



Government of Sri Lanka

# NATIONAL EXPORT STRATEGY OF SRI LANKA

## PROCESSED FOOD & BEVERAGES STRATEGY

2018-2022



## The National Export Strategy (NES) of Sri Lanka is an official document of the Government of Sri Lanka

For any queries about the NES, please contact:

### Ministry of Development Strategies and International Trade

**Address:** Level 30, West Tower, World Trade Centre, Colombo 01.  
**Phone:** +94 (0) 112337629  
**Phone:** +94 (0)112337627  
**E-mail:** info@modsit.gov.lk

### Sri Lanka Export Development Board

**Address:** No. 42 Nawam Mawatha, Colombo-02, Sri Lanka.  
**Phone:** +94-11-230-0705 / 11  
**Phone:** +94-11-230-0715  
**E-mail:** nes@edb.gov.lk

This processed food and beverages strategy was developed on the basis of the process, methodology and technical assistance of the International Trade Centre (ITC) within the framework of its Trade Development Strategy programme.

ITC is the joint agency of the World Trade Organization and the United Nations. As part of the ITC mandate of fostering sustainable development through increased trade opportunities, the Chief Economist and Export Strategy section offers a suite of trade-related strategy solutions to maximize the development payoffs from trade. ITC-facilitated trade development strategies and road maps are oriented to the trade objectives of a country or region and can be tailored to high-level economic goals, specific development targets, or particular sectors.

Technical assistance for the design of this document was provided by Charles Roberge, Alexandra Golovko, Ayanthi Gurusinghe, Bodhi Wanniarachchi, and Farhad Mohamed Zahir.

Financial support was provided by the European Union, as part of the 'European Union – Sri Lanka Trade Related Assistance: Increasing SMEs' trade competitiveness in regional and European Union markets' project. The contents of this document can in no way be taken to reflect the views of the European Union.

The views expressed herein do not reflect the official opinion of ITC. Mention of firms, products, and product brands does not imply the endorsement of ITC. This document has not been formally edited by ITC.

---

### The International Trade Centre

**Street address:** ITC 54-56, rue de Montbrillant 1202 Geneva, Switzerland  
**Postal address:** ITC Palais des Nations 1211 Geneva 10, Switzerland  
**Telephone:** +41-22 730 0111  
**Fax:** +41-22 733 4439  
**E-mail:** itcreg@intracen.org  
**Internet:** <http://www.intracen.org>

**Layout:** Jesús Alés ([www.sputnix.es](http://www.sputnix.es))



Government of Sri Lanka

# NATIONAL EXPORT STRATEGY OF **SRI LANKA** 2018-2022

## **PROCESSED FOOD & BEVERAGES STRATEGY**



Photo: ITC

## MESSAGE FROM THE FOOD AND BEVERAGE PROCESSING INDUSTRY

With our diverse agricultural regions, experienced farmers, traditional processes honed over centuries and favourable geographic location, Sri Lanka has the potential to become a vital and prominent food processing hub in the Indian Ocean region with easy access to serve over two billion consumers in the Asian region alone.

Export growth over the last few years show that our food processors are able to engage in higher value added and innovative food & beverage processing and transform it into a major export industry, turning the sector into a leading foreign exchange earner and a standard-bearer for high quality Sri Lankan products overseas.

The global food industry is in constant flux and is affected by changing lifestyles, trends and rapidly changing tastes. Therefore, complying with global standards on sustainability and food safety requirements are no longer a mere value addition, but rather a minimum requirement upon which our producers need to innovate and build upon to become a competitive supplier in global markets.

Processed Foods & Beverages was one of the priority sectors identified in the National Export Strategy. This was collectively formulated by private and public-sector stakeholders and is widely welcomed across the processed food & beverages industry in Sri Lanka. It will seek to set the sector on the course of strategic development by addressing key constraints in a comprehensive manner and defining concrete opportunities that can be realized through the specific steps detailed in its Plan of Action (PoA).



**Maliek De Alwis**  
President  
Sri Lanka Food Processors' Association

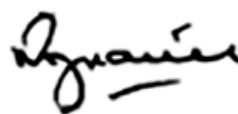
Sri Lanka has had a tradition of exporting food going back centuries and still maintains a reputation as a supplier of high quality foods and beverage products. Despite this history, many members of the processing industry of varying sizes have faced constraints that prevent them from growing to their best potential.

Some of these constraints include outdated sector support frameworks, regulations & services not being suitable to the needs of the modern food processing industry and an over-focus of policy makers & support institutions on only some parts of the supply chain while neglecting others.

The National Export Strategy will focus on facilitating increased availability of raw materials, improving & modernising food safety controls and reinforcing national branding for the processed foods & beverages sector. This will seek to provide a solid foundation for the growth of the industry and will assist Sri Lanka in achieving the status of an innovative food processing hub servicing many regions.

We the undersigned, as stakeholders of the Processed Foods & Beverages industry in Sri Lanka consider this an integral part of the National Export Strategy and a much looked forward to document. It is our wholehearted expectation that this strategy will streamline the growth of the Processed Foods & Beverages industry to overcome industry challenges and help position Sri Lanka as a regional hub in processed foods and beverages.

We wish to express our fullest commitment to the effective implementation of the strategy for the Processed Foods & Beverages sector and look forward to being part of this revolutionary change to come.



**Zuraish Hashim**  
Chairman, Lanka Fruit and Vegetable Producers,  
Processors and Exporters Association

## ACKNOWLEDGEMENTS

The Processed Food and Beverages Strategy was developed as part of the National Export Strategy (NES) of Sri Lanka, under the aegis of the Ministry of Development Strategies and International Trade (MoDSIT) and the Sri Lanka Export Development Board (EDB), with the financial support assistance of the European Union (EU), as part of the ‘EU-Sri Lanka Trade Related Assistance.’

The document benefited particularly from the inputs and guidance provided by the members of the sector team that steered the formulation of the sector strategy, namely:

Name	Position	Organization
Dr. P.N.R.J. Amunugoda	Senior Research Scientist	Industrial Technology Institute
Dr. I.M.S.K. Idirisinghe	Head, Agriculture Economics Division	Coconut Research Institute
Mr. I.V.A.D.C. Induruwa	Assistant Director	Department of Export Agriculture
Dr. P.V. Sriyalatha	Chief Animal Quarantine Officer	Department of Animal Production & Health
Mr. Canagaratnam Sabeson	Head of Key Accounts	Renuka Agri Foods PLC
Mr. Nadeeja Karunathilaka	General Manager, International Market Development	Ceylon Biscuits Ltd
Mr. Nilhan Ekanayake	Manager Export Administration	MD Lanka Canneries Ltd
Mr. Asiri Silva	Manager Export Administration	MD Lanka Canneries Ltd
Mr. Delano Dias	Chief Operating Officer	Cargills Quality Foods Ltd
Mr. Nihal Rathnayake	Cooperate Management Consultant	Bio Foods Pvt. Ltd
Ms. Zahra Cader	Senior Manager	Consulting - Finance PricewaterhouseCoopers
Mr.A.G. Abubucker	Head of International Sales	Bio Extracts Pvt Ltd
Mr. Suresh Ellawala	Director	Ellawala Horticulture (Pvt) Ltd
Mr. Maliek de Alwis	President	Sri Lanka Food Processors Association
Dr. I.M.S.K. Idirisinghe	Head, Agriculture Economics Division	Coconut Research Institute
Dr. P.N.R.J. Amunugoda	Senior Research Scientist	Industrial Technology Institute
Mr. Sapumal Kapukotuwa	Value Chain Specialist	Agriculture Sector Management Project, World Bank
Ms. Malani Baddegamage	Director– Export Agriculture	Export Development Board
Ms. Srimathie Narandeniya	Deputy Director	Export Development Board
Mr. M.Z.M. Farhad	National Sector Specialist	UNIDO EU/ITC/UNIDO Project Sri Lanka

The full list of public and private stakeholders that contributed their precious time to the design of this Strategy are detailed in Appendix 1.

# CONTENTS

Message from the Food and Beverage Processing industry	ii
Acknowledgements	v
Acronyms	ix
<b>EXECUTIVE SUMMARY</b>	<b>1</b>
<b>A GLOBAL INDUSTRY IN TRANSFORMATION</b>	<b>3</b>
<b>SRI LANKA IS EQUIPPED TO CATCH UP WITH WORLD MARKETS</b>	<b>8</b>
DOMESTIC PRODUCTS IN LINE WITH GLOBAL TRENDS	8
PRODUCT ALIGNMENT TRANSLATES INTO GROWING TRADE PERFORMANCE	10
INADEQUATE SECTOR SUPPORT LIMITS FURTHER GROWTH	14
<b>THE VALUE CHAIN DIAGNOSTIC</b>	<b>16</b>
<b>THE WAY FORWARD</b>	<b>21</b>
THE VISION	21
THE STRATEGIC OBJECTIVES	21
THE FUTURE VALUE CHAIN	22
<b>MOVING TO ACTION</b>	<b>29</b>
THE STRATEGIC FRAMEWORK	29
IMPLEMENTATION FRAMEWORK	30
<b>PLAN OF ACTION 2018-2022</b>	<b>33</b>
Appendix 1: List of participants in the public–private consultations	39
Appendix 2: Institutional assessment results	41
<b>REFERENCES</b>	<b>43</b>

## LIST OF FIGURES

<b>Figure 1:</b> Demand determinants in the global processed food and beverages sector	4
<b>Figure 2:</b> Processed food and beverages sales, top 10 markets 2016 and growth prospects until 2021	4
<b>Figure 3:</b> Major exporters and importers of processed food and beverages (2012–2016)	6
<b>Figure 4:</b> Overall processed food and beverages export trends, compared to regional peers (2007-2016)	10
<b>Figure 5:</b> Export trends in main HS categories (2005-2016)	11
<b>Figure 6:</b> Export destinations in main HS categories	12
<b>Figure 7:</b> Value chain diagnostic	16
<b>Figure 8:</b> Future value chain	22
<b>Figure 9:</b> Strategic framework	29
<b>Figure 10:</b> Institutional framework for processed food and beverages building industry development	31

## LIST OF TABLES

<b>Table 1:</b> List of exported processed food and beverages products	9
<b>Table 2:</b> Main current market characteristics	13
<b>Table 3:</b> Product and market opportunities	24
<b>Table 4:</b> Value chain adjustments in the processed food and beverages sector	25
<b>Table 5:</b> Institutional adjustments in the processed food and beverages sector	26
<b>Table 6:</b> Regulation adjustments in the processed food and beverages sector	27
<b>Table 7:</b> Investment approach in processed food and beverages sector	28
<b>Table 8:</b> Performance assessment of TSI from the processed food and beverages perspective	41

# ACRONYMS

The following abbreviations are used :

<b>BOI</b>	Board of Investment	<b>MoDSIT</b>	Ministry of Development Strategies and International Trade
<b>BRIC</b>	Brazil, Russia, India, China	<b>MoHNIM</b>	Ministry of Health, Nutrition and Indigenous Medicine
<b>CCC</b>	Ceylon Chamber of Commerce	<b>MRI</b>	Medical Research Institute
<b>CDA</b>	Coconut Development Authority	<b>NAC</b>	National Agribusiness Council
<b>CRI</b>	Coconut Research Institute	<b>NES</b>	National Export Strategy
<b>DEA</b>	Department of Export Agriculture	<b>NFA</b>	National Food Authority
<b>EDB</b>	Export Development Board	<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>EU</b>	European Union	<b>PoA</b>	Plan of action
<b>GAP</b>	Good agriculture practices	<b>R&amp;D</b>	Research and development
<b>HACCP</b>	Hazard Analysis and Critical Control Points	<b>SLFPA</b>	Sri Lanka Food Processors Association
<b>HS</b>	Harmonized system	<b>SLSI</b>	Sri Lanka Standards Institution
<b>ILO</b>	International Labour Organization	<b>SME</b>	Small and medium-sized enterprise
<b>IMAP</b>	International Network of M&A Partners	<b>UNIDO</b>	United Nations Industrial Development Organization
<b>IP</b>	Intellectual property	<b>WIPO</b>	World Intellectual Property Organization
<b>ISO</b>	International Organization for Standardization		
<b>ITC</b>	International Trade Centre		
<b>ITI</b>	Industrial Technology Institute		



# EXECUTIVE SUMMARY

*The goal of Sri Lanka's processed food and beverages strategy is to set the sector on the course of strategic development by addressing constraints in a comprehensive manner and defining concrete opportunities that can be realized through the specific steps detailed in its Plan of Action (PoA). The processed food and beverages strategy is an integral part of Sri Lanka's NES.*

**Even though processed food and beverages are among the major traditional and stable industries, they are affected by global changes in consumption and lifestyles.**

Keeping up with health and sustainability requirements is not optional anymore. Sri Lanka appears to be well equipped to achieve export success in this context, through its natural and traditional endowments, as well as the private sector's widespread commitment to quality.

**Processed food and beverages is a booming sector in Sri Lanka and is diversifying.** Sri Lankan products are high quality and have healthy characteristics due to the excellence of local raw materials and the industry's commitment to investment in manufacturing processes and in improving its market image. Leading firms already established in the sector can serve as inspiration for the sector's smaller companies.

**However, major constraints currently prevent upscaling by both leading sector operators and smaller companies alike.** These constraints stem from outdated sector-support frameworks. Policymakers and support institutions have not yet aligned regulations and services with the needs of a growing food processing industry, and are still focused on agricultural production rather than processing. As a result, the main threats to potential growth are access to raw materials from both local and imported sources. A consistent supply of materials requires urgent attention by policymakers and an adjustment of institutional and regulatory frameworks to support food processors. Other issues such as research and development (R&D), quality and food safety have a variable impact, depending on a company's size. National branding and timely market information will be important to transform the sector into the competitive food processing hub it can become.

**Today, the Sri Lankan processed food and beverages sector appears ready for its next growth surge.** Although starting from a low base, a growth in exports has demonstrated the interest in and markets for Sri Lankan products. Export growth over the last few years clearly shows that the country is in a good position to increase food and beverage processing and transform it into a major industry, turning the sector into a leading foreign exchange earner and a standard-bearer for high quality Sri Lankan products abroad.

**Fast-paced private sector development will require major efforts from all policymakers and regulatory bodies in order to create an enabling business environment that will keep leading national firms in the country and help to ensure that their current and future operations are not moved outside Sri Lanka.** Thus, this strategy focuses on facilitating raw material provision, improving food safety controls and reinforcing branding for the sector, in order to provide a solid foundation for the industry's growth.

The following is a delineation of the proposed vision and strategic approach for increased private sector development. This vision statement was agreed upon by all stakeholders in the processed food and beverages value chain in Sri Lanka.

“ **To become a competitive export processing hub for innovative, sustainable and value-added food solutions** ”

The PoA operationalizes this vision by addressing the sector's constraints and leveraging opportunities in a comprehensive manner. Emphasis is on the following strategic objectives:

**Strategic objective 1:** Amend the regulation framework in line with the needs of the processed food and beverages sector

- Numerous regulations require amendments to ensure effective operations in the sector, especially regulations related to import regulations (quarantine and import restriction laws)

**Strategic objective 2:** Ensure consistent supply of raw material for the sector

- The supply of raw material must be secured in order for the sector to have the means to respond to strong international demand and to upscale the industries.

**Strategic objective 3:** Cater to high quality market

- To be able to supply the most demanding markets, quality assurance systems must be improved in Sri Lanka. This will be done both through increased research and innovation and through strong national branding.

The objective of the processed food and beverages strategy for Sri Lanka is to create an enabling environment for the food processing industry to realize its potential and benefit the country's image by providing innovative, sustainable and value-added food solutions. Achieving this ambitious objective will depend on the ability of the industry to implement the activities defined in this strategy. To structure sector development, it is recommended that the following interventions be implemented with priority:

- Strengthen the institutional framework governing the processed food and beverages sector and its policies; and
- Build the operational, business skills and innovation capacities of sector operators.

These immediate quick win activities are necessary to initiate successfully the strategy implementation and to create rapid industry growth. Key to achieving these targets will be coordination of activities, progress monitoring and mobilization of resources for implementation. A public-private 'advisory committee' for the food processing industry was established, operationalised and empowered in order to carry out these tasks.



Photo: ITC

# A GLOBAL INDUSTRY IN TRANSFORMATION

The processed food and beverages sector is one of the world's largest industries and manufactures a wide range of food and drinks to cater to the growing needs of the global population. The total size of the processed food and beverages sector worldwide is difficult to estimate due to the variety of products. Since food can be a commodity, an ingredient and a meal, its value can be measured in different ways at every stage along that chain. There are multiple methodologies, some of which may involve double-counting added value. As a result, the estimated size for the processed food and beverages sector varies from US\$2.2 trillion<sup>1</sup> to US\$4.8 trillion.<sup>2</sup> The International Network of M&A Partners' (IMAP) Global report cited a valuation of US\$7 trillion in 2014.<sup>3</sup>

The major driver in the processed food and beverages sector globally is population growth. From an estimated 7 billion people today, the United Nations predicts that the world population will reach 9 billion by 2050; food security thus takes on unprecedented importance. Demand for processed food and beverage products tends to increase in line with growth in the world population, as these products are considered staples throughout much of the world and are becoming increasingly popular with the growing global urban population.

Another important factor pushing the international demand for processed food is the progressive changes in food consumption patterns, particularly lifestyle changes brought about by urbanization. Urban populations, which often are located far away from farming communities, consume much higher quantities of processed foods than rural populations do. As a result, global urban population



Photo: pxhere (CC0 Public Domain)

growth increases demand for processed food and beverage products.<sup>4</sup>

Also driving the global demand for processed food and beverages is the global growth in per capita income. As incomes grow, consumers demand larger quantities of more diverse and higher quality food. This explains the growing demand from emerging and developing markets, as higher income usually translates into an increased consumption of processed food and beverages relative to less expensive, locally sourced food.

Finally, consumer preferences increasingly are the major demand determinants. The growing health consciousness of consumers has driven and reshaped demand for processed food and beverages from Asia, the EU and the United States of America. Highlights on these trends will be provided further.

