

ANNUAL REPORT

2017



SRI LANKA TEA BOARD

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III CONTENTS

Vision and Mission	————	04
Members of the Sri Lanka Tea Board	————	05
Members & Observers of the Audit Committee	————	06
Members of the Promotion & Marketing Committee	————	07
Senior Management Staff	————	08
Chairman's Message	————	09
Basic Comparative Indicators	————	13
Corporate Background	————	14
Industry Profile	————	16
Activities Undertaken by the Board		
<i>Tea Commissioner's Division</i>	————	37
<i>Tea Exports Section</i>	————	47
<i>Tea Promotion Division</i>	————	50
<i>Tea Tasting Unit</i>	————	75
<i>Analytical Laboratory</i>	————	77
<i>Administration Division</i>	————	81
<i>Internal Audit Division</i>	————	82
<i>Information Technology Section</i>	————	83
Financial Review	————	84
Offices of the Sri Lanka Tea Board	————	104
Auditor General's Report	————	107

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

Chairman	Lucille Wijewardana
Secretary to the Board	Mr. S. A. Siriwardane
Members of the Board	
Member	Addl. Secretary, Ministry of Plantation Industries Mr. U.K.S Mihindukulasooriya (January 2017 - Feb 2017) Mrs. W.M.D.T. Wickramasinghe (March 2017 - December 2017)
Member	Director General, Department of Development Finance, Ministry of Finance Mr. A M P M B Atapattu
Member	Ministry of Industry & Commerce, Represented by Mr. R.S.K. Doolwalage
Member	Chairman, Tea Small Holdings Development Authority Mr. D M Wijeyratne
Member	Colombo Brokers' Association Mr. Deepal Jayamanne (January 2017) Mr. Samantha Dodanwala (February 2017 - March 2017) Mr. Yashan Fernando (April 2017 - December 2017)
Member	Chairman, Colombo Tea Traders' Association Mr. Anslem Perera
Member	Chairman, Tea Exporters' Association Mr. Jayantha Karunaratne (January 2017 - December 2017)
Member	Chairman, Sri Lanka Federation of Tea Small Holding Development Societies Mr. Neville Ratnayake
Member	Chairman, Ceylon Planters' Association Mr. Sunil Poholiyadda (January 2017)
Member	Chairman, Sri Lanka Tea Factory Owners' Association Represented by Mr. Anil Alwis (January 2017 - September 2017) Mr. Harith Ranasinghe (October 2017 - December 2017)
Member	Members nominated by the Hon. Minister of Plantation Industries Ms. B.B. Gamage Mr.B.W. Harrison Silva
Observers	Dr. M.M.J.P. Gawarammana Mr. Niraj de Mel Mr. H D Hemarathne Mr. Anil Perera Mr. Ajith N.Silva

Members & Observers of the Audit Committee

Mr. A.M.P.M.B. Attapattu, Director General Department of Development Finance Ministry of Finance	- Chairman
Mr. N.A.U.K.S. Mihindukulasuriya, Additional Secretary (Development) Ministry of Plantation Industries (Up to 27 / 01 / 2017)	- Member
Mrs. W.M.D.T. Wickramasinghe, Additional Secretary (Development), Ministry of Plantation Industries. (From 05 / 05 / 2017)	- Member
Mr. Anil Alwis Chairman Sri Lanka Tea Factory Owners' Association. (up to 05 / 05 / 2017)	- Member
Mr. Harith Ruwan Ranasinghe, Chairman, Sri Lanka Tea Factory Owners' Association. (from 20 / 12 / 2017)	- Member
Mr. H.D. Hemarathne, Consultant, Colombo Tea Traders' Association.	- Observer
Mrs. S.D. Katuwawala Superintendent of Audit, Auditor General's Department.	- Observer
Mr. S.A. Siriwardana, Director General, Sri Lanka Tea Board.	- Convener

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

Dr. Rohan Pethiyagoda
Chairman, Sri Lanka Tea Board

Mr. S.A. Siriwardhana
Director General, Sri Lanka Tea Board

Mrs. Premala Srikantha
Director (Promotion), Sri Lanka Tea Board

Dr.M.M.J.P. Gawarammana
Chairman, Tea Research Board

Mrs. S.N.I Wijeratne
Director General of Commerce, Department of Commerce

Private Sector

Mr. Rohan Fernando
Representing Tea Exporters Association

Mr. Jayantha Karunaratne
Chairman, Tea Exporters Association

Mr. Muffadal Jafferjee
Representing Tea Exporters Association

Mr. Avi De Silva
Representing Tea Exporters Association

Mr. Anil Cooke
President, Asia Siyaka Commodities (Pvt) Ltd.

Mr. Malin Goonetilleke
Secretary General, Planters' Association of Ceylon

Mr. Pasindu Peiris
Representing Sri Lanka Tea Factory Owners Association

Mr. Neville Ratnayake
Chairman, Sri Lanka Federation of Tea Small Holdings Development Societies

Mr. Tyeab Akbarally
Director, Akbar Brothers

Mr. Malik Fernando
Director- operations, MJF Group

Dr. Gamini Abeywickrama
Managing Director, Basilur Tea

Mr. Vish Govindasamy
Group Managing Director, Sunshine Holdings PLC

Mr. Chaminda Jayawardana
Managing Director, Lumbini Tea Factory (Pvt) Ltd

Mr. Birendra Perera
Director, Euro Scan Exports (pvt) Ltd

Senior Management Staff

Director General	Mr. S.A. Siriwardana
Tea Commissioner	Mr. E.A.J.K. Edirisinghe
Director (Promotion)	Mrs. Premala Srikantha
Director (Analytical Services)	Dr. M A N Jayathilake
Asst. Director General (Administration)	Mr. S.I.C. Perera
Senior Internal Auditor	Mr. H.D.K. Jayasinghe
Accountant	Mrs. W. Rajakaruna



Chairman's Message

I have pleasure in presenting the review for the year 2017

PREAMBLE

The Year 2017 was a remarkable year for the Sri Lankan Tea Industry. The Tea Industry celebrated 150 years of Ceylon tea and conducted various events throughout the year locally and internationally. Some of the key events were National Tea Awards, Tea Convention, Tea Parties in 32 countries etc. It recognized the performance of various stake holders and their families at the Tea awards ceremony held in 2017. Year under review was a better year compared to the previous two years in terms of export income, production, auction prices and export prices of tea. The growth of the production was around 5% and the value of the exports accounted for USD 1.53 billion which is a 20% increase over the previous year.



Some major indicators of the tea industry became favorable mainly due to the better agro climatic conditions throughout the year. No alternative weedicides for banned Glyphosate and glufosinate ammonium and the unfavorable fertilizer policy are the factors which hindered the growth of the industry in the year 2016. Had these been resolved on time, the above industry indicators would have been better than the above figures.

Maintaining the market share and the quality of Ceylon tea and competitive auction prices were some challenges that the industry encountered in the year under review. Sri Lanka Tea Board made extra efforts to protect the industry and promote Ceylon Tea internationally. At the end of the year, a Kapra beetle which does not exist in Sri Lanka was found in a container of tea shipped to Russia, and the SLTB sorted out the matter with the support of the Ambassador to Russia and the other supporting agencies.



TEA PRODUCTION

Sri Lanka's tea production in 2017 recorded 307.71 million kilograms, slight increase compared with the preceding year's production by 15.14 million kilograms or 5.18%. Low-growns contributed most, with 197.42 million kilograms followed by high-growns at 64.64 million kilograms and mediums at 45.65 million kilograms.

Green tea production increased by 12%, from 2.37 million kilograms in 2016 to 2.66 million kilograms in 2017. Likewise, CTC production increased by 18.99%, from 18.32 million kilograms in 2016 to 21.80 million kilograms in 2017.

The tea small holders continued to be dominant among the producers by contributing over 76% of national production.

COLOMBO TEA AUCTIONS & FOB PRICES

The volume of tea sold through the Colombo Tea Auction in 2017 increased by 6.66% in comparison to 2016. All three elevations viz., high, mid and low growns, registered such increase in volume.

The total auction average in 2017 was Rs 617.17 per kilogram, as against Rs 466.4 per kilogram in 2016. This is an increase of 32% compared to the previous year.

The Colombo Tea Auction averaged US \$ 4.07 per kilogram, which was substantially higher than other auction centers and the US \$ 3.23 achieved in 2016.

The average export price (FOB) increased by 26.2% to Rs 807.44 per kilogram in 2017, from Rs 639.88 per kilogram in 2016.

TEA EXPORTS

Sri Lanka's exports increased from 288.7 million kilograms in 2016 to 289.00 million kilograms in 2017, 0.07% increase in volume. Tea exported in bags totaled 23.5 million kilograms in 2017, as against 24.8 million kilograms in 2016, recording a decline of 1.3 million kilograms (5.4%). Also it was recorded a decline of Pack (1Kg-3Kg), (3Kg-5Kg), (5Kg-10Kg) during 2017 and other categories recorded an increase.

Export earnings in 2017 totaled Rs 233.30 billion as against Rs 185 billion in 2016. This is an increase of 48.6 billion or 26.28%, though the depreciation of the rupee against the US dollar of 4.7 percent in the course of the year inverts this apparent gain.



The prime destination for Ceylon Teas was Turkey, followed by Iraq and Russia, importing 37.81, 35.03 and 33.37 million kilograms, respectively.

REPLANTING & TEA FACTORY MODERNIZATION

The development activities relating to replanting and tea-factory modernization did not record significant progress despite the availability of subsidies. The downturn in production restricted the capacity of stakeholders to infuse adequate counterpart funds for capital development. The undue delays in re-planting process affects the sustainability of the industry and in order to get rid of this debacle more incentives are required to be offered and to show a marked improvement in production. With well over two-thirds of production now deriving from smallholders, the lack of financial incentives or mechanisms to promote replanting is a matter of serious concern. Cost of replanting now is around Rs 1.5 million per hectare and is a viable investment. The cost of replacing the targeted 2.5 percent of the national estates demands an investment of around Rs 6 billion annually, and it is achievable.

GLOBAL CAMPAIGN

During the year under review, the Board made modest progress in its plans to enhance the global marketing campaign to further develop the “Ceylon Tea Brand” across the market territories. The principal promotion activities, however, focused on trade fairs and exhibitions rather than reach-out to consumers through an effective media campaign. While such a campaign has long been planned, little progress was made during 2017. The selection of an advertising agency for media planning and scheduling of the campaign was finalized at the end of the year. The Global Advertising campaign is expected to be launched in the Month of September 2018.

POSITIONING OF THE SRI LANKA TEA INDUSTRY

Sri Lanka remains a key producer of superior quality tea in the global tea arena. However, its competitive position globally is gradually eroding. The Board has addressed this issue by emphasizing the discerning consumer the unique attributes of Pure Ceylon Tea, its purity and its ethical production.



Sri Lanka is now ranked second (in terms of volume) among the nations exporting black tea. The industry remains the country's highest export-revenue earner in terms of net value. Another contributory factor for this achievement is value addition at the point of export, to which greater attention is being paid as consumer countries offer increasingly attractive incentives for value addition on-shore.

CHALLENGES

The future sustainability of the industry will depend on improving the quality of both green-leaf and manufactured tea, increasing yields, building the reputation of the 'Ceylon' origin, controlling the rising cost of production and devising an effective response to climate change. Progress, especially regarding the last challenge, is handicapped by trivially low levels of investment in research. Given the procedural difficulties involved, the ability of the Board to deliver an effective global promotion campaign that is well-targeted and adaptive to the rapid changes being seen both in our target markets and in digital media, becomes increasingly open to question.

ACKNOWLEDGEMENTS

I wish to place on record the hard work and the contribution to the progress of the Tea industry in the year 2017 by the former Chairman Dr. Rohan Pethiyagoda, Board of Directors, Team Sri Lanka Tea Board and the guidance of the Hon Minister, Deputy Minister and the Secretary of the Ministry of Plantation Industries.

I thank former Chairman, the Board of Directors and the employees of the SLTB for their invaluable contribution and look forward to working closely with all stakeholders in the year to come.

Lucille Wijewardana

Chairman

Sri Lanka Tea Board



Basic Comparative Indicators

Category	Unit	2015	2016	2017	Comparison 2016 Vs 2017 (%)
Tea Production					
Total Tea Production	(mn.kg)	328.8	292.6	307.71	5.16
Classification by Elevation					
High	(mn.kg)	75.4	64.4	64.64	0.37
Medium		51.0	44.5	45.65	2.58
Low		202.4	183.6	197.42	7.53
Classification by Processing Method					
Orthodox(includes Bio, Instant, Reclaimed teas)	(mn.kg)	306.4	271.9	283.25	4.17
CTC		19.5	18.3	21.81	19.18
Green		2.9	2.4	2.66	10.83
Tea Sales					
Tea Sales - Quantity	(mn.kg)	306	276.3	294.69	6.66
High		67.1	55.8	47.03	(15.72)
Medium		48.1	43.9	191.03	335.15
Low		190.8	176.5	294.69	66.96
Tea Sales - Price	(Rs./kg.)	403.8	466.4	617.17	32.33
High		396.3	442.7	597.81	35.04
Medium		360.0	414.9	560.50	35.09
Low		417.5	486.8	636.86	30.83
Tea Exports					
Tea Exports –Volume (Without Re export)	(mn.kg)	298.9	280.9	278.2	(0.96)
Classification by Category					
Black	(mn.kg)	294.4	276.4	273.7	(0.99)
Green		2.4	2.4	2.4	0.10
Instant		2.1	2.0	2.1	5.99
Tea Exports – Value(Without Re export)	(Rs. Bn.)	174.3	176.2	222.4	26.21
Total Tea Exports – Volume	(mn.kg)	306.9	288.8	289.0	0.06
Total Tea Exports – Value (with Re export)	(Rs. Bn.)	182.0	184.8	233.3	26.27

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 known as Tea Propaganda Board, which was run by the private sector. In 1976 Tea Propaganda Board was voted out by the parliament and converted as Sri-Lanka Tea Board vesting powers to develop tea industry.

It is the authority responsible for regulating the activities of the tea industry, viz. production, cultivating new areas and replanting, rehabilitating old Plantation, the establishment of factories and their operation.

The Sri Lanka Tea Board is planning to intensify the monitoring of quality standards of tea at the point of sale, monitoring of pre-shipments, 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 the 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, developments, and promotion of Sri Lanka Tea (Ceylon tea) locally and internationally. 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 statistics relevant to the industry.

Sri Lanka Tea Board Structure

1.1. Main Secretariat

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



1.2. Administration Division

Administration Division is responsible for overall Human Resource Management and Development, Procurement & Stores, Maintenance, Infrastructure Development and Transport.

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, manufacture of tea, and quality development. The Division operates through a network of six 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, export and import 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 in respect of Chemical, Microbiological and Pesticides residue quality parameters, using high- tech equipment to maintain the tea quality. Therefore, each unit had contributed individually in quality certification matter and thereby supported to protect the image of "Ceylon Tea".

02 INDUSTRY PROFILE

Although the year 2017 showed a fairly good condition for the industry, it will go down in history as one of the better years of the tea industry. Unfortunately Sri Lanka tea industry encountered with series of natural disasters, in January drought started and it was continued up to March and April, in late May landslide and floods started and affected over half a million people. The worst affected districts were the tea growing region. National tea production for 2017 was 307.7 million kilos, fifteen million kilos growth of the record harvest of 292.6 million kilos in 2016 attributable to inclement weather conditions.

However, the selling prices in 2017 were higher than the corresponding period in previous year. Colombo Auction sales prices in 2017 showed up ward trends and it remained average minimum Rs.590.48 and average maximum Rs.648.30. Exports revenue represented an upward trend (26.28%) with comparison to year 2016.

2.1. Distribution of Tea Lands

The Total Extent of cultivation in Sri Lanka is 202,540 (provisional) ha at present. The break down of tea lands along with their management criteria is Private (60%), and State sector (40%). Tea cultivation is distributed in few districts in the country mainly in wet zone due to the suitable climatic conditions for tea cultivation.

2.2 National Tea Production for 2017

Table 2.1 Total Tea Production by Elevation - 2017

Evaluation	Production(Kg)
High	64,643,597
Medium	45,654,592
Low	197,421,616
Total	307,719,805

Source : Sri Lanka Tea Board

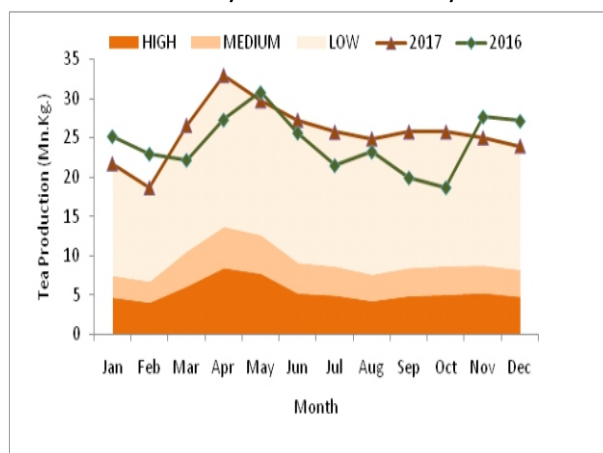
National tea production recorded an increase of around fifteen million kilograms to reach 307.7 million kilograms and it was 5% growth compared to 2016. Sri Lanka produces tea in variety of elevations, with the bulk being low grown tea. Tea is cultivated in elevations ranging from sea level to 600 meters, and essentially has a stronger flavor and color.

High grown tea is cultivated in altitudes of over 1,200 meters and is generally regarded as 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 (64%) of national tea production whilst high and medium accounted for 21% and 15% respectively.

2.2.1. Monthly Tea Production

Throughout the year, low grown production provided a major contribution to the national tea production for every month of the year. This year's highest monthly tea production recorded in April while lowest recorded in February as 32.9Mn kg and 18.6Mn Kg. respectively. It was noted that the minimum monthly tea production exceeded 18 Mn kg in both years of review and previous. However, cumulative tea production in 2017 recorded an increase of 5.16% when compared with the production in 2016.

Chart 2.1: Monthly Tea Production by elevation



2.2.2. Agro Climatic District wise Analysis

Rathnapura and Galle continued to be at the top of the list of aggro district-wise tea production with 54.7Mn.kg. and 46.2Mn.kg respectively. Comparison to 2016 Sub district of Uva, Medium, Low grown recorded an increase of production while other sub districts recorded a decrease. Total low grown production recorded 183Mn Kg with 7.41 % annual growth rate in the year of review.

Table 2.2: Agro - Climatic District -wise Tea Production

Agro Climatic District	January to December (QTY- MT)			
	2017(Kg.)*	2016(Kg.)*	Change (Kg.)	%
NuwaraEliya	3,975	5,076	(1,101)	(21.69)
Western				
1. Ramboda	1,372	1,625	(253)	(15.58)
2. Pundaluoya	3,343	3,426	(84)	(2.44)
3. Agarapathana	6,111	5,948	163	2.75
4. Nanuoya/Lindula/Talawak	8,027	8,295	(268)	(3.23)
5. Patana/Kotagala	4,380	4,513	(133)	(2.94)
6. Hatton/Dickoya	7,134	7,004	130	1.85
7. Bogawantalawa	5,602	5,912	(310)	(5.25)
8. Upcot/Maskeliya	5,839	5,808	31	0.53
Total- Western	41,807	42,531	(724)	(1.70)
Medium				
1. Watawala/Ginigat/Notron	1,568	1,829	(262)	(14.30)
2. Pussellawa/Hewaheta	6,773	6,299	474	7.53
3. Kotmale	803	841	(38)	(4.47)
4. Gampola/Nawalapitiya/Do	15,090	14,603	488	3.34
5. Nilambe/Hantane/Galaha	1,490	1,387	103	7.44
6. Kadugannawa	6,736	6,776	(40)	(0.59)
7. Madulkelle/Knuckles/Ran	3,681	3,940	(259)	(6.57)
8. Hunasgiriya/Matale/Yakde	980	1,257	(277)	(22.02)
9. Balangoda/Rakwana	7,984	7,369	615	8.35
Total-Medium	45,107	44,301	806	1.82
UdaPussellawa				
1. Udapussellawa/Halgranoy	4,375	4,186	189	4.51
2. Maturata	1,250	1,519	(269)	(17.70)
Total- UdaPussellawa	5,625	5,705	(80)	(1.40)
UVAS				
1. Koslanda/Haldumulla	698	747	(49)	(6.60)
2. Haputale	3,508	3,424	84	2.44
3. Bandarawela/Poonagalla	3,505	2,823	682	24.16
4. Malwatte/Welimada	2,839	1,887	952	50.47
5. Demodara/Haliella/Badull	9,372	8,055	1,317	16.35
6. Ella / Namunukula	1,633	1,459	174	11.91
7. Passara/Lunugalla	3,216	2,795	421	15.07
8. Madulsima	2,850	2,852	(2)	(0.07)
Total-Uvas	27,620	24,042	3,578	14.88
Low Grown				
1. Deniyaya	15,547	13,498	2,049	15.18
2. Galle	46,222	43,396	2,826	6.51
3. Kalutara	21,928	19,926	2,003	10.05
4. Kegalle	5,331	4,895	436	8.90
5. KelaniVelli	7,574	7,176	398	5.54
6. Kandy/Matale/Kurunegala	4,941	5,238	(297)	(5.66)
7. Matara	15,905	13,894	2,011	14.47
8. Morawake	6,464	6,260	204	3.25
9. Ratnapura	54,674	51,958	2,716	5.23
10. Balangoda	5,001	4,677	324	6.93
Total Low Grown	183,587	170,919	12,668	7.41
Total	307,720	292,574	15,146	5.18

*revised

Source : Sri Lanka Tea Board



2.2.3. District wise Tea Production

During the year under review, it is evident that major high grown production reported from the Nuwara Eliya district and the highest low grown production reported from the Ratnapura district. Also Rathnapura District recorded the highest production in all three elevations while Hambantota reported the lowest production in all three elevations.

Table 2.3: District wise Tea Production (in Kgs)

District	High	Medium	Low	Total
Badulla	15,369,508	12,745,281	-	28,114,789
Colombo	-	-	784,544	784,544
Galle	-	-	45,731,635	45,731,635
Hambantota	-	-	186,320	186,320
Kalutara	-	-	20,405,737	20,405,737
Kandy	812,386	19,944,989	12,778,091	33,535,466
Kegalle	433,754	-	8,670,242	9,103,996
Matale	-	1,002,778	375,540	1,378,318
Matara	-	249,850	38,495,207	38,745,057
NuwaraEliya	48,020,141	9,762,558	735,233	58,517,931
Ratnapura	7,808	1,949,138	69,259,067	71,216,013
Total	64,643,597	45,654,592	197,421,616	307,719,805

Source : Sri Lanka Tea Board

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 as the leaf bought from the other suppliers. The following table illustrates the district wise leaf collection data which contributed for total production for year 2017.

Table 2.4: District Wise Green Leaf Production (in Kgs)

Admin District	Own Leaf	Estate Leaf	Bought Leaf	Total
Badulla	48,834,887	30,440,600	51,458,280	130,733,767
Colombo	-	175,458	3,472,671	3,648,130
Galle	3,542,113	1,612,808	207,497,180	212,652,102
Hambantota	-	-	866,388	866,388
Kalutara	2,178,104	225,962	92,482,609	94,886,676
Kandy	19,246,344	5,628,632	131,064,942	155,939,918
Kegalle	4,055,747	1,137,788	37,140,048	42,333,583
Matale	894,018	83,781	5,431,377	6,409,176
Matara	7,651,369	2,064,337	170,448,808	180,164,514
Monaragala	-	-	-	-
NuwaraEliya	175,903,573	40,914,048	55,290,760	272,108,381
Ratnapura	21,238,071	5,438,094	304,478,294	331,154,459
Total	283,544,226	87,721,508	1,059,631,358	1,430,897,093

Source : Sri Lanka Tea Board

2.2.5 Production Analysis by Processing Method

2.2.5.1 Black Tea and Green Tea Production

The Orthodox tea production recorded an increase of 4.19% (11,378,536 Kg) in 2017, whilst CTC production also recorded an increase of 18.99% against year 2016. During the year under review, overall Black tea production has increased by 14.9Mn.Kg (5.1%). Green tea production records an increase of 287,670 Kg which is a 12.12% growth respectively.

Table 2.5: Tea production by processing method

Processing Method	2016 Qty.(Kg)	2017 Qty.(Kg)	2016 Vs 2017 Difference(Kg)	Growth (%)
Orthodox	271,873,844	283,252,380	11,378,536	4.19
CTC	18,325,660	21,805,673	3,480,012	18.99
Green	2,374,083	2,661,753	287,670	12.12
Total	292,573,586	307,719,805	15,146,219	5.18

Source : Sri Lanka Tea Board

2.2.5.2 Instant Tea and Bio Tea Production

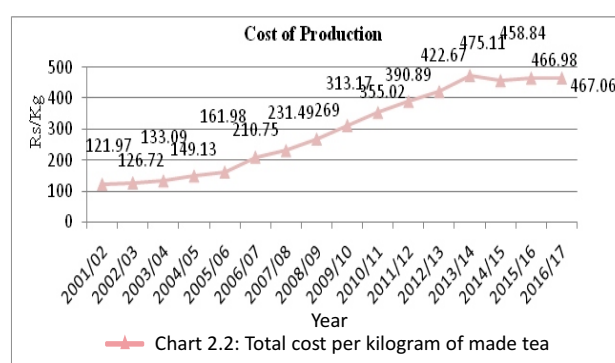
In comparison to year 2016, Instant tea recorded an increase in its productions (383MT) and Bio tea reflected an increase in its production (137MT) in 2017.

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 competition 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 2016/17, was Rs. 467.06 per kg which is an increase of 0.02% against 2015/16.

Chart 2.2: Total cost per kilogram of made tea



2.3. Tea Sales

Generally in the year under review reported high sales prices and quantities. Average price range is vary from maximum Rs. 648.30 per Kg. to minimum Rs. 590.48 per Kg throughout the year. Annual average tea price is Rs. 618.18 per Kg. in the under review and it was higher when compared with Rs. 468.62 in the year 2016. A quantity of 299.2 Mn.Kg of tea was sold in the year 2017 at an average of Rs.618.18 per kg against 280.85 Mn.Kg sold at Rs.468.62 per kg including Public, Private and Direct sales in year 2016.

It reflects an increase by 6.55 % in the quantity of tea sales & Unit price also has increased by 31.91% when compared with the previous year.

2.3.1 Mode of Sales

Public auction is the main mode of sale of tea manufactured in factories. A quantity of 294.7 Mn.Kg was sold in the Colombo Tea Auction in 2017. Private sales accounted for 2.8 Mn.Kg and the rest about 1.7Mn kg sold through direct sales.

