter of Credit conditions. For extra security, the seller can request the advising bank or another bank to confirm the Letter of Credit. In that case, the importer will receive the goods only after payment. This is also a good way of checking the financial standing of the buyer, as the issuing bank will do a credit adequacy test before opening the Letter of Credit on behalf of the buyer.
Standby Letter of Credit	A Standby Letter of Credit is opened in case of regular shipments for a whole year. It reduces the cost, because instead of twelve Letters of Credit during the year, you only need to open one Standby Letter of Credit that covers the average volume over the year. This can also be a good solution for deferred payment.
Clean Bank Transfer	A well-known method where the importer pays, using a banking system, commonly through SWIFT (Society for Worldwide Interbank Financial Telecommunication). It is a safe method only in the case of advance payment (when you get paid before shipping the goods).
Open Account	You can distinguish yourself as an exporter by using an open account, which means that the transaction is made a certain number of days after the goods have been delivered. This process creates higher risks and pressure on your cash flow. It is therefore only recommended for trusted and established trade relations – and only when your financial situation allows for it. The advantage of an open account is that it saves you and your buyer the administrative costs of an intermediate bank and documentary credit.
Payment by Cheque	This is the most insecure method of payment in international trade. You should avoid it. The main problem is that your bank can refuse to accept the check. Also, when sending the cheque through the international banking system, fees can mount up significantly, making this method very expensive and time consuming.
Clean Collections	This involves sending financial documents such as bills of exchange or promissory notes through the banking system in order to collect payment from the importer. You should use this method only after establishing a certain level of trust with your buyer, because you can lose control over the goods prior to receiving payment.

Source: Centre for the promotion of imports from developing countries / CBI (2020d)

1.3. EU Import Restrictions

The EU has prohibited the import of Sri Lankan curry leaves due to the Huanglongbing bacterium, also known as citrus greening disease. A specific import ban is additionally in force for fruits of the *Momordica L.* genus (bitter melon/gourd) due to the occurrence of Thrips palmi Karny (melon thrips) in Sri Lanka. Information on related changes can be obtained from the Sri Lankan Department of Agriculture/National Plant Quarantine Service⁵.

1.4. Export Documents

- Commercial Invoice - The commercial invoice contains the basic information on the transaction, and it is always required for customs clearance.
- Customs Value Declaration - The Customs Value Declaration is a document, that must be presented if the value of the goods exceeds €20,000 (<https://trade.ec.europa.eu/tradehelp>). The main purpose of the document is to fix the customs value for taxation and apply tariff duties.
- Freight Documents including Bill of Lading, including FIAT Bill of Lading, Road Waybill (CMR), Air Waybill (AWB), Rail Waybill (CIM), ATA Carnet, or TIR Carnet.
- Freight Insurance
- Packing List - The packing list (P/L) provides information on the imported items and the packaging details of each shipment, including weight, dimensions, handling issues, etc.

- Customs Import Declaration/Single Administrative Document (SAD) - All goods imported into the EU must be declared to the customs authorities using the SAD. This is the common import declaration form for all EU Member States.
- Documents associated to the SAD (certifications, standards)

Relevant information regarding the above-mentioned documents can be obtained from the EU Trade Help Desk.

1.5. Taxes and Duties

All EU member states apply the same common customs tariff (CCT). Different rates of duty apply to different products, also depending on the origin. When classifying the goods, the EU uses a system called the Combined Nomenclature (CN). The first six digits follow the international Harmonized Systems Nomenclature (HS codes), with EU specific sub-divisions going up to eight to ten digits. Correct classification is important as it determines applicable duties, and are very important to prove the accuracy of the shipping documents. If the products are not classified according to the correct CN code, it may result in delays in clearing the goods.

VAT (Value-added tax) is not harmonized in Europe. VAT on imported goods is paid according to the rates that apply in the target country.

1.6. The Harmonized System (HS)

It's critical to establish and agree on the correct HS code prior to preparation of the shipment. The HS classification is a six to ten-digit code for classifying internationally traded goods developed by the World Customs Organization (WCO). These codes are required for international export documentation and all commercial invoices. In fact, any documents that are used internationally should display the HS code. (HS code finder in Sri Lanka - <http://www.customs.gov.lk/business/hsfinder>)

1.7. Registering as an Exporter in Sri Lanka

1.7.1 Registration as an Exporter with Local Authorities

Sri Lankan companies that intend to export their agricultural products to the European market are expected to register with the Inland Revenue Department and Sri Lanka Customs. Similarly, the registration with the Sri Lanka Export Development Board (EDB) (mandatory for organic agricultural products) is helpful, because enables EDB to monitor exports, maintain accurate data, and include companies into the Sri Lanka Exporters Directory. To register, exporters are required to present their Original Business Registration Certificate or Certificate of Incorporation along with duly completed application forms.

1.7.2 Commodity Wise Registration

Exporters of tea and coconut products are additionally required to register with either the Sri Lanka Tea Board or Coconut Development Authority. For this purpose, tea exporters have to produce their business registration certificate, own sufficient financial resources (at least 1 million LKR working capital with a reference letter from the bank), be in possession of adequate warehousing facilities for storing tea and submit a duly completed application form provided by the Tea Export Division of the Sri Lanka Tea Board. The use of the "Lion" logo on Tea packs is a separate process regulated by the Sri Lanka Tea board, which requires prior approval and registration (www.srilankateaboard.lk). Similarly, the use of the "Pure Ceylon Cinnamon" wordmark logo for cinnamon products is regulated by the EDB (www.srilankabusiness.com). The registration includes multiple fees and has to be renewed annually – also by exporters of coconut products (EDB, 2017).

While the following chapters discuss the individual aspects that need to be considered when exporting to Europe, Sri Lankan farmers and food processors can benefit from the Export Process Map, which depicts the complete journey of a Sri Lankan exporter starting from the registration, permitting/ licensing to shipment of consignments at ports. In this respect however, it should be mentioned that the Export Process Map published by the EDB does not focus on the specific requirements by the EU, which will be outlined hereafter.

⁵ <https://www.doa.gov.lk/SCPPC/NPQS/>

Chapter 2

Regulations, Certifications and Standards

2.1. Technical Regulations and Controls

When exporting products to the EU market, producers and exporters must comply with technical regulations (mandatory standards) set by public institutions to ensure product quality, environmental protection and consumer health. These regulations are different depending on the product and the countries of export and import. Some regulations are based on international food standards, while others were developed by the EU. Non-compliance with these requirements may lead to quarantining or product rejection by importing countries.

Therefore, Sri Lankan businesses that intend to export fresh fruit and vegetables, processed food as well as spices and herbs to Europe are obliged to comply with a variety of requirements to protect consumers by ensuring high levels of food safety and product quality. While legally binding requirements that vary by country and product are clearly listed on the [EU Trade Helpdesk](#)⁶ (Access2Markets), it should be considered that European buyers are increasingly escalating their demanding standards, going beyond mandatory regulations outlined by the EU. Sri Lankan exporters are therefore advised to check in advance on the extent to which voluntary standards, which in the meanwhile have become a prerequisite for the import to foreign markets, are required by their European importer. The following sections will provide clarity on the different types of requirements that Sri Lankan exporters should be aware of with the objective to competitively enter the European market. For the export of processed fruit and vegetables to Europe, Sri Lankan businesses are expected to comply with the General Food Law⁷, which provides the legislative framework for food safety in Europe. The law itself requires food products to be “traceable throughout the supply chain” (CBI, 2020f). Most of the mandatory requirements are based on food safety. To learn more about food safety please refer to the Handbook on Food Safety for Micro, Small, and Medium Enterprises in Sri Lanka (UNIDO, 2020a).

2.1.1 Contaminants

Microbiological Contaminants

Driven by the need to reduce the occurrence of microbiological hazards, such as Salmonella, which is “the most common type of microbiological contaminants in spices and herbs” (CBI, 2020g), Sri Lankan exporters that supply pre-cut fruit and vegetables to Europe are expected to maintain optimum hygiene standards by proactively identifying food safety risks through the development of an HACCP (Hazard Analysis Critical Control Point) plan, which has become a top requirement for buyers across Europe’s food sectors. From a legal perspective, the EU rules on food hygiene confirm that all food businesses in third countries, after primary production, must implement, and maintain a procedure based on the HACCP principles. These rules are flexible, as the HACCP based procedures can be adapted to all situations. According to the Food and Agriculture Organization of the United Nations (1997), the HACCP system consists of the following seven principles: “Conduct a hazard analysis (1), determine the critical control points (CCPs) (2), establish critical limits (3), establish a system to monitor control of the CCP (4), establish the corrective action to be taken when monitoring indicates that a particular CCP is not under control (5), establish procedures for verification to confirm that the HACCP system is working effectively (6), establish documentation concerning all procedures and records appropriate to these principles and their application”. Especially salmonella infected black pepper has been rejected in the past at the EU borders. Among the primary reasons for infection were irrigation with unsafe water and the use of “untreated manure as fertiliser” (CBI, 2020g).

Pesticides

In order to decrease health and environmental risks, Sri Lankan exporters are required to align their agricultural practices with the maximum residue levels (MRLs)⁸ for pesticides in and on food products. Agricultural products from Sri Lanka that exceed those binding limits will be withdrawn from the European market with immediate effect. Beyond that, several member states, such as Germany, the Netherlands, Austria and the United Kingdom have introduced MRLs that are stricter than laid down by the EU. Lidl for instance, one of Germany’s

6. <https://trade.ec.europa.eu/tradehelp/>

7. https://ec.europa.eu/food/safety/general_food_law_en

8. <https://ec.europa.eu/food/plant/pesticides/eu-pesticides-database/public/?event=pesticide.residue.selection&language=EN>

leading discounters, maintains the strictest standard with a limit of 33% of the EU legal regulation (CBI, 2020e). Since European buyers increasingly set themselves apart from competitors by tightening their requirements, exporters are recommended to work with the highest standard. In view of stringent controls over the import of agricultural goods to Europe, Sri Lankan companies are advised to carefully align their pesticide levels with those listed in the EU Pesticide Database. To effectively reduce the amount of pesticide, it is recommended to apply integrated pest management, which is a crucial component of the GLOBALG.A.P certification, an internationally recognized voluntary standard for farm production that most buyers from Europe require.

As a pre-farm-gate standard, GLOBALG.A.P. has become an inevitable requirement for importing goods to Europe. The standard refers to good agricultural practices (GAP) that address “environmental, economic and social sustainability for on-farm processes, and result in safe and quality food and non-food agricultural products” (Food and Agriculture Organization of the United Nations, 2003). The standard has been primarily introduced in response to growing concerns about food quality and safety worldwide. In the form of guidelines, GLOBALG.A.P. obliges producers to develop a comprehensive control and monitoring system that allows registered products to be traced back to the specific farm unit where they were grown. GLOBALG.A.P. standards exist so far for fruits and vegetables, combinable crops, flowers and ornamental plants, green coffee, tea, pigs, poultry, cattle and sheep, dairy and aquaculture (salmon). Other product scopes are under development. Sri Lankan exporters may contact GLOBALG.A.P. approved certification bodies for an on-site inspection. A list of GLOBALG.A.P. approved certification bodies can be found in the checklist mentioned in section 2.6. . Further, it should be noted that the registration, inspection certification and annual renewal of the certificate is subject to certain standard fees.

Food Processors are additionally advised to obtain both Good Manufacturing Practices (GMP) and Good Hygienic Practices (GHP) Certifications, which serve as minimum standards for food safety. Through a voluntarily audit, exporters will be assessed on a variety of aspects such as the establishment, design and facilities, control of operation, maintenance, sanitation as well as personnel hygiene. If the commodity is stored on the farm, exporters are, beyond this, recommended to apply for the Good Storage Practices Certification. Despite the significance of those standards, Sri Lankan exporters should be aware that those pre-requisite programs are nothing more than minimum requirements for

most buyers from Europe, who mostly demand higher standards.

Mycotoxins

Exports from Sri Lanka will be additionally subject to mycotoxins controls. “Mycotoxins are substances produced by fungi commonly known as moulds” (CBI, 2020f). While these substances are very resistant and often survive heat treatments, the EU has introduced special mycotoxins limits for spices and herbs, such as turmeric, black pepper, chilies, nutmeg, ginger and capsicums. Common mycotoxins identified in processed food including spices and herbs include aflatoxins, ochratoxin A and patulin. Aflatoxins particularly have been typically found in dried chillies and edible nuts, whereas apples and figs are often infected with patulin. Since European legislation has solely introduced aflatoxins for the above-mentioned spices, Sri Lankan exporters are expected to understand the national legislation of their export destination within Europe. The maximum mycotoxins levels can be found in the Annex (section 2) of the Commission Regulation (EC) No 1881/2006 of 19 December 2006.

Polycyclic Aromatic Hydrocarbons and Benzo(a)pyrene

Since the EU has introduced maximum levels for polycyclic aromatic hydrocarbons, Sri Lankan exporters are obliged to solely use wood when processing spices by smoking. The use of fossil fuels or gas in this regard is strongly prohibited. The type of wood should not have been chemically treated. Also, the production of banana chips has been associated with the occurrence of polycyclic aromatic hydrocarbons and benzo(a)pyrene, two toxic compounds that materialize during the “frying of banana slices in coconut oil” (CBI, 2020g).

Heavy Metals

In order to reduce the likelihood of heavy metals occurring as residues in processed food, Sri Lankan exporters must comply with the regulations on food contaminants that sets out “restrictions for lead (fruit, fruit juices, various kinds of vegetables), cadmium (fruit and vegetables), mercury (food supplements) and tin (canned food and beverages)” (CBI, 2020f). “A high lead of cadmium presence can be especially found in frozen fruit and vegetables, but also in colours used on glass packaging materials. Higher concentrations of tin used to be found in canned fruit and vegetables as a result of dissolution of the tin coating or tinplate” (CBI, 2020f).

Other Contaminants in Processed Food

Table 3: Other contaminants in processed fruit and vegetables.

Foreign matters

Contamination by foreign matters such as metal parts (for example from agricultural machinery and tools), dead insects and glass or plastic particles are a threat when food safety procedures are not carefully followed. Usage of optical, metal and similar detectors is recommended to prevent this type of contamination. However, physical sorting and eye-hand control is always recommended, even if detectors are installed.

Irradiation

Irradiation is a way to combat microbiological contamination, but its use is limited by European Union legislation for processed fruit and vegetables, and edible nuts. European radiation protection legislation and radioactive contamination legislation define maximum permitted levels of radioactive contamination in food. Irradiation tests are commonly requested by European buyers for many food products. For some products, such as wild-collected dried mushrooms, this control is even more frequently applied. Wild-collected mushrooms easily absorb radiation, so buyers in Europe regularly ask for radioactivity contamination tests for imported mushrooms.

Glycidyl esters

Glycerol-based products are contaminants found in vegetable oils and in smaller quantities in some processed food, such as dried preparations for soups, breakfast cereal products, snacks and potato products. In 2018, the EU published new maximum levels for glycidyl esters in foods for special medical purposes and/or intended for infants and young children.

Specific plant toxins

The presence of tropane alkaloids is controlled for unprocessed whole, ground, milled, cracked, chopped apricot kernels placed on the market for the final consumer. Raw apricot kernels contain the naturally occurring substance amygdalin – a cyanogenic glycoside which results in the release of cyanide during digestion of the kernels in the human gut. Raw, unprocessed apricot kernels, both bitter and sweet varieties, should not be sold for human consumption unless cyanide levels are compliant with the mL of 20 mg/kg that is set in legislation.

Nitrates

Nitrate levels are controlled in frozen spinach.

Contamination of Cinnamon

Sri Lanka is the world’s largest producer of pure cinnamon (Cinnamomum verum). Against this background, exporters need to pay special attention to the legal EU requirements for unprocessed cinnamon, which needs to comply with the following parameters (CBI, 2020g):

- Ash: maximum 7%
- Acid Insoluble Ash: maximum 2%
- Moisture: maximum 14%
- Volatile oil: minimum 0.7-0.1% (depending on botanical species)

Source: Centre for the promotion of imports from developing countries / CBI (2020f)

2.1.2 Food Additives and Colors

Excessive, undeclared levels of food improvement ingredients can be rejected by European authorities. Sri Lankan exporters have to comply in particular with the specific legislation for additives including preservatives, colours and thickeners. While authorized additives can be found in Annex II of the Food Additives Regulation, “vitamins and minerals can be added to fruit juices and fruit nectars” (CBI, 2020f). However, this should change in the near future. “The use of sulphur dioxide (SO2) fumigation in the processing of Ceylon cinnamon is allowed but the maximum residue level is 150 mg/kg. Its use is not allowed for other cinnamon varieties” (CBI, 2018). Despite those clear regulations, extensive problems have especially occurred with regards to food colouring including the excessive use of colour E110 (Sunset Yellow) in dried candied fruit purees (CBI, 2020f). With regard to spices, European Food Additive legislation stipulates that “spices and spice blends may not contain added colours, although adding colours is allowed for seasonings” (CBI, 2020g).

