Tea prices begin to improve at Mombasa auction

The prices of tea at the Mombasa auction have begun to improve as witnessed during the last two weeks, Kenya Tea Development Agency (KTDA) has said.

The slight rise in tea prices has been triggered by the outset of falling volumes of tea from 160,000 to 140,000 packages by last week. The drop in tea volumes has been occasioned by cold weather in the month of June and pruning which is currently underway in most of the farms supplying green leaf to KTDA-managed factories.

This week, the average price of processed tea per kilo rose to USD 2.21 (Sh193) from USD 2.14 (Sh187) the previous week. Three weeks ago, a kilo of tea sold at an average price of USD 2.06 (Sh180) with such a low price prevailing since July, 2013.

This is good news for the over 560,000 small scale tea farmers who have had to bear with prolonged low prices during the 2013/14 financial year due to oversupply of tea in the global market.

If the increase in tea prices is sustained at the Mombasa auction, the 2014/15 financial year may hold better tidings for the small scale tea farmers as well as the economy, which has been affected due to reduced earnings from key income generating sectors, including tourism.

Kenya is currently the world’s third largest producer of tea after India and China but the leading exporter of black CTC (cutting, tearing and curling) tea. The tea industry is among the country’s leading foreign exchange earners, contributing about 20% of the Kenya’s total export earnings.

In 2013, the tea industry was the highest foreign exchange earner raking in Sh114.4 billion export earning compared Sh112.2 billion the previous year. The two per cent increase in revenue was buoyed by good prices and favourable foreign exchange rates.

Despite the current rising tea prices, financial experts doubt that the 7 per cent rise in price of tea at the auction during the last two weeks of the close of 2013/2014 financial year will make any meaningful impact on the overall total earnings from tea. This means the second payment, popularly known as bonus, will still be low.

Meanwhile, KTDA is actively engaging other tea players, including the Government, to find ways of propping up the sector. The Agency also continues to explore new markets in Russia, China, USA, Nigeria and Indonesia in order to increase its market share and consequently broaden...
Small scale tea farmers under Kenya Tea Development Agency (KTDA) will receive interim payments after top KTDA officials and other tea stakeholders had a consultative meeting with President Uhuru Kenyatta on June, 11th 2014.

The meeting held in State House Nairobi discussed the challenges that the lucrative tea industry is currently facing and possible ways of mitigating them.

After deliberations, the team agreed to make the payments, popularly known as mini-bonus, to the tea farmers, but KTDA said prices will be agreed upon by individual tea factory boards.

During the meeting, President Kenyatta said he was impressed by the performance of the Ministry of Agriculture, KTDA and other key players in the tea sector.

He said his government will cushion farmers from unnecessary taxes and levies along tea value chain to lower the cost of production and improve returns.

"Tea is one of our chief foreign exchange earner, and we have to ensure that our farmers are comfortable and continue producing," President Kenyatta said.

President Kenyatta added that the National treasury will review the taxes charged on tea as a way of improving competitiveness of the commodity, as well as setting up of a price stabilization fund through partnership between the government and the tea industry.

This is certainly good news for tea farmers coming at a time when prices of tea are at their low in the global markets.

Meanwhile, KTDA is in the process of importing approximately 71,300 metric tonnes of bagged fertilizer, which are expected to arrive the country by end of July 2014.

KTDA CEO Mr. Lerionka Tiampati asked farmers to use the fertilizer for tea once it arrives as it is specially formulated to meet the requirements of tea crops.
Tea players meet in Dubai to chart way forward

Kenya Tea Development Agency is among the tea stakeholders who attended the Dubai Global Tea Convention in April, 2014 to discuss the latest trends, innovations and developments in the tea sector.

The stakeholders, consisting tea-producers, tea-consumers, market operators and major tea players, deliberated on the future of tea, anticipated consumer habits and in-depth regional analyses, offering helpful solutions on the way to tackle the challenges of the ever increasing global tea production.

The team cited that global market volumes of tea had increased by almost 50 per cent over the past 10 years, reaching a world tea output of 4.8 million metric tones in 2013.

Dubbed ‘implementing a sustainable tea economy’, the team realised that in most producing countries, the development of the tea sector is constrained by limitations in the holding size, lack of proper legal ownership to the land, poor credit worthiness, and inadequate infrastructure facilities. The team identified strategies of mitigating these constraints.

KTDA CEO Lerionka Tiampati asked stakeholders to take urgent steps towards improved Good Agricultural Practice (GAP) protocols in regard to global warming and irregular weather patterns.

Lerionka encouraged tea producers to endeavour to ‘go back to nature’ by restoring the environment in the best possible way through soil improvement, water management and irrigation, integrated pest management, the further planting of shade trees and complementary crops and moving forward in a constructive way by sharing science and experience through globally available protocols.

Indonesia Tea Board Chairman, Rachmat Badruddin, said that to set sustainable strategy for development in tea industry, there was need to address institutional barriers, workforce issues, energy for tea processing and the role of government. He said if these areas were streamlined, the value chain will be efficient and more profitable venture.

Badruddin asked stakeholders to open up new markets worldwide, at least by 2 per cent per annum. This he said will increase consumption of tea and improve tea prices. He said there was a need to look for new and young tea drinking consumers.

Badruddin said there were few young consumers of tea as most had opted for the "more cool" beverage option or trendier ones such as bottled water, soft drinks and even energy drinks, which have set base in the marketplace.

Major tea consumers, including Russia and Pakistan, expressed concern about the stagnating tea consumption and the substantial amount of illegal imports generated from by taxes.

To secure the future production of tea, producers were urged to increase yields through technology: precision agronomy, gene mapping, mechanisation, satellite imagery, mixed cropping.

Also, the team was encouraged to consolidate smallholdings and lobby their government to balance regional economic, social and environmental developments.

The event was attended by more than 300 delegates, 22 speakers from different countries.

KTDA CEO Lerionka Tiampati (left) during the Dubai Global Tea Convention in April, 2014.

Media coverage of other sectors, subsectors

Daily Nation: 29/05/2014

Governors hold talks with envoys on tourism slump

Meeting meant to seek ways of reducing cost of tourism

Sunday Nation: 04/05/2014

Dairy farmers feel the pinch as milk prices drop
Agriculture farming in Kenya is currently going through many challenges and this is likely to negatively affect the economy.

Although the country enjoyed a stable macroeconomic environment for most parts of 2013 as shown by reports from the Kenya National Bureau of Statistics, the current year may show different result as agricultural sector, the backbone of the economy, is currently going through many problems, including fluctuation of prices.

The economic survey indicates that agriculture slowed down by 2.9 per cent last year compared to the previous year. The report further shows that cash crops like coffee and tea are on the decline due to poor prices in the global markets.

In 2013, coffee farmers produced 39.8 tonnes of coffee compared to 49 tonnes sold in 2012. This is a drop of 18.8 tonnes. Tea prices have equally been affected as a result of oversupply of the crop in the market.

Other produce like milk are experiencing low prices due to overproduction. The latest reports indicate that the milk body, the New KCC, has begun talks with dairy farmers to reduce farm gate prices following increased milk supply.

The State-owned milk processor said it is currently converting 100,000 litres of milk daily into long-life products to accommodate excess supply.

“We are holding huge stocks of powder milk and the long-life brands such as the Ultra Heat Treated (UHT) milk: this trend is not good for our business," said Kipkirui Langat, the managing director. He added that there might be a further decline in prices if the rains start this month.

All these challenges are likely to impact on the economic performance in the current year 2014, and consequently the per capita income of households.