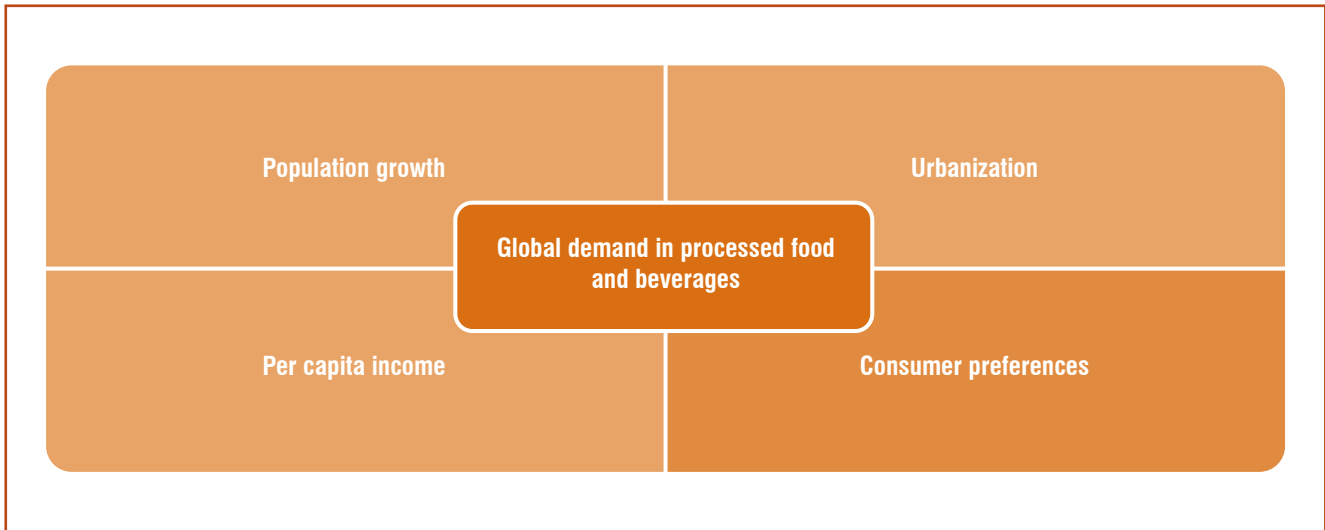
1.– Roland Moreau (2016). As Packaged Food Growth Engines Falter, what are the Next Growth Drivers?, 17 October. *Passport*, Euromonitor.com.

2.– Sarah Murray (2016). The World's Biggest Industry. *Forbes*, 15 November. Retrieved from [https://www.forbes.com/2007/11/11/growth-agriculture-business-forbeslife-food07-cx\\_sm\\_1113bigfood.html](https://www.forbes.com/2007/11/11/growth-agriculture-business-forbeslife-food07-cx_sm_1113bigfood.html).

3.– IMAP (2010). *Food and Beverage Industry Global Report – 2010*. Dover. Available from [http://www.proman.fi/sites/default/files/Food%20%26%20beverage%20global%20report%202010\\_0.pdf](http://www.proman.fi/sites/default/files/Food%20%26%20beverage%20global%20report%202010_0.pdf).

4.– IBIS World (October, 2017). *IBISWorld Industry Report, Global Fruit & Vegetables Processing*. New York. Available from [http://www.proman.fi/sites/default/files/Food%20%26%20beverage%20global%20report%202010\\_0.pdf](http://www.proman.fi/sites/default/files/Food%20%26%20beverage%20global%20report%202010_0.pdf).

**Figure 1:** Demand determinants in the global processed food and beverages sector



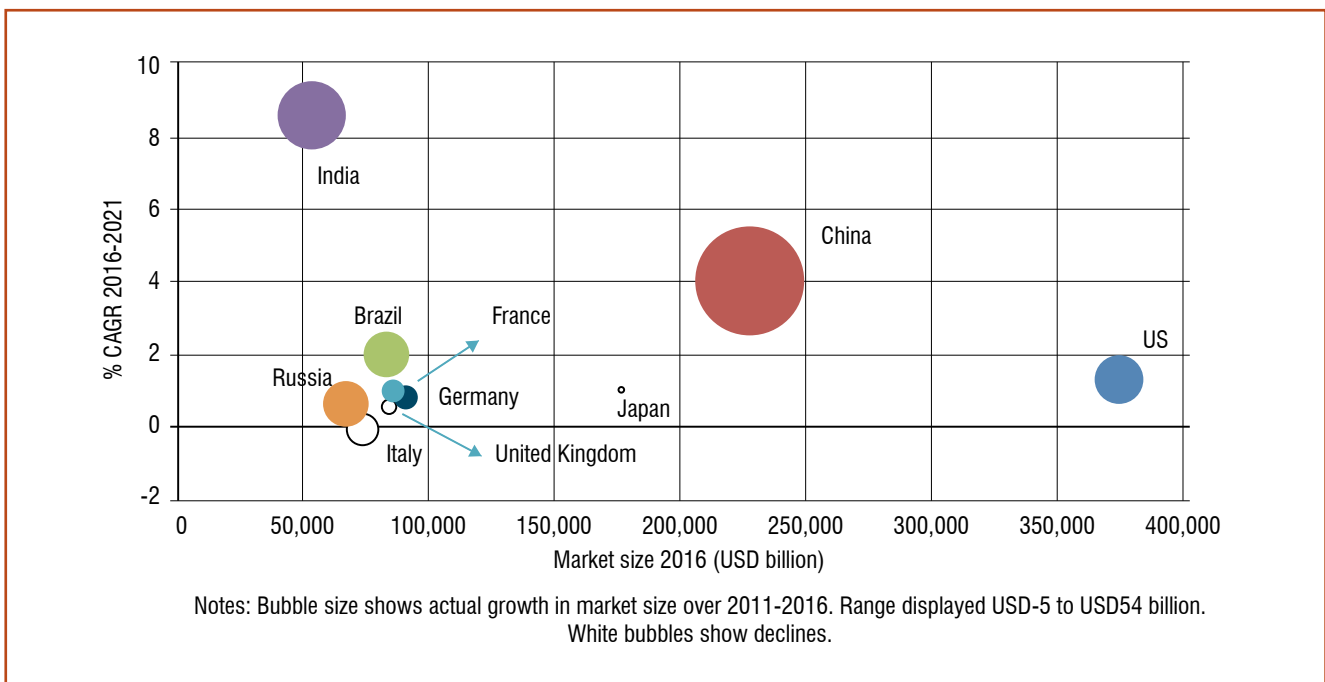
Competition in the industry means smaller regional companies compete with the large multinational corporations for market share across a variety of regional markets. Industry competition has increased over the past five years, with more aggressive promotional and branding activity taking place. Competition for supply contracts with large wholesalers and supermarkets is particularly intense, given that these downstream buyers are the most important link to mass consumer markets.<sup>5</sup>

The dynamics in the processed food and beverages sector are shifting, as a sharp economic downturn stalled major growth engines such as Brazil, China and the Russian Federation in 2015 and 2016, while China also experienced reduced economic and sector expansion. Poor performances were seen in several major emerging markets. In developed markets, deflationary pressures generated declines in large categories, notably dairy.<sup>6</sup>

5.– *Ibid.* p 22.

6.– Moreau, *loc. cit.*

**Figure 2:** Processed food and beverages sales, top 10 markets 2016 and growth prospects until 2021



Source: Euromonitor, 2016.

While a recovery is expected in the 2016–2021 period, the key growth drivers are set to become smaller emerging markets, notably India and Indonesia. India is forecast to retain the edge over China in terms of growth rates and is expected to reinforce its position as a key market in processed food. Among smaller markets, Indonesia delivered a solid performance in 2015 and 2016. Driven by growth in rice products, Indonesia's solid performance is likely to continue between 2016 and 2021, as consumers and retailers increasingly move from unpackaged to packaged rice.

Global exports and imports of processed food and beverages are dominated by the same countries, United States, Germany, Netherlands, France, China and Japan. Here again the trends show a certain plateauing of the major exporters and importers over the past five years, particularly in BRICs (Brazil, the Russian Federation, India and China) countries such as Brazil and China.

### Box 1: Size of the Indian market

As the closest market for Sri Lanka's processed food products, India needs to be examined specifically. However not all regions in India represent potential markets for Sri Lankan processed products, and, quite counterintuitively, not necessarily the neighbouring regions.

India is one of the largest countries in the world, with a growing population, a discernible increase in purchasing power in many regions and a rising affluence in many urban pockets. However, income distribution in India remains uneven between a wealthy urban population and a low-income rural population. The income split essentially means that India has two separate consumer segments, which are further split by strong regional differences. Throughout India there are 20 official languages, 3 main religions, and 14 main cuisine styles.

The West India region has the highest value processed food sales in the country. A large number of brands from domestic and multinational players are present in the region and many international brands are imported. Consumer awareness of packaged foods is also high in North India, which is one of the most affluent regions in the country, containing areas such as New Delhi, NCR, Chandigarh, Jaipur and Lucknow. Packaged foods have seen good growth in the region and this trend is expected to continue. Due to the underdeveloped nature and continued political instability of East and Northeast India, these areas are the smallest markets in the country for packaged food.

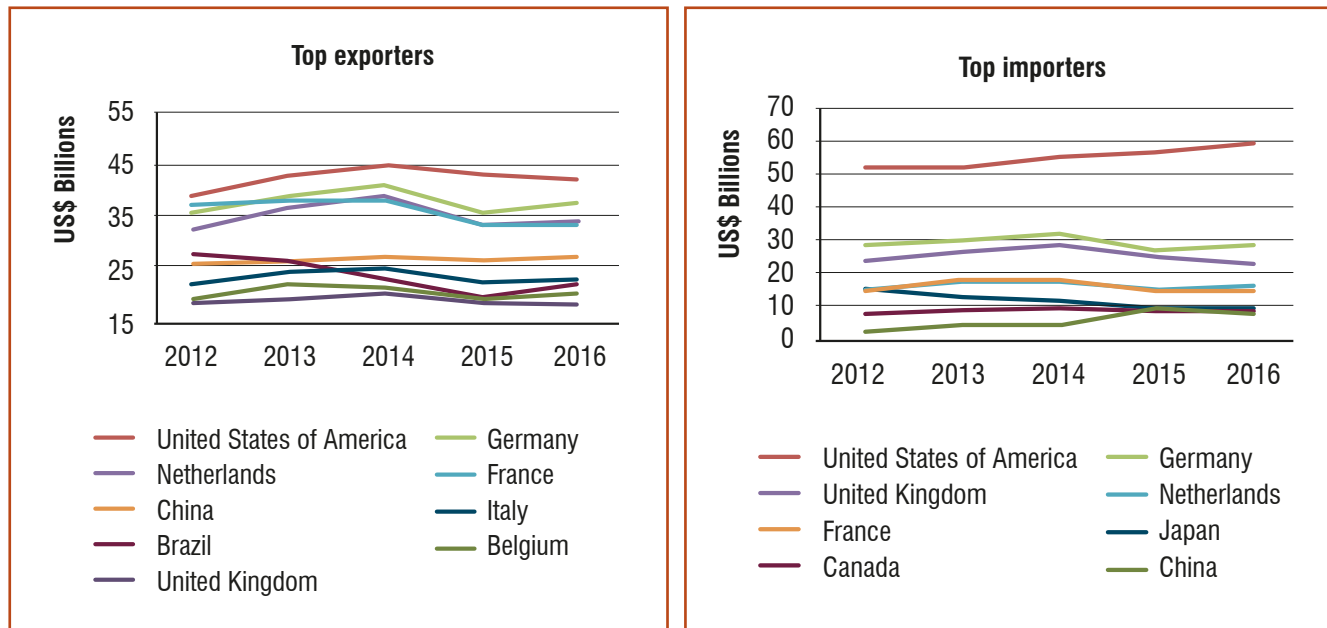
India has a large agriculture industry and is one of the world's largest food producers. This, combined with a cultural preference for fresh food, means that India supplies the majority of its own food for consumption. However, India is a growing market for processed food imports, which are becoming more popular with the younger population, especially in urban areas.

Overall food and beverage consumption is expected to grow at rates between 0.6% and 1% over the next few years. The products and sectors that are expected to have the highest potential for growth are:

- **Processed food:** Ready-to-eat meals, canned foods and snacks are forecast to be in higher demand.
- **Milk and dairy:** There is high growth for processed dairy and milk products, and the growing dairy processing industry in India requires milk and dairy ingredients. Cheese, butter, whey, yoghurt and ice cream are some of the major dairy products that are imported, with cheese the most popular.
- **Beverages:** In India, tea is one of the few beverage products with a mature market. Other beverages such as coffee, carbonated drinks and functional drinks are experiencing high growth. Coffee consumption is expected to grow 20% to 30% per year for the next few years.
- **Fish and seafood:** Fish consumption is currently low due to low incomes and generally poor cool chain infrastructure. As incomes rise, fish consumption is expected to increase. The challenge for fish consumption growth is that fish is not traditionally part of some Indian cuisines. As with meat, Indians primarily prefer fresh fish so inland areas tend not to consume it.

**Source:** New Zealand Trade and Enterprise (2012). Exporter Guide, Food and Beverage in India Market Profile, 2012. Auckland.

**Figure 3:** Major exporters and importers of processed food and beverages (2012–2016)



Source: ITC calculations based on UN COMTRADE statistics.

Over the past 10 years, operators in the food processing industry had to address a number of emerging consumer trends that took on increasing importance when attempting to capture market share. Consumer trends are shifting to healthier and more sustainable options, which are currently reshaping the entire industry. As emphasized by Euromonitor's trends for 2017, 'health is no longer just a buzzword but a genuine strategic priority'. Emerging demand determinants include, but are not limited to, the following trends:<sup>7</sup>

- The need to reflect tradition through processed food products and: creating comfort through modernised updates of age-old formulations;
- A boom in the popularity of plant-based food and a preference for natural diets, which will drive further expansion of vegetarian, vegan and other plant-focused formulations;
- The importance of food and packaging waste reduction with the aim of sustainability zeros;
- Time-saving preparations processes (not to be confused with 'fast food') and the elimination of lengthy preparation for consumers, since the time investments required for products and meals will become as influential in purchasing choices as nutrition or ingredient claims;
- Democratization and increased affordability of healthy food products, as healthy food and drink stop being 'luxuries';

- The use of e-commerce sites like Alibaba and WeChat in Asia is rising and multinationals report that sales through e-commerce are progressively becoming more profitable than traditional retail. The growing purchase of power of generation Z will reinforce this trend.

**Research and development in the food and beverages sector is followed closely by consumers.** Demand is very sensitive to new findings about healthy products and ingredients. Cases in point are nutrient-rich and sustainable options such as algae and seaweed, the 'super-foods', 'hero-foods', and plant waters (such as aloe, maple, artichoke, cactus or coconut). This demand sensitivity requires that companies remain attuned to current research and consumer reactions in order to adapt their production swiftly.

Within this evolving global context a number of factors that contribute to success for companies in the sector can be highlighted:

- Use of standardized labelling
- Diversification and receptiveness to new tendencies
- Technology and innovation
- Proper market identification
- Governmental support/enabling.

7.- Mintel (2017). *Global Food & Drink Trends 2017*. New York. Available from [www.mintel.com](http://www.mintel.com).



Photo: ITC © Alexandra Golovko

Even though processed food and beverages is among the largest and most stable traditional industries in the world, it is being affected by global changes in consumption and lifestyles. Keeping up with the health and sustainability requirements is not an option anymore.

Sri Lanka appears to be well equipped to achieve export success in this context, thanks to its natural and traditional characteristics, as well as the widespread commitment of the private sector to quality. Sri Lanka has potential for growth both in traditional markets, such as western countries and Japan, as well as growing Asian markets, such as Indonesia and India.

# SRI LANKA IS EQUIPPED TO CATCH UP WITH WORLD MARKETS

## DOMESTIC PRODUCTS IN LINE WITH GLOBAL TRENDS

The processed food and beverages industry in Sri Lanka has deep roots and has thrived in the past decade. Increased political stability brought socioeconomic benefits to new regions of the country, increasing the per capita income and expanding the middle-income segment of the economy, all of which expanded the domestic market for processed food. This phenomenon is closely related to the narrowing of the urban-rural divide and the increase in the rural standard of living, with the rural population spending more on quality food products and not just subsistence items. As a result, companies began penetrating the northern and eastern provinces, which allowed them to scale-up and to increase their earnings. Tourism also had a positive impact on the industry by multiplying the client base and the purchasing power.

As a result, processed food and beverages is one of the fastest growing sectors in Sri Lanka. The industry counts more than 110 manufacturing and marketing companies. In 2016 the industry's export value was close to US\$400 million, representing about 4% of total goods' exports. About 40% of micro, small and medium enterprises nationwide are involved in the sector and employ more than 2 million people.<sup>8</sup>

Large-scale food industrialists and exporters are based in Colombo and others are spread out in almost all areas of the island, close to their supply of agricultural raw materials. Collectors and suppliers of ingredients for all types of processed foods and beverages are linked with the various food and beverage producers, processors and exporters.

8.– Export Development Board (2017). *Industry Capability Report, Food and Beverage Sector*. Colombo. Available from [http://www.srilankabusiness.com/pdf/industry\\_capability\\_reports/food-and-beverage-sector-2017.pdf](http://www.srilankabusiness.com/pdf/industry_capability_reports/food-and-beverage-sector-2017.pdf).



Photo: (CC BY-NC 2.0) Sriyan Indika.

In addition, companies in the food and beverages sector have their own orchards and work with farmer clusters for their produce. The industry is quite resilient to climatic irregularities and is able to find raw materials in various areas of the country (with ingredients such as pineapples, mangoes, bananas, etc. available year-round).<sup>9</sup>

The processed food and beverages sector covers a wide range of products, spread over nine different Harmonized System (HS) chapters. Only a limited number of products is actually represented in each chapter in Sri Lanka; however, the potential range is made up of countless products. Table 1 presents the major HS chapters that the sector covers in the country. The product categories include processed coconut, vegetables and fruits, concentrates and juices, semi-cooked food, confectionery and bakery products, ready-to-serve food, beverages, animal feed, preparations of cereals and flour, processed gherkins, etc. These product categories have shown rapid growth during the past decade.