2.1.3 Plant Health and Phytosanitary Regulations

The export of fresh fruit and vegetables to Europe is subject to health inspections to prevent “the introduction and spread of organisms harmful to plants and plant products in Europe” (CBI, 2020e). Sri Lankan farmers and food processors that intend to export “leafy vegetables, tomatoes, peppers, citrus fruit, stone fruit, berry fruit, apples, pears, mangoes and avocados” (CBI, 2020e), among others, are in particular required to register and apply for a phytosanitary certificate at the National Plant Quarantine Service (NPQS) of the Department of Agriculture in Sri Lanka.

Additional restrictions apply for Sri Lankan suppliers of bitter gourd (temporary import ban) snake gourd, guava, mango and citrus. The export of these products requires Sri Lankan suppliers to obtain a field certification. Sri Lankan farmers who wish to cultivate these crops and intend to export these products to Europe should follow the below-mentioned steps (Department of Agriculture, 2020):

1. Contact the Division of Agribusiness Counselling under the Extension and Training Centre of the Department of Agriculture
2. Contact the CAB (Councillors of Agribusiness) officers in your area

3. Obtain relevant information about the cultivation process
4. Start your cultivation
5. Register the exporting farm with the help of a CAB officer
6. Maintain the crop according to the instructions of the CAB officer
7. Initially supply to the Sri Lankan market
8. Field conditions need to be inspected and confirmed by CAB officers
9. Export field auditing for certification will be done by quarantine officers of NPQS
10. Extension/banning of harvesting period will be decided by audit team of NPQS

Additionally, Sri Lankan exporters are advised to understand the phytosanitary rules on exports to Europe outlined in Directive 2000/29/EC and the new Implementing Directive 2019/523. Exporters of pineapples, bananas, coconuts, durian and dates are exempted from the need to obtain a phytosanitary certificate. To avoid difficulties at the border, Sri Lankan companies are recommended to verify with the NPQS under which conditions a specific product category can be exported to Europe.

2.1.4 Certificate of Origin / GSP Certificate

Official controls at all stages of the export process are carried out to ensure food safety across Europe’s member states. Sri Lankan exporters of fresh fruits and vegetables are required to provide information on the traceability of their products by submitting a proof of origin that is issued by the Sri Lankan Department of Commerce. The certificate is in particular of importance since it allows exporters from Sri Lanka to benefit from the EU’s Generalised Scheme of Preferences Plus (GSP+), which “removes import duties from products coming into the EU” from Sri Lanka (European Commission, 2020a). Exporters that intend to benefit from this scheme are required to apply for Form A at the Department of Commerce, whereas the non-preferential certificate of origin can be obtained from the national chambers of commerce in Sri Lanka.

In order for goods to benefit from the EU GSP upon importation into the EU, three conditions must be fulfilled (European Commission, 2017):

- The goods must originate in a beneficiary country in accordance with the EU GSP Rules of Origin

- During transportation from a beneficiary country to the EU, the goods must not be altered, transformed, or subjected to operations other than operations performed in order to preserve them in good condition; and
- A valid proof of origin must be submitted (certificate of origin Form A, issued by the competent authorities in the beneficiary country, or invoice declaration, or as of 1 January 2017, statement on origin)

2.1.5 Health / Export Certifications

Sri Lankan businesses that intend to export agricultural goods to Europe are required by the importing member states to produce a health certificate that assures the suitability of the products for human consumption. Known as export certificate or health certificate, the official document is issued by the Food Control Administration Unit (FCAU) of the Ministry of Health. In order to apply for the certificate, Sri Lankan exporters must be registered with the FCAU.

To obtain the health certificate, products being exported to Europe are tested at a laboratory recognized by the FCAU. Since member states in the EU have different requirements, it is advised to pro-actively resolve uncertainties with the importing agent. Health certificates are issued for the following export food items by the FCAU: tea, coconut and coconut products, rice and rice-based products, cereals and cereal based products, spices and condiments, processed and semi processed foods, dried fish, food packaging materials – e.g. cans, wrapping papers, tags, any other food items requested by the exporter.

Health certificates are not issued for the following export food items. They will be issued from other relevant authorities: Fresh vegetables and fresh fruits by the Plant Quarantine Unit of the Department of Agriculture.

Overview of Requirements for obtaining a Health / Export Certificate by the FCAU

Table 4: Overview of requirements for obtaining a health / export certificate by the FCAU

Requirements	Issuing Institution in Sri Lanka	Required Documents
Food establishment registration procedure	Food Control Administration Unit (FCAU) of the Ministry of Health	https://bit.ly/3FTP6XE
Application for Health / Export certificate	Food Control Administration Unit (FCAU) of the Ministry of Health	https://bit.ly/33ThYg7

2.2. Certifications and Standards

Certifications are in principle voluntary. They are based on technical standards which are discussed and agreed in national and international standardization bodies, e.g. SLSI for Sri Lanka, or the International Organization for Standardization (ISO) – a private international network of national standard institutes working along with governments, industry and consumer representatives – at international level. Certifications can be obtained at system level, process level or product level. GAP, Organic and ISO 22000 are some of the most common certifications for agri-food products. For more information, please refer to the Handbook on Quality for Small and Medium Enterprises (UNIDO, 2020b).

2.2.1 Organic Certifications

Organic farms rely on the use of natural local resources and the management of the ecosystem rather than external agricultural inputs such as mineral fertilizers and agrochemicals. Organic agriculture therefore rejects synthetic chemicals and genetically modified inputs. It promotes sustainable traditional farming practices that maintain soil fertility. Standards for organic farming have mainly been developed by private certification bodies but a number of Asian countries also have national organic standards and regulations (e.g. SL Organic). In addition, there are private initiatives that promote organic farming. The EU has national regulations on the labelling of organic products and if producers want to export their products to the EU, they must meet these regulations. The choice of a certification agency is very important. The certification agency chosen by the producer must be officially recognized in the country where the product is to be sold. National certification agencies are often less expensive than international agencies, but they may not be as well-known or recognized in some foreign markets.

Requirements for the Export of Organic Products to the EU market

To become an organic farmer or exporter, Sri Lankan businesses need to be registered and certified through a registered control body. In Sri Lanka, there are currently 7 approved certifications bodies, namely the Control Union, Sri Lanka / The Netherlands; Ecocert, India / France; NASAA Certified Organic (NCO); Australia, Lacon, Germany; QAI, Quality Assurance International, USA; OneCert, USA; MayaCert, Guatemala.

When a Sri Lankan company is certified organic by an EU approved certification body, it is allowed to use the EU organic logo on their products (Figure 5), and it is eligible to export organic products to the EU. In order to do so, certain steps have to be followed: First, you should register with the Trade and Control Expert System/Traces. This will be done by your certification body once you have applied. Second, prior to each shipment, you have to apply at your certification body for a Certificate of Inspection (Col), which is also called Transaction Certificate.

Figure 1: EU organic logo



The Col is a very important document for export. It is especially important for customs clearance. Without a Col, organic products cannot enter the EU as organic. The organic product will lose its organic status, or the shipment has to wait at the border until a Col is issued and custom clearance can take place. This can however be very costly and will disgruntle your buyer. It is therefore important to apply at your certification body in time before each export. Your certification body will send you a template, which you have to fill in for the application. Here data have to be filled in like: name of exporter, name of the producer, name and address of first consignee in the EU, trade name of product, organic status, quantity, lot number, transport company, etc. The certification body will use this data to issue an electronic Col via Traces. Your product can then enter the EU as an organic product (Import Promotion Desk, 2019a).



2.2.2 Marketing Standards

The EU has developed several marketing standards that were aligned with the UNECE standards for fresh fruit and vegetables. According to those standards, fresh fruit and vegetables are grouped into three different quality classes, such as the Extra Class (superior quality), Class I (good quality) and Class II (minimum requirements). Although Class II products can be occasionally found in some Eastern European countries, the processing industry or less formal segments, the preferred standard lies between the Extra Class and Class 1 (CBI, 2020e). Additionally, it should be noted that for some products including apples, citrus fruits, kiwi fruits, lettuce, curly and broad-leaved endives, peaches and nectarines, pears, strawberries, sweet peppers, table grapes, and tomatoes, an EU certificate of conformity is required (CBI, 2020e). For Sri Lankan exporters, the certificate can be issued at one of the European control bodies. For all other fresh products, exporters have to comply with the general marketing standards in Annex I, Part A of EU Regulation No 543/2011; or the applicable UNECE standard (sometimes less strict than the EU standard). Sri Lankan exporters can choose between the two standards. In this context, it is important to note that agricultural products that are intended for

processing do not have to comply with the EU marketing standards. However, this has to be made clear on the actual packaging by using the wording “intended for processing” (CBI, 2020e).

2.3. Voluntary Food Safety Requirements by European Buyers

As food safety requirements are mandatory, there are voluntary food safety certifications that are optional but preferred systems which could have a leverage effect on the export product. Voluntary standards are not compulsory, but farmers, exporters, and other firms can decide whether or not to comply with them and accept the economic consequences. These standards can focus on environment, ethical production, quality, etc.

Since traders, food processors and retailers from Europe are tightening their food safety requirements, Sri Lankan exporters are in most cases expected to obtain additional certifications that serve as extra food safety and product quality guarantees for buyers including supermarket chains from Europe. Since those too have increased significantly with regard to their audit criteria, the ISO introduced the international FSMS standard, known as

ISO 22000, which combines prerequisite programs such as GAP, GMP and GSP with the HACCP principles and elements of the ISO 9001:2015 standard. ISO 22000 can be perceived as the culmination of previous attempts to develop a standard that is safe against hazards ranging from pathogens to other contaminants. As European standards are increasing gradually, Sri Lankan exporters are expected to benefit from the implementation of ISO 22000. Certificates in this regard are being awarded from the Sri Lanka Standards Institution (SLSI) and other accredited certification bodies. Also, the IFS Food Standard or the BRC (British Retail Consortium) Global Standard for Food Safety are increasingly demanded by European buyers. BRC in particular is predominantly required by most buyers in the north-western European market.

In view of an increasing number of interrelated standards that vary in their complexity, and are often built on identical prerequisite programs such as GLOBALG.A.P., GMP, GHP and GSP, Sri Lankan exporters are advised to check on the specific requirements of each European buyer before consulting one of Sri Lanka's competent food safety authorities to proceed with the auditing. In this regard, it is advisable to check the Sri Lanka Accreditation Board (SLAB) accreditation prior to selection of a certification body.

Despite these voluntary food safety certifications, which have become almost obligatory, European buyers often request laboratory tests that physically approve the quality of the products to be exported. Therefore, it is nothing unusual to accompany your deliveries with documentations (not older than six months) from accredited laboratories.

ISO 22000

The ISO 22000 standard has been developed to facilitate the setting up of food safety management systems (FSMS). It incorporates the HACCP principles as well as traceability measures. ISO 22000 has been elaborated by the ISO along with the Confederation of the Food and Drink Industries of the EU (CIAA), the International Hotel and Restaurant Association (IH&RA), the Global Food Safety Initiative (GFSI) initiative of The Consumer Goods Forum and the World Food Safety Organization (WFSO). Therefore, ISO 22000 harmonizes the requirements of national food safety management systems worldwide on a non-governmental, voluntary basis. Any stakeholder of the food chain (crop producers, feed producers, food producers, processors, wholesalers, retailers) can apply for this standard. ISO 22000 can be used independently or in combination with other management system standards.

International Featured Standard (IFS) Certification

The IFS is a GFSI recognized standard for auditing food manufacturers. This standard has been designed as a uniform tool to ensure food safety and to monitor the quality level of producers of retailer-branded food products. The standard can apply across all processing functions of the food product subsequent to its agricultural production.

BRC (British Retail Consortium) Global Standard for Food Safety

The BRC standard is a private voluntary standard developed by the British Retail Consortium (BRC). The standard has been set up in order to protect consumer health and to enable British retailers to comply with the United Kingdom Food Safety Act. Therefore, the BRC standard can be considered a tool that provides retailers with a common basis for the audit of their food product suppliers. Usage of this standard requires the adoption

and implementation of HACCP principles, the setting up of a documented and effective quality management system as well as the control of working environment, products, processes and personnel. The standard can be applied for by any food supplier company, with the application certified by a third party.

International Raw Material Assurance

European buyers that import concentrated juices and purees from fruit processors in Sri Lanka often request for an IRMA (International Raw Material Assurance) certification, an important part of the Sure-Global-Fair (SGF) certification system that aims to achieve more safety, quality and fair competition in the fruit juice sector through industrial self-regulation. Juice bottlers are expected to be certified by IQCS (International Quality Control System for juices and nectars).

2.4. Product Traceability

Based on the above-mentioned points, it is clear that many governments are increasing control over all stages of food production, processing, and distribution to protect consumers against the biological, chemical and environmental contamination of food. Product traceability is the ability to identify, track, and trace elements of a product as it moves along the supply chain from raw goods to finished products. It also enables efficient recall in case of a product's contamination.

Furthermore, it helps to determine the origin of a food safety problem and supports exporters in complying better with legal requirements and consumers expectations. Documentation at harvest and coding on packages are components of a traceability system.



2.5. Ethical Labels

A high degree of awareness by consumers in the EU on the impact of their food consumption, and the growing advocacy for high moral standards in the production and consumption of food has increased the demand for ethical labels. These labels promote a wide range of ethical practices from environmental sustainability and animal wellbeing to social justice and occupational health and safety. Such ethical labels – even though not compulsory – are popular in the EU, especially in Germany. Farmers, producers, exporters and other firms can choose to comply with such ethical standards or choose not to, and accept the economic consequences of their actions. Aside from ensuring consumer satisfaction, safety and health, ethical labels bring opportunities to exporters and producers such as market access, protection of local resources, improvement of worker wellbeing as well as the living standards of rural communities in which they operate.

Fair-trade

Fair-trade is based on the fair remuneration of producers. Buyers that commit to fair-trade must pay a minimum price to producers as well as a premium called fair-trade premium. This premium should enable producers to support themselves and to invest in community development. In return, producers that commit to fair-trade must comply with labour rights, environmental and social requirements. Standard setting and certification are under the control of the Fairtrade Labelling Organizations International e.V. (FLO). This organization is the worldwide umbrella organization of 20 national non-governmental organizations in Europe, America, Asia and Oceania. Other institutions unrelated to FLO are also setting up fair-trade standards.

Vegan

The general interest in vegetarian, vegan or plant-based lifestyles is gaining momentum everywhere, especially in Europe. A variety of reasons contribute to this development including health concerns, continuing food scandals, environmental impact and compassion for animals. Both vegetarians and vegans choose not to eat meat and fish. However, veganism is a stricter form of vegetarianism that prohibits the consumption or use of any products that come from animals, including dairy, eggs, honey, leather goods, wool, and silk. The market for vegan products and meat alternatives is growing rapidly, and internationally recognized symbols and trademarks for labelling vegan products such as V-Label by the European Vegetarian Union (v-label.eu) and the Certified Vegan Logo (vegan.org) help consumers to identify these products. The Certified Vegan Logo has been used on countless products, and can be found anywhere from small stores to separate isles at the biggest supermarket chains across Europe.

Halal

Halal is an Arabic word meaning lawful. It refers to things or actions permitted by Islamic law. When associated to food, it is usually used to describe something that a Muslim is permitted to eat, drink or use. The opposite of halal is haram, which is Arabic for unlawful or prohibited. For producers and traders, this implies making sure that all the inputs, tools, machinery and labour used in the production, processing, storage and distribution chains of the products have been kept separated from anything that is considered haram. The process covers food as well as non-food products, such as certain medicines and cosmetics.

Kosher

Kosher food products are those that abide by the rules and regulations of Jewish law Kashrut. The Kosher certified food products are very popular among the Jewish and non-Jewish communities across the globe, especially in North America and Europe. Kosher Certification is the stamp of kosher approval by a rabbinic agency verifying they have checked the product's ingredients, production facility and actual production to ensure all ingredients, derivatives, tools and machinery have no trace of non-kosher substances.

ISO 14001

ISO 14001 standard was designed by the ISO to help the implementation of environmental management systems for organizations in both private and public sectors. ISO 14001 requires that the enterprise develops an environmental management system that includes: environmental objectives and goals, policies and procedures for reaching these goals, definition of responsibilities, staff training activities, documentation and a system to review any changes made. The ISO 14001 standard describes the management process that the company must follow and requires that the company respects national environmental regulations.

