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联合国粮食及农业组织
Food and Agriculture Organization of the United Nations
Organisation des Nations Unies pour l'alimentation et l'agriculture
Продовольственная и сельскохозяйственная организация Объединенных Наций
Organización de las Naciones Unidas para la Alimentación y la Agricultura
منظمة الأغذية والزراعة للأمم المتحدة

COMMITTEE ON COMMODITY PROBLEMS

INTERGOVERNMENTAL GROUP ON TEA

TWENTY-FIFTH SESSION

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

CURRENT GLOBAL MARKET SITUATION AND MEDIUM-TERM OUTLOOK

Executive Summary

World tea output increased in 2022, prompted by rising production in some of the major producing countries. Output of green tea and "other" tea offset declining black tea production caused by a crop shortfall in Sri Lanka (the third largest producer of black tea). Global tea consumption expanded by 2.0 percent in 2022 compared to 2021, underpinned by strong import demand. Over the last decade, world tea intake increased annually by 3.3 percent reflecting strong growth in producing countries that has more than offset declines in traditional importing markets. In 2022, tea shipments from Kenya, China and India increased, while deliveries from Sri Lanka (the second largest exporter of black tea) declined. After increasing by 14.5 percent in 2022, tea prices fell by 9.2 percent in 2023, as availabilities expanded while demand slowed, putting downward pressure on prices. In the medium-term, the black tea market is expected to expand but at a slower pace than the previous decade, while the green tea market is foreseen to grow at a faster rate, reflecting expansion in China's domestic market. Diversification and value addition are key to boosting the performance of the sector, as consumer behaviour is evolving and growing towards specialty teas and high-quality tea products.

Suggested action by the Group

The Group is invited to take note of the tea market situation and outlook and discuss their likely implications. The Group may also wish to:

- Provide guidance regarding FAO's future market assessment and outlook work for the tea sector, especially in view of the growing risks and uncertainties posed by climate variability, pandemics and economic shocks.
- Call on governments and other stakeholders to improve the timeliness and quality of data on the production, demand, trade, stocks and prices of tea, and to make the data and information available and publicly accessible on a regular basis.

- Encourage multi-stakeholder dialogue and cooperation between all actors of the value chain to achieve economic, social and environmental sustainability.

Queries on the substantive content of the document may be addressed to:

Secretariat of the Intergovernmental Group on Tea (IGG/Tea)
Markets and Trade Division
Email: IGG-Tea@fao.org

I. INTRODUCTION

1. This document (CCP:TE 24/2) presents an overview of the current global market situation and the medium-term outlook leading to 2032. The analysis is based on data received by the Secretariat from members up to 2022, supplemented by data from other sources, including FAOSTAT and the International Tea Committee (ITC). Macro-economic data were sourced from the International Monetary Fund (IMF), the World Bank and the Organisation for Economic Co-operation and Development (OECD), particularly those used to produce the medium-term projections.

2. To supplement the information in this document, member countries of the Intergovernmental Group on Tea (IGG/Tea) which have provided market commentaries to the Secretariat, will each be given ten minutes to make a presentation at the plenary session. The Secretariat is extremely grateful to the countries that have provided an overview of developments in their tea sectors. This spirit of collaboration among members is essential to promote the work of the Group in the areas of:

- improving market transparency;
- fostering sustainable market expansion; and
- enhancing tea value chain development.

3. Delegates are invited to review the information presented in this document and the presentations made by the countries, which provide market updates and commentaries on their respective tea industries, and to supplement the updates with new information, as necessary.

4. The repercussions of the COVID-19 pandemic, together with the effects of conflicts, global inflation, and adverse weather conditions, have caused disruptions to agrifood systems, although the impact on the tea sector has been moderate.

II. PRODUCTION

5. World tea production (black, green, instant and other) increased by 3.2 percent annually over the last decade to reach 6.7 million tonnes in 2022 (Figure 1). The growth in global tea output was mainly driven by expansion in China, where production in the country increased annually by 5.9 percent, from 1.92 million tonnes in 2013 to 3.34 million tonnes in 2022, as a result of growing domestic demand and of increased consumer health consciousness.

