



Spice Market Bulletin

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AVT McCormick Ingredients Pvt Ltd.

Sri Lankan Cinnamon

After decades of Civil strife, Sri Lanka is emerging with an economy that is booming and the growth is in the double digits.

"The Central Bank said that the rapid expansion in income generating activities in the Northern Province, GDP growth rate was highest in the province at 22.9%. In 2010 the GDP of the Island as a whole, at current prices grew by a whopping 15.9%,"

Sri Lanka was the world's top performing stock market in 2010 with an increase of 96%. The Government of Sri Lanka has shown firm commitment towards development of the infrastructure segment.

However, this overall economic growth has had a negative impact on Cinnamon. There is an acute labour shortage due to the migration of agricultural labourers into the cities. This is creating havoc on cinnamon processing, resulting in a tight supply situation. The market for Sri Lankan cinnamon has increased by almost 100-125% in the last one year. Markets may increase by an additional 25-30% within the next couple of months.

A news report is attached below.

Cassia- China / Indonesia / Vietnam

The rapid urbanization and industrialization have encroached on the traditional growing regions. Labour shortages, in a labour intensive sector, in addition to the long gestation period and low returns over the past decade have lead many farmers to neglect the plantations. No new growing areas have been developed in several years.

Each of these factors contribute to creation of a bullish phase in the market, and rates have steadily increased during the past couple of months. It is anticipated that a further increase of 25-30% could be seen within a short span.

Spice industry targets US \$1B by: Sanjeevi JAYASURIYA, Colombo

Daily News

The cinnamon industry could contribute more in terms of foreign exchange if measures are taken to overcome the dearth in cinnamon processors, an industry expert said. The cinnamon sector plays an important role in the spice industry and with plans to reach US \$ one billion mark by 2020, the sector could be the major contributor.

However, the shortage in cinnamon processors will hamper the progress of the sector where immediate action is needed to attract young blood into the sector, Spice Council Founder Chairman and Steering Committee Chairman Sarada De Silva said.

There is a high global demand for local cinnamon which the industry is unable to meet at present. With the expected volume increase the cinnamon sector is poised for a robust growth and there are employment opportunities for the youth, he said at a validation workshop held on Friday in Colombo.

The proposed Cinnamon Training Academy will facilitate to overcome the quality issues and meet the market demand where over 13,000 metric tonnes are exported annually. However, the country needs to increase the production as there is a demand twice the supply.

With sufficient cinnamon processors, good agromatic scientists and efficient production process the sector could harness its true potential.

However, volume increase is critical for the industry in the long-run.

The government imposed a cess levy on non-value added products as per the cinnamon sector request and this fund will be utilized for sectoral development.

The sector plans to make 50 percent of exports in value added form by 2015 thereby increasing the export earning.

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