

Export Potential for Export Agriculture Crops (EAC); Challenges and the Way Forward

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Agriculture Sub Sectors in Sri Lanka

❑ Food Sector

Paddy

Vegetables, OFC and other annual crops

Fruits and horticulture crops

Export Crop Sector

❑ **Tea**

❑ **Rubber**

❑ **Coconut**

❑ **Other plantation (sugar cane)**

❑ **Export Agriculture Crops**

❑ **Other perennial Crops (Palmira, Kithul cashew etc.)**

❑ **Floriculture and ornamentals (Fruits/Vegetables)**

❑ **Mixed/ Inter/Homestead Cropping Systems (Includes food/export/tree crops)**



Agriculture Contribution to Sri Lankan Economy –2016

Agriculture Contribution to GDP (Gross Domestic Production by Industrial Origin at constant (2010) prices – as a % to GDP)

2015 – 4.8%

2016 – 7.1%

Contribution to employment

Employed Persons ('000) – 7,948

Agriculture – 27.1%

Industry – 26.4%

Services – 46.5%



Export Earnings from Different Agro-Food Sectors

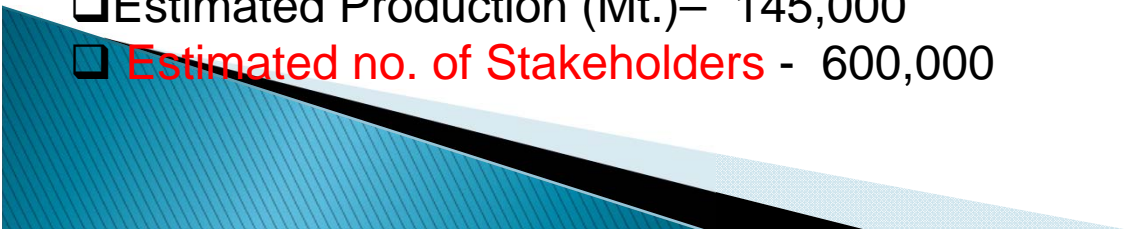
	Value (US\$ mn.)	Share (% total Export Earnings)
Tea	1289.00	12.30
Rubber	32.70	0.3
Coconut products	366.00	3.5
Spices	317.10	3.1
Vegetables	26.50	0.3
Unmanufactured Tobacco	31.21	0.3
Minor Agriculture Products	114.10	1.1
Sea Food	169.1	1.6
Total Ag. Export Earnings	2386.1	22.6
Total Export Earnings (Agriculture + Industry + Services)	10309.7	

Export Agriculture Crops

- ❑ Spices – Cinnamon, Pepper, Clove, Nutmeg, Cardamom
- ❑ Beverages – Coffee, Cocoa, Vanilla
- ❑ Stimulants – Betel, Areca nut
- ❑ Essential Oil bearing Crops – Citronella, Lemon Grass

Cultivated as mono crops, inter crops or as mixed crops and each of above crop cultivations have unique features of their own

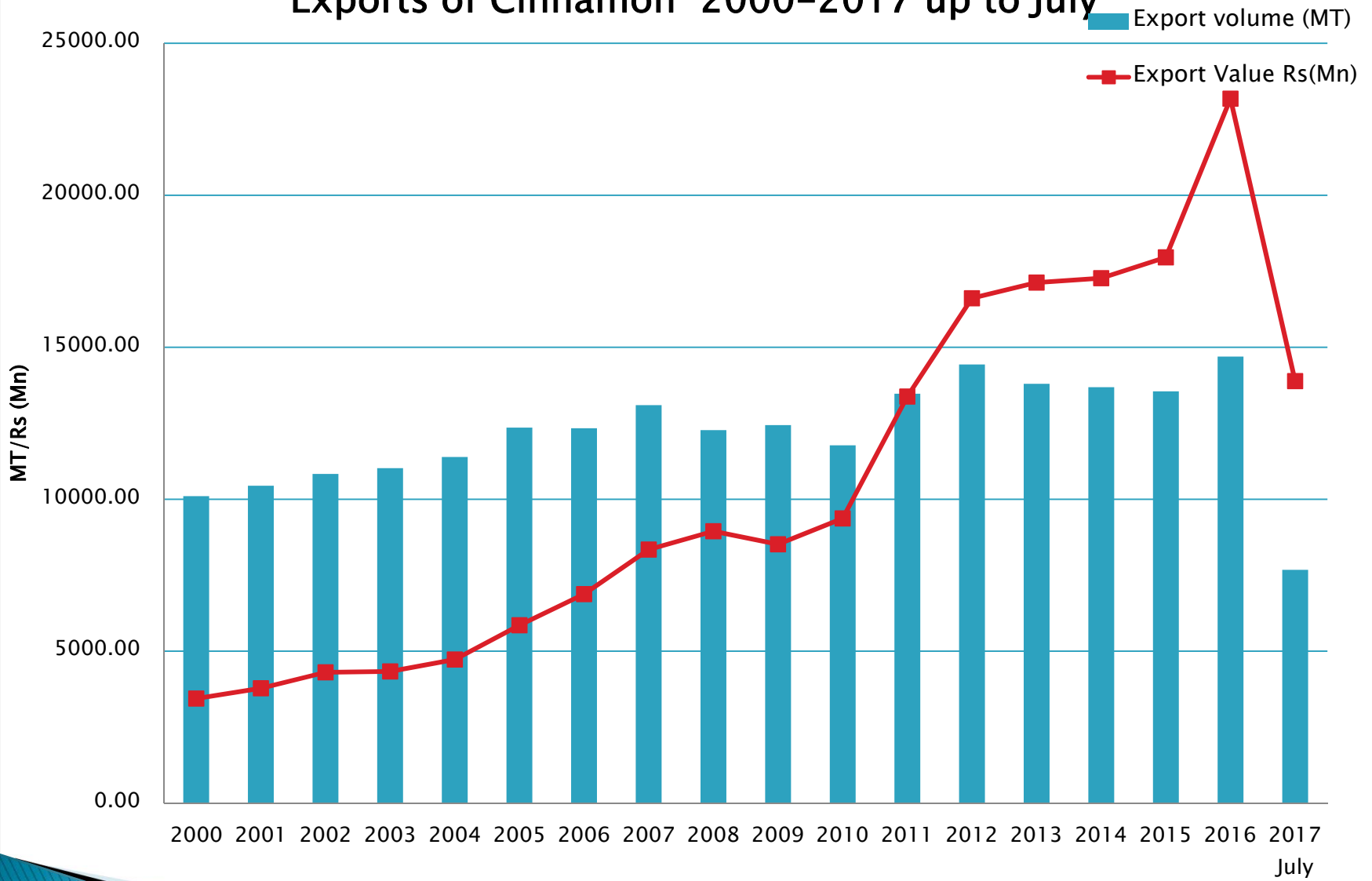
Contribution of EAC to Sri Lankan Economy – 2016

- ❑ To GDP – 0.4-0.5%
 - ❑ To Total Export Earnings of Sri Lanka- 3.4%
 - ❑ To Total Agriculture Export Earnings of Sri Lanka – 15%
 - ❑ EAC Export Volume (mt.) – 44,684
 - ❑ EAC Export Earnings (Rs.mn.) – 51,731
 - ❑ Estimated Land Extent (ha.)– 110,000
 - ❑ Estimated Production (Mt.)– 145,000
 - ❑ Estimated no. of Stakeholders - 600,000
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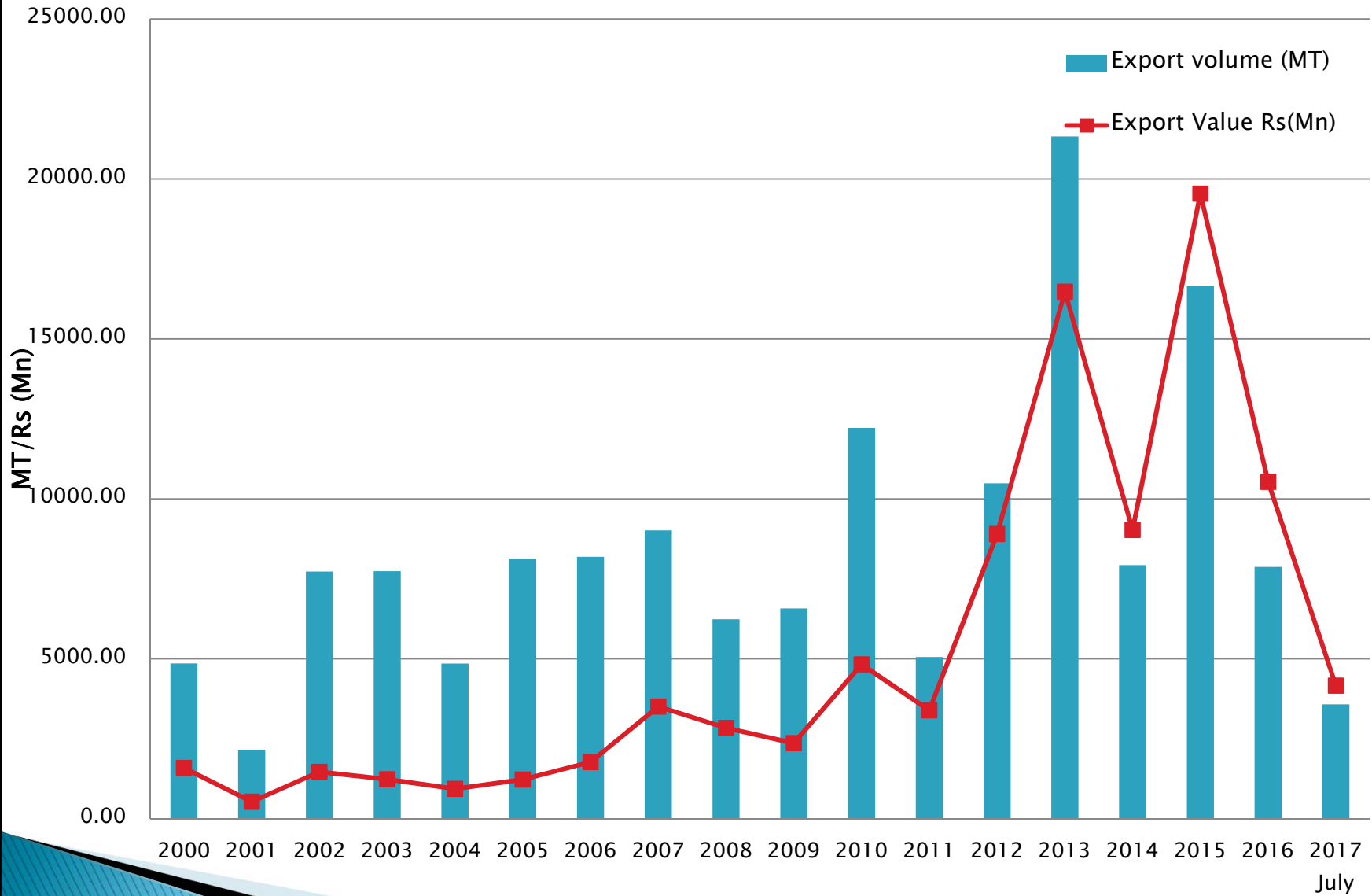
World /Sri Lanka Trade Situation of EAC – 2016

