

TEA DEMAND ANALYSIS FOR EAST AFRICA



About the Paper

The intention of this supply and demand analysis for the tea sectors of Kenya, Tanzania and Burundi, is to provide informed analysis to a sector action plan that can serve various purposes. Primarily it will be used to guide the subsequent MARKUP project activities in the result areas listed in the workplan, but also for use by the regional and national regulatory and industry representative bodies in support of their own tea sector strategy implementation and industry development support. The duties and responsibilities for the tea industry demand analysis will be to complement a separate tea industry supply analysis already underway and will be delivered in coordination and cooperation of ITC project management. The tea demand analysis will be to research, analyse and present the general trends of the global tea market with particular reference to the demand dynamics of the EU market relating to the tea types produced in Kenya, Tanzania and Burundi. Disclaimer

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Disclaimer

This document was produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union.

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Acronyms

BRC	British Retail Consortium
CBD	Cannabidiol
CIS	Commonwealth of Independent States
CTC	Cut Tear Curl
DFID	The Department for International Development
DMCC	Dubai Multi Commodities Centre
EAC	East African Community
ETP	Ethical Tea Partnership
EFSA	European Food Safety Authority
EPK	Eastern Produce Kenya
ETP	Ethical Tea Partnership
EU	European Union
FRICH	Food Retail Industry Challenge
FSMS	Food Safety Management System
GBP	Pound Sterling
GFSI	Global Food Safety Initiative
HACCP	Hazard Analysis and Critical Control Points
IFS	International Featured Standards
ISABU	Institut de Sciences Agronomique du Burundi
ITC	International Trade Centre
ITC	International Tea Committee
KTDA	Kenyan Tea Development Agency
LTM	Last Twelve Months
MARKUP	Market Access Upgrade Programme
MRL	Maximum Residue Levels
MT	Metric Ton (1000kg)
NBO	National Brand Owner
NPD	New Product Development
OTB	Office du Burundais
RA	Rainforest Alliance
RASSF	Rapid Alert System for Food & Feed
RTD	Ready to drink
SCOBY	Symbiotic Culture of Bacteria and Yeasts

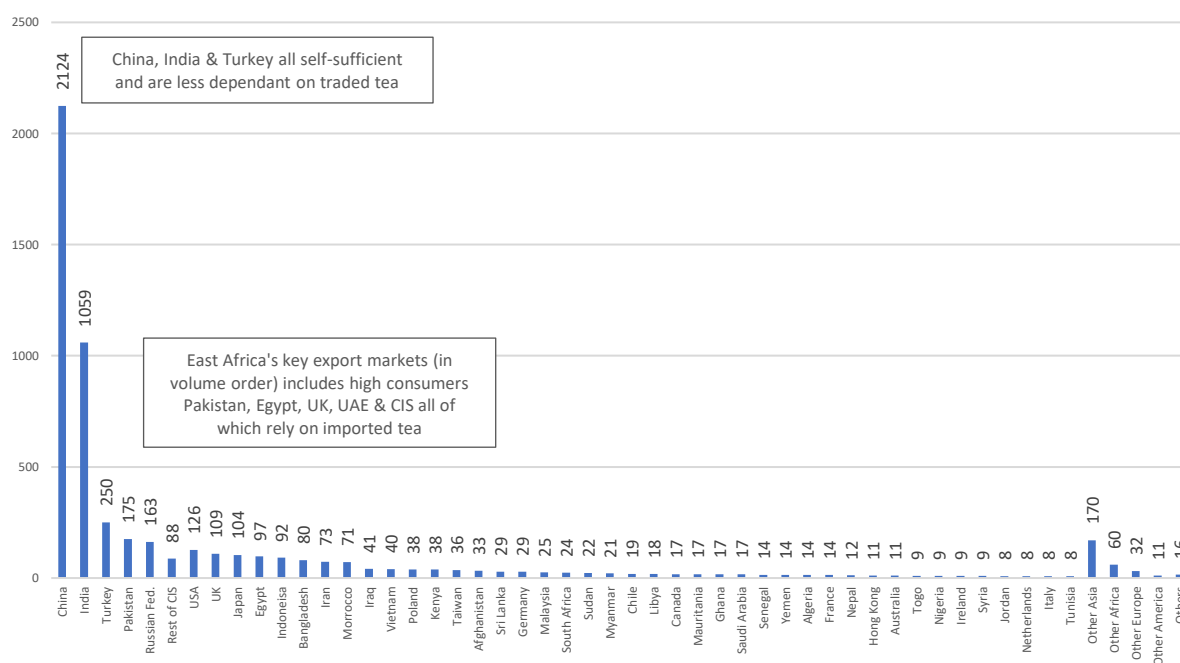
SKU	Stock Keep Units
SME	Small Medium-Size Enterprises
SQF	Safe Quality Food Programme
TBT	Tea Board of Tanzania
THC	Tetrahydrocannabinol
TMT	Thousand Metric Ton (1,000,000kg)
TSHTDA	Tanzania Smallholder Tea Farmers Development Agency
TTA	Tanzania Tea Authority
UK	United Kingdom
UNFCC	United Nations Framework Convention on Climate Change
UNIDO	United Nations Industrial Development Organization
US	United States
YOY	Year on Year

CHAPTER 1: WORLD TEA CONTEXT

The world tea production in 2017 is estimated at 5,811 thousand metric tonnes (TMT), up 4% versus 2016 and has steadily increased over recent years in line with global consumption which stands at 5,571 TMT¹ (see Appendix A for supply/absorption graph). Globally, more tea was produced in 2017 than ever before.

The largest tea producer is China, which represents 45% of the world's production. This is despite having low yields of 830 kgs/hectare which is indicative of the complex supply chain and huge area planted with tea which far exceeds any other region. China's tea production has increased by a massive 107% since 2008 – the majority of which has been absorbed by the growth in internal demand. India is the second largest producer, representing 23% of the world's tea production. However, with strong internal demand and high tea-drinking populations, China and India consume most of what they produce with exports representing just 14% and 19% of both countries crop respectively² (see Appendix B for production figures by country).

Figure 1 2017 Apparant Consumption of Tea by Country (million kgs.) Estimated total global consumption 5,571 Million Kgs.



Source: ITC Annual Bulletin of Statistics

Imported tea for consumption equates to 1,728 Million kg per year, representing 29% of global tea production. The biggest import market is Pakistan (taking 10% of all tea imports in 2017). Of Pakistan's tea imports, 73% is black tea from Kenya, followed by the same product from India and Rwanda. Since 2008 Pakistan's import demand has increased by a significant 77%, taking it from 5th to 1st largest

¹ Source; ITC Annual Bulletin of Statistic, page128, Annual Global Consumption of Tea, year 2017.

² Figure 1 source; ITC Annual Bulletin of Statistics, page 131. Based on the assumption that all tea retained in producer countries and all the imports into countries have been consumed during a given year.

importing nation. Other import markets of notable size includes Russia accounting for 9% of all tea imports (down 7% vs. 2008), USA at 7% (up 8% vs. 2008), United Kingdom (UK) at 6% (down 16% vs. 2008) and Egypt at 6% (down 9% since 2008). (See Figure 7 for full list of imports by country).

The highest volume consuming nations are China and India, but on a per capita basis Turkey leads with 3.13 kg of tea consumed per head of total population. They are followed by Morocco (2.58 kg), Afghanistan (1.69 kg), Ireland (1.68) and the UK (1.67). Per capita consumption in China represents 1.42 kg, and India considerably lower at just 0.80 kg (likely to be indicative of the style of brewing traditional chai).

CHAPTER 2: EAST AFRICAN TEA MARKET CONTEXT

Table 1 Overview East African Tea Market – selected countries

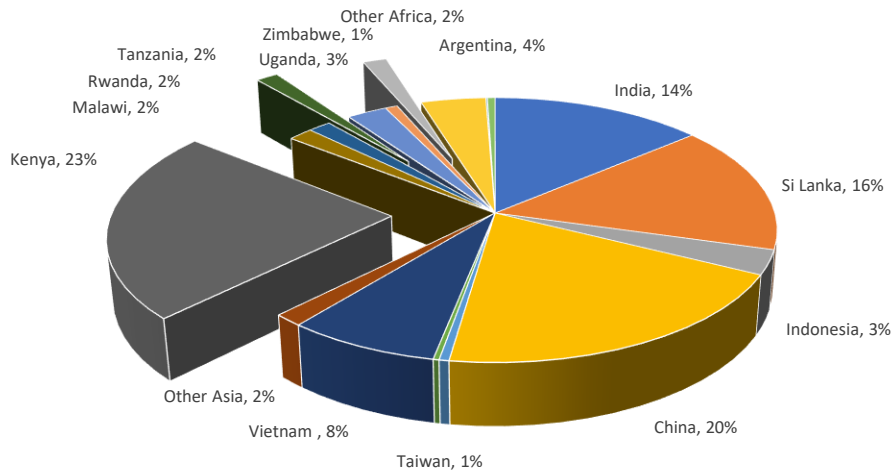
Country	Number of processing sites	Average Annual Production (TMT) 15-17	Average acreage (ha)	Average yield (kgs/ha)	Type of tea produced	
					CTC	Orthodox
Kenya	70 smallholder owned factories 28 privately owned factories 24 multinational owned factories 2 government owned factories	437,360	220,235	1,986	99.1%	0.9%
Tanzania	22 privately owned factories	30,861	22,684	1,360	100%	-
Burundi	5 government owned factories 1 privately owned factory	11,033	9,000	1,226	100%	⁻³

2.1 Kenya

Kenya is Africa's largest tea producer, and tea is its leading export crop. In 2017 it produced 440 million kg of tea, with 415 million kg exported – making it the world's biggest exporter of tea, a position maintained for at least the past nine years.

³ OTB is running trials on speciality tea, including orthodox, in one of its factories Buhoro.

Figure 2 2017 World Exports of Tea



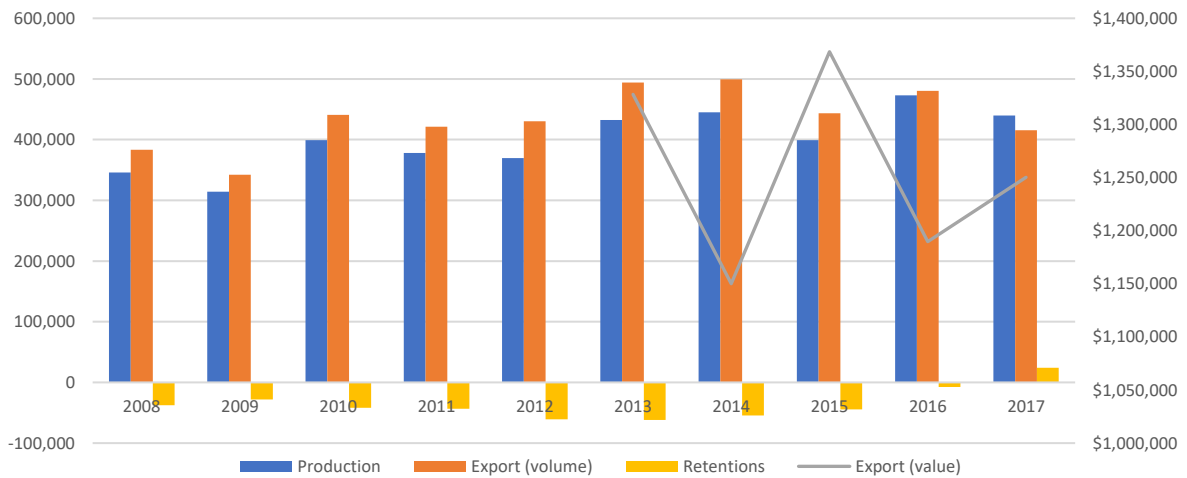
Source: International Tea Committee, Annual Bulletin of Statistics 2018

For the Kenyan tea exported in 2017, Pakistan was the biggest market representing 37% of total export volume, followed by Egypt (17%) and UK (9%). Kenyan tea exports are dominated by just a few destination markets, with the top five countries exported to representing 76% of total exports. Since 2013, Pakistan's dominance in its demand for Kenyan tea has grown significantly, with volume increasing by 38% (taking it from 19% to 37% of export market share), whilst Egypt and UK have both seen volumes decline over the same period (from 19% to 17% and 13% to 9% respectively).

Other notable demand growth since 2013 has been within the UAE, where the value of Kenyan imports has increased by 10%⁴, taking it from a position of 7th to 4th largest market for Kenyan tea exports (in volume terms). This is despite UAE's total volume imported remaining relatively stable over the same period, indicating greater losses in other regions, notably Sudan (-41%) and Commonwealth of Independent States (CIS) (-40%), and also reflecting the overall decline in Kenyan exports which have dropped by 19% in terms of volume from 2013 to 2017.

⁴ UAE importance as a destination for exports has likely grown in significance as a result of the DMCC Tea Trading Centre 2005 opening, which has since made Dubai the largest re-exporter of the world's tea. Over the same time Dubai's reliance on Kenyan tea has also grown, with Kenya now the largest region imported from (replacing India) at 37%

Figure 3 Kenyan tea supply / demand interaction (metric tonnes / USD)

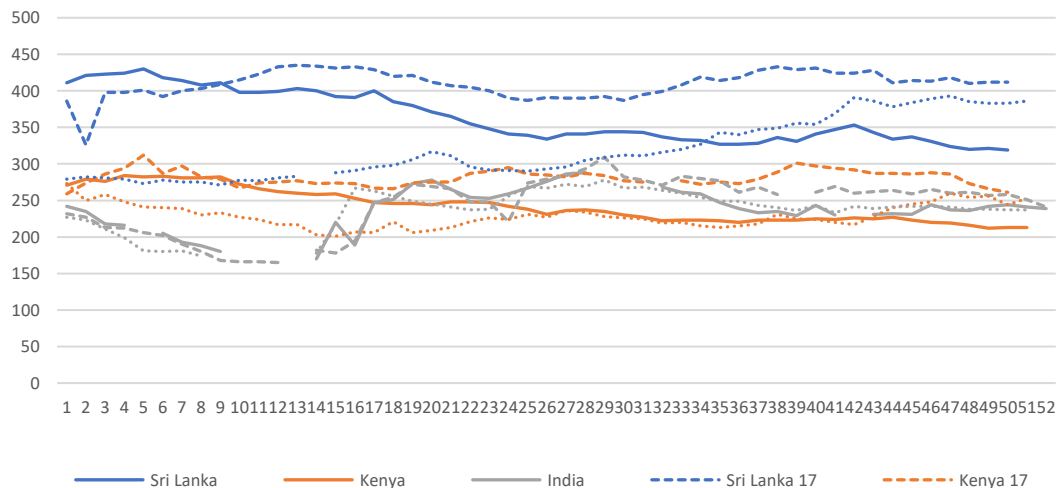


Source:

Kenyan tea production over the period 2013 to 2017 increased by 1.7%, from 432 to 440 million kgs. With the decline in exports and the slight increase in production, the quantity of tea retained within the Kenyan market stood at 24 million kilos at end 2017⁵ – a position not seen for many years that can be directly attributed to reduced exports, likely as a result of price (see figure 3).

Indeed, from recent years' records (2008 until 2016) the end year position has been consistently negative hitting a deficit of -61 million kilos in 2013. This excess position can be seen to have a negative impact on Kenyan tea market prices through 2018, evident in the Mombasa auction⁶ prices achieved, with prices down -14% from January to September 2018.

