



**Ceylon  
Tea  
Brokers**

**TEA INDUSTRY OVERVIEW  
FIRST QUARTER - 2022**

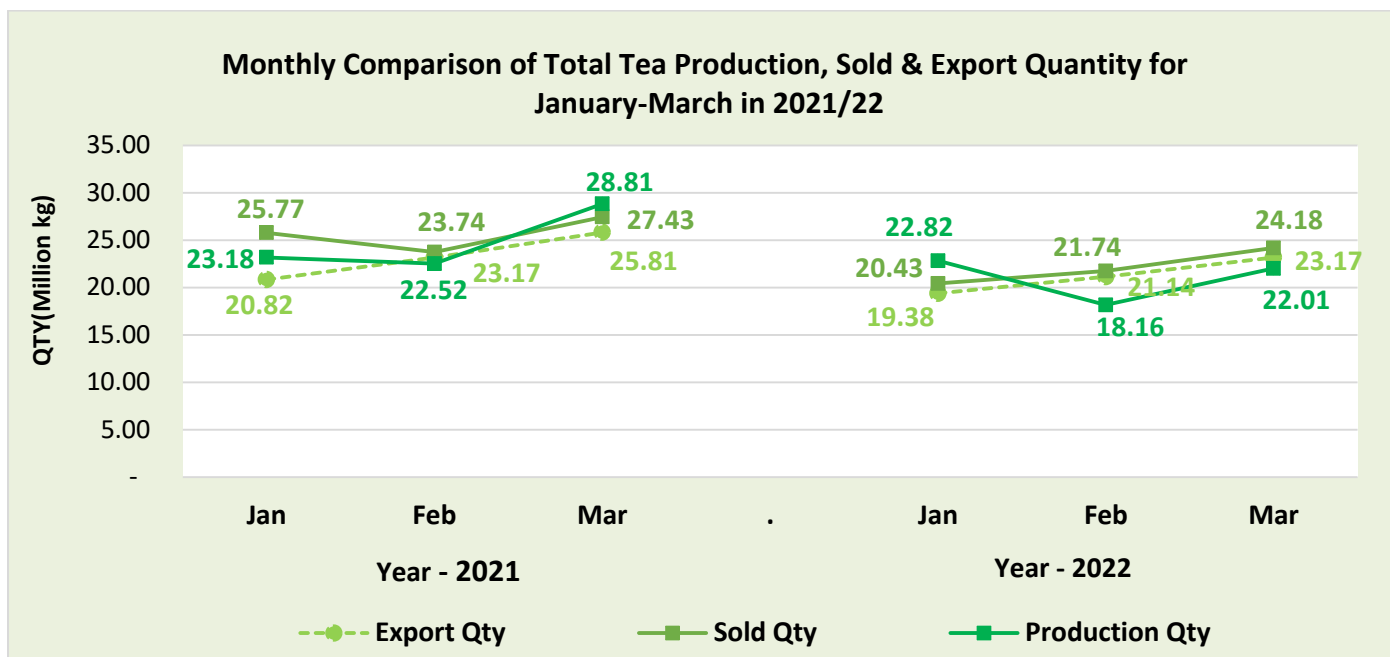
**CEYLON TEA BROKERS PLC**

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 - March, 2022 shows a decrease in Production and Exports whilst recorded a substantial increase in the National Average against the same period in 2021.