Crop	World		Sri Lanka	
	Export Volume (Mt.)	Export Earnings (US \$ mn.)	Export Volume (Mt.)	Export Earnings (US \$mn.)
Pepper	373,665	2,887	7895.54	73
Cinnamon (+cassia)	154,044	484	14,699.09	159
Cloves	59,496	397	1378.9	14
Cardamom	55,409	389	779.39	6
Nutmeg	24,818	173	1509.19	14
Coffee (all)	8.710mn	30,790	13.70	
Cocoa (beans)	3.8mn	10,192	1345.5 (all)	5
Vanilla	5621	763	2.06	

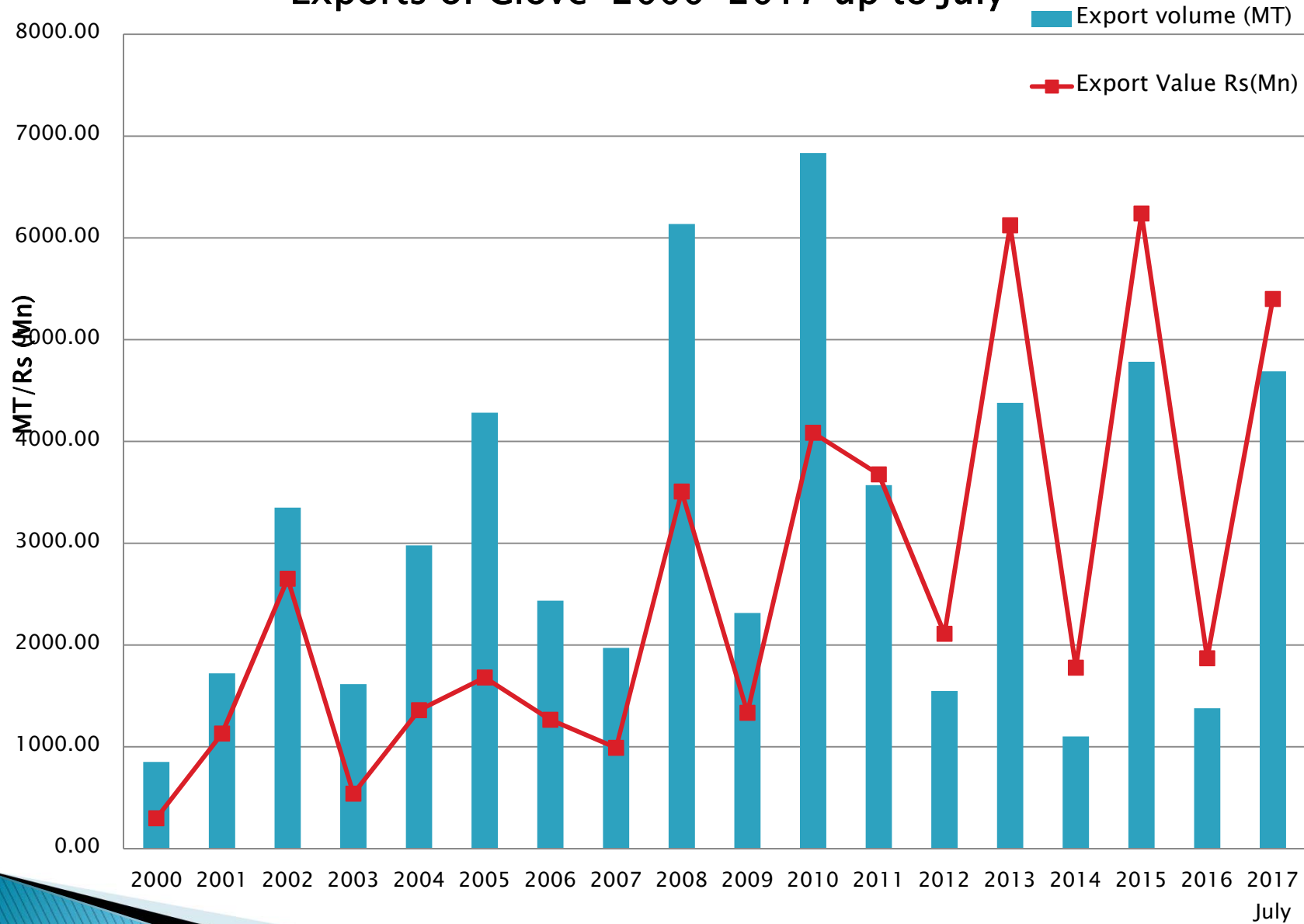
Exports of Cinnamon 2000-2017 up to July



