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Executive brief

Tea sector

1. Background and key issues

The bulk of world tea consumption is made up of black tea and green tea. Both come from the same shrub (*Camellia sinensi*), but the leaves are processed differently. Black tea (Assam, Ceylon, Darjeeling, Earl Grey, Keemun, Lapsang Souchong, Sikkim, Yunnan etc.) represents 65% of global output, 67% of consumption and 80% of international trade. Here the leaves undergo a complete oxidation, giving the product a longer shelf life than green tea in particular, and also making it easy to transport and store, hence its importance historically. Black tea is also more tannic and contains more caffeine (theine) than green tea. These black teas are also called red teas by the Chinese.

In contrast, green tea (Gunpowder, Dragon Well, Jasmine, Sencha Dancha, Hojicha, Genmaicha, Gyokuro, Spider Leg, Mattcha and Tencha) is produced by processing the leaves in a way directed precisely towards neutralising the enzyme responsible for oxidation. It is drunk more in China and Japan, and in North Africa, where it forms the basis of mint tea. But it is also the subject of a fashion in western countries always on the look-out for new products and new flavours. An outstanding marketing campaign has also allowed the health benefits of green tea to be promoted.

A number of fringe products supplement these two main methods of treating the leaves, among them yellow, white, semi-oxidised and post-fermented teas, not forgetting the top of the range flavoured teas, increasingly sought by connoisseurs in Europe.

Although tea is grown in no less than 36 tropical and semi-tropical countries, including 21 ACP countries, six nations alone account for 80% of world production. The two main global producers of tea, China and India, are also its two leading consumers. In addition, only half of world production finds its way onto the global market; the rest all goes to meet domestic demand.

World tea production reached 3.9 million tonnes in 2010, compared with 3.885 million tonnes in 2009. However, it had already breached the 3.9 million tonne barrier, with 3.947 million tonnes in 2007. According to figures produced by the East African Tea Trade Association (EATTA), global imports of tea destined for consumption – rather than re-export – reached 1.465 million tonnes in 2009, including 225,000 tonnes for the EU.

As the EU is not a tea producer, imports are duty-free; nor are there any specific quality standards apart from those relating to food safety – including Maximum Residue Limits (MRLs) – and labelling. The market is completely liberalised. There is a 0% most favoured nation (MFN) tariff and, with few exceptions, no duty is payable on finished teas.

With an output of 1.4 million tonnes in 2010, or 31% of global production, China is the world's leading tea producer, confirming the ranking it snatched from India in 2005; its tea plantations occupy 1.86 million hectares, or approximately half the world's total surface area under tea. When all types of tea are combined, China ranks second among global exporters, but it is the leading exporter of green tea; its sales rose by 2% in 2010, after previously passing the 300,000 tonne threshold in 2009. Its main customers are Morocco, the EU, Japan and the US.

India lies second among the world's tea producers, with 966,403 tonnes in 2010, or 28% of global output. Only 193,200 tonnes were exported, placing India fourth in the list of exporters with 14% of the global market. India imports tea for re-export: its total imports declined by 25% in 2010/11 to 19,260 tonnes, but its imports from Kenya increased from 2,270 tonnes in 2009/10 to 4,510 tonnes in 2010/11.

Kenya is number three producer in the world but comes first among ACP countries, with half of all ACP production. Kenya enjoyed a record harvest in 2010 with 398,500 tonnes (compared with 314,100 tonnes in 2009 and 345,600 in 2008). It is the world's leading exporter of black tea, shipping a record 441,000 tonnes in 2010 (343,000 tonnes in 2009 and 383,000 tonnes in 2008), a figure which includes tea produced across the whole of east Africa and Madagascar and sold at the weekly Mombasa auction.

2010 was also an exceptional year for fourth-placed Sri Lanka, with a harvest of 329,300 tonnes and a 7.3% increase in exports, to 84,100 tonnes.

Eighty-five per cent of the world tea output is sold by a handful of multinationals which own plantations and buy up the crops of small growers. Their processing plants are in situated in Europe and other western countries, and they undertake their own blending and packaging, two operations high in added value, which represent up to 80% of the retail price.

