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联合国粮食及农业组织
Food and Agriculture Organization of the United Nations
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Продовольственная и сельскохозяйственная организация Объединенных Наций
Organización de las Naciones Unidas para la Alimentación y la Agricultura
منظمة الأغذية والزراعة للأمم المتحدة

COMMITTEE ON COMMODITY PROBLEMS

INTERGOVERNMENTAL GROUP ON TEA

TWENTY-FOURTH SESSION

23 February 2022

CURRENT GLOBAL MARKET SITUATION AND EMERGING ISSUES

Executive Summary

Global production increased marginally in 2020, as output of green tea and "other" tea offset declining black tea production, due to unfavourable weather conditions and restrictions put in place by producing countries to contain the spread of COVID-19. World tea production increased in 2021, prompted by a recovery in some of the major producing countries and improved market opportunities. World tea consumption growth was limited in 2020, despite a robust growth in the in-home consumption segment of the market. Although tea shipments from Kenya increased in 2020, global tea exports declined, owing to reduced deliveries from Sri Lanka (the second largest exporter of black tea), China and India. Following a decline in 2018 and 2019 due to greater availability, the FAO Tea Composite price increased by 4.2 percent in 2020, underpinned by strong in-home consumption, which more than offset declining out-of-home consumption. In 2021, tea prices declined to USD 2.44 per kg, from USD 2.52 per kg recorded in 2020, as exports were affected by pandemic-related logistics issues.

Suggested action by the Group

The Group is invited to take note of the market situation and outlook for the tea market and discuss their likely implications. The Group may also wish to:

- Provide guidance regarding FAO's future market assessment and outlook work for the tea sector, especially in view of the growing risks and uncertainties posed by climate variability, pandemics and economic shocks.
- Call on governments and other stakeholders to keep improving the timeliness and quality of data on the production, demand, trade, stocks and prices of tea, and make the data and information available and publicly accessible in a regular manner.

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

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I. INTRODUCTION

1. This document (CCP:TE 22/CRS 1) presents an overview of the global market situation and emerging issues. The medium term outlook to 2029 for tea can be found in the publication "Medium-term prospects for raw materials and tropical products"[1]. The analysis is based on data received by the Secretariat from member countries, supplemented by data from other sources, including FAOSTAT and the International Tea Committee (ITC). Macro-economic data were sourced from the International Monetary Fund (IMF), the World Bank and the Organisation for Economic Co-operation and Development (OECD), particularly those used to produce the medium term projections.

2. To supplement the information in this document, member countries of the Intergovernmental Group on Tea (IGG/Tea) that have provided market commentaries to the Secretariat, will each be given 10 minutes to make a presentation at the session. The Secretariat is extremely grateful to the countries that have provided an overview of developments in their tea sectors. This spirit of cooperation among members is encouraged as the Group's priorities are promoted in the areas of:

- Improving market transparency;
- Fostering sustainable market expansion; and
- Enhancing tea value chain development.

3. Delegates are invited to review the information presented in this document and the presentations made by the countries, which provide market updates and commentaries on their respective tea industries, and to supplement the updates with new information, as necessary.

4. Like any other economic sector, tea markets and trade have been affected by the COVID-19 pandemic. The pandemic and the measures adopted to contain it have caused disruptions to agrifood systems, affecting supply, demand, trade and prices. Although the impact on tea markets has been limited, there seems to be longer-term shifts in consumer preferences. Additional information on emerging trends in global tea markets is available in document CCP: TE 22/CRS 3.

II. PRODUCTION

5. World tea production (black, green, instant and other) increased by 3.5 percent annually over the last decade to reach 6.29 million tonnes in 2020 (Figure 1). The growth in global tea output was mainly driven by expansion in China, where production in the country increased by 6.3 percent, from 1.62 million tonnes in 2011 to 2.93 million tonnes in 2020. The expansion in tea output in China was in response to unprecedented growth in domestic demand, underpinned by the country’s economy which grew at an average annual rate of 9 percent over the last 30 years. The expansion is also a result of increased consumer health consciousness and the rapid development of herbal tea beverages in the country, characterized by a longstanding tradition of drinking tea.

