# KENYA TEA INDUSTRY PERFORMANCE HIGHLIGHTS FOR 2009 AND OUTLOOK FOR 2010

## PRODUCTION

Tea production for the year 2009 stood 314 Million Kgs, 9% lower compared to 345 Million Kgs recorded in 2009.

Lower output for year 2009 was due to prolonged dry weather conditions experienced in tea growing regions East of Rift during the first quarter of the year and poorly distributed rainfall during the second quarter of the year. Consequently, output within the East of Rift dropped by 25% from 145 million Kgs recorded in the year 2008 to 108 million Kgs. However, tea output in the West of Rift recorded marginal increase of 3% in production from 200 million Kgs recorded in the year 2008 to 205 million Kgs.

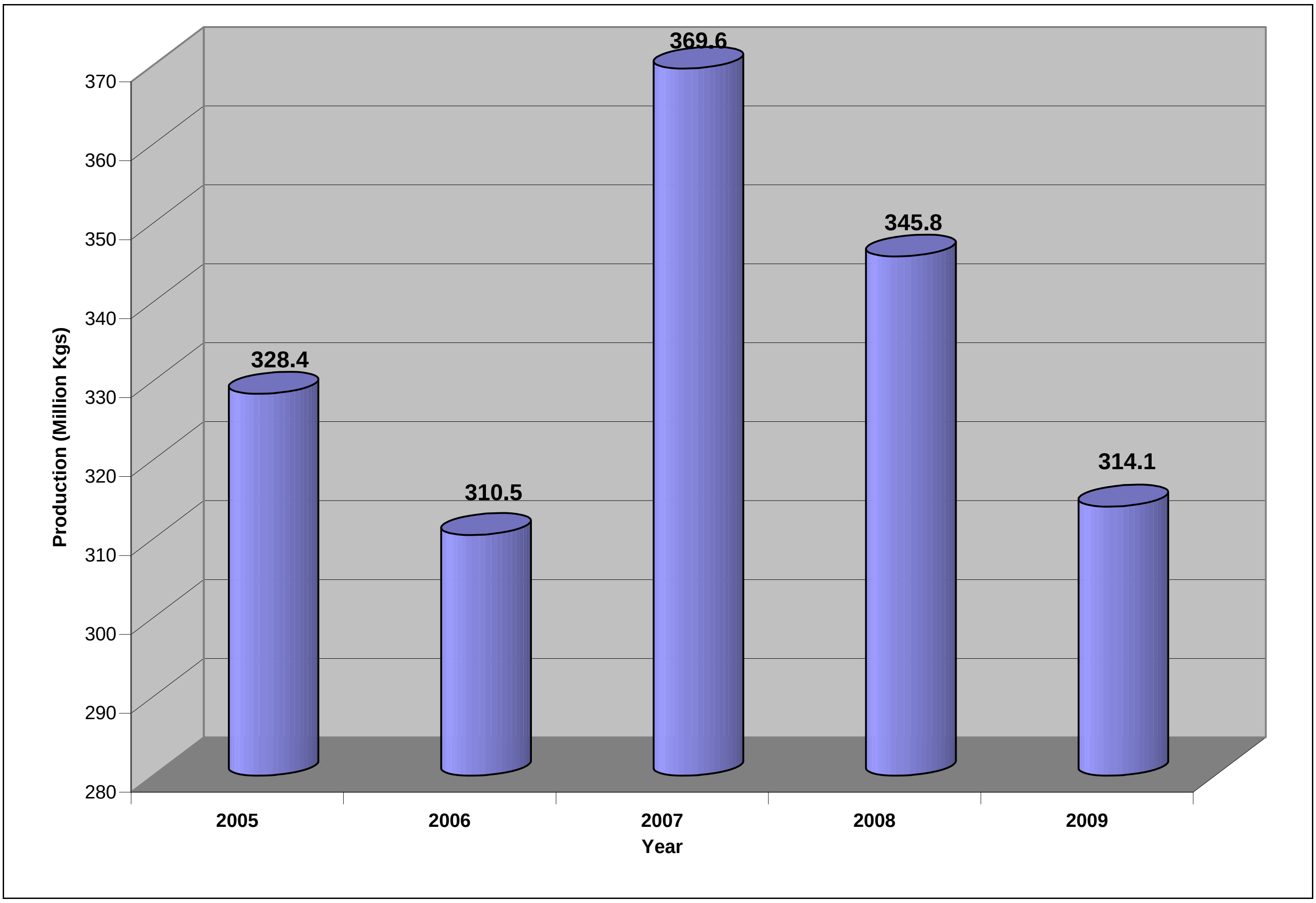
Due to adverse weather conditions in the East of Rift, production within the Smallholder Sub-sector, which has a wider coverage within the region recorded a drop 18% from 210 million Kgs registered in 2008 to 172 million Kgs. However, the Plantation sub-sector registered a 5% increase in production from 134 million Kgs to 141 million Kgs. Out of the total tea production, the smallholder sub-sector contributed about 55% while the Plantation sub-sector contributed 45%.

