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COMMITTEE ON COMMODITY PROBLEMS

INTERGOVERNMENTAL GROUP ON TEA

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CURRENT MARKET SITUATION AND MEDIUM TERM OUTLOOK

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I. INTRODUCTION

1. As part of its regular activities, the Intergovernmental Group on Tea monitors market conditions and provides an update of potential market prospects for tea over the medium term. This document examines both the current situation and medium term prospects for production, consumption and trade of tea, and their likely impact on the world tea market. Delegates are requested to update market information pertaining to their country, and discuss possible strategies for the sustainable development of the world tea economy.

II. CURRENT SITUATION

A. PRODUCTION

2. World tea production continued to reach new highs in 2005, when output grew by more than 3 percent to reach an estimated 3.5 million tonnes (Table 1). The expansion was due mainly to record crops in China, Viet Nam, India, Sri Lanka and Kenya. The growth in output from these countries more than offset declines in other major producing countries including Indonesia and Malawi.

3. Provisional returns for 2005 indicate a 9 percent growth in China where output reached a record 934 900 tonnes, surpassing tea production in India for the very first time through better yields rather than an expansion in area. Policy initiatives introduced in the late 1990s to promote production and trade have led to rationalization of the farming systems, including the replacement of low yielding bushes which have outlived their economic life. A significant 7 percent increase was achieved by Viet Nam as output reached 104 000 tonnes, a continuation of the benefits from improvements in the sector under the Asian Development Bank funded Tree Crop Development project. Output in India in 2005 expanded by 4 percent to reach 928 000 tonnes, as some replacement ("rejuvenation") of old tea bushes was carried out in several tea gardens. A 3 percent increase was recorded in Sri Lanka as production reached 317 200 tonnes in 2005 due to higher yields from the rehabilitation programme instituted after the 2004 floods in low grown tea areas and continued recovery from drought conditions in high grown areas. Marginal growth rates were attained by Kenya (slightly more than 1 percent) and Bangladesh (slightly less than 1 percent) to reach production levels of 328 500 tonnes and 56 000 tonnes, respectively.

4. Tea output in Indonesia fell by 2.4 percent to 165 800 tonnes in 2005, as weather conditions were not conducive for optimum production, while production in Malawi declined significantly by 24 percent in 2005. The fall was more pronounced because of the record achieved in 2004 of 50 100 tonnes. Output in 2005 was 38 000 tonnes. Production in other notable tea producing countries indicated increases in Rwanda, Uganda and Argentina, and significant declines in Burundi, Iran, Tanzania and Zimbabwe.

Table 1. World tea production (thousand tonnes)

	2000-02	2002	2003	2004	2005
WORLD	**3067.7**	**3173.7**	**3249.3**	**3387.9**	**3503.7**
Africa	446.2	463.6	476.8	511.5	502.5
Burundi	7.6	6.6	7.5	7.5[1]	7.0[1]
Kenya	272.7	287.1	293.7	324.6	328.5
Malawi	40.2	39.2	41.7	50.1	38.0
Rwanda	15.7	14.9	15.6	15.6	16.5
Tanzania	25.4	27.5	29.5	30.7	30.4[1]
Uganda	31.2	33.8	36.5	37.0	37.7
Zimbabwe	22.5	22.5	22.0	18.7	14.9[1]
Others	31.0	32.0	30.3	27.3	29.5
Latin America	73.8	80.6	78.5	78.3	88.6
Argentina	55.3	62.0	61.1	65.0[1]	73.0[1]
Brazil	8.0	8.2	8.3	8.3	8.3
Others	10.5	10.4	9.1	5.0	7.3
Near East	194.8	199.5	213.0	245.6	233.4
Iran	50.9	49.5	58.0	40.0	27.8
Turkey	143.9	150.0	155.0	205.6	205.6[1]
Far East	2239.9	2321.0	2365.3	2427.9	2560.2
Bangladesh	54.3	52.9	58.3	55.5	56.0
China[2]	730.3	765.7	791.0	856.2	934.9
India	861.3	883.0	907.0	893.0	928.0
Indonesia	167.7	172.8	167.5	169.8	165.8
Sri Lanka[1]	304.6	310.6	303.2	308.2	317.2
Viet Nam	81.7	93.0	94.5	97.0	104.0
Others	40.1	43.0	43.8	48.2	54.3
Oceania	10.6	10.5	9.3	9.3	9.4
Japan	87.8	84.2	91.9	100.7	100.0
CIS	14.7	14.3	14.5	14.6	9.6
Developing	2952.5	3061.8	3131.9	3264.6	3384.3
Developed	115.1	111.9	117.4	123.3	119.4

[1] Provisional data.
[2] Includes oolong tea.
[3] Includes instant tea.

