



T · E · A

Tea Exporters Association
Sri Lanka

NEWSLETTER

JANUARY 2021



TEA AGM 2021

The 22nd Annual General Meeting of Tea Exporters Association is scheduled for Friday, 6th August 2021 at the Oak Room, Cinnamon Grand. The rewarding of Outstanding Tea Producers will once again return to the AGM this year. Please keep the date free to enjoy an exciting evening.



SLTB supports Factory modernization



As initiated by Tea Exporters Association, SLTB is to announce soon the implementation of Interest Subsidy Scheme for modernization/ upgrading of Tea Export factories. The SLTB assistance will come in the form of meeting 50 % of the interest component of the bank facility obtained by the exporter for purchase of machinery. The scheme has been introduced to promote value addition of tea and enhance the productivity of tea export processing factories using the latest technology. It will also help to cater to changing global consumer requirements and maintain the competitiveness of Ceylon Tea products.

Congratulations Eswaran

Eswaran Brothers became the first carbon-neutral tea company in the world, even creating the first carbon-positive tea product in 2009. They set out to become one of the most sustainable tea companies in the world. Today, with this history of innovation backing them, they have patented a new type of tea bag and released it into the international market.

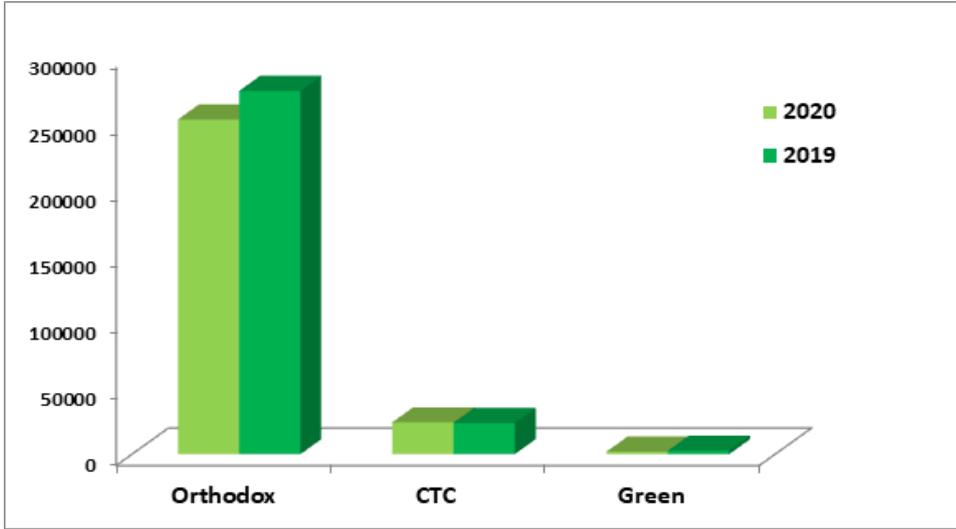
Eswaran Brothers collaborated with Australian-Sri Lankan inventor, Steve Segaram to create a unique product — tea bags with an inbuilt stirrer! “We asked ourselves how we can improve the tea bag to make it a product where there is better interaction and engagement with the consumer,” explains Chairman Ganesh. “Right now, a regular tea bag has a few inconveniences like you need to find a spoon to stir it and when you take it out, it drips away. Often, you don’t dunk it in and out of your cup enough, so about 20-30% of the goodness of tea remains inside the bag. We addressed these problems by incorporating a stirrer within the tea bag itself.” The act of including a stirrer helps from a safety point of view given the current pandemic — you don’t introduce anything foreign to your mug of boiling water. T-Go tea bag with the stirrer is manufactured with no human touch involved, and individually wrapped and sealed.

The name T-Go indicates that you can just grab it and take it where ever you go, making it the ideal product for millennial. “Tea is a very personal experience for each person, and with this recent addition, we encourage mindfulness. Tea drinkers can take a few moments to interact with the product and spend a few minutes enjoying their cup. It is almost a meditative interaction which will ultimately enhance your wellness,” enthuses Ganesh. “We have patented this innovation in eight countries and T-Go is only available for export right now. However, we will launch it in supermarkets in Sri Lanka.”

(Echelon)

