



COMMITTEE ON COMMODITY PROBLEMS

Seventy-fifth Session

Rome, 13–15 July 2022

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

Executive Summary

The Intergovernmental Group on Tea (IGG/Tea) held its 24th Session virtually on 23 February 2022 and addressed the following matters:

1. Current global tea market situation and emerging issues
2. Market developments in selected tea producing and consuming countries
3. Roundtable on the impact of COVID-19 on the tea market
4. Reports from the Chairs of the various Working Groups
5. Reports on the activities to celebrate the International Tea Day

Suggested action by the Committee

The Committee is invited to endorse the Report of the 24th Session of the IGG/Tea.

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

Secretariat of the Committee on Commodity Problems (CCP)
Markets and Trade Division
Email: FAO-CCP@fao.org
Tel. (+39) 06 570 52723

I. ORGANIZATIONAL MATTERS

1. The Twenty-fourth Session of the Intergovernmental Group on Tea (IGG/Tea) was held virtually on 23 February 2022. One hundred and seventy-five (175) delegates representing 44 Members of the Organization registered for the Session. Ten non-governmental organizations participated as observers. The list of participants is available at <https://www.fao.org/markets-and-trade/commodities/tea/teaigg24/en/>.

2. The Session was convened virtually, on an exceptional basis, in light of the global COVID-19 pandemic and the associated public health concerns and related travel constraints.

3. Prior to beginning its deliberation, the Group confirmed that the virtual meeting constituted a formal regular Session of the IGG. The Group agreed to apply its Rules of Procedure and practices to the conduct of this Session and to suspend any rules that may be incompatible with the virtual meeting for the purposes of this Session. The Group also agreed to the application of any special procedures or amended working modalities as may be required for the efficient conduct of the Session.

A. ELECTION OF THE CHAIRPERSON AND VICE-CHAIRPERSONS

4. The Group elected Ms Sharon Hall (United Kingdom) as Chairperson, Mr K.N. Raghavan (India) as First Vice-Chairperson and Mr RUAN Jianyun (China) as Second Vice-Chairperson.

B. ADOPTION OF THE PROVISIONAL AGENDA AND TIMETABLE

5. The Group adopted the Provisional Agenda CCP:TE 22/1 Rev.1 and the Provisional Timetable CCP:TE 22/INF.1.

C. OPENING STATEMENT BY THE DIRECTOR-GENERAL

6. The Director-General, Dr QU Dongyu, delivered a statement to the IGG.

II. MARKET DEVELOPMENTS AND EMERGING ISSUES

A. CURRENT GLOBAL MARKET SITUATION AND EMERGING ISSUES

7. The Group reviewed the current global market situation and emerging issues for tea with the assistance of documents: CCP:TE 22/CRS 1 and CCP:TE 22/CRS 2.

8. The Group noted that world tea production in 2020 increased marginally to 6.29 million tonnes due to restrictions put in place to contain the spread of COVID-19 and adverse weather conditions. Global tea production expanded in 2021 as output recovered in some of the major producing countries and market opportunities improved. At the global level, tea consumption rose by 1.07 percent in 2020 compared to 2019, and further increased in 2021, in line with the recorded growth in the past ten years.

9. Despite increasing shipments from Kenya, global tea export volumes declined to 1.74 million tonnes in 2020, owing to reduced deliveries from Sri Lanka (the second largest black tea exporter), China and India. Nevertheless, export revenues from tea contributed to financing food import bills of tea exporting countries, such as Kenya and Sri Lanka.

10. The Group also noted that after declining in 2018 and 2019 due to greater availabilities, the FAO Tea Composite Price increased (by 4.2 percent) to USD 2.52 per kg in 2020, underpinned by strong in-home consumption, which more than offset declining out-of-home consumption. In 2021, tea prices fell to USD 2.44 per kg, as exports were affected by pandemic-related logistics issues while deliveries in the global market increased. Over the past decade, tea prices expressed in real terms have been declining steadily, creating a challenging economic environment for smallholder producers.

Coordinated actions are needed to bring about a permanently improved balance between supply and demand.

11. The Group urged governments and other stakeholders to continue to improve the timeliness and quality of data on production, consumption, trade, stocks and prices, to make the data and information available and publicly accessible on a regular basis.

12. The Group highlighted the importance of increasing education and communication to raise consumers' awareness of the "true" cost of producing sustainable tea. To achieve economic, social and environmental sustainability, cooperation between all actors of the value chain is needed. Multi-stakeholder dialogue was encouraged.

13. In this regard, a proposal to develop a project to raise consumers' awareness was discussed. Canada proposed the development of an open-access platform to communicate the true value of tea to consumers, i.e.: "what your tea should cost in order to ensure sustainability".

