DOING SUSTAINABLE TEA BUSINESS IN SRI LANKA

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Abstract
Having a well-developed human capital base within a liberalized economy, Sri Lanka offers an ideal investment climate for both domestic and international investors. Tea industry is one of the key industries in Sri Lanka which has a lots of potentials for sustaining in the global market. That is, Sri Lankan tea is recognized all over the world for the premium quality which resulted in being the fourth largest tea producing country with the rank of second leading black tea exporter in the world. The aims of this article are to provide in depth useful information on the tea industry in Sri Lanka and to help businessmen and potential investors to develop a good grasp of essential background knowledge for being successful and sustain in the Sri Lanka tea industry. Thus, this article reviews the Sri Lankan political structure, climate & economy, infrastructure facilities, legal framework, socio-cultural set-up and the market structure with special reference to the Tea industry.

Key Words: Sri Lanka, Tea Industry, Sustainable, Tea Business.

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Introduction:

Tea is considered as a beverage perennial crop which is consumed after brewing and is also identified as the second most popular drink in the world after water. Sri Lanka is one of the oldest tea producing countries in the world and the produced tea is popularly known as "pure Ceylon tea", which ranks one of the best in international trade. Tea industry is one of the major sources of country's income and therefore it plays a significant and prominent role in the economy of Sri Lanka in terms of national output, employment and net foreign earnings (Wijayasiri, Arunatilake, &Kelegama, 2018).Also, in the country's socio-economic and ethno cultural milieu, the industry's contribution is strategically important due to two main reasons. First, tea industry is the most labour intensive national industry employing 10% of the national labour force of 8 Million, direct employment to 700,000 people (Central Bank of Sri Lanka, 2015). Second, a resident plantation community of over one million people are dependent on the Regional Plantation Companies (RPCs) for their sustenance across the High, Mid and Low elevations of the country whereas, hundreds of villages, local bazaars, small enterprises and ancillary services are totally dependent on the plantation economy for their survival. However, its relative importance has been waned over the years due to rapid growth of the non-agricultural sector and lack of dynamism in the tea industry.

Presently, tea cultivation in the central highlands and Southern inland areas of the country is in total 203,000 hectares (Central bank of Sri Lanka, 2018), which is spread in to seven geographical zones within 14 districts in all three elevations, i.e. low, medium and high grown. In the year 1992, 460 State owned plantations were privatized and established 23 Regional Plantation Companies (RPC) under the private ownership and management. The rest is under the state owned management and tea small holder ownership. Tea is considered as the third largest agricultural crop in Sri Lanka after paddy and coconut (Central Bank of Sri Lanka, 2018). It further elaborated that the agricultural sector contributed about 7.1% of GDP in 2018, out of which 9.2% was tea.

Currently, "Ceylon Tea" brand has been recognized as ethical, chemical free, ozone free and cleanest tea in the world with single origin estate marks. It is further enlightened with ethical management, zero child employment and adhere to all sustainable agriculture practices including environmental management, product traceability to source withglobal conformances. The Sri Lanka's tea is recognized with global certifications such as food safety & HACCP, Good Agriculture Practices (GAP), Good Manufacture Practices (GMP), Rain Forest Alliance (RA), Forest Stewardship Council Certification (FSC), Ethical Tea Partnership (ETP) and United Nations Global Compact (UNGC).

The rest of the paper is organized to discuss in detail about the history of tea industry, current context of tea industry in Sri Lanka such as contribution to economy, employment, geographical spread, and demand for Sri Lankan tea in the international market, ownership, current trends, challenges as well as legislation & legal framework.

History of tea industry in Sri Lanka

First experimental planting of tea is reported to have begun as early as 1824 and 1839 when tea seeds were brought to Sri Lanka from China and India respectively (Wimaladharma, 2003; Wijayasiri, 2018) The commercial planting of tea in Sri Lanka was introduced by a Scotsman, James Taylor in 1867, in 19 acres of land at Loolecondera Estate, Hewaheta, near Kandy. This was carried out with the idea of testing tea as a possible alternative crop for coffee which was facing a leaf rust disease and was destroying the coffee plantations in the country (Sivapalan, Kulasegaramand Kathirvetpillai, 2010). This was further highlighted by Manikam (1995) that, the availability of fertile soil in highlands with ideal climate for tea with cheap imported labour from India and favourable market condition in Britain for the product laid the foundation for commercial tea industry in the country. Wijayasiri (2018) expressed that, the tea industry in Sri Lanka with a long history of spanning over 150 years, which can be categorized in to three broad phases.

a. Pre- Nationalization (1867 – 1975) – beginning with the introduction of tea to Sri Lanka under the British control and its gradual growth to become the leading export until the nationalization of estates.
b. State Management (1975 – 1992) - Estates are under the government control.
c. Post privatization/ Private sector management – Active participation of the private sector in the management of state-owned tea plantations.

