

ANNUAL REPORT

2016



SRI LANKA TEA BOARD

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VISION

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

MISSION

TO INCREASE THE FOREIGN
EXCHANGE EARNINGS TO THE
COUNTRY THROUGH
SUSTAINABLE DEVELOPMENT
OF THE INDUSTRY
AND THEREBY ENSURING THE
ECONOMIC DEVELOPMENT
OF THE PLANTATION COMMUNITY



Members of the Sri Lanka Tea Board

Chairman	Rohan Pethiyagoda
Secretary to the Board	Mr. S. A. Siriwardane
Members of the Board	
Member	Addl. Secretary, Ministry of Plantation Industries Mr. U.K.S Mihindukulasooriya
Member	Director General, Department of Development Finance Mr. A M P M B Atapattu
Member	Ministry of Industry & Commerce, Represented by Mr. R.S.K. Doolawalage
Member	Chairman, Tea Small Holdings Development Authority Mr. D M Wijeyratne
Member	Colombo Brokers' Association Mr. Anil Cooke (up to March 2016) Mr. Deepal Jayamanne (from April 2016)
Member	Chairman, Colombo Tea Traders' Association Mr. Anslem Perera
Member	Chairman, Tea Exporters' Association Mr. Rohan Fernando (up to November 2016) Mr. Jayantha Karunaratne (From December 2016)
Member	Chairman, Sri Lanka Federation of Tea Small Holding Development Societies Mr. Neville Ratnayake
Member	Chairman, Ceylon Planters' Association Mr. Roshan Rajadurai (up to September 2016) Mr. Sunil Poholiyadda (from October 2016)
Member	Chairman, Sri Lanka Tea Factory Owners' Association Represented by Mr. Anil Perera (up to September 2016) Mr. Anil Alwis (From October 2016)
Member	Members nominated by the Hon. Minister of Plantation Industries Ms. B.B. Gamage Mr.S. Ajith N.Silva Mr.B.W. Harrison Silva
Observers	Mr. Niraj de Mel, Mr. H D Hemarathne Mr. Anil Perera, Mr. Anil Alwis Dr. M.M.J.P. Gawarammana



Members & Observers of the Audit Committee

Mr. A.M.P.M.B. Attapattu, Director General Department of Development Finance Ministry of Finance	- Chairman
Mr. V.A.A. Perera, Nominee of Chairman Sri Lanka Tea Factory Owners Association.	- Member
Mr. N.A.U.K.S. Mihindukulasuriya, Additional Secretary (Development) Ministry of Plantation Industries	- Member
Mr. H.D. Hemaratne Consultant Colombo Tea Traders Association	- Observer
Ms. S.D. Katuwawala Superintendent of Audit Auditor General's Department	- Observer
Mr. S.A. Siriwardana Director General Sri Lanka Tea Board	- Convener

Members of the Promotion & Marketing Committee

The Promotion & Marketing Committee is a Sub - Committee appointed to guide the Board on Promotional and Marketing activities for Ceylon Tea

Mr. Rohan Pethiyagoda
Chairman, Sri Lanka Tea Board

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

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

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

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

Private Sector

Mr. Rohan Fernando (up to August 2016)
Chairman, Tea Exporters Association

Mr. Jayantha Karunaratne(From November 2016)
Chairman, Tea Exporters Association

Mr. Muffadal Jafferjee
Representing Tea Exporters Association

Mr. Avi De Silva
Representing Tea Exporters Association

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

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

Mr. Suresh Galaboda
Representing Sri Lanka Tea Factory Owners Association

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

Mr.Tyeab Akbarally
Director, Akbar Brothers

Mr . Malik Fernando
Director- operations, MJF Group

Dr.Gamini Abeywickrama
Managing Director, Basilur Tea

Mr. Vish Govindasamy
Group Managing Director, Sunshine Holdings PLC

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

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



Senior Management Staff

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

2016 Chairman's Message

I have pleasure in presenting the review for the year 2016.

PREAMBLE

Several factors combined to make the beginning of 2016 difficult for the Sri Lankan tea industry. These included the effects of the government's ban on the weedicides glyphosate and glufosinate-ammonium (paraquat having been banned already), leaving no viable alternatives other than mechanical weeding, which in turn drove up the cost of production and left many plantations simply not exercising weed control. Added to this was a dearth of fertilizers in the first half of the year, owing to uncertainties in the import and subsidy regimes. Finally, a protracted drought in many tea-growing districts added to these stresses, which combined to depress production (and arguably quality, too) by some 11 percent compared to the previous year, and 13.5 percent compared to 2014.



The depressed prices at the beginning of the year led to calls on the government to allow the Sri Lanka Tea Board to intervene in the auction in order to prop up demand. The Board, however, took the view that such intervention was not warranted and may in fact have been counter-productive.

Meanwhile, the Russian ruble continued to remain weak, reducing demand in our largest market. United Nations and US trade sanctions against Iran too, were factor modulating demand for tea in our next-most important market.

The decline in production led to a dearth of tea coming to auction and, in turn, a progressive rise in the sale average, which rose from Rs 412 kg in January 2016 to Rs 578 kg by December.

2016

TEA PRODUCTION

Sri Lanka's tea production in 2016 recorded 292.6 million kilograms, falling short of the preceding year's production by 36 million kilograms or 11%. Low-growns contributed most, with 183.6 million kilograms followed by high-growns at 64.4 million kilograms and mediums at 44.6 million kilograms.

Green tea production declined by 10%, from 2.9 million kilograms in 2015 to 2.4 million kilograms in 2016. Likewise, CTC production declined 4.3%, from 19.5 million kilograms in 2015 to 18.3 million kilograms in 2016.

The tea small holders continued to be dominant amongst producers by contributing over 74% of national production.

COLOMBO TEA AUCTIONS & FOB PRICES

The volume of tea sold through the Colombo Tea Auction in 2016 declined by 12.2% in comparison to 2015. All three elevations viz., high, mid and low growns, registered such declines in volume.

The total auction average in 2016 was Rs 467.45 per kilogram, as against Rs 402.14 per kilogram in 2015. This is an increase of 16% compared to the previous year.

The Colombo Tea Auction averaged US \$ 3.22 per kilogram, which was substantially higher than other auction centres and the US \$ 2.99 achieved in 2015.

The average export price (FOB) increased by 7.89% to Rs 639.88 per kilogram in 2016, from Rs 593.11 per kilogram in 2015.

TEA EXPORTS

Sri Lanka's exports declined from 306.9 million kilograms in 2015 to 288.7 million kilograms in 2016, a 5.9% decrease in volume. Tea exported in bags totaled 24.8 million kilograms in 2016, as against 23.9 million kilograms in 2015, recording a growth of 3.5 million kilograms. All other categories of exports recorded lower figures than in the corresponding period of 2015.

2016

Export earnings in 2016 totaled Rs 185 billion as against Rs 182 billion in 2015. This is an increase of 2.7 billion or 1.5%, though the depreciation of the rupee against the US dollar of 3.7 percent in the course of the year inverts this apparent gain.

The prime destination for Ceylon Teas remained Russia, followed by Iran and Iraq, importing 34.4, 33.9 and 32.5 million kilograms, respectively.

REPLANTING & TEA FACTORY MODERNIZATION

The development activities relating to replanting and tea-factory modernization did not record significant growth despite the availability of subsidies. The downturn in production limited the capacity of stakeholders to infuse adequate counterpart funds for capital development. The slow rate of replanting draws into question the sustainability of the industry, and unless new incentives can be found to replant ageing tea bushes a progressive decline in production can be expected. With well over two-thirds of production now deriving from smallholders, the lack of financial incentives or mechanisms to promote replanting is a matter of serious concern. With the cost of replanting now exceeding Rs 2 million per hectare, the cost of replacing the targeted 2.5 percent of the national estate per annum demands an investment of some Rs 9 billion annually, a level of investment that is simply not forthcoming given the present structure of the industry.

GLOBAL CAMPAIGN

During the year under review, the Board made modest progress in its plans for a global marketing campaign to further develop the “Ceylon Tea Brand” across the market territories. The principal promotion activities, however, focused on trade fairs and exhibitions rather than reach-out to consumers through an effective media campaign. While such a campaign has long been planned, little progress was made during 2016 owing to administrative inefficiencies and the protracted procedure associated with procuring “intangible” services such as advertising. In order to ensure maximum transparency the Board continued to seek strategies that entail the lowest possible risk, which in turn translate into a potentially unimaginative and minimalist campaign if and when the procurement procedure finally enables it to be launched.

2016

POSITIONING OF THE SRI LANKA TEA INDUSTRY

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

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

CHALLENGES

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

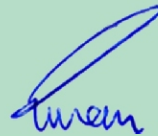
The Sri Lanka Tea Board's institutional capacity to meet these challenges needs to be re-assessed. The Board suffers from significant administrative inefficiencies that result from an insufficiently incentivized workforce, worsened by crippling levels of bureaucratic oversight by its Ministry and the various arms of the Treasury. As a result of this excess of 'red tape', even senior vacancies in the cadre remain unfilled for months on end, procurements fail to be made on time, and rapid, adaptive responses to industrial needs fail to be met. The result is a chronic inability to meet or even set realistic targets and, worse still, to be efficient and responsive to the demands of stakeholders. Unless systemic changes are made to the way the Board is administered, its usefulness to the tea industry must continue to be questioned.

2016

ACKNOWLEDGEMENTS

I wish to place on record the appreciation of the Board of Directors, Team Sri Lanka Tea Board and the Hon Minister, Deputy Minister and the Secretary of the Ministry of Plantation Industries for their guidance and support.

I thank my colleagues on the Board for their invaluable contribution and take this opportunity to also thank the employees of the Sri Lanka Tea Board at all levels for their commitment and loyalty and look forward to working closely with all stakeholders in the year to come.



Rohan Pethiyagoda

Chairman

Sri Lanka Tea Board



Basic Comparative Indicators

Category	Unit	2014	2015	2016	Comparison 2015 Vs 2016 (%)
Tea Production					
Total Tea Production	(mn.kg)	338.0	328.8	292.6	(11.02)
Classification by Elevation					
High		78.8	75.4	64.4	(14.56)
Medium	(mn.kg)	49.2	51	44.5	(12.73)
Low		210.0	202.4	183.6	(9.27)
Classification by Processing Method					
Orthodox(includes Bio, Instant, Reclaimed teas)	(mn.kg)	314.5	306.4	271.9	(11.27)
CTC		20.3	19.5	18.3	(6.02)
Green		3.2	2.9	2.4	(18.14)
Tea Sales					
Tea Sales - Quantity					
High	(mn.kg)	69.8	67.1	55.8	(16.77)
Medium		51.3	48.1	43.9	(8.73)
Low		212.5	190.8	176.5	(7.49)
Tea Sales - Price					
		465.01	403.8	466.4	15.51
High	(Rs./kg.)	430.06	396.3	442.7	11.72
Medium		414.04	360.0	414.9	15.24
Low		488.06	417.5	486.8	16.59
Tea Exports					
Tea Exports – Volume (Without Re export)	(mn.kg)	317.9	298.9	280.9	(6.03)
Classification by Category					
Black		312.7	294.4	276.4	(6.11)
Green	(mn.kg)	2.9	2.4	2.4	1.80
Instant		2.2	2.1	2.0	(4.30)
Tea Exports – Value(Without Re export)	(Rs. Bn.)	203.5	174.3	176.2	1.11
Total Tea Exports – Volume	(mn.kg)	327.3	306.9	288.8	(5.91)
Total Tea Exports – Value	(Rs. Bn.)	212.6	182.0	184.8	1.53

01 CORPORATE BACKGROUND

The Sri Lanka Tea Board was established on 01st January 1976, under the Sri Lanka Tea Board Law No. 14 of 1975, as amended by Act No. 17 of 1985, No. 44 of 1990, No. 29 of 2003, and No. 44 of 2006. The objectives of the Tea Board under these Acts are for the development and regulation of the tea industry in Sri Lanka and promotion of Sri Lanka Tea (Ceylon Tea) globally. Before the Tea Board established, it was known as Tea Propaganda Board, which was run by the private sector. In 1976 Tea Propaganda Board was voted out by the parliament and converted as Sri-Lanka Tea Board vesting powers to develop tea industry.

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

The Sri Lanka Tea Board is planning to intensify the monitoring of quality standards of tea at the point of sale, monitoring of pre-shipments, inspection of warehouses of brokers, blenders and exporters, and providing advisory services on hygienic blending and storing. Additionally, it regulates controls and directs all institutions and organizations engaged in the management of tea estates and in the production and marketing of tea.

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

Sri Lanka Tea Board Structure

1.1. Main Secretariat

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



1.2. Administration Division

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

1.3. Finance Division

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

1.4. Tea Commissioner's Division

All matters connected with regulatory functions in respect of cultivation, manufacture of tea, and quality development. The Division operates through a network of six Regional offices.

Tea Export Section under Tea Commissioner's Division is responsible for all matters connected with regulatory functions in respect of disposal of made tea, warehousing, packaging, export and import of tea.

1.5. Tea Promotion Division

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

Tea Tasting Unit under the Promotion Division is responsible for examination of tea on Minimum Quality Standards, Reference Standard on Lion Logo and examination of other origin teas through an independent panel of expert Tea Tasters. Media advertising, participation at international Food & Beverage Fairs, Brand Promotion Schemes, and Generic Promotion with the assistance of overseas Tea Promotion Officers & Commercial Officers attached to Sri Lanka Missions abroad. Liaison with International Tea Councils & Tea Associations, Intergovernmental Group on Tea of FAO etc.

1.6. Analytical Laboratory

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



02 INDUSTRY PROFILE

mainly due

The year of 2016 has not been so progressive for tea industry. Sri Lankan tea industry encountered a series of natural causes, worker demands and agronomical effects that created an array of adverse consequences during 2016. National tea production in 2016 was 292.6 million kilos, thirty six million kilos short of the record harvest of 328.7 million kilos in 2015 mainly due to inclement weather conditions.

However, the selling prices in 2016 were much higher than the corresponding period of previous year. Colombo Auction sales prices in 2016 showed up wards trends and it remained average minimum Rs.402.31 and average maximum Rs.580.92. Exports revenue represented an upward trend (1.5%) compared to the year 2015.

2.1. Distribution of Tea Lands

The Total Extent of cultivation in Sri Lanka is 202,022 (provisional) ha at present. The break down of tea lands along with their management criteria is Private (61%), and State sector (39%). Tea cultivation is distributed in few districts in the country mainly in wet zone due to the suitable climatic conditions for tea cultivation.

2.2 National Tea Production for 2016

Table 2.1: Total Tea Production by Elevation - 2016

Elevation	Production(Kg)
High	64,424,744
Medium	44,510,198
Low	183,638,644
Total	292,573,586

Source : Sri Lanka Tea Board

Due to adverse weather conditions, national tea production registered a decline of around thirty six million kilograms to reach 292.6 million kilograms is corresponded to 11.01% below the record high achieved in 2015.

Sri Lanka produces tea in different elevations, with the highest quantity being low grown tea. Tea is cultivated in elevations ranging from sea level to 600 meters, and essentially has a stronger flavor and color.

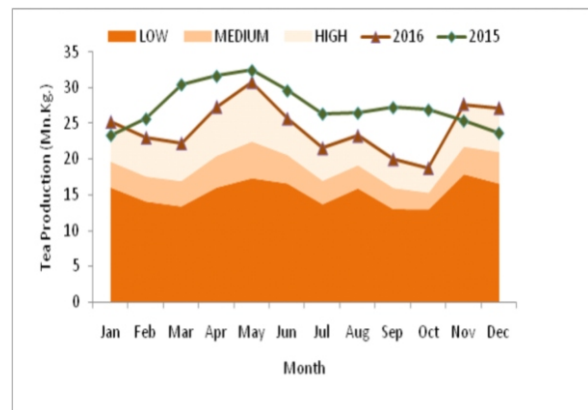
High grown tea is cultivated in altitudes of over 1,200 meters and is generally regarded as of superior quality, with a unique taste and aroma.

As such, higher income levels and the resultant rise in demand have pushed up for the low-grown tea in recent times and Tea production in Low Elevation contributed more than two third (63%) of national tea production whilst high and medium accounted for 22% and 15% respectively.

2.2.1. Monthly Tea Production

Throughout the year low grown production provided a major contribution to the national tea production for every month of the year. This year highest monthly tea production recorded in May while lowest recorded in October as 30.8Mn kg and 18.7Mn Kg. respectively. Highest monthly tea production recorded in May last year also. It was noted that the minimum monthly tea production exceeded 23 Mn kg in the previous Year and review year it was 18 Mn Kg. However cumulation of tea production in 2016 recorded a decrease of 11.0% when compared to the production in 2015.

Chart 2.1: Monthly Tea Production by elevation



2.2.2. Agro Climatic District wise Analysis

Rathnapura and Galle continued to be at the top of the list of agro district-wise tea production with 52Mn.kg. and 43Mn.kg respectively. All sub districts of the Low grown recorded the highest production in 2016 than other agro regions. Total production of All six regions have been recorded a decrease compared to the year 2015.

Table 2.2: Agro - Climatic District -wise Tea Production

Agro Climatic District	January to December (QTY-MT)			
	2015*	2016*	Change	%
NuwaraEliya	3,854	5,076	1,222	31.70
Western				
1. Ramboda	2,017	1,625	(392)	(19.46)
2. Pundaluoya	3,222	3,426	204	6.34
3. Agarapathana	9,760	5,948	(3,812)	(39.06)
4. Nanuoya/Lindula/Talawak	9,814	8,295	(1,519)	(15.48)
5. Patana/Kotagala	5,736	4,513	(1,223)	(21.32)
6. Hatton/Dickoya	8,730	7,004	(1,726)	(19.77)
7. Bogawantalawa	6,846	5,912	(934)	(13.64)
8. Upcot/Maskeliya	7,478	5,808	(1,670)	(22.33)
Total - Western	53,604	42,531	(11,073)	(20.66)
Medium				
1. Watawala/Ginigat/Notron	1,674	1,829	155	9.27
2. Pussellawa/Hewaheta	7,217	6,299	(918)	(12.72)
3. Kotmale	2,435	841	(1,594)	(65.47)
4. Gampola/Nawalapitiya/Do	13,494	14,603	1,109	8.22
5. Nilambe/Hantane/Galaha	2,292	1,387	(905)	(39.49)
6. Kadugannawa	7,629	6,776	(853)	(11.18)
7. Madulkelle/Knuckles/Ran	3,021	3,940	919	30.43
8. Hunasgiriya/Matale/Yakde	1,908	1,257	(651)	(34.10)
9. Balangoda/Rakwana	8,155	7,369	(786)	(9.64)
Total - Medium	47,825	44,301	(3,524)	(7.37)
UdaPussellawa				
1. Udapussellawa/Halgranoy	4,603	4,186	(417)	(9.06)
2. Maturata	1,696	1,519	(177)	(10.46)
Total - UdaPussellawa	6,299	5,705	(594)	(9.44)
UVAS				
1. Koslanda/Haldumulla	575	747.18	172.18	29.94
2. Haputale	4,139	3,424	(715)	(17.26)
3. Bandarawela/Poonagalla	3,499	2,823	(676)	(19.31)
4. Malwatte/Welimada	2,888	1,887	(1,001)	(34.67)
5. Demodara/Haliella/Badull	8,430	8,055	(375)	(4.45)
6. Ella / Namunukula	1,832	1,459	(373)	(20.35)
7. Passara/Lunugalla	3,413	2,795	(618)	(18.11)
8. Madulsima	3,084	2,852	(232)	(7.53)
Total - Uvas	27,859	24,042	(3,817)	(13.70)
Low Growns				
1. Deniyaya	16,185	13,498	(2,687)	(16.60)
2. Galle	50,201	43,396	(6,805)	(13.56)
3. Kalutara	19,217	19,926	709	3.69
4. Kegalle	6,219	4,895	(1,324)	(21.28)
5. KelaniVelli	7,289	7,176	(113)	(1.55)
6. Kandy/Matale/Kurunegala	4,432	5,238	806	18.18
7. Matara	17,246	13,894	(3,352)	(19.43)
8. Morawake	7,452	6,260	(1,192)	(16.00)
9. Ratnapura	55,625	51,958	(3,667)	(6.59)
10. Balangoda	5,466	4,677	(789)	(14.43)
Total Low Grown	189,331	170,919	(18,412)	(9.72)
Total	328,771	292,574	(36,197)	(11.01)

*revised

Source : Sri Lanka Tea Board



2.2.3. District wise Tea Production

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

Table 2.3: District wise Tea Production (in Kgs)

District	High	Medium	Low	Total
Badulla	13,905,758	10,633,952	-	24,539,710
Colombo	-	-	603,278	603,278
Galle	-	-	42,799,277	42,799,277
Hambantota	-	-	220,411	220,411
Kalutara	-	-	18,486,774	18,486,774
Kandy	823,053.5	20,408,962	12,520,727	33,752,743
Kegalle	584,663	-	7,731,959	8,316,622
Matale	-	1,050,591	398,126	1,448,717
Matara	-	-	34,182,674	34,182,674
NuwaraEliya	49,007,880	10,424,289	793,864	60,226,032
Ratnapura	103,389	1,992,404	65,901,555	67,997,348
Total	64,424,744	44,510,198	183,638,644	292,573,586

Source : Sri Lanka Tea Board

2.2.4 Production Analysis by Green Leaf Collection Method

The total tea production of a factory comprised with the green tea leaf collected from their own estates or other estates as well the leaf bought from the other suppliers. The following table shows the district wise leaf collection methods which contributed for total production for year 2016.

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

Admin District	Own Leaf	Estate Leaf	Bought Leaf	Total
Badulla	45,158,388	27,292,103	41,659,161	114,109,652
Colombo	-	-	2,805,243	2,805,243
Galle	3,301,858	1,773,422	193,941,358	199,016,637
Hambantota	-	-	1,024,911	1,024,911
Kalutara	2,057,427	853,684	83,052,388	85,963,499
Kandy	22,841,811	4,969,776	129,138,665	156,950,253
Kegalle	3,985,531	1,292,535	33,394,226	38,672,292
Matale	1,160,724	301,613	5,274,199	6,736,535
Matara	7,239,350	1,309,751	150,400,332	158,949,433
Monaragala	-	-	-	-
NuwaraEliya	182,081,855	39,414,869	58,554,326	280,051,050
Ratnapura	20,003,086	6,274,181	289,910,401	316,187,668
Total	287,830,031	83,481,934	989,155,209	1,360,467,174

Source : Sri Lanka Tea Board

2.2.5 Production Analysis by Processing Method

2.2.5.1 Black Tea and Green Tea Production

The Orthodox tea production recorded a decrease of 11.27% (34,548,233 Kg) in 2016, whilst CTC production also showed a decrease of 5.88% against year 2015. During the year under review, overall Black tea production has decreased by 35.7Mn.Kg (10.95%). Green tea production shows a decrease of 505,049 Kg which is a 17.54% decline compared with the previous year.

