

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Exporter Guide Sri Lanka – 2015

Report Categories:

Exporter Guide

Retail Foods

Food Service - Hotel Restaurant Institutional

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Report Highlights:

Following the end of a protracted civil war in 2009, Sri Lanka has emerged as a small but growing market for imported consumer food products. While imported food products often face high tariffs and nontariff barriers, commercial opportunities are also emerging for certain products. Sri Lanka's tourism and hospitality sectors, new restaurants, and food upscale retailers are creating avenues for high-end and imported products. Exporters seeking to establish a presence in the Sri Lankan market should determine if their product has market access and then be prepared to be patient and start small. Sri Lanka's population is estimated to reach 21 million by the end of 2015.

General Information:

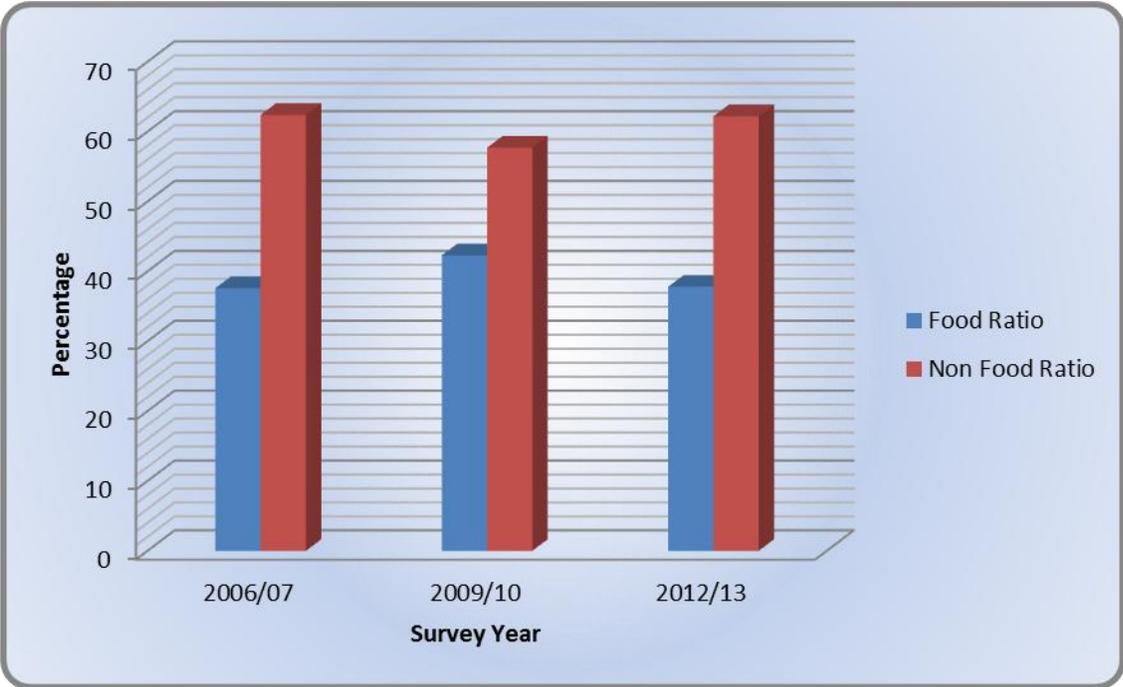
Section I: Market Overview:

Following the end of a decades-long civil war in 2009, Sri Lanka has begun to emerge as a more important market for international business and tourism. A variety of upscale international and local hotels, resorts, and restaurants have opened in Colombo and around major tourist sites. The Government of Sri Lanka (GSL) has identified tourism and hospitality as priority sectors and has initiated a number of policies to support their development, to include the reduction of certain trade barriers for some food products. Additionally, Sri Lanka’s organized retail sector continues to develop throughout the country. New and upscale retailers are also creating avenues for high-end and imported food and beverage products. In 2010, growth in Sri Lanka’s gross domestic product (GDP) reached a ten-year high of 8.0 percent. Although GDP growth slipped to 7.3 percent in 2013, it showed signs of rebounding during the first quarter of 2014 by reaching 7.6 percent.

A. Food Purchasing Behavior:

According to the GSL’s Department of Census and Statistics, in 2012/13 the average Sri Lankan household spent 15,651 Sri Lankan rupees (\$120.20) or 37.8 percent of its monthly income on food. This figure reflects a 4.5 percent decline from 2009/10, when Sri Lankans spent 42.3 percent of their monthly income on food. Trends indicate that consumers are improving the quality of their families’ nutrition and are consuming more proteins, fruits, and vegetables.

