



T·E·A

Tea Exporters Association
Sri Lanka

NEWSLETTER

4Q 2018

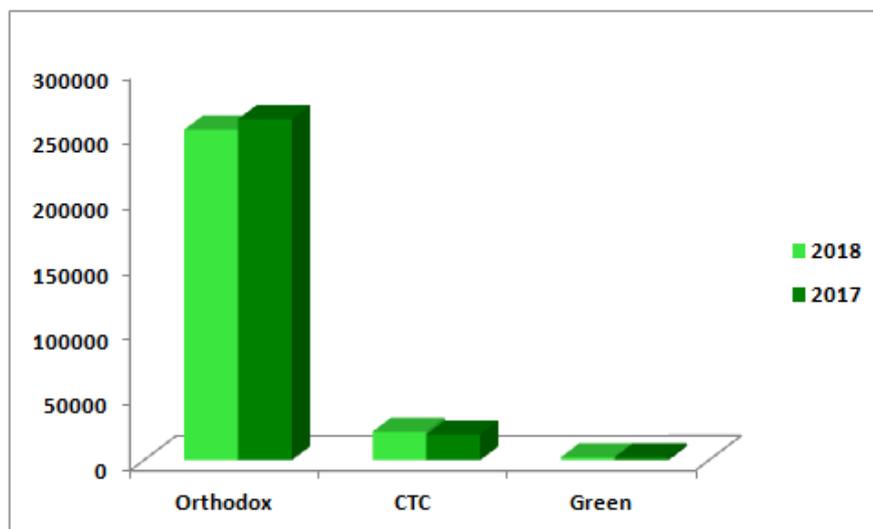


SRI LANKA TEA PRODUCTION - JANUARY TO NOVEMBER 2018

The tea crop figures released by SLTB indicate that, the country has produced less tea than last year during the first eleven months of 2018. The total tea production of 277,230 MT registered for January to November 2018 period is a decline of 6,056 MT or 2.1% when compared with the volume of 283,786 MT registered during the same period of last year.

The downward trend in Sri Lanka tea production has reflected in orthodox and green tea categories while CTC tea production has shown a growth of 10.6% during the period under review. It is estimated that, the year end tea production volume would be in the region of 300,00 MT. The available tea crop figures are appended below (MT).

Category	2018	2017	Variance
Orthodox	253,412	261,434	(8,022)
CTC	21,942	19,839	2,103
Green	2,376	2,513	(137)
Total	277,730	283,786	(6,056)



As per available tea crop figures for Kenya, the country has produced 48.6 million kg of tea more than last year up to October 2018. The tea crop figures of some tea producing countries are appended below (in Million Kg).

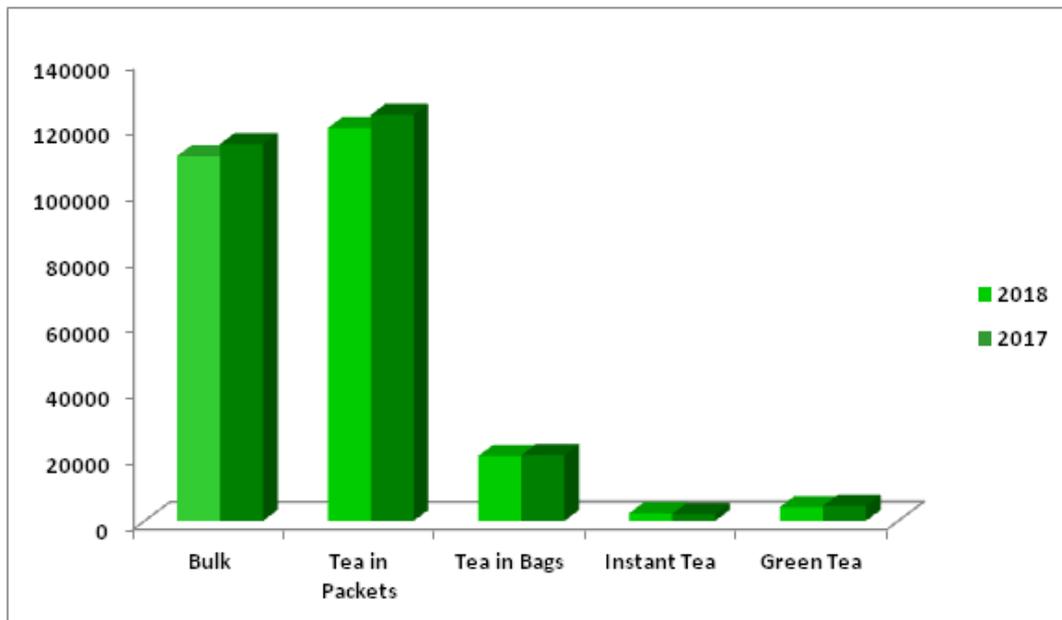
Country	Period	2018	2017	Variance
Bangladesh	Jan - Nov	66.7	67.7	(1.0)
Malawi	Jan - Nov	44.2	39.9	4.3
Kenya	Jan - Oct	395.5	346.9	48.6
North India	Jan - Oct	930	929.9	0.1
South India	Jan - Oct	187.6	197.3	(9.7)

