

Sector Overview – Spices

1. Introduction

Renowned as the Spice Island, Sri Lanka was historically recognized for its spice riches. Sri Lankan Spices and Allied Products Suppliers export the most sought-after cinnamon, pepper, cloves, cardamoms, nutmeg, mace and vanilla. These grow in abundance all over the island in fertile and diverse soil types and varying temperature conditions.

56% of Sri Lankan agricultural exports consist of *spices*, *allied products* and essential oils. These varieties of condiments are used to season, flavour and aromatise various forms of cuisines across the world.

The chemical composition of Ceylon Spice products has been greatly shaped by the unique cultivation practices of the country. Ceylon Cinnamon has a remarkably low amount of coumarin while Ceylon Pepper has the highest amount of piperine among the black pepper varieties found in the world. Green cardamom from Sri Lanka is light green and undergoes a unique treating method within barns which helps to retain its light green colour and flavour.

1.1 Subsectors

Spices, Essential Oils & Oleoresins

1.2 Institutions operating under the subsectors

Spices

- 1) Samagi Spice Exports Pvt Ltd
- 2) Rathna Producers Cinnamon Exports Pvt Ltd
- 3) Impex Corporation Pvt Ltd
- 4) Grupo Canela Pvt Ltd
- 5) NEW LANKA PVT LTD
- 6) G P D Silva & Sons International Pvt Ltd

Essential Oils

- 1) Plant Lipids Lanka Pvt Ltd
- 2) H.D. De Silva & Sons (Pvt) Ltd
- 3) Eoas International New Lanka Pvt Ltd
- 4) Link Natural Products (Pvt) Ltd
- 5) L B Spice Trading Pvt Ltd

Cinnamon

- 1) A Baur & Co Pvt Ltd
- 2) A H Spice Exports Line Commercial Trading Pv Ltd
- 3) A S Chatoor & Co Ltd
- 4) Acril Holdings Pvt Ltd
- 5) Adam Imports & Exports Pvt Ltd
- 6) Adamjee Lukmanjee Exports Pvt Ltd
- 7) Admiral Shipping & Logistic Pvt Ltd
- 8) Afgo International Pvt Ltd
- 9) Anura Marketing Services Pvt Ltd

Pepper

- 1) A H Spice Exports
- 2) A Line Commercial Trading Pvt Ltd
- 3) A S Chatoor & Co Ltd
- 4) Acril Holdings Pvt Ltd
- 5) Adam Imports & Exports Pvt Ltd
- 6) Adamexpo
- 7) Adamjee Lukmanjee Exports Pvt Ltd
- 8) Admiral Shipping & Logistic Pvt Ltd
- 9) Afgo International Pvt Ltd

Cardomom

- 1) A Line Commercial Trading Pvt Ltd
- 2) Adam Imports & Exports Pvt Ltd
- 3) Bonds Garment And Trading
- 4) Bughary Bio Spices
- 5) C W Mackie Plc
- 6) Centra Exports Pvt Ltd
- 7) Ceylon Pantations International Pvt Ltd
- 8) Ceylove Trading Pvt Ltd
- 9) Ceytra Ltd

2. Production and Consumption

2.1. Product types

The main spices produced in Sri Lanka include Cinnamon, Pepper, Cardamom, Cloves, Ginger, Vanilla, Nutmeg and Mace and the country is the ninth most important exporter of spices in the world.

While most of the Ceylon Spices are exported in the form of bulk, unprocessed spices, the country also exports essential oils and oleoresins made from spices and herbs. Moreover, the popularity of Sri Lankan cuisine has given rise to a growing industry of Sri Lankan condiments and spice preparations.

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

Ceylon Cinnamon

Sri Lanka holds the monopoly for Ceylon Cinnamon or true cinnamon, with a unique fragrance and taste, as well as a remarkably low amount of coumarin. Cinnamon is the third largest agriculture export from Sri Lanka with 31,000 hectares under cultivation employing nearly 400,000 people directly and indirectly.

Cinnamon holds great potential as a major revenue and employment generation avenue in Sri Lanka. EDB Sri Lanka holds the ownership of the “Pure Ceylon Cinnamon” (PCC) branding as well as other associate names “Ceylon Cinnamon”, “Sri Lanka Cinnamon” and Sri Lanka “Kurundu”. The “Pure Ceylon Cinnamon” trademark is registered in the EU, Mexico, the USA, Peru and Colombia with the objectives of differentiating it from Cassia.

At present Cinnamon is widely used as a food ingredient, in the pharmaceutical preparations & in the cosmetics industry worldwide. Being high in antioxidants it is good for overall health. Volatile oil of Cinnamon is widely used in perfumes, cosmetics and scented exotic gifts.