9.– *Ibid.*



**Table 1:** List of exported processed food and beverages products

HS chapter	HS6 product	Additional description
Miscellaneous edible preparations (HS21) US\$173 million	210690 Food preparations, n.e.s. (89% of chapter exports)	Coconut water (21069097)
	210120 Extracts, essences and concentrates, of tea or mate, and preparations with a basis of these (10% of chapter exports)	
Preparations of vegetables, fruit, nuts or other parts of plants (HS 20) US\$96 million	200819 Nuts and other seeds (86% of chapter exports)	Coconut milk (20081920), coconut milk powder (20081930), creamed coconut (20081940), coconut milk drink (20081990)
	200110 Cucumbers and gherkins (7% of chapter exports)	
	200989 Juice of fruit or vegetables (1.5% of chapter exports)	
Residues and waste from the food industries; prepared animal fodder (HS23) US\$67 million	230990 Preparations of a kind used in animal feeding (64% of chapter exports)	Residue from coconut oil (by-product): extraction of residue oil and convert to animal feed
	2302 Bran, sharps and other residues (18% of chapter exports)	Residue from coconut oil (by-product)
	230650 Oilcake and other solid residues (17% of chapter exports)	De-fatted coconut and coconut flour (23065010)
Non-alcoholic beverages (HS2201-02) US\$26 million	220290 Non-alcoholic beverages (excluding water, fruit or vegetable juices and milk) (97%)	
	220210 Waters, incl. mineral and aerated, with added sugar (3% of chapter exports)	
Preparations of cereals, flour, starch or milk; pastrycooks (HS 19) US\$19.2 million	190531 Sweet biscuits (76% of chapter exports)	
	190219 Uncooked pasta, not stuffed or otherwise prepared, not containing eggs (7% of chapter exports)	
	190110 Food preparations for infant use, put up for retail sale (5% of chapter exports)	
Cocoa and cocoa preparations (HS 18) US\$4.4 million	180690 Chocolate and other preparations containing cocoa (48% of chapter exports)	
	180500 Cocoa powder, not containing added sugar (47% of chapter exports)	
Meat, fish and crustacean preparations (HS 16) US\$2.6 million	160100 Sausages and similar products, of meat, offal or blood (34% of chapter exports)	
	160249 Prepared or preserved meat and offal of swine (30% of chapter exports)	
	160415 Prepared or preserved mackerel (21% of chapter exports)	
Sugars and sugar confectionery (HS 17) US\$2 million	170290 Sugars in solid form (60% of chapter exports)	
	170199 Cane or beet sugar and chemically pure sucrose (25% of chapter exports)	
	170410 Chewing gum, whether or not sugar-coated (5% of chapter exports)	

Source: ITC calculations based on UN COMTRADE statistics.

Sri Lankan processed food companies have built a reputation for working towards the 'Food for Health' concept while ensuring the supply of high-quality products to international markets. The intrinsic quality of resources available

in different parts of the country helped create this good reputation. This gives an important comparative advantage to Sri Lankan products, matching them with the consumer trends in global markets.

The processed food and beverages sector in Sri Lanka is booming, diversifying, and is driven by urbanization and increases in income, especially in the previously unstable areas of the North. Sri Lankan products have high quality and healthy characteristics due to the high quality of local raw materials and the industry's

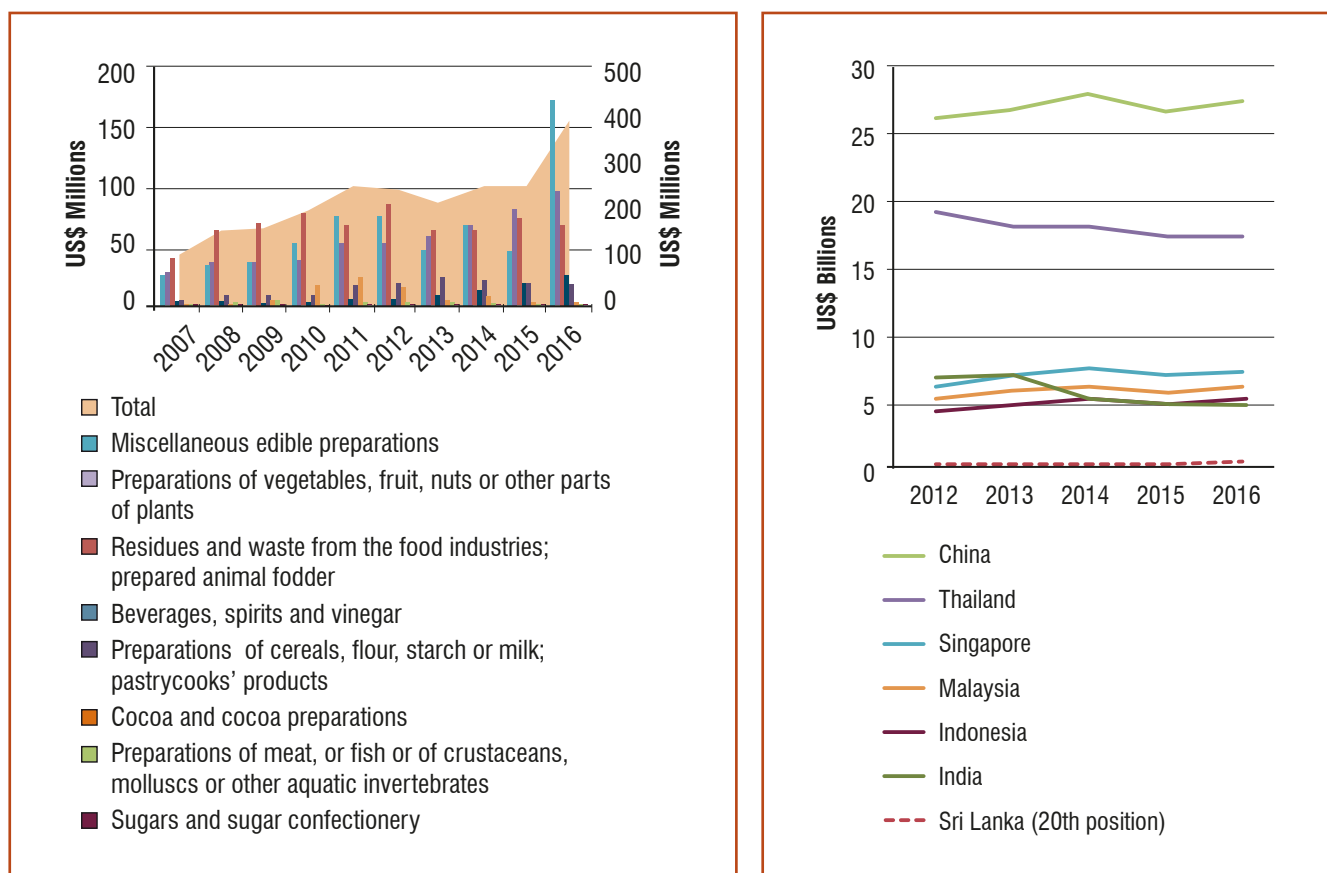
commitment to investment in manufacturing processes and improvement of their image in export markets. Well-established, leading firms can serve as inspiration for smaller companies in the sector.

## PRODUCT ALIGNMENT TRANSLATES INTO GROWING TRADE PERFORMANCE

The processed food and beverages sector has demonstrated steady export growth over the past 10 years, which accelerated in the past year for specific products. Figure 4 shows an overview of all products in the processed food category. The compound annual growth rate of the overall export basket was 15% over the past 10 years and 12% over

the last five years, growing from US\$ 112 million in 2007 to US\$392 million in 2016. However, when comparing to Asian peers, Sri Lanka's processed food exports remain marginal. China and Thailand led Asian processed food exports, with 28% and 17% respectively of total Asian exports in the sector, which were valued at US\$98 billion in 2016.

**Figure 4:** Overall processed food and beverages export trends, compared to regional peers (2007-2016)



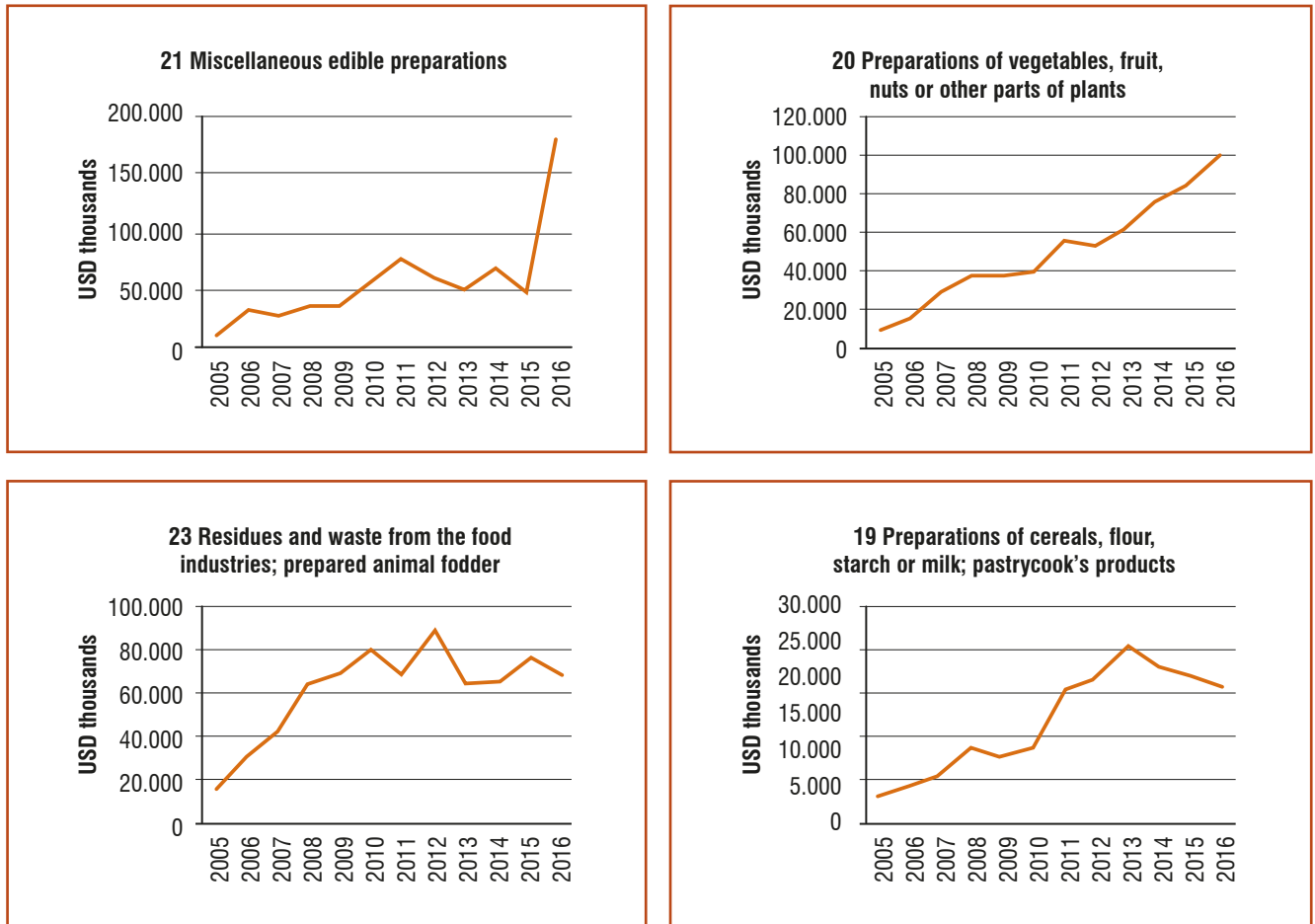
**Source:** ITC calculations based on UN COMTRADE statistics.

**Note:** Values in both graphics represent aggregated values for HS chapters listed in Table 1.

The best-performing exports from Sri Lanka are related to coconut processing, such as coconut water (HS 21), milk and cream, milk powder (HS20), and coconut oil processing residues (HS23). Marinated gherkins and biscuits represent other major exports in the sector. More marginal export categories include non-alcoholic beverages, cocoa and cocoa preparations, meat, fish and crustacean preparations, and sugar confectionery. The success of coconut-based products demonstrates the alignment between Sri Lanka's products and global consumer trends. In

2016, the star product has undeniably been coconut water, both pure and flavoured, recorded under HS21069097. Coconut water represented about 89% of the exports under the HS21 and is responsible for the 73% growth between 2015 and 2016 in exports under this chapter. With a value of US\$ 154 million, coconut water represented about 40% of total Sri Lankan processed food and beverage exports. It also outstripped the desiccated coconut exports, one of the leading exported products from Sri Lanka, which amounted to US\$ 105 million in 2016.

**Figure 5:** Export trends in main HS categories (2005-2016)



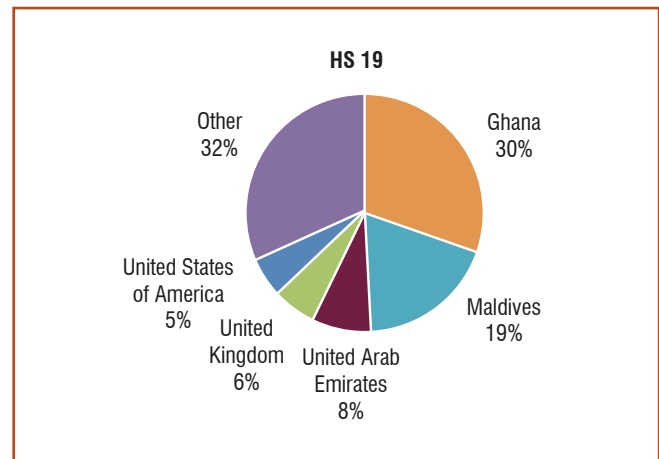
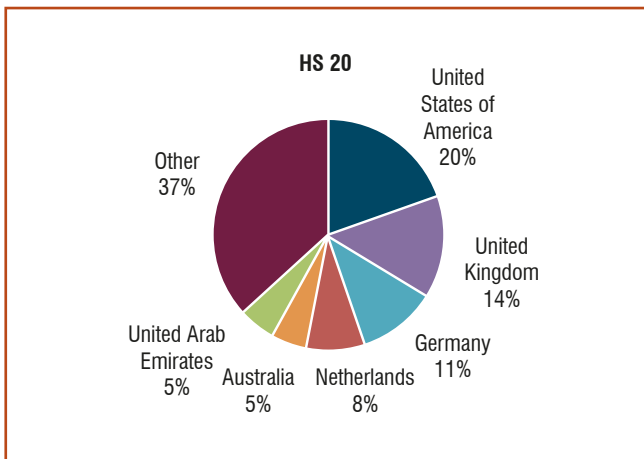
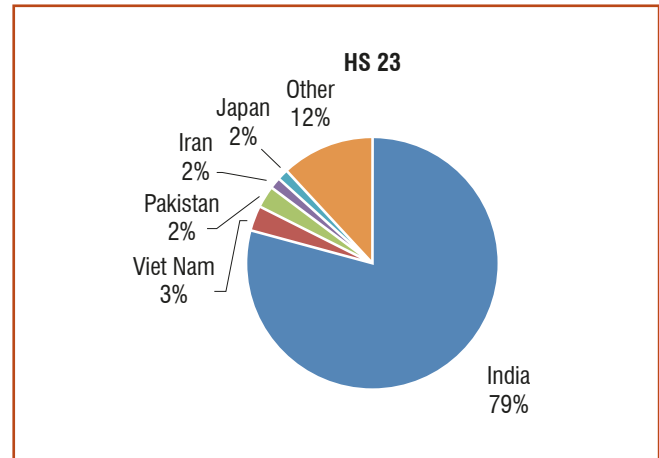
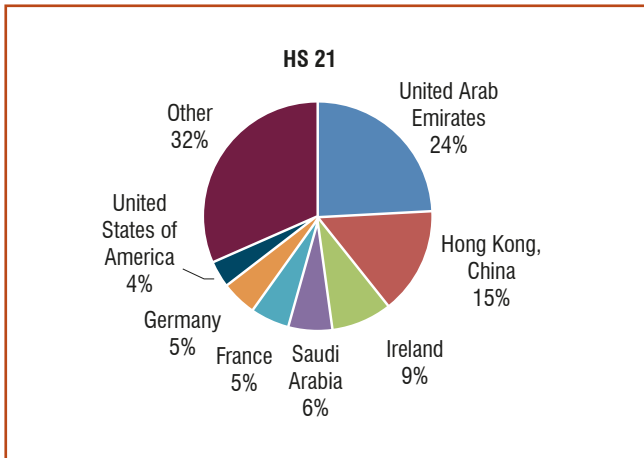
Source: ITC calculations based on UN COMTRADE statistics.

Export destinations and market segments vary widely among different product types, showing market diversification. The main two coconut product types (water and milk/cream) are evenly spread among different Western, Asian and Gulf countries. This is not the case with coconut oil residues, which are mostly exported to India. However coconut oil residue is a by-product and exports to India represent a convenient market, as stakeholders indicate that they do not concentrate on marketing or investing in these products.



Photo: (CC0) @pixabay

**Figure 6:** Export destinations in main HS categories



*Source:* ITC calculations based on UN COMTRADE statistics.

Table 2 provides a market destination perspective and summarizes the main product characteristics of the top three export markets for processed food and beverages from Sri Lanka. Once again, coconut-based products dominate. The table also shows that supply characteristics for these products represent a challenge.



