

Food and Beverages Processing



Real Sector Division - Economic Research Department
Central Bank of Sri Lanka

Industry Background

Processed Food and Beverages Industry

Transformation of raw ingredients, by physical or chemical means into food.

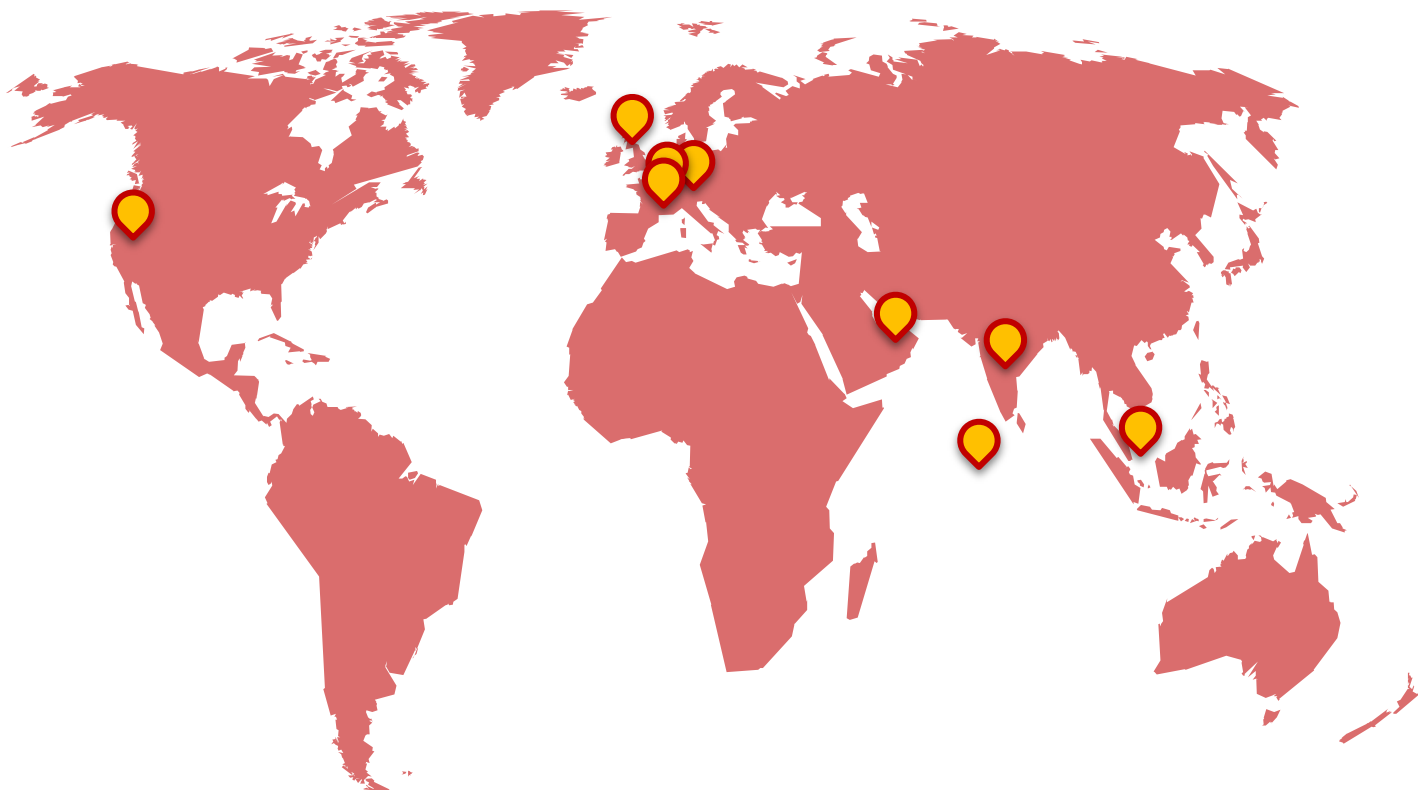
- ❑ A good alternative to fresh food
- ❑ Processed products provide an option to consume varieties
- ❑ Sri Lanka has a large and unique range of fruits and vegetables of high quality, taste and flavor
- ❑ The food and beverage industry has been relatively less affected by COVID-19 due to its essential nature
- ❑ Sri Lanka has a strong reputation for high standards in food, which is to be leveraged upon