2.3.2. The Colombo Tea Auction

The Colombo Tea Auction conducted by Ceylon Chamber of Commerce under Colombo Tea Traders Association and during the 2017 they handled 50 auctions. The public auction recorded an increase of 18.4Mn.Kg (6.68%) while average price reported a growth at the Colombo Tea Auction during 2017. Also it observed an annual price increase from Rs. 466.43 per kilogram to Rs. 617.17 per kilogram.

2.3.3. Elevation-wise Sales

Table 2.6 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 2017.

Table 2.6: Elevation-wise Tea Sales.

	Quantity (Mn.kg.)				Unit Price (Rs./Kg.)			
Elevation	2016	2017	Change	%	2016	2017	difference	%
High	58.4	58.90	0.50	0.85	449.43	601.17	151.74	33.76
Medium	45.5	48.96	3.46	7.60	420.79	563.48	142.69	33.91
Low	177	191.38	14.38	8.12	487.24	637.41	150.17	30.82
Total Sales	280.8	299.24	18.44	6.57	468.62	618.18	149.56	31.92

Source: SLTB Sales Reports



www.pureceylonteatea.com

2.4. Tea Exports

Sri Lanka's Tea Exports (with re-exports) for the year 2017 was 289.0Mn.kg achieving export earnings of Rs.233.3 billions. The average unit FOB price was Rs.807.44 per kilogram. This year exports earnings have exceeded the Rs.200 billion. In world tea market Sri Lanka appeared as third tea export country in volume and enduring as second earner in terms of value which could remarked the blooming tea potential as premium - quality tea from Ceylon in the global tea market.

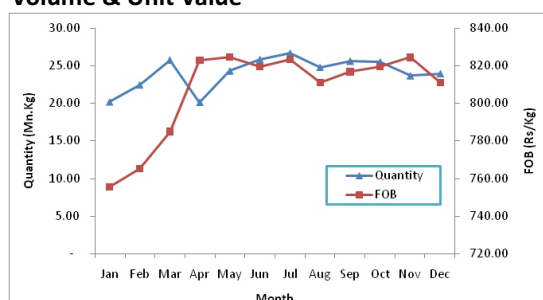
Intense competition from rivals has adversely affected to the nation's competitive position and this has been exacerbated by the higher production cost of tea and poor yield in Sri Lanka. Meanwhile, the country's continues dependency on orthodox tea as opposed to CTC teas could further erode its market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

2.4.1 Tea Export analysis according to Categories

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

In 2017, Total tea exports of Black, Green & Instant tea including re-exports showed an increase in its Volume and Value. Total export volume recorded 0.07% increase with 0.2 Mn.Kg quantity change. Both exports and re-exports separately marked 1% de growth and 37% growth in its volume and 26.18% and 28.28% growth in its value respectively. However, cumulative exports earnings were ended up with US\$ 1,530.5 Million in 2017 relating to the US\$ 1,269.0 Million in 2016 and accomplished a 20.6% increase.

Chart 2.3: Monthly Total tea exports 2017- Volume & Unit Value



2.4.2. Annual Tea Exports -2017

A detailed illustration on category wise tea exports including volume, value and FOB price from January to December during the year 2017 are given below.

Table 2.7: Annual tea exports 2017

Package	Qty (kg)	Value (Rs)	FOB(Rs/kg)
Exports	278,195,151	222,375,844,880	799.35
Black	273,672,954	216,027,268,225	789.36
Bags	17,807,367	24,618,836,580	1382.51
Bulk	123,434,159	90,965,987,228	736.96
Packets (1Kg -3Kg)	1,749,617	1,381,008,963	789.32
Packets (3Kg -5Kg)	14,289,580	10,421,343,542	729.30
Packets (4g - 1Kg)	84,759,381	67,202,126,360	792.86
Packets (5Kg -10Kg)	31,632,851	21,437,965,551	677.71
Green	2,402,428	3,697,102,243	1,538.90
Bags	716,426	1,891,191,677	2,639.76
Bulk	906,203	655,817,125	723.70
Packets (1Kg - 3Kg)	52	112,185	2,169.92
Packets (3Kg - 5Kg)	5,512	9,501,325	1,723.88
Packets (4g - 1Kg)	740,429	1,087,191,327	1,468.33
Packets (5Kg - 10Kg)	33,807	53,288,604	1,576.28
Instant	2,119,769,	2,651,474,412	1,250.86
Bags	45	24,895	547.50
Packets (> - 3Kg)	2,117,298	2,646,609,756	1,249.99
Packets (1kg - 3kg)	120	284,137	2,367.81
Packets (4g - 1Kg)	2,305	4,555,624	1,976.41
ReExport	10,789,117	10,962,557,922	1,016.08
Black	8,166,488	6,981,816,342	845.94
Bags	3,894,009	4,052,744,856	1,040.76
Bulk	2,195,106	1,298,590,115	591.58
Packets(1Kg -3Kg)	96,933	72,344,962	746.29
Packets (3Kg - 5Kg)	97,044	68,127,613	702.03
Packets (4g - 1Kg)	1,730,563	1,374,543,461	794.28
Packets (5Kg - 10Kg)	152,827	115,465,335	755.53
Green	2,621,003	3,977,255,346	1,517.46
Bags	1,057,953	2,510,309,864	2,372.80
Bulk	7,931	100,302,332	633.37
Packets(1Kg -3Kg)	7,974	4,997,361	630.10
Packets (3Kg - 5Kg)	247	3,747,805	435.76
Packets (4g - 1Kg)	1,371,873	1,341,087,963	977.56
Packets (5Kg - 10Kg)	16,908	17,083,022	1,010.36
Instant	1,627	3,486,233	2,143.11
Packets (> - 3Kg)	95	238,431	2,521.48
Packets (4g - 1Kg)	1,532	3,247,802	2,119.75
Grand Total (Exports+Re Exports)	288,984,268	233,338,402,802	807.44
RTD (Lt)	14,390,059	1,521,751,077	105.75
Exports	278,195,151	222,375,844,880	799.35
Re Export	10,789,117	10,962,557,922	1,016.08

Source : Sri Lanka Tea Board - Export Reports



2.4.3. Value added Tea Exports

The global preferences are rapidly changing into value added tea categories where Sri Lanka should adapt 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 40.16% of the total export volume for year 2017 and it generated Rs.108.2Bn export income remarking the value share as 46.37%.

Table 2.8: Annual value added tea exports 2017

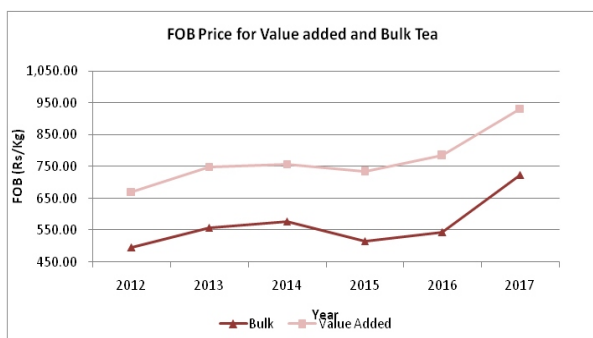
Export type	Proc. Method	Quantity(Kg)	Value(Rs)	FOB(Rs/Kg)
Export	Black	104,316,365	93,201,971,903	893.45
	Green	1,456,907	2,978,495,189	2,044.40
	Instant	2,119,769	2,651,474,412	1,250.83
	Sub Total	107,893,040	98,831,941,504	916.02
Re-Export	Black	5,721,511	5,499,633,279	961.22
	Green	2,437,757	3,856,395,187	1,581.94
	Instant	1,627	3,486,233	2,143.11
	Sub Total	8,160,895	9,359,514,700	1,146.87
Total		116,053,935	108,191,456,204	932.25

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

Source : Sri Lanka Customs

FOB price for Bulk and Value added teas are shown in the below graph. FOB price for the value added tea is higher than Bulk tea prices. Further promotions on value added tea exports will positively contributed to the Sri Lankan economy than bulk tea exports. During the year under Review, FOB prices for both value added and bulk teas have marked improvement.

Chart 2.4: value added exports & bulk tea exports



2.4.4. Main Destinations of Sri Lanka Tea Exports

In Europe and UK had a strong market for Ceylon tea since past during 2017, Turkey maintained the position at the first place among the main Sri Lankan tea export destinations by importing 13.09% of total Ceylon tea exports while recorded 39.7% growth rate compare to 2016.

Russia was the largest export destination for Ceylon tea in 2016 and had imported 11.92% of total tea exports. Turkey has come to the first place in 2017 surpassing Russia's position in 2016.

Russia retain as the first export destination for Ceylon tea up to 2013, but with the Turkey's demand for Ceylon tea and political and economic uncertainties caused Russia to become the second largest export destination in terms of volume in 2014. Again Russia became the 1st exports destination in 2015 and retained the same position for the year 2016 too. Again Turkey comes to the first place in 2017. The value gain of tea exports recorded Turkey as the first major value earner of tea exports by contributing 11.94 % of total turnover.

Iraq was the second export destination with the 12.12% export share in 2017 and it recorded 7.60% increase of export volume compared to 2016. The average FOB prices for Iran showed a high price among top ten countries in 2017. Becoming the fourth export destination in review period 2017, Iran showed 19.19% decrease of its Ceylon tea market meanwhile Russia, UAE, Libya and Syria showed a decrease of tea exports compare to 2016 while exports of total top 10 countries showed a 0.76% increase compare to 2016.

Table 2.9: Main Destinations of Sri Lankan Tea Exports 2017

Country	2017			2016			Growth (%)
	Rank	Quantity (Kg)	Export share (%)	Rank	Quantity (Kg)	Export share (%)	
TURKEY	1	37,815,700	13.09	4	27,068,973	9.37	39.70
IRAQ	2	35,032,772	12.12	3	32,557,218	11.27	7.60
RUSSIA	3	33,379,977	11.55	1	34,432,859	11.92	(3.06)
IRAN	4	27,418,910	9.49	2	33,928,612	11.75	(19.19)
UAE	5	15,785,266	5.46	5	18,381,410	6.37	(14.12)
AZERBAIJAN	6	12,271,107	4.25	8	10,556,896	3.66	16.24
LIBYA	7	11,609,461	4.02	6	12,645,055	4.38	(8.19)
CHINA	8	9,903,199	3.43	10	7,603,870	2.63	30.24
JAPAN	9	7,924,043	2.74	9	7,763,607	2.69	2.07
SYRIA	10	7,399,616	2.56	7	12,107,279	4.19	(38.88)
Top 10 Total		198,540,051	68.70		197,045,778.20	68.24	0.76

Source : Sri Lanka Customs



Russia secured the third place in the list of main destinations of Ceylon Teas, while UAE retained its position in the same place with an export volume share of 5.46%. The Middle East is Sri Lanka's largest export destination as a region; demand has been expanding robustly due to strong oil prices. Top 10 pure Sri Lankan tea exporting destinations are accounted for around 68.70% of the totality.

However, only Iran, Syria & Japan maintained significantly the greater FOBs with respect to the average unit FOB price attained. Furthermore, total export revenue exceeded Rs. 233 Bn with the higher global demand for the Tea. However, Sri Lankan bulk tea exports have now tilted towards the Middle East as result of increased use of tea bags.

Table 2.10: Tea exports quantities and Ranking for top 20 countries by package type

Country	Exports Qty In Kgs							Country Rank						
	Bags	Bulk	Packets (>3Kg)	Packets (1Kg-3Kg)	Packets (3Kg-5Kg)	Packets (4g-1kg)	Packets (5kg-10kg)	Bags	Bulk	Packets (>3Kg)	Packets (1Kg-3Kg)	Packets (3Kg-5Kg)	Packets (4g-1Kg)	Packets (5Kg-10Kg)
TURKEY	272,784	11,804,045	-	386,928	6,579,505	15,926,640	2,845,798	12	4	-	3	1	2	4
IRAQ	242,956	1,676,190	-	538,700	1,327,870	19,283,619	11,963,436	13	13	-	1	4	1	1
RUSSIA	923,245	27,266,733	-	1,960	7,995	5,145,543	34,500	5	1	-	8	12	5	12
IRAN	23,663	14,773,659	-	261,465	121,500	1,084,359	11,154,265	19	2	-	4	7	-	2
UAE	406,414	4,838,732	-	103,494	1,378,755	6,175,511	2,882,360	9	8	-	5	3	4	3
AZERBAIJAN	6,320	11,885,493	-	-	-	379,295	-	20	3	-	-	-	-	-
LIBYA	47,934	-	-	-	-	11,510,277	51,250	18	-	-	-	-	3	10
CHINA	308,236	8,638,260	14,260	71,762	38,234	217,549	614,897	10	5	2	6	9	-	5
JAPAN	694,486	7,021,596	30	-	61,628	54,768	91,535	6	6	5	-	8	-	7
SYRIA	690,197	397,852	-	-	4,157,725	1,882,092	271,750	7	16	-	-	2	-	6
CHILE	452,216	6,365,714	-	-	-	279,034	-	8	7	-	-	-	-	-
GERMANY	189,663	4,671,880	30	11,890	19	1,927,969	7,656	14	9	6	7	16	9	16
HONG KONG	70,839	3,800,530	-	413,611	332,133	341,825	22,544	17	11	-	2	5	-	13
USA	1,169,794	1,287,260	137,665	1,123	18,634	2,217,568	8,064	2	15	1	10	10	7	15
JORDAN	2,225,869	247,551	-	-	13,500	2,154,823	46,000	1	17	-	-	11	8	11
SAUDI ARABIA	938,881	1,404,298	-	-	134,082	1,925,092	14,040	4	14	-	-	6	-	14
TAIWAN	123,998	4,128,078	9,000	1,800	139	50,819	3,050	16	10	3	9	15	-	17
LEBANON	281,535	33,353	-	-	4,840	3,718,179	90,500	11	19	-	-	13	6	8
UKRAINE	159,002	3,020,677	-	-	-	851,250	65,205	15	12	-	-	-	-	9
NETHERLAND	947,227	229,637	210	-	600	1,733,380	10	3	18	4	-	14	-	18



2.4.4.1 Exports of Black Tea

Black tea recorded 97.53% (281.84Mn.Kg) of total tea exports and contributed to the total exports revenue 95.57% (Rs. 223.0 Bn). Among the all black tea export destinations, Top twenty export destinations for Black tea represented 86.29% of volume and value share is 83.89%. Russia remains as the prime Sri Lankan Black tea importer up to 2013 and Turkey comes to the first place among black tea exporters in 2014.

Russia has come to the first place as prime Sri Lankan black tea exporter (11.9%) in year 2015 by importing 35.74Mn.Kg. In year 2016 Iran comes to the 1st place by importing 33.90 Mn Kg (12%) of Black Tea. The review year Turkey has come to the first place among prime Sri Lankan black tea exporters contributing volume share of 13.41%.

Table 2.11: Top 20 Black tea exports destination and market share 2017 (With Re ex)

Country	Quantity (Mn.Kg)	Value	FOB	Volume Share (%)	Value Share (%)	Qty
		(Rs.Bn)	(Rs/Kg)			Growth(%) ('16Vs '17)
TURKEY	37.80	27.84	736.56	13.41	12.49	39.75
IRAQ	35.01	21.01	600.26	12.42	9.42	7.67
RUSSIA	32.74	25.74	786.08	11.62	11.54	(3.08)
IRAN	27.38	24.31	887.82	9.72	10.90	(19.21)
UAE	15.31	11.20	731.45	5.43	5.02	(14.09)
AZERBAIJAN	12.27	9.57	780.52	4.35	4.29	16.34
LIBYA	10.84	7.30	673.33	3.85	3.27	(14.05)
CHINA	9.82	7.33	746.01	3.48	3.28	29.99
JAPAN	7.92	6.90	871.54	2.81	3.10	2.10
SYRIA	7.39	6.19	837.65	2.62	2.77	(38.99)
CHILE	7.04	4.78	679.18	2.50	2.15	6.55
GERMANY	6.68	5.43	813.15	2.37	2.44	0.12
HONG KONG	4.97	3.57	719.73	1.76	1.60	7.82
JORDAN	4.68	4.28	915.33	1.66	1.92	17.90
SAUDI ARABIA	4.32	4.04	933.92	1.53	1.81	(2.37)
USA	4.23	3.89	918.81	1.50	1.74	(7.81)
TAIWAN	4.22	2.76	654.63	1.50	1.24	41.50
LEBANON	4.11	3.71	902.78	1.46	1.67	19.12
UKRAINE	3.76	3.30	878.82	1.33	1.48	(18.61)
AUSTRALIA	2.70	3.90	1445.9	0.96	1.75	15.14
Top 20 Totals	243.20	187.08	769.24	83.29	83.89	1.37

Source : Sri Lanka Tea Board - Export Reports

2.4.4.2 Exports of Green Tea

Green tea encountered 1.2% (3.4Mn.Kg) of total tea exports while contributing 2.6 % (Rs. 4.9 Bn) for total tea export revenue during 2017. Among the all green tea export destinations, Top twenty export

destinations for green tea represented 83.16% of volume. Out of leading twenty importers of Green teas, Libya recorded a considerable volume of 0.76 Mn.kg for year 2017 out of total quantity 4,178 thousands Kilogrammes.

Table 2.12: Top-Twenty Destinations of Green Tea Exports

Country	Quantity ('000Kg)	Value (Rs.Mn)	FOB	Volume Share (%)	Value Share (%)	Qty Growth ('16 Vs '17)
LIBYA	766	565	737.56	15.25	7.36	2,463.71
RUSSIA	638	767	1,202.16	12.70	9.99	(1.84)
UAE	472	355	751.47	9.40	4.63	(15.35)
USA	471	956	2,026.90	9.39	12.45	4.57
UKRAINE	366	385	1,146.04	6.69	5.02	8.26
NETHERLAND (HOLAND)	227	589	2,592.26	4.53	7.68	16.92
UNITED KINDOM	166	347	2,091.81	3.30	4.53	101.96
AUSTRALIA	129	381	2,951.99	2.57	4.97	(2.46)
GERMANY	126	152	1,207.11	2.50	1.98	(29.67)
FRANCE	123	257	2,081.21	2.46	3.35	17.86
POLAND	101	182	1,798.07	2.01	2.37	31.42
SAUDI ARABIYA	95	148	1,566.43	1.89	1.93	9.12
NIEGERIA	92	170	1,848.26	1.83	2.21	(1.80)
TAIWAN	90	88	986.11	1.78	1.15	3.05
BELARUS	76	94	1,243.61	1.50	1.22	42.35
CHINA	70	154	2,203.93	1.39	2.00	39.74
CHILE	54	105	1,950.59	1.07	1.36	(11.21)
NEW ZEALAND	52	128	2,458.31	1.04	1.67	20.05
CZECH REPUBLIC	48	132	2,749.86	0.95	1.72	0.92
FINLAND	46	62	1,353.31	0.91	0.80	144.35
Top 20 Total	4,178	6,017	1,440.20	83.16	78.40	26.25

Source : Sri Lanka Tea Board - Export Reports

2.4.4.3 Exports of Instant Tea

Ireland is playing a vital role for Ceylon instant tea market being leading instant tea importing country from Sri Lanka and responsible for an import volume 1.9 Mn.kg. (91.5%) of instant tea. USA, China and Taiwan maintained later positions in the list of major instant tea exports destinations respectively. During the review year, Instant tea market showed 5.5% volume increase and 8.6% of value increase compared to year 2016.

2.4.4.4 Exports of Ready to Drink (RTD) Teas

Sri Lankan RTD market showed a blooming market for RTD tea exports. For 2017, RTD exports could carry Rs.1, 522 Mn of export revenue by exporting 14.4Mn litters of RTD teas. There was 27.4% degrowth of RTD tea exports compared to 2016 and India played a vital role in RTD market by importing 14.0Mn litters for Rs.1, 451 Mn from Sri Lanka. Australia, Canada, Qatar, Bahamas and UK were other major markets for Ceylon RTD exports.

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 82% of world production and 76% of global exports. While 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 2017 performed with much better exports and production quantities high unit prices (Auction) and revenue performances (exports) compared to the other tea producing members.



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 2016.

Table 2.13: Highest Tea Extent Records

Country	2010 (Ha.)	2011 (Ha.)	2012 (Ha.)	2013 (Ha.)	2014 (Ha.)	2015 (Ha.)	2016 (Ha.)
China	1,970,200	2,112,510	2,279,940	2,468,840	2,649,840	2,810,000	2,920,000
India	560,609	579,350	563,980	563,980	566,660	566,660	577,480
Sri Lanka*	188,007	187,860	187,000	187,000	187,935	188,000	202,839
Kenya	171,916	187,855	190,717	198,657	203,006	209,426	218,538
Vietnam	129,000	127,000	124,027	124,000	125,000	125,000	134,000
Indonesia	122,796	122,764	121,076	122,546	121,000	119,361	118,100
Myanmar	78,400	78,500	78,500	78,700	78,700	79,000	80,000
Turkey	77,500	77,700	77,800	77,000	77,400	77,500	77,000
Bangladesh	54,900	54,400	54,500	54,000	53,700	53,500	59,000
Japan	46,800	46,200	45,900	44,800	44,800	39,300	43,100

Source: Annual ITC Bulletin of Statistics - 2017

*Estimated Area registered as Planted

According to the International Tea Committee (ITC), largest tea extent is found in China (62%) and they are rapidly expanding their tea extent annually. Tea area in Kenya also reached to a higher extent in 2010 to 2016. The top-ten countries of tea growing are bearing 94% of total tea extent.

2.5.2. Global Tea Consumption

Annual tea consumption and triennial average per capita tea consumption during the three years period of 2014-2016 reveal that the annual consumption was highest in China, recording 1,791.33 Mn.kg. Although the per capita consumption is low this was recorded as 1.31Kg. Turkey showed the highest per capita consumption 3.20 Kg per head with 247.33Mn Kg of annual consumption.

Table 2.14: Country-wise Tea Consumption Statistics.

Country	2010-12		2011-13		2012-14		2013-15		2014-16	
	Total	p hd	Total	p hd	Total	p hd	Total	p hd	Total	p hd
Libya	13.6	2.39	13.23	2.34	15.27	2.7	13.37	2.19	14.77	2.4
Afghanistan	49.27	1.97	55.9	2.19	63.03	2.73	64.77	2.44	59.4	2.2
Turkey	240.8	3.24	242	3.22	236.81	3.18	241.67	3.14	247.33	3.2
United Kingdom (a)	123.51	1.97	122.21	1.91	114.97	1.81	111.64	1.74	109.49	1.68
Morocco	56.17	1.74	56.5	1.73	55.1	1.74	58.53	1.73	63.58	1.86
Ireland Republic	8.51	1.9	7.44	1.62	7.18	1.56	7.39	1.6	7.7	1.66
Taiwan	44	1.64	42.53	1.59	42.1	1.56	41.5	1.53	39.01	1.44
Qatar	2.53	1.46	2.67	1.45	2.73	1.61	3.08	1.81	3.34	1.51
Sri Lanka	27.79	1.33	27.49	1.35	27.47	1.36	27.91	1.35	28.07	1.34
Hong Kong	9.48	1.34	9.52	1.33	9.73	1.38	10.1	1.39	10.71	1.46
Chile	21.4	1.24	21.13	1.21	20.87	1.22	20.96	1.18	21.11	1.17
Syria	26.5	1.25	24.13	1.14	19.03	0.96	17.92	0.86	13.1	0.78
Egypt	91.63	1.14	94.37	1.14	100.78	1.22	96.65	1.11	93.22	1.05
Iraq	40.35	1.21	37.65	1.11	34.52	1.18	33.88	0.95	35.87	0.98
Iran	74.7	0.99	82.8	1.07	79	1.05	74.27	0.95	70.93	0.9
China	1279.33	0.95	1408.67	1.04	1537	1.14	1665.33	1.22	1791.33	1.31
India	871.67	0.73	889.67	0.73	908	0.74	927	0.75	946.67	0.78
CIS	275.29	0.99	279.84	0.96	275.75	0.94	251.67	0.88	256.73	0.9
Pakistan	125.92	0.74	128.02	0.72	131.92	0.73	138.79	0.74	154.5	0.81
USA	126.65	0.41	127.76	0.41	128.33	0.41	129.67	0.41	129.99	0.40
Japan	122.29	0.96	120.23	0.94	116.93	0.91	112.63	0.89	107.41	0.84
Indonesia	75	0.32	84.67	0.34	84	0.34	81	0.32	86	0.34
Bangladesh	68.4	0.45	71.07	0.47	71.1	0.48	73.4	0.47	76.33	0.49
Poland	30.95	0.8	31.95	0.83	32.51	0.85	34.27	0.89	35.3	0.93
Germany	26.9	0.33	28.17	0.34	29.95	0.37	30.93	0.38	32.1	0.39

Source: Annual ITC Bulletin of Statistics 2017

Total :Mn Kg

P hd :Kg

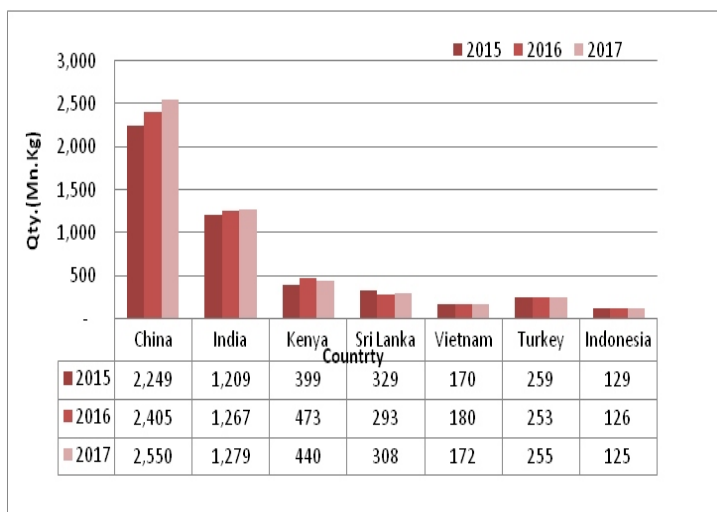
2.5.3. Global Tea Production

Global tea production reached up to 5.7 Bn. Kg during the year 2017 and it showed a 2.2% growth compared to year 2016. China, India, Kenya, Sri Lanka, Turkey, Vietnam and Indonesia represented around 90% of global tea production for year 2017. Although India and China are still the largest tea producers, these 2 nations' considerable domestic consumption has rendered Kenya the largest global exporters of this commodity. China comes to the second place as a larger tea exporter while Sri Lanka comes to the third place in 2017.

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 occupies the highest position with 2,550Mn.kg and India stayed at second with an annual production of 1,279 Mn.kg. in 2017. Kenya is placed as third with its manufacturing level at 440 Mn.kg.

