

ALCOHOL PROFILE

2018/2019

AN INSIGHT TO THE
ALCOHOL INDUSTRY IN SRI LANKA

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INTRODUCTION

What is Alcohol ?

Alcohol is a drug, classified as a depressant, meaning that it slows down vital functions. As a result of that, slurred speech, unsteady movement, disturbed perceptions and inability to react quickly. Alcohol reduces a person's ability to think rationally and distorts his or her judgment, and also the amount of alcohol consumed determines the type of effects. Most people drink for the stimulant effect, along with a beer or glass of wine taken to "loosen up." But if someone consumes more than the frame can handle, they then experience alcohol's depressant effect. They begin to experience "stupid" or lose coordination and management.

Alcohol overdose causes even more severe depressant outcomes (incapability to sense pain, toxicity where the frame vomits the poison, and subsequently unconsciousness or worse, coma or death from a severe poisonous overdose). There are distinctive forms of alcohol. Ethyl alcohol (ethanol), the only alcohol utilized in liquids, is produced by using the fermentation of grains and culmination. Fermenting is a chemical manner wherein yeast acts upon positive ingredients in the food, developing alcohol.

Types of Alcohol in the market

Alcohol types available in the Sri Lankan market include arrack, beer, toddy and other locally manufactured alcohol products. The report analyses arrack and beer in depth since both are accounted for the largest proportion of the alcohol market in Sri Lanka.

Arrack

There are many varieties of arrack. It could be ordered as follows:

- Molasses Arrack.
- Coconut and Processed Arrack.
- Special Arrack.
- Palmyra Arrack.
- Arrack manufactured using imported alcohol.

*Arrack * Production According to the Types*

Sri Lanka's alcohol industry is based totally on "Arrack", its manufacturing spanning many years. Similar to Scotch Whisky in Britain, Vodka in Russia, Sake in Japan, Arrack has emerged as the alcohol trademark for Sri Lanka.

Discovered a long way back in the 5th Century A.D. In Sri Lanka, Coconut Arrack is a unique alcoholic beverage obtained with the aid of tapping the *Cocos Nucifera* or coconut palm. Lush coconut plantations in the island, spanning thousands of acres, had been the muse for the tapping of Toddy or coconut sap and its next distillation to provide the lots relished Coconut Arrack.

Once the toddy is gathered in the earthenware pot, it undergoes speedy fermentation due to the natural variety of wild yeasts and microorganisms. It is then poured into massive timber casks made from Halmilla wood after a minute filtration method. These timber casks are then lightly transported to factories for distillation. The liquid from lots of bushes is transported in wood barrels to collection centers, examined for satisfaction, and brought to the distillery and poured into washback made from teak or Halmilla; all this inside 3- 4 hour of the sap being drawn from the flower. Then starts the sensitive manner of distillation.

There are classes of Beer production inside the USA namely, Beer with alcohol content underneath 5 in keeping with cent and above 5 per cent. Beer with an alcohol content material above 5 in keeping with cent accounted for a share of eighty-three consistent with cent of the whole beer production in 2011. There were 3 Beer producers within the USA. Constantly and in current years possession of MacCallum Brewery and United Brewery modified their ownership to Millers Brewery and Asia Pacific Brewery, respectively. Sri Lanka's Beer industry is supportive of deliberate authorities' projects designed to acquire a sustained reduction in line with capita alcohol consumption through transferring purchases from tough to gentle liquor, in keeping with reputable resources.

It advocates reducing excise taxes on beer and liberalizing licensing requirements to make beer more to be had while cracking down on illicit alcohol manufacturing and distribution." The marketplace for beer in Sri Lanka is extremely small but the capacity for the increase is considerable if the right guidelines are carried out via the government," in line with a brewery legit. Sri Lanka's per capita beer consumption is liters 12 months as compared with a hundred liters in the US and 20 in Singapore. The nature of Sri Lanka's market is the exact opposite of worldwide traits where eighty according to cent is beer, and the best four-five in line with cent is hard liquor. Brewers are constrained by their ability to distribute. In other international locations, beer can be offered relatively freely at the same time as difficult liquor sales are confined. In Sri Lanka, both beer and difficult liquor are sold through confined sales practices. Hence illicit alcohol consumption is on the growth. Since illicit alcohol is not taxed, customers can buy a bottle with 30-40 consistent with cent alcohol content for Rs.60. Considering that a person consumes about a quarter of a bottle, the charge is about 1/8th of a bottle of beer.

Toddy Tapping Industry

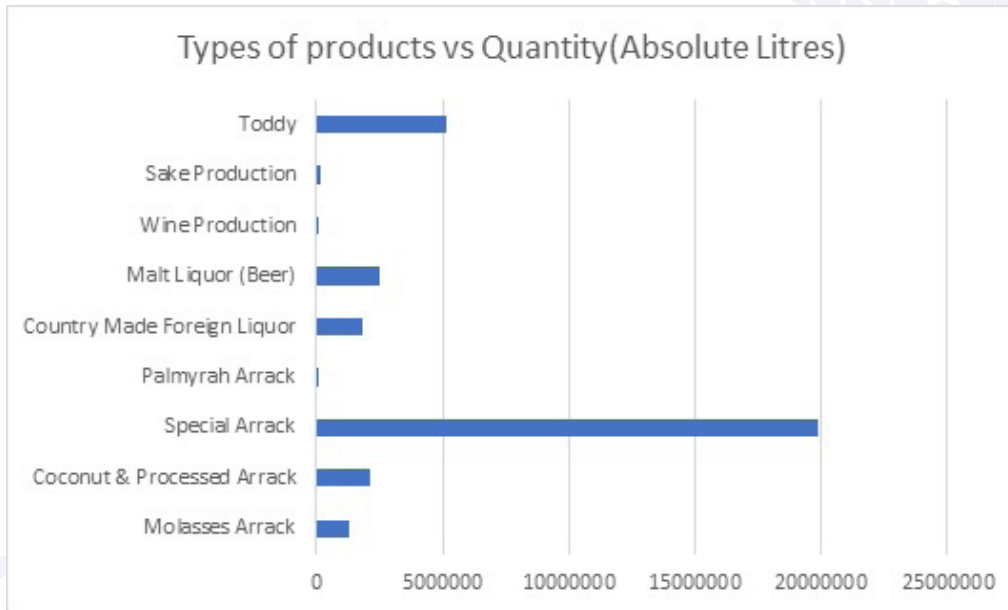
As mentioned in advance, Toddy is the foremost delivery resources of spirit for the liquor industry in Sri Lanka amongst other sources together with rectified spirits from Pelwatta and Sevanagla Sugar Companies and rectified spirits that are imported. Sri Lankan liquor manufacturers who have progressed the first-class in their merchandise through the years are aware of retaining a constant taste in their merchandise, and to conquer the trouble of uneven delivery of fine neighborhood spirit, have entered into long-term agreements with spirit producers' remote places to acquire everyday materials similarly to their selected neighborhood supplies. This has deprived the neighborhood toddy industry of a sustainable life.

Toddy supply for the industry flows from the northern tapping belt, and the southern tapping belt. The toddy tapping industry within the Kalutara district from Panadura to Beruwela, which affords employment to greater than twenty thousand humans, is going through a number of problems and therefore is in a declining fashion. Due to the excessive shortage of toddy, each certified and unlawful liquor had grown to become to guy-made toddy, the usage of sugar and an aspect used in bread making. This man-made toddy has additionally entered the market as bottled toddy depriving the fame of the genuine industry.