Photo: (CC0)

**Table 2: Main current market characteristics**

Main products exported	Description of products and their supply characteristics	Main type of buyers in target markets	Top critical success factors
<b>India</b>			
1. Bran, sharps and oilcake (2302, 2306)	<ul style="list-style-type: none"> <li>Extraction of residue oil and conversion to animal feed: residue from coconut oil (by-product). Cheap and unfinished product (could be further processed by local animal feed producers)</li> </ul>	<ul style="list-style-type: none"> <li>Animal feed producers in India, are 'cleaning the Sri Lankan coconut residue market', according to stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Low quality requirements</li> <li>Price is a determinant factor</li> </ul>
2. Waters, incl. mineral waters and aerated waters, containing added sugar or other sweetening (2202)	<ul style="list-style-type: none"> <li>Flavoured waters and juices</li> <li>Raw materials are imported (Sri Lankan products are not competitive)</li> <li>Low productivity of local market (import from Philippines)</li> <li>Local supply could be an advantage</li> </ul>	<ul style="list-style-type: none"> <li>Venture partners in India</li> </ul>	<ul style="list-style-type: none"> <li>Due to venture partners, no difficulties to enter market</li> <li>Sanitary safety and quality standards</li> <li>Volumes</li> <li>Price</li> </ul>
3. Nuts and other seeds, incl. mixtures, prepared or preserved (200819)	<ul style="list-style-type: none"> <li>Coconut milk</li> <li>Coconut milk powder</li> <li>Creamed coconut</li> <li>Coconut milk drink</li> </ul>	<ul style="list-style-type: none"> <li>Small retail chains in India</li> </ul>	<ul style="list-style-type: none"> <li>Sanitary safety and quality standards</li> <li>Volumes</li> <li>Price</li> </ul>
<b>United Arab Emirates</b>			
1. Food preparations, n.e.s. (210690)	<ul style="list-style-type: none"> <li>Coconut water, natural and flavoured</li> <li>Problem with local supply: currently water is getting wasted</li> <li>No water and other waste collection network</li> </ul>	<ul style="list-style-type: none"> <li>Local large retail and hotels</li> <li>Thailand is a strong competitor</li> </ul>	<ul style="list-style-type: none"> <li>Sanitary safety and quality standards (achieved by exporters)</li> <li>Volumes</li> <li>Price as the main factor</li> </ul>
2. Nuts and other seeds, including mixtures, prepared or preserved (200819)	<ul style="list-style-type: none"> <li>Coconut milk</li> <li>Coconut milk powder</li> <li>Creamed coconut</li> <li>Coconut milk drink</li> <li>All those products are considered 'super foods' and require little marketing. The main problem is related to shortages due to raw material import limitations. Laws do not allow import of coconut due to disease prevention (quarantine).</li> <li>Protection of a few growers whose cost of production is very high. Currently a 1950-1970 regulation is in place: example sticker on a consumer pack is needed by Sri Lankan regulation. Very costly when there is no quality assurance related to label. Some factories do require it, but others do not.</li> <li>Example: 1960 salmonella problem in the United States: then this type of measure is required. Now obsolete.</li> </ul>	<ul style="list-style-type: none"> <li>Local large retail and hotels</li> <li>Thailand is a strong competitor</li> </ul>	<ul style="list-style-type: none"> <li>Sanitary safety and quality standards (achieved by exporters)</li> <li>Volumes</li> <li>Price as the main factor</li> </ul>
3. Sweet biscuits (190531)	<ul style="list-style-type: none"> <li>Sri Lankan biscuits, ready for consumer use</li> </ul>	<ul style="list-style-type: none"> <li>Travel sector (airlines)</li> <li>Mainstream consumer market (supermarket chains, groceries)</li> </ul>	<ul style="list-style-type: none"> <li>Price is a factor for both markets: expats represent a major share and a lot from the South Asian Association for Regional Cooperation region</li> <li>Certifications + packaging (specific size required) for travel sector supplied locally</li> </ul>

Main products exported	Description of products and their supply characteristics	Main type of buyers in target markets	Top critical success factors
<b>United States of America</b>			
<b>1. Nuts and other seeds, incl. mixtures, prepared or preserved (200819)</b>	<ul style="list-style-type: none"> <li>Coconut milk,</li> <li>Coconut milk powder,</li> <li>Creamed coconut,</li> <li>Coconut milk drink.</li> <li>'super foods' and require little marketing</li> </ul>	<ul style="list-style-type: none"> <li>Stringent quality control measures: dealing with multinationals, breakfast cereal industry such as Kellogg's.</li> <li>There is potential because larger quantities are asked for: Sri Lanka can only supply one-quarter of the demanded quantity.</li> </ul>	<ul style="list-style-type: none"> <li>Sanitary safety and quality standards (achieved by exporters)</li> <li>Price</li> <li>Volumes as the main factor</li> </ul>
<b>2. Food preparations, n.e.s. (210690)</b>	<ul style="list-style-type: none"> <li>Coconut water, natural and flavoured</li> <li>'Super food' and requires little marketing</li> </ul>	<ul style="list-style-type: none"> <li>Local large retail</li> </ul>	<ul style="list-style-type: none"> <li>Sanitary safety and quality standards (achieved by exporters)</li> <li>Price</li> <li>Volumes as the main factor</li> </ul>
<b>3. Sweet biscuits (190531)</b>	<ul style="list-style-type: none"> <li>Sri Lankan biscuits, ready for consumer use</li> </ul>	<ul style="list-style-type: none"> <li>Travel sector</li> <li>Ethnic market</li> </ul>	<ul style="list-style-type: none"> <li>Sanitary safety and quality standards (achieved by exporters)</li> <li>Price</li> <li>Volumes as the main factor</li> <li>FDA approval is required</li> </ul>

Although the sector starts from a low base, export growth demonstrates the interest in and recognition of Sri Lankan products by markets. Consistent export growth demonstrates that the country is in a good position to upscale the sector and transform it into a leading industry, serving as a major component of national branding and becoming a leading foreign exchange earner.

However, major constraints currently prevent both large sector operators and smaller companies alike from upscaling. These constraints mostly stem from outdated sector support frameworks.

## INADEQUATE SECTOR SUPPORT LIMITS FURTHER GROWTH

The Government has not yet fully focused policy support on the processed food and beverages industry, and still emphasizes agricultural production. Most Government policies and support programmes target agricultural production rather than food processing. There are no specific policy instruments or strategies focused on the food processing industry's needs. This means that initiatives and changes required by industry operators take time to materialize and are implemented in an uncoordinated way. Some policies, however, indirectly concern the sector, even if they do not target it fully:

- National Land Use Policy of Sri Lanka;
- Sri Lanka National Agricultural Policy (2007);
- National Policy and Strategic Framework for Prevention and Control of Non-Communicable Diseases (2010);
- Kapruka Navodawa-National Coconut Sector Development Plan (2011-2016); and the
- Ten-year Development Policy Framework of the Fisheries and Aquatic Resources Sector (2007-2016).

**The Government's current strategy for the processed food sector concentrates on increasing local and foreign investment.** The government's industrial policy aims to establish an enabling environment for investments and joint ventures focused on processing or re-exporting certain raw food products in order to bring foreign exchange. The Board of Investment (BOI) offers various incentives for investors.<sup>10</sup> Research institutions also conduct a series of programmes to develop R&D facilities and Government-related institutions offer training and upgrade the skills of technical staff. For instance, Wayamba University is currently establishing a food research centre on technologies to convert agricultural commodities into nutritionally safe products.

**Although additional national and foreign investment is important to scale up the sector, the industry already suffers from a limited raw material supply base.** As will be detailed further in the value chain diagnostic, the sector has challenges obtaining a consistent local raw material supply due to producers' coordination issues. Stringent and outdated regulations (from the 1950s, in some cases) on import exacerbate the issue. These old regulations date back to the protectionist period that lasted until 1977. The entry of new processors will increase the pressure on the limited supply.

**In term of institutional support, even though some specialized institutions exist, they lack resources and coordination among themselves.** In addition, the food safety control function is insufficient to meet industry needs. The following points were highlighted by stakeholders during an institutional assessment exercise (detailed results can be found in appendix 2):

- Stakeholders confirm that agricultural and agro-processing policies are not in line with their needs.
- The food safety control function under MoHNM is not resourced enough to support sector growth.

10.– Various exemptions under Inland Revenue Law, Port and Airport Development Levy Act, Value Added Tax Act and Strategic Development Project Act.



Photo: ITC

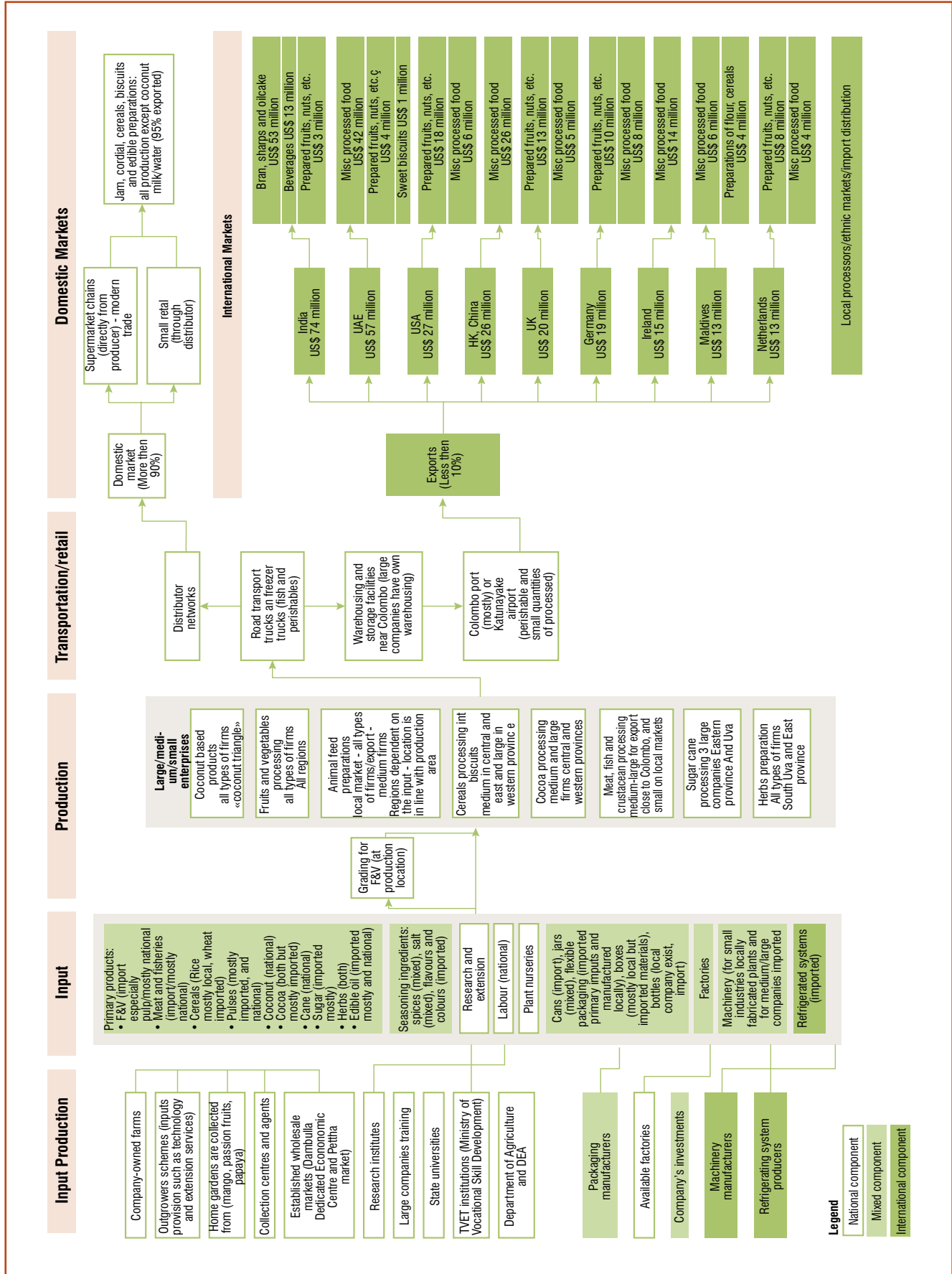
- The Department of Export Agriculture (DEA) is highlighted as being inefficient in terms of coordination capacity, resource allocation and influence on the sector.
- Most of the main sector associations, especially the Sri Lanka Food Processors Association (SLFPA), are under-resourced and therefore lack capacity to support the sector. However, their services, even though insufficient, are relevant, according to sector stakeholders.
- The Medical Research Institute (MRI), the current laboratory responsible for food safety control, lacks sufficient capacity to serve the sector and only covers part of the services required by the industry.
- The education related to the sector offered by universities and training institutes is insufficient, especially in post-harvest technology and food science and technology, both key aspects for processed food and beverages operators.

Policymakers and support institutions have not yet adapted to the needs of a growing food processing industry. Current initiatives focus mostly on agricultural production and do not evaluate and address connections between agricultural production and the food processing industry. Some outdated measures from the protectionist era related to production remain in certain areas to protect local producers. In order to stop leading firms from

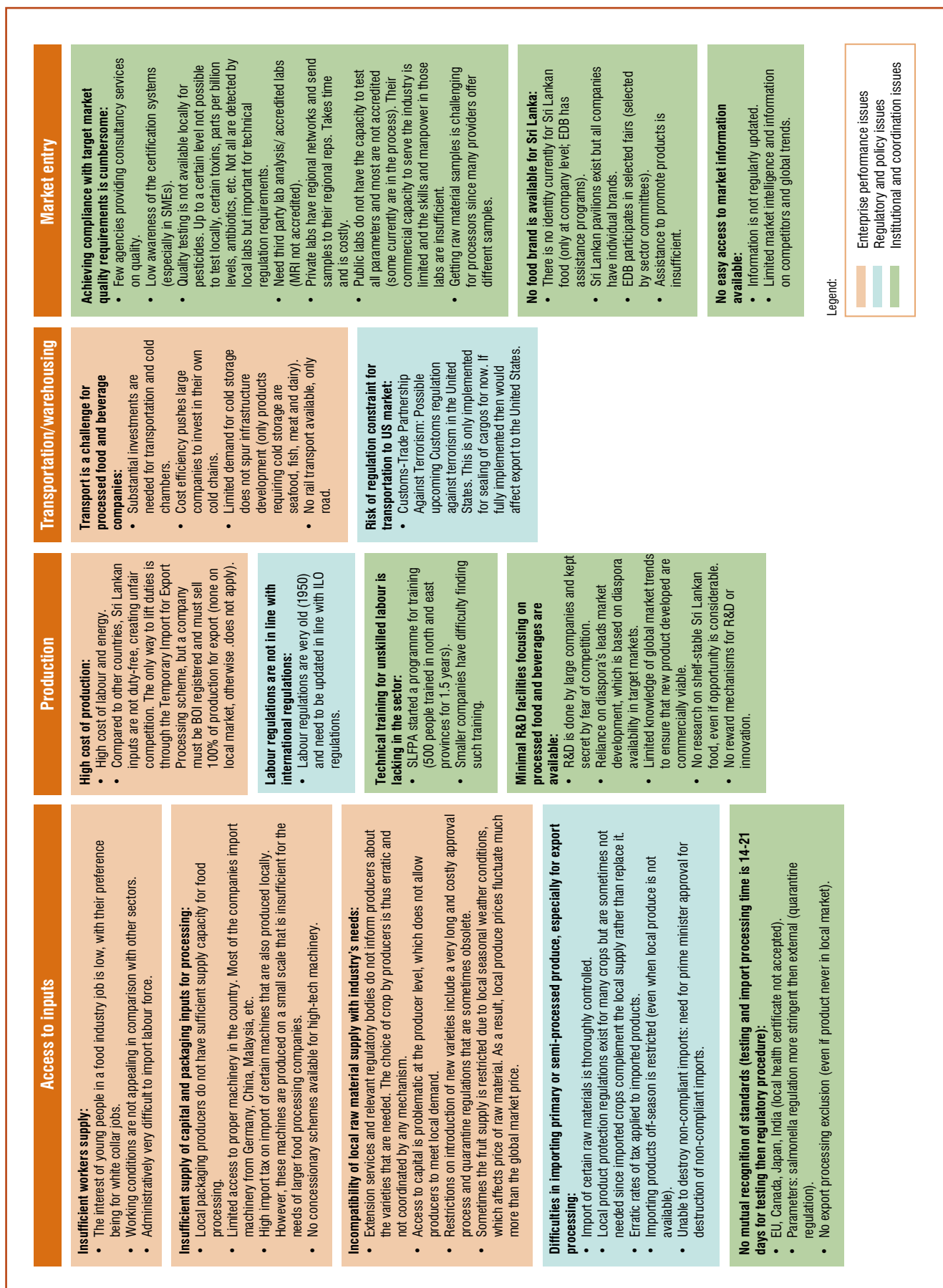
leaving Sri Lanka for other locations that would allow them to scale-up operations, major efforts from all policymakers and regulatory bodies will be needed to create a business environment that enables fast-paced private sector development and evolution. These efforts will be required particularly for the facilitation of raw material provision and food safety control.

# THE VALUE CHAIN DIAGNOSTIC

Figure 7: Value chain diagnostic







Legend:

- Enterprise performance issues
- Regulatory and policy issues
- Institutional and coordination issues

The value chain diagnostic above outlines the operations of the processed food and beverages industry in Sri Lanka and provides an overview of the constraints faced by stakeholders at each stage in the chain.

## FOCUSING ON THE MOST PRESSING ISSUES

To remain realistic and resource-efficient, this strategy will not be able to focus on all the issues affecting the value chain. An informed selection of the most important issues was made. To assess relative importance, criteria used are the level of disturbance (perceived by national stakeholders) and the ease of resolution (both in terms of cost and time involved).

### Top issues to be addressed on input provision

#### Insufficient supply of workers

Because working-age young educated people are more interested in service industries and other competing economic sectors, the Sri Lankan food processing sector faces a labour shortage. Working conditions are also seen as unappealing compared to those of other sectors. More generally, there is limited knowledge about the potential of processed food in Sri Lanka. This situation can be partly explained by the fact that the sector receives little attention from training institutions, which focus more on crop production and agriculture.

In addition, current labour regulations in Sri Lanka tend to discourage employers from hiring women in the plants, as the laws establish a protection level that is higher than required by International Labour Organization (ILO) regulations. These labour regulations further limit the supply of workers to the industry.

The phenomenon is exacerbated by the fact that operators are unable to use foreign labour. The Sri Lankan administration makes it very difficult to import foreign workers.

In order to trigger interest in agro-processing from the younger generation, communication campaigns and career guidance on the potential of the processed food and beverages sector are required.

*The following constraints are addressed in PoA: 1.3.2, 3.4.1., 3.4.2, 3.4.3.*

#### Incompatibility of local raw material supply with industry's needs

The paramount issue for all subsectors of the processed food and beverage industry is access to the raw materials required to meet growing demand. At one level, this issue is rooted in poor connections and coordination between local producers and the food processing sector. Decisions on the variety of crops to be planted is made by farmers based on individual considerations, and sometimes on neighbours' experiences (for instance, if a neighbouring farmer's crop sold at a good price, there is a tendency for other farms to then plant the same crop, which in turn may create an over-supply that might depress prices). The needs of local food processors are not considered in farmers' choice of crop. One explanation for this is the lack of communication by extension services and relevant regulatory bodies about the varieties needed and those with the highest demand. The choice of crop by raw material producers is thus erratic and not coordinated by any mechanism.

Production capacities in Sri Lanka are limited, as raw material producers face a large variety of their own issues (which this strategy will not concentrate on). One of the major ones is a lack of access to capital, which constrains the ability of raw materials producers to meet local demand. However, there are also issues of raw material waste (for instance, coconut water that is not properly collected). At least 80% of total coconut water production is wasted due to a lack of a collection mechanism. Producers of other materials face similar problems.

At the production level, a major issue affecting productivity as well as output quantity is the restriction on introduction of new varieties. Some Sri Lankan varieties have comparatively low productivity (for example, coconuts produced in Sri Lanka have a longer ripening period and are about 50% smaller than those produced by major competitors such as Thailand). Due to the insular ecosystem of Sri Lanka, quarantine regulations are stringent and importing new varieties is a lengthy and difficult process that is controlled by the National Plant Quarantine Service. In addition, some quarantine regulations are today obsolete and concern diseases that no longer pose a threat.

Finally, the local raw material supply is extremely vulnerable to weather conditions. Some of these weather conditions are seasonal and thus predictable. However, variations of weather conditions year-on-year have increased unpredictability and strongly affect the price of local raw material. As a result, local produce prices fluctuate much more than global market prices. Sri Lankan food processors have no mechanism to facilitate the replacement of their local raw material supply with imports during off-season periods.

*The following constraints are addressed in PoA: 2.1.1, 2.2.1, 2.2.2, 2.2.3, 2.3.1, 2.3.2, 2.3.3.*

### Difficulties to import primary or semi-processed produce especially for export processing

The second aspect limiting the availability of products for food processing is the current regulation on food and agriculture imports. There are strict controls on the importation of coconut, tea, rubber, rice, cacao and their planting materials, with only small amounts authorized for importation by research institutions.