Figure 1: Sri Lanka: Distribution of Food Ratio and Non-Food Ratio by Survey Periods



Source: Department of Census and Statistics, Sri Lanka

Table 1: Sri Lanka: Average Monthly Per Capita Consumption Quantities of Selected Food

Items by Survey Period

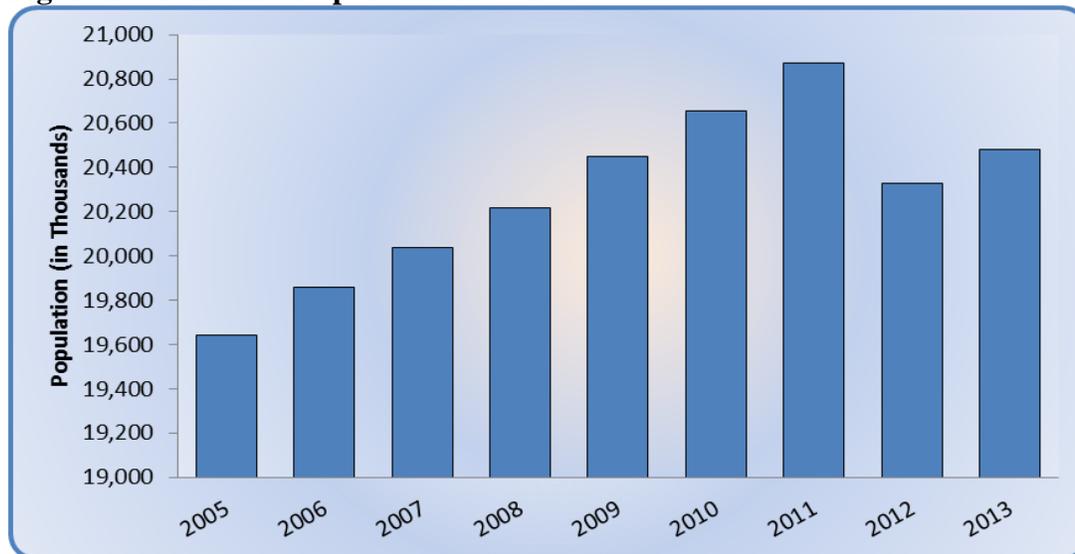
Item	Unit	2006/07	2009/10	2012/13
		(Qty)	(Qty)	(Qty)
Rice	Gram	8,995	9,062	8,989
Rice Flour	Gram	83	127	194
Wheat Flour	Gram	584	687	564
Bread (Normal)	Gram	1,533	1,266	926
Pulses	Gram	566	501	586
Big Onions	Gram	570	582	608
Sugar	Gram	1,275	1,212	1,111
Coconut	Number	7	7	7
Chicken	Gram	243	233	320
Egg	Number	3	2	3
Dried Fish	Gram	325	313	299

Source: Department of Census and Statistics, Sri Lanka

B. Consumer Demographics:

In 2012, Sri Lanka's national census reported a population of 20.30 million, which is estimated to reach 21 million by the end of this year. The Sinhalese, Sri Lanka's majority ethnic group, constitutes 74.92 percent of the population, followed by Sri Lankan Tamils at 11.92 percent, Moors at 9.2 percent, and Indian Tamils at 4.2 percent. 42.6 percent of Sri Lanka's population is between the ages of 25 and 54 years, a demographic segment which constitutes the majority of the work force and is the primary driver of economic growth.