Figure 4 Weekly Tea Auction Prices 2018 vs 2017 vs 2016 (USD)



Source: Vanress

⁵ International Tea Committee, Annual Bulletin of Statistics 2018: Page 59, TABLE C2, TEA RETAINED in Producing Countries. 'Retained tea' can be carried over and sold in future months trade – tea has a relatively long-shelf life (retailers typically using 3 years for non-flavoured tea), therefore there would be no significant impact on quality – although buyers will always prefer to purchase the freshest tea

⁶ The Mombasa Tea Auction is the only tea auction centre in Africa, selling tea from many African tea producing countries. Prices are publicly listed online, and used by International Buyers to monitor demand, and influence short/long-term buying strategies

Figure 4 illustrates that the interaction between global markets can to some extent be linked, although it is not entirely comparable due to different tea grades and regions affecting the average market prices (e.g. Darjeeling within all India). Of particular importance to East African tea in terms of offering comparable characteristics within blends would be Assam Cut Tea Curl (CTC) (also a good source of colour, and to a lesser extent, brightness), Sri Lankan Dimbula (though less likely to be interchangeable as generally higher priced), certain higher quality Indonesians, and China Yunnan (comparable colour, although has a distinct character so introduced with care).

Kenya's tea production is dominated by black CTC tea, a position that has almost not changed over past years, and reflective of the historical context, which saw the Kenyan tea industry rapidly expand from the 1960s with the growth of demand for teabag-grade tea. In 2017 CTC represented 99.1% of all tea made, with orthodox at 0.9%. Orthodox production has increased a little since 2013, when it accounted for 0.2% of all tea made. The production of Orthodox tea made is dominated by black orthodox tea, followed by green and to a lesser extent purple.

Commercial tea production in Kenya dates back to the 1920s when British migrant Arnold Butler McDonnell planted nine hectares of tea at Kiambethu, near Nairobi, after other crops failed due to higher than optimum altitude. The tea plants grew well, other farmers followed suit, and by 1933 Kenyan tea was being exported for sale to the London Auction.⁷ From the 1960s the industry expanded further with the Ministry of Agriculture encouraging farmers to grow tea. Production increased from 18 million kgs in 1963 to 294 million kgs by the late 1990s, with the region meeting the growing demand over the same time for small-cut teabag grade tea in consuming countries, notably the UK.

60% of Kenya's tea produced is grown by smallholders, with the Kenyan Tea Development Agency (KTDA) managing 70 factories and processing smallholder leaf into mainly black CTC tea. The remaining 40% of tea produced comes from large private companies, such as Unilever, James Finlay, Williamsons, Sotik, Kikebe Estates, Kapchebet and Kaisugu.

Unilever Tea Kenya Ltd. (formerly known as Brooke Bond Kenya) a subsidiary of Anglo-Dutch conglomerate Unilever plc. has been growing tea in the Kericho Highlands since 1924 and owns 28 estates and 8 factories manufacturing an average of 32 million kgs of tea per year. Unilever Tea Kenya is one of the largest commercial enterprises in Kenya, is the largest privately-owned producer of tea and the largest private buyer of smallholder tea in the country. The business contributes Ksh. 5.5 billion (\$US 55m) to the economy as a foreign exchange earner.⁸

The Kericho Highlands, located in the Rift Valley Highlands, are home to many other privately-owned estates including James Finlay Kenya (established 1925 operating nine estates and four factories), and Williamson Tea Kenya (four estates with factories). Eastern Produce Kenya (EPK) is located in the Nandi Hills region (originally established in Sri Lanka in the 19th Century, with seven estates and five factories).⁹

Table 2 shows Kenyan exports by destination market and can be taken as a guide to show key regions shipped to. It should be noted; these figures include teas imported from other African countries and sold via the Mombasa auction.

⁷ At that time the London Tea Auction represented the global hub for International Tea Trading. Origin auctions (e.g. Mombasa, Kolkata, Colombo) were not established at that time

⁸ Source: www.ide.go.jp/English/Data/Africa_file/Company/kenya06.html

⁹ Source: World of Tea, Jane Pettigrew

Table 2 2017 Kenyan exports by highest volume country¹⁰

	Value ('000 USD)	% Value share	Volume (tonnes)	% Volume share	Average price per kilo	Value % change 2013 to 2017	Volume % change 2013 to 2017
Pakistan	\$ 494,507	39.55%	153,679	36.97%	\$ 3.22	48%	38%
Egypt	\$ 185,301	14.82%	70,499	16.96%	\$ 2.63	-30%	-36%
UK¹¹	\$ 100,890	8.07%	38,330	9.22%	\$ 2.63	-54%	-65%
UAE	\$ 84,128	6.73%	27,890	6.71%	\$ 3.02	10%	-1%
CIS	\$ 75,933	6.07%	26,038	6.26%	\$ 2.92	-46%	-40%
Sudan	\$ 51,166	4.09%	21,501	5.17%	\$ 2.38	-39%	-41%
Yemen	\$ 52,761	4.22%	14,342	3.45%	\$ 3.68	1%	-29%
Afghanistan	\$ 30,936	2.47%	9,044	2.18%	\$ 3.42	-489%	-585%
Other Asia	\$ 27,555	2.20%	8,374	2.01%	\$ 3.29	51%	36%
Poland	\$ 15,938	1.27%	5,346	1.29%	\$ 2.98	-12%	-34%
USA	\$ 21,868	1.75%	4,740	1.14%	\$ 4.61	24%	26%
Saudi Arabia	\$ 16,558	1.32%	4,383	1.05%	\$ 3.78	36%	15%
Nigeria	\$ 12,046	0.96%	4,293	1.03%	\$ 2.81	-2%	-11%
Ireland	\$ 11,881	0.95%	3,222	0.78%	\$ 3.69	-8%	-23%
Iran	\$ 9,999	0.80%	3,111	0.75%	\$ 3.21	-223%	-234%
India	\$ 9,134	0.73%	2,901	0.70%	\$ 3.15	-5%	-46%
Other Europe	\$ 6,683	0.53%	2,773	0.67%	\$ 2.41	70%	74%
Turkey	\$ 6,166	0.49%	2,100	0.51%	\$ 2.94	34%	30%
Netherlands	\$ 5,197	0.42%	2,090	0.50%	\$ 2.49	-5%	-4%
Japan	\$ 11,275	0.90%	1,933	0.46%	\$ 5.83	-6%	-1%
Chile	\$ 5,135	0.41%	1,801	0.43%	\$ 2.85	61%	62%
Somalia	\$ 1,771	0.14%	1,636	0.39%	\$ 1.08	-279%	-194%
Other Africa	\$ 1,846	0.15%	1,041	0.25%	\$ 1.77	40%	52%

¹⁰ Please note ITC Table D2 'UK Tea Imports' show a different situation, with imports from Kenya during 2017 70,166 tonnes, in growth from 66,133 tonnes at 2013. 2017 value for 2017 is \$203,883 thousand USD, up from \$187,386 thousand USD in 2013 – therefore each should be taken as a guide

Sri Lanka	\$ 2,670	0.21%	999	0.24%	\$ 2.67	23%	23%
Germany	\$ 1,909	0.15%	743	0.18%	\$ 2.57	-72%	-75%
Oman	\$ 729	0.06%	715	0.17%	\$ 1.02	-182%	-85%
South Africa	\$ 1,566	0.13%	488	0.12%	\$ 3.21	-49%	-95%
Canada	\$ 975	0.08%	427	0.10%	\$ 2.28	-542%	-482%
Djibouti	\$ 1,016	0.08%	396	0.10%	\$ 2.57	-158%	-392%
Belgium	\$ 740	0.06%	300	0.07%	\$ 2.47	-5%	29%
Others	\$ 814	0.07%	231	0.06%	\$ 3.52	37%	21%
Singapore	\$ 729	0.06%	164	0.04%	\$ 4.45	-204%	-132%
Eritrea	\$ 324	0.03%	130	0.03%	\$ 2.49	-69%	-66%
Israel	\$ 92	0.01%	50	0.01%	\$ 1.84	48%	52%
Italy	\$ 31	0.00%	3	0.00%	\$ 10.33	-248%	-900%
Australia	\$ 6	0.00%	2	0.00%	\$ 3.00	-2283%	-600%
	\$ 1,250,275		415,715				

Source: International Tea Committee, Bulletin of Statistics 2018

2.2 Tanzania

Commercial production of tea in Tanzania started in the 1920s when free seed was distributed as an alternative crop to coffee and by the 1960s production had reached 3.75 million kgs. Production in 2017 stood at 31 million kgs, a small reduction of 1% since 2013.

Until the 1960s, tea in Tanzania was produced by large foreign-owned companies, being managed and overseen by the Tanganyika Tea Board. This changed in 1964 when the Tea Board was renamed as the Tanzania Tea Authority (TTA) and became responsible for the trade and marketing of smallholder tea. In conjuncture with this, the government introduced a program of smallholder tea farming.

Around 2000/2001, the 22 tea factories were privatised and sold off to local and overseas investors, and as a result the Tanzanian Tea industry is now all privately-owned. Around the same time the TTA was renamed as the Tea Board of Tanzania (TBT) and is now responsible for advising on policy and strategy, regulating quality, collecting data and acting as the liaison between government and the wider tea industry.

Smallholders share of total production has dropped over time, and in the 1990s represented less than 10%. As a result, the Government-owned Tanzania Smallholder Tea Farmers Development Agency (TSHTDA) was created in 1994 to help promote and increase this sector. Smallholder production now represents around 30% of total tea produced. Land under tea, is equally split between private and smallholder growers but smallholder achieved yield is significantly lower than the private sector resulting in a lower made-tea figure.

Tea is Tanzania's fifth most important export crop after cashew nuts, coffee, cotton and tobacco.¹² 86% of Tanzania's tea crop is exported, growing 5% since 2013. Kenya represents 39% of export volumes, and represents volumes destined for sale in the Mombasa auction – Kenya's dominance as the leading route for Tanzania's tea has grown over recent years, with growth of 19% since 2013. Tanzania's top five export markets represent 88% of demand, with notable growth since 2013 coming from Kenya (+19%), Pakistan (+64%) and other Europe (+17). The UK has seen a significant decline of -49% since 2013, and -81% in terms of value. This reflects reduced volume, which can in part be due to lower sales of black tea within the UK market. More significant is the drop in value, which can be attributed to lower prices paid for Tanzanian tea (a trend not seen for Kenyan tea exports to the same market, which similarly reflected lower volumes, achieved higher prices since 2013) probably in relation to an overall reduction in quality.

The largest tea producers are Mufindi Tea Company, Unilever, East Usambara Tea Company and TETEPA. Other companies include Metl, Watco, Dhow Merchantile, Tanwat, Kisigo Tea Company, Kagera Tea Company, New Mponde Tea Factory Ltd. and Bombay Burmah.

Owned by Rift Valley Corporation, the Mufindi Tea Company has three estates in the Southern Highlands at Mufindi, Luponde and Kibena. The business manufactures around 10 million kgs per year. In 2012 they built a new factory at Ikanga to process smallholders leaf and the business offers extension services, technical support, transportation, and sells fertiliser to farmers at reduced prices. Most of the teas produced are black CTC types, but Luponde Tea Estate has diversified into the speciality tea market. They now produce large leaf-orthodox black teas, organic steamed green, silver needle white, two Earl Grey (one green and one black) and various organic herbs.

In recent years we've found Tanzanians be offer less quality and less value compared to some of the other 'medium' east African types available. Since we've seen a real increase in mechanisation in Tanzania, we've observed significant degradation of quality and, for us, therefore relative value has been poor. We see other producers elsewhere focusing in on better value and producer better teas for similar pricing. I think it would be fair to say that Tanzanian teas have generally been below our lowest level quality for the past 2-3 years.

- Head of Tea & Infusions

Leading UK Brand and Contract Packer

Table 3 2017 Tanzanian exports by highest volume country

	Value ('000 USD)	% Value share	Volume (tonnes)	% Volume share	Average price per kilo	Value % change 2013 to 2017	Volume % change 2013 to 2017
Kenya (a)	14346	29%	10,636	39%	\$ 1.35	20%	19%
UK	9123	19%	4,479	16%	\$ 2.04	-81%	-49%
Other Europe	5994	12%	3,199	12%	\$ 1.87	4%	17%
Pakistan	6282	13%	3,062	11%	\$ 2.05	57%	64%
South Africa	6039	12%	2,790	10%	\$ 2.16	-58%	-7%
Other Asia	3709	8%	1,774	6%	\$ 2.09	-14%	-17%
Netherland	962	2%	478	2%	\$ 2.01	-95%	-68%
Other Africa	1010	2%	438	2%	\$ 2.31	-14%	-5%
Germany	689	1%	269	1%	\$ 2.56	-48%	-65%
Other Countries	396	1%	161	1%	\$ 2.46	36%	40%
Canada	305	1%	150	1%	\$ 2.03	79%	84%

¹² Source: Jane Pettigrew's WORLD OF TEA, pg. 158

USA	174	0%	47	0%	\$ 3.70		-67%	-111%
Ireland	63	0%	29	0%	\$ 2.17		100%	100%
Australia	0	0%	-	0%	\$ -		-100%	-100%
	49092		27,512					

(a) Including shipments to Mombasa auction. All other regions can be attributed to direct sales
Source:

2.3 Burundi

Tea production in Burundi dates back to 1931 when the Gisozi Tea Research Station first carried out trial plantings. Soon after, two further estates, Teza and Rwegura, were established by Institut de Sciences Agronomique du Burundi (ISABU).

In the 1970s and 1980s smallholders began to grow tea and five further factories were built (four funded by the European Investment Bank). Since 1990 all of Burundi's factories (except Gisozi which is privately owned¹³) have been under the control of the Office du The Burundais (OTB). The OTB has been managing the industry since the early 1970s and provides farmers with technical support, seedlings and fertiliser.

Production dropped between 1993 and 2005 from 6 million kgs to 4.2 million kgs due to the civil war, but it has since increased to 11.2 million kgs in 2017. Tea is Burundi's

second largest crop after coffee and accounts for 10-15% of the country's revenue. Average plot size is 0.15Ha. per farmer, with 66,000 OTB farmers accounting for 10,600 Ha. Private sector farms are approximately half the size per farmer (Prothem 10,500 farmers with 980 Ha). The country exports around 95% of its tea, with 80% of it being sold through the Mombasa auction and the rest to private buyers.

Burundi manufactures all CTC black tea, however OTB are trialling speciality tea production at the Buhoro factory.

We have always admired the brightness Burundi tends to produce in their primary CTC grades but we have not considered them as an appropriate source for a number of years now due the ethical issues around child labour predominantly. We now require all of our teas to be certified either by Fairtrade or RA/Utz as part of our ETP membership, or for our directly certified products...there are no certified estates in Burundi so they don't really register on our sourcing scope I am afraid. I think it would be interesting for us if this changed as the brightness can be quite remarkable.

