



Tea Small Holdings Development Authority
Annual Report
2011

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VISION

Creation of an economically and socially sustainable tea small holdings community

MISSION

Increasing productivity and quality of tea smallholdings sector through provision of excellent support services

Tea Small Holdings Development Authority

Annual Report 2011

Chairman's Review

I am glad of the opportunity of issuing a message for the Annual Report for the year 2011 of the Holdings Development Authority which was established in 1977 as a service organization for the tea smallholders. Mission of our organization is to provide support services to increase productivity and leaf quality of tea lands of the tea smallholders.

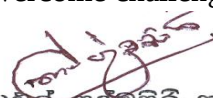
70% of the national production of the tea industry which is the leading enterprise in the plantation sector in the national economy is borne by the tea smallholdings sector. 229.01 million kilos was produced by the tea small holdings sector out of the national tea production of 327.53 million kilos in the year 2011.

Under the increasing production cost conditions of the tea small holdings sector, fertilizer use was a factor bearing around 20% of the total cost so far. The possibility of reducing that cost down to around 11% through the fertilizer subsidy implemented by the government from 2008 should be specially mentioned.

Programmes have been implemented by our organization from 2010 with the long term objective of improving livelihood of the tea smallholders based on main activities of increasing unit productivity of tea smallholdings and improving leaf quality to increasing production margin aiming at high market prices.

Incentive payments were provided to replant 772 Ha of tea during 2011 by the organization. This a considerable reduction of the extent cultivated through incentives in comparison to the previous year. Though tea export earnings had increased in comparison to the previous year, prices received for green leaf had declined.

It would be necessary to proceed with special attention to methods of increasing technical efficiency to overcome challenges of the tea smallholdings sector in the face of various limiting factors.



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Noel Padmasiri Kariyawasam

Chairman

Performance indicators of Tea Small Holdings Sector – 2011

		2009	2010	2011
1	Extent of Tea Small Holdings (Hectares)	120,009	120,324	120,664
2	Number of Tea Small Holders	387,110	388,645	389,561
3	Production of Tea Small Holdings (Million Kilos)	201.9	230.1	229.0
4	Share of contribution to National Production	69.3	69.4	69.9
5	Productivity (Kg Made Tea/Hectare)	1,733	1,976	1,966
6	Replanting extent Hectares (Under Incentive Payments)	777	847	772
7	New planting extent Hectares (Under Incentive Paymens)			28
8	Replanting Rate	0.70	0.73	0.66
9	Crop Rehabilitation – Number of Plants (Million)	0.431	0.424	0.504
10	Fertilizer Issue on Credit Scheme (Mt)	969	-	-
11	Tea Small Holder Development Societies No. of Societies	1,353	1,372	1,379
	No. of Members	263,016	282,502	274,161
12	Extension & Advisory Services Individual Visits	37,268	27,346	26,103
	Group Programmes	9,170	7,154	6,970
	Farmer Participation	338,415	210,334	175,849
13	Operational Expenditure of the Organization (per 1 Rupee of Development Cost)	1.08	1.08	1.04
14	Tea Inspector/Extension Officer: Small Holder Ratio	1:2633	1:2643	1:2650
15	Price of a Kilo of Green Leaf Rs.	52.71	54.11	52.63

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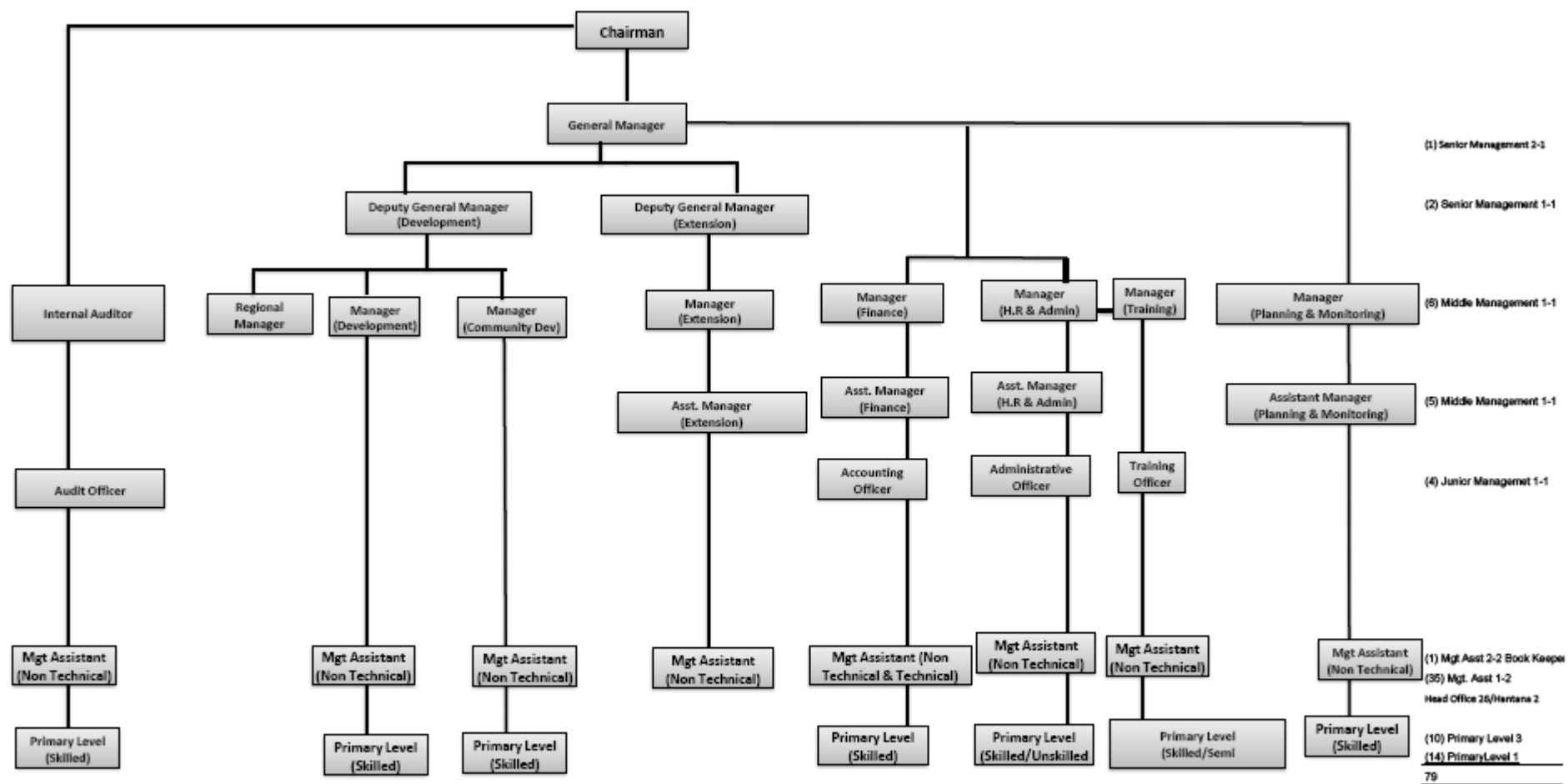
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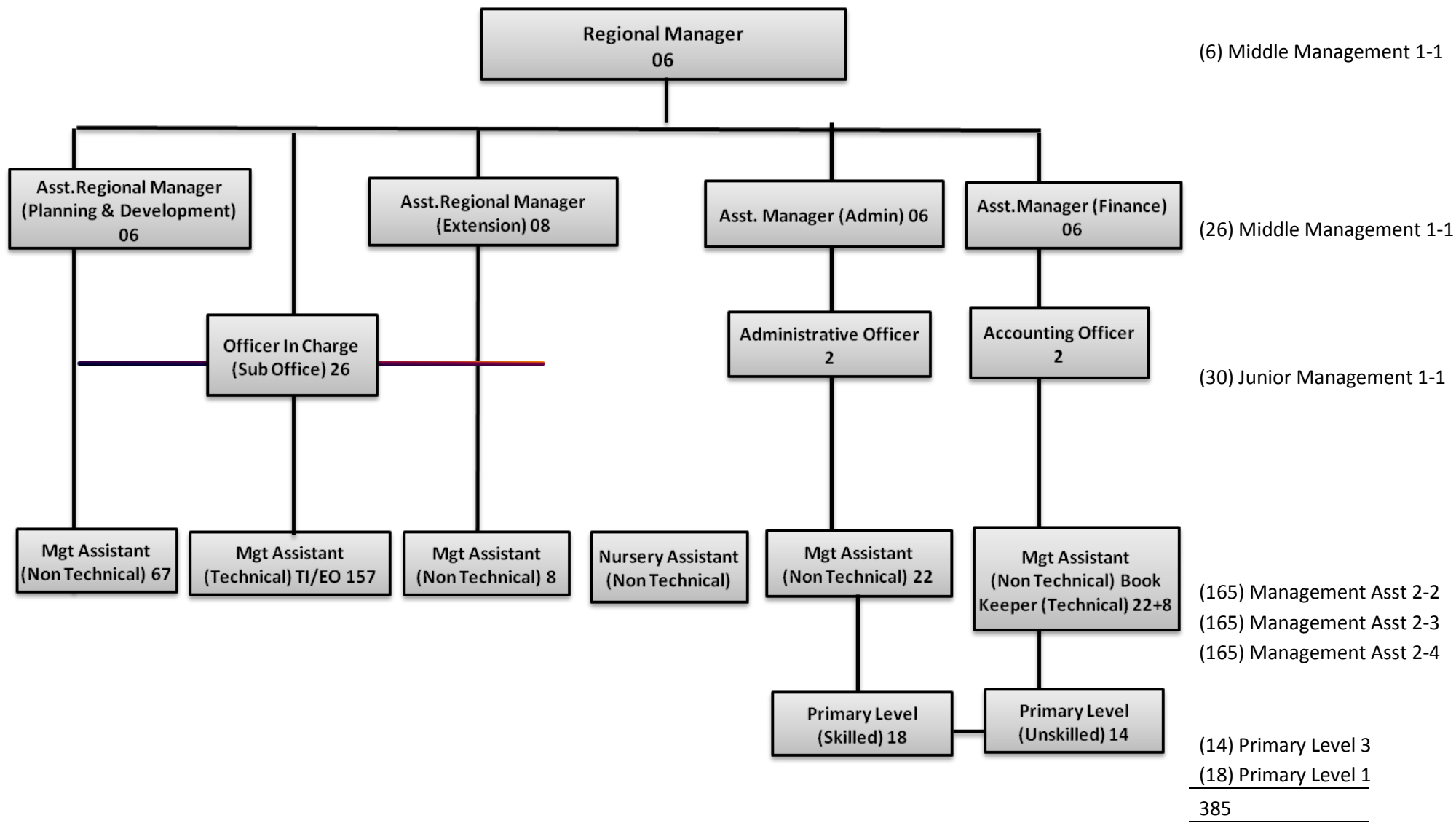
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Tea Small Holdings Development Authority
Organizational Structure of the Head Office



Organizational Structure
 As per MSD/30 of the Management Services Department

Tea Small Holdings Development Authority Regional Organizational Structure



Organizational Structure

According to MSD/30 of Management Services Department

Board of Directors

1. Chairman - Mr. Noel Padmasiri Kariyawasam

Members of the Board

	<u>Name</u>	<u>Designation</u>	<u>Organization</u>	<u>Tel. No.</u>
1.	Dr.S.S.B.D.G.Jayawardena	Chairman	Tea Research Board	052-2258201
2.	Mr.M.Vidanpathirana	Chairman	Morawakkorale Tea Factory, M.T.P.C.S.Ltd. Kotapola	041-2282560
3.	Mrs.Dishna Dharmasekera	Assistant Secretary	Ministry of Plantation Industries Colombo 02	011-2304132
4.	Mr.K.L.Gunarathna	Hon. Secretary	All Island Federation of Tea Small Holder Development Societies	077-7707623
5.	Mr.M.F.S.W.Stembo	Representative of the Hon.Minister of Plantation Industries		011-2721179
6.	Mr.H.D.Hemaratne	Director General	Sri Lanka Tea Board, Galle Road, Colombo 03	011-2508991
7.	Mrs.Anoma Nandani	Director	Department of Public Enterprises	011-2484652
8.	Mr.Neville Ratnayake	Hon. President	All Island Federation of Tea Smallholder Societies	011-7421126

12 board meetings have been held during the year under review.

Audit & Management Committee

1.	Chairperson	Mrs.Anoma Nandani	Director	Department of Public Enterprises	011-2484652
2.	Member	Mrs.Dishna Dharmasekera	Assistant Secretary	Ministry of Plantation Industries Colombo 02	011-2304132
3.	Member	Mr.M.F.S.W.Stembo	Representative of the Hon.Minister of Plantation Industries		011-2721179
4.	Member	Mr.K.L.Gunarathna	Hon. Secretary	All Island Federation of Tea Small Holder Development Societies	077-7707623
5.	Observer	Mrs.Suwineeta Anthony	Audit Superintendent	Audit Sub Office, Sri Lanka Tea Board	011-2533887

08 Audit Committee meetings have been held in the relevant year.

Executive Staff. Head Office:

Chairman : Mr. Noel Padmasiri Kariyawasam
General Manager : Mr.S.D.Nandasena (Up to 18/04/2011)
Mr.K.G.B.Obeysekera (Actg)(From 20/04/2011)

Extension Division:

Deputy General Manager (Extension) : Mr.K.G.B.Obeysekera

Development Division:

Deputy General Manager (Development) : Mr.M.B.Cyril (From 01/04/2011)
Assistant General Manager (Development) : Mr.C.J.I.T.Fernando
Asst. Community Development Manager : Mr.J.M.G.Jayasinghe

Planning & Monitoring Unit

Manager (Planning & Monitoring) : Mrs.M.I.M.J.Samarawickrama
Assistant Manager(Planning & Monitoring) : Mr.R.A.Waidyaratne

Finance Division:

Manager (Finance) : Mrs.D.G.P.Jayanthi
Assistant Manager (Finance) : Mr.P.R.Indika Perera (From 01-02-2010)
Accounting Officer : Mr.B.H.C.A.Batagoda

Administration Division:

Manager (Human Resources & Administration) } Mr.T.H.T.de Silva (From 02-08-2010) Actg.
/ Secretary to the Board } (From 02-08-2010)
Assistant General Manager (Services) : Mr.Amitha Pasqual (From 02-06-2010)
Assistant Project Manager Mr.T.H.T.de Silva
Assistant Manager (H.R.& Administration)) Mr.R.M.Abeyratne Banda (From 31/01/2011)
Administrative Officer Mrs.E.M.D.Amunugama (From 06-09-2010) (Actg)

Internal Audit Division:

Internal Auditor : Mr.K.G.Narada

Regional Offices

Regional Office (Galle)

Regional Manager	: Mr.A.W.W.Karunaratne (From 31/01/2011)
Administrative Officer	: H.Dayananda
Accounting Officer	: Mrs.U.L.M.Perera (Acting- From 01.06.2009)(Actg)

Regional Office (Matara)

Regional Manager	: Mr.G.G.Bandula
Assistant Regional Manager (Extension)	: Mr.N.D.F.Abeywickrama (01/08/2011)
Administrative Officer	: Mr.M.H.A.Karunarathna
Accounting Officer	: Mrs.W.M.W.Pushpakumari (Acting)

Regional Office (Kandy)

Regional Manager	: Mr.S.R.Gunawardena (Up to 23/05/2011)
Regional Manager	: Mr.A.W.W.Nilmalgoda (From 28/05/2011)Covering up
Regional Manager	: Mr.H.R.Arunashantha (From 01/08/2011) Acting
Assistant Manager (Finance)	: Mr.A.G.Somasiri
Regional Planning Officer	: Mr.W.H.P.S.Wijetunge (Up to 31/08/2011)
Administrative Officer	: Mr.E.Jesudasan (From 03/01/2011) Acting

Regional Office (Ratnapura)

Regional Manager	} Mr.U.L.Ariyapala (From 01-05-2010)(Actg) } Up to May 2010
Assistant Regional Manager (Extension)	
Administrative Officer	: Mr.D.M.N.K.B.Thanyamwatta (Actg)
Accounting Officer	: Mrs.M.A.Piyaseeli (Actg)

Regional Office (Uva)

Regional Manager : Mr.P.A.W.Nilmalgoda (From 28/05/2011) Covering
Regional Manager : Mr.H.R.Arunashantha (From 01-05-2010) Actg.
Assistant Regional Manager (Extension) } Up to 29/01/2011
Assistant Manager (HR & Administration) : Mr.D.M.Gunapala
Accounting Officer : Mr.W.M.Danaplala (actg)

Regional Office (Nuwaraeliya)

Regional Manager : Mr.H.Y.B.Ukuwela (Acting)
Assistant Regional Manager (Extension) : Mr.L.H.Ranjith (Acting)
Assistant Manager (Finance) : Mr.A.P.N.S.Kaluaarachchi
Administrative Officer : Mr.P.M.G.Bandaranayake (From 03/01/2011)
Public Relations Officer : Mr.A.Dissanayake

Regional Office (Kegalle)

Regional Manager : Mr.P.A.W.Nilmalgoda
Administrative Officer : Mr.R.M.Abeyratne
Administrative Officer : Mr.M.G.Somadasa (From 21/10/2011)Actg.

Regional Office (Kalutara)

Regional Manager : Mr.K.A.B.de A.Rajapakse (From 26/01/2011) Acting
Administrative Officer : Mrs.M.K.K.Somasiri (From 01-10-2010)(Actg)

Ratnasiri Wickramanayake National Training Centre

Manager (Training) : Mr.S.Abeysinghe

Offices in the Administrative Districts

Head Office
No.70, Parliament Road
Pelawatta, Battaramulla
Telephone No: 011 – 7909020-21

Administra tive District	Office	Extension Centre	Sub Office	TI Range
Galle	Tea Small Holdings Development Authority Galle Regional Office No.81, Lighthouse Street Fort, Galle Tel No: 091-7201126/28 Fax: 091-2244382	Tea Small Holdings Development Authority Regional Extension Center Walahanduwa Estate, Galle Tel No.:091-2234324	Wanduramba	Kurupanawa Elpitiya Udugama Baddegama Wanduramba
			Elpitiya	Ethkandura Pitigsls Niyagama Elpitiya Batapola Kahaduwa
			Hingalgoda	Dellawa Mawanana Neluwa Habarakada Halvitigala Hiniduma Opatha
			Akmeemena	Imaduwa Kottawa Yakkalamulla Beranagoda Akmeemana

Administrative District	Office	Extension Centre	Sub Office	TI Range
Matara Hambantota	Matar Regional Office No.31, Kalidasa Mawatha Matara Tel No: 041-7200799 041-7200394/96 Fax: 041-2226487	Regional Extension Center Morawaka, Alapaladeniya Tel No.:091-2234324	Kotapola	- Kalubovitiyana - Morawaka - Derangala - Kolawenigama - Kotapola - Pitabeddara
			Akuressa	- Kananke - Akuressa - Thelijjavila - Thibbotuwawa - Ketanwila - Kamburupitiya
			Pasgoda	- Beralapanathara - Warapitiya - Kirilipana - Dampahala - Pasgoda - Urubokka - Deiyandara
Nuwaraeliya	Tea Small Holdings Development Authority Gampola Regional Office No.26, Hill street Gampola Tel No: 081-7201863 081-7201593 Fax: 081-2351293	Tea Small Holdings Development Authority Regional Extension Center Tispane, Nawa Tispane Tel No. 054- 3541075	Gampola	- Panvilatenna - Gampola - Nillamba - Pupuressa - Pussellawa
			Udunuwara	- Handessa - Wattappola - Kurunduwatta - Ulapane - Dolosbage
			Kotmale	- Ruwanpura - Tispane - Harangala - Helboda - Pundaluoya
			Ginigathhena	- Ginigathhena - Nawalapitiya - Polpitiya - Lakshapana - Weligampola

Administrative District	Office	Extension Centre	Sub Office	TI Range
Kandy/ Matale/ Kurunegala	Tea Small Holdings Development Authority Kandy Regional Office No.2/7/1, Gannoruwa Road Peradeniya, Kandy TelNo:081-7200827 081-7201821 Fax: 081-2389011	Tea Small Holdings Development Authority Regional Extension Center Sooriyagoda, Muruthalawa Tel No: 081-2412159	Matale	Ukuwela
				Matale Rattota
			Wattegama	Poojapitiya Werellagama Teldeniya Wattegama
				Hewaheta Mandaramnuwara Hanguranketha Walapane
Ratnapura	Tea Small Holdings Development Authority Ratnapura Regional Office 1/28, New Town, Ratnapura Tel No.045-7201245 045-7201904 Fax:045-2228647	Tea Small Holdings Development Authority Regional Extension Center Sannasgama, Ratnapura Tel No. 045-2275323	Giragama	Gannoruwa Galagedara Menikdiwela
			Nivithigala	Nivvithigala
				Ratnapura Weddagala Kalawana Ayagama Kukulegama
				Opanayake Pinnawala Rassagala Imbulpe Ellaarawa Weligepola Balangoda
				Pothupitiya Madampe Kolonna Rakwana Pelmadulla Kahawatta
			Kuruwita	Eheliyagoda Gallella Gileemale Erathna Kiriella Wewelwatta

