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Tea Exporters Association
Sri Lanka

NEWSLETTER

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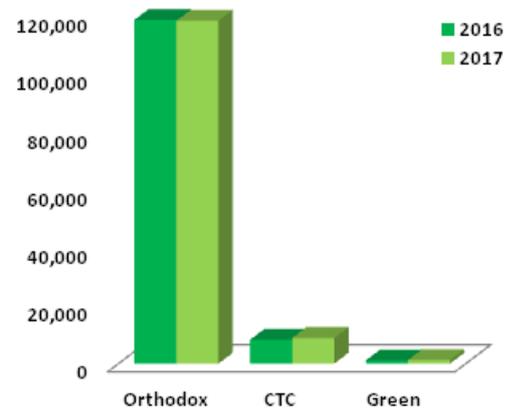


Sri Lanka Tea Production - 2017

Sri Lanka tea crop figures released by SLTB reveals that country has produced 29,459 MT of tea during the month of May 2017 in comparison to 30,823 MT produced in the corresponding month of last year. This reflects a drop of 1,364 MT or - 4% in the month's tea production.

However, the cumulative tea production for January – May 2017 period has registered a marginal growth of 0.39% or 505 MT when compared with the same period last year. The available tea crop figures for the five months period are given below (in MT).

	2016	2017	Change%
Orthodox	119,202	118,957	(0.20)
CTC	8,256	8,884	7.60
Green	1,121	1,243	10.89
Total	128,579	129,084	0.39

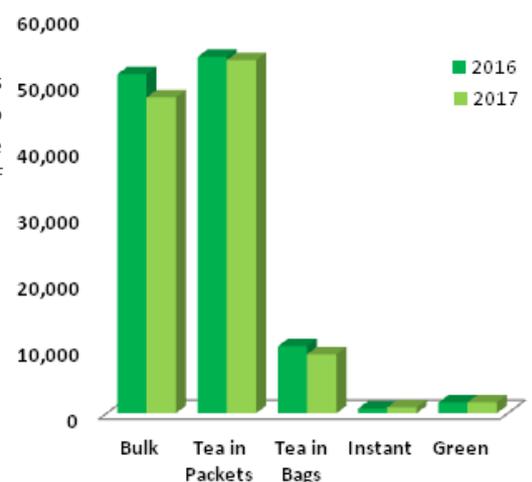


According to Colombo Tea Brokers Association (CBA), except for the High Grown tea which recorded a marginal decrease of approximately 3% Medium and Low Grown teas have shown very marginal gains. Considering the aftermath of floods in May this year, June '17 tea Production is unlikely to match up to the 25.6 million kg harvested in June 2016. Therefore, the half yearly figure is likely to total around 152 million kg. CBA further states that if the country does not experience any extreme climatic conditions, 2017 crop on a fairly optimistic note should total 300-310 million kg. Current tea prices would facilitate a more liberal application of fertilizer (weather permitting) and combine with a more relaxed weedicide policy is likely to result in an overall improvement in the end product as well. CBA also opine that second half of a year usually commands better demand and this year is unlikely to be an exception although the dizzy heights experienced earlier this year is unlikely to be repeated.

Sri Lanka Tea Exports - 2017

Despite the drop in tea crop in the month of May, Sri Lanka exported 24,312 MT of tea during the month against the volume of 21,264 MT exported in the same month last year registering an increase of 14.33%. However, the total tea exports during the first five months of the year declined by 5,053 MT or -4.29 % to 112,840 MT, when compared with the volume of tea exported during the same period last year. The cumulative tea export figures for the first five months of 2017 are as follows.

	2016	2017	Change %
Bulk	51,364	47,824	(6.89)
Tea in Packets	53,989	53,493	(1.00)
Tea in Bags	10,167	8,947	(12.00)
Instant	737	897	22.00
Green	1,636	1,679	2.62
Total	117,893	112,840	(4.29)



Nevertheless, the revenue of tea exports in the five month period has gone up to Rs. 89,264 million against the amount of Rs. 71,694 million in 2016. The average FOB price of tea exports realized for the first five months of 2017 is Rs. 791.07 per kg against Rs. 607.45 registered for the same period last year. The high tea prices in Colombo Tea Auction due to crop shortage were the major contributory factor for increase kg in the average FOB price of tea.