- Head of Tea & Infusions,

Leading UK Brand and Contract Packer

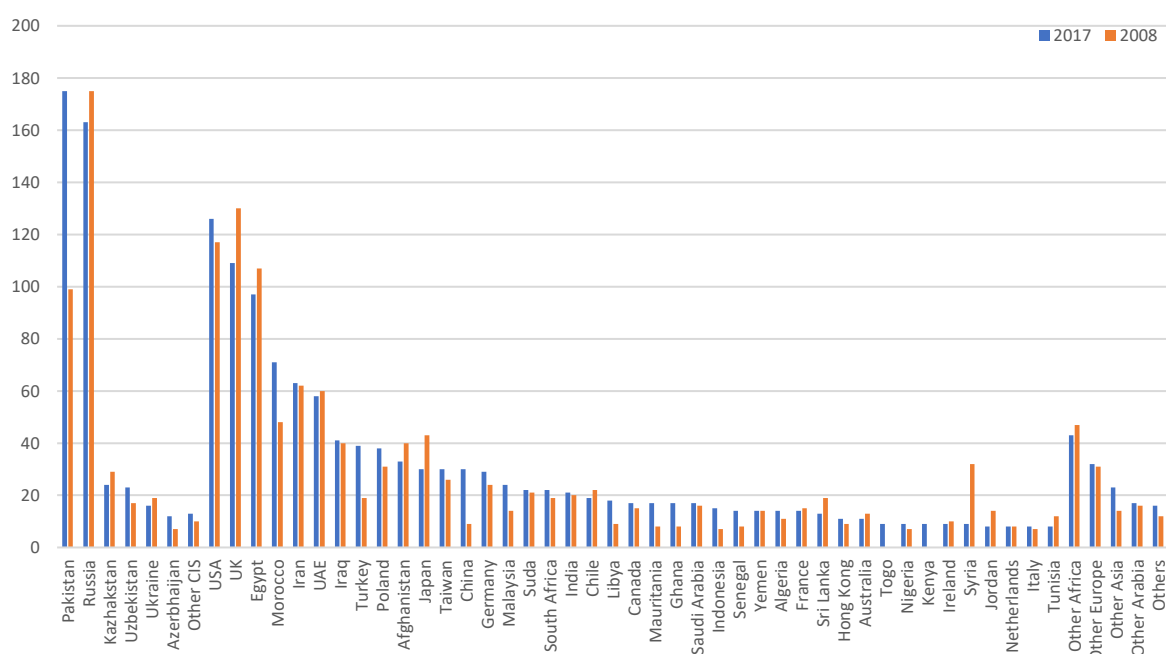
¹³ Gisozi was established by Prothem S.A (Promotion de la Theiculture en Province de Mwaro) in 2006 and has been operational since 2011

CHAPTER 3: EUROPEAN MARKET: IMPORT VOLUME, VALUE AND PER CAPITA CONSUMPTION

Europe represents the single largest continent in terms of tea imports for consumption, equating to 513 million kgs in 2017, 30% of global tea imports. Asia ranks second with 489 million kgs (28%), followed by Africa at 370 million kgs (21%). Europe is a net tea importer, Turkey, Russia and Georgia being the only sizeable tea producers within the region, although tea is also being grown in other countries including France, the Netherlands, Portugal, Spain, UK, Italy and Switzerland – on an experimental or small-scale basis.

Within Europe, Russia and the UK dominate in terms of demand (CTC black tea), though both have declined since 2008. Notable European markets in growth over the same period include Turkey (+51%), Poland (+18%), Germany (+17%) and Italy (+13%) however all are from a much smaller base.

Figure 5 Import of Tea for Consumption 2017 vs 2008 (million kgs) Total Imports for Consumption 1,570 Million Kg



Source: International Tea Committee, Annual Bulletin of Statistics 2018, pgs. 76-77

Black tea remains the most popular tea type within most European markets representing over 95% of market share in markets such as UK and Ireland, reflecting the local style of tea drinking (black tea with milk). In markets such as Germany, France and the Netherlands whilst black tea is still the preferred option, the proportion is much lower, and is indicative of the preference for lighter teas and speciality types.

Table 4 European Union Trade Statistics by tea type (metric tons)

	Total Imports	Black tea		Green tea		Re-exports	
UK	127773	122840	96%	4932	4%	19432	15%
Germany	53493	38586	72%	14907	28%	24904	47%
Poland	38097	32371	85%	5726	15%	-	-
Netherlands	21169	17648	83%	3521	17%	13197	62%

France	17428	8384	48%	9044	52%	3438	20%
Ireland	9655	9211	95%	444	5%	861	9%

Source: International Tea Committee, Annual Bulletin of Statistics 2018. Import figures in column B, are before re-exports. No re-export figs listed for Poland

Aside from the UK (covered in the next section) Germany is the most significant EU market in terms of imported volume. German consumers prefer loose leaf tea, with a share of 60% (teabags retain a 40% share), a ratio which has remained constant for the past 10 years and is in complete contrast to the UK, Poland and Netherlands where teabags still dominate.¹⁴ Also notable in Germany is the dominance of Fruit and Herbals which represent 62% of retail sales (see Table 5).

Table 5 Retail sales of tea by category volume and category value 2018

	UK			Germany			Poland			Netherlands			France		
	tonnes	% share	2013-18	tonnes	% share	2013-18	tonnes	% share	2013-18	tonnes	% share	2013-18	tonnes	% share	2013-18
Black tea	75862.7	89%		13292	24%		17884.8	63%		4279.7	53%		5192.8	35%	
- Loose black tea	1927.6	2%	-6.4%	7674.5	14%	-2.40%	2222.2	8%	-17.5%	367.8	5%	19.7%	1181.1	8%	4.10%
- Teabags black	73935.1	87%	-14.0%	5617.6	10%	-0.10%	15662.6	55%	-6.3%	3911.9	48%	-22.8%	4011.7	27%	6.80%
Fruit/Herbal	4611.7	5%	33.4%	34924.4	62%	7.90%	7805.2	27%	9.4%	1950.4	24%	5.4%	5850.9	39%	17.70%
Green tea	2298.5	3%	58.8%	4464.9	8%	11.40%	2325.3	8%	18.8%	855.8	11%	16.5%	2995.4	20%	29.80%
Instant tea	1198.6	1%	0.6%	96.9	0%	-4.40%	-	-	-	525	6%	270.3%	669.6	4%	-0.20%
Other tea	882.9	1%	17.4%	3117.6	6%	-8.70%	528	2%	-18.1%	511	6%	7.8%	262	2%	6.60%
	84854.3		-10.5%	55895.8		4.70%	28543.3		-2.1%	8121.8		-5.3%	14970.7		14.40%
Retail sales of tea by category value 2018															
	UK			Germany			Poland			Netherlands			France		
	GBP m	% share	2013-18	EUR m	% share	2013-18	PLN m	% share	2013-18	EUR m	% share	2013-18	EUR m	% share	2013-18
Black tea	575.6	67%		355.2	21%		1317.7	54%		52.7	27%		186.1	30%	
Loose black tea	20.5	2%	6.3%	211.7	13%	5.60%	126.4	5%	-11.5%	6.4	3%	23.5%	40.2	7%	9.4%
Teabags black	555.1	65%	-4.6%	143.5	9%	8.60%	1181.2	49%	6.7%	46.3	24%	-17.2%	145.9	24%	11.1%
Fruit/Herbal	172.7	20%	46.3%	1032.1	61%	15.10%	721.5	30%	26.6%	83.1	42%	8.8%	262.6	43%	33.4%
Green tea	63.3	7%	103.3%	142.2	8%	21.20%	302.4	12%	29.7%	36.4	19%	25.1%	144.2	23%	37.2%
Instant tea	17.1	2%	0.3%	1.1	0%	1.40%	-	-	-	5.8	3%	276.2%	12.5	2%	-4.7%
Other tea	29.2	3%	30.7%	156	9%	-7.40%	86.1	4%	-11.2%	18.3	9%	14.9%	9.2	1%	11.9%
	858		8.6%	1686.6		11.30%	2427.7		12.3%	196.4		6.6%	614.6		25.1%

Source: Euromonitor International

Around half of Germany's tea imports in 2017 came from China (23%) and India (20%), followed by Sri Lanka (12%). Germany is considered a hub for global tea trade, with many contract packers and wholesalers offering a wide range of speciality tea blends and packing formats (e.g. Ostfriesische Tee Gesellschaft (OTG), Halsson & Lyon and Teepack). As a result, around half of the tea imported into Germany is re-exported with exports to more than 100 countries worldwide. Biggest destination markets for German-processed tea includes France, USA and the Netherlands.

The only sector of the German retail market showing volume growth is Green tea and Fruit/Herbal Infusions, while black tea declined 1.4% between 2013-2018 (loose black -2.4%, teabag black -0.1%), reflecting consumer interest in health, and associated benefits. Despite lower volumes, retail sales value of black tea increased by 6.8% over the same period, a trend which was seen in other regions as consumers pay more for their tea.

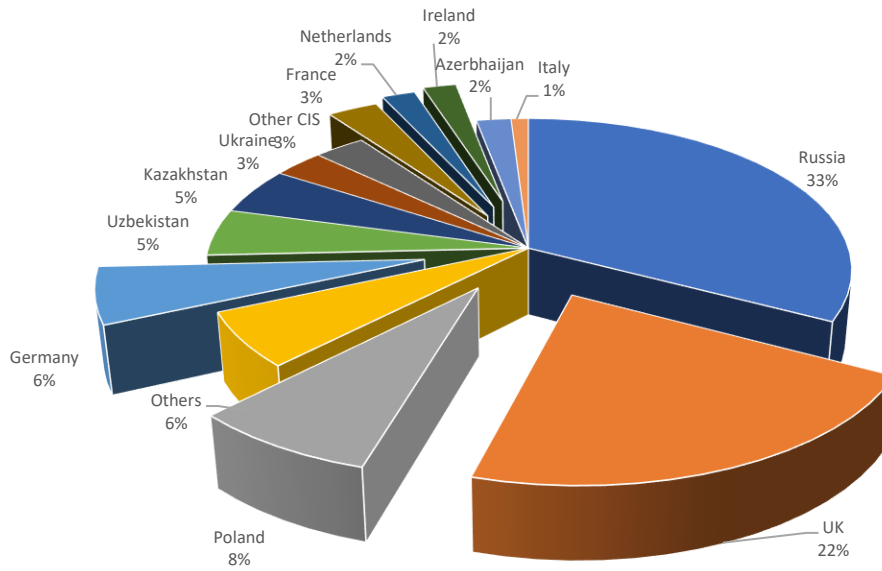
German tea manufacturer and brand Teekanne has the largest share of the retail market at 22% due to its well-established, prominent and trusted consumer base. Messner (OTG-owned) follows with a 19% share. The gap between these market leaders and other brands is significant, with Westcliff/Westminster following in third at 8% (Aldi private label).

Another notable EU market is Poland, similar in structure to the UK, with fairly traditional customers in their consumption of tea. Lipton Yellow label (Unilever) represents 36% of the local retail market, and it benefits from a wide range of products and extensive availability. Unilever recently introduced a range of functional teas (Immunity, Beauty, Boost) in an attempt to address healthy trends, though smaller

¹⁴ Source: The German Tea Market 2017, German Tea Association

brands are gradually winning sales from the market leader, as it is the case with Herbapol Lublin, Mokate and Big-Active as a result of growing demand for a wider range of tea-products on shelf and price promotions.

Figure 7 Market Share of Europe by Imports 2017



Source: International Tea Committee, Annual Bulletin of Statistics 2018

CHAPTER 4: UK RETAIL TEA MARKET

4.1 Value Up, Volume Down

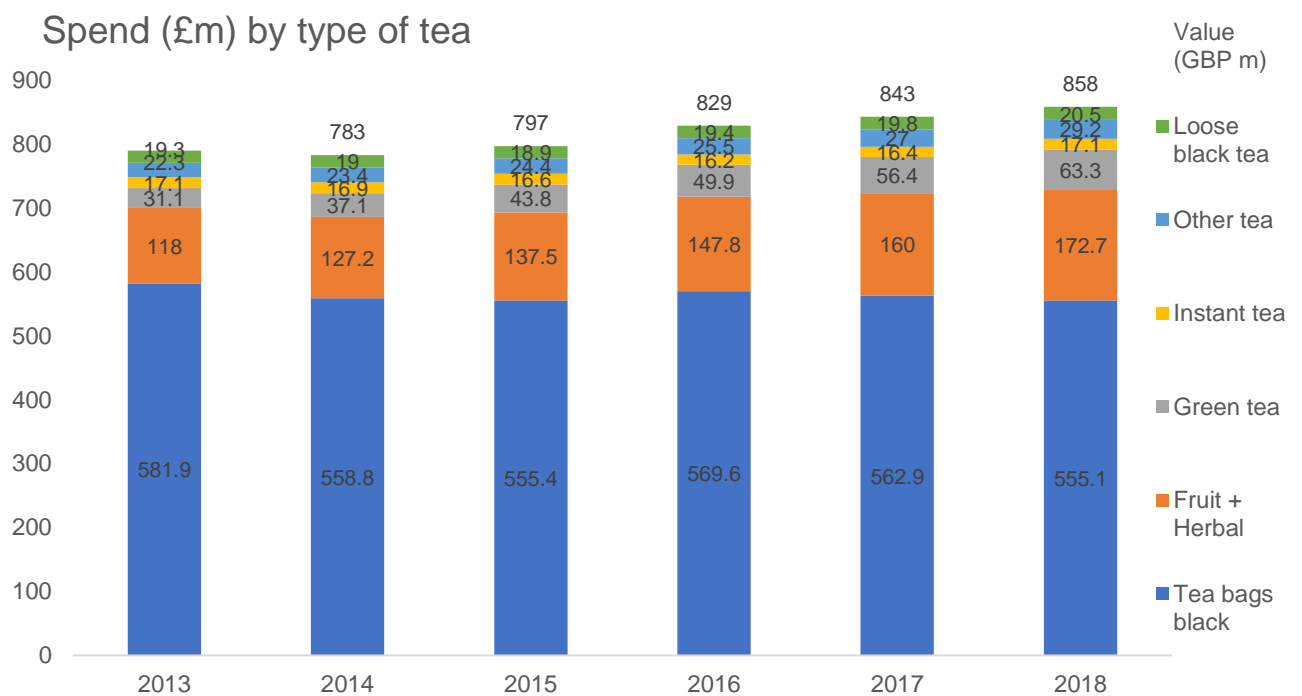
The UK retail tea market is worth circa £858 millions in annual sales and despite volume decline, value has increased 8.7% since 2013, driven by the strong growth of green tea and herbal and fruit infusions. Fruit, herbal, green and speciality teas have been the only growth areas in the category for some time, despite average price/kg being almost three times higher than mainstream tea (CTC black teabags).

“The overall decline in at-home beverage consumption has largely been driven by a significant decrease in people drinking hot drinks, especially in the US (-8% since 2014) and the UK (-5% in the same period). Every market analysed in our study showed a decline in hot drinks consumption, and the average decline globally was 3.3% over the past 12 months”.

- Kantar Worldpanel. EAT, DRINK & BE HEALTHY; how at-home consumption is changing. February 2019

Inflationary price pressures in recent years, driven by a weak Pound Sterling (GBP) exchange rate and stronger tea market prices, have contributed to a small recovery in the value share of mainstream black teabags – this is despite much larger volume declines – indicating an increase in average unit prices.

Figure 8 UK retail tea market Jan-13 to Dec-18



Source: Euromonitor Tea in the United Kingdom

Table 6 Spend by tea type

	2013 - 2018	2017 - 2018
Total	8.7%	1.8%
Loose black tea	6.2%	3.5%
Other tea	30.9%	8.1%
Green Tea	103.5	12.2%
Fruit + Herbal	46.4	7.9%
Instant tea	0.0	4.3%
Ordinary tea bags	(4.6%)	(1.4%)

As black teabags have declined loose, green and herbal have gained share. Exhibiting above average growth and mitigating the market declines in black tea

Ordinary teabags are black tea which has been declining in consumption

Source: The Grocer 2017

Tea represents 31% of the UK hot beverage value sub-sector, with the strongest % value growth over the past year. That amounts to a gain of £16 million. UK shoppers bought 4 million fewer kgs of hot beverages this year. However, premiumisation and price rises have caused value to inch up as customers pay more - tea is the main driver of this.

