**Introduction**

Tea is important and can be served at all times in the UK. The British tea market is both significant and traditional. Three out of eight units of liquid drinks consumed by the British are tea, of which 96% is sold in teabags. The British are loyal to their brands and prefer black, mostly blended, tea.

**Product Definition**

The word 'tea' refers to a hot beverage that is prepared by infusing or brewing the dried leaves of the *Camellia sinensis* plant. There are at least six different types of tea: green, white, yellow, oolong (or wulong), black (called red tea in China), and dark post-fermented tea (or black tea for the Chinese). The most commonly found on the market are black, green, oolong and white tea (see table 1).

![Tea leaves and assorted teas](image)

**Flavours of tea**

Oxidation is the distinguishing factor that determines whether tea leaves will become black, oolong, green or white tea. It is a chemical process that results in the browning of tea leaves and the production of flavour and aroma compounds in finished teas. During oxidation (or ‘fermentation’), the flavours and aromas of tea become fuller and deeper. Notes of tannin, malt, chocolate, earth, stone-fruit, grape and/or citrus emerge. In general, black tea is fully fermented, oolong tea is partially fermented, green tea is not fermented (or only minimally fermented) and white tea is entirely unfermented.

![Tea cup infusions](image)

**Table 1: The most common teas and their flavours**

<table>
<thead>
<tr>
<th>Tea</th>
<th>Description</th>
<th>Flavour</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Black tea</strong></td>
<td>Black tea is the most common type of tea in the Western world. Black tea is almost always fully fermented.</td>
<td>Black tea is noted for its full, bold flavour and its ability to pair well with many Western foods, particularly sweets and creamy foods.</td>
</tr>
<tr>
<td><strong>Green tea</strong></td>
<td>Green tea is unfermented. Japanese green teas are typically steamed. Chinese-style teas are typically processed with dry heat.</td>
<td>Japanese-style green teas tend to have strong vegetal, grassy or oceanic/seaweed notes and a slight citrus undertone. Examples include Sencha and Matcha tea. Chinese often have a mellower, sweeter flavour profile with notes of nuts, flowers, wood and/or vanilla.</td>
</tr>
</tbody>
</table>
Oolong tea

Oolong tea is rolled by hand or machine and pan fired, and then heated. Many oolongs are roasted afterwards to further develop their flavours and aromas. Depending on their processing, oolongs may have flavours and aromas of honey, orchids and other flowers, lychee and other fruits, wood, butter or cream, vanilla and/or coconut.

White tea

White tea is a light tea grown and harvested primarily in China (Fujian and Zhejiang province). The name relates to the whitish appearance of the plant. The tea is pale yellow. White tea has a light, delicate, slightly sweet flavour. It has less caffeine than black or green tea.

Most teas are sold to consumers as blends: mixtures of teas from several different origins to achieve a certain flavour profile. Most branded teas in Europe use 20 or more origins to achieve their desired taste and price level. However specialised tea (and coffee) shops are increasingly selling single origin teas.

UK’s flavour preferences

About 90% of the tea drunk in the UK is black tea, of which more than half is produced in East African countries, mainly Kenya. Almost all British people drink their black tea with milk, i.e. about 98%. Sugar is sometimes added as well. 96% of all tea is consumed from a tea bag (UK Tea & Infusions Association). Besides black tea, green tea (sometimes combined with fruits or herbs) and earl grey are flavours regularly available in the UK.

Codes used in customs & international trade

The statistical data in this document is based on Combined Nomenclature (CN) codes. The CN uses Harmonized System (HS) codes to classify products. The HS codes included in this study are listed below. There are no separate HS codes for oolong and white tea. They fall under the categories of fermented and unfermented teas, respectively.

<table>
<thead>
<tr>
<th>HS Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>090240</td>
<td>Black tea (fermented) &amp; partly fermented tea in packages exceeding 3 kg</td>
</tr>
<tr>
<td>090230</td>
<td>Black tea (fermented) &amp; partly fermented tea in packages not exceeding 3 kg</td>
</tr>
<tr>
<td>090220</td>
<td>Green tea (not fermented) in packages exceeding 3 kg</td>
</tr>
<tr>
<td>090210</td>
<td>Green tea (not fermented) in packages not exceeding 3 kg</td>
</tr>
</tbody>
</table>

Product Specification

Quality: grading and classification

The factors affecting tea quality can be distinguished as follows:

- Genetic: tea quality is determined primarily by the genetic properties of the tea plant/bush: China type, Assam type or hybrid.
- Environmental: the quality of tea is affected by elevation (high altitude), soil and climate (including temperature, humidity, sunshine duration, and rainfall).
- Field operations: pruning, fertilising, shading and plucking also play an important role in determining the quality of tea (see e.g. Tea International).
- Processing of plucked tea leaves: orthodox versus 'crush, tear and curl' (CTC) tea

There are four basic grades in orthodox tea production: whole-leaf, broken-leaf, fannings and dust. These categories specify and indicate the different leaf sizes and associated strengths. Whole-leaf and broken-leaf grades are used predominantly for loose (specialty) teas, while fannings and dust are the preferred grades for CTC and other teabags.