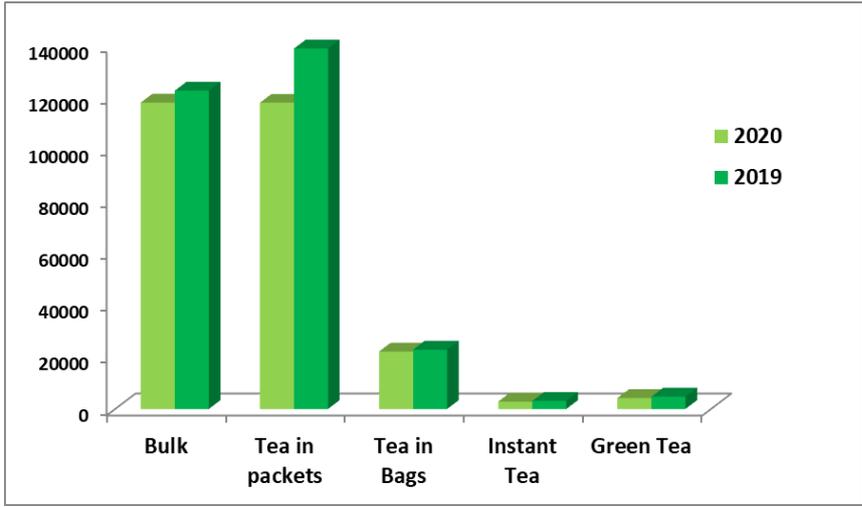


SRI LANKA TEA PRODUCTION - JANUARY TO DECEMBER 2020- in MT

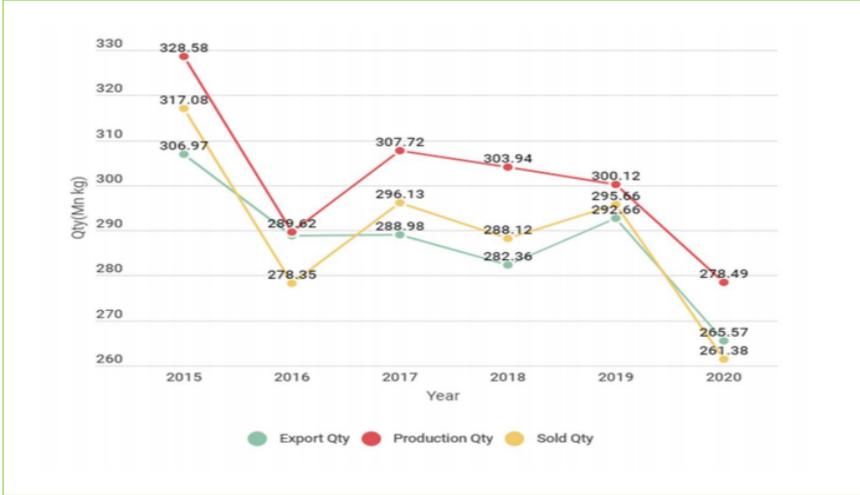


(SLTB)

SRI LANKA TEA EXPORTS - JANUARY TO DECEMBER 2020- in MT

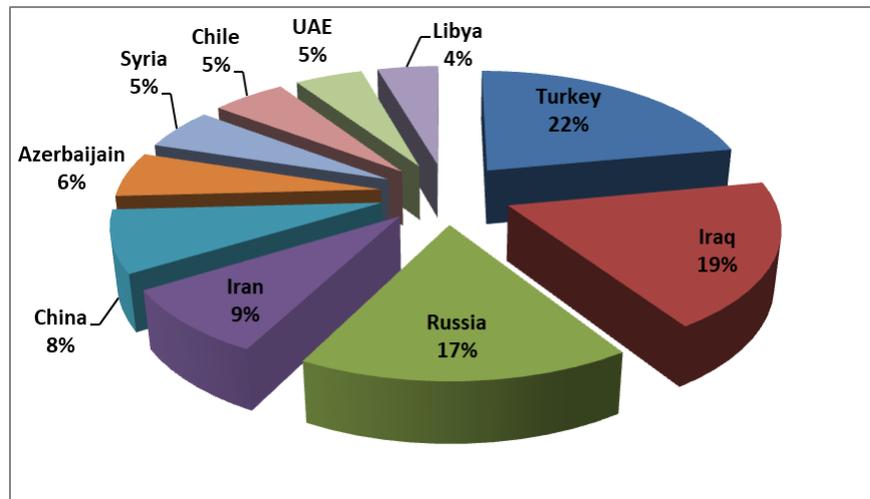


YEARLY COMPARISON OF SRI LANKAN TEA EXPORTS, PRODUCTION & SOLD QUANTITY FROM 2015 TO 2020



(Ceylon Tea Brokers)

MAJOR IMPORTERS OF SRI LANKA TEA - JANUARY/DECEMBER 2020- in MT



World Tea Crop

Country	Period	2019	2020	Variance
Malawi	January to November	43.2	39.9	(3.3)
Bangladesh	January to December	96.07	86.39	(9.68)
Kenya	January to October	363.1	467.4	104.3
North India	January to December	1,171.10	1034.1	(137)
South India	January to December	219	221.5	2.5

According to an International Market Research Company, The global tea market attained a volume of 6.71 million tons in 2020. The market is anticipated to reach a volume of 7.89 million tons by 2026, growing at a CAGR of 3.3% in the forecast period of 2021-2026.

Summary of developments in the major producing countries during January

With increasing worldwide demand for goods manufactured in China during the ongoing pandemic coupled with several logistical challenges in connection with shipping, escalating shipping costs from China is a matter of concern associated with exports of tea in recent months. Most exporters of tea across the world are battling these higher shipping costs at the present time.



Following on from the healthy crop in October, India enjoyed a larger crop in November than in the corresponding month of the previous year. It is understood that an approximate decline of 10% in out of home consumption last year owing to the pandemic has been largely offset by an increase of in-home consumption during this period.

During the first half of the month, there was strong demand at the auctions in Kenya, which trade sources attribute to depleted stocks in several of their major markets. However, large auction quantities in the latter half contributed to an easing of the market at the last two auctions.

Annual Production in Bangladesh is 86,394 MT, recording a decline of 10% against the previous year and the annual production in Malawi is 45,173 MT, which is only 7% lower than the previous year.

Weekly Auctions

Mombasa

Strong demand was seen at the first sale of the year with most Dust grades as well as PF1's enjoying a firm to dearer market led by increased demand from Pakistan and other major buyers. There was further increase in demand for BP1 and PD grades at the next sale with all major buyers showing strong interest. Despite interest from UK, Pakistan, Yemen and Middle East countries, demand was somewhat irregular at the next sale. Market eased further at the final sale of the month.

