

Emerging issues in the Tea Industry

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INTRODUCTION

This presentation focussed on tea production in Kenya with an emphasis on global tea production, tea prices, export, challenges and interventions within the Tea Industry. Kimenyi stated that it is clear that tea contributes immensely to socio-economic development of the country; it is the leading foreign exchange earner at 25% of the total foreign exchange earnings and contributes 7% of the GDP. The presentation went on as in the here below.

OVERVIEW OF THE TEA INDUSTRY

Tea Industry supports approximately five million Kenyans making it one of the leading sources of livelihood in the country. It contributes to rural development and touches the lives of thousands of small-scale tea farmers across the country by raising their standards of living and improving the rural economies. In 2013, the Tea Industry earned the country Ksh 114 billion in export earnings and Ksh 22 billion in local sales.

The Tea Directorate Strategic Objectives are guided by the Crops Act 2013. The Directorate's mandate include: i) regulation and ensuring compliance within the Tea Industry; ii) industry planning and development; iii) industry advocacy; iv) Tea Industry trade and promotion, and iv) enhancement of the effectiveness and efficiency of the Tea Directorate's organizational capacity and service delivery. Four broad strategic goals of the Tea Directorate, each relating to the area of focus, are: (i) To enhance the effectiveness and efficiency of Tea Directorate; (ii) To ensure order in the industry; (iii) To market and promote Kenyan tea in order to maximize returns along the value chain; and (iv) To enhance the competitiveness of Kenyan Tea Industry.

The global tea production in the financial year 2012/2013 positioned Kenya as the third leading producer (at 9%); led by India at 24% and China at 39%. Following Kenya closely is Sri Lanka at 7%, other African countries at 4%, Indonesia at 3% and the rest of the world contributing 11%. Globally, supply of tea increased by 158 million kilograms in 2013, with Kenya contributing 50% of the increase. At the time Kenya planted 198,659 hectares of tea against potential area of 362,667 hectares (Brown-line Report, 1966).

In 2013/2014, while the price at Mombasa and Kolkata (India) auctions were declining, the Colombo (Sri Lanka) prices were increasing. This was due to overproduction of tear, curl and cut (CTC) tea by Kenya and India. Sri Lanka produces mainly orthodox Tea. Kenya mainly exports tea to Pakistan, Egypt, UK, Afghanistan, Sudan and United Emirates. The export value was at its peak in the financial year 2013/2014.

CHALLENGES FACING THE TEA INDUSTRY

Kenya has had her fair share of challenges in tea production including: lack of a guiding policy in the Tea Industry; low local consumption; overreliance in one product range – black CTC tea; emerging private standards and diverse requirements by respective importing countries; overreliance on a few markets (Pakistan, Egypt, UK, Afghanistan and Sudan); and, minimal value addition on Kenya Tea (such as smaller packages, flavoured, iced and instant).

INTERVENTIONS TO CHALLENGES FACING THE TEA INDUSTRY

Some of the interventions that have been put in place include: development of a tea policy; diversification into other types of tea (green; orthodox; white and purple); promotion of value addition; ensuring compliance on quality and safety standards; ensuring compliance with the regulatory framework; improving of market research and development; development of a common user facility (CUF) to promote value addition; automation of tea auction to enhance transparency and better price discovery mechanism; and, a study is underway on the establishment of a Stabilization Fund (SF) and minimum green leaf (GL) payment rate to the growers.