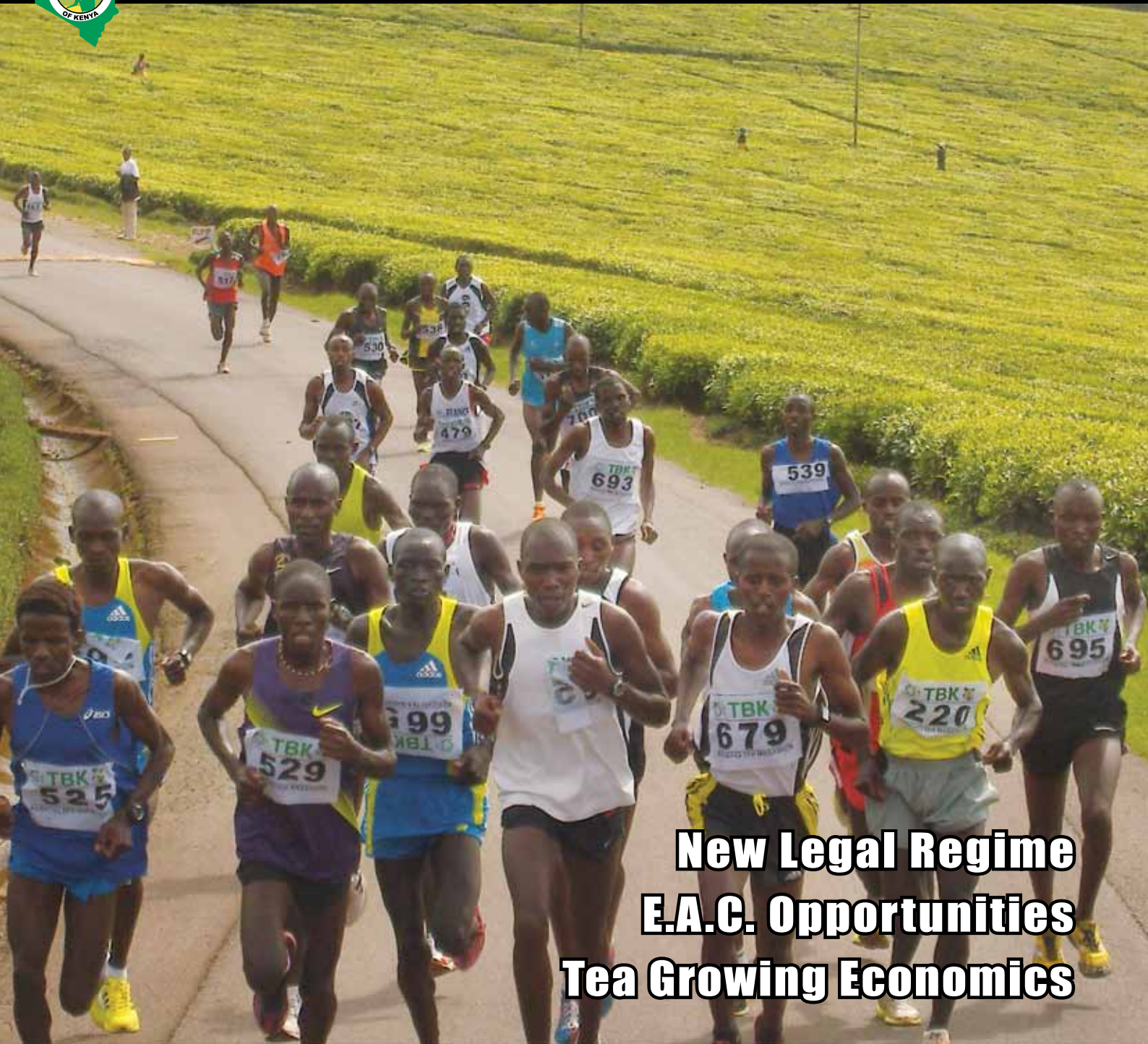


TEA NEWS



April - June 2011

A quarterly publication of the Tea Board of Kenya

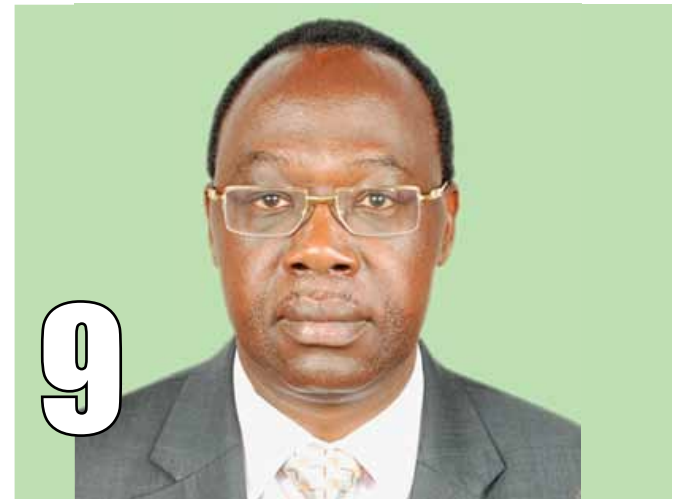


**New Legal Regime
E.A.C. Opportunities
Tea Growing Economics**

Chai ni Afya Marathon

Contents

- 03 From the MD's Desk
- 04 Chai ni Afya Marathon
- 06 Trade & Promotion
- 08 Market Profile
- 09 Reform
- 10 Picture Speak
- 12 Industry Performance
- 13 Regional Trade
- 14 HR News
- 15 Notice Board / Agricultural Cess
- 16 Research
- 18 Tea Facts
- 19 Entertainment



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Athletes race through the lush tea plantations in Kericho during the recent "Chai Ni Afya" Marathon.

New industry strategy in the offing

The past year was very remarkable for the Kenya Tea industry. The industry recorded tremendous achievements that saw tea emerge as the leading foreign exchange earner. This record-breaking performance was the outcome of increased production owing to favourable weather as well as a massive improvement in earnings brought about by higher export volumes sold at consistently high prices at the auction.

While acknowledging that 2010 was truly an amazing year, I take this opportunity to congratulate every individual and organization that contributed to the impressive performance. That was a job well done.

However, this year has been on a slow start compared to last year with January, February and March recording reduced production as indicated elsewhere in this newsletter. We remain optimistic that the situation will improve considerably once the long rainy season sets off and make this year as fruitful for the industry as possible. Going by projections on production levels to date, it is unlikely that the industry will scale the heights reached last year. Stakeholders should, however take courage in the fact that barring occurrence of unforeseen external impact, prices appear set to remain steady.

TBK remains committed in supporting the efforts of the industry to retain the top spot as the country's leading foreign exchange earner. I encourage all of us to do everything within our means to ensure the industry remains perched there so as to continue contributing to the socio-economic development of our country.

Indeed, to maintain the current status and move to the next level, TBK with the support of the Ministry of Agriculture has embarked on a path not marked before to develop an "industry strategy" which will ensure the tea industry is both remunerative and globally competitive. The key objective of this initiative is to establish an all-inclusive strategy to facilitate the industry in exploiting opportunities along the value chain, including; Productivity, Market Access and Value Addition processes.

