



Tropical Commodity Coalition
for sustainable Tea Coffee Cocoa



Tea Barometer

2010

TCC Tea Barometer 2010



Tea supply chain



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Tea is a very popular beverage, consumed all around the world. Millions of people are engaged in producing and processing tea. Tea production has long been dominated by large plantations but smallholdings¹ are on the increase. Three quarters of the world production comes from China, India, Kenya and Sri Lanka. China and India, the biggest producers, are also the biggest consumers, accounting for more than half their production.

The tea industry plays an important role in the economies of producing countries - it provides livelihoods for poor communities in remote rural areas. At the family farm level, tea is a cash crop that brings both farmers and workers, incomes to pay for food, schooling and healthcare. Most hurt by low prices are the poorest producers. They have few resources and safety nets to fall back on, when prices decline.

Tea, unlike other major agricultural commodities, is mostly sold through auctions. Historically, the international tea market is characterized by a persistent state of oversupply that keeps tea prices low. Due to adverse weather conditions, black tea prices rose to record levels in 2009, and the economic downturn did little to dampen tea consumption. However, with improving weather patterns the prices are expected to fall back in 2010². It is therefore feared that the high prices realized in 2009 could over stimulate production and lead to a new supply and demand imbalance.

To seriously address rural poverty and environmental degradation in the tea growing areas, it is necessary to analyze the entire tea value chain. While the focal point might be the tea farming system, sustainable production and social change are mainly driven by the purchasing

policies and practices of companies at the buying and retailing end of the tea value chain.

Growing consumer concern about the food production methods employed, and their impact on poor people and the environment, have been translated into various standards systems that seek to address these concerns. Some of the best-known initiatives, such as Fair Trade, Organic Certification, Rainforest Alliance and UTZ Certified that started in the coffee sector, now cover many major agricultural commodity sectors. In recent years, certification has expanded rapidly in the tea sector.

Tea Barometer 2010, presents an overview of the recent market developments and aims to fuel the discussion on developing a sustainable tea sector. The tea value chain is complex and not easily accessible. Therefore, this report starts with an introduction to the unique characteristics of the tea value chain and its main stakeholders. An overview of critical issues in the main tea producing countries follows. As certification is taking off and becoming more widespread in the tea sector, a brief background of the concept of certification and the different standards systems is provided. Then, the developments and sustainability trends in the tea market are briefly examined, with special attention to the key consuming countries: United Kingdom, Germany and The Netherlands.

2 Tea value chain

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Production and processing

Camellia sinensis is an evergreen plant, whose buds and leaves are used to produce tea. There are different types of tea such as black tea, green tea, white tea or Oolong tea. They are all produced from the buds and leaves of this same species; the difference is in the processing. In the global tea market, the two most important types of tea are black and green tea⁴. Black tea accounts for around 75% of global production and over 90% of the consumer market in Western countries⁵. Green tea, mainly grown and consumed in China, is slowly gaining popularity in the West, especially with health conscious consumers.

Global tea production totalled 3,750,000 tonnes in 2008. The major tea producing countries are China (31% of world production), India (26%), Kenya (9%) and Sri Lanka (8%)⁶. Tea production has long been dominated by large plantations, but especially since the mid 1990s due to market liberalisation, smallholdings are on the increase⁷. In Kenya and Sri Lanka, about two thirds of all tea is cultivated on smallholdings. For these farmers, cultivating tea provides work and income throughout the year, with a low risk of complete crop failure. Tea is a very labour intensive crop. Plantations and small farmers employ thousands of workers to maintain and harvest their tea fields. Work in tea gardens is usually gender specific. Harvesting, generally referred to as plucking, absorbs the most amount of labour and is carried out almost exclusively by female workers. There is typically a daily wage for tea plucking, with a stipulated minimum quantum of leaves to be plucked. Male workers are generally employed only for pruning, applying fertilizers and agrochemicals or hauling heavy loads. As these are largely seasonal or occasional activities the men sometimes have work only for 10-15 days in the month⁸.

Since processing the tea leaf should commence within 5-7 hours after harvesting, the challenge for smallholders is to get it to a factory in time. While most plantations have their own processing units, small growers need to sell their green leaf to independent Bought Leaf Factories (BLFs) or to estate factories nearby.⁹ This process is sometimes facilitated by collectors, but very often the growers are in a weak bargaining position, because they lack access to accurate market information and the dominant position of the collectors.

The tea factories therefore constitute the first critical node in the tea value chain, because their services are not always readily available or accessible to small tea growers. Furthermore, the factories exert a significant influence on the quality of the processed tea and prices they fetch.

The major players at this stage, Mcleod Russel, James Finlay, Tata Tea, Unilever and John Keells, all have their own tea estates and processing factories in the producing countries.

Trade

Brokers constitute an important link between tea producers and buyers, since they communicate information regarding supply and demand. About 70% of the global tea production is sold through auctions. The average prices at the three most important auction centres (Kolkata - India, Colombo - Sri Lanka and Mombasa - Kenya) is a reference for the world market price. Unlike coffee or cocoa, there is no stock and futures market for tea. An auction system seems to be objective and fair since prices are set solely by supply and demand, but reality proves to be different¹⁰. Due to continuous variations in quality, quantity and demand, the small number of



Figure 1 Overview of major players in the tea value chain and tea consumption



companies that dominate the sales, and possibly collusion among brokers to influence prices, the system does not always work well for small-scale farmers, with limited access to market information.

At the global level, four companies dominate the tea trade, namely Unilever, Van Rees, James Finlay and Tata Tea.

Blending & packing

Tea is a 'finished product' when it passes the processing stage, but the downstream stages such as blending, packing and marketing are the most profitable operations. The most popular tea brands are usually complex blends of different origins and qualities. Today it is estimated that there are around 1,500 different varieties of tea, grown in some 36 countries around the world. So, a tea bag may contain teas from many different varieties and origins. The composition of a blend, in terms of origins and estates, is a closely guarded commercial secret.

The biggest brand owners, Unilever and Tata Tea, have a dominant presence throughout the value chain. With

their own tea estates, tea trade and consumer brands they have a large influence in the chain, and also a huge responsibility.

Consumption



Approximately, 58% of the world production is consumed locally in the producing countries; only 42% is exported to non-producing countries. The major consuming countries are China and India, accounting for 24% and 22% of global consumption, respectively. Tea consumption in the non-producing countries is led by the Russian Federation (5%), United Kingdom (4%) and the United States of America (3%)¹¹.