150 years of Ceylon Tea

The celebration of 150 years of Ceylon Tea which began with the unveiling of the bust of James Taylor at SLTB premises in January this year would move overseas with the unique Global Ceylon Tea Party covering each time zone around the world that will be held on 6th July 2017 at 5.00 pm. The overseas events will be hosted by Sri Lanka Diplomatic Missions in selected countries. The local event is to be held at the Galle Face Hotel on the same day at 5.00pm.

The ceremonial releases of commemorative coin of Rs. Ten, postal stamp and first day cover are scheduled for 12th and 13th July 2017 respectively.

The launch of commemorative book covering an authentic historical record of 150 years of Ceylon Tea and the Grand Charity Tea Auction will be held on 20th July 2017 at BMICH. The funds raised will be invested in charitable projects.

The Colombo International Tea Convention is scheduled for 9-11 August 2017 at BMICH. Over 300 foreign and local participants are expected at this event. The FAO/IGG conference on Tea is scheduled for 12th & 13th August 2017.

An exhibition with the participation of tea manufactures, exporters and service providers will be held from 11-13 August 2017.



2017 Annual General Meeting

The 2017 Annual General meeting of Tea Exporters Association is scheduled for Friday, 20th October 2017 at the Oak Room, Cinnamon Grand from 7.00 pm onwards. Members are kindly requested to make a note of the date.

TEA Tie

TEA is pleased to announce the availability of Tie for purchase by the members. It is priced at Rs. 1,250/-. The co-operation of the members for sale of Tie is very much appreciated.

Market Information

1. Outlook of Russia Tea Market-2017

During the first quarter of 2017, the Russian Federation has imported 38.4 million kg of tea from all origins with a value of USD 115.3 million. India has taken the leading position with a volume of 11.2 million kg and a market share of 29%. Sri Lanka is in the second position with a volume of 7.6 million kg or a market share of 20%. Other leading tea exporting nations to this market in the first quarter of 2017 are Kenya – 5.9 million kg (15%), Vietnam – 4.1 million kg (10.5%), China – 3.4 million kg (10%) and Indonesia – 2.3 million kg (6%). It can be projected that the total tea imports to the Russian federation for the year 2017 will be in the range 160-165 million kg.

According to the trade sources, some reasons for the declining trend of tea imports can be highlighted as the aggressively picking –up the hot beverage market by coffee and increasing demand for herbal/fruit teas. The prolonged economic crisis in the country also contributed a lot to lower the disposable income of the Russian consumers which led to the importation of more teas from countries like India and Vietnam at a lower price at the expense of high priced and high quality Ceylon teas.

It is apparent that one of the key contributing factors for declining of Ceylon tea to the Russian tea market is the continuous increase of tea prices at Colombo tea auction. It can be anticipated a further increase of Ceylon tea prices this year too due to lower production caused by the natural disasters, changing weather pattern, non-application of weedicides in tea plantations, etc In this context, the Ceylon tea exports to Russia will further decline. It can be estimated that the Sri Lanka tea exports to Russia will be in the region of 30 -35 million kg in 2017.

According to the economists, the continuation of the economic crisis in the Russian Federation is expected for this year too and the Russian Ruble will be traded between 60/- to 65/- per US Dollar if the world oil prices do not escalate and the sanctions against Russia is not lifted in the coming months.



A meeting between the US President, Mr. Donald Trump and the President of Russia, Mr. Vladimir Putin is scheduled to be held during the G 20 Summit in Germany in July 2017. All Russians are paying attention to this meeting hoping an improvement of relationship between the two nations and lifting some sanctions by the US against Russia. In this scenario, if the sanctions against Russia are lifted, the Ruble is expected to be appreciated and the confidence of the business community will be increased.