In pursuit of facilitating the industry, TBK has enhanced efforts to find and retain markets for Kenyan tea. Through various promotional activities, we continue to strengthen and maintain our presence in our traditional markets while also nurturing emerging ones. Recent out-bound trade missions by TBK have been to Russia, Kazakhstan and United Arab Emirates. TBK has also received delegations from Iran, Pakistan and China, which have seen improvement of bilateral trade relations. Going forward, TBK will continue to focus its promotional work on the other markets which were identified under the promotional work plan for the year 2011/2012.

The success of this industry hinges on many factors and none can be considered trivial. The Board is aware of the fact that the cost of production continues on an upward trend, threatening the future of the industry. We are also awake to the uncertainty brought about by climate change and have embarked on consultations that will identify practical mitigation measures. As stakeholders pursue various interventions, TBK will continue to discharge its policy guidance and advocacy role for the benefit of the industry.



I take note of the anxiety in the industry arising from the political upheavals witnessed in North Africa and the Middle East. We remain hopeful that the situation will settle to allow for smooth trade transactions.

In the local scene, TBK is working with all stakeholders and partners to enhance growth of the domestic market. The recent "Chai Ni Afya" Marathon held in Kericho in March is just but one of the many opportunities we are exploiting to highlight the benefits of tea consumption. The event was graced by Kenya's icon and legend in athletics, Dr. Kipchoge Keino, who is also Chairman of the National Olympic Committee of Kenya (NOCK). The Tea Marathon, now in its second year is set to scale the heights to international status. On this, Dr. Keino has agreed to work with TBK and stakeholders.

Finally, to realize full benefits from the above mentioned initiatives, collaboration between all industry stakeholders is of paramount importance.

In this issue of *Tea News* you will find plenty to read about on the initiatives that TBK and associated stakeholders are implementing to ensure tea remains a leading driver of Kenya's economy. Read all about our undertakings in the spheres of trade and promotion, tea growing economics, what the recent amendments to the Tea Act mean to the industry and the East Africa integration, among others. As always, your feedback in respect of articles contained in this edition is highly appreciated.

Enjoy your reading.

Sicily.K. Kariuki (Mrs.), MBS

Chai Ni Afya Marathon: A Winning Partnership



For the second year running, athletics and Kenya Tea have come together once again in a winning partnership between two of Kenya's outstanding brands.

The Chai Ni Afya Marathon, held in Kericho on March 26 lived up to its billing as a premier event that is set for new heights as a platform for promoting Kenya Tea and availing opportunity to young people talented in athletics. The presence of the Chairman of the National Olympic Committee of Kenya (NOCK), Dr. Kipchoge Keino, who was Chief Guest, made a significant statement on the event's profile and its future. Dr. Keino arrived long before the time set for the start of the event and in his characteristic jovial mood interacted with participants, tea industry stakeholders and partners. He was particularly drawn to the various industry stakeholders who were displaying a wide range of teas, and without wasting time bought himself some packets to take home. He expressed his delight at the initiative taken by the Tea Board of Kenya to host the athletics event in conjunction with stakeholders and partners.

For Dr. Keino, the event should be elevated to international status as soon as possible taking into account that Kenya has made a mark on the global arena through prowess in athletics and delivery of high quality tea to the global market. He gave his personal commitment to support TBK towards the realization of this goal.

Addressing the participants, Dr. Keino told them to uphold discipline as the key attribute in attaining success from their talent. He said a positive lifestyle was what they required as they exploit opportunities accorded to them.

In his remarks for the occasion, TBK Chairman, Mr. Titus Kipyab said the event was part of the Kenya Tea Industry Promotion Strategy. He said the strategy was anchored on the need to build on the strength of the Kenya tea brand through value addition initiatives and markets expansion, adding that the domestic market was part of the target in the growth initiative. The Chairman noted that the partnership started last year was growing as demonstrated by the presence of tea industry stakeholders, partners and the sporting fraternity who turned up for the event. Mr. Kipyab lauded the continued collaboration of industry stakeholders and partners.

The TBK Managing Director recognized the winning partnership of athletics and Kenya Tea noting that "tea and sports, especially athletics, are two of Kenya's heritage through which our country has gained honour and fortune". She said the two brands were synonymous with the health and vigor of those who consume the tea beverage and those who participate in sports.

Mrs. Kariuki expressed her appreciation to participants who turned up in their large numbers and partners who supported TBK to make the event a success. She also thanked Athletics Kenya who provided technical support for the event. Sponsors for the event included: Ketepa, James Finlay, Williamson Tea, Tea Research Foundation of Kenya, Unilever Tea (K) Ltd, Kapchebet Tea Factory, New KCC and Toyota Kericho.

When time came for flag-off, participants set themselves on the starting line, raring to go. Their eyes were no doubt set on the ultimate prize and the

delight of racing through the lush green and fresh tea plantations. The flag-off began at intervals starting with the 5 Km family run, 10 Km and the premium race, 21 Km.

Waiting for the day's heroes and heroines to get to the finish line was not going to be a boring wait. There was plenty of entertainment at the main venue at Kericho DC's Grounds. Those in attendance were treated to lively performances, music and messages on the benefits of tea drinking. Tea Packers were on hand with some of the best teas produced and blended in Kenya.

Then the winners arrived in style, displaying the same energy they had when they started the race. First to touch the finish line in the 21 Km male category was Josphat Bett who won the race with 60:37:65. This meant he would go home Kshs. 250,000/= richer. Hot on his heels at 2nd position was Bernard Kitur who clocked 60:37:65 to secure himself the cash prize of Kshs. 100,000/=. In the 3rd position was Kenneth Kiprop Kipkemboi who clocked 61:43:09 to take

home Kshs. 75,000/=.

In the 21 Km women's race, Caroline Cheptanui romped home with a time of 70:14:03 for the cash prize of Kshs. 250,000/=. Christine Chepkemei closely followed in the 2nd position with a time of 71:25:16 to win the cash prize of Kshs. 100,000 as Elizabeth Rumokol settled for the 3rd position to win Kshs. 75,000/= in cash prize.

The top three winners in both categories were also awarded with medals, certificates and TBK gift hampers.

The top three winners in the men's 10 Km were Dennis Kipruto, Emmanuel Bett and Japheth Korir. The women's 10 Km race was won by Maryanne Wangare,

Cynthia Kosgey and Pamela Cherotich. Winners in this category were awarded cash prizes of Kshs. 30,000/=, 15,000/= and 10,000/= respectively. They also received TBK gift hampers and certificates.

Winners in the 5 Km "Family Run" category were awarded with TBK gift hampers and certificates.



WINNERS AT A GLANCE

21 km men

Position	Name	Time
1	Japheth Bett	60:37:65
2	Bernard Kitur	60:42:13
3	Kenneth Kiprop Kipkemboi	61:43:09

21 km women

Position	Name	Time
1	Caroline Cheptanui	70:14:03
2	Christine Chepkemei	71:25:16
3	Elizabeth Rumokol	72:05:58

10 km Men

Position	Name	Time
1	Dennis Kipruto	30:23:25
2	Emmanuel Bett	30:33:06
3	Japheth Korir	30:42:14

10 km Women

Position	Name	Time
1	Maryanne Wangare	35:15:38
2	Cynthia Kosgei	37:02:82
3	Pamela Cherotich	37:35:82





Russian participants taste Kenya Tea during the recent Moscow Tea Symposium. Tea Board of Kenya led Kenya Tea traders to the event.