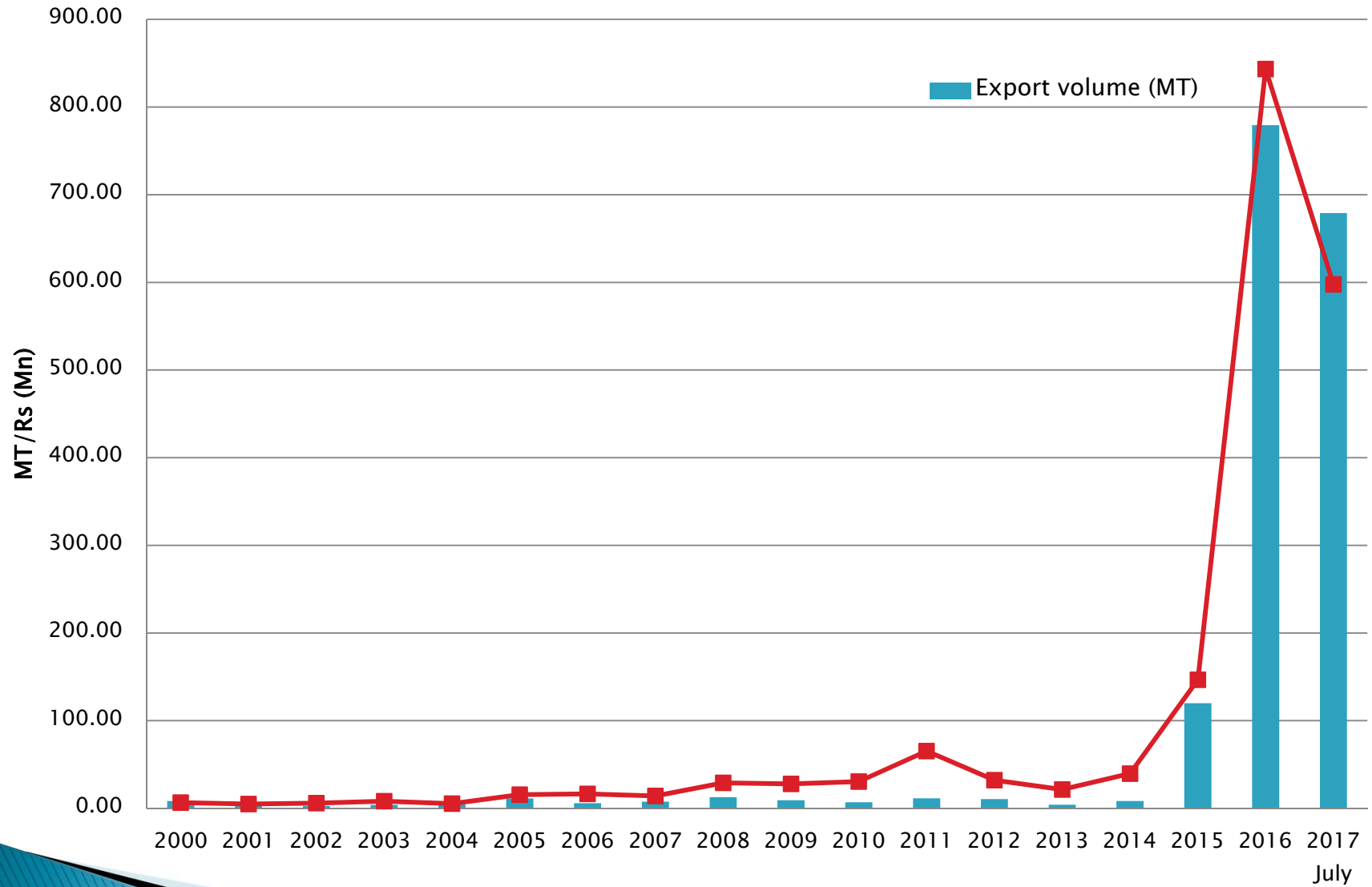
Exports of Pepper 2000-2017 up to July



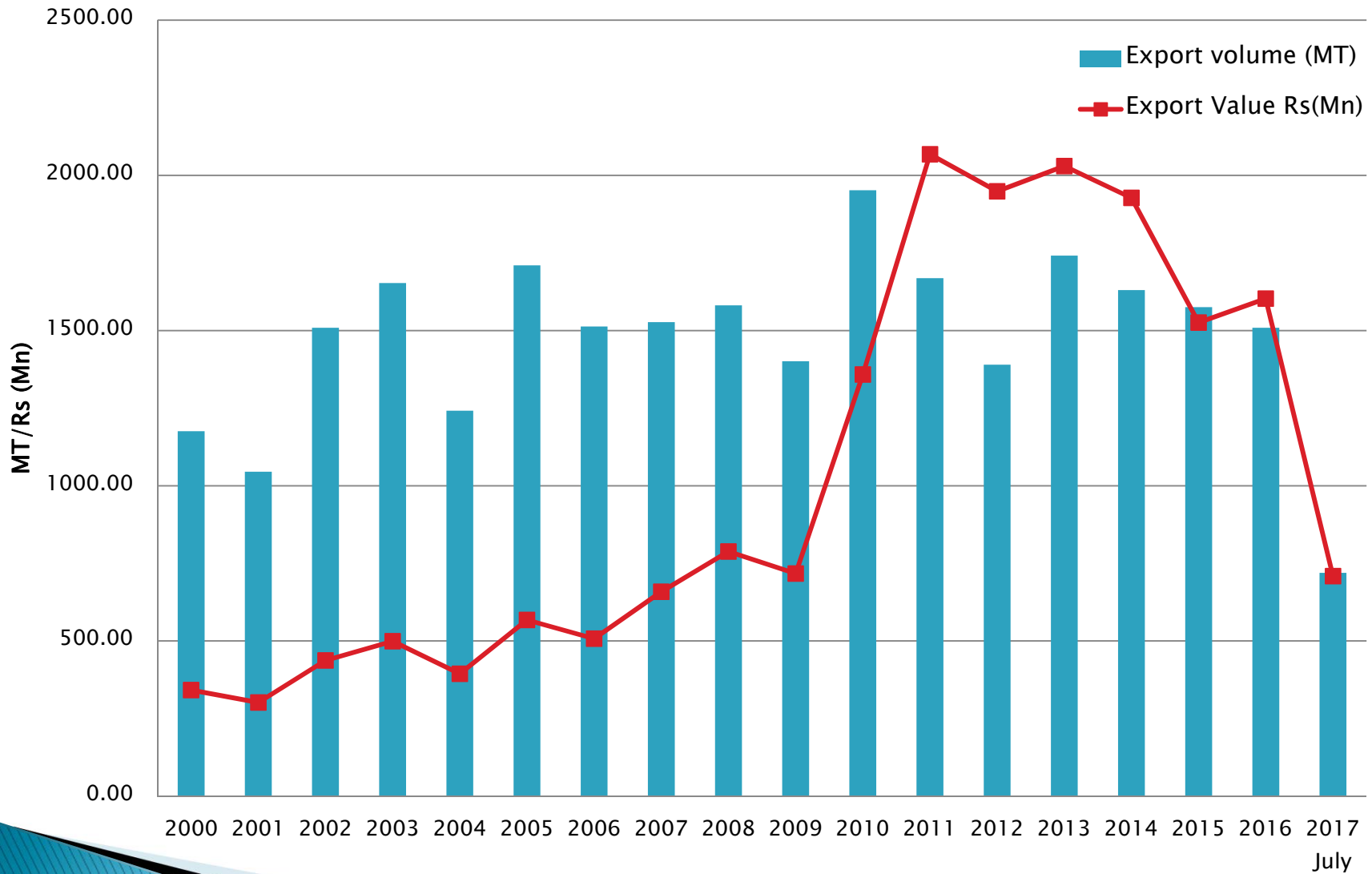
Exports of Clove 2000-2017 up to July



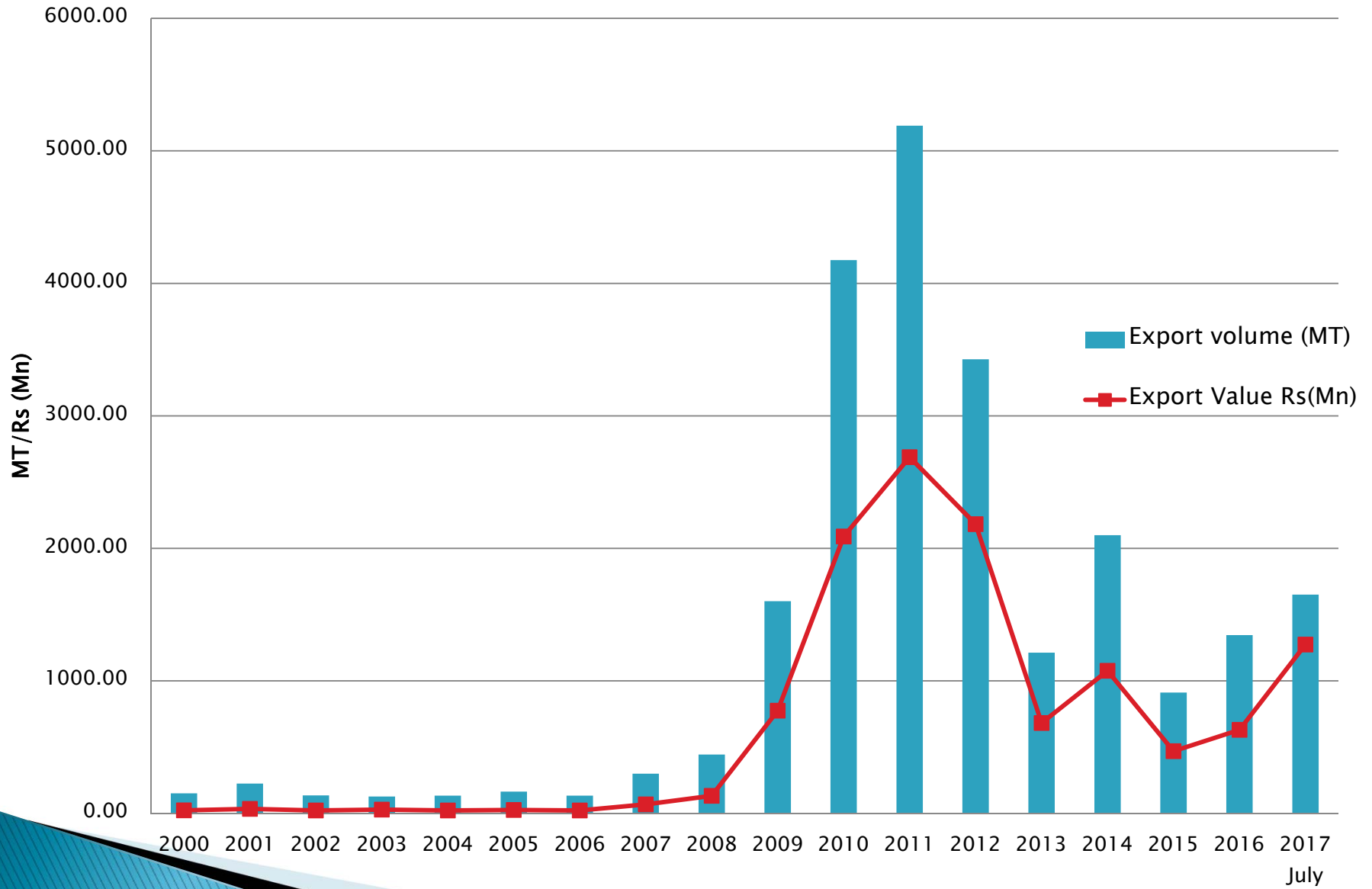
Exports of Cardamom 2000-2017 up to July



