

Draft

China Presentation

The “Secret” to Sustainability of the Global Tea Industry
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By

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Hello

Ladies & Gentlemen, Distinguished Members of the Government of the People’s Republic of China, and all Domestic & Foreign Guests, thank you for inviting me to be a part of this important meeting. I am pleased and honored to share with you a few thoughts that I believe will be critical for the sustained growth of the global tea industry.

Before I start I would like to quickly review the role of the Tea Association of the USA. The Tea Association of the USA consists of 3 parts. The parent organization is the Tea Association itself; it is 111 years old which is old by USA standards but certainly not by Chinese standards. It is one of the oldest Trade Associations in North America and was formed to protect the Tea Industry, to set standards or more properly Guidelines, and to represent the Tea Industry in the

USA when a single voice is required. The Tea Association of the USA is made up of foreign and domestic tea packing and importing companies as well as the allied industries that supply services to the tea companies.

A separate non-profit association within the body of the Tea Association of the USA is the Tea Council of the USA. The role of the Tea Council of the USA is to generically promote tea in the USA. The Tea Council has the same membership as the Tea Association of the USA as well as several tea producing countries including India, Kenya, Sri Lanka, and Malawi.

The third organization operating under the Tea Association of the USA is the Specialty Tea Institute or STI, It was established to help educate the trade and sophisticated tea consumers. It offers a Certificate program which requires the students to attend 250 to 300 hours of training over the course of 2 or 3 years, after which they earn the title of Certified Tea Professional.

Despite the many countries & regions present here, each of which has its own language, customs, & culture, there is a strong bond that binds each of us besides our humanity and that is our shared love for the best beverage in the world; Tea.

No matter what you call it, Tea, Cha, Chai, or what form you like it best; Black, Green, Oolong, White Yellow or Dark, or Xinyang Mountain Tea, it is all derived from the same plant *Camellia sinensis* and it has become the most popular beverage on earth besides water and may some day become even more popular than water itself. I like to refer to tea as China's gift to the rest of the world. It is a gift of immeasurable value and could be one of the most important contributors to our physical health and mental well being.

There are many benefits associated with drinking tea as indicated on this slide. Tea satisfies thirst, It calms the nerves and is a proven stress reliever, It facilitates bringing people together in a social setting, It invigorates some and relaxes others, first and foremost – it tastes good. It is available in many forms & variations, it is good for

the mind and the body by inhibiting the onset of disease and otherwise contributes to overall health.

However, just because we are dealing with such a popular beverage that many consider critical to human health, we must all guard against taking it for granted. In many countries, especially in the USA, the UK, and Europe, there are many other beverages competing for consumer's attention. Beverages such as Coffee, Soft Drinks, Bottled Water, Beer & other Alcoholic drinks, Juices, Energy Drinks and many combinations yet to be invented. For the most part, each of these alternative beverages has a promotion & advertising budget that far exceeds what the tea industry spends. As a result, particularly in North America, tea is not nearly as popular as it is in the rest of the world.

With few exceptions, tea is frequently positioned as an inexpensive product and may be purchased in North American food stores for only 2 or 3 cents per serving. There are very few, if any, other food or beverage products that sell at such an inexpensive price point. Certainly the products that tea directly competes with are sold as

much higher prices. Being cheap is not necessarily a good thing as consumers frequently view something that sells cheaply as not having any value. Also, if the companies that sell tea do not make a sufficient profit then there will not be enough money to properly market (promote) it to consumers.

This is the main reason why 20 years ago the Tea Association of the USA decided to try and market tea as a healthy product. Over these 20 years the Tea Association organized 4 major scientific symposiums to encourage scientists from around the world to discover the health benefits of tea. It was also instrumental in bringing together several other tea Associations and the Common Fund for Commodities to fund scientific research and we consistently and carefully converted all these great scientific findings into publicity to boost tea consumption.

By linking tea consumption to a great many health benefits it adds value to it in the minds of consumers and makes it easier for the tea companies to raise prices. It also uniquely positions tea as a better beverage than the other products that it normally competes with while

making tea more able to compete with them because of added benefits, besides satisfying thirst. Finally by being able to increase the prices that it sells for, it will generate more marketing dollars which could be used to increase consumption further. Increased tea consumption will mean increased tea imports which will eventually lead to higher prices that the Tea Producing Countries will receive.

So far the strategy is working and the market for tea in the USA is rapidly expanding. Traditional tea, the kind sold in most food stores in teabags, not only appeals to older females but is expanding to include both men & women of all ages who are concerned for their health. RTD tea (cans & bottles) is appealing to a much younger audience who frequently drink tea away from home. Attracting young people to tea is critical for its future growth. Specialty tea (single origin & frequently loose) appeals to a more affluent, highly educated audience seeking to enjoy and discover exotic teas from around the world.

