

2019

# ANNUAL REPORT



SRI LANKA TEA BOARD

# Annual Report

# 2019

Sri Lanka Tea Board

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## **CONTENTS**

<b>Vision and Mission - 04</b>
<b>Members of the Sri Lanka Tea Board - 05</b>
<b>Members &amp; Observers of the Audit Committee - 06</b>
<b>Senior Management Staff - 06</b>
<b>Members of the Promotion and Marketing Committee - 07</b>
<b>Message from the Chairman - 08</b>
<b>Key Highlights - 11</b>
<b>Corporate Background - 12</b>
<b>Structure and activities undertaken - 13</b>
<b>    Tea Commissioner's Division - 16</b>
<b>    Tea Exports Unit - 23</b>
<b>    Tea Promotion Division - 26</b>
<b>    Tea Tasting Unit - 33</b>
<b>    Analytical Laboratory - 35</b>
<b>    Administration Division - 38</b>
<b>    Internal Audit Section - 39</b>
<b>    Information Technology Section - 40</b>
<b>Industry Profile- 41</b>
<b>Financial Review - 74</b>
<b>Auditor General's Report - 102</b>
<b>Offices of the Sri Lanka Tea Board - 112</b>



## VISION

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To position  
Ceylon Tea as the  
“Most Aspired Beverage”  
in the global market

## MISSION

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To increase the foreign  
exchange earnings to the  
country through sustainable  
development of the industry  
and thereby ensuring  
the economic development  
of the plantation community

# Members of the Sri Lanka Tea Board

## Chairman

**Mr. Lucille Wijewardena**  
from Jan 2019 - Nov 2019

## Secretary to the Board

**Mr.S.A.Siriwardane**  
Director General

## Members

Working Director	Treasury Rep	Chairman, SLFTSHDS
<b>Mr. Nimal Mithraratne</b> Jan 2019 - Nov 2019	<b>Mr. A.M.P.M.B. Attapattu</b> from Jan 2019 - Nov 2019	<b>Mr. K.L. Gunaratne</b> Jan 2019 – Nov 2019
Ministry Rep	Chairman, CTTA	Chairman, SLTFOA
<b>Ms. W.M.D.T. Wicremasinghe</b> Jan 2019 - Nov 2019	<b>Mr. Anslem Perera</b> Jan 2019 - Aug 2019	<b>Mr. Harith Ranasinghe</b> Jan 2019 – Nov 2019
	<b>Mr. Jayantha Karunaratne</b> Sep 2019 - Nov 2019	
Chairman, CBA	Chairman, Planters' Association of Ceylon	Chairman, Tea Exporters Association
<b>Mr. Anil Cooke</b> from Jan 2019 - Mar 2019	<b>Mr. Sunil Poholiyadda</b> Jan 2019 - Nov 2019	<b>Mr. Jayantha Karunaratne</b> Jan 2019 – Aug 2019
<b>Naren Dambawinna</b> from Apr - Nov 2019		<b>Mr. Sanjay Herath</b> from Sep 2019 - Nov 2019

## Observers

<b>Mr. H.D. Hemaratne</b> Feb 2019 - Nov 2019	<b>Mr. C.S. Weeraratne</b> Jan 2019 - Nov 2019	<b>Mr. L.G. Premasiri</b> Jan 2019 - Nov 2019
<b>Mr. Ajith N. Silva</b> from Jan 2019 - Nov 2019	<b>Mr. D.T. Jayanetti</b> April, 2019 - Nov 2019	<b>Dr. Mohan Abeyratne</b> July 2019 - Nov 2019
<b>Mr. D.M. Kobbakaduwa</b> from Jan 2019 - Nov 2019	<b>Mr. Jivaka Atapattu</b> Jan 2019 - Nov 2019	



## Members & Observers of the Audit Committee - 2019

### Chairman

**Mr. A.M.P.M.B. Attapattu**  
Director General  
Department of Development  
Finance  
Ministry of Finance

### Members

**Mrs. W.M.D.T. Wickramasinghe**  
Additional Secretary (Development)  
Ministry of Plantation Industries  
(from 05/05/2017)

**Mr. Harith Ruwan Ranasinghe**  
Chairman  
Sri Lanka Tea Factory Owners'  
Association  
(from 20/12/2017)

### Observers

**Mr. H.D. Hemarathne**  
Consultant  
Colombo Tea Traders  
Association.

**Mrs. S.D. Katuwawala,**  
Superintendent of Audit  
National Audit Office

**Mr. S.A. Siriwardana**  
Convener  
Director General  
Sri Lanka Tea Board

## Senior Management Staff

**Mr. S.A. Siriwardane**  
Director General

**Mr. E.A.J.K. Edirisinghe**  
Tea Commissioner

**Ms. H.L. Pavithri Peries**  
Director (Promotion)

**Mr. G.A.Hirosh Jayanga**  
Director (Finance)

**Dr. K.R.W. Abeywicrama**  
Act.Director (Analytical Services)

**Mr. S.I.C.Perera**  
Asst. Director General (Administration)

**Mr. H.D.K.Jayasinghe**  
Senior Internal Auditor



## Members of the Promotion & Marketing Committee 2019

"The Promotion & Marketing Committee is a sub-committee appointed to guide the board on promotional and marketing activities for Ceylon tea"

**Chairman**

Sri Lanka Tea Board

**Mr. Lucille Wijewardena**  
(Jan - Nov)

**Director General**

Sri Lanka Tea Board

**Mr. S.A. Siriwardhana**

**Director (Promotion)**

Sri Lanka Tea Board

**Ms. Pavithri Peiris,**

**Consultant - (Global Campaign)**

Sri Lanka Tea Board

**Mr. Hasitha de Alwis**

**Managing Director /CEO**

Asiya Siyaka Commodities (Pvt) Ltd

**Mr. Anil Cooke**

(Jan - May)

**Chairman**

Tea Exporters' Association

**Mr. Jayantha Karunaratne**

(Jan - Nov)

**Director**

MJF Group

**Mr. Dilhan C. Fernando**  
(Jan - Nov)

**Director**

Euro-Scan Exports (Pvt) Ltd

**Mr. Birendra Perera**

(Jan - Nov)

**Director**

Akbar Brothers

**Mr. Tyeab Akbarally**

(Jan - Nov)

**Group Managing Director**

Sunshine Holdings PLC

**Mr. Vish Govindasamy**  
(Jan - May)

**Chairman**

Colombo Brokers' Association

**Mr. Naren Dambawinne**  
(Jun – Nov)

**Managing Director**

Mabroc Teas (Pvt) Ltd

**Mr. Niran Ranatunga**  
(Jan - May)

**Chairman**

Sri Lanka Tea Factory Owners  
Association

**Mr. Harith Ranasinghe**  
(Jun – Nov)

**Head of Plantations and Business**

**Development**

Aitken Spence

**Dr. Rohan Fernando**  
(Jun – Nov)

**Secretary General**

Planters' Association of Ceylon

**Mr. Lalith Obeysekera**  
(Jun – Nov)

**General Manager**

Tea Small Holdings Development  
Authority

**Mr. D. G. Mahipala**  
(Jun – Nov)

**Sri Lanka Federation of**

**Tea Small Holding Development  
Societies**

**Mr. K. L. Gunarathne**  
(Jun – Nov)

Representing Tea Exporters'  
Association

**Mr. Mufaddal Jafferjee**  
**Mr. Avi De Silva**  
**Mr. Rohan Fernando**  
(Jan - Nov)



## Chairman's Statement



On behalf of the Board of Directors of Sri Lanka Tea Board (SLTB), it is my privilege to present the annual report of SLTB and review of performance of the tea industry for the year 2019.

The year under review indicates a slight decline in tea production as well as a sharp drop in the average tea price at Colombo auction when compared with the previous year, whilst the export quantity and the total income from tea exports indicate slight increases. Sri Lankan tea exports in 2019 recorded a total of 292.6 million kilos against the total volume of 282.3 in 2018, which was a 3.6% increase. The average export price (FOB) increased marginally to Rs. 822.25 per kilo in 2019 from Rs. 820.75 per kilo in 2018. The prime destination for Ceylon Tea was Turkey followed by Iraq and Russia importing 39.1, 38.4 and 29.1 million kilos respectively.

“

*Sri Lankan tea exports in 2019 recorded a total of 292.6 million kilos against the total volume of 282.3 in 2018, which was a 3.6% increase.*

”

Sri Lanka's tea production in 2019 recorded only 300.12 million kilograms, a slight decrease from the preceding year's production by 3.8 million kilograms. Low-grown contributed most, approximately 189.9 million kilograms followed by high-grown at 63 million kilos and medium grown teas recorded at 47.17 million kilograms.

The total black tea production was 297.48 million kilos as against 301.3 million kilos in 2018. Green tea production was slightly increased to 2.64 million kilos by 1.6% relative to 2018. CTC production decreased by 1.8%, from 24.0 million kilograms in 2018 to 23.6 million kilograms in 2019. The tea small holders continued to be dominant amongst producers by contributing over 75% of national production.

The total auction average in 2019 was Rs. 545.02 per kilogram, as against Rs 581.93 per kilogram in 2018. This is a 6.34% decrease compared to the previous year. The Colombo Tea Auction averaged US \$ 3.06 per kilogram, which was substantially higher than other auction centers. However, it was significantly lower than US \$ 3.58 achieved in 2018.

The competitiveness of Sri Lankan tea industry is critical to the country's economy. It also contributes to socio-political and economic stability by providing livelihood for many of Sri Lankan rural dwellers and estate community, especially women. The smooth functioning of the entire supply chain stemming from the tea growing, harvesting and manufacture up to the exporter level through the auction system is vital for the sustainability of the Sri Lankan tea industry. One of the main implementation areas of concern is the gradual decline of tea production both in the small holder sector as well as the Regional plantation company estates. The estates are still struggling with achieving production targets whilst striving to maintain consistent product quality. This is mainly due to their inability to adopt mitigating strategies to address climate change phenomena. Lack of skilled labour and non conformances of required quality parameters such as good leaf count, good manufacturing practices and implementation snags in adopting appropriate technology. Our view is, if tea planters and farmers strive to follow good agricultural practices (GAP) which includes maintaining optimum plucking rounds at field level, it is possible to maximize both product quality as well as quantities of tea production.

Despite holding more than one third of the orthodox tea market and enjoying attractive prices in recent years, our tea industry is still subject to volatility and long-term price pressures. There is a need to give 'Ceylon Tea' its due recognition in International markets. The most striking feature of the year was the launching of Ceylon Tea global marketing & promotional campaign, stemming from the Ceylon Tea industry strategy; we need to take a step further going for aggressive 'nation brand visibility'. Though we have a very good diversification of exporter/marketer portfolio, there is a little less diversified product portfolio.

Whilst we promote & nurture the capacity and expertise of our exporters and other stakeholders, we need to assist the newcomers in the industry, by assisting them in their marketing & promotional efforts.

The Global campaign is mainly focused on building "Ceylon tea" as a global brand name which is a key to sustain in the beverage market. Sri Lankan exporters have the potential to build global brands which will pave the way to secure a sizable share of the global consumer markets. Parallel to the campaign, SLTB introduced and continues the brand promotion subsidy scheme for the year 2019 in order to encourage exporters to build their brands in selected target markets.

Tea exporters will have to face many challenges in the near future, and if those are not addressed properly, will adversely affect tea manufacturers and producer/growers too. Adopting aggressive promotion & marketing strategies coupled with industry players practicing total quality management systems at all level, finalization of the 'Ceylon Tea' GI registration etc. would eventually push the industry forward to reap the full benefit for the country.

“

*Our view is, if tea planters and farmers strive to follow good agricultural practices (GAP) which includes maintaining optimum plucking rounds at field level, it is possible to maximize both product quality as well as quantities of tea production.”*

”



The development of the Sri Lankan tea Industry by focusing more on activities covering environmental and social sustainability will be one of the main regulatory authority responsibilities of the SLTB, as there is a trickle-down effect right up to the farmer & the tea estate workers. We, at SLTB strive to ensure that it will be further strengthened on a continuous basis in the future as well. This will be measured through the Tea commissioner division by determining & regulating reasonable price payable to small holder leaf suppliers, looking after the wellbeing of the estate workers and ensuring product quality at all levels in the supply chain. This will have a long-standing positive impact, thus facilitating our efforts of marketing & promotional campaign of Ceylon tea in the international target markets.

“

*The commitment of all the stakeholders throughout the value chain is commendable for the achievement of the industry during the year under review.”*

The contribution & efforts made by the Hon Minister in charge of Plantation Industries & Export Agriculture, the State/Deputy Ministers and the Secretary to the Ministry and his team, especially former Chairman Mr. Lucille Wijewardena & other members of the Board of directors and SLTB staff for the success of year 2019 are immense and highly appreciated. The commitment of all the stakeholders throughout the value chain is commendable for the achievement of the industry during the year under review.

On behalf of the Board of Directors, I would like to thank all our tea industry stakeholders, management team, overseas & local customers for their continuous support and hard work and, I look forward with confidence at 2020 as a successful year for the Sri Lankan tea industry and continued value creation.

Jayampathy Molligoda  
Chairman  
Sri Lanka Tea Board



## Key Highlights

Category	2017	2018*	2019*	Variance (%) 2018 Vs 2019
<b>Tea Production</b>				
Total Tea Production (Mn. kg)	307.06	303.94	300.12	(1.26)
<b>Classification by Elevation</b>				
High	63.99	64.97	63.05	(2.96)
Medium	45.65	47.13	47.17	0.09
Low	197.42	191.84	189.90	(1.01)
<b>Classification by Processing Method</b>				
Orthodox(including Bio)	282.59	277.33	273.89	(1.24)
CTC	21.81	24.02	23.59	(1.80)
Green	2.66	2.60	2.64	1.59
<b>Tea Sales (including Public, Direct, Private)</b>				
Total sales quantity (Mn. kg)	299.24	291.31	301.92	3.64
High	58.51	57.28	59.97	4.69
Medium	49.55	48.68	52.14	7.10
Low	191.17	185.34	189.81	2.41
Total sales Prices (Rs/ kg)	618.19	581.93	545.02	(6.34)
High	600.85	571.81	509.40	(10.91)
Medium	562.64	520.87	470.96	(9.58)
Low	637.89	601.10	576.62	(4.07)
<b>Tea Exports</b>				
Tea exports volume (Excluding Re exports)	278.20	271.80	283.00	4.12
<b>Category wise export quantity (Mn. kg)</b>				
Black	273.70	266.90	277.53	3.98
Green	2.40	2.40	2.27	(5.35)
Instant	2.10	2.50	3.04	21.41
Tea exports Value (Excluding Re exports)(Rs. Bn)	223.00	220.25	227.00	3.06
<b>Category wise export revenue (Rs. Bn)</b>				
Black	216.03	212.95	219.35	3.00
Green	3.70	4.03	4.41	9.55
Instant	2.65	3.27	4.12	26.03
Total Tea exports Volume (Mn. kg)	289.00	282.40	292.66	3.63
Total Tea exports Value (Rs. Bn)	233.30	231.80	241.00	3.97
Production figures are excluding instant tea				
Instant tea(kg)	657,947	3,084,345	4,352,406	

\* Provisional



## 1.CORPORATION BACKGROUND

*“The Sri Lanka Tea Board was established on 1<sup>st</sup> January 1976 by amalgamating Tea Control Department-Tea Control Act No 51 of 1957, Tea Export Commissioner’s Department-Tea (Tax and Control of Export) Act No 16 of 1959, Tea Research Institute of Ceylon-Tea Research Ordinance 1925 and Ceylon Tea Propaganda Board-Tea Propaganda Ordinance 1932 under the Sri Lanka Tea Board Law No.14 of 1975 as amended by Act No.17 of 1985, No.44 of 1990, No.29 of 2003, No 44 of 2006 and No.13 of 2018. In 1993 Tea Research Institute of Sri Lanka came under the management of the Tea Research Act No.52 of 1993. Amendments to Sri Lanka Tea Board Law and Tea Control Act are in progress based on industry requirements to align the current laws and regulations to fulfill the global needs.”*

Prior to the establishment of Sri Lanka Tea Board, promotion of Sri Lanka Tea (Ceylon Tea) was handled by the Tea Propaganda Board in the global context, which was run by the private sector. In 1976 Tea Propaganda was voted out by the parliament and Tea Propaganda was converted to the Sri-Lanka Tea Board with the powers to the tea industry.

As the regulatory body, Sri Lanka Tea Board is responsible for regulating the activities of tea industry, viz. production, increase of cultivation, replanting, rehabilitating old gardens, establishment of factories and monitoring their operations. Additionally, it regulates controls and directs all institutions and organizations engaged in the management of tea estates and in the production and marketing of Tea locally and overseas. The whole process has been monitored and evaluated from factory to the shipment to maintain the “Quality of Ceylon tea” and many actions have been initiated to intensify the monitoring of quality standards of tea at the point of sale, pre-shipment, warehouses of brokers, blenders and exporters and providing advisory services on hygienic blending and storing.

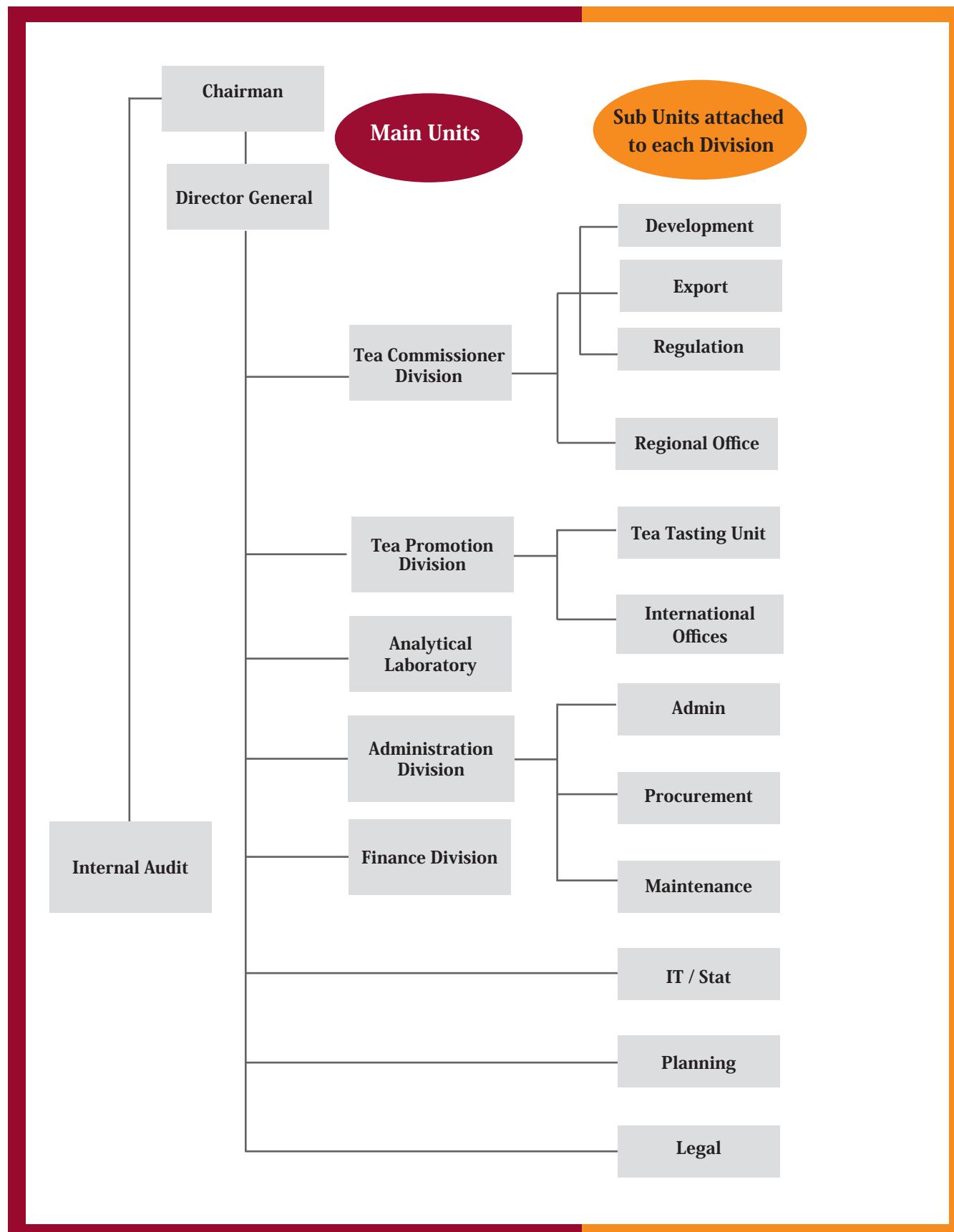
Under development functions, SLTB facilitates the subsidies for upgrading factories and replantation of Tea, awareness programs on minimizing post-harvest damage and productivity enhancement. Additionally, Certification of quality of tea through sensory and chemical analysis is another main responsibility under tea development.

Promotional activities cover the marketing and promotion of Ceylon tea globally, collection and interpretation of tea statistics and delivering competency of the actual markets and ability to retain and expand Ceylon tea among leading markets.

Function of Sri Lanka Tea Board is monitored and advised under the purview of Ministry of Plantation Industries. Financial functions are closely monitored by the Department of Public Enterprises and especially they provide the recommendations and approvals for treasury grants.



## 2. STRUCTURE & ACTIVITIES UNDERTAKEN



## Director General & Main Secretariat

Responsible for overall supervision of all the functions with regard to regulation, development and promotion of the tea industry and administration and financial affairs of the Board. The managerial functions as supporting services are carried out in various sections namely, administration, finance, operations, regulations, promotion, development, planning, statistics, internal audit, secretariat, tasting and analytical laboratory, information technology and library.

## Tea Commissioner's Division

All matters pertaining to regulatory functions in the areas of cultivation, tea production and quality development are functioning under the Tea Commissioner's division. There are seven regional offices under this division.

The tea export division, which is under the control of the tea commissioner, is responsible for all matters relating to the disposal, storage, packing, export and importation of tea.



## **Tea Promotion Division**

All matters connected with promotion of Sri Lanka tea locally and internationally, are handled by the Promotion Division while providing periodical market intelligent reports as per the demand of the Industry. In this respect the division is responsible for local and global media advertising, participation at international Food & Beverage Fairs, Brand Promotion Schemes, and Generic Promotion with the assistance of overseas Tea Promotion Officers and Sri Lanka Missions abroad; Liaison with International Tea Councils & Tea Associations, Inter-governmental Group on Tea of FAO.

The Tea Sales Counter beneficial to the locals and foreigners is in operation with the guidance of the Promotion Division.

The Tea Tasting Unit under the Promotion Division is responsible for examination of tea on Minimum Quality Standards, Reference Standard on Lion Logo and examination of other origin teas through an independent panel of expert Tea Tasters.

## **Finance Division**

The Finance Division is responsible for the overall financial control and management of the Sri Lanka Tea Board. Other major activities of the Finance Division are the preparation of financial policies for the Board, preparation of annual budgets, annual financial statements, monthly accounts and periodic reports, inventory maintenance and annual verification and submission of annual accounts to the Auditor General.

## **Analytical Laboratory**

The division is responsible for testing and issuing quality parameters of chemical, microbiological and pesticide waste using high-tech equipment to maintain tea quality.

Therefore, each unit contributes individually to quality assurance matters, thereby helping to protect the image of Ceylon Tea.

## **Administration Division**

The Administration Division is responsible for the overall administration of human resource management, development, procurement and storage, maintenance, infrastructure development and transportation.





## 2.1 Tea Commissioner's Division

*The Tea Commissioner's Division is one of the principal divisions of the Sri Lanka Tea Board headed by the "Tea Commissioner", appointed under the provisions of Sri Lanka Tea Board Law No.14 of 1975. The Tea Commissioner's Division administers all matters connected with the regulatory & supervisory functions in terms of the Sri Lanka Tea Board Law No. 14 of 1975 and the Tea Control Act No. 51 of 1957 in respect of Development, Manufacturing, and Disposing of the tea industry.*

Functions of the Tea Commissioner's Division have been decentralized into seven regional offices, which are located in Gampola, Bandarawela, Ratnapura, Matara, Baduraliya, Galle and the seventh office newly opened at the Nuwaraeliya in this year.

The Tea Commissioner's Division of SLTB performs following duties in furtherance of the tea industry:

- Registration/licensing and renewal of tea manufacturers and factories
- Registration and monitoring of green tea leaf dealers
- Registration and monitoring of refuse tea processing centers
- Implementing programs for improvements of Green Tea leaf standards and minimizing post-harvest loses
- Granting subsidies for factory modernization and replanting(Including infilling and new planting)
- Monitoring of Reasonable price payments for green leaf suppliers at factory and dealer level
- Monitoring of Good Manufacturing Practices(GMP)
- Collection of statistics related to production of Tea and disseminating them to the related institutes
- Conducting Special investigations on malpractices of tea sector
- Updating and renewal of the information under the program of Tea Land Registration
- Granting subsidies to the tea growers(above 10 acres) under the project of "Model Tea Land"
- Approving glyphosate for the tea lands

Regulations, which were framed under the section 25 of the Sri Lanka Tea Board Law No. 14 of 1975 and delegated to the Tea Commissioner, are appended below.

- a) Sri Lanka Tea Board(Processing & Hygienic Standard for made tea) Regulations 1986
- b) Sri Lanka Tea Board Replanting & Factory Modernization Subsidy Scheme

### 2.1.1 Key Achievements

- The new regional office of Sri Lanka Tea Board was established in the city of Nuwara-Eliya for providing better service to the tea sector.
- The Model Tea Land Project was initiated for providing subsidies for the tea growers (above 10 acres).
- Tea Replanting Subsidy was granted for 48 estates.
- Tea Factory Modernization subsidy was granted for the factories
- Conducting Rush Crop Management programs to the tea manufacturers to manage the rush crop at festive season.
- Continuation the activities relating to the tea land registration (Updating the information).
- Approving Glyphosate for the tea lands.
- Granted loan amount Rs. 507 million of rupees to the plantation companies(23 RPCs) for providing Deepavali festival loan to their workers(Under this total number of 110,273 workers received the loan)



Picture set 01: Opening of new Regional Office of Sri Lanka Tea Board -Nuwara-Eliya



Picture set 02: Model Tea Land Project





## 2.1.2 Registration of Manufacturers and Factories

Under the Tea Control Act No. 51 of 1957 the Tea Commissioner's Division maintains a Register of Manufacturers in relating to manufacturing of tea and the prescribed particulars relating to the tea factories of such manufacturers to be registered. The Tea Commissioner is having the authority to decide whether any person is entitled to be registered as a manufacturer in terms of the Act. Every tea manufacturer should register with the Tea Board for manufacturing and selling teas through Colombo auction.

All the factories manufacturing made tea are essential to register with the Tea Board in order to ensure that the building, equipment and manner of operations of the factory is of a standard conducive to the manufacture of good quality teas, assist in monitoring of quality tea produced by the factory, enables control over the disposal of refuse tea and implementation of reasonable price formula.

Table 2.1.1: Classification of Tea Factories by Operation

Status	High	Medium	Low	Total
Confined to Own Leaf	65	18	11	94
Own leaf & Bought leaf :-				
a) Own leaf less than 50% at total production	14	25	98	137
b) Own leaf more than 50% of total production	67	31	11	109
Bought Leaf only	08	39	260	307
Registered Tea factories in operation	170	134	427	731
Registered Tea factories not in operation	27	58	97	182
Total number of Registered Tea Factories	197	192	524	913

## 2.1.3 Reasonable Price Payable for Bought Leaf

Under the provisions of the Tea Control Act, the factories which are engaging in bought leaf manufacture are required to pay for the bought leaf based on the prices determined by the Tea Commissioner having regard to the price fetched by made tea manufactured at those factories. The reasonable price payable by factories to green leaf suppliers is determined on the basis of monthly net sale average of such factories.

The proceeds from made tea are to be split between the leaf suppliers and factories in a ratio of 68:32. If factory sales average exceeds the monthly elevation average, the incremental revenues are shared in a ratio of 50: 50. The formula is based on an out turn ratio of 21.5% from green leaf to made tea.

During the year under review the total defaulted payment for green leaf suppliers remained at Rs. 535 million as at 31<sup>st</sup> December 2019 We also recovered Rs. 4.8 Million during the year 2019. Further accumulation of defaulted payment was interrupted by suspending their registration.



If any factory is found as a defaulted payment for reasonable price of green tea leaf, the factory will be warned and if the defaulted amount not be paid the registration of the factory will be suspended or cancelled or claimed from broker as per the amended Tea Board Act 1993. Restoration of registration of such factories considered only after the settlement of the total defaulted payment.

Table 2.1.2: Status of Defaulted Payment

Region	Amount(Rs.)			Balance payment due to smallholder as at 31.12.2019	Amount due from (Rs.)	
	As at 2019.01.01	Added during 2019	Recovered & paid		Functioning factories	Closed Factories
Gampola	42,146,177.74	-	2,596,412.06	39549765.68	32,363,693.74	7,186,071.94
Galle	40,224,534.00	63,647,277.00	6,350.00	103,865,461.00	35,051,314.00	68,814,147.00
Nuwara-Eliya	23,118,147.91	5,336,140.76	-	28,454,288.67	5,915,481.14	22,538,807.53
Baduraliya	39,577,779.00	10,513,936.00	2,223,035.00	47,868,679.00	4,919,055.00	42,949,625.00
Bandarawela	1,003,982.00	-	-	1,003,982.00	895,560.00	108,422.00
Matara	18,037,735.00	41,082,192.00	-	59119926.98	56,587,285.00	2,532,642.00
Ratnapura	255,250,277.00	-	-	255,250,277.00	116,781,359.00	138,468,918.00
Total	419,358,632.50	120,579,545.78	4,825,797.36	535,112,380.92	252,513,748.87	282,598,632.05

## 2.1.4 Quality Control of Green Leaf

The quality control of green leaf is a vital fact for the manufacturing operations undertaken using bought leaf. If the good quality green tea leaf are used in the manufacturing process eventually, the quality of the made tea would be increased and it would be an ultimate benefit for the both the tea small holders as well as the tea manufacturers.

A Gazette notification has been published for Green Tea Leaf standards on 14<sup>th</sup> December 2010 by the Sri Lanka Tea Board.

The Tea Commissioner's Division is conducting following activities in order to improve the quality of green leaf.

- a) Licensing of Dealers in Green Tea Leaf
- b) The "B Leaf 60" program to improve the green tea leaf standard
- c) Rush Crop Management program during festival season
- d) The "Model Tea Land project"
- e) Subsidy scheme for Replanting
- f) The program of tea land registration

### a) Licensing of Dealers in Green Tea Leaf

According to the Tea Control Act, it is required to obtain annual licenses from the Tea Commissioner's Division to deal in green tea leaf.

Every registered green tea dealer is being monitored by the Tea Commissioner's Division. As a decision made by the Director Board of the Sri Lanka Tea Board, new green leaf licenses were not issued in 2019.

Table 2.1.3: No. of Green tea licenses issued during 2019

ATC – Region	License dealers as at 01.01.2019	Renewals of Licenses	Licenses to deal in Green Tea Leaf as at 31.12.2019
Gampola	283	181	181
Galle	299	275	275
Nuwara-Eliya	00	100	100
Baduraliya	253	243	243
Bandarawela	173	163	163
Matara	291	275	275
Ratnapura	537	489	489
Total	1836	1726	1726

### b) The "B Leaf 60" program to improve the green tea leaf standard

Table 2.1.4: Regional wise green tea leaf standards

Region	2019		
	Best	Below Best	Poor
Gampola	31	21	48
Galle	42	20	38
Baduraliya	41	35	24
Matara	41	15	44
Ratnapura	34	26	40
Nuwara-Eliya	34	23	43
Bandarawela	22	21	57



This program is being implemented to improve the leaf quality by minimizing the post-harvest damage through the improvement of the plucking standards and transport standard. Now this program is being executed successfully at the field. There can be seen a massive progress of this project at the field. At the beginning of this program the green leaf standard prevailed as 33% of Best Leaf, 32% of Below Best and 35% of Poor. The current green leaf standard at the field is the Best Leaf 35% Below Best 23%and Poor 42%. This program was implemented with the target of maintaining best green leaf standards (Best leaf standard) at minimum level of 60% at the field.

The following strategies have already been implemented to achieve this target.

1. Awareness Program for Stakeholders
2. Impose regulations on handling of green tea leaf
3. Financial assistance for improving post-harvest techniques
4. Subsidy scheme for minimizing post-harvest damage

#### **c) Rush Crop Management program during festive season**

This project was designed to minimize the crop losses during festival season due to temporary closure of tea factories for a longer period. This project was introduced in 2005 and since then the Tea Commissioner's Division was able to control the crop loss almost completely by introducing various activities under this program.

#### **d) The “Model Tea Land project”**

The treasury has allocated funds to this project under the development activities of Sri Lanka Tea Board. This project was initiated this year and 20 lands were subsidized under this.

This project has been designed with a view to achieving following objectives.

- To promote semi-mechanized sustainable tea plantations in the tea sector in Sri Lanka (This is the main objective of the project)
- To increase the tea land and labour productivity in tea sector
- To harvest a constant and steady yield throughout the year
- To increase the optimum economic life of tea plantations
- To reduce the cost of production (It is expected to reduce leaf plucking cost by 60%)
- To maintain leaf standards at moderate level
- To introduce gap standards into tea plantations enabling to obtain certifications

Eg: Rain Forest Alliance certification

#### **e) The Subsidy Scheme for Replanting**

Funds have been allocated by the Treasury for the tea development activities of the Sri Lanka Tea Board under domestic funds.

Table 2.1.5: Subsidy Payments

Region	Replanting Subsidy Scheme			
	No.of Applications or received	Amount Paid(Rs)	Extent(Hec)	No.of inspections done
Gampola	85	14,234,850.00	55.55	46
Galle	11	1,496,000.00	13.77	20
Nuwara-Eliya	131	6,563,500.00	26.54	85
Baduraliya	2	783,000.00	3.48	23
Bandarawela	21	740,000.00	2.00	46
Matara	8	968,600.00	12.24	33
Ratnapura	88	800,000.00	2.50	88
Total	346	25,585,950.00	116.08	341

#### **f) The program of Tea Land Registration**

All the tea lands of the Island are planning to be registered under this program. All the information regarding the tea lands are being computerized in a systematic way. There was a developed a software including all the information gathered by the Tea Commissioner's Division this year.

Those allocated funds are utilized for the subsidy scheme of tea Re-planting during the year.

Accordingly the subsidies are being granted for the corporate sector estates & estates of more than 10 acres. The target is to be provided subsidy for tea replanting, new planting & infilling.

Objectives of the scheme were as follows.

- (i) Increase the tea production
- (ii) Increase the productivity of the tea land
- (iii) Maintaining the National tea replanting rate as 3%

Funds were available for the corporate and private sectors for replanting for the year 2019. Following table show the payment made for the replanting subsidy scheme in year 2019.



## 2.1.5 Quality Improvement Activities

The appropriate conditions of the buildings, equipment, machineries and manner of operations are essential to maintain the good quality of made tea. Hence, if above conditions are not conducive to the manufacture of good quality made tea, The Tea Commissioner has the authority to suspend or cancel the factory registration of such under the Tea Control Act No 51 of 1957.

By the Tea control Act the Tea Commissioner's Division is empowered to monitor and improve the quality of tea manufacture and the following projects have been designed and implemented in order to improve the quality of made tea & green leaf.

