



**Ceylon
Tea
Brokers**

**TEA INDUSTRY OVERVIEW
JANUARY TO JUNE - 2022**

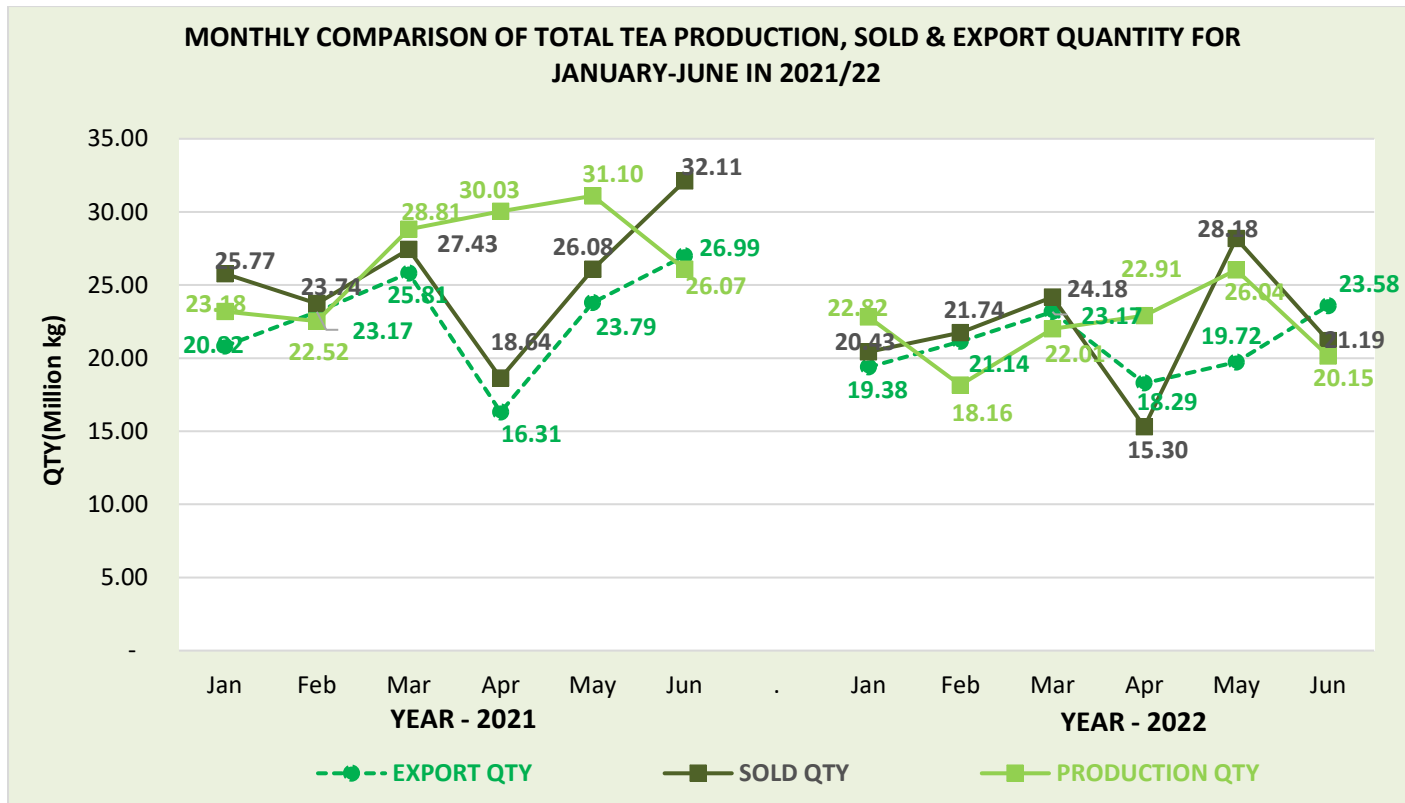
CEYLON TEA BROKERS PLC

Level 7, Millenium House, No.46/58, Nawam Mawatha, Colombo 2.
Tel:011-4607777 Fax: 011-4607788 Email :
general@ceylontebrokers.com ; Web:
www.ceylontebrokers.com

The Sri Lankan tea industry for the period January – June 2022 shows a decrease in Production and Exports whilst recorded a substantial increase in the National Average against the same period in 2021.