After introduction of tea in Sri Lanka in 1867, the native community lacked the knowledge and experience of handling large plantations (Sivapalan, Kulasegaram, and Kathirvetpillai, 2010). Wickremesingheand Cameron (2003), further expressed that, British planters found it extremely difficult to persuade the Sinhalese peasants to work on such commercial farms as wage labourers first in the early coffee plantations and later in the tea plantations. Therefore as an alternative, planters got down freely available cheap worker migrants from South India.

After privatization in 1992, the tea grown area came down to 203,000ha in 2017 from 242,000 ha in 1970s, due to diversification of the low productivity areas by the managing companies. Those low yielding weak areas were used for timber wood plantations like Eucalyptus S.P., and other cultivations like vegetables, fruits, and flowers etc., which were more profitable than growing tea in unsuitable soil conditions. Some plantations have used these diversified areas for holiday seekers and tourism. Tourism has become a good source of income for a lot of tea plantations. With the introduction of high yielding VP cloned teas, the harvest and yields have improved drastically, and as a result estates felt the need of more operational work force. Recently, the operational workforce surplus in plantations has shifted to a deficit, and if this trend continues it will be worse in the future. After privatization sharp decline is observed in terms of active workforce in tea estates (Wal, 2008; Central Bank of Sri Lanka, 2018). Many leave from estates jobs for other employment, out of which foreign employment is significant. The average number of workers per estate is about 390at present as it has to be about 655 per estate (Central Bank of Sri Lanka, 2018).

According to the Sri Lanka tea board statistical bulletin (2017), most of the Ceylon tea gardens are situated at elevations between 3000 and 8000 feet in two areas of the southwestern part of the island, to the east of Colombo and in the Galle district on the southern point. In the hot, steamy plains and foothills, the tea bushes flush every six to seven days and are picked all year rounds. The finest teas are gathered from late June to the end of August in eastern districts and from the beginning of February to mid-March in the western parts (Gamage, 2010).

Until 1971, more than 80 % of the island’s tea estates were owned and managed by British companies. In 1971, the Sri Lankan government introduced a Land Reform Act which gave the state control of the majority of the plantations leaving about one-third in private hands. Since 1990, a restructuring program has been going on to involve the private sector companies as Managing Agents of the state-owned plantations. The long-term aim is to give the financial responsibility and control of the estates to private managing companies while keeping the government ownership (Sri Lanka Tea Review, 2010).

Despite the restructuring and some achievements during the period stated, the plantations are faced with low productivity, high cost of production, and inadequate fertilizer application (Wijayasiri, 2018). This study further stated that, during this time, the smallholder sector expanded, reducing the importance of RPCs as only producers of tea. Today, nearly 75% of the production of tea takes place in the smallholder sector despite the small size of holdings with a majority of them owing less than one acre of tea lands (Central Bank of Sri Lanka, 2018; Wijayasiri, 2018).

Tea produced in Sri Lanka carries the "Lion Logo" on its packages, which indicates that the tea was produced in Sri Lanka. The use of the Lion Logo is closely monitored by the Sri Lanka Tea Board, which is the governing body of the tea industry in Sri Lanka. If a tea producer demands to use the Lion Logo on his packaging, they need to gain permission from the Sri Lanka Tea Board. The tea board then performs a strict inspection procedure, the passing of which allows the producer to use the logo, along with the "Pure Ceylon Tea – Packed in Sri Lanka" slogan on their tea packaging.

Grading names which are used in Sri Lanka to classify its teas are not by any means the indication of its quality but indicate its size and appearance. Mainly there are two categories. They are "Leaf grades" and "Smaller broken grades". Leaf grades refer to the size and appearance of the teas that were introduced during Sri Lanka's colonial era (which are still being used) and the other refers to the modern tea style and appearance.

Contribution to the economy

The tea industry plays a dominant role in Sri Lanka's socio-economic development (Ganewatte, 2002). Thus, Tea, as the major plantation crop in Sri Lanka is treated as the economic driving engine of the country which contributes 1.2 % of the country's Gross Domestic Production (GDP), and 16% of the entire export income (Shyamalie, 2012). Tea utilizes large quantity of resources from the national resource base including the skillful human resources and provides relatively high return to the country. The tea industry created the transition of Sri Lanka's economy from a rural subsistence economy to an export oriented industry as it is today (Fernando, 2018). After privatization, regional plantation companies showed significant impact on productivity of the tea industry in the financial year 2007/2008; with the record of an overall profit of Rs. 14.9 Bn (Athukorala, 2016; Fernando, 2018).