Table 2.5: Tea production by processing method

Processing Method	2015	2016	2015 Vs 2016	
	Qty.(Kg)	Qty.(Kg)	Change(Kg)	Growth (%)
Orthodox	306,422,077	271,873,844	(34,548,233)	(11.27)
CTC	19,469,857	18,325,660	(1,144,198)	(5.88)
Green	2,879,132	2,374,083	(505,049)	(17.54)
Total	328,771,066	292,573,586	(36,197,480)	(11.01)

Source : Sri Lanka Tea Board

2.2.5.2 Instant Tea and Bio Tea Production

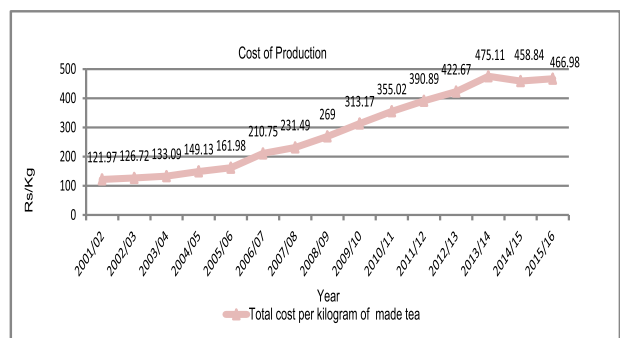
In comparison to year 2015 Instant tea showed a slight decrease of its productions (230MT) and Bio tea reflected an increase of its production (7MT) in 2016.

2.2.6 Cost of Production of Made Tea

Productivity and cost of production (COP) are inter-related and increasing cost of production continues to be a worrying phenomenon in the plantations sector. Labor productivity in tea has a greater relationship with COP as tea production system needs larger quantity of labor. Sri Lanka has highest COP among major tea producing countries. This has affected the country's competition in the global arena.

The cost of production per kilogram of made tea has rapidly increased during the last decade. Increase in labor cost and higher prices of inputs had specially affected the production cost. The annual cost of tea production, compiled by the Department of Census and statistics for 2015/16, was Rs. 466.98 per kg which is an increase of 1.77% against 2014/15.

Chart 2.2: Total cost per kilogram of made tea



Source : Sri Lanka Tea Board

2.3. Tea Sales

Generally the year under review reported low sales quantity and fairly high price. Average price range is vary from maximum Rs. 583.97per Kg. to minimum Rs. 404.05 per Kg throughout the year. Annual average tea price is Rs.468.62 per Kg. in the review year and it was higher than compared to Rs. 403.1 in year 2015. A quantity of 280.85 Mn.Kg of tea was sold in 2016 at an average of Rs.468.62 per kg against 319.4Mn.Kg sold at Rs.403.1 per kg including Public, Private and Direct sales in year 2015.

It reflected that tea sales quantity has decreased by 12.07 % & Unit price has increased by 16.25% when compared with the previous year.

2.3.1 Mode of Sales

Public auction is the main mode of sale of tea manufactured in factories. A quantity of 272.5 Mn.Kg was sold in the Colombo Tea Auction in 2016. Private sales accounted for 2.7 Mn.Kg and the rest about 1.8Mn kg sold through direct sales.

2.3.2. The Colombo Tea Auction

The Colombo Tea Auction conducted by Ceylon Chamber of Commerce under Colombo Tea Traders' Association and during the 2016 they handled 50 auctions. The public auction recorded a decrease of 3.7Mn.Kg (1.37%). However, average price fetched at the Colombo Tea Auction during 2016 reported a comparatively higher value, and observed an annual increase from Rs.402.14 per kilogram to Rs.468.66 per kilogram.

2.3.3. Elevation-wise Sales

Table 2.6 shows an analysis of tea sales according to their elevations. In all three elevations, unit prices fetched are increased when compared to the last year, resulted a positive turnover in year 2016.

Table 2.6: Elevation-wise Tea Sales.

Elevation	Quantity (Mn.kg.)				Unit Price (Rs./Kg.)			
	2015	2016	Change	%	2015	2016	Change	%
High	71.0	58.4	(12.58)	(17.71)	392.47	449.43	56.96	14.51
Medium	49.1	45.5	(3.64)	(7.41)	362.11	420.79	58.68	16.21
Low	199.3	177.0	(22.34)	(11.21)	416.98	487.24	70.26	16.85
Total Sales	319.4	280.8	(38.55)	(12.07)	403.10	468.62	65.52	16.25

Source : Sri Lanka Tea Board

2.4. Tea Exports

Sri Lanka's Tea Exports (with re-exports) for the year 2016 was 288.7Mn.kg achieving export earnings of Rs. 184.7 billions. The average unit FOB price was Rs.639.88 per kilogram. This year exports earnings have exceeded the Rs. 150 billion mark. In world tea market Sri Lanka became as third tea export country in volume and enduring as second earner in value term which could remarked the blooming tea potential as premium - quality tea from Ceylon in the global tea market.

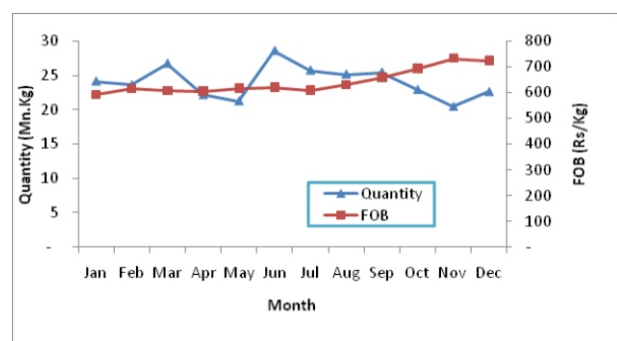
High competition adversely affected our position and this has been exacerbated by the higher production cost of tea and poor yield in Sri Lanka. Meanwhile, the country's continues dependency on orthodox tea as opposed to CTC teas could further erode its market share among global consumers' rapidly changing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

2.4.1 Tea Export analysis according to Categories

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

In 2016, Total tea exports of Black, Green & Instant tea including re-exports showed a decrease in its Volume and increase in its Value. Total export volume showed 5.92% decrease with 18.2 Mn.Kg quantity change and Export and re-exports showed 6.03% and 1.66% in volume and 1.11% and 10.24% in value respectively. However, cumulative exports earnings were ended up with US\$ 1269.0 Million in 2016 relating to the US\$ 1339.1 Million in 2015 and accomplished a 5.24% increase.

Chart 2.3: Monthly tea exports 2016- Volume & Unit Value



2.4.2. Annual Tea Exports -2016

A detailed illustration on category wise tea exports including volume, value and FOB from January to December during the year 2016 are given by the table 2.7

Table 2.7: Annual tea exports 2016

Package	Qty (kg)	Value (Rs)	FOB(Rs/kg)
Exports	280,874,277	176,232,229,182	627.44
Black	276,421,378	170,401,573,947	616.46
Bags	19,622,961	23,530,481,587	1,199.13
Bulk	124,389,398	68,584,643,026	551.37
Packets (1Kg -3Kg)	1,886,986	1,159,204,870	614.32
Packets (3Kg -5Kg)	14,552,853	8,075,638,163	554.92
Packets (4g - 1Kg)	83,132,078	52,312,188,923	629.27
Packets (5Kg -10Kg)	32,837,102	16,739,417,378	509.77
Green	2,443,129	3,387,643,777	1,386.60
Bags	749,707	1,778,599,549	2,372.39
Bulk	1,007,496	661,650,841	656.73
Packets (1Kg - 3Kg)	53	65,365	1,233.30
Packets (3Kg - 5Kg)	5,789	10,554,831	1,823.41
Packets (4g - 1Kg)	657,996	907,471,652	1,379.15
Packets (5Kg - 10Kg)	22,089	29,301,540	1,326.52
Instant	2,009,770	2,443,011,458	1,215.57
Bags	1	2,784	3,093.33
Packets (> - 3Kg)	2,009,330	2,441,824,415	1,215.24
Packets (4g - 1Kg)	439	1,184,259	2,695.17
ReExport	7,896,404	8,545,736,706	1,082.23
Black	6,113,128	5,556,362,190	908.92
Bags	3,388,183	3,888,288,318	1,147.60
Bulk	810,115	368,677,400	455.09
Packets(1Kg -3Kg)	48	20,395	429.37
Packets (3Kg - 5Kg)	21,883	10,741,421	490.85
Packets (4g - 1Kg)	1,838,954	1,245,265,187	677.16
Packets (5Kg - 10Kg)	53,946	43,369,469	803.95
Green	1,782,193	2,987,229,198	1,676.15
Bags	1,055,655	2,218,269,265	2,101.32
Bulk	81,459	42,486,151	521.56
Packets(1Kg -3Kg)	5,713	3,386,980	592.84
Packets (3Kg - 5Kg)	247	186,617	755.53
Packets (4g - 1Kg)	638,770	722,357,641	1,130.86
Packets (5Kg - 10Kg)	349	542,544	1,554.57
Instant	1,082	2,145,318	1,982.00
Packets (> - 3Kg)	24	18,448	768.67
Packets (4g - 1Kg)	1,058	2,126,870	2,009.51
Grand Total (Exports+Re Exports)	288,770,681	184,777,965,888	639.88
RTD (Lt)	19,823,771	1,991,541,236	100.46
Exports	12,143	6,645,068	547.22
Re Export	19,811,628	1,984,896,168	100.19

Source : Sri Lanka Tea Board - Export Reports

2.4.3. Value added Tea Exports

The global preferences are rapidly changing into value added tea categories where Sri Lanka should adapt to these market changes in order to maintain its traditional market position in the globe. Exports of value added teas that is volume less than 3kg in form of tea packets, tea bags and instant teas recorded a share of 39.82% of the total export volume for year 2016 and it generated Rs.90.2Bn export income remarking the value share as 48.82%.

Table 2.8: Annual tea exports 2016

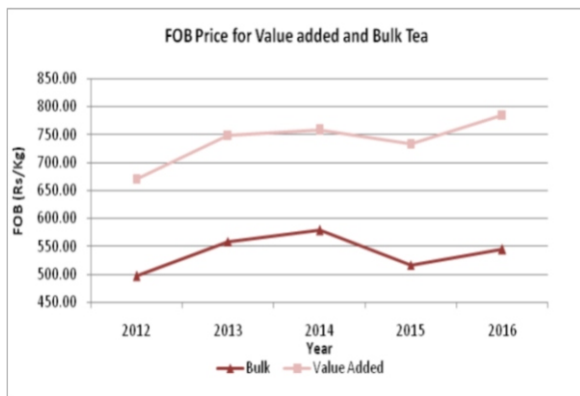
Export type	Proc. Method	Quantity(Kg)	Value(Rs)	FOB(Rs/Kg)
Export	Black	104,642,025	77,001,875,380	735.86
	Green	1,407,756	2,686,136,565	1,908.10
	Instant	2,009,770	2,443,011,458	1,215.57
	Sub Total	108,059,551	82,131,023,403	760.05
Re-Export	Black	5,227,185	5,133,573,900	982.09
	Green	1,700,138	2,944,013,886	1,731.63
	Instant	1,082	2,145,318	1,982.00
	Sub Total	6,928,405	8,079,733,104	1,166.18
Total		114,987,955	90,210,756,507	784.52

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

Source : Sri Lanka Tea Board - Export Reports

FOB price for Bulk and Value added tea is shown in the chart below. FOB price for the value added tea is higher than Bulk tea prices. Further promotions on value added tea exports will positively contributed to the Sri Lankan economy than bulk tea exports.

Chart 2.4: value added exports & bulk tea exports



2.4.4. Main Destinations of Sri Lanka Tea Exports

In Europe and UK had a strong market for Ceylon tea since past. During 2016, Russia maintained the position at the first place among the main Sri Lankan tea export destinations by importing 11.92% of total Ceylon tea exports. Russia was the

largest export destination for Ceylon tea in 2015 too and had imported 11.97% of total tea exports. It showed a 6.29% of volume decrease for 2016 when compare with the 2015.

Russia retain as the first export destination for Ceylon tea up to 2013 , but with the Turkey's demand for Ceylon tea and political and economic uncertainties caused to become Russia as the second largest export destination in volume in 2014. Again Russia became the 1st exports destination in 2015 and retains the same position for the year 2016 too. The value gain of tea exports showed that Russia as the second major value earner of tea exports by contributing 11.23% of total turnover.

Iraq was the third export destination with the 11.27% export share in 2016 and it showed 3.80% increase of export volume compare to 2015. The average FOB prices for Japan showed a high price among top ten countries in 2016. Becoming as the fifth export destination in review period 2016, UAE showed 21.57% decrease of its Ceylon tea market meanwhile Russia, Turkey, UAE, Azerbaijan, and Japan showed a decrease of tea exports compare to 2015 while exports of total top 10 countries showed a 3.16% decrease compare to 2015.

Table 2.9: Main Destinations of Sri Lankan Tea Exports 2016

Country	2016			2015			Growth (%)
	Rank	Quantity (Kg)	Export share (%)	Rank	Quantity (Kg)	Export share (%)	
RUSSIA	1	34,432,859	11.92	1	36,743,776	11.97	(6.29)
IRAN	2	33,928,612	11.75	4	30,047,558	9.79	12.92
IRAQ	3	32,557,218	11.27	3	31,364,833	10.22	3.80
TURKEY	4	27,068,973	9.37	2	33,705,653	10.98	(19.69)
UAE	5	18,381,410	6.37	5	23,438,174	7.64	(21.57)
LIBYA	6	12,645,055	4.38	8	9,983,880	3.25	26.65
SYRIA	7	12,107,279	4.19	7	11,091,074	3.61	9.16
AZERBAIJAN	8	10,556,896	3.66	6	11,176,815	3.64	(5.55)
JAPAN	9	7,763,607	2.69	10	8,462,172	2.76	(8.26)
CHINA	10	7,603,870	2.63	11	7,455,396	2.43	1.99
Top 10 Total		197,045,778	68.24		203,469,330	66.29	(3.16)

Source : Sri Lanka Tea Board - Export Reports



Iran became the second place in the list of main destinations of Ceylon Tea, while Iraq existing its position in the same place with an export volume share of 11.27%. The Middle East is Sri Lanka's largest export destination as a region; demand has been expanding robustly on the back of strong oil prices. Top 10 pure Sri Lankan tea exporting destinations are accounted for around 68.24% of the totality. However, only Russia, Iran, Syria, Azerbaijan, Germany, China & Japan maintained

the significantly greater FOBs with respect to the average unit FOB price attained. Furthermore the gloomy economic outlook on US and the sovereign debt crisis in EU could also cripple the potential revenue from the tea exports. However, Sri Lankan bulk tea exports have now tilted towards the Middle East as result of increased use of tea bags.

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

Country	Exports Qty In Kgs							Country Rank						
	Bags	Bulk	Packets (>3Kg)	Packets (1Kg-3Kg)	Packets (3Kg-5Kg)	Packets (4g-1Kg)	Packets (5Kg-10Kg)	Bags	Bulk	Packets (>3Kg)	Packets (1Kg-3Kg)	Packets (3Kg-5Kg)	Packets (4g-1Kg)	Packets (5Kg-10Kg)
RUSSIA	1,303,745	27,775,158	-	630	4,345	5,308,788	40,194	3	13	-	1	3	1	1
IRAN	146,368	16,747,049	-	309,367	538,180	5,150,075	11,037,573	17	-	-	-	11	12	-
IRAQ	334,775	2,060,338	-	833,985	1,467,070	16,624,023	11,237,028	10	5	-	5	13	17	10
TURKEY	297,636	9,691,182	-	118,900	4,559,600	9,388,326	3,013,330	11	9	-	-	14	9	13
UAE	634,390	6,574,482	22.8	52,472	1,245,540	5,101,713	4,772,790	7	16	-	8	1	7	5
LIBYA	20,261	-	-	-	-	12,624,794	-	19	18	-	-	-	8	8
SYRIA	909,444	318,911	-	15,750	5,830,090	4,351,685	681,400	5	7	5	6	4	6	3
AZERBAIJAN	3,673	10,029,604.5	-	-	11,330	495,238	17,050	20	12	2	11	16	20	12
JAPAN	673,746	6,717,011	74.5	1,100	69,858	161,574	140,244	6	-	-	-	-	2	-
CHINA	240,790	7,005,512	-	90,083.9	6,372	226,711	34,401	12	8	3	-	-	19	-
GERMANY	223,159	4,285,119	-	-	4,677	2,322,724	18,152	14	10	-	-	-	14	11
CHILE	371,880	6,146,979	558	-	-	152,125	-	9	6	4	10	9	18	7
USA	1,356,462	1,335,638	177,940	1,582	52,739.5	2,288,307	5,290	2	2	-	3	5	5	2
UKRAINE	228,651	3,845,739	-	-	-	824,952	31,040	13	15	1	9	10	10	16
HONG KONG	57,165	3,550,899	-	396,220	214,377	383,996	17,394	18	17	-	7	6	11	6
SAUDI ARABIA	1,169,978	1,684,795	-	-	159,836	1,498,968	-	4	4	-	4	2	3	4
JORDAN	2,304,483	-	-	-	15,500	1,676,239	-	1	1	-	12	15	4	9
KUWAIT	522,945	174,012	-	25,750	257,800	1,943,215	603,333	8	3	-	-	12	15	15
LEBANON	149,221	2,608	-	-	-	3,218,136	97,850	16	14	-	-	8	13	-
TAIWAN	154,460	2,845,082	9,000	913	1,484	46,928	19,180	15	11	-	2	7	16	14

Source : Sri Lanka Tea Board - Export Reports

2.4.4.1 Exports of Black Tea

Black tea recorded 97.84% (282.5Mn.Kg) of total tea exports while contributing 95.23% (Rs.176 Bn) for total tea export revenue during 2016. Among the all black tea export destinations, Top twenty export destinations for Black tea represented 85.34% of volume. Russia remains as the main Sri Lankan Black tea importer up to 2013 and Turkey comes to the first place among black tea exporters

in 2014 and again Russia has secured the first place as main Sri Lankan black tea exporter (11.9%) in year 2015 by importing 35.74Mn.Kg. In year 2016 Iran comes to the 1st place by importing 33.90 MnKg(12%) of Black Tea. Black tea exports to Russia and Iraq quantified as 33.78 Mn Kg and 32.51 Mn Kg respectively in the review period.

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

Country	Quantity (Mn.Kg)	Value	FOB	Volume Share (%)	Value Share (%)	Qty	
		(Rs.Bn)	(Rs/Kg)			Growth(%)	
							('15Vs '16)
IRAN	33.90	22.43	661.82	12.00	12.75	12.89	
RUSSIA	33.78	20.03	592.83	11.96	11.38	(5.47)	
IRAQ	32.51	15.06	463.16	11.51	8.56	3.68	
TURKEY	27.05	14.42	532.96	9.57	8.19	(19.68)	
UAE	17.82	10.36	581.21	6.31	5.89	(22.25)	
LIBYA	12.62	6.60	523.52	4.47	3.75	27.40	
SYRIA	12.10	7.86	648.93	4.28	4.46	9.16	
AZERBAIJAN	10.54	6.51	617.18	3.73	3.70	(5.57)	
JAPAN	7.76	6.20	799.28	2.75	3.52	(8.22)	
CHINA	7.55	4.55	601.99	2.67	2.58	2.07	
GERMANY	6.67	4.01	600.59	2.36	2.28	(2.62)	
CHILE	6.61	3.50	528.95	2.34	1.99	(4.26)	
UKRAINE	4.62	3.14	679.93	1.64	1.79	17.47	
HONG KONG	4.60	2.68	581.45	1.63	1.52	(4.87)	
USA	4.59	3.61	786.81	1.62	2.05	17.33	
SAUDI ARABIA	4.43	3.36	758.01	1.57	1.91	(7.96)	
JORDAN	3.97	3.16	795.45	1.40	1.79	(29.43)	
KUWAIT	3.49	2.23	636.87	1.24	1.26	(59.85)	
LEBANON	3.45	2.48	718.69	1.22	1.41	40.48	
EGYPT	3.03	1.56	515.35	1.07	0.89	(26.98)	
Sum Of 20	241.12	143.73	596.09	85.34	81.68	(5.05)	

Source : Sri Lanka Tea Board - Export Reports



2.4.4.2 Exports of Green Tea

Green tea encountered 1.5% (4.2Mn.Kg) of total tea exports while contributing 3.5 % (Rs.6.3Bn) for total tea export revenue during 2016. Among the all green tea export destinations, Top twenty

export destinations for green tea represented 81.07% of volume. Out of leading twenty importers of Green tea, Russia recorded a considerable volume of 0.64Mn.kg for year 2016 out of total quantity 3,365 thousands Kilogramme.

Table 2.12: Top-Twenty Destinations of Green Tea Exports

Country	Quantity	Value	FOB	Volume Share (%)	Value Share (%)	Qty Growth ('15 Vs '16)
	('000Kg)	(Rs.Mn)				
RUSSIA	649.93	727.79	1,119.80	15.38	11.42	(35.42)
UAE	558.11	396.94	711.23	13.21	6.23	8.80
USA	450.86	798.01	1,769.94	10.67	12.52	33.74
UKRAINE	310.41	335.17	1,079.74	7.35	5.26	12.63
NETHERLAND (HOLAND)	194.48	496.60	2,553.43	4.60	7.79	18.52
GERMANY	178.85	145.14	811.50	4.23	2.28	24.62
AUSTRALIA	132.45	380.11	2,869.85	3.13	5.96	(26.60)
FRANCE	104.72	207.85	1,984.81	2.48	3.26	(13.09)
NIGERIA	93.46	166.81	1,784.78	2.21	2.62	14.53
TAIWAN	86.89	92.32	1,062.45	2.06	1.45	18.19
SAUDI ARABIA	86.85	139.91	1610.99	2.06	2.19	(10.41)
UNITED KINGDOM	82.20	247.54	3,011.41	1.95	3.88	7.65
POLAND	76.92	129.92	1,689.06	1.82	2.04	(41.40)
CHILE	60.40	100.72	1,667.47	1.43	1.58	3.70
UZBEKISTAN	57.99	57.95	999.26	1.37	0.91	(20.23)
BELARUS	53.09	64.02	1,205.91	1.26	1.00	(18.36)
CHINA	49.86	109.12	2,188.60	1.18	1.71	(5.00)
CZECH REPUBLIC	47.47	118.25	2,490.927	1.12	1.85	11.68
MALAYSIA	46.57	56.04	1,203.26	1.10	0.88	14.26
NEW ZEALAND	43.47	89.31	2,054.54	1.03	1.40	(14.00)
Sum of 20	3,365	4,860	1,444.13	79.64	76.23	(6.07)

Source : Sri Lanka Tea Board - Export Reports

2.4.4.3 Exports of Instant Tea

Ireland is playing a vital role for Ceylon Instant tea market being leading instant tea importing country from Sri Lanka and responsible for an import volume 1.8 Mn.Kg. (90.33%) of Instant tea. USA, Taiwan and Australia maintained later positions in the list of major instant tea exports destinations respectively. During the review year, Instant tea market showed 5.62% volume decrease and 12.2% of value increase compare to year 2015.

