Committee on Commodity Problems

INTERGOVERNMENTAL GROUP ON TEA

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SUMMARY OF COUNTRY INPUTS TO THE CURRENT SITUATION AND SHORT TERM FORECAST

**INDIA**

Review of 2014

Tea Production in 2014 reached a record high of 1207.31 thousand tonnes. Small growers accounted for 33 percent (398.04 thousand tonnes) of the total share. It is expected that the small growers will play a key role in overall production in the coming years.

Exports in 2014 stood at 207.44 thousand tonnes, with FOB value of Rs. 4054.02 Crores, (USD 664.26 million) with unit price realisation at Rs. 195.43 per Kg (USD 3.20).

India’s tea imports in 2014 stood at 20.59 thousand tonnes, with CIF value of Rs. 272.63 Crores (USD 44.67 million) with unit price of Rs. 132.41 per kg (USD 2.17).

Tea auction centres in India sold a quantity of 541.73 thousand tonnes and the average auction price was Rs. 126.88 per Kg (USD 2.08).

Apparent domestic consumption during 2014 was 927 thousand tonnes.

Estimates for 2015

Tea Production in 2015 is estimated at 1191.10 thousand tonnes, a decline of 16.21 thousand tonnes compared to the corresponding period of 2014. It is expected that once data is finalized, India’s tea production in 2015 will be closer to 1200 thousand tonnes, and thereby a marginal decline as compared to 2014.

Provisional tea Exports during 2015 stood at 217.67 thousand tonnes, with FOB value of Rs. 4085.93 Crores (USD 637.16 million), an increase of 10.23 thousand tonnes in quantity and Rs. 31.91 Crores in value over the corresponding period. It is expected that the final data on tea exports during 2015 will remain around 225 thousand tonnes, which indicates a significant growth compared to 2014.

India’s tea imports during 2015 stand at 18.61 thousand tonnes, with a CIF value of Rs. 235.96 crores (USD 36.80 million). The import quantity declined in 2015 as compared to 2014.

Tea auction centres in India sold a quantity of 561.99 thousand tonnes in 2015 and the average auction price was Rs. 124.48 per Kg (USD 1.94).

Apparent domestic consumption during 2015 was 948 thousand tonnes.

Outlook for 2016

It is too early to precise the estimates for 2016, as production depends on various agro climatic conditions. However, considering the trend over the previous years, it is expected that production and trade will maintain an upward trend.

**SRI LANKA**

Review of 2014

The year 2014 commenced on an upbeat due to the revenue from tea exports, production reaching record levels in 2013 and prices continuing to maintain attractive levels from all elevations. This was despite the fact that some of the key Middle Eastern markets were faced with political unrest and financial instability. These record price levels, however, could not be sustained throughout the year due to continued instability in the Middle Eastern region and the drop in oil prices to a great extent, particularly towards the latter half of the year.

The Sri Lanka tea industry experienced a remarkable year during 2014 with the highest ever earnings from tea exports which reached USD 1.63 billion, although there was a marginal decline in production recorded at 338 thousand tonnes. As the global leader in the production of orthodox black tea, Sri Lanka fetched the highest ever average prices at the Colombo Tea Auctions during 2014. From an average Colombo Auction Price of Rs. 391.64 per kilo (USD 3.00) in the year 2012, the auction price increased to Rs. 462 per kilo (USD 3.56) during the year 2014. The low grown teas which constitute over 60 percent of the total production were instrumental to achieve this record performance and that segment registered an average auction price of around Rs. 500 per kilo (USD 3.85).

The Middle East/Gulf Region continued to remain the backbone of the export market and absorbed almost 55 percent of the total Ceylon Tea, while the Russian Federation and other CIS countries consumed another 22 percent. Turkey was the largest buyer of Ceylon Tea in 2014, overtaking Russia, while Iran, Iraq, UAE, Syria, and Libya strongly patronized teas from Sri Lanka. This performance helped the Colombo Tea Auction prices, which remained way above all other global tea auction centers during 2014 reaching an all-time high average FOB price of USD 4.97 per kilo.

Overview of 2015

The year 2015 has been one of the most challenging years for the tea industry. On the one hand, the Middle Eastern region where the bulk of the teas are exported never recovered from the socio economic unrest, restricting exports to the region. On the other hand, destinations such as Russia and Ukraine faced many economic challenges, which led to the constant devaluation of currencies thus impacting prices at the Colombo auctions.