Types	Quantity (Absolute Liters)
Molasses Arrack	1320651.19
Coconut & Processed Arrack	2127720.71
Special Arrack	19896118.29
Palmira Arrack	41630.06
Country Made Foreign Liquor	1834541.97
Malt Liquor (Beer)	2502437.102
Wine Production	3842.117
Sake Production	182960.316
Toddy	5158933.3

Table 1: Types of products vs quantity

Source - Excise Department of Sri Lanka / Performance Report - 2018



Graph 1: Types of products vs quantity

Source - Excise Department of Sri Lanka / Performance Report - 2018

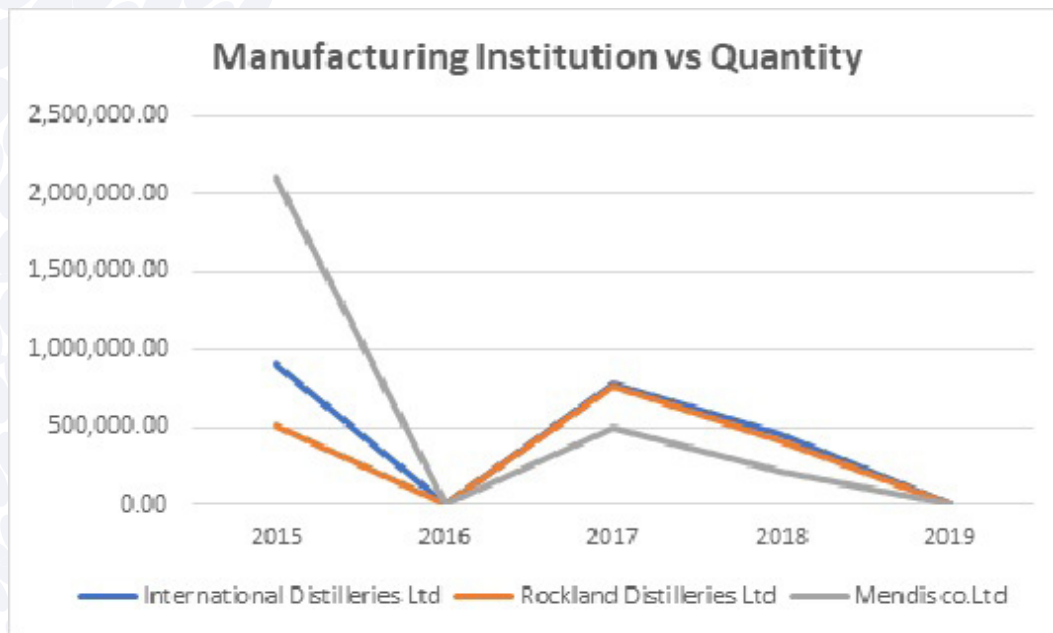
Product size versus product types is shown in this table. Under the product, classification is molasses arrack, coconut arrack, special arrack, palmyrah arrack, country-made foreign liquor, malt liqueur, wine products, sachet products and toddy. In terms of size, special arrays have the highest volume and the lowest volume of wine.

Molasses Arrack (Absolute Liters)

Manufacturing Institution	2015	2016	2017	2018	2019
International Distilleries Ltd	908,152.55	1029855.784	782,830.58	448,385.92	-
Rockland Distilleries Ltd	510,066.02	1365464.283	765,868.62	411,154.40	-
Mendis Co. Ltd 2	,100,052.90	3510018.171	492,815.35	205,936.11	-

Table 2 : Molasses arrack manufacturing Institution vs Quantity

Source - Excise Department of Sri Lanka / Performance Reports



Graph 2 : Molasses arrack manufacturing Institution vs Quantity

Source - Excise Department of Sri Lanka / Performance Reports

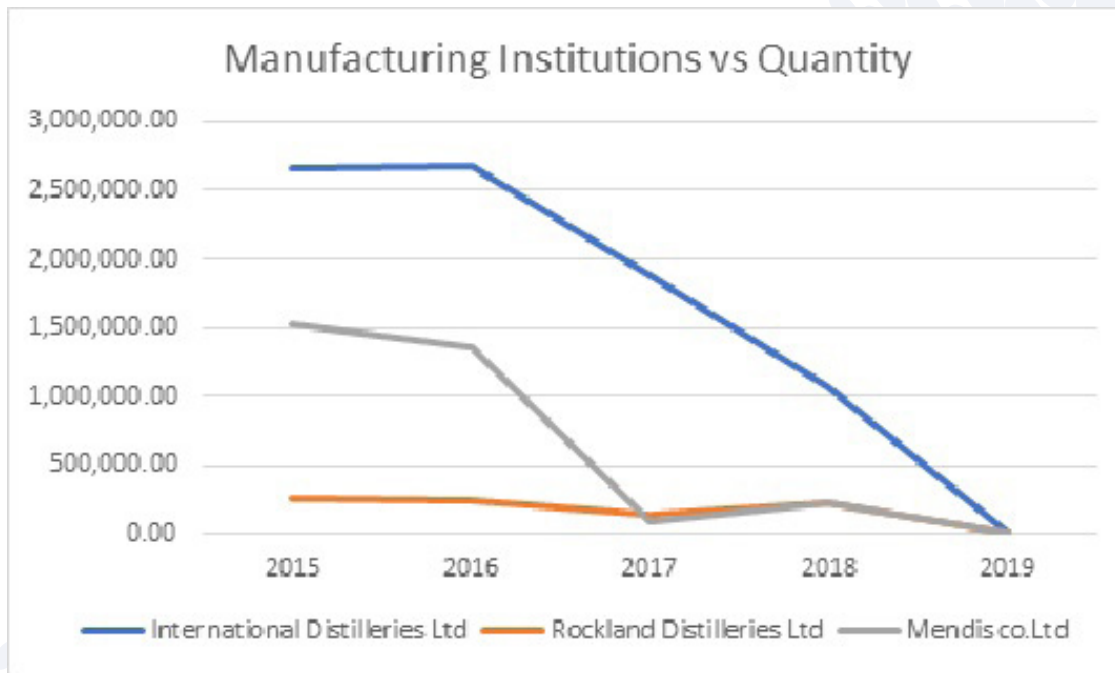
This table shows the amount of molasses produced in those years. The volume is expressed in liters and the above institutions can get an idea of how liquor was produced in previous years.

Special Arrack (Absolute liters)

Manufacturing Institution	2015	2016	2017	2018	2019
International Distilleries Ltd	2,655,367.37	2673517.06	1,885,471.37	1,072,926.83	-
Rockland Distilleries Ltd	248,643.43	237607.02	134,654.72	219,612.09	-
Mendis Co. Ltd 1	,524,264.78	1360161.576	94,160.69	224,434.43	-