- a) Factory Modernization subsidy scheme
- b) Establishment of GMPS in Tea Factories & warehouses
- c) Quality Monitoring System(Task Team Operation- TTO)
- d) Low NSA Strategy
- e) Processing of Refused Tea and Improvement of GMP at Refused Tea Centers
- f) Auction rights for Refused tea processors

### a) Factory Modernization Subsidy Scheme

Funds have been allocated by the Treasury for the tea development activities of the Sri Lanka Tea Board under domestic funds. The above allocated funds are utilized for the subsidy scheme of factory modernization.

Objectives of the scheme are as follows.

- (i) Increase the tea production
- (ii) Increase the quality of the made tea
- (iii) Introduce new technology to the tea industry
- (iv) Modernize the tea factories

Funds were available for the corporate and private sectors for replanting and factory modernization for the year 2019.

Table 2.1.6: Subsidy Payments for Factory Modernization Subsidy Scheme

Region	No.of applications received	No.of factories paid	Amount paid	No.of inspections done
1.Bandarawela	05	01	1,000,000.00	9
2.Gampola	15	04	2,994,233.33	28
3.Ratnapura	13	08	5,272,333.33	8
4.Matara	06	07	2,955,936.65	19
5.Galle	06	05	2,791,666.66	27
6.Baduraliya	14	04	1,924,999.99	24
Total	96	29	16,939,169.96	115

### b) Establishment of Good Manufacturing Practices (GMPs) in Tea Factories

This program has been designed to provide necessary guidance for improving the standards of the tea factories.

Under this program, 889 tea factories were evaluated using pre decided checklist comprising of 187 check items and necessary actions were taken to improve the standards of tea manufacturing process.

Table 2.1.7 : Regional wise GMP Assesments in tea factories.

Region	Assesment of GMP	Excellent	Good	Average	Poor
Gampola	195	28	40	04	00
Galle	200	54	34	01	00
Nuwara-Eliya	45	83	44	04	00
Baduraliya	156	53	21	04	00
Bandarawela	75	11	19	02	00
Matara	120	42	50	03	00
Ratnapura	98	37	38	09	00
Total	889	308	246	27	00

The Tea Commissioner's Division is practicing the policy that the factories which in poor grade are not allowed to renew the factory registration since 2019



### c) Quality Monitoring System (Task Team Operation- TTO)

Task Team Operations are being conducted to minimize malpractices in the industry. A team headed by ATC is handling the operations.

214 Surprise inspections were carried out at tea factories by the field officers of the Tea Commissioner's Division during the year 2019.

Table 2.1.8: Task Team Operations

Region	No of Inspections done
Gampola	52
Galle	30
Nuwara-Eliya	23
Baduraliya	40
Bandarawela	01
Matara	60
Ratnapura	05
Total	214

### d) Low NSA Strategy

This is a project which designed for tea factories that are in the lowest rungs of the NSA ladder. The objective of the project is to bring up the NSAs of these factories to higher levels by improving the standards of green tea leaf and the standards of tea manufacture. Under this program tea factories are categorized into four groups as poor, best & excellent likewise. According to the policy established there can't be prevailed poor factories in the field since 2019.

### e) Processing of Refused Tea and Improvement of GMP at Refused Tea Centers

Processing of refuse tea is a procedure of extracting consumable tea from un-denatured refuse tea. A scheme for issuing permits for the refuse tea processing centers has been established as per the no.51 of the tea control act of 1957.

The GMP program is being carried out to provide necessary guidance for improving the standards of the Refused Tea Centres.

Table 2.1.9: No.of refuse tea processing centers & no.of permits issued for 2019

Region	Registered Processors as at 01.01.2019	Renewals during the year	Newly issued during the year	No of Processing Centers as at 31.12.2019	No of Permit Issued as at 31.12.2019
Gampola	262	238	24	262	3492
Galle	32	20	1	21	793
Nuwara-Eliya	-	1	-	1	706
Baduraliya	5	5	4	9	1095
Bandarawela	1	1	-	1	939
Matara	9	9	0	9	458
Ratnapura	7	2	0	2	671
Total	316	276	29	305	8154

### f) Auction rights for Refused tea processors

A system has been planned for granting approvals to the auction rights for the Refused Tea Processors. For applying auction rights, the Refused Tea Processing centre should have 80% of GMP standard. The objectives for granting approval to the refused tea processors for the auction rights as follows.

- Giving market to the refused tea
- Improving the quality of the refused tea
- Monitoring the quality of the refused tea
- Preventing the illegal practices on refused tea market and arranging legal procedure to it
- Arranging systematic procedure for disposing absolute refused tea

Twenty eight (28) refused tea processing centers are granted auction rights upto now.

Table 2.1.10: No Factories Awarded with International Certification

Region	HACCP	Other International Certification
Gampola	36	83
Galle	17	17
Nuwara-Eliya	98	36
Baduraliya	06	13
Bandarawela	10	23
Matara	07	22
Ratnapura	07	23
Total	181	217



## 2.2 Tea Exports Unit

*The powers and functions of the Tea (Tax & Control of Exports) Act No. 16 of 1959 and regulations laid down under the Sri Lanka Tea Board Law No. 14 of 1975 are administered by the Tea Exports Section of the Sri Lanka Tea Board.*

The Tea Export Section performs duties relating to registration of tea exporters, tea packers, warehouses, importers, types of tea packs, retrieval of tea, monitoring of minimum quality standard for tea, authorization of export of tea, compilation of statistics on the export of tea and monitoring of export of tea under bilateral Free Trade Agreements (FTAs) of Sri Lanka. Further to that, following main operations were continued throughout the year 2019.

Tea Consignments at Sri Lanka Customs Exports Facilitation Center (EFC) to sustain the Superiority of tea Exportation.

Further to that, to safeguard and improve the quality of tea processing at all exporter warehouses, it was declared that the HACCP quality certification is a mandatory requirement for all the warehouses to process their operations. In addition to that, we were conducted Good Manufacturing Practices (GMP) assessment at the all exporter warehouses

Export division paid attention to carry out the following special projects since 2015 and to continue for the year 2019 too to improve the effectiveness and efficiency in the tea exports of Sri Lanka.

i. GMP Certification for Iran Tea Exports.

ii. Special Inspections at the Customs Exports Facilitation Center (EFC) of Sri Lanka Tea Board

Sri Lanka Tea Board - Sri Lanka Customs Joint Investigation on the

### 2.2.1 Registrations

Table 2.2.1: Registration Statistics of Exporters, Packers, Warehouses, Produce Brokers and Importers (2019)

Registrations	As at 01.01.2019	During year 2019 (New Registrations & Companies not renewed within the year )	Total No. as at 31.12.2019
Exporters	343	*New Registrations :38 *Not Renewed during the year :33	348
Packers	564	*Exporter/Local packer new registration :146 *Not Renewed during the year :54	656
Warehouse	275	*New registration :25 *Not Renewed during the year :65	235
Importers	121	*New registration :08 *Not Renewed during the year :14	115
Produce Brokers	8	-	8



One of the key duties of the Tea Export Section is registration and renewal of Exporters, Packers, Warehouses and Importers, with valid business registration, registered warehouse (for storing, blending and packing of tea), a qualified tea taster with tea tasting facility and with a minimum capital (invested/paid up) of a least Rs. 1 Mn. are eligible to apply for the registration as a tea exporter.

In terms of the Sri Lanka Tea Board Regulation (Registration of Tea Packers) 1986 published in the Gazette Extra-ordinary No. 386/13 of 28<sup>th</sup> January 1986, any person who engages in the business of packing tea for domestic consumption or in other forms of packaging should essentially get registered with the Sri Lanka Tea Board. Every registration is valid only for one year period and required to renew the registration on annual basis.

Any entity registered as an exporter of tea under Tea (Tax & Control of Exports) Act No. 16 of 1959 is eligible to register as an importer of tea.

In terms of the Sri Lanka Tea Board Regulation (Warehousing of Tea) 1984 published in Government Gazette Extraordinary No. 326/17 of 05<sup>th</sup> December 1984 as amended by the Gazette Nos. 410/11 of 10<sup>th</sup> September 1986 and 1280/8 of 20<sup>th</sup> March 2003, warehouses used for the storage of any quantity in excess of 1000kgs of tea at any one time and which the Sri Lanka Tea Board considers satisfactory for the purpose of storing, shall be registered with the Sri Lanka Tea Board in accordance with the provisions of the said regulations.

Retail containers which contain other origin specialty tea blended with Sri Lanka Tea would export

under the Sri Lanka Tea Board Regulations (Import & Export) 1981. Such containers/packs should bear the narration "A Blend of Ceylon and other origin Tea, packed in Sri Lanka" or "Other Origin Tea, packed in Sri Lanka" only and all containers shall be registered with the Sri Lanka Tea Board.

All registered tea exporters are required to submit CUSDECs with other required documents to the Tea Exports Section through ASYCUDA System in order to obtain the authorization for export. A team of SLTB officers inspect the tea consignment/s, ready to export to ascertain whether the tea in concern is in line with required standards for export. Having considered the importance of obtaining renewal certification for all registered tea exporters for their documentation purpose, we conducted a one day service for certificate renewal to issue certificate for the year 2019

## 2.2.2. Importation of Tea

Table 2.2.2: Actual imports 2019

Country	Type	Imported Qty. (Kg)	CIF Value (Rs.)	Value (Rs.)
China	Green Tea	1,762,139	459.77	810,170,279
	Special	580,232	611.32	354,707,856
	White Tea	17,473	1,201.52	20,994,180
	Sub Total	2,359,844	502.52	1,185,872,315
India	CTC	1,444,626	307.83	444,696,807
	Special (Black Tea)	514,245	758.12	389,858,826
	Green Tea	14,715	804.79	11,842,525
	White Tea	105	1,391.97	146,157
	Sub Total	1,973,691	428.91	846,544,314
Japan	Special	8,400	3,877.27	32,569,085
	Green Tea	2,745	4,627.81	12,703,340
	Sub Total	11,145	4,062.13	45,272,425
Germany	Special	380	5,478.38	2,081,784
	White Tea	100	4,126.46	412,646
	Sub Total	480	5,196.73	2,494,430
Taiwan	Special	115	5,237.37	602,297
	White Tea	15	73,268.07	1,099,021
	Sub Total	130	13,087.06	1,701,318
Myanmar	Green Tea	7,220	377.17	2,723,200
	CTC	550	-	-
	Sub Total	7,770	350.48	2,723,200
Kenya	CTC	798,490	348.28	278,099,644
	Decaffeinated Tea	1,100	1,651.13	1,816,243
	Special	46,600	882.95	41,145,614
	Sub Total	846,190	379.42	321,061,501
UK	Special	5,475	525.00	2,874,375
	Sub Total	5,475	525.00	2,874,375
Nepal	Special	120	5,690.00	682,800
	Sub Total	120	5,690.00	682,800
Ithiopia	CTC	1,800	258.68	465,624
	Sub Total	1,800	258.68	465,624
<b>Grand total</b>		<b>5,206,645</b>	<b>462.81</b>	<b>2,409,692,302</b>

The Sri Lanka Tea Board has issued 630 import permits for Importation of 4,971,124.40kgs of tea. However; the actual quantity of import was 5,206,645kgs during the period under review.



### 2.2.3. Maintenance of Minimum Quality Standard ISO 3720 for Made Tea

The Expert Panel of Tea Tasters appointed by the Sri Lanka Tea Board examine all the offered tea samples and samples drawn from tea factories, the unloaded consignments after import, consignments prepared for export in order to ascertain whether the made tea in concern falls under the permitted categories, conforms to ISO 3720 and free of any contamination, thereby permitting only the suitable made tea for export.

Table 2.2.3: No. of quality defects at each sampling level(2019)

Type of sampling	No. of samples drawn	No. of cases detected as below ISO and contamination
Pre auction sample drawn by export division	4490	2295
Pre auction withdrawals (by the panel)	2121	
Post auction	12298	10

### 2.2.4. Denaturing of tea due to unsuitability for consumption

Made tea found to be unsuitable for human consumption at the levels of pre-auction, pre-shipment and special investigations is denatured under the supervision of the Export Section. This section has denatured 302,944.80Kgs of made tea identified at all levels above in 2019

### 2.2.5 Performance of Exports under the FTAs

Sri Lanka enjoys preferential Tariff Rate Quota (TRQ) for tea under the Indo-Sri Lanka Free Trade Agreement (ISFTA) and Pakistan-Sri Lanka Free Trade Agreement (PSFTA). However, a substantial utilization of TRQ has not been recorded in 2019.

Table 2.2.4: Performance of Exports under the FTAs

FTA	Quota per annum (kg)	Total exports (kg)
India – Lanka	15,000,000.00	2,216,526.60
Pakistan – Lanka	10,000,000.00	60,906.00

### 2.2.6. Retrieval of Tea

If a consignment of tea is not accepted by the overseas buyer, the local exporter has to retrieve the same with the approval of the Sri Lanka Tea Board. The consignment is re-inspected by the SLTB prior to granting the authorization for export /Re-use.



## 2.3 Tea Promotion Division

### 2.3.1. Main Functions of the Division

Tea Promotion Division is responsible for the implementation of Ceylon Tea promotional programs locally and in foreign markets classified under the following broad categories;

I. Uni National Promotion of Ceylon Tea.

II. Generic Promotion of Tea.

III. Brand promotion for Sri Lanka owned Lion Logo franchised brands.

IV. Participation at International Food & Beverage Trade Fairs and Exhibitions.

V. Compilation & Dissemination of Strategic Market Profiles on all important tea consuming countries.

VI. Assisting Ministry of Plantation Industries on Policy Formulation for the Tea Sector.

VII. Analysis of Competitor Activities.

VIII. Lion Logo Trade Mark registration and monitoring as well as franchising to the private sector packers.

IX. Process for the Protection of Ceylon Tea & other Regional Tea growing names/logos as Geographical Indications.

X. Ozone Friendly Pure Ceylon Tea Logo registration and franchising to private sector packers.

XI. Local Tea Promotion.

### 2.3.2. Overseas Tea Promotion Offices & Market Coverage

Sri Lanka Tea Board presently maintains three regional overseas Tea Promotion Units attached to Sri Lanka Missions in UAE, Russia and China. The office in Dubai is responsible for tea promotion in Middle East / Gulf / North Africa regions while the office in Moscow handles the tea promotion work in the Russian Federation & CIS markets. A representative office was established in Beijing during 2015 to promote & enhance market share of Ceylon tea in China which is identified as a growing market. The Ceylon tea promotional activities in other markets are handled by the Tea Promotion Division in Colombo in collaboration with the respective Sri Lanka Missions overseas.

### 2.3.3. Trade Fair Participation

Sri Lanka Tea Board facilitated the participation of Sri Lankan tea exporting companies in international trade fairs in selected markets promoting 'Ceylon Tea' as a national brand and also the individual brands of participating companies. SLTB participated at the following 27 trade fairs in 2019 organizing a group stand for Ceylon Tea along with private sector participants. The Trade fair subsidy scheme was utilized by 132 participants during the year 2019.





Table 2.3.1: Trade fair Participation

No.	Trade Fair	Country	Duration
1	Prodexpo, Moscow	Russia	11 - 15 Feb
2	Gulfood, Dubai	UAE	17 - 21 Feb
3	Foodex, Tokyo	Japan	5 - 8 Mar
4	SIAL Canada, Toronto	Canada	30 Apr - 2 May
5	Hofex	Hong Kong	7 - 10 May
6	SIAL China, Shanghai	China	14 - 16 May
7	World Food Azerbaijan	Azerbaijan	15 - 17 May
8	POLAGRA, Poznan	Poland	20 - 22 May
9	World Tea Expo, Las Vegas	USA	11 - 13 Jun
10	Food West Africa, Lagos	Nigeria	18 - 20 Jun
11	Food Taipei, Taipei	Taiwan	19 - 22 Jun
12	Malaysia Int. Food & Bev. Trade Fair	Malaysia	26 - 29 Jun
13	Summer Fancy Food, New York	USA	30 Jun - 2 Jul
14	Int. Tea Fair, Hong Kong	Hong Kong	15 - 17 Aug
15	World Food, Istanbul	Turkey	4 - 7 Sep
16	Fine Food, Sydney	Australia	9 - 12 Sep
17	World Food, Moscow	Russia	24 - 27 Sep
18	Erbil Agrofood	Iraq	30 Sep - 3 Oct
19	ANUGA	France	5 - 9 Oct
20	Xiaman Tea Fair, Xiaman	China	10 - 14 Oct
21	World Food, Kiev	Ukraine	23 - 25 Oct
22	World Food, Almathy	Kazakhstan	6 - 8 Nov
23	Foodex Saudi, Jeddah	Saudi Arabia	11 - 14 Nov
24	FHC Shanghai, Shanghai	China	12 - 14 Nov
25	Peterfood Exhibition	Russia	19 - 21 Nov
26	World of Tea, Teheran	Iran	25 - 27 Nov
27	Agrofood & Plastprintpack	Ghana	10 - 12 Dec

### 2.3.4. Global Promotional Campaign

The Ceylon Tea global promotional campaign has focused to launch in 12 identified target markets to promote Ceylon Tea namely Russia, Ukraine, USA, Japan, China, Germany, Australia, Chile, Saudi Arabia, Turkey, UAE and Iran.

Tenders had been called for three agencies to handle the three components consisting of:

- i) creation part of the campaign and production materials required
- ii) media component which includes media planning, scheduling and media buying; and
- iii) public relations campaign

Completion of the launch of Ceylon Tea Global Promotional Campaign was done in Russia on 24<sup>th</sup> September 2019 in Moscow and Ukraine on 23<sup>rd</sup> October 2019 in Kiev.

### Media planning, scheduling and buying

As per the selection of Dentsu Grants (Pvt) Ltd for the Consultancy Services for Media Planning, Scheduling and Buying; following items were completed for the review period 12 Media survey - Russia, Ukraine, China, Japan, Germany, Turkey, Saudi Arabia, Australia, UAE, USA, Chile, Iran Media Planning – Russia and Ukraine

### Creative Developments

As per the selection of Phoenix O&M (Pvt) Ltd to undertake the creative of the Above-The-Line (ATL), Below-The-Line (BTL) and Social Media of the Global campaign following items were completed. Website (English/ Russia/ Ukraine), Brochures, leaflets, Concepts for digital videos and give-away souvenir items.

### PR Campaign

The procurement process to select a suitable PR agency for running PR campaign in Russia and Ukraine was completed & obtained Cabinet approval for selection and clearance from Attorney General's Office for agreement also.

### Global Campaign Website

[www.pureceylontea.com](http://www.pureceylontea.com)

Separate website launched for Global Campaign activities on 7<sup>th</sup> May 2019 at BMICH by SLTB.

### Role of the Website

- Website is the central hub of all campaign materials, and also the destination where the story of Ceylon Tea is told.
- Once here, users will find out about the history of Ceylon Tea, how tea fits into the culture of Sri Lanka, and the attributes that earns the Lion Logo and makes it the perfect cup of tea.



Picture Set 03: Global Campaign launching at Russia





Picture Set 04: Global Campaign launching at Ukraine





- As users scroll through the site, the story will unfold beautifully through a series of videos and photos that educate you on the historical, technical, ecological and ethnical attributes that goes to growing the best tea in the world.
- The site will be connected to all the social media channels of Sri Lanka Tea Board FaceBook, Instagram, Twitter, YouTube.
- The content in the website can be updated and changed time to time based on various initiatives by Ceylon tea
- SLTB will be language versions of the website in all the key markets where the global campaign is rolled out and SLTB already completed Russian and Ukraine versions.
- Those who visit or view the content from Ceylon Tea social media channels will be directed to the website
- Although the site is not developed as an e-Commerce website, the site is designed to facilitate the purchase of tea in the respective markets by providing:
  - Details of stores the user could visit in their market
  - Or provide a direct link to the online store of the exporters to buy online

### **2.3.5 Brand Promotion Subsidy Scheme**

Sri Lanka Tea Board introduced a brand promotional subsidy scheme for 2018/2019. As per the scheme, Pure Ceylon Tea brands which carry Lion Logo will be promoted by providing matching grants (50 % of the promotional spend). Only Sri Lankan owned tea brands which have been registered in Sri Lanka by the Director General, National Intellectual Property Office, are eligible for promotional assistance under this scheme. The

scheme will be funded from the Promotion and Marketing Levy contributed by tea exporters under Gazette No. 1677/14 of 27 October, 2010. A budgetary provision of Rs.500 million has been allocated for 2018/2019.

During the period under review, 41 agreements were signed between 18 selected private sector companies and Sri Lanka Tea Board for the Brand Promotion subsidy scheme for the year 2018/2019.

### **2.3.6 Promotional Events and Activities**

- Events concluded by Honorary Tea Ambassador for Ceylon Tea in USA:
  - Ceylon Forum and Tasting for VCOE (Ventura County Office of Education)
  - Ceylon Forum and Tasting Sri Lanka Independence 2019 CG office
  - Ceylon Forum and Tasting for CBTL Tea and Coffee Cafes
  - Ceylon Forum and Tasting Best of Best Conference
  - Ceylon Forum and Tasting Temple Shalom Araah
  - Ceylon Tea Forum - Hueneme School District
  - Ceylon Tea Forum - First Responders Fireman
  - Ceylon Tea Forum - Mid Autumn Children's Moon

The other Promotional events and activities for Ceylon Tea concluded globally are listed below:

- Burlington Tea Festival at royal botanical garden in Canada
- Tea Festival at Toronto Reference Library
- Ceylon Tea Promotion at Diversity Champion Awards Ceremony in New Brunswick, Canada Ceylon Tea Hampers with branded Gift tea packs were donated for the event which was auctioned at the ceremony, to gain the attention of the participants through an economical manner.
- Ceylon Tea Promotion at the Hot Tea Day in Canada organized by the Canada Tea & Herb Association
- Sri Lanka Festival in Tokyo
- Tea Seminar with JTA
- Ceylon Tea Promotion at Komazawa Olympic Park, Japan
- Ceylon Tea Promotion at Caferes trade exhibition, Japan
- Nagoya Tea Promotion Event in Japan
- FAO / IGG on Tea in Russia
- Ceylon Tea Promotion at Arab Health
- Taste of Dubai' in Dubai Media City
- Ceylon Tea Promotion at Arabian Travel Market, Dubai
- Ceylon Tea Promotion at Sri Lanka New Year Festival at Zabeel Park in Dubai
- Ceylon Tea Promotion at Keemun Black tea festival in China
- Participated at the Yibin International Tea Conference and tea fair, China
- Ceylon Tea Promotion at Beijing Tea Expo
- Ceylon Tea Promotion at Chinese tea world expo (Beijing International Tea Expo 2019)
- Rizhao Tea Fair participation, China
- Ceylon Tea Promotion at Jasmine Tea Conference in Nanning, China
- Ceylon Tea Promotion at China – Arab Expo, Yinchuan
- Ceylon Tea Promotion at 7<sup>th</sup> Sichuan Agricultural expo, China
- World Black Tea Quality Evaluation Competition 2019, Yingde city China
- The 15<sup>th</sup> China Tea Industry Economic Conference and Tea fair participation
- Global Tea fair 2019, Shenzhen- Facilitate to participate Sri Lankan Companies
- Sponsorship of Russia Tea Masters' Cup at the Coffee & Tea Russian Expo 2019
- Participated at the Coffee, Tea and Chocolate Festival 2019, Russia



- Brand Activations at Aushan Gagarinskiy in Moscow
- Ceylon Tea Tasting Sessions at the Lenta Supermarket Chain, Russia
- Winter Bazaar 2019, Russia
- Brand Activations at Aushan Supermarket in Kyiv, Ukraine
- Ceylon Tea Promotion at the Sri Lanka Tourism Consumer Event in Sydney
- Ceylon Tea Campaign at the 71<sup>st</sup> Independence Day of Sri Lanka
- Ceylon Tea Promotion at the World Cultural Day of the Island Nations of the Indian Ocean at Gretz- Armainvilliers in France
- Ceylon Tea Promotion at the “Trade, Investment and Tourism Forum” at the Madrid Chamber of Commerce and Industry, France
- Organized Tea Counter at the “Sri Lanka Day” organized by the International Buddhist Center in Paris. Furthermore, organized Tea Promotional counters at following occasions:
  - o Commonwealth Day at the UNESCO Headquarters
  - o Vesak Festival at the UNESCO Headquarters
  - o FITUR International Travel Exhibition, Madrid, Spain
  - o Salon Mondial du Tourism, Paris
  - o IFTM Top Resa Travel Market, Paris
  - o International Luxury Travel Market (ILTM)
- Tea Promotion at ITB Asia 2019 held at the Marina Bay Sands Convention Centre Singapore
- Tea Promotion at NATAS Travel Fair at Singapore Expo
- Ceylon Tea promotion at the “16<sup>th</sup> My Karachi International Exhibition” a premier event organized by the Karachi Chamber of Commerce and Industry

### 2.3.7 Uni National Promotion of Ceylon Tea

Uni-National Promotion of “Ceylon Tea” relates to the publicity and advertising of Sri Lanka tea against other origin teas. The Tea Board launches uni-national promotion campaigns for Ceylon Tea in foreign markets through the Overseas Tea Promotion Units and Commercial Sections of Sri Lanka Missions abroad. Media advertising, outdoor advertising, liquid tea services, tea workshops and seminars as well as other public relation activities are the main elements of uni-national promotion activities carried out by the Board.

### 2.3.8 Generic Tea Promotion

The promotion of tea against other beverages for the share of the throat falls under generic tea promotion activities. Sri Lanka Tea Board is a member of the Intergovernmental Group on Tea of the FAO, USA Tea Association, International Tea Committee-UK and Japan Tea Association. Generic tea promotional work is undertaken through these organizations. The generic tea promotion mainly focuses on Tea & health concept which is promoted through consumer education and public relation activities. SLTB contributed towards the advertising budgets of Tea Associations and Councils for generic tea promotion work in selected countries in 2019 as mentioned above.

### 2.3.9 Registration of Ceylon Tea, Regional Names & Logos under Geographical Indications (GIs)

Sri Lanka Tea Board formulated necessary rules and regulations for protection of ‘Ceylon Tea’ and seven other agro-climatic regional teas (NuwaraEliya, Uda Pussellawa, Dimbula, Uva, Kandy, Sabaragamuwa & Ruhuna) as Geographical Indications through the provisions available under TRIPS Agreement of World

Trade Organization. This would not only help to prevent the misuse of ‘Ceylon Tea’ and other regional tea growing names particularly by overseas contract packers but also add value and a premium price for Ceylon Tea marketed under GIs.

### 2.3.10. Trade Mark Protection



Registration of Lion Logo Trademark (712)

Sri Lanka Tea Board is the legal owner of Ceylon Tea Lion Logo Trade Mark. The registration/renewal of Ceylon Tea Lion Logo in Sri Lanka and other countries are carried out by Tea Promotion Division of the Tea Board. Lion Logo has been registered in 103 countries as 2019. The franchise to use the Lion Logo has been granted only for branded, value added tea products (Tea Bags & Tea Packs) which contains 100% Ceylon Tea and are in compliance with ISO 3720 Standard while being above a minimum reference standard to each destination and should be pre packed in Sri Lanka. During the period under review, Lion Logo registration in Chile and renewals in Turkey, Qatar, New Zealand, Morocco, Georgia, and Cyprus were completed. Further registration of the Ceylon Tea name in Japan was concluded.

### 2.3.11. Registration of Ozone friendly Pure Ceylon Tea Logo

Sri Lanka Tea Board has registered the Ozone Friendly Pure Ceylon Tea logo in Sri Lanka as a Certification Mark in order to promote the production of Ozone Friendly tea. Under the Montreal Protocol, Sri Lanka implemented two projects to phase out the use of Methyl Bromide for non-quarantine & pre-shipment pur-



poses. The project on tea sector was successfully completed in 2002 by adopting environment friendly technologies without use of Methyl Bromide in the tea plantations (nurseries) and Sri Lanka received the Montreal Protocol Implementers Award in 2007. Thus, Sri Lanka became the first tea producing country in the world to manufacture Ozone Friendly tea and still is the only tea producing country to have achieved this accolade.

Twelve tea exporters have obtained franchise rights from SLTB to use the Ozone friendly Pure Ceylon Tea logo for twenty brands during the year 2019.

### **2.3.12. Promotional/Information Publications**

Following promotional/informational publications were released during the year: Bi-monthly newsletter (06).

### **2.3.13. Local Tea Promotion**

SLTB participated at following local trade exhibitions/events during the year under review and conducted promotional activities such as media campaigns, outdoor advertising, liquid tea services, sale of SLTB range of packs and distribution of promotional material.

- Nuwara Eliya Wasanthaya
- Shilpasena Exposition (July 2019)
- Defense Seminar – BMICH (August, 2019)
- Hotel show, Colombo – BMICH (Nov., 2019)

#### **Sponsorship**

- 27<sup>th</sup> Annual NCE Exports Awards Ceremony
- Venice art Biennale in Italy
- Batch Reunion -St Bridgets Convent and Teachers Day-Nalanda College
- Sri Lanka Scout Association to participate at 24<sup>th</sup> World Scout Camporee, West Virginia, USA (22<sup>nd</sup> July – 02<sup>nd</sup> August 2019)
- Poson Festival at Kothmale Mahaweli Seya Series
- “Alumni Pradeepa Pranama Award Ceremony” – University of Sri Jayawardenepura
- Seruwawila Mangala Rajamaha Viharaya
- Steve Waugh Poor Children’s Foundation
- Silver Jubilee of Kalubowitiyana Tea Factory Ltd
- The Musical show “Minisa”

#### **Advertisement on Magazines** Souvenir Advertisement

- Sports Day of St. Peters College, Colombo 04
- Royal Turf Club Nuwara Eliya
- Tokusho International (Early childhood Development Center)
- “Nadannu” 2019, Panadura Balika Vidyalaya.
- Alumni Unity of University of Colombo
- Ex Officers of Tea Research Institute.
- “Anulasara” organized by Anula Vidyalaya
- Photographic Exhibition – Visakha Vidyalaya
- Fund Raiser “Ray of Hope” organized by the Legal officers Association – Attorney General Department
- Agriculture Faculty Students Union, University of Peradeniya
- Newspaper Advertisement for World Ozone Day Supplement

### **2.3.14. Visits by Foreign Delegations**

- Iran Delegation; to discuss proposed mechanism on support Tea Exports from Sri Lanka to Iran
- Benny Tea Company Delegation; to discuss proposed Tea Industry investment in Sri Lanka

### **2.3.15. Tea Sales Centre**

The Tea Sales Centre located at the SLTB premises market flag bearer range of Tea Board packs and selected tea products from twenty Eight private sector tea companies. During the year 2018, revenue of Rs. 107.4 million was generated through the sale of tea at the center which shows an increase of sales by 5.4% compared to the previous year. The sale of SLTB packs earned Rs.25 million while private sector tea brands accounted for 82.4 million.

### **2.3.16. Distribution of Tea for promotional purposes**

SLTB issued Rs.4.52 Million worth of tea on a complimentary basis for promotional purposes of “Ceylon Tea”

- I. Complimentary teas to 36 Sri Lankan Missions overseas.
- II. Liquid tea service and distribution at International Trade Fairs.
- III. Promotional give-away to VIPs/ Officials



## 2.4 Tea Tasting Unit

The unit works as one of the major quality assurance bodies of Ceylon Tea. It is responsible for assessing the quality of tea prior to auction and export. The appearance and the flavor of the made tea show huge variation due to some factors like different clones of the *Camellia Sinensis* plant, impact of climatic characteristics (such as rainfall, sunshine hours and temperature) nature of topography and the different variety of manufacturing process. Based on the characteristics of tasted samples, trained tasters assure the price and quality of tea samples. Unsatisfactory samples were directed for the Analytical Laboratory of SLTB for further analysis.

The tasting team of Sri Lanka Tea Board consists of an expert panel of tea tasters from public and private sector. They represent all stakeholders such as Colombo Tea Traders Association (CTTA), Colombo Brokers Association (CBA), Ceylon Plantation Association (CPA), Sri Lanka Federation of Tea Small Holdings Development Societies (SLFTSHDS), Tea Exporters Association (TEA), Sri Lanka Tea Factory Owners Association (SLTFOA). The team also consists of independent panel members to avoid bias decisions.

The Major activities of the unit can be listed as follows.

- Maintaining the minimum quality standard and ISO 3720 and ISO 11287 at any given point of dispose of tea.
- Monitoring and ratification of Private Sales, Direct Sales and forward contracts
- Facilitating the issuing of Lion Logo certificates for branded products and for the consumer packs
- Evaluating Tea Tasters for new export Companies

### 2.4.1 Maintaining the minimum quality standard and ISO standards at tea disposing points

Ordinary tea tasting sessions are held twice a week mainly on Mondays and Thursdays with the participation of the expert tea panel. During the sessions, following tea samples which are directed from tea export unit of SLTB and tea samples directly received to the TTU are considered for evaluations.

- a) Pre-auction teas
- b) Special investigation teas
- c) Pre imported samples
- d) Direct Sales
- e) Daily Evaluation Pre-shipment monitoring

The panel's decision on samples is forwarded to the Tea Commissioner Division and Tea Export Unit to further regulations.



#### 2.4.1.1 Pre-Auction teas

Two weeks prior to the sale, the eight brokers forward their pre-auction samples for the evaluation. As the first step, visual evaluation is carried on to identify the off-grade, Dust, Premium Flowery and BOP1A samples. Parallel to this random evaluation is being conducted for the High & Medium, Leafy, and Tippy samples of Brokers.

### Tea Tasting Concept and Methodology

- ISO 3103 of tea preparation of liquor using in sensory tests.
- Tea Tasting Terminology ISO 6078 for Black tea vocabulary/ Monograph on Tea Production in Ceylon – no: 4 – Tea Manufacture in Ceylon.

Then samples are directed for organoleptic evaluation and selected samples are offered to the panel to take the collective decision on "whether the concerned varieties of tea are offered " for the upcoming auction. The decision has been conveyed to the Deputy Tea Commissioner in Export Division.

During the year 2019, samples were evaluated and decision was forwarded to the relevant parties.



#### **2.4.1.2 Pre-Shipment Teas**

Usage of Lion Logo, ISO 3720 parameters or any other contamination prior to shipment was tested under pre shipment sample testing. Under this monitoring scheme, 12,298 pre-shipment samples had been examined during 2019 .

#### **2.4.1.3 Pre-Import Teas and Post-Import Teas**

Pre-Imported samples directed through Export unit of SLTB are accompanied with a form to evaluate its suitability for importation. Each application consists with line samples details about the origin, grade and etc.

The tasting panel will evaluate the teas according to the guidelines of the SLTB Circular No: OR/1/65 and its amendments. For the year 2019, TTU examined 1335 samples as pre import samples.

Samples are drawn from onarrival imported tea consignments which are forwarded by the Tea Exports Division under the reference of unloaded samples for approval of Tea tasting. These samples are evaluated as against the offered sample as and when the samples on arrival. Under this scheme, 1194 samples are examined.

### **2.4.2 Ratification of Private Sale and Panel Valuation Certificate**

#### **a) Ratification of private sale**

The samples accompanied with the panel have been forwarded for Tea tasting evaluations by the selling brokers with the independent broker's approval. There are standard charges for the service and Rs. 500 (+VAT and NBT) is charged per line as ratification fees. At present, the above scheme is scaled down to only for Green teas, Organic teas, and specialty teas and

for small grades which are not sold through the Colombo Auctions.

