

PERFORMANCE

2011

***MINISTRY OF PLANTATION
INDUSTRIES***

07th December 2011

***Ministry of Plantation Industries,
55/75, Vauxhall Lane,
Colombo 02***

VISION

Achieving national prosperity through development of the plantation industry.

MISSION

To enhance the productivity, profitability and sustainability of the plantation industry through ensuring an economically, socially and environmentally viable plantation sector.

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Message of the Hon. Minister of Plantation Industries

It gives me a great pleasure to issue a message for the “Performance 2011” which demonstrates the progress achieved in year 2011 against targets, by the Ministry of Plantation Industries which is responsible for the development of the plantation sector, a major force steering the economy of Sri Lanka, and the Institutions under its purview.

By now, the growth of the contribution made by the two traditional plantation crops; tea and rubber, to the Gross National Production amounts to about 1.4% and the number of persons who resolve their socio economic problems through these two crops accounts to around 1.5 million.

Increase of the Tea Replanting Subsidy provided to the tea small holders who accounts to 70% of those who make their lives successful through the tea cultivation, by Rs.50,00/- per hectare and increasing the price per plant for infilling from Rs. 10/- to Rs.25/- per hectare were significant development activities undertaken during the past year. Through increasing the Rubber Planting Subsidy up to Rs.25,000/- per hectare, it was possible to give more opportunities to farmers, especially in the non traditional areas who are attracted to rubber cultivation due to attractive prices, for cultivation.

Further, consequent to the statement made by H.E. the President at the Budget speech 2011, identification of 15,178 hectares of cultivable but uncultivated lands of the Plantation Companies through the survey launched for that purpose was a special achievement.

An another achievement in the year was the establishment of a fund of around Rs.1 billion per annum with the concurrence of all tea exporters enabling further improvement of global Ceylon Tea promotional activities to be the most prominent tea producer in the world, through “Lion Logo”.

I take this an opportunity to extend my heartfelt gratitude to H.E. the president who guided me for the above achievements, Hon. Deputy Minister, Secretary to the Ministry and the staff of the Ministry, Heads of the Institutions under the Ministry and staff, International Donors of the Plantation Sector and all stakeholders who extended the fullest cooperation in this endeavor.

Mahinda Samarasinghe (M.P.)
Minister of Plantation Industries

Message of the Hon. Deputy Minister of Plantation Industries

As the Deputy Minister of Plantation Industries, I am very pleased to pen this message to “Performance 2011” to be tabled by the Ministry of Plantation Industries at the occasion of the Budget-2011 aimed for the development of Sri Lanka in line with the Mahinda Chintana Idiri Dekma, (Vision for the Future).

My fervent wish is to enhance the productivity of the land owners through encouragement of replanting and new planting of tea and rubber which are the traditional plantation crops of Sri Lanka, adopting good agricultural practices and develop the tea and rubber industries by utilizing new scientific and technical methods, extending my fullest cooperation to the Hon. Minister

Accordingly, I wish to mention that I am dedicated to extend my fullest cooperation to the effort being taken for the development of the plantation industry taking the views of all stakeholders relevant to the sustainable development of the plantation sector, into consideration.

I take this opportunity to thank the Hon. Minister of Plantation Industries who guides the Ministry in the successful performance of its functions, Secretary to the Ministry and the staff of the Ministry, Heads of the Institutions, staff and all stakeholders who contributed to the success.

Earl Gunasekara (M.P.)

Deputy Minister of Plantation Industries

Message of the Secretary to the Ministry of Plantation Industries

“Performance 2011” Committee Stage of the Budget 2012 incorporates the progress of the Ministry of Plantation industries and the Institutions coming under its purview to 30th September 2011 and the targets for year 2012 of the Ministry and the institutions coming under its purview.

The objective of the Ministry of Plantation Industries is to make a significant contribution to the development process of the country through the implementation of development programmes by making structural changes required for development of tea and rubber plantations which are traditional export crops, in line with the National Plantation Industry Policy Framework in conformity with the “Mahinda Chintana Idiri Dekma” and ensuring the contribution of the plantation sector to the economy of the country continuously.

In order to ensure the contribution of the plantation sector to the economy of the country continuously, action is to be taken to secure the name “Ceylon Tea” as the most prominent tea exporter in the world and expand the rubber cultivation as the main plantation which can be made value addition in the industrial sector for the industrialization in Sri Lanka. Settlement of the economic and social problems of the thousands of people through the encouragement for tea replanting and infilling as well as taking necessary measures to expand the rubber new planting in non traditional areas can be considered as one of the important achievements made in the previous year. The contribution to the development of the country bringing new cultivated lands to the plantation sector through adding the existing uncultivated lands to the new planting jointly with the private sector in conformity with the future national and global requirements is also a special fact to be mentioned.

I would also make this an opportunity to extend my deepest gratitude to the Hon. Minister of Plantation Industries and the Hon. Deputy Minister for guiding me regularly to fulfill the above activities successfully. I would also like to extend my heartfelt gratitude to the Additional Secretaries of the Ministry and the Ministry staff, specially the Director (Planning) and its staff, the officials including the Chairmen of all the institutions coming under the purview of the ministry and all other stakeholders in the plantation sector.

I wish success for the coming year 2012 and I believe that the all will extend the fullest cooperation towards the achievement of the targets of next year more successfully.

Malini Peiris
Secretary
Ministry of Plantation Industries

1. Plantation Industry

1.1 Overall Sector Performance

The plantation industry which comprises of the traditional three crops- tea, rubber and coconut earns a large amount of foreign exchange to the country and provides many employment opportunities.

The plantation industry which was the highest foreign exchange earner and the main employment generator of the country until the mid eighties when it was overtaken by foreign employment, garment industry and tourism, contributed 25% to the national economy earning Rs.230,586 millions of foreign exchange in the year 2010. Further, it contributes 3.4% to the Gross Domestic Production (GDP), and renders a yeoman service to the spheres such as agribusiness, employment generation, food safety, rural development, poverty alleviation and environmental conservation. The total land extent utilized in the plantation sector is about 800,000 hectares. The number of direct and indirect employment opportunities generated through the sector is about 1.5 million.

2. Ministry of Plantation Industries

2.1 Performance of the Ministry of Plantation Industries

In addition to the traditional plantation crops in the country such as tea and rubber, activities of the oil palm cultivation which is not coming under the purview of any other Ministry have also been assigned to the Ministry of Plantation Industries. The Foreign exchange earnings of Sri Lanka through the export of tea and rubber based products amounted to Rs.174,632 millions in year 2010 and it was Rs.147,498 millions in year 2009. Accordingly, the contribution of these crops to the Gross Domestic Production has increased by 15.5% in year 2010 as against the year 2009. Likewise, the contribution of both tea and rubber sectors to the growth in the Gross National Production was 1.4% in year 2010.

2.2 Objectives of the Ministry

- I. To make a quantitative increase in the production of aforesaid plantation crops.
- II. To improve the exports of the plantation crops through value addition.
- III. To increase the annual amount of foreign exchange from the export of the said plantation crops.
- IV. To enhance the productivity of the plantation sector through the researches carried out for development of the plantation sector.

2.3 Scope of the Ministry

In order to achieve the above purposes in line with the Mahinda Chinthana Idiri Dekma Programme, the following activities are carried out by the Ministry of Plantation Industries under the National Plantation Industry Policy Framework formulated for sustainable development in the plantation sector.

- I. Implementation of policies, plans and programmes of the plantation sector.
- II. Formulation, implementation and handling of National Plantation Industry Policy based programmes and projects.

- III. Promotion of the optimum productivity of the estate plantations.
- IV. Training of employees for efficient management in the plantation sector.
- V. Development and promotion of the plantation crops coming under the Ministry and the matters pertaining to the related research activities.
- VI. To achieve the optimum utilize of plantations through multi cropping and compact farming system and thereby, increase in the production and the employment.
- VII. Control of the fragmentation of tea, coconut and rubber estates and issuance of the required permits.

2.4 Development activities carried out by the Ministry

- I. Taking action to amend the Acts of the institutions coming under the Ministry in conformity to the current and future requirements to facilitate the achievement of aimed development activities.
- II. Implementation of projects for development of the plantation industry in Northern and Eastern provinces.
- III. Taking necessary measures to ensure a reasonable price for the growers of relevant plantation crops and the consumers.
- IV. Promotion of methodologies for attraction of the possible highest amount of foreign exchange to the country from value added export crops.
- V. Taking action to identify lands suitable for new planting as per the census on uncultivated lands owned by the Plantation Companies.
- VI. Improvement of the productivity through encouragement for environmental friendly cropping and processing of products.
- VII. Obtaining foreign technical assistance for development.
- VIII. Settlement of issues of the stakeholders in the sector.
- IX. Encouragement for researches in the sector.
- X. Capacity building of the employees in the sector.

