

# Evaluation of the Role of Government Institutions on Production and Promotion of Export Agricultural Crops



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## **01. Executive Summary**

The cultivation of agricultural crops for export as well as for domestic consumption, dates a long way back and still continues due to an agriculture based life style which Sri Lankan people are accustomed to. The main objective of this report is an attempt to assist addressing the issues of inadequate increase in the contribution of export agricultural crops on long term, shortages in the local market, decrease in the foreign exchange earnings owing to the low percentage of export of value added products, import of certain export agricultural crops by incurring a high cost per kilogramme in relation to the export earnings, farmers' inability to claim due prices, re-export issues and evaluation of performance of Government institutions which play a significant role towards promotion of export agricultural crops according to the requirement of earning foreign exchange.

Sixteen Government institutions have been identified in this audit as directly and indirectly involved in functions of research related to export agricultural crops, cultivation, production activities, formulation of standards, rules and regulations, promotion of sales and export and earning foreign exchange to Sri Lanka and among those institutions, the Department of Export Agriculture stands as the leading Government institution in export agricultural crops. The said Department had been allocated with financial provision totalling Rs.6,654 million for recurrent and capital expenditure during a period of 5 years from the year 2017 to the year 2021 from which an expenditure of Rs.5,520 million had been incurred. Furthermore, an expenditure totalling Rs.2,032 million had been incurred during the said period for assisting farmers towards promoting export crops.

An expenditure of Rs.1,353 million had been incurred for private nurseries to purchase 82 million plants relating to 11 export agricultural crops within a period of 4 years from 2018 to 2021. Even though 98 per cent of the said amount had been spent for purchase of plants relating to the 4 crop categories of cinnamon, pepper, turmeric and arecanut, it was observed that the amount spent for the other 7 crops had been only 2 per cent. Furthermore, the extent of cultivation lands had not increased as compared with the number of plants distributed. It was observed that the value of subsidies provided under 7 sectors with the motive of improving the quality of

products through appropriate technology during this period, motivating value added products etc., was at a minimum value of Rs.126 million. According to data of the Export Development Board, the earnings from export of spices and essential oils during the period from 2018 to 2020 had dropped from US\$ 361 million to US\$ 335 million. Even though the export earnings had increased up to US\$ 456 million in the year 2021, it was observed that the earnings expected from this sector as US\$ 800 million by the year 2021. Despite a lapse of 30 years after passing the Promotion of Export Agriculture Act, No.46 of 1992, there were weaknesses in implementing the Act such as non-formulation of regulations as per Section 15 of the Act and failure in levying cess in terms of the Act to enable the performance of the function of development and research. An Export Agricultural (Amendment) Act had been formulated by including 26 matters relating to weaknesses such as appointing a Director General despite mention of a Director to execute powers of the Act, lack of authority for regulation of seeds and planting material and the definition on export agricultural crops remaining unchanged as per current requirements. Nevertheless, failure in seeking Parliamentary approval for the said matters was revealed within the legal background relating to this sector. Moreover, absence of a national policy for agriculture and change in priorities due to frequent change in ministries were observed as well.

Minimum level of production and yield of arecanut, cardamom, clove, nutmeg, cocoa, vanilla, betel, citronella, lemongrass plants which can earn high foreign exchange, absence of a proper plan for follow up action on issues related to damages from animals and up to harvesting and sale, non-registration of an adequate number of applicants to obtain NVQ - Level 3 certificates introduced by the Vocational Training Authority, unavailability of a system of accurately computing the domestic requirement of export agricultural crops, import of crops which can be cultivated locally and import of certain crops incurring an import expenditure over the export earnings were observed in audit.

Matters such as issues on data and coordination, lack of technical know-how and increase in cultivation cost still remained among the shortcomings identified in the Spices and Concentrates Strategy (2018-2022) prepared by the public and private

sectors together for the promotion of export. As a system of registration of exporters was not available after the year 2019 which resulted in the unavailability of data of exporters, minimum level of introducing brands and the said brands not being publicized, promotional activities on cinnamon, which has received the Geographical Indication (GI) still remaining at planning level and inability of holding trade exhibitions were the main observations.

There were issues in introducing value added products to the international market due to failure in entering into new international trade agreements by the Department of Commerce relating to export agricultural crops after the year 2006, availability of a computer system (REX System) to issue Certificates of Origin only under preferential tax and registration of a minimum number of exporters thereunder, improper function of suspension of issuing import licences by the Department of Imports and Exports Control, export of a large quantity of spices and concentrates as raw material without standard certificates, reduction in registration and motivation of farmer organizations for organic cultivation, sale of organic products at low prices in the ordinary market as there are no specific markets for such products, inadequacy of methods for motivation of related parties for adhering to Good Agricultural Practices (GAP) and Good Manufacturing Practices (GMP).

Absence of a procedure for registration of seed suppliers, seed standards not been declared, absence of a proper registration system for introducing ayurvedic products and local spices and concentrates to the export market despite using them, failure in formulating Sri Lanka Standards for herbal beauty products and ayurvedic products, having imported ginger as the quality of local ginger for ayurvedic products is not up to standard, implementation of short term programmes for development of perennial crops, inability of obtaining packaging assistance for suppliers up to the year 2022 as there was no Government institution for regulation of packaging over a long period etc. were main observations although 20 years have lapsed since the Seed Act, No.22 of 2003 was passed.

A sum of Rs.109.8 million had been spent for 157 researches associated with export agricultural crops during a period of nearest 15 years through the three main research institutes namely the Department of Export Agriculture, Sri Lanka Council for

Agriculture Research Policy and National Science Foundation. However, matters such as non-rectification of deficiencies identified through researches, lack of resolutions for research issues due to failure in constructing an internationally recognized laboratory, inability of receiving internationally recognized certificates further and failure in carrying out researches according to priorities approved by the Sri Lanka Council for Agriculture Research Policy, were observed in audit. It was further observed that the remittances relating to exportation of agricultural crops carried out through open accounting system are not reported to the Central Bank of Sri Lanka, that the Central Bank of Sri Lanka is not equipped with a methodology to verify thereon and that the development of an online export monitoring system is in progress with the collaboration of the Central Bank of Sri Lanka, Sri Lanka Customs and authorized traders. Accordingly, the issue on the total receipt of the income to Sri Lanka from export of agricultural crops cultivated out of the amount spent as subsidies by the Government, is yet to be solved. Matters such as formulation and implementation of an agricultural policy including a policy on export agriculture for promoting export agricultural crops, expedite enactment of the Promotion of Export Agriculture Act, No.46 of 1992 by including effective revisions, conducting research by identifying research priorities, promotion of value added products, utilization of herbal gardens belonging to the Sri Lanka Ayurvedic Drugs Corporation and the Department of Ayurveda for production of local medicinal crops, promotion of crop cultivation specific to areas, purchase of spices through Spices and Allied Products Marketing Board, supplying necessary stocks to producers and providing quality spices to customers at reasonable prices, vesting of necessary legal authority to the Department of Export Agriculture on the technological know-how existing at present for certifying seeds and planting material relating to export agricultural crops, issuance of plants only to specifically identified cultivators with necessary facilities when providing plants to farmers and preparation of a continuous system of supervision up to harvesting, motivation of farmers and producers related to export agricultural crops towards products in line with Good Agricultural Practices (GAP) and Good Manufacturing Practices (GMP), production of crops by which a high export income could be earned through regulation of data exchange and progress through a centralized data system of parties related to export agricultural crops, motivation of exporters for use of brand names, increase of export earnings with the



use of Geographical Indicator (GI) obtained for cinnamon, providing assistance of a Government institution for certification and regulation of packaging, carry out follow up action on the response made by exporters towards rules on bringing foreign earnings from export to Sri Lanka (online export supervision system), establishment of a centralized institution for regulation of all exports according to the 2022 Budget, taking measures to gain tax relief and other benefits by new trade agreements and that the relevant responsible institutions should be well connected to gain more foreign earnings by exporting spices not as a raw material but as value added products are among the recommendations given relating to matters pointed out through these observations.

## **02. Introduction**

### **2.1 Background**

Export agricultural crops have been cultivated over long periods, focusing on export and as well as on domestic consumption due to a climatic condition favourable for agriculture and a people who depend on an agriculture based lifestyle in Sri Lanka.

The first ever attempt at national level for development of coffee from among the export agricultural crops with a long-standing history, has been implemented in the year 1959 by the Ministry of National Planning. Consequently, the Tea Commission was appointed in the year 1968 and the said Commission had recommended the cultivation of cocoa, coffee, cinnamon, pepper and nutmeg as alternative crops to be cultivated on economically unproductive tea lands. Once the Crop Diversification Project commenced in the year 1970, the main objective of the Department of Minor Export Crops which was initiated in the year 1972 was improving the economic capacity through diversification and intercropping of tea, rubber and coconut lands which were cultivated traditionally. The quantities and values of minor export crops have increased many times over by the year 1992 which resulted in naming the Department of Minor Export Crops as the Department of Export Agricultural Crops by the Parliamentary Act, No. 46 of 1992 for the development of the sector with a strong Government intervention.

Planning and implementing the research and development process necessary for a quantitative and qualitative promotion of export agri - crops and eco secure manner with the prime motive of the increased foreign exchange earnings and the sustainable economic and social development of all stakeholders involved in the sector of export agri- crops is the mission of the Department of Export Agriculture which is the navigator of this sector and the said institution should perform the following functions as per the provisions cited in the Parliamentary Act, No.46 of 1992 on Promotion of Export Agriculture.

- Organizing and promotion of cultivation and processing of EACs
- Undertaking multidisciplinary research on crop improvement, crop husbandry, crop protection, post-harvest handling and socio economics
- Production and supply of quality planting material

- Implementation of EAC assistant schemes on crop production, productivity improvement and quality improvement
- Providing crop protection advisory services
- Promotion of Integrated Pest Management
- Promotion of Integrated Plant Nutrient Management
- Promotion of Organic Farming
- Dissemination of information on marketing, quality standards and prices etc.
- Control of importation of EAC products and planting materials etc.
- Training of personals involved in EAC production, processing and trading
- Providing advisory services for the promotion of EACs in estate sector
- Strengthening of the linkages among public and private organizations involved with EACs
- Executive authority vested under the Export Agriculture Act No. 46 of 1992
- Contributing towards EACs related policy matters in other governmental organizations
- Maintenance of technological demonstrations

At present, 15 agri-crops subjected to research and development by the Department of Export Agriculture have been introduced as export agricultural crops and they include crop categories such as cinnamon, pepper, cardamom, clove, nutmeg, coffee, cocoa, vanilla, betel, citronella, lemon grass, ginger, turmeric, garcinia and arecanut.

Provision received and expenditure incurred for assisting the farmers for the promotion of recurrent, capital and export crops by the Department of Export Agriculture during the period from the year 2017 to the year 2021 were as follows.

Item	Year									
	2017		2018		2019		2020		2021	
	Provision	Expenditure	Provision	Expenditure	Provision	Expenditure	Provision	Expenditure	Provision	Expenditure
Recurrent Expenditure	604.12	604.13	615.66	621.42	677.66	621.42	739.6	702.9	745	710.9
Capital Expenditure	674.2	402.52	555.5	488.19	666	407.85	635.2	562.67	741	398.4
Assistance to farmers for promotion of export crops	600	345.62	500	440.43	600	356.34	600	529.16	700	360.6

In addition to the Department of Export Agriculture, the Department of Agriculture, Export Development Board, Industrial Technology Institute, Sri Lanka Council for Agriculture Research Policy, Hector Kobbekaduwa Agrarian Research and Training Institute, Department of Commerce, Department of Import and Export Control, Ministry of Industries, Industrial Development Board and the Sri Lanka Standards Institute can be indicated as the institutions which are directly and indirectly involved in the production, export and promotion of export agricultural crops and Orders and Acts passed for the establishment of the said institutions as well have been vested with authority to perform the relevant functions.

Accordingly, the institutional role performed for the improvement of this sector is highly significant and this performance audit was carried out under this topic considering the ability of earning foreign currency through this sector at the maximum level possible due to the foreign currency crisis currently faced by Sri Lanka.

Therefore, the evaluation of the role performed over a long period by the Department of Export Agriculture including other Government institutions for the production, export and promotion of export agricultural crops, is intended by this audit.

## 2.2 Basis for selecting the topic for the Performance Audit

The following matters were based for selecting this topic.

- (a) An adequate improvement has not taken place in the contribution towards export of agricultural crops out of total agricultural products.

- (b) The present unsatisfactory level of production and export of certain crops despite production and export of crops identified as export agricultural crops over a long period
- (c) Import of a considerable volume incurring a high expenditure in relation to export earnings despite exporting certain agricultural crops
- (d) Lack of considerable increase in the extent of cultivated lands according to data of the Department of Export Agriculture
- (e) Frequent media reports on farmers' failure in getting due price
- (f) Present shortages in the local market relating to certain export agricultural crops required for consumption
- (g) Reporting of controversial matters relating to re-export and inflow of foreign currency
- (h) Ability of earning foreign currency through promotion of export agricultural crops as a solution for the present shortage in foreign currency in Sri Lanka

Arrangements are being made to import a large volume of certain export agricultural crops in a background where the considerable increase in the earnings therefrom have failed despite the export of agricultural crops over a long period. The extent of lands utilized for production of certain crops is on the decrease at present while frequent issues such as farmers facing difficulties as a reasonable price is not received for products of local farmers due to low price levels in the foreign market for local products as a result of drop in quality of certain products in the re-export of agricultural crops, are reported. This topic was selected for a performance audit as it is apparent that an immense contribution could be made towards the Sri Lankan economy through improving the export agricultural crops sector by minimizing inefficiencies and increasing productivity through solution of such issues existing in the minor crops export sector.

## 2.3 Audit Objective and Criteria

### 2.3.1 Audit Objective

Evaluation of the role of Government institutions working basically towards production and promotion of export agricultural crops considering the importance of socio-economic contribution through generation of self-employment specifically due to the production and export of agricultural crops being a traditional section as well as the local life style and food habits being based on those crops and moreover, the importance of certain products included in the said products as inputs.

### 2.3.2 Audit Sub-objectives and Criteria

Audit observations have been based on the following sub-objectives in achieving the above audit objective.

<u>Sub-objectives</u>	<u>Audit Criteria</u>
(a) Evaluation of the institutional background and timeliness of existing policies, Acts and guidelines	(i) Sections 3(1),10,15,16 and 19 of the Promotion of Export Agricultural Act, No.46 of 1992 (ii)Sections 10(1) and 12 of the Sri Lanka Export Development Act, No.40 of 1979 (iii)Section 10 of the Sri Lanka Council for Agriculture Research Policy Act, No.47 of 1987 (iv) Planned targets
(b) Evaluation of the coordination among institutions relating to export agricultural crops	(i)Coordination methodology and functions assigned to related institution indicated in the Action Plan relating to Spices and Concentrates Strategies included in the National Export Strategy – 2018-2022 (ii) Planned targets
(c) Evaluation of research conducted on promotion of export agricultural crop production	(i) Section 9 of the Promotion of Export Agricultural Act, No.46 of 1992 (ii)Section 10 of the Sri Lanka Council for Agriculture Research Policy Act, No.47 of 1987

- (iii) Objectives of establishment of the National Science Foundation by the Science and Technology Development Act, No.11 of 1994
  - (iv) Research priorities 2017-2021 of the national committee report on agricultural biotechnology declared by the Sri Lanka Council for Agricultural Research Policy
  - (v) Planned targets
  - (vi) Partiality on success of research.
- (d) Evaluation on the progress of export agricultural crop production
- (i) Section 5 of the Promotion of Export Agricultural Act, No.46 of 1992
  - (ii) Circulars issued for providing cultivation subsidy of the Department of Export Agriculture
  - (iii) Guidelines of the Advisory Service Section of the Department of Export Agriculture
  - (iv) Circulars on training labourers/cultivators relating to crop cultivation
  - (v) Section 7 of the Seed Act, No.22 of 2003
  - (vi) Planned targets
  - (vii) Inclination towards private plant nurseries
  - (viii) Standards for maintaining plant nurseries
  - (ix) Expected cost for plant production
- (e) Evaluation on the progress of export of agricultural crops
- (i) Sections 10 and 15 of the Promotion of Export Agricultural Act, No.46 of 1992
  - (ii) Section 12 of the Sri Lanka Export Development Act, No.40 of 1979
  - (iii) Orders issued in terms of the Import and Export (Control) Act, No.01 of 1969
  - (iv) Planned targets

- (f) Evaluation on the local/foreign market for export agricultural crops
- (i) Section 12 of the Sri Lanka Export Development Act, No.40 of 1979
  - (ii) The socio-economic situation of the spice industry of Sri Lanka and the Sinhala Research Report on issues currently faced by that industry and potentials
  - (iii) Objectives of establishing the Spices and Allied Products Marketing Board under Sub-section 1 of Section 2 of the State Agricultural Corporations Act, No.11 of 1972
  - (iv) Planned targets

#### **2.4 Methodology of Audit**

In this audit, the following methodologies were adhered to.

- (a) Holding discussions with the top management of Government institutions working on export agricultural crops and officers deployed in the Agricultural Sector, obtaining information through questionnaires and analyzing them
- (b) Checking on the adherence to Orders and Acts, guidelines and circulars, letters of instructions etc. related to export of agricultural products
- (c) Obtaining data on export and import of minor export crops from the Department of Export Agriculture, Sri Lanka Customs and the Department of Census and Statistics and comparing the accuracy of that data with each institution
- (d) Holding discussions with institutions conducting research relating to export agricultural products, calling information, studying reports of researches conducted so far relating to those institutions and checking their practical use
- (e) Checking the position of providing cultivation subsidies of the Department of Export Agriculture



- (f) Holding discussions and obtaining information by meeting the private sector engaged in the export agricultural sector (Farmers, exporters, local sales agents etc.)
- (g) Studying and analyzing information on the local market for traditional agri-crops such as cinnamon, pepper, cardamom, clove, nutmeg, coffee, cocoa, vanilla, betel, citronella, lemongrass, ginger, turmeric, garcinia and arecanut presently introduced as minor export crops by the Department of Export Agriculture and subjected to research and development by that institution
- (h) Studying the foreign market trends relating to minor export crops
- (i) Physical inspection of research and training institutions and sales centres etc.
- (j) Application of debatable newspaper/magazine articles, information in web sites, views obtained from related parties on export agricultural sector as required in audit.

## **2.5 Scope of Audit and Limitation of Scope**

### **2.5.1 Scope of Audit**

In this audit, specific attention is focused on 15 agri-crops such as cinnamon, pepper, cardamom, clove, nutmeg, coffee, cocoa, vanilla, betel, citronella, lemongrass, ginger, turmeric, garcinia and arecanut introduced as minor export crops by the Department of Export Agriculture and subjected to research and development by that institution. In addition to the Department of Export Agriculture, according to authority and functions vested in institutions such as the Department of Agriculture, Export Development Board, Industrial Technology Institute, Sri Lanka Council for Agriculture Research Policy, Hector Kobbekaduwa Agrarian Research and Training Institute, Department of Commerce, Department of Import and Export Control, Ministry of Industries, Industrial Development Board and Spices and Allied Products Marketing Board, the role performed towards promotion of export agricultural crops and the progress of implementing National Export Strategy of Sri Lanka-Spices and Concentrates Strategy 2018-2022 were subjected to evaluation in this audit.

### **2.5.2 Limitations in the Scope of Audit**

Methodologies such as obtaining details of the progress of programmes implemented at regional office level through questionnaires, physical inspection of selected export agricultural crops, plant nurseries and institutions which produce value added products, obtaining research reports and details of the progress of related activities of institutions which cultivate export agricultural crops through questionnaires and obtaining information of private organizations on export agricultural crops, were carried out by the Department of Export Agriculture while production information of private institutions and farmer organizations were obtained at minimum level. However, information on the total exports and imports were obtained. Even though enquiries have been made from certain private institutions, some institutions have not responded to Audit in that connection. Furthermore, as this audit was carried out during the period of Covid-19 pandemic and the fuel crisis, certain institutions could not be approached physically and information was obtained through correspondence.

### **2.6 Authority for Audit**

This performance audit was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka and Sections 3(1)(d), 5(2) and 12(h) of the National Audit Act, No. 19 of 2018.

### **03. Detailed Audit Findings**

#### **3.1 Institutional Background and Basic Plans**

##### **3.1.1 Necessity of a National Policy on Export Agriculture**

Most of the export agricultural crops are perennial crops and it is necessary to implement according to a cultivation plan once a long term arrangement is made for production and promotion. The ministries under which the Department of Export Agriculture functioned, had changed in 6 instances during the period from the year 2010 to the year 2022 and the sectors for which priority was given by those ministries as well had changed. Accordingly, programmes such as “Api Wawamu – Rata Nagamu” programme, Organic Fertilizer Promotion Programme, Divineguma Home Gardening Programme, Dhana Saviya Home Gardening Programme, Mushroom Cultivation Programme, Pineapple Cultivation Programme, providing equipment for beekeeping, Turmeric and Ginger Plants Distribution Programmes, Export Agriculture Zones Programme had been implemented on short term. Decisions taken on cultivation, production and export of agricultural crops had not been implemented policy wise for a long period. Re-export, banning import of export agri-crops, permitting import of banned crops within a short period etc. had been subjected to change in several instances during the past decade. Fifteen export agricultural crops have been identified and they are being promoted at present. Even though crops with export potential have been identified, no formal long term procedure was available for the promotion thereof. As cinnamon is presently spread over a large extent of lands in a limited area of the island including the Southern Province and the District of Ratnapura, the extent of lands which could be utilized for further cultivation in those areas is strictly limited. Thus, it is essential to increase the productivity of lands. Nevertheless, there are abundant lands which have not been utilized for any permanent cultivation and the cinnamon crop could be spread successfully over areas with water supply in the Districts of Polonnaruwa, Anuradhapura, Vavuniya, Ampara and Monaragala. However, the necessity of a national policy was prominent due to failure in making noticeable investments.

### **3.1.2 Contribution of the Department of Export Agriculture towards Policy Making**

It was observed that the Department of Export Agriculture had implemented provisions cited in the Promotion of Export Agriculture Act, No.46 of 1992 and involved as a party in the preparation of plans of programmes which should be implemented on a national level. Among the strategies so prepared, the institution had contributed towards the preparation of National Export Strategy of Sri Lanka-Spices and Concentrates Strategy 2018-2022 and the Analysis of Cinnamon, Pepper and Cardamom value chains etc. in Sri Lanka. However, it was observed that adequate contribution had not been made by the Department of Export Agriculture towards implementation of strategies and recommendations such as registration of parties connected to the export agri-crop value chain, direction of producers and exporters for purchase of contractually produced sales for the Geographical Indicator, issuing certificates on Good Agricultural Practices (GAP) and Good Manufacturing Practices (GMP), popularizing new varieties and technological methods among farmers.

### **3.1.3 Promotion of Export Agriculture Act, No.46 of 1992**

#### **3.1.3.1 Execution of Powers of the Act**

By the year 2022, it has been nearly 30 years since the Promotion of Export Agriculture Act, No.46 of 1992 was passed. The following observations are made on the execution of powers vested in terms of the following Sections included in this Act.

- (a) Even though Orders should be prepared relating to following matters in terms of Section 15, published in the Gazette and sought Parliamentary approval, it was observed that action had not been taken accordingly.
- Prescribing the form of contracts to be entered into with growers of notified agricultural crops, for the growing of such crops
  - Providing for extension services for growers of notified agricultural crops
  - Providing for schemes for the grant of subsidies and other assistance, financial or otherwise, to persons who cultivate and process notified agricultural crops

- Providing for schemes for the training of persons in the cultivation, processing and marketing of notified agricultural crops and for the dissemination of information relating to the cultivation, processing and marketing of such crops
  - Prescribing the standards of quality to which notified agricultural crops shall conform
  - Providing for any matter which is required to be prescribed under this Act, or in respect of which regulations are authorized to be made under this Act
- (b) In terms of section 10 of the Act, it is cited that, for the purpose of enabling the Department of Export Agriculture to discharge its research and development functions, there shall be charged, levied and paid, a cess called the Export Agriculture Cess in respect of every notified agricultural crop, in such manner and of such amount, as may be determined by the Minister by Order published in the Gazette made with the concurrence of the Minister in charge of the subject of Finance. However, necessary measures had not been taken to raise funds for research and development activities by levying such a cess.

### **3.1.3.2 Amendment of the Promotion of Export Agriculture Act, No.46 of 1992**

- (a) The Promotion of Export Agriculture (Amendment) Act has been drafted with 20 Sections including weaknesses in the Promotion of Export Agriculture Act, No.46 of 1992 such as the impracticality of definition on export agricultural crops, function of the post of Director General despite mention of a Director, failure in naming the Director General of Export Agriculture as an authorized officer for handling of seeds and planting material under the Seed Act, non-indication of functions with clarity and extensiveness. Nevertheless, future measures had not been taken relating to the legal amendment of the Act. It was further observed that the Act comprised of the following Sections necessary for promotion of export agricultural crops.
- The goal is delegation of authority to the Director General of Export Agriculture for taking measures considered appropriate for export agriculture.

- Acting as an authorized officer of the Seed Act, No.22 of 2003
  - Acting as an officer of the Plant Protection Act, No.35 of 1999
  - Acting as an officer of the Soil Conservation Act, No.25 of 1951
  - That the permission of the Director General is necessary for allotment of lands with an extent of more than 2 Hectares on which export agricultural crops have been cultivated and for the lands to be utilized for any other purpose
  - Imposition of another tax in place of cess included in Act, No.46 of 1992
  - Establishment of Societies for Export Agricultural Crop Products
  - Means a large volume of the annual production of crops which are exported or export potential
- (b) It is apparent that provisions for gradual increase in the contribution towards the National Product from spices and allied products and fulfilling the requirements of future development and research activities of the said sector are not included in Act, No.46 of 1992. As such, it was observed that approval was granted for instructing the Legal Draftsman to draft Articles for necessary amendments at the Cabinet meeting held on 28 October 2009 for the Memorandum submitted by the then Director of Agricultural Development and Agrarian Services on 29 September 2009 to amend the said Act in the year 2009 and that even though the drafts including amendments were submitted to the Legal Draftsman's Department and obtained their concurrence, taking measures relating thereto as a result of change in ministries from time to time, has delayed.
- (c) The Cabinet Memorandum No.03/2017 along with 07 proposals had been submitted for making amendments to the Promotion of Export Agriculture Act, No.46 of 1992 subsequent to vesting of the Department of Export Agriculture in the Ministry of Primary Industries from September 2015. Furthermore, once the observations of the President and observations of the Minister of Finance and Media were taken into consideration on 28 October for the Cabinet Paper of 20 July 2017, a committee had

been appointed to make a recommendation within a period of 03 weeks with the participation of 5 ministers to consider the matters in the Cabinet Memorandum.

Information on submission of relevant recommendations to the cabinet and future measures taken in regard to the amendment of the Act was not made available to Audit and moreover, future measures relating to the amendment of the Act, had not been taken even by 02 September 2022, the date of audit.

#### **3.1.4 Spices and Concentrates Strategy included in the National Export Strategy of Sri Lanka –introduced for the period 2018-2022**

Preparation and implementation of the National Export Strategies (NES) for five years (2018-2022) with the financial support of the European Union and the technical assistance of the ITC Institute by the Export Development Board in collaboration with the Ministry of Development Strategies and International Trade, had been commenced in July 2018. Herein, these strategies have been prepared for 06 focus sectors such as information technology, tourism, spices and concentrates, boat building, processed food and beverages and electrical and electronic components and 04 trade assistance functions such as trade information and promotion, national level infrastructure facilities, supply services and innovations and entrepreneurship. The following matters had been identified as serious issues confronted by the representatives of public and private sector industries for value addition and enhancement for market development for maintaining the spices sector in the Spices and Concentrates Strategy from among the said strategies.

- Limited stocks of planting material which give a high yield, using less related techniques effects slow productivity and less use of improved categories;
- Unavailability of quality packaging and labeling;
- Inadequacy of trained and untrained labour generated from limited training opportunities;
- Inadequacy of function of standards and codes of conduct at production and process level. Limited relations between public and private sectors;
- Weak dissemination of trade information, limited publicity and unsatisfactory promotion of trade names in the spice market;

- Limitation of contract cultivation methods among the producers, processors and exporters;
- Limited facilities in storing the harvest, increased number of post-harvest damages; and use of minimum technology and machinery

From among these, the following observations are made on the Spices and Concentrates Strategy.

