



INDUSTRY CAPABILITY REPORT



Tea Sector

(*Camellia sinensis*)

Kingdom : Plantae
Division : Magnoliophyta
Class : Magnoliopsida
Order : Ericales
Family : Theaceae
Genus : Camellia
Species : Camellia sinensis – Tea

Prepared by:
Export Development Board (EDB), Sri Lanka
January, 2022

TABLE OF CONTENTS

1. THE INDUSTRY	1
2. PRODUCTION	1
3. KEY PRODUCTS AND VARIETIES	1
4. SUPPLY CHAIN	2
5. SPECIALTIES ASSOCIATED WITH PRODUCTS.....	2
6. QUALITY STANDARDS.....	3
7. THE TEA AUCTION	3
8. VALUE ADDITION	3
9. TECHNOLOGY.....	4
10. TEA PRODUCTION IN DIFFERENT GEOGRAPHICAL ZONES.....	4
11. GEOGRAPHICAL DISTRIBUTION ACROSS THE COUNTRY	5
12. TEA EXPORTS FROM 2019 TO 2021 (US \$ MN.).....	5
13. TOP TEA IMPORTING COUNTRIES FROM SRI LANKA	6
14. KEY PLAYERS IN THE SECTOR (TOP 20 EXPORTERS - YEAR 2021)	6
15. GOVERNMENT POLICY AND SUPPORT AVAILABLE IN THE SECTOR	7
16. R & D AND PRODUCT DEVELOPMENT FACILITIES AVAILABLE	7
17. INFRASTRUCTURE/LOGISTICS REQUIRED/ AVAILABLE FOR THE SECTOR	7
18. AVAILABILITY OF TECHNOLOGY AND SKILLED LABOUR.....	7
19. STRENGTHS AND WEAKNESSES OF THE SECTOR.....	8

1. THE INDUSTRY

Tea plantations started by the British were initially taken over by the government in 1960s, but have been privatized and managed by plantation companies. The total extent of tea cultivation in 2019 in Sri Lanka is approximately 202,985ha (Source: Annual Report – Sri Lanka Tea Board)

Ceylon tea from Sri Lanka, acclaimed as the best tea in the world has its inherent unique characteristics and reputation running through more than a century. The influence of climatic conditions of its plantation imparts to the product a variety of flavours and aromas, synonymous with quality.

Sri Lanka is renowned for its high-quality tea and as the 4th biggest tea producing country globally, has a production share of 10% in the international sphere, and one of the world's leading exporters with a share of around 19% of the global demand.

2. PRODUCTION

Sri Lanka produces tea throughout the year and the total tea production is about 300 million kgs per annum. The total export volume reached 285,877 MT out of the total production in year 2021. The tea growing areas are mainly concentrated in the central highlands and southern inland areas of the island. They are broadly grouped under these headings according to their elevations, with high grown ranging from 1200 m upwards, medium grown covering between 600 m. to 1200 m. and low grown from sea level up to 600 m.

Sri Lanka is the world largest producer of orthodox tea. The pioneer planters in Sri Lanka had discovered the effect of the diverse climate on tea production. The discovery has resulted in manufacturing of an array of fine teas which like wine are unique to each agro climatic district in Sri Lanka. Ceylon tea flavour and quality, vary with agro climatic conditions and seasons. The prime regions are Nuwara Eliya, Dimbula, Uva, Uda Pussellawa, Kandy, Ruhuna and Sabaragamuwa.

3. KEY PRODUCTS AND VARIETIES

Sri Lanka mainly produced orthodox teas. In the orthodox process of production, semi dried green shoots are ruptured and twisted by rolling achieved from a rotary movement. When tea leaves are crushed, oxidation process begins, which is followed by firing and commonly known black tea is produced.

Sri Lanka also produces tea by unorthodox method, namely Cut Tear and Curl (C.T.C). Green tea, Instant tea, Bio tea, and flavoured tea are also produced in Sri Lanka

High grown teas from Sri Lanka are reputed for their taste and aroma. The two types of seasonal tea produced in these areas Dimbula and Nuwara Eliya are much sought after by blenders in tea importing countries.