The main European players are Unilever (whose brands include Lipton, the world leader, Elephant, Tchaé, PG Tips, Brooke Bond etc.), Associated British Foods (Twinings), James Finlay, Van Rees (a subsidiary of Acomo, Amsterdam Commodities NV), along with other international groups such as India's Tata (principally the Tetley brand), McLeod Russel India, and Sarah Lee (Pickwick).

While the supermarkets concentrate for the most part on the big brands, smaller retailers often specialise in unusual high-quality blends supplied by independent importers. The trend among consumers towards more flavoursome products should increase their customer base.

Most tea is sold at weekly auctions, principally those held in Calcutta (India), Mombasa (Kenya), Colombo (Sri Lanka) and Jakarta (Indonesia). Besides Mombasa, the other ACP auction centre is Limbe in Malawi, which handles much smaller volumes. The Dubai Tea Trading Centre (DTTC), which sells and processes teas from 13 different countries, six of them ACP countries, was created in 2005 and is a growing rival to the East African auctions.

After 40 years of decline in real terms, with supply rising more quickly than demand, tea prices virtually doubled between 2002 and 2009, rising from 194.43 US cents/kg in September 2002 to 374.41 cents/kg in September 2009, while still remaining below the record of 428.75 cents/kg set in Mombasa in January 1984. Consumers in developing countries have felt the rise more keenly (+12% in 2009) than those in developed countries (+5%), where tea faces stiff competition from the many other varieties of drink.

This price explosion was the result of four years when the growth in global demand outstripped production, of political events in Kenya, and of the drought which affected East Africa, India and Sri Lanka. Output then fell by 0.64% between 2007 and 2009, while consumption showed a rise of only 0.21%.

European imports grew at an annual rate of 5.2% between 2004 and 2008 to 348,000 tonnes, an increase due less to the five main importers of black tea – UK, Germany, France, Netherlands and Poland – than to rising demand in Eastern Europe. In Poland and the Czech Republic, ranked fifth and tenth among European importers, demand rose by 6.7% and 17% respectively in 2008. In Bulgaria imports grew by as much as 48% and in Romania by 28%, although both these markets remain modest in size. Around 56% of European imports come directly from developing countries, the rest originating in re-exports between European countries.

In conclusion, the UN Food and Agriculture Organization (FAO) states that the unprecedented rise seen generally in food commodity prices in 2008 had only a limited impact on tea. On the supply side, very few producers abandoned tea in favour of the food staples which would have proved more profitable; on the demand side, almost no substitution effect was observed.

2. Latest developments

The global market in 2010–2011

2010 was marked by a strong volatility in prices, which nevertheless continued their upward trend: sustained demand meant that the average global price of 316.74 US cents/kg was 0.89% higher than the 2009 figure of 313.96 cents/kg. In mid 2010, an attack of Helopeltis in the state of Assam caused Indian production to fall by 1.3% over the year to 966,000 tonnes. In contrast, Kenya, like Sri Lanka, registered a record crop, increasing by 13.1% to 329,400 tonnes. Vietnam remained stable, with 112,000 tonnes over the first 10 months of the year.

Table 1: Tea prices 2006–2011 (Mombasa auctions, US cents/kg)

	2006	2007	2008	2009	2010	2011
January	225.00	249.70	229.70	261.59	338.67	368.10
February	278.90	212.50	264.67	270.00	332.35	349.75
March	259.74	203.27	246.29	262.86	332.61	330.65
April	230.45	192.05	260.91	277.41	313.59	
May	238.26	190.04	265.14	288.00	286.14	
June	250.14	202.05	284.52	287.14	262.36	
July	263.81	211.91	287.48	337.65	259.18	
August	247.22	210.39	321.90	328.38	315.09	
September	229.81	231.25	321.59	374.41	337.18	
October	224.27	224.30	282.39	344.77	339.86	
November	213.23	209.64	241.00	361.05	331.68	
December	239.57	206.05	228.48	374.22	352.13	
Average price over the year	**241.70**	**211.93**	**242.71**	**313.96**	**316.74**	

Source: IMF

Global prices continued to rise in early 2011. The impact of the Helopeltis outbreak continued to make itself felt, with Indian exports declining by 9.2% to 27,700 tonnes in the first two months of the year. Sri Lankan production also showed a fall in January 2011, declining by 23% to 20,700 tonnes.