In 2015, the cumulative Colombo Tea Auction price average reached USD 2.99 per kilo compared to USD 3.56 per kilo in 2014.

Production declined from 338 thousand tonnes in 2014 to 329 thousand tonnes in 2015 due to extreme weather conditions in the tea plantation sectors of Sri Lanka during the year. In respect to exports, the FOB price showed a decline from Rs. 649.44 (USD 4.97) per kilo in 2014 to Rs. 593.11 (USD 4.36) per kilo in 2015. The revenue generated from Ceylon Tea exports during 2015 was USD 1.34 billion.

Total exports of 307 thousand tonnes during 2015 showed a decrease of 20 thousand tonnes compared to 327 thousand tonnes over the previous year. Russia was the single largest buyer of Ceylon Tea with 36.1 thousand tonnes, followed by Turkey (33.7 thousand tonnes), Iraq (31 thousand tonnes) Iran (29.6 thousand tonnes) and UAE (22.9 thousand tonnes).

Outlook for 2016

Projecting 2016 is not easy due to several factors, such as the turmoil in Sri Lanka’s main tea export markets and the drastic currency depreciation in these markets. On the supply side, global tea production was estimated to drop by 80-100 thousand tonnes at the beginning of the New Year.

From a Sri Lankan perspective, an important factor in the supplier equation is that Orthodox tea, which accounts for 90 percent of the total tea crop, recorded a decline of approximately 9 thousand tonnes (2.74 percent) in 2015 compared to 2014. Tea production in 2016 is also unlikely to record any appreciable change. From a global angle, rising concerns of an El-Nino impact would also warrant due consideration.

The global commodity crisis emanating from political issues between Russia/Ukraine, turmoil in the Middle Eastern markets (decline in oil and gas prices – which is the lowest since Jan/Feb 2009), drastic currency depreciation in key tea importing countries, economic sanctions etc. affected the Colombo tea market in particular, and to a lesser extent, demand for tea in general during the year 2015. Consequently, tea prices in Colombo which reached a record high in 2014 weakened substantially. In fact, the Colombo Auction average for the calendar year 2015 was approximately Rs. 62.60 lower than the corresponding average in 2014.

The decline in US Dollar terms would record an even sharper decline compared with 2014 following the devaluation of the Sri Lankan Rupee against the US Dollar during 2015.

**OVERVIEW OF THE KENYA TEA INDUSTRY 2014/2015**

Kenya is the third leading producer of black tea in the world accounting for 10 percent of the total world tea production and the largest exporter of tea in the world accounting for 22 percent of the total world tea exports.

Ten percent of the Kenyan population depends on tea and tea contributes 4 percent of the country’s GDP and 26 percent of the country’s export earnings.

The tea industry has also contributed significantly to rural development in the country.

**Production by sub-sector and region (2015 vis-à -vis 2014)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **PRODUCTION (KGS)** | **Dec 2015** | **Dec 2014** | **Variance +/-** | **Var.(%)** | **Jan - Dec 2015** | **Jan -Dec 2014** | **Variance +/-** | **Var.(%)** |
| **Plantation** | West of Rift | 16,632,461 | 15,167,719 | 1,464,742 | 9.66% | 144,479,427 | 165,468,048 | - 20,988,621 | -12.68% |
| East of Rift | 2,108,910 | 1,785,741 | 323,169 | 18.10% | 17,135,640 | 17,218,075 | - 82,435 | -0.48% |
|  | **Total** | **18,741,371** | **16,953,460** | **1,787,911** | **10.55%** | **161,615,067** | **182,686,123** | **- 21,071,056** | **-11.53%** |
| **Smallholder** | West of Rift | 11,292,899 | 12,117,262 | - 824,363 | -6.80% | 97,057,574 | 109,597,020 | - 12,539,446 | -11.44% |
| East of Rift | 16,353,190 | 16,000,063 | 353,127 | 2.21% | 140,538,723 | 152,821,591 | - 12,282,868 | -8.04% |
| **Total** | **27,646,089** | **28,117,325** | **-471,236** | **-1.68%** | **237,596,297** | **262,418,611** | **- 24,822,314** | **-9.46%** |
| **Plantation & Smallholder** | West of Rift | 27,925,360 | 27,284,981 | 640,379 | 2.35% | 241,537,001 | 275,065,068 | - 33,528,067 | -12.19% |
| East of Rift | 18,462,100 | 17,785,804 | 676,296 | 3.80% | 157,674,363 | 170,039,666 | - 12,365,303 | -7.27% |
| **Total** | **46,387,460** | **45,070,785** | **1,316,675** | **2.92%** | **399,211,364** | **445,104,734** | **- 45,893,370** | **-10.31%** |