USA & Mexico are the main markets for Ceylon Cinnamon. Colombia, Ecuador, Peru, Spain, Gautemala, Chile and Bolivia are the other countries which consume a considerable amount of Ceylon Cinnamon. Sri Lanka has an immense potential to penetrate into niche market segments in the International market. Sri Lanka's exports represent 41.13% of world exports for this product, its ranking in world exports is 1(Trademap2013).

Ceylon Pepper

Pepper was found growing in the wild in ancient Sri Lanka and can be found as a home garden or a mid-range crop in Sri Lanka, today. It is mainly cultivated in low and mid regions with a cooler climate, The total number of pepper cultivated land amounts to nearly 30,320 hectares in Sri Lanka and many cultivators combine pepper cultivation with another crop, practicing mix-crop cultivation. The weather and soil have a greater effect on the taste of peppercorn and the level of piperine, the alkaloid responsible for the pungency and aroma of pepper.

Sri Lankan pepper has a high level of piperine, compared to the other pepper exporters in the world and carries a taste quite similar to the renowned Malabar Pepper. Sri Lankan pepper manufacturers mainly produce black pepper and white pepper from their harvest. While black and white peppercorns are both the fruit of the pepper plant, they are processed differently to bring out different colour and strength. Sri Lanka caters to 6% of the global demand for pepper.

Ceylon Cardamom

The third most expensive spice in the world spice market second only to saffron and vanilla, cardamom was introduced to Sri Lanka by the British-East India Company, to fill the growing demand for cardamom grown in the Indo-China region, in the global spice market.

Cultivated in the central hill country of Sri Lanka, the size of cardamom cultivation in Sri Lanka amounts to nearly 2794 hectares, producing an average of 320 metric tons per year. Sri Lanka today catered to 0.1% of the global export demand for cardamom.

Ceylon Cloves

Introduced to the country by Ancient Arabic spice traders, Ceylon Clove is grown in the Mid Country wet zone of Sri Lanka. The country has nearly 7700 hectares of clove cultivation spread across the mid-country wet zone areas including Kandy, Kegalle and Matale districts. Sri Lanka produces an average of 5301 metric tons of cloves per year and is among the top ten clove exporting countries to the world market.

Essential Oil

Sri Lanka exports a range of essential oils including Ceylon Cinnamon Oil, Pepper Oil, Cardamom Oil, Ceylon Citronella Oil, Clove Oil and Nutmeg Oil for export markets in the USA, India, Singapore, Germany, the USA and France, earning an average revenue on USD 66 Million. Mainly used for perfumery, cosmetic or toilet preparations essential oil industry in Sri Lanka is governed by four main distilleries, 12 small and medium scale distilleries as well as nearly 170 field distillation units.

Essential Oil

- 1) Ginger Oil
- 2) Clove Oil
- 3) Cardamom Oil
- 4) Ceylon Citronella Oil
- 5) Ceylon Cinnamon Oil
- 6) Black Pepper Oil

Essential oils are produced by the distillation of leaves, barks, roots, and flowers of various herbal plants and have been widely used in aromatherapy, Ayurveda, and the cosmetic industry. The rich variations of herbs, spices, and flowering plants available in

Sri Lanka has led to a robust industry that produces essential oils using celebrated Ceylon Spices, that are rich in goodness, aroma, and flavour.

3. Turnover

3.1. Export earnings

Table 1: Spices and Allied Products

Year	USD Mn.
2011	235.39
2012	255.66
2013	355.65
2014	267.05
2015	377.94
2016	319.22
2017	408.17
2018	368.10
2019	313.25
2020	335.48
2021	456.80

Table 2: Major Markets

Country	USD Mn.
Mexico	71.81
India	66.46
USA	55.2
Peru	28.75
Germany	13.38
Colombia	11.65
Ecuador	10.98
UAE	7.17
UK	6.66
Bolivia	6.22

Table 3: Contribution to merchandise exports

Year	Contribution % to the total Export
2012	2.76
2013	3.56
2014	2.42
2015	3.74
2016	3.12
2017	3.64
2018	3.1
2019	2.66
2020	3.38
2021	3.55

Table 4: Import & Export Data - 3rd quarter (July - September) of 2022

Commodity	Units	Exports	Imports
Cinnamon	Vol(Mt)	6107.16	0.107
	Val(Rs mn)	26511.83	0.423
Cinnamon Leaf Oil	Vol(Mt)	53.31	0.001
	Val(Rsmn)	433.98	0.005
Cinnamon Bark Oil	Vol(Mt)	6.90	0.026
	Val(Rsmn)	606.77	2.123
Cinnamon Total	Vol(Mt)	6,167.37	0.135
	Val(Rsmn)	27,552.58	2.550
Pepper	Vol(Mt)	2935.36	3.081
	Val(Rsmn)	6906.09	9.939