- (a) According to the Spices and Concentrates Strategy, it had been projected that the export of spices will increase at the global spice market at an annual rate of 5 per cent and by the year 2020, it will increase up to US\$ 10 billion and that there will be an annual growth of 7 per cent in the Asia-Pacific Region alone. Moreover, the market opportunities prevailing in this sector, had been identified and new international market entries had been planned. An example in this regard had been indicated from India, where the market was US\$ 950 million for cosmetics alone pointing out an annual increase of 15 per cent to 20 per cent.

According to the export targets of the Export Development Board, the export earnings from spices and essential oils had been estimated at US\$ 727 million and US\$ 800 million in the years 2020 and 2021 respectively. Nevertheless, it was observed that export earnings were US\$ 335 million and US\$ 456 million in the years 2020 and 2021 respectively. It stands at only 46 per cent and 57 per cent of the expected earnings. As such, it was observed that the main objective expected to be achieved, could not be achieved by formulating these strategies.

- (b) According to the Action Plan for 2018 – 2022 included in this Strategy, the following observations are made on the activities which should be carried out by the Export Development Board.

- (i) The Advisory Committee on Spices and Allied Products comprising 21 members has been established for a period of three years by the Gazette Extraordinary No.2059/36 of 21 February 2018. Twenty meetings of the said Council had been held from the year 2018 up to the first quarter of the year 2021. Therein, functions such as re-establishment of Sri Lanka Standards for spices, obtaining the Geographical Indication for cinnamon, promotion of the



**Pure Ceylon Cinnamon Logo**, establishment of standards required for the Geographical Indication and the trade mark for spices, preparation and introduction of Good Agricultural and Manufacturing Practices, allocating provision to the Department of Export Agriculture to establish a proper nursery method with advanced technology for spices and taking follow up action on the said programmes have been discussed and implemented. A sum of Rs.372,000 had been spent for holding these meetings.

- (ii) Conducting training programmes for exporters is another function assigned to the Export Development Board by this strategy. A training programme has been conducted to enter the European market in the year 2019 targeting small scale exporters. Only 02 training programmes had been conducted online to enter the Japanese, Russian and Australian markets and the European market in the year 2020 targeting small and medium scale exporters and new exporters. Such training programmes had not been conducted for the years 2021 and 2022.
- (iii) According to this strategy, it had been planned to issue 02 market reports each annually on the Spices Sector during the period from the year 2019 to the year 2022. Only 02 reports had been issued in the year 2019 on the markets of the United States of America and Canada.
- (iv) According to the strategy, it has been mentioned that the trade name, “**Ceylon Spices**”, has been registered in the National Intellectual Property Office in the year 2019 for 05 spice categories. Even though it was observed in audit that certificate of registration thereof had not been obtained as yet, a sum of Rs.08 million had been spent for introducing the trade name, “**Ceylon Spices**” at the **ANUGA** Trade Exhibition held in Germany.
- (v) Moreover, the **Pure Ceylon Cinnamon Logo** had been obtained for cinnamon. A workshop on briefing the importance of this logo had been conducted in the year 2019 by spending a sum of Rs.113,000. Subsequently, it had been briefed thereon at the workshop conducted online in the year 2020 on the Japanese, Russian and Australian market entries.

- (vi) As mentioned in the strategy, no measures had been taken so far to create **Tag line, image, brochure and website** for these brands.
- (vii) According to the strategy, it has been indicated that a report should be prepared including the performance of trade names. Nevertheless, only details on sale of brands and providing them to exporters in the years 2020 and 2021 had been made available to Audit.
- (c) Increase of export earnings through the expansion of Sri Lankan spices worldwide, is a function assigned to the Export Development Board under this strategy. The following activities had been carried out therefor.

<b>Activity</b>	<b>Period</b>	<b>Benefits</b>	<b>Cost (Rs.Millions)</b>
B2B Programmes for Promotion of Value added Spices- Japan	2018	Promotion of export of Sri Lankan cinnamon to Japan. Ability of commencing export of essential oils and related products.	1.9
Supply Side West Trade Exhibition-United States of America	2019	Meeting buyers for earning export income of approximately US\$ 10 million.	9.9
Anuga Trade Exhibition - Germany	2019	Meeting buyers for earning export income of approximately US\$ 05 million.	10

### **3.1.6 Action Plans of the Export Development Board for the years 2020 and 2021**

The following observations are made according to information made available to Audit on the progress of Action Plans of the Export Development Board for spices and concentrates for the years 2020 and 2021

- (a) Four market researches had been planned in the year 2020 for Japan, Commonwealth countries, Korea and Azerbaijan. Nevertheless, the completion of the said market reports had failed.

- (b) In the year 2020, two B2B programmes had been organized through the online system to facilitate sample advertising for countries such as Japan and Australia. Through this, it was expected to increase non-traditional exports by 5 percent and develop market opportunities. However, only 05 companies had been involved in these programmes.
- (c) In 2020, a workshop had been held for the officials of the Export Development Board on organizing trade fairs in the EU region to support companies to participate in trade promotion programmes and study tours in Europe in collaboration with IPD for the capacity development of the officials. It is a good trend to conduct pre-fair workshops for exporters participating in trade promotion programmes in the European market, after the participation of the officers in that workshop.
- (d) It had been planned in the year 2020 to get SLS quality certification for herbal beauty products and Ayurvedic products. Even though an expert committee had been formed for this purpose together with the Sri Lanka Standards Institute (SLSI) and the Department of Ayurveda, that standard had not been formulated and finalized even by 08 June 2022.
- (e) Programmes had been planned within the action plan for the year 2020 to coordinate the exporters and producers for the diversification of exports associated with spices and medicinal plants. Two such programmes had been organized and only 25 exporters and 35 manufacturers had participated in those programmes.
- (f) It had been planned in the action plan 2020 to develop Sri Lanka Standard for medicinal cosmetic products to shift towards the value added manufacturing industry and implement clinical pathways. Accordingly, the Export Development Board had identified the programme of developing the Ayurveda and beauty product sectors as an export goods production sector from the year 2019 and had appointed an Advisory Committee in 2021. The need of establishing clinically validated standards had been recognized in the

very first meeting of the Advisory Committee. The audit has been informed that discussions were being held with the University of Kelaniya and University of Colombo for that purpose. Although it had been informed that the work for establishing standards for that purpose, establishing laboratories in the country and carrying out certification in the country had been carried out, the work had not been completed even by 08 June 2022.

- (g) It had been planned in the year 2020 to enter into new markets through facilitating the Ayurveda sector to overcome market entry barriers (non-tariff) to introduce new products to the market in order to shift towards value-added manufacturing industry and to increase exports. The following observations are made in this regard.
  - (i) It had been identified that there had been no formal registration with the Department of Ayurveda in the introduction of Ayurvedic products to the export market. The Export Development Board had informed the audit that they had been taking action to discuss with the Department of Ayurveda in that relation and to formalize the registration. Moreover, non-availability of standards for Ayurvedic products had also been identified as an obstacle for this. It had been mentioned that coordination with SLS and Ayurveda department would be done for that.
  - (ii) Non-finalization of SLS standard had been identified as one of the obstacles in introducing herbal products to the export market. It was mentioned that coordination with the SLS institute would be done for that and arrangements would be made to finalize the standard.

### **3.2 Research for the Promotion of Export Agricultural Crops**

Problems in every field, such as production of planting materials for export agricultural crops, cultivation of crops and increasing the yields, improvement of post-harvest technology, production of value-added products, packaging, marketing, etc. should be identified and research should be carried out after allocating provision

according to the priority. It has been stated in the Promotion of Export Agriculture Act that the Department of Export Agriculture should be considered as a national research institute. The main research institute owned by the institute is the Matale Research Station and researches are carried out by covering various fields under 07 Research Divisions namely, Agronomy, Genetics and Plant Breeding, Post-harvest Technology, Plant Pathology, Physiology and Plant Production, Entomology and Soil Science. In addition to this, sub-research institutes have been established in areas such as Kurunegala, Narammala, Walpita in Gampaha, Palolpitiya in Matara. Among these, Palolpitiya National Cinnamon Research Institute is unique and it is the only existing research institute on cinnamon. The details about the crop, the period of research and expected results etc. related to the researches expected to be carried out by all the Research Divisions of the Institute had been included in the annual plan of the Department. Research priorities are identified by the National Research Committees established within the Sri Lanka Council for Agricultural Research Policy. Three (03) main research institutes, namely Sri Lanka Council for Agricultural Research Policy, Department of Export Agriculture and National Science Foundation had conducted 157 researches in the approximate 15 years and Rs. 109.8 million had been spent on that.

The following observations are made on the research conducted by various research institutes in relation to export agricultural crops.

### **3.2.1 The need for a National Research Institute**

The following matters were observed in this regard.

- (a) It has been stated that the Department of Export Agriculture has been designated as a National Agricultural Research Institution in terms of Section 9 of the Promotion of Export Agriculture Act No. 46 of 1992. Although several research institutions including Matale Central Research Station consisting of 7 research divisions had been established within the Department of Export Agriculture, it was observed that there had been no enough physical facilities required for considering it as a National Agricultural Research Institution.

(b) It was observed that lack of recognized laboratory facilities for quality assurance, lack of technical equipment to share technical knowledge about value added products, provision of sufficient knowledge and practical training to manufacture value added products and to forward such products to a formal market had been in a weak level were the reasons for exporting a higher percentage as raw materials, although there is the possibility of forwarding export agricultural crops as value added products to the foreign market.

(b) There are a large number of people engaged in small-scale business activities related to export agricultural crop cultivation and production in Matale and Kandy areas, where the Central Research Station of Matale is located, and a government institution or a private institution has not been established in those areas to obtain certificates of quality for forwarding their products to the local and foreign markets formally. It is observed that laboratory facilities are essential as it is not possible for small scale businessmen to incur large amounts and time to come to Colombo with samples to confirm the quality and for quickly carrying out the necessary chemical tests to meet the requirements of the Research Divisions and for quickly identifying the diseases associated with the crops of the stakeholders, testing the soil samples and recommending the necessary fertilizer mixtures, production of crop-related value added products and providing internationally recognized quality control certificates (GAP, GMP, ISO, HACCP and organic certificates). Furthermore, the institute has the ability to earn income by issuing quality certificates for the products by expanding the research facilities owned by the research institute, and it was observed that opportunities would be created to increase income, develop income generation channels and to increase employment opportunities for people and business organizations engaged in the related activities by expanding the market opportunities.

(d) A project proposal of Rs. 277.75 million had been submitted in the year 2015 for the construction of a laboratory with the necessary physical facilities to overcome the shortcomings of these research laboratories and the approval had not been granted for the proposal although it had been presented with budget estimates for approval in 5 consecutive occasions within 5 years up to the year 2020. Although proposals have been submitted with estimates amounting to Rs. 522 million for the period of 2021 to 2023, the national research requirement had not been fulfilled even by present.

### **3.2.2 Sri Lanka Council for Agricultural Research Policy**

Sri Lanka Council for Agricultural Research Policy serves as an organization in an advisory capacity to fund research projects / programmes and to promote scientific research linkages both in national and international priority areas. The institute helps in improving agricultural research through documentation, promoting and facilitating research.

Sri Lanka Council for Agricultural Research Policy has established 6 research committees covering various fields and 13 research priorities have been identified through them. Among these research priorities, export agricultural crops fall under the National Research Priority on Agricultural Biotechnology.

Four (04) research priorities had been identified according to the Report on National Research Priorities within Agricultural Biotechnology for the years 2017-2021 published by the National Committee on Agricultural Biotechnology of the Sri Lanka Council for Agricultural Research Policy. They are,

- i. Molecular characterization of important export agricultural crops.
- ii. Pest and disease diagnosis of cinnamon using molecular techniques.
- iii. Molecular evaluation of germplasm and Geographical Indicator fixing in black pepper and coffee
- iv. Development of biotic and abiotic tolerant varieties of pepper and Arabica coffee using reverse genetics – approaches

The Department had conducted 24 researches during the period of 2011 to 2021 as per the research proposals submitted by the Department of Export Agriculture to the National Committee on Agricultural Biotechnology of the Council for Agricultural Research Policy and had spent Rs. 45.5 million for that purpose. Detailed information is shown in Annexure No. 01. The relevant observations are as follows.

- (a) Ten (10) research proposals submitted by the Department of Export Agriculture had been submitted to the National Committee on Agricultural Biotechnology of the Council for Agricultural Research Policy during the period of 2017 to 2021. Although the amount spent for this research was Rs. 21.6545 million, it was observed that out of those researches, the researches belonging to the priorities identified by the Committee had not been carried out. Accordingly, it was observed that the research activities had not been carried out according to the priorities although the research priorities had been identified,
- (b) According to the information obtained by Sri Lanka Council for Agricultural Research Policy, the Department of Export Agriculture had not submitted research proposals according to research priorities in the years 2020 and 2021, and although 7 research proposals had been submitted for the year 2022, those researches had not been implemented as allocations had not been made to the Department of Export Agriculture under the NARP programme.
- (c) Although Sri Lanka Council for Agricultural Research Policy had provided an allocation of Rs.1,030,000 for a research with a time frame of 3 years on the growth and harvest of cardamom cultivation in Knuckles area under the International Multi-Sector Research Scheme, it was not possible to achieve the desired targets by the year 2022 due to non-receipt of money within the stipulated period and due to transportation problems.



- (d) Although an expenditure of Rs. 4.625 million had been incurred during the period of 3 years from 2019 to 2021 for the research on the effect of traditional shelter belt on growth, yield and leaf quality of betel, it was observed that provision of information on the effect of shelter on betel cultivation to the farmers and interested parties would be further delayed as the final report had not been issued.
- (e) Multi-faceted project to improve the pepper crop, which had been initiated in the year 2011 by the Genetics and Plant Breeding Research Division of the Matale Research Station of the Department of Agriculture to determine the suitable areas to cultivate the 3 varieties of KWW10, KWW12, UD 21, stated by Sri Lanka Council for Agricultural Research Policy as new pepper varieties that have a high demand in foreign markets, had been completed in the year 2018 and an expenditure of Rs. 2,400,000 had been incurred for that. Although it had been concluded by the research that the varieties such as KWW-10 and KWW-12 had been suitable for the areas of Matale, Nillamba and Middeniya, it had not been possible to recommend these varieties for cultivation and to provide the varieties to the farmers although more than 04 years had passed after the completion of the research.

### **3.2.3 Research conducted by the National Science Foundation**

The National Science Foundation has been established by the Science and Technology Improvement Act No. 11 of 1994 and it is expected to accomplish the following objectives through the institution.

- Involving scientists and technologists in decision-making for promoting the use of science and technology as a necessary element in the effort of achieving rapid economic development and improved living conditions and eradication of poverty and formulation of policies.
- Fostering all aspects of scientific and technological activities with a view to enhancing self-confidence in scientific and technological potential and ensuring that a fair proportion of the gross national product is allocated to science and technological activities.

- The institute functions to achieve the objectives of assisting in the development of local technology whenever possible while promoting the import, adoption and assimilation of technology for rapid development of industries, agriculture and services.

A sum of Rs.7,773,082 had been incurred for 17 researches on 10 export agricultural crops by various institutes such as the Department of Export Agriculture, Universities of Colombo, Sri Jayawardenepura, and Ruhuna and Post Graduate Institute of Agriculture during the period of 46 years from the year 1975 to 2021 on the financial support of the National Science Foundation. Money had not been spent on research of export agricultural crops during the 11-year period from 2008 to 2019. A sum of Rs. 4,766,410 had been spent in 2020/2021 for 2 researches on ginger and turmeric due to the suspension of importing turmeric and considering the popularization of organic fertilizers for export crops as a priority. Although the highest number of researches had been conducted in relation to the cinnamon crop, it was observed that the overall number of researches conducted in relation to export agricultural crops is in a minimum level and the practical application of the research results is in a minimum level. Detailed information is shown in Annexure No. 02.

#### **3.2.4 Research conducted by the Department of Export Agriculture**

According to Section 9 of the Promotion of Export Agriculture Act No. 46 of 1992, the Director is responsible for conducting research activities on export agricultural crops and providing training on the same and it has been mentioned that the Department of Export Agriculture is designated as a national research institute. Accordingly, a great responsibility for research related to export agricultural crops is assigned to the institute and research is conducted for that purpose by covering various fields under 7 Research Divisions of Matale main Research Station. A research institute had been established for intercropping and betel at Narammala in Kurunegala and a tissue culture and plant propagation centre had been established at Walpita in Gampaha, the National Cinnamon Research Institute had been established at Palolpitiya in Matara and sub-research institutes had been established at Kundasale, Nillambe and Medarata of Kandy. The relevant details are as follows.

- (a) During the period of 14 years from the year 2008 to 2021, all the Research Divisions of the Department had requested an allocation of Rs.55,682,448 for 116 researches and an allocation of Rs.56,598,331 had been received for those researches and research cost amounting to Rs.21,633,496 had been incurred by 31 December 2021. During this period, 56 researches had been completed and it was observed that 60 more researches had been carried out. Information on this is mentioned in Annexure 03.
- (b) Even though the Department of Export Agriculture had requested allocation amounting to Rs.16,721,750 for 7 research proposals submitted to Sri Lanka Council for Agricultural Research Policy during the period from 2016 to 2020, allocations that could be separately identifiable had not been received for conducting those researches. Although allocation for this research had been included within the limited allocation received to the entire Department, the audit received information that it had been not possible to purchase the necessary equipment due to not receiving adequate allocation for research, adverse effect on the quality of the research results due to reasons such as the inability to conduct field research properly, and it had not been possible to complete the research within the stipulated time. Four (4) researches related to pepper cultivation, 2 researches related to Garcinia and one research related to cocoa had been carried out among the above researches.

### **3.2.5 Research conducted by Matale Central Research Station**

Matale Central Research Station consists of 7 research divisions namely Agronomy Division, Genetics and Plant Breeding Division, Post-harvest Technology Division, Plant Pathology Division, Physiology and Plant Production Division, Entomology Division and Soil Science Division and those research divisions had started 119 researches and had finalized 58 and had been carrying out 61 more researches during the period of 2006 to 2021. The details of the research activities are given in Annexure No. 04. The following observations are made in this regard.

- (a) Provision amounting to Rs. 7,746,546 had been requested for 07 researches related to arecanut, ginger, nutmeg, pepper, started by the Agronomy Division during the period from 2017 to 2021, and information about the expenditure

incurred for the said researches had not been submitted to audit. Five (05) researches, out of these researches, had been for determining the size of the seed suitable for cultivation, determination of the time and the appropriate water supply in connection with the cultivation of arecanut and ginger and the research on arecanut has been implemented even by 2023.

A declaration on ginger cultivation and preparation had been issued in the year 2015 and the suitable harvesting time to obtain seeds for planting ginger seeds had been mentioned in that declaration. Although it had been mentioned that a research paper would be presented through this research in relation to the suitable harvesting time to get seeds for planting ginger seeds and recommendations would be issued to the stakeholders, it was observed that these researches had not been the researches that had been identified by Sri Lanka Council for Agricultural Research Policy as researches that should be prioritized in relation to export agricultural crops.

- (b) The number of researches initiated by the Genetics and Plant Breeding Division during the period from 2008 to 2020 had been 20 and even though provision amounting to Rs.24,121,991 had been requested for that, information on the amount of provision received and the expenditure incurred had not been submitted to audit. Nine (09) researches related to pepper, 04 researches on coffee cultivation, 04 researches on cardamom and 18 researches on cocoa had been finalized and 02 researches had been conducted.

It was observed that most of these researches as a whole, had been related to the determination of suitable areas for the related crop cultivation, establishment of mother plant gardens, obtaining geographical indicators, and it was observed that a research on the identification of pepper varieties suitable for dry region environmental conditions had been among those researches. It was observed in the field tests that there had been no enough attention on communicating these research results to the farmers, directing the farmers to cultivate new varieties, maintaining the mother plants in the nurseries, and managing the plantations to get the maximum yield.

- (c) The post-harvest technology division had spent Rs. 5,080,000 for 23 researches during the period from 2016 to 2020 and 22 researches, out of these researches, had been finalized by the year 2021 and only one research had been conducted. The details of these researches are as follows.

Crop	No. of Researches	Provision	Provision Received	Expenditure
		Rs.	Rs.	Rs.
Ginger	02	600,000	525,000	525,000
Garcinia	03	700,000	550,000	550,000
Pepper	04	1,145,000	950,000	950,000
Turmeric	04	1,056,000	730,000	730,000
Cinnamon	04	1,200,000	1,000,000	1,000,000
Coffee	01	300,000	250,000	250,000
Cocoa	01	30,000	25,000	25,000
Nutmeg	03	700,000	550,000	550,000
Cloves	01	300,000	250,000	250,000
<b>Total</b>	<b>23</b>	<b>6,331,000</b>	<b>5,080,000</b>	<b>5,080,000</b>

The following observations are made in this regard.

- (i) A sum of Rs. 730,000 had been incurred for 04 researches on comparison of chemical properties of imported turmeric and domestically produced turmeric samples and analysis of oxidants etc. It was observed that there had been no long-term programme to encourage the cultivation of local turmeric and its related products although it had been confirmed by all those researches that the quality of locally produced turmeric is higher.
- (ii) During this period, 04 researches had been conducted on pepper and constituents related to pepper seeds and their physio-chemical analysis, determination of oil, oleoresin and piperine content of peppers obtained from different parts of Sri Lanka etc. had been tested through those researches. It was observed that there had been no methodology for the provision of the knowledge obtained from this research to pepper-related producers and related industries and for the practical use of that knowledge although a sum of Rs. 950,000 had been spent for these researches.

- (iii) A sum of Rs.1,000,000 had been spent for 04 researches for testing the percentage of oil contained in cinnamon and the development of sugar-free cinnamon biscuits and evaluation of its quality characteristics. Out of those researches, although almost 3 years have passed since the introduction of sugar-free cinnamon biscuits in the year 2019, it was observed that these products had not been available in the market as there had been no proper system for conducting training programmes to produce those biscuits and for providing technical knowledge to the manufacturers practically to produce the relevant products and for encouraging the manufacturers to produce it.

Although research had been conducted on the introduction, preservation, analysis of chemical compounds etc. of value-added products related to crops such as garcinia, ginger, nutmeg, etc. in addition to the above products, it was observed through non-payment of subsidies for value-added manufacturing industries compared to the other forms of subsidies during the period from 2018 to 2021 that there had been no methodology for encouraging the practical use of the technical knowledge obtained from these researches and a subsidy programme to start industries related to that.

- (d) Plant Pathology Division had requested provision amounting to Rs.8,594,240 for 13 researches during the period of 2016 to 2022 and the information regarding the receipt of the provision and the expenditure incurred had not been submitted to audit. Five (05) researches, out of these researches, had been conducted on diseases related to pepper cultivation and 2 researches had been conducted on root diseases of nutmeg plants.

- (i) Although the results obtained from a research conducted on the removal of harmful microorganisms during the pepper production process had been used to formulate “Good Manufacturing Practices (GMP) of Pepper”, it was observed that only one producer had directed to obtain GMP certification

according to the information obtained from 17 Regional Offices on producers, who had obtained GMP certification. Thus, it was observed that the utilization of research results in the production process was at a very low level.

- (ii) Although quick leaf wilt disease of pepper, which had been identified before the year 2016, had been reported in epidemic form in many parts of the island after the year 2018, it was observed that the disease could not be controlled even at present in the Wellawaya Project Officer's Division in Monaragala district even though reporting of the disease in epidemic form has been controlled at present according to the research results.
  - (iii) An expenditure of Rs.8,791,311 had been spent within 6 years up to the year 2021 for the research activities on the control of nutmeg leaf rot disease, which had been identified in the year 2016, and it was observed that the disease had been reported from place to place even though the disease had not been spread in epidemic form at present.
  - (iv) Twig, stem and branch die-back disease of *Gliricidia*, which is used as a support in pepper cultivation, had been identified in the year 2020 and it was observed that the researches on this were in the initial stage.
- (e) Plant Physiology and Plant Production Division had conducted 47 researches during the period of 2016 to 2021 and the requested allocation for that purpose had been Rs. 6,667,900. Nevertheless, the information on the provision received and the expenditure incurred had not been submitted to audit. Among these researches, 13 researches had been conducted on nutmeg plant production and 14 researches had been on pepper cultivation and plant production and 10 researches had been on clove cultivation and plant

production. It was observed that researches of the same nature had been repeated during this period and the focus on the production of tissue culture plants had been in a minimal level. It is also observed through the strategic plan prepared for the period of 2018 - 2022, that there had been a need to introduce new technology for the nursery growers for the production of plants with modern technology in a situation where there is a shortage in recognized seedling nurseries.

- (f) The Entomology Division had conducted 08 researches during the period of 2006 to 2021 and allocation amounting to Rs.6,009,909 had been requested for that purpose and the information about the allocation received and the expenditure incurred had not been submitted to audit. The research areas such as the damage by the coffee bean weevil and the damage by the ginger rhizome fly and the damage by thrips had been covered by these researches.
- (g) Matale Central Research Station of the Department of Export Agriculture had introduced 20 varieties related to 04 crops namely pepper, cardamom, coffee and cocoa during the period prior to the year 2010. Moreover, 03 varieties of pepper and 03 varieties of coffee and 03 varieties of arecanut had been introduced during the period of 06 years from 2010 to 2016. A new variety called “Raveli Yasas Sri” had been introduced for cardamom during the period of 05 years from 2017 to 2021, and new varieties had not been introduced for the other crops.
- (h) Although the yield per hectare of the pepper varieties called “Dingirala”, “Kohukumbure Rala” and “Butewe Rala” introduced during the period from 2011 to 2016 had been stated as 2,200, 2,300 and 2,700 kg respectively, it was observed according to the information obtained from the farmers that the yield obtained from pepper cultivation at present was as low as 850 kg. It is observed that the farmers do not have enough understanding to identify and cultivate these varieties and on the methods to increase the yield.



- (i) Although 06 varieties of cocoa had been introduced before the year 2010, new varieties of cocoa had not been introduced for the period after the year 2010 until the year 2022. Although it had been mentioned that the yields of the varieties that had been introduced had been in the range of 7150-5150 kg per hectare, problematic situation in the direction of these varieties for cultivation and obtaining the expected yield was observed by the decrease in cocoa exports up to 3,914 kg in 2021, compared with cocoa exports of 26,710 kg in the year 2016.
- (j) Although 06 new varieties of cardamom had been introduced before the year 2010, new varieties had not been introduced during the period from 2010 to 2021 and it was mentioned that in the year 2022 the variety named “Ranveli Yasas Sri” had been introduced. The yield of varieties introduced for areas less than 900 metres above mean sea level was in the range of 220-270 kg per hectare, while the yield of varieties introduced for areas above 900 metres was in the range of 240-470 kg. The export of cardamom had decreased from 839,167 kg to 2,609 kg during the period from 2017 to 2021, although it had been indicated that the yields of these varieties were higher.
- (k) Although the approved cadre in Matale Central Research Station as at 31 December 2021 had been 149, it was observed that 52 vacancies had remained as the actual number had been 106 including 9 development officers, which had exceeded the approved cadre.
- (k) The Department of Export Agriculture has recommended both types of chemical fertilizers and artificial fertilizers for export agricultural crops and the information provided about the amount of fertilizer required per acre for 4 crops and the expenditure to be incurred are as follows.

Type of Chemical Fertilizer	Hypothetical Current Price of One-Kilogram as at 26/02/2023 Rs.	Expenditure for the recommended quantity per plant according to the crop Rs.			
		Pepper	Cardamom	Cloves	Nutmeg
Urea	430.00	92.62	55.90	146.59	146.59
Eppawala	31.00	8.35	4.03	10.56	10.56
Rock Phosphate					
MOP	440.00	71.08	26.40	225.00	225.00
Caesarite	280.00	15.08	8.40	15.90	15.90
Total cost for chemical fertilizers (per plant)		187.12	94.73	398.06	398.06
Organic Fertilizer	90.00	1080.00	720.00	1800.00	1800.00

According to the above information, it is observed that the cost of organic fertilizers according to SLS standards is relatively high, compared to the cost of chemical fertilizers and the amount of organic fertilizers to be applied is high. In such a situation, it was observed that the income of the farmers as well as the export income of the country can be increased by preparing a methodology to sustainably sell through a contractual system to enable the farmers, inclined towards organic cultivation getting a higher price for their products considering the demand for organic products and the hygiene of food.