Table 3 : Special Arrack manufacturing institutions vs quantity

Source - Excise Department of Sri Lanka / Performance Reports



Graph 3 : Special Arrack manufacturing institutions vs quantity

Source - Excise Department of Sri Lanka / Performance Reports

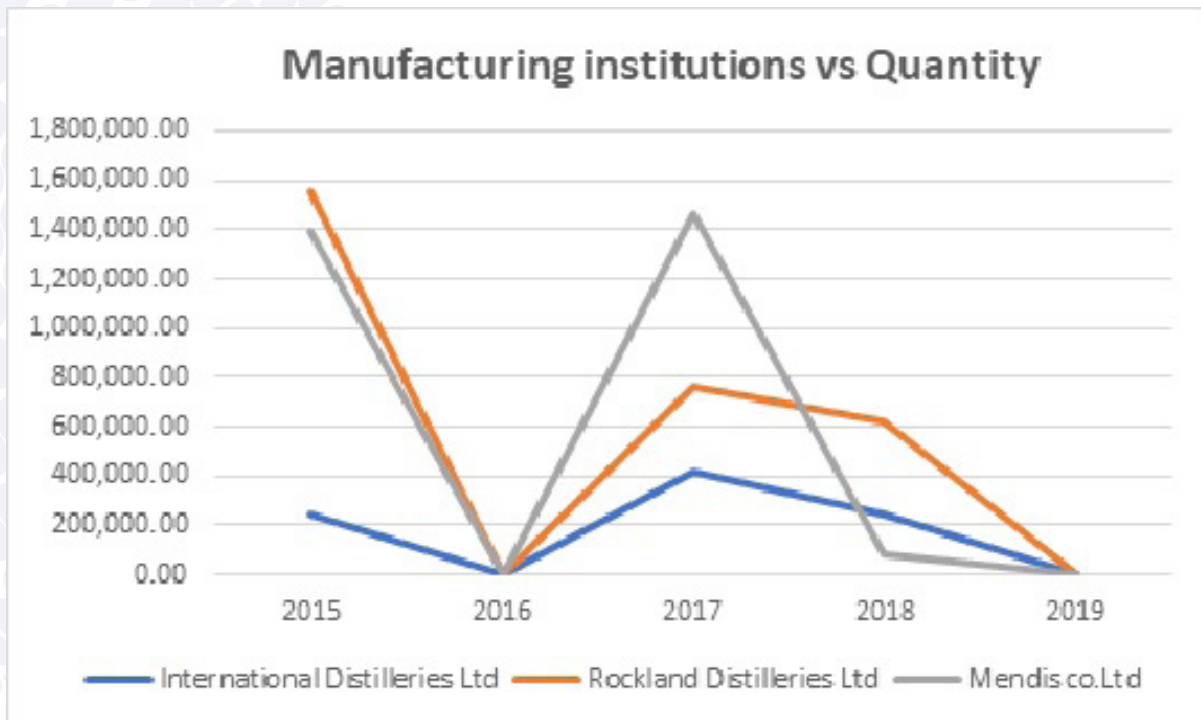
This table shows the amount of special arrack produced in those years. The volume is expressed in liters and the above institutions can get an idea of how special arrack was produced in previous years.

Coconut and Processed Arrack (Absolute Liters)

Manufacturing Institution	2015	2016	2017	2018	2019
International Distilleries Ltd	240,729.36	453282.216	419,226.35	240,729.36	-
Rockland Distilleries Ltd	1,558,367.37	1223461.792	765,868.62	616,731.60	-
Mendis Co. Ltd	1,394,776.00	596676.263	1,460,373.34	85,187.18	-

Table 4 : Coconut and Processed Arrack manufacturing Institution vs Quantity

Source - Excise Department of Sri Lanka / Performance Reports



Graph 4 Coconut and Processed Arrack manufacturing institutions vs Quantity

Source - Excise Department of Sri Lanka / Performance Reports

According to the table, the leading manufacturers of alcohol are International Distilleries, Rockland Distilleries and Mendis Distilleries. Liquor production capacity in the above years is given in absolute liters. Although Rockland showed the highest volume of alcohol production in 2015, the situation has changed from year to year.

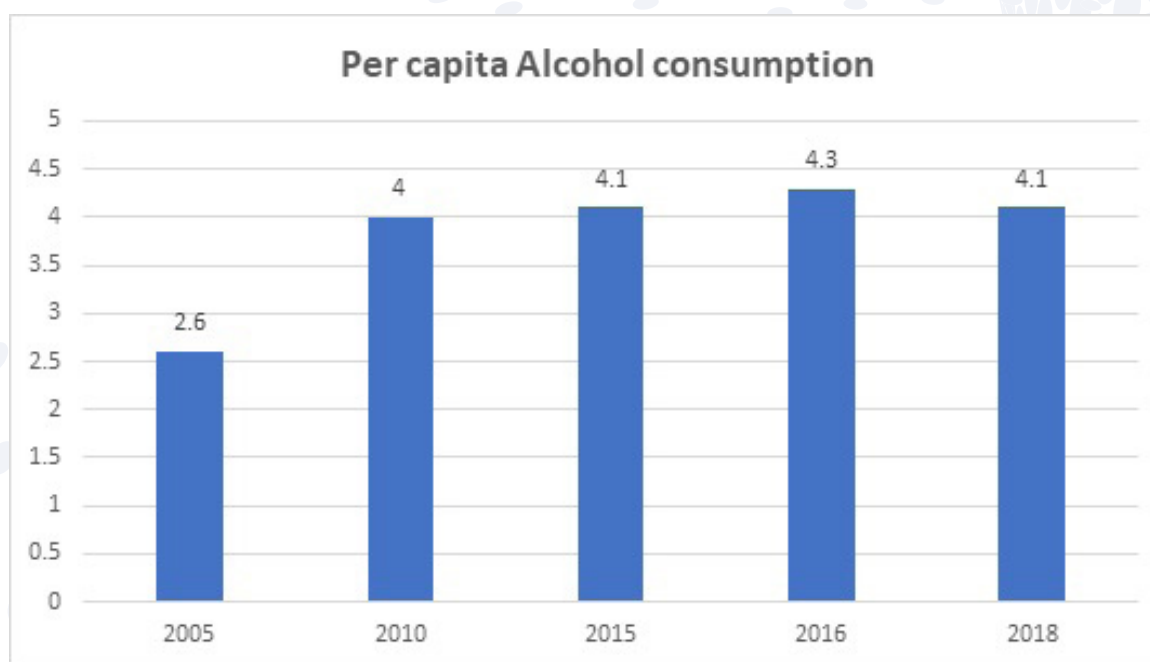
Alcohol Consumption

The table below mention per capita Alcohol consumption in Sri Lanka. The table shows the amount of alcohol consumed in the following years and shows whether the consumption has increased or decreased during those years. Per capita Alcohol consumption in 2005 was 2.6 liters, in 2010 it was 4 liters, in 2015 it was 4.1liters, in 2016 it was 4.3 liters and in 2018 it was 41 liters again. Although alcohol consumption has been steadily increasing from 2005 to 2016, alcohol consumption has decreased by 2018 compared to 2016. It is 4.2 as a liter per annum.

Year	2005	2010	2015	2016	2018
Per capita alcohol consumption in liters per annum	2.6	4	4.1	4.3	4.1