B. EXPORTS

5. World tea trade expanded only marginally in 2005, as net exports reached 1.53 million tonnes from 1.52 million tonnes in 2004 (Table 2). Shipments from all major exporting countries, except India, increased during the year. Kenya continued to dominate exports in 2005, surpassing exports from Sri Lanka for the second consecutive year. Increases from Kenya, Sri Lanka, China, Indonesia and Rwanda were sufficient to offset reductions in India, Malawi, Tanzania, Uganda, Zimbabwe and Bangladesh.

6. The rise in exports from Kenya was underpinned by the significant expansion of its share of the tea market in Pakistan, and, together with the increase of quantities shipped to the Russian Federation, made up for the declines in its exports to some of its traditional markets, especially Egypt.

7. Tea exports from Sri Lanka were 298 800 tonnes in 2005 compared to 289 700 tonnes in 2004, a gain of more than 3 percent, mostly due to larger shipments to markets in the Near East, particularly to Iran, Iraq, Libya and the United Arab Emirates, offsetting the 4 percent decline of its exports to the Russian Federation. Shipments of value added products (retail packs and tea bags) continued to grow strongly at the expense of bulk tea exports.

8. Tea exports from China were up by 2.5 percent at 286 600 tonnes, dominated by green tea, which accounted for more than 78 percent of its total exports in 2005. Most of the increase was in response to the expansion in demand for green tea in Morocco, its largest export destination. Shipments of green tea from China to Morocco, Uzbekistan, Ghana, the Russian Federation and the United States expanded at the expense of its black tea exports. However, the reverse occurred in Japan, where black tea exports from China increased at the expense of its green tea exports.

9. In the other countries of the Far East, tea exports from India declined by 5.1 percent in 2005, after recovering by 13.8 percent in 2004, due mainly to the continued decline in demand for its tea in the Russian Federation, and to a lesser extent in the United Kingdom. Some increases were recorded for its shipments to the United Arab Emirates and Pakistan, but these were insufficient to offset the declines. A larger decline was recorded by Bangladesh, where exports fell by 31.3 percent in 2005.

10. Exports from East Africa, apart from Kenya and Rwanda, recorded significant declines: 43 percent decline in exports from Zimbabwe, 7.7 percent from Malawi, 5 percent from Uganda and 4 percent from Tanzania.

Table 2. World tea exports (thousand tonnes)

	2000-02	2002	2003	2004	2005
WORLD	**1390.5**	**1439.4**	**1404.0**	**1523.8**	**1531.2**
Africa	387.8	410.6	416.2	445.3	447.9
Kenya	247.1	266.3	269.3	292.7	309.2
Malawi	38.7	39.4	42.0	46.6	43.0
Rwanda	11.1	12.0	11.5	11.5	11.7
Tanzania	22.4	22.6	20.4	24.2	23.2[1]
Uganda	29.3	31.1	34.1	35.0	33.1
Zimbabwe	17.2	17.6	17.1	14.9	8.4[1]
Others	22.1	21.7	21.8	20.4	19.3
Far East	922.2	945.5	905.5	989.0	995.0
Bangladesh	14.9	13.7	12.2	13.1	9.0
China	245.9	254.9	262.7	279.5	286.6
India	196.8	201.0	173.7	197.7	187.6[2]
Indonesia	101.8	100.2	90.0	97.7	102.3
Sri Lanka[3]	284.5	286.0	291.5	289.7	298.8
Viet Nam	66.2	74.8	60.0	95.0	89.0
Others	12.0	15.0	15.5	16.3	21.7
Latin America	60.6	62.9	64.4	71.1	71.2
Argentina	55.4	57.6	58.8	66.4[1]	66.4[1]
Brazil	3.9	4.0	4.2	3.6[1]	3.7[1]
Others	1.3	1.3	1.4	1.1	1.1
CIS	7.7	7.0	7.0	7.3[1]	6.0[1]
Oceania	8.7	8.8	6.7	6.7	6.7
Others	3.5	4.6	4.2	4.4	4.4

[1] Provisional data.
[2] F.O. Licht.
[3] Includes instant tea.