Twin efforts for emerging, traditional markets

Kenya is continuing efforts to enhance its emerging tea markets, even as it seeks to strengthen the traditional export destinations. The ever-present risk of over-reliance on the few traditional markets provides the incentive to pursue opportunities presented by potential markets across the world.

Citing the recent crisis in North Africa and the Middle East, TBK's Trade and Promotion Manager, Ms. Rosemary Owino says there is need to enhance promotion of emerging markets with a view to spreading the over-reliance risk.

Currently, over 70% of Kenya Tea goes to five major destinations, namely; Egypt, United Kingdom, Pakistan, Afghanistan and Sudan. Domestic consumption takes about 5% and the rest are exported in varying quantities to over 40 export destinations. Kenya supplies about 22% of global demand for tea.

In keeping with the strategic focus of growing the emerging markets, TBK has in the recent past led industry stakeholders in trade missions to some of the identified markets. In February this year, TBK led a trade delegation to Russia for participation in the Moscow Tea Symposium and interaction of tea traders from both countries. This was the second mission to this market, following one that took place in 2008. The initial mission focused on information, with communication material being published in Russian language for distribution.

Kenya Tea exports to Russia have grown steadily from 8.7 million Kgs in 2004 to 15.6 million Kgs in 2010. During the same period, the average price has increased from 1.72 USD to 2.85 USD.

The latest mission was significant as it sought to create more opportunities for growth.

A wide range of Kenya tea products were show-cased during the Moscow Tea Symposium. Discussions featured on the world tea market, but even more significantly on the Russian and CIS markets, including countries such as Kazakhstan and Belarus. Delegates also had an opportunity to taste varieties of Kenya tea during a session organized by TBK. The tea tasters expressed their satisfaction with the character, leaf quality and other liquor characteristics of Kenya tea.

It is expected that the linkages created during the mission will lead to further interactions at trade and inter-governmental levels to address relevant issues and improve trade. Further, TBK will forge for a closer working relationship with the Russia Tea and Coffee Association for partnership in promotional programmes and increasing awareness on Kenyan Tea.

The United Arab Emirates, and in particular Dubai, has become an important destination for Kenya Tea. This destination provides a twin advantage as a direct market and as a strategic hub for re-exports to other markets. Kenya Tea exports to UAE recorded a growth of 73% from 12.7 million Kgs in 2009 to 22 million Kgs in 2010. It was ranked 5th among the top ten buyers of Kenya tea.

Dubai's growing importance as a hub for accessing other markets has led investors to develop interest in establishing their presence. As a launch pad, the city has hosted key events to avail opportunity for investors to display their products. Such events include the annual Dubai Tea Forum and the Gulf Food Festival held in February/ March this year.

Players in the Kenya Tea industry led by TBK were part of the Kenyan agricultural producers who participated in the Gulf Food Festival. The festival provided opportunity for display of products, cooking competitions, interactive sessions, sampling of products and expert presentations for the respective products.

TBK will facilitate follow-ups on inquiries generated during the festival to enable stakeholders respond accordingly.

As efforts are enhanced towards growing the emerging markets, similar efforts are on course to strengthen the traditional markets. Among these markets is Pakistan which was

only recently overtaken by Egypt as the leading export destination for Kenya tea. Last year, Pakistan accounted for 17% of tea exports.

A delegation from the Pakistan Tea Association was in the country recently on a mission to appreciate the Kenya tea industry operations and

meet with the local tea traders. They also had an opportunity of meeting with officials of key Government ministries. The inward mission was a reciprocal gesture following earlier trade missions undertaken by Kenya tea industry stakeholders in Pakistan.

Among the key issues that featured in the discussions and interactions were: High import tariffs for Kenya tea in Pakistan; Efforts towards Preferential Trade Agreement between Kenya and Pakistan to create trade balance and facilitation of tea trade by respective Government agencies, among others.

Other markets lined up for promotion include Southern Sudan, Jordan and Saudi Arabia.



Display of food products at the Kenya Stand during the Gulf Food Festival in Dubai. TBK and tea industry stakeholders participated in the event which took place in February/March 2011.

Kazakhstan: Emerging Market for Kenya Tea

Kazakhstan has been identified by the Tea Board of Kenya as one of the key emerging markets. This move is informed by the export statistics which depict a consistent increase of export volumes of Kenya Tea to this market. In the last 7 years, exports have grown from 5.8 million Kgs to over 10 million Kgs. It is currently among the top ten major importers of Kenya Tea.



From left: Kenya's Ambassador to Russia, H.E. Mr. Paul Kurgat, who is also accredited to Kazakhstan, Tea Board of Kenya Managing Director Mrs. Sicily K. Kariuki and Mr. Muralidhar Bhat of Tea House Prima Group of Kazakhstan admiring tea brands packaged with Kenya Tea.

Kazakhstan, one of the CIS states has a population of 15 million people. It has one of the highest per capita consumption of tea at 1.6 Kgs.

It is in recognition of this great potential that the Tea Board of Kenya led a trade mission comprising of tea traders to Kazakhstan in the month of February. During the mission, the delegation met and held discussions with their counterparts with a view to identifying opportunities for increased trade.

Since the year 2000, several packaging companies have established their presence in Kazakhstan to cater for the rising demand of Kenya Tea. Pure Kenya tea brands command a significant portion of the market. The brands include 'Jambo' and 'Taste of Africa' by Alys Ltd, 'Piala' by Tea Land LLC, Simba by Tea House LLP, 'Almatyhinski Chai' by Almaty Tea and 'Rak Met' by Asia Trading. The traders estimate that Kenyan tea

constitutes about 80% of teas imported into Kazakhstan. The Kenyan delegation learnt that Kazakhstan consumers are prepared to pay a premium price for quality teas. In view of this, they are committed towards ensuring adequate and continued supply of pure Kenya Tea that meets the expectations of the consumers.

Among the key challenges that will be addressed in the

long term includes the long time it takes for tea consignments to reach Kazakhstan. On average, it takes about 8-12 weeks for a consignment to reach Kazakhstan after leaving the port of Mombasa. The consignment has to go through China by road before being trucked to its final destination. Traders have to keep adequate buffer stocks to ensure they do not run out of teas in case of any further delays. In view of this, Kazakh traders normally request for a 60-90 day credit period from their suppliers so as to enable them receive their orders, process and package them,

and finally ship them out ready for sale to the final consumer. Most Kenyan small to medium traders are unable to participate in this market due to lack of access to affordable credit.

It is expected that a reciprocal mission to Kenya will be undertaken by Kazakhstan tea traders to pursue strengthening of relations and address critical issues for enhanced trade.



Assorted tea brands packaged with Kenya Tea.



New legal regime to transform tea industry

By Dr. Romano M. Kiome, CBS, Permanent Secretary, Ministry of Agriculture

Kenya's tea industry has enjoyed good fortunes in recent years to register record growth. This is amply reflected in last year's impressive performance that saw the country produce record volumes to earn unprecedented revenues. In view of this, I extend my appreciation to farmers, and other stakeholders for their effort in contributing to the growth of tea industry.