Administrative District	Office	Extension Centre	Sub Office	TI Range
Badulla Moneragala	Tea Small Holdings Development Authority Bandarawela Regional Office New Badull Road, Bandarawela Peradeniya, Kandy TelNo:057-7200241 057-7200081 Fax: 057-2232237	Tea Small Holdings Development Authority Regional Extension Center Bogahamaditta, Haliela Tel No: 055-2294363	Haliela Bandarawela Welimada	Lunugala Passara Wepassawela Haliela Etampitiya Badulla/Pelgahatenna Haputale Bandarawela Liyangahawela Ella Ballaketuwa Haldummulla Welimada Boralanda Lunuwatta Bambarapana
Kalutara / Colombo	Tea Small Holdings Development Authority Kalutara Regional Office Dandugodayawatta Road, Iddagoda Mathugama Tele.No: 034-7200183 034-7201630 Fax: 034-2249690		Meegahatenna Horana	Meegahatenna Yattapatha Pelawatta Ittapana Baduraliya Hedigalla Horana Bulathsinhala Mahagama Mathugama Agalawatta Kelinkanda

Administrative District	Office	Extension Centre	Sub Office	TI Range
Kegalle	Tea Small Holdings Development Authority Kegalle Regional Office Agriculture Building Kachccheriya Road, Kegalle TelNo:035-7201254 035-7201243 Fax: 035-2230163	Tea Small Holdings Development Authority Regional Extension Center Hingula	Deraniyagala	Deraniyagala Nooriya Yatiynthota Dehiowita Maliboda Kithulgala Dikella
	Tea Small Holdings Development Authority Hantana Training Center, 5 th Mile Post, Middle Division Udawela, Haantana Tel: 081-7201760 081-7201873 Fax: 081-3800679		Kegalle	Kegalle Aranayake Bulathkohupitiya Malalpola

All Island Federation of Tea Small Holder Development Societies

Mr.Nevil Ratnayake	-	Hon.President
Mr.K.L.Gunaratne	-	Hon Seretary
Mr.K.Gunasinghe	-	Hon.Treassurer
Mr.N.M.R.Jayathilaka	-	Hon.Vice President
Mr.K.Weerasinghe	-	Hon Deputy Secretary

01. Galle Tea Small Holder Development Regional Organization

Mr.G.W.Jayawardena	-	Hon.President
Mr.T.H.Richaard	-	Hon Seretary
Mr.M.A..R.Gunawardena	-	Hon.Treassurer

02. Matara Tea Small Holder Development Regional Organization

Mr.Nevil Ratnayake	-	Hon.President
Mr.K.Weerasinghe	-	Hon Seretary
Mrs.W.G.Hema	-	Hon.Treassurer

03. Kalutara Tea Small Holder Development Regional Organization

Mr.K.L.Gunaratne	-	Hon.President
Mr.K.T.Piyadasa	-	Hon Seretary
Mr.G.V.Amarasinghe	-	Hon.Treassurer

04. Ratnapura Tea Small Holder Development Regional Organization

Mr.J.M.B.J.Bandara	-	Hon.President
Mr.D.Karunasena	-	Hon Seretary
Mr.D.K.Sirisena	-	Hon.Treassurer

05. Kegalle Tea Small Holder Development Regional Organization

Mr.N.M.R.Jayathilaka	-	Hon.President
Mr.M.R.Shantha Mallawa	-	Hon Seretary
Mr.H.D.Anura Jayaratne	-	Hon.Treassurer

06. Kandy Tea Small Holder Development Regional Organization

Mr.B.G.Abeysinghe	-	Hon.President
Mr.W.D.Jayaratne	-	Hon Seretary
Mr.R.T.Gurusinghe	-	Hon.Treassurer

07. Nuwaraeliya Tea Small Holder Development Regional Organization

Mr.W.R.S.Karunaratne	-	Hon.President
Mr.D.G.S.P.Piyasena	-	Hon Seretary
Mr.K.Gunasinghe	-	Hon.Treassurer

08. Uva Tea Small Holder Development Regional Organization

Mr.K.B.Muhandiram	-	Hon.President
Mr.R.M.Amarasinghe	-	Hon Seretary
Mr.R.M.Gunasekera	-	Hon.Treassurer

Executive Summary

Extent of Tea Smallholdings

Total tea land extent excluding abandoned tea lands according to census of 2005 is 125019 Hectares.(Including lands below 20 perches) According to data for the last decade, an extent of about 1082 hectares is being uprooted for replanting and around 875 hectare is being replanted annually with subsidy from the organization. On the trend for past three years, 962 hectares is being uprooted and about 799 hectares is being replanted annually. In addition to replanting under subsidy, farmers are taking action to replanting without subsidy and also new planting annually. Also, attractive market prices for tea, orientation towards alternate crops and intercropping in tea, special projects implemented for low income farmers is taking place and this trend could be observed fluctuating annually, depending on favourable and unfavourable results over time. Based on information gathered by Tea Inspector / Extension Officer range level under the Cost Estimate Survey in 2011, 916 farmers have entered tea cultivation whilst extent added was 340 hectares. Based on the analysis, highest extent i.e about 128 Ha entering through tea new planting is from Ratnapura District. Thus, total estimated toatl extent of tea smallholdings by the end of 2011 is 120,664 hectares.

Production of the Tea Small Holdings Sector and Contribution to National Production

It had been possible to increase the production of the tea small holdings sector from 183 to 230 million kilos during the lapsed decade. Contribution to national production also had grown from 60% to 70%. However, in comparison to 2010, production of tea smallholdings had decreased by 1.11 million Kg or 0.48%.

Productivity in the Tea Smallholdings Sector

In view of the favourable weather conditions and existence of satisfactory levels of fertilizer use under the national fertilizer subsidy scheme, average annual productivity of tea smallholdings sector in 2010 was 1976 Kg made tea per hectare and productivity in 2011 was 1966 . Though low country and up country production of the tea smallholdings sector had grown in comparison to year 2010, mid country production had declined marginally. Also, mid country average productivity in 2010 was 1474 and it had declined to 1375 in 2011. But low country average productivity in 2010 had been 2083 and it had increased to 2093 in 2011.

Extent of Tea Replanting and Replanting Rate

In conformity to national policy, 2% of the existing tea extent has to be annually replanted in order to maintain the tea extent obtaining the maximum yield. Mature tea extent in the tea smallholdings sector by 2010 as per the census data is 116,492 hectares. Also, 21,613 hectares are lands which have already exceeded 25 years. There is a necessity of directing these lands to replanting expeditiously. In view of budgeted physical targets in previous years being revised 772 hectares were replanted in 2011. Thus the tea replanting rate had declined to a low value of 0.66%. However 2300 hectares need to be replanted annually according to the national requirement.

Crop Rehabilitation

Incentives are paid on this cultivation scheme based on pruning as recommended, establishment of soil conservation measures, management of shade along with supplying plants in vacancies in an integrated manner. Applications and issue of permits had increased by 32% and 76% respectively in comparison to the previous year. The number of plants established is 0.504 million. This is a 19% increase in comparison to year 2010. Though the targeted number of plants under crop rehabilitation in 2011 was 1.3 million, the organization had to limit it to 0.29 million plants in view of the limited funding.

Extension and Advisory Services

The number of group extension conducted under extension and advisory services in 2011 by all regional offices is 8970. This is a comparative reduction of 2.5%. Number of targeted programmes in 2011 was 9094 and the progress was 77%. Farmer participation in 2011 is 175,849. Targeted number is 190,216. Thus the progress on the targeted number of farmers is 92%. 18,276 soil samples were tested for soil acidity in 2011 and this is a 78% against the targeted number of samples.

Tea Small Holder Development Societies

Tea Small Holder Development societies initiated in the year 1989 is a society system which had been legislated. 1379 societies had been registered by the year 2011 under this society system which consists of 8 regional organizations and an all island federation. Total membership is 274,161. A 0.5% growth in the number of societies and a growth of 2.9% in the membership could be observed in 2011 in comparison to year 2010. Implementation of national fertilizer subsidy scheme through societies is a strong reason for the development in the society system and society system established by the organization was an easy avenue to implement this programme

Operational Costs of the Organization

Development cost of the organization in 2011 is Rs. 208.407 million. Operational cost is Rs. 218.527 million. In comparison to year 2010, development cost had increased by Rs.0.019 million according to financial provisions. Operational cost had increased by Rs.0.013 million. Ratio between operational cost and development cost was 1.04. In comparison to last year, operational cost had decreased by 0.04.

Tea Small Holder to Tea Inspector/Extension Officer Ratio

Though the extension officer to farmer ratio should be 1:1000 for an effective extension service, this ratio in the small holdings sector is 1:2650. Accordingly, though it is necessary to increase the number of officers to improve the ratio, it is not possible to do so in view of the cost and funding limitations of the organization and obtaining the assistance of support services such as of Smallholder Development Societies instead is done by the organization. However, to further improve the productivity of tea lands, it is necessary to increase the intensity of agricultural extension activities.

Prices of Green Leaf

The average price received for a kilo of green leaf based on the market prices for Sri Lankan tea in 2011 by tea small holders was Rs.49.76 for up country, Rs.46.76 for mid country and Rs.55.76 for low country whilst average for all areas was Rs.52.63. Based on the average for all areas, production margin of tea small holders was positive.

Tea Small Holdings Development Authority Annual Report – 2011

1. Introduction

1.1. Organization and Functions

Tea Small Holdings Development Authority was established on 1st February 1977, under the Tea Small Holdings Development Act No. 35 of 1975.

Act No. 36 of 1991 to legally establish and register the Tea Small Holder Societies, Act No. 21 of 1997 to establish legal status of societies have been legislated.

Also, Act No.34 of 2003 had been legislated adding revisions to original act to increase the composition of the board of directors.

Objectives:

Development of tea small holdings, increase of production, marketing activities, improvement of productivity and working for the welfare of the tea small holders are the objectives of the organization.

Tea lands under 10 acres are considered “Tea Small Holdings” as per the Tea Control Act. Even though, the organization so far performed support services relevant to develop all private owned tea lands up to 50 acres under the provisions of the Land Reform Act too, treating them as tea small holdings. However, the ministry had instructed in 2011 to withdraw from providing subsidy and other services until lands between 10 and 50 acres and their owners are brought under the purview of the organization at the time when Tea Small Holdings Development Act is revised.

Functions of the Authority

1. to promote or to undertake development of tea small holdings or other holdings which do not possess their own means of manufacture;
2. to acquire or to develop tea factories and other facilities required for the manufacture of produce of such tea lands;
3. to promote or to undertake marketing of the produce of such factories or of such tea lands;
4. to take all such steps as may be necessary to provide, or to facilitate or to procure, or to facilitate the provision of or procuring of such facilities and services as may be necessary for the development of such tea lands and for the well being of those who are engaged in the production or the processing of the produce of such lands.

Necessary action is being taken to remove the function No.2 from the act and revise functions No.3 & 4 noted above.

In addition, Authority continued to carry out the under noted other functions as well as functions delegated periodically by the Sri Lanka Tea Board, since 1st January 1978.

1. Implementation of following incentive schemes for the development of lands under private management.
 - i. Tea Replanting
 - ii. Tea New Planting
 - iii. Infilling
 - iv. Cultivation of Rubber with tea
 - v. Cultivation of Coconut with tea
2. Provision of support services such as distribution of fertilizer, planting material, implements and transport facilities.
3. Implementation of extension and advisory services.
4. Implementation of price supervision activities of tea factories processing leaf of tea small holders.
5. Establishment of society leaf collecting centers
6. Registration of Tea Small Holder Development Societies and establishing regulations of their functions with the intention of expanding support services of the Authority.
7. Registration of tea lands and tea land owners

The advisory board of the Ministry of Plantation Industries had decided that programme of registration of tea lands and owners thereof by the Tea Commissioner's Division of the Sri Lanka Tea Board under the Tea Control Act No.51 of 1957 until about year 1990 be implemented by the Tea Small Holdings Development Authority. Accordingly, the organization has to take action to register tea smallholders as per the classification in the Tea Control Act. Thus it was expected to delegate powers under the Tea Control Act to the Te Small Holdings Development Authority.

1.2. Review of Audit & Management Committee meetings

Basically the undernoted areas were subject to the review off the committee.

1. Reviewing annual audit plan and approval
2. Reviewing matters elicited by internal audit reports and expediting implementation of recommendations.
3. Reviewing Auditor General's reports and taking corrective action to prevent reoccurrence of deficiencies thereto.
4. Review of progress on replying audit queries.
5. Review of annual budgets, internal financial statements and evaluation of achieving of targets on performance.
6. Ensuring final accounts and annual reports are submitted in time.
7. Reviewing and making decisions on administration and development of human and other resources.
8. Reviewing staff disciplinary matters and directing towards institutional thrift.

1.3 Administrative Matters

1.2.1. Organization Structure and Scheme of Recruitment

The new organization structure which was prepared by the authority and submitted to the Management Services Department with the recommendations of the line ministry was recommended by the Salaries and Cadre commission and approved by the by No. DMS/E4/08/070/1 dated 31.01.2011. Organization took steps to absorb all employees on the approved organization structure and the cadre.

Appointments made during the year

Following appointments were made during the year after calling for applications as advised by the Ministry of Plantation Industries and approval of the Department of Management Services to fill the vacancies of the Authority.

Position	Grade	Number
Deputy General Manger (Development)	HM 1-1	01
Management Assistant (Technical)	MA 2-2 III	08
Officer In Charge	JM 1-1 II	26

1.3.2.Results Based Management

The organization started operating through Results Based Management from 2010 onwards to achieve aspirations of the tea small holdings sector by targeted results according to the corporate plan prepared to perform institutional statutory objectives. Thus the organization worked to achieve the long term development result of improving the livelihood of the te smallholder and undernoted medium term results as per the Acton Plan 2011 in the year 2011 as well.

Development Results

Long Term Impact - Enhancement of living standards of tea small holders.

Medium Term Results

1. Increase the yield to Kg made tea / hectare / annum in 06 years to
2700 in low country
1700 in mid country
1500 in Uva
2. Improve leaf standard to 75% at factory level in 5 years.
3. Strengthen 50% of the community based organizations within 06 years
4. Strengthen the organization to function more effectively within a year
5. Direct 10% of the lands towards additional income earning activities within 05 years

1.3.3 Policy Decisions

- (i) It was decided to increase the incentive payment to motivate farmers for replanting in view of the incentive payment granted for replanting being reduced to 12% of the total cost that should be borne for replanting which had increased due to increase of input prices. Accordingly, it was approved by budget proposals to increase the subsidy rate by Rs.50,000/= per hectare from 01.01.2012.
- (ii) Tea new planting was permitted when there is no alternate crops or income avenues and the subsidy paid for this was increased to Rss.150,000/= from Rs.50,000/= through the budget proposals.

2. Tea Small Holdings Sector in Sri Lanka

2.1. Tea Small Holdings

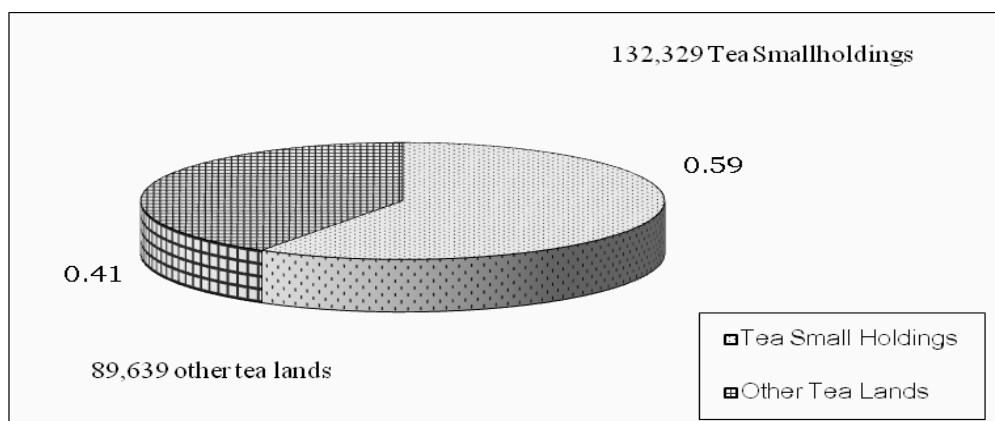
Though lands less than 10 acres in extent are treated as “tea small holdings” according to the Tea Control Act, the organization had provided support services for development of lands up to 50 acres under private management considering them as small holdings under the provisions of the Land Reform Act..

2.2. Land Extent of Tea Small Holdings

With the extent of tea small holdings of 132,329 Hectares (including extents under 20 perches), as per the Census of Tea Small Holdings in 2005, total tea extent in Sri Lanka will approximately be 221,968 Hectares. Thus, 59% of the total tea extent in Sri Lanka belongs to the tea smallholdings sector. When compared with details of census of small holdings in 1994/95, tea extent in Sri Lanka had increased from 82,919 to 116,492 Hectares (only lands above 20 perches), i.e. 40% within a decade.

Total extent of tea small holdings is 132,329 Hectares. (including lands below 20 perches in extent). 7,310 hectares is abandoned tea lands. Out of the balance extent, 118,275 Hectares is mature and immature tea. Total mature and immature tea extent excluding lands under 20 perches is 116,492 hectares. An extent of 315 Ha had been newly added in 2010 to the tea extent as per the TI/EO range baseline survey - 2010. Including the extent of 340 ha newly planted in 2011, total estimated extent is 120.664 ha.

Figure No. 1
Contribution of Tea Small Holdings to the Total Tea Extent



Source:

* Census Report of Tea Lands in Sri Lanka 1994/ 1995, Sri Lanka Tea Board

2.3. Tea Small Holders

The number of tea small holders by the year 2005 is 370,842 (including cultivators of less than 20 perches). 82% out of this are smallholders with single ownership and they own about 76% of the land extent. According to TI/EO range baseline data estimates, 916 farmers have newly entered tea cultivation in 2011.

2.4. Number of Small Holdings

The total number of tea small holdings had increased from 206,652 to 350,982 (lands above 20 perches), i.e. 70% within the period from 1994 to 2005. Out of the number of tea smallholdings in Sri Lanka, 11.6% is less than 20 perches in extent and these cover 1.5% of the total tea area. 75% of tea small holdings are lands less than 1 acre in extent whilst 95% belongs to the category of less than 2 acres. Percentage of lands above 10 acres is very small at 0.78%.

The number of parcels and distribution of extent according to the census of 2005 is as follows.

Table No. 1
Number of Tea Lands According to District in Sri Lanka – 2005

District	No. of Small Holdings	Hectares	No of Lands/As per extent Ha						
			<1/2 Less than	1/2 - < 1	1 - < 2	2 - < 3	3 - < 5	5 - < 10	>10
Colombo	491	246	423	35	22	4	4	2	1
Gampaha	9	2	9	-	-	-	-	-	-
Kalutara	38,263	7,823	35,793	1,927	396	74	38	26	9
Kandy	30,747	16,058	25,457	3,345	1,094	353	206	140	152
Matale	1,408	1,672	1,011	166	81	40	38	41	31
Nuwaraeliya	17,547	7,205	15,270	1,663	302	100	77	55	80
Galle	90,524	27,427	79,432	8,296	1,840	467	276	166	47
Matara	67,613	25,417	58,470	6,835	1,296	430	290	176	116
Hambantota	2,533	546	2,373	141	14	4	1	-	-
Kurunegala	151	180	111	23	8	3	2	-	4
Badulla	29,679	9,020	26,989	1,747	574	182	85	56	46
Moneragala	637	199	551	72	11	1	2	-	-
Ratnapura	97,984	30,441	87,070	7,910	1,880	530	345	141	108
Kegalle	19,637	6,093	17,333	1,680	400	98	65	31	30
Total	397,223	132,329	350,292	33,840	7,918	2,286	1,429	834	624
Percentage			88.19	8.52	1.99	0.57	0.36	0.21	0.16

* Source – Census of Tea Lands in Sri Lanka - 2005

Price escalation of green leaf, increase of incentive payments for tea cultivation, fragmentation of large holdings and cultivation of lands without alternate crops with tea have specially influenced the growth of lands in the tea small holdings sector.

2.5. Land Classification

*Out of total extent of tea small holdings, 113,190 acres (34.6%) are lands less than one acre in extent whilst 198,707 acres (60.8%) are lands less than two acres in extent. Extent more than ten acres is 59,731 acres (18.3%)

Table No. 2
Extent of Tea Small Holdings in Sri Lanka and Classification According to Number of Parcels

Acres	Land Extent Acres	%	No. of Parcels	Percentage %
Less than 1	113,190	34.6	297,342	75
1 - Less than 2	85,517	26.2	74,314	18.7
2 - Less than 3	31,882	9.8	15,101	3.8
3 - Less than 5	18,413	5.6	5,299	1.3
5 - Less than 10	18,251	5.5	2,936	0.7
10 and Above	59,731	18.3	2,231	0.5
	326,984		397,223	

Source : Census of tea lands in Sri Lanka 2005

2.6. Production in Tea Small Holdings Sector

Tea small holding sector is leading the national tea production in Sri Lanka from year 1991. Tea smallholding sector which held a 50% share of national tea production in 1991 had been able to increase the production capacity to a share of 70% by the year 2011. (Schedule No. 04)

The highest national annual tea production i.e 331.42 mil kilos is recorded in year 2010. The national tea production in 2011 is 327.53 million kilos. Production had declined by 1.17% in comparison to year 2010.

