



INDUSTRY CAPABILITY REPORT



Food & Beverage Sector

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Export Development Board (EDB), Sri Lanka
January, 2022

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1. INTRODUCTION

Food & Beverage sector is one of the important sectors due to its potential to deliver a host of benefits to the economy in terms of foreign exchange earnings, providing a suitable source of employment, contributing to innovation in the food system, uplifting of rural economy and playing an important role in local economy. Manufacturing food & beverage products according to the standards, technical regulations and sanitary and phytosanitary requirements of the relevant export market is mandatory. Sri Lankan processed food and beverage sector covers a wide range of products including coconut, vegetables, and fruit-based products, concentrates and juices, semi-cooked food, confectionery, and bakery products, ready-to-serve food, beverages, animal feed, and preparations of cereals and flour.

- Worldwide, the Food market realized a total revenue of US\$8,245 billion in 2020.
- With 18%, Confectionery & Snacks is the largest segment of the Food market with revenues of US\$1,497 billion in 2020, followed by Bread & Cereal Products (US\$1,173 billion) and Meat (US\$1,141 billion).
- All segments are growing with high growth rates, with the Baby Food segment growing the highest (59% from 2020 to 2026).
- Worldwide, the highest revenue per capita in the Food market was generated in Japan in 2020 with US\$5,555.
- Food is still a niche category in e-commerce due to logistical hurdles. An emergence is only likely when retailers can seamlessly connect online and offline sales channels and leverage existing logistics chains.
- The international brand manufacturers Nestlé, PepsiCo, Danone, Kraft Heinz and Mondelez International are the most important key players in Food.

2. TYPES OF PLAYERS

The players in this sector could be categorized as large, medium and small-scale exporters. Most of the SME manufacturers who have capacity and adhere to the international standards are supplying their products to the direct exporters as well as for the local consumption. Food manufacturers and producers are scattered all over the country.

3. KEY PRODUCTS AND VARIETIES

The product categories such as Processed vegetables, & fruits, concentrates & juices, semi cooked food, confectionery & bakery products, ready to serve food, rice & cereals, alcoholic & non-alcoholic beverages, animal feed, preparations of cereals & flour etc., are identified to develop and promote in the overseas markets. These product categories have shown a rapid growth during the past decade.

3.1 Processed Fruit, Vegetable and Juices

High quality canned fruit juices especially pineapple juice in light syrup, sliced pineapples, pieces, chunks and mixed fruits packed in glass jars/ tins. The use of high processing techniques and handling leads to increase of exports from Sri Lanka.

The fruit juice industry is one of the world's most important sectors in agri-business. The packaging, labeling and presentation are very important factors when the processed food industry is intended for the export market. Passion fruit, mango, papaya and pineapple, anoda, mix fruit juices shows a high potential amongst the tropical fruit juice market having the unique tropical flavours unmatched by other suppliers.

Examples for Processed Fruit, Vegetable are: Dehydrated Fruits & Vegetables, Processed Gherkins & Cucumber, Herbal Tea, etc.

Dehydration of fruits and vegetables is one of the oldest methods of food preservation techniques. Handling, transportation and "ready to use" are the advantages of dehydration. Natural fruits & vegetables are processed under strict hygienic conditions according to international standards. The use of high technology leads to preservation of the product taste, colour, texture, aroma and vitamins. Dehydrated pineapple, mango, papaya are some of the popular varieties exported to the EU, USA, UK, Australia, and Maldivian markets. These products are used as tropical fruit dessert supplements, in instant soup and rice mixes.

Gherkins preserved in brine and in vinegar are in high demand products. Japan is the main market for Sri Lankan gherkins followed by Australia, the Netherlands and Thailand. Value added gherkins are exported to Fast Food Chains, Restaurants, Hotels and Super markets in the international market.

3.2 Processed Food

Processed food industry in Sri Lanka is one of the emerging and lucrative industries in terms of production, consumption, export and growth prospects. Processed food sector consists of meat preparations, processed fish & dairy products, animal or vegetable fats, and ready-to-eat products, products from natural honey / treacle and miscellaneous edible preparations.