Industry Background

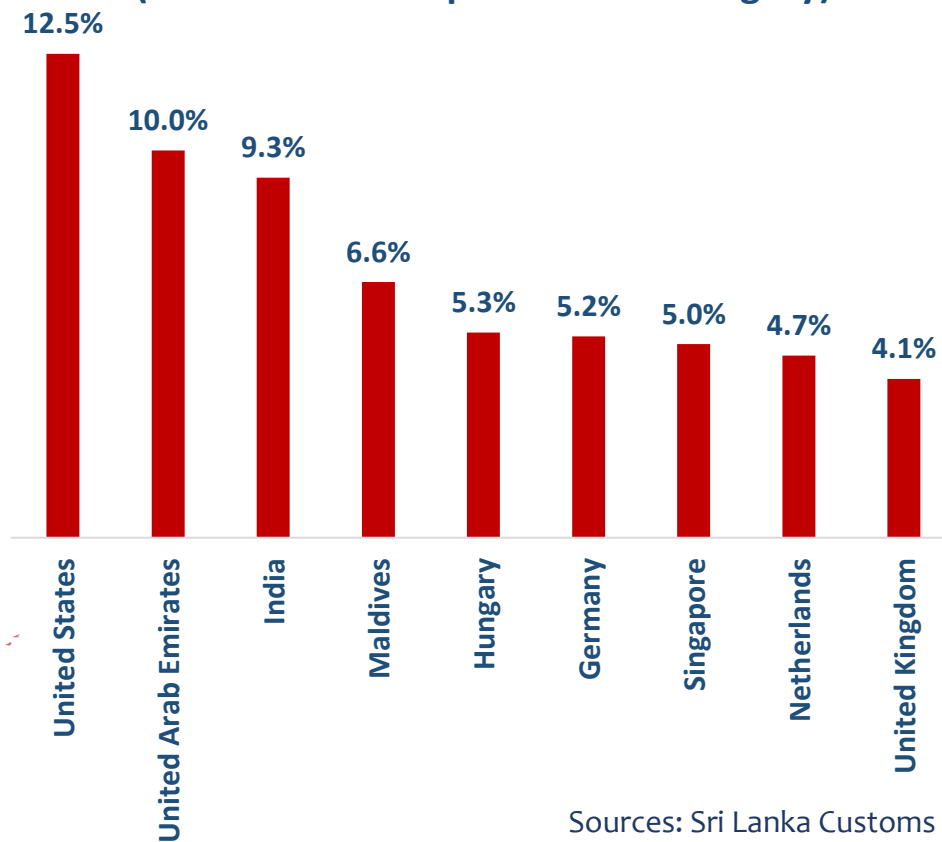
- Sri Lanka produces more than 800,000 metric tons of fruits and vegetables annually
- Total Export income on food and beverages in 2019- USD 2,704 million
- Food and beverages export income as a % of total exports in 2019 is 22.6%
- Nowadays non traditional food and beverages have a rising demand in international market. Therefore, export oriented industry has high potential for growth in future

Sri Lanka's Key Export Destinations

Sri Lanka's Key Export Destinations for Processed Food and Beverages - 2019



Destination-wise Processed Food and Beverage Exports - 2019 (as a % of total exports in this category)



