



# PROMOTION OF PURE CEYLON CINNAMON IN GERMAN MARKET



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## A: Background-The German Ceylon Cinnamon market

### 1. Strong domination of Cassia

According to German Federal Statistics Department, Germany imports around 1300-1500 tons of Cassia per year while the Ceylon Cinnamon imports were between 660 and 800 tons. This indicates a strong domination of Cassia over pure Cinnamon in the German market. Also a constant growth on imports of powdered Cinnamon can be observed. However, there is no differentiation in HS classification for powdered cinnamon and cassia. It is imported under the same HS code.

Table 1

Total German Cinnamon Imports		Import: Weight	Import: Value (US\$)	Average import price
		MT	Tsd. US\$	in US\$ per KG
<b>2012</b>				
WA09061100	Ceylon Cinnamon (Cinnamomum zeylanicum Blume), no	665,5	1327	1,99
WA09061900	Other Cinnamon, non-powdered	1581,7	3271	2,07
WA09062000	Cinnamon, powdered	1141	2733	2,40
<b>2013</b>				
WA09061100	Ceylon Cinnamon (Cinnamomum zeylanicum Blume), no	795,5	1881	2,36
WA09061900	Other Cinnamon, non-powdered	1502	3519	2,34
WA09062000	Cinnamon, powdered	1378,3	3537	2,57
<b>2014</b>				
WA09061100	Ceylon Cinnamon (Cinnamomum zeylanicum Blume), no	796,8	2231	2,80
WA09061900	Other Cinnamon, non-powdered	1331,4	3917	2,94
WA09062000	Cinnamon, powdered	2063,4	5721	2,77

Source: Federal Statistical Department Wiesbaden

Due to lack of HS code differentiation for powdered cinnamon, it cannot be distinguished clearly if it is derived from Ceylon Cinnamon or Cassia. But the countries of origin for the imported product, could provide an indication whether it is made from raw cinnamon or cassia.

However, it cannot be determined in case of a third country import, e.g. Netherlands. Even though as it is, Table 2 indicates an even stronger domination of Cassia Cinnamon in the German market. Particularly during the period from 2012 to 2014, powdered cinnamon imports from Indonesia increased from 602.2 tons to 1291.2 tons and 689 tons, mainly derived from Cassia.

As such, the market share of non-powdered Ceylon Cinnamon in the German market is 29.61% while 11.78% for powdered Ceylon Cinnamon, which represents Ceylon Cinnamon from both countries,

SriLankaandMadagascar.

Table 2

German Importsof powderedCinnamon,Top6 importersquantitywise	Import: Weight	Import: Value	Import: Value(US\$)	Average importPrice
	MT	Tsd.EUR	Tsd.US\$	inUS\$/KG
2012				
Indonesia	602,2	774	993	1,65
Netherlands	352,1	801	1024	2,91
SriLanka	63,5	292	376	5,92
Madagascar	52,3	64	82	1,57
Vietnam	24	73	93	3,88
China	12,2	22	28	2,30
2013				
Indonesia	687,6	974	1297	1,89
Netherlands	379,5	884	1172	3,09
SriLanka	85,2	329	439	5,15
Madagascar	71	123	165	2,32
Vietnam	63,3	131	174	2,75
China	36,1	80	104	2,88
2014				
Indonesia	1291,2	2211	2970	2,30
Netherlands	318,4	776	1029	3,23
Austria	109,2	296	403	3,69
Madagascar	103,9	129	174	1,67
Vietnam	84,4	211	281	3,33
SriLanka	58,1	329	431	7,42

Source: FederalStat1st1csDepartmentW1esbaden

## 2. TheCompetitorintheCeylonCinnamonMarket:

Although,CeylonCinnamonisproduced inSriLanka, Madagascar andSeychelles, Madagascaristhe marketleaderforCeylonCinnamon inGermany with a highermarket shareof72% in2014as per thebelowTable 3.

Table 3

German top 3 Ceylon Cinnamon Suppliers	Import: Weigth	Import: Value(US\$)	Average ImportPrice	Marketshare		Change toprevyear in%	
	MT	Tsd.US\$	inUS\$/kg	MT	Tsd.US\$	MT	Value
2012							
Madagascar	566,1	851	1,50	85,06%	64,13%		
SriLanka	93,7	466	4,97	14,08%	35,12%		
Indonesia	5,4	8	1,48	0,81%	0,60%		
Totalmarket	665,5	1327					
2013							
Madagascar	639,8	1073	1,68	80,43%	57,04%	13,02%	26,09%
SriLanka	107,8	741	6,87	13,55%	39,39%	15,05%	59,01%
Indonesia	44	54	1,23	5,53%	2,87%	714,81%	575,00%