A fall in output among ACP countries, notably Kenya, meant that the average price achieved at the Mombasa auction in January 2011 was 16% higher than the 2010 average, and 8.7% higher than that recorded in January 2010. In February 2011, however, Egyptian buyers suspended their activities for around three weeks in the wake of political unrest in that country, causing a 14% fall in Kenyan exports and putting pressure on prices.

Table 2: Tea sales – average price received by ACP countries (Mombasa auctions, $US/kg)

Country	2008	2009	2010
Kenya	2.30	2.71	2.76
Uganda	1.79	1.84	1.77
Rwanda	2.24	2.60	2.61
Burundi	2.14	2.44	1.48
Zambia	0.70	-	-
Tanzania	1.49	1.48	1.52
DRC	1.42	1.53	1.82
Madagascar	1.73	1.68	1.95
Malawi	1.19	1.16	1.25
Average	**2.18**	**2.51**	**2.54**

Source: Africa Tea Brokers

The continuing weakness of the US dollar – the quotation currency used at the Mombasa auction since 1992 – in relation to the currencies of the main tea-importing countries, notably the EU, has helped to consolidate their demand.

Among producers, the increase in receipts derived from tea has been partially absorbed by a sustained rise in production costs, in particular those of labour and of energy, with the rise in the price of crude oil in late 2010/early 2011, which in turn affected input as well as transport costs.

Tea supply from ACP producers

The Tea Board of Kenya (TBK) reports that favourable weather conditions allowed the country to harvest a record 398,500 tonnes in 2010, compared with 314,100 tonnes in 2009 (an increase of 27%) and 345,600 tonnes in 2008.

Table 3: Tea production in Kenya (tonnes)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
294,600	287,000	292,900	324,300	328,200	310,400	369,300	345,600	314,100	398,500

Source : Tea Board of Kenya

Kenya's exports, which include tea produced in other East African countries, rose sharply to 441,000 tonnes (compared with 342,000 tonnes in 2009 and 338,000 tonnes in 2008), with receipts increasing by 40% to 97 billion shillings (US$1.2 billion). Tea represents 35% of Kenya's agricultural export income. Of the 273,800 tonnes of tea sold at the Mombasa auction during the first 10 months of 2010, 203,700 came from Kenya and 38,700 from Uganda, while Lipton was the main buyer (52,500 tonnes).

Table 4: Tea imports in 2009, and proportion coming from Kenya ('000 tonnes)

Importing country	Total quantity imported	Quantity from Kenya
Russian Federation	175	13.5
United Kingdom	120	64
United States	111	3
Pakistan	86	54
Egypt	78	75
United Arab Emirates	54	12.7
Iran	51	1.9
Afghanistan	47	33
Japan	40	2.1
Poland	29	4.6
Taiwan	26	0.021
Kazakhstan	26	9.1
Germany	24	0.75
Sudan	23	22
South Africa	20	0.86
Chile	18	0.27
Malaysia	16	0.59

Source: East Africa Tea Trade Association

The TBK reports that during the first third of 2011 the drought linked to La Niña is likely to have seen a 23% fall in output, to 85,000 tonnes, with exports of 95,000 tonnes. Some factories have been operating at 50% of capacity, and the number of picking days has fallen from six a week to four. The volumes sold at Mombasa have fallen by 7% to 87,900 tonnes; this was mainly the result of a decline in Egyptian purchases (21% of Kenyan exports in 2010) following the revolution in that country, which was Kenya's leading customer in 2010. Domestic consumption in Kenya is rising year on year and increased to 18,700 tonnes in 2010, compared with only 13,800 tonnes in 2004.

Demand for new plants is increasing and tea-growing is spreading into new areas. The current challenge for the TBK is to ensure that these areas are favourable for cultivation. Remember that 60% of tea in Kenya is produced by the Kenya Tea Development Agency (KTDA), which manages over 500,000 small growers as well as 65 factories employing more than 4 million Kenyans.