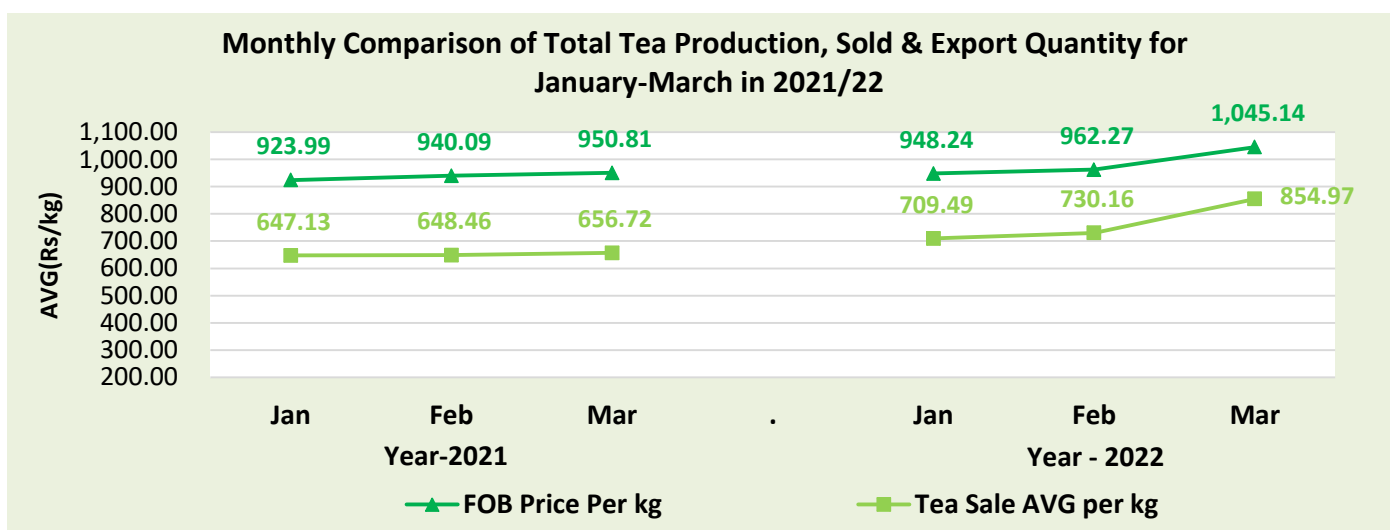
Iraq, U.A.E and Russia continued with strong demand for Sri Lankan tea and were the top 03 importers for the period January to March 2022.

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



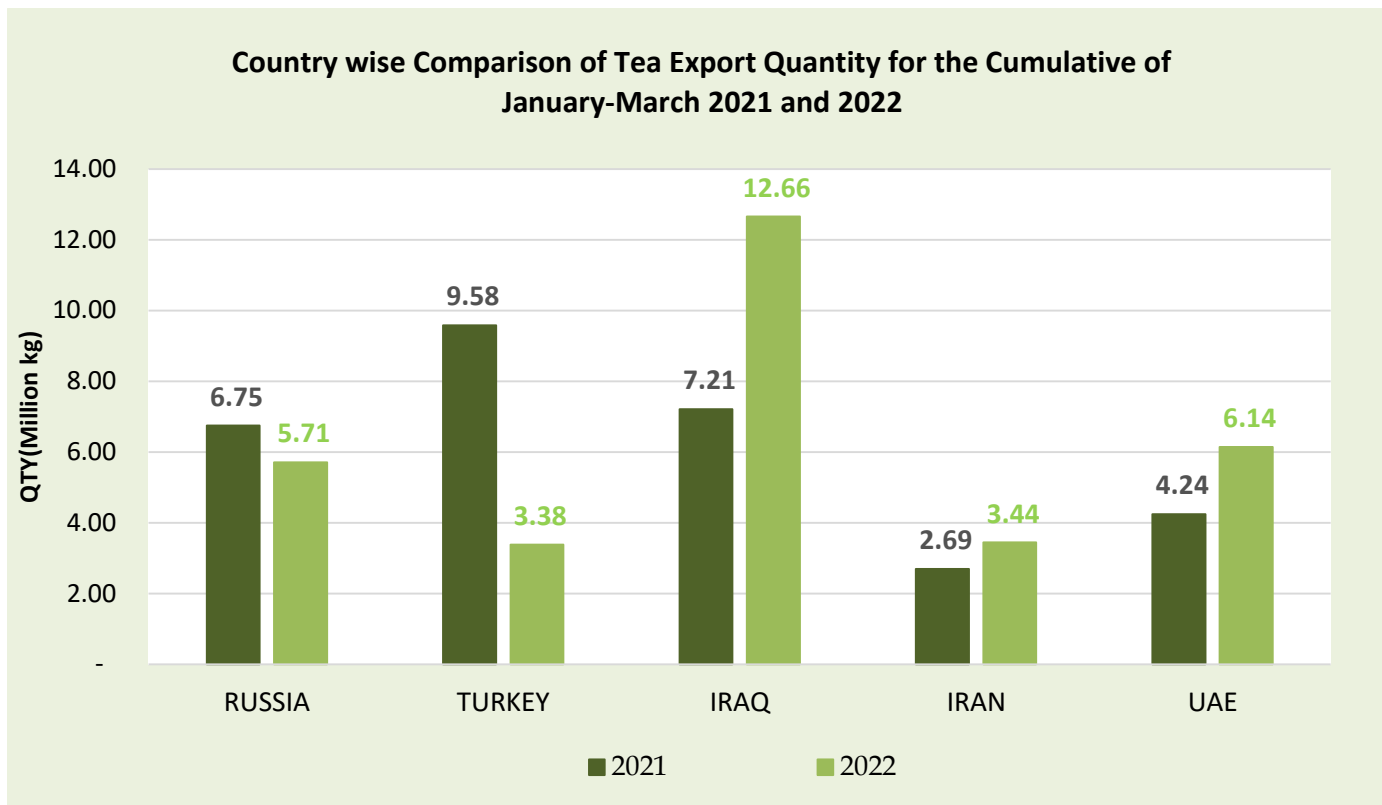
The total tea production of Sri Lankan Tea for the period January to March 2022 recorded 63.10 Mn/Kgs in comparison to 74.51 Mn/Kgs in 2021 (-11.41 Mn/Kgs). High, Medium & Low Growns shows a decrease in volume comparison to the same period in 2021.

