807/F

An analysis of patterns of tea exports from Sri Lanka with reference to product forms and destinations (2007-2014)

Achini Weerawardhane

Sri Lanka Export Development Board, 42, Nawam Mawatha, Colombo 02

Sri Lanka exported tea to more than 40 countries in 2012 that are categorized into five major destination regions. Tea exports are also identified in three different forms. The industry and national policy indulges in a long-term vision to diversify destinations and forms of tea exports. Thus understanding the trends and resultant economic gains due to changing pattern of exports would generate important insights to the industry. Objectives of this study were a) to identify changes in the shares of destination regions of tea exports, b) to identify the patterns of change in the shares of different forms of tea exports, and c) to understand changes in unit values of different forms and destination regions. Data on export volumes and values were obtained from Central Bank Annual Reports. Shares of destinations, export forms and values in constant 2013 terms were computed for selected periods using averages centering on the representative years.

Value of total tea exports in constant 2013 values grew by 17.5% during 2007 - 2014. Export volumes to European Union and other industrialized countries reported a drop of 17.5% during the same period. Unit export values of all forms of tea except for that of bulk green tea increased. In 2008, bulk tea accounted for about two-thirds of all black tea exports. This share dropped to 40% in 2013. The price premium for packeted black tea over bulk tea in 2008 is LKR 19.48 per kg in constant 2013 values accounting for a margin of 4.8%. The premium earned by packeted black tea in 2013 is LKR 12.89 per kg accounting only for 2.3%. The unit value analysis indicates a decrease in value of one kg of tea exported to other countries indicating an estimated potential gain of approximately LKR 1.1 billion in 2013, if the country continued to maintain the exports to high value markets. Although share shifts of forms within three types of tea products are in the expected directions of industry developments, gains from value addition to bulk black tea to black tea packets has declined.

Keywords: Market segmentation, export destinations, package types, unit values, industry strategies

namiweera@yahoo.com
Tel: +94 776063363