2.6. Checklists of Voluntary and Mandatory requirements

2.6.1 Fresh Produce

Table 5: Certification and standards checklists - Fresh produce

Requirement	Issuing Institution in Sri Lanka / Link to Legislation	Type of Legislation / Requirement
Adherence to maximum residue levels (MRLs) for pesticides	https://bit.ly/37nOc45	Obligatory
Adherence to EU limits for contaminants	https://bit.ly/3fRfeT1 (see Annex)	Obligatory
Certificate of Origin (Non-preferential)	National Chambers of Commerce	Obligatory
Certificate of Origin (GSP certificate)	Department of Commerce	Obligatory
Phytosanitary Certificate	National Plant Quarantine Service of the Department of Agriculture	Obligatory
Fumigation Certificate	National Plant Quarantine Service of the Department of Agriculture	Voluntary
HACCP	Ascent Lanka, SLSI, SLAB, SGS Lanka Ltd, Control Union Certifications B.V. (Sri Lanka)	Voluntary
GLOBALG.A.P., GMP, GHP, GSP	SGS Lanka Ltd, Control Union Certifications B.V. (Sri Lanka), SLSI	Voluntary
ISO 22000	SGS Lanka Pvt Ltd, Control Union Certifications B.V. (Sri Lanka), SLSI	Voluntary
BRC	Certvalue, SGS Lanka Ltd, Control Union Certifications B.V. (Sri Lanka)	Voluntary
IFS Food Standard	Cotecna Lanka Pvt Ltd, SGS Lanka Ltd.	Voluntary

2.6.2 Processed Fruit and Vegetables

Table 6: Certification and standards checklist - Processed fruit and vegetables

Standards / Requirements	Issuing Institution in Sri Lanka / Link to Legislation	Type of Legislation / Requirement
Adherence to maximum levels for certain contaminants	https://bit.ly/2Fe6n0V (see Annex)	Obligatory
Adherence to maximum residue levels (MRLs) for pesticides	https://bit.ly/37nOc45	Obligatory
Adherence to maximum levels for glycidyl esters in foods for special medical purposes and/or intended for infants and young children	https://bit.ly/30MnhqY	Obligatory
Adherence to maximum permitted levels of radioactive contamination in food	https://bit.ly/33Qj0tt https://bit.ly/3fWrwJW	Obligatory
Adherence to maximum levels of polycyclic aromatic hydrocarbons	https://bit.ly/3ahkzlj	Obligatory
Adherence to specific legislation for additives (like preservatives, colours, thickeners), flavourings and enzymes	https://bit.ly/3003hsJ (Additives) https://bit.ly/3iv1Vt9 (Flavourings) https://bit.ly/3kEhAYQ (Enzymes)	Obligatory
Certificate of Origin	Department of Commerce / Ceylon Chamber of Commerce	Obligatory
HACCP	SGS Lanka (Pvt) Ltd, SLSI, Control Union Certifications B.V. (Sri Lanka)	Voluntary
International Featured Standards (IFS)	Cotecna Lanka Pvt Ltd, SGS	Voluntary
British Retail Consortium Global Standards (BRCGS)	Certvalue, SGS Lanka (Pvt) Ltd, Control Union Certifications B.V. (Sri Lanka)	Voluntary
System Certification (FSSC 22000)	SGS Lanka (Pvt) Ltd, Control Union Certifications B.V. (Sri Lanka)	Voluntary



2.6.3 Spices and Herbs

Table 7: Certification and standards checklist - Spices and herbs

Standards / Requirements	Issuing Institution in Sri Lanka / Link to Legislation	Type of Legislation / Requirement
Adherence to maximum levels for certain contaminants	https://bit.ly/2Fe6n0V (see Annex)	Obligatory
Adherence to maximum residue levels (MRLs) for pesticides	https://bit.ly/37nOc45	Obligatory
Adherence to maximum levels of polycyclic aromatic hydrocarbons	https://bit.ly/3ahkzlj	Obligatory
Adherence to maximum permitted levels of radioactive contamination in food	https://bit.ly/33Qj0tt https://bit.ly/3fWrwJW	Obligatory
Adherence to specific legislation for additives (like preservatives, colours, thickeners), flavourings and enzymes	https://bit.ly/30O3hsJ (Additives) https://bit.ly/3iv1Vt9 (Flavourings) https://bit.ly/3kEhAYQ (Enzymes)	Obligatory
Adherence to the legal European requirements for unprocessed cinnamon (excluding crushed/ ground cinnamon and cinnamon treated for microbial reduction	https://bit.ly/30PN46o (see European Spice Association Quality Minima Document (English))	Obligatory
Global Food Safety Initiative certification (GFSI)	Control Union Certifications B.V. (Sri Lanka)	Voluntary
British Retail Consortium Global Standards (BRCGS)	Certvalue SGS Lanka (Pvt) Ltd, Control Union Certifications B.V. (Sri Lanka)	Voluntary
Food Safety System Certification (FSSC 22000)	SGS Lanka (Pvt) Ltd, Control Union Certifications B.V. (Sri Lanka), SLSI	Voluntary
ISO 22000	SGS Lanka (Pvt) Ltd, Control Union Certifications B.V. (Sri Lanka), SLSI	Voluntary



2.6.4 Organic

Table 8: Certification and standards checklist – Organic

Standards / Requirements	Issuing Institution in Sri Lanka	Type of Legislation / Requirement
Organic Certification	Control Union, Sri Lanka / The Netherlands; Ecocert, India / France; NASAA Certified Organic (NCO); Australia, Lacon, Germany; QAI, Quality Assurance International, USA; OneCert, USA; MayaCert, Guatemala.	Voluntary
Registration with TRACES	Control Union (SKAL, Netherlands); the Institute for Market Ecology – IMO, Switzerland; NASAA, Australia; Naturland, Germany; EcoCert, Germany; Demeter and BioSuisse, Switzerland; Organic Farmers and Growers Ltd, United Kingdom.	Obligatory for Organic Certification
Certificate of Inspection (Col)	Control Union (SKAL, Netherlands); the Institute for Market Ecology – IMO, Switzerland; NASAA, Australia; Naturland, Germany; EcoCert, Germany; Demeter and BioSuisse, Switzerland; Organic Farmers and Growers Ltd, United Kingdom.	Obligatory for Organic Certification

Chapter 3

Packaging and Labelling

3.1. Ensure Safe and Cost-Effective Packaging

Packaging can be added to the decisive Ps of marketing: product, process, price, place, promotion, people and physical evidence. It covers the entire food chain and is a shared responsibility of all players from farm to fork.

Food packaging serves to contain, protect and preserve, transport, and also to promote and market food products. Protection and preservation linked to packaging prevents the growth of microorganisms, visual deterioration and physical damage. Therefore, food packaging and packaging material should be selected considering the intent to prevent unfavourable absorption of contaminants, moisture, oxygen, light and external forces damaging the food, as well as to act as a barrier against the permeation of water vapour and other volatile compounds. It is very important to select food grade packaging material to avoid migration of chemicals from the packaging to the food.

Product losses due to poor packaging practices cause greater loss than any gain through cost cutting in packaging. However, cost effective and good packaging methods are available and should be explored. For more information, please refer to the Handbook on Packaging Fundamentals (UNIDO 2020c).

3.2. Packaging materials

The packaging materials that exist in the market should be evaluated in terms of their properties in order to choose the most appropriate packaging material with regard to safety and cost.

The interaction between food product and the potential packaging material is an important aspect during this evaluation. The chosen food packaging materials should not be harmful to human health, impart toxic substances, depreciate the organoleptic characteristics of food, or change the nature, substance and quality of the food product.

Paper, paperboard and plastics are primary packaging materials with direct contact with the content. Metal and glass are also widely used for various liquid and semi-solid food products.

Plain paper is not used to protect foods for long periods of time because it has poor barrier properties and is not heat sealable. When used as primary packaging, paper

is almost always treated to improve functional and protective properties.

Glass containers used in food packaging are often surface-coated to provide lubrication in the production line and eliminate scratching or surface abrasion and line jams.

Glass has several advantages because it is odourless and chemically inert with characteristics such as: non-permeability to gas and vapours, withstanding high processing temperatures, insulation property and environment friendliness as it is reusable and recyclable. The disadvantages are weight and susceptibility to breakage from internal pressure, impact, or thermal shock.

Metal is most versatile as it provides excellent physical protection, barrier properties, decorative potential, recyclability, and consumer acceptance. The metals used predominantly in packaging are tin-plate or aluminium.

Plastic has become the most common packaging material, and therefore has also become the most difficult to dispose of. Plastic is not environmentally friendly, but have highly appealing characteristics such as: lightweight, strong and cheap to manufacture. Hence it is now sought after as an alternative to cardboard and glass packaging materials despite the environmental impact.

The disadvantages of plastics are typically polymer specific, and the correct choice of polymer can mitigate weaknesses to a practical degree. It should be kept in mind that no plastic provides an absolute barrier to gas and moisture; it can melt at temperatures ranging from 650°C to 2,300°C, the chemical resistance property varies and additives in plastics can also contaminate certain food products.



3.3. Food labelling

Food labelling requirements vary from country to country. The table below shows packaging labelling regulations in Sri Lanka compared to the EU requirements. These regulations, guidelines or directives are available online or at local governmental authorities in Sri Lanka. Compliance to these requirements is necessary for a product to be legally eligible to enter local and international markets.

Table 9: Packaging and labelling regulations

Packaging and Labelling Regulations	Sri Lanka	EU
Packaging Materials Regulations	1660/30 (Packaging Materials and Articles / 2010)	EC-1935/2004 (Food Contact Materials / 2004) EU - 10/2011 (Plastic Materials for Food Contact / 2011) 94/62/EC (Packaging and Packaging Waste / 1994) 2023/2006 (Good Manufacturing Practices GMP / 2006)
Packaging Labelling Regulations	1376/9 (Food Labelling and Advertising / 2005)	2000/13/EC (Food Labelling, Presentation and Advertising / 2000) 1169/2011 (Food Information to Consumers / 2011)

3.4. Quantity information

Important information required to be presented on the packaging labels include:

- Identity and Composition: Listing out the properties and characteristics of the food.
- Protection of consumers health and the safe use of a food product, giving details on whether certain compositions may be harmful to certain vulnerable groups; information on durability, storage and safe use; and any health impact based on risks and consequences.
- Nutritional Characteristics: To enable consumers to make informed choices.
- Food information must not be misleading with regard to its characteristics and properties. E.g. description by picture of a particular ingredient when it is absent. The food business operator needs to ensure that the information on the label or packaging is correct, clear and easy to understand in a language understood by the consumers of the Member States where the particular food is marketed.
- Nutritional facts must also be presented on packaging labels. Any incorrect information on nutrition facts can lead to fines and legal challenges.

What’s on a Food Label?

Figure 2: Mandatory packaging label information



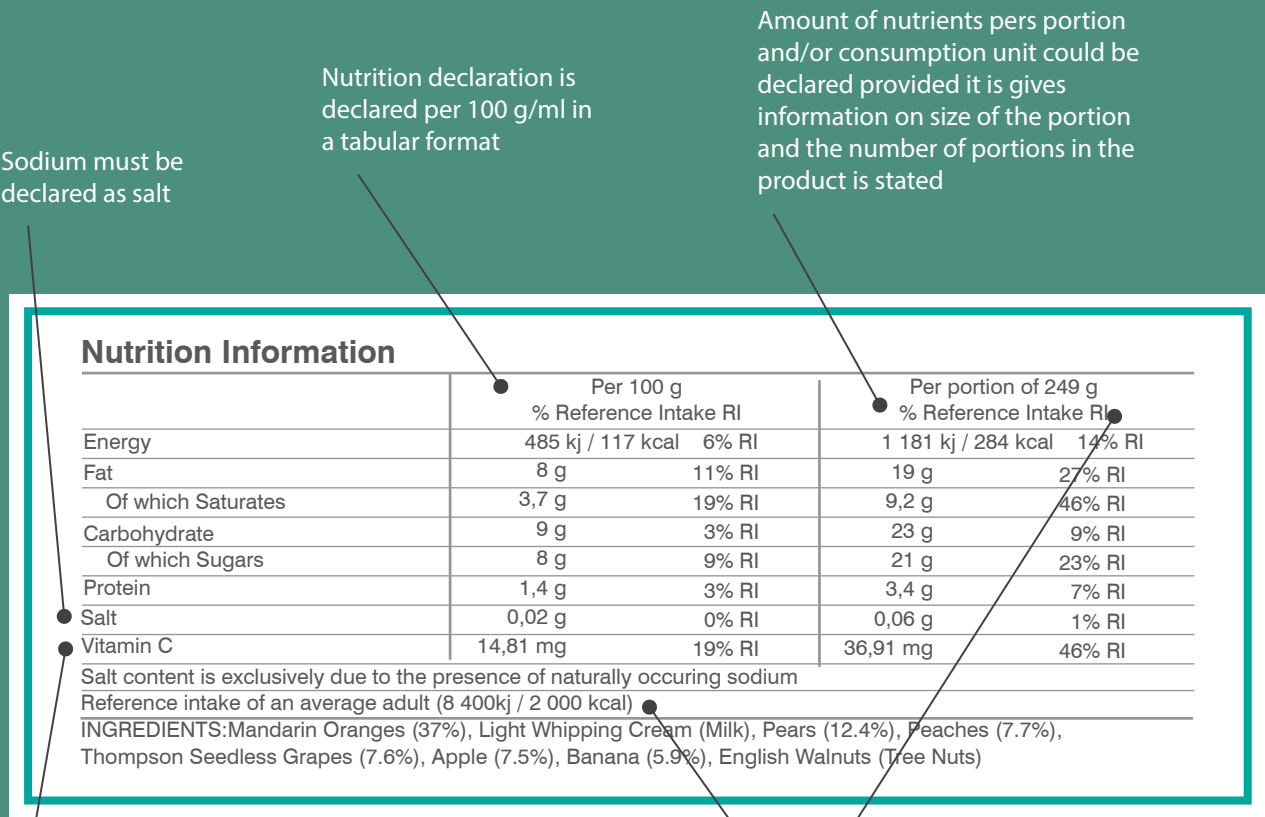
Figure 3: Mandatory nutrition facts

Nutrition Labelling under Regulation (EU) No 1169/2011 on the provision of Food Information to Consumers

Nutrition information is mandatory for Energy value, the amounts of fat, saturates, carbohydrate, sugars, protein and salt.

Mandatory declaration can be supplemented with an indication of one or more of the following such as: mono-unsaturates, polyunsaturates, polyols, starch, fibre, any of the vitamins or minerals as per the annexed list. Additionally, a simplified nutrition information as front-of-pack nutrition labelling is not mandatory but could be provided on a voluntary basis.

Methods of analysis for individual specific components are provided, which can be obtained by testing in a chemical testing laboratory.



It is optional to add one or more supplementary nutrients from the list in the regulation (EU) No 1169/2011. And % RI values for these vitamins and minerals must always be given in addition to the amount

Reference Intake (RI) values may be provided on a voluntary basis, with a statement in close proximity: "Reference intake of an average adult (8400kJ/2000kcal)

3.5. Using the e Mark

The 'e' mark acts as a metrological conformity for goods sold throughout the EU and ensures free movement of the goods to be sold in the correct quantity.

This mark when placed on a package is a declaration by the packer that the contents comply with the system that ensures an adequate measurement of quantity (e.g. mass, volume) of a packed product. There is no requirement for packages to be labelled with the 'e' mark, although some retailers require it. However, the regulations prohibit its use on packages that do not meet the specific criteria. In any case the labelling of pre-packed goods must indicate the contents by weight or volume.

Two EU directives present the specific metrological conditions and requirements in a harmonised way:

- Directive 75/106/EEC gives the producers and importers the option to use a standardize method for filling packages for sale in constant unit nominal quantities equal to values determined by the packer, expressed in units of weight or volume, not less than 5 g or 5 ml and not more than 10 kg or 10 litres.
- Directive 76/211/EEC, on glass bottles, offers the manufacturers the option to produce harmonised bottles made of glass of any other material having such rigidity and stability to guarantee the same controlled volume when they have a nominal capacity of between 0.05 litres and five litres inclusive.

Both laws are widely applied in the EU and fully recognised by national authorities.

Additionally, Directive 2009/34/EC provides the Framework on measuring instruments & metrological control methods.

The e-mark is used on a label to indicate that the product has been packed according to the requirements of these European Communities average weight rules.

In order to qualify for e-marking, the package must have been packed in a batch in conformity with the following three packers' rules:

- The actual contents of the packages must not be less, on average, than the labelled (nominal) quantity.
- The proportion of packages which are short of the

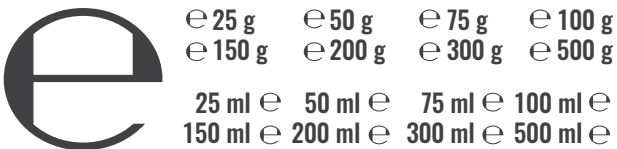
stated quantity by a defined amount (the 'tolerable negative error' – TNE or T1) should be less than a specified level (generally no more than 2.5% or 1 in 40).

- No package should be short by more than twice the TNE.

