Suspension of Tea Promotion Levy

As initiated by TEA, the Cabinet of Ministers has approved the suspension of Tea Promotion Levy of Rs. 3.50 per kg for a period of six months. The tea exporters faced a number of difficulties and incurred additional expenses to maintain the operation during the two months lockdown period due to COVID 19. The exporters also pay a fee of 30 cents per kg for sale of tea on the E-platform. Further, the delay in receiving export proceeds from overseas buyer due to the global pandemic aggravated the financial position of the tea exporters. The Cabinet of Ministers, after considering the problems encountered by the exporters, has taken the decision to enable them to recover the additional financial liabilities incurred during the lockdown period through the saving of Tea Promotion Levy for six months.

It is expected that SLTB will issue the relevant regulation for implementation of this decision from 1st July 2020.

SLTB Plans Digital Campaigns

With the changing global consumer behavior, pattern of retail sale of tea etc due to COVID 19, Sri Lanka Tea Board has planned to shift the elements of Global Ceylon Tea campaign from the traditional advertising to digital media until the situation returns to normal. The schedule of the digital campaign planned for next few months includes:

- A social/digital media campaign for the promotion of black tea from Sri Lanka for a period of 03 months is in the process of launching in the month of July or by August the latest. Under this short campaign blitz 03 video clips will be produced beside a series of web posters/banners. The social media channels namely, FACEBOOK, TWITTER, INSTAGRAM & LINKEDIN will be utilized through the YouTube and boosted. This campaign will run until the month of October.

- A six months social/digital media campaign for Russia & Ukraine utilizing influencers/bloggers/authentic opinion leaders (KOLs) as well as search engine marketing has been planned. This program is scheduled to commence by month of October 2020 and run through until March/April 2021.

New Director of TEA

Consequent to the resignation of Mr. Ravi Guneratne (Ex Vice Chairman) from M/S Anverally & Sons, the committee of management appointed Mr. Lushantha De Silva as one of the Vice Chairmen and Mr. Ganesh Deivanayagam of Eswaran Brothers (Pvt) Ltd as the new Treasurer of TEA with effect from 27th April 2020.

2020 TEA AGM

The 21st Annual General Meeting of Tea Exporters Association will take place on Thursday, 8th October 2020 at the Oak Room of Cinnamon Grand Colombo.

Membership Drive

TEA has embarked on a membership drive in order to attract more number of SME category tea exporting companies to the association. Accordingly, those who will join now will be exempted from the joining fee of Rs. 50,000.00. They will also be required to pay only 50% of the membership fee for the current year. However, the new members will have to pay the full amount of the membership fee of Rs. 45,000.00 from year 2021.
SRI LANKA TEA PRODUCTION - JANUARY TO MAY 2020

Sri Lanka Tea Production for the month of May 2020 totalled 28.3 million kgs vis-à-vis 34.2 million kgs of May 2019, showing a deficit of 5.8 million kgs. The January-May 2020 cumulative production totalled 102.0 million kgs when compared to 131.3 million kgs of January-May 2019, showing a decrease of 29.3 million kgs. On a cumulative basis, all elevations have shown a decrease with Low Growns in particular recording a fairly substantial decline.

CTC production for May 2020 of 2.4 million kgs remained static compared to the corresponding month of 2019. On a cumulative basis January-May 2020 production of 9.4 million kgs of CTC tea shows a gain when compared to 9.3 million kgs produced in January-May 2019. High Growns have shown a growth YOY.

The available tea crop figures for January-May 2020 period are appended below (in MT)

<table>
<thead>
<tr>
<th>Category</th>
<th>2020</th>
<th>2019</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orthodox</td>
<td>91,947</td>
<td>120,703</td>
<td>(28,756)</td>
</tr>
<tr>
<td>CTC</td>
<td>9,430</td>
<td>9,358</td>
<td>72</td>
</tr>
<tr>
<td>Green</td>
<td>654</td>
<td>1,252</td>
<td>(598)</td>
</tr>
<tr>
<td>Total</td>
<td>102,031</td>
<td>131,313</td>
<td>(29,282)</td>
</tr>
</tbody>
</table>

(WORLD TEA CROP)

The tea crop figures of some leading tea producing countries for the period of January to May 2020 are furnished below (in million Kg).

