



INDUSTRY CAPABILITY REPORT



FOOD & BEVERAGE SECTOR

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1. Type of Players

There are large scale as well as medium scale exporters. Most of the SME manufactured products are consumed locally and producers are scattered all over the country.

2. Key products and varieties

The product categories such as Processed vegetables & fruits, concentrates & juices, semi cooked food, confectionery & bakery products, ready to serve food, rice & cereals, non-alcoholic beverages, animal feed etc., are identified for development and promotion in the overseas markets. These product categories have shown rapid growth during the past decade.

Processed Fruit, Vegetable and Juices

3. Canned / Bottled products

High quality canned fruit juices especially pineapple juice in light syrup, sliced pineapples, pieces, chunks and mixed fruits are packed in glass jars and in tins. The use of high processing techniques and handling leads to increase of exports from Sri Lanka.

The fruit juice industry is one of the world's most important sectors in agri-business. The packaging, labeling and presentation are very important factors when the processed food industry is intended for the export market. Fruit juices from passion fruit, papaya and pineapple shows potential amongst the tropical fruit juice market having the unique tropical flavours unmatched by other suppliers .

4. Processed Food

Processed food sector consists of Dehydrated Fruits & Vegetables, Processed Gherkins & Cucumber, Herbal Tea, Frozen meat, Sauces and Tomato ketchup , and prepared foods such as Ambul Thial, Katta Sambol, Dried Sprats etc.

Dehydration of fruits and vegetables is one of the oldest methods of food preservation techniques. Handling, transportation and “ready to use” are the advantages of dehydration. Natural fruits & vegetables are processed under strict hygienic conditions according to international standards. The use of high technology leads to preservation of the product taste, colour, texture, aroma and vitamins. Dehydrated pineapple , Mango, Papaya are some of the popular varieties exported to the UK, USA,

Australia, Spain and Maldivian markets. These products are used as tropical fruit dessert supplements, in instant soup and rice mixes.

Gherkins preserved in brine and in vinegar are high demand products. Japan is the main market for Sri Lankan Gherkins followed by Australia, the Netherlands and Thailand. Value added Gherkins are exported to Fast Food Chains, Restaurants, Hotels and Super markets in the international market.

5. Confectionery and Bakery Products

Confectionery and bakery products show a high export growth and an increasing demand in most of the industrialized markets.

Sri Lanka exports a variety of crackers, sweet biscuits, cream biscuits and savory biscuits to India, UAE, Ghana, UK and Maldives. Manufacturers comply with food safety and food hygiene systems and use high technology in producing these food items especially aiming at the international demand. Sri Lankan Confectionery product manufacturers also specialize in producing high quality products using finest ingredients. There is a rising trend towards consumption of “sugar-free” or “light-sugar” products especially in relation with chocolates. Companies are certified with ISO 9000, ISO 14000 and ISO 22000 international standards for management practices, management of the environment and for food safety respectively.

6. Ricer and Cereals

Rice is a staple food worldwide. Red rice and the Sri Lankan traditional health rice varieties such as Suwandal, Alhal, Rathhal have high demand in the world market. According to Medical specialists, a newly developed “Red Basmati” is identified as the only healthy rice for diabetic patients and popular in the international markets.

Rice and Cereal exports mainly consist of Brown Rice, Rice flour, Maize Starch, Kurakkan, Black Gram Flour and Wheat Flour.

7. Frozen Vegetables

Okra, Drum Sticks, Manioc and Polos are very popular in the Middle East and French markets.

Best quality vegetables are carefully selected and freeze without any preservatives or food additives. Exporters are well aware of the international market requirements and standards and majority have obtained ISO 22000/HACCP/GMP/BRC and Kosher Certificates and meet the international quality requirements.

8. Animal Feed

Animal feed is one of the important export industries and it is a growing industry in Sri Lanka. Residues of milling industry are used as animal feed. High quality animal feed are produced for exports using ingredients such as broken rice, wheat bran, flour, maize, soyabean etc. Large scale producer/exporters are engaged with this industry.

9. Specialties associated with products

The factors such as quality, taste and flavor which are unique to Sri Lankan products are associated with the intrinsic quality of resources available in different geographical locations of the country. Sri Lankan Food producers are always working towards with “Food for Health” concept and they ensure the consumer health by supplying quality product to the market. The exporters have taken measures to closely monitor the supply and production chains to ensure the traceability and supply of a quality product to the consumers.

10. Geographical distribution across the country and known clusters if any

Basically large scale food industrialists are based in Colombo and others are spread out in all most all the areas of the Island. There are identified clusters for growing raw material for the food industry.

Mainly for the processed fruit, juice, jam and other processed food industries there are raw material collectors/suppliers linked with the industrialists. In addition the industrialists have their own orchard cultivations as well as farmer clusters for their produce.

11. Size in terms of production (Value / Quantity):

Due to various companies involved in the food sector it is hard to find the company wise production figures. However, it is observed that regional manufacturing facilities are small or medium scale (SME) in compared to branded companies established within the highly urbanized Western Province.

12. Exports of the Food Sector for last five years

Value in US\$ Mn.						
Description	2007	2008	2009	2010	2011	% Avg. Growth
Rice & Cereals	51	66	45	80	157	24.35
Processed Food	206	85	47	67	95	-17.79
Animal Feed	38	59	63	67	58	10.25

Confectionary & Bakery Products	9	14	17	35	45	40.65
Processed Vegetables, Fruits & Juices	4	3	3	6	6	12.73
Total	308	226	176	255	361	4.37

Source – Sri Lanka Customs

13. Total Growth in the sector

Manufacturing, distributing and exporting of Food and Beverages in Sri Lanka is dominated by few large scale companies with established brand names. The changing economic status of the country with expanding urbanization process has given opportunity to increase number of food manufacturing units especially in and around major agricultural areas.

