

# Sector Overview – Food Processing & Rice Related Industries Sector

## 1. Introduction

### 1.1 Core Business /Principle activities

Manufacturing/processing food and beverage products and ingredients.

### 1.2 Sector Mission

Adding value to the nation’s produce by the processing of high-quality food and beverage products for a global consumer base.

### 1.3 Subsectors

- 1) Processed coconut, vegetables, and fruit- based products
- 2) concentrates and juices
- 3) semi-cooked food
- 4) confectionery
- 5) bakery products
- 6) ready-to-serve food
- 7) beverages
- 8) animal feed
- 9) preparations of cereals and flour

#### Support services

- 1) Machinery/ technology suppliers
- 2) Input suppliers
- 3) Certification/ testing facilities

### 1.4 Institutions operating under the subsectors

Sub-sector	Estimated Large scale and SME scale National total	Micro scale
<b>Food processing</b>	<b>355</b>	<b>5000</b>
- Fruit and vegetable	40	Unknown
- Bakery	60	Unknown
- Confectionary	50	Unknown
- Seafood	90	Unknown
- Rice	Unknown	Unknown
- Spices	80	Unknown
- Beverages	35	Unknown
Machinery/ technology suppliers	100	120
Input suppliers	150	Unknown
Certification/ testing facilities	10	Unknown

Source: Estimations based on observations of government entities and industrialists

## **1.5. Number of employees (local/ foreign/Gender wise)**

Direct employment - 60,000

Indirect employment - 1 million

## **1.6. Contribution to GDP by the Sector – 6.2%**

## **2. Production and Consumption**

**2.1. Annual Domestic Production - USD 5.58 billion**

**2.2. Annual Domestic Consumption – USD 5.28 billion**

**2.3. Amount to be imported annually - USD 1.5 billion**

## **2.4. Product types**

### 1) Processed coconut, vegetables, and fruit- based products

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.

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.

### 2) concentrates 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.

### 3) 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.

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 develop 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.

#### 4) 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 confectionary 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.

#### 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.

#### 6) preparations of cereals and flour

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. Turnover

#### 3.1 Export earnings - USD 301.91 millions

Description	USD (Mn)		
	2019	2020	2021
Processed Food	108.83	117.61	161.2
Animal Feed	117.56	95.42	142.07
Rice, Cereals, Oil Seed and its Products	51.09	66.73	63.1
Beverages	49.13	31.27	33.11
Sugars, Sugar Confectionery & Bakery Products	19.34	21.29	26.23
Processed Vegetables, Fruits & Juices	17.6	18.73	17.96
<b>Total:</b>	<b>363.55</b>	<b>351.04</b>	<b>443.67</b>

Source – Sri Lanka Customs

#### 3.1. Export destinations

Description	2021	
	Quantity - Kg	USD (Mn)
<b>Processed Food</b>	43,126,916	<b>161.2</b>
India	30,155,578 Kg	47.8
United States	922,198 Kg	23.8
Maldives	4,496,588 Kg	14.9
United Arab Emirates	1,328,803 Kg	9.1
Australia	620,495 Kg	6.5
Other Markets	5,603,254 Kg	59.1
<b>Animal Feed</b>	218,910,584	<b>142.07</b>
India	23,433,253 Kg	101.8
Vietnam	100,061,930 Kg	18.6
Japan	81,885,360 Kg	15.5
Bangladesh	754,240 Kg	2.3
Oman	6,855,498 Kg	0.9
Other Markets	5,920,303 Kg	3.0

<b>Rice, Cereals, Oil Seed and its Products</b>	<b>113,974,627</b>	<b>63.1</b>
Singapore	26,986,816 Kg	11.0
Maldives	19,048,453 Kg	8.4
Malaysia	18,328,392 Kg	7.9
India	9,472,232 Kg	6.5
Qatar	5,321,844 Kg	4.8
Other Markets	34,816,890 Kg	24.4

#### 4. Sector Goals identified with KPIs

- 1) To achieve USD 1 Billion by 2025
- 2) Convert effort from non-renewable energy to renewable energy
- 3) Creation of occupation for Sri Lankans by expanding business horizons.
- 4) Encourage to use more green energy (bio fuel and etc)
- 5) Implementation of a Certification body.

#### 5. SWOT Analysis

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

## **6. Challenge(s) the sector is facing due to Government rules and regulations.**

- 1) Although there are established few industrial estates and industrial parks, the agro based industries are unable to take full advantage of these sites due to lack of specialized warehouses, cold storages and waste disposal facilities.
- 2) Lack of appropriate seeds and planting materials to produce high quality fruits
- 3) lack information about various quality standards required to export processed products to various countries.
- 4) Lack of information about good manufacturing practices to enhance the overall quality and safety of processed food.
- 5) High cost of look and feel of the product becomes higher compared to a similar quality branding of the same product in neighboring countries.

## **7. Global Market Value** – USD 6.4 trillion (2022)

## **8. CAGR** - 7.3%