### 3.2.6 Research conducted by the National Cinnamon Research and Training Centre

The National Cinnamon Research and Training Centre is the only research centre on Cinnamon in Sri Lanka and it consists of Agronomy Division, Soil Science Division, Plant Conservation Division, Post-harvest Technology Division and Training Division. An expenditure of Rs.17,969,524 had been incurred during the period from 2015 to 2021 for the other recurrent expenditure other than the payment of salaries of this institution and an expenditure of Rs.50,000,000 had been incurred for obtaining laboratory equipment in the year 2016. The major functions performed by the institution are mentioned below.

- Introduction of good agronomical practices and introduction of high-quality planting materials, prevention of soil erosion, introduction of alternative nursery potting mixes.

- Establishment of a nutrient management system for cinnamon cultivation using low cost organic and inorganic fertilizers for cinnamon cultivation.
- Conduct of researches on major pests, diseases and weeds affecting cinnamon cultivation, their biology, yield reduction and management.
- Increasing the yield of cinnamon bark oil, cinnamon processing, sanitation, increasing the shelf life, introduction of cinnamon related value-added products.

The following matters were observed during the audit test check carried out in relation to the performance of the relevant tasks.

- (a) A cost of Rs.1,600,000 had been incurred in the year 2009 to introduce two varieties of cinnamon named “Sri Gamunu” and “Sri Vijaya” for increasing the productivity and quality of cinnamon cultivation. Although there are quality characteristics such as high yield and high percentage of oil contained in leaves and bark compared to the other cinnamon varieties, it was observed that private nursery growers are reluctant to produce cinnamon seedlings of these varieties due to weaknesses, such as the success rate of planting using cuttings when propagating this variety is 65-70 percent when compared to obtaining plants from cinnamon seeds, taking a long time (6-8 months) to obtain plants using cuttings, the need to pay special attention to maintain mother beds, the relatively low probability in the establishment of the respective plants in the field compared to seed plants, etc.
- (b) Plants related to these two plant varieties had been issued to farmers and other requesting institutions since the year 2010, and a total of 19,098 plants belonging to Sri Gamunu variety and 4,200 plants related to the Sri Vijaya variety had been released by the time of the audit on 28 June 2022. Although more than 10 years have passed since the introduction of these plant varieties, it was observed that the intended objectives of introducing new varieties have not been achieved as the planting of these varieties had been limited to the research centre only, and the planting of these varieties had not been done in government or private plant nurseries.

- (c) Although it has been mentioned that Sri Vijaya and Sri Gamunu cinnamon varieties have high quality characteristics, sufficient measures have not been taken to propagate those varieties by making planting materials abundantly available, issuing planting materials to private and government plant nurseries, and educating farmers.
- (d) Although the National Cinnamon Research Centre had conducted a lot of research in relation to planting, pest control, soil conservation and post-harvest techniques, there is a weakness in providing the results of these researches to the farmers, processors, and producers at the grassroots level. It was observed that the use of research results to increase the productivity and quality of cinnamon cultivation is in a weak level as the farmers, processors, and producers are carrying out their cultivation and production activities by following traditional methods rather than using modern research knowledge.
- (e) The Agronomy Division of the National Cinnamon Research Centre had introduced a new potting mix for the nursery of cinnamon seeds in the year 2021 and research data had shown that this can be used as an alternative potting mix to the recommended potting mix of the Department of Export Agriculture. It was observed during the field audit examination that the potting mix with subsoil, karadahaiya and T65 fertilizers found by this research had not been used by the respective private plant nursery growers as it was a problem for them to find the ingredients in the potting mix that had been introduced by the Department of Export Agriculture.

Even though the Director of the National Cinnamon Research Centre had submitted and recommended on 19 April 2022 four (04) alternative pot mixes identified by researches during the past period to the Director General (Research) of the Department of Export Agriculture, action had not been taken to implement these recommendations even by the time of the audit.

- (f) Although it had been confirmed through researches that cinnamon seeds can be stored for 04-05 months with a proper examination by the Agronomy and Crop Improvement Division of the National Cinnamon Research Centre after incurring a cost of Rs.90,000 during the period of 2014/2015, formal procedure had not been followed regarding the storage of seeds in the registered plant nurseries of the Department of Export Agriculture, which had been examined by the audit.
- (g) It has been identified by a research conducted in the year 2012-2013 that planting of ginger and turmeric as intercrops in cinnamon plantations would not have a negative impact on cinnamon yield. However, necessary measures had not been taken to motivate and educate the farmers to promote the cultivation of ginger and turmeric in cinnamon cultivation.

### **3.3 Fulfilment of the Seed Requirement**

#### **3.3.1 Production of Seeds and Planting Materials**

In terms of the Seed Act No. 22 of 2003, the Department of Agriculture and the Seed Certification Service are responsible for the production of seeds and planting materials. Since seeds and planting materials of all crops are covered according to the Act, producers, importers, distributors, packers, store keepers and dealers of seeds and planting materials of export agricultural crops should be registered under the Seed Certification Service to obtain legal authority to engage in such activities. Observations in this regard are as follows.

- (a) Although the responsibility of seed certification has been assigned to the Seed Certification Service according to the Act No. 22 of 2003, the Seed Certification Service does not have the necessary technical knowledge on the export agricultural crops, and it was observed that the Seed Certification Service carries out the functions, such as regulating the quality of seeds and planting materials after obtaining the necessary technical knowledge from the Department of Export Agriculture and fulfilling the registration requirement according to the Seed Act.

- (b) It was observed that the reasons, such as lack of interest of the seed suppliers for registration even though they were instructed to register, the Department of Agriculture took a long time to register nursery growers even though they had made requests for registration under the Seed Act, had a direct impact on the targeted plant production of the Department of Export Agriculture.
- (c) The Department of Export Agriculture had prepared standards for agricultural crops and given them to the Seed Certification Service and arrangements had not been made to publish those standards even though almost 20 years had passed since the Seed Act No. 22 of 2003 had been passed.
- (d) According to the information obtained from 19 regional offices of the Seed Certification Service, 1393 users of export agricultural crops had been registered under the Seed Act No. 22 of 2003 during the year 2021. However, according to the information obtained from 17 regional offices of the Department of Export Agriculture, it was observed that the number of nurseries registered with the Department of Export Agriculture in the year 2021 had been 631 and the number of nurseries that were not registered with the Department of Export Agriculture had been 55 percent. Accordingly, it was observed that the regulation related to maintaining the quality of plants had not been done adequately as plants are produced in most of the plant nurseries without the supervision of the Department of Export Agriculture.
- (e) The details on inspections of premises carried out by 18 Regional Seed Certification Offices, which handle seeds and planting materials as per the powers conferred by the Seed Act, during the period of 6 years from 2016 to 2021 are as follows.

<b>Year</b>	<b>No. of Premises Examined</b>
2016	67
2017	99
2018	219
2019	305
2020	292
2021	368

The following observations are made in this regard.

- (i) During the year 2021, 1393 persons and institutions using seeds and planting materials had been registered and the number of premises inspected by the officers of the Seed Certification Service, compared to the number of registered institutions, had been 368, and it had been 26 percent of the number of registered institutions.
- (ii) Although it had been stated that the Department of Export Agriculture had prepared the standards of export agricultural crops and provided them to the seed certification service, it was observed that taking legal action against the institutions and individuals, handling seeds and planting materials and not complying with the standards had been hindered due to not publishing such standards legally.
- (iv) It had been mentioned that the nurseries that produce and sell seeds and planting materials of export agricultural crops are certified by a Committee consisting of the Assistant Director, District Extension Officer and Divisional Extension Officer of the Regional Offices of the Department of Export Agriculture, and it had been mentioned that staffs equipped with technical knowledge had been employed in that institution. Despite that situation, technical knowledge on export agricultural crops is obtained from the Department of Export Agriculture and certification is carried out again by the officers of the Seed Certification Service. It is observed that the necessary legal environment should be set to carry out the function accurately by one institution since carrying out this task by the staffs of the 02 institutions under the legal context established under the Seed Act No. 22 of 2003 has been observed as an inefficient situation.

### 3.3.1.1 Plant Production by the Plant Nurseries owned by the Department of Export Agriculture

The details of the production and distribution of seedlings of 15 export agricultural crops from the year 2018 to the year 2021 by the 11 plant nurseries owned by the Department of Export Agriculture are mentioned below.

Crop	2018	Percentage	2019	Percentage	2020	Percentage	2021	Percentage
Cinnamon	447,736	46	785,800	57	827,763	49.86	924,047	45.45
Pepper	402,767	41.4	381,873	27	476,447	28.69	262,129	12.89
Cardamom	2,531	0.26	393	0.03	4,392	0.26	8,401	0.41
Cloves	757	0.77	1,401	0.10	5,919	0.35	4,321	0.21
Nutmeg	8,427	0.86	11,608	0.84	20,735	1.25	17,549	0.86
Coffee	56,509	5.8	59,077	4.3	84,400	5	203,258	9.9
Cocoa	18,898	1.9	4,358	0.31	7,636		2,392	0.11
Vanilla	4	0.0004	1	7.3	-		52	0.002
Betel	1,899	0.19	1,624	0.11	1,197		311	0.015
Citrus	2,761	0.28	4,199	0.31	5,455		2,545	0.125
Lemongra	0		0		-		650	0.03
ss								
Ginger	0		0		-		12,000	0.59
Turmeric	0		0		62,500	3.76	504,080	24.79
Garcinia	1,871	0.02	2,465	0.18	5,570	0.34	2,033	0.1
Areca nut	283,952.9	29	112,988	8.2	158,126	9.57	88,958	4.37
Total	972,605		1,365,787		1,660,140		2,032,726	

The following observations are made in this regard.

- (a) In the consideration of the total number of seedlings produced by the nurseries, the total number of seedlings produced in the year 2018 had been 972,605, and the total number of seedlings produced in the year 2021 had increased up to 2,032,726 by 109 percent.



- (b) The total number of cinnamon plants produced by 11 nurseries in the year 2018 had been 447,736 and the number of plants had increased to 924,047 in the year 2021. It was observed that the number of cinnamon plants distributed by the nurseries owned by the Department during the period has been in the range of 45 percent to 57 percent of the total number of plants.
- (c) Although the number of pepper plants produced and distributed by 11 nurseries during the year 2018 had been 402,767, the production of pepper plants had dropped to 262,129 by the year 2021. Accordingly, the production of pepper plants had decreased from 41 percent to 12 percent during that period.
- (d) The production of arecanuts in the year 2018 had been 283,953 and it had decreased to 88,958 by the year 2021. It was observed that the production of arecanut plants during that period had decreased from 29 percent to 4.37 percent.
- (e) The production of coffee plants, which had been 56,509 in the year 2018, had increased to 203,258 by the year 2021. It was observed that the increase in the production of coffee plants from 5 percent to 10 percent out of the total plant production in the 11 nurseries during the period from 2018 to 2021 is a good trend.
- (f) It was observed that the production and distribution of plants related to the 8 export agricultural crops, which can earn high income through exportation, namely cardamom, cloves, nutmeg, cocoa, vanilla, betel, citrus and lemongrass, produced by 11 plant nurseries belonging to the Department was in a minimum level and attention in relation to that was in a weak level.

It was observed in the analysis of data during the period from 2016 to 2020 that the unit export revenue of vanilla, coffee, cocoa and citrus crops was increasing. It is observed in such a situation that it is appropriate to direct the farmers to increase the production of the plants of the other crops, from which it is possible to get high export income and to promote the cultivation of such plants in addition to the 2 crops such as cinnamon and pepper.

### **3.3.1.2 Production of Seeds and Planting Materials in the Department of Agriculture**

Only 117,790 plants related to the 3 crops namely Garcinia, pepper and arecanuts, out of the 15 crops identified as export agricultural crops by the Department of Export Agriculture, had been produced by the Seeds and Planting Materials Centre of the Department of Agriculture during the period of 6 years from 2016 to 2021. The following matters are observed in relation to that.

- (a) According to the data of the Department of Agriculture, the number of Garcinia plants produced during the period from 2016 to 2021 had been 51,625 and the expenditure incurred for that had been Rs. 7,548,628 and the cost of production had increased from Rs.131 to Rs.165.
- (b) According to the information of the Seeds and Planting Materials Development Centre of the Department of Agriculture, the number of pepper plants produced during the period from 2016 to 2021 had been 60,017 and the total production cost incurred had been Rs.1,024,621.
- (c) According to the information of the Seeds and Planting Materials Centre of the Department of Agriculture, the total production of arecanut plants during the period from 2016 to 2021 had been 6,148 and the cost incurred for that had been Rs.1,620,040.

### **3.3.1.3 Maintenance of Plant Nurseries in the Department of Export Agriculture**

The following matters were observed in this regard.

- (a) There are 12 plant nurseries belonging to the Department of Export Agriculture in 8 districts and 10 of those 12 plant nurseries had been started during the period of 1972 to 1992. It was observed that the total land area of the 10 plant nurseries, which have been established for more than 30 years, had been about 51 acres and the unused land area for plant nurseries had been 5.7 acres. Various problems, which are discussed below, have arisen regarding the maintenance of these nurseries.

- (b) The extent of land belonging to the Sub-research Centre at Kundasale is 16 acres and the land area reserved for the maintenance of nurseries by the Centre is as small as 25 perches. Although plants belonging to 6 export agricultural crop varieties had been produced including pepper, cardamom, coffee, lemongrass, and Turmeric, the plant production remained minimum except for the production of pepper plants.
- (c) Even though the persons and institutions engaged in producing seeds and planting materials are required to register according to the Seed Act No.22 of 2003, five of these 12 nurseries belonging to the Department of Export Agriculture had not been registered.
- (d) It was observed that the Department of Export Agriculture did not possess the legal right for 16 acres 3 roods and 27.8 perches land area of 05 nurseries out of these 12 nurseries maintained.
- (e) Lack of adequate labourers had been an impediment to produce necessary plants in the nurseries to provide them on time to the growers for the cultivation season. Details of the vacancies in the relevant staff were as follows.

Name of the Nursery			No. of Vacancies	Period of Vacancy
Cerapice	Central	Plant Nursery	04	From 06 years
Central	Plant	Nursery, Mapalana	10	-

- (e) Although it is essential to obtain quality seeds required for the plant nurseries and to have storage facilities to store them without causing damage to their viability until germination, there were no adequate storage facilities in 07 out of 12 nurseries belonging to the Department of Export Development. As a result, those had to be stored in outside places including office rooms. Details appear below.

<b>Name of the Nursery</b>	<b>Storage Facilities</b>
Cerapice Central Plant Nursery	Insufficient
Central Plant Nursery, Mapalana	Storage facilities are not available.
Central Plant Nursery, Wennoruwa	Viability of seeds is destroyed by the insect menace due to the lack of a ceiling in the stores
Central Plant Nursery, Black Water	There are no storage facilities.
Central Plant Nursery, Matale	Available storage facilities are insufficient.
Tissu Culture Centre and Central Plant Nursery, Walpita.	There are no storage facilities.
Export Agri Crops Garden- Middeniya	There is no store with special facilities.

- (g) In obtaining pepper plants, it is of vital importance to select high- yielding varieties and maintain separate cultivation for that purpose. Although many nurseries maintain heaps of parent vines and top shoot parent gardens for that purpose, it was observed that there were many problems such as the inadequacy of those cultivations to meet the production targets given to the nurseries and the lack of transport facilities to get cuttings from outside cultivations. The plant nursery at Mapalana, and Central Plant Nursery at Wennoruwa can be set as examples for such nurseries.
- (h) In order to obtain the seeds and plants propagated in the plant nurseries in due standard, it is necessary to apply nutrition, chemical fertilizers, and pesticides in time. Nevertheless, the Serapice, Mapalana, Wennoruwa, and Polongolla Central Nurseries were observed as the nurseries that had not adopted the above method.
- (i) Although it is possible to produce quality plants by maintaining a proper and uninterrupted water supply and applying other environmental factors in a due amount in time, no complete water supply system had been installed for the Nillamba plant nursery.
- (j) Following the seeds and cuttings planted in the plant nurseries, Net Houses are required to secure necessary environmental factors safely until they are grown to obtain plants of due quality. Accordingly, the number of Net Houses required for 06 out of 12 plant nurseries of the Department is 66, whereas the

number of Net Houses that remained usable was 49. There were shortages of 2, 1, 3, 1, 4, and 6 Net Houses in the Serapice, Mapalana, Wennoruwa, Blackwater central plant nurseries and the Kundasale and Nillamba Sub-research centers respectively and there were some other Net Houses needing repairs due to decay. Accordingly, it was observed that the necessary Net House facilities were inadequate to meet the plant production targets.

- (k) Although there was only a power tiller or a tractor in 03 out of 12 plant nurseries of the Department of Export Agriculture, the power tiller owned by the Nillamba plant nursery was in a dilapidated state. It was conspicuous the necessity of having a suitable transport arrangement to ensure the safe and timely delivery of raw materials and planting materials required by the other nurseries.
- (l) Although the nurseries should have tools of high quality to carry out their plant production activities regularly and efficiently, it was observed that the tools including wheelbarrows, hoes, shovels, knives, spades, and forks used in nurseries were in a dilapidated state and this affected the efficiency of the plant production process. Further, shortages of the tools used for plant production were observed in the 12 plant nurseries.

### 3.3.2 Registration of Private Plant Nurseries and Purchase of Plants

#### (a) Registration of Private Plant Nurseries

The details on the registration of private nurseries by 15 regional offices within the period of 4 years from 2018 to 2021 and the number of plants purchased by the Department of Export Agriculture from those nurseries are as follows.

Year	Number of Private Plant Nurseries Registered	Number of Plants Purchased
2018	731	18,602,292
2019	639	20,239,074
2020	523	15,857,005
2021	631	31,350,774

- (i) It was observed according to the above information that 731 plant nurseries had been registered in the year 2018, whereas it had decreased to 631 by the year 2021 and a significant decrease in the registration of nurseries was also observed in Polonnaruwa, Matara, Monaragala and Mathale district. Details appear in Annexure 5.
- (ii) In relation to the plants produced by the nurseries of the Department of Export Agriculture, the number of plants purchased from private plant nurseries had significantly increased during the period of 4 years from 2018 to 2021 and 18,602,292 plants purchased from private nurseries in the year 2018 had increased up to 31,350,774 by 68.5 percent by the year 2021.

**(b) Purchase of plants from private plant nurseries**

It was observed that the Department of Export Agriculture had entered into agreements with private plant nursery owners to purchase 244,512,400 plants belonging to 11 export agricultural crop varieties during the period from 2018 to 2021. Nevertheless, 82,385,498 plants, or 33 percent of the agreed amount of plants were purchased at a cost of Rs. 1,353,976,358. Details appear below.

<b>Crop</b>	<b>Agreed amount of plants</b>	<b>Number of plants distributed among farmers</b>	<b>Number of farmers who were provided with the plants</b>	<b>Payment made for the purchase of plants</b>
Pepper	19,296,965	10,583,211	163,834	273,828,521
Cinnamon	210,350,825	63,142,868	58,674	939,050,195
Cardamom	12,100	2,850	4	171,000
Cocoa	390,720	220,905	781	3,042,170
Arecanut	7,025,145	3,339,475	26,866	40,281,729
Garcinia	8,490	1,986	168	116,334
Nutmeg	42,575	52,194	3,133	4,902,900
Clove	63,875	23,006	2,411	1,510,250
Turmeric	5,813,355	4,260,723	619,713	79,681,960
Coffee	1,334,850	674,107	5,850	9,446,558
Vanilla	173,500	84,173	1,215	1,944,740
<b>Total</b>	<b>244,512,400</b>	<b>82,385,498</b>	<b>882,649</b>	<b>1,353,976,358</b>

The following observations are made in this connection

- (i) Out of the expenditure of Rs. 1,353,976,358 incurred in the purchase of plants belonging to 11 crop varieties, a sum of Rs. 939,050,195 had been paid to private plant nurseries to purchase cinnamon plants and it was observed to be 69 percent of the total expenditure incurred for the purchase of plants.
- (ii) Of the expenditure amounting to Rs. 1,353,976,358 incurred for the purchase of plants from private nurseries to distribute among the farmers, a sum of Rs. 273,828,521 had been spent for the purchase of pepper plants and it was observed to be 20 percent of the total investment.
- (iii) Out of the amount paid to private plant nurseries to purchase plants during the period from 2018 to 2021, ninety-eight percent had been spent to purchase plants of 04 crops including cinnamon, pepper, Turmeric, and arecanut, and the amount spent for the purchase of plants of other 7 crop varieties capable of earning a high income including Cocoa, Nutmeg, coffee, and Clove was observed as only 02 percent.
- (iv) A total of 4,260,723 Turmeric plants were purchased from private nurseries and those plants were distributed among 619,713 farmers. Further, 10,583,211 pepper plants were distributed among 163,834, and 58,674 farmers were provided with 63,142,868 cinnamon plants. Although the total amount of plants thus purchased was distributed among 882,649 farmers, it was observed that 95 percent of those farmers were the farmers who were cultivating above 03 crop varieties. It was observed that the number of farmers who cultivate other export agricultural crops capable of earning high export income from this plant distribution programme was inadequate.
- (v) Although plants worth Rs. 1,508,323,143 were purchased from private plant nurseries for various plant distribution programmes implemented by the Department of Export Agriculture within the period from 2018 to 30 August 2022, it was observed that a sum of Rs. 277,468,761

remained payable to 614 suppliers in respect of plants worth Rs. 711,686,643 purchased in the year 2021 and up to 30 August 2022.

### 3.4 Promotion of Export Agricultural Crops

The Department of Export Development is implementing various programmes aiming at promoting export agricultural crops over a long period and in taking into account the 06 years period from 2016 to 2021, an expenditure of Rs. 1,835,359,852 was incurred on 15 promotional programmes. The expenditure incurred for each programme during the above period was as follows.

Programme	Year						Total (Rs.)
	2016 (Rs.)	2017 (Rs.)	2018 (Rs.)	2019 (Rs.)	2020 (Rs.)	2021 (Rs.)	
New cultivation programme	173,838,204	71,900,492	104,710,000	86,650,000	160,337,665	-	<b>597,436,361</b>
Productivity improvement programme	43,921,035	10,034,064	7,040,000	10,250,000	44,124,933	68,887,000	<b>184,257,032</b>
Dana Saviya home gardening programme	92,919,901	171,979,246	196,480,000	166,830,000	-	-	<b>628,209,147</b>
Post-harvest technology programme	16,297,520	6,487,062	9,810,000	14,070,000	28,009,500	-	<b>74,674,082</b>
Organic villages programme	1,921,875	5,489,255	15,850,000	5,920,000	3,641,090	3,877,000	<b>36,699,220</b>
Activation of inactive land permits programme	186,355	-	-	-	-	-	<b>186,355</b>
Areca nut cultivation promotional programme	-	724,905	3,640,000	9,840,000	10,839,790	14,382,000	<b>39,426,695</b>
Cocoa development programme	-	414,400	-	-	-	-	<b>414,400</b>
Micro water supply scheme programme	-	-	110,000	680,000	2,253,512	1,462,000	<b>4,505,512</b>
GAP and GAM certificate awarding programme	-	-	410,000	-	-	-	<b>410,000</b>
Small scale cultivation programme	-	-	-	-	36,721,370	60,031,000	<b>96,752,370</b>
Home gardening and export crops promotional programme	-	-	-	-	4,340,610	4,876,000	<b>9,216,610</b>
Cluster villages programme	-	-	-	-	726,790	5,447,000	<b>6,173,790</b>
Turmeric and ginger cultivation promotional programme	-	-	-	-	85,517,850	68,826,000	<b>154,343,850</b>
Programme for the prevention of damages from pests and animals	-	-	-	-	1,494,428	1,160,000	<b>2,654,428</b>
<b>Total</b>	<b>329,084,890</b>	<b>267,029,424</b>	<b>338,050,000</b>	<b>294,240,000</b>	<b>378,007,538</b>	<b>228,948,000</b>	<b>1,835,359,852</b>



Observations related to the programmes implemented over a long period from among these programmes are given below.

### **3.4.1 New Cultivation Programme**

With the objective of cultivating economically productive export agricultural crops, circular No. 3/2021/1 related to the Export Agriculture Crops New Cultivation Promotion Programme had been issued for providing technical instructions and investment assistance to the farmers and agricultural entrepreneurs. This new cultivation programme is implemented in four ways.

- Skilled Youth Agricultural Entrepreneurship Programme
- Economic New Cultivation Programme
- Innovative New Cultivation Programme
- Plant distribution programme for public institutions, state estates companies and plantation companies

This circular includes the matters such as taking measures to initiate cultivations capable of winning the certificate for Good Agricultural Practices (GAP), introducing other crops such as arecanut, coffee, turmeric, and ginger, which can be cultivated along with these new crops to gain optimum productivity of the land, educating the farmers to engage in cultivation not as an ordinary farmer but as an entrepreneur, and to maintain the cultivation as a business enterprise.

The Department of Export Agriculture had incurred subsidy expenses amounting to Rs. 411,728,665 for the new cultivation promotion programme within the period of 4 years from 2018 to 2021. Under the above-mentioned programme, 21,541 farmers were provided with 37,234,927 plants belonging to 08 crop varieties by 17 Divisional Secretariats. The detailed information appears in Annexure No.06.

The following observations are made in this connection.

- (a) Under this programme, 12,768 farmers were provided with 33,540,120 cinnamon plants, and 7,324 farmers were provided with 2,806,377 pepper plants during the period from 2018 to 2021. It was observed that 97.5 percent of the total plant distribution represented these two crops.

- (b) It was observed that the total number of plants distributed in the other 06 crop varieties including coffee, nutmeg, clove, and vanilla, which have high export demand and are capable of earning more foreign exchange, was 888,430 representing only 2.5 percent of the total distribution. It was accordingly observed that the direction of farmers towards those cultivations and the promotion of cultivations remained in a poor state.

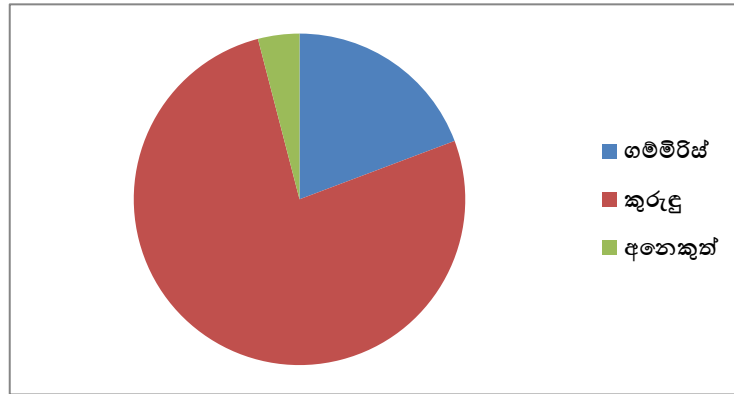
### 3.4.2 Export Agricultural Crops Small Scale Cultivation Promotion Programme

This programme has been implemented with the objective of producing necessary spices for domestic consumption within the home garden itself, creating small-scale economic cultivation within the home garden, cultivating export agricultural crops which are not cultivated on a large scale, as the cluster villages, and increasing the land productivity. Plants have been issued under 03 categories by this Export Agricultural Crops Small Scale Cultivation Promotion Programme. Small Scale Cultivation Promotion Programme.

- Small Scale cultivation promotion programme
- Home Gardening and Export Crops Promotion Programme
- Cluster Village Programme

The Departmental Circular No. 3/2021/( II) states that in the issuance of plants, it should be done by organizing in groups and giving a basic knowledge about the relevant crops whenever it is possible to do so. Under the Small Scale Cultivation Promotion Programme, 13,626,791 plants belonging to 15 export agricultural crops have been issued to 137,915 farmers during the period from 2018 to 2021. Details appear below.

<b>Crop</b>	<b>Number of Farmers</b>	<b>Number of Plants</b>
Pepper	82,731	2,626,078
Cinnamon	37,665	10,450,679
Arecanut	6,511	339,486
Garcinia	393	17,140
Nutmeg	4,222	17,292
Clove	1,756	6,763
Turmeric	39	2,095
Ginger	488	21,230
Coffee	2,509	98,143
Vanilla	1,601	47,885
<b>Total</b>	<b>137,915</b>	<b>13,626,791</b>



The following observations are made in this connection.