Last year, a total of 399 Million Kgs were produced compared to 314 Million Kgs in 2009. Further, earnings rose by Kshs 28 Billion from Kshs 69 Billion (USD 899 Million) to Kshs 97 Billion (USD 1.23 Billion) to register the highest performance recorded by the industry. This is not a mean achievement and it will retain a special place in the annals of the Kenya tea industry's history. That is, until the records set are broken over and over again.

The success of the tea industry has been achieved out of consistent effort and determination of stakeholders working in collaboration with the Tea Board of Kenya and the Government. This partnership has taken us through the historical development of the tea industry since introduction of tea into this country in 1903. Since then, we have travelled through legal, regulatory and production milestones – each step yielding positive results. Among the notable milestones include commencement of commercial cultivation in 1924, establishment of the Tea Board of Kenya in 1950 as the apex body for the industry and the freedom granted to indigenous Kenyans to grow tea in 1963. While the journey has not been without any challenges, it is the outcome that gives us more reason to be proud. Today the Kenya tea industry stands tall as a key pillar for the country's socio-economic development and a source of livelihood to millions of Kenyans.

Throughout the journey, it has from time to time been necessary to undertake deliberate initiatives in transforming the industry so as to effectively respond to global dynamics. Such dynamics include markets, environmental sustainability, quality standards, labour and energy among other critical factors. Luckily for us, these transformations have been manageable on the account of continued partnership of industry stakeholders and the Government. It is against this background that the Kenya Tea Industry Task Force was established in 2007 to facilitate a collective approach towards identifying and addressing some

of the concerns. The outcome was a comprehensive report which highlighted the strengths, weakness, opportunities and threats for the industry. It also assigned responsibilities and tasks to be accomplished in the short, medium and long term. Some of these tasks have been implemented with substantial measure of success. Among the key issues brought out then were the competitive global market, value addition, quality assurance and cost of production, among other critical factors.

The most important assignment in the transformational process has been the need to create a progressive legal and regulatory framework that would facilitate growth, equity and good returns to all stakeholders. The newly enacted Tea Amendment Act of 2010 creates the perfect platform for the industry to move in the desired direction.

The Tea Amendment Act 2010 contains specific provisions geared towards enhancing capacity for the industry to operate on a competitive edge in the global market and create value to industry players. In the implementation that is expected to commence shortly, Tea Board of Kenya will have an expanded mandate which includes promotion and marketing of Kenya Tea in the domestic and external markets. Closely related to this development is the rationalization of the institution's Board to infuse more balance in articulating stakeholder interests.

It is also significant that the new legal and regulatory regime has introduced a value-based (ad valorem) financing model for the Tea Board of Kenya and the Tea Research Foundation of Kenya, a shift from the manufacture cess that has been applied for many years. The ad valorem levy will provide resource capacity to promote Kenya tea, implement value addition, facilitate product diversification and undertake research programmes.

The amended law also creates a strong framework for effective management of green leaf production and delivery to uphold Kenya's position as a producer of high quality tea.

It is important to note that the new legal framework is intended for the benefit of all stakeholders. In view of this, I trust that the industry will rise to the occasion by working together to ensure faster implementation and therefore quicker gains. The Government, and in particular the Ministry of Agriculture is committed towards providing the necessary facilitation during the transition period and thereafter.

Picture Speak



The Chairman of Pakistan Tea Association, Mr. Mhosin Saify tastes tea at a tea factory in the East of Rift. A delegation from the association visited Kenya recently.

Russian tea tasters sample Kenya Tea during the recent Moscow Tea Symposium. With them is the Managing Director, Tea Board of Kenya, Mrs. Sicily K. Kariuki.



From right: Dr. Kipchoge Keino, Chairman National Olympic Committee of Kenya (NOCK), Sicily K. Kariuki (Mrs.), Managing Director, Tea Board of Kenya, Female winner of the 21 Km race, Ms. Caroline Cheptanui, Male winner for the 21 Km race, Mr. Josphat Bett, Toyota Kericho (Cad Motors) representative, Ms. Jill Ondigo, Head of Production, Ketepa, Mr. Collins Cheruiyot and the Chairman of TBK, Mr. Titus G. Kipyab pose for a photograph after presentations of the Chai Ni Afya Marathon.



The National Olympic Committee Chairman, Dr. Kipchoge Keino presents a dummy cheque worth 250,000/= to the female winner of the Chai Ni Afya Marathon, Ms. Caroline Cheptanui.



TBK staff member, Hannah Wairimu, demonstrates how to extinguish fire during a training on Fire Fighting Skills at TBK headquarters. Looking is the trainer from the Ministry of Public Works and TBK staff.

A section of TBK Management staff during a recent training session



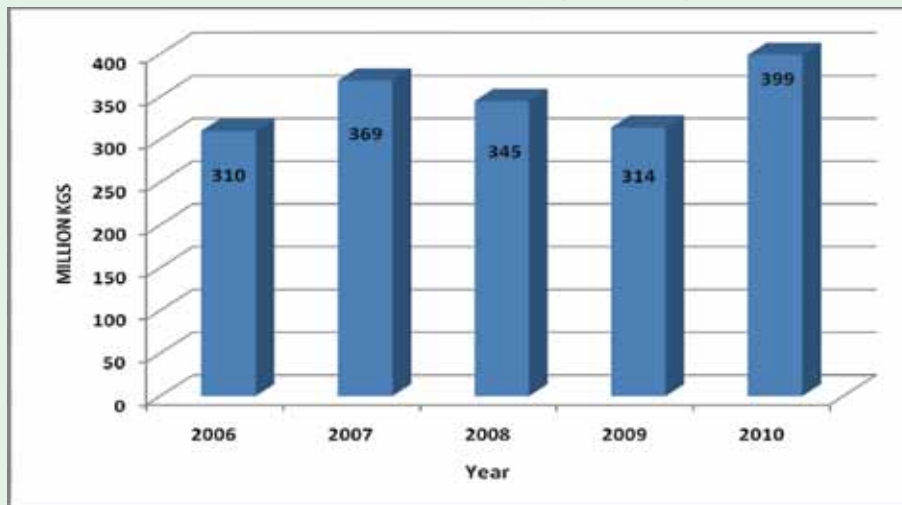
A section of stakeholders during a forum hosted by TBK in Embu



From left: Director of Agribusiness Division in the Ministry of Agriculture, Mr. Humphrey Mwangi, Kenya's Ambassador to the United Arab Emirates (UAE), H.E. Mr. Mohammed Gello, Head of Marketing for Sony Sugar, Ms. Jane Odhiambo, Senior Assistant Director in the Ministry of Agriculture, Mrs. Monica Mueni and Trade & Promotion Executive for Tea Board of Kenya, Mr. C. Wekesa (standing) in consultations during the Gulf Food Festival in Dubai.