B. MARKET DEVELOPMENTS IN SELECTED COUNTRIES

14. The Group appreciated presentations made by Canada, China, India, Kenya, Sri Lanka and the United Kingdom, which provided detailed insights on market developments at the country level, as well as information on the impact of COVID-19 on the tea industry, and emerging trends and challenges beyond the pandemic.

15. The Group highlighted the need to continue supporting and promoting tea consumption by strengthening global awareness of the evidence-base about the health benefits of tea, as well as the importance of product innovation, collaboration with other beverages sectors, and diversification to attract new segments of consumers, including young people.

16. The Group noted the need to consider future strategies and appropriate enabling policies to cope with the challenges faced by the tea sector (sustainable value chains, climate change, increasing production costs and lower international tea prices).

17. The Group discussed the challenge of the pace of increasing production not being met with increasing consumption, and the need to improve the quality of tea in order to increase its value. The Group proposed that a code of conduct be developed by the industry to address the challenges of over-production. India would form a task force to take the lead on this issue.

III. FACTORS AFFECTING DEMAND AND SUPPLY

A. ROUNDTABLE ON THE IMPACT OF COVID-19 ON THE TEA MARKET

18. Four panellists provided insights on the effects of COVID-19 on tea markets and emerging trends in the aftermath of the pandemic. This was followed by an open discussion, which was supported by document CCP:TE 22/CRS 3. The Group noted that the COVID-19 pandemic and the measures taken by governments worldwide to contain it had significant effects on both tea supply and demand. Smallholder farmers were affected by disruptions in input and output supply chains. The pandemic fostered a widespread adoption of digital solutions, which ranged from virtual tea auctions to the enhanced uptake of online tea education offers.

19. The Group acknowledged that consumers became more health conscious during the pandemic. This increasing awareness and a rise in in-home consumption benefitted the tea sector through increased demand, a trend that was especially shared by younger generations. The change in consumer behaviour and habits provides new opportunities for the tea sector. The Group agreed that it would be crucial for the industry to sustain the momentum by investing in promoting the positive image of tea in terms of its contribution to health and wellbeing. The Group recognized that generic promotion efforts

need to be complemented by new marketing strategies to reach consumers in all population groups and age cohorts.

IV. INTERGOVERNMENTAL ACTION

A. REPORTS FROM THE CHAIRS OF THE WORKING GROUPS

20. In preparation for the Twenty-fourth Session of the IGG/Tea, the various working groups met to discuss progress on their work programmes. The Chairperson of each working group prepared a short report to reflect their deliberations.

i. Working group on Maximum Residue Levels (MRLs)

21. The working group on MRLs discussed the progress made since their last meeting, recognizing the challenges created by the pandemic in implementing the programme of work. The working group was also informed by a presentation delivered by the Secretariat on the impact of MRLs on the international tea trade. The report prepared by the co-Chairs was endorsed, and the group agreed to continue with the implementation of the work plan, particularly with respect to data generation for fixation of MRLs. In addition, agreement was reached on the following:

- The group will establish contacts with the European Commission Directorate-General Trade to address issues arising from the pace of change in the European Union's MRLs regulations, as part of its efforts to raise awareness about its work and contribute towards building a sustainable tea trade. It was brought to the attention of the Members that the WTO Committee on Sanitary and Phytosanitary (SPS) Measures would hold a thematic session in March 2022 on trade facilitative approaches to MRLs. The outcome of this meeting may have tangible implications on the activities and objectives of the working group.
- The Group plans to organize a webinar towards the end of March 2022 to present a study prepared for the FAO IGG/Tea by the Max-Planck-Institute of Meteorology on the sources of anthraquinone contamination in tea production systems.
- In light of the emergence of frequent cases of pest resistance, producing countries are invited to share relevant information on plant protection with Mr Katsuyuki Yoshida, who will compile the Group's inputs. A specific format for submitting the data is being provided to Members.
- The Group will prepare a submission to the Joint FAO/WHO Meeting on Pesticide Residues (JMPR) for L-Cyhalothrin and Propiconazole where sufficient field trials exist among producing countries for fixation of MRLs in tea.
- Information on data generation and submission to national Codex Contact Points/national regulators will be shared with the Members. The priority list will be updated by mid-May, allowing Members sufficient time to provide feedback.
- In view of emerging concerns associated with the detection of residues, such as Folpet/Phthalimide and Trimesium, which may not arise from the use of pesticides, it is suggested that the mandate of the working group be expanded to carry out targeted studies aimed at identifying the sources of these detections and generating occurrence data for setting limits.