Table 2.4.1: Tested and Suspicious sample details in 2019

Description	No of Samples Tested	No of Samples Suspected
Visual Examinations	226,957	
Organoleptic	34,043	
<b>Pre-auction samples</b>		
Panel rejections for suspected liquor contamination	544	
Siliceous matters	188	
Crude Fiber	999	
Random basis(BSL) evaluation	4490	174

Total no. of 12,395 Private sale lots was examined and ratified for the year 2019.

#### **b) Ratification of Forward Contracts**

Ratification was done for few selected marks depending on the buyers' requirement for a period of time. Seller, buyer, broker and the Tea Board ratified the contract of sale.

Ratification fee of Rs. 500/- VAT + NBT was charged per line for the above service too. Total forward contracts lines ratified in 2019 were 217.

#### **c) Ratification of Direct Sale**

The above scheme permits to producer cum Exporter to sell their products directly to the overseas buyers. In exception Green tea, Organic tea and Specialty Tea could be sold to the local buyers. Panels held at Thursdays ratified the direct sales and for considered year, sales lines 1688 are ratified and the ratified quantity was 1.87Mn.kg.

### **2.4.3 Registration for Lion Logo**

The Lion Logo - which is a symbol of quality and country of origin is fully owned by the Sri Lanka Tea Board. Exporters who wish to depict the Lion Logo on branded consumer packs has to forward the application and there by branded products are evaluated according to the destination and markets.

The validation period of a Lion Logo certificate for Brands is three years. SLTB Grants franchise rights to use the Lion Logo on retail packets. In 2019, 963 applications were processed for new brands, renewals and additional packs by the TTU together with supervision of Tea Promotion Division.

The monitoring processes for Lion Logo usage in overseas markets and local markets are being conducted to maintain quality, prestigious name of the logo and mainly for the hunting of fraudulent usage of Lion Logo. During the pre-shipment monitoring, more than 80% shipments with Lion Logo are evaluated on random sample basis. In addition Overseas Bureaus and Commercial Counselors of Sri Lankan Embassies forward Lion Logo depicted packs from overseas markets for the evaluation and reporting. Brands which use the Lion Logo in domestic market are also randomly selected and evaluated for infringement usage of the Lion Logo. Mainly, reputed and long standing packers who are registered with the Tea Board and are having a reasonable market share are granted to use the Lion Logo and monitored accordingly.



## 2.5 Analytical Laboratory

Tea Board Analytical Laboratory is the leading Tea testing laboratory in Sri Lanka serving the tea industry using its Chemical Analysis Unit, Microbiological Analysis Unit & Pesticide Residues Analysis Unit.

When compared to the other government & private sector laboratories, Tea Board Laboratory has maintained its scope of Accreditation regularly during the past since 2014.

The scope of accreditation certified by the Sri Lanka Accreditation for Conformity Assessment (SLAB) under its mutual recognition of International Laboratory Accreditation Cooperation (ILAC)

### 2.5.1. Performance of the Analytical Laboratory

Summary of tests performed by the Analytical Laboratory during the intervening period is given below, in comparison with the previous year 2018.

Table 2.5.1: Summary of tests performed by the Analytical Laboratory

Units and Tests	No. of tests	
	2018	2019
<b>Chemical Analysis Unit</b>		
1. Determination of moisture in tea	344	286
2. Determination of total ash in tea	329	281
3. Determination of water soluble ash in tea	312	280
4. Determination of acid in-soluble ash in tea	319	280
5. Determination of water extract in tea	316	283
6. Determination of alkalinity of water soluble ash in tea	312	273
7. Determination of Crude Fiber in tea	379	288
8. Basic Radiation Determination tests	186	187
9. Other Tests (Added Color, Sugar, Gel, Liquor, Taint, flavour ,Chemical Identification, bicarbonate, extraneous)	12	5
10. Grade identification tests/ Sieve Analysis	44	31
11. Activities on validation, verification of test methods in Chemical unit	-	21
<b>Microbiological Analysis Unit</b>		
1. Determination of Total Plate Count	547	560
2. Determination of Yeast and Mould Count	648	563
3. Microscopical examination for dead or live insects and other Impurities/foreign matter in tea	33	37
4. Determination of Genetically Modified Organisms (GMO) in tea	801	760
5. Detection and Enumeration of Faecal Coliforms & Escherichia coli (E.coli)	547	562
6. Detection and Enumeration of Total Coliforms	552	564
7. Activities on validation, verification of test methods in Chemical unit	-	28
<b>Pesticide Residue Analysis Unit</b>		
1. Ethion	1074	385
2. Malathion	1074	385
3. Cypermethrin	1074	385
4. $\beta$ Endosulfan	1074	385
5. Bifenthrin	1074	385
6. Bromopropylate	1074	385
7. Tetradifon	1074	385
8. Endo Sulphan sulphate	1074	385
9. Sugar (HPLC RI Detector method)	140	376
<b>Total</b>	<b>14785</b>	<b>8745</b>



### 2.5.1.1. Involvement on the facilitation to the Tea Industry

During the period January-December 2019, Analytical Laboratory has identified 1258 numbers of below the ISO minimum quality standard tea samples out of 8433 total received samples. The numbers of rejected tea lots under the above category following three testing disciplines are summarized below.

Table 2.5.2: Performance of the Analytical Laboratory

Analysis Unit	No. of samples below the minimum quality standard
Microbiology	1000
Chemical	163
Pesticide residual	95

### 2.5.1.2. Performance of the Pesticide Residues Analysis Unit

While considering the quality concerned threats with various kinds of adulterants on 'Ceylon tea', Analytical Laboratory involved in method development activities during the year 2019. As a result new method has been established using HPLC-RI Detector for Glucose, Fructose & Sucrose analysis in manufactured made tea. Laboratory participated in inter-laboratory comparison (ILC) using the developed method with Tea Research Institute & SGS Lanka (PVT) Limited and thereafter introduced to the tea industry with effect from March 2019. At the end of 2019, total no. of 376 tea samples were analyzed from the samples randomly selected at tea factories & tea auctions by deploying the sampling staff (TI's) attached to Tea Commissioner's Division.

Laboratory has participated in method validation on MCPA pesticide analysis in collaboration with Mitzui Norin Company Japan. Accordingly Dr. K.R.W. Abeywickrama (SLTB), Dr.

Nelum Piyasena (TRI), Supeshala (ITI) & other two scientists representing private sector tea testing laboratories [i.e. Bureau Veritas Lanka (PVT) Limited & Intertek Testing(PVT) Limited] were trained. As a result, ITI Residue Laboratory was authorized for testing MCPA at first stage with effect from 1st December 2019.

Pictures 2.5.1: During the Japan visit for validation of MCPA



It is important that, out of the total tests performed in pesticide residues analysis, 95 numbers of samples have been identified below the limits as described below.

Table 2.5.3: Performance of the Pesticide Analysis Unit

Type of Pesticide test	Below the minimum quality standard/Guideline
Ethion	2
Cypermethrin	1
Fructose	1
Glucose	18
Sucrose	73



### 2.5.1.3. Performance of the Microbiology Analysis Unit

Herein below, 1000 tea samples out of total 2249 received through the internal certification service were identified to be below the standards or not suitable for consumption. The lots belonging to those samples are proceeded to denature and removed from the system following the Tea Board regulatory actions by the Tea Commissioner.

Table 2.5.4: Performance of the Microbiology Unit

Type of Microbiology test	Below Standard/ Guideline (No. of tests)
Total Plate Count	295
Yeast and Mould	377
Coliform	299
E-coli	29

### 2.5.1.4. Performance of the Chemical Analysis Unit

The details of test parameters confined to samples which were destroyed due to the unsatisfactory condition on quality of tea are summarized below,

Table 2.5.5: Performance of the Chemical Analysis unit

Type of Chemical test	Below Standard/ Guideline (No. of tests)
Crude fiber contents	101
Alkalinity Contents	37
Water extract	4
Siliceous matter-acid insoluble	4
Total ash	11
Water soluble ash	1
Sugar like components	5

### 2.5.2.5. Performance of the Quality Inspection Unit

Total of 16 issues raised as suspected teas are witnessed by trained technical staff of the Analytical Laboratory at the field sampling on the request of Tea Commissioner or Deputy Tea Commissioner's. The accuracy of all lab test results depends on the correctness of the drawn sample. The officials involve for tea sampling in Tea Commissioners' Division, i.e; Tea Inspectors, Regional Tea Development Officers, Assistant Tea Commissioners and Deputy Tea Commissioners always accompanied with scientific technical officer nominated from the Analytical Laboratory, i.e; Analysts, Quality Management Officer, Technical Assistants who are expert in use of special tools and sampling techniques.

Pictures 2.5.2: FAO participation for Russia in 2019



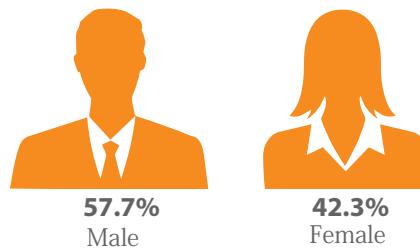


## 2.6 Administration Division

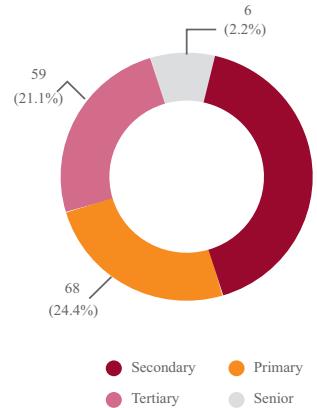
Administration Division of SLTB is responsible for formulation, implementation, monitoring and evaluation of all Human Resources Management and Human Resources Development activities, managing of SLTB Library, Procurement activities, Security and Transport activities and Maintenance activities of the Board.

### 2.6.1. Staff Strength

#### 2.6.1.1. Gender Distribution



#### 2.6.1.2. Staff Categories



#### 2.6.1.3. HR Turnover

Description	No. of Staff
Resignations	4
Retirements	3
Termination	0
Vacation of Post	0
Total	7

### 2.6.2. Training Programs

#### 2.6.2.1. Local Training Programs

Category	No of Employees Traind
Senior Level	02
Tertiary Level	20
Secondary level	30
Primary Level	10
Total	62

#### 2.6.2.2. In-house Training Programmes

##### a) In-house Training Program for Management Assistants

The in-house training program has been conducted to improve knowledge and skills in Management Assistant job role and motivate the staff members. 70 Management Assistants Participated in this training which was conducted on 18th & 19th October 2019 at Oruthota Chalets in Kandy.

##### b) In-house Training Program for Primary Level Staff

The in-house training program has been conducted to improve their knowledge in Local Tea Services provided by SLTB and enhance the Team Works among the Primary Grade Staff members. 40 staff members participated in the training which was conducted on 01<sup>st</sup>, 2<sup>nd</sup> & 3<sup>rd</sup> November 2019 at Nuwara Eliya Regional Office of Sri Lanka Tea Board.

#### 2.6.2.3. Foreign Training Programmes

Category	No of Employees Traind
Senior Level	01
Tertiary Level	04
Secondary level	01
Primary Level	00
Total	06

#### 2.6.2.4 Language Skill Development Programme for Staff at SLTB

Two training programmes were organized by Tea Board to enhance the language skills of Tea Board staff. Under the said programme 44 Executive and Management Assistant grade staff members of Tea Board participated in 06 months programme on Language Skill Development and 23 Primary level staff members of Tea Board participated in 03 months programme on Language Skill Development.



#### 2.6.2.5 Tea Board Day -2019 – Team Building Event

This Annual Event of Team Building aimed at helping the participants to empower their Team Building Spirit. All staff at SLTB participated at the event conducted on 24<sup>th</sup> August 2019 at Royal Palm Hotel , Waskaduwa.



## 2.7 Internal Audit Section

Internal Audit is an independent appraisal function within the Sri Lanka Tea Board, for the review of activities including other related functions as a service to all levels of Management. It is a control which measures, evaluates and reports upon the effectiveness of internal controls, financial and non-financial, as a contribution to the efficient use of resources within an organization.

The Audit Committee of the SLTB, approved the Internal Audit Plan for 2019 & reviewed the Independence, Objectivity & Performance of the Internal Audit Function & the adequacy of its resources. Internal Audit Reports except Special Investigations,

submitted to the Committee & audit findings presented in the reports were prioritized, and the committee has advised the Management on action to be taken on areas where weakness were observed. The Committee reviewed the present status on the answers to the Auditor General's Reports on the Accounts for the year 2016. Certain Minutes of the COPE Meeting held in September 2018 were further reviewed & agreed with the clarification made by the Management.

Audit Committee met three times during the year under review and respective Heads of Divisions / Offices attended the meetings of the Committee by invitation on need basis.

Recommendations were made to the Board of Directors along with the Minutes & followed-up to ensure that appropriate corrective action is taken.



## 2.8 Information Technology Section

Year 2019 can be introduced as a challenging but fruitful year for the IT Division. Many important decisions were executed, and many information system developments were initiated and carried out.

In 2019 IT Division started and carried out many projects such as completion of the development of Inventory control system, POS system and deployed the Disaster Recovery solution at Nuwara Eliya regional office.

### Tea Value Chain System

The management of the board would have access to the most accurate and up-to-date information on the value chain enabling them to make the right decision to steer the board in the right direction. The project currently finalized the requirement Analysis and planning to sign off by 2021.

### Renovation of official SLTB website [www.srilankateaboard.lk](http://www.srilankateaboard.lk)

To aware the industry heritage and offered services of the organization, we are in the process of revamping the official website with new features including search engine optimization, user friendliness, responsiveness, mobile compatibility, good formatting, effective navigation and fast load times.

The project currently completed planning and requirement analysis, defining requirements and designing the project architecture. Planning to complete building or developing the project by the end of year 2020.



## 03. Industry Profile

Sri Lanka tea production during the year 2019 was 300.12 Mn kg, vis-a-vis 303.94 Mn kg of the corresponding period, recorded a 3.8Mn kg marginal decrease (1.2%). Total Production of High grown was 63.05 Mn kg for January to December 2019 while it has recorded 2.96% decrease vis-a-vis 64.97 Mn kg of January to December 2018. Medium grown production of 47.17 Mn kg shows a marginal growth of 0.09% when compared to the 47.13Mn kg during the year 2018. The total production of Low grown was also 189.9 Mn kg recorded 1% marginal decrease when compared with previous year figure of 191.84 Mn kg.

According to the Category, Orthodox was the major component which has recorded 273.89 Mn kg during the year 2019. It was 277.33 Mn kg during the corresponding period of 2018 and 1.2% decrease compared to previous year. Also Cumulative CTC Production for the year 2019 showed a slight decrease of 1.8% and Green Tea production achieved a 1.5 % marginal growth rate producing 2.64Mn kg during the year 2019 compared to 2.6 Mn kg in 2018.

The year under review began with a lots of uncertainties which were not favorable for the sri lanka tea industry. The suspension of Russian tea exports, shipments to japan and the EU were confronted with MRL issues, US sanctions on Iran and internal conflict in the Middle East, were negatively affected the Sri Lankan tea industry.

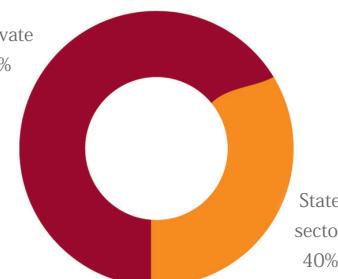
In view of the negative features and other global market trends confronted the cumulative Colombo tea auction average prices has dropped to US\$ 3.07 per Kilo as against US\$ 3.58 per kilo during the previous year. Consequently, the Colombo tea auction price showed a nominal decrease from Rs. 581.93 to Rs.545.02 in comparison to 2018.

A total of 292,657 MT of tea was exported from Sri Lanka during the year generating revenue of LKR 240 billion (US\$ 1.3billion).The average FOB price reached LKR 822.25(US\$ 4.6) per Kg. The total export volume recorded an increase of 10,293MT compared to the previous year.

### 3.1. Distribution of Tea Lands

The total extent of cultivation in Sri Lanka is 202,985\*ha at present. The breakdown of tea lands along with their management criteria is Private (60%), and State sector (40%). Tea cultivation is distributed within few districts in the country mainly in wet zone areas due to the suitable climate conditions for tea cultivation.

Chart 3.1 Distribution of tea lands



### 3.2 National Tea Production for 2019

National tea production recorded a decrease of around 4 million kilograms to reach 300 million kilograms and it was 1.2% decrease compare to 2018.

Sri Lanka produces tea cultivation in variety of elevations, with the bulk being low grown tea. Tea is cultivated in elevations ranging from sea level to 600 meters, and essentially has a stronger flavor and color. High grown tea is cultivated in altitudes of over 1,200 meters and is generally regarded as being of superior quality, with a unique taste and aroma.

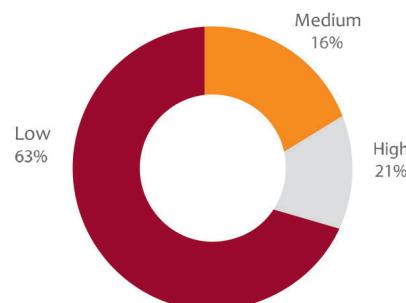
As such, higher income levels and the resultant rise in demand have pushed up for the low-grown tea in recent times and Tea production in Low Elevation contributed more than two third (63%) of national tea production whilst high and medium accounted for 21% and 16 % respectively.

Table 3.2.1:Tea production by Elevation

Elevation	Qty(kg)
High	63,046,708
Medium	47,172,071
Low	189,901,891
Total Tea Production	300,120,670

Source: Sri Lanka Tea Board

Chart 3.2:Elevation wise production





### 3.2.1. Monthly Tea Production

Throughout the year, low grown production provided a major contribution to the national tea production for every months of the year. This year highest monthly tea production recorded in May while lowest recorded in October 34Mn kg and 21Mn kg respectively. It was noted that the minimum monthly tea production exceeded 21 Mn kg in the review year. However, cumulative tea production in 2019 recorded a slight decrease of 1.3 % in comparison to 2018.

Chart 3.3: Distribution of monthly tea production



### 3.2.2. District wise Tea Production

During the year under review, it is evident that major high grown production was reported from the Nuwara Eliya district and the highest low grown production was reported from the Ratnapura district. Both districts contributed to the national tea production by 20% & 23% respectively. Also, Rathnapura District recorded the highest production in all three elevations while Hambantota reported the lowest production in all three elevations.

Table 3.2.2.: District wise Tea Production (kgs)

District	High	Medium	Low	Total
Badulla	14,974,746	10,114,950	-	25,089,696
Colombo	-	-	959,770	959,770
Galle	-	-	43,454,396	43,454,396
Hambantota	-	-	290,323	290,323
Kalutara	-	-	21,021,924	21,021,924
Kandy	619,629	22,394,884	11,441,795	34,456,307
Kegalle	-	389,101	10,315,876	10,704,976
Matale	-	1,064,408	409,580	1,473,988
Matara	-	188,110	35,695,193	35,883,302
Monaragala	-	-	-	-
Nuwara Eliya	47,336,789	10,829,576	798,208	58,964,572
Ratnapura	115,544	2,191,044	65,514,828	67,821,415
Total	63,046,708	47,172,071	189,901,891	300,120,670

Source: Sri Lanka Tea Board

### 3.2.3. Agro Climatic District wise Analysis

Rathnapura and Galle continued to be at the top of the list of agro district-wise tea production with 50.4Mn.kg. and 43.8 Mn.kg respectively. Comparison to 2018 Sub district Medium recorded a nominal increase of production while other sub districts recorded a decrease. Agro climatic low grown production recorded 176Mn Kg with 1.04% decrease in the review year.



Table 3.2.3: Agro Climatic District wise Tea Production (in kgs)

Agro Climatic District	2019(kg.)*	* 2018(kg.)	Change (kg.)	Growth (+_%)
Nuwara Eliya	3,224,893	3,493,233	(268,340)	(7.68)
Western				
Ramboda	1,835,212	1,947,092	(111,879)	(5.75)
Pundaluoya	3,757,804	3,521,850	235,954	6.70
Agarapathana	5,502,557	6,402,182	(899,625)	(14.05)
Nanuoya/Lindula/Talawak	9,014,602	8,740,694	273,908	3.13
Patana/Kotagala	3,820,764	4,490,214	(669,451)	(14.91)
Hatton/Dickoya	7,353,296	6,964,004	389,292	5.59
Bogawantalawa	5,729,970	5,592,467	137,504	2.46
Upcot/Maskeliya	5,792,133	6,161,318	(369,184)	(5.99)
Total -Western	42,806,337	43,819,819	(1,013,482)	(2.31)
Medium				
Watawala/Ginigat/Notron	1,602,682	1,750,987	(148,305)	(8.47)
Pussellawa/Hewaheta	6,136,278	6,274,360	(138,082)	(2.20)
Kotmale	821,148	787,558	(35,590)	4.27
Gampola/Nawalapitiya/Do	18,609,887	17,848,466	761,421	4.27
Nilambe/Hantane/Galah	1,582,180	1,535,574	46,606	3.04
Kadugannawa	5,851,934	6,170,927	(318,993)	(5.17)
Madulkelle/Knuckles/Ran	3,698,221	3,946,897	(248,676)	(6.30)
Hunasgiriya/Matale/Yakde	1034738.3	906,342	128,396	14.17
Balangoda/Rakwana	7,764,480	7,536,344	228,136	3.03
Total -Medium	47,101,548	46,757,455	344,092	0.74
Uda Pussellawa				
Udapussellawa/Halgranoy	3,493,639	3,850,519	(356,880)	(9.27)
Maturata	1,851,921	1,570,248	281,673	17.94
Total-Uda Pussellawa	5,345,560	5,420,767	(75,207)	(1.39)
UVAS				
Koslanda/Haldumulla	716941	564761	152,180	26.95
Haputale	2,950,758	3,501,684	(550,926)	(15.73)
Bandarawela/Poonagalla	2,691,370	3,139,181	(447,811)	(14.27)
Malwatte/Welimada	3,085,071	3,249,363	(164,292)	(5.06)
Demodara/Haliella/Badull	8,605,150	8,174,761	430,389	5.26
Ella / Namunukula	1,461,490	1,456,723	4,766	0.33
Passara/Lunugalla	2,601,666	3,002,366	(400,700)	(13.35)
Madulsima	2,607,817	2,643,930	(36,113)	(1.37)
Total-Uvas	24,720,262	25,732,768	(1,012,506)	(3.93)
Low Growns				
Deniyaya	14,338,749	14,342,581	(3,833)	(0.03)
Galle	43,786,962	43,876,545	(89,584)	(0.20)
Kalutara	22,485,555	22,809,355	(323,800)	(1.42)
Kegalle	7,037,251	5,920,537	1,116,714	18.86
Kelani Velli	7,874,180	8,776,618	(902,438)	(10.28)
Kandy/Matale/Kurunegala	4,115,010	4,896,731	(781,722)	(15.96)
Matara	15,016,653	15,050,638	(33,986)	(0.23)
Morawake	6,062,701	5,899,496	163,205	2.77
Ratnapura	51,055,836	52,461,149	(1,405,313)	(2.68)
Balangoda	5,149,175	4,686,541	462,635	9.87
Total Low Grown	176,922,070	178,720,191	(1,798,121)	(1.01)
Total	300,120,670	303,944,234	(3,823,564)	(1.26)

Source: Sri Lanka Tea Board, \* Revised



### 3.2.4 Production Analysis by Green Leaf Collection Method

The total tea production of a factory comprised with the green tea leaf collected from their own estates or other estates as well the leaf bought from the other suppliers. The Table 3.2.4 illustrates the district wise leaf collection methods that contributed for total production in year 2019. The calculation indicates the green leaf production that we received by multiplying the made tea production in to 4.65 kg, that is used as a standard formula in the tea industry.

Table 3.2.4. District wise Green Leaf Production (in kgs)

Administrative Districts	Own Leaf	Estate Leaf	Bought Leaf	Total leaf
Badulla	43,319,512	26,775,402	46,572,173	116,667,086
Colombo	-	-	4,462,931	4,462,931
Galle	2,350,375	1,949,550	197,763,017	202,062,941
Hambantota	-	-	1,350,002	1,350,002
Kalutara	1,747,042	545,092	95,459,813	97,751,947
Kandy	19,699,125	5,496,928	135,025,775	160,221,828
Kegalle	4,157,830	1,109,797	44,510,511	49,778,138
Matale	1,379,915	300,874	5,173,260	6,854,044
Matara	6,971,234	2,139,484	157,746,637	166,857,354
Monaragala	-	-	-	-
Nuwara Eliya	182,748,297	37,318,961	54,118,007	274,185,260
Ratnapura	20,066,512	9,063,375	286,239,692	315,369,580
Total	282,439,833	84,699,457	1,028,421,821	1,395,561,116

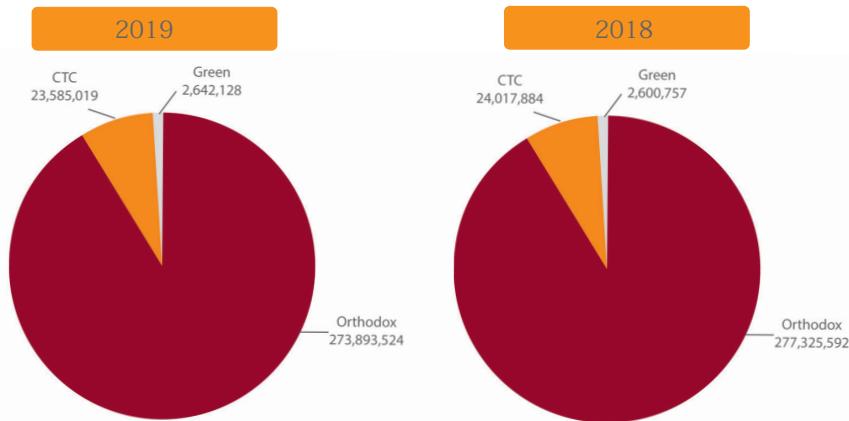
Source: Sri Lanka Tea Board

### 3.2.5 Production Analysis by Processing Method

#### 3.2.5.1 Black Tea and Green Tea Production

In 2019, both the Orthodox & CTC Tea production recorded a decrease of 1.2% & 1.8% respectively. During the year under review, overall Black tea production has decreased by 3.8Mn.kg (1.3%). Meanwhile Green tea production showed 1.6% increase when comparison to previous year.

Chart 3.4: Tea production by processing method



#### 3.2.5.2 Instant Tea and Bio Tea Production

In comparison to year 2018 Instant tea showed an increase of its production by 1,670MT and Bio tea reflected a decrease of its production by 33MT in 2019. Specially, 99% of Instant tea is recorded from tea factories in high elevation.

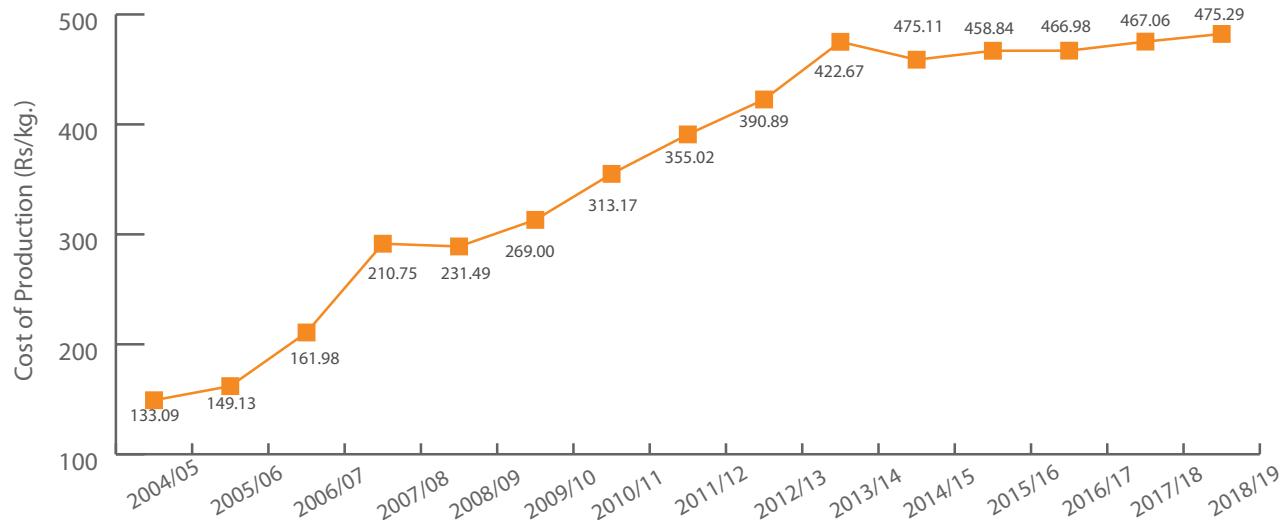
### 3.2.6 Cost of Production of Made Tea

Productivity and Cost Of Production (COP) are inter-related and increasing cost of production continues to be a worrying phenomenon in the plantations sector. Labor productivity in tea has a greater relationship with COP as tea production system needs larger quantity of labor. Sri Lanka has highest COP among major tea producing countries. This has affected the country's competitiveness in the global arena.

The cost of production per kilogram of made tea has rapidly increased during the last decade. Increase in labor cost and higher prices of inputs had specially affected the production cost. The annual cost of tea production, compiled by the Department of Census and Statistics for 2018/19, was Rs.482.27 per kg which is an increase of 1.5% against 2017/18.



Chart 3.5: Cost of Production per kilogram of made tea



Source: Department of Census and Statistics

### 3.3. Tea Sales

The monthly tea prices prevailed during the year 2019 was not much favorable for the industry. In the first six months, it was reported a downward trend and then rest half of the year, gradually started to increase the prices. During the review year, monthly tea prices vary from maximum Rs.588 per kg to minimum Rs. 495 per kg. However annual Tea average price of Rs.545.02 showed a decrease of Rs.37 compared to Rs 581.93 recorded in year 2018. Annual sales quantity of 301.9 Mn. kg of tea was sold in 2019 against 291.3 Mn.Kg sold in 2018 recorded 10 Mn Kg growth (4%) for the review year including Public, Private and Direct sales.

#### 3.3.1 Mode of Sales

Public auction is the main mode of sales of tea manufactured in factories. A quantity of 294.1 Mn.kg was sold under the Colombo Tea Auction in 2019. Private sales accounted for 5.9 Mn.kg and the rest about 1.9Mn kg sold through direct sales.

#### 3.3.2. The Colombo Tea Auction

The Colombo Tea Auction conducted by Ceylon Chamber of Commerce under Colombo Tea Traders Association and during the 2019 they were handled 51 auctions. The public auction recorded an increase of 9.4Mn.kg (3.3%) while average price reported Rs.38 per kg decrease at the Colombo Tea Auction during 2019.

#### 3.3.3. Elevation-wise Sales

In all three elevations, unit prices fetched are decreased when compared to the last year, resulted in a negative turnover in year 2018.

Table 3.3.1: Elevation-wise Tea Sales.

Elevation	Quantity (Mn.kg.)			
	2018	2019	Change	%
High	57.28	59.97	2.69	4.69
Medium	48.85	52.14	3.29	6.73
Low	185.17	189.81	4.64	2.51
Total Sales	291.3	301.92	10.62	3.65
Unit Price (Rs./kg.)				
High	571.81	509.4	(62.41)	(10.91)
Medium	521.03	470.96	(50.07)	(9.61)
Low	601.13	576.62	(24.51)	(4.08)
Total Sales	581.93	545.02	(36.91)	(6.34)

Source: Sri Lanka Tea Board



## 3.4. Tea Exports

### 3.4.1. Annual Tea Exports -2019

A detailed illustration on category wise annual tea exports for the review year is given below with volume, value and FOB prices.

Table 3.4.1: Annual Tea Exports – 2019

Package	Qty (kg)	Value (Rs)	FOB (Rs/kg)
Export			
<b>Black</b>			
Bags	18,768,179	29,089,046,462	1,549.91
Bulk	121,329,186	86,605,730,460	713.81
Packets (4g-1kg)	83,600,044	68,976,430,418	825.08
Packets (1kg-3kg)	2,691,087	1,755,668,985	652.40
Packets (3kg-5kg)	16,562,908	12,227,590,230	738.25
Packets (5kg-10kg)	34,574,653	20,693,151,841	598.51
<b>Black Total</b>	<b>277,526,056</b>	<b>219,347,618,396</b>	<b>790.37</b>
<b>Green</b>			
Black	725,723	2,287,680,817	3,152.28
Bulk	648,126	621,078,189	958.27
Packets (4g-1kg)	823,289	1,367,616,466	1,661.16
Packets (1kg-3kg)	3,362	6,365,086	1,893.30
Packets (3kg-5kg)	9,419	22,735,420	2,413.89
Packets (5kg-10kg)	61,681	104,516,988	1,694.48
<b>Green Total</b>	<b>2,271,599</b>	<b>4,409,992,966</b>	<b>1,941.36</b>
<b>Instant</b>			
Bags	247	659,500	2,670.04
Packets (4g-1kg)	240	217,387	905.78
Packets (>3kg)	3,034,816	4,122,691,987	1,358.47
<b>Instant Total</b>	<b>3,035,303</b>	<b>4,123,568,874</b>	<b>1,358.54</b>
Re Export			
<b>Black</b>			
Bags	4,145,198	4,993,836,281	1,204.73
Bulk	1,514,521	960,384,468	634.12
Packets (4g-1kg)	1,475,390	1,384,283,162	938.25
Packets (1kg-3kg)	1,128	3,532,855	3,131.41
Packets (3kg-5kg)	86,670	206,559,517	2,383.29
Packets (5kg-10kg)	88,154	132,466,537	1,502.66
<b>Black Total</b>	<b>7,311,062</b>	<b>7,681,062,820</b>	<b>1,050.61</b>
<b>Green</b>			
Bags	1,203,894	3,561,112,039	2,957.99
Bulk	350,042	207,927,516	594.01
Packets (4g-1kg)	890,354	1,206,352,471	1,354.91
Packets (1kg-3kg)	3,474	14,007,711	4,032.61
Packets (3kg-5kg)	4,397	7,530,741	1,712.62
Packets (5kg-10kg)	24,878	30,923,236	1,243.02
<b>Green Total</b>	<b>2,477,039</b>	<b>5,027,853,714</b>	<b>2,029.78</b>
<b>Instant</b>			
Bags	511	703,739	1,377.18
Packets (>3kg)	35,712	46,066,946	1,289.94
<b>Instant Total</b>	<b>36,223</b>	<b>46,770,685</b>	<b>1,291.17</b>
<b>Grand Total (Exports + Re exports)</b>	<b>292,657,282</b>	<b>240,636,867,455</b>	<b>822.25</b>
<b>RTD(Lt)</b>	<b>300,612</b>	<b>51,459,280</b>	<b>171.18</b>

Source: Sri Lanka Customs



Tea exports (with Re exports) totaled for the review year 292.7 Mn kg recording a growth of 10 Mn Kg vis-à-vis 282.3 Mn kg recorded for the year 2018 whilst earnings of Rs 240 Bn recorded a gain of Rs. 8 Bn vis-à-vis Rs.232 Bn of January to December 2018. The average annual unit FOB price was Rs.822.25 per kilogram in 2019 and comparatively it was recorded as Rs 820.75 per kilograms in previous year by reflecting a nominal increase of FOB price. In world tea market Sri Lanka became as third tea export country in volume and enduring as third earner in value term which could remarked the blooming tea potential as premium -quality tea from Ceylon in the global tea market.