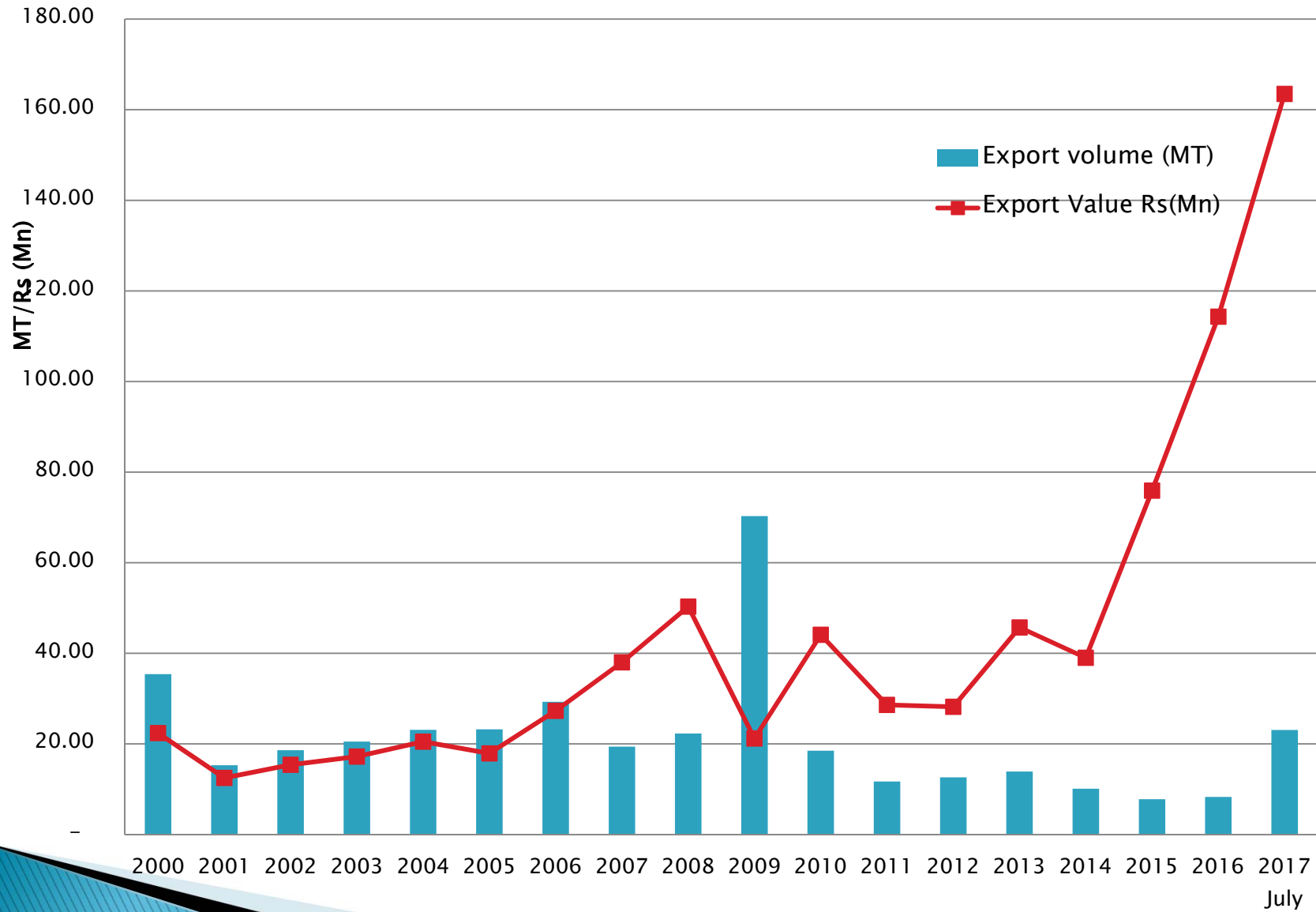
Exports of Nutmeg 2000-2017 up to July



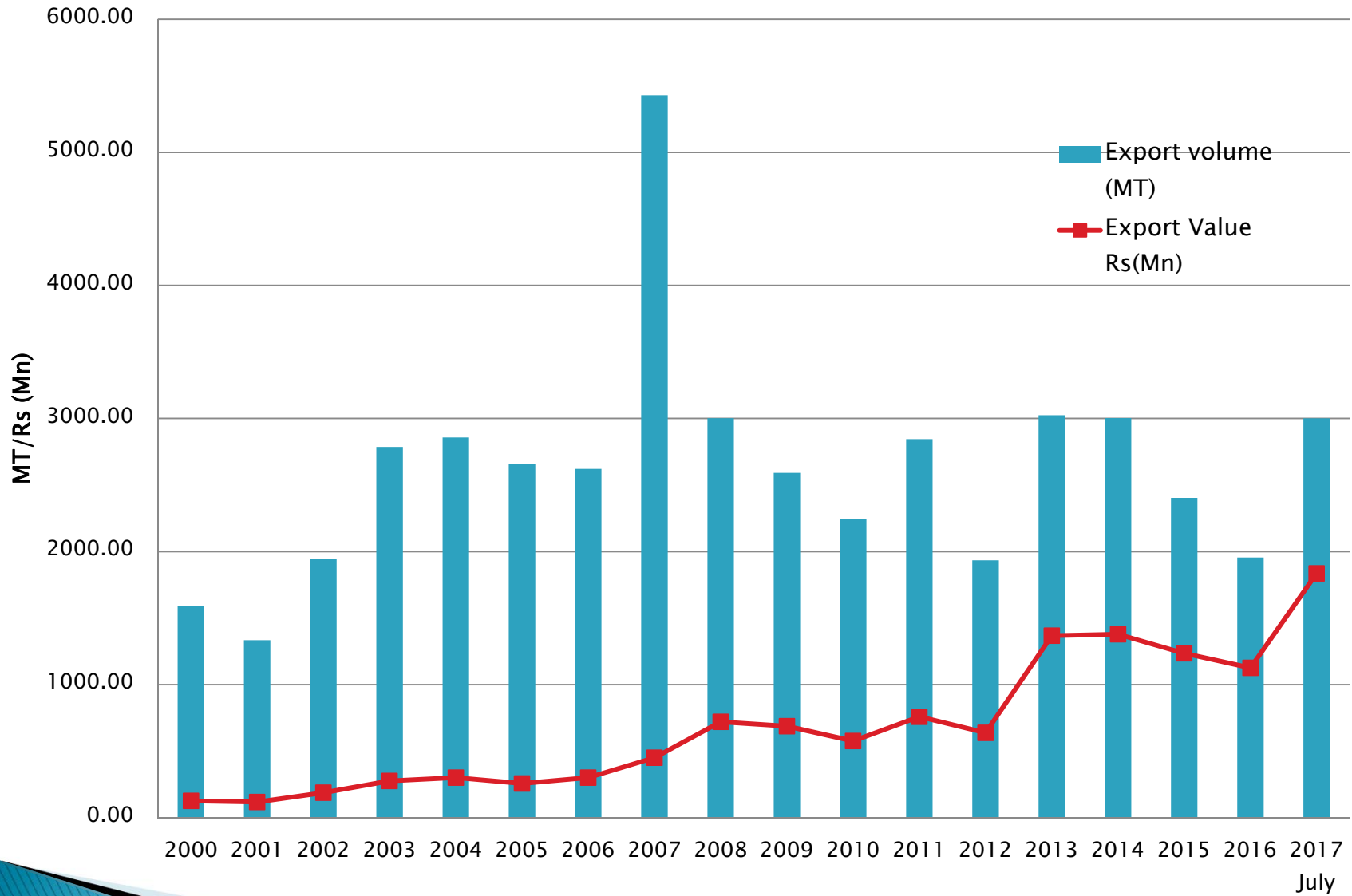
Exports of Cocoa 2000–2017 up to July



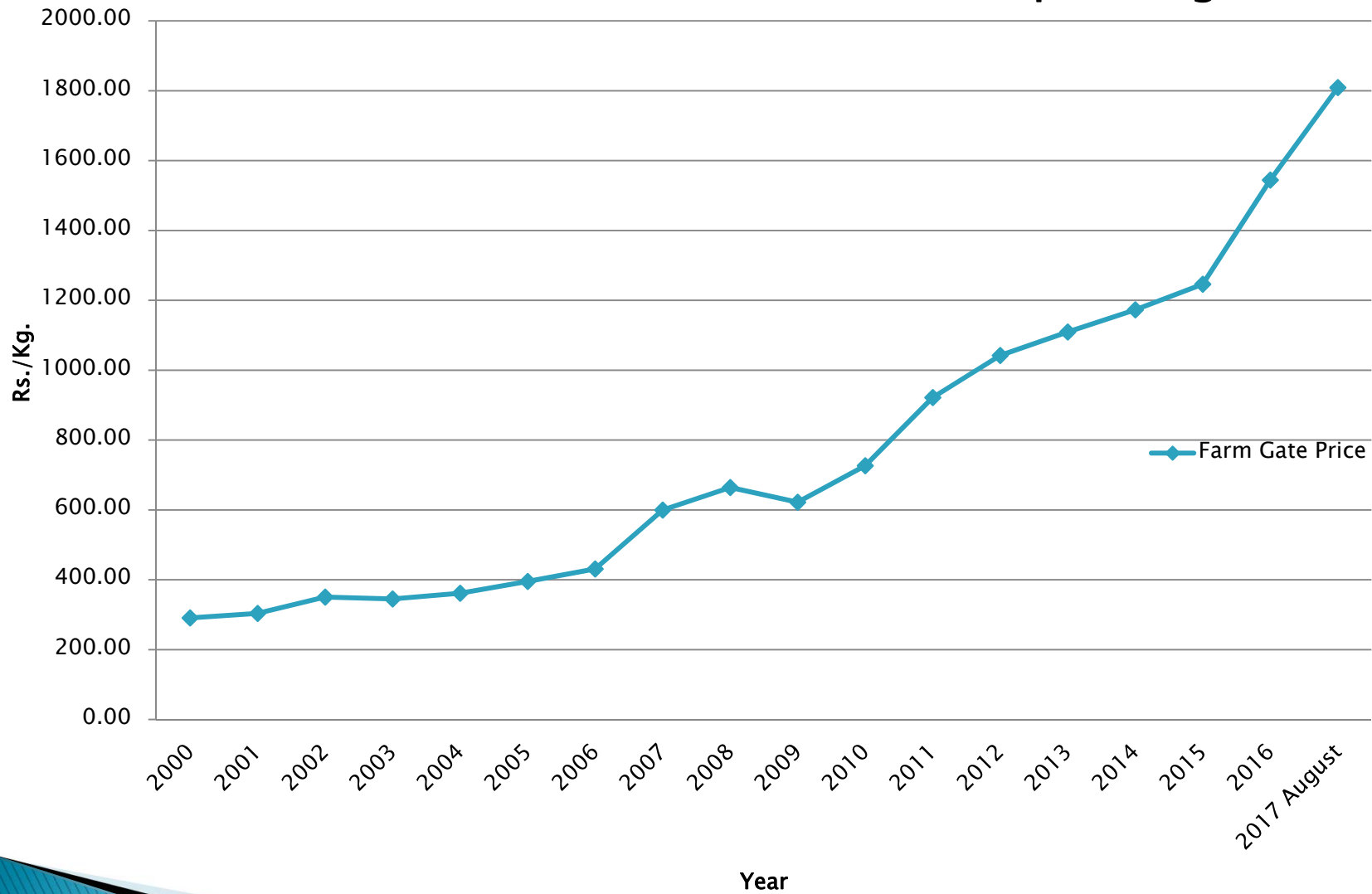
Exports of Citronella Oil 2000-2017 up to July



