CBI
Ministry of Foreign Affairs

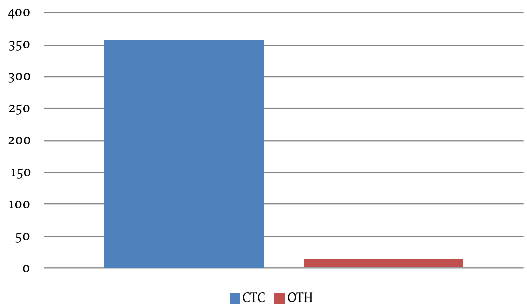
Promising export markets for Kenyan orthodox tea

The main destination markets for orthodox tea differ per quality. High-quality teas are commonly destined for Japan, China, Germany and France, while mid-range is in high demand in the other West-European markets. The CIS countries, Middle East and Eastern Europe are common destinations for lower quality orthodox tea.

Kenyan production of orthodox tea

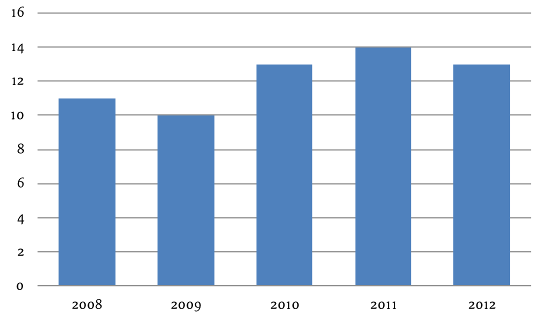
Kenya is mostly known for its CTC tea production, but the country also produces orthodox tea (see Figure 1). In 2012, Kenyan production of orthodox tea accounts for approximately 3.5% of total Kenyan production. Production of Kenyan orthodox tea showed an average annual increase of 4.3% in the period 2008-2012.

Figure 1: Kenyan tea production, CTC and orthodox, in thousand tonnes, 2012



Source: International Tea Committee, 2013

Figure 2: Kenyan orthodox tea production, in thousand tonnes, 2008-2012

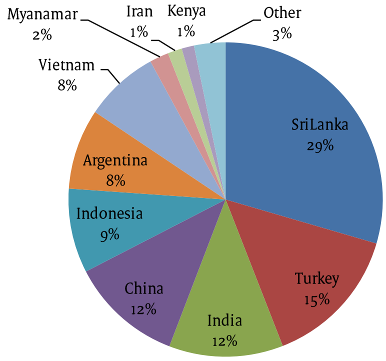


Source: International Tea Committee, 2013

Comparative analysis

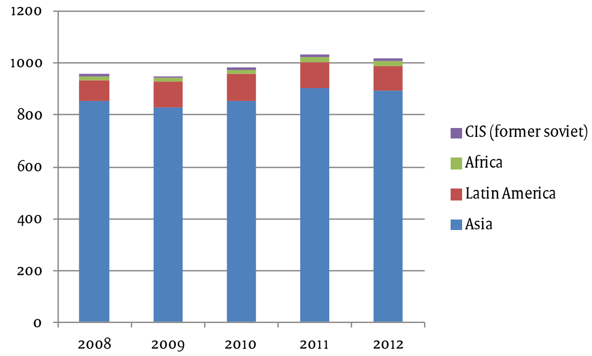
Total global production of orthodox tea amounted to approximately 1 million tonnes in 2012, while worldwide production of CTC tea added up to 1.7 million tonnes. Sri Lanka is the largest producer of orthodox tea, accounting for 29% of total production worldwide, followed by Turkey (15%), India (12%) and China (12%). The first three countries are mostly producing orthodox black tea, while China is predominantly focusing on green tea production. Kenya is among the smaller orthodox tea producers worldwide, accounting for only 1.3% of total production. However, most of these producing countries have a significant domestic consumption of orthodox tea, which ensures that most domestically produced tea will never leave the country for export. Kenya, on the other hand, is exporting most of its production.

Figure 3: Global production of orthodox tea per country (%)



Source: International Tea Committee, 2013

Figure 4: Global production of orthodox tea per region, thousand tonnes, 2008-2012



Source: International Tea Committee, 2013

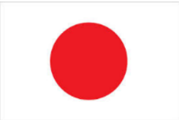
In recent years, the Kenyan tea industry has been investing in the manufacture of orthodox teas as part of a diversification strategy, in order to cushion the industry from possible shocks due to market concentration in the traditional countries. Production of orthodox teas has to complement revenues from black CTC teas (Daily Nation, 2013; KTDA, 2013). In order to be able to produce a sufficient volume and quality of orthodox tea, industry sources indicated that the Kenyan tea industry would need to invest more in a culture of orthodox production (see the module Trends and segments).

Promising markets for orthodox tea

There are no specific data available on the consumption of orthodox tea. Therefore we will provide an overview of interesting markets based on interviews within the tea industry.

According to industry sources, the most interesting European markets for orthodox tea are Germany and France. Germany is an established market, but still shows growth in the mid-range market. Consumer prices for orthodox tea in Germany generally range between US$5 and US$15 per 100 gram. France is a promising growth market, particularly in the high-end segment. The French market is growing fast with consumer prices ranging from US$4 to US$20 per 100 gram, indicating that consumers are prepared to pay a high price for orthodox tea. Other interesting markets are Switzerland, Austria and the Scandinavian market. However, please note these markets are considerably smaller compared to Germany and France. Switzerland and Austria have characteristics which are similar to the German market, whereas Scandinavian consumers are mostly interested in high-end orthodox teas.

Traditionally, the Southern European countries (*e.g.* Greece, Italy or Spain) do not have a tea culture. The North-West European markets (*e.g.* Ireland, UK, Belgium and Netherlands) mostly consume bagged CTC tea and have limited interest in orthodox teas. In these countries, industry sources estimate that orthodox tea accounts for approximately 1-3% of total tea consumption. The East-European markets are more oriented towards convenience and affordability. Therefore consumers prefer bagged CTC tea. However, interest in high-quality orthodox tea (both green and black tea) is increasing in line with the increasing purchasing power in this region.



Other major markets for orthodox tea are China and Japan, which are particularly strong in the high-end segment of the tea market. In the urban areas, the consuming habits are pointed towards the west. Therefore, it is perceived as fashionable to drink high-quality teas (see the module on Trends and segments), such as oolong and white tea. Whereas consumers in these countries traditionally drink green tea, consumption (and domestic production) of black tea is becoming more popular. High-end consumers are prepared to pay very high prices for speciality orthodox teas (>US$100 per 100 gram).

The Middle Eastern and CIS (former soviet countries) markets are especially interesting for low-end and mid-range orthodox teas. Consumer prices for orthodox tea range between US$3-6 per 100 gram. Industry sources mentioned that these markets can be very interesting for Kenyan exporters in the short term, as Kenyan orthodox tea is currently not perceived as high-quality tea. In terms of leaf quality and growing conditions, industry sources indicate that Kenya should be able to produce high-end orthodox teas. In the long term, the Kenyan tea industry needs to invest in high-quality processing and establish a culture based on high orthodox production standards, in order to link up with the high-end markets. Importers also indicated that organic production could be a very interesting niche product for the promising EU markets.

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