4.2 UK Retail Sales Of Hot Drinks By Category: Value And Volume 2018

Table 7 UK Retail Sales

	Value		Volume	
	GBP (m)	y-o-y %	Kg (m)	y-o-y %
Total coffee	1681.0	+5.7%	74.6	-1.0%
Total tea	858.0 (31%)	+18.4%	84.9 (48%)	-2.5%
Hot choc	167.4	-5.3%	14.7	-6.7%
Total hot beverages	2,706.4	+3.7%	174.2	-2.3%

Source: The Grocer 2017

Whilst the retail sales of hot beverages have decreased (in volume terms), foodservice sales are booming. This clearly reflects the continuation of the 'coffee-shop' culture, and the growing habit for on-the-go consumption. Hot Beverages sold via Foodservice channels represent 25% of volume sold and have been in steady growth since 2013 when it represented 20%. Retail has lost out over this time decreasing from 80 to 75%.

4.3 UK Sales Of Hot Drinks - Retail Vs. Foodservice

Table 8 % Volume Growth 2013-2018

	2017/18	2013-18 CAGR	2013/18 Total
Retail	-2.3%	-1.3%	-6.5%
Foodservice	6.2%	5.0%	27.7%
Total	-0.3%	0.0%	0.2%

Source: The Grocer 2017

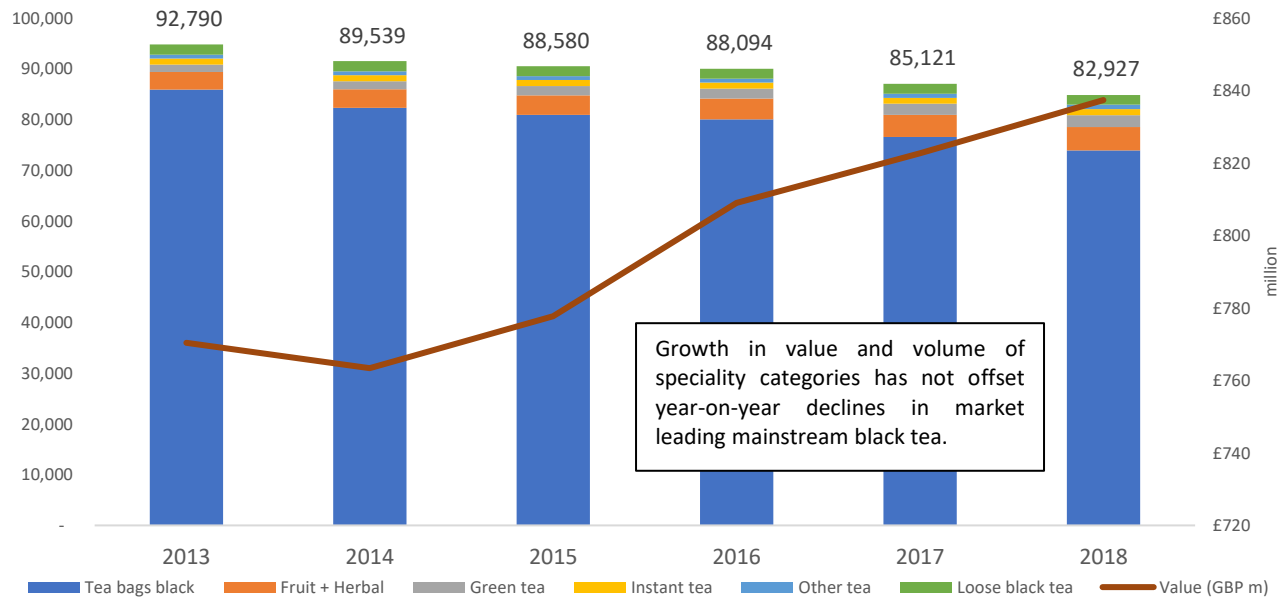
Tea retail volume over the period 2013 to 2018 has decreased by 10.6%, largely driven by declines in ordinary teabag consumption. Growth in green teas, fruit and herbal teas has remained strong with double-digit growth, though in no way high enough to offset ordinary black tea volume declines.

Although British consumers are buying less tea, they are paying a higher average unit price to purchase premium tea. This new consumption habit reflects the premiumisation of the category, as customers trade up to alternative products. However, it should be noted that the ordinary black tea market is still worth two and a half times as much as the green, fruit and herbal sectors combined, and remains part of the everyday habitual British culture. It is still possible to grow in the ordinary black tea market too.

Twining's black tea products are up 1.6% on volumes driven by it's Everyday Tea. Tetley and Yorkshire are both up by 2.2% although this is price driven (volumes are down for both in black tea).¹⁵

Figure 9 UK Retail Tea Market Jan 2013 to Dec 2018

Volume (tonnes) by type of tea



Source: The Grocer

Table 9 Volumes by type

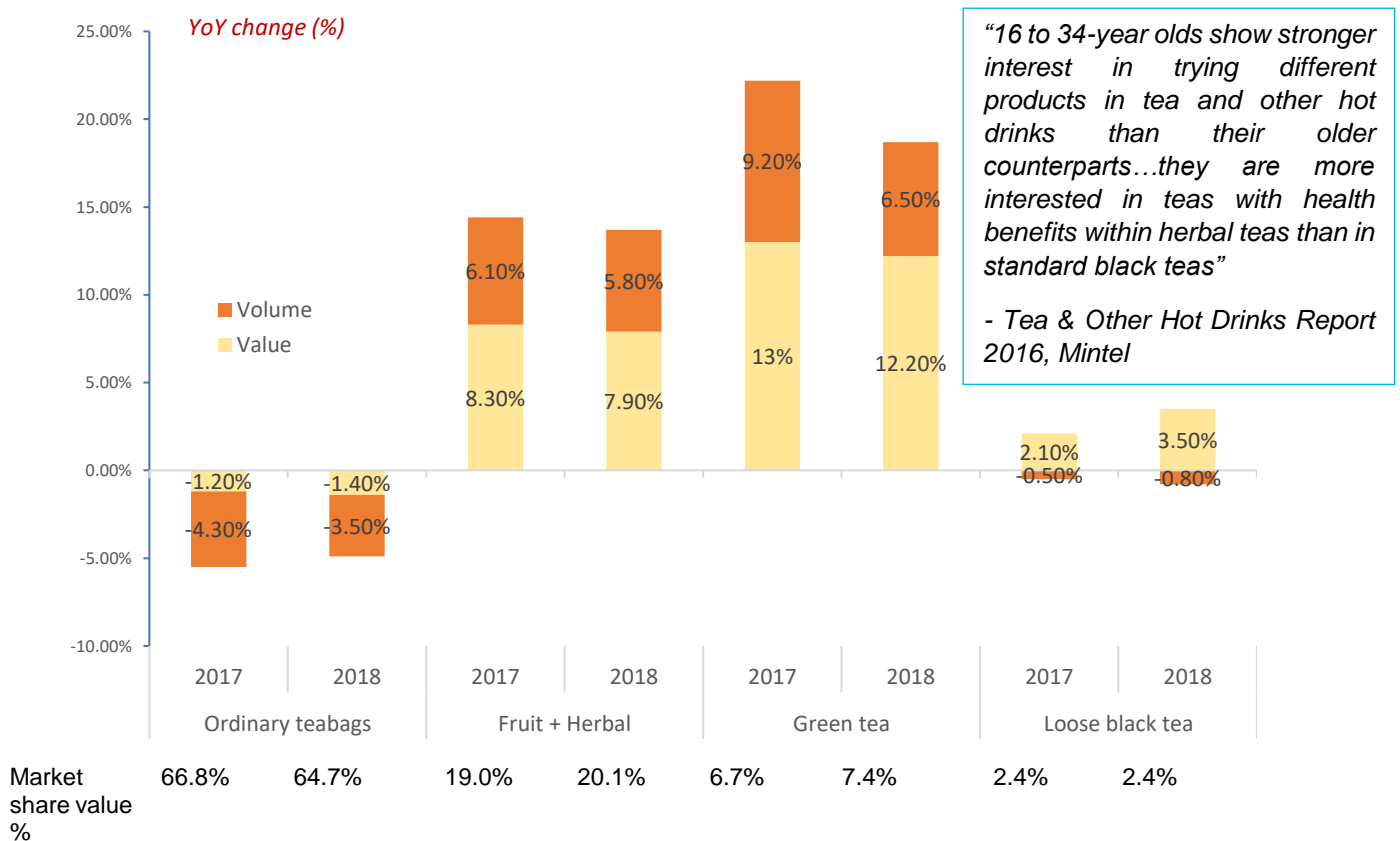
Volume by tea type	2013 - 2018	2017 - 2018
Total	(10.6%)	(2.6%)
Loose black tea	(6.4%)	(0.8%)
Other tea	17.4%	5.6%
Green Tea	58.8%	6.5%
Fruit + Herbal	33.4%	5.8%
Instant tea	0.6%	(0.9%)
Ordinary tea bags	(14.0%)	(3.5%)

The % volume decline is far greater than % value decline in ordinary black tea indicating higher unit

Source: The Grocer

¹⁵ Figures taken from article within The Grocer, 2nd September 2017, 'Party on! Tea is back on the up after five years' decline as Brits buy more weird & wonderful brews'

Figure 10 UK tea market growth rate for value and volume, LTM 2017 and 2018



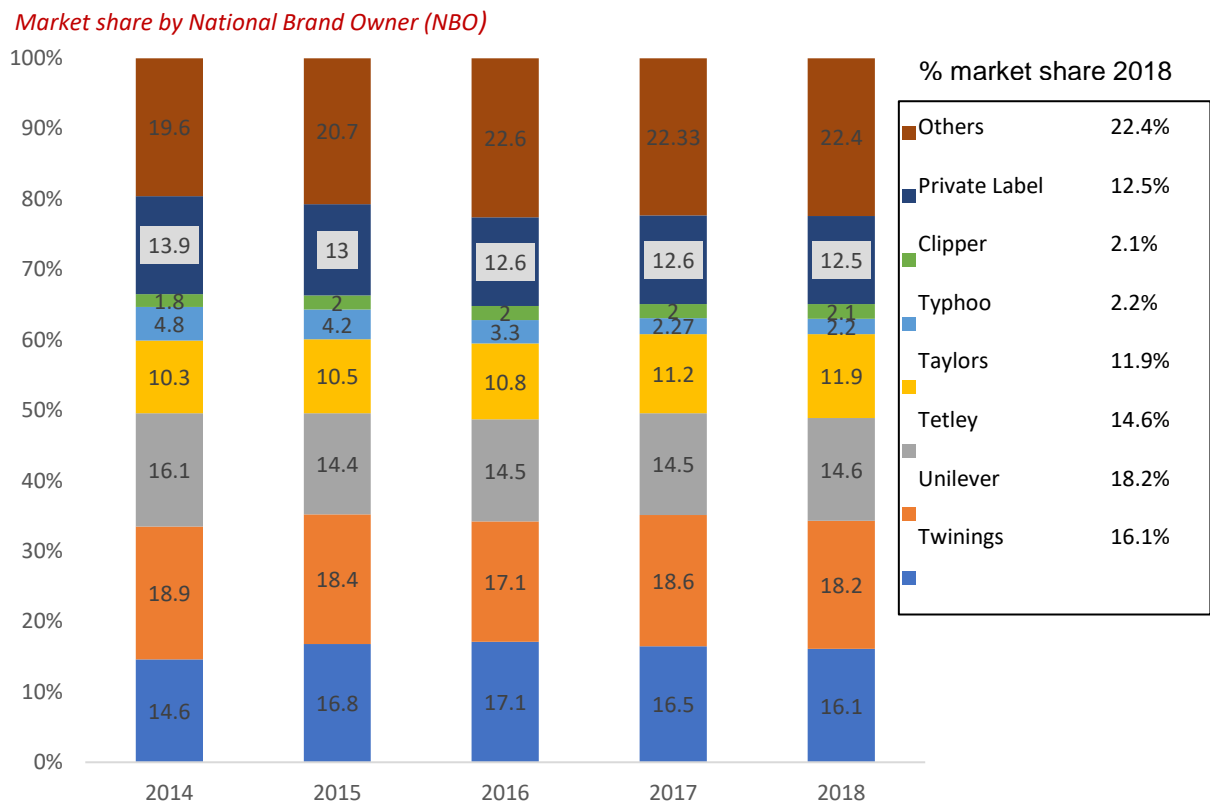
4.4 UK's Competitive Landscape

The UK tea market is relatively consolidated with brands such as PG tips (Unilever), Typhoo (Apeejay Surrendra Group), Yorkshire Tea (Taylor's of Harrogate) and Tetley (Tata Tea) representing the lion's share of the ordinary black tea market. The top five companies account for 72% of branded sales, and 4 companies currently supply the majority of private label (Keith Spicer 3%, Ringtons 3%, Finlays 4%, Typhoo (private label and branded)).

Between 2014 to 2018, established black tea brands lost market share to Yorkshire Tea and newer entrants, focusing on the fruit & herbal categories.

All of the major retailers have dedicated more space to such fruit & herbal products at the expense of black tea Stock Keep Units (SKUs). In August 2017 Tesco overhauled its hot drinks range with 16 delistings and 33 new listings for on trend infusions and flavoured teas. Pukka was the biggest winner with 11 new lines added, including Ginseng Matcha Green tea and Blackcurrant Beauty, whilst PG Tips and Typhoo both lost shelf space (between them they've lost £10m in sales, source IRI). Tesco's recent major range event saw the fruit & herbal category and Pukka in particular as the major winner, more than doubling our shelf space says Pukka's Head of Tea Marketing.

Figure 11 UK retail market 2014 to 2018

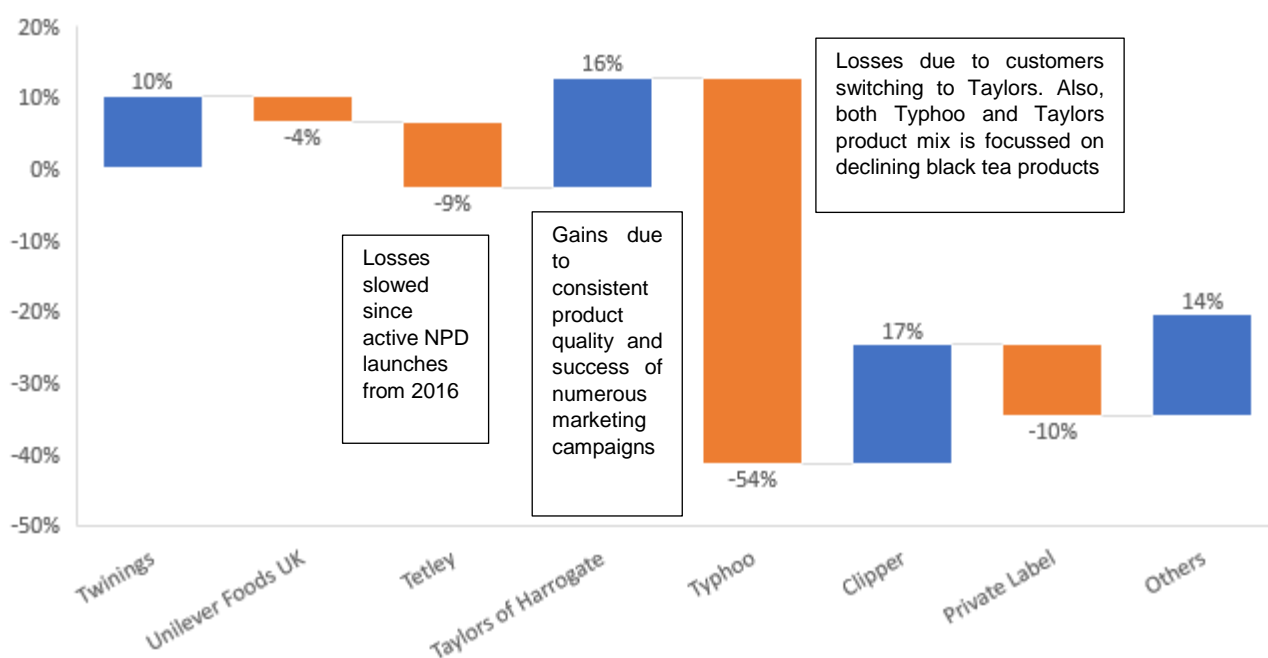


September 2017 saw Unilever announce the acquisition of Pukka Herbs Ltd – further reflection of the growth in this sector. Founded in 2001, with 100% certified, organic and ethically sourced ingredients, pioneering British brand Pukka has a turnover of over £30m and growth of around 30%. It is also growing rapidly across Europe and the US. According to Euromonitor 2016, Pukka is the fastest growing organic tea company in the world. The herbal, fruit and green tea market is currently worth €1.6bn and trends suggest that it will become even more prominent globally in the future.