Kolkata

There was good demand at firm to dearer rates at the first sale of the year with well-made brighter Dust grades and Assam Leaf teas drawing more interest. Strong demand was maintained for Leaf teas at the next sale. There was a slight easing of the market the week after where better Assam Leaf teas were still in demand and this trend continued at the following sale.

Guwahathi

All teas found a firm to dearer market at the first sale with well-made Leaf teas and brighter Dust teas meeting strong enquiry. Leaf teas enjoyed strong demand at the next sale but demand for Dust teas was slightly less. Price levels declined marginally for both Leaf and Dust teas the week after but there was improved demand for Dust teas at the next sale.



Kochi

There was irregular demand at the first sale with prices tending to ease as the sale progressed but all Dust varieties sold at firm to dearer rates. The following week, there was fair demand expressed on most teas by exporters as well as local buyers. Market weakened at the next sale with local buyers less active. A further easing of the market was evident at the final sale of the month.

Chittagong

There was strong demand at the first sale with brighter Broken and Dust teas attracting more interest as the sale progressed. Bright liquoring teas remained a strong feature at the second week. At the next sale, prices improved as the sale progressed, particularly the bright liquoring teas and the demand for such teas was maintained the week after.

Jakarta

The large quantity on offer met with good demand at the first sale, particularly the better orthodox teas. Prices were firm to dearer at the next sale but demand was selective the week after where better orthodox teas enjoyed a dearer market. Final sale of the month witnessed irregular demand for both CTC and Orthodox teas.

Limbe

There was only selective demand at the first sale where secondary grades found good competition amongst the buyers. Price levels remained firm for most teas the week after. Demand was irregular at the next two sales with prices tending marginally easier.

(International Tea Committee and Courtesy: Forbes & Walker Tea Brokers)

Global Tea Consumption increases slightly in 2020

A change in consumer behavior spurred a slight increase in tea consumption globally in 2020, overcoming massive declines in foodservice volume.

The Economist Intelligence Unit (EIU) confirms the coronavirus (Covid-19) outbreak “affected consumption in the out-of-home sector, but there is evidence that this has been more than offset by rising at-home consumption.” EIU estimates global tea consumption increased by a “modest” 1.5% in 2020, “but that will pick up pace in 2021-22 growing by 2.8% and 3.5% respectively.”

Taking tea at home always accounted for the greatest consumption volume in producing and consuming nations. Ready-to-drink and iced tea account for higher rates of away-from-home consumption in the US and Asia, but tea is mainly purchased at mass-market retailers at rates that increased in 2020.

In Britain sales of coffee, tea, and hot chocolate in grocery increased by 7.1%, equal to \$172.4 million (£126.7 million) last year. The hot beverage category grew to nearly £2 billion in 2020. Coffee and tea shops and cafes, in contrast, experienced a 37.7% drop in sales compared to 2019. Coffee shops accounted for £1.8 of the £2.4 billion decline in sales of food and drink.



In tea, "overall value sales are up 3.5% to £581.4million but, crucially, units have fallen 0.5%, marking the 11th consecutive year of volume decline in the Top Products report," published by The Grocer. Traditional blends benefitted most, with Yorkshire advancing to become the top selling tea, growing by 14.5%. Twinings saw 3.4% growth and Tetley grew by 2.2%, but sales of PG Tips [Unilever] declined 3%, according to point-of-sale statistics compiled by Nielsen in the UK.

A total 4 in 10 UK residents surveyed in 2020 said they “feel most content when spending time with loved ones, having a cup of tea and sleeping.”

“More than half of those polled admitted to needing comfort more than ever this year,” according to a report in the Independent with many “feeling that the last 12 months have been mentally tough.”

A 2019 survey of 2,000 Britons found “more than half of those over 60 see putting the kettle on in a crisis as typically British, compared to just 36% of millennials,” according to one poll. The study revealed that 78% of Britons describe themselves as “typically British,” but half think the meaning of “being British” has changed over time – 30% say they are English, instead.

Market research firm Mintel found that while great British tea time is traditionally an afternoon event, in terms of day-to-day use, consumers are more likely to drink it in the morning. Three quarters (73%) of tea drinkers say they typically drink tea in the morning, compared to two-thirds (66%) who drink it in the afternoon. Just half (56%) drink tea between 6-9 pm and a quarter (27%) after 9 pm.

Health concerns are the other reason for the overall increase. Research findings published recently in the European Journal of Preventative Cardiology show that “habitual” consumption is associated with a lower risk of cardiovascular disease. The seven-year Chinese study of 100,902 participants with no history of heart attack, stroke, or cancer concluded that a 50-year-old habitual tea drinker “would develop coronary heart disease or stroke, on average, 1.41 years later and live 1.26 years longer than someone who never, or rarely, drank tea.”

Drinking two cups of green tea per week lowered the risk of all-cause death by 15%, a 20% lower risk of heart disease, and a 22% lower risk of fatal heart disease and stroke. British tea drinkers average three to four cups per day, but most consume black tea.

Tea consumption in the British Isles has fallen from 70g per person per week on average to just 20g since the 1970s. Sales of alternatives teas, including fruit and floral and herbal blends, continue to climb.

