

ANNUAL REPORT 2014



SRI LANKA TEA BOARD

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VISION

TO POSITION
CEYLON TEA AS THE
“MOST ASPIRED BEVERAGE”
IN THE GLOBAL MARKET.



MISSION

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

Chairperson	Ms. Janaki Kuruppu
Secretary to the Board	Mr. N.A.U.K.S. Mihindukulasooriya (Up to July 2014)
Members of the Board	
Member	Ministry of Plantation Industries Represented by Mr. N.A.U.K.S. Mihindukulasooriya (Up to June 2014)
	Ministry of Plantation Industries Represented by Ms. Ratna Edirisinghe (From September 2014)
Member	Ministry of Finance & Planning Represented by Director General, Department of National Planning, Ms. Pushpa Wellappilli
Member	Chairman, Tea Small Holdings Development Authority Mr. N.P. Kariyawasam
Member	Chairman, Colombo Tea Trader's Association Mr. Jayantha Keragala
Member	Mr. Roshan Rajaduri Planter's Association
Member	Chairman, Colombo Brokers' Association Mr. Jehan Algama (Up to March 2014) Mr. Ishan Fernando (From April 2014)
Member	Chairman, Tea Exporters' Association Mr. Rohan Fernando
Member	President, Sri Lanka Federation of Tea Small Holder Development Societies Represented by Mr. Neville Ratnayake
Member	Chairman, Sri Lanka Tea Factory Owners' Association Represented by Mr. Anil Perera
Member	Member nominated by the Hon. Minister of Plantation Industries Mr. Geoff Aloysius
Member	Ministry of Industry & Commerce Represented by Mr. M. A. Allam
Observer	Member nominated by the Hon. Minister of Plantation Industries Dr. S.S.B.D.G. Jayawardene Member nominated by the Hon. Minister of Plantation Industries Mr. T. Sambasivam

Members of the Audit Committee

- Ms. Pushpa Wellapili,** - Chairperson
Deputy Secretary to the Treasury,
Department of Public Finance,
Ministry of Finance & Planning.
- Mr. T. Sambasivam,** - Member
Consultant,
M/s Akbar Brothers Ltd.
(From 20/03/2014 to 17/10/2014)
- Mr. Neville Ratnayake,** - Member
Sri Lanka Federation of Small Holder Development Societies.
(From 24/01/2014)
- Mr. V.A.A. Perera,** - Member
Nominee of Chairman,
Sri Lanka Tea Factory Owners Association.
- Mrs. C.M.S. Anthony,** - Observer
Superintendent of Audit,
Auditor General's Department.
- Mr. N.A.U.K.S. Mihindukulasuriya,** - Convener
Director General (Acting), Sri Lanka Tea Board.
(From 23/09/2013 to 19/06/2014)
- Mr. S.A. Siriwardana,** - Convener
Director General, Sri Lanka Tea Board.
(From 04/09/2014)

Members of the Promotion & Marketing Committee

The promotion & marketing committee is a sub - committee appointed to guide the board on promotional and marketing activities for Ceylon Tea.

Ms. Janaki Kuruppu

Chairperson, Sri Lanka Tea Board

Mr. Hasitha de Alwis (Up to August 2014)

Director (Promotion), Sri Lanka Tea Board

Mrs. Premala Srikantha (From August 2014)

Director (Promotion), Sri Lanka Tea Board

Mr. R.D.S. Kumararatne

Director General of Commerce , Department of Commerce

Private Sector

Mr. Malin Goonetilleke

Secretary General, Ceylon Planters Association

Mr. Anil Cooke

President
Asia Siyaka Commodities (Pvt) Ltd.

Mr. Rohantha Athukorala

Country Head Turner Investment (USA)

Dr. S.S.B.D.G. Jayawardena

Chairman, Tea Research Board

Mr. Neville Ratnayake

Chairman, Sri Lanka Federation of Tea Small Holder Development Societies

Dr. Gamini Abeywickrama

Managing Director, Basilur Tea Exports (Pvt) Ltd.

Mr. Muffadel Jafferjee

Managing Director, Jafferjee Brothers

Mr. Romesh Moraes

Director, Finlays Colombo PLC

Mr. Jayantha Karunaratne

CEO, Imperial Teas (Pvt) Ltd

Mr . Malik Fernando

Director, MJF Group

Mr.Rohan Fernando

CEO, HVA Group

Mr. Tyeab Akbarally,

Director, Akbar Brothers Ltd.

Mr. Avi De Silva

Director, Head of Tea Division,
Unilever Ceylon Ltd.

Mr. Gehan de Livera

Chief Executive Officer
Sri Lanka Tea Factory Owners Association

Senior Management Staff

Director General (Acting) (Up to July 2014)	Mr.N.A.U.K.S. Mihindukulasuriya
Director General (From 04/09/2014)	Mr. S.A. Siriwardana,
Director (Promotion) (From August 2014)	Mr. A.H. de Alwis (upto August 2014) Mrs. Premala Srikantha
Tea Commissioner	Mr. E.A.J.K.Edirisinghe
Director (Analytical Services)	Mr. M.A.N.Jayathilake
Asst.Director General (Admin)	Mr. S.I.C.Perera
Asst.Director General (Finance)	Mrs. A.D.W.Bandarage
Senior Internal Auditor	Mr. H.D.K.Jayasinghe

Message from the Chairman

The year 2014 saw tea exports from Sri Lanka increase modestly, by 2.4 percent in volume and 5.4 percent in value, on our 2013 performance. National tea production declined marginally, however, to total 338,000 MT, with approximately 204,400 ha of the national agricultural estate under tea.



Prices at the Colombo tea auctions were consistently higher than those at other major auctions in the world. The price per kilogram of tea averaged US\$3.56, substantially higher than the US\$ 2.03 recorded by the Mombasa auction. Indeed, Sri Lanka's 2014 composite auction average of Rs 461.86 was an all-time record, significantly up on the average of Rs 444.42 recorded in 2013. Ceylon Tea has traditionally ranked among the world's best premium-quality teas thanks to its superior flavor and distinctive aroma, and it was refreshing to see the market reflect these attributes.

Demand at the auctions was adversely influenced, however, by unrest in some of the traditional Middle Eastern strongholds for Ceylon Tea, as well as financial and economic uncertainty globally, and especially in Europe. A factor that did not help rupee prices was the comparatively strong parity rate for the Sri Lanka Rupee vis-a-vis major currencies, especially the US Dollar, which is the main trading currency for Tea.

During the year under review, the Sri Lanka Tea Board, as the Apex body of the industry, together with our stakeholders, completed a comprehensive review of the legislative and regulatory framework within which the tea industry operates. The draft of a revised Tea Act is being further refined so as to establish a wide array of enabling provisions within a minimum, transparent and efficient body of regulations. Focused implementation of the existing laws and regulations during the year resulted in better monitoring of the quality of made tea at the points of production, sale and export so as to further strengthen the peerless international reputation Ceylon Tea enjoys.

Regrettably, however, development activities relating to tea-factory modernization and the replanting of the older fields did not show significant growth during the year despite the availability of subsidy schemes.



In the course of the year under review the Sri Lanka Tea Board advanced its plans for a Global Marketing Campaign to further develop the 'Ceylon Tea' brand across our market territories. In parallel with this we placed renewed promotional emphasis also within Sri Lanka in order to further develop the island's tea culture. The Board's promotion team too, worked towards introducing quality marks for "Lion Logo", "Environment-friendly Ozone Logo" and seven "Giregion logos", which symbolize 100% Pure Ceylon Tea.

While it remains a key producer of superior-quality tea, it is evident that Sri Lanka's competitive position in the global tea arena has been slipping. The Board has sought to address this by emphasizing the unique attributes of Pure Ceylon Tea, distinguishing the 'best from the rest'.

Although Sri Lanka is now second by volume in the league of tea exporting nations, the industry remains the highest export-revenue earner in value terms globally, demonstrating that we produce teas of superior quality and also add greater value at the point of export than our competitors. Nevertheless the Board has placed greater emphasis on promoting value-added tea. Concurrently, we have sought to increase yields through greater investments in replanting, in-filling and fertilizing, as well as the use of high-yielding seeds.

In order to secure an overall improvement in productivity and the creation of better tea processing facilities targeting a qualitative improvement of the product, a number of financial assistance schemes are operated by the Board, separately addressing the needs of large, medium and small plantations. The policy initiatives that the Hon. Minister and the Secretary to the Ministry of Plantation Industries have helped develop are gratefully acknowledged, as are the tireless contributions made by our board of directors to help the Sri Lanka Tea Board deliver the high levels of service the industry has come to expect of it. All this has been possible, however, only because of the untiring efforts of our workforce, which has strived to deliver exceptional results amidst numerous challenges.

Dr. R D Pethiyagoda
Chairman
Sri Lanka Tea Board



Basic Comparative Indicators

	Unit	2012	2013	2014	Comparison 2013 Vs 2014 (%)
Tea Production					
Total Tea Production	(mn.kg)	328.3	340.0	338.0	-0.6
Classification by Elevation					
High	(mn.kg)	73.6	75.8	78.8	4.0
Medium		52.6	56.1	49.2	-12.3
Low		202.1	208.1	210.0	0.9
Classification by Processing Method					
Orthodox (includes Bio, Instant, Reclaimed teas)	(mn.kg)	302.0	314.0	314.5	0.2
CTC		23.3	22.3	20.3	-8.8
Green		3.0	3.7	3.2	-14.2
Tea Sales					
Tea Sales - Quantity	(mn.kg)	325.4	335.5	333.5	-0.6
High		69.8	71.4	69.8	-2.2
Medium		52.4	54.4	51.3	-5.8
Low		203.2	209.8	212.5	1.3
Tea Sales - Price	(Rs./kg.)	392.03	444.75	465.06	4.6
High		379.18	407.91	430.59	5.6
Medium		350.86	396.97	414.41	4.4
Low		407.06	469.67	488.61	4.0
Tea Exports					
Tea Exports – Volume (Without Re export)	(mn.kg)	306.0	311.1	317.9	2.2
Classification by Category					
Black	(mn.kg)	302.0	306.3	312.7	2.1
Green		2.4	2.9	2.9	1.4
Instant		1.6	1.9	2.2	15.7
Tea Exports – Value(Without Re export)	(Rs. Bn.)	169.0	190.8	203.5	6.6
Total Tea Exports – Volume	(mn.kg)	319.9	319.7	327.3	2.4
Total Tea Exports – Value	(Rs. Bn.)	180.4	199.4	212.6	6.6

01 CORPORATE BACKGROUND

The Sri Lanka Tea Board was established on 01st 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 objectives of the Tea Board under these Acts are for the development and regulation of the tea industry in Sri Lanka and promotion of Sri Lanka Tea (Ceylon Tea) globally. Before the Tea Board established it was called Tea Propaganda Board, which was run by the private sector. In 1976 Tea Propaganda was voted out by the parliament and converted to the Tea Propaganda to the now known as Sri-Lanka Tea Board with the powers to the tea industry.

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.

The Sri Lanka Tea Board is planning on intensifying the monitoring of quality standards of tea at the point of sale, monitoring of pre-shipment teas, inspection of warehouses of brokers, blenders and exporters, and providing advisory services on hygienic blending and storing. 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.

Action is to be initiated in compatibility with industry requirements to align the current laws and regulations to fulfill the global needs. Tea Board has the control over all matters connected with regulatory functions, development work, and promotion of Sri Lanka Tea (Ceylon tea) locally and abroad. It will continue its regulatory functions, especially with regard to production and quality assurance, the local distribution and export of teas, as well as its overseas promotional activities. The development functions include monitoring of subsidies for upgrading factories and policy formulation and implementation on quality assurance of tea. As promotional activities, it is responsible for monitoring of marketing and promotional activities of tea, collection and interpretation of tea statistics.

Sri Lanka Tea Board Structure

1.1. Main Secretariat

Responsible for overall supervision of all the activities with respect 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, statistic, internal audit, secretariat, tasting and analytical laboratory, information technology and library.



1.2. Administrative Division

Administration Division is responsible for overall Human Resource Management and Development, Procurement & Stores, Maintenance, Infrastructure Development and Transport under the Assistant Director General (Administration).

1.3. Finance Division

Finance division is responsible for overall financial control and management of Sri Lanka Tea board. Other main activities of Finance division are recommendations for financial policy formulations to the board, preparation of annual budget, Annual financial statements, Monthly accounts and periodical reports, Maintenance of inventories and annual verification and Submitting annual accounts to Auditor General.

1.4. Tea Commissioner's Division

All matters connected with regulatory functions in respect of cultivation, manufactures of tea, and quality development. The Division operates through a network of seven Regional offices. Tea Export Section under Tea Commissioner's Division is responsible for all matters connected with regulatory functions in respect of disposal of made tea, warehousing, packaging, exportation and importation of tea.

1.5. Tea Promotion Division

All matters connected with promotion of Sri Lanka tea locally and internationally, assisted by Overseas Offices. Provide market intelligence periodically and as per the demand of the Industry. A Tea Sales Counter beneficial to the locals and foreigners is in operation.

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. Media advertising, participation at international Food & Beverage Fairs, Brand Promotion Schemes, and Generic Promotion with the assistance of overseas Tea Promotion Officers & Commercial Officers attached to Sri Lanka Missions abroad. Liaison with International Tea Councils & Tea Associations, Intergovernmental Group on Tea of FAO etc.

1.6. Analytical Laboratory

Responsible for testing and issuing of quality certificates for tea on Chemical, Microbiological and Pesticides residue quality parameters, using high- tech equipment to maintain the tea quality. Therefore, individually each unit had contributed in quality certification matter and thereby supported to protect the image of "Ceylon Tea".



02 INDUSTRY PROFILE 2014

The Sri Lankan tea industry for the year 2014 concluded on a healthy note in comparison to the year 2013. Sri Lanka's national tea production for 2014 was 338 million kilos, two million kilos short of the record harvest of 340 million kilos in 2013, attributable to inclement weather. The year 2014 commenced on an upbeat, consequent to the revenue from tea exports, together with production reaching record levels in 2013 and prices continuing to maintain attractive levels from all elevations.

First few months of 2014 showed higher prices for tea sales than 2013 and the highest price for tea sales recorded for the January. Hereafter a decreasing trend is started and average sales prices got lower value than 2013 from September 2014. In parallel to sales prices FOB prices also showed a decreasing trend for year 2014.

2.1. Distribution of Tea Lands

The total Extent of cultivation in Sri Lanka is 203,113* 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.

2.2 Tea Production in Sri Lanka

Table 2.2: Total Tea Production by Elevation

Elevation	Production(Kg)
High	78,874,199
Medium	49,205,259
Low	209,952,124
Total	338,031,581

Challenged by adverse weather conditions, particularly, intense in the first and the last

quarters of the year, national tea production registered a decline of around two million kilograms to reach 338 million kilograms. is corresponded to 0.5% below the record high achieved in 2013.

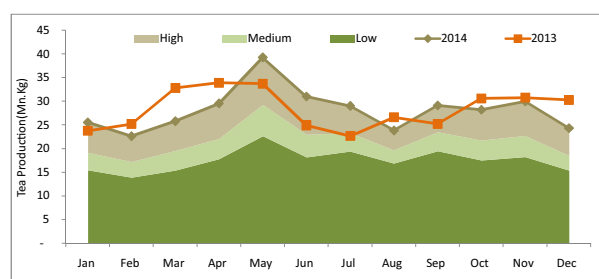
Sri Lanka produces tea cultivation in variety of elevations, with bulk being low grown tea. Tea is cultivated in elevations ranging from sea level to 600 meters, and essentially has a stronger flavor and color. High grown tea is cultivated in altitudes of over 1,200 meters and is generally regarded as 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 (62%) of national tea production whilst high and medium accounted for 23% and 15% respectively.

2.2.1. Monthly Tea Production

Throughout the year low grown production provided a major contribution to the national production for every month of the year. January, May, June, July and September months showed higher production than year 2013. Cumulative tea production at the end of November 2014 showed a growth of 1.3% compare to 2013 but adverse weather conditions prevailed during the December lead to 0.6% of production loss compare to previous year.

Chart 2.1: Monthly Tea Production by Elevation



2.2.2. Agro Climatic District wise Analysis

Ratnapura and Galle continued to be at the top of the list of agro district-wise tea production with 56Mn.kg. and 54.2Mn.kg, respectively. It could be revealed that all agro climatic districts in Western sub-district ended up with an escalating tea manufacturing trend in year 2013 compared to the previous year. Under Medium agro climatic district, Hunnagiri/Knuckles/Y'dessa region showed the highest growth of tea production than other agro regions (45%).



Table 2.3: Agro – Climatic District -wise Tea Production

Agro Climatic District	Production Quantity ('000 Kg)		Change	
	2013*	2014	Qty.('000 Kg)	%
A. NUWARA - ELIYA	5,888	6,027	139	2.4
B. WESTERNS				
1. Ramboda	2,323	2,067	-257	-11.1
2. Punduloya	3,463	3,178	-285	-8.2
3. Agarapatana	7,465	8,117	652	8.7
4. Nanuoya/ Lindula/ Talawakelle	11,486	11,411	-75	-0.7
5. Patana/Kotagala	5,256	5,644	388	7.4
6. Hatton/Dickoya	8,656	9,029	373	4.3
7. Bogawantalawa	7,533	7,278	-255	-3.4
8. Upcot/Maskeliya	7,401	7,340	-60	-0.8
TOTAL WESTERNS	53,583	54,065	481	0.9
C. MEDIUMS				
1. Watawala/Ginigathhena/Norton Bridge	2,210	2,360	149	6.8
2. Pussellawa/Hewaheta	7,965	7,094	-871	-10.9
3. Kotmale	1,051	900	-151	-14.3
4. Gampola/Nawalapitiya/Dolosbage	12,838	12,559	-279	-2.2
5. Nilambe/Hantane/Galaha	1,283	1,062	-222	-17.3
6. Kadugannawa	6,561	6,652	91	1.4
7. Madulkelle/Knuckles/Rangala	3,729	2,583	-1,146	-30.7
8. Hunnagiri/Knuckles/Y'dessa	2,149	2,193	44	2.1
9. Balangoda/Rakwana	9,035	8,729	-306	-3.4
TOTAL MEDIUMS	46,822	44,133	-2,688	-5.7
D. UDA PUSSELLAWA				
1. Uda Pussellawa/Halgranoya	5,011	4,471	-540	-10.8
2. Maturata	1,782	1,796	14	0.8
TOTAL UDA PUSSELLAWA	6,793	6,267	-526	-7.7
E. UVAS				
1. Koslanda/Haldumulla	702	873	171	24.4
2. Haputale	4,042	3,708	-334	-8.3
3. Bandarawela/Poonagalla	3,471	3,489	18	0.5
4. Malwatte/Welimada	3,049	2,757	-292	-9.6
5. Demodara/Haliella/Badulla	10,312	9,833	-479	-4.6
6. Ella/Namunukula	1,684	1,727	43	2.5
7. Passara/Lunugalla	3,517	3,317	-200	-5.7
8. Madulsima	3,086	3,049	-37	-1.2
TOTAL UVAS	29,862	28,753	-1,109	-3.7
F. LOW GROWNS				
1. Deniyaya	16,940	17,394	455	2.7
2. Galle	54,203	53,412	-791	-1.5
3. Kalutara	19,171	19,702	532	2.8
4. Kegalle	5,494	5,533	39	0.7
5. Kellani Velly	7,109	7,508	399	5.6
6. Kandy/Matale/Kurunegala	6,901	7,464	563	8.2
7. Matara	19,026	18,093	-934	-4.9
8. Morawaka	7,853	7,812	-41	-0.5
9. Ratnapura	56,421	56,797	376	0.7
10. Balangoda	3,961	5,072	1,111	28.0
TOTAL LOW GROWNS	197,079	198,787	1,709	0.9
GRAND TOTAL	340,026	338,032	-1,995	-0.6

* -With the changes of factory file in mid of 2014, tea production records for 2013 has been re-Revised for agro-climatic comparison.

2.2.3. District wise Tea Production

During the year under review, it is evident that major high grown production has reported from the Nuwara Eliya district and the highest low grown production has reported from the Ratnapura district.

Table 2.4: District wise Tea Production (in Kg)

District	High	Medium	Low	Total
Badulla	16,036,086	12,945,726	-	28,981,811
Colombo	-	-	683,323	683,323
Galle	-	-	52,413,330	52,413,330
Hambantota	-	-	265,549	265,549
Kalutara	-	-	18,222,195	18,222,195
Kandy	929,083	19,881,615	12,058,455	32,869,154
Kegalle	511,636	829	8,762,950	9,275,415
Matale	-	2,369,636	470,957	2,840,593
Matara	-	170,960	43,970,139	44,141,099
Nuwara Eliya	61,250,744	11,490,065	783,383	73,524,192
Ratnapura	146,650	2,346,428	72,321,843	74,814,921
Total	78,874,199	49,205,259	209,952,124	338,031,581

2.2.4 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 following table illustrates the district wise leaf collection methods which contributed for total production for year 2014.

Table 2.5: District wise Tea Production

District	Own Leaf	Estate Leaf	Bought leaf	Total
Badulla	55,548,132	33,407,246	45,810,045	134,765,423
Colombo	-	-	3,177,452	3,177,452
Galle	4,897,433	2,235,302	236,589,251	243,721,986
Hambantota	-	-	1,234,801	1,234,801
Kalutara	2,795,892	548,054	81,389,263	84,733,208
Kandy	24,475,959	7,678,735	120,686,871	152,841,564
Kegalle	4,491,258	1,113,530	37,525,890	43,130,678
Matale	1,487,877	326,962	11,393,918	13,208,757
Matara	9,914,439	1,446,997	193,894,675	205,256,110
Nuwara Eliya	225,087,970	47,332,281	69,467,241	341,887,492
Ratnapura	26,369,966	4,239,098	317,280,318	347,889,382
Total	355,068,926	98,328,205	1,118,449,723	1,571,846,853

2.2.5 Production Analysis by Processing Method

2.2.5.1 Black Tea and Green Tea Production

The Orthodox tea production realized a growth of 0.2% (544,069kg) in 2014, whilst CTC production has showed a decrease of 9% against year 2013. During the year under review, overall Black tea Production

has decreased by 1.4Mn.Kg (-0.4%). Green tea production shows a decrease of 530,086Kg which is a 14.2% de-growth respectively previous year.