6. China accounted for 46.6 percent of world tea production, with an output of 2.93 million tonnes in 2020; production in India, the second largest producer, declined by 9.6 percent in 2020 to

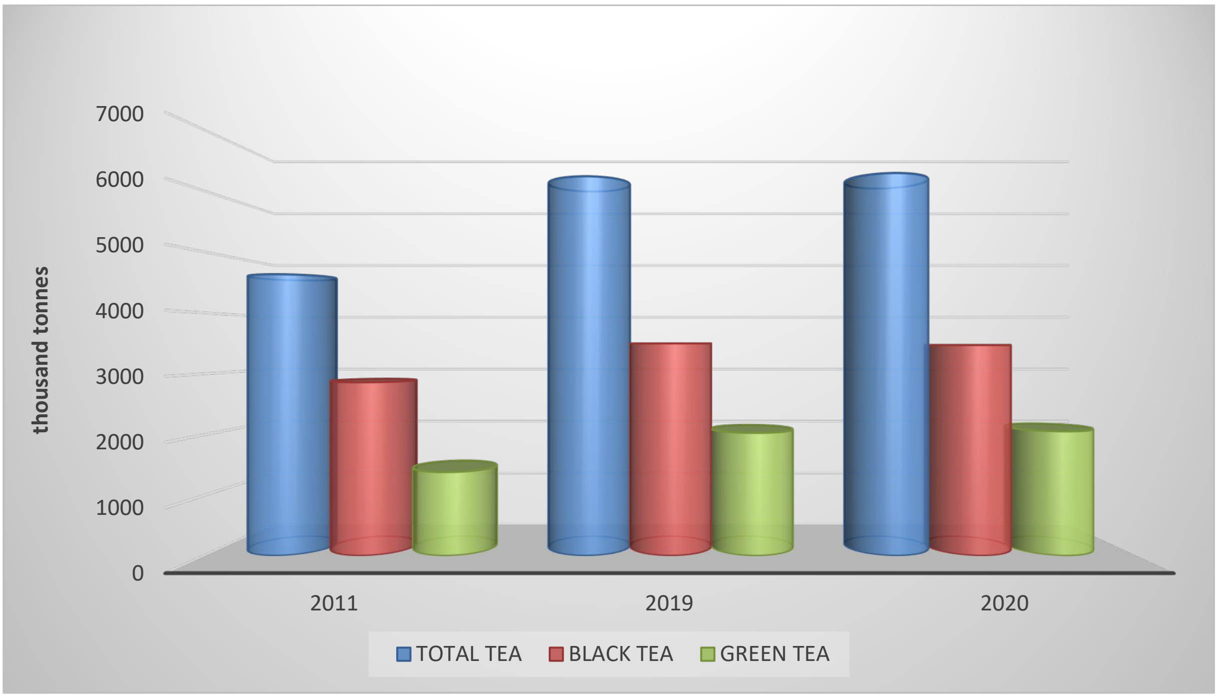
[1] Forthcoming on https://www.fao.org/economic/est/est-commodities/tea/en/

1.26 million tonnes, from 1.4 million tonnes in 2019, due to unfavourable weather conditions and movement restrictions imposed to contain the outbreak of COVID-19. Output in the two largest exporting countries, Kenya and Sri Lanka, reached 571 805 tonnes and 283 943 tonnes, respectively. Production in Kenya increased by 24.0 percent in 2020, while in Sri Lanka it declined by 7.6 percent. The tea industry in Sri Lanka showed its greatest year-on-year crop shortfall in recent times, as the sector faced various challenges due to severe weather conditions, coupled with structural issues such as labour shortages and lack of productivity growth. Disruptions in the supply chain and movement restrictions due to lockdown measures amid the pandemic, further affected the sector. There have also been concerns that the restrictions and the ban on imports of fertilizer and agrochemicals imposed in May 2021 and lifted in November 2021, could further impact the tea sector in Sri Lanka and cause crop losses in 2022.

