



INDUSTRY CAPABILITY REPORT



FOOD & BEVERAGE SECTOR

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1. INTRODUCTION

Food & Beverage sector is one of the important sectors due to its potential to deliver a host of benefits to the economy in terms of foreign exchange earnings, providing a suitable source of employment, contributing to innovation in the food system, uplifting of rural economy and playing an important role in local economy. Manufacturing food & beverage products according to the standards, technical regulations and sanitary and phytosanitary requirements of the relevant export market is mandatory.

2. TYPE OF PLAYERS

The players in this sector could be categorized as large, medium and small scale exporters. Most of the SME manufacturers who have capacity and adhere to the international standards are supplying their products to the direct exporters as well as for the local consumption. Food manufacturers and producers are scattered all over the country.

3. KEY PRODUCTS AND VARIETIES

The product categories such as Processed vegetables, & fruits, concentrates & juices, semi cooked food, confectionery & bakery products, ready to serve food, rice & cereals, alcoholic & non-alcoholic beverages, animal feed, preparations of cereals & flour, processed gherkins etc., are identified to develop and promote in the overseas markets. These product categories have shown a rapid growth during the past decade.

3.1 Processed Fruit, Vegetable and Juices

Canned / Bottled products

High quality canned fruit juices especially pineapple juice in light syrup, sliced pineapples, pieces, chunks and mixed fruits packed in glass jars and in 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, papaya and pineapple juices shows a high potential amongst the tropical fruit juice market having the unique tropical flavours unmatched by other suppliers.

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 Dehydrated Fruits & Vegetables, Processed Gherkins & Cucumber, Herbal Tea, Frozen meat, Sauces and Tomato ketchup and prepared foods such as Ambul Thial, Katta Sambol, Dried Sprats etc.

29% of the revenue in this sector is generated by mixed processed products. These products are mainly catered to ethnic expatriates and Asians living in the developed countries. The manufacturers started producing new items such as ready-to-eat food, processed and frozen fruit & vegetables, marine & meat products, beverages etc.

Dehydration of fruits and vegetables is one of the oldest methods of food preservation techniques. Handling, transportation and “ready to use” are the advantages of dehydration. 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 UK, USA,

Australia, Spain and Maldivian markets. These products are used as tropical fruit dessert supplements, in instant soup and rice mixes.

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.

Processed food manufacturers need to update their knowledge on consumer preferences and trends in the global market for new products such as organic, gluten free, halal, vegetarian, vegan, health and functional foods. They should also be aware of product quality, standards, packaging, pricing and technical capability to engage in interdisciplinary product development process to compete in the international market.

3.2 Confectionery and Bakery Products

Confectionery and bakery products show a high export growth and an increasing demand in most of the industrialized markets. Currently, the opportunities are twisted for exports of further value added products. The technology has diverted from developed markets to countries like Sri Lanka to explore opportunities for pre-cooked bakery products namely frozen dough for bakery and confectionery industries. In line with global consumer patterns the products manufactured using nutritional natural raw material (eg. Rice) are more popular due to health concerns of consumers of all ages.

Sri Lanka exports a variety of crackers, sweet biscuits, cream biscuits and savory biscuits to India, UAE, Ghana, UK and Maldives. Manufacturers comply 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” products especially in relation with chocolates. 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.

3.3 Rice and Cereals

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..

3.4 Frozen Vegetables

Okra, Drum Stick, Manioc and Polos are very popular in the Middle East and French markets. Manioc in Individual Quick Frozen (IQF) form is very popular in the UK market. Best quality vegetables are carefully selected and freeze without any preservatives or food additives. Exporters are well aware of the international market requirements and standards and majority have obtained ISO 22000/HACCP/GMP/BRC and Kosher Certificates and meet the international quality requirements.

3.5 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, soyabean 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 and rice milling. This also would provide to increase the livelihood of local maize growers.

4. SPECIALTIES ASSOCIATED WITH PRODUCTS

The factors such as quality, taste and flavour which are unique to Sri Lankan products are associated with the intrinsic quality of resources available in different geographical locations of the country. Sri Lankan Food producers are always working towards with “Food for Health” concept and they ensure the consumer health by supplying quality product to the market. The exporters have taken measures to closely monitor the supply and production chains to ensure the traceability and supply of a quality product to the consumers.

5. GEOGRAPHICAL DISTRIBUTION ACROSS THE COUNTRY AND KNOWN CLUSTERS IF ANY

Basically large scale food industrialists are based in Colombo and others are spread out in all most all the areas of the Island. There are identified clusters for growing raw material for the food industry.

Mainly for the processed fruit, juice, jam and other processed food industries there are raw material collectors/suppliers linked with the industrialists. In addition the industrialists have their own orchard cultivations as well as farmer clusters for their produce.

6. SIZE IN TERMS OF PRODUCTION (VALUE / QUANTITY):

Due to various companies involved in the food sector it is hard to find the company wise production figures. However, it is observed that regional manufacturing facilities are small or medium scale (SME) in compared to branded companies established within the highly urbanized Western Province.

