



T · E · A

Tea Exporters Association
Sri Lanka

NEWSLETTER

AUGUST 2020



TEA AGM 2020

The 21st AGM of the Tea Exporters Association is scheduled to be held on Thursday, 8th October 2020 at the Oak Room of Cinnamon Grand Colombo from 6.30 pm onwards. The theme of the AGM would be "The Challenge of Change".

Hon. Ramesh Pathirana, Minister of Plantation will be the Chief Guest while Professor Howard Nicolas will be the Key Note Speaker at the AGM.

Keep the date free for an exciting evening....



TEA Welcomes New Members

The committee of management of TEA approved the membership of following companies effective from September 2020.

- M/S Salota International (Pvt) Ltd – (An affiliate member)
- M/S Tea Trend Exports (Pvt) Ltd

Congratulations Joining Our Team.....

SRI LANKA TEA PRODUCTION - JANUARY TO JULY 2020

Sri Lanka Tea Production for the month of July 2020 totalled 26.2 million kgs, showing a marginal gain of 0.3 million kgs vis-à-vis 25.9 million kgs of July 2019. High and Medium Growns have shown a growth YOY, whilst Low Growns show a decrease compared to the corresponding period of 2019.

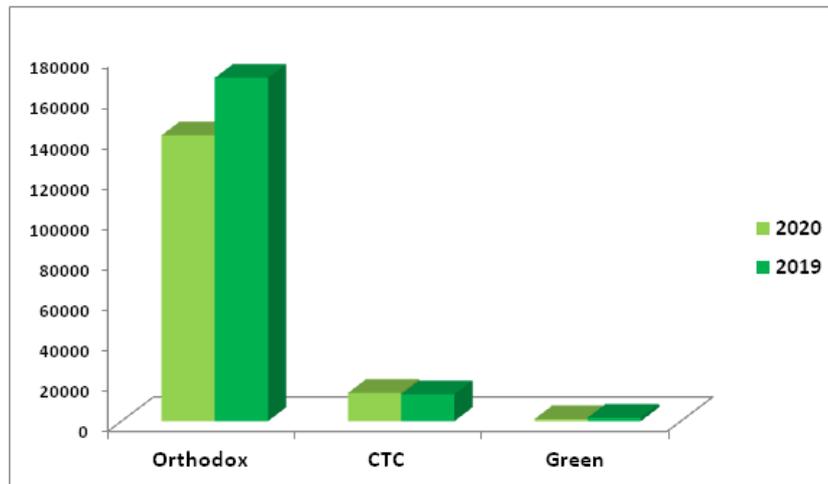
When analyzing the January-July 2020 cumulative production of 156.3 million kgs, records a decrease of 28.4 million kgs compared to the volume of 184.8 million kgs of January-July 2019. On a cumulative basis, all elevations show a decrease YOY with Low Growns, in particular, showing a fairly significant variance.

CTC production for the month of July 2020 of 2.1 million kgs, shows a growth of 0.2 million kgs as against the quantity of 1.9 million kgs of July 2019. High Growns have shown a fairly substantial growth YOY followed by Mediums. Low Growns, however, show a decrease compared to the corresponding month of 2019. On a cumulative basis too, January-July 2020 CTC production of 13.9 million kgs shows a gain of 0.7 million kgs vis-à-vis 13.2 million kgs of January-June 2019. Here again, High Growns have shown a fairly significant gain followed by Mediums, whilst Low Growns show a decrease YOY.

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

Category	2020	2019	Variance
Orthodox	141,408	169,810	(28,402)
CTC	13,947	13,266	681
Green	1,022	1,741	(719)
Total	156,377	184,817	(28,440)

(SLTB)



WORLD TEA CROP

The latest tea crop figures of some leading tea producing countries are furnished below (in million Kg).