ii. Working group on tea trade and quality

22. The working group on tea trade and quality recognizes the value of mapping the progress being made by producing countries towards the International Organization for Standardization (ISO)

3720 as a benchmark, and requests that this analysis be continued in order to track progress towards a universal standard. In addition, the working group agreed on the following work plan:

- ISO 3720 - self-regulating code of conduct: compliant Members will share data on their standards with other Members and with the ISO technical committee.
- Collect all existing literature: propose to establish a database of the findings to share among the Members.
- Formulation of a road map: the health-related beneficial characteristics of black tea (antioxidants activity, immune boosting action, cancer prevention, cardiovascular disease protective action, etc.) to be collated and identified as a marketing tool to promote black tea.
- Harness synergies between the working group and the ISO tea committee: the Chairperson of the ISO Tea Sub-Committee agreed to share information and collaborate with Members.
- Propose to arrange a workshop among ISO 3720 compliant and non-compliant members. Detailed feasibility assessment is required to conduct the workshop. Response is awaited from the Chairman of the ISO Tea Technical Sub-Committee.
- Initiate a pragmatic programme with the governments of consuming countries as well as tea trades and consumer association/groups to encourage the purchase of teas that are compliant with ISO 3720 standards.
- Consult FAO and the Common Fund for Commodities (CFC) on funding sources to obtain financial assistance for data collection, assessment, inter-laboratory comparisons (ILCs), proficiency testing (PTs), and technical workshops etc.
- ISO 11287 - self-regulating code of conduct: All Members are encouraged to report on the progress of implementation and to share practical difficulties encountered, if any.
- There is a need to define a uniform global sustainability standard governing the tea value chain. In this regard, the working group proposes to obtain assistance from the United Nations Environmental Programme (UNEP).

iii. Working group on organic tea

23. Following the Intersessional meeting of the IGG/Tea held on 21-22 June 2019 in Sochi, Russia, the Tea Board of India and the Tea Research Association (TRA, Tocklai) took the lead in gathering information from all participating countries to prepare a manual on organic tea cultivation, processing and marketing. A first draft of the manual, which is currently being finalized with the latest inputs and updates, was submitted to the Secretariat. The main features of the manual are:

- Practices of organic tea cultivation, comprising aspects such as site selection, planting, production, processing/manufacturing and marketing.
- Comparative economics of organic and conventional tea production.
- Even if there is no significant increase in the number of organic tea producers or area of cultivation, it is important to increase the quality and quantity of production in order to meet the global demand for organic tea.

24. Country-specific results and activities of the working group included:

- Sri Lanka (Tea Research Institute) and India (Tea Research Institute) carried out research on the quality of organic manures and nitrogen use efficiency. China has initiated a research project to monitor soil change in organic tea gardens.
- China has set up a standard for Ecological Low Carbon Tea Production, while Japan has launched a strategy for sustainable food systems: Measures for achievement of Decarbonization and Resilience with Innovation (MeaDRI). In the Republic of Korea, a series of initiatives have been undertaken for organic tea production, including variety development, digital technology, laws and an education programme.

25. In the future, the working group plans to concentrate its work on the harmonisation of the organic tea certification process and the expansion of the network for the marketing of organic tea. Members may establish model plots in order to validate and upgrade good agricultural practices (GAPs) in organic tea cultivation (available in the aforementioned manual), which can boost organic tea production.

iv. Working group on climate change

26. The working group on climate change has been working towards strengthening the evidence base on climate change impacts on tea production. In particular, members of the working group conducted trend analyses based on a range of statistical models to determine the impact of climate change on tea production. In addition, the working group members contributed to the dissemination of scientific information on best practices for climate change mitigation and adaptation that are replicable in different contexts/countries.

27. Country-specific results and activities of the working group included:

- In India, adaptive strategies such as rainwater harvesting techniques (RWH) in tea plantations and drip irrigation and fertigation have proved to be effective. In addition, Small Tea Growers (STG) in different tea plantations of India conducted awareness programmes about climate change, its impacts and adaptation measures.
- In China, different projects focused on how and why climate conditions affect the growth and development of tea plants, tea yield and quality. The FAO South-South and Triangular Cooperation project “Global Low Carbon Tea - Triangular Cooperation in Tea Value Chain in Kenya”, organized by FAO and sponsored by China and Germany, aims to extend low carbon technologies in Kenya, to combat climate change for a sustainable tea industry.
- In Sri Lanka, data analysis has shown that rising temperatures and rainfall variations in tea growing regions have contributed to the continued decline in national tea production since 2013. The Tea Research Institute of Sri Lanka focuses on the development of improved tea cultivars adaptable to varying soil and climatic conditions in different agro-ecological regions.
- In Kenya, recent analyses of meteorological data and corresponding tea productivity revealed a significant positive correlation between the climate change variables and tea production.