Chart 2.5 : World Tea Production Statistics



Source: Supplement: Annual ITC Bulletin of Statistics 2017

2.5.4. Global Tea Sales

Colombo Auctions handled 296 Mn.Kg of tea for average price per kilogram as a US \$ 4.07 for year 2017. However, volume traded in Mombasa Auctions also maintained over 398 Mn.kg and Kolkata Auctions had traded in its sales volume in 2017 with 168 Mn Kg.

Table 2.15: Statistics of Major Tea Auctions

(Qty. - in Mn.Kg. Avg. Unit Price - in US\$/Kg.)

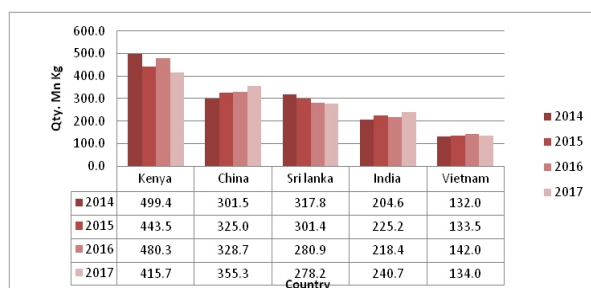
Auction Centre	2014		2015		2016		2017	
	Qty.	Price	Qty.	Price	Qty.	Price	Qty.	Price
Chittagong	67	2.19	64	2.41	72	2.55	80	2.45
Cochin	53	1.66	55	1.55	47	1.74	49	1.81
Colombo	334	3.56	316	2.99	277	3.22	296	4.07
Guwahati	129	2.32	145	2.16	139	2.05	166	2.16
Jakarta	26	1.66	20	1.56	27	1.62	-	-
Kolkata	142	2.65	143	2.47	142	2.41	168	2.46
Limbe	9	1.43	8	1.56	9	1.55	9	1.84
Mombasa	390	2.03	359	2.73	401	2.29	398	2.81

Source: computed from ITC Web Site

Colombo Auctions hold the record for the highest average auction price fetched for the last three years. Also it was the only auction center that exceeds USD 4.00 per Kg. in 2017. During the reference period, Mombasa and Kolkata auction centers have recorded higher average price compared with 2016. Mombasa holds the second largest average auction prices and Kolkata holds the third largest average auction price with US\$ 2.46 per Kg.

2.5.5 Global Tea Exports

Chart 2.6: Major Tea Exporters



Source: Supplement of Annual ITC Bulletin of Statistics 2017

Note: Sri Lankan Figure with excluding Re-exports

Global tea exports during 2017 showed shrinkage of 19.5 Mn.kg (1.1%) as against the previous year. China & India showed an increase of its export quantities and attained a growth of 8.1% & 10.2% correspondingly, compared to the other major tea exporting countries in 2017. The three largest exporters, viz, Kenya, China and Sri Lanka accounted for more than 59% of global exports.

The leading tea exporting countries with their export revenues in year 2016 are listed below. It reveals that China recorded as largest income earner from tea exports. This reveals that Kenya has earned as the third largest export earner. As the Second largest export revenue earner Sri Lanka was able to continue 1.2 billion US dollar industry status with its pure Sri Lankan tea exports.

Table 2.16: Top-most export revenues(2016)

Country	Export Revenue (US\$ Million)
Sri Lanka	1269.00
Kenya	1189.74
China	1484.91
India	634.82
Vietnam	236.32
Indonesia	113.37

Source: Annual ITC Bulletin - 2017

2.6 Ceylon Tea Markets

Tea exports earnings recorded a third highest value in year 2017 backed by highest unit average FOB value amidst lowest quantity exported in recent years. In volume term, 278Mkgs of exports were far below the highest record of 318Mkgs reported in year 2014.

One of major buyer Syria, conflict has paved the way for illicit groups and new elites to control territory and generate revenue. As same in Libya, armed groups have captured state resources and infrastructure, developing lucrative funding streams. In Iraq, a well-established shadow economy continues to enable groups such as ISIS to safeguard their amassed resources.

Such developments present significant challenges for their reassertion of state authority and are likely to have a lasting impact on the political economy of the states in question throughout the year.

Hence, Ceylon tea exports registered decline in Syria and Libya in 2017. With 13.6% share of country's total exports Turkey emerged as the main destination of Ceylon Tea, for the first time in history. Iraq registered as second with over 12% share whilst Russia remains at the third position with 11.8%. Libya, Turkey, Iraq, and Jordan had substantial increases in their imports from Sri Lanka though they suffered internal conflicts that led to economic downturn.

2.6.1. Russia and CIS region

The table appended below shows the total tea imports by the Russian Federation & CIS region in 2016 and 2017. Sri Lanka exported 51,632 MT of tea to CIS region in 2017 which shows a slight decline of 386 MT compared to the year 2016. The CIS Region has absorbed 18.56% of total Sri Lanka's tea export volume of 278, 195 MT in 2017.

Table 2.17: Total tea imports by the Russian Federation & CIS region

Country	2017(Kg)	2016(Kg)	Volume Change(Kg)	Growth (%)
Russia	32,794,648	34,079,116	(1,284,468)	(3.77)
Ukraine	3,756,570	4,634,113	(877,543)	(18.94)
Azerbaijan	12,270,316	10,543,827	1,726,489	16.37
Kazakhstan	658,678	463,810	194,868	42.01
Uzbekistan	603,812	510,012	93,800	18.39
Kyrgyzstan	711,076	912,068	(200,992)	(22.04)
Belarus	385,474	273,697	111,777	40.84
Moldova	82,193	130,556	(48,363)	(37.04)
Georgia	257,618	312,118	(54,500)	(17.46)
Tajikistan	61,335	82,721	(21,386)	(25.85)
Turkmenistan	24,186	55,210	(31,024)	(56.19)
Armenia	26,466	20,832	5,634	27.04

2.6.1.1. Russia

The Russian Federation is the largest tea importer in the world for consumption with annual tea



intake of around 170 million kilos with a value of USD 525 million. The per-capita consumption of the tea in Russia records around 1.2 kg. The majority of Tea consumed in Russia is black tea.

The statistical reports of the Russian Customs Information Agency shows 2.61% (4,298 MT) increase of total tea imports to the Russian Federation in volume terms, from 164,485 MT in 2016 to 168,785 MT in 2017. However, the total imports has declined from USD 549 million in 2016 to USD 525 million in 2017 at a declining rate of 4.31% (USD 23.6 Million).

Ceylon Tea lost its dominance in the last three years in the Russian tea market in export volume. In 2017 India has taken the leading position of tea exporter to Russia with its market share of 29% taking into account volume of tea exported, while Sri Lanka has become the second largest supplier of tea with a market share of 22%. However Sri Lanka is still the leader among countries exporting tea to the Russian Federation in value terms which is 33%. Among other major competitors for Sri Lanka in tea exports to Russia are Kenya, Vietnam, China, and Indonesia.

As per the statistics released by Sri Lanka Customs, there was a decrease of Ceylon Tea exports to the Russian Federation from 34,079 MT in 2016 to 32,795 MT in 2017 which indicates a 3.8% decline (1,284 MT in volume). Again the pre-packed tea segment has declined at a rate of nearly 8.65% (-551 MT) from 6,373 MT in 2016 to 5,822 MT in 2017. The tea bag sector and packeted tea sector have dropped by 393 MT and 158 MT respectively compared to the previous years.

The import of Ceylon tea in bulk form has a bigger share in the tea basket of Sri Lanka to Russia which is 82.2% in 2017. The reasons behind the import of more bulk tea is attributed to discriminative tea import tariff structure in Russia which is 0% duty for bulk teas and 12.5% for pre packed teas. The expansion of the local tea packaging industry in Russia also significantly contributed for importing more bulk tea over the pre-packed teas.

In value terms, the total tea export earning has considerably increased from Rs. 20,403 million in 2016 to Rs. 25,965 million in 2017. Though the volume shows a decline in 2017 compared to 2016, revenue of the tea exports to Russia insignificantly increased at a rate growth of 27.2% as result of increased tea market prices in Sri Lanka in the year under review.

2.6.1.2. Ukraine

As per Sri Lanka Customs statistics, the tea exports of Sri Lanka to Ukraine in 2017 accounted for 3,757 MT with the value being Rs.3,348 million.



Around 77% of this volume was exported to Ukraine in bulk form, 19.4% in packets and only 3.6% in tea bags. In 2016, total export was 4,635 MT with a value of Rs.3, 203 million. The year 2017 recorded a 19% decrease in volume terms and a 4.5 % increase in value terms over 2015. The decline of the volume of Sri Lanka tea exports to Ukraine attributed to sharp increase of Colombo auction tea prices and same reason contributed to increase of the value of the tea exports.

Annually one Ukrainian citizen consumes 500 - 600 grams of tea. Annual market capacity accounts for 18 - 20 thousand tones.

As per the statistical agency of Ukraine, the country has imported 18,311 MT of tea from all origins with a value of USD 68 Million in 2016. Sri Lanka has taken the leading position in the Ukrainian tea markets with a share of around 30% in volume term followed by other major suppliers such as India, UAE, China, Kenya and Vietnam.

2.6.1.3. Azerbaijan

Tea is the most popular drink in Azerbaijan. Azerbaijan has one of the highest per capita consumption of tea in the World



Azerbaijani tea culture enjoys a time-honored history and since ancient times, tea is an integral part of people's daily life in the country.

Sri Lanka was the leading supplier of tea to Azerbaijan with a market share of over 90% in 2016.

The total Sri Lanka tea exports to Azerbaijan increased from 10,543MT in 2016 to 12,270 MT in 2017 at a growth rate of 16.37% (1,726 MT). The revenue generated from the tea exports also has remarkably increased from Rs. 6,606 million in 2016 to Rs. 9,582 million, thanks to the increased tea prices in Colombo tea auction.

Ceylon tea exports to Azerbaijan market is mainly in bulk form (96%) as the raw material for the local tea packaging plants in Azerbaijan.

2.6.1.4. Kazakhstan

Tea is the most traditional drink in Kazakhstan and is consumed by people of all ages and from all



income sectors throughout the day. In addition, tea in Kazakhstan is considered to be a natural and healthy hot drink which can help treat a range of illnesses like colds and stomach-aches, with increasing consumer health awareness helping to boost sales. The Sri Lanka tea exports to Kazakhstan increased remarkably in 2017. The Sri Lanka Customs statistics show an increase of 195 MT of tea in 2017 from 464 MT in 2016. The value of the total Sri Lanka tea exports also significantly increased from Rs. 286 million to Rs. 540 million.



2.6.1.5. Uzbekistan

There is a strong and longstanding tradition of tea consumption among Uzbekistanis.



The size of the tea market is around 20 million and green tea is dominating the market where China is the leading supplier to Uzbekistan with a market share of 95%.

Although tea has never been grown or produced in Uzbekistan, it has been historically the main non-alcoholic beverage in the country. This status has diminished somewhat over the last two decades due to the rapid penetration of various other types of affordable-priced non-alcoholic beverages. Sri Lanka tea exports to Uzbekistan increased from 510 MT in 2016 to 604 MT in 2017 which is a 18% increase in volume terms. The value of the Sri Lanka tea exports to Uzbekistan has also increased remarkably by Rs. 137 million in 2017 comparing with the 2016 figure.

2.6.1.6. Kyrgyzstan

Kyrgyzstan is predominantly a black tea drinking country. 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 variety having a share of 90% of total market volume.

Sri Lanka is the leading tea exporter to Kyrgyzstan with a market share of nearly 25% in 2016. As per the Sri Lanka Customs Statistics, Sri Lanka's direct exports to Kyrgyzstan recorded 912 MT in 2016 and 711 MT in 2017. The decrease of the export volume of Sri Lanka tea exports registered 22 % in 2017.

Approximately 90 % of tea was exported in bulk form. The pre-packed tea exports to this market also recorded 62% decline in volume in 2017. The value of the Ceylon tea exports has also shown a slight decrease (Rs. 12 Million) from Rs. 555 million in 2016 to Rs. 543 million in 2017.

2.6.1.7. Belarus

With a population of 9.5 million, trade sources have estimated the total tea market in Belarus as 5000 MT - 7000 MT per annum.



In 2017, 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 5,877 MT during the year 2017 with a value of USD 43 Million

Russia has taken the leading position in exporting tea to Belarus with a market share of nearly 70% while Sri Lanka is placed as the main back-up supplier holding 8.2 % of the market. Other back-up suppliers Vietnam, China, Poland and Ukraine have market shares of 3.87%, 1.26%, 1.23 and 1.05 % respectively.

In 2017, Sri Lanka exported 385 MT of Ceylon Tea to Belarus with a value of Rs.474 million. In comparison to the year 2016, the Sri Lanka tea exports to Belorussia have increased by 111 MT in volume and Rs.177 Million in value terms in 2017. Out of total Sri Lanka tea exports to Belarus, 99% of tea was dispatched in pre-packed form.

2.6.1.8. Moldova

Today tea is one of most popular drinks among Moldova consumers. In accordance with



TNS Moldova market research Company, 68.7% of Moldova population drinks tea at least once a day (active consumers). Interestingly tea consumption per capita in Moldova is the highest in the world and accounts for 1.40 kg of tea per annum.

Ceylon Tea Exports to Moldova is estimated at around 250 MT- 350 MT per annum. However, in the last few years the Sri Lanka tea exports to Moldova has drastically declined. According to the statistics released by Sri Lanka Customs, Ceylon tea exports to Moldova decreased by 49 MT (37%) during the year 2017 compared to 2016. It dropped to 82 MT in 2017 from 131 MT in 2016. The value also declined from Rs.136 million in 2016 to Rs.105 million in 2017 registering a decrease rate of 23%.

2.6.2. Middle East & North African Markets

Sri Lanka Tea Exports Segmentation to MENA Region Destinations

As per the Sri Lanka Customs, the volume break-down on bulk, packets, bags etc. to the MENA countries for 2017 is analyzed below:

Table 2.18:

Country	Bulk	Packets	Bags	Others	Total (MT)	% Share of Total Exports
IRAN	26,028	1,334	21	36	27,419	9.49
IRAQ	14,967	19,810	231	25	35,033	12.12
TURKEY	21,228	16,307	268	13	37,816	13.09
UAE	8,695	6,249	369	472	15,785	5.46
SYRIA	4,819	1,882	684	15	7,400	2.56
LIBYA	51	10,744	48	766	11,609	4.02
KUWAIT	135	1,690	585	24	2,435	0.84
JORDAN	307	2,153	2,219	8	4,688	1.62
SAUDI ARABIA	1,552	1,888	882	95	4,416	1.53
LEBANON	128	3,717	269	15	4,128	1.43
EGYPT	509	780	53	18	1,360	0.47
Total						
(MENA Region)	78,419	66,555	5,628	1,488	152,089	52.63

(Figures include re-exports. Others cover mostly Green Teas).

The country-wise tea export statistics from Sri Lanka to the Middle East/North Africa (MENA) Region during 2017 in comparison with 2016 as per the SLTB sources are tabulated below:

Table 2.19

COUNTRY	2016 (MT)	VALUE (RS.BILLION)	2017 (MT)	VALUE (RS.BILLION)
Iran	33,598	22.2	27,039	24.0
Iraq	32,410	15	34,941	21.0
Turkey	27,060	14.4	37,809	27.9
UAE	17,830	10.3	15,226	11.1
Syria	11,963	7.8	7,276	6.1
Libya	12,617	6.6	10,833	7.3
Kuwait	3,486	2.2	2,362	2.2
Jordan	3,877	3.1	4,579	4.2
Saudi Arabia	3,989	3.1	4,129	4.0
Lebanon	3,447	2.5	4,089	3.7
Egypt	3,048	1.6	1,358	1.0
Sub Total	153,325	88.8	149,642	112.4
Total Sri Lanka Exports/Value	280,874	176.2	278,195	222.4
MENA Region Ceylon Tea Share from total Sri Lanka Exports	54.59%	50.40%	53.79%	50.54%

Source: Sri Lanka Tea Board



The above table does not include data related to re-export of tea. Further, off-takes to Tunisia, Qatar, Oman, Bahrain and Yemen have not been considered due to involvement of only insignificant quantities.

In spite of all the uncertainties and the turbulence in the MENA countries during 2017, the region has contributed nearly 54% of total off-takes from Sri Lanka to the world. Even in respect of value terms, a 50.54% contribution is registered, a performance worthy of emulation. When re-export data has not been taken into consideration, the tea markets of Iran, Iraq, Turkey, UAE, Syria, Libya, Kuwait, Jordan, Saudi Arabia, Lebanon, Egypt and have combined recorded the import of 149,642 Metric Tons of Ceylon Tea during 2017 out of a total off-take volume of 278,195 MT to all destinations. It reflects a share of exactly 53.79% in quantity terms and a 50.54% share in value terms. Thus, MENA Region has once again proved its indispensable nature for the survival of Ceylon Tea.

Iran with purchases recorded at 27,039 MT against 33,598 MT in 2016 has registered a decrease of 6,559 Tons (19.52%) and is the 4th largest importer in the region. But recorded 24 Billion Rupees against 22.2 Billion Rupees when compared with Year 2016. Total Ceylon Tea export value is increased by 1.8 (8%) Billion rupees when compared with previous year. Also, Iran is just marginally below Russian Federation (500 Tons less) who is still the No. 01 buyer of Ceylon Teas but the position is more than vulnerable. However, long term credit has become almost mandatory for the business with Iran and not a comfortable arrangement. Further, the Iranian Riyal has deteriorated to a very low level of over 38,000 to a Dollar and strengthened marginally, sending ripples throughout the buyer / seller partnership for the New Year. Again, a clearly noticeable trend from the last quarter of 2016 is the penetration by Indian teas to the Iranian market gradually replacing Ceylon Teas due to the price escalation at Colombo Auctions.

The conflict stricken Iraq is the 2nd largest buyer of Ceylon Teas and off-takes are recorded at 34,941 MT by end of 2017 as against 32,410 MT during same period of 2016 reflecting an increase of 2,531 MT (7.8%). With higher oil prices and larger crude sales expected in 2017, Iraq is bound to maintain its momentum at the bottom end of the Colombo Tea Auctions. The average FOB price of Ceylon Tea to Iraq in 2017 was Rs. 600.23 per kilo.

The geopolitical upheavals, border tensions, domestic revolting, involvement in the neighboring wars, disintegration of the Turkish Lira and the influx of refugees combined to create an unhealthy trading climate in Turkey. But Turkey is the leading Ceylon Tea importer in year 2017. Turkey has imported 37,809 MT in 2017 as against 27,060 MT in 2016. The volume has increased by 10,749 MT when compare with past year (2016). The percentage of increase is 39.72% compared with previous year.

The role of UAE also got undermined due to the difficulties in trading with Iran in particular which resulted in the re-export trade slowing down. The available statistics show that UAE has imported 15,226 MT in 2017 as against 17,830 MT in 2016 registering a drop on Ceylon Tea volumes by 2,604 Tons (14.6%). However UAE remained as the 5th largest importer of tea from Sri Lanka. Also interesting to highlight that UAE was the second largest buyer of Ceylon Green Tea after the Russian Federation while it is the 5th largest pre-packed outlet for Sri Lanka.

Syria and Libya are both encountered with serious internal conflicts. Both destinations are captive markets for Ceylon Tea. Both Libya and Syria has dropped their off-takes from Sri Lanka. In 2017 Libyan off-takes have been estimated at 10,833 MT from 12,617 MT in 2016 a decrease of 1,784 (14.1%). Similarly Syria has imported 7,276 MT in 2017 recording a decrease of 4,687 MT from 11,963 MT in 2016.

A substantial drop is registered by Kuwait from 3,486 MT to 2,362MT for 2017. The decline is 1,124 MT (32%) mainly due to the tight border controls with Iran & Iraq. Jordan & Kuwait both confined their imports to the domestic requirement only in 2017. As such, the purchase by Jordan is increased by 702 MT from 3,877 MT in 2016 to 4,579 MT in 2017.

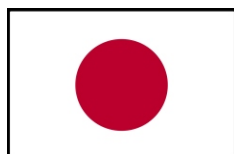
In Lebanon, Ceylon Tea exports which stood at 2.1 million kilos in 2012 has grown to 2.8 million kilos in 2013 and further increased to 3.4 million kilos in 2014 but declined to 3.4 Million kilos in 2016 and jumped to 4.08 Million kilos in 2017. Some volumes transported to Syria through the common border.

The highly price conscious Egyptian tea market usually dominated by African (especially Kenyan) CTC teas have purchased 3.6 million kilos of Ceylon Tea in 2012, 2.0 million kilos and 2.8 million kilos of tea from Sri Lanka in 2013 and 2014 respectively but increased off-takes to 3.0 Million kilos in 2016 and dropped to 1.3 Million kilos in 2017. When the Mombasa Auction prices are very strong, Egypt usually looks at Sri Lanka & India to cover-up their deficit. However, in 2017, Colombo auction prices were much stronger. Egypt also imported Ceylon Tea for re-exports to Libya.

2.6.3. Far East Oceania region

2.6.3.1. Japan

Japan has always remained as an important outlet for Ceylon Teas. Particularly, during the Uva seasonal quality period and even during Dimbula season, Japan is a favorite supporter at the Colombo Auctions. Traditionally, Sri Lanka used to ship around 7 to 11MKgs of tea annually to Japan.



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

Japan has always been among the top 10 major markets for Ceylon Tea. Sri Lanka mainly exports Black Orthodox tea to Japan and dominates the black tea market with a powerful 55% of market share. Total Black tea exports to Japan from Sri Lanka in 2017 have been 7,820 MT in quantity and value wise it is USD 44.2 Million.

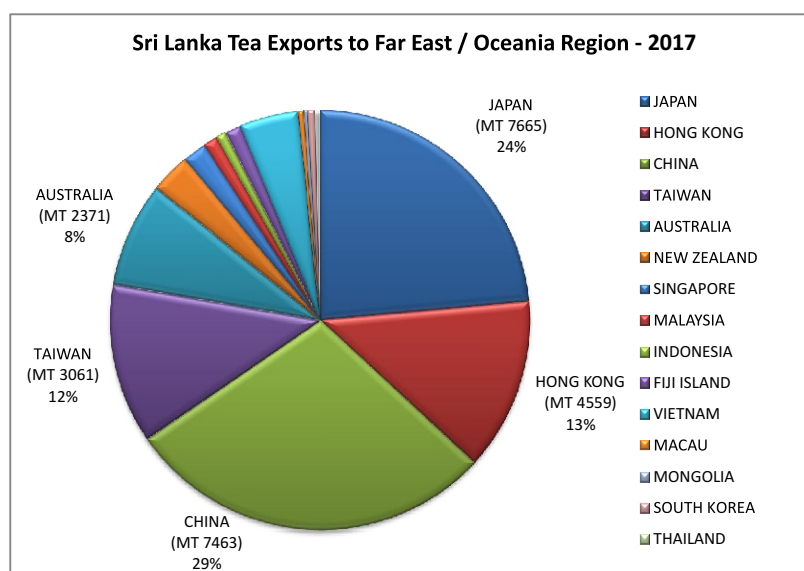
2.6.3.2. China

China is a country of tea culture and is the world's largest producer of Green Tea, Oolong Tea, Scented Tea (Jasmine) and



Puer' Tea. China is also the world's largest consumer of Green Tea, Scented Tea and Puer' Tea. Though China predominantly produces green tea, they also produce black Tea (CTC). China emerged as the largest tea producer and consumer globally and the second largest tea exporter to the world with a volume of 328 million kgs in 2016 (ITC 2017).

The total production was reported as 2.35 billion kg in 2016 with an increase of 4.5% over 2015. China's green tea production accounted for 66% of its total tea production while the balance consisted of black tea and other teas.



China's production accounts for 43% of the global production followed by India (22.7%), Kenya (8.7%) and Sri Lanka (5.4%).

The annual tea consumption in the country is estimated to be around 1791 Million kg with per capita consumption of 1310 grams (2016). China exported 328,692 MT during the year 2016 and emerged as the second largest exporter to the world behind Kenya.

According to Sri Lanka Customs, direct exports from Sri Lanka during 2016 were 7,463 MT of Ceylon Tea at a value of approximately US \$ 30.98 million. A quantity of 9,472 MT of Ceylon Tea with a value of US \$ 46.98 million was exported during 2017, of which 94 % was in bulk, 2.95% was in packets and 2.93% in tea bags. It reflected an increase of 27% in volume terms over 2016.

2.6.3.3. Taiwan

The total tea imports to Taiwan amounts to 26,344 MT in year 2016, out of which 67% are Black, Oolong and Pu'erh tea.



Vietnam is the dominant player of exporting tea to Taiwan with a share of 57% followed by Sri Lanka and India with a share of 13% and 11% respectively. Total apparent tea consumption in Taiwan amounts to 39.01 Million which is also driven by high volume of tourists arriving from Asia, who consume tea mostly as a part of their drinking culture.

Taiwan produces around 13,018 MT of tea in 2016 of which 95% is high quality Green tea. Taiwan is a significant market for tea with a per capita consumption of 1.44 kg's per head.

Taiwan is an important market for Ceylon tea with growth potential. Tea exports to Taiwan from Sri Lanka have significantly increased by 34% in quantity from year 2016 to 2017. Ceylon Tea has exported 3,061 MT during 2016 and exported quantity has increased to 4,091 MT in year 2017.

2.6.3.4. Australia

Australian tea consumers continued to trade up to more premium tea products in 2017. This was reflected in the steady



growth of fruit/herbal tea consumption increased in last years. While black tea is a long-time favorite among loyal tea drinkers, it's fruit infusions, herbal tisanes and green tea varieties that are creating the most excitement among manufacturers and retailers. New kind of tea businesses are also popping up in Australia. The new wave, largely driven by the people in 20s and 40s and it is getting creative. A punk-influenced tea bar, late-night lounge tea parlor, tea-themed musical performance, tea classes and tea TV are just a taste of what is emerging in Australian Tea consumption trend.

Sri Lanka's tea export to Australia has registered an increasing trend in 2017 compared to 2016.

India accounts for 24% as leading supplier followed by Sri Lanka's with a contribution of 20%, Indonesia 16% and China 18% in 2016/17. Australians are willing to pay extra for higher-quality tea. Ceylon Tea exports to Australia have increased marginally from 2,371 MT in 2016 to 2,669 MT in 2017, which is an increase of 12.5%. Value added component accounts for 89.5 % (tea bags-69.5% and packed tea-20%) of total tea exports to Australia.

2.6.3.5. Singapore

As per the statistics issued by Sri Lanka customs, the Ceylon tea export to Singapore is between 475 MT - 625 MT per year.



