



# Potentials and Constraints to Scale up Floriculture Sector in Sri Lanka: A Comprehensive Analysis for Sustainable Floriculture Sector Development

## Background

Sri Lanka's floriculture sector generated USD 14.66 million in export earnings in 2022, experiencing marked change in rate over a decade. Major export destinations include the Netherlands, Japan and Saudi Arabia, with foliage contributing 88%, seeds 9%, aquatic plants 1.4%, and cut flowers 1.2% to total export earnings. Despite global demand growth, Sri Lanka predominantly exports cut foliage. Challenges identified in the literature include insufficient investment in large-scale ventures, hindering global competitiveness. The economic crisis has adversely affected both domestic and export-oriented floriculture markets in Sri Lanka. Globally, the floriculture export market has shown growth, particularly in cut flowers and live plants. Despite the country's potential, Sri Lanka imports cut flowers, indicating untapped opportunities. This study aims to identify potentials and constraints for scaling up the floriculture sector in Sri Lanka.

## Research Objective

The primary objective of the research was to identify potentials and constraints to scale up floriculture sector in Sri Lanka with regard to both local and export markets.

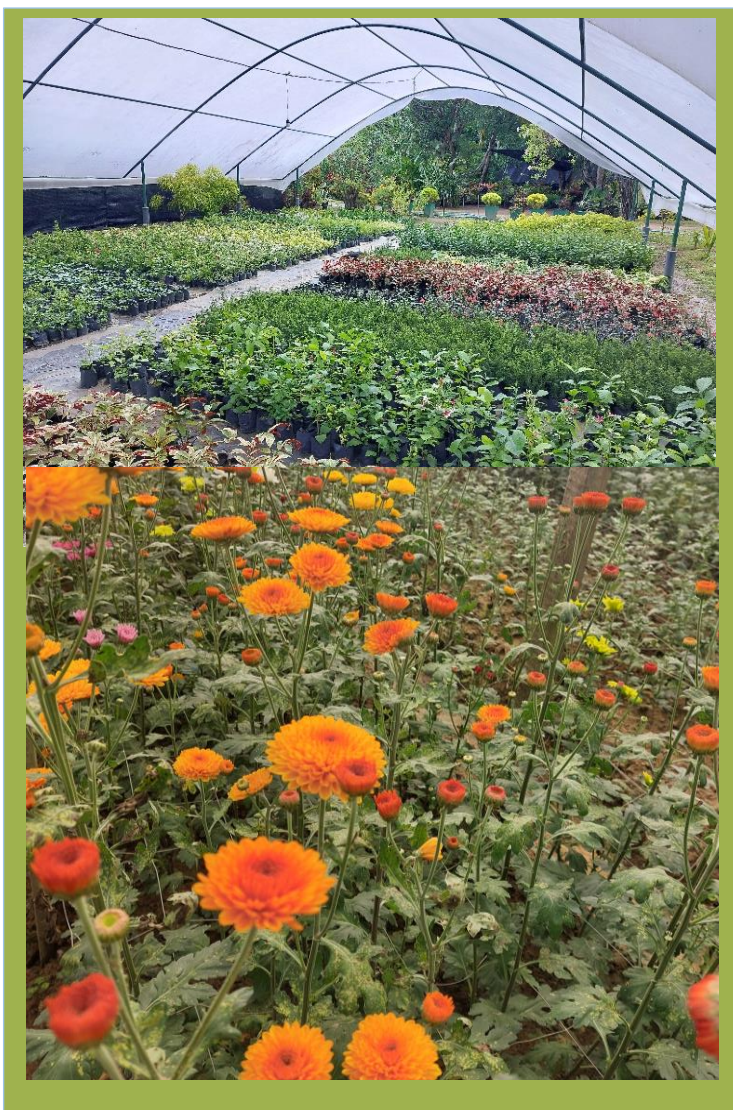
## Specific Objectives

1. To identify potentials and constraints associated with scaling up export oriented floricultural industry in Sri Lanka.
2. To identify potentials and constraints associated with scaling up domestic floricultural industry in Sri Lanka.