2.5 Future development plans of the Ministry – For year 2014

- I. Increasing the tea production up to 335mn kg and the natural rubber production up to 176mn kg.
- II. Bringing 65% of the total tea production as value added tea products and 80% of the total rubber production as value added rubber products to the market.
- III. Increasing the yield of tea and rubber through introducing 2 clones of special tea cultivars of category 5000 and 3 special rubber cultivars of category 2000 to the field through the researches.
- IV. Earning Rs.175 billion from tea exports and Rs.120 billion from rubber exports.

2.6 Special activities to be carried out for future development plans of the Ministry in year 2012

- I. Holding of Food and Agriculture Organization (FAO) / Inter-Governmental Group (IGG) Meeting on Tea in Colombo.
- II. Making the extension activities of the plantation sector more efficient through usage of mass media.
- III. Updating the maps of tea, rubber and oil palm lands jointly with the Surveyor General's Department by using the Geographic Information System (GIS).

- IV. Continuing the Cadastral surveying in the lands leased out to the Regional Plantation Companies.
- V. Reconstructing a part of the access roads of the tea small holdings and Plantation Companies to be suitable for transport activities.
- VI. Conferring of National Plantation Awards for appreciation of the contribution of growers, producers, exporters and societies.

3. Tea Sector

3.1 Vision of the Tea Industry

The vision of the tea industry is to make the Ceylon Tea the Premier in the global beverage market through enhancement of cultivations of Plantation Companies and uplifting the socio economic conditions of the tea small holder sector for sustainable development.

3.2 Overall Performance in the Tea Sector

The tea production in year 2010 was 331.4mn kg and it is expected that the tea production in year 2011 will be 332mn kg. Likewise, taking into consideration the average auction price of the Colombo tea auction which was US\$ 3.48 per kg in the first six months of the year 2011 and the FOB price of US\$ 4.83 from re-exports, the Colombo tea auction price which was the price per 1kg up to June 2010 shows a fewer increase than US\$ 3.25. In line the current market situation, it is expected that the Colombo tea auction price and FOB price will be increased up to US\$ 3.52 and US\$ 4.85 respectively at the end of the year 2011. Accordingly, it is also envisaged to earn foreign exchange of US\$ 1.5 billion only from the export of Ceylon Tea apart from the income of tea re-exports.

3.3 Expansion of Tea Cultivation



Well-maintained Tea Cultivation

In year 2010, the tea cultivation had expanded in the extent of 204,128 hectares of which 120,009 hectares (59%) were owned by the tea small holding sector. Out of the balance extent, 76,534 hectares (37%) were owned by 21 Regional Plantation Companies and 7,585 hectares (4%) were owned by the Janatha Estates Development Board and the State Plantation Corporation. Accordingly, most employment opportunities are provided to the tea small holders in the tea cultivation sector. The fertilizer subsidy provided to the tea small holders under the National Fertilizer Subsidy Scheme had resulted in the increase of the productivity in the tea small holdings sector. Accordingly, tea small holders have completed replanting activities in 520 hectares during year 2011 and 287,010 plants were provided for infilling in 145 hectares. In addition, the new planting has been planned up to 50 hectares and planting activities are being undertaken after granting permits for 25 hectares.

3.4 Current Tea Production

The average yield of tea per hectare in year 2010 was 1,493 kg and it is projected that it will be 1622 kg in year 2011. Accordingly, taking into account of the main tea producing methodologies within the first 07 months from January to July 2011, (Orthodox) black tea contributed about 91.8% of the total tea production (179.82mn kg.) during the said period. CTC and Green tea products contributed 7.1% (13.96mn kg.) and 1.1% (1.89mn kg.) respectively and the total tea production in the said period amounted to 195.67mn kg. 68.7% of the total tea production that is, 134.5mn kg was produced by the tea small holders. Their contribution in the period from January to July 2010 was 68% that is, 133.74mn kg.

Taking into consideration the current tea production, the elevation wise tea production, categorization and the geographical locations are given Tables 1,2 and 3 below.

Table No.1: Elevation wise Tea Production (Mt.)

Elevation	From January to July 2011	From January to July 2010	Contribution of tea small holders %
High Grown	50,870	49,298	10
Medium Grown	31,995	34,091	16
Low Grown	112,807	113,331	74
Total	195,672	196,720	100

Source: Sri Lanka Tea Board

Table No.2: Category wise Tea production (Mt.)

Category	From January to July 2011	From January to July 2010
Orthodox Black Tea	179,817	183,949
C.T.C. Tea	13,962	10,713
Green Tea	1,893	2,058
Total	195,672	196,720

Source: Sri Lanka Tea Board

Table No.3: Tea production as per geographical locations (Mt.)

Geographical location	From January to July 2011	From January to July 2010
Nuwara Eliya	3,037	3,131
Western Hill Country	35,398	31,471
Mid-Country	30,264	29,990
Uda Pussallawa	4,519	4,978
Uva Region	18,496	20,952
Low Country	103,958	106,198
Total	195,672	196,720

Source: Sri Lanka Tea Board

During the period from January to July 2011, 700mt of environment friendly tea (Bio tea) has been produced and it was 618mt in the year 2010. Accordingly, Bio tea production has shown a progress of 13.7% progress. As well, the instant tea production (From January to July) was 1112mt and it was able to produce 1096mt during the corresponding period of the year 2010. Accordingly, the instant tea production has also recorded a progress of 1.5%. Further, it is expected to produce 3kg million of value added tea as bio and instant tea.

3.5 Production Cost of Tea

Rs.313.17 had been incurred in year 2010 to produce 1kg of tea in the Plantation Companies of the corporate and public sectors and it is expected that the said amount will be increased to Rs.360 in year 2011. Further, the net sale price per kg of tea in year 2010 was Rs.370.58 and a profit of Rs.56.41 was fetched per kg. However, this situation was changed in year 2011 and a decline to Rs.15 in the profit fetched by the producer will be expected as the the average sales price of 1kg of tea is around Rs.375. The root causes for this decline are the dry climatic situation prevailed in the tea growing areas from April in this year and the increase in the day's pay of the plantation workers from Rs.405 to Rs.515 from June.

3.6 Projection for 2012

It is projected that the total tea production in year 2012 will be 332kg, assuming that the climate and other outside factors will be favourable for the tea cultivation.

3.7 Tea Market

The total tea sale at the Colombo tea auction within the first 07 months of the year 2011 was 195.36mn kg, and the average price per 01 kg of tea was Rs.366.66. The total tea sale within the first 07 months of the year 2010 was 192.45mn kg and the average price per 1kg of tea during the corresponding period was Rs.351.67.

Table No.4: Data of elevation wise tea sales (January to July)

Year	High grown tea		Medium grown tea		Low grown tea		Total sales	
	Quantity (mn.kg.)	Price (01kg./Rs.)	Quantity (mn. kg.)	Price (01kg./Rs.)	Quantity (mn. kg.)	Price (01kg./Rs.)	Quantity (mn. kg.)	Price (01kg./Rs.)
2010	46.43	331.8	32.51	330.72	113.51	392.47	192.45	351.67
2011	46.47	322.64	32.26	328.21	116.63	387.92	195.36	366.66

Source: Sri Lanka Tea Board

When the quantities of sales of tea and re-export tea under various categories from January to July 2011 and the prices as well as the quantities of tea sales at the main tea auctions in the world and their average prices are examined, the Tables No.5 and 6 illustrate the international reputation for Ceylon Tea.

Table No.5: Data on Exports and Re-exports of Ceylon Tea (January to July 2011)

Category	Orthodox black tea		Green tea		Instant tea		Total	
	Quantity (mn.kg.)	Average price (1kg. /Rs.)	Quantity (mn.kg.)	Average price (1kg. /Rs.)	Quantity (mn.kg.)	Average price (1kg. /Rs.)	Quantity (mn.kg.)	F.O.B. Average price (1kg. /Rs.)
Exports of Ceylon Tea	161.03	501.45	1.37	958.01	1.80	799.77	164.20	508.53
Re-export tea	9.28	594.39	1.55	893.25	0.87	267.43	11.70	609.61
Total	170.31	506.52	2.92	923.63	2.67	1067.20	175.90	515.25

Source: Sri Lanka Tea Board

Table No.6: Sales details of main tea auction centres in the world

Auction Centre	January –July 2011		January –July 2011	
	Quantity Metric Tons	Unit Price US\$/kg	Quantity Metric Tons	Unit Price US\$/kg
Kolkata	77,315	2.98	70,323	2.66
Cochin	36,301	1.87	36,807	1.70
Chittagong	23,205	2.41	26,112	2.57
Mombasa	200,421	2.75	228,746	2.54
Jakarta	19,033	1.97	24,801	1.83
Colombo	195,364	3.53	192,449	3.31
Guwahati	52,123	2.61	54,367	2.29
Malawi	10,775	1.58	12,183	1.61

Source: Sri Lanka Tea Board

3.8 Tea Export

The average price for F.O.B. of all types of tea during 7 months from January to July 2011 was Rs.508.53 per kg. The average export price at the Colombo tea auction during the same period was recorded as Rs.366.66 per kg. It is 4.26% increase when compared with Rs.351.67 recorded during the corresponding period of year 2010.