Around 40% of the revenue in this sector is generated by mixed processed edible products. These products are mainly catered to ethnic expatriates and Asians live in the developed countries. The manufacturers started producing new items such as ready-to-eat food, processed and frozen fruit & vegetables, marine & meat products, beverages etc.

Value added baby jack fruit and banana blossom are being exported from Sri Lanka in different forms to be used as substitutes to meat and fish products. Manioc in Individual Quick Frozen (IQF) form is very popular in the UK market. Best quality vegetables are carefully selected and freeze without any preservatives or food additives. Exporters are well aware of the international market requirements and standards and majority have obtained ISO 22000/HACCP/BRC/ Kosher / organic Certificates and meet the international quality requirements to face the competition in the international market.

Processed food manufacturers are able to meet the consumer preferences and trends immersing in the global market for new products such as organic, gluten free, halal, vegetarian, vegan, health and functional foods.



3.3 Sugars, Confectionery and Bakery Products

Confectionery and bakery products show a high export growth and an increasing demand in most of the overseas markets. In line with global consumer patterns the products manufactured using nutritional natural raw material with low GI (eg. Rice) are more popular due to health concerns of consumers of all ages.



Sri Lanka has exported a variety of confectionery products including crackers, sweet/ cream/savory biscuits, Chocolates, cereal flakes to Maldives, Ghana, Australia, UK and USA in 2021. Manufacturers are complying with food safety and food hygiene systems and use high technology in producing these food items especially aiming at the international demand. Sri Lankan confectionery product manufacturers also specialize in producing high quality products using finest ingredients. There is a rising trend towards consumption of “sugar-free” or “light-sugar” or “low GI” products. Companies are certified with ISO 9000, ISO 14000 and ISO 22000 international standards for management practices, management of the environment and for food safety respectively.

3.4 Rice and Cereals

Rice is a staple food worldwide. Red rice and the Sri Lankan traditional health rice varieties such as Suwandal, Alhal, Rathhal have high demand in the world market. According to Medical specialists, a newly developed “Red Basmati” is identified as the only healthy rice for diabetic patients and popular in the international markets.



Rice and Cereal exports mainly consist of brown rice, rice flour, maize starch, kurakkan, black gram flour and wheat flour etc.

3.5 Animal Feed

Animal feed is another important export industry and it is a growing industry in Sri Lanka. Residues of milling industry are used as animal feed. High quality animal feed are produced for exports using ingredients such as broken rice, wheat bran, flour, maize, soya bean etc. Large scale producer/exporters are engaged with this industry.

Export of animal feed comprised of 61% wheat bran and 21% rice bran. Sri Lanka has a massive opportunity to increase exports of animal feed since the global animal feed industrialists are struggling to move forward due to inadequate ingredients and main raw materials such as maize, bran etc. Sri Lanka has gifted with rice bran, wheat bran, maize and other ingredients required to manufacture animal feed. However, we export raw material and import feed for higher prices.

In view of the opportunities available globally Sri Lanka needs to promote joint venture partnership to venture into animal feed manufacturing industry which adds value to main by products from wheat & rice milling. This also would provide to increase the livelihood of local maize growers.



4. POST COVID IMPACT ON PROCESSED FOOD SECTOR

COVID-19 outbreak interrupted the daily routine and resulted in boredom which can be defined as high energy intake by the consumption of high amount of fat, carbohydrate, and proteins. In addition, quarantine caused stress in people and pushed them toward sugary foods for feeling positive, because carbohydrate-rich foods can be used as self-medicating components due to their ability to encourage serotonin production.

Consumers are increasingly looking for food with health benefits. There has also been a substantial increase in online food buying. Demand for health & sustainable foods is increased. As a result, many large food processors, including multinationals are now reviewing their product portfolio in terms of their real value for providing nutrition and health. Eg: Functional foods, Super foods, natural ingredients...etc. United States, Germany, UK, France, India are important export destinations.

5. SPECIALTIES ASSOCIATED WITH PRODUCTS

The factors such as quality, taste and flavour which are unique to Sri Lankan products are associated with the intrinsic quality of resources available in different geographical locations of the country. Sri Lankan Food producers are always working towards with “Food for Health” concept and they ensure the consumer health by supplying quality product to the market.