2.4.4.4 Exports of Ready to Drink (RTD) Teas

Sri Lankan RTD market showed a blooming market for RTD tea exports. For 2016, RTD exports could carry Rs.1, 991.5Mn of export revenue by exporting 19.8Mn litters of RTD teas. There was 9.36% growth of RTD tea exports compare to 2015 and India played a vital role in RTD market by importing 19.3Mn litters for Rs.1, 892Mn from Sri Lanka. Canada, Australia, USA and Maldives were other major markets for Ceylon RTD exports.

2.5. Global Tea Industry Background

Tea is one of the most popular and widely consumed hot beverages in the world. Sri Lanka's exports, particularly tea has played a vital role in the National economy and Social Development from the inception of its illustrious history. The commodity based product has made inroads as a significant contributor of Sri Lanka's exports earnings, whilst this segment is also amongst the largest employers in the country.

Amongst tea producing countries, the principal producers are India, China, Sri Lanka, Kenya and Indonesia. These five countries account for 82% of world production and 76% of global exports. While China was mainly instrumental for the surge in world tea crop, African Continent particularly Kenya also registered a bumper harvest. Considering the Sri Lankan scenario in the global tea industry, the year 2016 is started with much lower average unit price (auction) and revenue performances (exports) compared to the other tea producing members.



2.5.1. Global Tea Cultivation

Total extent planted with tea in the world was estimated to be more than 4 million hectares at the end of the year 2016.

Table 2.13: Highest Tea Extent Records

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

Source: Annual ITC Bulletin of Statistics - 2017

*Estimated Area registered as Planted

According to the International Tea Committee (ITC), largest tea extent is found in China (61%) and they are rapidly expanding their tea extent annually. Tea area in Kenya also reached a higher extent in 2010 to 2016. The top-ten countries of tea growing are bearing 98% of total tea extent.

2.5.2. Global Tea Consumption

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

Table 2.14: Country-wise Tea Consumption Statistics.

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

Source: Annual ITC Bulletin of Statistics 2017

Total :Mn Kg

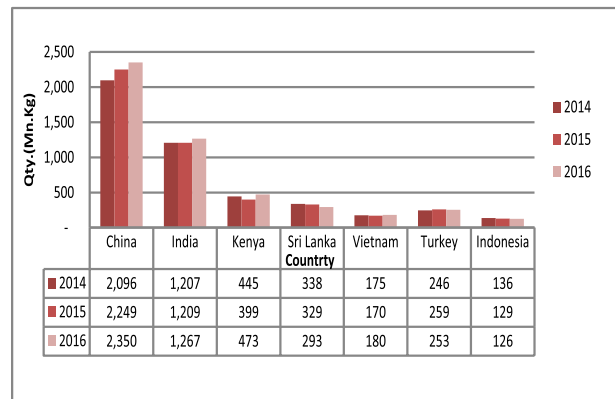
P hd :Kg

2.5.3. Global Tea Production

Global tea production reached up to 5 Bn. Kg during the year 2016 and it showed a 3.43% growth compare to year 2015. China, India, Kenya, Sri Lanka, Turkey, Vietnam and Indonesia represented around 90% of global tea production for year 2016. Although India and China are still the largest tea producers, these 2 nations' considerable domestic consumption has rendered Kenya the largest global exporters of this commodity. China comes to the second place as a larger tea exporter while Sri Lanka comes to the third place in 2016. Sri Lanka remain as fourth largest tea producer in the world and it is noticeable that the other tea producers in fifth, sixth and seventh places are not showing increasing trend of their tea production and implies that there is no emergence threat on Sri Lanka's position in recent.

China occupies the highest position with 2,350Mn.kg and India stayed at second with an annual production of 1,267 Mn.kg. in 2016. Kenya is placed as third with its manufacturing level at 473 Mn.kg.

Chart 2.5 : World Tea Production Statistics



Source: Supplement: Annual ITC Bulletin of Statistics 2017



2.5.4. Global Tea Sales

Colombo Auctions handled 277.06Mn.Kg of tea for average price per kilogram as a US \$ 3.22 during the year 2016. However, volume traded in Mombasa Auctions also maintained over 400 Mn.kg and Kolkata Auctions had traded in its sales volume in 2016 with 142 Mn Kg.

Table 2.15: Statistics of Major Tea Auctions
(Qty. - in Mn.Kg. Avg. Unit Price - in US\$/Kg.)

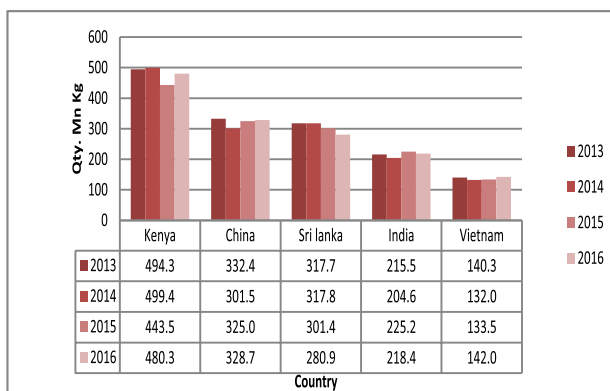
Auction Centre	2014		2015		2016	
	Qty.	Price	Qty.	Price	Qty.	Price
Chittagong	67	2.19	63.53	2.41	72.02	2.55
Cochin	53	1.66	54.79	1.55	46.75	1.74
Colombo	334	3.56	315.51	2.99	277.06	3.22
Guwahati	129	2.32	145.43	2.16	138.65	2.05
Jakarta	26	1.66	20.12	1.56	27.00	1.62
Kolkata	142	2.65	143.42	2.47	142.24	2.41
Limbe	9	1.43	8.41	1.56	8.75	1.55
Mombasa	390	2.03	359.39	2.73	400.92	2.29

Source: computed from ITC Web Site

Colombo Auctions holds the record for the highest average auction price fetched for the last three years. Also it was the only auction center that exceeds USD 3.00per Kg. except in 2015. During the reference period, Chittagong, Cochin and Jakarta auction centers have recorded higher average price compared with 2015. Chittagong holds the second largest average auction price with US\$ 2.55 per Kg. & Kolkata has secured the third position in 2016

2.5.5 Global Tea Exports

Chart 2.6: Major Tea Exporters



Source: Supplement of Annual ITC Bulletin of Statistics 2017

Note: Sri Lankan Figure with excluding Re-exports

Global tea exports during 2016 showed shrinkage of 22 Mn.kg (1.21%) as against the previous year. Kenya & China showed an increase of its export quantities and attained a growth of 8.3% & 1.1% correspondingly, compared to the other major tea exporting countries in 2016. The three largest exporters, viz, Kenya, China and Sri Lanka accounted for more than 61% of global exports.

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

Table 2.16: Top-most export revenues(2016)

Country	Export Revenue (US\$ Million)
Sri Lanka	1,210.53
Kenya	1,189.74
China	1,484.91
India	634.82
Vietnam	236.32
Indonesia	113.36

Source: Annual ITC Bulletin - 2017

2.6 Export Market review for Ceylon Tea

The Sri Lanka tea industry went through one of its toughest years in 2016, even more difficult than the previous year. The crop slumped to the lowest since the year 2009. Consequently, the export quantities declined to the lowest volume after 2002. Only the tea bag exports showed a marginal gain from 2015 but not a factor for complacency since the year 2015 had registered a poor performance on tea bag off-takes from previous years. The only silver lining in the dark cloud was the increase of revenue from the exports, a modest 1.5% in local currency terms. However, in real value terms the earnings has dropped from US\$ 1.33 Billion in 2015 to US\$ 1.26 Billion in 2016 (5.5%). The industry achieved its highest export revenue in 2014 at US\$ 1.63 Billion (a significant decline of 23% in 2016 from the best year of earnings).

2.6.1. Russia and CIS region

The Russian Federation and the republic states of CIS region absorb around 260-285 million Kilos of teas per annum from all origins. During the year 2016, the region imported 251 million Kilos of tea which was 14,467 MT less than the previous year. The decline was 5.4% in volume terms.

Sri Lanka exported 52,018 MT of tea to CIS region in 2016 which shows a decline of 2,146 MT compared to the year 2015. The CIS Region has absorbed 18.5% of total Sri Lanka's tea export volume of 280,874 MT in 2016. The table appended below shows the total tea imports by the Russian Federation & CIS region in 2015 and 2016.

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

Country	2016 (Kg)	2015 (Kg)	Volume Change (Kg)	Growth (%)
Russia	34,079,116	36,099,034	-2,019,918	-5.60
Ukraine	4,634,113	3,966,958	667,155	16.82
Azerbaijan	10,543,827	11,156,134	-612,307	-5.49
Kazakhstan	463,810	729,845	-266,035	-36.45
Uzbekistan	510,012	487,359	22,653	4.65
Kyrgyzstan	912,068	835,130	76,938	9.21
Belarus	273,697	330,388	-56,691	-17.16
Moldova	130,556	195,737	-65,181	-33.30
Georgia	312,118	241,537	70,581	29.22
Tajikistan	82,721	30,392	52,329	172.18
Turkmenistan	55,210	37,827	17,383	45.95
Armenia	20,832	53,366	-32,534	-60.96

2.6.1.1. Russia

The Russian Federation is the largest tea importer in the world for consumption with annual tea intake of around 175 million kilos with a value of USD 600 million. The per-capita consumption of the tea in Russia records around 1.2 kg. The majority of Tea consumed in Russia is black tea.



The statistics show 5.47% decrease of total tea imports to the Russian Federation in volume terms, from 173,973 MT in 2015 to 164,459 MT in 2016. In value term the total imports has declined from USD 644 million to USD 549 million, a decline of 14.8%.

Except for Green in Bulk form, the other categories of tea imports to Russia have shown a decline during the year. Green tea in Bulk also only showed a marginal increase of 5.3%.

It is very clear that Russian importers have cut down the volume of importing pre-packed tea, both black and green teas, considerably in 2016. The pre-packed black tea imports to Russia have declined to 10,538 MT in 2016 from 14,012 MT in 2015 while green pre-packed tea imported to Russia dropped to 1,402 MT in 2016 from 3,223 MT in 2015.

According to the Russian Customs information Agency, Russia has imported 164 459 MT of tea in 2016 with a value of USD 548 million. The 2016 figures shows a decline of both volume and value 9,514 MT (-5.4%) and USD 90 Million (-14%) respectively from year 2015.

Ceylon Tea lost its dominance in the last two years in the Russian tea market in export volume. In 2015 India took the leading position of tea exporter to Russia with its market share of 26.6% taking into account volume of tea exported, while Sri Lanka is still the leader among countries exporting tea to the Russian Federation in value terms which is 29.27%. Among other major competitors of Sri Lanka in tea exports to Russia are Kenya Vietnam, China, and Indonesia.

Ceylon Tea performance during the last 5 years shows a gradual decline of the percentage of value added tea exports to Russia from 22.2% in 2012 to 18.9% in 2016.



The import of Ceylon tea in bulk form has a bigger share in the tea basket of Sri Lanka to Russia which is 81.1% in 2016. The reasons behind the import of more bulk tea is attributed to discriminative tea import tariff structure in Russia which is 0% duty for bulk teas and 12.5% for pre packed teas. The expansion of the local tea packaging industry in Russia also significantly contributed for importing more bulk tea over the pre-packed teas.

As per the statistics released by Sri Lanka Customs, there was a decrease of Ceylon Tea exports to the Russian Federation from 47,295 MT in 2012 to 34,079 MT in 2016 which indicates a 28% decline (13,216 MT in volume). Again the packeted tea segment has declined at rate of nearly 32% (2,302 MT) from 7,230 MT in 2012 to 4,928 MT in 2016. The tea bag sector has also considerably dropped by nearly half.

In value terms, the total tea export earning has slightly declined from Rs. 20,652 million in 2015 to Rs. 20,403 million in 2016. Compared to the declining of the volume from 2015 to 2016, revenue of the tea exports to Russia insignificantly decreased in 2016 thank to the increased tea market prices in Sri Lanka.

2.6.1.2. Ukraine

As per Sri Lanka Custom's statistics, the tea exports of Sri Lanka to Ukraine in 2016 accounted for 4,635 MT with the value being Rs. 3,203 million. Around 81% of this volume was exported to Ukraine in bulk form, 15% in packets and only 4% in tea bags. In 2015, total export was 3,967 MT with a value of Rs. 2,491 million. 2016 recorded a 17% increase in volume terms and a 29% increase in value terms over 2015.

Annually one Ukrainian citizen consumes 500 - 600 grams of tea. Annual market capacity accounts for 22 - 24 thousand tones.

2.6.1.3. Azerbaijan

Tea is the most popular drink in Azerbaijan. Azerbaijan has one of the highest per capita consumption of tea in the World. Azerbaijani tea culture enjoys a time-honored history and since ancient times, tea is an integral part of people's daily life in the country.



Sri Lanka is the leading supplier of tea to Azerbaijan with a market share of 91.52% in 2016, followed by India (1.1%), Iran (1.34%) and Russia (1.87 %). It is noted that Kenya has entered the Market in 2016 with a volume of 113 MT. Russia has been able to increase her tea export to Azerbaijan from 59 MT in 2015 to 236 MT in 2016.

The total Sri Lanka tea exports to Azerbaijan dropped form 11, 156 MT in 2015 to 10,020 MT in 2016 at a decline of 5% (612 MT). However the revenue generated from the tea exports has increased from Rs. 6,103 million in 2015 to Rs. 6,512 million, thanks to the increased tea prices in Colombo tea auction.

An increase of the packeted tea exports to Azerbaijan was registered in 2016 over 2015 recording a volume of 521 MT which is an increase of 128 MT. Ceylon tea exports to Azerbaijan market is mainly in bulk form (95%) as the raw material for the local tea packaging plants in Azerbaijan.

2.6.1.4. Kazakhstan

Tea is the most traditional drink in Kazakhstan and is consumed by people of all ages and from all income sectors throughout the day. In addition, tea in Kazakhstan is considered to be a natural and healthy hot drink which can help treat a range of illnesses like colds and stomach-aches, with increasing consumer health awareness helping to boost sales. The Sri Lanka tea exports to Kazakhstan dropped drastically in 2016. The Sri Lanka Custom statistics shows a decrease of 266 MT of tea in 2016 from 730 MT in 2015. The value of the total Sri Lanka tea exports also significantly dropped from Rs. 540 million to 286 million.



2.6.1.5. Uzbekistan

There is a strong and longstanding tradition of tea consumption among Uzbekistanis. Although tea has never been grown or produced in Uzbekistan, it has been historically the main non-alcoholic beverage in the country. This status has diminished somewhat over the last two decades due to the rapid penetration of various other types of affordable-priced non-alcoholic beverages. Sri Lanka tea exports to Uzbekistan increased from 487 MT in 2015 to 510 MT in 2016 which is a 4.7% increase in volume terms. However, the value has declined by Rs. 6 million in 2016 comparing with the 2015 figure.



2.6.1.6. Kyrgyzstan

Kyrgyzstan is predominantly a black tea drinking country. Market sources indicated that the actual volume of tea consumption is estimated at around 4000MT per annum. With a population of 5.7 million, the per capita consumption is about 700 gram per annum. Black tea is the most popular having a share of 90% of total market volume.



Sri Lanka is the leading tea exporter to Kyrgyzstan with a market share of nearly 25% in 2016. As per the Sri Lanka Customs Statistics, Sri Lanka's direct exports to Kyrgyzstan recorded 835 MT in 2015 and 912 MT in 2016. The increase of the export volume of Ceylon Tea registered 9 % in 2016. Approximately 90 % of tea was exported in bulk form. However an increase in tea packet shipments in 2016 over the previous year is evident. The value of the Ceylon tea exports has also increased from Rs. 472 million in 2015 to Rs. 555 million in 2016.

2.6.1.7. Belarus

With a population of 9.5 million, trade sources have estimated the total tea market in Belarus as 5000 MT - 7000 MT per annum. In 2016, over 70% of the volume has come through the borders of Russia. As per the information received from the National Statistical Committee in Belarus, the country has imported 4 824 MT during the year 2016 which is a decrease of 1 208 MT (20%) compared to the previous year. However, the total value of tea imports to the country has declined from USD 47.2 million in 2015 to USD 31.6 million in 2016.



Russia has taken the leading position in exporting tea to Belarus with a market share of nearly 80% while Sri Lanka is placed as the main back-up supplier holding 7.4 % of the market. Other back-up suppliers UAE, Poland and Vietnam have market shares of 1.5%, 1.9% and 5.2% respectively. In 2016 Sri Lanka exported 273 MT of Ceylon Tea to Belarus with a value of Rs. 297 million. In comparison to the year 2015, the Sri Lanka tea exports to Belorussia have declined by 57 MT in volume and Rs. 56 Million in value terms in 2016. The decline of direct Sri Lanka tea exports to Belorussia has been attributed to the increased Ceylon tea prices and weak economic conditions in the country caused by the economic crisis in the Russian Federation, which is their main trading partner.

2.6.1.8. Moldova

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



Ceylon Tea Exports to Moldova is estimated at around 250 MT- 350 MT per annum. However, in the last few years the Sri Lanka tea exports to Moldova has drastically declined. According to the statistics released by Sri Lanka Custom, Ceylon tea exports to Moldova decreased by 65 MT (33.2%) during the year 2016 compared to 2015. It dropped to 130.5 MT in 2016 from 195.56 MT in 2015. The value also declined from Rs. 204 million in 2015 to Rs. 136.4 million in 2016 registering a decrease rate of 33.2%.



2.6.2. Middle East & North African Markets

The country-wise tea export statistics from Sri Lanka to the Middle East/North Africa (MENA) Region during 2016 in comparison with 2015 as per the SLTB sources are tabulated below:

Table 2.18: country-wise tea export statistics from Sri Lanka to the Middle East/North Africa (MENA) Region

COUNTRY	2015 (MT)	VALUE (RS.BILLION)	2016 (MT)	VALUE (RS.BILLION)
Iran	29,564	17.7	33,598	22.2
Iraq	31,038	13.3	32,410	15.0
Turkey	33,685	18.7	27,060	14.4
UAE	22,925	12.8	17,830	10.3
Syria	10,942	6.4	11,963	7.8
Libya	9,903	4.5	12,617	6.6
Kuwait	8,677	4.1	3,486	2.2
Jordan	5,573	4.0	3,877	3.1
Saudi Arabia	4,357	3.1	3,989	3.1
Lebanon	2,450	1.8	3,447	2.5
Egypt	4,175	2.0	3,048	1.6
Sub Total	163,289	88.4	153,325	88.8
Total Sri Lanka Exports/Value	298900	174.3	280,874	176.2
MENA Region Ceylon Tea Share from total Sri Lanka Exports	54.60%	50.70%	54.60%	50.4%

Source: Sri Lanka Tea Board

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

In spite of all the uncertainties and the turbulences in the MENA countries during 2016, the region has contributed to almost 55% of total off-takes from Sri Lanka to the world. Even in respect of value terms, a 51% contribution is registered, a performance worthy of emulation. When re-export data has not been taken into consideration, the tea markets of Iran, Iraq, Turkey, UAE, Syria, Libya, Kuwait, Jordan, Saudi Arabia, Lebanon, Egypt and have combined recorded the import of 153,325 Metric Tons of Ceylon Tea during 2016 out of a total off-take volume of 280,874 MT to all destinations. It reflects a share of exactly 54.6% in quantity terms and a 50.4% share in value terms. Thus, MENA Region has once again proved its indispensable nature for the survival of Ceylon Tea.

Iran with purchases recorded at 33,930 MT against 30,066 MT in 2015 (inclusive of re-exports) has registered an annual growth of 3,850 Tons (13%) and is the leading importer in the region. Also, Iran is just marginally below Russian Federation (500 Tons less) who is still the No. 01 buyer of Ceylon Teas but the position is more than vulnerable.

However, long term credit has become almost mandatory for the business with Iran and not a comfortable arrangement. Further, the Iranian Riyal has deteriorated to a very low level of over 40,000 to a Dollar and strengthened marginally, sending ripples throughout the buyer / seller partnership for the New Year. Again, a clearly noticeable trend from the last quarter of 2016 is the penetration by Indian teas to the Iranian market gradually replacing Ceylon Teas due to the price escalation at Colombo Auctions. The conflict stricken **Iraq** is the 3rd largest buyer of Ceylon Teas and off-takes are recorded at 32,550 MT by end of 2016 as against 31,365 MT during same period of 2015 reflecting an increase of 1,200 Tons (3.8%). With higher oil prices and larger crude sales expected in 2017, **Iraq** is bound to maintain its momentum at the bottom end of the Colombo Tea Auctions. The average FOB price of Ceylon Tea for 2016 works-out to Rs 627 per kilo but in comparison, the FOB price of exports to Iraq in the past year is registered at Rs. 462 per kilo which is Rs. 165 per kilo less than the average. The geopolitical upheavals, border tensions, domestic revolting, involvement in the neighboring wars, disintegration of the Turkish Lira and the influx of refugees combined to create an unhealthy trading climate in Turkey. Hence, the hub status of **Turkey** for tea was drastically diluted during the year under review. As the 4th largest buyer of Ceylon Teas, Turkey has imported 27,070 MT in 2016 as against 33,700 MT in 2015. It has therefore, recorded a substantial drop of 6,625 Tons (21%).

The role of **UAE** also got undermined due to the difficulties in trading with Iran in particular which resulted in the re-export trade slowing down. The available statistics show that UAE has imported 18,400 MT in 2016 as against 23,440 MT in 2015 registering a drop on Ceylon Tea volumes by 5,055 Tons (21.5%). However UAE remained as the 5th largest importer of tea from Sri Lanka. Also interesting to highlight that UAE was the second largest buyer of Ceylon Green Tea after the Russian Federation while it is the 5th largest pre-packed outlet for Sri Lanka.

Syria and **Libya** are both suffering from serious internal conflicts. Both destinations are captive markets for Ceylon Tea. However both Libya and Syria has increased off-takes from Sri Lanka. In 2016 Libyan off-takes have been estimated at 12,645 MT from 9,984 MT in 2015 a growth of 2,660 (22.5%). Similarly Syria has imported 12,100 MT in 2016 showing an increase of 1,000 MT from 11,090 MT in 2016.

A substantial drop is registered by **Kuwait** from 8,730 MT to 3,527 MT for 2016. The decline is 5,200 MT (60%) mainly due to the tight border controls with Iran & Iraq. Jordan & Kuwait both confined their imports to the domestic requirement only in 2016. As such, the purchases by Jordan also declined by 1,654 MT from 5,650 MT in 2015 to 3,996 MT in 2016.

