CBI
Ministry of Foreign Affairs

CBI Product Factsheet: Cinnamon in the EU

'Practical market insights into your product'

This CBI Product Factsheet provides you with patterns and trends in the EU market for cinnamon, offering concrete suggestions to exporters in developing countries (DCs) on how to respond to and benefit from these developments.

Production definition

There are two main types of cinnamon traded in the UK: (1) Cinnamomum zeylanicum and (2) Cinnamomum cassia. The Zeylanicum variety is a valuable spice that is obtained from the bark of an evergreen tree belonging to the Laurel family. Cinnamon zeylanicum comes from the cinnamon tree and is regarded to be of higher quality. It is finer, has a better taste and has less coumarin than cassia. Coumarin is a moderately toxic fragrant organic chemical compound. Cassia, which is the bark of the evergreen tree Cinnamomum cassia, is a similar spice to cinnamon but the bark is coarser and less fragrant than cinnamon and therefore considered to be of lower quality.

The statistical data in this document is based on Combined Nomenclature (CN) codes. The CN classification uses Harmonised System (HS) codes to classify products including cinnamon.

HS Code	Description
09061100	Cinnamomum zeylanicum blume, neither crushed nor ground
09061900	Cinnamon and cinnamon-tree flowers (excluding Cinnamomum zeylanicum blume), neither crushed nor ground. Tree flowers are not included in the further analysis of this study. Their share in the trade is expected to be insignificant.
09062000	Cinnamon and cinnamon-tree flowers, crushed or ground

Production specification

Product quality

Product quality is a key issue for buyers in the EU and includes food safety as well as product quality. The European Spice Association (ESA) has published the Quality Minima Document, which is leading for the national spice associations affiliated with the ESA and therefore for most importers in the EU. It specifies the legal EU requirements for *unprocessed* cinnamon (excluding crushed/ground cinnamon and cinnamon treated for microbial reduction) as well as additional buyer requirements not laid down in legislation. The document can be used to find out which chemical and physical parameters unprocessed cinnamon (both Cinnamomum zeylanicum and cassia) needs to comply with when sold in the EU before crushing and grinding:

- Ash: maximum 7%

- Acid Insoluble Ash: maximum 2%
- Moisture: maximum 14%
- Volatile oil: minimum 0.7-0.1% (depending on botanical species)

Cinnamon is graded in accordance with the relevant national standard of the country of production. In addition, ISO standard 6538-1997 (cassia) and 6539-1997 (Cinnamomum zeylanicum) provide some general guidelines on the grading, handling and packing of cinnamon.

Please be aware that buyers, especially those in Northwest Europe (specifically the UK, Netherlands, Germany and Denmark) who supply large retailers and/or processors might have higher quality standards (see under section 'Non-legislative requirements'). Addressing quality issues is a great way to add value and open up markets and should be explored before other methods of adding value. It is also important to realise that requirements can differ per country, per segment and even per buyer. Therefore, ask your buyer about their specific quality requirements.

Quality is mainly determined by the volatile oil content. There are different quality grades depending on the type of product. For example, Indonesian cassia quills come in three main grades:

- KA: 2.5% - 3.0%
- KB: 2.0 – 2.5%
- KC: below 2.0%

Product labelling

Incorrect labelling is a major source of frustration for European buyers. Therefore, you must be sure to do this properly. Legal requirements for consumer labelling are laid down in EU Regulations (see section 'Legal requirements'). For bulk products, only the following items are common.

- the name of the product
- details of the manufacturer (name and address)
- batch number
- date of manufacture
- grade of the product
- producing country
- harvest date (month-year)
- net weight
- any information that exporting and importing countries may require: bar, producer and/or packer code, any extra information that can be used to trace the product back to its origin.

Packaging

Whole cinnamon must be packed in new, clean, sound and dry bags of jute, cloth laminated with polyethylene or polypropylene or high-density polyethylene bags/pouches. Cinnamon powder can be packed in new, clean, sound and dry containers made of glass, tin, or aluminium or in pouches made of laminated, metallised, multilayered food grade plastic material. The containers should be free from insect infestation, fungus contamination, undesirable or bad smells and substances that may damage the contents. Strong smelling foods, detergents and paints should not be stored in the same room, as they will spoil the delicate aroma and flavour of the cinnamon.

Legislative requirements

Please be aware that your product will have to comply with EU legislation the moment it enters the EU. Compliance is therefore a must. Consequently, only consider exporting to the EU when you are able to comply.

