

What does it take to thrive in the Spice Business?

Amila Siriwardhana

Managing Director, New Lanka Cinnamon (PVT) Limited

1. Tell us about yourself and a bit about your background.

I'm Amila Sirwardena and from Karadeniya, Galle. I went to Karadeniya Central College and graduated with a second upper class from the University of Peradeniya after following the Chemistry Special course. Afterwards, I did several jobs in Sri Lanka. In 2010, I started up a spice export business and I realized I lacked some marketing and financial management knowledge as I followed the science stream. Therefore, I obtained a Masters degree in Business Administration at the University of Sri Jayewardenepura and currently I am following a course in business law at the Open University of Sri Lanka. In 2010, we started mainly with cinnamon and in 2018 we expanded our exports to clove, pepper, nutmeg, mace, and other spices. Currently, we are the second-largest spice export business in Sri Lanka, exporting to over 20 different countries.

2. When did you start your business and what was your inspiration to get into the spice export business? How does your knowledge of chemistry help you with your business venture?

When I was a student at the University of Peradeniya, I was not very interested in the business field, and my main target was to graduate and get a job. Then I started working in two companies, namely Ansell Lanka (Pvt) Ltd., Biyagama, and Brandix Lanka Ltd., but I wasn't completely satisfied with what I was doing and wanted to try something else. Another source of inspiration was my father-in-law. He is a businessman and told me several times to start an exporting business. In 2009, I worked hard and studied how to initiate and carry out exports, and finally, after much research, we started exporting cinnamon in 2010. We collected cinnamon, did small value additions,

packed it, and sent it to relevant countries. But just doing so didn't feel enough, we were educated and had the ability to think differently, so there was no point in doing what everyone else in this field was doing. So, after that, we focused mainly on the value addition sector and started directly contacting international supermarkets like Costco, Walmart, and others. These supermarkets needed retail packs and brought more foreign exchange than when exporting spices in bulk.

Talking about Chemistry, we have a new project involving essential oil extractions, using steam distillation. A reason to start this is that there is a lot of wastage collected when considering the solid and dry products like cinnamon and pepper, so these can be used in the extraction of oil, as they can't be sent to current buyers due to impurities present. But when extracted, we can get the pure essence, and value is added to the wastage. Most other companies use whole spice products to extract the essential oils, while we only use waste products for this purpose. The waste from which we get essential oils must be processed separately. We maintain an in-house laboratory to check where we stand in terms of standards. But for reports, we send samples to external laboratories.

3. What is the current situation of spice exports in Sri Lanka? What are the products that you export and are there any products that have a higher demand compared to others? And how can we compare it to the local market?

Comparing the yield to minor crops like tea, rubber, coconut, and spices, cinnamon earns more than 250 million USD per year. But when considering spices like pepper, and clove, we have to compete with the international market. This is not the case with cinnamon because it is only grown in Sri Lanka, and it falls under a monopoly market.

Other spices have to compete with the foreign market. In Sri Lanka, the quality of cinnamon is excellent, but the main issue is marketing the worth of these spices as not many people are aware of it. Because consumers mostly focus on the price over the quality, due to the current economic crisis, this period has a major impact on our business.

An issue being faced is that during the processing, some primary-level farmers dry the product on the floor and impurities could be added therefore we have to maintain a good hygiene control when it comes to the laborers. Even if the product quality is good, it is equally important to maintain the processing steps up to the standard, as well.

We export fresh green and black pepper for a specific order to Australia, and we wash and dry these using our own dryers. In Canada, Sri Lankan pepper is sold for 6 dollars/ kilo and Vietnamese pepper for 3 dollars/ kilo, so we need to maintain our standards and hygienic control, as we're competing with the foreign market. In general, 30% is added for the cleaning section. In Sri Lankan pepper, the piperine content is greater, 7-8%, than that of Vietnamese pepper, which has a lower value of 2-3% piperine, thereby governing the level of spice of the pepper. This content depends on the soil conditions, climate, and many other factors.

4. What makes Ceylon spices special, when compared to other spices of the world?

True Ceylon cinnamon is unique to our country, while other countries produce cassia cinnamon, so we have no competing parameters to look into when marketing the product. Cassia cinnamon is brown in color and is hard, while true cinnamon has a gold-yellow color, is soft, and has approximately 70% cinnamaldehyde content. When considering pepper, clove, etc, quality-wise we normally check the oil content. The spice level of 5 seeds in Vietnam is approximately equal to 2 seeds in Sri Lanka, but people are unaware of this and use the same amount from both products. This should be marketed more because it is impossible to promote this fact on such a large scale as an individual business, as we don't have a large network as such. Yet, we do attend related food exhibitions and try to market this factor as much as possible. Some

European countries only check the quality using our certifications. The chemical composition is not checked that much by consumers, and they focus mainly on the nutrition facts, like sugar, fiber content, etc.