So everyone wins; the tea consumer wins because they will choose tea over other beverages and they will benefit from increased

physical and mental health, the tea companies will benefit from increased revenue and profitability and the tea producing countries and the millions of tea workers around the world will benefit from increased prices and increased benefits.

But there are several other issues that affect the sale and consumption of tea in North America. Some of these things have very little to do with reality but with the perceptions that consumers may have (rightly or wrongly) about things that they have heard about tea. These things could affect their purchasing decision and focus on issues such as the abuse of workers on tea estates; concern for chemical residues on the tea or in tea bag paper or tea having a negative affect on the environment.

Obviously the primary responsibility for correcting misconceptions about tea rests primarily with the direct selling party but some of these issues can best be attacked right at the point of production in the producing countries.

Most consumers of tea will never have the opportunity to visit the tea farms where tea is grown and that is unfortunate. If consumers did travel to where tea is grown they would discover how the global tea industry sustains the lives of millions of tea workers and their families who otherwise might have few alternative employment opportunities. Also, it would give them a new reason to drink tea as it not only satisfies and helps the consumer but millions of people behind the scenes who also benefit from the sale of tea.

Also, if tea consumers had the ability to travel to the exotic locations and high elevations where tea is grown they would quickly understand how important the land is to the tea farmer as the farmer's very existence depends upon how well he treats the land. They would understand and see for themselves how contour planting, the effective use of drainage ditches and retaining walls, and mulching are used to minimize negative effects on the environment. However, since most consumers will never visit the tea farms the responsibility for communicating what is being done in the areas of social responsibility, concern for the environment and the overall

sustainability of the industry rests with the growers and the marketers of tea.

This is not something that needs to be shouted from the mountaintops nor does it require the expenditure of large sums of money. All that is required is the effective use of resources available to them via the internet and industry specific websites.

Importantly, if after examining practices that are taking place within your country that requires improvement, then those improvements should be made voluntarily before they become the focus of an activist group located ½ ways around the world. I have long been an advocate of self regulation for the Global tea Industry because it is far easier to do things right for yourselves than to be told by some third party organization what you should be doing. It is easier to do it right on your own, more cost effective and positions the tea industry as being a proactive industry.

While there is no guarantee that your pre-emptive actions will be rewarded in that you will not be targeted by either a government

regulatory agency or a consumer advocacy group, your chances of being so targeted will be minimized.

The subject of food safety will become increasingly important in the coming years and decades. Again, responsibility of ensuring the safety of foods & beverages is shared by both tea producing and consuming countries but, once again, it starts on the producing side. It starts with a review of your agricultural practices and interface between your research facilities and regulatory agencies and the farmers. Importantly, the use and timing of agricultural chemicals should be reviewed with the objective of minimizing residues on the harvested tea leaf to the extent possible. It also requires an examination of the safety of the workers and the affect on the environment outside of the tea field.

Within the processing plant, the sanitation of the facility and the security of the workplace from a standpoint of eliminating unauthorized admittance and safeguarding the finished product until it is ready for shipping are important issues. Also, an evaluation of working conditions from a stand point of safety guards installed on

moving equipment and procedures in place to mitigate dust conditions. Although the importance of these issues may seem self evident, often they can be overlooked in the day to day struggle to meet production demands.

Recently we had an inspection by one of our regulatory agencies in the USA and they found the levels of extraneous matter in a container load of Chinese tea to be too high. Of course what they found are only minute particles. However, if the type and number of insect fragments exceeds expected norms then that signals that there might be a sanitation problem that could lead to bigger issues.

Here too the primary responsibility to ensure sanitary product goes back to the producing country. Simple steps such as the installation of screens in the windows, fixing leaks in the roof, and having devices to exterminate insects and vermin before they come in to contact with the tea are of the utmost importance. Often times these preventative steps could be put into place at a minor cost but the absence of which could turn a single incident into a public relations disaster.

The Global Tea Industry has a very promising future. Unlike all of the beverage options available to consumers tea offers so much more.

Tea is the beverage that satisfies thirst, brings calm to an otherwise hectic life, contributes to the physical well-being of the consumer, while providing substance to millions of families around the world.

Tea accomplishes all this at a price that is within the reach of every man, woman, and child in the world.

Tea is indeed a near miraculous beverage which has withstood the test of time and will likely continue to be the beverage of choice for thousands of more years. Tea continues to evolve into many new forms and I predict within the next decade that Specialty Tea, the kind you make in China, will be selling for hundreds of dollars per Kg.

However, like I said at the beginning of this presentation, we cannot take this for granted and every day we should take steps to improve every aspect of the tea supply chain; from the field to the cup.

We will do our share by constantly reminding consumers of all the reasons why tea should be their drink of choice and together we will

all profit from the ever increasing popularity of China's gift to the world.

Thank you again to the organizers for inviting me to be with you today and to my good friend Mr. Cai Jun from the China Chamber of Commerce. In the troubling times that we live in today, keeping an open line of communications between our two great countries and the rest of the world has never been more important.

Thank you.