	Considerations for action
Non-product specific legislation: there is a large amount of legislation that applies to all (food) products that are imported into the EU. These general requirements include various food and packaging laws. See Consideration for Action for more information.	• See the following documentation for more information: o General: Liability for defective products o Food: General food law, Food control and Food contact materials o Packaging: Packaging and packaging waste and Wood packaging materials for transport
Food safety and hygiene is a particularly important issue in the EU. Buyers will want you to comply with the increasingly stringent food safety requirements. Food safety issues include microbiological (bacteria, moulds), physical (plastic residues, metal, dirt), and chemical contaminations. Levels of toxic (chemical) substances are controlled with maximum residue levels. An issue that was recently resolved is the use of sulphur dioxide (SO2) in Cinnamomum zeylanicum. This is allowed (up to 150 mg/kg). Its use is not allowed in other cinnamon varieties. Adhering to the requirements of HACCP (Hazard Analysis and Critical Control Points) is a crucial market access requirement for many buyers of spices and herbs. EU buyers will often ask buyers to implement a food (safety) management system to prove that they comply with these requirements.	• The Quality Minima Document lists the legal EU requirements for spices, plus non-legal requirements that ESA members adhere to. To find out more about the requirements, please consult the following CBI documentation: Contaminants in food, Maximum Residue Levels (MRLs) of pesticides in food and the Microbiological contamination of food. • Make sure you control the products supplied to you. This includes discussing better drying and storage practices with your suppliers. Refer to the guidelines on Good Agricultural Practices for spices (IOSTA) and Good Manufacturing Practices for spices (IPC) for more information. • Many buyers in the EU will expect a test report on microbiological contamination. Providing this service will make it easier to find buyers in the EU. • See the CBI document Hygiene of food (HACCP)
Food additives: spices and herbs, especially those that are ground, can contain substances to enhance flavour or colour. Although these may be approved by the food authority in the country of origin, some of them may not be approved in the EU. This is a serious problem, as most spices and herbs rejected by customs authorities or buyers have undeclared, unauthorised or too high levels of extraneous materials.	• It is important to know what additives are allowed in the EU. See the CBI document European buyer requirements: natural colours, flavours and thickeners and EU legislation: Additives, enzymes and flavourings in food. • Do not add any substances that you have not agreed upon with your buyer.
Irradiation of food: irradiation of spices & aromatic herbs is allowed. It is a safe way to kill organisms and affects the taste of spices and herbs less than steam sterilisation. However, consumers generally prefer non-irradiated products. Therefore, this method is not widely used.	• See the CBI document Irradiation of food. • If you irradiate your cinnamon, please tell your buyer. Irradiated products will have to be labelled as such.
***Food supplements**:* cinnamon is sometimes used in food supplements (e.g. capsules, oils). Food supplements constitute an interesting market, but specific requirements apply which are not fully harmonised within the European Union.	• Refer to the CBI's document on Food supplements for more information on the specific requirements in this market.
Feed: cinnamon is increasingly being used in animal feed to improve health and digestion and	• Refer to the section on animal nutrition on the EU website for more information about

reduce methane. This market has a different set of rules.

***Consumer labelling**:* pre-packed spices & herbs must adhere to strict EU labelling requirements. In addition to the general requirements, this also concerns nutrition and allergens. If nutrition or health claims are made these have to be approved in advance by the European Food Safety Agency (EFSA).

the legal requirements.

- For more information, refer to the CBI document on Food labelling and Nutrition and health claims on food.

Non-legislative requirements

Sustainability
Sustainable business requires the conciliation of the 'three pillars': environmental, social equity and economic demands.

Certification

The practical elaboration of sustainability in the cinnamon chain is also becoming increasingly important. A few years ago, organic certified cinnamon was introduced to the EU market. At the moment, organic and Fair Trade certified cinnamon is available in the EU market. Organic products focus on land use and inputs. Fair Trade focuses specifically on improving the living conditions of farmers in DCs. The Rainforest Alliance, a mainstream sustainability scheme with a focus on the environment, is currently developing a standard for cinnamon. It is expected to gain a significant share in the sustainable market over the coming years. Sustainable certified cinnamon is sold in retail shops. Sustainable cinnamon will only be used in the food processing industry if the end product being manufactured has a similar certification. The potential benefits of operating sustainably include increased yields, improved quality, higher prices and better relations with buyer and suppliers.

Industry codes

In business organisations, sustainability is generally translated into a Corporate Social Responsibility (CSR) policy. Companies often have their own CSR policies, codes of conduct, or projects that deal with social and environmental issues. Besides the individual company, codes there are overall company codes that the industry uses to guarantee and communicate their social compliance. BSCI and SA 8000 are the most common.

Sector initiatives

In 2010, the Sustainable Spice Initiative (SSI) was founded backed by a consortium of leading players in the EU spices market – Nedspice, Euroma, Intertaste, Verstegen, Unispices, Cassia Co-op, and McCormick, together with a number of civil society organisations. SSI is also a major driver behind RA certification projects in several producing countries (e.g. Indonesia, Vietnam).

Considerations for action

- See the CBI's documentation Sustainability in Spices and Herbs, Organic production and labelling and Occupational health and safety in the spices and herbs sector.
- See the CBI policy on International Corporate Social Responsibility to get an overview of CBI's interpretation of CSR.
- Sustainability-related product certification should only be considered in relation to the final consumer and throughout the entire supply chain e.g. in contact with the relevant trader/ producer or retailer.
- Sustainability-related certification is an important tool to show your approach towards sustainability. Depending on your buyers (CSR strategy) and your own focus (e.g. social and/or environmental issues), there are different standards and labels available. Also consider double or triple certification to become even more flexible on a market that is expected to grow. Find out what targets have been communicated in relation to sustainable certified spices: see SSI and individual company websites.

