



INDUSTRY CAPABILITY REPORT



SPICE & CONCENTRATES

Prepared by:
Export Development Board (EDB), Sri Lanka
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1. INTRODUCTION

Sri Lanka Produces a range of spices, the major ones are being Cinnamon, Pepper, Cardamom, Cloves, Nutmeg and Mace. Over 90% of these products are being exported to the main end users i.e. flavour, fragrance and Pharmaceutical industries. The main agricultural products consist of Tea, Rubber and Coconut. And also Sri Lanka exports approximately 85% of True Cinnamon to the world market. Value addition has been identified as most fitting strategic action to be implemented to capture higher market share in international spice trade.

Sri Lanka Total Agricultural Exports 2018 – 4,039 USD Mn (Including Tea, Rubber Coconut)

Rest of Agricultural Exports 2018 - 1,114 USD Mn (Excluding Tea, Rubber Coconut)

Spice Exports 2018 - 361 USD Mn

Cinnamon Exports 2018 - 213 USD Mn

1.1 TYPE OF PLAYERS

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

1.2 SUPPORT INSTITUTIONS

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

2. PRODUCTION AND EXTENT OF EXPORT AGRICULTURE CROPS

(Latest updated data- Dept of Export Agriculture)

Crop	2015	2016	2017*
Cinammon	32,342	32,682	32,985
Pepper	32,527	39,515	42,989
Clove	7,643	6,842	7,177
Cardamom	2,801	1,242	1,257
Coffee	6,137	7,534	6,580
Cocoa	2,517	2,240	1,987
Nutmeg	1,022	1,029	1,031
Betel	4,596	2,967	2,860
Aricanut	16,500	18,794	18,720
Citronella	1,194	1,352	1,413
Ginger	2,483	2,487	1,883
Turmeric	1,334	1,986	932
TOTAL	111,095	118,670	119,814

3. DETAILS OF MAIN SPICES

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

Source: Dept. of Export Agriculture

4. KEY PLAYERS IN THE INDUSTRY

SPICES	ESSENTIAL OILS
SAMAGI SPICE EXPORTS PVT LTD	PLANT LIPIDS LANKA PVT LTD
RATHNA PRODUCERS CINNAMON EXPORTS PVT LTD	H.D. DE SILVA & SONS (PVT) LTD
IMPEX CORPORATION PVT LTD	EOAS INTERNATIONAL
NEW LANKA PVT LTD	LINK NATURAL PRODUCTS (PVT) LTD.,
GRUPO CANELA PVT LTD	L B SPICE TRADING PVT LTD
G P D SILVA & SONS INTERNATIONAL PVT LTD	LINK NATURAL PRODUCTS PVT LTD

5. GOVERNMENT POLICY AND SUPPORT AVAILABLE IN THE SECTOR

6. Recognizing the importance of the sector, the Government of Sri Lanka has provided various types of incentives for cultivation and processing of spices through the Department of Export Agriculture.
7. PCC Mark - The PCC certification mark designates that the cinnamon is produced, processed, packed in Sri Lanka and sold with no extraneous matters. The EDB has been authorized by the Government to be the holder and the protector of Ceylon Cinnamon Certification Mark and the Geographical Indication (GI) on behalf of the people of the Sri Lanka. Ceylon Cinnamon Certification mark has been registered in the Europe, USA, Peru, Colombia and WIPO. It is being registered in Mexico and EDB is planning to register the same in Australia and New Zealand.
8. GI for Ceylon Cinnamon is a sign used as a product indication which will identify it as originating from a specific country and possess qualities reputation that are due to that country. GI can be viewed as a source of competitive advantage for commercialization and has a dynamic marketing power help to increase market differentiation mainly in international market, allow for a premium price from the consumer. EDB is now working on the registration of Ceylon Cinnamon as a GI. Obtaining GI internationally depends on the proper protection of quality, and the traceability of cinnamon products originating from Sri Lanka.
9. EDB is engaged in brand promotions for cinnamon & pepper in selected markets for Cinnamon & Pepper.
10. GSP+ concessions are available for the sector (HS: 09).

8. PURE CEYLON CINNAMON (PCC) LOGO

True cinnamon (*Cinnamomum zeylanicum*) is the most unique spice commodity among all other spices produced in Sri Lanka. Sri Lanka is the largest producer of Ceylon Cinnamon in the world accounting for 85% of the world market share for true Cinnamon. The EDB is holding the ownership/custodianship of the name “Pure Ceylon Cinnamon” (PCC) along with other associate names “Ceylon Cinnamon”, “Sri Lanka Cinnamon” and Sri Lanka “Kurundu” to protect and promote Ceylon Cinnamon. The EDB has registered “Pure Ceylon Cinnamon” Trade Mark in the EU, Mexico, USA, Peru and Colombia with the objectives of differentiating it from Cassia.

9. GEOGRAPHICAL INDICATION (GI)

EDB is the authorized national organization that implements the licensing process & issuing the GI on behalf of the people of Sri Lanka. Obtaining GI internationally depends on the proper protection of quality and the traceability of cinnamon products originating from Sri Lanka.

