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**AN ANALYSIS OF EXPORT MARKETS FOR SRI LANKAN SPICES****P. Thadchaigeni<sup>1</sup>, W. P. A. S. Wijesinghe<sup>1</sup>, J. Weerahewa<sup>1</sup>, B. Marambe<sup>2</sup>**<sup>1</sup>*Department of Agricultural Economics and Business Management,*<sup>2</sup>*Department of Crop Science,**Faculty of Agriculture, University of Peradeniya*

The spice export policy of Sri Lanka has focused on value addition, product and market diversification and catering to the high-end markets to enhance foreign exchange earnings of the country. The overall objective of this study was to analyze export markets for Sri Lankan cinnamon (HS 090610, 090611, 090619 and 090620) (*Cinnamomum varum* Persl.), pepper (HS 090411 and 090412) (*Piper nigrum* L), cloves (HS 090700, 090710 and 090720) [*Syzygium aromaticum* (L) Merrill & Perry] and nutmeg & mace (HS 090810, 090811, 090812, 090820, 090821 and 090822) (*Myristica fragrans* Houtt). The specific objectives are to (i) document the relative position of Sri Lanka among the other exporters, (ii) analyze the extent of export market diversification, and (iii) document tariff and non-tariff barriers imposed by major importing countries that reduce market access for the four spices.

Trade data and tariff data from 2001 to 2011 were obtained from the International Trade Centre. Information on non-tariff barriers was extracted from the Food and Drug Administration of the U.S.A.

Results of the analysis showed that Sri Lanka was within the top five exporters for cinnamon, cloves and nutmeg & mace occupying 36.8%, 4.6% and 8.0% of the global market, respectively, in 2011. However, global market share for Sri Lankan pepper in 2011 was 1.7% placing the country as 11<sup>th</sup>. The top 10 importers of Sri Lankan spices occupy over 65% of the market share of which 85% is occupied by the top three importers for the four types of spices. India was the largest importer of Sri Lankan spices, contributing to 70% of pepper, 88.6% of cloves and 49% of nutmeg & mace exported (value basis) in 2011. For pepper, the number of markets, with more than 0.1% of share of total exported value, had increased from 2001 to 2011 whereas for cloves and nutmeg & mace there was a loss of 18% and 14% respectively. For cinnamon, Sri Lanka had no loss or gain of markets. Sri Lanka enjoys zero tariffs for spices except pepper, which is taxed at 70% by India. European Union and U.S.A provided premium prices for spices and impose a zero or lower tariff rates but spice exports from Sri Lanka to these markets were marginal. Sri Lankan black pepper has been detected to be of sub-standard quality due to the presence of Salmonella, which was 4.26% of total detentions of spices imported by U.S.A in December 2012.

Non-compliance with the quality standards had shifted Sri Lanka to more regional markets like India where quality regulation was less stringent.