



T · E · A

Tea Exporters Association
Sri Lanka

NEWSLETTER

1Q 2018



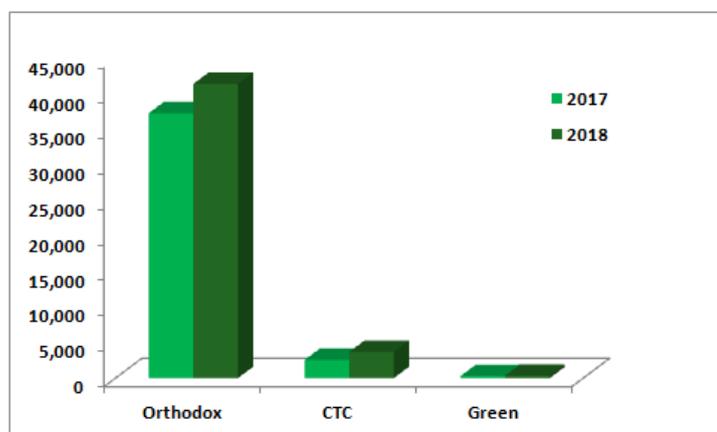
Sri Lanka Tea Production -January / February 2018

Sri Lanka Tea Production during February 2018 amounted to 21.0 million kg showing a gain of 2.4 million kg vis-à-vis 18.6 million kg during February 2017. On a cumulative basis, January to February 2018 tea crop amounted to 45.5 million kg recording a gain of 5.3 million kg against the volume of 40.2 million kg registered during January - February 2017. All three elevations registered crop increases- High grown (1.5 MKG), Medium grown (0.8 MKG) and Low grown (2.8 MKG) compared to the same period in 2017.

When analyzing the CTC production in February 2018, the volume of 1.7 million kg shows a significant gain of 0.5 million kg vis-à-vis 1.1 million kg during February 2017. All elevations have shown a growth YOY with High Grown and Medium Grown showing a fairly significant gain over the corresponding period of 2017. On a cumulative basis CTC production during the period of January-February 2018 amounted to 3.6 million kg registering a gain of 1.1 million kg vis-à-vis 2.5 achieved during January-February 2017.

The category wise tea production figures for the first two months period are appended below (MT).

	2017	2018	Change%
Orthodox	37,414	41,544	11.00
CTC	2,588	3,696	42.80
Green	297	359	20.80
Total	40,299	45,599	13.15



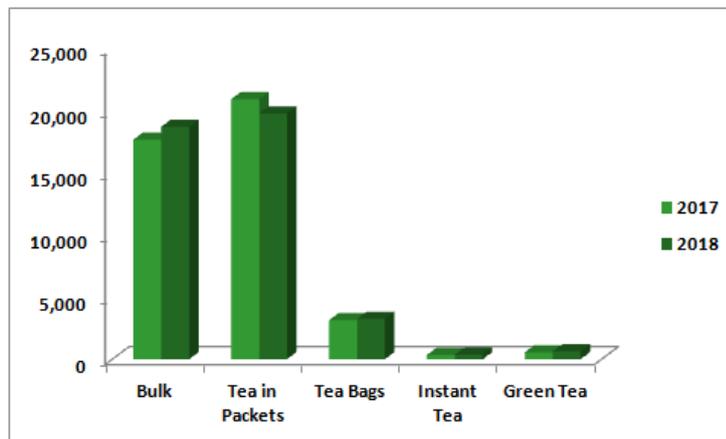
Sri Lanka Tea Exports- January / February 2018

Tea Exports during February 2018 amounted to 21.7 million kg showing a marginal decrease of 0.7 million kg vis-à-vis 22.4 million kg during February 2017. On a cumulative basis, January-February 2018 exports amounted to 42.7 million kg showing a marginal gain of 0.1 million kg vis-à-vis 42.6 million kg during January-February 2017. Tea bags and Bulk Tea segments showed a growth compared to the corresponding period of 2017 whilst Tea in packets have shown a marginal decrease. The revenue of Rs.35.5 billion achieved have shown an increase of Rs.3.1 billion vis-à-vis Rs.32.4 billion during January-February 2017. The FOB value of Rs.830.40 per kg shows a gain of Rs.69.65 vis-à-vis Rs. 760.75 per kg registered in the same period in 2017.

Iraq has emerged as the largest importer of Ceylon Tea in the first two months followed by Russia and Turkey whilst Iran has moved to the fourth position. Other noteworthy importers are UAE, China, Syria and Azerbaijan.

The relevant tea export figures for the two months period are summarized below (MT).