(STiR Coffee & Tea)

Tea Trends in USA in 2021 - by Industry Experts

“Two major trends in the tea space that will be particularly influential in 2021. The first is that consumers are trending towards no longer expecting inferior quality of beverages that they make at home. They are turning towards products that offer them coffee house style products they can make themselves. Indulgent drinks like chai lattes and at home kits will see growth as they satisfy cravings for consumers, and premium teas and loose-leaf tea formats will also increase in popularity with consumers who are looking for a more interactive experience.

The second major trend is consumers will be drawn towards beverages that offer them functional benefits. Health is increasingly a priority and benefits such as immunity, relaxation and sleep, and heart health will be sought after this year by consumers enduring the COVID-19 pandemic. Ingredients such as ashwagandha, turmeric and elderberry have historically been used for immunity and calming benefits, which are particularly important now. Tea and herbals have been used for thousands of years for their health benefits, and this unique history will engender trust in consumers looking for these added benefits.”- (TAZO)

“Looking forward to 2021, remote working will remain a part of the norm. Tea consumption should remain high given this trend. In addition, the growing importance of health and wellness has led to consumers seeking out products that are good for them and also for the planet. At Barry’s Tea, the Natural Infusions teas have been crafted with this need in mind, at a time when self-care is paramount. We believe shoppers will continue to be drawn to more sustainable choices this coming year. This is reflected in our latest range, which features tag tea bags which are biodegradable and enclosed in a recyclable envelope and carton. Sustainability is not just a passing trend. It’s something that must become a part of our shared responsibility now and into the future.” (Barry’s Tea)

“Functional teas that do more for the mind and body will be the biggest trends in 2021. Teas that include Adaptogens and Spices that have been shown to provide specific benefits like reduction of stress, inflammation, digestive support, immune boosting and sleep are going to be most popular that consumers will turn to. What is critically important will also be taste. Despite the powerful benefits of these organic botanical blends, consumers will not consistently drink a product that is offensive to their taste preferences.



Critical ingredients such as Ashwagandha and Turmeric given the demonstrated power to impact our bodies on a daily basis along with superfoods such as Acacia are some new products in the market. Other important ingredients are mushroom based adaptogens such as Miatake, Lions Mane, King Trumpet and Cordyceps, which in addition to many adaptogenic effects also have glucans which help facilitate a healthy immune response.

Consumers will be drawn to natural botanical blends developed by mission driven companies. “Tea with a Purpose” does not only mean teas which can transform the customer’s mind and body but those products produced by companies whose mission goes beyond a single transaction with a customer and continues on to transform the world in which we leave. Tea Wares that will continue to trend in 2021 are cold brews, “ready to drink” delivery and sustainable pods. (Pure Life Organics)

(World Tea News)



India Tea to face challenges in 2021

The tea industry may continue to face challenges in the next financial year with hike in wages and its impact on prices, as production returns to normal, according to a report.

Rating agency ICRA in the report also expects the challenges for the tea industry to remain in 2021-22, after considerable improvement in performance during 2020-21.

The impact on bulk tea prices once the production returns to normal in the new season would be a critical factor determining the profitability in the next financial year, the rating agency said.

West Bengal has recently announced a 15 per cent increase in wage rates, on an interim basis, which would increase the cost of production for bulk tea companies, it added.

Domestic tea prices have witnessed a significant increase in the current financial year, with the North India (NI) auction average increasing by 46 per cent y-o-y during April-December 2020 and the South India (SI) auction average up by 41 per cent during the same period, the report stated.

Tea prices witnessed a sharp increase on the back of a 10 per cent fall in domestic production, while consumption remained firm, it said.

While tea prices moderated during November-mid December 2020, following a seasonal quality decline amid normal production levels in September and October 2020, the prices rebounded in the recent auctions in the domestic market in the calendar year 2020.

Thus, the profitability of NI-based bulk tea players is expected to witness a significant improvement in 2020-21, on the back of a sharp improvement already witnessed in the first half of 2020-21 and significantly lower losses expected in the second half of 2020-21.

However, the sustainability of the same in 2021-22 will depend on the price and input costs, the rating agency stated.

ICRA says, "While it would be premature to comment on the exact level of tea prices, nonetheless, overall prices are likely to witness a negative bias, once the production returns to normal in the new season.



Meanwhile, on the global front, the report said the decline in production from India and Sri Lanka (a contraction of 11 per cent for both in 11 months of 2020) is estimated to result in an overall decline in global production in 2020.

This is despite a significant increase in the Kenyan crop by 32 per cent during the nine months of 2020, it added.

The report said the global supply of crush tear curl (CTC) teas largely remains the same, with the increase in Kenyan CTC crop compensating for the decline in Indian CTC production.

Global orthodox (ODX) production was hit following the decline in both India and Sri Lanka, it added.

The sharp jump in production from Kenya led to softening of the CTC prices in the international market, while lower availability of ODX teas provided support to its prices in 2020, the report said.

Export from India during 2020 is estimated to be down by 17 per cent in volume terms on a y-o-y basis, it said.

Almost two-thirds of the decline is because of lower ODX exports, given the sharp decline in production of such teas, the report added.

With CTC prices increasing dramatically, most producers reduced the share of ODX production (estimated to be 30 per cent lower on a y-o-y basis).

