

EXPORTERS' WILLINGNESS TO ADOPT TEA HUB CONCEPT IN SRI LANKA

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By

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ABSTRACT

As one of the leading tea growing and exporting countries, Sri Lanka needs to adopt new strategic decisions to strengthen the tea sector along with the competitive global tea market. As a consequence, the concept of tea hub has been introduced by the industry experts and some parties as a strategy, in which liberalization of tea imports for blending, value addition and re-exports could be steered. Nevertheless, this concept of tea hub has been a controversial topic in the industry with the argument on to make the whole country as a tea hub or establishment of a tea hub in a separate free zone within the country. The exporters are the major proponent of this tea hub concept as well as major party whom to be privileged from it. With this background, this study has focused on the factors affecting for exporters' willingness to adopt tea hub concept in Sri Lanka and identify the most preferred hub model among exporters. The primary data were collected using a structured questionnaire from 56 tea exporting firms in Sri Lanka. Nine factors were used to measure exporters' willingness on tea hub concept. According to the results of probit regression, market experience and current status of importation of tea were significant at 5% significance level and bulk tea export volume, tariffs & non-tariffs barriers and influence of competitors were significant at 10% significance level. The current status of importation of tea, tariffs & non-tariff barriers and influence of competitors have positive relationship with the exporters' willingness to adopt tea hub concept, while the market experience and bulk tea export volume have negative relationship. This study concluded that majority of the exporters are willing to adopt the tea hub concept and prefer to have an exclusive free zone (46.15%) as a tea hub in Sri Lanka.

Key words: Tea hub, Liberalization, Tea exporter, Tea imports, Multi-origin tea