Country	Period	2019	2020	Variance
Malawi	January to June	34.65	31.28	(3.37)
Bangladesh	January to July	39.05	33.99	(5.06)
Kenya	January to June	212.60	300.67	88.07
North India	January to July	526.99	390.53	(136.46)
South India	January to July	122.20	118.74	(3.46)

SRI LANKA TEA EXPORTS - JANUARY TO JULY 2020

Tea exports for the month of July 2020 totalled 28.0 million kgs vis-à-vis 24.9 million kgs of July 2019, showing a growth of 3.1 million kgs. All main categories (i.e. Tea bags, Packeted tea and Bulk tea) have shown a growth YOY. Total revenue too of Rs. 24.3 billion for July 2020 has shown a growth of Rs. 4.8 billion compared to Rs. 19.5 billion of July 2019.

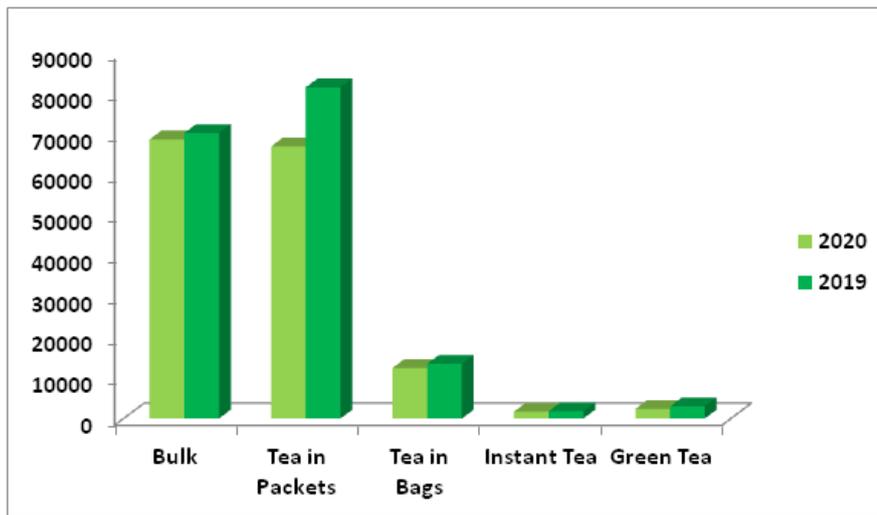
January-July 2020 cumulative exports totalled 152.1 million kgs showing a decrease of 17.9 million kgs against the volume of 170.0 million kgs of January-July 2019. On a cumulative basis, Tea bags, Packeted tea and Bulk tea exports have shown a decrease when compared to the corresponding period of 2019. Further, total revenue of Rs. 130.4 billion realized for January-July 2020 shows a decrease of Rs. 11.0 billion when compared to Rs. 141.4 billion of January-July 2019. Meanwhile, total FOB value for the period January-July 2020 of Rs. 857.27 (USD 4.66) per kg shows a gain of Rs. 25.50 vis-à-vis Rs. 831.77 (USD 4.70) compared to the corresponding period of last year. It is relevant to note that although we have seen a growth in SLR terms, in USD terms a negative growth is shown for the period January-July 2020.

When analysing the main importers of Sri Lankan Tea, Turkey has emerged as the No. 1 importer displacing Iraq to the 2nd position, whilst Russia is placed 3rd. Other noteworthy importers are Iran, Azerbaijan, China and Chile. Meanwhile, destinations such as Libya, Syria, UAE and Japan have shown a fairly significant drop in volumes for the period under review.