C. IMPORTS

11. World net imports of tea increased in 2005, by 1.9 percent, reaching 1.39 million tonnes (Table 3). This trend reflected the increases in the Russian Federation and developing countries, particularly Pakistan, Libya and Sudan.

12. Net imports in traditional developed country markets increased by 1 percent in 2005 as imports by the Russian Federation more than offset import declines in North America and Europe. Imports by the EC (15) declined slightly, while in North America the growth in imports by the United States was insufficient to offset the decline in Canada.

13. Net imports into Pakistan, the largest developing country importer, continued to increase. Shipments were larger by 11.8 percent in 2005, from 120 000 tonnes in 2004 to 134 100 tonnes in 2005, directly influenced by lower tea prices. Despite free trade agreements signed with India and Sri Lanka, the bulk of the imports still originated from Kenya. However, larger shipments from India have come at the expense of Bangladesh, where supply constraints have limited shipments in recent years, regardless of duty free acess for its teas.

14. Imports by some countries in the Near East expanded significantly in 2005, largely driven by the increase in oil revenues, particularly Libya and Sudan, where tea imports increased by 78.2 percent and 88.1 percent, respectively; from 8 700 tonnes and 14 300 tonnes, respectively, in 2004 to 15 500 tonnes; and 26 900 tonnes, respectively, in 2005. Imports by Morocco also increased, by 5.5 percent to 48 000 tonnes, and marginally by Egypt to 72 000 tonnes, while imports by Syria declined by 10.9 percent.

Table 3. World tea imports (thousand tonnes)

	2000-02	2002	2003	2004	2005
WORLD	**1304.3**	**1358.3**	**1353.9**	**1363.1**	**1389.1**
Developed	692.4	697.9	691.4	691.6	698.7
Europe	253.4	256.7	247.6	239.5	238.2
EC (15)	213.9	217.2	208.5	200.7	201.3
France	13.5	13.6	14.0	13.1	14.1[1]
Germany	21.3	22.4	27.0	16.2	14.0
Netherlands	16.2	16.5	15.5	16.5	17.1
UK	134.8	134.2	119.3	127.8[1]	128.2[1]
Others	28.1	30.5	32.7	27.1	27.9[1]
Other Europe	39.5	39.5	39.1	38.8	36.9
Poland	28.5	27.6	27.0	27.3	25.5
Others	11.0	11.9	12.1	11.5	11.4
CIS	235.2	240.0	246.1	240.3	255.0
Kazakhstan	19.2	19.4	21.6	18.3	18.3[1]
Russian Federation	157.8	163.5	165.9	166.3	177.4
Ukraine	17.0	18.2	18.2	18.2	22.0
Uzbekistan	22.3	21.6	21.2	20.7	20.7[1]
Others	18.8	17.3	19.2	16.8	16.6
North America	111.2	112.2	112.8	117.7	116.2
USA	92.8	93.5	94.1	99.5	100.1
Canada	18.4	18.7	18.7	18.2	16.1

Table 3. World tea imports (thousand tonnes), cont'd.

	2000-02	2002	2003	2004	2005
Oceania	17.0	16.2	17.4	15.9	16.2
Other Developed	75.7	72.8	67.5	78.2	73.1
Japan	56.5	51.5	47.1	56.2	51.4
Israel	3.2	3.8	3.8	4.1	3.8
South Africa	16.0	17.5	16.6	17.9	17.9[1]
Developing	611.9	660.4	662.5	671.5	690.4
Latin America and Caribbean	17.1	18.3	21.5	25.8	23.3
Chile	13.0	14.0	15.6	19.6	17.9[1]
Others	4.1	4.3	5.9	6.2	5.4
Near East	350.2	381.6	350.5	347.3	340.5
In Asia	243.7	262.9	274.3	252.5	226.1
Afghanistan	30.0	34.3	71.1	41.0[1]	33.0[1]
Iran, Islamic Rep. of	42.6	40.6	32.5	28.0	22.0
Iraq	61.4	75.0	37.8[1]	52.0[1]	43.0[1]
Saudi Arabia	20.9	19.9	22.3	23.9	23.9[1]
Syria	24.2	30.6	29.0	30.3	27.0[1]
United Arab Emirates	32.9	30.8	48.8	43.4	44.0[1]
Others	31.7	31.7	32.8	33.9	33.2
In Africa	106.5	118.7	76.2	94.8	114.4
Egypt	66.2	78.9	50.0	71.8	72.0
Libya	14.8	10.2	10.5	8.7	15.5[1]
Sudan	25.5	29.6	15.7	14.3	26.9
Other Africa	108.5	116.5	119.8	119.1	131.9
Morocco	41.0	43.6	44.7	45.5	48.0[1]
Others	67.5	72.9	75.1	73.6	83.9
Far East and Oceania	136.0	144.0	170.7	179.3	194.7
Pakistan	105.9	99.4	118.3	120.0	134.1
Others	30.1	44.6	52.4	59.3	60.6