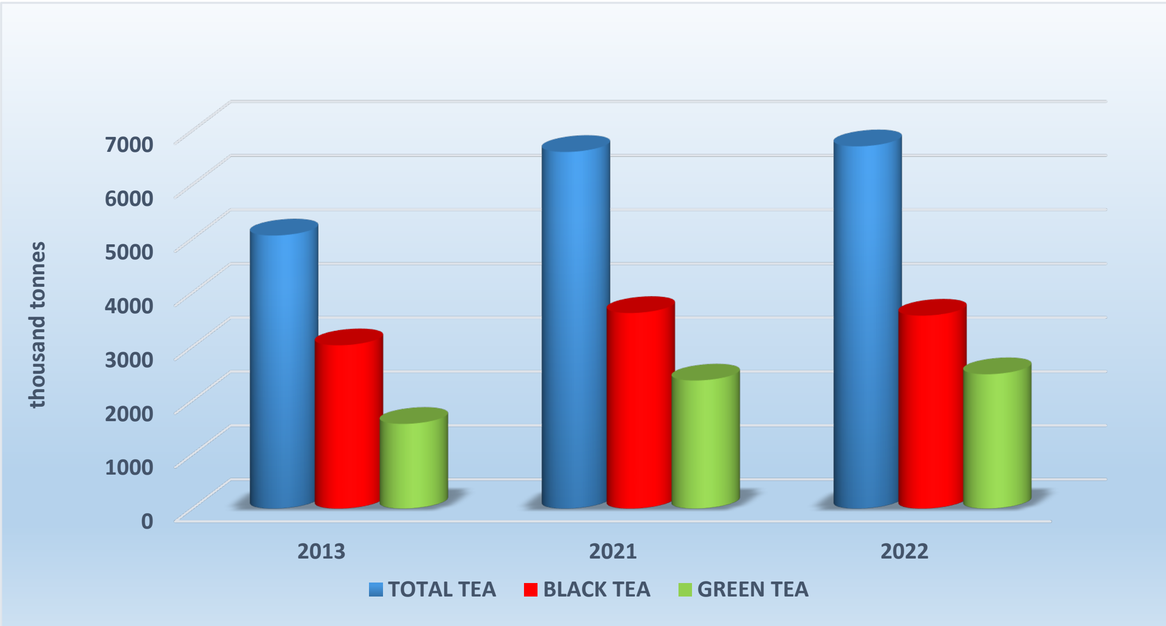
6. China remains by far the largest producer, accounting for nearly 50 percent of world tea production, followed by India, with a 20.5 percent share. Output in India increased by 1.8 percent in 2022 to 1.37 million tonnes, from 1.35 million tonnes in 2021, although the industry is facing several challenges, such as adverse weather conditions and subdued international and domestic demand. Output in the two largest exporting countries, Kenya and Sri Lanka, reached 542 561 tonnes and 255 973 tonnes, respectively. Production in Kenya increased marginally in 2022, while in Sri Lanka it declined by 15.6 percent, recording the greatest crop shortfall since 1995, as the ban on fertilizers in 2021 affected tea yields and the overall economic crisis faced by the country impacted the tea

industry. Furthermore, the surge in fuel prices and cost of labour hampered logistics and factory operations in 2022.

7. Global tea production increased by 1.6 percent in 2022 compared to 2021, as higher green tea production offset declining black tea output. Preliminary estimates indicate that global tea output increased marginally in 2023, as black tea production in Sri Lanka recovered slightly from the 2022 shortfall.

8. At the world level, black tea production increased annually by 2.1 percent and green tea by 4.9 percent over the last decade, in response to continued firm prices and the health benefits associated with tea.