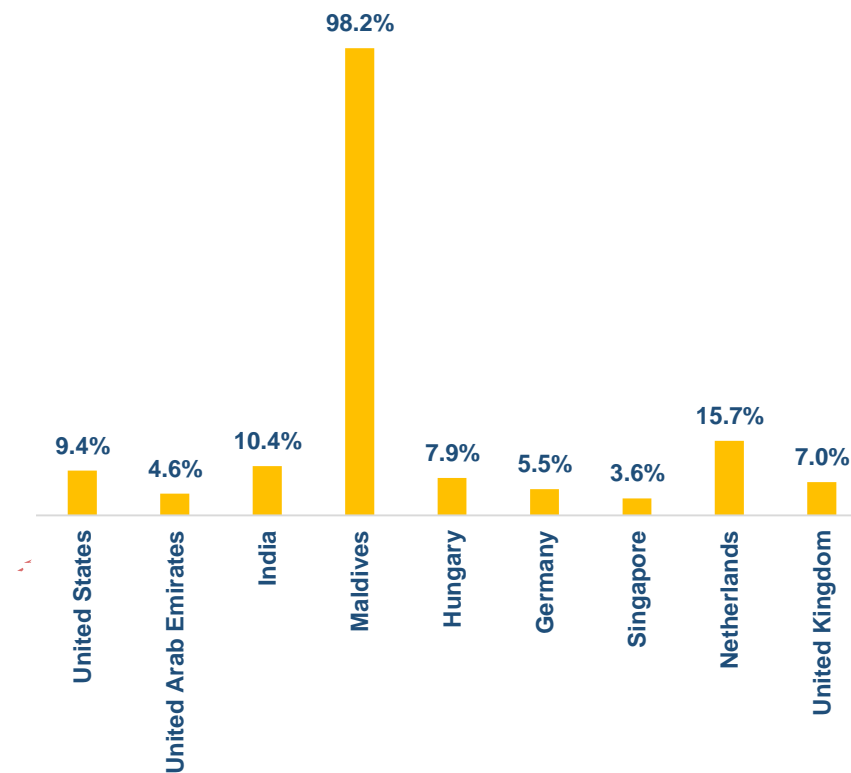
Sources: Sri Lanka Customs
Central Bank of Sri Lanka
World Bank

Processed Food and Beverages – Sri Lanka’s Competitors?

Exports of Processed Food and Beverages
as a % of Total Exports - 2019



Exports of Processed Food and
Beverages
as a % of Total Exports - 2019



Sources: Central Bank of Sri Lanka
World bank Data

Industry Status – Sri Lanka

- 110+ food & beverage manufacturing and marketing companies in Sri Lanka

Key Industries:

- Nut based products: Cashew & Coconuts
- Fruits and Vegetables: Fresh and Processed
- Rice and Rice based foods (Rice, Flakes, Noodles, Rice Flour)
- Dairy Processing
- Meat Processing (Chicken & Pork)
- Bakery and Biscuit products
- Beverages
- Fresh and Dried Fish
- Breweries

Products with High Potential

Food

- Coconut Products
- Dehydrated Fruits and Vegetables
- Sea Food Products
- Dairy Products
- Fresh Fruits & Vegetables

