



CBI
Ministry of Foreign Affairs

CBI Trade Statistics:

Tea

Introduction

The EU is traditionally a black tea market but with consumer tastes changing rapidly, it is becoming more diversified. Although the expectation is that per capita consumption will decrease, there are opportunities for suppliers who are able to react to the changing market circumstances. There is increased demand for teas with specific health benefits and flavours. Suppliers of high quality (e.g. whole leaf, single estate) and sustainable tea will be able to find market openings.

Content

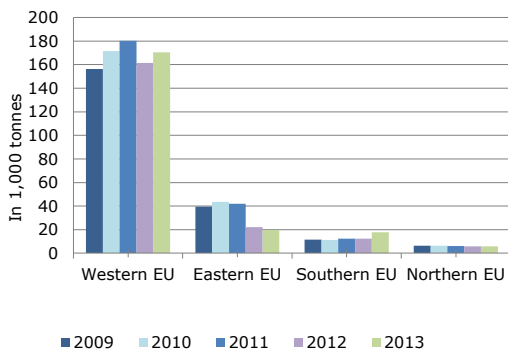
The data in this document is based on Combined Nomenclature (CN) codes provided by Eurostat. The EU uses the CN classification to categorise goods for international trade statistics. Table 1 gives the HS codes of tea used for the statistical analysis in this document.

Table 1: HS Codes of tea

Code	Official product description
090240	Black tea (fermented) & partly fermented tea in packages exceeding 3 kg
090230	Black tea (fermented)&partly fermented tea in packages not exceeding 3 kg
090220	Green tea (not fermented) in packages exceeding 3 kg
090210	Green tea (not fermented) in packages not exceeding 3 kg

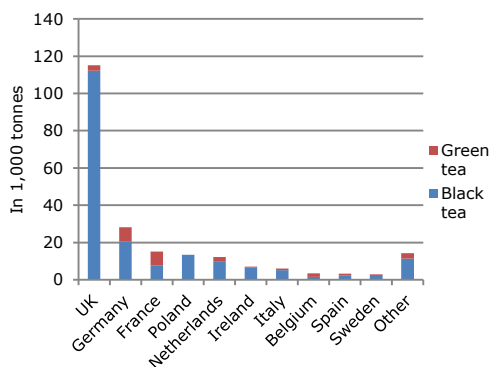
Consumption

1A. Trends in European consumption of tea, 2009-2013 in volume



Source: Eurostat, 2014

1B. Tea consumption of EU member states in 2013



Source: Eurostat, 2014

Most important developments

Consumption dominated by UK

Consumption of tea by EU countries accounted for 225 thousand tonnes in 2013, or € 400 million. The United Kingdom is by far the largest tea consumer in the EU, at 51% (share of total tea consumption in EU), followed by Germany (12%) and France (7%).

Tip:

- For more information on consumer trends, refer to the CBI's document: [Trends in tea](#).

More competition for tea

Consumption decreased by 1.5% per year between 2009 and 2013. The volume of consumption of tea was particularly influenced by the economic crisis. The high end of the market faced increased competition from other beverages: herbal infusions (not included in statistics), (specialty) coffees and other hot and cold beverages (e.g. fruit juices).

Reduced spending in past years

The value of traded tea consumed decreased faster (-11% per year on average) than volume. The most important reason is that EU consumers reduced spending on food and beverages, including higher priced tea favouring cheaper tea.

Black tea still dominant

In 2013, black tea accounted for about 88% of total (recorded) EU consumption. Green tea accounted for 12%. In some countries such as Belgium (52% of total tea consumption is green tea), France (50%), and Spain (28%), green tea is more popular.

Tip:

- Consider diversifying your product range, as EU consumption of fashionable teas is increasing – for example, iced teas, flavoured teas, white, green and other teas, hot and cold.