**Table 1: Production by Sector and Region (2009 vis-à-vis 2008)**

| Sector | Region | YEAR 2009 | YEAR 2008 | Variance | Var.(%) |
|---|---|---|---|---|---|
| Plantation | West of Rift | 128,316,909 | 117,996,420 | 10,320,489 | 9% |
| | East of Rift | 13,276,401 | 16,996,439 | - 3,720,038 | -22% |
| | **Total** | **141,593,310** | **134,992,859** | **6,600,451** | **5%** |
| | | | | | |
| Smallholder | West of Rift | 77,412,256 | 82,179,901 | - 4,767,645 | -6% |
| | East of Rift | 95,192,805 | 128,674,070 | -33,481,265 | -26% |
| | **Total** | **172,605,061** | **210,853,971** | **-38,248,910** | **-18%** |
| | | | | | |
| Plantation & Smallholder | West of Rift | 205,729,165 | 200,176,321 | 5,552,844 | 3% |
| | East of Rift | 108,469,206 | 145,670,509 | -37,201,303 | -26% |
| | **Total** | **314,198,371** | **345,846,830** | **-31,648,459** | **-9%** |

The total tea production for the year 2009 was the second lowest that the industry has recorded in the last five years. In addition, Kenya tea production has been on a declining trend since the year 2007.

**Figure 1: Five-Year Production Trend**




From the global perspective, World tea production for 2009 fell short of the output for 2008 by about 70 Million Kgs owing to the unfavourable weather condition across major tea growing countries during the first half of the year.

Among the major tea producers, Sri Lanka, whose tea production is predominantly Orthodox, was the worst affected. The country (Sri Lanka) registered 11.8% (35.4 Million kgs) lower crop for the period up to November. Amongst the black CTC tea producers, Kenya's production for the year 2009 was lower by 9% (31.6 Million kgs) while India's production for the period up to November recorded a marginal decline of about 0.14 per cent (1.3 Million kgs). Indonesia recorded a drop of 2.6% (1.9 Million kgs). On the other hand, Malawi recorded a higher production of 15% (6.10 Million kgs) for the period ending November 2009 while Bangladesh recorded an increase of 1% (0.58 Million kgs).

**Table 2: World Tea Production by Major Producers (in millions of kgs)**

| Country | Period | 2009 | 2008 | +/- | %+/- |
|---|---|---|---|---|---|
| **Kenya** | Jan-Dec. | 314.1 | 345.8 | -31.6 | -9% |
| **India** | Jan-Nov. | 920.9 | 922.2 | -1.3 | -0.1% |
| Sri Lanka | Jan-Nov. | 263.8 | 299.2 | -35.4 | -11.8% |
| Malawi | Jan-Nov. | 44.9 | 38.8 | 6.10 | 15.7% |
| Indonesia | Jan-Nov. | 70.2 | 72.1 | -1.9 | -2.6% |
| Bangladesh | Jan-Dec. | 59.2 | 58.7 | 0.58 | 1.0% |

