

# Progress of the Tea Industry - Sri Lanka's Experience



## A MORE REALISTIC APPROACH TO TEA PRODUCTION

Tea production in Sri Lanka maintained a steady growth rate up to 1970. Thereafter stagnation set in and the next decade witnessed a shortfall on anticipated crops. Many reasons have been attributed to this scenario but it was a combination of factors that caused this decline in tea production. The nationalization of the plantations in Sri Lanka was the root to this problem, which led to a steep decline of its performance. The global tea production in the period 1965 to 1977 improved by 51% while the output of tea in Sri Lanka declined by 9%. In 1978 tea production in the country was running about 5% below 1977 levels, and this trend was only arrested in the early 1980s. The total extent of tea land in Sri Lanka today is around 187,000 hectares. During the

early 1960s the tea land coverage of Sri Lanka was at a peak around 240,000 hectares. According to the latest land survey, the High Grown varieties now cover an extent of 51,500 hectares, having lost 30% of the extent recorded in 1965 at 87,000 hectares. The Mid Grown area has sustained the biggest loss and only attribute 56,000 hectares today, having enjoyed a tea cover of 100,000 hectares in 1968. Expansion of the low grown sector projects a different picture, and is acclaimed today as the only sector that has recorded an uninterrupted growth rate, both in respect of the tea cover and production levels. The tea cover under low grown category in 1960 was only 48,113 hectares. The current figures indicate that this area has expanded to 79,711 hectares. Correspondingly, production has increased from 48 million kilograms in 1960 to 121 million kilograms in 1995. Today the low grown sector contributes

more than 50% of Sri Lanka's total production. The national yield, which stood around 1,045 kilos per hectare in 1993, has progressively increased to almost 1,500 kilos per hectare today. The yields from High Grown, Mid Grown and Low Grown are moving around 1,450 kilos, 900 kilos and 1,800 kilos per hectare respectively.

### The public sector vs the private sector

The latest tea land survey conducted by the Sri Lanka Tea Board on the tea smallholder sector provides valuable information regarding the steady expansion of private sector in recent times. On these findings it becomes obvious that the future of the industry to a great extent will depend on the performance of the small tea cultivator that form the core of the private sector.

Sri Lanka's total tea coverage according to the latest findings is 188,867 hectares, of which 56% is under public management, and the balance 44% under the management of the smallholder. After many years of uncertainty, the latest figures have brought into sharp focus the effects of the structural changes that had taken place in the country which in turn

**Table 1**  
An up-date on the 20<sup>th</sup> Century Performance

Production	(Metric Tons)	Exports	(M.Tons)
1910	82,410	1910	82,585
1920	83,845	1920	83,810
1930	110,000	1930	110,271
1940	120,247	1940	111,751
1950	143,432	1950	135,215
1960	197,180	1960	185,875
1970	212,209	1970	208,277
1980	191,376	1980	184,498
1990	234,074	1990	215,251
1999	283,760	1999	269,261
2000	305,843	2000	281,351

**Table 2** Average yield - time series date  
(Units:Kg/He.)

Year	High Grown Qty.	Medium Grown Qty.	Low Grown Qty.	Total Qty.
1990	1,041	624	1,607	1,051
1991	999	622	1,764	1,086
1992	725	443	1,404	806
1993	979	979	979	979
1994	1,491	845	1,481	1,283
1995	1,428	902	1,529	1,313
1996	1,382	845	1,730	1,368
1997	1,603	1,004	1,704	1,465
1998	1,481	921	1,883	1,482
1999	1,555	941	1,865	1,501
2000	1,597	988	2,081	1,618

have taken a heavy toll on the performance of this great industry. Since the findings of the aerial mapping system

small cultivators are found in the Ratnapura district in the Sabaragamuwa Province. In the public sector, the Cen-

logical balance and helps to protect the environment in this group 196, 158 small cultivators are responsible for the maintenance of 94% of the total extent of tea under that category.