Intense competition from rivals has adversely affected to the nation's competitive position and this has been exacerbated by the higher production cost of tea and poor yield in Sri Lanka. Meanwhile, the country's continues dependency on orthodox tea as opposed to CTC teas could further erode its market share among global consumers' rapidly changing preferences.

Chart 3.6: Monthly Total tea exports 2019



### 3.4.2 Tea Export analysis according to Categories

In general, preferences for tea vary substantially, depending on the origin and quality of the leaves. For instance, Middle Eastern and CIS countries demand for low-grown, orthodox, strongly flavored tea produced primarily in Sri Lanka.

In 2019, Total tea exports including re-exports in different categories of Black, Green & Instant showed an increase its both volume and value. Usually black tea export percentage remains approx. 97% every year and green tea percentage is around 2% while instant remains at approximately 1%.

Total export volume showed 4% increase with 10 Mn.kg quantity change. Both exports and re-exports separately showed 4% increase and 7% decrease in its volume while exports value showed 3% and 11% growth respectively. However, cumulative exports earnings were ended up with US\$ 1,346 Million in 2019 relating to the US\$ 1,426 Million in 2018 and accomplished a 68% decrease.

### 3.4.3. Value Added Tea Exports

The global preferences are rapidly changing into value added tea categories where Sri Lanka should adopt to these market changes in order to maintain its traditional market position in the globe. Exports of value added teas that is volume less than 3kg in form of tea packets, tea bags and instant teas recorded a share of 39% of the total export volume for year 2019 and it generated Rs.115 Bn export income remarking the value share as 48%.

Table 3.4.2: Annual Value Added Tea Exports – 2019

Export type		Quantity(kg)	Value(Rs)	FOB(Rs/kg)
Export	Black	105,059,309	99,821,145,865	950.14
	Green	1,552,374	3,661,662,369	2,358.75
	Instant	487	876,887	1,800.59
	Sub Total	106,612,170	103,483,685,121	970.66
ReExport	Black	5,621,717	6,381,652,298	1,135.18
	Green	2,097,722	4,781,472,221	2,279.36
	Instant	511	703,739	1,377.18
	Sub Total	7,719,949	11,163,828,258	1,446.10
<b>Total</b>		<b>114,332,119</b>	<b>114,647,513,379</b>	<b>1,002.76</b>

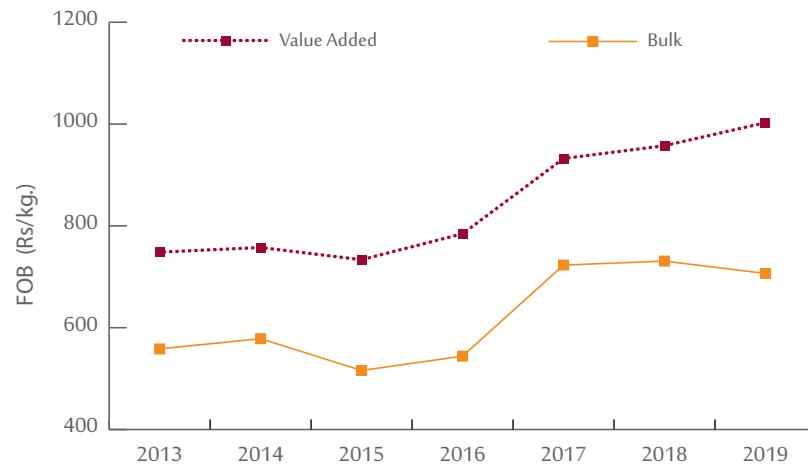
Source: Sri Lanka Customs

Note: The tables prepared without RTD Exports and Total RTD Exports are considered as Value Added Exports



FOB price for the value added tea is higher than Bulk tea prices. Further promotions on value added tea exports will positively contribute to the Sri Lankan economy than bulk tea exports. During the year under review, FOB prices for value added tea reflected an increase while bulk tea prices reported a decrease in 2019. Up to 3Kg export categories have been taken as value added tea.

Chart 3.7: FOB Prices of Value Added Exports &amp; Bulk Tea Exports



### 3.4.4. Main Destinations of Sri Lanka Tea Exports

In the past UK, Pakistan, Egypt had relatively higher market share for Ceylon tea, unfortunately they were not even in the first 25 exports destinations now. Once again, Turkey regained the first place in 2019 among the main Sri Lankan tea export destinations by importing 13.36% of total Ceylon tea exports while recorded 9.7% growth rate compare to the 2018.

Russia retain as the first export destination for Ceylon tea up to 2013, but with the Turkey's demand for Ceylon tea and political and economic uncertainties caused Russia to become the second largest export destination in terms of volume in 2014. Then Russia became the 1<sup>st</sup> exports destination in 2015 and retained the same position for the year 2016 too. Again, Turkey comes to the first place in 2017 and in 2018 Iraq comes to the first place.

In 2019 again Turkey has come to the first place surpassing all other countries by exporting 39 Mn kg. The value gain of tea exports recorded, Turkey was the first major value earner of tea exports by contributing 12 % of total turnover.

Table 3.4.3: Main Destinations of Sri Lankan Tea Exports 2019

Country	2019				2018		
	Rank	Quantity (Kg)	Export share (%)	Rank	Quantity (Kg)	Export share (%)	Growth (%)
Turkey	1	39,087,245	13.36	2	35,634,255	12.62	9.69
Iraq	2	38,408,064	13.12	1	38,435,935	13.61	(0.07)
Russia	3	29,068,027	9.93	3	30,580,653	10.83	(4.95)
Iran	4	22,263,830	7.61	4	23,914,222	8.47	(6.90)
Libya	5	12,329,315	4.21	5	13,686,442	4.85	(9.92)
China	6	11,870,397	4.06	9	10,020,245	3.55	18.46
Azerbaijan	7	11,721,185	4.01	7	10,550,856	3.74	11.09
Syria	8	10,985,901	3.75	8	10,180,344	3.61	7.91
Uae	9	9,901,241	3.38	6	11,077,796	3.92	(10.62)
Japan	10	7,538,028	2.58	10	7,416,310	2.63	1.64
Top 10 Total		193,173,232	66.01		191,497,060	67.82	0.88

Source: Sri Lanka Customs

Iraq was the second export destination with the 13.12% export share in 2019 and it showed 0.07% decrease of export volume compared to 2018. The average FOB prices for Japan showed a high price among top ten countries in 2019 which was achieved FOB price Rs.963/= per kg in 2019 becoming as the ten export destinations in review period 2019. China, Turkey, Azerbaijan, Syria showed 18.46%, 9.69%, 11.9% & 7.91% increase of its Ceylon tea market respectively. Meanwhile Iraq, Russia, Iran, Libya & UAE showed a marginal decrease of tea exports compared to 2018. However, top 10 exports destinations reported a 1% growth compared to 2018.

Table 3.4.4: Tea exports quantities and Ranking for top 20 countries by package type

Country	Qty kg							Rank						
	Bags	Bulk	Packets (>3kg)	Packets (1kg-3kg)	Packets (3kg-5kg)	Packets (4g-1kg)	Packets (5kg-10kg)	Bags	Bulk	Packets (>3kg)	Packets (1kg-3kg)	Packets (3kg-5kg)	Packets (4g-1kg)	Packets (5kg-10kg)
Turkey	340,303	9,239,285	25	917,698	7,584,370	16,599,240	4,406,324	10	5	9	2	1	1	3
Iraq	131,665	3,776,666	-	954,650	2,106,240	16,467,575	14,971,268	14	12	-	1	3	2	1
Russia	1,174,491	22,658,216	-	34	13,328	5,201,507	20,450	4	1	-	11	13	4	14
Iran	20,056	12,237,472	-	43,103	113,984	430,556	9,418,660	18	2	-	6	8	14	2
Libiya	50,365	-	-	-	-	12,165,150	113,800	17	-	-	-	-	3	11
China	258,160	9,909,455	345,811	54,306	5,079	204,542	1,093,044	12	4	1	5	14	17	5
Azerbaijan	1,627	11,231,371	-	-	3,000	485,187	-	20	3	-	-	15	13	-
Syria	975,781	369,320	-	29,440	5,402,245	3,765,835	443,280	6	18	-	8	2	5	6
UAE	420,691	5,213,633	2,627	71,142	365,398	2,421,579	1,406,170	9	8	7	4	4	9	4
Japan	716,004	6,395,244	4,320	-	92,496	49,745	280,219	7	7	6	-	9	19	8
Germany	157,115	4,198,338	243,322	13	72,015	2,674,774	78,813	13	9	2	12	10	8	12
Chile	538,339	6,481,913	1,139	-	1,500	206,374	2,000	8	6	8	-	17	16	18
USA	1,219,255	3,296,466	135,332	2,052	58,654	2,395,839	6,770	3	13	3	10	11	10	16
Saudi Arabia	1,629,650	2,165,560	20	36,510	215,718	2,794,293	6,710	2	16	11	7	6	6	17
Jordan	2,304,951	73	-	-	20,060	2,719,504	123,015	1	19	-	-	12	7	10
Hong Kong	88,303	3,865,849	22	381,959	174,457	321,914	14,831	16	11	10	3	7	15	15
Taiwan	128,377	3,976,801	10,890	-	304,629	83,507	166,235	15	10	4	-	5	18	9
Ukraine	287,779	2,746,165	-	3,148	1,570	1,022,579	72,670	11	15	-	9	16	12	13
India	6,621	2,937,002	9,503	-	-	5,811	400,200	19	14	5	-	-	20	7
Netherland	1,011,896	460,313	14	-	-	1,869,902	250	5	17	12	-	-	11	19



Russia secured the third place in the list of main destinations of Ceylon Teas, while UAE retained its position in the ninth place with an export volume share of 3.3%. The Middle East is the Sri Lanka's largest export destination as a region; demand has been expanding robustly due to strong oil prices. Top 10 pure Sri Lankan tea exporting destinations are accounted for around 66% of the totality. However, Japan, Russia, Iran, Azerbaijan & Syria maintained the significantly the greater FOBs with respect to the average unit FOB price attained. Furthermore total export revenue exceeded Rs. 240 Bn marking a growth comparison to 2018. However, Sri Lankan bulk teas exports have now tilted towards the Middle East as a result of other regions are used to drink tea bags.

#### 3.4.4.1 Exports of Black Tea

Black tea recorded 97% (285Mn. kg) of total tea exports and contributed to the total exports revenue 94% (Rs.241Bn). Among the all black tea export destinations, top twenty accounted 85.44% of volume and 81% by value. Russia remains as the prime Sri Lankan Black tea importer up to 2013 and in 2014 Turkey acquires the first place among highest import of Ceylon black tea. Then again Russia comes to the first place among prime Sri Lankan black tea imports (11.9%) in year 2015 by importing 35.74Mn. kg. However, in 2016 Iran comes to the 1st place by importing 33.90 Mn kg (12%) of Black Tea. In 2017 Turkey comes to the first place among prime Sri Lankan black tea importers contributing volume share of 13.41%. However, in the review year, Turkey has come to the top of the black tea exports list which exporting Mn 39.05 kg.

Table 3.4.5: Top 20 Black tea exports destinations and market share 2019 (With Re ex)

Country	Quantity (Mn.kg)	Value (Rs.Bn)	FOB (Rs/kg)	Volume Share (%)	Value Share (%)	Qty Growth (%)
Turkey	39.05	28.84	738.49	13.71	12.70	9.69
Iraq	38.38	19.94	519.44	13.47	8.78	(0.06)
Russia	28.29	22.70	802.41	9.93	10.00	(5.48)
Iran	22.25	18.04	810.88	7.81	7.95	(6.93)
Libia	12.23	8.07	659.65	4.29	3.55	(8.50)
Azerbaijan	11.72	9.47	807.68	4.11	4.17	11.19
China	11.46	8.41	734.11	4.02	3.71	16.01
Syria	10.98	9.75	887.68	3.86	4.29	8.02
UAE	9.43	6.73	713.91	3.31	2.96	(11.01)
Japan	7.53	7.23	959.54	2.64	3.18	1.58
Chile	7.16	4.43	618.35	2.51	1.95	(4.38)
Germany	7.09	6.04	850.96	2.49	2.66	19.81
Saudi Arabia	6.70	7.31	1,091.69	2.35	3.22	21.37
USA	6.41	5.48	856.04	2.25	2.42	33.45
Jordan	5.16	4.69	909.21	1.81	2.07	9.65
Hong Kong	4.84	3.56	735.19	1.70	1.57	(0.49)
Taiwan	4.56	3.28	720.18	1.60	1.45	4.09
Ukraine	3.74	3.53	945.56	1.31	1.56	12.46
India	3.34	3.00	898.49	1.17	1.32	299.87
Netherland	3.05	3.41	1,116.66	1.07	1.50	5.33
Top 20 Totals	243.35	183.89	755.66	85.44	81.00	3.77

Source: Sri Lanka Customs

#### 3.4.4.2 Exports of Green Tea

Green tea encountered 2% (3.9Mn.kg) of total tea exports while contributing 4 % ( Rs.7.4 Bn) of total tea export revenue during 2019. Among the all green tea export destinations, top twenty represented 83.28% of volume and 79.4 by value. Out of leading twenty importers of Green teas, Russia recorded a considerable volume of 0.7 Mn.kg while Netherland and UK recorded a high FOB prices for year 2019. Otherwise almost all the top 20 green tea exports destinations were recorded high FOB Prices except UAE, Libya & Egypt. According to the below table Green tea Prices remain approximately Rs.1, 000 - 4, 000/- per kilos in the review year.



Table 3.4.6: Top-Twenty destinations of Green Tea Exports 2019

Country	Quantity ('000.kg)	Value (Rs.Mn)	FOB (Rs/kg)	Volume Share (%)	Value Share (%)	Qty Growth % ('18 Vs '19)
Russia	776.37	1,170.91	1,508.18	16.35	12.41	19.54
Usa	573.02	1,404.67	2,451.37	12.07	14.88	4.23
Uae	469.97	428.06	910.83	9.90	4.54	(1.26)
Ukraine	395.49	550.41	1,391.70	8.33	5.83	12.69
Netherland	291.63	987.26	3,385.37	6.14	10.46	17.47
Poland	155.88	360.85	2,314.91	3.28	3.82	61.77
Saudi Arabia	151.08	278.80	1,845.42	3.18	2.95	108.86
Australia	115.42	370.57	3,210.58	2.43	3.93	0.90
United Kingdom	113.15	494.93	4,374.25	2.38	5.24	(28.93)
France	108.17	263.35	2,434.60	2.28	2.79	7.59
Egypt	106.54	67.35	632.10	2.24	0.71	542.61
Libya	102.41	84.43	824.44	2.16	0.89	(68.34)
Taiwan	102.39	124.93	1,220.16	2.16	1.32	18.47
Nigeria	88.11	192.35	2,183.13	1.86	2.04	3.83
Germany	87.02	124.12	1,426.42	1.83	1.32	(28.31)
Chile	70.60	132.05	1,870.50	1.49	1.40	34.96
Uzbekistan	69.28	85.03	1,227.44	1.46	0.90	17.85
Belarus	66.62	94.27	1,415.08	1.40	1.00	17.73
China	66.32	153.69	2,317.37	1.40	1.63	0.26
New Zealand	45.22	125.16	2,767.71	0.95	1.33	3.89
Top 20 Totals	3,954.67	7,493.19	1,894.77	83.28	79.40	6.10

Source: Sri Lanka Customs

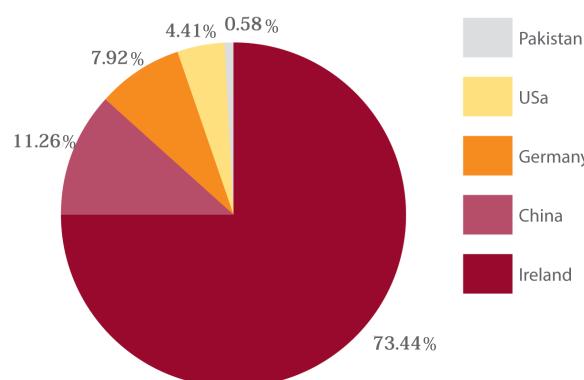
### 3.4.4.3 Exports of Instant Tea

Ireland is playing a vital role for Ceylon Instant tea market being leading instant tea importing country from Sri Lanka and responsible for an import volume 2.3Mn.kg. (73%) of Instant tea. China, Germany, USA & Pakistan maintained later positions in the list of major instant tea exports destinations respectively. During the review year, total Instant tea exported 3 Mn kg and respective value recorded as Rs 4 Bn .

### 3.4.4.4 Exports of Ready to Drink (RTD) Teas

For 2019, RTD exports could carry Rs.51Mn of export revenue by exporting 0.3 Mn liters of RTD teas. India played a vital role in RTD market by importing 0.2Mn liters for Rs.30 Mn from Sri Lanka. Maldives, Australia, Saudi Arabia and Russia were other major markets for Ceylon RTD exports. However, during last two years, it was noticed that Sri Lankan RTD market was gradually declining.

Table 3.8: Top-five Green Tea Export Destinations 2019





## 3.5. Global Tea Industry Background

Tea is one of the most frequently consumed hot beverages in the world, second only to water. As a natural beverage it is popular among all the ethnic groups in the world and almost all the age groups too. Among the Sri Lanka's exports particularly tea has played a vital role in the National economy and Social Development from the inception of its illustrious history. The commodity based product has made inroads as a significant contributor of Sri Lanka's exports earnings, whilst this segment is also amongst the largest employers in the country.

Amongst tea producing countries, the principal producers are China, India, Kenya, Sri Lanka, and Vietnam. These five countries account for 84% of world production and 80.9% of global exports. While China was mainly instrumental for the surge in world tea crop, African Continent particularly Kenya also registered a bumper harvest. However considering the Sri Lankan scenario in the global tea industry, the year 2019 performed was moderate with key performance indicators of exports, production, Auction prices and revenue performances (exports) compared to the other tea producing members.

### 3.5.1. Global Tea Cultivation

According to the International Tea Committee (ITC), largest tea extent is found in China (62.5%) and they are rapidly expanding their tea extent annually. Tea area in Kenya also reached to a higher extent in 2010 to 2017. The top-ten countries of tea growing are bearing 94% of total tea extent.

Total extent planted with tea in the world was estimated to be more than 4.8 million hectares at the end of the year 2019.

Table 3.5.1: Highest Tea Extent Records

Country	2015 (Ha.)	2016 (Ha.)	2017 (Ha.)	2018 (Ha.)	2019 (Ha.)
China	2,810,000	2,920,000	3,059,000	2,985,800	3,065,500
India	566,660	577,480	590,000	636,560	636,560
Sri Lanka*	188,000	202,839	202,540	202,540	202,540
Kenya	209,426	218,538	232,742	234,300	269,430
Vietnam	125,000	134,000	134,000	130,000	130,000
Indonesia	119,361	118,100	116,500	115,300	114,300
Myanmar	79,000	80,000	80,000	81,000	81,400
Turkey	77,500	77,000	77,000	83,000	83,000
Bangladesh	53,500	59,000	59,000	59,300	61,000
Japan	39,300	43,100	42,400	41,600	40,600

Source: Annual ITC Bulletin of Statistics - 2020

\*Estimated Area registered as Planted

### 3.5.2. Global Tea Consumption

Table 3.5.2: Country-wise Tea Consumption Statistics

Country	2015-17		2016-18		2017-19	
	Total	p hd	Total	p hd	Total	p hd
Libya	15.77	2.80	17.07	2.80	17.83	3.02
Afghanistan	47.70	1.69	38.77	1.37	30.77	1.02
Turkey	249.67	3.13	251.00	3.09	252.30	3.04
United Kingdom (a)	110.16	1.67	107.81	1.62	106.77	1.59
Morocco	67.42	1.93	70.95	2.04	73.05	2.07
Ireland Republic	8.02	1.68	8.66	1.79	9.76	2.00
Taiwan	37.16	1.37	36.14	1.29	36.67	1.31
Qatar	3.51	1.29	4.00	1.45	4.19	1.51
Sri Lanka	28.70	1.34	28.96	1.35	29.16	1.35
Hong Kong	11.12	1.51	11.26	1.52	11.85	1.59
Chile	20.53	1.12	20.66	1.11	20.25	1.09
Syria	11.30	0.63	11.10	0.65	10.70	0.60
Egypt	91.08	0.99	93.02	0.96	99.86	1.00
Iraq	38.97	1.05	42.30	1.12	43.50	1.13
Iran	73.47	0.91	76.83	0.94	81.87	1.00
China	1,956.33	1.42	2,050.33	1.48	2,152.67	1.55
India	990.67	0.80	1,036.00	0.82	1,083.33	0.84
CIS	253.13	0.89	248.90	0.85	245.33	0.83
Pakistan	166.87	0.80	180.18	0.85	190.81	0.89
USA	129.05	0.40	125.61	0.39	120.96	0.37
Japan	104.39	0.82	103.87	0.82	104.21	0.82
Indonesia	90.00	0.34	94.00	0.36	94.33	0.35
Bangladesh	80.00	0.50	82.33	0.51	82.83	0.50
Poland	36.12	0.95	36.59	0.96	37.37	0.98
Germany	31.20	0.38	29.69	0.36	28.07	0.34

Source: Annual ITC Bulletin of Statistics - 2020

Total: Mn kg

P hd : kg



Annual tea consumption and triennial average per capita tea consumption during the three years period of 2017-2019 reveal that the consumption was highest in China, recording 2,152.67 Mn.kg. Although the per capita consumption is low this was recorded as 1.55 Kg. Turkey showed the highest per capita consumption 3.04 kg per head with 252.30 Mn kg of annual consumption. Libya also showed a high per capita consumption recording a 3.02 kg per head.

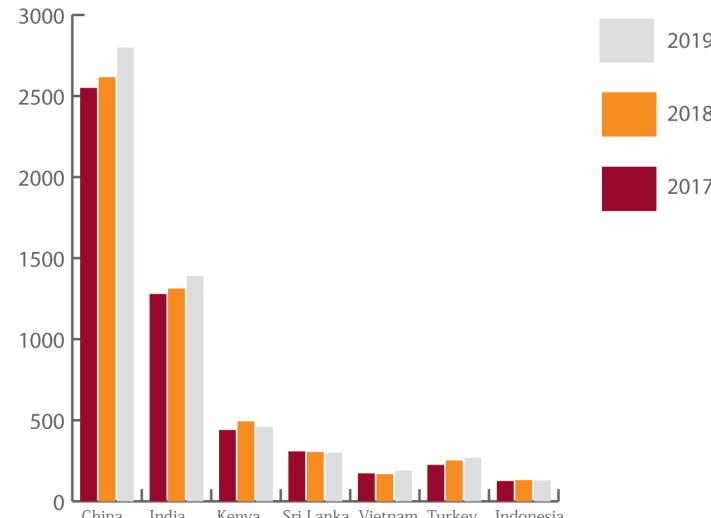
### 3.5.3. Global Tea Production

Global tea production reached up to 6.1 Bn. kg during the year 2019 and it showed a 5% growth compare to year 2018. China, India, Kenya, Sri Lanka, Turkey, Vietnam and Indonesia represented around 90% of global tea production for year 2019. Although India and China are still the largest tea producers, these 2 nations' considerable domestic consumption has rendered and Kenya the largest global exporters of this commodity.

Sri Lanka remain as fourth largest tea producer in the world and it is noticeable that the other tea producers in fifth, sixth and seventh places are not showing increasing trend of their tea production and implies that there are no emergence threat on Sri Lanka's position in recent. However sri lanka could be able to reach their highest manufacturing level by surpassing the kenya's position.

China occupies the highest position with 2,799 Mn.kg with a share of world production of 45.5 % and India stayed at second with an annual production of 1,390 Mn.kg. with a share of 22.6% of world Tea Production in 2019. Kenya is placed as the third with its manufacturing level at 459 Mn.kg. and 7.5% share. As the fourth contributor to the world tea production sri lanka produced 300 Mn kg with a share of 4.9% in 2019.

Chart 3.9: World Tea Production Statistics



Source: Supplement: Annual ITC Bulletin of Statistics – 2020

### 3.5.4. Global Tea Sales

Colombo Auctions handled 298 Mn.Kg of tea for average price per kilogram at US\$ 3.07 for year 2019. However, volume traded in Mombasa Auctions also maintained over 454 Mn.kg and Kolkata Auctions had traded considerable volume of 168 Mn Kg in 2019.

Colombo Auctions holds the record for the highest average auction price fetched for the last three years. Also it was the only auction center that exceeds USD 3.07 per Kg. in 2019. During the review period, each auction center of Chittagong, Kolkata, Mombasa and Guwahati recorded 2 dollars per Kg. Kolkata holds the second largest average auction price and Chittagong holds the third position with US\$ 2.43 per Kg. and US\$ 2.31 per Kg. respectively.

Table 3.5.3: Statistics of Major Tea Auctions (Qty. - in Mn.Kg. Avg. Unit Price - in US\$/Kg.)

Auction Centre	2017		2018		2019	
	Qty.	Price	Qty.	Price	Qty.	Price
Chittagong	80	2.45	79	3.12	85	2.31
Cochin	49	1.81	48	1.81	42	1.66
Colombo	296	4.07	288	3.60	298	3.07
Guwahati	166	2.16	177	2.13	150	2.09
Jakarta	-	-	-	-	-	-
Kolkata	168	2.46	159	2.46	168	2.43
Limbe	9	1.84	9	1.84	9	1.46
Mombasa	398	2.81	458	2.43	454	2.04

Source: computed from ITC Web Site

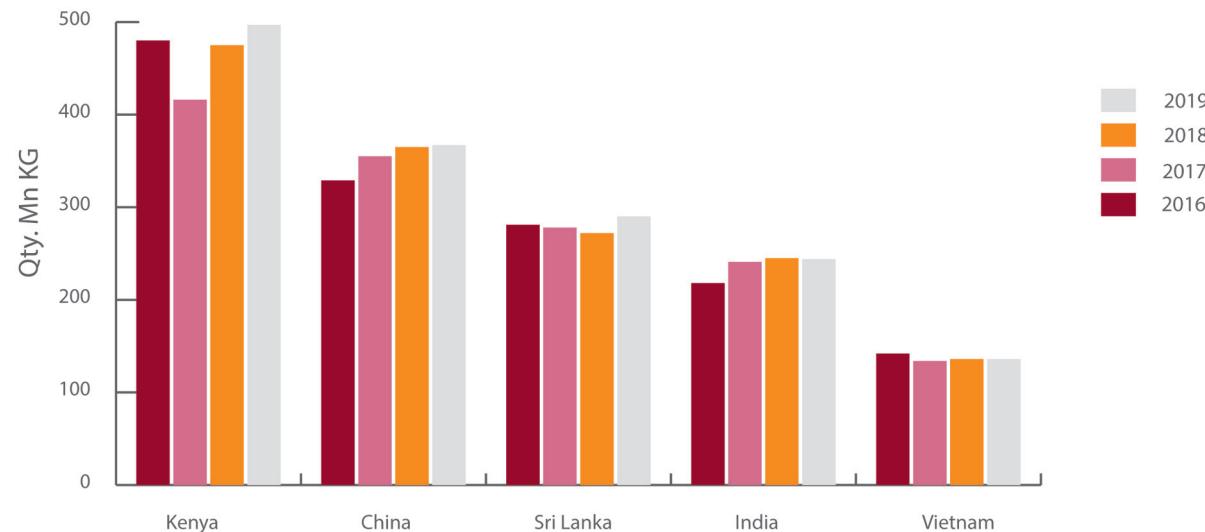


### 3.5.5. Global Tea Exports

Global tea exports during 2019 showed shrinkage of 61 Mn.kg (3.4%) as against the previous year. China, India & Kenya showed an increase of its export quantities and attained a growth of 2.7%, 1.8% & 14.2% correspondingly, compared to the year 2017. The three largest exporters, viz, Kenya, China and Sri Lanka accounted for more than 60% of global exports.

The leading tea exporting countries with their export revenues in year 2017 are listed below. It reveals that China recorded as largest income earner from tea exports. This reveals that Kenya has earned as the third largest export earner. As the Second largest export revenue earner Sri Lanka was able to continue 1.2 billion US dollar industry status with its pure Sri Lankan tea exports.

Chart 3.10: Major Tea Exporters



Source: computed from ITC Web Site



## 3.6. Ceylon Tea Markets

### 3.6.1. Russia and CIS Region

#### RUSSIA

Drinking tea is a customary tradition in Russia uniting families and friends together for a warm conversation. Almost everybody in Russia drinks tea at least once a day. According to the Russian market research agency, FDF Group, the most popular reasons of drinking tea among Russian consumers are the facts that it is tasty, healthy, revitalizing and traditional.

Currently, Tea is a relatively mature product in Russia, mainly thanks to its long history. The market is also expected to keep on growing at 1% a year, which suggests a steady supply and demand relationship between suppliers and consumers. The market is currently developing in terms of quality.

According to the country wise imports records in Russia , India has surpassed Sri Lanka to achieve the first place among all tea exporting nations to Russia in terms of volume. Until 2014, Sri Lanka was ranked as the major supplier to Russia in terms of both volume and value term. However, with the impact of financial crisis in the country which commenced in 2014 and the continuously increasing tea prices in Colombo Auction placed Sri Lanka at the second position of the list of tea exporting countries to Russia in terms of volume. Due to high quality and the longstanding reputation of the Ceylon Tea in the Russian market, Sri Lankan Tea received a higher price than the other competitors.

#### Ceylon Tea Performance in the Russian Federation

Ceylon Tea lost its dominance in the Russian tea market during the past 03 years. In 2015 India took the leading tea export position to Russia. Among other major competitors of Sri Lanka in tea imports to Russia are Kenya, China, UAE and Vietnam.

Table 3.6.1: Country-wise tea imports to the Russian Federation for 2019  
(Jan-Nov)

Country	Volume (MT)	Value (USD Mn.)	Market Share -Volume	Market Share -Value
Sri Lanka	33,392	134	22	31.3
India	46,288	111	30.6	25.9
Kenya	19,348	47	12.8	10.9
China	14,308	40	9.5	9.3
U.A.E	4,427	20	2.9	4.6
Vietnam	15,170	25	10	5.8
Indonesia	7,080	13	4.7	3
Kazakhstan	2,098	10	1.4	2.3
Germany	622	7	0.4	1.6
Zimbabwe	852	1.6	0.6	0.4
Iran	257	0.7	0.2	0.2
Azerbaijan	516	2.5	0.3	0.6
Tanzania	983	2	0.7	0.5
Argentina	2,754	3	1.8	0.7
Others	3112	11	2.1	2.9
Total	151,207	428		

Source: Russian Custom Information Agency

Table 3.6.2: Sri Lanka tea exports to the Russian Federation from 2017 to 2019

Year	2017	2018	2019
Bags	806,802	872,292	1,053,751
Bulk	27,014,895	24,339,486	22,622,650
Packs	4,972,951	5,082,683	4,952,951
Total qty (Kg)	32,794,648	30,294,462	28,629,352
Value(Rs.)	25,964,561,563	24,675,701,921	23,252,302,591
FOB (Rs./Kg.)	791.73	814.53	812.18

Source: Sri Lanka Customs

According to the statistics received from Sri Lanka Customs the main exporting tea category to Russia was bulk black tea. As compared to the last few years the volume of export of black tea to Russia has gradually decreased.

Tea plays an important role in the life of the Ukrainian people, and it is one of the affordable and mass products. However, tea was granted the status of most popular product only during the Soviet Union period. Going back to the history, it worth to mention, that in pre-revolutionary period Ukrainian and Russian people preferred coffee: volume of coffee consumption was nearly as world-wide index.

Growing competition from coffee, which has become increasingly popular among young adults and middle-aged urban consumers in Ukraine, was a key challenge for tea. The growing coffee culture in the country is being driven by a rising number of coffee shops, mobile coffee trucks and small coffee kiosks.

The tea exports of Sri Lanka to Ukraine in 2019 accounted for 3,759 MT with the value of Rs.3,649 million.

In comparing with the tea export statistics of 2018, it has been recorded a 12% and 16% increase of Sri Lanka tea exports to Ukraine in terms of volume and value respectively.

#### **Import duty structure**

The revised Customs tariff - On amendments introduced into the laws of Ukraine No. 2775 – IV dated 07 July 2005 ,

Value added teas (Pre-packed Teas)-  
10%,

Bulk Teas (Over 10Kg) -Nil,

VAT - 20%

#### **AZERBAIJAN**

In 2019, Azerbaijan was still considered a homeland for tea drinkers, with tea being drunk throughout both winter and summer. Tea is a hot drink which has been traditionally enjoyed in Azerbaijan for decades.

With a robust tea-drinking culture, consumers are starting to pay more considerable attention to the quality of tea consumed, preferring popular

Table 3.6.3: Tea imports to Ukraine (2016-2018).

Country	2016		2017		2018	
	MT	Market Share %	MT	Market Share %	MT	Market Share %
India	3,602	19.68	3,957	22.37	3,954	24.07
Sri Lanka	5,338	29.16	4,233	23.93	3,559	21.66
UAE	2,286	12.49	2,352	13.30	2,312	14.07
China	2,091	11.42	2,017	11.40	2,138	13.01
Kenya	1,620	8.85	1,991	11.26	1,726	10.51
Vietnam	1,178	6.44	1,434	8.11	1,388	8.45
Indonesia	952	5.20	886	5.01	666	4.05
Azerbaijan	100	0.55	178	1.01	173	1.05
Argentina	112	0.61	186	1.05	163	0.99
Iran	0	-	29	0.16	104	0.63
Poland	752	4.11	129	0.73	75	0.46
Georgia	83	0.45	66	0.37	56	0.34
Others	190	1.04	230	1.30	116	0.71
Total (MT)	18,304		17,688		16,430	

Source: Trade Map- International Trade Statistics

Table 3.6.4: Tea Export from Sri Lanka to Ukraine (2017 to 2019)

Year	2017	2018	2019
Bags	134,441	120,661	244,726
Bulk	2,897,598	2,515,574	2,643,388
Packs	724,531	706,707	871,034
Total qty (Kg)	3,756,570	3,342,942	3,759,148
Value(Rs.)	3,348,490,291	3,156,751,071	3,649,310,507
FOB (Rs./Kg.)	891.37	944.3	970.78

Source: Sri Lanka Customs

brands and those with rich flavorings. The health and wellness trend has been a driver of tea growth during the review period, with a growing number of people hunting for health benefits when purchasing tea, increasing the availability of herbal/fruit tea, slimming tea and green tea.

In Azerbaijan, people drink tea in special glass which is called "Armudu", which really resembles a

pear shape: Its top and bottom are wide and "waist" is narrow. Traditionally, in order not to spoil the taste of freshly made tea, Azerbaijanis don't put sugar in their tea. Instead they dunk a piece of sugar in the tea, then bite a piece and sip their tea.

Due to the high demand for tea and the strong popularity of this hot drink in Azerbaijan, local manufacturers are unable to meet growing demand, with tea reaching saturation.



According to the statistics, Azerbaijan has imported 14,096MT of tea from all origins which indicates an increase of 1,138 MT of tea compared to the last year. The value of the tea imported also has increased to USD 55 million in 2019.