[1] Provisional data.

D. CONSUMPTION

15. Over the past decade, world tea consumption has increased by 2.25 percent annually (Table 4). India continued to be the largest tea consuming country in the world in 2005, accounting for 22 percent of the global total, followed by China at 20 percent. The Russian Federation was a distant third at a little more than 5 percent, Japan at 4.5 percent, Pakistan and the United Kingdom at 3.8 percent and the United States at 3 percent.

Table 4. Tea consumption (thousand tonnes)

	1996-2000	2001	2002	2003	2004	2005
WORLD	2833.4	2985.8	3092.6	3199.1	3227.2	3361.6
India	635.4	671.3	693.0	714.0	735.0	757.0
China	482.0	496.2	537.8	555.3	603.7	675.3
Russian Federation	145.6	156.0	166.1	168.6	169.1	180.3
UK	142.2	136.7	134.2	119.3	127.8	128.2
USA	91.0	96.7	93.5	94.1	99.5	100.1
Japan	138.1	149.1	134.9	138.2	156.0	150.2
Pakistan	108.6	106.8	99.4	118.3	120.0	134.1

E. PRICES

16. The FAO composite price, as a world indicator price for tea, declined by 1.2 percent in 2005, reflecting the declines in the Calcutta and Mombasa auctions. Prices were volatile in 2005 reflecting the fluctuation in output in major producing countries (Table 5). Prices opened at US$1.63 per kg in January and fluctuated throughout the year, closing at US$1.66 per kg in December, and posting an average for the year of US$1.64 per kg. Some improvement in demand eased the supply pressure on prices at the beginning of 2006 when prices peaked at US$1.92 per kg in February.

Table 5. FAO composite prices (US$ per kg)

Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Average
2000	1.84	1.85	1.79	1.79	1.76	1.71	1.88	1.78	1.88	1.81	1.76	1.71	**1.8**
2001	1.82	1.72	1.64	1.55	1.49	1.46	1.55	1.54	1.51	1.45	1.5	1.48	**1.56**
2002	1.48	1.49	1.52	1.46	1.43	1.44	1.44	1.48	1.53	1.54	1.5	1.46	**1.48**
2003	1.59	1.48	1.47	1.45	1.44	1.45	1.58	1.49	1.51	1.56	1.52	1.65	**1.52**
2004	1.56	1.61	1.64	1.65	1.61	1.56	1.64	1.64	1.77	1.76	1.74	1.73	**1.66**
2005	1.63	1.59	1.72	1.64	1.58	1.57	1.63	1.66	1.67	1.67	1.64	1.66	**1.64**
2006	1.7	1.92	1.88	1.86									

III. MEDIUM TERM OUTLOOK

A. PRODUCTION

17. This section of the document examines projections that were generated for the period from 2005 to 2016. Members are requested to review the projections and provide revisions, where appropriate. Projections for black and green tea production and trade were generated by estimating trend coefficients on the basis of past observations. These were then adjusted on the basis of likely developments in each market.

18. World black tea production is projected to grow at a slower rate in the next decade than in the previous decade. A growth rate of 1.8 percent annually is projected from 2005 to 2016, when production is expected to reach 2.97 million tonnes, compared to an annual growth rate of 2.3 percent from 1995 to 2005 (Table 6).

19. Among countries in Africa, the annual growth in output is expected to slow to 1.4 percent which is in line with expected growth patterns of matured tea gardens, compared to the accelerated growth in the region over the last decade as area under production expanded. Tea production in Kenya is expected to grow by 1.7 percent annually to reach 395 000 tonnes in 2016. Some of this growth is due to continued expansion in area, albeit at a slower rate, over the last five years. Other notable producing countries in the region include Malawi, Uganda and Tanzania, where output is expected to reach 50 000 tonnes, 38 000 tonnes and 34 000 tonnes, respectively, by 2016.

