

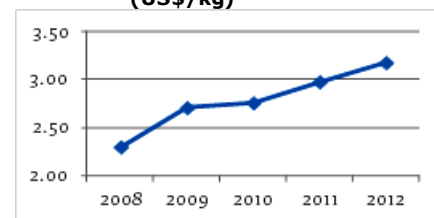


Prices and price developments for orthodox tea

Prices for Kenyan tea have been gradually increasing in the last four years. Product diversification is necessary because the price of Kenyan regular CTC is likely to drop in the coming years. As part of product diversification, fair trade or organic premiums can be very interesting for tea packed in Kenya.

Given that most Kenyan orthodox tea is traded directly, there are no specific price figures available. For this reason, the average price of Kenyan tea traded at the Mombasa auction is shown in Figure 1, which relates mostly to CTC tea traded in bulk. In the period 2008-2012, the average price of Kenyan tea traded at the Mombasa showed an increase of 8.4%, amounting to \$3.18 on average in the latter year. This is in line with the global market which also showed an increase in price. The limited stocks and high demand pushed prices upward. FAO has warned of oversupply for the coming years, as producers planted more crops in an attempt to capitalise on the high prices or to protect against future crop failure. Once the new tea bushes reach maturity, this could result in too much Kenyan CTC tea on the market, leading to a price decrease. Kenya is expected to have a record production in 2013. In this light, diversification towards orthodox production by the Kenyan tea industry could be a useful strategy for keeping prices of Kenyan tea stable.

Figure 1: Average price of Kenyan tea at Mombasa auction 2008-2012 (US\$/kg)



Source: Africa Tea Brokers, 2013

Prices of orthodox tea can vary widely. When orthodox tea was introduced at the Mombasa auction in 2008 it was selling at about \$6 per kg. These prices

Box 1: Price of orthodox tea at Mombasa auction, July 2013

Black orthodox tea		Green orthodox tea	
GRADE	USD/KG	GRADE	USD/KG
OP	5.20	BOP1	4.40
BOPF	4.04	BOP	4.40
P	4.24	FP	4.40
FOP	3.33	F1	3.65
OF	2.97	D1	3.65

Source: KTDA, 2013

were perceived to be too high and that is the reason why what was packed for sale in the local market did not sell well. Globally, prices of orthodox tea start from approximately the same price as CTC, but it is usually sold between \$4-9 per kg at the level of the blender or packer, depending on the quality of the product. Prices on the Mombasa auction currently vary between \$ 2.97-5.20 per kg (box 1). Kenyan orthodox tea is relatively cheap compared to other origins, as the country is foremost known for its high quality CTC tea which overshadows Kenya's orthodox production.

Box 2: Indicative consumer prices for orthodox tea, per kilogram

Lower quality		High quality	
Black tea	Green tea	Black tea	Green tea
€ 30.60	€34.20	€ 44.90	€ 40.55

Source: Simon Levelt, Cha-Do, 2013

Certified orthodox tea

As Kenyan orthodox tea can easily be produced organically (see Compliance with EU buyer requirements for orthodox tea for more information), this might be an interesting niche market for Kenyan tea producers. The organic tea market is quite different from the conventional market, as traded volumes are low. According to production area/variety, prices and the situation on the market can be quite different. Currently, there is very limited organic orthodox tea production in Africa. Organic premiums have decreased in recent years and can now be as low as 10%. However, the costs of transport have also become lower (due to larger quantities shipped).

The Fairtrade price premium is fixed for orthodox fannings and dust, at US \$ 0.50 per kg of tea. All other teas manufactured by the orthodox method will carry a Fairtrade premium of US \$ 1.10 per kg, independent of the market price mentioned above (FLO, 2013).

This survey was compiled for CBI by ProFound – Advisers In Development in collaboration with CBI sector expert Joost Pierrot

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