Import regulations are in place to protect local production. Importing materials needed by food and beverage processors off-season is currently restricted, even when local produce is not available. However, this is not required as imports do not replace local supply but complement it. Local producers need to produce large quantities of raw materials in order to supply their market; currently they are only able to supply a small portion. The rates of tax applied to imported products and materials add to the issue, as they are inconsistent, make imports too costly and decrease Sri Lanka's comparative advantage.

Problems with Mutual Recognition Agreements also affect import processing time: testing itself and time taken for import processing is between 14 and 21 days (for testing and then for the regulatory procedure). This is particularly the case for the EU, Canada, Japan and India since local health certificates are not accepted. In addition, non-compliant imports cannot easily be destroyed, for destruction of non-compliant imports requires authorization from the Prime Minister.

*The following constraints are addressed in PoA: 1.1.1, 1.2.1, 1.2.2, 2.4.1.*

### Top issues to be addressed on production

#### Minimal availability of R&D facilities focusing on processed food and beverages

R&D activities appear to be insufficiently developed in the segment of the sector producing for the local market but not for export, due to a lack of interest from small processors and to the absence of specific fiscal incentives to conduct such activities in Sri Lanka. As a result, the manufacture of innovative products by smaller non-exporting companies is quite rare.

In most cases, R&D is conducted through large companies and kept secret for fear of competition. Superficial sector coordination and the fact that companies are not assisted in market promotion activities has helped create this strong competitive behaviour among entrepreneurs.

Incentives such as tax credits for R&D could play a major role in encouraging the development of higher value added products and of more innovative products and manufacturing processes and could help attract investors who might establish production in Sri Lanka. Company-reward mechanisms for R&D or innovation could also encourage and give visibility to high-performing manufacturers.

Another problem is a lack of understanding of global food and beverages markets. Many exporters currently rely on leads from the Sri Lankan diaspora and market development is done based on diaspora availability in target markets. As previously mentioned, global markets are mostly led by consumer preferences, and consumers closely follow research and innovation in the fields of healthy nutrition and sustainability. This makes investment in R&D a prerequisite for export.

*The following constraints are addressed in PoA: 3.1.1, 3.1.2, 3.1.3, 3.1.4, 3.1.5, 3.1.6.*

### Top issues to be addressed on market entry

#### Achieving compliance with target market quality requirements is cumbersome

Quality issues affect all food processors in Sri Lanka: the degree depends on the company's size and export-readiness. In the case of larger companies that export, understanding the quality requirements of their target markets and factoring in the costs required to achieve compliance is not a problem. The entire process of research on quality requirements is fully integrated in these large companies, as there are few agencies that provide consultancy services on quality. The issues companies face are external and related to their institutional environment, which is unable to provide the conformity assessment they require in a timely manner. For instance, testing is not available locally for pesticides below certain concentration levels, although this is required by target markets' technical requirements or voluntary standards. Other tests not locally available include those for the presence of certain toxins, parts per billion levels or antibiotics. In these cases, food processors need a third party accredited laboratory analysis, usually done abroad; the only laboratory providing this type of testing in Sri Lanka, MRI, is not accredited. Other public laboratories do not have the capacity to test all parameters and most are not accredited. Their commercial capacity to serve the industry is limited and the skills and manpower are insufficient, according to private sector operators. Private laboratories, however, do have regional networks and use their regional representatives to analyse the samples that require tests that are not available locally. This takes more time and increases the cost of the procedure.

Another issue is the difficulty for large food processors to acquire representative samples of their raw material for testing. Since local producers are small-scale and processors work with multiple local raw material providers, there is no uniformity among the samples and they are therefore not representative.

Smaller companies also face internal quality issues, mostly related to awareness of the certification systems, which result in making their production non-compliant for export.

*The following constraints are addressed in PoA: 1.3.1, 3.2.1, 3.2.2, 3.2.3, 3.3.1.*

### No food brand is available for Sri Lanka

Promotion and branding in the processed food and beverages sector in Sri Lanka is currently happening at the companies' level, which, as mentioned earlier, creates a strong sense of competition among operators as they fight for market share.

Sri Lankan processed food and beverage companies could benefit from a national branding of Sri Lankan cuisine. Sri Lankan cuisine has many specific, intrinsic qualities (low use of fat, use of healthy foods like coconut, vegetarian-friendly, etc.) that would distinguish it from other regional cuisines and could stir interest in international markets. This could be a springboard for companies to upscale their activities and to increase cooperation by uniting the sector around a common image.

Currently, EDB provides support to companies to develop their individual branding and brings operators to selected international fairs (selected by sector committees). However, these Sri Lankan pavilions represent a multitude of individual brands and are not marketed under a unique Sri Lankan cuisine brand (as is done, for instance, by Thailand).

*The following constraints are addressed in PoA: 3.6.1, 3.6.2, 3.6.3.*

The main area of concern which truly threatens the potential of the processed food and beverages sector's growth is the constraints on the supply of raw material, both imported and locally sourced. The issue affects large and smaller companies alike. This area requires urgent attention by policymakers to adjust institutional and regulatory frameworks to support food processors.



Photo: (cc) pixabay

### No easy access to market information available

Although EDB has been providing support, the lack of market intelligence still appears to be a major constraint for current and potential Sri Lankan exporters, as very little information is available on issues such as market requirements, global food trends, distribution channels, packaging requirements and duty access, among others. This inadequate knowledge of market requirements not only negatively affects the development of processed food exports from Sri Lanka, it also prevents the design of relevant market entry and promotion strategies. Insufficient or incomplete information prevents exporters from meeting the market requirements critical to succeeding in a specific target market.

Current trade information services provided by EDB and other providers such as the Sri Lanka Standards Institution (SLSI) and the Ceylon Chamber of Commerce (CCC) are not regularly updated; a prerequisite in a constantly changing environment. They also do not provide information on specific product types, due to the wide scope of the processed food and beverages sector. In addition, third party information providers are absent. Experience has shown that the setting up tools to provide market access information should be accompanied by a continuous monitoring system to keep the online platforms up-to-date. Using the appropriate communication channels to inform the sector's stakeholders about the existence of such online tools is also crucial to ensure the success of such initiatives.

*The following constraints are addressed in PoA: 3.5.1, 3.5.2, 3.7.1, 3.7.2.*

Other issues such as R&D and quality and food safety are often related to the size of a company. National branding and timely market information will be important enablers in transforming the sector into the competitive food processing hub it aims to become.

# THE WAY FORWARD

The Sri Lankan processed food and beverages sector is positioned to experience a dramatic export expansion if constraints are addressed. Sri Lankan products are high quality and have healthy characteristics due to the high quality of local raw materials and the industry's commitment to investing in manufacturing processes and to improving their market image. Lead firms that have emerged in the sector understand global consumer trends, and that keeping up with health and sustainability requirements is no longer optional.

Although the sector started from a low level of exports, export growth over the past few years has demonstrated the interest in and recognition by external markets of Sri Lankan products. The country now is in a good position to upscale the sector and transform it into a leading industry that strongly supports national branding and becomes a leading foreign exchange earner.

However, major constraints currently prevent both leading sector operators and smaller companies from upscaling. Policymakers and support institutions have not yet understood and aligned their work with the needs of a growing food processing industry. Fast-paced private sector development and evolution in the food and beverages sector will require major efforts from all policymakers and regulatory bodies in order to create an enabling business environment that keeps national lead firms in the country and attracts new processors to Sri Lanka. This strategy will thus focus

on efforts to facilitate raw material provision, improve food safety control and reinforce branding for the sector in order to provide a solid basis for the industry's growth.

## THE VISION

The following is a delineation of the PoA's proposed vision and strategic approach. This vision statement was agreed upon by all stakeholders in the processed food and beverage value chain in Sri Lanka.

“ To become a competitive export processing hub for innovative, sustainable and value-added food solutions ”

## THE STRATEGIC OBJECTIVES

The PoA will respond to this vision by addressing sector constraints and by leveraging opportunities in a comprehensive manner. To this end, particular efforts will be made to address these strategic objectives.

**Strategic objective 1:** Amend the regulation framework in line with the needs of the processed food and beverage sector

**Strategic objective 2:** Ensure consistent supply of raw material for the sector

**Strategic objective 3:** Cater to high quality markets

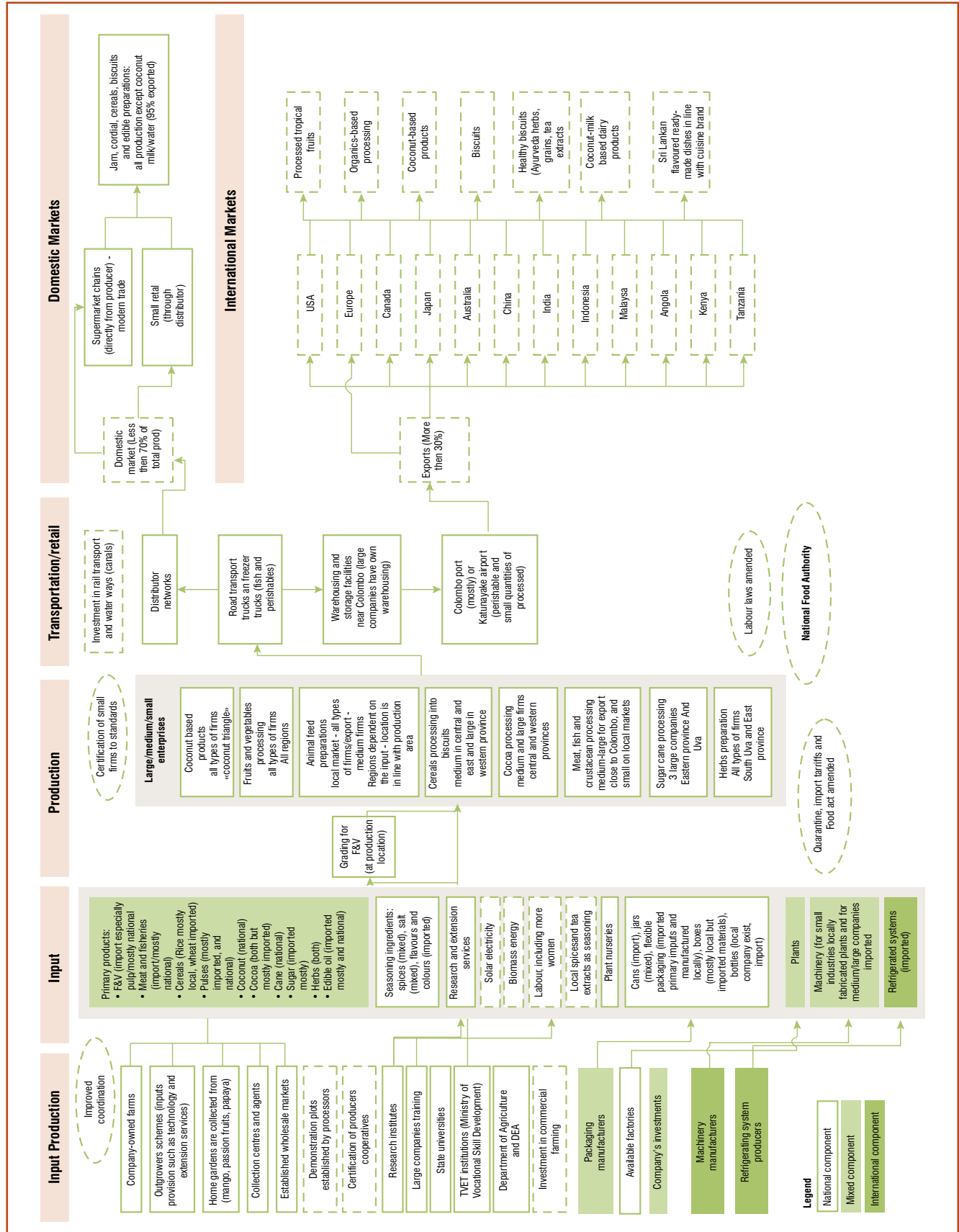
- Numerous regulations, especially those related to importation of materials (quarantine and import restriction laws), require amendment to ensure effective operations in the sector.

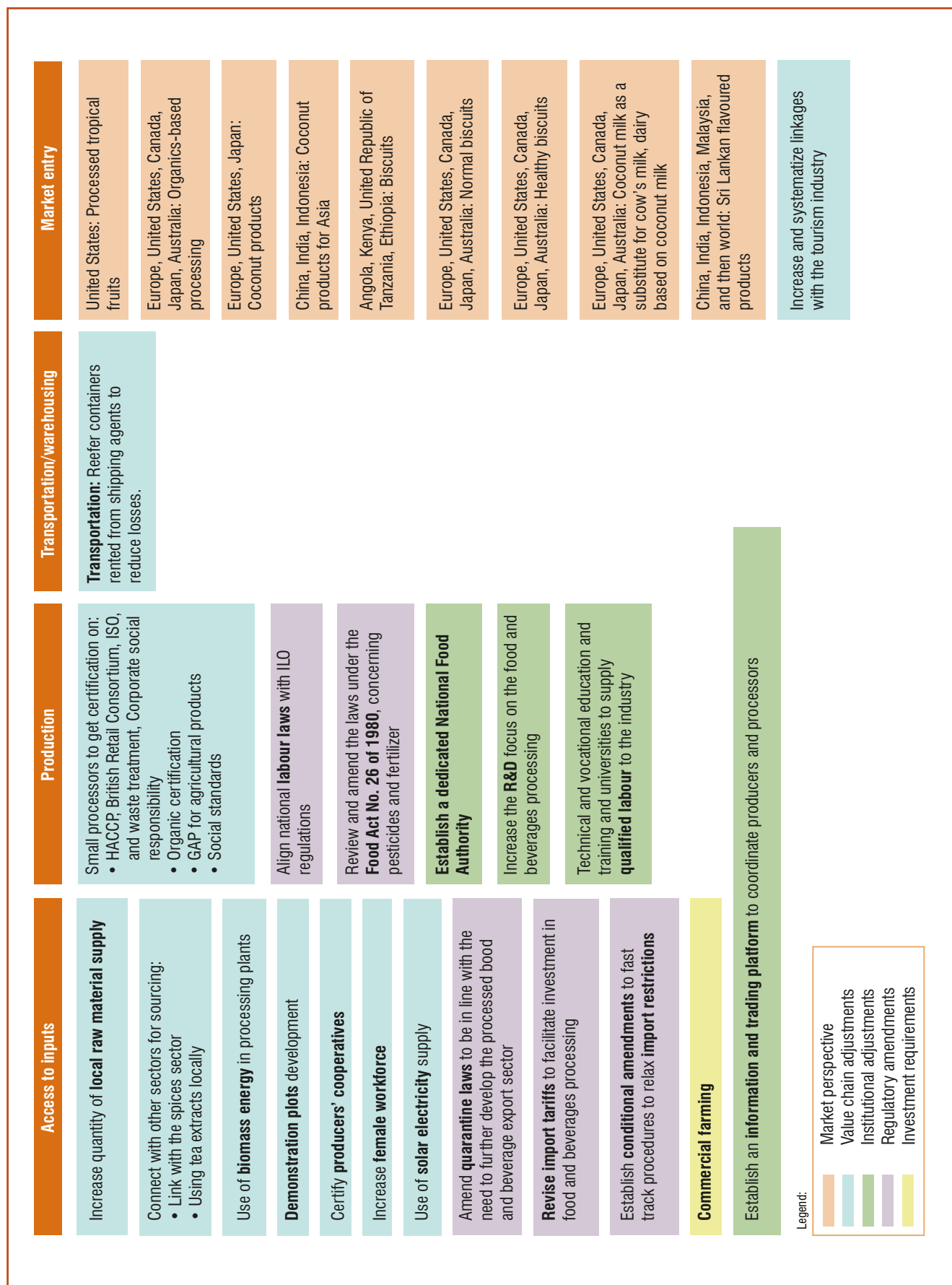
- The supply of raw material must be secured in order for the sector to have the means to meet strong international demand and to upscale these industries.

- To be able to supply the most demanding markets, quality assurance systems must be improved in the country. This will be done jointly with an emphasis on research and innovation and strong national branding.

# THE FUTURE VALUE CHAIN

Figure 8: Future value chain





The previous scheme presents the future processed food and beverages industry value chain in Sri Lanka and provides an overview of the adjustments to be done in relation to markets, value chain operations, institutions, regulations and investments.

## LEVERAGING NEW MARKET AND PRODUCT OPPORTUNITIES

Sri Lanka's recent trade performance has shown success in the area of super foods related to coconut. In order to diversify its markets, the Sri Lankan food and beverage industry can leverage this success by developing connected products. However, this can only be done once raw material access issues are resolved. As highlighted in the global trends overview, research and development are a prerequisite for export success as research findings are followed closely by consumers. In this regard, demand is very sensitive to the new knowledge about healthy products and ingredients. Recent examples are nutrient rich and sustainable options such as algae and seaweed, 'super-foods', 'hero-foods', and plant waters (such as aloe, maple, artichoke, cactus or coconut). This demand sensitivity will

require Sri Lankan companies to be attuned to the current research and consumer reactions in order to adapt their production swiftly.

Table 3 presents an overview of possible pathways for intensification and diversification of Sri Lankan processed food and beverage exports. The intensive margin presented in the upper left box, seeking to garner the most growth out of existing markets and products, mostly will require improvement of the raw material supply base, both locally and internationally, while continuously investing into product quality improvement. However, the extensive margin, which will expand the range of products and markets, shown in the upper right and lower boxes, will require in-depth market research and R&D, in order to offer innovative products such as ancient grains biscuits or coconut dairy products. For all new concepts, companies will also need to focus on intellectual property (IP), seeking patents in the cases of new and original products (representing important inventive and innovative characteristics) as well as geographical indications. **Main target markets will remain developed countries such as the United States, Canada, European countries, Japan and Australia**, tapping into their strong health-oriented consumer preference.