Table 5 : Per capita Alcohol consumption in Sri Lanka

Source - Statista 2021



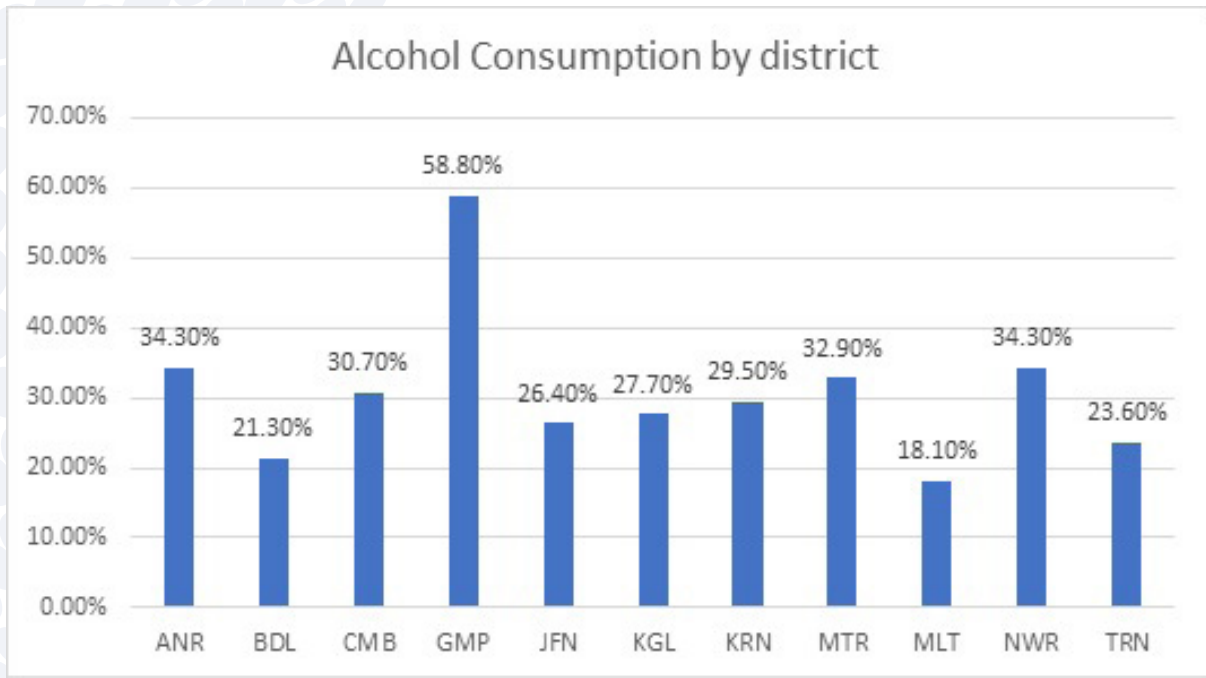
Graph 5 : Per capita Alcohol consumption in Sri Lanka

Source - Statista 2021

District	Consumption
ANR	34.30%
BDL	21.30%
CMB	30.70%
GMP	58.80%
JFN	26.40%
KGL	27.70%
KRN	29.50%
MTR	32.90%
MLT	18.10%
NWR	34.30%
TRN	23.60%

Table 6 : Alcohol consumption by district

Source – ADIC trend survey 2019



Graph 6 : Alcohol consumption by district

Source – ADIC trend survey 2019

ANR – Anuradhapura, BDL – Badulla, CMB – Colombo, GMP – Gampaha, JFN – Jaffna, KGL – Kegalle, KRN – Kurunegala, MTR – Matara, MLT – Mullaitivu, NWR – Nuwara Eliya, TRN – Trincomalee

Here is the alcohol by the district. Alcohol consumption covering 11 districts is as follows: Anuradhapura 34.30%, Badulla 21.30%, Colombo 30.70%, Jaffna 58.80%, Kegalle 27.70%, Kurunegala 29.50% and Matara 32.90%. Nuwara Eliya 34.30% and Trincomalee 23.60%. Accordingly, the highest usage is in the Gampaha district and the lowest is in the Mullaitivu district. There are a number of different social factors that contribute to the increase in alcohol use, and the behavior of alcoholics is a good example of this.

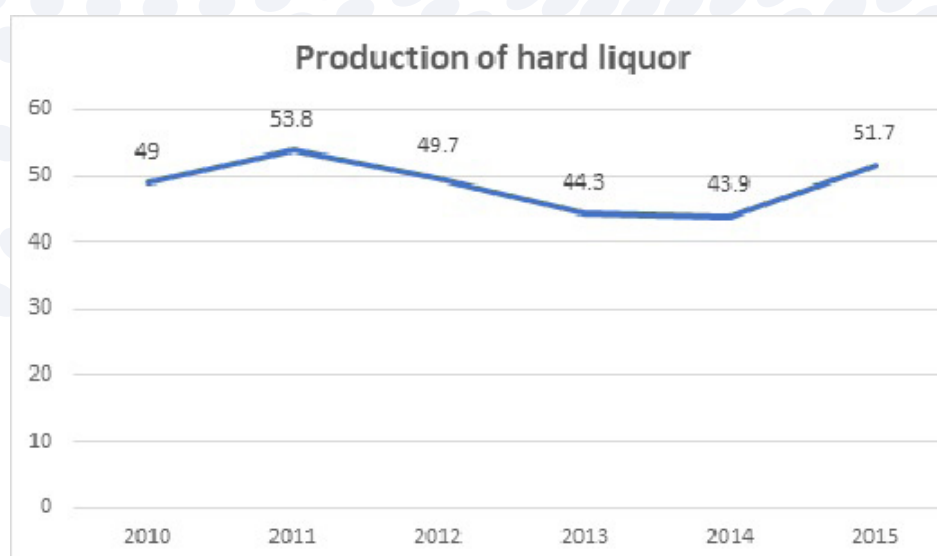
PRODUCT PORTFOLIO

According to Carlsberg, they mentioned as "Mainstream lager beer enjoys high penetration and frequency in most markets. Core beer is the backbone of our business, representing our largest volume and profit pool. Our core beer portfolio consists of strong local power brands in combination with our international brands Tuborg and Carlsberg. Improving the brand fundamentals within core beer is an important priority of SAIL'22, and in 2018 we revealed a series of betterments and a new look & feel for the Carlsberg brand."



year	2010	2011	2012	2013	2014	2015
Quantity in million	49	53.8	49.7	44.3	43.9	51.7

Table 7 : Production of hard liquor



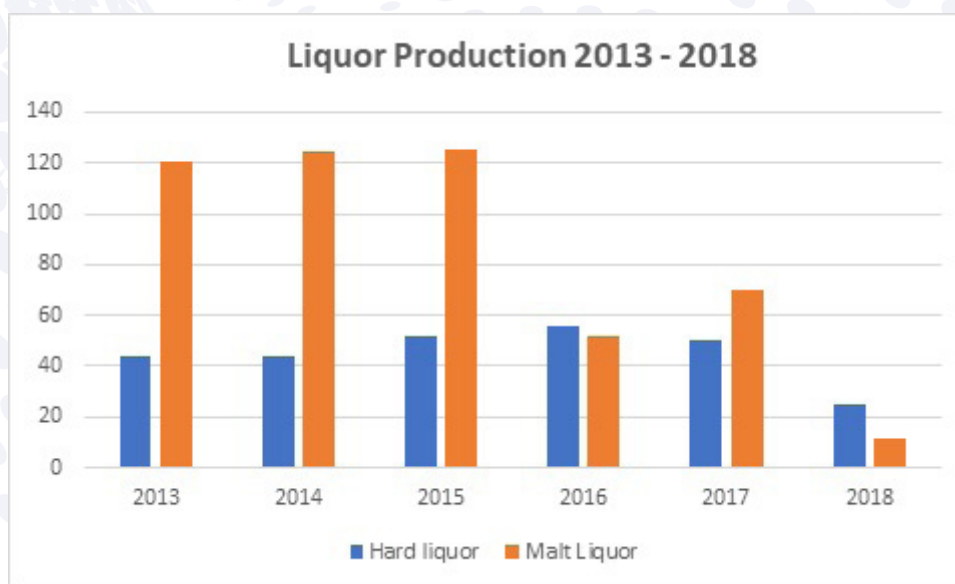
Graph 7 : Production of hard liquor

When considering about production of hard liquor, the data have been filed for 6 years and will be used for further studies. According to this table, it was 49 in 2010, 53.18% in 2011, 49.7 million in 2012, 44.3 million in 2013, 43.9 million in 2014 and 51.7 million in 2015. According to the column chart, it shows a gradual increase between 2010 - 2011 and 2014 - 2015. However, alcohol production fell by 5.4 million in 2013 compared to 2012. Again, alcohol production fell by 0.4 million in 2014 compared to 2013. Thus, considering the production, it can be inferred that the production of alcohol has increased and the increase in the number of alcohol users has led to an increase in the production of that product.