Beverage

- King Coconut Drink

INDUSTRY POTENTIAL: COCONUT PRODUCTS

Wide variety of Coconut Products



Sri Lanka's Coconut Product Exports

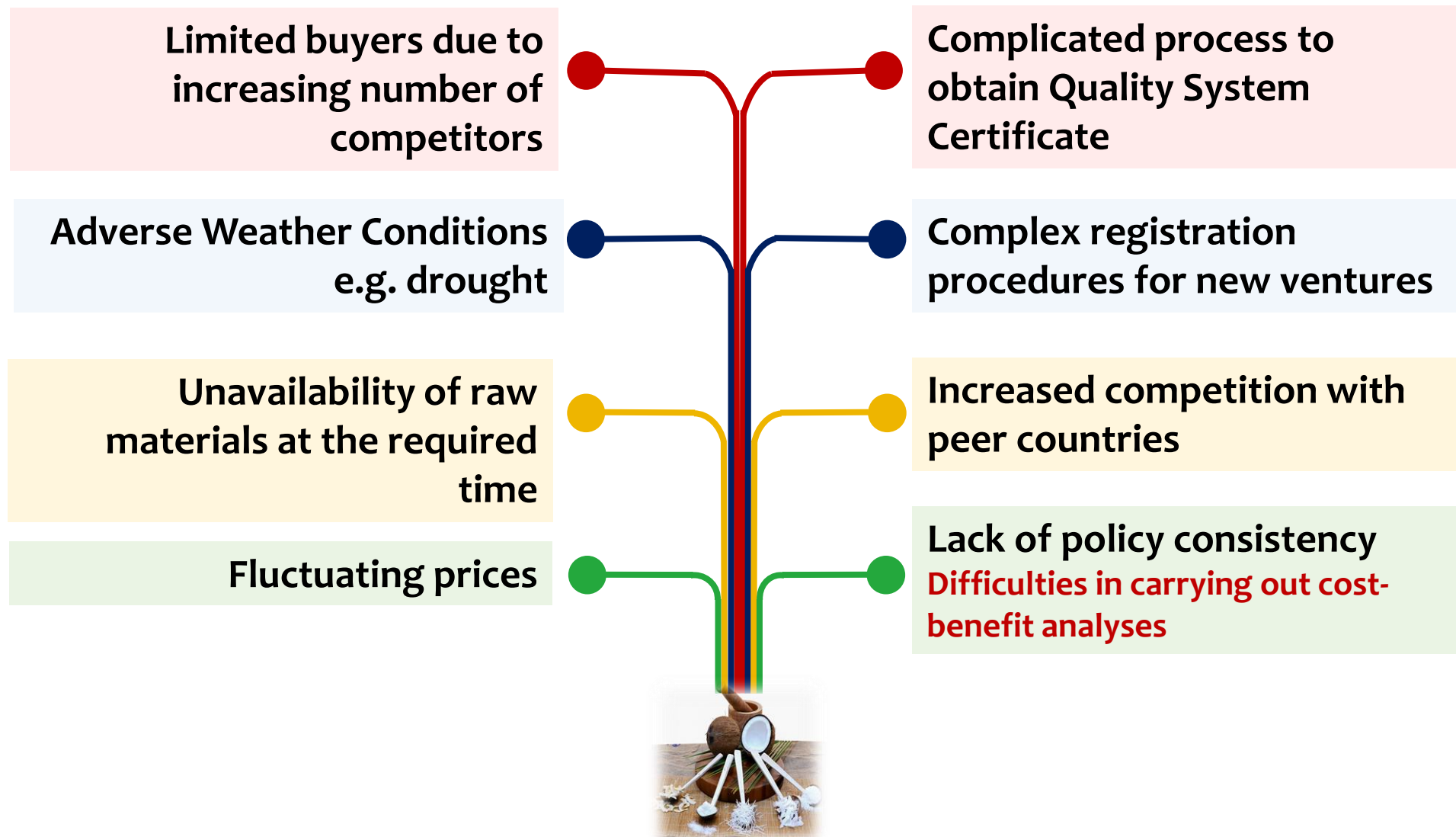
Key Trading Partners : USA, Germany, Sweden, Norway, India

- World's largest importer of Desiccated Coconuts **European Union** (30% of Global Imports)
- EU's Key Import Destinations
 - Philippines (54%)
 - Indonesia (30%)
 - Sri Lanka (8%)
- Largest Consumers within the EU:
 - Netherlands
 - Germany
 - United Kingdom
 - France and Ireland are rapidly growing

Key Exporters:

- Silvermills (Silva & Sons Lanka Ltd)
- Nutrikokos (Asian Agro Products Ltd.)
- Ceylon Coco Green
- Ceylon Coconut Company
- Renuka Agri Foods
- Heritage Lanka

Barriers to Success: Coconut Products...



INDUSTRY POTENTIAL: DEHYDRATED FRUITS AND VEGETABLES

Key Export products



PINEAPPLE

Dehydrated food product available in types: Rings, Tidbits & Dices



MANGO

Dehydrated food product available in types: Halves, Strips and Tidbits



PAPAYA

Dehydrated food product available in types: Strips, Dices and Spears



BANANA

Dehydrated food product available in types: Whole and Chips



FRUIT COCKTAIL

Fruits mix include Papaya, Mango, Banana and Pineapple.



Jak Fruit



Jak mallum



Jak seeds



Bread Fruit



Bread Fruit Mallum



Ambarella



Brinjal



Ash Plantain



Drumsticks



Bitter gourd

Sri Lanka's Dehydrated Product Exports

Exporting Partners : CBL Natural Foods, Sawsiri organic foods, Wichithra Natural Foods, Enrich Tea & Food Exports (Pvt) Ltd