Totalmarket	795,5	1881				19,53%	41,75%
<b>2014</b>							
Madagascar	571,4	1038	1,82	71,71%	46,53%	-10,69%	-3,26%
<b>SriLanka</b>	<b>103,6</b>	<b>877</b>	<b>8,47</b>	<b>13,00%</b>	<b>39,31%</b>	<b>-3,90%</b>	<b>18,35%</b>
Indonesia*	120,2	306	2,55	15,09%	13,72%	173,18%	466,67%
Totalmarket	796,8	2231				0,16%	18,61%

*\*Currently under revision by German Federal Statistics Department, as requested by Consulate/Frankfurt due to unexpected high figure*

*Source: Federal Statistics Department Wiesbaden*

Despite the fact that the quality of Ceylon Cinnamon from Sri Lanka is considered to be higher than the Madagascar Cinnamon, the market share for Cinnamon from Sri Lanka in the German market is around 13-14% in terms of volume. In terms of value, it is between 35 and 39% due to the higher average purchase price of Ceylon Cinnamon. However, these figures are only applied to non-powdered Ceylon Cinnamon. If we combine the above tables and include Cassia and powdered Cinnamon to calculate the total market share of all types of cinnamon, the market share further goes down to 193 out of 3,675.8 tons which is 5.25% in 2013.

Moreover, it is notable that the average price of Ceylon Cinnamon from Madagascar is almost equivalent to the average price of Cassia from Indonesia, while the average price of Sri Lankan Cinnamon is about 3-5 times higher than those two.

Considering the fact that the German market usually is highly quality conscious, the question arises why the German imports are so much dominated by low quality Cassia or inferior Cinnamon from Madagascar, in comparison to Sri Lankan Cinnamon.

Further investigation on this scenario reveals the following reasons

## **B. The German Cinnamon Consumption**

### 1. The Language:

The spice is always called as "Zimt" whether it is Ceylon Cinnamon or Cassia. Professionals in trade may add Ceylon or Cassia as a prefix, referring "Ceylon-Zimt" or "Cassia-Zimt", but in general use, particularly amongst consumers, this difference is not common. Also, in food products which contain Cinnamon, the composition of ingredients usually states "Zimt" without any reference to whether Ceylon Cinnamon or Cassia.

### 2. The socio-cultural context:

#### 2.1. Cinnamon is considered as "Christmas Spice" in Germany

It is used as a major ingredient for many varieties of Christmas bakery products, some even with a high concentration of Cinnamon, where the ingredient is even part of the name, like "Zimtsterne" (Cinnamon Stars). During the Christmas season many types of Christmas cookies, most of them are made with Cinnamon (Cassia or Ceylon Cinnamon) are available in the German supermarkets. These products are seasonal and available only during the Christmas season, from mid-September to mid-January in the following year. Therefore, this period is the main season for Cinnamon consumption. The above consumption behaviour also created an impression that Cinnamon is only for Confectionary food items.

## 2.2. Lack of awareness among the Germans of the uses of Cinnamon.

Cinnamon fits well into sweets. Cinnamon is a spice that fits well to many sweet food items. This is the impression for Cinnamon among the minds of Germans. This shows, lack of awareness among the Germans that Cinnamon could be used or suitable to be used in main cooking dishes. As a matter of fact, a quick search in an online cooking recipe database in Germany revealed 3362 recipes with Cinnamon but almost all of them were related to sweet food items, like desserts (e.g. milk-  
rice), cakes (pancake, apple cake, etc.) or cookies. The few exceptions were recipes for main dishes from African or Asian origin. None was original German. This indicates a major gap in German cuisine, as the consumption of Cinnamon is not used in day today main dishes.

## 3. Lack of knowledge in differentiation of Ceylon Cinnamon and Cassia among consumers

As it is already displayed in the language, the awareness of the difference between Ceylon Cinnamon and Cassia among the end consumers is very little to non-existent. For the vast majority of consumers the spice is only "Zimt". The traders have usually undergone at least three years of vocational training in their field of business and therefore usually know the difference between Ceylon Cinnamon and Cassia very well. Anyhow, their customers are not well acquainted of the difference. For consumers, there is no difference between Ceylon Cinnamon and Cassia. Therefore, it is considerably difficult for the traders to justify towards their customers, the price difference between Ceylon Cinnamon from Sri Lanka and Cassia or Ceylon Cinnamon from Madagascar, which was in the ratio of 4.65:1 in 2014, as stated above. This further explains, why Germany is sourcing Ceylon Cinnamon primarily from Madagascar, where the price is either similar to Cassia instead of buying the higher quality Cinnamon from Sri Lanka despite the fact that Germans are usually demanding high quality.

