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# COMMITTEE ON COMMODITY PROBLEMS

## INTERGOVERNMENTAL GROUP ON TEA

### TWENTY-FIFTH SESSION

**Guwahati (Assam), India, 31 January-2 February 2024**

## FAO STRATEGIC FRAMEWORK 2022-31 AND THE ROLE AND FUNCTIONS OF THE INTERGOVERNMENTAL GROUP ON TEA (IGG/TEA)

### Executive Summary

Traditionally, the work of the Intergovernmental Group on Tea (IGG/Tea) has focused mainly on various economic and trade aspects impacting the tea sector. Reflecting societal changes and shifts in demand, the work area of the IGG/Tea has expanded into fields covering all three dimensions of sustainability – economic, social and environmental. The proliferation of work areas may require adjustments in work modalities. A possible scenario is that, on the FAO side, the Markets and Trade Division would continue to service the IGG/Tea as the secretariat and deliver market monitoring and economic analysis of the global tea market. For work areas that go beyond the specific expertise of the Markets and Trade Division, the secretariat would connect the IGG/Tea with other units in FAO to ensure quality and increase the visibility of the work on tea, with consideration given to the availability of resources.

### Suggested action by the Group

The Group is invited to:

- Acknowledge the expanding scope of technical expertise required to meaningfully address many of the emerging issues in the tea sector and tea markets.
- Provide guidance on how to address the expanding thematic issues, given the limited resources available.

*Queries on the substantive content of the document may be addressed to:*

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## I. INTRODUCTION

1. The Intergovernmental Group on Tea (IGG/Tea) – under the title Consultative Committee on Tea - was established by the Committee on Commodity Problems (CCP) at its 45th Session in 1969, following a series of ad hoc intergovernmental consultations under FAO auspices beginning in 1965 and an emergency meeting of tea-exporting countries in 1969, which agreed on an informal export quota arrangement for 1970. The title of this Body was changed in 1971. Originally an intergovernmental group comprising tea importing and exporting countries, the membership of the IGG has become increasingly diverse. Today, the IGG/Tea, a subsidiary body of the CCP, counts 44 Members (countries) and 14 observers that regularly attend the IGG/Tea sessions. A number of other observers, especially international organizations, are strongly interested, but have not attended all of the sessions.

2. As its subsidiary body, the mandate of the IGG/Tea is defined by that of the CCP, which, as stipulated in FAO's basic texts, is to review global issues that impact the production, trade, distribution and consumption of agricultural products, prepare a factual and interpretive survey of the world commodity economy, identify specific commodity problems and propose international mitigation action. In this context, the IGG/Tea has focused its work on economic and policy issues in the tea sector, while at the same time being involved with commodity development activities, in particular as the Group was designated as the International Commodity Body (ICB) for tea by the Common Fund for Commodities (CFC).

3. In parallel with increasing interest in sustainability issues, the work of the IGG/Tea has expanded into a variety of interdisciplinary areas such as climate change, standards, maximum residue levels, health and smallholder agriculture. The expansion of work areas requires an expansion of expertise to be delivered by the Secretariat, which may imply adjustments in work modalities on FAO side. This paper provides a short overview of the work areas of the IGG/Tea, their alignment with the FAO strategic framework and prospects for future working arrangements.

