Committee on Commodity Problems

REPORT OF THE TWENTY-SECOND SESSION OF THE INTERGOVERNMENTAL GROUP ON TEA

Naivasha, Kenya, 25-27 May 2016

# INTRODUCTION

1. The Twenty-second Session of the Intergovernmental Group on Tea (IGG/Tea) was held on 25-27 May 2016 in Naivasha, Kenya. It was attended by 92 delegates from the following member countries: Burundi, Canada, China, Germany, India, Indonesia, Japan, Kenya, Malawi, Morocco, Sri Lanka and the United Kingdom. Observers attended from the International Standards Organization (ISO), the International Tea Committee (ITC) and Tea and Herbal Infusions Europe. The list of delegates was distributed as document CCP:TE 16/Inf.3.
2. The session was inaugurated by Mr Willy Bett, Cabinet Secretary, Ministry of Agriculture, Livestock and Fisheries. Mr Stanley Chepkwony, County Executive Committee Member for Agriculture, Livestock and Fisheries, Nakuru County, delivered a speech on behalf of the Governor of Nakuru County, His Excellency Kinuthia Mbugua. The opening statement was delivered by Mr Kaison Chang, Secretary, IGG/Tea, on behalf of the Director-General.
3. The Meeting elected Mr Johnson Irungu Waithaka (Kenya) as Chairperson, Mr Katsuyuki Yoshida (Japan) as First Vice-Chairperson and Mr Du Jianbin (China) as Second Vice‑Chairperson.
4. The Meeting adopted the Provisional Agenda CCP:TE 16/1 and the Provisional Timetable CCP:TE 16/Inf.1.

# ECONOMIC AND POLICY ISSUES

## CURRENT MARKET SITUATION AND MEDIUM TERM OUTLOOK

1. The Group reviewed the current market situation and medium term outlook to 2024 for tea with the assistance of document: CCP:TE 16/Inf.2.
2. The Group noted that world tea production in 2014 increased by 1.2 percent to 5.13 million tonnes while consumption increased by 2.4 percent to 4.95 million tonnes, leaving a surplus in supply of 180 000 tonnes, at 2013 prices, which was the reason for the 5.3 percent decline in the FAO Composite Tea Price.
3. Export volumes declined by 2.4 percent in 2014 to 1.73 million tonnes and export values were USD 5.61 billion, 4 percent less than 2013. Nevertheless, export revenues contributed significantly to financing food import bills of tea exporting countries, such as Kenya and Sri Lanka where export earnings financed more than 60 percent of their food import bills.

## MARKET DEVELOPMENTS IN SELECTED COUNTRIES

1. The Group appreciated presentations made by Kenya, China, India, Indonesia and Sri Lanka which provided detailed insights on market developments at the country level.
2. Delegates sought clarification and agreed that coordinated efforts to address the demand/supply balance at sustainable price levels were required. These could include the implementation of minimum quality standards; a coordinated international generic promotion programme; value-addition initiatives, including at cottage industry level; product diversification and market segmentation; and producers should coordinate these efforts through the International Tea Producer Forum. Hence, countries that had not ratified their membership agreement should do so at their earliest convenience.

# FACTORS AFFECTING DEMAND AND SUPPLY

## IMPACT OF DEMAND SIDE FACTORS ON THE GLOBAL TEA ECONOMY

1. The Group examined the implications of MRLs on tea trade with the assistance of document CCP:TE 16/2. The Group noted the results of the study that was based on the gravity model and which showed that MRL standards have had a negative impact on tea trade. The case study used in the analysis highlighted that MRLs imposed by major importing countries had have a negative impact on China’s exports of tea.
2. A delegate suggested updating the information on MRLs of endosulfan for the EU by rephrasing paragraphs 17 and 20 which described the simulation exercise.
3. The Group noted the conclusions outlined in the document, which included the need to:

Reduce large gaps in MRL values amongst tea-trading partners; and

Consolidate research papers, priority lists, MRL by chemical, by country and by year into a comprehensive information database system.

1. The delegates agreed to provide the Secretariat with the necessary information in order to conduct further detailed analyses on the impact of MRLs on tea trade.

## IMPACT OF SUPPLY SIDE FACTORS ON THE GLOBAL TEA ECONOMY

1. The Group examined the possible strategies to address socio-economic adaptation policies with the assistance of document CCP:TE 16/3. The Group noted that while climate-related issues and solutions were unique to specific areas, commonalities in various regions existed. Therefore, policymakers should encourage knowledge-sharing, and the following could be done at both national and international levels:

Disseminating adaptation measures and lessons learned;

Incorporating adaptation measures in development planning; and

Providing financial support for implementing adaptation measures.

