

ANALYSIS OF FACTORS AFFECTING THE TEA EXPORTERS' VALUE ADDED DECISION

A dissertation submitted to the
Faculty of Animal Science and Export Agriculture
Uva Wellassa University
in partial fulfillment of the requirement for the award of the
Degree of Export Agriculture

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Sri Lanka

2011

ABSTRACT

Sri Lanka is looking forward to maximize the contribution from exports to strengthen the economy. Tea is considered as a one major exporting crops and the Ceylon tea having the best recognition in the world market. But, it is gradually losing the market share due to high cost of production and continuous focus on bulk tea. Therefore country should focus on value added products. Earnings from value added forms are at least 2.5 times higher than that of bulk form and Sri Lanka exports only 42% of value added tea. The research was carried out with two objectives. Main objective is to analyze the factors affecting on exporters' perception on value added decision. In this research study, out of major 50 tea exporters, randomly selected 30 exporters were interviewed. Descriptive statistic techniques were used to summarize and describe the data in an abbreviated form and a multiple regression was used to determine the extent to which the identified variables affect to the dependent variable. All the variables like attitudes, market, support services, framework conditions like government policies and branding are significant at 5% significance level and only market and support services are significant at 1% significance level. This implies that above mentioned variables are heavily affecting the dependent variable, the production of value added tea. According to the calculations, R^2 is 0.8114 and it indicates that 81% of the dependent variable is explained by the above variable combinations. Adjusted R^2 was 0.7266 in the model. Accordingly the effect of attitudes towards the production of value added tea is significant and for value added decision, it is a must to have a positive attitude. Market also a main factor which pushes the exporters towards the value added decision and the support services are another important factor which encourages the exporters towards value addition. Framework conditions are also influential factors on value addition and the branding is the essence of the value addition. Quality of products and the inputs are not significantly affecting on value added decision and technology and the financial factors are also not significant to the value added decision.

Research findings show exporters having positive attitudes and updated knowledge on the value addition and the value added products. But the higher cost of production on value addition restricts them to certain extent and the verities of value added products. Newly establishing exporters find difficulties in accessing the market as they should

find the customers by themselves. Government has increased the tax imposed on bulk tea exports and it has prohibited the imports of black tea to motivate the exporters towards the value addition. The quality of the Ceylon tea and the strong branding are very favorable for value addition and as the SLTB strictly monitored the quality of products to ensure the brand loyalty.

If the government can allocate more resources on value addition of tea, exporters could import machineries and other technologies necessary for further value addition, government could facilitate the sponsoring for trade shows and make linkages with buyers. Technologies and knowledge should be disseminated to the newly established exporters, which is vital to motivate them towards value addition.