## II. THE EXPANDING WORK AREAS ON TEA

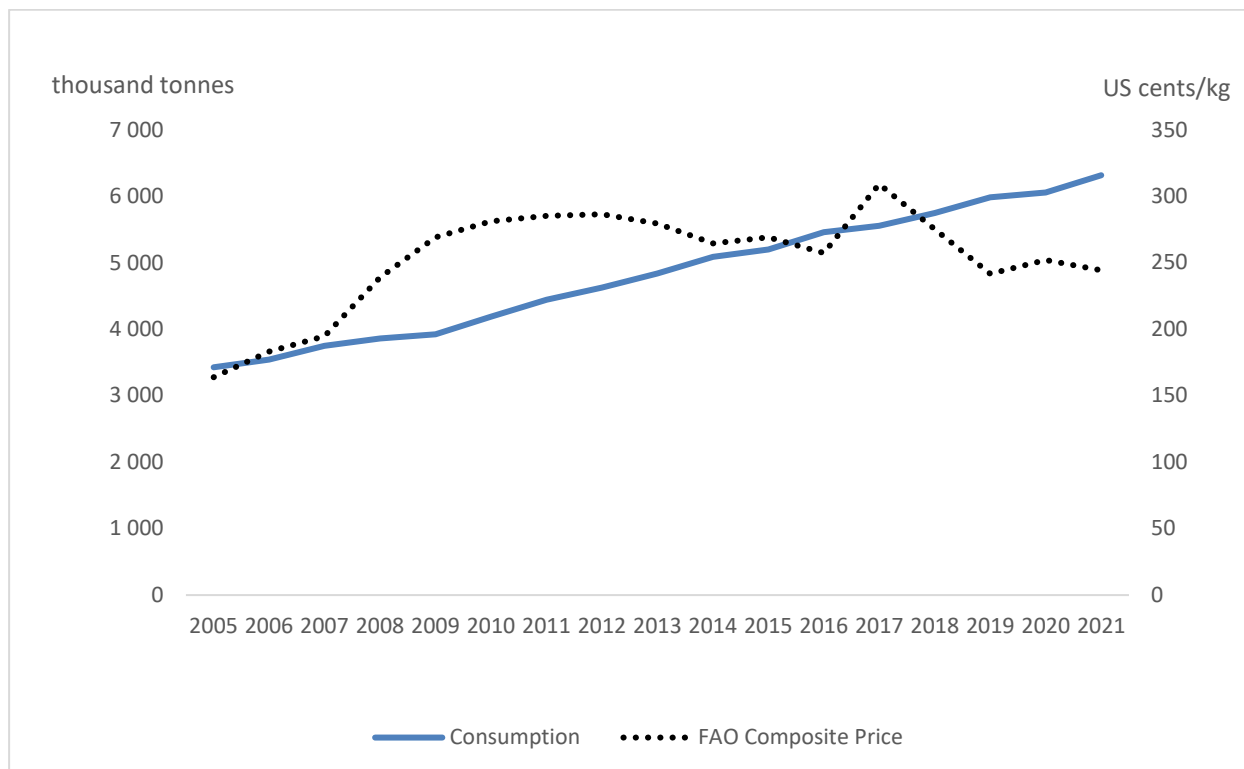
4. Tea is the most consumed drink in the world, after water, and it is also one of the world's oldest beverages. Over the past 10 years, global tea consumption has expanded by 3.3 percent per year on the back of rising population and per capita income growth, notably in low income and emerging economies (Figure 1).

5. Global tea exports have also expanded over the same period, as illustrated in document CCP:TE 24/2. Despite overall positive trends, the tea sector is facing a number of challenges, linked to the need to balance the requirements of growth and the necessity to ensure sustainability at all stages of the value chain. In this context, the sector needs well developed strategies for climate change adaptation and mitigation, enhanced market transparency and sustainability of the tea value chain, and policies for sustainable production that target smallholder growers in particular. All these issues have been the subject of discussions during the sessions of the IGG, often culminating in the establishment of dedicated Working Groups to examine in detail the issues and make realistic and actionable recommendations.

6. The proliferation of work areas requires adjustments in the working modalities of the IGG/Tea not only to take into consideration the limited resources available but also to align with the FAO Strategic Framework 2022-31. A possible scenario is that, on the FAO side, the Markets and Trade Division would continue to service the IGG/Tea and deliver market monitoring and economic analysis of the global tea market, as per the core mandate of the IGG/Tea derived from the CCP. For work

areas that go beyond the aforementioned fields, the secretariat would connect the IGG with other FAO units to ensure quality and increase the visibility of the work on tea, with consideration given to the availability of resources.

**Figure 1. World tea production (total tea)**



Source: FAO IGG/Tea

### III. MANDATE AND SCOPE OF THE IGG/TEA AND THE MARKETS AND TRADE DIVISION

7. In the past, the work of the IGG/Tea focused mainly on various economic and trade aspects impacting the tea sector. This included the monitoring of market developments, short- and medium-term outlook projections, and the analysis of prices and factors affecting demand and supply. Other themes such as tea smallholders, standards and maximum residue levels in tea, were also examined. The mandate of the IGG/Tea has been defined as:

*“To provide a forum for consultations on studies of all problems connected to tea. In particular, to conduct a continuing review of short- and long-term developments in tea production, consumption, trade and prices, to study market structure and the promotion of tea consumption, and to consider international action and prepare proposals for submission to Governments.”*

8. The Markets and Trade Division of FAO (EST), has been servicing the IGG/Tea under the Division's pillar of work on “Global Commodity Markets” (Figure 2), comprising tea market analysis, medium-term outlook and price indices.

