



# **Action Plan**

## **for the Ceylon Cinnamon Value Chain in Sri Lanka**

**Project title:** *Enhancing the compliance and productive capacities and competitiveness of the cinnamon value chain in Sri Lanka*

March, 25<sup>th</sup> 2016

# 1. Introduction

Demand and prices for high quality cinnamon are rising which provides Sri Lanka the opportunity to position itself as best cinnamon supplier worldwide in addition to contributing essentially to the country's export earnings. To accomplish this objective, Ceylon cinnamon production needs to be optimized in a way that accommodates mass as well as high-end production. During the past ten years many efforts were taken to promote Ceylon cinnamon nationally and internationally to revamp the Ceylon cinnamon industry thus becoming a major supplier world-wide. However, as a result of increased price, due to the shortage in supply, quality decreased. Focus was on maximizing short term revenue rather than compliance of market requirements which also has been harming the industry. A large number of cinnamon shipments including low quality cinnamon and sometimes even contaminated products have not reached their targeted markets. Customers were disappointed and again, market share was lost to cassia from China, Vietnam or Indonesia. To develop a productive, efficient and internationally competitive Ceylon cinnamon industry, this document is based on the “*Study and Master Plan for the Ceylon Cinnamon Value chain in Sri Lanka*” and focuses on describing various short-term activities which could positively contribute to the Ceylon cinnamon production and in turn, the local economy. By help of these advancements, the sector can strengthen its number one position in pure Ceylon cinnamon production and live up to the demands of international buyers and consumers. To establish a favourable business environment and to improve the Ceylon cinnamon industry the most important factors are quality control complying with the PCC mark and traceability through market regulation of stakeholders and utilization of technology. Ceylon cinnamon has to be produced in certified centres, training of value chain members increased, market regulations in place which facilitate traceability and certified shipments, financing models in place to facilitate funding and loans for training, the construction and running of processing centres and marketing tools to generate awareness of Ceylon cinnamon and its exceptional properties. These measures will help to assure food safety of cinnamon products and compliance of value chain members.