1. The Group suggested that in order for adaptation measures to be effectively implemented by smallholders, ensuring adequate access to credit is essential and appropriate market linkages should be developed. This would include encouraging small factories at the cottage industry level, i.e. selling their tea as a product and not as a commodity. Enabling policies should be a priority for governments to facilitate these developments.

## FACTORS DRIVING THE GROWTH OF THE SMALLHOLDER TEA SUB‑SECTOR

1. The Group examined the possible strategies to address socio-economic adaptation policies with the assistance of CCP:TE 16/4. The Group noted that despite taking the biggest risk in the value chain through production and market uncertainties, adverse weather, climate change, weeds and disease infestations, farmer earnings accruing to the tea smallholders were clearly not sustainable. In some cases, tea smallholders actually earned incomes that were below national and international poverty line indicators. Therefore, if their concerns were not properly addressed, then rural poverty, unemployment and food insecurity would increase and urban drift would accelerate.
2. The Group expressed concern at this tragedy and suggested that structural changes needed to be made so that smallholders were closer to consumers and the value chain shortened. Unless supply and demand could be more in balance at sustainable levels, then smallholders would continue to be disadvantaged.
3. Delegates suggested that a study be done to more accurately identify peaks and troughs in the price cycle so that “adding up” problems in production could be minimized. Price projections of other commodities should also be incorporated into the medium term outlook in order that changes in input costs could be appropriately reflected. In addition, a socio-economic study assessing the welfare and livelihoods of tea smallholders with a view to achieve sustainability should be carried out by the Secretariat.
4. Delegates suggested that land use policies in tea-producing countries should be reviewed to ensure appropriate economic scales of production of smallholders were adequate to sustain their livelihoods. Smallholders also needed to be empowered also to value-add. Consuming countries should also consider forming partnerships with smallholders to ensure continued supplies of tea as delegates felt that big companies might find it difficult to continue to operate effectively if supply dynamics changed.

# INTERGOVERNMENTAL ACTION

## WORKING GROUPS ON MAXIMUM RESIDUE LEVELS

1. The Group examined this agenda item with the assistance of a presentation delivered by the Chairpersons of the Working Group (WG) on MRLs. The Group was informed that the WG reviewed progress made on the activities defined in the work plan of the WG. In particular, the Group agreed to:

* Consider creating an international tea NGO to represent the trade at CODEX;
* Share existing research on the contaminants nicotine and anthraquinone; and
* Post information and progress against the work plan on the WG Forum.

1. In adopting the report of the WG, the Group agreed to continue the activities outlined in the work plan. The WG on MRLs in Tea Brew has completed its work programme.

## WORKING GROUP ON TEA TRADE AND QUALITY

1. The Group examined this agenda item with the assistance of a presentation delivered by the Chairperson of the WG. The Group adopted its report including the following work plan:

Introduction of a self-regulating code of conduct to continue compliance of ISO 3720 minimum quality standard. Non-compliant members would share data on their standards with other members and the ISO Technical Committee.

Collation of existing literature on additional quality benefits of ISO 3720. Literature had been received from India and Sri Lanka, and Kenya and Malawi agreed to provide relevant literature.

A road-map for further research on ISO 3720 compliant vis-a-vis non-compliant teas on their connectivity to quality and food safety parameters, particularly those related to the health benefits of tea consumption which could be used in promoting consumption.

Closer synergies between the WG and ISO in collating information and data. The Chairperson of the ISO Tea Sub-committee agreed to share information and collaborate with member countries.

Arrange a workshop for ISO 3720 compliant and non-compliant members.

* Initiate a pragmatic program to influence governments, tea traders and consumer in importing countries to only accept tea which complied with ISO 3720.
* Identify donors to fund technical assistance to countries requiring support in the implementation of ISO 3720.
* Given the significant growth in the production and demand for green tea globally, the WG recognized the need to establish a minimum quality standard and proposed the introduction of a self-regulating code of conduct conforming to ISO 11287. The ISO Technical Committee confirmed that standards had already been published and was working on improving the analytical methodology.
* The WG recognized the need for a global sustainability standard and emphasized that the implementation of ISO 3720 could later include other parameters on food safety in consultation with consuming countries.
* In suggesting the addition of a promotional element, members agreed to focus on the health benefits of tea consumption and conduct regular promotional activities.
* Agreed to have an International Tea Day as recommended at the intersessional meeting in October 2015. India had already submitted the proposal to its Ministry of Commerce and Industry which would be formally submitted to the FAO Council.