Tea accounts for 18 percent of total export earnings of the country (Central Bank of Sri Lanka, 2018). De Alwis (2011) expressed that the tea industry plays an important role in Sri Lankan economy in terms of providing employment directly and also indirectly to over one million plantation community, which accounts nearly 10% of the population. According to Sri Lanka Tea Board Report 2015, tea industry is the Sri Lanka's largest employer and country's main exporter until 1980's and subsequently it was surpassed by apparel.

Market structure of Tea

As a natural beverage, tea competes in the world market with other natural beverages, alcoholic drinks and fruit juices. Dayananda(2008), expressed that, like many other agricultural commodities Tea does not have an intrinsic value and is a product traded on a regular basis in many parts of the world and the price levels are dependent on the market forces prevailing at the time it is offered for sale. Ceylon tea is divided into three groups: High-grown or Upcountry (Udarata), Mid country (Medarata), and Low-Grown or Low country (Pahatha rata) tea, based on the geography of the land on which it is grown. The key mode of marketing tea in Sri Lanka is through auctions as bulk teas. Almost 95% tea sold in Sri Lanka takes place through the Colombo Auction (Wijayasiri, 2018; Sri Lanka Tea Board, 2015).

Table 1: ***Annual Tea Production on Elevation Basis and Quantity Sold at Colombo Auction (Mn. Kgs.)***

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Production (Mn. kgs.)	318.7	291	331.4	327.5	328.4	340	338	328.8	292.6	307.7
Quantity Sold at Colombo Auctions (Mn. kgs.)	266.7	270.8	317.4	290.2	313	323.5	326.1	313.9	274.6	291.6
High Grown	61.8	57.5	71.1	66.1	66.2	69.4	68.8	67.4	54.7	55.7
Medium Grown	42.7	42.7	51.2	46.2	47.2	48.7	47.9	46.4	40.9	44.2
Low Grown	162	170.6	195.1	177.9	198.9	205.4	209.3	200.1	179	191.7
Qty sold at Colombo Auctions as % of annual production	83.7	93.1	95.8	88.6	95.3	95.1	96.5	95.5	93.8	94.8

Source: *Central Bank of Sri Lanka, 2018*

Other methods of sales are private and direct sales in which the producer sells directly to the buyer (Wijayasiri, 2018). This includes tea sales through tea centers managed by different government and mostly private owner companies and provide an opportunity for sellers and buyers to have direct contact, communication and receiving feedback on the product as well.

Gannewatte and Edwards (2000) revealed that, low domestic consumption of tea has allowed Sri Lanka to maintain relatively high export share. The average consumption of tea is estimated around 5 % of gross output. They further stated that, United Kingdom was the largest tea importer from Sri Lanka with declining share over the time and exported large quantities to U.S.A. Pakistan, Iraq and Australia too until recent past with the emergence of African producers, traditional suppliers like India and Sri Lanka have lost the share in the major traditional markets. This trend was well supported with the facts from Sri Lanka Tea Board statistics (2018), that the main destinations of Sri Lankan are the former Soviet countries of the CIS, the United Arab Emirates, Russia, Syria, Turkey, Iran, Saudi Arabia, Iraq, UK, Egypt, Libya and Japan.

Sri Lanka has increased its share of value added forms of tea export over the time to earn higher income and as a result of value added tea export, Sri Lanka remains as highest export earner from tea compared to Kenya that export almost same amount of tea in last few years (Ganewatte and Edwards, 2000). They further highlighted that, this indicates the importance of value adding process within the country progress of Sri Lanka not only as a producer but also as a value added tea exporter is important to gain higher income to the country.

Socio-cultural set-up

The process of cultural transformation in South Asia has witnessed many phases both in terms of political power and religion (Punchihewa, 2015). Foundation of the existing culture in the country is based on the influence of traditional Indian civilization, traditional agricultural systems and the arrival of Europeans, mainly the British (Hettige,, 1997; Chandrakumaraand Budhwar, 2005; Hettige and Punchihewa, 2013; Munasinghe, Deraniyagala, Dassanayake, &Karunarathna, 2017).

