CBI Trade Statistics:

Tea
Management summary

The EU market has traditionally been dominated by black tea, although changes in consumer tastes are causing it to become more diversified. Decreases are expected in the per capita consumption of tea in the EU, due to competition with other hot and cold beverages. Nevertheless, there are opportunities for suppliers who are able to react to the changing market circumstances. Demand is increasing for teas with specific health benefits and flavours. Suppliers of high-quality (e.g. whole-leaf, single-estate) and certified teas will be able to find market openings.

Content

The data in this document are based on Combined Nomenclature (CN) codes provided by Eurostat. The EU uses the CN classification system to categorise goods for international trade statistics. Table 1 lists the HS codes for tea that were used for the statistical analysis in this document.

<table>
<thead>
<tr>
<th>Code</th>
<th>Official product 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>

Imports

Figure 1: EU28 imports of tea (2010-2014)

Source: Eurostat, 2015

Figure 2: EU tea imports, by EU country and product (2014)

Source: Eurostat, 2015

Figure 3: EU tea imports, by EU country and type of packing (2014)

1 For a list of EU countries, see the EU website
Most important developments

Large share of intra-EU trade

In 2014, direct imports of tea amounted to a total volume of 242 thousand tonnes, with a value of €622 million. Developing countries are the original source for most of the tea imported by the EU (accounting for 87% in 2014). There is also significant intra-EU trade (85 thousand tonnes in 2014), which involves tea that is either re-exported directly or exported after processing.

Bulk and consumer packed imports

As indicated in Figure 3, the largest importers also import more bulk tea than other countries do. This is because they are either large traders or have local processing/packing facilities. Most other countries rely on other EU countries to supply their packed tea. Some countries import almost exclusively consumer-packed tea. Examples include Portugal (99% of imported volume in 2014), Greece (91%) and Estonia (86%).

Price fluctuations expected

As indicated in Figure 4, the world price of tea is expected to fluctuate in the coming years. The direction in which prices will develop, however, is a subject of discussion, and there are several different projections. The tea market has traditionally been characterised by oversupply. Some experts believe that the market will move towards a situation in which supply and demand approach equilibrium. This would ensure better prices for farmers. The current combination of low prices, increasing costs of production (e.g. for fertilizers) and competition from other crops does not make tea an attractive product to cultivate for all farmers.

Footnote: 2 ‘Bulk packaging’ refers to black and green tea in packages exceeding 3kg. Consumer-packed tea refers to teas in packages not exceeding 3kg.
Figure 5: EU tea imports, by country and supplier category (2014)

Source: Eurostat, 2015

Figure 6: Most important developing countries supplying tea to the EU (2014)

Source: Eurostat, 2015

Figure 7: Prices of tea from different producing countries (2010-2014)

Source: A V Thomas, 2014

Tip:
- Stay abreast of real and projected prices by consulting the price and crop reports published by the Economist Intelligence Unit and Van Rees, East African Tea Trade Association, Indian Tea Board and Indonesian Tea Board, and complement this with information from other resources relevant to your situation.
Imports from developing countries
Different suppliers, different developments
The most important suppliers have developed in different ways in recent years. Imports to the EU from Kenya decreased by an average of 8.8% per year between 2010 and 2014. In contrast, Sri Lanka has increased its exports by an average of 1.5% annually. Over time, large differences have emerged between imports from supplying countries, due to supply (e.g. based on the size and quality of harvests) and related price levels. Other drivers include developments in the global tea market. For example, despite higher prices, Sri Lanka has continued to increase its exports to the EU. Almost all of the tea produced in Sri Lanka is orthodox tea. India is decreasing its production of orthodox tea and consuming more tea domestically, thus creating a large demand for orthodox tea from Sri Lanka (Source: A V Thomas, 2014).

Tip:
- The availability of opportunities in specific EU countries depends largely on the tea culture in those countries. In most countries, especially in the UK and Ireland, most tea (95%) is sold in the form of teabags. This means that, in these countries, whole-leaf teas operate in a small niche market. The CBI Product Factsheets on tea provide additional details.
- Stay abreast of developments in the global market, as they can have an impact on your competitive position. Refer to price and crop reports, and consult with experts.

