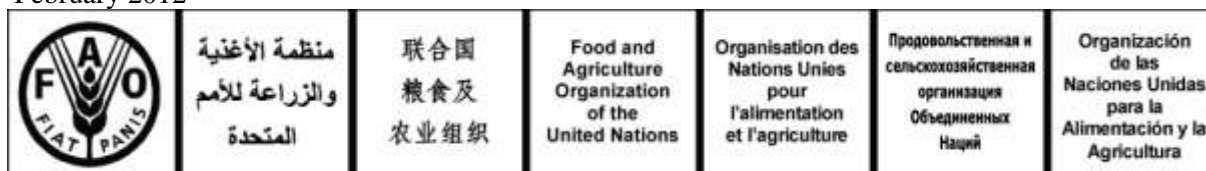


February 2012



# COMMITTEE ON COMMODITY PROBLEMS

## SIXTY-NINTH SESSION

Rome, 28 - 30 May 2012

### REPORT OF THE TWENTIETH SESSION OF THE INTERGOVERNMENTAL GROUP ON TEA (Colombo, Sri Lanka, 30 January - 1 February 2012)

#### I. INTRODUCTION

1. The Intergovernmental Group (IGG) on Tea held its Twentieth Session in Colombo, Sri Lanka, from 30 January – 1 February 2012. It was attended by 100 delegates from the following member countries: Bangladesh, Burundi, Canada, China (to be accredited), Egypt, Germany, India, Indonesia, Iran (Islamic Republic of), Italy, Japan, Kenya, Malawi, Russian Federation, Rwanda, Sri Lanka, United Kingdom, United Republic of Tanzania and United States of America. These countries account for almost 86 percent of world tea production and 80 percent of global tea trade. The following Observers also attended: European Tea Committee (ETC), International Tea Committee (ITC) and the Tea Research Foundation of Central Africa (TRFCA). A list of participants was distributed as document CCP:TE 12/Inf. 3.

2. The session was formally inaugurated by Honourable Mahinda Samarasingha, Minister of Plantation Industries. He highlighted several pertinent issues related to the global tea industry in general, and Sri Lanka tea industry in particular. Sri Lanka had been successful in eradicating terrorism from the island after 30 years of conflict which devastated its economy and the peace dividend had created immense opportunities for accelerated development. While he admitted that some issues were relevant to tea producing and consuming countries, many other critical issues concerning tea producing nations need attention. Therefore, he proposed the establishment of an International Tea Producer Forum during the 20th session.

3. Mr Patrick Evans, FAO Representative in Sri Lanka, welcomed the participating delegates and expressed thanks to the Government of Sri Lanka for hosting the event. Mr Boubaker Ben Belhassen, Principal Officer, Trade and Markets Division, in also welcoming delegates, outlined the salient points of the agenda and the importance in reaching agreement on the way forward to enhance sustainability of the world tea economy.

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4. The Group expressed warm appreciation to the Government of Sri Lanka, and particularly to the Sri Lanka Tea Board, for the hospitality provided to delegates and for the opportunity to meet and strengthen international cooperation and interaction among major tea exporting and importing countries.

## **II. ORGANIZATIONAL MATTERS**

### **A. ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSONS**

5. The Group elected Ms Janaki Kuruppu (Sri Lanka) as Chairperson. The Group elected Mr Rudiger Ohst (Germany) as First Vice-Chairperson and Ms Sicily Kariuki (Kenya) as Second Vice-Chairperson.

### **B. ADOPTION OF PROVISIONAL AGENDA AND TIMETABLE**

6. The provisional agenda (CCP: TE 12/1) was adopted with amendments suggested by the Secretariat and circulated as CCP:TE 12/1 Rev.1. The provisional timetable (CCP: TE 12/Inf.2) was adopted.

