INDUSTRY CAPABILITY REPORT

TEA

(Camellia sinensis)

Kingdom	:	Plantae
Division	:	Magnoliophyta
Class	:	Magnoliopsida
Order	:	Ericales
Family	:	Theaceae
Genus	:	Camellia
Species	:	Camellia sinensis – Tea

Prepared by:
Sri Lanka Export Development Board (EDB)
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1. The Industry

Tea plantations started by the British were initially taken over by the government in 1960s, but have been privatized and managed by plantation companies. The total extent of land under tea cultivation has been assessed at approximately 231,628 hectares.

Ceylon tea from Sri Lanka, acclaimed as the best tea in the world has its inherent unique characteristics and reputation running through more than a century. The influence of climatic conditions of its plantation imparts to the product a variety of flavors and aromas, synonymous with quality.

Sri Lanka is renowned for its high quality tea and as the 4th biggest tea producing country globally, has a production share of 10% in the international sphere, and one of the world's leading exporters with a share of around 19% of the global demand.

2. Production

Sri Lanka produces tea throughout the year and the total tea production is about 349,308 Tons per annum. The total export volume reached 212,335 MT out of the total production in year 2018. The tea growing areas are mainly concentrated in the central highlands and southern inland areas of the island. They are broadly grouped under these headings according to their elevations, with high grown ranging from 1200 m upwards, medium grown covering between 600 m. to 1200 m. and low grown from sea level up to 600 m.

Sri Lanka is the world largest producer of orthodox tea. The pioneer planters in Sri Lanka had discovered the effect of the diverse climate on tea production. The discovery has resulted in manufacturing of an array of fine teas which like wine are unique to each agro climatic district in Sri Lanka. Ceylon tea flavour and quality, vary with agro climatic conditions and seasons. The prime regions are Nuwara Eliya, Dimbula, Uva, Uda Pussellawa, Kandy, Ruhuna and Sabaragamuwa.

3. Key Products and Varieties

Sri Lanka mainly produced orthodox teas. In the orthodox process of production, semi dried green shoots are ruptured and twisted by rolling achieved from a rotary movement. When tea leaves are crushed an oxidation process begins, which is followed by firing and commonly known black tea is produced.

Sri Lanka also produces tea by unorthodox method, namely Cut Tear and Curl (C.T.C). Green tea, Instant tea, Bio tea, and flavored tea are also produced in Sri Lanka

High grown teas from Sri Lanka are reputed for their taste and aroma. The two types of seasonal tea produced in these areas Dimbula and Nuwara Eliya are much sought after by blenders in tea importing countries.

Exports of tea are being also sent for many destinations in various forms such as Tea Packets, Tea Bags, Tea in Bulk, Instant Tea, Green Tea, Flavored Tea etc

4. Supply Chain

a. Commercial Cultivators
b. Individual Small Farmers
c. Cluster organizations
d. Central collecting centers
e. Processors
f. Exporters
g. Traders

5. Specialties Associated With Products

Sri Lankan tea recognized as Ceylon Tea in the world is renowned for its high quality, aroma, and taste. As the fourth largest tea producer and perhaps the third largest exporter in the world, Sri Lanka is in the forefront of tea exports to the world market. This is a position that Sri Lanka has maintained over the years.

There are three major geographical zones for tea cultivation in the country and the production of each cultivation has unique features in it.

High/Upcountry: Above 1,200 m.

- Nuwara Eliya - Delicately fragrant
- Udapussellawa - Exquisitely tangy
- Uva - Exotically aromatic
- Dimbula - Refreshingly mellow

Mid-Country: Between 600 m. - 1,200 m.

- Kandy - Intensely full-bodied

Low-Country: Below 600 m.

- Sabaragamuwa - Smooth & full-bodied
- Ruhuna - Distinctively unique

Uva teas from Eastern Highlands contain unique seasonal characters and are widely used in many quality blends particular in Germany and Japan.

The medium grown teas provide thick colour y varieties which are popular in Australia, Europe, Japan and North America.

The teas produced in low grown areas are mainly popular in Western Asia, Middle Eastern countries and CIS and BRICS countries. Most factories in these areas produced what are known as leafy grade of tea where the tea leaves are well twisted and can grade into long particles.

6. Quality Standards

Sri Lankan Tea industry maintains the highest quality in the world market and ISO 3720 is the minimum standard applies for the products. Sri Lanka has the capability to produce the cleanest tea in the world in terms of minimum pesticide residues. Methyl Bromide was removed from the production process in 2012. Sri Lanka also is adjusting well to the stringent ISO 22000 series and to the health & safety regulations stipulated by the European Community.

Growers are constantly educated to practice Good Agricultural Practices (GAP). The Processing/ Manufacturing facilities owned by the export companies comply with local standards (SLSI) and also with International Quality Standards such as ISO, HACCP, and EU Standards. Traceability throughout the supply chain is monitored in order to guarantee a safe product to the consumers.

7. The Tea Auction

The Colombo tea auction is the single largest tea auction in the world. Auctions are held every Tuesday and Wednesday, every week except during the national New Year and at Christmas. Around 6.5 million kilograms are sold weekly.