Yorkshire Tea, which secured the highest value growth of any tea brand in The Grocer's Britain's Biggest Brands (up 7.9% to £88m, Nielsen 52 w/e 30 December 2017), said its black tea sales were continuing to grow.

"We're proud to be growing and we believe this is down to our unwavering commitment to doing things properly," said Ben Newbury, senior brand manager at Yorkshire Tea.

Figure 12 UK branded retail tea market share change: 2014 to 2018



4.5 National Brand Owner (NBO) company share of tea

Table 10 % retail value 2014 - 2018

	2014	14-15	2015	15-16	2016	16-17	2017	17-18	2018
Twinings	14.6	15%	16.8	2%	17.1	-4%	16.5	-2%	16.1
Unilever Foods UK	18.9	-3%	18.4	-7%	17.1	8%	18.6	-2%	18.2
Tetley	16.1	-11%	14.4	1%	14.5	0%	14.5	1%	14.6
Taylors of Harrogate	10.3	2%	10.5	3%	10.8	4%	11.2	6%	11.9
Typhoo	4.8	-13%	4.2	-21%	3.3	-45%	2.27	-3%	2.2
Clipper	1.8	11%	2	0%	2	0%	2	5%	2.1
Private Label	13.9	-6%	13	-3%	12.6	0%	12.6	-1%	12.5
Others	19.6	6%	20.7	9%	22.6	-1%	22.33	0%	22.4

The ordinary black tea market is highly competitive and price sensitive. Tea brands drive competitive advantage through various means, although sustained growth relies mostly on availability (retail positioning and promotions) and branding (awareness). Other drivers include:

Price and Promotion: having a competitive price architecture, and having the ability to use promotions to drive incremental sales. Promotions within the tea category are common, and brands must factor this into their marketing calendar.

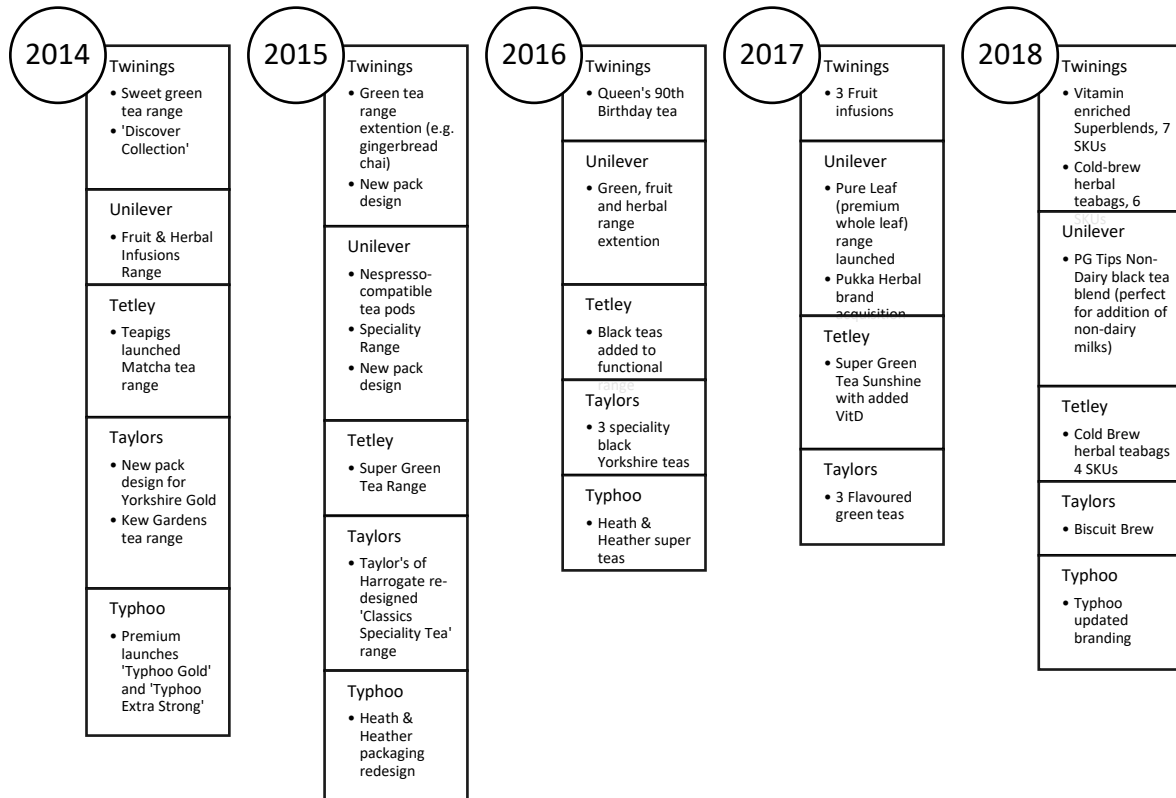
Retail presence: ensuring product availability and optimum retail positioning across major grocers, online and other retailers. Offering a range that gives compelling 'on-shelf' presence to drive sales and conversation of new and existing customers.

Marketing: budgeting for advertising spend to create a clear brand story which resonates with the customer. Given the wide range of brands and the relative ease with which product innovation may be initiated, effective marketing is becoming increasingly important.

Product: having a differentiated product range, that includes both core black tea as well as emerging tea segments (e.g. green, herbals). Offering a steady stream of New Product Development (NPD) to refresh the range and address new concepts. In recent years many brands have used innovation to drive competitive advantage;

UK tea brands are using NPD to drive competitive advantage. The traditional black tea market still represents the lion's share of the UK market, but the fastest growth is coming from other sub-categories to meet the demand from changing-consumer trends. Global consumer trends that are playing an important role in influencing the wider beverage industry, and presenting opportunities for the tea industry includes Wellness, products with Functional Benefits and Sustainability.

Figure 13 NPD pipeline 2013-18, UK market



CHAPTER 5: GLOBAL CONSUMER TRENDS - WELLNESS

5.1 Reduction in Alcohol Consumption

Figures from the Office for National Statistics show that 20% of British adults are not drinking alcohol at all, with young people aged 16 to 24 years less likely to drink than any other age group¹⁶. While teetotalism has gained popularity in the past couple of years, some consumers are seeking moderation over complete alcohol abstinence. For those who do not want to abstain completely, books such as “Drink Less in Seven Days” and “Mindful Drinking” have been published recently, educating people on how to cut down their drinking in the long term.

Zero-alcohol beers have been on the market for some time, but more recently brands such as Greene King, AB InBev, Budweiser and Peroni have added low-alcohol to their portfolio.

Generation Z are drinking more than 20% less per capita than Millennials did at the same age

- Berenberg

The beer market is further ahead than wines or spirits, but this is changing with the introduction of non-alcoholic spirits such as Seedlip, and low or no-alcohol sparkling wines such as Copenhagen Sparkling Tea – an innovative tea-infused beverage. Brands such as Copenhagen Sparkling Tea are catering for consumers who sometimes want to drink – and sometimes don't. The brand was launched with three variants of its sparkling beverage, one with 4% alcohol by volume (abv) and a 0% abv version. That such products retail at a similar price to alcoholic versions is evidence that consumers are willing to pay for quality grown-up drinks, without the alcohol content.

In response, bars are creating menus that enable guests to explore the nuances of flavour, with low-abv options to control intoxication, and mindful drinking movements are also growing in popularity.¹⁷



Copenhagen Sparkling tea; Bla 0%; Rod 4%; Gron 5%; Vinter 5%. RRP £18/75cl

Seedlip; Grove; Garden; Spice. RRP £27.99/70cl

¹⁶ Adult drinking habits in Great Britain: 2017

<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/drugusealcoholandsmoking/bulletins/opinionsandlifestylesurveyadultdrinkinghabitsingreatbritain/2017>

¹⁷ Banzarbar, New York a new cocktail experience designed to avoid getting guests drunk. Lower-proof ingredients are used in its five-course pairing menu. Mindful drinking group Club Soda, UK established to support reduced alcohol consumption.

5.2 Alternative Intoxication

Consumers are drinking less alcohol, but that doesn't mean that they do not want to enjoy mind-altering substances. In markets where legal restrictions on cannabis consumption have become looser, so too have consumer attitudes towards the drug, with some beginning to liken it to other legal mind-altering substances such as alcohol. Many US drinks brands are experimenting with tetrahydrocannabinol

When I got into this industry, there was this question of 'what is the form of how people will be using marijuana?' No one smokes anymore and beverages are how we like to become altered.

- Dooma Wendschuh, co-founder of Province Brands

(THC) – the psychoactive compound in marijuana – to offer a different kind of intoxication. Some are creating new categories, like California Dreamin's cannabis soda, which is a bottled carbonated fruit juice, with 10mg THC added for a 'light, fun buzz'. Others are taking alcoholic beverages, removing the alcohol content and replacing it with THC, such

as California winery Rebel Coast, which recently launched a THC Sauvignon Blanc. In such products we may see marketing start to focus on why it is a better alternative e.g. lower calorie count because of the lack of alcohol.

For most markets where recreational marijuana is yet to be legalised, innovators are turning to cannabidiol (CBD), a non-psychoactive cannabinoid found in the plant. According to the Cannabis Trades Association UK, the number of cannabidiol consumers increased from 125,000 in 2017 to 250,000 in 2018. CBD, also known as cannabidiol, is one of 104 chemical compounds found in the marijuana plant and is thought to have significant therapeutic properties. Tetrahydrocannabinol (THC) is the main psychoactive substance found in cannabis. Unlike cannabis oil, which often contains high levels of THC, CBD contains less than 0.2% of the psychoactive substance – a UK legal requirement.

Commonly marketed as an oil, CBD has started to make an appearance within food, drinks and the hot beverage sector.

5.3 Evening Waters

When it comes to dining and socialising, water is traditionally served as an accompaniment to wines, beers and spirits. Recently, water – with its zero calories and hydrating benefits – is being elevated into a night-time drink that can be paired with food or consumed instead of sugary soft drinks. New brands are considering how traditional brewing or fermenting techniques used in wine and beers can be modified to create non-alcoholic waters that still mimic the taste or essence of alcohol. Made with grape skins and seeds, Israeli start-up Wine Water has created O.Vine, a 'near water' that converts the by-products of winemaking into a non-alcoholic, low calorie water-wine hybrid. 'The red uses a blend of cabernet, merlot, shiraz grapes and has a crisp, gentle sweetness in flavour, while the white has an aroma of tropical passion fruit notes,' says Anat Levi, the brand's founder. Having targeted health-conscious consumers with its amino-acid and protein-enhanced flavoured waters, UK brand Rejuvenation Water also plans to widen its reach with a canned water range targeting adult drinkers wanting a grown-up, evening soft drink. With flavours set to include lime and soda and ginger, the water is also being positioned as an alternative mixer. 'We're going to market it in a way that it provides nutrition that alcohol takes away but also offering a hydrating alternative to alcohol,' founder Kris Ingham tells Nutra Ingredients.¹⁸

Such developments present a new opportunity for the tea industry as a non-alcoholic, natural accompaniment to food.

¹⁸ <https://www.nutraingredients.com/Article/2018/07/19/Amino-acid-water-startup-Rejuvenation-to-target-the-evening-crowd-with-carbonated-cans>

5.4 The Rise in Functional Ingredients

A growing interest in nutritional therapy has increased demand for products that balance the natural bacteria found in the body. Fermented food has soared in popularity in recent years, as research continues into gut health. Probiotics have entered the beverage sector, with fermented drinks such as Kombucha, Jun Tea and Kefir all promoting associated health benefits. Kombucha is a fermented tea drink made from sugar sweetened black tea and a specific culture known as a scoby (symbiotic culture of bacteria and yeasts). The bacteria and yeasts convert the sugar into ethanol and acetic acid. The acetic acid is what gives kombucha its distinctive sour tangy taste, but the flavour varies greatly depending on

Consumers are treating their bodies like an ecosystem and seeking solutions that complement their personal health and evolving needs.

- Mintel, Global Consumer Trends 2019

Our consumers are looking for beverages with functional benefits, and Evolution Fresh Organic Kombucha is just what they are asking for— a delicious and refreshing pick-me-up that also supports digestive wellness.

- Ryan Ziegelmann

President of Starbucks' Evolution Fresh. CNN 10th August 2018

the culturing time and tea used. Jun Tea is a scoby fermented tea but uses green tea and honey. With a shorter fermentation time, and using different ingredients, result is less sour with a milder character. Less common, is Kefir. A probiotic drink made by adding water kefir grains (a culture colony of bacteria and yeast) to sugar water, fruit juice, or coconut water and culturing for 24-48 hours.

In the UK, former England rugby international Jonny Wilkinson, has launched No1 Kombucha with a campaign promoting its health benefits, while in the

US brands such as Starbucks have also announced that they are going to sell their own line of the trendy fermented tea.



Jarr Kombucha; Ginger; Passionfruit; Original. RRP £5.99/473ml.

No1 Kombucha; Ginger & Turmeric, Passionfruit & Goji and Raspberry, Pomegranate & Hibiscus. RRP £1.95/275ml.

Starbucks Evolution; 6 SKUs including ginger lemon honeycrisp; pink grapefruit; mango pineapple. RRP \$3.99/15oz.

5.5 Decline in the Sugary-Drinks Market

The introduction of taxes and government-backed campaigns has led to increased demand for sugar-free alternatives across many markets. In turn, a negative impact on the consumption of carbonated soft drinks was identified. This has presented the opportunity for tea to be promoted as a natural, healthy alternative to sugary drinks.

Health-conscious decisions have created wider fragmentation of the beverages market. Plant-based and fermented drinks, along with homemade smoothies and juices, are stealing share from branded goods.

- Kantar

During 2018, five countries, including Ireland, the UK and South Africa joined 26 other nations, in raising prices of sugary drinks in the hope of a healthier population. Whilst the level of change in

consumer habits is debateable, manufacturers have adapted accordingly with many soft drinks being reformulated to fall below the sugar tax threshold.

CHAPTER 6: GLOBAL CONSUMER TRENDS - CONVENIENCE

6.1 Cold Brew and Ready-To-Drink

A decline in the time spent eating and drinking at home has led to an overall decline in at-home beverage consumption — with 60 million fewer occasions per week.¹⁹ This has largely been driven by a significant decrease in people drinking hot drinks, especially in the US (-8% since 2014) and the UK (-5% in the same period). Every market analysed in the Kantar study showed a decline in hot drinks consumption, and the average decline globally was 3.3% over the past 12 months. This trend is reflected in the global tea consumption figures and reflects the time-poor working culture of many households. Whilst domestic consumption is in decline it should be noted that the out-of-home sector is in growth, though this represents a smaller market share.

