

B-144: Analysis of market potential for pepper exports from Sri Lanka

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Pepper (*Piper nigrum*), known as the 'king of spices', is the major commodity in the international spice trade which accounts for more than 1/3 of the total volume of spices traded in the world. In Sri Lanka pepper is cultivated over 12000 hectares mostly in Kandy, Matale, Kegalle and Kurunegala districts. Earnings from pepper exports rose to Rs 834.9 Mn. in 1997 showing its increased significance as a cash crop. Hence, understanding market potential is important for future expansion of the crop. This study analyses the international market situation and potentials for pepper exports from Sri Lanka.

Secondary data on exports, imports and prices were gathered from statistical records of the Department of Export Agriculture, Customs records and reports from the International Pepper Community.

The world pepper market is oligopolistic as India, Indonesia, Malaysia and Brazil supply over 80% of exports. Other producers are Madagascar, Thailand, Sri Lanka, China and Vietnam. Exporters are price takers and supply fluctuations of big producers brings occasional price hikes. Major importers are USA, Germany, Netherlands, France and Japan. Besides them, Egypt, Saudi Arabia, Spain and South Korea are emerging as significant pepper markets. Singapore is the largest pepper re-exporter.

Sri Lanka supplies 2-3% of world pepper demand. USA, UK and India are major and regular importers from Sri Lanka who account for nearly 50% of market share. Export share for India was about 50% in early 1990s but it has declined to 30% in 1996. Cumulative pepper exports by Sri Lanka to Germany, Netherlands, France and Japan was less than 5% during the 1991-96 period. Pepper exports to emerging pepper markets were also insignificant during this period.

Results reveal that new market strategies to improve trade relations are important for Sri Lanka to exploit full potential of the world pepper trade.