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 -11.41 Mn/Kgs and -6.19 Mn/Kgs respectively when compared to the same period in 2021.



The total National Average of Teas sold for the period January to March 2022 was Rs. 763.83 (USD 3.48) per kilo in comparison to Rs. 648.63 (USD 3.35) for the same period in 2021, which recorded an increase of +Rs.115.20. Low Growns averaged Rs. 806.49 (USD 3.67); Mid Growns recorded Rs. 673.29 (USD 3.07) with High Growns at Rs. 716.93 (USD 3.26).

For the period January to March 2022 all three elevations witnessed an increase in the Rupee term and dollar value. Low Growns with the largest market share with 60.30% of the production recorded an increase of +Rs.131.99. Medium Growns recorded an increase of +Rs.84.8 whilst High Grown recorded an increase of +Rs.97.71.



Sri Lanka Tea Exports for the period January – March 2022 amounted to 63.70 Mn/Kgs vis-à-vis 69.88 Mn/Kgs recorded for the same period last year (-6.19Mn/Kgs). The FOB average price per kilo for this period stood at Rs. 988.15 (USD 4.50) in contrast to Rs. 938.97 (USD 4.84), which shows an increase in the Rupee term (+Rs.49.18) and decrease in Dollar value (-USD 0.34) 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 – March 2022 from Tea Exports was Rs. 62.95 Bn (USD 286.55 Mn) compared with Rs. 65.62 Bn (USD 338.52 Mn) recorded for the period January to March 2021. It's a decrease in Rupee term (-Rs.2.68 Bn) and Dollar value (-USD 51.97 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 – March 2022 followed by U.A.E and Russia. Tea exports to Iraq have increased by 5.45 Mn/Kgs & U.A.E increased by 1.89 Mn/Kgs. However, Russia has dropped by -1.05 Mn/Kg. Tea exports to Iran increased by 0.75 Mn/Kg whilst Turkey has decreased by -6.20 Mn/Kg. Libya and China decreased by -0.01Mn/Kg and 1.60 Mn/Kgs compared to the same period in year 2021.