Table 2.6: Tea production by processing method

Processing Method	2013 Qty.(Kg)	2014 Qty.(Kg)	2013 Vs 2014 Change(Kg)	2013 Vs 2014 Growth (%)
Orthodox	313,954,148	314,498,217	544,069	0.2
CTC	22,347,074	20,338,185	(2,008,889)	-9.0
Green	3,725,265	3,195,179	(530,086)	-14.2
Total	340,026,487	338,031,581	(1,994,905)	-0.6

2.2.5.2 Instant Tea and Bio Tea Production

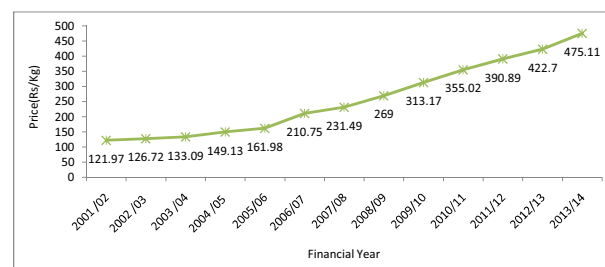
In comparison to year 2014 Instant tea showed a slight increase of its productions (199MT) while Bio tea showed decrease of its production than year 2013.

2.2.6 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 2013/14, was Rs.475.11 per Kg which is an increase of 12.4% against 2012/13.

Chart 2.2: Total cost per kilogram of made tea



2.3. Tea Sales

Sri Lanka Tea industry recorded a greater average price for teas in 2014 compared to 2013. A quantity of 337.5 Mn.Kg of tea was sold in 2014 at an average of Rs.462.96 per kg against 335.5Mn.Kg sold at Rs.444.42 per kg including Public, Private and Direct sales in year 2013. It showed that tea sales quantity has increased from 1.2% and unit price has increased by 4.2%.

2.3.1. Mode of Sales

Public auction is the main mode of sale of teas manufactured in factories. A quantity of 331.7 Mn.Kg was sold under the Colombo Tea Auction in 2014. Private sales accounted for 3.7 Mn.Kg (1.1 %) and the rest about 0.6% sold through direct sales.

2.3.2. The Colombo Tea Auction

In 2014 there were 50 auctions conducted by Ceylon Chamber of Commerce under Colombo Tea Traders Association and recorded a substantial increase of 1.9Mn.Kg (0.6%) for public and private sales. However, average price fetched at the Colombo Tea Auction during 2014 reported a comparatively greater value, and resulted an annual escalation from Rs. 444.42 per kilogram to Rs. 461.86 per kilogram.

2.3.3. Elevation-wise Sales

Table 2.7 shows an analysis of tea sales according to their elevations. In all three elevations, unit prices fetched are increased when compared to the last year, resulted a positive turnover in year 2014.

Table 2.7: Elevation-wise Tea Sales.

Elevation	Quantity (Mn.kg.)				Unit Price (Rs. /Kg.)			
	2013	2014	Change	%	2013	2014	Change	%
High	71.9	73.1	1.2	1.7	402.98	423.98	21.0	5.2
Medium	51.7	51.5	0.2	0.4	398.65	413.91	15.3	3.8
Low	209.9	212.9	3.0	1.4	469.91	488.21	18.3	3.9
Total Sales	333.5	337.5	4.0	1.2	444.42	462.96	18.5	4.2

Source: SLTB Sales Reports

2.4. Tea Exports

Sri Lanka's Tea Exports (with re-exports) for the year 2014 was 327.3Mn.kg achieving export earnings of Rs.212.6billions. The average unit FOB price was Rs.649.44 per kilogram. This is the first year that export earnings exceeded Rs.200 billion mark With these high export volumes and values, Sri Lankan tea exports reached the number 2 rank among

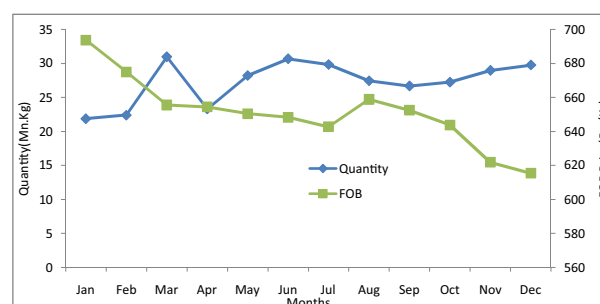
global tea exporters by mid-2014 surpassing China. Intense competition from rivals has adversely affected the nation's competitive position and this has been exacerbated by the higher production cost tea and poor yield in Sri Lanka. Meanwhile, the country's continues dependency on orthodox tea as opposed to CTC teas could further erode its market share among global consumers' rapidly changing preferences.

2.4.1 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 2014, Total tea exports of Black, Green & Instant tea including re-exports showed a positive growth in its Volume and Value. Total export volume showed 2.4% growth with 7.1Mn.Kg quantity change and Export and re-exports showed 2.2% and 11.1% in volume and 6.7% and 5.2% in value respectively. However, cumulative exports earnings were ended up with US\$1,628.3 Million in 2014 relating to the US\$ 1,544.7Million in 2013 and accomplished a 5.4% increase.

Chart 2. 3: Monthly tea exports 2014- Volume & Unit Value



Source : Sri Lanka Customs

2.4.2 Annual Tea Exports -2014

A detailed illustration on category wised tea exports including volume, value and FOB from January to December during the year 2014 are showed in table 2.8.

Table 2.8: Annual Tea Exports – 2014

	Quantity(Kg)	Value(Rs)	FOB(Rs/Kg)
Export	317,885,225	203,506,743,781	640.19
Black	312,743,855	197,513,724,191	631.55
Bags	25,460,954	27,987,724,997	1099.24
Bulk	125,887,078	72,943,391,336	579.44
Packets (4g-1Kg)	100,277,338	62,877,819,470	627.04
Packets (1Kg-3Kg)	2,903,089	1,969,817,347	678.52
Packets (3Kg-5Kg)	19,932,858	11,381,728,262	571.00
Packets (5Kg-10Kg)	38,282,538	20,353,242,779	531.66
Green	2,942,464	3,569,312,063	1213.04
Bags	874,058	1,606,452,917	1837.92
Bulk	1,083,181	654,342,318	604.09
Packets (4g-1Kg)	940,494	1,260,140,038	1339.87
Packets (1Kg-3Kg)	1,714	2,327,346	1,357.84
Packets (3Kg-5Kg)	4,588	4,902,418	1,068.53
Packets (5Kg-10Kg)	38,429	41,147,026	1070.73
Instant	2,198,906	2,423,707,527	1102.23
Re Export*	9,457,232	9,081,234,436	960.24
Black	7,154,136	5,505,602,940	769.57
Bags	3,200,113	3,086,456,887	964.48
Bulk	1,220,312	554,004,415	453.99
Packets (4g-1Kg)	2,679,976	1,821,925,878	679.83
Packets (1Kg-3Kg)	26,065	24,867,596	954.06
Packets (3Kg-5Kg)	7,365	5,547,820	753.27
Packets (5Kg-10Kg)	20,305	12,800,344	630.40
Green	2,300,731	3,573,404,974	1553.16
Bags	1,175,797	2,400,936,729	2041.97
Bulk	113,536	62,699,442	552.24
Packets (4g-1Kg)	781,338	980,010,971	1254.27
Packets (1Kg-3Kg)	2,930	1,903,260	649.58
Packets (3Kg-5Kg)	475	1,157,394	2,436.62
Packets (5Kg-10Kg)	226,655	126,697,178	558.99
Instant	2,365	2,226,522	941.45
Export Grand Total	327,342,457	212,587,978,217	649.44
RTD(Lt)	7,675,386	721,536,212	94.01
Export	9,914	2,124,330	214.28
Re Export	7,665,472	719,411,882	93.85
*Re Export(Imported Tea, Blended With Ceylon Tea & Re-Exports)			

Source : Sri Lanka Customs

2.4.3 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 42.9% of the total export volume for year 2014 and it generated Rs.106.4Bn export income remarking the value share as 50.1%.

Table 2.9: Exports of value added teas – 2014

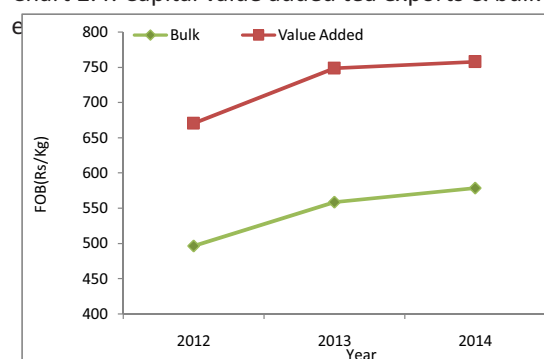
		Quantity(Kg)	Value(Rs)	FOB(Rs/Kg)
Export	Black	128,641,381	92,835,361,814	721.66
	Green	1,816,266	2,868,920,301	1,579.57
	Instant	2,198,906	2,423,707,527	1,102.23
	Sub Total	132,656,553	98,127,989,642	739.71
Re-Export	Black	5,906,154	4,933,250,361	835.27
	Green	1,960,065	3,382,850,960	1,725.89
	Instant	2,365	2,226,522	941.45
	Sub Total	7,868,584	8,318,327,843	1,057.16
Total		140,525,137	106,446,317,485	757.49

*The tables prepared without RTD Exports and Total RTD Exports are considered as value added exports

Source : Sri Lanka Customs

FOB price trend of each package type are shown the effectiveness of Value added tea exports.

Chart 2.4: Capital value added tea exports & bulk tea



Further promotions on value added tea exports will positively contributed to the Sri Lankan economy than bulk tea exports.

2.4.4 Main Destinations of Sri Lanka Tea Exports

Historically, Sri Lanka's main export destination for tea had been Europe, including UK. During 2014, Turkey became as the main Sri Lankan tea export destination surpassing Russia's position by importing 13.7% of total Ceylon tea exports. In 2013, Turkey was the 3rd largest export destination for Ceylon tea and had imported 16.4% of total tea exports. It showed a 39% of volume growth for 2014 when compared to year 2013.

Russia continues as the largest export destination from Sri Lanka followed by Turkey and Iran. It is relevant to note that Russia who has maintained the No.1 position for a considerable period of time has been displaced by Turkey in 2014. Libya also has shown a significant increase in imports during 2014 vis-à-vis 2013. From total tea exports 13.5% has exported to Russia in 2014 and it is a 5% of volume drop compare to tea exports in 2013. The value gain of tea exports showed that Russia as the major value earner of tea exports by contributing 18% of total turnover.

Iran was the third export destination with the 9.2% export share in 2014 and it showed 24% decrease of export volume compare to 2013. The average FOB prices for Iran showed a significant increase compare to 2013. Becoming as the seventh export destination in review period 2014, Libya showed 90.4% growth of its Ceylon tea market meanwhile, tea exports to Syria showed a decrease of 38.7%.

Table 2.10: Main Destinations of Sri Lankan Tea Exports 2014

Country	2014			2013			Growth
	Rank	Quantity	Export share (%)	Rank	Quantity	Export share (%)	
Turkey	1	44,746,301	13.7	3	32,234,506	16.4	38.8
Russia	2	44,100,849	13.5	1	46,371,885	16.1	(4.9)
Iran	3	30,076,649	9.2	2	39,647,808	11.0	(24.1)
Iraq	4	24,749,386	7.6	4	22,517,810	9.1	9.9
UAE	5	19,813,573	6.1	6	18,070,812	7.3	9.6
Syria	6	12,917,421	3.9	5	21,058,866	4.7	(38.7)
Libya	7	12,650,300	3.9	14	6,642,742	4.6	90.4
Kuwait	8	12,222,651	3.7	7	16,112,076	4.5	(24.1)
Azerbaijan	9	11,154,552	3.4	8	10,780,779	4.1	3.5
Japan	10	9,108,279	2.8	10	8,938,038	3.3	1.9
Top 10 Total		221,539,961	67.7		222,375,322	77.4	(0.4)

Iraq continued to be the fourth in the list of main destinations of Ceylon Teas, while UAE upgraded its position as the fifth with an export volume share of 6.1%. The Middle East is Sri Lanka's largest export destination as a region; demand has been expanding robustly on the back of strong oil prices. Top 10 pure Sri Lankan tea exporting destinations are accounted for around 67.7% of the totality. However, only Russia, Iran & Japan, maintained the significantly greater FOBs with respect to the average unit FOB price attained. Furthermore the gloomy economic outlook on US and the sovereign debt crisis in EU could also be crippled the potential revenue from the tea exports.

However, Sri Lankan bulk tea exports have now tilted towards the Middle East as a result of increasing consumption of tea bags.



Table 2.11: Tea exports quantities and Ranking for top 20 countries by package type

Country	Quantity(MT)							Rank						
	Bags	Packets (4gr-1kg)	Packets (>3kg)	Packets (1kg-3kg)	Packets (3kg-5kg)	Packets (5kg-10kg)	Bulk	Bags	Packets (4gr-1kg)	Packets (>3kg)	Packets (1kg-3kg)	Packets (3kg-5kg)	Packets (5kg-10kg)	Bulk
Turkey	607.9	28,108.7	-	386.6	9,624.8	2,411.5	3,606.8	18	1	N.A.	4	1	5	11
Russia	3,089.9	7,292.3	-	10.7	19.3	162.4	33,526.1	1	4	N.A.	12	14	12	1
Iran	40.0	1,936.9	-	861.0	215.8	12,508.8	14,514.3	64	13	N.A.	1	8	1	3
Iraq	157.7	14,970.3	-	116.7	482.8	7,828.4	1,193.5	41	2	N.A.	5	5	2	21
UAE	597.3	5,037.3	0.2	66.9	989.3	4,426.6	8,696.0	19	5	13	8	3	4	4
Syria	1,048.2	3,424.8	-	-	7,118.3	792.3	533.8	6	6	N.A.	N.A.	2	7	26
Libya	38.8	12,342.7	-	-	-	268.8	-	65	3	N.A.	N.A.	N.A.	11	N.A.
Kuwait	566.0	2,323.3	-	819.5	533.6	7,007.1	973.1	20	9	N.A.	2	4	3	22
Azerbaijan	2.1	373.5	-	-	2.5	-	10,776.4	113	25	N.A.	N.A.	23	N.A.	3
Japan	831.7	147.4	0.8	0.3	77.0	700.0	7,351.0	14	38	10	29	10	8	5
Chile	734.5	183.4	1.2	2.0	-	18.0	6,090.1	16	33	9	19	N.A.	21	6
Jordan	2,453.7	2,754.5	-	87.7	248.3	878.2	289.5	2	8	N.A.	6	6	6	36
Germany	217.5	1,875.4	0.3	0.6	1.0	16.4	4,590.0	32	14	12	25	28	25	8
Ukraine	630.1	1,752.7	-	-	0.1	6.7	4,311.4	17	15	N.A.	N.A.	37	32	9
China	286.8	171.2	3.4	70.8	5.5	17.8	4,749.2	27	35	6	7	17	23	7
Saudi Arabia	951.4	1,725.1	-	6.4	239.5	32.0	2,136.7	11	16	N.A.	13	7	18	13
Hong Kong	69.4	392.6	-	438.2	206.0	22.6	3,944.9	52	24	N.A.	3	9	19	10
USA	1,287.9	2,220.9	109.6	1.0	40.0	1.6	1,334.1	4	10	2	23	12	37	19
Lebanon	185.3	3,156.9	-	-	-	130.5	18.7	36	7	N.A.	N.A.	N.A.	13	51
Netherland	1,034.5	1,999.7	-	-	-	-	206.4	7	12	N.A.	N.A.	N.A.	N.A.	38
Total	14,830.8	92,189.7	115.6	2,868.2	19,803.8	37,229.9	108,842.0							

2.4.4.1 Exports of Black Tea

Black tea recorded 97.7% (319.9Mn.Kg) of total tea exports while contributing 95.5%(Rs.203.0Bn) for total tea export revenue during 2014. Among the all black tea export destinations, Top twenty export destinations for Black tea represented 85% of volume. Turkey placed a new record surpassing Russia's position as the prime Sri Lankan Black tea importer (14.0%) in year 2014 by importing 44.7Mn.Kg. Black tea exports to Russia and Iran quantified 43Mn.Kg and 30.1Mn.Kg of total black tea export quantity respectively.

Table 2.12: Top 20 Black tea exports destination and market share

Country	Quantity (Mn.Kg)	Value (Rs.Bn)	FOB (Rs/Kg)	Volume Share(%)	Value Share (%)	Qty Growth ('13 Vs '14)
Turkey	44.7	27.3	609.52	14.0	13.4	38.9
Russia	43.0	28.3	658.74	13.5	14.0	-4.7
Iran	30.1	20.9	695.62	9.4	10.3	-24.1
Iraq	24.7	11.8	475.90	7.7	5.8	10.2
UAE	19.1	11.1	580.15	6.0	5.5	9.3
Syria	12.9	7.8	606.22	4.0	3.9	-38.7
Libya	12.4	5.8	463.94	3.9	2.8	91.2
Kuwait	12.2	5.5	453.69	3.8	2.7	-24.2
Azerbaijan	11.2	6.9	620.44	3.5	3.4	3.4
Japan	9.1	6.5	709.11	2.8	3.2	1.9
Chile	7.0	3.9	552.67	2.2	1.9	2.4
Jordan	6.7	4.8	710.88	2.1	2.3	-12.5
Germany	6.6	4.1	624.40	2.1	2.0	0.7
Ukraine	6.2	4.5	718.80	2.0	2.2	-27.6
China	5.2	3.3	632.05	1.6	1.6	17.9
Hong Kong	5.1	2.7	537.88	1.6	1.3	2.4
Saudi Arabia	5.0	3.4	673.74	1.6	1.7	36.0
USA	4.5	3.3	739.05	1.4	1.6	15.5
Lebanon	3.5	2.7	778.41	1.1	1.3	23.7
Netherland	3.1	2.3	757.86	1.0	1.1	34.4
Sum of Top 20	272.4	166.9	-	85.1	82.2	0.1

2.4.4.2 Exports of Green Tea

Green tea encountered 1.6% (5.2Mn.Kg) of total tea exports while contributing 3.36%(Rs.7.1Bn) for total tea export revenue during 2014. Among the all green tea export destinations, Top twenty export destinations for green tea represented 83% of volume. Out of leading twenty importers of Green teas, Russia recorded a considerable volume of 1.07Mn.kg for the year 2014. Another remarkable point is that more than 50% of the total exports of Green teas were exported to top 5 destinations.

Table 2.13: Top-Twenty Destinations of Green Tea Exports

Country	Quantity ('000Kg)	Value (Rs.Mn)	FOB	Market share (%)	Market share (%)	Qty Growth ('13 Vs '14)
Australia	207.6	529.0	2,547.99	4.8	9.4	2.1
Belarus	98.1	139.9	1,426.03	2.3	2.5	2.9
China	60.5	90.2	1,492.74	1.4	1.6	-16.6
Finland	68.1	80.6	1,183.42	1.6	1.4	-48.9
France	110.2	208.3	1,890.93	2.5	3.7	51.7
Germany	90.3	117.0	1,295.58	2.1	2.1	-15.0
Italy	51.6	84.0	1,626.70	1.2	1.5	23.9
Libya	228.6	135.0	590.47	5.3	2.4	57.3
Moldova	63.1	76.2	1,206.84	1.5	1.4	19.1
Netherland	174.1	380.2	2,183.71	4.0	6.8	20.6
New Zealand	48.1	98.3	2,043.78	1.1	1.7	9.4
Nigeria	81.0	133.5	1,646.95	1.9	2.4	16.7
Poland	82.8	119.4	1,442.31	1.9	2.1	63.7
Russia	1,070.9	1,459.2	1,362.58	24.7	26.0	-13.0
Taiwan	105.0	102.6	976.74	2.4	1.8	59.7
UAE	710.1	434.4	611.73	16.4	7.7	20.2
Ukraine	451.1	600.4	1,330.87	10.4	10.7	-36.2
United Kingdom	76.5	188.4	2,463.35	1.8	3.4	78.6
USA	410.7	515.6	1,255.27	9.5	9.2	59.1
Uzbekistan	152.3	128.9	846.76	3.5	2.3	81.5
Sum of Top 20	4,340.7	5,621.0	1,294.93	82.8	78.7	3.1

2.4.4.3 Exports of Instant Tea

Ireland became the first place of leading instant tea importing country from Sri Lanka and responsible for an import volume of 2.0Mn.Kg. (93% from total instant exports). USA, and Taiwan maintained second and third positions in the list of major instant tea export destinations respectively. During the review year, Instant tea market showed 12.8% volume growth and 21.1% of value growth compared to year 2013.

2.4.4.4 Exports of Ready to Drink (RTD) Teas

For 2014, RTD exports could carry Rs.721Mn of export revenue by exporting 7.7Mn liters of RTD teas. There was a 94% growth of RTD tea exports compared to 2013 and India played a vital role in RTD market by importing 6.9Mn liters for Rs.583Mn from Sri Lanka. Netherland, Qatar, Australia and Canada were other major markets for Ceylon RTD exports and there is a downward trend in these markets with respect to the year 2013

When consider UK market in 2014, there was a 74% decrease of RTD imports from Sri Lanka and there is a need of adopting new technologies for the development of Sri Lanka's RTD export market.

2.5 Global Tea Industry Background

Tea is one of the most popular and widely consumed hot beverages in the world. 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 India, China, Sri Lanka, Kenya and Indonesia. These five countries account for 77% of world production and 80% of global exports.

2.5.1 Global Tea Cultivation

Total extent planted with tea in the world was estimated to be more than 4 million hectares at the end of the year 2014.

Table 2.14: Highest Tea Extent Records

Country	2010 (Ha.)	2011 (Ha.)	2012 (Ha.)	2013(Ha)
China	1,970,200	2,112,510	2,279,940	2,468,840
India	560,609	579,350	563,980	563,980
Sri Lanka*	188,007	187,860	187,000	187,000
Kenya	171,916	187,855	190,717	198,657
Vietnam	129,000	127,000	124,027	124,000
Indonesia	122,796	122,764	121,076	120,000
Myanmar	78,400	78,500	78,500	78,700
Turkey	77,500	77,700	77,800	77,000
Bangladesh	54,900	54,400	54,500	54,000
Japan	46,800	46,200	45,900	42,800

Source: Annual ITC Bulletin of Statistics - 2014

*Estimated Area registered as Planted

According to the International Tea Committee (ITC), largest tea extent is found in China (59%) and they are rapidly expanding their tea extent annually. Tea area in Kenya also reached to a higher extent in 2010 to 2013. The top-ten countries of tea growing are bearing 93% of total tea extent.

2.5.2 Global Tea Consumption

Annual tea consumption and triennial average per capita tea consumption during past three years period of 2011- 2013 revealed that the annual consumption was highest in China, recording 1,408.67Mn.kg. Although per capita consumption is low which was recorded as 1.04Kg. Libya showed the highest per capita consumption 2.34Kg per head with 13000MT of annual consumption. China was mainly instrumental for the surge in world tea crop, African Continent particularly Kenya also registered a bumper harvest. Considering the Sri Lankan scenario in the global tea industry, the year 2013 is continued with escalated average unit price (auction) and revenue performances (exports) compared to the other tea producing members.