However, production in the small holdings sector had declined to 229.01 million kg i.e 0.48%. Contribution by the tea smallholdings sector to national production in 2010 was 69.44% whilst in 2011 it is 69.92%.

Table No 3
Total Tea Production in Sri Lanka – 2010 / 2011
Contribution According to Type of Management

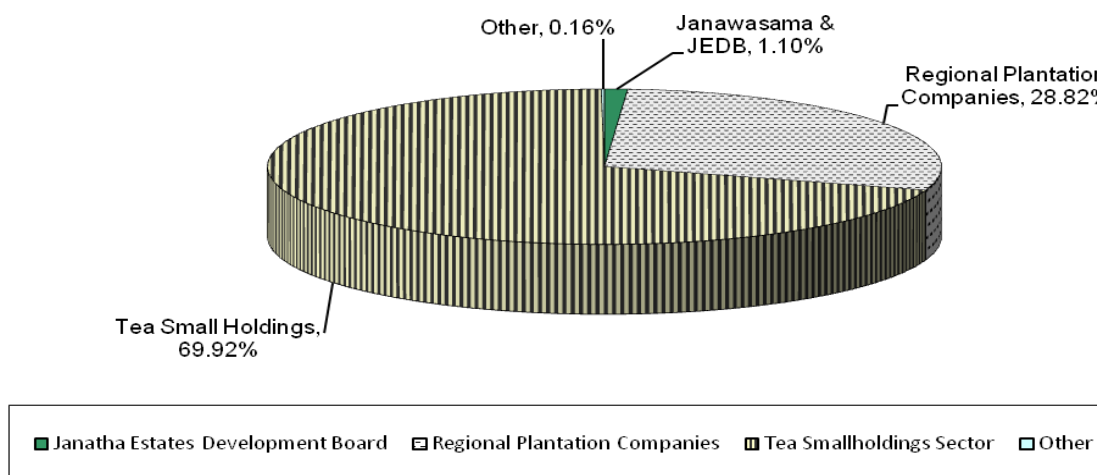
		Tea Production (Metric Tons)			
Management Institutions		2011	%	2010	%
01	Tea Small Holdings Sector	229,016	69.22	230,136	69.44
02	Regional Plantation Companies	94,402	28.82	96,810	29.23
03	Janatha Estates Development Board	3,615	1.10	3,844	1.16
	State Plantations Corporation				
04	Other	498	0.16	417	0.17
Total		328,631		331,426	

Other =Tea Shakthi, Tea Small Holders Factories Ltd., Sri Lanka Tea Research Institute, Cooperative

Source:- Sri Lanka Tea Board

(All bought leaf had been included in the production in the small holdings sector according to classification of institutions. Private sector had been considered as small holdings sector in this)

Figure 02
Percentage Production Share of Management Institutions - Year 2010

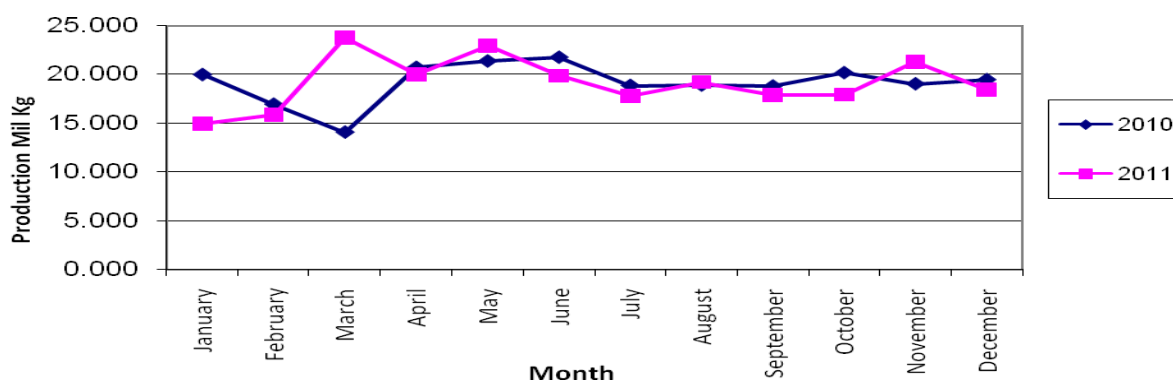


Favourable weather conditions throughout the year of 2011 except for the months of February and March and high level of fertilizer use under the national fertilizer subsidy scheme had influenced the increase in national annual tea production in the tea smallholdings sector.

Contribution to production by tea smallholdings sector had gradually increased by the year 2000 from 60% to 70%. Contribution to production in 2010 had been 69.44% and contribution in 2011 is 69.92%.

Figure 03

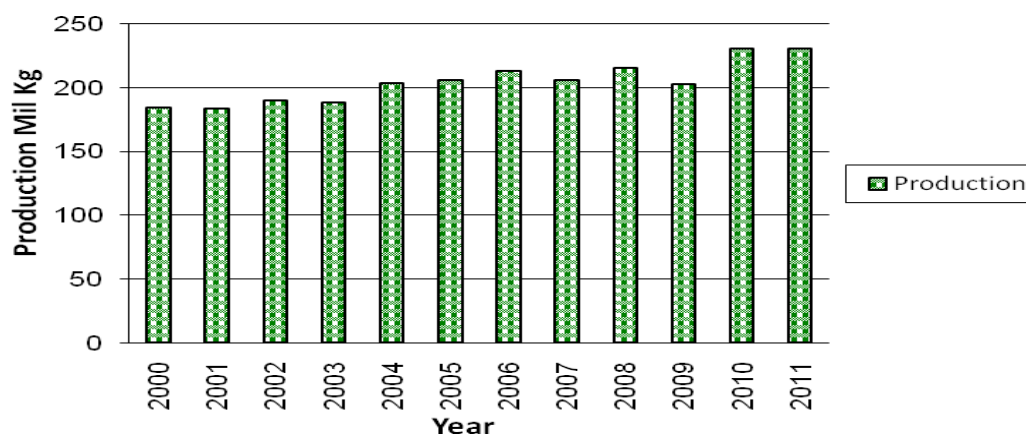
**Tea Production in the Tea Smallholdings Sector (Annually/Monthly) -Million Kg
2010 / 2011**



Source :- Sri Lanka Tea Board

Figure 04

**Annual Production Trend of Tea Smallholdings Sector
From 2000 – 2011 (Million Kg)**



Source:

Sri Lanka Tea Board

2.7. Production Composition of Tea Small Holdings

95% of the low country production, 56% of the mid country total production and 18% of the up country total production out of national production for 2011 comprised of production by the tea smallholdings sector (Refer table 04). Also, 81% out of production in the private sector belonged to the low country production.

Table No 04
Physical and Production Contribution of Tea Small Holdings Sector – Elevation Based
2010 / 2011

Elevation	Physical Contribution	National Production		Contribution to Production by Elevation		Productivity Kg Made tea/ Hectare/Annum
	Total Small Holdings & Contribution Percentage	Year	(Mt)	Production & Contribution %	% Contribution to Total Tea Production	
Up Country	5,913 5%	2010	79,129	12,827	3.87%	2169
		2011	78,219	12,909	3.94%	2361
Mid Country	21,403 18%	2010	56,130	31,558	9.52%	1474
		2011	52,591	29,427	8.98%	1375
Low Country	89,176 77%	2010	196,167	185,750	56.04%	2083
		2011	196,721	186,680	57.00%	2093
Total	116,492	2010	331,426	230,136	69.44%	1,976
		2011	327,531	229,016	69.92%	1,966

Sources

- i. Census Report on Tea Lands 2005– Department of Census & Statistics
- ii. Monthly Statistical Summary – Sri Lanka Tea Board 2011

2.8. Productivity in the Tea Small Holdings Sector

The main contributory factor for the increase in national tea production in two years of 2010 and 2011 was the growth of production and productivity of the tea smallholdings sector.

According to revised production data of the Sri Lanka Tea Board, average productivity of the tea small holdings sector in 2010 is 1,976 made tea Kilos per hectare. Average productivity in the tea small holdings sector in the year 2011 is 1966 kg of made tea..

Table No.05
Productivity in the Smallholdings Sector 2011 (Made Tea / Kilos)
On Administrative Districts Basis

Administrative District	Tea Small holdings Extent (Ha)	High Elevation	Mid Elevation	Low Elevation	Total	Productivity (Made tea per Ha)
Badulla	7863	4,631,567	6,047,655	-	10,679,222	1,358
Galle	25,325	-	-	49,447,337	49,447,337	1,953
Hambantota	492	-	-	215,341	215,341	438
Kalutara	7588	-	-	17,328,931	17,328,931	2,284
Kandy	12,486	324,188	12,909,630	9,506,530	22,740,347	1,821
Kegalle	5,753	-	342,835	9,286,060	9,628,895	1,674
Matale	1,190	658,740	4,108,545	429,906	4,538,451	*3,814
Matara	22,971	-	30,343	39,851,544	39,881,887	1,736
N'Eliya	5,971	7,921,649	4,926,137	745,742	13,593,528	*2,276
Ratnapura	28,232	3,1754	1,061,851	59,859,939	60,953,544	2,159
Total	-	12,909,158	29,427,107	186,680,355	229,016,620	-
** Based on extent on 2005 census	-	5913	21,403	89,176	116,492	-
Estimated						
Average	2010	2,169	1,474	2,083	1,976	
Productivity / Ha	2011	2,183	1,375	2,093	1,966	

Source – Sri Lanka Tea Board

* Data not being realistic in view of leaf being purchased beyond administrative district basis

** Mature tea extent

2.9. Investments in tea Small Holdings Sector

Annual investment amounts in the tea smallholdings sector is shown in table No. 06. An amount of Rs.425 million had been allocated from the consolidated fund which consisted of Rs.200 million as development and institutional capital and Rs.225 million as recurrent cost in the year 2011. A total amount of Rs.391.594 was received by the organization for the year which comprised of Rs.190.472 million of development and institutional capital and recurrent cost of Rs.201.122 million. The major part of this money had been invested on replanting. Development of infrastructure facilities of the organization had not been possible in view of the limitation of funds received for capital expenditure.

Table No. 06
Tea Production in the Private Sector and
Cess Funds Provided – 1998-2011

Year	Total Tea Production (Mil Kg)	Total Production Share %		Amount of Cess	Cess Provided to the Private Sector (Smallholdings Sector (Rs.Mil)	% of funds provided
		Private Sector	Other Sectors			
1998	280.05	59.2	46.1	680.3	188.5	27.7
1999	283.76	57.8	42.2	651.1	247.9	33.0
2000	305.84	60.0	40.0	701.2	259.4	37.0
2001	295.09	62.1	37.9	741.0	274.5	37.0
2002	310.01	61.1	38.9	767.5	230.2	30.0
2003	303.23	61.9	38.1	739.6	332.0	37.0
2004	308.08	65.9	34.1	753.8	371.6	43.7/39.5
2005	317.19	64.8	35.1	771.1	290.68	39.5
2006	310.82	*68.3	26.1	1088.4	461.56	39.51/43.28
					**426.00	
2007	304.61	*67.5	26.2	-	(Actual amount received was Rs.418.00 Mil)	-
2008	318.46	*67.4	25.9	1294.64	405.30	-
2009	291.13	*69.3	24.8	1360.40	367.80	-
2010	331.42	*69.4	23.8	1193.98	394.93	-
2011	327.53	69.9	30.1		391.59	

*Revised

Source: Sri Lanka Tea Board

**Allocations have been provided by the Treasury Fund from 2007.

Operational Review

Aa risk of operational costs increasing in the long run could be observed in view of provisions for institutional capital, maintenance of resources and human resource development being limited.

Table No. 7
Operational Review (From 1995 to 2011)

Year	Development Cost Rs.'000	Operational Cost Rs.'000	Operational Cost per Rupee of Development Cost
1995	79821	59150	0.74
1996	52665	58095	1.10
1997	63379	70547	1.11
1998	101191	127080	1.26
1999	153503	116822	0.76
2000	115575	128460	1.11
2001	112839	142654	1.26
2002**	166982	188126	1.13
2003	170134	155216	0.91
2004	215430	156809	0.73
2005	192263	*158695	0.83
***2006	198118	*186396	+0.94
2007	183828	179128	0.97
2008	208255	188725	0.91
2009	185660	202197	1.08
2010	189194	205385	1.08
2011	208407	218527	1.04

** Operational Cost had been calculated including project cost up to year 2002.

+ Operational cost had been calculated on accrual basis.

3. Statutory Objectives and Results Based Development Functions

The development functions affiliated to the statutory objectives of the organization are as follows.

01. to promote or to undertake development of tea small holdings or other holdings which do not possess their own means of manufacture

Following development activities have been implemented for the tea smallholders with the intention of performing this statutory objective.

01. Tea replanting incentive scheme
02. Te new planting incentive scheme
03. Crop rehabilitation incentive scheme
04. Cultivation of tea with rubber
05. Cultivation of tea with coconut

02. to acquire or to develop tea factories and other facilities required for the manufacture of produce of such tea lands

“Tea Shakthi Fund” had been established by the authority in 1997 under this objective and relevant activities are performed by that from year 2000 as a separate institution for the above objective.

03. to promote or to undertake marketing of the produce of such factories or of such tea lands

For this statutory objective

Increasing quality of green leaf of factories to which smallholders supply leaf

Conducting price supervision activities of factories processing smallholder leaf

04. to take all such steps as may be necessary to provide, or to facilitate or to procure, or to facilitate the provision of or procuring of such facilities and services as may be necessary for the development of such tea lands and for the well being of those who are engaged in the production or the processing of the produce of such lands.

Under this;

01. Distributing tea fertilizer, provision of support services such as providing planting material, utensils and transport facilities
02. Implementing extension and advisory services
03. Establishing society leaf collecting centers
04. Taking steps for the welfare of the people engaged in converting produce of tea small holdings and registering of tea small holder development societies with the objective of accepting them as legal organizations and creating regulations on their activities
05. Strengthening tea small holder development societies as community based organizations and directing smallholders to additional income earning activities

The organization worked towards the following medium term development results to achieve relevant development functions and results expected thereof to perform statutory objectives through the above functions in 2011 too.

01. Increase productivity in 06 years to Made tea/hectare/annum

Low Country	2700
-------------	------

Mid Country	1700
-------------	------

Uva	1300
-----	------

02. Improving leaf quality to 75% at the factory level in 5 years

03. Strengthening 50% of the community based organizations in 06 years

04. Strengthen the organization within one year to function more effectively

05. Directing 10% of the lands towards additional income earning activities within 05 years.

Action Plan and Practical Difficulties

The expected provision to implement institutional strategies in the annual plan for year 2011 to achieve expected development results under the new approach was Rs 289.79 million. Even though the organization had to plan development activities to match the provision of Rs.182.24 million according to funds provided for the organization for development activities. Thus, since it was advised to render priority to continuation activities in allocating funds for tea replanting in 2011 to the targeted extent of uprooting under replanting had to be limited to 399 hectares. Similarly, estimates were framed reducing extents under first installment of soil rehabilitation to 740 ha from 1180 ha, II installment of soil rehabilitation from 967 ha to 824 ha and replanting from 954 to 837 ha.

Even though 399 ha was included in the estimates according to provision of funds, it was planned to complete uprooting on 1271 ha with the intention of continuing the trend for replanting in the tea smallholdings sector. Thus, the organization completed 947 ha or 75% of the targeted extent in 2011 under uprooting expecting additional funds.

Though the organization planned for the socio-economic survey during 2011 too to ascertain whether expected targets are being achieved in realizing development results, the organization was unable to render priority to this under limitation of funds.

Results Based Medium Term Targets and Achievements

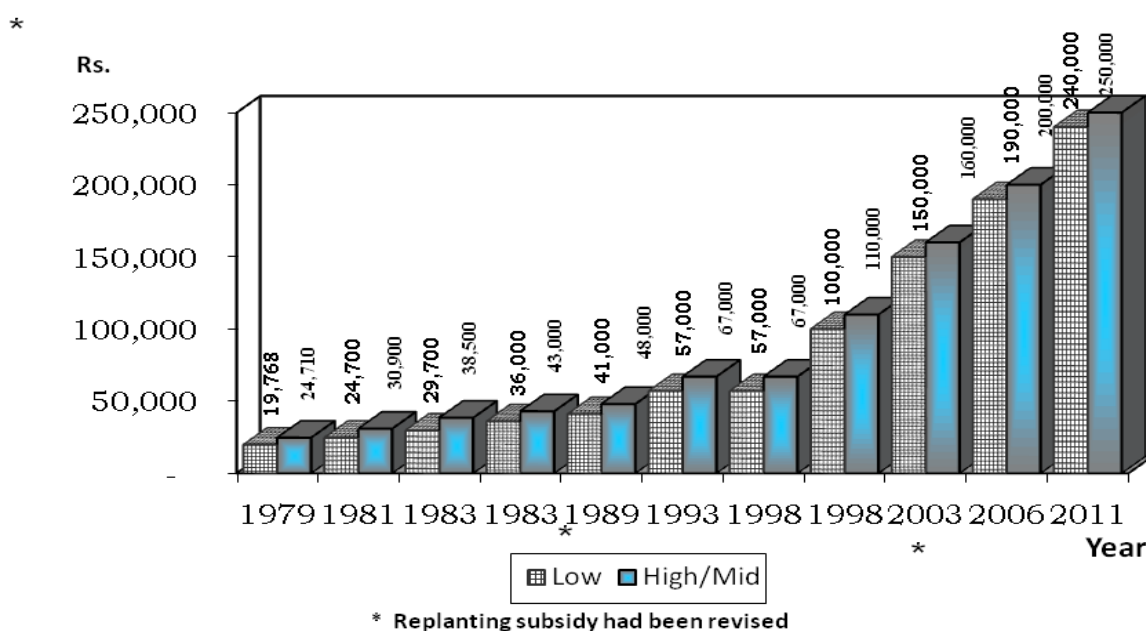
3.1 Medium Term Results – 01

Increasing productivity in 06 years to 2700 Kg in low country, 1700 Kg in mid country and 1500 Kg in Uva, made tea/Ha/annum.

3.1.1 Maintaining tea replanting rate at 2% annually.

It is expected to motivate cultivation of approved vegetative propagated tea in low yielding old seedling tea fields to increase productivity and production of tea smallholdings under this incentive. Incentives were paid for a maximum extent of 1 Ha, at the rate of Rs. 250,000/- per Ha in High/Mid elevations and Rs.240,000/- in the low elevation. Since it was not sufficient to cover only 12% of the total cultivation cost under cost conditions of replanting through incentive payments, a policy decision was taken to increase the relevant incentive amount.

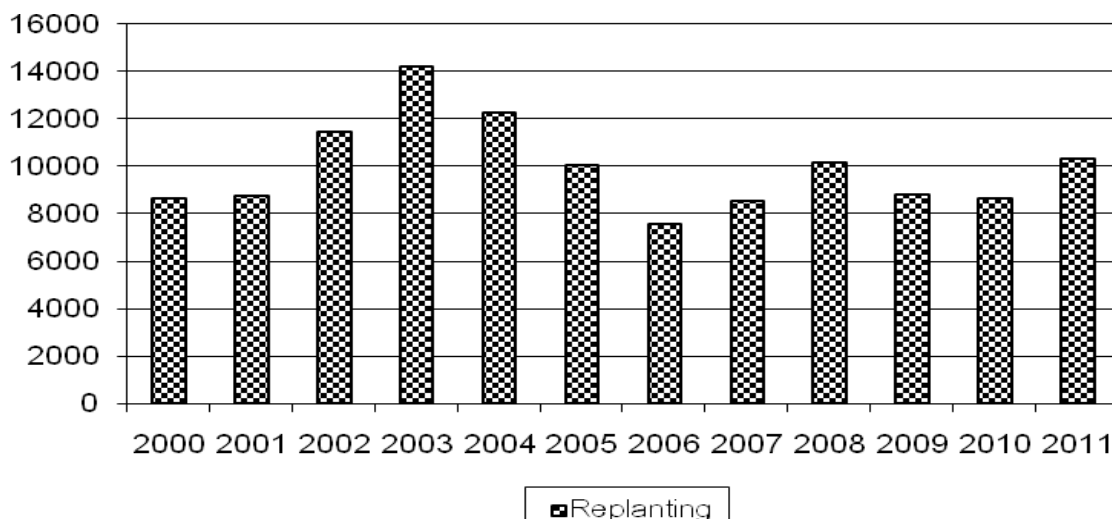
Figure Mo. 05
Increase of Subsidy for Replanting
From 1979



Application for Replanting

Though it was targeted to obtain applications from 11365 farmers for replanting under the action plan for 2011, 10321 farmers had applied for replanting. The extent expected to be uprooted under this was 2263 Ha. Out of this, 9180 farmers were issued with permits in the year 2011.

Figure No – 06
Applications for Cultivation Subsidies 2000 – 2011



Applying for replanting subsidy scheme had increased by 20% (Table No. 08) in comparison to previous year. Progress on uprooting had declined by 7% in comparison to previous year since uprooting was completed on 947 ha according to the action plan though the extent defined to be uprooted according to the budget provision was 399 ha. However, annual targeted extent had been completed. Soil rehabilitation I stage by 15%, II stage by 6% and tea replanting 9% declined in comparison to the previous year.

