

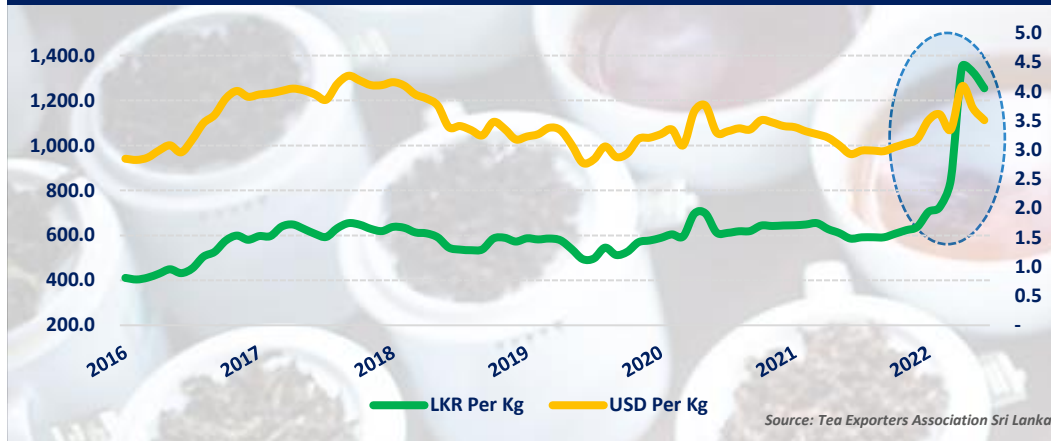


PLANTATION SECTOR

TEA EARNINGS THRIVE DESPITE SETBACK IN PRODUCTION!

SECTOR UPDATE

Monthly Average Tea Auction Prices surged by 97.0%YTD in LKR, 10.0%YTD in USD



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Sri Lanka Tea Production aims a recovery in 2H, despite a dip in 1H2022



Earnings from Tea up in 1H2022 despite the dip in production

Sri Lanka tea earnings for Jan-Jun 2022 posted a growth of 28.0%YoY to LKR 164.2Bn against LKR 127.8Bn recorded for the same corresponding period in 2021. Export earnings were largely boosted by the price leap upon the steep depreciation in LKR against the USD since Mar 2022, despite the subdued production output. Accordingly, total tea production in all elevations plunged by c. 18.0% in 1H2022 yielding only 132.1MT compared to 161.7MT produced in 1H2021. Reduction in volume is largely attributable to the absence of required fertilizer, lack of weedicides and other production inputs coupled with fuel and electricity shortages which led to a lack of labour input. Therefore, the optimal harvesting cycle of 7-days were extended up to 14-days bringing down the leaf standards.

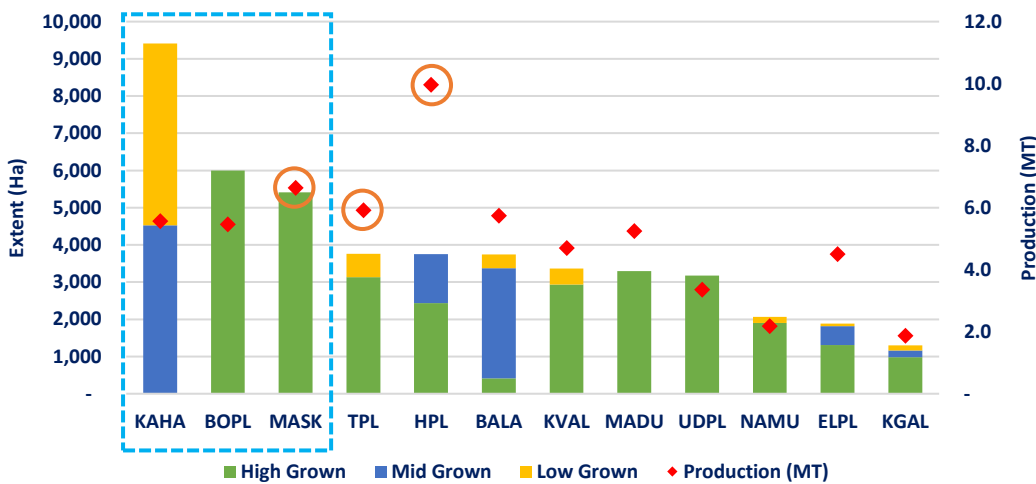
However, while sailing through all these challenges, tea producers see a beacon of hope in the weekly tea auctions in terms of the average price levels for all elevations which are moving above the levels prevailed in 2021. Accordingly, monthly average price for Jun 2022 stood at LKR 1,254.54/Kg (+114.0%YoY) or USD 3.51/Kg (+20.0%YoY) and the YTD price improvement in both LKR and USD terms was c. 97.0% and 10.0%, respectively. Iraq was the number one destination for Sri Lankan tea during 1H2022 with a significant increase of c. 46.0% (23.5MT), followed by UAE, Russia and Turkey.