Exports of tea are being also sent for many destinations in various forms such as Tea Packets, Tea Bags, Tea in Bulk, Instant Tea, Green Tea, Flavoured Tea etc.

4. SUPPLY CHAIN

- a. Commercial Cultivators
- b. Individual Small Farmers
- c. Cluster organizations
- d. Central collecting centers
- e. Processors
- f. Exporters
- g. Traders

5. SPECIALTIES ASSOCIATED WITH PRODUCTS

Sri Lankan tea recognized as Ceylon Tea in the world is renowned for its high quality, aroma, and taste. As the fourth largest tea producer and perhaps the third largest exporter in the world, Sri Lanka is in the forefront of tea exports to the world market. This is a position that Sri Lanka has maintained over the years.

There are three major geographical zones for tea cultivation in the country and the production of each cultivation has unique features in it.

High/Upcountry: Above 1,200 m.

- Nuwara Eliya - Delicately fragrant
- Udupussellawa - Exquisitely tangy
- Uva - Exotically aromatic
- Dimbula - Refreshingly mellow

Mid-Country: Between 600 m. - 1,200 m.

- Kandy - Intensely full-bodied

Low-Country: Below 600 m.

- Sabaragamuwa - Smooth & full-bodied
- Ruhuna - Distinctively unique

Uva teas from Eastern Highlands contain unique seasonal characters and are widely used in many quality blends particular in Germany and Japan.

The medium grown teas provide thick coloury varieties which are popular in Australia, Europe, Japan and North America.

The teas produced in low grown areas are mainly popular in Western Asia, Middle Eastern countries and CIS and BRICS countries. Most factories in these areas produced what are known as leafy grade of tea where the tea leaves are well twisted and can grade into long particles.

6. QUALITY STANDARDS

Sri Lankan Tea industry maintains the highest quality in the world market and ISO 3720 is the minimum standard applies for the products. Sri Lanka has the capability to produce the cleanest tea in the world in terms of minimum pesticide residues. Methyl Bromide was removed from the production process in 2012. Sri Lanka also is adjusting well to the stringent ISO 22000 series and to the health & safety regulations stipulated by the European Community.

Growers are constantly educated to practice Good Agricultural Practices (GAP). The Processing/ Manufacturing facilities owned by the export companies comply with local standards (SLSI) and also with International Quality Standards such as ISO, HACCP, and EU Standards. Traceability throughout the supply chain is monitored in order to guarantee a safe product to the consumers.

7. THE TEA AUCTION

The Colombo tea auction is the single largest tea auction in the world. Auctions are held every Tuesday and Wednesday, every week except during the National day, New Year and at Christmas. Around 6.5 million kilograms are sold weekly.

8. VALUE ADDITION

Sri Lanka exports approximately 50% of tea in value added form. The Value-added product range of Sri Lankan tea includes green tea, flavoured tea, organic tea, instant tea, iced tea, and ready-to-drink tea. Tea based soap, bath gel, shampoo and cosmetic products have recently been added to this product range.

Lion Logo



Ceylon Tea Lion Logo which appears on Ceylon tea packs denotes not only the country of origin but also the quality of Ceylon Tea. Sri Lanka Tea Board is the legitimate owner of the Ceylon Tea Lion logo which has been registered in many countries in the world. The usage of Lion Logo is subject to the following conditions:

- (a) The Lion Logo can be used only on consumer packs of Ceylon tea.
- (b) The packs should contain 100% pure Ceylon tea.
- (c) The brands which use the Lion Logo should be packed in Sri Lanka. Overseas Importers/packers are not allowed to use the Lion Logo on their tea packs even if the packs contain pure Ceylon Tea.
- (d) The brands which use the Lion Logo should conform to the quality standards set out by the Sri Lanka Tea Board.

9. TECHNOLOGY

Improved technologies on commercial cultivation especially application of fertilizer, crop management, irrigation systems, optimum input applications, pest and disease control, postharvest management, well equipped machinery for processing, quality packaging and improved transportation methods are practiced specially for export marketing.

