

2.6 Value Addition in Sri Lanka Tea Industry

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ABSTRACT

From the inception of tea industry in Sri Lanka, Country's tea exports were in the form of orthodox tea and exported bulk. Low prices, loss of income and the discrepancy in the prices between export prices and retail prices are the results of the bulk export of tea. Value added tea export will increase Sri Lanka's export income and competitiveness of the tea industry.

The objective of this study is to investigate the development of value addition in Sri Lankan tea industry during the period from 1977 to 2005. Secondary data from the Tea Board, Customs and Central Bank of Sri Lanka have been used for the study. World Bank and IMF annual reports and other literature were used to obtain world market statistics.

Research findings reveal that the retail prices of the world market is several times higher than the Sri Lanka's tea export prices. Value addition, such as production of tea bags in the importing countries is the reason for the price differences.

Export of value added tea improved significantly since 1977 until 1996 and thereafter fell marginally, however, in 2005 it again showed an increase and even established a record in the quantity exported as value added tea, but could not match the proportion of value added tea achieved in 1977, in the total exports.

There is a vast potential to increase the prices of Sri Lanka's tea exports by value addition but Sri Lanka is not fully prepared for those changes to date.

Key Words – Value Addition
Tea Industry