<table>
<thead>
<tr>
<th>Country</th>
<th>Period</th>
<th>2020</th>
<th>2019</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malawi</td>
<td>January to May</td>
<td>29.90</td>
<td>33.00</td>
<td>(3.1)</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>January to May</td>
<td>12.85</td>
<td>16.28</td>
<td>(3.43)</td>
</tr>
<tr>
<td>Kenya</td>
<td>January to April</td>
<td>208.22</td>
<td>134.42</td>
<td>73.8</td>
</tr>
<tr>
<td>North India</td>
<td>January to March</td>
<td>33.40</td>
<td>64.10</td>
<td>(30.7)</td>
</tr>
<tr>
<td>South India</td>
<td>January to March</td>
<td>40.60</td>
<td>36.50</td>
<td>1.1</td>
</tr>
</tbody>
</table>
SRI LANKA TEA EXPORTS - JANUARY TO MAY 2020

Sri Lanka Tea Exports totalled 22.6 million kgs for May 2020 vis-à-vis 26.6 million kgs of May 2019, showing a decrease of 4.0 million kgs.

The January-May 2020 cumulative exports totalled 100.4 million kgs when compared to 121.03 million kgs of January-May 2019, showing a decrease of 20.6 million kgs. On a cumulative basis all main categories of exports (i.e. Bulk tea, Packeted tea and Tea bags) have shown a decline with Packeted tea in particular showing a fairly significant decrease. Total revenue for the period January-May 2020 of Rs. 84.7 B too records a decrease of Rs. 17.1 B vis-à-vis Rs. 101.8 B of January-May 2019. Meanwhile, January-May 2020 cumulative FOB value of Rs. 843.75 per kg, however, has recorded a gain of Rs. 2.24 vis-à-vis Rs. 841.51 per kg of January-May 2019.

Iraq has emerged as the largest importer of Sri Lankan tea followed by Turkey and Russia. Iran is placed 4th for the period under review, whilst Azerbaijan, China, Chile and Syria are the other noteworthy importers of Sri Lankan tea. It is also relevant to note that exports to Chile have shown a substantial growth during January-May 2020.

The tea export figures for January-May 2020 are appended below (in MT).

<table>
<thead>
<tr>
<th>Category</th>
<th>2020</th>
<th>2019</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulk</td>
<td>46,418</td>
<td>49,966</td>
<td>(3,548)</td>
</tr>
<tr>
<td>Tea in Packets</td>
<td>43,800</td>
<td>57,965</td>
<td>(14,165)</td>
</tr>
<tr>
<td>Tea in Bags</td>
<td>7,556</td>
<td>9,717</td>
<td>(2,161)</td>
</tr>
<tr>
<td>Instant Tea</td>
<td>1,214</td>
<td>1,374</td>
<td>(160)</td>
</tr>
<tr>
<td>Green Tea</td>
<td>1,412</td>
<td>2,017</td>
<td>(605)</td>
</tr>
<tr>
<td>Total</td>
<td>100,400</td>
<td>121,039</td>
<td>(20,639)</td>
</tr>
</tbody>
</table>

(SL Customs)
Experience with a fashionable product and integrating the gourmet quality tea into their lifestyle. The growing retail sector is innovatively catering for new preferences through a diversity of tea origins and flavours.

MAJOR IMPORTERS OF SRI LANKA TEA - JANUARY/MAY 2020

East African Auction Review: First Half 2020

The below charts show average auction prices arranged by producer category from Sale 1, 2020 till end of June. The prices have continued to decline perhaps with increased volume.

Each index is a simple average of the price of all lots sold in the Mombasa Auction by qualifying gardens, main grades only. This is a non-exhaustive list; it is intended simply as a representation of each category.

Prices have come down particularly for Rwandan and Kenyan KTDA teas, driven in part by over-stocking in buying countries linked to COVID-19 and excess supply caused by increased rainfall. Total offered auction volumes in 2020 for main grades so far were 273 million kgs, compared to 223 million kgs in 2019 and 185 million kgs in 2018, for the same period.

East Africa Auction Tea Prices

![Graph showing average auction prices for Rwanda, Kenya, and Uganda across different sales.](image-url)
India expects drop in tea exports

India’s tea exports are likely to witness a decline on the back of lower supply of the crop and high prices. Exports are likely to be lower by 15-20 per cent at around 200-220 million kg this year as compared with close to 248.29 million kg in 2019.

According to Indian Tea Exporters’ Association (ITEA), exports of Indian CTC are likely to be impacted by the higher crop and lower prices in Africa. The estimated decline in production of orthodox tea and the firm prices are likely to affect the demand for Indian orthodox teas in the global markets.

Tea production in north India is estimated to be lower by around 140-150 million kg this year. Nearly 65 per cent of the first flush crop was lost as the plucking activities had come to a standstill between March 25 and April 13 on account of the Covid-induced lockdown. As a result, estates had to go for light pruning of tea bush to limit the top growth in April. That coupled with the unfavourable weather conditions led to a slower growth of the bush impacting production of second flush in May.