## C: The Ceylon Cinnamon Show at Anuga 2015

The Sri Lanka Export Development Board in coordination with the Sri Lanka Consulate General / Frankfurt organized a cooking show at the culinary stage of Anuga 2015. As Anuga is the world's leading trade fair for food and beverages, the location was an ideal platform to stage new developments on Ceylon Cinnamon. Mr. Ernst Vleer, President of the Colon Chefs Association was hired to stage the show together with a comedian. He staged several members of his Association in the cooking demonstration in support and organized the participation of a boxing world champion on the stage, to raise more attraction and audience to the show. Even Mr. Schramma, a highly reputed former Mayor of Cologne came to the stage in support of the show.

The show has given prominence to the difference between Cassia and Ceylon Cinnamon. But as the audience was mostly attended by traders and Gastronomy professionals, a strong emphasis was also placed on cooking full dishes with Ceylon Cinnamon, as this aspect is yet missing in German cooking.

The show was held in German language to particularly attract the audience of the host country and this key market and attended by around 60-100 guests.

The show was well received. The Secretary General of the European Spice Association, Mr. Gerhard Weber stated after the show, that "the show precisely hit the soft spot of the German Cinnamon market," by showcasing that Ceylon Cinnamon is more than just an ingredient for Christmas cookies. Also other guests, following the show stated, that during the show they've gotten aware, that they have yet been blind, as they had only considered Cinnamon as a Christmas spice, not for anything else. But the foods prepared during the show have prevented them from being wrong.

Certainly it is to be noted, that a show like this can only set an initial spark for the audience to reconsider the use of Ceylon Cinnamon in an extended manner. Anyhow, the reception of the show

indicates, that the focus on establishing Ceylon Cinnamon as a spice for full dishes is highly welcome among Germans.

#### **D: Followup**

As the Ceylon Cinnamon Culinary Show at Anuga confirmed, there is a major gap in the German Cinnamon consumption with regard to its use as a spice for full dishes. It is recommended to build new strategies on this aspect, as it hits into a weak spot in the German market.

While the differentiation between Ceylon Cinnamon and Cassia could lead only to increase the market share of Ceylon Cinnamon to a certain limit which is the current market potential for both cassia and cinnamon, a strategy on focusing the use of Ceylon Cinnamon to create full dishes could lead to expand the market of Cinnamon itself. This means: The promotion of just differentiating Cassia from Cinnamon could lead to a maximum increase in the market share to 11% which was US 118 Million US\$ market in 2014 (including powdered Cinnamon).

Targeting to increase the market share should focus on increasing the current market potential. As any promotion initiated in this regard should also be connected with the Pure Ceylon Cinnamon brand, which complements to an increased market share in the gained Cinnamon market. It is also to be considered, that the German Cinnamon market with its strong preference of Cassia is established for decades due to competitive prices.

Further, the established structures and user habits make it extremely difficult to reach even a small market share increase of 1% or 2% in this market. Particularly due to the fact, that the main focus of the German spice traders, is to maintain their profit margin, which best case stays the same. It is difficult for them to pass the additional cost to the consumers or justify the price difference by switching to Ceylon cinnamon from Cassia.

Therefore a strategy to increase the market size by educating the end consumers on the alternative uses of Ceylon Cinnamon (through awareness programmes and recipes) could pave the way to create interest among the consumers in search for Ceylon cinnamon. Hence, the demand for Ceylon Cinnamon from the consumers will enable the traders to purchase of the same and set a premium price. As a result, traders could expand purchasing of Ceylon cinnamon while reducing the quantity of inferior substitutes and increase their profit margin. This approach also helps to overcome the obstacles for promotion in an established market for cassia, as it is more similar to creation of a new market.

In summary, if we disseminate the information among the consumers of the possibilities of creating many popular German styledishes with cinnamon would enable us to popularize the use of cinnamon among the German Consumers and also could change the common perception of cinnamon is suitable for Christmas cookies only.

The Trade Division of the Consulate General of Sri Lanka already had a meeting with Honorary Consul of Sri Lanka Mr. Nihal Samarasinghe to further discuss the options and strategies available to increase the market share of Sri Lankan Cinnamon given his wide experience in the German hotel industry. Also the topic, to change the image of Cinnamon to be a full-year-spice was discussed with Secretary General of the German Spice Association and to find cost efficient approaches to achieve the market expansion stipulated above.

#### **E. Strategic Approaches:**

As described above, media advertisement campaigns are not considered as an appropriate channel to create an image change of Cinnamon from Christmas Spice to full-dish-spice. On one hand, campaigns like this would be more expensive, than the market potential or value of Cinnamon in

Germany. Other reasons, that it will also require to teach Germans how to include Cinnamon in their cooking. If they would just know, that Ceylon Cinnamon can be a wonderful addition to loads of dishes, but without knowing how to use it, they would not use it. For this reason a suitable strategy would require following items:

*a) Requirements*

-First, to achieve the intended image change is to have loads of good German style recipes created based on the use of Ceylon Cinnamon. (Currently we have four recipes which were created by Mr. Ernst Vleer for the Ceylon Cinnamon Culinary Show at Anuga 2015.)