Figure 1 – World Tea Production



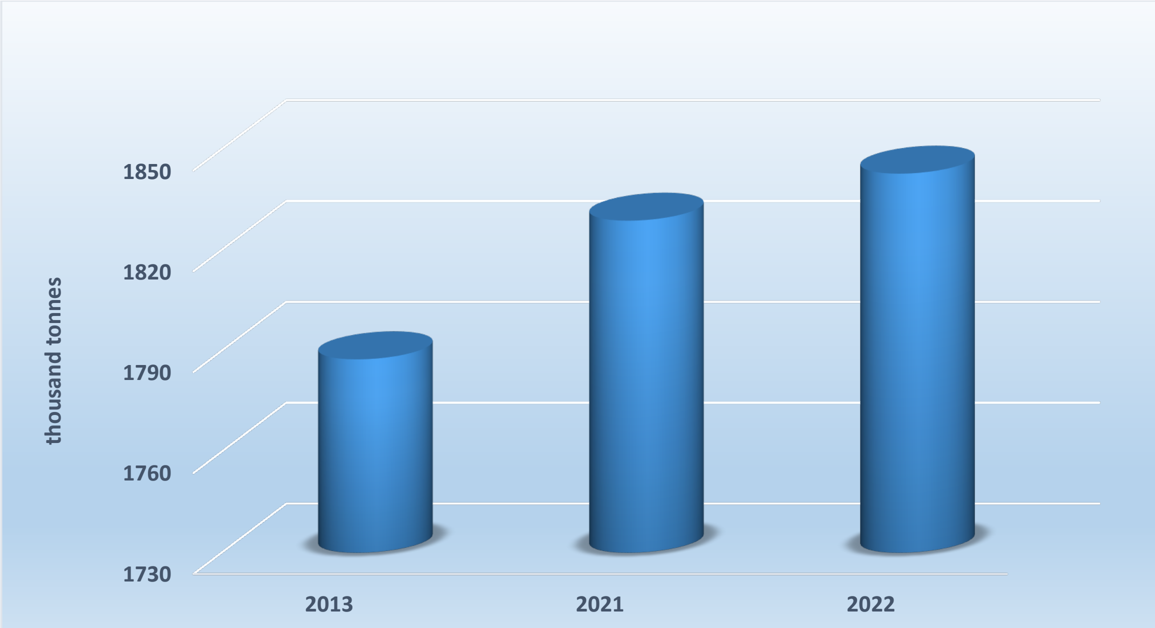
Source: FAO IGG/Tea Secretariat

III. EXPORTS

9. World tea exports increased annually by 0.5 percent over the last decade to reach 1.84 million tonnes in 2022 (Figure 2), underpinned by a strong annual growth of 2.0 percent in green tea exports (compared to the annual growth of black tea exports of 0.2 percent). Black tea exports rose by 0.9 percent in 2022, owing to growing shipments from Kenya and India, the first and the third largest exporters of black tea, while tea shipments from Sri Lanka, the second largest supplier of black tea to the international market, dropped by 12.5 percent in 2022, the lowest level since 1996, due to the sharp decline in tea production coupled with the ongoing economic crisis in the country. Global exports of green tea increased by 1.7 percent in 2022, driven by rising shipments from China, which accounts for over 75 percent of green tea exports.

10. Although preliminary data for 2023 indicate resumed shipments from Sri Lanka, global tea exports are expected to remain stagnant. Geopolitical tensions and conflicts, as well as the global economic slowdown, have disrupted international trade, resulting in lower shipments of tea to key importing markets. In fact, shipments to Pakistan and to the Russian Federation, the first and second largest importers of tea, declined respectively by 1.6 percent and by 6.5 percent in 2022. On the other side, imports by the United States of America, the third largest importer, increased by 4.3 percent in 2022.

Figure 2 – World Tea Exports



Source: FAO IGG/Tea Secretariat

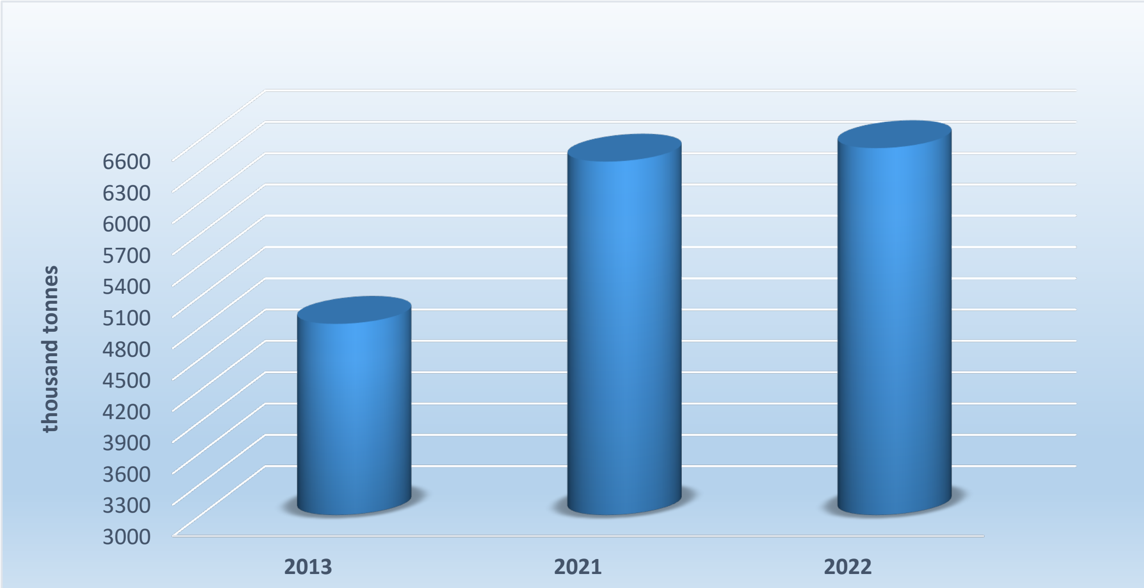
IV. CONSUMPTION

11. Several factors influence demand for tea, including prices, income and demographics such as age, education, occupation and cultural background. Furthermore, as consumers are increasingly looking for healthier and natural beverage options, the demand for specialty and premium teas has surged, creating new opportunities for the tea market.

12. Over the last decade, world tea consumption increased annually by 3.3 percent, reaching 6.5 million tonnes in 2022 (Figure 3). The expansion was underpinned by the rapid growth in per capita income levels, notably in China, India and other Asian and emerging economies. Growth in demand was particularly marked in China and Pakistan, where consumption over the last decade expanded at an annual rate of 6.5 percent and 8.1 percent, respectively. Consumption in China, the largest consumer of tea, reached 3 million tonnes in 2022, representing a share of 46 percent of global consumption. India, the second largest consumer, accounted for a share of nearly 18 percent, with 1.16 million tonnes in 2022, followed by Türkiye with 250 021 tonnes, Pakistan, with 247 498 tonnes, and the Russian Federation, with 132 544 thousand tonnes. At the global level, tea consumption expanded by 2.0 percent in 2022 compared to 2021, and further increased in 2023, as the market continues to be underpinned by robust demand.

