



INDUSTRY CAPABILITY REPORT



SPICE & ALLIED PRODUCT SECTOR

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1. INTRODUCTION

Sri Lanka Produces a range of spices, the major ones are being Cinnamon, Pepper, Cardamom, Cloves, Nutmeg and Mace. Over 90% of these products are being exported to the main end users i.e. flavour, fragrance and Pharmaceutical industries. The main agricultural products consist of tea, rubber and coconut. Out of the rest agricultural product exported, 56% consist of Spices & allied products including essential oils. Out of this 56%, 54% consist of Cinnamon and related products. And also 85% of Cinnamon products go to American region including USA & Mexico.

2. TYPE OF PLAYERS

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

3. KEY PRODUCTS AND VARIETIES

HS Code	Products
0906	Cinnamon
0904	Pepper
0907	Clove
090810	Nutmeg
090820	Mace
090830	Cardamom
0905	Vanilla

4. SUPPORT INSTITUTIONS

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

5. SEASONAL VARIATION

Products	Seasons
Cinnamon	March & April , September & October
Pepper	August & September
Clove	March and April
Nutmeg & Mace	September & October
Cardamom	May & June

Subject to Change
with climate
condition

6. GEOGRAPHICAL DISTRIBUTION ACROSS THE COUNTRY

Products	Area
Cinnamon	Galle, Matara, Ratnapura, Badulla
Pepper	Matale, Kandy, Kegalle, Kurunagala, Gampaha, Badulla & Hambanthota
Clove	Matale, Kandy, Kegalle
Nutmeg & Mace	Matale, Kandy, Kegalle
Cardamom	Matale, Nuckels

7. SIZE IN TERMS OF PRODUCTION

Products	Production Mt
Cinnamon	18,250
Pepper	10,800
Clove	5,533
Nutmeg & Mace	2,116
Cardamom	57

8. EMPLOYMENT

Around 15,000 people are directly involved in the Spice sector And thirteen (13) plantation companies are associated with the sector.

9. KEY PLAYERS

The top five players in the industry are as follows:

Cinnamon	Pepper	Essential oils	Other Spices
Impex Coperation Pvt Ltd	Ishana Exports Pvt Ltd	H.D. De Silva & Sons (Pvt) Ltd	Spice of Life Pvt Ltd
G P D Silva & Sons International Pvt Ltd	Saboor Chatoor & Pvt Ltd	EOAS International,	Spice of Life Pvt Ltd
S D S Spices Pvt Ltd	Shukra Trading Company	Link Natural Products (Pvt) Ltd.,	Saboor Chatoor & Pvt Ltd
AS Chatoor & Company	Spice of Life Pvt Ltd	Citro Essential Oils (Pvt) Ltd	EOAS Organic Pvt Ltd
Rathna producers Cinnamon Exports Pvt Ltd	Bio Food Pvt Ltd,	Bio Extracts (Pvt) Ltd.,	Aamajee Lukmana Jee Pvt Ltd

10. GOVERNMENT POLICY AND SUPPORT AVAILABLE IN THE SECTOR

Department of Export Agriculture is the main government organization involved with the development of this sector in Sri Lanka. They continue extension services to growers and producers. Government provides fertilizer subsidies and planting materials for the growers.

11. R&D AND PRODUCT DEVELOPMENT FACILITIES AVAILABLE

Technical institutions are involved in developing technology and value added products for fulfill the industry needs.

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

12. AVAILABILITY OF TECHNOLOGY AND SKILLED LABOUR

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

13. TOTAL EXPORTS OF PRODUCTS IN SELECTED CATEGORIES

In terms of foreign exchange earnings to the country, Spice exports have increased from US\$ 191Mn in year 2010 to US\$ 213Mn in year 2011 indicating 11.73% growth.

Export statistics of the spice Sector

	Total Exports to the world US\$ Mn.			Growth rate (2009-2011)%
Products	2009	2010	2011	
Cinnamon	74.1	91.44	121.18	27.8
Other Spices	40.93	99.74	92.43	50.27
Essential oils	4.82	14.92	18.18	94.2

Custom database

Exportable Products

	Products	Exportable products
H.S.Code		
0906	Cinnamon	Quills, Cut pices Cinnamon leaf oils & Bark oils
0904	Pepper	Black Pepper, White Pepper Pepper oil, Ground & Crushed powder
0907	Cloves	Clove bude,Clove Steem, Clove oil
09082	Cardamoms	Cardamoms oil, Cardamom
09083	Nutmeg & Mace	Oil and Ground

Overview of the Export market & Sri Lanka Position in the world market

Potential Products	Major Markets	Sri Lanka 's Position in World Market	Sri Lanka Share	Sri Lankan Export Growth 2006-2011
Cinnamon	Mexico, USA, Colombia ,Peru, Germany	1	34.66%	4%

Potential Products	Major Markets	Sri Lanka 's Position in World Market	Sri Lanka Share	Sri Lankan Export Growth 2006-2011
Pepper	India, Germany, USA	11	1.94%	15%
Cloves	India, USA, UK, Saudi Arabia	1	22.7%	28%
Cardamoms & Nutmeg & mace	Japan, UK,EU, Pakistan, Singapore	6	2.58%	21%
Essential oil	Germany, USA, France	35	0.33%	6%

Trade Map

14. POTENTIAL FOR EXPANSION IN THE SECTOR.

Following factors could be considered for the expansion of this sector

Extractions.(R & D is important tool for product development

Flavours, Aromas & 3rd /4th Extraction of Raw Products eg; natural colour extraction.

Imaging new products with new technology. eg.Oil extraction,

- Sterilized Spices-Specially for EU market

Value added products

Essential oils, Oleoresins, Flavours, Fragrances and Isolates, Ground Spices and Spice mixtures, Spice Gift Packs

15. STRENGTHS AND WEAKNESSES OF THE SECTOR

Strengths
Geography - Geographical Indication
Climate Sri Lanka climate is well suited to the cultivation of certain spices and herbs
Cost of labour The low cost of labour in rural Sri Lanka is a competitive advantage in production of herbs and spices
Specific knowledge in certain herbs and spices Established sector specific knowledge of herbs and spices

Weakness
Supply Shortage Land 70% of cultivation is in the form of home garden level. • Lack of commercial cultivation
Logistics issues Lack of transportation and storage facilities
Lack of Quality Requirements Lack of industry standards Lack of awareness of quality standards among the producers
Research & Development • Lack of high yielding varieties • New technological advancements for products development. Lack of information availability to the farmer level, regarding the prices ,markets and quality requirements
Lack of Technology for value Addition Lack of funds to technology upgrading
Lack of information (data and statistics) Farmers do not have easy access to the information they need to make decisions on pricing, planting, crop selection, training, standards, and other critical information

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