Table 2.15: Country-wise Tea Consumption Statistics.

	2009-11		2010-12		2011-13	
	Total	p hd	Total	p hd	Total	p hd
Libya	10.23	1.72	13.6	2.39	13.23	2.34
Afghanistan	50.37	2.06	49.27	1.97	55.9	2.19
Turkey	150.1	2.06	151.57	2.04	152.17	2.02
United Kingdom (a)	122.46	1.92	123.51	1.97	122.23	1.92
Morocco	56.17	1.76	56.17	1.74	57.4	1.76
Ireland Republic	9.85	2.18	8.51	1.9	7.44	1.62
Taiwan	44.18	1.65	44	1.64	42.53	1.59
Qatar	2.43	1.42	2.53	1.46	2.67	1.45
Sri Lanka	28.03	1.36	27.79	1.33	27.49	1.35
Hong Kong	9.64	1.36	9.48	1.34	9.52	1.33
Chile	20.45	1.2	21.4	1.24	21.13	1.21
Syria	28.54	1.42	26.5	1.25	24.13	1.14
Egypt	85.03	1.08	91.63	1.14	94.37	1.14
Iraq	42	1.31	40.35	1.21	37.65	1.11
Iran	69.4	0.93	74.7	0.99	82.8	1.07
China	1168	0.87	1279.33	0.95	1408.67	1.04
India	847.67	0.72	871.67	0.73	889.67	0.73
CIS	267.92	0.97	275.29	0.99	268	0.96
Pakistan	110.72	0.67	125.92	0.74	128.02	0.72
USA	121.72	0.39	126.65	0.41	127.76	0.41
Japan	121.96	0.95	122.29	0.96	120.23	0.94
Indonesia	61.33	0.26	75	0.32	84.67	0.34
Bangladesh	65.87	0.45	68.4	0.45	71.07	0.47
Poland	30.68	0.8	30.95	0.8	31.95	0.83
Germany	23.27	0.28	26.9	0.33	28.17	0.34

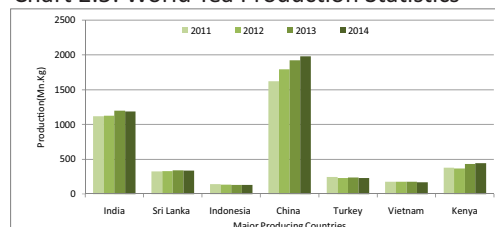
Source: Annual ITC Bulletin of Statistics – 2014

2.5.3 Global Tea Production

Global tea production reached up to 5 Bn. Kg during the year 2014 and it showed a 0.6% growth compared to year 2013. China, India, Kenya, Sri Lanka, Turkey, Vietnam and Indonesia represented around 90% of global tea production for the year 2014. Although India and China are still the largest tea producers, these 2 nations' considerable domestic consumption has rendered Kenya and Sri Lanka 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.

China was occupied the highest position with 1980Mn.kg while India stayed at second with an annual production of 1,189.8Mn.kg. in 2014. Kenya was placed as third with its manufacturing level at 445 Mn.kg.

Chart 2.5: World Tea Production Statistics



Source: Supplement: Annual ITC Bulletin of Statistics – 2014



2.5.4 Global Tea Sales

Colombo Auctions handled 333.5Mn.Kg of tea for average price per kilogram as a US \$ 3.56 for year 2014. However, volume traded in Mombasa Auctions also maintained over 390Mn.kg and Kolkata Auctions had shown a significant decline of its sales volume in 2014 with respect to the past two years.

Table 2.16: Statistics of Major Tea Auctions (Qty. - in Mn.Kg, Avg. Unit Price - in US\$/Kg.)

Auction Centre	2012		2013		2014	
	Qty.	Price	Qty.	Price	Qty.	Price
Chittagong	58.1	2.41	55.3	2.72	67.1	2.19
Cochin	57.4	1.8	53.4	1.94	52.7	1.66
Colombo	325	3.07	335.5	3.44	333.5	3.56
Guwahati	119	2.47	126.6	2.27	128.9	2.32
Jakarta	32	1.97	33.0	1.98	26.3	1.66
Kolkata	151	2.81	162.7	2.72	142.0	2.65
Limbe	12.5	1.7	9.6	1.82	9.0	1.43
Mombasa	322	2.88	384.2	2.41	390.2	2.03

Source: computed from ITC Web Site

Colombo Auctions holds the record for the highest average auction price fetched for the last four years. Also it was the only auction centre that exceeds USD 3.00per Kg. During the reference period, except Guwahati all the other auction centers have recorded lower average price than year 2013. Kolkata holds the second largest average auction price with US\$ 2.65 per Kg. & Guwahati has moved to third position in 2014 surpassing Mombasa status hold in 2013.

2.5.5 Global Tea Exports

Global tea exports during 2014 showed a shrinkage of 34.9Mn.kg (2%) as against the previous year. Kenya & Sri Lanka escalated its export quantities and attained growth of 14.9% & 3.8% correspondingly, compared to the other major tea exporting countries in 2013. The three largest exporters, viz, Kenya, China and Sri Lanka accounted for more than 61.4% of global exports.

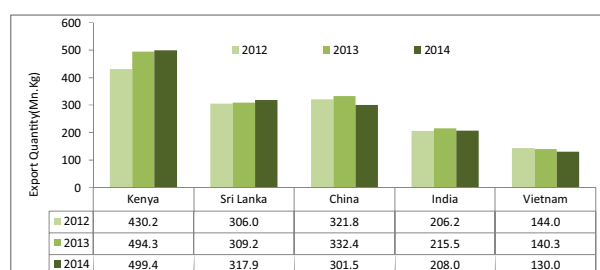
The leading tea exporting countries with their export revenues in year 2013 are listed below. It reveals that Sri Lanka recorded as the largest income earner from tea exports. This reveals that Kenya has earned as the second largest export earner. Sri Lanka's tea industry was able to continue 1.5 billion US dollar industry status with its pure Sri Lankan tea exports.

Table 2.17: Top five export earners (2013)

Country	Export Revenue (US\$ Million)
Sri Lanka	1,463.00
Kenya	1,328.43
China	1,304.30
India	713.52
Vietnam	226.13

Source: Annual ITC Bulletin of Statistics – 2014

Chart 2.6: Major Tea Exporters



Source: Supplement of Annual ITC Bulletin of Statistics – 2014,

Note: Sri Lankan Figure with excluding Re-exports

2.6 Export Market Review for Ceylon Tea

2.6.1. Russia and CIS region

The Russian Federation and the Republic States of CIS region absorb around 265 -285 million Kilos of teas per annum from all origins. During the year 2014, the region imported 264 million of Kilos which accounts for 15.52% of the total tea imports for consumption by all countries in the world.

However, it is clear that the total tea imports by the region has dropped by 13,028 MT from 2012 to 2013 which was mainly due to the drastic decline of tea imports by the Russian Federation from 171,129 MT in 2012 to 160,300 MT in 2013 at a rate of 7% (10,829 MT).

The Russian Federation continues as the largest tea importer in the world for consumption. According to the unofficial sources, Russia has imported around 156,400 MT during period January to November 2014 in bulk form supplying to packing factory. Thus it could be expected that the country would reach

the target of approximately 170,000 MT of total tea imports during the full year 2014.

The table appended below shows the total tea imports by the Russian Federation & CIS region in 2013 and 2014.

Table 2.18: Total tea imports by the Russian Federation & CIS region

Country	2014 (Kg)	2013 (Kg)	Change(Kg)	Growth
Russia	43,554,833	46,371,885	2,817,052	(-6.07)
Ukraine	6,358,351	9,342,238	2,983,887	(-31.93)
Azerbaijan	11,152,851	10,780,779	372,072	(+3.45)
Kazakhstan	820,040	867,949	47,909	(-5.51)
Uzbekistan	793,994	1,259,839	465,845	(-36.97)
Kyrgyzstan	1,015,667	991,067	24,600	(+2.48)
Belarus	546,245	638,247	92,002	(-14.41)
Moldova	322,054	271,361	50,693	(+18.68)
Georgia	634,568	327,711	306,857	(+93.63)
Tajikistan	44,799	30,663	14,046	(+45.80)
Turkmenistan	49,402	46,151	3,251	(+7.04)
Armenia	36,029	70,198	34,169	(-48.67)

2.6.1.1 RUSSIA

With an average annual intake of around 170 Mn. Kg, per capita consumption of tea in the country is around 1.2 Kg.

According to the Russian Custom information Agency, Russia has imported 43,554,833 Kg of Ceylon Tea during the year 2014. The corresponding period in 2013 shows a total import volume of 46,371,885 Kg and reflects a decrease of 2,817,052 Kg during the year 2014.

It shows a marginal decline of total tea imports by the Russian Federation which is 1% in volume term, from 173,122 MT in 2013 to 172,335 MT in 2014, while the total value of the imports has declined from USD 657 million in 2013 to USD 645 million in 2014 registering 2% decrease. The Black tea and Green tea imports in bulk form have considerably increased at the cost of importation of value added teas of the both category. The decline of the value added tea imports and the increase of bulk tea imports imply the expansion of the local tea packaging industry in Russia.

2.6.1.2 UKRAINE

Ukraine is a traditional tea consuming nation and the third largest tea importing country in Russia/CIS Region after the Russian Federation and Kazakhstan. The average annual tea import volume is between 22,000-25,000 MT. Ukrainian people are not passionate tea drinkers in comparison to Russia for instance; they consume not more than 500 – 600 grams of tea per year while Russian people consume 1.2 kg of tea per year. In Ukraine tea remains a relatively low priced product having a high demand. It is revealed that more than 80% of Ukrainians drinking tea more than once a day. Also there are certain regional preferences in types of drinks: citizens in Western Ukraine traditionally consume coffee, central and eastern Ukrainian citizens choose “compotes” (soft drink made from fruits boiled in water). Youth appear to prefer alcohol-free drinks and juices.

2.6.1.3 AZERBAIJAN

The tea market in Azerbaijan is about 10,000 MT per annum and it is estimated that approximately 2000 MT is traded through cross borders (mainly through Russia, Iran, Georgia and Turkey). According to Statistics Committee, annual tea consumption per Azerbaijani family is 01kg - 700gm.

Azerbaijan also produces small quantity of tea while 95 % of tea requirement of the country is met by imports.

2.6.1.4 KAZAKHSTAN

Kazakhstan is a traditional tea consuming country, and the second largest tea importer in CIS behind Russia. Total market volume of tea per annum in Kazakhstan is estimated to be 30,000 – 33,000 MT. The Kazakhstan is predominantly a CTC tea market dominated by Kenya and India. It is reputed that 85% of the total CTC teas imports to the country are from India and Kenya and Green tea constitutes approximately 6% of the total market volume. However, the country imports teas from Sri Lanka, China, Russia and Indonesia to meet the demand.



2.6.1.5 UZBEKISTAN



The domestic tea market is estimated approximately at 23,000 MT annually with fully dependent on imports. The most of the tea requirement of Uzbekistan is supplied by foreign countries in retail packs. However, there are various companies that have established packaging of their products in Uzbekistan.

Uzbekistan tea market is predominantly a green tea market. China holds the lion share (around 80%-90%) of the market. The other major backup suppliers are Iran, UAE, Vietnam, Indian and Sri Lanka. According to trade sources, loose tea remained the most popular type of tea in Uzbekistan. The popularity of loose tea is based on the consumer perception that loose tea has more flavor than tea bags and a superior taste.

2.6.1.6 KYRGYZSTAN



Market sources indicated that the actual volume of tea consumption is estimated at around 4000MT per annum. With a population of 5.7 million, the per capita consumption is about 700 gram per annum. Black tea is the most popular having a share of 90% of total market volume. Green tea is popular in the western part of the country in the border of Uzbekistan. Green tea is considered a drink of the summer while black tea, is an all-time drink. Tea bags consumption is insignificant except in the institutional catering sector.

This can be noted from the small amount of tea bag shipped from Sri Lanka. According to the government sources, the country imports 3500 – 4000 MT of tea through official channels. In addition to this, approximately 500Mt of tea is moved into the nation through border trading from China, Kazakhstan, Turkmenistan and Uzbekistan.

As per the Sri Lanka Customs Statistics, Sri Lanka's direct exports to Kyrgyzstan were recorded 1020 MT in 2014 and 984 MT in 2013. The increase of the export volume of Ceylon Tea registered 3.7% in 2014. Approximately 90 % of tea was exported in bulk form however they showed an increase of 56% in tea packet shipments in 2014 over the previous year. Tea bag shipments have increased only by 7.8 % in 2014 over 2013.

2.6.1.7 BELARUS



With a population of 9.6 million, the total tea market in Belarus has been estimated as 6000 MT - 8000 MT per annum. In 2014, over 70% of the volume has come through the borders of Russia. As per the information received from the National Statistical Committee in Belarus, the country has imported only 4,707MT during the year 2014 which is an increase of 137 MT (3%) compared to the previous year. However, the total value of tea imports to the country has declined to USD 47.4 million in 2014 from USD 50.7 million in 2013.

2.6.1.8 MOLDOVA



As per market sources, the total market for tea is estimated at around 2500 – 3500MT per annum based on actual sales with a per capita consumption of 500 grams. The ratio of consumption of black and green tea is estimated at 95:5. Flavored teas are also consumed in small volumes. The demand for tea bags is gradually increasing in urban areas. Most of the teas enter Moldova via the Ukrainian border. Ceylon tea is extremely popular and widely available in almost all the market outlets.

Ceylon Tea Exports to Moldova is estimated around 250 MT- 350 MT per annum. The almost total Ceylon tea exports to Moldova is in value added form of which Packets and Tea in Bags account for 58% and 32%. The remaining share goes to green tea exports.

2.6.1.9 TURKMENISTAN



The Turkmenistan tea market is estimated around 7000 MT- 8000 MT per annum. The tea market is predominantly green tea which is mainly supplied by China. During the year 2014, the country has imported 6,325 MT of tea from all origins. 60% of the total tea imports represent green tea and the balance 40% is black tea.

Sri Lanka tea exports to Turkmenistan have increased remarkably by 115% in 2014 over the previous year. In 2014, Ceylon tea exports recorded 59.3 MT and it was 27.6 MT in 2013. The value of the



exports also simultaneously inclined from Rs. 34 million in 2013 to Rs. 72 million in 2014 at growth rate of 119%. Approximately 99% of the Ceylon tea form. The packeted teas and tea bags exports account for 53% and 31% share of the total Ceylon tea exports volume respectively while green tea registered 16% share.

2.6.1.10 TAJIKISTAN



Sri Lanka tea exports to Tajikistan has increased from 27.9 MT in 2013 to 49.6 MT in 2014 in volume term and from Rs. 28.3 million to Rs. 44.7 million in value term. The value added component represents around 90%.

2.6.2 MIDDLE EAST & NORTH AFRICAN MARKETS

Table 2.19 Country wise Ceylon tea exports to MENA region (2013/2014)

Country	2014 (kg)	2013 (kg)	Difference (Kg)	Growth %
Iran	29,259,732.00	38,416,383.00	(9,156,651.00)	-23.84%
Turkey	44,731,500.00	32,202,299.00	12,529,201.00	38.91%
Iraq	24,441,504.00	22,266,861.00	2,174,643.00	9.77%
Syria	12,849,398.00	21,058,862.00	(8,209,464.00)	-38.98%
Kuwait	12,146,319.00	16,021,562.00	(3,875,243.00)	-24.19%
UAE	19,216,600.00	17,531,254.00	1,685,346.00	9.61%
Jordan	6,648,847.00	7,632,455.00	(983,608.00)	-12.89%
Libya	12,424,711.00	6,520,837.00	5,903,874.00	90.54%
Saudi Arabia	4,690,296.00	3,519,977.00	1,170,319.00	33.25%
Lebanon	3,434,936.00	2,815,634.00	619,302.00	22.00%
Egypt	2,812,986.00	2,016,859.00	796,127.00	39.47%
Total	172,656,829.00	170,002,983.00	2,653,846.00	1.56%

2.6.2.1 Iran



The recent performance of Ceylon Tea to Iran is tabulated above. During past 02 years, exports have exceeded 38 million kilos but during the current year direct off-takes have declined from 38.4 M. kilos to 29.3 M.kilos in comparison to 2013. More volumes appear to have been re-routed through Turkey and Northern Iraq in 2014.

Iran is considered as the most important tea market for Sri Lanka after the Russian Federation. About 15% of all Ceylon Tea exports to the world ultimately end-up for consumption in Iran. This is due to the significant volume of cross-border trade which takes place from Dubai, Turkey, Iraq/Northern Iraq and Syria with Iran.

The popularity for tippy types, OP types and FBOP types are well established which contributes tremendously to boost the low grown prices at Colombo Tea Auctions resulting in higher green leaf prices to the small holders.

According to Sri Lanka Customs Department statistics, Iran has imported 29,259,732MT of tea from Sri Lanka in 2014. This indicates a decrease of 9,156MT or 23.86% when compared with same period in 2013.

2.6.2.2 Turkey



Turkey is considered as the 5th largest producer of tea in the world after China, India, Kenya and Sri Lanka. Although official figures are hard to obtain, it is widely believed that tea production of Turkey is anything between 200 to 240 million kilos per annum, not less or not more. At the peak, Turkey has exported close to 20 Million kilos but analysts say, it could be exporting a maximum of 10 Million kilos per year in the recent decade. The domestic consumption is not accurately registered in publications but projected to be in the region of 250 to 260 Million kilos per annum. Thus, Turkey is also one of the largest Tea consumers in the world, probably lower to only China and India. While the official import of tea to Turkey is around 5 to 10 million kilos per annum, the actual tea imports are estimated to be approx. 30 to 40 million kilos for a year. It is mostly supplied by Sri Lanka.

Tea is the national drink of Turkey and undisputedly the leader of the hot beverage segment. As per research, tea has a 95% house-hold penetration in the country with 96% of the population drinking the beverage daily. Many Turkish people drink as much as 20 glasses of tea every day.

The exports of Ceylon Tea to Turkey touched a historical high of 44,732 MT by end of the year. It is also gratifying to note, that revenue generated from Ceylon Tea exports to Turkey has exceeded Rs. 27 Billion in 2014. The FOB price per kilo of Ceylon Tea to Turkey has exceeded Rs.600/- Sri Lanka tea exports to Turkey have registered a significant growth of 12,529 MT or 38.91% in 2014 when compared with previous year.

2.6.2.3 Iraq

Iraq has the world's fifth largest proven petroleum reserves in the world with an estimated 115 billion barrels, although a large amount of its reserves are still undeveloped. Since 2009, oil exports have returned to levels last seen before the US invasion of Iraq in 2003. However, the on-going war with Daesh/ISIS terrorists has caused concerns regarding the ability to continue oil production at normal levels. Due to the oil price decline, revenues have dropped by almost 60%, a major income issue for Iraq since 90% of the Iraqi Budget relies on oil funds.

Obtaining tea import statistics from a war torn country is virtually impossible. Also, Jordan and Kuwait are two major re-export outlets for tea to Iraq during the recent past. While cross-border trade from Jordan declined to a trickle in 2014, re-export from Kuwait was heavy. Further, Turkey also emerged as a new re-export hub for tea to Iran, Syria and even Iraq during past year.

Since the year 2011, Iraq has maintained the position as the 4th largest buyer of Ceylon Tea and continued to retain that rank during 2012, 2013 as well as 2014. Sri Lanka tea exports to Iraq have registered significant growth of 2,174MT or 9.77% in 2014 when compared with previous year.

2.6.2.4 Syria

Traditionally, Syria imported about 27,000 to 28,000 MT of tea per annum and during some years; off-takes exceeded 30,000 MT. While the domestic consumption before the war erupted was estimated at around 20,000 MT each year, the surplus was re-exported to Turkey and Iran mostly.

The tea exports from Sri Lanka to Syria performed extremely well until the civil war erupted in 2011. Henceforth, the off-takes were gradually going down year on year. When the war situation reached an apex during the past year (2014) all business trading with Syria declined to a trickle where tea was not an exception. The recorded Ceylon Tea exports of 12,850 MT for last year are the lowest off-takes to Syria for a long time.

It is ironical that Syria was the 3rd largest importer of Ceylon Teas after the Russian Federation and Iran until the war erupted and furthermore, continued to be the 4th biggest tea bag market for Sri Lanka. This external development has trusted a new challenge on the Sri Lanka tea industry to search for new markets which is very difficult while reinforcing the more stable tea markets loyal to Ceylon Tea and even look at some of the lost markets for opportunities of regaining penetration, another very tough proposition without dynamic policy changes. Indeed it appears, out-markets are disappearing fast for Ceylon Tea and therefore, out-of-the box thinking will be not a luxury but a compulsion during 2015 for the sustainability of this noble industry in the island nation.

According to Sri Lanka Customs Department statistics the country has exported 12,849MT of tea to Syria during 2014. This reflects a drop of 8,209MT or 39% when compared with the volume of 21,058MT recorded for the same period in 2013.

2.6.2.5 Kuwait

The per capita income of Kuwait has been rising steadily since the 2008/9 global financial crisis and from a figure of US\$ 45,000 five years ago; it is now edging towards US\$ 60,000 reports the World Bank, a remarkable growth. Despite the oil and gas prices collapse, Central Bank of Kuwait put GDP growth at 3.5% for 2015 though some analysts estimate the economy could expand by as much as 5% this year. Accordingly, the spending power of Kuwaiti people is on the rise.

Kuwait, with a comparatively small population of only 2.7 million people but a very high GDP per capita leading to an extremely strong buying power consumes just over 03 million kilos of tea for a year. The local Arab community is estimated at only 15% of the population with other Arab nationalities and foreign expatriates dominating the domestic market. Despite the limited 3,000 MT plus local consumption, Kuwait imports around 13,000 MT per annum for re-export to Iraq in large scale and re-exports to Iran in small scale across the common borders.

During 2012 where Iran and Iraq both purchased more Ceylon Tea directly which resulted in a drop of the re-export trade, Kuwait has performed well in the past 05 years by purchasing a sizeable volume of tea from Sri Lanka and remaining within the first ten largest buyers of Ceylon Tea. During the year under review, (2014) Kuwait has emerged as the 8th biggest tea buyer from Sri Lanka, a noteworthy achievement indeed. Another important factor to recognize is tea bags off-takes by Kuwait from Sri Lanka, which is always in the region of half a million kilos (Plus).

According to Sri Lanka Customs Department statistics the country has exported 12,146MT of tea to Kuwait during 2014. This reflects a drop of 3,875MT or 24% when compared with the volume of 16,021MT recorded for the same period in 2013.

2.6.2.6 UAE

Economic recovery of the UAE, gathered speed during the last 02 years (2013/14) attracting more investments into the country. The expansion in economic activities is increasing demand for expatriate workers, once again. Further, mega projects are in-line with the preparation for EXPO 2020 although that theme appears to be over-played by UAE to attract global attention.