|  |  |  |
| --- | --- | --- |
| **Overall production** |  |  |
|   |   | **MONTHLY PRODUCTION** |
| **MONTH** | **MONTHLY PRODUCTION 2016 KG (PROJECTIONS)** | **MONTHLY PRODUCTION 2015 KG** | **MONTHLY PRODUCTION 2014 KG** |
| **JANUARY -ACTUAL** | 50,307,828 | 41,652,603 | 44,969,640 |
| **FEBRUARY - ACTUAL** | 43,968,852 | 24,276,302 | 33,774,381 |
| **MARCH** | 32,256,492 | 15,687,858 | 33,336,338 |
| **APRIL** | 28,837,272 | 23,837,272 | 39,974,557 |
| **MAY** | 42,523,078 | 37,523,078 | 41,186,290 |
| **JUNE** | 37,285,546 | 32,285,546 | 31,944,583 |
| **JULY** | 35,942,321 | 30,942,321 | 30,789,645 |
| **AUGUST** | 33,410,248 | 28,410,248 | 26,755,910 |
| **SEPTEMBER** | 41,483,632 | 36,483,632 | 33,321,224 |
| **OCTOBER** | 46,343,201 | 41,343,201 | 45,367,517 |
| **NOVEMBER** | 45,381,843 | 40,381,843 | 38,613,864 |
| **DECEMBER** | 51,387,460 | 46,387,460 | 45,070,785 |
| **TOTAL** | **489,127,773** | **399,211,364** | **445,104,734** |

|  |  |  |  |
| --- | --- | --- | --- |
| **Exports** |  |  |  |
| **MONTH** | **MONTHLY EXPORTS 2016 KG (PROJECTIONS)** | **MONTHLY EXPORTS 2015 KG** | **MONTHLY EXPORTS 2014 KG** |
| **JANUARY -ACTUAL** | 40,284,598 | 43,688,732 | 41,539,677 |
| **FEBRUARY - ACTUAL** | 31,830,089 | 40,395,846 | 42,016,120 |
| **MARCH** | 40,143,699 | 35,143,699 | 41,995,648 |
| **APRIL** | 33,039,804 | 28,039,804 | 40,766,780 |
| **MAY** | 31,256,429 | 26,256,429 | 40,954,659 |
| **JUNE** | 41,742,605 | 36,742,605 | 42,750,089 |
| **JULY** | 42,479,863 | 37,479,863 | 46,836,608 |
| **AUGUST** | 35,690,875 | 30,690,875 | 44,925,770 |
| **SEPTEMBER** | 45,705,572 | 40,705,572 | 35,346,514 |
| **OCTOBER** | 47,040,171 | 42,040,171 | 41,468,401 |
| **NOVEMBER** | 43,501,438 | 38,501,438 | 39,638,819 |
| **DECEMBER** | 48,358,523 | 43,358,523 | 41,140,536 |
| **TOTAL** | **481,073,665** | **443,043,557** | **499,379,621** |

**OVERVIEW OF THE INDONESIAN TEA MARKET IN 2004,
2015 AND 2016**

Innovation and creativity in the tea industry in Indonesia has been a significant development in recent years - there are more types of tea produced and well known with their uniqueness in the form of orthodox and CTC black tea, panning and steaming green tea, jasmine tea, oolong tea, white tea, yellow tea, red tea, instant tea, tea bags and RTD which are traded in more than forty brand names domestically, as well as the functional teas produced from pharmaceutical industry. The RTD’s traded at the moment are more than twenty brand names while there was only one in 1977 – 1978.