Table 3.6.5: Total tea imports to Azerbaijan from 2015 to 2019

Year	2015	2016	2017	2018	2019
MT	7,461	12,609	13,585	12,958	14,096
Value(USD.Mn)	16	45	54	50	55

Source: State Custom Committee in Azerbaijan

Table 3.6.6: Sri Lanka Tea Export to Azerbaijan in 2015 to 2019

Year	Bags	Bulk	Packs	Total qty (Kg)	Value (Rs.)	FOB (Rs./ Kg.)
2015	2,331	10,768,541	385,262	11,156,134	6,102,517,207	547.01
2016	3,344	10,049,070	491,414	10,543,827	6,511,704,385	617.58
2017	6,150	11,885,493	378,673	12,270,316	9,582,101,002	780.92
2018	4,766	10,262,483	281,296	10,548,545	8,525,192,378	808.19
2019	1,497	11,234,371	484,867	11,720,735	9,469,196,539	807.90

Source: Trade Map- International Trade Statistics

## KAZAKHSTAN

Tea is the most traditional drink in Kazakhstan and is consumed by people of all ages and from all income sectors throughout the day. Although tea is saturated in Kazakhstan, companies are working to diversify their range by offering various brands and different types and flavor teas. People drink tea in order to keep warm, quench thirst and treat minor ailments and cold.

Despite Kazakhstan being a traditional tea drinking country, the first specialist tea café was only launched in 2019 by a Chinese franchise under the name Teadot. This café offers a unique range of different flavours and varieties of tea.

Tea plays an important part in Kazakh culture, as no celebrations or family gatherings are held without drinking the beverage.

Kazakhstan is a CTC tea market. Kenya and India have strong foothold in this market enjoying nearly 80% of the market share collectively. Total tea import to Kazakhstan has decreased by 8%.

Table 3.6.7: Total tea imports to Kazakhstan in 2016 - 2018

Country	2016		2017		2018	
	Volume (MT)	Market Share	Volume (MT)	Market Share	Volume (MT)	Market Share
Kenya	12,553	41.13	13,689	41.15	14,263	46.75
India	11,320	37.09	12,840	38.60	10,250	33.60
Russian Federation	3,558	11.66	3,654	10.98	3,695	12.11
Sri Lanka	948	3.11	700	2.10	709	2.32
China	653	2.14	575	1.73	632	2.07
Pakistan	66	0.22	244	0.73	201	0.66
Iran,	272	0.89	315	0.95	140	0.46
Georgia	126	0.41	189	0.57	198	0.65
U.A.E	243	0.80	201	0.60	169	0.55
Others	177	0.58	773	2.32	552	1.81
Total (MT)	30,518		33,266		30,508	
Value ( USD Mil)		112		123		113

Source: ITC – Trade Map,International Trade statistics

Table 3.6.8: Ceylon Tea Exports to Kazakhstan

Year	2017	2018	2019
Bags	3,238	1,504	5,397
Bulk	576,224	521,444	551,597
Packs	79,216	36,791	35,095
Packs(>3kg)	0	105	0
Total qty (Kg)	658,678	559,844	592,089
Value(Rs.)	534,210,529	469,819,151	506,042,945
FOB (Rs./Kg.)	811.03	839.20	854.67

Source: Sri Lanka Customs



## UZBEKISTAN

The tradition of drinking tea is very well established in Uzbekistan, and it is consumed with almost every meal. It is predominantly a Green Tea market.

The Uzbek government, together with a Chinese company, has started planting tea in four regions of the country. Experiments have shown that tea cultivation is possible in Uzbekistan's climate.

Nonetheless, tea is still widely consumed, both hot and cold, during breakfast, lunch and dinner. In Uzbek households, it is customary to welcome guests with a cup of tea, whether they are friends and family or strangers. Uzbek people drink tea throughout the year. Cool green tea is commonly consumed to quench thirst during hot weather.

According to the ITC – Trade Map China is still the market leader in Uzbekistan with a share of 80%. From the total tea imports from China to Uzbekistan, 96% of tea is green tea. Iran has performed as the key back-up supplier to the market registering a market share of 7%. The market share of Sri Lanka in Uzbekistan is registered at 1%.

## BELARUS

According to the Euromonitor International data, tea continued to record stable growth in 2019, with products remaining an essential part of the daily life of locals. In addition, tea is also widely available, offering a wide variety of products in both modern retailers and on-trade.

Busy lifestyles are also affecting tea consumption. Although local consumers perceive loose tea as being of better quality, on-the-go consumption continues to ensure the growth of tea bags. Flavour variety is key in 2019, with a growing

Table 3.6.9: Total tea imports to Uzbekistan

Country	2017		2018	
	Volume (MT)	Market Share	Volume (MT)	Market Share
China	17,745	75%	26,454	80%
Iran	1,371	6%	2,599	7%
Kenya	1,333	6%	1,142	4%
Indonesia	713	3%	774	2%
India	813	3.5%	704	2%
UAE	429	2%	502	1.5%
Vietnam	428	2%	244	1%
Russia	56	0.5	189	1%
Sri Lanka	199	1%	188	1%
Others	206	1%	80	0.5%
Total (MT)	23,293	100%	32,877	100%

Source: ITC – Trade Map

Table 3.6.10: Ceylon Tea Exports to Uzbekistan

Year	2017		2018		2019	
	Bags	Bulk	Packs	Packs(>3kg)	Total qty (Kg)	Value(Rs.)
Bags	34,970		189,351	0	603,812	543,092,468
Bulk		379,492			214,002	463,806
Packs			189,351	0	452,034,030	433,345
Packs(>3kg)				165		499,587,496
Total qty (Kg)					974.62	899.44
Value(Rs.)						1152.86
FOB (Rs./Kg.)						

Source: Sri Lanka Customs

Table 3.6.11: Total tea imports to Belarus

Country	2016		2017		2018	
	Volume (MT)	Market Share	Volume (MT)	Market Share	Volume (MT)	Market Share
Russia	3,795	79%	4,115	79%	3,737	75.5%
Sri Lanka	355	7%	482	10%	473	10%
Vietnam	250	5%	228	4%	257	5%
China	50	1%	74	1%	200	4%
Poland	92	2%	72	1%	21	0.5%
Ukraine	26	1%	61	1%	89	2%
UAE	69	1%	43	1%	22	0.5%
India	22	0%	42	1%	37	0.5%
Others	171	4%	93	2%	104	2%
Total (MT)	4,830		5,210		4,940	

Source: ITC – Trade Map



assortment of tea flavours introduced during the year, especially in other fruit/herbal tea, but also in both black and green tea where the number of flavoured varieties has increased, for instance flavoured Lipton tea. 2019 also saw the rise of tea assortment packs, offering consumers several tea flavours in one pack, for instance variety packs from Greenfield, Tess, Ahmad Tea and Hyleys.

As per the information from the International Trade Centre (ITC), the country has imported 4,940 MT during the year 2018 which is a 5% decrease compared to the previous year. The total value of tea imports to the country has decreased from USD 38.3 million in 2017 to USD 32.9 million in 2018.

## KYRGYZSTAN

Kyrgyzstan is predominantly a black tea drinking country. Tea is consumed round the clock in bowl type "piala cups" without a handle which is made out of porcelain. They prefer hot black tea light in colour (yellowish) without adding anything but also use sugar, honey, lemon, jam or fruit preserves. Kyrgyz consumers drink tea before and after lunch and dinner and drink water or nothing with their meals.

According to the statistics, Kyrgyzstan has imported 5,267 MT of tea in 2018 from all origins which is 16% increase in overall tea exports compared to previous year.

Russia is the leading tea exporting nation to Kyrgyzstan with a market share of nearly 26% in 2018 and Sri Lanka is the main back-up supplier with a market share of 18%.

Russia has taken the leading position in exporting tea to Belarus with a market share of 75.5% while Sri Lanka is placed as the main black-up supplier holding 10% of the market. Other back-up suppliers Vietnam, China and Ukraine have market shares of 5%, 4% and 2% respectively. Both Russia and Sri Lanka have decreased its tea exports to Belarus by 378 MT and 9MT in 2018 respectively.

Table 3.6.12: Ceylon Tea Exports to Belarus

Year	2017	2018	2019
Bags	95,020	54,582	62,898
Bulk	750	710	1,928
Packs	289,703	218,104	390,934
Packs(>3kg)	0	0	0
Total qty (Kg)	385,474	273,396	455,760
Value(Rs.)	473,826,870	369,301,269	582,483,934
FOB (Rs./Kg.)	1229.21	1350.79	1278.05

Source: Sri Lanka Customs

Table 3.6.13: Total tea imports to Kyrgyzstan

Country	2016 (MT)	2017 (MT)	2018 (MT)	Market Share in 2018
Russian Federation	665	1,036	1,324	26%
Sri Lanka	970	827	958	18%
Kazakhstan	321	665	543	10.5%
China	589	618	790	15%
Iran, Islamic Republic of	83	499	390	7%
Kenya	457	294	536	11%
Pakistan	93	292	228	4%
Viet Nam	188	128	169	3%
United Arab Emirates	107	87	71	1%
Turkey	105	85	28	0.5%
Indonesia	82	73	33	0.5%
India	257	39	161	3%
Others	5	2	36	0.5%
Total (MT)	3,922	4,645	5,267	

Source: Trade Map- International Trade Statistics



## MOLDOVA

Today tea is one of most popular drinks among Moldova consumers. Tea market in Moldova contains a lot of traditional and well-known brands, but in recent times, increasingly new and unknown trade-marks appears in the market. Initially, when only a new brand enters the market, its success depends mostly on advertising campaign.

Today strict fight for the leadership in tea market evolved among both leaders of the market and small companies-importers. It is expected that major companies will be gradually ousting small companies, merging them and diversifying their products to meet the demand of all segments of the market.

According to the National Statistics Bureau of Moldova, the country has imported 948 MT in 2019 which shows a decrease of 3.3% of the total imports than previous year.

## TAJIKISTAN

As per market sources, since the buying power is poor, the demand is mainly for cheap teas. Tea generally accompanies every meal and is frequently offered between meals as a gesture of hospitality to guests and visitors. It is served hot in a china pot with a lid, and is drunk without sugar from small saucer-less cups without handles (piala). Because of the universal popularity of tea drinking, the choykhona or teahouse, is the most common gathering place in Tajikistan, and is similar to the Western-style coffee house.

The favorite drink of Tajiks is green tea. Tea drinking has become a ritual there. No guest reception, meeting of friends or a conversation can do without a pialah of this hot beverage. Even a dinner starts with tea. Tea pialahs are brought in on trays. In Tajikistan they drink green tea basically in summer; in winter black tea is preferred everywhere. In Central Asia they do not usually put sugar in tea.

Table 3.6.14: Total tea imports to Moldova

Country	2016		2017		2018	
	Qty.(MT)	Market Share	Qty.(MT)	Market Share	Qty.(MT)	Market Share
Russia	370	43%	554	56%	580	59%
Poland	132	15%	158	16%	146	15%
Ukraine	103	12%	140	14%	109	11%
Sri Lanka	146	17%	86	9%	67	7%
Iran	44	5%	15	2%	32	3%
Vietnam	12	1%	12	1%	10	1%
Others	53	6%	32	3%	33	4%
Total	860		997		977	

Source: ITC – Trade Map

Table 3.6.15: Total tea imports to Moldova in 2018 and 2019

Year	2018		2019
	Qty(MT)		
Value in USD (Million)		980	948
		8	7.8

Source: National Statistics Bureau of Moldova

Russia accounts for 59% of the tea market as the market leader followed by Poland, Ukraine and Sri Lanka. The market share of Russia has increased by 3%. However, it is apparent that large volume of Ceylon tea is exported to Moldova indirectly as re-exports from Russia and Ukraine.

Table 3.6.16: Market share of Tea in Tajikistan by country

Country	2017		2018		2019	
	Quantity (MT)	Market Share	Quantity (MT)	Market Share	Quantity (MT)	Market Share
China	2,108	44	2,562	50%	2,535	46%
India	1,074	22	912	18%	930	17%
Vietnam	482	10	601	12%	736	13%
Iran	438	9	302	6%	575	10%
UAE	324	7	210	4%	215	3%
Russia	182	4	322	6%	289	5%
Kyrgyzstan	105	2	77	1%	65	1%
Georgia	72	1				
Sri Lanka	42	1	83	1%	48	1%
Others	4	0	223	2%	230	4%
Total (MT)	4,831		5,080		5,408	
Value (US \$ Mn.)	7.06		7.7		7.09	

Source: ITC – Trade Map

Among other characteristic drinks served are sherbets - fruit drinks with sugar. Tea with milk is called "Shirchoi". Shirchoi (tea) Tajiks put tea in boiling water; then they add boiled milk and brew it to boiling point. After that they add butter and salt.



According to the above figures Tajikistan has imported 5,408 MT of tea in 2019 with a value of US \$ 7.09 million. China is dominating Tajikistan tea market with a market share of 46%. The main back-up tea supplier to this market has become India by holding a market share of 17%.

It is clear that Tajikistan importing cheap origin teas. The average price per Kg is USD 1.46.

#### Import Duty Structure :

Import Duty - 5%

VAT – 18%

## TURKMENISTAN

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Turkmen drink a lot of tea. Green tea (gok chai) is drunk all the year round, at all hours. In the Turkmen language, "chai" can refer to eating a meal or sitting down for a visit. Black tea (gara) is consumed by Turkmen is drunk mainly in autumn and in winter is more popular in western Turkmenistan than in the eastern part of the country. Black tea is sometimes brewed with camel milk on coals. Traditionally, every tea drinker had his own china teapot and cup.

The total tea imports of Turkmenistan has increased from 3,852 MT in 2017 to 5,467 MT in 2018 which is an increase of 42%.

China and Iran are the leading recorded suppliers to the Turkmenistan tea market with a share of nearly 39% each in 2018. The leading back-up tea suppliers to Turkmenistan are UAE (12%) and India (3%).

Table 3.6.17: Total tea imports by Turkmenistan

Country	2016		2017		2018	
	Quantity	Market Share	Quantity	Market Share	Quantity	Market Share
China	2,627	54%	1,946	51%	2,142	39%
Iran	1,487	31%	1,150	30%	2,144	39%
India	295	6%	317	8%	160	3%
UAE	154	3%	252	7%	685	12%
Georgia	102	3%	78	2%	120	2.5%
Russia	51	2%	55	1%	151	3%
Sri Lanka	77	2%	30	1%		
Turkey	50	1%	18	0%	25	0.5%
Ukraine	0	0%	5	0%	9	0.5%
Other	2	0%	1	0%	31	0.5%
Total (MT)	4,845		3,852		5,467	

Source: ITC – Trade Map

Import Duty Structure-VAT 15 %



### 3.6.2. Middle East & North African (MENA) Region

Middle East and North African (MENA) regional economy which gained some steam at the outset of 2019 mainly due to higher oil prices, strong external demand and stabilization policies and reforms in some countries mainly Saudi Arabia and UAE, also saw improvement in the situation in Iraq during the first three quarters of 2019 with Indian tea trade delegations and Sri Lankan tea exporters together with Sri Lanka Tea Board visiting the autonomous Kurdistan region in northern Iraq after a long lapse of time at the end of September / in early October 2019.

During the year 2019, while some countries in the region have shown an increase in imports of Ceylon Tea, others have shown a decrease. Because of the geo-political nature of the region, cross border trading takes place and direct imports from Sri Lanka may not be the perfect indicator of Ceylon Tea imports into that country. As far as Sri Lanka's tea exports are concerned, one cannot escape the fact that the MENA region is the cash cow of the Ceylon Tea

market with more than one half (53%) of all Ceylon Tea exports being absorbed by this region. Therefore, in some respects the MENA region may have to be viewed as a whole in terms of measuring Ceylon Tea consumption by countries within the region.

Table 3.6.18: Tea exports from Sri Lanka to the Middle East & North African (MENA) Region

Country	2019		2018	
	Qty (MT)	Value (Rs.Bn)	Qty (MT)	Value (Rs.Bn)
Turkey	39,033	28.8	35,445	26.4
Iraq	38,363	19.9	38,350	22.2
Iran	21,920	17.8	23,546	20.5
Libya	12,255	8.1	13,400	8.9
Syria	10,904	9.6	9,908	8.9
UAE	9,281	6.6	10,699	7.5
Kuwait	2,212	2.4	2,164	2.1
Jordan	5,071	4.6	4,586	4.2
Saudi Arabia	6,490	7.2	5,286	5.6
Lebanon	2,775	2.8	3,528	3.3
Egypt	2,080	1.5	2,012	1.5
Bahrain	68	0.1	86	0.1
Qatar	229	0.3	255	0.3
Oman	118	0.1	68	0.1
Sub Total	150,799	109.8	149,333	111.6
Total Sri Lanka Exports/Value	282,832	227.9	271,777	220.2
MENA Region Ceylon Tea Share from total Sri Lanka Exports	53.32%	48.17%	54.94%	50.68%

(Source: Sri Lanka Tea Board)

#### TURKEY

Turkey is the fifth largest producer of tea in the world after China, India, Kenya and Sri Lanka. Turkey produces a quantity of around 250 Million kilos of made tea per annum, but exports only around 6 million kilos per annum. The annual tea absorption by Turkey is estimated as high as 300 million kilos and considered as the third largest tea consuming country in the world after China and India - way ahead of Russia, Pakistan and U.K. The per capita consumption in Turkey is high and is estimated to be around 3 kilos. Turkey is unique in respect of the tea industry and tea trade since it is not only a large producer but an important buyer.

While the official tea imports to Turkey are revealed to be around 39 million kilos per annum, the actual tea imports are estimated to be approximately around 50 Million kilos. It is mostly supplied by Sri Lanka. To safeguard the local tea industry, Turkey levies 145% import duty on CIF Value and 18% VAT.

Table 3.6.19: Export of Ceylon tea to Turkey

Year	Bulk	Pkts	Tea Bags	Others	Total (MT)	Value (Mn.Rs)	FOB (Rs/kg)
2015	14,024	19,218	396	27	33,685	18,667	554
2016	17,264	9,504	293	-	27,060	14,429	533
2017	21,229	16,309	270	-	37,809	27,853	736
2018	10,221	24,965	259	-	35,445	26,418	745
2019	9,238	29,493	301	-	39,033	28,823	738

Source: Sri Lanka Customs



Total tea exports to Turkey, though high has shown a fluctuating trend over the last eight years. This could be a result of the relaxing and tightening of trade across borders due to the prevailing situation in the region. Likewise, cross-border trading also plays a role in the fluctuating Ceylon Tea export figures to Iran, Syria and Iraq.

## IRAN

With an annual tea consumption estimated at around 120 million kilos, when formal imports, informal trade, and local production are all considered, Iran is one of the largest tea consuming markets in the world. Iran's per capita tea consumption is around 1.5 kilos.

Iran's economy declined in the 4<sup>th</sup> quarter of 2019 as U.S. economic sanctions continued to take its toll. This is expected to worsen in the 1<sup>st</sup> quarter 2020 as a result of escalating tensions with the U.S. Though formal imports of tea have shown a decline, it is to be noted that informal imports through various borders have been taking place. Despite the decline, Iran is still the fourth largest export destination for Ceylon Tea.

While both Sri Lanka and Kenya were facing difficulties in remittances due to the sanctions, India with their special payment arrangements in Indian Rupees against Iranian Riyals was able to overcome this to some extent. However, with the US discontinuing the waiver on oil exports, India is facing similar issues as other tea exporting countries to Iran. It is to be noted that some quantity of Ceylon Tea is entering the Iranian market through cross-border trading. At the same time, some individual exporters will also find ways and means of doing business with Iran. However, the problem has now reached a critical phase in this country that is a key market for 'Ceylon Tea'.

The leafy orthodox OPA and Pekoes from the Low Grown elevation of Sri Lanka continue to be in popular demand among the Turkish people, but the retail shelf prices of Ceylon Tea packs are high compared to the local brands. Around 85% of all imported tea to Turkey is supplied from Sri Lanka, but a part of it is re-exported to neighbouring Iran, Iraq and Syria. According to trade sources

a sizeable volume of Ceylon tea is smuggled back into Turkey, avoiding the excessive duties and levies.

### Import Tariff details

Turkey levies 145% import duty on CIF Value for tea and VAT at 18% for bulk tea and 8 % for packets.

Table 3.6.20: Ceylon Tea Exports to Iran

Year	Bags	Bulk	Packs	Total qty (Kg)	Value (USD)
2015	31,564	27,146,348	2,386,085	29,563,997	129,783,485
2016	117,286	28,314,802	5,165,981	33,598,069	152,722,936
2017	17,986	26,007,579	1,013,855	27,039,419	157,682,767
2018	13,276	14,748,614	8,798,047	23,546,661	114,394,121
2019	12,338	12,146,472	9,761,372	21,920,182	97,936,440

Source: Sri Lanka Customs

Sri Lanka tea exports show a fluctuating trend during the last nine years. Iran's imports from Sri Lanka declined from 23,547 MT during 2018 to 21,920 MT in 2019, while India remained as the leading supplier to Iran.

Table 3.6.21: Import Tariff of Iran

Category	Customs Tariff	Commercial Profit Tax
Green Tea (bulk)	20% of C&F plus 9% Ad Val	11% of C&F value
Black Tea (bulk)	20% of C&F plus 9% Ad Val	11% of C& F value

- Tea is allowed to be imported in packages above 10 kgs. Only, through authorized Iranian customs ports.
- All tea importers are obliged to obtain permission in advance from the Ministry of Jahad-e-agriculture. Permission should also be obtained from the Ministry of Health, Atomic Energy Organization and from the Plant Protection Organization (Plant quarantine) – GMP certification.

As the most important trans-shipment hub for tea trading, UAE imports around 75 Million kilos of tea per annum making the country the largest buyer in the GCC. The domestic consumption of tea is around 9 million kilos and on the rise with the expat population and the growth in tourism. Most of the teas imported into UAE (particularly Dubai) are re-exported to neighbouring markets. The Jebel Ali Free Zone (JAFZ) and the DMCC Tea Centre within the Zone facilitates the importing, sorting, cleaning, blending and packaging of tea for re-export, mainly CTCs from Kenya & India. The political uncertainties, tariff and non-tariff barriers, and economic sanctions prevailing in some of the other countries in the region, have facilitated the re-exports from Dubai immensely.

UAE reiterated the importance of de-escalation of tensions between US and Iran. The Ministry of Foreign Affairs and International Cooperation reaffirmed that diplomatic means and rational dialogue are the best solution. The recent developments, it is claimed

will not affect the UAE, nor its citizens, expatriate residents, or visitors. The UAE is focusing on Expo 2020 Dubai which is a mega international event World Expo that's going to be hosted by Dubai from October 2020 to April 2021. The UAE Government states that Expo 2020 Dubai will be a celebration of the UAE Vision 2021 by supporting the growth of tourism, stimulating the development of innovative businesses in the UAE, and enhancing the country's international reputation as a location to do business.

UAE is considered as an important tea trading hub for Sri Lanka in the region and the ninth largest importer of Ceylon Tea with a share of around 4% of the total exports in 2019.

Table 3.6.22: Ceylon Tea Exports to UAE

Year	Bags	Bulk	Packs	Total Qty (Kg)
2015	477,507	18,424,705	4,021,675	22,923,887
2016	481,615	12,562,582	4,785,264	17,829,461
2017	362,123	9,030,327	5,833,977	15,226,428
2018	501,115	5,939,940	4,258,192	10,699,247
2019	380,588	4,828,005	4,072,506	9,281,069

Source: Sri Lanka Customs

Sri Lanka tea exports show a fluctuating trend during the last eight years. According to Sri Lanka Customs, direct exports from Sri Lanka during 2017 were 15,226,428 kg of Ceylon Tea at a value of USD 72,756,073. A quantity of 10,699,247 kg of Ceylon Tea with a value of USD 41,994,408 was exported during the year 2018. A quantity of 9,281,069 kg of Ceylon Tea was exported during the year 2019 with an approximate value of USD 36,561,171.

## SAUDI ARABIA

Saudi Arabia is the richest and the largest importer of tea in the Gulf Cooperation Council with Ceylon black tea being the favourite brew. Tea is a very popular hot beverage in Saudi Arabia. There is a tradition of having morning tea and serving tea to guests is associated with traditional Arab hospitality. Saudis like to start their day with a strong cup of tea, which is often brewed with sugar, mint or cardamom. Penetration of tea in Saudi Arabia is expected to grow. Saudis continue to rank tea as their favourite hot beverage.

The annual tea consumption in the country is estimated to be around 38,000 MT with a per capita consumption of around 1 kg. Tea consumption has been growing year

on year with the increased consumption of green and fruit teas also increasing. Black tea is presently holding 95% share.

According to Sri Lanka Customs, direct exports from Sri Lanka during 2017 were 4,129 MT of Ceylon Tea at a value of approximately USD 25.9 million. A quantity of 5,286 MT of Ceylon Tea with a value of USD 31.6 million was exported during the year 2018, of which 32.5 % was in bulk, 48.8 % was in packets and 18.7 % in Tea bags. A quantity of 6,490 MT with a value of USD 40 million was exported during the year 2019.

Table 3.6.23: Sri Lanka Tea exports to Saudi Arabia

Year	Bags	Bulk	Packs	Total qty (Kg)	Value (USD)
2015	885,521	1,763,651	1,707,306	4,356,478	22,476,296
2016	791,346	1,719,110	1,478,220	3,988,676	21,426,964
2017	725,222	1,478,980	1,924,551	4,128,753	25,998,292
2018	987,212	1,720,042	2,579,059	5,286,313	31,607,900
2019	1,334,171	2,121,460	3,034,814	6,490,445	39,874,473

Import Duty: Nil

Port dues SR 270 for 20 FCL and SR 415 for 40 FCL

Lifting charges SR 360 for 20 FCL / 40 FCL

Non-Palletization Fees SR 350 for 20 FCL and SR 715



## IRAQ

The estimated total tea consumption in Iraq is around 60 million kilos per annum which is a rough estimate given by sources in Iraq when direct and indirect imports are taken into consideration. The total population is estimated at roughly around 40 million. The population in the Kurdish Region is estimated at six million and tea consumption in that region is supposed to be around 9 to 10 million kilos and the rest is consumed in mainland Iraq. It is to be noted that due to non-availability of official statistics, these figures should be treated as ballpark figures and are provided here to get an idea of this important market.

Northern Iraq – Kurdistan Region has no seaport, but its strategic location has enabled the region to be the re-export center for cross-border tea trade with Iran and Turkey. The goods are normally imported via Mersin Port (Turkey) as transit cargo and transported by road to Kurdistan region. Ceylon Tea holds a dominant position in the Iraqi market with a market share of 75%. Sri Lanka Tea Board participated together with six exporters in a trade event in October 2019 in the high potential Kurdistan

autonomous region. Though the direct exports of Ceylon Tea to Iraq has shown marginal decline during 2019, the volume of Ceylon Tea intake by Kurdistan region may not have been affected. It is also revealed that cross-border supply of tea takes place from Iraq to Turkey and Iran. The sale of teas to Iran from Iraq has experienced some difficulties due to remittance issues related to US sanctions. The city of Duhok is supposed to be an active center for cross-border trading into Turkey, and Sulaymaniyah plays a similar role for trading into Iran. The estimated cross-border trading / re-export figure are not available.

Iraq has always remained a loyal tea market for Sri Lanka. The preference and demand for Ceylon Tea by the Iraqi consumers are very strong. According to Sri Lanka Customs, direct exports from Sri Lanka during 2016 was 32,410 MT and in 2017 it was 34,941 MT. Iraq was the leading importer of Ceylon Tea during 2018 with a quantity of 38,351MT at a growth of 9.7% over 2017. However, the FOB prices were low due to the relatively lower buying power of the consumers.

Though Iraq was the number one export destination during 2018, it has slipped to second place in 2019 due to the political unrest in Baghdad and the closure of the main Iraqi Seaport – Umm Qasr, which has curtailed direct Ceylon Tea imports.

Table 3.6.24: Ceylon Tea Direct Exports to Iraq

Country	2014	2015	2016	2017	2018	2019
Bulk	9,505	15,922	14,764	14,967	19,432	3,777
packets	14,831	15,019	17,422	19,764	18,746	34,455
Tea Bags	106	97	224	210	173	131
Total	24,442	31,038	32,410	34,941	38,351	38,363

Source: Sri Lanka Customs

## LIBYA

Libya is now the fifth largest buyer of Ceylon tea, importing 12,255 MT during the year 2019. Ceylon Tea is the most preferred among consumers in Libya. The annual tea consumption in the country is estimated to be around 18,000 MT to 20,000 MT with per capita consumption over 2.5 kg. The share of Black tea is around 80% with Green Tea having around 20% share. Sri Lanka was the major supplier of Black Tea, while China dominates the Green Tea category.

Sri Lanka tea exports show a fluctuating trend during the last six years. According to Sri Lanka Customs, direct exports from Sri

Lanka during 2017 were 10,832 MT and in 2018 it was 13,400 MT. During 2019, a quantity of 12,255 MT was exported. It is pertinent to state that all Ceylon Tea exports to Libya were in value added form. Though the current situation is not conducive for active promotion, Ceylon Tea is the most preferred among consumers in Libya.

Table 3.6.25: Ceylon Tea Direct Exports to Libya

Country	2017	2018	2019
Bulk	0	0	0
packets	10,785	13,395	12,220
Tea Bags	47	05	35
Total (MT)	10,832	13,400	12,255

Source: Sri Lanka Customs / SLTB

Import Duty: Imported by the Supplier Corps Nil Other Pre-packed tea -5% Ad Valorem CIF: Bulk – 1% Ad Val. CIF

### Additional Duties & Taxes:

Charity Tax :5% of import duty on all goods  
Municipality Tax : 5% of import duty on all goods



## SYRIA

Though Syria continues to be unstable with several international players active in the country, consumption of Ceylon Tea has shown notable growth in recent years. Tea was always considered as the most popular hot beverage in Syria.

## LEBANON

Lebanon is a coffee dominated market in comparison to all other Arab nations. The Tea / Coffee ratio in Lebanon is approximately 20:80. The annual tea imports of Lebanon are estimated to be around 4,300 MT with a per capita consumption of around 0.75 kilos. Lebanon is a predominantly black tea market and it was an important market for Ceylon Tea with around 75% of market share.

According to Sri Lanka Customs, direct exports from Sri Lanka during 2018 were 3,529 MT. A quantity of 2,775 MT was exported to Lebanon during 2019, recording a decline from 2018. All Ceylon Tea exports to Lebanon are in value added form. Lebanese consumers are brand conscious and eager to be up to date

## KUWAIT

The annual tea consumption in Kuwait is estimated to be around 3.0 to 3.5 million kilos with a per capita consumption of around 1.25 kilos. Black tea is presently holding 95% share. Ceylon Tea enjoys a strong market share of about 50 percent, maintaining its leadership. Kuwait has one of the highest per capita GDP in the world, while up to two-thirds of the population in Kuwait is made up of foreign expatriates, dominated by South Asians. While the local Arabs and other Arab nationalities prefer Low Grown Orthodox big leaf teas from Sri Lanka, the large presence of South Asians from India, Bangladesh and Pakistan demand, pre-dominantly CTC teas.

Table 3.6.26: Direct exports from Sri Lanka (MT)

Country	2015	2016	2017	2018	2019
Bulk	571	6,682	348	934	369
packets	9,757	4,367	6304	7,851	9,641
Tea Bag	761	906	624	1,123	894
Green Tea	2	8	0	0	0
Total (MT)	11,091	11,963	7,276.00	9,908.00	10,904

Source: Sri Lanka Custom

in their consumption habits and purchasing behaviour. Creating a desirable brand identity is an essential step to establish long term loyalty and demand throughout any economic, social or political change.

Table 3.6.27: Ceylon Tea Exports to Lebanon (MT)

Country	2015	2016	2017	2018	2019
Bulk	3	74	12	05	7
packets	2,300	3,220	3,813	3,384	2,665
Tea Bags	148	129	264	140	103
Green Tea	05	20	0	0	0
Others	04	05	0	0	
Total	2,460	3,448	4,089	3,529	2,775

Source: Sri Lanka Custom

Import Tariff applicable: 6% Ad Valorem CIF

Additional Duties & Taxes: Clearing and forwarding charge of 2-5%: imports license not required.

Table 3.6.28: Tea Exports to Kuwait (in Kg)

Year	Bags	Bulk	Packs	Total qty (Kg)	Value (Rs.)	FOB (Rs./Kg)
2016	496,097	1,032,645	1,957,519	3,486,261	2,230,760,655	639.87
2017	538,663	-	1,823,067	2,361,730	2,164,033,210	916
2018	532,597	4,995	1,626,495	2,164,087	2,109,399,598	974.73
2019	628,582	5,363	1,578,616	2,212,561	2,427,680,050	1,097.23

Source: Sri Lanka Customs

Re-exports of Ceylon Tea by Kuwait to Iran and Iraq made Kuwait one of the major importers of Ceylon Tea until 2015. The re-exports were then curtailed due to security reasons and Kuwait imported Ceylon Tea only for their domestic consumption. According to Sri Lanka Customs, direct exports from Sri Lanka during 2017 were 2,362 MT and in 2018 it was 2,164 MT. During 2019, a quantity of 2,428 MT was exported. It is noteworthy that all Ceylon Tea exports to Kuwait are in value added form and over 600,000 kgs was in Tea Bags. The two major Ceylon Tea Brands are Al Wazah by James Finlay and Al Munayes (Private label by A F Jones).



## JORDAN

Jordan appears to be comparatively stable in the region and is Syria's most stable neighbour. The influx of 1.4 million refugees, the disruption of traditional trade routes and a cautious approach by tourists and investors are putting pressure on the country's economy. For safety and stability measures, the borders to Syria and Iraq closed in 2015. This cut off an important trade route in the Middle East. Even though the borders reopened in 2018, a return to normal trade is expected to take time. The major trade route to Iraq is via Aqaba Port.

According to Sri Lanka Customs, direct exports from Sri Lanka during 2017 were 4,580 MT and in 2018 it was

4,586 MT. During 2019, a quantity of 5,071 MT was exported. It is to be noted that more than 95% of all Ceylon Tea exports is in value added form and Jordan is the largest tea bag destination for Ceylon Tea with a quantity over 2200 MT.

**Import Duty:** Nil

**Additional duties & Taxes:**

Most imports including tea are taxed

@ 4% Ad Valorem CIF. All imports must be made via Aqaba. Otherwise, a fine of 20% of the value is imposed. Quotations should be C & F Aqaba and not FOB.

**Import Licensing:** An import license fee of 5% Ad Val. CIF is levied on most goods (Valid for 12 months) Goods arriving prior to issue of license will bear a fine of 0.25% of the value.

Table 3.6.29: Direct Tea Exports to Jordan (MT)

Category	2014	2015	2016	2017	2018	2019
Bulk	290	135	16	248	67	0.1
packets	3,961	3,100	1,649	2,213	2,358	2,862
Tea Bags	2392	2,370	2,186	2,119	2,161	2,209
Green Tea	7	25	27	0	0	0
Total	6,650	5,630	3,878	4,580	4,586	5,071

Source: Sri Lanka Custom

## EGYPT

Egypt is the 5th largest importer of tea in the world and the biggest in the African Continent. The average per capita tea consumption is around 1 kilo. Within black tea, loose tea continued to dominate sales, due to being the most popular option among low-income consumers in many regions, with only major metropolitan areas seeing a split between loose tea and tea bags. The best performing category in 2018, however, was green tea, as Egyptian consumers are becoming more health conscious.

According to Sri Lanka Customs, direct exports from Sri Lanka during 2017 were 1,358 MT of Ceylon Tea. A quantity of 2,012 MT of Ceylon Tea was exported during the year 2018. During 2019, a quantity of 2,080 MT was exported, of which 55 % was in bulk, 43 % in packets and 2% in Tea bags. Under the prevailing price sensitive market conditions, Ceylon Black Tea smaller leafy grades and Dust grades would be suitable for blending purposes. However, in the smaller premium segment, there is potential for Ceylon Tea brands.