(Courtesy- SLTB Office in Moscow)

2. Forecast for MENA Region - 2017

The new Gulf crisis among Qatar and neighboring Middle Eastern countries is close to the completion of a month without signs of a compromise. The ultimatum for the demands is coming up and the absence of a solution may push the coalition to introduce more drastic economic sanctions, resulting in the prevailing geopolitical mechanism to distort substantially. Qatar is a small tea market of less than 03 million kilos absorbed annually where Sri Lanka is a negligible player while India and Kenya are more dominant suppliers. Thus, any direct impact may not be envisaged on Ceylon Tea performance but if the supply sources of most of the FMCG products shift hands to Iran and Turkey which is a clearly visible scenario, then new product lines may enter Qatar.

Sending predictions haywire, the global oil prices has declined to USD 45 per barrel range. That's not good news for Ceylon Tea which still depends on the MENA Region for the sale of 55% of all its exports and CIS Region for the disposal of another 20% of total off-takes. The re-export trade out of Mersin Free Zone has got activated strongly with larger volumes reaching Iran and Northern Iraq through cross-border business.



As a result, the Ceylon Tea imports by Turkey have gone up substantially and a similar trend is expected to continue even during the second half of 2017. It is a known fact that directs imports from Iraq and Iran both, usually take a dip when Turkey becomes pro-active through Mersin. This scenario is bound to continue during the next few months as well. The buoyant Colombo Auction prices have compelled Iranian buyers to look at India more seriously despite the lack of required quantities of orthodox teas. The strained relations with Iran and the sanctions against Iranian banks are a major factor hindering the performance of U.A.E. where a majority of re-exports are destined. There are no signs of a change in this status quo.

Libya which has been allowed to sell more crude oil officially is more active at the Colombo Auctions since the last quarter of 2016. The re-export of Ceylon Tea from Libya to several North African countries such as Tunisia, Algeria, Mauritania and Morocco has increased. This pattern may remain in to the second half of 2017. In respect of other out-markets falling within the MENA Region, Syria is indeed, in a hopeless ground situation with the war continuing at an apex. Prior to the crisis, the population was registered at 23 million people. Today, half a million is dead, 6 million are refugees and 7 million are displaced. In that background, imports by Syria will remain subdued during the short term. Syria was a captive market for Ceylon Tea with more than 90% share and during the pre-war era, the domestic consumption alone was 18 to 19 million kilos. Usually another 07 to 08 million kilos was imported by Syria for re-exports, mainly to Turkey and also to Iraq/Iran.

Jordan and Kuwait are both confining their tea imports mainly for domestic consumption since last year due to the cross-border difficulties. The penetration by Kenya, which was not a traditional supplier to Jordan in the past, needs to be highlighted. Lebanon which has accommodated a million refugees from Syria has increased purchases from Sri Lanka by 40% during the first half of the current year. This phenomenon is expected to continue. The domination by two major brands in Saudi Arabia has curtailed the opportunities for expansion of Ceylon Tea. Breaking this strangle hold needs more than courage and determination.

(Courtesy - SLTB Office in UAE)

3. Rain Forest Alliance to merge with UTZ

The Rainforest Alliance and UTZ, two of the world's leading sustainability certification organizations, have announced their intention to merge later this year.

The new organization, to be named the Rainforest Alliance, will tackle environmental and social issues around the world, including climate change, deforestation, poverty, and unsustainable farming. It will create a single global certification standard that will simplify certification for farmers and empower companies to build more responsible supply chains, more efficiently. The future Rainforest Alliance will help ensure that more products are responsibly sourced, helping farmers and companies meet the growing demand for products with sustainable credentials.

The future sustainability standard, a single certification program known as the Rainforest Alliance standard, will utilize the respective strengths of the current Sustainable Agriculture Network (SAN) and UTZ standards while creating a single auditing process for certificate holders.



As a result, it will be an easier path for companies to achieve proven sustainability certification, allowing them to drive innovation throughout their supply chains. Streamlining the certification process will also help the 182,000 cocoa, coffee, and tea farmers currently certified under both standards and new farmers alike to invest more efficiently in sustainability, avoiding a double administrative load of working with two standards and certification systems.

