

Growth Opportunities for Sri Lankan Natural Ingredients

Amid peacetime prosperity, Sri Lanka expands its production and readies to evolve into value-added activities

Historically, Sri Lanka has been notable for its production of cinnamon, pepper, nutmeg, clove and cardamom, says Fazal Mushin (Link Natural Products (Pvt) Ltd.). He explains that cinnamon is cultivated on a commercial scale, while other crops have always been cultivated on small family farms.

“Sri Lanka is an agri-based country, and as much as 70% of the country’s population is involved in this sector,” says Mushin. “These are family-based units. You will find entire families are involved in it. It’s passed down from generation to generation and [represents] a long-term investment. Land ownership can range from anything from a half an acre to two acres of land. Farmers will plant a few trees for a rainy day in the future. Every household will have a mixed crop depending on the area. People who grow cinnamon on the coast may also grow some pepper to diversify. Inland they might grow nutmeg, pepper, clove and cocoa. I know if I don’t benefit, my children will benefit. Because they will have this [crop] coming in another eight or 10 years. Other families will also grow sandalwood and teak trees because these are trees that bring them value down the line.”

Climate

“Our landscape is quite green and lush,” says Mushin. “Our soil is conducive to grow any type of plants.” He adds that the country is fed by monsoons that cover the entirety of the country. “We are totally dependent on rain,” says Mushin. “Anytime the rain is delayed, then it will definitely affect the crops. The rain plays a great role in the actual output, which can vary between 20% and 30% in bad seasons. Fortunately, we have two main monsoons during the year and never have had to face a severe drought.”

Crops and Export Figures

Very little of what is produced in Sri Lanka is consumed domestically, Mushin explains. Most agriculturally derived products are exported, though accurate figures are hard to come by due to the fragmentary nature of the country’s agriculture and the common practice of farmers storing some spices for long periods of time as a form of secure banking.

While seasons cause variations, Mushin’s latest annual figures for key crops are as follow:

- Cinnamon: 18,000 MT for 2011 (and growing)
- Nutmeg: up to 4,000 MT (2012 estimate)
- Clove: 6,500-plus MT for 2011
- Black pepper: 15,000 MT (a notably large crop estimate for 2012; 2011:10,000 MT)



With some notable exceptions, Sri Lankan crops have been cultivated on family farms that employ as much as 70% of the country’s population; pictured is one of the country’s pepper, nutmeg, clove and cocoa production sites.

People who grow cinnamon on the coast may also grow some pepper to diversify. Inland, they might grow nutmeg, clove and cocoa.

Peacetime Impact and Future Growth

The cessation of Sri Lanka’s civil war between the Sri Lankan government and the Rebel Liberation Tigers Movement or LTTE, which ravaged the country for nearly 26 years, has yielded massive new opportunities. In the two years following the end of the war, the economy grew at more than 8% per year (Sri Lankan Ministry of Finance & Planning figures) and, according to International Monetary Fund estimates, boasts an economy worth \$59 billion and a per capita GDP of \$2,836 based on market price (Central Bank of Sri Lanka).

“We have quite a bit of land available,” says Mushin. “A fair amount of land opened up in the north because we don’t have

Mushin will speak as part of the program of the International Federation of Essential Oil and Aroma Trades conference in Singapore. For details, visit www.ifeat.org.org.

As agribusiness is being encouraged, growers are experimentally producing turmeric, vetiver, patchouli and davana.

a civil war going on anymore. Today, due to the issue of sustainability, most export-oriented companies are getting involved in agribusiness and have embarked on backward integration into farming projects.” As agribusiness is being encouraged, growers are experimentally producing turmeric, vetiver, patchouli and davana. “I think it will take off commercially in the next several years,” says Mushin. “Demand is there.”

He adds that the country has a significant capacity to produce organic crops, in part because small family farms traditionally cannot afford chemical fertilizers.

Envisioning a Value-added Future

“This has always been an agri-based economy,” Mushin says of Sri Lanka, “but there is a move to have the industrial base expand. Essential oils are not considered a high-tech industry and represent only the first step of the value chain. We need the support of buyers—not speculators. We need long-term commitments from people supporting the development of this sector. Development has a drastic trickle-down effect on farming families. We need support coming from consuming countries ... so we can go up the value chain from just essential oils to adding



Historically, Sri Lanka has been known for its production of cinnamon, pepper (pictured), nutmeg, clove, cardamom and other spices.

value further with the oils and taking the technology down to the farmers’ level so that they can improve their skills as well. Without these families, where do we go to obtain the produce? Today, we see the need to pay better prices to farmers and not just use the word ‘sustainability,’ but put into practice what we preach. The implications are really quite serious.”

Mushin singles out nutmeg, for which Sri Lanka represents a significant source. He estimates that the country has the capacity to extract 50–60 MT of nutmeg oil, but the country currently only extracts about 30–35 MT. The rest, he says, is shipped to India for processing.

“We have the capacity, but we don’t have the support,” says Mushin. “We have 5,000 MT of [Sri Lankan] black pepper light berries that are extracted in India. The Indian extractors ship that [extract product] out to the United States and Europe.”

Historic Changes

Demographically, peace and globalization are reshaping Sri Lanka’s population. Increasingly, younger generations are leaving small farms for non-agricultural jobs and educational opportunities in urban areas, similar to what’s happening in other parts of Asia. Some small family farms are sold off in the process.

Still, Mushin says, “The stakeholders in the family will be reluctant to move because their relations are there, they grew up there. The question that comes up most often is the continuity of the family unit.” Older family members who stay behind might divest their larger properties to focus on smaller plots of land.

These shifts have already changed Sri Lankans’ lifestyles. “Locally, the market has expanded,” says Mushin. “Our domestic [F&F] industry has grown because the beverage, confectionery and personal care [sectors] have all shown growth in recent years. One factor contributing to this growth is the fact that the areas that were affected by the civil conflict have now opened up. That part of the country has a huge capacity to spend. Food and beverage habits are changing ... from traditional foods to convenience and ready-to-eat foods. These changes have a direct impact on the flavor and fragrance industry.”

To purchase a copy of this article or others, visit www.PerfumerFlavorist.com/magazine. pf