7. Year-on-year, global tea production increased slightly (by 0.86 percent) in 2020 compared to 2019, as higher production of green tea and "other" tea offset the decline in black tea output. Preliminary estimates show that global tea output increased in 2021, as black tea production recovered from the 2020 shortfalls in some of the major producing countries such as India and Sri Lanka.

8. At the world level, black tea production increased annually by 2.4 percent and green tea by 4.5 percent over the last decade, in response to continued firm prices and green tea's perceived health benefits.

Figure 1 – World Tea Production



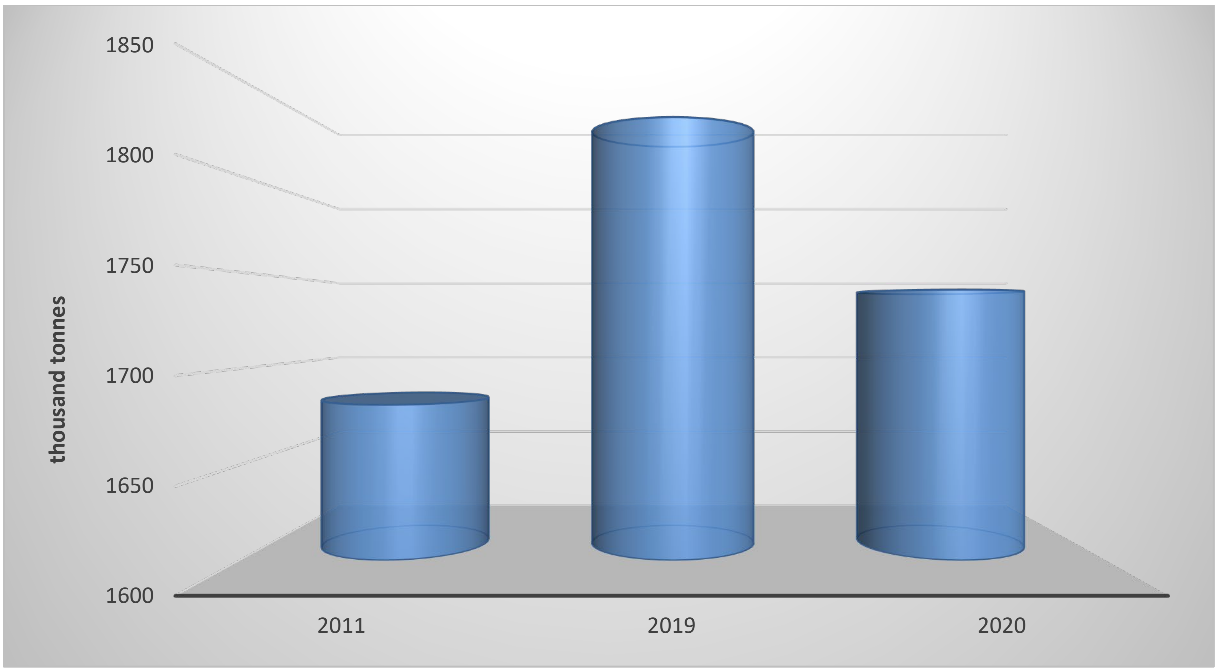
Source: FAO IGG/Tea Secretariat.

III. EXPORTS

9. World tea exports increased annually by 0.5 percent over the last decade to reach 1.74 million tonnes in 2020 (Figure 2), underpinned by growing shipments from Kenya, the major exporter of black tea, as well as a strong annual growth of 2.3 percent in green tea exports (compared to the annual growth of black tea exports of 0.1 percent). Although shipments from Kenya increased in 2020, global tea exports in 2020 declined to 1.74 million tonnes, from 1.83 million tonnes in 2019, owing to reduced shipments from Sri Lanka, the second largest exporter of black tea, China and India. Lower exports were recorded for China and India, as larger portions of production were consumed

domestically. Global tea exports are estimated to have recovered in 2021, with preliminary data indicating resumed shipments from Sri Lanka and higher exports by Kenya and China.

