



INDUSTRY CAPABILITY REPORT



COCONUT & COCONUT BASED PRODUCTS

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1. Introduction

The coconut industry is an important source of foreign exchange earning & employment generation for Sri Lanka.

A total of 1,088,377 Acres are under coconut cultivation of which 173,974 Acres are under estate sector and 914,403 Acres in under small holdings. An area of 15,658 Acres are used for cultivation of king coconut. The coconut sector employs around 850,000 people in all parts of Sri Lanka. Approximately two third of the coconut production in Sri Lanka is consumed locally and the balance one third is used for coconut based industries and exported to various destinations as value added products. (Source: Coconut Development Authority)

Sri Lanka has earned foreign exchange earnings worth of US\$ 548 Million by exporting coconut and coconut based products in 2016. Sri Lanka has a comparative advantage in this sector due to its legacy & geographical location, skilled labour, modern and indigenous technologies for processing. Sri Lanka is ranked as the 2nd largest exporter of brooms and brushes, 3rd largest exporter of desiccated coconut and coconut oil and 7th largest exporter of activated carbon according to the world rankings in year **2016**.

2. Types of players

The players in the coconut industry are coconut growers, Desiccated coconut manufactures, Copra manufactures, Coconut oil manufactures, Coconut water, milk and cream manufactures, Fiber millers, and Shell charcoal manufactures, Value added fiber Product manufactures, Activated carbon manufactures, suppliers, traders and Exporters.

3. Key products and varieties

Coconut Kernal Products:

- Desiccated Coconut, Edible Copra, Fresh Coconut, Coconut water/ King Coconut water, Virgin Coconut Oil, RBD Coconut Oil, Coconut Flour, Coconut Butter, Liquid Coconut Milk, Coconut Milk Powder, Coconut Cream, Vinegar, Defatted Coconut, Poonac and Coconut base Arrack etc.

Coconut Fibre Products:

- Coco peat and Fibre pith, Twisted Fibre, Bristle Fibre, Mattress Fibre, Moulded coir products, Coconut Husk Chips, Coir Yarn, Geotextiles, coir Twine, Coir mats and Rugs, Rubberized coir pads, Brooms and Brushes, Tawashi Brushers etc.

Coconut Shell Products:

- Activated Carbon, Coconut Shell Charcoal, Coconut Shell Pieces, Coconut Shell Powder.

4. Geographical distribution

West and North Western provinces are mainly the coconut intensive areas – otherwise known as the “Coconut Triangle”. Three main districts in coconut production are Kurunegala, Puttlam and Gampaha. Other than coconut triangle there are coconut mini triangle (from down south Kalutara to Tangalle) and second coconut triangle in the Northern Province centred on Jaffna, Mannar and Mulative district.

5. Top exporters of coconut and coconut based products in year 2016

The top ten players in the industry are as follows:

1. JACOBI CARBONS LANKA PVT LTD
2. HAYCARB PLC
3. S.A SILVA & SONS LANKA PVT LTD
4. NESTLE LANKA PLC
5. EXPOLANKA PVT LTD
6. SUNMIK FOODS PVT LTD
7. CBL NATURAL FOODS PVT LTD
8. RENUKA AGRI FOODS PVT LTD
9. JIFFY PRODUCTS SL PVT LTD
10. CONSOLIDATED BUSINESS SYSTEM PVT LTD

6. Government policy and support available in the sector

The Coconut Development Authority is a premier government institution involved in the development of this sector in Sri Lanka. They run capacity building and hand holding programs for farmers as well as processors in the areas of Farming practices, new product development and market linkages. They also operate an auction system for coconut enabling the farmers get a better return on their produce.

The Export Development Board (EDB) is the apex state organization responsible for the development and promotion of Sri Lankan exports. The EDB takes a leading role in the development and export promotion of the Sri Lankan coconut industry by implementing various programmes. International trade fair participation, facilitate B2B promotions and organizing inward and outward buyer/seller missions, assistance for exporters own marketing efforts and promoting company brands in overseas by Market Development Assistant Scheme (MDA). EDB is also extending assistance to resolve constrains and issues faced by the Sri Lankan exporters.