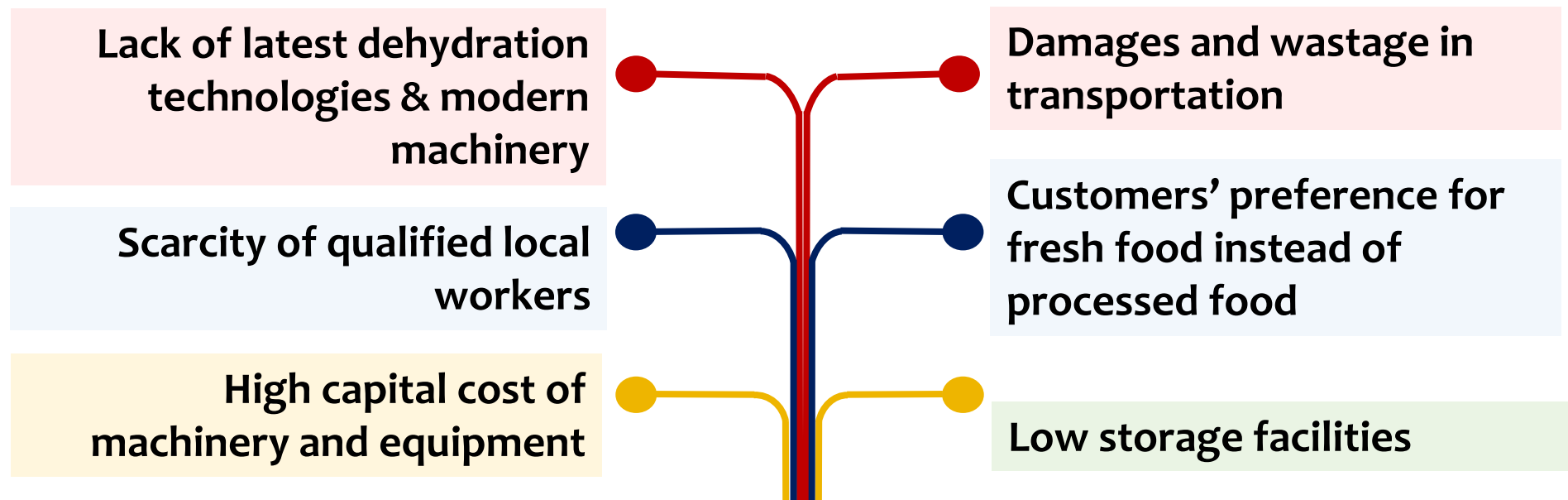
Top export destinations of "Fruit, dried; mixtures of nuts or dried fruits" from Sri Lanka in 2017:

- India (71%)
- Pakistan (12.4%)
- United Arab Emirates (9.7%)
- Australia (1.5%)
- Germany (1.1%)
- Others:
 - USA
 - Kuwait
 - Singapore
 - Canada
 - Korea

“Sri Lanka does not have sufficient land extent for large scale cultivation of fruits and vegetables and as a result cannot be mass suppliers in the global market. Therefore, the country needs to supply to niche markets at a premium prices where low volumes at high prices are possible.”

- Lanka Fruit and Vegetable Producer, Processors, and Exporter Association (2019)

Barriers to Success: Dehydrated Fruits and Vegetables...



Industry Potential: Sea Food Products

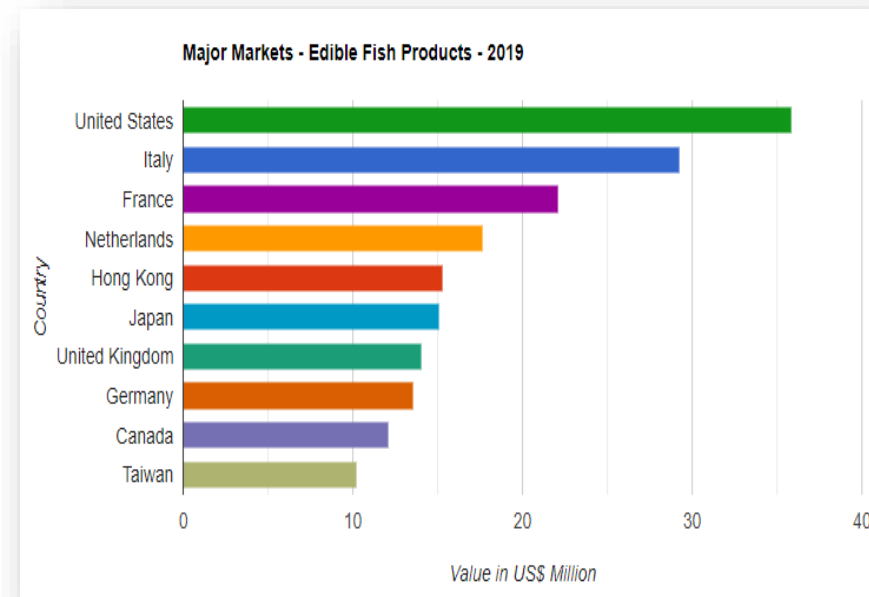
E.g. Global Sea Foods (pvt) Ltd.