2011 off to a Modest Start

Five Year Production Trend (2006-2010)



The tea industry has been off to a modest start in 2011 with January and February recording relatively lower production compared to the record-breaking 2010. Projections indicate that 2011 might not reach the same levels of production as 2010 owing to dry weather conditions experienced in tea growing areas in the first two months of the year, which caused a dip in production compared to the same period last year. Incidences of frost were also reported in some parts of the West of Rift tea growing region. Production dropped by 1.7 Million Kgs (4.5%) in January from 37.7 Million Kgs recorded during the corresponding month in 2010 to 35.9 Million Kgs. Production declined by 8.1 Million Kgs (23%) in February from 34.8 Million Kgs recorded in February 2010 to 26.7 Million Kgs.

22 Million kgs of Kenyan tea was sold through Mombasa Auction in January. This was 3% lower compared to 22.6 Million kgs recorded in January 2010. Consequently, the average price for Kenyan tea at the Auction was higher at USD 3.18 per Kg compared to USD 3.0 recorded during the same month last year. Due to political unrest in North Africa and Middle East which temporarily disrupted the flow of exports, Auction sales went down slightly in February to stand at 21.4 Million kgs while the average price for Kenyan tea dropped slightly to USD 3.07. The sales volume was 15% higher compared to 18.7 Million kgs recorded in February 2010. However, the average prices for the month of February were lower compared to USD 3.13 recorded in February 2010.

Owing to lower production coupled with political unrest in some

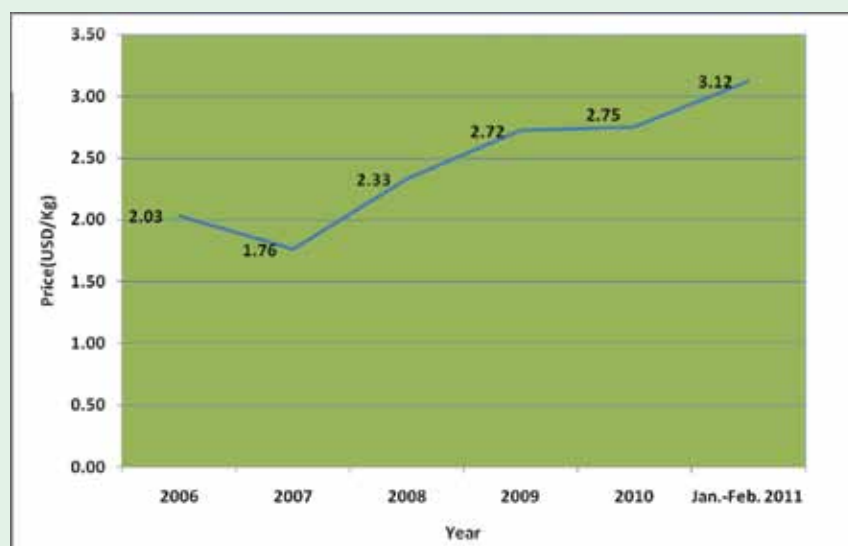
markets, the country exported 65.8 Million Kgs, which was 11 Million Kgs less compared to 76.8 Million Kgs exported during the same period of 2010.

Local tea consumption for January 2011 dropped marginally from 1.43 Million Kgs recorded in January 2010 to 1.36 Million Kgs. It, however, increased marginally in February 1.31 Million Kgs recorded in February 2010 to 1.59 Million Kgs.

Production is expected to pick up during the months of March-May on the account of the "long rains". Prices are also expected to remain fairly stable.

Record performance was registered in 2010 with production reaching an all-time high of 399 million Kgs and earnings of Kshs. 97 billion, making the industry the lead foreign exchange earner.

Trend in Average Auction Prices (2006-Jan.-Feb. 2011)





PS urges industry to tap region's Common Market

In this interview with **Tea News**, Ministry of East African Co-operation Permanent Secretary **Mr. David Nalo** sheds light on how Kenya's tea industry stands to gain. Excerpts.

MEAC has also identified sensitization as a key thematic area under its Phase One Rapid Results Initiative. The ministry has undertaken an ambitious initiative to carry out sensitization in 24 counties in the next 100 days.

Q. Your advice to the tea industry on how to make the most of the regional integration process?

The need to know and understand the opportunities and the benefits the integration presents is critical for the industry. It is also important to notice that intra-EAC trade now is at 11 per cent while trade between Northern and Southern America stands at 46 per cent and 55 per cent in the case of Asia. This means expanding investments, in an effort to build a region that produces and exports so that it remains an active player in the international market.

Tea is a major export commodity in the EAC. It is also a major employer particularly in the farming, marketing, transport and retailing levels. Opportunities for investment exist in tea plantations, processing and packaging for both domestic and export markets especially under Bond and Export Processing Zones Schemes.

A regional tea firm would have access to tea produced from five countries, rather than being reliant on a single country origin of tea. Furthermore, development of a regional market for tea consumption would reduce the problem of shelf-life.

Regional integration will speed up transportation and reduce costs thanks to the East African Transport Master Plan, particularly for landlocked countries such as Uganda.

Finally, regional production would take place on a much larger scale and the region would acquire more weight in the international market.

Promoting a regional consumption of tea produced within EAC will help protect against global price volatility and economic fluctuations. Consumption in the EAC is certainly increasing, but from a very low starting point. Furthermore, regional cooperation will help producers take advantage of growing markets, such as China and India, through economies of scale and increased marketing of EAC as a whole.

Q. Your closing remarks?

We must remain engaged with the integration process and exploit it. Technological advancements have made the world so flat that if you remain alone you will have no space in the international financial market.

Q. Put Kenya's trade with fellow East African Community (EAC) members in perspective.

The EAC was re-established in 1999 with the signing of the EAC Treaty and came into force in 2000. The protocol on the establishment of the EAC Customs Union was signed by the Heads of State of Kenya, Tanzania and Uganda in 2004 and launched on 1st January 2005. Burundi and Rwanda joined on 6th July 2009.

Since the establishment of the Customs Union, Kenya's intra-EAC trade has been on the increase. In 2005 Kenya's exports to the EAC stood at USD 974.3 million and in 2008 it stood at USD 1.2134 billion. Kenya's imports from the rest of EAC in 2005 stood at USD 61.5 million and increased to USD 182 million in 2008.

Q. Specifically, how does Kenya's tea industry stand to benefit?

First, there is increased market size. Integration is creating an opportunity for a bigger market because now there are over 130 million people who make up EAC. Furthermore, there is increased intra-regional trade that is underscored by free movement of goods.

The four freedoms presented of goods, services, labour and capital will encourage linkages and co-operation between firms in the region.

Q. What is your ministry doing to create awareness in the key economic sectors on the provisions of the Protocol?

We are continuously engaging the public and private sectors in the hope of working together to improve, and not hinder, integration. Our Ministry has developed a Communications Policy and Strategy Handbook 2011. The purpose of this strategy is policy framework to reach all stakeholders. We plan to undertake a comprehensive awareness and sensitization programme on EAC matters. The ministry has also successfully reorganized its structure and recruited additional 38 regional integration officers to ensure successful implementation of the MEAC Strategic Plan.



Tapping into a Strong Culture for Enhanced Service Delivery

Tea Board of Kenya (TBK) continues to discharge its mandate to the tea industry with dedication and diligence. Since implementation of the Government's Performance-based Management, TBK has consistently attained a score of "very good" on the account of delivering to the expectations and requirements of stakeholders.

