



INDUSTRY CAPABILITY REPORT



SPICE & ALLIED PRODUCT SECTOR

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Export Development Board (EDB), Sri Lanka
June, 2017

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1. INTRODUCTION

Sri Lanka Produces a range of spices, the major ones are being Cinnamon, Pepper, Cardamom, Cloves, Nutmeg and Mace. Over 90% of these products are being exported to the main end users i.e. flavour, fragrance and Pharmaceutical industries. The main agricultural products consist of Tea, Rubber and Coconut. Out of the rest agricultural product exported, 56% consist of Spices & allied products including essential oils and out of this 56%, 54% consist of Cinnamon and related products. And also Sri Lanka exports approximately 85% of True Cinnamon to the world market.

2. TYPE OF PLAYERS

- Growers
- Traders
- Processors
- Processors directly link with Exporters
- Exporters

3. SUPPORT INSTITUTIONS

- Department of Export Agriculture
- Export Development Board
- Sri Lanka Standard Institution
- Industrial Technology Institute
- National Chamber of Commerce
- Spices & Allied Products Producers' & Traders Association
- The Spice Council

4. PRODUCTION AND EXTENT OF EXPORT AGRICULTURE CROPS

Crop	2013 (Mt)	2014 (Mt)	2015 (Mt)
Cinnamon	17,500	17,600	17,707
Pepper	28,686	18,660	28,177
Clove	6,190	3,225	5,253
Nutmeg & Mace	2,545	2,960	2,750
Cardamom	50	87	91
Arecanuts	22,279	22,385	23,524

Source: Dept. of Export Agriculture

Crop	2016 (Ha)
Cinnamon	32,682
Pepper	39,515
Clove	6,842
Nutmeg	1,029
Cardamom	1,242
Arecanuts	18,794
Betal	2,967
Ginger	2,487

5. DETAILS OF MAIN SPICES

Products	Areas	Season	Commercial Grades	Price Range (Rs.)	SL Position	SL Share	Major Markets
Cinnamon	Galle, Matara, Hambantota, Ratnapura, Badulla, Colombo	March, April, September, October	Alba C5-C4 M5-M4 H1-H2	2,800.00 – 2,600.00 2,400.00 – 2,000.00 1,900.00, - 1,700.00 1,500.00 – 1,200.00	1	32.9	Mexico, USA, Colombia, Peru, Germany
Pepper	Matale, Kandy, Kegalle, Ratnapura, Gampaha, Badulla, Monaragala, Hambantota	August, September	GR1 GR2 White Pepper	900.00 – 1100.00 800.00 – 1000.00 1,800.00 – 2,000.00	13	1.6	India, Germany, USA
Clove	Matale, Kandy, Kegalle, Gampaha, Matara	March, April		1,100.00 – 900.00	7	3	India, USA, UK, Saudi Arabia
Nutmeg	Matale, Kandy, Kegalle, Nuwara Eliya, Badulla	September, October	No 1 No 2 BWP	600.00 550.00 450.00	6	3.2	Japan, UK, EU, Pakistan, Singapore
Mace	Matale, Kandy, Kegalle, Nuwara Eliya, Badulla		No 1 No 2	2,000.00 – 1,500.00 1,500.00 – 1,200.00			
Cardamom	Matale, Kandy, Kegalle, Kurunegala, Nuwara Eliya	May, June	LG LLG1 – LLG2 LB LNS	4,000.00 – 3,500.00 3,500.00 – 3,000.00 3,200.00 – 2,800.00 2,500.00 – 2,200.00 2,000.00 – 1,700.00			
Vanilla	Kandy, Matale, Nuwara Eliya			1,500.00 – 1,700.00			
Garcinia	Kandy, Matale, Badulla, Kurunegala, Hambantota			400.00 – 300.00			

Source: Dept. of Export Agriculture

6. KEY PLAYERS IN THE INDUSTRY

Spices	Essential oils
ISHANA EXPORTS PVT LTD	H.D. De Silva & Sons (Pvt) Ltd
Rathna producers Cinnamon Exports Pvt Ltd	EOAS International,
IMPEX CORPORATION PVT LTD	L B SPICE TRADING PVT LTD
G P DE SILVA & SONS SPICE PVT LTD	Link Natural Products (Pvt) Ltd.,
BIO FOODS PVT LTD	PLANT LIPIDS LANKA PVT LTD
SAMAGI SPICE EXPORTS PVT LTD	Citro Essential Oils (Pvt) Ltd