	2017	2018	Change %
Bulk	17,668	18,714	5.92
Tea in Packets	20,932	19,784	(5.48)
Tea in Bags	3,133	3,247	3.63
Instant	340	375	10.29
Green	549	631	14.93
Total	42,622	42,751	0.30



TEA appreciates HE Dr. Saman Weerasinghe

Tea Exporters Association recognizes the vital role played by HE Dr. Saman Weerasinghe in resolving the recent tea issue with Russian Federation at a ceremony held in Moscow, Russia in early February. Russia imposed restrictions on import of all agricultural products including tea from Sri Lanka on the 18th December 2017 after it found a beetle, in a container of a consignment of tea from Sri Lanka.

The close association HE the Ambassador maintains with Russian authorities helped to resolve the issue within a few days. Mr. Jayantha Karunaratne, Chairman of TEA presented a plaque to HE Dr. Saman Weerasinghe at a ceremony organized by the Sri Lanka Embassy in Moscow to coincide with Sri Lanka participation at the 25th PRODEXPO Trade Fair in Russia held from 5th to 9th February 2018 in Moscow.



2018 Annual General Meeting

The 19th Annual General meeting of Tea Exporters Association is scheduled for Friday, 31st August 2018 at the Oak Room, Cinnamon Grand from 6.30 pm onwards. TEA would like to see all member companies participating at the event.



TEA interacts with SLTFOA



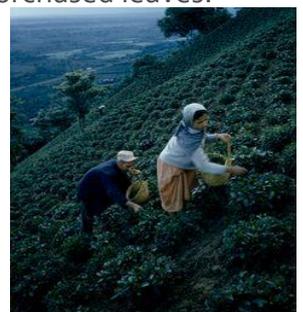
The Members of Management Committee of TEA had an interactive session with Committee members of SLTFOA in January 2018 to discuss and understand industry issues related to both parties. The declining trend in tea production, Below ISO 3720 standard tea offered at the auction, MRL issue in tea, Adulteration of tea etc were the main areas that was under discussion. Both sides agreed to work in close co-operation to resolve the issues faced by the producers and exporters.

Iran Tea Production

Iran exported about 7,500 tons of tea worth \$11.3 million during the first eight months of the current Iranian year (March 21-Nov. 21, 2017), registering a 6% decline in weight but an 8.6% rise in value compared with the similar period of last year. The figures indicate that the price of Iranian tea has gone up in the international markets, ISNA reported.

During the harvest season from June to October, the government purchased about 108,000 ton of fresh tea leaves worth 2.03 trillion rials (\$50 million) from local farmers, registering a 23% decline compared with that of last year the Head of Iran Tea Organization has stated. The bad weather and low precipitation had been the reasons for the decline in tea production. It is reported that a total of about 24,000 tons of processed tea have been produced from the purchased leaves.

Tea is cultivated in northern Iran on more than 25,000 hectares of fields. The special climate of the region causes the tea plants to hibernate every year during the six months of autumn and winter. The extreme cold terminates a majority of the pests and the rest are dealt with through biological methods. Iranian tea is considered organic that gives them an edge in international markets ISNA also reported.



Kenya to increase Tea Exports

Kenyan tea export income is expected to reach KSh135 billion (\$1.3 billion) in 2018, up by KSh6 billion compared to the results from the previous year, Reuters reports.

According to Kenyan tea directorate, this performance should be spurred by an increase in export based on an assumption of production rebound in 2018 fostered by better weather condition.

Tea output should thus be estimated at 452, 000 tons in the actual season against 439, 850 tons (due to warm and dry weather in Q1), in 2017.

(Source - East Africa Tea Association)



Azerbaijan imports more tea from Russia

Azerbaijan, being known as a country where tea is a favorite beverage of the population, is largely involved in export and import of the product.



Over the past three years, Russia has increased export of tea products to Azerbaijan by 60 percent, to 640 tons per year, according to Director General of the Russian Association of Tea and Coffee Producers. The main importers of Russian tea are Ukraine (2,300 tons in 2017), Moldova (about 1,000 tons), Poland, Germany, Latvia (less than 0,500 tons in total) and Azerbaijan.

Azerbaijan not only imports, but also exports tea. The State Program for the Development of Tea Industry for 2018-2027 outlines to develop tea growing, increase the export potential and ensure the employment of rural population. Tea harvesting is planned to be increased by 10.96 times in Azerbaijan by 2027. The implementation of the state program will make it possible to increase the area of tea plantations up to 3,000 hectares and tea harvesting to 8,500 tons. This will greatly reduce import dependence, as well as increase the export potential of this sector.