Table 3.6.30: Sri Lanka Tea Exports to Egypt 2014 – 2019 (MT)

Country	2014	2015	2016	2017	2018	2019
Bulk	1,285	2,865	1,653	522	1,163	1,138
packets	1,427	1,258	1,335	783	783	906
packets	94	52	62	53	66	36
Others	7	-	-	-	-	-
Others	2,813	4,175	3,050	1,358	2,012	2,080

Source: Sri Lanka Custom

**Import Duty:**

Bulk & Packets – 2 % Ad Valorem (w.e.f 5th February 2007) prior to that 5% (Duty is calculated at an exchange rate fixed at the beginning of each month based on the current bank base rate)

Duty is zero for imports from members of Common Market for East & Southern African Countries (COMESA)

**Additional Duties & Taxes**

Sales Tax: Egyptian Pound 1,166.62 per net ton

Service Charge 3% for those operating within free zone: 4% for others



### 3.6.3. Far East Oceania Region

#### JAPAN

Japan has established itself as the most sophisticated tea market in the world. Whether it is in product quality, product cleanliness and safety, packaging innovations, technological progress, traceability and transparency in the supply chain, nature and environment friendliness, social responsibility and sustainable development in the industry, Japan commands the top position in the global tea market today.

Japan has always remained as an important outlet for Ceylon Teas. Particularly, during the Uva seasonal quality period and even during

Dimbula season, Japan is a favourite supporter at the Colombo Auctions.

The tea exports of Sri Lanka to Japan in 2019 accounted for 7,384 MT with the value of Rs.6.850 million. In comparing with the tea export statistics of 2018, it has been recorded a 0.69% and 0.71% slide increase of Sri Lanka tea exports to Japan in volume term and value term respectively.

Table 3.6.31: Sri Lanka tea exports to Japan

Year	Bags	Bulk	Packs	Packs (>3 Kg)	Total qty (Kg)	Value (Rs.)	FOB (Rs. / Kg.)
2015	673,988	7,541,689	131,427	0	8,347,103	5,609,141,430	671.99
2016	594,921	6,924,875	145,529	55	7,665,379	5,432,535,848	708.71
2017	599,495	7,169,454	51,145	30	7,820,125	6,734,310,116	861.15
2018	664,433	6,620,019	47,484	1,680	7,333,616	6,801,799,958	927.48
2019	650,716	6,688,973	40,523	4,320	7,384,532	6,850,058,309	927.62

Source: Sri Lanka Customs

#### CHINA

China's economy delivered a solid performance in 2019 while most of the other countries faced hardship during the year. On the front of consumption, domestic consumers now account for over 60% of China's economic growth. Despite a moderation of headline GDP growth, retail sales, a major gauge of consumption, grew 8% year-on-year in 2019. Tea exports by China were recorded 366.6Mkgs and imported 43.4Mkgs during 2019.

According to Sri Lanka Customs statistics, direct exports from Sri Lanka to China during 2019 were 11.87Mkg at a value of approximately 50.132 million. It reflected an increase of 30.05% in volume terms over same period of 2018 and value increased by 15.53% or U\$S 6.74million. Total tea export to China has been shown historical growth during 2019 compared to last five years. The largest growth is registered from bulk tea exports. Especially, adding more value, instant tea exports of 345,811 kg registered during 2019 for Chinese RTD market.

Table 3.6.32: Overall analysis of Sri Lanka tea exports to China

	2014	2015	2016	2017	2018	2019
Ceylon tea exports (MT)	4763	7198	7436	9428	9127	11870
Qty increase/decrease		2435	238	1992	-301	2743
% increase of Qty		51.12	3.31	21.13	-3.19262	30.05
Revenue(U\$D,000)	24,095	33,501	30,988	46,981	43,391	50,132
Revenue increase(U\$D,000)		9406	-2513	15993	-3590	6741
FOB-U\$D/Kg	5.06	4.65	4.17	4.98	4.75	4.22

Source: ITC 2019 bulletin; SLTB Ceylon

Table 3.6.33: Sri Lanka tea exports to China

Year	Bags	Bulk	Packs	Packs (>3 Kg)	Total qty (Kg)	Value (Rs.)	FOB (Rs. / Kg.)
2015	246,412	6,680,718	268,954	1,740	7,197,824	4,481,791,070	622.66
2016	213,625	6,941,115	307,897	0	7,462,636	4,511,365,346	604.53
2017	277,719	8,900,374	279,961	14,260	9,472,315	7,162,246,132	756.12
2018	250,655	8,545,027	285,307	76,980	9,157,969	7,049,346,676	769.75
2019	222,041	10,756,974	250,267	345,780	11,575,062	8,708,146,997	752.32

Source: Sri Lanka Customs

Tariff rates applicable for tea: VAT 10% + TAX 7.5 = 17.5% for CIF value

Non-Tariff barriers: China custom imposed flavored tea ban from March, 2019. Adding fruit particles, flower particles, any other herbal particles with tea are banned.



## AUSTRALIA

The tea market has evolved dramatically in the past few years in line with consumers' changing behaviour. Today, tea drinkers are more interested in high-quality products with a great story and drinks that give them specific health benefits, which have driven demand for healthy green, functional botanical tea and herbal blends. In addition, the perception of tea has also changed, as it is viewed by younger consumers as a sensual and wellness drink.

Premium quality is another positive development on the market, as customers are showing strong preferences for functional botanical blends and single estate artisanal teas. More and more people are interested in innovative flavour combinations, as well as in authenticity and the story behind certain brand. When it comes to different types, a recent trend suggests that natural, earthy alternative flavours such as ginger, matcha, turmeric and cumin are in higher demand.

Sri Lankan premium tea export brand "Dilmah" has positioned as one of Australasia's most popular Ceylon tea brands – known widely for its ethical growing, production and business practices. Dilmah has recently launched an organic herbal range across the ditch featuring chamomile, rooibos, fruit and mint and berry infusions to meet the rising demand for hot herbal brews in Australia and New Zealand. Another Sri Lankan brand "IMPRA" also taking inroads in the Australian market and their agent is operating from Melbourne.

Sri Lanka's tea export to Australia has registered an increasing trend in 2019 compared to 2018. Australia's total tea imports from the world in 2019 were US\$ 105.12 million compared to US\$ 103.46 million in 2018.

Table 3.6.34: Sri Lanka's tea exports for last five years

Item	2015	2016	2017	2018	2019
Tea	25.42	23.15	27.91	24.52	29.00

Table 3.6.35: Ceylon Tea Exports to Australia

Year	Bags	Bulk	Packs	Packs (>3 Kg)	Total qty (Kg)	Value (Rs.)	FOB (Rs. / Kg.)
2015	1,488,905	356,452	477,326	13,462	2,336,146	2,746,015,979	1,175.45
2016	1,595,376	326,788	445,094	3,964	2,371,221	3,126,062,748	1,318.33
2017	1,855,089	280,807	532,920	0	2,668,815	3,987,876,596	1,494.25
2018	1,413,069	303,820	398,164	0	2,115,053	3,417,964,634	1,616.02
2019	1,948,481	271,261	585,481	30	2,805,252	4,637,692,074	1,653.22

Source: Sri Lanka Customs

## SOUTH KOREA

Coffee is the most sought-after beverage in Korea. However, according to the latest market information, the tea market in Republic of Korea has recently begun to grow rapidly. Green tea accounts for a significant share of total consumption in Republic of Korea and it is mainly manufactured domestically while black tea is imported. Republic of Korea's green tea industry is concentrated in three regions — Boseong County of South Jeolla Province, Hadong County of South Gyeongsang Province and Jeju Island. Korean traditional tea which is a variety of herbal and plant infusions, includes teas made out of roots (ginseng, angelica, ginger), fruits, grains & seeds and leaves which includes tea.

The tea exports of Sri Lanka to South Korea in 2019 accounted for 274 MT with the value of Rs.294 million. In comparing with the tea export statistics of 2018, it has been recorded a 64% and 32% increase of Sri Lanka tea exports to South Korea in volume term and value term respectively.

Table 3.6.36: Ceylon Tea Exports to South Korea

Year	Bags	Bulk	Packs	Packs (>3 Kg)	Total qty (Kg)	Value (Rs.)	FOB (Rs. / Kg.)
2015	18,283	70,759	14,557	0	103,599	102,619,404	990.54
2016	10,010	86,227	11,237	0	107,473	98,863,059	919.88
2017	14,176	154,224	13,698	4,032	186,130	211,271,230	1,135.07
2018	24,363	118,960	18,598	5,092	167,012	222,735,666	1,333.65
2019	18,585	231,064	17,374	7,002	274,025	294,307,710	1,074.02

Source: Sri Lanka Customs



### 3.6.4. North and South American Region

#### USA

According to the US Tea Association data, the U.S. continued to remain as the third largest importer of tea in the world. The market has been continued with fluctuations during the year. Total imports in 2019 are declined by 1.1% on volume. Black tea imports have declined by 1.7% on volume. However, the green tea has been increased by 2%.

Compiled by the Tea Association of the USA Inc. based on USDA-FAS and Bureau of Census Reports

(Quantities in 1000 Kilograms)

Argentina has dominated the tea market of the USA with a share of 37.1%. Other leading suppliers are China, 13.9%; India, 10.9%; Sri Lanka, 6.1; Malawi, 5.5%; and Vietnam, 4.6%.

In anticipation of the tariffs been instituted, a large quantity of Chinese tea was imported to the USA to avoid paying the 15% duty, has paved the way for China to become the second largest exporter to the US tea market for the year 2019.

Table 3.6.37: Green Tea Imported To The US

Country	2019	2018	% Change
Argentina	639.1	347.1	84.1
Brazil	253.3	236.3	7.2
Canada	507.1	719.9	-29.6
China	7,748.7	8,290.9	-6.5
Germany	223.3	286.4	-22
India	731.4	533.8	37
Indonesia	1,697.3	639.4	165.5
Japan	1,723.7	1,828.4	-5.7
Poland	245.1	144.8	69.3
Sri Lanka	655.6	616.0	6.4
Taiwan	1,033.8	911.2	13.5
Thailand	591.3	404.8	46.1
United Kingdom	146.9	102.1	43.9
Vietnam	716.6	1,374.2	-47.9

Nevertheless, Ceylon tea sector has achieved 22.27% export growth during the year 2019 when compared to the previous year, becoming the fourth largest supplier to the US tea market.

Table 3.6.38: Major Black tea exporting countries to the USA in 2018 and 2019

Country	2019	2018	% Change
Argentina	43,242	48,848	-11.5
Canada	2,129	1,308	62.8
China	8,565	8,680	-1.3
India	12,133	12,201	-0.6
Indonesia	3,294	2,718	21.2
Kenya	2,215	2,003	10.6
Malawi	6,542	5,671	15.4
Sri Lanka	6,467	5209	24.1
Vietnam	4,684	5,183	-9.6
Zimbabwe	2,493	2,439	2.3

Compiled by the Tea Association of the USA Inc. based on USDA-FAS and Bureau of Census Reports (Quantities in 1000 Kilograms)

#### Performance of Ceylon Tea

Table 3.6.39: Ceylon Tea Exports to USA

Year	Bags	Bulk	Packs	Packs (>3 Kg)	Total qty (Kg)	Value (Rs.)	FOB (Rs. /Kg)
2015	574,656	1,381,075	1,741,526	84,240	3,781,497	2,981,556,539	788.46
2016	823,284	1,392,534	2,125,706	177,940	4,519,463	3,747,335,202	829.15
2017	563,956	1,294,654	2,041,389	137,606	4,037,606	3,844,081,759	952.07
2018	538,552	1,842,866	2,051,453	210,800	4,643,670	4,374,047,532	952.07
2019	583,794	3,358,000	2,179,269	135,332	6,256,395	5,379,452,336	859.83

Source: Sri Lanka Customs



## CANADA

Tea imports to Canada during the past few years had been around 18,000MT to 20,000MT per annum (Year 2016 – 19,627, 2017-19,741, 2018 – 18,433 MT). The market continues to grow in terms of volume.

The consumption is mainly in the black tea. Total Black tea imports to Canada is around 14,750– 15,750 MT per annum, which accounts for over 78% of total tea imports but green tea segment which is still very small has shown a positive growth.

USA is the leading supplier of tea to this market with a share of 31% followed by UK (22%), India (20%), China (7%), Kenya (6%), and Sri Lanka (4.5%). Sri Lanka continues to be the one of the major suppliers of black tea in bulk followed by USA, UK, India &

Kenya. During the year 2019, Sri Lanka has exported 508 MT of tea as against 462 MT in 2018.

### Performance of Ceylon Tea

The tea exports of Sri Lanka to Canada in 2019 accounted for 507 MT with the value of Rs.628 million. In comparing with the tea export statistics of 2018, it has been recorded a 10% and 11% increase of Sri Lanka tea exports to Canada in volume term and value term respectively.

Table 3.6.40: Sri Lanka tea exports to Canada

Year	Bags	Bulk	Packs	Total qty (Kg)	Value (Rs.)	FOB (Rs. /Kg.)
2015	124,199	355,207	99,747	579,153	601,732,888	1,038.99
2016	117,892	165,505	133,088	416,486	484,912,387	1,164.30
2017	104,475	311,798	171,725	587,997	696,188,048	1,184.00
2018	88,194	239,478	134,181	461,853	567,139,263	1,227.97
2019	86,969	285,475	135,040	507,483	627,831,800	1,237.15

Source: Sri Lanka Customs

## 3.6.5. European Region

### FRANCE

France is the 30th largest tea consuming country in the world and the 2nd in Europe after the United Kingdom. However, note that in France, there are not so much heavy tea users. People mostly drink tea on special occasions, and according to the seasons. Main tea drinkers are people older than 65 years old and they are mostly women.

Today, tea drinkers are more interested in high-quality products with a great story and drinks that give them specific health benefits, which have driven demand for healthy green, functional botanical tea and herbal blends. In addition, the perception of tea has also changed, as it is viewed by younger consumers as a sensual and wellness drink.

RTD tea continued to record a robust performance in 2019, recording double-digit off-trade volume and current value growth, driven mainly is the dominant format of still RTD tea. This category has continued to benefit from the growing health and wellness trend in France, with consumers increasingly moving away from sugar-laden carbonates in search of more authentic, light and less sweet soft drinks. With gradually rising prices, current value growth was more notable than volume, growth. In France, tea is mostly consumed in sachets. Black tea is consumed twice as much as green tea, despite less growth. The most popular tea segments are Darjeeling from India and Ceylon Tea from Sri Lanka. The tea exports of Sri Lanka to France in 2019 accounted for 753 MT with the value of Rs.863 million.

Table 3.6.41: Sri Lanka tea exports to France

Year	Bags	Bulk	Packs	Packs (>3 Kg)	Total qty (Kg)	Value (Rs.)	FOB (Rs. /Kg.)
2015	138,717	232,614	392,755	0	764,086	609,819,769	798.10
2016	151,758	232,614	316,067	0	663,088	619,791,211	934.70
2017	100,732	283,134	277,016	0	660,883	728,983,533	1,103.05
2018	87,106	277,752	443,421	28	808,307	866,429,048	1,071.91
2019	117,473	236,559	397,530	1,280	752,842	863,055,913	1,146.40

Source: Sri Lanka Customs



## UNITED KINGDOM

Tea industry is facing pressure from a variety of different beverages, most notably coffee, there is still some room for growth within the industry. What is responsible for this pattern of growth isn't the standard black tea. It is a growing trend of enjoying fruit and herbal teas from those who want to be more conscious about their health. Since 2012, the sale of standard black tea bags has fallen by 13%, while the sale of specialty teas has increased by 50% and green tea sales have improved by 50%.

Tea will always be part of the identity and culture of the UK. There is a secure footing in the tea industry. As the industry identifies changing consumer preferences and adapts to them, the market should remain strong. Uncertainty about Brexit, along with changing relationships with the EU-member nations, could affect the

export industry.

### Performance of Ceylon Tea

The tea exports of Sri Lanka to United Kingdom in 2019 accounted for 998 MT with the value of Rs.1,675 million. In comparing with the tea export statistics of 2018, it has been recorded a 4.98% and 5.08% increase of Sri Lanka tea exports to United Kingdom in volume term and value term respectively.

Table 3.6.42: Sri Lanka tea exports to United Kingdom

Year	Bags	Bulk	Packs	Packs (>3 Kg)	Total qty (Kg)	Value (Rs.)	FOB (Rs. / Kg.)
2015	182,078	808,816	163,452	0	1,154,346	1,228,700,223	1,064.41
2016	187,715	614,889	154,444	2	957,050	1,168,146,373	1,220.57
2017	210,128	842,662	152,725	1,000	1,206,515	1,628,712,009	1,349.93
2018	212,934	538,120	199,418	0	950,473	1,594,092,563	1,677.16
2019	204,422	571,006	222,351	0	997,779	1,675,067,750	1,678.80

Source: Sri Lanka Customs

## 3.6.6. South Asia Region and Other Countries

### INDIA

Table 3.6.43: Total Imports Tea Statistics

Year		Bulk	Packets	Tea Bags	Others	Total
2018	Quantity	14022		15	20	17414
	Value US \$	33.65		0.3	0.05	77.18
2019	Quantity	10778		20	2	28245
	Value US \$	30.05		0.31	0.04	71.59

Source: Ministry of Commerce & Industry/ Delhi

### Performance of Ceylon Tea

Table 3.6.44: Sri Lanka tea exports to India

Year	Bags	Bulk	Packs	Packs (>3 Kg)	Total qty (Kg)	Value (Rs.)	FOB (Rs. /Kg.)
2015	21,874	3,416,880	3,323	4,710	3,446,787	2,363,575,358	685.73
2016	18,837	1,060,255	2,626	0	1,081,718	724,703,863	669.96
2017	12,574	255,588	2,992	8,797	279,951	244,099,530	871.94
2018	14,062	824,377	2,092	30	840,561	820,261,593	975.85
2019	5,364	3,337,202	5,737	9,503	3,357,806	3,086,226,902	919.12

Source: Sri Lanka Customs

Sri Lanka tea exports to India in 2019 accounted for 3,358 MT with the value of Rs.3,086 million.



## PAKISTAN

Pakistan is one of the top tea consuming nations and the world's largest tea importer. Pakistani consumers are rigid in their Tea preferences about the type, colour, texture and taste of their tea. In Pakistan per capita consumption rose 35.8 percent to about 1 kilogram per person during the years 2007-2016. Total volume imported is estimated at 197,367 metric tons in 2019, a number expected to rise to 250,000 metric tons by 2027, according to the Food and Agricultural Organization of the United Nations (FAO).

Approximately more than 10-15% of yearly consumption is being received by smuggled tea; imported tea through illegal channels enters Pakistan mainly from land routes between Pakistan & India.

Pakistan imported tea worth \$495.957 million during July-April (2018-19) against the imports of \$492.966 million during July-April (2017-18), according to the latest data of Pakistan Bureau of Statistics (PBS).

In terms of quantity, the tea imports into the country during the period under review increased from the imports of 182992.30 metric tons to 197367.65 metric tons in 2019. The tea imports into the country were recorded at \$50.140 million in April 2019 compared to the imports of \$42.058 million in April 2018, the PBS data revealed.

Table 3.6.45: Pakistan tea imports

Origin	2015 MT	2016 MT	2017 MT	2018 MT	2019 MT	Average Price US\$ / Kg for 2019
Sri Lanka	3150.17	522.03	100.90	21.32	95.29	4.73
Kenya	101322.36	130155.60	129491.54	138942.81	157855.42	3.76
Rwanda	10785.70	11238.60	10830.12	12368.70	11757.91	3.89
Indonesia	1,900.31	1283.82	2331.27	2036.90	814.87	3.40
Tanzania	4,226.49	3196.39	4072.61	4696.03	7231.19	2.44
Uganda	3,265.99	2726.22	2726.74	4581.08	6076.99	1.98
India	1,7754.16	11708.80	11804.60	16036.93	6254.71	2.16
Vietnam	1,393.06	3045.13	2752.11	1462.86	3419.67	1.88
China	344.40	2721.35	2577.75	2845.67	3861.57	1.14
Total	150880.76	172910.52	166687.60	182992.30	197367.65	-

Source: Pakistan Tea Association

### Ceylon Tea in Pakistan

During 1970s and early 1980s Sri Lanka was the market leader of tea in Pakistan. The market share was eroded with the escalation of auction prices in Colombo and as a result Pakistani importers moved to CTC teas from Kenya for lower prices.

Pakistan has offered an annual TRQ of 10,000 MT on duty free basis to Sri Lanka under the Pakistan – Sri Lanka Free Trade Agreement. Applicable custom duty on tea is 10%. As per the statistics above, Sri Lanka has utilized very nominal TRQ in 2019.

The average price of black tea imported into Pakistan varies according to the country of origin and quality. The lowest average price of black tea is recorded at US \$ 1.14 per Kg from China and the highest average price recorded at US \$ 4.73 per Kg from Sri Lanka. Tea market of Pakistan has been dominated by Kenya and East African Countries. The Pakistani consumers are used to the taste of Kenyan tea.

Present Ceylon tea exports to Pakistan are very minimum, approximately 95 MT in 2019 and increase from 21 MT from the year 2018, which is the lowest when compared to other teas. Tea exports from Sri Lanka are decreasing due to price competitiveness and preferences for mainly CTC type of teas.

Table 3.6.46: Ceylon Tea Exports to Pakistan

Year	Bags	Bulk	Packs	Packs (>3 Kg)	Total qty (Kg)	Value (Rs.)	FOB (Rs. / Kg.)
2015	14,534	3,267,418	2	0	3,281,954	1,650,964,752	503.04
2016	12,373	940,366	3,503	0	956,242	439,999,498	460.13
2017	10,681	115,880	2,341	0	128,902	83,807,971	650.17
2018	2,705	30,170	2,277	600	35,752	31,688,607	886.33
2019	5,893	103,991	2,720	17,135	129,740	107,974,724	832.24

Source: Sri Lanka Customs



## 4. FINANCIAL REVIEW



## STATEMENT OF FINANCIAL POSITION

As at 31<sup>st</sup> December 2019

	Notes	2019 (Rs.)	2018 (Rs.)
<b>ASSETS</b>			
Non-current Assets			
Property, Plant and Equipment	F	839,699,291.15	818,786,907
Prepaid Leasehold Right to Land	G	2,656,493.41	2,732,879
Intangible Assets	H	21,441,486.01	21,172,135
<b>Total Non-current Assets</b>		<b>863,797,270.57</b>	<b>842,691,921</b>
Current Assets			
Inventories	I	21,543,060.18	38,408,150
Trade and Other Receivables	J	81,831,001.78	57,205,054
Deposits and Prepayments	K	94,038,878.47	90,504,173
Other Financial Assets	L	7,780,196,624.51	7,892,667,862
Loans	M	1,786,381,806.21	855,856,243
Cash & Cash Equivalents	N	230,219,655.62	125,130,738
<b>Total Current Assets</b>		<b>9,994,211,026.77</b>	<b>9,059,772,220</b>
<b>Total Assets</b>		<b>10,858,008,297.34</b>	<b>9,902,464,141</b>
<b>EQUITY AND LIABILITIES</b>			
Contributed Capital		672,012,201.85	672,012,202
Retained Earnings		(117,001,094.04)	(123,546,104)
Promotion and Marketing Levy	O	9,003,547,466.93	7,474,510,801
Revaluation Reserve		509,766,985.70	508,216,543
<b>Total Equity</b>		<b>10,068,325,560.44</b>	<b>8,531,193,442</b>
Non-Current Liabilities			
Employee Benefit Obligations	P	67,074,289.96	52,519,035
Bank loan	Q	-	129,158,212
<b>Total Non-Current Liabilities</b>		<b>67,074,289.96</b>	<b>181,677,247</b>
Current Liabilities			
Income Tax payable	R	72,653,169.38	54,116,835
Trade and Other Payables	S	514,186,766.60	917,173,052
Bank loan		135,682,622.16	217,685,862
Bank Overdraft	T	85,888.80	617,703
Total Current Liabilities		722,608,446.94	1,189,593,452
<b>TOTAL LIABILITIES</b>		<b>10,858,008,297.34</b>	<b>9,902,464,141</b>

The accounting policies on pages 79 to 85 and Notes on pages 86 to 92 form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf.

  
**Director Finance**  
Date: 24.02.2020

  
**Director General**  
Date: 24.02.2020

  
**Chairman**  
Date: 24.02.2020

  
**Director**  
Date: 24.02.2020

**INCOME STATEMENT**For the Year ended 31<sup>st</sup> December 2019

	Notes	2019 (Rs.)	2018 (Rs.)
<b>INCOME</b>	A	474,268,569.86	444,675,172
<b>EXPENDITURE</b>			
Tea sector development expenditure	B	(71,841,824.18)	(56,721,866)
Administrative expenses	C	(422,574,287.54)	(380,874,682)
<b>Operating Surplus / (Deficit)</b>		<b>(20,147,541.86)</b>	<b>7,078,624</b>
Finance income	D	82,771,112.22	103,020,269
Finance expenses	E	(29,239,913.43)	(57,486,825)
<b>Surplus / (Deficit) Before Taxation</b>		<b>33,383,656.93</b>	<b>52,612,068</b>
Tax paid on Interest Income	R	16,624,405.41	(8,631,034)
<b>Surplus / (Deficit) After Taxation</b>		<b>16,759,251.52</b>	<b>43,981,034</b>

The accounting policies on pages 79 to 85 and Notes on pages 86 to 92 form an integral part of these Financial Statements.

**STATEMENT OF OTHER COMPREHENSIVE INCOME**Year ended 31<sup>st</sup> December 2019

	2019 (Rs.)	2018 (Rs.)
<b>Surplus / (Deficit) for the period</b>	<b>16,759,251.52</b>	<b>43,981,034</b>
Gratuity adjustment for the year	(14,083,728.04)	-
Revaluation surplus / (loss)	1,553,729.16	(3286)
<b>Total comprehensive income for the period, net of tax</b>	<b>4,229,252.64</b>	<b>43,977,748</b>

The accounting policies on pages 79 to 85 and Notes on pages 86 to 92 form an integral part of these Financial Statements.



## STATEMENT OF CHANGES IN EQUITY

As at 31<sup>st</sup> December 2019

	Contributed Capital (RS.)	Promotion & Marketing Levy (RS.)	Revaluation Reserve (RS.)	Accumulated Profit (RS.)	Total (RS.)
<b>Balance as at 01<sup>st</sup> January 2017</b>	<b>672,012,202.00</b>	<b>5,794,718,308.00</b>	<b>508,216,543.00</b>	<b>(267,880,212.00)</b>	<b>6,707,066,841.00</b>
Promotion and Marketing Levy (Note -O)	-	1,011,480,054.00	-	-	1,011,480,054.00
Adjustments	-	-	-	2,365,514.00	2,365,514.00
Surplus for the year 2017	-	-	-	93,322,795.00	93,322,795.00
<b>Balance as at 31<sup>st</sup> December 2017</b>	<b>672,012,202.00</b>	<b>6,806,198,362.00</b>	<b>508,216,543.00</b>	<b>(172,191,903.00)</b>	<b>7,814,235,204.00</b>
<b>Balance as at 01<sup>st</sup> January 2018</b>	<b>672,012,202.00</b>	<b>6,806,198,361.00</b>	<b>508,216,543.00</b>	<b>(172,191,903.00)</b>	<b>7,814,235,203.00</b>
Promotion and Marketing Levy (Note -O)	-	631,890,344.00	-	-	631,890,344.00
Adjustments	-	36,422,096.00	-	4,668,051.00	41,090,147.00
Surplus for the year 2018	-	-	-	43,977,748.00	43,977,748.00
<b>Balance as at 31<sup>st</sup> December 2018</b>	<b>672,012,202.00</b>	<b>7,474,510,801.00</b>	<b>508,216,543.00</b>	<b>(123,546,104.00)</b>	<b>8,531,193,442.00</b>
<b>Balance as at 01<sup>st</sup> January 2019</b>	<b>672,012,201.85</b>	<b>7,474,510,801.00</b>	<b>508,216,543.20</b>	<b>(123,546,104.00)</b>	<b>8,531,193,442.05</b>
Promotion and Marketing Levy (Note -O)	-	446,175,971.87	1,553,729.16	-	447,729,701.03
Gratuity Measurement adjustment	-	-	-	(14,083,728.04)	(14,083,728.04)
Adjustments	-	-	(3,286.66)	3,869,486.48	3,866,199.82
Surplus for the year 2019	-	1,082,860,694.06	-	16,759,251.52	1,099,619,945.58
<b>Balance as at 31<sup>st</sup> December 2019</b>	<b>672,012,201.85</b>	<b>9,003,547,466.93</b>	<b>509,766,985.70</b>	<b>(117,001,094.04)</b>	<b>10,068,325,560.44</b>

The accounting policies on pages 79 to 85 and Notes on pages 86 to 92 form an integral part of these Financial Statements.



## STATEMENT OF CASH FLOW

Year ended 31<sup>st</sup> December 2019

	2019 (Rs.)	2018 (Rs.)
<b>Cash Flows From Operating Activities</b>		
Net Profit from Operations	4,229,252.64	43,977,748
Adjustments for		
Depreciation of PPE	30,799,910.41	31,592,337
Profit or Loss disposal of PPE	(2,377,637.84)	386,634
Amortization of Lease hold lands	76,385.60	76,386
Amortization of Intangible assets	3,606,230.43	2,476,146
Gratuity provision	17,741,359.04	7,129,664
Finance expenses	29,239,913.43	57,486,825
Finance income	(82,771,112.22)	(103,020,269)
Write back of bad & doubtful debt	(25,000,000)	-
Adjustments	2,307,383.66	92,417,327
Provision for taxation	211,870,216.67	178,086,406
	<b>185,492,649.18</b>	<b>266,631,456</b>
<b>Operating Profit before Working Capital Changes</b>	<b>189,721,901.82</b>	<b>310,609,204</b>
Decrease / ( Increase ) in Inventories	16,865,087.82	(13,393,743)
Decrease / ( Increase ) in Trade and Other Receivables	374,052.22	(4,730,347)
Decrease / ( Increase ) in Deposit & Prepayment	(3,534,705.47)	(29,115,603)
Decrease / ( Increase ) in Trade & Other Payables	(402,986,284.40)	499,528,329
Loan to RPC'S	(930,525,563.21)	518,907,236
	<b>(1319,807,413.04)</b>	<b>971,195,872</b>
<b>Cash Generated from Operations</b>	<b>(1,130,085,511.22)</b>	<b>1,281,805,076</b>
Gratuity Paid	(3,186,104.04)	(7,468,136)
Taxation	(193,333,882.06)	(280,367,224)
Net Expense for promotional activities	1,529,036,665.93	631,890,344
<b>Net Cash From Operating Activities</b>	<b>1,332,516,679.83</b>	<b>344,054,984</b>
<b>Cash Flows ( used in ) Operating Activities</b>	<b>202,431,168.61</b>	<b>1,625,860,060</b>
<b>Cash Flows ( used in ) Investing Activities</b>		
Cash received from sale of PPE	2,763,276.80	81,065
Finance income	82,771,112.22	103,020,269
Acquisition Intangible Assets	(3,875,581.77)	(15,177,104)
Acquisition of Property Plant & Equipment	(50,539,114.26)	(57,449,187)
Investments including P& M Levy	112,471,235.49	(1,539,595,290)
<b>Net Cash Flows used in Investing Activities</b>	<b>143,590,928.48</b>	<b>(1,509,120,247)</b>
<b>Cash Flows Used in Financing Activities</b>		
Finance expenses	(29,239,913.43)	(57,486,825)
Bank Loan	(211,161,451.84)	(215,511,059)
<b>Net Cash Flows / ( Used in ) Financing Activities</b>	<b>(240,401,365.27)</b>	<b>(272,997,884)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>105,620,731.82</b>	<b>(156,258,072)</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>124,513,035.00</b>	<b>287,071,752</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>230,133,766.82</b>	<b>124,513,035</b>

The accounting policies on pages 79 to 85 and Notes on pages 86 to 92 form an integral part of these Financial



## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31<sup>ST</sup> DECEMBER 2019

### 1. CORPORATE INFORMATION

#### General

The Sri Lanka Tea Board (SLTB) was established on the 1st of January 1976, under the Sri Lanka Tea Board Law No.14 of 1975, as amended by Act No.17 of 1985, No. 44 of 1990, No.29 of 2003 and No. 44 of 2006. The Head office is located at No. 574, Galle Road, Colombo 3.

SLTB prepares financial statements for the twelve months period ended 31<sup>st</sup> December 2019 and these financial statements are authorized by the board of directors on 24<sup>th</sup> February 2020.

#### Principal Activities

The objectives of the Sri Lanka Tea Board are regulation, development of the tea industry in Sri Lanka and Promotion of Sri Lanka Tea (Ceylon Tea) globally. It is the authority responsible for regulating the activities of the tea industry, viz. production, cultivating new area and replanting, rehabilitating old gardens, the establishment of factories and their operation. It also regulates the conduct of the auctions, monitors quality standards and regulates the sales, exports, brokers, warehousing and shipping of tea. SLTB also regulate control and direct all institutions and organizations engaged in the management of tea estates and in the production and marketing of tea.

### 2. BASIS OF PREPARATION

#### 2.1 Basis of preparation and adoption of SLAS (SLFRS and LKAS) effective for the financial period beginning on or after 01 January 2012.

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS as issued by the

Institute of Chartered Accountants of Sri Lanka.

For all periods up to and including the year ended 31<sup>st</sup> December 2012, SLTB prepared its financial statements in accordance with SLASs effective up to 31<sup>st</sup> December 2011. These financial statements for the year 31 December 2012 is the first time SLTB has prepared in accordance with Sri Lanka Accounting Standards effective for the periods beginning on or after 01<sup>st</sup> January 2012.

#### 2.2 Basis of Measurement

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in Sri Lankan Rupees.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Significant Accounting Policies

The following are the significant accounting policies used by SLTB in preparing these financial statements.

#### 3.2 Property Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the SLTB derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition

criteria are satisfied. All other repair and maintenance costs are recognized in the income statement as incurred.

#### 3.3 Depreciation

Depreciation is calculated on straight line method on the cost or valuation based on estimated useful lives of property Plant and equipment are as follows.

Since some of the Assets were already been reached to the scrap value but they are still being used by the SLTB, Action has been taken to revalue the assets by the valuation Department and the Committee appointed.

Freehold Buildings	50 years
Office Equipment	02 - 20 years
Furniture & Fittings	01 - 20 years
Motor Vehicles	10 years
Computer Equipment	05 years
Library Books	05 years
Laboratory Equipment	03 - 10 years

#### 3.4 Capital work in progress

Capital expenses incurred during the year, which are not capitalized as at the balance sheet date are shown as Capital work in progress, whilst the capital assets which have been capitalized during the year and put to use have been transferred to Property Plant & Equipment.

#### 3.5 Leasehold Land

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even



if that right is not explicitly specified in an arrangement. Estimated useful lives of Lease assets are as follows.

Leasehold Land      50 years

### 3.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred. Estimated useful lives of intangible assets are as follows.