If a producer decides to comply with the rules, the following markings have to be indicated on each pre-package:

- On pre-packages containing liquid products, the nominal volume and in other cases the nominal weight, followed by the symbol or the name of the unit of measurement.
- A mark or inscription from which the packer, contract packer or the importer can be identified.
- The prescribed letter "e", as a sign that the pre-package satisfies the requirements of the Directive.

Figure 4: The e-mark and examples of use



Further information on e-mark can be found in the WELMEC guide for packers and importers of e-marked prepacked products.

Figure 5: The CE mark (which is different from the e-mark)



The e Mark is however different from CE Marking, which is placed on a product when it complies with EU Safety, Health and Environmental protection requirements. CE Marking is mandatory for products ranging from electrical equipment to toys and from civil explosives to medical devices. It is not required for food products. It is compulsory only for some products covered by the New Approach Directives. It is forbidden to affix CE marking to other products.

3.6. Mandatory Information

Mandatory food information needs to be marked in a conspicuous place to be visible, legible and where possible indelible. Following are the mandatory particulars that need to be indicated with words and numbers and may additionally be expressed by symbols and pictures.

- The name under which the product is sold.
- The list of ingredients;

All ingredients of the food should be listed in descending order of weight, by their specific name under a suitable heading that has the word 'ingredients'.
- Fresh fruit and vegetables which have not subjected to any manufacture, fermented vinegars from a single product, cheese, butter and other fermented milk products, and food consisting of a single ingredient do not need a list of ingredients.
- Any ingredient used in the preparation or in the finished product that could cause allergic reaction.

Certain substances or products causing allergic intolerances (allergens) need to be indicated with a clear reference to the name of the substance or product and distinguishing it from the rest of the list of ingredients by font, background colour etc.
- Quantity of certain ingredients or category of ingredients.

The net quantity of food is to be expressed using litres, centilitres, millilitres for volume and kilograms, grams for mass. Quantity of ingredients or category of ingredients used need to be indicated when it appears in the name of the food or associated with that name. It should be also be indicated if the ingredient is emphasised on the label in words or pictures or if a particular food needs to be distinguished from products with similar name or appearance.
- The net quantity (in mass for solids, or volume for liquids).
- The date of minimum durability or the expiry date

The date of minimum durability shall be the date

until which the food product retains its specific properties when properly stored. The date shall be given with the words: Best before date – day, month and year in uncoded chronological form.

- Any special storage conditions of use should be mentioned.

Identification of the Manufacturer and Importer

- The name or business name and address of the food business operator.
- The country of origin.
- Indication of the country of origin or place of origin is mandatory, if consumers could be misled as to the true country or place of origin.
- Instructions for use when it is difficult to use without such guidance.
- Alcoholic strength by volume, containing more than 1.2% by volume of alcohol in beverages.

Nutrition Declaration

Nutrition claim means any representation and any advertising message that a food has particular nutrition properties due to the energy it provides or does not provide and/or due to the nutrients it contains or does not contain. When a nutrition claim is made, nutrition labelling is compulsory.

The nutrition declaration should include:

- Energy value (kJ/kcal).
- Following Nutrients: protein, carbohydrate, fat, fibre, sodium and sugar. They are to be expressed per 100 g or 100 ml.
- Vitamins and minerals listed and present in significant amount as defined in Annexe XIII of the REGULATION (EU) No 1169/2011 of the European Parliament and of the council.

Fresh fruit and vegetables which have not subjected to any manufacture, fermented vinegars from a single product, cheese, butter and other fermented milk products, and food consisting of a single ingredient do not need list of ingredients.



3.7. Packaging Materials Regulations: The Basics

As with labelling regulations, packaging should also follow a number of international regulations covering raw materials and converted items. The most important guidelines that packaging should adhere to for optimal export operations between Sri Lanka and EU countries are described below:

- No trade of packaging materials which could be harmful to human health, deteriorate organoleptic properties of food or change the nature of the food
- Storage conditions must be mentioned
- Raw materials should be certified for food contact
- Print “for food use” on food packaging materials
- Plastic laminates and additives should be certified food grade
- No enamel or glazed materials
- No vinyl chloride materials
- Do not use non-food packaging for food purposes
- No storage of edible oil or fat in metal containers
- Packaging material labels should never be in contact with food
- No presence of any sachet (reduced iron) for oxygen absorbance inside the packaging material
- Plastic materials (multilayers) specific migration limits
- Plastic materials (multilayers) overall migration limits
- Presence of Declaration of Compliance (DoC)



3.8. Allergens

The EU has harmonised the modalities according to which the information about the presence of substances or products causing allergies or intolerances must be provided on food, to ensure that consumers suffering from allergic reactions are able to easily identify the substance they are sensitive to.

Article 21 of Regulation (EU) No 1169/2011 specifies the allergens to be declared in the list of ingredients where the name of the substance in question has to be emphasized clearly distinguishing it from the rest of the ingredients. In the absence of the list of ingredients, the presence of allergens has to be indicated by using the word “contains” followed by the name of the food allergen. The purpose of this harmonization established by the Regulation was to avoid the consumer being confused by different ways of labelling of allergens in food. Food ingredients which can trigger allergic reactions in certain groups of consumers should also be considered along with the common allergens present in the EU considered by the Regulation.

The following foods and ingredients are known to cause hypersensitivity and shall always be declared. The list is extracted from ‘General Standard for the Labelling of Prepackaged Foods of CXS -1995’:

- Cereals containing gluten; i.e., wheat, rye, barley, oats, spelt or their hybridized strains and products of these.
- Crustacea and products of these.
- Eggs and egg products.
- Fish and fish products.
- Peanuts, soybeans and products of these.

- Milk and milk products (lactose included).
- Tree nuts and nut products and,
- Sulphite in concentrations of 10mg/kg or more.

3.9. Nutrition and Health Claims

The rules on nutrition and health claims have been established by Regulation (EC) No 1924/2006. Such food bearing claims that could mislead consumers are prohibited to protect consumers, to promote innovation and ensure fair competition. This regulation is the legal framework used if a manufacturer wants to highlight a particular beneficial effect of products in relation to health and nutrition.

The rules of the Regulation apply to nutrition claims (such as “low fat”, “high fibre”) and to health claims (such as “Vitamin D is needed for the normal growth and development of bone in children”). The objective of those rules is to ensure that any claim made on a food’s labelling is presented clearly, accurately and based on scientific evidence.

Food supplements are marketed as an addition to normal diet, which are concentrated sources of nutrients (or other substances) with a nutritional or physiological effect. Such food supplements can be marketed in “dose” form, such as pills, tablets, capsules, liquids in measured doses, etc.

The objective of the harmonised rules on these products in Directive 2002/46/EC is to protect consumers against potential health risks from those products and to ensure that they are not provided with misleading information.

It also lays down a harmonised list of vitamins and minerals that may be added for nutritional purposes in food supplements.

Chapter 4

Logistics and Freight Forwarding

4.1. Types of Logistic Providers

Sri Lankan companies that intend to export to the European market can choose from a variety of services that are offered by different types of logistic providers. Generally, it can be distinguished between first party (1PL), second party (2PL), third party (3PL), fourth party (4PL) and fifth party (5PL) logistic providers. Based on their own shipping needs, Sri Lankan companies can make their choice accordingly. To provide a better understanding of the interrelated logistics practices, the following section explains the aforementioned types of logistic providers in detail.

Table 10: Types of logistic providers

First Party (1PL)	A company that does not outsource transport and logistic activities to a third party
Second Party (2PL)	A company that owns means of transportation and has their own ships, trucks, airlines
Third Party (3PL)	A freight forwarder that manages the complete shipment of the cargo. As an architect of transport, the freight forwarder is receiving, handling, storing, packing, and delivering the goods. Additionally, the freight forwarder may provide temperature-controlled warehousing and customs brokerage etc.
Fourth Party (4PL)	A separate entity established as a joint venture or long-term contract between the Sri Lankan export-oriented company and multiple logistics service providers. The 4PL goes beyond the functions of a 3PL and manages the Sri Lankan company's overall supply chain including legal paperwork.
Fifth Party (5 PL)	A 5PL will develop and implement innovative- often e-commerce related logistics solutions on behalf of the Sri Lankan company with the objective to optimize the client's supply chain in a cost-efficient way

4.2. Modes of Transport

Sea transport remains by far the most cost-effective way to move goods in large quantities from Sri Lanka to the European market (Export Development Board, 2017). With regards to the freight volume, Sri Lankan companies can choose between Full Container Load (FCL) shipments and Less than Container Load (LCL) shipments. The important aspect here is to reserve shipping space well ahead of the date of shipment. Also, airfreight should be considered as an efficient mode of transportation, which may allow Sri Lankan exporters to yield a decisive time advantage, and move product samples, perishable food, components, and urgent cargo within the given time frame. Costs for airfreight, however are considerably higher.

4.3. The Advantages of using a Freight Forwarder

As trading across borders has evolved into a costly and relatively complex procedure with administrative barriers that impede the export of goods to the European market, companies have specialized in the organization of storage and the shipping of cargo. As so-called freight forwarders, they support Sri Lankan exporters through a multiplicity of services that range from regulatory approvals over customs clearances to temperature-controlled warehousing and mobile refrigerated cargo

storage. With expertise in preparing and processing customs documentation, freight forwarders assist exporters with the bill of lading, the commercial invoice, the certificate of origin, the inspection certificate, the export license, the shipper's export declaration and the correct packaging of goods. Since shipping items overseas requires complex documentation and freight forwarders usually provide discounted ship and air cargo rates through consolidation and consignments, export-oriented companies from Sri Lanka are expected to benefit in multiple ways from third-party logistics providers operating in Sri Lanka DHL, DBS Logistics Limited, Hellmann Worldwide Logistics and Hayleys Advantis.



4.4. Exporting to Europe with DHL Global Forwarding - A Step-by-Step Guide

Being a global leader in the logistics industry, DHL provides the complete spectrum of logistics services for exports out of Sri Lanka to the rest of the world.

How does DHL Global Forwarding support Sri Lankan exporters?

DHL follows a standard procedure for export consignments out of Sri Lanka:

1. Export customs clearance and regulatory approvals
2. Cargo pick up, palletizing and consolidation if required
3. Cargo handover at airport or seaport
4. Main carriage of goods to destination airport or seaport
5. Customs clearance at destination
6. Warehousing, fulfilment, and delivery

What costs have Sri-Lankan export-oriented companies to expect when using DHL as a freight forwarding service to Europe?

Freight rates are agreed per month, per quarter or per annum basis depending on the shipper requirement and market condition on each trade lane. Freight rates too are market controlled by demand and supply of capacity

available in the global and regional markets and trading routes. DHL has special arrangements with carriers at regional and global level based on overall volume carried. Right now, the global rate levels have increased due to prevailing global crisis condition, therefore current rates do not reflect the true nature of the freight rates variations and should not be taken as a benchmark by the export community. Export-oriented companies are expected to contact DHL for rate inquiries.

In what way should Sri Lankan companies approach DHL to use their freight forwarding service?

DHL Global Forwarding has a team of experts in the industry working alongside a global network in 220 countries and territories. The freight forwarding requirements may vary from one exporter to another based on the trading route, exporting commodity, export volume and what stage the exporting company is in its lifecycle.

1. Interested exporters can reach out to DHL on 0117321321 for their requirements or contact DHL on <https://www.dhl.com/lk-en/home/contact-us.html>
2. Once DHL has clarity of the requirements of the exporter, they will furnish the pricing proposal for the exporter's review
3. Upon confirmation, DHL can proceed with carrying out the agreed terms of the freight forwarding contract
4. As part of the contract, DHL can agree on the payment terms as well

4.5. Overview of additional leading Freight Forwarders in Sri Lanka

- DBS Logistics Limited (DB Schenker)
- Kühne + Nagel
- Hellman Worldwide Logistics
- Expolanka Holdings PLC
- Aitken Spence Cargo
- Sri Lankan Airlines Ltd.
- Mercmarine

More details can be obtained through the Sri Lanka Freight Forwarders Association (<https://www.slffa.com/>)

4.6. Exporting Trade Samples

The foreign buyer may ask for samples of products before a trade transaction takes place. In such cases the exporter will send samples of his products to the foreign buyer, and the samples are usually sent by airfreight to avoid undue delay. Trade samples up to a certain amount can be exported freely and only a customs declaration form needs to be furnished. The amount/number of units of trade samples that can be exported will be determined by the Director General of Customs.

Chapter 5

Risk Management and EU Market Potential

5.1. Incoterms

Driven by the need to bring clarity into the complexity of exporting goods, the International Chamber of Commerce (ICC) has developed a set of 11 rules that provide guidance to exporting companies. Under the acronym Incoterms (International commercial terms), these rules specify the stage at which the seller's costs and risks are transferred onto the buyer. Simply put, Incoterms determine which risks and costs are agreed to be paid by the exporting Sri Lankan company and which are to be covered by the European buyer. They thus provide clarity and predictability to the business and play a significant role in international trade.

Sri Lankan companies that plan to export agricultural products to the European market must agree with the buyer to sell their products on 1 of these 11 defined Incoterms listed below. The Incoterm must be clearly stated in purchase contracts and counter-signed by both parties to avoid any misunderstandings. Despite their universal meaning for buyers and sellers across the globe, Incoterms are no substitute for a purchase contract. They additionally do not specify the time, place, methods, or currency of payment. Also, unforeseeable circumstances (force majeure) that prevent the European buyer or Sri Lankan seller from fulfilling the contract are not covered by the Incoterms. For Sri Lankan exporters, it is therefore important to make specific provisions in their contract of sale and to incorporate the Incoterms into the existing contract. In essence, the Incoterms are not themselves a contract of sales and strictly do not provide the law applicable to the contract. The following overview by IncoDocs (2020) displays the latest Incoterms in an easy-to-understand format. The chart states each Incoterm and explains the obligations and charges that are accepted by the seller and the buyer. Free-On-Board (FOB) is generally the most used Incoterm that is used for containerized trade.

5.1.1 Incoterms Rules 2020

Table 11: Incoterms rules 2020

EXW-Ex-Works	If the European buyer and Sri Lankan seller agree to sell goods on Ex-Works terms, then the Sri Lankan seller's obligations are simple. The seller will only cover the cost of the goods and the export packaging Ex warehouse. In other words, the Sri Lankan seller will manufacture the goods and have them packaged and ready for collection from their warehouse. From then on, all additional costs and risks involved in transport away from the warehouse are covered by the European buyer. "Ex Works" means that the Sri Lankan seller delivers when it places the goods at the disposal of the buyer at the seller's premises or at another named place (i.e. works, factory, warehouse, etc.). The seller does not need to load the goods on any collecting vehicle, nor does it need to clear the goods for export, where such clearance is applicable.
FCA-Free Carrier	"Free Carrier" means that the Sri Lankan seller delivers the goods to the carrier or another person nominated by the European buyer at the Sri Lankan seller's premises or another named place. The parties are well advised to specify as clearly as possible the point within the named place of delivery, as the risk passes to the buyer at that point.
CPT- Carriage Paid To	"Carriage Paid To" means that the seller delivers the goods to the carrier or another person nominated by the seller at an agreed place (if any such place is agreed between parties) and that the seller must contract for and pay the costs of carriage necessary to bring the goods to the named place of destination.
CIP- Carriage and Insurance Paid To	"Carriage and Insurance Paid To" means that the seller delivers the goods to the carrier or another person nominated by the seller at an agreed place (if any such place is agreed between parties) and that the seller must contract for and pay the costs of carriage necessary to bring the goods to the named place of destination. The seller also contracts for insurance cover against the buyer's risk of loss of or damage to the goods during the carriage. The buyer should note that under CIP the seller is required to obtain insurance only on minimum cover. Should the buyer wish to have more insurance protection, it will need either to agree as much expressly with the seller or to make its own extra insurance arrangements.
DAP- Delivered at Place	"Delivered at Place" means that the seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination. The seller bears all risks involved in bringing the goods to the named place.
DPU- Delivered at Place Unloaded	"Delivered At Place Unloaded" means that the seller delivers when the goods, once unloaded, are placed at the disposal of the buyer at a named place of destination. The seller bears all risks involved in bringing the goods to and unloading them at the named place of destination.