**Table 3: Product and market opportunities**

	Existing markets	New markets
Existing products	<p><b>United States: Processed tropical fruits</b>  <b>Why?</b> Receptiveness of consumer market and favourable global trends.  <b>How?</b> Research needs to be adapted to export requirements (example of Thailand where local farmers are equipped with more productive varieties)</p>	<p><b>China, India, Indonesia: Coconut products</b>  <b>Why?</b> Growing per capita income in these countries, urbanisation and freight advantage.  <b>How?</b> Need to identify competitive advantage compared to their local production of similar products (as they have similar climate and could be competitors).</p>
	<p><b>Europe, United States, Canada, Japan, Australia: Organics-based processing</b>  <b>Why?</b> Growing market globally.  <b>How?</b> Need to orient farmers to select appropriate crops; establish model farmers under large processors to show other farmers (should be backed up by research).</p>	<p><b>Angola, Kenya, United Republic of Tanzania, Ethiopia: Biscuits</b>  <b>Why?</b> Success of Sri Lankan biscuits in African markets. Price is a determinant factor and already high quality.  <b>How?</b> Promotion of Sri Lankan products in these countries, business-to-business meetings, business tours.</p>
	<p><b>Europe, United States, Japan: Coconut products</b>  <b>Why?</b> Super food is in high demand and Sri Lanka is recognized as a supplier.  <b>How?</b> Farmers' orientation as above and improvement of import regulation and quarantine law to allow raw material supply to complement local supply.</p>	<p><b>Europe, United States, Canada, Japan, Australia : Biscuits</b>  <b>Why?</b> High value markets.  <b>How?</b> Need to adapt packaging and quality. Targeted promotion is also needed. National branding initiative would help.</p>
	<b>Existing and new markets</b>	
New products	<p><b>Europe, United States, Canada, Japan, Australia: Healthy biscuits</b>  <b>Why?</b> High value markets, health trends in those markets. Could raise awareness about Sri Lanka's culture.  <b>How?</b> Need to adapt packaging and quality, but also develop healthy variants such as ancient grains biscuits or traditional ayurvedic herbs in biscuits, as well as products from local tea extracts (marketed as Ceylon tea).</p>	
	<p><b>Europe, United States, Canada, Japan, Australia: Coconut milk as a substitute for cow's milk, dairy based on coconut milk</b>  <b>Why?</b> Lactose intolerance very common in western countries and the trend toward lactose-free products and research into new milk substitutes is high.  <b>How?</b> R&amp;D is needed on yogurt, cheese, etc.</p>	
	<p><b>China, India, Indonesia, Malaysia, and then world: Sri Lankan flavoured products</b>  <b>Why?</b> Receptiveness to curries in the region, cultural proximity and understanding.  <b>How?</b> Develop a range of Sri Lankan products based on a national cuisine brand, highlighting the use of coconut. Examples: noodles, home cooking kits, curry powders, pre-cooked meals.</p>	



## STRUCTURAL ADJUSTMENTS TO THE VALUE CHAIN

Unlocking the potential of the processed food and beverages sector growth in Sri Lanka will require transformation throughout the value chain, especially to improve

connections with local producers as well as to facilitate imports. These adjustments will allow the sector to offer competitive levels of both quantity and quality of produce. To this end, the needed value chain adjustments have been identified in Table 4:

**Table 4:** Value chain adjustments in the processed food and beverages sector

Value retention: Possibilities for local production inputs or services sourcing		
Adjustment	How to implement	Time frame
<ul style="list-style-type: none"> <li>Increase quantity of <b>local raw material supply</b></li> </ul>	<ul style="list-style-type: none"> <li>Develop linkages between processors and farmer cooperatives: setup buy-back agreements with cooperatives and advance price setting. Food processing industry needs to be able to advise producers. Currently, local production is an artificially inflated market (as a cottage industry) and is not competitive.</li> <li>Partnerships between producers and processors such as contract farming need to be promoted, with extension organizations as moderators (Coast Conservation Department in the case of coconut). These producers' partnerships would develop annual forecast for producers.</li> </ul>	Short term
Value addition: Potential synergies with other value chains		
Adjustment	How to implement	Time frame
<ul style="list-style-type: none"> <li>Link with the <b>spices</b> sector</li> </ul>	<ul style="list-style-type: none"> <li>Supply locally the spices and seasoning required for food processing. Connect through business-to-business meetings between firms.</li> </ul>	Medium term
<ul style="list-style-type: none"> <li>Using <b>tea extracts</b> locally</li> </ul>	<ul style="list-style-type: none"> <li>Supply tea extracts for certain products such as biscuits, and use this as a branding advantage (Ceylon tea).</li> </ul>	Medium term
<ul style="list-style-type: none"> <li>Increase and systematize linkages with the <b>tourism industry</b></li> </ul>	<ul style="list-style-type: none"> <li>Food processors to link up with catering companies, hotels, restaurants and catering organizations.</li> </ul>	Medium term
<ul style="list-style-type: none"> <li>Use the <b>empty reefer containers</b></li> </ul>	<ul style="list-style-type: none"> <li>Rent reefer containers from shipping agents to improve transportation and reduce losses.</li> </ul>	Short term
Value addition: Key buyers' preference-related quality improvement opportunities		
Adjustment	How to implement	Time frame
<ul style="list-style-type: none"> <li><b>Hazard Analysis and Critical Control Points (HACCP), British Retail Consortium, International Organization for Standardization (ISO), and waste treatment, corporate social responsibility</b></li> </ul>	<ul style="list-style-type: none"> <li>Very important and mandatory for the OECD market. Large companies are compliant, but for smaller companies willing to engage into export, this can be a challenge.</li> </ul>	Short term
<ul style="list-style-type: none"> <li><b>Organic</b> certification</li> </ul>	<ul style="list-style-type: none"> <li>Multiply organic processed foods, using local organic products (need to orient farmers to select their crops).</li> </ul>	Long term
<ul style="list-style-type: none"> <li>Good Agricultural Practices (GAP) for agricultural products</li> </ul>	<ul style="list-style-type: none"> <li>Multiply local producers using GAP: establish model farmers under large processors to show other farmers.</li> </ul>	Medium term
<ul style="list-style-type: none"> <li>Social standards</li> </ul>	<ul style="list-style-type: none"> <li>Achieve certification for Fair Trade International, Business Social Compliance Initiative, Codex Alimentarius and ESR.</li> </ul>	Medium term
Value distribution: Economic and social development opportunities		
Adjustment	How to implement	Time frame
<ul style="list-style-type: none"> <li><b>Demonstration plots</b> development</li> </ul>	<ul style="list-style-type: none"> <li>Plots to be developed by private companies but also from the governmental institutions (research agencies). Inputs can come from the processing industry.</li> </ul>	Medium term
<ul style="list-style-type: none"> <li>Certify <b>producers cooperatives</b></li> </ul>	<ul style="list-style-type: none"> <li>Certification with Fair Trade International standards. Can get a premium for producer-fair production (for specific markets).</li> </ul>	Medium term
<ul style="list-style-type: none"> <li>Increase <b>female workforce</b></li> </ul>	<ul style="list-style-type: none"> <li>Mobilize female workers in the industry by adapting the equipment in firms.</li> </ul>	Medium term
Value distribution: Environmental impact		
Adjustment	How to implement	Time frame
<ul style="list-style-type: none"> <li>Use of <b>biomass energy</b> in processing plants</li> </ul>	<ul style="list-style-type: none"> <li>Get verification of the practice through customer audits.</li> </ul>	Medium term
<ul style="list-style-type: none"> <li>Use of <b>solar electricity</b> supply</li> </ul>	<ul style="list-style-type: none"> <li>New offer for buy-back to replace/supplement existing electricity installations.</li> </ul>	Medium term



Photo: (cc) pixabay

## INSTITUTIONAL ADJUSTMENTS

Some key institutional adjustments will be required for the processed food sector to upscale, as outlined in Table 5. **These adjustments will be required mainly in the areas of quality, sector coordination, R&D and skills development.**

**Table 5:** Institutional adjustments in the processed food and beverages sector

Institutional adjustment	How to implement?
Institutionalize and centralize food safety control and conformity assessment	Need to set up a dedicated National Food Authority (NFA) responsible for food safety control function.
Improvement of the producers-processors coordination	<ul style="list-style-type: none"> <li>Align production requirements by establishing an information and trading platform. Sector associations and research institutions will play a key role in this platform to ensure that information related to processors' needs is passed to the producers.</li> <li>Support contract farming scheme (associations to sensitize their members about the advantages, etc.)</li> </ul>
Increase the R&D focus on the food and beverages processing	<ul style="list-style-type: none"> <li>Connect enterprise R&amp;D departments with university department research and research institutes to get R&amp;D support from public bodies.</li> <li>Build coordination and communication between the research and extension bodies for new findings to be transferred to production level</li> <li>Develop an innovation and R&amp;D competition and reward scheme in the sector, and advertise the winning firms.</li> <li>Commercialise R&amp;D at the university and research institute level.</li> </ul>
Technical and vocational education and training and universities to supply of qualified labour to the industry	<ul style="list-style-type: none"> <li>Include short and medium-term courses, as well as on-the-job trainings, focusing on required skills within supporting institutions and universities.</li> <li>Promote employment opportunities in the industry in the regions of Sri Lanka with highest unemployment rates, as well as to farmers during the off-season period.</li> </ul>
Increase sector coordination	Establish an advisory committee to monitor and coordinate the implementation of the strategy in connection with the sector strategy governance structure. Will report regularly to the Task Force. Chaired by the SLFPA and co-chaired by EDB.

## REGULATORY AMENDMENTS

In the processed food and beverages sector, regulation amendment is one of the major areas in which action is needed to ensure proper operation in the sector. The key adjustments to be carried out are summarized in Table 6 below:

**Table 6:** Regulation adjustments in the processed food and beverages sector

Regulation adjustment	Purpose
Amend quarantine laws	<ul style="list-style-type: none"> <li>• Provide conducive and simplified procedures to import planting materials for farmers in order to improve the supply and quality of fruits and vegetables that are processed in the country. This will provide farmers and processors access to the high yielding varieties and varieties in demand in the global market. (Seed and Planting Material Act, Fertilizer Act, Pesticides Act).</li> <li>• Facilitate the import of raw materials, such as coconut and tropical fruit, for processing when necessary, to ensure local producers, processors and exporters are able to sustain their markets when local raw material is in short supply.</li> </ul>
Revise import tariffs	When imports are not in competition with local producers, amend regulations designed to protect to local producers in order to facilitate investment in food and beverages processing, thereby providing access to processing and packaging machinery, packaging materials and raw materials.
Establish conditional amendments to import restrictions	In order to fast track procedures for import, relax import restrictions on inputs for processing, in case in which shortages affecting productivity and competitiveness (climate irregularities, draughts, etc.).
Review and amend the Food Act No. 26 of 1980	Amend provision concerning pesticides and fertilizer in order to support exporters and open the possibility to import new types required for organic production that are not produced locally.
Align national labour laws with ILO regulations	In order to ensure equal incentives for female employment in the sector.

## INVESTMENT REQUIREMENTS

Investment in the sector will need to follow a twofold approach, highly structured in the short term and more relaxed in the longer term. The government's current policy is to attract local and foreign investment in the processed food sector. Although this is an important measure for future sector growth and diversification, it should be conditional on the aforementioned adjustments being implemented. Only once access to raw material is facilitated can there be additional investment in food processing, as new investments will compete with local processors and use a higher share of the primary produce.

The following investment approach, outlined in Table 7, should be considered:



Photo: (cc) wikimedia



Photo: ITC – © Alexandra Golovko

**Table 7:** Investment approach in processed food and beverages sector

Investment requirement	How to implement?	Timeframe
Restriction on the new investments in processed food and beverages sector	Until the import, quarantine regulations and local production coordination measures are implemented (first year).	Short term
Creation of a land bank	A land bank policy should be established (based on soil type, climate, and topography) overseen by a single responsible institution. Currently the issue is handled by the Land Division under the Department of Irrigation and the Land Division under the Department of Agriculture, with the Land Use and Policy Planning Department (LUPP) as an independent statutory body. The main issue is that these institutions do not have a forward-looking approach and are not commercially oriented. This measure will greatly facilitate investment in production and, later on, processing.	Short term
Transportation	The national rail infrastructure requires public or private investment to ensure swift transportation of processed food products, a minority of which is perishable.	Short term
Commercial farming	Investment in commercial farming should be supported and facilitated. Currently, investors are not coming in this area due to cumbersome investment procedures and the difficulty in acquiring land.	Short term
Favour investments in the processed food and beverages sector	Include transfer of technology in new foreign direct investment contracts. Include a commitment fee in transactions for five years.	Long term
Pursue promotion of commercial farming investments	To further grow local supply base and secure sufficient supply for local processing companies.	Long term

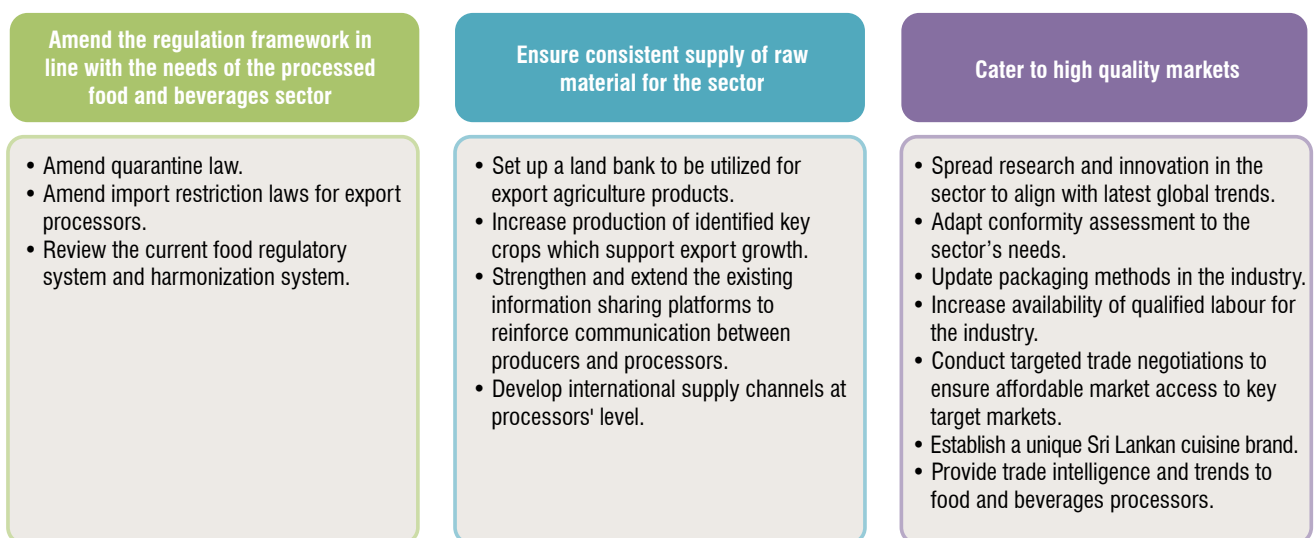
# MOVING TO ACTION

## THE STRATEGIC FRAMEWORK

The strategic objectives define the main thrust that will guide the strategy implementation in order to achieve the vision laid out by the industry. The PoA will respond to this vision by

addressing the sector's constraints and leveraging opportunities in a comprehensive manner. To this end, the strategic objectives outlined in Figure 7 will be addressed:

**Figure 9: Strategic framework**



### STRATEGIC OBJECTIVE 1: AMEND THE REGULATION FRAMEWORK IN LINE WITH THE NEEDS OF THE PROCESSED FOOD AND BEVERAGES SECTOR

The first strategic objective focuses on the most urgent area of intervention, the regulatory amendments required to facilitate imports for food processors. These regulatory amendments concentrate on the need to:

- Amend quarantine law.
- Amend import restriction laws for export processors.
- Review the current food regulatory system and harmonization system.

### STRATEGIC OBJECTIVE 2: ENSURE CONSISTENT SUPPLY OF RAW MATERIAL FOR THE SECTOR

The second strategic objective focuses on raw material supply, both local and foreign. It mostly concentrates on local production coordination and communicating processors' needs to producers in a more effective manner. It also attempts to increase local production through investment facilitation and contract farming. The measures are articulated around the following objectives:

- Set up a land bank to be used for export agriculture products.
- Increase production of identified key crops which support export growth.
- Strengthen and extend the existing information sharing platforms to reinforce communication between producers and processors.
- Develop international supply channels at processor level.

### STRATEGIC OBJECTIVE 3: CATER TO HIGH QUALITY MARKETS

The last strategic objective focuses on increasing the capacity of food and beverage processors to close business deals in high quality niche markets. This covers a wide variety of

areas and includes a number of specific objectives that involve aspects such as innovation and research, conformity assessment, packaging, labour qualification, trade negotiations, branding and trade intelligence. The measures address the following objectives:

- Spread research and innovation in the sector to align with latest global trends.
- Adapt conformity assessment to the sector's needs.
- Update packaging methods in the industry.
- Increase availability of qualified labour for the industry.
- Conduct targeted trade negotiations to ensure affordable market access to key target markets.
- Establish a unique Sri Lankan cuisine brand.
- Provide trade intelligence and trends to food and beverages processors.

## IMPLEMENTATION FRAMEWORK

The objective of the processed food and beverages strategy for Sri Lanka is to create an enabling environment for the food processing industry to realize its potential and benefit the country's image by providing innovative, sustainable and value-added food solutions. Achieving this ambitious objective will depend on the ability of the industry to implement the activities defined in this strategy. To structure sector development, it is recommended that the following interventions be implemented with priority:

- Strengthen the institutional framework governing the processed food and beverages sector and its policies; and
- Build the operational, business skills and innovation capacities of sector operators.

These immediate quick win activities are necessary to initiate successfully the strategy implementation and to create rapid industry growth.

### MANAGING FOR RESULTS

It is the translation of priorities into implementable projects that will contribute to achieving the substantial increase in export competitiveness and in export earnings envisaged under the strategy. These will be driven by reforming the regulatory framework, optimising institutional support to exporters and strengthening private sector capacities to respond to market opportunities and challenges. Allocation of human, financial and technical resources is required to efficiently coordinate, implement and monitor overall implementation.