This decline in hot beverage consumption, has provided opportunities for brands to expand their cold beverage offerings. Cold brew tea and coffee and bottled Ready-To-Drink (RTD) categories, are gaining

Over the past few years we've seen a real explosion in Brits' love of iced tea, with sales out-of-home growing double digit..we are proudly introducing a fast-brewing, authentic cold brew, that taps into our nation's love of tea and gives shoppers a revolutionary, thirst-quenching and all-natural way to enjoy their favourite beverage

- Fiachra Moloney, Tea Marketing Director, Unilever UK,

share as a result. Disappointingly, the tea content of many traditional RTD iced tea products is minimal. In many cases the tea content is less than 1%,²⁰ and the drink is predominantly based on sugar, water and tea extract bearing little reflection of the taste of quality tea. However, with innovative recent product launches this seems set to change.

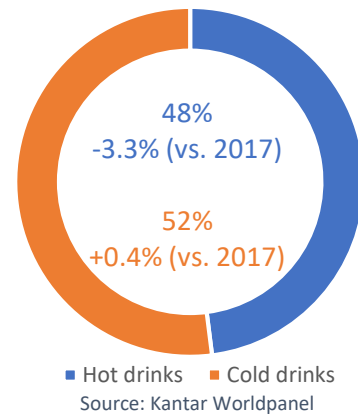
The past year has seen the prolific rise of cold-brew teabags, with brands such as Twinings supporting new product launches with significant marketing spend. Twinings cold infuse teabags are promoted with convenience and health in mind,

with advertisements positioning the products in the gym or at work, promoting a sugar-free way to hydrate with all-natural ingredients. Brewing instructions explain customers how to consume it, by “*simply drop, leave, shake and enjoy*”. Branded infuser bottles are common, with starter packs retailing at £9.99 for the bottle and three enveloped teabags. Single enveloped teabags are also retailed at £0.50 per bag.

To date, such products have all been herb or fruit blends with no tea content, but Unilever UK is leading the change, with its February 2019 launch of the UK's first cold brew tea bags, made using tea leaves. Supported by a £2million marketing investment ‘Real Iced Tea’ by Lipton features a choice of five variants Promoted for its all-natural ingredients, and the inclusion of real tea leaves that are Rainforest Alliance Certified. A reassuringly different offer to the brand's RTD bottled Iced Tea.

Such products reaffirm the trend for cold-brewing and cleverly fulfil the desire for convenient, natural hydration on-the-go.

Figure 14 Hot and Cold Drinks



¹⁹ Kantar. Eat Drink & Be Healthy – how at-home consumption is changing. February 2019

²⁰ For example; Liptons Peach Iced Tea. Ingredients: Water, Sugar, Acids (Malic Acid, Citric Acid), Black Tea Extract (0.14%), Peach Juice from Concentrate (0.1%), Flavourings, Antioxidant (Ascorbic Acid), Acidity Regulator (Trisodium Citrate), Sweetener (Steviol Glycosides)



Twinnings Cold Infuse: 6 variants including Watermelon, Strawberry & Mint. RRP £3.79 (12 teabags in a pack)

Liptons Real Iced Tea: 5 variants including Black Tea with Strawberry & Rhubarb, Green Tea with

Cold-brew bottled tea has been a key feature of the Asian beverage market for many years already, with brands such as PepsiCo owned Suntori dominating with numerous oolong, black and green tea variants. Such products are pure tea, with nothing else added, and are yet to enter the Western markets at any scale, however equivalent start-up bottled tea brands are beginning to appear in the US market.²¹ The complexity lies with the technical requirements of brewing and bottling whilst at the same time obtaining a reasonable shelf-life (the addition of acidifiers to give stability is often detrimental to the pure tea taste). The expertise for this, lies within the Japanese market, though this could be expected to change in time.

The rise of small brands is more visible in the Western markets, such as Whittards or Bluebird, promoting cold-brewing techniques i.e. using regular tea, but brewed at home in ambient or cold water. Equipment for home cold brewing is starting to appear, and can be expected to increase further as cold infusions have become mainstream. Such cold-brew kit includes filter bottles from Japanese-beverage brand Hario. Sold in two sizes, 750ml and 300ml, these glass bottles have a built in filter and rubber neck and stopper. Within the Japanese market, Chattea has designed a PET plastic individual filter, which is mass-marketed alongside water bottles. Designed to be screwed onto standard water bottles, they enable tea to be added to the water and to be drunk 'on-the-go' – a clever, simple technique to encourage loose leaf tea consumption in a convenient format.

The fine-dining scene has started to serve tea as an accompaniment to food. Restaurants such as Michelin-starred Fera in London, reports sales increases of over 400% in teas sales²² as a result of offering food-paired menus and an elevated drinking experience such as ambient or cold brewed tea.

At Michelin-starred Club Gascon in the city of London, three teas to complement a five-course meal cost £15, as opposed to £20 for three wines. The club introduced tea paired menus in response to its diners drinking less alcohol, and has also seen a subsequent increase in Asian clientele

Cold and ambient brewing works particularly well with green teas, though can be used with any tea type. When brewed in cold or in ambient temperature water the benefits include: no astringency, less caffeine,²³ an alternative way to enjoy leaf tea in summer, elevated the tea drinking experience, healthy natural alternative to sugary soft drinks and offers a no alcohol alternative to wine.

²¹ See LA-based brand KOLLO, a range of bottled pure teas for the luxury market <https://thekollo.com/>

²² <https://www.independent.co.uk/life-style/food-and-drink/tea-pairing-fine-dining-restaurants-fera-claridges-club-gascon-wine-a7657776.html>

²³ Caffeine is water soluble. The hotter the temperature the more caffeine extracted, the longer the brew time the more caffeine extracted.



Hario water filter bottles, 300ml and 750ml Mint. RRP £23.00 and £30.00). Widely available in US, EU and Asia

Chattea PET plastic filter. RRP £1.30. Not available outside of Japan, but within Japan widely sold

CHAPTER 7: GLOBAL CONSUMER TRENDS - SUSTAINABILITY

7.1 Rethink Plastics and Reduce Waste

Increased awareness of the damage caused by plastics to our planet and oceans, has been magnified through social media and programmes such as David Attenborough's Blue Planet. Horrific images of the damage plastic straws cause to sea-life, has had a dramatic effect on consumer behaviour in many countries and has influenced at government level. In the 2018 budget the UK government announced that, subject to consultation, it will be introducing a new tax on plastic packaging in April 2022, in an effort to tackle litter and waste from single-use plastics. Food and drink companies will be taxed on plastic packaging that does not include at least 30% recycled content, in a drive to reduce dependence on "virgin plastics" that are difficult or impossible to recycle, such as black food trays and plastic straws. Similar consultations are happening at the European level and at the global level to reduce plastic waste. Consumers may have the intention to reduce and recycle their plastic consumption, but they often don't know how or where to start. Manufacturers are challenged to streamline packaging and provide clear recycling guidelines, empowering consumers to feel confident in how to dispose of recyclable items. Companies and organisations are being encouraged to come up with ideas that will make innovative and disruptive changes, such as the development of biodegradable materials as a replacement for plastic, the search to enhance the recyclability of plastic or the cultivation of a better waste management system. Such factors should be considered by any new entrants to the EU tea market (particularly if retail packaged), with regard to the packaging format and also the recycling guidelines on pack or within the specification.

A notable issue within the tea industry has been plastic content contained in teabag material, which received damning headlines in the UK media over recent years. Many consumers found this alarming, and tea brands were quick to try and switch to plastic-free alternatives. Polymer-plastic has been used as a binding agent within ordinary teabag paper, mixed with natural abaca-fibres, to provide rigidity and enabling the heat-sealable crimp when formed. The removal of this polymer has had a stuttering start to date, with Yorkshire Tea having to delay due to poorly formed teabags after numerous customer complaints²⁴. More successful has been the move away from nylon pyramid bags to cornstarch-derived 'soilon' pyramid bags, for those speciality brands using pyramid bags. Soilon has been used in the industry for many years now, and the technology already proven.

7.2 Carbon-Free Foods

As political insecurity and climate change make the fragility of our food systems more apparent, brands are demonstrating how their products are ensuring food security through considered approaches to carbon.

Sri Lanka's Bogawantalawa Tea Estates, which became carbon neutral this year, is confident buyers will catch on to carbon neutral as they did with organic products. The estate, is one of the world's first tea growing, manufacturing and marketing company offering Carbon Neutral Teas. In addition, the Jalinga Tea Company in Kolkata has achieved a CO₂ neutral certification, and claims to be the first

When we mention it's carbon neutral, buyers are very much interested because they also are able to mention this on their packs

- Shivashankary Rajarammohan

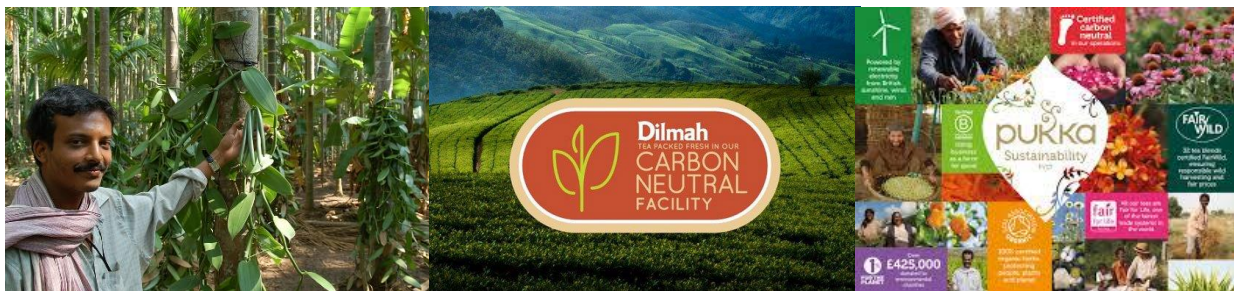
Head of Corporate Social Responsibility, Bogawantalawa Estate

²⁴ <https://www.yorkshiretea.co.uk/brew-news/misbehaving-tea-bags>

tea estate to be certified under the United Nations Framework Convention on Climate Change (UNFCCC).

Jalinga director Ketan Patel is offering cooking stoves to offset emissions, a first in reducing the carbon footprint within the tea supply chain. The ingenious cooking stove project requires 60% less wood while speeding cooking time by 50% with no carbon emission or fumes. The by-product is charcoal which is used to fuel dryers in the tea factory. Workers are paid three cents per kilo for the charcoal they make. Patel said several brands are taking advantage of the benefit. Everton, an Italian brand launched an organic CO2 neutral black and green tea and Madura Australia plans to do the same.

Taylor's of Harrogate have committed to address the carbon footprint of their tea and coffee supply chain (from when the tea and coffee is picked to when it ends up on supermarket shelves), with the aim to be carbon neutral by 2020.



Through various initiatives including the installation of two solar power plants at their company headquarters, Dilmah successfully achieved Carbon Neutral facility by 2017.

Pukka calculated that the agricultural supply chain makes up 11% of their carbon footprint, the brand is working with growers to promote agroforestry practices such as planting trees and complimentary crops that yield a second income.

Climate change adaptation and mitigation programmes improve the environment through tree planting as part of sustainably managed plantations for factory fuel (or forming part of a dual-crop initiative (e.g. tree crops that can be sold for second income), energy efficiency and moving to renewable energy in factories and homes. There are also a knock-on financial and well-being benefits as workers and farmers lives are improved through saving money and providing secondary health benefits such as those offered by installing clean cook stoves. Programmes are in progress to improve general agricultural practices, training workers on efficiency measures and maintenance, building resilience and productivity. There are now good results from energy saving work in parts of the industry. The Ethical Tea Partnership (ETP) report that this has been particularly impressive in Kenya, where some factories have managed to reduce energy use by as much as 40% with direct benefits to the farmers who are shareholders in the factories. Now there is so much experience of a range of impactful climate change programmes, a range of organisations, including ETP, are working together to assess what it would take to achieve a carbon neutral tea sector.

7.3 Links to Source

Many independent brands point of difference is the desire and intent to source direct from origin. Often they refer to the marked difference between them and the mainstream, large-scale tea industry. Transparency and traceability to source is a vital consideration for brands. In early 2019, Marks and Spencer become the first major UK food retailer to publish its global list of tea suppliers – a major breakthrough hailed by the international development charity Traidcraft Exchange.

The move was in response to the 'Who picked my tea?' campaign led by Traidcraft Exchange²⁵ who called on UK brands to disclose the names of estates they buy from in Assam, India. The 'Who picked my tea?' campaign focuses on tea grown in Assam because pay and conditions for workers there are amongst the worst in the world and tea grown in Assam is a key ingredient in many English Breakfast blends and speciality teas consumed in the UK.

Undercover investigators hired by Traidcraft Exchange confirmed evidence of low wages and appalling conditions for the women who pick the tea drunk in the UK. These backed up claims made by local organisations operating in India. Marks and Spencer joined Yorkshire Tea, Twinings, Tetley, Clipper, Ringtons, and PG Tips as major brands who have disclosed their tea suppliers since the 'Who picked my tea?' campaign launched in May 2018. However, this campaign presents a relatively low risk to the East African tea trade where the industry is transparent with direct supply chains, often from grower to packer.

Aside from the larger tea brands, a handful of smaller independents publicly pride themselves on their links to origin and the importance of fostering relationships with their tea growers and suppliers. One such business 'Postcard Teas' pioneered provenance back in 2008 when they claimed to be the first tea company in the world to put the maker's name and location on all their teas, including the blends. They promote the concept of small tea, which is tea from producers who farm less than 15 acres, business with the aim of positively influencing the farmer directly, not the management team or corporation. Such direct sourced products promoted includes tea and more recently herbal tisanes such as lemon verbena, lemongrass, chamomile and peppermint.

²⁵ <https://www.traidcraft.org.uk/tea-campaign>

CHAPTER 8: EUROPEAN MARKET REQUIREMENTS

8.1 Commodity Codes

Commodity codes (sometimes referred to as trade tariff commodity codes) are used to classify any goods being imported or exported to make sure they're moved safely and in compliance with appropriate customs, tax and duty regulations. The trade tariff lookup tool available online via the European Commission Trade Helpdesk²⁶ allows you to search based on what your product is, and how it is packaged. Current codes for tea include;

Table 11 Commodity codes

(-) Vegetable products		SECTION II (06-14)
(-) Coffee, tea, mate and spices		09 00 000000
(-) Tea, whether or not flavoured		09 02 000000
	Green tea in packings of a content <3 kg	09 02 100000
	Other green tea	09 02 200000
	Black tea in packings of a content <3 kg	09 02 300000
	Other black tea, and partly fermented tea	09 02 400000

Source: EU

8.2 Food safety: Traceability, Hygiene and Control

Food safety and food control are closely monitored in European food legislation. The General Food Law Regulation (EC) No 178/2002²⁷ is the legislative framework regulation for food safety in the EU.

To guarantee food safety, ensuring traceability through the supply chain and minimising risks of contamination can help control such hazards. Quality management systems (such as Hazard Analysis and Critical Control Points (HACCP)) are a useful way of controlling such hazards. HACCP guidance notes for European Tea Packers, Tea Producers and Processors in the Country of Origin, were published by the Tea & Herbal Infusions Europe in September 2012 (see Appendix C) and provides a useful overview of the principles in relation to tea production.

Large retailers and buyers, such as importers and processors in Europe, may also request Food Safety Management Systems are in place (FSMS). The most common food safety management systems in the European Union are BRC, IFS, ISO22000 and Safe Quality Food Programme (SQF), which are mainly relevant for packers of consumer-facing teas (less for farmers or traders).