Adopting the name "Rainforest Alliance" helps retain well-established engagement with consumers. By combining forces, the two NGOs will provide a leading platform to help increase demand for responsibly sourced products.

4. Vietnam's five-month tea export sees strong growth

Vietnam has exported an estimated 10,000 tons of tea with turnover of USD 17 million in the month of May 2017 according to the Ministry of Agriculture and Rural Development. However, the export price of tea in the last five months has decreased by 3.8 percent compared to the same period last year, to USD 1,452 per ton on average.

India was the top consumption market of Vietnamese tea in the period, with export volume to the market increasing 11.6 times year-on-year. It was followed by Poland, the United Arab Emirates (UAE), Taiwan (China) and Russia, with respective rises of 93.6 percent, 77.5 percent, 44.3 percent and 17.5 percent. However, exports to Pakistan, the biggest market of Vietnam's tea with 25.5 percent of the market share, decreased by 1.4 percent in volume and 6.3 percent in value compared to the same period last year.

The Vietnam Tea Association (VITAS) predicted that the country's export volume in 2017 will increase by about 10 percent from 2016. Vietnam exports tea to 110 countries and territories worldwide, with the Vietnamese tea brand registered for protection in 70 countries and regions. Vietnam's key tea export markets are Afghanistan, Indonesia, Russia, Pakistan, Taiwan (China), the US, China, the UK and the UAE.

Vietnam mainly exports black tea, accounting for about 78 percent of total tea exports. Vietnam is the world's seventh largest tea producer and among the top five tea exporters. However, the country ships mainly material tea and low-value tea products.

5. Is coffee culture overtaking tea culture in China?

Asia Pacific region is the highest tea producer and is forecasted to reach a market value of approximately USD 29 billion by 2020. Tea is an integral part of the culture of China and tea drinking has evolved over the years. Tea in China is of three types, black, green and red. These three types have various further varieties.

China's tea market has decelerated from a growth rate of 18% in 2010 to 5.8% in 2015-16. In the year 2015-2016, China tea production increased approximately by 3% in 2015-16 year-on-year. The growth was slower than expected due to bad weather and cold temperature at the start of the year with significant damage to tea crops. Since the Chinese Government has abandoned its system of quotas and licensing restrictions on tea exports in 2006, the number of tea exporters has been rising apart from a few state owned companies.

Coffee isn't a native beverage to China. Though the country has been around and kicking since 2100 BCE, researchers have only traced its coffee consumption to the late 1800s. It's believed that French emissaries brought it to Yunnan Province and intrigued the locals with its bittersweet taste.

Despite its early origins, however, it can be argued that coffee didn't really take off until 1999. That's when Starbucks opened its first café in Beijing. Sales were initially slow: While Americans consume an average of four cups a day; the Chinese are more likely to drink four cups of coffee a year.

Business in the '90s was only profitable because the sheer size of China's population ensured that there were always customers. They might've been sporadic, but they were continuous. The landscape is a little different in 2017.

For one, there are thousands of Starbucks locations across the country; the brand even thinks that their Chinese market might overtake their American market someday. There are also hundreds if not thousands of independent cafés and fast food restaurants offering coffee beverages on their breakfast menus. Coffee is becoming a force to be reckoned with in Chinese culture.

What caused this shift in the Chinese perception? Some believe that it's the natural impact of globalization. Once the country opened its borders to international business and trade, they flooded the market with new products, brands, trends, demands, and expectations.

Caffeine-craving expats needed their daily fix. Travelers to and from China were tasting coffee and spreading the gospel. If coffee wasn't exactly commonplace, it at least moved from "rare" to "recognizable." Other people think that coffee's popularity might have to do with its existence as a status symbol, especially in cities like Beijing and Shanghai. They've long been the country's trendsetters in matters of food and fashion, so once they embraced coffee as a trendy beverage, the rest of the nation followed suit. This theory is supported by the higher-than-average price of coffee in many Chinese markets; while it isn't exorbitantly expensive, a cup of Starbucks can be anywhere from \$1-\$3 more than in neighboring countries.