However, it is not the desire of TBK to remain at the same level but to build on this strong cultural platform as it facilitates the industry to grow further. It will seek to exploit the opportunity for "excellent" score for the benefit of the industry.

The initial assignment is to audit the current organizational culture with a view to identifying the strong features and reinforcing their value. The audit process involves all staff members who will be given an opportunity to participate in self-reassessment and appreciation of the strong values on which the organization is founded.

The cultural enhancement initiative is meant to enhance awareness of the Board's values and to remind everybody in the organization on the need to continue living by them.

Human Resource Executive, Nelly Mulema, explains

that TBK's culture is guided by the corporate values of customer focus, prudence, transparency, creativity and innovation, as well as integrity and fairness. These values have endeared TBK towards success and positive relations with stakeholders.



Every organization, Nelly says, has its own unique culture (and sub-cultures) in the same way that individuals have personalities. The enormous potential for natural development and creativity inside all organizations is contained and channeled by such cultural orientation.

The end objective of the process is to harmonize capacities inherent in our human resources, physical resources, technological innovations, environmental interactions, global interactions and dynamics dictated by expectations from our stakeholders. The underlying fact is that human

resources and behavior forms the strongest link in the service delivery chain. The success of all other factors and their optimum utilization for delivery can only be guaranteed on the basis of a strong human resource platform.

As we set out to build on the strong cultural foundation, our stakeholders can confidently look forward to receiving the best possible service.



Through the decades, Ketepa has grown from producing the finest blends of world-class tea to become an innovative market leader. A heritage of flavour you enjoy with every refreshing sip.

quality products from



Upcoming Events (April – June 2011)

Local Events

1. Beach Party – Pirates Beach, Mombasa – 23rd April 2011
2. Kakamega ASK Show

International Events

1. Trade Missions in Iran, Jordan and Saudi Arabia
2. Food and Agricultural Organization-Inter-Governmental Group (FAO-IGG) on Tea Working Group – Mombasa, Kenya – 18th and 19th July 2011

Note: Specific details will be communicated to stakeholders at an appropriate time.

Agricultural Produce Cess

Supporting infrastructure in tea growing areas



Agricultural Produce Cess is a levy on agricultural produce collected and utilized as provided for under the Agricultural Act Cap 318 Section 192 (A) Sub-section 1 and the Local Government Act Cap 265 of the Laws of Kenya. This law provides for the Minister for Local Government, with consent of the Minister for Agriculture to impose a cess (levy) at an agreed percentage rate of the gross produce value purchased from an owner within the jurisdiction of Local Authority (Council).

The cess so levied is for use in maintaining roads and other services within a specific Local Authority, related to the sectors in respect of which such monies are levied.

Currently cess is levied on a wide range of agricultural produce at the rate of 1% of the gross income on produce purchased from owners. Such produce include, tea, coffee, wheat, maize, cashew nuts, pyrethrum, sisal, sugar cane, cotton, tobacco and barley.

With respect to Agricultural Produce Cess on Tea, Tea Board of Kenya (TBK) is the appointed collecting agent for the industry. TBK's responsibility is to receive the cess due from producers and channel it to the respective local authorities and District Tea Cess Committees.

It is the responsibility of respective District Tea Cess Committees and Local Authorities, which receive 80% and 20% of collected cess respectively, to execute roads maintenance programmes and provision of other services for which the monies are intended.

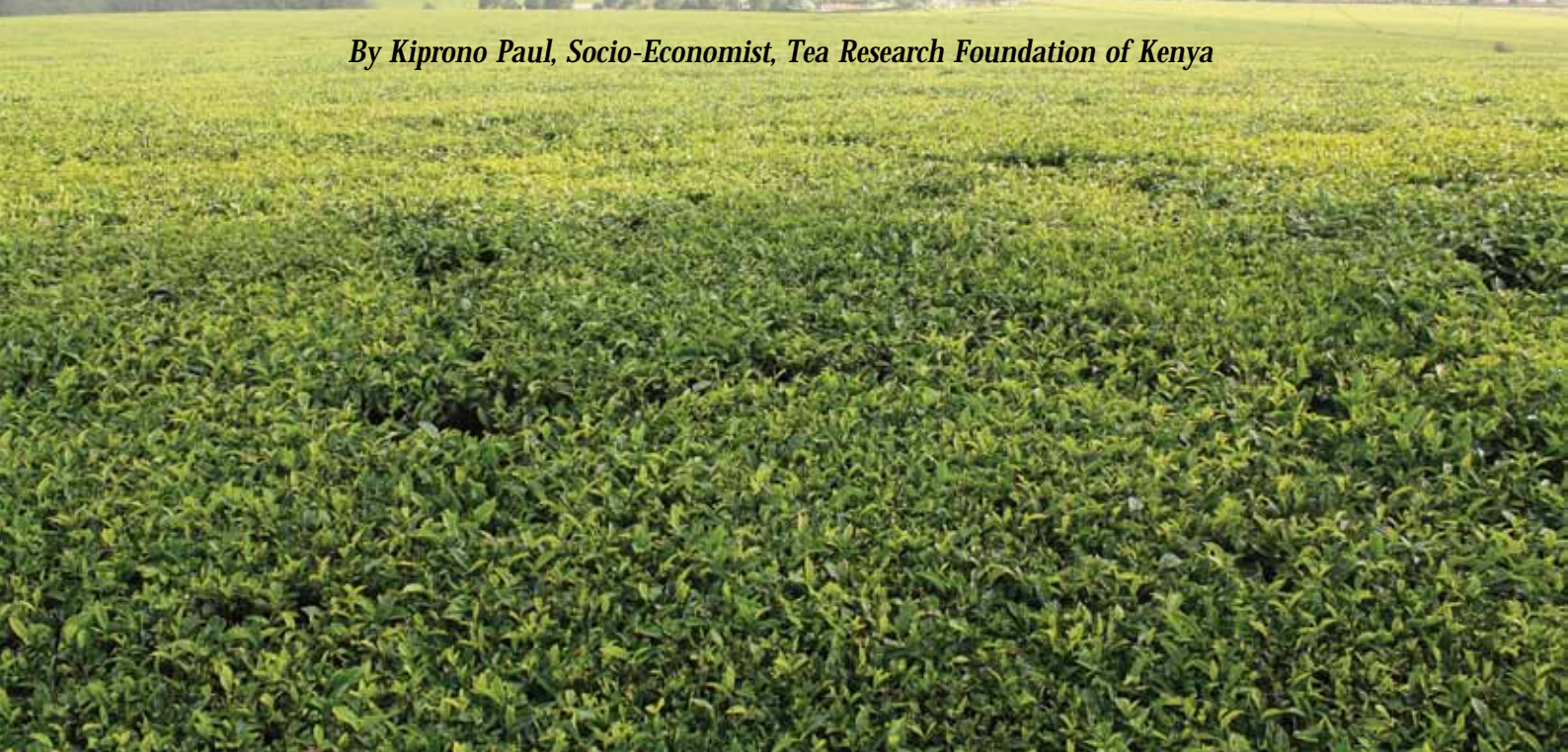
The District Tea Cess Committees submits reports to TBK on quarterly basis indicating how the monies have been utilized.