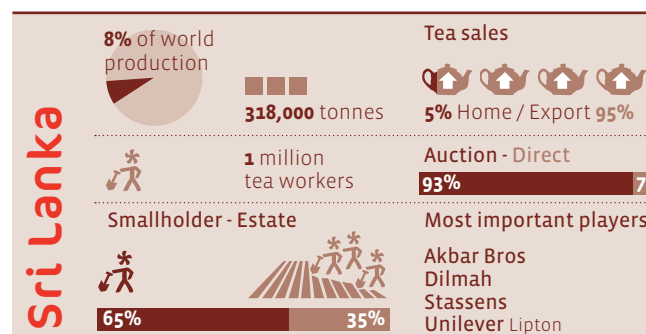
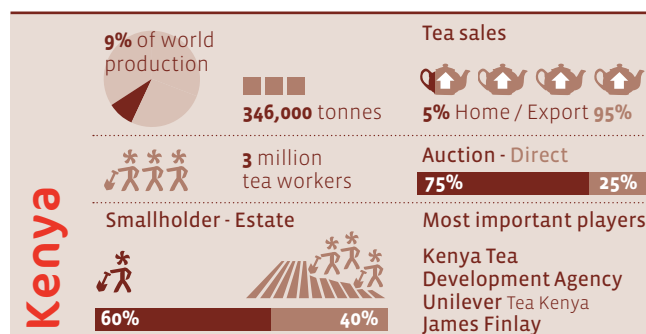
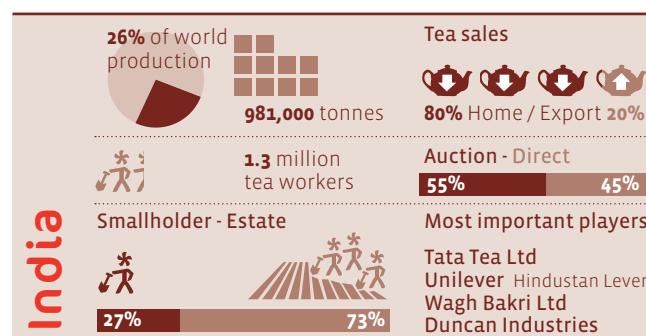
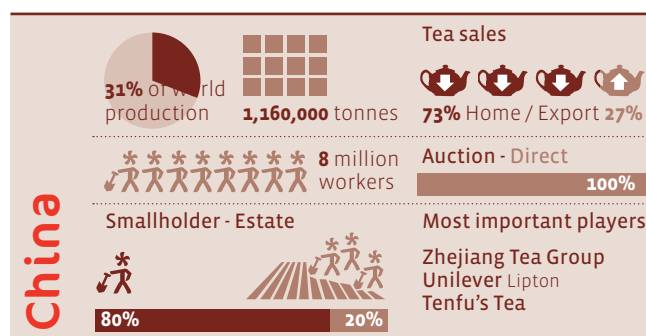
The tea of choice in countries like China, Vietnam and Indonesia is green tea; in all other markets it's black tea. Premium loose tea markets, like Germany and Japan are known to go for the leafy teas of higher quality. Tea bags are preferred in the Western consuming countries like the USA, UK and the Netherlands. There is also an increasing trend in the consumption of non-traditional tea products such as iced tea, lemon tea etc¹².

3 Critical issues in the main tea producing countries

Figure 2 Overview of the social, economical and environmental issues with production data relating to the four main producing countries in 2008

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	 Estate and factory workers	 Small-scale farmers
Social issues	<ul style="list-style-type: none"> - High discrimination, gender inequality - Low representation of workers - Poor living conditions on estates 	<ul style="list-style-type: none"> - High reliance on tea for livelihood - Low level of farmer organisation - Lack of land title deeds
Economical issues	<ul style="list-style-type: none"> - Low wages - High casualisation of labour - Uneven value distribution 	<ul style="list-style-type: none"> - Lack of market information, market access & (technical) training - Low productivity and low prices versus high production costs - Uneven value distribution
Environmental issues	Small-scale farmers and estate and factory workers <ul style="list-style-type: none"> - Deforestation / loss of biodiversity due to conversion of forests into tea farms - Soil erosion, low soil fertility - Agrochemical use - Pollution and energy inefficiency in processing tea 	



4 Towards sustainability

Unlike coffee or cocoa, the affluent populations of North America, Western Europe and Japan, are not the most important markets for tea. Over 50% of global tea exports are now destined to the Middle East, North Africa and the former Soviet Union countries¹³. This has far reaching implications for the shaping of sustainable production in tea value chains. In contrast to the coffee and cocoa sectors, there are no global governance initiatives such as multi-stakeholder round tables¹⁴, to improve the social, environmental and economic conditions of tea producers worldwide¹⁵. At the national level in India, Indonesia and Sri Lanka, National Reference Groups (NRGs), that include all relevant stakeholders, were set up to provide guidance on certification, and to monitor the implementation of standards in the country¹⁶.

Nonetheless, there is a growing public awareness in the West of the social hardships associated with tea cultivation. Various standards systems seek to address these concerns. Codes of conduct require suppliers to meet standards on food safety, working conditions and environmentally friendly production practices. Certified tea is commonly defined as tea that includes the three pillars of sustainability, namely 'economic viability for farmers', 'environmental conservation' and 'social responsibility'. Certification entails the written assurance by an independent third party certification body that the quality of the tea and the production process, have been assessed, and conforms to specified requirements.

This market-based approach to sustainable development of the tea sector gives producers many opportunities, for example, training, access to new markets, and enhanced efficiency and revenues. The adoption and implementation of the codes of conduct could

directly improve and protect the economic, social and environmental conditions of a tea grower. However, full access to benefits, for those most in need, is restricted by various obstacles such as limited demand, investment and audit costs.

Independent monitoring and certification are central to the four major tea production standards systems: Fairtrade, Organic, Rainforest Alliance and UTZ Certified. A fifth influential collective standard is the Ethical Tea Partnership (ETP). ETP was initiated by tea-packing companies to promote social responsibility and encourage gradual improvement where necessary.