Figure 2: Sri Lanka: Population 2005-2013

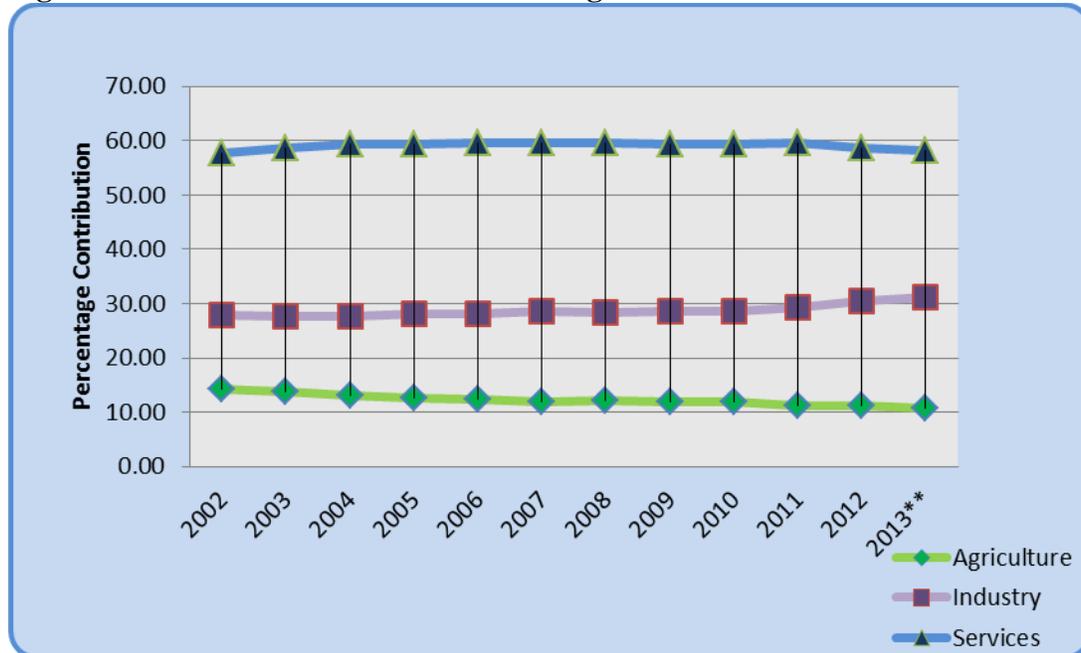


Source: World Bank

Sri Lanka's population remains largely rural, with 77.3 percent of Sri Lankans living in rural areas. 18.3

percent live in urban areas, followed by 4.4 percent who are classified as living in estates. Agriculture and related industries accounted for 10.1 percent of GDP in the third quarter of 2014. The service sector is the largest contributor to GDP.

Figure 3: Sri Lanka: Sector Wise Percentage Contribution to Annual GDP



Source: Department of Census and Statistics, Sri Lanka

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SECTION II: EXPORTER BUSINESS TIPS

A. Road Map for Market Entry:

- Survey existing and potential opportunities by reviewing market,
- Determine if your product has market access in Sri Lanka,
- Identify a Sri Lankan importer/distributor who services the retail, HRI, and food processing sector,
- Examine all prospective candidates, and thoroughly research the more promising ones. Check the potential agent's reputation through potential clients and bankers.
- For products with a potentially longer shelf life and/or larger order volumes (e.g. from large hotel chains), U.S. exporters may identify and explore supplying through consolidators based in Dubai, Singapore, and Europe,
- Make sure you understand countries varied food laws.

Ensuring payment is another important consideration when establishing a relationship with an importer. Until a successful working relationship is established, exporters may wish to consider vehicles such as an irrevocable letter of credit. The U.S. Embassy in Colombo does not have the authority or expertise to mediate contractual disputes, or serve as a collection agent when differences over payment arise. These situations can be avoided with proper preparation and sales terms.