Food safety management and traceability: due to the growing attention for food safety, food management systems play a crucial role. There is a large number of different systems, each with their own scope and relevancy. IFC, BRC and ISO 22000 are the most widely used food management systems in the EU and are based on HACCP-principles.

- Refer to the CBI's document on Food Safety Management Systems or Traceability of food to find out more about the different systems.

Quality: having your organisation ISO 9001-certified can be a good way to convince your buyers you are taking quality seriously. Not all buyers will care about you being ISO 9001-certified as long as you adhere to the minimum quality requirements of the ESA.

- Check with your buyers to see whether they attach value to ISO 9001.
- To learn more about this topic, refer to the CBI's documentation on ISO 9001.

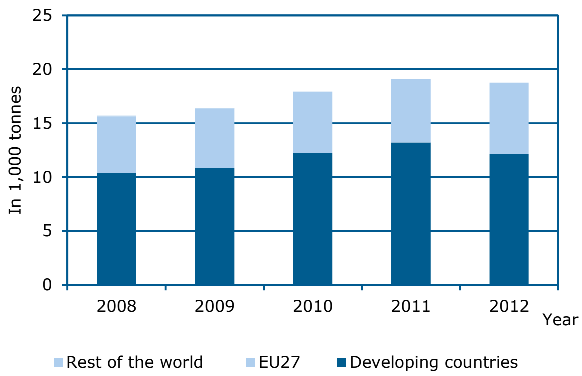
Trade and Macro-Economic Statistics

Please note that the statistics refer to the volume unless stated otherwise.

Imports

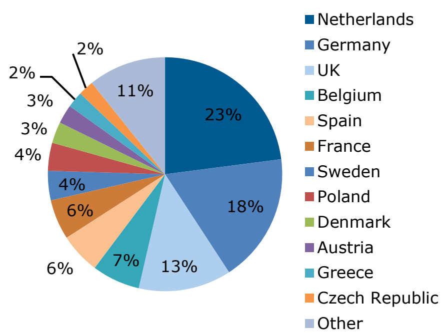
This section uses various definitions for imports. The term *total imports* includes all imports including intra-EU trade (trade within the EU). As intra-EU trade is common in the EU, there is a significant difference between total imports and other definitions of imports. *Extra-EU imports* concern only the imports from outside the EU, divided into (1) 'imports from developing countries' and (2) 'imports from the rest of the world'. Imports from DCs are called '*direct imports*'.

Figure 1: EU imports of cinnamon, 2008-2012, in 1,000 tonnes



Source: Eurostat, 2013

Figure 2: EU imports of cinnamon by country, 2012, % of volume



Source: Eurostat, 2013

Most important developments

- Cinnamon is only produced in DCs. It finds its way to the EU market, where it is re-exported to other EU countries. This shows up in the statistics as EU27 imports. Direct imports are those imports that come directly from DCs.
- In 2012, total EU27 (from here on 'EU') imports of cinnamon amounted to 19 thousand tonnes worth € 30 million. Extra-EU imports accounted for 65% of the volume of total imports.

Considerations for action

- Although prices have risen, prices at the farm gate are still low. This is making many farmers quit or reduce their farming practices and the younger generation is not taking over. Therefore, invest in a new

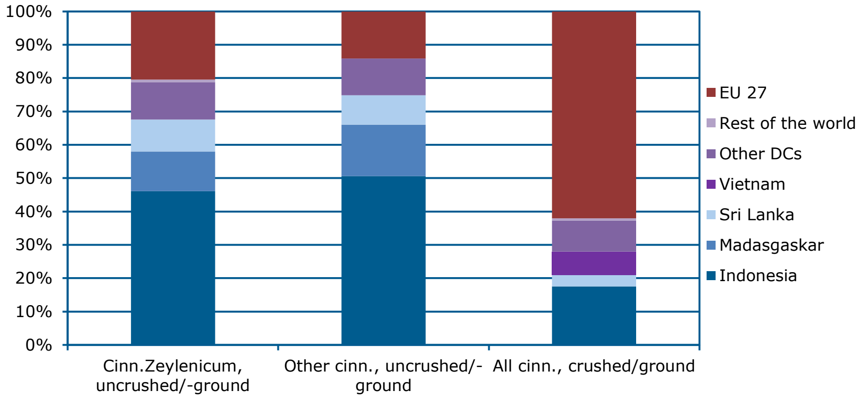
- The total volume of imports increased by an average of 4.5% per year between 2008 and 2012. The total value of imports, however, increased by 11% per year. This seems to indicate a price increase, although the increase in value might also be caused by a change in the types of products bought. Despite this increase, according to industry experts, prices are still low compared to those in the 1990s.
- Figure 1 shows that imports continued to grow despite the economic crisis that swept through Europe. In 2012, the volume of total imports did drop by 2%. The value of total imports, however, continued to show impressive growth (+19%).
- The above development shows two things: (1) European demand for cinnamon is inelastic (demand does not drop when prices rise) (2) the demand and imports are relatively recession resistant. Moreover, the demand and imports are relatively recession resistant. This is true for many spices as they are usually only a minor ingredient in a final food product and they contribute little to its total cost.
- In 2012, the three biggest importers (i.e. the UK, the Netherlands and Germany) accounted for 54% of the volume of total imports.
- The European import of cinnamon is relatively stable. In Eastern European countries, it is gaining more popularity as a result of an increasing affordable income. This is shown by the significant increases in total imports: Latvia (+24% of imported volume per year), Estonia (+14%), Bulgaria (+13%).
- In general, cassia is more popular in the western (except Belgium) and northern part of the EU. Cinnamomum zeylanicum is more popular in Southern EU countries (except Portugal). Eastern European countries buy mainly crushed or ground cinnamon, but they source this mainly from other EU countries.

generation of farmers to ensure your supply.

