



T · E · A

Tea Exporters Association
Sri Lanka

NEWSLETTER

3Q 2018



TEA holds 19th Annual General Meeting

The Tea Exporters Association held their 19th Annual General Meeting under the theme 'Think Out of the Box', on 31st August 2018 at the Oak Room, Cinnamon Grand. The vibrant event was held under the patronage of Prime Minister Hon. Ranil Wickremesinghe who graced the occasion as the Chief Guest and Minister of Plantation Industries Hon. Navin Dissanayake as the Guest of Honour in the presence of around 400 guests comprising of Diplomats, senior government officials and tea trade members etc. Mr. Nathan Sivagananathan Chief Growth Officer and Member MAS Apparel Board delivered the Key Note Speech sharing his experience in the apparel sector.



Mr. Jayantha Karunaratne, Chairman, Mr. Sanjaya Herath and Mr. Kithsiri Jayawardene, two Vice Chairmen and Mr. Dai Pathmanathan, Treasurer were re-appointed as the office bearers of the association for 2018/2019 period. Mr. Rohan Fernando will remain as the immediate past Chairman.



TEA honoured two senior tea trade members who passed away recently - Mr. Ajit Chitty, Chairman, Eastern Brokers Limited and Mr. D Eassuwaren – Founder Eswaran Brothers Exports Pvt Ltd at the event.

TEA also offered 20 scholarships to school children whose parents are working in the tea industry. The children were selected from Regional Plantations Companies, Private Tea Factory Owners Association and Sri Lanka Federation of Tea Small Holdings Development Society.



TEA rewards Outstanding Tea Producers

Tea Exporters Association (TEA) rewards the outstanding tea producers for the second consecutive year at its' Annual General Meeting. This annual event has been introduced to encourage, recognize and reward Sri Lankan tea manufacturers who have excelled in tea manufacture. TEA requests its members to support the winning marks/estates at the Colombo tea auction. The concept is based on "Total Excellence in Tea Production" covering all aspects of tea manufacturer. The 2018 event was focused on seven agro-climatic regions – Nuwaraeliya, Dimbula, Uva, Uda Pussellawa, Kandy, Ruhuna and Sabaragamuwa.

Hon. Ranil Wickramasinghe, Prime Minister presented the awards for seven winners while the 2nd and 3rd place awards were presented by Hon. Navin Dissanayake, Minister of Plantation Industries. The details of winners are given below.

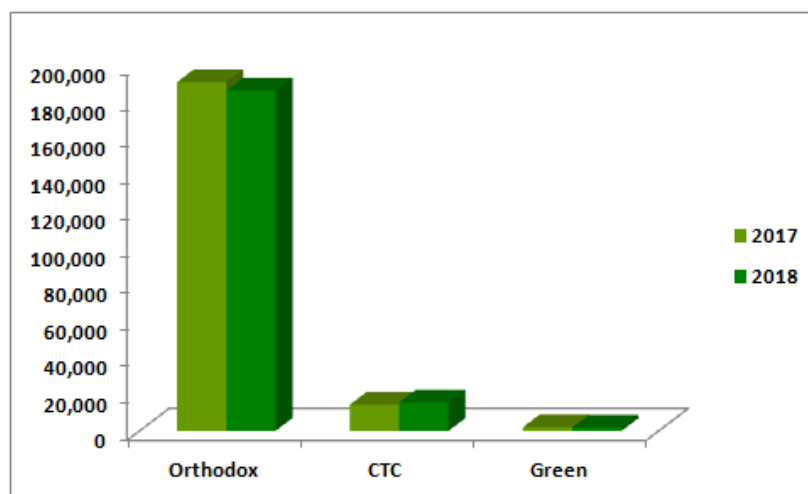
Region	Position	Factory/Estate Name
Nuwara Eliya	Winner 1st Runner up 2nd Runner up	Mahagastotte Tea Estate Court Lodge Tea Estate Kenmare Tea Estate
Dimbula	Winner 1st Runner up 2nd Runner up	Glentilt Tea Estate Wattegoda Tea Estate Waltrim Tea Estate
Uva	Winner 1st Runner up 2nd Runner up	Dickwella Tea Estate Bandara Eliya Tea Estate Halpewatte Tea Factory
Uda Pussellawa	Winner 1st Runner up 2nd Runner up	Kirklees Tea Estate Blairlmond Tea Estate Luckyland Tea Estate
Kandy	Winner 1st Runner up 2nd Runner up	Dombagastalawa Tea Estate Orange Field Tea Factory Ancoombra Tea Estate
Sabaragamuwa	Winner 1st Runner up 2nd Runner up	Ceciliyan Tea Factory New Vithanakande Tea Factory Sithaka Tea
Ruhuna	Winner 1 st Runner up 2nd Runner up	Gunawardene Tea Factory Ceyenta Tea Factory Pothotuwa Tea Factory