All mentioned management systems are recognised by the Global Food Safety Initiative (GFSI), which means that any of them should be accepted by the major retailers. However, in practice some buyers still have preferences for one specific management system. So before considering certification against one of these standards, it is advised to check which one is preferred (e.g. British retailers often require BRC, whereas IFS is more commonly required on the European mainland).

Even if a buyer has no strict requirement for a food-safety management system, the implementation of one demonstrates that food safety is taken seriously.

The EU carries out checks on goods at the entry port to guarantee compliance with food safety standards. Monitored via the Rapid Alert System for Food & Feed (RASFF), any non-compliance cases

²⁶ <http://trade.ec.europa.eu/tradehelp/>

²⁷ <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32002R0178>

are registered in the RASSF portal.²⁸ In the event of (repeated) non-compliance, goods from non-complying countries are registered and included in a list for increased levels of official checks.

Regards tea imports, the most common issue is compliance with pesticide maximum residue levels (MRLs). Throughout 2017 there were 186 notifications of pesticide residue non-compliance²⁹. Most notifications report on the group of fruits and vegetables, in which most non-compliances on pesticides are traditionally found. Of the 16 alerts reported in the "cocoa and cocoa preparations, coffee and tea" category during 2017 – all can be attributed to tea, mostly from China.

8.3 Control of Pesticides: Maximum Residue Levels (MRLs)

The use of pesticides is permitted in tea cultivation, but it should be controlled. The EU sets maximum levels on the amount of pesticides allowed on imported foods including tea. The residues that are most commonly found in tea are dicofol, ethion, quinalphos, hexaconazole, fenpropathrin, fenvalerate and propargite. Residues vary by country of origin, however, and are constantly changing. Due to the climate and past track record, East African teas are generally considered low risk with regards pesticide residues, though it is common practice for buyers to spot-check samples throughout the year.

European buyers may request compliance with current EU Pesticide legislation at the point of contract. If the producing region is considered high-risk, then the buyer may request a pre-shipment sample be tested for pesticide residues by an accredited laboratory³⁰ before shipment. If considered 'high-risk' the same tea may be tested by the buyer on landing to ensure compliance but also to determine the Maximum Residual Levels (MRLs) – if the result is relatively high, then the tea will need to be carefully blended to avoid risk of high MRLs in the retail blend.

Introduced in 1 September 2008, Regulation (EC) No 396/2005 of the European Parliament defines the set of rules for pesticide residues. Imports of plant and animal products must comply with such MRLs to protect consumers from exposure to unacceptable levels of pesticide residues. Specific information on the list of products subject to control and the current MRLs can be viewed online via the EU Pesticide Database³¹

8.4 Contaminants in Food

The EU also has set maximum levels for certain contaminants. Besides pesticide residues, monitoring may take place for:

- Foreign matter: contamination by foreign matter such as plastic, stones and insects is a threat when food safety procedures are not carefully followed.
- Mycotoxin contamination: Although mycotoxins are generally not a major problem in tea production, the situation may be different for some herbal teas.
- Microbiological: although tea is a low-risk commodity, contamination with salmonella can be a serious threat. The current European legislation has no microbiological criteria for tea. Food safety authorities can, however, withdraw imported food products from the market or prevent them from entering the European Union when salmonella is found to be present.

²⁸ <https://webgate.ec.europa.eu/rasff-window/portal/?event=searchForm&cleanSearch=1>

²⁹ For further details see RASFF Annual Report 2017
https://ec.europa.eu/food/sites/food/files/safety/docs/rasff_annual_report_2017.pdf

³⁰ Such laboratories includes Eurofins, SGS, SAL

³¹ EU Pesticide Database can be found at <http://ec.europa.eu/food/plant/pesticides/eu-pesticides-database/public/?event=homepage&language=EN>

8.5 Labelling and Packaging

The EU has set compulsory labelling for consumer-packaged tea as detailed within Regulation (EU) No 1169/2011. This Regulation prescribes all the information that must be mentioned on consumer packaging, including;

- Name of the product;
- Physical condition or the specific treatment undergone (oxidised or not etc);
- List of ingredients, including additives (such as herbs for herbal teas);
- Nutritional values, for products containing ingredients that alter nutritional value (such as candied fruit pieces, coconut chips);
- Presence of substances known for their ability to spark allergic reactions and intolerances should always be indicated;
- Net quantity;
- Expiry date, preceded by the words "best before";
- The name or business name and address of the manufacturer or packer, or of a seller established in Europe;
- Place of origin or provenance.

The use of traditional foil-lined wooden tea chests has declined in recent years due to environmental awareness and ease of handling of other formats. Bulk tea is now usually packed in food-grade foil paper sacks. Foil-lining is essential in acting as a barrier to moisture and air which are both detrimental to the quality of the tea. Tea sacks are normally packed 20 sacks to a pallet, weighing between 700 kg and 1,500 kg per pallet. The use of slipsheets is popular with large volume buyers, as a means of packing an additional 10% into a container, saving on shipping costs.³²

The paper sacks should be clearly labelled with:

- The lot number (identification number);
- Net and gross weight (quantity of content);
- The kind of tea a bag contains (green or black tea);
- Statement of identity (for example, English breakfast tea);
- Country of origin.

Vacuum-packed foil sacks are more commonly used in Japan, where bulk teas are also stored in refrigerated warehouses – steamed green teas (common to Japan) are sensitive to oxidation, therefore appropriate storage is vital. Although less common, vacuum-packing facilities have also been used in other tea producing regions including Kenya, Rwanda, Malawi, Assam and Sri Lanka. The technology has been used to bulk vacuum-pack tea on estates mainly belonging to the KTDA in Kenya, with UK importer RIngtons owning the exclusive rights to the technology for five years from 2013 and introducing their 'Leaf Lock True Taste' mark based on their ability to vacuum pack their teas. The teas were vacuum packed in Mombasa for a period but is being considered moving this back to the estates to ensure optimum freshness.

Indian tea brand TeaBox, promotes the use of 'TeaPacs' individually packaged tea bags sealed at source using Nitrogen gas flush, to remove oxygen and promote freshness. Similar in concept to vacuum-packing gas-flushing minimises degradation of the product.

³² Slipsheets are essentially a sheet of cardboard, used instead of a wooden pallet. It allows an extra layer of teas sacks to be packed on the pallet as the container is loaded. A pinch-action forklift is required to unload on arrival, enabling each stack to be dragged onto a pallet for unloading and storage.

There is little doubt that tea benefits from vacuum storage or gas flushing, oxygen is detrimental to the quality of tea and Ringtons' significant investment in the technology and their market position attest to this. This may be considered an opportunity for East African tea producers, with 'freshness' used as a point of difference in attracting buyers. The opportunity is two-fold; vacuum-packed bulk sack for export; and/or vacuum-packed/nitrogen flushed 'shelf-ready' retail sized packs on the estate— both have their benefits/challenges and could be scoped in further detail. Packing on the estate also brings additional benefits in adding value at regional level.



Speciality brand Good & Proper, detailing next-level provenance on pack

Rington's Leaf Lock, gas-flushed retail packaging

With regards labelling, speciality tea retailers are more often starting to provide more detail relating to 'provenance' on pack. As detailed within the Consumer Trends 'Sustainability – route to market' section, this is being showcased by high-value smaller tea independents, but it may be of interest to bigger brands for premium ranges. Such details could include: tea estate name, altitude of estate, farmer name, varietal of tea bushes harvested from, month of harvest, processing method, flavour notes and brewing guidelines. This style of marketing is more commonly seen used in the wine and speciality coffee industries but is starting to become more prevalent within speciality tea.

8.6 Route to the Market

The bulk of tea produced around the world is sold through weekly tea auctions. Most of this tea is mainstream tea sold in bulk. The supply and demand for tea physically (or digitally) comes together via the auction system and the average prices at the three largest tea auctions in the world (Mombasa, Kenya; Kolkata, India; Colombo, Sri Lanka) are a reference point for the world market price for tea. Kenya has the largest auction, through which teas from 10 other African countries are sold and exported to over 45 different markets – notably Pakistan (30%), Egypt (20%) and UK (11%). Of the teas sold in the Mombasa auction, 72% originates from Kenya, 15% from Uganda and the balance from other African countries including Rwanda, Tanzania, Burundi, Malawi, Ethiopia and Mozambique³³.

Speciality teas are more commonly sold via direct sale, traded privately to foreign tea packers and specialist retailers. Due to differences in quality and leaf grade such speciality teas are less comparable to the auction, and prices are negotiated between seller and buyer. Such diversification into specialty teas, or quality improvements that set a premium over mainstream tea, can result in a shift in power structure in the sector, giving producers more bargaining power in determining prices. Whilst concentrating on higher quality or manufacturing specialty teas could increase producer profits, it must be noted that the specialty tea segment is only a small part of the overall market.

³³ Source: EATTA Tea Value Chain Study, December 2017

When approaching buyers directly, there are additional factors that should be considered to ensure maximum opportunity for sale. Much will depend on the route-to-market (online sales, or direct export) and the approach tailored accordingly.

CHAPTER 9: POTENTIAL MARKET OPPORTUNITIES FOR EAC COUNTRIES

Ensure sufficient certification in place, to remove barriers to trade

Deeper understanding of the current situation regarding certification scheme status within Burundi required, as data sources are presenting conflicting views³⁴. Current status advised via ETP is that no estates in Burundi are currently certified, which is therefore acting as a barrier to trade for buyers within UK and Europe who have committed to ETP or other certification schemes (i.e. Fairtrade, Rainforest Alliance/UTZ). ETP advised that 100% of Kenya's estates and 80% of Tanzania's estates are certified.

The ETP has more than 40 international members, ranging from large international brands/retailers such as Twinings, Tetley, Unilever and Taylor's to small independent labels. Together they account for more than 50 brands in over 100 countries. Membership is open to any company involved in the sourcing, trading, or packing of tea, and retailers.

ETP work with tea producers and farmers in their members' supply chains to help them improve their work practices and ensure they meet good international social and environmental standards. They also help producers and smallholders achieve certification to Fairtrade, Rainforest Alliance, UTZ, and trustea³⁵, if asked to by our members. Because of the way the scheme is funded, the vast majority of work is free to producers and smallholders.

It is evident that Burundi has a favourable terroir and the knowledge and capability to produce excellent quality teas. To rectify the certification status, would quickly enable increased sales of black CTC teas to the EU market – price and quality dependant.

Purple tea, health and innovation

Whilst purple tea has been on the market for a number of years there has been limited up take. The wider health-benefits of purple food are more widely understood with media reference³⁶ to purple superfoods such as aubergines and grapes fairly common, with consumers understanding the associated health benefits of anthocyanin and antioxidants.

Further work could be done to consider and promote alternative brewing techniques, to consider whether cold-brewing would reduce the bitterness and astringency of the cup, without affecting the antioxidant content of the infused liquor. When brewed traditionally in hot water the cup is very astringent, lacking the delicacy of a green tea, and the body of a black tea – making it less appealing compared to other tea types. It may be of more interest to European markets that have a preference for drinking lighter teas without milk, such as France and Germany – therefore promotion could be tailored accordingly.

Research could also go further to explore the feasibility of producing purple tea extract, particularly the production of extract in origin to be sold to high-value iced tea markets such as Japan or USA. This could involve collaboration with extract manufacturers overseas or in EAC, and in addition could unlock new markets in the high value vitamin tablet/health arena.

Similarly to purple tea, the Butterfly Pea Flower is a plant that is purple in colour due to the high levels of anthocyanin. It is used and promoted for its 'magical' colour-changing properties, and is a big ingredient in the Asian iced tea-to-go market with Starbucks launching The Butterfly Pea Lemonade cold brew, promoted as the latest Instagrammable drink to hit the market. The trendy Southeast Asian ingredient, is naturally blue but when combined with the citric acid in lemonade it turns a deep purple.

³⁴ MARKUP report 'East African Regional Market Led Assessment' based on information given from OTB states that all 5 Burundi factories are certified by Rainforest Alliance

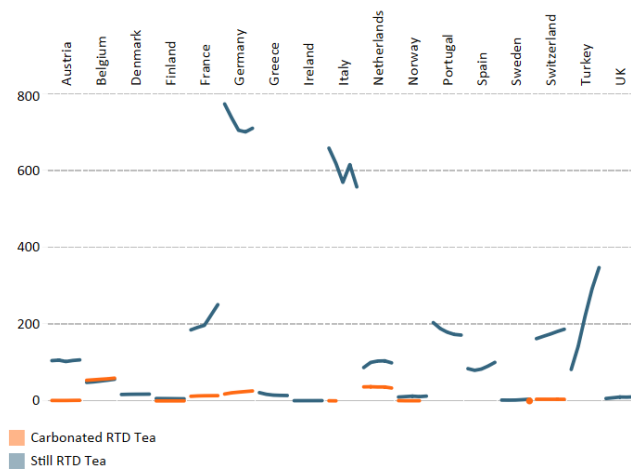
³⁵ Trustea is a sustainability programme for the Indian domestic tea market

³⁶ www.telegraph.co.uk/food-and-drink/news/start-eating-purple-good-health-science-behind-2017s-new-food/

Because the blue pea flower (and purple tea) is sensitive to changes in pH levels, adding a slice of lemon or lemonade, causes the infusion to turn bright purple almost instantly. The ingredient has become popular on the mixology bar scene and in iced tea markets around the world. Less well-promoted is purple tea's ability to react similarly, and with the right marketing and partnerships could present innovative new opportunities.

Cold-brew RTD

Figure 15 RTD Tea Western Europe Top 8 breakdown by country 2012-16 Volume million litres



Western Europe is the third largest region in terms of RTD tea sales, though it is considerably behind leading region, Asia Pacific. RTD tea grew by 4.5% across Western Europe in 2017. The market is fragmented, price sensitive, and performance differs by region. Figure 22 shows the highest volume markets Germany and Italy having seen a dip in sales between 2012-16, whilst many years of double-digit growth in Turkey has propelled the country into third position in terms of volume sales and the consumption of RTD tea is expected to surpass that of Italy during the 2017-22 period³⁷. The Turkish market preference is for still black RTD tea, and like

other regions is a price sensitive category.

The health and wellness agenda is of importance to all RTD markets. As previous identified, leading brands have reformulated products to reduce sugar. Further to this, superfoods are expected to play a much bigger part in the category, with products that truly offer health benefits expected to gain market share in the future. Companies are putting more emphasis on natural ingredients and superfood formulation (e.g. Austrian brand 'Carpe Diem' with its matcha and kombucha products). The outlook for such products is varied by market and by type, but those products that address the health agenda are expected to be the main growth driver.

Relevant opportunities could be considered for the East Africa tea industry, to gain a deeper understanding of the technology required to develop and bottle RTD products within region, or to produce tea extract for bottling in consuming market. This could unlock potential particularly for Kenyan green and purple tea – which have the tendency to taste rather strong / bitter when brewed hot, and other local superfoods such as Baobab powder – which has received good coverage and is relatively well-understood by consumers in the health arena.

Engage with USA/EU wholesale buyers and selected brands

The tea market in the US is relatively unsaturated, it is undergoing something of a speciality tea revival – many brands are leading the way with the promotion of single-origin teas and showcasing the use of traditional teaware and brewing techniques. Apparent consumption of tea in 2017, ranks USA 7th behind regions such as China, India and Turkey – all of which produce tea to satisfy their internal demand. The only other non-producing regions to rank higher is Russia/CIS. In recent years the growth in speciality tea types within the US has seen dramatic change, with the influence from the Speciality Coffee industry and interest in health.