## TEA SALES

### AUCTION

During the year (2009), 203 Million kgs of Kenyan tea was sold through Mombasa Auction. The volume sold through the Auction was 12% lower compared to 227 Million kgs sold during the same period in 2008. This was also the lowest auction sales volume to be recorded over a period of five years owing to lower tea supplies occasioned by dry weather conditions. During the year, the average tea prices was higher at USD 2.72 per Kg compared to USD 2.33 recorded in 2008. Prices for the year were also the highest to be recorded in close to two and a half decades. However, tea prices recorded in all Auction centres world-wide were significantly higher compared to the previous years. During the year, Sri Lankan tea recorded the highest average Auction prices of about 2.88 USD per Kg.

**Table 3: Kenya Tea Auction Sales 2009 vis-à-vis January- Sept. 2008**

| | 2009 | | 2008 | | 2007 | | 2006 | | 2005 | |
|---|---|---|---|---|---|---|---|---|---|---|
| **MONTH** | **Vol. Million Kgs.** | **Value USD/Kg** | **Vol. Million Kgs.** | **Value USD/Kg** | **Vol. Million Kgs.** | **Value USD/Kg** | **Vol. Million Kgs.** | **Value USD/Kg** | **Vol. Million Kgs.** | **Value USD/Kg** |
| JANUARY | 19.1 | 2.33 | 17.4 | 2.28 | 26.6 | 1.79 | 24.7 | 1.77 | 27.0 | 1.59 |
| FEBRUARY | 17.6 | 2.29 | 18.2 | 2.47 | 22.3 | 1.75 | 12.6 | 2.24 | 16.3 | 1.56 |
| MARCH | 22.6 | 2.31 | 15.8 | 2.23 | 22.8 | 1.70 | 10.8 | 2.11 | 23.0 | 1.55 |
| APRIL | 11.2 | 2.42 | 23.3 | 2.31 | 23.6 | 1.65 | 8.6 | 2.10 | 20.6 | 1.52 |
| MAY | 15.6 | 2.49 | 16.9 | 2.30 | 27.1 | 1.65 | 26.7 | 2.14 | 24.8 | 1.49 |
| JUNE | 22.4 | 2.70 | 22.1 | 2.43 | 26.6 | 1.75 | 21.1 | 2.22 | 18.4 | 1.48 |
| JULY | 14.8 | 2.90 | 20.0 | 2.55 | 24.4 | 1.74 | 23.8 | 2.25 | 20.7 | 1.54 |
| AUGUST | 16.8 | 3.02 | 13.4 | 2.75 | 15.3 | 1.75 | 12.2 | 2.15 | 16.3 | 1.62 |
| SEPTEMBER | 12.9 | 3.18 | 15.6 | 2.70 | 12.3 | 1.87 | 16.3 | 1.93 | 11.0 | 1.64 |
| **OCTOBER** | **14.7** | **2.79** | **20.2** | **2.29** | **20.4** | **1.87** | **23.2** | **1.81** | **18.2** | **1.64** |
| **NOVEMBER** | **17.1** | **3.05** | **20.9** | **1.82** | **21.6** | **1.80** | **22.5** | **1.79** | **22.4** | **1.56** |
| **DECEMBER** | **18.6** | **3.21** | **23.7** | **1.88** | **18.6** | **1.85** | **16.6** | **1.79** | **16.3** | **1.61** |
| **Total/Average** | **203.4** | **2.72** | **227.5** | **2.33** | **261.6** | **1.76** | **219.1** | **2.03** | **235** | **1.57** |

## EXPORTS

During the year 2009, the total export volume for the year stood at 342 million Kgs, which was 10% lower compared to 383 million Kgs recorded in the year 2008 while the total export earnings increased by 11% from K.sh 62 Billion to K.sh 69 Billion.