The quality of tea is generally assessed by tea tasters (at auctions or from private buyers). Additional information is provided in the European Tea Committee’s Compendium of Guidelines for Tea.

- There is growing international interest in the enforcement of minimum quality standards for internationally traded tea. The difficulty is agreeing on internationally acceptable quality standards. Exemplary tea grading specifications can be found on the website of Imperial Tea Garden.

Labelling

Consumer products containing tea are required to be labelled with the following characteristics:

- Name of the product;
- Physical condition or the specific treatment undergone (fermented or not, etc);
- List of ingredients, including additives (such as herbs for herbal teas);
• Nutritional values, for products containing ingredients that alter nutritional value (e.g. candied fruit pieces, coconut chips)
• Presence of substances known for their ability to spark allergic reactions and intolerances should always be indicated;
• Net quantity;
• Expiry date preceded by the words "best before";
• The name or business name and address of the manufacturer or packer, or of a seller established in the EU;
• Place of origin or provenance.

Packaging

Tea is packaged in food grade foil lined paper sacks, plywood chests are hardly used anymore. The tea sacks are normally packed in 20 sacks to a pallet that weighs between 700 kg to 1,500 kg. On bulk packaging the lot number (identification number), net and gross weight (quantity of content), whether the bag contains green or black tea (ingredient list), and more specific information e.g. name of the tea factory (statement of identity) and the country of origin are required.

Common packaging methods

What requirements should tea meet to be allowed on the British market?

The UK is a member of the EU and therefore tea exported to the UK must comply with EU food safety legislation. The EU market (which includes the British market) has strict demands regarding food quality and safety. These demands include legislation on food safety, maximum permitted residue levels (MRLs), contaminants, consumer labelling and extraction solvents.

A detailed analysis of the buyer requirements is provided on the CBI website under the section heading What requirements should tea meet to be allowed on the European market?

What legal requirements must my product comply with?

'EU compliance' is the most important criterion that EU buyers have when purchasing tea. Only suppliers that are able to comply with the high EU requirements concerning quality and food safety will be allowed to enter the market in the EU (and thus in the UK). Compliance with the maximum permitted residue levels (MRLs) and legislation regarding contaminants is considered most important in this regard.

Tips:
• Direct information on the relevant legal requirements is also available on the website of the EU Export Helpdesk.
• The ITC Standards Map contains additional information on voluntary standards.

What additional buyer requirements do buyers often have?

In addition to the legally binding requirements, sustainability has become an increasingly important condition for market access. Most of the tea sold in the UK currently has some form of certification. The certification schemes of the Rainforest Alliance and the Ethical Tea Partnership (ETP) are the most common, although Fairtrade is also important (see below). British consumers are known for their brand loyalty, however, and they trust their brands to provide good, natural tea. In general, certification thus plays a secondary role in consumer choices.
Niche sustainability concepts

Whereas it has become common practice in the mainstream British tea market to set requirements regarding sustainability, a niche market exists for organically-produced tea. The UK is the world leader in Fairtrade tea sales, with a 70% share of all global Fairtrade tea sales in 2013. In the UK, Fairtrade products accounted for 10% of all tea sold in 2013 (Ethical Superstore, 2013), although sales of Fairtrade tea decreased by 1% in 2014 (The Guardian, 2015).

Box 1. Sustainability initiatives of individual tea packing companies operating in the UK:
In the UK, tea packing and blending companies that sell products on the UK retail market and their sustainability policies are:
- Tetley (Tata Group) - Sustainability with Rainforest Alliance certification and ETP membership
- PG Tips (Unilever) - Sustainability with Rainforest Alliance certification
- Twinings (Associated British Foods) – Corporate social responsibility with ETP membership and Rainforest Alliance and Fairtrade teas
- Yorkshire Tea (Betty’s and Taylors of Harrogate) – respecting the planet with Rainforest Alliance certification
- Typhoo – ethical tea

What is the demand for tea in the UK?

Unless stated otherwise, the import, export and consumption figures presented below are based on the selected HS codes (see the Product Description section).