**Table 3 - Exports of Value Added Teas**

Year	Packeted Teas	Tea Bags	Instant Tea	Total Value Added Teas	Units: Kilograms	
					Total Exports	Value Added as % of Total
1990	76327429	4781182	361077	81469688	215613642	37.8
1991	69782657	4317610	377391	74477658	211201536	35.3
1992	55033103	4540582	413492	59987177	178214927	33.7
1993	74857450	5137950	733456	80728856	210673850	38.3
1994	64385799	6818608	850828	72055235	225085972	32.0
1995	93876723	7541295	708901	102126919	235750064	43.3
1996	93715377	9246031	736820	103698228	234307587	44.3
1997	94824639	10781190	832030	106437859	257664180	41.3
1998	86745514	11945985	859509	99551008	265304748	37.5
1999	73216143	11249922	991474	85457539	263943377	32.4
2000	74668426	12133346	1218161	88019933	281350682	31.2

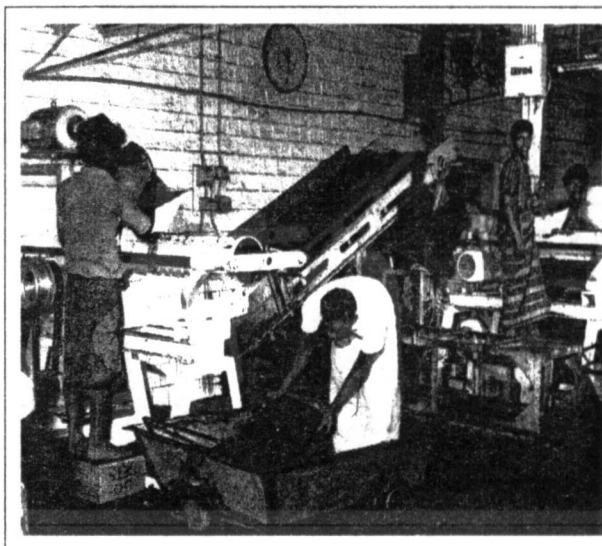
that was concluded in 1886, about 9% of the total extent in tea has withered away. The public sector records a loss of 25% whereas the small holder sector has recorded a growth rate of 25%, whereas the smallholder sector has recorded a growth rate of 23%. In smallholder sector, 82,916 hectares are cultivated by 206,652 tea growers, as against 106,047 hectares in the public sector with 404 management units. The status of cultivation of both sectors seems well balanced.

A study of the distribution of smallholdings, in relation to the extent of land cultivated by each smallholder is equally motivating. The largest concentration of smallholdings is found in the Galle (56,547), and Matara (44,051) districts in the Southern Province. About 43% of the smallholders are concentrated in these two districts. About 20% (49,161) of the

tral Province with 205 holdings controls 57% of the total extent of tea in that category, with a high intensification of 42% in the Nuwara Eliya district. The Uva Province with 76 holdings controls 23% of the extent under public management.

At the lower end according to size, there are 172,522 holdings that are less than one acre, and 23,636 holdings between one acre and two acres. The largest concentration of smallholdings operates within this group. At the uppermost end only 169 holdings of over fifty areas have been registered. In

The expansion of the smallholder sector has followed a definite pattern, and had only penetrated the higher elevations of high and medium classification of today, with caution. This was considered the domain of the British pioneer planters, and left for their use. The growth of the smallholder sector has been mostly centered round low elevation areas. Today there are 159,644 units involving the cultivation of 56,644 hectares, and the bulk of it is concentrated in the Southern Province, with the districts of Gale and Matara acting as the foundation for its expansion. The concentration of the public sector in these regions is limited.



**Table 4 - Sri Lanka Share of key Market Regions**

Region	Qty. (MT)		Percentage	
	Sri Lanka	World	Sri Lanka	Region
Middle East & North Africa	150,145	235,316	63.80	19
CIS/USSR	43,916	186,000	23.61	15
UK/Europe	29,147	253,671	11.49	20
N & S America	12,272	131,870	9.30	11
Japan & Australia	17,073	94,685	18.03	7
Pak & Afghanistan	3,345	135,059	2.47	11
Others	15,385	217,917	7.06	17
Total	271,283	1,254,518	21.62	100

most cases, particularly among those belonging to the first group, tea is grown as a subsistence crop, and occupies only a portion of the individual holding. This system, in a way helps to bring about an eco-

With a balanced growth in tea production, the tea export sector has performed well to absorb all the excess. Our value added exports are well maintained, but had shown a decline in the recent past. This is an area that needs to be activated as the FOB value bears testimony to the extent of value addition to widen the gap between bulk and value added sales.

The Middle East and the West Asian sector remain as our main buyers. The vast concentration of buying power

in the hands of a few giants is a trend that has developed in the recent past. In the earlier period, U.K. absorbed almost 60% of Sri Lanka's total tea production. This situation was soon corrected, and a more equitable form of tea exports emerged. Up to recent times, about 70% of our teas have been consigned to the first ten of our largest buyers, unlike earlier where there was a far better distribution. The large buyers in the recent past have got larger, and the small buyers smaller. With direct shipments now being made to the CIS countries, there has been a complete amendment to the rank and order of our regular buyers within a short periods of time.