Malawi

Malawi, ranked twelfth in the world, is the second largest tea producing country in Africa and an ACP member. Tea is grown mainly in the south of the country, in the Shire Highlands, close to Thyolo and Mulanje. In early 2010 the crop was badly affected by the drought and by an attack of armyworm which destroyed 35,000 hectares, causing a 40% fall in output and a 25% drop in receipts in January and February.

Burundi

Tea is Burundi's second most important hard-currency earner after coffee. Tea-growing employs around 300,000 small farmers who, thanks to good weather and the increased use of fertiliser, produced 8,016 tonnes in 2010 compared with 7,500 tonnes in 2009. The Burundi Tea Office (Office du thé burundais – OTB) is forecasting 9,000 tonnes this year, largely due to better use of inputs. In 2010 export receipts rose to US$17.9 million for sales of 7,188 tonnes, 80% of which went via the Mombasa auction. This compares with receipts of US$15.4 million and sales of 6,292 tonnes in 2009.

The OTB is planning to extend its own plantations and to distribute new plants in order to promote quality over quantity.

Rwanda

Production is also rising in Rwanda, to 22,500 tonnes in 2009/10 (July/June) compared with 20,500 tonnes the previous season. Receipts grew by 17% to US$56 million compared with US$48.9 million. However, the border conflicts between its two main customers, Pakistan and Afghanistan, sent prices falling from US$2.8/kg at the beginning of the 2009/10 campaign to US$ 2.1/kg at its end.

The Rwanda Tea Authority (OCIR-Thé) is supplied by 15 cooperatives with three others expected to have joined by the end of the 2009/10 season. 69% of the tea produced by OCIR-Thé is auctioned in Mombasa via brokers such as Venus and Combrok, and the rest is sold directly to importers and local buyers. The domestic market represents only 1% of the total volume.

Zimbabwe

Tea-growing in Zimbabwe has suffered greatly in recent years due to lack of finance, operating at only 60% of capacity. The political situation and levels of rainfall have sent yields tumbling. Tea is a 'controlled' product in Zimbabwe, with management both of its quality and of the development of the tea industry, and sells at a lower price than that achieved by its competitors: US$1.8/kg to US$2/kg in May 2011, compared with an average of US$3/kg on the international market. Tanganda Tea, one of the most important local producers, is also a well-known brand in the Central African market and exports throughout the world.

New consumption parameters

Population growth and relatively weak consumption within tea-producing countries are not the only factors leading to a favourable outlook for tea. A fresh breeze is blowing in among traditional consumer nations such as those of the EU where the market should by rights be saturated. It is linked to promoting the 'health' benefits of tea, its 'natural' image, its role in the battle against obesity, and its exotic appeal.

Nevertheless, success is not guaranteed, as European consumers are concerned about a number of issues: the use of pesticides on tea plantations, the more general environmental impact of the plantations, food safety, and the wellbeing of growers. The supply chain must remain vigilant and attempt to solve all these problems, to ensure that they do not start to inhibit the increasing popularity of the product.

Health and fashion

In European markets health issues play an increasing role in determining consumer choice of food products. Excellent marketing has allowed green tea, largely from Asia, to benefit from this trend; the FAO forecasts that annual consumption of green tea will rise by 5.5% compared with a rate of 1.8% for black tea.

In response, the Tea Board of Kenya has launched a marketing campaign, 'TBK Tea Run', linking two of Kenya's flagship products, tea and athletics. The Tea Research Foundation is also working on a new variety of tea, purple in colour, with medicinal properties superior to those of black and green teas. In addition, the seeds of this new variety can be used to manufacture food-grade oil and in pharmaceuticals. This purple variety will be submitted for registration with the Kenya Plant Health Inspectorate Services (KEPHIS).

In Europe consumption of fashionable teas is increasing – for example, iced teas, flavoured teas, white, green and other teas, hot and cold. In response, producer countries are trying to diversify their product range and develop brands which will increase their market visibility, and support marketing campaigns and the fight against fraudulent imitations.

New markets and developing commercial trends

<u>The supply chain</u>

East African tea, particularly from Uganda, Rwanda, Burundi, Tanzania, Malawi, the Democratic Republic of Congo, Zimbabwe, Zambia, Mozambique and Ethiopia, but also from Madagascar, is sold principally through the weekly Mombasa auction. For example, 80% of Burundi's tea is sold at Mombasa. Yet Kenyan tea still dominates: 75% of the tea sold at Mombasa this year remains Kenyan in origin.