## **III. MARKET DEVELOPMENT AND OUTLOOK**

### **A. CURRENT MARKET SITUATION AND MEDIUM TERM OUTLOOK**

7. The Group considered this agenda item with the assistance of document CCP TE 12/CRS 7. It noted that world black tea prices remained firm in 2010 and 2011 as demand exceeded supply for three consecutive years, and this trend was expected to continue in 2012 because of adverse weather experienced by some major producers. The increase in tea prices resulted in an estimated 2.2 percent growth in export earnings in 2011 to USD 4.13 billion at the global level, significantly improving rural incomes and household food security in tea producing countries.

8. In the medium term, the projections indicated that supply and demand of black tea would be in equilibrium in 2021 at USD 2.75 per kg. However, if there were an overwhelming supply response to current high prices, as demonstrated in the simulations presented to the Group, then projections would be significantly different. Therefore, the Group suggested that caution be exercised and greater effort be directed at expanding demand, particularly in producing countries where per capita consumption was low compared to traditional import markets. The Group encouraged diversification into other segments of the market and to use information on the health benefits of tea consumption more extensively in promoting consumption in both producing and importing countries.

### **B. MARKET DEVELOPMENTS IN SELECTED COUNTRIES**

9. The Group considered this agenda item with the assistance of presentations by delegates from Sri Lanka and Kenya, available on the FAO website<sup>1</sup>. The Group recommended that all countries be given the opportunity to briefly present their market commentaries at the next session.

## **IV. FACTORS AFFECTING TRADE**

### **A. ASSESSMENT OF THE DETERMINANTS OF DEMAND AND SUPPLY RESPONSE**

The Group discussed the factors affecting demand for tea with the help of document CCP:TE 12/2 and CCP:TE 12/CRS 6. The Group acknowledged the changing environment facing the tea market, with increased competition from coffee and other beverages. In endorsing the methodological approach, the Group recommended that qualitative assessments to gauge consumer psychographics would enhance the demand analysis. It was also recommended that to get a better indication of consumer response to

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<sup>1</sup> Address: <http://www.fao.org/economic/est/est-commodities/tea/tea-meetings/en/>

price changes, retail price should be used in the analysis and that member countries should provide the Secretariat with the retail price information required.

## **B. ANALYSIS OF RISK MANAGEMENT PRACTICES IN TEA MARKETS**

10. The Group examined this agenda item with the assistance of documents CCP:TE 12/3 and CCP:TE 12/CRS 3. The Group agreed to set up a Working Group (WG) on Futures Market with a defined action plan which is available in section VI.

## **C. ECONOMIC FACTORS DRIVING THE GROWTH OF THE SMALLHOLDER TEA SUB-SECTOR**

11. The Group examined this agenda item with the assistance of documents CCP:TE 12/4 and CCP:TE 12/CRS 2. There was overwhelming support for more detailed analysis and a WG was created to define the scope and appropriate terms of reference.

## **V. INTERGOVERNMENTAL ACTION**

### **A. REPORT OF THE INTER-SESSIONAL MEETING ON TEA**

12. With the assistance of document CCP:TE 12/CRS 1, the Group noted and endorsed the Action Plans defined by the Intersessional meeting of the IGG on Tea which was held on 18-19 July 2011 in Mombasa, Kenya.

### **B. WORKING GROUPS ON MAXIMUM RESIDUE LEVELS (MRLS) AND ON MRLS ON TEA BREW**

13. The Group examined this agenda item with the assistance of documents CCP:TE 12/5 and CCP:TE 12/CRS 4 and recommended that harmonization of tea MRLs be changed to "Achieve global cooperation obtaining MRLs in tea". The WG reviewed the strategies identifying key issues of every objective to develop their action plan (see section VI).

### **C. WORKING GROUP ON TEA TRADE AND QUALITY**

14. The Group examined this agenda item with the assistance of a presentation by the Chairperson of the WG updating the delegates on the achievements to date and proposed the future action plan that was adopted by the Group and is reflected in section VI.