SRI LANKA TEA PRODUCTION - JANUARY - AUGUST 2018

The tea production figures for January – August 2018 released by Sri Lanka Tea Board indicate a decline of 3,660 MT or 1.77% when compared with the same period last year. The country has produced 203,687 MT of tea during the first eight months of the year as against 207,350 MT registered during the same period in 2017. The decline in production reflects in orthodox and green tea categories while CTC tea production has improved. However, on elevation wise the decline is reflected in all three elevations. The available tea crop figures for January – August period are appended below.

	2017	2018	Change (%)
Orthodox	191,111	186,442	(2.44)
CTC	14,319	15,495	8.21
Green	1,919	1,750	(8.8)
Total	207,350	203,687	(1.77)



The available tea crop figures for some major tea producing counties reveal that Kenya has registered a growth of 33 million kg during first seven months of the year compare to last year. The country has produced 266 million kg in January to July 2018 compared to 232 million kg for the same period last year. The north Indian tea production has declined by 15 million kg and the south Indian tea crop has come down by 16 million kg while tea crop in Bangladesh has come down by 3 million kg during the first seven months of the year against the same period last year. The tea production in Malawi has however, registered a growth of 2.4 million kg during the first seven months of 2018. The available tea crop figures for January to July 2018 are appended below (in million kg)

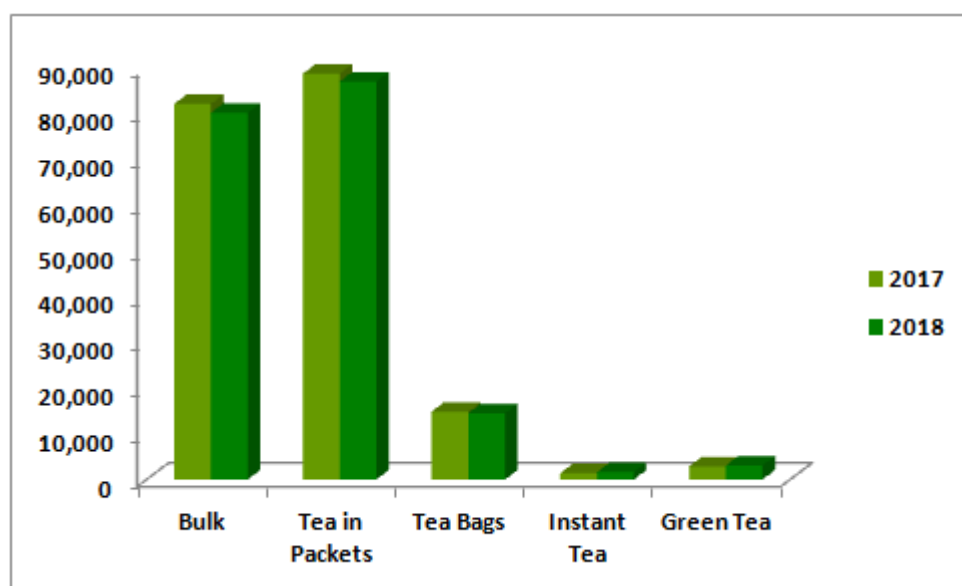
Country	2017	2018	Variance
North India	478.0	462.4	(15.5)
South India	137.5	121.4	(13.1)
Malawi	33.0	35.4	2.4
Bangladesh	29.5	26.3	(3.2)
Kenya	232.5	266.3	33.8

SRI LANKA TEA EXPORTS - JANUARY - AUGUST 2018

The Customs statistics reveal that, Sri Lanka has exported 23,855 MT of tea in the month of August 2018 compared to 24,809 MT registered during the same month of 2017. The value of tea exports too declined from Rs. 20 billion in August last year to Rs. 18 billion in August this year. The unit FOB price was also declined from Rs. 819.97 to Rs. 780.19 per kg during the period under review.

Sri Lanka has exported 186,654 MT of tea during January – August 2018 period, a decline of 3,536 MT or 1.9% when compared with volume of 190,190 MT exported during the corresponding period of last year. However, the tea export revenue has remained almost same as the previous year's level of Rs. 152.5 billion during the first eight months of 2018. The higher FOB price of Rs. 817.04 per kg registered during January – August 2018 against Rs. 802.02 per kg last year may have contributed to achieve the same amount of revenue despite a drop in the volume. Iraq has maintained her position as the largest buyer of Ceylon Tea followed by Turkey, Russia and Iran. The relevant tea export figures for January – August period are appended below.