Year	Hard liquor (Proof Liters (Million))	Malt Liquor (Bulk Liters (Million))
2013	44.3	120.3
2014	43.9	124.5
2015	51.7	125.6
2016	55.5	52.2
2017	50	70.4
2018	25.2	11.3

Table 8 production of Hard Liquor and Malt Liquor (Bulk Liters million)

Source - Excise Department of Sri Lanka / Performance Report - 2018



Graph 8 Liquor production 2013 - 2018

Source - Excise Department of Sri Lanka / Performance Report - 2018

This table shows the alcohol production from 2013 to 2018. Hard Liquor produced 55.5 million liters in 2016, 50 in 2017 and 25.2 in 2018. Considering the heavy alcohol content here, production has been steadily declining compared to 2016, 2017, 2018. Production has decreased by 0.5 million liters by 2017 and by 24.8 million liters by 2018. Accordingly, the production of hard liquor has been declining rapidly since 2015.

Malt Liquor produced 120 million liters in 2013, 24.5 million liters in 2014, 125.6 million liters in 2015, 52 in 2016, 70.2 in 2017 and 11.3 in 2018. In the case of malt liquor, the amount produced each year increases as well as decreases. For example, in 2013, 2014 and 2015 malt alcohol production increased steadily. However, malt liquor production has been steadily declining since 2017, increasing by 22.2 million liters in 2017 and 59.1 million liters in 2018 compared to 2016. Although there has been a decline in production due to the use of hard liquor, there has been no significant decline in the production of malt liquors as malt liquor consumption has continued to rise to that level.

Inflation in Sri Lanka

Inflation refers to the rise inside the expenses of maximum items and services of daily or not unusual use, such as meals, apparel, housing, exercise, shipping, patron staples, etc. Inflation measures the average rate alternate in a basket of commodities and offerings over time. The opposite and rare fall within the price index of this basket of objects is called 'deflation'. Inflation is indicative of the lower inside the purchasing power of a unit of a country's foreign money. This is measured in percentage. Inflation is the maximum suitable and comprehensible size to degree the changes in rate levels of a rustic. In extra simple words, inflation is the extent of charge boom of a specific use of a primarily be based on its preceding 12 months charge ranges. The Colombo Consumers Price Index (CCPI) is the reliable measurement of inflation of Sri Lanka that's produced by using the Department of Census and Statistics Sri Lanka. Due to a few fundamental inadequacies of the approach that had calculated the inflation, a new method has been added to triumph over the effects of the ones.

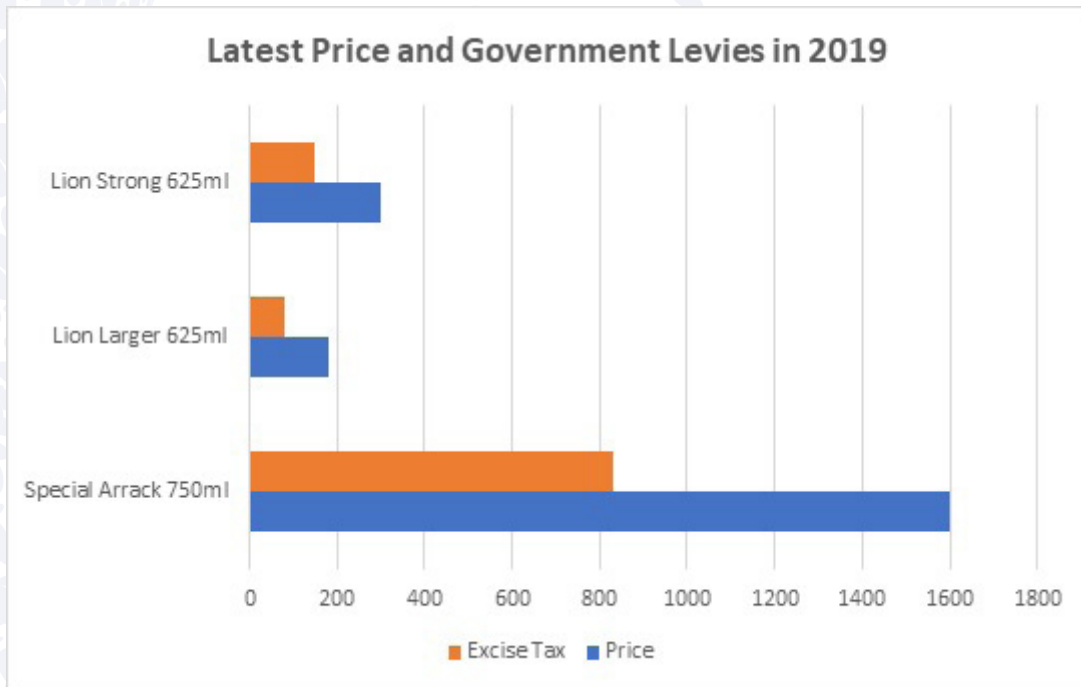
It became calculated using, looking at the working-magnificence household within the Colombo region according to the circle of relatives' price range survey of 1949/1950. It can also be cited that even though meantime revisions and upgrades were made to the index sometimes over time, such revisions have been rather restricted. The alternate had caused the subsequent reasons.

- Inadequate representation of the true price changes in line with the changing consumption patterns, as the index was based on an outdated basket of goods and services. The significant changes in consumer habits and income levels since 1949/50 have substantially altered the size, content and composition of the market basket of goods and services consumed.
- Although the range and availability of goods and services had enhanced over the years, these new items were not included in the index.
- The index was highly sensitive to the prices of a few items, due to the outdated consumption pattern and unrealistic weights attached to such items based on the outdated consumption pattern. Hence, even a marginal price change of some of those items led to a disproportionate change in the overall index.
- It was limited in scope, both in terms of geographical and income group coverage.

	Price Rs	Excise Tax Rs
Special Arrack 750ml	1600	829
Lion Larger 625ml	180	81
Lion Strong 625ml	300	148.5

Table 9 Latest price and Government Levies in 2019

Source – Movendi International



Graph 9 Latest price and Government Levies in 2019

Source – Movendi International

The table above shows the prices of the liqueurs. Accordingly, the special array is 750 milliliters 1600 rupees, the Lion Lager 625 milliliters 180 rupees and the Lion Strong 626 milliliters 300 rupees.

INDUSTRY RIVALRY

Barriers to enter into the market are higher in the liquor industry compared to the Beer industry. Competition is restricted by the regulation of Federal, State, and Local governments. A high amount of capital is required to become a major player in the market. Existing firms do possess trademarks and have a well-established brand reputation. Customer switching cost is low and customer loyalty can be swayed. There are many rivalries and the market is constantly growing.

Consistent with previous figures, beer and arrack remain as the most prominently consumed alcoholic beverages across all occupations. Arrack was prominently consumed among all occupational sectors except the unemployed groups, while beer was prominent among the unemployed groups. The highest consumption rate of kasippu was reported in the unemployed groups while it was not reported in the private sector. The highest toddy consumption was reported in the self-employed sector while it was not reported in the unemployed groups.

Threat of substitutes

In Porter's model, substitute products refer to products in other industries. To the economist, a threat of substitutes exists when a product's demand is affected by the price change of a substitute product. A product's price elasticity is affected by substitute products - as more substitutes become available, the demand becomes more elastic since customers have more alternatives. A close substitute product constrains the ability of firms in an industry to raise prices.