Most of the black tea and green tea produced by State owned Enterprises and Private owned Enteprises in bulk is certified by RA, ETP, UTZ, Fair Trade, JAS, Organic, BTA, MRL and has been successfully exported to more than forty countries in Europe, America, Asia, Africa and Australia, and every year contributed to the foreign currency earning. The value of tea exports reached the highest level in 2010 at USD 178.5 million, decreasing in the following years to USD 166.7 million in 2011, USD 156.7 million in 2012, USD 157.5 million in 2013, USD 134.5 million in 2014, and less than USD 134 million in 2015, but it is expected to increase in 2016.

The average Auction price ranging from US cents 95.49 per kg in 2003 to US cents 198 per kg in 2013, to US cents 167 per kg in 2014 and US cents 153 per kg in 2015, is forecasted at less than US cents 170 per kg in 2016.

Unfortunately, the volume of production is decreasing from 169 819 tonnes of made tea in 2003 to 132 000 tonnes in 2014, and to less than 130 000 tonnes in 2015 due to the effects of climate change, but mainly due to the decreasing area under tea over the years, from 157 000 ha (in 1998), to 125 000 ha (in 2014) and 122 000 ha (in 2015).

If weather conditions are favourable and because of the efforts to improve productivity and tea quality, it is expected that in 2016 the total production in Indonesia will increase and the volume of tea imports will decrease.

The price of black tea has been on an upward trend from 2003 to 2013 (from 95.46 US cents/kg in 2003 to 198.0 US cents/kg in 2013), but declined in 2014 and 2015 to 167 US cents/kg and 153 US cents/kg, respectively. It is estimated at less than 175 US cents/kg in 2016.

The fluctuation of the tea prices has affected the tea growers who are looking for alternatives to cut the cost of production which has been increasing steadily.

**Overview of the tea market in Tanzania (financial year 2014/2015)**

Made tea production during the financial year under review was 36 268 tonnes, increasing by 2 743 tonnes, the equivalent of 8.18 percent as compared to the 33 524 tonnes recorded during the previous 2013/2014 season. Good weather conditions, especially even distribution and enough rainfall in most tea growing areas was the main cause of the increase in production as tea cultivation is rain fed to large extent.

The amount of tea exports during the year under review was 29 570 tonnes worth USD 46.18 million, up by 6 810 tonnes, the equivalent of 30 percent, worth USD 1.6 million, the equivalent of 3 percent compared to the previous year.

The amount of tea sold through the Mombasa Auction during the year under review was 5 654 tonnes which decreased by 2 032 tonnes, equivalent to 26 percent as compared to 7 686 tonnes obtained in the previous financial year. The average tea price via Mombasa Auction dropped by US cents 7 per kg, equivalent to 4 percent, from US cents 164 per kg to US cents 157 per kg.

During the financial year under review, the amount of blended and packed tea sold in the local market was 5 522 tonnes as compared to 5 672 tonnes in the previous year, a decrease of 151 tonnes, equivalent to 3 percent, while earnings decreased by Tshs.1 516 million, equivalent to 4 percent.

During the period under review, the amount of tea issued freely and sold in factories was 78 249 kg compared to 43 858 kg in 2013/2014 which is an increase of 34 391 kg, equivalent to 78 percent of the amount of tea sold and issued freely at factory during the year.

Estate farmers produced 24 533 tonnes in 2014/2015 as compared to 22 933 tonnes produced in 2013/2014, an increase of 1 600 tonnes equivalent to 6.98 percent.

Smallholder farmers produced 11 735 tonnes in 2014/2015 as compared to 10 592 tonnes produced in 2013/2014, an increase of 1 144 tonnes equivalent to10.8 percent.

Contribution of Estates to the total production was 68 percent compared to 32 percent produced by smallholder farmers in 2014/2015, the same ratio as in 2013/2014.

Export sales for the period of 2014/2015 were 29 570 tonnes, which earned USD 46 million, compared to 22 760 in 2013/2014 which earned USD 44 million. This shows that in 2014/2015 there was an increase in both, the amount of tea exported and income earned, of 30 percent and 3 percent, respectively.

The average price per kilogram of exported tea dropped from USD 1.96 in 2013/2014 to USD 1.56 in 2014/2015.

The amount of made tea sold through the Mombasa Auction in 2014/2015 was 5 654 tonnes as compared to 7 686 tonnes sold in 2013/2014, a decrease of 2 032 tonnes, equivalent to 26 percent.