- These countries dominate the cinnamon trade and should therefore be considered first when exporting to the EU.
- Keep an eye on the fast growing markets. Create an account for databases such as Eurostat and ITC to find out what is happening in the EU market. Eurostat provides data on a monthly basis with a delay of only 3 months.
- Target countries or regions where you product is popular or becoming popular.

Imports from developing countries

Figure 3: Most important cinnamon suppliers to the EU, 2012, % of volume



Source: Eurostat, 2013

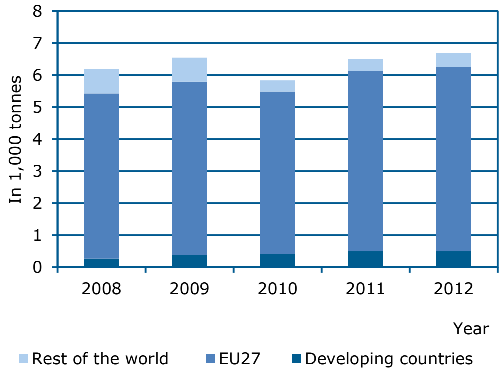
- In 2012, direct imports from DCs[1] amounted to 12 thousand tonnes (65% of total EU imports) worth € 21 million (52%). Between 2008 and 2012 the volume (+4.0% per year) and value (+11% per year) of direct imports from DCs developed in a similar way to the total imports. The share of direct imports from DCs has not increased in recent years.
- In 2012, direct imports from DCs consisted of whole Cinnamomum zeylanicum (30% of imported volume), other whole cinnamon (44%) and crushed or ground cinnamon (27%).
- Since 2008, the market share of Cinnamomum zeylanicum has dropped from 50% to 30%. This has mainly benefitted the market for other cinnamon (mainly cassia). Cassia is a cheaper product and cheaper products are more in demand as a result of the economic crisis.
- As Figure 3 shows, direct imports from DCs account for 80% and more in the market for whole Cinnamomum zeylanicum as well as other cinnamon. Indonesia is the main supplier for both markets.
- The imports of crushed or ground cinnamon are still dominated by EU suppliers. The market share of DCs did however increase by 6% between 2008 and 2012. This is mainly due to the strong growth of the volume of direct imports from Indonesia, at 30% annually. Smaller suppliers like Madagascar (+36%) are also gaining a market share. Crushing of cinnamon is increasingly done at source and is an interesting way for exporters from DCs to add value.

- Cinnamon plays an important part in the spice market and does allow for economy of scale, making it more interesting to consider processing. It is therefore interesting to explore your options.
- Consider this changing market environment. Price is leading and taste is interchangeable for a large part of the market, especially in the segments for processed products.
- Adulteration (i.e. mixing with extraneous material) and using lower quality product when not agreed upon are two practices that EU suppliers often fear when dealing with suppliers of ground product from DCs. Make sure that you only use these practices when specifically agreed upon and that it is in accordance with EU law.
- It is more costly to clean contaminated crushed and ground cinnamon than whole cinnamon. Your buyer will charge you if your product does not comply with the requirements.
- Non-food products might also be a good way to add value and increase margins. For example, cinnamon sticks are often used in potpourri and handicrafts. Producers are not advised to focus solely on this market but it should be complementary to the current product range.