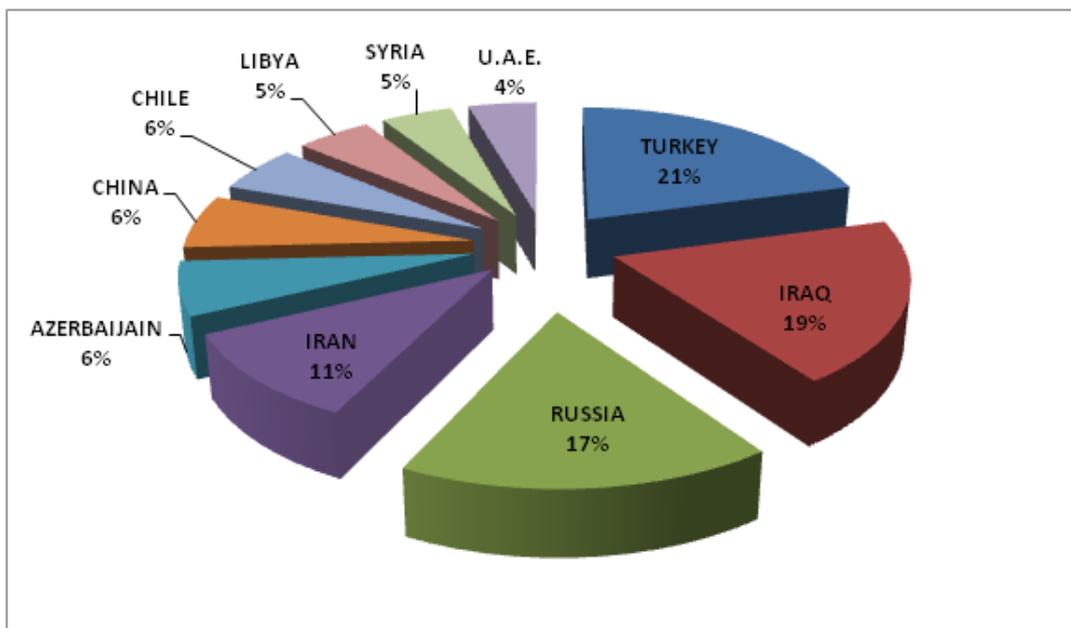
The tea export figures for January-July 2020 are listed below (in MT).

Category	2020	2019	Variance
Bulk	68,698	70,279	(1,581)
Tea in Packets	66,970	81,524	(14,554)
Tea in Bags	12,430	13,466	(1,036)
Instant Tea	1,675	1,789	(114)
Green Tea	2,358	2,978	(620)
Total	152,131	170,036	(17,905)

(SL Customs)



MAJOR IMPORTERS OF SRI LANKA TEA - JANUARY/JULY 2020



Weekly Auctions

Mombasa

The month commenced with improved overall demand following the steady level maintained throughout the previous month. Egypt and Iran were more selective at the first sale but all buyers remained quite active in week two. In the following two weeks, activity by Iran, UK and Egypt were at moderate levels but all other major buyers had lent strong support. The final two sales of the month witnessed strong general demand but 25% of teas remained unsold, each week. Led by Kazakhstan, all CIS countries continued to be a strong influence except at the last sale.

Colombo

At the first sale of the month which was a one-day sale, the reduced quantity on offer attracted good demand, mainly the larger leaf grades. This demand was sustained in week two but demand was concentrated upon the large leaf teas only in week three. At the following sale, demand was very much a mixed affair across their wide spectrum of grades. Following quality, there was less demand at the final sale of the month. Weekly average prices hardly changed throughout the month up until the final sale.

Kolkata

Demand was maintained particularly for leafy varieties and prices were firm to dearer in the first week. A similar market trend was witnessed at the following sale with keen demand from the local trade for CTC's and from exporters for the orthodox teas. Demand continued to be strong in the following two sales with Dust grades attracting greater interest. Though the market was marginally easier in the fourth week, the equivalent US\$ weekly average price was above \$4 at each of the sales.

Guwahathi

The larger quantity on offer met with strong demand for all types of teas at attractive prices at the first sale of the month. There was even stronger demand for both Leaf and Dust varieties the following week. In the second half of the month, there was a slightly easier market for Leaf teas whilst Dust grades remained firm.

