

# INDUSTRY CAPABILITY REPORT

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## COCONUT & COCONUT BASED PRODUCTS

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## 1. Introduction

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

A total of 1,095,982 Acres are under coconut cultivation of which 178,675 Acres are under estate sector and 917,307 Acres are under small holdings. An area of 34,063 Acres are used for cultivation of king coconut. Annual nut production is estimated at 2,623.10 Mn nuts in year 2018. Approximately two third of the coconut production in Sri Lanka is consumed locally and the balance one third is used for coconut based industries and exported to various destinations as value added products.

Sri Lanka has earned foreign exchange earnings worth of US\$ 588 Million by exporting coconut and coconut based products in 2018. Sri Lanka has a comparative advantage in this sector due to its legacy & geographical location, skilled labour, modern and indigenous technologies for processing. Sri Lanka is ranked as the **1<sup>st</sup>** largest exporter of coir and coir related products and **3<sup>rd</sup>** largest exporter of desiccated coconut and coconut oil according to the world rankings in year 2017. (Source: Coconut Development Authority, 2018)

## 2. Types of players

The players in the coconut industry are;

- **Coconut growers**
- **Coconut Kernel Sector**  
Desiccated coconut manufactures, Coconut oil manufactures, Copra manufactures, Coconut water, milk, cream, butter, sugar and Amino manufactures
- **Coconut Fiber Sector**  
Fiber millers and Value added fiber Product manufactures
- **Coconut shell sector**  
Shell charcoal manufactures, Activated carbon manufactures, shell pieces and powder manufacturers
- **Coconut related product suppliers, traders and Exporters**

## 3. Key products and varieties

### Coconut Kernal Products:

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

### Coconut Fibre Products:

- x Coco peat and Fibre pith, Twisted Fibre, Bristle Fibre, Mattress Fibre, Moulded coir products (pots, coco disks, grow bags, briquettes, grow cubes, open tops, seedling

plugs etc.), Coconut Husk Chips, Coir Yarn, Geotextiles, Coir Twine, Coir Mats And Rugs, Rubberized Coir Pads, Brooms and Brushes, Tawashi Brushers etc.

### Coconut Shell Products:

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

## 4. Geographical distribution

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

## 5. Top exporters of coconut and coconut based products in year 2018

The top ten players in the each product sector are as follows:

	Coconut kernel products sector	Coconut fiber products sector	Coconut shell products sector
01	NESTLE LANKA PLC	JIFFY PRODUCTS S L PVT LTD	JACOBI CARBONS LANKA PVT LTD
02	SANMIK FOOD PVT LTD	PELEMIX LANKA PVT LTD	HAYCARB PLC
03	SILVERMILL NATURAL BEVERAGES PVT LTD	COCOGREEN U K LANKA PVT LTD	CARBON ACTIVATED CORP LANKA PVT LTD
04	S A SILVA & SONS LANKA PVT LTD	BOTANICOIR LANKA PVT LTD	MANISHA EN CARBON PVT LTD
05	CONSOLIDATED BUSINESS SYSTEMS PT LD	TROPICOIR LANKA PVT LTD	J B CARBON ACTIVATORS PVT LTD
06	C B L NATURAL FOODS PVT LTD	CHAS P HAYLEY & CO LTD	ULTRACARB PVT LTD
07	RENUKA AGRI FOODS PLC	PROJAR LANKA PVT LTD	HAYCRAB VALUE ADDED PRODUCTS PVT LTD
08	EXPOLANKA PVT LTD	GREEN SOILS PVT LTD	MERCHANT LANKA PVT LTD
09	ADMAJEE LUKMANJEE PVT LTD	BIO GROW LANKA PVT LTD	JAFFERJEE BROTHERS
10	WICHY PLANTATION COMPANY PVT LTD	GROWRITE SUBSTRATES PVT LTD	HICOM INTERNATIONAL

## 6. Government policy and support available in the sector

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

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

## 7. R&D and product development facilities available

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

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

## 8. Total exports of products in selected categories

HS Code	Description	2016	2017	2018
		USD Mn	USD Mn	USD Mn
<b>Coconut &amp; Coconut based Products</b>				
<b>-Coconut Kernel Products</b>				
1513.11	--Coconut Oil	94	94	77
0801.11.19	--Desiccated Coconut	120	94	70
0801.11.	--Copra	2	1	1
0801.12	--Coconut Fresh Nuts	3	3	3
2008.19.30	--Coconut Milk Powder	29	31	37
2008.19.40	--Coconut Cream	9	18	28
2008.19.20	--Liquid Coconut Milk	44	54	61
1106.30.10	--Coconut Flour	1	2	3
2209.00	--Coconut Vinegar	...	...	...
2106.90.97	--Coconut Water	3	5	4
2306.50.20	--Poonac	5	1	1
2306.50.10	--Defatted Coconut	7	9	8
	--Other Coconut Kernel Products	...	1	1
<b>Total :</b>		<b>318</b>	<b>313</b>	<b>296</b>
<b>-Coconut Fiber Products</b>				
5305.00.12	--Bristle Fiber	6	8	6
5305.00.23	--Mattress Fiber	15	13	12
5305.00.	--Mixed Coir Fiber	10	9	10

5308.10	--Coir Yarn	1	1	1
5305.00	--Coco Peat, Fiber Pith & Moulded products	104	114	120
9603.10.	--Brooms & Brushes	12	16	14
5701.90.10	--Carpets, Mats, Floor Coverings	4	2	3
57012.20.10				
1404.90.50	--Coconut Husk Chips	10	9	8
9404.29.10	--Coir Pads	1	1	1
5607.90.20	--Coir Twine & Ropes	8	8	9
5311.00.10	--Geo Textiles	4	5	4
	<b>Total :</b>	<b>175</b>	<b>186</b>	<b>188</b>
	<b>-Coconut Shell Products</b>			
3802.10	--Activated Carbon	75	82	99
1404.90.30	--Coconut Shell Pieces	...	...	...
1404.90.40	--Coconut Shell Powder	...	...	...
4402.90.10	--Coconut Shell Charcoal	3	5	2
1404.90.60	--Coconut Ekels	1	2	2
	<b>Total :</b>	<b>79</b>	<b>89</b>	<b>104</b>
	<b>Total exports in the sector</b>	<b>572</b>	<b>588</b>	<b>588</b>

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

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

## **9. Potential for expansion in the sector**

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

- x Increase in coconut cultivation to increase raw material supply base is now feasible in War & Tsunami affected areas
- x Introduction of high yielding varieties and reduce height of trees for easy harvesting
- x Shift towards natural and organic products in global markets
- x Increase demand for coconut water as energy drink based on hydrating properties
- x Available infrastructure across the country – roads, railways, ports

- x Opportunity to establish new industries in areas where the raw material not utilized such as Northern & Eastern provinces
- x Reduce raw material export and focus on value added products

## 10. Strengths and weaknesses of the sector

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

## 11. Support Institutions

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

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