1. Imports

Figure 1: Imports of tea to the UK, 2010-2014

Source: Eurostat, 2015
Figure 2: Developing countries supplying tea to the UK, 2010-2014

Source: Eurostat, 2015

Figure 3: Developing countries supplying tea to the UK, black tea versus green tea, 2014

Source: Eurostat, 2015

Figure 4: Developing countries supplying tea to the UK, bulk tea versus consumer packed (<3kg) tea, 2014

Source: Eurostat, 2015
Most important developments

Imports recover after crisis

In 2014, UK imports of tea amounted to a total volume of 127 thousand tonnes, with a value of €275 million. The UK accounts for 39% of all EU tea imports. Since 2010, imports have decreased by 4.1% per year, due in part to the economic crisis that affected the UK, as well as to the fact that the UK also exports large volumes of tea to markets that were suffering from the same crisis. In addition, there is increasing demand for teas of high quality/value (e.g. loose-leaf teas, as opposed to conventional black tea). In comparison, EU imports overall have decreased by only 1.9% per year.

The UK relies heavily on developing countries for its supply of tea, with developing countries accounting for 73% of all tea imported in 2014. Since 2010, UK tea imports from developing countries have decreased by 10% per year. In 2014, the UK imported 6.8% from other EU countries. This tea was sourced from outside the EU and exported (or re-exported) to the UK. Imports from EU countries have increased by 12% per year since 2010.

Tip:
- When exporting teas (higher or lower value teas), look for opportunities in direct trade with the UK, hereby bypassing the auctions. Through these private sales, you may obtain a price increase of 10 to 15 cents per kg. This is quite common for speciality tea and for buyers with specific requirements.

Strong fluctuation in supplying countries

In 2014, Kenya (37%) was the largest exporter to the UK, followed by India (14%), Malawi (6.6%) and Tanzania (3.2%). Even though the UK has long-standing relationships with most of its suppliers, the volume of supplies from the respective countries has fluctuated widely over the years (see Figure 2). Opportunities for suppliers can therefore differ from one year to the next, depending upon the quality of the global harvest (e.g. in terms of volume and/or compliance with food-safety requirements, including pesticides), as well as according to price and consumer trends.

Tips:
- Keep updated about developments in the global market as they can have an impact on your competitive position. Refer to price and crop reports and talk to experts.
- As the Kenyan and Indonesian examples illustrate (Figure 2), importing countries may shift their focus regarding the origin of supply. Therefore, a long term and professional cooperation is a good way to increase your presence in a particular market and consolidate your position.

Types of tea and form of packaging

Of all imports to the UK in 2014, 96% was black tea and 4% green tea. The market share of green tea has stabilised in recent years (around 3.5% in 2014). Most green tea is at the moment imported from China (39% of total imported green tea in 2014), India (20%) and Indonesia (9.3%).

Because the leading UK brands package and blend their tea in the UK for both domestic and export markets, the UK imports predominantly bulk tea (93% in 2014). Developing countries supply a small share (16%) of consumer-packed tea to the UK. Sri Lanka and China are the only developing countries that supply consumer-packed tea to the UK in relevant volumes (around 6% of all imported consumer-packed tea for each country). In the near future, India may also become a supplier of consumer-packed tea.

Tips:
- Although it is not a simple endeavour, exporters in producing countries can try to sell blended or other teas in consumer packages (e.g. teabags). For example, exporters could provide private-label products for particular supermarkets (or chains) at prices that are higher than those for bulk tea. Sri Lanka has a long history of capturing more value in the supply chain through value-added production (Ceylon tea) and high-quality tea. Note that it is necessary to be able to offer a complete variety of consumer teas, with a variety of flavours (fruit and spices) and herbal blends.
- Note that adequate packaging is extremely challenging. For example, consumer teas are increasingly being packed in pyramid-shaped teabags.
2. Exports

Figure 5: Exports of tea from the UK, 2010-2014

Figure 6: Destination countries for tea exported from the UK in 2014

Source: Eurostat 2015

Most important developments

European countries are most important export markets

In 2014, tea exports amounted to a total volume of 21 thousand tonnes, with a value of €110 million. Since 2010, total export volumes from the UK have decreased by an average of 9.3% each year. In 2014, 57% of the UK’s exports involved intra-European trade, primarily to Ireland (sold as Unilever’s Lyons tea), Germany and Belgium (see Figure 6). Other important destinations include Canada, Switzerland and the United States. The decrease in exports was due in large part to the strong reliance of UK exports on markets that have performed poorly in recent years (e.g. Ireland).

Tip:
- Although not an easy task, consider exporting directly to the exporting partners of the UK. Create an account for databases such as Eurostat and ITC to get a better understanding of trade flows between EU countries and your own country.

