

PRESENT TRENDS IN THE EXPORT MARKET FOR SPICES

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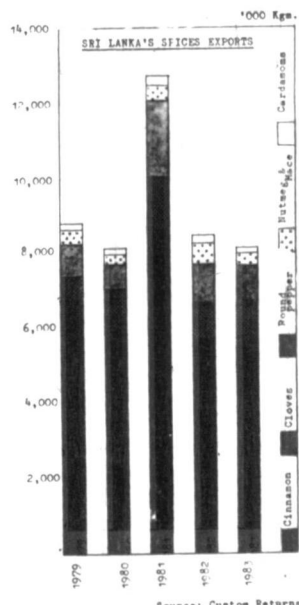
Although the three traditional plantations crop industries tea, rubber and coconut still account for a major component of Sri Lanka's annual export earnings; the export of commodities such as cinnamon, cardamom, cloves, nutmeg and pepper have also been contributing a significant share in recent years. Export earnings from these commodities constitute almost 3 percent of the country's total export earnings at present. The commodity exports from Sri Lanka, has a long history and ironically this has been a major reason for the advent of western colonial powers in the island at the beginning of its long period of colonial domination.

A notable feature in the cultivation of these crops is the non-existence of large scale cultivation as in the case of the tea, rubber and coconut sector. These commodities are mainly cultivated in home gardens or as a mixed crop. It is only the cultivation of cinnamon and the cardamoms which is carried out at a somewhat large scale. The collection and exportation of the crop is entirely handled by a network of private traders spread throughout the island.

The highest annual export income by this sector, for the period from 1979-1984 April had been achieved in the year 1981 when these exports brought in an income

of Rs 792.2 million. This income level plunged to Rs 665.2 million in 1983. While the export of cinnamon had accounted for nearly 54 percent of this income; cloves, cardamoms, pepper and nutmeg brought in 32 percent, 7 percent and 1 percent of the total earnings respectively (Table I).

A comparison of export volumes during this five year period reveals that the quantity exported in the year 1983 was significantly lower than that of the previous years while the highest export volume has been registered during the year 1981. The respective figures for these two years were 12,705 and 8,177 metric tons. The decrease in the export volumes of two commodities cinnamon and cardamom had been the major reason for the low level of the

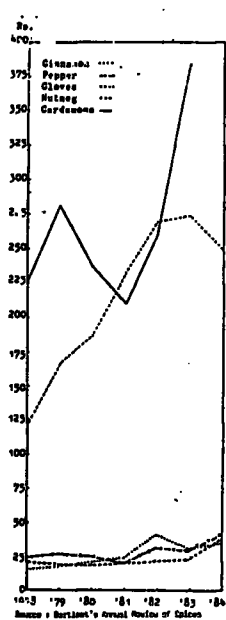


total volume achieved in 1983 (Graph I).

CINNAMON

Sri Lanka has been the major supplier of cinnamon to the world market, whose supply accounts for nearly 70 percent of the total while Seychells and Malagasy account for most of the balance share.

Annual Average Prices (Per Kilogram)



Although cassia could be described as a substitute for the cinnamon its presence in the market does not account for strong competition, due to its poor quality in comparison to the cinnamon as a commodity. China, Indonesia and South Vietnam are the major world producers of cassia. However, due to the fact that the market prices for cassia remain low, in comparison to that of cinnamon this commodity does not offer competition at that same level as cinnamon.

At present there is an estimated extent of 36,000 acres of cultivated cinnamon land in Sri Lanka. The majority of these lands come

under either Galle or Matara districts. The cinnamon bark is an essential ingredient in the bakery industry which is used as an essence. In some countries this is used to improve the flavour of tea, wine, chocolates etc.

Mexico, USA and Colombia are the three major buyers of cinnamon in the world market. According to the 1982 statistics Mexico, Panama, USA and Colombia accounted for 38 percent, 13 percent, 9 percent and 7 percent of the total supply respectively. During the year 1983 Mexico purchased 25 percent of our cinnamon supply whereas the US accounted for 50 percent. Apart from these countries others such as Spain, Germany and Denmark have also purchased our cinnamon.