Pepper Oil	Vol(Mt)	14.31	0.002
	Val(Rsmn)	190.48	0.005
Pepper Total	Vol(Mt)	2,949.67	3.084
	Val(Rsmn)	7,096.58	9.944
Oleoresine	Vol(Mt)	109.38	1.181
	Val(Rsmn)	1963.77	14.875
Clove	Vol(Mt)	304.57	0.001
	Val(Rsmn)	1269.53	0.007
Clove Stems	Vol(Mt)	81.00	0.000
	Val(Rsmn)	96.53	0.000
Clove Oil	Vol(Mt)	2.23	0.327
	Val(Rsmn)	47.61	5.213
Clove Total	Vol(Mt)	387.80	0.329
	Val(Rsmn)	1,413.67	5.220
Cardamom	Vol(Mt)	0.27	0.000
	Val(Rsmn)	4.87	0.002
Cardamom Oil	Vol(Mt)	0.19	0.300
	Val(Rsmn)	21.69	19.634
Cardamom Total	Vol(Mt)	0.46	0.300
	Val(Rsmn)	26.56	19.636
Nutmeg	Vol(Mt)	652.57	0.001
	Val(Rsmn)	1507.12	0.005
Mace	Vol(Mt)	130.88	0.005
	Val(Rsmn)	817.13	0.022
Nutmeg Oil	Vol(Mt)	16.21	0.000
	Val(Rsmn)	359.22	0.000
Mace Oil	Vol(Mt)	0.001	0.002
	Val(Rsmn)	0.0004	0.005
Nutmeg/Mace Total	Vol(Mt)	799.66	0.01
	Val(Rsmn)	2,683.47	0.03
Cocoa & Cocoa products	Vol(Mt)	330.40	1056.847
	Val(Rsmn)	824.89	1524.908
Coffee	Vol(Mt)	6.51	12.378
	Val(Rsmn)	21.95	39.227
Vanila	Vol(Mt)	0.12	0.000
	Val(Rsmn)	7.85	0.000
Vanila Oil	Vol(Mt)	0.01	0.001
	Val(Rsmn)	0.10	0.005
Vanilla Total	Vol(Mt)	0.13	0.00
	Val(Rsmn)	7.95	0.00
Citronella	Vol(Mt)	0.79	0.001
	Val(Rsmn)	7.91	0.005
Lemongrass Oil	Vol(Mt)	0.93	0.350
	Val(Rsmn)	8.52	2.293
Arecanut	Vol(Mt)	6183.45	0.000

	Val(Rsmn)	8156.91	0.000
Betel	Vol(Mt)	902.49	0.000
	Val(Rsmn)	1347.70	0.000
Ginger	Vol(Mt)	24.39	0.115
	Val(Rsmn)	70.83	0.646
Ginger Oil	Vol(Mt)	0.41	0.021
	Val(Rsmn)	24.67	0.928
Ginger Total	Vol(Mt)	24.80	0.14
	Val(Rsmn)	95.50	1.57
Turmeric	Vol(Mt)	19.79	0.005
	Val(Rsmn)	64.15	0.017
Garcinia	Vol(Mt)	19.19	5.509
	Val(Rsmn)	36.11	2.814
GRAND TOTAL	Vol(Mt)	17,902.82	1,080.26
	Val(Rsmn)	51,308.21	1,623.10

Source: Sri Lanka Customs
Prepared by Statistics Unit, DEA

3.2. Export destinations

Cinnamon	Pepper	Clove	Other Spices
Mexico	India	India	India
USA	Germany	Kuwait	USA
Peru	Kuwait	Malaysia	Spain
Colombia	Spain	USA	UAE
Ecuador	USA	UK	
Egypt			
Guatemala	Egypt	Saudi Arabia	
Germany			
Spain	UK	Germany	
Singapore			

4. Government Policy on Sector

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. 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.

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.

EDB is engaged in brand promotions for cinnamon & pepper in selected markets for Cinnamon & Pepper. GSP+ concessions are available for the sector (HS: 09).

5. SWOT Analysis

Strengths
<p>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</p> <p>Well reputed brand name for Ceylon Cinnamon & other spices - High-quality intrinsic characteristics of Sri Lankan spices (eg: High cinnamaldehyde & low Cumarin content in True Cinnamon and high pepperine content in Sri Lankan Pepper) - Trend towards value added products - Emerging new technology</p>

Opportunities
<p>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</p>