7. FOOD & BEVERAGES EXPORTS

Value in USD Thousand

Description	2017		2018		2019 (January To November)	
	Quantity	Value	Quantity	Value	Quantity	Value
Animal Feed	81,773,525 Kg	70,374	118,509,145 Kg	98,452	308,103,180 Kg	106,798
Processed Food	13,357,454 Kg	92,531	28,441,318 Kg	127,112	29,934,089 Kg	96,990
Other Cereals and its Products	65,963,273 Kg	26,163	61,568,167 Kg	26,363	78,986,364 Kg	36,150
Alcoholic Beverages	4,973,106 L	15,295	6,068,022 L	22,659	8,612,345 L	35,155
Sugars, Sugar Confectionery & Bakery Products	11,188,461 Kg	33,191	10,214,392 Kg	24,447	9,948,483 Kg	21,637
					1,244 No	4
Processed Vegetables, Fruits & Juices	10,568,836 Kg	17,258	11,011,060 Kg	17,928	10,562,774 Kg	16,170
Non Alcoholic Beverages	21,941,949 L	15,564	20,343,039 L	13,476	16,220,398 L	9,688
Rice	6,199,899 Kg	6,230	6,363,486 Kg	6,373	5,411,841 Kg	5,171
Lentils	12,043,706 Kg	10,787	11,804,423 Kg	6,601	7,061,474 Kg	4,287
Coffee	13,794 Kg	192	23,612 Kg	285	21,830 Kg	340
Black Gram	455,694 Kg	659	586,754 Kg	444	315,160 Kg	243
Green Gram	475,661 Kg	635	507,010 Kg	545	171,414 Kg	174
Oil Seed	1,720,819 Kg	2,099	3,630,024 Kg	4,953	37,338 Kg	114
Cowpea	887,824 Kg	1,006	392,600 Kg	388	95,400 Kg	82
Total :	231,564,001	291,983	279,463,052	350,026	475,483,334	333,003

Source – Sri Lanka Customs

The global F & B market was valued nearly at \$8 billion in 2018. North America was the largest market for F & B, accounting for more than 50% of the global market in 2018 and USA is the largest country in terms of value. The F & B market expected to reach a value of nearly \$9471.66 billion by 2022, significantly growing at a CAGR of 8.9% during the forecast period.

Driven by the rise in population, demand for packaged food and beverages is set to see further growth over the forecast period. Moreover, urbanised population growth is projected to grow at a CAGR of 1.7% between 2018 and 2023, outpacing total population growth of 1.0% over the same period. This will only drive more demand for packaged F & B. Additionally, with GDP growing at a faster rate than total population with a CAGR of 2.8% between 2018-2030, overall consumer spending on F & B is set to rise in value from 8.5% to 8.9% of GDP by 2030, coinciding with consumer trends such as more convenience-seeking lifestyles.

The *Global Organic F & B market* accounted for \$102.76 billion in 2017 and is expected to reach \$440.60 billion by 2026 .

8. TOTAL GROWTH IN THE SECTOR

Manufacturing, distributing and exporting of Food and Beverages in Sri Lanka is dominated by a few large scale companies with established brand names. The changing economic status of the country with expanding urbanization process has given opportunity to increase number of food manufacturing units especially in and around major agricultural areas. Well established companies for confectionery products have commenced their business in Central Province of Sri Lanka

With the dawn of peace many industries were started in the Northern & Eastern Districts to boost the production of various raw materials as well as finished products for the processed food industry. The land has been allocated among the war victims and the basic facilities such as fishing utensils, seed material, fertilizer, water etc. has been distributed free of charge. The exporters are directly linked with the producers which will lead to enhance their production capacity of their finished product. Besides that industry training programmes have been conducted by the Government, there are various other organizations located in the area to enhance living standards of the people.

9. LIST OF KEY PLAYERS

PROCESSED VEGETABLES, FRUITS & JUICES

- H J S CONDIMENTS LTD
- C B L NATURAL FOODS PVT LTD
- LANKA CANNERIES LTD
- TARGET AGRICULTURE PVT LTD
- TROPICAL GREEN PVT LTD

SUGARS, SUGAR CONFECTIONERY & BAKERY PRODUCTS

- CEYLON BISCUITS LTD
- C B L EXPORTS PVT LTD
- MALIBAN BISCUIT MANUFACTORIES PVT LTD
- CEYLON AGRO INDUSTRIES LTD
- SANMIK FOOD PVT LTD

PROCESSED FOOD

- SRI LANKAN CATERING LTD
- TAPROBANE SEAFOODS PVT LTD
- DILMAH CEYLON TEA COMPANY PLC
- NESTLE LANKA PLC
- EDNA COCOA PRODUCTS PVT LTD

RICE, CEREALS, OIL SEED AND ITS PRODUCTS

- PRIMA CEYLON PVT LTD
- SERENDIB FLOUR MILLS PVT LTD
- AUSSEE OATS MILLING PVT LTD
- PULSES SPLITTING AND PROCESSING INDUSTRY PVT LTD
- CONSOLIDATED BUSINESS SYSTEMS PT LD