(Press Trust of India)

Germany Tea Facts

- The German consumers sip about 129 million cups of tea each day. The per capita consumption rose to 68 litres of black, green and herbal and fruit infusions that amounts to 47 billion cups in 2019.
- Herbal and Fruit infusions remain at high level with a per capita consumption of 40 litres while black and green tea consumption averages to about 28 liters.
- The quantity is divided in to about 40,000 MT of herbal and fruit infusions (67 %) and around 19,200 MT of black and green tea (33 %).
- Single varieties in herbal and fruit infusions are declining slightly while blends are increasing by 2 % to around 55 %. The Consumers are increasingly buying selected and more complex blends that ideally supplement the desire for a healthy, enjoyable and diversified diet.
- In the herbal and fruit infusion segment ,the flavor blends account for 34 % , non- flavor blends 20 % with individual flavors of peppermint (14 %) , Fennel (11 %) , Camomile (10 %) , Rose hip (5 %) , Rooibos (4 %) and others (2 %).
- The use of tea bags is ahead with 90 % share in herbal and fruit infusion segment while loose leaf with 60 % remains the clear favorite in black and green tea sector.
- In the black and green tea segment, black tea leads with a share of 73 % and green tea 27%.
- The consumption is increasing across all segments and channels. Herbal and fruit infusions are predominantly bought at food retailers and discounters. Though black and green teas are also sold at these outlets, consumers often seek advice at tea specialty shops.
- The food retailers and discounters account for 54.3%, Tea specialty shops 17.5 %, Hotels and catering 5.8 %, online sale 4.5 % and other channels 17.9%.
- Organic is the growth segment in the tea market. In terms of value, organic represents 7 % of the herbal and fruit sector while it is 4 % is in the black and green tea sector. It benefits from increasing nutritional and health awareness.
- Germany has imported 46,643 MT of tea in 2019, with re-export of 22, 342 MT.



(German Tea and Herbal Infusion Association)

China to support Pakistan Tea Cultivation

China plans to promote Pakistan's tea industry, as potential suitable sites and land for tea cultivation is located alongside the China-Pakistan Economic Corridor (CPEC).

Tea has become an integral part of the Pakistani culture. Pakistanis always start a day with a cup of tea. Tea is offered to guests at home, served at official meetings and other occasions.

Pakistan has identified 64,000 hectares of area as suitable for tea cultivation, according to Director of the National Tea and High Value Crops Research Institute (NTHRI).

However, tea is currently cultivated on around 200 acres of land only. The area of Shinkiari alone produces seven to eight tons of tea annually.

"If we grow tea on 64,000 hectares of land, Pakistan will not only be self-sufficient in tea but will also export tea products to other countries," said D/NTHRI.

Some farmers have already planted tea at various acreage but mostly very low percentage as the market demand for green tea leaf from farmers is very low. No regulatory or management agency is involved to promote tea plantation by farmers. Thus, the progress so far is very slow.



The Planning Commission of Pakistan has recently completed the Tea cluster study under Agriculture Transformation initiative for commercialization of tea in Hazara and Malakand with a view to reduce the ever-increasing tea imports bill and loss of foreign currency drained on tea import.

According to experts, besides reducing soil erosion and forest degradation, the bushy plants of tea can reduce global warming and can help promote eco-tourism in northwestern part of Pakistan. The rise in tea plantation can also lead to large-scale job opportunities in agriculture and industrial sectors.

As potential suitable sites and land for tea cultivation is located alongside CPEC, China has a big role to play in promoting tea on a commercial scale through joint ventures and technical and financial support.

(China Economic Net)

Court stops State from demanding additional levies

The Kenyan High Court has given a temporary order pending determination of a case filed by Kenya Tea Growers Association challenging some sections of recently passed Tea Act.

The association is challenging Sections 36, 48 and 53 of the Tea Act 2020 on grounds that they were illegally inserted by Parliament without considering the plight of tea farmers.

The law being challenged allows the exclusive sale of tea at the tea auction and imposes additional levies. The court was told that the introduction of the tea levy violates the rights of the farmers, and it puts them at a distinct disadvantage with respect to their counterparts in the East African Community market at the tea auction.

The farmers claim the said provisions will increase taxes and drive them out of business. The association, which has brought the case to court, says its members have various direct contracts with tea buyers from Central Africa, the United Arab Emirates, Russia, Europe and Asia. They say their contracts are for specific qualities and quantities for 2021 up to 2023.

Many of the direct contracts are in respect of bespoke and customized categories of teas which are not sold through the auction and which have been certified by different agencies such as Rainforest, Fairtrade and Ethical Tea Partnership.



These teas fetch a higher premium overseas. The implementation of the law in question will result in the association members being unable to fulfill their contractual obligations.

They will lose the financial benefit of the direct/forward contracts which offer better and higher returns than auction prices.

In addition, the implementation of the law in question will give a competitive edge to other countries in the region that will be able to continue selling their teas directly.

(The Star - Kenya)

Mombasa moves to Electronic Auction

The East African Tea Traders Association has confirmed that the tea auction has now been running electronically for the last six months.

“We went live six months ago with funds from the Danish International Development Agency as the main donor and Trade Mark East Africa (TMEA) as the implementers,” it said.



Speaking last week during an interview in Mombasa, MD of EATTA said they are in the final stages. In February 2015, EATTA members approved the proposal to adopt the electronic auction system.

“With automation, members are currently buying tea from the comfort of their offices and homes. This is a big change from the past trend where all members had to be physically present,” he said.

He said they have been working on the new online system since 2017 with assistance from the donors at Sh217 million.

“We have been working to ensure the system has the capacity to handle all tea from Kenya and in the region “. We are hopeful it will be officially commissioned by the President in April this year he said.