In Figure 2 a summary was given of the critical issues for both smallholdings and estates. Standards systems should address the issues pertaining to both categories. Due to the type of tea preferred in the European markets - currently all standards systems (although Fairtrade to a lesser extent) focus their improvement efforts mainly on estates (Figure 3). It should be noted though that many of these estates are so called 'low-hanging fruits': estates which can attain certification relatively easily, to get the supply side of certified tea up and running. Besides, to make the tea sector more sustainable and to ensure credibility, it is vitally important for standards systems to cover the whole supply chain, and move beyond the first level of producers. Only UTZ and Organic cover all the trading and blending/packing stages. Fairtrade has standards up to the trade level, whereas the standards of Rainforest Alliance and ETP are limited to the producer level (Figure 3).

Figure 3 Focus and supply chain coverage of the five most important tea standards systems



Supply chain coverage of tea standards systems

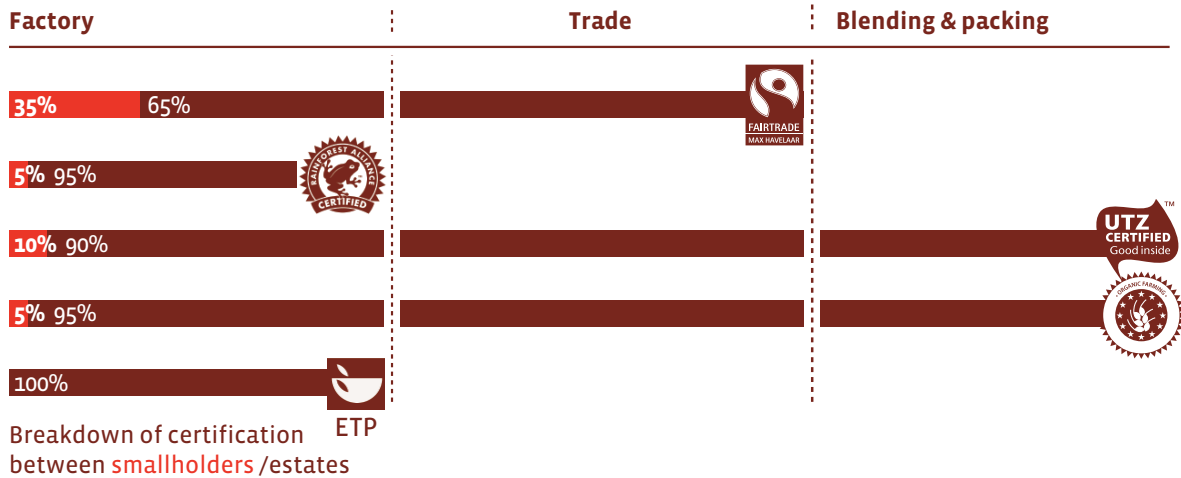


Figure 4 Number of standards lists for the five tea standards systems

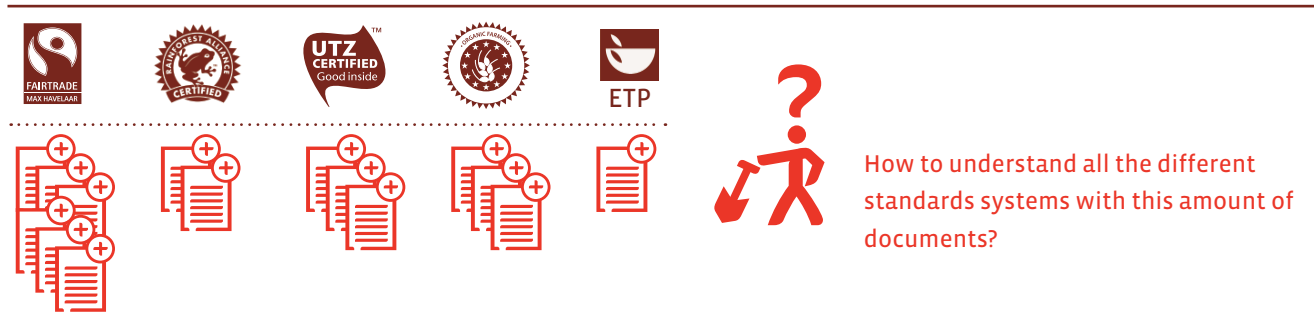


Figure 5 presents an overview of the five tea standards systems, all benchmarked against the basic TCC principles to identify a decent code of conduct¹⁷. It must be emphasized that according to TCC, a decent code not only determines standards, but contains mechanisms and principles for its implementation and monitoring, and stimulates the continual improvement of the social, environmental and economic situation.

Basic TCC principles

Labour norms must be in accordance with ILO Conventions and national laws

The standards system must adopt at least the eight fundamental ILO Conventions, namely:

- No forced labour (ILO Conventions 29 & 105)
- No discrimination (ILO Conventions 100 & 111)
- No child labour (ILO Conventions 138 & 182)
- Freedom of association and collective bargaining (ILO Conventions 87 & 98)

The standards system should also take the following conventions into account:

- A living wage that covers basic needs (ILO 26 & 131)
- Healthy and safe working conditions (ILO 115)
- Legal labour contracts (ILO Tripartite Declaration of Principles Concerning Enterprises and Social Policy)

In many countries there is a lack of compliance with public regulations on labour relations. Hence, standards systems contribute to the enforcement (or better enforcement) of existing laws. Special attention is given to occupational health and safety, contract obligations and minimum wage. The implementation of a standards system is complementary to governmental regulations, and national legislation is always preferable if it establishes higher standards.

Environmental requirements

Standards systems should specify how their environmental standards (minimum requirements and improvement standards) contribute to sustainable development. Clear links need to be established between a healthier and cleaner environment and the welfare of all stakeholders involved¹⁸. Standards systems should give specific attention to the most critical environmental issues in the tea sector, namely: agro-chemical use, deforestation and soil erosion.

Inclusiveness of vulnerable stakeholders

In applying standards systems one has to be aware of the fact that standards can have negative or unexpected impacts for certain stakeholders. Standards systems need to specify how the standards really improve the material wealth, social wellbeing and empowerment of vulnerable stakeholders, like unorganized small-scale farmers, women workers and seasonal tea pluckers. Does the standards include a management system requirement (Plan-Do-Check-Act) in which inclusiveness is part of the planning phase?

Multi-stakeholder participation

The continual backing of civil society is essential to create local ownership and to ensure credibility of the standards system. Local stakeholders should be engaged in developing, implementing and monitoring standards. This is important both for the continuous development of the standards systems as well as for its adaptation and elaboration at a local level.