[1]For a list of the developing countries, see the DAC list of the OECD

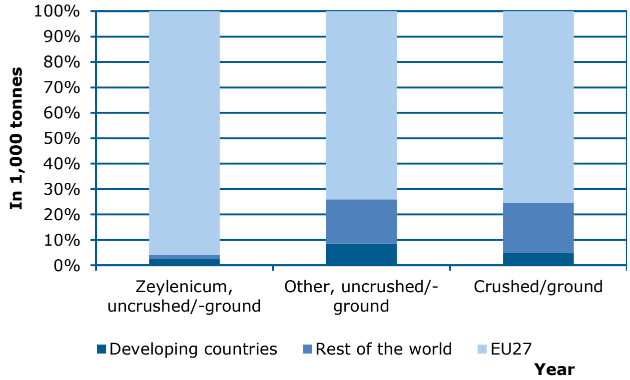
Exports

Figure 4: EU exports of cinnamon, 2008-2012, in 1,000 tonnes



Source: Eurostat, 2013

Figure 5: Main destinations of exported cinnamon by EU, 2012, in 1,000 tonnes



Source: Eurostat, 2013

Most important developments

- In 2012, total exports of cinnamon amounted to 6.7 thousand tonnes worth € 21 million. The volume of exports grew by an average of 2% per year between 2008 and 2012. The value of exports, however, increased by 9.6%.
- The largest exporters are the Netherlands (45% of exported volume), Germany (14%) and Belgium. This can be explained by the fact that the EU is a major re-exporter of imported spices and herbs. Most of these exports are EU exported volume destined for other EU countries (86%).
- EU27 countries are major processors of cinnamon. It is therefore not surprising that crushed or ground cinnamon accounted for 53% of total exports in 2012. Cassia only accounts for 11% of EU exports, although it accounts for 33% of EU imports. This means that cassia is re-exported less and that the relevant EU country is more likely to be the country of consumption rather than processing.
- Figure 4 shows most of EU exports are re-exports to other EU countries (75% of the volume of exports or more).

Considerations for action

- Get a good picture of the trade flows for your specific product. It can be crucial for your country strategy. Use open sources such as Eurostat and ITC to help you develop a strategy.
- Explore opportunities to supply the countries that are directly supplied by other EU countries. Use open sources such as Eurostat and ITC to discover interesting target markets.

Processing

Most important developments

- As mentioned above, about 27% of direct imports from DCs consist of crushed or ground cinnamon. The rest is imported in unprocessed form. Most of it is further processed in the EU and destined for local or foreign markets (mainly within the EU).
- The biggest processors are located in the Netherlands and Germany. Processors are major buyers of unprocessed cinnamon and

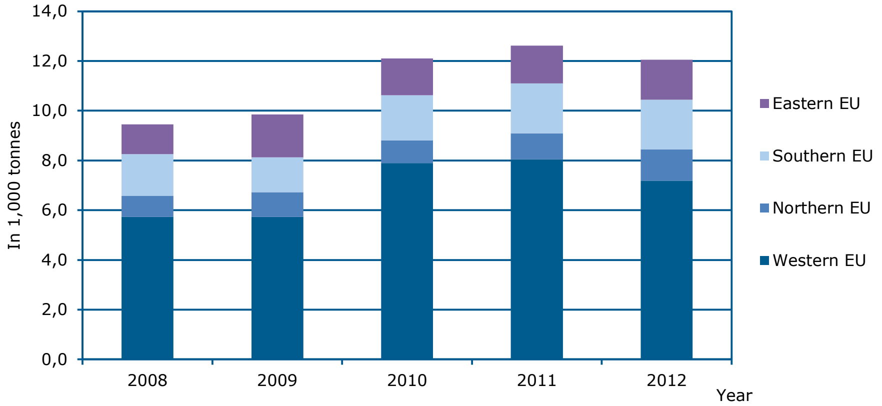
Considerations for action

- Explore opportunities to work together with EU processors. This could be a good way to attract to capital destined for investments in are therefore interesting to target. For suppliers of processed cinnamon, EU processors can also be a source of competition as they are active in the same market.

processing facilities.

Apparent Consumption

Figure 6: Apparent cinnamon consumption of EU countries[2], 2008-2012, in 1,000 tonnes



Source: Eurostat, 2013

Most important developments

- In 2012, apparent consumption[3] (from here on referred to as 'consumption') of cinnamon in the EU countries accounted for 12 thousand tonnes worth € 20 million[4].
- Despite the economic crisis, the volume of consumption annually increased by 6.2% between 2008 and 2012. The value of consumption increased by 12%. This suggests that the price of cinnamon has increased significantly.
- A direct result of the economic crisis is that demand is shifting to home cooking (sold through retail channels) at the expense of restaurant visits.
- Western Europe is the largest consumer: the UK (39%), Germany (23%) and the Netherlands (8.9%). The per capita consumption is especially high in Northwest Europe where the GDP per capita is high and where cinnamon is widely used in different sweet (e.g. cookies, rolls, cakes) as well as

Considerations for action

- Different segments can have different requirements. Find out what the product requirements of different segments are (level of processing, quality etc.). Contact buyers and ask them to send their product requirements by e-mail in order to see up front which product requirements and quality standards need to be met.

[2]The following division has been used: Western Europe (Austria, Belgium, France, Germany, Ireland, Luxembourg, the Netherlands, the United Kingdom), Northern Europe (Denmark, Finland, Sweden), Southern Europe (Cyprus, Greece, Italy, Malta, Portugal, Spain), Eastern Europe (Bulgaria, Estonia, the Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia).
[3]Apparent consumption is calculated as follows: EU production plus imports minus exports. The EU does not produce cinnamon and therefore production figures were not used in the calculation. The EU does add value through the processing of cinnamon (e.g. sterilising, grinding) however, figures are missing. The value of consumption is therefore higher than indicated.
[4] There was no consumption recorded for either volume or value for several important EU countries (e.g. Netherlands, France, UK). Therefore, consumption is expected to be higher than indicated.

savoury (e.g. spice mixes) products.
- In 2013, the combined GDP of all countries in the EU is expected to drop by 0.1%. In 2014, it is expected to start increasing again, initially by 1.4% (Source: European Commission, spring 2013). Despite the fact economic developments do not seem to have a significant direct effect on the cinnamon market, it is encouraging to note that market conditions are not expected to deteriorate further.
- By 2020, the demand is expected to stabilise in the Western EU countries. Growth is expected in the Eastern EU countries (Source: Deloitte, 2012). It is therefore expected that the total demand for cinnamon will continue to grow, although not as fast as in the past.
- An important development mentioned earlier is that cinnamon farmers (especially cassia) are reducing their farming activities due to low prices. Therefore, a gap is expected in the supply of cassia from Indonesia and Vietnam in the long run.