- With rapid technological advancements and increased shipping fleet capacity and the culturing of *new inland species in Sri Lanka*, the stage is set for significant expansion of the sector in the years to come

Export to:
USA, Italy, , France,
Netherlands, Hong
Kong, Japan, UK,
Germany, Canada,
Taiwan



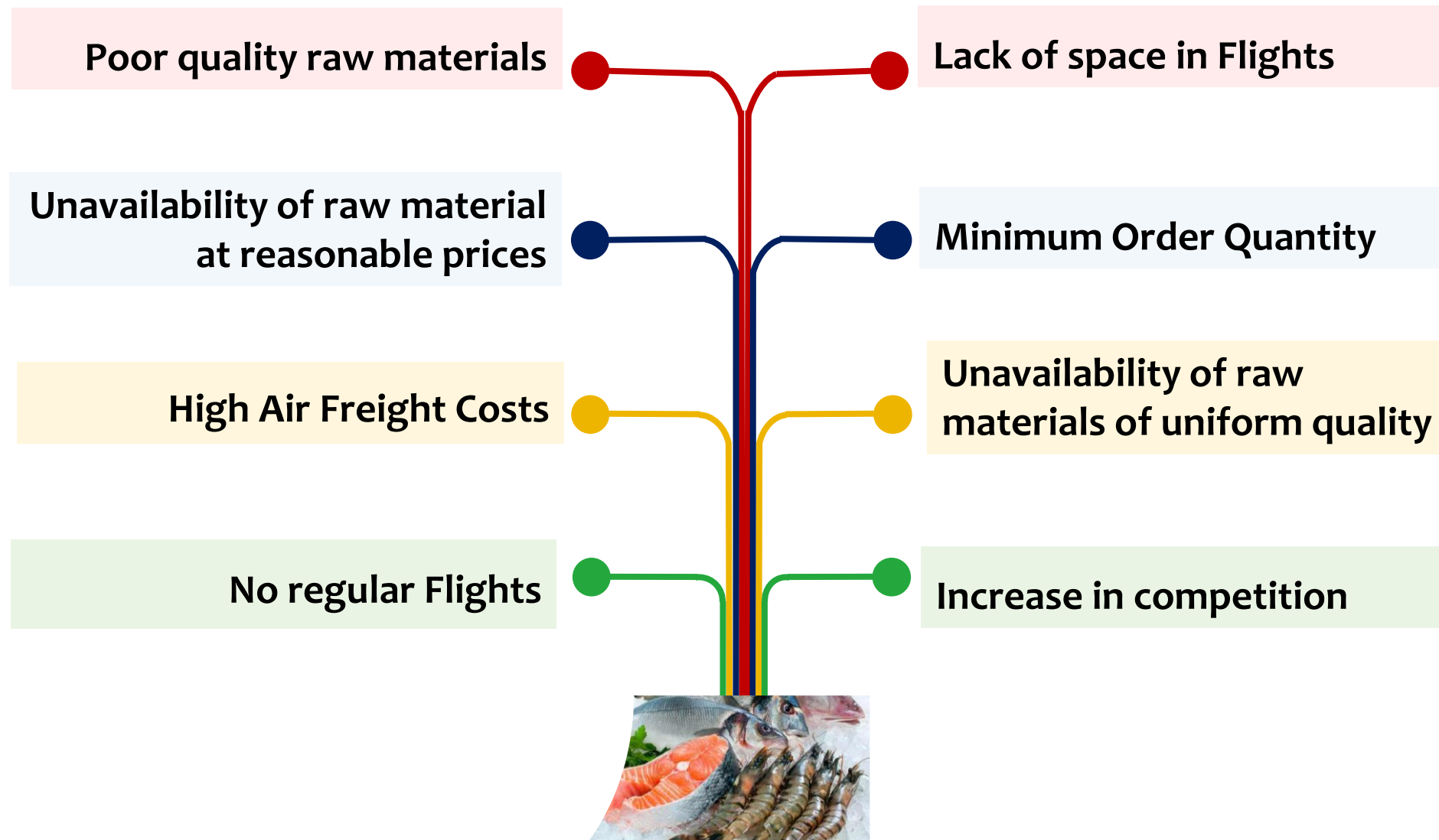
- Tuna-in fresh, chilled and frozen forms
- Shrimps & Prawns
- Crabs and Lobsters
- Shark fins
- Fish maws
- Beche-de-mer
- Cuttlefish & Squid
- Sprats