It's also interesting to note the differences in "coffee culture" between China and the Western world. While Americans and Britons tend to throw back a quick espresso and continue with their day, the Chinese prefer to take their time. They sit and socialize. They sip their drinks over hours of conversation. A café isn't just a pit stop on their way to work; it's a destination in itself.

Chinese cafés have encouraged this mindset, probably as an effort to drum up more business. They design their buildings with relaxing, Eastern-inspired architecture; they fill their menus with things like green tea Frappuccino and red bean pastries. Since the average citizen is still unused to strong, bitter coffee, most cafés offer a variety of frothy lattes and sweet cocoas.

The most popular type of coffee is instant coffee, particularly "three-in-ones" that offers coffee grounds, creamer, and sweetener all together. Coffee machines are also gaining popularity in homes and offices. Coffee is increasingly seen as an everyday drink rather than the occasional indulgence, so the day might not be far where those four cups a year become four cups a month.

While it might be a stretch to say that coffee has overtaken tea as a cultural commodity, it's definitely not as rare as it used to be. From glamorous cafés selling high-priced macchiato to street vendors hawking on-the-go java juices, you can see more and more of China's emerging coffee culture with each passing day.

6. Tea & coffee in Kazakhstan - Tea: Kazakhstan's national drink

Kazakhstan is one of the world's great tea drinking nations. Hot drinks are very much part of Kazakh culture, where meeting together to enjoy a brew or two is an integral part of society. Coffee consumption remains much lower than tea – but changing attitudes are making Kazakhstan an emerging market for tea and coffee exporters.

The Central Asian state is the world's 10th biggest tea consumer. Per capita per year, Kazakhstan consumes 1.54 kilograms of tea. Approx. 99% of Kazakhstan's 17 million population drinks tea every day – 50% drink four or more cups a day. Even though tea is a big part of Kazakh life, the nation is not a major tea producer. It relies on imports to fuel its citizen's thirst.

Consumption of tea and coffee far outstrips domestic production. 2014's statistics, provided by the Committee on Statistics of the Republic of Kazakhstan, show processed tea and coffee production reached 21,000 tons that year. Imports totaled 40,300 tons, while consumption stood at 59,100 tons. Imports of tea and coffee products came to \$124.7 million in 2016. Tea made up the vast, vast majority of this import profile, reaching around \$120 million. Coffee, both roasted and unroasted varieties, makes up the remainder of Kazakhstan's hot drink related imports.

Black tea is far and away the most popular variety in Kazakhstan. Some 90% of imported tea comes in the form of black tea, packaged in teabags, sold in 3kg boxes. The international research companies suggest herbal and flavoured teas is a growing market sector. They also states that domestic producers, such as Tea House which holds a 20% market share are starting to offer low-priced flavoured varieties – revealing another potential route for exporters to explore.

While tea is firmly established in Kazakh culture, coffee does not currently enjoy such a formidable presence across the country. However, things are changing in this regard. Coffee consumption is rising throughout Kazakhstan, making it a potentially lucrative import market. Showing the potential of coffee in Kazakhstan, major international chains set up shop there in 2016. Both Starbucks and Costa now have Kazakh operations. Almaty and Astana, Kazakhstan's biggest cities are driving a surge in coffee consumption while coffee culture is rapidly establishing itself nationwide.

While tea dominates Kazakh tea and coffee imports, its comparatively more exotic cousin features on import profiles too. Imports of coffee, including fresh, dried, and instant varieties, hover around \$4-5 million dollars annually. Kazakhstan imports tea and coffee products from over 28 countries. Its chief tea suppliers are India, Sri Lanka, China, the UAE and Kenya. Coffee, on the other hand, is not primarily sourced from African or South American producers as you might expect. Kazakhstan's coffee tastes are distinctly European.