	2017	2018	Change (%)
Bulk	82,229	80,300	(2.3)
Tea in Packets	88,853	87,155	(1.9)
Tea Bags	14,852	14,519	(2.2)
Instant Tea	1,394	1,612	15.6
Green Tea	2,862	3,068	7.1
Total	190,190	186,654	(1.9)



Rooibos Iced Tea

The South African organic iced tea brand BOS made from Rooibos plant has become a great success in the local market. With flavor combinations ranging from lemon, peach, lime and ginger the brand has sold roughly 10 million units in 2017. Its growth is attributed to "Rich in Antioxidants", the selling point for increasingly the health conscious consumers. The company is concentrating on booming global market for premium beverages. As per market reports the traditional carbonated drinks have lost 10% of the market share in the recent past. The brand is now targeting the USA market for sale in premium natural retail shops.



(CNN)

Trade war to hits Chinese Economic Growth



The ongoing trade war between USA and China is likely to slow the Chinese economic growth next year by 0.6%. As per available information Chinese economy is much more vulnerable to export which may take a bigger hit than USA from the ongoing trade war. The economists now expect Chinese growth in 2019 to be 6.1%. The current trade war is expected to affect the USA economic growth moderately by 0.2% or 0.3%. Although the Chinese government believes that it can help the economy to withstand challenges, the economy is affected by changes in the global economy and trade. As a retaliation move China could let its currency fall to offset the US tariff impact. Though the ongoing trade war will have a limited impact on the tea market it may slow down the demand for more expensive imported tea next year.

(BBC)

India asks Russia to cut duty on packet tea

The commerce ministry of India has asked Russia to reduce the import duty on packeted tea from 12.5% at present so as to boost export of value added teas from India.

Russia is a traditional export market for Indian tea, and Indian tea producers are keen to beef up their presence in Russia, the deputy chairman of the Tea Board of India has told recently.

Keeping that in mind the commerce ministry has urged the Russian government to rationalize the duty structure on packeted tea. India's tea industry aims to increase its exports to Russia to 65 million kg by 2020 from 48 million at present.

Russia consumes about 170 million kg of tea annually and nearly 30% of its demand is met by India, followed by Sri Lanka, Kenya and China. Before the global economic meltdown, Russia was a market for orthodox teas, but subsequently it shifted to cheaper CTC teas. Now they are again converting to orthodox tea drinking, according to secretary, Indian Tea Association (ITA).

Since duty is high on packaged tea, almost the entire Indian tea is exported in bulk. Russian packaged tea players blend this with inferior teas of other origins and sell them in the market as Indian tea. This has tarnished the image of Indian tea in Russia, the ITA states.

India has now requested for a preferential trade agreement on tea, the ITA secretary said. India has also requested the Russian government to put a blending norm in place so that packaged teas sold in Russia as Indian tea should have 75% of Indian tea by weight.

(Economic Times)



Experts predict a recession for Turkey in 2019

The rating agencies Moody's and S&P predict a recession in Turkey within the next year. Their prediction is that the extreme volatility of the Turkish lira and the resulting projected sharp balance of payment adjustment will undermine Turkey's economy.

The lira's roller-coaster moves have knocked hundreds of points off global markets in single trading days, and triggered sell-offs across emerging markets. Turkey comprises 1 percent of global gross domestic product (GDP) and has been making headlines most recently for its heated spat with Washington, with whom it has traded sanctions and tariffs.



The root causes of Turkey's ongoing currency crisis are domestic, experts say, despite recent jolts from U.S. sanctions and tariffs issued over Ankara's detention of American pastor Andrew Brunson, held since 2016 on espionage charges he denies.

Prolonged economic overheating, concerns over Central Bank independence, faulty monetary policy, holding down interest rates amid soaring inflation, a gaping current account deficit and heavy external debt have coalesced over several months to pull the country into the present crisis situation.

S&P Global Ratings predicts an economic contraction in 2019, thanks in large part to the deep hit to the lira — a roughly 40 percent depreciation against the dollar since the beginning of the year — really putting a lot of pressure on a private sector that is highly indebted in foreign currency, particularly the corporate sector. Foreign currency-denominated corporate debt equals about 50 percent of Turkey's GDP.

While banking authorities have attempted short-term fixes for the lira, like pledges of liquidity for banks and a halt in offshore currency swaps to stem lira short-selling (traders betting against the currency), the government largely lacks a broader recovery plan.

Turkey's already untenable inflation will peak at 22 percent over the next four months, before subsiding to below 20 percent by mid-2019, S&P reported as part of its downgrade, highlighting the pressure ahead for Turkish consumers.