### **D. REPORT OF THE STATISTICS AND MODELLING FOCAL POINTS**

15. The Group examined this agenda item with the assistance of the report of the focal points. The Group noted the new title, *Task Force on Statistics and Projections*, and endorsed the action plan that was developed by the Task Force (see section VI).

### **E. PROPOSAL OF A WORKING GROUP ON ORGANIC TEA**

16. The Group examined this agenda item with the assistance of documents CCP:TE 12/CRS 5 and agreed to the establishment of this WG with its action plan reflected in section VI.

### **F. PROPOSAL OF A WORKING GROUP ON CLIMATE CHANGE**

17. The Group examined this agenda item with the assistance of the decisions made at the Consultation on Climate Change and Its Implication on the Tea Economy. The Group agreed to the establishment of this WG with its action plan reflected in section VI. Lead countries will be supported by all members of the WG, names of which should be submitted to the Secretariat.

## **G. INTERNATIONALLY COORDINATED ACTIONS ON TEA DEVELOPMENT PROJECTS**

18. The Project Executing Agency (PEA) and Project Implementing Agency (PIA) of the project on the Development of smallholder tea cultivation in Bangladesh and Indonesia presented their status reports to the Group. The Group was also updated on the India segment of the Organic Tea project and noted with satisfaction the progress made in the implementation of these projects currently under its supervision. The Group was also informed of the status of pipeline projects involving: i) Burundi, Kenya, Rwanda, Uganda and United Republic of Tanzania; and ii) Malawi, United Republic of Tanzania and Zimbabwe.

## **H. INTERACTIVE ELECTRONIC FORUM**

19. The e-forum: <http://www.fao.org/economic/est/est-commodities/tea/tea-meetings/teaforum/en/> was demonstrated to the Group which was well received. Following a demonstration on the Future Fibres website (<http://www.fao.org/economic/futurefibres/en/>) of the Intergovernmental Group on Hard Fibres, the Group requested the Secretariat to build a similar website for tea.

## **VI. INTERGOVERNMENTAL ACTION PLAN**

### **A. MARKET DEVELOPMENT AND OUTLOOK**

- Adopt market commentaries from the IGG/Tea (producers and consumers) as a standard reporting procedure in assessing the current market situation;
- Brief market reports to be presented by member countries at each session of the Group; and
- Information on retail prices and quality to be supplied by the IGG/Tea members to enhance the analysis of demand responses.

### **B. WG ON MRLS**

- An intersessional meeting within a reasonable timeframe to be organized to discuss and finalize priority list and remove anomalies and duplication of work;
- WG on MRL to finalize the pesticide use list of different countries in the next two months to be posted on the IGG/Tea e-forum;
- All tea producing countries need to finalize their respective country priority list of compounds and to upload it on the IGG/Tea e-forum for consumer countries to react;
- Consuming countries to assist producing countries to identify new generation compounds and to start field experiments for residue data generation on the new compounds as a continuous process for submission to Codex Alimentaris, national regulators and regulators of consuming countries;
- To identify common compounds used in producing countries, aiming to produce residue data collectively for documentation without duplication;
- To elaborate on the communication strategy to inform all stakeholders about the latest information available; and
- For new compounds, bodies such as the ETC, would help access toxicological data.

### **C. WG ON MRLS/BREW**

- Request JMPR if a revised policy document on the use of the tea brew as an alternative to measuring MRLs could be considered by CCPR at its next meeting in April 2012. Immediate action by IGG on Tea;
- Respective Member Governments to take up with their regulatory authorities for considering "transfer value" for fixing MRL in tea as additional factor;
- Document of methodologies for estimation of residue in the brew by scientists to be continued;

- More "ring tests" are to be conducted for methodologies and risk assessed on the "processing factor";
- Prepare documents for MRL in tea brew including the "processing factor"; and
- Pursue regulatory bodies in the consuming countries to consider residue in brew for setting MRLs.

