Sri Lanka’s Edible Oils Exports

September 2016
Key products in Sri Lanka’s edible oils sector

- Animal and vegetable fats and oils exports accounted for only .51% of Sri Lanka’s $11.1 billion total export value in 2014.
- Crude coconut oil dominates this product category, representing 85.9% of the sector’s $56.7 million export value. The breakdown below accounts for 99.3% of Sri Lanka’s total animal and vegetable fats and oils exports.

<table>
<thead>
<tr>
<th>Key Products (HS Code Rev. 92)</th>
<th>Export Value ($US)</th>
<th>% of Sri Lanka’s Total Exports</th>
<th>% of Sri Lanka’s Animal and Vegetable Fats and Oils Exports</th>
<th>RCA*</th>
<th>Annual Growth Rate (5 yr.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coconut oil (1513)</td>
<td>48.7M</td>
<td>0.439%</td>
<td>85.9%</td>
<td>12.5</td>
<td>61%</td>
</tr>
<tr>
<td>Hydrogenated oils (1516)</td>
<td>2.26M</td>
<td>0.038%</td>
<td>7.5%</td>
<td>1.92</td>
<td>97%</td>
</tr>
<tr>
<td>Stearic acid (1519)</td>
<td>1.29M</td>
<td>0.012%</td>
<td>2.3%</td>
<td>0.22</td>
<td>16%</td>
</tr>
<tr>
<td>Margarine (1517)</td>
<td>1.15M</td>
<td>0.010%</td>
<td>2.0%</td>
<td>0.31</td>
<td>-19%</td>
</tr>
<tr>
<td>Palm oil (1511)</td>
<td>472k</td>
<td>0.004%</td>
<td>0.8%</td>
<td>0.02</td>
<td>-40%</td>
</tr>
<tr>
<td>Fish oil (1504)</td>
<td>465k</td>
<td>0.004%</td>
<td>0.8%</td>
<td>0.41</td>
<td>-6%</td>
</tr>
</tbody>
</table>

* Revealed Comparative Advantage (RCA) is the share of the product in Sri Lanka’s exports divided by the share of the product in the average country’s exports.

Source: Data by UN COMTRADE 2014
Although Sri Lanka’s exports of coconut oil account for just 0.83% of global coconut oil exports ($5.9 billion), Sri Lanka has a high revealed comparative advantage in this product and its exports have grown rapidly from $4.7 million in 2009 to $48.7 million in 2014—a factor of more than 10 in just 5 years.

Indonesia, Malaysia and the Philippines have consistently dominated the industry from 1995 to the present.

Source: Data by UN COMTRADE 2014; Visualizations by The Atlas of Economic Complexity (http://atlas.cid.harvard.edu/)
25% of Sri Lanka’s coconut oil was exported to the United States in 2014, but this accounted for only 1% of the total coconut oil that the US imported. The US imported 48% of its coconut oil from the Philippines and 28% from Indonesia.

Source: Data by UN COMTRADE 2014; Visualizations by The Atlas of Economic Complexity (http://atlas.cid.harvard.edu/)
Sri Lanka’s exports of hydrogenated oils have varied by an extraordinary amount from year to year, driven by changes in demand from India. Over the last decade, exports were as high as $111 million in 2007, as low as $144 thousand in 2009, and totaled $4.3 million in 2014, which represented 0.05% of the global export value of hydrogenated oils.

In 2014, Sri Lanka exported 87% of its hydrogenated oils to Pakistan and Kenya, and had a weak presence in the European market, which consistently accounts for 30-50% of all hydrogenated oils imports.

Source: Data by UN COMTRADE 2014; Visualization by The Atlas of Economic Complexity (http://atlas.cid.harvard.edu/)
Where did Sri Lanka export stearic acid to in 2014?

- Sri Lanka’s share of global stearic acid exports is very low at just 0.015%.
- Indonesia and Malaysia together account for more than half of all stearic acid exports.

Source: Data by UN COMTRADE 2014; Visualization by The Atlas of Economic Complexity (http://atlas.cid.harvard.edu/)
• Sri Lanka’s margarine exports dropped from $20.6 million in 2007 to $1.15 million in 2014, with this drop matching a major drop in demand from India. World exports grew from $3.45 billion to $5.72 billion over the same period, despite a sharp decline from 2008-2009.

Source: Data by UN COMTRADE 2014; Visualization by The Atlas of Economic Complexity (http://atlas.cid.harvard.edu/)
The palm oil industry is the largest globally within the edible oil sector, with total exports of $35.2 billion (33% of the sector total). Indonesia and Malaysia are far and away the top producers, with 48% and 36% of world exports, respectively, in 2014.