DDP- Delivered Duty Paid	"Delivered Duty Paid" means that the seller delivers the goods when the goods are placed at the disposal of the buyer, cleared for import on the arriving means of transport ready for unloading at the named place of destination. The seller bears all the costs and risks involved in bringing the goods to the place of destination and has an obligation to clear the goods not only for export but also for import, to pay any duty for both export and import and to carry out all customs formalities.
FAS- Free Alongside Ship	"Free Alongside Ship" means that the seller delivers when the goods are placed alongside the vessel (e.g., on a quay or a barge) nominated by the buyer at the named port of shipment. The risk of loss of or damage to the goods passes when the goods are alongside the ship, and the buyer bears all costs from that moment onwards.
FOB - Free On Board	"Free on Board" means that the seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel, and the buyer bears all costs from that moment onwards. Simply put, you will only have to cover the costs to get the goods loaded on board the vessel ready for export – so you will cover the container trucking from your warehouse to the port plus all of the port and stevedoring charges and loading fees.
CFR - Cost and Freight	"Cost and Freight" means that the Sri Lankan seller delivers the goods on board the vessel or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel. The seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination. Later, the international freight charges will be billed back to you, the shipper. That means you will receive an invoice for the international sea freight charge (usually in USD) which will usually be billed back to you through your freight forwarder. If you sell your goods on CFR terms, then it gives you more control over your goods when on the water. You will remain the owner of the goods until the shipment has arrived at the port of delivery. In some cases, if you have agreed that the seller can make the balance payment for the goods after they have been shipped, then you can use your CFR terms as security by not handing over the original Bills of Lading to the buyer until you received the balance payment. The buyer can only clear the goods into their country once you have handed over the original Bills of Lading. You must ensure that the international sea freight charge is paid before the goods arrive at the destination.
CIF - Cost, Insurance and Freight	"Cost, Insurance and Freight" means that the seller delivers the goods on board the vessel or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel. The seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination. The seller also contracts for insurance cover against the buyer's risk of loss of or damage to the goods during the carriage. The buyer should note that under CIF the seller is required to obtain insurance only on minimum cover. Should the buyer wish to have more insurance protection, it will need either to agree as much expressly with the seller or to make its own extra insurance arrangements.

5.1.2 Freight Collect and Freight Prepaid

To understand who will be paying for the freight charges, the terms Freight Collect and Freight Prepaid were introduced. If your agricultural products are exported to Europe on freight collect terms including EXFW, FCA, FAS and FOB, the European importer will collect the

delivery and pay for the freight costs on their side. By contrary, if you are selling your products on CFR, CIF, CPT, CIP, DAP, DPU or DDP terms, you are also expected to pay for the freight charges, which is known as Freight Prepaid. Selling goods on FOB terms on the other hand requires the exporter to cover the loading costs while the EU importer will pay for the remaining freight charges. Regardless of the type, freight terms must be clearly mentioned on the bill of lading.

Figure 6: Incoterms rules 2020

Incoterms® 2020 Rules Responsibility Quick Reference Guide											
Inco Docs											
Freight Collect Terms						Freight Prepaid Terms					
Groups	Any Mode or Modes of Transport		Sea and Inland Waterway Transport				Any Mode or Modes of Transport				
Incoterm	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAP	DPU	DDP
	Ex Works (Place)	Free Carrier (Place)	Free Alongside Ship (Port)	Free On Board (Port)	Cost and Freight (Port)	Cost Insurance & Freight (Port)	Carriage Paid to (Place)	Carriage & Insurance Paid to (Place)	Delivered at Place (Place)	Delivered at Place Unloaded (Place)	Delivered Duty Paid (Place)
Transfer of Risk	At Buyer's Disposal	On Buyer's Transport	Alongside Ship	On Board Vessel	On Board Vessel	On Board Vessel	At Carrier	At Carrier	At Named Place	At Named Place Unloaded	At Named Place
Obligations & Charges:											
Export Packaging	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Delivery to Port/Place	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Duty, Taxes & Customs Clearance	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading on Carriage	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Carriage Charges	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance	Negotiable	Negotiable	Negotiable	Negotiable	Negotiable	*Seller	Negotiable	**Seller	Negotiable	Negotiable	Negotiable
Destination Terminal Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller
Delivery to Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller
Unloading at Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer
Import Duty, Taxes & Customs Clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
Inco Docs											
*CIF requires at least an insurance with the minimum cover of the Institute Cargo Clause (C) (Number of listed risk, subject to itemized exclusions) **CIP now requires at least an insurance with the minimum cover of the Institute Cargo Clause (A) (All risk, subject to itemized exclusions) Copyright 2020 IncoSolutions Pty Ltd. All Rights Reserved. This is general information for guidance purposes only. IncoSolutions Pty Ltd is not responsible for these contents nor do the contents listed above contain all details. For a full and complete description, refer to the full version of Incoterms 2020 by the International Chamber of Commerce at the ICC website.											

Source: IncoDocs (2020)

5.2. Product Liability in the European Union

Sri Lankan exporters should be aware that in the EU, consumers can claim compensation for damage caused by defective agricultural products. Defective Products Directive (1999/34/EC) and the Product Liability Directive (85/374/EEC) provide the legal basis for such action. According to the latter, liability cannot only fall to the Sri Lankan producer, but also to the supplier / importer

“based on the defective condition of a product, without there being any need to establish fault or negligence on their part” (Lovells, 2019). As the Product Liability directive works alongside the product safety and liability laws of individual member states, injured consumers may have additional rights.

Article 6 of the Product Liability Directive (85/384/EEC) defines products as defective if they “do not provide the safety which a person is entitled to expect”. The focus is thus on the safety expectations that the public at large is entitled to hold. Circumstances relevant to the

consideration of whether a product is defective include (Lovells, 2019):

- The presentation of the product
- The reasonably expected use of the product
- The time when the product was supplied
- Article 6(2) of the Product Liability Directive also establishes that a product will not become defective simply because a better product is subsequently put into circulation.

Consumers can bring up a product liability claim on grounds such as the contract, negligence, no-fault liability under the Product Liability Directive and statutory product liability systems pre-dating the Product Liability Directive (under Article 13) (Lovells, 2019).

Liabe Parties in case of Defective Agricultural Products

“Under Article 3 of the Product Liability Directive, liability for a defective product extends to” (Lovells, 2019):

- The producer
- The first importer of the product into the EU (the intention being to ensure that there will always be a defendant within the EU that can be held liable for the defective product)
- An ‘own brander’ (a party holding itself out as a manufacturer by including its own name or trademark on the product)
- A downstream supplier (e.g. retailer, wholesaler or distributor), provided that this supplier fails to identify the producer, first importer or ‘own brander’ to the claimant within a reasonable time.

Under Article 5, where two or more people are liable for the same damage they shall be jointly and severally liable.

Limitations for Filing Product Liability Claims

Article 10(1) of the Product Liability Directive provides a three-year limitation period for claims. Time commences from the date on which the claimant became aware – or ought reasonably to have become aware – of the damage, the defect and the producer’s identity. This period is subject to the national laws of member states

regulating the suspension or interruption of running on statutory limitation periods.

Further, Article 11 provides that the rights conferred by the Product Liability Directive are extinguished 10 years from the date on which the producer put the product which caused the damage into circulation, if proceedings are not commenced within that time (the so-called ‘long-stop provision’). A product is ‘put into circulation’ when it is taken out of the manufacturing process operated by the producer and enters a marketing process in the form in which it will be offered to the consumer (Lovells, 2019).

The Case of Germany

In the event of damage to health, the costs of medical treatment must first be reimbursed to German consumers. The injured party can also claim loss of earnings. The damage to be compensated is based on the loss of earnings. The costs of retraining that has become necessary as a result of the injury must also be reimbursed, provided that this is objectively sensible in order to avert loss of earnings and all professional rehabilitation costs. The injured party can also claim the costs of increasing his or her needs due to the injury. These include, for example, costs for diet meals, walking aids, wheelchairs or home care. Compensation for immaterial damage, i.e. compensation for pain and suffering, can also be requested. The Product Liability Act places a cap of 85 million EUR in damages for each single product, or several products with the same defect, even if more than one individual is injured (Kullmann, 2006).

5.3. How to Deal with the Rejected Shipments

Shipments of agricultural products may be rejected at the entry port of the importing country because of non-compliance with one or more of the regulations. If the problem identified is very serious, the shipment and all its packaging material will be destroyed at the cost of the exporter. If the problem identified is not so serious, the exporter may choose to redirect the shipment to another market where the rules are less demanding, also at the exporters cost.

Most industrialized countries now share similar import regulations, so it is increasingly difficult to redirect shipments to other markets, especially perishable fresh produce. Furthermore, the EU has a system of food safety alerts which automatically informs all member

countries of a rejected shipment; this prevents the same shipment from re-entering the EU through another port. After passing customs, a shipment may still be rejected by the importer if it does not conform to his or her requirements; it will then be destroyed at the exporters cost. Thus, shipment rejection is extremely costly for exporters.

This is why it is essential to ensure that exported goods comply with all the rules and regulations of importing countries and with the requirements of the importer before the goods leave the exporting country. It is also important to document any rejection procedure so that records may be kept for future reference. If we suspect that one of our shipments may have a problem that could cause rejection, it is best to recall the product or inform the customer immediately. This shows proactive action and due diligence to ensure food safety. Any rejected product brings a bad reputation not only to the business, but also to the whole industry in which we operate, and eventually to all products produced in Sri Lanka.

5.4. Currency / Foreign Exchange Risks

One of the major risks that Sri Lankan exporters can face is fluctuations in foreign currency exchange rates. Those fluctuations can have a significant impact on a company’s profitability and cash flow. In brief, the foreign exchange market allows businesses to convert one currency into another. For instance, it would allow a Sri Lankan exporter selling agricultural goods to Germany to receive payment in Euros and convert this amount into Sri Lankan rupees. As the importer for instance comes from Germany typically settles the invoice anywhere between 30 and 90 days and currency fluctuations might arise during that time lag, Sri Lankan exporters might receive less Sri Lankan Rupees than initially agreed upon if the Sri Lankan Rupee appreciates against the foreign currency (e.g. Euro).

5.4.1 Foreign Exchange Risk Example

A Sri Lankan tea exporter signs a contract to sell 100 kg of tea to a German retailer for 300 EUR with payment due at the time of delivery. The Sri Lankan company agrees to this contract at a time when the Euro to Sri Lankan Rupee Exchange Rate is 1 EUR = 216.7679 LKR. Thus, the Sri Lankan tea exporter expects to receive at the agreed

time an amount of 300 EUR, which of the time at the sale was 65,030 LKR. However, the shipment will take a few weeks.

In the meanwhile, due to unforeseen circumstances, the value of the Sri Lankan Rupee appreciates versus the Euro to where at the time of delivery 1 EUR = 200 LKR. The contracted price is still 300 EUR but now the Sri Lankan Rupee amount is 60,000 LKR, which is the amount that the Sri Lankan exporter will receive.

5.4.2 Foreign Exchange Risk Mitigation

Exporters are affected by adverse fluctuations in exchange rates, with the impact heavily felt on the bottom line. Banking products and credit lines support exporters to safeguard against future currency volatilities and fluctuations.

- Foreign Currency Accounts – Allows the exporter to receive contract payments in a foreign currency and use such funds to pay invoices in the same currency. This helps reduce currency risk by not having to convert funds to local currency immediately. Therefore, exporter can hold foreign currency until price become favourable.
- Foreign Bill Negotiations – Credit facility or advance from a bank for the amount and currency that will be received from an overseas buyer. This can help to manage foreign exchange risk and enhance cash flow.
- Foreign Currency Exports Loans – Simple credit facility or bank loan in the same currency as the export contract. These allow exchange rate risks to be managed by being able to use the funds as working capital to fulfil export orders before you receive payment. Repayment of loan is made with the designated foreign currency, therefore exporter avoids foreign currency fluctuations completely.

5.5. The Demand for Agricultural Products on the European Market

5.5.1 Fresh Fruit and Vegetables

Europe’s continuous dependence on external suppliers is strengthened by the need for an all-year-round availability of fresh fruit and vegetables. Buyers from

Figure 7: Fresh produce imports coming from outside the EU – Ranked according to product category

IMPORTS - EXTRA - EU				
VOLUME ('000 tonnes)				
FRESH FRUIT	2016	2017	2018	2019p
Bananas	5,520	5,910	6,057	5,486
Pineapples	847	942	1,016	925
Oranges	950	1,050	1,084	897
Table Grapes	607	664	683	602
Avocados	447	486	607	540
Apples, fresh market	423	422	550	417
Easy Peelers	429	455	495	403
Watermelons	284	336	399	396
Lemons	413	353	471	366
Other	2,275	2,341	2,511	2,185
TOTAL	12,195	12,959	13,872	12,216
FRESH VEGETABLES	2016	2017	2018	2019p
Tomatoes	525	570	629	536
Onions	284	242	287	566
Peppers	187	186	214	176
Carrots	76	43	88	80
Cucumbers	64	65	72	65
Courgettes	58	55	63	47
Mushrooms	19	19	17	20
Lettuce	7	14	11	8
Cailliflower	6	7	7	7
Other	606	596	641	575
TOTAL	1,833	1,797	2,029	2,080

Source: Fruitlogistica (2020)

Figure 8: Major EU importing countries of fresh fruits

IMPORTS - INTRA + EXTRA - EU				
VOLUME ('000 tonnes)				
FRESH FRUIT	2016	2017	2018	2019p
Netherlands	4,300	4,561	5,031	4,933
Germany	5,309	5,309	5,286	4,880
United Kingdom	3,719	3,715	3,564	3,481
France	3,261	3,420	3,433	3,439
Belgium	2,394	2,514	2,396	2,163
Italy	1,795	2,043	2,002	1,945
Spain	1,548	1,666	1,811	1,699
Poland	1,462	1,686	1,550	1,520
Portugal	745	835	867	860
Romania	768	796	779	756
Czechia	704	699	666	663
Other	4,682	4,779	4,710	4,119
TOTAL	30,687	32,158	32,095	30,458

Source: Fruitlogistica (2020)

Europe are therefore interested in finding reliable suppliers that have the capacity to offer agricultural goods including exotic produce to consumers all year round (CBI, 2020h). Despite a highly competitive environment and strict standards demanded by foreign retailers, the EU market offers due to its maturity, size and purchasing power, immense sales potential to Sri Lankan exporters. With more than 500 million consumers, Europe is not only responsible for 45% of the global trade of fresh fruits and vegetables, it also hosts five of the global top 10 importing countries (CBI, 2020h). Nonetheless, it can be challenging to identify the most profitable market. Sri Lankan exporters are therefore advised to diversify their target markets to generate sufficient revenue. International traders with re-export activities can assist Sri Lankan exporters in this regard as they distribute agricultural products to the markets of different EU members states. In view of stagnating production volumes that create a profound need for external suppliers in the EU and the European Free Trade Association (EFTA), Sri Lankan businesses have favourable conditions for solid export growth and additional market-share gains.

In comparison to the total import value of developed, non-European countries that increased between 2013 and 2018 by 20%, the total import value from developing countries including Sri Lanka amounted to 18.2 billion EUR reflecting a rise of 38%. Since Europe is more self-sufficient in vegetables (only 15% imported from outside), especially the import of fresh fruits contributed significantly to this positive development (CBI, 2020h). According to Fruitlogistica (2020), “in fact 43% of fruit imports come from countries outside the EU”. Bananas in this regard are leading by far as the most important single import product followed by citrus that ranks second in the EU import ranking, with the most significant banana suppliers being Ecuador, Colombia and Costa Rica (Fruitlogistica, 2020). On the contrary, tomatoes from Morocco and onions from for instance Egypt are the most imported fresh vegetables that originate outside the EU.

“With Rotterdam as the main entry port on the European continent” (Fruit Logistica, 2020), the Netherlands has established itself as the largest importer of fresh fruits. It is thus not surprising that only 6% from 3.8 million tonnes of fresh fruit, which were exported from the Netherlands in 2018, are produced by the Dutch. While Belgium with the port of Antwerp also functions as a re-exporting hub for fruit imports in Europe, Germany, France and the UK remain Europe’s “leading fresh produce import markets” (Fruit Logistica, 2020). With

regard to consumer expenditure, Germany (15 billion EUR) ranks first, followed by Italy (14.5 billion), the UK (12.9 billion) and France as well as Spain (each ~ 11 billion EUR).

Since Europe’s fresh fruit and vegetable sector is dynamic, Sri Lankan businesses have to expect continuous changes, and may find the best export opportunities during supply gaps and as counter-seasonal suppliers. To receive a better understanding on the availability of European products, Germany’s Import Promotion Desk (IPD) has developed a seasonal calendar. Additionally, it should be noted that EU retailers usually prefer local production over imported fruits and vegetables.

Consumption volume and patterns vary among EU member states. In northwest Europe (Belgium, the Netherlands, Denmark, Germany, Norway, Sweden, Luxembourg etc.) Sri Lankan exporters will not only find the highest purchasing power, but also the highest quality and food safety standards. Those are required by nearly all large retail chains. Although Northwest Europe has the most appealing market for the import of exotics, the total consumption of fresh fruit and vegetables is smaller than in adjacent regions. By contrast, Southern Europe has very strong production capacities for fruit and vegetables. For consumers, the technical quality in this region plays a less important role in comparison to the taste. Sri Lankan exporters can in this regard complement the local production and stimulate increasing consumption. In Eastern Europe on the other hand, international trade and high-quality standards are less developed. The consumption of fruit and vegetables is relatively low and the focus lays on local production. Although most of the imports are currently supplied by traders from Western Europe, Eastern Europe has significant potential for products from Sri Lanka in the long-term.

