

Mr. David Shark, Deputy Director General, WTO,
H.E. Gabriel Duque; Colombia Ambassador, Permanent Representative
to WTO,
Mr. Mario Matus, Deputy Director General, WIPO,
Mr. Sarada De Silva; Managing Director of the Cinnamon Training
Academy,
Mr. Ali Badarneh; Project Manager of UNIDO-STDF-TSC project, UNIDO
Excellencies , Colleagues
Ladies and Gentlemen.

At the outset I wish to thank STDF division of WTO for organizing this important event to share our experience in the Cinnamon industry of Sri Lanka. I also like the theme that is given to this experience sharing session.

“SPICING-UP DEVELOPMENT ASSISTANCE”

I believe that we have a successful story to share. At the same time it will provide you a message on how technical and funding assistance is important for small economies such as Sri Lanka to sustain in the global trade.

Sri Lanka is known as pearl in the Indian Ocean and also as the Spice Island. The country was historically attractive to merchandisers from Middle East and Western nations due to its richness in spices. Sri Lanka supplies to the world spices such as cinnamon, pepper, cloves, cardamom, nutmeg, mace and vanilla. The fertile soil, tropical weather and elevation of the land have been complimented the cultivation of spices, in the country.

56% Sri Lankan non-traditional agricultural exports consists of spices, allied products, and essential oils. In terms of foreign exchange earnings, spices exports have recorded US\$ 350 million in value in the year 2015 demonstrating 45% of growth over the year 2014.

With the increase of international demand for natural products and the country's focus on enhancing and evolving its value-added range, spices will continue to be a key facet of Sri Lanka's export income.

Ceylon Cinnamon is the most important spice commodity among the spice sector. Ceylon Cinnamon (*cinnamomum zeylanicum*), a plant indigenous to Sri Lanka, is a moderately size bushy evergreen tree.

The Ceylon Cinnamon, which is also known as true cinnamon or queen of spices is the oldest planting crop in Sri Lanka and one of the oldest export trade in the world. In the Old Testament of the Holy Bible, Cinnamon is mentioned as a special offering of incense on the Altar in Jerusalem Temples, as an important component of the Temple service.

History reveals that spice traders from Arabia regularly travelled to Sri Lanka to trade in Ceylon Cinnamon long before the seventh century. Cinnamon has also been found in archeological digs in Egypt, where it was used as an embalming agent more than 2000 years ago.

Portuguese explorer Vasco de Gama in 1498 is most credited with the chartering a sea route from Europe to Sri Lanka and was successful in discovering the abundance of cinnamon in the island, which led to

Portuguese invasion on Sri Lanka in 1536. One hundred years later, the Dutch captured Sri Lanka from the Portuguese and were the first to systematically cultivate cinnamon.

Ceylon Cinnamon has its unique characteristics. Seven types of commercially valuable cinnamon are found in Sri Lanka, which differentiated primarily based on their aromatic, textual and structural attributes.

Ceylon Cinnamon is grown in approximate land area of 31000 hectares. Most of the farmers are small holders that account for around 90% of production. There are over 7000 small holder cinnamon producers having an average land extent of 0.5 hectares. Direct and indirect employment in the industry is estimated to be around 400,000. Approximately 70,000 peelers are required for the processing of cinnamon. However, Sri Lanka has only around 31,000 as recognized peelers. The shortage of peelers has negatively affected the growth in the industry.

The Spice industry has well established Private Public Partnership. The Spice Council, Department of Agriculture, Sri Lanka Export Development Board and recently established Ceylon Cinnamon Academy jointly work for the developments in the industry.

The Industry Value Chain could be indentified in two main areas namely; primary and support activities. Primary activities of the value chain are concerned with production, supplies from raw material to end markets

whilst support activities are concerned with supplies of inputs, services and standards conformity. Performance at each player in the value chain is important for better and sustainable outcome of the industry.

Ceylon Cinnamon is commonly used:

- As a hot beverage in tea, coffee and hot chocolate
- In bakery and confectionary industry
- Use in pharmaceutical and nutraceutical industry
- Use in perfumery industry
- Use as a flavoring agent

In addition, Ceylon Cinnamon has medicinal attributes, which have been proven by various studies. Some examples are:

- Cinnamon is used for blood sugar control
- For Candida yeast infection
- For stomach flue
- For Irritable Bowel Syndrome (IBS)
- As a cancer preventer
- For Arthritis and Osteoporosis
- Antibacterial active
- Use as a food preservative
- Use as an odor neutralizer
- To develop alertness, memory and cognitive development
- Antioxidant characteristics
- Supporting weight loss
- Use as massage therapy
- Use as a powerful antifungal material

- Support to lower HDL Cholesterol and Triglycerides
- To avoid tooth decay and gum diseases
- Use as an insect repellent, and many more.....

Sri Lanka supplies over 80% of world Ceylon Cinnamon requirements. Mexico accounts for over 60% of the market while the rest consists of markets such as USA, EU, Colombia, Ecuador, Peru, Guatemala, etc. Sri Lanka supplies its cinnamon products to over 70 countries in the world. The country has the potential to further develop this industry and diversify its markets particularly in taking into account the following factors.