Implementation & continual improvement

A company should develop an internal management system (Plan-Do-Check-Act) which includes the standards and the company should assess its own progress.



Figure 5 Five tea standards systems benchmarked against the TCC principles



External control

Standards systems can be effective only if they include internal and external verification. Compliance to standards must be integrated into a company’s management plan and its functioning should be verified by an independent, external party. This process should be transparent so that NGOs and unions can monitor the company’s improvement actions.

Trading practices & market transparency

Suppliers should be able to cover the structural costs of compliance from price-differentials, premiums and/ or increased efficiencies. Standards systems should also provide suppliers with market information (market prices, cost-benefit analyses, etc.). This market knowledge gives the suppliers bargaining power to make well-considered decisions and improve their income.

Supply chain coverage & traceability

Certification should surpass the first level of producers; following stages in the tea supply chain that handle the product like processors, traders, blenders and packers should be part of the standards system. An effective traceability system should be integrated.

Supply chain coverage and traceability are important for credible communication and assurance that the qualities on the product label are respected throughout the chain.

Consumer communication

Consumers have the right to correct information in understandable language about the scope and goals of the various standards systems. Transparency of information for the consumer, regarding the real improvements at the producer level, is a key factor.





<p>Compliance with relevant ILO Conventions and national laws</p>	<p>Compliance with relevant ILO Conventions and national laws</p>	<p>No coverage</p>	<p>Compliance with relevant ILO Conventions and national laws</p>
<p>More than half of the code consists of very specific environmental criteria, including ecosystem and wildlife conservation</p>	<p>Substantial part of the code is reserved for general environmental requirements; focus on improving agricultural and processing practices</p>	<p>Main part of the code consists of specific environmental requirements</p>	<p>Basic part of the code is reserved for environmental requirements, specified on the key issues in the tea sector</p>
<p>High on smallholders, average on workers and low on gender, additional generic standard for group certification</p>	<p>High on workers, average on smallholders, average on gender</p>	<p>Average for small-holders who comply to minimal requirements, low for workers, low on gender</p>	<p>High on workers, low on smallholders, average on gender; code is designed for workers</p>
<p>Standards developed by environmental NGOs of the SAN network, together with local stakeholders and international experts</p>	<p>Tea code was designed in multi-stakeholder consultation process. Input local level by national reference groups + pilot projects</p>	<p>Federation of 750 member organizations ranging from organic producers, retailers, NGOs, to (large) companies with indirect influence on standards bodies</p>	<p>General stakeholder consultation, but company initiative where decision making remains with member companies</p>
<p>Standards include planning and monitoring component to demonstrate compliance and allow for improvement; improvement motivation required</p>	<p>Amount of mandatory control points increases gradually over a period of 4 years; improvement required but not standardized</p>	<p>Standards require a risk based management</p>	<p>Standards include only fixed principles, improvement required but not standardized</p>
<p>Revision of accreditation structure → independent third-party control by approved bodies</p>	<p>Independent third-party control by approved bodies, local and international</p>	<p>Accreditation and certification by private and governmental bodies (but strictness up to certifier's interpretation)</p>	<p>ETP is both standard setter and certification body, using external auditors</p>
<p>Market statistics available; price differential adequate only when demand is strong enough</p>	<p>Good provision of market information; price differential adequate only when demand is strong enough</p>	<p>Market info only by external parties; price differential adequate only when demand is strong</p>	<p>Poor provision of market information; rules of participation create demand</p>
<p>Coverage focused on producers'/ factory level</p>	<p>Separate factory and chain of custody code; High traceability through web-based traceability system</p>	<p>Separate criteria on processing and handling</p>	<p>Coverage focused on producers'/ factory level</p>
<p><i>B2C</i> Communication linked to conservation values; label 1 (100% RA), label 2 (30-90% RA with indication of percentage)</p>	<p><i>B2B</i> Modest communication; label 1 (min. 90% UTZ) label 2 (30-90% UTZ with indication of percentage)³⁹</p>	<p><i>B2C</i> Label by 95% organic</p>	<p><i>B2B</i> No label, but packers can use standardised member statement on product</p>



5 Trends in certified tea

Major changes are taking place in the tea market. Many brand owners now publicly declare their commitment to make the tea sector more sustainable, and to improve labour and environmental standards in the supply chain. In the constant search for customer preference they differentiate their offerings, while improving their positioning as socially responsible corporations. Going by the announcements of the major players, the prospects for certified tea are good (Figure 6). The top three brand

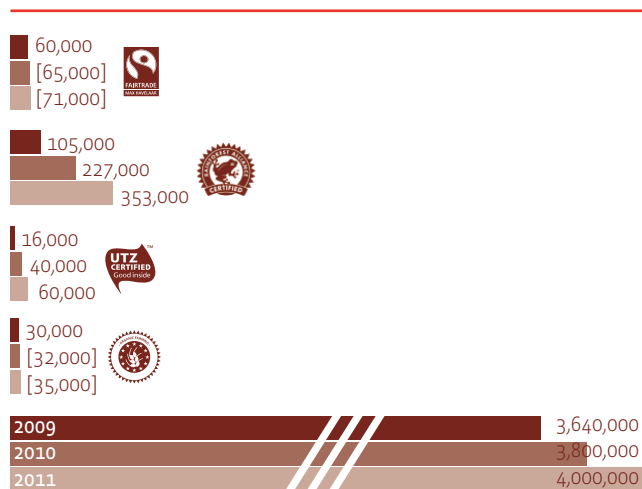
owners have all chosen Rainforest Alliance as their preferred standards system. This will, no doubt, put a high pressure on Rainforest Alliance to meet the demand.

The market share of certified teas has grown rapidly over the last 3 years; it was just 1%, in 2007, and is projected to reach 10% of the world production by end 2010. The volume of teas certified by the four standards systems in the market in 2009, and estimates for 2010 and 2011, are presented in Figure 7. All expect the demand to increase; with Rainforest Alliance and UTZ Certified doubling their volumes within a year. This fast growth raises the questions regarding the thoroughness of training and the implementation of standards at producers' level. Internalizing the social and environmental costs of sustainable production is a key challenge. Positive impact at the producer level goes hand in hand with the label's credibility in the marketplace. This is key to successfully marketing products that lay claim to environmental and social benefits.