Kochi

The first sale of the month saw a dearer market. The strong demand prevailed through the month with no teas remaining unsold at the last sale of the month with up country buyers continuing to be active where CTC dust teas were a strong feature.

Chittagong

A dearer market was witnessed in the second week for both leaf and dust categories with increased demand from blenders as well as loose tea buyers. There was increased demand at the following sale from blenders that resulted in higher prices. Strong demand was maintained at the next two sales with buyers closely following quality and there were a few withdrawals only.

Jakarta

There was fair demand in the first week following the withdrawal of a large quantity of teas sold privately, prior to the auction. Demand was weak at the next sale but there was slightly better demand at the following two sales even though there were many withdrawals.

Limbe

Following weak demand of the previous month, the first week saw an improved level of demand and the small quantity on offer in Wk. 2 attracted strong demand, which was maintained at the following sales.

(Forbes & Walker Tea Brokers)

World Tea Production and Exports - 2019

- World tea production has reached 6,149 million kg in 2019 registering a growth of 3.07% compared with the volume of 5,966 million kg registered in 2018.
- The black tea varieties consist of 4,183 million kg or 68% of the world production with green tea accounting for 1,966 million kg (32%) last year.
- China (2,799 million kg), India (1,170 million kg), Kenya (458 million kg), Sri Lanka (300 million kg) and Turkey (267 million kg) were the leading tea producing countries in 2019.
- World tea exports recorded an increase of 37 million kg last year with total volume registering at 1,895 million kg as against 1,858 million kg registered in 2018.
- Kenya leads the export front with a volume of 496 million kg followed by China (366 million kg), Sri Lanka (289 million kg) and India (243 million kg).

(ITC)

US Tea Sale Expected to Declines

The United States expect a significant drop in tea consumption as sales of tea in packages and loose tea are estimated to fall by 13% while ready-to-drink (RTD) formats are projected to fall by 11% due to the impact of COVID 19.

In US a high proportion of tea is consumed at foodservice or out of home. In 2019, the share of food service was 48%, compared to 13% in the UK and 6% in Germany. This is mainly due to high consumption of iced tea outside the home.

The needs of social distancing have posed a major challenge to how tea was traditionally consumed. The tea consumption that took place outside the home are struggling as never before, while other teas better-suited for the new normal, such as those with immune support positioning are experiencing increased sale.



The COVID 19 impact on tea consumption at cafes, restaurants and foodservice is expected to fall by about 40% in 2020. This has been somewhat counterbalanced by a 16% rise in retail sales but given that foodservice and retail are nearly perfectly balanced in total consumption this translates to a major decline in net sales.

The decline falls mostly on black tea, as that is what most iced tea in the US is brewed from. Black tea was already struggling prior to COVID-19 as consumers looked towards newer types, especially herbals, and with these foodservice losses, is fair to say that it will take a very long time for black tea consumption to reach pre-COVID-19 levels.

Apart from black tea, the other segments that have suffered the most from COVID-19 are more emergent formats. Bubble tea, heavily reliant on out-of-home consumption, has seen a particularly notable reversal of fortunes, while hard kombucha has struggled to find the success it hoped for at a time when consumers are sticking to tried and true alcoholic beverages. The long-term potential of both remains strong but COVID-19 has significantly disrupted their growth potentials.

The segment that has outperformed the most during COVID-19 is herbal teas. Herbals were already doing well and their strong functional positioning in areas like immune support meant that they benefitted more than other types of tea did when consumers were stockpiling pandemic essentials. Immune support will remain top of mind for a long time for consumers, which should keep herbal tea sales brisk.

As per forecasts, total volumes of bagged and loose tea are expected to regain their previous level by 2021. RTD will take another year to do the same.

The volumes may be the same but it will be a very different tea market than it was in 2019. It will be much more oriented towards the home, as a result of long-term shifts in remote working and the financial struggles of many cafes and restaurants.