20. In the Far East, the largest growth is expected in Viet Nam, where output is projected to expand by 6 percent yearly to reach 118 000 tonnes, as a result of improvements in farm and tea processing under the Tree Crop Development project, which was implemented in the late 1990s. Annual growth rates of 1.6 percent and 1.8 percent are projected for India and Sri Lanka where production is expected to to reach 1.09 million tonnes and 383 000 tonnes, respectively, by 2016. Among the other major producing countries in the region, black tea production in China and Indonesia are projected to reach 188 000 tonnes and 130 000 tonnes, respectively, while Bangladesh should attain an output of 71 000 tonnes.

Table 6 – Black Tea: Actual and projected production

Countries / Regions	PRODUCTION			
	Actual	Projected	Growth Rates	
	2005	2016	1995/2005	2005/2016
	'000 tonnes		Percent per year	
WORLD	**2455.9**	**2972.7**	2.3	1.8
DEVELOPING	**2428.9**	**2941.3**	1.8	1.8
Africa	**495.2**	**578.3**	3.4	1.4
Kenya	328.5	395.1	2.8	1.7
Malawi	38.0	50.2	0.9	2.6
Uganda	37.7	38.1	10.4	0.1
Tanzania	31.0	33.9	2.5	0.8
Others	60.0	61.0	1.2	0.2
Latin America	**69.0**	**77.0**	1.8	1.0
Argentina	56.0	62.5	3.0	1.0
Other	13.0	14.5	-2.1	1.0
Near East	**205.0**	**268.0**	2.5	2.5
Iran	50.0	70.0	3.1	3.1
Turkey	155.0	198.0	2.2	2.3
Far East	**1650.8**	**2006.2**	1.2	1.8
India	919.4	1094.8	1.9	1.6
Sri Lanka	313.5	382.5	2.3	1.8
Indonesia	128.1	130.0	1.3	0.1
China	151.8	188.4	2.9	2.0
Bangladesh	56.0	70.8	0.8	2.2
Vietnam	62.0	117.7	15.0	6.0
Others	20.0	22.0	1.3	0.9
Other developing	**9.0**	**11.8**	-1.1	2.5
Developed	**27.0**	**31.4**	-13.0	1.4
CIS	11.0	14.4	-18.0	2.5
Other developed	**16.0**	**17.0**	0.7	0.6

21. World green tea production is expected to grow at a slightly faster rate than black tea at 2.0 percent per annum, compared to 1.8 percent for black tea, to reach a projected quantity of 1.1 million tonnes by 2016 (Table 7). China would totally dominate global green tea production with an output of 877 500 tonnes in 2016, more than 80 percent of the world total, while little expansion is expected in Japan, where production is projected to be 100 400 tonnes in 2016. Green tea production in Viet Nam and Indonesia is expected to reach 53 700 tonnes and 45 600 tonnes, respectively, as the expansion in area under green tea has abated in recent years.

Table 7. Green tea: actual and projected production and exports

Country	PRODUCTION				EXPORTS			
	Actual	Forecast	Growth Rates		Actual	Forecast	Growth Rates	
	2005	2016	1995/2005	2005/2016	2005	2016	1995/2005	2005/2016
	'000 tonnes		Percent per year		'000 tonnes		Percent per year	
World	**883.9**	**1097.7**	2.5	2.0	**254.1**	**407.3**	10.8	4.4
China	691.0	877.5	3.8	2.2	225.6	368.0	11.6	4.6
Japan	100.0	100.4	0.0	0.04	1.1	1.3	7.4	1.7
Viet Nam	42.0	53.7	4.3	2.3	13.0	20.5	5.8	4.2
Indonesia	37.7	45.6	1.0	1.7	9.5	12.6	10.4	2.6

B. CONSUMPTION

22. World black tea consumption is projected to expand at a slower rate than the last decade to reach 2.69 million tonnes by 2016 (Table 8). The slowdown in consumption is largely due to the reduction in consumption growth in producing countries. Global tea consumption is divided into net imports for non-tea producing countries and domestic consumption for producing countries.