With its unique blend of stability, economic success and strategic location, the UAE (particularly Dubai) has positioned itself as the top hub for luxury travel in the world, beating Singapore, Hong Kong or any other country. The high density of luxury retailers in its shopping malls and the competitive prices they offer, thanks to zero sales tax policy, have turned Dubai and UAE to an ultimate shopping heaven for individuals across the globe.

Located at the cross-road of trade flows between Middle East & Central Asia, Africa and the Far East, Dubai has become the largest trade hub for the entire Middle East where tea is not an exception.

Sri Lanka tea exports to UAE increased in 2014 due to the impact of lifting of international sanctions on Iran on the UAE-Iran re-exports trade. The country was able to export 19,216MT of tea in 2014 and increase of 1,685MT or 9.61%, compared to 17,531MT supplied in 2013.

2.6.2.7 Jordan

Jordan is one of the few Middle Eastern countries without natural oil & gas to support the economy. Thus, 65% to 70% of the GDP Composition is based on services and at least another 25% on industries. They also have about 5% contribution to the economy from the agriculture sector.

Ceylon Tea share in the Jordan domestic market is around 75% while re-exports from Egypt and Saudi Arabia constitute another 10% and 5% respectively. Although Jordan is comparatively a small tea market which could absorb about 5.5 million kilos per annum, it is important since the retail market for tea bag category is said to exceed 50% to 55% with a strong potential for further growth.

The most important feature of the tea market in Jordan for Sri Lanka is that, it has emerged as the 2nd largest tea bag destination for Ceylon Teas after the Russian Federation. Close to 10% of the total tea bag exports from Sri Lanka is now absorbed by Jordan, a significant achievement which needs highlighting. Further, almost 95% of all Ceylon Tea off-takes to Jordan are in value added form.

According to Sri Lanka Customs Department statistics the country has exported 6,648MT of tea to Jordan during 2014. This reflects a drop of 983 MT or 12.89% when compared with the volume of 7,632MT recorded for the same period in 2013.

2.6.2.8 Libya

The economy of Libya depends mainly on the energy sector which contributes a thumping 95% of the export revenue and at least 65% of the country's GDP. However, the revolution and the collapse of Gaddafi's Government have created an anarchy situation in Libya.

The tea market in Libya could be broadly classified into Black Tea – 80% share and Green Tea – 20% share. While Sri Lanka dominates the black tea segment, China controls the green tea category. Although India was a traditional back-up supplier after Sri Lanka, they have not succeeded to export any worthwhile volume to Libya during the past decade.



Ceylon Tea imports to Libya are 100% in value-added form which is very important for the Sri Lanka tea industry. The current crisis and up-heavers in the Libyan market do not augur well for Ceylon Tea, although the consumer preference is definitely for tea from Sri Lanka.

Due to the risky security situation, no promotional activities were launched in Libya during the last year (2014).

Libya has registered a significant growth of 5,309 MT or 90.54% in 2014 when compared with previous year. Sri Lanka tea exports to Libya reached 12,424 MT last year as against 6,520 MT recorded for 2013.

2.6.2.9 Saudi Arabia

The Kingdom of Saudi Arabia is the wealthiest country in the Middle East/Gulf Region and the largest producer of crude oil in the world. Its oil production per day during 2014 has been estimated at 10,000 barrels. Almost 90% of export revenue to the nation is generated from the oil sector.

The Saudi consumers are considered as very brand conscious and demand for high valued luxury goods is strong. The per capita food and beverage consumption as well as mass grocery retail sales (Fast Moving Consumer Goods – FMCG) are on the increase. It is reported that 75% of the Saudi population fall into the youth category proving a significantly young society attracted to Western trends progressively.

Saudi Arabia remains as the largest country among the Gulf Region with almost 30 million population and also considered as the richest. It is also the biggest consumer of tea within the six GCC Group while consuming around 33 million kilos per annum. The tea import to the Kingdom has reached approx. 35,000 MT and only about 1,500 MT is reported to be re-exported.

Sri Lanka tea exports to Saudi Arabia have registered an impressive growth of 1,170 MT or 33.25% in 2014 when compared with previous year. Sri Lanka tea exports to Saudi Arabia reached 4,690 MT last year as against 3,519 MT recorded for 2013.

2.6.2.10 Lebanon

Lebanon is an exceptionally unique Arab nation where a large Christian population is living along with the Muslim community, again sharing significant proportions of both Sunnis and Shiites. The ratio of the hot beverage distribution of Lebanon is a rare exception for the Middle East where tea to coffee is 20:80 in favor of coffee. The large Christian population and the close influence of Europe may have contributed greatly to this extraordinary phenomenon. It is reported that per capita consumption of coffee is as high as 4,500 grams (4.5 kilos) per person for a year as against tea which is only 750 grams (0.75 kilos). Thus, Lebanon is a coffee dominated market in comparison to all other Arab nations.

The above table reveals that tea imports to Lebanon and internal consumption of tea has been growing quite rapidly during the past 05 years or so. Since 2009 to end of 2014, net imports of tea have increased by 1,500 Tons which is a remarkable 62.5% growth from the base year.

The Ceylon Tea exports have been on a continuous rise to Lebanon during the past 05 years. From a base figure of 2,126 MT almost 05 years ago, the off-takes have gone-up to 3,435 MT by end of 2014, a growth of 1,300 MT (62%) which is gratifying.

Sri Lanka, the leading supplier of tea to the small Lebanese market has been able to maintain her position in 2014 as well. According to Sri Lanka Customs Department statistics, Sri Lanka has exported 3,434 MT of tea to Lebanon in 2014, as against 2,815 MT recorded for the same period in 2013. Accordingly, the Sri Lanka exports to Lebanon has increased by 619 MT or 22% from 2013 to 2014.

2.6.2.11 Egypt

Tea is considered to be one of the main strategic foodstuff commodities to Egyptians at all levels. In rural areas it is a substitute to fruits and even served as a welcome drink several times a day. The average per capita tea consumption exceeds 1 kilo per person for a year. The trade is now 100% in the hands of the private sector. Egypt has stopped issuing tea under the ration quota. They import tea mostly in loose form (in Multilayer paper bags of 50-65 kgs.)



As per Sri Lanka Customs Department figures, Sri Lanka tea exports to Egyptian market in 2014 were registered a total volume of 2,812MT. This reflects an increase of 796MT or 39.47% as against the volume of 2,016MT shipped in 2013.

2.6.3 Far East Oceania

2.6.3.1 Japan

Japan is one of the prominent markets that consume tea, and especially a market that demands standardized high quality tea. Quality aspect acts as a barrier to the new entrants to the tea market and also serves as the sustainable competitive advantage for the major players who are already supplying tea to Japan. Thus Japan is a market that serves as a benchmark that produces and imports highest quality and cleanest tea.



Tea consumption in Japan is 118,000 MT s per annum, a slight contraction compared to previous years, but however still among of the leading tea market in the global sphere. However Green tea consumption dominates the Japanese market whilst demand for black tea is static and Oolong tea market is declining. The present trend in Japan is as such that the market for instant and Ready to Drinks are growing with 40% of imports are from the instant and RTD category.

Japan has always been among top 10 countries major markets for Ceylon Tea. Sri Lanka mainly exports Black Orthodox tea to Japan and dominates the black tea market with a powerful 60% of market share. Total Black tea exports to Japan from Sri Lanka in 2013 have been 8,821 MT in quantity and Value wise USD 46.7Million.

2.6.3.2 Taiwan

Taiwan produces around 15,000 MT of tea of which 95% are high quality Green tea. Taiwan is a significant market for tea with a per capita consumption of 1.59kg's per head.



The total tea imports to Taiwan amounts to 30,000 MT per year, out of which 66% divided among Black tea and Oolong tea. Vietnam is the dominant player exporting tea to Taiwan with share of 73% followed

by China and Sri Lanka with a share of 12% and 8% respectively.

Total tea consumption in Taiwan amounts to 41,000MT per annum which is also driven by high volume of tourists arriving from Asia, who consumes tea mostly as a part of their drinking culture.

Taiwan is an important market for Ceylon tea with growth potential. Tea exports to Taiwan from Sri Lanka has experienced a growth of 16% in quantity and has escalated from USD 6.7 million to 8.6 million which is a growth of 28% from year 2013 to 2014.

2.6.3.3 Australia



The tea consumption is mainly in Black Tea form but the Green Tea segment which is still very small (Approx. 3%) has shown a positive growth. The total tea imports to Australia indicate 11,300MT in 2014 against the imports of 11,800MT in 2013, which shows a decrease of 4.2%. India accounts for 26.5% as leading supplier followed by Sri Lanka's with a contribution of 22%, Indonesia (17.6%) and China (13.2%) in 2013/14. Black tea accounts for 81% share of the market in terms of volume fruit/herbal 7% and green 6%.

Average unit prices increased by 3% in 2014 despite discounts on black standard tea. Specialty tea and pyramid bags carry a higher unit price, contributing to the increase in average unit prices. Australians are willing to pay extra for higher-quality tea and, as such, off-trade unit prices of tea increased by 3%.

Unilever with two brands Lipton & Bushells hold 30% market share in terms of value, followed by Twinning's (23%), Dilmah (12%), Tetley (11 %). The demand for black specialty tea, green tea and fruit/herbal tea has been growing.

Sri Lanka has exported 2,877 MT of tea to Australia in 2014 as against 2,648 MT in 2013 Ceylon Tea exports to Australia has increased from 2,648 MT in 2013 to 2,877 MT in 2014, which is a increase of 8.4%. Value added component accounts for 86 % (tea bags-69% and packed tea-17%) of total tea exports to Australia.

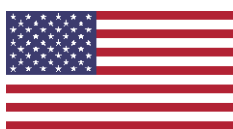


2.6.4 North and South American region

Table 2.20: Country wise Ceylon tea exports comparison to North and South American region (2013/2014)

Country	2014	2013	Change Qty (Kgs)	Growth %
	QTY	QTY		
Chile	6,948,952	6,837,547	111,405	1.63
USA	4,509,210	3,736,641	772,569	20.68
Canada	677,048	567,219	109,829	19.36
Venezuela	59,450	30,424	29,026	95.40
Brazil	3,473	10,735	-7,262	-67.65
Mexico	22,251	10,142	12,109	119.39
Panama	3,448	5,633	-2,185	-38.79
Argentina	43,840	27,040	16,800	62.13
Colombia	1,544	318	1,226	385.53
Total	12,269,216	11,225,699	1,043,517	9.30

2.6.4.1 USA



USA is the largest and the most important tea market in the American Continent. Imports into USA crossed the 130Mkg mark with most major suppliers retaining their regular shares of the market. Imports of Green tea during 2013 were higher by 15%, thus contributing to a share of 17% of total imports. Black Tea imports from India, Argentina and Malawi recorded gains. Average unit prices of Black Tea and Green Tea imports were US\$ 3.04 and US\$ 5.58 per kg., respectively.

Argentina remains as the major supplier of tea to USA with a share of 39%, followed by followed by China (19%) India (17%), Vietnam (5.7%), Indonesia (3.4%) and Sri Lanka (3.5%). Major Green tea suppliers were China and Japan. In respect of value terms, China was the top import source of tea to USA in 2013 followed by Argentina and India.

Tea exports from Sri Lanka to USA during the past years had fluctuated around 3.7 to 4.5 million kilos per annum. It represents 3.5% of total imports into USA. During the year 2014, Sri Lanka has exported 4,509,210 Kg of tea which is an increase of 20.6% in volume compared to 2013. The export earnings during the period have moved up significantly by 30.8% or Rs. 3398 Million.

2.6.4.2 Canada



Canada is another traditional tea market in North America. Tea grows by 3% to reach CAD 18 million in 2013, while retail volume sales decline by 3% to reach 12,957 tones. Specialist teas in mass channels and

specialist tea chains accommodate a more refined demand. Loose black specialty tea is the best performer in 2013, with a retail value increase of 22% to reach CA\$ 5 million. Green tea also stood out in retail sales, growing by 6% in retail value and 4% in volume in 2013 to reach CAD 76 million and 722 tones.

Tea consumption will continue to grow in Canada as changing demographics and rising demand for premium tea experience drive new developments in the market. Overall growth will likely come from specialty black tea as well as such innovations as tea pods that cater to increasingly premium-minded Canadian consumers, offering them a new and refreshing way to consume tea.

Sri Lanka exported 667048Kg of tea to Canada during the year 2014, compared to 567219 Kg in 2013. In value terms it has moved up significantly from Rs. 610 Million to Rs. 667 Million which is an increase of 9.3% during the period.

2.6.4.3 Chile



Chile is the largest Tea market in South America with imports exceeding 20,000 MT per annum. Tea in Chile continued to develop well with a slightly better volume performance; tea consumption rose by 3% whilst current value retail sales achieved 4% growth during 2014. Tea average current unit price increased by 2% in 2014. Even though consumers increasingly prefer more expensive varieties of tea, sales remain limited in comparison with regular black tea, which is considerably cheaper in comparison. Other tea led growth in 2014 due to the increasing preference for innovative and new varieties of tea among consumers. In addition, the health and wellness trend is driving consumption of green, white and red tea.

Argentina remains as the major supplier with 55% share while Sri Lanka is the dominant back-up supplier with 33% share. Sri Lanka has exported 6,948,952Kg of tea to this market in 2014 compared to 6,837,547Kg in 2013 which is an increase of 1.63% in terms of volume. Export earnings in 2014 increased to Rs. 3819 Million or by 18% compared with 2013.



2.6.5 European Region

Table 2.21: Country wise Ceylon tea exports comparison to European Region (2013/2014)

COUNTRY	2014 - (Kg)	2013 - (Kg)	Variance (Kg)	Growth %
Germany	6,245,999	6,557,405	-311,406	-4.75
Poland	2,599,218	2,778,007	-178,789	-6.44
Belgium	2,489,250	2,428,270	60,980	2.51
Netherland(Holland)	3,002,559	2,252,619	749,940	33.29
Ireland	2,058,458	1,909,865	148,593	7.78
Israel	1,965,222	1,481,396	483,826	32.66
Italy	1,511,738	1,376,433	135,305	9.83
Finland	2,221,022	1,239,873	981,149	79.13
France	1,076,611	869,906	206,705	23.76
United Kingdom	68,579	833,422	-764,843	-91.77

The grower countries are the largest suppliers to the UK tea market with Kenya leading the way with 66,133 MT (48%) followed by India 18,970 MT (14%), Indonesia 7,720 MT(6%) and Malawi 7,782 MT (5.6%) in 2013.

The UK is the largest EU exporter of tea, accounting for 40% of total EU tea exports. Re-export during the year 2013 was 22,299 MT. The main export destinations are Canada, USA, Ireland, Belgium, Germany, Switzerland and France.

Sri Lanka tea exports show a fluctuating trend during the last seven years. According to Sri Lanka Customs, direct exports from Sri Lanka during 2013 were 833 MT of Ceylon tea at a value of approximately 833 million rupees. A quantity of 936 MT of Ceylon Tea with a value of 940 million rupees was exported during the year 2014, of which 71 % was in bulk, 12 % was in packets and 17% in Tea bags.

2.6.5.1 United Kingdom

With a population of about 62.6 million UK is the second largest consumer of tea in the world. The UK is so far the largest importer of tea in the EU, with a market share of 54% in total net tea imports in 2013. As per available ITC statistics, UK imported 115,342 MT of tea during the year 2013 and showed a marginal decline of 6.5% over the previous year imports of 144,575 MT. UK consumers are black tea drinkers, with 98% of the tea imported being black tea and only 2% green tea.



2.6.5.2 Poland

With a population of about 38 million Poland is the third largest consumer of tea in Europe. The annual tea consumption in the country is estimated to be around 34,000 MT with per capita



consumption of 1.1 kg (ITC 2013). Poland is a significant net importer of tea in the EU, with a market share of 11% of total tea imports in 2013. As per available ITC statistics, Poland imported 32,386 MT of tea during the year 2013 and showed a decline of 12% over the previous year imports of 29,483 MT. Poles are black tea drinkers, with 87% of the tea imported being black tea and only 13% green tea. The black tea market is dominated by CTC type from Kenya and India, Orthodox of the OPA, FBOP and BOP leafy types; and infusions including fruit, herbal and flavored tea bags.

The grower countries are the largest suppliers to the Poland tea market with Kenya leading the way with 6,075 MT (19%) followed by Vietnam 3,268 MT (10%), India 4,082 MT (13%), Indonesia 3,814 MT (11%), Germany 3,540 MT(11%) and China 2,027 MT (8%), Indonesia and Sri Lanka 2,027 MT (6%) in 2012.

According to Sri Lanka Customs, direct exports from Sri Lanka during 2014 were 2,564 MT of Ceylon Tea at a value of 2,058 million rupees. A quantity of 2,778 MT of Ceylon Tea with a value of 2,032 million rupees was exported during the year 2013, of which 33 % was in bulk, 9.4% was in packets, 57% in Tea bags. It reflected a decrease of 8% in volume and 1.2% increase in value over 2013. Poland which is considered as the third largest tea bag market for Ceylon Tea during certain years after the Russian Federation and Australia to be recognized as an important outlet for value-added teas from Sri Lanka.

2.6.5.3 Germany

Germany is the second largest importer of tea in the European Union but in terms of consumption it is behind United Kingdom and Poland. Germany imported 55,215 MT of tea during the year 2013. Germany after UK is the second largest re-exporter of tea in Europe and during 2013 it re-exported 48% (26,493 MT) of the total import volume with net imports of 28,722 MT for domestic consumption.



Total tea imports to Germany increased from 44,281 MT in 2009 to 55,215 MT in 2013, an increase of 10,934 MT or 25% over the five year period. China supplied 20% (11,029 MT) of Germany's tea imports, followed by India (15%), Sri Lanka (14%), and Indonesia (10%).



Re-exports of tea from Germany have marginally increased from 25,315 MT in 2009 to 26,493 MT in 2013 – an increase of 1,178 MT or 5 %. USA is the major destination of re-export from Germany holding a share of 16% followed by France (14%), Netherlands (10%) Poland (9%) and UK (7%).

Sri Lanka was the major supplier of black orthodox tea to Germany. Sri Lanka exports most of its tea in bulk form and value added exports accounts for 32%. Sri Lanka exported 6,179 MT of tea to Germany in 2014 and Germany was the 13th highest export destination for Ceylon Tea with a decrease of 5% over the previous year.

2.6.5.4 France



France is the fourth largest net importer of tea behind U.K, Poland and Germany in the European Union with a market share of 3.2%. The tea imports during the period 2009-2013 had fluctuated between 17,672 MT – 18,889 MT. Tea imports during the year 2013 were 18,889 MT as against 17,835 MT in 2012 which shows an increase of 6% in terms of volume. China is the major tea supplier with a market share of 36% followed by Belgium (10.5%), Germany (10%), and Sri Lanka (6.3%). 20% of France tea imports are re-exported leaving the balance for domestic consumption.

Black tea with market volume of 9,419 MT represents 49% of total imports while green tea with a volume of 9,470 MT holds 51% share. About 70% of teas imported into France are in pre-packed form while only 30% are imported in bulk form. China is the largest supplier of black tea with a share of 20% followed by Belgium (15%), Sri Lanka (13%), Germany (10%) and U.K. (6%). Supply of Green tea is also dominated by China with a major share of 51% followed by Germany (10.5%) and Belgium (6%).

As per Sri Lanka custom statistics, during the year 2014, Sri Lanka has exported 988 MT of tea against 817 MT in 2013. But Sri Lanka's share in the French market could be much higher since tea coming from Belgium, UK and Germany too include a reasonable volume of Ceylon Tea.

2.6.5.5 Netherlands



Tea imports into the country have fluctuated between 25,000-30,000MT levels during the period of 2008 – 2012. Black tea holds a large market share of about 93% of total import volume.

According to Sri Lanka Customs, direct exports from Sri Lanka during 2014 were 2,914 MT of Ceylon tea at a value of approximately 2,177 million rupees. A quantity of 2,186 MT of Ceylon Tea with a value of 1,712 million rupees was exported during the year 2013, of which 6 % was in bulk, 65% was in packets and 29% in Tea bags.

Malawi is the largest supplier of tea followed by Argentina, Indonesia, Iran, China, India and Sri Lanka. Local tea consumption is estimated to be around 7,500-8,500MT per annum with a consumption of 0.48Kg per capita. Black tea share of the market is approximately 85% and green tea accounts for the balance. Tea bags are the most popular which accounts for over 90% of retail sales. It is noted that a number of specialty tea shops have been growing since more people are looking for good quality teas.

2.6.6 South Asia Region

Table 2.22: Country wise Ceylon Tea Exports to South Asia Region

Country	Qty (kgs)			Growth %
	2013	2014	Change	
India	610,484	1,882,963	1,272,479	208
Pakistan	604,401	86,275	-518,126	-86
Bangladesh	280,647	415	-280,232	-100
Maldives	225,985	188,083	-37,902	-17
Afghanistan	8,766	0	-8,766	-100
Nepal	2,110	1,647	-463	-22
Total	1,732,393	2,159,383	426,990	25

South Asia region comprises eight countries with 1.7 billion populations. Out of this five countries imported 2.2 million kilograms of Ceylon teas during the year 2014. It was a noticeable growth compared to 2013 but below the 2012 imported quantity of 5.3 million kilograms. India ranked first among this region importing 1.88 million (87%) kilogram of region's total for the value of Rs. 1.3 billion.



India and Iran started trade in “Barter” system. Following these two countries exchange tea and oil for the benefit of the two countries without bank transactions. Hence, Indian tea exporters tend to use Sri Lanka and India Free Trade Agreement concessions to re-export Ceylon tea to Iran through India recently. As a result, India imported more teas from Sri Lanka for Indian premium tea market as well as re-exportation purposes.

Pakistan total tea imports were registered at 136657.65 MT in year 2014 with an increase of 8.6% when compared with 125,828.7 MT imported in 2013. 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 \$ 0.86 per Kg from China and the highest average price recorded at US \$ 3.97 per Kg from Sri Lanka.

Kenya is the largest tea exporter to Pakistan. It is important to note that the average price of Kenyan tea imported has gradually decreased to reach at US \$ 2.41 per Kg in 2014. The Pakistani consumers are used to the taste of Kenyan CTC tea.

The import of tea from Sri Lanka to Pakistan has marked a decrease in 2014, registering at 25.08 MT compared with 668.389 MT recorded in 2013 as the average price of Sri Lankan tea was the highest when compared to other sources of supply. It is however necessary to undertake vigorous promotional campaigns by both importers and exporters to re-capture of this important market and work on prices of tea as Kenya has reduced their prices of tea in 2014.