The threat of new entry is low in the alcoholic beverage industry because there is strong product differentiation, large economies of scale/high operating costs, expensive capital costs, limited access to distribution channels, a large amount of government regulations and difficulty in obtaining technology. Because of these factors, the degree of rivalry is low and reduces the threat of new entry. Summary: The threat of substitutes is high in the alcoholic beverage industry due to many viable product/offering substitutes, the high value of potential substitutes for available price and low-price elasticity of demand. Because of these factors, the degree of rivalry is high.

Buyers' Power

Buyer bargaining power is high in the alcoholic beverage industry because of excessive client attention, a massive volume of purchases by means of buyers, many possible substitutes, many specialized investments with shoppers, big differentiation of services/some charge discrimination, all the consumer's general fee and many transaction-to-transaction negotiations demanded. Because of those factors, the rivalry is high and there's improved consumer bargaining power.

Suppliers' Power

Supplier bargaining power is excessive in the alcoholic beverage industry because of high provider concentration, purchases by group only, no deliver substitutes, many specialized investments through organization with suppliers, big danger of ahead integration and confined differentiation of materials. Because of these elements, the degree of rivalry is high and there's expanded dealer bargaining power.

Industry network of Alcohol Beverage

Sri Lanka's legal alcohol beverages consist of hard liquor and soft liquor. There are various types of Arrack and these can be classified as hard liquor and foreign liquor. The term hard liquor is used for locally made foreign liquor and malt liquor mainly. Beer as soft liquor. Further, Toddy production through Coconut, Palmyrah and Kitul trees is in existence. Among Alcohol Beverages companies, DCSL is the leading producer with a share of 76 per cent in 2011 of the production of Arrack totaling 46.9 million proof liters.

The DCSL Group is a few of the pinnacle 5 corporate conglomerates in Sri Lanka with property over Rs. Fifty-two billion and an annual turnover of about Rs. Forty-seven billion. The DCSL has records spanning from 1913 as part of the Excise Department. In 1913, whilst the Excise Department of Ceylon was initially created as the enforcement authority and to distribute and promote liquor products in Sri Lanka, branched out, the distillation and manufacture of liquor products went to the Distillery Company. Since the privatization in 1992, the Company has been converted into the ideal distiller, producer and distributor of neighborhood liquor products in Sri Lanka.

Established in 1960 through Mr. E.M. Mendis, an expert in the training of local liquors, the Company has a record of manufacturing high-quality liquor for well over 4 decades. The ultra-cutting-edge Distillery is located on Sri Lanka's southwest coast. It is surrounded with the aid of Coconut plantations, from which the Company obtains its most important uncooked material - the sap of the coconut flower. The bottling factory located within the Northern outskirts of Colombo owns 5 fully computerized bottling lines synthetic in Germany. The Company produces 27 kinds of merchandise comprising of natural Coconut Arracks, Old Arracks, Blended Arracks, and Foreign Liquors.

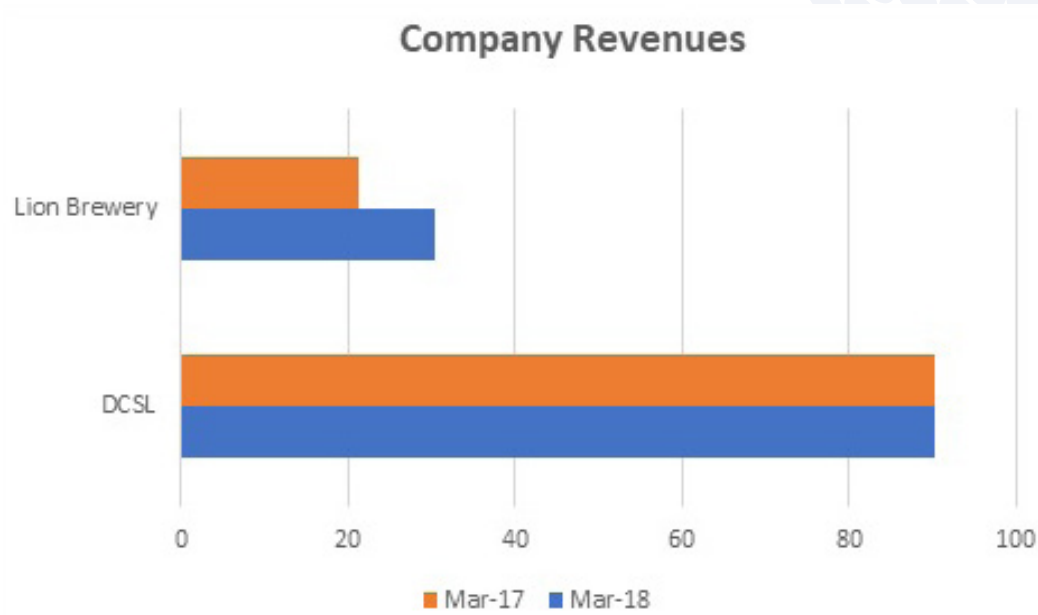
Rockland Distilleries began on a family property in 1924. A pioneering challenge, it changed into set up to provide high-quality Arrack for the first time in Ceylon's records and for nearly a century, Rockland Distilleries remained a privately owned family business. Rockland has initiated to make their distillery as distillation to produce an awful lot of relished Coconut Arrack.

Company Revenues

Revenue rupees in billion	Mar-18	Mar-17
DCSL	90.4	90.2
Lion Brewery	30.5	21.2

Table 10 Company Revenues

Source - Finance Ministry to Index Alcohol Tax to Inflation Rate



Graph 10 : Company revenues

Source - Finance Ministry to Index Alcohol Tax to Inflation Rate

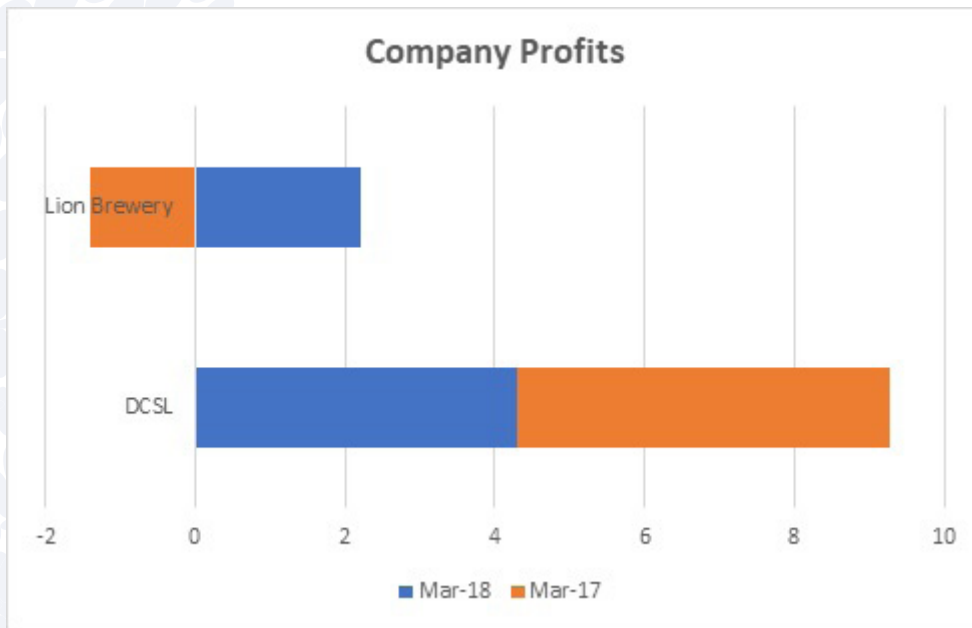
The table below shows the revenue position of DCSL and Lion Brewery Liquor Company. Compared to 2017 and 2018, DCSL’s revenue was 90.4 rupees in billion in 2018 and 90.2 rupees in billion in 2017. Lion Brewery’s revenue was 30.5 rupees in billion in 2018 and 21.2 rupees in billion in 2017. The case of DCSL liquor company shows a slight increase of 0.2 rupees in billion in 2018. But the Lion Brewery company shows a huge increment of 19.3 rupees in billion in 2018.