Local blending and packaging

Due to the relatively high labour costs in the UK, it has become more profitable to open factories in other countries (e.g. Poland or the US) to blend and package the tea for the local markets. One good illustration is offered by Twinings, which moved one of its plants to Poland in 2010.
3. Consumption

The consumption figures of tea are calculated by the quantity of tea imported minus exported.

Figure 7: Consumption of tea in the UK, 2010-2014

Source: Eurostat, 2015

Most important developments

Mature market with high per capita consumption

The UK (63 million inhabitants) is by far the largest tea-consuming country in the EU. Half of the tea consumed in the EU is consumed or processed in the UK. Ireland is the only EU country with a higher per capita consumption rate (4831lb or 2191g) per person, as compared to 4281lb (1941g) in the UK (Quartz, 2014). Water, coffee and fruit juices have gained popularity at the expense of tea. Nevertheless, the UK Tea and Infusions Association, which represents the world’s tea-producing and tea-exporting countries, states that tea remains by far the most popular hot drink in the UK, with over 165 million cups being drunk every day.

Tip:
- Contact the UK tea and infusions association to find out more about the British tea market, its developments and its major players.

Tea consumer more adventurous

One important trend in the UK involves a shift away from black tea to other categories of tea. The tea-drinking culture is slowly changing, with trendy tea shops becoming more popular. Moreover, there is strong demand for tea with health benefits (e.g. green tea or fruit/herbal tea). Tea consumers have also become more adventurous, looking for new and exciting tastes (e.g. black specialty teas). Between 2012 and 2014, sales of ordinary black teabags – which have traditionally dominated the market – fell by 13%. During the same period, sales of fruit and herbal teabags increased by 31%, sales of speciality teabags increased by 15% and sales of green teabags leaped by 50%. In the UK, tea brands are diversifying into new ranges of green tea. The most popular tea brand in the UK, Tetley, is also the fastest-growing brand of green tea brand. Its rival, PG Tips, has introduced a range of green teas, alongside its fruit and herbal teas (Mintel, 2015).

Tip:
- Most British people drink black tea made from tea bags. The loose tea leaf market is very small, about 4%, and is stable. Due to its growing popularity, opportunities lie in black speciality teas, green teas and fruit/herbal teas.
What trends offer opportunities on the British market for tea?

Rising popularity of new categories of teas

British consumers are becoming more conscious of health issues (e.g. consuming less alcohol, sugar and salt). As a result, the consumption of standard black tea has decreased slightly. Instead, British consumers are increasingly drinking other categories of tea (e.g. black specialty tea, decaffeinated tea, green tea and fruit/herbal tea). About one tenth of the total tea market in the UK currently consists of these new tea categories. The market for non-standard black tea has doubled in recent years (UK Tea and Infusions Association). In addition, tea drinking has become cool, with tea shops increasing in popularity and number, and a new group of tea connoisseurs is emerging. At the same time, overall tea consumption in the UK has dropped: new formats (premium coffee pods and beans) and the coffee shop culture have fuelled a shift from tea to coffee (Source: The Guardian, 2015).

In the UK, tea brands have spent millions of pounds diversifying into new ranges of green tea. For example, the most popular tea brand in the UK, Tetley, is also the most rapidly growing brand of green tea. In 2014, Tetley’s rival, PG Tips, launched a range of green teas, alongside its fruit and herbal teas (Source: The Guardian, 2015).

Tips:
- Speciality teas, green tea and fruit/herbal combinations may be an additional unique selling point, as compared to standard black teas. It is important to have a good understanding of the ingredients that are used for speciality teas when considering entering this market. In some cases, you will have to acquire new ingredients and, therefore, to use different supply chains.
- An overview of British preferences for loose teas is available here.

Ethical sourcing

British consumers perceive tea as a natural product, with a subconscious tendency to trust their brands to do the right thing (Source: UK Tea and Infusions Association). As a result, certification generally plays a secondary role in the choices of British tea consumers, and it does not automatically help suppliers to increase their consumer markets. At the same time, most of the tea sold in the UK now has some form of certification. Ethical sourcing (especially with Fairtrade certification) is important for tea traders, as is certification by the Rainforest Alliance, which has been embraced by the two leading brands, Unilever and Tetley. The UK is the world leader for Fairtrade, accounting for 70% of global Fairtrade tea sales in 2013. In the UK, Fairtrade tea accounted for 10% of all tea sold in 2013 (Ethical Superstore, 2013). In 1994, Clipper tea became the first tea to have Fairtrade certification in the UK. Following the lead of ethical brands (e.g. Cafédirect, Clipper and Traidcraft), several major retailers (e.g. the Co-operative, Marks & Spencer, Sainsbury’s and Waitrose) are now sourcing all of their own private-label teas on Fairtrade terms (The Guardian, 2015). In 2014, however, sales of UK Fairtrade tea decreased by 1%, reflecting the reluctance of consumers to pay more, given the less expensive alternatives offered by such retail chains as Aldi and Lidl (The Guardian, 2015).