It is important to strengthen the compliance of the value chain of cinnamon industry by assisting the companies to implement minimum requirement of quality standards of cinnamon processing such as GMP. GMP covers all aspects of production; from the starting **materials, premises and equipment** to the **training and personal hygiene of staff**.

10. R&D AND PRODUCT DEVELOPMENT FACILITIES AVAILABLE

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

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

11. AVAILABILITY OF TECHNOLOGY AND SKILLED LABOUR

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

Eg: Cinnamon peeling technique

12. SECTOR PERFORMANCE AND EXPORT STATISTICS

Production of minor export crops declined in 2017 compared to 2016. According to the Department of Export Agriculture, the production of minor export crops (MECs), which consist of 12 major types of crops, registered a decline of 5.9 per cent to 131,189 metric tons. While the production of some crops, such as cinnamon, pepper, cloves and nutmeg increased considerably, the production of crops such as cardamom, coffee, cocoa, arecanut, betel leaves, ginger, turmeric and citronella declined. The reduction in production was a result of multiple factors, such as dry weather and the unusual shift in rainfall patterns in MEC growing areas, increase in the cost of production and price fluctuations in export markets. The planted extent increased in 2017, especially for cinnamon, pepper and citronella. Meanwhile, the volume of MEC related exports increased by 31.7 per cent in 2017 to 57,703 metric tons, over 2016. Betel leaves recorded a notable increase in exports during 2017, compared to 2016. Meanwhile, import volumes of MECs in 2017 had also increased by 16.0 per cent compared to 2016, mainly due to the increase in the import of pepper, cocoa, turmeric and ginger. Pepper imports to Sri Lanka were banned by the government following concerns that low quality imports were being re-exported to other countries under the existing trade agreements.

Export earnings from spices increased significantly by 28.1 per cent to US dollars 406 million, in 2017, reflecting the improved performance in cinnamon, cloves and pepper exports. Earnings from cinnamon exports increased by 27.4 per cent, in 2017, driven by high volumes and average export prices. Despite the reduction in average export prices, earnings from cloves and pepper exports increased significantly during the year as a result of high export volumes. (Exporters Association of Sri Lanka, Annual Report 2017- 2018)

(Value in USD Thousand)

Description	2017		2018		2019 (January To November)	
	Quantity	Value	Quantity	Value	Quantity	Value
Cinnamon	16,617,089 Kg	202,205	17,536,573 Kg	213,249	15,576,225 Kg	160,195
Pepper	13,309,191 Kg	83,497	13,118,114 Kg	74,283	7,392,365 Kg	44,226
Cloves	7,805,600 Kg	47,140	3,279,577 Kg	16,031	4,821,048 Kg	29,067
Essential Oils	619,060 Kg	28,046	619,078 Kg	24,520	599,855 Kg	21,703
Nutmeg & Mace	2,042,871 Kg	14,389	1,938,368 Kg	13,858	2,874,813 Kg	20,256
Oleoresins	382,347 Kg	17,992	360,125 Kg	12,839	335,964 Kg	12,462
Other Spices and Spice Mixtures	880,737 Kg	3,759	813,571 Kg	3,135	741,430 Kg	2,989
Turmeric (Curcuma)	114,896 Kg	675	76,376 Kg	628	108,598 Kg	546
Ginger	81,606 Kg	615	97,179 Kg	756	32,601 Kg	274
Cardamoms	839,294 Kg	5,720	108,307 Kg	992	12,704 Kg	183
Vanilla	5,995 Kg	178	1,555 Kg	360	701 Kg	136
Saffron	10,894 Kg	62	6,432 Kg	29	18,505 Kg	106
Condiments	1,271,375 Kg	3,894	202,430 Kg	418	39,183 Kg	90
Total :	43,980,955	408,173	38,157,685	361,100	32,553,992	292,233

Main Markets for Sri Lankan Spices

Description	2018
	Value
Cinnamon	213,249
Mexico	94,114
United States	25,325
Peru	22,763
Ecuador	10,832
Colombia	8,600
Others	51,615
Pepper	74,283
India	57,645
Germany	6,711
United States	3,599
United Kingdom	844
China	768
Others	4,717
Essential Oils	24,520
United States	10,360
India	3,805
Canada	2,397
Germany	2,055
France	1,965
Others	3,938
Cloves	16,031
India	6,586
United States	2,283
South Africa	1,541

Germany	678
United Kingdom	638
Others	4,306
Nutmeg & Mace	13,858
India	7,076
Germany	1,142
United Arab Emirates	1,132
United States	1,002
Pakistan	672
Others	2,834
Oleoresins	12,839
Germany	3,559
India	2,729
United States	2,404
Estonia	639
Austria	587
Others	2,921
Other Spices and Spice Mixtures	3,135
United Kingdom	629
Australia	446
Germany	319
Canada	297
France	266
Others	1,178
Cardamoms	992
United Arab Emirates	469
Singapore	185
India	149
Australia	40
Germany	31
Others	117
Total :	358,907

13. POTENTIAL FOR EXPANSION IN THE SECTOR

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

Strengths

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

Opportunities

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

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