Net imports

23. World net imports of black tea, a proxy for consumption in importing countries, are projected to increase annually by 1.1 percent to reach 1.29 million tonnes in 2016, reflecting the expected growth in both developing and developed country markets, except for the United Kingdom.

24. The largest growth is expected to occur in the CIS (predominantly the Russian Federation) where imports are expected to grow by 3 percent annually in the next decade to reach 342 400 tonnes, followed by the next largest importer, Pakistan, albeit at a marginal rate of 0.3 percent to reach 133 800 tonnes, mostly in line with GDP growth expectations. In the EC (15) a slight decline in imports is expected due mainly to the 1.6 percent annual fall expected in the United Kingdom. Notable increases are expected in Germany, the Netherlands and Ireland, but the expansion in these countries will be insufficient to offset the decline in the United Kingdom.

Domestic consumption

25. In 2016, the quantity of black tea consumed in producing countries is expected to grow by 1.4 percent per year to reach 1.4 million tonnes, comprising 47.2 percent of world black tea production. Most of this consumption would occur in the Far East, where India would account for the largest share of consumption (59.5 percent) in producing countries. Domestic consumption of black tea in India is expected to increase by 1.7 percent annually to reach 834 700 tonnes in 2016 or 76 percent of the tea produced in that country. Consumption in Africa remains small, accounting for about 3 percent of total consumption in producing countries.

Table 8. Black tea: actual and projected consumption

Countries / Regions	CONSUMPTION			
	Actual 2005	Forecast 2016	Growth Rates 1995/2005	2005/2016
	'000 tonnes		Percent per year	
WORLD	**2342.3**	**2688.3**	2.3	1.3
Net Imports	**1137.5**	**1285.9**	0.4	1.1
DEVELOPING	**515.0**	**573.4**	0.9	1.0
Far East	**350.0**	**399.1**	1.6	1.2
Pakistan	130.0	133.8	1.2	0.3
Others	220.0	265.3	2.1	1.7
Other Developing	**165.0**	**174.3**	-0.6	0.5
DEVELOPED	**622.5**	**712.6**	0.1	1.2
EC (15)	**228.6**	**214.5**	-1.7	-0.6
UK	128.2	107.1	-0.6	-1.6
Netherlands	15.3	16.1	1.0	0.5
Italy	5.0	6.1	0.4	1.8
Ireland	11.5	15.1	0.5	2.5
Germany	14.0	16.3	-2.0	1.4
France	7.6	6.3	-1.0	-1.8
Others	47.0	47.5	0.0	0.1
CIS	**247.4**	**342.4**	1.9	3.0
North America	**99.4**	**109.3**	0.6	0.9
USA	85.9	94.3	0.9	0.8
Canada	13.5	15.1	1.3	1.0
Oceania	**18.0**	**16.0**	-2.5	-1.1
Australia	14.0	12.1	-2.4	-1.4
New Zealand	4.0	4.0	-2.7	-0.1
Other developed	**29.0**	**30.3**	-2.9	0.4
Japan	16.0	19.9	-4.0	2.0
Others	13.0	10.4	-0.8	-2.0
Domestic Consumption[1]	**1204.9**	**1402.4**	2.6	1.4
Africa	**37.1**	**41.4**	0.3	1.0
Kenya	14.0	16.5	6.5	1.5
Malawi	1.0	1.0	0.0	0.0
Tanzania	8.1	8.3	8.8	0.2
Others	14.0	15.6	1.6	1.0
Far East	**1150.8**	**1341.8**	2.8	1.4
India	694.5	834.7	1.5	1.7
China	90.8	105.0	-4.5	1.3
Indonesia	67.9	93.2	6.3	2.9
Bangladesh	43.3	43.4	6.4	0.0
Sri Lanka	19.3	25.3	4.6	2.5
Others	235.0	240.2	5.2	0.2
Latin America	**15.0**	**16.4**	0.9	0.8
Oceania developing	**2.0**	**2.8**	-0.3	3.0

[1] Production minus export.

C. EXPORTS

26. World black tea exports are projected to reach 1.4 million tonnes in 2016, reflecting an average annual increase of 1.3 percent per year from 2005 to 2016 (Table 9).