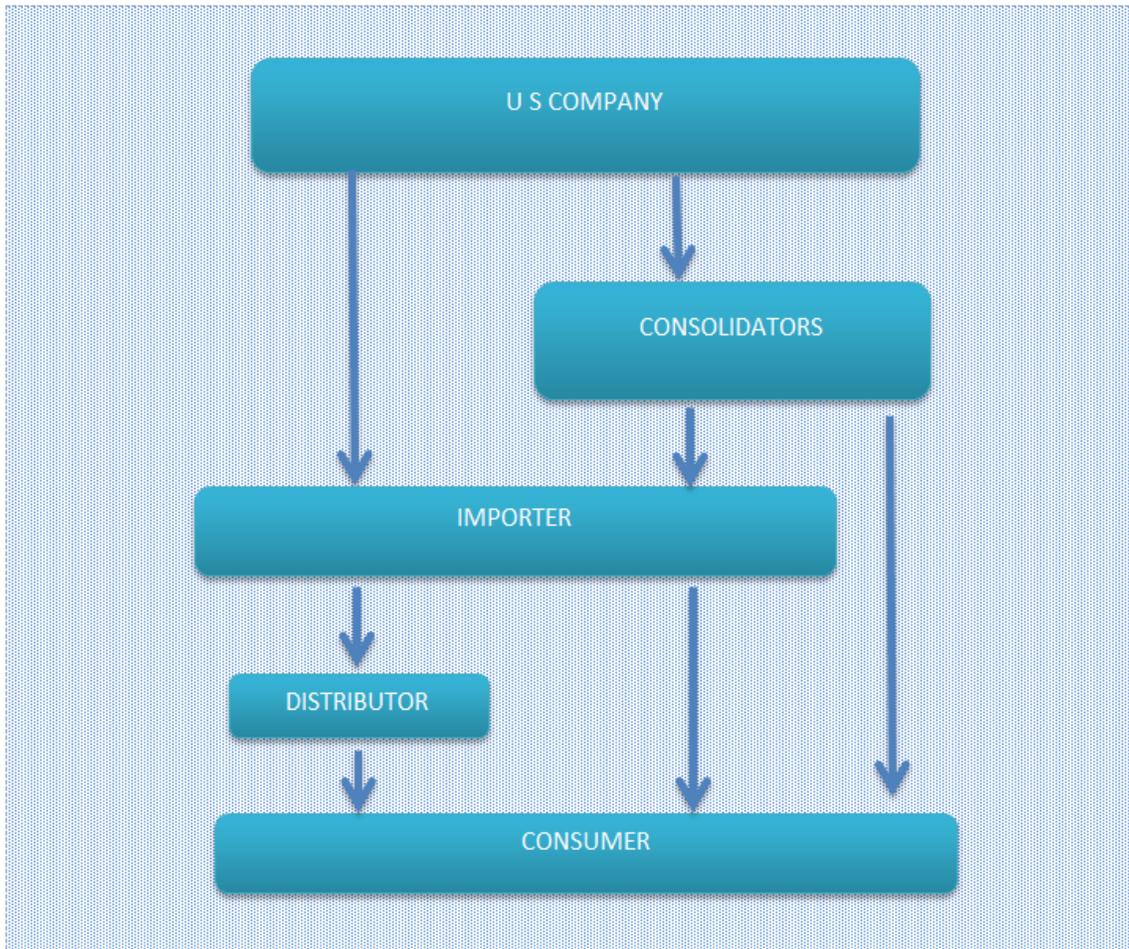
The increasing numbers of hotels that are opening in Sri Lanka offer a good platform for introducing new-to-market imported food products. Exporters should check with importers to see if they are established suppliers for food and hospitality franchises.

U.S. food and agricultural exporters are advised to check if any relevant USDA cooperators, or state and regional trade groups (SRTG) are active in Sri Lanka could assist in product promotions and/or creating market linkages. If product/sector-specific USDA cooperators or SRTGs are not currently active in Sri Lanka, exporters should consider contacting regional offices in India or Singapore. Exporters may also consider reaching out to local trade associations or chambers of commerce, which may be helpful in providing data, other information, and establishing connections with appropriate members. Finally, the Office of Agricultural Affairs at the U.S. Embassy in New Delhi is available to answer any Sri Lanka-specific inquiries and/or work with stakeholders to help create market linkages.

B. Market Structure:

Marketing channels for imported foods typically involve several intermediaries. Retailers, hotels, restaurants, and institutions generally procure imported food products directly through importers and/or distributors. As Sri Lanka's culinary and hospitality industries have become more established, some food and beverage distributors are becoming more focused and product specific, as to offer more variety. Sri Lanka's supply chain industry is also starting to become more interlinked and modern, which offers increasing market penetration for perishable products.

Figure 4: Sri Lanka: Flow Chart of Food and Beverage Distribution System



Source: Industry Sources

C. Trade Shows:

Pro Food, Pro Pack and Agbiz

Date: August 7-9, 2015

Venue: The Sirimavo Bandaranaike Memorial Exhibition Centre, Colombo

Website: <http://www.profoodpropack.com/>

Hotel Hospitality and Food, Sri Lanka

Date: October 16-18, 2015

Venue: The Sri Lanka Exhibition and Convention Centre, Colombo

Website: <http://hhf-srilanka.com/index.html>

D. Trade Policy:

In 1977 Sri Lanka began to liberalize its trade policies. It has granted preferential tariff benefits to a range of products imported under following trade agreements/arrangements: [Indo – Sri Lanka Free Trade Agreement](#) (ISFTA), [Pakistan – Sri Lanka Free Trade Agreement](#) (PSFTA), South Asian Free Trade Area (SAFTA), and Asia Pacific Trade Agreement (APTA). Sri Lanka's [Trade and Investment](#)

[Framework Agreement](#) (TIFA) with the United States provides a bilateral platform for addressing trade barriers and market access concerns.