As an industry, tea production is heavily depend on the skilled manual workers who are working in the plantations. Majority of these manual workers are female and major component is engaged in harvesting which is the main operation which supplies raw material for the production. In terms of employment opportunities, among the plantation economies and social set-up, Sri Lanka has the third largest estate work-force, next to India and Brazil (Kodithuwakku, and Priyanath, 2007). Recent researches explained further that, 10% of the active work-force in the country being absorbed by the tea industry (Siveran, 1996). Jayasuriya, 1998; Thushara, 2015, further highlighted that tea industry provides employment to more than one million people in Sri Lanka and for more than a century, it has been the biggest provider of employment, export earnings and government revenue. Therefore the significance of estate sector socio-cultural structure is important for the analysis of overall national level performances in several aspects as economy, social responsibility and cultural values. This factor was well supported by the findings of Wickremesingheand Cameron (2003a) that, social capital development in tea plantations is important not only for productivity improvement, but also for reasons of political and social obligation for the nation, because migrant plantation workers have been working and living in plantations over 150 years. At the inception of this industry, the labour demand compare to the availability was too high. It is a well-known historical fact that the British planters found it extremely difficult to persuade Sinhalese peasants to work on such commercial farms as wage labourers first in the early coffee plantations and later in the tea plantations (Wickremesingheand Cameron, 2003b).

Community needs and Infrastructure facilities

It is well known fact that majority of the estate working community is comprised with residential work-force. Even though this community is most excluded within the society, they have been at the heart of one of the country’s most important economic sectors. Therefore, the level of infrastructure facilities provided to the tea plantations reflects the quality of life and quality of work-life of this residential work-force as well for entire community. The basic infrastructure facilities are housing, sanitation facilities such as portable water, toilets, access roads to residence, electricity, community centers and other mandatory living facilities.

Estate sector is governed and classified as distinct from the Rural and Urban sectors and also it is highlighted that,restrictions on the State and local authorities from providing certain infrastructure development services to Up-Country communities living at Estates. According to data from the latest Household Income and Expenditure Survey (HIES 2012/13), the poverty headcount ratio in the Estate sector is 11 %, higher than in the Rural (8 %) and Urban sectors (2%). Only 2.2% have passed GCE (A/L), whilst in the Urban and Rural sectors the rates are 20.5 % and 11.1 % respectively. The most important infrastructure facility in the estate sector is no doubt the housing facilities. From the colonial era onwards the community in the estate sector were living in the “line rooms” which not only brings stigma, but most of which are cramped, very old and result in reduced access to toilets or water, including safe drinking water within the household. According to the data from the Household Income and Expenditure Survey (2012) 75.9% of households in the Estate sector have a toilet exclusive to the household compared to the national average, which is 89.9 %. Only 67.4 % of estate sector households have a source of drinking water within the premises while the data for Urban and Rural sectors is 92 % and 79.6 % respectively. At the privatization in 1992, itself as a precondition, the Regional Plantations Companies (RPC) absolved responsibility related to Worker Housing. There are few major players involved in providing housing facilities to the estate community;

State/ Government Level – Ministry of Estate Infrastructure from 1992 – Cabinet level portfolio held by Plantation Sector political party leaders.

Institutional Level – Plantation Housing Development Trust (PHDT)

Estate Level - Estate Worker Housing Cooperative Society-(EWHCS)

The required land plots of seven perches for core house given absolutely free by the Regional Plantation Companies with free housing grants including technical, material, logistical and managerial input and assistance collaboration with PHDT, State and no-state organizations, NGOs and INGOs. In most of the projects includes community centers, roads, water supply and other social amenities provided free to Housing Schemes and present statistics proved that more than 60% of workers live in upgraded houses (Census of population and housing survey, 2014). Also, full package of health, sanitation, water, community centers, child care centers, community & support services and other mandatory facilities have been provided free of charge from birth to death. This trend has given positive influence on reducing out-migration of skillful workers, increase the level of motivation on daily attendance and improve worker productivity.

Meantime, external infrastructure facilities also developed parallel to the country's expansion of road-rail network as well as the highways which helps to cut down the time on transporting raw materials/ input resources as well as to deliver product and services to different destinations local and also global. According to the industry capability report by Sri Lanka Export Development Board, 2014, country's road and highway facilities constantly developed to meet the demand of the modern age, facilitates production, for both local consumption and export trade. It further elaborated that, within a few hours of motoring, produce can be delivered to the factories, warehouses and port. This further highlighted with well-established modern communication systems coupled with advanced operations facilities at Colombo port, international and domestic air-ports and it facilitates tea exporters to reach number of destinations worldwide.