(Online News reports)

Turkish Lira Expected to Slide

The lira is expected to continue its slide against the dollar and the euro despite the announcement of a major Black Sea gas deposit discovery by Turkish President.

The Turkish lira jumped briefly ahead of the announcement as Erdogan had broadcast it as a “historic change” for Turkey’s sagging economy.

But the announcement itself did not impress forex traders, and the lira slid back to its previous levels of 7.33 to a dollar, 8.65 to the euro, and 9.60 to the British pound.

Technical analysts, who base forecasts purely on price movements, forecast that the lira will again hit a record 7.4 level against the dollar, but will hit resistance around that level in the short-term. In the long term, these analysts see the lira reaching well past eight to the dollar, 9 to the euro and 10 to the British pound.



The lira is down 19 per cent this year against the basket of major currencies, and is among the world’s worst performers after the selloff began in late July.

Fundamental analysts agree, based on the central bank maintaining its long-term refusal to raise interest, and to continue liquidity-based efforts to support the lira that Bluebay Asset Management senior analyst refers to as “the smoke and mirror approach to central banking.”

The government-controlled Turkish news agency Anadolu Ajansi reported that the central bank was considering cutting interest rates based on the importance of the Black Sea find.

(Cyprus Mail)

Japan Tea Consumption Declines

According to latest data from National Tea Producing Association of Japan, domestic tea consumption in Japan has declined from 811 grams per person in 2000 to 680 grams in 2018, reflecting a decline of 16% over the 8 years.

It is reported that traditional way of preparation of tea is considered as old fashion by the new generation consumers. They prefer more convenient RTD product of tea, coffee and other beverages. The rise in coffee consumption is also another reason for decline in traditional tea consumption. The coffee consumption has become a trend among the youth in the last two decade.

The prices for domestically produce tea have come down with falling demand. The government is working for increasing demand for locally produce black tea with the expectation that it will improve the demand for local green tea as well. The Japan consumer affairs agency has requested retail sellers to stop promoting black tea as providing protection for COVID 19 as more clinical trials would be necessary to validate this claim.



(News reports)

Snapshot of Chinese Tea Market

China tea sales have grown in the last six years and will have an upward trend in the coming years with increase of income, quality of life etc. The value of retail sales have gone up from Yuan 150 billion in 2014 to Yuan 284 billion by 2019.

Many consumers prefer high quality tea and willing to pay more. Some best teas are sold for USD 2,000 per kg. About 40% of top end tea products are priced at over USD 2,000 per kg, another 40% between USD 1,000 to 1,900 per kg.

The consumers who are willing to pay high prices for tea are either top level executives, businessmen or other high income personnel within the income bracket of Yuan 50,000 to 120,000 per year.

About 35% of the retail sale of tea takes place through shopping malls, another 27% through supermarkets / convenient stores, 15% online sale, 12% tea shops and tea houses and another 10% to 11% through other channels.



Most top end consumers are women and share of men is about 1/3rd. From this category about 50% are below 30 years and another 37% are between 31 to 40 age categories.

The impact of COVID 19 on the tea market is considered temporally. The online and offline sales will recover soon when the threat of COVID 19 is over. The consumer concern on health benefit of tea is more than before now.

(On line News Blogs)

Mid-year Summary for China's Tea Trade 2020

The first half of 2020 has been a very unusual half year for China's tea trade with fluctuating monthly exports due to the impact of COVID 19. From March to April, the overall exporting situation has improved as the situation of the pandemic in China has turned for the better and companies have fully resumed work so that the order backlog could be fast executed.

Export

The amount of monthly exports for the first half of 2020, registered at 176,000 tons, down by 1.7% compared with the same period last year.

However, the average price was satisfactory, registering at USD 5.65/kg, up by 9.52% compared with the corresponding period last year, which made the export value rise up to USD 990 million for the first half of 2020, an increase of 7.7% compared with the same period last year.