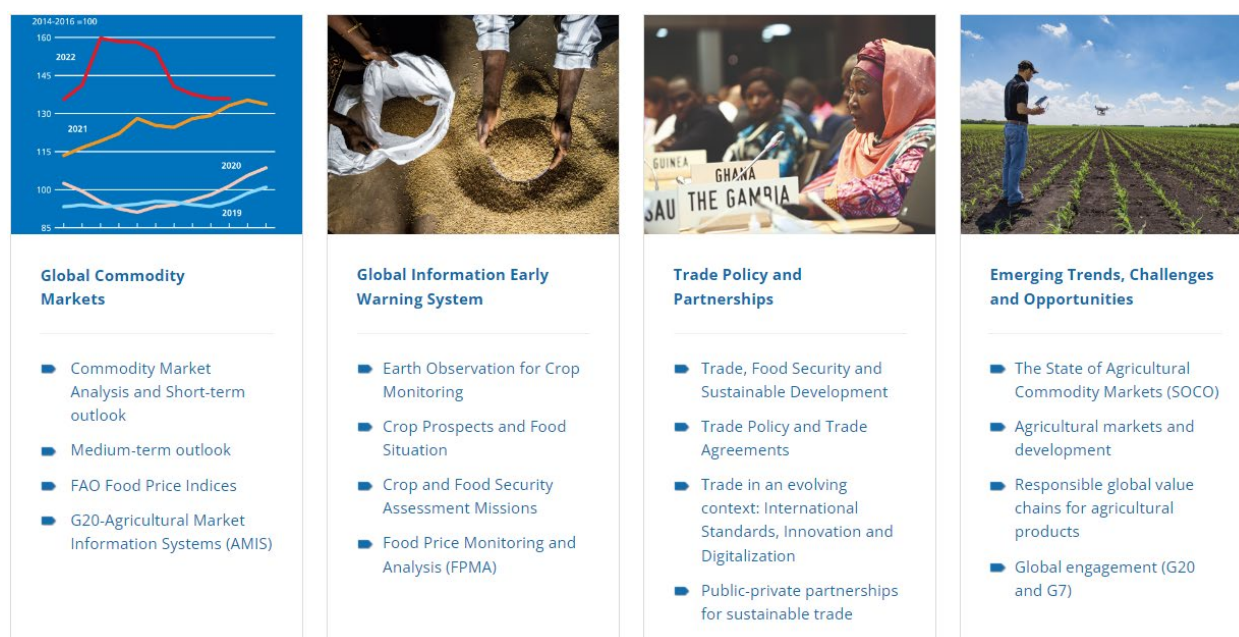
9. Over time, the interest of the IGG/Tea has expanded in parallel with broader shifts in demand and priorities. Today, the IGG/Tea is comprised of seven Working Groups reflecting a wide range of topics. There are Working Groups on (1) Maximum Residue Levels (MRLs), (2) Tea Trade and Quality, (3) Organic Tea, (4) Climate Change, (5) Global Tea Market Analysis and Promotion, (6) Smallholders and (7) Tea and Health. In addition, there is a Taskforce on statistics, which looks at

issues related with data and projections, as well as capacity development. EST has made significant and substantive contributions to the activities undertaken under several working groups.

10. The impact of MRLs on trade has been analysed by EST on several occasions. For instance, technical papers on the impact of MRLs on tea trade were prepared and presented at the 21st and 22nd Sessions of the IGG/Tea. In addition, EST supported an analysis of the effects of anthraquinone on tea, which was presented at a webinar in preparation of the 24th Session of the IGG/Tea in February 2022. EST also looked at the impact of MRLs in the case of the international rice market (FAO, 2020)<sup>1</sup>. Interlinkages between markets, trade and sustainable development, are usually analysed as part of the work under the pillar “Emerging Trends, Challenges and Opportunities” (Figure 2). This includes the systematic analysis of the interaction between markets, trade and sustainable development, as part of FAO’s flagship report *The State of Agricultural Commodity Markets (SOCO)*, and the commodity specific analysis and actions, as part of the work area “Responsible Global Value Chains for Agricultural Products”. While the analytical work on agricultural markets, trade and development focuses on systematic linkages, the commodity-specific value chain work currently has a strong focus on tropical fruits.