Russia is the nation's biggest coffee trading partner, exporting around products worth around \$2 million annually. Italy and Germany are also big suppliers of coffee to the Kazakh market. It is predicted that coffee is here to stay in Kazakhstan. Why? Thanks to Kazakhstan engaging in greater levels of international trade, citizens of its major urban areas are getting more in touch with European culture – of which coffee drinking is a major part.



7. Kenya to export tea coffee to Jordan

Kenya and Jordan have struck a deal to export tea and coffee worth over US \$60 million (Sh6 billion) to the Middle East country. The deal was signed in April 2017. This follows the signing of the Economic and Trade Cooperation Agreement between the Hashemite Kingdom of Jordan and the Republic of Kenya last December.

The latest news reports state that Kenya's tea exports volume dropped by 36% in April compared to the same period last year, The El Nino phenomenon has significantly impacted the weather patterns around Kenya, limiting agriculture production because anticipated seasonal rains did not come.



According to the Kenyan Tea Board, this negative result is the consequence of the fall in production (-17%) linked to the hot and dry weather, which prevailed in all the leaf cultivation areas, especially the East of the Rift Valley. However, the drop in tea production in Kenya, one of the world's biggest producers of the commodity, is likely to be compensated by high prices at the Mombasa Tea Auction.

There are at least 560,000 smallholder tea farmers in Kenya, according to the Kenya Tea Development Agency (KTDA, which operates 67 factories and is responsible for 60 percent of Kenya's annual tea production and exports.

The country plans to produce this year a volume of between 420 and 450 million kilograms of the leaf, a volume below the 473 million kg harvested in 2016.

8. Andes-gron Specialty Tea from Colombia

High in the Pacific-facing Andes where the soil is rich and young, an innovative tea garden has captured the attention of specialty buyers. Bitaco is the home of Colombia's only commercial tea garden, a place close to the equator at an elevation of 6,500 ft (1,800– 2,050 meters) and tucked away between wildlife-rich national parks.

Tea bushes there are 35 years old, planted initially for CTC production on 51 hectares, but transformed in the past few years to orthodox production of green and black teas with an additional 10 hectares of herbal teas. Forty more hectares are planned for the next few years. Specialty grades are certified organic (USDA and EU) and sustainably certified by UTZ. The factory is impressively modern and the staff young, bright, and enthusiastic.

Bitaco Unique Colombian Tea has the support of the Colombian government and the pedigree of parent company Cali-based Agrícola Himalaya SA, which has supplied high-volume South American teas for several decades. The company's goal is to take its specialty teas to the international market, says International sales director Juan Gonzalez. The spring 2017 launch targets the United States, Canada, six European countries, and six Latin American countries, he said.

9. India's April tea exports drop 9.2%

India's tea exports in April fell 9.2% from a year ago to 12.21 million kg, the state-run Tea Board said in a statement.

However, the country's tea exports in the first four months of 2017 rose by 5.7% to 72.77 million kg, it said. India, the world's second-biggest tea producer, exports CTC (crush-tear-curl) grade mainly to Egypt, Pakistan and the UK, and the orthodox variety to Iraq, Iran and Russia.

India is one of the key producers and consumers of tea globally. In 2016, approximately 216.79 million kg of tea was exported from India. It is projected that Indian tea exports will grow to 260 million kg amounting to USD 756 million by 2019-2020.

In the year 2015-2016, India witnessed increase in tea production by 3% year-on-year. While Assam generated 652.95 million kgs of tea, an increase of 7.61%, west Bengal witnessed 1.68% rise in production year-on-year. On the other hand Tamil Nadu experienced a drop in production by 3.54% year-on-year due to severe drought. Kerala's drop in production by 15.73% was due to erratic weather conditions and labour unrest.

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T·E·A
Tea Exporters Association
Sri Lanka

Tea Exporters Association
1st Floor, Ceylon Chamber of Commerce, 50, Navam Mawatha, Colombo 2.
DID/ FAX : +94-11-243-3308 Email : admin@teasrilanka.org
Website : www.teasrilanka.org