13. Tea consumption in traditional importing countries of Europe and North America has been declining due to increasing competition from other beverages, particularly bottled water, carbonated drinks and coffee, while for the Russian Federation, tea imports have been negatively impacted by the war in Ukraine.

Figure 3 – World Tea Consumption



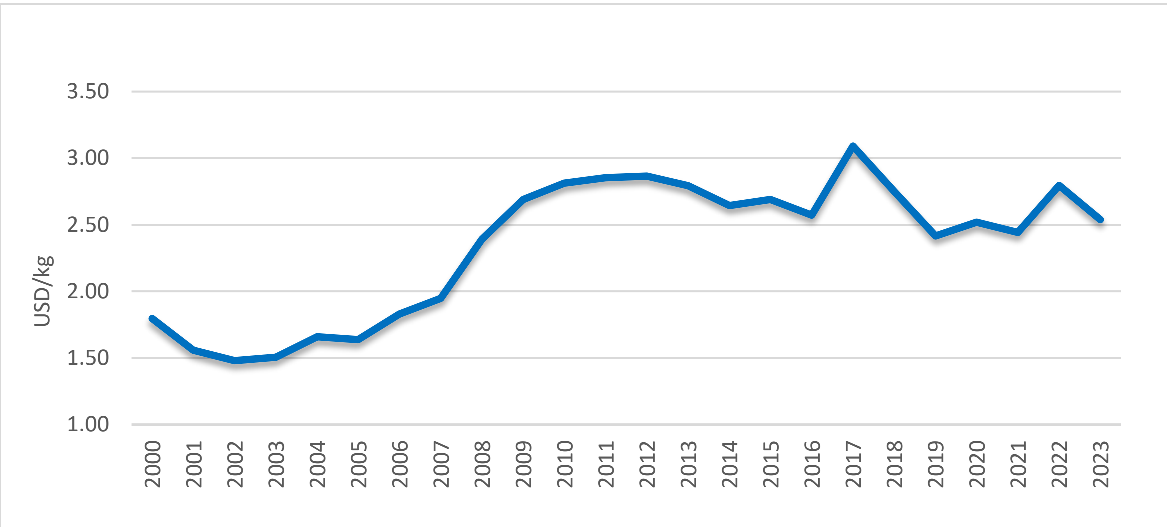
Source: FAO IGG/Tea Secretariat

V. PRICES

14. International tea prices, as measured by the FAO Tea Composite price, a weighted average price index for black tea, which includes crush, tear, curl (CTC) and Orthodox teas, remained firm over the last decade.

15. The FAO Tea Composite price increased by 14.5 percent in 2022 to USD 2.80 per kg, from USD 2.44 per kg in 2021, underpinned by strong demand and tighter supplies from Sri Lanka. (Figure 4). Following the increase in 2022, tea prices declined by 9 percent in 2023 to USD 2.54 per kg, owing to higher availabilities and subdued demand, as well as a scarcity of high-quality teas. The slowdown in the global economy has put further pressure on prices, dampening domestic and international demand, resulting in a surplus in the tea market.

Figure 4 – FAO Tea Composite Price



Source: FAO IGG/Tea Secretariat

16. Other drivers of international tea prices include market access, the potential effects of pests, diseases and weather patterns on production, changing input costs, exchange rates, and structural market changes.

VI. PROJECTIONS

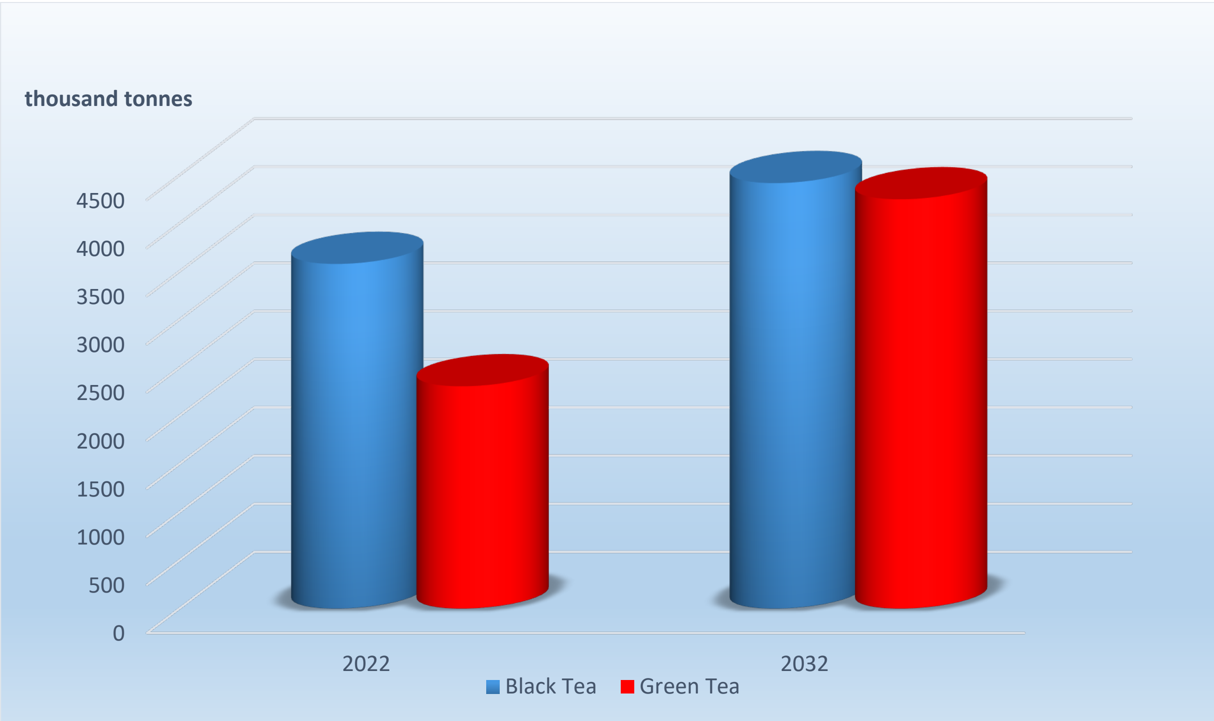
17. The medium-term projections were generated by the FAO World Tea Model, which is a partial equilibrium dynamic time series model. Details of the model can be found in document CCP: TE 10/2[1].