Other Asian countries expanding in green tea market
Green tea comes almost exclusively from Asia (90% of imported volume in 2014). In 2014, China supplied 62% of all direct imports of green tea to the EU. A growing share of tea is imported from other Asian countries: India (+22% annual increase of imports between 2010 and 2014, market share 12% in 2014), Vietnam (+33%, market share 6.2%) and Indonesia (+6%, market share 10%).

Singapore’s role in trade increasing
Singapore has become an important supplier, having increased from 91 tonnes in 2010 to 21 thousand tonnes in 2014. Singapore has traditionally been a large trader in commodities, and it serves as a transit port. Whether this growth will continue in the coming years remains to be seen.

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3 ‘Orthodox tea’ refers either to hand-processed tea or to tea that is rolled with machinery in a manner that mimics hand-rolling. Most specialty teas are made with orthodox production methods.
Tips:

Although the EU is a single market, there are great differences between regions and countries in the EU. It is important to consider these differences in your export strategy. Statistical analysis can provide you with insight into these differences. Focus on the following aspects:

- **Volume of imports:** This will identify the countries that are the largest buyers or traders in the EU. The largest tea buyers are located in the Western EU countries (which accounted for 81% of total EU imports in 2014). Analysis of exports can help to determine whether a country imports tea primarily for its domestic market and/or whether it operates as a trader (see also the header Exports).

- **Percentage and growth of imports from developing countries:** This will tell whether a country depends upon direct imports from developing countries or from other EU countries. Focus on countries in which the share of developing countries is high or growing. As indicated in Figure 3, the five largest importers (the UK, Germany, Poland, the Netherlands and Belgium) buy most of their tea directly from developing countries. In comparison, countries in the East (except Poland), North and South of the EU rely primarily on other EU countries to supply their tea. Other countries are increasing their direct imports from developing countries. For example, in Spain, the market share of tea from developing countries increased from 26% in 2010 to 41% in 2014.

- **Volume and growth of imports from your country:** Reasons why buyers in particular EU countries prefer to source from specific countries include flavour preferences, price, ability to comply with legislative (and extra-legislative) food-safety requirements and historical trade relations. For example, the UK imports 45% of its tea from Kenya. In comparison, Germany (3.6%), the Netherlands (10%) and France (0.7%) import only a small share of their tea from Kenya. One important reason is that Kenyan black tea is generally more expensive, and price is the most important factor in most countries. Another reason is that UK consumers tend to add milk to their tea, thus leading them to prefer dark teas prepared through the crush, trim and curl (CTC) method.

- Create a free account for Eurostat, ITC or other statistical databases. Complement your statistical analysis with an analysis of your own position, in order to ensure a strategic fit with your buyer in terms of size, level of organisation, product (e.g. mainstream or niche) and ability to comply with extra-legislative requirements concerning food safety and sustainability. Additional information is available in the CBI Product Factsheet on tea.

**Exports**

Figure 8: EU exports of tea (2010-2014)

Source: Eurostat, 2015
Most important developments

Exports continue to grow

In 2014, EU exports of tea amounted to a total volume of 114 thousand tonnes, with a value of €740 million. The volume of exports grew by an average of 1% per year between 2010 and 2014. The value of imports increased by 2% per year during the same period.

Lively intra-EU trading

In 2014, 78% of all EU exports involved intra-EU trade and were destined for other EU countries. Other important destinations include the US (4.7%), Canada (4.5%) and Switzerland (2.5%). On average, EU countries export (or re-export) 48% of their imported tea. Some countries have significantly higher percentages: Belgium (79%), the Netherlands (65%) and Poland (61%). These are specifically trading countries. Although Germany is a large exporter, it also consumes large volumes of imported tea domestically. The UK and France are large importers, but they export (or re-export) only a small amount of their imported tea (UK: 16% and France: 23%). These countries import tea primarily for their own domestic markets. Some countries import tea only for the purpose of re-export. For example, Poland consumes only 0.2 thousand tonnes of green tea, but exports 4.5 thousand tonnes.