7. GOVERNMENT POLICY AND SUPPORT AVAILABLE IN THE SECTOR

1. Recognizing the importance of the sector, the Government of Sri Lanka has provided various types of incentives for cultivation and processing of spices through the Department of Export Agriculture.
2. **PCC Mark** - The PCC certification mark designates that the cinnamon is produced, processed, packed in Sri Lanka and sold with no extraneous matters. The EDB has been authorized by the Government to be the holder and the protector of Ceylon Cinnamon Certification Mark and the Geographical Indication (GI) on behalf of the people of the Sri Lanka. Ceylon Cinnamon Certification mark has been registered in the Europe, USA, Peru, Colombia and WIPO. It is being registered in Mexico and EDB is planning to register the same in Australia and New Zealand.



3. **GI for Ceylon Cinnamon** –GI is a sign used as a product indication which will identify it as originating from a specific country and possess qualities reputation that are due to that country. GI can be viewed as a source of competitive advantage for commercialization and has a dynamic marketing power help to increase market differentiation mainly in international market, allow for a premium price from the consumer. EDB is now working on the registration of Ceylon Cinnamon as a GI. Obtaining GI internationally depends on the proper protection of quality, and the traceability of cinnamon products originating from Sri Lanka.
4. **Ceylon Cinnamon & Pepper** - EDB is engaged in brand promotions for Ceylon cinnamon & pepper in selected markets.
5. GSP+ concessions are available for the sector (HS:09).

8. R&D AND PRODUCT DEVELOPMENT FACILITIES AVAILABLE

Technical institutions are involved in developing technology and value added products for fulfill the industry needs. World Bank granted through the Ministry of Primary Industries is available for development proposal of the agriculture sector including spices.

- Research Center of Department of Export Agriculture in Matale
- Cinnamon Research Institute - Kamburupitiya
- Industrial Technology Institute (ITI)
- Cinnamon Training Academy

9. AVAILABILITY OF TECHNOLOGY AND SKILLED LABOUR

Sector specific knowledge and skills are available for producing and processing of Spices.

Eg: Cinnamon peeling technique

10. EXPORT STATISTICS OF THE SPICE SECTOR

The production of minor export crops recorded a decline due to adverse weather conditions and cyclical seasonal patterns. The production of cinnamon, cardamom, and nutmeg registered a growth in 2016, while the production of pepper, clove and areca nut declined.

Export earnings from spices declined by 16.0% to USD 317 million in 2016, as against an increase of 42.7% recorded in 2015, due to significant reduction of in export volumes of pepper and cloves by 50.8% & 66.6% respectively.(Central Bank-External Sector Developments & Policies, 2016).

Description	2014		2015		2016		% Avg. Growth
	Quantity	Value	Quantity	Value	Quantity	Value	
Cinnamon	13,691,635 Kg	17,270	13,548,813 Kg	17,959	14,692,765 Kg	23,177	14.71
Pepper	7,929,629 Kg	9,028	16,656,653 Kg	19,543	7,875,576 Kg	10,531	7.7
Cloves	1,231,044 Kg	1,809	5,518,752 Kg	6,392	1,842,675 Kg	1,960	4
Cardamoms	8,260 Kg	40	119,874 Kg	147	779,409 Kg	843	152.93
Essential Oils	643,565 Kg	3,404	818,266 Kg	4,604	1,123,377 Kg	6,943	35.63
Total :	23,504,133	31,551	36,662,358	48,643	26,313,802	43,454	16

(Value in LKR million)

11. POTENTIAL FOR EXPANSION IN THE SECTOR

- Well reputed brand name for Ceylon Cinnamon & other spices
- High-quality intrinsic characteristics of Sri Lankan spices (eg: High Cumarin content in True Cinnamon and high pepperine content in Sri Lankan Pepper)
- Trend towards value added products
- Emerging new technology
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12. STRENGTHS AND WEAKNESSES OF THE SECTOR

Strengths

- Long history and well-established market
- Geography – Initiate Geographical Indication protection for the Sri Lankan spices
- Climate - Favorable climatic & soil conditions in the country to increase the cultivations & productivity
- Skilled labour force
- Pure Ceylon Cinnamon mark to differentiate the Ceylon Cinnamon from other cinnamon in the global market

Opportunities

- Government support to boost the exports of value added products (Reduce the Tax for value added products)
- Establishment of training centers and processing centers for spices
- Increase the awareness on quality management practices among processors and exporters – help to minimize the loss
- Use of new technologies in the industry

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