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Продовольственная и сельскохозяйственная организация Объединенных Наций

Organización de las Naciones Unidas para la Alimentación y la Agricultura

منظمة الأغذية والزراعة للأمم المتحدة

COMMITTEE ON COMMODITY PROBLEMS

Seventy-first Session

Rome, 2016

REPORT OF THE TWENTY-FIRST SESSION OF THE INTERGOVERNMENTAL GROUP ON TEA (Bandung, Indonesia, 5-7 November 2014)

I. INTRODUCTION

1. The Intergovernmental Group (IGG) on Tea held its Twenty-first Session in Bandung, Indonesia, from 5 - 7 November 2014. It was attended by 101 delegates from the following member countries: Bangladesh, Canada, China, Germany, India, Indonesia, Italy, Japan, Kenya, Malawi, Morocco, Sri Lanka, Turkey, United Kingdom, United Republic of Tanzania, United States of America and Viet Nam. These countries account for almost 93 percent of world tea production,87 percent of global tea trade and 72 percent of world consumption. The following Observer also attended: International Tea Committee (ITC). A list of participants was distributed as document CCP:TE 12/Inf.4.

2. The session was formally inaugurated by His Excellency H. Ahmad Heryawan, Governor of West Java. The statement of the Director-General, Mr José Graziano da Silva, was delivered on his behalf by Mr Kaison Chang, Secretary, IGG on Tea.

3. The Group expressed warm appreciation to the Government of Indonesia, particularly to the Ministry of Agriculture and the Indonesia Tea Board, for the hospitality provided to delegates and for the opportunity to strengthen international cooperation and promote interaction among major tea exporting and importing countries.

II. ORGANIZATIONAL MATTERS

A. ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSONS

4. The Group elected Ms Yusni Emilia Harahap (Indonesia) as Chairperson; Bianca Keilbach (Germany) as First Vice-Chairperson; and Mr Sangwani Hara (Malawi) as Second Vice-Chairperson.

B. ADOPTION OF PROVISIONAL AGENDA AND TIMETABLE

5. The provisional agenda (CCP: TE 14/1) and provisional timetable (CCP: TE 14/Inf.2) were adopted as presented.

III. MARKET DEVELOPMENT AND OUTLOOK

A. CURRENT MARKET SITUATION AND MEDIUM TERM OUTLOOK

6. The Group reviewed the current market situation and medium term outlook with the assistance of documents CCP:TE 14/Inf.3. Several delegates took the opportunity to update information pertaining to their countries for both, the current market situation, as well as insights on medium term projection patterns.

7. The Group recommended that delegates needed to:

- Be cognizant of market oversupply at current price levels;
- Promote consumption in producing countries as well as share experiences on promoting consumption more effectively to achieve better prices;
- Set consumption targets (e.g. 400 gr per capita) for promotional campaigns;
- Harmonize maximum residue levels (MRLs) for exports – growth could not be achieved without MRL compliance; and
- Further examine demographics to better understand consumption patterns.

B. MARKET DEVELOPMENTS IN SELECTED COUNTRIES

8. Argentina, Bangladesh, China, India, Indonesia, Kenya, Malawi, Sri Lanka, Tanzania, Turkey and Viet Nam provided the Secretariat with their market summaries prior to the session. Turkey was recognized as having the highest per capita tea consumption of 2.9 kg.

9. In addition to the recommendations in paragraph 7, the commonalities of the country presentations included:

- The need for producer countries to adapt to climate change by formulating effective strategies and policies; and
- The need to focus on quality improvement.

IV. FACTORS AFFECTING DEMAND AND SUPPLY

A. IMPACT OF DEMAND SIDE FACTORS ON THE GLOBAL TEA ECONOMY

Impact of macroeconomic factors on the global tea economy

10. The Group considered this agenda item with the assistance of document CCP:TE 14/2, which examined the following macroeconomic factors impacting demand:

- The growing demand for commodities in emerging economies;
- The depreciation of the US dollar;
- The high energy prices; and
- Expansion in monetary policies.

11. The Group noted that although the impact of these macroeconomic variables on tea prices was statistically significant, the impact on the tea market was small. Supply shocks had more impact on the change in tea prices than the four macroeconomic factors.

Implications of MRLs on tea in trade

12. The Group examined this agenda item with the assistance of document CCP:TE 14/3. The Group noted that given the absence of internationally harmonized MRL standards, a major achievement of the IGG was the submission to – and acceptance by – CODEX Alimentarius of a list

of priority chemicals detailing the correlation between field trial protocol and good laboratory practices (GLPs) supervised protocol.

13. MRL standards have different effects on consumption and trade flows. They could be a deterring factor on trade when exporters cannot comply with them and studies indicate that MRL standards had a much larger effect on trade than import tariffs. Any cost-related disruption in supply could increase prices and lead to increased price volatility, reducing consumer welfare.