VII. PROJECTED PRODUCTION

18. World black tea production is expected to grow at a slightly lower rate compared to the previous decade. The projections indicate that black tea production will increase annually by 1.6 percent to reach 4.42 million tonnes in 2032, reflecting increases in the major tea producing countries, including Sri Lanka, which is anticipated to recover from the recent crop shortfalls (Figure 5 and Annex Table 1).

19. World green tea output is anticipated to grow at a faster rate of 6.3 percent annually to reach 4.25 million tonnes in 2032, reflecting an expansion in China, where green tea output is expected to nearly double from 2.06 million tonnes in 2020-2022 to 3.98 million tonnes in 2032, as a result of increased productivity through replanting of higher yielding varieties and better agricultural practices (Annex Table 2). Vietnam is also expected to increase its production of green tea with an average annual growth rate of 1.5 percent, despite the ongoing issues faced by the sector, such as low production efficiency and lower quality, which affect the price and exports earning of the country.

Figure 5 – Actual and Projected Production: Black Tea and Green Tea



Source: FAO IGG/Tea Secretariat

[1] Document CCP:TE 10/2 is available on the Secretariat's website: http://www.fao.org/docrep/meeting/018/K7538E.pdf.

VIII. PROJECTED CONSUMPTION

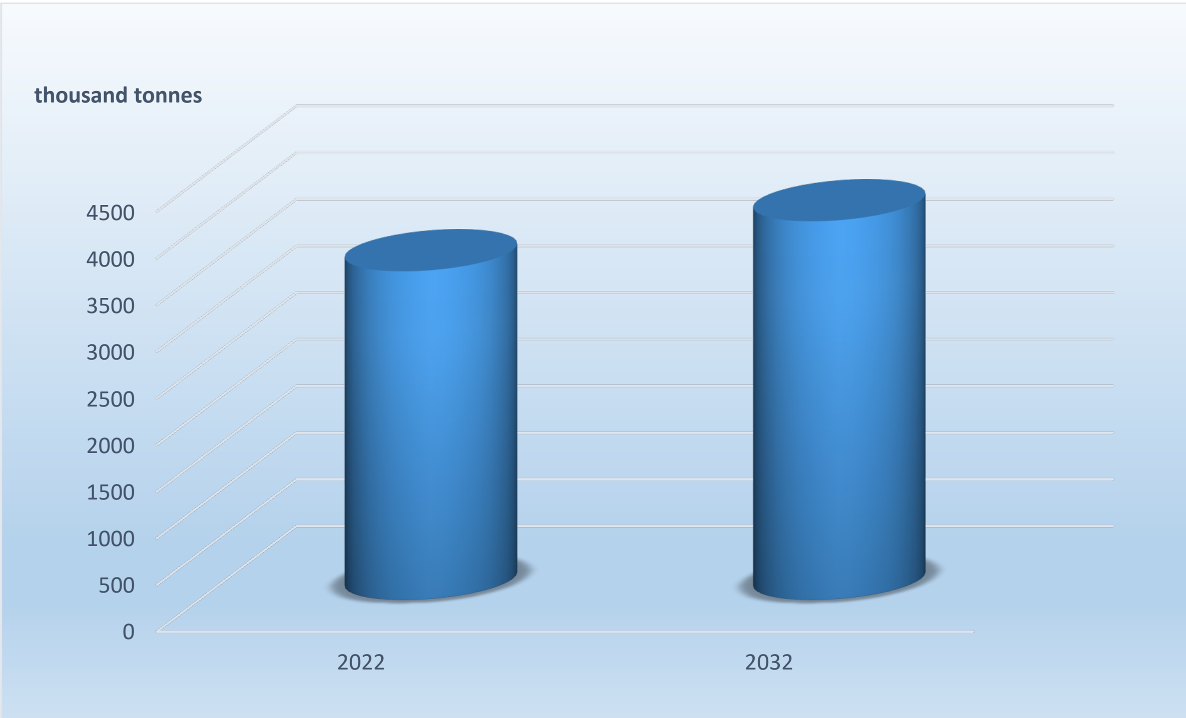
20. In order to generate medium-term tea consumption projections for non-tea producing countries, net imports were used as a proxy, while for tea producing countries, actual domestic consumption was used. Data on green tea consumption were not complete and therefore, it was not possible to make any meaningful projections.