The modernization of the trading facility will guarantee a high level of transparency especially in terms of price, traceability and supply chain visibility.

The new system will help in the reduction of cost and players attending the auction hall physically during the official trading days.

He further states that online platform will offer an opportunity of multiple trading windows and hence the possibility of breaking bulk tea volumes.

Mombasa tea auction that trades more than 750 million kilograms of tea annually is the largest tea auction center in the world. Ten countries in the region trade their tea through the auction with Kenya leading with over 76 per cent.

EATTA says that the proposed integrated Tea Trading System would reduce the period in the trading cycle, ensure availability and access to tea trade data in a timely, reliable, accurate and verifiable manner.

(Business Daily- Kenya)

Crude oil prices to average near \$50 per barrel through 2022

The U.S. Energy Information Administration (EIA) expects global demand for petroleum liquids will be greater than global supply in 2021, especially during the first quarter, leading to inventory draws. As a result, EIA expects the price of Brent crude oil to increase from its December 2020 average of \$50 per barrel (b) to an average of \$56/b in the first quarter of 2021. The Brent price is then expected to average between \$51/b and \$54/b on a quarterly basis through 2022.

EIA expects that growth in crude oil production from members of the Organization of the Petroleum Exporting Countries (OPEC) and partner countries (OPEC+) will be limited because of a multilateral agreement to limit production. Saudi Arabia announced that it would voluntarily cut production by an additional 1.0 million b/d during February and March. Even with this cut, EIA expects OPEC to produce more oil than it did last year, forecasting that crude oil production from OPEC will average 27.2 million b/d in 2021, up from an estimated 25.6 million b/d in 2020.



EIA forecasts that U.S. crude oil production in the Lower 48 states—excluding the Gulf of Mexico—will decline in the first quarter of 2021 before increasing through the end of 2022. In 2021, EIA expects crude oil production in this region will average 8.9 million b/d and total U.S. crude oil production will average 11.1 million b/d, which is less than 2020 production.

EIA expects that responses to the recent rise in COVID-19 cases will continue to limit global oil demand in the first half of 2021. Based on global macroeconomic forecasts from Oxford Economics, however, EIA forecasts that global gross domestic product will grow by 5.4% in 2021 and by 4.3% in 2022, leading to energy consumption growth. EIA forecasts that global consumption of liquid fuels will average 97.8 million barrels per day (b/d) in 2021 and 101.1 million b/d in 2022, only slightly less than the 2019 average of 101.2 million b/d.

EIA expects global inventory draws will contribute to forecast rising crude oil prices in the first quarter of 2021. Despite rising forecast crude oil prices in early 2021, EIA expects upward price pressure will be limited through the forecast period because of high global oil inventory, surplus crude oil production capacity, and stock draws decreasing after the first quarter of 2021. EIA forecasts Brent crude oil prices will average \$53/b in both 2021 and 2022.

(U.S. Energy Information Administration)

IMF lifts global growth forecast for 2021

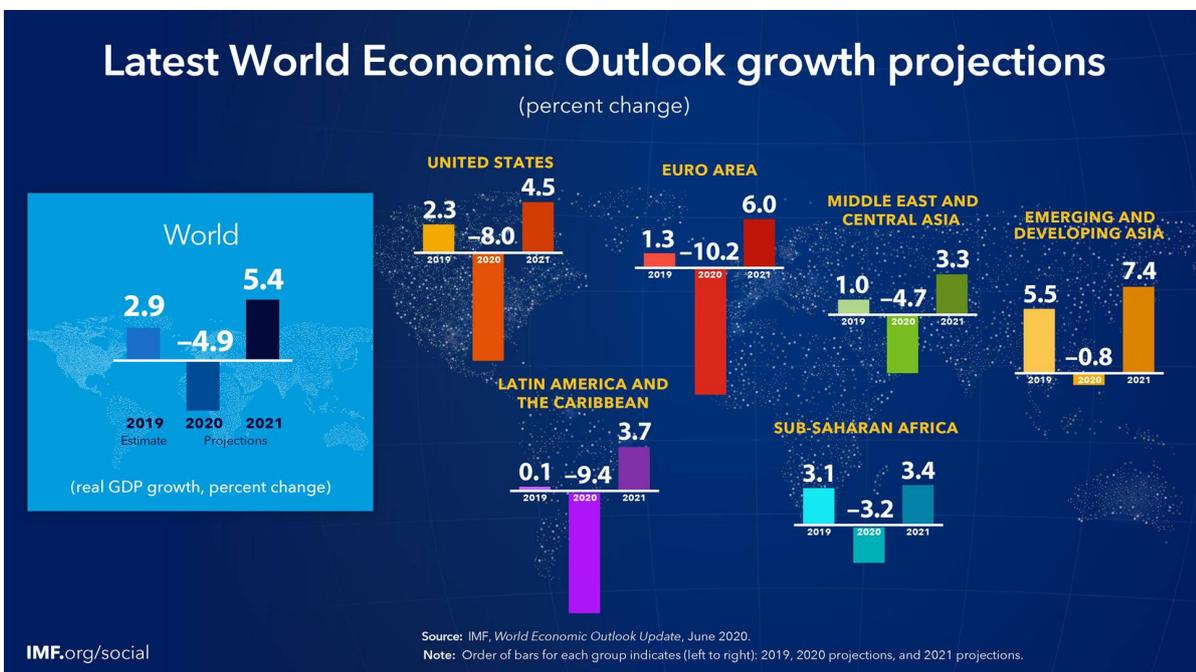
In its latest World Economic Outlook, the International Monetary Fund has raised its forecast for global economic growth in 2021 and said the coronavirus-triggered downturn last year - the biggest peacetime contraction since the Great Depression - would be nearly a full percentage point less severe than expected.