Source: Export Development Board

Barriers to Success: Seafood Products

E.g. Global Sea Foods (pvt) Ltd.



Industry Potential: Dairy Products

E.g. Lanka Milk Foods (C.W.E) PLC

- **Milk powder**
- **Fresh Milk**
- **Cheese**
- **Butter & Cream**
- **Yoghut**
- **Ice cream**



In Sri Lanka, most of the dairy farmers are engaged in dairy industry as an extra source of income and is relatively of a small-scale

- Domestic dairy requirements are largely met through imports from other countries such as Australia and New Zealand since domestic milk production is not sufficient.
- Dairy farmers are unable to earn considerable profit in dairy industry
- The cost of imported milk powder is lower than fresh milk because of the relatively low tariffs on milk powder imports

Barriers to Success: Dairy Products

E.g. Lanka Milk Foods (C.W.E) PLC

Incompatibility of local raw material supply with industry's needs

Lack of medium and large-scale dairy farms

Low profit margins for dairy farmers

Cost of milk production is very high and the final price of milk is very low

Taxation (VAT, PAL when importing Machinery)

Labor shortage (Nuwara Eliya)



Industry Potential: Fresh Fruits & Vegetables

E.g. Crops Bee Lanka - Seeduwa

Over 80 different fruit and vegetable varieties with unique taste and nutritional qualities are grown in Sri Lanka for local and global markets.

- Climatically cool conditions in the country's central hill country are ideal for temperate crops such as
 - Carrot
 - Leek
 - Cabbage
 - Cauliflower
 - Salad Leaves
- Low country and dry or wet areas are suitable for a variety of exotic tropical fruits and vegetables such as:
 - Gherkins
 - Green Chilli
 - Red Onion
 - Pumpkin
 - Bitter-gourd
 - Melon
- Tropical produce such as pineapple, mangosteen, ripe jack, avocado, rambutan, star fruit, passion fruit and anoda are acclaimed for their unique flavour, aroma, and colour.



Barriers to Success: Fresh Fruits & Vegetables

E.g. Crops Bee Lanka - Seeduwa

Little time to comply with regulations
- Faster spoilage!

Logistics cost
- E.g. Warehouse

Need to register for every shipment

High cost for the transportation

Non refundable deposit to CDA

Lack of vehicles with cold storage facilities

Limited Authorized Farms for raw materials
- E.g. Mango, Mugunuwenna, Snake Gourd

High Cess rate per King Coconut
(Rs. 10 per nut)