The price of orthodox tea in auction centres have witnessed a 8-10 per cent increase over same period last year backed by a steady demand and lower supplies. In fact, some of the Indian orthodox tea at present levels is comparatively more expensive than similar Sri Lankan tea.

As per Tea Board, the country’s tea exports dropped by around 19 per cent to 51.65 mkg during the January-March 2020 period as compared to 63.66 mkg in the same period last year. The average price realization in terms of unit price also witnessed a 3 per cent drop to Ind. Rs. 215.34 a kg (Ind. Rs.222.86).

According to a senior industry official, even this current increase in orthodox tea prices might not be good enough to offset for the drop in production given that the fixed costs in terms of labour and other expenses continues to remain the same despite suffering loss in production. Labour accounts for nearly 60-65 per cent of the industry’s total cost.

However, despite the massive crop loss and potential drop in exports, the surge in prices and firm market expectation till August would help ensure that on an average most tea companies in India would be able to generate surplus revenue this year, an industry expert opined.
Tea consumption at home amid lockdown has surged by more than 10 percent, while there is a loss of anywhere between 15 percent and 40 percent for out-of-home demand as restaurants, café’s, tea joints and tea stalls are shut, according to Tea Board of India.

Tea is the most-consumed drink after water and a preferred choice due to health benefits, varieties to choose from and low caffeine content. When compared to coffee, 3 cups of tea are consumed for every one cup of coffee that’s consumed globally.

(Tea Board of India)

### Changing Tea Culture & Business in Japan

For centuries, green tea reigned supreme as Japan’s beverage of choice, and the tea ceremony was a high-status, even an almost sacred, activity. But with the rise of globalization, loose-leaf tea consumption is declining, and the tea ceremony has lost cache among the younger generation.

Attendance at Japanese tea ceremony schools is falling. Japanese youth are more likely to hang out in Starbucks than in a tea café. Soda, imported mineral water, and coffee are stealing supermarket shelf space from Camellia sinensis. Globalization, technological advances, and population decline are changing tea culture.

Various explanations exist as to why traditional tea culture is losing appeal. Journalists think that the tendency to communicate by SMS, email, and smartphones has created a generation that is not comfortable with the face-to-face philosophical communication that is an integral aspect of the tea ceremony. Cultural changes in gender roles also affect tea culture, adds a businessperson. Women no longer feel cultural pressure to master flower arrangement and the tea ceremony.

Sales of bottled tea are skyrocketing while loose-leaf tea sales are sinking. Youth don’t take the time to make fresh-brewed tea. It does not match contemporary high-paced lifestyles.

Japan’s population has been declining for 10 years. The government predicts a loss of 15 million by 2040. Most young Japanese, including children of tea farmers, are uninterested in farming. Many farmers are retiring; few are replacing them.

Tea Experts say the Japanese palate has changed, and therefore tea makers must adapt. Some Tea Houses have created a unique green tea mixed with the dried, powdered skin of a rare mandarin orange that grows on a small island. In big cities, some new tea cafés are following the examples of boutique coffee shops. Tokyo Saryo bills itself as the “World’s First Hand-drip Green Tea Shop.” Tea makers prepare rare hand-dripped single-origin teas. The café is introducing unusual Japan-grown teas to customers; most employees are Japanese in their late twenties and early thirties.

(Fresh Cup)
Russian Economy to Decline in 2020

"Russian GDP this year will inevitably fall, unfortunately, as in other countries of the world, but our losses are likely to be less than in many other states, and less than the last global crisis of 2007-2009," Bank of Russia says.

The current forecast of the Bank of Russia suggests a 4-6% decline in GDP in 2020. "This is also a very deep economic recession, but given the circumstances, it is still noticeably less sensitive to the global economic crisis."

Earlier, the Bank of Russia reduced the key rate by 1 percentage point (p.p.) at once for the first time since 2015 to an all-time low for this monetary policy instrument of 4.5% per annum. The decision was taken amid more profound disinflationary factors than expected, the regulator said.

Meanwhile, the regulator maintained its GDP dynamics outlook as it expects GDP contraction by 4-6% in 2020 and continuation of recovery growth in 2021-2022.

The ruble stability during the pandemic period was managed to be provided on account of strength of fundamentals of the national economy, Russian President has stated.

No price hike occurred in Russia, despite the challenging situation on global finance, energy and commodity markets, the head of state said. Unpredictable fluctuations affected the national economy but authorities managed firstly to prevent the ruble collapse and then it actually returned to the pre-crisis level, he said.

"It was extremely important for protection of incomes and savings of citizens. Such predictability, stability of the national currency, stability of the ruble was provided on account of strength of fundamentals of the Russian economy and not artificially, by a certain command," he noted. We, unlike many others, managed to avoid the dramatic unemployment spike," the President added.

(TASS News)