PROPOSAL FOR TRANSFORMING CEYLON CINNAMON INTO A GLOBAL GOLD STANDARD: API EXTRACTION FOR PHARMACEUTICAL AND HIGH-TECH INDUSTRIES

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THE PROPOSAL

This proposal seeks to establish a national-scale program to extract Active Pharmaceutical Ingredients (APIs) from Ceylon Cinnamon, thereby maximizing its global value and ensuring fair income for Sri Lankan farmers. Currently, farmers earn only Rs. 5,000 per kilogram of C4-grade cinnamon, though its real value exceeds Rs.100,000 when processed into APIs. By creating a government or semi-government institution to directly purchase cinnamon from cultivators and invest in advanced API extraction facilities, Sri Lanka can eliminate exploitative middlemen, secure fair trade, and position itself as a world leader in high-value cinnamon-derived industries. The APIs will support pharmaceutical, aerospace, cosmetics, brewing, and perfume sectors, while strengthening foreign exchange earnings, creating jobs, and preserving Sri Lanka's monopoly in authentic Ceylon Cinnamon. Further, it will stop exploitation of Sri Lankan high value products by foreigners.

SHORT ABSTRACT

Ceylon Cinnamon, globally recognized as the "true cinnamon," contains over 80 Active Pharmaceutical Ingredients (APIs) with vast industrial potential. Despite Sri Lanka's global monopoly, the country currently earns far less than possible, with cultivators receiving just Rs. 5,000 per kilogram for C4 cinnamon. The true international market value, post-API extraction, exceeds Rs.100,000, but this profit is captured abroad by nations such as India and South American countries who import raw cinnamon, extract APIs, and resell products at more than 25 times the purchase price.

This proposal introduces a government-led or semi-government-led intervention to purchase cinnamon directly from farmers at fair prices, establish technologically advanced API extraction plants, and channel the outputs into pharmaceutical, aerospace, cosmetic, and brewing industries. With Sri Lanka's unique position as the sole source of authentic Ceylon Cinnamon, the nation can dictate global terms, increase foreign currency earnings, support rural livelihoods, and reestablish cinnamon as the "gold value" product it historically represented. By investing in high-quality machinery, research partnerships, and export channels, Sri Lanka can transform cinnamon into a driver of economic growth, social welfare, and technological innovation.

TOPLINE VIEW

Objective of the Proposal [tick the applicable]

☒ Economic Growth
☒ Governance
☒ Justice and Rights
☒ Social Welfare
☒ Other: Minimizing exploiting of Sri Lankan assets by outsiders

Implementing Agency:	Ministry of Plantation Industries/ industrial Technology Institute (ITI) State Pharmaceutical Corporation of Sri Lanka Export Development Board (EDB) Universities and Research Centers (Peradeniya, Colombo, Moratuwa) Private sector partnerships with pharmaceutical and biotech companies
Primary Beneficiaries:	Cinnamon farmers and cultivators (fair income without middlemen) Sri Lankan pharmaceutical and biotech industries National economy (foreign currency inflow) Rural communities (employment and livelihood security) Consumers worldwide (access to high-quality natural APIs)
Cost Estimate (if available):	Initial machinery & technology acquisition: USD 7 Mn, Further Research & development (5 years): USD 5 Mn, Processing plant setup : USD 2.5 Mn, Farmer purchase fund (annual allocation): USD 4 Mn, Training, staffing, and logistics: USD 1.5 Mn (Total LKR 6 billion) Total Initial Investment: USD 20 million (can be done in stages)
Policy Type:	Economic Policy: Value addition and foreign exchange earnings Agricultural Policy: Fair trade for farmers, sustainable practices Industrial Policy: Establishing pharmaceutical and biotech industries Export Policy: Enhancing global competitiveness and brand protection

HOW DOES IT ADVANCE THE OBJECTIVES

1. **Economic Growth**

    - Shifts cinnamon exports from raw commodity to high-value APIs.
    - Attracts FDI in biotech, pharmaceuticals, and cosmetics.

2. **Governance**

    - State-managed direct purchasing reduces corruption and middlemen exploitation.
    - Transparent pricing benefits both farmers and buyers.

3. **Justice and Rights**

    - Farmers receive fair compensation for their labour.
    - Intellectual property rights safeguarded for Sri Lanka’s unique cinnamon monopoly.

4. **Social Welfare**

    - Rural income upliftment reduces poverty.
    - Job creation in API plants, R&D, and export logistics.

CASE FOR THE PROPOSAL

Ceylon Cinnamon, hailed for centuries as the "true cinnamon," has been Sri Lanka's unique global brand. Despite this natural monopoly, the country has failed to unlock its full economic potential. Farmers, who engage in labour-intensive cultivation and processing, earn only around Rs. 5,000 per kilogram of C4-grade cinnamon. Yet, when extracted for its Active Pharmaceutical Ingredients (APIs), the real market value of the same product exceeds Rs.100,000 per kilogram.