- (a) It was observed that the total distribution of cinnamon and pepper plants by the small-scale cultivation promotion programme was 76 percent and 19 percent respectively. Although more attention had been drawn to these two crops by this programme, it was observed that the concern regarding the promotion of other crops remained minimal.
- (b) The 17 regional offices of the Department of Export Agriculture had not produced plants belonging to 05 crop varieties including cardamom, citronella, cocoa, betel, and lemongrass, and distributed among farmers within the period from 2018 to 2021 under the small-scale cultivation promotion programme. Accordingly, it was observed that attention had not been focused on the promotion of those cultivations.
- (c) Even though a higher export income was earned in the foreign market for one kilogram of cardamom, citronella, and cocoa productions, it was observed that the production of those crops and the crop related productions were at a minimum level. Detailed information on the export income of those crops appears in Annexure No.07.
- d) Even though the unit export income of vanilla had increased from USD 118 to 222 during the period from 2016 to 2020, the export quantity had dropped from 1,553 kilograms to 624 kilograms. Since the number of plants distributed during the period of 4 years from 2018 to 2021 was 47,885, it was observed that adequate attention had not been drawn to the promotion of vanilla cultivation on a long-term basis.

- (d) When taking into account the import and export values of cloves during the period from 2016 to 2020, it was observed that more dollars were spent on importing one kilogram of cloves as compared with the income received from the export of one kilogram of cloves. Even though cultivation should be improved to increase domestic clove production under the above backdrop, the number of clove plants distributed by 17 regional offices was observed to be as low as 6,763 plants within the period from 2018 to 2021.
- (e) When considering the time frame from 2016 to 2020, more quantity of coffee requirement in Sri Lanka was imported and that quantity had increased from 94,739 kilograms to 104,878 kilograms. Despite the need for further promotion of coffee cultivation, only 03 out of 17 regional offices of the Department of Export Agriculture had distributed 98,143 plants. The failure of the other 14 regional offices to produce and distribute coffee plants was observed to be an impediment to the promotion of coffee cultivation.

### **3.4.3 Export Agricultural Crops Productivity Improvement Programme**

The main objective of this programme is to increase the national export agro crops production qualitatively and quantitatively through the improvement of the productivity of export agricultural crops. This programme, which is implemented under the Circular No. 3/2021/(V), was executed under 03 main sections (Improvement of productivity of the cultivation through good agronomic practices, the introduction of suitable water supply methods to cope with the climatic changes, the introduction of equipment or systems to prevent damages from pests and animals) and according to the information obtained from 17 regional offices situated throughout the island, plants worth Rs. 103,930,992 had been provided for 12,750 farmers during the period from 2018 to 2021. The following observations are made in this connection.

- (a) To improve the productivity in existing cultivations through adherence to good agronomic practices, gap-filling plants were provided for enhancing their productivity. Herein, recommendations were made to provide gap-filling plants when the age of the cultivation exceeds one year. Under this programme, 6,014,541 plants belonging to seven crops were provided to

12,509 farmers during the time frame from 2018 to 2021, and the value of the subsidies spent for the distribution of those plants was observed to be Rs. 90,950,016. Details appear below.

<b>Crop</b>	<b>Number of plants distributed</b>	<b>Number of farmers</b>	<b>Value of the subsidy (Rs.)</b>
Pepper	516,550	4,141	39,365,498
Cinnamon	5,467,282	7,909	45,814,934
Cardamom	1,100	4	250,500
Cocoa	5,135	236	3,406,390
Nutmeg	618	89	696,800
Clove	130	77	897,100
Coffee	23,726	53	518,794
<b>Total</b>	<b>6,014,541</b>	<b>12,509</b>	<b>90,950,016</b>

- (b) Subsidies worth Rs. 4,188,919 were provided to 66 farmers to install pipelines for pepper cultivation and subsidies worth Rs. 2,787,405 were provided to 18 farmers for cinnamon cultivation under the introduction of suitable water supply systems for adaptation of export agro crops to climate changes. In this initiative, it is a favourable trend to supply suitable water supply systems to create necessary climatic conditions for each agricultural crop under the recommendation of the project officer.
- (c) Subsidies valued at Rs. 6,004,652 were provided to 157 farmers under the programme for the provision of equipment and systems to prevent damages from pests and animals during the period from 2019 to 2021. Under this programme, the highest subsidy amounting to Rs. 4,813,494 was provided to 120 farmers to supply equipment and systems to prevent damage from pests and animals in association with cinnamon and pepper cultivations. Numerically, the number of beneficiaries was relatively low and the formal follow-up on the success of the farmers and the effectiveness of the programme was not satisfactory.

### 3.4.4 Other Plant Distribution Programmes

Plants worth Rs. 661,351,160 were distributed among 343,589 farmers under the three programmes- Danasaviya Home Garden Programme, Cluster Villages Programme, and Arecanut Cultivation Promotion Programme. The following observations are made in this connection.

- (a) Subsidies amounting to Rs. 628,209,147 were disbursed under the Danasaviya Home Garden Programme within the period of 04 years from 2016 to 2019 and the number of beneficiary farmers was 317,542. Details appear below.

Year	Value	Number of Farmers
	Rs.	
2016	92,919,901	53,152
2017	171,979,246	140,904
2018	196,480,000	123,486
2019	166,830,000	155,639
2020	0	0
Total	628,209,147	317,542

- (b) Under the Cluster Village Programme initiated in the year 2020, plants worth Rs. 726,790 were made available to 1100 farmers in the year 2020. Even though plants valued at Rs. 5,447,000 were provided in the year 2021, details on the number of farmers were not mentioned. Despite the matters set forth in the Departmental Circular No. 3/2021(ii) dated 01.03.2021, which stipulated that a streamlined plan should be developed from the issuance of plants up to the sale of the harvest to empower farmers and coordinate marketing affairs to achieve the expected benefits of this programme, no plants were distributed by this programme for the year 2022 until 30 September 2022.

(c) **Arecanut Cultivation Promotion Programme**

India is the main buyer of Sri Lanka's Arecanut crop, which is used in the manufacturing of Ayurvedic products, toothpaste, and furniture. The expansion of this crop has also aimed to ensure soil and water conservation. In a situation of growing Arecanut export income, 2,182,529 Arecanut saplings

were distributed among 24,947 under the Arecanut Cultivation Promotion Programme implemented from 2018 to 2021 and the value of those subsidies was observed to be Rs. 26,968,223. Even though certain contributions can be made to increase export income by providing saplings and expanding that crop, the formal follow-up process of their success was not satisfactory.

<b>Year</b>	<b>Number of plants distributed</b>	<b>Subsidy paid</b>	<b>Number of farmers provided with plants</b>
2018	215,139	2,626,923	2,564
2019	594,053	7,439,874	8,272
2020	632,937	7,965,971	5,512
2021	740,400	8,935,455	8,599
<b>Total</b>	<b>2,182,529</b>	<b>26,968,223</b>	<b>24,947</b>

As a whole, it was observed that despite the payment of a colossal amount of subsidies for various crop promotion programmes, the motorcycle allowance paid for traveling expenses was at a minimum of Rs.2 per kilometer. Therefore, field infections on the actions taken by the farmers and producers to achieve the desired objectives were minimal. Further, although some crop cultivations take several years to harvest, it was observed that the long-term supervision has been further weakened by registering the farmer only for one year according to the current circulars.

#### **3.4.5. Increase in the Export Argicultural Crops Cultivation Land Extent**

According to the information of the Department of Export Agriculture within the period from 2018 to 2021, the details of the actual extent of land used for the cultivation of 08 major export agricultural crops and the extent of lands to be newly added to the cultivation if the number of plants provided by 03 agricultural crops programmes (Small Scale Cultivation Promotion, Home Garden and Export Crop Promotion and New Cultivation Promotion Programme) were cultivated in a hectare of land according to the standard specification, were as follows.

Crop	Extent of Cultivation			Up to June 2021	Increase in the land extent	Cultivated hect. of land as per the no. of plants distributed by 3 programmes	The difference between the actual extent and the extent to be	Number of plants per hectare (Standard)
	2018	2019	2020					
Cinnamon	33,588	34,231	34,777	4,925	1,337	5,966	4,629	9,000
Pepper	40,245	41,030	41,327	41,374	1,129	5,481	4,352	1,700
Clove	7,958	7,977	7,981	7,981	23	130	107	250
Nutmeg	2,787	2,844	2,866	2,870	83	288	205	250
Cardamom	1,723	1,724	1,726	1,726	3	17	14	2,000
Coffee	4,542	4,573	4,598	4,604	62	306	244	3,000
Cocoa	1,804	1,827	1,855	1,860	56	200	144	1,100
Arecanut	12,702	12,752	12,997	12,997	295	595	300	1,100

The following observations are made in this connection.

- (a) The **33,588** hectares of land that remained under cinnamon cultivation in the year 2018 had increased up to 34,925 hectares by 1,337 hectares by 30 June 2021. Since **53,689,889** cinnamon plants were distributed by the above 03 programmes during this period, the extent of land that should be newly added to the cultivation is 5,966 hectares according to the standard number of plants per hectare. Nevertheless, the newly added land area was observed to be only 22 percent of the cultivable land area of those plants.
- (b) The land area under pepper cultivation stood at 40,245 hectares in the year 2018 and it had increased to 41,374 hectares by 1,129 hectares by 30 June 2021. According to the total number of 9,317,390 plants distributed by the 3 cultivation programmes during this period, the extent of land under the cultivation should have been 5,481 hectares. Nevertheless, a difference of **4,352** hectares was observed according to the actual extent of land under cultivation and the land area to be cultivated as per the number of plants provided.



- (c) The extent of lands newly added to the cultivation was observed to be less than 20 percent compared to the number of plants in three crop varieties: clove, cardamom, and coffee distributed among the farmers by the above 3 programmes during the period from 2018 to 2021. However, 28 percent increase in the land area was observed in association with nutmeg and cocoa cultivations in relation to the number of plants distributed.

### 3.4.6 Registration of Farmer Organizations for Organic Cultivations

There is a high demand for the harvest reaped by organic cultivation of export agricultural crops and high prices can be obtained therefor in the domestic market as well as in the foreign market. Due to this reason, subsidy programmes had been introduced to increase the number of farmers directing toward organic farming. In terms of Departmental Circular No. 3/2019/iv dated 25 June 2019 and the Departmental Circular No. 3/2021/ iv dated 01 March 2021, the number of farmer organizations, the number of farmers registered during the period from 2016 to 2020 by 17 Divisional Secretariats and the value of the amount of subsidies paid are as follows.

Year	No.of Farmer Organization	No.of farmers in the farmer organizations	No. of farmers not belonging to farmer organizations	Value of the subsidies paid
2017		1188		
2018	29		289	7,719,775
2019			229	4,730,023
2020	02		135	2,705,825
2021	03		98	1,428,000
<b>Total</b>	<b>34</b>		<b>751</b>	<b>16,583,623</b>

The following observations are made in this connection.

- (a) Even though 1,188 farmers in 29 registered farmer organizations had registered for organic cultivation of export agricultural crops in the years 2017,2018, and 2019, due to a decrease in the number of registered farmer organizations as 05 in the years 2020/2021, it was observed that the number of farmer organizations involved in the organic cultivation had considerably decreased.

- (b) Farmers are registered with the Department of Export Agriculture for organic cultivation at the organization level as well as in person. Accordingly, the number of farmers registered with the 17 regional offices of the Department was 289 in the year 2018 and it had gradually decreased to 229,135 and 98 respectively by the year 2021. It was observed that the above decrease was 66 percent in the year 2021 compared to the year 2018.
- (c) The value of the total payments made for the export agricultural crop cultivation from the year 2018 to 2021 was Rs. 16,583,623. With the gradual decrease in the number of farmers involved in organic cultivation, the value of subsidies paid for organic cultivation had decreased by 81 percent from Rs. 7,719,775 in 2018 to Rs. 1,428,000 in 2021.
- (d) Although the organic farmer organizations obtained internationally recognized Organic Certificate, it was observed according to the information obtained in the audit from the organic farmer organizations that they were unable to enter into purchasing agreements due to their inability to find buyers willing to offer a reasonable price for organic productions, and due to the buyers offering minimum prices for organic productions.
- (e) Although there were several organic farmer organizations involved in the cultivation of crops such as pepper, clove, and nutmeg, it was observed that they had not received opportunities to construct processing centres to produce value-added products and to acquire new technological know-how. Accordingly, the analysis of the data of those programmes showed a tendency for a gradual decrease in the progress of organic cultivation and the farmers involved in it. However, the attention given to finding out the reasons for the decline and taking remedial measures was inadequate.

#### **3.4.7 Maintaining Data and Information**

- (a) It is crucial to maintain data and information for the development of this field and the Department of Census and Statistics had last conducted a census on the number of farmers engaged in export agricultural crops in the year 2014. According to the census, the number of farmers who cultivated 11 crop varieties was 3,530,258. Details appear below.

<b>Crop</b>	<b>Number of Farmers</b>
Pepper	940,550
Coffee	455,063
Cinnamon	301,756
Cocoa	76,921
Cardamom	25,038
Clove	239,903
Nutmeg	84,672
Betel	420,284
Arecanut	965,616
Turmeric	8,264
Ginger	12,191
Total	3,530,258

- (b) Information regarding the number of farmers engaged in export agricultural crop cultivation by the year 2022 was not furnished to the Audit. Although the issue of the lack of a centralized data system regarding the farmers had been recognized in the National Export Strategy Plan on Species and Concentrates prepared for implementation during the period 2018-2022, delays had been caused in taking necessary measures for that purpose. Accordingly, it was observed that there was no possibility to obtain timely information on the number of farmers even by the year 2022.
- (c) The consumption requirement of these crops had not been recognized. Although data on the monthly per capita consumption of turmeric, pepper, garcinia, and coffee was included in the domestic income and expenditure census, 2016 of the Department of Census and Statistics, it did not include data on institutional consumption. Accordingly, it was observed that the annual consumption requirement of those crops as well could not be measured.

### **3.4.8 Value Addition of Export Agricultural Crops**

A higher percentage of yield received from the cultivation of export agricultural crops is exported and a very small percentage of the yield from domestically produced crops is used for local consumption. The harvest from the crops such as pepper, turmeric, ginger, garcinia, cinnamon, and cardamom is used either directly or with slight modifications as species. The productions such as coffee, cocoa, and vanilla are used for beverages or for the production of foods. Similarly, turmeric, ginger, pepper, nutmeg, garcinia, betel, and clove are used for local Ayurvedic productions.

The observations in this regard are as follows.

- (a) An analysis of export income and import expenditure of clove and nutmeg during the period from 2016 to 2020 shows that, although a higher percentage of locally produced export agricultural crops are exported, certain crops have been imported at high prices for local consumption compared to the export income.
  
- (b) It is observed that the recognition of the amount of local consumption by collecting data of the domestic export agricultural crop cultivators at least on the amount of local consumption when taking into account the total amount of export agricultural crops that are produced and consumed locally and the amount of exported agricultural crops that are imported and consumed is an essential matter for taking long-term policy decisions. The following observations are made on the production of value-added products, their sales, and the local market conditions.
  - (i) In terms of Activity No.1.2.2. of Sri Lanka Export Strategy Plan on Species and Concentrates 2018-2020 to be implemented during the period from 2018 to 2022, all the species stakeholders had been registered and targets were set to identify the cultivation areas by a map prepared based on the Geographic Information System (GIS). The Department of Export Development is the main institution that holds the responsibility in this regard. Although the Department of Export Development had bought 300 tab computers at a cost of Rs. 10,647,000 in 2019 and 2020 for registration of export agricultural crop production farms, processors, and sellers, and for performing relevant activities to obtain geographical coordinates, the number of farmers registered by 30 November 2022 was only 8,359. Accordingly, despite the lapse of more than 2 years from the purchase of equipment, the registration of relevant parties had not been carried out adequately. It observed that the registration of parties related to species is a timely need.

- (ii) Although institutions such as the Ministry of Plantation Industries, Spice Council, Spice Manufacturers' Association, Department of Agriculture, Department of Census and Statistics and the Survey Department were included in the institutional action plan as the parties assisting the Department of Export Agriculture to register all parties related to the spices value chain, it was observed that a programme to be implemented with those institutions to successfully carry out the relevant task had not been prepared and implemented.
- (c) The Department of Export Agriculture had introduced 17 value-added productions related to 6 agricultural crops during the period from 2016 to 2022. Details on those productions are given below.

<b>Year</b>	<b>Crop</b>	<b>Name of the Value Added Production Introduced</b>
2016	Cocoa	Cocoa wine, Vinegar
2016/2017	Ginger	Siddhi Ginger, Ginger jam
2018	Garcinia	Gracinia paste, Garcinia drink, Garcinia chutney, Garcinia jam, Garcinia powder
2019,2021,2022	Cinnamon	Sugar free cinnamon biscuit, Cinnamon flavored Nelli drink, Cinnamon flavoured chocolate, Repellent incense sticks produced using cinnamon oil extracted from cinnamon leaves.
2021	Pepper	Pypraine
2020/2021/2022	Turmeric	Turmeric paste, Curcumin, Nano circumin

Identification of new productions based on the research carried out on value-added productions in association with export agricultural crops is a positive trend. Due to the lack of proper methodology for educating people on these productions, providing practical training, and imparting technical knowledge to submit productions to the market, it was observed that submission of productions to the market was absolutely poor.

- (d) With the objective of improving the quality of the productions, and encouraging people on carrying out value-added products, this programme was implemented under 7 fields under the programme for the enhancement of quality of the export agricultural crops using appropriate technology for streamlining the post-harvest technology process, and subsidies worth Rs. 126,747,650 were provided to 1,069 farmers during the period from 2018 to 2021. Details appear in the following table.

<b>Code No.</b>	<b>Item</b>	<b>No.of Farmers</b>	<b>Value of the subsidy 2018-2021</b>
A	Provision of equipment/machinery for agronomical activities	564	7,813,291
B	Provision of equipment/machinery for processing harvest.	301	22,925,834
C	Establishment/maintenance of small/medium scale processing centers.	139	60,224,825
D	Establishment of centralized processing centers.	20	10,953,700
E	Construction/ renovation of volatile oil extraction plants.	45	24,830,000
F	Construction of stores facilities	0	0
G	Facilities for value-added production industries	0	0
	<b>Total</b>	<b>1,069</b>	<b>126,747,650</b>

The observations in this regard were as follows.

- (i) In a situation where Sri Lanka has been exporting agricultural crops as raw materials for a long period, there is a need to encourage investments that enhance the value-added products. However, it was observed that the subsidies provided for 1,069 individuals over a period of 4 years for 7 fields under the programme for enhancing the quality of the export agricultural crops using appropriate technology to streamline the post-harvest technology process amounted to Rs. 126,747,650. It was observed that the expenditure incurred for value-added products was at an extremely low level of 8 percent compared to the expenditure of Rs. 1,835,359,852 incurred for the subsidiary programmes to distribute export agriculture crop plants.
  - (ii) According to the information obtained from the regional offices of the Department of Export Agriculture, it was observed that subsidies had not been granted to the field such as the establishment of stores facilities according to the investment priorities to enhance the quality and value of the productions in carrying out exports related to export agricultural crops, and provision of facilities for the value-added production industries.
- (e) Industrial Technology Institute provides services including the introduction of value-added products related to export agricultural crops and the issuance of various certificates for institutions engaged in export activities. Accordingly, the observations on the institute's introduction of value-added products and issuance of reports for quality testing of the productions of the exporters, are as follows.
- (i) The Industrial Technology Institute had introduced value-added productions for 04 export agricultural crops during the period from 2018 to 2021. It was observed that an amount ranging from Rs.30,000 to 356,000 was charged based on the nature of the production in providing technology for the creation of value-added products.

<b>Crop</b>	<b>Name of the value added production</b>	<b>Year of Introduction</b>	<b>Charge levied</b>
Cinnamon	Spicy Source Technology	2018	
Ginger	Ginger dehydration and ginger powder	2020	30,000
	RTS Ginger drink	2019	60,000
	Ginger paste	2020	110,000
	Ginger shot		
	Ginger with corundum drink	2021	50,000
Betel	Betel powder	2021	40,000
Turmeric	Turmeric powder and paste	2021	175,000
Ginger	Ginger with Coriander drink	2021	50,000

- (f) By the Gazette dated 15 January 2021, the Spices and Allied Products Marketing Board was established under Sub-section 1 of Section 2 of the State Agricultural Corporation Act No.11 of 1972, and enhancement of quality of species and allied productions, standard certification as well as value addition, encouragement of productions, the introduction of new technology and establishment of a properly prepared mechanism to promote export-oriented market had been stated as its main business activities.

The following observations are made in this connection.

- (i) Although the establishment of 22 stalls in the year 2021 in which the Spices and Allied Products Marketing Board was established and in the year 2022 was a favourable trend, 16 out of these 22 stalls were established in the Ratnapura district. Four of the remaining stalls were established in the Colombo district and one stall each was established in Galle and Monaragala districts. Even though matters such as the availability of raw materials for production, store facilities, transport facilities, and market facilities should have been taken into account in the establishment of these stalls throughout the island, such matters had not been identified in this stalls project.
- (ii) It was observed that a minimum number of value-added productions related to the 15 crops identified by the Department of Export Agriculture were being sold in the stalls. Black pepper powder, cinnamon quills, cinnamon powder, turmeric, and ginger powder can be shown as those value-added productions.



- (iii) The institute had not carried out grading of spices, testing for quality and certification, and issuing standard certificates. It has been a short period since the establishment of the institute and there were no adequate facilities to test the raw materials purchased by the institute. It was observed that only sample tests were being done with the facilities available. Although it was reported to the Audit that the Industrial Technology Institute agreed to provide laboratories for tests that require laboratory facilities, it was observed that the scarcity of laboratories identified in the National Export Strategies 2018-2022 remained unchanged even by the year 2022.
- (iv) The quantity of sales and the value of 8 crops had significantly increased in 2022 compared to the year 2021 when the Spices and Allied Products Marketing Board was established, which is a favourable trend. It was observed that the domestic export agricultural crop cultivators had the opportunity to sell their products, while consumers had the opportunity to purchase quality products.

Export Crop	Agricultural	Quantity sold (Packets)		Sales value (Rs.)	
		2021	2022	2021	2022
Cinnamon		301	14,542	28,595	1,272,110
Pepper		614	44,278	98,240	8,849,020
Cardamom		222	9,441	26,640	1,129,080
Clove		99		7,425	
Nutmeg		5		900	
Coffee		41	448	6,080	80,640
Turmeric		3,566	77,195	713,200	7,721,950
Garcinia		311	12,981	24,880	11,001,160

- (f) The spices garden established in association with the Central Research Institute in Matale is useful for the growers, manufacturers including school children, local visitors, and foreign visitors who are interested in acquiring knowledge on this field and the opportunity provided by the information center to read and inquire about the information to gain knowledge were observed to be a favourable trend.

### 3.4.9 Use of Export Agricultural Crops for Ayurvedic Drugs Production

After consulting with the Secretary to the Ministry of Indigenous Medicine, the Director General of Customs had declared a list of goods that qualified for exemption from the customs duty on 20 April 2011. The following are the relevant observations.

- (a) The list of certified raw drugs included in Schedule No. 01 of that list of goods had included “Dehydrated ginger” which can be cultivated locally. It was observed that 1,468,000 kilograms of dehydrated ginger worth USD 3,380,102 had been imported with this duty concession during the period from 2017 to 2021. As mentioned by the Department of Ayurveda, the reasons for the import of these drugs were the inadequacy of the local supply to meet the demand for drugs in the market and the dissatisfaction with the quality of local raw materials. Details appear below.

<b>Year</b>	<b>Name of the drug</b>	<b>Quantity (Kg)</b>	<b>Value (USD)</b>
2017	Dehydrated ginger	394,850	836,969
2018	Dehydrated ginger	520,200	1,067,161
2019	Dehydrated ginger	381,200	934,893
2020	Dehydrated ginger	171,750	541,079
2021	Dehydrated ginger	0	0
Total		1,468,000	3,380,102

- (b) For the production of Ayurvedic medicines, Sri Lanka Ayurvedic Drug Corporation had locally purchased 09 export agricultural crops. The quantity of export agricultural crops purchased during the period from 2017 to 2021 and their value were as follows.

<b>Year</b>	<b>Quantity of Export Crop (Kg.)</b>	<b>Value Rs.</b>
2017	16,922	13,163,779
2018	18,856	12,965,331
2019	20,874	17,137,584
2020	30,286	32,065,827
2021	23,991	31,544,524

The following observations are made in this connection.

- (i) The quantity of export agricultural crops purchased locally for the production of Ayurvedic continuously increased from 16,922 Kg to 30,285 Kg of drugs during the period from 2017 to 2020. However, in 2021, the purchase of export agricultural crops had declined to 23,990 kilograms. It was observed that a drop in raw ginger purchases by nearly 12,000 compared to the year 2020 was the reason for this decline.
- (ii) As stated by the Sri Lanka Ayurvedic Drug Corporation, the estimated amount of 09 export agricultural crops was 34,280 kilograms for the year 2022.
- (iii) The quantity of export agricultural crops required by the Sri Lanka Ayurvedic Drug Corporation Board to produce Ayurvedic products has been continuously increasing, and the estimated requirement has increased by 42 percent in 2022 compared to 2021. Accordingly, it has been observed that there is a need to further improve the production activities currently carried out by the Sri Lanka Ayurvedic Drug Corporation and the Ayurveda Department in association with the herbal gardens and herbariums owned by the government. Furthermore, the requirement of cultivating high-quality crops with higher yields identified by the research conducted by the Export Industrial Department has not been achieved.
- (iv) It was observed that the price of one kilogram of raw turmeric purchased by the Sri Lanka Ayurvedic Drug Corporation was Rs.544 and Rs.418 in 2020 and 2021 respectively. The farmers who cultivated turmeric in the years 2021 and 2022 were unable to sell their crops and had to sell them at very low prices. Encouraging the farmers by setting up a system for that purpose was not at a significant level.

### 3.5 Conducting Training for the Sector

The Department of Export Agriculture organizes training programmes to introduce new technology for cultivating, harvesting, and processing export agricultural crops, and those programmes are conducted in three forms. The in-service training center is located at Allawala in Matale and it has training facilities as well as accommodation facilities. It has been noted that training programmes in this institute are conducted for farming groups, community-based organizations, nongovernmental organizations, and entrepreneur groups, other government/semi I government institutions that are interested in the cultivation, processing, and marketing of the crops such as cinnamon, pepper, cocoa, and coffee.

#### 3.5.1 Conduct of Training Programmes – Department of Export Agriculture

Details of the training programmes conducted on the value-added productions based on the export agricultural crops by 17 regional offices of the Department of Export Agriculture for the farmers, businessmen, and manufacturers during the period of 4 years from 2018 to 2021 are as follows.

	Name of the Production	No. of trainees			
		2018	2019	2020	2021
i.	Pepper dehydration, production of white pepper.	2	48	58	0
ii.	Production of turmeric powder and pulp	0	38	0	363
iii.	Production of cinnamon sticks	19	0	21	16
iv.	Production of cinnamon oil	09	10	03	09
v.	Production of white pepper, pepper sauce, turmeric powder and turmeric paste, ginger preserve, ginger beer and flavored ginger slices.	1,600	1,177	248	201
vi.	Pepper and cinnamon	13,658	4,093	1,678	1,090
vii.	Pepper, cinnamon, nutmeg, clove, coffee, vanilla, cocoa, turmeric, ginger	8,128	8,519	1,336	2,822
viii.	Ginger, pepper toffee, pepper, nutmeg sauce, nutmeg sauce, nutmeg jam, nutmeg chutney products.	150	-	80	
ix	All agricultural crops	4,512	5,195	3,322	1,132
	<b>Total</b>	<b>28,078</b>	<b>19,080</b>	<b>6,746</b>	<b>5,633</b>

The following observations are conducted in this connection.

- (a) According to the information obtained on the value-added products related to the export agricultural crops, 28,078 individuals were trained by 17 regional offices in the year 2018. Nevertheless, training on value-added products has significantly decreased from the year 2019 to 2021, thus showing a drop of 19,080, 6,746, and 5,633 respectively.
- (b) It was observed that the majority of the parties trained by the Divisional Secretariats were farmers. Most of their training was based on the cultivation of export agricultural crops and training on value-added products was minimum.
- (c) The number of farmers, businessmen, and manufacturers who received training on the products that can be directly identified as the value-added products such as cinnamon oil, turmeric powder, paste, pepper sauce, pepper toffee, nutmeg sauce, jam and chutney, ginger dosi and ginger beer, was 1759 in the year 2018. However, this number had dropped by 67 percent to 573 in the year 2021.
- (d) There was no active process in the Department of Export Agriculture with the information maintained in the data system on the persons who received training on the value-added products, monitor whether they carry out value-added products and submit the products to the market, and implement necessary subsidies programmes for them to engage in the continuous production process by collecting necessary information on the issues they face in carrying out those productions.
- (e) A certain number of requests received by the regional offices of the Department of Export Agriculture are referred to the main training centers and it was observed that the number of requests thus referred to the main training centers during the 4 years from the year 2018 to 2021 was as low as 110 with 35, 28, 35 and 12 trainees directed to the training each year, respectively. Accordingly, it was observed that the involvement of the persons engaged in the activities related to the export agricultural crops locally, in formal training was minimum.