Green tea on this rise

The consumption of black tea has decreased by 3% per year between 2009 and 2013. Consumption of green tea grew by 4.4% per year. In the traditional black tea markets such as the UK and Ireland, the market share of green tea is still low (3% and 5% respectively). However these markets are also opening up. Between 2009 and 2013, market share of green tea in the UK doubled. An important driver of change in consumption is increased demand for tea with explicit health benefits (e.g. green tea, herbal infusions). The taste of tea consumers is also developing. The market for tea (e.g. dried fruit, spices) with special flavours continues to develop.

Tip:

- If you export speciality teas in consumer packaging, consider exporting teas in innovative bags such as pyramid shaped tea bags. These bags leave more room for whole leaf tea to expand and to give a better, more flavourful brew.

More competition and better quality

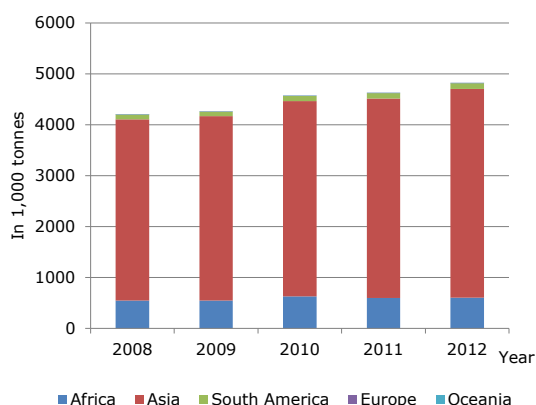
EU market conditions are expected to improve. In 2014, the combined GDP of all countries in the EU is expected to increase by 1.5%. In 2015, GDP is expected to grow by 2% (Source: [European Commission, autumn 2014](#)). This is expected to have a positive impact on the demand for tea, especially in the higher end of the market. This segment will continue to provide good opportunities for SMEs in developing countries. In the long term, per capita consumption of tea will continue to decrease but there will be a strong focus on quality.

Tips:

- Check the [economic member state forecast](#) by the European Commission to see which countries will provide an attractive economic climate in the coming years.
- You have good opportunities supplying specialities that are traded in smaller volumes. Think of high quality orthodox teas (whole leaf, single estate), custom or sustainable products. More volume-driven traditional (certified) markets can also provide opportunities, though competition is higher and margins lower.

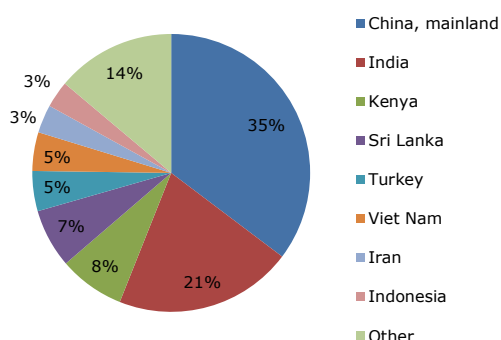
Production

2A. Global tea production, 2009-2012, in 1,000 tonnes



Source: FAOSTAT, 2014

2B. Production of tea by producing country, as a % of global production, 2012



Source: FAOSTAT, 2014

Most important developments

Production still increasing

In 2012, global production of tea amounted to 4.8 million tonnes. The EU imports around 7% of this volume. Production volume increased by 3.4% per year in volume between 2008 and 2012. Asia has maintained its dominant market share (85%).

Tip:

- Refer to CBI's [product factsheets](#) for more information or draw up your own statistical analysis using [FAOSTAT](#) (production), [Eurostat](#) (import/export) or (import/export).

Supply and demand in balance in the long term

Production countries listed in Figure 2 are generally also large consumers of tea. As demand is growing globally and especially in large producing countries, the market share of the EU is expected to decrease in the next decade. Consequently, the influence of EU buyers will decrease. In 2012, the FAO predicted that global black tea production would grow at 1.87% annually until 2021. Global green tea production is expected to grow much faster at 7.2% per annum. The tea market has traditionally been characterised by a situation of over-supply resulting in low prices. By 2021, growth in production and demand of black tea are expected to come into equilibrium and stabilise prices ([FAOSTAT](#), 2012).

