CBI
Ministry of Foreign Affairs

Promising export markets for Kenyan tea packed at origin

Global Kenyan exports of packed tea are inconsistent. Most exports of tea packed in Kenya are destined for the UK market, making Kenya the 7th largest exporter of tea in packages of 3 kg or less to the EU/EFTA. The most promising markets for Kenyan tea packed at origin are located in Western Europe, China, the USA and regional markets.

Exact exports and imports of Kenyan tea packed at origin are unknown. However, trade statistics divide imports and exports of tea in packages of 3 kg or less (≤ 3kg) and packing of more than 3 kg. Imports of tea in packages of ≤ 3kg suggest that this packaging is ready for the consumer market. We will use these trade statistics to illustrate the market for tea packed at origin. The information focuses mainly on Europe, but when possible we also included information on other regions.

Kenyan exports of tea in small packages

Although Kenyan global exports of tea in packages of ≤ 3kg showed large fluctuations, Kenyan exports amounted to € 5.6 million in 2012 (ITC, 2013). The UK is the only consistent destination. Other export destinations were incidental, such as Somalia, China or the USA. Exports of tea in packages of ≤ 3kg from Kenya fluctuate significantly on an annual basis. This could indicate that tea packed at origin is not exported on a regular basis from Kenya.

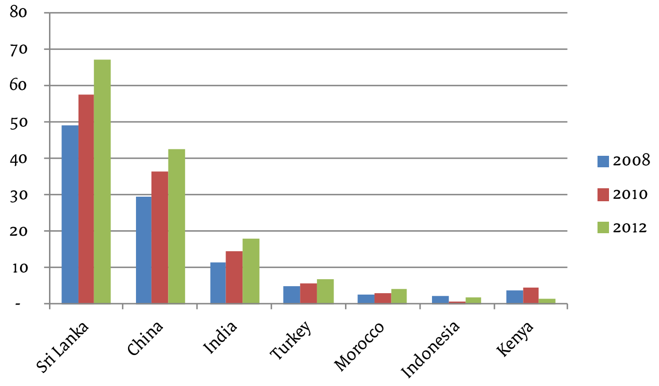
Figure 1: Total Kenyan exports of tea in packages of 3kg or less , 2008-2012 (in € million)

Source: Customs Department, Kenya Revenue Authority, 2013

Kenya's competitors for tea in small packages

Since the EU/EFTA is the main target for Kenyan exporters of packaged tea of ≤ 3kg, we will focus on this market in the rest of this module. In 2012, Kenya's main DC competitor on the EU/EFTA market of packaged tea of ≤ 3kg was Sri Lanka, accounting for 46% of total DC supplies to the EU/EFTA, followed at a distance by China (29%) and India (12%). Other significant competitors in this product group supplying the EU/EFTA are Turkey, Morocco and Indonesia. These figures suggest that Kenya still has significant growth opportunities on the EU/EFTA market, when compared with other DC suppliers.

Figure 2: Total exports of tea in packages of 3kg or less to the EU/EFTA from Kenya's main competitors, 2008-2012 (in € million)

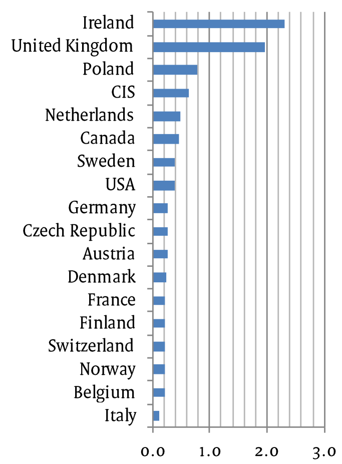


Source: ITC, 2013

Consumption of packed tea

For consumption of packed tea, it is important to take into account that Asian and Middle Eastern countries predominantly drink loose leafed teas. For this reason, they have been removed from this comparison. In the period 2008-2010, Ireland had the largest consumption per capita on average, accounting for 2.3 kg per head. The UK is trailing at close distance with an average consumption of 2.0 kg per head. Other countries with a high per capita consumption of tea are Poland (0.8 kg) , the CIS (0.6 kg) and the Netherlands (0.5 kg).