The cess has assisted the tea stakeholders to maintain the roads enabling timely deliver tea to factories and thereby ensuring maintenance of high quality tea in tea processing.

A total of Kshs. 241.4 million was collected during the financial year 2009/10

Getting it right on tea growing economics

By Kiprono Paul, Socio-Economist, Tea Research Foundation of Kenya



Rural areas hold the greatest potential for lifting living standards in the country. The majority of Kenya's population lives here and this is where agriculture is practiced. Agriculture not only provides incomes to rural populations but is also the foundation for agro-based industries that employ millions in urban centres.

The Kenya tea sub-sector has contributed significantly to the redistribution of incomes through creation of new productive capacity in many parts of the country. Tea provides meaningful, all-year-round employment to thousands of farmers. Besides providing livelihood to farmers, it is also a source of employment in tea factories, collection and transport networks all the way to the auction. Tea injects millions of shillings annually into rural areas where alternative opportunities for off-farm employment are few.

It is, however, important to note that productivity is not uniform in the growing regions or from shamba to shamba. Output varies, depending on a host of factors.

Tea production is a function of a combination of several inputs which include land, number of bushes planted and their age, labour availability and its utilization, plucking cycle, proximity to the collection or buying centre, rainfall and soil conditions (fertility and the level of alkalinity or acidity) and general tea husbandry.

Tea husbandry comprises optimum preparation of land before planting, correct spacing of plants, provision of adequate shade/mulch for young tea as well as correct pruning procedures and fertilizer application.

The number of bushes planted and the maturity duration also constitute critical factors in productivity. Research shows that it takes 9-10 years for a tea plant to attain maturity and reach maximum production.

Labour and fertilizer complete the chain of important factors of production. These two constitutes the biggest portion of production costs and their utilization has the greatest impact on productivity. Nitrogenous fertilizers are widely used to increase tea production.

Actual utilization, however, differs from one region to another in the small scale sector of the industry with some farmers applying nil and others applying up to 400kg per hectare per year. This has led to both underuse and over-use which has greatly affected farmers' profit margins. Agronomic and economic optimum for Nitrogen fertilizer has previously been determined for tea under experimental conditions. Besides diminished returns, long-term over-use of Nitrogen fertilizer also causes soil degradation and environmental pollution.

The challenge in the tea growing areas is to deploy sustainable methods of soil fertility management to curb degradation. The Tea Research Foundation of Kenya (TRFK) provides recommendations for appropriate fertilizer application and is continuously engaged in seeking for new approaches that can easily be adopted by farmers.

Previous approaches have focused on optimizing yield as opposed to maximizing efficient use of the scarce inputs. Ultimately, positive results will be achieved through adoption of a more developed soil fertility management regime targeted at specific clones, considering that different clones have unique fertilizer requirements for improved productivity and better returns.

While farmers require continuous sensitization on appropriate and efficient methods of production, it is important to note that careful nurturing of the young tea plant is critical as a basic requirement.

The potential of efficiency starts in the pre-planting phase and continues right through to the plucking phase. The importance of management in tea operations has been consistency stressed. Several avenues for improving farmers' welfare that target

maximization of returns from tea enterprise exist. The factors that may be targeted for improved returns of tea enterprises include improved tea productivity, maximizing on productivity of available household labour, and improved green tea prices. The latter, though, is an external variable when it comes to analysis of tea economics.

Farm enterprises can diversify to maximize on resource use. Tea growers need to increase investment in their tea to achieve high productivity resulting in improved earning. This will in turn improve household welfare. Another option is to increase acreage under tea although this may not be applicable where land sizes have shrunk. Tea farm productivity could also be improved through adoption

of high yielding cultivars and recommended tea management practices.

Rational enterprise selection is very important. Tea is known to react negatively to environmental stress. It is therefore important for a farmer to carefully consider the suitability of a specific plot for tea

growing. Tea does very poorly in marginal areas. The famous "brown" line should be observed by tea growers because this clearly marks areas within which tea does well with minimal environmental stress. With global warming the brown line will continue to shrink in lower zones and expand to formerly higher zones traditionally not recommended for tea, a caution here because frost bites are known to cause disastrous effects to tea grown in high altitudes.

Farmers should seek technical advice from tea experts before planting tea in areas outside the brown line where other enterprises would perform better. Agricultural experts can identify these enterprises according to productivity and profitability.



A TRFK officer educates tea farmers



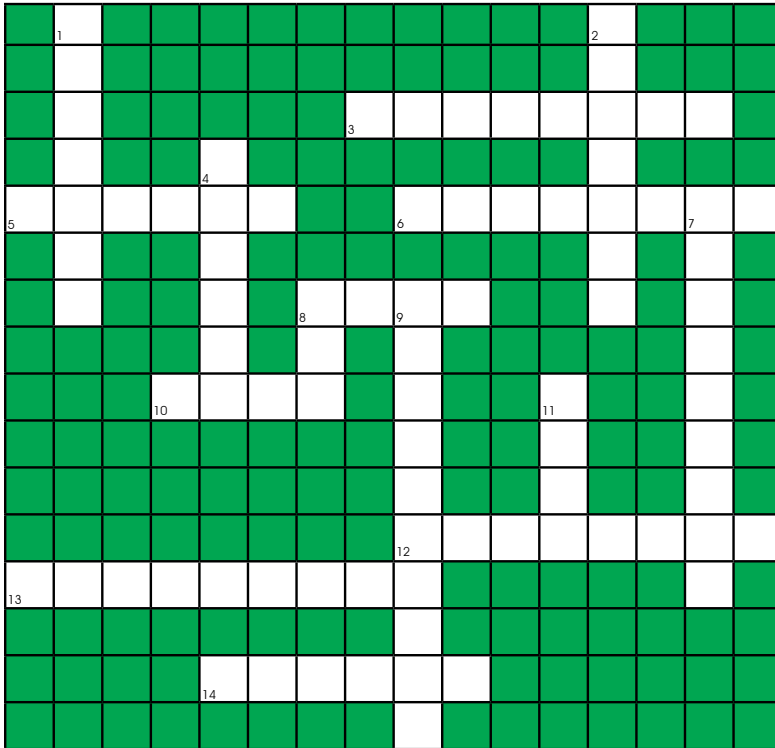
Did You Know?

- 1 Tea is believed to have been accidentally discovered in China, in 2737 BC, by Emperor Shen Hug, when some tea leaves fell into his pot of boiling water.
- 2 The first Tea (*Camellia sinensis*) seedlings were introduced to Kenya from India by one G.W.L Caine in 1903. The first tea bushes have now grown into big trees at the site currently occupied by Unilever's Mabrouki Tea Estate in Limuru.
- 3 Commercial cultivation of tea in Kenya began in 1924?
- 4 Over 49 tea varieties have been developed by the Tea Research Foundation of Kenya (TRFK)?
- 5 The total planted area globally is about 3.5 million hectares
- 6 There 36 tea growing nations in the world. Kenya is the third largest producer.
- 7 A total of about 34 billion Kgs of made tea were produced globally between 2000-2009
- 8 Tea is the most consumed beverage in the world, second only to water.
- 9 Tea contains catechins, a type of antioxidants which has been found to reduce people's risk of heart disease, stroke and diabetes.
- 10 Tea is a natural source of fluoride and delivers 45% of daily requirements if one takes 3 to 4 cups daily
- 11 An average of 165 million cups of tea is consumed in the UK daily. This translates to about 60 billion cups per year.