Tips:

- Your local and regional markets are also growing and provide good opportunities, also in the higher end of the market. Use [ITC's Trademap](#) to determine which countries are increasing their imports and how trade with your country is developing.
- The production and price levels of tea can be obtained from crop reports. Look for them online or visit events where these will be shared by sector experts. An example is the weekly reports published by [Van Rees](#), [East African Tea Trade Association](#), [Indian Tea Board](#) and [Indonesian Tea Board](#).

More difficulties in sourcing

EU buyers might face supply problems before 2021. Demand is growing, especially in emerging countries (e.g. China and India), thus reducing the competitive position of EU buyers. In addition, they generally have stricter buyer requirements (e.g. quality, food safety and increasingly sustainability). Most of the important EU manufacturers and retailers have committed to source 50- 100% of tea (mainly Crush, Tear, Curl and CTC) as [UTZ](#) or [Rainforest Alliance](#) certified in the near future. They will therefore have a harder time securing supply. This will make them even more likely to seek and consolidate long-term partnerships with their suppliers.

Tip:

- Only consider entering the sustainable market when you are able to deliver products which are of high quality and which adhere to strict food safety requirements. Buyers of sustainable tea will expect nothing less. Refer to CBI's product factsheet on certified tea in the EU for more information.

Extra value addition step is the hardest

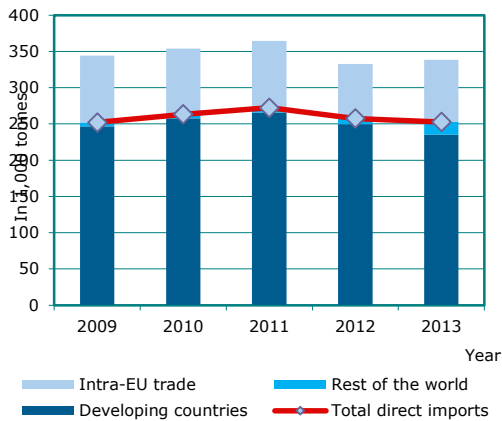
Processors in origin take care of drying, fermenting and/or cutting of tea leaves. EU blenders are dominant in blending and packaging for the end consumer. This is a hard market to enter but rewards are high. Branded tea fetches higher prices than bulk export. Some Sri Lankan, Indian and Chinese tea packers have been able to enter the branded tea market in the EU. [Dilmah tea](#) from Sri Lanka is a good example of a brand that has become popular in the EU.

Tips:

- Supplying blended, packed or branded tea is only advised when other ways of adding value (flavour, quality, sustainability) have already been addressed. It is important to first gain experience in your domestic market and to work closely together with EU partners to understand market demands.
- Great investments are required in adequate packaging equipment.

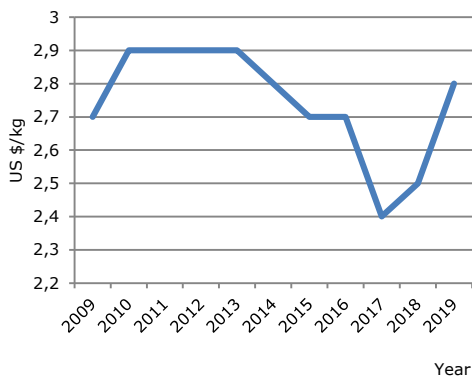
Imports

3A. EU28 imports of tea, 2009-2013, in 1,000 tonnes



Source: Eurostat, 2014

3B. Real and forecasted world price of tea between 2009 and 2018



Source: Economist Intelligence Unit, 2014

Most important developments

Slow growth of imports

In 2013, total EU28 (from here on called 'EU') imports of tea accounted to 338 thousand tonnes with a value of € 1.2 billion. Between 2009 and 2013, the volume of imports grew by an average of 0.4% per year.

Price fluctuations expected

As can be seen from Figure 5, the world price of tea stabilized between 2010 and 2013. The price decrease starting in 2014 is projected to last until 2017. The reason is that the tea market that is traditionally characterised by oversupply will move towards a situation where supply and demand will increasingly come into equilibrium.

