

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.

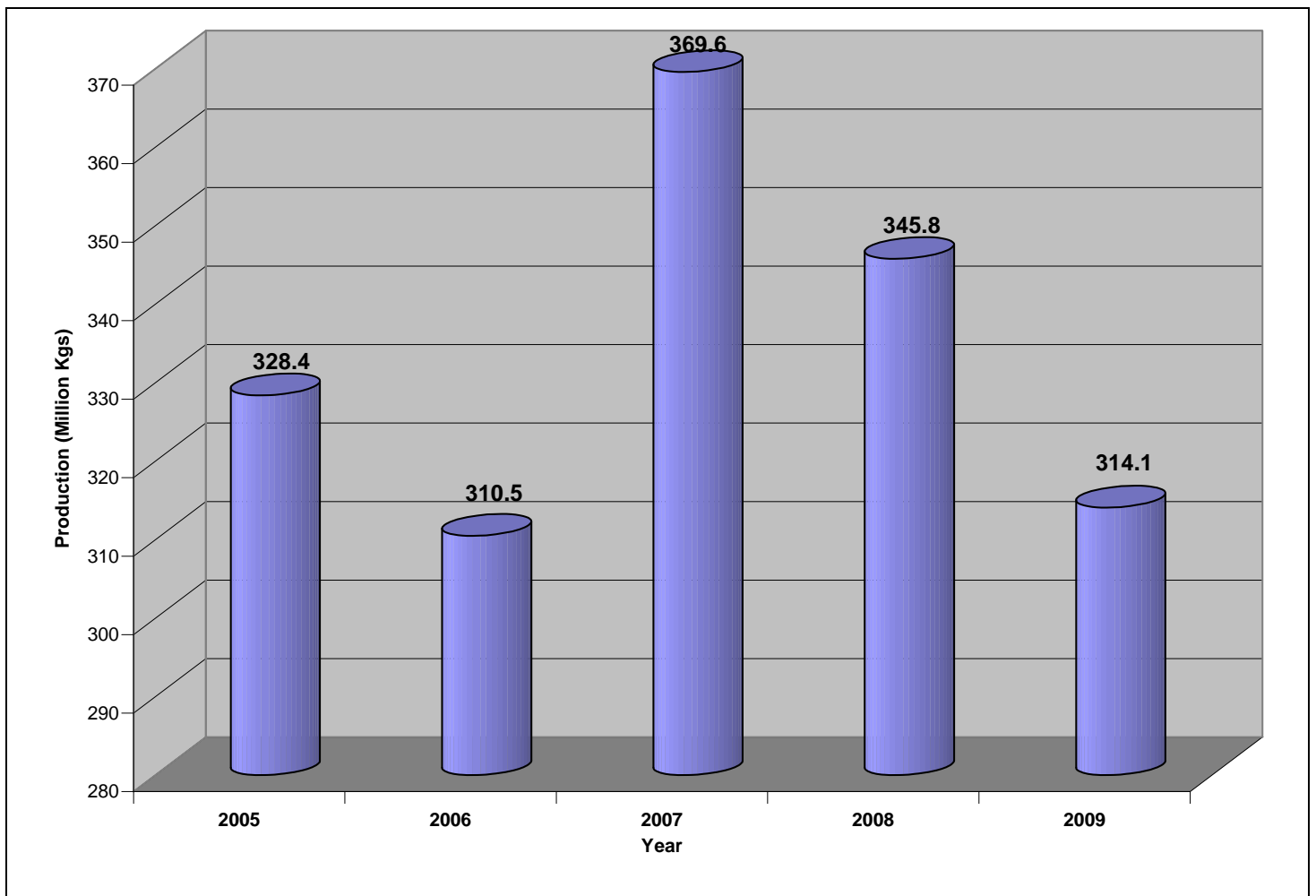
Due to adverse weather conditions in the East of Rift, production within the Smallholder Sub-sector, which has a wider coverage within the region recorded a drop 18% from 210 million Kgs registered in 2008 to 172 million Kgs. However, the Plantation sub-sector registered a 5% increase in production from 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.

Amongst the major tea producers, Sri Lanka, whose tea production is predominantly Orthodox, was the worst affected. The country (Sri Lanka) registered 9.1% (28.9 Million kgs) lower crop for the whole year. 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-Dec.	289.7	318.6	-28.9	-9.1%
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

MONTH	2009		2008		2007		2006		2005	
	Vol.	Value	Vol.	Value	Vol.	Value	Vol.	Value	Vol.	Value
	Million Kgs.	USD/Kg	Million Kgs.	USD/Kg	Million Kgs.	USD/Kg	Million Kgs.	USD/Kg	Million Kgs.	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.

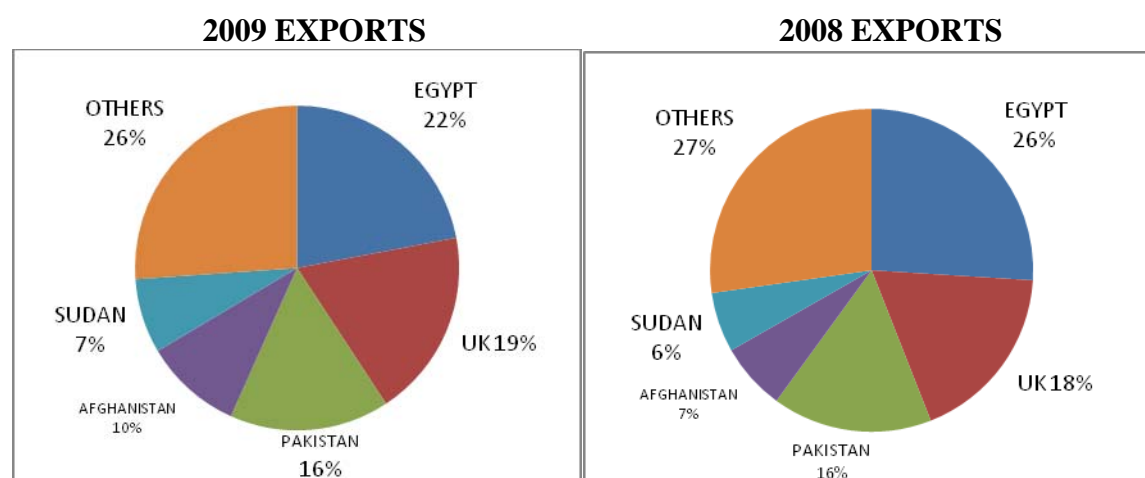
During the year, Kenya tea was shipped to forty seven (47) export destinations compared to forty nine (49) destinations in the previous year. The decline was attributed to fluctuating demand from some new markets. Eight of them, namely: Switzerland, Greece, Syria, Chad, Mauritius, Romania, Philippines and Belgium made no imports. However, exports were recorded in six new markets, namely; Eritrea, Ethiopia, Zimbabwe, Argentina, Latvia and Tanzania owing to increased seasonal demand.

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



LOCAL CONSUMPTION

The local tea consumption for 2009 stood at 18.1 million Kgs, 4% higher compared to 17.3 million Kgs recorded in 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