## Export-Oriented Floriculture Industry

Export oriented floriculture industry can be divided into two groups as direct exporters that the mother company is located in Sri Lanka and exporters that the mother company is situated in foreign countries. Cut foliage, floriculture seeds, rooted cuttings, pot plants are the major exporting floriculture items. The study collected information from both types of companies and it was revealed that direct exporters are comparatively highly liable to external environmental





shocks compared to companies where the mother company is an international business since they have a certain safety network around them.

The issues affecting the floriculture export business are:

#### **Institutional Level**

- Complicated institutional requirements which make the export procedure costly, complex and time consuming.
- Lack of institutional support and interventions to regulate difficulties faced by the industry
- Lack of coordination between stakeholder institutes.

- Absence of one responsible umbrella institute to overlook all the stakeholder institutes and intervene when necessary.

#### **At the Supply Chain-Level**

- High cost of production (agrochemicals including fertilizer and pesticides, labour, electricity, transport).
- Lack of suitable transport facilities (cold chain facilities, cold storages in the airport).
- Lack of market oriented, export quality locally developed varieties along with a mechanism for continuous product development.

#### **Local Market-Oriented Floriculture Industry**

Local market-oriented floriculture industry is prevailing in almost all the districts in the country. A sample survey conducted across 17 districts including Puttalam, Kurunegala, Kegalle, Kandy, Colombo, Kalutara, Galle, Matara, Hambantota, Badulla, Polonnaruwa, Anuradhapura, Monaragala, Matale, Gampaha, Ratnapura and Nuwara Eliya where floriculture is a flourishing business. Local market-oriented floriculture value chain consisted of producers, wholesalers, transporters and retailers. There is a higher tendency of producer being the retailer as well.

#### **Major Issues and Constraints Faced by Local Market-Oriented Floriculture Industry**

- High cost of production (fertilizer, pesticides, fuel and transport cost, mother plants).
- Lack of inputs.
- Poor adoption of advanced technologies.
- Reduced local demand for floricultural items.
- Absence of high-quality planting material and mother plants.
- Lack of resources to expand the business (land and capital).
- Lack of technical knowledge on new cultivation methods.

## Recommendations

Development of floriculture sector involves addressing issues pertaining to two market types. First, the focus should be on the local market. Becoming self-sufficient in local market demand and improving the business of local market-oriented producers is the first priority. This process includes several recommendations.

1. It is recommended to strengthen local research and development to produce new varieties, good quality tissue culture plants, training and technology transfer and good quality mother plants to fulfill the demand of growers.
2. It is recommended to establish a separate regulatory body to overlook floriculture sector and to coordinate with stakeholder institutes.
3. Introducing a subsidy scheme to provide growers with essential input material at a lower price (fertilizer, raw materials for green houses) is recommended.
4. Providing a designated place similar to economic centers for selling of floricultural output for every province/major producing area at a convenient cost enabling growers to attract more customers and sell their produce without a hassle.

Recommendations to develop export-oriented floriculture sector:

1. Establishment of an umbrella body to overlook the entire industry providing a level-playing field for all stakeholder institutes.
2. Government intervention is vital to regulate research and development for new product development to keep abreast with changing consumer demand and trends by providing advanced technologies, facilities and training for floriculture research and development institutes.
3. Formalizing institutional setup in favor of floriculture trade facilitation (Eg: intervene and facilitate the industry with regard to input prices, availability, dispute handling) to attract and retain exporters.
4. Resolving institutional issues pertaining to floriculture exportation which favorably facilitates exportation.
5. Government intervention is needed to facilitate logistics (Eg: Infrastructure development with reference to cold chain facilities, and cold storages at places such as the airport).
6. Establishing farmer companies and providing cultivable lands on lease, which allows cultivation in mass scale with uniform quality which is the key for export-oriented production.
7. Providing necessary institutional support, training and skills for cultivation using new technologies.

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Hector Kobbekaduwa Agrarian Research and Training Institute  
No. 114, Wijerama Mawatha  
Colombo 07  
Sri Lanka.

+94-112696981, +94-112698539-41

[editor@harti.gov.lk](mailto:editor@harti.gov.lk)

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