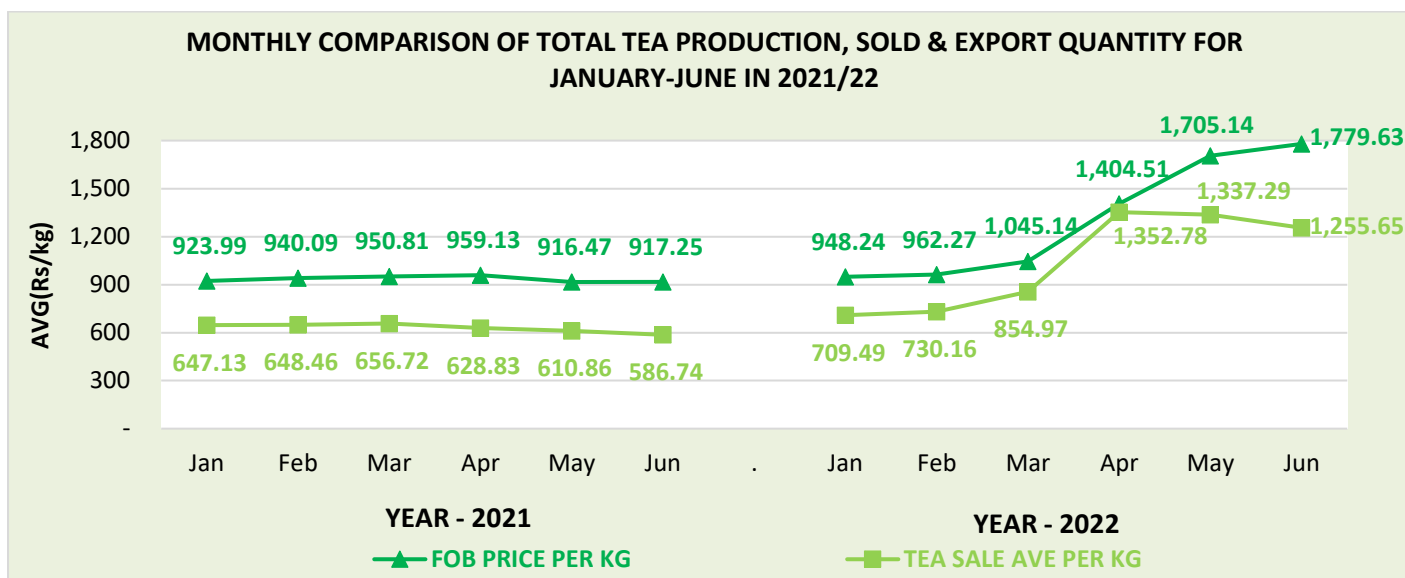
Iraq, U.A.E and Russia continued with strong demand for Sri Lankan tea and were the top 03 importers for the period January to June 2022.

The rapid devaluation of the Rupee in the month of March helped Rupee prices move up substantially.