Kenya also runs a coffee auction in Nairobi. The two bodies are managed separately, but a plan to create an agricultural produce exchange has been under consideration for some time with a view to acquiring greater weight in the markets.

Raw tea leaves Kenya for processing in the regions where it is consumed, or in Dubai or India prior to re-export. EATTA estimates that tea sold at US$3/kg at the Mombasa auction appears in European supermarkets at five or six times this price.

<u>Emerging markets</u>

Increasing purchasing power in emerging nations is stimulating their consumption of tea. Kenya's tea exports to China jumped by 65% between 2009 and 2010, reaching 1,500 tonnes; in the same period exports to India rose by 46% to a level of 5,400 tonnes. The KTB also reported a sharp rise in sales to the United Arab Emirates, which increased by 73% to 22,000 tonnes. The hub provided by the Dubai Tea Trading Centre saw a record year in 2010, trading 10,600 tonnes of tea, a 41% increase on 2009. This is partly due to good harvests in the countries such as Kenya and Sri Lanka which produce black tea. But it is also linked to a continuing

Table 5: Tea sold at the Mombasa auctions by country of origin (in tonnes)

Country	2008	2009	2010
Kenya	252,203,095.10	226,228,576.90	285,030,132.60
Uganda	46,873,727.30	49,612,439.00	56,981,139.00
Rwanda	14,341,996.40	14,863,708.12	17,899,582.00
Burundi	5,493,996.50	5,163,308.00	6,461,198.00
Zambia	11,200.00	19,720.00	13,196,300.10
Tanzania	13,582,578.80	11,522,438.50	13,196,300.10
DRC	890,103.50	502,720.50	571,607.50
Madagascar	277,024.00	261,932.00	225,748.00
Malawi	2,361,113.50	1,382,828.00	2,423,996.20
Mozambique	192,619.00	1,512,861.00	2,851,031.00
Total	**336,227,454.10**	**311,070,532.02**	**385,640,734.40**

Source : Africa Tea Brokers

rise in demand from the countries of the Near East and the Community of Independent States (CIS), geographically close to Dubai, which now represent 27% of global exports. Dubai is pursuing an aggressive strategy, offering up to 60 days' free storage, and is developing its activities in packaging and labelling locally processed tea.

Russia

Russia, the world's leading importer of tea, is consuming more speciality teas and more expensive teas. Russia imports 99% of the tea it consumes and this year Ramaz Chanturiya, CEO of Rusteacoffee, expects it to return to a level of consumption last recorded before the economic crisis, i.e. 170,000 tonnes compared with 166,500 tonnes in 2010. Imports amounted to 176,000 tonnes in 2010 by comparison with 180,000 in 2009. However, Russia's main suppliers are not ACP countries but Sri Lanka (29% of the Russian market), India (25%), and China and Vietnam (11% each).

This year Russia plans to increase its imports of raw tea with a view to processing it as teabags and re-exporting it to the Ukraine, Kazakhstan and Eastern Europe. Import duty, which currently stands at 0% for raw tea and 15–20% for processed tea, will be revised downwards if Russia joins the World Trade Organisation (WTO), probably at the end of this year. Russia would certainly like to increase domestic output, particularly since the 2014 Winter Olympics will be held in Sochi, right in the middle of the Krasnodar production zone. But for the time being the industry is concentrating on increasing its imports, particularly from Kenya, and maintaining its purchases from other countries. Note also that India, once Russia's main supplier of tea, has had to cut its exports to meet increasing domestic demand.

The tea-producing countries themselves

Can the tea-producing countries themselves be considered developing markets? They currently drink only one-tenth of the quantity consumed by the traditional tea-importing countries, leaving considerable potential for growth. The development of these markets would also bring pressure to bear on the value chain and increase the amount of added value retained by the tea-producing ACP countries. Kenya consumes approximately 6% of its output, i.e. 18,700 of the 314,000 tonnes produced last year, but almost 60% of Kenyans say that tea is their favourite drink. Bangladesh, at one time the world's fifth largest tea exporter, is witnessing a considerable increase in domestic demand, forcing it to import 4,000 tonnes in 2009/10, principally from India and Sri Lanka. There must be potential here for the tea-producing ACP nations.