### **3.5.2 Awarding GMP/GAP Certificates - Sri Lanka Standards Institution**

The Good Agricultural Practices (GAP) certificate issued by the Department of Export Agriculture and the Good Manufacturing Practices (GMP) certificate issued by the Sri Lanka Standards Institution is of vital importance for exporting export agricultural crops. In the year 2017, the Sri Lanka Standards Institution had issued the SLS 1523 part 3 and SLS 1562 part 1 standards for GMP. Additionally, the Department of Export Agriculture had begun formulating the necessary standards and procedure codes to issue GAP certificates in the year 2019 and it had taken more than 2 years for that purpose.

The following observations are made in this connection

- (a) The Department of Export Agriculture had begun issuing GAP certificates related to crops including cinnamon, pepper, coffee, and cocoa in the year 2022. GAP certificates were issued to 25 cocoa farmers and it was noted that primary arrangements were made to issue this certificate to 50 cinnamon and pepper farmers. It was observed that the issue of GAP certificates was very poor, although export agricultural cultivation promotion programmes are implemented over a long period.
- (b) The Sri Lanka Standard Institution or other institutions that award international standard certificates, issue certificates for Good Manufacturing Practices (GMP). Although it was noted that the Department of Export Agriculture was taking action to educate the export agricultural crop processors in this connection and direct them to obtain the certificate, as well as providing investment assistance to encourage obtaining the certificate, only 6 spice processors were issued certificates during the period from 2018 to 2022. Accordingly, it was observed that the issuance of Good Manufacturing Practices (GMP) certificates was extremely poor.

### 3.5.3 Conduct of Training Courses –Industrial Development Board

The Industrial Development Board is the primary government institution entrusted with the responsibility of developing the industrial sector in Sri Lanka. Accordingly, it provides a range of services tailored to the needs of crop-related industries, including the creation of necessary machinery, production, preparation of specifications for the selection of machinery, conducting training courses, developing systems, and assisting in obtaining production standards.

It was observed that the Industrial Development Board conducted 21 training courses in relation to 4 export agricultural crops for 758 individuals at a cost of Rs. 692,273 during the period from 2019 to 2022. Participation in the training courses showed a decline in the years 2021 and 2022 compared to the preceding two years. Details are given below.

Year	No.of programmes conducted	No.of trainees completed the course	Cost (Rs.)
2019	6	217	174,782
2020	5	297	223,160
2021	8	183	179,157
2022	2	61	115,175
Total	21	758	692,273

### 3.5.4 Special Training Course – National Apprentice and Industrial Training Authority

The National Apprentice and Industrial Training Authority had conducted NVQ Level L 3 certificate course on Cinnamon Factory Operations. Registration for the course remained a minimum and only one certificate was issued up to the year 2021. This matter was discussed at the monthly meeting of the Colombo regional office of the Department of Export Agriculture held in June 2019. Although the project officers were entrusted with the responsibility to provide the lists of persons who are willing to participate in the course, the Audit did not receive information on the individuals who were directed to that course, and it was observed that the registration for that course was not successful.

Although the above 4 institutions carried out the activities such as the conduct of training courses on value-added products, the introduction of standards to improve the quality of the products, and the introduction of value-added products, it was observed that the introduction of value-added products to the market and resort to obtaining standard certificates for the productions was minimum.

### 3.5.5 Conduct of Training Courses- Cinnamon Research Center

With the objective of conducting training courses on cinnamon processing and cultivation, the National Cinnamon Research Centre was established in 2012. Special attention has been focused on addressing the acute crisis of the scarcity of peelers in the cinnamon industry. The training center offers the following courses.

- Cinnamon processing under the Good Manufacturing Practices
- Cinnamon cultivation management with Good Agricultural Practices
- Basic awareness programme on cinnamon industry
- Cinnamon plant nursery management and seed storage
- Production of organic cinnamon following Good Agricultural Practices (GAP)
- Nutrition management, pests and diseases management in the cinnamon cultivation.
- Soil and nutrition management in the cinnamon cultivation
- Value addition and marketing of cinnamon
- Development programme for cinnamon entrepreneurs
- Primary awareness programme on small scale cinnamon cultivation management.

The Cinnamon Training Centre had conducted 162 programmes for 3,605 trainees at a cost of Rs.6,261,962 during the period from 2018 to 2022. Details are given below.

Year	No.of training courses conducted	No.of trainees completed the course	cost
2018	29	696	1,966,401
2019	35	920	613,515
2020	22	364	160,210
2021	40	660	1,393,820
2022	36	965	2,128,015
Total	162	3,605	6,261,962

The following observations are made in this connection.



- (a) Although the Cinnamon Training Centre had conducted 162 training programmes on the cinnamon industry for 3,605 individuals during the period 2018-2022, this centre did not have a follow-up methodology to ascertain whether trainees who completed the training were engaged in production activities.
- (b) For the introduction of value-added products, 595 training courses were conducted during the period 2018-2022 and there were no records in this institute to ascertain whether the market-oriented productions were carried out practically using this knowledge gained through the training.
- (c) Although training programmes were conducted to obtain standard certificates (SLS81, GMP, ISO9001, ISO22000, HACCP) that assure the quality of the products in order to obtain a high price for the cinnamon exporters, it had not been evaluated as to how many of the trainees obtained these quality assurance certificates and supplied their productions to the local and foreign market.

Accordingly, in the evaluation of the performance level of the training programs, the Cinnamon Training Centre had not introduced an evaluation method on the extent to which the training given to the trainees was practically used in practical field cultivation, processing, value-added production, market targeting, etc. and as such, the training methods were not updated by recognizing success and failure of these programmes.

### **3.6 Recent Trend Relating to Export Agricultural Crops**

A significant increase is expected in the contribution of export agricultural crops to the overall contribution of the agricultural crops and it is an important field that can make a contribution apart from the main cultivation crops. The statistics relating to the export of export agricultural crops are as follows.

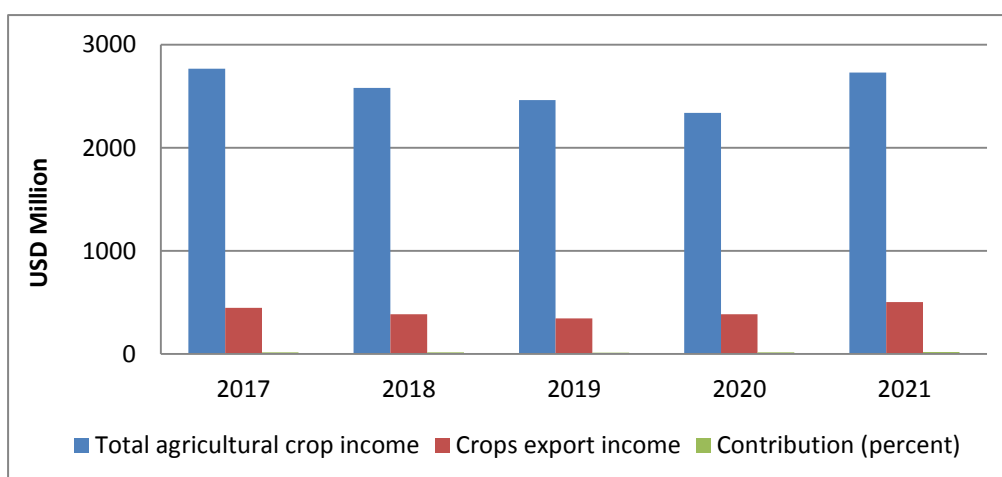
#### **3.6.1 According to the Reports of the Central Bank of Sri Lanka**

According to reports of the Central Bank of Sri Lanka, the export income from crop varieties such as cinnamon, pepper, clove, nutmeg, cocoa, coffee, arecanut, and betel is detailed below. Upon analysis of the data, it was found that the export income of

those crops ranged from 16 to 18 percent of the total agricultural crops during the period 2017-2021. This shows that there was only a 2 percent increase in the export income during the period 2017-2021.

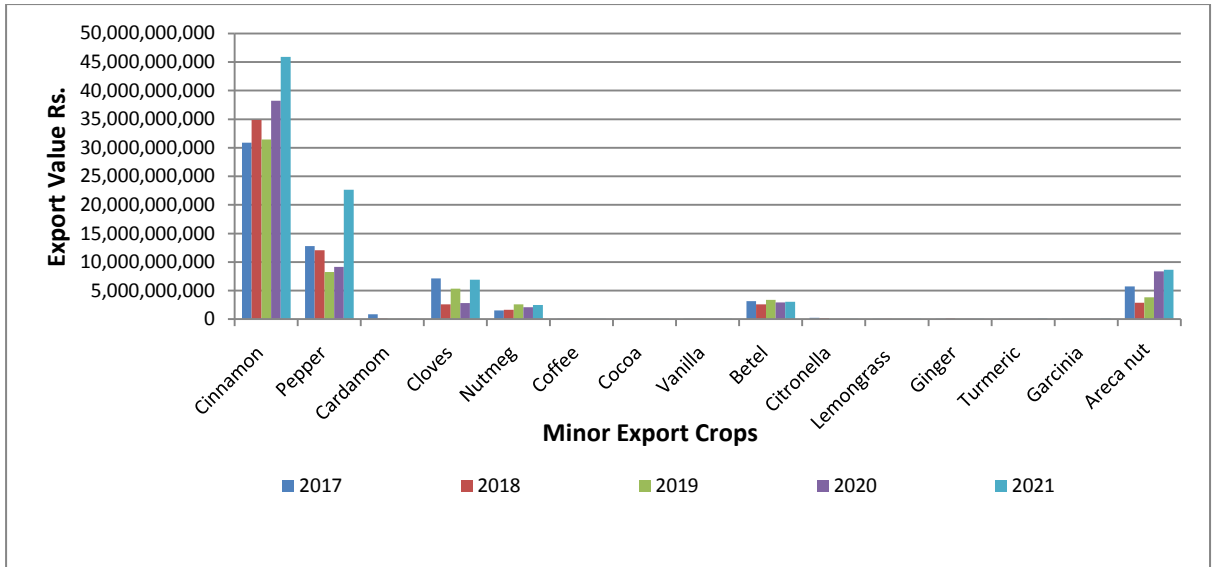
	Value (USD Million)				
	2017	2018	2019	2020	2021
Total agricultural crop income	2,767.2	2,579.3	2,461.9	23,36.2	2,729.5
Export income from export agricultural crops	448.61	386.83	346.07	386.73	504.28
Contribution (percent)	16.21	15.00	14.06	16.55	18.48
Increase (percent)		(1.21)	(0.94)	2.49	1.93

Source: Annual Reports, Central Bank of Sri Lanka



### 3.6.2 According to the Sri Lanka Customs Data

- (a) Although Sri Lanka has been producing and exporting minor export crops for a long time, data from Sri Lanka Customs indicates that the export of some crops has not been satisfactory at present. Details appear in Annexure No.08.



- (c) Although the Department of Export Agriculture carried out research and development on 15 export agricultural crops, an analysis of data pertaining to the preceding 05 years revealed that more than 70 percent of total export income came from only two of the above 15 export agricultural crops.

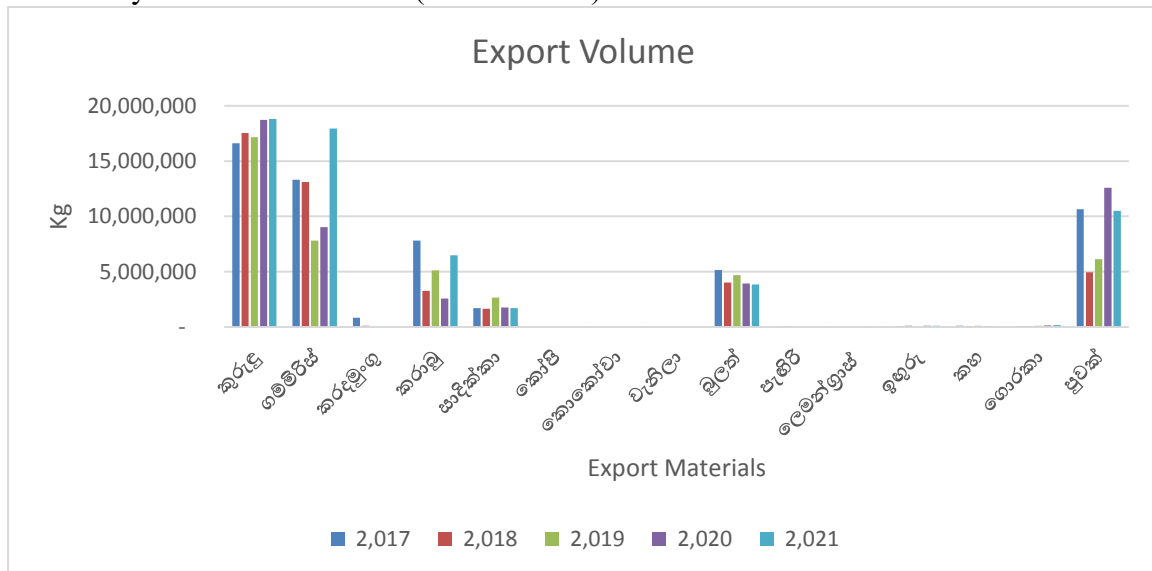
Year	Total export income (Rs.Millions)	Income from two crops (Cinnamon, Pepper) (Rs.Millions)	(Rs.Millions)
2017	62,755	43,641	70
2018	57,429	46,927	82
2019	55,343	39,735	72
2020	63,988	47,348	74
2021	90,221	68,549	76

### 3.6.3 According to the Data of the Export Development Board

According to the data classification of the Export Development Board, an analysis of the main export production fields in the year 2012 and 2021 revealed that the increase in the spices and concentrates production was only 0.97 percent. (Annexure 09)

### 3.6.4 Export Market

The data of the Export Development Board revealed that the export market of Sri Lankan spices and concentrates has not expanded up to a wide range as compared with the years 2016 and 2020. (Annexure 10)



### 3.6.5 Sri Lanka Export Development Board

#### 3.6.5.1 Role of the Sri Lanka Export Development Board

The Sri Lanka Export Development Board is the country’s apex Trade Promotion Organization as mandated by legislation. The Sri Lanka Export Development Board established under the Sri Lanka Export Development Act No. 40 of 1979 plays its role as a Policy Advisor, Monitor, Promoter, Facilitator, and Knowledge Provider in carrying out its responsibilities of implementing new strategies to achieve the National Export Targets. Similarly, the Sri Lanka Export Development Board is the main coordinating agency for all matters related to international trade. The vision of the Sri Lanka Export Development Board is to position Sri Lanka as a Prominent Export Hub for Innovative Products and Services, while its mission is to enable export competitiveness through innovation entrepreneurship, and global integration.

Several powers and functions of the Board as stated in the Sri Lanka Export Development Act No.40 of 1979 are specified below. It was observed that insufficient attention was given to improving the export of historically important agricultural crops in Sri Lanka taking into account the country's climatic and geographical factors, in earning foreign exchange.

- to advise the Export Development Council of Ministers on the national export development policy and programmes
- to recommend the adoption of trade agreements or negotiation of inter-country commercial policy, financial and other related arrangements that will facilitate the development of export from Sri Lanka
- to facilitate the development of supplies of export products
- to function as a focal point within the Government where exporters can deal with all export problems
- without prejudice to the generality of the powers conferred on the Board by this Act, to carry out or provide general export services to all exporters, such as
  - trade information of current interest to producers and traders
  - marketing research in foreign markets
  - assistance in the development of new products and in the adaptation of existing ones for export markets.
  - assistance in the initial stages of marketing a new product or entry into a new market, including test marketing exercises
  - organization of buyer-seller meetings in Colombo and in foreign locations
  - export consultancy services
  - assistance in participation in trade displays, trade fairs and other forms of trade promotion
  - training courses in trade promotion and export marketing
  - assistance in resolving the problems encountered by individual producers of exports or exporters
  - assistance in quality control standards, packaging, export credit and insurance
  - assistance in import and export procedures and documentation

### 3.6.5.2 Registration with Sri Lanka Export Development Board

- (a) An order was imposed that any person who exports any item of commercial value other than the goods exempted under the Import and Export (Control) Act by orders for registration of exporters published in the Special Gazette No. 355/14 dated 27 and the goods manufactured and exported under the Greater Colombo Economic Commission Act on or after 01 August 1985 must register with the Sri Lanka Export Development Board as prescribed in these orders. Accordingly, it was mandatory for every exporter to register with the Sri Lanka Export Development Board and registration should be renewed before 31 January every year.

It was mentioned that the following special advantages can be obtained by registering as an exporter with the Sri Lanka Export Development Board

- Ability to participate in other development/promotional programs including exhibitions, projects, training organized by the Export Development Board locally and internationally
- As the Export Development Board exchanges the registration information of the exporters with the government and statutory bodies, facilitating the export documentation process and activities carried out by those institutions and the recognition and confidence received by the exporter from those institutions.
- Recognition and credibility received from buyers in foreign trade
- Facilitating to open Foreign Currency Account
- Facilitating to obtain visas for foreign tours
- Opportunity received to resolve trade issues of the exporters through Exporters' Forum
- Ability to join the directory of Sri Lankan exporters maintained by the Export Development Board
- Ability to conveniently coordinate foreign buyers contacting the Export Development Board with registered exporters.
- Being a primary eligibility to apply for the annual Presidential Export Awards.
- Availability to have advisory services from the Export Development Board regarding goods and markets.

- (b) It has been mentioned in the Gazette Extraordinary No. 2118/60 dated 11 April 2019 that “The Scheme for Registration of Exporters Regulations of 1985, is hereby rescinded, without prejudice to anything previously done thereof under.” Accordingly, the exporters have been exempted from the requirement of mandatory registration with the Export Development Board. However, the Export Development Board has explained, in response to an inquiry made by the Audit, that they receive a large number of requests and queries via telephone from exporters and those who desire to import items due to special benefits they can receive by registering with the Export Development Board as an exporter, although it is not necessary to register with the Export Development Board in the export process.
- (c) It is important to consider some criteria in granting permanent/ temporary registration of the Export Development Board. Accordingly, it can be observed that there is an opportunity to regulate all exporters by one institute as each exporter registered with the same body.
- Under this backdrop, the Export Development Board has information only about the exporters registered from 1985 to 2019. Accordingly, the Audit has received registration data of 603 spices and allied product exporters and the number of exporters registered each year is as follows.

<b>Year</b>	<b>No,of Registration</b>
1985	02
1992	01
2009	04
2010	07
2011	13
2012	23
2013	26
2014	29
2015	33
2016	57
2017	36
2018	34
2019	9
Not mentioning the date of registration	329
<b>Total</b>	<b>603</b>

Accordingly, it was observed that any institute did not possess a formal data system on the exporters engaged in the export of spices and allied products, and this lack of data system might be an obstacle to take important decisions in the field.

### **3.6.5.3 Data Related to Exporters engaged in the Export of Spices and Allied Products**

Since it was not mandatory to register the exporters with the Export Development Board after the year 2019, all exporters were not registered with the Export Development Board after that year.

An analysis of the data for the year 2018 related to the exporters who were registered with the Export Development Board and engaged in the export of export agricultural crops revealed that out of Rs.53,418 million earned by 363 exporters in the export market, 76.45 percent was earned by 33 exporters. Accordingly, it was observed that the income received by the other exporters from the export of export agricultural crops was minimum. Detailed information appears in Annexure 11.

## **3.6.6 Export Income from Selected Export Agricultural Crops**

### **3.6.6.1 Cinnamon**

- (a) Of the total income earned from the export of export agricultural crops in the year 2016, a sum of Rs.23,176 million, or 52 percent was from the cinnamon export. Sixty percent of the total income earned from the export of export agricultural crops in the year 2020 represented the cinnamon export and the value thereof was observed to be Rs.38,218 million.
- (b) It was observed that out of the export of 42,454,285 kilograms export agricultural crops in the year 2016, thirty-four percent was from cinnamon. The exportation of the export agricultural crops had increased up to 48,992,848 kilograms by the year 2020 of which, the exportation of cinnamon had increased to 18,721,834 kilograms by 38.



- (c) The average export income of one kilogram of cinnamon was Rs.1577 in the year 2016 and the value thereof was 11 US dollars. Although the export income of one kilogram of cinnamon had increased to Rs.2041, its value was 11 US dollars. Accordingly, it was unable to increase the export income of one kilogram of cinnamon within a period of 5 years. Details appear below.

Year	Rupees	US Dollars
2016	1,577	11
2017	1,858	12
2018	1,987	12
2019	1,832	10
2020	2,041	11

The following observations are made in this connection.

- (i) When considering the export of cinnamon from the years 2016 to 2020, Mexico holds a prominent position among the countries to which a greater quantity of cinnamon was exported. Cinnamon worth USD 69.3 million was exported in the year 2016, which accounts for 52.43 percent of the total cinnamon exports.
- (ii) Mexican importers typically do not demand any standard certificates for cinnamon. However, buyers in the Europe Union (importers) are more concerned about products and standards. Standards such as SLS 81:2020, ISO 6535:1997 GAP, GMP, fair trade, microbiological safety requirement hold prominent positions among these standards. As a result, the quantity of exports to the Europe Union has been observed to be extremely minimal.
- (iii) It was stated in the Gazette Extraordinary No. 1813/15 dated 05 June 2013 that the SLS 81:2010 applicable for cinnamon should be taken into effect with effect from 01 January 2014. However, at a discussion with the then Secretary to the Ministry of Finance, it was decided not

to enforce the gazette notification. Nevertheless, the relevant gazette was not issued. Once the permission was granted to enforce the Gazette Notification No. 1813/15 again at the meeting headed by the Secretary to the President on 30 May 2021, the Sri Lanka Standard Institute informed that they were making necessary arrangements for that. Accordingly, it was observed that the Sri Lanka Standard Institute had not issued either clearance certificates or standard certificates for cinnamon exported within a period of 9 years from 2014 to 2022 as per the above gazette notification.

### **3.6.6.2 Pepper Production and Export Income**

The following matters were observed in this connection

- (a) Out of the total export agricultural crops income amounting to Rs. 44,510 million in the year 2016, a sum of Rs. 10,530 or 23 percent was generated from the export of pepper. It was observed that 14 percent of the total income of Rs.63,961 million received from the export of export agricultural crops was earned from pepper exports.
- (b) Although Rs.10,530 million was earned from the export of 7,875,553 kilograms of pepper in the year 2016, income generated from the export of 9,038,450 kilograms of pepper was Rs.9,128 million in the year 2020. The quantity of exports had increased by 1,162,897 kilograms in the year 2020 compared to the year 2016, but the income had decreased by Rs.1,402 million compared to the year 2016. Accordingly, it is observed that the export income of one kilogram of pepper had decreased during the period of the last 05 years.
- (c) Although the worth of one kilogram of pepper amounting to Rs.1,337 in the year 2016 was US 09 dollars, the price of one kilogram of pepper had decreased to Rs.1010 to US 5 dollars by the year 2020. Accordingly, it was possible to increase pepper production within a period of 5 years. Nevertheless, it was observed that action had not been taken to further increase the export income by focusing attention on value-added products.

- (d) Although export income from the 4 crops: citronella, cocoa, vanilla, and coffee was very high, the following data revealed that a very small amount of income was received from these 04 crops out of the total income generated from exporting export agricultural crops.

Item	2016		2017		2018		2019		2020	
	Quantity Exported (Kg.)	Value Rs.Mn.	Quantity Exported (Kg.)	Value Rs.Mn.	Quantity Exported (Kg.)	Value Rs.Mn.	Quantity Exported (Kg.)	Value Rs.Mn.	Quantity Exported (Kg.)	Value Rs.Mn.
Citronella	304	1.1	984	5.0	5,392	28.5	5,745	31.2	2,762	18.7
Cocoa	4,355	4.1	26,710	17.9	4,283	5.2	2,043	3.2	2,805	3.9
Vanilla	1,057	18.1	5,995	27.0	1,553	63.2	709	24.8	624	25.7
Coffee	13,685	20.5	13,793	29.2	23,605	46.6	22,695	63.1	26,643	58.6
Total	19,402	43.9	47,482	79.2	34,832	143.	31,191	122.4	32,834	107.0
Total	42,454,285	44,510.2	56,386,248	62,491.7	44,951,691	57,252.07	43,868,934	55,299.4	8,992,848	63,961.7
export income										
Income of 4 crops as a percentage	0.0457	0.0988	0.0842	0.1268	0.0775	0.2509	0.0711	0.2215	0.0670	0.1674

### 3.7 Re-exportation

- (a) The Gazette No. 2189/04 dated 17 August 2020, was issued for the temporary suspension of the import of eight export agricultural crops. It was valid till 16 December 2022, the date of the audit. However, 310,091 kilograms and 105,844 kilograms of those crops were imported from 2021 to 2022, respectively, and the expenditure incurred for these imports was Rs. 254,801,281 and Rs. 237,407,229, respectively.
- (b) Although 301,091 kilograms and 105,844 kilograms of eight crops that were temporarily suspended for importation from 2021 to 2022 were imported, the quantity of those eight crops re-exported during that period was observed to be 196,387 kilograms and 65 kilograms, respectively.
- (c) There were discussions about the issues related to the import of pepper to Sri Lanka at low prices and their subsequent re-importation in the year 2018. In such a situation, restrictions were imposed on the import of pepper. However, despite these restrictions, 110,742 kilograms of pepper were imported in the years 2021 and 2022, but only 267 kilograms were re-exported.

Accordingly, it was observed that the Department of Export Development is required to exercise due care regarding the requirement of the import of those eight export agricultural crops during a period of time in which their exportation was temporarily suspended.

Details on the export agricultural crops re-exported from 2018 to 30 November 2022.

Serial No.	Crop	2021				Up to 30 November 2022			
		Quantity Imported (Kg.)	Value of the import (Rs.)	Quantity Re-exported (Kg.)	Value of re-export (Kg.)	Quantity Imported (Kg.)	Value of the import (Rs.)	Quantity Re-exported (Kg.)	Value of re-export (Kg.)
01	Cinnamon	87	86,107	32	40,862	18,030	52,343,529	5	22,195
02	Clove	10,011	11,273,841	297	274,454	2	8,327	.	.
03	Pepper	59,208	68,186,770	207	187,151	51,534	129,183,841	60	166,263
04	Cardamom	512	545,105	1,926	1,941,869	131	431,046	.	.
05	Nutmeg	2	4,836	.	.	1	5,541	.	.
06	Ginger	472	465,495	.	.	121	656,845	.	.
07	Turmeric	799	583,567	193,925	48,415,258	24	60,079	.	.
08	Arecanut	239,000	173,655,560	.	.	36,000	54,718,021	.	.
Total		<b>310,091</b>	<b>254,801,281</b>	<b>196,387</b>	<b>50,859,954</b>	<b>105,844</b>	<b>237,407,229</b>	<b>65</b>	<b>188,458</b>

Source- Statistics Division- Sri Lanka Customs

### 3.8 Export Promotion

#### 3.8.1 Development and Placement of Brands for Spices

The following observations are made in this connection.

- (a) Sri Lanka, as a country, has recognized that developing and positioning brand names for products and services globally and locally is an indispensable feature included in the National Export Strategy for trade promotion. Accordingly, the Export Development Board has created 05 brand names for 05 crop varieties: cinnamon, pepper, cardamom, nutmeg, and clove, and the brand name “Ceylon Spices” at present. A sum of Rs.6 million has been spent on the creation of brand names in the year 2018. Although all requirements related to the registration of trademarks have been fulfilled, the certificate for the completion of registration has not so far been received from the National Intellectual Property Office. Only 5 of the approximately 394 exporters exporting spices (as per 2021 customs data) had received these trademarks.

- (b) In response to a query made to the National Intellectual Property Office regarding its failure to issue the registration certificate for the registered trademarks so far, the Audit has been informed that, on 29 May 2020, they have informed the applicant by a written notification to inform whether the mark they desire to register is a certified mark, pay additional Rs.2,300 as application charges stated in the gazette notification and to submit a document including the conditions effecting in the use certified mark. However, the Export Development Board has unable to complete that registration.
- (c) Steps were taken to introduce these trademarks for the first time in Colombo in 2019, at a cost of 650,000 rupees including Rs.150,000 provided by the Export Development Board and the balance by the UNIDO. Subsequently, steps were taken to introduce them in European Union in the year 2019 and the Export Development Board had spent Rs.7.5 million for this purpose.