Also, the influence of diverse immigrant populations on trade and consumption has to be considered. Turkish wholesalers in Germany for instance increasingly import from Turkey while the United Kingdom receives a large part of its assortment from India and Pakistan. Also, France maintains close relationships with exporters from Northern African countries. Although a market entry in large consumer countries, such as Germany and the United Kingdom can be strategically expedient for Sri Lankan exporters, imports from developing countries to the Netherlands and Spain have been growing the most in previous years.

Based on the import value of fresh fruit and vegetables from developing countries, the Netherlands and the UK offer the highest potential for exporters from Sri Lanka. While Dutch imports amounted to around 4 billion EUR in 2018, the UK recorded a total of 2.8 billion EUR.

The Netherlands

As the main European trade hub for fruit and vegetables from developing countries, the Netherlands can support Sri Lankan exporters in distributing their fresh produce to the rest of the EU’s member states. Currently, more than 20% of the fresh fruit and vegetables supplied by developing countries to Europe enters the EU through the Netherlands. Dutch importers are especially skilled in matching supply and demand (CBI, 2020h). They can additionally assist Sri Lankan exporters in marketing exotic products throughout Europe. Also, Belgium, which re-exports high volumes of fresh produce and further functions as a logistics hub for bananas should be considered as a relevant trading partner. The country imported 7% of the total share of fresh produce from developing countries in 2018.

Table 12: Fresh produce products with potential on the EU market

Potential of Products coming from developing countries	Produce from developing countries with promising growth	Most interesting niche products
Bananas, Citrus Fruit, Grapes, Avocados, Pineapples, Mangoes, Lemons, Limes, Mandarins, Oranges	Avocado, Mango, Citrus Fruit, Soft Fruit including Blueberries, Raspberries, Waster Melons, Sweet Potatoes, Lemons and Limes	Plums, Chilli, Peppers, Coconuts, Pomegranates, Passion fruit, Lychees, Rambutan, Pitahaya and Physalis

Source: Centre for the promotion of imports from developing countries / CBI (2020h)

Germany

With a total of 9.2 million tons, Germany is the largest destination market for fresh fruits and vegetables. The country has also been the largest importer of fresh vegetables with around 3 million tonnes in 2019, and ranked first as the largest market for organic food in 2017 with a turnover of 10 billion euros. Germany was followed by France (7.9 billion euros) and Italy (3.1 billion euros) (FiBI, 2019). This is why alongside the Dutch trading companies; the Spanish and Italian producers focus strongly on supplying the country that imports around 2.4 million tons of fresh fruit and vegetables directly from developing countries. A positive growth has been in particular recorded for avocados and blueberries. With regards to blueberries in Germany, “never before

have imports and purchases among private households been as high as they were in 2019” (Fruitlogistica, 2020). While 36% of Germany’s vegetables are locally produced, only 15% self-sufficiency can be achieved in terms of fruits. Sri Lankan exporters should be aware that German retailers are among the importers with the strictest standards. Products should be therefore clean and pest-free.

United Kingdom

In view of the United Kingdom’s dependence on the external supply of fresh fruit and vegetables, Sri Lankan exporters are expected to enter a market with a continuing stable demand. “In 2018 alone, at least 40% of the UK’s fresh fruit and vegetable imports came directly from developing countries, making it the second European destination market for exporters from developing countries after the Netherlands” (CBI, 2020h). Nonetheless, several challenges have to be anticipated. Besides high standards demanded by British retail chains, UK prices are currently under pressure because of inflation and the UK’s departure from the EU (Brexit).

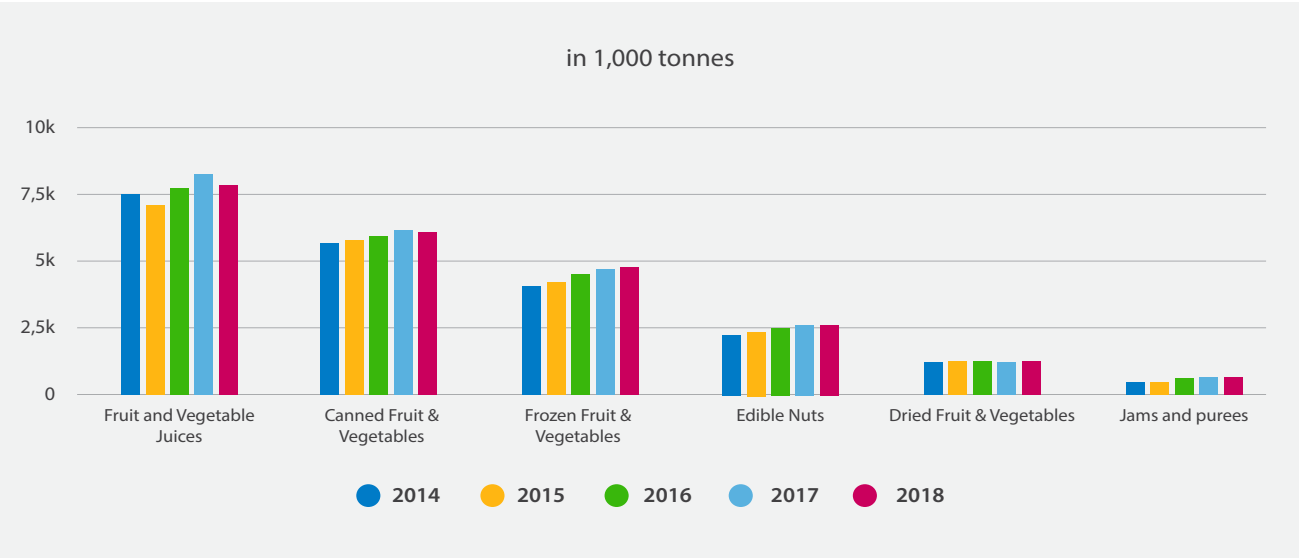
5.5.2 Processed Fruit and Vegetables

Due to changing lifestyle patterns, “Europe is [currently] showing a progressive adoption of processed food (GlobeNewswire, 2019). Therefore, as the largest importer of processed fruit and vegetables, Europe offers great sales opportunities to Sri Lankan businesses that intend to increase their export activities. The EU market does not only take in 40% of the global supplies, it also imports around 50% from developing countries. While EU imports of processed fruit and vegetables are expected to grow at an annual rate of 2% and 3 %, especially the import of edible nuts and frozen fruits is

anticipated to rapidly increase in the next years, while fruit juices are foreseen to decline (CBI, 2020i). Products from developing countries, such as shelled walnuts, cashew nuts, peanuts frozen fruit, canned tropical fruit as well as tropical juices have currently the most market opportunities.

In 2018, the EU imports of processed fruit and vegetables reached 35.7 billion EUR and 23.5 million tons. Edible nuts contributed the most to this development as a product category. This is primarily due to their relatively high value compared to other products. In terms of volume, fruit and vegetable juices ranked first with a 34% share of European imports. Fruit and vegetables canned and preserved in brine come second (26%), followed by frozen fruit and vegetables (21%), edible nuts (11%), dried fruit and vegetables (6%) and jams, marmalades and purees (3%).

Figure 9: European imports of processed fruit and vegetables by product category



Source: Centre for the promotion of imports from developing countries / CBI (2020i)

Since the agro-climatic conditions in Europe’s member states do not fully allow for the cultivation of tropical fruit and vegetables, countries are heavily dependent on imports from at least-semi tropical nations. Europe’s strongest import dependency in this regard has been recorded for dried fruit and edible nuts, where the share of domestic production in total consumption is smaller than 10%.

Although several types of processed fruit and vegetables are produced in Europe, such as apple and vegetable juices, canned tomato and tomato purees, canned peaches and apricots, table olives, frozen vegetables, frozen berries, frozen sour cherries, prunes and jams, none of these items are produced sufficiently to satisfy the European demand. Additionally, it should be

noted that despite positive import growth in value for shelled almonds, frozen vegetables, orange juice, frozen fruit, canned and preserved vegetables, canned fruit, jams, jellies, marmalades, purees or pastes, a negative import development has been observed for cashew nuts, concentrated orange juice and shelled hazelnuts. Hazelnuts, for instance, are primarily supplied by Turkey, “which accounts for more than 60% of the world’s hazelnut crop” (CBI, 2020i).

Despite this untapped potential, Sri Lankan exporters have to consider that competition in Europe for processed fruit and vegetables can be relatively strong. While Brazil leads in the production of orange juice, the US ranks first with regards to the supply of almonds (Global Trade Magazine, 2019). Since frozen vegetables, canned vegetables and jams are usually traded within Europe, Sri Lankan exporters are expected

to have difficulties competing with key world suppliers. “Currently, most opportunities for new developing country suppliers can be found in large volume products, such as cashew nuts, frozen fruit and tropical fruit juices. Products imported in relatively smaller volumes also offer opportunities for new developing country suppliers, including pistachios, macadamia nuts and dried tropical fruit” (CBI, 2020i). To understand the competition Sri Lankan exporters are facing for processed fruit and vegetables on the European market, a closer look needs to be taken at the below-mentioned table, which provides an overview of competitors from developing countries. Brazil remains the leading developing country supplier of processed fruit and vegetables to Europe, followed by Turkey (CBI, 2020i).

Table 13: Overview - Leading developing country suppliers of processed fruit and vegetables per product group

Product group	Top-4 developing country suppliers to Europe	Top products
Canned Fruit and Vegetables	China, Turkey, Peru, Thailand	Canned Tomato Products, Canned Pineapples, Table Olives, Canned Asparagus, Pickled Cucumbers, Canned Palm Hearts
Dried fruit and vegetables	Turkey, China, Tunisia, Philippines	Dried grapes, Dried apricots, Dried Mushrooms, Dried vegetables, Dates, Desiccated coconuts, Dried mangoes
Frozen fruit and vegetables	Serbia, China, Morocco, Chile	Frozen Raspberries, Frozen Strawberries, Frozen Blackberries, Frozen Mushrooms, Frozen Tropical Fruit
Fruit and vegetable juices	Brazil, Turkey, Costa, Rica Argentina	Orange Juice, Apple juice, Pineapple Juice, Pomegranate Juice, Sour cherry Juice, Single Citrus Juices, Tropical Juices and Purees
Jams, pastes and purees	Turkey, Serbia, Chile, India	Hazelnut Paste, Berry Purees Apple Puree, Plum Puree, Mango Puree, Dates Paste
Edible nuts	United States, Turkey, Vietnam, Argentina	Almonds, Walnuts, Hazelnuts, Pistachios, Cashew Nuts Groundnuts (Peanuts)

Source: CBI (2020i)

Germany

Although imports from developing countries account for less than 30% in Germany, the country remains with 7.8 billion EUR in 2018 Europe’s largest importer of processed fruit and vegetables. Since Germany is also the largest European importer of edible nuts including cashew nut kernels, good opportunities for developing countries, such as Sri Lanka can be expected. Also, “German walnut consumption has been increasing, as consumers appreciate the many health benefits that exist with this popular tree nut” (Import Promotion Desk, 2019b). However, imports of canned fruit and vegetables mostly arrive in neighbouring EU countries before being distributed to Germany. In this regard, canned pineapples, table olives and pickled cucumber offer the best opportunities for exporters from Sri Lanka.

Despite a decline in fruit juice consumption since 2003, Germany offers additionally great opportunities for Sri Lankan suppliers of not-from-concentrate and organic juices. Also, ingredients for smoothies including purees and frozen fruit made of berries or tropical fruits have significant potential.

Turkey remains Germany’s leading developing country supplier of processed fruit and vegetables. While Turkey’s main exports to Germany include hazelnuts and dried grapes, German suppliers are continuously searching for new exporters and have started to cooperate with new emerging suppliers from Ukraine (apple juice, frozen fruit and walnuts), Tunisia (dried tomatoes), Syria (almonds), Ghana (dried mangoes and pineapples), Jordan (canned chickpeas and broad beans) and Madagascar (canned green beans).

The Netherlands

As the leading importer and re-exporter of processed fruit and vegetables from developing countries in Europe, the Netherlands remains an important and interesting market for Sri Lankan exporters. Business opportunities especially exist with regard to the supply of super-fruit ingredients including frozen or canned fruits and vegetables, which have become essential part of a health trend on the EU market that is driving product development in the processed fruit and vegetable industry (SVZ, 2018). Particular attention in

this regard has been paid to Europe’s smoothie market, which is expected to grow at a compound annual growth rate of 6.8%, reaching 3.6 billion euros by 2025 (Market Data Forecast, 2020). Also, shelled groundnuts or pecan nuts, dried grapes may offer significant opportunities for export.

5.5.3 Spices and Herbs

Imports of spices and herbs are expected to grow on the European market. This is primarily due to the fact that spices are being perceived to contribute to a healthy lifestyle (CBI, 2020j). Leading importing countries of spices and herbs, such as Germany, the UK, the Netherlands and Spain therefore offer great market opportunities for Sri Lankan exporters. Especially Germany, as Europe’s largest importer of spices and herbs with a total import value of 515 million EUR in 2018, should be taken into consideration when exporting to the EU. The fact that Germany imports almost 80% of its spices and herbs from developing countries (CBI, 2020j) reinforces hereby the market prospects for Sri Lankan exporters. Limited competition from local production that predominantly can be found in Bulgaria, Romania and Hungary creates additional favourable conditions for Sri Lankan exporters of spices and herbs.

Also, the demand for organic spices is increasing. As outlined in chapter 2, spices, and herbs to be exported have to be certified by one of the EU’s recognized inspection bodies. According to the EU eco-regulation, it is strictly prohibited to fumigate spices or to treat them with ionizing radiation (Ökolandbau, 2020). The exported spices are regularly checked by independent bodies for residues and microbial contamination. In addition, the manufacturers of organic spices should refrain from using release agents such as silicon dioxide (E 551), other silicates or magnesium carbonate (E 504), flavour enhancers and aromas. All ingredients have to be fully declared (Ökolandbau, 2020).

According to the Dutch Centre for the Promotion of Imports from developing countries / CBI (2020j), ginger, uncrushed pepper, dried capsicum/pimento and curcuma have the highest potential on the European market. Also, spices that are traded in lower volumes, such as cinnamon and cloves are of great demand. The following table will provide an overview of competing suppliers for the six largest products, which all have reached and EU import volume of 10,000 tons

Table 14: Overview of Competing Suppliers for the six Largest Spices and Herbs Product Groups (10,000 tons)

Product	2018 Import Volume from DCs	Absolute growth '14-'18	#1 supplier and share	#2 supplier and share	#3 supplier and share	#4 supplier and share	#5 supplier and share	#6 supplier and share	#7 supplier and share
09101100 ginger, neither crushed nor ground	118,84	55,389	China 80%	Peru 9%	Brazil 5%	Nigeria 2%	Thailand 2%		
09041100 pepper of the genus Piper, unprocessed	58,900	9,311	Brazil 38%	Vietnam 37%	Indonesia 10%	India 7%	Sri Lanka 2%	Madagascar 1%	China 1%
09042190 dried fruit of genus Capsicum or Pimenta, unprocessed (excl. sweet peppers)	42,080	10,006	China 77%	Peru 10%	Mexico 5%	South Africa 2%	Honduras 1%	Uganda 1%	India 1%
09042200 fruits of the genus Capsicum or of the genus Pimenta, crushed or ground	42,506	11,878	China 62%	India 19%	Thailand 8%	Hungary 4%	Turkey 4%	Tunisia 2%	Serbia 2%
09103000 turmeric "curcuma"	19,235	8,374	India 87%	Peru 5%	Madagascar 2%	Thailand 1%	Vietnam 1%		
09041200 pepper of the genus Piper, crushed or ground	11,364	-1,891	Vietnam 73%	India 13%	Indonesia 5%	China 4%	Turkey 2%		

Source: CBI (2020j)



Table 15: Overview of competing suppliers for smaller spices and herbs product groups (1.000 - 10,000 tons)