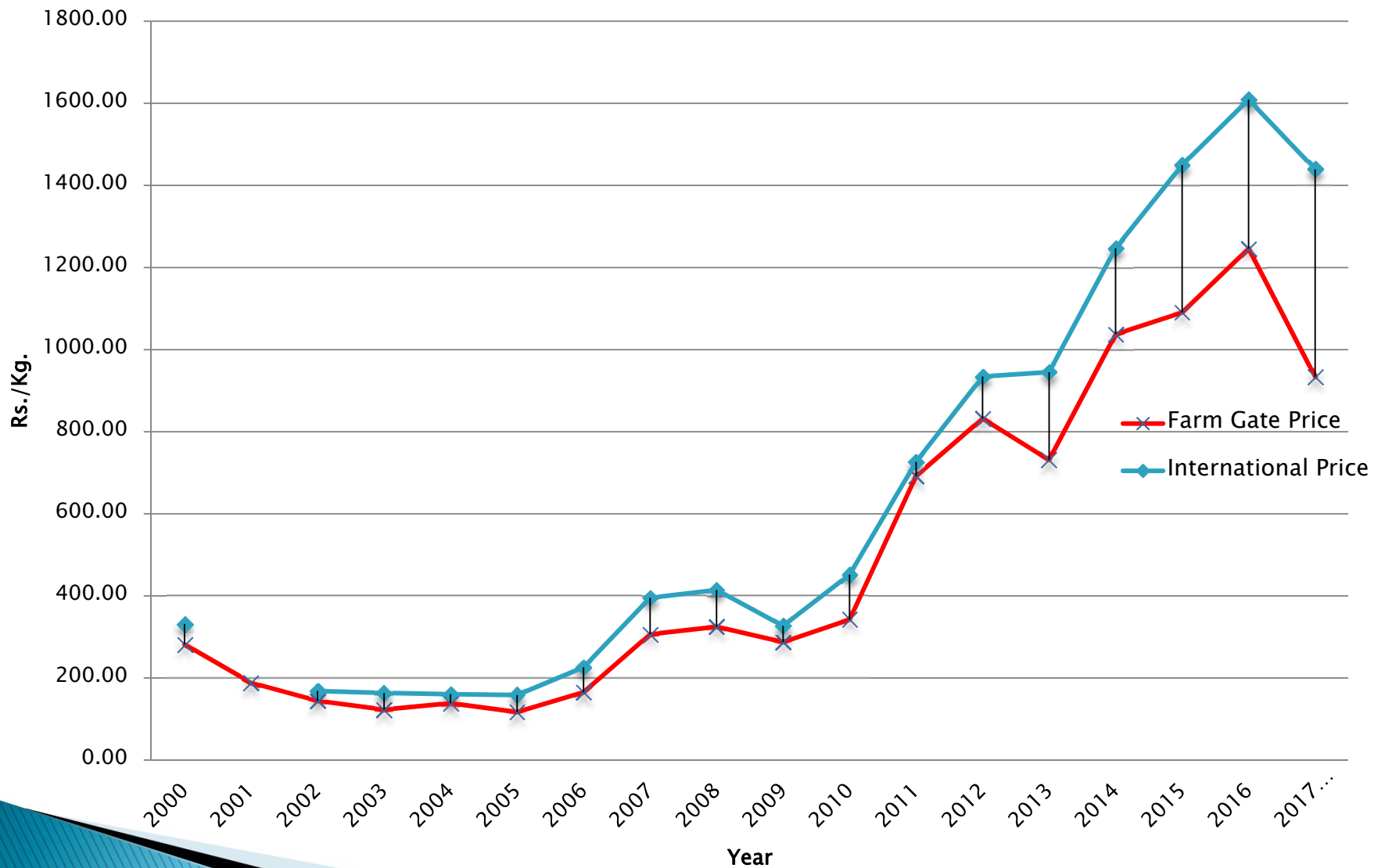
Exports of Betel 2009–2017 up to July



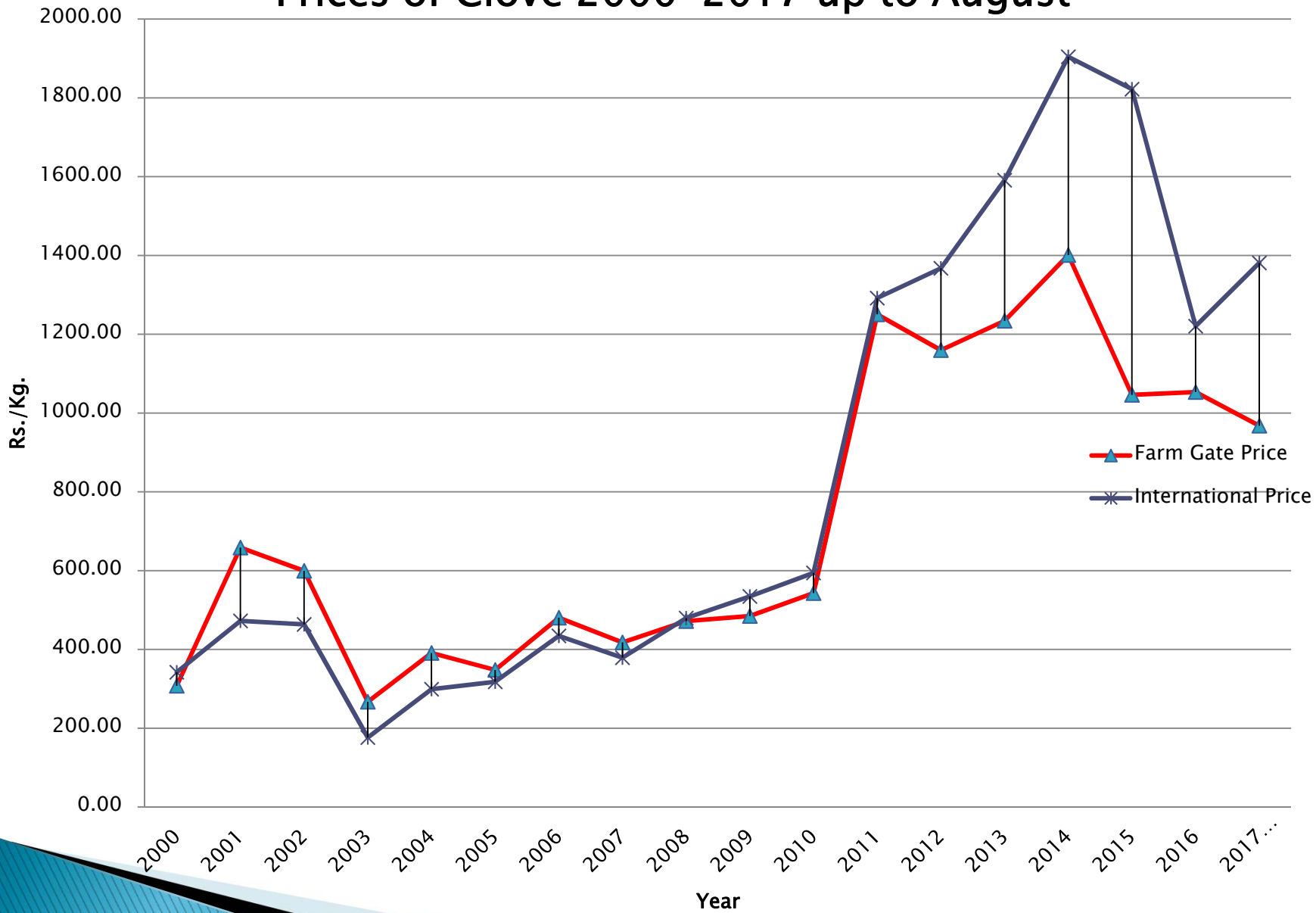
Prices of Cinnamon Quills 2000–2017 up to August