Sri Lanka earned Rs.83.50 billion from the tea exports of about 164.2mn kg up to end of July 2011. At present, Russia is the main destination of our tea exports and it is 15.6% of the total tea export. In addition, 69.9% of the total tea exports are purchased by 10 leading countries and it is given in the Table below.

Table No.7: Main destinations of tea exports (January – July)

Country	2011		2010		Difference of the quantities of exports	
	Quantity (Kg.)	F.O.B. (Rs./kg)	Quantity (Kg.)	F.O.B. (Rs./kg)	Quantity (Kg.)	%
Russia	25,658,521	497.38	24,488,287	496.22	1,170,234	4.78
Iran	16,336,436	571.66	13,977,622	545.00	2,358,814	16.88
Iraq	15,276,002	485.22	14,185,312	488.32	1,090,690	7.69
Syria	12,416,482	509.60	16,041,429	503.84	(3,624,947)	(22.60)
Turkey	11,873,734	442.84	9,825,495	427.15	2,048,239	20.85
UAE	10,661,491	405.00	7,299,591	428.27	3,361,900	46.06
Japan	6,886,764	553.81	5,845,530	542.42	1,041,234	17.81
Azerbaijan	6,298,001	489.63	5,205,434	467.55	1,092,567	20.99
Kuwait	4,704,745	377.19	6,650,598	376.96	(1,945,853)	(29.26)
Saudi Arabia	4630,434	483.23	8,572,248	441.28	(3,941,814)	(45.98)

Source: Sri Lanka Tea Board

The Cess collection of Sri Lanka from tea exports was Rs.1194 million in year 2010 and it is expected to increase to Rs.1920 million by the end of year 2011.

3.9 Value Added Tea Products

Value added products such as tea packets, tea bags and instant tea contribute about 58% of the total tea export. Accordingly, Sri Lanka earned Rs.43.57 billion from the sale of 73.43mn kg of various value added teas up to September 2011. Syria is the main destination of our value added teas and it is 19.35mn kg (15.3%) of the total tea export.

Likewise, quantities of value added tea exports in category wise up to September 2011 and the biggest destinations and the quantity purchased are given in the Table below.

Table No.8: Data on value added tea products

Main destination	Category of value added tea	Total quantity of exports (Mn.kg.)	Quantity purchased by the main destination (Mn.kg.)	As % of the total export
Russia	Tea bags	18.06	2.37	13
Iraq	Tea packets 04g -1kg	69.04	12.23	18
Hong Kong	Tea packets 1kg – 3kg	1.22	0.47	39
Syria	Tea packets 3kg – 5kg	12.01	7.86	65
Iran	Tea packets 5kg – 10kg	24.16	9.88	41

Source: Sri Lanka Tea Board

3.10 Development activities carried out at Ministry level for development of the tea cultivation

- I. Recommendation of new fertilizer mixture for increase in the productivity having considered the views and proposals of the growers.
- II. Implementation of promotion systems to protect the rights for the name “Ceylon Tea” and the Lion Logo.
- III. Implementation of an annual fund of Rs.1000 million through the Sri Lanka Tea Board for tea marketing and promotion in the local and foreign markets.
- IV. Planning to bring all tea related institutions which come under the Ministry under one roof at regional level.

3.11 Issues in the Tea Sector

- I. International violation of rights for the name “Ceylon Tea” and Lion Logo.
- II. Prevalent market tariff and other non tariff barriers in the export of Ceylon Tea and additional charges to be paid in the competitive markets.
- III. Low productivity of tea cultivations, labour shortage and post harvest damages.
- IV. Low replanting and infilling as against the projected targets & not maintaining of at least 2% of replanting rate.
- V. Increase in the cost of production due to high cost for power & energy, employees’ salaries and other raw material.
- VI. Changes in climatic patterns prevailing in the traditional areas where the tea cultivation is being maintained successfully.

3.12 Future Development Plans for Tea

- I. Encouragement of small scale growers who lose income after uprooting the bushes for replanting, for a period of 30 months
- II. Encouragement of tea small holders for establishment of a nursery in their own lands in order to reduce the shortage of quality plants.
- III. Increase in the productivity through encouragement for using Dolomite to rectify the soil conditions.
- IV. Encouragement of tea small holders and Regional Plantation Companies to bring the tea replanting rate at the level of 2%.
- V. Improvement of the productivity and quality of the total tea production through tea new planting, replanting, infilling and prevention of post harvest damages.
- VI. Upgrading the quality of green leaf through the factory based management programme.
- VII. Improvement of the quality of made tea through modernization of factories and quality certification.
- VIII. Encouragement for production of quality tea through standardization and development of the tea factories.
- XI. Enhancement of the sale of Sri Lankan Tea and export earnings through the implementation of tea promotion and marketing programmes on the investments of tea exporters.
- X. Updating the Acts and rules & regulations of the tea sector to meet the current needs.
- XI. Increase of the productivity and decrease of the cost of production through encouragement of researches in the tea sector, certification of seeds & planting

material, and production & repairing machineries for the factories through the participation of public and private sectors.

- XII. Encouragement of environment friendly tea producers and making arrangements to supply high quality tea to the local consumers at a reasonable price.
- XIII. Taking action to receive the views of the stakeholders through the re-establishment of the Tea Advisory Board and the Tea Advisory Council as per the the provisions made under the Tea Control Act and the Tea Board Law.
- XIV. Introducing low quality standards under ISO – 11287 for Green Tea.

4. Rubber Sector

4.1 Vision of the Rubber Industry

Enhancement of the national production through establishment of quality and productivity plantations, and creating an environment conducive for the development of the social and economic conditions of those who engage in the rubber industry.

4.2 Overall Rubber Sector Performance

The total rubber production in 2010 recorded 152,987mt and it is expected that the rubber production in year 2011 will be 157,000mt. It is an increase of 2.2% as against the year 2010. Sri Lankan rubber prices soared as a result of the decrease in the rubber productions of the leading rubber producing countries such as Thailand, Malaysia and Indonesia due to the unfavorable weather conditions prevailed in such countries and the increase in the demand for natural rubber which is the substitute of synthetic rubber due to the hike in the price for synthetic rubber. In addition, a high demand for natural rubber was ensured due to the enhancement in the motor car industry (Especially, India and China). As a result, the highest price per 01kg of Ribbed Smoked Sheets No.01 (RSS 01) that is, Rs. 625.25 was recorded in June 2011. The growers, who gained such benefits, were encouraged to adapt more and more the good agricultural practices such as application of fertilizer and tapping technology by fixing rain guards. As a result of the increase in the rubber prices, the farmers engaging in the rubber cultivation as well as the farmers in the districts of Monaragala and Ampara belonging to non traditional areas were attractive more and more to the rubber cultivation.

4.3 Expansion of Rubber Cultivation

A census on the entire rubber lands of the country was conducted in year 2010. As per its findings, the extent under rubber cultivation in year 2010 was 125,645 hectares of which 79,395 hectares that is 63% was owned by the tea small holding sector. An extent of 46,250 hectares (34%) is owned by the Regional Plantation Companies. The extent of mature rubber lands (tapping) is approximately 96,653 hectares and the extent of immature rubber lands (growing) is 28,992 hectares. Likewise, necessary plans are being made to expand the extent under rubber up to 127,500 hectares in year 2012.

4.4 Rubber Yield



Quality tapping

Since the farmers worked to increase the number of tapping days by fixing rain guards to gain optimum output from the existing rubber lands and adopting good agricultural practices through encouragement of them for market viabilities, the rubber yield had increased in year 2010 and it was 1563 kg per hectare. It is expected that it will be increased to 1570 kg at the end of the year 2011 and 1,600 kg in year 2012.

Table No.9: Rubber harvest in the years of 2010 and 2011

Year	Extent of mature lands (Hectares)	Rubber Production (Mt.)	National Yield (Kg./He./Year)
2010	97,862	152987	1,563
2011	100,000	157000	1,570

Source: Rubber Development Department

4.5 Current production conditions of the rubber industry

The rubber production from January to July 2011 recorded 93,544mt. It is 10% increase when compared with the production in the corresponding period of year 2010. This increase in the production is very important as the production was increased quantitatively even under the unfavourable weather conditions than the previous year. This situation is illustrated in the Table below.