Successful execution of activities will depend on stakeholders' abilities to plan and coordinate actions in a tactical

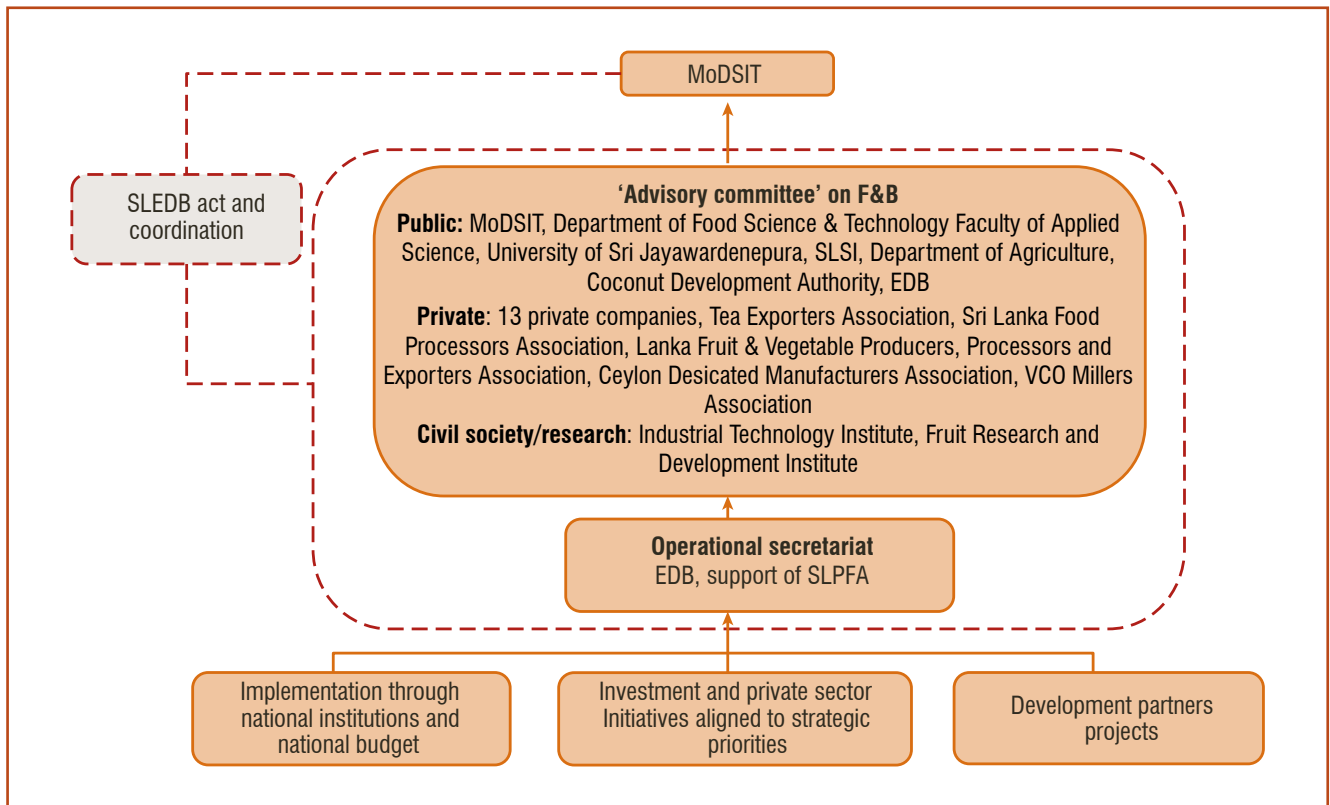
manner. Diverse activities must be synchronized across public and private sector institutions to create sustainable results, and it is therefore necessary to foster an adequate environment and create an appropriate framework for the strategy's successful implementation.

Key to achieving the targets will be coordination of activities, monitoring progress, and mobilizing resources for implementation. To that effect, industry representatives recommended that a public-private 'advisory committee' for the processed food and beverages industry be rapidly established, operationalised and empowered. The 'advisory committee' is to be responsible for overall coordination, provision of policy guidance and the monitoring of industry development along the strategic orientation

### PROCESSED FOOD AND BEVERAGES 'ADVISORY COMMITTEE'

The Export Development Act (1979) directs the EDB that 'On the advice from the Board, the Minister may by Order in the Gazette, establish advisory committees the development and promotion of certain products, product groups and commodities as well as functional aspects of trade.' Additionally, 'Each such advisory committee shall have the power to fix and regulate its own procedure, including the power to determine the number of members necessary to form a quorum at its meeting.' The advisory committees have the function '...to advise the Board on any or all of the matters which the Minister considers necessary for the purposes of carrying out of giving effect to the principles and provisions of this Act.'

**Figure 10:** Institutional framework for processed food and beverages building industry development



It is thus recommended that a processed food and beverages 'advisory committee' be rapidly established by the Minister of MoDSIT and effectively organised by EDB and MoDSIT to support the industry with the capacity to steer its development strategically. The Committee is to be facilitated by a secretariat coordinated by EDB, supported and advised by SLPFA. The advisory committee will report both to the sector task force set by the Prime Minister and to the Cabinet Committee on Economic Management. The task force and the Committee's leadership are key to ensuring political backing for the regulatory amendments required under the strategy.

A processed food advisory committee has been established in February 2018 by the Minister of MoDSIT and effectively organized by EDB to give the industry the capacity to steer its development strategically.

The processed food and beverages 'advisory committee' be composed of the following members:

- Thirteen private companies
- Tea Exporters Association
- Sri Lanka Food Processors Association
- Lanka Fruit & Vegetable Producers, Processors and Exporters Association
- Ceylon Desicated Manufacturers Association
- VCO Millers Association

- Ministry of Development Strategies and International Trade
- Department of Food Science & Technology Faculty of Applied Science, University of Sri Jayawardenepura
- Industrial Technology Institute
- Sri Lanka Standards Institution
- Fruit Research and Development - Institute, Department of Agriculture
- Department of Agriculture
- Coconut Development Authority
- Export Development Board

The advisory committee is empowered to meet quarterly and to implement the following functions:

- i. Create a shared understanding of key market challenges and opportunities facing the sector;
- ii. Set goals and targets that, if achieved, will strengthen the sector's competitive position and enhance Sri Lanka's overall capacity to meet the changing demands of markets;
- iii. Propose key policy changes to be undertaken and promote these policy changes among national decision makers;
- iv. Support the coordination, implementation and monitoring of activities in the sector by the Government, private sector, institutions or international organizations to ensure alignment to goals and targets, as required to contribute to resource identification and alignment.

As part of the overall trade policy and NES design process it has been recommended that an inter-ministerial and multi-industry private sector council be organised and structured to address overall challenges and opportunities to Sri Lanka's trade performance. It is recommended that Chairs of 'advisory committees', such as processed food and beverages, be members of the council to consult on key trade thematic areas ranging from policy to regulations and trade negotiations.

## KEY SUCCESS FACTORS FOR EFFECTIVE IMPLEMENTATION

The presence of the 'advisory committee' to oversee the implementation of the strategy is a key success factor but it is not sufficient to effectively fulfil its assigned functions.

### Private sector support and participation in implementation

The private sector clearly expressed its willingness to contribute, directly or in partnership with public institutions, to the implementation of the strategy. Their implementation efforts can range from providing business intelligence to institutions to contributing to project design, promotion and branding, policy advocacy, etc. In brief, the private sector's practical knowledge of business operations is essential to ensuring that the strategy remains aligned to market trends and opportunities.

### Proactive networking and communication

The key implementing institutions detailed in the PoA need to be informed of the content of the strategy and the

implications for their 2018–2022 programming. This networking and communication is essential to build further ownership and to provide institutions with the opportunity to confirm the activities they can implement in the short-to-long term. It will be important for the EDB, MoDSIT and Members of the advisory committee to reach out to relevant institutions nationally to create awareness and support for the development of the processed food and beverages industry.

### Resources for implementation

The advisory committee, in collaboration with the EDB and the Trade Policy and NES Management Unit at MoDSIT, will need to leverage additional support for efficient implementation. Effective planning and resource mobilisation is indispensable in supporting strategy implementation. Resource mobilisation should be carefully planned and organised.

As the processed food and beverages industry is a priority of the NES, the Government of Sri Lanka should define annual budget allocations and supports to drive the industry growth. This commitment will demonstrate clear engagement towards strengthening the sector and encourage private partners to support development. In addition to national budget support, resource identification will require the BOI to effectively target foreign investors in line with the priorities of the strategy, such as the attraction of more commercial farmers. Investment flows to Sri Lanka should also be considered as a valuable driver of strategy implementation and overall industry development.

The various implementation modalities detailed will determine the success of the strategy's implementation. However, high-level support from the Government, in collaboration with strong championship by the private sector, will be the real driver of successful strategy implementation.

To achieve the vision and strategic objectives discussed, a robust, actionable and realistic strategic PoA is required. This is provided in the section below, and constitutes the heart of this strategy.

The PoA is structured along the three strategic objectives and the operational objectives described above. For each objective, the PoA outlines detailed activities and their implementation modalities, which include:

- **Priority level:** Priority 1 being the highest and 3 the lowest.
- **Start/end dates:** The desired timeframe of the activity.
- **Targets:** Quantifiable targets that allow completion monitoring of the activity during the implementation stage.
- **Leading implementing partners:** One single accountable lead institution per activity. (The institution can also have a technical role or can solely have an oversight and coordination role.)
- **Supporting implementing partners:** Any institution that should be involved at any stage of the activity's implementation.
- **Existing programmes or potential support:** Existing initiatives ongoing in the specified area of the activity.
- **Indicative costs (US\$):** An estimate of the activity's cost for the total implementation period.



# **PLAN OF ACTION 2018-2022**

Strategic objective	Operational objective	Activity	Priority	Start date	End date	Targets	Leading implementing partners	Supporting implementing partners	Indicative costs (USD)
1: Amend the regulation framework in line with the needs of the processed food and beverages sector	1.1: Amend quarantine law	<p>1.1.1 While ensuring the security and sustainability of local agricultural producers, amend quarantine laws by:</p> <ul style="list-style-type: none"> <li>• Simplifying procedures to introduce/import planting materials to improve supply of F &amp; V</li> <li>• Provide access for farmers &amp; processors high yielding varieties in demand in global markets. (Seed and Planting Material Act, Fertilizer Act, Pesticides Act).</li> <li>• Authorize the importation of raw materials, such as coconut and tropical fruits, for processing in the case the local raw material is in short supply by providing conditional amendments to fast track procedures.</li> </ul> <p>Exporters to propose a prioritized list of specific commodities for DOA to prioritize the analysis process and expedite law amendment process.</p>	1	01/04/2018	31/12/2022	Quarantine law amended to allow import of new planting materials and raw material for processing	Department of Agriculture	Ministry of Rural Economic Affairs; Ministry of Health, Nutrition & Indigenous Medicine; Coconut Research Institute (CRI); Department of Export Agriculture	100,000
	1.2: Amend import restriction laws for export processors	<p>1.2.1 Revise import tariffs to facilitate investment in food and beverages processing, thereby providing access to processing and packaging machinery, packaging materials and raw materials. Amend regulations designed to provide protection to local producers' when imports are not in competition with local producers.</p> <p>In the case of export hub, conduct a legal revision study and update the TIEP scheme to work without ministry's approval in order to streamline procedures.</p>	1	01/10/2018	31/12/2022	<ul style="list-style-type: none"> <li>• Law on TIEP amended.</li> </ul>	Ministry of Industry and Commerce	Ministry of Finance; Sri Lanka Customs; Export Development Board; Department of Agriculture; Department of Export Agriculture	50,000
	1.3: Review of the current food regulatory system and harmonization of system	<p>1.3.1 Proceed to a general review of the Food Act and add new aspects Minimum Residue Levels (pesticides and fertilizer) to support exporters. The following points to be integrated:</p> <ul style="list-style-type: none"> <li>• develop a regulation on pesticide residue levels to be integrated in the food act</li> <li>• develop a regulation on testing facilities</li> <li>• integrated provisions related to the creation of a food authority as a coordinating body for food testing</li> </ul> <p>1.3.2 Align national labour laws with ILO regulations in order to ensure equal incentive for female employment in the sector, facilitating night shift approval procedures.</p>	2	01/04/2018	31/12/2022	Food Act fully reviewed and amended to support current export trends.	Ministry of Health, Nutrition & Indigenous Medicine	Ministry of Development Strategies and International Trade; Sri Lanka Customs; Sri Lanka Standards Institution (SLSI); Export Development Board; Department of Agriculture; Registrar of Pesticides	-
2: Ensure consistent supply of raw material for the sector	2.1: Set up a land bank to be utilized for export agriculture products	<p>2.1.1 Setup a land bank based on soil type, climate and topography. Select a single responsible institution to perform the land attribution.</p>	3	01/01/2019	31/12/2020	Labour laws amended to create more flexibility for employers	Ministry of Industry and Commerce	Export Development Board; Department of Labour	-
	2.2: Increase production of identified key crops which support export growth	<p>2.2.1 Promote contract farming through extension services to producers in order to increase supply of Planting Material (Seeds, increase financial and R&amp;D support to nurseries and tissue culture labs)</p>	2	01/04/2018	31/12/2019	Land Bank established and single institution managing it	To be finalized by Land Use Policy Planning Department	Ministry of Mahaweli Development and Environment ; Department of Agriculture; Ministry of Lands and Parliamentary Reforms; Department of National Planning	350,000
			3	01/04/2018	31/12/2022	Extension services developed a systematic contract farming promotion campaign to be spread at the national level.	Department of Agriculture	Export Development Board; Sri Lanka Food Processors Association; Coconut Research Institute (CRI); Department of National Planning	100,000

Strategic objective	Operational objective	Activity	Priority	Start date	End date	Targets	Leading implementing partners	Supporting implementing partners	Indicative costs (USD)
2: Ensure consistent supply of raw material for the sector	2.2: Increase production of identified key crops which support export growth	2.2.2 Promote inter-crop lands through extension services in order to maximize yields per season (use coconut land for pineapple, banana and pepper); feasibility studies to be done to show advantages. (to be connected with 2.2.1.)	3	01/04/2018	31/12/2022	Extension services developed an inter-crops land use promotion campaign to be spread at the national level.	Department of Agriculture	Ministry of Primary Industries; Coconut Research Institute (CRI); Department of Export Agriculture; Ministry of Lands and Parliamentary Reforms; Department of National Planning	50,000
		2.2.3 Select processors that operate through contract farming and that would be willing to integrate training programmes. <ul style="list-style-type: none"> <li>Support the processors agreeing to disseminate training on innovative agriculture technology, GAP, GMP and best practices with a special focus on organic culture.</li> <li>Use demonstration plots to disseminate the technology to farmers' clusters and food processors (exporters).</li> </ul>	3	01/04/2018	31/12/2018	At least 10 processors per year supported to develop training programmes.	Department of Agriculture	Ministry of Plantation Industries; Ministry of Primary Industries; Export Development Board; Sri Lanka Institute of Information Technology (SLIIT); Department of Export Agriculture	330,000
3: Cater to high quality markets	2.3: Develop national channels of supply at processors' level	2.3.1 Promote and strengthen food and beverages companies building backward integration into their supply chain (collection centres), including establishment of processing zones and facilities. The support should focus on skills, tech, and infrastructure.	2	01/04/2018	31/12/2022	Support schemes established for those companies building backward linkages as incentive.	Ministry of Primary Industries	Ministry of Plantation Industries; Export Development Board; Food Advisory Committee (under MoHNM)	170,000
		2.3.2 Establish Special Purpose Vehicles (SPVs) – or share-holders' processors clusters for Supply Chain activities such as extension service, collection centers, primary processing and final processing.	1	01/10/2018	30/06/2019	Producers partnerships strengthened	Export Development Board	Ministry of Plantation Industries; Ministry of Primary Industries	100,000
	2.3.3 Align local crop production based on market demand through establishing an information sharing/trading platform that will channel processors' requirements to producers (processors can input their demand into the system). The information platform will also serve processors by providing a registry of what is growing and where. This will involve research institutions and sector associations.	1	01/01/2019	31/12/2019	Information channeling mechanism strengthened and extended	Department of Agriculture	Ministry of Plantation Industries; Ministry of Primary Industries; Export Development Board; Sri Lanka Food Processors Association; Department of Export Agriculture; Hector Kobbekaduwa Agrarian Research and Training Institute	100,000	
	2.4: Develop international channels of supply at processors' level	2.4.1 Creates awareness on available potential sourcing countries and suppliers of PF&B inputs in terms of price, quality, varieties for processing, and more. Use the collaboration with Embassies to be established under activity 3.7.1. SLFPA to provide list of priority products for which additional sourcing is required.	3	01/06/2018	31/12/2021	Information on sourcing markets available to subscribed members	Department of Commerce	Export Development Board; Sri Lanka Food Processors Association	20,000
	3.1: Spread research and innovation in the sector to align with latest global trends	3.1.1 Connect enterprise R&D departments with university research and research institutes to get the R&D support from public bodies. Public bodies to identify enterprises to be supported.	3	01/06/2018	31/12/2019	All enterprises with R&D connected to lead universities	Ministry of Industry and Commerce	Export Development Board; Industrial Technology Institute (ITI); Department of Export Agriculture; University of Wayamba	50,000

Strategic objective	Operational objective	Activity	Priority	Start date	End date	Targets	Leading implementing partners	Supporting implementing partners	Indicative costs (USD)
3: Cater to high quality markets	3.1: Spread research and innovation in the sector to align with latest global trends	3.1.2 Integrate curricula on IP in food processing industry for specific courses delivered in universities. Develop ad-hoc training modules for industry operators on IP.	2	01/04/2019	31/12/2022	1 new curriculum developed per university New modules integrated	National Intellectual Property Office	University of Moratuwa ; University of Colombo ; University of Jaffna ; Institute of Food Science and Technology	200,000
		3.1.3 Establish regular knowledge transfer sessions between research and extension (public and private) for new findings to be transferred to production level. Also, provide agro-clinics and service outlet at cluster village catering to mechanization and agriculture extension.	3	01/01/2019	31/12/2022	Systematic information exchange mechanism established	Ministry of Primary Industries	Industrial Technology Institute (ITI); National Agribusiness Council ; Department of Agriculture; Department of Export Agriculture	50,000
		3.1.4 In collaboration with SLFPA, develop a yearly innovation and R&D competition and reward scheme in the sector, and advertise the winning firms	3	01/01/2019	31/12/2022	Innovation rewards established	Industrial Technology Institute (ITI)	Sri Lanka Food Processors Association; Lanka Fruit & Vegetable Producers, Processors and Exporters Association; Department of Agriculture	100,000
		3.1.5 Commercialization of R&D at the university and research institute level by establishing conditional sponsoring of PhDs based on the research area selected. Prioritize areas required by the industry.	3	01/06/2018	31/12/2022	Conditional sponsoring of PhDs established	Ministry of Science, Technology and Research	Sri Lanka Food Processors Association; Ministry of Health, Nutrition & Indigenous Medicine; Department of Agriculture	50,000
		3.1.6 Develop an IP policy for the proper ownership, exploitation and commercialization of the results of the research and innovations activities and projects on processed food and beverages.	2	01/01/2019	31/07/2019	IP policy on Sri Lankan processed food products developed.	National Intellectual Property Office	Ministry of Primary Industries; National Agribusiness Council ; Sri Lanka Food Processors Association; Ministry of Health, Nutrition & Indigenous Medicine; Department of Agriculture; Department of Export Agriculture	80,000
		3.2: Adapt conformity assessment to the sector's needs	3.2.1 Revise and restructure the current national food control system (specifically the Food Act) to consolidate food safety into a National Food Safety Authority (coordination platform). The NFSA should regulate food testing and accept conformity assessment done by accredited testing laboratories. (See activity in the NQ strategy). Align Sri Lankan food standards with international best practices. NFA to integrate the SPS enquiry point.	1	01/04/2018	31/12/2022	NFA coordination established. SPS enquiry point integrated.	Ministry of Health, Nutrition & Indigenous Medicine	Ministry of Development Strategies and International Trade; Sri Lanka Standards Institution (SLSI); Export Development Board; Sri Lanka Food Processors Association; Department of Commerce ; Department of Agriculture; Coconut Research Institute (CRI); Coconut Development Authority (CDA)
	3.2.2 Develop a periodic conformity assessment of PF&B Laboratories to ensure that they remain standardized. Gain mutual recognition for Sri Lankan Laboratories.		3	01/06/2018	31/12/2022	Periodic conformity assessment set	Sri Lanka Accreditation Board (SLAB)	Sri Lanka Food Processors Association; Ministry of Health, Nutrition & Indigenous Medicine; Department of Agriculture	50,000
	3.2.3 Introduce import tax-concessions on laboratory equipment for testing.		3	01/06/2018	31/12/2022	Tax-concession approved	Ministry of Finance	Ministry of Plantation Industries; Sri Lanka Food Processors Association; National Science Foundation; Department of Agriculture	100,000