The organization had paid Rs.187.642 million for tea replanting during the year. This had increased by 4.8% (On account of increase in subsidy) in comparison to the previous year. A sum of Rs.194.54 million had been spent for tea replanting including Rs.3.49 million for providing agricultural implements to farmers and Rs.3.41 million as interest subsidy paid to farmers who replanted tea under the Tea Development Project revolving fund loan scheme.

Under the package of providing input material to permit holders to prepare nurseries under the basis of deducting from the subsidy for replanting, following material had been provided and the amount spent is Rs.4.67 million.

<u>Material</u>	<u>Quantity</u>	<u>Material</u>	<u>Quantity</u>
Tea Plants	67567	T-65 Fertilizer Kg	1148
Shoots of new cultivars	77661	Tea cultivation hand books	214
Cuttings	134246	Metham Sodium Liters	04
Polythene bags millions	1.99	Bazamid Kg	4485
T 200 fertilizer Mt	8.76	U-625 fertilizer Mt	17.25
Dolomite 50 Kg bags	1155	Zinc Sulphate Kg	357
Gravillia Plants	65	T-750 50 Kg Bags	71

Table No 08
Tea Replanting Subsidy Scheme
Physical Progress in Year 2010/2011

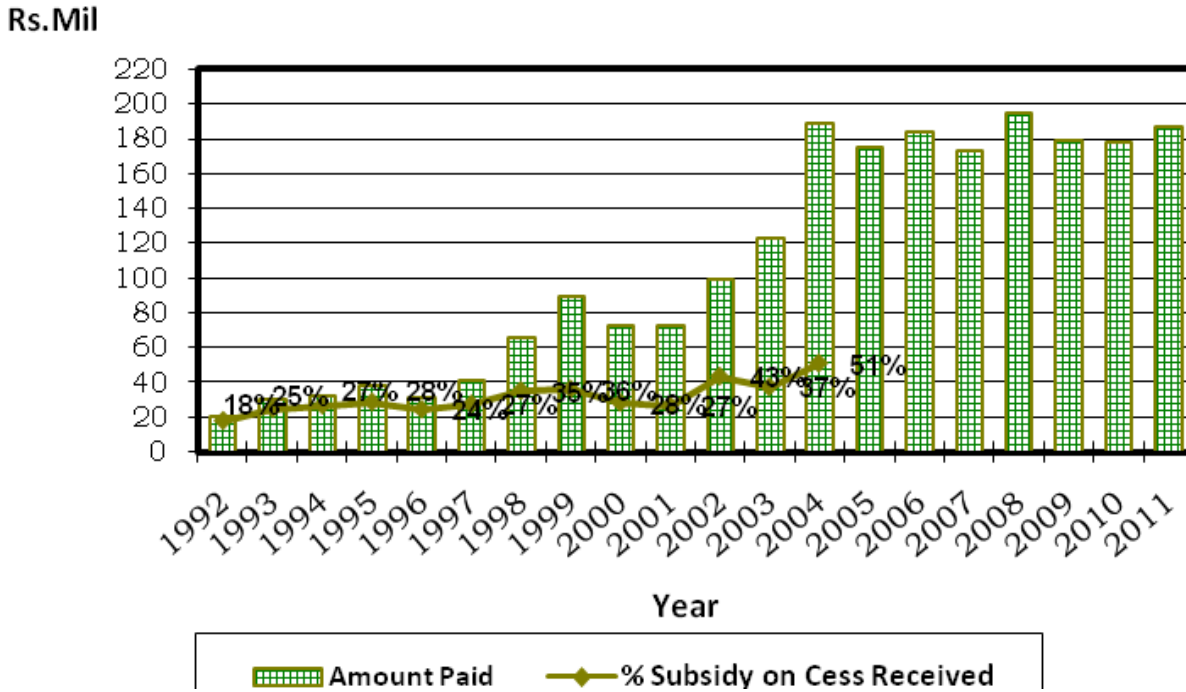
Activity	Year	Low Elevation					High/Mid Elevation			Total	Annual Target	Percentage increase / Decrease in comparison to previous year
		Galle	Kalutara	Matara	Ratnapura	Kegalle	Kandy	Nuwaraeliya	Uva			
1. Applications Received	2010	1444	291	1313	1389	625	1411	1227	934	8634	10527	(2)
	2011	1761	384	1549	2432	870	1366	731	1228	10321	11365	19
2. No. of Permits Issued	2010	1335	253	1288	1226	563	1188	875	1052	7781	10062	20
	2011	1214	335	1476	2103	731	1296	847	1178	9180	10062	18
3. Extent Covered by the permits	2010	366	76	320	370	135	246	206	175	1895	1382	18
	2011	337	102	394	539	150	267	254	220	2263	1668	19
4. Land Preparation	2010	177	44	194	212	83	102	116	87	1015	900	10
	2011	171	44	188	202	87	87	94	74	947	399	(7)
5. Soil Rehabilitation	2010	184	28	155	192	54	107	150	86	957	750	(3)
	2011	162	31	172	174	79	96	108	79	901	824	(6)
6. Tea Replanting	2010	161	22	177	160	48	74	108	97	847	760	9
	2011	167	30	154	141	74	69	90	47	772	845	(9)
7. Amount of Subsidy Paid (Rs. Million)	2010	33.69	5.41	31.08	37.38	11.67	19.94	21.80	16.88	177.85	153.00	(0.17)
	2011	35.21	6.98	36.18	36.73	16.34	20.80	19.52	15.88	*187.64	145.24	4.8

Source: TSHDA Monthly Progress Reports

*Total amount paid is Rs.194.54 million including Rs.4.875 million for agricultural implements and interest subsidy of Rs.3.41 million.

** Uprooting 1007 ha, soil rehabilitation 943 ha and tea replanting 822 ha had been completed in 2011 including IFAD project

Figure No. – 07
Annual Progress of Tea Replanting Subsidy Payments
1992 – 2011



* Percentage cannot be indicated in view of revision of cess amount.

3.2.1 Crop Rehabilitation Subsidy Scheme

Incentive payments are made under the crop rehabilitation subsidy scheme with the objective of increasing unit productivity in v.p tea lands in plucking for infilling whilst practicing pruning, soil conservation methods (Rehabilitation of drain systems/stone terraces) management of shade and practicing other cultural practices in an integrated manner.

Lands on which tea cultivation could be maintained successfully for another 10 years are recommended for this subsidy scheme and land being in the stage suitable for second pruning or age of tea cultivation exceeding 07 years are eligibility criteria for subsidy.

Under this subsidy scheme incentives are paid in two installments at the rate of Rs.25/- per plant, on the condition that tea cultivation is rehabilitated by infilling in blocks, subject to a maximum of 1,000 plants per acre in up/mid country and 750 plants per acre in low country.

In comparison to the year 2010, applying for subsidy and issue of permits had increased by 32% and 76% respectively. Similarly, annual target also had increased by 79% in relation to the previous year.

Annual targets had to be reduced in view of revision of budgetary estimates and annual progress of number of plants obtaining first installment had increased by 19% in comparison to previous year (Table No. 09).

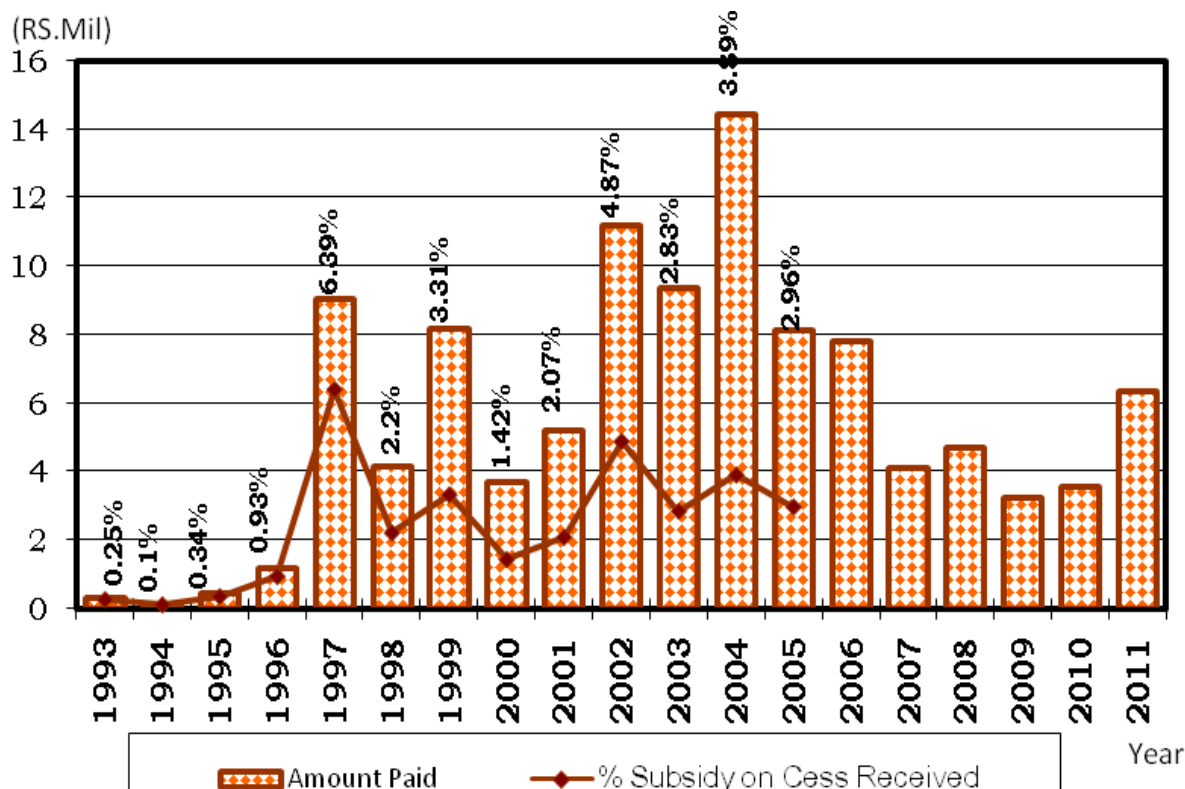
Number of plants qualifying for the second installment is 43% out of the number of plants receiving first installment in year 2010. Rs.6.329 million had been paid as incentives for crop rehabilitation in 2011. The amount of subsidy paid had increased by 76% in comparison to the previous year.

Table No 09
Crop Reha bilitation Subsidy Scheme
Physical Performance of Year 2010 - 2011 (Hectares)

Activity	Year	Low Elevations					High/Mid Elevations			Total	Annual Target	Comparison with Previous Year (%)
		Galle	Kalutara	Matara	Ratnapura	Kegalle	Kandy	N'eliya	Uva			
1.No. of Applications Received	2010	231	90	229	447	192	281	715	152	2335	-	11
	2011	651	105	521	650	209	434	231	288	3089		32
2.No. of Permits Issued	2010	186	73	192	312	112	209	171	167	1422	-	(22)
	2011	476	80	422	490	149	310	312	272	2511		76
3.Number of plants targeted	2010	81854	34540	89363	185126	53405	136430	108985	79401	769104		(23)
	2011	238122	40293	242823	289858	76243	197550	171479	123366	1379734		79
4.1.Number of plants 1 st installment paid	2010	22881	25887	61767	104696	23990	55315	83133	46558	424227	529272	(1.7)
	2011	82878	17047	93011	110643	46089	64648	57361	32645	504322	529372	19
2.Number of plants 2 nd installment paid	2010	13470	9059	42190	80661	6554	33286	55245	14250	254715	431699	9.6
	2011	15218	17698	24698	47010	7577	36735	30830	2635	182401	424227	(28)
5.Amount of subsidy Paid (Rs.Million)	2010	0.076	0.153	0.476	1.176	0.171	0.475	0.746	0.314	3.586	5.00	10
	2011	0.984	0.278	1.026	1.539	0.629	1.064	0.455	0.354	6.329	9.24	76

Source: TSHDA Progress Reports

Figure No – 08
Crop Rehabilitation Subsidy Scheme
Progress of Payments (1993-2011)



* Percentage cannot be indicated due to revision of cess amount.

3.2.3 Tea New Planting Subsidy Scheme

Steps have been taken to implement the new planting subsidy scheme again from 2010 which was stopped on a policy decision in 2003. Accordingly, action was taken to implement new planting in 50 Ha under limited funding, in areas where alternate crops or other income avenues are absent. Thus, tea new planting had been completed in 28 ha in two districts of Kegalle and Kalutara. The incentive amount released in 2011 was Rs.1.186 million.

Inclination of farmers towards new planting had declined in view of the inadequacy of subsidy payable so far. It was proposed to increase this subsidy amount to Rs.150,000/- per hectare by the budget proposals in 2011.

Table No. 10
Tea New Planting Subsidy scheme
Physical Progress of Year 2011 (Hectares)

Activity	Low Elevations					High/ Mid Elevations			Total	Targets
	Galle	Kalutara	Matara	Ratnapura	Kegalle	Kandy	Nuwaraeliya	Uva		
1. Applications received	-	270	-	-	212	-	-	-	482	
2. Permits issued	-	256	-	-	174	-	-	-	430	
3 Land Preparation	-	17.46	-	-	10.67	-	-	-	28.14	50
4 Planting	-	17.80	-	-	10.58	-	-	-	28.38	50
5. Subsidy paid (Rs. Million)	-	0.573	-	-	0.613	-	-	-	1.186	2.5

Source : Progress report of Tea Small Holdings Development Authority

Supply of Quality Tea Plants

Maintenance of Mother Bush Cultivations of New Improved Tea Cultivars

Provision of quality planting material to tea smallholders to improve tea production and productivity is another important strategy of the organization. Thus, the organization maintained mother bush extents with quality new improved cultivars and took steps to provide shoots to tea smallholders, commercial tea nursery operators and also institutional tea nurseries. Details of issues of shoots of new improved cultivars from mother bush sites are indicated in Annexure 5 A. An amount of Rs.0.778 million had been spent for these activities.

Commercial Tea Nurseries

It is very important to maintain commercial tea nurseries with quality as nurseries registered with the organization to facilitate availability of quality plants to tea smallholders with the objective of increasing tea production and productivity. Accordingly, 663 commercial tea nurseries were registered by all regional offices as follows and plant capacity of these nurseries was 25.4 million plants.

Table No – 10
Issue of Permits for Commercial Tea Nurseries and
Plant Capacity (2010 – 2011)

Area	No. of Permits Issued		Plant Capacity (Millions)	
	2011	2010	2011	2010
Matara	117	102	3.692	3.729
Ratnapura	82	77	4.385	3.733
Kegalle	110	33	5.982	1.308
Kandy	111	88	4.342	3.458
Galle	142	140	3.903	3.983
Nuwaraeliya	-	68	-	4.076
Uva	64	112	1.811	1.932
Kalutara	37	31	1.286	2.060
Total	663	651	25.401	24.279

Institutional Tea Nurseries

Institutional tea nurseries are maintained with the objectives of producing plants of good quality and controlling market prices when tea small holders buy plants. Thus, 799879 plants were produced by the 06 nurseries maintained in the year 2011. Total number of plants sold was 499487. Sale price of a plant by nursery is indicated on schedule No. 5-B.

3.1.4. Extension and Advisory Training Programmes

Number of planned training programmes in 2011 to provide extension and advisory services to increase tea production and productivity is 6569. Number of programmes conducted was 5275. Thus annual progress based on the target is 80%.. 133485 farmers have participated in those programmes (Table No.-11) as note below. In addition, 18276 samples of soil had been checked for soil acidity (Soil pH) and the progress on targeted tests on this is 78%. Similarly, 30295 individual visits were planned and the progress was 26103. This is a 86% progress on the targeted visits.

Table – 11
Extension and Advisory Services
No, of Training Programmes –(1) and Participation –(2)

Regional Office	Programmes									Total	Individual Extension Visits	Soil Checking
	Awareness for permit Holders	Training for Input Nurseries	Training of Commercial Nursery Owners	Training on Tea Planting	Training on Plucking	Training on Pruning	Pruning Skills Training	Training on Soil Management	Training on Shade Establishment & Management			
Galle 1	76	27	14	93	288	94	31	122	147	892		
2	2066	521	308	3149	7009	2351	545	4146	3627	23722	7233	3536
Matara 1	96	35	21	82	151	80	23	184	145	817		
2	2986	638	493	3234	3769	1831	523	5198	4761	23433	4734	2943
Kalutara 1	60	4	23	118	204	141	62	163	142	917		
2	1027	47	241	2269	2880	2751	879	5090	2493	17677	1522	1569
Kegalle 1	40	7	11	75	71	46	33	70	83	436		
2	982	112	101	2727	1647	1059	649	1468	1847	10592	2257	2021
Kandy 1	61	15	15	44	75	37	28	95	59	429		
2	1907	236	168	1389	1766	873	602	2501	1267	10709	1413	1188
N ^o Eliya 1	82	12	6	77	81	59	16	135	60	528		
2	1902	169	175	2540	2350	1500	434	4182	2394	15646	1314	610
R ^o pura 1	47	24	23	59	136	112	107	147	105	760		
2	1289	222	445	1653	3171	2858	2609	4454	3180	19881	5732	4594
Uva 1	98	11	9	42	102	68	44	62	60	496		
2	2880	191	106	938	2520	1437	804	1636	1313	11825	1898	1815
Total 1	560	135	122	590	1108	637	344	978	801	5275		
2	15039	2136	2037	17899	25112	14660	7045	28675	20882	133485	26103	18276
Target 1	442	515	163	375	1203	699	1138	991	1043	6569		
2	12057	3656	2787	7502	26835	16463	9783	20590	30073	129746	30295	23453

Source : Tea Small Holdings Development Authority

Medium Term Result – 02

Increasing leaf quality to 75% at factory level in 5 years

Minimal cost of production and high market prices are prime factors along with high productivity if income levels of smallholders are to be increased. Though it had been possible to reduce cost of production by the ability to procuring fertilizer at low prices through the national fertilizer subsidy scheme, to obtain high prices for green leaf, production of quality green leaf should improve.

To improve the leaf quality, it was expected to improve the use of shears and baskets, training of 10000 pluckers, promote legal provision making acceptance of only good quality leaf by factories compulsory, conducting awareness programmes for leaf suppliers, conducting factory based extension programmes and making smallholders aware of leaf quality were the programmes envisaged to achieve this result. Thus, 1781 training programmes were planned in 2011 to improve quality of leaf and 1488 programmes have been implemented. Progress of this is 82% based on the annual target. Number who participated is 37470 and targeted number of farmers was 55621. Thus, progress on participation is 68%.

Table – 12
Improvement of Leaf Quality

Regional Office	Programmes					
	1.No. of Programmes 2. Participation	Training on Shear & Basket (2.1.3)	Training of Pluckers (2.2.2)	Awareness for Leaf Suppliers (2.4.4)	Awareness of Leaf Quality (2.6.2)	Total
Galle,	1	22	117	10	106	255
	2	388	2462	451	3455	6756
Matara	1	17	82	19	104	222
	2	412	1814	1034	3414	6674
Kalutara	1	66	90	29	148	333
	2	939	1474	555	3782	6750
Kegalle	1	19	55	8	80	162
	2	511	1195	233	2250	4189
Kandy	1	12	24	6	59	101
	2	301	443	105	1599	2448
Nuwareliya	1	17	31	7	37	92
	2	410	623	208	1072	2313
Ratnapura	1	18	58	15	98	189
	2	373	1155	368	3253	5149
Uva	1	16	27	12	59	114
	2	290	433	305	2163	3191
Total	1	187	484	106	691	1468
	2	3624	9599	3259	20988	37470
Target	1	251	691	87	752	1781
	2	5209	11684	5018	33710	55621

Source: Progress reports of the TSHDA

In this, to measure whether expected results are being achieved, percentage of good leaf and rejected leaf are being used as two main indicators. Achieving the expected results had become a joint effort by the Authority, Sri Lanka Tea Board, Tea Commissioner's Division and Sri Lanka Tea Research Institute.

A sum of Rs.1.301 was spent in total being Rs.1.115 million for extension and advisory services and Rs. 0.186 million for required training material.

Medium Term Results - 03

Strengthening 50% of the Community Based Organizations within 06 years

To make Tea Small Holder Development Society system which was started in latter part of 1989 legal organizations, regulations on tea small holding development societies were declared by gazette extraordinary No 878 /15. This was done under the powers vested by the (O O) paragraph of the 2nd sub clause of the 15th clause in the act No. 35 of 1975, revised by act No. 36 of 1991 of the National State Assembly.

By the end of the year 2011, 1379 tea small holder development societies were under registration and the membership in those was 274161 as indicated below.

Table No. 13
Distribution of Tea Small Holder Development Societies
2010/2011

Regional Area	No. of Societies		No. of Members	
	2011	2010	2011	2010
Ratnapura	284	283	87,941	91,487
Uva (Badulla & Moneragala)	160	158	21,348	22,401
Nuwaraeliya	183	183	18,589	18,889
Kandy & Matale	144	144	12,336	12,124
Galle	208	208	47,790	48,101
Matara & Hambantota	176	173	45,638	45,912
Kegalle	127	127	18,660	18,834
Kalutara	97	96	21,859	24,754
Total	1,379	1,372	274,161	282,502

Source: TSHDA Progress Reports

In comparison to year 2010, an increase of number of societies by 7 or 0.5% and a reduction of membership by 2.95% can be observed in year 2011. Rs. 3 million was allocated for society development activities and Rs.2.31 had been spent by the organization.