Table No.10: Category wise quantitative increase in the rubber production (January to July)

Category	2010		2011	
	Quantity of production (Mt.)	Percentage (%)	Quantity of production (Mt.)	Percentage (%)
Sheet	32,091	38	35,636	38
Sole Crepe	2,807	3	2,550	3
Scrap Crepe	1,293	2	791	1
Latex Crepe	27,659	33	36,291	39
T.S.R.	5,367	6	4,656	5
Centrifuge & other	15,733	19	13,621	15
Total	84,950	100	93,545	100

Source: Rubber Development Department

Further, the cost of production per 1kg in year 2010 was Rs.119.80. It is expected that it will be increased to Rs.121.75 at the end of year 2011.

4.6 Projections for 2012

It is projected that the extent of tappable rubber lands will be 101,000 hectares in year 2012. It is estimated that the rubber production in year 2011 will be

159,000mt through providing the rubber planting subsidy properly and encouragement of the farmers to adopt good agricultural practices such as application of fertilizer to the mature rubber cultivation, tapping for an extended number of days by fixing rain guards and improvement of the productivity in the cultivated lands. It is projected that the cost of production per 1kg of rubber will be Rs.123.30 in year 2012.

4.7 Rubber Market

Although the number of tapping days declined due to the heavy rainfall prevailed in the rubber growing areas in year 2010, the world market demand for natural rubber was rapidly increased in year 2010 due to the increase in the demand for synthetic rubber and as the countries such as Thailand, Malaysia and Indonesia who are the rubber producers in the South-East Asian region also faced with the said influence. Accordingly, the private sector who gained the advantage of the hike in the price, re-planted at optimum level the lands abandoned previously (Economic and non- economic level) and as a result, an increase in the supply of natural rubber in the rubber market has shown in this year. Accordingly, the average price at the Colombo rubber auction for Ribbed Smoked Sheets No.01 (RSS 01) in January 2011 was Rs.592.15 per kg and it has declined to Rs.478.25 in August 2011. However, since it is projected that the average cost of production per 1kg of natural rubber will be around Rs.121.75, this price may also be considered as a very high price. Auction prices for various types of rubber from January to August 2011 are given in the Table No.11 below.

**Table No.11: Average auction prices for various types of rubber
From January to August 2011**

Rs. / kg.

Month of 2011	Ribbed Smoked Sheets					Latex Crepe					Scrap Crepe				F. O. B.	Skim rubber
	1	2	3	4	5	IX	1	2	3	4	1xBr	2xBr	3xBr	4xBr		
January	592	579	568	550	540	621	613	597	573	541	538	535	533	530	509	491
February	636	631	621	596	592	651	641	615	594	574	568	565	476	556	554	493
March	543	558	538	529	514	594	587	558	522	486	476	480	492	482	461	429
April	575	567	550	534	523	606	599	576	558	524	510	502	502	491	470	473
May	550	555	534	527	517	642	631	603	572	516	499	466	451	442	444	420
June	561	512	506	532	UNQ	676	666	640	560	514	501	467	460	451	436	432
July	506	501	495	495	480	619	612	593	523	475	462	463	446	438	423	405
August	478	471	468	459	462	624	612	582	508	466	458	458	450	445	436	415

Source: Rubber Development Department

4.8 Natural Rubber Export

Since the price of rubber in the global market hiked rapidly based on the existing high demand, the local raw rubber exporters gained more benefits. Accordingly, rubber exports in various types from January to July 2010 and 2011 are given in the Table No.12 below.

Table No.12: Data on Rubber Exports

Category	2011 (Mt.)	2010 (Mt.)
Sheet	7,568	11,925
Sole Crepe	1,041	878
Scrap Crepe	-	37
Latex Crepe	12,253	10,326
T.S.R.	1,861	1,555
Centrifuge & other	1,840	4,792
Total	24,563	29,513

Source: Rubber Development Department

As well, the quantity of natural rubber exports from January to July 2011 was 26.26% of the total production and the Table below illustrates that the said quantity has decreased by 16.77% when compared with 34.74% which was in the corresponding period of year 2010.

Table No.13: Exports of Natural Rubber Products

Year (January-July)	Quantity of Exports (Mt.)	Quantity of Production (Mt.)	Exports/ From production (%)
2011	24,563	93,544	26.26
2010	29,513	84,950	34.74

Source: Rubber Development Department

4.9 Value Added Rubber Products

A quantity of 66,333mt of rubber was value added during the first 07 months of the year 2011 and the more tendencies were to produce tyre and tube, rubber plates, sheets and belts, surgical and other gloves, carpets, mats and other rubber based products. The said quantity of products is an increase of 14.5% when compared with the corresponding period of the year 2010. The total quantity of natural rubber utilized for the products in year 2010 was 107,225mt and it is projected that this quantity will be 111,110mt in year 2011. Further, a foreign exchange of Rs.64,033 million was earned from the export of value added products in year 2010. It is projected that the quantity of natural rubber utilized for the finished products will be increased to 73% of the total production as a result of the efforts made by many producers of rubber based finished products to reach the international standards by using new production systems for the modernization of their products. It is also expected that the foreign exchange of Rs.12.5 million incurred for the import of rubber based products to the country in year 2010 will drop to, Rs.11 million in year 2011 as a result of the increase in the quantity of value added rubber production.

4.10 Issues in the Rubber Sector

- I. Variation in the quantity and the yield of rubber production and the high quality plants required for the cultivation, on the climatic conditions.
- II. Scarcity of skilled labourers specially rubber tappers.
- III. Shortage of lands for the expansion of new rubber planting.
- IV. Increase in the cost of production.

4.11 Future Development Plans in the Rubber Sector

- I. Promotion of the fixing of rain guards for enhancement of the capacity of raw rubber production.
- II. Expansion of the rubber cultivation in non traditional areas and introduction of new clonal varieties suitable for the dry zone.
- III. Expansion of the rubber cultivation in Northern and Eastern Provinces.
- IV. Maintaining the rubber replanting rate at the level of 3% through the existing financial incentives.
- V. Introduction of new varieties and producing quality plants through conducting related researches.
- VI. Converting the rubber processing industry into the position of high value addition through research and development activities.
- VII. Ensuring the welfare and social development of the rubber growers and those who engage in the rubber industry.
- VIII. Initiation of researches for environment friendly rubber products.
- IX. Enforcement of Quarantine Regulations strongly at the importation of rubber products.

5. Oil Palm Sector

5.1 Vision of the Oil Palm Industry

Contribution to the national economy through development of oil palm as a commercial crop to meet the local edible oil requirement and saving the foreign exchange for import of edible oil.

5.2 Overall Performance of the Oil Palm Sector

Since Palmitic fatty acid basically contains in oil palm that contributes 20% of the vegetable oil production at present, it contains unsaturated fatty acid more than coconut oil. In addition to oil palm, palm kernel oil contributes 20% of this crop production and since it contains Lauric acid, it is mostly similar to coconut oil.

The oil palm cultivation initiated in an area of about 20 hectares of Nakiyadeniya estate in year 1969 had been expanded to 1200 hectares by year 1974 and 03 State Plantation Companies in Kalutara and Matara Districts in year 2000 and Oil palm refinery factory in Kalutara District in year 2007 were commenced.

At present, the oil palm production of Sri Lanka is 2.2mt per hectare and the annual production is 15,000mt. Approximately 75,000mt of edible oil is imported per annum to fulfill the vegetable oil requirement of the country and it is illustrated in the Table below..

Table No: 14 Data of Edible Oil Import

Year	Quantity of Import (Mt.)	Expenditure (Rs. Mn.)
2008	161351	1775
2009	165017	5736
2010	116758	12596
Up to August 2011	114833	17673

5.3 Extent under Oil Palm

There is a feasibility to grow oil palm in any areas of Matara, Galle, Kalutara, Colombo and Kegalla Districts where the annual rainfall is more than 1800ml, temperature is 20-40°C and sun setting is more than 05 hours per day, and Gampaha, Kurunegala, Kandy, Matale and Ratnapura Districts as well.

At present, the Oil Palm cultivation is entirely undertaken in the estates under Regional Plantation Companies and the areas under cultivation, the extents and the projected targets are given in the table below.

Table No: 15 Expansion of the Oil Palm Cultivation

Plantation Company	Extent under mature (Ha.)	Extent under immature (Ha.)	Total extent (Ha.)	Plantation targets within next 05years (Ha.)
Agalawatta	1020	235	1255	--
Watawala	1880	800	2680	1000
Namunukula	1100	200	1300	450
Elpitiya	785	210	995	650
Kotagala	--	--	--	1000
Total	4785	1445	6230	3130

5.4. Oil Palm Target

Expanding the extent under oil palm cultivation which is presently about 6,000ha up to 25,000 hectares.

5.5. Oil Palm Yield

Yielding of oil palm is commenced after about 2 ½ years from the date of cultivation. Thereafter, it could be yielded once in 10 days and its annual productivity is 2500-3000kg per hectare. A sum of around Rs.500,000 has to be incurred for a cultivation in a hectare until the first harvest is yielded. The life time of oil palm is 35-40 years and the yield derived from oil palm is more than coconut palm. Since the labour required for this purpose is lower, the cost of production is also lower than coconuts.