(CNBC)

Amazon assists India tea sellers

It is reported that about 37,000 India firms are offering more than 120 million made-in-India products for sale on Amazon globally. The Amazon's Global Selling (AGS) program provides step-by-step education and convenient access to India-based businesses seeking to expand globally, as per AGS India. Amazon tracks product preferences of hundreds of millions of active customers across various ethnicities in 11 international marketplaces. Businesses of all sizes compete on equal footing with no product listing fees, no upfront costs for creating a website or setting up a physical store. Amazon provides a secure payments infrastructure, handles customer service and returns.

Smallholders that band together to establish a brand, often find it difficult to market their product and get the best price, according to secretary of the Guwahati Tea Auction Buyers Association. "Small growers do not have experience in marketing and branding. Hence, their teas many-a-times do not fetch the right price," he said. While some are getting a good price at auction, "There is no capacity building, no technological support or marketing skills among most of the small growers. The big growers have advantages in these aspects and hence, their names are being flashed in this sector," he added.



A review of the web site reveals several lesser-known tea brands in addition to market leaders Tata and Lipton are offered online. "Our Global Selling program has witnessed huge interest from manufacturers of home décor and handicraft items, books, health and personal care as well as exporters of tea, rice, and apparel across the state," says Amazon India.

(World Tea News)

Vietnam Tea Exports

According to the Department of Agricultural Product Processing and Market Development (MARD), from the beginning of 2018 to the end of July 2018, Vietnam has exported 67 thousand tons of tea, equivalent to \$US 109 million, a decrease of 12.9% in volume and 9.3% in value over the same period last year. The main import markets for tea in the first half of 2018 included Pakistan (32.8%), Taiwan (13.8%), Russia (12.1%), and China (7.9%).

The highlight of tea export over time is the resurgence of the Pakistan market - Vietnam's largest tea buyer. The cumulative tea exports in the first 6 months of 2018 to the Pakistan market increased by 1.3 thousand tons (equivalent to 10.9%) over the same period in 2017. The markets having strong growth in the first half of 2018 included Taiwan (an increase of 6.7%), the United States (an increase of 14.9%) and China (an increase of 7.9%). In addition to these markets, the most notable point in tea exports from the beginning of 2018 was a strong growth in the emerging market of the Philippines. The tea export to the Philippines in the first 6 months of 2018 increased by 8.4 times in volume and 21.7 times in value.



Despite the prosperity in some export markets and the sudden export growth in the Philippines market, the decline in tea exports to Russia - the second largest market of tea export in Vietnam, accounted for 13% of market share, a decrease of 1.23 thousand tons (equivalent to 14.3%). Tea exports to the United Arab Emirates decreased by 1.19 thousand tons (57.0%) and Indonesia decreased by 427 tons (8.7%) compared to the same period in 2017 caused the overall decline in tea exports.

The Vice president of the Vietnam Tea Association said that Vietnamese tea producers were still well-known to international customers with the ability to supply large volumes of medium quality products. In order to penetrate the fastidious markets and increase the value of tea export, it is important that the tea products must meet the standards, quality and safety, meet the standards set by the importing countries. Changing image is a great challenge not only for manufacturing enterprises and exporters but also for the whole tea industry.

Some experts pointed out that in order to be outstanding in the international market, Vietnamese tea producers need to build the brand. This process of branding should be noted for both raw and processed tea.

With packaged tea products, exporting finished products with the Vietnamese brand to the international consumers is a long way off, which requires the effort, investment funds of export enterprises as well as the whole supply chain. In particular, the key is to have serious investment, good management for the problem of fertilizer residues and pesticides in tea production. When there are good materials with quality assurance and food hygiene and safety, processing enterprises and exporters need to meet the standard of production technology to create quality products with more attractive packaging suitable for the consumer culture of each export market.

(VINA News)

Indonesian Tea Scene

After touching a record high tea production figure of 169,821 tons in 2003 Indonesian tea production has declined in the recent past. Key reason for this decline in tea production is the falling size of Indonesia's tea plantations. While in 2000 Indonesia's total tea plantation size was estimated at 153,675 hectares (ha), the size has fallen nearly 26 percent to 113,808 ha in 2018. Amid the generally falling tea prices (due to rising competition on the international market), rising production costs, ageing tea trees, tougher import regulations in certain countries, and a rise in tea imports part of Indonesian tea farmers have turned to other (higher-yielding) crops such as palm oil, rubber and vegetables. The government outlook for Indonesia's Tea Production, Export, Import & Consumption is given below (MT):



	2019	2020	2021
Production	141,305	141,467	141,625
Export	49,959	49,354	48,703
Import	21,331	22,259	23,244
Domestic Consumption	112,677	114,372	116,166