



INDUSTRY CAPABILITY REPORT



SRI LANKAN CRAFT SECTOR

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April, 2017

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1. INTRODUCTION

Sri Lanka's inherited craftsmanship, cultural diversity and rich natural resources provides the base for a wide range of giftware products that satisfy the quality conscious and discerning buyers. Giftware from Sri Lanka is now a combination of the traditional skills and modern technology. Final artistic touches are given by the deft fingers of the expertly skilled hand to ensure the uniqueness and the exclusivity of the product.

Cultural diversity has enriched the talents of local craftsmen, with traditional skills running in the families passed down through generations. Historical records reveal how art and crafts flourished under the royal patronage and the craftsmen were held in high esteem.

The talented artisans turn out innovative products to their own designs and are ready to make products according to the designs given by buyers at internationally competitive prices. Modern trends are taken into account in producing items of beauty with utility.

A range of geo-physical zones, a climate conducive to uninterrupted plant growth, rich and precious mineral deposits provides a wide range of raw materials for the industry. The diversified raw material base for giftware in Sri Lanka is stone, coloured stones and minerals, clay, textile, wood, rush & reed, palmyra, dried leaves & seeds, recycled paper, metal etc. Especially Elephant Dung & Water Hyacinth, banana fiber, tea refuse, paddy husk, wild grass are perfect and Eco – friendly raw materials used for manufacturing Recycled papers.

Products for exports conform to international Safety and Quality Standards such as EN 71, ASTM and CE mark and follow strict ethic benchmarks. Sri Lanka is a signatory to all UN and ILO convention and pays particular regard to the non-use of child or forced labour. Sri Lankan products are made responsibly and can be sourced responsibly.

2. TYPES OF PLAYERS

There are few established large and medium scale companies who have entered into the direct export field. However, majority of the enterprises are cottage industries. Most of the small scale manufacturers are either supplying to the domestic market or sub contracting to the exporters.

3. KEY PRODUCTS AND VARIETIES

The range of products includes:

soft & wooden Toys, ceramic & porcelain ornaments, wood crafts, handloom products, bags, table mats, coasters, wall hangings, lampshades, household accessories, furnishing, terra – cotta pots & vases, , paper crafts, baskets & wicker ware, artificial flowers, hand embroidery, beeralu lace products, candles, wrapping papers and packaging, wellness & spa products etc.

Soft and wooden toys are subject to stringent quality checks and make certain that they have great educational value to combine learning with play.

4. MAJOR EXPORT MARKETS

The United States, Japan and Europe are important export destinations.

5. SEASONAL VARIATION

Products such as ornaments, greeting cards, decorative items, and candles are highly demanded during festival seasons such as Christmas, New Year, Valentines day, mothers day, thanksgiving etc.

6. SPECIALTIES ASSOCIATED WITH PRODUCTS

This sector is instrumental in absorbing the talents & capabilities of the rural sector into the export efforts of the country and thereby creating employment generation.

This sector is mainly targeting the niche export market due to the exclusivity and uniqueness of the product where mass production is not required but design, brand, manufacturing compliance and differentiation of product plays a major role.

In order to differentiate Sri Lankan giftware and for the sustainability of the product, **A Fair Trade Certification** has been obtained by few companies in Sri Lanka. A programme is being implemented by the EDB to encourage more companies to obtain the Fair Trade Certification.

7. GEOGRAPHICAL DISTRIBUTION ACROSS THE COUNTRY AND KNOWN CLUSTERS IF ANY

Basically craft industry is distributed in the rural area. There are identified clusters in specific craft products.

Craft made of	Sub Category	Geographical Distribution
Textile	Handloom Industry	Marathamune in Batticalo District
		Thalagune in Kandy District
	Beeralu Lace	Magalle in Galle District.
	Batik	Island wide.
Wooden	Masks	Ambalangoda in Galle District.
	Elephant Carvings	Central & Southern Provinces
	Coconut shell based	Island wide
	Lacquer ware	Hapuvida in Kandy District.
Rattan base craft Industry		Wewaldeniya in Gampaha District
Rush & Reed, Hemp		Manikhinna in Kandy Pollonnaruwa District. Batticaloa District
Clay & Ceramic		Kowulara in Monaragala District
	Terra-cotta pots & vases	Mawanella in Kegalle District.

Paper	Re-cycled paper	} Island wide.
	Elephant dung	
	Water Hyacinth	
	Banana Fibre	
	Tea refuse	
	Paddy husk	
Metal	Brass ware craft industry	Pilimathalawa in Kandy District
Palmyrah based products		Batticaloa, Jaffna District
Aromatic, Natural	Spa	Few companies Island wide.

The Crafts Marketing Village has been set up at the Janakala Kendraya (Folk Art Center) premises in Battaramulla and houses 30 stalls that exhibits and vends various handicraft items produced by craftsmen from almost all the districts of the country including the ones from the north and the east.

8. SIZE IN TERMS OF PRODUCTION (VALUE/QUANTITY)

Due to the highly diverse nature of the sector it is hard to determine the size of the production.

9. TOTAL GROWTH IN THE SECTOR IN LAST 5 YEARS

Due to number of initiatives taken by the Government and all other stakeholders, the sector has shown a substantial growth in the local high end market and in the international market specially in the niche export market.