SRI LANKA TEA EXPORTS - JANUARY TO NOVEMBER 2018

Sri Lanka Customs figures reveal that, the country has exported only 257,014 MT of tea during the first eleven months of the year compared to 265,017 MT registered in the same period of last year. This indicates a drop of 8,003 MT or 3% when compared with the export performance of last year. While exports of tea bags have remained almost at the previous year's level, tea in bulk, packets and green tea segments have shown a downward trend. Only instant tea exports have registered a growth during 2018.

However, the FOB value of tea registered at Rs. 819.68 per kg up to November 2018 is a gain of Rs. 12.56 per kg against the last year's amount of Rs. 807.12 per kg. Nevertheless, the total tea export revenue has come down from Rs. 213.8 billion in 2017 to Rs. 210.6 billion in 2018 mainly due to low volume of exports in the current year. The details of tea exports up to November 2018 are appended below (MT).

Category	2018	2017	Variance
Bulk	111,080	114,762	(3,682)
Tea in Packets	119,602	123,635	(4,033)
Tea in Bags	19,814	20,031	(217)
Instant Tea	2,305	2,038	267
Green Tea	4,213	4,551	(338)
Total	257,014	265,017	(8,003)



TEA AGM 2019

The 20th AGM of the TEA is scheduled to be held on Friday, 4th October 2019 at the Oak Room, Cinnamon Grand from 7.00 pm onwards. Please make a note for participation.



Tea Exporters Association Members Evening - 2018

The 2018 Members Evening of Tea Exporters Association was held at the Colombo Swimming Club on Saturday, 17th November 2018. A large number of participants representing exporters, tea manufactures, brokers and state officials patronized the event. Mr. Jayantha Karunaratne, Chairman of TEA delivered the welcome address and Mr. Sanjaya Herath, Vice Chairman of TEA also addressed the gathering.



The 2018 event was sponsored by Anysort Technologies Lanka (Pvt) Ltd. Mr. Pradeep Chakravarthy, Chairman / Managing Director made a presentation on the services provided by them to the tea industry. They also offered two tour packages for China and the lucky winners were Rohan Pushpakumara of Heritage Teas and Asanka Angamma of Ranfer Teas.

World Tea Scene - 2017

- The global tea production reached 5.8 billion kg in 2017 registering a growth rate of 4.2% over the volume of 5.5 billion kg registered in 2016. When the world tea production figures for 2013 – 2017 periods are analyzed, it reveals that, the world tea crop has increased by 16% during the last 5 year period.
- The black tea share in global tea production is estimated to be 65.3% last year while green tea share registering at 34.7%. Five years ago the green tea share was 31.2% and the black tea segment accounted for 68.8%. China with a volume of over 2 billion kg accounts for 87% of the world green tea production.
- World tea exports reached 1.7 billion kg in 2017, an insignificant decrease of 0.38% over the previous year. During the last five years the world tea exports have dropped by 3.5% possibly due to the increase in tea consumption in the tea producing countries mainly in China and India.
- World tea imports registered at 1.7 billion kg in 2017 is almost same as the previous year. Pakistan with a volume of 175 million kg has become the largest importer of tea in the world followed by Russia (163 million kg), USA (160 million kg), UK (108 million kg) and Egypt (96 million kg).
- CTC tea with a share of 62% dominates the black tea segment while orthodox tea share is only 38%. The same scenario has remained over the last five years without any significant change.
- The instant tea productions in India, Kenya and Sri Lanka have gone up to 10 million kg by 2017 as against 8 million kg recorded in 2016, a growth of 25%. The production of instant tea in other countries is not available.