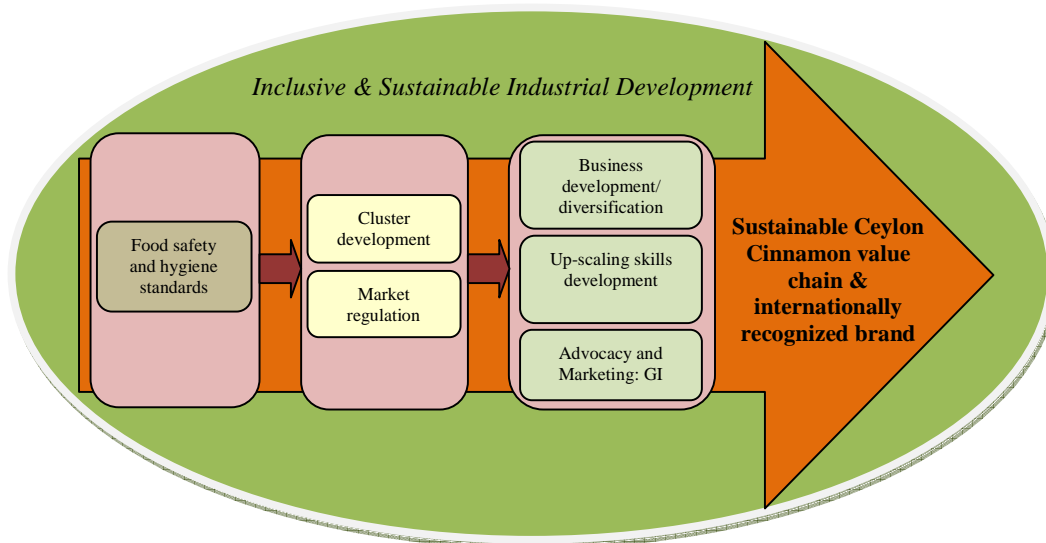


Figure 1: Master plan overview

## 2. Food Safety

Since recent years, non-compliance with international food safety standards has been a challenge to the Ceylon cinnamon industry. Small scale production scattered across districts has made traceability and controllability of cinnamon products very hard. Where cinnamon factories and some of the plantation companies offer a clean manufacturing environment, the processing units of small holders are often not in line with hygiene standards. In addition, once the cinnamon is peeled within the premises of the small holders, collectors and buyers handle and transport and trade the product individually as well as storing it in various locations. The widespread production, low awareness on the importance of food safety standards, the habit of mixing compliant with non-compliant products and the focus on weight instead of quality have resulted in low quality and contaminated international deliveries. Many countries have imposed new rules and regulations with regard to import of food products. This includes the need for food quality certificates such as GAP, GMP and HACCP. To compete globally it is essential for the Sri Lankan cinnamon sector to increase the share of certified cinnamon produces. Each member of the value chain will need to comply with applicable food safety standards. Production processes and products themselves have to be controlled and certified. Raised awareness and an increased number of certified producers (small and large scale) will lead to augmented high quality, certified cinnamon, which in turn will result in satisfied customers, increasing international demand and the value chain's international competitiveness. Without food safety compliance, the industry faces major issues and is assumed to lose competitiveness exceedingly. The actions described in each of the following chapters intend to facilitate increased food safety of Ceylon cinnamon products. Furthermore, it is important to understand that cinnamon producers which gain GMP certification will seek short-term gains due to the cost of the upgrade related to the certification's requirements.

<b>Food Safety</b>			
<b>Topic</b>	<b>Actions required</b>	<b>Desired change</b>	<b>Assumptions</b>
<b>Certification</b>	<ul style="list-style-type: none"> <li>Facilitate the certification of GAP and GMP across cinnamon producing districts</li> <li>Based on the model of converting six peeling centers into GMP certified centers (UNIDO-TSC-WTO Project); upgrade another 200-250 centers in the respective districts with GMP</li> </ul>	<ul style="list-style-type: none"> <li>Increased number of certified producers</li> <li>Increased production of certified Ceylon cinnamon</li> </ul>	<ul style="list-style-type: none"> <li>Willingness of value chain members to participate</li> <li>Funding schemes available</li> </ul>
<b>Awareness raising</b>	<ul style="list-style-type: none"> <li>Awareness raising activities on the benefits of training and certification, especially at small holder level</li> <li>Awareness raising activities targeting collectors, buyers and exporters on food safety standards and certification</li> </ul>	<ul style="list-style-type: none"> <li>Increased number of producers enroll in training and certification</li> <li>Increased number of collectors and buyers demand certified cinnamon</li> </ul>	<ul style="list-style-type: none"> <li>Willingness of producers/ collectors/ buyers to join the events</li> </ul>
<b>Funding schemes</b>	<ul style="list-style-type: none"> <li>Facilitate attractive financial support systems such as microfinance, loans and grants to assist in training and certification</li> </ul>	<ul style="list-style-type: none"> <li>Increased number of producers enroll in training and certification</li> </ul>	<ul style="list-style-type: none"> <li>Cooperation of funding institutes</li> </ul>

**Table 1 Overview on suggested activities related to food safety**

### 3. Cluster development

Sri Lanka's cinnamon production is currently based mainly on small holders which includes more than 350,000 families. The supply chain including a large number of actors (small holders, factories, independent peelers, collectors, buyers, dealers, exporters) is characterized by decentralized purchasing and low traceability. Clustering production to GMP/HACCP certified production sites, will allow facilitating transparency, controllability as well as production of high quality cinnamon. Clustered activity would further facilitate GMP integration, labelling, market regulation and various business development opportunities.