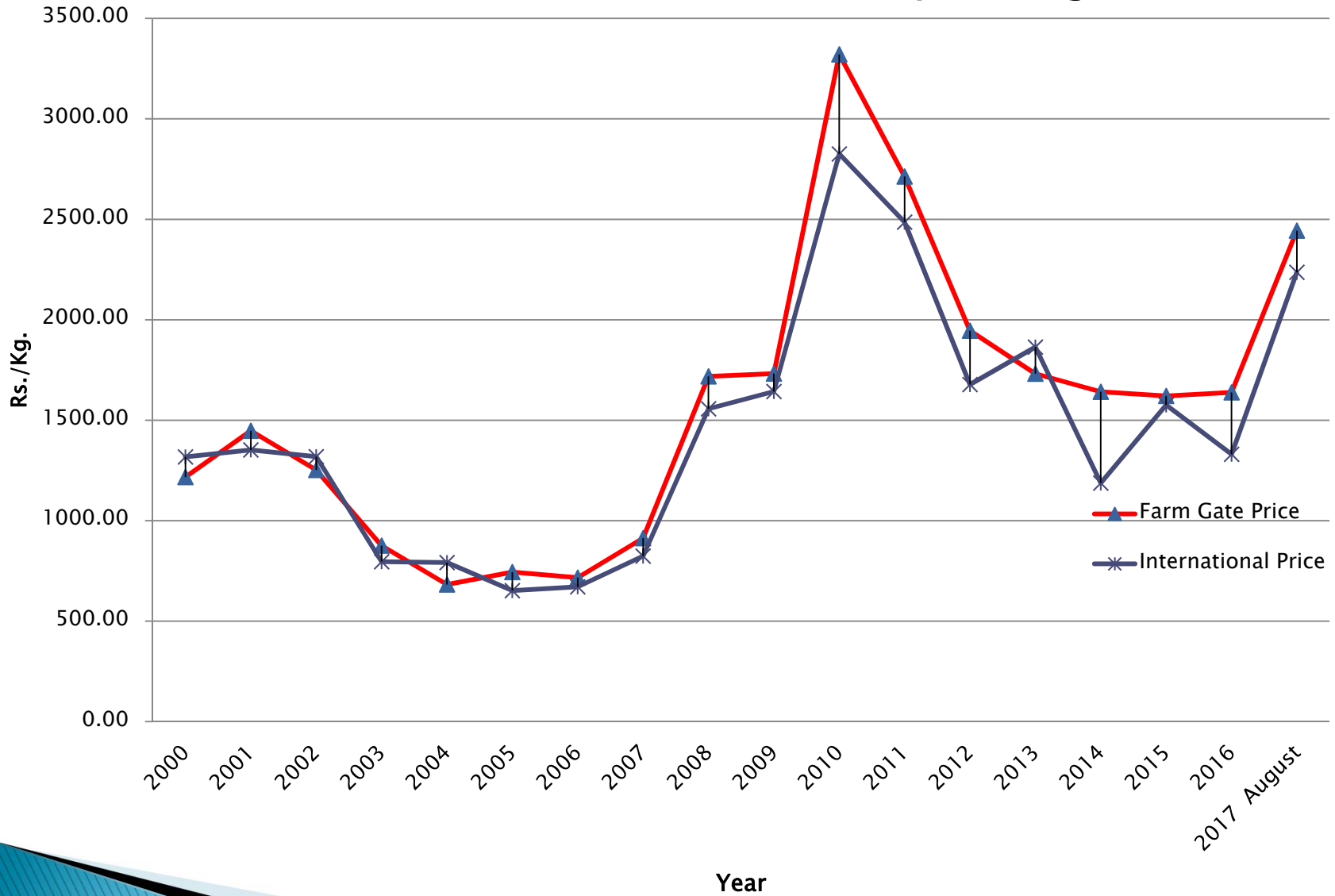
Prices of Pepper 2000–2017 up to August



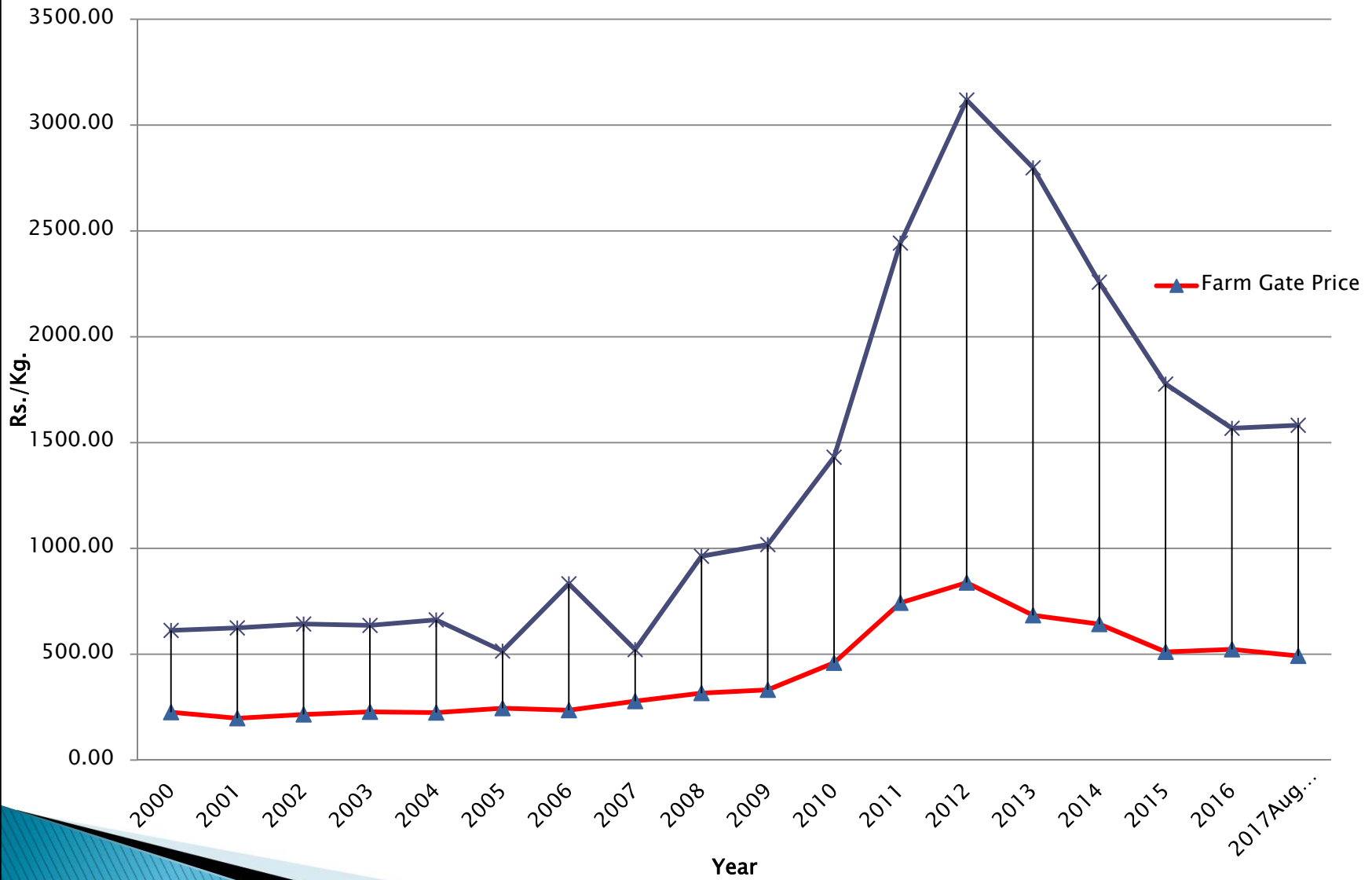
Prices of Clove 2000-2017 up to August



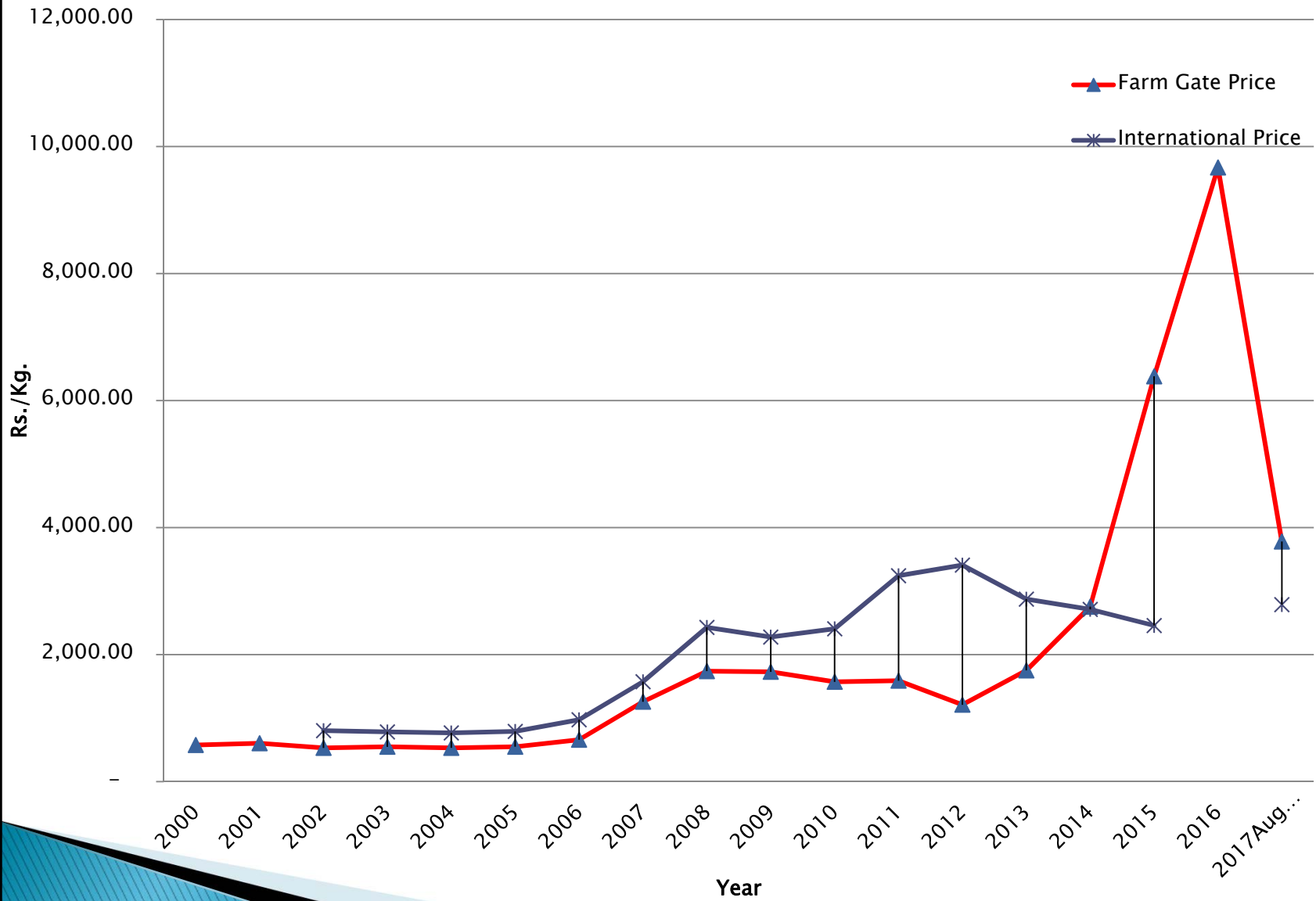
Prices of Cardamom 2000–2017 up to August



Prices of Nutmeg 2000–2017 up to August



Prices of Citronella Oil 2000-2017 up to August



SL Spice Exports to SAARC Region (Mt.)

