

The “Secret” to Sustainability Of the Global Tea Industry

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I. Introduction

The Global Tea Industry is in a very good position and is poised for a period of unprecedented growth. This is not just wishful thinking but the observations of an insider who has already seen it happen in the North American market. The forces responsible for this growth are not unique to the North American market but will carry to all points of the globe providing tea consumers with even more compelling reasons to consume this beverage. Importantly, even young consumers will embrace the tea habit which will follow them through every stage of their lives.

We will examine the individual components of this optimistic prediction but first we must voice a note of caution. While the intrinsic qualities of tea are in total alignment with long term consumer needs and desires, we must never take for granted that the future of tea is secure. There are many curves in the road ahead that unless care is exerted our bullish predictions for growth may never be realized.

The purpose of this paper is to review the drivers and obstacles to growth and to suggest what each of us should be doing, on a daily

basis to accent the positives and to deactivate the negatives. Together, both the tea producing and consuming countries will help the Tea Industry to reach new levels of popularity and profitability while continuing to improve the quality of life of tens of millions of tea workers and their families.

Importantly, these proactive actions will come from the voluntary efforts of the Tea Industry as opposed to being forced on the Tea Industry through third party initiatives.

II. Drivers of Growth

A. Health Benefits of Tea

Health care is an issue that affects every person on the planet but it seems like this issue has dominated the media in the USA. Underscoring the reason for this focus is the runaway cost associated with obtaining insurance and the inability of many people to afford proper coverage. Over the years this has created a tendency for people to take on a greater responsibility for their own health and to shy away from traditional medicine. It has been said that one of the easiest and important changes you could make to your life style to ensure health is to switch to tea or to drink more tea.

This is a long term trend and will be the most important contributor to the increasing popularity of tea in virtually every country in the world.

B. Tea as a Trendy Beverage

One of the most important things that any industry could do is to ensure that their product remains relevant to new generations of consumers. The Tea Industry is well on its way to achieving that objective by supporting the development of different forms of tea such as instant tea, iced tea, cold brew tea, innovative teabags, tea concentrates, Ready to Drink (RTD) tea, Tea in Vending machines, and tea as an ingredient in preparing food.

Of these, the most important is the introduction of RTD tea as it addresses the needs of young people; being immediately available without having to prepare it. Young people no longer think of tea as their grandmother's beverage but as their own. Although in many cases there is a minimal amount of tea in the RTD bottles, the opportunity to increase the amount of tea in RTD is there.

C. Tea as a Natural Product

Increasingly consumers are seeking more natural alternatives to many of the processed foods and beverages that are available today. While this is partly linked to the concern for health it is really a separate issue associated with returning to a simpler way of life. Tea is a beverage with a history that transcends millennia and has an image of being a natural beverage that has withstood the test of time.

D. Tea as a Fighter of Obesity

Obesity, particular in North America, is becoming a growing concern and has reached epidemic levels. The causes of this problem have its roots in pervasive lifestyle choices that favor high caloric foods and beverages and minimal exercise. Tea has been positioned as one way to fight this condition by offering an alternative to the sugary beverages currently favored by many consumers.

E. Appeal of Specialty Tea

The emerging popularity of Specialty Tea in North America is a sign of good things to come from a standpoint of increased tea consumption at higher profitability levels compared to mass marketed tea. Consumer awareness of single origin and Estate Teas is growing at an ever increasing rate and will eventually lead to Specialty Teas being sold as fine wines are sold. These types of teas are attracting a more

affluent audience, an audience that will willingly pay a premium for the luxury of enjoying these teas.

III. Potential Obstacles to Growth

A. Growing Concern About the Presence of Pesticides

This is not new news to any of us and is the reason why the FAO has provided a forum for this discussion of this topic for the last several sessions. It is a special concern for the Tea Industry since it is so dependent upon maintaining its image as a healthy product. While Europe has a head start on the rest of the world in tackling this issue, much progress is being made in North America and Australia to ensure full compliance with the law.

It is critically important that the global Tea Industry continues to work together to ensure that we use the safest agro chemicals available and apply them consistent with concerns for safety of the workers and with the objective of minimizing their presence on the finished tea leaves. Work is also progressing with chemical companies to seek even safer chemicals consistent with the needs of the industry.

