

**INTERNAL FACTORS WHICH AFFECT THE
GLOBAL MARKET SHARE OF SRI LANKAN TEA
INDUSTRY**

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ABSTRACT

Tea is the second most popular drink in the world after water. Tea industry plays vital role in the development of the national economy. Although Sri Lanka has been producing and exporting tea for over 125 years, sufficient attention has not been paid to marketing aspects of tea. In the slowly growing global tea market Sri Lanka has not performed as well relative to its competitors in recent times as it did in the past. Sri Lanka needs to improve the efficiency of its industry to remain competitive in world tea market. Improving efficiency and international competitiveness in the Sri Lankan tea industry requires that the high costs of production, associated with low productivity, be reduced. Tea producers have the main responsibility for this.

The study was aimed to determine different internal factors affecting to market share which have direct impact of changing the competitiveness of Ceylon tea and by using time series data, trend of concerned factors were forecasted. In this study, the market share was used to indicate the competitiveness. Productivity, cost of production, free on board price, value added percentage for GDP, Colombo auction price and quantity sold at Colombo auction were the identified factors that affect for the competitive position. Descriptive statistical analyze method was used to determine the status of above mentioned variables while Multiple Linear Regression was used to find out the relationship between market share and other explanatory variables and trend analysis was done for each and every variable to forecast future trends in tea industry.

Result revealed that the 82% of depended variable (market share) is explained by the concerned independent variable combinations. MAPE (Mean Absolute Percentage Error) was used to select appropriate trend model for the variables. In trend analysis productivity, value added percentage of GDP, quantity sold at Colombo auction, market share showed downward trend. Cost of production, free on board price and Colombo auction price showed upward trend.

KEY WORDS: Competitiveness, Trend analysis, Internal factors, Time series