Company Profits

Profit in billion	Mar-18	Mar-17
DCSL	4.3	4.98
Lion Brewery	2.2	-1.4

Table 11 Company Profits

Source - Finance Ministry to Index Alcohol Tax to Inflation Rate



Graph 11 : Company Profits

Source - Finance Ministry to Index Alcohol Tax to Inflation Rate

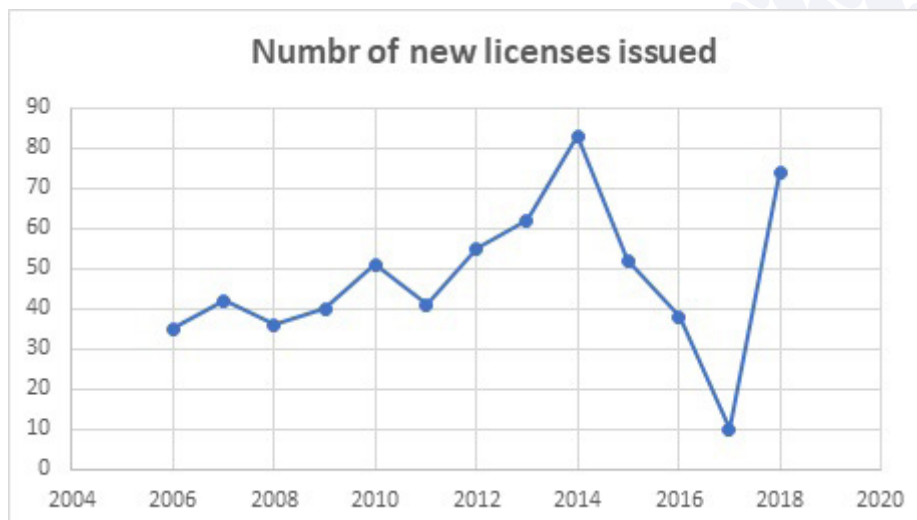
In the case of DCSL Liquor, their profit in 2018 was 4.3 billion and in 2017 it was 4.98 billion. However, the Lion Brewery Company reported a profit of Rs. 2.2 billion in 2018 and Rs. 1.4 billion in 2017. Although DCSL's liquor revenue is higher than in 2018, the company's profit in 2018 is lower than in 2017. Other companies reported that their profits were lower than their revenue.

Number of new licenses issued in 2018

Year	Number of new licenses issued
2006	35
2007	42
2008	36
2009	40
2010	51
2011	41
2012	55
2013	62
2014	83
2015	52
2016	38
2017	10
2018	74

Table 12 Number of new licenses issued in 2018

Source - Excise Department of Sri Lanka / Performance Report - 2018



Graph 12 Number of new licenses issued in 2018

Source - Excise Department of Sri Lanka / Performance Report - 2018

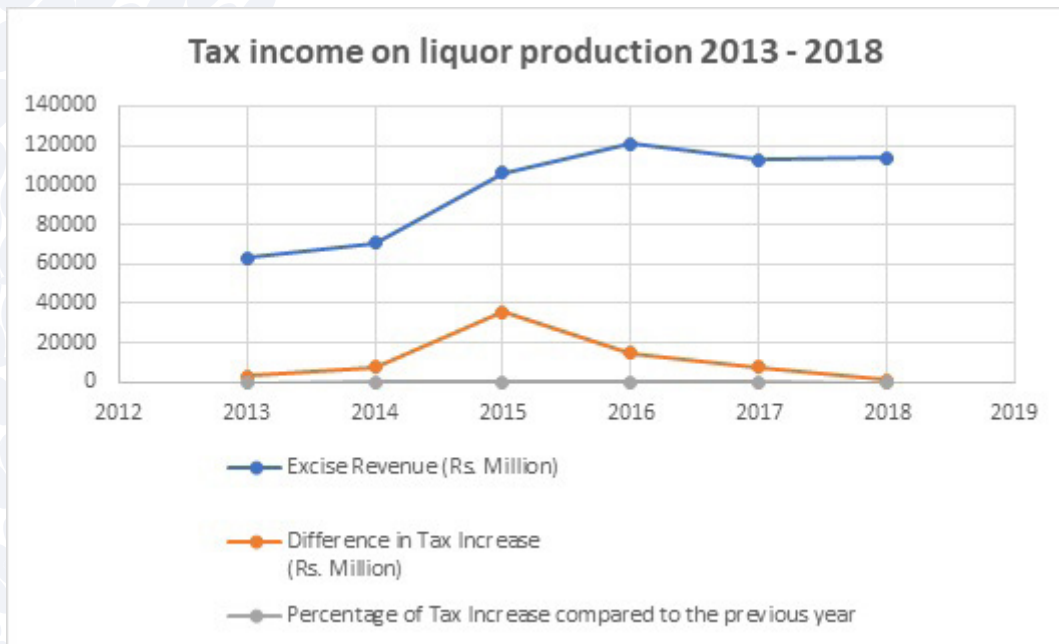
This table shows a number of new licenses issued under the particular year. According to this table, it was 35 in 2006, 42 in 2007, 36 in 2008, 40 in 2009, 51 in 2010, 41 in 2011, 55 in 2012, 62 in 2013, 83 in 2014, 52 in 2015, 38 in 2016, 10 in 2017 and 74 in 2018. Licensing can be seen more or less every year. But looking at the last two years, in 2017 and 2018, 10 new licenses and 74 new licenses were issued. Accordingly, the number of licenses issued has increased by 64 compared to 2017. Looking at the alcohol production table mentioned above, production in 2018 is lower than in previous years. However, despite declining production, liquor store openings and licensing increased in the same year.

Tax income on liquor production

Year	Excise Revenue (Rs. Million)	The difference in Tax Increase (Rs. Million)	Percentage of Tax Increase compared to the previous year
2013	63026	2948	4.90%
2014	70513	7487	11.90%
2015	105957	35444	50.30%
2016	120794	14835	14.00%
2017	113027	7767	6.87%
2018	113936	909	0.80%

Table 13 : Tax income on liquor production 2013 – 2018

Source - Excise Department of Sri Lanka / Performance Report - 2018



Graph 13 Tax income on liquor production 2013 – 2018

Source - Excise Department of Sri Lanka / Performance Report - 2018

Excise profits which turned into Rs. 113,027 billion inside the year 2017, accelerated to Rs. 113,936 billion in the year 2018. Although a decrease of 6.87% may be witnessed inside the excise revenue inside the year 2017 in comparison to the year 2016, tax sales have multiplied by using 0.8% in the year 2018 as compared to the year 2017. There has been a variance of Rs.900 among evidence liter of Hard liquor and that of Malt liquor. It is found that consumers of difficult liquor have shifted to beer consumption attributable to a lower tax on malt liquor. Moreover, the sharp decline in alcohol revenue from hard liquor and its products was based on a sharp drop in alcohol consumption due to price.

ILLICIT ALCOHOL

Although Sri Lanka is in line with the capita recorded consumption of alcohol is at around Seventy-nine liters, 20 years the capacity for growth within the market is restrained through the dominance of illicit liquor. About sixty-five per cent of the full alcohol marketplace in Sri Lanka is estimated to be illicit, Beer remains the most luxurious alcoholic beverage, in marked contrast to the fashion someplace else, in which the reverse is actual, due to skewed excise responsibilities and incredibly constrained wholesale and retailing licensing and distribution systems.

