

Market Entry Requirements for Herbal Medicinal Products and Herbal Products Industry in Sri Lanka – A Case Study

C C Jayalath¹, K D N Kodikara² and M P Hettiarachchi¹

¹*Dept. of Crop Science, University of Ruhuna, Mapalana, Kamburupitiya*

²*Agriculture Division, Export Development Board, Colombo 2*

Abstract

The herbal product sector has been identified as a key area of promoting exports in Sri Lanka. Developed countries have changed dietary habits into herbal products resulting from increase health awareness. The demand for herbal products exceeds the supply in the major herbal product markets such as Europe, Japan, and USA. Thus, developing countries have comparative advantage to export herbal produce for the international market. Both synthetic and natural ayurvedic/herbal medicinal products used in pharmaceutical industry in Sri Lanka are categorized under the same coding system called Harmonized Commodity Description and Coding System. Thus, market information related to volume exported, price and quantity consumed are not available on trade of herbal produce even in the customs. Information on major herbal products and consumption in European Union, USA, Japan are collected. Tourist hotels are the best marketing places contributing (31 %) followed by pharmacies (25 %) and supermarkets (25 %). The best five companies, which tend to export value added products in recent years have shown an increase in Herbal Value Percentage compared to Herbal Quantity Percentage by 15.1 %, 79.35 %, 52.83 %, and 0.003 %. Lower product quality, high cost of production, short supply, insufficient raw materials and their seasonal harvest, lack of market information and lack of research and development, Lack of government incentive schemes, recognition as an industry and training and awareness programmes are recognized as constraints. It is suggested to develop a national plan to promote the industry, cultivation of medicinal plants, allocation of funds to educate suppliers, for extension services and for research and development to upgrade the industry. This study indicated that herbal products and herbal medicinal products consumption in Europe has been increased in this decade. Import promotion programmes in Europe will be created higher demand for Sri Lankan produce.

Introduction

Herbal product consumption has been increased in developed countries. But the markets are highly regulated and very difficult to penetrate. Objectives of the study was to support herbal producing and exporting, business entrepreneur, identify market entry requirements for the herbal medicinal

products; identify issues and constraints in the industry, strategy option for the development of the industry; recognize the activities and services of Import Promotion Organizations in Europe.

Methodology

Relevant literature, publications and studies were reviewed and consulted officials in relevant government organizations. Secondary data on herbal products were obtained from the Export Development Board from 1994 to 2003. Thirteen herbal produce companies in Sri Lanka were visited and information was collected by direct personnel interviews by filling a structured questionnaire. Considered parameters were, existing procedure of exporting products, number of products exporting, quality control certifications already have, marketing channels; exporting countries; production capacity; local market distribution channels. Constraints of this sector were identified via discussion with managers of the companies. Institutions and organizations regulating herbal products, Import Promotion Organizations were contacted via emails and information on market entry requirements were obtained by direct post and as email attachments.

Results and Discussions

In India, herbal medicines governed by the drugs and cosmetics act 1940 and the drugs and cosmetics rules 1945 where in Japan pharmaceutical affair's law, pursuant to Article 70 (1) of the Customs Law. In European Union herbal products are fully considered as medicines. According to the European Union Council Directive 75/ 319 EEC essential pre – conditions are needed for the registration of medicines regarding proof of quality, safety and efficacy.

Tourist hotels are the best marketing places as (31 %), the supermarkets (25 %) pharmacies (25 %) and *Ayurvedic* hospitals (19 %). No herbal product export as Medicinal product in the selected companies. All manufacturing companies have obtain the recommendation from Department of *Ayurveda*. No company is fully adopt Good Manufacturing Practices (GMP) Standards at the moment. Total production cost 31 % average cost have to allocate for raw materials followed by 25 % for Electricity, 24 % for labour. The major problems and constrains for this are; lack of marketing information; poor research and development; lack of awareness on modern technology and safety, efficacy and quality; short supply of raw materials; lack of association for herbal product industry.

It is suggested to develop a national plan to promote the industry, cultivation of medicinal plants, allocation of funds to educate suppliers, for extension services and for research and development to upgrade the industry; allocate more funds for Universities to conduct research studies under

sponsorship of export companies; research grant facilities for specified company requirements for new product development, value addition and post-harvest handling; analysis data for medicinal plants and products via linkage of institutes as research, extension, universities and herbal producers. Implement a separate HS code system to distinguish their herbal products and supplementary products;

Import promotion organizations as Centre for the Promotion of Imports from Developing Countries (CBI), Danish Import Promotion Office (DIPO), in Europe will be created higher demand for Sri Lankan produce.

Conclusions

Market entry requirements for herbal medicinal products are varied depending on countries. Strict market regulation is observed in EU countries. Non-availability of proven records for clinical, microbiological trials and quality tests have limited the marketability of herbal products as herbal medicinal products to obtain GMP certification. Tourist hotels are the best marketing places in Sri Lanka. Most of the Sri Lankan herbal produce companies run under capacity conditions. Highest cost of production spends for raw materials. Sri Lankan companies have tended to produce value added products in recent years. Import promotion organizations have special programmes and services to increase export from developing countries.

References

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