21. Black tea consumption is projected to grow at 1.8 percent annually to reach 4.06 million tonnes in 2032 (Figure 6 and Annex Table 3), reflecting growth in consumption in producing countries and a recovery in traditional tea importing countries. Over the next decade, strong growth is expected in all of the major producing countries in Asia and Africa, with growth rates ranging respectively from 1.9 percent to 2.8 percent, and from 1.6 percent to 3.4 percent. In the medium-term, India is anticipated to remain the largest black tea consuming country, maintaining a market share of 32 percent, followed by China and Pakistan, accounting respectively for a share of 14 percent and 7 percent.

22. Consumption in traditional importing markets in Europe and in North America are expected to recover from the declining trends attained in the previous decade. Consumption in the Russian Federation is also anticipated to recover, although marginally (0.3 percent) over the next decade.

23. Factors contributing to the expansion in tea consumption are per-capita income growth in major tea producing countries and the increased awareness of the health benefits associated with tea. Innovation and "premiumization" are key for boosting market expansion, as consumer preferences and behaviour are evolving. There is a growing interest in specialty teas and high quality tea products, which are attracting a growing number of young customers. For instance, the rapid growth of black tea consumption in China is due to the popularity of brick teas, such as *Pu'er*, which are promoted for their health benefits.

Figure 6 – Actual and Projected Consumption: Black Tea



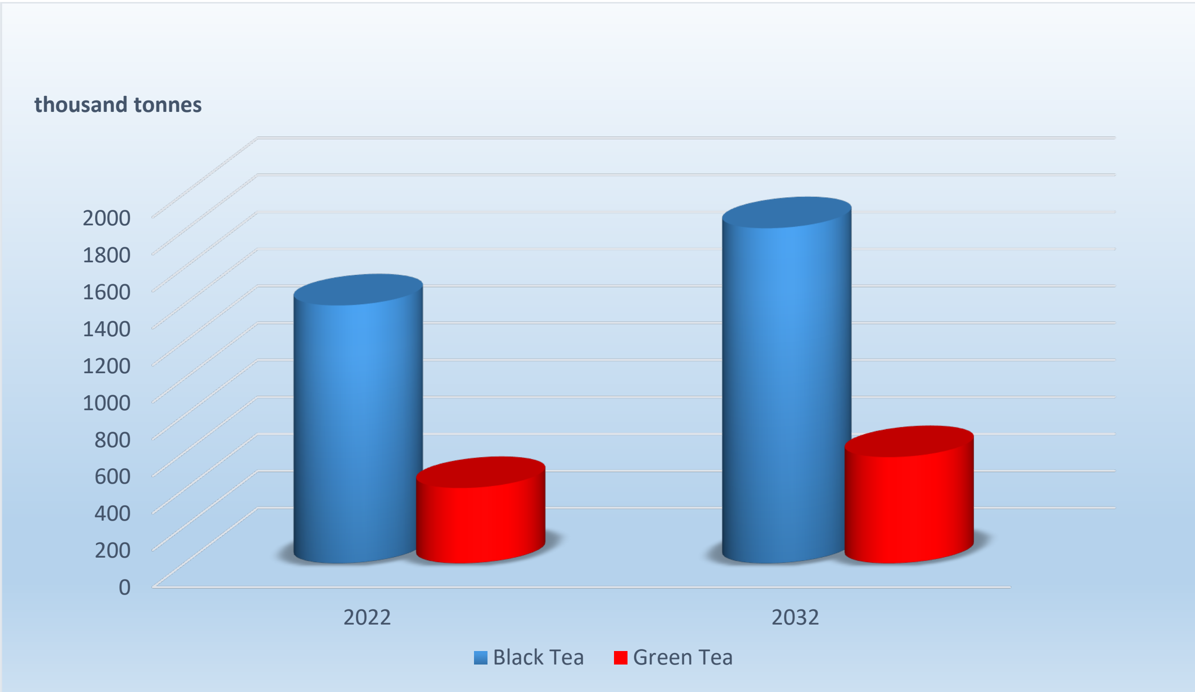
Source: FAO IGG/Tea Secretariat

IX. PROJECTED EXPORTS

24. Black tea exports are projected to reach 1.81 million tonnes in 2032 (Figure 7 and Annex Table 4), reflecting a stronger annual growth rate of 1.2 percent over the medium-term, compared to the 0.2 percent annual growth rate of the previous decade. Increases are expected in all of the major exporting countries, with Kenya maintaining its leadership with an average annual growth rate of 1.4 percent, followed by India and Sri Lanka, with an average increase of 1.1 percent and 0.7 percent, respectively. It is expected, that over the next decade, India will become the second largest exporter of black tea, surpassing Sri Lanka, where exports are anticipated to rebound from the current setbacks but at a slower pace.