## WORLD ECONOMIC OUTLOOK

---

Global economy was on an improving path but had not yet fully recovered from the Covid-19 pandemic, with a significant variance between the economic recoveries of advanced economies and emerging market. However, Global economic prospects have further worsened considerably due to Russia's invasion of Ukraine causing a tragic humanitarian crisis in Eastern Europe and the sanctions expected at pressuring Russia to end conflicts.

The Economic Growth is projected to decline from an estimated to 3.6% in 2022 & 2023, which is 0.8% and 0.2% lower for 2022 and 2023 than in the January 2022 World Economic Outlook.

### EUROPE & CENTRAL ASIA

Russia's invasion of Ukraine is expected to result in substantial damage to the regional economy, with output in Europe & Central Asia forecast to shrink by 4.1% in 2022 more than 7.0 % points below previous forecasts.

Russia's invasion of Ukraine has spread through multiple channels to the Europe & Central Asia economy, including direct exposures from commodity markets, trade linkages, tourist inflows, and remittances. Therefore, the regional outlook is projected to significant uncertainty.

### MIDDLE EAST AND NORTH AFRICA (MENA)

The Middle East and North Africa region is expected to grow by 5.2% in 2022, the fastest rate since 2016 due to the oil price windfalls benefited the region's oil exporters. Although, uncertainty surrounds this forecast due to the war in Ukraine and continuing threats from the Covid-19 variant.

Oil producers will benefit from higher oil prices and vaccination rates as insubstantial countries lag. However, tighter global economic policy, the unpredictability of the Covid-19 pandemic, ongoing supply chain disruptions and food price hikes raises inflation risks for the entire region.

### US ECONOMY

US economy GDP expected to grow by 3.2% for 2022 and 2.1% in 2023. US economic activity remained healthy through early March. The invasion of Ukraine by Russia is causing incredible human and economic adversity. The effects for the U.S. economy are highly uncertain, but in the near term the invasion and related activities are likely to create additional pressure on inflation and weigh up on economic activity.

### CHINA ECONOMY

Downward pressures on the Chinese economy are rising. The primary reasons for economic sluggishness are Covid-19 infections with resultant lockdowns and the vital real estate sector's slowdown. Also, Global supply chain holdups and higher material prices due to the conflict in Ukraine are adding to the challenges.

China forecast that real GDP will grow by 5.0% in 2022 below the government's 5.5% target and by 5¼% in 2023.

**(Source: Worldbank.org)**

## CRUDE OIL

---

In March 2022 the average price of the Organization of the Petroleum Exporting Countries (OPEC) was USD 113.48 per barrel. Monthly averages reached above USD 110.00 per barrel due to greater demand and geopolitical tension in the Russia-Ukraine war in late February.

The Brent Crude Oil estimated to trade at USD 120/bbl in the second quarter of 2022.

**(Source: Worldbank.org)**

## US DOLLAR

---

The Federal Open Market Committee (FOMC) meeting held on March 16, 2022 the Federal Reserve announced that it would be increasing its target for the federal funds rate (the benchmark for most interest rates) by 0% - 0.50%, marking the first increase since 2018.

**(Source: Federal Reserve)**

## SRI LANKAN RUPEE

---

The Sri Lankan Rupee is expected to trade at 356.23 by the end of this quarter and estimated to trade at 375.59 in 12 months' time.

