

Exporters' Willingness to Adopt Tea Hub Concept in Sri Lanka

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As one of the leading tea growing and exporting countries, Sri Lanka needs to adopt new strategic decisions to strengthen the sector along with the competitive global tea market. As a consequence, the concept of tea hub has been introduced by the industry experts and some parties as a strategy, in which liberalization of tea imports for blending, value addition and re-exports could be steered. Nevertheless, this concept of tea hub has been a controversial topic in the industry with the argument on to make the whole country as a tea hub or establishment of a tea hub in a separate free zone within the country. The exporters are the major proponent of this tea hub concept as well as major party whom to be privileged from it. With this background, the study has focused on the factors affecting on exporters' willingness to adopt tea hub concept in Sri Lanka and identify the most preferred hub model among exporters. The primary data were collected using a structured questionnaire from 41 tea exporting firms in Sri Lanka. The eight factors were used to measure exporters' willingness on tea hub concept. The current status of importation of tea, bulk tea export volume and satisfaction on tariffs and non-tariffs affected on exporters' willingness to adopt tea hub concept. According to the results of Probit regression, the current status of importation of tea was significant at 5% significance level and, bulk tea export volume and satisfaction on tariffs & non-tariffs were significant at the 10% significance level. The current status of importation of tea has a positive relationship with the exporters' willingness to adopt tea hub concept, while the bulk tea export volume and satisfaction on tariffs & non-tariffs were negatively affecting on exporters' willingness to adopt tea hub concept by exporters. This study concluded that the majority of the exporters (66%) are willing to adopt tea hub concept and prefer to have an exclusive free zone (55%) as a tea hub in Sri Lanka.

Keywords: Liberalization, Multi-origin tea, Tea exporter, Tea hub, Tea imports,