Figure 2 – World Tea Exports



Source: FAO IGG/Tea Secretariat.

IV. CONSUMPTION

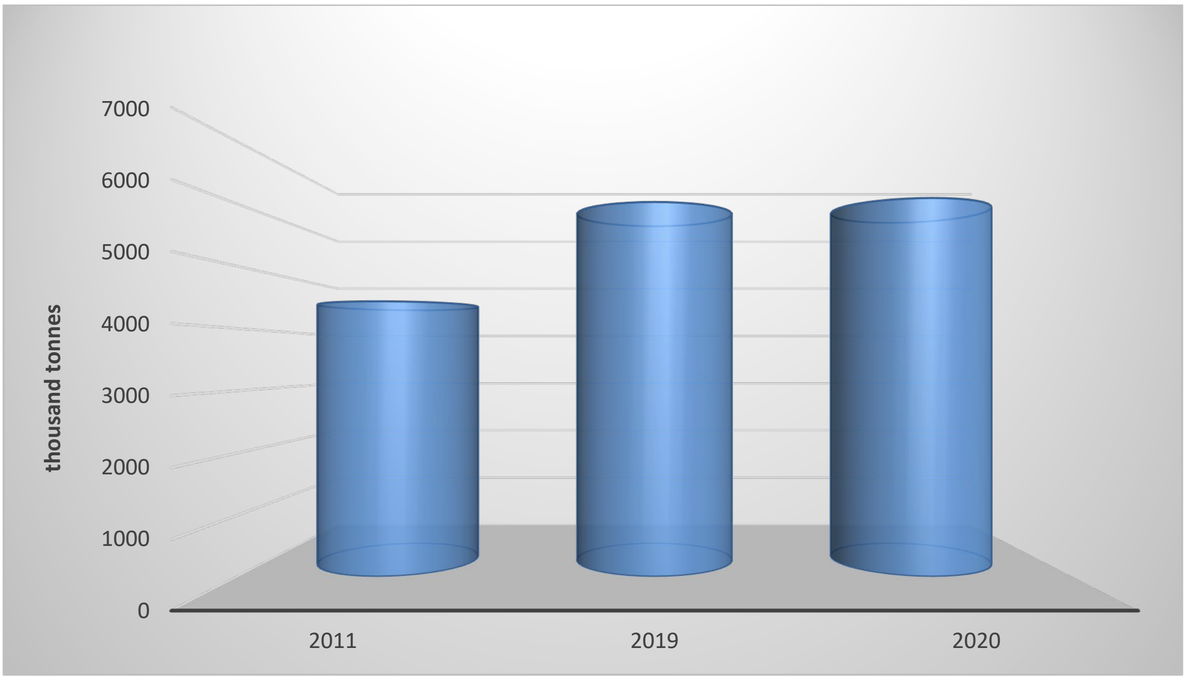
10. Several factors influence the demand for tea, including prices, income and demographics such as age, education, occupation and cultural background. In addition, the increased awareness of the health benefits of tea consumption and the product diversification process are attracting more customers from non-traditional segments, including young people.

11. The analysis of demand for tea carried out by the IGG/Tea Secretariat in selected markets indicates that both black and green tea are price inelastic. International tea prices are also marked by relatively high volatility. Additional information can be found in document CCP: TE 22/CRS 2.

12. World tea consumption increased annually by 3.6 percent to 6.1 million tonnes over the decade to 2020 (Figure 3). The expansion was underpinned by the rapid growth in per capita income levels, notably in China, India and other Asian and emerging economies. Growth in demand expanded significantly in most of the tea producing countries in Asia, Africa and Latin America. In China, consumption expanded at an annual rate of 7.3 percent over the decade, reaching 2.6 million tonnes in 2020, representing 43.1 percent of world tea consumption. India, with consumption estimated at 1.07 million tonnes, was the second largest tea consumer in 2020, accounting for 17.5 percent of the global total. At the global level, tea consumption expanded by 1.07 percent in 2020 compared to 2019, and further increased in 2021, as the market continues to be underpinned by robust demand.