The maximum average annual price fetched by cinnamon during the last 5 year period at the Colombo Chamber of Commerce auction was Rs 41.95 per kilo. This price had fallen by 29 percent in 1983 to an average price of Rs 29.85 per kilo. Although this price has improved to Rs 35.30 by April 1984, this has not exceeded the 1982 price levels. The major reason for the decline of prices for cinnamon since 1982 which had been showing a favourable rate of growth from 1978 onwards is generally attributed to the economic crises in Mexico which happens to be the chief buyer of cinnamon in the world market. In 1983 Mexico reduced its purchases by 77 percent from that of the previous year and there were certain other countries who also cutdown their purchases to a minimum. Therefore

due to this declining trend of demand for cinnamon internationally, the prices fetched by cinnamon locally fell sharply.

CLOVES

The area of land that comes under clove cultivation in Sri Lanka is approximately 8,000 acres, the majority of which is situated in Kandy, Matale and Kegalle districts. Clove is a useful ingredient in the bakery industry and also in domestic cooking. It helps to improve the taste of food. The other major uses of this commodity are in the perfume and pharmaceutical industries. The chief suppliers of clove to the international market are Tanzania, Madagascar, Indonesia and Sri Lanka.

During the year 1983 a volume of 1,750 metric tons of cloves has been exported from Sri Lanka, which is recorded as the highest volume of export during the last five year period and this amounts to a 79 percent increase from the export figures for the previous year. The minimum volume of export during the period under study has been recorded in the year 1979 which was 786 metric tons. The total export income from cloves for 1983 was Rs 373.3 million which was an increase of .72 percent from that of the previous year. A significant feature in the present trends in the international clove market is prices have been favourable for the exporter. According to the prices at the Colombo Chamber of Commerce auctions, the year 1983 has registered a record average annual price for cloves of Rs 274.28. A growth rate of 13% - 16% has been

recorded during this period. Though it had dropped by 2 percent by the beginning of April 1984. The average price at this period was Rs 249.75. Countries such as India, Iraq, USA, Canada and Singapore have purchased the major share of Sri Lanka's clove exports in 1982, the percentage figures being 93 percent, 2 percent, 1 percent, 1 percent, 1 percent and 1 percent respectively. In 1983 India's purchases accounted for nearly 95 percent of our exports of clove.

CARDAMOMS

There is an estimated 15,000 acres of land under cardamom cultivation in Sri Lanka. Out of this acreage nearly 75 percent is located within Kandy, Matale and Nuwara Eliya districts. Cardamoms are used as an ingredient in preparation of food. It is also a useful raw material in the preparation of pharmaceuticals. The major use of this commodity is in the perfume industry where a variety of oils derived from cardamoms are mixed with other chemical substances in preparation of these perfumes. India, Guatemala, Tanzania and Sri Lanka are the major suppliers of cardamoms to the international market. Sri Lanka's share amounts to approximately 10 percent of this total. In recent times countries such as Papua New Guinea and Nepal have also established a name as exporters of this commodity internationally. Sri Lanka registered its best export figures in 1981, exporting a volume of 216 metric tons. The lowest export figures were recorded during the year 1983 which amounted to 136 metric tons, a

decrease of 37% from the 1981 figures. The unusual drought experienced during this period could be attributed as the main factor for this situation. There were also other reasons such as an increase in incidence of pest, plague and destruction of the crop by other animals. The non-adherence to systematic methods when drying the crop and the resultant wastage also contributed to the decrease in production. The year 1979, recorded the best foreign exchange earnings during this period, the reason being the high price fetched by the cardamom in this year. However, during 1983 despite the prevalence of favourable prices, the total export earnings declined, mainly due to the low volume exported. A comparison of foreign exchange earning figures for 1981 and 1983 reveals a decrease of 22.8%.