25. World green tea exports are projected to grow by 3.5 percent annually to reach 574 000 tonnes by 2032, mainly driven by increasing sales by China and Vietnam. China is expected to continue to dominate the export market, with an export volume of 429 919 tonnes, representing a share of 75 percent of global green tea shipments, followed by Vietnam with 84 409 tonnes, Japan with 14 320 tonnes and Indonesia with 6 244 tonnes. All of the major green tea exporters are expected to register positive growth rates over the medium-term.

Figure 7 – Actual and Projected Exports: Black Tea and Green Tea



Source: FAO IGG/Tea Secretariat

X. CONCLUDING REMARKS

26. Tea is one of the most important cash crops in the world and contributes significantly to rural development, poverty reduction and food security, supporting the livelihoods of millions of smallholder farmers in many low-income countries. However, the tea industry is facing a number of challenges that must be addressed to ensure its long-term sustainability. Issues to be addressed include climate change, price volatility, low productivity, increasing production costs and declining returns for farmers.

27. The COVID-19 pandemic, the geopolitical tensions and conflicts, extreme weather events, and the global economic downturn have put further pressure on the tea market, although the overall impact

has been relatively moderate. Consumption of tea has remained strong over the last decade, driven by rising per capita income and population in emerging and low-income markets, and the increasing awareness of the health benefits associated with tea. This trend is expected to continue over the medium-term, underpinned by increasing consumption in major producing countries and a recovery in traditional importing markets.

28. Tea exports are a vital source of foreign exchange for many low-income countries. For example, exports revenues contribute significantly to financing the food import bills of Kenya and Sri Lanka, the largest exporters of black tea, and although foreign exchange earnings from tea are relatively less for other producing countries, they remain significant.

29. As consumer preferences shift, innovation and diversification into other market segments such as organic teas, specialty teas and premium teas are key for market expansion, for raising returns of tea producers and processors, and for ensuring the long-term performance of the sector. New growing markets are also building on product innovation and diversification into new segments of consumers.

30. In this context, compliance with food safety and quality standards is fundamental to ensure the expansion of the tea market. This requires collaboration between producing and consuming nations towards harmonizing market requirements (MRLs and quality) and reducing costs of compliance.

31. Finally, the IGG/Tea has to consider future strategies and appropriate enabling policies to maintain the sustainable development of the rapidly changing global tea economy and mainstream climate change, standards and sustainability into tea development strategies.

ANNEX TABLES

TABLE 1 -Black Tea : Actual and Projected Production

Countries / Regions	PRODUCTION Actual 2022	Projected 2032	Growth Rates 2013/2022	2023/2032
	Tonnes		Percent per year	
WORLD	3578805	4418927	2.1	1.6
Africa				
Kenya	540306	678888	3.1	1.4
Malawi	47755	56281	1.2	1.2
Zimbabwe	14400	16341	0.0	1.1
Rwanda	35700	43336	4.8	1.5
South Africa	3000	3835	2.2	2.2
Uganda	75000	84345	3.5	0.9
Tanzania United Rep	25295	29805	-3.0	1.6
Other	41363	46286	1.2	0.9
Latin America and Caribbean				
Argentina	76890	83768	-0.5	1.1
Brazil	3000	2828	-5.8	-0.6
Other	7440	7061	-3.6	-0.4
Near East				
Iran (Islamic Republic of)	31000	34726	2.3	0.8
Türkiye	245773	300173	1.4	2.4
Far East				
India	1346990	1735310	1.4	1.7
Sri Lanka	249689	292643	-2.6	0.8
China	466600	601491	11.1	2.2
Vietnam	80000	92028	-0.3	0.9
Bangladesh	93829	111249	4.7	1.5
Malaysia	7078	5778	-5.7	-2.0
Nepal	24700	27712	1.0	0.7
Indonesia	101767	106864	-0.9	0.1
Other	46715	42551	1.5	-1.0
CIS	7500	9108		
Russian Federation	4000	4106	1.4	0.0
Other Former USSR	3500	5003	3.3	3.3
Oceania	7000	6508	0.6	-0.8

TABLE 2 - Green Tea : Actual and Projected Production and Exports

Countries	PRODUCTION					EXPORTS				
	Actual		Projected	Growth Rates		Actual		Projected	Growth Rates	
	2010-12	2020-22	2032	2010-12/2020-22	2020-22/2032	2010-12	2020-22	2032	2010-12/2020-22	2020-22/2032
	Tonnes			Percent per year		Tonnes			Percent per year	
World	1387406	2307421	4250690	5.2	6.3	323041	406919	574000	2.3	3.5
China	1143953	2060581	3981697	6.1	6.8	246749	310730	429919	2.3	3.3
Japan	83641	71551	73580	-1.5	0.3	2323	5906	14320	9.8	9.3
Vietnam	87700	99333	114827	1.3	1.5	52191	65301	84409	2.3	2.6
Indonesia	35203	35000	35352	-0.1	0.1	10845	6060	6244	-5.7	0.3