13. Tea consumption in traditional importing countries of Europe, North America and the Russian Federation, has declined over the last decade. The European tea market is mature and per capita consumption has been declining due to increasing competition from other beverages, particularly bottled water and carbonated drinks, while for the Russian Federation, tea imports may have been negatively impacted by the decline in oil prices.

Figure 3 – World Tea Consumption

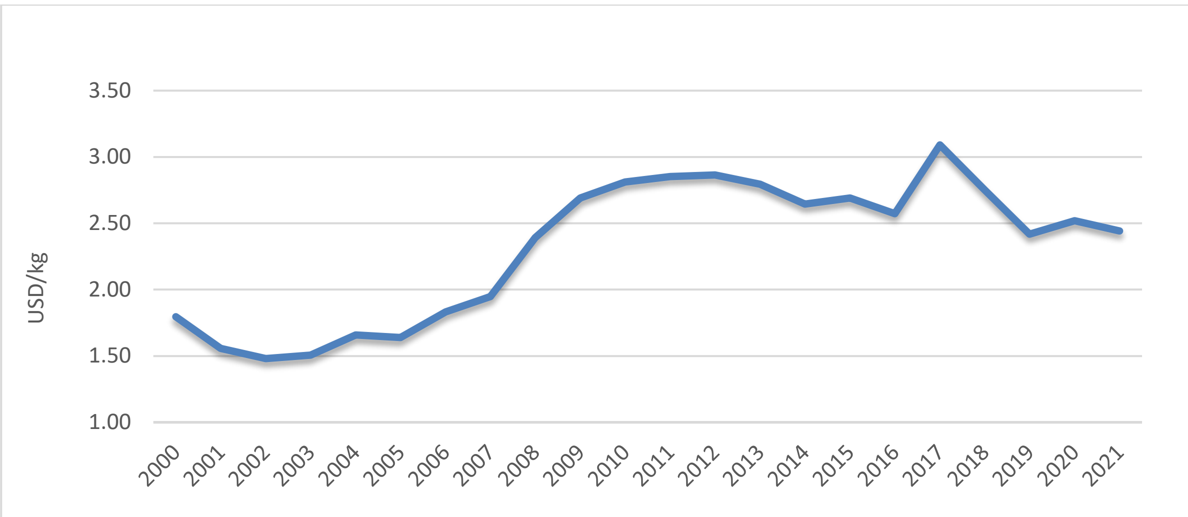


Source: FAO IGG/Tea Secretariat.

V. PRICES

14. International tea prices, as measured by the FAO Tea Composite price, remained firm over the last decade. The FAO Tea Composite Price is a weighted average price index for black tea, which includes crush, tear, curl (CTC) and Orthodox teas. Following a decline in 2018 and 2019 due to greater availabilities in the tea market, the FAO Tea Composite price increased by 4.2 percent in 2020 underpinned by strong in-home consumption, which more than offset declining out-of-home consumption. In 2021, tea prices declined to USD 2.44 per kg, from USD 2.52 per kg recorded in 2020, as exports were affected by pandemic-related logistics issues and Kenya intensified its competition, selling tea at a very competitive price given its production surplus. (Figure 4).

Figure 4 – FAO Tea Composite Price



Source: FAO IGG/Tea Secretariat.

15. Other drivers of international tea prices include market access, the potential effects of pests, diseases and weather conditions on production, and changing dynamics among retailers, wholesalers and multinationals.

VI. PROJECTIONS

16. The medium term projections can be found in the publication "Medium-term prospects for raw materials and tropical products", prepared by the IGG/Tea Secretariat in 2021 and soon to be published online[2]. The projections were generated by the FAO World Tea Model, which is a partial equilibrium dynamic time series model. Details of the model can be found in document CCP: TE 10/2[3].

