

Determination of Main Factors Affecting Export of Ceylon Green Tea

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Introduction

Tea sector plays a vital role in Sri Lankan economy being the third largest income source of the country. The word 'Ceylon' is normally associated with quality black tea while Green Ceylon Tea is less well known. Ceylon green tea exportation is only a 1% of the quantity of black tea exports. Unfortunately, the country has not been able to capitalize its' royalty advantage in green tea market.

Many tea importing countries impose tariff and non-tariff barriers for value added tea. Therefore market forces tend to promote more bulk tea exports than value added tea products. Sri Lanka exports both black tea and green tea as bulk tea. But green tea has high demand as well as high Free on Board (FOB) prices compared to the black tea. As an example, in the year 2010, green tea fetched a higher FOB price of Rs. 831.67 per kg while FOB price fetched by black tea was only Rs. 436.52 per Kg (Statistical tea bulletin, 2010). Therefore, exportation of green tea even as bulk is comparatively more profitable than exporting black tea as bulk tea.

The main objective of this study was to determine main factors which affect green tea exportation.

Methodology

A field study was conducted to identify the factors which affect on Ceylon green tea exportation as a preliminary study. It was done by interviewing top management personnel of five Ceylon green tea exporting companies. Based on the factors which were identified from the preliminary study, a semi structured questionnaire was developed in order to collect primary data. Identified factors from the field study are shown in Table 1. Thirty five green tea exporting companies were selected as the sample for this research.

Table 2: Identified factors

Factors	Remarks	Type of Variable
Supply of Ceylon green tea	Quantity of supply Ceylon green tea by manufacturer	Quantitative
Demand for Ceylon green tea	Quantity of demand for Ceylon green tea	Quantitative
Contribution of supportive services	Five point scale	Qualitative
Product Diversification	Number of product lines	Quantitative
Quality of Ceylon green tea	Number of quality certifications	Quantitative

Alliances	Yes/No	Quantitative
Branding strategies	Brands/ OtherBrands/Both	Qualitative
Technology availability	Five point scale	Qualitative
Company current investment for Ceylon green tea	Five point scale	Qualitative
Price competitiveness of Ceylon green tea	Five point scale	Qualitative
Way of obtaining market information	Number of ways to obtain market information	Quantitative
Way of approaching new markets	Number of ways approaching new markets	Quantitative
Market knowledge in relation to green tea export	Five point scale	Qualitative
Trade barriers	Tariff/ Non-Tariff Barriers	Qualitative
Motivation of company top management	Five point scale	Qualitative
Market Experience	Number of years in green tea exportation	Quantitative

A descriptive analysis was conducted to explain the sample population. A multiple linear regression analysis was adopted to find out the relationships among the variables identified as given in the following empirical model.

$$\text{Green Tea Export volume} = \text{constant} + S + D + Q + PD + A + BS + WAMI + WANM + TA + MO + CI + PC + EXP + SS + TB + MK$$

Results and Discussion

Results of Multiple Linear analysis are shown in Table 2.

Table 3. Results of Multiple Linear Regression Analysis

Predictor	Coefficient	SE Coefficient	T Value	P Value
1. Constant	-569403	239383	-2.38	0.029
2. Supply (S)	24149	9134	2.64	0.017
3. Demand (D)	27464	8658	3.17	0.005
4. Quality (Q)	51141	11403	4.48	0.000
5. Product Diversification (PD)	-8889	7253	-1.23	0.236
6. Alliances (A)	-6283	22765	-0.28	0.786
7. Branding Strategies (BS)	820	13702	0.06	0.953

8. Ways of Achieving Market Information (WAMI)	14666	11710	1.25	0.226
9. Ways of Approaching New Markets (WANM)	-1625	4987	-0.33	0.748
10. Technology Availability (TA)	36859	12310	2.99	0.008
11. Motivation of Company Top Management (MO)	5461	10772	0.51	0.618
12. Company Current Investment for Ceylon Green Tea (CI)	-15495	12807	-1.21	0.242
13. Price Competitiveness of Ceylon Green Tea (PC)	-44014	18390	-2.39	0.028
14. Market Experience (EXP)	-2009	5415	-0.37	0.715
15. Contribution of Supportive Services (SS)	80.2	369.2	0.22	0.830
16. Trade Barriers (TB)	-42687	16088	-2.65	0.016
17. Market Knowledge in Relation to Green Tea Export (MK)	1311.0	447.8	2.93	0.009

Regression equation derived is;

$$\text{Green Tea Export volume} = -569403 + 24149 S^* + 27464 D^* + 51141 Q^* - 8889 PD - 6283 A + 820 BS + 14666 WAMI - 1625 WANM + 36859 TA^* + 5461 MO - 15495 CI - 44014 PC^* - 2009 EXP + SS - 42687 TB^* + 1311 MK^*$$

*- Significant at 5% significance level S = 35683.7 R-Sq = 85.8%

R-Sq(adj) = 73.33%

According to the regression analysis, Quality of Ceylon green tea, market knowledge in relation to green tea export, technology availability, demand for Ceylon green tea, supply of Ceylon green tea are significant at 0.005 level and they have a positive relationship with the export volume. Price competitiveness and trade barriers too have significant relationships but those factors affect on the export volumes negatively.

Conclusion

This study revealed that Ceylon green tea export volume can be increased by improving the quality of green tea. It can be done through good manufacturing practices, implementing suitable food safety management systems. Results further revealed that export volume can also be increased by increasing supply of Ceylon green tea and demand for Ceylon green tea. Supply can be increased by encouraging producers and converting non productive black tea factories in to green tea. Promotion campaigns and awareness programs will be helpful to increase the demand. Increase of market knowledge and technology availability also lead to the increase of export volume. Market knowledge can be increased by facilitating the participation of trade fairs and workshops and also by identifying consumer preferences through market researches. Government should encourage the adoption of new technology by minimizing the restrictions and taxes imposed against machineries. Effect of trade barriers can be reduced through Bi-lateral and Multi-lateral trade agreements.

References

Sri Lanka Tea Board, 2010. Statistical Tea Bulletin, Tea Board, Sri Lanka.