Figure 6 Future commitments of the 3 global brand owners

Company with % of global market	Future commitment	Standards system
Unilever 12 %	Western Europe: all Lipton Yellow Label and P&G Tips 100% certified by 2010 Global: all Lipton tea 100% certified by 2015	
Tata Tea 4%	Tetley product line 100% certified in UK+Canada by 2011; USA, Australia, Europe starting in 2012	
Twinings 3%	Everyday tea line, starting in 2010 towards 100% certified	

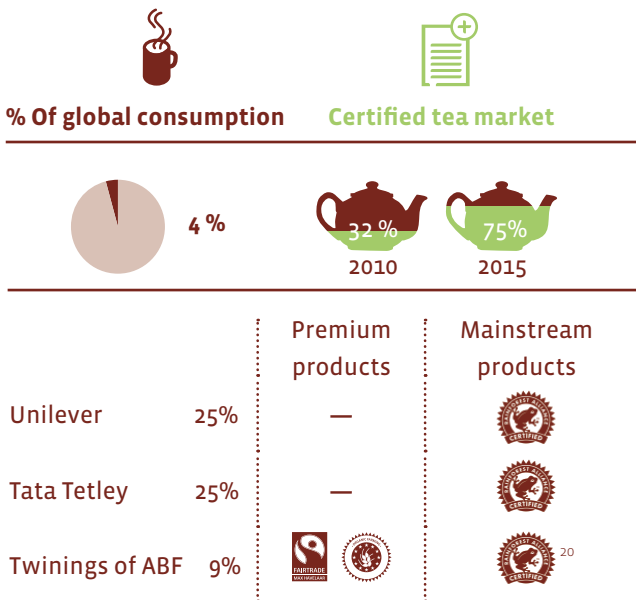
Figure 7 Volumes of certified teas (tonnes) compared to the global tea production



Certified tea consumption in Western Europe

An increasing number of companies are committed to buy one or more certified teas, but all of them are focused on the Western countries. Although the West European market is very important, it must be noted that it only accounts for 6 percent of the world tea consumption (Figure 1). A closer look at three key consumer markets in Western Europe will help to put the contribution of certified teas into perspective. Key consumer markets are sizeable markets with a socially and environmentally conscious public - in this case the English, German and Dutch tea markets. These markets are dominated by one or two large players, but are quite different in regard to consumption patterns and the availability of certified teas.

Figure 8a The United Kingdom tea market



United Kingdom

United Kingdom is the largest tea consumer in Western Europe, with a market share of 63%. Tea consumption amounted to 131,000 tonnes in 2008²²; more than half the volume was sourced from Kenya, UK's most important supplier. Other important suppliers are India, Indonesia and China.

The tea market is dominated by two major players, Unilever with its well known P&G Tips brand, and Tata Tea with its Tetley tea products. Each brand accounts for around 25% of the market and are followed, at some distance, by a handful of other companies with brands like Twinings (Twinings of Associated British Food), Typhoo (Apeejay Group) and Yorkshire (Taylors of Harrogate).

The cycle of public awareness and corporate response regarding social conditions in the tea industry has been played out more prominently in the UK than anywhere else. In 1997 the major UK tea companies all joined the Ethical Tea Partnership (ETP), an alliance of tea packers who are working together to improve the sustainability

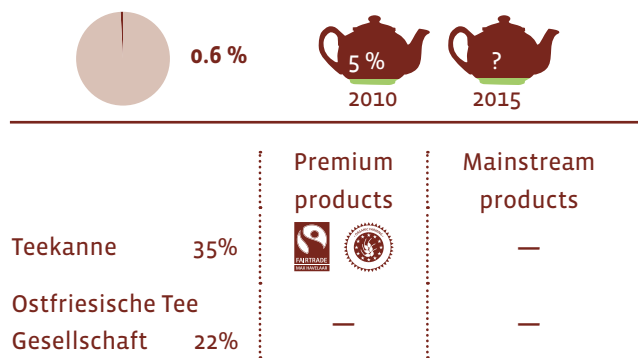
of the tea sector²². Unilever and Finlays have since moved from ETP to independent production standards systems, Rainforest Alliance and Fairtrade.

Unilever commenced using RA certified tea for its catering sector in 2007, and thereafter for its Lipton Yellow Label and P&G Tips tea bags for the European market. Unilever has publicly committed itself to procure only Rainforest Alliance certified for its entire UK market by the end of 2010. It seems, Tata will follow suit. The first Tetley tea products to carry the Rainforest Alliance seal will be available in the UK foodservice channel in 2010. More certified products are expected to become available in the UK by early 2011. Twinings now sport the Rainforest Alliance certified seal on its Everyday sub-brand, and is committed to source 100% of its Everyday tea from RA-certified estates by 2015. Taylors of Harrogate offers the UK consumers its Yorkshire tea, certified by Rainforest Alliance.

Fairtrade certified tea, well known in the English supermarkets, accounted for 7% of UK's tea sales in 2009²³. The top 3 retailers in the English market are Tesco (market share 31%), Asda (17%) and Sainsbury (16%). Supermarket own brand teas already claim a large share of the shelf space and this is expected to gradually increase in the coming years. The share of Fairtrade tea will grow rapidly in 2010. Sainsbury has announced it will purchase 6000 tonnes of Fairtrade tea to meet the full requirement for its own brand teas. Smaller retailers like the Co-op and Marks & Spencer's have also started offering their Fairtrade certified own brands with a commitment towards 100%.

Due to public awareness and corporate social response, the UK market is the front-runner in certified tea in Europe. At least one-third of its tea market is certified, mainly by Rainforest Alliance and Fairtrade.

Figure 8b The German tea market



Two major tea brand owners dominate the German tea market. Number one is Teekanne with a market share of 35 percent and number two is the Ostfriesische Tee Gesellschaft (22 percent) known for its brands, Messmer and Millford. Other important German tea brands are Bad Heilbrunner (Bad Heilbrunner) with a main focus on health and wellness, and Goldmannchen (H&S Tea Group) with a premium Organic product line. Except for some certified premium products, the major German brand owners have made no commitments towards mainstream certification.