After examining the applications, quality assurance (issued by an accredited laboratory relating to the type of spice in conformity with Sri Lanka Standard), GMP (minimum eligibility)/ISO, HACCP, or other standard certificates or samples by a committee consisting of each representative from the Sri Lanka Standard Institute, Industrial Technology Institute, Department of Export Agriculture, and the Ministry of Trade, approval is granted to use trademarks. The necessary guidelines to that effect were prepared. No action was taken to display these trademarks on the website of the Export Development Board.

- (c) The ability to confirm the uniqueness as a Sri Lankan products distinguishing from the substandard products coming from other countries to the export market is the specific privilege in the use of these trademarks. However, it was observed that the use of these trademarks was not significantly popularized among the exporters even as of the date of audit.

### 3.8.2 Pure Ceylon Cinnamon Logo

This logo shall be used for cinnamon and other value added products relating to cinnamon produced in Sri Lanka. Certificate of registration had been obtained thereon from the National Intellectual Property Office On 22 October 2012 and its validity period of 10 years will expire on 22 October 2022. Particulars are as follows.

- a) The Export Development Board pointed out that advantages such as, international recognition for the exporters, easy identification among inferior products in the market, improvement in quality and value of the product, certified hygiene of the cinnamon based products with PCC logo in the global market, and product diversification in the global market at favorable prices, will be gained by the exporters by using this brand logo.

A sum of Rs. 13,713,332 has so far been spent for designing and promoting this logo.

Description	Expenditure Rs.
Creating the PCC logo - 2009	600,000
Registration of the brand name (SL, EU, USA, Mexico, Peru and Colombia)	2,800,000
Inauguration ceremony of the brand name, Colombo - 2010	1,200,000
Inauguration ceremony of the brand name, Germany - 2011	9,000,000
PCC awareness workshop - 2018	113,332
Total expenditure	13,713,332

The exporters who obtain the PCC logo should pay a sum of Rs.7,500 at the time of registration, and a sum of Rs.6,000 should also be paid for renewing the license annually.

- b) Only 20 of 131 exporters of cinnamon and related products had obtained the PCC logo (as per Customs data 2021). Although a period of 10 years had lapsed since this brand name had been introduced by incurring a heavy expenditure, it was observed that the brand name had not been sufficiently used by the exporters. Particulars are given in Annexure 12.

### **3.8.3 Exporters Participating in Trade Events and Exhibitions**

Trade events and exhibitions are an ideal method to bridge the gap between local exporters and global buyers by paving way for Sri Lankan products and services to be available in the global market. The following matters were observed in that connection.

- a) The Sri Lanka Export Development Board executes activities such as, making arrangements for the Sri Lankan exporters to participate in international trade exhibitions at foreign market in order to facilitate the B2B promotion, organizing local trade events, and allowing the small and medium scale entrepreneurs to take part in global trade events and exhibitions in view of facilitating and promoting the medium scale exporters. It was verified in discussions held with the exporters that opportunities were created at the foreign market due to participation in such programs. Although the Export Development Board took part in trade exhibitions such as, Bio Fach, Gulfood, and IFEAT, they could not do so during the past 03 years, thus failing to effectively use the possibilities of further improvement.

### **3.8.4 Geographical Indication for Cinnamon**

Particulars are as follows.

- a) Following a Cabinet approval, the Export Development Board reserves the rights for promoting cinnamon and securing intellectual properties. Accordingly, the process for obtaining Geographical Indication for cinnamon had been commenced in the year 2009. As a result, the GI certification had been received from the European Union on 02 February 2022.

The Export Development Board informed that following advantages would be gained through this certification.

- This ensures the highest security for intellectual properties relating to manufacturing methodologies and products unique to Sri Lanka.
- Sri Lankan cinnamon is a product unique to Sri Lanka and its processing methodology is ensured through this

- The supply network of cinnamon comprising cinnamon farmers in rural areas, collectors, manufacturers, and exporters, could be represented in the final product.
- Thus promoting cinnamon based products rurally thereby paving way for rural development.
- As for GI certified cinnamon, the GAP certification for farmers, GMP certification for producers, and HACCP certification for exporters are mandatory. As such, standard of cinnamon produced in Sri Lanka will be improved.
- Possibility of increasing the manufacturing capacity of local value added products thereby increasing the export revenue.
- Cinnamon of higher quality will be supplied to the market in compliance with geographical indication.
- To gain competitive advantage in selling authentic cinnamon in the global market thus generating higher revenue.
- A revenue of US \$ 01 billion is expected from cinnamon for the ensuing years.

The Export Development Board states that those benefits shall be gained by 50,000 stakeholders in the value chain including small scale farmers and planters, processors, traders, nursery owners and exporters by registering with the GI process.

The following expenses had been incurred for this process by miscellaneous parties as mentioned below.



Description	Euro/ US\$	Rs.	Party
Initial work on certification mark registration & GI		5,000,000.00	EDB
Preparation of Technical Dossier Consultancy fees	US\$ 705,000		UNIDO
Legal fees/Lawyer in Brussels (Grant Received from CFC Euro 15,000)	Euro 80,000	2,000,000.00	EDB
Control Plans		2,300,000.00	EDB
Traceability system	45,000	10,350,000.00	UNIDO
Cost met by EDB		29,300,000.00	
Cost met by UNIDO		10,350,000.00	

In order to award this certification, the European Union took into consideration the procedure followed to prepare cinnamon for the GI logo. As such, the procedure of preparing cinnamon in conformity with geographical indication was prepared and presented along with the application presented to the European Union requesting the GI certification. The European Union recommended that cinnamon be processed in accordance with the said procedure.

- b) Cinnamon processed locally should be standardized in accordance with the procedure presented to the European Union. As such, the Export Development Board, together with the Department of Export Agriculture, has devised a control mechanism to ensure the implementation of GI specifications within the value chain. Nevertheless, preparing cinnamon as per the GI specifications, has not been done in the value chain thus far.
- c) Various parties had assisted in obtaining the geographical indication.

Institution	Assistance Given	Duration
Department of Export Agriculture	Registration of cinnamon cultivators and organizing the GI association. To act as the external monitor of this project.	To coordinate the project since the year 2009 up to this day and beyond.
Sri Lanka Standards Institution (SLSI)	Formulation of the standard for cinnamon, formulation of GAP, GMP standards.	2009-2021
Industrial Technology Institute (ITI)	Providing experimental data.	2009-2021
Department of Commerce (DOC)	Coordinating the lawyers of the European Union through foreign embassies.	2009-2021
The Spice Council	Registration of cinnamon cultivators and processors, and organizing the GI association.	2009-2022
Spices and Allied Products Producers and Traders Association (SAPPTA)	Registration of cinnamon cultivators and processors, and organizing the GI association.	2009-2022
Ministry of Foreign Affairs	Assisting the coordination with European Union.	2009-up to the present day.

The Sri Lanka Standards Institution has not yet formulated the standard (SLSI) for cinnamon, nor the GAP, GMP standards.

### 3.8.5 Ceylon Cinnamon GI Association (CCGIA)

Particulars are as follows.

- a) The Ceylon Cinnamon GI Association- CCGIA was established by the Department of Export Agriculture in the year 2019 by fulfilling a requirement for registering the geographical indication with the European Union in view of continuing with the geographical indication. The Department of Export Agriculture took action to expand the membership by establishing cinnamon GI associations at district level, and measures have been taken to establish a national association by summoning the district representatives.

The key objective of this association is to introduce the specifications for geographical indication on cinnamon to the members of the CCGIA, and implementing the control plan under 03 stages to ensure that the specification is followed in the value chain.

- (i.) Self-control – the quality control done by the relevant stakeholder voluntarily.
- (ii.) Internal control – Audits on quality conducted by the geographical association of cinnamon.
- (iii.) External control – Audits conducted by the Department of Export Agriculture through a suitable audit firm to ensure quality.

Assistance of an institution named “Control Union” had been obtained by the Export Development Board for preparing the said control plan. Training programs are scheduled to be held in partnership with that institution in due course.

- b) Stakeholders of the GI Association are its members. That is, cultivators, processors, intermediaries and exporters. Their responsibilities are as follows.

Stakeholder	Responsibility
Cultivators	Cultivating cinnamon of higher standard as per the recommended specifications.
Processors	Processing cinnamon based products of higher standard as per the recommended specifications.
Intermediaries	Collecting the cinnamon of higher standard as per the recommended specifications.
Exporters	Exporting the products of higher standards as per the recommended specifications. Maintaining the quality as per GI standards. Maintaining traceability in the value chain.

Programs were organized by conducting workshops district wise to offer membership of the Association. Nevertheless, only one cultivator, 09 exporters, and 03 persons involved in both cultivation and export have obtained the membership thus far.

- c) Specifications relating to the cultivation and processing of cinnamon have been introduced to the members of the Association. It is the Association that should implement those control procedures though, it has not yet been so done.

The Export Development Board further states that action is being taken to seek instructions from the Attorney General's Department in order to amend the existing constitution of the GI Association and establish a new association.

- d) The Export Development Board plays a pivotal role in internationally promoting the GI standard for cinnamon. In the aftermath of attempts made since 2009, the GI standard for cinnamon had been obtained in February 2022. Plans to promote the GI standard for cinnamon in other countries and the marketing strategy in that connection, are still in preparatory stage.

- e) Sri Lanka received the GI certification on 02 February 2022 from the European Union thus accepting the uniqueness of Sri Lankan cinnamon among other cinnamon based products. Although this certification is awarded

to Sri Lanka at national level, many other measures should be taken to award this certification to the cinnamon producers. Nevertheless, only the establishment of farmers' associations at grass root level had been done even at the time of audit. Other than that, no other measure whatsoever had been taken to award the GI certification to the cinnamon producers.

- f) The same divisional farmers' associations that had existed before, were established as those new farmers' associations, and the Audit did not observe that registration of such associations, conducting sessions of the meetings, or record keeping had been done. During field inspections carried out in the districts of Galle and Matara, it was observed in audit while meeting with farmers and processors that they had not been aware either of the GI certification or the relevant process.
- g) At present, the Export Development Board has not been able to be liaised with cinnamon producers by summoning the exporters. As such, the internal, external, and independent audits relating to the award of GI certification could not be done.

### **3.8.6 Packaging and Labeling**

Special attention should be drawn on packaging and labeling when spices are exported raw or as value added products. Its standard can be preserved by adhering to hygiene when packaging thereby securing taste, aroma and nature of the spices.

#### **3.8.6.1 Role played by the Export Development Board in Packaging**

In order to assist the exporters and potential exporters to increase the competitiveness of their export products, it is the responsibility of the Export Development Board to implement development programs relating to the improvement of technical, quality assurance and packaging aspects of products. Nevertheless, assistance had not been given to the exporters of spices during 2018-2021 for improvement of packaging and labeling.

The Sri Lanka Institute of Packaging was established under purview of the Export Development Board in accordance with interim budget report-2022 in order to provide consultancy services for packaging requirements and facilitate the coordination between state institutions in that connection. However, packaging requirements of the exporters could not be met even by the end of the year 2022.

### **3.8.6.2 Responsibility of the Ministry of Industries relating to Packaging**

The reply from the Ministry of Industries relating to packaging stated that there existed no state institution providing consultancy services for packaging. It was further stated that the Industrial Development Board provided instructions when necessary on packaging requirements of small scale industries, and trade exhibitions, seminars and workshops were held by the Sri Lanka Institute of Packaging established with the membership of the packaging industrialists from the private sector.

## **3.9 Responsibility of the other State Institutions relating to the Production and Promotion of Export Agriculture Crops**

### **3.9.1 Facilitation of Laboratory Services**

As had been identified in the Spices and Concentrates Strategy- National Export Strategy, 2018-2022, it was pointed out in the year 2018 that there existed an island wide lack of laboratories to be used for testing the quality of products relating to export agriculture crops. The Industrial Technology Institute would have been named as being capable of providing laboratory facilities even by the year 2022. Nevertheless, the facts such as, National Cinnamon Research Station and Training Centre, Central Research Station in Matale, and the marketing Board for spices and related products had not been developed with enough facilities, and lack of laboratories in the country relating to export agriculture crops, were observed.

### 3.9.2 Providing Laboratory Services - Cinnamon Research Station and Training Centre

The National Cinnamon Research Station and Training Centre is the only institution in Sri Lanka specialized in cinnamon. This is a statutory institution responsible for development and conducting researches on all aspects relating to cultivation and processing of cinnamon for the betterment of cinnamon industry whilst providing laboratory services for external parties under fees approved by the Government. The necessity for a well-equipped laboratory exists with respect to the aspects such as, training and research activities conducted in the areas of improving agriculture and crops, soil and plant nutrition, plant conservation, and post-harvest technology, as well as providing a qualitative service for the parties involved in export agricultural crops. The following observations are made on the facilities and research laboratory of the institution.

- (a) It was observed in the audit examination conducted on 28 June 2022 with emphasis on laboratory reports issued by the National Cinnamon Research Station and Training Centre relating to the period 2019-2021 that issue of laboratory reports certified by the Sri Lanka Accreditation Board remained poor. As such, cinnamon producers in the rural areas of Southern province had to spend their time and money to visit private laboratories and Industrial Technology Institute for their chemical tests. Particulars relating to the issue of certificates are as follows.

Division	Name of the Research	2019		2020		2021	
		External	Internal	External	Internal	External	Internal
Post-Harvest Technology	GCMS identification (Identification of chemicals in volatile oils and issue of reports	01	650	11	722	10	680
	Sulfite Content (On dry basis)	00	36	09	36	07	56
	Oil Content (on dry basis)	12	402	52	858	18	157
	Moisture Content	02	357	44	457	23	275
	Water activity	01	387	11	312	35	121
	Total	16	1,832	127	2,385	93	1,289

- (b) Although the post-harvest technology division and soil and plant nutrition division had provided 28 laboratory services, accreditation had been given only on 12 services. As compared to the fees charged by similar research institutions, it was observed that those services would have been provided under lesser charges. Particulars are given below.

Laboratory Service	Cost (Rs.)	Cost of Other Institutions (ITI)	Status of Accreditation
Post-harvest Technology Division			
1. Determination of moisture content in volatile sample with report**	300.00	9,000	Approved for Accreditation
2. Determination of spice volatile oil content and moisture content (%) with report**	750.00		Approved for Accreditation
3. Determination of bark oil content and moisture content (%) with report (cinnamon)	750.00	2,000.00	Approved for Accreditation
4. Determination of moisture content (%) with report	750.00		Approved for Accreditation
5. Determination of nonvolatile ether extraction content (%) with report**	1,800.00	0	Approved for Accreditation
6. Determination of water activity in sample with report (water activity meter)**	450.00		Approved for Accreditation
7. Soil PH and EC with report**	100.00	100.00	Approved for Accreditation
8. N,P,K analysis without report**	1,000.00	670.00	Approved for Accreditation
N,P,K analysis without report**	700.00		Approved for Accreditation
9. Total N in soil**	350.00		Approved for Accreditation
10. Phosphorous analysis in soil**	350.00		Approved for Accreditation
11. Exchangeable K analysis in soil**	350.00		Approved for Accreditation



- (c) Accreditation could not be obtained for the following 08 laboratory services provided by the institution, and it was observed that accreditation was scheduled to be presented. With accreditation given for those services, the client institutions will be able to receive internationally recognized certifications. Particulars on the relevant services, fees charged by the institutions and other fees charged by private institutions are given below.

Laboratory Service	Cost (Rs.)	Cost of Other Institutions (ITI)	Status of the Accreditation
Post-harvest Technology Division			
1. GCMS Analysis for volatile oil with report (Cinnamon)	6,000.00	12,000.00	To be presented for accreditation.
2. GCMS Analysis for pesticide residual with report (cinnamon)	5,000.00		To be presented for accreditation.
3. Determination of leaf oil content and moisture content (%) with report (cinnamon )	750.00	2,000.00	To be presented for accreditation.
4. Specific gravity*	600.00		To be presented for accreditation.
5. Solubility in alcohol*	500.00		To be presented for accreditation.
6. Refractive index*	700.00		To be presented for accreditation.
7. Optical rotation*	700.00		To be presented for accreditation.
8. Soil analysis CR, Cu*,Ca*, Na, Fe*,Ni, Mn, MG*,Zn*,Li, As, Se, Be, Al			To be presented for accreditation.

- (d) It was observed that a sum of Rs. 2,055,000 would be necessary for requirements to be met for accrediting those services and maintenance works, and obtaining accreditation for the said laboratory services had delayed due to lack of provision. The relevant requirements and the values are as follows.

S/N	Item	Net Estimate (Rs.)
1	Maintenance of ICPOES	795,000.00
2	Servicing the GCMS /Services	300,000.00
3	Instrument calibration	200,000.00
4	Chemicals and Consumables	500,000.00
5	PT and ILC Programme	50,000.00
6	Renew of Accreditation	80,000.00
7	Assessment charges	50,000.00
8	Service of other equipment (Spectrophotometer, Distillation unit)	80,000.00
	Total	2,055,000.00

(e) The Post-harvest Technology Division of the National Cinnamon Research Station and Training Centre had made new market oriented products through their researches, but due to failure in obtaining the quality assurance certificates required for the local and foreign market, from the relevant institutions, products of higher quality could not be issued to the market. The following matters were observed in that connection.

- (i) The research proposal on antibacterial and antifungal activities of cinnamon on skin and dental diseases had been presented to the Medical Research Institute during 2017-2017, but the proposal had been turned down due to internal conflicts of that institution.
- (ii) A clinical confirmation had not been obtained on the research conducted during 2017-2018 relating to the potential of cinnamon tea for controlling diabetes, thus failing to issue the product to the market.
- (iii) Mosquito-repellent incense sticks had been produced during 2019-2022 using cinnamon oil and citronella oil but no action was taken to clinically prove whether that product was innocuous to humans, thus failing to create a market for the product.

### **3.9.3 Contribution from the Divisional Offices of the Export Development Board**

The following observations are made in this connection.

- (a) The 04 provincial offices in Northern, North Western, Central and Southern provinces of the Export Development Board, had identified 44 exporters under the programme “ identification and development of new potential exporters” implemented by the Spices and Concentrates Division during 2020-2021.
- (b) A number of 150 beneficiaries for vanilla cultivation had been selected from North Western and Southern provinces whilst 2,645 beneficiaries had been selected from Central province for coffee, vanilla and cardamom cultivation under the export processing village programme. However, due to lack of provision following the Circular of the Ministry of Finance to minimize public expenses, it was informed that the project could not be implemented. It was observed that those projects were not in progress in the Northern Province.

### **3.9.4 Responsibilities of the Ministry of Industries**

“Promoting and strengthening the local industries with modern strategies to earn profits facing the global competitiveness in liaison with local, regional and international supply network through diversification of industries” is the scope of the Ministry of Industries at the present day. Hence , activities such as, preparation of a combined mechanism to ensure an efficient import and export process, and implementation of policies, programs and projects to strengthen the export process, have been identified as specific priorities of this Ministry.

Accordingly, the following matters were observed as per replies received in response to a query on the functions of the Ministry of Industries in respect of exporters of export agricultural crops.

- (a) The number of exporters registered with the Ministry of Industries with respect to industries relating to spices from the year 2018 up to March 2022, are as follows.

Year	No. of Exporters
2018	08
2019	09
2020	10
2021	08
March 2022	09

- (b) In order to identify the requirements of spice related industries, action had been taken to establish a committee of consultation comprising members from value added industries. It is expected to provide the development services by coordinating the industrialists with state and private institutions through this committee.
- (c) Plans were underway for the year 2023 to establish a database on local spice industries through those consultancy committees. The objectives thereof include: minimizing waste by establishing a flexible coordination between the spice producers, industrialists, and the market; and, products of higher quality reach the customers through enhanced efficiency.

### **3.9.5 Responsibility of the Department of Commerce**

The Department of Commerce is entrusted with the issue of certificates of origin under free trade agreements and selective trade agreements. Only the exporters qualified to obtain the certificates of origin required for exporting goods under the trade agreements are registered under the Department of Commerce. Duty waivers will be given to the exporters with certificates of origin. Particulars are as follows.

Accordingly, the number of trade agreements on export agricultural crops being discussed in this report, was 07. Data on the exports done under those trade agreements, is given in Annexure 13.

Trade Agreement	Date of Agreement
<b>ISFTA</b> – Indo-Sri Lanka Free Trade Agreement	2000.03.01
<b>APTA</b> - Asia Pacific Trade Agreement	2006.09.01
<b>PSFTA</b> – Pakistan-Sri Lanka Free Trade Agreement	2005.06.12
<b>SAFTA</b> – South Asian Free Trade Agreement	2006
<b>GSP</b> - Global System of Trade Preferences	Since 1964

(Source : Website of the Department of Commerce)

Considering the exports done under trade agreements in the years 2019, 2020 and 2021 with the total number of exports, given below is the contribution made under the trade agreements.

Item	Amount of Exports (Metric Tons )								
	2019			2020			2021		
	As per Customs Data	Through Trade Agreements	%	As per Customs Data	Through Trade Agreements	%	As per Customs Data	Through Trade Agreements	%
Cinnamon	17,176.18	10,181.70	59.28	18,721.83	10,002.64	53.43	18,813.52	9,132.19	48.54
Pepper	7,812.69	5,689.62	72.83	9,038.45	6,358.59	70.35	17,959.16	14,921.66	83.09
Cardamom	12.78	1.32	10.33	1.35	0.94	69.47	2.61	1.88	72.05
Cloves	5,115.22	4,167.89	81.48	2,579.39	1,927.36	74.72	6,478.68	4,691.18	72.41
Nutmeg	2,657.96	1,226.75	46.15	1,774.07	796.79	44.91	1,710.29	995.75	58.22
Coffee	22.70	9.46	41.68	26.64	8.84	33.18	30.47	12.01	39.41
Cocoa	2.04	0.00	0.00	2.81	0.00	0.00	3.91	0.00	0.00
Vanilla	0.71	11.11	1,567.79	0.62	19.31	3,095.84	1.43	15.24	1,064.28
Betel	4,677.81	4,280.59	91.51	3,939.68	3,540.30	89.86	3,833.66	3,727.00	97.22
Citronella	10.46	0.00	0.00	5.78	0.00	0.00	4.08	0.00	0.00
Lemongrass	5.74	0.00	0.00	2.76	0.00	0.00	1.61	0.00	0.00
Ginger	36.17	21.76	60.15	110.49	42.03	38.04	113.81	80.34	70.59
Turmeric	116.59	67.27	57.70	69.25	34.81	50.27	42.38	24.27	57.27
Garcinia	98.23	317.53	323.24	141.52	327.42	231.36	176.34	746.13	423.11
Areca	6,134.10	5,885.53	95.95	12,583.98	12,545.28	99.69	10,516.26	10,467.54	99.54

(Source : Data received from Sri Lanka Customs and Department of Commerce)

Comparison of export related data received from Sri Lanka Customs with that of the Department of Commerce, provided the following observations.

- (a) The exports done through trade agreements represented 10 – 92 per cent of the total exports. However, considering data relating to vanilla and garcinia, indicating that exports done through trade agreements outnumbered the total exports, was difficult.
- (b) It was observed that crops such as, cocoa, citronella and lemongrass had not come under trade agreements.
- (c) Furthermore, those trade agreements remained in effect since over extensive periods, and no agreement had been entered newly within the 16 preceding years.
- (d) An annual quota of 25,000 metric tons had been allocated for Sri Lanka under Indo-Sri Lanka Free Trade Agreement. However, the amount of exports done thereunder in the years 2019, 2020 and 2021 was 1137 metric tons, 1043 metric tons and 2099 metric tons respectively. As such, no action had been taken to optimally use that opportunity for exports.
- (e) The REX System had been introduced recently in order to issue certificates of origin for the goods exported to Europe, Switzerland, Norway and Turkey under Generalized System of Preferences. Only 88 of approximately 363 exporters (Export Development Board data-2018) involved in exporting export agricultural crops had registered under that System.
- (f) Moreover, except for this trade agreement, an electronic methodology to issue certificates of origin under other agreements has not been introduced thus far.

### **3.9.6 Responsibility of the Consumer Affairs Authority**

Having been established in terms of the Consumer Affairs Authority Act No. 09 of 2003, it is the responsibility of the Consumer Affairs Authority to safeguard consumers' rights and ensure a fair market competition. The Audit drew attention on the responsibility of the Consumer Affairs Authority relating to the export agricultural crops. The observations made in that connection are as follows.

- (a) As for the regulation of prices of export agricultural crops and responsibility for the goods, it was observed that the Consumer Affairs Authority had failed to ensure adequate regulation. Considerable variations in prices and scarcity of those crops in the market were visible during the 04 preceding years taken into consideration, but no substantial measures had been taken by the Consumer Affairs Authority.
- (b) A control price of Rs. 750 per kilogram of turmeric had been imposed through the Gazette No. 2172/5 dated 21 April 2020, but that had been revoked in the Gazette No. 2194/49 dated 23 September 2020. Except for that, no other control price had been imposed either for the producer or the consumer on any other crop, and hence, no active control or regulation had taken place with respect to demand and supply of the market as well as the prices.
- (c) As for the years 2020 and 2021, the Consumer Affairs Authority had conducted 68 investigations on the control price for turmeric published in the Gazette being exceeded whilst 59 investigations had been conducted relating to the lack of standard thereby filing cases.
- (d) When queried as to the establishment of a special unit responsible for export agricultural crops and conducting awareness programs for the business community / consumers in that connection, it was observed that the Consumer Affairs Authority had not drawn attention thereon. However, attention should also be drawn on the export agricultural crops in order to materialize the vision of securing the rights of consumers within an ethical business environment.

### **3.9.7 Responsibilities of the Department of Imports and Exports Control for Imports and Exports**

The Department of Imports and Exports Control issues import and export licenses for the relevant goods. This Department makes and publishes regulations in accordance with policy decisions taken by the Government on imports and exports from time to time. Particulars are as follows.

- (a) Issue of import and export licenses had been suspended as per Gazette Notifications No. 2189/4 dated 17 August 2020 and No. 2044/40 dated 09 November 2017 with respect to 09 crops on which the import and export control regulations are effective at present day as mentioned in this report. However, those crops had been imported even in the year 2021 in accordance with data from the Sri Lanka Customs.

Item	Amount of Imports (Kg)	Value (Rs.)
Cinnamon	87	86,107
Pepper	59,208	68,186,770
Cardamom	512	545,105
Cloves	10,011	11,273,841
Nutmeg	2	4,836
Cocoa	2	1,147
Ginger	472	465,495
Turmeric	799	583,567
Areca nut	239,000	173,655,560

*Source: Statistics Division, Sri Lanka Customs*

### **3.10 Responsibilities of the Central Bank of Sri Lanka for the Receipt of Export Proceeds**

All the export proceeds being repatriated into Sri Lanka are regulated in terms of Amendments to the Operating Instructions on “Repatriation of Export Proceeds into Sri Lanka “, No. 01 of 2022 issued as per provisions of the Monetary Law Act No. 58 of 1948. It was mentioned that, as per the authority vested in the Department of Foreign Exchange in accordance with those Amendments, information on export proceeds being remitted into Sri Lanka was collected by the Department of Foreign Exchange of the Central Bank of Sri Lanka through licensed commercial banks and National Savings Bank.

In instances where exporters do not present the export documents to the licensed traders when export agricultural crops are exported via open accounts, information on such exports are not in possession of the licensed traders. Accordingly, the Central



Bank of Sri Lanka does not have a methodology to ensure that foreign exchange has been received in Sri Lanka in such a scenario. It was observed that action was taken by the Central Bank of Sri Lanka, Sri Lanka Customs, and the licensed traders to install an Online Export Proceeds Monitoring System in view of minimizing the existing inefficiencies. It was stated that information relating to the export of agricultural crops would be retrieved based on the sorting capabilities of the System.