Tip:
- Make sure you are familiar with the supply chain of the tea you export. Be aware that a transparent supply chain is more important when exporting to the EU than for most other markets. EU buyers ask for traceability. For more information refer to the CBI document: Market Channels and segments study.

New materials and shapes for tea bags

The well-known traditional filter paper tea bags are now often replaced by bags made of nylon, non-woven commercially compostable or certified biodegradable materials. In addition, pyramid shaped tea bags have become more popular, leaving more room for whole leaf tea to expand and to give a better, more flavourful brew.

Tip:
- Exporters of speciality teas in consumer packaging should consider using these innovative bags, see also here.

Intensely competitive market

The British market is a mature market, highly competitive and prices tend to be very low. The supermarket price wars add to the focus on low purchase prices. And prices are still dropping. Moreover in the last decades there has been an over-supply of tea. Demand has not matched supply, making it difficult for producers to obtain a higher price.
For more information on trends in the tea market, refer to CBI’s Trends in Tea.

What do the trade channels and interesting market segments look like in the UK for tea?

Tea is either traded through auctions or through private sales. Producers such as China, Vietnam and Argentina sell their teas via private sales. Other producing countries such as Kenya, Sri Lanka, Indonesia and India have an auction system in place. Understanding the total tea value chain may help exporters to estimate their risks and opportunities and adapt their marketing strategy accordingly.

Additional information is available in the CBI publication on Market Channels and Segments.

Analysis and interpretation

The international tea trade is largely in the hands of multinational plantation companies like Finlays and McLeod Russel and multinational companies (MNC) with British and Dutch roots, e.g. Unilever and Jacobs Douwe Egberts.

With regard to tea companies, there were two frontrunners in 2014, with Unilever Foods UK Ltd (value share: 19%) just losing out to Tetley GB Ltd (value share: 20%). These two companies, which own the PG Tips (Unilever) and Tetley brands, are present as staples in the cupboards of most households within the UK. This is due to their widespread brand recognition and large loyalty bases (Source: Euromonitor, 2015). Other British tea companies that have a good reputation both at home and abroad are Twinings and Yorkshire.

Since 2014, over 80% of the tea has been sold in supermarkets. There has not been an increase of speciality stores in the UK, even though the speciality tea market has grown. These teas are sold by the common brands in supermarkets and British consumers tend to stick to their familiar brands. Speciality teas are sometimes bought online.

The British food retail market is highly concentrated. The top three retailers (Tesco, Asda (Walmart) and Sainsbury’s) have a market share of more than 60%. The discounters Aldi and Lidl control more than 10% of the grocery market (The Guardian, 2015).

Tea is mainly consumed at home. The out of home market is small with a 14% market share (UK tea and infusions association). Tea rooms have their own branded tea. They sell their private labels and pack their own brands. In the out of home market, the quality can be poor, outside the (specialised) tea rooms. British consumers like to control the quality and method of brewing.
Tip:
- For buyers from the UK, especially larger ones, good supply chain management is important. Smallholder suppliers of tea are advised to integrate information technology and share and offer flexibility in their supply chain management. Read more about these practices in a case study for Kenya (Source: Journal of Management and Sustainability, 2012).

Useful sources

- UK tea and infusions association - http://www.tea.co.uk - independent non-profit making body to promote tea and herbal infusions
- Food and Drink Federation – http://www.fdf.org.uk - the voice of the UK food and drink industry
- International Tea Committee - http://inttea.com - Non-profit provider of global tea statistics (based in UK)
- Tea 2030 - http://tea2030.tumblr.com – global collaboration from leading stakeholders across the tea value chain
- Fairtrade Labelling Organisations International (FLO) - http://www.fairtrade.net
- UTZ Certified - http://www.utzcertified.org
- Rainforest Alliance - http://www.rainforest-alliance.org
- Ethical Tea Partnership - http://www.ethicalteapartnership.org - NGO supports farmers in sustainable farming and trade
- The Sustainable Trade Initiative - www.idhsustainabletrade.com/tea - Major tea brands and packers join forces for sustainable tea sourcing & trade
- Information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/itc/exporters/packaging