	Item	India	Pakistan	Bangladesh	Maldives	Nepal	Total
2016	Pepper	4801	39	41	32		7895
	Clove	493	7	20	9		1378
	Nutmeg	154	196	89	0.18		1509
	Cinnamon	493	184		0.73		14692
	Cardamom	663	-		0,79		779
2015	Pepper	9068	1556	56	11.04	26.5	16667
	Clove	1869	174	50	7		4782
	Nutmeg	192	267	127	0.12		1575
	Cinnamon	444	266		0.65		13548
	Cardamom	100			0.68		119

SL Spice Exports to Non- SAARC Region (Mt.)

	Country	Pepper	Clove	Nutmeg	Cinnamon	Cardamom
2015	USA	367.00	167	34.00	2170	
	France	17.00	3.94	2.35	40.55	0.66
	Germany	643.17	105.72	128.10	221.54	1.25
	Mexico	266.00			5946	
	UAE	46.39	0.10	209.28	58.74	10.11
	Egypt	41.00	25.15	37.17		
	Japan	18.49	11.96	14.77	33.57	0.18
	Australia and NZ	15.43	25.56	3.22	125.52	0.46

SL Spice Exports to Non- SAARC Region (Mt.)

	Country	Pepper	Clove	Nutmeg	Cinnamon	Cardamom
2016	USA	563	174	57	1607	
	France	34.75	1.58	2.26	57.88	1.77
	Germany	783.82	167.66	46.05	172.63	1.8
	Mexico	74.00	29.5	2.6	5578.26	
	UAE	497.15	1008.92	205.05	6.68	10.03
	Egypt	728.30	53.00	9.55	1.80	
	Japan	8.14	2.57		27.32	0.15
	Australia and NZ	19.57	11.28	4.22	119.48	0.39

Current Value Addition Status of EAC – 2016

Commodity	VA form	Export (mt.)	Export Earnings (Rs.mn.)
Cinnamon	Crushed	11.43	20.16
	Ground	245.05	283.5
	Cut qills/Retail packs below 01kg	1959.82	3424.74
Pepper	Crushed	1278.68	328.44
	Ground	142.81	288.87
	Other	1446.25	2054.49
Clove	Crushed or ground	56.76	92.01
Nutmeg	Crushed or Other	192.00	198.99
Mace	Crushed or ground	5.04	17.27
Cardamom	Crushed or ground	12.02	13.18

Current Value Addition Status of EAC (Essential Oils)- 2013

Commodity	VA form	Export (mt.)	Export Earnings (Rs.mn.)
Cinnamon	Cinnamon Leaf Oil	226.36	905.9
	Cinnamon Bark Oil	27.31	890.13
Pepper	Pepper oil	42.73	429.55
Oleoresin		559.59	3257.22
	Nutmeg Oil	122.35	595.37
	Cardamom oil	0.69	25.95
	Mace Oil	0.13	0.92
	Clove Oil	6.2	52.7
	Ginger Oil	2.82	44.83
	Vanilla Oil	0.03	0.07
	Citronella Oil	8.26	114.28
	Lemon Grass Oil	0.30	1.1

Trade Agreements and their Relevance for EAC Sector

Free Trade Agreement with India

100% duty free for spice imports (2500mt. Cap for mature pepper) and arecanut from Sri Lanka with Country of Origin Sri Lanka or with 35% value addition for imported products

Free Trade Agreement with Pakistan

100% duty free imports for Cinnamon, Clove, Nutmeg and Mace

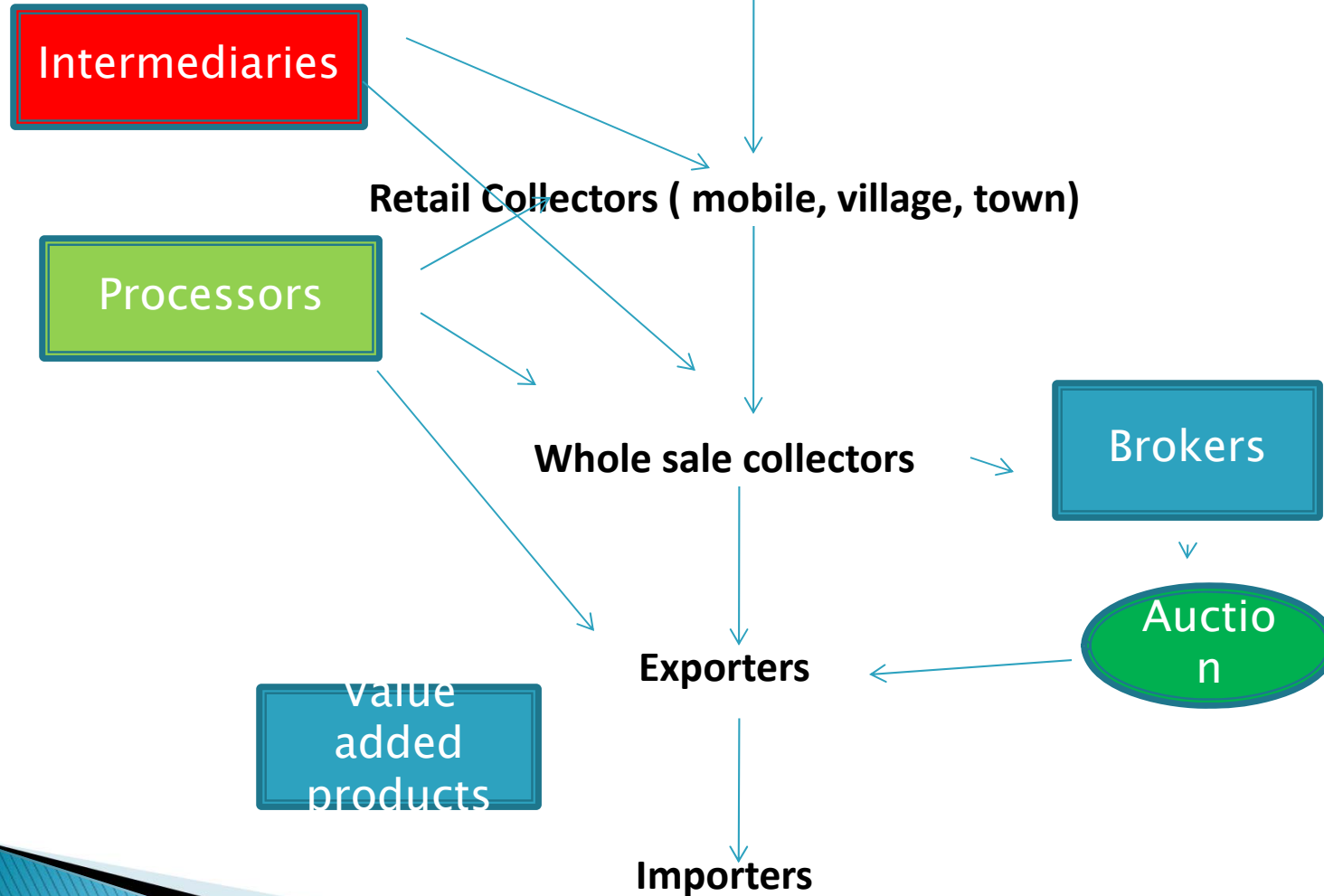
Concessionary rate for Betel (changed)

SAPTA – 8% duty rate for spice imports to India



Market Chain of EAC

Producers (small, large, mixed, mono, estates)



Strengths in the Sri Lankan EAC Sector

- Reputation in intrinsic Quality
- Can cultivate variety of spices


Weaknesses

- Extrinsic Quality Problems in Exports
- High COP
- Small Scale unorganized Farmers Base

Opportunities

- World Trade for Spices is growing at 5%, Asian Market is growing at 5%
- World Trend for spicy foods
- Increased market for essential oils, oleoresins
- World trend for flavor enhancers, and fragrances
- Increased concern over medicinal properties of Spices, food supplements
- Spa and health care products

Threats

- Emerging Producers (eg. Myanmar, Low cost/high volume, Vietnam/high productivity)
 - Dumping cheap low quality imports (reduce local price, destroy reputation)
 - Increasing SPS measures and quality, traceability, certification needs in high premium markets
- 

Challenges for Export Promotion and Market Access of EAC

1. Inadequate Supply/Production and inconsistency in Supply

- Large no. of Small farmers, home gardens, unorganized production base**
- No accurate information on producer base (exact situation at ground level is not clear)
- Difficult to predict raw material supply (consistent supply)
- High Cost of Production and negligence of maintenance
- Difficult to maintain the product quality, traceability
- Crop extent largely limited to traditional areas
- Considerable extent of over age holdings**
- Harvest fluctuations due to weather and poor management

✓ *Low productivity and no rapid & consistent growth in production*

✓ *Inconsistency of annual Production flow*

“Barrier to take big decisions on large scale processing, value addition and market promotion”



➤ **Current Development Programs of the Government**

- **Assistance for new cultivations of EAC**
- **Promote EAC based Home gardens**
- **productivity improvement of EAC cultivations**
- **Estate Development programs with EAC**
- **Promote inter cropping of EAC under coconut**
- **Awareness, training programs**
- **Farmer registration**