**(Source: CBSL)**

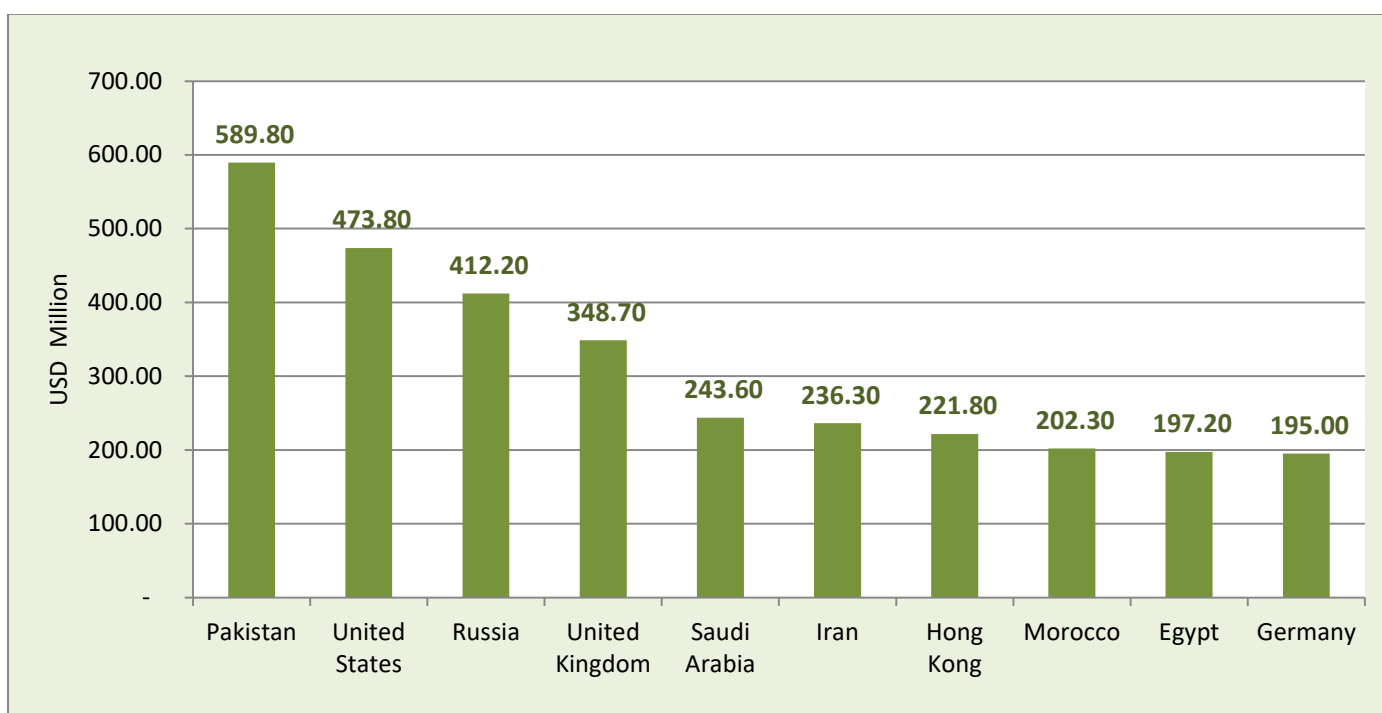
## TEA IMPORTS BY COUNTRY - 2020

Global purchases of imported tea totaled USD 6.7 billion in 2020.

Pakistan, United States, Russia, United Kingdom & Saudi Arabia were the five most valued import markets for tea and accounted for almost a third (31.1%) of the worldwide sales of imported tea in 2020.

Asian countries bought the most imported tea during 2020 with purchases costing USD 2.9 billion (43.7%) of the worldwide total. In second place were European countries at 29.3% whilst 14.4% of all tea imports were delivered to customers in Africa. Smaller percentages purchased by North America (9.1%), Oceania (2%) led by Australia, New Zealand and Latin America (1.5%) excluding Mexico.

Below are the 10 countries that imported the highest dollar value worth of tea during 2020.



The overall value of tea imported by all countries shrank by an average -2.1% since 2016 when tea purchases cost USD 6.8 billion. From 2019 to 2020, the total dollar amount for imported tea dropped by -5.5% from 2019 to 2020.

(Source: ITC)

World's major tea producing countries are currently witnessing moderate production levels. The protection measures used by countries due to Covid-19 are continuing to impact economic activity worldwide. The Sri Lankan tea prices moved up substantially towards the end of 01st quarter due to the sharp devaluation of the Sri Lankan Rupee. The tea prices are expected to be at healthy levels going into the 02nd quarter.