Lower export volume and improved earnings for the year were largely attributed to lower tea supplies occasioned by prolonged drought that was experienced in tea growing regions. Improved earnings were also attributed to favourable exchange rate. During the year, the Shilling exchanged to the USD at a rate of Kshs. 76 compared to Kshs. 69 in the year 2008.

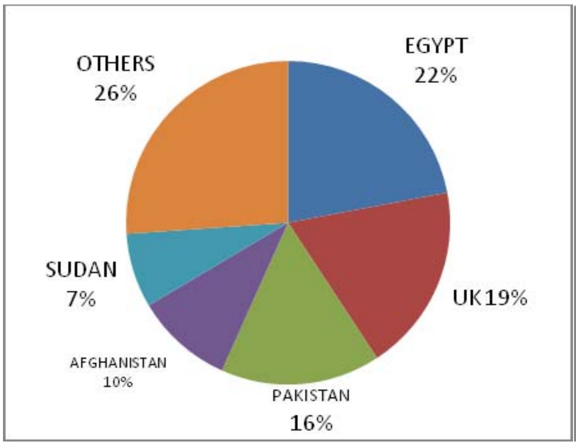
During the year, Kenya tea was shipped to forty seven (47) export destinations compared to forty nine destinations in the previous year. Egypt maintained the leading export destination for Kenyan tea for the second year in a row. The country imported 75 million Kgs of tea from Kenya, which accounted for 22% of Kenya's tea export volume.

Other key export destinations for Kenyan tea included UK which imported 64 million Kgs. Pakistan (54 million Kgs), Afghanistan (33 million Kgs), and Sudan (25 million Kgs). The five export destinations accounted for 73% of Kenya tea export volume. Amongst the five export destinations, Afghanistan and Sudan were the only markets that recorded growth in Kenya tea export at 29% and 10% respectively. The significant growth in Kenya tea exports to Afghanistan was attributed to increased smuggling of tea to Pakistan through Afghanistan under the pretext of Afghan Transit Trade Agreement (ATTA). Increased exports to Sudan were due to increased seasonal demand.

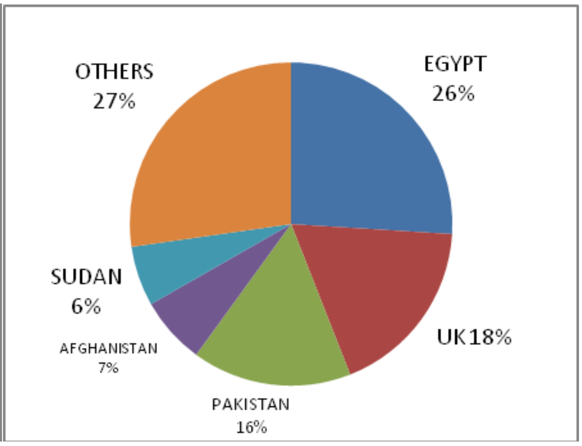
Most of the other export destinations registered lower export volume owing to less demand occasioned by higher tea prices.

**Figure 1: EXPORTS JAN-DEC 2009 COMPARED TO JAN.-DEC. 2008**

**2009 EXPORTS**




**2008 EXPORTS**



## LOCAL CONSUMPTION

The local tea consumption for 2009 stood at 18.1 million Kgs, 4% higher compared to 17.3 million Kgs recorded inn 2008. The increase in local tea consumption is due to local generic promotion campaign by the Board aimed at sensitizing consumers on the health benefits associated with tea consumption. The increase was also attributed to Brand promotion by the tea Packers.

## OUTLOOK FOR 2010

Though there was a world production shortfall of about 70 Million Kgs in the year 2009 compared to the 2008, most of the tea producing countries started experiencing production recovery towards the end of the year. The World Tea Production for 2010 is therefore expected to reach 3.90 Billion Kgs, 5% higher than the 3.72 Billion Kgs projected for 2009 and 3% higher than 3.80 Billion Kgs recorded in 2008.