#### **4. Recommendations**

- 4.1 In order to promote the export agricultural crops, an agriculture policy, including a policy on export agriculture, should be formulated and implemented.
- 4.2 The Promotion of Export Agriculture Act No. 46 of 1992 should be expeditiously implemented for promoting export agricultural crops with favorable amendments being made thereto.
- 4.3 Priorities should be identified and sufficient provision should be granted to carry out researches. The connected parties should be encouraged to use the results of researches for practical use thus promoting the export of value added products.
- 4.4 In addition to producing crops required for indigenous medicine, cultivation should be promoted in herbal gardens owned by the Sri Lanka Ayurvedic Drugs Corporation & Department of Ayurveda, and other suitable lands.
- 4.5 Preparation of programs and ensure market availability to encourage the farmers' associations, cooperative societies and cultivators to cultivate minor export crops specific to a relevant area, increase harvest, and enhance the product quality.
- 4.6 To identify value added products and byproducts out of agricultural crops as much as possible, and plan strategies in that connection.
- 4.7 Minor export crops should be purchased, stocks should be given to the producers and products of higher quality should be made available to the consumers through the Spices and Allied Products Marketing Board.
- 4.8 Since the Department of Export Agriculture has the necessary technical knowledge and expertise to certify the seeds and planting materials related to export agricultural crops, legal provision should be made in order for the Director General of Export Agriculture to be legally authorized in that connection.

- 4.9 When issuing plants of export agricultural crops, such plants should be issued to specifically identified farmers with necessary facilities. A continuous monitoring process should be put in place from the issue of plants up to harvesting.
- 4.10 A special procedure should be prepared and implemented to issue certificates of Good Agricultural Practices (GAP) and Good Manufacturing Practices (GMP) to the farmers and producers relating to export agricultural crops, and they should be encouraged to proceed with products that have been certified.
- 4.11 Registration of parties relating to export agricultural crops, and a centralized database should be maintained to identify the cultivated areas using a map supported by Geographic Information System. Exchange of data and the progress should be regulated in a timely manner.
- 4.12 Data relating to crops generating higher export income should be analyzed in a timely manner, thus promoting the cultivation of such crops.
- 4.13 Taking measures to obtain tax relief and other benefits by entering into new trade agreements, and implementation of a programme to gain benefits through Geographical Indication (GI) for cinnamon.
- 4.14 To establish a centralized institution to regulate all exports in accordance with budget proposals for the year 2022. To grant financial provision for making investments in view of promoting the export of agricultural crops in value added form rather than being exported as raw items. Providing guidance for all the institutions related to the industry in that connection.
- 4.15 To strengthen the coordination between institutions so as for the responsible institutions to expeditiously implement a methodology to ensure that export proceeds are remitted to Sri Lanka. Taking follow up action on the exporters' compliance with Rules governing the remittance of export proceeds to Sri Lanka (online system of supervising the exports).

- 4.16 Providing assistance of a state institution to certify the standard of packaging; preparation of a methodology to encourage the exporters for using logos.
- 4.17 Recommendations on the inefficiencies identified as mentioned above in implementing the Spices and Concentrates Strategy during 2018-2022, should be used in preparing new plans.

**Sgd./W.P.C. Wickramaratne**  
**Auditor General**

W.P.C.Wickramaratne

Auditor General

02 June 2023

## Annexure 01

The Department of Export Agriculture had presented 24 research proposals to the Sri Lanka Council for Agricultural Research Policy during the period 2011-2021 and a sum of Rs. 45.5 million had been incurred thereon.

Serial No.	Name of the Research	Year of Commencement	Year of Completion	Cost Incurred (Rs.)
01	Productivity improvement of cocoa through integrated soil and plant nutrient management system including good management practices(continuation)	2011	2013	2.4
02	Development of a cinnamon variety with high yield, superior oil quality, resistant to Rough bark disease and cinnamon wood Boring Moth	2011	2013	1.2
03	Multi –faceted crop improvement project on Black pepper	2011	2015	2.4
04	In vitro clone propagations of pepper local selections with high yield and quality	2011	2014	2.8030
05	Technology innovation for large scale in vitro multiplication of Cardamom, Cinnamon, Black Pepper, Ginger and Turmeric	2011	2013	2.96
06	Preparation of bio-fertilizer (Arbuscular mycorrhizae -AM) and bio-control agents (Trichoderma species and Pseudomonas floescence) for the nursery and field applications in Black Pepper (Piper nigrum L.)	2011	2013	0.2171
07	Detection of microbial contaminations at different stages of post-harvest practices of Export Agricultural Crops (EACs)mainly Black Pepper (Piper nigrum L)and its control (continuation)	2011	2013	0.7659
08	Management of Cardamom Thrips (Sciothrips cardamom)in Cardamom (Elettaria cardamomum Maton) plantations under natural forests(continuation)	2011	2013	2.9520
09	Development of crop health based integrated pest management (IPM)package for managing Cinnamon pests(Arthropods, Pathogens and weeds)	2012	2014	3.2210
10	Development of tray drying technology to improve quality of export agricultural crops	2012	2013	1.3225
11	productivity improvement of cocoa through integrated soil and plant nutrient	2014	2015	0.8

	management system including good management practices Phase II			
12	Technology innovation for large scale in vitro multiplication of Cardamom, Cinnamon, Black Pepper, Ginger and turmeric Phase II	2014	2015	0.8
13	Collection, Establishment, Evaluation, and Conservation of Germplasm of, Betel(piper betel L),Ginger(Zingiber officinales Roscoe) and Turmeric (Curcuma domestica L).	2015	2017	1.28
14	Development of Value added products using waste betel(piper betel)leaves	2016	2018	0.72
15	A study the effect of changes on annual weather in soil Carbon and Nitrogen dynamics in Black pepper (Piper nigrum L)cultivations	2017	2018	0.8
16	Collection and in-situ evaluation of local pepper selections	2017	2019	2.9575
17	Identification of genetic diversity of Goraka (Garcinia quaesita pierre and Garcinia zeylanica roxb)and establishment of a field gene bank	2017	2019	1.496
18	synchronization of flowering and fruiting behavior of newly introduce Piper nigrum cultivars (Butaweraala dingirala and kohukumburerala) as climate change adaption technique	2017	2019	2.957
19	Collection and investigation for growth, yield and chemical properties of different Goraka (Garcinia ququesita) selection in Sri Lanka.	2017	2019	3.01
20	Studies on productivity improvement of cocoa under coconut in Kurunegala District of Sri Lanka	2017	2019	1.519
21	Assessment of Existing Fertigation protocols with respect to their Marketable yield in different Agro Ecological Regions	2017	2018	0.715
22	Development of land suitability classification for black pepper in Sri Lanka.	2018	2019	1.575
23	Comparison of Total Eco system benefits of pepper (Genus piper)mono crop with inter cropping and mixed cropping systems of pepper with special reference to Kandyan Forest Gardens	2018	2019	
24	Study the effect of traditional shelter belt on growth, yield & leaf quality of betel piper betel L.)	2019	2021	4.625
	<b>Total</b>			<b>45.4961</b>

## Annexure 02

Researches on export agricultural crops conducted during 1975-2021 by the Department of Export Agriculture, University of Colombo, University of Sri Jayawardeneapura, University of Ruhuna and Post Graduate Institute of Agriculture with financial assistance from National Science Foundation.

Name of the Crop	No. of Researches	Research Institute	Expenditure Incurred (Rs.)	Year of Research	Area of Research
Turmeric	02	University of Colombo	4,766,410	2020/2021	
		University of Sri Jayawardeneapura,			
Ginger	01	University of Sri Jayawardeneapura,		2020/2021	
Pepper	01	Department of Export Agriculture	350,000	1997/1999	
Cinnamon	06	CISIR, University of Peradeniya	745,900	1975, 2005/2008	
		University of Ruhuna	58,849	1992/1993	
		Department of Export Agriculture	229,580	1980/1986	
Cardamom	02	Department of Export Agriculture	686,400	1980 1983	
Cloves	02	Post Graduate Institute of Agriculture	250,362	1978 1988/1990	
Nutmeg	01	Department of Export Agriculture		1990	
Coffee	01	Department of Export Agriculture	29,950	1977	Selection of coffee in accordance with conditions of Sri Lanka and biological assessment.
Cocoa	02		20,800	1979 1985	Maturing cocoa and cocoa based exports.
Garcinia	01	University of Peradeniya	634,831	2001-2005	Identification of genetic differences.
<b>Total</b>	<b>19</b>		<b>7,773,082</b>		

**Annexure 03**

Particulars on research provisions granted to the Department of Export Agriculture during the period 2008-2021.

Year	Total Provision Requested	Provision Received	Expenditure on Researches	Total No. of Researches	No. of Researches Completed	No. of Researches in Progress
2008	1,658,160	600,000	599,433	01	01	0
2009	1,812,953	645,000	436,845	01	01	0
2010	Information not made available.					
2011	4,575,535	2,000,000	1,463,091	03	03	0
2012	1,026,265	1,800,000	810,519	01	01	0
2013	2,634,937	4,500,000	2,213,848	03	03	0
2014	916,530	4,000,000	1,794,041	01	01	0
2015	2,300,171	3,800,000	1,442,694	03	03	0
2016	13,180,010	4,000,000	1,932,359	27	19	8
2017	13,606,453	7,142,500	1,759,238	17	07	10
2018	3,942,190	5,000,000	2,971,259	16	05	11
2019	5,660,590	12,000,000	2,896,209	17	06	11
2020	1,646,620	4,960,831	581,500	14	05	09
2021	2,722,034	6,150,000	2,732,461	12	01	11
Total	55,682,448	56,598,331	21,633,497	116	56	60



## Annexure 04

Particulars on researches conducted by various Divisions of the Central Research Institute,  
Matale.

	Research Division	Year	Provision Requested	Provision Received	Expenses Incurred	No. of Researches	No. of Researches Completed	No. of Researches in Progress
01.	Agronomy Division	2017	5,656,596	-	3,058,000	02	-	02
		2018	1,051,550	-	-	02	01	01
		2021	1,038,400	-	-	03	01	02
<b>Total</b>			<b>7,746,546</b>	<b>-</b>	<b>3,058,000</b>	<b>07</b>	<b>02</b>	<b>05</b>
02.	Genetic and Plant Breeding	2008	1,658,160 (Cocoa)	-	-	01	01	-
		2009	1,812,953 (Coffee)	-	-	01	01	-
		2011	3,761,696	-	-	02	02	-
		2012	1,026,265	-	-	01	01	-
		2013	1,801,360	-	-	02	02	-
		2015	2,165,643	-	-	02	02	-
		2016	3,818,710	-	-	04	04	-
		2017	5,285,344	-	-	01	01	-
		2018	367,440	-	-	02	01	01
		2019	2,166,420	-	-	03	02	01
		2020	258,000	-	-	01	01	-
<b>Total</b>			<b>24,121,991</b>			<b>20</b>	<b>18</b>	<b>02</b>
03.	Post-Harvest Technology Division	2016	2,980,000	2,525,000	-	10	10	-
		2017	800,000	625,000	-	04	04	-
		2018	676,000	480,000	-	02	02	-
		2019	745,000	600,000	-	03	03	-
		2020	1,130,000	850,000	-	04	03	01
<b>Total</b>			<b>6,331,000</b>	<b>5,080,000</b>	<b>-</b>	<b>23</b>	<b>22</b>	<b>01</b>
04	Soil Science Division	2016	Researching the effect of Nitrogen in increasing the growth and yield of pepper cultivation.	-	-	01	01	-
<b>Total</b>						<b>01</b>	<b>01</b>	<b>0</b>
05	Plant Pathology Division	2016	5,903,800	930,000	1,332,000	06	06	-
		2018	714,000	-	-	01	01	-
		2019	1,113,870	-	-	02	01	01

		2020	258,620	-	-	01	-	01
		2021	555,700	-	-	02	-	02
		2022	48,250	-	-	01	-	01
<b>Total</b>			<b>8,594,240</b>	<b>930,000</b>	<b>1,332,000</b>	<b>13</b>	<b>08</b>	<b>05</b>
06	Physical Science and Plant Production Division	2016	477,500	-	-	06	01	05
		2017	972,500	-	-	09	01	08
		2018	1,133,200	-	-	09	-	09
		2019	1,635,300	-	-	09	-	09
		2020	1,421,600	-	-	08	01	07
		2021	1,027,800	-	-	06	-	06
<b>Total</b>			<b>6,667,900</b>	<b>-</b>	<b>-</b>	<b>47</b>	<b>03</b>	<b>44</b>
07	Entomology Division	2006	2,319,088			02	02	-
		2011	813,839			01	01	-
		2013	833,577			01	01	-
		2014	916,530			01	01	-
		2015	134,528			01	01	-
		2017	892,013			01	01	-
		2021	100,134			01	-	01
<b>Total</b>			<b>6,009,909</b>			<b>08</b>	<b>07</b>	<b>01</b>

## Particulars on the registration of private nurseries

Serial No.	Regional Office	No. of Registered Nurseries			
		2018	2019	2020	2021
01	Nuwara Eliya	32	31	26	38
02	Kandy	0	0	0	0
03	Polonnaruwa	39	28	18	17
04	Gampaha	30	28	24	35
05	Galle	69	71	65	70
06	Anuradhapura	27	19	29	34
07	Colombo	15	13	9	20
08	Kegalle	52	49	39	44
09	Matara	89	83	51	62
10	Monaragala	78	59	52	52
11	Badulla	53	55	42	47
12	Matale	55	35	29	34
13	Kurunegala	40	40	30	33
14	Hambanthota	31	31	28	33
15	Ratnapura	77	60	49	80
16	Ampara	0	0	0	0
17	Kalutara	44	37	32	32
	Total	731	639	523	631

**Annexure 06**

**Particulars on the distribution of plants under the new Cultivation Promotion Programme during 2018-2021**

Name of the Crop	2018		2019		2020		2021		Total	
	No. of Plants Distributed	No. of Farmers	No. of Plants Distributed	No. of Farmers	No. of Plants Distributed	No. of Farmers	No. of Plants Distributed	No. of Farmers	No. of Plants Distributed	No. of Farmers
Pepper	589329	1470	488203	1210	903495	2336	825350	2308	2806377	7324
Cinnamon	5814280	1830	7601480	2494	9580860	3541	10543500	4903	33540120	12768
Areca nut	2000	01	3400	01	7200	21	21800	45	34400	68
Cardamom	2350	23	8475	135	9775	124	9250	145	29850	427
Cloves	3975	29	3750	51	4500	51	6725	82	18950	213
Coffee	26400	29	90150	115	186900	132	439050	356	742500	632
Vanilla	0	0	0	0	14090	16	39440	78	53530	94
Nutmeg	0	0	0	0	2000	7	7200	8	9200	15
Garcinia	0	0	0	0	0	0	0	0	0	0
Turmeric	0	0	0	0	0	0	0	0	0	0
Ginger	0	0	0	0	0	0	0	0	0	0
Total	6438334	3382	8195458	4006	10708820	6228	11892315	7925	37234927	21541
Value of Assistance	104,710,000		86,650,000		160,337,665		0		351,697,665	

## Average export revenue per kilogram of cardamom, citronella, and cocoa

Year	Cardamom				Citronella				Cocoa			
	Amount of Export	Value	Average Revenue per Kilogram (Rs.)	Average Revenue per Kilogram (US \$)	Amount of Export	Value	Average Revenue per Kilogram (Rs.)	Average Revenue per Kilogram (US \$)	Amount of Export	Value	Average Revenue per Kilogram (Rs.)	Average Revenue per Kilogram (US \$)
2016	779,403	843,273,960	1,082	7	304	1,121,916	3,685	25	4,355	4,174,961	959	7
2017	839,167	870,552,301	1,037	7	984	5,003,265	5,084	33	26,710	17,914,973	670	4
2018	108,303	156,310,677	1,143	9	5,392	28,570,335	5,299	33	4,283	5,273,977	1232	8
2019	12,779	33,801,302	2,645	15	5,745	31,285,021	5,446	30	2,043	3,242,369	1587	9
2020	1,353	17,572,006	12,987	13	2,762	18,723,324	6,779	37	2,805	3,947,710	1407	7.5

When computing the average export revenue per kilogram in US Dollars, the exchange rate of a Dollar from the year 2016 to 2020 amounted to Rs. 145.6, Rs. 152.4, Rs. 162.5, Rs. 178.7, and Rs. 185.6 respectively.

## Export Data

## Annexure 08

Item	2017		2018		2019		2020		2021	
	Amount of Exports (kg)	Value (Rs. )	Amount of Exports (kg)	Value (Rs. )	Amount of Exports (kg)	Value (Rs. )	Amount of Exports (kg)	Value (Rs. )	Amount of Exports (kg)	Value (Rs. )
Cinnamon	16,617,035	30,872,790,552	17,536,508	34,852,895,361	17,176,182	31,463,007,929	18,721,834	38,218,806,221	18,813,519	45,879,168,502
Pepper	13,309,082	12,767,965,501	13,118,093	12,074,033,131	7,812,686	8,272,042,415	9,038,450	9,128,989,653	17,959,161	22,669,345,438
Cardamom	839,167	870,522,301	108,303	156,310,677	12,779	33,801,302	1,353	17,572,006	2,609	59,023,107
Cloves	7,805,586	7,161,890,772	3,279,243	2,579,463,330	5,115,224	5,359,749,149	2,579,388	2,816,234,624	6,478,676	6,888,136,089
Nutmeg	1,691,706	1,562,107,496	1,657,560	1,671,386,293	2,657,965	2,583,644,141	1,774,072	2,077,905,932	1,710,289	2,468,009,142
Coffee	13,793	29,255,679	23,605	46,605,302	22,695	63,124,897	26,643	58,663,863	30,472	62,328,138
Cocoa	26,710	17,914,973	4,283	5,273,977	2,043	3,242,369	2,805	3,947,710	3,914	6,392,664
Vanilla	5,995	27,058,577	1,553	63,206,424	709	24,816,409	624	25,726,958	1,432	30,459,577
Betel	5,144,919	3,164,075,484	4,009,007	2,615,715,842	4,677,806	3,406,466,274	3,939,680	2,942,545,811	3,833,662	3,076,901,802
Citronella	38,025	263,150,241	40,865	177,339,539	10,463	43,260,161	5,782	26,155,492	4,083	26,436,211
Lemongrass	984	5,003,265	5,392	28,570,335	5,745	31,285,021	2,762	18,723,324	1,614	13,966,917
Ginger	81,594	93,833,166	97,173	121,969,141	36,174	54,461,355	110,487	86,085,105	113,810	100,421,003
Turmeric	114,881	103,119,858	76,370	102,648,756	116,595	104,583,745	69,253	86,295,502	42,381	114,405,491
Garcinia	87,441	70,885,170	87,308	69,812,122	98,233	71,130,805	141,518	104,437,593	176,343	156,011,667
Areca nut	10,647,354	5,745,292,775	4,947,292	2,864,181,263	6,134,099	3,828,117,601	12,583,981	8,375,790,616	10,516,256	8,669,640,938

Statistics Division, Sri Lanka Customs

**Annexure 09**

**Data of the main areas of export for the years 2012 and 2021 as per classification of data by the Export Development Board.**

	Product	Export Revenue (US \$)				Growth
		2012	%	2021	%	%
1	Tea	1,408.66	15.21	1,324.37	10.82	-4.40
2	Rubber & Rubber Based Products	981.78	10.60	1,092.60	8.92	-1.68
3	Coconut & Coconut based Products	365.15	3.94	836.10	6.83	2.89
4	Spices, Essential Oils & Oleoresins	255.66	2.76	456.78	3.73	0.97
5	Fruits, Nuts & Vegetables	32.95	0.36	66.90	0.55	0.19
6	Cut Flowers & Foliage	11.10	0.12	16.20	0.13	0.01
7	Other Export Crops	12.08	0.13	68.58	0.56	0.43
8	Fish & Fisheries Products	205.17	2.22	295.08	2.41	0.19
9	Diamonds, Gems & Jewellery	425.31	4.59	294.05	2.40	-2.19
10	Apparel & Textile	3,964.65	42.82	5,415.90	44.24	1.42
11	Food, Feed & Beverages	309.70	3.34	443.98	3.63	0.28
12	Tobacco	89.22	0.96	111.95	0.91	-0.05
13	Leather Products	18.95	0.20	17.14	0.14	-0.06
14	Wood & Wooden Products	64.98	0.70	50.20	0.41	-0.29
15	Paper & Paper Products	89.95	0.97	117.38	0.96	-0.01
16	Chemicals & Plastic Products	94.77	1.02	160.33	1.31	0.29
17	Non-metallic Mineral Products	116.32	1.26	114.60	0.94	-0.32
18	Base Metal Products	56.13	0.61	156.40	1.28	0.67
19	Engineering Products	491.14	5.30	703.32	5.74	0.44
20	Footwear & Parts	12.24	0.13	14.86	0.12	-0.01
21	Petroleum Products	31.98	0.35	234.36	1.91	1.57
22	Other Manufactures	124.08	1.34	212.82	1.74	0.40
23	Miscellaneous Products	97.52	1.05	38.47	0.31	-0.74

9,259.49

12,242.37

**Source : Export Development Board**

## Export market for spices and concentrates of Sri Lanka

	Market	Value of Exports (US \$ )										Average Growth (%) (2016-2020)
		2016		2017		2018		2019		2020		
			(%)		(%)		(%)		(%)		(%)	
1.	Mexico	70.15	21.98	91.48	22.41	94.22	26.09	67.91	21.68	71.81	21.41	(0.57)
2.	India	75.06	23.51	105.56	25.86	85.06	23.56	78.66	25.11	66.46	19.81	(3.70)
3.	United States	45.61	14.29	52.69	12.91	45.08	12.48	39.44	12.59	55.20	16.46	2.17
4.	Peru	14.15	4.43	18.22	4.46	22.79	6.31	13.53	4.32	28.75	8.57	4.14
5.	Germany	21.99	6.89	18.54	4.54	18.28	5.06	16.76	5.35	13.38	3.99	(2.90)
6.	Colombia	7.50	2.35	11.01	2.70	8.60	2.38	6.84	2.18	11.65	3.47	1.12
7.	Ecuador	7.30	2.29	8.70	2.13	10.83	3.00	6.60	2.11	10.08	3.00	0.72
8.	United Arab Emirates	2.47	0.77	9.28	2.27	4.44	1.23	7.86	2.51	7.17	2.14	1.36
9.	United Kingdom	6.17	1.93	6.61	1.62	7.50	2.08	5.57	1.78	6.66	1.99	0.05
10.	Bolivia	5.92	1.85	6.74	1.65	5.14	1.42	8.53	2.72	6.22	1.85	(0.00)
11.	Guatemala	4.17	1.31	8.81	2.16	5.09	1.41	10.44	3.33	6.05	1.80	0.50
12.	Chile	3.58	1.12	4.45	1.09	4.22	1.17	3.85	1.23	5.24	1.56	0.44
13.	Spain	5.28	1.65	5.49	1.34	8.22	2.28	6.36	2.03	5.08	1.51	(0.14)
14.	France	4.42	1.38	3.91	0.96	3.62	1.00	4.73	1.51	4.37	1.30	(0.08)
15.	Australia	2.21	0.69	3.02	0.74	2.72	0.75	2.50	0.80	2.90	0.86	0.17
16.	El Salvador	1.39	0.44	2.59	0.63	2.86	0.79	1.71	0.55	2.87	0.86	0.42
17.	Nicaragua	1.92	0.60	2.07	0.51	1.36	0.38	1.61	0.51	2.84	0.85	0.25
18.	China	0.42	0.13	1.25	0.31	1.05	0.29	1.18	0.38	2.29	0.68	0.55
19.	Netherlands	2.76	0.86	3.70	0.91	2.43	0.67	3.45	1.10	2.08	0.62	(0.24)
20.	Canada	2.26	0.71	3.80	0.93	3.52	0.97	2.36	0.75	1.85	0.55	(0.16)



21.	Honduras	1.43	0.45	1.37	0.34	0.99	0.27	1.34	0.43	1.82	0.54	0.09
22.	Japan	1.83	0.57	1.87	0.46	1.90	0.53	2.02	0.64	1.79	0.53	(0.04)
23.	Italy	1.45	0.45	1.25	0.31	1.92	0.53	1.51	0.48	1.59	0.47	0.02
24.	Saudi Arabia	0.47	0.15	2.91	0.71	0.03	0.01	1.16	0.37	1.44	0.43	0.28
25.	Bangladesh	2.66	0.83	5.67	1.39	0.79	0.22	1.10	0.35	1.25	0.37	(0.46)
26.	Egypt	1.49	0.47	0.85	0.21	0.85	0.24	0.75	0.24	1.14	0.34	(0.13)
27.	Turkey	0.35	0.11	0.90	0.22	0.84	0.23	0.38	0.12	1.08	0.32	0.21
28.	Argentina	0.71	0.22	0.83	0.20	0.35	0.10	0.49	0.16	1.04	0.31	0.09
29.	Switzerland	1.69	0.53	2.50	0.61	1.90	0.53	1.91	0.61	0.95	0.28	(0.25)
30.	Poland	0.14	0.04	0.32	0.08	0.86	0.24	0.97	0.31	0.87	0.26	0.22
31.	South Africa	0.61	0.19	0.36	0.09	1.80	0.50	0.40	0.13	0.69	0.21	0.01
32.	Belgium	0.46	0.14	0.40	0.10	0.77	0.21	0.47	0.15	0.66	0.20	0.05
33.	Pakistan	0.86	0.27	3.29	0.81	1.45	0.40	1.19	0.38	0.53	0.16	(0.11)
34.	Malaysia	0.65	0.20	1.72	0.42	0.44	0.12	0.41	0.13	0.43	0.13	(0.08)
35.	Russian Federation	1.30	0.41	0.54	0.13	0.36	0.10	0.64	0.20	0.40	0.12	(0.29)
36.	Viet Nam	3.19	1.00	2.53	0.62	1.12	0.31	0.37	0.12	0.39	0.12	(0.88)
37.	Costa Rica	0.26	0.08	0.24	0.06	0.31	0.09	0.23	0.07	0.39	0.12	0.03
38.	Dominican Republic	0.19	0.06	0.27	0.07	0.44	0.12	0.42	0.13	0.39	0.12	0.06
39.	Maldives	0.74	0.23	0.98	0.24	0.66	0.18	0.52	0.17	0.36	0.11	(0.12)
40.	Austria	1.62	0.51	0.64	0.16	0.75	0.21	0.23	0.07	0.35	0.10	(0.40)
41.	Other Market	12.39	3.88	10.84	2.66	5.54	1.53	6.85	2.19	4.95	1.48	(2.41)
		<b>319.22</b>		<b>408.20</b>		<b>361.10</b>		<b>313.25</b>		<b>335.46</b>		

(Source : Export performance indicator - 2020, Export Development Board)

## Annexure 11

Data of the exporters exporting agricultural crops relating to the year 2018.