The best prices fetched by cardamoms at the Colombo Chamber of Commerce auctions during these years have been in 1983 averaging an annual price of Rs 383.91. The minimum average annual price has been recorded in 1981, the figure being Rs 211.89. The change of prices from the maximum of 1981 to the minimum of 1983 shows a 82% difference. Sri Lanka's export market for cardamoms is mainly concentrated in the Middle East region. According to 1982 export statistics the UAE, Iraq, Kuwait, Saudi Arabia, and North Yemen have accounted for most of these exports, registering percentage figures of 42%, 24%, 8% and 6% of the total respectively. The respective per-

centage figures registered for 1983 were UAE 25%, Iraq 10%, Kuwait 4%, and North Yemen 13%.

PEPPER

The major suppliers of pepper to the international market are India, Malaysia, Indonesia (Saravak) and Brazil. Sri Lanka's supply of this commodity internationally amounts to a comparatively insignificant proportion of about 1% of this market. There is nearly 20,000 acres of cultivated pepper land in Sri Lanka.

The best export figures for pepper during the five year period studied has been registered during 1981, when Sri Lanka had exported a volume of 2,052 metric tons. This figure has declined to 1,129 metric tons in the year 1983. The fluctuations in the production of pepper depends on climatic conditions to a great extent. The year 1981 was not only the best in regard to export volume but also the year that brought in the maximum foreign exchange earnings. The amount of foreign exchange earned from pepper exports during this year has been Rs 51.7 million. This figure decreased to Rs 38.1 million in 1983. It is significant that since the year 1981 the export volume as well as the foreign exchange earnings has been on the decrease. The chief buyers of Sri Lanka's pepper in the year 1982 have been the U.K. (27%) India (19%) Yugoslavia (15%) Canada (11%) and USA (10%). During 1983 UK accounted for 30% Canada 21%, USA 20% and the F.R.G. 10% of our exports.

**Average Yearly Price
(In Rs. per K.G.)**

	1979	1980	1981	1982	1983	1984 (Jan.- April)
Cinnamon (Quills)	18.19	21.61	24.67	41.97	29.85	35.33
Pepper	26.11	25.61	20.82	31.65	29.73	40.27
Cloves	165.09	187.20	232.36	269.55	274.28	249.75
Nutmeg (without shell)	18.26	17.08	N.A.	N.A.	23.19	37.92
Cardamoms	281.88	237.86	211.89	260.43	385.91	N.A.

Source : *Bartlett's & Co. Ltd. Annual Reviews.*

**World Exports of Spices
(Tonnes)**

	1977	1978	1979	1980	1981	1982 (Jan. - 10 months indicated)
Cardamoms						
Gautemala	3,662	4,651	3,444	5,007	3,439(Sep)	N.A.
India	2,056	2,551	2,453	3,085	2,429	818 (August)
Indonesia	194	98	143	218	N.A.	N.A.
Sri Lanka	84	149	179	164	216	72 (April)
Taiwan	160	131	85	258	186	N.A.
Tanzania	N.A.	391	199	N.A.	N.A.	N.A.
Cinnamon						
Seychelles	N.A.	570	483	532	419	N.A.
Singapore	605	240	148	1,000	322	114 (June)
Sri Lanka	6,645	6,532	6,979	7,939	9,168	1,833 (April)
Cloves						
Comor	N.A.	N.A.	351	818	N.A.	N.A.
Madagascar	3,635	14,767	13,513	4,299	N.A.	N.A.
Singapore	1,972	2,291	3,163	2,070	2,630	2,012 (June)
Sri Lanka	1,224	471	793	1,288	1,356	565 (April)
Tanzania	5,906	1,238	10,000	N.A.	N.A.	N.A.
Nutmeg & Mace						
Grenada	3,205	2,240	2,636	1,771	1,920	N.A.
Indonesia	6,785	7,070	8,406	7,481	N.A.	N.A.
Sri Lanka	153	395	361	277	407	148
Trinidad	34	20	34	23	N.A.	N.A.
Pepper						
Brazil	17,710	29,984	26,205	31,974	46,895	N.A.
India	25,448	18,625	21,114	27,888	20,608	18,144 (August)
Indonesia	33,176	37,777	25,226	29,680	33,995	N.A.
Hong Kong	388	478	422	1,116	2,772	598 (June)
Madagascar	3,748	2,153	2,570	3,000	N.A.	N.A.
Malaysia	26,796	30,780	36,118	30,709	28,608	17,172 (August)
Singapore	27,194	40,956	37,582	33,233	30,098	10,582 (June)
Sri Lanka	632	1,205	876	647	2,052	833 (April)
Tailand	N.A.	85	144	16	N.A.	N.A.