5.6. Oil Palm Import

Palm oil is imported to Sri Lanka incurring around Rs.8,000 million per annum and details of the palm oil imported to Sri Lanka from 2007- 2011 are given in the table below.

Year	Quantity Mt.	Expenditure Rs. Mn.
2007	220794	16993
2008	145013	14993
2009	69550	6100
2010	75243	7776
Up to August 2011	83059	12383

6. Performance of the Ministry of Plantation Industries (Financial)

The Total Budget allocation for the Ministry and Institutions coming under the Ministry for Year 2011 in Rs 3162.97 million and the details are given in the following table.

Table 17: Total Performance of the Ministry up to 30th September 2011

(Rs.Million)

Institute	Capital Allocation for the year 2011	Recurrent Allocation for the year 2011	Capital expenditure up to 30 th September 2011	Recurrent expenditure up to 30 th September 2011	Capital Performance %	Recurrent Performance %
Ministry	21.4	127.78	19.6	86.18	92	67
Sri Lanka Tea Board	150.0	200.0	-	94.0	-	47
Tea Research Institute	150.0	245.0	44.03	174.9	29	71
Tea Small Holding Development Authority	200.0	225.0	142.61	151.35	71	67
Rubber Development Department	100.25	932.86	12.33	409.56	12	44
Rubber Research Institute	100.0	195.0	21.9	138.6	22	71
Turusaviya fund	5.6	7.08	0.59	5.86	11	83
National Institute of Plantation Management	12.0	15.0	10.01	6.1	83	41
Foreign funded Project						
Small Holder Plantation Entrepreneurship Development Program	476.0	-	203.68	-	43	-
Grand Total	1215.25	1947.72	454.75	1066.55	37	55

Commercial enterprises coming under the Ministry Namely, Kalubovitiyana Tea Factory Ltd & Tea Shakthi Fund do not obtain Treasury funds for their operations.

7. Performance of the Development Divisions/Projects of the Ministry

7.1 Plantation Management Monitoring Division

7.1.1 Role of the Plantation Management Monitoring Division

A number of 439 large scale estates managed by the Janatha Estates Development Board (JEDB) and Sri Lanka State Plantation Companies (SLSPC) was vested under the management of 23 Regional Plantation Companies in year 1992 and the ownership of these lands still remains with the JEDB and SLSPC. The management of the estates and the plantations thereon has been handed over to the Regional Plantation Companies on the lease basis of 53 years.

7.1.2 Functions of the Plantation Management Monitoring Division

- I. Monitoring of the Regional Plantation Companies (RPCs) and review of the progress.
- II. Monitoring of replanting and field development activities of the RPCs.
- III. Inspection of the factory modernization and the proper maintenance of human resources development activities of the Companies.
- IV. Look into the matters such as prevention of soil erosion, application of fertilizer, conservation of water sources & water basin and environment conservation activities related to the estates.
- V. Inspection of the management in the estates.
- VI. Monitoring of sub leasing made by the Plantation Companies.
- VII. Taking action to release the lands which were handed over to the RPCs for public purposes.
- VIII. Monitoring of reforestation management programmes and recommendation for timber felling on field inspections.
- IX. Collection of lease rentals to be charged to the Government from the RPCs.
- X. Issuance of eviction orders of squatters for establishment of possession of the state lands.



Submission of the survey report on the uncultivated lands to H.E. the President

7.1.3 Progress of the Plantation Management Monitoring Division

- I. A survey on uncultivated lands of the estates managed by 20 Regional Plantation Companies (RPCs) was conducted in year 2011 and thereby, 15,178 hectares have been identified as cultivable lands but uncultivated.
- II. A sum of Rs.544 million has been collected as lease rentals in year 2010 and the amount of lease rentals collected as at 30th September 2011 is Rs.666 million. The estimated amount of lease rentals to be collected in year 2011 is Rs.956 million and accordingly, 70% of the total estimate has been recovered at present.
- III. The arrears of lease rentals to be recovered from the RPCs as at 01.01.2011 is Rs.556 million and it could be reduced to Rs.371 million as at 30.09.2011. The consent of the RPCs has been obtained to recover the outstanding lease rentals as at 30.11.2009 as installments and it is expected to recover the total arrears by 30th June 2012.
- IV. Proper studying and analyzing of quarterly and annual accounts statements of the RPCs and instruction to the Companies to make corrections where necessary are being undertaken and arrangements have been made to carry out these activities more regularly in the year 2012.
- V. Field inspections on timber felling in 61 estates managed by 15 RPCs have been conducted in year 2011 and the field inspections have been undertaken in respect of the release of lands and the cases which are being heard in the court pertaining to the lands.

7.2 Smallholder Plantations Entrepreneurship Development Programme

7.2.1 Introduction -

Donor Agency	:	International Fund for Agricultural Development – IFAD
Commencement Date	:	2007.11.05
Completion Date	:	2014.06.11
Total Cost	:	US\$ 28.0 million

This programme is being implemented with funding assistance from the Government of Sri Lanka and foreign funding assistance. The main target of this programme is to increase income and livelihood of smallholder tea planters of mid-country and farmers in low income level and who wish to undertake smallholder rubber plantation in Monaragala district.

The Mid - country Smallholders Plantation Programme covers the districts of Kegalle, Kandy and Nuwara Eliya and Doluwa, Uda Palatha, Ganga Ihala Korale, Kotmale, Aranayake and Bulathkohupitiya are the respective Divisional Secretariat Divisions. The Monaragala Smallholders Rubber Plantation Programme covers Badalkumbura, Buttala, Madulla, Passara, Bibile, Siyambalanduwa, Wellawaya and Medagama Divisional Secretariat Divisions in Monaragala district. The programme assists and encourage 8,700 households with 39,250 beneficiaries in both Mid-country and Monaragala have undertaken to grow 350 hectares of tea in Mid-country and 5000 hectares of rubber in Monaragala district and intercropping with various short term and long term diversified crops.

7.2.2 Purpose of the Programme -

- I. Enable smallholders to develop sustainable out-grower systems with nucleus estates and down stream processing enterprises.
- II. Promote and consolidate effective partnerships between the target groups and private and public sectors.

7.2.3 Objectives of the Programme

- I. Strengthening the beneficiaries' institutional capacity and negotiation skills.
- II. Improve the land tenure of smallholder tea and rubber growers.
- III. Increase producers' profit through improved postharvest handling, storage, processing and marketing of their products.
- IV. Develop and expand rural finance and credit services.
- V. Ensure that women improve their living conditions and reduce poverty.

Table: 18 - Financial Status of the Programme (Rs. Million)

Sources of funds	Fund allocation up-to 30 September 2011	Cost estimates for 2011	Progress
Government of Sri Lanka	383.98	56.00	22.82
International Fund for Agriculture Development	2300.79	420.00	155.82
Participating Financial Institutions	73.06	12.08	1.98
Beneficiaries	103.06	9.00	-
TOTAL	2860.89	497.08	180.62

7.2.4 Progress made from January 1, 2011 to September 30, 2011

- I. Assisting 729 beneficiaries to replant 94.47 hectare at the cost of Rs.6.67 million.



Tea plantation established with The Programme assistance



Commercial tea nursery

- II. Distribution of tea plants among 520 beneficiaries to plant 104 hectare under the tea infilling programme at the cost of Rs.3.9 million.
- III. Assisting the establishment of 15 commercial tea plant nurseries and 8 rubber plant nurseries.
- IV. Assisting 3,383 families in Monaragala to plant 1200 hectares of rubber using project funds .
- V. Providing funds, advisory services and planting materials for export crops such as pepper, ariconut, ginger and vanilla and also short term crops such as maize, peanut, banana, passion fruit, tibbatu, pineapple, mandarine, rambutan and long term intercrops such as coconut and cocoa.
- VI. Providing matching grants and technology to establish mushroom production farms, bee keeping, goat farming, cattle farming and poultry farming.
- VII. Assisting rubber and agriculture products processing, value addition and market development.
- VIII. Distribution of 78 spray machines among tea smallholder entrepreneur groups.
- IX. Completing land surveyors to regularize land ownership for 90 Mahaweli settlers in Kotmale DS Division at the cost of Rs.0.998 million.
- X. Implementing entrepreneurship development programmes and rural credit programmes for beneficiaries.
- XI. Construction of 21 kilo meters of rural farm roads under the infrastructure development component of the project in Monaragala district. Construction of 120 rural farm roads and 6 water supply projects in mid-country.