BEVERAGES

- DABUR LANKA PVT LTD
- LION BREWERY CEYLON PLC
- C L SYNERGY PVT LTD
- PREMASIRI STORES PVT LTD
- INTERNATIONAL DISTILLERS LTD
- CEYLON COLD STORES PLC

10. Number of people employed in the sector

Current data is not available on employment in food sector. (More than 2million)

11. Total investment in the sector in last five years

Private sector exporters have invested to develop R & D facilities, to obtain international standard certifications and to participate at international trade fairs to update their knowledge on new product technology, standards and regulations. Sri Lankan Universities are conducting advanced courses on Food Science and Technology to introduce qualified human resources to the industry. EDB is also providing assistance under the “Market Access Support Scheme” to upgrade the production process, obtain international certifications, participation at international events, product upgradation etc and coordinating with the private sector to encourage investments in this sector.

12. Government policy and support available in the sector

Processed F & B Sector is one of the 06 focus sectors identified in National Export Strategy (NES) for development and promotion focusing on the increasing demand and new trends in the international market for health conscious and convenient F & B products

The government's industrial policy is to create environment to increase investments, joint venture businesses and importation for value addition and re-exports of certain products to increase most needed foreign exchange to the country. Under the guidance of the Ministry of Development Strategies and International Trade it is proposed to encourage local and foreign investments in all possible sectors since Sri Lanka has a comparative advantage. The Board of

Investment (BOI) offers various incentives for investors. Research Institutions also conduct a series of programmes to develop R & D facilities and Government related institutions offer training and upgrade skills of the technical staff.

13. R&D and product development facilities available

Since the investment in R & D is very high in the food sector the Sri Lankan Universities, Research Institutions and private sector stakeholders carry out researches on product development and introduce new varieties to the sector. Eg. Introduction of Red Basmati rice as a health food.

The Wayamba University of Sri Lanka is in the process of establishing a centre to facilitate food research and technical transfer aiming at the 8888 technologies to convert agricultural commodities into nutritionally safe products. In addition it is expected to support initiation of business opportunities, offer test, consultancy, extension and training services and provide research opportunities for researchers, undergraduate and post graduate students.

14. Infrastructure/logistics required/ available for the sector

With the existing road development programmes it is easy to transport goods from all corners of the Island. Also, the Government pays special attention to develop logistics such as air line facilities, fumigation facilities, packaging and labeling etc. for the development of the sector.

15. AVAILABILITY OF TECHNOLOGY AND SKILLED LABOR

The technical expertise, experienced & qualified staff currently engaged in the industry. EDB is directly in contact with the foreign Embassies in Sri Lanka to obtain services of foreign experts to develop required technology for the industry. EDB is also closely working our Missions abroad to identify suitable technical experts and organize workshops, seminars, factory visits to identify their technical requirements to facilitate exporters.

16. POTENTIAL FOR EXPANSION OF THE SECTOR

- The industry has a potential for further expansion utilizing the resources available in the country and has a potential to develop/increase exports to the ethnic markets such as Middle East, Australia, United Kingdom, Canada and USA.
- There is an opportunity to increase volumes of exports if the country encourage imports of raw material for certain products for value addition and re-export. Eg. Cashew
- Available skilled workforce and coaching staff to develop products to meet the international standards and demand.

17. MAIN IMPORTING MARKETS

DESCRIPTION	2019 (JANUARY TO NOVEMBER)
	USD THOUSAND
Animal Feed	106,798
India	76,381
Viet Nam	12,108
Japan	9,469
Saudi Arabia	4,424
Pakistan	1,157
Others	3,260
Processed Food	96,990
United States	19,910
India	15,328
Maldives	9,985
United Kingdom	5,001
Netherlands	3,475
Others	43,291
Other Cereals and its Products	36,150
Maldives	8,583
India	6,836
Thailand	6,267
Malaysia	4,672
Singapore	4,185
Others	5,606
Alcoholic Beverages	35,155
Singapore	12,697
United Arab Emirates	11,373
Viet Nam	2,888
Maldives	2,030
Sudan	1,358
Others	4,809
Sugars, Sugar Confectionery & Bakery Products	21,641
United Arab Emirates	3,945
Ghana	3,187
Maldives	3,140
United Kingdom	1,388
Australia	1,309
Others	8,671
Processed Vegetables, Fruits & Juices	16,170
Japan	3,188
Netherlands	1,991
Germany	1,729
Spain	1,320
United States	1,013

Others	6,929
Non Alcoholic Beverages	9,688
India	8,755
Australia	198
United States	168
Canada	91
Maldives	69
Others	407
Rice	5,171
Australia	982
United Kingdom	691
United Arab Emirates	619
Canada	569
United States	320
Others	1,990
Coffee	340
United Arab Emirates	120
Maldives	75
Ireland	38
Australia	23
United States	16
Others	68

18. STRENGTHS AND WEAKNESSES OF THE SECTOR

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

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