Strategic objective	Operational objective	Activity	Priority	Start date	End date	Targets	Leading implementing partners	Supporting implementing partners	Indicative costs (USD)
3: Cater to high quality markets	3.3: Update packaging methods in the industry	3.3.1 Improve the technical capacity in line with international standards in packaging to the processed food and beverages companies. For SMEs, potential exporters. Explore IP protection for new developments.	3	01/04/2018	31/12/2022	At least 10 SMEs involved in packaging training per year.	Ministry of Industry and Commerce	Export Development Board; Industrial Technology Institute (ITI); Sri Lanka Institute of Packaging; University of Wayamba	100,000
		3.4: Increase availability of qualified labour for the industry	3	01/04/2018	30/09/2018	Skill gap assessment carried out	Ministry of Skills Development and Vocational Training	Export Development Board; Sri Lanka Food Processors Association; Department of Labour	50,000
	3.5: Conduct targeted trade negotiations to ensure affordable market access to key target markets	3.4.2 Include short and medium term courses, as well as on-the-job trainings within supporting institutions and universities, focusing on skills identified as lacking within the skill gap assessment.	3	01/10/2018	31/12/2019	New courses and trainings created	Ministry of Industry and Commerce	Ministry of Skills Development and Vocational Training; Vocational Training Authority of Sri Lanka	100,000
		3.4.3 Promote employment opportunities in the industry through schools, career orientation centres and promotional campaigns, in the regions of Sri Lanka with highest unemployment rates, as well as to farmers during the off-season period.	3	01/04/2018	31/12/2022	Regional promotional campaigns carried out	Ministry of Industry and Commerce	Ministry of Education; Ministry of Skills Development and Vocational Training; Vocational Training Authority of Sri Lanka	50,000
	3.6: Establish a unique Sri Lankan cuisine brand	3.5.1 Build understanding of the trade negotiators about the industry through industry visits and yearly bilateral meetings with key industry representatives, both exporters and smaller firms.	3	01/04/2018	31/12/2022	Yearly meetings of trade negotiators set	Department of Commerce	Ministry of Development Strategies and International Trade; Export Development Board	100,000
		3.5.2 Establish systematic private sector consultations in preview of trade negotiations and gather information required to build the case for the negotiations.	2	01/04/2018	31/12/2022	Systematic consultation requirement established	Ministry of Development Strategies and International Trade	Ministry of Industry and Commerce; Department of Commerce	-
	3.6: Establish a unique Sri Lankan cuisine brand	3.6.1 Developing a Brand Proposition for Sri Lankan Cuisine, using international branding experts and using regional examples, and targeting export market and the tourism sector. Consider the use of an IP strategy for better protection.	1	01/04/2018	31/12/2019	Unique Sri Lankan food, beverages & flavours Brand created Annual campaign carried out.	Sri Lanka Tourism Development Authority	Board of Investment (BOI); Export Development Board; Department of Commerce; Department of Agriculture	100,000
		3.6.2 Create products in line with the branding initiative, which are certified consistent quality and safety, aimed at penetrating high value & niche markets. Products leads identified in the strategy are: • Healthy biscuits • Coconut milk as a substitute to cow milk • Sri Lankan flavoured products	1	01/01/2019	31/12/2022	Quantified increase of demand for branded products	Export Development Board	Ministry of Primary Industries; Sri Lanka Food Processors Association; Spice Council; Coconut Development Authority (CDA)	-
		3.6.3 Identify suitable IP right protection for newly developed products and existing IP unprotected products. Develop an international registration strategy for promoting brands in exporting markets (trademarks, collective marks, or patents in case of inventive products).	1	01/01/2019	31/12/2022	Support provided on IP registration for all new areas identified	Export Development Board	Ministry of Primary Industries; Sri Lanka Food Processors Association	50,000

Strategic objective	Operational objective	Activity	Priority	Start date	End date	Targets	Leading implementing partners	Supporting implementing partners	Indicative costs (USD)
3: Cater to high quality markets	3.7: Provide trade intelligence and trends to food and beverages processors	3.7.1 Mobilize and resource target market-based Embassies of Sri Lanka to deliver trade information to EDB. The information should contain a detailed market profile with a section on consumer trends and preferences and latest successful products on food and beverages market. Use fixers in markets to do quarterly bulletins by email.	2	01/04/2018	31/12/2022	Embassies equipped to provide market information to EDB Quarterly email bulletins in place.	Export Development Board	Ministry of Finance; Department of Commerce	100,000
		3.7.2 Establish an Advisory committee to monitor and coordinate the implementation of the strategy, in connection with the sector strategy governance structure.	2	01/04/2018	30/06/2018	Advisory committee for strategy implementation	Export Development Board	Ministry of Finance; Department of Commerce	5,000

## APPENDIX 1: LIST OF PARTICIPANTS IN THE PUBLIC-PRIVATE CONSULTATIONS

No.	Name	Designation	Name of Institution
1	Mr. Y.Thishanthan	Assistant Registrar	Advanced Technical Institute
2	Mr. Dilantha De Silva	Chief Operating Officer	Bio Extracts (Pvt) Ltd
3	Mr.A.G. Abubucker	Head of International Sales	Bio Extracts (Pvt) Ltd
4	Dr. Sarath Ranaweera	Chairman	Bio Foods (Pvt) Ltd
5	Mr. Nihal Rathnayake	Cooperate Management Consultant	Bio Foods (Pvt) Ltd
6	Ms. Lakmali Withange	Assistant Director- Investment	Board of Investment (BOI)
7	Dr. R.A.U.C. Ranasinghe	Chairman	C.R. Exports (Pvt) Ltd.
8	Mr. M.A.C. Najeeb	Director (Northern)	Central Environmental Authority
9	Ms. Sheamalee Wickramasingha	Group Managing Director	Ceylon Biscuits Ltd.
10	Mr. Nadeeja Karunathilaka	General Manager- International Market Development	Ceylon Biscuits Ltd.
11	Mr. Buddhika Abayakoon	Head of International Marketing Consumer Food Sector	Ceylon Cold Stores PLC
12	Mr. Sampath Samarawickrama	Director- Market Development & Research	Coconut Development Authority
13	Dr. I.M.S.K. Idrisinghe	Head- Agriculture Economics Division	Coconut Research Institute.
14	Mr. Dharmasiri Alahakoon	Chairman/ Joint Managing Director	Country Style Foods (Pvt.) Ltd
15	Mr. Sarath W. Alahakoon	Chairman/ Joint Managing Director	Country Style Foods (Pvt.) Ltd
16	Mr. H.R.P. Fernando	Deputy Director	Department of Agriculture
17	Dr. P.V. Sriyalatha	Chief Animal Quarantine Officer	Department of Animal Production & Health
18	Mrs. S.Shamala	Asst. Commissioner of Co-Operative Development	Department of Cooperative Development
19	Ms. A.P.P. Disna	Director - Regulation	Department of Export Agriculture
20	Mr. I.V.A.D.C. Induruwa	Assistant Director	Department of Export Agriculture
21	Ms.Sepalika Wickramasinghe	Deputy Director/ Quality Control	Department of Fisheries & Aquatic Resources
22	Mrs. M. Ketharagowry	District Coordinator (WDO)	District Child / Women Development Unit
23	Mr. Suresh Ellawala	Director	Ellawala Horticulture (Pvt) Ltd
24	Mr. Suntharalingam Anpalagan	Director	Ever Tree Fruit Products (Pvt) Ltd
25	Mr. Theepan	Accountant	Ever Tree Fruit Products (Pvt) Ltd
26	Ms. Deepika Hettiarachchi	Assistant Director - Agriculture Research	Food Research Unit
27	Mr. Emilio Carcano	Special Project and Strategic Development	Goglio (Packaging Represent)
28	Mr. Fazal Mushin	Chief Executive Officer	Green Field Bio Plantation (Pvt) Ltd
29	Dr. P.N.R.J. Amunugoda	Senior Research Scientist	Industrial Technology Institute (ITI)
30	Mr. S. Shanmugalingam	Factory Manager	Juchufy Fruit Based Industry
31	Mr. Balendran	General Manager	Karachchi South MPCS
32	Mr. S.Pirashanth	Production Assistant Manager	Katpagacholai
33	Mr. Nilhan Ekanayake	Manager Administration / Export	Lanka Canneries (Pvt) Ltd.
34	Mr. Asiri Silva	Manager Export Administration	Lanka Canneries (Pvt) Ltd.
35	Mr. B. Wijayarathna	Secretary	Ministry of Agriculture
36	Mr. T.H. Amarasinghe	Director- Agriculture Technology	Ministry of Agriculture
37	Mr. Sapumal Kapukotuwa	Value Chain Specialist	Ministry of Primary industries ASMP -World Bank
38	Mrs. Dawn. S. Austin	Managing Director	Nidro Supply (Pvt) Ltd.
39	Mr. S. Naguleswaran	Owner of the Company	Nutri Food Packers

No.	Name	Designation	Name of Institution
40	Mrs. S. Kaileswaran	District Director	Office of the District Director of Agriculture
41	Mr. Chaminda Udakumbura	Deputy General Manager - Administration	Paddy Marketing Board
42	Mr. M.B. Loganathan	Deputy General Manager	Palmyra Development Board
43	Ms. Zahra Cader	Senior Manager	PricewaterhouseCoopers (PWC)
44	Mr. Sajith Gunaratna	Deputy General Manager	Prima Group / Ceylon Agro Industries Ltd
45	Ms. Sankeetha	-	Punkudutivu Food Manufactures
46	Ms. Thamilini	-	Punkudutivu Food Manufactures
47	Ms. Elavally	-	Punkudutivu Food Manufactures
48	Mr. Canagaratnam Sabeson	Head of Key Accounts	Renuka Agri Foods PLC
49	Dr. S.R. Rajiyah	Group Managing Director	Renuka Agri Foods PLC
50	Mr. Withanawasam	-	Rice Research & Development Institute
51	Mrs. Amitha Bentota	Director-Rice Research and Development	Rice Research and Development Institute
52	Mr. J.M. Karunarathna	Manager	Ruweena Products
53	Mr. Suresh A. Silva	Managing Director/ Group Chief Executive	S A Silva & Sons Lanka (Pvt.) Ltd.
54	Mr. Prabath Fernando	Assistant General Manager- Finance	S A Silva & Sons Lanka (Pvt.) Ltd.
55	Ms. B. Ameerah	Accountant	Sivanarul Products
56	Ms. S. Anitha	Accountant	Sivanarul Products
57	Mr. Maliek de Alwis	President	Sri Lanka Food Processors Association (SLFPA)
58	Mr. Delano Dias	Vice President	Sri Lanka Food Processors Association (SLFPA)
59	Mr. Gamini Dharmawardena	Director General	Sri Lanka Standard Institution (SLSI)
60	Mr. Chinthaka Kulatilleke	Head of HR & Administration	Sri Lankan Catering
61	Mr. S. Lucia Selvakumar	-	St. Lucia (Pvt) Ltd
62	Dr. I.B.V.L. Dharmawadhana	Animal Quarantine Officer	The Department of Animal Production and Health (DAPH)
63	Mr. P. Vimalakrishna	BDFO	UNDP
64	Mr. M.Z.M. Farhad	National Sector Specialist	UNIDO EU/ITC/UNIDO Project Sri Lanka
65	Ms. Sumathy. L. Rajasingham	National Quality Expert	UNIDO
66	Mr. K. Uthayakumar	Secretary	Vavuniya District Chamber of Commerce, Industry and Agriculture
67	Ms. Malani Baddegamage	Director – Export Agriculture	Export Development Board
68	Ms. S. N. Narandeniya	Deputy Director	Export Development Board
69	Ms. S.A.G. Anuradha	Deputy Director	Export Development Board
70	Ms. T. Wimalagunasekera	Assistant Director	Export Development Board
71	Mr. Yohan Silva	Export Promotion Officer	Export Development Board
72	Ms. Anuradha Ragapaksha	Export Promotion Officer	Export Development Board



## APPENDIX 2: INSTITUTIONAL ASSESSMENT RESULTS

**Table 8:** Performance assessment of TSI from the processed food and beverages perspective

Name of institution	Description	Coordination of interventions in sector	Human and financial capacity	Influence on sector development
<b>Policy support</b>				
Ministry of Industry and Commerce	Department of Commerce			
	Overall function			
	Metrology and Testing Department			
Ministry of Agriculture	Department of Agriculture (extension, post-harvest, tech transfers, training of processors, especially SMEs)			
	Formulation of policies	<i>Policies are not aligned with needs of exporters</i>		<i>But not necessarily positive since not in line with needs</i>
Ministry of Plantation Industries	Coconut development authority			<i>Licensing/very regulated</i>
	Coconut Cultivation Board (cultivation and extension and nursery management)			
Ministry of Health, Nutrition & Indigenous Medicine	Food advisory committee (policy formulation)			<i>Not necessarily positive</i>
	Food control and administration authority (enforcement)			
Ministry of Primary Industries	DEA (cocoa)		<i>But better performance for DEA (mostly scientists)</i>	
Ministry of Rural Economy	Department of animal production and health (productivity improvement of livestock)			
Ministry of Science, Technology and Research	Sri Lanka Accreditation Board			
	National Science Foundation (research)			
Ministry of Fisheries and Aquatic Resources Development	National Aquaculture Development Authority			
	Department of fisheries			
	National Aquatic Resources Research and Development Agency		<i>Higher score for research</i>	
Ministry of Labour	Department of Labour (labour law issues)			<i>Not necessarily a good influence</i>
<b>Trade support</b>				
Department of Animal Production and Health	Animal quarantine and inspection services			
SLSI	Standard division: have committees, among them: Standard formulation committee (advisory committee)			
Paddy Marketing Board	Licensing authority for milling paddy			
	Safeguarding farmer and consumer (standard price setting)			
	Assuring food security (secure levels of stocks for the country); setting threshold for export			

Name of institution	Description	Coordination of interventions in sector	Human and financial capacity	Influence on sector development
CCC	Steering committee for food and beverages (provide trade services)	<i>Especially on policy</i>		
National Chambers of Exporters	<b>Under the governing council, specific representation for processed food and beverages</b>	<i>Issue-based response</i>		
Export Development Board				
Board of Investment	Investment facilitation			
Industry Development Board	Industry infrastructure development and facilitation			
<b>Business support</b>				
Sri Lanka Food Processors Association	Entire sector; more SMEs compared to CCC (local market and export)		<i>Volunteer based staff</i>	<i>Largest processed food exhibitions</i>
Lanka Fruit and Vegetable Producers, Processors and Exporters, Association	A representative body of fruit & vegetable producers, processors and companies; advocacy (export oriented)			
Seafood Exporters Association	Advocacy and implementing regulations and management practices			
Sri Lanka Desiccated Coconut Millers' Association				
National Agribusiness Council	USAID initiative (early 1990s)			
<b>Academia and civil society network</b>				
Industrial Technology Institute, Food Technology Section Packaging Services	Provides research, technology, and technical training and consultancy to companies in the food industry on cereal and bakery, food microbiology, fish processing, fruits & vegetable processing, post-harvest technology, etc.			
Coconut Research Institute	Conducts research (agronomy, crop protection, plant physiology, soil and plant nutrition, coconut processing, etc.) and provides relevant training; develops policies for the sector			
State universities	Most universities offer post-graduate diplomas/ MSc. programmes and also conducts research: Universities of Sri Jayawrdanapura, Peradeniya, Wayamba, Ruhuna, and Sabaragamuwa	<i>Basic theory is good, but advanced knowledge and practical understanding is lacking</i>		
Rice Research & Development Institute (Department of Agriculture)	Conducts research of vertical improvement; soil fertility and its sustainability; pest, disease and weed management; post-harvest and grain quality and production technologies			
Institute of Post-Harvest Technology (mostly for rice processing)	Providers of post-harvest technology of rice/other grains, field crops, fruits/vegetables and spices through research, training/extension, consultancy/ advisory services			
Veterinary Research Institute	Quality assurance for livestock products and animal feeds and feed ingredients and research			
MRI	Clinical trials; only approved laboratory for all processed food products and all raw materials that are used (not enough; currently Food Act of 1980 is being amended to include new laboratories)			
Institute of Food Science and Technology	Coordination between universities and private sector (new institute 4-5 years old)			
Sri Lanka Institute of Packaging		<i>Exhibition and technical training</i>		

# REFERENCES

- Export Development Board. 2017. Industry Capability Report, Food and Beverage Sector. Colombo. [http://www.srilanka-business.com/pdf/industry\\_capability\\_reports/food-and-beverage-sector-2017.pdf](http://www.srilanka-business.com/pdf/industry_capability_reports/food-and-beverage-sector-2017.pdf)
- IBIS World. 2017. IBISWorld Industry Report, Global Fruit & Vegetables Processing. New York. [http://www.proman.fi/sites/default/files/Food%20%26%20beverage%20global%20report%202010\\_0.pdf](http://www.proman.fi/sites/default/files/Food%20%26%20beverage%20global%20report%202010_0.pdf).
- IMAP. 2010. Food and Beverage Industry Global Report – 2010. Dover. [http://www.proman.fi/sites/default/files/Food%20%26%20beverage%20global%20report%202010\\_0.pdf](http://www.proman.fi/sites/default/files/Food%20%26%20beverage%20global%20report%202010_0.pdf).
- Mintel. 2017. Global Food & Drink Trends 2017. New York. [www.mintel.com](http://www.mintel.com).
- Moreau, Roland. 2016. 'As Packaged Food Growth Engines Falter, what are the Next Growth Drivers?' Passport, 17 October. Euromonitor.com.
- Murray, Sarah. 2016. 'The World's Biggest Industry.' Forbes, 15 November. [https://www.forbes.com/2007/11/11/growth-agriculture-business-forbeslife-food07-cx\\_sm\\_1113bigfood.html](https://www.forbes.com/2007/11/11/growth-agriculture-business-forbeslife-food07-cx_sm_1113bigfood.html).



Ministry of Development Strategies  
and International Trade



Sri Lanka Export Development Board



International  
Trade  
Centre



Sri Lanka Food Processors  
Association



Lanka Fruit & Vegetable Producers,  
Processors and Exporters Association



Developed as part of the EU-Sri Lanka Trade-Related  
Assistance project, funded by the European Union (EU)