Azerbaijan is the largest tea producer among the CIS countries. This applies not only to black tea varieties, but also to green ones. The tea is mainly grown in the Lankaran-Astara region.

MENA: economic performance remains threatened by heightened political uncertainty

Economic fundamentals remain strong in the Middle East and North Africa on the back of higher oil prices, strong global growth and accommodative financial conditions. However, widespread security threats and political unrest pose a sustained risk to the region's economic performance, and spillovers from OPEC's oil-cut deal continue to weigh on oil-producing countries. The MENA region's economies rose an aggregated 1.7% annually in Q3, down from the 2.1% increase in Q2 of last year. Despite the deceleration, an analysis of individual countries paints a brighter picture of the regional economy.

The recent protests erupted in several cities in Iran over economic, military and political issues are putting pressure on the government budget. The country's high unemployment rate, in particular among women and youth people, and the fact that the benefits from the lifting of the economic sanctions have not yet had an impact on the population also fueled unrest. Syrian has become a battle ground for world super powers and situation could get aggravated in the coming months. The issues in Libya are far from over and the internal conflicts will continue as the Tripoli is unable to control the rival parties. Despite overcoming ISIS threats, Iraq will need more time to rebuild the country and record a substantial improvement in the economy.

Several countries in the region, including Qatar, Saudi Arabia and the United Arab Emirates, released their 2018 budgets recently, which include a more expansionary approach compared to last year's plans. While increased spending should boost economic activity this year, a looser fiscal stance in many countries in the region has the potential to derail some of the fiscal consolidation processes. Saudi Arabia and the United Arab Emirates have announced the implementation of a value-added tax (VAT) as of 1 January, which is expected to broaden the tax collection base and increase revenue. Four other Gulf Cooperation Council (GCC) countries—Bahrain, Kuwait, Oman and Qatar—have pledged to do the same.



Higher oil prices will boost economic growth among oil-producing economies this year, which will have a positive impact on regional growth in MENA for 2018. Moreover, countries in North Africa will benefit from improved agricultural output and a mild recovery in tourism. Geopolitical risks remain high, however, hampering the possibility of a sharp and sustained economic recovery. The MENA region is expected to expand by 2.9% in 2018 and by 3.3% in 2019. Egypt is expected to be the fastest-growing economy in 2018, followed closely by Iran. At the other end of the spectrum, Saudi Arabia, which is facing the lion's share of OPEC's oil-cut reduction, and Lebanon, engulfed by sustained political instability, are expected to be the region's worst performers.

Indian Tea growers to come under weather-based insurance schemes soon

Small tea growers, contributing nearly half of the national yield, are finally going to have insurance coverage against loss incurred due to adverse weather conditions as they have been demanding for more than a decade. Following introduction in few pilot districts, the insurance scheme will be scaled up to pan-country level in a phased manner. The scheme will be implemented by Tea Board of India with the support of other stakeholders and Agriculture Insurance companies.



Highly dependent on the whims of weather, tea demands effective weather-based insurance like coffee or rubber. We have been demanding this for more than a decade, said President of the Confederation of Indian Small Tea Growers Associations.



A standard weather mapping or 'term sheet' will be prepared with the help of Indian meteorological department. In case of any claim of loss due to natural calamity, the deviation of actual weather condition from the term sheet will be the basis of claim settlement. This will speed up claim recovery as field inspection to confirm the calamity is not needed reported by an insurance expert.

Following finalization of policy design by the ITB, the insurance companies will be asked to set premium value and submit their Expression of Interest. The beneficiary will pay 25% of the premium while central and state governments' will bear 50% and 25% of the premium respectively.

Though the scheme remained mainly focused on small tea growers, "being equally dependent on weather conditions, set and organized gardens also deserve similar insurance protection," said Secretary General of Tea Association of India in his immediate reaction over the development.

(Source: Economic Times)

Uganda to sell tea direct

Uganda is seeking for avenues through which it can directly market its tea to large consumers such as Russia, United Arab Emirates and Iran to earn a large premium, according to Uganda Export Promotion Board (UEPB).

The Board is searching for ways through which they can promote Uganda's tea instead of selling it through the Mombasa Tea Auction. This, according to the chief executive officer of Uganda Tea Development Agency, will give producers a chance to negotiate better prices.



"At Mombasa we take prices as they come," he said, urging government to expedite the direct market access process. Currently, about 97 per cent of all tea from Uganda is exported and sold through the Mombasa Tea Auction.

The move, if achieved, will give Uganda an opportunity to market its own tea brand.

According to the Uganda Tea Association, the country exports more than 60,000 tonnes of tea through the Mombasa Tea Auction.

(Source - East Africa Tea Association)

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