VII. CONCLUDING REMARKS

17. Tea is one of the most important cash crops in the world and plays a significant role in rural development, poverty reduction and food security in major tea producing countries.

18. Therefore, reiterating the advice and recommendations of the IGG/Tea over the last 15 years and the tireless work of its Working Groups, greater efforts should be directed at expanding demand, while increasing output in a sustainable manner. Innovation and product diversification are key for ensuring the long term performance of the sector.

19. For example, there is scope for increasing per capita consumption in producing countries as they are relatively low compared to traditional import markets. It is also imperative to understand and address the ongoing declining consumption in the traditional market in Europe. Diversification into other segments of the market, such as organic and specialty teas, should be encouraged and the health and wellness benefits of tea be used more extensively in promoting consumption in both producing and importing countries. However, in targeting potential growth markets, recognition of, and compliance with, food safety and quality standards is essential to address the gap between the growing volume of exports and the declining earnings from exports in some countries.

20. Per capita consumption levels in tea producing countries have increased over the last decade, although, in most cases, not significantly. From 2011 to 2020, while tea per capita consumption has declined in in Europe by 1.4 percent, North America by 2.3 percent and the Russian Federation by 3.5 percent, it has accelerated in Africa and Asia. Countries with significant increases in per capita consumption include China (6.8 percent), Bangladesh (5.4 percent) Turkey (3.5 percent), Indonesia (4.1 percent), Pakistan (5.4 percent), Malawi (16.3 percent), Kenya (5.9 percent), Rwanda (5.3 percent) and Uganda (13.5 percent). Tea consumption in Turkey, Morocco, China and Libya, reached, respectively, 3.88 kg per person, 1.89 kg per person, 1.82 kg per person and 1.77 kg per person in 2020. Declines were registered in Germany (-2.4 percent), the United Kingdom (-2.4 percent) and the Netherlands (-2.3 percent).

21. Market promotion in producing countries was based almost exclusively on the health benefits of tea consumption. Tea health benefits are leading the product’s immersion into modern American culture and other emerging markets. Research efforts towards empirically supported evidences for health implications of tea consumption need to be strengthened further.

22. New growing markets are also building on product innovations and diversification into new segments of consumers. The bulk of the tea consumed in the United States of America today is iced tea, with a share of 75-80 percent in total consumption, but hot tea has been growing in popularity. Tea popularity is being driven by the Millennial (1981-1997) and Baby Boomer (1946-1964)

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[2] Forthcoming on https://www.fao.org/economic/est/est-commodities/tea/en/
[3] Document CCP:TE 10/2 is available on the Secretariat’s website: http://www.fao.org/docrep/meeting/018/K7538E.pdf.

generations. In 2019, about 84 percent of total tea consumed in the United States of America was black tea, 15 percent was green tea, and the small remaining amount was oolong, white and dark tea. Ready-to-drink tea accounted for about 50 percent of the market, while the bagged/loose leaf tea segment through traditional channels declined slightly from 2018, although it continues to be important in introducing new consumers to tea. Foodservice, refrigerated teas and high-end specialty teas continue to grow at slightly accelerated rates, stealing shares from both traditional and ready-to-drink (RTD) tea, with a growth of 4–5 percent per annum.

23. Greater cohesion in the efforts of producing countries and collaboration with consuming nations is needed to harmonize market requirements (maximum residue levels (MRLs) and quality) and reduce costs of compliance.

24. On the supply side, the tea plant (*Camellia sinensis*) is highly sensitive to changes in growing conditions. Hence, commercial growing of tea is geographically limited to a few areas around the world, which are under an increasing risk due to climate change. Mitigation and adaptation measures are being explored by the Working Group on Climate Change in order to provide guidance on how to deal with the effects of climate change.

25. Finally, the IGG/Tea has to consider future strategies and appropriate enabling policies to maintain the sustainable development of the rapidly changing global tea economy and mainstream climate change into tea development strategies.