Positive signs for future production...

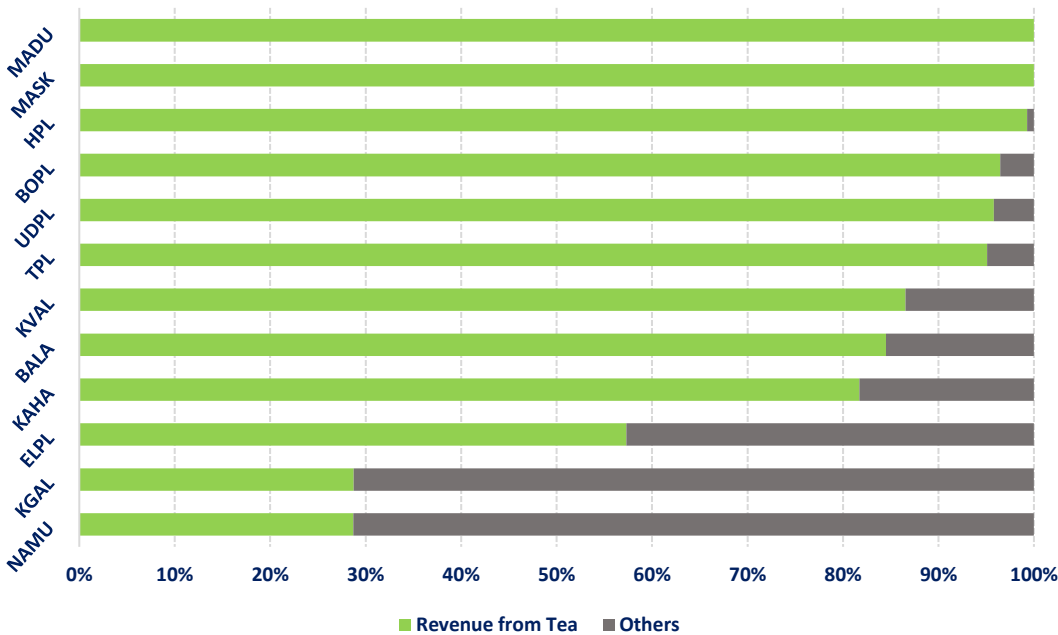
The newly proposed state policy to cultivate the uncultivated lands was welcomed by the Regional Plantation Companies (RPC) showing green signals for the future tea production. However, despite the issue of finding labour left unaddressed, the fertilizer issue was solved to some extent as Sri Lanka Tea Board intervened in obtaining required fertilizer, and the low-cost funds were arranged for both tea smallholders and plantation companies to purchase fertilizer for immediate application. This is expected to uphold the production and anticipate a boost in harvest during 2H2022 and beyond. Moreover, upon achieving economic stability, the plantation sector is expected to witness an ease of operational tightness enabling them to gear the maximum contribution towards the external sector developments. Thus, the largest tea producers possessing a higher capacity may be top in the line to reap the benefits that are yet to come.

Largest Listed Tea Producers Based on Extent & Production



KAHA, BOPL & MASK possess the largest extent in terms of TEA and HPL, MASK & TPL lead in terms of the production

Revenue Contribution from Tea



Income from Tea accounts for 100% of revenue in MADU & MASK while contributing for more than 95% in HPL, BOPL, UDPL & TPL

Source: Company Websites & Annual Reports



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