The industry contributed around Rs.16. Billion in 2005 and Rs. 60 billion in 2012 on liquor as an excise tax. But the truth is that (apart from illicit alcohol), the kingdom coffers do no longer receive the entire taxable earnings on liquor, due to the fact that a huge amount of liquor produced in us does not fall beneath the tax bracket. This phase that deprives the

authorities of sales is referred to as the “unlawful alcohol industry” zone which sells liquor at the same fee as the legal product probably using the same channels, but does not pay taxes. Though small moonshine or ‘kasippu’ manufacturers have always been a hallmark of the arena, industry sources say that there are massive scale distilleries - inclusive of those with certified permits - that produce tax unpaid products and which normally operate with political backing. At present, the illegal marketplace is a considerable component as compared to the legal marketplace and if infused into the mainstream, the government may be confident of even greater sales that can, in flip, be invested in plenty wanted important sectors inclusive of Education and Health.

It is inside the arms of the government and the Excise Department’s obligation to devise a strategy to display the production and sales of this non-business sector and claim the tax revenue for the country.

Illicit alcohol is going via many names: Kasippu, Goda, and Moonshine, neighborhood, illicit, or unrecorded alcohol. It consists of alcoholic liquids that are not produced within a prison setting and are therefore now not reflected in official statistics, consisting of income figures. Also, illicit alcohol is often now not a concern with the identical requirements of pleasant and purity as its commercially produced counterparts. The loss of data approximately non-regulated alcohol makes research into the drinking patterns around it difficult. There is presently a dearth of medical evidence on approximately non-regulated alcohol, its production, consumption styles, and associated results. High taxation can also cause multiplied consumption of probably risky sorts of non-business and illicit beverage alcohol with better safety and health dangers.

Sri Lanka Tax Rates on Liquor

Sri Lanka Tax Rates on Liquor 2005-2011

Date \ Type	Type									
	Jan. 05	Nov.05	Dec.05	Oct.06	Oct.07	Oct 08	Mar.09	Jun.10	Oct.10	Nov.10
Arrack Rs/Proof Lit.	366	381	396	421	510	560	610	660	710	813
Beer (Alcohol -5%) Lit	27.50	32.50	37.50	37.50	38	48	48	58	63	80
Beer (Alcohol+5%) Lit	43.50	48.50	53.50	53.50	54	64	64	74	79	96
Foreign Liquor Lit	500	525	550	640	690	690	740	790	840	953

Source: Excise Commissioner General’s Administration Reports Various Years.

Below indicates that in Sri Lanka tax rates for liquor were increased on ten occasions during the seven-year period from 2005 to 2011. As an example, the tax increase for Arrack became 122 according to cent in the course of the length, even as the tax boom for Beer became one hundred and twenty in keeping with cent. Tax charges for all alcohol were elevated on three events in 2005 and repeated identically from June to November in 2010. In UK, the revision of taxes has taken place only once a year except for the two

increases in 2008. During the duration of thirteen years from the 12 months 2000 to 2013, there had been only 13 tax rates increases. Also, inside the UK it appears that year to 12 months increase has been marginal and the rate of tax growth for a spirit has been higher than that for a Beer. The desk indicates that in terms of responsibility per liter of natural alcohol, spirits are taxed more than 500 in line with cent more closely than beer.

COMPREHENSIVE ALCOHOL POLICY

The global excellent practices that target the fitness and social troubles for the ones around the drinkers are at least as critical as the troubles for the drinker himself or herself. The impact of the dangerous use of alcohol on others except the drinker, is a sturdy argument across the world for taking effective motion to lessen the load of alcohol troubles. Sri Lanka's position in this regard is extra ambiguous because the revenue accumulation from liquor and tobacco has exceptional priorities. Therefore, it may be argued that if there is any element that initiates a viable motion plan to reduce the intake of alcohol, it will not acquire the necessary nation patronage.

From the Sri Lankan context, given that ingesting customs and conduct is deeply rooted in the multi-ethnomimetic-religious and economically unequal population, powerful actions to prevent or reduce the harm as a result of alcohol consumption, would require the improvement and application of proof-primarily based suggestions and strong political commitment. Building up public help for effective alcohol policies, is consequently an important part of the public fitness movement on alcohol. In this example, alcohol regulations and implementing movements need to be primarily based on the great medical evidence, about the effectiveness and cost-effectiveness and must be touchy to the cultural and economic variety of the population.

REGULATING ALCOHOL PROMOTION



The manufacture and sale of alcohol is a global commercial enterprise and a part of that commercial enterprise involves the advertising of use, even though all governments understand the want to have legal guidelines that adjust sale and supply. The essential question on regulation for policymakers, is the volume to which energetic promotion should be permitted as part of a market financial system, or confined in the interest of reducing harm. It has

been argued that the advertising of alcohol undermines public fitness strategies, which purpose to form healthy lives, at the same time the alcohol enterprise has adopted advertising strategies evolved by way of the tobacco industry and specifically in focused on the younger. From Sri Lanka's context, it's far difficult to locate proof to aid this argument.

Social occasions of the society of elite overflow with alcohol at the same time as newspaper commercials provide "an unfastened bottle of whisky" for every table for the New Year Dance! Alcohol is the unlawful best on Poya days! When weddings are held on Poya days, liquor is made available in a corner of the wedding corridor for every person to serve themselves. As if that makes residents surrender the drinking dependency! The authorities aren't always equipped to forestall the import of cigarettes or liquor, but prohibit under-age youth from buying them as though it's far healthier for the older ones to smoke.

In state-of-the-art global marketing has ended up an indispensable part of free change and competition, and it has additionally become an essential detail where massive, small, and medium market players are involved. Brand advertising is important particularly for the players with small market shares, to avoid the introduction of a monopolistic environment via massive players who ought to experience the leverage, to monopolize the industry whilst there may be no advertising.

Marketing involves incorporated applications of promotions where one pastime reinforces some other. Since 2006 alcohol advertising is banned in Sri Lanka within the broadcast media, print media, product placement and associating alcoholic liquids with sporting events inclusive of cricket, rugby or soccer, which might be in particular attractive to younger males. The censorship practiced on films shown on TV is, to mention the least, comical if no longer hypocritical. Whenever a scene appears where there's in all likelihood to be a glass of alcohol or smoking, the scene is blocked by blurring bins with an excuse that it's far accomplished according to the government policy. Meanwhile, the license to sell liquor is issued with the aid of the authorities itself and also, the entire film can be about adultery, pills, or cheating. Also, it may be argued that if the censoring is to shield the teenagers, should not they be included in vices apart from mere drinking and smoking?

At the same time, advertising is a commercial proper in Sri Lanka like in other countries, offers purchaser information and choice, and is beneficial to organizations in promoting their merchandise. Therefore, at the heart of the problem is the need to stabilize business freedoms against safety. More widely, how advertising and marketing are regulated reflects the respective roles, rights, and responsibilities of the Government and the private zone in the present tradition.

There is no clear proof to show who governs the guidelines of alcoholic-beverage labeling, however, it seems that the labelling technique suffers from some gaps between the Excise Commissioner's Department and Industry manufacturers. As a result, inconsistent standards for soft liquor and tough liquor and the abundance of merchandise that more and more blur one's classes of alcoholic drinks, without a doubt provides to the confusion. Most of the labels on various kinds of liquor bottles inside the market are illegible and the information provided is ambiguous.

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