(Source - ITC)



Tanzania to Increase Tea Production

Tanzania aims to raise tea output by at least 47 percent in the next five years and establish an auction center to rival the world's second-largest tea auction center in neighboring Kenya.

To achieve its goal of becoming a middle-income economy by 2025, the East African nation is modernizing and commercializing its farming sector. Agriculture accounts for about a quarter of economic output, which the government wants to grow 6 percent a year, compared with 3.6 percent in 2017.



The state is targeting 50 million kilograms of tea production, up from the 34 million kilograms harvested in the 12 months through June 2018 and 26.9 million kilograms a year earlier.

The nation will aim to add farmland under cultivation to 30,000 hectares (74,130 acres) by 2023, a 32 percent increase. While it's a major export commodity for the nation, tea lags tobacco, cashews, coffee and cotton in the amount of foreign exchange it earns, according to the statistics agency.

Tanzania's tea is cultivated in five regions: Iringa, Njombe, Tanga, Mbeya and Kagera. They are focusing to increase production in these areas before targeting new zones in the country.

Neighboring Kenya, the world's biggest exporter of black tea, projects production this year at 452 million kilograms. Tanzania sells the bulk of its tea at a weekly sale in the Kenyan coastal city of Mombasa, the second-biggest such auction in the world. Annually, it exports an average of 7,000 -10,000 tons through Mombasa, he said.

Tanzania now intends to establish its own auction in Dar es Salaam, the nation's commercial hub, which is also on the Indian Ocean coast, and is setting up warehouses for bulk storage.

The nation also plans to increase exports to markets that consume tea produced through the cut, tear and curl process, while also targeting new destinations such as Russia and Pakistan.

(Source - ETTA)

Uganda Tea output rises

Uganda, Africa's third-biggest tea producer, expects output to surpass the record harvest in 2014 as it revised its forecast of the crop for the second time this year.

Production will rise to 70 million kilograms (70,000 metric tons) in 2018, up from a previous estimate of 66 million kilograms, which had been a revision of the initial 60 million-kilogram target set at the start of the year, according to Uganda Tea Association, a lobby group for growers and exporters. In 2014, farmers produced a historic 66 million kilograms.



Country expects more tea because the rains have been good and it has been shining, which gives a good combination for good yields. Supply from the crop planted in the last five years has increased. Uganda, Africa's biggest coffee exporter, is encouraging more tea shipments to boost income and diversify foreign-exchange earnings.

Establishment of two new tea factories in the southwest boosted supply after they encouraged leaf deliveries from farmers. Previously growers had to transport the leaves for more than 50 kilometers (31 miles) to the nearest processing center.

Uganda grows tea on about 40,000 hectares (99,000 acres) and sells at least 95 percent of it at the world's second-biggest tea auction in Mombasa, in neighboring Kenya, according to the industry association.

(Source - ETTA)

Low caffeine tea in China

Hongyacha, a new type of wild tea plant from the mountains of southern China, contains little or no caffeine, according to a study published in the Journal of Agricultural and Food Chemistry.

Hongyacha is a wild tea plant only distributed in the narrow mountain area at altitudes of 2,300-3,300 feet (700-1,000 m) of several neighboring villages in the southern region of Fujian Province," according to lead author Dr. Liang Chen from China's Tea Research Institute and colleagues. "Local people believe that drinking this tea can reduce internal heat, cure colds, and heal stomach pains, etc."

However, given its narrow and special distribution, detailed information about hongyacha is lacking." In the new study, Dr. Chen and co-authors characterized the chemical components of hongyacha by using high-performance liquid chromatography. They found that buds and leaves of hongyacha contain several potentially health-promoting compounds and virtually no caffeine. "In regular tea, the main purine alkaloids and catechins are caffeine and cis-catechins; by contrast, hongyacha predominantly contains trans-catechins, theobromine, and undetectable caffeine," they explained.