In **Lebanon**, Ceylon Tea exports which stood at 2.1 million kilos in 2012 has grown to 2.8 million kilos in 2013 and further increased to 3.4 million kilos in 2014 but declined to 2.5 Million kilos in 2015 and jumped to 3.5 Million kilos in 2016. Some volumes may be transported to Syria through the common border. The highly price conscious Egyptian tea market usually dominated by African (especially Kenyan) CTC teas have purchased 3.6 million kilos of Ceylon Tea in 2012, 2.0 million kilos and 2.8 million kilos of tea from Sri Lanka in 2013 and 2014 respectively but increased off-takes to 4.2 Million kilos in 2015 and dropped to 3.1 Million kilos in 2016. When the Mombasa Auction prices are very strong, Egypt usually looks at Sri Lanka & India to cover-up their deficit. However, in 2016, Colombo auction prices were much stronger. Egypt also imported Ceylon Tea for re-exports to Libya.

2.6.3. Far East Oceania region

2.6.3.1. Japan

Japan has established itself as the most sophisticated tea market in the world. Whether it is in product quality, product cleanliness and safety, packaging innovations, technological progress, traceability and transparency in the supply chain, nature and environment friendliness, social responsibility and sustainable development in the industry, Japan commands the top position in the global tea market today. Although it is a tough market to enter, Japan has always been a rewarding destination for tea exporters and suppliers who are willing to make the required investment in packaging and cleaning machinery, food safety standards and product innovations. Tea consumption in Japan is 112,630 MT per annum, a slight contraction compared to previous years. However Green tea consumption dominates the Japanese market whilst demand for black tea is static and Oolong tea market is declining. The present trend in Japan is as such that the market for instant and Ready to Drinks are growing with 40% of imports from the instant and RTD category.



Japan has always been among the top 10 major markets for Ceylon Tea. Sri Lanka mainly exports Black Orthodox tea to Japan and dominates the black tea market with a powerful 60% of market share. Total Black tea exports to Japan from Sri Lanka in 2016 have been 7,665 MT in quantity and Value wise it is USD 37.2 Million.



2.6.3.2. China

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

The total production was reported as 2.35 billion kg in 2016 with an increase of 4.5% over 2015. China's green tea production accounted for 66% of its total tea production while the balance consisted of black tea and other teas. China's production accounts for 43% of the global production followed by India (22.7%), Kenya (8.7%) and Sri Lanka (5.4%).

The annual tea consumption in the country is estimated to be around 1665 Million kg with per capita consumption of 1220 grams (2015). China exported 328,692 MT during the year 2016 and emerged as the second largest exporter to the world behind Kenya.

According to Sri Lanka Customs, direct exports from Sri Lanka during 2015 were 7,198 MT of Ceylon Tea at a value of approximately US \$ 32.97 million. A quantity of 7,463 MT of Ceylon Tea with a value of US \$ 30.98 million was exported during 2016, of which 93 % was in bulk, 4.1% was in packets and 2.9% in tea bags. It reflected an increase of 3.7% in volume terms over 2015.

2.6.3.3. Taiwan

Taiwan produces around 14,400 MT of tea of which 95% are high quality Green tea. Taiwan is a significant market for tea with a per capita consumption of 1.53kg's per head.

The total tea imports to Taiwan amounts to 24,321 MT per year, out of which 66% is divided among Black tea and Oolong tea. Vietnam is the dominant player exporting tea to Taiwan with a share of 57% followed by Sri Lanka and India with a share of 13% and 11% respectively. Total tea consumption in Taiwan amounts to 41,000MT per annum which is also driven by high volume of tourists arriving from Asia, who consume tea mostly as a part of their drinking culture.



Taiwan is an important market for Ceylon tea with growth potential. But tea exports to Taiwan from Sri Lanka has experienced a decline of 13% in quantity and has declined from USD 12.11 million to 10.98 million in value, which is a drop of 9.3% from year 2015 to 2016.

2.6.3.4. Australia

The tea consumption is mainly in Black Tea form, but the Green Tea segment which is still very small (Approx. 3%) has shown a positive growth. India accounts for 25% as leading supplier followed by Sri Lanka's with a contribution of 19.6%, Indonesia (16.1%) and China (17.9%) in 2015/16. Average unit prices of black standard tea decreased by 1.5%. Specialty tea and pyramid bags carry a higher unit price, contributing to the increase in average unit prices. Australians are willing to pay extra for higher-quality tea and, as such, off-trade unit prices of tea increased by 3%. Ceylon Tea exports to Australia have increased marginally from 2,336 MT in 2015 to 2,371 MT in 2016, which is an increase of 1.5%. Value added component accounts for 86 % (tea bags-67% and packed tea-19%) of total tea exports to Australia.



2.6.3.5. Singapore

Ceylon tea export to Singapore is around 475 MT - 625 MT per year. During the year 2016, the total Ceylon Tea exports to Singapore recorded a volume of 597 MT. For the year 2015, the statistics indicate a total of 505 MT. The main competitors for Ceylon tea in Singapore are China, Indonesia, Kenya, India, Japan and Taiwan. China and Japan supplies mainly Oolong tea and Green tea. Therefore Kenya and India are the major competitors in terms of Black tea.



2.6.4. North and South American region

Table 2.19: Country wise Ceylon Tea exports to North and South American region

Country	2016 QTY(Kg)	2015 QTY(Kg)	Change Qty.(Kg)	Growth %
CHILE	6,543,574	6,864,828	-321,254	-4.68
USA	4,519,463	3,781,497	737,966	19.52
CANADA	416,486	579,153	-162,667	-28.09
VENEZUELA	44,785	36,150	8,635	23.89
BRAZIL	3,488	1,960	1,528	77.96
MEXICO	18,109	22,075	-3,966	-17.97
PANAMA	194	5,858	-5,664	-96.69
ARGENTINA	29,120	39,200	-10,080	-25.71
COLOMBIA	508	235	273	116.17
Total	11,575,727	11,330,956	244,771	2.16

Source: Sri Lanka Tea Board

2.6.4.1. USA

In 2016, Americans consumed almost 84 billion servings of tea, or more than 3.8 billion gallons. About 80% of all tea consumed was Black Tea, 16% was Green Tea, and the remaining quantity was Oolong, White and Dark Tea.

U.S. remained the third largest importer of tea in the world, followed by Russia and Pakistan. Further, USA was the only western country to grow in both tea imports and consumption in 2016. Argentina remains as the major supplier of tea to USA with a share of 43%, followed by China (15.5%), India (12.1%), Vietnam (4.8%), Sri Lanka (4.4%) and Indonesia (3.3%). In respect of value terms, China was the top import source of tea to USA in 2016 followed by Argentina and India

Black tea accounts for about 90% - 95% of the tea imported from Sri Lanka every year, while green tea accounts for the rest. Of the black tea segment, tea in bulk accounts for about 55% - 60%, while tea bags and packets (in packing less than 3kg) account for the balance. Exports from Sri Lanka during 2016 were 5,458 MT with a value of approximately 35 million USD. A quantity of 4941 MT of Ceylon Tea with a value of USD 33 million was exported during the year 2015.

2.6.4.2. Canada

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

Canada consumed 14,659 Metric Tons of black tea in 2015, and of that imports account as follows: United Kingdom (22%), India (17%), USA (33%), Sri Lanka (5.5%) and China (7.6%). In 2016, Sri Lanka exported 416,486 kg, recording a drop of 28% over 2015 but average FOB prices slightly increased in 2016. 60% of exports was in value added form in year 2016.

2.6.4.3. Chile

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

Argentina remains as the major supplier with 47% share while Sri Lanka is the dominant back-up supplier with 32% share. Sri Lanka exported 6,543,574 Kg of tea to this market in 2016 compared to 6,864,827 Kg in 2015 which is a decrease of 4.68% in terms of volume. Export earnings in 2016 increased to Rs. 3,425 Million or by 3.6% compared to 2015.



2.6.5. European Region

Table 2.20 : Country wise Ceylon Tea exports to European Region

COUNTRY	2016 - (Kg)	2015 - (Kg)	Variance (Kg)	Growth %
GERMANY	6,525,210	6,852,378	-327,168	-4.77
POLAND	2,173,286	2,373,281	-199,995	-8.43
BELGIUM	2,833,547	2,356,975	476,572	20.22
NETHERLAND(HOLLAND)	2,570,845	1,536,999	1,033,846	67.26
IRELAND	1,817,673	1,987,202	-169,529	-8.53
ISRAEL	1,378,427	1,417,706	-39,279	-2.77
ITALY	956,297	1,513,441	-557,144	-36.81
FINLAND	1,212,724	1,141,530	71,194	6.24
FRANCE	663,088	764,086	-100,998	-13.22
UNITED KINGDOM	957,050	1,154,346	-197,296	-17.09

Source: Sri Lanka Tea Board

2.6.5.1. United Kingdom

The annual tea consumption in the country is estimated to be around 114,473 MT with per capita consumption of 1.78 kg (ITC 2016). The consumption of green and fruit teas is increasing. Black tea is presently holding 95% share. Moreover, demand for decaffeinated or semi-decaffeinated tea is increasing. The herbal, green and decaffeinated assortments found in UK supermarkets have been strongly widened. Moreover, the UK is the principal EU market for ready-to-drink tea (and coffee) products. However, compared to conventional black tea, these products remain very limited, and only have a limited effect on overall tea consumption.



The grower countries are the largest suppliers to the UK tea market with Kenya leading the way with 62,864 MT (46%) followed by India 21,817 MT (16%) and Malawi 7,003 MT (5%) in 2015.

Sri Lanka tea exports show a fluctuating trend during the last five years. According to Sri Lanka Customs, direct exports from Sri Lanka during 2015 were 1,154 MT of Ceylon Tea at a value of approximately 1,229 million rupees. A quantity of 957 MT of Ceylon Tea with a value of 1,168 million rupees was exported during the year 2016, of which 64.2% was in bulk, 16.1% was in packets and 19.6% in Tea bags.

2.6.5.2. Poland

With a population of about 38 million Poland is the third largest consumer of tea in Europe. The annual tea consumption in the country is estimated to be around 34,787 MT with per capita consumption of 0.89 kg (ITC 2016). Poland is a significant net importer of tea in the EU, with a market share of 26.72% of total tea imports in European region in 2015. As per available ITC statistics, Poland imported 34,787 MT of tea during the year 2015. Polish People are black tea drinkers, with 87% of the tea imported being black tea and only 13% green tea.



The grower countries are the largest suppliers to the Poland tea market with Kenya leading the way with 7,032 MT (20%) followed by Vietnam 1,779 MT (5%), India 4,785 MT (13%), Indonesia 2,749 MT (8.0%), Germany 4,398 MT (12.64%) and China 1,882 MT (5%) and Sri Lanka 1,807 MT (5%) in 2015.

According to Sri Lanka Customs, direct exports from Sri Lanka during 2016 were 2,173 MT of Ceylon Tea at a value of 1,898 million rupees. A quantity of 2,373 MT of Ceylon Tea with a value of 1,915 million rupees was exported during the year 2015. It reflects a decrease of 8.4% in volume and 0.89% decrease in value over 2015.

2.6.5.3. Germany

Germany is the second largest importer of tea in the European Union but in terms of consumption it is behind United Kingdom and Poland. Germany imported 57,178 MT of tea during the year 2015. During 2015 Germany re-exported 44% (25,094 MT) of the total import volume with net imports of 32,084 MT for domestic consumption.



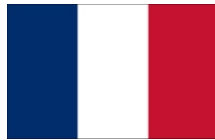
Total tea imports to Germany increased from 50,847 MT in 2010 to 57,178 MT in 2015 an increase of 6,331 MT or 12% over the six year period. China supplies 24% (13,799 MT) of Germany's tea imports, followed by India (17%), Sri Lanka (13%), Netherlands (7%) and Indonesia (7%). Whereas green tea dominates in imports from China (more than 75% of total imports), the classic black tea suppliers India and Sri Lanka maintained their leading positions in this market.

Germany has set up another record in tea re-exports, with 25,094 MT of tea processed in Germany and exported to 96 nations. The expertise of German tea specialists has long been held in very high regard throughout the world a success which has been achieved by their excellent work in identification of new product variants and consumer preferences. Some 70% of all tea traded in the whole of Europe goes through the tea city of Hamburg. Hamburg has been for many years the major hub of the European tea trade, and the base for many service providers associated with tea.

Sri Lanka was the major supplier of black orthodox tea to Germany. Sri Lanka exports most of its tea in bulk form and value added exports accounts for 36%. Sri Lanka exported 6,525 MT of tea to Germany in 2016 and Germany was the 12th highest export destination for Ceylon Tea. There was a decrease of 327 MT (-4.77%) compared with the previous year exports of 6,852 MT.

2.6.5.4. France

France is the fourth largest net importer of tea behind U.K, Poland and Germany in the European Union with a market share of 9.3%. Tea imports during the year 2016 were 12,501 MT as against 14,833 MT in 2015 which shows a decrease of 16% in terms of volume. China is the major tea supplier with a market share of 38% followed by Belgium (15%), Germany (11%), and Sri Lanka (5.5%). 22% of France tea imports are re-exported leaving the balance for domestic consumption.



Black tea with market volume of 9,804 MT represents 51% of total imports while green tea with a volume of 9,266 MT holds 49% share. About 76% of teas imported into France are in pre-packed form while only 24% are imported in bulk form. Belgium is the largest supplier of black tea with a share of 23% followed by China (17%), Sri Lanka (11%), Germany (10%) and other countries (39%). Supply of Green tea is dominated by China with a major share of 61% followed by Germany (12%) and Belgium (4.5%).

As per Sri Lanka custom statistics, during the year 2016, Sri Lanka has exported 663 MT of tea against 764 MT in 2015. But Sri Lanka's share in the French market could be much higher since tea coming in from Belgium, UK and Germany too include a reasonable volume of Ceylon Tea.

2.6.6. South Asia Region

Table 2.21 : Country wise Ceylon Tea exports to South Asia Region

Country	Qty. (Kgs)		Change	Growth %
	2015	2016		
India	3,446,787	1,081,718	-2,365,069	-68.62
Pakistan	3,281,954	956,242	-2,325,712	-70.86
Bangladesh	516	0	-516	-100.00
Maldives	175,279	194,184	18,905	10.79
Afghanistan	1656	278	-1,378	-83.21
Nepal	3,297	2,693	-604	-18.32
Total	6,909,489	2,235,115	-4,674,374	-67.65

Source: Sri Lanka Tea Board

The region comprises of 8 countries. Out of these countries, three countries are not producing tea. World tea consumption figures showed that this region consumed nearly 20 percent of the entire production in the world, especially in black tea category.

These six countries imported 2.2Mkgs of Ceylon tea during the year 2016. It was a noticeable decline compared to 2015 imported quantity of 6.9 million kilograms.

India ranked first among this region importing 1.08 million kilograms of Ceylon tea. The average price of black tea imported into Pakistan varies according to the country of origin and quality. Tea market of Pakistan is dominated by Kenya. It is important to note that the average price of Kenyan tea imported has increased by 30 % to reach more than at US \$ 3.00 per Kg in 2016. The Pakistani consumers are used to the taste of Kenyan tea.

The average price of Sri Lankan tea was the highest when compared to other sources of supply. Maldives registered considerable increases in their Ceylon tea imports and Nepal, Bangladesh and Afghanistan registered decrease in import of Ceylon tea.



03 ACTIVITIES UNDERTAKEN BY THE BOARD

3.1 Tea Commissioner's Division

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

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

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

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

Regulations, which were framed under the section 25 of the Sri Lanka Tea Board Law No. 14 of 1975 and delegated to the Tea Commissioner, are appended below.

- a) Sri Lanka Tea Board (Processing & Hygienic Standard for made tea) Regulations 1986
- b) Sri Lanka Tea Board (Replanting & Factory Modernization Subsidy Scheme)



3.1.1 Key Achievements

The Tea Commissioner's Division initiated the registering of tea lands in the Island in 2016.

Up to 2016 only RPCs are allowed to sell the extracted black tea through Colombo auction. But now private sector is also allowed to sell the extracted black tea through the auction.

The Tea Commissioner's Division conducted granting wage increment loan and festival loan for RPCs.

3.1.2 Registration of Manufacturers and Factories

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

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

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

Table 3.1 Classification of Tea Factories by Operation

Status	High	Medium	Low	Total
1. Confined to Own Leaf	80	16	04	100
2. Own leaf & Bought leaf :-				
a) Own leaf less than 50% at total production	15	32	82	129
b) Own leaf more than 50% of total production	54	29	23	106
3. Bought Leaf only	09	35	304	348
4. Registered Tea factories in operation	167	122	418	707
5. Registered Tea factories not in operation	30	75	94	199
6. Total number of Registered Tea Factories	197	197	512	906

Source: Sri Lanka Tea Board

Chart 3.1 : Classification of Tea Factories

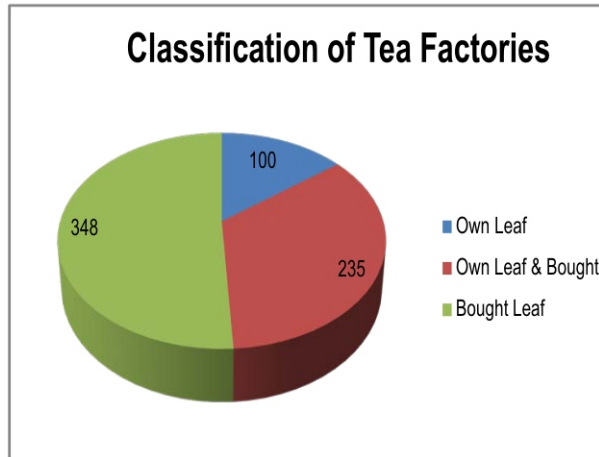
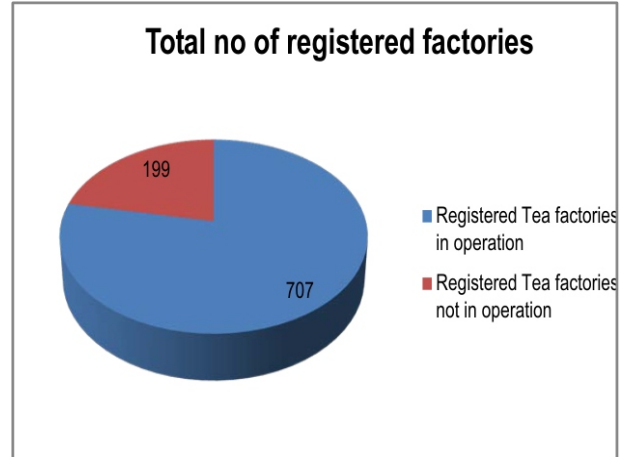


Chart 3.2: Total no of registered factories



3.1.3 Reasonable Price Payable for Bought Leaf

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

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

3.1.3.1 Defaulted Payment

During the year under review the total defaulted payment for green leaf suppliers remained at Rs. 109 million as at 31st December 2016. We also recovered Rs 18 Million during the year 2016. Further accumulation of defaulted payment interrupted by suspending their registration. Restoration of registration of such factories considered only after the settlement of the total defaulted payment.

Table 3.2: Status of Defaulted Payment

Region	Amount as at 2016.01.01	Amount added during 2016	Amount recovered and paid	Balance payment due to smallholder as at 31.12.2016	Amount due from closed Factories	Amount due from functioning Factories
Ratnapura	21638472.34	-	11890441.99	3781978.21	2837256.06	944722.15
Matara	16972112.35	180974.31	593622.00	16559464.66	2532641.60	14026823.06
Gampola	6989306.77	-	-	6989306.77	2695302.14	4294004.63
Galle	17005062.48	5634070.28	1300000.00	21339132.76	16954671.25	4384461.51
Baduraliya	26408034.97	11029716.10	1154453.56	36283297.51	21544697.07	14738600.44
Hatton	7487282.59	-	2041138.52	5446144.07	4866803.69	579340.38
Bandarawela	1003982.42	18836697.81	1012956.38	18827723.85	135865.97	18691857.88
Total	91538201.78	35681458.5	18076494.89	109143165.4	51567237.8	57575927.61

Source: Sri Lanka Tea Board

3.1.4 Quality Control of Green Leaf

The appropriate conditions of the buildings, equipments, machineries and manner of operations are essential to maintain the good quality of made tea. Hence, if above conditions are not conducive to the manufacture of good quality made tea, the Tea Commissioner has the authority to suspend or cancel the factory registration of such under the Tea Control Act No 51 of 1957.

The quality control of green leaf is vital fact for the manufacturing operations undertaken using bought leaf. If the good quality green tea leaf are used in the manufacturing process eventually, the quality of the made tea will be increased and it will be an ultimate benefit for the both Tea Small holders as well as the tea manufactures. If any factory found to be defaulted the payment amounting to reasonable price of green tea leaf, the factory will be warned and if the defaulted amount not be settled the registration of the factory will be suspended or cancelled.

There has been a Gazette notification for Green Tea Leaf standards on 14th December 2010 by the Sri Lanka Tea Board.

3.1.4.1 Quality Improvement Activities

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

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

a) SLSI SLTB Quality Certificate

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

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

b) The “ B Leaf 60” program to improve the green tea leaf standard

This program has been implemented to improve the leaf quality by minimizing the post harvest damage and by improving the plucking standards. Now this program is being executed successfully at the field. There can be seen a massive progress of this project at the field. At the beginning of this program the green leaf standard prevailed as 33% of Best Leaf, 32% of Below Best and 35% of poor. The current green leaf standard at the field is the Best Leaf 42%, Below Best 24% and Poor 34%. The “ B Leaf 60” was implemented with the aim of maintaining best green leaf standards (Best leaf standard) at minimum of 60% at the field. The following strategies have already been implemented to achieve this goal.

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

c) Rush Crop Management program during festive season

This project is designed to minimize the crop losses during festive season due to closing down of tea factories for a longer period. This project was introduced in 2005 and since then the Tea Commissioner's Division was able to control the crop loss almost completely by introducing various activities.

d) Low NSA Strategy

This is a project that is designed for tea factories that are in the lowest rungs of the NSA ladder. The objective of the project is to bring up the NSAs of these factories to higher levels by improving the standards of green tea leaf and the standards of tea manufacture.

e) Quality Monitoring System (Task Team Operation- TTO

178 Surprise inspections were carried out at tea factories by the officials of the Tea Commissioner's Division during the year 2016.

Table 3.3: Task Team Operations

Region	No of Inspections done
Bandarawela	17
Gampola/Hatton	43
Ratnapura	12
Matara	52
Galle	38
Mathugama	16
Total	178

Source: Sri Lanka Tea Board

f) Subsidy scheme for Factory Modernization & Tea Replanting

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

Funds was available for the corporate and private sectors for replanting and factory modernization for the year 2016. Following table shows the payment made for the replanting and factory modernization subsidy scheme during 2016.