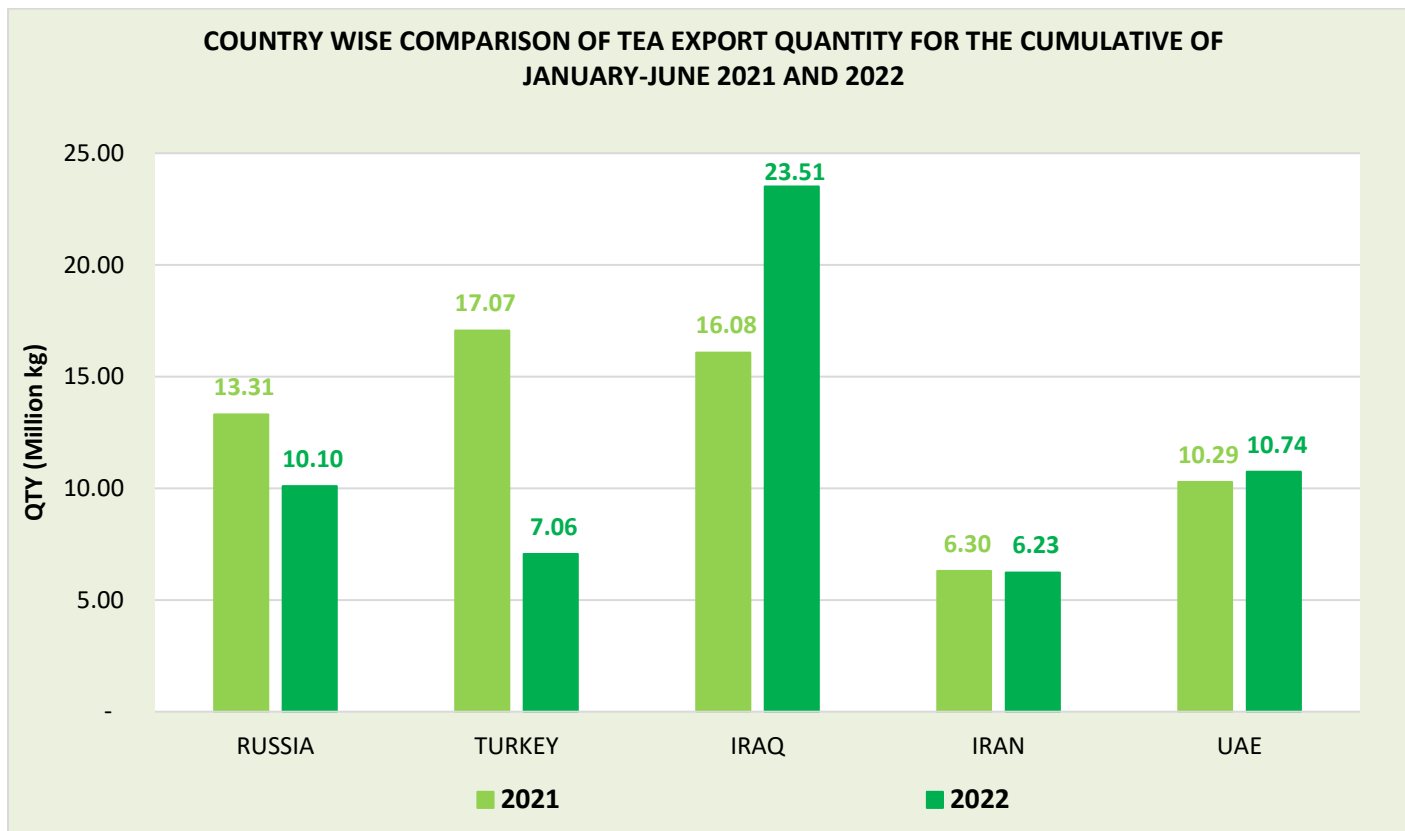
The total tea production of Sri Lankan Tea for the period January to June 2022 recorded 132.93 Mn/Kgs in comparison to 161.71 Mn/Kgs in 2021 (-28.79 Mn/Kgs). High, Medium & Low Growns shows a decrease in volume comparison to the same period in 2021.

Also, the CTC High, Medium and Low Growns recorded a decrease in volume comparison to the same period in 2021. Production and Exports decreased by -28.79 Mn/Kgs and -11.69 Mn/Kgs respectively when compared to the same period in 2021.



The total National Average of Teas sold for the period January to June 2022 was Rs. 1,028.82 (USD 3.64) per kilo in comparison to Rs. 626.45 (USD 3.19) for the same period in 2021, which recorded an increase of +Rs.402.37. Low Growns averaged Rs. 1126.38 (USD 3.98); Mid Growns recorded Rs. 869.43 (USD 3.07) and High Growns at Rs. 895.93 (USD 3.17).

For the period January to June 2022 all three elevations witnessed an increase in the Rupee terms and dollar value. Low Growns with the largest market share with 59.80% of the production, recorded an increase of +Rs.471.65. Medium Growns recorded an increase of +Rs.303.05 whilst High Grown recorded an increase of +Rs.298.99.



Sri Lanka Tea Exports for the period January – June 2022 amounted to 125.30 Mn/Kgs vis-à-vis 136.98 Mn/Kgs recorded for the same period last year (-11.69 Mn/Kgs). The FOB average price per kilo for this period stood at Rs. 1,310.74 (USD 4.63) in contrast to Rs. 933.18 (USD 4.75), which shows an increase in Rupee term (+Rs.377.56) and decrease in Dollar value (-USD 0.12) when compared to the corresponding period in 2021. The FOB value of Tea Bags has gained in comparison to the same period in 2021.

The Total revenue realized for the period January – June 2022 from Tea Exports was Rs. 164.23 Bn (USD 580.45 Mn) compared with Rs. 127.83 Bn (USD 650.88 Mn) recorded for the period January to June 2021, which recorded an increase in Rupee term (+Rs.36.40 Bn) and decrease in Dollar value (-USD 70.43 Mn) compared to the same period in 2021. Teas in Packets and Bulk showed an increase in FOB Value.