7.2.5 Expected Targets for 2012

- I. Replant 65 hectares of tea smallholdings and infilling 125 hectares of tea smallholdings.
- II. Planting rubber in 644 hectares.
- III. Assisting to establish 15 rubber nurseries.
- IV. Rehabilitation of community centers, farm roads, rural roads, community water schemes under the infrastructure development programme of the project.
- V. Establishing new Village Rubber Development Clusters and strengthening and existing Entrepreneur Groups & Credit and Savings Groups in order to strengthen community based organizations.
- VI. Assisting beneficiaries and providing matching grants for bee keeping and poultry farming.
- VII. Encouraging beneficiaries for self employment by providing loans at low interest rates through entrepreneurship development training.
- VIII. Initiating action to establish 10 small scale rubber based industries.
- IX. Expanding possibilities under crops diversification programme and inter cropping to grow coconut and export crops in tea smallholdings.
- X. Providing low interest rate loans to beneficiaries under the rural finance and credit programme in order to develop entrepreneurship capabilities.

Rs. 159.5 million has been allocated for mid-country programme and Rs.351.0 million has been allocated for Monaragala rubber development programme for 2012.

8. Performance of the Institutions coming under the Ministry

8.2 Sri Lanka Tea Board

8.2.1 Introduction

The Sri Lanka Tea Board was established on the 01st January 1976, under the Sri Lanka Tea Board Law No.14 of 1975 to ensure sustainability of national tea industry satisfying the needs and aspirations of all Stakeholders. Accordingly main responsibility of the Sri Lanka Tea Board is supervision of all aspects of Sri Lanka Tea Industry.

8.2.2 Performance up to 30th September 2011

- I. Promotional campaign of Ozone Friendly Tea Logo and Registration of Geographical Indications from 04th May 2011.
- II. Maintaining of moisture content of tea within the ISO 3720 parameters and conduct of awareness programmes on extraneous matters in tea to stakeholders of tea industry.
- III. Subsidy of Rs. 18.712 Million released for modernization of 22 tea factories and re-planting of 142 ha. Of tea land under regional plantation companies.
- IV. Quality controls of green leaf handle by dealers and bought leaf factories and conduct training sessions for them.
- V. As and when necessary carried out surprise inspection of Tea Factories
- VI. Conduct of awareness programmes on made tea standards and Quality parameters.
- VII. In order to increase our market share in overseas markets actions initiated to enhance quality made tea.
- VII. Measures taken to interrupt entering of teas to the market which are not fit for human consumption.

8.2.3 Target of 2012

- I Modernization of identified tea factories by spending Rs.100.0Million.
- II Implementation of Re-planting Subsidy Scheme by spending Rs.160.0Million.
- III Subsidy scheme for implementation of upgrade the existing green leaf transport mechanism and upgrade the tea manufacturing process by allocating Rs.100.0Million
- IV Installation of quality systems by introducing awareness programmes and incentive schemes for employees by allocating Rs.1.06Million.
- V Commence of Product Quality Certification Project combinely with Sri Lanka Standard Institution with fund allocation of Rs.34.4Milloin.
- VI Project for compiling of tea industry data using IT technology for publishing of updated data for global users.
- VII Implement a strategic plan for global promotion of Ceylon tea by using Promotion and Marketing Fund of Rs.1,100 Million already established.
- VIII Upgrade Analytical Laboratory of the Sri Lanka Tea Board by spending Rs.28.44 Million.

8.2 Tea Research Institute of Sri Lanka

The goal of the TRI is to improve the productivity of tea cultivation and manufacturing in both corporate and smallholding sectors through the implementation of correct scientific approaches

8.2.2. Progress during January – September 2011

- Development of improved tea cultivars expending Rs. 4.38 mn and distribute them amongst tea growers
- Issuance of recommendations on soil available potassium content and soil pH for the use of Dolomite in order to achieve higher land productivity
- Under the analytical services of the institute, 18,238 soil, fertilizer and foliar analysis, 240 nematode analysis and 258 made tea samples were conducted.
- Initiation of Out Grower System in selected tea lands and the extension of the system based on the progress made in experimental fields
- Technology dissemination with the incorporation of interested private sector organizations
- Study on the impacts of climate change and presumption of impacts of climate change on tea industry
- Promotion of tea as a healthy drink incorporation with the Sri Lanka Tea Board



TRI recommended tea cultivation

8.2.3 Targets of year 2012

- Development of high yielding and pest & diseases resistant tea cultivars
- Molecular characterization of tea cultivars
- Estimation of cost of production of tea processing
- Production and improvement of machinery in order to reduce the cost of production of tea processing
- Introduction of value-added tea productions
- Analyze impact of micro/ macro-economic policies of the country and the world on socio-economics of tea sector.
- Identification of socio-economic status of tea growers
- Strengthening of technology dissemination activities, issuance of mother-bush cuttings and analytical services

8.3. Tea Small Holdings Development Authority

8.3.1 Introduction

Tea Small Holdings Development Authority had been established under the Parliamentary Act No 35 of 1975 with the objectives of development of tea smallholders and providing facilities to them. By the end of 2010, 1372 tea smallholder societies had been registered and the total membership of these was 282,502.

8.3.2 Performance from January 2011 to September

- I. 8,537 permits had been issued under tea replanting and 2,210 hectares would be covered by these. Out of this extent, old tea had been uprooted in 633 hectares and 427 hectares had been replanted.
- II. An extent of 50 hectares in Kalutara and Kegalle districts was identified for tea new planting and 190 permits had been issued for 18.9 hectares out of this.
- III. Rs.9.24 million was allocated in year 2011 for the subsidy scheme for crop rehabilitation (Infilling) and 1,696,196 plants had been issued incurring a cost of Rs.1.27 million using this.
- IV. The amount of Rs.200 million left over from Rs.750 million provided by the Central Bank of Sri Lanka under the revolving fund loan scheme operated under the Tea Development Project was recommended for Tea Smallholder Development Societies.
- V. 4,674 extension and advisory service programmes had been conducted and 127,433 tea smallholders had participated in these.
- VI. Out of 594,453 shoots of new improved cultivars from mother bush sites, 98,675 for commercial nurseries, 247,297 for tea smallholders, 111,923 for institutional tea nurseries and 136,558 for societies and others had been issued.



Intercropping with tea



Commercial nursery

8.3.3 Targets for year 2012

It had been planned to complete land preparation in 1,616 hectares, rehabilitate soil in 2,549 hectares, plant tea in 1,030 hectares and conduct maintenance in 894 hectares whilst income loss compensation loan scheme would be operated on 100 hectares of tea smallholders

8.4. Tea Shakthi Fund

8.4.1 Introduction

Tea Shakthi Fund (TSF) is an organization which is financed and owned by the Tea Small Holders with the objective of harnessing the full potential of a large community of enterprising small tea cultivators. In the year 2011, the TSF operates in a network of over thousand strong tea small holders' societies, covering a tea growing population of 1,42,500, spanning over 88,000 hectares.

Mainly, 03 projects are implemented under the TSF.

- Tea factory project.
- Fertilizer project.
- Local tea marketing project.

8.4.2. Progress up to 30 September 2011

Tea Shakthi factories received about 9,504mt of green leaf up to September 2010 and the said quantity up to September 2011 was approximately 10,098mt.

The total tea production of Tea Shakthi factories in the year 2010 was 2,020mt and at the end of the year, it increased up to 2,755mt. The said quantity was 2,146mt by September 2011 and it is projected that it will be risen up to 2,750mt by end of this year.

The fertilizer project initiated in the year 2001 is being implemented at profit in every year, and the sale of fertilizer in the year 2010 was 1,852mt and it was 1,817mt up to September 2011. In addition TSF earned 0.1 mn Rupees from local tea sales up to end of September 2011.

8.5 Kalubowitiyana Tea Factory Limited

8.5.1 Introduction

Kalubowitiyana Tea Factory Limited was incorporated on the 30th September 1992 under the Companies Act No.17 of 1982.

After paying taxes, the company's net profit as at 31st March 2011 was Rs. 26.03mn whereas the tea production as at the same date was 994,746mn kg. The net profit during the period of 1st April 2011 to 30th September 2011 amounted to Rs. 33.40mn that is exceeded the Rs. 25.46 mn which was the net profit target for the same period.

8.5.2 Performance as at 30th June 2011

- I Production of 21.5 kg of tea by using 100 kg of green tea is the tea production ratio of both Kalubowitiyana and Derangala factories.
- II Details of Tea production during the period from January to June, 2011 are given below.

Table No.19: Details of Tea Production

Description	Kalubowitiyana CTC Tea Factory	Derangala Orthodox Tea Factory
Green Leaf Purchased (kg)	2,287,013	699,144
Tea Production (kg)	495,637	147,080
Production Capacity - Green Leaf (kg)	7,500,000	1,800,000
Production Capacity - Made Tea (kg)	1,612,500	387,096
Average Net Sales Price (Rs/kg)	462.57	367.69

- III Opening a sales outlet at pelawatte and introduction of 07 categories of made tea which are producing at Kalubowitiyana Tea Factory as marking the access to the local market.
- IV Commencing the Derangala CTC Tea Factory operations inline with the Tea board recommendations.
- V Receiving the highest price recorded for 1 kg of tea for PF 1 category at the Colombo tea auction by the Kalubowitiyana Tea Factory Limited.



