



Prices and price developments for Kenyan tea packed at origin

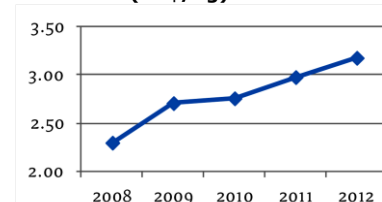
Prices for Kenyan tea have been gradually increasing in the last four years. Product diversification is necessary, as the price of Kenyan regular CTC is likely to drop in the coming years. As part of product diversification, fair trade or organic premiums can be very interesting for tea packed in Kenya.

Price development

The average price of Kenyan tea traded at the Mombasa auction showed an increase of 8.4% over the period 2008-2012, amounting to US\$3.18 on average in 2012. Since more than 95% of Kenyan production consists of CTC tea, this price relates almost entirely to CTC tea. The increase in price is in line with the global market which also showed an increase in price. Especially the limited stocks and high demand push prices upward. In general, packed in Kenya becomes interesting if an exporter is able to deliver repeated bulk sales.

FAO has warned for 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 tea on the market, leading to a price decrease. In 2013, Kenya is expected to have a record production. Therefore, product diversification, such as packed at origin, can be useful in order to offer a range of products next to bulk CTC tea.

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



Source: Africa Tea Brokers, 2013

Box 1: Indicative consumer prices for tea

Private label			Premium label		
Black tea	Green tea	Flavoured tea	Black tea	Green tea	Flavoured tea
€ 0.81	€0.85	€0.77	€ 1.99	€ 1.99	€ 1.27

Source: Albert.nl, based on 20 bags per pack

Certified tea packed at origin

As Kenyan tea packed at origin can easily be produced organically (see Compliance with EU buyer requirements for tea packed at origin for more information), this might be an interesting niche market for Kenyan tea producers. However, currently there is little Kenyan organic tea produced. The organic tea market is quite different from the conventional market, as traded volumes are low. Organic premiums have decreased in recent years and can now be as low as 10%.

The Fairtrade price premium is fixed for CTC and orthodox fanning 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

Disclaimer CBI market information tools: <http://www.cbi.eu/disclaimer>