The average price per kilogram of sold tea at the Mombasa Auction decreased from USD 1.64 in 2013/2014 to USD 1.57 in 2014/2015. Tea from Tanzania continued to fetch low average prices as compared to tea from other East African countries.

In the year 2014/2015 a total of 1 097 kg of blended and packed tea was exported, earning USD 32 290, compared to 2 834 kg of blended and exported tea in 2013/2014, earning USD 46 215. This shows that there is a decrease in export quantity by 1 737 kg equivalent to 61 percent and a decrease in earnings by USD 13 925 equivalent to 30 percent. The decrease in quantity and earnings might be attributed to high local demand causing low export quantity despite having a high price.

Increased supply from key producer countries, the weakening of the Tanzania Shilling and the threat posed by terrorist facing international communities, were attributed to the decline of tea prices in the international markets. Generic tea promotion, Brand promotion by Tea Packers and more export of value added tea, will improve the position of Tanzanian tea in the global market.

**OVERVIEW OF THE TEA MARKET IN CHINA**

In 2014, the Chinese tea plantation area was 2.72 million hectares and the producing area was 2.08 million hectares, with an annual growth rate of 10.17 percent and 12.00 percent, respectively. The total production in 2014 was 2.10 million tonnes, with an annual growth rate of 9.12 percent. The total output value was 127.0 billion RMB yuan, which increased by 27.32 percent. The plantation area, the production and the output value of Chinese tea, generally showed an increasing trend in the last five years.

The per-unit area yield increased from 2005 to 2010 and the yield reached 1034.34 kilograms per hectare in 2010. As for 2011, the yield declined to 987.0 kilograms per hectare due to the disastrous weather conditions, such as the cold spell in later spring or drought. The amount of abandoned tea gardens increased in the last two years due to market demand and prime costs. The per unit area yield is stable at around 1000 kilograms per hectare.

China is the largest tea consuming country and the domestic consumption is increasing with the improvement of living standards of residents. The ITC statistics show that the annual per capita tea consumption is 0.37 kilograms in 2000-2002, it increases to 1.04 kilograms in 2011-2013 with an annual growth rate of 10.89 percent. However, there is still a big gap between China and other countries such as Kuwait, Ireland, Turkey, Afghanistan and the United Kingdom, although China still has potential to enhance its domestic consumption of tea.

In recent years, the value of Chinese tea exports has been rising constantly, however, the volume of exports fluctuates significantly remaining stagnant. In 2011 and 2013, the quantity of Chinese tea exports was over 0.32 million tonnes, while in 2012 and 2014 the export quantity declined. In 2014, the total export quantity was 0.301 million tonnes with an annual decline of 7.5 percent. The exports volume of green tea was 0.249 million tonnes with an annual decline of 5.8 percent, the black tea was 28 000 tonnes with a decline of 15.6 percent, the oolong tea was 15 000 tonnes with a decline of 9.7 percent, the scented tea was 6 000 tonnes with a decline of 15.7 percent and the pu-er tea (dark tea) was 3 400 tonnes with a decline of 25 percent.

The value of exports shows an upward trend due to the increasing unit price of tea. For the last decade, the average annual growth rate of Chinese tea exports value reached 11.31 percent. In 2014, the export value was USD 12.7 billion with an annual increase of 2.21 percent.

Green tea is still the major exported product in China, which accounts for three quarters of the world green tea exports. The export volume of black tea is decreasing gradually, and only 28 000 tonnes of black tea were exported in 2014 (accounting for 9.21 percent). The other kinds of special tea such as oolong tea and pu-er tea have become an important part of Chinese tea exports, but the total export volume of special tea is still relatively low compared to green tea. The annual average volume of special tea exports was 34 100 tonnes between 2006 and 2010, however the number declined to 27 900 tonnes from 2011 to 2014. The special tea has not achieved major breakthrough in the international export market. Under the precondition of stabilizing the green tea export market, China needs to further exploit markets for Chinese black tea and other kinds of tea in order to increase the total volume exported. The top five importers of Chinese tea are Morocco, Uzbekistan, Togo, Japan and America - 70 percent of the importers are developing countries and regions. Morocco has been leading the list for a long time and accounts for 17 percent of the gross Chinese tea export quantity.