Cluster Development			
Topic	Actions required	Desired change	Assumptions
<b>Research</b>	<ul style="list-style-type: none"> <li>Facilitate the development of a database including information on all members of the value chain (<i>this activity would further facilitate each of the other fields of action: food safety, market regulation, etc</i>)</li> </ul>	<ul style="list-style-type: none"> <li>Establishing a realistic picture of the Ceylon cinnamon value chain</li> </ul>	<ul style="list-style-type: none"> <li>Willingness of value chain members to register</li> </ul>
<b>Peeling centres</b>	<ul style="list-style-type: none"> <li>Based on the model of converting six peeling centers into GMP certified centers (UNIDO-TSC-WTO Project); upgrade another 200-250 centers in the respective districts with GMP</li> <li>Awareness raising activities across the districts on the advantages of such centers, sharing best practices of the first six centers focusing on improved competitiveness/ revenue based on the conversion to GMP</li> <li>Set up an organization codex with regulations for the center (including health and safety regulations), including the minimum requirement of trained processors and selling procedures</li> <li>Offer different type of business models for the centers</li> <li>Cooperate with existing cinnamon related associations to set up the required centers</li> </ul>	<ul style="list-style-type: none"> <li>Increased production of certified Ceylon cinnamon</li> <li>Increased traceability and controllability of cinnamon processing</li> <li>Results in fair pricing and reduced mistrust across the value chain</li> <li>Increased opportunity for value addition</li> </ul>	<ul style="list-style-type: none"> <li>Willingness of smallholders to peel in peeling centers</li> <li>Funds available</li> </ul>
<b>Bought tree factories</b>	<ul style="list-style-type: none"> <li>Facilitate large holders to set up bought tree factories</li> <li>Awareness raising activities across the districts on the advantages of such factories, sharing best practices of existing factories</li> <li>Develop an organizational codex and a business model (including compensation schemes for delivered cinnamon sticks, peeling services, allocation of factory space)</li> <li>Develop attractive remuneration schemes to attract Kalli peelers and women from areas with high migration context (Galle, Matara)</li> </ul>	<ul style="list-style-type: none"> <li>Increased production of certified Ceylon cinnamon</li> <li>Increased traceability and controllability of cinnamon processing</li> <li>Decreased migration of female labor to the Middle East</li> </ul>	<ul style="list-style-type: none"> <li>Willingness of smallholders to bring their cinnamon to the factory</li> <li>Funds available</li> <li>GAP are ensured</li> </ul>
<b>Line factory/ Kalli hybrid</b>	<ul style="list-style-type: none"> <li>Awareness raising on advantages of the factories; sharing of best practices (by</li> </ul>	<ul style="list-style-type: none"> <li>Increased production of high quality</li> </ul>	<ul style="list-style-type: none"> <li>Sufficient potential</li> </ul>

	employees and management) <ul style="list-style-type: none"> <li>• Develop attractive remuneration schemes to attract Kalli peelers and women from areas with high migration context (Galle, Matara)</li> </ul>	cinnamon <ul style="list-style-type: none"> <li>• Increased possibility fulfill customized large scale orders</li> <li>• Decreased migration of female labor to the Middle East</li> </ul>	workforce <ul style="list-style-type: none"> <li>• Funds available</li> </ul>
<b>Financial support system</b>	<ul style="list-style-type: none"> <li>• Facilitate attractive financial support systems such as microfinance, loans and grants to assist in setting up clusters (infrastructure, training, ...)</li> <li>• Replicate the current financial model of 1/3 funding from cluster owners, 1/3 loan and 1/3 funding agency for peeling centers</li> <li>• Develop a second funding model for independent peelers (to enable clustered activity; travel costs, training costs)</li> </ul>	<ul style="list-style-type: none"> <li>• Increased interest in setting up clusters</li> <li>• Development of clusters</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation with financial institutions and the GoSL</li> </ul>

**Table 2 Overview on suggested activities related to cluster development**

## 4. Market regulation

The imperfect market system of the Ceylon cinnamon industry has so far hindered itself from sustainable international success. The long supply chain and scattered production sites create lack of awareness on grades, its pricing as well as on standards at producer level. So far the majority of value chain actors focus on produced weight instead of cinnamon grades. Small holders who often live and work far from urban areas are dependent on mobile collectors who are again dependent on village buyers who are dependent on exporters. Each actor tries to maximize financial benefit disregarding food safety standards and the production of higher cinnamon grades. Market regulation and awareness activities are needed to change the current situation and help supply chain actors gain trust in the benefits of certified production. Market regulation will also increase compliance of supply chain members and trust of consumers in Ceylon cinnamon products. Besides PCC and GI certifications, the recently successfully developed and certified Bar-code for *Cinnamom zeylanicum* will help differentiate the true Ceylon cinnamon from related products such as cassia. Scientific results and accomplishments need the support of improved policies and regulations. Such regulations related to export control, trading, taxation, pricing and employment supporting food safety, are expected to help the sector to increase traceability, controllability and thus international competitiveness.