Maldives maintained the same volume of their Ceylon Tea imports in 2013 and showed some modest improvements as against 2012. Bangladesh, Afghanistan, Nepal made considerable decreases in their Ceylon tea imports and Maldives registered moderate decrease in import of Ceylon tea during 2014.

03 ACTIVITIES UNDERTAKEN BY THE BOARD

3.1 Tea Commissioner's Division

The Tea Commissioner's Division administrates all matters connected with the regulatory 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, Disposing, regulations of tea industry which were delegated to the Tea Commissioner since 01st January 1976.

Functions of the Tea Commissioner's Division have been decentralized into seven regional offices which are located in Galle, Matara, Rathnapura, Gampola/Hatton, Bandarawela and Matugama.

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

- Collection of statistics related to production of Tea
- Registration and renewals of tea manufacturers and factories
- Programs for Improvements of Green Tea leaf standards
- Providing subsidies for factory modernization and replanting (including infilling and new planting)
- Reasonable price payments for factories and dealers
- Special monitoring of GMP
- Registration and monitoring of green tea leaf dealers
- Registration and monitoring of refuse tea processing centers and dealers
- Conducting SLTB/SLSI product quality certification programs

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)

3.1.1 Key Achievements

Comparatively past years, the division achieved such major achievements in 2014. One of the major achievements was a revision of penalty scheme for defaulters.

Launching a SMS system for price check at factory level was benefited to small holders remarkably and new quality standards for local market have been developed during the year 2014.

3.1.2 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 manufacturers of tea and the prescribed particulars relating to the tea factories of such manufacturers to be registered. The division has the authority to decide whether any person is entitled to be registered as a manufacturer for the purposes of this Act. Every tea manufacturer should register with Tea Board for manufacturing and selling teas through auction centre.

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

Classification of those in operation in terms of the elevation categories and degree of bought leaf manufacture is shown in the table 3.1



Table 3.1 Classification of Tea Factories by Operation

Status	High	Medium	Low	Total
1. Confined to Own Leaf	61	12	05	78
2. Own leaf & Bought leaf :-				
a) Own leaf less than 50% at total production	12	39	132	183
b) Own leaf more than 50% of total production	144	40	19	203
3. Bought Leaf only	08	29	274	311
4. Registered Tea Factories not in operation	33	73	76	182
5. Total number of Registered Tea Factories	199	193	507	899
6. Total no of Registered Tea factories in operation	166	120	431	717

3.1.3 Reasonable Price Payable for Bought Leaf

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

The proceeds from made tea sales 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 50: 50 ratio. The formula is based on an out turn ratio of 21.5% from green leaf to made tea.

3.1.3.1 Defaulted Payment

During the year under review the total defaulted payment for green leaf suppliers are maintained at Rs. 200 million as at 31st December 2014. We also recovered Rs 6.06 Million during the year 2014. Further accumulation of defaulted payment interrupted by suspending their registration. Restoration of registration of such factories considered only after settled the total defaulted payment.

Table 3.2: Status of Defaulted Payment

Region	Amount as at 2014.01.01	Amount added during 2014	Amount recovered and paid	Balance payment due to smallholder as at 31.12.2014	Amount due from closed Factories	Amount due from functioning Factories
Ratnapura	140,716,243.72	-	22,269,384.58	118,446,859.14	78,964,572.76	39,482,286.38
Matara	7,037,964.15	-	4,384,190.60	2,653,773.55	1,769,182.37	884,591.18
Gampola	25,280,399.33	-	9,004,561.79	16,275,837.54	10,850,558.36	5,425,279.18
Galle	14,528,802.60	(2,165,940.88)	-	16,694,743.48	11,129,828.99	5,564,914.49
Mathugama	15,699,301.01	-	347,760.19	15,351,540.82	10,234,360.55	5,117,180.27
Hatton	11,381,630.00	-	-	11,381,630.00	7,587,753.34	3,793,876.66
Bandarawela	8,060,505.21	-	7,024,187.41	1,036,317.80	690,878.70	345,439.10
Total	222,704,846.02	-2,165,940.88	43,030,084.57	181,840,702.33	121,227,135.07	60,613,567.26



3.1.4 Quality Control of Green Leaf

The appropriate conditions of the buildings, equipments, 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 cancel the factory registration of such under the Tea Control Act.

The quality control of green leaf is vital fact for the manufacturing operations undertaking using bought leaf. If the high quality green tea leaf are used in the manufacturing process eventually, the quality of the made tea will be increased and it will be an ultimate benefit for the both Green tea leaf Dealers as well as the tea manufactures.. If any factory found as a defaulting factory, it will be warned that either registration of the factory was liable to be suspended or cancelled.

Sri Lanka Tea Board has published a Gazette notification for Green Tea Leaf standards on 14th December 2010.

3.1.4.1 Quality Improvement Activities

Under 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 designed and implemented in order to improve the quality of tea manufacturer.

- a) SLSI-SLTB Quality Certificate
- b) The "B Leaf 60" programme to improve the green tea leaf standard
- c) Rush Crop Management programme during festival season
- d) Low NSA Strategy
- e) Quality Monitoring System(Task Team Operation- TTO)
- f) Factory Modernization subsidy scheme
- g) Tea Re Planting Subsidy Scheme
- h) Factory based tea development programme
- i) Establishment of GMPS in Tea Factories
- j) Green Tea Dealers Training Programme (N I P M)

a) SLSI – SLTB Quality Certificate

The Sri Lanka Tea Board (SLTB) in association with Sri Lanka Standards Institution (SLSI) operates a Product Certification Scheme to certify the manufacturing process and the final product, i.e. Black Tea.

The scheme is centered around essential elements of the Quality Management System combined with additional requirements on process control and product testing as specified in the relevant standards along with applicable legal requirements. SLSI - SLTB Tea Product Certification Scheme operates in an impartial, non discriminatory and transparent manner to provide third party guarantee of quality Black Tea to the ultimate customer.

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

This programme has been implemented to improve the leaf quality by minimizing the post harvest damage and by improving the plucking standards. The present leaf standard is the Best Leaf 33% Below Best 32% and Poor 35%. The "B Leaf 60" was implemented with the target of maintaining green leaf standards (Best leaf standard) at minimum of 60% within a short a period.

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

1. Awareness Programme for Stakeholders
2. Impose regulations on handling of leaf
3. Financial assistance for improving post harvest techniques

c) Rush Crop Management programme during festival season

This project is designed to minimize the crop losses during festival season due to closing down 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.



d) Low NSA Strategy

This is a project that is 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.

e) Quality Monitoring System (Task Team Operation- TTO)

92 Surprise inspections were carried out at tea factories by the officials of the Tea Commissioner's Division during the year 2014.

Table 3.3: Task Team Operations

Region	No of Inspections done
Bandarawela	05
Gampola/Hatton	12
Ratnapura	12
Matara	05
Galle	40
Mathugama	18
Total	92

f) Subsidy scheme for Factory Modernization & Tea Replanting

Under Domestic funds, the Treasury has been allocated funds for the tea development activities through the Sri Lanka Tea Board's Budget. The above allocated funds are utilized for the subsidy scheme of factory modernization and tea planting during the year.

Funds were available for the corporate and private sectors for replanting and factory modernization for the year 2014. Following table show the payment made for the replanting and factory modernization subsidy scheme in year 2014.

An extension officer (Field coordinator) has been planned to appoint through this program for the purpose of monitoring the productivity of tea smallholdings and handling of Green tea leaf.

This was planned to extend the project to all tea growing areas for year 2014.

Table 3.4: No. of applications and amount paid as subsidies

Region	Replanting Subsidy Scheme		Factory Modernization Subsidy Scheme		
	No of Applications	Amount Paid	Extent Hec	No of Applications	Amount Paid
Bandarawela	04	2,585,000.00	28	01	508333.00
Hatton	28	1,288,800.00	15.5	--	--
Gampola	08	13,006,176.00	111.83	02	1186667.00
Ratnapura	--	--	--	03	1655000.00
Matara	04	1,655,664.00	13.72	04	3704001.00
Galle	10	791,612.00	5.62	02	1410674.00
Mathugama	--	--	--	02	2000000.00
Total	54	19,327,252.00	174.67	14	10,464,675.00

g) Factory Base Tea Development Program (FBTDP)

Factory based tea development program has been designed with the aim to improve the productivity of tea smallholdings and the tea factories collaboratively by Sri Lanka Tea Board, Tea Research Institute and Tea Smallholdings Development Authority.

h) Establishment of Good Manufacturing Practices (GMPs) in Tea Factories

Under this scheme 339 tea factories were evaluated and actions were taken to improve the standards of tea manufacturing process.

Table 3.5 : Regional wise assessments of GMP

Region	Assessment of GMP
Bandarawela	56
Gampola/Hatton	113
Ratnapura	06
Matara	52
Galle	59
Mathugama	53
Total	339

i) Licensing of Dealers in Green Tea Leaf

According to the Tea Control Act it is required for all green tea leaf dealers to obtain annual license from the Tea Commissioner Division.

Following table shows the regional wise green tea leaf dealers' distribution

Table 3.6: No. of license issues during 2014

ATC – Regions	License declarers as at 01.01.2014	Renewals of Licenses	New Licenses issued	Licenses to deal in Green Tea Leaf as at 31.12.2014
Bandarawela	156	139	12	151
Gampola/Hatton	299	269	36	305
Matara	343	318	25	343
Galle	357	328	38	366
Ratnapura	593	504	88	592
Mathugama	300	257	43	300
Total	2047	1815	242	2057



j) Processing of Refuse Tea

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 since 2009. The table no. 3.7 illustrates the regional wise total permits issued during the year 2014.

Table 3.7: Issued permits for refuse tea processing centers during 2014

Region	Registered Processors as at 01.01.2014	Renewals during the year	Newly issued during the year	No of Processing Centers as at 31.12.2014	No of Permit Issued as at 31.12.2014
Bandarawela	02	00	00	02	1069
Gampola/Hatton	290	263	15	278	2264
Matara	17	16	01	17	829
Galle	45	36	03	39	839
Ratnapura	06	6	04	10	1479
Mathugama	07	07	00	02	627
TOTAL	367	328	23	348	7077

3.2. Tea Exports Section:

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.

3.2.1 Key Achievements

In order to safeguard the quality of the tea presented to the domestic consumption export division initiated new scheme to register all the tea suppliers in the local market under main three categories on the basis of the expected monthly sales volume.

The export section terminated acceptance of Customs declaration Message (CUSDES) & other supplementary documents by hand with a view to encourage the exporters to submit all the documents on-line. There by achieving the paper less trade and facilitating the exporters the intermediates involved in the tea trade

The section was able to implement an efficient and transparent mechanism for daily field inspection, sample generations and the receipt of results of tea tasting/testing results subsequently the tea samples to tea tasting units and the SLTB laboratory through specified bar code identification system and the tools of automation. These paved the way to strength and streamline the regulatory aspects regulatory criteria Stipulated in tea control ACT.

A special operation was carried out in the warehouses of produce brokers, tea exporters, tea blenders and tea packers with a view to assessing the parameters with regard to the Good Manufacturing Practices (GMP) and quality of made tea.

3.2.2 Registrations

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. 1.0 Million 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 Extraordinary no. 386/13 of 28th January, 1986, any person who engages in the business of packing tea in polythene bags for domestic consumption or in other forms of packaging it is essential to register 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.



Table 3.8: Registration Statistics of Exporter, Packers, Warehouse, Produce Brokers and Importers (2014)

Registrations	As at 01.01.2014	During year 2014 (New Registrations)	Total No. as 31.12.2014
Exporters	414	46	460
Packers	475	108	583
Warehouse	498	45	543
Importers	194	11	205
Produce Brokers	8	-	8

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

Retail containers which contain other origin teas blended with Sri Lanka Teas 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 Teas packed in Sri Lanka" or "Other Origin Teas packed in Sri Lanka" only.

All registered tea exporters are required to submit CUSDECs with other required documents to the Tea Exports Section prior to move the cargo to the Port of Colombo in order to obtain the authorization. A team of SLTB officers inspect the cargo at the time of completion to ascertain whether the tea in concern is in line with the required standards for exports prior authorization.

3.2.3. Importation of Tea

The Sri Lanka Tea Board has issued 487 import permits for Importation of 6,573,621.70kgs of tea However; the actual quantity of import was 6,128,807kgs during the period under review.

Table 3.9: Sri Lanka's actual tea imports (January-December 2014)

Country	Type	Imported Qty.(kgs)	CIF Value(Rs.)	Value Rs.
China	Green Tea	2,288,775	324.07	741,716,456
	Special	54,100	278.65	15,074,864
	White Tea	37,062	530.40	19,657,755
	Decaffeinated Tea	5,000	927.00	4,635,000
	Sub Total	2,384,937	327.51	781,084,078
India	CTC	2,293,066	211.79	485,659,419
	Special(Black Tea)	456,159	577.25	263,317,507
	Decaffeinated	10,390	780.14	8,105,629
	Green Tea	14,764	280.65	4,143,500
	Sub Total	2,774,379	274.38	761,226,055
Kenya	CTC	772,479	301.73	233,079,702
	Sub Total	772,479	301.73	233,079,702
UK	Decaffeinated Tea	300	1,257.96	377,388
	Sub Total	300	1,257.96	377,388
Germany	Decaffeinated Tea	1,249	1,642.36	2,051,304
	Sub Total	1,249	1,642.36	2,051,304
Myanmar	CTC	1,079	-	-
	Sub Total	1,079	-	-
	Special Tea	324	554.00	179,496
Malaysia	Sub Total	324	554.00	179,496
Indonesia	CTC	54,200	304.85	16,523,120
	Sub Total	54,200	304.85	16,523,120
Vietnam	Green Tea	101,340	281.26	28,502,962
	Sub Total	101,340	281.26	28,502,962
Japan	CTC	100	13,028.75	1,302,875
	Sub Total	100	13,028.75	1,302,875
Uganda	CTC	15,140	351.78	5,325,909
	Sub Total	15,140	351.78	5,325,909
Netherland	Decaffeinated Tea	400	-	-
	Sub Total	400	-	-
Africa	CTC	11,400	274.63	3,141,767
	Subtotal	11,400	274.63	3,141,767
Tanzania	CTC	11,440	275.00	3,146,000
	Sub Total	11,440	275.00	3,146,000
Grand total		6,128,807	299.56	1,835,940,656

3.2.4. 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 3.10 no. of quality defects at each sampling level (2014)

Type of sampling	no. of samples withdrawn	no. of cases detected as below ISO and contamination
Pre-auction	1267	223
Postauction	24	-

3.2.5. 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 108.330kgs of made tea identified at all levels above in 2014.

3.2.6 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 2014.

Table: 3.11 Utilization of TRQ under the FTAs (2014)

FTA	Quota per annum kg	Total exports kg.
India-Lanka	15,000,000	1,499,415.99
Pakistan-Lanka	10,000,000	1,708.21

3.2.7. 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.

3.3. Tea Promotion Division

3.3.1. Main Objective/ Task of the Division

Tea Promotion Division is responsible for the implementation of Ceylon Tea promotion programs locally and in foreign markets on behalf of Sri Lanka Tea Board under the following broad categories;

- I. Uni national Promotion of Ceylon Tea.
- II. Generic Promotion for tea.
- III. Participation at International Food & Beverage Trade Fairs and Exhibitions.
- IV. Compilation & dissemination of strategic market profiles on all important tea consuming countries.
- V. Assisting Ministry of Plantation Industries on policy formulation for the Tea Sector.

- VI. Analysis of competitor activities.
- VII. Lion Logo registration and monitoring.
- VIII. Protection of Ceylon Tea & other Regional Tea Growing names/logos as Geographical Indications.
- IX. Ozone friendly Pure Ceylon Tea Logo registration and franchising to the private sector packers.
- X. Local Tea Promotion.

3.3.2. Overseas Tea Promotion Offices & Market Coverage

Sri Lanka Tea Board presently maintains two regional overseas Tea Promotion Units attached to Sri Lanka Missions in UAE and Russia. The office in UAE is responsible for tea promotion in Middle East/ Gulf/North Africa regions while the office in Moscow handles the tea promotion work in Russian Federation & CIS markets. The Ceylon tea promotional activities in other markets are handled by the Tea Promotion Division-Colombo in collaboration with the respective Trade Officers/Sri Lanka Missions overseas.

3.3.3. Trade Fair Participation

Sri Lanka Tea Board to assists the Sri Lankan tea exporting companies to participate at International Food & Beverage Fairs in selected tea markets promotion of Ceylon Tea brands. SLTB participated at the following trade fairs and coordinated the logistics of a Group Stand for Tea enabling private sector to enhance volume and value of their export portfolio of Ceylon Tea in 2014.

1. Prodexpo-Russia – February
2. Surajkund Crafts Mela –India - February
3. Foodex – Japan –March
4. Cairo International Tea Fair –March
5. Long Beach Convention (USA) - May
6. Food Taipei – Taiwan– June
7. Summer Fancy Food Show –Australia - July
8. World Food Moscow –September
9. Coteca –Germany - September
10. Hong Kong International Fair – September
11. Xiamen International Tea Fair- China –October
12. Sial France - October
13. World Food Kazakhstan- November
14. FHC –China – November
15. World of Tea – Iran-November
16. Sial Middle East - November



Picture 3.1: World Food Moscow 2014- February



Picture 3.2: XIAMEN International Tea Fair 2014- October



Picture 3.3: FHC - Shanghai Ceylon Tea promotion



Picture 3.4: Foodex - Japan - 2014 Exhibition from 4th - 7th March 2014



Picture 3.5 :Coteca –Germany - September



Picture 3.6: WORLD TEA Expo 2014 - LONG BEACH CONVENTION CENTER, USA (29th - 31st May 2014)



Picture 3.7: Summer Fancy Food Show –Australia - July



3.3.4. Uni National Promotion of Ceylon Tea

Uni national Promotion of “Ceylon Tea” relates to the propaganda 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.

3.3.5. Generic Tea Promotion

The promotion of tea against other beverages falls under generic tea promotion activities. Sri Lanka Tea Board is a member of the Intergovernmental Group on Tea of 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 2014 as mentioned above.

3.3.6. 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 (Nuwara Eliya, Uva, Dimbula, Uda Pussellawa, Kandy, Ruhuna & Sabaragamuwa) 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 for Ceylon Tea marketed under GIs. Home registration of Ceylon Tea, Regional names and logos as Certification Marks were completed during the year.

The application for international registration of Ceylon Tea and seven agro-climatic regional names as Geographical Indications or as Certification Marks commenced during 2012 and are on-going.

Applications for registration of ‘Ceylon Tea’ were filed in 20 countries namely EU, USA, Japan, Canada, Australia, UAE, Iran, Turkey, Jordan, Iraq, Libya, Kuwait, Saudi Arabia, Syria, Egypt, Lebanon, Tunisia, Russia, Ukraine, Azerbaijan. Registrations were completed in Syria, Lebanon, Tunisia and Jordan.

Applications for registration of Regional Tea names and logos (GI) were filed in 5 countries: EU, USA, Japan, Canada, Australia and the registration was completed in Japan and USA.

3.3.7. 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 Board. By the end of the year 2014, Lion Logo has been registered in 98 countries. 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 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 year under review, Lion Logo registration renewals in Kuwait, UAE, and Yemen are completed.

3.3.8. 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 purposes. The project on tea sector was successfully completed in 2002 by adopting environment friendly technologies without use of Methyl Bromide in the



tea plantation 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.

Nine tea exporters have obtained franchise rights from SLTB to use the Ozone friendly Pure Ceylon Tea logo for 16 brands during the year.

Applications were filled for registration of Ozone Logo in 30 countries, namely, EU, USA, Japan, Canada, Australia, Russia, Ukraine, Azerbaijan, Vietnam, South Africa, New Zealand, Taiwan, China, Singapore, Malaysia, Hong Kong, Chile, South Korea, UAE, Iran, Iraq, Kuwait, Syria, Libya, Turkey, Jordan, Saudi Arabia, Egypt, Lebanon and Tunisia. Out of 30 countries Ozone logo registration has been completed in Japan, EU, Malaysia, Kuwait, Syria, UAE, Lebanon, Japan, Russia, Chile and Jordan.

3.3.9. Promotional/Information Publications

Following promotional/informational publications were released during the year:

- i. Bi-monthly newsletter (06).
- ii. Quarterly Tea Market Review-2013 (04).

3.3.10. 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, distribution of promotional materials.

3.3.10.1 Ceylon tea promotion – Hosting of Miss China finalists in Sri Lanka from 29th to 31st of August 2014

Sri Lanka Tea Board organized a “Ceylon Tea Ceremony” to demonstrate the historic and traditional tea culture of Ceylon and to showcase “Pure Ceylon Tea” to all participants of Miss Universe China on 30th August 2014 in Beruwala and all pageants visited Ceylon Tea Moments on 31st August 2014.

The event was organized by The Cinnamon Hotel & Resorts Sri Lanka from 26th August to 1st September 2014. The 20 regional finalists were in the island for 7 days and visiting various parts of the country and important tourist destinations. The event was covered by local and foreign media including Chinese media and China being an emerging market for Ceylon tea, this was a significant opportunity promote nation brand (Ceylon Tea) to the Far East Region.





3.3.10.2 'CEYLON TEA CEREMONY' DURING THE VISIT OF THE PRESEIDENT OF CHINA AT PRESIDENT'S HOUSE, COLOMBO FORT ON 16 SEPTEMBER 2014

Sri Lanka to welcome the First Lady of China and accompanying dignitaries. Ceylon Tea specialty regional teas were displayed followed by the documentary film on the Sri Lanka Tea Industry.

Ceylon Tea Promotion including 'Ceylon Tea Ceremony' was conducted on 16th September 2014 at a special function hosted by the First Lady of



3.3.10.3 National Plantation Awards Ceremony – Tea Sector

The second Plantation Awards Ceremony to recognize excellence in the tea industry was held on 22nd December 2014 at Banquet Hall, BMICH. 25 regional level and 14 national level awards were presented to manufactures, green leaf dealers and exporters at this event. His Excellency, the President attended as the chief guest and Hon. Minister of Plantations Industries was the guest of honor at the event.

Key stakeholders including tea exporters, manufactures and other tea industry related representatives of over 500 guests attended the Plantation Awards Ceremony at BMICH.



3.3.10.4 Deyata Kirula National Exhibition 2014 held at Kuliypitiya

The Sri Lanka Tea Board successfully participated at the Deyata Kirula National Exhibition 2014 held at Kuliypitiya from 21st February to 2nd March, 2014. The Sri Lanka Tea Board had a special booth to educate the local community on the Ceylon Tea industry with a sales counter and the Tea Service

counter under the Ministry of Plantations Pavilion. Approximately 2000 local visitors' including school children visited the Tea Board booth and were educated about the Tea industry by the Tea Board officials. A liquid tea service was conducted at the Plantation pavilion garden and benches were arranged for them to enjoy Ceylon Tea. The total worth of sales was Rs. 360,000/= through the Tea Board sales counter.