Harmonization between the producing countries and the consuming countries on which chemicals can be safely applied at origin and accepted in the importing countries is a critically important step and an ongoing priority.

B. Importance of Food Safety & Worker Safety

The safety of our food supply is an issue that knows no boundaries and is becoming an ever increasing concern in light of current conditions that exist in the world. This issue transcends specific concerns about terrorism and embraces the need for security in the workplace and attention to sanitation in the processing plants. The onus is on us to reexamine the policies in place and to make improvements whenever and wherever they are required.

This concern should extend to the protections offered to our workers from supplying appropriate safety gear to installing sufficient guards on moving machinery.

C. Social Welfare Issues

Increasingly consumers are avoiding products that they perceive to be violating the rights of workers. While the Tea Industry has been accused of many things over the years, many of the allegations are unproven or founded on outdated information. Regardless, it is important for every

one of us; in every country that tea is produced to ensure that the rights and safety of workers are observed.

There are some activist groups and even some government legislation that suggests that the industry should take full responsibility for every aspect of their workers lives from paying a fair wage to providing housing, education, and medical care. While many Tea Estates provide that level of protection, this is certainly an extraordinary demand that is made of the tea industry that doesn't apply to most other industries in any part of the world. Regardless, to the extent possible, this is a worthy goal to strive after to the extent that it is economically feasible. In that regard, as the demand for tea grows and outpaces supply, the entire industry should benefit from increased profitability which could help to pay for these benefits.

The avoidance of discriminatory practices and the adherence to all local laws and a common sense approach to dealing with all worker issues should be the standard that we all strive to achieve.

It is of course in the best interests of the growers to provide sufficient incentive to keep their workers happy as the growing and processing of tea is very labor intensive.

We do not believe it is in the interests of the global tea industry to have third party, commercial enterprises be the sole adjudicator of what are fair trade practices. It is in the interests of the global tea industry to self police and self authenticate its industry.

D. Concern for the Environment

As consumers become more aware of the need to protect the environment for their children and all future generations, this issue becomes of increasing importance and threatens to derail the otherwise smooth track that the Tea Industry finds itself on.

Here again, in everything that we do, our actions should take into consideration the impact on the environment. Concerns such as chemicals leaching into the water supplies, soil erosion, deforestation, depletion of soil nutrients all need to be of a constant concern to the industry.

IV Conclusions

A. Perception = Reality

Many of the issues identified may not have a basis in reality but may simply be perceived by consumers, activist organizations, NGO's, or government agencies. In any event it is important that they be taken seriously as perceptions are as important as reality if they are widely held to be true.

Each of us should examine our own operations to ensure that we are doing everything possible to address these concerns within the realm of our financial constraints. Even beyond those financial constraints perhaps some of the expenses for improvements could and should be shifted to government institutions which have the primary responsibility for the health, education and welfare of their citizens. This is especially true given the limited employment options in most of the remote regions where tea is grown and the negative impact if a tea estate is forced to go out of business because it cannot be run profitably.

B. Attention to Food Safety

The proper use of pesticides in the field and minimizing their residues on the leaf are the most obvious things that come to mind when we speak of safety of the food supply. They

are critically important to the Tea Industry as a result of our positioning tea as a healthy beverage. Even a relatively small problem could be blown totally out of proportion as someone or some group seeks to accent the negatives.

To expect Tea producers to forgo their use of pesticides, herbicides, & fungicides etc. is totally unrealistic. However, it is important to examine all known good manufacturing and application practices, including the issuance of appropriate safety gear to workers, and strict adherence to timing restrictions prior to harvest to ensure the lowest possible residues on the leaf. Over the near term, it is also recommended for Tea Producers to select water insoluble over soluble pesticides whenever they have a choice. This will further reduce traces of the pesticide in the cup.

The USA, Canada, and Australia are working with our regulators to register as many pesticides as possible to ensure compliance with the law. Excellent progress is being made but we still have a long way to go. We will attempt to give the tea producers sufficient notice of pesticides that are targeted by the regulators to be banned because of worker safety, environmental or consumer concerns. We expect that Endosulfan and Fenvalerate will soon be placed on that banned list but we still do not have confirmation.

In addition to Pesticides, Extraneous Matter and Bacteria, molds etc are of a concern and procedures to minimize their presence in the finished product should also undergo a comprehensive review.