Table 3. TEA, BLACK: Domestic Utilisation

Countries / Regions	CONSUMPTION Actual 2022	Projected 2032	Growth Rates 2013/2022	2023/2032
	Tonnes		Percent per year	
WORLD	3519507	4055130	2.2	1.8
Far East				
Pakistan	245629	283889	8.0	1.7
India	1139705	1300062	1.7	1.9
Sri Lanka	10590	13249	-7.6	2.8
China	466195	567991	12.5	2.0
Vietnam	3000	3479	27.2	2.3
Bangladesh	99748	122376	5.1	2.6
Malaysia	32756	34401	0.3	0.6
Nepal	13600	17296	2.5	2.8
Indonesia	73095	84027	7.4	2.2
Other	86196	91840	1.2	1.0
Africa				
Kenya	40285	50449	5.3	3.4
Malawi	1873	2264	-7.8	2.4
Morocco	208	284	-1.4	3.6
Zimbabwe	1767	1935	2.1	1.4
Rwanda	1000	1042	-8.0	0.9
South Africa	17361	18195	-2.8	0.7
Uganda	6031	6972	0.6	1.6
Tanzania United Rep	4356	4867	-3.3	1.7
Other	69839	85047	2.2	2.0
Near East				
Iran (Islamic Republic of)	85000	89321	0.9	0.5
Türkiye	250021	308380	1.9	2.4
Iraq	47000	52511	3.8	1.7
Saudi Arabia	33615	36375	-0.2	0.8
Syrian Arab Republic	11000	13357	-4.7	2.2
United Arab Emirates	40000	46845	-0.8	1.6
Egypt	86104	94768	-0.6	1.2
Libyan Arab Jam.	11138	13562	7.1	2.1
Sudan	25000	27383	-2.1	1.5
Jordan	4813	6422	-0.9	3.3
Israel	1280	1643	-2.9	2.8
Other	47914	56152	-6.3	1.6
Latin America and Caribbean				
Argentina	7172	6400	1.1	-0.3
Brazil	3182	3739	-5.3	2.0
Other	32077	34795	-0.9	1.3
North America				
United States of America	101868	120545	-1.7	1.7
Canada	11876	12858	-1.0	0.8

Cont.

Countries / Regions	CONSUMPTION Actual 2022	Projected 2032	Growth Rates 2013/2022	2023/2032
	Tonnes		Percent per year	
Europe	182075	201590		
EU (27)	82193	89539	-0.9	1.0
Germany	21930	24089	-2.1	1.2
Poland	16823	19505	1.4	1.5
Ireland	8305	9862	2.7	2.0
Netherlands	6162	6333	-3.1	0.5
France	6653	7430	-0.5	1.4
Other EU	22320	22320	-1.9	0.0
Other Europe	99882	112051	-1.4	1.4
United Kingdom of Great Britain and Northern Ireland	97131	105177	-1.5	0.8
CIS				
Russian Federation	119000	121084	-2.8	0.3
Other Former USSR	74719	83877	0.2	1.4
Japan	14958	16557	0.6	1.7
Oceania	16462	17297	-0.4	0.5

TABLE 4 - Black Tea : International Trade , Actual and Projected

Countries / Regions	EXPORTS Actual 2022	Projected 2032	Growth Rates 2013/2022	2023/2032
	Tonnes		Percent per year	
WORLD	1393919	1811060	0.2	1.2
Africa				
Kenya	450336	590494	1.1	1.4
Malawi	45882	54017	2.1	1.2
Zimbabwe	12633	14405	-0.4	1.1
Rwanda	35000	42259	5.9	1.5
South Africa	4963	4781	-2.0	0.0
Uganda	75769	77031	3.9	0.8
Tanzania United Rep	21070	24948	-2.3	1.6
Other	22896	19867	1.1	0.0
Far East				
India	228125	446288	0.6	1.1
Sri Lanka	242871	289568	-2.1	0.7
China	33239	44713	0.5	3.7
Vietnam	60000	70147	-1.0	2.5
Bangladesh	951	910	-0.4	-1.3
Malaysia	1497	1421	3.6	0.0
Nepal	11500	10657	-0.4	-2.0
Indonesia	39948	21109	-4.8	8.8
Other	12687	3867	13.9	0.0
Near East				
Türkiye	6582	2191	1.3	0.0
Other	0	0		
Latin America and Caribbean				
Argentina	70380	77532	-0.6	1.2
Brazil	7	7	-25.5	0.0
Other	1816	953	4.2	0.0
CIS	4009	2300		
Russian Federation	0	0		
Other Former USSR	4009	2300	-0.8	0.0
Oceania	5687	6847	-0.5	0.0