During the year 2017, the total Ceylon Tea exports to Singapore is recorded a volume of 608 MT. In previous year, the statistics indicate a total of 597MT has been exported to Singapore by Sri Lanka. The main competitors for Ceylon tea in Singapore are China, Indonesia, Kenya, India, Japan and Taiwan. China and Japan supply mainly Oolong tea and Green tea. Therefore, Kenya and India are the major competitors in terms of Black tea.

2.6.4. North and South American region

Table 2.20 : Country wise Ceylon Tea exports to North and South American region (2016/2017)

Country	2017 QTY(Kg)	2016 QTY(Kg)	Change Qty.(Kg)	Growth %
CHILE	7,004,202	6,543,574	460,628	7.04
USA	4,037,606	4,519,463	-481,857	-10.66
CANADA	587,997	416,486	171,511	41.18
VENEZUELA	0	44,785	-44,785	-100.00
BRAZIL	5,926	3,488	2,438	69.90
MEXICO	15,772	18,109	-2,337	-12.91
PANAMA	473	194	279	143.81
ARGENTINA	42,080	29,120	12,960	44.51
COLOMBIA	271	508	-237	-46.65
Total	11,694,327	11,575,727	118,600	1.02

2.6.4.1. USA

The tea market in USA is expanding and the import volumes have increased 25% within the last few years to reach almost 130MKgs. Black tea dominates the US tea market with a share of 85%, and the share of green tea accounts for 14%, while the rest consists of oolong teas and white teas. US Tea market is an important and a growing market for Ceylon Black Tea.

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 4% of total imports into USA. During the year 2017 Sri Lanka has exported 4,037,606 Kg of tea which is a drop with 10.66% in volume compared to 2016. The export earnings during the period have moved up by 2.59% or Rs.3, 844 Million.

Argentina remains as the major supplier of tea to USA with a share of 46%, followed by India 12%, China 9%, Vietnam 8%, Sri Lanka 4% and Indonesia 3% in 2017.

2.6.4.2. Canada

According to the Canadian Food Trends to 2020, a report commissioned by Agriculture and Agri - Food Canada, tea



consumption is expected to jump 40% by 2020, as growing consumer interest in health and wellness has led to increased awareness of tea's functional benefits. Canadians drink over 10 billion cups of tea each year and the Canadian population is 35,749,600. Black standard tea remains the dominant type, and accounts for 84% off-trade volume sales of tea.

Canada consumed 15,759 Metric Tons of black tea in 2016, and of that imports account as follows: United Kingdom (21%), India (18%), USA (33%), Sri Lanka (4.8%) and China (7.2%). In 2017, Sri Lanka exported 587,997 kg, recording an improvement of 41% over 2016 but average FOB prices slightly increased in 2017. 54% of exports were in value added form in year 2017.

2.6.4.3. Chile

Chile is the largest Tea market in South America with imports exceeding 20,000 MT per annum. Argentina remains as



the major supplier with 49% share while Sri Lanka is the dominant back-up supplier with 34% share. Sri Lanka exported 7,004,202 Kg of tea to this market in 2017 compared to 6,543,574 Kg in 2016 which is an increase of 7.03% in terms of volume. Export earnings in 2017 increased to Rs. 4,747 Million or by 38.6% compared to 2016.



2.6.5. European Region

Table 2.21 : Country wise Ceylon Tea exports to European Region (2016 / 2017)

COUNTRY	2017 - (Kg)	2016 - (Kg)	Variance (Kg)	Growth %
GERMANY	6,679,980	6,525,210	154,770	2.37
POLAND	2,327,422	2,173,286	154,136	7.09
BELGIUM	2,540,409	2,833,547	-293,138	-10.35
NETHERLAND(HOLLAND)	2,629,019	2,570,845	58,174	2.26
IRELAND	1,994,814	1,817,673	127,141	6.99
ISRAEL	1,361,177	1,378,427	-17,250	-1.25
ITALY	904,057	956,297	-52,240	-5.46
FINLAND	976,571	1,212,724	-236,153	-19.47
FRANCE	660,883	663,088	-2,205	-0.33
UNITED KINGDOM	1,206,515	957,050	249,465	26.07

Source: Sri Lanka Tea Board

2.6.5.1. United Kingdom

The annual tea consumption in the country is estimated to be around 106,892 MT with per capita consumption of 1.65 kg (ITC 2017). It was 6.62% drop compared with last year. The consumption of green and fruit teas is increasing. Black tea is presently holding 95% share. Moreover, demand for decaffeinated or semi-decaffeinated tea is increasing. The herbal, green and decaffeinated assortments found in UK supermarkets have been strongly widened. Moreover, the UK is the principal EU market for ready-to-drink tea (and coffee) products. However, compared to conventional black tea, these products remain very limited, and only have a limited effect on overall tea consumption.



The grower countries are the largest suppliers to the UK tea market with Kenya leading the way with 62,258 MT (48.6%) followed by India 26,070 MT (20.34%) and Tanzania 3,671 MT (2.86%) in 2016.

According to Sri Lanka Customs, direct exports from Sri Lanka during 2016 were 957 MT of Ceylon Tea at a value of approximately 1,168 million rupees. A quantity of 1,207 MT of Ceylon Tea with a value of 1,629 million rupees was exported during the year 2017, of which 69.8 % was in bulk, 12.7 % was in packets and 17.4% in Tea bags.

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 35,465 MT with per capita consumption of 0.93 kg (ITC 2017). As per available ITC statistics, Poland imported 35,465 MT of tea during the year 2016. Polish People are black tea drinkers, with 87% of the tea imported being black tea and only 13% green tea.

The grower countries are the largest suppliers to the Poland tea market with Kenya leading the way with 6,928 MT (19.53%) followed by Vietnam 1,414 MT (4%), India 5,839 MT (16.46%), Indonesia 2,254 MT (6.35%), Germany 7,357 MT (20.74%) and China 1,942 MT (5.47%) and Sri Lanka 1,827 MT (5.15%) in 2016.

According to Sri Lanka Customs, direct exports from Sri Lanka during 2017 were 2,327 MT of Ceylon Tea at a value of 2,489 million rupees. A quantity of 2,173 MT of Ceylon Tea with a value of 1,898 million rupees was exported during the year 2016. It reflects an increase of 7.1 % in volume and 31.2 % in value over 2016

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 57,511 MT of tea during the year 2016. During 2016 Germany re-exported 43.96% (25,282 MT) of the total import volume with net imports of 32,229 MT for domestic consumption.

Total tea imports to Germany increased from 55,985 MT in 2012 to 57,511 MT in 2016 an increase of 1,526 MT or 2.7% over the five year period. China supplies 22% (12,439 MT) of Germany's tea imports, followed by India (19%), Sri Lanka (13%), Netherlands (8%) and Indonesia (7%). Whereas green tea dominates in imports from China (more than 75% of total imports),



the classic black tea suppliers India and Sri Lanka maintained their leading positions in this market.

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 30.14%. Sri Lanka exported 6,680 MT of tea to Germany in 2017 and Germany was the 12th highest export destination for Ceylon Tea. There was an increase of 155 MT (2.37%) compared with the previous year exports of 6,525 MT.

2.6.5.4. France

French people have always been huge coffee drinkers, until the end of the 20th century coffee was the hot beverage of choice.



For the past few years, there has been a shift in hot beverages' consumption; people are looking more and more to tea. Since the beginning of the 21st century tea is considered healthier alternative to coffee. Moreover, French people tend to consider tea as a gourmet product and that are looking more for advice from professionals, which explain the success of specialist tea shops. In France, the number of potential drinkers is quite high. Almost two out of three people drink tea, the consumption steadily increasing.

France is the 30th consumer country in the world, with an average of 15,000 tons of tea imported per year. The tea is mostly consumed bag and consumers are mainly located in Ile de France and in western countries. Black tea is, according to the Syndicate, twice as consumed as green tea, but its evolution is less important. In general, the most popular tea segments are those that evoke travel, such as Darjeeling or Ceylon tea.

Tea imports during the year 2016 were 16,738 MT as against 19,070 MT in 2015 which shows a decrease of 12% in terms of volume (ITC Figures). China is the major tea supplier with a market share of 36% followed by Germany (13%), Belgium (10%), and Sri Lanka (6%). 27% of France tea imports are re-exported leaving the balance for domestic consumption. Black tea with market volume of 8,295 MT represents 49.55% of total imports while green tea with a volume of 8,443 MT holds 50.45% share.

As per Sri Lanka customs statistics, during the year 2017, Sri Lanka has exported 661 MT of tea against 663 MT in 2016. But Sri Lanka's share in the French market could be much higher since tea coming in from Belgium, UK and Germany too include a reasonable volume of Ceylon Tea.

2.6.6. South Asia Region

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

Country	Qty. (Kgs)		difference	Growth %
	2016	2017		
India	1,081,718	279,951	-801,767	-74.12
Pakistan	956,242	128,902	-827,340	-86.52
Bangladesh	0	1,315	1,315	0.00
Maldives	194,184	192,079	-2,105	-1.08
Afghanistan	278	0	-278	-100.00
Nepal	2,693	2,763	70	2.60
Total	2,235,115	605,010	-1,630,105	-72.93

Countries of South Asia region imported 0.6Mkgs of Ceylon teas during the year 2017. It was a noticeable decline compared to 2016 imported quantity of 2.2 million kilograms.

India annually consumes around 1,000Mkgs of tea, growing at a less than 10 per cent rate. In India, consumption of tea is not a seasonal phenomenon; rather an obsession, where people drink "chai" (tea) at any time of the day, irrespective of the temperature. With a domestic consumption of over 911 million kilograms in 2013-14, this country is the world's biggest consumer of "chai." However, it's per capita consumption, at 800 grams.



03 ACTIVITIES UNDERTAKEN BY THE BOARD

3.1 Tea Commissioner's Division

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

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

- Registration/licensing and renewal of tea manufacturers and factories
- Registration and monitoring of green tea leaf dealers
- Registration and monitoring of refuse tea processing centers and dealers
- Implementing programs for improvements of Green Tea leaf standards
- Granting subsidies for factory modernization and replanting(Including in filling and new planting)
- Monitoring of Reasonable price payments for factories and dealers
- Special monitoring of Good Manufacturing Practices(GMP)
- Conducting SLTB/SLSI product quality certification programs
- Collection of statistics related to production of Tea & disseminating them to the related institutes
- Conducting Special investigations on malpractice of tea sector

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

The Tea Commissioner's Division carried out the activities related to the Tea Land registration furthermore.

Conducting series of Educational fairs & National Tea Award Ceremony for evaluating the stakeholders in the tea industry for the celebration of 150 years of Tea Industry in Sri Lanka.

Granting 106.3 rupees million as the compensation to the flood affected tea factories for their rehabilitation.

Granting workers' distress loan for 21 Regional Plantation Companies.

Under Tea Replanting Subsidy Scheme 32.53 million of rupees was subsidized for 176.29 hectares. No of 35 persons were the beneficiaries under this.

Under Tea Factory Modernization Scheme 34.79 million of rupees was subsidized for 57 factories.

At this ceremony 154 national awards & 49 regional awards were presented to them. Following Stakeholders were awarded accordingly;

- Best Tea Plucker
- Best Tea Land Holder
- Best Green Leaf dealer
- Best Tea Manufacturer
- Tea king & Queen
- Best Tea Dancing Group
- Best Tea Exporter
- Best Tea Small Holdings Society
- Best Tea Taster
- Best Tea Photographer

List of Award Winners

1. Best Bulk Tea Exporter 2016 Small Scale

1. Enrich Tea & Food Exports (pvt) Ltd
2. T. D. K Trade Links(pvt) Ltd
3. Premier Natural Teas(pvt)Ltd



Medium Scale

1. U.K Beverages(pvt) Ltd
2. S.ST. Clair Teas(pvt) Ltd
3. Ceylon Tea Plantation Exports (pvt) Ltd

Large Scale

1. Akbar Brothers(pvt) Ltd
2. Empire Teas (pvt) Ltd
3. Uniworld Teas (pvt) Ltd

2.Best Value Added Tea Exporter 2016**Large Scale**

1. Akbar Brothers(pvt) Ltd
2. Anverally & Sons (pvt) Ltd
3. Jafferjee Brothers

Medium Scale

1. Bogawanthalawa Tea Marketing(pvt)Ltd
2. Basilur Tea (pvt)Ltd
3. Tea Trends Exports(pvt)Ltd

Small Scale

1. Amazon Trading (pvt)Ltd
2. SunTea (pvt)Ltd
3. J.V.Gokal Ceylon (pvt)Ltd

3.Highest Foreign Exchange Earner 2016**Bulk Tea Category**

1. Akbar Brothers(pvt) Ltd
2. Empire Teas (pvt) Ltd
3. Uniworld Teas (pvt) Ltd

Value Added Tea Category

1. Akbar Brothers(pvt) Ltd
2. M.J.F Exports (pvt) Ltd
3. Jafferjee Brothers

4.Highest FOB Achiever for Bulk Tea 2016**Large Scale**

1. Commercial Export Company
2. Akbar Brothers(pvt) Ltd
3. Imperial Teas (pvt) Ltd

Medium Scale

1. Millenium Teas(pvt) Ltd
2. United Teas (pvt) Ltd
3. U.K.Beverages(pvt) Ltd

Small Scale

1. Euro Scan Exports(pvt) Ltd
2. Milford Exports Ceylon (pvt) Ltd
3. Bio Foods (pvt) Ltd

5.Highest FOB Achiever for Value Added Tea 2016**Small Scale**

1. Amazon Trading (pvt)Ltd
2. Euro Scan Exports (pvt)Ltd
3. Maltras International (pvt) Ltd

Medium Scale

1. Basilur Tea Exports (pvt) Ltd
2. The Tea and Herb Company Ltd
3. U.K.Beverages (pvt) Ltd

Large Scale

1. Tea Tang (pvt) Ltd
2. M.J.F. Exports (pvt) Ltd
3. Mabroc Teas (pvt) Ltd

6. Highest Tea Markets Coverge 2016

1. Akbar Brothers(pvt) Ltd
2. M.J.F Exports (pvt) Ltd
3. Imperial Teas (pvt)Ltd

7.Best Tea Exporter of the year 2016

1. Akbar Brothers(pvt) Ltd

8.Best Tea Pluckers of the year 2016**Plantation Sector**

1. Ms. M. Siwasami - Hatton
2. Ms. P. Indrani - Matara
3. Ms. K.D. Vijayakala-Matara

Small Holder Sector

1. Ms.Indrani - Baduraliya
2. Ms. Mokku Lechchami - Rathnapura
3. Ms. K.M. Ajith Gunawardena- Hatton

9. Best Tea Taster of the Year 2016**Tea Factory Category**

1. Mr. E.S.B.A Egodawele-Somerset Estate
2. Mr. D.H.S.K Paliawadana-Hedigalla Tea Factory
3. Mr. M.A Chaminda Jayaratne-Dampahala Tea Co. (pvt) Ltd

Tea Broker/Exporter Category

1. Mr. I.D.H.Sunimal Perera-Delmege Forsyth & Co.Ltd
2. Mr. K.R.M. Uditha Muthuruwan-Watawala Plantations
Mr. Andrew Shaun Samuel John Keels



10. Best Tea Land 10 50 Acres**National Winners**

1. Ketapola Estate
2. Kurunduwatte Estate
3. Eduragala Estate, Rekadahena Estate

Regional Winners

1. Rekadahena, Deniyaya "B" Estate-
Galle
Kurunduwatte Estate- Matara
Ketapola Estate- Mathugama
2. Kirimatiyawatte Estate- Galle
Mahendra Estate- Matara
Eduragala Estate- Matugama
3. Bandunkandawatte Estate- Galle
Danlandawatte Estate- Matara
Hedigalla Estate- Matugama

11. Best Green Leaf Dealers**Large Scale**

1. GM10419- Small Organic Farmers
Organizations- Gampola
2. MT 1365 Raigam TSHD Society
Ingiriya, B2710- Mr. A.G. Abeysekara-
Walimada
3. H 2933 B 2594 Mr. D.M. Walikala-
Ginigathhena

Medium Scale

1. MT2139- Mr. Susantha Rajakaruna-
Ingiriya
2. R3901- Mr. Nandasena Minipura-
Kalawana
3. B2594- Mr. E.D. Gunadasa-
Bandarawela

Small Scale

1. GL4511 Meepawala TSHDA Society-
Galle
2. M3736 Thanipita TSHD society-
Deniyaya
3. B2850 Mr. G. Gamini Lionel- Hali- Ela

**12. Best Tea Factory
National Winners****Large Category**

1. MF 1172 New Vithanakande Tea
Factory- Ratnapura
2. MF1542 Andaradeniya Tea Factory-
Deniyaya
2. MF1217 Galpadithanna Tea Factory-
Ratnapura
3. MF1558 Aruna Tea Factory-
Mathugama

Medium Category

1. MF0692 Waltrim Tea Factory- Lindula
2. BF0138 Pothotuwa Tea Factory- Kotapola
3. MF1441 Falcon Tea Factory- Ratnapura
3. MF1264 Awissawella Tea Factory-
Awissawella
3. MF1501 Sihara Tea Factory- Thawalama

Small Category

1. MF1337 Lumbini Tea Factory- Deniyaya
2. MF0083 Rilhena Tea Factory- Pelmadulla
2. MF1410 Gunawardena Tea Factory-
Akuressa
3. MF1437 Dellawa Tea Factory- Dellawa
3. MF1502 Nilgiri Tea Factory- Kotapola
3. MF1398 Athukorala Tea Factory- Pitigala

Green Tea

1. MF0586 Newburg Green Tea Factory-
Ella

Speciality Tea Category

1. MF0049 Idalgashinna Tea Factory-
Idulgashinna
2. MF1541 Avonlea Hill Tea Factory-
Bandarawela
3. MF1517 Nilminiawatte Tea Factory-
Millawa
3. MF1041 Galaboda Tea Factory- Akurassa



Regional Winners**Large Category**

	1st Place	2nd Place	3rd Place
Matara	MF1542 Andaradeniya Tea Factory		
Rathnapura	Mf1172 New Vithanakanda Tea Factory	Mf1217 Galpadithanna Tea Factory	MF0181 Cecilian Tea Factory
Baduraliya	MF1558 Aruna Tea Factory	MF1342 Evergreen Tea Factory	Mf1465 Brombil Tea Factory
Galle	MF1350 Batuwangala Tea Factory		
Hatton	MF0835 Harangalla Tea Factory		

Medium Category

	1st Place	2nd Place	3rd Place
Matara	BF0138 Pothotuwa Tea Factory	BF0188 Kalubovitiyana Tea Factory	
Baduraliya	MF1455 Thundola Tea Factory	MF1544 Hedigalla Tea Factory	
Galle	Mf1501 Sihara Tea Factory	MF1333 Hingulgoda Tea Factory	Mf1314 Neluwa Madagama Tea Factory
Rathnapura	Mf1441 Falcon Tea Factory	Mf1264 Awissawella Tea Factory Mf1392 Hidellana Tea Factory	
Hatton	MF0692 Waltrim Tea Factory		
Gampola	Mf0697 Nayapane Tea Factory		
Bandarawela	Mf0381 Southern Tea Factory	Mf0269 Dambetanne Tea Factory	

Small Category

	1st Place	2nd Place	3rd Place
Matara	MF1337 Lumbini Tea Factory	MF1410 Gunawardena Tea Factory	Mf1502 Nilgiri Tea Factory
Baduraliya	MF1398 Athukorala Tea Factory	MF 1530 Kumudu Tea Factory	MF1252 Wilhena Tea Factory
Galle	MF1437 Dellawa Tea Factory	MF0954 Moragalla Tea Factory Mf1389 Karagoda Tea Factory	
Rathnapura	MF0083 Rilhena Tea Factory	MF0103 Opatha Tea Factory	MF1387 ACU Tea Factory
Hatton	MF0772 Hollyrood Tea Factory	MF0457 Pedro Tea Factory	MF0569 Dessford Tea Factory
Gampola	Mf0608 Craighead Tea Factory	Mf0616 Dartry Tea Factory	
Bandarawela	Mf0598 Shawlands Tea Factory		



Picture: 3.1



Picture : 3.2



Picture: 3.3



Picture: 3.4



Picture : 3.5



Picture : 3.6



Picture : 3.11



Picture : 3.12



Picture : 3.13



Picture : 3.14



Picture : 3.15



Picture : 3.16



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

All the factories that manufacture made tea are essential to register with the Tea Board in order to ensure that the building, equipment and manner of operations of the factory are of a standard conducive to the manufacture of good quality teas, 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 (no.of factories)	62	15	06	83
2. Own leaf & Bought leaf :-(no.of factories)				
a) Own leaf less than 50% at total production	14	36	107	157
b) Own leaf more than 50% of total production	69	37	14	120
3. Bought Leaf only (no.of factories)	10	33	266	309
4. Registered Tea factories in operation	170	130	423	723
5. Registered Tea factories not in operation	29	73	86	188
6. Total number of Registered Tea Factories	199	203	509	911

Chart 3.1 :Classification of Tea Factories

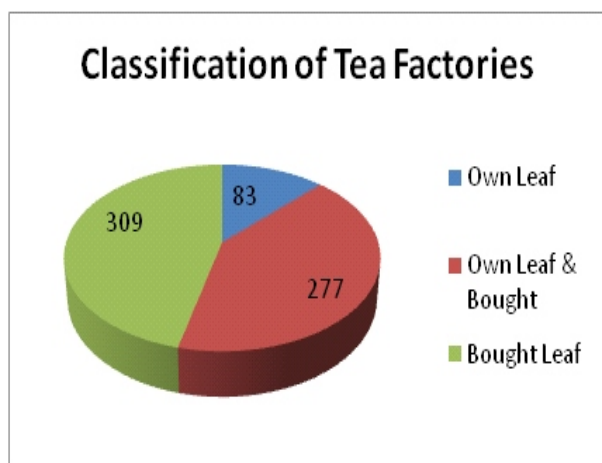
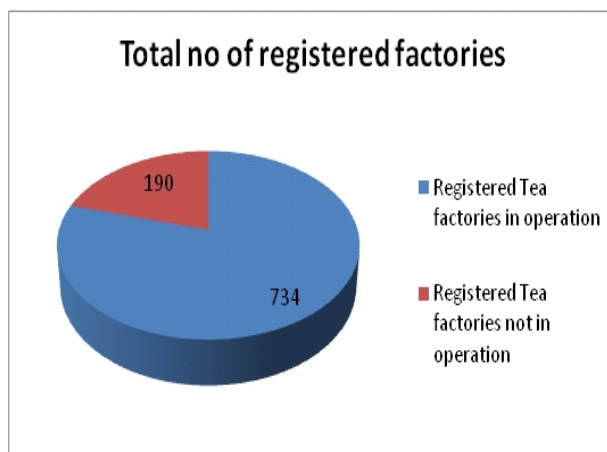


Chart 3.2: Total no of registered factories



3.1.3 Reasonable Price Payable for Bought Leaf

Under the provisions of the Tea Control Act, the factories manufacturing tea using bought leaf are required to make payments for the bought leaf based on Tea Commissioner's recommended prices, considering the price fetched by made tea manufactured at those factories. The reasonable price payable by factories to green leaf suppliers is determined on the basis of monthly net sale average of such factories.

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

3.1.3.1 Defaulted Payment

During the year under review the total defaulted payment for green leaf suppliers remained at Rs. 271million as at 31st December 2017. We also recovered Rs 53 Million during the year 2017. Further accumulation of defaulted payment interrupted by suspending their registration. If any factory found defaulted payment for reasonable price of green tea leaf, the factory will be warned and if the defaulted amount is not settled, the registration of the factory will be suspended or cancelled.

Restoration of registration of such factories considered only after the settlement of the total defaulted payment.

Table 3.2: Status of Defaulted Payment

Region	Amount as at 2017.01.01	Amount added during 2017	Amount recovered and paid	Balance payment due to smallholder as at 31.12.2017	Amount due from closed Factories	Amount due from functioning Factories
Ratnapura	116783376.8	22206515.90	21214943.87	117774948.8	57038281.62	60736667.46
Matara	16559464.66	19584710.86	-	36144175.52	2532641.60	33611533.92
Gampola	6989306.77	41197801.02	1844319.92	46342787.87	31330302.85	15012485.02
Galle	21339132.76	5638134.29	868187.51	26109079.54	20863615.13	5245464.43
Baduraliya	34203869.16	12677203.63	10750757.25	36130315.54	29030301.45	7100014.09
Hatton	5446144.07	4310510.20	661012.41	9095641.86	4595247.26	4500394.60
Bandarawela	17851858.09	-	17823741.43	28116.66	-	28116.66
Total	219173152.30	105614875.90	53162962.39	271625065.80	145390389.90	126234676.10

Source: Sri Lanka Tea Board

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 suspend or cancel the factory registration in terms of the Tea Control Act No 51 of 1957.

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

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

3.1.4.1 Quality Improvement Activities

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

- SLSI - SLTB Quality Certificate
- The "B Leaf 60" program to improve the green tea leaf standard
- Rush Crop Management program during festive season
- Low NSA Strategy
- Quality Monitoring System(Task Team Operation- TTO)
- Factory Modernization subsidy scheme
- Tea Re Planting Subsidy Scheme
- Factory based tea development program
- Establishment of GMPS in Tea Factories & warehouses.
- Green Tea Dealers Training Program (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 for tea factories 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” program to improve the green tea leaf standard

This program has been implemented to improve the leaf quality by minimizing the post-harvest damage and by improving the plucking standards. At present this program is being implemented successfully at the field. A massive progress of this project at the field is observed. At the beginning of this program the green leaf standard prevailed as 33% of Best Leaf, 32% of Below Best and 35% of Poor. The current green leaf standard at the field is the Best Leaf 42%, Below Best 24% and Poor 34%. The "B Leaf 60" was implemented with the objective of maintaining the best green leaf standards (Best leaf standard) at minimum of 60% at the field.

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

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

c) Rush Crop Management program during festive season

This project is designed to minimize the crop losses during festive 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 lose almost completely by introducing various programs.

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)

1165 Surprise inspections were carried out at tea factories by the officials of the Tea Commissioner's Division during the year 2017.

Table 3.3: Task Team Operations

Region	No of Inspections done
Bandarawela	13
Gampola/Hatton	70
Ratnapura	11
Matara	52
Galle	06
Mathugama	13
Total	165

f) Subsidy scheme for Factory Modernization & Tea Replanting

Under Domestic funds, funds has been allocated by the Treasury 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 Re-planting during the year.

Funds were available for the corporate and private sectors for replanting and factory modernization for the year 2017. Following table show the payment made for the replanting and factory modernization subsidy scheme in year 2017.