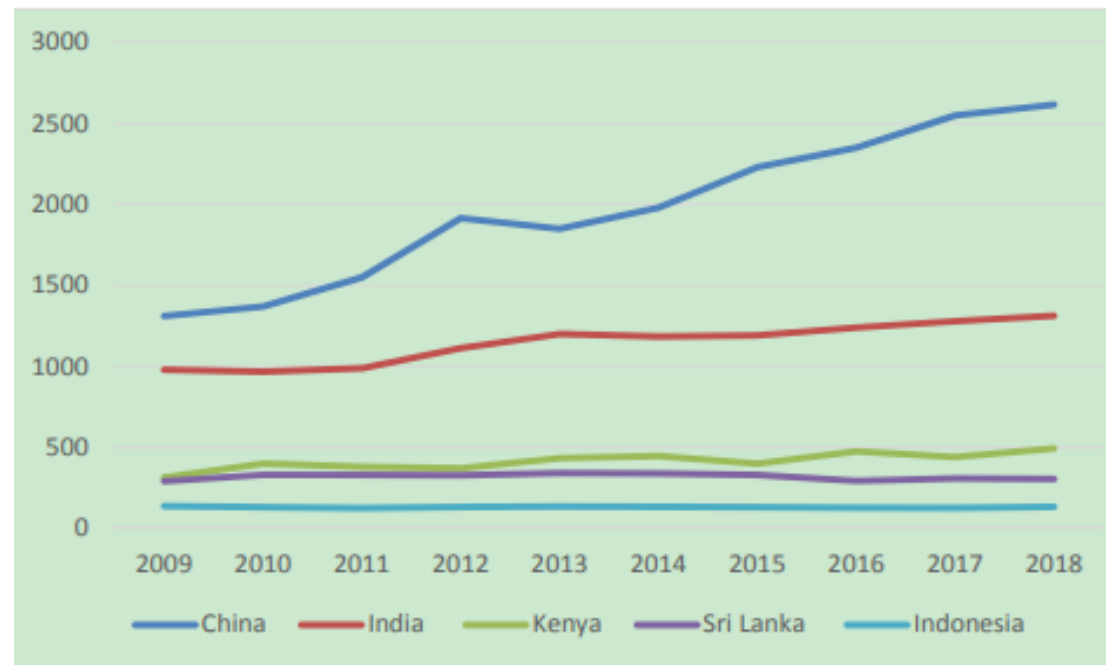
Industry Potential: Beverages

E. g. THAMBILI KING - Negombo

Products:

- Tea
- King Coconut
- Coffee
- Herbal Drinks
- Energy Drinks
- Fruit Juice

Tea production of major producing countries



**PRODUCT
FROM
SRI LANKA**



Barriers to Success: Beverages

E. g. THAMBILI KING - Negombo

Labour turnover
(Migration of skilled workers because
of low salary)

Difficulties in access to finance

Shortages of raw materials

Taxation

Lack of credit for factory automation

Difficulty in accessing and securing
export market shares

Lack of expert knowledge

Packaging cost



Way forward

Reduce post harvest losses

- Should follow a stringent process of quality standards
- Continue expanding infrastructure of the country
- Establishing warehouse and storage facilities near Colombo
- Road transport trucks and freezer trucks

Minimum time to comply with regulations

- Amend the relevant regulation framework
- Easy and quick 'one-time' registration procedure for all shipments

Forward agreements

Agricultural Forward Contracts

agreement between the seller and buyer to deliver a specified quantity of a commodity to the buyer in the future for a specified price or in accordance with a specified pricing formula

Create backward linkages

- Supplier networks
- Establishment of a highly efficient Local Content Unit (LCU)
- Establishing a supplier database
- Export logistics sectors including cargo handling, transportation firms, warehousing, and storage

Packaging Strategies

- Packaging Color Sways Consumer Purchase Habits
- Product Packaging Is a Marketing Tool
- Packaging Creates Brand Recognition, e.g. Thailand

Proper Branding

- Proper Branding and promotional campaign
- Selling a product is an 'art'

Granting Tax concessions

E.g. Granting Tax concessions for the importation of machinery & equipment

Profitable Value Added Products

E.g. The idea of value addition should be incorporated in the current food processing industries and new innovations should be made so as to produce a better quality and a more economical product

Knowledge and Expertise

E.g. Minimize the migration, by improving job market for expertise in Sri Lanka

Increase domestic milk production

- Storage Facilities & Milk cooling systems
- Introduce evening time milk harvest
- Enhance Animal health management
- Land availability
- Farmer knowledge and skills
- Focus import policy and fiscal policy on dairy products to provide a conducive environment for the domestic dairy industry, with market forces governing the pricing of domestic milk
- Empower dairy farmers and facilitate their participation
- Value addition at the village level

Pest Control

Specialist services for farming and agricultural businesses that are designed to ensure your crops, livestock, stored products, equipment, machinery, land are all protected against the pests.

Thank You