Germany

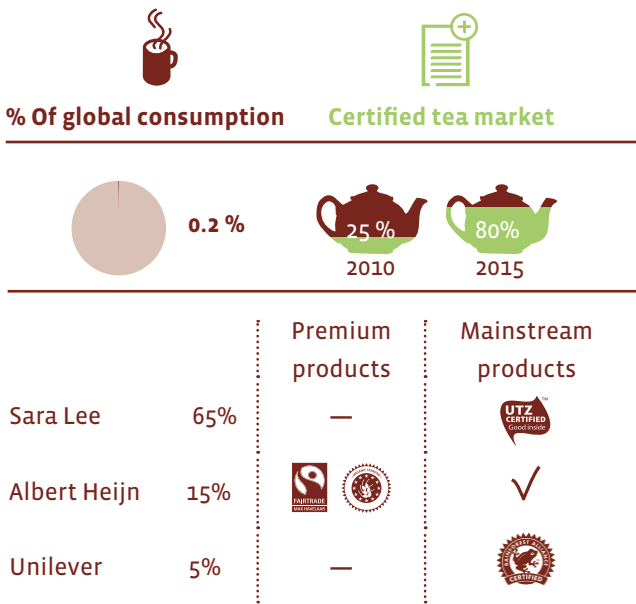
Germany is the second largest tea consumer in Western Europe, with a market share of 11%. Its domestic consumption in 2008 amounted to 23,000 tonnes²⁴. The main supplier for the German market is China, closely followed by other Asian countries like Indonesia, India and Sri Lanka.

Retailers’ own brands make up around one-third of the market and this share is expected to increase. The most important German retailers are Aldi, Lidl, Rewe Gruppe (incl. Penny Markt) and Tengelmann Gruppe (Incl. Plus/ Zielpunkt). All supermarkets have at least one certified tea product but unlike in the UK, no retailer shows 100% commitment.

The German tea market is characterised as a high quality market, with many small, traditional family businesses. In Germany tea consumption differs significantly from that of the habitual British tea bag user. Apart from specific sections of society such as the East Frisians and Turkish migrants, who consume large quantities, tea is not part of everybody’s diet. The German tea drinkers are quality conscious consumers, and loose teas account for around 60% of the sales.²⁵

Germany is the largest organic food market in Europe and labelled Organic tea accounts for about 4 percent of the German tea market²⁶. Fairtrade certified tea has a much smaller market share of around 1%, although 70% of Fairtrade tea is also Organic certified²⁷. Fairtrade certified products are offered by many companies but in very small volumes. This gives the impression they have no intention of using certified tea in their established brands on a major scale, soon. Perhaps, the ongoing threats of pesticide contamination²⁸ may push them to shift towards certified tea. Compared to the certified markets in the United Kingdom and the Netherlands, the German market is really lagging behind.

Figure 8c The Dutch tea market



Sara Lee recently announced that it has procured its first consignment of UTZ Certified tea, which will enter the market in its Pickwick English Tea blend. Sara Lee expects Pickwick to purchase 2,000 tonnes of certified tea by the end of 2010, amounting to one-third of the company’s total European tea volume²⁹. In 2009, retailer Albert Heijn presented its ‘Puur & Eerlijk’ product line, including a Fairtrade/Organic tea. Albert Heijn has committed itself to progress gradually towards the sustainable production of all its own brand products by 2015³⁰. As part of its global operation to shift towards Rainforest Alliance certified tea, Unilever will also supply Dutch supermarkets with its labelled Lipton teas.

The Netherlands

The Netherlands is a relatively small market with a consumption of 7,800 tonnes of tea in 2008, which constitutes 4% of the market in Western Europe. The main suppliers are Indonesia, Malawi, Argentina and China.

The main player in the Dutch tea market is Sara Lee, well-known for its brand Pickwick, with a market share of 65%. Numbers two and three are retailer Albert Heijn with its own home brand (15%), and Unilever with its Lipton brand (5%).

One-fourth of the Dutch supermarket shelves are reserved for own brand products, and this share is expected to keep growing. Next to Albert Heijn (33% retail market share), the other major retailers in the Netherlands are C1000 (12%), who has no certified own brand teas in his assortment and the merged Jumbo/Super de Boer (11%) with a Rainforest Alliance certified home brand tea. More certified tea can be found with smaller players like Hema (FT home brand) and Lidl (Fairglobe tea).

6 Conclusion

Credibility and responsibility in the value chain

The tea value chain is complex and lacking in transparency. This impeded the collection of data needed to present a clear and comprehensive overview of the whole tea sector. The lack of transparency in the chain makes it easier for several stakeholders to be inconspicuous and avoid taking active responsibility. Major tea estate owners and global traders like Mcleod Russel, James Finlay and van Rees, who are important links between producers and buyers, can play a much bigger role than they presently do.

The two major global brand owners - Unilever and Tata Tea - are vertically integrated in the value chain, which means they are present from the production site all the way to the blending and packaging stage, with their own branded tea on the shop shelves. In addition to their significant efforts in Europe and USA, these front-runners should address the issue of corporate social responsibility and influence other parties in the consuming and producing countries, which they could do with relative ease.

Due to the lack of global governance initiatives, there is no international platform to bring together major global players to improve the social, environmental and economical conditions of tea producers worldwide. Nevertheless, growing consumer concern about the impact of tea production on poor people and the environment have translated into various standards systems that seek to address these concerns.

Certification of tea

All standards systems active in tea embody some combination of environmental, economic and social goals, and require suppliers to meet standards on food safety, working conditions and environmentally friendly production.

These standards systems can partly address the current critical issues in the main tea producing countries, like low level of farmer organization, low productivity and low prices, and the use of agrochemicals.