- Check the economic member state forecast by the European Commission to see which countries provide an attractive economic climate over the coming years.

Market Trends

Social market drivers
- ***Eating habits***: statistics show that whether consumers prefer Cinnamomum zeylanicum or cassia depends for a large part on the EU region. In recent years however, the demand has been shifting towards cheaper cassia due to an increased focus on price.
- ***Healthy lifestyles***: In the EU, a relatively large segment of the market is turning towards healthier food. Cinnamon has multiple health benefits (e.g., it is high in anti-oxidants and research shows it might also be helpful for people with type 2 diabetes). However, cinnamon contains high levels of coumarin and cassia cinnamon contains substantially more of it than Cinnamomum zeylanicum. The extent to which coumarin is bad for the health is debatable. Still, the debate has had a negative effect on the image of cassia cinnamon. Buyers still tend to be lead by price, however, and they will choose cassia for that reason.
- ***Internationalisation***: cinnamon is commonly used in foods and beverages throughout the EU, e.g. in bakery products, cereals, sweet, tea and curries. In the EU, a large South Asian community uses cinnamon in its cuisine. This community (most notably in the Western EU) is still growing steadily, also in other regions. Therefore, demand in these segments is likely to increase in the long run.

Considerations for action
- Refer to the CBI's document Trendmapping for more information on trends in the spices & herbs market.

Technological market drivers

- ***Limited innovation in processing****:* cinnamon harvesting is labour intensive and accounts for 60% of the total cost of production. The peeling of the bark from stems is usually done by hand by skilled peelers. Machines are being developed that might bring down processing costs, but usually this affects the quality of the cinnamon as well. As the quality of cinnamon is also judged by its appearance (broken or entire quills) hand-peeled cinnamon should aim for the high-end market.
- ***Steam sterilisation*** is an effective way to combat microbiological contamination and is increasingly required by EU buyers. Investment in sterilisation equipment can be very costly (up to € 1 million). Small operators with limited access to capital will likely have to find an alternative solution. An important downside of steam sterilisation is that it alters the composition of the spice by exposing it to high temperatures. This exposure especially affects the volatile oils that produce the flavour.

- Investments in new technology are not always necessary. Small improvements in processing (e.g. drying) can already lead to a significant increase in quality. It makes sense to help your suppliers with these practices. The brief of Practical Action on cinnamon offers basic advice on drying and a list of suppliers of drying equipment. Other valuable resources are the guidelines on Good Agricultural Practices for spices (IOSTA) and Good Manufacturing Practices for spices (IPC).
- If investing in steam sterilisation is not possible, look for local sterilisation companies that are able to provide this service for you.

Economic market drivers

- ***Price fluctuations:*** the price of cinnamon has risen over the past few years because of a growing demand in non-EU countries. Overall prices remain stable due to good harvests and the absence of scarcity.
- ***Scarcity:*** traders do not foresee a shortage of cinnamon over the coming years. There is enough supply. However, prices at farm level are too low, especially for cassia. This means that farmers are not investing in growing the crop and young people are not interested in taking over plantations. This may lead to some scarcity problems in the long run, especially in Indonesia and Vietnam.
- ***Economic crisis****:* despite the economic crisis, consumption of cinnamon grew over recent years. A large group of households focuses on price, however. This leads to eating out less and more luxury cooking at home. The statistical analysis of cinnamon imports also shows that the demand for the more expensive Cinnamomum zeylanicum has decreased significantly since the economic crisis. The price of both whole Cinnamomum zeylanicum and whole other cinnamon continued to increase by 12% and 10% respectively each year.

- Price developments and your competitive position can be anticipated to a certain extent. Look for crop reports online or visit events where these will be shared by sector exports. The monthly crop report published by McCormick can be valuable.

Environmental market drivers

- ***Sustainability on the rise:*** sustainable sourcing is a big issue in the EU, especially in the UK, the Netherlands and Germany. There is a demand for both organic and Fair Trade in the EU. Even dual certification (i.e. fair trade/organic) is becoming more

- Only consider entering the sustainable market when you are able to deliver a high quality product. Buyers of sustainable cinnamon will also expect a high quality product.
- Refer to the Fair Trade producer database to

common. Although certified cinnamon is still a niche and the economic crisis can be a barrier for purchase, it is expected that the market share of certified sustainable cinnamon will grow in the long term.