The export value for every type of tea in the same time frame experienced an increase and Pu'er tea has emerged as a notable one that was previously not in a great demand on the international market. According to the customs, the details of export for each type of tea are as follows:

China exported 148,000 tons of green tea, valued at USD 630 million, down by 0.3% and up by 1.5% in volume and value respectively compared with the same period last year;

For black tea, it's 14,000 tons, valued at USD 170 million, down by 16.1% and up by 18.4% in volume and value respectively compared with the same period last year;

For Oolong tea, it's 9,087 tons, valued at USD 110 million, down by 0.6% and up by 2.2% in volume and value respectively compared with the same period last year;

For scented tea, it's 3,092 tons, valued at USD 32.36 million, up by 1.6% and 13.5% in volume and value respectively compared with the same period last year;



For Pu'er tea, its 1,465 tons, valued at USD 43.58 million, up by 16.5% and 203.9% in volume and value respectively compared with the same period last year.

China exported 40,000 tons to Morocco, 12,000 tons to Uzbekistan, 8,594 tons to Ghana, 8,104 tons to Togo, 7,735 tons to Russia, 7,528 tons to Cameroon, 6,519 tons to Japan. For America and Germany, its 4,976 tons and 3,539 tons, down by 33.4% and 33% respectively compared with the same period last year.

Import

From 2017 to 2019, China's tea imports had seen explosive growth and then it declined dramatically in both price and volume during the first half of 2020 because of the pandemic. According to the customs, from January to June of 2020, China imported 17,000 tons, valued at USD 71.6 million, down by 7.3% and 20.8% in volume and value respectively compared with the same period last year. The average price was USD 4.21/Kg.

China mainly imported teas from Sri Lanka and India. During the pandemic, China's tea imports from the two countries have notably shrunk with 5,328 tons from Sri Lanka and 4,122 tons from India, down by 19.1% and 19% respectively compared with the same period last year.

China imported 14,000 tons of black tea, valued at USD 51.82 million, down by 10.4% and 12.4% respectively compared with the same period last year;

For green tea, it's 2,022 tons, valued at USD 7.13 million, up by 23.5% and down by 18.7% respectively compared with the same period last year;

For Oolong tea, it's 1,013 tons, valued at USD 10.9 million, down by 21.4% and 43.7% respectively compared with the same period last year;

For Scented tea, it's 335 tons, valued at USD 1.26 million, up by 71.3% and down by 29.9% respectively compared with the same period last year;

For Mate tea, it's 42 tons, valued at USD 0.17 million, down by 32.4% and 24.9% respectively compared with the same period last year;

For Pu'er tea, its 45 tons, valued at USD 0.33 million, up by 30.6% and down by 68.8% respectively compared with the same period last year.

China's tea trade has undergone an unprecedented severe test amid the spread of the corona virus and the declining of economies around the world. However, the pandemic has raised the public awareness of health, providing more possibility to boost the global demand for tea and create new trade opportunities.

(Source- International Tea Committee – courtesy Forbes & Walker Tea Brokers)

Tea may learn from wine marketing

As the specialty tea industry searches for alternatives to increase market growth, using strategies from other successful specialty sectors is an attractive option. Traditionally, tea has been coupled with coffee since both are served hot and have caffeine.

However, the wine industry may prove a keener ally for specialty tea according to a Tea Sommelier in New York City as reported in World Tea News.

“I appreciate the complexity of tea, nuance and layers of flavor, and the way it connects on an emotional level. The flavors and aromas recalling smells and tastes from memories and resonating in a deeper level. Wine does the same for me. I'll smell something and be transported to a place or a time or a memory.”



He expresses a sense a place and stimulates sensory memory for both wine and tea. Like wine, tea has multiple and varying flavor profiles rooted in the land. Fundamental elements from soil, climate and terrain are tasted in each cup of tea, as in a glass of wine. For example, the bold briskness in tea from the plains versus the layered and often subtle flavors acquired from the slow leaf growth at high elevation. A similar distinction can be found in the lush, ripe-fruit flavors of valley-grown grape wine versus acidic, bright wine derived from grapes grown at elevation.