The greatest potential for the sale of tea now centres round the East and Central European countries and during the period 1984 and 1995, their requirements have improved from 103 million kg to 200 million kg, representing a 95% increase. No other sector has shown such potential for growth, with the Russian Federation, and the other CIS countries along with Baltic States consume 80% of the imports to that region. The future for tea in West Europe on the other hand is most disappointing, and their purchases have increased only by 4 million kg during the period under consideration.

The demand for tea in the Colombo market place is strengthening, and is well distributed among all varieties of tea. If the tea industry is to make a real impact and reach the boom year levels of 1984, the average price will have to improve to around Rs 170's levels. With the steady depreciation of the local rupee, the above levels will have to be raised as we go along. We are no doubt heading towards this goal, but it seems to be a slow process.

#### The Rank and order of our main tea buyers keeps changing

A closer look at Sri Lanka's tea shipments for the past century reveals that the country has failed to maintain a consistent export pattern and it has been subjected to sudden changes

1910	UK and Ireland	49,184
	USSR	10,312
	Australia	8,465
	USA	3,468
	Canada	3,235
1920	UK and Ireland	54,291
	Australia	7,547
	USA	6,684
	Canada	3,231
	New Zealand	2,781
1930	UK and Ireland	69,800
	Australia	9,608
	USA	7,624
	South Africa	4,360
	New Zealand	3,790
1940	UK and Ireland	73,426
	USA	8,681
	Canada	5,789
	New Zealand	4,877
	South Africa	4,483
1950	UK and Ireland	43,632
	USA	19,409
	Australia	17,689
	Egypt	10,245
	Canada	10,008
1960	UK and Ireland	69,113
	Australia	19,643
	USA	18,534
	Iraq	15,589
	South Africa	11,985
1970	UK and Ireland	70,735
	USA	18,019
	Australia	13,045
	Iraq	12,825
	South Africa	11,740
1980	Iraq	21,805
	UK and Ireland	20,671
	Egypt	16,401
	USA	13,255
	Pakistan	12,834
1990	Egypt	29,620
	Iran	24,757
	Iraq	18,820
	Syria	16,320
	USSR	14,130
1999	CIS	48,176
	UAE	41,511
	Turkey	25,223
	Syria	19,354
	UK	10,603

within short periods of time. The past few decades have been most critical in this regard. Up to about the early 1970s. There was a fairly well set pattern of tea exports with the Western countries dominating the Colombo market place.

During the first half of the 20<sup>th</sup> century UK was the mainstay responsible for an

annual intake of about 60% to 70% of Sri Lanka's total production. The turning point came about after 1970. In that year, it was UK all the way purchasing their standard requirements of around 70,000 metric tons. With USA, Australia, Iraq and South Africa landing useful support thought at much lower levels. Iraq was the only Middle Eastern country who qualified for a place within the first five biggest importers.

In 1980 the position had changed completely. The tea export graph got flattened and the overpowering strength of the UK buyer at the Colombo auction centre was conspicuous by her absence. The UK had shifted their operations to Kenya, and since then no other single buyer has been able to maintain the top berth as our largest importer for any appreciable length of time.

The development of the Middle East Sector had been unique, and today about 55% to 60% of our teas are consigned to these destinations. Egypt became our largest buyer on seven different occasions, having maintained the leading position for six years during the period 1985 to 1990. Iraq came in as the largest buyer in 1984, but declined to second position the following year. Iran came in quite unexpectedly to occupy the top berth in 1991.

The CIS, which did not qualify for inclusion in the list of major buyers during 1991 and 1992, suddenly became the largest buyer of Ceylon Teas in 1993. Tea buying patterns in Colombo are undergoing radical changes and will continue to be so in the future. In a way, Sri Lanka had been most fortunate to find new openings to channel teas in the event of trade dislocations occurring to our traditional buyers.

Sri Lanka had been most victorious in the past, but we cannot afford to trust the future of tea to chance all the time. We are studying the changes that are taking place at the international tea market place all the time, and are following a marketing strategy that will

guarantee a steady advancement to our tea industry.