14. The Group encouraged further detailed studies examining the impact of MRLs on trade flows.

B. IMPACT OF SUPPLY SIDE FACTORS ON THE GLOBAL TEA ECONOMY

Socio-economic implications of climate change for tea producing countries

15. The Group considered this agenda item with the assistance of document CCP:TE 14/4. While the Group considered the analysis as preliminary, policy recommendations can be made on the following:

- Agricultural and socio-economic adaptation strategies are required in the short term;
- Tea producing areas should be evaluated against climate projections;
- Comparative strategies of agro-climatic conditions, tea crop varieties and their requirements are necessary; and
- The possibility of breeding special tea hybrids that cope better with climate change should be considered.

C. FACTORS DRIVING THE GROWTH OF THE SMALLHOLDER TEA SUB-SECTOR

16. The Group reviewed this agenda item with the assistance of document CCP:TE 14/5. The Group noted that the situation of tea smallholders continued to be problematic because of the high cost of production associated with this farming system. Governments have formulated policies to promote long term buying commitments that would enable economic stability and sustainability to retain smallholders in rural areas.

17. Members agreed to provide the data requested in the household survey questionnaire to improve the quality of the analysis; and improve survey sample size to achieve statistical significance. The Group emphasized the importance of institutional setups to promote efficiency and effectiveness of smallholder integration in the tea value chain. However, challenges included: fluctuating prices, input cost inflations, appropriate climate change adaptation strategies and compliance cost to meet a plethora of certification requirements which added to cost of production and reduced their margins.

18. Further emphasis was made on the importance of the smallholder sub-sector in generating employment and income in the rural areas contributing significantly to national food security.

19. Several delegates requested that producing countries share both information and experience which would enhance the development of respective tea smallholder subsectors.

V. INTERGOVERNMENTAL ACTION

A. REPORT OF THE WORKING GROUPS ON MRLs AND ON MRLs IN THE BREW

20. The Group examined this agenda item with the assistance of a presentation delivered by the chairpersons of the WGs and recommended to continue with the activities defined in the work plans, in particular, to exploring the scope for capacity building in data generation in producing countries. It

was proposed that the Working Group on MRLs in the Brew be dissolved after the submission and endorsement of the policy document.

B. WORKING GROUP ON TEA TRADE AND QUALITY

21. With the assistance of a presentation by the chairperson of the WG, the Group was briefed on the achievements to-date and the proposed future action plan was adopted by the Group. The Chairperson also highlighted the need to build closer synergies between the WG and ISO for collation of information and data.

C. WORKING GROUP ON ORGANIC TEA

22. Following a presentation by the Chairperson of the WG, the Group was presented with the achievements to-date. The WG noted the limitations observed with regard to conversion of non-organic tea plantations to organic gardens, due to the apparent decline in crop production and high cost of cultivation. As a result, the WG recommended that perhaps green farming methods be considered as a way forward.

D. WORKING GROUP ON CLIMATE CHANGE

23. The Group examined this agenda item with the assistance of the decisions made at the intersessional meeting of the IGG in Rome in May 2014 (CCP:TE 14/CRS 2). Following a presentation of country reports, the Group considered it useful to know what the consequences of climate change were on tea growers, possibly through a study.

E. WORKING GROUP ON SMALLHOLDERS

24. Following the presentation of the Working Group on Smallholders, the Group endorsed the formation of a confederation of tea smallholders.

F. TASK FORCE ON PROJECTIONS AND STATISTICS

25. The Group examined the agenda item with the assistance of a presentation made by the Secretariat. The Group took note of the workshops organized by the Secretariat, as part of its effort to build capacity at the country level, and endorsed the action plan that was developed by the task force.

G. UPDATE ON THE TEA WEBSITE DEVELOPMENT

26. Given the lack of progress in developing the website, the Group agreed to use the electronic forum that had been developed by the Secretariat to more effectively develop the website. In addition, this would facilitate the achievements of the Working Groups' plans of action. It was agreed that the Chairpersons of each Working Group would coordinate their "private rooms". While the Secretariat would continue to administer the forum, Canada, in its new role as Communication Focal Point, would coordinate the inputs from members in a logical manner.

H. INTERNATIONALLY COORDINATED ACTIONS ON TEA DEVELOPMENT PROJECTS

27. The Group was informed of the progress of the Common Fund for Commodities funded project: *Development of smallholder tea cultivation in Bangladesh and Indonesia* by the Project Executing Agency (PEA) and the Project Implementing Agency (PIA). The Group noted that project completion would be on 30 June 2015.

VI. ACTIVITIES IN OTHER ORGANIZATIONS

28. The Group was informed of activities in the ITC.

VII. OTHER MATTERS

A. ANY OTHER BUSINESS

Report of the Intergovernmental Commodity Groups

29. The Group was informed of the decisions taken by the Committee on Commodity Problems (CCP) at its 70th Session on 7-9 October 2014 which included inter alia that the IGG on Tea continue to meet on a regular basis.

B. DATE AND PLACE OF THE TWENTY-SECOND SESSION

30. The Group noted the expression of interest from Italy as well as the nomination by Malawi, and seconded by Tanzania, for Kenya to host the Twenty-second session of the IGG. The Group recommended to the Director-General that the Twenty-second session be hosted by Kenya in 2016. In addition, the Group recommended, and Italy accepted, that the next intersessional meeting be held in Italy to coincide with Milan Expo in 2015.The exact date and place of the Twenty-second session will be determined by the Director-General in consultation with the Chairperson.