27. Most of the growth in exports would occur in Africa, where shipments are projected to expand by 1.7 percent annually, compared to 1.1 percent in the Far East. However, volumes still remain smaller than in the Far East. Exports originating from Africa are projected to account for 38 percent of the world total and amount to 540 000 tonnes by 2016. Exports from Kenya would increase by 1.8 percent annually to reach 375 000 tonnes in 2016, giving Kenya a 26 percent share of the global black tea export markets. However, rising production costs and strengthening of the Kenyan shilling relative to the US dollar could affect competitiveness and, unless greater quantities are absorbed domestically, could depress prices further. Growth in black tea exports is also projected for Malawi (1.5 percent) and Uganda (2.8 percent).

Table 9. Black tea: exports, actual and projected

	EXPORTS			
Countries / Regions	Actual	Forecast	Growth Rates	
	2005	2016	1995/2005	2005/2016
	'000 tonnes		Percent per year	
WORLD	**1225.9**	**1413.0**	**2.2**	**1.3**
DEVELOPING	**1209.9**	**1395.1**	**1.0**	**1.3**
Africa	**449.7**	**540.1**	**4.0**	**1.7**
Kenya	309.2	374.7	2.5	1.8
Malawi	43.0	50.6	2.5	1.5
Uganda	33.1	44.8	10.8	2.8
Tanzania	21.5	22.1	0.4	0.3
Others	43.0	48.0	0.7	1.0
Far East	**691.2**	**777.9**	**-0.3**	**1.1**
Sri Lanka	295.0	337.3	2.1	1.2
India	193.4	213.3	1.7	0.9
Indonesia	92.8	107.8	1.8	1.4
China	61.0	66.7	-1.0	0.8
Bangladesh	9.0	8.2	-9.3	-0.9
Others	40.0	44.6	2.7	1.0
Latin America	**63.0**	**70.3**	**1.3**	**1.0**
Other developing	**6.0**	**6.7**	**-1.0**	**1.0**
DEVELOPED	**16.0**	**17.9**	**-11.0**	**1.0**
CIS	10.0	11.2	-12.0	1.0
South Africa	1.0	1.9	2.1	6.0

28. The Far East would account for 55 percent of the world black tea exports in 2016. Sri Lanka is expected to increase exports by 1.2 percent annually to reach 337 000 tonnes and account for 24 percent of the global total. Exports from India is projected to reach 213 000 tonnes in 2016, and for Indonesia, a growth of 1.4 percent per annum is projected, while exports from Bangladesh are expected to decline.

29. World green tea exports are projected to grow by 4.4 percent annually to reach 407 300 tonnes by 2016 (Table 7). China is expected to continue to dominate with an export volume of 368 000 tonnes, followed by Viet Nam with 20 500 tonnes and Indonesia with 12 600 tonnes.

IV. CONCLUDING REMARKS

30. The review of the world tea market in 2005 indicates a declining price trend compared to 2004. This highlights the fundamental oversupply situation in the world market which has persisted in recent years. In the medium term, the projections suggest that supply will continue to outstrip demand and must be addressed. As so often highlighted in previous IGG sessions, strategies have to be devised to improve the demand side, as so much effort has been put in improving supply efficiency in the past, which in turn has contributed to the market imbalance.

31. More needs to be done to enhance consumption. Not only in traditional export markets, but also in producing countries, where a great potential exists for expansion as per capita consumption levels are relatively low. For example, per capita consumption levels in the major importing countries, such as the Russian Federation and the United Kingdom, are 1.26 kg and 2.20 kg, respectively, while per capita consumption levels in India and Kenya are 0.65 kg and 0.40 kg, respectively.

32. The results of research into the health benefits of tea consumption should be used more extensively in promoting consumption in both producing and importing countries. In addition, devising strategies to exploit demand in value added market segments, including speciality teas, such as organic tea, should also be more aggressively pursued. In targeting potential growth markets, recognition of and compliance with food safety and quality standards is essential.

33. An added concern for producers in the current market environment is their profitability in the face of rising costs of production. Improving yields through capacity building of growers, optimising inputs, streamlining marketing channels and improving infrastructure have been touted by the Group as a means of reducing production costs, but may also lead to an over-supply situation. Therefore, at its last session, the Group suggested that the imposition of a minimum quality standard, i.e. ISO 3720, be considered as a means of improving the quality of tea traded internationally, and by default, reduce the quantity of tea in the world market. The Secretariat has analysed the possible impact of implementing a minimum quality standard in document CCP:TE 06/5, and this will be discussed later in the session; suffice it to say that there is a positive correlation between the implementation of a minimum quality standard and an increase in export values.