According to the prices for pepper at the Colombo Chamber of Commerce auctions prices were highly favourable during 1984 averaging Rs 40.27 for the first 5 months. The best prices fetched hitherto had been in 1982, averaging Rs 40.27. This has been fluctuating during the last 5 year period from a minimum of Rs 20.82 to Rs 40.27. The maximum price recorded. During 1983 the prices for pepper has declined by a margin of 6% from that of the previous year and again has recorded a

used as an essence to improve the flavour of food when cooking in the bakery industry. The export of nutmeg has recorded a significant decrease since 1981 when export volume was 407 metric tons. The volume exported in 1983 came down to 304 metric tons thus decreasing by a margin of 25% within this period. The lowest export volume had been recorded in 1980, when the country exported only 277 metric tons of nutmeg. A notable feature is the rapidly decreasing trend in local nutmeg

According to the average annual prices for nutmeg at the Colombo auctions the market prices have been changing in favour of the supplier. The price had risen from Rs 18.26 in 1979 to Rs 23.19 in 1983. During the first half of the current year this has averaged to Rs 380. Of the total exported during 1982 India accounted for as much as 25 percent. The other major buyers have been UK (19%), Iraq (14%), North Yeman (8%) and Pakistan (7%). During the year 1983 these figures have been India 32%, UK 19%, F.R.G. 14% and Kuwait 8%.

During the year 1983 except for cloves, the export volumes for all other commodities recorded declines. It appeared, particularly for the cinnamon industry that future production prospects were not bright. A number of producers of cinnamon are presently engaged in changing their cinnamon lands to the cultivation of coconut. The growers of nutmeg have also been increasingly paying less attention to the cultivation of this commodity due to the unfavourable market prices for their product. In respect to the other two commodities, namely cloves and cardamoms, despite the prevalence of high prices the producer does not stand to gain substantial profits due to the high cost of production. Considering the high inflation rate and the increasing cost of the inputs for the industry producers do not consider present prices of these commodities as favourable. Producers complain that the attention and the measures

SPICES EXPORTS 1979-1983

	Value Rs. Mn.				
	1979	1980	1981	1982	1983
Cinnamon	200.6	223.7	424.3	285.8	201.5
Cloves	95.3	191.7	253.2	217.0	373.3
Round Pepper	22.9	19.0	51.7	34.2	38.1
Nutmeg & Mace	8.5	6.7	9.8	9.7	10.4
Cardamoms	55.2	44.1	53.2	49.0	41.9
Total	382.5	485.2	792.2	595.7	665.2

Source : Sri Lanka Customs

35% increase during the first 5 months of 1984. Basically the growth of the market for pepper occurs at a minimal level.

NUTMEG

The nutmeg is cultivated in an area of approximately 4,000 acres in Sri Lanka. Granada, Indonesia and Sri Lanka are the major suppliers of this commodity internationally. In Sri Lanka this is grown in the upcountry region, in the form of a mixed domestic crop. It is

production. This is due to the fact that the producers are being attracted to the cultivation of other commodity crops such as pepper and cloves which are fetching comparatively higher prices.

Although the volume of nutmeg exported had decreased since 1981, their foreign exchange earnings have improved during this period. The total foreign exchange earned during 1983 was Rs 10.4 million an increase of 6 percent over that of the previous year.