

ANALYSIS OF SELECTED DETERMINANTS OF THE LONG RUN SUPPLY OF THE VALUE ADDED TEA FOR RUSSIAN EXPORT MARKET FROM SRI LANKA

V.G.E. Karunathilake, A.M.K.R. Bandara and A.P.S. Fernando

*Department of Agricultural Systems, Faculty of Agriculture, Rajarata University
of Sri Lanka, Puliyankulama, Anuradhapura, Sri Lanka*

This paper empirically explores the determinants of export supply of value added tea from Sri Lanka to Russia. At present the Russian tea market is rapidly growing with emerging customer needs. The importance of a change from bulk tea exports to value added tea products is highlighted in literature to face the challenges. But, firms have failed to exploit the gap between the current and potential export supplies. Hence, the objective of this study was to identify the favorable and non favorable conditions of selected determinants of the long run supply of value added tea for Russian export market from Sri Lanka. Secondary data were collected from Sri Lankan tea board over the sample period, from 1986 to 2013 and analyzed using double log regression model. The results showed that, the prices of value added tea relative to bulk tea export prices to Russia, Colombo auction average prices, tea production, Sri Lankan real exchange rates, tea export prices of Kenya were the significant determinants at the 0.05 significant level, but not quantity of tea imported to Sri Lanka. The favorable and non-favorable determinants were identified using primary data collected through an online questionnaire survey. The results revealed that, the increase of Sri Lankan real exchange rates and tea production are favorable and increase of Colombo auction average prices, the prices of value added tea relative to bulk tea export prices to Russia and tea export prices from Kenya to Russia are not favorable. This suggests that the value added tea exporters should consider pursuing export-oriented determinants while striving to maintain specific strategies to grab the favorable conditions and overcome the non favorable conditions.

Keywords: Long run supply determinants, Russian export market, Value added tea