Product	2018 Import Volume from DCs	Absolute growth '14-'18	#1 supplier and share	#2 supplier and share	#3 supplier and share	#4 supplier and share	#5 supplier and share	#6 supplier and share	#7 supplier and share
09109991 Spices, Unprocessed	6,771	145	Thailand 26%	India 15%	Egypt 14%	Turkey 10%	Brazil 7%	Vietnam 6%	Morocco 5%
09042110 Dried Sweet Peppers (Excl. Crushed Or Ground)	9,781	-2,215	China 55%	Brazil 23%	Peru 7%	Zimbabwe 3%	South Africa 3%	Uzbekistan 2%	Serbia 2%
09101200 Ginger, Crushed Or Ground	8,418	2,483	China 45%	Nigeria 24%	India 15%	Pakistan 5%	Vietnam 3%	Burkina Faso 2%	Indonesia 2%
09092100 Coriander Seeds, Unprocessed	5,152	-2,656	Bulgaria 33%	Ukraine 33%	India 27%	Romania 21%	Morocco 15%	Argentina 10%	Turkey 3%
09061900 Cinnamon And Cinnamon-Tree Flowers	7,517	-1,296	Indonesia 64%	Vietnam 15%	Madagascar 9%	China 5%	Sri Lanka 4%	India 2%	
09109999 Spices, Crushed Or Ground	5,576	2,013	Turkey 35%	India 29%	Egypt 6%	South Africa 5%			
09062000 Crushed Or Ground Cinnamon And Cinnamon-Tree Flowers	6,158	1,639	Indonesia 45%	Vietnam 27%	Sri Lanka 10%	India 7%	China 5%	Madagascar 5%	
09109105 Curry	4,559	394	India 82%	Pakistan 8%	Sri Lanka 6%	China 1%	Malaysia 1%		
09061100 Cinnamon "Cinnamomum Zeylanicum Blume" (Excl. Crushed And Ground)	4,261	-243	Indonesia 28%	Madagascar 26%	Sri Lanka 17%	China 13%	Vietnam 12%		
09109910 Fenugreek Seed	3,388	-286	India 94%	Egypt 3%	Thailand 1%				
09092200 Coriander Seeds, Crushed Or Ground	3,059	664	India 69%	Poland 28%	Russia 23%	Ukraine 12%	Turkey 9%	Vietnam 5%	
09081100 Nutmeg, Unprocessed	2,362	-209	Indonesia 79%	Sri Lanka 2%	India 2%				
09109190 Crushed Or Ground Mixtures Of Different Types Of Spices	2,577	859	Pakistan 27%	Turkey 17%	India 14%	Lebanon 11%			
09081200 Nutmeg, Crushed Or Ground	2,132	415	Indonesia 88%	Vietnam 9%	Sri Lanka 2%				
09109950 Bay Leaves	2,203	135	Turkey 90%	Spain 12%	Georgia 4%	Romania 2%	Albania 2%	Slovakia 2%	
09083100 Cardamoms, Unprocessed	2,288	99	Guatemala 86%	India 8%	Honduras 4%				
09071000 Cloves, Whole Fruit, Cloves And Stems, Unprocessed	2,066	-145	Madagascar 46%	Indonesia 24%	Sri Lanka 19%	Tanzania 7%	India 2%	Brazil 2%	
09109933 Thyme (Excl. Crushed Or Ground And Wild Thyme)	1,663	608	Poland 89%	Morocco 47%	Spain 12%	Egypt 19%	Turkey 14%	Kenya 8%	Jordan 2%
09109939 Crushed Or Ground Thyme	1,031	385	Poland 89%	Turkey 29%	Egypt 15%	Lebanon 14%	India 11%	Albania 9%	Morocco 7%

Source: CBI (2020j)

5.6. Pricing on the EU Market

Despite a relatively stable and large demand for agricultural goods in Europe, Sri Lankan exporters must anticipate prices that change regularly. For instance, in 2018, many tropical products were sold for lower prices due to an oversupply in the fresh fruit sector. For the long-term, however, a gradual rise of prices can be expected. Price competitors especially include countries such as Morocco and Egypt that are closely located to Europe. Morocco is currently by far the most important supplier of vegetables to Europe. Also, India, with its competitive prices, is becoming a stronger supplier. In order to gain a competitive advantage, Sri Lankan exporters are advised to compare their products and business with competitors. For this purpose, The International Trade Centre (ITC), has developed the Market Price Information Portal, an application and website, which provides real-time data on prices and market updates for more than 300 agricultural products. After having registered free of charge, Sri Lankan exporters can identify through ITC the average price for a product that falls under agricultural soft commodities, such as tea, culinary spices and herbs, fresh fruits and vegetables, grains, pulses, and nuts. The average price for tea for instance in August 2020 was USD 3.61 per kg.

5.7. General Risks – Impact from Natural Disasters, Pandemics and Uncontrollable Catastrophes

Sri Lankan exporters that strive to act as reliable supply partners are required to respect the agreements with European buyers. Only so-called force majeure events, unforeseeable circumstances that are beyond human control, are acceptable reasons for a breach of contract. Under such circumstances, the affected party is not liable for the non-fulfilment of its obligations. Simply put, the party is excused from fulfilling the agreement. From a legal perspective, force majeure refers to situations or events that (European Commission, 2020b):

- Prevent either party from fulfilling their obligations under the agreement
- Were not due to error or negligence on their part (or on the part of third parties involved in the action)
- Prove to be inevitable in spite of exercising all due diligence

Sri Lankan exporters should be aware that the following cannot be invoked as force majeure (European Commission 2020b):

- Any default of a service, defect in equipment or material or delays in making them available, unless they stem directly from a relevant case of force majeure
- Labour disputes or strikes
- Financial difficulties

Although a rule on force majeure can be found internationally in Art.79 sec.1 CISG (United Nations Convention on Contracts of International Sales of Goods), its occurrence under statutory law is sparse. Exporters could in this regard refer to the general principles regulating contracts in Sri Lanka.

As force majeure is not legally defined in every country’s civil code and authorities often hesitate before confirming the occurrence of such an event, Sri Lankan exporters are strongly advised to include force majeure clauses in their contract. To avoid disputes in the light of uncontrollable circumstances, exporters should especially define what the force majeure situation includes. Alongside floods, hailstorms and droughts, which can be acceptable reasons for farmers to breach an agreement with a European importer, recent occurrences such as pandemics should be considered and explicitly mentioned in an agreement. Only in this way can potential disagreements be avoided from the onset. Additionally, it should be noted that if parties are pleading force majeure, they are required to demonstrate that they have taken all necessary steps to mitigate the loss caused by a force majeure event. This requires accurate documentation and providing evidence.

Chapter 6

Intellectual Property (IP) Rights in the European Union

Sri Lankan exporters that seek protection for their product, design, symbol, commercial name or image in the EU can benefit from the EU's intellectual property rights and register their trademark accordingly. If the exporter seeks protection in a specific member state such as in Germany, it should apply for the trademark directly at the relevant national IP office. In this regard, exporters can check the full list of national offices compiled by the World Intellectual Property Organization (WIPO). If the exporter wants protection in Belgium, the Netherlands or Luxembourg, it is required to send the application to the Benelux Office of Intellectual Property (BOIP). Sri Lankan exporters that want protection in multiple EU member states can apply for an EU trademark at the EU Intellectual Property Office (EUIPO). EUIPO charges 850 EUR for the online application. Once registered, the trademark can be renewed indefinitely every 10 years (European Union, 2020). Registered trademarks can be found on EUIPO's online platforms eSearch plus and TMview database.

6.1. Geographical Indications for Agricultural Products and Foodstuffs

To protect the names of specific agricultural products and foodstuffs that are linked to their traditional origin (e.g. Ceylon Cinnamon) against imitation and misuse, the EU has additionally developed specific systems to register geographical indications (GIs). Recognized as intellectual property, geographical indications allow consumers to distinguish quality products more effectively. Products of exporters that have been granted GI recognition are listed in the EU geographical indications register eAmbrosia.

A GI is a private voluntary standard that has been registered by a producer group or a local government authority through the national administration in charge of intellectual property. GIs are a seal of quality which helps to promote know-how, tradition, diversity and quality for raw produce and processed foods.

GIs differentiate the product signalling distinctive specific quality characteristics that are essentially attributable to its origin, as the product comes from a determined geographic area. GIs confer legal protection of the geographically related product name and prevent the unauthorized use of the geographical indication on labels of products from other regions. It is thus seen as an appropriate marketing tool for regional and international trade of characteristic local products.

In the EU, GIs include protected geographical indications (PGI) and protected designation of origins (PDO). These schemes protect the name of a product that comes from a specific region and follows a particular traditional production process. For PDOs, the raw ingredients need to come from the region of origin where all steps of production need to take place. As for PGIs, at least one of the stages of production, processing or preparation takes place in the region. Both schemes gives the same level of IP protection.

Figure 10: Protected designation of origins (PDO) label and protected geographical indications (PGI) label



6.1.1 How to get Protection of GIs Abroad?

Farmers and food processors from outside the EU can protect the names of their products within the EU in three ways: through direct applications in Third World countries (1), through bilateral or pluri-lateral agreements under which two or more states agree to protect each other's GIs (2) or through multilateral agreements including the TRIPS Agreement, the Madrid Protocol/Agreement as well as the Lisbon Agreement and Geneva Act (3).

As Sri Lanka and the EU currently do not have a bilateral agreement in place to protect their geographical indications and Sri Lanka's draft to accede to the Madrid Protocol is still under review, Sri Lankan businesses are now as before required to visit the EU countries physically to register their trademark. First, however, they are obliged to register locally with the National Intellectual Property Office (NIPO), which can take more than a year in some cases.

6.1.2 Accession to the Madrid Protocol – A Chance for Sri Lankan Exporters

Although the Sri Lankan draft for the accession to the Madrid Protocol, which is alongside the Madrid Agreement, part of the Madrid System, has not been approved yet, Sri Lankan exporters are strongly advised to actively follow related developments. This is primarily because the accession would noticeably simplify the process of filling a trademark application in multiple countries. Instead of engaging with local IP office in an EU member state, exporters could simply file a single application with the National Intellectual Property Office (NIPO) in Colombo. Simply put, the Madrid Protocol Accession would allow Sri Lankan exporters to save costs, time and ease the process of seeking protection in several countries through a single application. As the Sri Lankan government agreed to accede to the Madrid Protocol by mid-2020, Sri Lankan exporters should stay up to date.



Chapter 7

Marketing Platforms and Finding Buyers in the EU

7.1 Market Channels

Sri Lankan exporters have to differentiate between four types of market players before initiating business in Europe. Those types include agents or brokers (1), importers, wholesalers and distributors (2), manufacturers and processors who use the goods as input for their own products (3) as well as retailers that sell the goods to the end consumers in Europe (4). While the latter can also act as an importer, the mapping of the four types of business partners can help Sri Lankan exporters to understand the supply chain and to better assess their needs.

7.2. Finding Buyers for Fresh Fruit and Vegetables

Sri Lankan exporters that intend to find buyers on the European fresh fruit and vegetables market are required to distinguish between large retail suppliers (1) and specialized importers (2) that actively focus on trade and wholesale while offering a sales channel for specific product categories, such as organic or exotic fruit and vegetables. Although buyers that supply large retailers in Europe appear to be the most reliable, their expectations in terms of certifications and quality are the highest. To win the trust of your buyer, it is additionally advisable to start working with a minimum price. For the buyer, especially the experience counts at the beginning.

“Companies that typically provide a wide assortment of products to Europe’s large retail buyers are for instance Wealmoor (UK), Greenyard Fresh France (France) and Nature’s Pride (the Netherlands). Specialized importers of exotic products include SpecialFruit and BUD Holland. Organic and fair-trade fresh products are handled especially by OTC Organics and Eosta” (CBI, 2020k).

Since European buyers may initially be reluctant to work with new suppliers from Sri Lanka, it is of profound importance to demonstrate the highest professionalism and to avoid cross-cultural faux-pas. Exporters are advised to be selective and find buyers that match their products and profile.



7.2.1 Trade Fairs

To demonstrate market presence and to promote Sri Lanka as a reliable supplier of fresh fruit and vegetables, exporters are recommended to participate in leading trade fairs. Alongside the possibility to find buyers and to assess competition, exporters have the possibility to obtain relevant information on new target markets. As most trade fairs publish online catalogues with search engines, exporters can prepare in advance and carefully decide on buyers that they are in particular interested in. The most important international trade fairs in Europe are currently (CBI, 2020k):

- Fruit Logistica in Berlin (Germany)
- International Green Week in Berlin (Germany)
- Fruit Attraction in Madrid (Spain)

As the largest and best-known trade event for fresh fruit and vegetables, especially Fruit Logistica has gained importance over the last years. With 3,334 exhibitors from 91 countries and 72,704 trade visitors in 2020, Fruit Logistica offers the ideal platform for Sri Lankan exporters that aim at establishing an effective network of buyers before entering the European market. Exporters that are interested in visiting Fruit Logistica as exhibitors in Germany are advised to get in contact with the Delegation of Germany Industry and Commerce in Sri Lanka (AHK Sri Lanka). AHK Sri Lanka has been frequently organizing Sri Lankan business delegations to Fruit Logistica and other relevant trade fairs such as to the International Green Week (IGW) in Berlin with the objective to support local companies in entering the German market, and to raise awareness of products made in Sri Lanka. IGW as the origin of the Global Forum for Food and Agriculture (GFFA), where over 80 international ministries and food producers meet, accommodated alone in 2020 1,880 exhibitors and 400.00 visitors. Sri Lankan exporters that supply organic food are strongly advised to visit Biofach, the largest trade fair for organic food and agriculture in Nuremberg, Germany. Through the trade fair's online and exhibitor list, exporters can find buyers that are specialized in organic fruit and vegetables and prepare accordingly to initiate business.

7.2.2 Congresses and National Events

In addition to trade fairs, Sri Lankan exporters can find buyers during the German Fruit & Vegetable

Congress, a popular event with presentations and panel discussions on major challenges in supply chains. The event is joined by European importers and German retailers, which makes it attractive for farmers and food processors from Sri Lanka. Similar venues that can be of profound importance for Sri Lankan exporters include the Amsterdam Produce Summit in the Netherlands, the London Produce Show in the United Kingdom, Macfrut and the Tropical Fruit Congress in Italy as well as Medfel in France (CBI, 2020k).

7.2.3 European Wholesale Markets

Despite not being traditional venues for the initiation of foreign trade, wholesale markets across Europe serve as strategic locations for Sri Lankan exporters that intend to find buyers for their products. Wholesale markets can additionally provide Sri Lankan businesses with an idea of what products are sold in the region. It should, however, be noted that appointments with decision-makers from the companies that sell at those markets need to be scheduled in advance. An overview of promising markets can be found below (CBI, 2020k):

- Grossmarkt Hamburg (Hamburg, Germany), close to the port of Hamburg
- Rungismarket (Paris, France), the most famous wholesale market in France
- Mercamadrid (Madrid, Spain), one of the main wholesale markets in Spain
- Mercabarna (Barcelona, Spain), one of the main wholesale markets in Spain
- SogeMi Mercato Agroalimentare Milano (Milan, Italy), one of the largest wholesale markets for fresh fruit and vegetables in Italy
- New Spitalfields Market or New Covent Garden Market (the United Kingdom), 2 wholesale markets for fresh products in London

7.2.4 Online Platforms and Trade Directories

To promote your own business and to obtain information on buyers as well as markets, Sri Lankan exporters can engage on different online platforms, such as Freshplaza.com, Freshplaza.es, Freshfruitportal.com and Fruit.net. Sri Lankan exporters with large capacities can additionally advertise with Eurofruit. Trade directories can help you

find new buyers in Europe and at the same time offer the possibility to promote their own products. While some databases ask for an annual fee-based registration, it should be noted that random posting leaves an unprofessional impression and should be clearly avoided (CBI, 2020k):

- Food Companies: Directory and marketplace for food companies
- Organic Bio: International directory of organic food companies
- Green trade: A marketplace for organic products
- Kompass: Global B2B database
- Global buyers online: a place to search for the latest trade leads from buyers and importers from all over the world
- Europages: Directory of European companies; a professional portal that encourages business-to-business exchanges

7.2.5 Local Business Support Organizations

Alongside the Export Development Board and the European Chamber of Commerce in Sri Lanka, which can assist Sri Lankan exporters on a variety of matters, local businesses can receive support from the Delegation of German Industry and Commerce in Sri Lanka (AHK Sri Lanka), which offers customized business partner searches for Sri Lankan farmers and food processors that intend to enter in particular the German market. AHK Sri Lanka has long-term experience in the promotion of foreign trade and maintains strong ties to decision-makers from Germany’s agriculture and food industry.

7.2.6 Member Lists of Sector Associations in Europe

Identifying potential buyers in foreign EU markets can be challenging. It is therefore useful to pursue a top-down approach and to find buyers by consulting the member lists of fresh fruit and vegetable associations in the EU. Those lists can often be accessed online and provide detailed information on the actual fruit and vegetable traders. “Freshfel Europe is a membership association, where its members and associated members

are national associations, organisations and companies with an interest in the European fresh fruit and vegetable sector. Freshfel Europe’s members are from across Europe and along the whole supply chain from producers to wholesalers, traders, logistics and retailers” (Freshfel, 2020).

Among Freshfel Europe’s members are (CBI, 2020k):

- Deutscher Fruchthandelsverband (Germany) (members account for approx. 70% of all fruit and vegetable sales in Germany)
- Fresh Produce Consortium (FCP) (UK) (700 member companies)
- Chamber Syndicale des Importateurs Francais de fruits et légumes frais (France)
- GroentenFruit Huis (The Netherlands)
- Fresh Trade Belgium (Belgium)

Sri Lankan exporters who are interested in partnerships with producers of fresh fruit and vegetables in Europe can directly get in contact with the members of EUCOFEL including producer organizations from France, Germany, Greece, Italy, Poland, Portugal, and Spain (CBI, 2020k).