3.3.10.5 Shilpa Udana

Sri Lanka Tea Board granted a sponsorship with the participated at "Shilpa National Exhibition and Award Ceremony" for the handicraft and small industrialists, Sri Lanka Tea Board contributed to this event as a CSR project to support popularization of traditional craftsmen and small industrialists, and to provide them an opportunity to showcase and exhibit their creative products and processes.



3.3.10.6 Opening of “Ceylon Tea Moments”

The First ever Ceylon Tea House at Race Course Grand Stand Building at Reid Avenue, Colombo 7, was ceremonially opened by the 1st Lady, Madam Shiranthi Wicramasinghe Rajapakse on 3rd April 2014. The Ceylon Tea House concept is mainly to serve a quality cup of Ceylon Tea and to sell Lion Logo International branded teas to all visitors, especially for foreigners who are visiting the most famous country of Tea land. This is an ideal platform to promote Ceylon Tea as the pre-eminent tea in the world ensuring maximum benefits to all stakeholders of the industry and to become a landmark project in the history of Ceylon Tea.

Over 200 people gathered including VIP Guests, Honorable Ministers, Ambassadors and all stakeholders of the industry gathered to grace the occasion.



3.3.10.7. Foreign Delegations

Sri Lanka Tea Board facilitated and hosted delegations from China, Japan, Argentina, Brazil, Chile and Korea during the year under review and arranged trade meetings with stakeholders of Sri Lanka tea industry with the objective of building trade relationships, exchanging ideas and sharing knowledge for the mutual benefit of both countries.

3.3.10.8. Tea Sales Centre

The Tea sales center located at the SLTB premises sold flag bearer range of Tea Board packs and selected tea products from Twenty six private sector tea companies. Through this sales centre which is managed by the Sri Lanka Tea Board, the consumers not only get to select among the best and widest range of Ceylon Tea brands but also get to see the diversity and variety in the tea category available today in the convenience of one outlet. During the year 2014, revenue of Rs65.77 million was generated through the sale of tea at the center which showed a significant increase of 255% of sales compared to the previous year. The sale of SLTB packs earned Rs 18.8 million while private sector tea brands accounted for 47 million.

3.3.10.9 Sri Lanka Cricket Sponsorship

Sri Lanka Tea Board concluded a historic agreement with Sri Lanka Cricket to sponsor the national Men's & Women's Cricket teams for the next three years commencing from June 2013. This is the first time ever that a Government Organization with one of the most famous global brand was selected as the official overseas sponsor of the cricket team at a value of US\$ 4 million for three years. "Sri Lankan Tea (Ceylon Tea) and the national cricket team have been able to bring honor and fame to the country. Sri Lanka Tea Board is proud to sponsor Sri Lanka Cricket (SLC). It is understood that 62 Million TV viewers worldwide would be watching the international Cricket Tournaments coming up during the next 12 months. Thus, the new opportunities created for Ceylon Tea are tremendous.



- The Promotion Division produced Ceylon Tea branded mugs (on both sides) exclusively for the Cricketers as well as for the commentators to use. 1000 No of mugs were ordered from Noritake Lanka Porcelain
- SLTB has ordered 10,000 numbers of T shirts from the old design which is the initial quantity as per the agreement. In addition SLTB has ordered 5,000 numbers from the new design on 10th April, 2014.
- The Companies who manufacture Iced Teas offered free Ceylon Ice Teas to the Commentator, Media and Sponsor boxes in order to develop a good relationship in a friendly manner with the Commentators to receive maximum commentaries on Ceylon Teas and also as a courtesy to SLC to build a good PR.
- SLC officials as well as the Ten Sports Official confirmed that the High definition Ceylon Tea video was shown free of charge during the Cricket matches and commentators talked about Ceylon Tea during the Cricket commentaries when free time was available. The above commentaries given at no cost to the Tea Board and were telecasted globally
- With the support of the SLC officials a briefing on Ceylon Tea was arranged by the Tea Promotion Division for 05 famous International Cricket Commentators at SLTB on 9th November, 2013. Country Head Ten Sports Media and 5 International Cricket Commentators namely Mr. Rohan Abeysingha, Mr. Ranjith Fernando, Mr. Danny Morrison (Former New Zealand National Cricketer) and Mr. Alistair Campbell (Former Zimbabwe National Cricketer) participated with the officials of SLC.
- A special “Ceylon Tea” Tour was organized by the Promotion Division for Mr. Danny Morrison and Mr. Alistair Campbell to the St. Coombs Estate, Talawakelle for the commentators to practically experience a lush tea plantation and the manufacturing process. The two commentators were given a warm welcome by TRI.
- “Ceylon Tea Cricketers Choice” held on 13th March, 2014 at the newly opened Ceylon Tea Moments Tea House, Race Course, Reid Avenue, Colombo 07. The opportunity was utilized for a special briefing for the Sri Lanka National Cricket Team on Ceylon Tea. A Tea tasting session was also arranged and the Cricketers were allowed to taste regional teas. A full video coverage was done by Sri Lanka Rupavahini Corporation and was shown on Business News too. The backdrop of “Ceylon Tea Cricketers Choice” is now permanently fixed at the main Reception / Entrance of the SLTB Secretariat Building.
- Tea Board Sponsored Mr. Kamal Jayamanne, the Chief Photo Editor of Lake House as the Official photographer of Lake House to cover the Cricket Tournament between Sri Lanka and Pakistan played in UAE, Sri Lanka and England played in Sri Lanka as a Co-sponsor and received more high quality high resolution photographs of the Sri Lanka Cricketers where the Ceylon Tea Cricket T shirt was prominently standing out with exclusive rights to use. The photographs were published in several Lake House newspapers such as Daily News, Dinamina, Thinakaran & Sunday Observer covering all the Cricket matches.
- The Sri Lanka Tea Board has a good collection of photographs which could be used exclusively for our global campaign and also to promote the products of the registered Tea Exporters who enjoy the “Ceylon Tea Lion Logo” franchise through their packaging, advertising and marketing programs.
- Sri Lanka National Cricketers participated for Tea Tasting and promotion session organized by the SLTB jointly with the Sri Lanka High Commission, London, UK at Harrods, Knightsbridge, London, UK in 2014. This special promotion was planned to coincide with the Sri Lanka Cricket tour of UK. Major tea importers, distributors and other relevant stake holders were also invited.



- Key Sri Lankan National cricketers namely Kumar Sangakkara, Mahela Jayawardena, Angelo Mathews and Lahiru Thirimanne who were in England on this tour attended this special promotional event and helped to promote Ceylon Tea as a national brand. The National Cricketers added color to the special promotion by tasting Ceylon Tea and mingling with the target tea customers at Harrods.

The Sri Lanka High Commissioner Dr Chris Nonis also graced the occasion. Mr. Mike Bunston OBE, the honorary Tea Ambassador for Ceylon Tea in the UK and Sonali Wijeratne, Minister (Commerce) were also present. Micheal de Zoysa, Manager, Sri Lanka National Team who is also an expert on Ceylon Tea joined the team members at the event.



- The T-20 Champion - 2014 Cricket players were taken in an open Top bus on the old Colombo – Negombo Road on 8th April, 2014 by the SLC. SLTB organized a parade for the Cricket fans of SLTB. Approximately 35 members of the staff wearing the Ceylon Tea Cricket Replica T shirts was taken in an open lorry with a

“Papara band” and National Flags, thus was highlighted on local as well as international media including CNN. This was a memorable experience for the members of the staff who joined the event too and all participated voluntarily.



- Unlimited online sales have been permitted though only the SLTB website provided however that such website shall be secured against bulk ordering for local purchase. Delivery of stocks for online distribution shall be affected through SLC only. Considerable numbers of t-shirts have been sold online during the ICC Cricket World Cup – 2015.





Since Sri Lanka Tea Board is the official overseas sponsor for Sri Lanka Cricket, SLTB and the High Commission of Sri Lanka in Australia implemented a special Ceylon Tea promotional campaign during 2015 ICC Cricket World cup season in Sydney, Australia.

Distribution of Complimentary Tea SLTB has issued Rs 4.8 Million worth of tea on a Complimentary basis in the following manner for the purpose of promotion of “Ceylon Tea” Complimentary teas to 58 Sri Lankan Missions overseas.

- I. Liquid tea service and distribution at International Trade Fairs.
- II. Promotional give-away to VIPs/Official

3.4. Tea Tasting Unit

3.4.1. Major Task/Objective

Maintain the minimum quality standard/monitoring of ISO 3720 and ISO 11287 at any given point of dispose of tea. Issuing Lion Logo brand franchise certificates for branded Ceylon Tea products for consumer packs, monitoring and ratification Private Sales Direct Sales and forward contracts.

3.4.2. Expert Panel Of Tea Tasters The independent panel consisted two members.

Namely: Mr. C.N.G.deSilva
(over 40 years tasting experience)
Mr. V.A.A.Perera
(over 30years' experience)

Panel members representing the Stake-holders consist of each representative from the following Associations:–

- Colombo Tea Traders Association (CTTA)
- Colombo Brokers Association (CBA)
- Ceylon Planters Association (CPA)
- Sri Lanka Federation of Tea Small Holding Development Societies (SLFTSHDS)
- Tea Exporters Association (TEA)
- Private Tea Factory Owners' Association (PTFOA)

3.4.3 Adopted Tea Tasting Methodologies

SLTB adopt the methodology of ISO3102of 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.

3.4.4. Conduct of Expert Panel Tea Tasting Sessions

- Pre-auction Teas
- Special investigation Teas
- Pre imported samples
- Direct Sales
- Evaluating Tea Tasters for new export Companies.
- Daily Evaluation Pre-shipment monitoring

The decision of the panel is forwarded to the relevant divisions. TCD and DTC (exports) for necessary action.



3.4.5 Registration of Lion Logo Packs

Exporters who wish to depict the Lion Logo on branded consumer packs which is a symbol of quality and country of origin fully owned by the Sri Lanka Tea Board has to forward the application and the branded products for evaluation, as according to the destination and market.

To use the Lion Logo franchise Sri Lanka Tea Board charge Rs. 5,000/- + (VAT + NBT) per brand as registration fees for which a certificate is issued, which is valid for one year.

Granting franchise rights to use the Lion Logo on retail packets. 772 applications were processed for new brands/ Renewals, additional packs for the year 2014

3.4.6. Monitoring Of Quality–Lion Logo Depicted Packs (Local/ Overseas/ Tea Board Range Of Packs)

3.4.6.1 Local Monitoring

Randomly samples from Colombo Super markets and re-tail shops evaluated particularly the brands using the Lion Logo. Mainly reputed the long standing packers registration with the Tea Board who are having a reasonable market share are granted to use the Lion Logo and monitored accordingly.

3.4.6.2 Overseas Monitoring

Under overseas monitoring system all exports samples including the samples with shipments with Lion Logo (80%) sampled under pre-shipment monitoring scheme by DTC (Exports) and forwarded to the Tasting Unit for monitoring purposes prior to shipment.

Also regularly lion logo depicted packs from overseas markets are forwarded by our overseas Bureaux and the Commercial Counselors of Sri Lankan embassies for evaluation and reporting.

3.4.6.3 Tea Board Range of Packs

Flag carrier packs of SLTB are mainly sold at our Sales Counter and sent to overseas Diplomat missions, Bureaux, and trade fairs. The teas are selected and brought on behalf of Sri Lanka Tea Board from Auction or Private Sale channel with the approval of the Tea Tasting Unit by the official packer. The purchased samples, prop samples and blend samples are also tested and approved prior to final packing by the TTU.

F.F.C.T.(500g),
Planters Punch (100g&250g),
Misty hills(200g),
Royal Ceylon (Metal Can –200g)
Family Pack(500g&250g), Poly pack(250g),Green Tea(100g),
Tea Plucker(250g&100g),Luxury Blend–Wooden (125g) Luxury Blend Carton –125g)
Connoisseur–(250g,200g,125g&100g)

3.4.7. Tasting of teas for Quality Control of Pre-Auction teas

Two weeks prior to the sale, the eight brokers forward their pre-auction samples for evaluation. Unit firstly visually evaluate the off-grade, Dust, Premium Flowery and BOP1A samples. Thereafter organoleptical evaluation is done. Selected samples after the evaluation are offered to the panel to take a collective decision to be offered or not at the coming auction of which the decision is conveyed to the DTC (Exports)

no. of samples examined visually -161,977
Organoleptic-17,015
No. of Pre-auction samples rejected by the panel for suspected liquor contamination - 462
Siliceous matters-155
Crude Fiber- 503
Pre-auction samples forwarded by the DTC (Ex.)on random basis (BSL/ESL)
No. of Lots examined - 3,500
no. of samples suspected- 98



3.4.8. Tasting of teas for Quality Control of Pre-Shipment Teas

The above monitoring scheme samples are forwarded with a schedule by the DTC (Ex.) to evaluate the use of Lion Logo, ISO 3720 parameters or any other contamination prior to shipment.

Total no. of pre-shipment samples examined under pre-shipment monitoring scheme--11,723

3.4.9. Tasting of teas for Quality Control of Pre-Import Teas

Pre-Imported samples forwarded by the DTC (Ex.) accompanied with a form to evaluate its suitability for importation. With each application line samples details about the origin, grade etc. is marked.

The panel of tasters will evaluate the teas according to the guide lines of the SLTB circular no: OR/1/65 and to the amendments.

Total no. of samples examined- -1,223

3.4.10 Tasting of teas for Quality Control of Post-Import Teas

On arrival of imported tea consignment samples are drawn and forwarded by the Tea Exports Division to this unit under un-loaded reference samples for approval.

These samples are evaluated as against the offered sample as and when the samples on arrival at the Tea Tasting Unit by Deputy Director (Tech.) of the Tea Tasting Unit.

no. of samples examined -825

3.4.11 Tasting of teas under special investigation

Samples are forwarded by the Tea Commissioner or by DTC (Exports) for the Thursday panel, on a approved schedule to evaluate the grade, contamination, ISO or for any other remarks.

3.4.12 Ratification of Private Sale Panel Valuation Certificate

Ratification of private sale is done by this unit when the sample accompanied with the panel forwarded to this unit by the selling broker with the independent brokers approval. Ratification fees of Rs. 500/-+ (VAT + NBT) per line is charged for the

above service. Presently, the above scheme is scale down to only for Green teas, Organic teas, specialty teas and for small breaks which are not sold through the Colombo Auctions.

Total no. of private sale lots examined and ratified - 8,255

3.4.13 Ratification of Forward Contracts

Ratification was done for few selected marks depending on the buyer's requirement for a period of time. Seller, buyer, broker and the Tea Board ratified the contract of sale. Ratification fess of Rs. 500/-+ VAT + NBT) per line as charges for the above service too.

Total forward contracts lines ratified-795

3.4.14 Ratification of Direct Sale

The above scheme permit 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. Direct sales are ratified by the Thursday panel.

Total Direct sale Lines ratified-2,208

3.5 Analytical Laboratory

Analytical laboratory was granted ISO 17025:2005 international testing laboratory accreditation by Sri Lanka Accreditation Board with effective from March, 2014.

During the intervening year 2014, Analytical Laboratory Division handled 8758 numbers of chemical, microbiological and pesticides residue testing on tea samples. Such tea samples for testing were received through two channels: Internal Monitoring Service (IMS) and External Certification Service (ECS). Tea Board directs its team of tea Inspectors to disperse and draw tea samples randomly on prior to auction and prior to shipment according to the established criteria. This IMS scheme covers all tea disposal points: tea manufacturer, tea broker's warehouses, tea blending & packetting and tea exporters' warehouses. Whereas, ECS covers tea exporters' certification requirements as per their buyers' requirements. During the period 2014, out of the total work done, 4643 tests (about 53.0%) carried out based on samples received under IMS, whereas total number of tests performed under ECS was



4133 (about 47.2%). Out of these, Chemical Analysis Unit handled 3955 number of tests (about 45.2%) & Microbiological Analysis Unit handled 1498 tests (about 17.1%). The rest of the tests, 3305 tests (about 37.7%) had been handled by the Pesticide Analysis Unit.

Analytical Laboratory charge fees for its rendered testing services while exempted the tea samples identified as best quality tea and total income of the laboratory generated during the year 2014 was Rs.15,019,200.00. When the Exporter's contribution was Rs. 11,468,500.00 (76.4%) the income share of internal divisions was Rs.3,550,700.00 (23.6%)

Table 3.12: Summary of tests performed during the year 2013/2014

Name of test	No. of tests	
	2013	2014
Chemical Analysis Unit		
1. Determination of moisture in tea	1089	507
2. Determination of total ash in tea	597	523
3. Determination of water soluble ash in tea	574	523
4. Determination of acid in-soluble ash in tea	578	523
5. Determination of water extract in tea	602	524
6. Determination of alkalinity of water soluble ash in tea	604	523
7. Determination of Crude Fiber in tea	568	539
8. Determination of pH in tea brew	8	-
9. Qualitative Analysis of Cyanide contamination in tea	-	-
10. Qualitative Analysis of Arsenic contamination in tea	-	-
11. Basic Radiation Determination tests.	28	93
12. Other Tests (Added Color, Sugar, Gel, Liquor, Taint, flavour, Chemical Identification, bicarbonate, extraneous)	54	200
13. Grade identification tests/ Sieve Analysis	12	-
14. Determination of Fe/Iron content in tea	7	-
Microbiological Analysis Unit		
01. Determination of Total Plate Count	372	322
02. Determination of Yeast and Mould Count	372	346
03. Microscopical examination for dead or live insects and other Impurities/foreign matter in tea	11	05
04. Determination of Genetically Modified Organisms (GMO) in tea	139	178
05. Detection and Enumeration of Faecal Coliforms & Escherichia coli (E.coli)	314	325
06. Detection and Enumeration of Total Coliforms	319	322
Pesticide Residue Analysis Unit		
01. Ethion	44	644
02. Malathion	44	644
03. Cypermethrin	44	644
04. Alfa Endosulfan	69	85
05. Beeta Endosulfan	69	85
06. Bifenthrin	69	85
07. 2,4 - D	25	-
08. MCPA	28	-
09. Bromopropylate	-	559
10. Tetradifon	-	559
Total	6640	8758



3.5.1 Test Certificates

Total number of the issued certificates during the year 2014 was 1178. However, compared with the last year 2013 (total of 553).

Categories of Issued Certificates;

1. Test report on moisture analysis in tea
2. Certification of tea quality with ISO 3720 minimum quality parameters
3. Certification on tea for chemicals (and chemical adulteration) concerned parameters
4. Certification on siliceous matter quantification in tea, dust /powder particle analysis in tea and sieve analysis of tea
5. Certification on extraneous matters/ microscopical examination for dead and/or alive insects, foreign substance and debris in tea.
6. Certification on microbiological contamination in tea, especially on bacteria, fungus & mould growth, *E-coli*, *Coliform* and *Salmonella sp.*
7. Certification on genetically modified organisms (GMO) in tea.
8. Certification on pesticide multi residue in tea (Ethion, Malathion, Cypermethrin, Alfa Endosulfan, BeetaEndosulfan, Bifenthrin, 2,4 – D, MCPA)

3.5.2 Revenue collection through the testing services of the Analytical Laboratory.

Analytical Laboratory charge fees for its rendered testing services at the requests made by clients, as per the Tea Board circular No. OR/1/87 dated 06/08/2010. Total income of the Laboratory is combined with testing fees received directly from the Exporters (i.e, 76.35%) and fees recovered by the Tea Commissioners Division and Tea Exports Division under the category 'below standard teas' as confirmed by the Analytical Laboratory (i.,e.,23.64%).

Table 3.13: Share of the Total Income: Internal Monitoring vs. External Certification

	2013(Rs.)	%	2014 (Rs.)	%
Internal Monitoring Service (IMS)	4,776,000	76.62	3,550,700	23.64
External Certification Service (ECS)	1,457,900	23.38	11,468,500	76.35
Total Income, Rs.	6,233,900		15,019,200	

Based on the finding of the laboratory analytical services, official actions were taken by the Tea Commissioner and the Deputy Commissioner (Exports) against those contaminated or below standard tea lots. Accordingly, 734 lots were treated as below standard and taken official actions during the intervening year 2014.

Table 3.14: Summary of the generated total Income by the Analytical Laboratory during 2013/ 2014

	2013 (Rs.)	2014 (Rs.)
Total Income	6,233,900.00	15,019,200.00

3.5.3 Work performances of the individual units of the Analytical Laboratory

3.5.3.1 Quality Inspection and Sampling Unit:

Maintaining a document control procedure is mandatory for any testing laboratory serving for international certification. Therefore, the main function of the Quality Inspection Unit is maintaining laboratory documentary procedure according to the international standards for laboratory accreditation, on ISO 17025 standards. Accordingly, during the year under review 2013, established and maintained an internal document control procedures in Chemical, Microbiological and Pesticide Residue Analysis Units. In addition to the above, this section manages and handle sample receiving for testing reporting and issuing the certificates. Quality Management Officer (QMO) under the supervision of the Deputy Director (Laboratory) involve in scientific sampling of tea at the tea exporters warehouses for microbiological testing to identified whether they are suitable for human consumption.

3.5.3.2 Chemical Analysis Unit:

Under the supervision of the Director (Analytical services), the Analyst (Chemical) in the concerned unit was able to work with her team of technical staff and performed the following.

1. Chemical Assessment on inferior quality teas produced before auction and pre-shipment.
2. Chemical Assessment against the established ISO 3720 Standards. (It includes the parameters: Total Ash, Water Soluble Ash, Alkalinity, Acid insoluble ash, Water extract, Moisture and Crude Fiber contents)

3. Estimation of tea dust and powder contents using sieve analysis technique
4. Estimation of siliceous matter content in tea

To improve competency of the working staff in Chemical analysis Unit who involve in testing participate in Interlaboratory Proficiency Testing program every year.

Chemical Analysis Unit consist of one Analyst (Chemical) as in-Charge of the unit , three Technical Assistants and a Laboratory attendant under the supervision of the Director (Analytical services).

3.5.3.3 Microbiological Analysis Unit:

This is where microbiological analysis carryout to check the teas are suitable for human consumption. International test methods are following to check every parameter.

Parameters analyze in the unit are Aerobic plate count, Yeast and Mould count, total coli forms and E.coli in one gram of tea.

This unit also participate international proficiency testing each year.

Microbiological Analysis Unit was comprised with an Analyst (Microbiology) as in-Charge, two Technical Assistants and Laboratory attendant under the supervision of the Director (Analytical services).

3.5.3.4 Pesticide Residue Analysis Unit:

This unit is equipped with all the state-of-art high tech equipment which need to check traces of pesticides remain in tea.