Sources: Tea Board of Kenya, International Tea Committee statistics, UK Tea Council

CROSSWORD



TEA QUOTES

"If you are cold, tea will warm you; if you are too heated, it will cool you; if you are depressed, it will cheer you; if you are excited, it will calm you"

"Thank God for tea! What would the world do without tea! How did it exist? I am glad I was not born before tea."

-William Gladstone, British Prime Minister.

(Source: <http://www.tealand.com>).

TEA JOKES...

1. What does a teapot say to her hairdresser?
Don't teas
2. Why must you be careful of tea at night?
Because it might mug you.
3. Why did the teapot get in trouble?
Because he was naughtea.

Across

3. The primary player in the tea industry value chain
5. Professional responsible for ascertaining key tea quality properties
6. A tea firm in the East of Rift awarded for top local sales growth during the 5th National Tea Drinking Day/Awards ceremony for the tea industry last year
8. Acronym for institution responsible for tea research in Kenya
10. Acronym for institution responsible for managing smallholder subsector
12. Number of smallholder factories in Kenya
13. Total number of tea factories in the West of Rift tea growing region of Kenya
14. Tea industry value chain player connecting producers and buyers

Down

1. Country with highest per capita tea consumption
2. Facility for manufacturing tea
4. The legal mandate establishing Tea Board of Kenya
7. Tea firm in the East of Rift awarded for value addition during the 5th National Tea Drinking Day/Awards ceremony for the tea industry last year
8. The most popular beverage in the world
9. Number of tea export destinations for Kenya tea in 2010
11. Processed tea grade with the smallest particles

Across: 1. Ireland; 2. Factory; 3. Taster; 4. TeaAct; 5. Nigongo; 6. TRFK; 7. Goldcorp; 8. TRFK; 9. FortSeven; 10. KIDA; 11. Dust; 12. Sixtytwo; 13. Fiftynine; 14. Broker

TEA RECIPE

Almond Tea



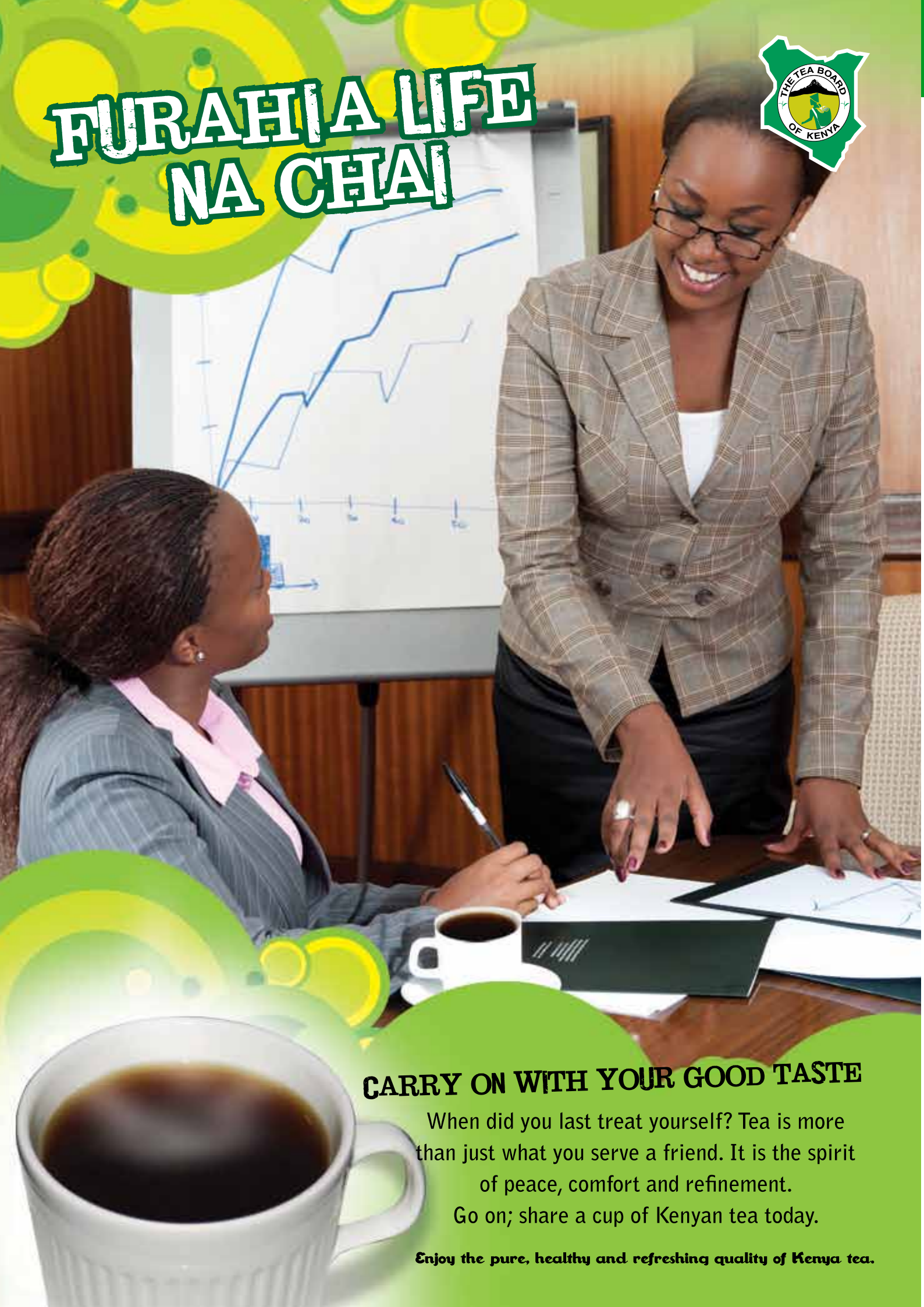
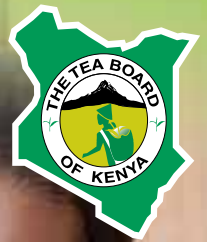
Ingredients

- 1 tsp loose tea
- 4 cardamom pods, bruised
- 1 small cinnamon stick, broken up
- Saffron threads, a pinch
- 4 cups of water
- 2 tsp finely powdered almonds Honey to taste

Method

1. Mix everything except honey and almonds in a saucepan and bring to a boil
2. Reduce heat to a simmer and let tea steep for 5 minutes
3. Put a teaspoon of almonds in the bottom of each cup, and pour hot tea over
4. Sweeten with honey to taste

FURAHIA LIFE NA CHAI



CARRY ON WITH YOUR GOOD TASTE

When did you last treat yourself? Tea is more than just what you serve a friend. It is the spirit of peace, comfort and refinement.

Go on; share a cup of Kenyan tea today.

Enjoy the pure, healthy and refreshing quality of Kenya tea.