The global lender said multiple vaccine approvals and the start of vaccinations in some countries had boosted hopes of an eventual end to the pandemic that has now infected nearly 100 million people and claimed the lives of more than 2.1 million globally.

But it warned that the world economy continued to face “exceptional uncertainty” and new waves of COVID-19 infections and variants posed risks, and global activity would remain well below pre-COVID-19 projections made one year ago.

It predicted global growth of 5.5% in 2021, 0.3 percentage points better than in October, citing expectations of a vaccine-powered uptick later in the year and added policy support in the United States, Japan and a few other large economies.

It said the U.S. economy, the largest in the world, was expected to grow by 4.5% in 2021, an upward revision of 2 percentage points attributed to carryover from strong momentum in the second half of 2020 and the benefit accruing from about \$900 billion in additional fiscal support approved in December.



The outlook would likely improve further if the U.S. Congress passes a \$1.9 trillion relief package proposed by Biden, forecasting a 5% boost over three years if the package is approved by the U.S. Congress.

China's economy is expected to expand by 8.1% in 2021 and 5.6% in 2022, compared with the October forecasts of 8.2% and 5.8%, respectively, while India's economy is seen growing 11.5% in 2021, up 2.7 percentage points from the October forecast, after a stronger-than-expected recovery in 2020.

The global economy could gain \$9 trillion between 2020 and 2025 if faster progress could be made in ending the health crisis, and it was clearly in the interest of advanced economies to help poorer countries recover.

The Fund said countries should continue to support their economies until activity normalized to limit persistent damage from the deep recession of the past year.

Low-income countries would need continued support through grants, low-interest loans and debt relief, and some countries may require debt restructuring, the IMF said.

The IMF estimates that close to 90 million people are likely to fall below the extreme poverty threshold during 2020-2021, with the pandemic wiping some out \$22 trillion in projected output through 2025 and reversing progress made in reducing poverty over the past two decades.

(Reuters)

Services trade recovery not yet in sight- WTO

Global services trade in the third quarter of 2020 fell 24% compared to the same period in 2019, according to statistics released by the WTO recently. This represents only a small uptick from the 30% year-on-year decline registered in the second quarter, in marked contrast to the much stronger rebound in goods trade.

Preliminary data further suggest that, in November, services trade was still 16% below 2019 levels. Prospects for recovery remain poor since a second wave of COVID-19 infections necessitated new, stricter lockdown measures in many countries, with tightened restrictions on travel and related services extending into the first quarter of 2021.

The latest statistics confirm earlier expectations that services trade would be harder hit by the pandemic than goods trade, which was only down 5% year-on-year in the third quarter. Foregone expenditures on tradable services could be directed elsewhere, with consumers shifting to goods instead.



(WTO-UNCTAD-ITC estimates)

Unlike goods, services cannot be stockpiled, which means that despite pent-up demand, many of the revenue losses from cancelled flights, holidays abroad, restaurant meals, and cultural/recreational activities are likely to be permanent. Travel remains the most affected service sector, down 68% globally compared with the same period of 2019. In the third quarter of 2020, spending by international travellers was down 88% in Latin America and the Caribbean, 80% in both Asia and Africa, 78% in North America, and 55% in Europe. The relaxation of travel restrictions in Europe during the summer months produced only a modest rebound in services trade in the third quarter.

Services exports in November were down 24% in the United States, 15% in the United Kingdom (both on a seasonally-adjusted basis), and more than 20% in many European countries. Uganda, a country whose economy is highly dependent on tourism, saw services export revenues drop 57% compared to pre-pandemic levels. China's services exports also slowed (-1%), mirroring its performance in October. Financial services and computer services respectively sustained Luxembourg's and Pakistan's export growth.

Preliminary figures, on a customs basis, from 72 countries accounting for 92% of global merchandise trade suggest that the rebound that started in the second half of the year picked up strength in October and November. The value of global merchandise trade in October 2020 was 3% higher than in October 2019, with a 6% increase year-on-year for the month of November.

These figures partly reflect purchases that were deferred earlier in the year, as well as weakening trade growth in the closing months of 2019 due to heightened trade tensions at the time. There is considerable variation across regions in the pace of expansion. Asia and Europe saw their exports increase in November by 10% and 6% respectively. However, exports were still down 5% in North America and 2% in Latin America and the Caribbean. The recovery remains incomplete: the total value of global merchandise trade between January and November 2020 was 8% below the same period in 2019.

(World Trade Organization)

Ocean Rates remain strong

Despite a softening of energy prices, shippers may expect a sustainable hike in ocean cargo rates, says head of the supply chain advisors practice at London-based Drewry.

"Manufacturers and retailers should expect ocean contract freight rates on most routes to increase in 2021, following major market changes since the COVID-19 outbreak," he declares.

He adds that signs are obvious in the spot market for ocean transportation that carriers have gained pricing power and are managing ship capacity to their advantage. "Some routes and regions stand out as benefiting from lower rates, but the vast majority is seeing rates raise particularly Trans-Pacific eastbound where the increases are worryingly high for shippers and the rates are much more profitable for ocean carriers," he says.