10. KEY PLAYERS IN THE SECTOR

- Paradise Toys (Pvt) Ltd
- DSL Pvt.Ltd
- Lanka Kade Exports
- Kent Display Pvt Ltd
- The Montessori Workshop Pvt Ltd
- Maximus (Pvt) Ltd
- Gospel house (Pvt) Ltd
- Back to Earth
- Golden palm International
- Siddalepa Exports
- Sri Toys international (Pvt) Ltd

11. EXCLUSIVE OUTLETS

- ODEL (www.odel.lk)
- Gandara
- Paradise Road
- Barefoot
- Lanka Hands
- Laksala (www.laksala.lk)
- Lakpahana
- Kalaya

12. NUMBER OF PEOPLE EMPLOYED IN THE SECTOR

Approximately 200,000

13. TOTAL INVESTMENT IN THE SECTOR IN LAST FIVE YEARS

Small

14. GOVERNMENT POLICY AND SUPPORT AVAILABLE IN THE SECTOR

1. Development of “Export ready” core-groups through implementing a systematic product, design and market development programmes.
2. Offering consultancy services to diversify the product range.
3. Implement Enterprise Development Programmes.
4. Continuous Development programmes undertaken for traditional craft villages
5. A National Awards Ceremony is held every year to recognize and appreciate the craftsmen in the country.
6. National Exhibitions are held annually to provide opportunity for the craftsmen to showcase their products.
 - Provincial exhibitions and Shilpa National Handicraft exhibition by National Craft Council
7. Exposure programmes, buyer seller meets, participation at trade fairs are undertaken every year to develop the export market.
8. Development of craft villages in the different parts of Sri Lanka in order to encourage and facilitate craft persons to work in an environment of peace and tranquility, away from the glamour and disturbances of their daily life
9. Three main Institutions namely National Design Center, National Crafts Council and the Laksala, dedicated to the task of developing the craft sector in Sri Lanka.
10. A life insurance scheme and a health insurance scheme will be established for all artists, together with contributory pension scheme.
11. Training institutions will be established at provincial level to provide training and knowledge in respect of performing arts.

15. R&D AND PRODUCT DEVELOPMENT FACILITIES AVAILABLE

University of Moratuwa, University of Visual & Performing Arts and Academy of Design provide a talented design pool to the industry every year.

The Export Development Board, National Craft Council (NCC) and National Design Center (NDC) carryout various product & design development programmes by obtaining the services of foreign and local experts.

16. AVAILABILITY OF TECHNOLOGY AND SKILLED LABOUR

Sri Lankan crafts are largely hand-made and hence technology does not play much of a role. The sector is very rich in skilled labour.

17. TOTAL EXPORTS OF PRODUCTS IN SELECTED CATEGORIES OF THE SECTOR

The products within the craft sector are difficult to categorize. A large number of products are in one way or another craft. Therefore, crafts can be broadly grouped into sub sectors as follows;

18. EXPORTS (VALUE IN US\$'000)

Product sub category	2011	2012	2013	2014	2015	2016
Ceramic -Statuettes & ornaments	4,916	3,717	3,419	3,170	2,744	3,742
Ceramic – Pots & vases	8	35	35	73	59	7
Wickerwork	980	1,593	1,375	946	1,052	939
Candles	241	297	291	1,131	2,897	1930
Wooden decorations	20	16	19	6	37	4
Metal decorations	309	212	225	172	226	237
Table cutlery	77	167	162	188	240	324
Copper based articles	47	13	1	5	213	2,226
Artificial flowers	1,903	1,767	1,770	1,751	2,235	1,661
Musical instruments & accessories	3	1	2	2	0.5	12.8
Textile floor coverings, lace, tapestries & special woven fabric	613	521	753	776	609	840
Spa products- Bath articles	941	804	1,169	1,117	1364	1416
Bamboo, rattan & other vegetable based products	22	34	31	10	57	93
Toys	35,712	37,990	40,710,	49,551	49,273	42,508

19. GROWTH IN LAST 5 YEARS IN EXPORTS AND MAIN IMPORTING COUNTRIES

7.34% - (USD 53Mn in 2014)

China is the main importing country (almost 42%)

20. POTENTIAL FOR EXPANSION IN THE SECTOR

- With the availability of creative skills and a wide variety of raw materials, Sri Lankan crafts has a potential to access niche markets with a premium price
- The tourism industry is on a rise and the majority of the tourists are keen on buying local handicraft items.
- Demand for Sri Lankan handicrafts by the high end of the local community too is on rise which has created a niche market segment for giftware in Sri Lanka.
- Increasing demand in the international market for unique, sustainable, eco-friendly products especially in USA and Europe holds ample scope for Sri Lankan giftware ensuring returns in foreign exchange.

21. STRENGTHS AND WEAKNESSES OF THE SECTOR

Strength	Weakness
<ul style="list-style-type: none"> • Inherited craftsmanship • Availability of variety of raw materials • Availability of talented designers. • Availability of Creative and innovative skills • Ability to produce unique , customized products • Traditional crafts villages • Potential to create more employment opportunities especially in the rural areas. • Govt. Support agencies like Export Development Board, National Design Center, National Craft Council, Laksala. • Ready access to technical assistance and business development services. • Lobbying bodies for the sector • Availability of FSC certified seasoned rubber wood 	<ul style="list-style-type: none"> • Smallness of the enterprises • Lack of proper technology • Low productivity • Disorganized Raw material supply • Competition from too many similar enterprises producing similar products. • High cost in obtaining quality certifications • Lack of strategic focus for the sector • Limited access to credit. • Low participation of younger generation.

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