Tip:
- Explore opportunities for directly supplying countries that are currently supplied by other EU countries (see Figure 5). Buyers in countries that do not deal directly with suppliers in the country of origin might have reservations regarding quality, food safety and supply security. It is therefore important to investigate buyer requirements in your target market and eliminate the potential reservations of buyers. Obtain references from your other EU buyers. You should also be aware that you are likely to be asked to provide the same level of service that EU suppliers [NOTE FROM EDITOR: This appears to have been an error. Please verify.] provide (e.g. short supply times, small orders, further processing).
Production

Figure 10: Global tea production (2010-2013)

Source: FAOSTAT, 2015

Figure 11: Production of tea by producing country, as a % of global production (2013)

Source: FAOSTAT, 2015

Most important developments

Growing production consumed locally

In 2013, global production of tea amounted to 5.6 million tonnes. The EU imports only around 4.5% of this volume. Between 2010 and 2013, the volume of production increased by 5% per year. Asia is the most dominant producer, with a market share of 85% (2013). Between 2010 and 2013, production increased strongly in China (+9.6% per year) and India (+6.8%). The largest share of additional production, however, is consumed internally (Source: A V Thomas, 2014). In general, the production countries listed in Figure 11 are also large consumers of tea. As global demand increases (especially in large producing countries), the market share of the EU is expected to decrease in the next decade, thus also decreasing the influence of EU buyers.

Tip:
- Refer to the CBI Product Factsheets for additional information, or conduct your own statistical analysis using FAOSTAT (production), Eurostat (import/export) or (import/export) [NOTE FROM EDITOR: A RESOURCE APPEARS TO BE MISSING].

Supply and demand in balance in the long term
Tea yields are fairly consistent, and tea bushes remain commercially productive for several decades. The global tea crop could be affected by crop-switching, as farmers in some countries (e.g. Vietnam and Indonesia), tend to favour alternative crops (e.g. Arabica coffee and palm oil). This trend has not yet been evident on a global scale (Source: Economist Intelligence Unit, July 2015). In 2012, the FAO predicted that the global production of black tea would grow by 1.87% annually until 2021. Global green-tea production is expected to grow much more rapidly, at a rate of 7.2% per year. The tea market has traditionally been characterised by a situation of over-supply, thus resulting in low prices. By 2021, the FAO predicts that growth in production and demand of black tea will come into equilibrium and stabilise prices (FAOSTAT, 2012).

Tips:
- Long-term and short-term predictions are difficult to make, and they depend upon many variables. For example, because many producers throughout the world have not installed irrigation systems, production is largely dependent upon unpredictable weather conditions. It is therefore important to consult crop and price forecasts regularly. Look for them online, or visit events where they will be shared by sector experts. Useful resources include the weekly reports published by Van Rees, East African Tea Trade Association, Indian Tea Board and Indonesian Tea Board.
- Your local and regional markets are also growing, and they can provide good opportunities, including in the higher end of the market. Use the ITC Trademap to determine which countries are increasing their imports and how trade with your country is developing.

More difficulties in sourcing

EU buyers might face supply problems before 2021. Demand is growing, especially in emerging countries (e.g. China and India), thus reducing the competitive position of EU buyers. In addition, they generally have stricter buyer requirements (e.g. with regard to quality, food safety and the increasing demand for sustainability certification). Some producing countries (e.g. Vietnam and China) are having difficulty complying with residue limits for pesticides, thus making it harder to export to the EU. Moreover, most major EU manufacturers and retailers have committed to source 50%-100% of their tea (mainly CTC varieties) as UTZ or Rainforest Alliance certified in the near future. They will therefore have a harder time securing supply. This will make them even more likely to seek and consolidate long-term partnerships with their suppliers.