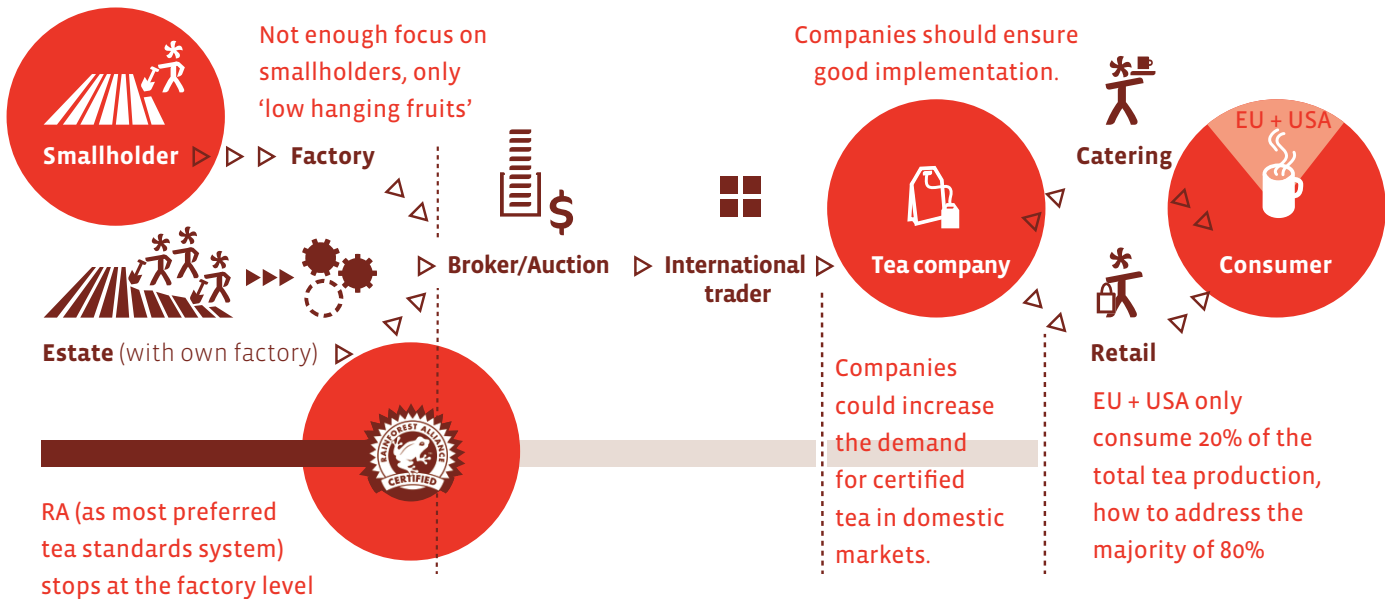
When the standards are benchmarked against TCC principles, both their strengths and weaknesses show up. With a corporate governance structure and the lack of an independent third-party verification system the credibility of ETP can easily be questioned. Improvements are certainly necessary for the other standards systems as well, especially in regard to inclusiveness of vulnerable stakeholders, and supply chain coverage and traceability. Currently, all standards systems focus on the estates, which are relatively easy to access, leaving out the much more vulnerable and difficult to reach smallholdings. The key challenge is internalizing the social and environmental costs of sustainable production. Investments are needed to achieve a fully sustainable value chain, including the parts that are more difficult to reach.

Rainforest Alliance and ETP standards are limited to the producer level, whereas Fairtrade stops at the trade level. Only UTZ and Organic cover the whole supply chain. Rainforest Alliance, Fairtrade and Organic have well-known consumer labels. Nowadays, consumers expect credible standards systems and brand owners are accountable for the claims made. Therefore it is crucial for the front-runners to ensure good implementation and avoid the risk of consumer damage.

In the light of the current global developments and the increasing demand for certified tea, there is a need for the standards systems to come together, collaborate and streamline their activities. Unfortunately these systems are not very clear in their communication; several stan-



Figure 9 Major challenges in the tea supply chain



dards lists exist for one code. Multiple documents for one standards system is confusing and makes it difficult for producers to get a good understanding of the specific system. This raises the question on how these different systems in reality on local level contribute in alleviating the present critical issues.

It is still early days for the tea standards and the support systems are not yet optimal, in all countries. But the rapid increase in global demand has pressured the standard bodies, especially the most preferred Rainforest Alliance. The impact and results on the ground are not yet known; they should be carefully monitored over the coming years.

Demand for certified tea

The demand for certified tea differs from country to country, but the UK market can be seen as the major front-runner. In the UK, the level playing field for certified tea is well developed with Rainforest Alliance and Fairtrade as the main suppliers. Going by the current trends and commitments, by 2015, we could expect certified teas to constitute around 75% of the British tea market.

Unlike coffee and cocoa, more than half of the tea production is consumed in producing countries. As producing countries are the biggest consumers, certification will not make a significant contribution unless labels add value in the national/regional markets. The EU and US export markets, which demand certification, are less than one-fifth of the sales of Southern tea producers. The business case for certification will remain unattractive as long as the main domestic markets in India and China do not advocate sustainable tea production observing social and environmental standards.

Unilever, Tata Tea and Twinings are currently focused only on the Western consuming markets. However, they are dominantly present worldwide and are in a position to substantially accelerate the demand for certified tea in domestic markets. Raising the social, environmental and economic conditions of tea producers worldwide requires a level-playing field in the producing countries as well. This is the real challenge.