8. Value Addition

Sri Lanka exports approximately 50% of tea in value added form. The Value added product range of Sri Lankan tea includes green tea, flavored tea, organic tea, instant tea, iced tea, and ready-to-drink tea. Tea based soap, bath gel, shampoo and cosmetic products have recently been added to this product range. Sri Lanka boasts the biggest Tea Research Institute in the world. Colombo also has the biggest concentration of tea bagging plants in the world.

9. Lion Logo

Ceylon Tea Lion Logo which appears on Ceylon tea packs denotes not only the country of origin but also the quality of Ceylon Tea. Sri Lanka Tea Board is the legitimate owner of the Ceylon Tea Lion logo which has been registered in many countries in the world. The usage of Lion Logo is subject to the following conditions:

(a) The Lion Logo can be used only on consumer packs of Ceylon tea.

(b) The packs should contain 100% pure Ceylon tea.

(c) The brands which use the Lion Logo should be packed in Sri Lanka. Overseas Importers/packers are not allowed to use the Lion Logo on their tea packs even if the packs contain pure Ceylon Tea.

(d) The brands which use the Lion Logo should conform to the quality standards set out by the Sri Lanka Tea Board.

10. Technology

Improved technologies on commercial cultivation especially application of fertilizer, crop management, irrigation systems, optimum input applications, pest and disease control, postharvest management, well equipped machinery for processing, quality packaging and improved transportation methods are practiced specially for export marketing.

11. Tea Production in Different Geographical Zones

The total tea cultivation area is over 200 hectares in the country. The major tea growing areas are Kandy and Nuwara Eliya in Central Province, Badulla, Bandarawela and Haputale in Uva Province, Galle, Matara and Mulkirigala in Southern Province, and Ratnapura and Kegalle in Sabaragamuwa Province.

There are main six principal regions planting tea - Nuwara Eliya, Dimbula, Kandy Uda Pussellawa, Uva Province and Southern Province.

12. Geographical Distribution Across the Country

Tea Production by Elevation (MT)

Year	High Grown	(%)	Mid Grown	(%)	Low Grown	(%)	Green	(%)	Total
2018	46,782	20.95	33,259	14.89	141,239	63.27	1,937	0.87	223,217

Source: Tea Board

Tea Production by Category (Kg. Mn)

Category	**2017**	**(%)**
Orthodox	281.59	92
CTC	21.75	7
Green Tea	2.61	1
Others	-	-
Total	**305.95**	**100**

Source: Tea Board

Area of Tea Planted in Sri Lanka

Elevation	Planted (Ha)	Share
High Grown	41,137	19%
Mid Grown	71,018	32%
Low Grown	109,814	49%
Total	221,969	100%

Source: Tea Board

13. Export Growth in the sector from 2016 to 2018 (US $ Mn.)

	2016		2017			2018(January To October)	
	Quantity - Kg	Value	Quantity - Kg	Value	% Growth to 2016	Quantity - Kg	Value
Tea Packets	111,094,668	595	112,087,073	683	-7.09	92,471,800	553
Tea Bags	1,887,031	8	1,846,553	10	-48.32	770,769	4
Tea in Bulk	169,852,660	633	167,334,888	795	-3.56	134,642,545	611
Instant Tea	465	...	2,566	...	-21.33	676	...
Green Tea	1,117,429	5	1,128,769	6	4.53	994,420	5
Other Tea	2,813,018	11	4,466,702	19	66.31	4,718,138	18
Total	**286,765,271**	**1,252**	**286,866,551**	**1,512**	**-4.88**	**279,643,266**	**1,191**

Source: Sri Lanka Export Development Board

The export revenue has been slightly increased over the last two years. But the value of exports has been decreased by 4.88% in year 2017. The tea exports account for about 14% for the total exports and about 62% contributes for the total agriculture exports in the country. The tea sector is expected to achieve the export target of US $ 3,000 Million in year 2020.

14. Tea Imports to Sri Lanka (US $ Mn)

	2016		2017			2018 (January To October)	
	Quantity - Kg	Value	Quantity - Kg	Value	% Growth to 2017	Quantity - Kg	Value
Tea Packets	90,995		34,678		75.03	76,577	
Tea Bags			1			3	
Tea in Bulk	743,132	1	236,775	1	146.79	450,377	2
Instant Tea	9,112		13,928		-44.17	7,098	1
Green Tea	2,265,115	6	3,410,503	8	-26.91	2,379,288	6
Other Tea	3,228,653	7	5,925,287	14	-17.22	5,223,003	12
Total	**6,337,007**	**15**	**9,621,172**	**24**	**-14.85**	**8,136,346**	**20**