Political structure, legal framework and Compliance:

Sri Lanka was ruled by the British for 152 years until 1948. During the period of 1796 to 1948, colonial government provided all financial and support from providing all other resources to develop infrastructure facilities such as road-rail network to transport produces from plantation areas to Colombo. Infrastructure such as roads and railways which were established at the height of coffee cultivation, linking Colombo with the plantations in the hinterland to transport produce, were further expanded and helped the rapid development of the tea industry (De. Silva, 1981; Wijayasiri, 2018). Subsequently, the plantation sector was nationalized in the mid-1970s, which resulted in the acquisition of 377,000 acres of privately owned tea lands that represented about 63% of the country's total tea area. This led to curtail investments by owners into large tea plantations. About 96% of these state-owned tea lands were assigned to two state corporations for management: State Plantation Corporation (SLSPC) and Peoples Estate Development Board/ Janatha Estate Development Board (JEDB). At the time of nationalization and even after the process government and the state management continuously proved that they are lack proper management strategies. The two state corporations, which were devoid of any market incentives in any of its operations, ended up in a bureaucratic gridlock and by 1992, management of these two entities, were transferred to private management companies (Herathand Weersink, 2006).

The plantation sector after nationalization, received large donor funding from the World Bank and Asian Development Bank to develop the sector and improve Sri Lanka's competitiveness as a tea producer (Fernando, 2018). Some of these projects are Tea rehabilitation and Development project and Medium term Investment Program (MTIP), which were funded by World Bank and the ultimate objectives were to enhance productivity in the fields as well as factories. Meantime, government support extended to use these funds for infrastructure development in order to facilitate with management change from ‘mostly European’ planters to ‘mostly Sri Lankan’ planters. During the same period government in power was taken another step to initiate few related state organizations to support to the tea industry such as Sri Lanka Tea Board (SLTB) in 1976. Fernando, 2018, elaborated that, SLTB is responsible for carrying out all relevant regulatory functions in the tea industry and act further acts as the overall policy making arm for the government. Literature further explained that, the research arm in the industry, the Tea Research Institute (TRI), which was established in 1925, was re-aligned in the structure taking under SLTB, during the phase of nationalization. The system it-self was in slow growth during the period but, steady foundation was formed with the necessary political ground support. This trend was observed after several repeated turnarounds in economic policy development which had a significant negative impact on the main industries contributing key economic growth in the country including plantations. Blackton, 1983, explained that, governments in the 1950s, 1960s and 1970s spent large sums of money on social welfare programs and in state economic activities and governments were compelled to intervene in economic activities to fulfill the needs of heterogeneous society of the country (La Porta, De-Silanesand Shleifer, 1999). In the other end, the ground operating environment for the plantation industry specially for tea was not a favoring one in terms of long-term perspectives, due to high cost of production (COP), mainly due to rise of overhead costs arising from the increased administrative cost (Chandramani, 1991), but, also most influential factors were weak financial management, high waste of resources, inefficiency and corruption, despite of attractive yields and tea prices (Chandramani, 1991: Fernando, 2018). This unhealthy trend was in upward trend from 1975 to 1992, except few years such as 1988 and 1989 (Chandramani, 1991), even though, after changes in political structure of the country after 1978, expressing significant percentage growth in increased recognition and involvement in capital market and promoting dispersed ownership (Gunathilake, De Zoysa, and Chandrakumara, 2011) . This further highlighted that, the Colombo Share Market was also successful in attracting investment as observed that, for the first time ever, the stock market became the largest single source of new capital for the private sector’ in 1994 (Moore, 1997). This clearly proves that, country’s political-legal set-up was not bad as such on investing in tea industry, but, the limiting factors were associated within the industry management itself.

Despite of poor performances of state owned plantation business segments, even after 1978 with new political move in the country, importantly during the period of 1980-1990, most significant feature was the increase in small holder sector. This is mainly due toincrease in land extent owned by tea small holder sector and increase in yield. According to the statistics, tea production by small holder sector was increase by 81% and meantime, state owned plantation corporations production declined by 9.6% (CBSL, 2004). Even, with the financial support for World Bank and Asian Development Bank and various support from government bodies, political framework and other state owned organizations, financial liabilities of two organizations reached Rs. 2 Bn, debt to equity ratio of 1.69 in SLSPC and 4.39 in JEDB (Chandramani, 1991). Even though, government absorbed these losses through national budget, end 1991, two corporations reached to bankruptcy status and could not move forward without any support from the treasury (Fernando, 2018). Also, market share, position and global market competition too was in decline trend compared to India and Kenya. With the process of restoration of citizenship of Indian plantation workers, which was one of the main priority in the check-list of 1978 government, (Fernando, 2018) explained that, during the period of 1980-1990, the plantations also saw the growing trend of political power of workers’ trade unions specifically Ceylon Workers’ Congress (CWC). The majority of plantation workers received the citizenship and ultimately they became an influential force during elections. Also, rise in political power within the plantation community affected the estate productivity, wage negotiations and extreme influences to the management as well as partially destroying independent decision making process.