#### **D. WG TEA TRADE AND QUALITY**

- Move towards compliance of ISO 3720 minimum quality standard has made significant progress and needs to be continually sustained and reinforced;
- To review existing literature on additional quality benefits delivered by teas conforming to ISO 3720 or higher and to undertake further research on the connectivity to quality and food safety; and
- To develop an engagement strategy to promote minimum quality and safety assurance of ISO 3720 parameters to the governments of consumer countries as well as to the tea trade and consumers.

#### **E. TASK FORCE ON STATISTICS AND PROJECTIONS**

- Consolidate the collaboration between the focal points and the Secretariat for the generation of medium-term projections;
- Using the FAO Tea viewer, focal points will provide/update projection numbers for production, consumption, trade and macroeconomic data, if available. These should be prepared ahead of the intersessional and the main sessions;
- The focal points invite other producing and consuming countries to participate in the projections;
- Capacity building session of technical experts in Rome before the next session of the IGG/Tea;
- Capacity building will be conducted as side events during meetings of the IGG on tea. This will enable member countries to enhance their capacity in the generation of medium-term outlook;
- To the extent possible, the focal points will need to be part of the official delegation attending the IGG; and
- Model enhancement should include new supply specification to account for the differences between smallholder and estate tea production.

#### **F. WG ON ORGANIC TEA**

- Technical requirements;
- Certification processes for tea production;
- Collect and share information on production, package of practice, research and development;
- Develop market strategies;
- Consider organic tea as low energy input for financial gain through carbon trading; and
- Join in the organic movement for sustainability.

Chair: India

Members: Bangladesh, China proposed, Iran (Islamic Republic of), Japan, Sri Lanka

#### **G. WG ON CLIMATE CHANGE**

- Review concepts and methods of climate change impact assessment and identify climate change databases and models, to support analysis related to the tea sub-sector and agree on collection and collation of available research data on climate change in member countries (India leads coordination; framework: 21st session);

- Evaluate the analyses carried out on the impact of climate change on the tea sub-sector in selected countries and determine methodologies to measure the impact of climate change on the tea economy (Kenya to lead coordination; Malawi to join; timeframe: 21st Session);
- Evaluate suitable technologies that could be adapted for mitigation and adaptation strategies for the tea economy (Sri Lanka and China to lead; members: Bangladesh, India and Malawi; timeframe: 21st session); and
- Identify/suggest mitigation and adaptation strategies and develop appropriate long-term technologies for mitigation/adaptation (Sri Lanka and China to lead; members: Bangladesh, India and Malawi; timeframe: 21st session).

## H. WG ON SMALLHOLDERS

- Develop the WG terms of reference; and
- Review and update the status of smallholder involvement in the global tea economy.

Timeframe: June 2012

Chair: Indonesia

Members: Bangladesh, Burundi, India, Iran (Islamic Republic of), Sri Lanka and United Republic of Tanzania

## WG ON FUTURES MARKET

- To study the existing futures contracts in existence in different commodities and commodity indices;
- To identify the various aspects of the above futures contracts with focus on their adaptability for tea;
- To identify and quantify the risks and benefits involved;
- To study the adaptability of the framework for different countries;
- To study the possible impact on consumer countries; and
- Develop the terms of reference by June 2012.

Chair: India

Co-chairs: Kenya, Sri Lanka, United States of America

Member: Indonesia, Rwanda

## VII. OTHER MATTERS

### A. ANY OTHER BUSINESS

#### *Report of the Intergovernmental Commodity Groups*

20. The Group was informed of the work by the Committee on Commodity Problems (CCP) through an open-ended WG established under the guidance of the Chairperson of the CCP to evaluate the IGGs. The Group was further informed that the IGG on Tea was singled out as the success story of the IGGs.

### B. DATE AND PLACE OF THE TWENTY-FIRST SESSION

21. The Group noted the expressions of interest from Indonesia and Kenya to host the Twenty-first session of the IGG. The exact date and place of the Twenty-first session will be determined by the Director-General in consultation with the Chairperson.