10. TEA PRODUCTION IN DIFFERENT GEOGRAPHICAL ZONES

The total tea cultivation area is over 202,985 hectares in the country. The major tea growing areas are Kandy and Nuwara Eliya in Central Province, Badulla, Bandarawela and Haputale in Uva Province, Galle, Matara and Mulkirigala in Southern Province, and Ratnapura and Kegalle in Sabaragamuwa Province.

There are main six principal regions planting tea - Nuwara Eliya, Dimbula, Kandy Uda Pussellawa, Uva Province and Southern Province.

11. GEOGRAPHICAL DISTRIBUTION ACROSS THE COUNTRY

Tea Production by Elevation (MT)

Year	High Grown Qty Kg	(%)	Mid Grown Qty Kg	(%)	Low Grown Qty Kg	(%)	Total Qty Kg
2021	65,326,571	21.8	50,985,716	17	183,176,135	61	299,488,422

Source: Sri Lanka Tea Board

Green Tea production

	High	Medium	Low	Total
Qty Kg	1,336,967	1,189,577	45,831	2,572,375

Source: Sri Lanka Tea Board

Tea Production by Category (MT)

Category	Orthodox	CTC	Green Tea	Total
2021	270,571	26,195	2,572	299,338

Source: Sri Lanka Tea Board

12. TEA EXPORTS FROM 2019 TO 2021 (US \$ MN.)

	2019		2020		2021	
	Quantity - Kg	Value	Quantity - Kg	Value	Quantity - Kg	Value
Tea in Bulk	167,419,906	653.65	156,721,357	629.7	166,026,594	645.27
Tea Packets	111,639,187	631.72	97,110,343	557.3	106,483,650	613.62
Other Tea	6,736,195	22.28	7,228,022	24.03	7,499,059	27
Instant Tea	3,071,521	23.31	2,843,121	22.1	3,028,298	26.4
Tea Bags	2,692,209	9.87	1,018,033	4.08	1,884,851	7.51
Green Tea	1,098,543	5.57	643,382	3.73	944,177	4.58
Total	292,657,561	1,346.40	265,564,258	1,240.95	285,866,629	1,324.37

Source: Sri Lanka Customs

The tea exports account for about 11% for the total exports and about 38% contributes for the total agriculture exports in the country. The tea sector is expected to achieve the export target of US \$ 2,044 Million in year 2025.

13. TOP TEA IMPORTING COUNTRIES FROM SRI LANKA

Description	2019		2020		2021		% Avg. Growth
	Quantity (Kg)	Value	Quantity (Kg)	Value	Quantity (Kg)	Value	
Iraq	38,408,066	111.91	33,377,305	103.61	42,455,283	136.78	10.03
Turkey	39,087,246	161.52	38,866,278	167	29,745,663	128.95	-11.26
Russian Federation	29,068,137	133.54	29,608,049	131.7	27,357,038	114.85	-7.54
United Arab Emirates	9,901,247	40.03	8,670,195	37.66	23,147,725	103.55	47.53
Iran	22,263,824	100.97	15,127,052	74.57	15,833,562	70.43	-18.01
China	11,870,421	50.22	14,123,282	57.28	14,100,836	60.37	9.2
Azerbaijan	11,721,186	52.99	10,303,090	50.42	10,591,084	47.11	-5.88
Libya	12,329,315	45.68	7,806,247	29.15	12,338,989	45.85	0.18
Saudi Arabia	6,848,442	42.44	6,804,145	46.92	6,530,853	45.02	2.95
Syria	10,985,899	54.51	9,536,795	45.19	7,767,167	37.01	-19.35
Other Markets	100,173,778	552.59	91,341,820	497.45	95,998,429	534.46	-1.67
Total :	292,657,561	1,346.40	265,564,258	1,240.95	285,866,629	1,324.37	-0.82