<b>Market Regulation</b>			
<b>Topic</b>	<b>Actions required</b>	<b>Desired change</b>	<b>Assumptions</b>
<b>Export control</b>	<ul style="list-style-type: none"> <li>• Revive policy that only certified products are allowed to leave Sri Lanka to international markets</li> <li>• Introduce a control center at the Colombo Port to inspect shipments; with CTA and SLSI contribution; introduce the possibility of unannounced, random controls</li> </ul>	<ul style="list-style-type: none"> <li>• High quality cinnamon products reach international buyers</li> <li>• Increase compliance throughout the value</li> </ul>	<ul style="list-style-type: none"> <li>• Support through the GoSL</li> <li>• Awareness among exporters</li> </ul>

	<ul style="list-style-type: none"> <li>Facilitate execution of the “Compulsory Pre-inspection Scheme” (CPIS)</li> <li>Develop a readjustment plan granting a grace period to exporters</li> <li>Introduce minimum quality regulation</li> <li>Introduce a retribution system disciplining those exporters who continue to send shipments with insufficient quality</li> </ul>	<p>chain</p> <ul style="list-style-type: none"> <li>Increased customer satisfaction and reputation of Ceylon cinnamon</li> </ul>	<p>of the importance of such controls</p>
<b>PCC</b>	<ul style="list-style-type: none"> <li>Introduce regulation ensuring only GMP/ISO/HACCP certified products are promoted under the PCC brand</li> <li>PCC scheme development to include a combination of product analysis and site auditing</li> <li>Establish control mechanism before exporting (see above)</li> <li>Introduce legal consequences for any misuse of the logo</li> <li>Facilitate usage of PCC logo on any certified Ceylon cinnamon related product</li> </ul>	<ul style="list-style-type: none"> <li>Reliable PCC mark</li> <li>Customers trust the PCC mark</li> </ul>	<ul style="list-style-type: none"> <li>Support through the GoSL</li> </ul>
<b>Trading</b>	<ul style="list-style-type: none"> <li>Facilitate the development and implementation of national level policies for trade regulations focusing on the increase of certified products being traded within Sri Lanka</li> <li>Facilitate the development and implementation of national level policies for assuring quality standards within the supply chain</li> <li>Based on the research conducted by the Biotechnology Unit of the ITI, support the distribution and implementation of a Bar-coding system for Ceylon cinnamon</li> <li>Facilitate the development and implementation of an application for the Fair Trade Logo for Ceylon cinnamon</li> </ul>	<ul style="list-style-type: none"> <li>Only certified cinnamon is being produced and traded within Sri Lanka</li> <li>Increased traceability, products are coded at the point of production</li> <li>International acceptance and trust in Ceylon cinnamon</li> </ul>	<ul style="list-style-type: none"> <li>Support through the GoSL</li> <li>Support of industry leaders</li> </ul>
<b>Taxes</b>	<ul style="list-style-type: none"> <li>Tax reduction of export tax on cinnamon related products</li> <li>Reduction of income tax applicable on manufacturers of export products</li> <li>Register all supply chain members (linked with the establishment of a comprehensive database)</li> </ul>	<ul style="list-style-type: none"> <li>Increased exports</li> <li>Increased interest in cinnamon production</li> <li>Increased traceability of production</li> <li>Increased tax returns for the GoSL</li> </ul>	<ul style="list-style-type: none"> <li>Support through the GoSL</li> </ul>
<b>Pricing</b>	<ul style="list-style-type: none"> <li>Communicate daily cinnamon prices per grade to all members of the supply chain, especially the small holders (SMS service/ or Newspaper)</li> <li>Enable clusters to sell the cinnamon at their center once a week (separate sales area); buyers, exporters and collectors can buy at the center; grading and pricing can be conducted under the control of a certification body; small holders (if GMP certified) can sell at the center too</li> </ul>	<ul style="list-style-type: none"> <li>Decreased mistrust among supply chain members</li> <li>Increased motivation to produce high quality cinnamon</li> <li>Prevents the mixing of high and low quality cinnamon</li> </ul>	<ul style="list-style-type: none"> <li>Database of all supply chain members exists</li> </ul>
<b>Staff</b>	<ul style="list-style-type: none"> <li>Introduce regulation which determines a share of NVQ certified cinnamon processors/employees per Kalli and cluster</li> </ul>	<ul style="list-style-type: none"> <li>Production of high quality cinnamon</li> </ul>	<ul style="list-style-type: none"> <li>Support through the GoSL</li> </ul>