Making suitable legislative changes with regard to activities of tea small holder development societies, effectively improving functioning of 400 societies every three years, changing attitudes of society office bearers, establishing an effective monitoring scheme for societies and establish and implement a revolving fund to develop entrepreneurship in tea small holder development societies were planned to strengthen community based organizations under this.

Objectives of the revolving fund was to establish a soft loan scheme to purchase material required for tea cultivation, transport of produce and provide benefits to societies and the membership of those societies and to manage this fund, act appropriately in recovery of loans, provide benefits to them by continuously reinvesting the fund and creating a strong entrepreneurship through this process.

All Island Federation of Tea Smallholder Development Societies

This society system consists of 8 district organizations and all island federation. The functions of the all island federation were facilitating work of the regional organizations, continuing tea Shakthi welfare process, intervening in the national fertilizer subsidy scheme when it was functional, assisting in extension programmes in collaboration with the Tea Small Holdings Development Authority to provide a better service to members for primary societies. The all island federation has the opportunity of holding board membership of Tea Small Holdings Development Authority, Sri Lanka Tea Board, Tea Research Institute of Sri Lanka, National Institute of Plantation Management and Tea Shakthi Fund. Also, observer membership of Sri Lanka Tea Council and affiliated membership of Colombo Tea Traders Association is granted.

Medium Term Result 04

Strengthening of organization within one year to function more effectively

Expected short term results

- 4.1 Maintaining cadre vacancies below 5% within one year
- 4.2 Decentralizing institutional activities to the maximum extent possible within one year
- 4.3 Making approved organizational structure operational by the inception of year 2011
- 4.4 Establishing the Wide Area Network (WAN) within 2 years to link all units of the organization.
- 4.5 Integration of organizational data base with the national information system within 2 years.
- 4.6 All audit opinions being unqualified within 02 years
- 4.7 Introducing and institutionalizing a proper planning process at the beginning of the year
- 4.8 Improving and institutionalizing monitoring system.
- 4.9 Financial, administrative and disciplinary manuals/processes are ready within one year
- 4.11 75% of the staff uses computers for work within 02 years
- 4.13 Positive attitudes exist in organizational staff for official work
- 4.14 A performance based evaluation scheme is available and operational by 2011
- 4.15 Providing professional training for 5% of the staff annually
- 4.16 Staff possesses required knowledge and skills to perform relevant duties

Physical and financial progress, percentage of deviation from budget and number of audit deficiencies have been identified as main performance indicators by the organization under his.

Staff Vacancies

Action was taken to absorb all staff to relevant positions and recruit personnel to vacant positions as per the approved organizational structure and the scheme of recruitment from 2010.01.31.

Information system and Institutional Data

Establishment of a Wide Area Network had been identified to link all units of the organization within two years. All expected work was completed by year 2011 and all regional offices started working connected to the centralized database.

Work on development of web site with e-services to link the institutional data base with the national information system was completed and coordination and level of checking for accuracy (60%) was completed in 2011.

Identification of training needs of the all staff on use of computers for office work is completed.

Staff Appraisal

Under the staff appraisal scheme, implementation methodology for performance based evaluation scheme for the field staff was completed with revised proposals and used for evaluating the field staff.

Staff Training

Under human resource training programme leadership/group behavior/ results based management programme (Workshop on “Good Governance through Excellence in Service), workshop on reducing audit problems in state institutions at Sri Lanka Foundation Institute, Workshop on Corporate Planning and Budget at Department of Public Enterprises, Workshop on Management of Transport Services and Stores Management and Supplies Management conducted by Construction Training and Development Authority, Laboratory Training on Technical Matters on Tea Cultivation at Sri Lanka Tea Board were conducted. Two training programmes were conducted at Hantana National Training Center for Tea Inspector/ /Extension Officers under new recruitments. (Schedule No. 11)

Rs.0.928 had been spent in 2011 on human resource training programmes for effective functioning of the organizational activities.

Medium Term Result 05

Directing 10% of the lands to additional income earning activities within 05 years

Directing towards additional income earning activities had been identified for improving livelihood of tea small holders. Thus introducing tea based farm management to 1000 smallholdings annually and establishing forestry in 1000 tea smallholdings are short term results identified under this. 610 programme were planned under this during the year and 227 programmes have been implemented. Number of farmers who participated under this is 4894. During the year programmes have been implemented as follows.

Table – 13
Training Programmes

Regional Office	Programmes			Total
	1.No.Of Programmes 2.Participation	Training on Tea Based Farm Management (5.1.5)	Training on Establishments of Forestry (5.2.3)	
Galle	1	44	8	52
	2	1326	322	1648
Matara	1	13	7	20
	2	346	154	500
Kalutara	1	24	17	41
	2	678	172	850
Kegalle	1	13	8	21
	2	242	179	421
Kandy	1	13	6	19
	2	219	84	303
Nuwareliya	1	10	4	14
	2	167	88	255
Ratnapura	1	20	24	44
	2	281	443	724
Uva	1	9	7	16
	2	124	69	193
Total	1	146	81	227
	2	3383	1511	4894
Target	1	246	498	744
	2	2565	2284	4849

Source: Progress Reports of the TSHDA

Percentage of other crops and percentage of livestock management on tea smallholdings had been identified as main performance based indicators.

Special Achievements of the Decade

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Remarks
1.1 Tea Replanting											
Tea replanting (Ha)	736	765	891	1057	1001	1024	881	777	847	772	
% Progress on target	93%	98%	89%	101%	95%	94%	92%	92%	111%	91%	
Incentive payments disbursed (Rs.Mil)	99.17	122.82	188.10	174.83	183.34	172.89	194.59	178.17	177.85	189.88	
1.2 Tea New Planting											
Tea New Planting (Ha)	562	642	12	8	0.83	+-	+-	+-	+-	28.38	*Not implemented on policy decisions
Incentive payments disbursed (Rs.Mil)	30.62	27.95	3.25	0.30	0.042	+-	+-	+-	+-	1.17	
1.3 Crop Rehabilitation											
No of plants infilled (Mil)	2.52	1.63	1.48	1.24	0.52	0.516	0.519	0.43	0.424	0.50	Reduction of smallholder response due to low incentive rate and the need for soil rehabilitation
Incentive payments disbursed (Rs.Mil)	11.22	9.38	14.46	8.11	7.794	4.13	4.84	3.25	3.586	2.44	
1.4 Rubber with Tea											
Rubber with tea (Ha)	7.88	15	9	14.6	6.8	4.4	-	-	-	-	Low demand by tea smallholders
Incentive payments disbursed (Rs.Mil)	0.92	0.76	0.46	0.19	0.469	0.41	-	0.028	-	-	
1.5 Coconut with Tea											
Coconut with tea (Haa)	1.93	-	-	-	0.8	-	-	-	-	-	Do
Incentive payments disbursed (Rs.Mil)	0.028	-	-	-	0.061	-	-	-	-	-	
1.6 Extension Programmes											
1.6.1 Group Approaches											
Number of Programees	6775	5219	5959	6619	8084	8226	8668	9170	7154	6970	
No. Participated	177105	138012	153627	162997	236048	242203	223348	218500	210334	175849	
1.6.2 Individual Farm Visits											
No.of Visits	8710	7865	14795	31370	32261	33160	38545	37268	27346	26103	
1.6.3 Provision of Inputs											
1.6.4 Institutional Nurseries											
No.of Nurseries	8	8	7	7	8	7	7	6	6	6	Non implementation of two nurseries on policy decisions
No of Plants produced	1306130	1106325	1024374	1113059	1089505	1042715	1122920	969822	838460	799879	

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Remarks
1.6.5	Commercial Nurseries											
	No of Registered Nurseries	884	783	1167	1667	900	418	678	535	651	663	Excluding revalidated permits
	Plant Capacity (Mil)	37.4	43.79	32.12	41.58	38.26	38.75	25.57	23.25	24.28	25.40	
1.6.6	Supply of Inputs											
1.6.6.	Supply of Fertilizer											
	Total supply (Mt)	16906	9124	9007	9178	5712	5202	4538	1061	-	-	Not obtaining fertilizer
	Supply under the credit schem (Mt)	16009	8845	8480	8412	3800	1877	1378	969	-	-	under the credit scheme due to National Fertilizer subsidy
1.6.6.2	National Fertilizer Subsidy Scheme											
	Recommended quantity (Mt)	-	-	-	-	43,982	51,917	51,590	136,900	124,142	+35436	Not implementing from second half of the year
	Value (Rs.Mil)	-	-	-	-	471	1,082	1,944	5,658	4478	+1507	
1.7	Human & Social Development Activities											
	Tea Smallholder Development Societies											
	No of Societies	1232	1256	1218	1276	1294	1309	1319	1348	1372	1379	
	Society Membership	159377	162827	161266	164559	191978	201933	219269	220050	282502	274161	
1.8	Production of Tea Smallholdings (M.Kg)	189.5	187.9	203.0	205.8	212.4	205.7	214.8	201.9	230.1	229.9	
1.9	% Contribution to National Production	61.1	61.9	65.9	64.9	68.3	67.5	67.4	69.3	69.4	70.0	

Management for Developmental Results
Major Performance Based Indicators

Medium Term Results		Major Performance Based Indicators	Provision	Financial Progress	Base Year 2008	Performance based Indicators Target & Progress 2011		Special Matters
						Target	Progress	
	Long-term Result	I. % Growth in Household Assets			NA		NA	Socio Economic Survey
	Improved livelihoods of Tea Smallholders	II. % of Secondary Education in Children						
1	Increase yield in 6 years per hectare/annum made tea kilos	1.1 Increase in productivity at district level and elevation level	167.74	204.400				Statistical data of Sri Lanka Tea Board
	Up to 2700 in Low-Country				2085	2300	2092	
	Up to 1700 in Mid-Country				1050	1200	1374	
	Up to 1500 in Uva				1055	1250	1355	
		1.2 Growth in production of Tea Small Holdings Mil.Kilos			215	230	229.9	
	Sub Total		167.74	204.400				
2	Increase leaf quality at factory level up to 75%	2.1 % of good quality leaf at factory level	1.40	0.159	35%	45%	33% - 47%	Data of Tea Commissioners Division
	Sub Total		1.40	0.16				
3	Strengthening 50% of the community based organizations in 6 years	3.1 Growth in assets value	3.10	2.310	NA			Socio economic survey
		3.2 No. of activities conducted by societies at all levels			NA			
		3.3 Attitudes of members about effectiveness			NA			
	Sub Office		3.10	2.31				
4	Strengthen the organization within one year to function more effectively	4.1 % of target achievement	11.32	1.528				
		Tea Replanting Scheme						
		a. Financial			102%	100%	118%	Institutional funds have been utilized due to non receipt of funds on physical progress
		b. Physical			92%	100%	91%	
		4.2 No. of audit deficiencies			True & Fair	True & Fair		Audit report had not been received
		4.3 % deviation from budget (Development Capital)			13%	0%	13.0%	
	4.4 Attitude of staff on institutional effectiveness			NA				
	Sub Office		11.32	1.528				
5	Directing 10% of the lands towards additional income earning activities within one year	5.1 % lands with other crops	0.68	0.00	35%	36%	NA	Socio Economic Survey
		5.2 % lands with livestock			NA			
	Sub Total		0.68	0				
	Grand Total		184.24	208.398				

4. Production Cost and Green Leaf Price in the Tea Small Holdings Sector

4.1 Cost of Labour

According to information gathered at field level annually regarding conditions in the tea smallholdings sector, labour scarcity for activities such as plucking, pruning, weed management etc is becoming an acute problem annually. In considering the daily wage rate, it had been revealed that a wage rate exceeding rate stipulated under the Wages Board Ordinance is being paid. Also, instances where disparities in wage levels reported regionally are numerous. Thus, more than the daily wage rate in organized small holder sector had been reported as the price of labour in the unorganized sector in most instances.

Also, it is reported that a higher daily wage is paid where payments to workers are made based on the number of kilos plucked and making extra payments when daily average intake is exceeded, paying of a higher daily wage in comparison to plucking for activities such as pruning which are skilled labour activities.

4.2 Production Cost of a Kilo of Green Leaf

Average price and estimated cost of production of a kilo of a green leaf, calculated based on elevation prices received at Colombo auctions according to Sri Lanka Tea Board data (Schedule No 6 -A) is noted below.

Table -14

Price Received and Production Cost of a Kilo of Green Leaf

Year	1994 – 2011	
	Average Price (RS/Kg)	Average Cost of Production (Rs/Kg)
1994	9.80	8.85
1995	11.20	7.37
1996	15.70	8.28
1997	18.04	9.69
1998	20.30	11.24
1999	16.86	16.81
2000	19.82	16.47
2001	21.05	16.64
2002	21.83	17.03
2003	21.79	17.04
2004	26.43	15.15
2005	27.17	20.29
2006	29.18	21.87
2007	40.88	30.64
2008	45.45	36.24
2009	52.71	37.24
2010	54.11	38.56
2011	52.63	44.43

To calculate production cost of a kilo of green leaf in 2011, the average yield per hectare (Low country V.P.Tea) had been considered as 9732 Kg per Ha. (According to production data of Sri Lanka Tea Board) This yield level in 2010 had been estimated at 9686 Kg.

According to calculation based on cumulative prices, average price paid for a kilo of green leaf in 2011 had decreased by Rs.1.48 or 2.7% in comparison to year 2010. Estimated cost of production had increased by about 15%. To minimize escalation of production costs, the national fertilizer subsidy scheme had contributed to a great extents and it had been possible to reduce the percentage cost level of fertilizer by about 11%.

Green Leaf Prices and Estimated Cost existent in 2011

According to Sri Lanka Tea Board data (Schedule No. 6-A), average price realized for all elevations except for up country had decreased in comparison to the previous year. Thus, prices had decreased for low country teas by Rs 12.13 or 3%, mid-country teas by Rs. 11.11 or 3.3%. Prices for up-country teas had increased by Rs.2.45 or 0.7%.

Accordingly, price received for a kilo of green leaf was Rs.49.76 in high elevations, Rs.46.76 in mid elevations, Rs.55.76 in low elevations whilst overall average price for a kilo of green leaf was Rs.52.63. Estimated cost of production per kilo of tea in the low country (Including prices of fertilizer on national fertilizer subsidy) was Rs.44.43.(Refer schedule 6-B, 6-C).

4.3 Production Margin and Price

Average of production margin based on average productivity of the smallholdings for 2011, average green leaf prices existent during the year and estimated cost of production was Rs.7.74. This had decreased by 20% in comparison to year 2010..

4.4 Replanting Cost of Tea

Increase in labour cost for replanting due to labour scarcity and high prices of inputs had specially influenced cultivation costs. It is revealed in calculation that 63% of the total cost is incurred as the cost of labour. (Schedule No. 7-A, 7-B)

Table 15
Estimated Replanting cost per Hectare 2010/2011 (Rs)-(From Uprooting to Plucking)

Activity	2010		2011	
	High & Mid	Low	High & Mid	Low
Uprooting (First Year)	372,655	302,935	449,874	363,328
Soil Rehabilitation (Second Year)	110,770	126,629	114,470	122,640
Planting Tea (Third Year)	631,452	619,452	690,152	675,152
First Year Maintenance (Fourth Year)	342,947	334,697	346,982	335,732
Second Year Maintenance (Fifth Year)	246,227	241,577	234,802	228,052
Total	1,704,051	1,625,290	1,836,280	1,724,904

4.5 Rate of Incentive per Hectare and Cultivation Cost

It is apparent from the following table that in considering the ratio between cultivation incentive and cultivation cost existent in year 2011, it had been possible to cover about 14% of the total cultivation cost.

Table 16
Coat and Incentive Ratios
For Replanting per Hectare (1989 – 2011)

Year	Cultivation Cost (Rs)		Subsidy Rate		% of Cultivation Cost	
	High/Mid Elevation	Low Elevation	High/Mid Elevation	Low Elevation	High/Mid Elevation	Low Elevation
1989	140684	117490	48000	41000	34%	35%
1990	165611	145632	48000	41000	29%	28%
1991	182331	159936	48000	41000	26%	26%
1992	191066	167321	48000	41000	25%	25%
1993	222693	194953	67000	57000	30%	29%
1994	251038	224233	67000	57000	27%	25%
1995	249431	226088	67000	57000	27%	25%
1996	297622	270767	67000	57000	22%	21%
1997	361643	327769	67000	57000	18%	17%
1998	411564	347456	* 110000	*100000	27%	29%
1999	445504	377068	110000	100000	25%	27%
2000	485894	396186	110000	100000	23%	25%
2001	550744	513866	110000	100000	20%	19%
2002	653463	589916	110000	100000	17%	17%
2003	712815	643451	160000	150000	22%	23%
2004	796315	717351	160000	150000	20%	20%
2005	1026322	1009427	160000	150000	16%	15%
2006	1031377	1024287	200000	190000	19%	19%
2007	1148177	1125494	200000	190000	17%	17%
2008	1458989	1420360	200000	190000	14%	13%
2009	1516322	1452292	200000	190000	13%	13%
2010	1704051	1625290	200000	190000	12%	12%
2011	1836280	1724904	250000	240000	14%	14%

* From 1998/07/01

5. Use of Tea Fertilizer

National Fertilizer Subsidy Scheme

The government decided to grant the national fertilizer subsidy from mid of the year 2006, with the intention to mitigate the undesirable effect on the tea smallholdings sector due to increase in prices of fertilizer mixtures as a result of removal of urea subsidy by the government.

The fertilizer subsidy confined to tea smallholders holding less than 5 acres had been extended to all tea smallholders up to 50 acres in extent from 2008, under “Mahinda Chinthana” fertilizer subsidy scheme.

Accordingly, tea smallholders were able to purchase a 50 Kg bag of recommended tea fertilizer mixtures for tea lands in plucking at a concessionary price of Rs. 1000 during the year 2009 too. The field programme relevant to this was implemented jointly by the Authority and the All Island Federation of Societies. The powers of supervision of sales points and documentation were entrusted to field staff of the Authority including Regional Managers.

From May 2011, the responsibility of recommending fertilizer mixtures under the national fertilizer subsidy was removed from the organization and directed towards buying a bag of fertilizer mixture at a concessionary price of Rs.1300/= from the open market.

Under recommending fertilizer for tea smallholders, 35,436.209 Mt. of fertilizer had been recommended up to May 2011 and the value of that quantity is Rs.1,506.82 million. The total quantity of fertilizer issued in 2010 was 124,142.56 and the value was Rs.4,478.46 million.

Table No. 17
National Fertilizer Subsidy Scheme – 2010 / 2011

Regional Office	Fertilizer Mixture	Quantity 2011 Mt.	Subsidy Amount 2011 Rs.Mil	Fertilizer Mixture	Quantity 2010 Mt.	Subsidy Amount 2010 Rs.Mil
Galle		6,300.305	268.37	VPLC 880	21,028.96	754.06
Matara	UT 752*	5,477.670	231.88	VPLC 1075	17,800.79	636.09
Ratnapura	UT 397*	12,103.404	514.93	STLC 365	43,733.01	1,576.33
Kalutara		2,978.320	126.95	UT 752*	10,653.99	383.18
Kegalle		2,249.075	95.72	UT 397*	8,040.82	289.45
Kandy	UT 752*	1,206.425	51.73	VPUM 910	4,706.52	172.02
Nuwaraeliya	UT 397*	3,012.860	128.20	STUM 400	10,688.55	391.12
				VPUM 1020		
Uva	UT 752*	2,108.150	89.04	VPUVA 945	7,486.92	276.21
	UT 397*			STUVA 435		
				VPUVA 1055		
Total		35,436.209	1,506.82		124,142.56	4,478.46

* Issued from third quarter Of 2010

6. Tea Development Project Revolving Fund Loan Scheme

An amount of SDR Million 26.33 had been allocated by the Tea Development Project under a credit agreement signed between the Asian Development Bank and the Sri Lankan government, for implementation for 6 years. An amount of SDR 15.4.million was reserved for development activities in the small holder sector by the Central Bank of Sri Lanka and this credit scheme was due to be implemented from mid of year 2006.

This loan amount consisted Rs.1100 Million and Rs 750 .Million was provided for field development activities in the tea small holder sector.

A grace period for loan repayment and facilities of obtaining a 50% interest subsidy not exceeding Rs.hundred thousand per hectare from the cess fund for smallholders who complete tea replanting activities in conformity to technical recommendations within the specified time period is available under this loan scheme.

Requests were made by the participating financing institutions through the Central Bank to obtain the interest subsidies due to loan recipients and it was necessary to obtain inspection reports on field progress of the loan recipients prior to payment of interest subsidy. Accordingly, payment of interest subsidy for loan recipients who qualify for interest subsidy based on the field inspection reports from the regional offices in 2011 was Rs.3.401 million and by the end of the year Rs.3.798 million had been paid as follows.

Tea Development Project Revolving Fund Loan Interest Subsidy Paid Through Participating Funding Institutions

Name of Bank	2009	2010	2011	Total
Regional Development Bank			163,507.00	163,507.00
Commercial Bank	288,342.33		449,452.00	737,794.33
National Development Bank			48,006.00	48,006.00
DFCC Bank			1,418,373.00	1,418,373.00
Sampath Bank			277,119.00	277,119.00
Hatton National Bank			631,329.00	631,329.00
Seylan Bank		2,475.00	243,492.00	245,967.00
Peoples Bank		96,681.96	179,550.00	276,231.96
				3,798,327.29

Source: TSHDA Progress Reports

Chapter 7

Special Projects in Regions

Smallholder Plantations Entrepreneurship Development Programme

(SPEnDP) -(IFAD)

Regional Office – Kegalle/Nuwaraeliya

Tea replanting development and implementation of input supply nursery development was targeted under these project activities. A cost of Rs.26.865 million had been incurred on project activities during the year and the physical progress is as follows.