**Intangible Assets As At 31<sup>st</sup>.12.2019**

Intangible Assets	Expected useful life
POS System – Sales Counter	1 year
Licence for SOL Server standard 2012	3 years
Hsenid Software System	5 years
Finpac Software	6 years
Software Package for B 60 Subsidy	4 years
Hsenid Software-Producing MSL/Co:	4 years
Factory Moder :/Replanting Software	4 years
Jumla version Website	2 years
Finpac module integration	6 years
FINPAC Fixed Assets Module	10 years

hSenid – TI Module Software	3 years	No. 24 of 2017 commencing from 01.04.2018
DMS- Tea Land Registration Software	10 years	Details of Provision for taxation and tax payments disclosed in Note (R) to the Financial Statements.

### 3.7 Impairment of non-financial assets

SLTB assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, SLTB estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

### 3.8 Taxation

Sri Lanka Tea Board is liable for the payment of income tax only for the interest income at the rate of 28% as per the Inland Revenue Act No. 10 of 2006 and amendments thereon and liable for Dividend Tax under Section 61 ( C ) of the said act. Adjustments have been made according to the provisions in new inland Revenue Act

### 3.9 Inventories

Inventories are recognized at cost and net realizable value whichever is lower after making due adjustments for obsolete and slow moving items which are valued at 'First In First Out' basis.

### 3.10 Cash & Cash Equivalents

Cash and cash equivalents comprise cash in hand and bank, other short-term highly liquid investments.

## 4. LIABILITIES AND PROVISIONS

### 4.1 Retirement Benefit Obligations

#### 4.1.1 Defined benefit plan – Retirement Gratuity

SLTB is liable to pay Gratuity in terms of the Payment of Gratuity Act No.12 of 1983.The liability for gratuity to an employee arises only on completion of five years of continued service with SLTB. In order to meet this liability, Actuarial valuation was carried out and provision is made accordingly. Since the opening liability is not actuarially valued ( 1<sup>st</sup> year ) There is no interest cost, No actuarial gain or loss and No service cost is calculated and accounted. The resulting difference between the brought forward provision at the beginning of the year and the carried forward provision at the end of the year is dealt with in the Statement of other comprehensive income.



#### 4.1.2 Demographic Assumptions

##### a) Mortality in service :

A 1967/70 Mortality Table issued by the Institute of Actuaries, London. The rates given in this table represent the probabilities of "death" occurring within one year of any given age. Many life insurance companies in Sri Lanka have used this table for computation of premium rates. This mortality table is considered to be appropriate for estimation of the gratuity liabilities.

##### b) Staff Turnover

The staff turnover rate at an age represents the probability of an employee leaving within one year of that age due to reasons other than death, ill health and normal retirement. Staff turnover rates used in this valuation have been determined in consultation with the Board and are based on the staff turnover statistics of the Board. Staff turnover rate used in this valuation: 3.00% per annum across the board up to age 54 thereafter zero.

##### c) Disability

The disability rate at an age represents the probability of an employee leaving within one year of that age due to ill health/disability. Assumptions similar to those used in other comparable plans for disability were used as the data required to do a "Scheme specific" study was not available. Disability rates used in this valuation: 10.00% of the Mortality Table.

##### d) Retirement Age: 60 years As specified by the Board

The employees who are aged over the specified retirement age have been assumed to retire on their respective next birthdays.

##### e) Financial Assumptions – 10.5% p.a.

##### f) Future salary escalations

Average long terms salary escalation rate of 6% p.a. with next increment date. Accordingly the present value of the Defined benefit obligation (PVD BO) as at 31<sup>st</sup> December 2019 with respect employees in service based on the assumptions and methodology explained amounting to Rs.67,074,290/-.

#### 4.1.3 Sensitivity Analysis

Sensitivity analysis illustrates the significance of the discount rate and salary escalation rate assumed in the valuation conducted as at 31<sup>st</sup> December 2019.

Variable changed ( while all other assumptions remain unchanged)	Present value of defined Benefit obligation Rs.
One Percentage Point increase in Discount rate	64,063,799
One Percentage Point Decrease in Discount rate	70,441,354
One Percentage Point increase in salary Escalation Rate	70,687,156
One Percentage Point decrease in salary Escalation Rate	63,847,728

The employee liability of the Sri Lanka Tea Board is based on the actuarial valuation carried out by Messrs' Actuarial and Management Consultants Limited.

#### 4.1.4 Defined Contribution Plans- Employee Provident Fund & Employee Trust Fund

SLTB contributes to Employees' Provident Fund contribution and Employees' Trust Fund contribution is covered by relevant contribution funds in line with respective regulation. Obligations for contributions to the plans covering the employees are recognized as an expense in the income statement.

Employees' Provident Fund SLTB and Employees contribute to provident fund at 15% and 10% respectively on gross salary.

Employees' Trust Fund SLTB contributes 3% on gross salary to the Employees' Trust Fund.

### 5. INCOME STATEMENT

For the purpose of presentation of the Income Statement, the function of expenses method is adopted as it represents fairly the elements of Board performance.

#### Government Grants

Government grants under the capital vote are entirely used for the payment of development subsidies for factory modernization subsidy Scheme and Tea Replanting Subsidy Scheme. A government grant under the recurrent vote is used for the payment of salaries to employees.

#### 5.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the SLTB and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment.



The following specific recognition criteria must also be met before revenue is recognized:

#### Sale of goods

Revenue will be recognized upon satisfaction of performance obligation. Sri Lanka Tea Board expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of goods.

#### Rendering of services

Revenue from rendering of services is recognized in the accounting period in which the services are rendered or performed.

#### Other Income

Other income is recognized on an accrual basis.

SLTB decided to reverse Rs. 25 Mn. a

temporary loan given to JEDB, which has been treated as bad debt showing as a receivable in the accounts. (Trade and other receivable)

#### Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

SLTB obtained R.s 60 Mn. from interest income earned by Promotion and Marketing Levy Fund to cover the shortfall of Treasury grants

given for employee salaries funds urgently needed for model Tea Land development activity etc.

#### 5.2 Expenses

All expenditures incurred in the running of the business have been charged to income in arriving at the surplus for the year. Repairs and renewals are charged to Income and Expenditure in the year in which the expenditure is incurred.

Sri Lanka Tea Board has maintaining three overseas offices. All the expenses other than salaries of the three officers attached to the said units have been accounted under Promotional & Marketing levy as maintenance Expenditure of each unit (Moscow, UAE & China).



## 6 Liabilities and Provisions

Case No.	Court	Parties	Cause of Action	Present Status
Arbitration	ICLP Arbitratio Centre	Sri Lanka Tea Board- Claimant K.T.E.N. Subasena Respondent	Loss and damages of Rs. 1,617,017.37 in connection with the refusal and willful failure to perform and discharge the respondent's obligations under the contract for Roof repair, water proofing toilet floor, walls and colour washing at SLTB. Cross claim of Rs.6,321,360.15 by the Respondent against the SLTB.	Inquiry on 17.01.2020
LT 8/138/2017	Labour Tribunal, Colombo	Y.M.A.K. Bandara Applicant Sri Lanka Tea Board Respondent	Reinstate in the District Project Assistant position with back wages and other benefits. Alternatively grant a sum as compensation cost	written submission 06.02.2020
LT 8/138/2017	Labour Tribunal, Colombo	S.S.S. Guruge Applicant Sri Lanka Tea Board Respondent	Reinstate in the position of Asst. Tea Commissioner with back, wages, Damages and litigation cost	Inquiry on 16.01.2020
DMR/00780/11	District Court Colombo	F. Hewakuruppu Plaintiff	An order to re-pay Rs.1,143,600/- to the petitioners by SLTB who has charged the same as registration fee, Legal interest.	Trial on 23.01.2020
CA/Writ/359/19	Court of Appeal	Hartley Hills (Private) Ltd. – Petitioner Tea Commissioner Sri Lanka Tea Board	Quash the suspension/extension of suspension of Petitioner's factory Quash the decision to remove teas from the auction Issue a writ of prohibition from Suspending	Argument 24.01.2020
SC/HC/LA 69/2018	Supreme Court	Colombo Business School - Claimant Petitioner Appellant Sri Lanka Tea Board & Attorney General Respondent	Set aside the judgment of the Commercial High Court of Colombo dated 18.05.2018 Re trial before the Commercial High Court of Colombo cost	Reserved for judgment
SC FR 429/16	Supreme Court	H.M.M. Sedara & 23 others Petitioner  Sri Lanka Tea Board & 30 others Respondent	Order to provide a suitable promotional post/ path for the clerical and Allied services of SLTB and promote to the Next promotional grade, Cost	Argument on 08.06.2020
SC FR 333/18	Supreme Court	K.B.P.S. Lakshman Petitioner Sri Lanka Tea Board Respondent	Quash the appointments of 21st -24th Respondents Promote the Petitioner to the ATC position compensation of Rs. 1.5 Mn. cost of litigation	Argument 09.06.2020



## 7. RELATED PARTY TRANSACTIONS

### 7.1 Transactions with State and State Controlled Entities

In the normal course of its operations, SLTB enters into transactions with related parties. Related parties include the Government of Sri Lanka (State as the ultimate owner of SLTB), various government departments, and State controlled entities. Particulars of transaction and arrangements entered into by SLTB with the State and State controlled entities which are individually significant and for other transactions that are collectively, but not individually significant are as follows.

#### Nature of Transaction

2019 (Rs.)	2018 (Rs.)
202,500,000	215,800,000

In the year 2001, Sri Lanka Tea Board has entered into agreement with JEDB to use the properties of JEDB for Ceylon Tea Museum for

30 years. Additionally in the year 2003 Sri Lanka Tea Board has given Rs. 25 Million loan to JEDB which has written off as bad debts which should be treated as receivable and adjustments made accordingly.

### 7.2 Fixed Assets purchased for Tea House (Tea Moment) were temporary transferred to Sri Lanka Cashew Corporation on return basis.

### 7.3 Sri Lanka Tea Board has released 04 vehicles to the following entities

(i) Kalubovitiyana Tea Factory -02 vehicles

These vehicles were given on lease basis at a monthly rent of Rs. 150,000/- each.

(ii) National Institute of Plantation Management - 02 vehicles

The above 02 vehicles had been transferred to NIPM based on the instructions given by the MPI on temporary basis.

## 8. KEY MANAGEMENT COMPENSATION

SLTB key management personnel include the Board of Directors.

Mr. S.A.Siriwardena Director General of Sri Lanka Tea Board is serving as the member of the Board of Ceylon Tea Museum.

#### Short term employment benefits

2019 (Rs.)	2018 (Rs.)
1,856,980	1,725,250

#### Additional Disclosures

Sri Lanka Tea Board has entered into Rent agreements for obtaining premises for commercial and other operations.

The Contracts awarded before the ending of the financial year (31st December 2019) which does not have physical commitment as of the Balance Sheet date worth Rs.48.68 Mn. + VAT



Rent Agreement	Period	Monthly rent
Export facilitating Center	26/11/2019– 25/11/2019	50,000.00
Galle Regional Office	06/08/2018-05/07/2020	125,000.00
Matara Regional Office	01/01/2019-31.12.2020	100,000.00
Kalutara TI Office Matugama Ingiriya Elpitiya	2018 Sep. – 2020 August 01.01.2018-30.12.2019 01/04/2019.– 31.03.2021	14,500.00 12,500.00 15,000.00
Galle TI Office Yakkalamulla Hiniduma	01.01.2018 -31.12.2019 01.1.2018 – 31.12.2019	12,000.00 12,000.00
Matara TI Office Deniyaya Morawaka Kotapola Akuressa Urubokka	01.03.2018 – 29.02.2020 01.03.2018 -28.02.2020 01.07.2019 – 30.06.2021 2018 to 2020/10/31 01/12/2017 to 30/11/2019	12,500.00 15,000.00 15,000.00 12,500.00 12,500.00
Ratnapura TI Office Rakwana Balangoda Pelmadulla Kalawana	2019/01/12 to 2021/01/11 2019/6/1 to 2021/05/31 2019/03/01 – 2020/02/28 2019/04/01 to 2020/04/01	15,000.00 15,000.00 13,500.00 15,000.00
Bandarawela TI Office Passara Welimada Hali Ela	2019/02/01 – 2021/01/31 2018 May - 2020 April 18/05/01 – 2020/05/01	15,000.00 12,500.00 12,500.00
Gampola TI Office Gampola Nawalapitiya Mawanella Mathale Ginigathhena Kandy Norwood Talawakelle Udunuwara Walapane	01/05/2018 -30/04/2020 2019/01/07 – 2021/01/06 2018 Oct. – 2020 Sept. 01/02/2018 – 31.01.2020 01.04.2018 – 30.03.2020 2018 Oct. – 2020 Sept. 2019/03/01 – 2021.02.28 2018 Oct – 2020 Sep. 01.06.2018 – 31.05.2020 01.06.2018 – 31.05.2020	12,500.00 9,000.00 15,000.00 12,500.00 12,500.00 15,000.00 15,000.00 15,000.00 12,500.00 12,000.00



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31<sup>st</sup> December 2019

		2019 (Rs.)	2018 (Rs.)
<b>A INCOME</b>			
Grant from Treasury - Recurrent		160,000,000.00	165,800,000
-Capital & Development		42,500,000.00	50,000,000
Income from laboratory	Note 1	11,499,885.50	20,598,303
Interest transferred from P & M Levy		60,000,000.00	12,441,000
Registration and Renewal Income	Note 2	158,958,440.56	179,634,806
Net profit from commercial activities	Note 3	8,480,969.15	11,826,020
Nuwaraeliya Sales Counter & Circuit Bangalow	Note 4	915,250.00	-
Other Income	Note 5	31,914,024.65	4,375,043
		<b>474,268,569.86</b>	<b>444,675,172</b>
<b>B TEA SECTOR-DEVELOPMENT EXPENSES</b>			
Tea Factory Modernization Subsidy Scheme		16,939,169.96	19,158,500
Tea Replanting Subsidy scheme		25,560,830.04	30,841,500
GMP Improvement		2,236,559.18	6,439,112
Survey of Tea Land		-	3,247
JICA Project		95,590.00	279,507
Model Tea Land Expenses		27,009,675.00	-
		<b>71,841,824.18</b>	<b>56,721,866</b>
<b>C ADMINISTRATION EXPENSE</b>			
Personnel emoluments	Note 6.1	197,197,183.50	185,602,820
Other administrative expenses	Note 6.2	53,914,319.88	40,041,626
Travelling expenses	Note 7	13,020,407.15	11,915,098
Supplies and requisites	Note 8	15,412,280.67	12,737,807
Repairs and maintenance	Note 9	28,050,245.39	28,564,929
Depreciation of PPE	Note F	28,966,113.59	28,264,402
Amortization of Intangible assets	Note H	3,606,230.43	2,476,146
Amortization of Leasehold Properties	Note G	76,385.60	76,386
Utilities and other expenses	Note 10	82,331,121.33	71,195,468
		<b>422,574,287.54</b>	<b>380,874,682</b>
<b>D FINANCE INCOME</b>			
Interest on Investments		57,377,667.82	44,376,123
Interest on RPC wages Loan		25,393,444.40	58,644,146
		<b>82,771,112.22</b>	<b>103,020,269</b>
<b>E FINANCE EXPENSES</b>			
Interest Expenses			
-Peoples Bank PLC		20,620,265.63	40,908,223
-Bank of Ceylon PLC		8,294,177.80	16,479,932
Bank charges		325,470.00	98,670
		<b>29,239,913.43</b>	<b>57,486,825</b>



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31<sup>st</sup> December 2019

F PROPERTY, PLANT AND EQUIPMENT						
	Cost or valuation as at 01-01-2019	Additions	Revaluation	Disposals/ transfers	Adjustments	Cost or valuation as at 31-12-2019
Free hold land	376,300,000.00	-	-	-	-	376,300,000.00
Buildings	280,887,825.27	147,289,195.00	-	-	-	428,177,020.27
Office equipment	76,205,147.52	5,058,598.64	1,488,550.00	1,453,900.53	2,412,304.49	78,886,091.14
Furniture & fittings	41,063,057.94	6,749,244.02	1,417,477.00	318,669.48	2,268,672.71	46,642,436.78
Motor & other vehicles	56,007,316.37	493,458.55	-	4,671,684.27	-	51,829,090.65
Library books	383,044.26	-	-	-	-	383,044.26
Computer - hardware	42,992,120.58	6,849,239.49	996,500.00	1,126,192.19	3,086,922.00	46,624,745.88
Laboratory equipment	101,617,424.25	1,202,095.00	-	-	-	102,819,519.25
	<b>975,455,936.19</b>	<b>167,641,830.70</b>	<b>3,902,527.00</b>	<b>7,570,446.47</b>	<b>7,767,899.20</b>	<b>1,131,661,948.23</b>
Work in progress	-	-	-	-	-	-
Building / other	130,572,716.44	30,661,494.83	-	147,764,211.27	-	13,470,000.00
	<b>130,572,716.44</b>	<b>30,661,494.83</b>		<b>147,764,211.27</b>		<b>13,470,000.00</b>
	<b>1,106,028,652.63</b>	<b>198,303,325.53</b>	<b>3,902,527.00</b>	<b>155,334,657.74</b>	<b>7,767,899.20</b>	<b>1,145,131,948.23</b>
Provision for depreciation	Accumulated depreciation as at 01-01-2019	Charge for the year	Revaluation	Disposals	Adjustments	Accumulated depreciation as at 31-12-2019
Buildings	54,980,954.78	7,709,113.58	-	-	-	62,690,068.36
Office equipment	53,030,747.01	5,911,041.26	-	1,433,379.41	1,936,917.82	55,571,491.03
Furniture & fittings	25,661,285.78	2,674,018.22	-	294,307.11	1,392,361.13	26,648,635.68
Motor & other vehicles	30,927,677.51	5,378,303.09	-	4,353,396.60	-	31,952,584.02
Library books	383,044.09	-	-	-	-	383,044.09
Computer - hardware	28,855,888.95	6,176,155.76	-	1,108,815.49	2,089,821.51	31,833,407.48
Laboratory equipments	93,402,147.92	2,951,278.50	-	-	-	96,353,426.42
	<b>287,241,746.04</b>	<b>30,799,910.41</b>		<b>7,189,898.61</b>	<b>5,419,100.46</b>	<b>305,432,657.07</b>
Net book value	818,786,906.59	-	-	-	-	839,699,291.15



## NOTES TO THE FINANCIAL STATEMENTS

As at 31<sup>st</sup> December 2019

### G LEASE HOLD PROPERTY

	Cost or valuation as at 01-01-2019	Additions	Revalue	Write-off	Adjustments	Cost or valuation as at 31-12-2019
Lease hold property - HO	3,819,280.00	-	-	-	-	3,819,280.00
	<b>3,819,280.00</b>	-	-	-	-	<b>3,819,280.00</b>
Provision for amortization	Accumulated amortization as at 01-01-2019	Amortization for the year	Revalue	Write-off	Adjustments	Accumulated amortization as at 31-12-2019
Lease hold property - HO	1,086,400.99	76,385.60	-	-	-	1,162,786.59
	<b>1,086,400.99</b>	<b>76,385.60</b>	-	-	-	<b>1,162,786.59</b>
Net book value	2,732,879.01	-	-	-	-	2,656,493.41

### H INTANGIBLE ASSETS

	Cost or valuation as at 01-01-2019	Additions	Revalue	Disposals/ Transfers	Adjustments	Cost or valuation as at 31-12-2019
Computer software - HO	21,677,993.79	2,186,515.73	-	-	-	23,864,509.52
Computer software work in pro	5,014,299.53	1,689,066.04	-	-	-	6,703,365.57
	<b>26,692,293.32</b>	<b>3,875,581.77</b>	-	-	-	<b>30,567,875.09</b>
Provision for depreciation	Accumulated depreciation as at 01-01-2019	Charge for the year	Revalue	Disposals	Adjustments	Accumulated depreciation As at 31-12-2019
Computer software - HO	5,520,158.66	3,606,230.43	-	-	-	9,126,389.08
	<b>5,520,158.66</b>	<b>3,606,230.43</b>	-	-	-	<b>9,126,389.08</b>
Net book value	21,172,134.66	-	-	-	-	21,441,486.01

### I INVENTORIES

Laboratory consumables	Note 11.1	6,450,193.05	6,323,178
Promotion materials & Others	Note 11.2	4,855,671.82	6,463,944
Tea & other Stocks	Note 11.3	7,581,763.70	6,418,089
Others	Note 11.4	2,655,431.61	19,202,939
		<b>21,543,060.18</b>	<b>38,408,150</b>



<b>J TRADE AND OTHER RECEIVABLES</b>			
Receivables	Note 12	10,732,850.58	13,019,179
Staff Receivables & other advances	Note 13	40,311,423.37	37,885,230
Embassy Account	Note 12.1	2,300,472.21	2,411,855
Tea Promotion unit-Current Accounts	Note 12.2	3,486,255.62	3,724,309
Regional Current Accounts	Note 12.3	-	164,481
Receivable - JEDB		25,000,000.00	25,000,000
Provision for bad & doubtful debts JEDB		-	(25,000,000)
		<b>81,831,001.78</b>	<b>57,205,054</b>
<b>K DEPOSITS &amp; PREPAYMENTS</b>			
Deposits & Prepayments	Note 14	94,038,878.47	90,504,173
		<b>94,038,878.47</b>	<b>90,504,173</b>
<b>L OTHER FINANCIAL ASSETS</b>			
Investments	Note 15	7,780,196,624.51	7,892,667,862
		<b>7,780,196,624.51</b>	<b>7,892,667,862</b>
<b>M LOAN RECEIVABLE</b>			
Ministry of Plantation Industries		1,000,000,000.00	-
Distress loan to RPC	Note 18	169,652,638.22	497,614,587
Wage Increment Loan for RPC	Note 18	154,641,647.99	356,741,656
RPC Festival Loan	Note 18	461,937,520.00	-
Loan to Kalubovitiyana - Vehicle		150,000.00	1,500,000
		<b>1,786,381,806.21</b>	<b>855,856,243</b>
<b>N CASH IN HAND AND AT BANK</b>			
Cash in hand and at Bank	Note 13	230,219,655.62	125,130,738

#### Distress Loan to RPC

As approved by the Cabinet on 21st March 2017 and the Board of directors of Sri Lanka Tea Board, it had been allocated a sum of Rs.1 Bn. From Promotion fund of Sri Lanka Tea Board during the year 2017 for the purpose of issuing a medium term loan to the Tea board. Regional Plantation companies in proportion to the registered work force of each one for a period of 03 years at a concessionary rate of interest of 5% per annum payable monthly and the loan is administrated by the Sri Lanka Tea Board

#### Wage Increment Loan for RPC

Based on the cabinet decision dated 5 th July 2016 cabinet paper No 16/1234/726/034 the Secretary ministry of plantation industries has directed Sri Lanka Tea Board to obtain loans from Bank of Ceylon PLC & Peoples Bank PLC the treasury has issued a letter of comfort on this regard Accordingly Sri Lanka Tea Board obtain interest bearing loans as above for the purpose of granting loans for Regional Plantation Companies for Wage increment of Rs 2500/= for the plantation sector workers.

#### Loan to General Treasury - Consolidate Funds

As approved by the Honorable Minister of Finance & Mas media The Granted approval in terms of the Section 11 of the Finance Act no 38 of 1971 to transfer surplus of Rs 1000 Mn to the Considered funds enable to refund it base on the request by SLTB When it is necessary.

Payment of holiday wages & Deepavali festival advance to the works of Regional Plantation companies Board on the Cabinet decision dated 05th October 2019.



## O PROMOTION & MARKETING LEVY

A sum of Rs 3.50 on every kg of tea shall be levied from every registered exporter of tea, at the time at which CUSDEC is authorized permitting the exportation of such tea, by the director general of Sri Lanka Tea Board (SLTB).

All sum collected in terms of the provisions of regulation, shall be credited to a designated account as it is determined by the SLTB and form part of the capital fund of the Board.

On the coming into the operation

of these regulations,(Gazette No.167714 of 27th Oct: 2010) the money lying to the credit of the SLTB in the designated account shall be used exclusively by the Board for the purpose of engaging in activities related to tea promotion and marketing strategy, within and outside Sri Lanka.

	2019 (Rs.)	2018 (Rs.)
<b>Opening Balance 01.01.2019</b>	<b>7,474,510,801.00</b>	<b>6,806,198,361</b>
Previous Year & Other Adjustment	446,175,971.87	36,422,096
Amount collected from exporters	1,031,674,518.93	999,912,605
Interest on investment	695,750,903.35	676,550,728
Interest on RPC distress Loan	14,635,165.20	32,449,608
Sale of cricket T-shirts	1,500.00	99,500
Souvenir advertisement income	25,000.00	500,000
Sale of Promotional items	-	12,600
Tea Book sale	17,900.00	178,700
Educational Fair rent income	-	25,000
Difference in exchange	-	463,549
	<b>9,662,791,760.59</b>	<b>8,552,812,747</b>
Complementary tea services & tea sampling gift	3,415,033.00	5,639,823
Social Media	-	595,353
Local promotion campaign	19,348,507.11	18,842,655
CSR Project for plantation workers community	-	1,987,000
Production cost of communication material (ATL/BTL)	31,913,934.57	1,646,053
Participation at International Trade Fairs & Exhibitions	102,045,098.10	102,411,811
Overseas Travelling trade fair	16,400,706.51	21,868,311
Events	15,392,807.58	21,754,146
Travelling Foreign delegates	1,941,305.58	13,483,438
Intellectual Property matters	9,635,962.14	3,919,305
Tea House Torrington New	-	10,445,864
Maintenance of overseas offices	56,940,076.39	36,697,551
Generic Promotion	1,385,655.51	2,498,435
Joint Promotion with other National Bodies	611,372.66	536,730
Subsidization of listing fees & Brand Marketing	-	400,238,711
Above the line Advertising on TV/Radio/Press	46,429,248.49	12,026,966
Market Research & other marketing support services	2,472,349.74	4,023,707
Annual Estate of the Year	975,000.00	268,000
Bank Charges	64,856.26	44,310
Grants to Tea Museum	1,500,000.00	1,500,000
Below the line Advertising outdoor	17,673,001.49	-
Consultant & Project Coordinators Marketing Cell	5,128,926.25	-



	2019 (Rs.)	2018 (Rs.)
Public Relation Campaign	29,610,052.92	766,102
Programme with Embassies	997,377.59	9,972,968
Difference in Exchange	3,423,298.71	-
Complimentary Teas to Mission's Overseas	1,926,177.26	-
Foreign Travel	16,577,224.27	-
Online Selling Platform for Ceylon Tea	16,921,508.04	5,238,335
Promotional Entertainment (Foreign Delegations/ Events)	1,269,001.99	
<b>Total Expenditure</b>	<b>403,998,482.16</b>	<b>676,405,574</b>
<b>P &amp; M Levy Fund balance as at 31.12.2019</b>	<b>9,258,793,278.43</b>	<b>7,876,407,173</b>
Tax paid on Interest Income	(195,245,811.26)	(169,455,372)
Interest Transferred to HO	(60,000,000.00)	(232,441,000)
	9,003,547,466.93	7,474,510,801

## PROMOTION AND MARKETING LEVY FUND

### Global Marketing Campaign

Although the contract has been awarded to a company for activities of media buying of Global Marketing Campaign, following activities will be commenced in 2020 as per the Budgetary Provision made for 2019 – 2020.

	Rs. (Mn.)
Above the line advertising on TV/Radio/Prom (Selected Market)	473.745
Below the line advertising (Selected Market)	157.00
Social Media (Identified under global campaign)	184.345
Public Media Public relation campaign (All Markets)	144.56
Events	1.0
Production cost of communication material	56.062
Intellectual Property Matters	0.3
Subsidization of Listing Fees	466.489

<b>P EMPLOYEE BENEFIT OBLIGATIONS</b>	<b>2019 (Rs.)</b>	<b>2018 (Rs.)</b>
Gratuity opening balance	52,519,034.96	52,857,507
Current Service cost	3,657,631.00	-
Measurement adjustment for the year	14,083,728.04	7,129,664
Benefit paid / payables during the year	(3,186,104.04)	(7,468,136)
	67,074,289.96	52,519,035

<b>Q BANK LOAN</b>	<b>Peoples Bank</b>	<b>Bank of Ceylon</b>	<b>Total</b>
Balance as at 01/01/2019	250,102,413.08	96,741,661.00	346,844,074.08
Installment Payments	150,061,447.92	61,100,004.00	211,161,451.92



<b>Q BANK LOAN</b>		<b>Peoples Bank</b>	<b>Bank of Ceylon</b>	<b>Total</b>
Balance as at 31/12/2019		100,040,965.16	35,641,657.00	135,682,622.16
<b>R INCOME TAX PAYABLE</b>		<b>SLTB (Rs.)</b>	<b>P&amp;M LEVY (Rs.)</b>	<b>TOTAL (Rs.)</b>
Balance as at 01/01/2019		2,689,659.56	51,427,175.21	54,116,834.77
Provision for the Year		16,624,405.41	195,245,811.26	211,870,216.67
LESS: Tax Payments		(13,811,898.43)	(143,180,894.02)	(156,992,792.45)
WHT Tax		(2,761,784.45)	(33,579,305.16)	(36,341,089.61)
Notional Tax Credit		-	-	-
Balance as at 31/12/2019		2,740,382.09	69,912,787.29	72,653,169.38
<b>S TRADE AND OTHER PAYABLES</b>		<b>2019 (Rs.)</b>	<b>2018 (Rs.)</b>	
Trade Payables		Note 17.1	60,112,174.37	96,524,261
Other Payables		Note 17.2	301,791,544.13	268,242,495
Receipt in Advance		Note 17.3	89,862,915.37	83,794,406
Accrued Expenses		Note 17.4	46,894,875.17	455,384,026
Other Provisions		Note 17.5	15,525,257.56	13,227,864
			514,186,766.60	917,173,052
<b>T BANK BALANCES</b>		<b>2019 (Rs.)</b>	<b>2018 (Rs.)</b>	
Bank Of Ceylon - Collection A/C Galle		-	68,189	
Bank Of Ceylon - Collection A/C Matara		70,999.80	183,502	
Bank Of Ceylon - Collection A/C -Mathugama		-	134,692	
Bank Of Ceylon - Collection A/C -Gampola		14,889.00	203,592	
Bank Of Ceylon - Independence square		-	10,150	
Bank Of Ceylon - Collection A/C -Bandarawela		-	17,578	
		85,888.80	617,703	

### CAPITAL & RESERVES

There is no change in the Authorized Capital during the year ended 31 December 2019

### REVALUATION RESERVE

Board has created a revaluation reserve amounting Rs 509,766,985.70 after the revaluation of the land and buildings and motor vehicles of the Colombo Head office & Gampola Land..

Revaluation of Gampola Land was done by the Regional valuer ( Central Provincial Office) of Valuation Department.