Table 3.4: Subsidy Payments

Region	Replanting Subsidy Scheme			Factory Modernization Subsidy Scheme		
	No of Applications	Amount Paid	Extent Hec	No of Applications	No of Factories Paid	Amount Paid
Bandarawela	58	818750.00	4.47	11	-	-
Hatton /Gampola	137	25867059.00	132.30	17	09	6227891.65
Ratnapura	61	-	-	27	13	923819.58
Matara	06	3005934.00	16.3378	13	12	5392858.19
Galle	05	1732727.00	14.11	18	18	11067633.68
Mathugama	03	1107800.00	9.08	02	05	2868333.33
Total	270	32,532,270.00	176.2978	88	57	34,794,736.43

Source: Sri Lanka Tea Board

g) Factory Based Tea Development Program (FBTDP)

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

It has been decided to appoint an Extension officer (Field coordinator) under this program for the purpose of monitoring the productivity of tea small holdings and handling of Green tea leaf.

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

Under this scheme, 484 tea factories were evaluated and action was taken to improve the standards of tea manufacturing process.

Table 3.5 : GMP assessments done at Regional wise

Region	Assessment of GMP
Bandarawela	38
Gampola/Hatton	140
Ratnapura	38
Matara	95
Galle	107
Mathugama	66
Total	484

Source: Sri Lanka Tea Board

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 licenses from the Tea Commissioner's Division. Tea commissioner's division monitors all registered green tea dealers.

Following table shows the distribution of regional-wise green tea leaf dealers.

Table 3.6: No. of green tea licenses issued during 2017

ATC Regions	License declarers as at 01.01.2017	Renewals of Licenses	New Licenses issued	Licenses to deal in Green Tea Leaf as at 31.12.2017
Bandarawela	170	160	10	170
Gampola/Hatton	280	248	35	283
Matara	322	291	14	305
Galle	320	300	13	313
Ratnapura	537	486	51	537
Mathugama	223	205	28	233
Total	1861	1690	151	1841

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 introduced since 2009. The table no. 3.7 illustrates the regional wise total permits issued during the year 2017.

Table 3.7: Permits issued for refuse tea processing centers during 2017

Region	Registered Processors as at 01.01.2017	Renewals during the year	Newly issued during the year	No of Processing Centers as at 31.12.2017	No of Permit Issued as at 31.12.2017
Bandarawela	01	01	-	01	1338
Gampola/Hatton	240	238	24	262	4171
Matara	06	04	00	04	445
Galle	30	29	02	31	690
Ratnapura	04	05	02	07	888
Mathugama	05	05	00	05	176
TOTAL	286	282	28	310	7708

Table 3.8 : International Certification Awarded

Region	HACCP	Other International Certification
Bandarawela	10	23
Gampola/Hatton	35	53
Ratnapura	07	23
Matara	06	18
Galle	08	10
Mathugama	06	12
Total	04	165

Source: Sri Lanka Tea Board

Sri Lanka Tea Board started this certification to assess the good manufacturing practices of these warehouses through assessing the process of blending, packing and warehouse storage practices and also followed by final product evaluation using sensory analysis and scientific examination guided by national and international standard of tea.

24hrs 7 days' operations at the Sri Lanka Tea Board Export Division and Joint Investigation on the Tea Consignments at Sri Lanka Customs Exports Facilitation Center (EFC).

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. Further, following main operations were continued throughout the year 2017.

GMP Certification for Iran Exports

A special operation was carried out in the year 2017 to assess the standard of the warehouse where tea consignments prepared for export to Iran.

Sri Lanka Tea Board arranged to open the export division 7 days 24 hours. In this year also operation hours were extended until 10.00pm. This arrangement facilitate the Tea Exporters for submitting their Cusdec and obtain response without delay.

Further, special investigation and trade facilitation unit functions were carried out at Exports Facilitation Center, No.478/3C, K Cyril C Perera Mawatha, Colombo 13 in collaboration with Sri Lanka Customs to conduct joint inspections on tea consignments that were ready to export without hindering customs boarder procedures and export cargo clearance in more transparent manner to ensure the quality of tea.

3.2.1 Registrations

One of the main functions 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 Regulations (Registration of Tea Packers) 1986, appeared in the Gazette Extra-ordinary no. 386/13 of 28th January, 1986, any person who engage in the business of packing tea 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 as well.

Table 3.9 :Registration Statistics of Exporter, Packers, Warehouse, Produce Brokers and Importers

Registrations	As at 01.01.2017	During year 2017 (New Registrations)	Total No. as 31.12.2017
Exporters	325	41	366
Packers	584	115	699
Warehouse	212	27	239
Importers	111	13	124
Produce Brokers	8	-	8

In terms of the Sri Lanka Tea Board Regulation (Warehousing of Tea) 1984 appeared in Government Gazette Extraordinary 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 1000 kgs 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 specialty tea 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 and all containers shall be registered with the Sri Lanka Tea Board.

All registered tea exporters are required to submit CUSDECS with other required documents to the Tea Exports Section through ASYCUDA System in order to obtain the authorization for export. A team of SLTB officers inspect the tea consignment/s, ready to export to ascertain whether the tea in concern is in line with required standards for export.

3.2.2. Importation of Tea

The Sri Lanka Tea Board has issued 669 import permits for Importation of 8,096,078.07 kgs of tea. However; the actual quantity of import was **7,679,588.00** during the period under review.



Table 3.10

Country	Type	Imported Qty. (Kgs)	QF Value (Rs.)	Value Rs.
CHINA	Green Tea	1,794,798.50	353.09	633,728,198.75
	Special	690,102.50	519.85	358,751,184.93
	White Tea	10,684.00	482.05	5,150,262.12
	CTC	36,448.00	352.98	12,863,650.00
	Decaffeinated Tea	1,500.00	1,813.59	2,720,385.00
	Sub Total	2,533,533.00	399.92	1,013,213,680.80
INDIA	CTC	3,078,566.00	287.71	885,733,235.50
	Special (Black Tea)	856,781.00	499.07	427,594,517.40
	Green Tea	25,940.00	424.48	11,010,902.00
	Decaffeinated Tea	12,410.00	860.83	10,682,916.00
	White Tea	750.00	430.61	322,958.00
	Sub Total	3,974,447.00	335.98	1,335,344,528.90
JAPAN	Green Tea	9,866.00	2,294.78	22,640,321.00
	Special Tea	460.00	4,423.03	2,034,592.00
	Sub Total	10,326.00	2,389.59	24,674,913.00
KENYA	CTC	914,950.70	417.54	382,025,542.10
	Decaffeinated Tea	3,000.00	1,296.02	3,888,060.00
	Sub Total	917,950.70	420.41	385,913,602.10
GERMANY	Green Tea	7,499.00	742.68	5,569,347.20
	Special	925.00	2,643.82	2,445,536.60
	Decaffeinated Tea	993.00	816.20	810,487.00
	Sub Total	9,417.00	937.17	8,825,370.80
TAIWAN	Special	314.00	5,389.35	1,692,257.15
	Sub Total	314.00	5,389.35	1,692,257.15
MYANMAR	Green Tea	4,880.00	-	-
	CTC	650.00	565.36	367,484.00
	Sub Total	5,530.00	66.45	367,484.00
USA	Special	24,025.00	4,864.15	116,861,285.20

Source: Sri Lanka Tea Board

3.2.3. Maintenance of Minimum Quality Standard ISO 3720 for Made Tea

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

Table 3.11: No. of quality defects at each sampling level(2017)

Type of sampling	No. of samples drawn	No. of cases detected as below ISO and contamination
Pre auction sample drawn by export division	6664	} 1969
Preauction withdrawals (by the panel)	1969	
Postauction	6649	23

Source: Sri Lanka Tea Board

3.2.4. Denaturing of tea due to unsuitability for consumption

Made tea found to be unsuitable for human consumption at the levels of pre-auction, pre-shipment and special investigations is denatured under the supervision of the Export Section. This section has denatured 90,327.00Kg of made tea identified at all levels above in 2017

3.2.5 Performance of Exports under the FTAs

Sri Lanka enjoys preferential Tariff Rate Quota (TRQ) for tea under the Indo-Sri Lanka Free Trade Agreement (ISFTA) and Pakistan-Sri Lanka Free Trade Agreement (PSFTA). However, a substantial utilization of TRQ has not been recorded in 2017.

Table 3.12 : Utilization of TRQ under the FTAs (2017)

FTA	Quota per annum kg	Total exports kg.
India - Lanka	15,000,000.00	128,440.28
Pakistan - Lanka	10,000,000.00	15,853.04

3.2.6. Retrieval of Tea

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 2017.

3.3. Tea Promotion Division

3.3.1. Main Functions of the Division

Tea Promotion Division is responsible for the implementation of Ceylon Tea promotion programs locally and in foreign markets classified 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 private sector packers.
- X. Local Tea Promotion.

3.3.2. Overseas Tea Promotion Offices & Market Coverage

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

3.3.3. Trade Fair Participation

Sri Lanka Tea Board facilitates the participation of Sri Lankan tea exporting companies in international trade fairs in selected markets promoting 'Ceylon Tea' as a brand and also the individual brands of participating companies. SLTB participated at the following 34 trade fairs in 2017 organizing a group stand for Ceylon Tea along with private sector participants. Trade fair subsidy scheme benefited to 154 participants during the year 2017.

1. Prodexpo , Moscow - Russia (6-10 Feb)
2. Gulfood, Dubai - UAE (26 Feb - 2 Mar)
3. Foodex, Tokyo - Japan (7-10 Mar)
4. IFE, London - UK (19-22 Mar)
5. World Food Uzbekistan , Tashkent - Uzbekistan (29 -31 Mar)
6. Cairo Int'l Trad Fair , Cairo - Egypt (13-27 Mar)
7. SIAL Canada, Toronto - Canada (2-4 May)
8. World Food Warsaw - Poland (11 - 13 Apr)
9. APAS 2017, Sao Paulo, Brazil - Brazil (2-5 May)
10. SIAL China, Shanghai - China (18-20 May)
11. World Tea Expo, Las Vegas - USA (13-15 Jun)
12. HOFEX - Hong Kong (8 - 11 May)
13. Food West Africa, Lagos - Nigeria (17 - 19 May)
14. World Food Azerbaijan, Baku - Azerbaijan (25 - 27 May)
15. Seoul Food, Seoul - Korea (16-19 May)
16. Saitex , Johannesburg - South Africa (19-21 Jun)
17. Food Taipei, Taipei - Taiwan (21-24 Jun)
18. Summer Fancy Food , New York - USA (22-25 Jun)
19. Malaysia Int. Food & Bev. Trade Fair - Malaysia (9-11 Aug)
20. Int. Tea Fair, Hong kong - Hong Kong (17 -19 Aug)
21. World Food , Istanbul - Turkey (7-10 Sep)
22. Fine Food, Sydney - Australia (11-14 Sep)
23. World Food, Moscow - Russia (11-14 Sep)
24. Anuga, Cologne - Germany (7-11 Oct)
25. Saudi HORECA, Riyadh - Saudi Arabia (27-29 Nov)
26. Xiamen Tea Fair, Xiamen - China (12-16 Oct)
27. World Food, Kiev - Ukraine (25-27 Oct)
28. FHC Shanghai, Shanghai - China (14-16 Nov)
29. World Food, Almaty - Kazakhstan (1-2 Nov)
30. World of Tea, Teheran - Iran (23 - 25 Oct)
31. World Tea & Coffee Expo, Mumbai - India (16-18 Nov)
32. Foodex Saudi, Jeddah - Saudi Arabia (20-23 Nov)
33. Agrofood & Plastprintpack - Ghana (5-7 Dec)
34. Organic & Natural Expo 2017 - Dubai (11-13 Dec)



Picture 3.16& 3.17:Prodexpo, Moscow Russia (6 - 10 Feb)



Picture 3.18 & 3.19:Foodex, Tokyo - Japan (7 - 10 Mar)



Picture 3.20 & 3.21:IFE London UK (19 - 22 Mar)



Celebrating 150th Anniversary of Ceylon Tea in UK

Based on the recommendation of Sri Lanka High Commission in UK, SLTB has arranged 3 Ceylon tea promotional events in UK to celebrate 150th Anniversary of Ceylon Tea. Two events were taken place in Edinburgh and last one was in Dunstable.

Event of Celebrating the 150 Years of Ceylon Tea at Business School Conference Room in University of Edinburgh

- Ceylon Tea Networking Session and Tea Demonstration at Waldorf Astoria - Edinburgh
- Dunstable Ceylon Tea promotional program

Picture 3.22



Picture 3.23



Picture 3.24 & 3.25: SIAL Canada, Toronto Canada (2-4 May)



Picture 3.26 & 3.27: World Food Warsaw - Poland (11 - 13 Apr)**Picture 3.28 & 3.29: APAS 2017, São Paulo - Brazil (2-5 May)****Picture 3.30 & 3.31: World Tea Expo, Las Vegas USA (13-15 Jun)**

Picture 3.32 & 3.33: HOFEX - Hong Kong (8 - 11 May)



Picture 3.34 & 3.35: Food West Africa, Lagos Nigeria (17 - 19 May)



Picture 3.36 & 3.37: World Food Azerbaijan, Baku - Azerbaijan (25-27 May)



**Picture 3.38: Seoul Food,
Seoul - Korea (16-19 May)**



**Picture 3.41 & 3.42: Summer Fancy Food,
New York USA (22 - 25 Jun)**



**Picture 3.39 & 3.40: SAITEX, Johannesburg
- South Africa (19 - 21 Jun)**



**Picture 3.43: World Food, Istanbul
Turkey (7 - 10 Sep)**



Picture 3.44 & 3.45: Malaysia International Food & Beverage Trade Fair - Malaysia (9 - 11 Aug)

Celebrating 150th Anniversary of Ceylon Tea in Australia

The High Commission of Australia in Canberra in collaboration with the Sri Lanka Tea Board organized a 150 years celebration of Ceylon Tea in Parliament House in Canberra, Australia.

Members of the House of Representatives, Senators, Australian officials, Tea industry experts, hoteliers and other invitees enjoyed tea from the seven tea growing regions of Sri Lanka along with Sri Lankan savorys and sweets, as well as popular Sri Lankan flavours of ginger, lemon, cinnamon, jugglery and honey. The seven varieties of tea displayed at the event.

Picture 3.46 & 3.47: Fine Food, Sydney Australia (11 - 14 Sep)

Picture 3.48 World Food, Moscow Russia (11 - 14 Sep)**Picture 3.50****Picture 3.49****Picture 3.51**

Ceylon Tea Charity Auction in Enshi - (China) on 26th September 2017

Sri Lanka Tea Board in partnership with the Colombo Tea Traders Association (CTTA) and the Embassy of Sri Lanka in Beijing joined hands with the China Chamber of Commerce for Food stuffs; Native Produce & Animal By-Products (CCCFNA) organized the 6th Ceylon Tea Charity Auction in Enshi Hubei Province, China on 26th September 2017. The main purpose of organizing Ceylon Tea Charity Auctions is to drive all collected sales proceeds of the Ceylon Tea Charity Auction to be utilized for selected charity projects in the tea growing areas, for the exclusive benefit of the children of plantation workers.

Picture 3.52

Picture 3.53 & 3.54: Anuga, Cologne Germany (7-11 Oct)



Picture 3.56: Saudi HORECA, Riyadh - Saudi Arabia (27 - 29 Nov)



Picture 3.57 & 3.58: Xiaman Tea Fair, Xiaman China (12 -16 Oct)



Picture 3.59 & 3.60: World Food Ukraine (25 -27 Oct)

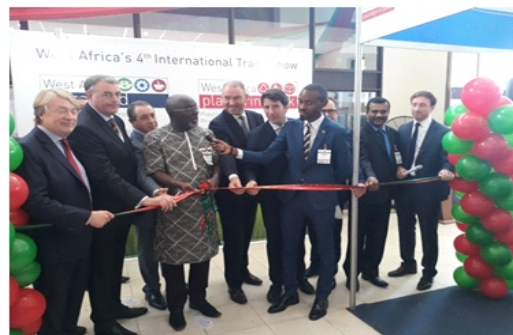


Picture 3.61 & 3.62: World of Tea, Teheran Iran (23 - 25 Oct)



Picture 3.63 & 3.64: FHC China 2017 in Shanghai (14-16 Nov)



Picture 3.65 & 3.66: World Food, Almaty Kazakhstan (1 - 2 Nov)**Picture 3.67 & 3.68: World Tea & Coffee Expo, Mumbai - India (16-18 Nov)****Picture 3.69: Foodex Saudi, Jeddah - Saudi Arabia (20 - 23 Nov)****Picture 3.70: Agro food & Plat print pack Ghana (5-7 Dec)**

3.3.4 Global Promotion Campaign

Media Buying

SLTB formulated tender to select a Consultancy Agency for Media Planning, Scheduling and Buying for Global Campaign for Ceylon Tea Promotion. Accordingly, Treasury appointed a Cabinet Appointed Consultants Procurement Committee for selecting a suitable consultancy company. The tenders were called on 21st May 2017 by Cabinet Appointed Consultants Procurement Committee for Consultancy Services for Media Planning, Scheduling and Buying for Global Campaign for Ceylon Tea Promotion in 12 countries for three year period. Five companies were responded to EOI calling advertisement and three companies were qualified to submit the bids based on the basic criteria given on the advertisement. As a result, Request for Proposals (RFP) were issued on 21.07.2017 and closed on 14.08.2017. According to the bids evaluations, Dentsu Grant (Pvt) Ltd was selected to Consultancy Agency for Media Planning, Scheduling and Buying for Global Campaign for Ceylon Tea Promotion.

Creative Part

Phoenix O&M (PVT) Ltd was awarded to undertake the creative of the above-the-line (ATL), below the Line (BTL) and Social Media work of the Global campaign within the identified seven regions. Phoenix completed draft concept of Website, direct mailer, Brochure and leaflet. On the other hand Phoenix agreement extended by Cabinet from 6th November 2016 to 5th November 2018 due to delay of media buying process.

PR Campaign

As per the cabinet approval to carry out Public Relations activities by SLTB,

Special Promotion for Ceylon Tea through Visit of Tea House Times Publisher and Writing of Special Feature Articles

As part of the Global Campaign for Ceylon Tea, two journalists of the Publisher of the Tea House Times Magazine in USA were invited to Sri Lanka in January to meet tea industry stakeholders, visit tea growing areas, witness manufacturing process and also to create awareness of all other positive aspects of Ceylon Tea. After obtaining the firsthand experience in Sri Lanka, these journalists wrote number of feature articles and editorials on Ceylon Tea. Also full page advertisements on Ceylon Tea were published free of charge on each issue of the Tea House Times Magazine for the year 2017. Also number of blogs and articles written on Ceylon Tea were published on social media and other Medias as well.

Special Promotion for Ceylon Tea through Visit of Journalists from 9 Countries

Under the Visiting Journalists program in 2017 there were 14 journalists from Russia, USA, Canada, Saudi Arabia, Turkey, Kuwait, Iran, China and UK visited Sri Lanka during the Celebration of 150 years for Ceylon Tea in August. The team met tea industry stakeholders, visited tea growing areas, witnessed manufacturing process and also made awareness of all other positive aspects of Ceylon Tea. Since then, there were number of paper articles, newspapers, magazines, e-versions and etc. on Ceylon Tea were published in print Medias and social Medias.

Table 3.13

Date	Name	Country	Benefits
22 nd - 31 st Jan, 2017	Ms Gail Gastelu Ms. Linda Villano	USA	● Published more than twenty (20) blogs about Ceylon Tea ● Full page advertisements and articles in more than five (05) the Tea House Times Magazines ● Number of social media (FB, Instagram, twitter, YouTube and etc) uploads and etc. ● Conducted a number of Ceylon Tea promotional campaign in USA on complementary basis.

Picture 3.71



Picture 3.72



Table 3.14

Date	Name	Country	Benifits
13 th to 19 th February, 2017	Mr. Neil Macrichie and Mrs.Sarah	Singapore	-Publish Ceylon Tea articles in future issues of Tea & Coffee Trade Journal in Singapore.
6 th -14 th August, 2017	Mr. Tony Gebely	USA	-Published an article about Tea processing methods in Sri Lanka, Tea culture in Sri Lanka, Future of Sri Lankan tea *Tea processing
	Ms. Julia Smirnova -Special	Russia	-Online newspaper Komsomolskaya Pravda, first article on "Sri Lanka & Ceylon Tea" was published. The link; https://kp.ru/daily/26743/3771847/ , -Radio Program on "Sri Lanka & Ceylon Tea" for 10 minutes have broadcasted on the 15th October 2017, the link; http://kp.ru/radio/26744.5/3772573/
	Ms. Elena Velichko	Russia	-Two PR articles, " The Trade that made the Nation 150 years of Ceylon Tea" article of 4 pages from Coffee & Tea magazine - 4th Issue (Russian) & Coffee & Tea International Magazine 2nd issue (English), -E-version is available on links and the hard copies received.
	Mr. Iskander Akchurin	Russia	Published Magazine article of two pages
	Mr. Maan Alghadhiyyah Mr. Hasim Sezgin Kilic	Saudi Arabia	-Before the visit - Quarter page article on 06.07.2017, on Global Tea Party in Riyadh -After the visit - Full page article on 03.10.2017 -Published an article in Hurriyet Gazetesi Newspaper about Sri Lanka Tea Culture and general promotion of Sri Lanka
	Mr. Ebrahim Falfahi	Iran	Article on "Ceylon tea: A journey to the land of green magic" in Tehran Times on the 4th page on 23rd August 2017
	Mr. Zhuangyun Sun	China	-Article on " Sri Lanka celebrates its 150 years History of Ceylon Tea, with the Premier be Present" on 09th August 2017 -5 more articles published respectively for five days from the 08th/10th/11th/12th & 13th August 2017.
	Mr. Xiaoge Pei	China	Posted 3 articles and 3 sets of pictures (called picture report) especially or the event on the China Economy Website.
	Mr. Dan Bolton	USA/Canada	-Article on World Tea News, 15th August 2017 "Sri Lanka celebrates the Future of Tea", "A new Mandate for Sri Lanka's Tea Industry" -Article on World Tea News, 29th August 2017, "Sri Lanka is Primed to Supply Premium Iced Tea"
	Mr. Reaven Gerrad	Kuwait	Two articles on "Sri Lanka celebrates One Big Tea Party" in two pages.

Picture 3.73



Picture 3.74



Picture 3.75



Table 3.15

Date	Name	Country	Benefits
17 th to 24 th December, 2017	NTV TV Crew	Russia	42 minutes documentary on Ceylon Tea and Sri Lanka in General

Russian NTV team visited Sri Lanka to discuss the promotion of Ceylon Tea and Sri Lankan culture.

Picture 3.76



Picture 3.77



Business Networking Breakfast Meeting on 12th September 2017 at North Sydney Harbor view Hotel, Australia.

The Consulate General Office in Sydney in collaboration with the Sri Lanka Tea Board organized a Business Networking Breakfast Meeting Event at North Sydney Harbor View Hotel in Sydney. The main objective of the event is promoting Ceylon Tea to Media organizations, PR companies, and Travel and publication companies in Australia.

"Sri Lanka Food & Culture Festival 2017" at Tumbalong Park, Darling Harbour on 25th and 26th November 2017

The Consulate General Office in Sydney in collaboration with the Sri Lanka Tourism Promotion Bureau hosted a Sri Lanka Tourism Promotional Event at Tumbalong Park in Sydney City on 25th and 26th November 2017 from 10.00 am to 05.00 pm.

The main objective of the promotion is to create awareness among Australian travel community that Sri Lanka is a preferred destination for leisure and holidays. The target audience was business community, professionals, media, tour operators and the consumers. Consulate General office organized a Ceylon Tea Stall to serve the liquid tea free of cost and promote Ceylon Tea at this SL Country Promotional event.



Market Intelligence and Research

Qualitative primary Research carried out on “Triggers and Barriers for Tea Consumption in Russia” (Qualitative Market Research on Usage, Habits, Perception of Ceylon Tea - Moscow and Ekaterinburg) and the facts gain from this market survey will be used for Strategy Development of Ceylon Tea Market in Russia and Ceylon Tea Global Campaign.

3.3.5 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 aspects of uni-national promotion activities carried out by the Board.

3.3.6 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 Inter-governmental 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 activities in selected countries in 2017 as mentioned above.

Programs with Tea Councils and Tea Associations:

Annual Individual TEA Sweepstakes (15th November 31st January, 2018)

As per the request made by the President of Tea Association of the USA inc, Sri Lanka Tea Board dispatched Ceylon Tea promotional materials on complementary basis to the event for media outreach and blogger.

Programs with Ceylon Tea Ambassadors

Sri Lanka Tea Board carried out number of Ceylon Tea Forums & Tasting programs in USA by Mr. David De Candia, the Honorary Tea Ambassador for Ceylon Tea in USA and Canada during the year 2017.

Picture 3.78: Inter-cessional Meeting of the FAO/IGG on Tea, Colombo, from 12th & 13th August 2017



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

Sri Lanka Tea Board formulated necessary rules and regulations for protection of 'Ceylon Tea' and seven other agro-climatic regional teas (NuwaraEliya, Uda Pussellawa, Dimbula, Uva, Kandy, Sabaragamuwa & Ruhuna) as Geographical Indications through the provisions available under TRIPS Agreement of World Trade Organization. This would not only help to prevent the misuse of 'Ceylon Tea' and other regional tea growing names particularly by overseas contract packers but also add value and a premium for Ceylon Tea marketed under GIs.

3.3.8 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.

Lion Logo has been registered in 98 countries as at 2017. The franchise to use the Lion Logo has been granted only for branded, value added tea products (Tea Bags & Tea Packs) which contains 100% Ceylon Tea and are in compliance with ISO 3720 Standard while being above a minimum reference standard to each destination and should be pre packed in Sri Lanka. During the year under review, Lion Logo registration renewals in **Australia, Fuji Island** were completed.

3.3.9 Brand Promotion 2015 / 2016

The scheme for financial assistance for Brand Promotion of Ceylon Tea Brands which carries Lion logo by providing matching grants was proposed by the trade in 2015 based on the National Budget proposal approved in 2015. As per the agreements signed between selected private sector companies and Sri Lanka Tea Board for the Brand Promotion subsidy scheme project for the year 2015/2016, the project with extended period came to an end on 30th June 2017. Rs. 177.32 Millions were reimbursed to the private sector and 10 companies were entitled for that under 11 markets.

3.3.10 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 plantations 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.

Eight tea exporters have obtained franchise rights from SLTB to use the Ozone friendly Pure Ceylon Tea logo for eleven brands during the year 2017.