Table 3.4: Subsidy Payments

Region	Replanting Subsidy Scheme		Factory Modernization Subsidy Scheme		
	No of Applications	Amount Paid	Extent Hec	No of Applications	Amount Paid
Bandarawela	05	923750.00	4.75	0	1000000.00
Hatton /Gampola	204	23028280.00	192.45	13	6653616.31
Ratnapura	25	12983534.00	57.11	13	3106650.00
Matara	09	3226058.50	17.72	18	7682367.76
Galle	01	2623273.10	16.57	01	6931736.33
Mathugama	05	1832400.00	11.88	0	50534.00
Total	249	44,617,295.60	300.48	45	25,424,904.40

Source: Sri Lanka Tea Board

g) Factory Based Tea Development Program (FBTDP)

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

An extension officer (Field coordinator) is due to be appointed through this program for monitoring the productivity of tea small holdings and handling of Green tea leaf.

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

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

Under this scheme, 1109 tea factories were evaluated and action was taken to improve the standards of tea manufacturing process.

Table 3.5 : GMP assessments done at Regional wise

Region	Assessment of GMP
Bandarawela	99
Gampola/Hatton	322
Ratnapura	109
Matara	216
Galle	207
Mathugama	156
Total	1109

Source: Sri Lanka Tea Board

i) Licensing of Dealers in Green Tea Leaf

According to the Tea Control Act, it is required for all green tea leaf dealers to obtain annual licenses from the Tea Commissioner's Division. Tea commissioner's division monitors all registered green tea dealers.

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

Table 3.6: No. of green tea licenses issued during 2016

ATC Regions	License declarers as at 01.01.2016	Renewals of Licenses	New Licenses issued	Licenses to deal in Green Tea Leaf as at 31.12.2016
Bandarawela	144	150	29	170
Gampola/Hatton	290	244	36	280
Matara	349	315	07	322
Galle	355	306	14	320
Ratnapura	597	486	51	537
Mathugama	271	203	20	223
Total	2006	1704	157	1861

Source: Sri Lanka Tea Board

j) Processing of Refuse Tea

Processing of refuse tea is a procedure of extracting consumable tea from un-denatured refuse tea. A scheme for issuing permits for the refuse tea processing centers has been introduced since 2009. The table no. 3.7 shows the regional-wise total permits issued during the year 2016.

Table 3.7: Issued permits for refuse tea processing centers during 2016

Region	Registered Processors as at 01.01.2016	Renewals during the year	Newly issued during the year	No of Processing Centers as at 31.12.2016	No of Permit Issued as at 31.12.2016
Bandarawela	01	01	-	01	175
Gampola/Hatton	249	231	09	240	3236
Matara	14	05	01	06	525
Galle	36	29	01	30	690
Ratnapura	09	04	0	04	992
Mathugama	03	04	01	05	328
TOTAL	312	274	12	286	5946

Source: Sri Lanka Tea Board

Table 3.8 : International Certification Awarded

Region	GMP	Other International Certification
Bandarawela	0	23
Gampola/Hatton	1	81
Ratnapura	1	23
Matara	2	19
Galle	0	10
Mathugama	0	9
Total	4	165

Source: Sri Lanka Tea Board

3.2 Tea Exports Section

The powers and functions of the Tea (Tax & Control of Exports) Act no. 16 of 1959 and regulations laid down under the Sri Lanka Tea Board Law no. 14 of 1975 are administered by the Tea Exports Section of the Sri Lanka Tea Board. The Tea Export Section performs duties relating to registration of tea exporters, tea packers, warehouses, importers, types of tea packs, retrieval of tea, monitoring of minimum quality standard for tea, authorization of export of tea, compilation of statistics on the export of tea and monitoring of export of tea under bilateral Free Trade Agreements (FTAs) of Sri Lanka.

3.2.1 Key Achievements

3.2.1.1 GMP Certification for Iran Exports.

A special operation was carried out in the year 2016 to evaluate the standard of the warehouse where tea consignments prepared for export to country of Iran. Sri Lanka Tea Board started this certification to assess the good manufacturing practices of these warehouses through assessing the process of blending, packing and warehouse storage practices and also followed by final product evaluation using sensory analysis and scientific examination guided by national and international standard of tea.

3.2.1.2. 24hrs 7 days' operations at the Sri Lanka Tea Board Export Division and Joint Investigation on the Tea Consignments at Sri Lanka Customs Exports Facilitation Center (EFC).

Sri Lanka Tea board has been started to open the export division 7 days 24 hours. In this year also operation hours were extended until 10.00pm. This was started to facilitate the Tea Exporters for submitting their Cusdec and to get the response without delay.

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



3.2.2 Registrations

One of the key duties of the Tea Export Section is registration and renewal of Exporters, Packers, Warehouses and Importers, with valid business registration, registered warehouse (for storing, blending and packing of tea), a qualified tea taster with tea tasting facility and with a minimum capital (invested/paid up) of a least Rs. 1.0 Million are eligible to apply for the registration as a tea exporter.

In terms of the Sri Lanka Tea Board Regulation (Registration of Tea Packers) 1986, published in the Gazette Extra ordinary no. 386/13 of 28th January, 1986, any person who engage in the business of packing tea for domestic consumption or in other forms of packaging it is essential to register with the Sri Lanka Tea Board. Every registration is valid only for one year period and required to renew the registration on annual basis.

Any entity registered as an exporter of tea under Tea (Tax & Control of Exports) Act no. 16 of 1959 is eligible to register as an importer of tea.

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

Registrations	As at 01.01.2016	During year 2016 (New Registrations)	Total No. as 31.12.2016
Exporters	347	37	359
Packers	451	150	553
Warehouse	262	32	261
Importers	129	08	129
Produce Brokers	8	-	8

Source: Sri Lanka Tea Board

In terms of the Sri Lanka Tea Board Regulation (Warehousing of Tea) 1984 published in Government Gazette Extraordinary no. 326/17 of 05th December, 1984 as amended by no. 418/11 of 10th September, 1986, no. 1280/8 of 20th March, 2003, warehouses used for the storage of any quantity of tea in excess of 1000 kgs of tea of any one time, and which the Sri Lanka Tea Board considers satisfactory for the purpose of storing tea, shall be registered with the Sri Lanka Tea Board in accordance with the provisions of the said regulations.

Retail containers which contain other origin specialty tea blended with Sri Lanka Teas would export under the Sri Lanka Tea Board Regulations (Import & Export) 1981. Such containers/ packs should bear the narration "A Blend of Ceylon and other origin Teas packed in Sri Lanka" or "Other Origin Teas packed in Sri Lanka" only and all containers shall be registered with the Sri Lanka Tea Board.

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

3.2.3. Importation of Tea

The Sri Lanka Tea Board has issued 510 import permits for Importation of 4,576,048.32kgs of tea. However, the actual quantity of import was **4,660,293** during the period under review.

Table 3.10

ACTUAL IMPORTS - JANUARY - DECEMBER 2016				
Country	Type	Imported Qty. (Kgs)	CIF Value (Rs.)	Value Rs.
CHINA	Green Tea	1,173,603	423.29	496,775,853
	Special	192,303	457.43	87,964,538
	CTC	14,831	221.19	3,280,454
	White Tea	15,838	573.99	9,090,885
	Sub Total	1,396,575	427.55	597,111,730
INDIA	CTC	2,198,540	258.78	568,937,393
	Special (Black Tea)	239,143	654.94	156,624,249
	Green Tea	16,786	265.48	4,456,316
	Decaffeinated Tea	12,030	864.08	10,394,828
	Sub Total	2,466,499	300.19	740,412,786
KENYA	CTC	638,618	329.42	210,375,011
USA	Green Tea	3,383	471.72	1,595,832
	Special	172	6,320.73	1,087,166
	Sub Total	3,555	754.71	2,682,998
TAIWAN	Green Tea	58	833.83	48,362
	Special	100	9,106.18	910,618
	Sub Total	158	6,069.49	958,980
JAPAN	Special	883	1,634.98	1,443,684
	Green Tea	3,625	2,378.46	8,621,928
	Sub Total	4,508	2,232.83	10,065,612
UK	Special	540	4,649.99	2,510,994
	Decaffeinated Tea	300	1,351.60	405,480
	Sub Total	840	3,471.99	2,916,474
VIETNAM	Green Tea	115,800	309.26	35,812,153
RUWANDA	CTC	14,000	271.04	3,794,500
DENMARK	Special	70	770.00	53,900
UGANDA	CTC	13,120	308.70	4,050,144
SWITZERLAND	Special	2,200	-	-
	Decaffeinated Tea	2,500	1,266.78	3,166,950
	Sub Total	4,700	673.82	3,166,950
HONG KONG	Green Tea	575	7,027.80	4,040,985
MYANMAR	CTC	1,000	542.05	542,050
GERMANY	Decaffeinated	125	1,485.51	185,689
	White Tea	150	4,201.46	630,219
	Sub Total	275	2,966.94	815,908
GRAND TOTAL		4,660,293	346.93	1,616,800,181

Source: Sri Lanka Tea Board

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

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

Table 3.11: no. of quality defects at each sampling level (2016)

Type of sampling	No. of samples drawn	No. of cases detected as below ISO and contamination
Pre auction sample drawn by export division	2447	} 2028
Pre auction withdrawals (by the panel)	1931	
Post auction	8551	39

Source: Sri Lanka Tea Board

3.2.5. Denaturing of tea due to unsuitability for consumption

Made tea found to be unsuitable for human consumption at the levels of pre-auction, pre-shipment and special investigations is denatured under the supervision of the Export Section. This section has denatured 446,205kgs of made tea identified at all levels above in 2016

3.2.6 Performance of Exports under the FTAs

Sri Lanka enjoys preferential Tariff Rate Quota (TRQ) for tea under the Indo-Sri Lanka Free Trade Agreement (ISFTA) and Pakistan-Sri Lanka Free Trade Agreement (PSFTA). However, a substantial utilization of TRQ has not been recorded in 2016.

Table 3.12 : Utilization of TRQ under the FTAs (2016)

FTA	Quota per annum kg	Total exports kg.
India - Lanka	15,000,000.00	888,328.27
Pakistan - Lanka	10,000,000	72,349.00

Source: Sri Lanka Tea Board

3.2.7. Retrieval of Tea

If a consignment of tea is not accepted by the overseas buyer, the local exporter has to retrieve the same with the approval of the Sri Lanka Tea Board. The consignment is reinspected by the SLTB prior to granting the authorization for export / Reuse.



3.3. Tea Promotion Division

3.3.1. Main Functions of the Division

Tea Promotion Division is responsible for the implementation of Ceylon Tea promotion programs locally and internationally on behalf of Sri Lanka Tea Board under the following broad categories.

- I. Uni national Promotion of Ceylon Tea.
- II. Generic Promotion for tea.
- III. Participation at International Food & Beverage Trade Fairs and Exhibitions.
- IV. Compilation & dissemination of strategic market profiles on all important tea consuming countries.
- V. Assisting Ministry of Plantation Industries on policy formulation for the Tea Sector.
- VI. Analysis of competitor activities.
- VII. Lion Logo registration and monitoring.
- VIII. Protection of Ceylon Tea & other Regional Tea Growing names/logos as Geographical Indications.
- IX. Ozone friendly Pure Ceylon Tea Logo registration and franchising to the private sector packers.
- X. Local Tea Promotion.

3.3.2. Overseas Tea Promotion Offices & Market Coverage

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

3.3.3. Trade Fair Participation

Sri Lanka Tea Board facilitates the participation of Sri Lankan tea exporting companies in international trade fairs in selected markets promoting 'Ceylon Tea' as a brand and also the individual brands of participating companies. SLTB participated at the following trade fairs in 2016 organizing a group stand for Ceylon Tea along with private sector participants.

1. Prodexpo , Moscow - Russia (8-12 Feb)
2. Gulfood, Dubai - UAE (21-25 Feb)
3. Foodex , Tokyo - Japan (8 - 11 Mar)
4. Expo Pakistan , Karachi - Pakistan (9 -11 Mar)
5. World Food Uzbekistan , Tashkent - Uzbekistan (16 -18 Mar)
6. Cairo Int'l Fair , Cairo - Egypt (13 -27 Mar)
7. Global Dubai Tea Forum - Dubai (5 - 7 Apr)
8. Singapore Expo - Singapore(12 - 15 Apr)
9. Anufood Eurasia - Turkey (14 - 16 Apr)
10. SIAL Canada, Montreal - Canada (13 - 15 Apr)
11. The Natural Food show, London- UK (17- 18 Apr)
12. World Food Warsaw - Poland (19 -21 Apr)
13. SIAL China , Shanghai - China (5 -7 May)
14. Seoul Food, Seoul - Korea (10 -13 May)
15. Agro Food & Beverage, Teheran - Iran (26 - 29 May)
16. World Food Azerbaijan, Baku - Azerbaijan (25 - 27 May)
17. World Tea Expo, Las Vegas - USA (15-17 Jun)
18. Saitex, Johannesburg - South Africa (19-21 Jun)
19. Food Taipei , Taipei - Taiwan (22-25 Jun)
20. Summer Fancy Food , New York - USA (26-28 Jun)
21. AFRIXIM EXPO Trade exhibition - Seychelles (21 - 23rd July)
22. Malaysia Int. Food & Bev. Trade Fair - Malaysia (27-29 Jul)
23. Int. Tea Fair, Hong kong - Hong Kong (11 -13 Aug)
24. World Food , Istanbul - Turkey (1-4 Sep)
25. COTECA , Hamburg - Germany (7-9 Sep)
26. Fine Food, Melbourne - Australia (12-15 Sep)
27. World Food, Moscow - Russia (12-15 Sep)
28. World Tea & Coffee Expo, Mumbai - India (Oct)
29. SIAL France - France (16 - 20 Oct)
30. Xiamen Tea Fair ,Xiamen - China (20 -24 Oct)
31. World Food, Kiev - Ukraine (26-28 Oct)
32. FHC Shanghai, Shanghai - China (7- 9 Nov)
33. World Food, Almaty - Kazakhstan (Nov)
34. Saudi HORECA, Riyadh - S. Arabia (13 - 18 Nov)
35. Int'l Tea & Coffee Festival, Dubai - UAE (2 - 4 Nov)
36. World of Tea, Teheran - Iran (7 - 9 Nov)
37. SIAL Middle East, Abu Dhabi - UAE(5- 7 Dec)



Picture 3.1: Expo Pakistan, Karachi - Pakistan (9-11 Mar)



Picture 3.4: The Natural Food Show, London - UK (17 - 18 Apr)



Picture 3.2: Singapore Expo - Singapore (12-15 Apr)



Picture 3.5: World Food Warsaw - Poland (19 - 21 Apr)



Picture 3.3: SIAL Canada, Montreal - Canada (13-15 Apr)



Picture 3.6: Seoul Food, Seoul - Korea (10-13 May)



Picture 3.7: World Food Azerbaijan, Baku - Azerbaijan (25-27 May)



Picture 3.10 :Saitex, Johannesburg - South Africa (19 - 21 Jun)



Picture 3.8: Turkey Road Show - from 27th may to 3rd of June 2016



Picture 3.11: Food Taipei, Taipei - Taiwan (22 - 25 Jun)



Picture 3.9: World Tea Expo, Las Vegas - USA (15-17 Jun)



Summer Fancy Food, New York USA (26-28 Jun)

Sri Lanka Tea Board participated at Summer Fancy Food - 2016 trade exhibition in USA with seven leading 'Ceylon Tea' exporting companies. Minister of Plantation Industries Hon. Navin Dissanayake graced the opening ceremony of the Sri Lanka Tea Board Pavilion.

Picture 3.12 :Summer Fancy Food - 2016



Picture 3.13 :Summer Fancy Food - 2016



Picture 3.14 :AFRIXIM EXPO Trade exhibition - Seychelles (21 - 23rd July)



Picture 3.15 :Malaysia International Food & Beverage Trade Fair - Malaysia (27 - 29 Jul)



Picture 3.16 : Int. Tea Fair, Hong Kong - Hong Kong (11 - 13 Aug)



Picture 3.17 : COTECA, Hamburg - Germany (7-9 Sep)



Picture 3.20 :World Food, Moscow - Russia (12 - 15 Sep)



Picture 3.18 :The 13th China - ASEAN EXPO (CAEXPO) (11 - 14 Sep)



Picture 3.21 :World Tea & Coffee Expo, Mumbai - India (Oct)



Picture 3.19 :Fine Food, Melbourne - Australia (12 - 15 Sep)



Picture 3.22 :SIAL France - France (16-20 Oct)



**Picture 3.23 :World Food, Kiev - Ukraine
(26 - 28 Oct)**



**Picture 3.24 :Saudi HORECA, Riyadh
- S. Arabia (13 - 18 Nov)**



**Picture 3.25 :SIAL Middle East, Abu Dhabi -
UAE (5 - 7 Dec)**



Ceylon Tea promotion in New York and Washington

Sri Lanka Tea Board organized special Ceylon Tea promotion in New York and Washington with the Collaboration of the Sri Lanka Embassy in Washington. Minister of Plantation Industries Hon. Navin Dissanayake graced the events.

Picture 3.26



Picture 3.27



Global Promotion Campaign

Sri Lanka Tea Board submitted a proposal to the Cabinet in the year 2011 to launch a Global promotional campaign for 'Ceylon Tea' and bids were called internationally. Accordingly CANC and TEC proposals were submitted to the Cabinet and the approval of the Cabinet of Ministers was received on 04.03.2015 to award the bids.



Creative Part

Phoenix O&M (PVT) Ltd was awarded to undertake the creative of the above-the-line (ATL), below the Line (BTL) and Social Media work of the Global campaign within the identified seven regions namely Russia/CIS Region, Middle East /Gulf region, African Region, Far East Oceania Region, European Region, Americas Region, South Asia Region with a total amount of USD 2.26 million for the first twelve month period from 6th November 2015 to 5th November 2016. Phoenix completed Television Commercial for 15sec, 30sec and 60sec, and Press advertisement in English and Russian, Souvenir advertisements for Australia and Ukraine, seven X-pennant designs and unique design for SLTB booth and pavilion for Trade Exhibitions. Direct mails, web site and social media developments were in progress.

PR Campaign

As per the cabinet approval to carry out Public Relations activities by SLTB, it was planned to invite journalists from major tea markets under a visiting journalist program during the year 2017 as part of the celebrations of the 150th Anniversary of the Sri Lanka Tea Industry.

3.3.4. Uni National Promotion of Ceylon Tea

Uni-national Promotion of “Ceylon Tea” relates to the propaganda of Sri Lanka tea against other origin teas. The Tea Board launches uni-national promotion campaigns for Ceylon Tea in foreign markets through the Overseas Tea Promotion Units and Commercial Sections of Sri Lanka Missions abroad. Media advertising, outdoor advertising, liquid tea services, tea workshops and seminars as well as other public relation activities are the main events of uni-national promotion activities carried out by the Board

3.3.5. Generic Tea Promotion

The promotion of tea against other beverages falls under generic tea promotion activities. Sri Lanka Tea Board is a member of the Intergovernmental Group on Tea of FAO, USA Tea Association, International Tea Committee-UK and Japan Tea Association. Generic tea promotional work is undertaken through these organizations. The generic tea promotion mainly focuses on Tea & health concept which is promoted through consumer education and public relation activities. SLTB contributed towards the advertising budgets of Tea Associations and Councils for generic tea promotion work in selected countries in 2016 as mentioned above.

22nd Session of FAO/IGG on Tea in Nivasha, Kenya from 23rd to 27th May 2016

Picture 3.28



Picture 3.29



3.3.6. Registration of Ceylon Tea, Regional Names & Logos under Geographical Indications (Gis)

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

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

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

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

3.3.7. Trade Mark Protection



Registration of Lion Logo Trademark (712)

Sri Lanka Tea Board is the legal owner of **Ceylon Tea Lion Logo** Trade Mark. The registration / renewal of Ceylon Tea Lion Logo in Sri Lanka and other countries are carried out by Tea Promotion Division of the Board. Lion Logo has been registered in 98 countries as at 2016. The franchise to use the Lion Logo has been granted only for branded, value added tea products (Tea Bags & Tea Packs) which contains 100% Ceylon Tea and are in compliance with ISO 3720 Standard while being above a minimum reference standard to each destination and should be pre packed in Sri Lanka. During the year under review, Lion Logo registration renewals in EU, West Bank, Gaza Strip, and Israel were completed.

3.3.8. Registration of Ozone friendly Pure Ceylon Tea Logo

Sri Lanka Tea Board has registered the Ozone Friendly Pure Ceylon Tea logo in Sri Lanka as a Certification Mark in order to promote the production of Ozone Friendly tea. Under the Montreal Protocol, Sri Lanka implemented two projects to phase out the use of Methyl Bromide for non quarantine & pre-shipment purposes. The project on tea sector was successfully completed in 2002 by adopting environment friendly technologies without use of Methyl Bromide in the tea plantations and Sri Lanka received the Montreal Protocol Implementers Award in 2007. Thus, Sri Lanka became the first tea producing country in the world to manufacture Ozone Friendly tea and still is the only tea producing country to have achieved this accolade.

Nine tea exporters have obtained franchise rights from SLTB to use the Ozone friendly Pure Ceylon Tea logo for 13 brands during the year.



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

3.3.9. Promotional/Informative Publications

Following promotional/informative publications were released during the year:

- i. Bi-monthly newsletter (06).
- ii. Quarterly Tea Market Review-2016 (04).

3.3.10. Local Tea Promotion

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

Future Dreams 2016

The first ever provincial science and energy event of Sri Lanka, 'Future Dreams' was organized by the Science Branch of the Ministry of Education jointly with the Sri Lanka Sustainable Energy Authority of the Ministry of Power & Renewable Energy with the collaboration of other related ministries. This was added high impetus for leading the national agenda in sustainable energy, science and environment.

Sri Lanka Tea Board had an exhibition stall for educating school children on study courses and job opportunities mainly targeting school leavers on the lookout for careers. The exhibition was held in the 9 provinces. Educational activities such as, displaying tea grades, describing herbal teas and their potential, providing knowledge of value added teas, health benefits of teas, information on seven agro climatic regions, information on Ceylon tea and the Sri Lankan economy, awareness program in employment opportunities in tea sector and tea sales were disseminated during the exhibition.

Exhibition stall for educating school children

Picture 3.30



Picture 3.31



Picture 3.32



Golden foot print of tourism 2016, University of Kelaniya

Tourism club of University of Kelaniya organized an educational exhibition for the Third time “**Golden foot print of tourism - 2016**” under the theme of “**Enjoy Tourism with Multi Cultural Diversity**”.

Sri Lanka Tea Board had an information desk on Ceylon Tea for the visitors as well as foreign students and provided tea service on 24th of November 2016 at Golden foot print of Tourism 2016 at University of Kelaniya.