³⁷ According to Euromonitor International. Hot Drinks; RTD tea in western Europe

Demand for Kenyan Tea in the region has seen demand growth from 3.5 to 4.7 million kilos since 2013, however Kenya still falls behind many other countries the US imports from, notably India, Malawi, Indonesia, Vietnam, China and Sri Lanka.

By far, the largest tea supplier into US is Argentina which accounts for 47% of tea imported, however on a value basis accounts for just 23%. It should be noted that this demand is driven by the iced-tea market (tea extract or similar), Malawi, Indonesia and Vietnam can also be considered to be reflective of the same demand, and the low value reflects this.

Despite this, there remains an opportunity for increased speciality tea imports, and US import statistics from Sri Lanka and India (to a lesser extent) both reflect this.

Within Europe the opportunity should be considered by tea manufacturing style and tea type. Although not identified as a growing sector of the market, there still remains a considerable volume for mainstream black CTC tea within dominant markets such as UK, Poland and Ireland. Market trend data has shown that 'quality-focussed' brands are driving the strongest sales performance within these markets, and there is an opportunity to consider a tailored approach to relevant brands and wholesalers.

Opportunities for speciality loose leaf tea sales should be targeted to relevant markets, particularly Germany (wholesalers), and to include any tea type (black, green, purple). Other markets of relevance should include France and Netherlands.

Engagement with buyers undertaken, with appropriate approach determined after identifying who the prospective brands/buyers would be by market. Approaches could include desk-based contact, attending regional trade shows and/or inviting prospective buyers to origin for a sourcing visit.

Drive higher tea consumption within EAC countries

With clever marketing and innovation, the opportunity for convenient tea-on-the-go could be considered. With at-home consumption on the decline, the rise in snacking is a major trend around the world – healthy snacking being the most significant trend. A strong and growing economy transfers consumption from at-home to out-of-home. Such factors should be considered in relation the EAC region, and emerging new brands.

For established regional EAC brands, the premiumisation of tea 'out-of-home' also present new opportunities for dialogue with existing customers, including elevating the tea-drinking experience e.g. ambient brewed as alternative healthy alternatives to alcohol, tea and food pairing, and perfect ways to prepare and serve tea (afternoon tea).

Value-addition in region and/or vacuum-packed 'estate fresh' tea

Retailers are often looking to launch new initiatives to differentiate themselves from the competition, particularly within the European and UK tea market where saturation is high. Vacuum packing technology is available in producing regions such as Kenya, and Assam, though being extremely price-sensitive, the mainstream ordinary tea markets has not taken up the technology to any extent.

Therein lies an opportunity for the higher-price, quality driven, speciality tea market to utilise vacuum-packed technology to deliver an improved product to the consumer. This could include bulk-packaged tea, but there would also be opportunities for retail-packaged tea – either own-brand, or through partnering with specified brands to contract pack in origin. To take forward a shortlist of brands to be identified to determine retail partners, and shortlist of suitable quality-producing tea producers, before meeting in origin, on site, with vacuum packing provider.

Whether vacuum or standard bulk packed, being packed at source would bring added-value benefits at a regional level, whilst providing differentiation to the retail brand. Marks & Spencer's tea range promoted such differentiation with their 'packed at source' range of excellent quality own-label teas. Set up at Iriani Estate, Kenya in 2010 for the packing of M&S Mount Kenya teabags, joint-funded by the

Department for International Development (DFID), via the Food Retail Industry Challenge (FRICH)³⁸. Moving beyond the current commodity-based tea model, this project provided technical and commercial support to ensure Fairtrade farmers developed the skills to pack tea and add-value to what they were growing.

Direct trade, via specialist tea retailers and/or online channel

Formulate direct links between producer to specialist retailers, tea houses and boutique brands within Europe to evolve into ongoing commercial relationships. Assessment of samples and producers would be beneficial beforehand in order to consider appropriate buyer/supplier introductions, and would be dependant on quality, leaf grade, manufacturing capability (e.g. CTC, machine orthodox or hand-rolled), and plantation type. Buyer list to be compiled on assessment of samples but would likely include small independents (such as Postcard Teas or Rare Tea Company), wholesalers (such as Wollenhaupt) and larger brands and contract packers (such as Ringtons).

Satemwa could be considered as a successful case study for direct trade. The Malawi-based tea estate was recently nominated by DFID Malawi for the 'Companies to Inspire Africa 2019' publication by the London Stock Exchange Group. Satemwa started its own direct trade marketing and sales office in Europe around 4 years ago. At that time they were supported by a DFID / UNDP project (matching fund – MICF). The EU office is still up and running and almost solely focused on orthodox teas, herbs & flowers. Penetration of the EU (and USA) market was achieved by sending samples to targeted buyers and attending tea related trade shows and events. They now supply about 15 - 20 MT orthodox tea per season, and managed to put Malawi "on the map" with most of the French main tea houses, some of the Germans and a few of the UK based houses – in addition are stocked by many tea retailers and brands (from Rare Tea Company to Twinings). The EU office holds small stocks of their portfolio of teas, in order to supplier small quantities direct to buyers (though direct trade can be arranged for larger volumes).

East Africa is relatively under-promoted by many of the small independent brands, with others preferring to promote Indian or China teas, likely as a result of the prevalence of CTC black teas in East Africa, CTC being more limited in flavour nuances versus orthodox tea. However, with the right quality and product, this lack of market presence could be considered an advantage.

Dubai Tea Centre: route to market for bulk or retail

Consider the benefits of establishing links between larger-scale CTC tea producers and the Dubai Multi-Commodities Centre (DMCC) Tea Centre, to enable wholesale route to market – particularly targeting the Middle-Eastern trade. Producers would need to be selected based on capability, and would be more suited to large-scale operations, though speciality tea suitability could be explored.

The DMCC Centre was established in 2005 as a dedicated facility combining warehousing, blending and packaging. The tea centre provides comprehensive facilities and convenient solutions for traders who want to maintain a stock for importers in the Middle East and adjacent regions. Teas from 13 different countries are processed at the facility and it serves as a hub for the trade of tea to international buyers worldwide.

The UAE is today the world's largest re-exporter of tea with a 60% share of the global market. Since the world's major tea plantations were established in India and Sri Lanka in the early 1900s, Dubai has been a key international gateway for the trade. Its strategic location midway between the tea producers and tea consumers is a natural advantage. In 2018, 53 million kilos of multi-origin teas were transacted through the Tea Centre and 4 million kilos were value added.

The Centre has a modern blending facility which includes a cleaning system, blender and dust extractor, and a separate flavour zone for blending and packing flavoured tea

³⁸ Fund awards grants to UK and European businesses to develop and test new ways for African food products to reach consumers

Members have access to tea tasting services, and facilities include moisture analyser, bulk density meter, vacuum packing machine and sieves.

The packaging formats offered includes:

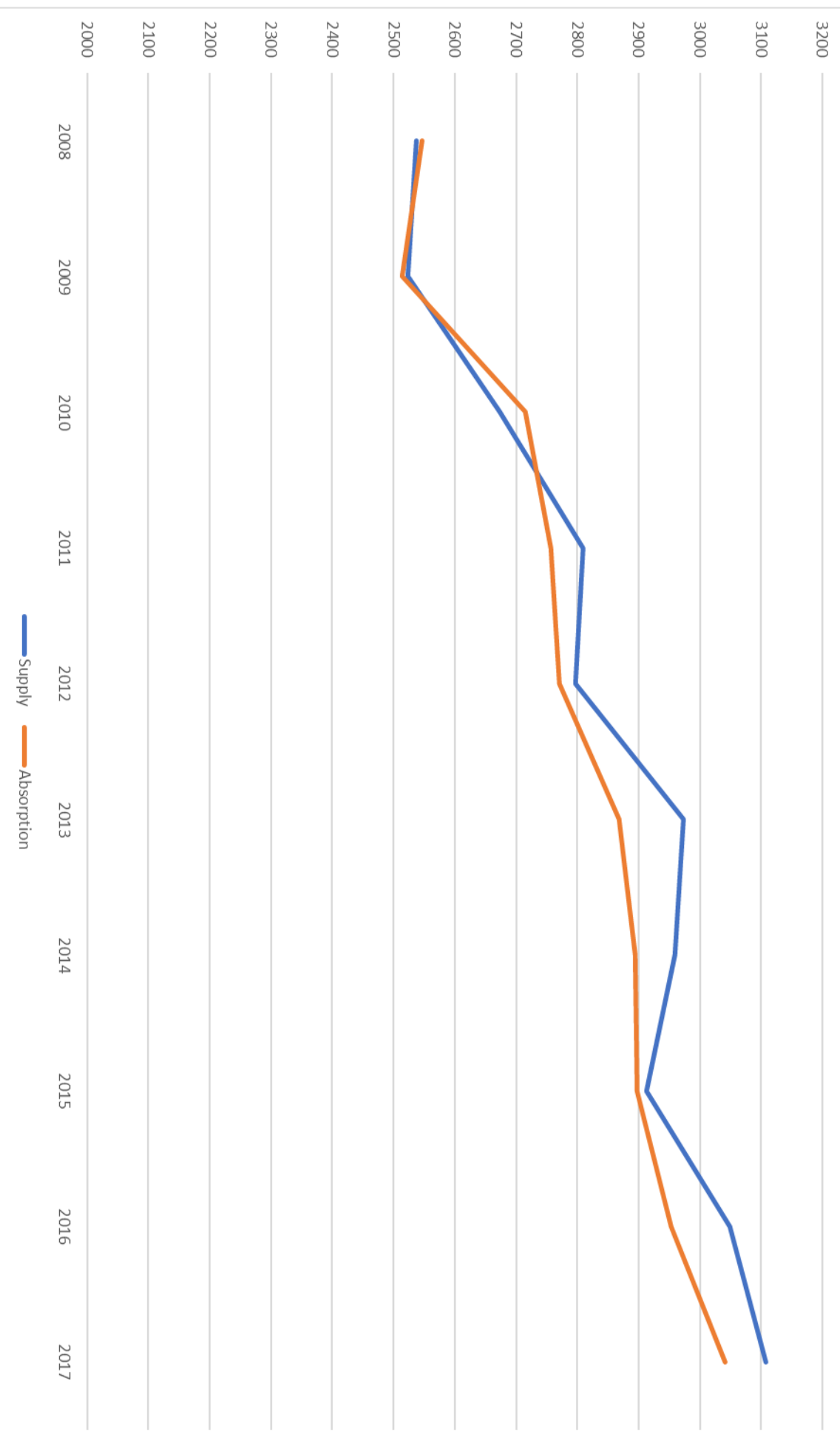
- String and tag double chamber teabags for small cut leaf grades (stapled and knotted, or knotted tags);
- Heat Seal single chamber square teabag;
- Silky tea bags for large leaf tea grades (pyramid and regular);
- Loose tea retail packs from 25grams to 10 kilos, and bulk packs.

The Centre has a temperature-controlled tea bag packaging facility with the capacity to pack a variety of tea bags or loose products. Their standard minimum run size for teabags is 3,500 kg, which equates to 1.1 million teabags. For loose tea their minimum run size equates to 2,000 kg for loose tea (assuming a 125g pack size). Run sizes may be negotiable, but indicative volumes are a useful starting point and indicates that the Centre is targeting bulk production.

It could be considered as a route to market for EAC tea brands looking to enter the retail industry, though the packing run volumes are considerable and as a result, would probably exclude many smaller businesses.

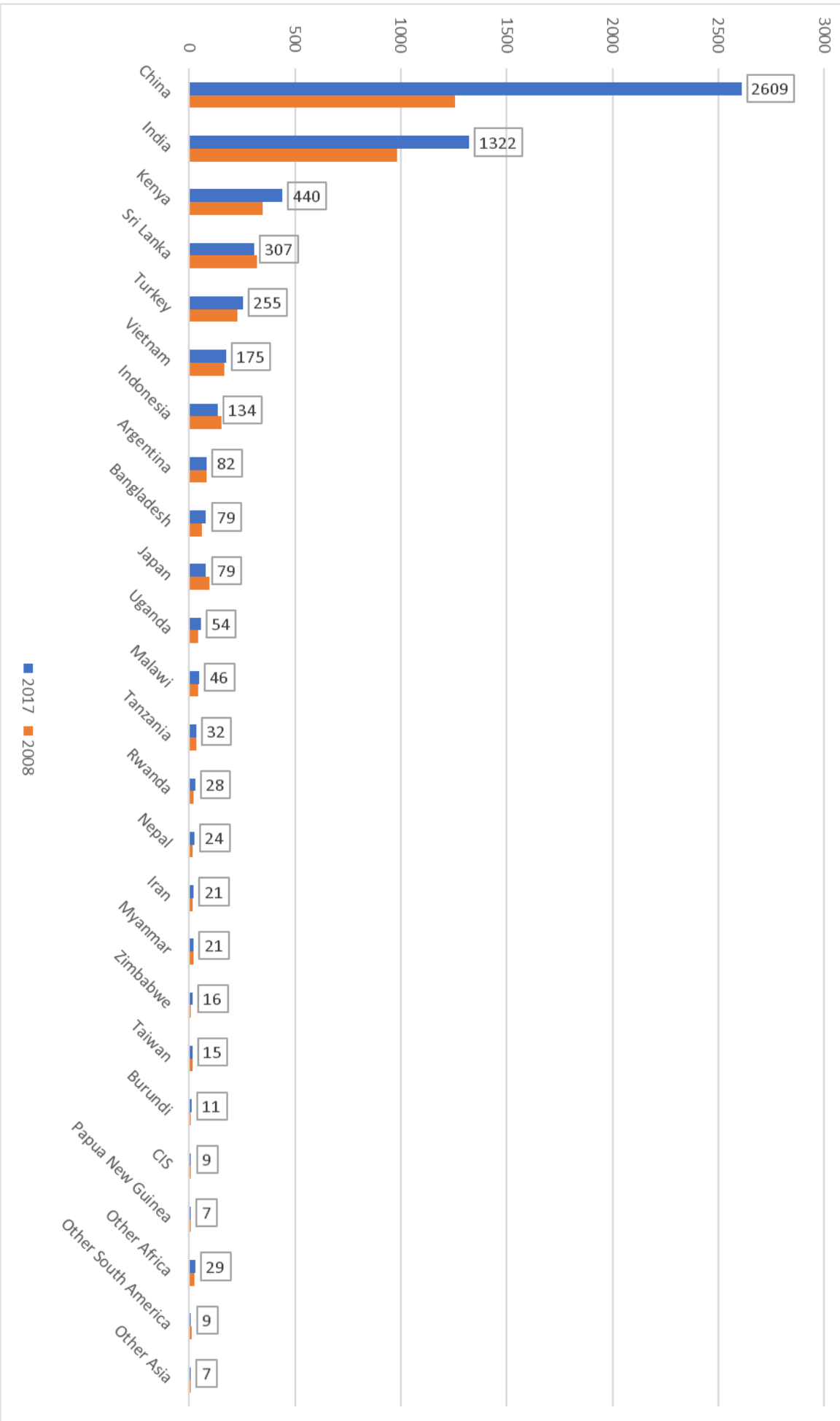
APPENDIX A: World Supply and Absorption of Tea (thousand metric tonnes)

Supply must not be regarded as equivalent to World Production as it excludes production for local consumption in China, Japan, Iran, Myanmar, Nepal, Turkey, Vietnam, South Africa, CIS



Source: International Tea Committee, Annual Bulletin of Statistics

APPENDIX B: World Production of Tea 2008 vs. 2017 (million kg.)
 Total World Production 5,811 Million Kg



Source: International Tea Committee, Annual Bulletin of Statistics