Environment and sustainability

The production of tea from sustainable sources was more than 50 times greater in 2009 than it was in 2004, with 281,105 tonnes, compared with 5,000 tonnes. Marketed principally under the Fairtrade label, this tea represented 7.7% of global tea exports in 2009. It generally achieves a higher price than the standard product, with fair-trade and organic certification increasingly found side by side. In the US, in particular, sales of tea certified as fair-trade leapt by 38% in 2010; 57% of the tea comes from Asia and 43% from Africa, including 10% from South Africa and 7% from Egypt. Certified teas from Rwanda are expected to show a 46% increase in 2010 by comparison with 2009.

On the European market, Unilever, Sarah Lee and Twinings, which together represent 40% of the supply of black tea to western markets, are involved in the Dutch Sustainable Trade Initiative set up in 2007. Its objective is to review production models (the contamination of soils and surface water, and the health of employees, particularly pickers), and limit the residues contained in the finished product. The programme aims to certify 22% of global output bound for export by 2013.

In 2007 Unilever also embarked upon large-scale sustainable supply operations in Tanzania and Kenya, with the objective of sourcing all the tea for its Lipton teabags from plantations with Rainforest Alliance certification by 2015, and all the tea for the group by 2020. Lipton is the biggest private buyer of tea in Kenya and in 2006, in conjunction with the TBK, it set up a number of public–private partnership projects designed to educate small growers in methods of sustainable cultivation. By the end of 2009, 38,000 small growers in Kenya supplying tea to Unilever held Rainforest Alliance certification.

Terroir and Protected Designation of Origin (PDO)

For the EU, the main issue facing ACP countries is that of protecting themselves from counterfeiting – hence the intensive efforts made by the WTO and the EU to implement suitable preventive measures. At the WTO, negotiations are ongoing over the extension of the register to include products other than wines and spirits, but the EU has decided (ECR 510/2006) that third world and therefore non-European products can be registered under a geographical designation of origin in its member states. The award of this Geographical Indication (GI) has a significant impact on the market. In India, for example, the Darjeeling Tea Association presented its case for the protection of its GI before the EU in November 2007, and protection was granted in 2009 (EC/ DOOR/ Denomination Information/ Darjeeling/14.10.2009) – a decision which allows the name Darjeeling to be protected throughout EU member states. South Africa is also considering taking similar steps to protect Rooibos (or Redbush) tea (an infusion produced using a native South African plant *Aspalathus linaris*).

The impact of climate change

According to EATTA's Brian Ngwiri, the current impact of global warming on the tea industry is limited. Last year, however, the Tea Research Foundation (TRF) launched two new varieties of tea, TRFK 371/3 and TRFK 430/90, which display an increased resistance to drought but which also produce a 50% higher yield and are adapted to mechanised harvesting. At present demand remains lower than expected, but the TRF would attribute this to the fact that tea bushes are perennials, and therefore seldom need replanting, making growers reluctant to grub up old stock, and to the limited amount of new land available for cultivation when tea faces competition with other more profitable crops.

3. Implications for the ACP

The marketing challenge

The issue posing the greatest number of difficulties for the tea-producing ACP nations is not European regulation or hygiene standards, but marketing. EATTA's Brian Ngwiri argues that it is vital to develop appropriate branding and packaging, which make up much of the end price of tea.

The quality of packaging required by European consumers, particularly in the UK, is very high. And the tea-producing ACP countries have been unable to develop to the standard required: EATTA confirms that its members lack both the specialised equipment and the kind of packaging paper they need to compete with the major brands.

In addition, East African governments do not have any policies designed to encourage the creation of domestic processing and packaging industries, because until now tea has been exported in bulk. Furthermore, the multinationals have well-established brands and deal in the sort of volumes that force European supermarkets to grant them preferential terms.

In June 2010, the TBK and its partners set out to develop a stamp of origin to consolidate the identity of Kenyan tea on the international market. Almost 94% of its output is exported in bulk for use in blends; only 6% of its tea reaches the market in the form of '100% Kenyan'.