Political market drivers

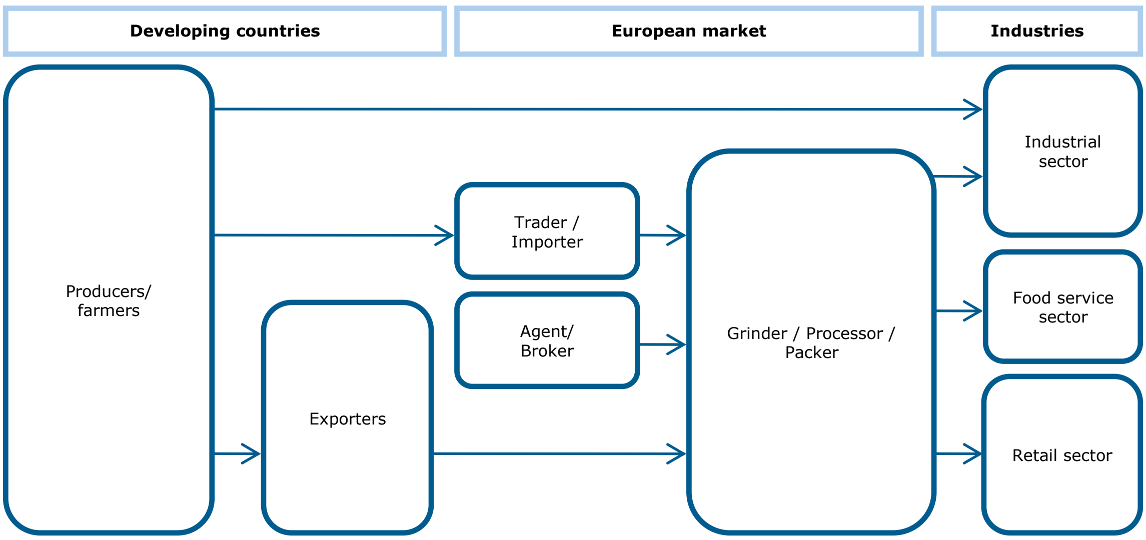
- ***EU legislation:*** the European legislation regarding food safety requirements (e.g. pesticides, mycotoxins, and microbiological issues) is becoming increasingly strict. The cultivation of cinnamon needs relatively few chemicals so the use of pesticides and insecticides is not a major issue. Microbiological contamination is however still an issue that affects suppliers of cinnamon. According to a study on mycotoxins, contamination in cinnamon may develop especially during prolonged storage in poor conditions without temperature and moisture control, usually rendering plants more susceptible to mould growth and mycotoxins production.

find certified suppliers of cinnamon. The pricing list will give you an indication of the price you will have to pay farmers for Fair Trade or Fair Trade/Organic cinnamon.

- There are also databases in which you can find companies in the EU or in your own country that supply organic cinnamon: ITC and Organic Bio.
- For more information, visit the website of the Sustainable Spice Initiative. It is active in Indonesia by investing in sustainable cinnamon production.
- Make sure your storage site is in good condition. Also make sure that during transport, cinnamon is either dried or there is sufficient ventilation in place. For more information on the safe storage and transport of cinnamon, refer to the website of the Transport Information Service.
- To keep up with the latest news regarding EU food regulation, hygiene and food alerts, regularly check the website of the European Food Safety Agency.

Market channels and segments

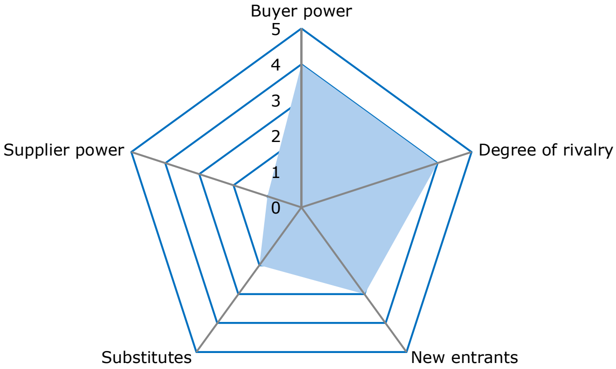
Figure 7: Visual representation of the EU market channel for cinnamon