2. Quality problems in Sri Lankan EAC

- ❑ Due to large number of small farms product quality is not unique
- ❑ Major processing method is sun drying
- ❑ Due to long market channel, traceability is difficult
- ❑ Poor commitment of exporters for quality
- ❑ No premium for quality at the producer level
- ❑ Quality policy or regulatory mechanisms are weak
- ❑ Inadequacy of quality infrastructure (eg. few testing facilities in the country, high cost of testing, few accredited laboratories)

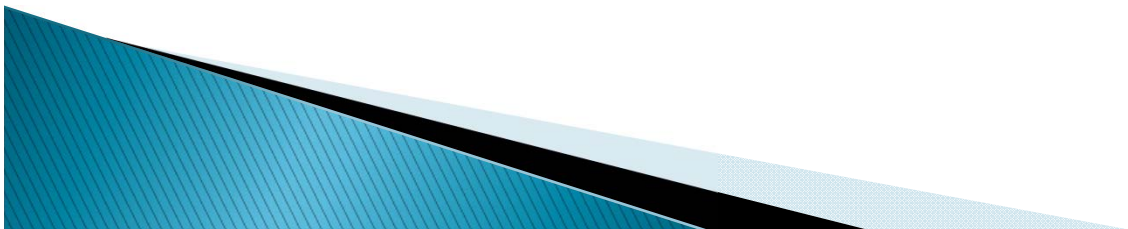


Current Development Programs

- Provide training, awareness
- Provide machineries, equipments
- Financial grants, loans
- Technical expertise

Proposed actions

- National Export Strategy Propose a quality policy
- Investment for GMP, other certification programs, machineries
- NES proposes quality infrastructure facilities to be upgraded
- Low cost testing facilities available throughout the country



03. Primitive nature of market channel of EAC

- ❑ Many collectors, traders compete at ground level
- ❑ Act individually, independently and with personal relations
- ❑ Established family businesses
- ❑ Not subjected to any regulation, registration (other than business registration)
- ❑ Not transparent
- ❑ Aggregate purchases at each point and transfer bulk from hand to hand
- ❑ Forward and backward linkages are informal, business oriented and not seems to consider industry interests
- ❑ Very poor concern over quality, grades

Inconsistency and uncertainty of quantity and quality of supply

Barrier for quality promotion, large scale investment on processing, value addition, Difficult for new exporters to establish in the trade, reduce competitiveness of Sri Lankan EAC

Current Development Programs

- Establish Farmer–exporter connections
- Awareness of market channel segments
- World bank/EU projects to strengthen value chain by providing support and awareness, capacity building

Needed actions

- ✓ Gradual change of the system with minimum effect,
- ✓ Competitive alternatives (Factory, collecting centre ???)
- ✓ Strengthen central processing with defined market
- ✓ Regulatory Framework



04. Low market share to high profit zones

Currently more than 70% of EAC exports are reaching developing countries with relatively low profits

Why ????

- Low quality of produce
- No market mechanism to “ pay for quality”
- Lack of traceability
- Largely for raw material for other countries
- Low Value addition



Current activities

Provide technologies, machineries
Processing facilities
raining and awareness
Quality testing Programs

Needed actions

Regulations for quality, product certification facilities
establish a norm for paying premium for quality
Promote Sri Lankan brands & other market promotion
Market links, Expand exporter base



5. Inadequate market promotion in overseas

- ❑ Low investment and less efforts from both from public and private sector
- ❑ Low effort to promote intrinsic values for SL spices and no return for such values
- ❑ poor knowledge on niche markets
- ❑ For cinnamon, current demand and high price over cassia is for inherited values but it reduced competitiveness

Needed actions Identify effective methodologies
(where, what, how)

- ✓ Branding locally and internationally
- ✓ Market research or research reports
- ✓ research to establish intrinsic/medicinal values
- ✓ Cinnamon promote intrinsic value in high end markets–



06. Inadequate Value addition in EAC sector

- ❑ Low tech products in small quantities
(crushed, ground, packed, tinned etc.)
- ❑ Largely done by exporters themselves
- ❑ Only a few large factories export high-tech products
- ❑ Many invented products from DEA and ITI but only a few small VA producers, mainly cater to local market
- ❑ Inadequate knowledge on VA market potentials/prices
- ❑ Inadequate information base on VA producers in the country
- ❑ Low R & D on value addition, product development

DEA activities

Provide research inputs, training, awareness
Machineries (for grinding, peeling, drying)
Provide information

Other Institutions supports at the limited scale

Needed actions

- ❑ Establish Information base on current VA industries and take measures to upgrade effective industries
- ❑ Identify new investors for large scale/high tech investment and support them
- ❑ Changing policies if required, under well regulated environment
(ex. Re-export policy, Policy of having one factory per district)
- ❑ FDI for value addition
- ❑ Investment for R & D for technology gaps
- ❑ Commercialize innovations
- ❑ Arrangements for raw material supply flows to VA factories



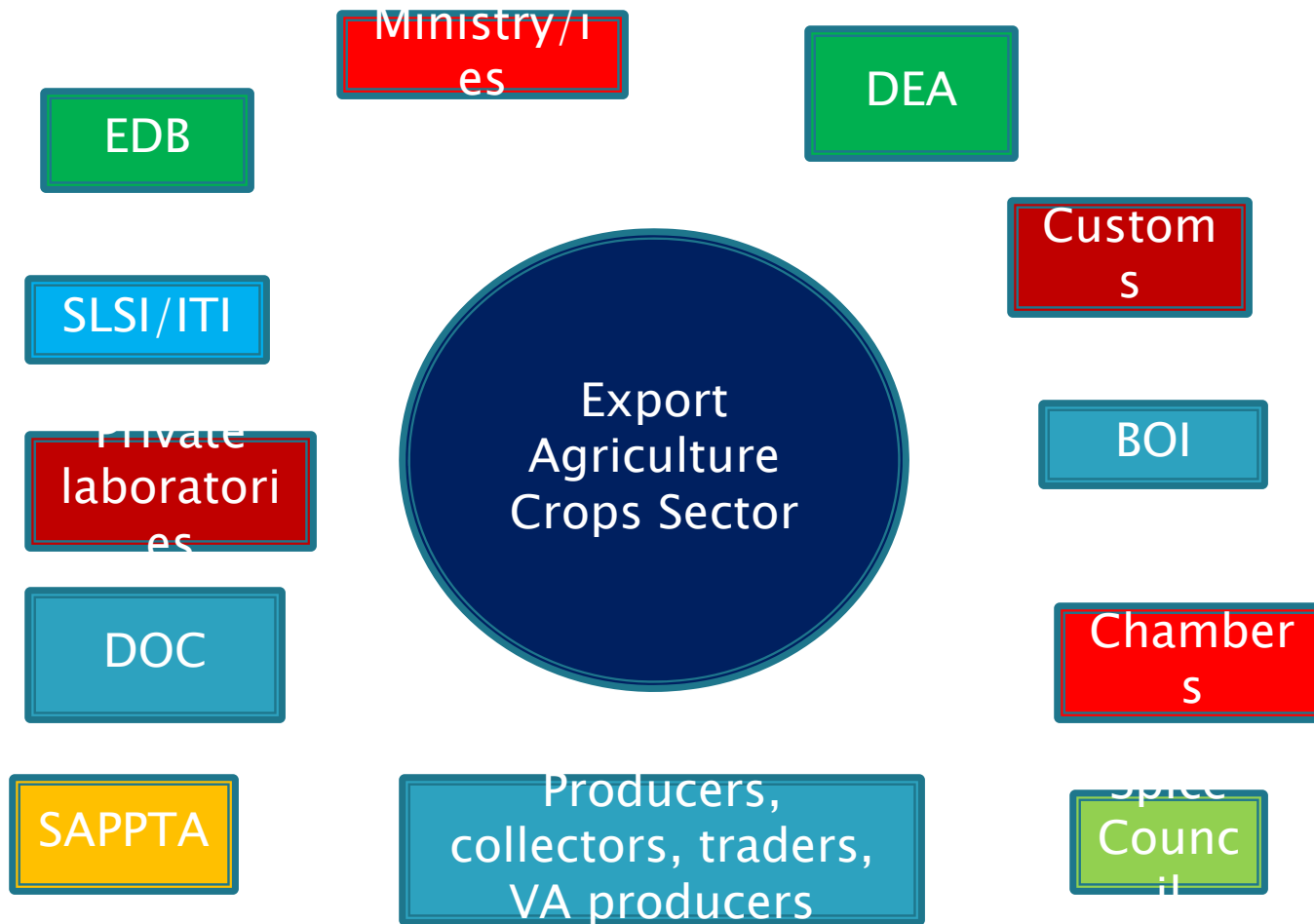
7. Inadequate Market Intelligence

- ❑ Poor Market intelligence for –
 - ❑ new market links/niche markets/Prices
 - ❑ Technology, packaging, mechanization,
 - ❑ VA products. Potential markets
 - ❑ SPS /quality/food safety/testing requirements
 - ❑ Local Testing facilities
 - ❑ Export procedures/logistics
 - ❑ Raw material supplies

NES plans to establish “ One Stop Shop” for market information and to expand other facilities for market intelligence (eg. through EDB/Web Potels)

•Need Market Research Program or invest on market research reports (public investment program)

08. Inadequate Public Private Partnerships



In many cases we take decisions independently (have to recognize and respect each other, share common interests, avoid duplications)
Have a common goal- ex. Indian spice sector.

09. Other issues

FTAs???

Debatable on current benefits of current FTA

More FTA are planned with China and Singapore

There should be

export ethics/disciplines to be established

To reap benefits of FTA

Thank You



Challenges