Companies engaged in the processed food industry comply with international standards such as ISO 9000, ISO 22000, HACCP, Halal, Kosher and Organic etc. to maintain food safety for consumers and also to meet individual requirements of global buyers. The exporters have taken measures to closely monitor the supply and production chains to ensure the traceability and supply of a quality product to the consumers.

6. GEOGRAPHICAL DISTRIBUTION ACROSS THE COUNTRY AND KNOWN CLUSTERS

Basically, large scale food industrialists are based in Colombo and others are spread out in almost all the areas of the Island. There are identified clusters for growing raw material for the food industry.

Mainly for the processed fruit, juice, jam and other processed food industries there are raw material collectors/suppliers linked with the industrialists. In addition, the industrialists have their own orchard cultivations as well as farmer clusters for their produce.

7. SIZE IN TERMS OF PRODUCTION (VALUE / QUANTITY):

Due to various companies involved in the food sector it is hard to find the company wise production figures. However, it is observed that regional manufacturing facilities are small or medium scale (SME) in compared to branded companies established within the highly urbanized Western Province.

8. FOOD & BEVERAGES EXPORTS

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

Description	Value in USD MN					
	2019		2020		2021	
	Quantity	Value	Quantity	Value	Quantity	Value
Processed Food	33,900,689	108.83	32,337,079	117.61	43,126,916	161.2
Animal Feed	350,959,182	117.56	138,741,064	95.42	218,910,584	142.07
Rice, Cereals, Oil Seed and its Products	101,387,315	51.09	124,142,306	66.73	113,974,627	63.1
Beverages	26,858,818 L	49.13	23,884,186 L	31.27	35,319,211 L	33.11
Sugars, Sugar Confectionery & Bakery Products	9,985,387	19.34	10,803,825	21.29	13,737,195	26.23
Processed Vegetables, Fruits & Juices	11,424,798	17.6	11,718,542	18.73	11,510,424	17.96
Coffee	22,702	0.35	26,617	0.32	30,442	0.31
Total:	534,538,891	363.9	341,653,619	351.36	436,609,399	443.98

Source – Sri Lanka Customs

The global F & B market was valued nearly at \$8 billion in 2018. North America was the largest market for F & B, accounting for more than 50% of the global market in 2018 & USA is the largest country in terms of value. The F & B market expected to reach a value of nearly \$9471.66 billion by 2022, significantly growing at a CAGR of 8.9% during the forecast period.

Driven by the rise in population, demand for packaged food and beverages is set to see further growth over the forecast period. Moreover, urbanized population growth is projected to grow at a CAGR of 1.7% between 2018 and 2023, outpacing total population growth of 1.0% over the same period. This will only drive more demand for packaged F & B. Additionally, with GDP growing at a faster rate than total population with a CAGR of 2.8% between 2018 & 2030, overall consumer spending on F & B is set to rise in value from 8.5% to 8.9% of GDP by 2030, coinciding with consumer trends such as more convenience-seeking lifestyles.

The Global Organic F & B market accounted for \$102.76 billion in 2017 and is expected to reach USD 440.60 billion by 2026.

9. TOTAL GROWTH IN THE SECTOR

Manufacturing, distributing and exporting of Food and Beverages in Sri Lanka is dominated by a few large-scale companies with established brand names. The changing economic status of the country with expanding urbanization process has given opportunity to increase number of food manufacturing units especially in and around major agricultural areas. Well established companies for confectionery products have commenced their business in Central Province of Sri Lanka

With the dawn of peace many industries were started in the Northern & Eastern Districts to boost the production of various raw materials as well as finished products for the processed food industry. The land has been allocated among the war victims and the basic facilities such as fishing utensils, seed material, fertilizer, water etc. has been distributed free of charge. The exporters are directly linked with the producers which will lead to enhance their production capacity of their finished product. Besides that, industry training programmes have been conducted by the Government, there are various other organizations located in the area to enhance living standards of the people.

