

Determinants of the Level of Value Added Product Exportation in Tea Industry of Sri Lanka

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Tea industry plays a vital role in Sri Lankan economy. Sri Lanka is still holding its reputation in the global tea market though it is associated with number of problems like declining productivity, increasing cost of production, declining world share of production and continuous increase of price in Colombo auction etc. Those problems of the industry should be addressed in order to increase the country's revenue from tea exportation as bulk tea and Value Added Tea (VAT). In this context, VAT will become an important determinant of the future of Ceylon Tea industry as the global market trends changes towards value addition. Therefore objective of the study was to identify the determinants that affect the level of value added product exportation at different levels. The research was carried out in Colombo district with 32 tea exporters. A structured questionnaire was used to collect primary data. Secondary data for the study was gathered from statistical bulletins, annual reports, research papers, survey reports and other related documents. Tobit regression analysis was conducted to find the determinants. The result of the study revealed that there are six factors which significantly affect the level of value added product exportation in tea industry. Those were scale of exportation (small scale), bilateral agreement, brand ownership, number of new market approaches, and investment on research and development activities and attitude on value addition. Moreover, results reveal that small volume exporters tend more towards the value addition and with beneficial bilateral agreement, exporters are more involved in exporting value added tea products. Further, investment on research and development and having own brand has positive impacts on the exporter to push them towards value addition. Attitude on value addition and number of new market approaches have an effect on the level of value added tea exportation. It shows a positive relationship which encourages the value addition level of the company.

Keywords: Export volume, Investment, Value Added Tea (VAT)