	<ul style="list-style-type: none"> <li>• Include this regulation into the development of the GMP standard</li> <li>• Facilitate CTA in providing the required trainings</li> <li>• Introduce a difference in salaries/ remuneration for trained and untrained workers</li> </ul>		
<b>Institutions</b>	<ul style="list-style-type: none"> <li>• Facilitate the establishment of broker/ bailer associations to control domestic sales and thus product quality, to create training and related examination of traders, to calibrate measuring equipment of traders/ brokers and exporters</li> </ul>	<ul style="list-style-type: none"> <li>• Increased product quality and traceability</li> </ul>	<ul style="list-style-type: none"> <li>• Support of brokers/ bailers</li> </ul>

**Table 3 Overview on suggested activities related to market regulation**

## 5. Up-scaling skills development

Cinnamon processors at small holder level are highly skilled in producing various grades of cinnamon. Despite their efficiency and capability of producing large amounts of cinnamon in a short time period, they often lack awareness and understanding of good agricultural and manufacturing practices as well as hygiene and food safety standards. Newly trained factory workers usually need longer to peel the same amount of cinnamon as Kalli peelers; however the factory environment assures clean and hygienic conditions and GMP compliance. Based on the various production centres across districts, the quality standards of cinnamon vary highly. Besides the above mentioned measures of food safety standards, market regulation and cluster development, skills development (regarding GAP/ GMP) needs to be up-scaled widely to develop a large certified producer basis. Sustainable cinnamon clusters will need to include a trained and certified workforce (processing practices and standards, management skills, team work). CTA in cooperation with various other training institutions have to facilitate related trainings including trainings for trainers (ToT). Trainings and certifications will lead to improved Ceylon cinnamon products and further equip producers, traders and employees with higher business/employment potential.

<b>Skills Development</b>			
<b>Topic</b>	<b>Actions required</b>	<b>Desired change</b>	<b>Assumptions</b>
<b>Trainings/ ToT GMP/GAP</b>	<ul style="list-style-type: none"> <li>• Upscale trainings across all existing and newly established peeling clusters</li> <li>• Conduct trainings for all levels of the supply chain (including producers, collectors, bailers, buyers etc)</li> <li>• Conduct ToT for cinnamon related companies</li> <li>• Conduct ToT at the premises of plantation companies to reach a large number of trainees</li> <li>• Cooperate with NAITA, DEA, TVEC and similar training institutions in facilitating trainings</li> <li>• Conduct trainings at cluster level</li> <li>• Development of sustainable funding scheme for CTA training equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Increased number of certified cinnamon processors</li> <li>• Increased number of certified cluster managers</li> <li>• Increased certified cinnamon products</li> </ul>	<ul style="list-style-type: none"> <li>• Interest in training</li> <li>• Cooperation willingness of training institutions</li> <li>• Funding schemes available</li> </ul>
<b>Awareness raising</b>	<ul style="list-style-type: none"> <li>• Awareness raising activities across the districts on the advantages of the trainings, better employment</li> </ul>	<ul style="list-style-type: none"> <li>• Increased awareness on trainings and</li> </ul>	<ul style="list-style-type: none"> <li>• Interest in participatin</li> </ul>

