Analysis of Cinnamon Value Chain in Sri Lanka

National Dissemination Workshop
20/03/2017
Overview of the Cinnamon Industry
Overview of the Cinnamon Industry cont..
Overview of the Cinnamon Industry cont..
Overview of the Cinnamon Industry cont..

- Producer's share
- Intermediary's share
- Exporter's share

Graph showing the average price from 2006 to 2015:
- Blue line: Producer's Average Price (Rs/Kg)
- Red line: International Average Price (Rs/Kg)
Cinnamon Value Chain

ACTIVITIES
- Input Supply
  - Smallholders/Medium Scale
  - Village Level Collectors
  - Town Level / CMB/ Collecting Centers
  - Processors / Exporters
  - Domestic Market/Hotels, Restaurants, Boutique
  - International Markets

STAKEHOLDERS
- Input Supply
  - Domestic Market/Hotels, Restaurants, Boutique
  - International Markets

SUPPORTING
- MPI
- DEA
- Private Sector
- Farmer Org.
- Spice Council
- SAPPTA
- SLSI
- ITI
- EDB
Product and Process Standards

Product Standards

Process Standards
GAP
GMP
ISO 22000:2005
HACCP
Opportunities in Cinnamon Industry
Sri Lanka has the monopoly powers in the world market for pure cinnamon (85 percent of world market share)

- Sri Lanka has created a brand name for cinnamon as “Ceylon Cinnamon”

Cinnamon can be grown in various types of soils. Thus, there is an opportunity to explore other growing areas as well

- First harvest of cinnamon can be taken after three years of planting and two harvests can be taken per year and can use cinnamon trees for hundreds of years
- Can use both organic and carbonic fertilizer to maintain high productivity

Institute of Policy Studies of Sri Lanka
At Producer Level

Support from government and private institutions (DEA, MPI, Spice Council, SAPPTA)

- Availability of 50% grant provided by the MPI for in-house processing units
- Provision of free planting material by DEA for home-gardens; 50 percent subsidy for others

Women can also get involved in both cultivation and peeling

- No restrictions in selecting collectors
At Collector Level

- Solitary in determining prices
- Can store cinnamon for one year in a warehouse
- Engage in backward integration
- Opportunities to establish centralized processing centres
- Availability of 50% grant provided by the MPI for entrepreneurs for value addition
At Exporter Level

World market is already established for Ceylon cinnamon and brand name is already created

Ability to buy products directly from farmers and processing to own standards to ensure traceability

Adoption of product and process standards to access new markets

Research published at international level confirming the importance of Sri Lankan cinnamon main chemical Euginol

High possibilities in explore new markets such as Japan, European markets and also for value addition

Availability of 50% grant provided by the MPI for entrepreneurs for value addition
Constraints in Cinnamon Industry
At Producer Level

- Insufficient skilled labor (peelers)
- High labor cost
- Lack of recognition and social cast stigma
- Lower attraction of youth
- Tendency towards in making coarse grades except other fine grades
At Producer Level

- Limitations of converting lands into cinnamon cultivation especially in RPCs
- High cost of fertilizer
- High prices in planting materials
- Lack of proper production infrastructure and technology
- Climate change
- Susceptibility to pest and disease like deer, pig, peacock etc.
- Limited number of cultivars
At Collector Level

- Poor hygienic, sanitary in storage and transport facilities
- Less concern to assure the quality of the cinnamon, lack of awareness of international standards and specification
- High competition amongst collectors
- High transportation cost of cinnamon
At Exporter Level

- Major market limited to Mexico, USA, Colombia, Peru and Germany
- Insufficient promotional activities in the international market
- Lack of research undertaken to measure end market requirements
- Traditional methods which are highly labour incentive are using for processing
- High cost in obtaining and maintaining standards certificates
At Producer Level

- Attract new labour and provide proper training to existing labour force
- Attract youth to peeling job by way of providing decent working environment
- Provide them with an identity card that they can use at the bank, hospital, police station etc.
- Conduct awareness programmes to communicate them the value of their service
- Provide NVQ certificates to peelers
At Producer Level

- Maintain stable farm-gate price for cinnamon by way of government intervention as in paddy. Introduce a guaranteed price scheme
- Promote organic fertilizer and encourage producers using organic fertilizer and also promote adoption of Good Agriculture Practices (GAP) for cinnamon
- Promote producers to maintain their own nurseries using quality seeds
At Producer Level

- Establish central processing units at selected places where producers could sell their products.
- Extend government subsidy on “in-house processing sheds” to less than 5 acres plantations.
- Develop drought tolerant varieties of cinnamon suitable to different agro-ecological regions.
- Develop pest and disease resistant varieties of cinnamon.
- Develop improved cultivars.
At Collector Level

- Promote sound storage and transport system for cinnamon. Warehouse should be a covered premise, well protected from rain, sun and excessive heat
- Strengthen and introduce new technologies for quality assurance and improvement of cinnamon
- Make them aware on collecting quality products
- Introduce a support scheme to cinnamon collectors
At Exporter Level

- Strengthen promotion Champaign on Ceylon cinnamon brand products at international market. Strengthen brand promotion programs
- Develop promotional campaign for cinnamon industry through electronic and print media
- Trade Mark registrations
- Establish a mechanism to obtain Geographical Indications
- Conduct market research to identify new markets and expand existing markets for cinnamon
- Provide intensive scheme for stakeholders who wish to achieve quality standards
Thank You...
### Product Standards

- Quills are graded on the basis of the diameter of the quill and the level of foxing.

<table>
<thead>
<tr>
<th>Commercial designation of grades and qualities</th>
<th>Diameter of quills Max mm</th>
<th>Number of whole quills (1050mm) per kg min</th>
<th>Extent of foxing $^1$ % max $^2$</th>
<th>Minimum length of quills in a bale mm</th>
<th>Pieces of tube and broken pieces of the same quality per bale max % (m/m)</th>
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Process Standards

• **GAP**
  - production and farm level approaches to ensure the safety of fresh produce for human consumption

• **ISO 22000:2005** –
  - It specifies the requirements an organization's food safety management system has to meet
  - To obtain ISO 22000:2005 the company has to demonstrate its ability to control food safety hazards

• **HACCP** –
  - HACCP stands for 'Hazard Analysis and Critical Control Points'
  - HACCP is a food safety management system based on 7 principles to ensure that potential hazardous products do not reach the end customer

• **GMP Certified Company** –
  - GMP stands for 'Good Manufacturing Process'
  - This standard specifies a set of manufacturing guidelines to ensure the quality of the...