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COMMITTEE ON COMMODITY PROBLEMS

INTERGOVERNMENTAL GROUP ON TEA

TWENTY-FIFTH SESSION

Guwahati (Assam), India, 31 January–2 February 2024

REPORT OF THE WORKING GROUP ON SMALLHOLDERS

**PAIRING LIVING WAGES WITH
LIVING PRICES:
COMMUNICATING TO
CONSUMERS WHAT FARMERS
NEED THEM TO BE PAYING FOR
THEIR TEA**



FAO-IGG/TEA
WORKING GROUP: SMALLHOLDERS



BACKGROUND

At its twenty-fourth session, the Intergovernmental Group on Tea, the current global market situation, and emerging issues were discussed with the assistance of documents: CCP:TE 22/CRS 1 and CCP: TE 22/CRS 2. It was noted that “Over the past decade, tea prices expressed in real terms have been declining steadily, creating a challenging economic environment for smallholder producers.”[1] It was stressed that “Coordinated actions are needed to bring about a permanently improved balance between supply and demand.”

Smallholder farmers play a vital role within the tea industry, representing approximately 60% of the tea grown worldwide.[2] Their vitality and integral role within the tea supply chain cannot be overstated. Solving the issues facing this sector is essential for the long-term viability and health of the tea industry, not to mention the farmers and their communities themselves.

In its discussions at the twenty-fourth session, the group placed an emphasis on raising consumer awareness of the ‘true’ cost of producing sustainable tea. To achieve this awareness, a proposal was made to develop an open-access platform to communicate the true cost of tea.



[1] <https://www.fao.org/markets-and-trade/commodities/tea/teaigg24/en/>

[2] http://www.fao.org/fileadmin/templates/est/meetings/tea_may14/FAO_IGG_TEA_-_Working_Group_on_Smallholders_May_2014.pdf

THE CHALLENGE

The tea industry faces challenges throughout the supply chain. Ongoing demands on packers, importers and growers through certifications and other external pressures continue to increase the cost of producing tea with the price of tea not growing at the same rate. Competing retailers also play a role in keeping the consumer price of tea low and increasing price pressure back up the supply chain.

Equitable distribution of revenue across all channels is vital for long-term sustainability. Various mechanisms have been put in place over the years to ensure living wages, as well as minimum prices for green leaf. These have all met with limited success as money is chased within a supply chain strained at every end.



THE OBJECTIVE

The objective of this project is to create education for consumers around the world who are looking to purchase tea at a sustainable price and yet don't always understand what that consumer price should be.

The project would establish an open-access platform which generates what a sustainable price would be for the consumer based on where the tea is from. The platform will be accessible to all consumers and will contribute to FAO's Strategic Objective 2 "Make Agriculture, Forestry and Fisheries more Productive and Sustainable", Objective 3 "Reduce Rural Poverty" and Objective 5 "Increase the Resilience of Livelihoods to Threats and Crisis".

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*Make Agriculture, Forestry and
Fisheries more Productive and
Sustainable.*

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SOLUTION

In order to educate retailers and communicate to consumers everywhere what they should be paying in order to ensure equity within the supply chain, the project would produce the following outputs.

DETAILED CALCULATION OF THE SUSTAINABLE COST OF TEA REPRESENTING DIFFERENT TEA TYPES AND TEA PRODUCING REGIONS

Calculations will take into account different production styles and varying dynamics within the supply chain including smallholders who produce only green leaf as well as those with full production capabilities.

ALGORITHM TO CALCULATE A SUSTAINABLE TEA PRICE

Including plugins to translate both language and currency converter making it globally accessible.

WEBSITE DESIGN

OUTLINE OF PROJECT ROLL OUT TO MARKET GLOBALLY





CALL FOR COLLABORATION

To collect and calculate the necessary data for the platform, participation and collaboration will be required from all producing and consuming countries as well as trade associations and research institutes. Input will be required across the supply chain globally to calculate the sustainable price of tea.

The launch of the platform globally will also hinge on a collaborative effort by the FAO-IGG/Tea to develop a marketing plan for all parties to execute. Ideally the FAO would endorse and support this project through its expertise and resources.