10. LIST OF KEY PLAYERS

PROCESSED VEGETABLES, FRUITS & JUICES

- H J S CONDIMENTS LTD
- C B L NATURAL FOODS PVT LTD
- LANKA CANNERIES LTD
- PRIPA ORGANIC COLOMBO PVT LTD
- TROPICAL HEALTH FOOD PVT LTD

SUGARS, SUGAR CONFECTIONERY & BAKERY PRODUCTS

- CEYLON BISCUITS LTD
- C B L EXPORTS PVT LTD
- MALIBAN BISCUIT MANUFACTORIES PVT LTD
- CEYLON AGRO INDUSTRIES LTD
- C B L FOODS INTERNATIONAL PVT LTD

PROCESSED FOOD

- PARAS INDUSTRIES PVT LTD
- SRI LANKAN CATERING LTD
- TAPROBANE SEAFOODS PVT LTD
- AMAZON TRADING PVT LTD
- E F L GLOBAL FREEPORT PVT LTD

RICE, CEREALS, OIL SEED AND ITS PRODUCTS

- PRIMA CEYLON PVT LTD
- AUSSEE OATS MILLING PVT LTD
- PULSES SPLITTING AND PROCESSING INDUSTRY PVT LTD
- SERENDIB FLOUR MILLS PVT LTD
- LANKA GURDIAN COMMODITIES EXPORTS PVT LTD

COFFEE

- AKBAR BROTHERS PVT LTD
- STASSEN EXPORTS PVT LTD
- D & R EXPORTS PVT LTD
- HARISCHANDRA MILLS PLC
- A N A INTERNATIONAL PVT LTD
- LEELA EXPORTS & IMPORTS

BEVERAGES

- LION BREWERY CEYLON PLC
- DABUR LANKA PVT LTD
- HAYLEYS FREE ZONE LTD
- CEYLON BEVERAGE INTERNATIONAL PVT LTD
- C L SYNERGY PVT LTD

11. TOTAL INVESTMENT IN THE SECTOR IN LAST FIVE YEARS

Private sector exporters have invested to develop R & D facilities, to obtain international standard certifications and to participate at international trade fairs to update their knowledge on new product technology, standards and regulations. Sri Lankan Universities are conducting advanced courses on Food Science and Technology to introduce qualified human resources to the industry. EDB is also providing assistance under the “Market Access Support Scheme” to upgrade the production process, obtain international certifications, participation at international events, product upgradation etc and coordinating with the private sector to encourage investments in this sector.

12. GOVERNMENT POLICY AND SUPPORT AVAILABLE IN THE SECTOR

Processed F & B Sector is one of the 06 focus sectors identified in National Export Strategy (NES) for development and promotion focusing on the increasing demand and new trends in the international market for health conscious and convenient F & B products

The government's industrial policy is to create environment to increase investments, joint venture businesses and importation for value addition and re-exports of certain products to increase most needed foreign exchange to the country. Under the guidance of the Ministry of Trade, it is proposed to encourage local and foreign investments in all possible sectors since Sri Lanka has a comparative advantage. The Board of Investment (BOI) offers various incentives for investors. Research Institutions also conduct a series of programmes to develop R & D facilities and Government related institutions offer training and upgrade skills of the technical staff.

13. R&D AND PRODUCT DEVELOPMENT FACILITIES AVAILABLE

The Sri Lankan Universities, State & non state Research Institutions like CRI, TRI, ITI, SLINTECH and private sector stakeholders using their own facilities carry out researches on product development and introduce new varieties to the sector/ international market.

EDB is also engaged in a project to assist agriculture and fisheries exporters to move up in their value chain by assisting them to develop new/ innovative product with reputed R & D Institution to introduce to the international market. This project has been carried out during 2021 and 2022.

14. INFRASTRUCTURE/LOGISTICS REQUIRED/ AVAILABLE FOR THE SECTOR

With the existing road development programmes, it is easy to transport goods from all corners of the Island. Also, the Government pays special attention to develop logistics such as air line facilities, fumigation facilities, packaging and labelling etc. for the development of the sector.