"We also found some rare compounds in hongyacha, such as gallo catechin-(4 → 8)-gallo catechin gallate, 1, 3, 4, 6-tetra-O-galloyl-β-d-glucopyranose, and (-)-gallo catechin-3,5-di-O-gallate, which were not detected in regular tea."

Digging deeper, the team found that hongyacha has a mutation in the gene encoding the enzyme tea caffeine synthase, which promotes caffeine production in most tea plants.

"Naturally low-caffeine hongyacha could possibly become a popular drink because of its distinct composition and unique health benefits," the scientists said.

(Source - World Tea News)

RTD Tea leads US Market

More than half of consumers (53 percent) in US market quench their thirst at convenience stores where soda continues a 15-year decline and RTD tea is growing share.

In fact, RTD is the only tea category in 2018 to increase both in volume and value, reaching an estimated \$10.75 billion, according to Beverage Market Corp. projections.

Units sold of tea bags, iced tea mix, loose leaf tea, and single-serve tea all declined in 2018, according to BMC. Total units fell to an estimated 3.66 billion from 3.68 billion units sold in 2017. Retail dollars earned were slightly better, growing by about \$465 million. Increased sales of RTD tea contributed \$397 million to the year-over-year gain with tea bags growing by \$130 million in the grocery, drug, mass market, convenience, and dollar store channels. This reflects the continued consumer preference for premium tea at a price point 20 percent or greater than traditional teas. Prices for tea bags and loose leaf showed an average \$0.3 cents per unit gain, a modest advance in a category that lost momentum as unit sales declined -0.8 percent, according to market research firm IRI's multi-outlet report for the 52-week period ending Nov. 4, 2018.

Beverage Marketing Corp estimates tea sales in all formats will reach \$19.66 billion in FY2018, compared to FY2017's total sales of \$19.19 billion.

Retail sales of all refreshment category beverages increased about 3 percent by volume and around 2 percent in value in 2017, according to BMC. Refreshment beverage volume reached 34 billion gallons in 2017 on sales exceeding \$180 billion, “propelled both by exceptionally fast growth by small, niche segments as well as growth by bigger, established categories, such as carbonated soft drinks,” according to Gary Hemphill, managing director of Research at Beverage Marketing Corporation in New York City. That trend continued in 2018. RTD tea outperformed all other segments with a 12.3 percent increase in volume and a 14.4 percent increase in retail dollars. Value-added water also saw double-digit growth rates in both volume and dollars. Dollars for RTD tea grew 3.9 percent.

US TEA MARKET (2018 Projection)		
RETAIL DOLLARS AND VOLUME		
Volume Report		
Unit: MM Gallons (million)		
	FY2017	FY2018
RTD Tea	1,720.79	1,746.61
Tea Bags	1,584.25	1,556.53
Iced Tea Mix	312.24	299.75
Loose Tea	27.32	24.99
Tea Pods in Tea	37.46	32.59
Total	3,682.06	3,660.47
Retail Dollars Report		
Unit: \$MM (million)		
	FY2017	FY2018
RTD Tea	\$10,312.32	\$10,708.94
Tea Bags	\$7,800.77	\$7,932.91
Iced Tea Mix	\$331.90	\$320.67
Loose Tea	\$360.32	\$356.50
Tea Pods in Tea	\$386.93	\$338.30
Total	\$19,192.24	\$19,657.33

Source: Beverage Marketing Corporation/Dec. 5, 2018

“We’re seeing the beverage market increasingly fragment into more niche categories. Most of these newer categories are likely to remain niche. And the majority are healthier products often designed around some functional benefit,” Hemphill told World Tea News.

Sales of refrigerated teas, a category that includes kombucha, were \$1.5 billion for the 52 weeks ending Nov. 4, according to IRI. Growth topped 10 percent on 655 million units.

Kombucha was a standout tea category in 2018. Sales grew by 37.5 percent to \$556 million in 2017 in natural food channels according to natural products marketing researcher firm SPINS. U.S. sales were \$80 million in 2008 and fewer than 15 percent of Americans had tried kombucha in 2016, according to Statista market research. Awareness has since exploded. In February kombucha topped the Google search list of top food trends.