Information desk on Ceylon Tea at “**Golden foot print of tourism -2016**”

Picture 3.33



picture 3.34



Tourism fest 2016

Tourism Fest 2016 exhibition was held from 20 to 23 December 2016 at Independence square, Colombo. Sri Lanka Tea Board organized a separate stall and tea service was provided during the exhibition period. Sri Lanka Tea board distributed tea related information and promotional materials, displaying tea grades and liquoring seven regional teas and educating people on 'How to prepare a good cup of tea' and how to select quality tea from the market. The chief guest at the exhibition, His Excellency Maithripala Sirisena, the President of Sri Lanka and Honourable Ministers also visited the Sri Lanka Tea Board stall.

Picture 3.35 : Exhibition stall



Picture 3.36 : Tea service



Picture 3.37 & Picture 3.38: Golden jubilee celebration of Sri Lanka tourism 2016



Sri Lanka Tea Board participated at the Golden Jubilee Celebration of Tourism from 26th to 28th May 2016 at BMICH. Sri Lanka Tea Board organized a tea promotion booth in collaboration with Sri Lanka Tourism. Sri Lanka Tea Board provided information, held tea sampling sessions, and distributed samples to the audience during the exhibition.

3.3.11. Foreign Delegations

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

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

- Inter-Governmental Commission meeting between Sri Lanka & Russia in Russia
- Iran-Sri Lanka 11th Joint Commission for Economic Co-operation (JCEC) in Colombo
- 22nd Session of FAO/IGG on Tea & African Tea Science Symposium in Kenya
- Ministerial Tea Delegation to USA
- North American Tea Conference in Canada
- 1st Joint Committee Meeting on Economic & Technical Cooperation in Turkey

Sri Lanka Tea Board Participation at The First meeting of the Inter-Governmental Commission on Trade, Economic, Science and Technical Cooperation between Sri Lanka and the Russian Federation - 10th to 12th February 2016 in Moscow, Russia

Picture 3.39: Inter-Governmental Commission meeting between Sri Lanka & Russia in Moscow



Picture 3.40 :Iran-Sri Lanka 11th Joint Commission for Economic Co-operation (JCEC) in Colombo



Picture 3.41 & 3.42 :Visit of Diplomats from Developing Countries to the Sri Lanka Tea Board



Picture 3.43 & 3.44 : Visit of Ministerial Delegation to Shanghai and Beijing



3.3.12. Tea Sales Centre

The Tea sales center located at the SLTB premises sells flag bearer range of Tea Board packs and selected tea products from twenty eight private sector tea companies. During the year 2016, revenue of Rs. 100.9 million was generated through the sale of tea at the center which shows an increase of 23% compared to the previous year. The sale of SLTB packs earned Rs. 26 million while private sector tea brands accounted for 74 million.

3.3.13. Sri Lanka Cricket Sponsorship

As per the decision taken by the Sri Lanka Tea Board to distribute Ceylon Tea branded cricket t-shirts (design 01) among local school cricket teams, 42 schools were selected from Badulla, Monaragala, Ampara, Batticaloa and Rathnapura Districts for the second stage of the program. This promotional campaign was organized by Sri Lanka Tea Board with the collaboration of Sri Lanka School Cricket Association (SLSCA) to motivate talented school cricketers. SLTB distributed 835 t-shirts among the school cricket players. The event was held on 7th April 2016 at Wellaway National School.

Ceylon Tea Cricket Replica T-shirts were sold in Bangladesh, Canberra, Sydney, Melbourne, United Kingdom, New Zealand and Japan during the T-20 World Cup 2016.

3.3.14. Distribution of Tea for promotional purposes.

SLTB issued Rs. 5.89 Million worth of tea on a complimentary basis for promotional purposes of "Ceylon Tea"

- I. Complimentary teas to 40 Sri Lankan Missions overseas.
- II. Liquid tea service and distribution at International Trade Fairs.
- III. Promotional give-away to VIPs/Officials

3.4. Tea Tasting Unit

3.4.1. Major Task/Objective

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

3.4.2. Expert Panel of Tea Tasters

The independent panel consisted two members.

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

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

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



3.4.3 Tea Tasting Methodology Adapted By The Unit

SLTB adapts the methodology of ISO3102 of tea preparation of liquor using in sensory tests. Tea Tasting Terminology ISO 6078 for Black tea vocabulary /Monograph on Tea Production in Ceylon no: 4Tea Manufacture in Ceylon.

3.4.4. Conduct of Expert Panel Tea Tasting Sessions

The panel meets twice a week mainly on Mondays and Thursdays. For an independent evaluation to be carried out on following:-

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

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

3.4.5 Registration of Lion Logo Packs

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

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

Granting franchise rights to use the Lion Logo on retail packets. 851 applications were processed for new brands/ Renewals, additional packs for the year 2016.

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

3.4.6.1 Local

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

3.4.6.2 Overseas Monitoring

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

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

3.4.6.3 Tea Board Range of Packs

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

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

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

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

no. of samples examined visually -147,026

Organoleptic -15,330

No. of Pre-auction samples rejected by the panel for suspected liquor contamination - 668

Siliceous matters-237

Crude Fiber- 1065

Pre-auction samples forwarded by the DTC (Ex.) on random basis (BSL/ESL)

No. of Lots examined - 2,447

no. of samples suspected - 97

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

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

Total no. of pre-shipment samples examined under pre-shipment monitoring scheme - 8,551

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

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

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

Total no. of samples examined by the TTU-1,067

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

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

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

no. of samples examined by the TTU-786

3.4.11 Tasting of teas under special investigation

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

3.4.12 Ratification of Private Sale Panel Valuation Certificate

Ratification of private sale is done by this unit when the sample accompanied with the panel forwarded to this unit by the selling broker with the independent brokers approval. Ratification fees of Rs. 500/-+ (VAT + NBT) per line is charged for the above service. Presently, the above scheme is scaled down to only for Green teas, Organic teas, specialty teas and for small breaks which are not sold through the Colombo Auctions.

Total no. of private sale lots examined and ratified - 8,557

3.4.13 Ratification of Forward Contracts

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

Total forward contracts lines ratified-120



3.4.14 Ratification of Direct Sale

The above scheme permits Producer cum Exporter to sell their products directly to the overseas buyers. In exception Green tea, Organic tea and Specialty Tea could be sold to the local buyers. Direct sales are ratified by the Thursday panel.

Total Direct sale Lines ratified by the Unit- 2,010

3.5. Analytical Laboratory

Analytical laboratory of Sri Lanka Tea Board is committed to provide the highest quality services, accurate results in time and expert advice to its stakeholders. The reliability and accuracy of its data help customers make adequate decisions on risks and meet their increasingly stringent quality and safety standards and the expanding demands of regulatory authorities around the world.

Analytical labs awarded the ISO 17025 accreditation by Sri Lanka Accreditation Board for its all three labs units for Pesticide residual analysis, Microbiological labs and chemical lab for testing tea.

Analytical labs employ total of 18 staff members which include degree qualified 14 technical staff members competent in Chemical, Microbial and pesticide parameters with another 04 supporting staff members.

Every year each specific lab unit of analytical lab participate in international Inter-laboratory Proficiency Testing program to confirm its competency in performing the tests accurately.

Laboratory receives samples through two channels: Internal Monitoring Service (IMS) and External Certification Service (ECS) for testing.

Samples receive through IMS channel could be from any point on the tea value chain from push to cup which are drawn during the random quality monitoring program of tea commissioners division. ECS channel covers tea exporters' certification requirements as per their buyers' requirements.

During the intervening year 2016, Analytical Laboratory Division handled 12188 tests on tea samples. Out of these, 5698 tests (about 46.7%) carried out on samples received through IMS channel, while 6490 (about 53.2%) tests were carried out on samples received through ECS channel. In a breakdown Chemical Analysis Unit handled 3203 number of tests (about 26.3%) & Microbiological Analysis Unit handled 4002 tests (about 32.8%). The rest of the tests, 4983 tests (about 40.9%) had been handled by the Pesticide Analysis Unit.

Analytical Laboratory charge fees for its rendered testing services while exempted the tea samples identified as best quality tea and total income of the laboratory generated during the year 2016 was Rs.20,143,500.00. When the Exporter's contribution was Rs. 11,739,500.00 (58.28%) the income share of internal divisions was Rs. 8,404,000.00 (41.72%).

Table:3.13 Summary of tests performed during the year 2015 / 2016

Name of test	No. of tests	
	2015	2016
Chemical Analysis Unit		
1. Determination of moisture in tea	356	342
2. Determination of total ash in tea	342	365
3. Determination of water soluble ash in tea	335	355
4. Determination of acid in - soluble ash in tea	336	355
5. Determination of water extract in tea	340	365
6. Determination of alkalinity of water soluble ash in tea	374	387
7. Determination of Crude Fiber in tea	401	858
8. Basic Radiation Determination tests.	61	116
9. Other Tests (Added Color, Sugar, Gel, Liquor, Taint, flavour, Chemical Identification, bicarbonate, extraneous)	46	11
10. Grade identification tests / Sieve Analysis	49	49
11. Determination of Fe/Iron content in tea	16	-
Microbiological Analysis Unit		
01. Determination of Total Plate Count	472	780
02. Determination of Yeast and Mould Count	477	783
03. Microscopical examination for dead or live insects and other Impurities / foreign matter in tea	49	40
04. Determination of Genetically Modified Organisms (GMO) in tea	587	828
05. Detection and Enumeration of Faecal Coliforms & <i>Escherichia coli</i> (<i>E.coli</i>)	472	782
06. Detection and Enumeration of Total Coliforms	482	789
Pesticide Residue Analysis Unit		
01. Ethion	610	668
02. Malathion	610	668
03. Cypermethrin	610	668
04. Beta Endosulfan	352	668
05. Bifenthrin	352	217
06. Bromopropylate	610	668
07. Tetradifon	610	668
08. Endo Sulphan Sulphate	352	668
09. Bitertanol	-	90
Total	8949	12188

Source: Sri Lanka Tea Board

3.5.1. Test Certificates

During the year 2016 Analytical labs issued 2470 test certificates where there is 64 % increase compared to year 2015.

Categories of Issued Certificates;

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



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

Analytical Laboratory charge fees for its testing services at the requests made by clients, as per the Tea Board circular No. OR/1/87 dated 06/08/2010. Total income of the Laboratory is combined with testing fees received directly from the Exporters (i.e. 58.28%) and fees recovered by the Tea Commissioners Division and Tea Exports Division under the category 'below standard teas' as confirmed by the Analytical Laboratory (i.e. 41.72%).

Table:3.14 Share of the Total Income: Internal Monitoring vs. External Certification

	2015(Rs.)	%	2016 (Rs.)	%
Internal Monitoring Service (IMS)	4,324,400	29.28	8,404,000	41.72
External Certification Service (ECS)	10,445,900	70.72	11,739,500	58.28
Total Income, Rs.	14,770,300		20,143,500	

Source: Sri Lanka Tea Board

Based on the finding of the laboratory analytical services, official action was taken by the Tea Commissioner and the Deputy Commissioner (Exports) against those contaminated or below standard tea lots. Accordingly, 1636 lots were treated as below standard and taken official actions during the intervening year 2016.

Table :3.15 Summary of the generated total Income by the Analytical Laboratory during 2015 / 2016

	2015(Rs.)	2016 (Rs.)
Total Income	14,770,300.00	20,143,500.00

Source: Sri Lanka Tea Board

3.5.3. Work performances of the individual units of the Analytical Laboratory

3.5.3.1. Quality Inspection and Sampling Unit:

Maintaining a document control procedure is mandatory for any testing laboratory serving for international certification. Therefore, the main function of the Quality Inspection Unit is maintaining laboratory documentary procedure according to the international standards for laboratory accreditation, on ISO 17025 standard.

In addition to the above, this section manages the laboratory sample receiving, preparing, proof reading and issuing of test reports.

3.5.3.2. Chemical Analysis Unit :

Chemical Analysis Unit perform following tasks

1. Chemical Assessment on inferior quality teas produced before auction and pre-shipment.
2. Chemical Assessment against the established ISO 3720 Standards. (It includes the parameters: Total Ash, Water Soluble Ash, Alkalinity, Acid insoluble ash, Water extract, Moisture and Crude Fiber contents)
3. Estimation of tea dust and powder contents using sieve analysis technique
4. Estimation of siliceous matter content in tea

3.5.3.3. Microbiological Analysis Unit :

Microbiological tests are required to ensure the quality and safety of food products. The unit perform the following tests on tea.

Detection and enumeration of faecal *Coliform*, *E.coli*
 Detection and enumeration of total *Coliform*
 Total Plate Count (total bacteria count) and Yeast & Mould counts.

3.5.3.4. Pesticide Residue Analysis Unit :

Analysis of tea for pesticide residues which use in cultivation of tea became an essential practice with the establishment of Maximum residue levels that can be present in made tea by importing countries.

In the aim of fulfilling this requirement lab performed tests to detect following pesticide residues in tea samples:

Ethion
 Malathion
 Cypermethrin
 Bromopropylate
 Bifenthrin
 Tetradifon
 Endosulfan sulfate
 Beta- Endosulfan

3.6. Administration Division

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

3.6.1. Staff Strength of SLTB

Table : 3.16 Staff Strength of SLTB as at 31st December 2016

Category	No of Staff		Total
	Male	Female	
Senior Level	06	01	7(2.5%)
Tertiary Level	18	08	28(10.1%)
Secondary Level	66	108	174(62.8%)
Primary Level	64	06	70 (24.6%)
Total	154(55.59 %)	123(44.41%)	277(100%)

Source: Sri Lanka Tea Board

Table :3.17 Human Resource Turnover for the year 2016

Details	No of Staff
Resignations	06
Retirements	10
Vacation of Post	00
Cancellation	00
Terminations	06
Vacation of Post	00
Total	22

Source: Sri Lanka Tea Board

3.6.2. Human Resource Development

Table :3.18 Local Training (Individual)

Category	No of Employees Trained
Senior Level	-
Tertiary Level	10
Secondary Level	35
Primary Level	05
Total	50

Source: Sri Lanka Tea Board

3.6.3. In- house Training Programme for Managerial level Staff of SLTB -2016

Workshop on the Development of Organizational Result Framework (ORF) for staff

This in-house training program aimed at helping the participants to understand critical elements of the corporate plan of SLTB, and to agree develop Key Performance Indicators(KPI's) for the Tea Board.

Training Organized for 75 Executives on 23rd September 2016.

Picture 3.45 &3.46 :Workshop on the Development of Organizational Result Framework (ORF) for staff



Table : 3.19 Foreign Training

Category	No of Employees Trained
Senior Level	-
Tertiary Level	08
Secondary Level	-
Primary Level	-
Total	08

Source: Sri Lanka Tea Board

3.6.4. Tea Board day - 2016 (Team Building Event.)

The event conducted on 2nd April for all staff members of SLTB at Vinrich Hotel, Piliyandala.

Picture 3.47 & 3.48: Opening Ceremony of Tea Board day, 2016



Picture 3.49 & 3.50 : Team Building Events



3.6.5. CSR Projects -2016

Blood Donation Campaign organized by Sri Lanka Tea Board on 16th December 2016 and 50 employees Donated Blood.

3.7. Internal Audit Division

Internal Audit is an independent appraisal function within the Sri Lanka Tea Board, for the review of activities as a service to all levels of Management. It is a control which measures, evaluates and reports upon the effectiveness of internal controls, financial and non-financial, as a contribution to the efficient use of resources within an organization.

The Audit Committee of the SLTB, approved the Internal Audit Plan for 2016 & reviewed the Independence, Objectivity & Performance of the Internal Audit Function & the adequacy of its resources. Internal & External Audit Reports submitted to the Committee & audit findings presented in the reports were prioritized, based on risk levels.

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

3.8. Information Technology Division

During the year 2015, IT division has completed some important projects and played an imperative role in assisting and consulting all the divisions to overcome challenges in day today office work during the year. The launching the project of Tea Inspector (TI) Module is the major achievement of the past year, where system facilitated “Tea Inspectors” to feed inspection details in to the system through TAB in more accurate and efficient way. Also live implementation of Factory Modernization Subsidiary Scheme (FMSS) and Tea Replanting Subsidiary Scheme (TRSS) application where all regional offices are connected via web-based system to enhance the efficiency of SLTB is another major project completed during last year.

The initial phase of the Tea Reports was completed. Hence, SLTB itself now issues Market Related Reports.

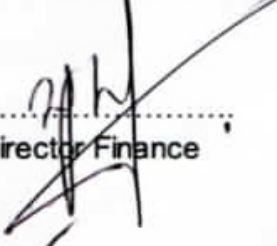
Sri Lanka Tea Board

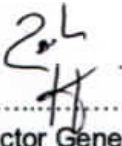
STATEMENT OF FINANCIAL POSITION


As at 31 December 2016

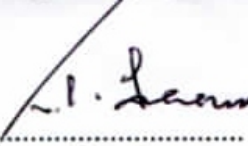
	Notes	As at 31.12.2016	As at 31.12.2015 Revised
		Rs.	Rs.
ASSETS			
Non-current assets			
Property, Plant and Equipment	F	813,201,842	696,486,417
Prepaid Leasehold Right to Land	G	23,113,785	26,079,904
Intangible Assets	H	12,347,346	11,228,182
		<u>848,662,972</u>	<u>733,794,502</u>
Current assets			
Inventories	I	35,538,627	34,570,459
Trade and Other Receivables	J	33,230,235	30,509,384
Deposits and Prepayments	K	53,015,712	120,928,205
Other Financial Assets	L	6,139,953,803	5,250,628,454
Loans	M.(1)	1,123,463,950	492,096,500
Cash In Hand and At Bank	M	65,406,603	145,540,847
		<u>7,450,608,930</u>	<u>6,074,273,849</u>
Total Assets		<u>8,299,271,902</u>	<u>6,808,068,351</u>
EQUITY AND LIABILITIES			
Contributed Capital		672,012,202	672,012,202
Retained Earnings		(267,880,212)	(272,557,746)
Promotion and Marketing Levy	N	5,794,718,308	5,512,850,782
Revaluation Reserve		508,216,543	481,933,543
Total Equity		<u>6,707,066,841</u>	<u>6,394,238,781</u>
Non-Current Liabilities			
Employee Benefit Obligations	O	63,623,185	55,562,838
Bank loan	P	676,300,000	-
		<u>739,923,185</u>	<u>55,562,838</u>
Current Liabilities			
The commissioner General of Inland Revenue	Q	110,361,031	90,916,543
Trade and Other Payables	R	733,427,052	265,069,381
Bank Balances	S	8,493,793	2,280,808
		<u>852,281,876</u>	<u>358,266,732</u>
Total Equity and Liabilities		<u>8,299,271,902</u>	<u>6,808,068,351</u>

The accounting policies on pages 68 to 73 and Notes on pages 74 to 84 form an integral part of these Financial statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These financial Statements were approved by the Board of Directors and signed on their behalf.


Director Finance


Director General


Chairman


Director



Sri Lanka Tea Board

INCOME & EXPENDITURE STATEMENT

As at 31 December 2016

	Notes	2016 Rs.	2015 Revised Rs.
INCOME	A	444,769,549	7,256,493,650
EXPENDITURE			
Tea sector development expenditure	B	(86,381,964)	(6,817,116,865)
Administrative expenses	C	(364,205,491)	(357,855,534)
Operating Surplus / (Deficit)		(5,817,906)	81,521,251
Finance expenses	D	(35,223,182)	(251,537)
Finance income	E	54,715,509	9,262,257
Surplus / (Deficit) for the period		13,674,421	90,531,971
Tax paid on Interest Income		(8,996,887)	(4,274,997)
		4,677,534	86,256,974

The accounting policies on pages 68 to 73 and Notes on pages 74 to 82 form an integral part of these Financial Statements.

Sri Lanka Tea Board
STATEMENT OF CHANGES IN EQUITY
As at 31 December 2016

	Contributed Capital Rs.	Promotion & Marketing Levy Rs.	Revaluation Reserve Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 01 January 2015	652,067,602	4,904,992,816	481,933,543	(350,567,922)	5,688,426,038
Promotion and Marketing Levy (Note -N)	-	607,857,966	-	-	607,857,966
Govt. Grant for capital items	19,944,600	-	-	-	19,944,600
Retained Earnings	-	-	-	(8,246,798)	(8,246,798)
Surplus for the year 2015	-	-	-	86,256,974	86,256,974
Balance as at 31 December 2015 - Revised	672,012,202	5,512,850,782	481,933,543	(272,557,746)	6,394,238,781
Balance as at 01 January 2016	672,012,202	5,512,850,782	481,933,543	(272,557,746)	6,394,238,781
Promotion and Marketing Levy (Note -N)	-	281,867,526	-	-	281,867,526
	-	-	-	-	-
Retained Earnings	-	-	26,283,000	-	26,283,000
Surplus for the year 2016	-	-	-	4,677,534	4,677,534
Balance as at 31 December 2016	672,012,202	5,794,718,308	508,216,543	(267,880,212)	6,707,066,841

The accounting policies on pages 68 to 73 and Notes on pages 74 to 82 form an integral part of these Financial statements.



Sri Lanka Tea Board
STATEMENT OF CASH FLOW

As at 31 December 2016

	2016	2015
	Rs.	Revised Rs.
Cash Flows From Operating Activities		
Net Profit from Operations	4,677,534	86,256,974
Adjustments for		
Depreciation of PPE	31,770,939	25,880,398
Profit or Loss disposal of PPE	220,158	(531,525)
Amortisation of Lease hold lands	2,966,119	76,386
Amortisation of Intangible assets	900,611	879,169
Gratuity provision	18,663,915	18,144,513
Finance expenses	35,223,182	251,537
Finance income	(54,715,509)	(9,262,257)
	<u>35,029,415</u>	<u>35,438,221</u>
Operating Profit before Working Capital Changes	39,706,949	121,695,195
Decrease / (Increase) in Inventories	(968,168)	2,302,597
Decrease / (Increase) in Trade and Other Receivables	(2,720,851)	4,685,745
Decrease / (Increase) in Deposit & Prepayment	67,912,493	(12,384,909)
Decrease / (Increase) in Trade & Other Payables	487,802,159	58,608,931
Loan to RPC'S	(631,367,450)	(492,096,500)
	<u>(79,341,817)</u>	<u>(438,884,136)</u>
Cash Generated from Operations	(39,634,868)	(317,188,942)
Gratuity Paid	(10,603,568)	(6,533,899)
Net Expense for promotional activities	(1,157,130,158)	(554,081,796)
Net Cash From Operating Activities	(1,167,733,726)	(560,615,695)
Cash Flows (used in) Operating Activities	(1,207,368,594)	(877,804,637)
Cash Flows (used in) Investing Activities		
Interest Received on P & M levy	417,952,898	40,245,473
Finance Income	54,715,509	9,262,257
Acquisition Intangible Assets	(2,019,775)	(288,025)
Acquisition of Property Plant & Equipment	(122,463,412.00)	(33,467,103)
Investments including P & M Levy	(889,325,349)	(180,480,349)
Net Cash Flows used in Investing Activities	(541,140,129)	(164,727,747)
Cash Flows Used in Financing Activities		
Cash received from sale of PPE	39,890	1,528,555
Finance expenses	(35,223,182)	(251,537)
Govt. grant for Capital purchases	-	19,944,600
Levy collected from exporters	1,021,044,786	1,121,694,289
Bank Loan	676,300,000	-
Net Cash Flows / (Used in) Financing Activities	1,662,161,494	1,142,915,907
Net Increase / (Decrease) in Cash and Cash Equivalents	(86,347,229)	100,383,523
Cash and Cash Equivalents at the beginning of the year	143,260,038	42,876,516
Cash and Cash Equivalents at the end of the year	56,912,809	143,260,038

The accounting policies on pages 68 to 73 and Notes on pages 74 to 82 form an integral part of these Financial statements.

