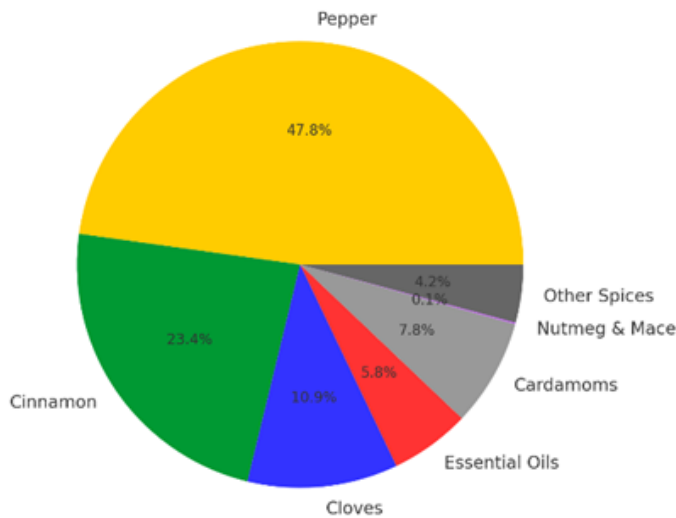


# A MARKET OVERVIEW OF SRI LANKA'S CINNAMON



Sri Lanka's Spice Exports (2021)



- Sri Lanka obtained Geographical Indication (GI) certification in 2022 further enhancing Ceylon Cinnamon's reputation in the global market.
- Cinnamon ranks second as the key export earner for Sri Lanka among spices (23.4% of spice export earnings and 8% of total agricultural exports).

## Cinnamon in Numbers

- Sri Lanka's cinnamon sector includes around 70,000 plantations, with 80% being smallholders. Approximately 71% of cinnamon operations are small-scale with less than 2.4 hectares, while only 9% are large-scale.
- There are about 15,000 cinnamon peelers currently employed, but the industry requires 350,000 peelers for optimal processing.
- On average, labor costs account for 67% of cinnamon production costs, while material inputs contribute 19%. Farmers retain around 80-82% of the FOB price.

## Challenges

- High labor costs and outdated farming practices affect competitiveness. Farmers also face high input costs such as fertilizer and planting materials.
- Sri Lanka's inability to meet global safety and hygiene standards hinders access to key export markets.
- The industry also struggles with logistical inefficiencies and a lack of infrastructure investment.
- Price volatility, particularly for premium varieties like Alba, makes farm gate prices unpredictable, sometimes shifting by more than 10% per month.

## Opportunities

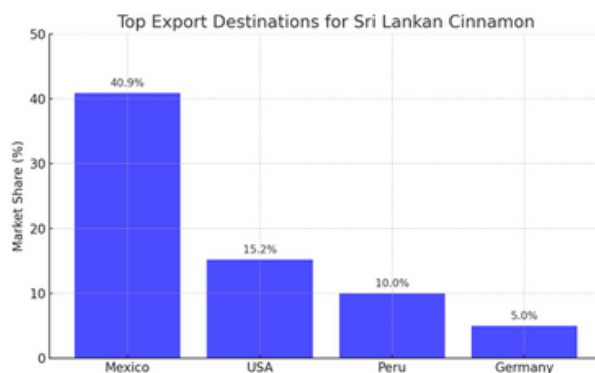
- The global demand for natural and organic products is increasing, allowing Sri Lanka to tap into niche markets.
- Significant potential exists for value-added products such as cinnamon oil, pharmaceutical derivatives, and nutraceutical products.
- Technological innovations and advancements in farming practices can help overcome labor shortages and improve productivity.

## Distinction Between Cassia and Ceylon Cinnamon:

- Ceylon cinnamon is milder, softer, and more aromatic, while Cassia cinnamon is stronger, thicker, and less refined.
- The two also differ in appearance: Ceylon cinnamon has thin, delicate, layered quills, whereas Cassia cinnamon comes in thicker, rougher sticks.
- Ceylon cinnamon contains less coumarin, making it a healthier option.
- Sri Lanka is the world's largest producer of Ceylon cinnamon, accounting for over 90% of global exports.
- Known for its premium quality and health benefits, Ceylon cinnamon secures a higher market price and uniquely positions Sri Lanka in the global spice trade.

## Market Insights

- Sri Lanka's cinnamon export value reached USD 232 million in 2022, contributing 1.7% to the nation's total exports.
- The country is the world's largest producer and exporter of pure cinnamon, holding 90% of the global market share.
- The country's main trading partners are Mexico, the USA, and Peru, with Mexico accounting for 40.9% of total exports, the USA for 15.2%, and Peru for 10%.
- Germany imported nearly 2,900 tons of ground cinnamon and cinnamon flowers in 2022, a significant increase from 1,200 tons in 2010.
- Of the 266 registered cinnamon exporters, only 48 are regular exporters, while 130 are occasional exporters and 88 are inactive members. Cinnamon exporters are often small-scale operators, with only 11% of exporters handling over 500 MT annually.
- The majority of Sri Lankan cinnamon production (90%) is destined for overseas markets, while only 10% is consumed domestically.



Sri Lanka's cinnamon will take center stage at the **International Green Week 2025** Trade Fair in Berlin, Germany, as part of a dedicated Sri Lankan pavilion happening from the 17th to 26th of January 2025. With its position as the world's largest exporter of Ceylon cinnamon, Sri Lanka will showcase this premium spice to a global audience of over 400,000 visitors, reinforcing its reputation for quality and sustainability.