	<p>possibilities, higher reputation</p> <ul style="list-style-type: none"> <li>• Awareness raising activities along the value chain especially targeting buyers and exporters on the benefits of contracting/ employing trained workers</li> </ul>	<p>interest in sending staff for trainings</p>	<p>g at the activities</p>
<b>Financial support system</b>	<ul style="list-style-type: none"> <li>• Facilitate attractive financial support systems such as microfinance, loans and grants to assist clusters in paying for their workers' trainings</li> <li>• Facilitate the development of funding schemes for independent peelers (for example in cooperation with ILO)</li> </ul>	<ul style="list-style-type: none"> <li>• Increased interest in trainings</li> <li>• Increased number of trained processors</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation with financial institutions and the GoSL</li> </ul>
<b>Additional skills development</b>	<ul style="list-style-type: none"> <li>• Facilitate and raise awareness on related trainings such as management skills, team building, labor rights</li> <li>• Facilitate trainings on the manufacturing and selling of value added products</li> </ul>	<ul style="list-style-type: none"> <li>• Skilled management and employees</li> <li>• Respected labor rights</li> <li>• Increased interest in working for the cinnamon industry</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation with respective training institutions</li> </ul>

**Table 4 Overview on suggested activities related to skills development**

## 6. Advocacy and Marketing

Despite being the most profitable spice in Sri Lanka, cinnamon is still not considered an attractive industry for entrepreneurs and employees. Cinnamon producers are perceived as rather poor and uneducated as well as the basic working environment of small holdings as undesirable work place, which results in too little producers and employees joining the industry. However, these perceptions are often subject of unrealistic estimations as the income of cinnamon peelers is usually higher than that of an average corporate employee. Also, peeling centres and factories offer clean and hygienic work environments, comparable to garment factories which succeed in attracting a large number of employees. Migrating to countries in the Middle East is still attracting high numbers of female unskilled workers, despite the significant social challenge it causes. Finally, businesses are founded increasingly in various sectors in Sri Lanka, such as the tourism industry or the IT sector. The cinnamon industry still fails at marketing itself sufficiently to potential small and large scale entrepreneurs.

Promotional and awareness raising efforts are needed for employment and business opportunities provided by an enhanced cinnamon industry as well as the benefits of trainings and certifications. To create consumer awareness of the specific benefits of Ceylon cinnamon products, large scale marketing activities are required in and outside Sri Lanka. Especially the more sophisticated markets such as Greece, France, Switzerland and Japan which demand high quality cinnamon for their exquisite cuisines as well as cosmetic industry can be targeted with customized advertising campaigns. Together with the tourism sector, marketing tools can be explored establishing publicity of Ceylon cinnamon worldwide. Within Sri Lanka promotional material can be distributed at food and tourism related sites and events (i.e. at BMICH trade fairs and conferences, new initiatives such as the Good Market, in hotels and restaurants, in grocery shops).



Advocacy activities to promote the cinnamon sector to entrepreneurs and potential employees are crucial to facilitate sufficient manpower and business development to the industry. Such activities intend to lead to increased awareness of the business and employment potentials within the cinnamon industry as well as the superior characteristics and benefits of Ceylon cinnamon.