Source: Sri Lanka Customs

14. KEY PLAYERS IN THE SECTOR (TOP 20 EXPORTERS - YEAR 2021)

- | | |
|----------------------------------|----------------------------------|
| 1. AKBAR BROTHERS PVT LTD | 11. VINTAGE TEAS CEYLON PVT LTD |
| 2. EMPIRE TEAS PVT LTD | 12. FINLAYS COLOMBO LTD |
| 3. DILMAH CEYLON TEA COMPANY PLC | 13. INTER TEA PVT LTD |
| 4. ANVERALLY & SONS PVT LTD | 14. SHAN TEAS PVT LTD |
| 5. UNIWORLD TEAS PVT LTD | 15. GEORGE STEUART TEAS PVT LTD |
| 6. JAFFERJEE BROTHERS | 16. CEYLON TEA MARKETING PVT LTD |
| 7. VAN REES CEYLON LTD | 17. STASSEN EXPORTS PVT LTD |
| 8. HERITAGE TEAS PVT LTD | 18. VENTURE TEA PVT LTD |
| 9. MABROC TEAS PVT LTD | 19. UNION COMMODITIES PVT LTD |
| 10. QUICK TEA PVT LTD | 20. PREMIUM EXPORTS CEYLON LTD |

Source: Sri Lanka Customs

15. GOVERNMENT POLICY AND SUPPORT AVAILABLE IN THE SECTOR

Ministry of Plantation and Sri Lanka Tea Board have introduced wide range of assistance and development programs for this sector since many years. The EDB also has initiated a number of assistance programmes to assist tea exporters in the country. Some of the assistance schemes implemented by the EDB to strengthen the sector are System certification scheme, capacity development scheme and Assistance programme for promotion and development of brand names and brand excellence. The EDB also has been facilitating tea exporters to expand their business opportunities at the international platforms such as trade fair participation, inward buying missions, product development programmes, Introduction of simplified trade policies, awareness programs, quality improvement programmes and market access requirements such as standards, quality certifications etc.

16. R & D AND PRODUCT DEVELOPMENT FACILITIES AVAILABLE

Research and Development facilities are available in Sri Lanka to support the industry through Tea Research Institute and there are large numbers of Institutions involved in tea sector such as Plantation Ministry, Sri Lanka Tea Board, Tea Small Holder Association etc. in different regions in the country.

17. INFRASTRUCTURE/LOGISTICS REQUIRED/ AVAILABLE FOR THE SECTOR

A well-established road-rail network and high ways constantly developed to meet the demand of the modern age, facilitates production, for both local consumption and export trade. Within a few hours of motoring, produce can be delivered to the factories, warehouses and port. Modern communication systems are well established in the Island. Colombo port operates with number of leading ships regularly and it facilitates tea exporters to reach number of destinations worldwide. Sri Lanka also is well served by major international airlines while the national carrier, Sri Lankan Air Lines, itself operates regular and charter services to major destinations in the world.

18. AVAILABILITY OF TECHNOLOGY AND SKILLED LABOUR

Improved techniques on tea plantations, plucking, input application, post-harvest management, packaging, transport etc. are practiced specially for export marketing

Organic tea production is also coming up well and large number of players getting certified under planters' certification schemes for becoming export capable in organic produce of tea.

19. STRENGTHS AND WEAKNESSES OF THE SECTOR

Strength	Weakness
<ul style="list-style-type: none">• Diverse Climatic conditions• Skilled and effective labour• Unique Characteristics in the production such as flavour, colour etc.• Use of high technology for processing• Value addition• Traceability• Quality Standards (SLSI, HACCP, GAP, GMP, EU Standards, Organic, ISO 22000)	<ul style="list-style-type: none">• Limited land area• Whether patterns affect tea production• Impurities in bulk tea when processing• Lack of infrastructure specially in plantations• High cost of production• High Cost of labour, Packaging, Transport, Freight, Electricity etc.• High cost of investments for new technology• Inadequate researches• High interest rates• Labour issues (Less pluckers)

Prepared by:

Ms. Thilini Wimalagunasekara - Assistant Director
Export Agriculture Division, EDB, Sri Lanka

Disclaimer:

The Sri Lanka Export Development Board, (EDB), has taken care in the preparation of the content of this report, but the EDB cannot be held responsible for any errors, defects, lost profits, or other consequential damages arising from the use of any information obtained either directly or indirectly from this report. The EDB accepts no liability whatsoever.