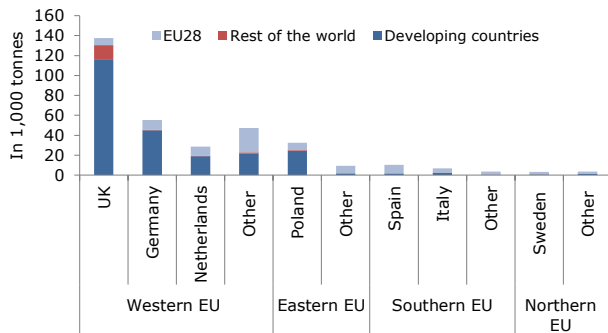
Tip:

- Stay informed about real and projected prices. Supplement the forecasts of the [Economist Intelligence Unit](#) and [Van Rees](#) with information from other sources to make it relevant for your situation.

Large share of intra-EU trade

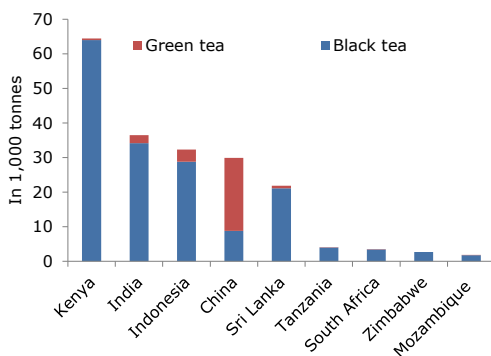
In 2013, direct imports of tea from developing countries (DCs¹) amounted to 235 thousand tons (70% of total EU imports), or € 606 million (53%). DCs are the original source for most of tea traded in the EU, but there is substantial internal trade in the EU following their import.

3C. EU tea imports by EU regions and supplying categories, in 1,000 tonnes, 2013



Source: Eurostat, 2014

Most important supplying DCs of tea to the EU, in 1,000 tonnes, 2013



Source: Eurostat, 2014

Imports from developing countries

Different suppliers, different developments

The most important suppliers have developed in different ways in recent years. Imports from Kenya have decreased every year since 2013 (-8.3% per year on average). Indonesia, on the other hand, has increased its exports by 7.3% on average annually. Part of this is explained by the fact that green tea consumption in the EU is growing faster than that of black tea, of which Africa is an important supplier. Another reason is that the price of Kenyan tea increased versus that from other origins.

Tip:

- The availability of opportunities in EU country depends for a large part on the tea culture in the EU country. In most countries, especially in the UK and Ireland, tea is mainly consumed (95%) in tea bags. This means that whole leaf teas operate in a small niche market.

¹For a list of the developing countries, see the DAC list of the [OECD](#)

Other Asian countries expanding in green tea market

Green tea comes almost exclusively from Asia (90% of imported volume). In 2013, China supplied 63% of direct imports of green tea to EU. A growing share of tea comes from other Asian countries: India (+22% annual increase of imports between 2009 and 2013, market share 12% in 2013), Indonesia (+13%, market share 10%) and Vietnam (+14%, market share 7.4%).

Singapore's role in trade increasing

Singapore has become an important supplier (from 102 tonnes in 2009 to 10 thousand tonnes in 2013). Singapore is traditionally a large trader in commodities and plays the role of transit port. Whether this growth is sustained in coming years has yet to be seen.

Tips:

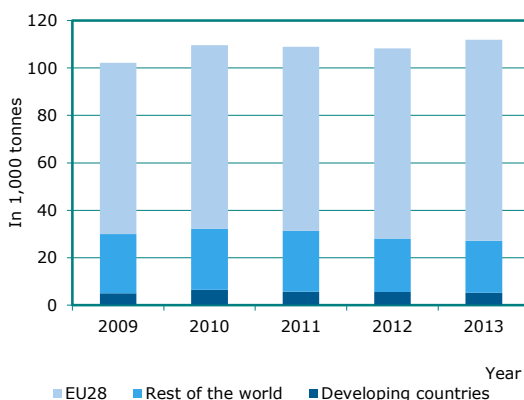
Although the EU is a single market, there are great differences between EU regions and countries, which you should consider in your export strategy. Make a statistical analysis to get insight into these differences. Focus on the following aspects:

- **Volume of imports** - will tell which countries are the largest buyers or traders in the EU. You will find the largest tea buyers in western EU countries (79% of total EU imports). Also look at exports to determine whether a country imports for its domestic market and/or is a trader (see also under the *Exports* Header).
- **Percentage and growth of imports from developing countries** - will tell whether a country depends on direct imports from DCs or on imports from other EU countries. Focus on countries where the share of DCs is high or growing. As shown by Figure 3, the Netherlands, UK and to a lesser extent Germany, buy mainly directly from DCs. In comparison, eastern (except Poland), northern and southern EU countries rely mainly on other EU countries for supply. Some countries are however increasing their direct imports from DCs; Spain (+31% per year on average between 2009 and 2013), Finland (+26%).
- **Volume and growth of imports from your country** - reasons why buyers in a certain EU country prefer to source from a specific country include flavour preferences, price, ability to comply with (extra-) judicial food safety requirements and historical trade relations. For example, the UK imports 38% of its tea from Kenya. In comparison, Germany (2.2%), the Netherlands (2.9%) and France (0.4%) import only a small share of tea from Kenya. An important reason is that Kenyan black tea is generally more expensive, and price is the most important factor in most countries. Another reason is that UK consumers add milk to their tea and therefore want a dark brewing CTC.

→ Create a free account for statistical databases such as [Eurostat](#) and [ITC](#). Eurostat provides data on a monthly basis with a delay of only 3 months. Results will help you to understand the EU market and/or to put the right questions to industry players.

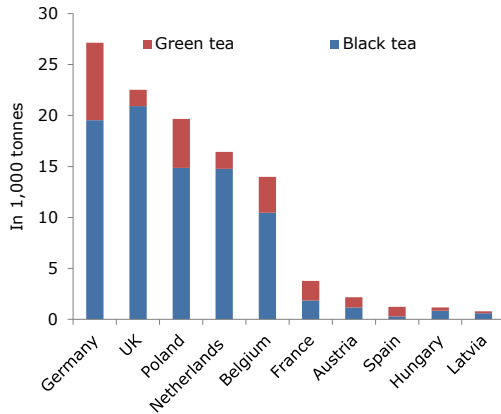
Exports

4A. EU exports of tea, 2009-2013, in 1,000 tonnes



Source: Eurostat, 2014

4B. Most important EU exporters of tea, in 1,000 tonnes, 2013



Source: Eurostat, 2014

Most important developments

Exports continue to grow

In 2013, EU exports of tea accounted for 111 thousand tonnes, worth € 744 million. The volume of exports grew by an average of 2.3% per year between 2009 and 2013.

Lively intra-EU trading

In 2013, 80% of all EU exports was intra-EU trade and went to other EU countries. Other important destinations are the US (5.5%), Canada (4%) and Russia (2.7%).

Tip:

- Explore the opportunities to directly supply those countries that are supplied by other EU countries. Buyers in countries that do not deal directly with suppliers in origin might have reservations regarding the quality, food safety and supply security. Therefore investigate buyer requirements in your target market and remove reservations of potential buyers. Obtain references from your other EU buyers.

Consuming or trading

EU countries on average (re-)export 34% of their imported tea. Some countries have significantly higher percentages: Belgium (80%), Poland (60%), the Netherlands (57%) and Germany (50%). These are specifically trading countries. The UK and France are large importers but only (re-)export 16% and 20% of their imported tea. They import mainly for their domestic market. Some countries only import for re-exports purposes. For example, Poland does not consume a large amount of green tea but it does export around 5 thousand tonnes.

Tip:

- To increase your direct exports would mean direct competition with EU suppliers. Be aware that you could be asked to provide the same service as they do (short supply times, small orders, further processing, etc)



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