Low grown production today, has outstripped the combined total of high and mid grown teas. About 90% of these teas were originally purchased by the Arab world, and over the years, low grown manufacture had been geared to the requirements of these buyers. There has been a tendency in the recent past for procedures to cater to the requirements of the newly emerging markets in the CIS. Vending with these markets was found more remunerative in relation to trading with their conventional Middle East buyers. This attitude of the producers to follow a particular market in this instance has not paid dividends, and the period of prosperity has only been short lived. Others who decided to follow normal form of manufacture continue to obtain reasonable prices.

Petrodollars over the years have transformed the Arab lifestyles, which today is mostly influenced by the West. Their views have been expressed thoroughly at various gatherings. "Your Excellency" said a Sheik; "We have from time immemorial drunk Ceylon Tea as we like the character of Ceylon Tea. Our palates are used to it, it is our staple drink. We demand it. But equally, we have been blessed with oil and we are moving with oil and we are moving with the time. We are imitating the West in our way of life. We want your tea; it is our traditional and popular beverage. But we want the Ceylon character in tea bags, not that we are short of domestics to do our work, thanks to Sri Lanka housemaids – but because the fashion is the tea bag. If you don't give us Ceylon tea in tea bags, you will be compelling us to change our tastes, very unwillingly, and very soon, to some other character in tea bags."

These statements no doubt, are words of sense and understanding and it only means that Sri Lanka teas through a gift of nature are made to fit the Middle East countries. These avenues are still to be taken advantage of, which means that a new approach has to be adopted in marketing tea in these

regions, in keeping with the changing life styles. Most of the Middle East buyers in trying to emulate the West, have acquired social graces, which calls for refinement in marketing skills.

Tea production seems well on track, but the need for the hour is to prove to the world through scientific research that black tea apart from being a pleasing drink, possesses positive health benefits. In marketing terms, this is called value addition. We are happy that large sums of money are diverted towards research, and a generic promotion campaign has already been launched to publicise the health benefits of tea.

#### LOOKING TO THE FUTURE

Whenever we get into a situation of trouble, we always look to the past for a solution, and above all for strength. The tea industry has once again struck an unfortunate patch. Russia that has sustained the local tea market during the past few years, is at the moment in the core of a financial crisis. The immediate future for Sri Lanka teas in that region appears disheartening. There is the possibility that they may not be in a position to afford the extravagance of purchasing Sri Lanka teas at least for the moment, and be forced to look elsewhere for cheaper blends.

It was only in 1993 that the CIS made a triumphant re-entry to the Colombo tea market and since 1995, this group of countries has continued to maintain the top berth in Sri Lanka's tea export order. Their strength was sufficiently displayed at the market place, which gave the impression that they had come to stay. It is a market capable of absorbing the country's entire production of tea, and the fact that they secured 20% of our total production for last year, gave the impression that this was a market worth going steady with.

It was a re-appearance of what transpired in the year 1970s when the Middle East countries with their newly but rightful acquired petro dollars went on a buying spree. It was only after this event that the low country tea producers found a place in the sun, and soon come into prominence. With the emergence of the

CIS as a potential buyer, most producers thought it worthwhile to chase this market. The CIS became the centre of attraction, and all efforts were made to even change the style of manufacture tempt these buyers. Today, well-made small leaf grades are hard to come by.

Low grown areas at almost sea level enjoy the advantage of their own, which plantations at higher levels do not have. The texture of the leaf itself is different, and plantations at higher elevations trying to imitate low grown forms of manufacture can only come out second best. All attempts must be made to maximize the intrinsic advantages each locality enjoys.

Some analysts hold the view that Sri Lanka's orthodox teas will always be in demand, and its consumption is guaranteed, because of its liquoring character. This view cannot be held out any longer, as consumer preferences are constantly changing, and the country's tea industry at the moment is facing a slump. It is most unfortunate that this setback occurred most unexpectedly, mainly due to outside reasons. The tea industry enjoyed boom conditions for a fair length of time, and the industry did not at any stage expect a turnaround to these conditions so soon. Any industry subjected to intermittent vibrations should look for opportunities in adversity. The time is ripe for the producer to take stock of the predicament, as everyone has taken credit when business was

It has proved beyond any reasonable doubt that tea can reduce the risk of developing chronic degenerative diseases notably heart disease and cancer. There is increasing evidence that diet can influence the risk of these diseases. The consumer is becoming increasingly aware of the association between the diet and heart disease and cancer. At present, preliminary evidence suggests that tea may have many more potential health benefits. Only time will tell and the outcome of the proposed research must necessarily change the tide in favour of tea. ■  
Courtesy: Sri Lanka Tea Board