Figure 3: Per capita consumption in grams (triennial average), 2008-2010



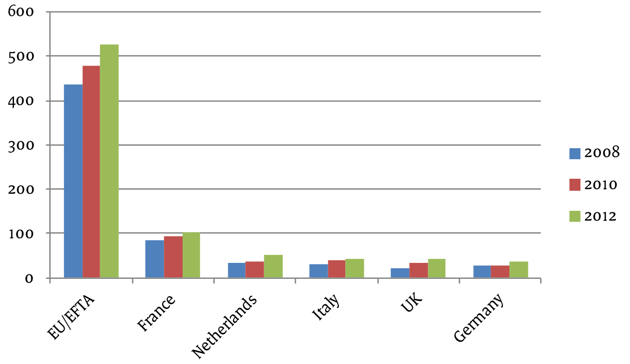
Source: International Tea Committee, 2011

Trade of tea in small packages

In 2012, the EU/EFTA imported € 526 million / 76 thousand tonnes of tea in packages of ≤ 3kg (figure 3), which is approximately 46% of total tea imports. However, this also includes re-exports within the EU/EFTA. Whereas imports in volume decreased by 1.5% annually in the period 2008-2012, imports in terms of value showed an increase of 4.7%, indicating an increasing import price for tea in packages of ≤ 3kg.

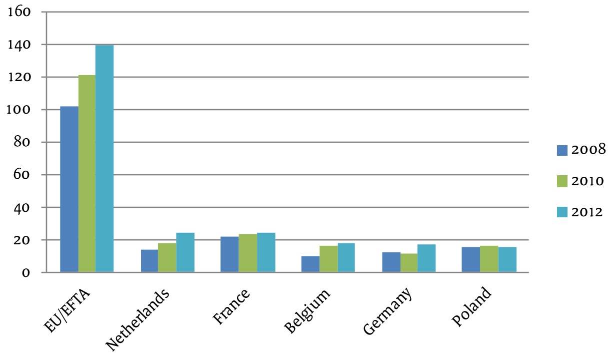
Imports from developing countries (DCs) added up to € 140 million / 28 thousand tonnes (figure 4). Over the period 2008-2012, DC imports followed the general trend in trade by obtaining a higher price per tonne. Kenya, however, supplied only a minor share to Europe, amounting to € 1.2 million / 275 tonnes in 2012, showing an average annual decrease of 23% in the period 2008-2012.

Figure 4: Main EU/EFTA importers of tea in packages of ≤ 3kg, 2008-2012 (in € million)



Source: Eurostat, 2013

Figure 5: Main EU/EFTA importers of tea in packages of ≤ 3kg from DCs, 2008-2012 (in € million)



Source: Eurostat, 2013

When comparing the figure 4 with 5, it becomes clear that most imports in packages of ≤ 3kg by the EU/EFTA comes from re-exports by EU/EFTA countries. This indicates that packing is mostly done in the EU/EFTA, although there are opportunities to import tea in packages of ≤ 3kg from the countries of origin.

Promising markets for tea packed at origin

Within Europe, the North-Western region (*e.g.* Germany, UK and Netherlands) is the most interesting market reflected in a high demand for bagged tea. In these markets, there is demand for many varieties of tea. On the other hand, the Southern European countries (*e.g.* Greece, Italy or Spain) do not have a tea culture and this is reflected by the low figures of tea consumption in the region. In Eastern Europe, demand for bagged tea, especially black tea, has increased in the past decade, making it also more interesting to source packed at origin. However, be aware that the price factor is of high priority in this region.

The European market for bagged tea is dominated by large companies with well-known brands and competitive product pricing, making it very difficult for new competitors to enter the European market. In these markets, you are recommended to work with retailers which could be interested in producing their private label in Kenya if you could provide them with a quality product at a competitive price. In recent years, some European supermarket chains have had their private label tea packed directly in producing countries, but also ethical retailers are experimenting with packing in countries of origin. Whereas the former mainly source packed tea because of cost reductions, the latter also see the local value addition as an important selling point for their ethical story. Currently, India and Sri Lanka are frontrunners in packing at origin. Please refer to the module on buyers requirements for more information on the legal and non-legal requirements.

Other interesting markets for tea packed at origin could be the USA and CIS (former Soviet Union) markets. US retailers make considerations similar to their European counterparts. As the US market is a large market with many cultural backgrounds, there is demand for all varieties of tea. The market for bagged black tea in CIS countries grew strongly in the past decade at the expense of loose-leafed tea. Kenyan tea packers could profit from this trend, but should keep in mind that this market is mostly interesting for teas of the lower segments. Other important regions with a high tea consumption, such as the Middle East, China and Japan, are less interesting, since they prefer the use of loose-leafed teas over bagged teas.

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