Country wise analysis of exports shows that the Iraq emerged as the largest importer of Sri Lankan tea for the period of January – June 2022 followed by U.A.E and Russia. Tea exports to Iraq have increased by 7.43 Mn/Kgs & U.A.E increased by 0.45 Mn/Kgs. However, Russia has dropped by -3.21 Mn/Kg. Tea exports to Turkey has decreased by -10.01 Mn/Kg. Iran and China decreased by -0.07Mn/Kg and -1.74 Mn/Kgs compared to the same period in year 2021. Libya has increased by +0.08 Mn/Kgs.

WORLD ECONOMIC OUTLOOK

The world economy continues to worsen from a sequence of major negative shocks caused by Covid-19 pandemic and Russian Federation's invasion of Ukraine. After more than two years of pandemic, the Russian Federation's invasion of Ukraine effects the global economic on commodity markets, supply chains, inflation, and financial conditions which slowdown the global growth. Furthermore, the war in Ukraine is a main reason for price hikes and instability in energy markets.

The world economy is expected to decelerate to 2.9% in 2022 due to high commodity prices and continued financial tightening. The economy is forecasted to grow by 3.0% in 2023.

EUROPE & CENTRAL ASIA

Regional output had nearly returned to its pre-pandemic trend at the start of 2022. However, Russia's invasion of Ukraine has reversed the recovery.

Economic growth in Europe & Central Asia is forecasted to shrink by about 3.0% in 2022, as the invasion effects the commodity, financial markets, trade, migration links, and consumer confidence.

MIDDLE EAST AND NORTH AFRICA (MENA)

The Middle East and North Africa region is expected to expand by 5.3% in 2022 which is 0.9% above previous projections due to rising oil revenues.

Oil exporters are benefiting from strong growth in the oil sector with increasing oil production and higher prices.

However, the Russia's invasion of Ukraine weakened external demand, increased uncertainty, and raised food and energy prices in the regional economy. Also, the war could disrupt the travel and tourism sectors on which several economies in the region depend on strongly.

US ECONOMY

Economic growth in the United States is forecasted to slow down by 2.6% in 2022 due to high inflationary pressures, critical economic tightening by the Federal Reserve and a strong US dollar, which is weighing on net exports.

CHINA ECONOMY

China's economy is expected to slow in 2022. The Covid-19 pandemic in two years has disrupted the economic growth. Therefore, China expected to grow 4.3% in 2022 and recover to 4.9% in 2023. The forecast for this year has been lowered 0.8% due to damage caused from Covid-19, Omicron outbreaks and related lockdowns.

Exports expected to remain strong as companies continue to increase their market shares and China's large oil and grain reserves will reduce the impact of rising global energy and food prices.

(Source: Worldbank.org)

CRUDE OIL

Crude oil prices have been rising due to Russian Federation's invasion of Ukraine as traders expect substantial supply shortages due to sanctions placed on Russia.

Brent crude oil is expected to have an average annual price of USD 107.37 per barrel in 2022, according to a forecast from June 2022.

(Source: Worldbank.org)

US DOLLAR

During the Covid-19 pandemic, the interest rate was kept at a near-zero range but has changed course as inflation has surged.

In June, the Federal Reserve announced that it would raise interest rates (the benchmark for most interest rates) by 0.75%, moving the target range to 0.75% to 1.75%.

(Source: Federal Reserve)

SRI LANKAN RUPEE

The Sri Lankan Rupee is expected to trade at 371.07 by the end of this quarter, according to Trading Economics global macro models and analysts' expectations and estimate it to trade at 416.69 in 12 months' time.

