MINOR EXPORT CROPS

The minor export crops sector, which consisted of spices and other agricultural commodities such as un-manufactured tobacco, arecanut, cashew kernels, essential oils and foliage and cut-flowers, recorded an improved performance during 2002. In rupee terms, earnings from this sector, as a whole, rose by 31 per cent to over Rs. 16 billion, much more than the total export earnings from rubber and coconut in 2002.

Cinnamon is the most important crop in this sector. Sri Lanka is the world's largest producer and exporter of cinnamon, accounting for nearly two thirds of the global output. The extent under cinnamon cultivation is estimated at approximately 25,300 hectares.

According to estimates of the Department of Export Agriculture (DEA), the cinnamon production during 2002 has declined by 4 per cent, but export volumes have increased in raw form both farm gate prices and export prices increased during 2002. Earnings from cinnamon in primary form amounted to Rs. 4.3 billion, while earnings from cinnamon bark oil and leaf oil exports amounted to Rs. 258 mn. There has been a steady increase in earnings from cinnamon exports in recent years and it has become the third largest export agricultural crop, next to coconut, since 1998. There is considerable potential for Sri Lanka to increase value added exports from cinnamon and measures should be taken to gain this capability in the medium term. At present, most of the cinnamon s exported as quills in bulk form. Therefore, it is necessary to encourage the value added cinnamon industry by adopting proactive measures and creating awareness among exporters.

Provisional estimates by DEA, based on export volumes, reported a 65 per cent increase in the output of pepper during 2002. However, the export volume of 2002 may have contained the previous year's stocks, thus leading to an over estimation of the output. The export volume of pepper increased more than twofold, to 7,900 metric tons, in 2002 compared to the previous year, earning nearly Rs. 1.5 billion. More than 80 per cent of the pepper was exported to India under the Preferential Trade Agreement in 2002. However, international pepper prices wee not attractive due to stiff competition among major producing countries in the global market in the wake of a decline in the pepper consumption in Europe.

Table 3.5

Production of Other Export Crops

Crop	2000	2001 (a)	2002 (b)
	Metric Tons		
Coffee	2,540	2,350	2,360
Cocoa	1,300	1,275	1,100
Cinnamon	13,490	13,600	13,000
Pepper	10,676	7,650	12,600
Clove	1,700	2,700	4,100
Cardamom	62	60	60
Nutmeg and Mace	1,100	1,100	1,600
Cashew	935	1,239	1,292

(*a*) Revised (*b*) Provisional

Source : Department of Export Agriculture
Sri Lanka Cashew Corporation

The attractive prices that prevailed during the last two years encouraged cultivators to increase fertiliser application and improve other agronomic practices, resulting in a 64 per cent growth in clove production during 2002. Consequently, exports of cloves more than doubled to over 4 million kg, thereby increasing export earnings to a level above Rs. 2.7 billion. Surpassing the earnings from rubber during 2002. As a result of the preferential tariff rate enjoyed by Sri Lanka with India, more than 95 per cent of cloves were exported to India in 2002. Clove oil was exported in limited quantities and earnings from oil exports in 2002 amounted Rs. 19 mn.

The foliage and cut flower sector too made a significant contribution towards the export earnings during the year. The sector expanded its activities with the assistance of the Department of Agriculture (DOA) and the Export Development Board (EDB). DOA continued to assist the floriculture sector by providing technical assistance, conducing training programmes, and issuing plant varieties through the National Botanical Gardens. EDB too assisted to develop the floriculture sector, especially among small-scale growers and to find export markets. Export earnings from foliage plants, rooted cuttings and cut flowers rose by 7 per cent to Rs. 776 mn. during 2002.

DEA continued to assist the development of the export agriculture sector by implementing subsidy schemes and providing necessary inputs, technical information and extension services in cultivating and processing spices. However, the subsidies disbursed under the Export Agriculture Assistance Scheme (EAAS) declined from Rs. 72 mn. to Rs. 25 mn. during 2002 due to lack of funds. As in 2001, more than 50 per cent of the subsidy payment was for pepper. The Second Perennial Crop Development Project (SPCDP) also supported institutional strengthening of DOA and DEA and upgrading the quality of the research of the Council for Agriculture Research Policy (CARP). Further, it assisted DOA and DEA in the production of seeds and planting material through its projects.

Oil palm is gradually gaining popularity as a plantation crop, especially in the Southern Province. At present, the extent under oil palm in three Regional Plantation Companies (RPCs) is approximately 3,000 ha. Oil palm cultivation has been expanding in recent years, replacing unproductive rubber lands. The low labour utilisation, low cost of replanting and a shorter gestation period compared to rubber encouraged RPCs to shift to oil palm cultivation. During 2002, local crude palm oil production amounted to about 8 mn. kg. while palm kernel oil production amounted to 380 metric tons. However, there is a concern among the villagers in oil palm growing areas that the cultivation of oil palm could result in depleting the water table. Scientists of RRI have indicated that water transpiration in oil palm is higher than in rubber and the rate of transpiration further increased during droughts. However, the CRI is of the view that even though the water absorption capacity is high in oil palm, its productivity is higher compared to rubber, coconut and many other crops. Further research has to be conducted for economic processing of the biomass produced by oil palm and waste generated from palm oil extraction to provide value addition to the industry.

There is a big potential for organically cultivated horticultural products as they receive very attractive prices in the European markets. Therefore, assisting cultivation of those high value agricultural products by educating farmers and providing necessary inputs would generate a good income for rural farmers. A Task Force has been set up to make recommendations to develop spices and allied products and to come up with a longterm plan to expand this sector.

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