3.3.11 Celebration of 150 Years of Ceylon Tea

The Sri Lanka Tea Board, in collaboration with the Colombo Tea Traders' Association, has organized several celebratory events to coincide with this Sesquicentennial Anniversary, throughout the year 2017.

The celebrations commenced with the unveiling of a sculptured bust of James Taylor at the Head Office of the Sri Lanka Tea Board on the 19th January 2017

Picture 3.79



Picture 3.80



Picture 3.81



- The released of Rs.10/- coin on 12th July 2017, to commemorate this anniversary.

The Central Bank of Sri Lanka (CBSL) issued a commemorative coin with a face value of Rs.10/- to celebrate 150 years of Ceylon Tea and to recognize its contribution to the national economy as an important and long-standing export oriented commodity in Sri Lanka.

Picture 3.82



Picture 3.83



Picture 3.84



- A first day cover and a series of stamps were issued on 13th July 2017.

The Sri Lanka Philatelic Bureau in support of the Colombo Tea Traders' Association (CTTA) and the Sri Lanka Tea Board (SLTB) released two postal stamps to the value of Rs.35/- each and a first-day cover, to mark the ongoing celebration of the 150 years milestone of Ceylon Tea.

Picture 3.85



Picture 3.86



Picture 3.87



A series of Education Fairs were organised to conduct in all seven tea producing regions, to serve as an outreach to the local community in an endeavor to infuse a better understanding of the relevance and importance of the Tea Industry to the country and its career opportunities and to create an awareness of the significance of this historic event. Under this series, educational fairs were conducted in Nuwaraeliya, Pilimathalawa, Badulla, Yatiyanthota, Neluwa and Kothmale areas.

Picture 3.88



Picture 3.89



Picture 3.90



A unique 'Global Ceylon Tea Party' hosted by the country's Diplomatic Missions worldwide was held on July 06, at 5.00 p.m. in each time-zone around the world, serving fine Ceylon Teas and a specially created biscuit for the occasion by Maliban Biscuit Manufactories (Pvt) Limited, the oldest biscuit manufacturer in Sri Lanka.

Picture 3.91



Picture 3.92



Picture 3.93



- A 'Grand Charity Tea Auction' was held on July 20, 2017, the entire proceeds of which will be invested in charitable projects, benefitting the work force of the Plantation Sector.

Picture 3.94



Picture 3.95



Picture 3.96



- The publication of a Commemorative Book, an authentic historical record of 'The 150 Years of Ceylon Tea' on 20th July 2017.

Picture 3.97



Picture 3.98



Picture 3.99



- An International Colombo Tea Convention was held from August 9th to 11th, 2017, with an approximately 300 overseas delegates, apart from significant local participation. Erudite presentations were delivered by eminent personalities in the Global Tea Trade and the International Business Arena, both from overseas and Sri Lanka, with expertise and experience in a wide spectrum of relevant disciplines, setting the tone for stimulating discussions and sharing of diverse views, with competent moderators regulating the different session. Along with the Colombo Tea Convention, other international events were held in Colombo, which were attract more international participation from both producer and consumer countries.

Picture 3.100**Picture 3.103****Picture 3.101****Picture 3.104**

● Immediately preceding the Convention, the Inter Session meeting of the FAO/IGG on Tea which was held in Cinnamon Grand Hotel, Colombo on the 12th and 13th of August 2017.

● CRT International Exhibition 2017 was held from August 11th to 13th, 2017 at BMICH, to enable Exporters, Manufacturers, Producers and Service Providers in the Tea, Rubber and Coconut Industries, both local and international, to showcase their products and services.

● CRT Seminar Session on Tea Sector: A seminar titled “Innovations in Tea” was conducted on 11th August 2017 at the Mihilaka Madura of the BMICH. The target audience of more than 275 participants was comprised of the stakeholders of tea industry, and University Students. The Seminar was moderated by Dr. Rohan Pethiyagoda, The Chairman of SLTB and eight guest speakers were participated at this seminar including three international speakers.

Picture 3.102**Picture 3.105**

Picture 3.106



● Tea Festival was held on August 12, 2017, to promote amongst Tourists and Sri Lankans the uniqueness of Ceylon Tea and the tea culture, through a festive atmosphere, was held, with a focus on street events, featuring Tea stalls, food stalls and entertainment, including performances depicting tea related activities. It is intended that this will become an annual event in future.

Picture 3.107



Picture 3.108



National Tea Award Ceremony 2017

The final event in a long chain of celebrations conducted year 2017 was the first ever **NATIONAL TEA AWARDS CEREMONY**, which was held at “Nelum Pokuna” National Performing Arts Theater, under the patronage of the Minister of Plantation Industries Hon. Navin Dissanayake, graced by His Excellency President Maithripala Sirisena of the Democratic Socialist Republic of Sri Lanka as the chief guest, to commemorate the **150th Anniversary of Ceylon Tea**.

Picture 3.109



Picture 3.110



Through that event, the Sri Lanka Tea Board planned to honor the achievement, contribution and sacrifice all the stakeholders who have worked to uplift the industry. The **NATIONAL TEA AWARDS CEREMONY 2017** had been designed in such a way that the winners have been selected based purely on performance, selected in consultation with the various stakeholder organizations.

150 awards in the following categories were presented:

Best Tea Plucker, Green Leaf Dealer, Best Tea Land, Best Tea Factory, Best Photography, Tea King and Tea Queen, Best Tea Exporter, Best Tea Taster, Best Tea Dance, Best Tea Small Holder Society and six life time awards to people who contributed to the Tea Industry development.

Picture 3.111



Picture 3.112



Picture 3.114



Picture 3.113



Picture 3.115



3.3.12 Promotional/Information Publications

Following promotional/informational publications were released during the year:

- i. Bi-monthly newsletter (06).
- ii. Quarterly Tea Market Review-2017(04).

3.3.13 Local Tea Promotion

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

Golden Footprint of Tourism 2017 - at University of Kelaniya

Sri Lanka Tea Board participated above educational fair was held at University of Kelaniya on 27th November 2017 for promoting Ceylon Tea and distribute tea knowledge to participants of the event. During the event Sri Lanka Tea Board arranged liquid tea service and tea tasting sessions to participants. Further Tea promotion team educated them how to prepare a good cup of tea at home, how to purchase quality tea in local market and health advantages from consumption of tea.

Christmas Fest 2017

The Ministry of Tourism & Christian Religious Affairs together with Sri Lanka Tourism Promotion Bureau was organized a key tourism event celebrating Christmas at Arcade premises during 20th to 22nd December 2017.

Sri Lanka Tea Board conducted a stall (10' x 10') and promotes Ceylon tea during the exhibition period. Sri Lanka Tea Board, tea promotional officers promoted Ceylon Tea, distributing free samples, educating how to prepare a good cup of tea at home, How to select good tea from local market and promotional materials during the Christmas Fest. Honorable Minister of Tourism Development and Christian Religious Affairs, Mr. John Amaratunga also visited Sri Lanka Tea Board booth during the exhibition.

Picture 3.116



Picture 3.117

Colombo International Shopping Festival 2017 (20th 22nd October)

Ministry of Tourism Development and Christian Religious Affairs was organized the Colombo International Shopping Festival from 20th 22nd October 2017 at the Sri Lanka Exhibition and Convention Centre.

Sri Lanka Tea board also was participated conducting a sales outlet with an information desk throughout the shopping festival.

Picture 3.118**Picture 3.119**

The Conference of the Association of SAARC Speakers and Parliamentarians

Sri Lanka Tea Board conducted promotional and educational booth with Tea Sales at the Conference of the Association of SAARC Speakers and Parliamentarians at Hotel Hilton from 4th and 5th October 2017.

Picture 3.120**Picture 3.121**

Newum Tea Festival - Southern Region based on Getabaru temple (11th May 2017)

Sri Lanka Tea Board with private sector stakeholders organized Newum Tea Festival based at Getabaru Temple in southern Region on 11th May 2017 with more than 15000 gathering. Hence, Sri Lanka Tea Board arranged liquid Tea service and Tea sales counter for this event.

Picture 3.122

Picture 3.123

ICAN Conference at Hilton Colombo from (4th to 8th December 2017)

The 10th ICAO Air Service Negotiation (ICAN) conference for the year 2017 was held at Hilton-Colombo from 4th to 8th December 2017. This is a premier international conference of the International Civil Aviation Organization (ICAO), which was previously hosted by major tourism hot spots such as Bahamas, Jamaica, Antalya, Bali and Durban. Well over 500 foreign delegates from 72 states have been represented the event and SLTB has jointly participated with Sri Lanka Tourism Development Authority & National Gem and Jewellery Authority and conducted an information desk with sales counter at the ICAN Conference 2017, Hilton-Colombo.

Picture 3.124**picture 3.125**

Colombo Defence Seminar 2017

Sri Lanka Army's annual international defence conference, 'Colombo Defence Seminar - 2017' was held on 28th August 2017 to 29th August 2017 at Bandaranaike Memorial International Conference Hall (BMICH) in Colombo, Sri Lanka. The seminar was coupled with an international exhibition that will provide an opportunity for the foreign and local defense industry to capture the attention of the international audience representing more than 50 countries.

Seminar and exhibition were provided ample opportunity for local and foreign partners to promote their products and services. According Sri Lanka Tea Board conducted an information desk and liquid tea service to promote Ceylon Tea among foreign visitors.

Picture 3.126**Picture 3.127**

3.3.14. Foreign Delegations

Sri Lanka Tea Board facilitated and hosted delegations from China, Singapore, Russia, USA, South Korea, UK and Turkey during the year under review and arranged trade meetings for the visiting delegations 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.

Sri Lanka Tea Board participated in the following meetings under the review period

2nd Session of Sri Lanka - Russia Intergovernmental Commission on Trade, Economic, Scientific and Technical Cooperation held in Colombo from 24th - 26th October 2017.

Tea trade delegation to Iran on Ceylon Tea Promotion/ Participation at the World of Tea 2017 and bilateral trade meetings with trade and government authorities - 22nd to 27th October 2017.
Ministerial Tea Delegation to Russia.
The Seminar of "Australian Tea Culture" in Canberra from 11th to 12th November 2017.

The High Commission of Australia in Canberra organized a Tea seminar in Canberra in Australia on 11th to 12th November 2017 at Canberra city. Mr. David Lyons, an expert on Tea conducted the above seminar and distributed Ceylon Tea gifts to invitees and participants.

7th International Tea Forum at Enshi - Hubei Province (China) from 25th to 30th September 2017

International Tea Forum was commenced under the theme of "The Belt and Road Deliver Tea and Health" and the ITF's objective is to provide an opportunity for international people who engage in the tea industry to obtain updated information and trends of the tea industry, key markets, promote business, cultural communication and corporation between Chinese and International tea industry.

Picture 3.128



Picture 3.129



3.3.15 Tea Sales Centre

The Tea Sales Centre located at the SLTB premises sell flag bearer range of Tea Board packs and selected tea products from twenty eight private sector tea companies. During the year 2017, revenue of Rs. 101.9 million was generated through the sale of tea at the center which shows an increase of sales by 3.3% compared to the previous year. The sale of SLTB packs earned Rs. 22.08 million while private sector tea brands accounted for 79.8 million.

3.3.16 Distribution of Tea for promotional purposes.

SLTB issued Rs. 6.14 Million worth of tea on a complimentary basis for promotional purposes of "Ceylon Tea"

- I. Complimentary teas to 51 Sri Lankan Missions overseas.
- II. Liquid tea service and distribution at International Trade Fairs.
- III. Promotional give-away to VIPs/Officials

1.4 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 certificates for branded 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. de Silva (over 40 years tasting experience)
- Mr. V.A.A. Perera (over 30 years experience)

Panel members representing the Stake-holders consist of each representative from the following Associations CTTA, CBA, CPA, SLFTSHDS, TEA, PTFOA.

3.4.3 Tea Tasting Methodology Adapted By the Unit

SLTB adapt the methodology of ISO 3102 of tea preparation of liquor using in sensory tests. Tea Tasting Terminology ISO 6078 for Black tea vocabulary/ Monograph on Tea Production in Ceylon no:4 Tea Manufacture in Ceylon.

3.4.4 Conduct of Expert Panel Tea Tasting Sessions

The panel is met twice a week mainly on Monday and Thursday. For an independent evaluation to be taken on the following:-

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.

Sri Lanka Tea Board offer Lion Logo certificate for the Brands which is valid for one year.

Granting franchise rights to use the Lion Logo on retail packets. 758 applications were processed for new brands/Renewals, additional packs for the year 2017.

3.4.6 Monitoring Of Quality Lion Logo Depicted Packs

(Local/Overseas/Tea Board Range Of Packs)

3.4.6.1 Local

Randomly taken samples from Colombo Super markets and retail 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 most of the shipments with Lion Logo (80%) is 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 Diplomatic 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 tasted 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 other than that randomly evaluate the High & Medium, Leafy, and Tippy samples of Brokers. Thereafter, or ganepical 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	181,344
Organoleptic	18,560
No. of Pre-auction samples rejected by the panel for suspected liquor contamination-	650
Siliceous matters	190
Crude Fibre	675
Pre-auction samples forwarded by the DTC (Ex.) on random basis (BSL/ESL)	
No. of Lots examined	6,664
No. of samples suspected	198

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 - 6,649

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 the amendments.

Total no. of samples examined by the TTU 1,647

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 by the TTU - 1,138

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 - 8,857



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 fees of Rs. 500/-+ VAT + NBT) per line as charges for the above service too.

Total forward contracts lines ratified - 36

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 by the Unit - 1,607

3.5.2 Achievement of the testing service

During the intervening year 2017 there are about 15% increased testing services evidenced. The industry testing requirement reached to the laboratory by two main channels either by internal divisions including the Tea Commissioners' Division named as "Internal Monitoring Service (IMS)" or by outside clients including the tea manufacturers, tea brokers, tea exporters and tea importers named as "External Certification Service (ECS)". It is highlighted that about 68.3% of the total testing work done (i.e. 9603 tests) also accounted for the laboratory income due to the service rendered for clients at a fee pay basis, i.e. ECS. The rest of the testing work done about 31.7% (i.e. 4467 tests) belongs to the IMS category concerned with the regulatory requirement imposed under the Tea Control Act. Summary of tests performed by the Analytical Laboratory is given below, in comparison with the previous 2016.

3.5 Analytical Laboratory

3.5.1 Analytical Laboratory - international recognition for its certification service

Sri Lanka Tea Board Analytical Laboratory which was established in 1986 had reached its 30th Anniversary in the year 2017 with remarkable achievement of 4th year of international accreditation based on ISO 17025:2005 international standards. Tea Board Analytical Laboratory is the sole leading tea specific accredited testing and certification laboratory operating in Sri Lanka among the government institutions as well as private sector testing service providers. The scope of accreditation certified by the Sri Lanka Accreditation Board for Conformity Assessment (SLAB) under its mutual recognition of ILAC (International Laboratory Accreditation Cooperation) since March 2014. In the latter part of 2017 Analytical Laboratory re-certified by the certifier SLAB that for continuation of its accreditation status to cover all three disciplines of testing, i.e; chemical, pesticide residues and microbiology Analysis.



Table 3.16: Summary of tests performed by the Analytical Laboratory

Name of test	No. of tests	
	2016	2017
Chemical Analysis Unit		
1. Determination of moisture in tea	342	349
2. Determination of total ash in tea	365	291
3. Determination of water soluble ash in tea	355	291
4. Determination of acid in - soluble ash in tea	355	291
5. Determination of water extract in tea	365	293
6. Determination of alkalinity of water soluble ash in tea	387	299
7. Determination of Crude Fiber in tea	858	396
8. Basic Radiation Determination tests.	116	164
9. Other Tests (Added Color, Sugar, Gel, Liquor, Taint, flavour, Chemical Identification, bicarbonate, extraneous)	11	73
10. Grade identification tests / Sieve Analysis	49	51
Microbiological Analysis Unit		
01. Determination of Total Plate Count	780	629
02. Determination of Yeast and Mould Count	783	631
03. Microscopical examination for dead or live insects and other Impurities / foreign matter in tea	40	51
04. Determination of Genetically Modified Organisms (GMO) in tea	828	951
05. Detection and Enumeration of Faecal Coliforms & <i>Escherichia coli</i> (E.coli)	782	629
06. Detection and Enumeration of Total Coliforms	789	633
Pesticide Residue Analysis Unit		
01. Ethion	668	1006
02. Malathion	668	1006
03. Cypermethrin	668	1006
04. Beta Endosulfan	668	1006
05. Bifenthrin	217	1006
06. Bromopropylate	668	1006
07. Tetradifon	668	1006
08. Endo Sulphan Sulphate	668	1006
09. Bitertanol	90	-
Total	12188	14070

Source: Sri Lanka Tea Board

Furthermore, Analytical Laboratory has taken action to introduce new laboratory testing to meet tea industry requirement and after the amendment of accreditation status of the laboratory performed with SLAB. Accordingly, testing of Ethion, Malathion, Cypermethrin, Endosulfan sulphate and -endosulfan been introduced by the pesticide residues analysis unit, a major requirements comply for maximum residues levels (MRLs) established by tea importing countries.

3.5.3 Contribution for the Tea Board income generation

Mainly the laboratory clients under the “ECS category” and the identified not comply to the minimum quality standards for the test result which of official sample forwarded by the Tea Commissioner for evaluation and report. Summary of the generated total income by the Analytical Laboratory during the consecutive years 2016 & 2017 are described herein under;

	2016 (Rs.)	2017(Rs.)
Total Income	20,143,500.00	23,197,100.00



It is important facts of increased testing under “ECS category” as described below nearly because of the gained international accreditation status of the Tea Board laboratory maintained during the period. Share of the total laboratory Income IMS Vs ECS could be demonstrated as below;

Table 3.17: Share of the total laboratory income IMS Vs ECS

	2016 (Rs.)	%	2017 (Rs.)	%
Internal Monitoring Service (IMS)	8,404,000	41.72	6,391,500	27.55
External Certification Service (ECS)	11,739,500	58.28	16,805,600	72.45
Total Income, Rs.	20,143,500		23,197,100	

3.5.4 Involvement in facilitation to the tea industry

Analytical Laboratory stands for releasing technical advices to SLTB internal divisions namely the Tea Commissioner's Division and Tea Export Division, when taking decision on the tea quality over the officially drawn suspected tea samples. The trained sampling team (i.e. Tea Inspectors/ Regional Tea Development Officers) disperse with the command of the Tea Commissioner/ Deputy Tea Commissioner (Export/ Development/ regulatory) and attend official sampling at pre-selected tea disposal points (i.e. tea factories, tea brokers, tea auction & tea exporters). Thereafter, those samples identified as borderlines and/or below are forwarding to the Analytical Laboratory for scientific reporting.

One of the main activities of the Analytical Laboratory is concerned for testing and reporting on minimum quality of tea sample according to the ISO minimum quality criteria specially for ISO 3720:2011 - Definition and basic requirement of black tea and ISO 11287:2011- Definition and basic requirement of green tea. The chemical analysis unit of the Analytical Laboratory, an internationally accredited laboratory for ISO standards issue its certificates over the received tea samples and recommend the status of minimum quality to the Tea Commissioner for his regulatory activities. The Tea Commissioner takes official action following the requirements prescribed in Tea Control Act No. 51 of 1957 and its related regulations and Tea Board guidelines/standards 2010.

During the intervening year 2017, Analytical Laboratory has been identified 1371 numbers of samples below the ISO

minimum quality standard tea samples out of 4467 total tests performed. To have basic idea on the number of rejected tea lots under the above category, those fall in the three testing disciplines summarized below.

Table 3.18: rejected tea lots

Analysis Unit	Below with ISO minimum quality standard (no. of tests)
Microbiology	1162
chemical	209
Pesticide residual	52

3.5.4.1 Performance of the Pesticide Residues Analysis Unit

As per the Tea (Tax and Control of Export) Act No. 16th of 1959 and its related regulations, it is required to produce pesticide clearance certificate for all other origin teas planned to import Sri Lanka for value addition and re-export thereafter. During the period 2017, there were 8048 tests requested (about 57.2% out of total tests performed) from the Analytical Laboratory originated by tea importers. Analytical Laboratory Pesticide residue unit performed its testing and certify those imported teas prior to import meet the requirement of issuing of import permits by the Tea Commissioner. Therefore, if any detection of residues than the accepted minimum residue limits (MRLs) in any pre-importation sample, Tea Commissioner takes action to reject the import permits. To meet this industry requirement, pesticide analysis unit of the Analytical Laboratory which equipped with modern high-sophisticated equipment as well as its recruited competent technical staff stand for on-time performance to achieve daily targets. It is very significant that pesticide analysis unit solely contributed for the laboratory income and marked as total of Rs.15, 094,100.00 while handling the 8048 number of tests performed during the period January December of 2017.

It is important that, out of the total tests performed in pesticide residues analysis, there were 52 number of samples representing the import shipments had been rejected as described below,

Table 3.19: rejected samples representing the import shipment

Type of Pesticide test	Below Standard/ Guideline (No.of tests)
Ethion	10
Cypermethrin	28
Endosulfan sulphate	10
endosulfan	03
Bifenthrin	01

3.5.4.2 Performance of the Microbiology Analysis Unit

Following the Tea Board Standards/ Guidelines 2010, tea samples suspected as microbiologically contaminated, microbiology analysis unit of the Analytical Laboratory has been worked for its optimum capacity and had significant contribution to the Sri Lankan Tea trade by evaluating and issuing accredited test certificates. During the intervening period of 2017 there were 3524 tests (about 25.0%) been handled by its competent technical staff. While handling 3524 tests in microbiology analysis unit, one of major income generating channel for analytical Laboratory contributed Rs. 6,449,500.00 amount for the laboratory during the period 2017. There were 1162 no of test samples identified as microbiologically contaminated out of these no of samples as described below,

Table 3.20: microbiologically contaminated samples

Type of microbiology test	Below Standard/ Guideline (No.of tests)
Total Plate Count	348
Yeast and Mould	451
Coliform	350
E-coli	13

Samples identified as below standards/ not suitable for consumption through the internal certification service, they are been proceeded to denature and removed from the system following the Tea Board regulatory procedure.

3.5.4.3 Performance of the Chemical Analysis Unit

According to the established international standards ISO 3720 and ISO 11287 for black tea and green tea respectively, there are seven (7) chemical tests compulsory to analyze and report to evaluate the minimum quality of tea sample. During the period 2017, Chemical Analysis unit of Analytical Laboratory had been handled 2498 number of tests (about 17.8% of the total testing) and reported 209 numbers of samples categorized as below the standard and results have been referred to the Tea Commissioner for necessary regulatory action. It has earned a sum of Rs.1,653,500.00 during the last period. The details of test parameters confined to samples which were destroyed due to the unfit for minimum quality standards as summarized below,

Table 3.21: samples destroyed due to the unfit for minimum quality standards

Type of chemical test	Below Standard/ Guideline(No.of tests)
Crude fiber detection	151
Alkalinity detection	34
Siliceous matter-acid insoluble	10
Suger like components	10
Other Contamination	4

3.5.4.4 Performance of the Quality Inspection Unit

The trained technical staff of the Analytical Laboratory should involve for field sampling on issues raised as suspected teas, categorized under shipment lots and collection of blend samples for SLTB-GMP (Good Manufacturing Certification) scheme. Therefore scientific sampling should perform by competent technical staff since the accuracy of all lab test results depends on the correctness of the drawn sample. The officials involve for tea sampling in Tea Commissioners' Division, i.e; Tea Inspectors, Regional Tea Development Officers, Assistant Tea Commissioners and Deputy Tea Commissioners always accompanied with scientific technical officer nominated from the Analytical Laboratory,

i.e; Analysts, Quality Management Officer, Technical Assistants who are expert in use of special tools and sampling techniques. During the intervening year 2017, Analytical Laboratory technical staff had carried out 61 Nos. of scientific sampling/ re-sampling successfully.

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

Table 3.22: Staff Strength of SLTB as at 31st December 2017

Category	No of Staff		Total
	Male	Female	
Senior Level	04	01	5(1.7%)
Tertiary Level	38	25	63(22.6%)
Secondary Level	51	91	142(50.9%)
Primary Level	63	06	69(24.8%)
Total	156(55.90%)	123(44.1%)	279(100%)

Table 3.23: Human Resource Turnover for the year 2017T

Details	No of Staff
Resignations	10
Retirements	07
Terminations	00
Vacation of Post	00
Total	17

3.6.2 Human Resource Development

Table 3.24: Local Training (Individual)

Category	No of Employees Trained
Senior Level	00
Tertiary Level	29
Secondary Level	27
Primary Level	16
Total	72

3.6.3. In- house Training Programs - 2017

1. Workshop on Public Procurement and Bid Evaluation

This in-house training program aimed at helping the participants to understand critical elements of the Public Procurement Procedure and Bid Evaluation. 75 Managerial level officers (Senior Managers, Middle Managers and Junior Managers) participated in the Program conducted on 17th February 2017.

2. Workshop on Office Management and Office Procedures

This in-house training program aimed at helping the participants to understand critical elements of the Office Management and Office Procedures. 15 Management Assistant (Non- Tec) staff members participated in the Program conducted on 22nd February 2017.

Foreign Training

Table : 3.25 Foreign Training

Category	No of Employees Trained
Senior Level	01
Tertiary Level	00
Secondary Level	12
Primary Level	00
Total	13

3.6.4. Tea Board day - 2017 (Team Building Event.)

This Annual Event of Team Building aimed at helping the participants to empower their Team Building Spirit. All staff at SLTB participated at the event conducted on 25th March 2017 at Vila Ocean - Waduwa.



3.6.3 CSR Projects - 2017

Relief Assistance for Tea Industry Victims of flood & Earth Slips in May 2017

Considering the disaster situation prevailed in the country in May 2017, the Management of Tea Board donated dry rations among the victims of the flood and earth slips specially the staff members of Tea Board, employees of Tea Factories and Tea small holders in Kalutara, Ratnapura, Galle and Matara Districts. Total value of the project was Rs.5,828,219/=

3.7. Internal Audit Division

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 the organization.

The Audit Committee of the SLTB, approved the Internal Audit Plan for 2017 & reviewed the Independence, Objectivity & Performance of the Internal Audit Function & the adequacy of its resources. Internal Audit Reports submitted to the Committee & audit findings presented in the reports were prioritized, based on risk levels. The Committee reviewed the contents & answers to the Auditor General's Reports on the Accounts for the year 2015 & 2016, prior to submission for Board Approval.

Audit Committee met four times during the year under review and respective Heads of Divisions / Officers attended the meetings of the Committee by invitation as required. Recommendations were made to the Board of Directors along with the Minutes & followed-up to ensure that appropriate corrective action is taken.