Besides these concerns, perhaps the most serious consideration is terrorism and or the accidental contamination of tea. Each Tea Board and Tea Estate should reexamine the procedures they have in place to ensure the safety of their end product and the security surrounding the processing, storage, transportation, shipping and traceability of the tea that they produce. Lax controls in this area could result in a flood of negative publicity that could undo much of the positive imagery that has been created for tea.

This is a long term issue that will only grow in importance in the future. It demands the full attention of everyone in the Tea industry.

C. Establish a Universal Code of Conduct

While global harmonization of benefits or procedures will be difficult if not impossible to achieve, perhaps a well written document could be prepared to establish a minimum standard that applies to each of the potential obstacles to future growth. A forum such as the FAO sessions provides

a perfect opportunity for discussion and agreement to the identification of those standards and a working group could be established to draft a document for future adoption by the entire industry.

Such a document would demonstrate the proactive approach that the industry is taking and would deflate the arguments of many would be detractors. Signatories to this document would position themselves as preferred suppliers of tea as the consuming countries would be able to promote the tea that they are marketing as being sourced from only reputable suppliers.

D. Create a Non-Profit Organization to Monitor Compliance

Identify an existing organization such as the ITC or form a new organization staffed by member countries to create a Code of Conduct and to monitor progress to achieving minimum standards. This organization could receive minimum funding by the Tea Boards of the member countries and possibly through government grants.

The Coffee Industry has adopted such a non-profit called the Common Code for the Coffee Community Association (4C). Their website may be viewed at www.4C-CoffeeAssociation.org.

The role of this organization would be less of policeman and more of educator to help the countries work out their specific problems and coordinate the implementation of approved programs. In time, as this organization grows in effectiveness it could very well lead to a diminished need for third party certification bodies.

E. Re-examination of the Auction System

Combining smaller lots of tea into like groups of product could reduce the total individual throughput at the auctions while allowing more time to fully develop optimal bids. The current system is too dependent upon rushing many small lots of tea through a system that is increasingly overburdened. This, of necessity, will only apply to certain kinds of mass marketed teas as opposed to unique lots of specialty teas.

As specific Estates go beyond the minimum of what is expected of them relative to all the issues of concern, they will differentiate themselves from the rest of the market and make it far easier for them to negotiate individual contracts with consuming countries.

F. Adoption of Creative Promotion Techniques

Each country has an opportunity to increase demand for tea consumption within its own boundaries by creatively reaching their consumer base. In this age of technology it is no longer necessary to have a tremendous marketing budget to achieve this objective. Given the intrinsic qualities of tea that are in so perfect alignment with consumer needs and desires, the task should prove to be totally achievable.

If a separate organization is formed perhaps it could act as a clearing house for marketing ideas to help those countries that are struggling as to the best way to proceed. The obvious advantage of this increased promotion activity is to spur sales which will lead to increased revenue for the entire Global Tea Industry.

G. Creation of Low Cost Programs to Improve the Quality of life on Tea Estates

There are many things that can be done, at low or no cost, to improve the quality of life of workers and management on the Tea Estates.

Tea Tourism is another approach that the Estates could use to raise revenue on the Estates while providing more funding to implement innovative programs.

Once again the non-profit organization could act as a clearing house for ideas that may be implemented.

H. Promotion from Within

In order to maintain the quality of tea that each region has become known for, it is in the best interests of the Tea Estates to encourage the Tea workers to continue their employment in the industry. While many workers enjoy the freedom of this work, others long to move into other professions. By adopting a policy of promotion from within, the Tea Estates could devise a system whereas a field worker, by example, could move up to an educator, or health aid, or administrator, or food purveyor etc. By providing incentive to move up, through educational programs or on the job training, workers will have something to aspire to.

I. Meaningful Government Involvement

As opposed to introducing new laws which tend to stifle innovation, the various governments in tea producing countries could take important steps to improve performance. These range from establishing separate Tea Boards, in the countries that do not have such boards, to ensuring that a full range of agricultural extension services is available particularly to the small holders.

These are only examples of some of the things that the industry could do to ensure the future growth of the Tea Industry and, obviously, there are many others that are unique to the individual regions and Estates. The important thing is that we all address the issues as opposed to ignoring them.

The future of the Tea Industry is very promising!

It is up to each of us to ensure that it reaches its potential.