	<u>Kegalle Regional Office</u>			<u>Nuwaraeliya Regional Office</u>		
	Extent Ha	No. Of Beneficiaries	Financial Progress	Extent Ha	No. Of Beneficiaries	Financial Progress
Tea Replanting						
Uprooting & Soil Conservation	4.08	38	3,393,011.83	53.02	444	8,483,084.20
Soil Rehabilitation I	8.38	60		35.85	310	
Soil Rehabilitation II	17.53	166		25.76	241	
Planting	16.68	161		33.04	303	
1 Year after planting	0.25	1		6.91	67	
Crop Rehabilitation						
1 st Installment (Plants)	-	-		162585	336	2,438,775.00
Input Supply						
Tea Plants	-	-	84,821.35	551700	1188	8,213,920.80
Polythene (Sleeves)	76504	35		204500	410	290,519.00
Bazamid (Grams)	19030	35		917	410	
Nursery Management Booklet	35	35		109	109	5,450.00
Tools	-	-		924	924	776,141.52
Supply of fertilizer & Dolomite						
50 Kg bags of U 625	43	35	576,025.00	664	360	1,726,400.00
50 Kg Bags of T 200	374	166				
T 65 2 Kg	-	-		733	410	80,630.00
50 Kg bags of Dolomite	253	35		2140	360	406,600.00
pH Testing	101	101	3,030.00	-	-	
Farmer Training Programmes conducted	27	405	120,560.70	150	6032	208,842.00
Operational cost			46,684.45			-
Grand Total			<u>4,225,883.33</u>			<u>22,630,362.52</u>

Schedule No. - 01

Approved Cadre for Tea Small Holdings Development Authority

According to letter No. DMS/E4/08/5/070/1 dated 2010-07-29 of the Management Services Department

	Positions		Approved Cadre
1. Senior Managers			
	General Manager	1	
	Deputy General Manager (Development)	1	
	Deputy General Manager (Extension)	1	
	Sub Total		3
2. Managers			
	Internal Auditor	1	
	Manager (Finance)	1	
	Assistant Manager (Finance)	2	
	Manager (Human Resources & Administration)	1	
	Assistant Manager (Administration)	3	
	Manager (Development)	1	
	Assistant Manager (Development)	1	
	Assistant Manager / Manager (Extension)	1	
	Assistant Manager / Manager (Training)	1	
	Assistant Regional Manager (Extension)	8	
	Assistant Regional Manager Planning & Development)	6	
	Regional Manager	6	
	Manager (Planning & Monitoring)	1	
	Assistant Manager (Planning & Monitoring)	1	
	Sub Total		34
3. Junior Managers			
	Accounting Officer	9	
	Internal Audit Officer	1	
	Administrative Officer	7	
	Officer in Charge - Sub Offices	26	
	Training Officer	1	
	Sub Total		44
4. Management Assistant - Technical			
	Tea Inspector / Extension Officer	157	
	Book Keeper	9	
	Sub Total		166
5. Management Assistant - Non Technical			
	Management Assistant	120 (i)	
	Nursery Assistant	7	
	Sub Total		127
6. Primary Level - Skilled			
	Driver	19	
	Sub Total		19
7. Primary Level - Semi Skilled			
	Assistant Cook / Cook	2	
	Sub Total		2
8. Primary Level - Unskilled			
	Labourer / Sanitary Labourer	25 (ii)	
	Sub Total		25
	Total		420

(i) In addition to this 55 Management Assistant positions have been approved on personal to the holder basis.

(ii) 13 Labourer positions have been approved on personal to the holder basis.

Tea Small Holdings Development Authority
Cadre Details (2011/12/31)

Position		Category	Grade	Head Office		Galle		Matara		Ratnapura		Kandy		N'Eliya		Uva		Kalutara		Kegalle		Hantana		Total	
				APR	ACT	APR	ACT	APR	ACT	APR	ACT	APR	ACT	APR	ACT	APR	ACT	APR	ACT	APR	ACT	APR	ACT	APR	ACT
1	General Manager	HM 2-1		1																				1	0
2	Deputy General Manager (Development)	HM 1-1		1	1																			1	1
3	Deputy General Manager (Extension)	HM 1-1		1	1																			1	1
4	Internal Auditor	MM 1-1	I	1	1																			1	1
5	Manager (Finance)	MM 1-1	I	1	1																			1	1
6	Manager (Planning & Monitoring)	MM 1-1	I	1	1																			1	1
7	Manager (Human Res Dev./Admin)	MM 1-1		1																				1	0
8	Manager (Development)	MM 1-1	I	1	1																			1	1
9	Manager (Community development)	MM 1-1	I	1	1																			1	1
10	Manager (Extension)	MM 1-1		1																				1	0
11	Manager (Training)	MM 1-1	I																			1	1	1	1
12	*Assistant General Manager (Services)	MM 1-1			1																			0	1
13	Assistant Manager (Finance)	MM 1-1	II	1	1									1	1									2	2
14	Assistant Manager (HRD/Admin)	MM 1-1		1	1					1						1	1							3	2
15	Assistant Manager (Planning & Monitoring)	MM 1-1		1	1																			1	1
16	Regional Manager	MM 1-1	I			1	1	1	1	1		1		1		1				1				6	3
17	Asst.Regional Manager (Extension)	MM 1-1	II			1		1		1	1	1		1	1	1	1	1	1					8	4
18	Asst.Regional Manager (Planning & Dev)	MM 1-1	II			1		1		1		1		1		1								6	0
19	Administrative Officer	MM 1-1	I/II	1		1	1	1	1	1		1					1		1					7	2
20	** Assistant Project Manager				1																			0	1
21	* Regional Planning Officer	JM 1-1										1												0	1
22	Accounting Officer	JM 1-1	I	1	1	1		1		1		1	1	1		1		1		1				9	2
23	Internal Audit Officer	JM 1-1		1																				1	0
24	Training Officer	JM 1-1																			1			1	0
25	Officer In Charge (Sub Office)	JM 1-1				4	4	3	3	4	4	4	4	4	4	3	3	2	2	2	2			26	26
26	* Public Relations Officer	JM 1-												1										0	1
				16	13	9	6	8	5	10	5	9	6	9	7	8	5	5	3	5	3	2	1	81	54

Position		Category	Grade	Head Office		Galle		Matara		Ratnapura		Kandy		N'Eliya		Uva		Kalutara		Kegalle		Hantana		Total		
				APR	ACT	APR	ACT	APR	ACT	APR	ACT	APR	ACT	APR	ACT	APR	ACT	APR	ACT	APR	ACT	APR	ACT	APR	ACT	APR
27	Supervisory Tea Inspector / Extension Officer	MA 2-2																						0	0	
28	Tea Inspector / Extension Officer	MA 2-2				28	23	23	19	31	25	16	15	20	22	16	14	12	12	11	11				157	141
29	Book Keeper	MA 2-2		1	1	1	2	1	1	1	1	1		1		1	1	1		1					9	6
				1	1	29	25	24	20	32	26	17	15	21	22	17	15	13	12	12	11	0			166	147
30		Senior Management Assistant	MA 1-2			6		4				4		3		1				1		2				0
31	Management Assistant	MA 1-2		26	22	16	14	15	17	17	16	9	17	10	15	9	18	9	9	7	11	2	3		120	142
32	Tea Nursery Assistant	MA 1-2						1		1		2	2	1	1			1	1	1	1				7	5
				26	28	16	18	16	17	18	20	11	22	11	17	9	18	10	11	8	14	2	3		127	168
33	Driver	PL 3		6	5	2	2	1	1	1	1	2	1	2	1	2	2	1	1	1	1	1	1		19	16
34	Cook	PL 2																				1	1		1	1
35	Assistant Cook	PL 2																				1	1		1	1
36	Office Aide	PL 1		7	15	2	2	2	3	2	4	2	4	2	3	2		2	1	2	3				23	35
37	Labourer	PL 1		1	1							1	1												2	2
39	Circuit Bungalow Keeper (Contract)	PL 1					1																		0	1
38	Management Assistant (Casual)				1		1						1				1								0	4
39	Management Assistant (Checkroll)										1		2												0	3
	Driver (Casual)				2				1		1															4
40	Driver (Checkroll)																								0	
41	Labourer (Casual)																								0	
42	Labourer (Checkroll)						1				4				2		3								0	10
				14	24	4	7	3	5	3	11	5	9	4	6	4	6	3	2	3	4	3	3		46	77
				57	66	58	56	51	47	63	62	42	52	45	52	38	44	31	28	28	32	7	7		420	446

APR- Approved -Cadre approved by Management Services Department letter no.DMS/E4/08/5/070/1 Of 2011.01.31

ACT -Actual - Cadre as at 31.12.2011

(i) In addition to this number 55 positions of Management Assistants have been approved on personal to holder basis

(ii) 13 Labourer position have been approved on personal to holder basis

Categorization of Employees on Age Category

-58

Age Category	Executive Grade						Technical Officers		Management Assistants			Drivers			Cook/Assistant Cook			Office Aide			Labourer		
	HM 2-1	HM 1-1	MM 1-1-	MM 1-1-	JM 1-1-1	JM 1-1-2	II	III	I	II	III	I	II	III	I	II	III	I	II	III	I	II	III
18-25							-	-															
25-35							-	13	11	11	1			2					6				
35-45				3	1	1	53	14	35	46	10			6		2		1	11	1			1
45-50					1	4	31	4	9	4	7			1					6				
50-55			7	2	1	15	27	-	11	2		2	1	1					6	1			1
55-60	1	1	2	8		7	5	-	21			2		1				1	2				
Total	1	1	9	13	3	27	116	31	87	63	18	4	1	11	-	2	-	2	31	2	-	-	2

Catogoriztion of Staff Officers According to Educational Qualifications

Position	Service Category	G.C.E. (O/L)	G.C.E. (A/L)	Diploma	Degree	Post Graduate Degree/Diploma	Professional
Head Office							
General Manager	HM 2-1					√	
General Manager (Acting)	HM 1-1				√	√	
Deputy General Manager (Extension)	HM 1-1				√	√	
Deputy General Manager (Development)	HM 1-1					√	
Internal Auditor	MM 1-1				√		√
Manager (Finance)	MM 1-1				√		√
Manager (Plannning & Monitoring)	MM 1-1				√		
Manager (Development)	MM 1-1				√	√	
Manager (Community Development)	MM 1-1				√		
Manager (Human Resources/Administration)	MM 1-1						
Manager (Human Resources/Administration)Act.	JM 1-1	√		√			
Assistant General Manager (Services)	MM 1-1				√	√	
Assistant Manager (Finance)	MM 1-1		√				√
Asst. Manager (Human Resources/Administration)	MM 1-1				√		
Asst. Manager (Planning & Monitoring)	MM 1-1				√		√
Asst.Project Manager	JM 1-1	√		√			
Accounting Officer	JM 1-1				√		
Administrative Officer (Actg)	JM 1-1	√	√				
Galle Regional Office							
Regional Manager	MM 1-1			√			
Administrative Officer	JM 1-1	√					
Accounting Officer	JM 1-1						
Accounting Officer (Acting)	MA 2-2			√			

Position	Service Category	G.C.E. (O/L)	G.C.E. (A/L)	Diploma	Degree	Post Graduate Degree/Diploma	Professional
Matara Regional Office							
Regional Manager	MM 1-1				√	√	
Asst.Regional Manager (Extension)	MM 1-1			√			
Administrative Officer	JM 1-1	√	√				
Accounting Officer	JM 1-1						
Accounting Officer (Acting)	MA 2-2				√		
Kandy Regional Office							
Regional Manager	MM 1-1						
Regional Manager (Acting)	MM 1-2			√			
Accounting Officer	JM 1-1						√
Regional Planning Officer	JM 1-1				√		
Administrative Officer	JM 1-1						
Administrative Officer (Acting)	MA 1-2	√					
Ratnapura Regional Office							
Regional Manager	MM 1-1						
Regional Manager (Acting)	MM 1-2			√			
Administrative Officer	JM 1-1						
Administrative Officer (Acting)	MA 1-2		√				
Accounting Officer	JM 1-1						
Accounting Officer (Acting)	MA 2-2				√		
Uva Regional Office							
Regional Manager	MM 1-1						

Position	Service Category	G.C.E. (O/L)	G.C.E. (A/L)	Diploma	Degree	Post Graduate Degree/Diploma	Professional
Regional Manager (Covering up Duties)	MM 1-1				√		
Asst. Manager (Human Resource & Admin)	MM 1-1				√		
Accounting Officer	JM 1-1						
Accounting Officer (Acting)	MA 2-2	√					
Nuwaraeliya Regional Office							
Regional Manager	MM 1-1						
Regional Manager (Acting)	MM 1-2			√			
Assistant Manager (Finance)	MM 1-1	√	√				
Administrative Officer	JM 1-1						
Administrative Officer (Acting)	MA 1-2	√	√				
Public Relations Officer	JM 1-1	√					
Kegalle Regional Office							
Regional Manager	MM 1-1				√		
Asst. Manager (Finance) Covering up Duties	MM 1-1	√	√				
Administrative Officer	JM 1-1						
Administrative Officer (Acting)	MA 1-2	√					
Kalutara Regional Office							
Regional Manager (Acting)	MM 1-1			√			
Accounting Officer (Coverin up Duties)	JM 1-1				√		
Administrative Officer	JM 1-1						
Administrative Officer (Acting)	MA 1-2	√	√				
Ratnasiri Wickramanayake Training Center							
Manager (Training)	MM 1-1				√	√	
Accounting Officer (Covering up Duties)	JM 1-1						√

Schedule No: 04

**Production in the Tea Smallholdings Sector
1983 – 2011 (Million Kilograms)**

Year	National Production	Production of Tea Smallholdings Sector Production	Percentage Growth	% Contribution to National Production
1983	62.40	34.8	-	55.76
1984	77.40	37.2	6.90	48.06
1985	214.09	82.0	120.4	38.3
1986	211.27	83.0	1.2	39.2
1987	213.32	91.1	9.75	42.7
1988	226.95	100.2	9.99	44.1
1989	206.98	92.2	(8.98)	44.5
1990	223.16	113.7	23.3	48.7
1991	240.74	121.1	6.51	50.3
1992	178.86	94.9	(21.63)	53.0
1993	231.87	125.3	32.02	54.0
1994	242.21	139.8	11.57	57.7
1995	245.96	140.0	0.14	56.9
1996	258.42	147.8	5.57	57.2
1997	276.86	149.3	1.01	53.9
1998	280.05	165.9	11.12	59.2
1999	283.76	164.0	(1.11)	57.8
2000	305.84	183.7	12.01	60.0
2001	295.09	183.4	(0.06)	62.1
2002	310.03	189.5	3.33	61.1
2003	303.23	187.9	(0.84)	61.9
2004	308.08	203.0	8.04	65.9
2005	317.19	205.8	2.95	64.9
2006	310.82	*212.4	*3.2	*68.3
2007	304.61	*205.7	*(3.1)	*67.5
2008	318.44	*214.8	*4.4	*67.4
2009	291.13	*201.9	*(6)	*69.3
2010	331.42	*230.1	*13.98	*69.4
2011	327.53	229.0	(0.48)	69.9

Source: Sri Lanka Tea Board

*** Revised**

Schedule No – 5 A

Issue of Shoots of New Improved cultivars from Mother Bush Extents - 2011

District	Station	Year	Commercial Nurseries	%	Tea Small Holders	%	Society & other	%	Institutional Nurseries	%	Production	
											Number	%
Galle	Neluwa & Walahanduwa	2011	980	1.27	43,410	56.21	21,343	27.63	11,500	14.89	77,233	18.18
Hantana	Hantana	2011	-	-	55,300	100	-	-	-	-	55,300	13.02
Kalutara	Vogan	2011	16,350	17.89	29,548	32.34	2,640	2.89	42,830	46.88	91,368	21.51
Kandy	Rahathungoda & Sooriyagoda	2011	2,150	7.91	1,050	3.86	-	-	23,970	88.22	27,170	6.38
Kegalle	Hingula	2011	-	-	-	-	-	-	3,000	100	3,000	0.71
Matara	Mawarala	2011	15,500	13.35	21,015	18.11	79,550	68.54	-	-	116,065	27.32
Nuwaraeliya	Nelligolla & Tispane	2011	-	-	9,050	38.43	-	-	14,500	61.57	23,550	5.54
Uva	Bandarawela & Haliela	2011	5,515	17.69	16,480	52.85	9,185	29.46	-	-	31,180	7.34
Total			40,495	9.53	175,853	41.39	112,718	26.53	95,800	22.55	424,866	100

Schedule No: 5 - B

**Performance of Institutional Tea Nurseries
Year 2011 (Rupees)**

Description		Hantana	Rahathungoda	Walahanduwa	Hingula	Vogan	Tispane	Total
Stock as at 01.01.2011	No of Plants	37,773	110,588	50,000	165,705	130,996	153,925	648,987
	Value	149,709.17	798,958.96	250,091.10	1,016,503.14	307,563.94	1,125,489.11	3,648,316.41
No. of plants during the year	Plants	20,000	154,219	50,000	138,500	217,500	125,221	705,440
	Value	137,280.78	1,206,805.02	490,751.59	825,491.22	2,050,697.40	1,269,567.70	5,980,597.71
Casualties		9,868	79,933	6,730	22,736	7,077	32,191	158,535
Stock as at 31.12.2011	No.of Plants	23,870	9,120	52,000	219,324	219,730	168,801	692,845
	Value	103,192.60	76,699.20	266,985.05	1,722,651.34	1,235,153.61	1,332,991.77	,739,673.57
Plants suitable for sale	No.	24,035	175,754	41,270	62,145	121,689	78,154	503,047
	Value	183,797.35	1,929,065.78	473,817.64	706,370.21	1,123,107.73	1,062,066.04	5,478,224.75
Cost of Production of a plant		7.65	10.98	11.48	11.37	9.23	13.59	10.09
Plants sold	No.	24,035	175,754	41,270	62,145	121,689	78,154	503,047
	Value	315,263.00	2,196,925.00	578,122.50	740,978.00	1,519,562.50	998,012.50	6,348,863.50
C.O.P on sales		13.12	12.50	14.01	11.92	12.49	12.77	12.62
Profit / Loss		131,465.65	267,859.22	104,304.86	34,607.79	396,454.77	(64,053.54)	870,638.75

Source: Progress reports of TSHDA

Schedule No: 5 – C

Progress of Issuing Permits for Commercial Tea Nurseries
(1992 – 2011)

Regional Office	Number of Permits Issued								
	1992 - 2003	2004	2005	2006	2007	2008	2009	2010	2011
Galle	1003	109	97	131	19	81	-	140	142
Kalutara	276	43	64	32	38	43	27	31	37
Matara	1189	225	383	29	12	63	39	102	117
Ratnapura	981	32	58	52	96	149	238	77	82
Kegalle	393	102	393	54	28	19	23	33	110
Kandy	735	80	126	150	9	35	87	88	111
Nuwaraeliya	1537	38	83	116	-	59	33	68	-
Uva	1610	219	98	336	216	229	88	112	64
Total	6941	848	1302	900	418	678	535	651	663

Source : Progress Report of TSHDA

Schedule No: 6 – A

Elevation wise Price of Tea at Colombo Auctions

Gross Average Price 1985 – 2011

(Price Rs/Kg)

Year	Up Country	Mid Country	Low Country	All Elevations Average
1985	39.55	35.93	40.60	39.01
1986	31.58	28.49	31.26	30.68
1987	38.76	35.09	42.46	39.30
1988	44.88	40.73	42.36	42.77
1989	56.75	50.03	50.59	55.20
1990	68.10	62.69	77.47	71.03
1991	57.95	50.74	61.08	58.08
1992	65.99	54.43	61.89	61.22
1993	67.63	63.14	71.31	68.46
1994	65.89	57.71	67.29	64.89
1995	69.17	63.11	78.07	72.31
1996	93.38	89.70	114.35	103.88
1997	109.43	107.94	124.47	119.40
1998	127.60	121.45	141.45	134.35
1999	106.17	100.68	125.74	115.31
2000	128.40	119.08	144.79	135.53
2001	135.56	122.63	154.50	143.96
2002	135.65	125.45	163.19	149.30
2003	138.31	126.18	160.86	149.05
2004	171.78	157.96	189.86	180.74
2005	170.85	161.37	198.59	185.84
2006	204.32	175.12	204.19	199.58
2007	253.41	245.72	299.34	279.52
2008	273.83	270.13	336.38	310.81
2009	321.28	316.79	388.44	360.45
2010	337.82	330.88	393.40	370.61
2011	340.27	319.77	381.27	359.89

Source: Sri Lanka Tea Board

Schedule No. 6 - B

Cost of Production Estimate of a Kilo of Green Leaf 2011 (Low Country)

9729 Kg of Green Leaf / Hectare / Annum (2092 Kg of Made Tea)

(With Subsidy)