3.8. Information Technology Division

Year 2017 was a memorable year for the Sri Lanka Tea Board where the celebration of 150 years of Ceylon tea took place. In-line with the celebrations, the IT Division of the Tea Board organized "Randiya Seya" Photo Competition and the Exhibition at Nelum Pokuna Theater. This was done first time in history as a dedicated tea specific photo competition and an exhibition. Further, social media campaigns were also organized and monitored for the celebration of 150 years of Ceylon tea covering the main social media platforms where some of YouTube video clips and FB posts had unbelievable organic reach with many positive comments and appreciations.

In order to provide consistent and uninterrupted high speed internet connectivity for the employees of the Sri Lanka Tea Board, the Internet Link was upgraded to a high speed fiber link. Further, in order to improve security and monitoring functionalities the Tea Board, a CCTV Analog Camera System was also upgraded to a CCTV IP Camera System.

In 2017 the IT division has started many projects such as initiation of feasibility study of the Tea Value Chain System, Tea Land Registration System, taking relevant steps to offline the TI Module and deployment of the new HR System. To provide secure and faster hosting platform for the internal information systems, a high end server was installed and all the main information systems were migrated.

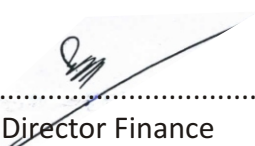
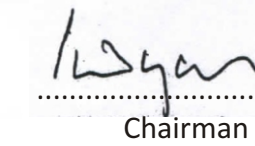
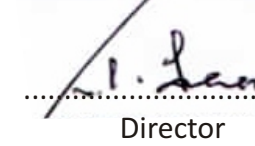
Sri Lanka Tea Board

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	As at 31.12.2017 Rs.	As at 31.12.2016 Rs.
ASSETS			
Non-current assets			
Property, Plant and Equipment	F	829,161,619	813,201,842
Prepaid Leasehold Right to Land	G	9,862,034	23,113,785
Intangible Assets	H	16,981,727	12,347,345
		<u>856,005,379</u>	<u>848,662,972</u>
Current assets			
Inventories	I	25,014,407	35,538,627
Trade and Other Receivables	J	46,174,062	33,230,237
Deposits and Prepayments	K	61,388,571	53,015,712
Other Financial Assets	L	6,353,072,570	6,139,953,803
Loans	M.(1)	1,374,763,479	1,123,463,950
Cash & Cash Equivalents	M	290,531,715	65,406,603
		<u>8,150,944,804</u>	<u>7,450,608,932</u>
Total Assets		<u>9,006,950,183</u>	<u>8,299,271,903</u>
EQUITY AND LIABILITIES			
Contributed Capital		672,012,202	672,012,202
Retained Earnings		(172,191,903)	(267,880,212)
Promotion and Marketing Levy	N	6,806,198,361	5,794,718,308
Revaluation Reserve		508,216,543	508,216,543
Total Equity		<u>7,814,235,203</u>	<u>6,707,066,841</u>
Non-Current Liabilities			
Employee Benefit Obligations	O	52,857,507	63,623,185
Bank loan	P	344,669,271	676,300,000
		<u>397,526,778</u>	<u>739,923,185</u>
Current Liabilities			
The Commissioner General of Inland Revenue	Q	156,397,653	110,361,032
Trade and Other Payables	R	417,644,722	733,427,052
Bank loan		217,685,862	-
Bank Overdraft	S	3,459,964	8,493,793
		<u>795,188,201</u>	<u>852,281,877</u>
Total Equity and Liabilities		<u>9,006,950,183</u>	<u>8,299,271,903</u>

The accounting policies on pages 88 to 94 and Notes on pages 95 to 103 form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf.

 Director Finance	 Director General	 Chairman	 Director
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Sri Lanka Tea Board

INCOME & EXPENDITURE STATEMENT

Year ended 31 December 2017

	Notes	As at 31.12.2017 Rs.	As at 31.12.2016 Rs.
INCOME	A	554,825,938	444,769,549
EXPENDITURE			
Tea sector development expenditure	B	(128,769,009)	(86,381,964)
Administrative expenses	C	(351,504,928)	(364,205,491)
Operating Surplus / (Deficit)		74,552,001	(5,817,906)
Finance expenses	D	(80,863,240)	(35,223,182)
Finance income	E	109,265,725	54,715,509
Surplus / (Deficit) Before Taxation		102,954,486	13,674,421
Tax paid on Interest Income	Q	(12,986,594)	(8,996,887)
Surplus / (Deficit) After Taxation		89,967,892	4,677,534

The accounting policies on pages 88 to 94 and Notes on pages 95 to 103 form an integral part of these Financial statements.

Sri Lanka Tea Board

STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	As at 31.12.2017 Rs.	As at 31.12.2016 Rs.
Surplus / (Deficit) for the period	89,967,892	4,677,534
Other comprehensive income	3,354,903	-
Total comprehensive income for the period, net of tax	93,322,795	4,677,534

The accounting policies on pages 6 to 14 and Notes on pages 15 to 23 form an integral part of statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Contributed Capital Rs.	Promotion & Marketing Levy Rs.	Revaluation Reserve Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 01 January 2016	672,012,202	5,512,853,782	481,933,543	(272,557,746)	6,394,238,781
Promotion and Marketing Levy (Note -N)	-	281,864,526	-	-	281,864,526
Retained Earnings	-	-	26,283,000	-	26,283,000
Surplus for the year 2016	-	-	-	4,677,534	4,677,534
Balance as at 31 December 2016	672,012,201.85	5,794,718,308	508,216,543	(267,880,212)	6,707,066,841
Balance as at 01 January 2017	672,012,201.85	5,794,718,308	508,216,543	(267,880,212)	6,707,066,841
Promotion and Marketing Levy (Note -N)	-	1,011,480,054	-	-	1,011,480,054
Surplus for the year 2017	-	-	-	93,322,795	93,322,795
Adjustments	-	-	-	2,365,514	2,365,514
Balance as at 31 December 2017	672,012,202	6,806,198,361	508,216,543	(172,191,903)	7,814,235,203

The accounting policies on pages 88 to 94 and Notes on pages 95 to 103 form an integral part of these Financial statements



Sri Lanka Tea Board

STATEMENT OF CASH FLOW

For the year ended 31st December 2017

	As at 31.12.2017	As at 31.12.2016
Cash Flows From Operating Activities		
Net Profit from Operations	Rs. 93,322,795	Rs. 4,677,534
Adjustments for		
Depreciation of PPE	33,208,490	31,770,939
Profit or Loss disposal of PPE	6,175,510	220,158
Amortisation of Lease hold lands	1,251,847	2,966,119
Amortisation of Intangible assets	822,109	900,611
Gratuity provision	(3,354,903)	18,663,915
Finance expenses	80,863,240	35,223,182
Finance income	(109,265,725)	(54,715,509)
Adjustments	2,912,202	-
Provision for taxation	279,688,477	191,743,401
	<u>292,301,247</u>	<u>226,772,816</u>
Operating Profit before Working Capital Changes	385,624,042	231,450,350
Decrease /(Increase) in Inventories	10,524,220	(968,168)
Decrease /(Increase) in Trade and Other Receivables	(12,943,825)	(2,720,851)
Decrease /(Increase) in Deposit & Prepayment	(8,372,859)	67,912,493
Decrease /(Increase) in Trade & Other Payables	(315,782,330)	467,473,492
Loan to RPC'S	<u>(251,299,529)</u>	<u>(631,367,450)</u>
	<u>(577,874,324)</u>	<u>(99,670,484)</u>
Cash Generated from Operations	(192,250,282)	131,779,866
Gratuity Paid	(7,410,775)	(10,603,568)
Taxation	(233,651,856)	(171,414,734)
Net Expense for promotional activities	1,011,480,054	281,867,527
Net Cash From Operating Activities	770,417,422	99,849,225
Cash Flows (used in) Operating Activities	578,167,141	231,629,091
Cash Flows (used in) Investing Activities		
Cash received from sale of PPE	8,490,954	39,890
Finance Income	109,265,725	54,715,509
Acquisition Intangible Assets	(6,896,000)	(2,019,775.00)
Acquisition of Property Plant & Equipment	(50,942,005)	(122,463,412)
Investments including P & M Levy	(213,118,767)	(889,325,349)
Net Cash Flows used in Investing Activities	(153,200,093)	(959,053,137)
Cash Flows Used in Financing Activities		
Finance expenses	(80,863,240)	(35,223,182)
Bank Loan	(113,944,867)	676,300,000
Net Cash Flows / (Used in) Financing Activities	(194,808,107)	641,076,818
Net Increase / (Decrease) in Cash and Cash Equivalents	230,158,941	(86,347,228)
Cash and Cash Equivalents at the beginning of the year	56,912,810	143,260,038
Cash and Cash Equivalents at the end of the year	287,071,751	56,912,810

The accounting policies on pages 88 to 94 and Notes on pages 95 to 103 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 2017 and these financial statements are authorized by the Board of Directors on the 06.03.2018.

Principal Activities

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

2. BASIS OF PREPARATION

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

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

For all periods up to and including the year ended 31 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 is the first time 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 Significant Accounting Policies

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

3.2 Property Plant and Equipment

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

3.3 Depreciation

Depreciation is calculated on pro rata basis. 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 years



Since some of the Assets have already been reached to the scrap value but they are still being used by the SLTB, action has been taken to revalue the assets by the valuation Department.

3.4 Capital work in progress

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

3.5 Leasehold Land

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Estimated useful lives of Lease assets are as follows.

Leasehold Land	50 years
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3.6 Intangible assets

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

Computer Software	15 Years
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3.7 Impairment of non financial assets

SLTB assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, r

SLTB estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

3.8 Taxation

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

Inventories

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

3.10 Cash & Cash Equivalents

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

4. LIABILITIES AND PROVISIONS

Retirement Benefit Obligations

4.1 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.

4.2 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.

Government Grants

Government grants under the capital vote is entirely used for the payment of development subsidies. Government grants under the recurrent vote is used for the payment of salaries to employees.

5.1 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 amortised 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.

5.2 Expenses

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

Sri Lanka Tea Board has maintaining three overseas offices. All the allowances other than salaries of the three officers attached to the said units have been accounted under Promotional & Marketing levy as maintenance Expenditure of each units (Moscow, UAE & China) from the year 2016.

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 in vestments during the years ended 31 December 2017.

6.1.2.2 Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payment 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.

6.1.2.3 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 change 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 investments 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 2017.

6.1.2.4 Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial asset) 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.

6.1.2.5 Impairment of Financial Assets

The SLTB assesses at each reporting date whether there is any objective evidence that a financial assets or a group of financial assets is impaired. A financial assets 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 assets 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 on economic conditions that correlate with defaults.

6.1.2.6 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 estimate 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 measurements 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.

7. Liabilities and Provisions

1. 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 counsel on the legal cases including the above case pending as of 31st December 2017 that it is only possible, but not probable that the action will succeed. Accordingly no provision has been made in these financial statements.

2. A claim of Rs. 765,077.35 has been requested from SLTB and other parties jointly and or severally and judgment is pending as at the balance sheet data.

3. A charge of Rs. 1,143,600/- (including taxes) has requested due to the improper registration. Case is pending.

as at the balance sheet data.

Additionally there are 07 more case pending decision which will not be affected to the financial liability.

8. Related Party Transactions

8.1 Transactions with State and State Controlled Entities.

In the normal course of its operations, SLTB into transaction with related parties, Related parties include the government of Sri Lanka (State as the ultimate owner of SLTB), various government departments, and status controlled entities.

Particulars of transaction and arrangements entered into by SLTB with the state and State controlled entities which are individually significant and for other transaction that are collectively, but not individually significant are as follows.

Nature of Transaction	2017(Rs.)	2016(Rs.)
Transaction Revenue	277,962,237	217,500,000



In the year 2001 Sri Lanka Tea Board has entered into agreement with JEDB to use the properties of JEDB for Ceylon Tea Museum for 30 years.

Mr. S.A.Siriwardana Director General of Sri Lanka Tea Board and Mrs. Premala Sri Kantha Director (Promotion)

Additionally in the year 2003 Sri Lanka Tea Board has given Rs. 25 Million loan to JEDB which has written off as bad debtor.

SLTB are serving as the members of the Tea Board of Ceylon Tea Museum.

8.2 Key Management Compensation

SLTB key management personnel include the Board of Directors.

	2017(Rs.)	2016(Rs.)
Short term employment benefits	1,920,821	2,196,150

Additional Disclosures

Sri Lanka Tea Board entered into rent agreements for obtaining premises for commercial and other operation.

	Period	Month rent (Rs.)
Export facilitating Center	25.11.2015 to 25.11.2017	50,000.00
Galle Regional Officer	09.06.2017 to 08.06.2018	115,000.00
Matara Regional Officer	01.11.2016 to 31.10.2017	62,000.00
Urubokka T.I	01.12.2017 to 30.11.2019	12,500.00
Akuressa T.I	01.12.2017 to 30.11.2019	12,500.00
Baduraliya ATC Quarters	01.07.2017 to 30.06.2018	13,000.00

Releasing of vehicles (Temporary)

Sri Lanka Tea Board has released 04 vehicles to the following entities on monthly rent of Rs. 100,000/- for 06 months period.

- | | |
|--|---------------|
| (i) Kaluboviltiyana Tea Factory | - 02 vehicles |
| (ii) National Institute of Plantation Management | - 02 vehicles |

Sri Lanka Tea Board

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

A	INCOME	YE 31.12.2017	YE 31.12.2017	YE 31.12.2016
			Rs.	Rs.
	Grant from Treasury - Recurrent		153,500,000	147,500,000
	-Capital & Development		17,500,000	70,000,000
	-flood affected tea factories		106,962,237	-
	Income from laboratory	Note 1	21,914,941	16,862,340
	Interest transferred from P & M Levy		45,500,000	30,044,000
	Registration and Renewal Income	Note 2	183,316,794	140,807,434
	Other Income	Note 3	11,253,423	4,055,454
	Net profit from commercial activities	Note A.1	14,878,542	21,332,077
	Green Leaf Dealer Deposit		-	14,168,243
			554,825,938	444,769,549
A.1	NET PROFIT FROM COMMERCIAL ACTIVITIES		YE 31.12.2017	YE 31.12.2016
			Rs.	Rs.
	Tea Sales		23,997,124	26,950,893
	Commission on exporter pack sales		10,921,369	10,446,272
	Monopol rental		1,715,003	1,926,665
	Sale of Cloth Bag		119,255	48,080
	Income on sales in foreign currency		4,937	5,657
	Sale of Tea & Health Book		-	4,750
			36,757,688	39,382,316
	Less : Cost of sales		(21,041,774)	(17,144,036)
	Commission on credit card		(837,371)	(906,204)
	Net profit from commercial activities		14,878,542	21,332,077
B	TEA SECTOR-DEVELOPMENT EXPENSES		YE 31.12.2017	YE 31.12.2016
			Rs.	Rs.
	Tea Factory Modernization Subsidy Scheme		7,834,287	25,424,904
	Tea Replanting Subsidy scheme		9,658,854	44,575,096
	GMP Improvement		1,287,472	3,147,541
	Dealer Deposit Refund		65,000	435,000
	Survey of Tea Land		2,961,159	12,799,424
	Compensation for flood affected tea factories		106,962,237	-
			128,769,009	86,381,964
C	ADMINISTRATION EXPENSES		YE 31.12.2017	YE 31.12.2016
			Rs.	Rs.
	Personnel emoluments	Note 3.1	171,732,385	197,517,428
	Other administrative expenses	Note 3.2	43,338,652	44,191,462
	Travelling expenses	Note 4	9,934,524	9,755,677
	Supplies and requisites	Note 5	11,096,088	10,493,525
	Repairs and maintenance	Note 6	22,209,827	25,501,185
	Depreciation of PPE	F . PPE	29,436,922	28,072,677
	Amortisation of Intangible assets	F . PPE	822,109	850,581
	Amortisation of Leasehold Properties	F . PPE	76,386	76,386
	Utilities and other expenses	Note 7	62,858,036	47,746,571
			351,504,928	364,205,491



Sri Lanka Tea Board

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

YE 31.12.2017

YE 31.12.2016

D FINANCE EXPENSES

Interest Expenses

- Peoples Bank PLC

- Bank of Ceylon PLC

Bank charges

Rs.

Rs.

58,265,057

25,523,623

22,460,628

9,189,507

137,556

510,052

80,863,240**35,223,182****E FINANCE INCOME**

Interest on Investments

Interest on RPC wages Loan

27,962,258

19,709,277

81,303,468

35,006,231

109,265,725**54,715,509****F PROPERTY, PLANT AND EQUIPMENT**

	COST OR VALUATION AS AT 01-01-2017 Rs.	ADDITIONS Rs.	DISPOSALS/ TRANSFERS Rs.	ADJUSTME NTS Rs.	COST OR VALUATION AS AT 31-12-2017 Rs.
FREE HOLD LAND	376,300,000	-	-	-	376,300,000
BUILDINGS	265,572,751	5,989,416	-	-	271,562,167
OFFICE EQUIPMENT	70,066,716	8,322,389	3,255,924	-	75,133,181
FURNITURE & FITTINGS	39,317,469	1,705,897	724,979	-	40,298,386
MOTOR & OTHER VEHICLES	54,370,892	-	6,250,000	-	48,120,892
LIBRARY BOOKS	383,044	-	-	-	383,044
COMPUTER - HARDWARE	40,612,080	2,670,882	1,236,595	-	42,046,366
LABORATRY EQUIPMENTS	99,773,417	265,656	-	-	100,039,072
	946,396,370	18,954,239	11,467,499	-	953,883,109
WORK IN PROGRESS					
BUILDING / OTHER	108,044,005	38,999,291	-	6,657,914	140,385,382
COMPUTER HARDWARE	-	-	-	-	-
	108,044,005	38,999,291	-	6,657,914	140,385,382
	1,054,440,375	57,953,530	11,467,499	6,657,914	1,094,268,491



Sri Lanka Tea Board

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2017

PROVISION FOR DEPRECIATION	ACCUMULATED DEPRECIATION AS AT 01-01-2017 Rs.	CHARGE FOR THE YEAR Rs.	DISPOSALS Rs.	ADJUSTMENTS Rs.	ACCUMULATED DEPRECIATION AS AT 31-12-2017 Rs.
BUILDINGS	43,557,096	5,475,774	-	-	49,032,870
OFFICE EQUIPMENT	45,129,349	7,084,906	3,246,613	-	48,967,643
FURNITURE & FITTINGS	19,602,756	3,789,763	601,590	-	22,790,930
MOTOR & OTHER VEHICLES	28,004,386	5,009,547	4,273,570	-	28,740,364
LIBRARY BOOKS	383,044	-	-	-	383,044
COMPUTER - HARDWARE	22,435,926	5,951,051	1,228,201	9,823	27,168,598
LABORATORY EQUIPMENTS	82,125,975	5,897,449	-	-	88,023,424
	241,238,533	33,208,490	9,349,973	9,823	265,106,872
NET BOOK VALUE	813,201,842				829,161,619

G LEASE HOLD PROPERTY

	COST OR VALUATION AS AT 01-01- 2017 Rs.	ADDITIONS Rs.	DISPOSALS/ TRANSFERS Rs.	ADJUSTMENTS Rs.	COST OR VALUATION AS AT 31-12-2017 Rs.
LEASE HOLD PROPERTY - HO	3,819,280	-	-	-	3,819,280
LEASE HOLD PROPERTY - TEA HOUSE	28,897,335	-	-	17,142,720	11,754,615
	32,716,615	-	-	17,142,720	15,573,895
PROVISION FOR AMOTISATION	ACCUMULATED DEPRECIATION ON AS AT 1-1- 2017 Rs.	CHARGE FOR THE YEAR Rs.	DISPOSALS Rs.	ADJUSTMEN Rs.	ACCUMULATED DEPRECIATION AS AT 31-12- 2017 Rs.
LEASE HOLD PROPERTY - HO	933,630	76,386	-	-	1,010,015
LEASE HOLD PROPERTY - TEA HOUSE	8,669,200	1,175,461	-	5,142,816	4,701,846
	9,602,830	1,251,847	-	5,142,816	5,711,861
NET BOOK VALUE	23,113,785				9,862,034



Sri Lanka Tea Board

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2017

H INTANGIBLE ASSETS

	COST OR VALUATION AS AT 1-1- 2017 Rs.	ADDITIONS Rs.	DISPOSALS/ TRANSFERS Rs.	ADJUST MENTS Rs.	COST OR VALUATION AS AT 31-12- 2017 Rs.
COMPUTER SOFTWARE - HO	13,609,698	-	1,120,548		12,489,150
COMPUTER SOFTWARE -TEA HOUSE	670,484	-	670,484		-
	-				-
COMPUTER SOFTWARE WORK IN PRO:	1,200,000	6,896,000		-	8,096,000
	15,480,182	6,896,000	1,791,032	-	20,585,150

PROVISION FOR DEPRECIATION	ACCUMULAT ED DEPEPRECIA TION AS AT 1- 1-2017 Rs.	CHARGE FOR THE YEAR Rs.	DISPOSALS Rs.	ADJUST MENTS Rs.	ACCUMULAT ED DEPEPRECIA TION AS AT 31-12-2017 Rs.
COMPUTER SOFTWARE - HO	2,986,915	822,109	205,601	-	3,603,423
COMPUTER SOFTWARE - TEA HOUSE	145,921	-	145,921		-
	3,132,837	822,109	351,522	-	3,603,423

NET BOOK VALUE	12,347,345				16,981,727
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Sri Lanka Tea Board

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

G	PREPAID LEASEHOLD RIGHTS TO LAND		2017	2016
			Rs.	Rs.
	Opening Balance		23,113,785	23,113,785
	Less: Adjustments / Disposal		11,999,904	-
	Amortisation		1,251,847	
	Closing Balance		9,862,034	23,113,785
H	INTANGIBLE ASSETS		2017	2016
			Rs.	Rs.
	Opening Balance		12,347,345	12,347,345
	Less: Adjustments / Disposal		1,439,510	-
	Amortisation		822,109	
	Computer Software Work In Progress		6,896,000	
			16,981,727	12,347,345
I	INVENTORIES		2017	2016
			Rs.	Rs.
	Laboratory consumables	Note 8.1	5,738,092	5,858,067
	Promotion materials & Others	Note 8.2	4,094,832	5,966,928
	Tea & other Stocks	Note 8.3	7,105,908	9,080,599
	Others	Note 8.4	8,075,575	14,633,034
			25,014,407	35,538,627
J	TRADE AND OTHER RECEIVABLES		2017	2016
			Rs.	Rs.
	Trade Receivables	Note 9	11,377,352	2,925,163
	Staff Receivables & other advances	Note 10	34,796,710	30,305,074
	Receivable - JEDB		25,000,000	25,000,000
	Less: Provision for bad & doubtful debts JEDB		(25,000,000)	(25,000,000)
			46,174,062	33,230,237
K	DEPOSITS & PREPAYMENTS		2017	2016
			Rs.	Rs.
	Deposits & Prepayments	Note 11	61,388,571	53,015,712
			61,388,571	53,015,712
L	OTHER FINANCIAL ASSETS		2017	2016
			Rs.	Rs.
	Investments	Note 12	6,353,072,570	6,139,953,803
			6,353,072,570	6,139,953,803



Sri Lanka Tea Board

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

M	CASH IN HAND AND AT BANK		YE 31.12.2017	YE 31.12.2016
			Rs.	Rs.
	Cash in hand and at Bank	Note 13	<u>290,531,715</u>	<u>65,406,603</u>
M. (1) Loans Receivable			Rs.	Rs.
			YE 31.12.2017	YE 31.12.2016
	Festival Advance Loan for RPC		-	427,163,950
	Loan to CTTA (150 Celebration)		20,000,000	20,000,000
	Distress loan to RPC	Note 16	801,894,039	-
	Wage Increment Loan for RPC	Note 15	552,869,440	676,300,000
			<u>1,374,763,479</u>	<u>1,123,463,950</u>

Festival Advance Loan for RPC

Festival advance loan granted to regional plantation companies recovered in full in the year 2017

Distress loan to RPC

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

Wage Increment Loan for RPC

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

N PROMOTION & MARKETING LEVY

A sum of Rs 3.50 on every kg of tea shall be levied from every registered exporter of tea, at the time at which CUSDEC is authorized permitting the exportation of such tea, by the director general of Sri Lanka Tea Board (SLTB). All sum collected in terms of the provisions of regulation, shall be credited to a designated account as it is determined by the SLTB and form part of the capital fund of the Board.

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



Sri Lanka Tea Board

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

	YE 31.12.2017	YE 31.12.2016
	Rs.	Rs.
Opening Balance	5,794,718,308	5,512,850,781.60
Previous Year & Other Adjustment	256,456,775	(8,681,565)
Amount collected from exporters	1,020,142,674	1,021,044,786
Interest on investment	594,881,802.73	417,952,898
Less Tax paid on Interest Income	(266,845,495.40)	(235,211,480)
Interest Transferred to H ^o	(45,500,000.00)	(30,044,000)
Sale of cricket T-shirts	228,500	940,500
G I Registration	12,440	17,683
Interest on RPC distress Loan	28,828,714	-
Suvernors advertistment income	425,000	-
Sale of Promotional items	5,400	-
Tea Book sale	1,140,600	-
Educational Fair rent income	75,000	-
	7,384,569,717	6,678,869,604
Complementary tea to giveaways & Special Promotional campaign	3,522,597	5,892,207
Participation of Local exhibition & Trade fairs	290,287,045	13,924,198
Production cost of communication material (ATL/BTL)	666,878	133,462
Participation at International Trade Fairs & Exhibitions	117,189,387	100,765,771
Events	17,254,678	5,093,279
Intellectual Property matters, memberships of councils, int. Sponership	2,630,561	12,469,055
Market Research & other marketing support services	3,573,270	4,380,401
Bank Charges	88,369	86,980
Sponership for Sri Lanka Cricket	1,179,250	86,413,625
Operation of Tea House expenses	18,169,120	9,799,269
Grants to Tea Museum	1,500,000	2,300,000
Maintenance of overseas offices	36,474,579	45,158,971
Annual Estate Tea of the Year	180,011	355,091
Travelling Expenses - Foreign	12,986,047	11,336,478
Joint Promotion with other National Bodies	1,086,730	552,160
Above the line Advertising on TV/Radio/Press	27,315,789	141,124,181
Below the line Advertising outdoor	20,864,581	-
Public relation Campaign	7,049,660	1,228,240
Programme with Embassies	7,309,179	13,327,894
Difference in exchange	135,699	52,936
Subsidization of listing fees & Brand Marketing	-	429,679,935
CSR project for the plantation worker community :	5,774,624	77,164
ITPF	2,024,864	-
Generic Promotion	1,108,439	-
Total Expenditure	578,371,356	884,151,296
P & M Levy Fund balance as at 31.12.2017	6,806,198,361	5,794,718,308.00

NOTE :DISCONTUNUE OPERATION OF CEYLON TEA HOUSE

As directed by the cabinet the Sri Lanka Tea Board had discontinued the the operation of Ceylon Tea House from 01/01/2017.

