

Tea Industry: Focus on Kenya

Srinivas Anand Sriram

Center for African Studies

University of Mumbai, Mumbai, India

DOI: <https://doi.org/10.5281/zenodo.7323440>

Published Date: 15-November-2022

Abstract: Tea is an important commodity in East Africa. Kenya is the major tea producer, followed by Uganda, Tanzania, and Rwanda. The growth in the tea sector has led to development of Kenya's economy. Tea sector in Kenya is dominated by smallholders along with investments by private companies. East African Tea Trade Association (EATTA) was formed to develop the tea trade in Africa. Kenyan tea sector is also facing challenges, such as lack of infrastructure for transport, restrictions in government policies, climate change and the competition to Mombasa tea auction from Dubai auction centre.

Keywords: Tea, Kenya, Mombasa auctions, China, India, CTC, Orthodox.

1. INTRODUCTION

Tea traces back its roots to China where around 2737 BC it was discovered as a drink accidentally by Chinese emperor Shen Nung (UK Tea,2022). With the development of the silk route to Europe it started to travel into Europe mainly Britain. With the establishment of trading cities in the far east like present day Macau, Hong Kong among others by the Europeans the tea trade started to spread in Europe. More particularly it was the British among the Europeans who preferred tea over the traditional coffee as a hot beverage in their daily routine. As the British started colonizing around Asia and eventually Africa as well in the nineteenth and twentieth century they also took the tea to these areas. Thus tea estates were established in India, Sri Lanka and East Africa by the British. Below are the main varieties of tea which are traded in the world

- Green Tea
- CTC
- Orthodox

Green tea is focused in China and south east Asian countries like Vietnam, Indonesia etc. Green tea are different from the other two types since there is no withering and oxidation process. It is usually more healthier and has medicinal properties which is why its more popular. CTC (Crush , Tear and Curl) refers to a type of black tea being majorly produced in India and Kenya. In CTC process the leaves are manufactured using machinery and are crush, teared and curled as the name suggests. CTC is considered to be more cheaper since its usually processed in bulk quantities since it's a more automated process. Orthodox tea is the traditional style of tea processing which is processed by hand or by machinery that mimic the hand process. Since it is processed manually this results in different kind of tea being produced from orthodox like white, green, oolong and black tea. Orthodox tea is mainly produced in Sri Lanka which is the leading producer.

2. CURRENT GLOBAL TEA MARKET

In terms of the produced quantity China leads in the production with almost forty seven percent of the production volumes at 3063 MT as seen in the table below. Over a period from 2017-2021 the production has increased by almost twenty two percent in China. This is followed by India which contributes to almost twenty one percent of the production volumes at 1343 MT. Over a period from 2017-2021 the production is almost flat, key reason is the financial viability which the tea estates are being faced with in India as well as labour shortage issues. Kenya contributes almost eight percent of the production volumes at 537 MT. Over a period from 2017-2021 the production increase by eight percent.

Table I: World Tea Production 2017-2021 (Qty in MT)

Country	2017	2018	2019	2020	2021
China	2496	2610	2799	2986	3063
India	1322	1339	1390	1257	1343
Kenya	440	493	459	569	538
Sri Lanka	308	304	300	278	299
Vietnam	175	185	190	186	180
Indonesia	134	131	129	126	127
Others	844	904	894	876	905
Total	5719	5966	6161	6278	6455

Source : Tea Board of India 2022

Since China and India have a large domestic tea market itself hence they are not the top exporter. As seen in the table below Kenya is the largest exporter of tea in the world followed by China and then Sri Lanka. For both Kenya and Sri Lanka tea exports constitute a significant amount of their foreign exchange. Kenya has been continuously been focusing in increasing its tea exports thru new plantations as well foreign investments in the tea sector. Since the domestic consumption is very low in Kenya this allows them to have larger exports which is not the case for China and India

Table II: World Tea Production 2017-2021 (Qty in MT)

Country	2017	2018	2019	2020	2021
Kenya	416	475	497	519	559
China	355	365	366	349	369
Sri Lanka	278	272	290	263	283
India	252	256	252	210	196
Vietnam	140	130	135	130	145
Others	356	370	369	361	376
Total	1797	1868	1909	1832	1928

Source: Tea Board of India 2022

3. TEA INDUSTRY IN KENYA

The British post colonization introduced tea to Kenya, however, the colonial government prohibited tea cultivation for local. Only later in the twentieth century, the Kenyans were allowed to own tea estates and cultivate. It commenced the in 1950's with smallholder tea cultivation and later the first tea factory for the smallholder was established in 1957 (KTDA,2022). From then on, the cultivated area and tea production has increased from 21500 hectares of tea harvested to almost 250000 hectares as of 2021 (Tea Board of Kenya,2021). However, in contrast to other countries, Kenya only consumes 6.6 percent of its tea production and the rest is exported (AFA,2022). This has made Kenyan tea industry one of the major contributors to foreign exchange and employment generation.