<b>Marketing</b>			
<b>Topic</b>	<b>Actions required</b>	<b>Desired change</b>	<b>Assumptions</b>
<b>Tourism sector cooperation</b>	<ul style="list-style-type: none"> <li>• Awareness raising activities on Ceylon cinnamon and its specific properties and benefits</li> <li>• Facilitate the development and implementation of promotional material for point of sales related to tourism (Sri Lankan airlines, airports, tourist destinations, shops, post cards, tour agents, hotels)</li> <li>• Facilitate the development and implementation of promotional material being included into advertising efforts related to Sri Lanka (tourism institutions)</li> <li>• Facilitate the development and implementation of guided tours to cinnamon related locations in Sri Lanka (tour agencies, guide books); offer these tours to ordinary tourists as well as diplomatic/ business delegations</li> <li>• Develop and implement guided tours at the CTA premises including presentations of trainings and production sites</li> <li>• Cooperate with TV channels/ film makers to include the cinnamon industry into their reports and documentaries</li> </ul>	<ul style="list-style-type: none"> <li>• Increased awareness of the benefits of Ceylon cinnamon</li> <li>• Increased ability to differentiate between Ceylon cinnamon and cassia</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation of the tourism sector/ institutions / companies</li> </ul>
<b>Food sector in and outside Sri Lanka</b>	<ul style="list-style-type: none"> <li>• Awareness raising activities on Ceylon cinnamon and its specific properties and benefits</li> <li>• Awareness raising activities on the benefits of the PCC logo</li> <li>• Facilitate development and implementation of promotional material for point of sales related to food sectors (grocery chains, trade fairs, food related conferences).</li> <li>• Develop marketing material specifically for countries such as France or Switzerland which favor high quality cinnamon</li> <li>• Include pictures and stories as packaging material</li> <li>• Participate at food conferences/ fairs and in cooking competitions highlighting the specific properties of Ceylon cinnamon</li> <li>• Partner with TV channels focusing on food shows to highlight Ceylon cinnamon</li> </ul>	<ul style="list-style-type: none"> <li>• Increased reputation of Ceylon cinnamon</li> <li>• Increased customer base</li> <li>• Increased understanding of properties and usability of different cinnamon grades</li> <li>• Increased interest of chefs and international food specialists in Ceylon cinnamon</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation of companies / TV stations</li> </ul>
<b>Ceylon cinnamon industry promotion</b>	<ul style="list-style-type: none"> <li>• Awareness raising activities on job opportunities in the cinnamon industry, cluster development, business opportunities</li> <li>• Awareness raising activities related to the benefits of GMP, GAP, ISO, HACCP</li> </ul>	<ul style="list-style-type: none"> <li>• Increased interest in business activity and employment related to the cinnamon sector</li> </ul>	<ul style="list-style-type: none"> <li>• Interest of TV stations</li> <li>• Funding available</li> </ul>

	<ul style="list-style-type: none"> <li>• Awareness raising activities on the benefits of acquiring the PCC logo/ GI certification</li> <li>• Cinnamon peeling competition</li> <li>• Cinnamon related job fairs/ BMICH employment fair participation</li> <li>• TV commercials on new employment opportunities in the sector</li> </ul>	<ul style="list-style-type: none"> <li>• Increased interest in training opportunities</li> </ul>	
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**Table 5 Overview on suggested activities related to marketing**

## 7. Business development

Seldom Sri Lankan companies manufacture value added cinnamon products. By solely focusing on exporting raw cinnamon products (quills, feathers, chips etc) the sector misses out on substantial revenues from selling value added products. Value addition generates extra income for large as well as small cinnamon holders, especially during off-season. The main constraints for value addition in the country are the obsolete available technology, lack of understanding of risk mitigation through quality awareness, limited interest in investment and insufficient knowledge on marketing and packaging. Besides the different possible products (see Annex), cinnamon wood can substitute products made out of rainforest timber and thus contribute to maintaining rainforests in Sri Lanka. Exploring additional production possibilities will increase the attractiveness of the sector to business leaders as well as potential employees. It will create a large number of additional jobs and help to establish a competitive cinnamon sector.