According to an OECD Review of Agricultural Policies for Indonesia in 2012, the ownership structure of palm oil producers in that country was as follows: 55% large-scale private companies (Indonesian, Malaysian, or located in Singapore under Chinese capital control); 35% smallholders; 10% state-owned companies. The top 10 companies in Indonesia owned 67% of Indonesia’s palm oil plantations in 2010.

Sources: OECD Review of Agricultural Policies: Indonesia 2012 & UN COMTRADE 2014; Visualization by The Atlas of Economic Complexity (http://atlas.cid.harvard.edu/)
Where did Sri Lanka export fish oil in 2014?

Global importers of fish oil in 2014

- Sri Lanka’s fish oil exports are limited exclusively to Japan, even though Japan represents only 3% of global fish oil imports.
- Fish oil exports dropped from $985 thousand in 2008 to $196 thousand in 2011, and rebounded to reach $465 thousand in 2014.

Sources: OECD Review of Agricultural Policies: Indonesia 2012 & UN COMTRADE 2014; Visualization by The Atlas of Economic Complexity (http://atlas.cid.harvard.edu/)
Edible Oils in Sri Lanka’s Product Space

Source: The Atlas of Economic Complexity
Primary connections in the Product Space

Coconut (copra), palm kernel or babassu oil, and fractions thereof, whether or not refined, but not chemically modified

- **Code**: 1513
- **Current**: $48.7M
- **Distance**: 0.73
- **RCA**: 12.5
- **World Trade**: $5,01B

**Primary Connections**
- Natural rubber, balata, gutta-percha, guayule, chicle and similar natural gums, in primary forms or in plates, sheets or strip
- Palm oil and its fractions, whether or not refined, but not chemically modified

Palm oil and its fractions, whether or not refined, but not chemically modified

- **Code**: 1511
- **Current**: $472k
- **Distance**: 0.76
- **RCA**: 0.02
- **World Trade**: $35.2B

**Primary Connections**
- Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared
- Coconut (copra), palm kernel or babassu oil, and fractions thereof, whether or not refined, but not chemically modified

Source: The Atlas of Economic Complexity
Primary connections in the Product Space

Source: The Atlas of Economic Complexity
Primary connections in the Product Space

Fats and oils and their fractions, of fish or marine mammals, whether or not refined, but not chemically modified

<table>
<thead>
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<th>Code</th>
<th>Current</th>
<th>Distance</th>
<th>RCA</th>
<th>World Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1504</td>
<td>$465k</td>
<td>0.81</td>
<td>0.41</td>
<td>$1.83B</td>
</tr>
</tbody>
</table>

Primary Connections
- Crustaceans, molluscs and other aquatic invertebrates, prepared or preserved

Stearic acid

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</table>

Distance: 0.87
RCA: 0.22
World Trade: $8.60B

Primary Connections
- Glycerol, crude; glycerol waters and glycerol lyes

Related Visualizations

Source: The Atlas of Economic Complexity
Sri Lanka’s efficiency frontier, by product

Source: The Atlas of Economic Complexity
Sri Lanka has a revealed comparative advantage of 1.05 in the sector, but the complexity score of -0.66 is fairly low. However, the opportunity gain measure of 3 is the highest within the vegetable products category, indicating that the edible oils sector could be a stepping stone that would open some new doors to more complex products.

Source: The Atlas of Economic Complexity
Conclusions

• At $56.7 million in 2014, edible oils make up a small share of Sri Lanka’s overall exports and a small share of global exports of edible oils. However, Sri Lanka maintains a revealed comparative advantage in this sector, albeit just barely (RCA = 1.05).

• Coconut oil is Sri Lanka’s main export in the sector and the one with the highest revealed comparative advantage. Sri Lanka’s growth in coconut oil exports has been very strong and it has much room to grow, including in the US market.

• Hydrogenated oil, stearic acid, margarine and palm oil exports all fluctuate dramatically with demand from India. Sri Lanka maintained a revealed comparative advantage in its exports of hydrogenated oils in 2014 without exporting to India. Sri Lanka exports fish oil only to Japan although there is a much wider global market for the product. Sri Lanka does not have a foothold in other major edible oils (sunflower, soya-bean, canola, olive and linseed).

• Edible oils are non-complex products that are not well-connected to other products, but among vegetable products the sector is a relatively good stepping stone for continued diversification for Sri Lanka.

• Indonesia, Malaysia and the Philippines tend to dominate exports of the edible oils in which Sri Lanka has a foothold. Large-scale multi-national companies appear to play a role in their productivity.
Appendix

Efficiency frontiers, with product highlighted

Coconut oil, crude

Source: The Atlas of Economic Complexity
Hydrogenated animal and vegetable fats, oils

Source: The Atlas of Economic Complexity
Stearic acid

Source: The Atlas of Economic Complexity
Margarine, not liquid

Source: The Atlas of Economic Complexity
Palm oil, crude

Source: The Atlas of Economic Complexity
Fish oil

Source: The Atlas of Economic Complexity