During the first quarter of 2010, it is expected that North India-which accounts for over 70% of India tea production, and Bangladesh will experience less crop compared to the last quarter of 2009 owing to the winter season currently being experienced within Asia. Kenya's tea production for the year 2010 is projected to reach 358 Million Kgs, 14% higher than the output for 2009, which stood at 314 Million Kgs. It will also be slightly higher by 4% compared the production of 345 Million Kgs recorded in 2008. Kenya's export volume is expected to increase from 342 Million Kgs recorded last year to about 370 Million Kgs. However, the Kenya tea export earnings for the year 2010 are expected to increase marginally to K.sh 70 Billion from K.sh 69 Billion recorded in 2009.

**Table 5: Five-year monthly Tea Production Trend and Projection for 2010**

| MONTH | 2010 PROJECTION | MONTHLY PRODUCTION 2009 KGS | MONTHLY PRODUCTION 2008 KGS | MONTHLY PRODUCTION 2007 KGS | MONTHLY PRODUCTION 2006 KGS | MONTHLY PRODUCTION 2005 KGS |
|---|---|---|---|---|---|---|
| JANUARY | 37,919,460 | 25,483,959 | 29,744,705 | 41,606,370 | 17,939,420 | 34,116,412 |
| FEBRUARY | 26,543,622 | 21,538,820 | 24,094,407 | 34,838,829 | 11,674,911 | 25,839,538 |
| MARCH | 18,580,535 | 18,778,934 | 16,916,398 | 32,256,492 | 19,856,443 | 24,846,222 |
| APRIL | 27,414,945 | 18,342,800 | 27,414,945 | 30,671,659 | 30,421,963 | 29,115,120 |
| MAY | 36,401,819 | 29,802,723 | 36,401,819 | 32,075,200 | 26,446,579 | 28,781,242 |
| JUNE | 22,816,841 | 25,336,697 | 22,816,841 | 27,333,181 | 27,795,116 | 24,045,399 |
| JULY | 24,239,153 | 21,510,306 | 24,239,153 | 22,742,136 | 23,753,068 | 20,844,891 |
| AUGUST | 24,493,834 | 21,230,696 | 24,493,834 | 22,752,165 | 23,211,740 | 21,789,639 |
| SEPTEMBER | 32,060,588 | 27,434,477 | 32,060,588 | 28,952,710 | 28,647,545 | 26,977,861 |
| OCTOBER | 35,306,876 | 32,759,545 | 35,306,876 | 35,209,644 | 34,773,033 | 32,258,551 |
| NOVEMBER | 34,405,579 | 35,865,643 | 34,405,579 | 32,336,151 | 31,658,283 | 30,080,980 |
| DECEMBER | 37,921,685 | 36,113,771 | 37,921,685 | 28,831,639 | 34,399,941 | 29,801,769 |
| TOTAL | **358,104,936** | **314,198,371** | **345,816,830** | **369,606,176** | **310,578,042** | **328,497,624** |

**Table 6: Projected Performance for 2010 Vis-à-vis Actual Performance for 2009**

| | | **Projection for Year 2010** | **Actual for Year 2009** | **Variance** | **% Var** |
|---|---|---|---|---|---|
| Production | | 358,186,142 | 314,198,371 | 43,987,771.94 | 14% |
| Auction | Volume Sold (Kgs) | 244,957,201 | 204,053,554 | 40,903,647 | 20% |
| | Unit Price (USD) | 2.50 | 2.73 | -0.23 | -8% |
| Exports | Volume Sold (Kgs) | 370,983,832 | 342,481,547 | 28,502,285 | 8% |
| | Earnings (Ksh) | 70,856,448, 937 | 69,603,265,869 | 1,262,183,068 | 2% |
| | | | | | |
| Local Consumption | Volume (Kgs) | 19,125,831 | 18,101,937 | 1,023,894 | 6% |

**Sicily K. Kariuki (Mrs.) M.B.S.**

MANAGING DIRECTOR

THE TEA BOARD OF KENYA

20th January 2010