7. R&D and product development facilities available

A couple of institutions in Sri Lanka are involved in developing and transferring technology for coconut fibre & kernel based value added products processing & manufacturing. The key institutions working in this sector are:

- Coconut Research Institute (CRI)
- Industrial Technology Institute (ITI)
- Industrial Development Board (IDB)
- Universities

8. Total exports of products in selected categories

HS	Product Label	2014 (US\$ Mn)	2015 (US\$ Mn)	2016 (US\$ Mn)
	KERNAL PRODUCTS			
080111	Desiccated Coconut	149	100	120
200819	Coconut Milk Powder	28	26	29
200819	Liquid Coconut Milk	14	18	24
200819	Coconut Cream	6	9	9
080111	Copra	7	1	2
151311	Virgin Coconut Oil	24	42	42
0801190	Coconut - Fresh	1	2	3

FIBRE PRODUCTS				
530500	Coconut Fibre(Bristle, Mattress & Mixed)	50	34	30
140490	Coconut Husk Chips	7	8	10
530511	Coco peat & Fibre Pith	82	84	105
560790	Coir Twine & rope	9	7	8
530810	Coir Yarn	2	2	1
5603100	Brooms & Brushes	13	12	12
530519	Moulded Coir Products to be used in Horticulture	32	31	40
5311000	Geotextiles	5	4	4
5702200	Floor Covering of Coconut Fibre - Mats & rugs	6	5	4
COCONUT SHELL PRODUCTS				
380210	Activated Carbon	84	74	75
440290	Shell Charcoal	5	5	3

Sri Lanka is amongst the top sourcing destinations for coconut based products in the world due to the following factors:

- ISO and HACCP certified production facilities for coconut kernel based products such as desiccated coconut, coconut milk powder, coconut milk etc.
- Environment friendly cultivation/ manufacturing practices.
- Ethical practices - known to the world as a producer of “No child labour”
- Organic certified coconut farms
- Technology unique for Sri Lanka for some products
- Experience over 3 decades

9. Potential for expansion in the sector

The following factors could be considered for the expansion of this sector in Sri Lanka:

- Increase in coconut cultivation to increase raw material supply base is now feasible in War & Tsunami affected areas
- Introduction of high yielding varieties and reduce height of trees for easy harvesting
- Shift towards natural products in global markets
- Increase demand for coconut water as energy drink based on hydrating properties
- Available infrastructure across the country – roads, railways, ports
- Opportunity to establish new industries in areas where the raw material not utilized such as Northern & Eastern provinces
- Reduce raw material export and focus on value added products

10. Strengths and weaknesses of the sector

Strengths	Weaknesses
Growing consumer trends to eco-friendly chemical free natural products	Lack of raw material for processing and value addition
Opportunities for exploitation of new areas in the North & East for coconut cultivation	Very high local consumption has an influence on availability of raw materials
State support through the Coconut Development Authority(CDA) , Coconut Research Institute (CRI) etc	Insufficient investment on value added technology and quality improvement in some product areas
International recognition as supplier of quality fiber based products	Insufficient Research & Development
Adherence to GMP, HACCP requirements	High prices of the raw materials use in the industry
high quality of the desiccated coconut (whiteness and distinctive taste) & coconut oil	High competition in the international market
Unique fiber extraction system in Sri Lanka	Cost competition in the international market
	Lack of market intelligence
	Comparatively high cost of energy

11. Support Institutions

- Ministry of Plantation Industries
- Coconut Development Authority (CDA)
- Coconut Research Institute (CRI)
- Coconut Cultivation Board (CCB)
- Industry Development Board (IDB)
- Export Development Board (EDB)
- Industrial Technology Institute (ITI)
- Sri Lanka Standards Institute (SLSI)

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