15. AVAILABILITY OF TECHNOLOGY AND SKILLED LABOR

The technical expertise, experienced & qualified staff currently engaged in the industry. EDB is directly in contact with the foreign Embassies in Sri Lanka to obtain services of foreign experts to develop required technology for the industry. EDB is also closely working our Missions abroad to identify suitable technical experts and organize workshops, seminars, factory visits to identify their technical requirements to facilitate exporters.

16. POTENTIAL FOR EXPANSION OF THE SECTOR

The industry has a potential for further expansion utilizing the resources available in the country and has a potential to develop/ increase exports to the ethnic markets such as Middle East, Australia, United Kingdom, Canada and USA.

There is an opportunity to increase volumes of exports if the country encourages imports of raw material for certain products for value addition and re-export. Eg. Cashew

Available skilled workforce and coaching staff to develop products to meet the international standards and demand.

17. MAIN EXPORT DESTINATIONS

Description	2021	
	Quantity - Kg	USD
Processed Food	43,126,916	161,198,916
India	30,155,578 Kg	47,780,264
United States	922,198 Kg	23,837,708
Maldives	4,496,588 Kg	14,872,387
United Arab Emirates	1,328,803 Kg	9,099,367
Australia	620,495 Kg	6,474,984
Other Markets	5,603,254 Kg	59,134,204
Animal Feed	218,910,584	142,069,965
India	23,433,253 Kg	101,802,966
Viet Nam	100,061,930 Kg	18,550,341
Japan	81,885,360 Kg	15,490,228
Bangladesh	754,240 Kg	2,269,303
Oman	6,855,498 Kg	931,621
Other Markets	5,920,303 Kg	3,025,505
Rice, Cereals, Oil Seed and its Products	113,974,627	63,096,246
Singapore	26,986,816 Kg	11,091,516
Maldives	19,048,453 Kg	8,360,414
Malaysia	18,328,392 Kg	7,907,901
India	9,472,232 Kg	6,474,282
Qatar	5,321,844 Kg	4,826,617
Other Markets	34,816,890 Kg	24,435,516

Beverages	35,319,211	33,110,874
India	17,615,031 L	12,815,619
Uganda	6,778,399 L	4,772,616
United Arab Emirates	1,052,975 L	3,325,106
Singapore	87,121 L	2,637,104
Maldives	2,141,124 L	2,088,128
Other Markets	7,644,561 L	7,472,302
Sugars, Sugar Confectionery & Bakery Products	13,737,195	26,229,725
Maldives	1,459,176 Kg	4,090,323
Ghana	2,026,788 Kg	3,928,376
Australia	733,156 Kg	1,934,102
United Kingdom	865,721 Kg	1,704,875
United States	717,683 Kg	1,694,765
Other Markets	7,934,671 Kg	12,877,284
Processed Vegetables, Fruits & Juices	11,510,424	17,959,141
Japan	2,822,704 Kg	3,829,044
Germany	826,935 Kg	2,537,071
Netherlands	1,342,431 Kg	1,907,473
United States	749,183 Kg	1,629,196
Spain	949,017 Kg	1,193,454
Other Markets	4,820,154 Kg	6,862,903
Coffee	30,442	312,753
Australia	7,472 Kg	54,562
Maldives	2,528 Kg	45,279
Chile	1,238 Kg	23,940
United Arab Emirates	1,903 Kg	23,362
United States	1,519 Kg	19,636
Other Markets	15,782 Kg	145,973
Total:	436,609,399	443,977,619

18. STRENGTHS AND WEAKNESSES OF THE SECTOR

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none">• Adhere to the International Standards such as HACCP, ISO 9000 and 22000, HALAAL, Kosher, Organic etc.• Availability of assistance to find markets• Availability of skilled and cost-effective labour force• Development of new product varieties• Create job opportunities for youngsters• Close working relationships with International Food Processors Associations• Unique quality, taste and flavour	<ul style="list-style-type: none">• Minimal of R & D facilities• Over dependence of existing markets• High cost of investment• Lack of technology transfer programmes• High cost of production• Inadequate raw material against demand• Limited Government involvement• Difficult to obtain loans for the SME companies• Non availability of proper machinery/ high technologies in the country. Most of the companies import machinery from Germany, China, and Malaysia etc.

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