In order to overcome huge burden created to the government, political sustainability of the country and pressure from financial advisers, in July 1990, Task Force was appointed to make suggestions and recommendation to re-structure the industry and turn it to a productive and profitable industry. Finally, with the great assistance and support from the government, political leadership and powerful trade unions associated in the plantation industry led by two powerful cabinet ministers, initial steps were taken to re-structure the plantation industry. The favorable ground condition from political structure and government in the power, led to immediate implementation of state and private management, leading to long-term private sector ownership. According to the privatization process, out of 502 estates, 449 estates were separated in to 22 independentlimited liability companies known as Regional Plantations Companies (RPCs). Each RPC consisted with 12 to 29 estates and all the assets & liabilities of the estates taken over by these private companies. Estates were given on long-term lease with work-force attached to two state owned corporations became the employees of RPCs and RPCs started off debt free. Meantime, with the political support, representatives of RPCs and trade unions, Plantation Housing and Social Welfare Trust (PHSWT) were set-up to take over social development division and this body later came to known as Plantation Human Development Trust (PHDT) (Chandramani, 1991; Fernando, 2018). Each RPC was established by a gazette notification and all the companies were officially formed during the period of 6th to 22nd June 1992 (Government Gazette of Sri Lanka, 1992; Fernando 2018). The main objective of privatization of state owned plantations were to increase the productivity, improve the efficiency and remove all unnecessary political interferences in the operations of the estates. During the period of July 1993, government mandated a massive wage increase for plantation workers and again it created a heavy burden on the RPCs at the beginning itself. This situation created mainly because of the government influences, collaboration with powerful trade union leadership who were playing major roles in the stability of the government and key element of remaining political power. The wages and other benefits of plantation workers continue to be set by biennial Collective Agreements (CAs) involving major unions, the federation of employers and the Government. The last CA was signed in 2016, after more than a year's delay, the revised wages were set at Rs. 730, which amounted to an increase of Rs. 110. The demand, however, was for a wage of Rs. 1000 per day, which too is 'impossible task' for the companies with the present challenges specially in local markets which product selling prices fluctuates to extremes and quantities were varied to un-expected levels due to un-predictable climatic changes. A law has been passed in 1974 to assure the minimum number of working days since monthly earnings depends on the daily wage as well as the number of days they worked (Ganewatte and Edwards, 2000).

The dynamic contribution from the tea small holder sector, which is very well backed by the political structure in the country and government political influence through Tea Small Holding Development Authority (TSHDA), the overall productivity of the industry in terms of yield, production, quality of the products and market price has been reached to competitive edge compare to other tea producing countries. Whereas, the total productivity of the entire industry is in fluctuating trend due to variation in high commodity prices and variation in global tea prices, buyer choice and market competitiveness. During the year 2007/ 2008, the RPCs recorded an overall profit of Rs. 14.9 Bn, but, in 2013, overall net profit was in decline trend due to low sale prices (Athukorala, 2013, Fernando, 2018). The authors further stated that, in 1996, with the private management, RPCs tea segment showed net profit of 5.9% of total revenue and it increase to 9.9% by 2007 and remained at 7.2% net profit margin in the year 2013 (Athukorala, 2013).