Footnotes

- 1 Smallholdings are defined as tea farms with a size less than 10 hectares, although on average smallholdings consist of around 1 hectare
- 2 FAO Media Centre, press release, 22 December 2009 <http://www.fao.org/news/story/en/item/38315/icode/>
- 3 A value chain describes the full range of activities that are required to bring a product from the growth of a primary commodity, through the intermediary phases of processing to delivery to final consumers and final disposal after use.
- 4 Other types of 'tea' that consumers may be familiar with - like herbal teas and Rooibos (Redbush) teas - do not originate from the tea bush and therefore left out from this report.
- 5 Agritrade (2009). Tea: Executive brief, April 2009, <http://agritrade.cta.int>
- 6 International Tea Committee (2009) Annual Bulletin of Statistics 2009
- 7 Neilson, J. & Pritchard, B. (2009) Value chain struggles
- 8 S. Chattopadhyay and S. Kadavi (2007): Chai time, sustainable livelihood for small tea growers through CSR.
- 9 FAKT (2008) Franziska Krisch
- 10 Agritrade (2009). Tea: Executive brief, April 2009, <http://agritrade.cta.int>
- 11 Calculations based on ITC 2009
- 12 SOMO (2008) Sustainability Issues in the Tea Sector
- 13 Neilson, J. & Pritchard, B. (2009) Value chain struggles
- 14 RSCE, WCF, ICO sustainable coffee, etc
- 15 In 2008 the Dutch government initiated a multi-stakeholder platform: the Dutch Sustainable Trade Initiative (IDH). Its mission is to accelerate and up-scale sustainability within mainstream commodity markets. Tea is one of these commodities, dealt with in the Tea Improvement Program (TIP). The first programmes that started running in 2009 within TIP are from Unilever with Rainforest Alliance, Sara Lee with UTZ Certified and ETP with Tetley and Twinings. The programme hopes to contribute to 22% of worldwide tea export and approximately 2% of the Indian tea market certified sustainable by 2012.
- 16 The set-up of National Reference Groups is an initiative of Solidaridad and UTZ in cooperation with relevant stakeholders on national level:
 - India (May 2008), organised by Prakruthi, IPARW, Solidaridad and UTZ; *Sustainability in the tea sector, report of the consultative workshop on UTZ tea certification in India, May 2008*
 - Indonesia (July 2008), organised by Business Watch Indonesia, Indonesian Tea Board, Solidaridad and UTZ; *Sustainability in the tea sector; Report of the consultative workshop on UTZ tea certification in Indonesia, July 2008*
 - Sri Lanka (October 2008), organised by Institute for Social Development Kandy, Solidaridad and UTZ; *Sustainability in the tea sector, consultation on UTZ tea certification, Sri Lanka*
- 17 Coffee Barometer (2009) Tropical Commodity Coalition
- 18 Dutch CSR Platform (2007) CSR Frame of Reference for Corporate Social Responsibility
- 19 30% introduced for first movers, but stimulated to increase percentage over the years
- 20 Only on Everyday sub-brand
- 21 International Tea Committee (2009) Annual Bulletin of Statistics 2009
- 22 www.ethicalteapartnership.org
- 23 Agritrade (2009) Tea: Executive brief, April 2009, <http://agritrade.cta.int>; UK buys over 80% of the Fairtrade tea that is imported into the European Union, Fairtrade tea sales equalled 7 percent of UK's total tea sales in 2009
- 24 International Tea Committee (2009) Annual Bulletin of Statistics 2009
- 25 Deutscher Teeverband (2009) *The German tea market in 2008*
- 26 Deutscher Tee Verband (2009) *The German tea market in 2008*
- 27 <http://www.swr.de/kaffee-oder-tee/haushalt/-/id=2244116/nid=2244116/did=5249174/i8w7tz/index.html>
- 28 Öko test November (2008) Article 'Einen Kaffee bitte...'(p.20-27)
- 29 Personal communication with Sara Lee – CSR department
- 30 Fairfood (2010) *Albert Heijn's sustainable future* <http://www.fairfood.org/news/news/>

Colophon

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Sources for figures

Abbreviations

Figure 1:

calculations based on International Tea Committee (2009) Annual Bulletin of Statistics 2009

Figure 2: Sources:

- Chen, W (2009) From tea garden to cup; China's tea sustainability report. *Social Resources Institute*
- Kadavil, S (2008) Indian Tea Research. *Partners in Change*
- Kabiru, L (2008) A comparative study of the tea sector in Kenya; A case study of large scale tea estates. *Kenyan Human Rights Commission*
- Kabiru, L (2008) Report on small-scale tea sector in Kenya. *Christian Partners Development Agency*
- ISD Kandy (2008) Sustainability, Report on the Sri Lankan Tea Industry
- International Tea Committee (2009) Annual Bulletin of Statistics 2009
- Websites of national tea boards
- Personal communication with Indian and Kenyan NGOs

Figure 3+4:

based on 15 standards documents:

- Fairtrade Generic small producers, Fairtrade Generic hired labour, Fairtrade

Generic contract production, Fairtrade Generic Trade standard, Fairtrade Tea small producers, Fairtrade Tea hired labour

- Sustainable Agriculture Standard, SAN groups certification
- UTZ tea farms, UTZ tea factories, UTZ tea chain of custody
- Organic EU: EC 834/2007, EC 889/2008, EC 710/2009
- Ethical Tea Partnership Standard
- + websites of Fairtrade, Rainforest Alliance, UTZ Certified, IFOAM/Organic, ETP

Figure 5: based on the 15 standards documents used for Figure 3

Figure 6:

- <http://www.unilever.com>
- <http://www.tatatea.com>
- <http://www.twinings.com>
- Euromonitor International (2009) Hot Drinks: Euromonitor from trade sources/national statistics

Figure 7:

based on personal communication with Max Havelaar, Rainforest Alliance and UTZ. Data for Organic are rough estimations.

BLF	Bought Leaf Factories
CSR	Corporate Social Responsibility
ETI	Ethical Trade Initiative
ETP	Ethical Tea Partnership
EU	European Union
FLO	Fairtrade Labelling Organizations
FT	Fair Trade
ICO	International Coffee Organization
ILO	International Labour Organization
ITC	International Tea Committee
KTDA	Kenya Tea Development Agency
NGO	Non Governmental Organization
NRG	National Reference Group
RA	Rainforest Alliance
RSCE	Roundtable for a Sustainable Cocoa Economy
SAN	Sustainable Agriculture Network
TCC	Tropical Commodity Coalition
WCF	World Cocoa Foundation

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Oxfam Novib

Solidaridad



BedrijvenBond



Landelijke India Werkgroep
India Committee of the Netherlands



Both ENDS
Environment and Development Service

STOP THE TRAFFIK.
MENSEN MOGEN NIET VERHANDELD WORDEN







Tropical Commodity Coalition
for sustainable Tea Coffee Cocoa



Tropical Commodity Coalition for sustainable Tea Coffee Cocoa

Tropical Commodity Coalition (TCC) comprises ten non-governmental organizations: Hivos, Oxfam Novib, Solidaridad, Oikos, Somo, Fairfood, India Committee of the Netherlands, Both Ends, Goede Waar&Co, Stop the Traffik and two trade unions, FNV Bondgenoten, CNV BedrijvenBond. It cooperates with NGOs and trade unions in coffee, tea and cocoa producing countries to improve the social, environmental and economic conditions at the beginning of the coffee, tea and cocoa value chains.

TCC addresses the social, environmental and economic conditions in the coffee, tea and cocoa chains through organising informed debates, in both the South and the North. The TCC ensures coordination of the members' activities where needed and compiles lessons learnt and promotes the interchange of strategies to build shared understanding and approaches to sustainability in these commodities. TCC shares its knowledge and influences policies and plans of companies, standard bodies, CSR initiatives, governments, NGOs and unions to develop and implement sustainable practices efficiently throughout the coffee, tea and cocoa chains. TCC creates an enabling environment for civil society stakeholders from producing countries to join and take an active part in the sustainable commodity debate.