Several GSL agencies regulate biotechnology in Sri Lanka, although the apex regulatory body is the Ministry of Environment and Natural Resources. According to the Ministry of Healthcare and Nutrition’s [Food \(Control of Import, Labelling, and Sale of Genetically Modified Foods\) Regulation 2006](#), Sri Lanka prohibits the import, sale, storage, and distribution of any genetically engineered (GE) or GE-derived products for human consumption. This includes any food item containing GE materials, or any food product which contains GE-derived ingredients.

E. Imports:

The GSL’s Department of Customs is the primary enforcement agency responsible for cross-border trade. In addition to the defined custom duty an importer is required to pay value added taxes (VAT), excise duties, ports and airports development levy, nation building tax. Other ‘cess’ taxes may also be applicable for imported products. Food product imports require a country of origin certificate from the exporting country. Livestock and livestock products require health certificates issued by competent authorities in the country of origin, as well as import permits, which are typically obtained by the imported, from the office of the Directorate General of the Department of Animal Protection and Health. Plants and plant material (to include fresh horticultural products) require phytosanitary certificates issued by competent authorities in the country of origin, as well as import permits from the Sri Lankan Department of Agriculture.

Table 2: Sri Lanka: Taxes and Duties to be Paid for Imported Food and Beverages

Custom Duty	As defined by Customs Department, Sri Lanka
VAT	Zero to 12 percent of the sum of the Cost Insurance and Freight (CIF) value
Excise Duty (special provisions)	A percentage of the sum of CIF value
Cess	zero to 35 percent of 110 percent of CIF value
Ports and Airports Development Levy	Five percent of the CIF value
Nation Building Tax	Two percent of the sum of the CIF value

Source: Customs Department Sri Lanka and Industry Sources

Table 3: Sri Lanka: Top 10 Suppliers of Consumer Oriented Products

Partner Country	United States Dollars
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	2012	2013	2014
New Zealand	234856356	208056847	240052904
India	127501778	190046951	163141270
Australia	60137622	72859774	79663546
China	42698364	44285277	54884743
Indonesia	8873972	8113948	47480632
United States	22726054	30804429	35054855
Singapore	23805417	16487311	16867651
Thailand	16283942	16628964	15064710
Pakistan	21898420	24495826	14416274
Others	109292296	109666397	126065283

Source: Global Trade Atlas

Table 4: Sri Lanka: Top 20 Products Exported from U.S

Product	Values in Thousands of dollars				
	2010	2011	2012	2013	2014
Soybean Meal	1,304	1,472	6,134	28,192	36,314
Wheat	9,728	52,995	0	51,646	35,098
Dairy Products	436	1,650	9,074	14,584	20,938
Fresh Fruit	4,511	7,643	7,626	6,189	5,811
Vegetable Oils (ex. soybean)	686	11,170	2,844	4,671	5,253
Pulses	7,630	5,047	2,159	2,440	4,403
Rice	1,024	292	2,460	1,299	4,233
Chocolate & Cocoa Products	35	573	3,630	4,625	3,701
Other Intermediate Products	9,364	6,270	2,713	3,732	3,466
Feeds & Fodders NESOI	150	327	237	1,051	2,666
Non-Alcoholic Bev. (ex. juices)	23	248	187	205	2,304
Tobacco	852	1,078	1,582	1,372	1,565
Fresh Vegetables	40	50	106	177	1,515
Fish Products	339	591	1,524	1,330	1,296
Snack Foods NESOI	832	1,166	915	1,440	1,277
Distilled Spirits	592	233	377	493	979
Prepared Food	1,104	853	925	1,253	959
Distillers Grains	224	60	0	32	732
Planting Seeds	799	1,193	1,119	842	581
Wine & Beer	245	237	298	229	415
Others	2904	2334	3132	2855	2194

Source: USDA/FAS Global Trade Database

F. Food Laws:

The Sri Lankan Ministry of Health regulates and enforces the Food Act 1980, which regulates and

controls the manufacture, import, sale, and distribution of food. It also establishes food advisory committees. The full text of the labelling and advertising regulation under the Food Act of 1980 can be accessed from the following link [Food \(Labelling and Advertising\) Regulations 2005](#).