Kombucha globally reached an estimated \$970 million in sales in 2017 and will grow at a compound annual rate (CAGR) of 25.6 percent through 2023 to \$3.8 billion, according to Orbis Research. Countries with the greatest penetration include China, the U.S., Japan, Germany, France, South Korea, and the UK.

In 2030 economists estimate 66 percent of the world’s middle class will reside in Asia, compared to 7 percent in North America. One thing everyone in the middle class seems to have in common a willingness to maintain their health.



Carbonated soft drinks still account for four of the five top beverage brands by volume, with the category growing retail sales by 1.2 percent according to BMC. Total category volume dipped by -1.3 percent from 12.5 billion gallons in 2016 to 12.3 billion gallons in 2017, which lowered their market share to less than 37 percent.

In contrast Nielsen estimates RTDs teas were once again the top dollar growth category in 2017, increasing at 18.9 percent.

(Sources - Nutritional Outlook, (World Tea News)

Turkey economic growth to slow down in 2019

The European Bank for Reconstruction and Development (EBRD) has cut its forecasts for economic growth in Turkey in 2019 in the wake of a depreciation of the lira and interest rate rises that have put pressure on consumption and investments.

However, in its latest report, the EBRD said the lira seems to have stabilized after a series of sharp central bank interest rate rises, the adoption of the government's New Economic Program and a recent rapprochement in relations with the United States of America.

The EBRD expects growth in Turkey of 1 per cent in 2019, compared with a prediction of 4.2 per cent in May this year. Economic growth is expected to have slowed to 3.6 per cent in 2018 from 7.4 per cent in 2017 after indications of a sharp slowdown in the second half of this year.

The report said economic rebalancing forced by the weak lira should help reduce large external imbalances in the economy, but it noted the short term external financing requirement remains high, in excess of 25 per cent of Gross Domestic Product.

It said the lira remained vulnerable because of the Turkish economy's heavy dependence on foreign capital. At the same time, inflation had risen to a 15-year high of almost 25 per cent in September 2018 as a result of the lira's fall and consumption reflecting earlier government stimulus packages.

The report also referred to growing stresses among banks, a sector that previously had been seen as a key anchor of the economy. Lira depreciation had hurt banks' capital and their asset quality may be impacted by both their exposure to corporate with large foreign exchange liabilities, and the effect of increased interest rates on corporate and household balance sheets.



(Source - EBRD)

Tea prices firm up as estates in North India close early

The Tea Board decision to close tea factories in North India by 15th December is expected to increase the prices as it will reduce the supply by 25-30 million kg. Tea gardens usually carry on plucking leaves till the end of December. According to Chairman of Indian Tea Association, the early closure of gardens will help reduce the supply of poor quality teas by around 25-30 million kg (mkg) this year.

Tea Board has ensured that the order is complied with in word and spirit and trade has responded positively. Prices at the lower end of the market have already moved up by Rs. 2.50 per kg according to him.



Increased supply of poor quality leaves, which is usually produced when plucking continues till the end of the season, exerts pressure on the price of good quality teas. Tea production in October is already down by nearly seven per cent to 150.55 mkg, as compared with 162.06 mkg in the same period last year.

November production is also estimated to be down by about 10-15 mkg. "The shortfall in production coupled with a demand growth of around 30 mkg on a year-on-year basis, will help keep the prices firm," another trade member has told.

As per Tea Board statistics, the country produced close to 1117.62 mkg of tea during January-October. The production for the whole year is expected to be down by nearly 40-45 mkg.

The average price of North India tea at auctions during the four month period of August-November was up by nearly 5 per cent in 2018, as against same period last year due to the drop in production.

The early closure of gardens will allow estates to take up pruning in a planned manner and lead to production of better quality of teas at the beginning of next season in March. The early closure will give more time for rest to the bushes which will translate into better quality thereby making an impact on prices of first flush crop. Without stocks of low priced produce, the fresh tea will have better demand and prices.