Kalubowitiyana Tea Factory premises

8.5.3 Targets in year 2012

- I Opening a new tea sales outlet in the Dayata Kirula area inline with the Dayata Kirula – 2012 programme.
- II Purchasing 5,000,000 kg of green leaf by Kalubowitiyana tea factory and 1,440,000 kg by Derangala tea factory.
- III Producing 1,075,000 kg of tea in Kalubowitiyana tea factory and 310,000 kg in Derangala tea factory.
- IV Taking measures to obtain Standard Certifications for both factories
- V Taking measures to increase the capacity of Kalubowitiyana tea factory
- VI Installation of a new CTC machinery system to the Kalubowitiyana tea factory
- VII Construction of a new labour hostel for Kalubowitiyana tea factory

- VIII Installation of a new CTC machinery system to the Derangala orthodox tea factory
- IX Construction of an officer quarters and tourist bungalow

8.6 Rubber Development Department

8.6.1. Introduction

The mission of the department is that, “ Enhance the productivity, profitability and sustainability of plantation industry through dynamic policy initiatives, appropriate management strategies, competitive technologies and dissemination.” According to that the main objectives of the department are,

- I. Improving the productivity of existing rubber lands
- II. Increase the rubber land area
- III. Improving the local added value of natural Rubber production

8.6.2 Tasks of Rubber Development Department

- I. Implementing rubber new planting and replanting subsidy scheme for the sustainable development of rubber plantation sector
- II. Undertaking rubber nurseries to supply high quality plants to farmers
- III. Providing fertilizer with good quality as a part of subsidy for mature and immature cultivation
- IV. Conducting training programs of tapping, bud grafting and small scale rubber end products for fill the shortage of skill labors in labor market.

8.6.3 Progress and Targets of Rubber Cultivation Programme

Subsidy Scheme	Extent of Permits Issued (ha)	Planted extent up to September 2011 (ha)	Targets of 2011 (ha)
Replanting (Traditional area)	2406.33	551	1800
New Planting (Traditional Area)	1571.15	544	1000
New Planting (Nontraditional Area)	320.57	45	2000
Replanting (Plantation Companies)	1377	-	1500

(Nontraditional planting season will be commenced at the end of the year)

8.6.4 Progress of 2011

- I. The target of training of tappers is 1470 and 384 of them have been trained by January to September 2011.
- II. Increase the rubber subsidy amount up to Rs 150000 per hectare for new plant and Rs. 175000 per hectare for replant. Previous subsidy amount was Rs 125000 per hectare for both replant new plant.

- III. Study, whether the ability to change the current system of local rubber auction by considering foreign auctions
- IV. The target of rubber plants production is 1.9 Million and 736963 plants have been produced till September.
- V. Expand the rubber cultivation in nontraditional areas such as Ampara, Vaunia and polonnaruwa districts according to the “Mahinda Chintana” development program.
- VI. A rubber new plant program is implementing in Padiyatalawa and Mahaoya in Ampara district with aim of the expansion of rubber plantation in nontraditional areas. The new plant target is 900 ha.
- VII. Supplying 1806 of metric tons of fertilizer under the fertilizer subsidy.
- VIII. Initial steps has been taken for the establishment of Mahaoya Rubber nursery
- IX. Starting a 50 acre rubber cultivation in Polonaruwa District and select four land blocks in Padavi Sripura for starting rubber new plant
- X. As a initial step of fixing rain guards in wet zone of the country, issued rain guards permits to the small holders for 1302 ha and regional plantation companies for 7340 ha.



Tapping

8.6.5 Expected Targets of year 2012

- I. Starting new rubber plants in identified two land blocks of Anuradhapura district with aim of the “Dayata Kirula” development program.

- II. Implementing a system to provide high quality rubber plants through the government nurseries and produce 2.41 million plants
- III. Implementing a programme to promote the usage of rain guards among the small holders
- IV. Intercropping 500 hectares
- V. Conducting ordinary tapper training program for train 2320 farmers and professional tapper training program for train 150 farmers
- VI. Conducting bud grafter training program for train 300 farmers
- VII. Development of irrigation system, purchasing machineries and other construction for the development of nursery infrastructure facilities

8.7 Rubber Research Institute of Sri Lanka

8.7.1 Introduction

The mandate of the Rubber Research Institute is to develop and disseminate technology to uplift the rubber industry, both the plantation and the product manufacturing sector

8.7.2 Physical progress up to September 2011

- Around 337 new genotypes were obtained from four different crosses
- Evaluation of performance was carried out in existing ECT trials for commercial yield.
- Polymorphisms screening between *Corynespora* disease susceptible and resistant clones were done with 30 RAPD molecular markers.
- All recommended RRISL 200 and RRISL 2000 series clones were screened with 10 micro satellite markers to develop a finger print for the purpose of precise clone identification.
- Remedial actions for high Bark Consumption Rates (BCR) were taken especially for Plantations under RPC.
- Nursery monitoring and plant certification is being continued.



RRI recommended nursery



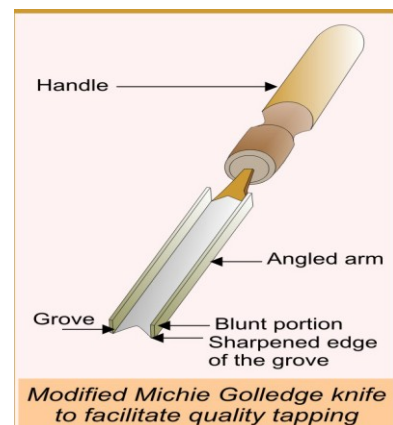
Sprinkling system in dryzone nursery

- Trials to assess the water requirement of nursery plants in the intermediate zone of Sri Lanka were established.
- Completed measurement of growth performance of Mucuna under mature rubber in three soil series
- Identification & introduced three good agricultural practices (GAPs) on soil moisture conservation for rubber planting in North East

- Developed a method to produce biochar from organic residues found in rubber plantations
- Chemical repellent and other physical methods to control mammalian pest attacks were introduced
- White root disease was detected on Mucuna covers and necessary steps were taken develop a protocol to manage it.
- Commercial testing of two newly developed low intensity harvesting (LIH) system (*i.e.* S/2 d4 and S/4 d3) began with the objectives of reducing the cost of production of rubber, extending the lifespan of the rubber tree
- Monitored the adaptive research plots established with smallholdings in the Northern & Eastern province
- Training the farmers of the Eastern province on latex harvesting was undertaken
- Arrangements have been made to establish a new meteorological station at Kegalle adjacent to the regional office of the Advisory Services Department.
- Participatory development of 610 Immature and 442 Mature selected rubber Small holdings as models completed
- Promotion of rain guard fixing with in 74 holdings on demonstrations holdings (92806 trees) was undertaken
- Conducted centrally planned special group advisory and extension programmes “විභිදුම් ඒකකය” for 3636 rubber farmers.
- Conducted Mobile Tapper Training Schools 420 new rubber tappers.
- Design and fabrication of small scale simple coagulation tank (SS coagulation tank) was undertaken
- A new drying system was designed and constructed to reduce the drying period of crepe rubber to few hours from three day
- A new method was developed to prevent the protein allergy problem in latex dipping industry using nano technology



Single day drying unit



New tapping knife used for non Skilled labours as well

- Manufacture of low cost sealant for rain guards was introduced
- Awareness programmes on rubber wood treatment and quality evaluation on treated rubber wood were conducted
- Introduce a cyanide free test method for the determination of magnesium content in field & centrifuged latex.
- A factory scale trial was conducted to produce gloves out of the NR/PVAc blend compound and mechanical properties were evaluated.
- A novel rubberized-twisted coir article was developed.