Analysis and interpretation	*Considerations for action*
• The market channels are similar to the spice & herb market channels. Cinnamon is a popular ingredient in bakery and dessert products, tea blends, seasonings and sweets and candies. Therefore, a major part of the cinnamon in the EU goes to this industry. The rest goes to the food service and retail sector.	• Refer to the CBI's document Market Channels and Segments for more information.
• Large multiple retailers are the dominant market force, especially in Northwest Europe. These large retail chains (and their suppliers, hence your buyers) often have the most stringent buyer requirements and go beyond legal requirements.	• Make sure that you have a 'strategic' fit with the buyers you choose. Ideally, you should complement each other in terms of size, ambition, level of professionalism and place in the supply chain.
• Ethnic stores form a separate retail channel, offering a wide variety of typical products from foreign nationalities and ethnic groups. Buyers in these trade channels also import large retail packs of cinnamon (e.g. up to 1 kilogram) direct from the source, and often food safety and quality requirements do not go further than legal requirements. • These trade channels often have their own trade channels that import large retail packs of cinnamon (e.g. 250 gram) and often food safety and quality requirements do not go further than legal requirements.	• These trade channels can be an interesting alternative for the large retail chains. There are often close links between the ethnic communities in the EU and those in the source countries. In addition, for suppliers that already sell retail packed goods on their domestic market it might be a chance to supply the retail market in the EU as well. In other EU trade channels, this is significantly harder. Databases such as Asian (Netherlands and Belgium) or African retailers and wholesalers (World) are available. Also search the Internet for other databases or individual companies.
• In contrast to other retail outlets, they sell larger packs of cinnamon (up to 1 kilogram). These retailers often have their own trade channels.	• Keep up to date on prices. The Spices Board India publishes weekly and monthly prices for cinnamon (Indian as well as international prices).
• The supply chain is becoming increasingly transparent because of stricter food safety requirements, increased demand for sustainable sourcing and availability of online information. Suppliers in countries of origin nowadays have a better insight into their target markets and can find out real-time prices that are published online. This has led to increased speculation in the spice and herb market. The cinnamon market is less prone to speculation, however, because there are many suppliers and few scarcity problems.	• Cassia Co-op is a good example of cooperation in the sustainable cassia sector. Refer to their website for more information.
• As mentioned above, a general trend is for EU buyers to move closer to the source to secure and control supply. This is harder in the cinnamon market as there are many small farmers to deal with. In addition, small commodities like cinnamon are generally not sourced by retailers themselves. • An important current trend is the fact that EU buyers are reducing stock levels and are starting to work on a just-in-time basis (i.e. smaller orders). This is an extra service that can be a particular challenge for exporters in DCs. For example, it will be harder to fill a container when considering the minimum order size for shipping to the EU market.	• If you are not able to supply at least one full container, then supplying the EU market is not advised. Some buyers may consider the possibility of buying a container with a variety of spices or herbs, however.

Market Competiveness

Figure 8: Competitive forces for the cinnamon sector (perspective of exporters from DCs)



Source: based on Porter's Five Forces model, own analysis

Analysis and interpretation

- ***Buyer power*****:** the EU market is relatively large market for cinnamon with significant buyer powers. However, the demand in (other) emerging countries is increasing (e.g. India). Moreover, European buyers have strict quality and food safety requirements. It is therefore easier for buyers to supply other markets where buyer requirements are lower and prices are similar or even higher. The buyer power of EU buyers is therefore decreasing slowly. It is still an interesting market for suppliers looking to establish long-lasting business relationships with reliable partners.
- ***Degree of rivalry****:* the degree of rivalry is high, with most suppliers coming from Asia (e.g. Indonesia, Vietnam, India, China and Sri Lanka). Growing suppliers such as Madagascar show that it is possible to enter this market, including the market for further processed cinnamon, which is still dominated by EU processors.
- ***New entrants****:* Syria/ South Africa (Zeylanicum), Vietnam (other cinnamon) and Madagascar (crushed or ground cinnamon) are countries that have shown high growth rates in recent years. This shows that it is still possible to enter the market. Still, the EU market is hard to enter because buyer's requirements are strict.
- ***Substitutes****:* synthetic cinnamon flavour does exist, but is not commonly used. Moreover, due to the shift in the food industry towards natural flavourings, synthetic cinnamon is not a major threat for natural cinnamon. Furthermore, restaurants sometimes use other spices like cardamom, nutmeg or allspice as a substitute. This is also is not considered to be a serious threat, however.

Considerations for action

- Refer to the CBI's document Market Competitiveness for more information.
- The European market remains interesting due to the demand for high end products. However, the Middle East and Asian are bigger markets for consumption.
- Gain an insight into the long-term developments in your country compared to countries you are competing against. Use Prodstat to get production data for cinnamon. Use other sources such as Eurostat and ITC to track the development of the trade between the UK and your own and other producing countries.

• ***Supplier power**:* supplier power is generally low, as cinnamon is generally grown by small farmers with limited resources. However, farmers have started to unite in coops to establish direct relations with buyers.	• Improve your relationship with your suppliers by working with reliable collectors, preferably ones that integrate sustainable practices (e.g. fair prices). • Educate growers in terms of efficiency and agronomics to improve your supply continuity. This is also a hot sustainability issue in the food sector, and it is appreciated by EU buyers.

Useful sources

- European Spice Association - http://www.esa-spices.org - provides information on its national spice association members.
- Practical Action - http://practicalaction.org/media/preview/10642 - provides information for processors in developing countries for a large number of spices including cinnamon.
- Spices Board - http://www.indianspices.com/php/international_weekly.php - publishes weekly and monthly prices for cinnamon (Indian as well as international prices) for free.
- Transport Information Service - http://www.tis-gdv.de/tis_e/ware/gewuerze/zimt/zimt.htm - lists guidelines for the storage and transport of cinnamon.
- Food Ingredients Europe - http://www.foodingredientsglobal.com - important trade fair for the food ingredient sector in Europe.
- SIAL - http://www.sialparis.com – large French food fair.
- Biofach - http://www.biofach.de - largest German organic food trade fair.

This survey was compiled for CBI by CREM B.V.
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