## WORKING GROUP ON ORGANIC TEA

1. The Group examined this item following a presentation that was delivered by the Chairperson of this WG. In noting the achievements of the WG on Organic Tea, the Group endorsed the report of the WG with its future work plan which included:

Organic tea standards and certification to be mutually accepted by producing and importing countries;

Joint research and development and information-sharing among organic tea producing countries;

Market promotion, internationally;

Establish national bodies in producing countries which could get international accreditation, such as NPOP (India), SLSI (Sri Lanka), CNCA (China);

Support green, low input tea farming systems and gradually promote them to organic status;

Social welfare of producers and communities;

Conduct socio-economic impact assessments of organic farming;

Promote domestic production of organic tea;

Organic farming would also help in mitigating the effects of climate change.

## WORKING GROUP ON CLIMATE CHANGE

1. The Group was updated on the decisions taken at the intersessional meeting in October 2015 by the Chairperson of the WG. A publication entitled: "Research Report of Adaptation to Climate Change" was launched. The report and book were presented to the Secretary of the IGG/Tea, Mr Kaison Chang and were adopted by the IGG/Tea.
2. The Group commended the efforts of the WG in publishing the book and encouraged the other WGs to document their outputs in a similar manner. Copies of the book were distributed to delegates.
3. The WG further decided to work on vulnerability/suitability at micro scale for ease of implementation of adaptation strategies in different countries. The trend analysis would be further strengthened using different statistical models in order to determine the significance of climate trends and comparing them with the baseline.

## WORKING GROUP ON SMALLHOLDERS

1. The Group examined this agenda item with the assistance of a presentation delivered by the Chairperson of the WG. The WG discussed the structure of the Confederation of International Tea Smallholders (CITS) and its functions and responsibilities. The WG also decided on the agenda and vision of the CITS and agreed to the timeline. The WG decided that each member would appoint a focal point to monitor the *interim* activities.
2. The WG suggested that a pilot study be conducted in each country, aligned with the interest of the respective tea smallholders, focussing on possible micro processing factories in Assam.
3. The WG also discussed the importance of hiring an international consultant and possible partnerships with international bodies like the World Bank and the ITC.
4. The Group appointed Canada as First Vice-Chairperson and Malawi as Second Vice-Chairperson.

## TASK FORCE ON PROJECTIONS AND STATISTICS

1. The Group examined this agenda item with the assistance of a presentation by the Secretariat. A review of the background and achievements were presented to the Group which noted that members had provided focal points to liaise with the Secretariat on matters related to statistics and projections. The Group invited members from producing and consuming countries which had not yet submitted their focal points to do so.
2. In adopting the report of the Task Force, the Group also endorsed its future work plan which included the holding of a workshop at the intersessional and Intergovernmental meetings. In addition, member countries were encouraged to provide the Secretariat with information required to carry the analysis on the current situation and medium term outlook. Members were also encouraged to express their interest in participating in the analytical studies prepared for future meetings.

## UPDATE ON THE TEA WEBSITE DEVELOPMENT

1. The Group examined this agenda item with the assistance of a presentation delivered by the Communication Focal Point. The Group was encouraged to communicate via the interactive e-Forum that was developed by the Secretariat and agreed to receiving email alerts.

## INTERNATIONALLY COORDINATED ACTIONS ON TEA DEVELOPMENT PROJECTS

1. The Group reviewed the results of the final Common Fund for Commodities (CFC) funded project that was completed in June 2015: Development of smallholder tea cultivation in Bangladesh and Indonesia, with the assistance of reports from the Project Executing Agency (PEA) and the Project Implementing Agency (PIA).

# ACTIVITIES IN OTHER ORGANIZATIONS

1. The Observer from the ITC gave a historical review of the mandate and objectives of the Committee, including the evolution of funding sources. He noted that the private sector had become an important funding source.
2. The Observer from the ISO gave a review of the methods and guidance developed by the Organization to ensure that consumers’ expectations of quality were met. The current ISO TC/34 SC/8 tea programme included developing methods of analysis for tea components such as theanine and theaflavin and standards for other teas such as white and oolong teas.

# OTHER MATTERS

## ANY OTHER BUSINESS

1. China proposed that a new Working Group on Global Tea Market Analysis and Promotion be established which the Group endorsed. The WG would be chaired by China, with members including Canada, India, Kenya, Sri Lanka and the UK.
2. The Group unanimously expressed gratitude to Mr Kaison Chang, Secretary, IGG/Tea, for his commitment and dedication to the work of the global tea economy. The Group wished him a happy retirement.
3. The Group unanimously supported that the FAO IGG/Tea continue in its current form.

## DATE AND PLACE OF THE NEXT SESSION

1. Sri Lanka offered to host the next intersessional meeting in August 2017, which would coincide with 150th anniversary of the tea industry in Sri Lanka.
2. The date and place of the next session of the IGG/Tea would be decided by the Director-General of FAO, in consultation with the Chairperson.

## ADOPTION OF THE REPORT

1. The Report of the Twenty-second session of the IGG/Tea was adopted.