		(With Subsidy)				
Activity	Frequency of Parctice	Labour Units	Material Cost	Total Cost	%	
1 Plucking (20 Kg Per Person per Day)	45 times at 1/2 labour units	486	-	218880	63.15	
ii Leaf Transport		23		10350	2.99	
2 Weeding	At 10 labour units per month	60	-	27000	7.79	
3 Fertilizer mixture & Application						
i Application of VP-LC/UT-752	At 8 labour units (Up to 4 Application	24	25688	36488	10.53	
ii Dolomite Application	At 4 labour units (2 applications/cycle	2	4002	4902	1.41	
iii Zinc Application	At 5 labour units (2 Applications)	10	550	5050	1.46	
4 Shade Management	At 5 labour units (2 occasions)	10		4500	1.30	
5 Prunning	At 30-40 labour units (2 year cycle)	20		12000	3.46	
6 Mossing	At 12-20 labour units (2 year cycle)	10		4500	1.30	
7 Tipping	At 12-20 labour units (2 year cycle)	10		4500	1.30	
8 Draining	At 36 labour units (2 year cycle)	18		8100	2.34	
9 Supplying vacancies	16 lab. Units & 375 plants	8	6750	10350	2.99	
		681	36990	346620	100	
Average prodction cost per kilo of green leaf		35.63 (Excluding General Charges)				
General charges		7.00 (General Charges)				
Transport cost		1.80				
Cost of producton		44.43				
* 2 year cycle had been used for the low country						
i Fertilizer mixturesdosages are in conformity to TRI recommendations and prices are that existed during the year						
* Price of a VP Tea plant is Rs 15.00						
* Transport cost has been added to material cost						
* Daily labour wage		Rs.	450			
* Daily wage rate for prunning			750			
* Dolomite Mt 1		Rs.	6000			
* Zinc Sulphate Kg 1		Rs.	50			
* UT-397/VPLC/U 709/ UT 752 Mt 1 (With Subsidy)		Rs	26000			

Schedule No. 7 - A																						
Replanting Cost Estimate for High and Mid Elevations - 2011 (From Uprooting to Plucking Stage) Rs/Hectare Daily Wage Rate Rs. 750																						
		Quantity	Cost	Uprooting First Year		Soil Rehabilitation Second Year			Tea Planting Third Year			First Year Maintenance Fourth Year			Second Year Maintenance Fifth Year			Total Cost			% of Total Cost	
				Lab. Unit s	Material Cost	Total Cost	Lab. Cost	Material Cost	Total Cost	Lab. Cost	Material Cost	Total Cost	Lab. Cost	Material Cost	Total Cost	Lab. Cost	Material Cost	Total Cost	Lab. Cost	Material Cost		Total Cost
1	Uprooting old tea and clearing (40 bushes per day in a land with 50% stand)			132		99000												132		99000	5.39	
2	Forking, leveling and removal of roots			200		150000												200		150000	8.17	
3	Preparation of slope, draining and lining			100		75000	40		30000	10		7500	5		3750	5		3750	160		120000	6.53
4	Application of dolomite (@ Rs. 5.00 per kilo)	3952	23712	2	23712	25212												2	23712	25212	1.37	
5	Planting Guatemala (500 cuttings per day)			54		40500												54		40500	2.21	
6	Fertilizer application for grass (989 Kg at Rs. 51 per kilo)	1300	33800	4	9620	12620	4	16120	19120	1	8060	8810						9	33800	40550	2.21	
7	Lopping grass (At 1 lab. unit per lopping)			14		10500	56		42000									70		52500	2.86	
8	Weeding (At 10 lab. Units per round)			30		22500	20		15000	100		75000	120		90000	120		90000	390		292500	15.93
9	Planting of shade (740 Accasia & Dadaps at Rs. 1.00 per cutting) and 370 Kg of Dolomite	740	2960	6	2960	7460	1	242	992									7	3202	8452	0.46	
10	Planting high shade (100 Grevilla at Rs. 6/-) and 100 Kg Dolomite	100	2082	4	2082	5082	1	108	858									5	2190	5940	0.32	
11	Removal of Grass									20		15000						20		15000	0.82	
12	Lining, pegging and holing									180		135000						180		135000	7.35	
13	Planting of tea (At Rs. 15/- per plant)	12500	312500							60	187500	232500						60	187500	232500	12.66	
14	Management of shade (Twice a year)						6		4500	12		9000	15		11250	15		11250	48		36000	1.96
15	Blister Blight Control (200 g of Perenox at Rs. 93/-, 10 rounds at 280 g per round)	3	1302							40	1302	31302	40	1302	10302	40	1302	31302	120	3906	93906	5.11
16	Bringing in to plucking												12		9000	15		11250	27		20250	1.10
17	Mulching									100		75000	75		56250				175		131250	7.15
18	Fertilizer application (T 200 Third year)	1200	31200							20	31200	46200	20	63180	78180				40	94380	124380	6.77
	Fourth Year	2430	63180							60		45000	60		45000	32		24000	152		114000	6.21
	T 750 Fifth year	1750	45500														45500			45500	45500	2.48
19	Supplying vacancies	2000	25										12	11250	20250	6	11250	15750	18	22500	36000	1.96
20	Nematode control (7 g per planting hole)	88	4840							4	4840	7840							4	4840	7840	0.43
	Supply of Curator																					
21	For pest control & equipment				2000	2000		2000	2000		2000	2000		2000	2000		2000	2000		2000	10000	0.54
	Total			546	40374	449874	128	18470	114470	607	234902	690152	359	77732	346982	233	60052	234802	1873	431530	1,836,280	100
* Cost estimates are in conformity to TRI recommendations and includes material and transport costs																						

Schedule No. 7 - B

Replanting Cost Estimate for Low Elevation - 2011
(From Uprooting to Plucking Stage) Rs/Hectare
Daily Wage Rate Rs. 750

		Quantity	Cost	Uprooting First Year			Soil Rehabilitation Second Year			Tea Planting Third Year			First Year Maintenance Fourth Year			Second Year Maintenance Fifth Year			Total Cost			% of Total Cost
				Lab. Unit	Material Cost	Total Cost	Lab. Cost	Material Cost	Total Cost	Lab. Cost	Material Cost	Total Cost	Lab. Cost	Material Cost	Total Cost	Lab. Cost	Material Cost	Total Cost	Lab. Cost	Material Cost	Total Cost	
1	Uprooting old tea and clearing (40 bushes per day in a land with 50% stand)			104		78000													104		78000	4.52
2	Forking, leveling and removal of roots			125		93750													125		93750	5.44
3	Preparation of slope, draining and lining			100		75000	40		30000	10		7500	5		3750	5		3750	160		120000	6.96
4	Application of dolomite (@ Rs.5.00 per kilo)	1976	11856	2	11856	13356													2	11856	13356	0.77
5	Planting Gautamala (500 cuttings per day)			54		40500													54		40500	2.35
6	Fertilizer application for grass (989 Kg at Rs.51 per kilo)	1610	41860	4	9620	12620	4	24180	27180	1	8060	8810							9	41860	48610	2.82
7	Lopping grass (At 1 lab unit per lopping)			14		10500	56		42000										70		52500	3.04
8	Weeding (At 10 lab. units per round)			30		22500	20		15000	100		75000	120		90000	120		90000	390		292500	16.96
9	Planting of shade (For 300 Accasia & Dadaps at Rs.1.00 per cutting and 370 Kg of Dolomite)	300	2520	8	2520	8520	1	252	1002										9	2772	9522	0.55
10	Planting high shade (100 Grevillia at Rs.6/-) and 100 Kg Dolomite	100	2082	6	2082	6582	1	208	958										7	2290	7540	0.44
11	Removal of Grass									20		15000							20		15000	0.87
12	Lining, pegging and boring									180		135000							180		135000	7.83
13	Planting of tea (At Rs.15/- per plant)	12500	3E+05							60	187500	232500							60	187500	232500	13.48
14	Management of shade (Twice a year)						6		4500	12		9000	15		11250	15		11250	48		36000	2.09
15	Blister Blight Control (200 g of Pexonox at Rs.93/-, 10 rounds at 280 g per round)	3	1302							20	1302	16302	20	1302	16302	20	1302	16302	60	2604	47604	2.76
16	Bringing in to plucking												12		9000	15		11250	27		20250	1.17
17	Mulching									100		75000	75		56250				175		131250	7.61
18	Fertilizer application (T 200 Third year)	1200	31200							20	31200	46200	20	63180	78180				40	94380	124380	7.21
	Fourth Year	2430	63180							60		45000	60		45000	32		24000	152		114000	6.61
	T 750 Fifth year	1750	45500														45500			45500	45500	2.64
19	Supplying vacancies	2000	25										12	15000	24000	12	15000	24000	24	30000	48000	2.78
20	Nematode control (7 g per planting hole)	88	4840							4	4840	7840							4	4840	7840	0.45
	Supply of Curator																					
21	For pest control & equipment				2000	2000		2000	2000		2000	2000		2000	2000		2000	2000		2000	10000	0.58
	Total			447	28078	363328	128	26640	122640	587	234902	675152	339	81482	335732	219	63802	228052	1720	434904	1,724,904	100

* Cost estimates are in conformity to TRI recommendations and includes material and transport costs

Schedule No. 08

**Issue of Fertilizer to Tea Smallholders under Credit Scheme
Metric Tons (1993 - 2011)**

Year	Credit Scheme	Other	Cash Sales	Total Issues
1993	2405	448	552	3405
1994	2811	93	329	3233
1995	3591	375	417	4353
1996	8278	426	261	8968
1997	12879	779	162	13820
1998	11035	3915	577	*15527 / +17700
1999	11210	712	343	12992
2000	15317	191	351	15859
2001	15905	84	432	16421
2002	16009	163	734	16906
2003	8845	5	274	9124
2004	8480	0.7	527	9007
2005	8412	523	243	9178
2006	3800	1284.2	628	5712
2007	1877	3087	238	5202
2008	1378	2970	190	4538
2009	964	-	92	-
2010**	-	-	-	-
2011**				

+ With Dolomite

* Without Dolomite

** Issuing fertilizer subsidy excluded from the functions of the authority

Schedule No: 09

**Progress of Tea Replanting Subsidy Scheme
1978 - 2011**

Year	Permits Issued	Extent Covered by Permits (Ha)	Extent Uprooted (Ha)	Extent Planted (Ha)	Annual Cost (Rs.Mil)	Annual Provision (Rs.Mil)
1978	-	-	422	412	5.40	-
1979	-	-	546	573	8.10	5.10
1980	-	-	550	554	9.10	10.90
1981	1740	-	564	563	9.40	9.60
1982	1459	-	524	508	12.80	10.60
1983	1758	826	454	379	11.20	11.50
1984	2404	1317	466	340	11.80	13.00
1985	1160	823	615	414	16.40	8.10
1986	662	442	547	464	20.30	16.30
1987	630	390	346	349	14.00	22.80
1988	501	321	308	277	10.30	18.50
1989	758	455	246	330	18.90	17.40
1990	4827	2439	478	362	19.20	22.59
1991	3109	1423	581	304	20.49	33.91
1992	1348	526	662	409	20.33	27.00
1993	3699	1147	507	516	29.79	32.24
1994	2627	906	770	553	31.62	60.46
1995	3465	1267	1390	533	38.00	41.75
1996	4475	1319	724	508	31.05	43.41
1997	6235	1580	923	435	40.32	68.91
1998	5507	1586	674	635	65.64	61.69
1999	3660	955	861	767	88.82	77.95
2000	6930	1796	722	519	72.68	92.84
2001	7093	1952	841	574	77.76	98.85
2002	9983	2565	991	736	99.17	106.57
2003	11928	2892	1179	765	122.82	150.11
2004	10618	2621	1398	891	188.10	179.07
2005	9291	2127	1306	1058	174.83	182.13
2006	6755	1578	927	1001	183.34	181.90
2007	5274	1030	1008	1024	172.89	214.75
2008	6945	1337	1128	881	194.59	190.59
2009	6493	1610	925	777	178.17	190.17
2010	7781	1895	1015	847	177.85	153.00
2011	8033	2170	947	772	187.4	156.26

Source: TSHDA Progress Reports

Schedule No: 10

Progress of Crop Rehabilitation (Infilling) Subsidy Scheme on Tea Lands

1979 - 2011

Year	No. of Plants Permitted	No. of Plants receiving 1st Installment	No. of Plants receiving 2nd Installment	Total Subsidy Paid Rs.Mil	Annual Provision Rs.Mil
1979	858030	72938			1.00
1980	1436369	455351		0.44	2.60
1981	950558	477546		0.45	1.37
1982	1080257	1129	103392	0.67	1.07
1983	1391855	477230	166158	0.63	1.73
1984	5935521	799715	101773	1.99	2.30
1985	4260727	3330268	344545	8.78	4.37
1986	7123986	5087525	1242922	15.41	5.88
1987	5818170	5269971	2484684	16.57	8.16
1988	5121825	3861892	2496705	10.00	19.37
1989	3903899	4257670	3377046	13.30	19.60
1990	3847466	2986998	2975849	9.32	7.20
1991		1029987	3528586	8.95	9.04
1992		235404	1148371	2.49	5.00
1993		6607	1658	0.30	
1994		16432	46030	0.12	
1995		20298	7073	0.46	2.45
*1996		13278	3181	1.19	15.20
**1996	5600900	3867981			
**1997	6965923	5301839		9.03	12.00
1998		1707845		4.14	15.02
*1999			14012	8.20	11.16
**1999	617120	2454895	1846445		
2000	2713972	812174	389248	3.68	11.54
2001	1412860	1078708	209534	5.68	11.54
2002	4031727	2522872	486948	11.22	10.38
2003	3012892	1636901	380013	9.38	12.00
2004	2303061	1489167	593906	14.46	12.99
2005	1566327	1242648	776661	8.11	12.37
2006	972913	520610	540819	7.79	8.58
2007	1092856	516471	308325	4.13	6.00
2008	836729	519607	404331	4.84	3.00
2009	995822	431699	232217	3.25	3.59
2010	769104	424227	254715	3.58	5.00
2011	1379734	504322	182401	6.32	9.24

** Infilling subsidy scheme through societies

Source: Progress reports of the TSHDA

Schedule No: 11

Tea Small Holdings Developmnt Authority
Training Programmes in 2011

	Employee Category	Dates Training Conducted	Institution Conducting Training	Training / Needs	No. of Trainees
01	Assistant Manager (Human Resource Development/Administration)	2011.04.04 and 2011.04.05	Sri Lanka Foundation Institute	Good Governance through Service Excellence Workshop	01
02	i Manager (Finance) ii Internal Auditor	2011.09.14 and 2011.09.15	Sri Lanka Foundation Institute	How to reduce audit queries in state institutions	02
03	Manager (Planning & Monitoring)	2011.11.01 and 2011.11.02	State Enterprises Department	Two day workshop on Corporate Planning & Budgeting	01
04	Management Assistant	2011.06.30	Construction Training & Development Authority	Transport Management Workshop	01
05	Management Assistant	2011.08.05	Construction Training & Development Authority	Stores &Supplies Management	02
06	Tea Inspector Extension Officer	2011.03.10 and 11	Sri Lanka Tea Board	Laboratory training on technical matters in tea cultivation	08
07	Tea Inspector Extension Officer	2011.02.06 to 2011.03.06	Hantana Training Center	Induction training for new Tea Inspector Extension Officer	08
08	Tea Inspector Extension Officer	201.11.27 to 2011.12.27	Hantana Training Center	Induction training for new Tea Inspector Extension Officer	10

Schedule No: 12

**Tea with Rubber Subsidy Scheme
1999 – 2010**

Year	No of Permits Issued	Extent Covered by Permits (Ha)	Land Preparation (Ha)	Planting (Ha)	Annual Expenditure Rs.Mil	Annual Provision Rs. Mil
1999	317	164	7.72	7.70	0.089	1.96
2000	153	92	30.00	30.00	0.57	3.01
2001	262	63	19.7	16.2	0.408	1.86
2002	96	52	9.02	7.88	0.92	1.90
2003	150	60	16	15	0.76	2.64
2004	135	51	8	9	0.46	0.86
2005	76	29	15	14.6	0.197	1.46
2006	18	7	8.8	6.8	0.469	0.69
2007	8	3	4.5	4.4	0.146	0.41
2008	8	3	-	-	-	-
2009	3	1.8	0.7	0.4	0.016	-
2010	-	-	-	-	-	-

Source: TSHDA Progress Reports

Schedule No : 13

**Activity on Tea New Planting Subsidy Scheme
1978 – 2011**

Year	Permits Issued	Extent covered by Permits (Ha)	Extent Uprooted (Ha)	Extent Planted (Ha)	Annual Cost (Rs.Mil)	Annual Provision (Rs.Mil)
1978			129	40	0.3	
1979			210	110	0.5	
1980			185	118	1	7.7
1981	1878		328	239	1.9	2.1
1982	1992		388	316	2.9	2.4
1983	2757	866	393	264	2.7	4
1984	7754	2667	461	279	2.4	3.2
1985	7754	1764	857	599	9.5	6.3
1986	4999	1982	1586	1430	30.5	9.3
1987	3939	1375	1218	1183	26.5	13.5
1988	3737	1323	814	878	19.7	29.7
1989	4532	1837	1013	1011	34.9	34.2
1990	12680	3937	1676	1647	44.6	39.9
1991	3785	1120	2088	1843	57.8	42
1992	10533	4163	1954	1948	52.2	58
1993	12318	2720	1753	1622	51.57	50.57
1994	8106	1803	2339	1661	50.95	66.50
1995	5822	134	2407	1237	44.52	49.80
1996	2176	378	486	450	20.91	18.78
1997	3797	576	340	293	14.08	9.08
1998	4284	632	315	381	23.82	13.50
1999	6694	952	484	405	13.04	12.24
2000	3674	671	433	256	7.36	9.03
2001	6353	1084	419	399	15.58	11.91
2002	12338	2542	567	562	30.62	20.86
2003*	-	654	647	642	27.95	24.94
2004	-	-	-	12	3.25	7.94
2005	-	-	1.42	8	0.30	2.42
2006	-	-	0.33	0.83	0.042	0.37
2011	430	45	28.14	28.38	1.18	2.08

*** The subsidy scheme is not implemented fro 2003 to 2010**

Source: TSHDA Progress Reports

Schedule No: 14

**Tea Exports and Foreign Exchange Earnings
1995 – 2011**

Year	** Quantity Exported (Mil Kg)	* Export Earnings (Rs.Mil)	% Contribution to Total Export Earnings
1995	240	24638	12.62
1996	244	34068	15.02
1997	269	42533	15.51
1998	272	50280	16.19
1999	269	43728	13.44
2000	288	53133	12.06
2001	294	61602	14.31
2002	291	63105	14.00
2003	298	65937	13.30
2004	300	74890	12.08
2005	309	81480	12.70
2006	***315	***86337	12.80
2007	***294	***106217	13.20
2008	320	137585	15.60
2009	280	136183	16.70
2010	315	155608	16.60
2011	323	164869	14.10

*Including earnings from re-exports

** Including imported teas

*** Excluding earnings from re-exports

Schedule No : 15

**Value Added to Gross Domestic Product by Tea
1992 - 2011**

Year	% of Value Added
1992	2.0
1993	2.4
1994	2.3
1995	2.1
1996	2.2
1997	2.4
1998	2.8
1999	2.4
2000	2.6
2001	2.3
2002	2.4
2003	2.3
2004	2.2
2005	2.0
2006	1.8
2007	1.2
2008	1.6
2009	1.7
2010	1.6
2011	1.3

TEA SMALL HOLDINGS DEVELOPMENT AUTHORITY
STATEMENT OF FINANCIAL POSITION AS AT 31st December 2011

	Schedule No.	2011	(Rs,000) 2010
ASSETS			
Non-current assets			
Property, plant and equipment	1	314,454	283,254
Less: Acc. Depreciation		77,362	56,616
		<u>237,092</u>	<u>226,638</u>
Investments (LT)	2		
Fixed Deposit		6,702	
Other Financial Assets		965	903
		<u>244,759</u>	<u>227,541</u>
Current Assets			
Inventories/Stocks	3	24,350	29,565
Trade and other receivables	4,5	226,538	243,497
repayments	6	224	189
Cash and cash equivalents	7	70,392	137,704
		<u>321,504</u>	<u>410,954</u>
Total Assets		566,263	638,495
LIABILITIES			
Current liabilities			
Payables	8	38,013	88,714
Accrued expenses	9	24,744	51,749
		<u>62,757</u>	<u>140,463</u>
Non - current liabilities			
Provision for Per. Acc. Insurance	10	-	9,776
Provision for Gratuity	10	108,871	97,276
		<u>108,871</u>	<u>107,051</u>
Total liabilities		171,628	247,514
Total Net Assets		394,635	390,980
NET ASSETS / EQUITY			
Accumulated Fund	11	212,473	207,347
Revaluation Surplus	12	109,857	98,571
Reserves		72,305	85,062
		<u>394,635</u>	<u>390,980</u>
Total Net Assets / Equity		394,635	390,980

(Chairman)

(Finance Manager)

TEA SMALL HOLDINGS DEVELOPMENT AUTHORITY					
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31st December 2011					
					(Rs,000)
	Schedule No.		2011		2010
Operating Revenue					
Recurrent Grant					
Cess Received during the year			391,594		394,903
Other Income	15				
Interest - C/D		1,925		2,275	
Interest on Loan to Employees		3,858		3,320	
Miscellaneous Income		2,697		2,514	
Surplus (Deficit) in Disposal Vehicle		1,627		-	
Surplus (Deficit) in Fertilizer Distribution	16	(444)		(162)	
Surplus (Deficit) in Nurseries	17	871		236	
Income Over Expenditure Hanthana		1,676		1,545	
			12,209		9,729
			403,803		404,632
Development Expenditure					
Subsidies	13	(202,059)		(181,443)	
Extension	14	(2,717)		(2,473)	
Social Development	13	(2,310)		(4,074)	
Insitution Strenathering		(928)		(1,204)	
			(208,014)		(189,194)
Operating Expenses	12				
Personal Emoluments					
Salaries Allowance E.P.F, E.T.F, ect.		(167,635)		(157,549)	
O/T, H/pay		(2,485)		(2,287)	
Travelling		(7,109)		(6,719)	
Supplies and consumable used		(2,930)		(2,404)	
Maintenance		(13,545)		(13,414)	
Communication		(3,863)		(3,125)	
Rent , Rates & Electricity		(4,505)		(3,504)	
Other operating expenses		(16,455)		(16,409)	
Total operating expenses			(218,526)		(205,412)
Surplus / (Deficit) from operating activities			(22,737)		10,026
Gratuity		(16,309)		(9,729)	
Depreciation and amortization expenses		(21,424)		(7,472)	
Provisions for Bad Debit		(2,476)	(40,210)		(17,201)
			(62,947)		(7,175)
Gain on sales of property plant and equipment					
IFAD - Rrcurmt Grants	14	24,344		8,955	
- Recuurent Expenses		(24,344)	-	(8,955)	-
Written off Creditors		46,677			
Pre Year Adjustment		-		868	
Net surplus / (Deficit) before extra ordinary items			46,677		868
Extra ordinary items					
Deferred Income		3,512	3,512	1,862	1,862
Net surplus / (Deficit) for the period			(12,757)		(4,445)

TEA SMALL HOLDINGS DEVELOPMENT AUTHORITY

2.5 **Other Receivables**

Receivables other than Trade Debtors are stated at their amounts estimated to be realized.