The "stratospheric" increases in Trans-Pacific spot rates and the current shortage of capacity in Asia have led regulators in China and the U.S. to signal that they're watching the competition situation closely. China's Ministry of Transport met with most major carriers late last year, requesting that carriers bring back more ship capacity to the market.

At the same time, the U.S. Federal Maritime Commission said that it's "actively monitoring" any potential effect on freight rates and transportation service levels, using a variety of sources and markers, including the exhaustive information that parties to a carrier agreement must file with the agency.

"Particularly this year, shippers and forwarders should track the development of spot freight rates because they signal the tightness of the market on some routes," "They may be a leading indicator of contract rates, and could point to future problems of capacity availability."

On the other hand the coming year brings even more uncertainties than usual for the air cargo sector according to Trans-Logistic Group.

“Consumer spending will certainly be a driver of air cargo volumes and higher rates,” “Manufacturing, as demonstrated by auto sales, is also a beneficiary of consumer confidence and spending. Consumer and home improvement items have likewise translated into more demand for airfreight than anticipated.”

Furthermore, says TLG, COVID-19 vaccines and treatment drugs will buoy demand for airfreight capacity, while new cell phones and tablets will generate more business for consolidators. “Rates are already rising and will continue should there be changes in import/export regulations, especially in the international air space,” it says. “Express and regional service carriers will benefit as early vaccines become available and more pressure comes from every community for access to these drugs and rates will rise accordingly.”



Similar turbulence is expected to confront logistics managers in the parcel sector, says another supplier. In particular, “peak season fees” were plugged in as capacity across the oceans diminished due to the cancellation of passenger flights. In turn, many air carriers had a lot of cargo below deck, keeping air cargo rates stable.

(World Logistics)

Will Coffee overtakes Tea in Russia?

Coffee consumption is still lower than in some European countries for many reasons but in fact coffee is not a new entrant in Russia.

Russians are often associated as a tea drinking people and there are many reasons for this: approximately 78% of the people say they drink at least one cup of a tea daily. However, coffee-based beverages are a huge trend and for the past few years’ coffee started to dominate among consumers, especially in big cities. Some numbers of coffee consumption:

- 77% of people drink coffee daily.
- 82% of people drink tea daily.
- 90% of the people tell that they drink coffee
- Instant coffee is still the most common way to consume coffee but the consumption of "regular" coffee is steadily growing.
- More than 90% of the people drink hot tea daily or weekly compared to coffee - 85%.
- Russian coffee-focused café market is growing

Russian coffee consumption reached over 300 thousand tons of green coffee by early 2020 and has registered average annual growth of 4.0% since 2015. Russian consumption accounted for 3.0% of global coffee consumption. Before the global COVID-19 pandemic, Russian coffee consumption was expected to grow by 2% to 4% from 2020 to 2021. The growing popularity of coffee in the country pointed towards long-term growth predictions.

Per capita coffee consumption in Russia amounted to 1.85 kilograms in 2019, which is relatively low compared to the European average of around 5.1 kilograms per year. However, Russia registered a high growth rate, as per capita consumption has doubled since 2009. In 2018, an estimated 73% of Russians were coffee consumers.

A large share of instant coffee is produced by international manufacturers with processing facilities in Russia. However, the Russian coffee landscape has become more diverse and competitive with the appearance of several large Russian companies, such as the Moscow Coffee House, Russky Product and Orimi Trade.



In 2019, the Russian coffee shop market was one of the fastest growing markets in Europe and the total number of cafés and coffee shops reached over 6, 000 outlets. Industry analysts widely agree that the market is still far from saturated, indicating that continuous growth is expected.

However, due to the COVID-19 pandemic, the demand for coffee in Russia decreased in the first months of 2020. Lockdowns and social distancing measurements forced out-of-home coffee establishments to close their doors. Unlike in many other European countries, the drop in out-of-home consumption in Russia has not been compensated by increased retail sales of coffees.

(CBI/Coffee Barista)

Beverage Industry Trends- China

China's food and beverage consumption has evolved dramatically over the past few years, and gradually transformed from an industry-driven to a consumption-driven market. The accelerating pace of change of consumer preferences and bargaining power has been the catalyst behind this transformation. Also, the increase in consumers' disposable income and their willingness to spend more has given rise to new categories and brands. Since 2018 China's food consumption has gradually entered the era of experience economy where consumers place more value on the need of consuming food and beverage for enjoyment and they are prepared to pay more for products that fulfill this need.

The reason for consuming beverages has gradually shifted from satisfying basic needs, such as thirst quenching, to physiological and psychological satisfaction such as function, taste and differentiation. Changes in demand are stimulating changes in supply. From 2018, beverage retailers have sped up research and development with major brands constantly launching new products with functions such as bubbles, probiotics etc which quickly fulfilled rich taste and blending functions. Meanwhile, the market share of mixed-taste drinks has been increasing. This combination of changing preferences and the ability of manufacturers to quickly respond with new innovations to meet these needs has transformed the beverage industry and allowed manufacturers to upgrade their shoppers to multi-functional products which they are prepared to pay a higher price for.

As GDP increases, more premium categories have seen consumers change their behavior from being a category they occasionally brought to one which they consume on a much more regular basis. As the most basic function, the importance of thirst quenching needs has increased in recent years. From 2016 to 2019, ready-made tea shops increased rapidly nationwide and achieved nearly 100% growth over the 3 years. