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Sri Lanka Export Market Information Development Project  
*Final Conclusions and Recommendations on*

PN 62387

# Export Marketing Strategy

by:

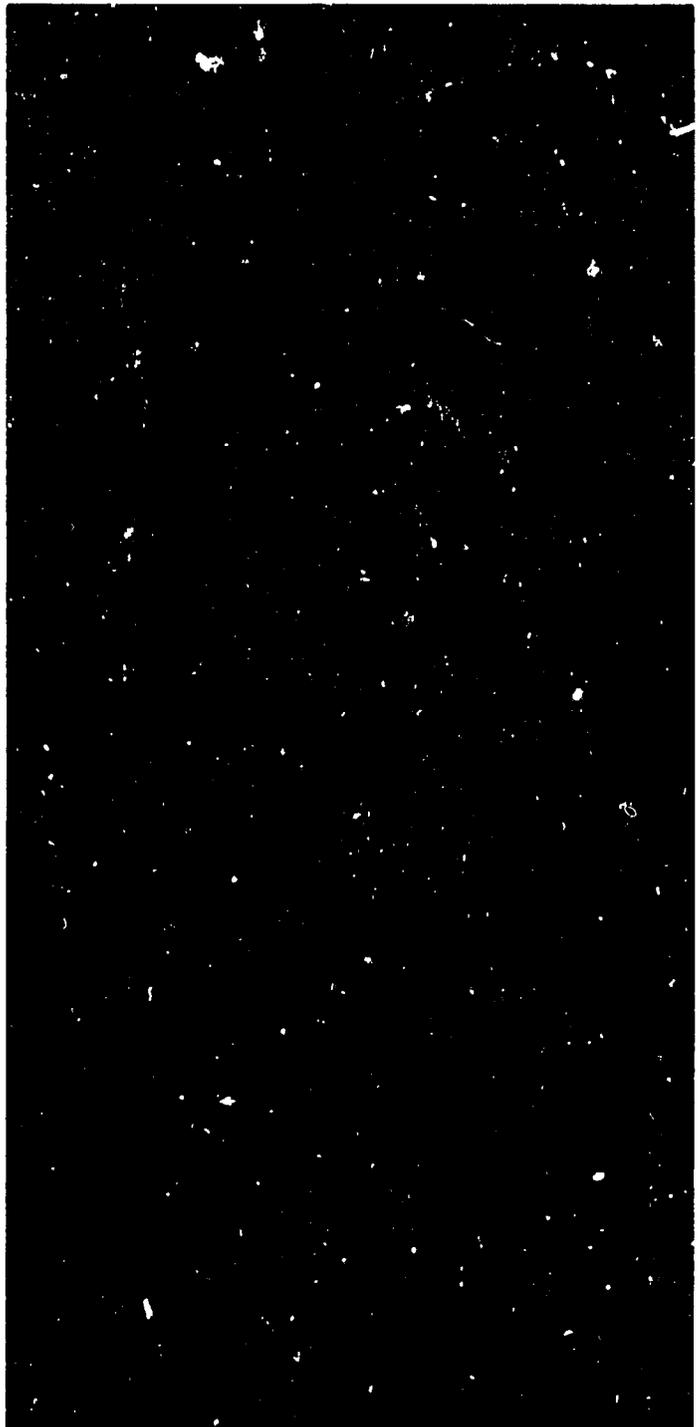
**Samuel R. Daines, Team Leader**

November 15, 1988

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Research Group, Inc.  
Development Group, Inc.  
International Agribusiness and Irrigation

Submitted to  
**Employment, Investment and  
Enterprise Development Division  
Mahaweli Authority of Sri Lanka**  
and  
Agency for International Development  
Colombo, Sri Lanka



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# The Strategy: Priority Products & Markets

## 1. PRODUCT AND MARKET SELECTION

### a. Comparative Advantages

The analysis of export potentials must begin with an assessment of underlying and long run comparative and competitive advantages and disadvantages which Sri Lanka may be able to count on for at least a decade or two. Export industries are high cost and high risk activities and last a long time. A country should try to assess its long run competitive position with considerable care to assure that the products it selects and the markets it concentrates on are ones which have some underlying advantage against many if not most potential competitors. There are of course some countries who share or even better Sri Lanka on any one of these factors, but few competitors have a superior overall position.

Sri Lanka appears to have three major long run competitive advantages against many of its existing and potential competitors in the following areas:

#### i. Seasonal Flexibility

Sri Lanka's tropical geographic position provides it with year round growing temperatures which allows it to produce many crops on a year round basis. Recent technology for many temperate crops such as asparagus, grapes and berries are opening vast export opportunities to tropical production sites. The single monsoon pattern in the Mahaweli area provides another seasonal advantage when combined with irrigation. This advantage is a prolonged dry period with low air humidity which is important for low cost production of most fruits and vegetables.

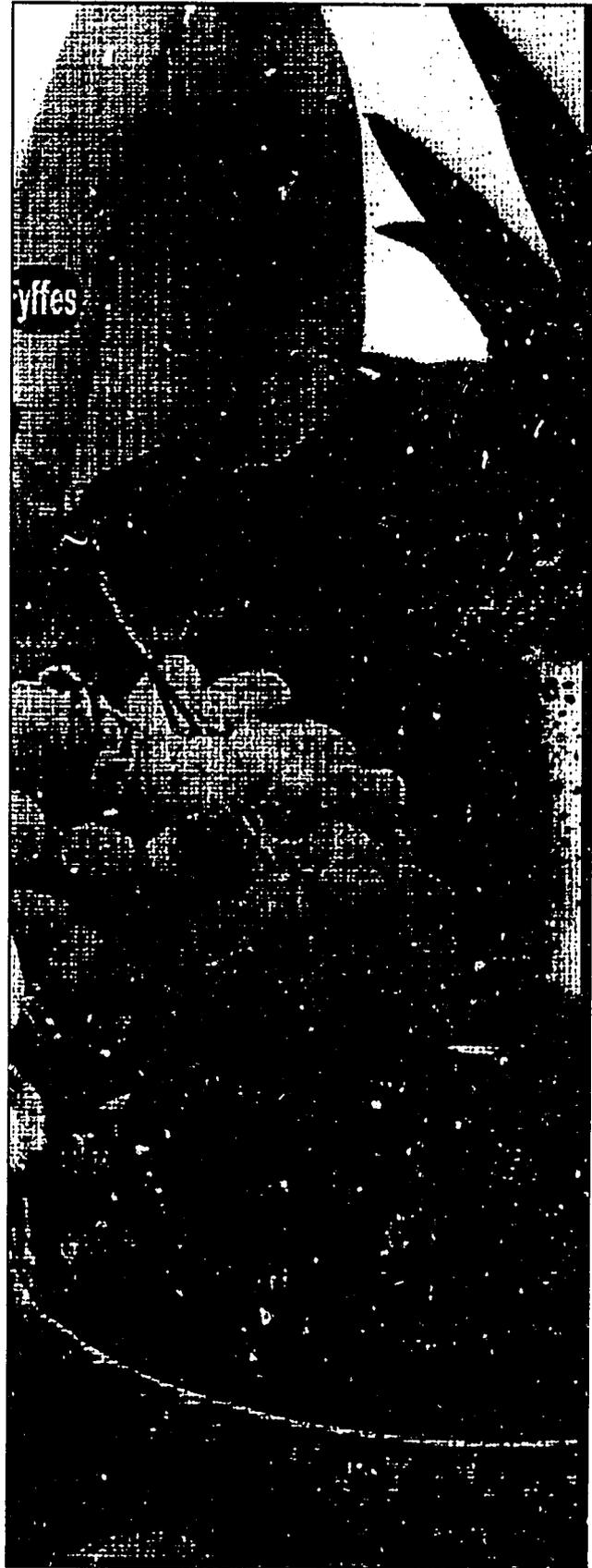


Figure 1: Priority Fruits: Grapes, Strawberries, Bananas and Pineapples

Tropical temperatures combined with high humidity create an optimal growing environment for pests and diseases and also creates harvest problems for most fruits and vegetables. The long dry season in the Mahaweli is therefore a significant comparative advantage against many tropical competitors and even against Sri Lankan competitive sites on the West side of the Island. Off-season market windows in Japanese and European markets present a large opportunity to tropical producing countries.

### **ii. Labor Cost Advantage.**

Sri Lankan farm labor costs are very low when compared to almost all major competitors. Labor costs per hour are roughly 4-5% of competitors in the U.S., Western Europe and Japan; 30% of Central and South American competitors, and less than 50% of most Asian competitors.

This advantage is only marked where labor represents the dominant cost in a particular product's cost structure. A reasonable measure of this type of labor intensity is the number of person hours or days required to produce one ton of product. Such a measure was used in the selection of products to assure that labor intensity was given an important weight in the criteria for product selection.

### **iii. Transport Cost and Geographical Position Advantage.**

Western Europe and the Pacific Rim (centered on Japan) are the world's two chief importing regions for high value fresh fruits and vegetables. Sri Lanka has a unique position (except for India) in being positioned roughly equidistant from these two regions. That puts Sri Lanka in a very advantageous position to develop an export industry geographically diversified between these two major market regions. Most other exporters will have to focus on one or the other of these regions without the option of maintaining seasonal marketing options in both directions.

## **b. Comparative Advantages and Disadvantages of the Mahaweli Region.**

The Mahaweli region has only one significant long run advantage as a production site for export perishables. That single advantage is a drier climate than most Sri Lankan areas. Dry air is an important advantage in the production of most export perishable commodities for a number of reasons. The first reason is that dry air prevents many technical problems of a phytosanitary nature. Most of the priority products we studied when grown under wet tropical conditions develop fruit rot, pest and diseases which are very costly and difficult to deal with. Dry air and no rain conditions make these problems manageable. The second reason is certain priority crops such as grapes are managed under tropical conditions by regulating the water availability to the plant in such a way as to assist the simulation of temperate dormancy. If rain is frequent the seasonal flexibility of harvest timing will be significantly restricted. The third reason is that certain crops are extremely difficult to harvest under rainy conditions. Strawberry harvests on rainy days must usually be discarded since water on the fruit at harvest substantially damages the fruit for export.

This advantage is of course only exploitable if regular irrigation is possible. This issue is discussed in more detail below.

The Mahaweli region has several disadvantages for the production and export of perishable produce when compared with other Sri Lankan areas. The most important of these disadvantages is its geographic isolation from the port and commercial infrastructure located in Colombo. Since roads are excellent to the ports (both air and sea) from the Mahaweli area, this disadvantage is small when compared to the distance from commercial and management infrastructure. The dry air advantage is probably sufficient for most products to overcome the transport disadvantage. The larger difficulty is the isolation from commercial and management infrastructure.

An enterprise engaged in export of perishable produce is a complex combination of three types of enterprises; an industrial enter-

prise, a commercial or marketing enterprise and an agricultural enterprise. The key input is management. High quality management is an elusive resource and the environment for high quality management is not easy to create. Geographic isolation creates subtle and not so subtle obstacles to the creation of such a management environment. Among the problems are communication difficulties, unsuitable living conditions, lack of access to many services such as financial institutions, export paperwork, airline and sea shippers. Locating an export production operation within a few minutes of the airport and within a few minutes of Colombo would have many advantages from the management point of view.

One commonly suggested solution to this difficulty is the separation of functions such as that often characterizing the export trade in non-perishables like cashews or rubber. In this model the production is undertaken by one set of enterprises roughly characterized as "producers". The transport is handled by a second set of enterprises and the final export marketing by yet a third. Both the transport and marketing enterprises would be located under this model in Colombo where they would be close to the management and other infrastructure they need. This vertically segmented model works very poorly as a general rule in the perishables trade where intimate coordination and familiarity is needed between the various stages in the export chain. In the long run most of these successful enterprises integrate vertically in one way or another. In some cases a single enterprise covers production, transport and export marketing. In other successful cases these intimate arrangements are worked out by separate enterprises working under a medium or long term joint venture arrangement. While it is not impossible for this to evolve into a separation of producer and marketer enterprises, that is seldom the case.

The geographic isolation disadvantage of the Mahaweli region should not therefore be seen as a transport disadvantage but rather as a management disadvantage. Two ways of balancing the scale so that enterprises can be attracted to the Mahaweli might be explored. The first is to provide direct subsidies or in-

centives to enterprises in the Mahaweli such as land grants, subsidized infrastructure leases, risk guarantees, preferential financing etc. The second would be to provide Mahaweli enterprises with a "marketing edge" through aggressive development of markets, marketing contacts and international promotion.

### c. Market Selection.

The initial scope of work for the project called for analysis of a minimum of two major markets. Since SRD has already gathered much of the needed information, it has been determined that project resources would be sufficient to conduct analysis of all four of the major markets inside Sri Lanka's transport advantage "envelope" stretching from Europe on the West to Japan on the East.

The North American market was eliminated because of the Sri Lanka's sizeable transport disadvantage vis-a-vis major potential competitors (Mexico, Central and South America), without sufficiently compensating seasonal or wage rate advantages.

**Accessibility** Two major factors determined the level of analysis effort which was devoted to each of the markets included, market size and accessibility. By accessibility we mean tariff, sanitary restrictions and the general difficulty of penetrating due to quality standards or sophistication. Figure 1 outlines the total value of relevant imports into the four major markets in the Sri Lanka comparative advantage "envelope" in 1985. Table 1 ranks the markets by our estimate of "accessibility".

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Table 1: Accessibility

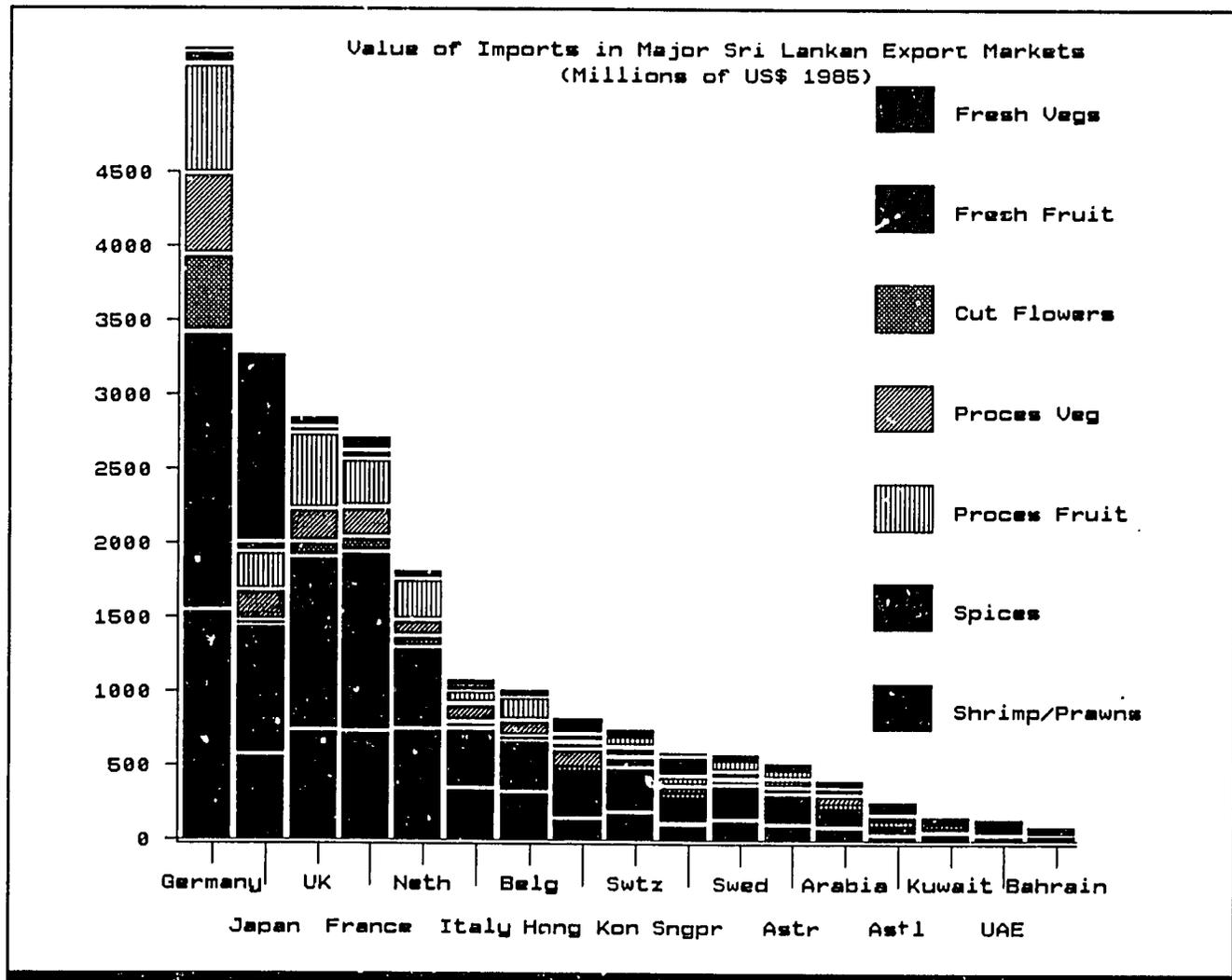
Gulf Markets	Easiest
Singapore/Hong Kong	Easy
Europe & Australia	Average
Japan	Difficult

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Table 1. Accessibility Ratings

Because of the ease of entry and existing ties the Gulf market received more level of effort than its market size would warrant. At the other extreme, Japan received less effort than its size would warrant. In the case of Japan, a complete market information data base was generated but it was gathered by SRD personnel resident in Japan. A supplemental market analysis trip was made to Japan in September by Samuel Daines.

**Market Size and Demand for Imports** Figure 2 illustrates the dominating size of the European market with roughly \$14 billion dollars in 1985. This figure overestimates the total potential of European markets since a significant part of these imports are from countries within the common market and protected by restrictive arrangements. Even when these factors are removed, the non-EEC import level of Europe for fruits and vegetables is roughly double the US and three times that of Japan. The two billion dollar Japanese market is rapidly growing both by exchange rate shift and demand growth into a \$4 billion dollar market, and while it is very difficult to enter in general, it is a rapidly changing market and entry in the relatively new areas is much easier.



**Figure 2: Import Market Size Comparisons**

It may be some time before the Gulf markets reach the one billion dollar level for imports, but the ease of entry and the importance of the Gulf and Middle East as a banana market makes this area important.

SE Asia import markets, defined here to include Singapore, Hong Kong and Australia, are roughly double the import size of Gulf Markets and have the advantage that quality edge IS well remunerated even though entry is relatively easy.

Our final assessment of the relative importance of markets is given below on a product by product basis as a result of the market field trips. Our final ranking of market importance is as follows:

1. West Germany
2. United Kingdom
3. Japan
4. Gulf & Middle East
5. Hong Kong
6. Singapore

Germany is the largest single country import market in the World for fruits and vegetables. Figure 2 shows that perishables, fresh fruits, vegetables and flowers, account for approximately 3/4 of the total imports, with non-perishable spices and processed products accounting for about 1/4.

The UK and France are the only other two individual country import markets in Europe which are larger than Japan if intra-EEC trade is not netted.

#### d. Initial Product Screening: From 60 to 18 Products.

##### i. Initial Screening Criteria & Rankings

Table 2 outlines five of the seven selection criteria which were used in the initial selection of products for export market analysis. The first column in Table 3 contains the score which resulted from giving each of the criteria a quantitative value and weight. We started with approximately sixty products which appeared in preliminary Mahaweli and SRD staff lists. Using the criteria outlined in Table 3 we narrowed this list to 18 products. While the weighting procedure used may be of some use, we suggest that the rank priority positions in Table 23 be given relatively little emphasis other than to provide a reasonable approach to finding a chop off point to narrow the list to a workable number of products. The initial scope of work called for examination of a minimum of 10 products, our final list includes 18 agricultural products and one cottage industry product.

The first two criteria are market size criteria whose objective is to select products that have large market demands, and give special weight to those products whose demand is met

	Final	Market Demand	Criteria	Transport	Labor	Technology
	Priority	Imports	Consumption	Shelf	Content	Requirement
	Score	(\$ 000,000)	(\$ 000,000)	Life	(Hrs/MT)	(Low-High)
				(Days)		
1 Banana	256	1,477,837	1,748,837	18-28	32	Medium
2 Tomatoes	253	303,908	5,478,966	7-28	65	Medium
3 Carnations	235	72,376	214,668	21-28	258	High
4 Peppers/Chili	232	77,879	1,397,888	14-21	63	Medium
5 Shrimp	229	1,839,437	2,538,414	3-30	158	High
6 Mushrooms	223	116,294	488,594	4-17	246	High
7 Grapes	218	268,692	16,548,588	56-108	135	Medium
8 Pineapple	215	283,225	389,425	14-36	36	Medium
9 Mango	214	68,282	82,282	14-25	48	Low
10 Cherries/Duc	204	35,686	1,846,856	18-28	47	Medium
11 Cashews	200			180+	128	Low
12 Orchids	198	9,892	26,296	3-11	275	High
13 Strawberries	177	65,798	2,243,194	7-14	113	High
14 Asparagus	178	27,869	54,868	14-21	128	Medium
15 Ginger	169	25,334	25,334	98-108	38	Low
16 Melons	157	78,166	746,666	14-21	13	Medium
17 Papaya	142	31,218	37,218	18-21	24	Medium
18 Garlic	138	32,685	92,888	148-218	75	Low

Table 2. Initial Screening Criteria & Rankings

largely from imported sources. The "import" criterion is given a weight from 0-100 while total consumption size is given a score of only 0-30. Transport evaluation was made in terms of the perishability of the product and the feasibility of it reaching markets within 10-15 days for sea travel. The scores given however are more complicated since they involve a judgement about the comparative advantage vis-a-vis competitors of transportability. For example, even though cashews have a long shelf life they are given a low transport score because no advantage is conferred thereby on Sri Lanka vs. other competitors. Thus those products with excessively high perishability or very long shelf life both receive low scores, while intermediate products, durable enough to just barely make the sea voyage, but perishable enough to give Sri Lanka good seasonal advantage are given high scores.

Labor content is given a very high weighting both because it is an indicator of comparative advantage against most competitors AND because productive employment generation is a high priority.

Technological difficulty, the availability of existing produce and the time frame in which impacts might be achieved in the Mahaweli are all important criteria given equal weights. These last two are not quantitative criteria and consequently are not reflected in Table 2.

Figure 3 outlines the value weighted imports and domestic production each of the 18 products except cashews for the sum of all of the markets included in the study. To avoid distortion based on purely exchange rate fluctuations and differences between importing countries we have used common "exchange-rate-neutral" value weights in Figure 3.

The strength of a seasonally flexible production climate such as Sri Lanka has, is that current size of imports is a vast underestimate of total import "demand" for most products. The reason is simply that while household consumption demand is often more or less even throughout the year, supply is only seasonal.

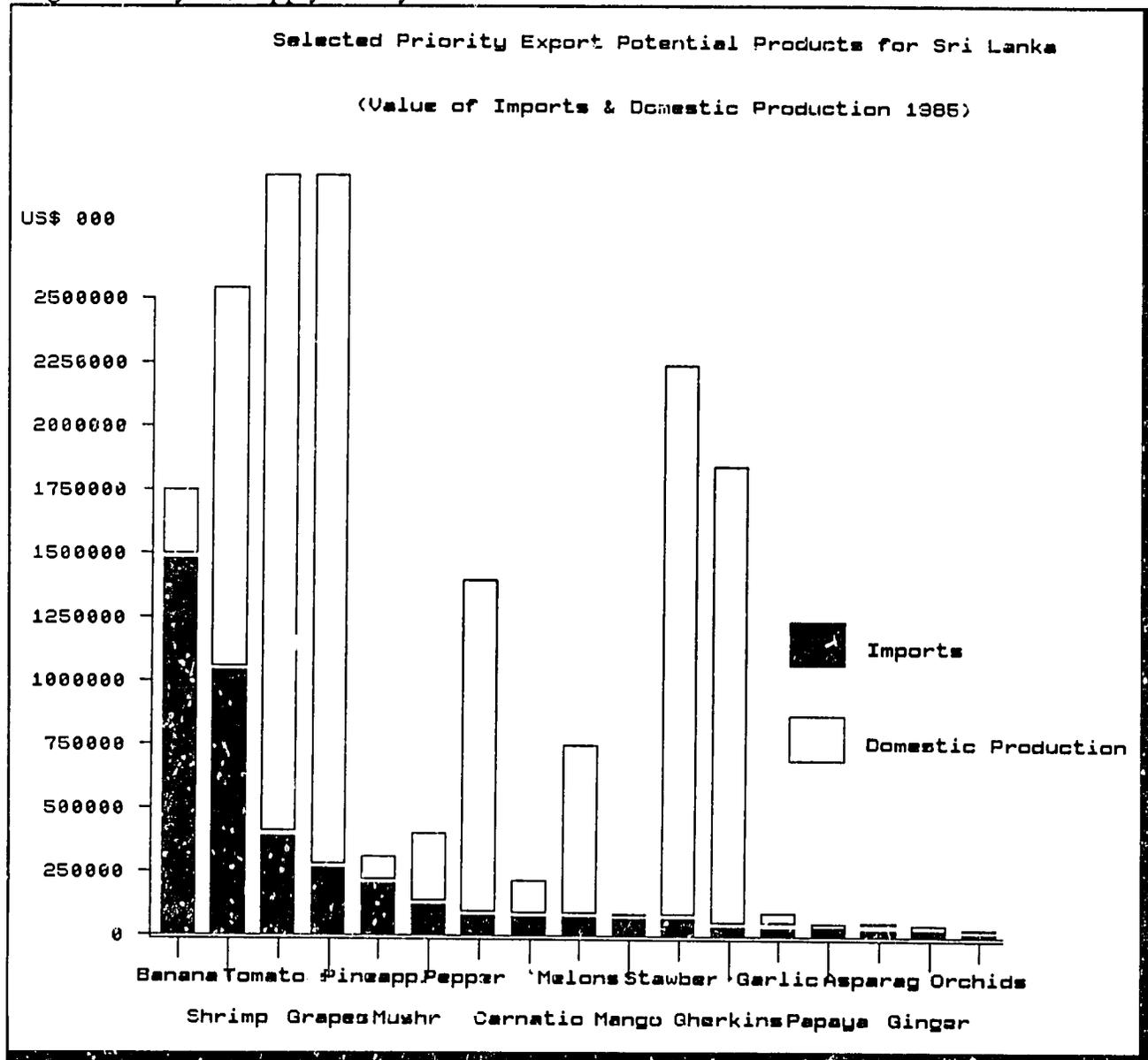


Figure 3. Imports & Domestic Production for Europe, Japan, Gulf, Hong Kong and Singapore

Figure 3 shows both imports and domestic supply in a stacked bar for each product. The hollow top portion is domestic supply which is highly seasonal, the bottom shaded part of the bar are imports which are less seasonal. Where the empty part of the bar is small in comparison to the whole, as in the cases of banana, pineapple and mango, seasonal flexibility will not likely tap latent large unsatisfied seasonal demands. Where the hollow part of the bar

is large, such as in the cases of grapes and strawberries, large latent seasonal demands are likely to be available.

A review of Figure 3 and the final scores given to each product using the selection criteria will reveal that many products with mid-sized markets are given considerable priority. Sri Lanka is a relatively small producer and may well benefit from concentration in a few highly profitable "niches" which can return sizeable employment and profitability benefits.

### e. Local Market Demand

In addition to exploring export demand, we constructed a demand model for Sri Lankan consumption of the 17 products selected for field market surveys. The Sri Lankan demand model was constructed using household consumption data which allowed for a calculation of purchasing differences between different income levels. To this data we added assumptions about income and population growth. The estimates of incremental demand which would be added to the Sri Lankan market during the decade from 1990 to the year 2000 were converted to hectares of additional absorbable production at average yields. Figure 4 outlines the results of this internal demand analysis.

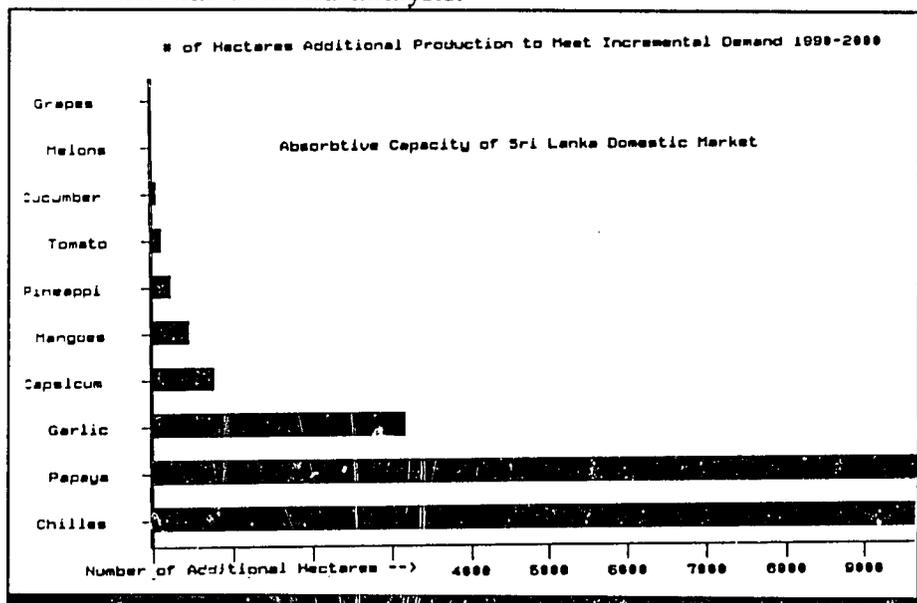


Figure 4. Incremental Sri Lankan Demand 1990-2000

Figure 4 indicates that domestic Sri Lankan demand would only be substantial for Chillies and Papaya. It would appear that about ten thousand additional hectares of production could be absorbed in each of these products.

Garlic demand was treated in a special way since most of the supply is imported. It appears that if added demand is added to import substitution, that a total of three thousand hectares could be absorbed by the Sri Lankan local market by the year 2000.

Unfortunately none of these three products survived as high priority export products when the final market surveys were completed and analyzed. The simple conclusion is that the local market has very limited absorptive capacity for products with high export potential. It would be unwise in our judgment to design an export program with any reliance on the local market even for low quality "culls" which cannot be exported. The volumes which can be absorbed of high priority export products is so small in the local market that they should basically be ignored in any export plan.

### f. Summary of Final Market Survey Conclusions on Priority Products & Markets.

The initial list of eighteen selected products was narrowed as a result of field market surveys undertaken by the analysis team in the U.K., West Germany, France, Sweden, Netherlands, Switzerland, Italy, Saudi Arabia, Bahrain, Singapore, Hong Kong, Japan, and Australia. The final priority list of products and markets is outlined in Figure 5. To reach the conclusions outlined in Figure 5, the market survey team ranked the market interest and competitive posi-

tion of Sri Lankan products. This ranking was then added to the seven initial selection scores outlined on page 5 to produce an overall export market priority score.

The product priorities when all markets are taken into account are indicated by the shadings in the last "totals" column of Figure 5. This last column is a summation of the relative priority rankings of a single product for all studied markets. The products are presented in descending order of priority so that Grapes are the highest priority product and tomatoes are the lowest priority.

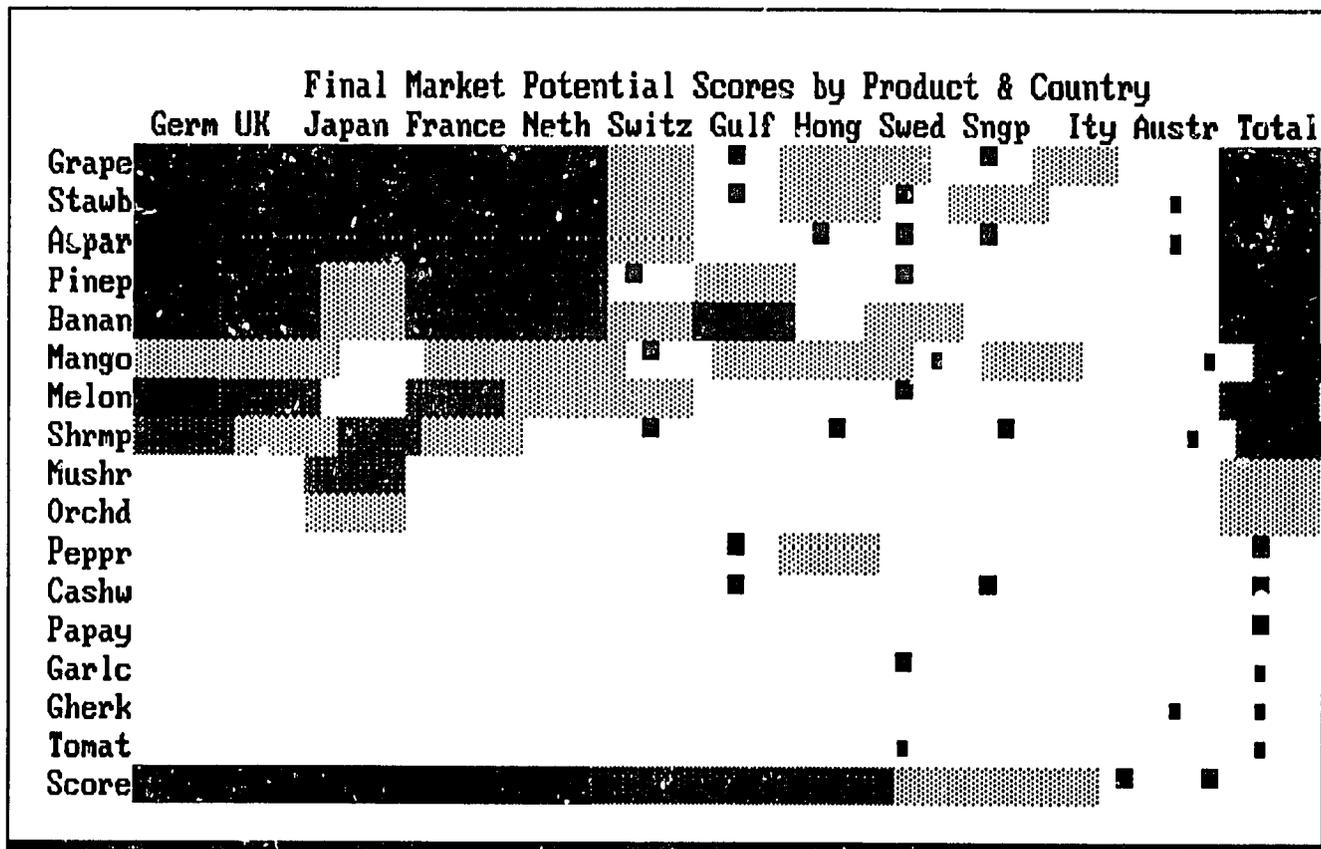


Figure 5. Final Product/Market Priorities

**Export Industry "Springboard" Products.** Figure 5 separates priority products and markets into four categories. The first category shown in black in Figure 5 is the top priority category which we have denominated export industry "spring-board" products. These products have such large markets and favorable competitive position that we feel they have the potential to become whole "industries" in the Mahaweli region and lead the way in infrastructure development and technology transfer for other industries to follow. These products have "robust" market demands which are so large that short term production supply shifts will not substantially reduce their attractiveness. This group includes the five products and markets receiving more than 50 points in the final ranking. This category includes Table Grapes, Strawberries, Asparagus, Pineapple and Bananas.

Grapes are by a significant margin the very highest priority product. Grapes received four out of the total of twelve highest market priority scores. Not only are grapes the first priority from the point of view of market potential, but grapes also present very few technological and management infrastructure constraints.

Strawberries received three of the highest possible market opportunity rankings making it the second most attractive product. Strawberries however present difficult training, infrastructure and management challenges which give it a considerably lower position than grapes when

all factors are considered. To suggest that grapes are roughly twice as good an export option as the next best (strawberries) is a fair assessment of our final conclusion.

Asparagus received only one of the highest scores but was an evenly major opportunity in almost all major markets giving it a solid third place position.

There is a significant drop in priority from asparagus to pineapple and bananas which is not entirely revealed in Figure 5. The reasons for this drop in priority among the five top products is due to a combination of technological, marketing and infrastructure issues which are more fully outlined in part B of this document on "constraints". All that needs to be said at this point is that there are more market and other difficulties and uncertainties associated with these two products than with the first three.

### General Market

#### Priority Products.

The second priority category shown in dark shaded areas in Figure 5 contains three products, Mangoes, Melons and Shrimp/Prawns.

These products are those that have sizeable markets in more than one geographic market area and are hence "general market" products. Of all the "exotic" tropical fruits, mangoes stand head and shoulders above the others in priority. It is the only exotic with major market opportunities in the first three categories in any market, and it has seven of these rankings. Mangoes should clearly be the first and perhaps



Figure 6. Grapes, Strawberries, Pineapple, Bananas, Mangoes & Melons

only major focus on exotic tropical markets. Melons would replace mangoes as number six except that the geographic coverage of major market opportunities is more limited since Europe is the only viable market. Shrimps and prawns rank seventh in priority. The ranking system fails to properly reflect that Japan is by far the most important single market, with Germany being less than one third the size. The rankings however adjust this market size by the overall difficulty of competing in the Japanese shrimp and prawn market.

**Single Major Market Products.** The third priority group shown in light shadings in the totals are two products with major single market opportunities in Japan, dried Shitake mushrooms and potted orchids. These are two products with a sufficiently large single market opportunity that a sizeable export activity could be focused without broad demand in other markets.

**Targeted Market Opportunities.** The individual black dots indicate two sizes of small targeted market opportunities. An example of this is the gherkin market in Australia. The market itself is small, the competitive position is poor, but a special marketing channel connection makes the Australian gherkin market an attractive target of opportunity. There are many others like the gherkin possibility. While these opportunities would not likely support the development of a whole "export industry" nor provide a "springboard effect" on other commodities, still they can be very important to a few enterprises and a few hundred hectares of production.

#### **g. Summary of Final Conclusions on Priority Markets**

**West Germany.** West Germany is by far the single most important export market for Sri Lankan produce. The combination of the world's largest import market for fruits, vegetables, and flowers with a good competitive position work together to create Sri Lanka's best export market opportunity. Figure 5 indicates that twelve product/market opportunities were ranked in the highest "spring-board" priority category. Half of those major world-wide opportunities are in West Germany. No other country has more than two, and only four single countries plus the Gulf region have any of these major product/market opportunities.

**Japan and the U.K.** Japan and the U.K. rank second with two highest priority and six-seven other major product/market opportunities. The Japanese market has considerably more long run potential than the U.K. because of its much higher income and much higher population. This long run potential has been adjusted in the rankings in Figure 5 by the difficulty of market entry, the strict phytosanitary regulatory environment there, the language barrier which complicates the delicate communication process which underpins trade in perishables, and the lack of favorable commodity air-freight rates.



**Figure 7. Grape Wholesale Market Buyers in Europe**

France, Benelux and Switzerland are close behind with more than five major product/-market opportunities. Largely because of the unique marketing situation in bananas, the Middle East including the Gulf ranks as the seventh largest market opportunity.

## 2. THE TOP FIVE PRODUCTS

### a. Grapes

The best seasonal window market for table grapes is from mid December to the end of May. The dominant world producers are the United States, Spain, Italy, France and Japan. The major season for these producers runs from May to December which creates an almost six month off-season market window.

Winter table grape production during the off-season has been dominated by Chile, South Africa, Argentina, New Zealand and Australia because of their unique Southern Hemisphere "temperate" climate with an exactly juxtaposed winter.

Tropical production of quality table grapes on a commercial scale is a very recent development. Indian technology, particularly that practiced in Southern Maharashtra, simulates the dormant season by carefully timed pruning and irrigation.

France and Japan are the only major markets which produce a large part of their domestic demand even during the summer season. German production of grapes is large, but only an insignificant part of this production is for table grapes, almost all being destined for wine. Northern Europe has inappropriate climates for major commercial table grape production and is consequently dependant almost entirely on imports. The table grape market is growing rapidly at the expense of a declining wine market, and this is particularly strong in higher income countries. The size and stability of this market, combined with Sri Lanka's strong off-season competitive position assure that this is THE Mahaweli export product to focus on.

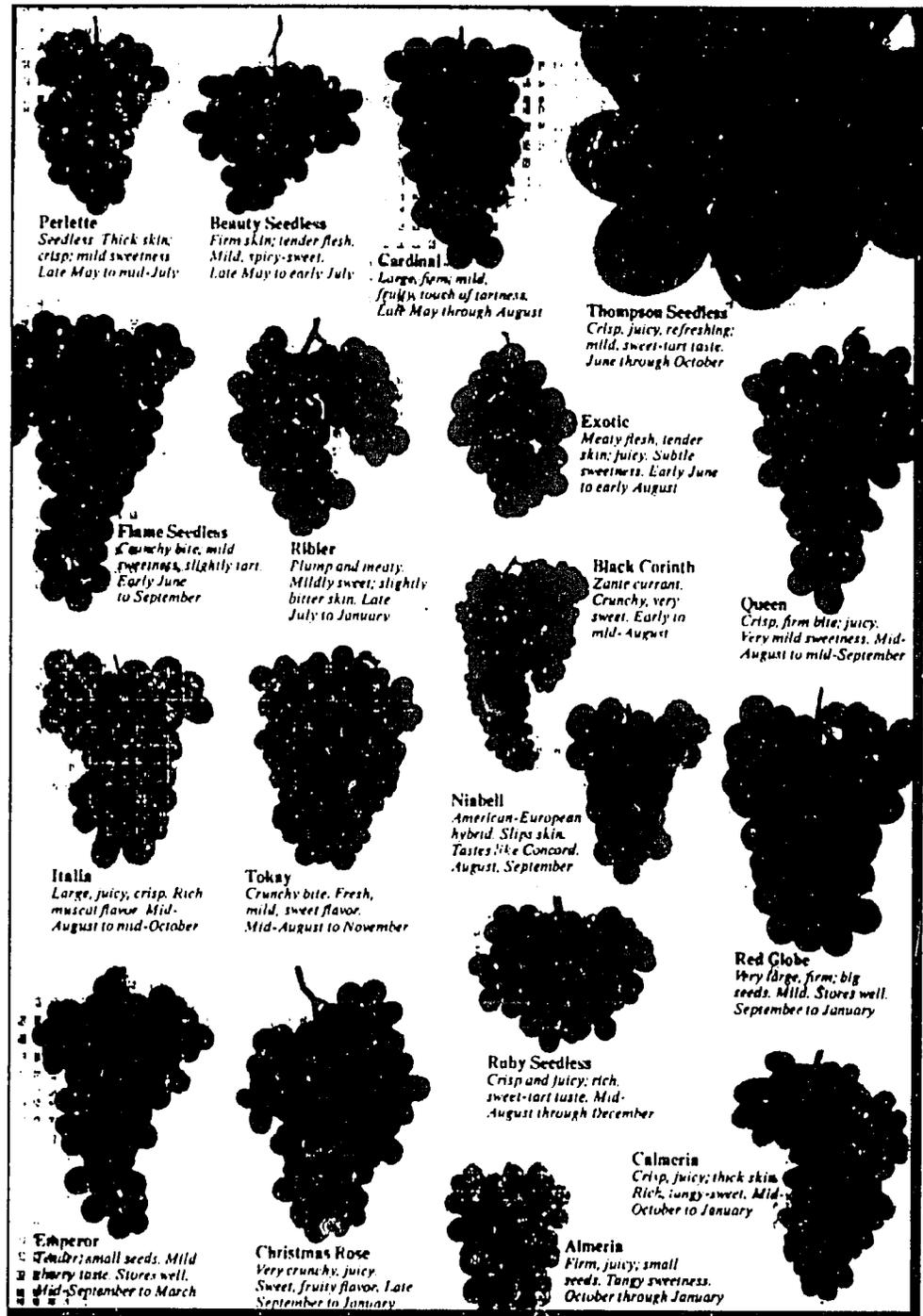


Figure 8. Major Market Grape Varieties

## b. Strawberries.

Strawberry markets are ranked with the first priority in Germany, the U.K. and Japan. Somewhat smaller but very similar sized markets exist in France and the Benelux countries. The Scandinavian countries, Switzerland and Italy also represent major strawberry markets.



Figure 9. Typical Fresh Strawberry Advertising

The optimal strawberry window in the major markets is from December to May with a strong price potential in December and January. Major competitors in the European markets are Italy and Spain, with substantial production reaching Europe by air freight from California and Florida. Strawberries are a very delicate product with short shelf life and competitor supplying countries cannot hold supplies even for a few days in order to lengthen their production season like they can in grapes which will hold for one or even two months in proper storage.

Preferred market strawberries are of the Chandler variety, though Pajaro, Douglas and other earlier varieties also find a good market. In the Japanese market, local varieties have been traditionally preferred, but Chandler and the other "day-neutral" varieties are selling at premium prices.

### c. Asparagus

Fresh asparagus markets are largest in West Germany. At the next level of size and potential profitability are France, Japan, Switzerland, the Benelux countries and the U.K.

White asparagus is the major consumption item on the continent of Europe, while green asparagus dominates in the U.K. and Japan. White and green asparagus are typically produced from the same varieties, the production difference being that green asparagus spears are allowed to grow above ground level and photosynthesize, while white asparagus plantings are "hilled up" and covered with soil so that the spears grow to cutting size below the soil without photosynthesis.

While white asparagus is the dominant consumption item on the continent of Europe, there is a trend in the direction of green consumption and it is normally true that green asparagus will bring a higher price in the market on a given day than white. For this reason it is probably advisable for Sri Lanka to predominantly produce green asparagus.

The seasonal structure of asparagus markets is almost the opposite of the grape and strawberry pattern. Asparagus is produced by almost all consuming countries in large quantities on season.

In Europe the production season is roughly from February to June with some small supplies from the Canary Islands in January. Off-season supplies have come dominantly from South Africa, Chile, Argentina, New Zealand and Australia since asparagus is a temperate season crop which requires a cool or cold dormant season.

Tropical production of asparagus on a commercial export scale is a very recent development and there is a major shake-out due in the market as low wage seasonally flexible tropical producers like Thailand, Sri Lanka and others push competitively on Southern Hemisphere temperate season producers in the large European and Japanese markets. Gourmet consumption trends and fashions will continue to deepen and strengthen the asparagus markets.

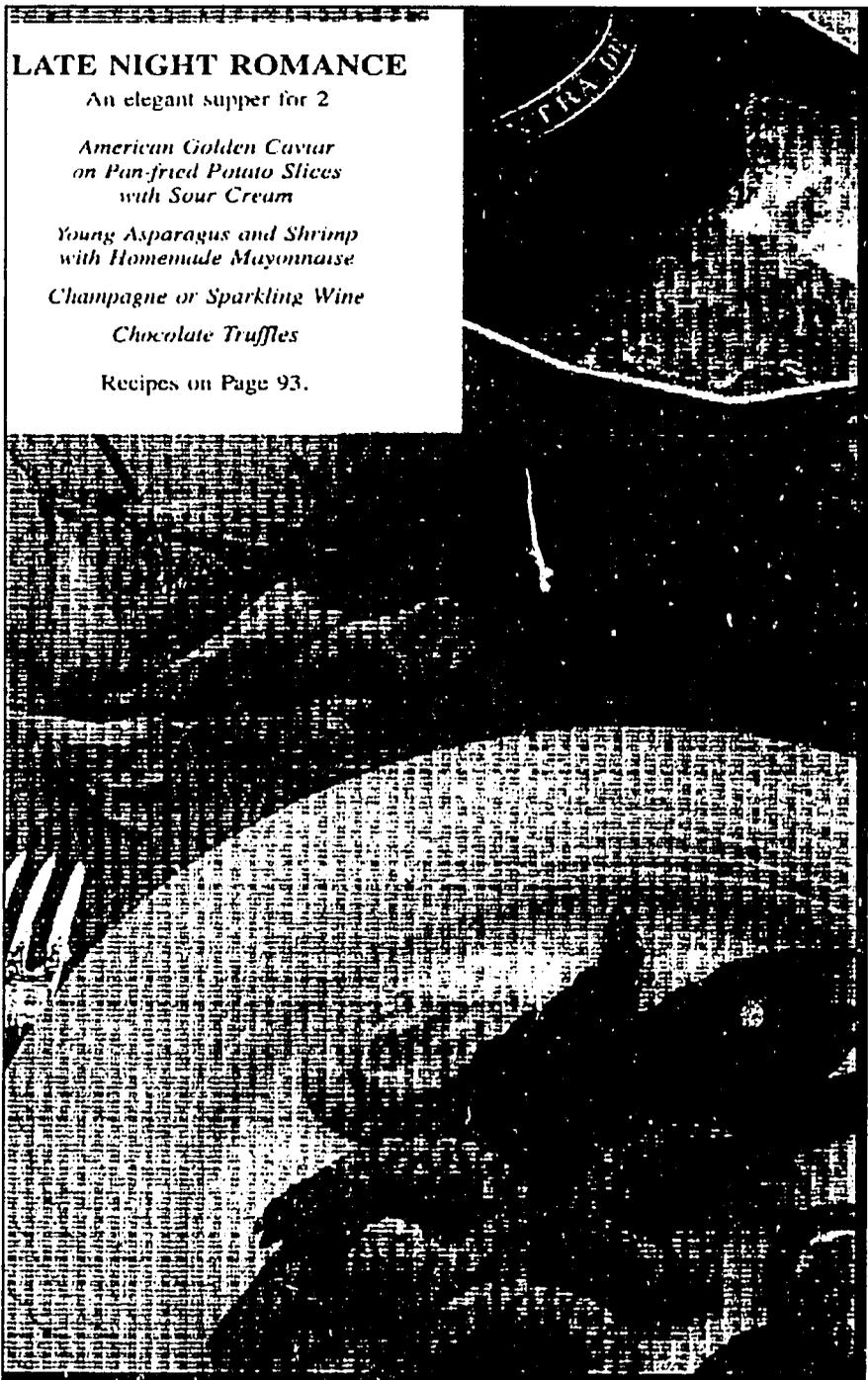


Figure 10. Gourmet Specialties: Asparagus & Shrimp

## d. Pineapple

For many decades pineapple was dominantly a processed product in the Northern Hemisphere markets. During the last two decades it has entered increasingly as a fresh product. This trend is increasing and it likely that fresh pineapple will take its place alongside fresh bananas as a major year round fresh fruit staple in high income countries.

More than 70% of all fresh pineapple is marketed through supermarkets with the residual finding its way to consumers through small fruit shops and restaurants and other institutional food preparers.

A recent trend in fresh fruit marketing in the United States and Europe is through "Salad Bars" in fast food restaurants. This is a surprisingly efficient and low-cost method of marketing fresh fruit and promises to be a major marketing channel during the next few decades.

Major competitive suppliers are from Latin America including Costa Rica, Honduras and Colombia; tropical Africa including the Ivory Coast

and Ghana; and Southeast Asia including the Philippines, Malaysia and Thailand.

Pineapple shares with bananas a wide consumer familiarity which no other tropical fruits have. This broad consumer taste assures that fresh pineapple will continue to be a large and stable fresh fruit market. The shift from processed to fresh pineapple is a trend which follows the general growing health consciousness of consumers in most high income countries. This is one reason why the consumer preference for a "tart" rather than high sugar fresh pineapple may continue to determine that Smooth Cayenne is the variety of choice.



**It must be Dole.**

Who lights up faces like this? Naturally, it's Dole. You get perfect



**Figure 12.** Potential Banana Competitors in Europe, Middle East and Eastern Block Markets

#### **e. Bananas.**

Banana markets present patterns unlike any of the other high priority products. The first characteristic is that the market is mature seasonally and geographically. While there are some months with less production, there are no marked seasonal supply gaps which could be filled. Six major producers control world commerce in Bananas. The world banana market is dominated by a single variety, Cavendish, produced dominantly in Central America, Northern South America and Southeast Asia. Given the fact that transport cost is an important component in banana competition, and the proximity of the Philippines to Japan, Europe, the Middle East and the Eastern Block are the priority markets for Sri Lanka.

Each of these three markets present unique potentials and problems for Sri Lankan exports. While the European market is the largest banana market in the world it is also the most tightly controlled. Most European countries have tied their banana imports to their old colonies in such a way that it is virtually impossible to enter. This is the case for the U.K. and France, though less so for Germany, Scandinavia, Switzerland and Italy. Even where there are few overt restrictions the large multinationals have such a dominant position that it would likely be very difficult to dislodge them in an effective way. The most important banana opportunity in Europe for Sri Lanka, and it is a good one, is to export what are known as "specialty bananas", meaning any variety except Cavendish. The restrictions in Europe on bananas relate only to Cavendish variety. During the last decade there has been growing consumer interest and familiarity with small high flavor specialty varieties. Though the market is small as yet compared with Cavendish, it is a high price, high potential profitability and growing niche market. The "Kolikuttu" and "Ambul" varieties native to Sri Lanka appear to be ideal for this market.

The Middle East market presents a unique situation which could be the basis for a size-