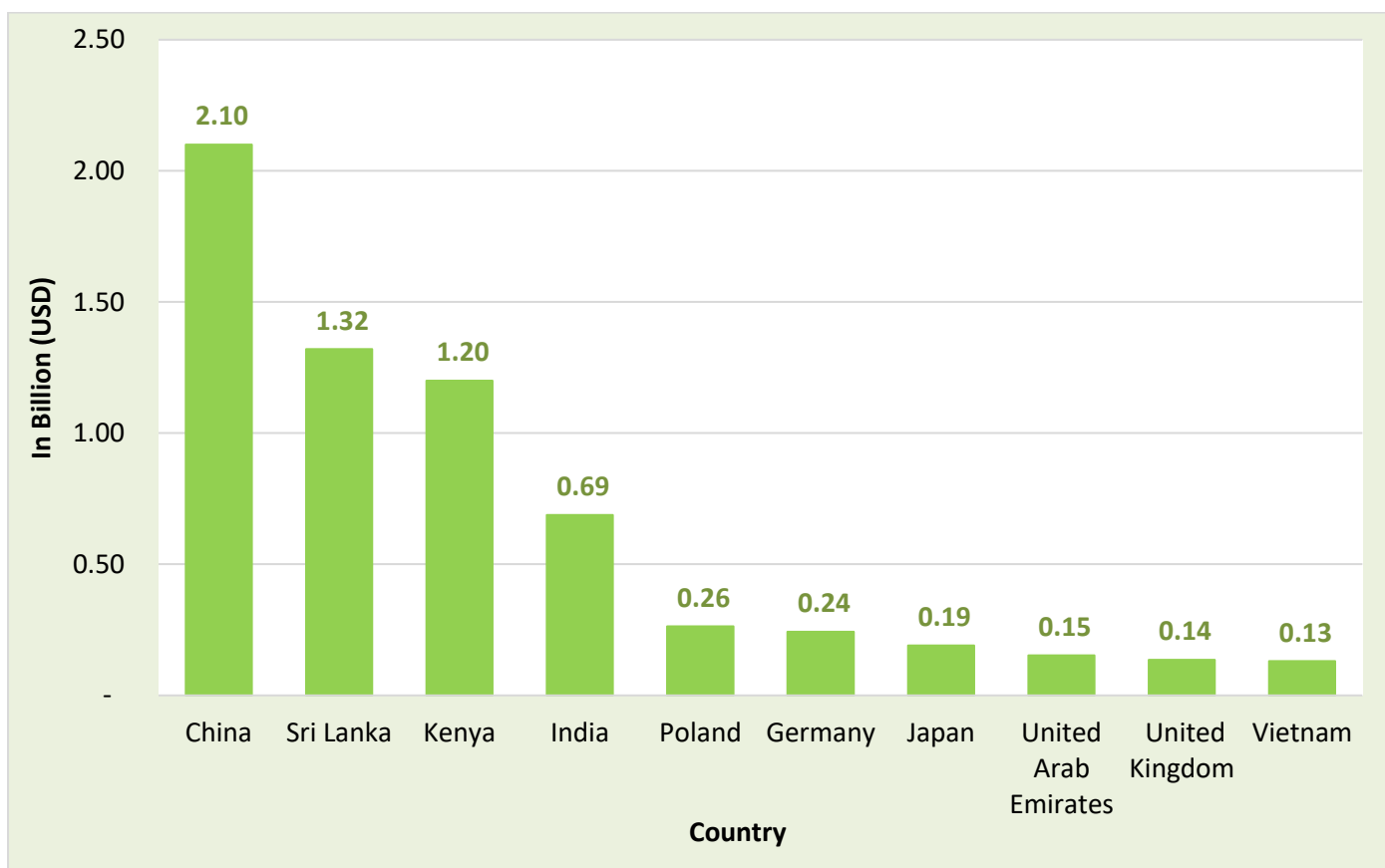
(Source: CBSL)

Global sales of exported tea from all countries totaled USD 7.32 billion in 2021, down by -9.4% since 2017 when worldwide tea exports were worth USD 8.08 billion.

Year over year, the value of worldwide tea exports decreased by an average of -9.8% when compared to USD 8.11 billion in 2020.

Asian countries sold the highest dollar worth of exported tea during 2021 with shipments valued at USD 4.5 billion (61.7%) of the global total. In second place were exporters in Africa at 20.3% while another 14.8% of overall tea shipments originated from Europe. Smaller percentages of globally exported tea came from North America (1.7%), Latin America (1.3%) excluding Mexico but including the Caribbean, then Oceania (0.2%) led by Australia and New Zealand.

Below are the 10 countries that exported the highest dollar value worth of tea during 2021



(Source: ITC)

World tea production depicts a marginal decrease in volume for the period January to June 2022 when compared to the same period in 2021. The war in Ukraine, Covid-19 pandemic, Global inflation, tighter global financial conditions could have an adverse effect on the Sri Lanka Tea Industry.

However, the Rupee devaluation has helped Sri Lanka Tea Industry to harness a higher Rupee revenue.