The Kenyan tea sector in terms of production can be divided into smallholder farmers and large multinationals companies having their own estates and factories. Post-independence when the estates were allowed to be cultivated by the local population this saw smallholder farmers enter the sector. The multinational companies have their factories, through which, they process the tea harvested from their plantations. The smallholders are integrated by law under the Kenya Tea Development Agency (KTDA) that groups, coordinates and processes their tea produce. KTDA is the country's biggest private company with over 630000 farmers and 54 tea factories (KTDA,2022). Further, both smallholders and multinational companies sell most of their tea through the Mombasa tea auction, the second biggest tea auction in the world. However, during the last few years, the tea sector has been facing several problems like high dependence on few export markets, low participation of smallholders in the upper segment of the value chain and weak local marketing. Kenya has been steadily increasing its production due to increase in area under cultivation by smallholders. Tea production in the last decade has been showing upside trend with drops in 2006 and 2009, due to decrease in land productivity. Tea producing area in Kenya is clearly bifurcated into the east of Great Rift Valley area and west of Great Rift Valley area. Both areas problem faced by Kenya and other East African tea producing countries is the over reliance on unstable states, mainly Pakistan, Egypt, and Sudan as their main export destinations. Also, another major importer, the United Kingdom owing to its economic downturn was looking for cheaper tea. However, a more positive factor in this decline is the success of efforts to directly access market that were previously served via the United Kingdom (Agritrade 2013).

Table III: Major Kenyan tea importing countries (Quantity in Mn Kgs)

Country	2020	2021	% Growth
Pakistan	186.1	212.5	14%
Egypt	91.9	98.5	7%
UK	50.2	49.1	-2%
UAE	24.6	29.7	20%
Russia	25.1	29.6	18%
Sudan	21.0	28.1	34%
Others	120.0	111.5	-7%
Total	518.9	558.9	8%

Source: Tea Directorate of Kenya

Hence, Kenya is focusing on newer emerging tea markets like Kazakhstan, Azerbaijan, Poland and Iran, with some success being achieved in these markets. Also, priority is being given to exports to other African countries, especially the West African countries like Nigeria, Niger, and Ghana. Though these countries are not traditional markets, market research shows that there is considerable potential in these new markets to identify customers. Kenyan tea sector is also facing competition from the Dubai Tea Trading Centre, with volumes sold at the Mombasa auctions declining steadily eroding every year. Thus, Mombasa tea auctions are losing the edge that they used to have with regard to African tea.

Kenya Tea Development Agency

Kenya Tea Development Agency (KTDA) has played a pivotal role in developing tea sector in Kenya. It was initially established under the agriculture act and later privatised. KTDA mainly looks after the interests of the smallholder farmers by buying their produce and then processing the produce in their factories. KTDA has also diversified into our ancillary sectors of the tea industry like tea trading, insurance and power generation. It is one of a kind agency in the entire tea sector which is not seen anywhere else in the world since in most places estates are held by large companies. It also acts a voice of the smallholder farmers since the Kenyan tea sector has more than two thirds of the produce comes from them. KTDA also helps the farmers to adapt sustainable ways of farming by providing training and education.

4. CONCLUSION

The government of Kenya is focusing on increasing productivity by providing various incentives. Multinational tea manufacturers have been showing interest in buying estate across east Africa (Economic Times,2016). Mechanization needs to be introduced to improve productivity however since there are large amount of smallholder farmers this poses a challenge. Another challenge in the Kenyan tea sector is to Mombasa tea auction centre itself. It is facing tough competition from Dubai auction centre. At Dubai, a new tea auction centre was launched in 2005. Tea from 13 countries, which includes East African tea producing countries, as well as major Asian countries are being traded at Dubai auction centre. Major tea companies like James Finlay, Unilever and Kenya Tea Development Agency have signed trade pacts with the Dubai Centre. The trading at Dubai centre is increasing every year. The centre is also offering incentives for the traders such as free storage of tea for upto 60 days and packaging and labelling of processed tea, which is attracting the African countries. This has led to decline in business at Mombasa auction

Climate change will also affect tea production. The tea factories do not get enough green leaf so that they can keep variable factory costs low. In turn, farmers also receive low prices for the tea produced. So farmers are not able to raise the productivity of the tea crop by applying fertilizers etc. Labour shortage and increasing energy costs are also affecting tea production. Transportation of tea to Mombasa includes high cost. High price fluctuation is another challenge. Thus the government jointly with the tea producers need to come together to tackle all the issues and also improve the Mombasa auction to make it more competitive.

REFERENCES

- [1] UK Tea and infusions association (2022) 'The history of tea' [Online] Available at <<https://www.tea.co.uk/history-of-tea>>
- [2] Tea Board of India (2022) 'Global Tea Statistics' [Online] Available at < <https://www.teaboard.gov.in/TEABOARDPAGE/MjE>>
- [3] KTDA (2022) 'Our History' [Online] Available at < <https://ktdateas.com/our-history/>>

- [4] Tea Board of Kenya (2021) 'Tea Industry Statistics' [Online] Available at < <https://www.teaboard.or.ke/resources/tea-industry-statistics>>
- [5] Agriculture and Food Authority (AFA) (2022) 'Kenya encourages local consumption' [Online] Available at < <https://www.agricultureauthority.go.ke/index.php/en/resource-center/news/15-kenya-to-encourage-local-tea-consumption-amid-global-oversupply>>
- [6] Tea Directorate of Kenya (2021) '2021 Statistics' [Online] Available at <<http://tea.agricultureauthority.go.ke/index.php/statistics/statistics/category/31-2021?download=71:kenya-tea-industry-performance-highlights-dec-2021-compressed>>
- [7] Agriculture and Food Authority (AFA) (2022) 'Kenya encourages local consumption' [Online] Available at <<http://tea.agricultureauthority.go.ke/index.php/statistics/statistics/category/31-2021?download=71:kenya-tea-industry-performance-highlights-dec-2021-compressed>>
- [8] Economic Times (2016) 'Mcloed Russel, Dhunseri plan tea estates in Africa' [Online] Available at < <https://economictimes.indiatimes.com/news/company/corporate-trends/mcleod-russel-dhunseri-plan-tea-estates-in-africa/articleshow/51062479.cms?from=mdr>>