	Description	Value (Rs.)	Share (%)
1	SAMAGI SPICE EXPORTS PVT LTD	3,404,680,068	6.37
2	RATHNA PRODUCERS CINNAMON EXPORTS PVT LTD	2,502,156,820	4.68
3	IMPEX CORPORATION PVT LTD	2,392,123,296	4.48
4	NEW LANKA CINNAMON PVT LTD	2,295,809,292	4.30
5	GRUPO CANELA PVT LTD	2,189,625,866	4.10
6	G P D SILVA & SONS INTERNATIONAL PVT LTD	2,053,605,688	3.84
7	S L A SPICE PVT LTD	1,898,566,323	3.55
8	NEW DEHARA TRADING COMPANY PVT LTD	1,615,879,190	3.02
9	S D S SPICES PVT LTD	1,547,068,150	2.90
10	HAYLEYS FREE ZONE LTD	1,493,664,910	2.80
11	DIMATH CINNAMON PRODUCERS	1,209,337,403	2.26
12	SPICE ESTATE PVT LTD	1,145,469,174	2.14
13	SYNTHITE LANKA PVT LTD	1,080,753,713	2.02
14	SABOOR CHATOOR PVT LTD	1,054,004,508	1.97
15	IMPERIAL SPICES PVT LTD	1,041,013,567	1.95
16	NIHAL SHANTHA & SONS	1,020,106,963	1.91
17	WATTAKGODA PRODUCERS	963,876,376	1.80
18	JOINT AGRI PRODUCTS CEYLON PVT LTD	960,027,065	1.80
19	RUHUNU SPICE EXPORTS PVT LTD	943,822,671	1.77
20	R A S N SPICE PVT LTD	911,743,560	1.71
21	TROPICAL ISLAND COMMODITIES PVT LTD	866,716,162	1.62
22	BIO FOODS PVT LTD	845,472,812	1.58
23	SIRILAKA TRADERS	755,688,482	1.41
24	D L K SPICE EXPORT	748,669,483	1.40
25	LUXMI EXPORT AND IMPORT	739,296,457	1.38
26	CENTRAL SPICE EXPORT	717,390,217	1.34
27	C S K EXPORTS	695,479,292	1.30
28	MAHIR BROTHERS	694,524,182	1.30
29	PURA VIDA INTERNATIONAL PVT LTD	656,621,830	1.23
30	THARIKA INTERNATIONAL	623,585,900	1.17
31	EOAS ORGANICS PVT LTD	619,466,619	1.16
32	INTERNATIONAL COMMODITY EXPORTS PVT LTD	609,672,677	1.14
33	CEYLON SPICE EXPORT	542,864,134	1.02
34	CARLTON ESTATE CINNAMON EXPORTERS	517,414,961	0.97
35	CINNATOPIA PVT LTD	505,259,956	0.95
36	LANKA COMMODITY TRADING PVT LTD	497,629,567	0.93
37	ORIENT TRADING CO PVT LTD	450,509,650	0.84
38	NEW RATHNA PRODUCERS AND EXPORTERS PVT LTD	439,972,298	0.82

39	ISHANA EXPORTS PVT LTD	409,468,916	0.77
40	G D DE SILVA SONS	386,161,806	0.72
41	C B L NATURAL FOODS PVT LTD	369,152,609	0.69
42	MERCHANT LANKA PVT LTD	344,579,309	0.65
43	LANKA GARDIAN COMMODITIES PVT LTD	283,294,456	0.53
44	CHATOOR & CO LTD A S	273,219,300	0.51
45	P N S SPICE EXPORTERS	268,102,445	0.50
46	SUMMERDALE PVT LTD	260,936,726	0.49
47	RANDIMA EXPORTERS	258,816,803	0.48
48	MARIYAM INTERNATIONAL	255,799,166	0.48
49	AKEN LANKA PVT LTD	248,488,500	0.47
50	AGROCORP INTERNATIONAL PVT LTD	243,505,528	0.46
51	MUBARAK TRADING CO	242,236,962	0.45
52	ADMAJEE LUKMANJEE PVT LTD	224,911,223	0.42
53	L B SPICE TRADING PVT LTD	223,830,066	0.42
54	A H SPICE EXPORTS	215,203,407	0.40
55	CEYN TA LANKA EXPORTS	212,196,647	0.40
56	D TRIANGLE PVT LTD	206,924,570	0.39
57	SPECTRUM	190,992,231	0.36
58	BALAJI VENTURES LANKA PVT LTD	190,352,778	0.36
59	WELL SPICE & CAR SALE	182,864,289	0.34
60	WORLDWIDE COMMODITIES PVT LTD	160,867,779	0.30
61	FANCY TRADERS	158,802,367	0.30
62	P D ROMANIS & SONS	154,712,264	0.29
63	LAK CINNAMON PLANTERS AND EXPORTERS PVT LTD	152,389,486	0.29
64	A S D SPICE EXPORT	132,724,566	0.25
65	SOUTHERN ASIA SPICES ENTERPRISES	130,660,144	0.24
66	CENTRAL TRADERS	125,186,130	0.23
67	R U TRADING COMPANY	116,126,140	0.22
68	SPICE OF LIFE PVT LTD	112,782,014	0.21
69	4B INTERNATIONAL PVT LTD	108,187,086	0.20
70	K T J KUMARA & BROTHERS PVT LTD	102,344,268	0.19
71	COMODITIES IMPORTERS	98,921,699	0.19
72	C F T INTERNATIONAL PVT LTD	98,599,885	0.18
73	PREMAWARDANE EXPORT	97,126,965	0.18
74	STASSEN INTERNATIONAL PVT LTD	95,525,578	0.18
75	DANI FOODS LANKA PVT LTD	88,673,600	0.17
76	INTEXLANKA PVT LTD	88,263,551	0.17
77	KANDY HERITAGE SPICES PVT LTD	87,539,300	0.16
78	SRI SPICE PVT LTD	86,975,008	0.16
79	MASH LANKA HOLDINGS PVT LTD	86,192,802	0.16
80	AGRO PRIME	83,955,954	0.16
81	S T A SPICE EXPORTS PVT LTD	82,779,510	0.15
82	DEVI TRADING CO	78,714,999	0.15
83	DESHAPRIYA SPICE	77,071,460	0.14
84	L S LAKSHANI SPICE PVT LTD	73,407,655	0.14
85	AHAMED B M I R	71,213,158	0.13

86	MENUMADAI TRADING LANKA PVT LTD	70,776,622	0.13
87	PEOPLES ORGANIZATION FOR DEVELOPMENT IMPORT AND EXPORTS	67,606,658	0.13
88	MULTIFOODS PVT LTD	67,518,760	0.13
89	VIRGIN CINNAMON INTERNATIONAL PVT LTD	58,832,581	0.11
90	SANO IMPEX	57,053,999	0.11
91	GREEN LANKA ALLIANCE PVT LTD	55,823,065	0.10
92	A F I SERENDIB AGRO PVT LTD	54,814,033	0.10
93	AUSSPICE PVT LTD	52,817,865	0.10
94	GREENFIELD BIO PLANTATIONS PVT LTD	49,320,641	0.09
95	PRIME LANKA EXPORTERS	47,303,983	0.09
96	H D D E S EXTRACTS PVT LTD	46,971,612	0.09
97	DEHARA TRADING CO PVT LTD	46,803,267	0.09
98	SEVEN SEAS COMMODITIES PVT LTD	43,190,949	0.08
99	SAMADI EXPORT	43,124,228	0.08
100	MADANAYAKA SPICE EXPORT	43,020,693	0.08
101	THE CEYLON SPICE COMPANY PVT LTD	38,048,055	0.07
102	ENRICH TEA AND FOOD EXPORTS PVT LTD	36,521,510	0.07
103	SINAMTA EXPORTERS PVT LTD	35,979,407	0.07
104	RANFER INTERNATIONAL PVT LTD	34,031,923	0.06
105	GLOBAL TRADERS	33,261,063	0.06
106	HAWAI HOLDINGS EXPORT PVT LTD	32,788,280	0.06
107	SPICE LANE PVT LTD	31,265,434	0.06
108	Y A S LANKA PVT LTD	30,964,966	0.06
109	HAMDHA PRODUCT	28,696,130	0.05
110	NANAYAKKARA TRADERS	28,558,842	0.05
111	NORDSON	27,482,895	0.05
112	ASHIK TRADERS	26,551,027	0.05
113	EUROWEST EXPORT PVT LTD	24,571,566	0.05
114	SANMIK FOOD PVT LTD	24,493,083	0.05
115	SANIS ENTERPRISES	24,261,022	0.05
116	GOLDEN CREEK INTERNATIONAL PVT LTD	24,242,318	0.05
117	PLEXUS ASIA IMPORTS & EXPORTS	24,170,738	0.05
118	HANCO UNIVERSAL TRADING COMPANY	23,792,995	0.04
119	PARKSON TRADING PVT LTD	23,670,996	0.04
120	ERIN INTERNATIONAL PVT LTD	21,456,025	0.04
121	JAFFERJEE BROTHERS	21,202,705	0.04
122	B DARSIN DE SILVA AND SONS PVT LTD	19,311,960	0.04
123	LEELA EXPORTS & IMPORTS	19,064,667	0.04
124	GANAM DISTRIBUTORS PVT LTD	18,940,354	0.04
125	GARUDA INVESTMENT PVT LTD	18,591,975	0.03
126	H J S CONDIMENTS LTD	16,993,791	0.03
127	NATURE'S AGRO PROD LANKA CO	15,886,880	0.03
128	S R S FRUIT N SPICES PVT LTD	15,319,850	0.03
129	ACRIL HOLDINGS PVT LTD	13,722,649	0.03
130	YELLOWLINE TRADING PVT LTD	12,852,818	0.02
131	CENTRA EXPORTS PVT LTD	12,479,292	0.02

132	INTERCONS SPICE PVT LTD	12,077,996	0.02
133	U10 CERTIFIED CEYLON COM & CONSUTANTS PVT LTD	11,845,088	0.02
134	PATHRAKETIYA CINAMON EST & EXPO CO	11,648,714	0.02
135	D & P CEYLON EXPO PVT LTD	10,532,801	0.02
136	M S M SPICY EXPORTS PVT LTD	9,804,377	0.02
137	LAVISH IMPEX PVT LTD	9,762,351	0.02
138	RAVI EXPORTS PVT LTD	9,729,452	0.02
139	COLOMBO EXPORT AND IMPORT AGENCIES PVT LTD	9,402,605	0.02
140	NASIK EXPO ENTERPRISES	9,348,439	0.02
141	PEARL LANKA KANDY PVT LTD	7,738,460	0.01
142	SYNERGY LANKA TRADING CO A I	7,422,801	0.01
143	TROPICAL HEALTH FOOD PVT LTD	6,970,178	0.01
144	HICOM INTERNATIONAL	6,964,671	0.01
145	KINGS FOODS PVT LTD	6,598,947	0.01
146	SPRING FIELDS LTD	6,158,596	0.01
147	R P EXPORT	5,980,709	0.01
148	R & G INTERNATIONAL PVT LTD	5,471,566	0.01
149	E SILK ROUTE VENTURES PVT LTD	5,424,143	0.01
150	ESWARAN BROTHERS EXPORTS PVT LTD	5,104,289	0.01
151	CITY TRADING COMPANY	5,081,518	0.01
152	DERANA MARKETING SERVICES PVT LTD	4,957,612	0.01
153	RABEENA FOOD PVT LTD	4,887,609	0.01
154	PRIME CROPS PVT LTD	4,746,883	0.01
155	MICHICO & PANI CO	4,746,119	0.01
156	LASHAN LANKA PVT LTD	4,659,376	0.01
157	EXPOLANKA PVT LTD	4,562,360	0.01
158	EMPIRE FOOD SOLUTIONS PVT LTD	4,545,107	0.01
159	STASSEN EXPORTS PVT LTD	4,290,758	0.01
160	GLOBAL TRADING SERVICES	4,161,800	0.01
161	EDNA COCOA PRODUCTS PVT LTD	4,136,587	0.01
162	CEYLON ORGANIC FRUIT EXPORT PVT LTD	4,056,900	0.01
163	VINTAGE TEAS CEYLON PVT LTD	3,990,396	0.01
164	VERVE ADVANCE POLYMERS PVT LTD	3,941,192	0.01
165	ATHEEB EXPORTS	3,912,952	0.01
166	ROYAL AGENCY	3,884,637	0.01
167	TEA-LINK COLOMBO PVT LTD	3,678,191	0.01
168	PASANKA PVT LTD	3,627,087	0.01
169	ADAMEXPO	3,137,655	0.01
170	A N A INTERNATIONAL PVT LTD	3,109,024	0.01
171	COMMERCIAL EXPORT CO	3,097,285	0.01
172	D & R EXPORTS PVT LTD	2,960,939	0.01
173	ROLIKMA EXPRESS PVT LTD	2,809,158	0.01
174	HIRU PRODUCTS	2,749,663	0.01
175	HINT NUWARA ELIYA PVT LTD	2,746,477	0.01
176	CINNTEA HOLDINGS PVT LTD	2,697,515	0.01
177	TRADLANKA AGRICULTURAL ENTERPRISE	2,696,258	0.01

	PVT LTD		
178	HOTEL EMPORIUM PVT LTD	2,677,337	0.01
179	DOLE T Z	2,575,001	0.00
180	VIVO TEA COMPANY CEYLON PVT LTD	2,535,669	0.00
181	UNIMAX INTERNATIONAL	2,386,353	0.00
182	PAN-AM FOODS LTD	2,366,399	0.00
183	OCEAN TRADE & LOGISTICS PVT LTD	2,235,153	0.00
184	L A INTERNATIONAL PVT LTD	2,216,000	0.00
185	TEA CONNOISSEURS DELIGHT	2,202,493	0.00
186	LANKA HOUSE GENERAL TRADING	2,117,158	0.00
187	NIDRO SUPPLY PVT LTD	2,076,097	0.00
188	DUNDY TRADING COMPANY	2,039,991	0.00
189	CONSOLIDATED BUSINESS SYSTEMS PVT LTD	1,845,564	0.00
190	FREELAN ENTERPRISES PVT LTD	1,827,523	0.00
191	RAJARATA FOOD PRODUCTS PVT LTD	1,819,196	0.00
192	C H GENERAL TRADING	1,755,483	0.00
193	JAINDI EXPORT PVT LTD	1,706,284	0.00
194	ENTERPRISING ENTERPRISES PVT LTD	1,669,123	0.00
195	NILUSHA SANCHARAKA WELADAMA	1,615,706	0.00
196	OVERSEAS MARITIME SERVICE	1,540,097	0.00
197	WIJAYA PRODUCTS PVT LTD	1,477,256	0.00
198	NRL TRADER AND EXPORTER	1,399,960	0.00
199	HANNAN FODDS PVT LTD	1,383,048	0.00
200	SPICE LANKA EXPORTERS	1,367,070	0.00
201	CHAKI'S	1,312,530	0.00
202	LANKA ORGANICS PVT LTD	1,309,268	0.00
203	D & C TRADING	1,245,856	0.00
204	A M K FOOD EXPORT PVT LTD	1,209,057	0.00
205	R M P COCONUT PRODUCTS PVT LTD	1,208,661	0.00
206	TRANSFOOD LANKA PVT LTD	1,153,929	0.00
207	TRUST LANKA LOGISTICS PVT LTD	1,132,485	0.00
208	SINGHARAJA GARDEN AGRO & ECO-LODGE	1,098,939	0.00
209	THINEERA EXPORTS	1,082,276	0.00
210	MANCHIEE DE COCO PRODUCTS	1,062,284	0.00
211	LOREKSHI MARKETING PVT LTD	1,003,470	0.00
212	S R EXPORT & IMPORT	983,767	0.00
213	M H SUDESH TRADERS ANAYANA SAHA APANAYANA	952,525	0.00
214	RUHUNU FOODS PVT LTD	944,635	0.00
215	SWAPS PVT LTD	926,953	0.00
216	DAMAYANTHI EXPORTS PVT LTD	913,247	0.00
217	ABEY MARINE PVT LTD	900,484	0.00
218	SERENDIB FOODS PVT LTD	893,388	0.00
219	SELAVA'S EXPORTS & IMPORTS	892,204	0.00
220	A & A TRADING	889,939	0.00
221	TRUE CEYLON SPICES	879,458	0.00
222	BIO EXTRACTS PVT LTD	828,779	0.00



223	ETHICAL INSPIRATIONS	798,254	0.00
224	ORCHID EXPORTS PVT LTD	781,902	0.00
225	KANDYAN FOOD PRODUCTS	774,691	0.00
226	CEYLON CINNAMON CORPORATION PVT LTD	769,550	0.00
227	VOYAGER LOGISTICS INTERNATIONAL PVT LTD	753,726	0.00
228	ASIAN CUTTINGS LANKA PVT LTD	738,927	0.00
229	CEYLON SERGO EXPORTS PVT LTD	717,942	0.00
230	HAWWA IMPORT AND EXPORT	715,181	0.00
231	SAARAKETHA HOLDINGS PVT LTD	713,399	0.00
232	GLOBAL BUSINESS STRATEGIES PVT LTD	699,027	0.00
233	HVA FOODS PLC	685,785	0.00
234	LOVE ORGANICS PVT LTD	683,494	0.00
235	CEYLON FRESH TEAS PVT LTD	670,798	0.00
236	ROYAL FRESH EXPORTS PVT LTD	668,925	0.00
237	LANKA CANNERIES LTD	662,118	0.00
238	GUAYAPI LANKA PVT LTD	659,221	0.00
239	CONTINENTAL TEA PVT LTD	637,344	0.00
240	AIR WINNERS EXPORT PVT LTD	633,719	0.00
241	SELANIE IMPORT & EXPORT PVT LTD	625,489	0.00
242	UNION COMMODITIES PVT LTD	578,561	0.00
243	NISHAANLANKA CONSORTIUM PVT LTD	568,577	0.00
244	NEDUMAL AGENCY	563,201	0.00
245	MAS TROPICAL FOOD PROCESSING PVT LTD	562,090	0.00
246	KRAUTER MIX LANKA PVT LTD	561,537	0.00
247	CENTRAL SPICE	554,884	0.00
248	SPICING LIVES PVT LTD	508,102	0.00
249	C M B LANKA PVT LTD	494,609	0.00
250	RASOJA FOOD PRODUCTS PVT LTD	491,924	0.00
251	DAMAM K INTERNATIONAL PVT LTD	472,474	0.00
252	RANYAN INDUSTRIES PVT LTD	466,030	0.00
253	NADEEKA TRADING CO	464,163	0.00
254	H L D TRADING PVT LTD	456,932	0.00
255	VESPACK SEA AND AIR SERVICES	438,883	0.00
256	PRIPA ORGANIC COLOMBO PVT LTD	438,247	0.00
257	BEST LOGISTICS	428,795	0.00
258	GAMAGE ENTERPRISES	425,846	0.00
259	SELVANA EXPORTS PVT LTD	414,205	0.00
260	ALMA TRADING INTERNATIONAL PVT LTD	396,632	0.00
261	URUTHIRA IMPORT & EXPORT PVT LTD	394,375	0.00
262	EURO SCAN EXPORTS PVT LTD	357,185	0.00
263	S P N TRADING	338,385	0.00
264	MAL ORGANIC PVT LTD	336,995	0.00
265	QUALITY PACK LANKA PVT LTD	331,744	0.00
266	HIRUNI TRADING	317,796	0.00
267	S N A EXPORTS	314,946	0.00
268	CLOVERS LANKA PVT LTD	311,838	0.00

269	DEVELOPMENT INTERPLAN CEYLON LTD	309,558	0.00
270	JAYANTHA SPICE EXPORT PVT LTD	307,412	0.00
271	R AND A ENTERPRISES	299,751	0.00
272	RAINBOW EXPORTS CEYLON	298,832	0.00
273	G P DE SILVA & SONS SPICE PVT LTD	290,109	0.00
274	STAY FARMS ASIA PVT LTD	287,580	0.00
275	AMBASSADOR TEA PVT LTD	277,809	0.00
276	SHAW WALLACE CEYLON LTD	261,359	0.00
277	CEYLON 2U FOODS PVT LTD	241,710	0.00
278	ZEN CEYLON	231,758	0.00
279	SANKEN OVERSEAS PVT LTD	223,992	0.00
280	SYNEX HOLDINGS PVT LTD	215,277	0.00
281	S & R SUPER LOGISTICS LANKA PVT LTD	184,473	0.00
282	DRU ERA PVT LTD	181,462	0.00
283	PURE ISLE SPICE TRADE PVT LTD	180,239	0.00
284	AFGO INTERNATIONAL PVT LTD	178,056	0.00
285	EASTERN & ALLIED AGENCIES PVT LTD	176,980	0.00
286	MALIGAHENA INTERNATIONAL PURE AGROBASE PRODUCTS	175,605	0.00
287	TROVEC HOLDINGS PVT LTD	175,461	0.00
288	EXPODAF	160,540	0.00
289	CE'NEDRA PVT LTD	160,324	0.00
290	SUN SHINE EXPORT	156,861	0.00
291	SEREIN EXPORTS	150,061	0.00
292	TRANSALPINE COMMODITIES LANKA PVT LTD	148,437	0.00
293	GREENOPTION TRADING PVT LTD	148,394	0.00
294	KAMAL TRADING & CO	145,354	0.00
295	LANKA SPICE PVT LTD	140,017	0.00
296	SHIPPING MANAGEMENT LOGISTICS PVT LTD	139,809	0.00
297	FERN FOODS PVT LTD	134,291	0.00
298	DELMERGE FORSYTH & CO EXPORTS LTD	131,807	0.00
299	LANKAN DELIGHT	131,790	0.00
300	JUBILLIANT EXPRESS	127,613	0.00
301	NALANI EXPORT	126,500	0.00
302	RUHUNU'S IMPORT & EXPORT	122,056	0.00
303	R AND D ENTERPRISES	121,422	0.00
304	AGRON INTERNATIONAL	114,258	0.00
305	DUMBARA EXPORT INTERNATIONAL PVT LTD	112,320	0.00
306	A1 OVERSEAS CONSULTANTS PVT LTD	110,715	0.00
307	DE SILVA & SONS PVT LTD H D	109,391	0.00
308	WEERAGAMUNU PVT LTD	103,832	0.00
309	WORLD ESP HOLDINGS	100,336	0.00
310	LAIKA EXPORTS	99,408	0.00
311	CHAPS TRADING	98,200	0.00
312	KAR TRADE SERVICES	94,334	0.00



313	DULINA TRADING	93,561	0.00
314	PURE CEYLON HOLDING PVT LTD	92,420	0.00
315	WORKWEAR LANKA PVT LTD	91,075	0.00
316	ROSHAN EXPORTS	82,600	0.00
317	SUVIMIE ASSOCIATES PVT LTD	77,485	0.00
318	WASANA IMPORTS AND EXPORTS	72,408	0.00
319	BLACK TEA EXPORTS PVT LTD	70,501	0.00
320	NILMINI ESTATES PVT LTD	64,501	0.00
321	CANCRO CEYLON	59,105	0.00
322	MANIK TEA ENTERPRISES PVT LTD	53,611	0.00
323	BARCK INTERNATIONAL PVT LTD	53,115	0.00
324	PANINI INTERNATIONAL PVT LTD	51,569	0.00
325	S M AYUR LANKA PVT LTD	51,557	0.00
326	KALKI IMPEX LTD	48,314	0.00
327	NEW DINARA EXPORTS & FREIGHT AGENCIES PVT LTD	43,690	0.00
328	SHANGAI STEELS	42,591	0.00
329	HARDY ENTERPRISES PVT LTD	42,070	0.00
330	PETERS EQUIPMENT PVT LTD	40,922	0.00
331	COSMOVEDA CEYLON PVT LTD	40,845	0.00
332	FOREWAY LOGISTICS PVT LTD	38,781	0.00
333	ROBERT WILSON'S CEYLON TEAS PVT LTD	34,778	0.00
334	MCCALLUM CARGO PVT LTD	33,155	0.00
335	H M K ENTERPRISES	30,825	0.00
336	SUBASH EXPORTS PVT LTD	30,728	0.00
337	DILARSHAD ENTERPRISE	28,439	0.00
338	KENT ENGINEERS PVT LTD	27,350	0.00
339	S S IMPEX PVT LTD	27,003	0.00
340	SHON INTERNATIONAL TRADING PVT LTD	26,970	0.00
341	MAJEE ENTERPRISES PVT LTD	26,400	0.00
342	SPICE LAND PVT LTD	26,209	0.00
343	HERITAGE TEAS PVT LTD	24,498	0.00
344	MULLAI TRADERS	24,202	0.00
345	SADHARITHA AGRI FARMS & EXP PVT LTD	23,497	0.00
346	TVT INTERNTIONAL PVT LTD	21,600	0.00
347	KANDURATA D & D EXPORTS PVT LTD	19,297	0.00
348	PRAMO CEYLON EXPORTS PVT LTD	16,073	0.00
349	AITKEN SPENCE HOTEL MANAGERMENTS PVT LTD	13,539	0.00
350	WATERWAYS MARKETING PVT LTD	11,247	0.00
351	CEYLON LEAF AND SPICE CO PVT LTD	10,874	0.00
352	CHRISWORLD PVT LTD	6,800	0.00
353	OSAKA CAR SALES PVT LTD	5,789	0.00
354	C D T EXPORT & IMPORT DEALERS	4,800	0.00
355	SAKWA CANNERIES & EXPORTS PVT LTD	3,863	0.00
356	GLOBAL LANKA EXPORTS	3,659	0.00
357	NATURAL SPICES OF CEYLON PVT LTD	3,173	0.00
358	ALCHEMY HEAVY METALS PVT LTD	2,433	0.00

359	ENRICHER INVESTMENT LANKA PVT LTD	2,395	0.00
360	SAMUDRIKA EXPORTS PVT LTD	1,200	0.00
361	FELICITAS TRADING PVT LTD	872	0.00
362	SRI LANKA NAVY	468	0.00
363	WAGURUWELA OIL MILLS PVT LTD	462	0.00
		<b>53,418,787,155</b>	<b>100.00</b>

## No. of exporters who obtained PCC Logo

	Description	2019		2020		2021	
		Quantity (Kg)	Value (US\$)	Quantity (Kg)	Value (US\$)	Quantity (Kg)	Value (US\$)
1	GRUPO CANELA PVT LTD	840,142	9,162,969	982,740	10,397,424	906,425	10,783,112
2	RATHNA PRODUCERS CINNAMON EXPORTS PVT LTD	870,015	8,066,563	1,932,137	20,992,675	869,387	8,011,311
3	G P D SILVA & SONS INTERNATIONAL PVT LTD	790,918	8,536,189	958,056	9,286,726	732,384	7,510,367
4	INTERNATIONAL COMMODITY EXPORTS PVT LTD	226,949	2,306,533	216,646	2,280,847	265,601	2,960,558
5	P D ROMANS & SONS	125,619	543,962	149,264	679,284	216,423	1,690,608
6	CINNATOPIA PVT LTD	187,690	1,212,274	159,650	1,488,479	145,490	1,478,779
7	D TRIANGLE PVT LTD	65,448	686,513	69,287	779,905	52,647	759,369
8	DEVI TRADING CO	50,932	617,220	32,052	386,584	27,008	320,878
9	H D D E S EXTRACTS PVT LTD	7,906	45,060	34,725	157,863	30,298	247,154
10	VIRGIN CINNAMON INTERNATIONAL PVT LTD	33,146	445,838	9,083	117,781	9,809	156,610
11	SAVOUR ROUTE PVT LTD			150	4,693	800	18,120
12	PASANKA PVT LTD			398	6,849	804	13,675
13	CENICA EXPORTS PVT LTD					72	1,635
14	CINNAMON ONE PVT LTD		760,546	36	4,327	27	1,090
15	ORIENT TRADING CO PVT LTD	73,006	16,539	28,617	380,117		
16	SAMARAKKODY HOLDINGS PVT LTD	1,225	281				
17	CEYNDULGENT CEYLON SPICES PVT LTD	4	1				
18	A BAUR & CO PVT LTD	26					
19	SPICING LIVES PVT LTD						
20	WATAWALA PLANTATIONS PLC						
		<b><u>3,273,026</u></b>	<b><u>32,400,488</u></b>	<b><u>4,572,841</u></b>	<b><u>46,963,554</u></b>	<b><u>3,257,175</u></b>	<b><u>33,953,266</u></b>

## Annexure 13

## Amounts of exports made under trade agreements

Item	2019						2020						2021					
	GSP	GSTP	APTA	SAFTA	ISFTA	PSFTA	GSP	GSTP	APTA	SAFTA	ISFTA	PSFTA	GSP	GSTP	APTA	SAFTA	ISFTA	PSFTA
Cinnamon	2892.69	6246.79	22.58	63.92	780.76	174.96	2285.04	6708.08	0.48	57.84	818.25	132.95	1992.96	6295.48	0.38	38.92	794.34	10.11
Pepper	2089.82	1	70.33	2,390.64	1137.83	0	1797.9	0	8.73	3,494.66	1043.3	14	2135.14	0	23.36	10,607.81	2,099.40	55.95
Cardamom	1.32	0	0	0	0	0	0.89	0	0	0	0.05	0	1.88	0	0	0	0	0
Cloves	624.06	19.5	0	33.50	3414.83	76	514.55	27.75	0.19	4.50	1378.37	2	657.76	57.88	0	63.80	3883.74	28
Nutmeg	168.89	0.3	0	194.30	630.93	232.33	177.36	45	90	219.92	143.1	121.41	225.55	1	135.5	314.47	248.28	70.95
Coffee	9.46	0	0	0	0	0	8.58	0	0.26	0	0	0	12.01	0	0	0	0	0
Cocoa	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vanilla	11.06	0	0	0	0.05	0	19.31	0	0	0	0	0	15.24	0	0	0	0	0
Betel	9.31	0	0	0	0	4271.28	10.86	0	0	0	0	3529.44	9.88	0	0	0	0	3717.12
Citronella	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Lemongrass	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ginger	21.35	0	0	0	0.41	0	41.63	0	0.14	0	0.26	0	80.26	0.08	0	0	0	0
Turmeric	66.46	0.1	0.66	0	0.05	0	32.85	0	1.96	0	0	0	24.04	0	0.15	0	0.08	0
Garcinia	306.87	0	0	0	0	10.66	327.36	0	0.06	0	0	0	745.89	0	0.24	0	0	0
Areca nut	0	0	0	18.00	5867.53	0	0	0	0	18.25	12527.03	0	0	0	0	1.50	10466.04	0
	6,201.29	6,267.69	93.57	2,700.36	11,832.39	4,765.23	5,216.33	6,780.83	101.82	3,795.17	15,910.36	3,799.80	5,900.61	6,354.44	159.63	11,026.50	17,491.88	3,882.13

(Source : Data received from the Department of Commerce)