With the dawn of peace dried fish and Maldivian fish industries were started in the Northern & Eastern Districts to boost the production of various raw materials as well as finished products for the processed food industry. The land has been allocated among the war victims and the basic facilities such as fishing utensils, seed material, fertilizer, water etc. has been distributed free of charge. Besides that industry training programmes have been conducted by the Government and various other organizations to enhance living standards of the people in those areas.

14. List of key players

Processed Vegetables, Fruits & Juices

- ✚ Indo Lanka Exports Pvt Ltd
- ✚ Lanka Canneries Ltd
- ✚ Tropical Health Food Pvt Ltd
- ✚ Wichy Plantation Company
- ✚ Greenland Bio Plantation (Pvt) Ltd

Processed Food

- ✚ Sri Lankan Catering Ltd
- ✚ Premium Exports Ceylon Ltd.
- ✚ HJS Condiments Ltd
- ✚ Amazon Trading Pvt Ltd
- ✚ Nestle Lanka Plc

Rice & Cereals

- ✚ Prima Ceylon Limited
- ✚ Consoltdated Business Systems Ltd
- ✚ Sharaf & Co
- ✚ STC General Trading Co.Ltd
- ✚ Asiri Impex Pvt Ltd
- ✚ Rabeena Food Pvt. Ltd.

Confectionery & Bakery Products

-  Edna Cocoa Products Pvt Ltd
-  Ceylon Biscuits Ltd
-  Stassen Exports Pvt Ltd
-  Maliban Biscuit Manufactories P.Ltd
-  Nestle Lanka Plc

Animal Feed

-  Quality Feeds Pvt Ltd
-  Serendib Flour Mills Pvt Ltd
-  Prima Ceylon Pvt Ltd
-  Vaigai Lanka Pvt Ltd
-  P M S Traders
-  C F L Agro Lanka Pvt Ltd

15. Number of people employed in the sector :

Current data is not available on employment in food sector.(More than 2million)

16. Total investment in the sector in last five years

Private sector exporters have invested to develop R & D facilities, to obtain international standard certifications and to participate at international trade fairs to update their knowledge on new product technology, standards and regulations. Sri Lankan Universities are conducting advanced courses on Food Science and Technology to introduce qualified human resources to the industry.

17. Government policy and support available in the sector

The government's industrial policy is to encourage investment in Food & Beverages industries as Sri Lanka has a comparative advantage. The Board of Investment (BOI) offers various incentives for investors. Also Research Institutions conduct various programmes to develop R & D facilities and Government related institutions offer training and upgrade skills of the technical staff.

18. R&D and product development facilities available

Since the investment in R & D is very high in the food sector the Sri Lankan Universities, Research Institutions and private sector stakeholders carry out researches on product development and introduce new varieties to the sector. Eg. Introduction of Red Basmati rice as a health food.

19. Infrastructure/logistics required/ available for the sector

With the existing road development programmes it is easy to transport goods from all corners of the Island. Also, the Government pays special attention to develop logistics such as air line facilities, fumigation facilities, packaging and labeling etc. for the development of the sector.

20. Availability of Technology and Skilled Labor

The technical expertise, experienced & qualified staff currently engaged in the industry.

21. Main importing countries

Processed Vegetables, Fruits & Juices

Description	2011 Value in US\$ '000
Germany	1,828
India	1,061
Austria	600
Maldives	469
France	343

Confectionary & Bakery Products

Description	2011 Value in US\$ '000
India	22,004
Ghana	7,522
United Arab Emirates	3,586
Maldives	2,126
United States	1,184

Processed Food

Description	2011 Value in US\$ '000
United Arab Emirates	34,233
Ireland	12,091
Maldives	6,973
Japan	6,142
United Kingdom	5,903

Rice & Cereals

Description	2011 Value in US\$ '000
Indonesia	106,579
Singapore	21,111
Thailand	13,517
Maldives	4,574
Hong Kong	2,380

Animal Feed

Description	2011 Value in US\$ '000
India	44,126
Viet Nam	5,095
Malaysia	4,369
Saudi Arabia	1,588
Oman	819

22. Potential for expansion in the sector

- ✚ The industry has a potential for further expansion utilizing the resources available in the country and has a potential to develop/increase exports to the ethnic markets such as Middle East, Australia, United Kingdom, Canada and USA.
- ✚ Available skilled workforce and coaching staff to develop products to meet the international standards and demand.

23. Strengths and weaknesses of the sector

Strengths	Weaknesses
<ul style="list-style-type: none">• Adhere to the International Standards such as HACCP, ISO 9000 and 22000, HALAAL, Kosher, Organic etc.• Availability of skilled and cost effective labour force• Development of new product varieties• Create job opportunities for youngsters• Close working relationships with International Food Processors Associations• Unique quality, taste and flavour	<ul style="list-style-type: none">• Minimal of R & D facilities• High investment• Lack of technology transfer programmes• High cost of production• Inadequate raw material against demand• Limited Government involvement• Difficult to obtain loans for the SME companies• Non availability of proper machinery in the country. Most of the companies import machinery from Germany, China, Malaysia etc.

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