-Second, to find suitable communication and publication channels, to make the recipes available for the broad German public.

-Third, to show Germans, the unique taste of using Ceylon Cinnamon in their main dishes. Not only having the recipes available but also requires to encourage or influence them to start using in their cooking.

-Multipliers: As a general media promotion is too expensive, several types of Multipliers need to be identified, that could be used to disseminate the information as well as the ways and means to encourage the usage of Ceylon Cinnamon. Relevant multipliers could be: Gastronomy professionals, like hoteliers and restaurant chefs, professionals from food industries whose spices etc.

*b) Promotional options available:*

1. Hon. Consul Nihal Samarasingh has suggested a small promotional brochure with a Sachet of powdered Ceylon Cinnamon and a piece of cinnamon stick together with a recipe both in German/English language (including a reliable contact person who could supply it from Germany) could be placed in the restaurants and hotels. He offered his generous support by distributing it among his Hotel chains including 6 hotels in Frankfurt which attracts more than 150,000 customers per annum. He further offered to assist the Sri Lankan Cinnamon Industry by distributing it among other hotels in Frankfurt area where he has good contacts. This option is target oriented and cost effective. If an exporter wishes to opt this option to market his cinnamon, in Germany Hon. Consul Samarasingh would assist him.

Important on this approach would be to have a local trader whom we could mention imprinted on the sample with his contact details where we could assure that he is selling Pure Ceylon Cinnamon from Sri Lanka. This is mandatory as whoever is attracted by this promotional must be able to immediately purchase the Pure Ceylon Cinnamon, as otherwise, the promotion would be for nothing or the competitor Madagascar would primarily benefit from this promotion.

In addition to the above he further suggested to establish contact with Vapiano Restaurant Chain to encourage them to create some novelty dishes with cinnamon in their restaurants. Vapiano is a restaurant Chain which labelled itself as a restaurant which prepares each dish fresh as requested by the customer. If we could negotiate and offer them a suitable benefit, like supply of complimentary Ceylon Cinnamon for about one year or more for creating one or two Ceylon Cinnamon based dishes which are offered in all Vapiano Restaurants to make their customers open-up for the idea to use Ceylon Cinnamon in full dishes.

2. As per discussion with Mr. Weber from European and German Spice Association, the Association issues a small image promotion magazine. It is published by a media company hired by them and issued twice a year. Anyhow, as the idea is, to get the image of Ceylon Cinnamon away from Christmas spice, it is recommended to have an article in the first issue of a year. Articles would be written by that media company, but they would require background information and picture.



Important could be, next to pictures, where we have the publication rights, also background information on how Cinnamon is manufactured in Sri Lanka. Anyhow, it is not yet clear, if the magazine for start 2016 is already full or not, means if we can get an article inside for 2016 or if we have to wait until 2017.

### 3. Chef Competition for the best recipe based on pure cinnamon

As per the requirement of having sufficient amount of recipes available which combine German cooking with the use of Pure Ceylon Cinnamon, it will be required to target Chefs to start using Ceylon Cinnamon for main dishes and sharing the recipes. To achieve this we would recommend to organize a competition among German Chefs for the best European style Ceylon Cinnamon Dish where they can win a prize. (For example a 2 week travel to Sri Lanka for two people, or a monetary price, anyhow, it must be attractive enough for German Chefs to make them want to win). This competition would also require support from some German organization like Association of

Gastronomy Industry to publish the competition among the Chefs and to select the winner / evaluate the recipes. The aim of this idea would be double:

- On one hand we would get a good amount of recipes which we could publish among German recipe-websites.

- On the other hand it would make all the chefs, who are participating in the competition start to use Ceylon Cinnamon for main dishes and make them explore the opportunities of this spice to create even better meals. We are of the view that this could result in a good amount of Restaurants who then start cooking with Ceylon Cinnamon on their own. Best case scenario would be that they even might introduce a dish labelled as Ceylon Cinnamon Dish on their rate-chart which would also promote the idea among their customers who then might look on the internet for recipes with Ceylon Cinnamon. Anyhow, this development would not be in our hands, but could arise out of an initial spark like the chefs competition described above.

4. Soon as the recipes are received from Mr. Vleerwe will send Cinnamon samples collected at Anuga together with contact details of the exporters and the recipe to the Members of the German Spice Association. Those members are the actual spice traders. Providing them with product samples might result in raising their interest in sourcing directly from Sri Lanka. The recipes we share are intended for them to share with their customers, stipulating them also to look into Ceylon Cinnamon as a general use spice, not only a Christmas spice.