Over 80 (initial concentration for a few) APIs in Ceylon Cinnamon have wide-ranging applications in pharmaceuticals, perfumery, cosmetics, aerospace, brewing, and high-tech industries. Globally, nations such as India and South American producers import Sri Lankan cinnamon at low prices, extract APIs using advanced technology, and resell these derivatives at more than 25 times the initial purchase price. The disparity underscores a critical gap: Sri Lanka performs the hardest task—cultivation—while others reap the highest profits.

The proposal addresses this imbalance by creating government or semi-government facilities to directly purchase cinnamon from farmers at fair and profitable rates, thereby eliminating exploitative middlemen. These institutions will invest in modern API extraction technology, partner with local research institutes, and build processing hubs across cinnamon-growing regions. Such a model ensures value retention within Sri Lanka.

Economically, this initiative can transform cinnamon exports from a USD 300 million industry to a multi-billion-dollar market segment. Socially, farmers will experience income security, uplifting rural communities. Politically, it enhances good governance and transparency. Strategically, it secures Sri Lanka's monopoly and elevates its brand as a premium, indispensable ingredient globally.

Historically, cinnamon was valued on par with gold, shaping global trade routes. By extracting APIs and commanding premium prices, Sri Lanka can revive this legacy in a modern context, aligning with global demand for natural, sustainable, and high-value raw materials. Even now US health authorities call Ceylon Cinnamon as Sri Lankan gold. Their institutions such as Mississippi university have done extensive researches on Ceylon Cinnamon.

The challenges—initial machinery costs, skill development, and international market positioning—are surmountable through public-private partnerships, international collaborations, and policy reforms. With Sri Lanka's research capacity and monopoly status, the opportunity to lead is unparalleled.

HOW DOES IT HELP THE COUNTRY

1) Boosts foreign currency reserves through high-value exports. Higher amount of fcy can be earned in this way from same Cinnamon. In history, there were times where cinnamon value exceeded that of gold. Further, US health authorities state that Ceylon cinnamon is nothing but Sri Lankan gold. Currently, some other countries get the benefits of better income from API form of our native product.

2) Eliminates middlemen exploitation, ensuring fair farmer incomes. This way, the necessity of middleman will be no more as farmers can directly give the entire harvest at a much higher price.

Further, South American countries, India & some other countries currently import Ceylon Cinnamon in bulk. They extract API and manufacture pharmaceuticals, beauty care products and many other high-tech products. They sell those API products at very high prices so as they earn around 25 times of purchase value in spite of Sri Lanka having almost monopoly over Ceylon Cinnamon. Those countries try to keep it a secret just as happened in history, too in a different way. Even the pulp used for filling teeth is produced from cinnamon API. If we produce API, we can get the real value of Ceylon cinnamon to our country

3) Creates jobs in technology, R&D, and industrial processing.

Higher number of people will move towards growing cinnamon and related new job opportunities.

4)Strengthens Sri Lanka's monopoly and global bargaining power

Ceylon cinnamon currently is the only product in Sri Lanka with the GI (Geographical indication) certification from European union.

5) Cinnamon aroma is the globally accepted national identity of Sri Lanka.

Rudyard Kipling: "The first condition of understanding a foreign country is to smell it".

Revives historical trade prestige, restoring cinnamon's "gold value"

HISTORY OF THE PROPOSAL

Cinnamon valued as highly as gold in ancient trade with Rome, Egypt, and China.

Sri Lanka held the monopoly for centuries but lost economic advantage due to colonial exploitation and raw commodity exports.

Modern discussions on value addition began in the late 20th century but lacked large-scale implementation.

Small-scale research and API extraction projects currently exist, but they remain fragmented and underfunded.

PUBLISHED SUPPORTING ANALYSIS

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Sri Lanka can supply API extracts to pharmaceutical manufacturer within the country as well as overseas buyers. Other industrial products can be exported. Anyway, earning foreign currency and getting a fair, due value for a Sri Lankan high value traditional product which has been devalued currently drastically must be the primary concern. By now, Sri Lanka is exporting APIs in small scale by individual experts who have been disappointed by unprofessional behaviour of government officials who had cheated such professionals in spite of the fact that they had power to develop the industry.

Concerns

1. As per ‘Future Market Insights’ report of FMI (USA) on Cinnamic Aldehydes, is currently a USD 6.147 Billion market. CAGR 2025-35 is 4.8% projecting USD 9.8 Bn. https://www.futuremarketinsights.com/reports/cinnamic-aldehyde market?utm_source=chatgpt.com As a natural flavoring agent (food, beverages, oral care), personal care industry (perfumes, body lotions, creams, shampoos, deodorants), pharmaceutical industry, there is huge market in North America, Europe and Asia pacific regions. A variety is used for manufacturing metal plates (value exceeds USD 8000 for 50 grams) of aircraft industry. Innovations have been made for very expensive brewery and a compound to extend battery life of electric vehicles.

2. Around 300g of cinnamaldehydes can be extracted from 1Kg of cinnamon costing around Rs.5000. 50g of an aldehyde is generally sold at a few millions.

3.Cinnamaldehydes, eugenol, linalool have been extracted by now.