- Ceylon Cinnamon is mainly produced in Sri Lanka and country is well known as a supplier
- Ceylon Cinnamon plant is indigenous to Sri Lanka
- Superior physical and chemical properties of the product
- Possibility of expanding the cultivation and value addition
- Possibility of claiming its geographical identity

However, Ceylon Cinnamon industry continues to experience many challenges particularly due to;

- Cheaper substitute known as cassia has caused to diminish the market share of Sri Lanka for true Ceylon Cinnamon
- Difficulties experienced in meeting SPS standards.
- Non-availability of human resources with the required skills
- Research and Development requirements in the sector
- Insufficient volumes to meet the demand, etc.

Public private partnerships towards addressing these challenges with the assistance of international agencies such as WTO, UNIDO have become important. I am happy to mention that presence of Mr. Sarada de Silva, Former Chairman of the Spice Council, President of National Chamber of Exporters and the CEO of Ceylon Cinnamon Academy is an outcome of such exercise facilitated by STDF Division of WTO.

Sector development is a multi-faceted endeavour that requires interventions at various levels to achieve targeted social and economic outcomes. Driven by a common vision, "*making cinnamon a one billion dollar industry*", The Spice Council (TSC) and the Government of Sri Lanka received support from the Standards and Trade Development Facility (STDF) and the United Nations Industrial Development Organization (UNIDO) to analyse the cinnamon value chain and identify the necessary interventions to translate this vision into reality.

The analysis pointed mainly to the needs:

- To enhance compliance with safety and quality requirements by upgrading facilities, production and processing practices and inculcating a "compliance culture" along the value chain.
- To invest in human capital to improve the social outcomes and productive capacity of the industry through access to skilled labour and socio-economic inclusion. The primary condition to achieve this is to erase the social stigma associated with cinnamon peeling through social marketing, certified vocational training and decent work conditions.

- To enhance competitiveness by entrenching environmentally and economically sustainable business models based on innovation and value addition into industry's day-to-day practices. This, combined with differentiation, branding and market positioning, helps stem the decline in Ceylon cinnamon's share on international markets and the erosion of profit margins.

After the above analytical study, the STDF together with UNIDO funded a project under the theme of "*Enhance the Compliance, Productive Capacities and Competitiveness of the Cinnamon Value Chain in Sri Lanka*" to address several of these constraints. The project enhanced operators' quality and Sanitary and Phytosanitary (SPS) compliance capabilities through:

- Creating a framework for vocational training and a first of its kind personnel certification scheme coupled with an innovative delivery mechanism "The Cinnamon Training Academy", a public-private industry-led partnership. Ceylon Cinnamon Academy in Sri Lanka, is the one and only academy for cinnamon in the world.
- Facilitating Good Manufacturing Practices' certification for selected cinnamon processing centres and developing a GMP brochure publicly available for the industry. This triggered an initial upgrade in the traditional *Kalli* processing system, introducing improvements in peelers' working conditions.

- Providing the underlying safety and quality standards required for the establishment of the Pure Ceylon Cinnamon mark, which supports country's efforts to obtain Geographical Indication worldwide.

The project catalyzed additional assistance by empowering The Spice Council and creating an enabling environment for a strong public-private partnership. To capitalize on, and sustain, the results achieved, the project provided the sector with a roadmap that spell out future actions to "*make cinnamon a one billion dollar industry*".

Let me also briefly cover the steps taken by the Government of Sri Lanka to facilitate the performance of the industry.

Branding of "Pure Ceylon Cinnamon" and promoting it as a global brand in target markets is important to highlight the main characteristics of the Ceylon Cinnamon and differentiate the Ceylon Cinnamon from other substitute. Accordingly Ceylon Cinnamon has introduced to the international market as a branded product namely "**Pure Ceylon Cinnamon**" which reflects a combination of several intrinsic characteristics mentioned earlier.

Sri Lanka has also initiated the GI registration for Ceylon Cinnamon by registration of Certification Mark with NIPO in Sri Lanka under the prevailing laws. The World Trade Organization (WTO), has provided necessary technical support. We are progressing on this initiative.

Further, until we succeed in GI, Trade mark registration has been completed in selected competitive markets such as EU, USA, Colombia and Peru.

As steps toward better practices in the spice sector that focus on improvements on specific aspects of the spice supply chain such as yields, food safety, cost-efficiency, biodiversity conservation etc. few initiatives have been made.

- Organic production
- Fair Trade Certification
- Good Manufacturing practices (GMP)

The Sri Lanka Export Development Board (EDB) has taken steps to upgrade the traditional cinnamon peeling centres to the Good Manufacturing Practices (GMP) level to assure the purity and the health friendliness of such products & some exporters have obtained the HACCP standards to satisfy the food legislations and quality standards in the international market.

I trust that the information provided on the Ceylon Cinnamon industry is useful. Today we have one of the leaders in the Industry from Sri Lanka who could share much more practical experience with you.

Once again I thank STDF of WTO for providing this opportunity to Sri Lanka to share their manufacturing and trading experience with you.