7.3. Finding Buyers for Processed Fruit and Vegetables

7.3.1 Trade Fairs to meet Buyers

To find new buyers and to promote Sri Lankan products on the European market, Sri Lankan exporters should participate in EU trade events, some of the largest exhibitions worldwide. Especially, ANUGA, the world’s leading food fair with 7,590 exhibitors and about 170,00 visitors, offers the ideal platform for Sri Lankan businesses to meet with potential customers face-to-face. As the participation in trade events as an exhibitor is costly, Sri Lankan exporters can initially join as visitors and establish their network of potential customers before officially exhibiting. Also, conferences and networking meetings organized by European and international associations should be considered. Those are attractive venues where importers can be reached at one time.

Table 16: Overview of relevant trade fairs for suppliers of processed fruit and vegetables

Anuga	The largest trade fair for food and beverages in the world. It takes place in Cologne, Germany every other year on odd years, and hosts relevant sections for processed fruit and vegetables, including the beverages section for fruit juice concentrates and purees, frozen food section (for frozen fruit and vegetables) and the delicatessen fine food section (for jams, edible nuts, dried fruit and canned produce).
SIAL	Held every other year in Paris, France. It is a general trade fair of food and beverages, with a strong focus on France. It has similar sections for processed fruit and vegetables as Anuga, including Pavilions of the World, Infood and Organic Food.
Food Ingredients Europe (FIE)	A smaller trade fair focussing exclusively on ingredients, including raw materials and semi-finished products offered for sale to the food industry. The trade fair is held at a different location in Europe every year.
Biofach	A trade fair focused exclusively on certified organic products. It is surprisingly large for such a specific niche and takes place every year in February in Nuremberg, Germany. Processed fruit and vegetable exporters can be accommodated in the sections with international pavilions. Biofach also includes an annual conference on the developments in the global organic industry.
Natural & Organic Products Europe	A relatively small trade fair compared to the others. It offers good opportunities for products labelled as “natural” or “organic”. It takes place every year in London.
ISM Sweets & Snacks	The world’s leading trade fair for sweets and snacks hold every third year in Cologne, Germany. It is especially relevant for dried fruit and edible nuts industrial suppliers.
PLMA	The world’s leading trade fair for private label manufacturers. It takes place every year in Amsterdam, the Netherlands. It is the most relevant trade fair for companies willing to supply products to the European retail chains. In order to do this, companies need to be certified with food safety standards and equipped with packing equipment.

Source: CBI (2020a)

7.3.2 Processed Fruit and Vegetable Associations

The European processed fruit and vegetable sector is characterized by several industry associations that represent the interests of member companies. With their extensive network, associations therefore function as ideal sources to find new buyers. Suppliers from Sri Lanka should focus their search on these sector associations in their European country of interest. Becoming a member can often help to effectively engage with those associations and their members. The list shown below provides an overview of Europe’s most important processed fruit and vegetables trade associations (CBI, 2020a):

Table 17: Overview of europe’s most important processed fruit and vegetables trade associations

European Fruit Juice Association (AIJN)	Umbrella association for the European industry with an international membership. Provides information about European legislation, product guidelines, sustainability and more. Search the list of members to find national associations and companies.
European Association of Fruit and Vegetable Processing Industries (PROFEL):	PROFEL provides statistics about the European processed fruit and vegetables sector, information about legislation and a list of companies and national associations.
Frucom	Frucom is the European federation of trade in dried fruit and edible nuts, processed fruit and vegetables, processed fishery products, spices and honey. Search the list of members to find national associations and companies. Frucom allows membership for non-European companies and associations.
European Snacks Association	Represents European savoury snack producers and traders including those of edible nuts. Search the list of members to find national associations and snack nut companies.
International Nut and Dried Fruit Council (INC)	Statistics and information about the international nuts and dried fruit industry. In order to access a database of members, you must be subscribed.
International Fruit and Vegetable Juice Association	Provides technical guidelines and organises workshops for the industry. Search the list of members to find potential buyers. Also consider becoming a member to access more information and participate in networking events.

Source: Centre for the promotion of imports from developing countries / CBI (2020a)

Table 18: The largest trade associations in the leading european markets for processed fruit and vegetables

Waren-Verein	Association of German importers and brokers of processed fruit and vegetables, honey and related products. You can search the list of trade members. Consider becoming a member as they allow international membership. Waren-Verein organises a European Trade meeting with networking opportunities each year.
NZV	Dutch Association for trade in dried fruit, nuts, spices and related products (in Dutch only). For information about membership and members you should contact the secretariat of the association.
NDFTA	The United Kingdom’s National Dried Fruit Trade Association. Provides networking opportunities, promotes consumption and informs members about legislative developments. You can search the list of members or consider becoming a member.
UNILET	French association of frozen fruit and vegetables companies (in French only). Find a list of French frozen fruit and vegetables companies in the member directory.
VEGEBE	Belgian association of frozen and other vegetable processors and traders. Search the member list to find potential partners.
ADEPALE	French processed fruit and vegetables industry (in French only). Search the list of members to find potential partners in the canned, frozen and prepared fruit and vegetables sectors.
VDF	German Fruit Juice Association (in German only). You can search the lists of members to find fruit juice producers (bottling and blending companies) or raw material suppliers (such as purees or concentrates traders).

Source: Centre for the promotion of imports from developing countries / CBI (2020a)



7.3.3 EU Company Databases for Suppliers of Processed Fruit and Vegetables

General and food-specific databases can help Sri Lankan exporters to identify and to connect with potential buyers. The most popular company databases for exporters of fruit and vegetables are (CBI, 2020a):

Table 19: EU Company databases for suppliers of processed fruit and vegetables

Europages	Directory of European companies. You can search by sector (for example “dried fruit” or “fruit and vegetables juices”). You can filter your results and select only companies which are traders and not manufacturers (for example “agent”, “distributor” or “wholesaler”).
Wer liefert was	Wer liefert was is a leading B2B online marketplace in Germany, Austria and Switzerland. You can search for products or companies and filter down your results by the size and activity of the company.
Organic-Bio	Database of companies selling and buying organic products
Food Companies	Food directory where you can search for buyers under many product categories.
Kompass	Kompass is a large database of companies. You can apply several filters to find potential buyers. Available upon subscription. You can perform the basic search free of charge by typing the product name and select “importers” in the list of the results to narrow down your search.

Source: Centre for the Promotion of Imports from developing countries / CBI (2020a)

Also, through matchmaking services, Sri Lankan exporters have the possibility to find relevant buyers. Platforms for processed fruit and vegetables include:

Table 20: Matchmaking services to find processed fruit and vegetables buyers from Europe

Frozen B2B	Online marketplace for frozen food. Available upon subscription although some simple searches can be performed free of charge.
GreenTrade	Online marketplace for organic food. You can search current buyer announcements under several categories relevant for processed fruit and vegetables (for example “fruit and vegetable”, “grocery products” or “drinks”). In order to see the contact information of the company you need to subscribe.

Source: Centre for the promotion of imports from developing countries / CBI (2020a)



7.3.4 Support Organizations for your Export to Europe

In addition to the EDB and AHK Sri Lanka assisting Sri Lankan companies with their export activities and business matchmaking efforts, several business support organizations (BSOs) in Europe can offer additional assistance (CBI, 2020a):

Table 21: Support organizations for your export to europe

The Import Promotion Desk (IPD)	A government-funded organisation from Germany that aims to offer sustained and structured promotion for the import of certain products and services from selected partner countries. They bring together the interests of German importers with those of exporters in emerging growth markets
Centre for the Promotion of Imports from Developing Countries (CBI)	A government funded organisation that supports more than 800 entrepreneurs in becoming successful exporters on the European market. They offer market information for various products and services, they offer export coaching programmes, technical support, they inform and influence policy makers and involve importers in the development and implementation of their programmes.
The Swiss Import Promotion Programme (SIPPO)	A government-funded organisation that supports BSOs in improving their services for exporting companies and strengthening their own institutional set-up, as well as connecting them to an extensive network.
International Trade Centre (ITC)	Agency of the United Nations based in Geneva (Switzerland), dedicated to support the internationalisation of small and medium-sized enterprises around the globe. Most of the activities are aimed to support exporters from developing countries.
Enterprise Europe Network (EUN)	Founded by a commission of the European Commission. Aiming, to help companies of all kinds of products and services, to innovate and grow internationally. You can find check if your country has a focal point of EUN.

Source: Centre for the promotion of imports from developing countries / CBI (2020a)

7.4. Finding Buyers for Spices and Herbs

With an import value of around 3 billion EUR, Europe’s spices and herbs market has significant potential for Sri Lankan exporters who strive to go beyond domestic markets. Among the countries with the largest demand for spices and herbs in Europe are currently Germany, France, the Netherlands, the UK, Spain and Poland.

Before unsystematically approaching companies, Sri Lankan suppliers of herbs and spices are advised to narrow down the list of potential buyers by looking at the individual requirements their products need to fulfil in terms of quality, quantity, certificates, prices and delivery terms. Since some European companies have already established long-term relationships with leading spice exporters around the world, not all importers will be interested in cooperation. However, EU companies that intend to reduce their dependency on the countries that are currently supplying herbs and spices might be of profound importance to Sri Lanka. In this regard, it should be noted that specialized importers are the most dominant type of buyers on the European spices and herbs market. Among the larger European spices and herbs companies are currently (CBI, 2020I):

- Fuchs Group (Germany)
- Solina (France)
- Albarracin (Spain)
- Nedspice (the Netherlands)
- British Pepper and Spice (UK)

- European Spice Services (Belgium)
- Sabater (Spain)
- Husarich (Germany)
- Euroma (the Netherlands)
- Santa Maria (Sweden/Finland)
- Isfi (Belgium)
- Saran Enterprises (Poland)

7.4.1 Relevant Trade Fairs for Suppliers of Spices and Herbs

Trade fairs can additionally allow Sri Lankan exporters to win trust among EU buyers while being the ideal platform to promote herbs and products to a variety of exhibitors and visitors from Europe’s 27 member states. As the participation in foreign trade fairs include administrative procedures such as the booth-construction, which can be relatively complex and time-consuming, Sri Lankan exporters have the possibility to partake in accompanied business delegations for instance organized by AHK Sri Lanka. Trade Fairs that are of high relevance for Sri Lankan exporters include (CBI, 2020I):



Table 22: Relevant trade fairs for suppliers of spices and herbs

Anuga	The largest trade fair for food and beverages in the world. It is held every odd year in Cologne, Germany, and hosts relevant sections for spices and herbs, including a delicatessen section, a meat products section, a bread and baked good section and a ‘wellfood’ (non-prescription medication, supplements, etc.) section. You can also find companies at the specific halls called: Culinary Stage, Taste Innovation Show and Trend Zone.
SIAL	Held every other year in Paris, France. It is a general trade fair for food and beverages, with a strong focus on France. It has similar sections for spices and herbs as Anuga, including Pavilions of the World, Infood and Organic Food.
Spices and Herbs Global Expo	This exhibition will be held for the first time in 2020 in Rimini (Italy) together with MACFRUT, the trade fair for the fruit and vegetable sector. The exhibition aims to be a meeting point for producers, technicians, researchers, traders and processors in the field of spices and officinal and aromatic herbs.
Food Ingredients Europe (FIE)	A smaller trade fair focusing exclusively on ingredients, including raw materials and semi-finished products offered for sale to the food industry. The trade fair is held at different locations in Europe every year.
Biofach	A trade fair focused exclusively on certified organic products. It is surprisingly large for such a specific niche, and held every year in February in Nuremberg, Germany. Spices and herbs exporters can be accommodated in the sections with international pavilions. Biofach also includes an annual conference on developments in the global organic industry.
Natural & Organic Products Europe	Relatively small trade fair compared to others, offering a good opportunity for products labelled as ‘natural’ or ‘organic’. It is held every year in London.
PLMA	The world’s leading trade fair for private label manufacturers. It is held every year in Amsterdam, the Netherlands. It is the most relevant trade fair for the companies willing to supply products for the European retail chains. In order to do this, companies need to be certified with food safety standards and possess suitable packing equipment.
Alimentaria	International food exhibition held every second year in Spain, Barcelona.

Source: Centre for the promotion of imports from developing countries / CBI (2020I)

To ensure optimal preparation for the participation in the above-mentioned trade fairs, it is additionally advisable to access the online exhibitor lists, such as the ones from Anuga, Sial and Biofach. Beyond that, buyers can be found at several trade events, which offer the possibility to meet traders in less hectic environments. Prearranged appointments are in this regard of great benefit.



Table 23: Relevant trade events for suppliers of spices and herbs

The General Assembly of the European Spice Association	Hold each year on different locations
The International Spice Conference	Held in India with significant participation by Indian companies but also attended by international traders)
ASTA Annual Meetings and Exhibits	Organised by the American Spice Trade Association but with international participation)
Annual Session and Meetings of the International Pepper Community	Hold each year on different location

Source: Centre for the promotion of imports from developing countries / CBI (2020l)

7.4.2 Spices and Herbs Trade Associations

As outlined in previous chapters, EU industry associations that represent the interests of member companies appear as good sources to find potential buyers. Sri Lankan exporters however, should refrain from randomly contacting members without being an actual member of the association. An overview of relevant associations for Sri Lankan exporters can be found in the following section:

Table 24: Spices and herbs trade associations

European Spice Association (ESA)	The umbrella organisation representing the European spices and herbs sector. It supports member companies and national associations with information about legislative requirements, deals with quality issues and organises annual sector meetings. You can find a list of members and search for companies matching your offer.
World Spice Organisation (WSO)	A platform for stakeholders in the international spice industry. A list of members is available for registered members.
Culinaria Europe	Represents national associations as well as producers of culinary products such as soups and broths, emulsified and non-emulsified sauces like ketchup and mayonnaise, salads, mustard, horseradish, condiment products, table olives and vinegar within Europe. Although member associations do not always exactly represent spice companies, members are users of spices and herbs.
Association of the German Spice Industry	With nearly 90 spice processing and refining companies who are members of the German Spice Association. They are primarily engaged in refining spices and producing spice blends, spice preparations and other seasoning ingredients.
Dutch Spice Trade Association in the Netherlands	Although the website is in Dutch, you can check the list of member companies.
Seasonings and Spice Association (SSA) in the UK	Promotes the interests of its members in all aspects of the import, processing and distribution of seasonings, herbs, spices and related products. SSA members list includes postal and website addresses.
Association of Processors and Packers of Spices and Seasonings (AEC) in Spain	Represents the interests of small and medium-sized spice member companies.
Waren-Verein	Association of German importers and brokers of spices and herbs, honey and related products. Search the list of trade members and consider becoming a member, as it allows international membership. They organise an annual European Trade meeting with networking opportunities.

Source: Centre for the promotion of imports from developing countries / CBI (2020l)

Chapter 8

An Overview of European and German Retailers

Table 25: Top 10 food retailers in europe

Retailer	Country
Schwarz Group (Lidl, Kaufland)	Germany
Aldi	Germany
Carrefour	France
Tesco	UK
Rewe	Germany
Edeka	Germany
Les Mousquetaires	France
E. Leclerc	France
Sainsbury	UK
Auchan	France

Source: Veraart research group

Table 26: Germany’s top food retailers

Retailer	Food Sales USD Million 2018	No. of Outlets 2018
Edeka-Group Edeka (Supermarkets), Netto (Discounter)	69,281	6,610 4,320
Rewe-Group Rewe (Supermarkets), Penny (Discounter)	47,193	4,601 2,200
Schwarz-Group Lidl (Discounter); Kaufland (Hypermarkets)	47,140	3,200 664
Aldi-Group Aldi Süd (Discounter), Aldi Nord (Discounter)	35,724	1,900 2,212
Amazon (Online)	17,973	-
Metro-Group Real (Hypermarkets), Metro (Cash & Carry)	15,929	-
Lekkerland (Wholeseller)	10,420	-
dm-drogerie markt GmbH + Co. KG	9,564	1,956

Source: USDA foreign agricultural service (2019)

Table 27: Germany’s top organic retailers

Organic Retailers	Profile
Denns Biomarkt	One of the largest organic wholesaler and retail organizations in German-speaking Europe
Alnatura	The Alnatura chain operates 130+ supermarkets across Germany
Bio Company	One of the largest regional organic supermarket chains in Germany and the organic food retail market leader in the Berlin and Brandenburg regions in Eastern Germany
Basic	The Basic chain sells some 12,000-certified organic Stock Keeping Units including dried and fresh foods
Super Bio Markt	Super Bio Markt operates 26 outlets and sells around 7,000 stock frkeeping units of organic products. However, most products are sourced regionally.
Tegut	Swiss-owned supermarket chain based in Fulda, Germany, which operates around 290 stores across Germany
Reformhaus	Well-established health food store network with more than 100 stores in Germany focusing on vegetarian groceries (mostly also organic)

Source: Kruse (2017)



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