Source: Sri Lanka Export Development Board

15. Top Tea Exporting Countries (US $ Mn)

	2015		2016		2017		2018 (January To October)	
	Quantity(Kg'000)	Value	Quantity(Kg'000)	Value	Quantity(Kg'000)	Value	Quantity(Kg'000)	Value
Russian Federation	36,744	157	34,443	143	33,380	174	25,978	134
Turkey	33,706	137	27,069	99	37,816	183	29,708	137
Iran (Islamic Republic of)	30,066	132	33,929	154	27,419	160	20,196	111
United Arab Emirates	23,438	97	18,381	32	15,786	76	9,411	42
Iraq	31,365	99	32,557	104	35,033	138	32,979	120
Syrian Arab Republic	11,091	47	12,107	54	7,400	41	8,487	47

Azerbaijan	11,176	45	10,557	45	12,271	63	8,646	44
Japan	8,462	42	7,764	43	7,924	45	5,884	35
China	7,455	34	7,604	34	9,889	49	8,403	40
Libyan Arab Jamahiriya	9,984	33	12,645	45	11,609	52	9,450	38
Kuwait	8,730	30	3,527	16	2,435	15	2,074	13
Germany	6,998	29	2,909	29	6,809	37	5,098	27
Jordan	5,650	29	3,996	22	4,688	28	3,905	22
Saudi Arabia	4,907	26	4,514	24	4,416	27	4,524	29
United States	4,249	27	5,218	32	4,703	32	4,576	30
Others	16,926	196	35,956	183	65,289	392	54,279	322
Total :	**317,734,900**	**1,628**	**325,203,301**	**1,269**	**286867**	**1512**	**233,598**	**1,191**

Source: Sri Lanka Export Development Board

16. Key players in the sector (Top 20 Exporters – Year 2018)

1. AKBAR BROTHERS PVT LTD
2. JAFFERJEE BROTHERS EXPORTS PVT LTD
3. ANVERALLY & SONS PVT LTD
4. EMPIRE TEAS PVT LTD
5. DILMAH CEYLON TEA COMPANY PLC
6. UNIWORLD TEAS PVT LTD
7. VAN REES CEYLON LTD
8. GEORGE STEUART TEAS PVT LTD
9. STASSEN EXPORTS PVT LTD
10. VINTAGE TEAS CEYLON PVT LTD
11. FINLAYS COLOMBO PLC
12. MABROC TEAS PVT LTD
13. UNILEVER LIPTON CEYLON LTD
14. QUICK TEA PVT LTD
15. INTER TEA PVT LTD
16. CEYLON TEA MARKETING PVT LTD
17. RANFER TEAS PVT LTD
18. UNION COMMODITIES EXPORTS PVT LTD
19. HERITAGE TEAS PVT LTD
20. IMPERIAL TEA EXPORTS PVT LTD

Source: Sri Lanka Export Development Board

17. Government Policy and Support Available in the Sector

Ministry of Plantation and Sri Lanka Tea Board have introduced wide range of assistance and development programs for this sector since many years. The EDB also has initiated a number of assistance programmes to assist tea exporters in the country. Some of the assistance schemes implemented by the EDB to strengthen the sector are System certification scheme, Tea grading area capacity development scheme and Assistance programme for promotion and development of brand names and brand excellence. The EDB also has been facilitating tea exporters to expand their business opportunities at the international platforms such as trade fair participation, inward buying missions, product development programmes, Introduction of simplified trade policies, awareness programs, quality improvement programmes and market access requirements such as standards, quality certifications etc.

18. R & D and Product Development Facilities Available

Research and Development facilities are available in Sri Lanka to support the industry through Tea Research Institute and there are large numbers of Institutions involved in tea sector such as Plantation Ministry, Sri Lanka Tea Board, Tea Small Holder Association etc. in different regions in the country.

19. Infrastructure/logistics Required/ Available for the Sector

A well established road-rail network and high ways constantly developed to meet the demand of the modern age, facilitates production, for both local consumption and export trade. Within a few hours of motoring, produce can be delivered to the factories, warehouses and port. Modern communication systems are well established in the Island. Colombo port operates with number of leading ships regularly and it facilitates tea exporters to reach number of destinations worldwide. Sri Lanka also is well served by major international airlines while the national carrier, Sri Lankan Air Lines, itself operates regular and charter services to major destinations in the world, for passengers and commercial cargo. Even private air charter services are available exclusively for cargo.

20. Availability of Technology and Skilled Labour

Improved techniques on tea plantations, plucking, input application, post harvest management, packaging, transport etc. are practiced specially for export marketing

Organic tea production is also coming up well and large number of players getting certified under planters’ certification schemes for becoming export capable in organic produce of tea.

21. Strengths and Weaknesses of the Sector

Strengths

- Diverse Climatic conditions
- Skilled and effective labour
- Unique Characteristics in the production such as flavor, colour etc.

- Use of high technology for processing
- Value addition
- Traceability
- Quality Standards (SLSI, HACCP , GAP, GMP, EU Standards, Organic, ISO 22000)

Weaknesses

- Limited land area
- Whether patterns affect tea production
- Impurities in bulk tea when processing
- Lack of infrastructure specially in plantations
- High cost of production
- High Cost of labour, Packaging, Transport, Freight, Electricity ect.
- High cost of investments for new technology
- Inadequate researches
- High interest rates
- Labour issues (Less pluckers)

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