Tips:
- Do not consider entering the sustainable-tea market unless you are able to deliver products that are of high quality and that adhere to strict food-safety requirements. Buyers of sustainable certified tea will expect nothing less. Refer to the CBI Product Factsheet on certified tea in the EU for additional information.
- Exporters and traders play an important role in reducing the amount of pesticides used by the farmers with whom they work. It is therefore important to understand what is asked by EU buyers. Refer to the EU MRL database, which contains all harmonised MRLs by product. The European Tea Committee (ETC) drafted a Code of Practice for pesticide residues in tea, which also contains valuable information. Click here for a compendium of guidelines for tea.
- The CBI module on Buyer Requirements for tea provides additional information.

Extra step in value addition is the hardest

Processors in the country of origin perform the drying, fermenting and/or cutting of tea leaves. EU blenders are dominant in blending and packaging for end consumers. Although this market is difficult to enter, the rewards are high. Branded tea commands higher prices than does bulk-export tea. Some Sri Lankan, Indian and Chinese tea packers have been able to enter the branded tea market in the EU. Dilimah tea from Sri Lanka is a good example of a brand that has become popular in the EU.

Tips:
- Supplying blended, packed or branded tea is advisable only when other ways of adding value (e.g. in terms of flavour, quality or sustainability) have already been addressed. It is important to start by gaining experience in your domestic market and working closely with EU partners to understand market demands.
- Major investments in adequate packaging equipment are required.
Consumption

Figure 12: EU consumption of tea (2010-2014)

Source: Eurostat, 2015

Figure 13: Tea consumption of EU member states (2014)

Source: Eurostat, 2015

Most important developments

Consumption dominated by the UK

In 2014, EU countries consumed 212 thousand tonnes of tea. The United Kingdom is by far the largest tea consumer in the EU (accounting for 51% of all tea consumption in the EU), followed by Germany (15%), Poland (6.6%) and France (6.1%).

Tip:
- For additional information on consumer trends, refer to the CBI document entitled Trends in tea.

More competition for tea

Between 2010 and 2014, tea consumption in the EU decreased by 3.4% per year. The volume of tea consumption was particularly influenced by the economic crisis, especially at the high end of the market. Tea is also facing increasing competition from other beverages, including herbal infusions, specialty coffees and other hot and cold beverages (e.g. fruit juices).

Black tea still dominant

In 2014, black tea accounted for about 86% of all recorded EU consumption. Green tea, which accounted for 14% of all EU consumption – is more popular in some countries, including Denmark (51% of total tea consumption in 2014), Belgium
(49%) and France (46%). The consumption of black tea decreased by 4% per year between 2010 and 2014, while the consumption of green tea grew by 0.1% per year. In the traditional black-tea markets (e.g. the UK and Ireland), the market share of green tea is still low (2.7% and 5%, respectively), although these markets are also opening up. Between 2010 and 2014, the market share of green tea in the UK increased from 1.8% to 2.7%. One important driver of this shift in consumption is the increased demand for tea with explicit health benefits (e.g. green tea, herbal infusions). The tastes of tea consumers are also developing. The market for tea infusions (e.g. dried fruit, spices) with special flavours continues to develop.

**Tips:**
- Good opportunities are available for supplying specialty teas that are traded in smaller volumes. Examples include high-quality orthodox teas (whole-leaf, single-estate), as well as flavoured, custom and/or sustainable products. More volume-driven traditional (e.g. certified) markets can also provide opportunities, although competition is higher and margins are lower.
- If you export specialty teas in consumer packaging, consider exporting teas in innovative bags, including pyramid-shaped teabags, which allow more room for whole-leaf tea to expand, thus yielding a better, more flavourful brew.

**More competition and better quality**

Conditions in the EU economic market are expected to improve. In 2015, the combined gross domestic product (GDP) of all countries in the EU is expected to increase by 1.8%. In 2016, the GDP is expected to grow by 2.1% (Source: European Commission, Spring 2015). This development is expected to have a positive impact on the demand for tea, especially in the higher end of the market. This segment will continue to provide good opportunities for SMEs in developing countries. In the long term, tea consumption will continue to focus increasingly on quality, health and flavour.

**Tips:**
- Consult the European Commission’s economic member state forecast to identify the countries that are likely to provide an attractive economic climate in the coming years.
- Refer to the CBI document on tea trends for additional information about developments in the market.
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