<b>Business Development</b>		
<b>Focus area</b>	<b>Activities</b>	<b>Assumptions</b>
<b>Upgrade current production</b>	<ul style="list-style-type: none"> <li>• Assist in upgrading current cinnamon production to certified, standardized, high quality Ceylon cinnamon (food safety, traceability, GMP, GAP)</li> <li>• Assist in creating semi-automatized cinnamon manufacturing</li> <li>• Sharing of best practices of those companies who already produce value added items (Stakeholder discussions)</li> </ul>	<ul style="list-style-type: none"> <li>• Successful up-scaling of training and GMP centers</li> <li>• Compliance with standards by supply chain members</li> </ul>
<b>Research &amp; fact finding</b>	<ul style="list-style-type: none"> <li>• Which products can be best developed from Ceylon cinnamon</li> <li>• Which machinery is necessary for efficient production based on food safety standards</li> <li>• Which production centers can include value addition/ Financial planning</li> <li>• Research on consumer preferences</li> </ul>	<ul style="list-style-type: none"> <li>• Availability of experts</li> <li>• Willingness of companies to share best practices</li> </ul>
<b>Awareness raising</b>	<ul style="list-style-type: none"> <li>• Supply chain members</li> <li>• National and international consumers</li> <li>• Related companies (food, shopping centers, tourism related businesses,</li> <li>• Governmental agencies</li> </ul>	<ul style="list-style-type: none"> <li>• Interest in value added products</li> </ul>
<b>Skill development for new products</b>	<ul style="list-style-type: none"> <li>• Develop certified training syllabuses/ ToT based on GMP</li> <li>• Train interested manufacturers on production process of value added products</li> </ul>	<ul style="list-style-type: none"> <li>• Food safety ensured</li> <li>• Interest in training</li> </ul>
<b>Financial support</b>	<ul style="list-style-type: none"> <li>• Training for those who already produce value added products (especially on food safety standards)</li> </ul>	<ul style="list-style-type: none"> <li>• Respective financing schemes</li> </ul>

	<ul style="list-style-type: none"> <li>• Microfinance/ loans/ grants for upgrading of current production processes + manufacturing of new products</li> <li>• Collaboration with development agencies/ governmental agencies/ private banks</li> </ul>	are existing
<b>Development infrastructure</b>	<ul style="list-style-type: none"> <li>• Ensure that policies and laws enable product development and sales/ export of value added products</li> <li>• Assist in linking members of the supply chain, consumers, respective public and private departments</li> <li>• Marketing activities</li> </ul>	<ul style="list-style-type: none"> <li>• Government support</li> <li>• Raw material is GMP certified</li> </ul>

**Table 6 Overview on suggested activities related to business development**

## Annex

### Products already offered by Sri Lankan companies

Large scale	Medium scale	Small scale
<ul style="list-style-type: none"> <li>• Cinnamon quills (90% of Sri Lankan exports)</li> </ul>	<ul style="list-style-type: none"> <li>• Cinnamon powder</li> <li>• Ground cinnamon</li> <li>• Cinnamon chips and featherings</li> <li>• Cinnamon bark and cinnamon leaf oil</li> </ul>	<ul style="list-style-type: none"> <li>• Gift items, spice gift packs</li> <li>• Paper</li> <li>• Toothpicks</li> <li>• Guided tours</li> </ul>

**Table 7 Overview on current cinnamon products from Sri Lanka**

### Additional product development

Product	Description
<b>Advanced food products</b>	Soft drinks and carbonated drinks; cinnamon tea; confectionary such as toffee or chewing gum; bakery products (biscuits, buns, cakes); honey and syrup
<b>Flavouring agent and food additive</b>	
<b>Organic cinnamon</b>	Most of Ceylon cinnamon is organic, certification is needed; adequate processing and utilization of advanced technologies
<b>Medicinal products</b>	Alternative medicine sector; products to control blood sugar, anti cancer medicine, weight loss facilitation, anti-bacterial agent
<b>Sanitary products/ Cosmetics</b>	Disinfectants; insect repellents, pillows for Ayurveda Spas and hotels
<b>Gift items</b>	Small gift packs containing a variety of spices and packaged in attractively designed boxes; peeling knife as souvenirs ("Swiss knife"); gift cards from cinnamon paper; cinnamon pillow/ neck pillow
<b>Crafts</b>	Pen holder, walking stick, picture frame
<b>Household items</b>	Customized cinnamon grinder (like salt and pepper grinders); furniture; pillows and mattresses (filled with cinnamon scrapple); toothpicks; chopsticks
<b>Cinnamon Paper</b>	Gift cards; letters and envelopes; Christmas paper; notebooks
<b>Cleaner production</b>	Biomass for hot water or electricity
<b>Tourism sector</b>	Guided tours to cinnamon estates, factories, small holders; souvenirs based on cinnamon

**Table 8 Overview on diverse value added cinnamon products from Sri Lanka**