Parallel to the negative and positive influences from the country's political structure and power, legal frame work too created a favourable environment to facilitate governance, control and stability of investment in tea industry and related businesses. Private firms developed within the framework of the companies Act of 1938, a colonial modification of the British Companies Act of 1929, which is still in action (Blackton, 1983). Now this is emerged as Companies Act No. 7 of 2007 is the most significant regulation governing companies in Sri Lanka. This Act replaces the existing Companies Act No. 17 of 1982 which was based on the English Companies Act of 1948 and Act was necessary to respond to the significant increase in commercial and economic activities in the country.The new Company Act protects the interests of the shareholders and the other stakeholders including directors and managers in many ways. Shareholders have wider powers which they did not have in the 1982 Company Act (Gunathilake, De Zoysa and Chandrakumara, 2011). For a business to be ethical and long-term stability, proper accounting and auditing standards are essential. In this nature, introduction of Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 provides for the formulation and statutory recognition of Sri Lanka accounting standards and Sri Lanka auditing standards. Security and Exchange Commission (SEC), established by the Securities Council Act No. 36 of 1987, has been granted the power to regulate the conduct of the security market in Sri Lanka. The SEC is the sole authority which can issue license to operate a stock exchange, appointment of stock brokers and dealers (Gunathilake, De Zoysa and Chandrakumara, 2011). The Monetary Law Act No. 32 in 2002, Sri Lanka insists that the CBSL has the power to verify the assets and liabilities and general business activities of listed firms in the financial industry. The Workmen's Compensation Ordinance 19 of 1934 introduced in order to provide the payment of compensation to workers who suffer accidents at work or suffer from occupational disease. This ordinance has been amended several times, especially to provide for reasonable compensation (Amerasinghe, 2009). For the female workers who have not covered under Shop and Office Act No. 14 of 1924, maternity benefits ordinance 32 of 1932 introduced highlighting number of days leave for female workers, full paid for 12 weeks for first two children and six weeks for third child. Amerasinghe, 2009 elaborated the importance of introduction of Industrial Disputes Act 43 of 1950, is the main legislation for building a healthy industrial relations climate by minimizing major disputes whether of rights or interests, the resolution of disputes and the enforcement of decisions. In terms of creating sound Industrial Relations, the most important amendment to this Act was the setting up of the Labour Tribunals (LT) in 1957. There are several employee categories in the industries including plantation industry as well, their employment and related affairs not legally covered. To fulfill this requirement, the Shop & Office Employees Act 19 of 1954 was introduced. This act covers the terms and conditions applicable to the employment of the employees covered by it. In addition, the act provides facility for maternity benefits of female workers who work in shops and offices and about the leave, holidays, overtime, health and comfort of employees covered under this act. Amerasinghe, 2009, explained the importance of the Employees Provident Fund Act 15 of 1958, which is applies to all workers and lays down rules for contribution by employers and workers and other administrative rules. According to the act, Employers contribute 12 % and employees contribute 8 % of the monthly wage which includes any cost of living allowances and incentives. According to the legal framework, the status of Sri Lanka is highly commendable and benchmark for investors to do their investments and which is applicable to tea industry as well, which Ceylon Tea brand is in global scenario presently converted to "Ethical Ceylon Tea". This point was well supporting with the remarks of Compa, 2003, that, Sri Lanka has the potential for becoming a pacesetter among developing countries in South Asia, if it can maintain and advance democratic government and effectively enforce laws that comport with international standards. Author further elaborated that; an enduring peace can be a final element in putting Sri Lanka into worldwide leadership as a country that combines economic growth with respect for worker rights. The tea industry already set-up the road maps and absorbed most of these standards to their business check list with high priority, including some of the private plantation companies have already obtained the signatory to United Nations Global Compact (UNGC) signatory for ten principals of human rights, child & forced labour, corruption and environment, which periodically audited by international recognized audit firms. Also, most of the leading private plantation companies have obtained certifications on Ethical Tea Partnership (ETP) and their products are all align with international food and safety certifications such as ISO 22000: HACCP, Good Agricultural Practices (GAP), Good Manufacture Practices (GMP) certification. Beyond the traditional plantation boundaries most of these tea producing companies in the country has been convey their high scaled commitment to the environment and social component within the estates by obtaining Rain Forest Alliance (RA) certification, Fair Trade (FT) certification, UTZ, which provide witness of tea beyond conventional and traditional business framework but Sri Lankan tea industry is already exposed to the global market with sustainable and ethical brand which will be strategically a long-term move for steadiness of the industry.

Challenges, Potentials and Way Forward in Sri Lankan Tea Industry

The agriculture sector in the country without any arguments is the foundation of Sri Lanka's economy. This is with the witness of more than 70% of the population living in agro-based rural areas for their livelihoods. In Sri Lanka, tea has remained one of the most important crops in the country's agricultural landscape and this industry has been a key player in the agricultural segment, plays a significant role in country's economy in terms of foreign exchange earnings and providing direct and indirect employment opportunities to around 1.5 million people (Central bank of Sri Lanka, 2018). For last 150 years, this industry emerged as the main employment provider and the one of the key source of government revenue(Central bank of Sri Lanka, 2018;Wijayasiri, Arunatilake, &Kelegama, 2018) Sri Lanka is the world's fourth largest producer of tea (Sri Lanka Tea Board, 2016) and brings over one billion dollars as foreign exchange to the country (Central bank of Sri Lanka, 2018). Sri Lanka is producing varieties of teas such as black tea, Green tea, Instant tea, Bio tea, and flavored tea. Global tea production is currently dominated by China, India, Kenya and Sri Lanka and they altogether account for around 75% of the global tea output (JayaranjaniSuthaand Dharmadasa, 2011). Currently Sri Lanka is in 4th place in terms of global production ratings behind China, India, and Kenya, and indicated the trend in declining in world tea production and trade position.