In year 2014 two staff members attend overseas training on test methods and equipment which we are using in the facility.

In the Pesticide Analysis Unit, members accommodated with one Analyst (Chemical/ Pesticides) as in-Charge of the unit, two Technical Assistants and a Laboratory attendant. While overlooking the functions of the facility Deputy Director (Laboratory) involve in development of testing procedures and maintaining the hi-tech equipment.

3.6 Administration Division

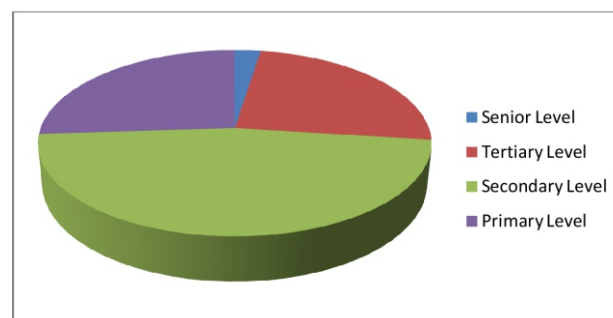
Administration Division of SLTB is responsible for formulation, implementation, monitoring and evaluation of all Human Resources Management and Human Resources Development activities, implementing and maintaining of Information Technology services, coordinating and facilitating of Planning, Monitoring & Evaluation activities of the Board, dissemination of Statistical information, Managing and Maintenance of SLTB Library, Procurement activities, Security and Transport activities of the Board.

3.6.1 Staff Strength of SLTB as at 31st December 2014

Table 3.15: Staff Strength of SLTB as at 31st December 2014

Category	No of Staff		Total
	Male	Female	
Senior Level	05	02	07 (2.5%)
Tertiary Level	43	25	68 (24.5%)
Secondary Level	37	93	130(47%)
Primary Level	67	05	72 (26%)
Total	152 (%)	125(%)	277(100%)

Chart 3.1: Staff Strength of SLTB as at 31st December 2014



3.6.2 Performance and highlights of the Division during the financial year 2014 (as at 31st December 2014)

Table 3.16: Performance and highlights of the Division during the financial year 2014

HRM/HRD Area	Activity	Unit	Nos
HRM- Turnover	Resignations		} 14
	Retirements	Staff	
	Vacation of Post		
	Cancellation		
	Terminations		
Disciplinary Management	Conducting Disciplinary Inquires -	No's	03
Administrative			
Area	Activity		No of services/items
Mtg. – Security	Security Cost	Locations	Head Office and Regional Office
Disposals	Board of Surveys conducted	Nos.	1
General Events	Events	Nos.	4
Mtg. – Transport	Travelling	Value	7,677,842.00
	Cost of Maintenance	Value	17,373,384.00

3.6.3 Human Resource Development

Table 3.17: Local Training

Category	No of Employees Trained
Senior Level	-
Tertiary Level	25
Secondary Level	38
Primary Level	2
Total	65
Total Amount Spent	Rs. 581,900.00

3.6.4 Outbound Training Programme for Managerial level Staff of SLTB -2014

The outbound training programme aimed at helping the participants to understand critical elements of the corporate plan of SLTB and included outdoor activities on performing as a team, team cohesion in a challenging situation, problem solving pressure handling, handling conflicts, overcoming obstacles and achieving goals.

Target Group : 75 Managerial level officers (Senior Managers, Middle Managers and Junior Managers)

No of Days : 2 residential days

Total Cost :Rs. 1.2 million

Dates: 04th& 05th April 2014



3.6.5 Motivation & Skill Development Training for Management Assistant (Technical & non-technical staff)

No of Staff : 130 Management Assistant Tec & Non tech Staff members

Date : 03rd August 2014

Place : NIPM





3.6.6 Motivation & Skill Development for Primary Level staff category

- No of Staff :74 primary level staff including Drivers, Office Aides
- Dates : 28th October & 03rd November 2014
- Place : SLTBz



3.6.7 Foreign Training

Table 3.18: Foreign Training

Category	No of Employees Trained
Senior Level	-
Tertiary Level	1
Secondary Level	-
Primary Level	-
Total	1

3.6.8 Tea Board Day -2014 – Team building Event

Participants : all staff at SLTB
 Date : 06th April 2014
 Place : Laya Leisure - Kukuleganga





3.6.9 Christmas Carol and Christmas Party for Staff -2014

Participation: All staff members of SLTB
 Date : 17th December 2014
 Place : Ceylon Tea Moments



3.6.10 CSR Activities -2014

Flood Relief for Tea Industry victims at
 Kalutara, Ratnapura & Galle
 No of relief Packs : 1200
 Donation Value :Rs. 4.1 Million





3.6.11 Funding: contribution received from staff members of SLTB

Date : 02nd December 2014

Activities : “ Bodi puja”, medicine donation to patients and tea service to OPD patients



3.7 Internal Audit Section

Internal Audit is an independent appraisal function within the Sri Lanka Tea Board, for the review of activities 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 2014 & reviewed the Internal & External Audit Reports & Queries, including special assignments.

Four Audit Committee meetings were held during the year under review & made recommendations to the Board of Directors along with the Minutes, to facilitate taking corrective measures / remedial actions.

3.8 Information Technology Division

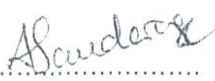
During the year 2014, IT division has completed some important projects and played an imperative role in assisting and consulting all the divisions to overcome challenges in day today office work during the year. 1st phase of the factory modernization and replanting system project was completed. System was developed as a web based application. FinPac Finance system was deployed to regional offices and all the receipts are entered to the system from the branches itself. Sri Lanka Tea Board official website was renovated to produce a better corporate image and enable latest technology. A payment gateway was developed and implemented to sell cricket t-shirts online in the website. The website was launched by the minister of plantation industries at the Exporter's Award ceremony 2014 held at BMICH.


Sri Lanka Tea Board
STATEMENT OF FINANCIAL POSITION
 As at 31 December 2014

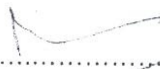
	Note	As at 31.12.2014 Rs.	As at 31.12.2013 Rs.
ASSETS			
Non-current assets			
Property, Plant and Equipment	D	694,587,526	683,561,264
Prepaid Leasehold Right to Land	E	29,046,023	2,935,383
Intangible Assets	F	12,485,605	10,034,678
Financial Assets	G	-	4,813
		736,119,154	696,536,138
Current assets			
Inventories	H	36,873,056	63,651,785
Trade and Other Receivables	I	35,195,129	54,293,753
Deposits and Prepayments	J	108,543,296	26,400,861
Other Financial Assets	K	5,070,148,106	4,032,781,237
Cash In Hand and At Bank	L	42,876,516	51,290,662
		5,293,636,102	4,228,418,298
Total assets		6,029,755,256	4,924,954,436
EQUITY AND LIABILITIES			
Contributed Capital		652,067,602	652,067,602
Retained Earnings		(350,567,922)	(374,108,286)
Promotion and Marketing Levy	M	4,904,992,818	3,898,124,564
Revaluation Reserve		481,933,543	481,933,543
Total Equity		5,688,426,040	4,658,017,423
Non-Current Liabilities			
Employee Benefit Obligations	N	43,952,223	43,083,575
		43,952,223	43,083,575
Current Liabilities			
Trade and Other Payables	O	297,376,993	223,853,438
		297,376,993	223,853,438
Total Equity and Liabilities		6,029,755,256	4,924,954,436

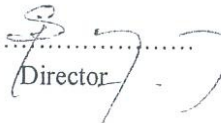
The accounting policies on pages 7 to 13 and Notes on pages 14 to 20 form an integral part of these Financial statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

These Financial Statements were approved by the Board of Directors and signed on their behalf.


 Asst. Director General
 (Finance)


 Director General


 Chairman


 Director



INCOME & EXPENDITURE STATEMENT

	Notes	2014 Rs.	2,013 Rs.
INCOME	A	350,766,495	303,946,292
EXPENDITURE			
Tea sector development expenditure	B	(35,850,400)	(36,676,467)
Administrative expenses	C	(290,068,975)	(257,195,960)
Operating Surplus / (Deficit)		24,847,120	10,073,865
Finance expenses		(210,171)	(75,738)
Finance income		9,146,698	9,073,109
Surplus / (Deficit) for the period		33,783,647	19,071,236

STATEMENT OF OTHER COMPREHENSIVE INCOME

	2014 Rs.	2013 Rs.
Surplus / (Deficit) for the period	33,783,647	19,071,236
Other comprehensive income	-	-
Total comprehensive income for the period, net of tax	33,783,647	19,071,236



STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Contributed Capital Rs.	Promotion & Marketing Levy Rs.	Revaluation Reserve Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 01 January 2013	652,067,602	2,710,683,851	481,933,543	(399,284,582)	3,445,400,414
Promotion and Marketing Levy	-	1,187,440,713	-	-	1,187,440,713
Retained Earnings	-	-	-	6,105,060	6,105,060
Surplus for the year 2013	-	-	-	19,071,236	19,071,236
Balance as at 31 December 2013	652,067,602	3,898,124,564	481,933,543.20	(374,108,286)	4,658,017,422
Balance as at 01 January 2014	652,067,602	3,898,124,564	481,933,543	(374,108,286)	4,658,017,423
Promotion and Marketing Levy (Note 14)	-	1,006,868,254	-	-	1,006,868,254
Retained Earnings	-	-	-	(10,243,284)	(10,243,284)
Surplus for the year	-	-	-	33,783,647	33,783,647
Balance as at 31 December 2014	652,067,602	4,904,992,818	481,933,543	(350,567,922)	5,688,426,040

The accounting policies on pages 7 to 13 and Notes on pages 14 to 20 form an integral part of these Financial statements.

STATEMENT OF CASH FLOW

For the year ended 31st December 2014

	2014 Rs.	2013 Rs.
Cash Flows From Operating Activities		
Net Profit from Operations	33,783,647	19,071,236
Adjustments for		
Depreciation of PPE	26,294,267	27,001,289
Profit or Loss disposal of PPE	4,676,147	(315,647)
Amortisation of Lease hold lands	3,010,975	71,900
Amortisation of Intangible assets	837,591	176,210
Gratuity provision	9,213,376	3,434,335
Interest income received	(9,146,698)	(9,073,109)
	34,885,658	21,294,978
Operating Profit before Working Capital Changes	68,669,305	40,366,214
Decrease /(Increase) in Inventories	26,778,730	(43,702,925)
Decrease /(Increase) in Trade and Other Receivables	14,768,853	(15,274,180)
Decrease /(Increase) in Deposit & Prepayment	(82,142,435)	(13,288,972)
Decrease /(Increase) in Trade & Other Payables	63,280,271	125,707,450
Decrease /(Increase) in Defferred Renewal income	-	(7,233,260)
	22,685,419	46,208,113
Cash Generated from Operations	91,354,724	86,574,327
Gratuity Paid	(8,344,727)	(4,385,452)
Net Expense for promotional activities	(488,686,586)	(332,725,388)
Net Cash From Operating Activities	(497,031,313)	(337,110,840)
Cash Flows (used in) Operating Activities	(405,676,589)	(250,536,513)
Cash Flows (used in) Investing Activities		
Interest Received on P & M levy	341,220,396	363,797,757
Finance Income Received	9,146,698	9,073,109
Acquisition Intangible assets	(2,231,999)	(899,611)
Acquisition Leasehold property	(17,606,120)	-
Acquisition of Property Plant & Equipment	(50,415,944)	(41,546,510)
Investments including P& M Levy	(1,037,366,868)	(1,228,171,644)
Net Cash Flows used in Investing Activities	(757,253,837)	(897,746,899)
Cash Flows Used in Financing Activities		
Cash received from sale of PPE	181,835	374,525
Levy collected from exporters	1,154,334,445	1,156,368,343
Net Cash Flows / (Used in) Financing Activities	1,154,516,280	1,156,742,868
Net Increase / (Decrease) in Cash and Cash Equivalents	(8,414,146)	8,459,457
Cash and Cash Equivalentents at the beginning of the year	51,290,662	42,831,205
Cash and Cash Equivalentents at the end of the year	42,876,516	51,290,662

The accounting policies on pages 7 to 13 and Notes on pages 14 to 20 form an integral part of these Financial statements.

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 31st December and these financial statements are authorized by the board of directors.

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, export brokerage, 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 December 2012, SLTB prepared its financial statements in accordance with SLASs effective up to 31 December 2011. These financial statements for the year 31 December 2012 are the first SLTB has prepared in accordance with Sri Lanka Accounting Standards effective for the periods beginning on or after 01 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

3.1.1 Significant Accounting Policies

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

3.1.2 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.

3.1.3 Depreciation

Depreciation is calculated on pro rata basis. No depreciation is charged during the year of disposal. Estimated useful lives of Property Plant & Equipment are as follows.

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



3.1.4 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.

3.1.5 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 fulfillment 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
----------------	----------

3.1.6 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.

Computer software	15 years
-------------------	----------

3.1.7 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.

3.1.8 Taxation

Sri Lanka Tea Board is liable for Tax on interests earned on investments. Provision has been made at 28% for the payment of taxation.

3.1.9 Inventories

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

3.1.10 Cash & Cash Equivalents

Cash and cash equivalents comprise cash in hand and bank, Treasury bill investments, other short-term highly liquid investments with original maturities of three months or less.

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, a provision is carried forward in the Balance Sheet. The resulting difference between the brought forward provision at the beginning of a year and the carried forward provision at the end of the year is dealt with in the Income Statement.

The principal assumptions used in the calculations are as follows.

Expected Annual Average Salary	
Increment Rate	- 1.01% to 1.03%
Discount Rate / Interest Rate	- 12.16%
Staff Turnover Factor	- 6%

The liability is not externally funded. The item is grouped under Non-Current Liabilities in the Balance Sheet.

4.1.2 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 corporation performance.

5.1.1 Revenue Recognition

Revenue is recognised 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 recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rendering of services

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

Other Income

Other income is recognised on an accrual basis.

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.

5.1.2 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.



6. FINANCIAL INSTRUMENTS- INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

6.1 Financial Assets

6.1.1 Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate and determine the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

The financial assets of SLTB include cash and short term investment, trade and other receivables, staff loans and other receivables.

6.1.2 Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows.

6.1.2.1 Financial Assets at Fair Value through Surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus or deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. SLTB did not have any held –to- maturity investments during the years ended 31 December 2014.

6.1.2.2 Loans and Receivables

Loans and receivables are valued at the realizable value.

6.1.2.3 Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to- maturity when the SLTB has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement.

6.1.2.4 Available-for-Sale Financial Investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available for- sale are those, which are neither classified as held for trading nor designated at fair value through surplus or deficit. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognized in surplus or deficit. SLTB did not have any available for –sale financial investments during the years ended 31 December 2014 .

6.1.2.5 Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when,

- i) the rights to receive cash flows from the asset have expired
- ii) the SLTB has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the SLTB has transferred substantially all the risks and rewards of the asset, or (b) the SLTB has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

6.1.2.6 Impairment of Financial Assets

The SLTB assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

6.1.2.7 Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost, the SLTB first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the SLTB determines that no objective evidence of impairment

exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

6.2 Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. SLTB determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs. SLTB's financial liabilities include trade and other payables.

Subsequent measurement

Subsequent measurement of financial liabilities are at amortized cost.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

A INCOME		YE 31.12.2014	YE 31.12.2013
		Rs.	Rs.
Grant from Treasury - Payment of Salaries		132,000,000	120,000,000
-Capital & Development activities		50,000,000	35,240,241
Income from laboratory	Note 1	13,087,279	3,404,300
Registration and Renewal Income	Note 2	146,724,177	137,261,250
Net profit from commercial activities	Note A.1	8,955,039	8,040,501
		350,766,495	303,946,292
A.1 NET PROFIT FROM COMMERCIAL ACTIVITIES		YE 31.12.2014	YE 31.12.2013
		Rs.	Rs.
Tea Sales		21,548,960	11,730,035
Commission on exporter pack sales		5,945,205	5,407,891
Monopole rental		1,450,000	1,300,000
Sale of Cloth Bag		42,334	44,030
Sale of Tea & Health Book		10,250	8,700
		28,996,748	18,490,656
Less : Cost of sales		(19,562,226)	(10,509,320)
Commission on credit card		(481,972)	(267,434)
Income on sales in foreign currency		2,487	(783)
Difference in exchange		-	327,382
Net profit from commercial activities		8,955,039	8,040,501
B TEA SECTOR-DEVELOPMENT EXPENSES		YE 31.12.2014	YE 31.12.2013
		Rs.	Rs.
Issue of product quality certificates		312,574	496,806
Tea Factory Modernization Subsidy Scheme		10,960,085	17,964,807
Tea replanting subsidy scheme		19,039,915	14,370,667
Minimize post harvest damage		4,501,322	1,417,616
GMP Improvement		1,036,505	2,426,572
		35,850,400	36,676,468
C ADMINISTRATION EXPENSES		YE 31.12.2014	YE 31.12.2013
		Rs.	Rs.
Personnel emoluments	Note 3.1	142,673,856	134,895,837
Other administrative expenses	Note 3.2	34,587,624	30,014,637
Travelling expenses	Note 4	7,677,842	4,894,297
Supplies and requisites	Note 5	11,352,214	9,344,183
Repairs and maintenance	Note 6	17,373,384	14,246,006
Depreciation of PPE		26,294,267	27,001,289
Amortisation of Intangible assets		837,591	176,210
Amortisation of Leasehold Properties		3,010,975	71,900
Utilities and other expenses	Note 7	46,261,222	36,551,602
		290,068,975	257,195,961



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2014

D PROPERTY, PLANT AND EQUIPMENT

	Cost or valuation as at 1-1-2014	additions	disposals/ transfers	adjustments	cost or valuation as at 31-12-2014
FREE HOLD LAND	350,241,280	-	-	224,280	350,017,000
BUILDINGS	246,956,019	17,553,604	-	-	264,509,623
OFFICE EQUIPMENT	50,944,089	8,790,200	133,291	-	59,600,998
FURNITURE & FITTINGS	23,325,100	12,931,266	635,600	-	35,620,766
MOTOR & OTHER VEHICLES	52,815,154	-	1,831,700	-	50,983,454
LIBRARY BOOKS	383,044	-	-	-	383,044
COMPUTER - HARDWARE	31,764,806	1,522,683	-	-	33,287,489
LABORATRY EQUIPMENTS	89,778,613	2,553,103	-	-	92,331,716
	846,208,106	43,350,856	2,600,591	224,280	886,734,091
WORK IN PROGRESS					
BUILDING / OTHER	19,341,215	7,065,089	11,291,214		15,115,090
COMPUTER HARDWARE	1,056,519	-	1,056,519		-
	20,397,734	7,065,089	12,347,733	-	15,115,090
	866,605,840	50,415,945	14,948,324	224,280	901,849,181
Provision for depreciation	Accumulated depreciation as at 1- 1-2014	charge for the year	disposals	adjustments	accumulated depreciation as at 31-12-2014
BUILDINGS	27,816,619	5,026,916	-	-	32,843,534
OFFICE EQUIPMENT	37,970,775	4,302,693	133,291	413,715	41,726,462
FURNITURE & FITTINGS	12,779,939	3,316,658	478,539	-	15,618,059
MOTOR & OTHER VEHICLES	14,895,540	5,096,494	1,465,360	(101,125)	18,627,800
LIBRARY BOOKS	379,055	3,578	-	-	382,632
COMPUTER - HARDWARE	22,973,849	2,319,535	-	-	25,293,385
LABORATRY EQUIPMENTS	66,228,800	6,540,982	-	-	72,769,782
	183,044,577	26,606,857	2,077,190	312,590	207,261,655
NET BOOK VALUE	683,561,263				694,587,526



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

E	PREPAID LEASEHOLD RIGHTS TO LAND		As at 31.12.2014	As at 31.12.2013
			Rs.	Rs.
	Opening Balance		2,935,383	3,007,283
	Addition leasehold Property		29,121,615	-
	Amortization		(3,010,975)	(71,900)
	Closing Balance		29,046,023	2,935,383
F	INTANGIBLE ASSETS		As at 31.12.2014	As at 31.12.2013
			Rs.	Rs.
	Computer Software		9,956,105	1,157,598
	Computer Software Work In Progress		2,529,500	8,877,081
			12,485,605	10,034,678
G	FINANCIAL ASSETS		As at 31.12.2014	As at 31.12.2013
			Rs.	Rs.
	Other	Note 8	-	4,813
H	INVENTORIES		As at 31.12.2014	As at 31.12.2013
			Rs.	Rs.
	Laboratory consumables	Note 9.1	5,365,391	5,118,453
	Promotion materials & Others	Note 9.2	7,992,540	9,381,779
	Tea Stock	Note 9.3	8,995,285	10,241,463
	Others	Note 9.4	14,519,841	38,910,090
			36,873,056	63,651,785
I	TRADE AND OTHER RECEIVABLES		As at 31.12.2014	As at 31.12.2013
			Rs.	Rs.
	Trade Receivables	Note 10	6,465,504	8,008,678
	Staff Receivables & other advances	Note 11	28,729,625	43,647,437
	Receivable - JEDB		25,000,000	25,000,000
	Prepaid Staff Expense		-	2,637,639
	Less:			
	Provision for bad & doubtful debts		(25,000,000)	(25,000,000)
			35,195,129	54,293,753
J	DEPOSITS & PREPAYMENTS		As at 31.12.2014	As at 31.12.2013
			Rs.	Rs.
	Deposits & Prepayments	Note 12	108,543,296	26,400,861
			108,543,296	26,400,861
K	OTHER FINANCIAL ASSETS		As at 31.12.2014	As at 31.12.2013
			Rs.	Rs.
	Investments	Note 13	5,070,148,106	4,032,781,237
			5,070,148,106	4,032,781,237
L	CASH IN HAND AND AT BANK		As at 31.12.2014	As at 31.12.2013
			Rs.	Rs.
	Cash in hand and at Bank	Note 14	42,876,516	51,290,662
			42,876,516	51,290,662



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

M 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, 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.