Moreover, 75% of the tea exported by Kenya, and thus hailing from all the East African tea-producing countries, is sold to just five importing countries – Egypt, Pakistan, the UK, Sudan and Afghanistan – leaving the producers very vulnerable. With the objective of diversifying its customer base, the TBK has identified some emerging markets with strong potential, such as China and the countries of Eastern Europe, the Near East and North America, and has launched a marketing campaign based around a 'Mark of Origin'. Kenya is also planning to tackle the proliferation of unbranded teas sold on the domestic market, often with little respect for food hygiene. However, this is a very costly operation.

Kenya also has its eye on regional markets, but commercial barriers make them difficult to penetrate. In November 2010 therefore Kenya signed an agreement with South Africa aiming towards the reciprocal opening of their respective markets; Kenyan tea entering South Africa is currently subject to a tax of 4 rand/kg.

Competitiveness

Another obstacle is that production costs are rising in line with those of inputs, particularly petroleum products and labour, the latter representing 45–60% of the total production costs of Kenyan tea. In the view of Sicily Kariuki, CEO of the TBK, the answer lies in a greater recourse to mechanisation. But this meets resistance from the three million people who work in the supply chain, 80,000 of whom went on strike last October. Not, they argued, to oppose the introduction of mechanisation, but to organise it more effectively. In what proportion should tea be picked by machine or by manual labour?

Maximum Residue Limits (MRLs)

The tea-producing ACP countries are also confronted by the complexity of international, and particularly European, regulations governing the use of pesticides. The regulations are constantly evolving, and the issue is all the more complicated in that tea is consumed as an infusion, while the regulations often concern the form in which a product is sold, i.e. the leaves.

Enquiries and experiments on the use of pesticides and MRLs around the world have been conducted under the auspices of the FAO in India, Sri Lanka, Kenya, Indonesia, China and Malawi; they have allowed data to be compiled for national use and international submission (for example, to the Codex Alimentarius). Meetings with the legislative bodies and with the chemical companies have been held at an international level since 2009.

Within the EU, Regulation (CE) No.396/2005 concerning pesticide residues has been in force since 1 September 2008; before that date, each member country applied its own MRLs regarding pesticides. Previous European legislation had established limits for pesticide residues which differed according to product type: fruit and vegetables, cereals, foodstuffs of animal origin and foodstuffs of vegetable origin, including fruit and vegetables.

This 2008 regulation rescinded all prior directives by proposing maximum limits which have been harmonised and simplified to cover all foodstuffs, including tea.

One of the main problems produced by the new 2008 regulation concerning MRLs related to the deadline imposed for its implementation, one which many actors judged too short. Technical reasons played a part – for example, chemical residues remain present in the soil for some time – but so too did farming methods. Producers have to adopt new habits, but these are often small growers in isolated areas with little in the way of financial or technical resources.

The EU is mindful of these concerns, and Regulation No.915/2010 plans 'multiannual and coordinated' monitoring programmes for 2011, 2012 and 2013. Given that pesticide use evolves considerably over a 3-year period, the regulation emphasises that pesticides are be checked in samples of particular foodstuffs over a series of 3-year cycles.

The president of the French Tea Association expects that in reality it will be in China and Japan, not the ACP countries, where small growers will face the most difficulty in implementing the new European directive. This is expected to be one of several reasons why Chinese exports will not grow as quickly as before (and lies behind the average 20% a year price surge seen in recent years), but China should continue to fare reasonably well because of the enormous increase in domestic demand.

Meanwhile the ACP countries are adapting relatively well to the new regulation: a country such as Kenya, the world's leading exporter of black tea, is used to adapting to different European measures and is also pretty much at the forefront of 'environmentally friendly agriculture'.

Some countries will encounter difficulties in adapting to the new regulation: the COLEACP/PIP programme will provide them with a useful resource in this regard.

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CTA

The Technical Centre for Agricultural and Rural Cooperation (CTA) is a joint ACP—EU institution active in agricultural and rural development in African, Caribbean and Pacific (ACP) countries. Its mission is to advance food and nutritional security, increase prosperity and encourage sound natural resource management.

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