Recent statistics suggest that Tea plantation sector faced many challenges and issues for past several decades and contribution of the tea industry towards the Sri Lankan economy is gradually declining. Mainly, adverse weather conditions combined with rising costs and greater competition, threaten to weaken Sri Lanka's position in the global tea industry. Also, added to the list, most prominent contributors for this threatening situation to the tea industry, such as, losing market leadership, concentrate volume of production rather than market demand, least interest in re-planting, lack of basic product mix, using old technology, politicization of labour relation, patriarchy and uncertain property rights (Thushara, 2015; Dharmadasa 2011). The most significant challenge the industry is facing in present day context is shortage of skillful workers, because the emerging trend from young generation to resistant entering to the industry as an ordinary labour as it has low dignity in Sri Lankan society. Meantime, with the facilities provided by the private sector companies' collaboration with the government organizations and assistance with few NGOs, the social-cultural change has been observed in the industry that, most of the parents encourage children to be educated and find a socially accepted job.

Despite the common complaints from the experts in governing and regulatory bodies in the country, stating that most of the investors in the country on tea trade are favouraing investment in overseas compared to investing in the country, majority of the Sri Lankan tea exporters are setting up tea processing facilities outside Sri Lanka (Daily Mirror,23rd October 2017). Capturing the potential identified to expand the sales capacities and meantime as the government doesn’t interest to implement its own policy of creating a tea hub in the country due to influence from protectionist lobbies, Sri Lanka Tea Exporters Association taking steps to implement expanded facilities in out-side country to export larger quantities in bulk form to address the huge market demand on value added tea products range to cater the requirement from various destinations in the globe.

The approach of searching various markets based on different product ranges will help an alternative way-out for the present challenges in global drop and to establish the country’s tea on the international market effectively and also to ensure that the marketing system keeps up with changes in the dynamic global market for high quality tea (World Bank Report, 1997). One of the demanding and emerging concept in terms of local market reach with “tea center” concept, accounting the findings and evidence of recent research conducted, author suggest that, investing on these tea centers which are strategically located in different destinations in the country would also act as alternative opportunity to way-out from market drop. This will definitely has direct link with recent trends of expansion of tourism in the country and recent statistics proved the increasing number of foreign customers’ year on year (Central bank of Sri Lanka, 2018) and recently Sri Lanka ranked to number one position on most desired destination ranked by the foreign guests from different destinations. Parallel to the tea center concept, on-line marketing facilities, e-commerce concepts have to expanded with required know-how and technical knowledge and assistance to the staff and even management who are involve in the trade is a must. Providing more facilities to the companies and government bodies involve in the global tea promoting and sales expansion, has to link with different product portfolio to suit with different market demands and maximizing the un-tapped spaces in far-Europe countries, specially their market spaces in the “world famous super market” chains also will act as a possible way out from the problem.

The gap between the existing knowledge and the required knowledge with necessary competencies is also a critical limiting factor, in order to cater the demand in the industry and to find out possible alternatives to present challenges, in terms of technical knowledge absorption, innovation and creativeness by the plantation management and staff categories. This was a difficult task for the industrialists with the traditional and expired plantation culture, but, best performers in the industry have well proved despite of various local and global challenges, that investing on training & development, sound human care practices and creating space for knowledge sharing and capturing framework, will definitely fill the gap and offer more innovative solutions for the current challenges.

Implementing strategies and investing on new technology from the field level (such as drone technology to field level as a solution for skillful worker shortage to analyse soil & plant on fertilization and other cultivation work) to factory level (automation and reduce the manual workload which will leads to high wastage, time and quality drop-outs) and even up to marketing set-up (to deliver the product with less hassle on invoices and other paperwork, e-commerce and on-time delivery facilities). The releasing of government strict rules and regulations will also have greater impact on various steps in tea industry from land to market that it always proved, Sri Lanka is a highly protected country, regularly ranking worst in global indices in terms of freedom to trade.Time has come even now it is delayed that tea industry has to liberalize rather than controlling and restricting to preserve 'expired' culture values and strict benefits in order to satisfy different political agendas.

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