v. Working group on global tea market analysis and promotion

28. The working group on global tea market analysis and promotion examined the state of the international tea market and formulated specific measures to overcome the challenges in tea production, consumption and trade. The Secretariat delivered a presentation on the impact of COVID-19 and emerging trends in global tea markets. The working group reviewed some of the major trends and expressed the following recommendations:

- It was noted that international prices of tea were relatively low, creating a challenging economic environment for producers, particularly smallholders. Producing countries are

encouraged to boost domestic consumption and promote the balance between production and consumption. An expansion in tea areas beyond any economic justification was discouraged.

- Tea producing countries expressed concerns over the steady rise in the cost of production, including energy and labour costs, which at the same time were not compensated by an equivalent increase in tea prices. As a result, some working group members reported cases where tea production was displaced by competing activities such as horticulture. In other instances, producers relied on the use of economies of scale and the adoption of technology as strategies to cope with the tightening price-cost squeeze.
- Several working group members noted that consumers increasingly demand more diversified tea products and that the competition from herbal infusions is increasing. Key trends in tea consumption revolve around topics related to "Health and Wellness", "Stress Reduction" and "Immunity". The working group outlined specific measures to promote tea consumption in the long run. These included an expansion of generic promotion activities and a strengthening of the collaboration with other sectors such as coffee, the health industry, the food industry, tourism, etc.
- The working group noted that some of the encouraging trends witnessed during the pandemic, such as the rise in online tea sales, higher demand for specialty teas and a positive attitude towards tea consumption are likely to continue. It was recommended that the working group collaborate with the Secretariat to further enrich the FAO IGG/Tea website with information about the health benefits of tea, supported by robust scientific evidence. In addition, the website could serve to provide educational material that informs consumers about all the relevant aspects associated with tea consumption and production.

vi. Working group on smallholders

29. The working group discussed the work required on a global level to address the challenges faced by the tea smallholders sector. This was done with the assistance of a presentation delivered by the co-Chair of the working group using material from documents CCP:TE 22/CRS 2 and CCP:TE 22/CRS 3. The role of the smallholders' working group was examined in the context of the formation of the Confederation of International Tea Smallholders (CITS).

30. The project of developing a Smallholder Good Practice Manual will be carried out by the CITS, and will report back to the IGG/Tea on the results. The document will be assembled by China in collaboration with Canada. The group also suggested that FAO take on the task of developing a market analysis report that would include consumption trends and market research for both developed and emerging markets. It was agreed that an action plan is required for the tea sector that addresses the needs from 'bush to cup', integrating outputs from all working groups. Considering the emerging trends the industry sees, the working group requested the IGG/Tea to facilitate coordination of generic tea promotion worldwide. This type of promotion should speak to the next generation and involve the stories of the entire supply chain, including smallholders.

31. The performance of the entire industry is dependent on collaboration with each other, and positive results/outcomes depend heavily on collective cooperation.

V. INTERNATIONAL TEA DAY

32. The Secretariat informed the Group about the activities and events organised by FAO to celebrate the International Tea Day in 2020 and 2021.

33. The Group expressed its appreciation of the Dialogue on Tea and Coffee event that was organized, at the request of the FAO Director-General, as part of the World Food Day celebrations on Friday, 15 October 2021.

34. Canada, China and India reported on their activities to celebrate the International Tea Day in 2020 and 2021.

VI. ACTIVITIES IN OTHER ORGANIZATIONS

35. The Observer from the International Tea Committee (ITC) gave an update on the mandate and activities of the Committee, including the evolution of funding sources, highlighting some of the challenges facing the organisation.

36. The Observer from the Tea and Herbal Infusions Europe (THIE) provided an overview of their activities and challenges related to the European Green Deal.

VII. OTHER MATTERS

A. ARRANGEMENTS FOR THE NEXT SESSION

37. India kindly offered to host the next Session of the IGG/Tea when conditions regarding the COVID-19 pandemic permit. The exact date of the Twenty-fifth session will be determined by the Director-General in consultation with the Chairperson.

B. ANY OTHER BUSINESS

38. A proposal was made to establish a new working group on Tea and Health, which the Members endorsed. The working group would be chaired by China, and co-chaired by Canada, with members including India, Indonesia, Kenya, Sri Lanka, United Kingdom and the United States of America.

VIII. ADOPTION OF THE REPORT

39. The Report of the Twenty-fourth session of the IGG/Tea was adopted.