SECTION III. POST CONTACTS AND FURTHER INFORMATION

Office of Agricultural Affairs for India, Sri Lanka and Bangladesh
 Foreign Agricultural Service
 Embassy of the United States
 Chanakyapuri, New Delhi - 110 021
 India
 Phone: +91 (11) 2419-8000,
 Fax: +9 (11) 2419-8530
 E-Mail: agnewdelhi@fas.usda.gov

Economic and Commercial Section
 Embassy of the United States
 210 Galle Road, Colombo 03
 Sri Lanka
 Phone: +94(11) 249-8500
 Fax: +94(11) 243-7345
 E-mail: commercialcolombo@state.gov

APPENDIX A: STATISTICS

Table 5: Sri Lanka: Key Trade and Demographic Information

Agricultural imports from all countries (USD billion) / U.S. market share [1]	2.4/ 5.28%
Consumer Food Imports from all countries (USD billion) / U.S. market share [2]	0.16/ 4.58%
Total Population [3]	20.63 million
Urban population (millions) [4]	4 million
Average Monthly Household Expenditure on Food Items (USD) [5]	120.20
Exchange Rate Sri Lankan Rupees Per USD (as of April 10, 2015)	132.90

[1] Global Trade Atlas

[2] Global Trade Atlas

[3] Department of Census and Statistics, Government of Sri Lanka

[4] Department of Census and Statistics, Government of Sri Lanka

[5] Department of Census and Statistics, Government of Sri Lanka

APPENDIX B: U.S. BASED STATE REGIONAL TRADE GROUPS / COOPERATORS / STATE OFFICE REPS DEALING IN FOOD OR AGRICULTURE IN SRI LANKA

Cotton Council International

Website: www.cottonusa.org

Local Representative Office Address:

Antar Advisors

B/91, Vishal Residency

Ramdev Nagar-Anand Nagar Road

Satellite – Ahmedabad – 380015, Gujarat

Tel: +91-79-4030 0131

Fax: +91-79-4032 7897

E-mail – antaradvisors@gmail.com / peush_narang@yahoo.com

U.S. Meat Export Federation, Inc.

Website: www.usmef.org

Office Address:

39, Tyrwhitt Road

3rd Floor Suite, Singapore – 207538

Tel: +65 67334255

Fax: +65 67321977

Mobile: +65 97581998

E-Mail: Singapore@usmef.org

U.S. Soybean Export Council

Website: www.ussec.org

Office Address:

16305 Swingley Ridge Road, Suite 200

Chesterfield, MO 63017-USA

Tel: +1 636.449.6041

Fax: +1 636.449.1292

Cell: 314.707.6698

E-Mail: dklein@ussec.org

Washington State Apple Commission

Website: www.bestapples.com

Local Representative Office Address:

The SCS Group

651, Pace City II, Sector 37

Gurgaon, Haryana 122 004

Ph: +91-124-434 4500

Fax: +91-124-434 4501

E-Mail: apples@scs-group.com

APPENDIX C: TRADE ORGANIZATIONS AND CHAMBER OF COMMERCE

- [National Chamber of Exporters of Sri Lanka](#)
- [Colombo Stock Exchange](#)
- [Federation of Chambers of Commerce and Industry of Sri Lanka](#)
- [Sri Lanka Apparel Exporters Association](#)
- [The Ceylon Chamber of Commerce](#)
- [National Chamber of Exporters of Sri Lanka](#)
- [Women's Chamber of Industry and Commerce](#)
- [Institute for the Development of Commercial Law & Practices](#)

APPENDIX D: USEFUL SRI LANKAN GOVERNMENT AGENCIES

- [Ministry of Health, Sri Lanka](#)
- [Ministry of Finance and Planning, Sri Lanka](#)
- [Ministry of Economic Development, Sri Lanka](#)
- [Ministry of Industry and Commerce, Sri Lanka](#)
- [Department of Commerce, Sri Lanka](#)
- [Sri Lanka Customs](#)
- [The Board of Investment, Sri Lanka](#)
- [Import Export Department, Sri Lanka](#)
- [Sri Lankan Port Authority](#)
- [Sri Lanka Tourist Board](#)