11. However, the work conducted under several of these working groups extends beyond the core mandate of EST. To provide deep and meaningful analysis on tea, specifically in such a wide range of areas, (e.g. organic tea, climate change mitigation and adaptation, smallholders and tea and health), EST is currently exploring alternative business models. A possible way to proceed is briefly described in the next section.

**Figure 2. Structure of the FAO Markets and Trade Division**



<sup>1</sup> FAO. 2020. Understanding international harmonization of pesticide maximum residue limits with Codex standards: A case study on rice. Rome.

#### **IV. ALTERNATIVE WORK MODALITIES TO DELIVER ON THE SCOPE OF THE IGG/TEA**

12. In June 2021, the 42nd Session of the FAO Conference endorsed the FAO Strategic Framework 2022-31. The Strategic Framework seeks to support the 2030 Agenda through the transformation to more efficient, inclusive, resilient and sustainable agrifood systems based on four main pillars: better production, better nutrition, a better environment, and a better life (Figure 3). Each of the four “Betters” comprises four to six Programme Priority Areas (PPAs), resulting in a total of 20 PPAs for the whole Strategic Framework. Many of these PPAs cover areas of interest to the IGG/Tea. For example, the work on tea and health could be considered under BN1 “Healthy diets for all” while tea and climate change would fit into BE1 “Climate change mitigating and adapted agrifood systems”. In both areas of climate change and health, EST has already started collaborating with other FAO divisions to deliver outputs presented to the IGG/Tea. The workplan and proposed measurement methodology on carbon footprint have been initiated together with the Agrifood Economics Division (ESA), while the work on tea and health is being supported by the Food and Nutrition Division (ESN).

13. To foster quality, flexibility and visibility of the work on tea in a wide range of areas, this approach could be strengthened in the future. EST would continue to contribute to the economic analysis and monitoring of tea markets. To cover broader and cross-cutting areas of interest that go beyond the mandate of EST, the secretariat of the IGG/Tea can help connect the IGG to relevant stakeholders and units in FAO to undertake other work. This approach also foresees a more active participation of the IGG/Tea members, by contributing, for example, to topical documents to be discussed at the meetings. Some modalities of this collaboration would need to be discussed and clarified. For example, whether outputs related to areas beyond EST can be endorsed by the IGG/Tea without being reviewed by other FAO specialised committees, such as the Committee on Agriculture (COAG). A way should also be found to facilitate the participation and engagement of non-state actors in the work on tea. Discussions are currently being held under the auspices of the Independent Chair of the Council of FAO, for the establishment of guidelines with regard to the aforementioned issue, that will cover all governing bodies of FAO, including their subsidiary bodies. Overall, such an approach would offer more flexibility and independence but also require significant additional resources and commitment from its Members. The exact modalities of all possible options would be defined in a consultative process among all stakeholders.

Figure 3. Main pillars of the FAO Strategic Framework



## V. CONCLUSIONS AND NEXT STEPS

14. Reflecting priority shifts and changes in demand from members, the work areas of the IGG/Tea have expanded into fields covering all three dimensions of sustainability – economic, social and environmental. Not all of the interests of the IGG members can be meaningfully addressed by the secretariat of the IGG/Tea, as many go beyond its mandate and expertise. There is also the question of limited human and financial resources available to the secretariat. To better leverage a broader expertise in FAO and enhance independence, flexibility and visibility, an alternative modality for the future work of the IGG could be followed. In this case, the IGG would continue in its current form,

with EST acting as the secretariat, but its resources would focus on matters related to tea market monitoring, projections and analysis. For thematic areas that go beyond the mandate of EST, alternative solutions could be sought by connecting the IGG/Tea with relevant units in FAO to undertake the analysis, taking into account the available resources. In providing a very brief overview of the challenges and possible options for the future work of the IGG, this paper is intended to provide food for thought and initiate the discussion. The IGG Secretariat looks forward to the discussion on the topic and on how to improve the working modalities of the IGG/Tea to strengthen its quality and outreach.