

Sector Overview – Tea and Value added Tea Sector

1. Introduction

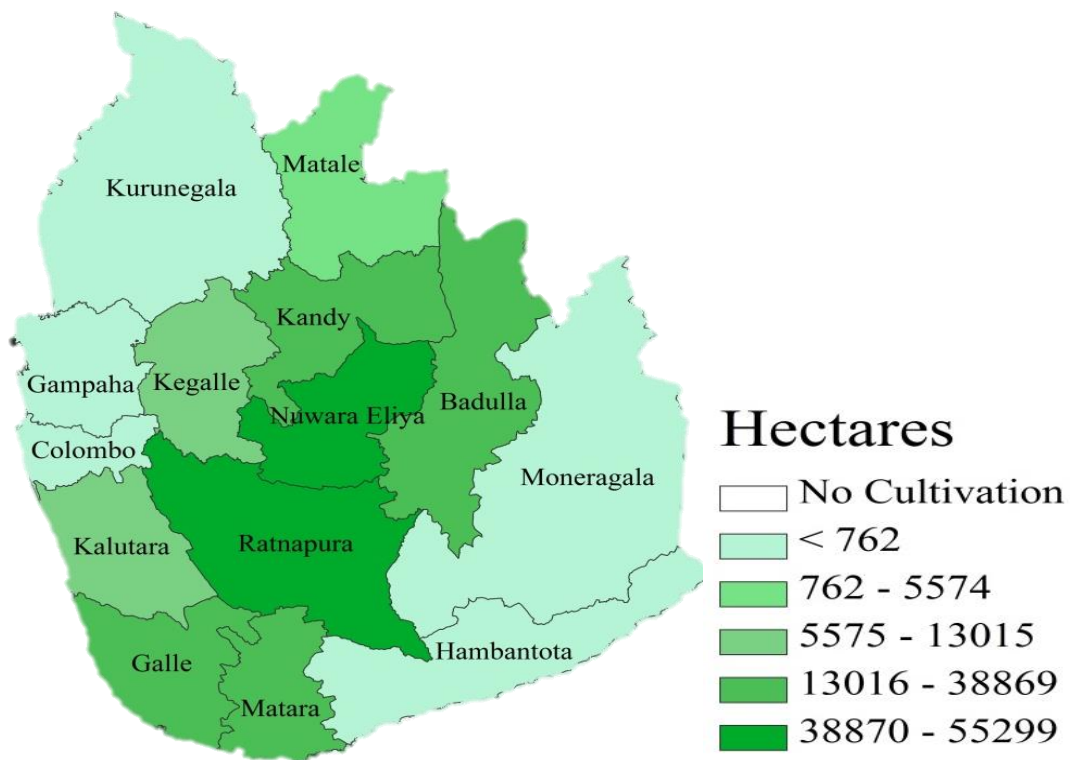
1.1 Core Business /Principle activities

Globally, the Ceylon tea brand has enjoyed a reputation as the world's best tea for more than a century, thanks to Sri Lanka's favorable climate. Because of that climatic effect, a tea product with different flavors and aromas has been born in Sri Lanka. Also 10% share of the international market has been acquired by Sri Lankan tea products.

According to Central Bank reports, the total amount of tea produced in 2022 is about 231.867 million kilograms and the total cultivated area is 200 thousand hectares. Tea plantations are concentrated around the central hills and the southern region. It is analyzed under 3 main geographical regions.

1. Above 1200 meters - Nuwara Eliya, Udupusellawa, Uva, Dimbula
2. From 600 meters to 1200 meters - Kandy
3. From sea level to 600 meters - Sabaragamuwa, Ruhuna

Figure 1: Area under tea cultivation



1.2 Contribution to GDP by the Sector – 2%

2. Production and Consumption

2.1. Product types

Sri Lanka exports more than 50% of tea in value-added form. Value added tea products include green tea, flavored tea, organic tea, instant tea, iced tea.

From January to November 2022, the export of Sri Lankan tea was 230.866 million kilograms. (Source - Sri Lanka Tea Board)

Analyzing the major export categories, bulk tea and tea bags have shown an increase while packaged tea has shown a slightly significant decrease for January 2022 as compared to January 2021. (Source -Sri lanka Tea Board)

The basic tea production in Sri Lanka is 231.867 million kilograms. The products are orthodox , cut, tear & curl (CTC), Green tea, Instant tea, Bio tea and Flavored tea products.

Table 1: Production of major tea types from 2022 Jan- Nov

Type	Production (Kg million)
Orthodox	209.49
CTC	20.75
Green tea	1.62
Total	231.87

Table 2: Production of value added tea types

Type	Production (Kg million)
Tea packet	101.16
Tea bags	16.49
Tea bulk	100.43
Instant tea	2.66
Green tea	1.70
Total	222.44

3. Turnover

3.1. Export earnings – USD 1,258.80 million

Table 3: Export Performance

Year	Export Earnings (USD Million)
2016	1,269.03
2017	1,529.79
2018	1,428.47
2019	1,346.40
2020	1,240.95
2021	1,324.37
2022	1,258.80

Table 4: Contribution to total merchandise exports

Year	Percentage
2016	12.42%
2017	13.63%
2018	12.27%
2019	11.45%
2020	12.52%
2021	10.82%
2022	9.86%

3.2. Export destinations

Table 5: Major Markets - Rubber & Rubber-based Products Sector - 2022

Country	Value in USD Million
Iraq	147.03
Russia	122.62
UAE	117.78
Turkey	70.46
Iran	69.66
Azerbaijan	65.59
China	48.1
Saudi Arabia	45.06
Libya	41.49
USA	40.38

Table 6: Amounts exported in 2022

Country	Production (MT)
Iraq	33,377
Turkey	38,866
Russia	29,608
Iran	15,127
Syria	9,536
Azerbaijan	10,303
China	14,123
Libya	7,806
Japan	5,611
Chile	9,419
Saudi Arabia	6,804
Germany	6,431
USA	5,707

4. Government Policy on Sector

To promote the export of value added tea for tea exporting companies, the Ministry makes annual recommendations for the TIEP facility and to provide high quality to the tea manufacturing industry, the Ministry implements quality assurance programs such as ISO, HACCP, GMP. In addition to this, trade promotion programs are implemented to popularize the Sri Lankan tea brand name locally and abroad.

5. Sector Strategies

- 1) Increasing the productivity of tea manufacturing industries.
- 2) To make the packaging material used for tea more attractive
- 3) Gain untapped market share through new products.
- 4) Providing foreign quality certificates to tea manufacturing industries.

6. Challenge(s) the sector is facing due to Government rules and regulations.

- 1) Low productivity and low income.
- 2) Receiving low quality tea leaves and producing low quality finished tea.
- 3) Non-diversification of tea industry.
- 4) Non promotion of tea related innovations.

7. Global Market Value – USD 66.74 billion

8. CAGR - 6.54%