5. This year was named the international year in using basic sciences for sustainable development. Does your business promote sustainable development? What are some good practices that industries should be following, considering the environmental impact and sustainability?

When considering sustainability, we have to consider the three 'P's - Profit, People, and Planet. When you're running a company, it should be profitable. It should have an environmentally friendly production that is safe for the planet and also CSR projects for the betterment of people. In our company we follow the 3 'P's. We don't release any waste to the environment and we also do so many things to enhance the personal life of the people who work in our company as well as the farmers. Therefore, we parallelly follow the 3 'P's.

There are not many chemical processes that take place in our company that involves harmful chemicals. But we carry out a sulfuring process to give color to the cinnamon bark. Sulfur is burned which causes sulfur dioxide to form, which is a temporary bleaching agent. We use SO₂ to bleach the cinnamon surface of the bark, and that gives cinnamon a very nice color and inhibits fungus growth as well.

An aflatoxin test must be done for every spice we export from Sri Lanka. The tests are carried out by external laboratories such as bureau veritas and ITI.

However, in Europe, they don't accept test reports that are done in Sri Lanka as they are only accurate up to two decimal places. And most foreign countries require accuracy up to three or four decimal places. Therefore, I believe that the laboratories should be upgraded, but then the cost of analysis of samples will be very high. Some European countries like France, Netherlands, and Germany are very strict that they don't even recognize the Indian test reports. Recently, I sent samples of white pepper,

cinnamon, and nutmeg to a German Laboratory to check Aflatoxins and some other chemicals, - nutmeg failed and cinnamon and white pepper were passed. So, the order for nutmeg got rejected. It is very difficult to control the fungus growth of Nutmeg. If the nuts get too brown, it producing aflatoxins. We mainly get nutmeg from Kandy and Matale area and harvesting must be done with care, because the contact of Nutmeg to the ground also accelerates the production of aflatoxins.

6. What are the obstacles you may have faced in the recent past with regards to running the business? (e.g., during the pandemic, or economic crisis)

The main obstacle we had to face is inflation. As inflation keeps increasing in our country, the price of every packing material and raw materials increases. However, with the dollar depreciation, we have some benefits to control the price in dollar terms. In the past year, it was \$10, and we still try to control the price at \$10, but as a country, it is not good. The problem is that all the materials have increased in price compared to last year. I think a lot of SME companies will be bankrupt by the end of the year. We are also surviving due to the exports. If you go out, you will be able see how many shops have closed down. We don't know how long we can stay open as the situation is very bad. At least we need to have political stability in the country which we don't have now. Investors aren't coming into the country; foreign workers aren't sending their money and there is no tourism. So, what all we have is only the exports, but it is difficult to export goods when the inflation is high. However, compared to last year our export income has increased due to depreciation. But due to the high cost of living, we can't benefit much from it.

7. And how have you incorporated value addition to your business?

Our company targets supermarkets. Value addition is done through improved packaging. Earlier, we used to send bulk quantities and the supermarkets in foreign countries did the packaging for us. But now we are exporting the packed product so we

can earn more. We have an order of one million packs per month for Walmart in Mexico.

Value addition can also be done through other products infused with cinnamon or any other spice. For that, you need large amounts of product stocks but through that pathway, only small quantities of spices go into the market. But by sending the spices itself we can earn more and we can meet our targets.

For example, Coca-Cola uses cinnamon in its formula. But cassia cinnamon is used instead of Ceylon cinnamon. However, if Coca-Cola wanted Ceylon cinnamon, the Sri Lankan supply would not meet the demand.

8. Do you have any other future plans for the development of the company?

We have to improve our value addition. That is a priority and an avenue where we can earn more. We also have a 10-year ongoing project to develop our brand in a way that people would recognize us to have our own identity. A good example is Dilmah, where people recognize them not only for their tea but as an identity.

We also have hopes of gaining market shares for our brand.

9. What message do you have for the chemists & future chemists of Sri Lanka?

My advice for undergraduates would be not to target a conventional job. Instead, be a person who creates jobs. Also, think differently. Starting a business doesn't mean you have to have a lot of startup resources. Use the fact that you are a science graduate to your advantage. A lot of people asked me why I started a business after doing a chemistry special. That makes no sense, and there's a lot of stigma in our country about straying beyond traditional paths. Our students have a lot of knowledge that they gain from A/L onwards. We can definitely use that to improve our country. If you do plan on doing higher studies abroad, make sure you come back, and do something new and different.

Mr. Amila Siriwardene obtained his BSc degree from University of Peradeniya and Master of Business Management from University of Sri Jayawardene pura. He is currently the Managing Director of New Lanka Cinnamon (PVT) Limited, Sri Lanka.