1. CORPORATE INFORMATION

General

The Sri Lanka Tea Board (SLTB) was established on 1st of January 1976, under the Sri Lanka Tea Board Law No.14 of 1975, as amended by Act No. 17 of 1985, No. 44 of 1990, No. 29 of 2003 and No. 44 of 2006. The Head office is located at No. 574, Galle Road, Colombo 3.

SLTB prepares financial statements for the twelve months period ended 31st December and these financial statements are authorized by the board of directors.

Principal Activities

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

2. BASIS OF PREPARATION

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

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

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

2.2 Basis of Measurement

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in Sri Lankan Rupees.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Significant Accounting Policies

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

3.2 Property Plant and Equipment

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



3.3 Depreciation

Depreciation is calculated on pro rata basis. Estimated useful lives of Property Plant & Equipment are as follows.

Freehold Buildings	50 years
Office Equipments	02 - 20 years
Furniture & Fittings	01 - 20 years
Motor Vehicles	10 years
Computer Equipment	05 years
Library Books	05 years
Laboratory Equipments	3 - 10 years

3.4 Capital work in progress

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

3.5 Leasehold Land

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

Lease hold Land	50 years
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3.6 Intangible assets

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

Computer Software	15 years
-------------------	----------

3.7 Impairment of non financial assets

SLTB assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, SLTB estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

3.8 Taxation

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

Details of Provision for taxation and tax payments disclosed in Note (O) to the Financial Statements.

3.9 Inventories

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

3.10 Cash & Cash Equivalent

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

4. LIABILITIES AND PROVISIONS

Retirement Benefit Obligations

4.1 Defined benefit plan Retirement Gratuity

SLTB is liable to pay Gratuity in terms of the Payment of Gratuity Act No.12 of 1983. The liability for gratuity to an employee arises only on completion of five years of continued service with SLTB. In order to meet this liability, a provision is carried forward in the Balance Sheet. The resulting difference between the brought forward provision at the beginning of a year and the carried forward provision at the end of the year is dealt with in the Income Statement.

The principal assumptions used in the calculations are as follows.

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

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

4.2 Defined Contribution Plans- Employee Provident Fund & Employee Trust Fund

SLTB contributes to Employees' Provident Fund contribution and Employees' Trust Fund contribution is covered by relevant contribution funds in line with respective regulation. Obligations for contributions to the plans covering the employees are recognized as an expense in the income statement.

Employees' Provident Fund

SLTB and Employees contribute to provident fund at 15% and 10% respectively on gross salary.

Employees' Trust Fund

SLTB contributes 3% on gross salary to the Employees' Trust Fund.

5. INCOME STATEMENT

For the purpose of presentation of the Income Statement, the function of expenses method is adopted as it represents fairly the elements of corporation performance.

Government Grants

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

5.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the SLTB and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment.

The following specific recognition criteria must also be met before revenue is recognised :

Sale of goods

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

Rendering of services

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

Other Income

Other income is recognised on an accrual basis.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.



5.2 Expenses

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

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

6. FINANCIAL INSTRUMENTS- INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

6.1 Financial Assets

6.1.1 Initial Recognition and Measurement

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

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

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

6.1.2 Subsequent Measurement

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

6.1.2.1 Financial Assets at Fair Value through Surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus or deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. SLTB did not have any held to - maturity investments during the years ended 31 December 2015.

6.1.2.2 Loans to Regional Plantation companies

Sri Lanka Tea Board has granted following loans to Regional Plantations Companies during the financial year.

Nature	Date granted	Amount granted	Term	Cabinet approval
Festival Advance loan	Interest Free loan	28.10.2016 476,919,500/-	10 months	15/1693/726/010
Wage increase loan	Interest bearing loan	26.07.2016 676,300,000/-	48 months	16/1234/726/034

6.1.2.3 Held-to-Maturity Investments

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

6.1.2.4 Available-for-Sale Financial Investments

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



After initial measurement, available - for - sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available - for - sale reserve until the investments is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available - for - sale reserve. Interest income on available - for - sale debt securities is calculated using the effective interest method and is recognized in surplus or deficit. SLTB did not have any available for sale financial investments during the years ended 31 December 2016.

6.1.2.5 Derecognition

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

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

6.1.2.6 Impairment of Financial Assets

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

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

6.1.2.7 Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost, the SLTB first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the SLTB determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

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



6.2 Financial Liabilities

Initial recognition and measurement

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

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

Subsequent measurement

Subsequent measurements of financial liabilities are at amortized cost.

Derecognition

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

Sri Lanka Tea Board

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

A INCOME	YE 31.12.2016	YE 31.12.2015
	Rs.	Revised Rs.
Grant from Treasury - Payment of Salaries	147,500,000	143,000,000
-Capital & Development activities	70,000,000	71,000,000
-Green Leaf Subsidy	-	6,738,000,000
Income from laboratory	16,862,340	13,529,400
Interest transferred from P & M Levy	30,044,000	132,909,000
Registration and Renewal Income	140,807,434	137,212,932
Other Income	4,055,454	3,773,311
Net profit from commercial activities	21,332,077	17,069,008
Green Leaf Dealer Deposit	14,168,243	-
	444,769,549	7,256,493,650

A.1 NET PROFIT FROM COMMERCIAL ACTIVITIES	YE 31.12.2016	YE 31.12.2015
	Rs.	Revised Rs.
Tea Sales	26,950,893	25,209,911
Commission on exporter pack sales	10,446,272	9,689,137
Monopol rental	1,926,665	1,962,499
Sale of Cloth Bag	48,080	68,970
Sale of Tea & Health Book	4,750	8,100
	39,376,659	36,938,616
Less : Cost of sales	(17,144,036)	(19,219,724)
Commission on credit card	(906,204)	(659,251)
Income on sales in foreign currency	5,657	9,366
Net profit from commercial activities	21,332,077	17,069,008

B TEA SECTOR-DEVELOPMENT EXPENSES	YE 31.12.2016	YE 31.12.2015
	Rs.	Revised Rs.
Green Leaf Subsidy	-	6,738,000,000
Issue of product quality certificates	-	137,358
Tea Factory Modernization Subsidy Scheme	25,424,904	10,079,088
Tea Replanting Subsidy scheme	44,575,096	60,920,912
Minimize post harvest damage	-	4,870,142
GMP Improvement	3,147,541	3,109,365
Dealer Deposit Refund	435,000	-
Survey of Tea Land	12,799,424	-
	86,381,964	6,817,116,865

C ADMINISTRATION EXPENSES	YE 31.12.2016	YE 31.12.2015
	Rs.	Revised Rs.
Personnel emoluments	197,517,428	216,571,164
Other administrative expenses	44,191,462	37,527,026
Travelling expenses	9,755,677	7,432,960
Supplies and requisites	10,493,525	12,151,455
Repairs and maintenance	25,501,185	20,698,182
Depreciation of PPE	F . PPE 28,072,677	25,880,398
Amortisation of Intangible assets	F . PPE 850,581	879,169
Amortisation of Leasehold Properties	F . PPE 76,386	76,386
Utilities and other expenses	47,746,571	36,638,795
	364,205,491	357,855,534



Sri Lanka Tea Board

NOTES TO THE FINANCIAL STATEMENTS

Balance as at 31 December 2016

D FINANCE EXPENSES	YE 31.12.2016
Interest Expenses	Rs.
- Peoples Bank PLC	25,523,623
- Bank of Ceylon PLC	9,189,507
Bank charges	510,052
	<u>35,223,182</u>
E FINANCE INCOME	YE 31.12.2016
	Rs.
Interest on Investments	19,709,277
Interest on RPC wages Loan	35,006,231
	<u>54,715,509</u>



Sri Lanka Tea Board

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

F PROPERTY, PLANT AND EQUIPMENT

	COST OR VALUATION AS AT 1-1-2016	ADDITIONS	REVALUATION	DISPOSALS/ TRANSFERS	ADJUSTMENTS	COST OR VALUATION AS AT 31-12-2016
FREE HOLD LAND	350,017,000	-	26,283,000	-	-	376,300,000
BUILDINGS	265,043,561	529,190	-	-	-	265,572,751
OFFICE EQUIPMENT	74,973,946	2,330,264	-	34,920	7,202,574	70,066,717
FURNITURE & FITTINGS	37,609,222	5,078,613	-	943,131	2,427,235	39,317,469
MOTOR & OTHER VEHICLES	54,370,892	-	-	-	-	54,370,892
LIBRARY BOOKS	383,044	-	-	-	-	383,044
COMPUTER - HARDWARE	40,023,995	9,333,697	-	2,863,650	5,881,961	40,612,080
LABORATORY EQUIPMENTS	98,963,579	3,247,240	-	2,433,513	3,890	99,773,417
	921,385,239	20,519,004	26,283,000	6,275,215	15,515,659	946,396,370
WORK IN PROGRESS						
BUILDING / OTHER	6,099,597	106,467,957	-	4,523,549	-	108,044,005
COMPUTER HARDWARE	-	-	-	-	-	-
	6,099,597	106,467,957	-	4,523,549	-	108,044,005
	927,484,836	126,986,961	26,283,000	10,798,763	15,515,659	1,054,440,375
PROVISION FOR DEPRECIATION						
	ACCUMULATED DEPRECIATION AS AT 1-1-2016	CHARGE FOR THE YEAR	REVALUATION	DISPOSALS	ADJUSTMENTS	ACCUMULATED DEPRECIATION AS AT 31-12- 2016
BUILDINGS	38,191,388	5,365,708	-	-	-	43,557,096
OFFICE EQUIPMENT	45,583,663	6,769,129	-	34,920	7,188,524	45,129,349
FURNITURE & FITTINGS	19,124,113	3,621,093	-	878,180	2,264,270	19,602,756
MOTOR & OTHER VEHICLES	22,735,560	5,268,826	-	-	-	28,004,386
LIBRARY BOOKS	383,044	-	-	-	-	383,044
COMPUTER - HARDWARE	26,320,461	4,842,995	-	2,845,569	5,881,961	22,435,926
LABORATORY EQUIPMENTS	78,660,190	5,903,188	-	2,433,513	3,890	82,125,975
	230,998,420	31,770,939	-	6,192,182	15,338,644	241,238,533
NET BOOK VALUE	696,486,417					813,201,842



Sri Lanka Tea Board
NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

G LEASE HOLD PROPERTY

	COST OR VALUATION AS AT 1-1-2016 Rs.	ADDITIONS Rs.	DISPOSALS/ TRANSFERS Rs.	ADJUSTMENTS Rs.	COST OR VALUATION AS AT 31-12-2016 Rs.
LEASE HOLD PROPERTY - HO	3,819,280	-	-	-	3,819,280
LEASE HOLD PROPERTY - TEA HOUSE	28,897,335	-	-	-	28,897,335
	32,716,615	-	-	-	32,716,615

	ACCUMULATED AMOTISATION AS AT 1-1-2016	AMOTISATION FOR THE YEAR	DISPOSALS	ADJUSTMENTS	ACCUMULATED AMOTISATION AS AT 31-12-2016
LEASE HOLD PROPERTY - HO	857,244	76,386	-	-	933,630
LEASE HOLD PROPERTY - TEA HOUSE	5,779,467	2,889,733	-	-	8,669,200
	6,636,711	2,966,119	-	-	9,602,830
NET BOOK VALUE	26,079,904				23,113,785

H INTANGIBLE ASSETS

	COST OR VALUATION AS AT 1-1-2016	ADDITIONS	DISPOSALS/ TRANSFERS	ADJUSTMENTS	COST OR VALUATION AS AT 31-12-2016
COMPUTER SOFTWARE - HO	12,389,924	1,219,775			13,609,698
COMPUTER SOFTWARE -TEA HOUSE	670,484	-	-		670,484
COMPUTER SOFTWARE WORK IN PRO:	400,000	800,000		-	1,200,000
	13,460,408	2,019,775	-	-	15,480,182

	ACCUMULATED DEPRECIATION AS AT 1-1-2016	CHARGE FOR THE YEAR	DISPOSALS	ADJUSTMENTS	ACCUMULATED DEPRECIATION AS AT 31-12- 2016
COMPUTER SOFTWARE - HO	2,136,335	850,581			2,986,915
COMPUTER SOFTWARE - TEA HOUSE	95,891	50,030	-		145,921
	2,232,226	900,611	-	-	3,132,837
NET BOOK VALUE	11,228,182				12,347,346



Sri Lanka Tea Board

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

G PREPAID LEASEHOLD RIGHTS TO LAND	As at 31.12.2016	As at 31.12.2015
	Rs.	Revised Rs.
Opening Balance	26,079,904	29,046,023
Addition leasehold Property	-	-
Amortisation	(2,966,119)	(2,966,119)
Closing Balance	23,113,785	26,079,904
H INTANGIBLE ASSETS	As at 31.12.2016	As at 31.12.2015
	Rs.	Revised Rs.
Opening Balance	11,228,182	12,485,605
Addition Computer Software	1,219,775	1,841,475
Less: Adjustments / Disposal		(301,500)
Amortisation	(900,611)	(667,899)
Computer Software Work In Progress	800,000	(2,129,500)
	12,347,346	11,228,181
I INVENTORIES	As at 31.12.2016	As at 31.12.2015
	Rs.	Revised Rs.
Laboratory consumables	5,858,067	5,940,928
Promotion materials & Others	5,966,928	7,039,392
Tea & other Stocks	9,080,599	7,629,361
Others	14,633,034	13,960,779
	35,538,627	34,570,459
J TRADE AND OTHER RECEIVABLES	As at 31.12.2016	As at 31.12.2015
	Rs.	Revised Rs.
Trade Receivables	2,925,163	2,780,125
Staff Receivables & other advances	30,305,072	27,729,259
Receivable - JEDB	25,000,000	25,000,000
Less: Provision for bad & doubtful debts JEDB	(25,000,000)	(25,000,000)
	33,230,235	30,509,384
K DEPOSITS & PREPAYMENTS	As at 31.12.2016	As at 31.12.2015
	Rs.	Revised Rs.
Deposits & Prepayments	53,015,712	120,928,205
	53,015,712	120,928,205
L OTHER FINANCIAL ASSETS	As at 31.12.2016	As at 31.12.2015
	Rs.	Revised Rs.
Investments	6,139,953,803	5,250,628,454
	6,139,953,803	5,250,628,454



Sri Lanka Tea Board

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

M CASH IN HAND AND AT BANK

	As at 31.12.2016	As at 31.12.2015
	Rs.	Revised Rs.
Cash in hand and at Bank	65,406,603	145,540,847

M. (1) Loans Receivable

	As at 31.12.2016	As at 31.12.2015
	Rs.	Revised Rs.
Festival Advance Loan for RPC	427,163,950	492,096,500
Loan to CTTA (150 Celebration)	20,000,000	-
Wage Increment Loan for RPC	676,300,000	-
	1,123,463,950	492,096,500

Sri Lanka Tea Board

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

N PROMOTION & MARKETING LEVY

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

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

		As at 31.12.2016	As at 31.12.2015
		Rs.	Revised Rs.
Opening Balance		5,512,850,782	4,904,992,816
Tax paid on Interest Income Previous Year & Other Adjustment		(8,681,565)	(109,895,192)
Amount collected from exporters		1,021,044,786	1,121,694,289
Interest on investment	417,952,898.07		317,892,244
Less Tax paid on Interest Income	(235,211,480.22)		(144,737,771)
Interest Transferred to HO	<u>(30,044,000.00)</u>	152,697,418	(132,909,000)
Sale of cricket T-shirts		940,500	2,192,359
G I Registration		17,683	4,877
Income from Tea House	Note N.1	-	34,969,125
		<u>6,678,869,604</u>	<u>5,994,203,747</u>
Complementary tea to Missions ,Other gift teas & giveaways		5,892,207	5,237,437
Participation of Local exhibition & Trade fairs		13,924,198	6,199,999
Production cost of communication material (ATL/BTL)		133,462	218,534
Participation at International Trade Fairs & Exhibitions		100,765,771	62,371,757
Events		5,093,279	7,989,601
Intellectual Property matters, memberships of councils, int. Sponsorship		12,469,055	2,611,744
Market Intelligence & Research		4,380,401	729,937
Bank Charges		86,980	77,213
Sponsorship for Sri Lanka Cricket		86,413,625	207,793,725
Operation of Tea House expenses	Note N.1	9,799,269	54,655,379
Grants to Tea Museum		2,300,000	1,500,000
Maintenance Expenditure -TB Moscow		12,703,543	7,470,314
Maintenance Expenditure -TB UAE		23,562,490	11,827,788
Maintenance Expenditure -TB China		8,892,938	259,533
Establishing of new overseas offices		-	441,204
Annual Estate Tea of the Year		355,091	2,842,041
Travelling Expenses - Foreign		11,336,478	5,862,378
Joint Promotion with other National Bodies		552,160	1,036,219
Above the line Advertising on TV/Radio/Press		141,124,181	69,460,706
Below the line Advertising outdoor		-	29,438,884
Public relation Campaign		1,228,240	2,520,823
Programme with Embassies		13,327,894	933,319
Difference in exchange		52,936	(125,569)
Subsidization of listing fees & Brand Marketing		429,679,935	-
Monitoring & Reward scheme Best Product & Best GAP, GMP		77,164	-
Total Expenditure		<u>884,151,296</u>	<u>481,352,966</u>
P & M Levy Fund balance as at 31.12.2016		<u>5,794,718,308</u>	<u>5,512,850,782</u>

* Rs 30,044,000/= transferred to 2016 Head Office income account as per the approval budget of SLTB during the financial year



Sri Lanka Tea Board

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

N.1 CEYLON TEA HOUSE

	2016		2016	2015
	Rs.	Rs.	Rs.	Rs.
Income	JANUARY	FEB- DEC	TOTAL	
Food & Beverage Sales	2,881,101	-	2,881,101	32,859,715
Tea Exporter Packs Sale Commission (Net)	151,860	8,468	160,328	1,245,611
SLTB Tea Sales (Net)	10,359	79,456	89,815	83,799
Shelf Rent Income	200,000	600,000	800,000	780,000
Gross Operating Income	3,243,320	687,924	3,931,244	34,969,125
Expenditure				
Salaries & Allowances	768,436	-	768,436	6,997,871
UDA Rent	366,962	4,149,500	4,516,463	4,403,419
Electricity / Water / Telephone / Gas	295,987	803,475	1,099,462	4,187,878
Management Fee	300,000	-	300,000	3,600,000
Advertising	-	-	-	368,603
Transport Cost / Others	1,580,626	5,465,526	7,046,152	35,097,607
Total operating Expenses	3,312,011	10,418,502	13,730,513	54,655,379
Operating Expenditure Over Income	(68,692)	(9,730,577)	(9,799,269)	(19,686,253)

Since the business partner Sri Lankan Catering PLC withdraw from the Operations in January 2016 Ceylon tea house operated (only for public working hours) as SLTB tea sales outlet for the remaining period of the financial year.

Sri Lanka Tea Board

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

O EMPLOYEE BENEFIT OBLIGATIONS

	As at 31.12.2016	As at 31.12.2015
	Rs.	Revised Rs.
Gratuity opening balance	55,562,838	43,952,223
Gratuity charges for the year	18,663,915	18,144,513
Benefit paid/ payables during the year	(10,603,568)	(6,533,899)
	63,623,185	55,562,838

P BANK LOAN

	As at 31.12.2016	As at 31.12.2015
	Rs.	Revised Rs.
Bank Of Ceylon	183,300,000	-
Peopls bank	493,000,000	-
	676,300,000	-

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

Q THE COMMISSIONER GENERAL OF INLAND REVENUE

		As at 31.12.2016	As at 31.12.2015
		Rs.	Revised Rs.
INCOME TAX			
SLTB	Note Q.1	2,556,557	884,179
P & M LEVY	Note Q.1	35,063,979	31,723,020
DIVIDEND TAX			
SLTB	Note Q.2	2,863,336	1,672,825
P & M LEVY	Note Q.2	69,877,159	56,636,519
TOTAL TAX PAYABLE		110,361,031	90,916,543

	P&M LEVY Rs.	SLTB Rs.
Q.1 INCOME TAX		
Balance as at 1-1-2016	31,723,020	884,179
Provision for the Year	108,697,802	4,454,078
LESS:Tax Payments	67,063,463	548,777
WHT Tax	32,640,819	966,741
Notional Tax Credit	5,652,561	382,003
Balance as at 31-12-2016	35,063,979	2,556,557

Q.2 DIVIDEND TAX

Balance as at 1-1-2016	56,636,519	1,672,825
Provision for the Year	69,877,159	2,863,336
Under Provision for 2015	5,851,026	-
LESS:Tax Payments	62,487,545	1,672,825
Balance as at 31-12-2016	69,877,159	2,863,336

R TRADE AND OTHER PAYABLES

	As at 31.12.2016	As at 31.12.2015
	Rs.	Revised Rs.
Trade Payables	147,743,125	89,326,429
Other Payables	141,575,350	140,236,883
Accrued expenses	444,108,577	35,506,070
	733,427,052	265,069,381



Sri Lanka Tea Board

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

S BANK BALANCES

	As at 31.12.2016	As at 31.12.2015
	Rs.	Revised Rs.
Bank Of Ceylon - Tea Subsidy	6,951,690	-
Bank Of Ceylon - Colloection A/C Galle	154,299	-
Bank Of Ceylon - Colloection A/C Matara	120,200	-
Bank Of Ceylon - Colloection A/C Ratnapura	942,436	-
Bank Of Ceylon - Colloection A/C -Mathugama	320,852	94,352
Bank Of Ceylon - Colloection A/C -Bandarawela	4,316	226,151
Bank Of Ceylon - Independence square	-	1,960,305
	8,493,793	2,280,808

CAPITAL & RESERVES

There is no change in the Authorized Capital during the year ended 31 December 2016.

REVALUATION RESERVE

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

Revaluation of Gampola Land was done by the Regional valuer (Central Provincial Office) of Valuation Department. Date of valuation 2016-07-25

CONTRIBUTED CAPITAL

Contributed Capital is made up by government grants amounting to Rs. 672,012,201.85 as at 31 December 2016.