	As at 31.12.2014	As at 31.12.2013
	Rs.	Rs.
Opening Balance	3,898,124,564	2,710,683,851
Adjustments to opening balance	(32,195,048)	-
Amount collected from exporters	1,154,334,445	1,156,368,343
Interest on investment	341,220,396	363,797,757
Sale of cricket T-shirt	3,388,842	3,521,500
Global marketing campaign	-	75,000
Income from Tea House	18,497,762	-
	5,383,370,961	4,234,446,451
Complementary tea to Missions ,Other gift teas & giveaways	5,713,158	3,447,419
Participation of Local exhibition & Trade fairs	35,841,597	52,264,975
Production cost of communication material (ATL/BTL)	134,566	-
Participation at International Trade Fairs & Exhibitions	17,965,079	15,437,560
Events	3,006,292	10,683,284
Intellectual Property matters, memberships of councils, int.		
Sponsorship	3,577,281	6,195,777
Market Intelligence & Research	8,986,174	3,866,148
Bank Charges	150,037	760,213
Sponsorship for Sri Lanka Cricket	212,928,896	207,959,798
Operation of Tea House expenses	32,006,962	1,819,734
G.I. Registration	426,265	975,293
Grants to Tea Museum	1,500,000	1,500,000
Expenditure -TB Moscow	2,975,380	6,266,849
Expenditure -TB UAE	7,957,328	10,129,752
Travelling Expenses - Foreign	7,097,993	6,595,070
National Level Programme	625,934	-
Above the line Advertising on TV/Radio/Press	2,174,308	-
Below the line Advertising outdoor	30,983,650	2,903,205
Public relation Campaign	4,531,902	-
Programme with Embassies	2,173,410	5,516,809
Income Tax Investment Interest - P & M Levy	97,243,945	-
Difference in exchange	377,987	-
	478,378,143	336,321,887
	4,904,992,818	
P & M Levy Fund balance as at 31.12.2014		3,898,124,564



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

M.1 CEYLON TEA HOUSE

	Rs.	Rs.
<u>Income</u>		
Food & Beverage Sales (Net)	14,905,890	
Tea Exporter Packs Sales (Net)	1,183,051	
T-shirt Sales	50,800	
SLTB Tea Sales (Net)	(981,979)	
Shelf Rent Income	3,340,000	
Gross Operating Income		18,497,762
<u>Expenditure</u>		
Salaries & Allowances	7,612,273	
UDA Rent	4,443,206	
Electricity/water/Telephone/Gas	4,452,820	
Management Fee	3,000,000	
Advertising	5,083,420	
Transport Cost/ Others	7,415,243	
Total operating Expenses		32,006,962
Operating Expenditure Over Income		(13,509,200)



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

N EMPLOYEE BENEFIT OBLIGATIONS		As at 31.12.2014 Rs.	As at 31.12.2013 Rs.
Gratuity opening balance		43,083,574	44,034,691
Gratuity charges for the year		9,213,376	3,434,335
Benefit paid/ payables during the year		(8,344,727)	(4,385,452)
		43,952,223	43,083,574
O TRADE AND OTHER PAYABLES		As at 31.12.2014 Rs.	As at 31.12.2013 Rs.
Trade Payables	Note 15.1	35,676,662	86,623,361
Other Payables	Note 15.2	217,858,639	114,410,675
Accrued expenses	Note 15.3	43,841,692	22,819,402
		297,376,993	223,853,438

CAPITAL & RESERVES

There is no change in the Authorized Capital during the year ended 31 December 2014.

REVALUATION RESERVE

Board has created a revaluation reserve amounting Rs.481,933,543 after the revaluation of the land and buildings and motor vehicles of the Colombo Head office.

CONTRIBUTED CAPITAL

Contributed Capital is made up by government grants amounting to Rs. 652,067,602 /- as at 31 December 2014.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

P LIABILITIES AND PROVISIONS.

A court case heard by the Arbitral Tribunal was given against SLTB for an award of Rs 15,556,355 during the year. However SLTB has appealed against this award and proceedings are in process.

SLTB has been advised by the legal council on the legal cases including the above case pending as of 31st December 2014 that it is only possible, but not probable that the action will succeed. Accordingly no provision has been made in these financial statements.

Q RELATED PARTY TRANSACTIONS

Q.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 transactions, 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 the Transaction	2014	2013
Transactions:		
Revenue	132,000,000	120,000,000
Utility expenses	21,060,410	19,338,503
Outstanding Balances:		
Receivables		
JEDB (Plantation Ministry)	25,000,000	25,000,000

Q.2 Key Management Compensation

SLTB's key management personnel include the Board of Directors.

	2014	2013
	Rs.	Rs.
Short term employment benefits	754,500	776,479

R EVENTS AFTER THE BALANCE SHEET DATE

All the material events after the balance sheet date have been considered and appropriate adjustment and disclosures have been made in to the financial statement, where necessary.

OFFICES OF THE SRI LANKA TEA BOARD

Head Office

Sri Lanka Tea Board

574, Galle Road, Colombo 03, Sri Lanka
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Tel: 011-2582121
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Website: www.pureceylontea.com

Chairman Tel: 011-2587814/2590968
Fax: 011-2585701
E-mail: chairman@pureceylontea.com

Director General Tel: 011-2587814/2508991
Fax: 011-2582122
E-mail: dgsltb@pureceylontea.com

Tea Commissioner's Division

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2584845/2587814/2587773
Fax: 011-2580161
E-mail: tcd@pureceylontea.com

Tea Promotion Division

Director (Tea Promotion) Tel: 011-2583343/2587814/2581418/2580169
Fax: 011-2587341
E-mail: promotion@pureceylontea.com



Tea Exports Section

**Deputy Tea Commissioner
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2504090/2587773
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Fax: 011 2584844
E-mail: exports@pureceylontea.com

Analytical Laboratory

Director (Lab) Tel: 011 2587814/2581576
Fax: 011 2581576
E-mail: lab@pureceylontea.com

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Sri Lanka Tea Board
20, Lower Dickson Road, Galle
Tel. / Fax : 091-2232052
E-mail: atcgl@pureceylontea.com

Foreign Branches

Ceylon Tea Promotion Unit	Director (Tea Promotion) - M.E./Gulf/N.A Tea Promotion Unit
United Arab Emirates	Consulate General of Democratic Socialist Republic of Sri Lanka P.O Box 51528, Dubai, UAE Tel : 00971- 4 3987871 Tel (Direct) : 00971- 4 3989349 Fax : 00971- 4 3987872 E-mail : ctbureau@emirates.nrt.ae / ceylonte@eim.ae
Tea Promotion Unit Russia/CIS	Tea Promotion Officer Embassy of the Democratic Socialist Republic of Sri Lanka Ulitsa Schepkina-24 Moscow 129090 Russia Tel : 007 495-688-1620 495-68811651/495-688-1463 Fax : 007-495-688-1757 E-mail : tea@srilankaembassy.org





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கணக்காய்வாளர் தலைமை அறிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No. }

LP/1/SLTB/1/14/1

ඔබේ අංකය
உமது இல.
Your No. }

දිනය
திகதி
Date }

08 December 2015

The Chairman
Sri Lanka Tea Board

Report of the Auditor General on the Financial Statements of the Sri Lanka Tea Board for the year ended 31 December 2014 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971

The audit of financial statements of the Sri Lanka Tea Board for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the statement of income and expenditure, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of Provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14 (2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act will be issued to the Chairman of the Board in due course.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.





1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgments, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.



2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Tea Board as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following instances of non-compliance with Sri Lanka Accounting Standards were observed in audit.

(a) Sri Lanka Accounting Standard – 01

(i) Even though all income and expenditure relevant to the period should be included in the financial statements, receipt of levies for the promotion of tea of the Board and marketing strategies and the expenses incurred out of it, had not been shown in the statement of income and expenditure of the year under review.

(ii) The bases of measurement used for the preparation of following accounts which are important in understanding the financial statements had not been disclosed.

-Government grants

-Re identification and readjustment of revaluation reserves

- Identification of financial expenditure and income

(iii) Even though the nature and the amount of material income and expenditure shown in the statement of income and expenditure should be disclosed separately, the nature and amount of financial income amounting to Rs. 9,146,698 had not been disclosed separately.



- (iv) Even though details in respect of changes occurred during the past period should be disclosed in the financial statements, details in respect of adjustments made to the income retained in the year under review and the previous year amounting to Rs. 10,243,284 and Rs. 6,105,060 respectively had not been disclosed.

- (v) Payments of income tax had been classified as an operating expense without showing on the face of the statement of income and expenditure in terms of the Standard.

- (vi) Even though transactions should be presented correctly for the representation of the credibility of the financial statements, it had been mentioned that a sum of Rs.43,350,856 had been spent for purchase of fixed assets during the year according to the notes submitted along with the financial statements, but according to the cash flow statement, it had been Rs. 50,415,944 thus observing a difference of Rs. 7,065,088.

(b) Sri Lanka Accounting Standard – 07

Proceeds of Rs. 181,835 from the sale of fixed assets had been shown under financing activities without showing under investment activities of the cash flow statement and debtors amounting to Rs. 4,329,769 written off had been shown by adding to the profit from sale of fixed assets without showing in the cash flow statement separately.

(c) Sri Lanka Accounting Standard – 12

Major components on income tax had not been disclosed in the financial statements separately. Further, disclosures in respect of income tax of Rs. 79,938,193 payable as at the end of the year under review had also not been made.



(d) Sri Lanka Accounting Standard – 16

- (i) Even though it had been indicated in the explanations submitted along with the accounts that lands, buildings and motor vehicles of the Head Office had been revalued, the effective date of the revaluation, whether the valuer was an independent person, the method of material computation for showing assets to a fair value had not been disclosed in terms of the Standard. However, when the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required in terms of the Standard. However, lands and buildings of the Head Office had been revalued in the year 2008 and all motor vehicles had been revalued in the year 2010 whereas all other assets had not been revalued. The fair value of the fully depreciated fixed assets costing Rs. 37.0 million which were used in the Head Office and regional offices as at 31 December 2014 had not been shown in the accounts by revaluing periodically in terms of the Standard.
- (ii) In the sale of an asset, the asset should be depreciated up to the date of sale. Nevertheless, it was stated as an Accounting Policy that depreciation of assets was not made in the year of sale.

(e) Sri Lanka Accounting Standard – 20

Out of the capital grants amounting to Rs.50,000,000 granted from the Government in the year under review for the capital and development expenses, a sum of Rs.35,850,400 had been spent for development expenses and the savings thereof amounting to Rs.14,149,600 had been added to the income without indicating as capital grants in the statement of financial position in terms of the standard. As such, the income of the year under review had been overstated by the same amount. Further, funds of the Board as well had been used in addition to the capital grants received for capital expenditure and as such, the fixed assets purchased from capital grants could not be identified separately.



(f) Sri Lanka Accounting Standard – 38

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Even though the cost, additions and sales during the year and amortization of intangible assets valued at Rs.9,936,105 shown in the financial statements should be disclosed separately in terms of the Standard, the Board had not taken action accordingly.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) A sum of Rs. 21,536,287 had been shown as purchases of tea in the year under review. Out of that, a sum of Rs. 16,104,794 was the value of bills submitted by the supplier and the remaining Rs. 5,431,493 had been computed at average cost and brought to account. It was observed that a part of the purchases had been computed at average cost in this manner due to failure in taking action to obtain the bills relevant to the purchases in the year under review by the Board even by the date of preparing the financial statements. As such, the accuracy of the profit earned by sale of tea and the creditors' balance as at the end of the year could not be confirmed.
- (b) One thousand four hundred and ninety two T-shirts valued at Rs. 3,429,910 sent to various institutions on sales basis in the year 2013, had been returned in the year under review and that value had been debited to the sales account and as such, the profit from sale of T-shirts in the year under review had been understated by that amount. Moreover, this stock of T-shirts had been considered as sales and a profit of Rs. 1,937,910 had been brought to account in the year 2013 and action had not been taken to make adjustments as well in the year under review.
- (c) Out of another 5,206 T-shirts sent to Regional Offices for sale in the year under review, 2,840 had not been sold and that stock of T-shirts costing Rs. 2,840,000 had not been included in the stock account and the sales as well had been overstated by that amount.



- (d) The loss of Rs. 341,566 on sale of fixed assets, write off of bad debts of Rs. 4,329,769 and disposal of financial assets amounting to Rs. 4,813 from accounts during the year under review had been shown under other expenditure instead of disclosing separately in the accounts.

2.2.3 Lack of Evidence for Audit

Supporting documents and schedules for the sum of Rs. 4,702,672 shown as retention deposits as at the end of the year under review had not been made available to audit.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) A sum of Rs. 25 million shown as receivable from the Janatha Estates Development Board for more than five years had not been recovered even by the end of the year under review and provisions had been made for a similar amount for bad and doubtful debts as the recovery was doubtful. However, according to the minutes of the meeting of the Committee on Public Enterprises held on 19 June 2012, the Janatha Estates Development Board and the Tea Board had arrived at a decision to transfer the ownership of the “Ceylon Tea Museum” at Hantana, belonging to the Janatha Estates Development Board valued at Rs. 16 million and to write off the balance of Rs. 8 million. Nevertheless, this process had not been completed even up to the date of audit on 30 June 2015.
- (b) Action had not been taken to settle the Green Tea Leaf Suppliers outstanding deposits amounting to Rs. 5,683,501 since the year 2006.
- (c) Action had not been taken to settle or adjust in the accounts of 25 old balances totalling Rs. 90,238 existing in the General Deposit Account from the year 2001 to the year 2012 and 07 cash balances of Rs. 70,475 receivable from tea packets supplied to various institutions from the year 2010 and before.



2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

The following instances of non-compliances were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
(a) (i) Section 49 of Tea Control Act, No.51 of 1957 and Section 25(3) of Sri Lanka Tea Board Law, No. 14 of 1975	Registration fees, registration renewal fees and license fees had been increased by the Board with effect from 29 July 2010 without obtaining the approval of the Cabinet of Ministers and without being published in the Gazette of the Democratic Socialist Republic of Sri Lanka.
(ii) Sections 13 and 14 of Sri Lanka Tea Board Law, No.14 of 1975	Amendments had not been made to the Provisions of the Act for the establishment and operation of the Cess Fund.
(b) Section 132 of the Inland Revenue Act, No. 10 of 2006	The Pay As You Earn Tax had not been recovered and remitted to the Department of Inland Revenue even by 20 July 2015 from the total salaries amounting to Rs.1,560,000 paid to a Project Consultant appointed to the Tea Promotion Division for the period from 02 August 2012 to 01 August 2013.
(c) Financial Regulation 507 of the Democratic Socialist Republic of Sri Lanka	Balances of Registers of Fixed Assets had not been taken into the Board of Survey Reports and as such the differences between the assets shown in



the Register of Fixed Assets and physically available assets were not shown in the Boards of Survey Reports. As a result, the objectives of the Boards of Survey had not been achieved.

(d) Treasury Circular No.842 of 19
December 1978

The Register of Fixed Assets had not been updated.

(e) Procurement Guidelines 2006
Section 8.9.3

A formal agreement had not been entered into with the contractor in compliance with the Procurement Guidelines in awarding the contract of construction of a room for the safety of machines of the air conditioning system at a cost of Rs. 854,195 in the year under review.

(f) Public Administration Circular
No.41/90 of 10 October 1990

Fuel consumption of motor vehicles had not been tested in terms of circular instructions.

2.5 Transactions not supported by Adequate Authority

A sum of Rs. 4,329,769 brought forward as receivables from a tea factory since the year 1995 had been written off in the year under review without the approval of the Line Ministry and the Treasury.



3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operation of the Board for the year under review had resulted in a surplus of Rs.33,783,647 as compared with the corresponding surplus of Rs. 19,071,236 for the preceding year, thus indicating an improvement of Rs.14,712,411 in the financial result for the year under review. In comparing the financial result of the year under review with the preceding year, taking the saving amounting to Rs.14,149,660 to the income out of the capital grants of Rs. 50,000,000 received for the capital and the development activities of the Board, had mainly attributed to this improvement.

3.2 Legal Act's initiated against/by the Board

A building used on rental basis by the Tea Commissioner's Division had been vacant since 31 December 2002 and the Board had spent a sum of Rs. 2.8 million from the year 2005 to May 2011 to recover the rental advance of Rs. 2.4 million deposited with the owner of the premises through an arbitrator. However, the owner of the premises had demanded a sum of Rs. 4.9 million including 20 per cent interest and 15 per cent Value Added Tax from the Board in respect of damages to the building and failure to bring the building to normal condition for renting out from January to September 2003. An arbitration tribunal appointed for this purpose had given an order that a sum of Rs. 13,828,600 should be paid by the Board as at 14 November 2012. Nevertheless, the Board had made an appeal against this decision and that case is still pending.

4. Operating Review

4.1 Performance

(a) According to the progress reports of the Board for the year under review, a sum of Rs. 40.30 million had been allocated for implementing development activities under 06 programmes and the actual expenditure was Rs. 33.33 million. The following observations are made in this connection.



- (i) Even though a sum of Rs. 15 million had been allocated by the Board for the modernization of 200 tea factories, only 15 factories had been modernized by spending a sum of Rs. 10.96 million in the year under review.
 - (ii) Even though 500 hectares had been planned to be cultivated out of the sum of Rs. 15 million allocated under the Tea Replanting Subsidy Scheme, only 173.47 hectares had been planted by spending a sum of Rs. 19.4 million.
 - (iii) Even though a sum of Rs. 5 million had been allocated for 350 factories for the minimization of post- harvest losses, a sum of Rs. 5.5 million had been spent for 10 factories in the year under review.
 - (iv) Even though a sum Rs. 0.3 million had been allocated for conducting 12 programmes for improving Green Tea Leaf Standard, 20 programmes had been conducted by spending a sum of Rs. 1.79 million in the year under review.
 - (v) Even though a sum Rs. 0.3 million had been allocated for conducting 12 programmes for establishment of Good Manufacturing Procedures, those programmes had not been conducted.
- (b) A sum of Rs. 20 million for repairing the auditorium and the Head Office Building and a sum of Rs. 12 million for the construction of the Nuwara Eliya District Office had been allocated in the year under review. These activities had not been completed even up to 30 June 2015 as planned.
- (c) The collection of Cess from tea exporters at the rate of Rs.3.50 per kilogram of tea exported in terms of Notification published in the Gazette No.1677/14 of 27 October 2010 for tea promotion and marketing strategies and the expenses incurred for tea promotional activities during the period from 01 November 2010 to 31 December 2014 by the Board are given below.



Year	Cess Collected	Interest on Investments	Income received from 'Tea House' Centre	Other Income	Total Income	Total Expenses
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	Rs. Millions	Rs . Millions	Rs.Millions	Rs.Millions	Rs Millions	Rs.Millions
2014	1,154.33	341.22	18.50	3.39	1,517.44	478.38
2013	1,156.37	363.80	-	3.60	1,523.77	368.52
2012	1,186.45	211.48	-	-	1,397.93	36.02
2011	1,113.81	66.44	-	-	1,180.25	25.76
2010	194.28	-	-	-	194.28	-
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Total	4,805.24	982.94	18.50	6.99	5,813.67	908.68
	=====	=====	=====	=====	=====	=====

The following observations are made in this connection.

- (i) Although the main objective of the collection of Cess is to utilize it for Tea Promotions and Marketing Strategies, a sum of Rs. 908.68 million or 15.63 per cent out of the total income of Rs.5,813.67 million had only been utilized by the end of the year under review due to the absence of a proper plan and management for the period in the year under review and 04 preceding years. However, those savings had been invested on short term investments and earned a sum of Rs. 982.94 million as interest by the end of the year under review.

- (ii) Although the provision of Rs.2.278 million had been made for promotional and marketing strategies for the year under review,only a sum of Rs.478.38 million or 21 per cent had been utilized during the year under review and it was observed that an adequate publicity had not been given for tea market promotion.



- (iii) A sum of Rs. 58.368 million had been incurred as initial expenditure during the previous year to establish a Tea Sales Centre (Tea House) at Race Course Building, Colombo. This centre had been commenced on 28 February in the year under review and a net loss of Rs. 13.5 million had been sustained by the centre during the period of 10 months from March to December 2014. However, a feasibility study had not been carried out for the commencement of this project and a proper action had not been taken to minimize the loss of this centre.

The main objective of the commencement of this centre was promoting Sri Lanka Tea among foreigners and the Chairman had informed me that it was not a programme commenced as a profit making business.

- (iv) Agreements had been signed as the official sponsor of the Sri Lankan Cricket Team as a tea promotional activity from the year 2013 to the year 2016. According to that agreement, 5,000 T-Shirts had been purchased in the year under review for use in men's and women's cricket matches in Sri Lanka and 2,872 T-shirts costing Rs. 3,590,000 had remained in the stores without being sold even by 23 June 2015, the date of audit. Further, 1,942 T-shirts costing Rs. 1,942,000 purchased in the year 2013 had also remained in the stores without being sold.

4.2 Deficiencies in Contract Administration

A sum of Rs. 15,975,036 for the construction of the ground floor of the building for the Regional Office of the Board at Kalutara and a total of Rs.494,460 for consultancy fees and other expenses had been incurred in the year under review and the following matters were observed in that connection.

- (a) The ownership of the land in which that building was located had not been vested in the Board even by 30 July 2015, the date of audit and information as well was not made available to ensure that the building plan had been approved by the Pradeshiya Sabha.



- (b) It was observed that adequate financial provisions had not been made and as such a sum of Rs.1,975,036 had been spent exceeding the estimate without the approval of the Board of Directors by the Board due to making provisions of Rs. 11,000,000 and Rs. 3,000,000 in the years 2013 and 2014 respectively for the construction of the ground floor and other relevant constructions of this building.

- (c) The contractor who submitted the lowest bid of Rs. 12,690,242 had rejected it and the bid security deposit of Rs.50,000 submitted by him had not been recovered by the Board.

4.3 Management Inefficiencies

Even though the cost of buildings of regional offices constructed before the year 2007 in Bandarawela and Gampola had been shown as Rs. 7.12 million and Rs. 2.33 million respectively in the Register of Fixed Assets, the ownership of those lands had not been vested in the Board even up to 30 July 2015.

4.4 Personnel Administration

The approved cadre of the Board was 302 whereas the actual cadre was 276. Thirty seven posts including senior, tertiary and secondary levels amounting to 01, 02, 30 relating to operating activities respectively and 04 posts at the primary level had been vacant. Ten excess posts at tertiary and secondary level existed as at that date and 01 employee as well had been recruited on contract basis.

4.5 Idle and Underutilized Assets

Bank balances of the Board valued at Rs. 647,117 had remained idle in 03 foreign bank accounts for a period from 01 to 03 years.



5. **Accountability and Good Governance**

5.1 **Budgetary Control**

Significant variances were observed between the budgeted and the actual income and expenditure and it was observed that the budget had not been made use of as an effective instrument of management control.

5.2 **Presentation of Financial Statements**

Even though the financial statements and the draft Annual Report should be presented to the Auditor General within 60 days after the closure of the financial year in terms of Section 6.5.1 of Public Enterprises Circular No. PED/12 of 02 June 2003, the financial statements for the year 2014 had been presented to the Auditor General only on 21 April 2015. However, the draft Annual Report for the year 2014 had not been presented to the Auditor General even by 30 July 2015.

6. **Systems and Controls**

Deficiencies in the systems and controls observed during the course of audit were brought to the notice of the Chairman of the Board from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Stores Control
- (c) Debtors and Creditors Control
- (d) Contract Administration

H.M.Gamini Wijesinghe
Auditor General