(Source - The Hindu Business line)

Iraq keen on resuming tea imports from India

Iraq is keen to resume import of orthodox teas from India, eight years after the trade came to an abrupt halt owing to the geopolitical tension in the West Asian country.

A delegation from the Trade Promotion Council of India found this out on a recent trip to Iraq. "We had gone to four places – Baghdad, Karbala, Najaf and Erbil. Buyer-seller meetings were organised and we found that importers were keen to know about Indian tea," said secretary, Indian Tea Association, who was part of the delegation.

There has been a shift in purchasing pattern in Iraq, he said. Earlier, the government used to buy teas, but now private parties are involved in the purchase.

After India stopped tea exports to Iraq, Sri Lanka and Vietnam filled the void. Iraq imports around 40 million kg of teas a year and Sri Lanka dominates the market with 80 per cent share.

India will, therefore, have to compete with Sri Lanka which is exporting orthodox teas at an average price of \$2 per kg. The ITA spokesman, however, said that during his interaction with importers in Iraq he felt that they were willing to pay a bit more for good quality teas. India exports orthodox teas to Iran, Saudi Arabia, Russia, Germany, US and Japan, among other countries. Indian tea industry is looking to increase exports of orthodox teas as the returns are better on this variety. India produces 110-120 million kg a year and it has the capability of producing more orthodox teas.



Exports have remained flat in 2018 because of uncertainty in Iran in the aftermath of US sanctions. Orthodox tea exports slowed down, though, and the average price of orthodox teas fell to Rs 210.87 per kg this year from Rs 221.29 per kg in 2017 largely because of the decline in shipments to Iran. In the first nine months of 2018, India exported 173.80 million kg of tea, slightly higher than 173.52 million kg exported in the year-ago period.

(Source - The Economic Times, India)

Tea Market Outlook for 2019

(An extract of Forbes and Walker Tea Market report)

Global production, in all probability, may show growth in 2018 once statistical data has been tabulated, which would essentially be of CTC origin. Orthodox tea production could be considered in short supply considering the decline in Sri Lankan tea production commencing 2016.

Sri Lankan tea production in 2019, consequent to the Government's decision to lift the ban on the use of glyphosate (weedicide) is likely to give much relief to the producers and in particular, to the large-scale plantations which would be able to carry-out the required agricultural practices to achieve the full potential of the plantations. Further the Government's decision last month – to allow a more liberal policy on fertilizer – should contribute favorably. Needless to say, subject to extreme weather conditions not being a reality. However, ageing tea bushes and low productivity levels would be a downside.

Similarly India with its aged plantations is unlikely to show any significant improvement in its output. On the other hand, Kenya with its steady growth in production in the past several years is poised to achieve a 500 M/kg in 2018 and is likely to play a significant role when assessing the total global supply situation.

Demand growth in China and India, considering the magnitude of these two markets, is likely to influence prices and consumption is expected to outstrip production. USA too could be singled out as a fast-growing market, particularly for instant tea and iced tea segments, whilst imports from Sri Lanka to the US have shown quite a significant growth in 2018.

Other factors that is likely to impact Sri Lankan tea prices

- Colombo Auction prices have shown a significant appreciation in the fourth quarter on the third quarter, particularly in respect of Leafy orthodox teas.
- Further, the first quarter traditionally is a low cropping period with enhanced product quality from most producer countries. This scenario will augur well for Small Leaf liquoring varieties that would be on offer.
- Another important factor that might influence tea prices is the variation in exchange rates. The Sri Lankan Rupee, which was under severe pressure at the commencement of 4th quarter 2018, stabilized somewhat towards mid-December. If this trend is reversed and the previous depreciation pattern that was seen a couple of months ago is a reality, this too would help Colombo Auction prices in rupee terms.
- Improved demand from Iran following the recent indications that tea would not be featured on the list of items attracting US import sanctions.
- Importers of orthodox teas are likely to have lower inventory levels in the backdrop of deficits accumulated since 2015.

These factors would enable us to predict an upward movement in prices, particularly in the first half for most varieties of orthodox teas. The market demand for teas thereafter would greatly depend on how the global tea industry would progress during the first half. The market demand for good quality teas would command a premium consistently throughout the year.

(Source - Forbes and Walker Tea Brokers (Pvt) Ltd)



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