Sri Lanka Tea Board

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

T LIABILITIES AND PROVISIONS.

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

SLTB has been advised by the legal council on the legal cases including the above case pending as of 31 st December 2016 that it is only possible, but not probable that the action will succeed. Accordingly no provision has been made in these financial statements.

U RELATED PARTY TRANSACTIONS

U.1 Transactions with State and State Controlled Entities

In the normal course of its operation, SLTB enters into transactions with related parties. Related parties include the Government of Sri Lanka (State: as the ultimate owner of SLTB), various government departments, and State controlled entities. Particulars of transactions and arrangements entered into by SLTB with the State and State controlled entities which are individually significant and for other transactions that are collectively, but not individually significant are as follows:

Nature of the Transaction	2016 Rs.	2015 Rs.
Transactions:		
Revenue	147,500,000	143,000,000
Utility expenses	22,904,813	20,494,586
Outstanding Balances:		
Receivables		
JEDB (Plantation Ministry)	25,000,000	25,000,000

U.2 Key Management Compensation

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

	2016 Rs.	2015 Rs.
Short term employment benefits	2,196,150	953,900

V EVENTS AFTER THE BALANCE SHEET DATE

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



Offices of the Sri Lanka Tea Board

Head Office

Sri Lanka Tea Board
574, Galle Road, Colombo 03, Sri Lanka
P.O. Box: 1750, Colombo, Sri Lanka
Tel: 011 2582121 / 011 2583687
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Fax: 011 2582122
E-mail: teaboard@pureceylontea.com
Website: www.pureceylontea.com

Chairman

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

Director General

Tel: 011 2587814/2508991
Fax: 011 2582122
E-mail: dgsitb@pureceylontea.com

Tea Commissioner's Division

Tea Commissioner
Tel: 011 2580182/2580152/2502485/2584845/2587814/2587773
Fax: 011 2580161
E-mail: tcd@pureceylontea.com

Tea Promotion Division

Director (Tea Promotion)
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Fax: 011 2587341
E-mail: promotion@pureceylontea.com

Tea Exports Section

Deputy Tea Commissioner (Exports)
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Fax: 011 2584844
E-mail: exports@pureceylontea.com

Analytical Laboratory

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



Regional Offices

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



Foreign Branches

Ceylon Tea Promotion Unit	Director (Tea Promotion) M.E./Gulf/N.A Tea Promotion Unit
United Arab Emirates	Consulate General of Democratic Socialist Republic of Sri Lanka P.O Box 51528, Dubai, UAE Tel : 00971 4 3987871 Tel (Direct) : 00971 4 3989349 Fax : 00971 4 3987872 E-mail : ctbureau@emirates.nrt.ae / ceylonte@eim.ae
Ceylon Tea Promotion Unit	
Russia/CIS	Tea Promotion Officer Tea Promotion Unit Embassy of the Democratic Socialist Republic of Sri Lanka Moscow 129090 Russia Tel : 007 495-688-1620 495-68811651/495-688-1463 Fax : 007-495-688-1757 E-mail : tea@srilankaembassy.org
Ulitsa Schepkina-24	
Ceylon Tea Promotion Unit	
China	Tea Promotion Officer (3rd Secretary) - China, Tea Promotion Unit, Embassy of Sri Lanka, No. 3, Jlan Hua Lu, Beijing - 100600, People's Republic of China Tel : 00-86-10-65322919 Fax : 00-86-10-65325426 E-mail : ceylontea@slemb.com



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

PLA/B/SLTB/1/16/08

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

15 November 2017

The Chairman,
Sri Lanka Tea Board

Report of the Auditor General on the Financial Statements of Sri Lanka Tea Board for the year ended 31 December 2016 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971.

The audit of financial statements of the Sri Lanka Tea Board for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of income and expenditure, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the Section 13(1) of the Finance Act, No.38 of 1971 and Section 15(1) of the Sri Lanka Tea Board Act, No.14 of 1975. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed Report in terms of Section 13(7)(a) of the Finance Act was furnished to the Chairman of the Board on 10 October 2017.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions



(ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

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

1.4 Basis for Qualified Opinion

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

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report the financial statements give a true and fair view of the financial position of the Sri Lanka Tea Board as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standard 01

Even though the assets and liabilities should not be offset against each other unless required or permitted by the standard in terms of Paragraph 32 of the Standard, value of two debtors balances totalling Rs.107,891 as at 31 December 2016 had been offset against the creditors balance of Rs.591,011 and net value of Rs.483,120 had been shown in the financial statements.

(b) Sri Lanka Accounting Standard 10

The date approved by the Board of Director for the issue of financial statements had not been disclosed in the financial statements as required by Paragraph 17 of the Standard.

(c) Sri Lanka Accounting Standard 16

As the useful life of the non-current assets had not been review annually, assets valued at Rs.75,404,030 were further in use despite being fully depreciated. Accordingly, action had not been taken to revise the error in the estimation in accordance with the Sri Lanka Accounting Standard 8.

(d) Sri Lanka Accounting Standard 17

Necessary disclosures on the lands/buildings obtained by the Board on hire purchase method had not been made in the financial statements in terms of Paragraph 35 of the Standard.

(e) Sri Lanka Accounting Standard 37

Necessary disclosures on the current position relating to the cases filed against the Board in Courts had not made in the financial statements.

2.2.2 Accounting Policies

In terms of the Gazette No.1677/14 dated 27 October 2010, it had been stated that the monies of the Promotion and Marketing Fund should be used only for the achievement of the objectives of the Fund. Nevertheless, interest income on the investments of that Fund amounting to Rs.30,044,000 had been brought to account as the income of the Tea Board for the year under review, whereas the accounting policy relating to the method adopted had not been disclosed.

2.2.3 Accounting Deficiencies

The following observations are made.

- (a) In accounting the interest payable in respect of the bank loans obtained by the Board for granting loans for the regional plantation companies, a sum of Rs.300,310 had been understated in the accounts.
- (b) A sum of Rs.195,521,240 paid to a private company under Sri Lanka Tea Global Promotion Programme had been brought to account as expenditure of the Promotion and Marketing Fund , instead of being accounted as an advance. As such, the expenditure of the Promotion and Marketing Fund had been overstated by that amount.
- (c) A sum of Rs.669,182 received as the direct deposits to the Collection Bank Accounts of the Regional Offices during the year under review had not been identified and brought to account.
- (d) The initial payment of Rs.900,000 which is paid only once and that had been paid in respect of the land obtained on lease basis for the Divisional Secretariat, Baduraliya had been entirely brought to account as an expenditure of the year.
- (e) The Green Tea Leaf Deposits amounting to Rs.435,000 refunded in the year under review had been brought to account as a development expenditure.

(f) Even though a property had been obtained on lease basis for 50 years at Rs.3,435,000 by the Deed of Lease No.1028/1035 dated 23 August 2004 for the maintenance of Ratnapura Regional Office, it had not been included in accounts.

2.2.4 Unexplained Differences

Even though the Cash and Bank balances of the Promotion Bureau in the United Arab Emirates for Middle East, Gulf and African regions as at the end of the year under review had been shown as Rs.4,499,717 in the final accounts, according to the confirmation of balances, that amounted to Rs.2,470,416. As such an unexplained difference of Rs.2,029,301 was observed.

2.2.5 Lack of Evidence for Audit

Applications received relating to the factory modernization assistance during the year under review and the details on their progress and the detailed schedules and the balance confirmations relating to the payable promotion expenditure amounting to Rs.1,061,687 had not been furnished to audit.

2.3 Accounts Receivable and Payable

The following observations are made

- (a) A sum of Rs.25,000,000 shown as receivable from the Janatha Estate Development Board for more than a period of five years had not been recovered even by the end of the year under review. However, according to the minutes of the Committee on Public Enterprises held on 19 June 2012, the Janatha Estate Development Board and the Tea Board had reached a decision to take over the ownership of the “Ceylon Tea Museum” of the Janatha Estate Development Board situated at Hanthana and to write off the above balance. Nevertheless, this process had not been finalized even by 30 June 2017, the date of audit.

- (b) Out of the assistance of Rs.6,738,000,000 received by the Board from the Treasury for making payments for the tea leaves suppliers for maintain minimum price of Rs.80 for green tea leaves in the preceding year, a sum of Rs.16,453,451 had been retained by the end of the year under review without being remitted to the General Treasury.
- (c) Out of Rs.9,690,443 deposited in the Board by the tea factory owners since year 2000 for making payments to the green tea leaves suppliers, a sum of Rs.5,350,080 had not been paid although one year had elapsed.

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

The following instances of non-compliance were observed during the course of audit.

Reference to Laws, Rules and Regulations and Management Decisions	Non-compliance
-----	-----
(a) Section 49 of the Tea Control Act, No.51 of 1957 and Section 25(3) of the Sri Lanka Tea Board Act, No.14 of 1975	The fees for the registration, renewal of registration, the licence fees had been increased with effect from 29 July 2010 by the Board without obtaining the approval of the Cabinet of Ministers and publication in the Gazette of the Democratic Socialist Republic of Sri Lanka in terms of the Acts.
(b) Sections 13 and 14 of the Sri Lanka Tea Board Act, No.14 of 1975	The provisions in the Act had not been amended for the establishment and operation of the Cess Fund.
(c) Financial Regulation 759 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	An Annual Board of Survey had not been conducted as at the end of the year under review.

- (d) Section 9.14 of the Public Enterprises Circular No.PED/12 dated 02 June 2003. Even though the Board should prepare a procedural manual relating to the formulation of laws and rules for human resources management and obtain the approval of the Secretary to the Treasury, action had not been taken accordingly.
- (e) Internal Circulars of the Tea Commissioner of the Tea Board.
- (i) Circular No. TC/E/VI/08 dated 20 December 2001. According to the circular, all the tea exporters should renew their registration with the Tea Board annually, whereas 04 tea exporters who had not complied with that matter had been provided opportunities for the export of tea.
- (ii) Circular No.TC/CIR/204 dated 10 January 2011. Although the registration of all tea factories should be renewed annually, according to the data of the Board, registration of 33 factories had not been properly updated. Nevertheless, attention of the Board had not been paid thereon.
- (iii) Sections 5.1 and 6.III of the Circular No.TC/FMSS dated 01 November 2015. Even though the machinery and equipment purchased in the year of forwarding the applications are eligible for receiving assistance, contrary to that, a sum of Rs.3,280,000 had been paid to the tea factory owners in 04 instances.

2.5 Transactions not Supported by Adequate Authority

The following observations are made.

- (a) When retiring the officers, the Board had paid Rs.656,030 in respect of their unavailed vacation leave and the approval of the Treasury had also not been obtained therefor.

- (b) The staff of the Tea Export Branch had been paid allowances amounting Rs.160,000 during the year under review, considering the keeping of the Tea Export Branch open beyond the duty hours as a special duty on the approval of the Board of Directors, whereas the approval of the Treasury had not been obtained therefor.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Board for the year under review amounted to a surplus of Rs.4,677,534 as compared with the corresponding surplus of Rs. 86,256,974 for the preceding year, thus indicating a deterioration of Rs.81,579,440 or 94.5 per cent in the financial result for the year under review as compared with the preceding year. The decrease of the income by Rs.73,724,101 during the year under review as compared with the preceding year and the decrease of Rs.102,865,000 from the interest income of the Promotion and Publicity Fund to the income had been the main reasons for the above deterioration. Further, the financial results of the operating activities of the Board during the year under review was a deficit of Rs.5,817,906 and the financial income over financial expenditure amounted to Rs.19,492,327. As such, the net financial results of the Company had become a surplus of Rs.4,677,534.

An analysis of the financial results of the year under review and the 4 preceding years indicated that financial result of the Board had been surpluses in all other years except for the year 2012 and an improvement in the surplus from the year 2013 to the year 2015 was observed. Nevertheless, that surplus had decreased by 85 per cent during

the year under review as compared with the preceding year. However, when readjusting the employees remunerations and the depreciation on the non-current assets to the financial results, the contribution of the Board had been a continuous favourable value and it had been Rs. 158,730,128 in the year 2012 and improved up to Rs.357,901,755 by the end of the year 2015. Nevertheless, it had decreased up to Rs.327,131,706 by the end of the year under review.

3.2 Analytical Financial Review

The current ratio is of the year under review and the preceding year had been 8.74 and 16.9 respectively and it had been mainly attributed by the representation of 88 per cent of total current assets by short term investment fixed deposits and the loans of regional plantation companies.

3.3 Legal Actions Instituted against or by the Board

The following observations are made.

- (a) The landlord of a building used by the Tea Commissioner's Division had made a claim for a sum of Rs.4,900,000 for the damage caused to the building and the inability to rent out the building to another party as it was not possible to restore the building to the normal condition due to the damage and appointed an Arbitrator in October 2008. Accordingly, an order had been made that a sum of Rs.13,828,600 inclusive of an annual charge of 20 per cent in addition to the above amount should be paid by 14 November 2012. Nevertheless, the Board had lodged an appeal against that decision.

- (b) Five external institutions had filed 6 cases and the staff had filed 3 cases in Courts against the Board by the end of the year under review.

4. **Operating Review**

4.1 **Performance**

4.1.1 The objectives of the Board in terms of Sub-sections (1) and (2) of Section 4 of the Sri Lanka Tea Board Act, No.14 of 1975 as amended by the Sri Lanka Tea Board (Amendment) Act, No.29 of 2003 are summarized as follows.

- (i) To regulate the production and cultivation of new areas in tea, the planting of existing estates and small holdings with high yielding material, the rehabilitation of estates and small holdings, the diversification of estates and small holdings by the establishment of and operation of livestock industries, and the replacement of tea on such estates and small holdings by other crops.
- (ii) To regulate the establishment and operation of tea factories and to regulate the conduct of tea auctions.
- (iii) To assist and the encourage the marketing of tea in and outside Sri Lanka, to regulate the sale of tea, the export of tea and the arrangement and payments relating to shipping, freight, brokerage, warehouse or any other charges incurred in the sale of tea abroad.
- (iv) To regulate, control and direct all institutions and organizations engaged in the management of tea estates and in the production and marketing of tea.
- (v) To provide the necessary liaison between the tea industry and the departments of Government or State Corporations, in order to promote and co-ordinate action for the development of tea industry in Sri Lanka.

The following observations are made in connection with the achievement of the above objectives.

- (a) The total tea production in Sri Lanka was gradually decreasing from the year 2014 and the total tea production in Sri Lanka had been 292,573,586 kilograms during the year under review and it had been 328,771,066 kilograms in the preceding

year. Accordingly, as compared with the preceding year, the tea production of the year under review had decreased by 36,197,480 or 11 per cent . The unfavourable weather condition experienced during the year under review as well had resulted in this situation.

(b) Although the tea export income in Sri Lanka had increased during the year under review as compared with the preceding year, as the amount of tea export was 288,770,680 kilograms and 306,936,421 kilograms in the year under review and the preceding year respectively, the tea export had decreased by 18,165,741 kilograms or 5.91 per cent as compared with the preceding year. Nevertheless, the promotion expenditure had increased by 83.6 per cent as compared with the preceding year.

Details as follows

Item	2016	2015	2014
-----	-----	-----	-----
Tea Promotion Expenditure (Rs.)	884,151,296	481,352,966	481,352,966
Total Tea Export (Kg.) (Including re-export)	288,770,680	306,936,421	327,342,457

(c) According to the progress reports of the Board for the year under review, a sum of Rs.97,700,000 had been allocated to implement development activities under 04 programmes and the actual expenditure had been Rs.86,381,964. The following observations are made in this connection.

Development Activity	Allocation		Progress	
	Financial Target	Physical Target	Financial	Physical
	Rs.Millions		Rs.Millions	
(i) Factory Modernization Subsidy Scheme	35.00	Factories- 35	25.424	Factories-44
(ii) Tea Replanting Subsidy Scheme	35.00	Hectares- 200	44.575	Hectares- 267.2
(iii) GMP/SLS/SLTB Production Standard Certificate	3.00	Programmes- 28	3.147	Programmes- 28
(iv) Registration of Tea lands	24.70	100 percentage	12.799	75 percentage
Total	97.70		85.945	

(i) Under the Factory Modernization Subsidy Scheme, the Board had allocated Rs.35,000,000 at maximum Rs.1,000,000 per factory. Forty four factories had been modernized by spending Rs.25,424,904 during the year under review and out of that 96 per cent had been made in respect of the applications received in the preceding year and the remaining sum of the above allocation had been used for the implementation of Tea Replanting Subsidy Scheme.

(ii) A sum of Rs.35,000,000 had been made for the implementation of Tea Replanting Subsidy Scheme during the year under review. According to the progress reports, a sum of Rs.44,575,096 had been spent in order to cultivate 267.2 hectares of lands and it was observed to be an improvement of 27 per cent of the expenditure expected to be incurred.

- (iii) A sum of Rs.24,700,000 had been allocated for the implementation of a tea land registration programme according to the Action Plan and applications had been called for to the Board for the registration of landlords under that programme by the end of the year. Nevertheless, registration activities had not been completed and a sum of Rs.12,799,424 had been spent thereon.

- (d) According to the notification published in the Gazette No.1677/14 dated 27 October 2010 for the Tea Promotion and Market Strategies, the Board had earned a sum of Rs.5,927 million from the tea exporters from 01 November 2010 to 31 December 2015. It had been expected to implement Ceylon Tea Global Promotion Programme during the period from the year 2015 to 2018 with the use of that money and Rs.8 billion out of the tax amount expected to be collected in the ensuing 3 years. The following observations are made in this connection.
 - (i) As this programme planned for the period from the year 2012 to 2016 could not be implemented within due period, it had been extended from the year 2015 to the year 2018 and sum of Rs.195,521,240 had been spent thereon during the year under review. Nevertheless, the production creative activities of this programme had not been completed as expected.

 - (ii) Although creation of television commercial advertisement relating to the production creative activities had been completed by April 2016, as it could not be selected a Media Consultancy Agency for the implementation of Promotion Programme, it had not been possible to implement the promotion activities properly. In parallel to the production and creative activities, procurement activities should have been carried out relating to a media institution. Nevtrtheless, procurement activities for the selection of a service institution had not been finalized even by the date of this report.

4.2 Management Activities

The following observations are made.

- (a) The tea sales centre established in the Colombo Race Course Building at a cost of Rs.58,368,794 in the year 2013 with the objective of popularization of tea among the foreigners visiting Sri Lanka had sustained a cumulative loss of Rs.33,195,451 during the preceding two years. A feasibility study had not been conducted before the commencement of this project implemented as a tea promotion activity and the functions of this centre maintained in a premises obtained on an annual lease of Rs.4,403,419 from the Urban Development Authority for 10 years had become debilitated during the year under review. As a result, expenditure over income of Rs.9,799,269 had been incurred for the operating activities and according to a decision of the Board of Directors, it had been decided to halt the operating activities in the year 2017.
- (b) A stock of 2,079 T Shirts valued at Rs.2,545,750 purchased according to the sponsorship agreement entered into with the Sri Lanka Cricket in the year 2014 remained in the stores even by the end of the year under review without being sold. The Board had failed to sell these T Shirts without incurring a loss to the Board.
- (c) As the Atomic Absorption Spectrometer (SAS) machine used in the Laboratory of the Board had become out of order in the year 2005, it had been removed from using. Accordingly, for the purchase of another machine in lieu of the above machine for the activities of the Laboratory, quotations had been called for in several instances. Nevertheless, it had been failed to purchase a machine up to the end of the year under review and as such, conduct of 07 analytical tests carried out by the Laboratory had been abandoned.
- (d) Even though an agreement had been entered into with a Consultant in the year 2015 in order to formulate a new Act by amalgamating the Sri Lanka Tea Board Act, No.14 of 1975, Tea Control Act No.51 of 1957 and the Tea (Tax and Control) Act, No.16 of 1959, the relevant activity had not been carried out even up to the year under review.

4.3 Underutilization of Funds

The balances of Rs.369,504 of 03 foreign bank accounts of the Board had remained underutilized for a period from 01 years to 04 years.

4.4 Idle and Underutilized Assets

The machine for the Analysis of Pesticide Residue in Tea purchased in the year 2009 spending Rs.32,132,088 for the analysis of pesticide residue in tea and certification and the submission of reports and the CP-3800 GAS Chromatography machine purchased at Rs.5,592,421 had not been used for the expected purpose from the date of purchase. Due to the absence of an agent within Sri Lanka to obtain the technical know-how on the operations of the machine and not providing a training on the operation of the machine by the supplier, it had not been possible to conduct tests using the above machine.

4.5 Procurement and Contract Process

According to the Public Contract Act, No.3 of 1987, the contractors in respect of the contracts exceeding Rs.5,000,000 should be registered under the Act, whereas the contractor of the contract relating to repairs of the Head Office of the Board amounting to Rs.6,278,036 had not registered under this Act. Further, in terms of the Paragraph 4.2.3 of the Government Procurement Guidelines, 2006, the acceptance letters should be sent within 05 weeks from the date closing the calling for quotations for the procurement, whereas 15 weeks had been taken relating to this contract and the activities relating to the opening of bids had not reported according to the format appeared in the Guidelines as required by the Paragraph 6.3.6. Further, in case of the value of the contract is less than the estimated cost, a certificate from the contractor had not been obtained to the effect that the relevant work would be carried out at optimum level as required by Paragraph 7.9.2.

4.6 Commencement of Projects in the Lands and Properties not properly vested in

Even though the Regional Office, Bandarawela valued at Rs.7,122,915 constructed before the year 2007 had been included in the financial statements, action had not been taken to vest the ownership of the land in which that building is situated in the Board even up to the date of this report.

4.7 Staff Administration

The approved and the actual cadre of the Board had been 308 and 277 respectively. There were 02, 03 and 28 vacancies of the posts in the Senior, Tertiary and Secondary levels respectively and 08 posts in the Primary level. Two officers had been deployed in a Senior Level posts and a Tertiary Level post and 08 officers had been deployed for 04 Secondary Level posts which are not included in the approved cadre.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though Section 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003 specifies that the Accounts together with a Draft Annual Report should be presented to the Auditor General within 60 days after the closure of the financial year, the Accounts for the year under review had been presented on 16 June 2017, that is, after a delay of 102 days.

5.2 Internal Audit

Even though an Internal Audit Unit has been established in the Board and adequate staff had been attached thereto, necessary steps had not been taken to give an adequate training to the officers attached to that unit.

5.3 Budgetary Control

The budget prepared for the year under review had been revised in 03 instances and the variances ranging from 15 per cent to 48 per cent were observed between the budgeted and the actual amounts thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

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

Areas of Systems and Controls	Observation
-----	-----
(a) Accounting	Existence of delays in presenting Accounts
(b) Staff Administration	Recruitment to posts not included in the approved cadre.
(c) Accounts Receivable and Payable	Existence of unrecovered and unsettled balances over long periods.

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M.Gamini Wijesinghe

Auditor General.