The Lease building has been hand over to the Urban Development Authority and non refundable deposit amounting to Rs.17,142,720/- as at 31st December 2017 has been written off in Financial Statements 2017.



Sri Lanka Tea Board

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

	YE 31.12.2017	YE 31.12.2016
O EMPLOYEE BENEFIT OBLIGATIONS	Rs.	Rs.
Gratuity opening balance	63,623,185	55,562,838
Measurment adjustment for the year	(3,354,903)	18,663,915
Benefit paid / payables during the year	(7,410,774)	(10,603,568)
	52,857,507	63,623,185

P BANK LOAN	Peoples Bank	Bank of Ceylon	Total
Balance as at 01/01/2017	493,000,000	183,300,000	676,300,000
Part settlement in 2017	(35,000,000)	-	(35,000,000)
Installment Payments	(53,486,532)	(25,458,335)	(78,944,867)
Balance as at 31/12/2017	404,513,468	157,841,665	562,355,133
Short Term Liability	156,585,858	61,100,004	217,685,862
Long Term Liability	247,927,610	96,741,661	344,669,271
	404,513,468	157,841,665	562,355,133

Q THE COMMISSIONER GENERAL OF INLAND REVENUE	YE 31.12.2017	YE 31.12.2016
	P&M LEVY	SLTB
	RS	RS
<u>INCOME TAX</u>		
Balance as at 01-01-2017	35,063,980	2,556,557
Provision for the Year	162,480,303	7,908,469
LESS: Tax Payments	97,873,700	6,132,736
WHT Tax	50,902,331	1,862,378
Notional Tax Credit	3,788,329	495,499
Balance as at 31-12-2017	44,979,923	1,974,413
<u>DIVIDEND TAX</u>		
Balance as at 01-01-2017	69,877,159	2,863,336
Provision for the Year	104,365,192	5,078,125
LESS: Tax Payments	69,877,159	2,863,336
Balance as at 31-12-2017	104,365,192	5,078,125
TOTAL TAX PAYABLE as at 31-12-2017	149,345,115	7,052,538
TOTAL INCOME EXPENDITURE 2017	266, 845,495	12,986,594

R TRADE AND OTHER PAYABLES	YE 31.12.2017	YE 31.12.2016
	Rs.	Rs.
Trade Payables Note 14.1	136,765,965	147,743,125
Other Payables Note 14.2	146,340,085	141,575,350
Accrued expenses Note 14.3	134,538,671	444,108,577
	417,644,722	733,427,052



Sri Lanka Tea Board

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

	YE 31.12.2017	YE 31.12.2016
	Rs.	Rs.
S BANK BALANCES		
Bank Of Ceylon - Tea Subsidy	-	6,951,690
Bank Of Ceylon - Colloection A/C Galle	-	154,299
Bank Of Ceylon - Colloection A/C Matara	180,714	120,200
Bank Of Ceylon - Colloection A/C Ratnapura	1,195,022	942,436
Bank Of Ceylon - Colloection A/C -Mathugama	512,325	320,852
Bank Of Ceylon - Colloection A/C -Bandarawela	-	4,316
Bank Of Ceylon - Colloection A/C -Gampola	1,564,002	-
Bank Of Ceylon - Independence square	7,900	-
	3,459,964	8,493,793

CAPITAL & RESERVES

There is no change in the Authorized Capital during the year ended 31 December 2017.

REVALUATION RESERVE

Board has created a revaluation reserve amounting Rs 508,216,543 after the revaluation of the land and buildings and motor vehicles of the Colombo Head office & Gampola Land..

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

Date of valuation 2016-07-25

CONTRIBUTED CAPITAL

Contributed Capital is made up by government grants amounting to Rs. 672,012,201.85 as at 31 December 2017.



Offices of the Sri Lanka Tea Board

Head Office

Sri Lanka Tea Board
574, Galle Road, Colombo 03, Sri Lanka
P.O. Box: 1750, Colombo, Sri Lanka
Tel: 011 2 582121
Hotline: 011 2 587814
Fax: 011 2 582122
E-mail: teaboard@pureceylontea.com
Website: www.pureceylontea.com

Chairman

Tel: 011 2 590968
Fax: 011 2 585701
E-mail: chairman@pureceylontea.com

Director General

Tel: 011 2 508991
Fax: 011 2 582122
E-mail: dgsltb@pureceylontea.com

Tea Commissioner's Division

Tea Commissioner
Tel: 011 2 580182 / 2 580152
Fax: 011 2 580161
E-mail: tcd@pureceylontea.com

Tea Promotion Division

Director (Tea Promotion)
Tel: 011 2 583343 / 2 581418
Fax: 011 2 587341
E-mail: promotion@pureceylontea.com

Tea Exports Section

Deputy Tea Commissioner (Exports)
Tel: 011 2 504090
Fax: 011 2 584844
E-mail: exports@pureceylontea.com

Analytical Laboratory

Director (Lab)
Tel: 011 2 581576
Fax: 011 2581576
E-mail: lab@pureceylontea.com



Regional Offices

Gampola	Assistant Tea Commissioner Regional Office Sri Lanka Tea Board 140, Ambagamuwa Road, Gampola Tel./Fax : 081-2352279 E-mail: atcgampola@pureceylontea.com
Matara	Assistant Tea Commissioner Regional Office Sri Lanka Tea Board 46, Wilfred Gunasekara Mawatha Fort, Matara Tel. / Fax : 041-2222636 E-mail: atcmatara@pureceylontea.com
Baduraliya	Assistant Tea Commissioner Regional Office Sri Lanka Tea Board 281, Waturana Road, Baduraliya Tel. / Fax : 034-2247444 E-mail: atcmathugama@pureceylontea.com
Rathnapura	Assistant Tea Commissioner Regional Office Sri Lanka Tea Board 61/1, New Town, Rathnapura Tel. / Fax : 045-2222136 E-mail: atcrathnapura@pureceylontea.com
Bandarawela	Assistant Tea Commissioner Regional Office Sri Lanka Tea Board Visaka Mawatha, New Badulla Road, Bandarawela Tel. / Fax : 057-2222812 E-mail: atcbandarawela@pureceylontea.com
Galle	Assistant Tea Commissioner Regional Office Sri Lanka Tea Board 20, Lower Dickson Road, Galle Tel. / Fax : 091-2232052 E-mail: atcgalle@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
Ceylon Tea Promotion Unit	
Russia/CIS	Tea Promotion Officer Tea Promotion Unit 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
Ceylon Tea Promotion Unit	
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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

PLA/B/SLTB/1/17/05

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

31 July 2018

The Chairman

Sri Lanka Tea Board

Report of the Auditor General on the Financial Statements of Sri Lanka Tea Board for the year ended 31 December 2017 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 2017 comprising the statement of financial position as at 31 December 2017 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 and Section 15 (1) of the Sri Lanka Tea Board Law, No. 14 of 1975. 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, was issued to the Chairman of the Board on 31 May, 2018.

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 Auditing 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 judgements, 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 2017 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 observations are made.

(a.) Sri Lanka Accounting Standard 01

A summary of material Accounting Standards should be disclosed in the financial statements in terms of Paragraph 132 of the Standard. However, the Accounting Standard followed by the Board in accounting the Government grants, had not been disclosed in the financial statements.

(b.) Sri Lanka Accounting Standard 16

As the useful life of non-current assets had not been reviewed annually, machinery, laboratory equipment, and furniture & fittings costing Rs. 74,615,225, had still been in use despite being fully depreciated. Accordingly, action had not been taken to revise the error in the estimate in accordance with Sri Lanka Public Sector Accounting Standard 3.



- (c.) Sri Lanka Accounting Standard 19

Action had not been taken to determine actuarial losses or gains with respect to employee gratuity in accordance with Paragraph 57 (d) of the Standard.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a.) Although a sum of Rs. 23,159,935 had been shown in the statement of financial position as the deposits made to the Global Tea Promotional Bureau as at 31 December 2017 and advance payments, the said value had not been adjusted based on the foreign exchange rate as at that date, and brought to accounts.
- (b.) Action had not been taken to adjust the revaluation profit of Rs. 6,250,000 included in the revaluation reserve relating to 04 vehicles sold in the year under review, to the retained profit.
- (c.) A sum of Rs. 363,624 received to the collection bank accounts of the regional offices as direct deposits in the year under review, had not been identified and brought to accounts.

2.2.3 Unexplained Differences

The following observations are made.

- (a.) According to the financial statements, the value of the publishing and promotional fees received previously amounted to Rs. 28,441,373 though, the said value amounted to Rs. 35,892,100 as per the register maintained in that connection, thus observing a difference of Rs. 7,450,727.
- (b.) According to the financial statements, the cash and bank balance of the promotion bureau in United Arab Emirates had been shown as Rs. 4,499,717 as at 31 December 2016. However, that balance amounted to Rs. 2,470,416 in accordance with the letter of verification of balances, thus indicating an



unexplained difference of Rs. 2,029,301. Moreover, the Board could not identify the said balance even up to the end of the year under review.

2.2.4 Lack of Evidence for Audit

The evidence shown against the following Items of Accounts was not made available to Audit.

Item of Account	Value	Evidence not Made Available
	Rs.	
(a.) Amount remitted to 06 Embassies	1,175,374	Confirmation of balances
(b.) The building obtained on lease for the regional office in Ratnapura.	3,435,000	Evidence relating to verification of payments.

2.3 Accounts Receivable and Payable

The following observations are made.

- The Agreement of the building obtained on lease for maintaining the Global Tea Promotional Bureau in Poland had expired in the year 2010, but the initial payment of Rs. 207,360 made thereon had not been recovered even up to the date of this report.
- The amount of Rs. 100,000 deposited in the year 2014 as a refundable tender deposit for the building obtained to maintain the tea stall at the Racecourse ground, had not been recovered even by the end of the year under review.



- c) Even after a lapse of 03 years, action had not been taken to settle the tender deposits amounting to Rs. 200,983 that should have been refunded by the end of the year under review, and retention money amounting to Rs. 2,191,499.
- d) Although payments totalling Rs. 629,261 had been made to a private institution with respect to the "Foodex Syria" exhibition scheduled to be held in Syria in the year 2012, the said exhibition had been cancelled, and no action had been taken even up to the end of the year under review to recover those monies.
- e) Action had not been taken to settle a sum of Rs. 6,698,817 relating to a period of 1-15 years deposited in the Board by the owners of tea factories by the end of the year under review to be paid to green tea suppliers.

2.4 Non-compliances with Laws, Rules, Regulations, and Management Decisions

The following instances of non-compliances with Laws, Rules, Regulations, and management decisions were observed.

Reference to Laws, Rules,
Regulations and Management
Decisions

Non-compliance

- a) Sections 13 and 14 of The Board should have established and the Sri Lanka Tea Board maintained the Cess Fund in terms of provisions of the Act. However, the Treasury levies the Cess tax at present, but attention had not been drawn to amend the act accordingly.



- b) Sections 8 and 12 of the Public Contracts Act, No.3 of 1987 The officers of Procurement and Evaluation Committees should not have any dealing with the tenderers who do not possess a certificate of registration valid under the Registrar of Public Contracts. However, the provisions of the Act had not been complied with in respect of the contract for the construction of office buildings in Nuwara Eliya.
- c) Paragraph 9.14 of the Public Enterprises Circular, No. PED/12, dated 02 June 2003. The Board should have prepared a handbook on procedures relating to the formulation of laws and rules for human resource management, and obtained approval of the Secretary to the Treasury. However, it had not been done so.

2.5 Transactions not supported by Adequate Authority

The following observations are made.

- (a.) Treasury approval should be obtained prior to paying a financial benefit in terms of Public Finance Circular, No. PF/PE/05, dated 11 January 2000. However, without obtaining approval of the Treasury, payments totalling Rs. 542,548 had been made in the year under review for the un-availed vacation leave of the retired officers.
- (b.) The Gazette, No. 1677/14, dated 27 October 2010 had stated that the monies in the Promotion and Marketing Fund should only be made use of in achieving the objectives thereof. However, from the interest income of that Fund, sums of Rs. 45,500,000, and Rs. 30,044,000 identified as being the income of the Board in the year under review and the preceding year respectively, had been spent on expenditures solely on the approval of the Board of Directors.



3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Board for the year under review had been a surplus of Rs. 89,967,892 as compared with the corresponding surplus of Rs. 4,677,534 for the preceding year, thus indicating an improvement of Rs. 85,290,358 or 1,823 per cent in the financial result for the year under review. The increase in income by Rs. 55,594,152, and the decrease in development and administrative expenses by Rs. 24,775,756 in the year under review as compared with the preceding year, had mainly attributed to the said improvement.

The analysis on the financial results of the year under review and the 04 preceding years indicated that the surplus of the Board for the year 2013 amounting to Rs. 19,071,236 had continuously increased to Rs. 86,256,974 by the end of the year 2015, but deteriorated by 85 per cent to Rs. 4,677,534 in the year 2016. However, in the year under review, a surplus of Rs. 89,967,892 had resulted in, and the improvement thereof had been 1823 per cent as compared with the year 2016. Nevertheless, when the employee remuneration, and the depreciation on non-current assets had been adjusted to the financial result, the contribution of the Board for the year 2013 amounting to Rs. 180,968,362 had continuously increased up to Rs. 332,983,533 by the year 2015, but decreased to Rs. 240,115,107 in the year under review. The contribution had again increased up to Rs. 304,945,902 in the year under review.

4. Operating Review

4.1 Performance

4.1.1 Planning

The following observations are made.

- (a.) Approval of the Board of Directors had not been obtained in terms of Section 5.1.3 of the Public Enterprises Circular, No. PED/12, dated 02 June 2003, on



the Strategic Plan prepared by the Board for 2016-2018, and a copy of the updated Strategic Plan had not been submitted to the Department of Public Enterprises prior to 15 days of the commencement of the financial year.

- (b.) In terms of Section 4 of the Public Finance Circular, No. 01/2014 of the Ministry of Finance and Planning, dated 17 February 2014, the regulatory institutions should prepare an Action Plan by including activities with a long-term vision to achieve the objectives set out in the Act. However, the components such as, Government grants, budget with earnings and total expenditure, results expected from each activity, and plan on the imprest requirements relating to the activities executed through budget allocations provisioned by the Treasury, had not been included in the Action Plan prepared by the Board for the year 2017 in terms of the Circular.

4.1.2 Functionality and Review

The following observations are made on the achievement of objectives of the Board in the year under review.

- (a.) According to the Action Plan of the Board, a sum of Rs. 104,000,000 had been allocated for the implementation of 05 development programmes namely : tea factory modernization subsidy scheme, tea replanting subsidy scheme, programme for the reduction of post-harvest damages, awareness programmes, and registration of tea lands. The following observations are made in this connection.
- (i) Although a sum of Rs. 40,000,000 had been allocated for the modernization of 70 factories under the tea factory modernization subsidy scheme, only 13 factories had been modernized in the year under review by spending a sum of Rs. 7,834,287 indicating 18 per cent of the number of factories expected to have been provided with subsidies.



- (ii) A sum of Rs. 40,000,000 had been allocated under the tea replanting subsidy scheme to cultivate 250 hectares of land in the year under review, but according to the progress report of the Board, only a sum of Rs. 9,658,854 had been spent to cultivate 177.64 hectares of land. As such, the financial and physical progress that could be achieved, had been 24 per cent and 71 per cent respectively.

- (b.) Details on the export and re-export of locally produced tea relating to the year under review and two preceding years, are as follows.

Description	2017	2016	2015
	Kg.	Kg.	Kg.
Export of Tea			
Domestic Tea	278,195,150	280,874,278	298,906,481
Imported Tea	10,789,117	7,896,402	8,029,940
Overall Export of Tea	<u>288,984,267</u>	<u>288,770,680</u>	<u>306,936,421</u>
Import of Tea	7,679,588	4,660,293	4,906,862

The following observations are made in this connection.

- (i) Despite the increase in overall tea export in the year under review as compared to the preceding year, the export of locally produced tea had dropped by 2,679,128 Kg. The quantity of tea imported for re-exporting had increased by 65 per cent as against the preceding year, and accordingly, the quantity of re-exported tea had increased by 2,892,715 indicating 43 per cent as well.
- (ii) Irrespective of the sum amounting to Rs. 177,315,426 spent on the brand name promotion programme launched by the Board, the export of locally produced tea had decreased. As such, it was observed that the identification of new markets and achievement of export promotion targets had ended up in failure.



(c.) In accordance with the advertisement published in the Gazette, No. 1677/14, dated 27 October 2010 on promoting tea and market strategies, it had been planned to carry out a global promotional campaign for Ceylon tea from the year 2015 to 2018 by spending a sum of Rs. 8 billion out of the taxes collected up to 31 December 2018 from tea exporters. The following observations are made in this connection.

(i) The said promotional programme had been scheduled to be carried out during 2012-2016 focusing on production and creative activities, public relations, and affairs relating to media, but the programme had been put off for the year 2018 due to failure in carrying out the programme within the scheduled period.

Moreover, an agreement had been entered into on 06 November 2015 to the value of US \$ 2,260,000 (Rs. 328,423,200) with a private company for a period of one year with respect to production and creative activities. A sum of Rs. 195,521,240 had been paid thereon by the end of the year under review, but due to failure in assigning an institution to media in parallel therewith, the tasks expected had not been fulfilled.

(ii) Although 18 months had elapsed by the end of the year under review since the completion of creative activities of the TV commercial in April 2016, no action had been taken to air the said commercial. As such, in the context of carrying out the promotional activities in the future by making use of the said commercial, it was observed that the possibility of the creation becoming productive in line with the existing market environment, was minimal.

(d.) When subsidizing the factories affected by floods in the wake of torrential rains that had prevailed in the year under review, a sum of Rs. 819,567 had been overpaid for 2 factories as payments had been made for damaged stocks in excess of the ones shown in monthly reports (TC 5) furnished by the factories.



- (e.) In order to safeguard the quality and reputation of the produced tea, it is a timely requirement to test the tea being exported for pesticide residues. However, no action had been taken by the laboratory of the Board to carry out such tests.

4.2 Management Activities

The following observations are made.

- (a.) The sum of Rs. 3,489,773 granted to a private factory in order to be paid to the suppliers of tea leaves in view of maintaining a minimum price of Rs. 80 for raw tea leaves in the year 2015, had not been given to the suppliers of tea leaves, but the said amount had not been recovered by the Board even up to the end of the year under review.
- (b.) A decision had been reached by the Janatha Estate Development Board and the Tea Board as per the directive of the meeting of COPA held on 19 June 2012 to write off the balance and acquire the ownership of the "Ceylon Tea Museum" belonging to the Janatha Estate Development Board being maintained in Hanthana in substitution for the sum of Rs. 25,000,000 receivable from the Janatha Estate Development Board. Nevertheless, the said process had not been completed even up to 31 March 2018.
- (c.) A sum of Rs. 18,005,828 saved from the subsidy amounting to Rs. 6,738,000,000 received by the Board from the Treasury in order to be paid to the suppliers of tea leaves with a view to maintaining a minimum price of Rs. 80 for tea leaves in the year 2015, had been retained up to the end of the year under review since 31 December 2015 without being remitted to the Treasury.
- (d.) Action had not been taken even up to the end of the year to settle the advance of Rs. 15,630,566 granted in the year under review for expenses of the Tea Bureau in China.

4.3 Operating Activities

Action had been taken in the year under review to cease the operations and close down the tea stall established at the Colombo racecourse at the expense of Rs. 58,368,794 in the year 2013. Since the inception of this project commenced as a strategy to promote tea, the Board had not possessed a methodology that could have productively been implemented in the future by taking into consideration the target market and the oncoming trends. Hence, the project could not be implemented in a productive manner, and the Board had to sustain a financial loss of Rs. 42,994,720 due to the project.

4.4 Underutilization of Funds

The following observations are made.

- (a.) In spite of the balance exceeding Rs. 3,000,000 of the current account belonging to the foreign promotion unit located in United Arab Emirates (Dubai) in respect of every month from January to December of the year under review, no action had been taken to invest that sum in a productive manner.
- (b.) The balance totalling Rs. 760,545 with respect to 05 foreign bank accounts belonging to the Board, had remained idle over a period of 01 to 05 years.

4.5 Idle and Underutilized Assets

The following observations are made.

- (a.) The pesticide chemical analyzer purchased in the year 2009 by spending a sum of Rs. 32,132,088, and the CP-3800 GAS Chromatography machine purchased at a sum of Rs. 5,592,421 had not been made use of up to the year under review as the machines had not complied with the specifications of the Board and the suppliers had not provided a training as to how to operate the machines.



- (b.) As the tea sales center had been closed down, office equipment, furniture and fittings, and computers purchased in the year 2015 to the value of Rs. 5,140,707 had remained idle without being used.

4.6 Uneconomic Transactions

The following observations are made.

- (a.) Although a sum of Rs. 330,850 had been paid to a private company as an advance in the year 2013 for developing a website, that activity had been abandoned by the end of the year under review.
- (b.) Having entered into an agreement with a consultant in the year 2015 for formulating a new Act by combining the Sri Lanka Tea Board Law, No. 14 of 1975, Tea Control Act, No.51 of 1957, and Tea (Tax and Control of Export) Act No. 16 of 1959, a sum of Rs. 105,000 had been paid as consultancy fees, but the said activity had been abandoned in the year under review in the wake of the decision taken by the Board of Directors not to combine the Acts.
- (c.) The tea sales center maintained by the Board at the Racecourse grounds had remained closed since the beginning of the year under review, but due to delay in handing over the building in which the sales center had been maintained, a sum totalling Rs. 1,140,544 had been incurred in the year under review as monthly rentals.

4.7 Commencement of Projects on the Lands not Taken Over Properly

Ownership of the land belonging to the Kelaniveli Plantations Pvt Ltd where the regional office in Nuwara Eliya was being built, and the land belonging to the Paddy Marketing Board where the regional office in Bandarawela was located, were not vested in the Board up to the date of this report. A sum of Rs. 114,335,962 was incurred on the construction works by the end of the year under review.



4.8 Staff Administration

The approved cadre of the Board had been 317 whereas the actual number had been 281. As for the senior, tertiary and secondary levels, three , 04 and 33 vacancies existed respectively whilst vacancies had existed for 09 officers of the primary level. One officer each for a post in the senior level not in the approved cadre and a post in the tertiary level, with 11 officers for 05 posts in the secondary level had been employed. Five officers had been appointed under designations not included in the approved cadre of the Board in the year under review.

4.9 Utilization of Vehicles

Two Cabs belonging to the Board that had been withdrawn from use, had been given to the National Institute of Plantation Management in the year under review on the basis of paying the assessed value thereof to the Board in installments. Nonetheless, no agreement had been entered into in that connection up to the date of the report, and the said Institute had not paid the installments as well.

4.10 Legal Cases Instituted by or against the Board

The following observations are made.

- (a.) The owner of the building used by the Tea Commissioner's Division had appointed an Arbitrator against the Board in October 2008 claiming a sum of Rs. 4,900,000 on the damages caused to the building and failure to restore the premises owing thereto , thus preventing the building from being leased out to another party. Accordingly, a verdict had been returned by the Arbitrator that a total of Rs. 13,828,600 including the said amount along with an annual fee of 20 per cent be paid as at 14 November 2012. However, the Board had filed an appeal against that decision.
- (b.) Seven cases had been filed by 06 external institutions against the Board whereas 3 cases had been filed by the staff at various courts.

5. Sustainable Development

5.1 Achievement of the Sustainable Development Goals

Every public institution should comply with the 2030 Agenda for Sustainable Development adopted by the United Nations. The Sri Lanka Tea Board had become aware as to how to act on the activities coming under their purview in the year under review. The following observations are made in this connection.

- (a.) The activities identified by the Board as being necessary for achieving the sustainable development goals, had not been included in the Annual Plan whilst the financial provision required for the execution of those activities had not been included in the budget annually.
- (b.) Due to failure in cooperating with the other institutions properly when preparing to achieve the sustainable development goals, the process of planning to achieve the targeted goals and the preparedness had been observed to be extremely weak.

6. Accountability and Good Governance

6.1 Internal Audit

An Internal Audit Unit had been established in the Board though, an adequate staff had not been assigned thereto.

6.2 Procurement and Contract Process

6.2.1 Procurements

The following observations are made on the preparation of Procurement Plan.

- (a.) In terms of Section 4.2 of the National Procurement Agency Circular, No. 08, dated 25 January 2006, the procurement activities expected for a period of at



least 03 years should be listed and the main Procurement Plan should be prepared by the procurement entity. However, it had not been done so.

- (b.) The Procurement Plan should be prepared synonymous with the expected value of capital expenses to be incurred in accordance with the budget. However, a Procurement Plan had been prepared to the value of Rs. 401.694 million despite the budget provision of Rs. 379.381 million allocated for the acquisition of capital assets.
- (c.) A contract valued at Rs. 8,620,000 had been awarded on 09 October 2017 to develop a computer software in view of computerizing the tea land registration programme implemented by the Tea Commissioner's Division. However, it had not been included in the Procurement Plan.
- (d.) In order to fulfil the transport requirements, the Board had obtained the service of a private transport company without following the procedures of the Government Procurement Guidelines-2006. An expenditure of Rs. 2,813,578 had been incurred thereon in the year under review.

6.3 Budgetary Control

As variances ranging from 12 per cent to 58 per cent were observed between the budgeted and actual values in the year under review, it was observed that the budget had not been made use of as an effective instrument of management control.

6.4 Unresolved Audit Paragraphs

When revising the registration fees, fees for renewal of registration, and license fees in terms of Section 49 of the Tea Control Act, No.51 of 1957, and Section 25(3) of the Sri Lanka Tea Board Law, No. 14 of 1975, it is required to obtain approval of the Cabinet and publish in the Gazette of the Democratic Socialist Republic of Sri Lanka. But, despite being pointed out in the reports of the Auditor General from the year



2014 that it had not been so done in revising the fees since 29 July 2010, no action had been taken for rectification up to the year under review.

7. Systems and Controls

Deficiencies in 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.

Area of Systems and Controls	Observation
(a.) Control of Balances Receivable or Payable	Failure to recover and settle the balances continued to exist over extensive periods.
(b.) Control of Assets	Failure to take over the assets properly and utilize the assets that remained idle.
(c.) Staff Administration	Making recruitments to the posts not included in the approved cadre.

W.P.C. Wickramaratne

Acting Auditor General