2.6 **Cash & Cash Equivalents**

Cash & Cash equivalent includes cash in hand and at Bank, Call Deposits.

2.7 **Cash Flow**

Cash Flow statement has been prepared using the indirect method.

2.8 **Accounting for Funds Received**

Since year 2007 Cess Fund have been remitted through the Treasury in through the appropriate Account.

(3) **Liabilities**

All material liabilities as at the Balance Sheet date have been included in the accounts and adequate provision has been made for liabilities which are known to exist, but the amounts of which cannot be determined accurately. Liabilities classified as current liabilities on the Balance sheet, are those which are due for payment on demand. Rs.46 million had been included as income due to non payment of creditors and other balances on liabilities.

3.1 **Provision for Gratuity**

Full provision is made in the accounts for the retiring gratuity payable to all employee commencing from the 6th year of service. However, Rs.6.7 million only is kept in a fixed deposit against this provision. It is not possible increase the deposits in view of inadequacy of funds.

3.2 **Taxation**

T.S.H.D.A. is exempt from income tax being an institution funded by consolidated fund and out of cess.

3.3 **Contingent Liability**

A contingent liability of approximately Rs.2 million exists in respect of L.T. & court cases.

(4) Funds Received from 1981 to 2011 for IRDP, SHTDP, TDP, Other Projects treasury grant and assets from SLTB had been amortized in accordance with SLAS 24. Accordingly Rs.3.57 million had been accounted as deferred income and remaining balances has been brought forward amortizing by future years.

(5) The Circuit Bungalow & the land of Walahanduwa has 10.54 Hectare. This belongs to the Land Reform Commission and ownership had not yet been transferred to the Authority.

(6) **Changes in Accounts Estimate**

Depreciation of the year adjustment consist prior year revaluation of Motor Vehicle depreciation of Head office had been corrected of this year.

(7) Annual Work plan has been prepared according to the past performance of the replanting, Crop rehabilitation subsidy scheme and original action plan and the budget has been prepared accordingly. However due to non receipt of supplementary funds from the treasury, Authority has used own funds Rs.55 million for the payment of subsidy during the year.

(8) With effect from 1st January 2011, subsidy rate has been increased as follows.

-	Up Country	-	from Rs. 200,000 to Rs.250,000 Per Ha.
-	Up Country	-	from Rs. 190,000 to Rs.240,000 Per Ha.
-	Infilling	-	from Rs.10 to Rs.25 Per Plant

(9) Selling price of a nursery plant has been increased up to Rs.15/- with effect from 1st October 2011.
Hadigalla Nursery has started during the year.

TEA SMALL HOLDINGS DEVELOPMENT AUTHORITY

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Hadigalla Nursery has started during the year.

NOTES TO THE FINANCIAL STATEMENTS

(1) **Accounting Policies**

1.1 **Generals**

1.1.1 **Basic of Accounting**

The Financial statements of the T.S.H.D.A. are prepared in accordance with the generally accepted accounting principles applied on a consistent basis and the applicable Sri Lanka Accounting Standards as laid down by the Institute of Chartered Accountants of Sri Lanka. The Financial Statements have been prepared based on the historical cost convention methods. No adjustments have been made for inflationary factors affecting these accounts. Where appropriate the specific policies adopted are explained in the notes that follow.

1.1.2 **Post Balance Sheet Events**

All material events occurring after the Balance Sheet date have been considered and where necessary, adjustments have been made in the accounts.

1.1.3 **Comparative Figures**

Where necessary, comparative figures have been adjusted to confirm with changes in presentation in the current year.

1.1.4 **Extraordinary Items**

During the year, certain debtors were paid some of their outstanding balances such as Fertilizer debtors. The method of bad debts provisions was changed and bad debts provision of Rs.2.476 million is allocated for this year. Certain debtors who were identified as uncertain of recovery have been provided for in the manner detailed below. Bad debt provision has not been made for non representative balances.

Age of the Debt	Provision
Less than one year	Nil
More than one to two year	30%
More than three years	80%

(2) **Assets and their bases of valuation**

2.1 **Property, Plant & Equipment**

Property, Plant & Equipment are stated on the Balance Sheet at cost minus accumulated depreciation. Depreciation is provided after the revaluation on a straight line basis using the following rates.

Buildings	2%
Motor Vehicles	20%
Furniture, Fittings & Office Equipment	12.5%
Computer	20%

Whilst depreciation is charged in the year of purchase, those disposed of during the year are not depreciated.

Three Double cabs were received during the year from the treasury provision of under the treasury circular No. 150 (Budget Department)

Revaluation of Motor vehicle value had been understated Rs.11.3 million, and adjustment has been done this year.

2.2 **Investment**

Investments include fixed deposit for gratuity fund.

2.3 **Stocks & Inventories**

Stocks & Inventories have been valued at the lowest cost or net realizable value, cost being arrived at on a FIFO basis.

2.4 **Trade Debtors & Receivables**

No provision had been made in respect of dues from Tea Shakthi Fund and Tea Small Holder Development Societies in respect of reschedule vehicles. Rs. 2.6 million had been written off against the provision for bad debts.

TEA SMALL HOLDINGS DEVELOPMENT AUTHORITY			
CONSOLIDATED CASH FLOW STATEMENT FOR YEAR ENDED 31st DECEMBER 2011			
			(Rs,000)
Cash Flow from Operating Activities	2011		2010
Surplus/(deficit) from ordinary activities	3,512		(4,525)
Non-cash movements			
Depreciation	16,309		7,472
Provision For Gratuity	167,635		9,729
Increase in provision for doubtful debts	2,476		
Written off Debtors	(2,594)		
Interest Income	(1,925)		(2,275)
Increase /decrease in payables	118		4,851
Revaluation Loss			(12)
Increase in provisions relating to employee costs			
(Gains)/losses on sale of property, plant and equipment	(1,594)		4
Increase /decrease in other assets	(6,702)		207
Increase /decrease in receivables	20,824		5,199
Increase /decrease in Inventory Item	-		487
Net cash flows operating activities	194,548		25,663
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	(1,150)		(6,802)
Proceeds from sale of plant and equipment	1,634		2
Net cash flows investing activities	484		(6,800)
Interest received	3,275		6,283
Gratuity Paid	-		(3,664)
	3,275		2,619
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital Grants	5,126		(1,862)
Pre year adjustments			(108)
Net Cash flow from financing activities	5,126		(1,970)
Net increase/(decrease) in cash and cash equivalents	206,946		15,066
Cash and cash equivalents at beginning of period	137,704		122,638
Cash and cash equivalents at end of period	344,650		137,704



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கணக்காய்வாளர் தலைமை அறிபுதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல
My No.

PY/A/TSHDA/FA/2011

මගේ අංකය
உமது இல
No.

දිනය
திகதி
Date

30 November 2012

The Chairman,
Tea Small Holdings Development Authority.

Report of the Auditor General on the Financial Statements of the Tea Small Holdings Development Authority, for the year ended 31 December 2011 in terms of Section 14(2)(c) of the Finance Act No.38 of 1971.

The audit of financial statements of the Tea Small Holdings Development Authority for the year ended 31 December 2011 comprising the statement of financial position as at 31 December 2011 and the statement of financial performance 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 of the Tea Small Holdings Development Authority Act No.35 of 1975. My comments and observations which I consider should be published with the Annual Report of the Authority 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 furnished to the Chairman of the Authority on 14 June 2012.

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. 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.

අංක 306/72 පොල්දූව පාර,
වත්තරමුල්ල, ශ්‍රී ලංකාව

දුරකථනය
தொலைபேசி
Telephone. } 2887220

இல. 306/72, பொல்துவ வீதி,
புத்தரமுல்லை இலங்கை

ෆැක්ස් අංකය
பக்ஸ் இல
Fax No. } 2887223

No.306/72, Polduwa Road,
Battaramulla, Sri Lanka

ඉලෙක්ට්‍රොනික් තැපෑල
#- மெயில்
E-mail. } oaggov@slt.net.lk

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgments, including the assessment of the risk 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 Authority'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 Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 qualified 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 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 Tea Small Holdings Development Authority as at 31 December 2011 and its financial performance and cash flow 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 (SLAS)

Fully depreciated vehicles purchased at the cost of Rs.29,264,400 which are being used at present at Head Office, Galle, Matara, Rathnapura, N'Eliya, Uva and Kalutara Regional Offices had not been revalued and brought to accounts in terms of SLAS No. 18.

2:2:2 Accounting Deficiencies

Following accounting deficiencies were observed in audit.

- (a) The value of stocks amounting to Rs.277, 674 as at end of the year under review at Uva, Kaluthara, N'Eliya, Matara, Rathnapura and Galle Regional Offices had been taken into accounts based on the book value without considering the damaged, expired and unusable items and shortages remained in the stores.
- (b) A Motor bicycle and a computer at N'Eliya Regional Office valued at Rs. 388,420 received by the Authority as grants from the International Fund for Agriculture Development Programme (IFARD) had erroneously been shown as payables instead of being shown as grants.
- (c) Interests amounting to Rs. 587,780 had been taken into accounts as receivables from fixed deposits and call deposits as at 31 December 2011, although it was received during the year under review as compared with the bank confirmations.

2:2:3 Unreconciled Balances

Following observations are made.

- (a) A difference of Rs.160,909 had been observed between the cash book balances shown in the bank reconciliation statements and the balances shown in the cash books as at 31 December 2011.
- (b) According to the schedules, value of debtors amounting to Rs.75,213,449 receivable from Tea Shakthi Fund as at 31 December 2011, whereas as per the accounts of Tea Shakthi Fund it was Rs. 74,048,540 .The difference of Rs. 1,164,913 observed between the above two accounts was not reconciled during the year under review.

2:2:4 Accounts Receivable and Payable

- (a) Debtors (Head Office) amounting to Rs.81, 139,404 were remained unrecovered for over 5 years.

The Chairman of the Authority had stated in his reply that the approval of the General Treasury had not been received yet to write off the balance receivable amounting to Rs. 75,213,449 from Tea Shakthi Fund and legal action had been taken for the amount receivable from debtors amounting to Rs.5,916,590.

- (b) Debtors and creditors (Regional Offices) aggregating to Rs. 4,514,317 and Rs.430,557 respectively were remained unrecovered/ unsettled for over 5 years.
- (c) An advance amounting to Rs. 12,968,728 given for the construction of Hanthana Training Centre had not been recovered for over a long period.
The Chairman of the Authority had stated in his reply that the approval of the General Treasury was expecting to write off the advance from the books of accounts.
- (d) Re-scheduled Vehicle Loans amounting to Rs. 9,166,678 had been carried forward for over 05 years without being recovered.

2:2:5 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with the following Laws, Rules, Regulations observed in audit are given below.

Reference to Laws, Rules, Regulations
and Management Decisions

Non Compliance

(a) Government Financial Regulations

(i) F.R.104(2) and F.R.110

Losses had not been reported to the Auditor General in terms of the Regulations and a separate register had not been maintained for reporting those losses by the Authority.

(ii) F.R.1645 and F.R.1646

Daily running charts and monthly performance summaries had not been furnished to the Auditor General in respect of 26 vehicles of the Authority as per Regulations.

(c) Treasury Circulars

(i) No.842 of 12 December 1978

A Fixed assets register had not been properly maintained as required by the Circular instructions.

- (ii) No.IAI /2002/02 of 28 A fixed assets register relating to computer accessories and software had not been maintained in accordance with the Circular instructions.

3. Financial Review

3:1 Financial Results

According to the financial statements presented, the operating activities of the Authority for the year ended 31 December 2011 had resulted in a net deficit of Rs.12.7 million as compared with the corresponding net deficit of Rs.4.5 million for the preceding year, thus indicating a further deterioration of Rs.8.3 million in the financial results. This was mainly due to increase of the development expenses and salaries by Rs.18.8 million and Rs.10.0 million respectively.

3:2 Accumulated Fund of the Authority

According to the information made available, the Authority did not have an initial capital and all grants received as at 31 December 2011 amounting to Rs. 212,472,868 from the General Treasury and other Projects had been shown as accumulated fund in the financial statements.

4. Performance Review

4:1 Tea Small Holders Contribution to Tea Production

According to the information made available for audit, the whole tea production in Sri Lanka during the year under review was 328.37 million kilograms and the Tea Small Holders Contribution thereto was 229.94 million kilograms or 70%. The whole tea production in Sri Lanka during the preceding year was 331.4 million kilograms and the Tea Small Holders Contribution thereto was 230.13million kilograms or 69.44%. Thereby the contribution of the Authority had increased by 0.56% for the year under review.

4:2 Tea Plantation Developments

According to the Financial Statements presented, a sum of Rs. 208 million had been spent for subsidies, extension and social development activities during the year under review.

The Plantation Development Cost and the cost of implementation per one rupee of Development Cost for the year under review and for the preceding four years are given below.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Development Cost Rs. million	183.8	208.3	185.7	189.2	208.0
Implementation cost Rs. million	179.0	188.7	202.1	205.4	218.5
Implementation Cost per Re.1 of Development Cost	Re. 0.97	0.91	1.08	1.08	1.04

Following observations are made in this regard.

(a) Tea planting under subsidy schemes

- (i) According to the National Policy, 2200 hectares to be replanted annually to get maximum yield and to sustain tea lands. However, according to the Authority, 772 hectares only had been replanted during the year under review.
- (ii) Tea new planting had been restarted from the year 2010 in Kegalle and Kalutara Districts and it had been completed in 56.76 % of the targeted area and a sum of Rs.1.186 million or 47.44 % had been paid as subsidy out of the allocation of Rs.2.5million.

(b) Extension and Advisory Services.

- (i) According to the Authority, the staff of the extension services had conducted 26,103 individual extension services and 6,970 group programmes during the year under review and it was a decrease of 4.5% and 2.57% respectively as compared with the previous year.
- (ii) 175,849 farmers were participated in the extension and advisory services during the year under review and it had decreased by 16.39% as compared with the previous year.
- (iii) According to the decisions taken in respect of extension services, the ratio of an extension officer to farmers should be 1:1000. However, according to the information of the Authority, the actual ratio of an extension officer to farmers was

1:2650. Therefore, it is appears that less attention had been given individually and the vacancies of tea extension officers as at the end of the year were 16.

(iv) According to the information of the Authority, 5275 training programmes had been conducted during the year under review and it was 80% progress of the targeted training programmes.

(c) Institutional Plant Nurseries

Following observations are made.

(i) According to the financial statements, the operations of 06 plant nurseries had resulted in a profit of Rs 870,639 during the year under review as compared with the profit of Rs.236,206 for the preceding year, thus indicating an improvement of operating results by Rs. 634,433.

(ii) The Tispane nursery had occurred losses of Rs. 64,054 and Rs. 725,541 during the year under review and previous year respectively.

(iii) 158,535.nos. of plants in 06 nurseries of the Authority were dead during the year under review and it was 24% of the total plants. The dead plants of Rahathungoda, Hantana and Tispane Nurseries were abnormally increased during the year and its were 30%,27% and 21% respectively and the Chairman of the Authority had stated in his reply that the main reason for that was bad weather.

(d) Registration of Commercial Plant Nurseries

Following observations are made.

(i) According to the information of the Authority, 663 nurseries had been registered by the Regional offices of the Authority during the year under review. Out of that 31 nurseries only were recommended for the suitability for selling plants.

(ii) Although the Kalutara Regional Office had registered 37 nurseries, the inspection activities (which should be done before selling plants) had not been completed as at the end of the year under review.

(iii) Matara and Kegalle Regional Offices had completed inspection activities only 4.2 per cent and 6.3 per cent respectively out of the total registered nurseries.

(iv) No any registration activities had been made by N'Elia Regional Office during the year under review.

(e) Distribution of Tea Fertilizer

According to the tea fertilizer distribution account, the quantity of fertilizer given to Tea Small Holders during the year under review was 67,735 kilograms and it had decreased by 292,473 kilograms or 81% as compared with the previous year. The profit/loss of the tea fertilizer distribution centres as compared with the previous year are given below.

Fertilizer Centre	Net profit / (loss) for the year		Increase/(decrease)
	2011	2010	
	Rs.	Rs.	Rs.
Sarasaviyana	(174,121)	5,131	(179,258)
Poramadulla	(132,161)	7,803	(139,964)
Hingulla	(269,247)	13,235	(282,482)
Gampola	134,044	(190,017)	324,060
Ginigaththena	-	(62,427)	(62,427)
Bandarawela	(2,219)	64,444	(66,663)

According to the Chairman's comments, these fertilizer centres had not been functioned after the establishment of National Fertilizer Scheme.

4:3 Identified Losses

Following observations are made.

- (i) 6,525 kgs of fertilizer stock at Hingula Fertilizer Centre of Kegalle Regional Office had been damaged and destroyed during the year under review.
- (ii) A sum of Rs. 7,045 had been paid during the year under review as penalties due to the delaying registration of vehicle renewals.

4:4 Assets Management

Following observations are made.

- (i) In an audit inspection carried out during the year under review it was observed that the circuit bungalow at Walahanduwa Estate was idling for over 10 years without being used. Furthermore, fertilizer stores and water tank belonging to Walahanduwa Estate had also been idling for more than five years.
- (ii) Three staff quarters at Walahanduwa Estate had been encroached by external parties for a long period.

4:5 Assets utilized by other Institutions

Following observations are made.

- (i) A vehicle had been released to the line Ministry from 11 August 2011 contrary to the Paragraph 8:3:9 of the Public Enterprises Circular No.PED/12 of 02 June 2003.
- (ii) A building valued at Rs. 800,000 had been donated by the Integrated Rural Development Project for Kegalle Regional Office in 1992. However, this building had been taken over and utilized for the office of the Minister of Agriculture of Sabaragamuwa Provincial Council since 1993 without paying any rental.

4:6 Human Resource Management

Particulars of the approved and actual cadre of the Authority as at 31 December 2011 are given below.

Designation	Approved Cadre	Actual Cadre	Vacancies	Redundant Posts
	Nos	Nos	Nos	Nos
Executive				
- Senior level	03	02	01	-
- Middle level	36	19	17	-
- Junior level	44	33	11	-
Secondary Level	166	147	19	-
Tertiary level	127	168	-	41
Primary level	46	55	-	9
Total	422	424	48	50

Following observations are made in this regard.

(i) There were 48 vacancies including executive grades and 50 redundant staff in the non executive grades and minor employees as at 31 December 2011. However as per the Management Services letter No.DMS/E4/08/5/070/1 dated 29 June 2010, further 55 numbers of Management Assistants and 13 numbers of labourers had been approved as personal to them as they were in the service at the time.

(ii) Three Nos. of Regional Managers and 11 Nos. of Assistant Regional Managers for Extension, Planning and Development were vacant as at the end of the year under review.

According to the Chairman's comments, recruitments of Regional Managers and Assistant Regional Managers had been stopped temporary due to the disputes of the promotion of service and the court case for the recruitment of the posts of Assistant Regional Managers for Extension, Planning and Development.

5. Systems and Controls

Deficiencies observed in systems and controls during the course of audit were brought to the notice of the Chairman of the Authority by my detailed report issued in terms of Section 13(7)(a) of the Finance Act. Special attention is needed in respect of the following areas of control.

- (a) Receivables and Payables
- (b) Stocks
- (c) Bank Reconciliations
- (d) Payment of Subsidies
- (e) Utilization of Vehicles

H.A.S Samaraweera
Auditor General