Another similarity: Tea and wine both elicit a sensory, cultural journey. One sip of a top-level Japanese gyokuro conveys the craft and attention to detail of a culture that exalts the complexity of umami flavor. Just as a Provencal rosé evokes the casual leisure of the south of France. And, while coffee can overpower food, the subtlety of wine and tea pair with food to enhance and height the dining experience.

Wine and tea parallels such as these suggest that the tea industry may use wine marketing strategies to increase the specialty tea market. The education has been the key to the successful marketing story of wine. This benefits the consumer in two ways. First, it allows the consumer to have confidence in the sommelier's opinions and the valuation of a wine. Second, as the consumer becomes better educated by the trained sommelier, accessibility barriers from lack of knowledge disappear. This, in turn, empowers the consumer to buy more wine.

While the tea industry has education opportunities and programs, there is a lack of correlation between acquiring tea education and earning potential. This abandons a valuable marketing opportunity as evidenced by sommeliers. The industry must find a way to reward rigorous study of tea beyond the love of the leaf. Using tea like sommeliers use wine, as a sensory experience or food pairing, elevates value of tea and tea knowledge beyond merely a drink served at the end of a meal. Increasing the value of tea will lead to increased revenue from tea. This would mean greater income potential for those with tea knowledge, which would incentivize acquiring tea education. The tea industry should support the development of educated and well-trained tea experts as this will lead to empowered consumer who will in turn purchase more tea.

Speaking to a New Generation of Tea Drinkers in Canada - Tech, Customization & Diversity Are Key

The Canadian market and the global market are shifting rapidly. Historically, industries have always adapted to changing demographics and the new values they bring with them. We are, however, in a new paradigm that is making adaptation far more challenging than ever before. As industries, we are shifting not only to the changing demographic by nature, but the speed at which values and demands are being shaped by technology.

Ten years ago, smartphones as we know them didn't exist. Thirty years ago, nobody owned a home computer. And yet, living without either today, is unthinkable. Add to that the Internet and the world is changing at a faster pace than it has ever before. With that, we too must change.



Canada is a land of stability and consistency. In terms of tea, the imports and consumption have been steady and on a slight increase for the past decade. But the opportunity to grow the market is ripe with a new generation that's influenced by technology to a far greater extent than we've ever seen before. If we look at what this generation values and what they want, we can see that our world of tea can check off all the boxes.

For this new generation, customization and diversity are key. They have always ordered their music and coffee using their phones, so creating a platform through which you can sell to them must include technology. Do not tell them because they won't read it! Show them. Do that through pictures and images using the technology that is second nature to them. They are driven by the latest trend and will immediately share it on their connected social networks. They are the perfect vessel to spread the tea industry's message, so long as it speaks to them. For this generation, there is no such thing as "before the internet" – it's a concept they simply do not understand. Let that sink in for a moment.

Generation Z Canadians have been raised in a multi-cultural world; they are the most ethnically diverse cohort in Canadian history. And for that reason, their identification with the rest of the world is strong. The desire to be a part of the world beyond their borders is fundamental – and connecting them with producers and tea makers around the world is the ideal avenue.

Canadians have shifted from mindful food and beverage consumption to virtuous ones. Millennials and now Generation Z are pushing us from being products of truth to products that generate trust. These are fundamental questions we'll need to address for these new consumers: What is our global footprint, how much waste do we produce, what are we doing to remain sustainable? Are we products with a purpose?

As our market shifts at lightning speed, it's critical for us in the tea industry to shift along with it. Perhaps that's something that doesn't come naturally to an industry as old as ours. But by paying attention, adapting and being open to the opportunity, we are aligned to speak loudly to the next generation of consumers – if we do it properly.