- A new methodology was introduced to determine the fiber content in friction cord sample.
- Introduction of cyanide free test method for the determination of magnesium content in field & centrifuged latex.
- Training programmes were conducted on modern techniques in rubber cultivation and rubber technology
- Trouble shooting and advisory activities were carried out on request of stakeholders



Power mats in use to control weed growth

Basal rot, newly spread disease on the rubber tree

8.7.3 Targets for 2012

- Taking action for upgrade all laboratories under RRISL
- Revision of clone recommendation by compiling yield and performance of all recommended and newly registered clones.
- Multiplication of germplasm collection for evaluation and conservation.
- Testing of new clones for high elevations (above 600m)
- Completion of the morphological, physiological and molecular characterization of recommended *Hevea* clones.
- Development of new concepts for planting of rubber, especially in non-traditional areas.
- Expansion of Monaragala nursery and development of methodology for rain water harvesting system for this nursery.
- Identification of more good agricultural practices (GAP) on soil moisture conservation for rubber planting in North East
- Introduction of user friendly planting technique for establishment of *Mucuna*
- Introduction of a small scale biochar production unit to households who uses rubber firewood
- Provide services N fertilizer and soil analysis, land suitability survey and site specific recommendation to stakeholders
- Disease screening programmes for all canopy diseases
- New chemical injection system to manage white root disease
- Surveillance for new pathogens
- Continuation of commercial testing of S/2 d4 (half spiral once in four days) and S/4 d3 (quarter spiral once in three days) harvesting systems

- Biochemical & Physiological assessments of latex in non traditional areas.
- Development of the protocols for growing rubber in Northern Province
- Expansion of rubber cultivation to the Dry Zone of the Eastern Province as a feasibility study
- Establishing a trial to assess the feasibility of applying low frequency harvesting systems under smallholder conditions.
- Initiation work on work package 1 (WP1): Identifying vulnerability of rubber in non traditional rubber growing areas to environmental threats and WP2: Testing

and developing appropriate adaptation measures to combat adverse environmental conditions in these areas of the project “Empowering rubber farmers in non-traditional rubber growing areas through knowledge on combating adverse impacts of environment for better productivity”



Luxuriant growth of Mucuna with rubber land

- One thousand one hundred participatory development programmes will be conducted for selected rubber small holdings.
- Twenty five mobile Tapper Training Schools
- Thirty skill development programmes will be conducted for semi-skilled rubber tappers
- Commencement of implementation of mechanization process of crepe rubber
- Development of a solar drying system for crepe rubber
- Accreditation of effluent treatment laboratory
- Application of nano-technology in rubber industry
- Introduction of environmental friendly preservative system for rubber sector.
- Research on development of environmental friendly latex/dry rubber based products
- Expected to test more number of polymers/compounds/chemicals used in rubber industry
- Introductions of non-toxic preservative system for natural rubber field latex & centrifuged latex.
- A latex based product based on a natural rubber/synthetic rubber blend.
- Production of flame retardant foam and foam rubber with improved electrical conductivity

8.8 Thurusaviya Fund

8.8.1 Introduction

Major objective of the Thurusaviya Fund is to enhance social status and income level of the rubber small holders through the increase of productivity. A number of 666 Thurusaviya societies which comprise of 20,785 members have been registered in 12 rubber cultivable districts in Sri Lanka.

8.8.2 Performance from January to September 2011

- I Taking action to provide smooth rubber rollers and diamond rollers, “Loha Shilpi” machines, tapping knives, plastic cups for collecting latex under 50% subsidy scheme.
- II Conducting training programmes for the members of Thurusaviya societies to produce quality rubber sheets and prepare rain guard gum mixture.
- III Introducing a cooperative system for the active involvement in the marketing activities.
- IV Conducting field workshops on fixing of rain guards, preparation of gum mixture (sealant), correct tapping methods and scientific application of fertilizer.
- V Conducting programmes on marketing and producing rubber based products.
- VI Providing necessary assistance to develop Collective Processing Centres and Smoke Houses.
- VII Providing assistance to conduct programmes for cultivation of rubber with inter crops.

8.8.3 Targets for 2012

- I Providing 15 Nos. of standard smoke houses for producing quality rubber sheets to provide service for around 1000 members of Thrusaviya societies.
- II Establishment of two nurseries containing 10,000 plants at Kegalle and Kalutara Districts with the technical know-how and guidance of the Rubber Research Institute and the Rubber Development Department.
- III Conducting awareness programmes for around 20,000 members of Thrusaviya societies in rubber growing districts.
- IV Distribution of 128 rubber rollers at a cost of Rs.2.3 million for manufacturing of quality rubber sheets enabling to provide service for around 2000 members of Thrusaviya societies.
- V Increase in the membership of around 10,000 new society members through strengthening 400 Thrusaviya societies.
- VI. Construction of 3 collective processing centres in Kegalle, Kalutara and Ratnapura districts jointly with the Ministry of Economic Development under “Divi Neguma” programme.

8.9 National Institute of Plantation Management

8.9.1 Introduction

The National Institute of Plantation Management was established by the Parliament Act No. 45 of 1979. This Act was amended in 1981 by Act No. 76 in 1987 by Act No. 5 and in 2003 by Act No. 38 in order to make it a more useful and effective organization in the Plantation Sector.

8.9.2 Activities of the Institute

- i. Conduct Academic Courses, Professional Programmes and Skill Development Programmes for the employees in the Plantation Sector.
- ii. Work as a facilitator and Co-ordinator in transferring new technical knowledge found by the Crop Research Institute to the Smallholders.
- iii. Conduct examinations to evaluate the knowledge of participants who follow the training programmes and academic courses conducted by the Institute.
- iv. Provide consultancy services, conduct research and issue publications in plantation management and confer Professional Membership to eligible Plantation Executives.
- v. To provide participants who follow the programmes of the Institute with Library and electronic media facilities.

8.9.3 Progress up to 31st September 2011

The Institute has conducted training programmes in order to enhance the theoretical and practical knowledge and skills of the employees/workers attached to the Plantation Sector and Smallholders.

Table No. 21: Programme details

Programme	No. of Programmes conducted	Participants Trained
Academic Programmes	13	330
Language Proficiency Examinations	01	25
Skill Development Programmes	03	67
Induction Course for Planter Trainees	01	10
Programmes for Tea Leaf Transporters	01	55
Worker Development Programmes	05	343
Total	24	830

8.9.4 Expected Programmes within the balance period of 2011.

- I. Conduct 61 programmes on Rubber Tapping for Smallholders and Workers.

Table No. 22: Plantation Development Programmes

Programme	No. of Programmes	No. of Participants
For Tea Smallholders	23	1,035
For Rubber Tappers	30	1,350
For Coconut Smallholders	03	150
For Cashew Smallholders	05	225
Total	61	2,760

II. Conduct 32 knowledge/skill development programmes for the personnel attached to the Plantation Sector.

Table No. 23: Skill Development Programmes

Programme	No. of Programmes conducted	No. of Participants
Programme for Bought Leaf Transporters	20	1,000
Entrepreneurship Development Programmes	10	400
Tea Factory Officer Programme	01	50
Programmes on Plantation Management	01	30
Total	32	1,480

8.9.5 Expected targets in 2012

Table No. 25: Expected Programmes in 2012

Training Programme	No. of Programmes
Programmes for Smallholders	70
Academic Courses	16
Skill Development Programmes	05
Induction Courses	02
Programmes for Plantation Workers	20
Special Programmes (at the request of Plantation Companies)	10
Total	123

8. 10 Tea, Rubber & Coconut Estates (Control of Fragmentation) Board

8. 10.1 Introduction

Although the Tea, Rubber & Coconut Estates (Control of Fragmentation) Act was passed in Parliament in year 1958, provisions were not made available for control of fragmentation of coconut lands. As a result, coconut estate owners and land sale agents undertake the fragmentation and sale of large scale coconut estates without any control, and it caused to decline in the coconut production and coconut based production. Further, various environment and social issues have arisen due to the above situation.

Taking into consideration the above facts, the Control of Fragmentation Act No.02 of 1958 was amended by the Control of Fragmentation Act No.20 of 2005. Under the provisions of this Act, approval of the Control of Fragmentation Board should be obtained for transfer of the ownership or sub division of the tea and rubber estates more than 20 hectares and coconut lands more than 04 hectares. The Board of Directors reserves the authority to grant approval for fragmentation of the estates.

8.10.2 Performance up to 30th September 2011

- I. Since approval of the Board should be obtained under the provisions of the Act in transferring of lands as a single unit even not resulting a fragmentation, taking into consideration the requirement to transfer lands without delay and to minimize the difficulties faced by the people, Cabinet approval has been obtained to amend the Act of fragmentation relevant to Section 3, 5 and 8 (1) (j) and necessary action has been taken for the said purpose.
- II. 09 Board Meetings have been held by the Tea, Rubber & Coconut Estates (Control of Fragmentation) Board from 01.01.2011 to 30.09.2011.
- III. The activities of the Board from year 2009 to date are summarized below.

Table No. 25: Details of the lands received applications and granted approval

Year	No. of applications submitted	Manner transferred	Extent of land applied			Extent of land approved		
			Acre	Rood	Perch	A.	R.	P.
2009	462	Transfer of single unit to children	3098	-	25	3098	-	25
			4908	02	32	3180	-	01
		Total	8,006	02	57	6278	-	26
2010	473	Transfer of single unit to children	4731	02	09	4731	02	09
			5860	-	02	3302	01	10
		Total	10,591	02	11	8,033	03	19
2011	440	Transfer of single unit to children	9392	03	20	9392	03	20
			2176	-	14	1324	-	29
		Total	11568	03	34	10716	03	49

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