Date of valuation 2016-07-25

Other Assets of Regional Offices were revalued by the Department of Valuation and the Committee appointed by the management

### CONTRIBUTED CAPITAL

Contributed Capital is made up by government grants amounting to Rs. 672,012,201.85 as at 31 December 2019



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31<sup>st</sup> December 2019

	2019 (Rs.)	2018 (Rs.)
<b>1 Laboratory income</b>		
ISO 3720 standard test	1,093,485.50	844,600
Chemical analysis test	3,500.00	3,500
Physical examination test	1,143,500.00	1,115,500
Microbiological analysis test	3,786,000.00	2,702,203
Other tea sample test	5,473,400.00	15,932,500
	<b>11,499,885.50</b>	<b>20,598,303</b>
<b>2 Registration &amp; Renewelal Income</b>		
Dealers license fees	9,274,035.55	9,312,500
Penalties	4,014,997.95	7,139,508
License fees for produce brokers	1,750,000.00	1,750,000
Registration of lion logo	-	27,499
Refuse tea registration fees	2,407,502.50	2,242,075
Registration of tea exporters	1,050,000.00	1,200,000
Registration of tea packers	825,000.00	596,000
Renewal fee of tea exporters	41,525,000.00	41,139,000
Renewal fee of tea packers	3,460,000.00	3,380,000
Private sale panel valuation	6,307,000.00	5,889,000
Direct sale ratification fees	844,000.00	922,500
Issue of quality & other certificates	47,500.00	72,900
Issue of permit for improtation of tea	24,583,203.50	39,449,208
Sale of import application forms	18,500.00	20,000
Factory registration	-	1,000,000
Warehouse registration	805,000.00	975,000
Local packer renewal	20,000.00	20,000
Renewal of warehouse	2,715,000.00	2,550,000
Registration of tea manufactures	1,280,000.00	1,820,000
Permit for refuse tea purchase	48,676,904.47	47,710,396
Registration of tea importers	320,000.00	380,000
Permit for release of bank guarantee	445,000.00	460,000
Income from tasting of tea samples	829,500.00	1,381,219
Ozone friendly logo registration	-	5,000
Reg. of tea pack / other origin tea	766,000.00	1,229,000
Tea factory registration renewal	3,934,810.00	6,642,137
Renewal of tea importers	245,000.00	310,000
Local packer registration	990,000.00	720,865
GMP certification fee	1,437,394.39	1,291,000
Tea Sample Testing Fees	387,092.20	-
	<b>158,958,440.56</b>	<b>179,634,806</b>

**3 NET PROFIT FROM COMMERCIAL ACTIVITIES**

	2019 (Rs.)	2018 (Rs.)
Tea Sales	18,329,081.68	26,011,127
Commission on Exporter Pack Sales	10,727,228.50	11,376,955
Monopol Rental	1,799,999.99	1,758,333
Sale of Cloth Bags	158,560.00	116,585
Income on Sales In Foreign Currency	-	2,791
	<b>31,014,870.17</b>	<b>39,265,791</b>
<b>Net Profit From Commercial Activities</b>	<b>8,480,969.15</b>	<b>11,826,020</b>

**4. NUWARAELIYA SALES COUNTER & CIRCUIT BANGALOW**

Sales Counter -Rent Income	758,675.00	-
Circuit Bangalow	156,575.00	-
	<b>915,250.00</b>	-

**5 OTHER INCOME**

Interest on Staff Loans	1,631,230.39	1,490,551
Sundry Income	1,986,395.82	1,870,016
Sale of Statistical Summary	101,595.60	171,876
Sale of Annual Report	750.00	-
Registration of Suppliers	232,500.00	265,500
News Letter	360,000.00	311,000
Sale of Posters, Directories & Others	42,415.00	45,100
Reversal of Bad Debt JEDB Temporary Loan	25,000,000.00	-
Fixed Assets Disposal Profit	2,377,637.84	-
Analytical Cost	141,000.00	-
Examination Fees	40,500.00	221,000
	<b>31,914,024.65</b>	<b>4,375,043</b>

**6 ADMINISTRATION EXPENSES**

6.1 Personnel Emoluments		
Salaries	120,707,656.77	107,210,032
Other Allowance (Interim / Other)	5,420,779.82	11,105,969
Overtime & Holiday Pay	10,667,654.09	7,612,560
Daily Paid Wages	2,744,150.00	2,126,331
COL Allowance	25,239,592.27	25,007,195



After Office Expenses - Exports	1,022,995.28	1,540,274
EPF Contributions	23,307,662.92	19,823,918
ETF Contributions	4,429,061.35	4,046,877
Staff Gratuity	3,657,631.00	7,129,664
	<b>197,197,183.50</b>	<b>185,602,820</b>
	2019 (Rs.)	2018 (Rs.)
6.2 other Administration Expenses		
Membership Subscription (Professional)	125,500.00	31,439
Bonus To Staff	4,350,000.00	4,000,000
Medical Benefits/Personal Acci. Claims	22,751,012.45	15,575,868
Liquid Tea To Staff	2,143,512.00	1,903,654
Supply of packeted Tea To Staff	4,633,427.49	2,820,643
Staff Welfare	1,836,946.06	1,993,066
Welfare Library Books	-	100,000
Death Donation	500,000.00	250,000
Sports / Recreation Facilities	250,000.00	250,000.00
Interest On Staff Property Loan	790,001.10	713,906
Staff Training / Seminars / Workshops	10,719,182.23	5,051,845
Fees To Board / Committee Members	1,856,980.00	1,725,250
Board Meeting Expenses	66,060.00	74,325
Analytical Laboratory - Consumables	3,168,588.55	4,046,077
Examination Fees	664,710.00	1,273,958
Dealer Deposit Refund	15,000.00	200,000
Interview Panel Fees	43,400.00	31,595
	<b>53,914,319.88</b>	<b>40,041,626</b>
<b>7. TRAVELLING EXPENSES</b>		
Travelling Expenses ( Local)	13,020,407.15	11,915,098
	<b>13,020,407.15</b>	<b>11,915,098</b>
<b>8 SUPPLIES &amp; REQUISITES</b>		
Print Stationery & Office Requisites	8,297,635.96	6,097,142
Fuel & Lubricants	4,451,925.46	3,682,298
Mechanical, Electrical & General Goods	297,286.00	452,571
Books, Periodicals & Newspapers	819,621.00	751,290
Uniform	1,518,222.25	1,696,834
Tea Testing Room Requisites	16,550.00	23,268
Tea Export Unit Requisites	11,040.00	34,404
	<b>15,412,280.67</b>	<b>12,737,807</b>
<b>9 REPAIR. &amp; MAINTENANCE OF CAPITAL ASSETS</b>		
R/M Of Vehicles	2,685,051.07	3,480,402
R/M Of Plant & Machinery	3,239,877.36	3,691,663



R/M Of Buildings	1,979,112.14	4,065,285
R/M Of Office Equipment	12,898,800.62	8,581,967
R/M Of Furniture & Fittings	150,079.10	110,888
Library Materials	-	1,530
Other Utility Services	88,030.96	101,497
Janitorial Service	6,657,861.84	5,373,278
Lab.Accreditation & Instruments Maintenance	351,432.30	3,158,419
	<b>28,050,245.39</b>	<b>28,564,929</b>

#### 10 UTILITIES & OTHER EXPENSES

Press Notice	5,222,242.00	5,025,816
Telephone, Fax & Internet	8,258,671.62	8,246,039
Postage	1,363,960.60	1,236,820
Electricity	11,687,325.80	11,160,551
Rates & Taxes	1,465,186.24	2,008,469
Rent	7,056,600.00	5,871,467
Insurance - Buildings, Vehicles, Etc.	1,019,038.74	1,587,187
Security Services	11,709,293.55	12,375,069
Audit Fees	1,200,000.00	1,250,000
Legal Fees	1,658,086.00	244,162
Other Fees	185,061	287,028
Tea Sample Testing Fees	3,605,596.36	-
Water Supply & Heating	1,131,777.91	967,534
Tea Tasting Panel Fees	2,769,300.00	1,592,975
Sundry Expenses	702,999.69	885,469
Transport & Hire Charges	-	147,650
Lease Rental For Vehicles	20,764,293.27	17,547,658
Lease Rental For Land	330,000.00	330,000
Fixed Assets Disposal -Loss	-	386,634
Nuwara Eliya Expenses	2,201,688.55	44,940
	<b>82,331,121.33</b>	<b>71,195,468</b>



## DETAILED SCHEDULES TO THE FINANCIAL STATEMENTS

AS AT 31<sup>ST</sup> DECEMBER 2019

	2019 (Rs.)	2018 (Rs.)
<b>11 Stocks</b>		
<b>11.1 Laboratory</b>		
Laboratory consumables	6,450,193.05	6,323,178
	<b>6,450,193.05</b>	<b>6,323,178</b>
<b>11.2 Consumables</b>		
Stationery	4,699,661.82	2,666,895
Promotional materials	156,010.00	3,797,049
	<b>4,855,671.82</b>	<b>6,463,944</b>
<b>11.3 Tea &amp; other stocks</b>		
Tea - main stores	3,987,288.64	2,999,135
Tea - sales counter	269,973.29	259,585
Tea - parcel unit	-	37,136
Staff tea	186,365.00	620,067
Empty cartons	3,101,236.77	2,468,766
Carrier bags	3,500.00	-
Neck ties	33,400.00	33,400
	<b>7,581,763.70</b>	<b>6,418,089</b>
<b>11.4 Goods in transit</b>	2,655,431.61	19,202,939
	<b>21,543,060.18</b>	<b>38,408,150</b>
<b>12 Receivables</b>		
Sundry Receivables	4,172,789.48	8,658,893
Debtors - cricket t- shirt	690,503.02	710,200
Debtors control	4,052,128.70	1,010,270
Income receivable	262,497.16	847,410
Packeted tea sales	227,560.81	1,278,483
Shortages	1,327,371.41	513,923
	<b>10,732,850.58</b>	<b>13,019,179</b>
<b>12.1 Embassy Account</b>		
China	84,764.07	84,764
Bangkok	473,803.46	449,999
UK	345,421.01	335,869
Germany	479,914.95	492,466
Japan	17,649.80	189,839
France	456,283.57	468,217
Poland	417,864.32	322,124
Australia	24,771.03	68,577
	<b>2,300,472.21</b>	<b>2,411,855</b>

**12.2 Tea Promotion unit-Current Accounts**

UAE	750,185.40	1,279,771
Moscow	2,420,122.12	2,024,275
China	315,948.10	420,263
	<b>3,486,255.62</b>	<b>3,724,309</b>

**12.3 Regional Current Accounts**

Matara	-	21,050
Bandarawela	-	143,431
	-	<b>164,481</b>

**13 LOANS & ADVANCES**

Consolidated Loans - TCD	8,118,502.77	8,504,449
Consolidated Loans - HO	31,040,547.56	28,427,517
Advance - Festival	496,900.00	326,150
Staff Tea Recoveries	490,980.00	127,700
Staff Debtors	11,850.00	10,000
Loans - Flood Relief	114,629.00	279,839
Payments In Advance	26,554.71	197,715
Loans & Advances - Moscow	11,459.33	11,460
Staff Loan Control	-	400
	<b>40,311,423.37</b>	<b>37,885,230</b>

**14 DEPOSITE & PRE - PAYMENTS**

Deposits	4,735,211.19	4,424,642
Stamp Deposit	160,000.00	160,000
Parcel Postage Deposit	44,940.00	20,720
Deposits & Prepayment - UAE	32,948,364.03	27,083,186
Deposits & Prepayment - Moscow	4,228,541.53	203,847
Deposits & Prepayment - China	913,570.60	654,729
Pre - Payments	20,616,554.15	16,220,504
Rent Deposit - Poland	-	207,360
Settling In Advance - China	91,702.97	458,513
Settling In Advance - UAE	61,551.55	800,169
Mobilization Advance	30,238,442.45	40,270,503
	<b>94,038,878.47</b>	<b>90,504,173</b>

**15 INVESTMENTS**

Fixed Deposit - SLTB At BOC 2nd Branch	556,382,669.02	530,472,471
Fixed Deposit - P & M Levy At BOC Bambalapitiya	6,735,881,047.34	6,894,464,107
Temporary Surplus Trust Fund - SLTB	61,612,252.97	59,782,446
Temporary Surplus Trust Fund - P & M Levy	423,621,371.84	398,716,127
Housing Loan Deposits - SMIB	2,699,283.34	2,616,451
RPC Loan Interest Receivable	-	6,616,260
	<b>7,780,196,624.51</b>	<b>7,892,667,862</b>



## 16. CASH & CASH EQUIVALENTS

### 16.1 Cash

Petty Cash Imprest - Stamp	10,000.00	10,000
Collection On Sales In Hand	396,111.72	367,146
	<b>406,111.72</b>	<b>377,146</b>

	2019 (Rs.)	2018 (Rs.)
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### 16.2 Bank Balances

BOC-Kollupitiya 2nd	10,752,105.22	27,977,704
BOC-Corporate (HO)	10,819,674.38	18,975,515
BOC-Bambalapitiya	142,593,305.33	7,850,635
BOC-Corporate (TCD)	13,953,472.02	14,281,306
BOC-Independence Square	380,925.00	-
BOC-Tea Subsidy	21,938,330.41	27,237,171
Peoples Bank	25,048,172.04	21,931,474
	<b>225,485,984.40</b>	<b>118,253,805</b>

### 16.3 BOC Regional Office Current Accounts

Galle	236,065.50	67,217
Matara	95,443.09	219,985
Rathnapura	933,772.55	1,528,247
Mathugama	218,283.40	1,974,811
Bandarawela	90,389.47	202,504
Gampola	511,142.47	25,282
Nuwaraeliya	1,147.38	-
	<b>2,086,243.86</b>	<b>4,018,046</b>

### 16.4 BOC Regional Office Collection Accounts

Galle	14,014.70	-
Matara	-	2,481,741
Ratnapura	16,228.54	-
Mathugama	1,560,460.60	-
Bandarawela	638,996.40	-
Nuwaraeliya	11,615.40	-
	<b>2,241,315.64</b>	<b>2,481,741</b>
	<b>230,219,655.62</b>	<b>125,130,738.00</b>

## 17 CREDITORS & PROVISIONS

### 17.1 Trade Payables

Payables	14,876,573.44	48,538,709
Credit Tea Order	26,724.88	9,146
Creditors & Provisions - UAE	2,829,334.15	118,787
Creditors & Provisions - China	113,858.71	341,125
Creditors - Tea Land Registration	88,565.00	-
Creditors & Provisions - Moscow	1,230,130.89	356,902



	2019 (Rs.)	2018 (Rs.)
Sundry Debtors Levy	40,034,757.77	45,636,444
Subsidy Green Leaf Payable	912,229.53	1,523,148
	<b>60,112,174.37</b>	<b>96,524,261</b>
<b>17.2 Other Payables</b>		
General Deposits	220,156,672.62	220,622,037
Refundable Tender Deposit	9,000.00	476,994
Retention Monies Deposits	25,135,125.07	21,899,617
SLTB Official Packer	18,931,386.08	8,611,175
Staff Creditors	4,631,452.39	4,558,890
Arrears - Green Leaf Deposit	10,928,763.61	9,889,956
EPF - Payble	4,340,579.66	1,683,707
Cusdec Deposit	161,400.00	161,400
Retention Incentive - Sales Counter	162,683.88	281,296
Model Tea Garden Subsidy Scheme	17,312,606.50	-
Nation Building Tax	14,482.70	57,423
VAT Payable	7,391.62	-
	<b>301,791,544.13</b>	<b>268,242,495</b>
<b>17.3 Receipt in Advance</b>		
Receipts In Advance	142,798.70	15,000
Nuwara Eliya	1,620,000.00	-
Trade Fair	34,900,000.00	34,300,000
License Fee	7,603,365.00	7,450,865
Refused Tea	2,070,000.00	2,157,502
Renewal of Warehouse	1,905,000.00	1,950,000
License Fee For Produce Brokers	1,750,000.00	1,750,000
Lion Logo Registration	5,000.00	-
Registration of Tea Importer	10,000.00	-
Registration of Tea Packer	30,000.00	50,000
Renewal of Tea Exporter	34,600,000.00	29,600,000
Renewal of Tea Packer	2,510,000.00	1,970,000
Registration of Tea Warehouse	25,000.00	25,000
Local Packer Registration	30,000.00	-
Registration of Exporters	25,000.00	-
Renewal of Tea Importer	405,000.00	270,000
Medical Deposit SLTB Staff	230,142.00	-
Monopol Rental	754,166.67	887,500
Sales Counter	1,195,000.00	1,610,000
Tea House	-	1,660,000
Deposit - BMF	52,443.00	98,539
	<b>89,862,915.37</b>	<b>83,794,406</b>
<b>17.4 Accrued Expenses</b>		
Accrued Expenses	25,737,868.20	20,145,686
Accrued Expenses-P&M Levy	20,084,132.63	432,436,458
Interest Payable - Bank Loan	1,072,874.34	2,801,882
	<b>46,894,875.17</b>	<b>455,384,026</b>



## 17.5 Other Provisions

Staff Travelling	689,273.28	91,733
Computer Network System	-	9,000
Travelling	2,850,683.46	1,554,036
Printing Annual Report	652,320.00	82,670
Audit Fees	1,687,856.00	3,807,575
Printing Stationery & Office Req:	2,852,163.39	471,714
Fuel & Lubricants	221,114.50	199,334
Periodicals & Newspapers	13,580.00	11,350
Maintenance Expenditures	653,031.74	1,446,893
Postal & Communication	618,039.98	694,055
Electricity & Water	926,871.95	894,491
Rent & Local Taxes	-	50,000
Janitorial Services	519,898.20	451,634
Press Notice & Advertising	-	418,456
Security Services	952,169.34	978,506
Legal & Other Fees	123,500.00	48,440
Medical Benefits	1,314,977.00	720,220
Overtime & Daily Paid Wages	1,449,778.72	1,297,757
	<b>15,525,257.56</b>	<b>13,227,864</b>

## 18. Loans granted for Regional Plantation Company

	Wage Increment Loan	Distress Loan	Festival Advance Loan
Agalawatte Plantations PLC	4,472,222.19	6,075,614.63	13,531,320.00
Agarapathana Plantations Ltd.	28,333,315.27	39,917,472.60	44,607,200.00
Balangoda Plantations PLC	5,250,000.00	5,330,292.74	23,562,000.00
Bogawantalawa Tea Estates	3,169,444.38	6,551,873.32	24,207,480.00
Bogawantalawa Tea Estates PLC	6,805,555.62	-	-
Elpitiya Plantations PLC	5,833,333.43	4,612,702.42	16,584,480.00
Hapugastenne Plantations PLC	6,805,555.62	5,416,791.91	28,658,520.00
Horana Plantations PLC	6,416,666.57	5,568,606.90	20,865,240.00
Kahawatte Plantations PLC	5,833,333.43	3,420,249.10	18,037,800.00
Kegalle Plantations PLC	4,472,222.19	3,813,908.77	7,349,760.00
Kelani Valley Plantations	9,722,222.19	7,032,032.19	34,190,640.00
Kotagala Plantations PLC	21,250,000.00	20,100,255.69	30,021,200.00
Madulsima Plantations PLC	6,222,222.16	7,259,037.55	19,019,880.00
Malwatte Valley Plantations PLC	6,027,777.81	6,039,056.65	16,457,760.00
Maskeliya Plantations PLC	8,555,555.62	9,349,857.76	41,746,320.00
Maturata Plantations Ltd	4,277,777.81	7,217,198.66	15,822,400.00
Namunukula Plantations PLC	4,083,332.76	4,820,124.03	6,811,200.00
Pusellawa Plantations Ltd	4,472,222.18	7,593,748.14	16,921,080.00
Udupussellawa Plantations PLC	5,250,000.00	4,386,745.38	18,631,800.00
Watawala Plantations PLC	7,388,888.76	8,895,295.64	6,292,440.00
Talawakelle Tea Estate	-	6,251,774.14	24,468,840.00
Hatton Plantation PLC	---	---	25,389,760.00
Elkaduwa Plantation PLC	-	-	8,760,400.00
<b>Total</b>	<b>154,641,647.99</b>	<b>169,652,638.22</b>	<b>461,937,520.00</b>



# THE AUDITOR GENERAL'S REPORT - 2019

## (ENGLISH VERSION OF AUDITOR GENERAL REPORT)

Chairman  
Sri Lanka Tea Board

The Auditor General's Report on financial statements and other legal regulatory requirements of Sri Lanka Tea Board as per the section 12 of National Audit Act No.19 of 2018 for the year ended 31<sup>st</sup> December 2019.

### **1. Financial Statements**

#### **1.1 Opinion**

The statement of financial position of the Sri Lanka Tea Board as at 31<sup>st</sup> December 2019 and income statement, other extended income statements, statement of changes in ownerships and the records related to cash flow statement and financial statements for the year then ended, financial statements involving the summarized significant accounting policies for the year ended by 31<sup>st</sup> December 2019 were audited under my direction as per the provisions of National Audit Act No.19 of 2018 and Finance Act No.38 of 1971 that should be read in combination with Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My report will be tabled in the Parliament in due course as per the Article 154 (6) of the Constitution.

Except the effects of the matters described under the heading of Basis for Qualified Opinion in my report, the fact that the financial position of the Sri Lanka Tea Board as at 31<sup>st</sup> December 2019 and its financial performance and cash flows for the year then ended reflect a true and fair status in accordance with Sri Lanka Auditing Standards is the opinion I bear.

#### **1.2 Basis for Qualified Opinion**

##### **1.2.1 Deviations from Sri Lanka Accounting Standards**

###### **(a) Sri Lanka Accounting Standard 01**

In accordance with the Paragraph 32 of Sri Lanka Accounting Standard, though the income and the expenditure should not be substituted each other except at the permitted occasions of the Sri Lanka Accounting Standard Reporting, the profit of Rs.211,488 gained by the removal of assets of the Board as at 31<sup>st</sup> December 2019 had been stated in the Financial Statements substituting to the Expenditure Account of maintaining the foreign offices.

###### **(b) Sri Lanka Accounting Standard 16**

- (i) Although the laboratory equipment, wooden furniture, fittings and office equipment valid at Rs.81,316,077 fully depreciated by the Board were being further used, the effective life time of the said equipment had not been re-estimated in accordance with the above standard.
- (ii) The land wherein the head office is situated which is mentioned in the financial statements at a value of Rs.350,000,000 had not been revaluated as per the paragraph no.34 of the standard after 31<sup>st</sup> December 2008.



- (i) Although the entire category of the property, plant and equipment should be completely revaluated at the time of revaluing an item of property, plant and equipment as per the paragraph no.36 of the standard, those assets of the head office had not been revaluated when the wooden furniture, fittings and office equipment were revaluated by the Board in the year under review.

#### 1.2.2. Accounting Errors

- (a). Although the cost borne by the Board for the second phase of Baduraliya Regional Office of which the constructions were completed at the end of the year under review was Rs. 9,401,645, the value of the related works in progress had been accounted as a sum of Rs.13,200,000 in the account. No action had been taken to capitalize this construction.
- (b). Although there was no any payment to be made in terms of the construction of Baduraliya Regional Office as at 31<sup>st</sup> December of the year under review, a sum of Rs.5,601,986 had been accounted as payable to the Buildings Department for the said construction.
- (c). The fixed deposit interest income of Rs.199,798,378 related to the year under review had been accounted as fixed deposit investments instead of noting as receivable interests.
- (d). The income of distribution license and the renewal of registration of tea factories received for the subsequent year at a total value of Rs.2,385,000 had not been accounted as incomes in the year under review.

#### 1.2.3 Non-reconciled administrative accounts or reports

Description	Value according to financial statements	Value according to compatible reports	Difference
	Rs.	Rs.	Rs.
(a) Income of Laboratories	11,499,886	12,748,400	1,248,514
(b) Consumable items of Lab laboratories	6,450,193	6,784,355	334,162

#### 1.2.4 Receivable and Payable Accounts

- (a) Although a decision had been taken by the Janatha Estate Development Board and the Sri Lanka Tea Board to acquire the ownership of Ceylon Tea Museum belonged to Janatha Estate Development Board and to write off the said balance in lieu of a sum of Rs. 25,000,000 to be received from Janatha Estate Development Board in accordance with the orders of the Committee on Public Enterprises held on 19<sup>th</sup> June 2012, the said process had not been finalized until 31<sup>st</sup> May 2020.



- (b) The actions had not been taken to settle a sum of Rs.3,204,264 deposited in the Board to make payments for the Green Tea Suppliers from Tea Factory Owners since a period of 01 to 16 years.
- (c) Although a sum of Rs.975,255 which is the total travel expenses of a group including an ex-Minister and ex-Additional Secretary of the Ministry is being stated as a balance to be received since a period of 02 years, no action had been taken to levy the said amount.
- (d) The actions had not been taken to settle a sum of Rs.906,611 retained from the completed contracts though two years have passed.
- (e) The balance of Rs.1,078,054 incurred from 15 countries out of Rs.51,604,457 provided to foreign embassies for the Global Tea Party in the year 2017 had not been withdrawn till the end of the year under review.

I executed this audit in accordance with the Sri Lanka Accounting Standards. My responsibilities under these accounting standards have further been described under heading "Auditor's responsibility" in relation to the audit of financial statements. I believe that the evidences I have received for the audit are adequate and appropriate to form a basis for my qualified opinion.

#### **Responsibilities of management and governing parties for financial statements**

The preparation and fair presentation of these financial statements in accordance with the Sri Lanka Accounting Standards and determining the internal controls required enabling the preparation of financial statements that are free from quantitative wrongful statements that can be caused by frauds or errors are the responsibility of the management.

Determining the possibility of continuous function of the Sri Lanka Tea Board in preparing the financial statements is a responsibility of the management. Except the circumstances the management decides to liquidate the Board or stop the operations when an alternative is not found, accounting on the basis of continuous existence and disclosing the particulars related to continuous existence of the Board are also a responsibility of the management.

The responsibility of financial reporting procedure is borne by the governing parties.

As per the sub-section 16 (1) of National Audit Act No.19 of 2018, the books and records should appropriately be maintained about the own incomes, expenditures, assets and liabilities enabling the preparation of annual and timely financial statements of the Board.

#### **1.1 Auditor's responsibility for the audit of financial statements**

My objective is to give a reasonable assurance that the overall financial statements are free from wrongful statements due to frauds and errors and to issue the auditor's report which includes my opinion. Though the reasonable assurance is a significant certification, it does not assure that the quantitative misstatements are always disclosed when the audit is conducted in accordance with the Sri Lanka Accounting Standards. The quantitative misstatements can be caused by the effects of frauds and errors individually or collectively. Also, it is expected that there will be an impact on the economic decision taken by the users based on these financial statements.

I conducted the audit in accordance with the Sri Lanka Accounting Standards with judgement and questionability in profession. Further;



- My opinion is formed on the basis of obtaining adequate and appropriate audit evidences in order to avoid the risks that can be resulted from frauds or errors by means of planning the audit procedures appropriate in circumstances when identifying and assessing the risks of quantitative wrongful statements of financial statements that can be caused by frauds or errors. The effect caused by a fraud is severe than the effect caused by quantitative wrongful statements, and the collusion, forgery, purposeful avoidance or avoiding internal controls cause a fraud.
- Though an understanding was gained about the internal control of the Board for the planning of audit procedures appropriate in circumstances, it is not intended to express an opinion about the effectiveness of internal control.
- The fairness of accounting policies and accounting estimates used, and the appropriateness of related revelations made by the management were evaluated.
- On the basis of audit evidences obtained on whether there was a quantitative uncertainty about the continuous existence of the Board due to incidences and positions, a decision was taken on the appropriateness of using the basis of continuous existence of the institute for the accounting. If I conclude that there is a quantitative uncertainty, the attention of my audit report should be drawn to the revelations in that regard made by the financial statements. If such revelations are not adequate, my opinion should be modified. However, due to prospective incidences and positions, the continuous existence can be terminated.
- The presentation, structure and contents of the financial statements with revelations were subjected to evaluation. Also, the evaluations were made as to whether the transactions and incidences which were a basis for that were appropriately and fairly included in financial statements.

The governing parties were made aware of the significant findings, weaknesses of internal control and other particulars identified during my audit.

#### 1. Report on other legal and regulatory requirements

Special provisions are included with respect to the following requirements of the National Audit Act No.19 of 2018.

- As per the requirements stipulated in the section 12 (a) of the National Audit Act No.19 of 2018, except the effects of the particulars described under the heading "Basis for qualified opinion" in my report, all details and clarifications required for the audit were obtained by me and appropriate finance reports had been maintained by the Board as revealed by my examination.
- The financial statements of the Board are compatible with the previous year in accordance with the section 6 (1) (d) (iii) of the National Audit Act No.19 of 2018.



- The recommendations I made in the previous year in accordance with the requirement stipulated in the section 6 (1) (d) (iv) of the National Audit Act No.19 of 2018 except the observations in 1.2.4 (a), (b), (d) and (e) of this report have been included in the financial statements presented.

As it was limited to the procedures followed, evidences obtained and quantitative facts, nothing came to my attention to make the following statements as to;

- Any member of the Governing Board of the Sri Lanka Tea Board has a deal outside the usual business setup directly or otherwise with any agreement through the involvement of the Sri Lanka Tea Board in accordance with the requirement stipulated in the section 12 (d) of the National Audit Act No.19 of 2018.
- It has proceeded in contrast to any certain written law or other general or special orders issued by the Governing Board of the Sri Lanka Tea Board except the following observations in accordance with the requirement stipulated in the section 12 (f) of the National Audit Act No. 19 of 2018.

<u>Reference to laws, rules/orders</u>	<u>Description</u>
(a) Sections 13 and 14 of Sri Lanka Tea Board Act No.14 of 1975	As per the provisions of the Act, taxation of Cess should be credited to the Tea Fund. However, that had been conversely credited to the General Treasury.
(b) Tea Control Act No.51 of 1957	
(i) Section 22 (1)	Although the refused tea permits should be issued only for the refused tea vendors, the permits to purchase refused tea had been issued for 05 Processing Centres belonged to Galle Regional Office that had not renewed the registration for the year 2019.



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| <p>(i) Section 24 (2) (c)</p> <p>(a) Section 11 of the Finance Act No.38 of 1971</p> <p>(b) Rules set at the Committee on Public Enterprises held on 21<sup>st</sup> September 2018</p> <p>(c) Paragraph 9.14 of Public Enterprises Circular No. PED/12 dated 02 June 2003</p> | <p>(i) The accepted documents on the selling of tea suitable for consumption separated from refused tea should be presented at the time of testing. However, the particulars about the selling were not presented to the on-site tests and the Tea Board had not paid attention in this regard.</p> <p>(ii) The refused tea suppliers should separate the tea suitable for consumption from the refused tea a month prior to the end of the validity period of the permit. However, it had not proceeded accordingly.</p> <p>Although a sum of Rs.7,780,196,625 had been invested in the fixed and short term deposits by the Board as at 31<sup>st</sup> December 2019, the concurrence of the Minister and the Minister of Finance had not been obtained for that.</p> <p>Pesticide Chemical Composition Analyser Machine purchased at a cost of Rs.32, 132,088 in the year 2009 had not been used up to the date of this report. Though a period of 11 years has passed, the internal disciplinary inquiries against the responsible persons had not been completed.</p> <p>The Board should have prepared a handbook on procedures relating to the formulation of laws and rules for human resource management and obtained approval of the Secretary to the General Treasury. However, such handbooks had not been prepared until the end of the year under review.</p> <ul style="list-style-type: none"> <li>• As per the requirement stipulated in the section 12 (g) of the National Audit Act No.19 of 2018, proceedings have been done as not compatible to the powers, duties and functions of the Board.</li> <li>• As per the requirement stipulated in the section 12 (h) of the National Audit Act No.19 of 2018, the resources of the Board had not been used thriftily, efficiently and effectively subsequent to the procurement made in accordance with the rules and regulations within timeframes except the observations mentioned below.</li> </ul> |
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- (a) The contract of setting up the stage of the musical show held at the time of Nuwara Eliya Wasantha Udanaya had been awarded to the contractor who presented the third lowest price of Rs. 5,250,000. Although the contractor who presented the first lowest price of Rs.4,180,000 had fulfilled the other qualifications, he had been rejected informing that the bid prices had not been received within a valid period of 60 days. However, it is observed that the time gap between the contract awarding and completion of the task was about 10 days. Also, as the contractor who got the contract had not fulfilled this requirement, the Board experienced a loss of Rs.1,070,000.
  
- (b) Since the GCMS/MS machine established in the laboratory to analyse the Pesticide residues in Tea is not functioning. Consequently, the provisions of Rs.50,000,000 had been allocated from the budget in 2018 and 2019. However, the procurement had not been completed. As a result, laboratory income had decreased by 44% compared to the previous year.
  
- (c) An agreement had been made with a private institute in Colombo area on 10<sup>th</sup> May 2019 to create a computerized inventory control system at a cost of Rs.3,000,000 in terms of formally maintaining the internal stock control methods of the Board. Accordingly, it was due to be accomplished within a period of 19 weeks. However, the said task had not been finished up to the date of the audit; 30 May 2020.
  
- (d) The approval from the Cabinet of Ministers had been granted on 18<sup>th</sup> October 2016 to develop an Information Technology system for the tea industry and the provisions of Rs.260,200,000 had been allocated from the budget 2018 for this purpose. The works had not been commenced even by the end of the year under review and a sum of Rs. 885,000 had been spent on consultancy services.\_\_\_\_\_

#### 1. Other Audit Observations

- (i) Rs.11,101,750 had been spent for a musical show and the lighting arrangements of the town in the month of April for the promotion of the "Ceylon Tea" brand capturing the attention of local and foreign tourists during the time of Nuwara Eliya Wasantha Udanaya" festival held in the town of Nuwara Eliya in April 2019. As the direct benefits enjoyed by the Tea Industry cannot be identified due to the experience of such expenses, it is observed that they have not acted economically, effectively and prudently in making such expenses. Although this had been approved at the Director Board Meeting held on 13 March 2019, they had conveyed their displeasure on this.
  
- (ii) As per the permit issued by the Board to the Refused Tea Processing Centre bearing the Registration No. RT 189 in Udunuwara Division belonged to Gampola Regional Office; the maximum volume of tea for stores is 23,473Kg. However, it was observed in calculating the stock by the audit that 38,864Kg of refused tea had been stored exceeding the said volume. No actions had been taken to rectify this fault by charging fees until the date of the audit; 30<sup>th</sup> May 2020.
  
- (iii) It was observed by the Microbiological Laboratory Test of the Sri Lanka Tea Board that the Black Tea of the Refused Tea Processing Centres which was subjected to sample tests in the audit was below the standard. Even though this processed tea is used for local consumption, the attention had not been paid by the Board on that matter.
  
- (iv) The amount of Rs.3,489,773 which had been given to Bandarapola Tea Factory to make payments for the suppliers of Tea leaves to maintain a minimum price of Rs.80 for raw Tea leaves in the year 2015 had not been given to the suppliers of leaves. However, the A sum of Rs.534,604 for the stock shortage receivable from private tea packaging company since a period of two years and a sum of Rs.780.646 for the stocks of damaged tea packages had not been levied until the end of the year under review.



- (i) Although, there were 920 tea factories registered in the Board at the end of the year under review, 190 tea factories from those were not in function. Accordingly, in comparison to the registered tea factories, the factories not working were at a figure of 21%. Also, the total tea production of Sri Lanka was experiencing a decrease from 2014 to the year under review.
- (ii) According to the Action Plan of the Boars for the year under review, Rs.85,500,000 had been allocated to implement the development activities under 4 programs and the actual expenditure was Rs.71,746,234. The following observations are made in this regard.
- (a) As the farmers owning 73.42 hectares who received a sum of Rs.8,394,074 as subsidies for first and second phases from the subsidy money paid under 5 stages for the re-cultivation of tea had not done the re-cultivation activities, the purpose of granting the subsidy had not been achieved, and the said money had not been recovered.
  - (b) The reports of the Board indicate that an area of 172.7 hectares was cultivated by paying Rs.25,560,830 as tea re-cultivation subsidies in the year under review. However, it was observed that the extent of land of actual re-cultivation is about 51.6 hectares according to the records gathered during the audit.
  - (c) A sum of Rs.480,000 had been paid by the Board to a Regional Plantation Company for first 2 instalments under the tea re-cultivation subsidy. However, no action had been taken to re-cultivate tea. Also, the said amount was not recovered and a sum of Rs. 550,000 had been paid for re-cultivation of tea in the same land under "Model Tea Garden" program.
  - (d) The Sri Lanka Tea Board had spent Rs.5,337,161 for the Printed Media to upgrade the quality of tea leaves and Rs.2,236,559 for good production methods in the year under review. Though the amount of money annually spent on this was being increased, a considerable increase of the quality of the tea leaves had not been confirmed.
- (iii) The approval of the Cabinet of Ministers had been granted by the Cabinet Decision dated 01 September 2011 for the implementation of a "Strategic Plan for the Promotion of Sri Lanka Tea". With reference to this program expended to be implanted by using Rs.08 billion from the expected earnings of the tax collected from the exporters, the following observations are made.
- (a) An agreement had been made with a private company at a value of Rs.328, 423,200 (USD 2260000) for a period of one year from 06<sup>th</sup> November 2015 to 05<sup>th</sup> November 2016 for the creative activities related to this program and a sum of Rs.238,185,575 had been paid up to the end of the year under review. The contract was awarded for a period of a year. However, the related works had not been completed even though a period of 04 years has passed by the end of the year under review. Consequently, the above agreement has been extended 03 times till 05<sup>th</sup> May 2020. Also, though a period of three years has passed after creating television advertisements related to this program at an expense of Rs.99,630,039 in April 2016, it had been unable to air the advertisements in the media as expected even until the date of the report.
  - (b) Although a Press Conference was held in Russia and Ukraine making a payment of Rs.29,832,302 to a Russian private company in September 2019 related to this program, the prospective activities of the promotion program in parallel to that had not been done.



- (a) An agreement at a value of Rs.219,899,960 had been made with a private company in Colombo in terms of the consultancy service from 21.03.2018 to 20.03.2020 with reference to conducting the media survey and preparation of media plan as well as the Above the line and Below the line purchasing related to this program. Accordingly, preparation of media plan for the expected 12 countries was due to be completed by the end of September 2018. However, the said plan had been completed only for Russia and Ukraine by the end of the year under review. Further, a sum of Rs.5,749,828 had been spent for the preparation of media survey and media plan exceeding the budgeted amount by the end of the year under review.
  - (b) Although the contract of creative and media activities of this program had been awarded to 2 private companies, a marketing team of three persons had been recruited on contract basis in addition to the Promotion Unit of the Board to perform the duties of this program. A sum of Rs.5,128,926 had been spent on that task in the year under review. However, the expected activities had not been able to get done due to the delays of implementing this program.
  - (c) The approval of the Cabinet of Ministers had been granted for the planning of five year strategic program on the requirement of implementing an effective promotional program in 2018 when the global tea market share for Sri Lankan tea was 18%. However, this plan could not be implemented effectively though two years have passed subsequent to the period of five years. Even though the annual promotional expenses had been increased, It was observed according to the statistics of the International Tea Committee that the Sri Lankan share of the global tea market had decreased up to 15% by the end of the year under review.
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- (i) In terms of sales promotion activities of the Board, there are two positions of Director (Tea Promotion), six positions of Assistant Director (Promotion) and four positions of Sales Promotion Officers. Also, the approval from the Management Services Department had been obtained for a new position as the Deputy Director General (Marketing) in 2017 for sales promotional activities without identifying the institutional requirement.
  - (ii) A balance of Rs.912,229 from the subsidy amount of Rs.6,738,000,000 given from the General Treasury to the Board to pay the suppliers of tea leaves to maintain a minimum price of Rs.80 for raw tea leaves in the year 2015 had been retained from 31<sup>st</sup> December 2015 till the end of the year under review without remitting to the General Treasury.
  - (iii) The budget allocation of Rs.500,000,000 for the Brand Promotion Program and Rs. 30,000,000 for the promotion activities of 20 programs conducted in collaboration with the Embassies had been made. However, there was no any financial requirement for the year 2019 as per the plan of Brand Promotion Program and only a sum of Rs.997,377 had been spent only for 05 programs implemented with the Embassies. It was therefore observed that the budget allocations had been made without identifying the requirement.

Sgd,

W.P.C. Wickramarathna

Auditor General



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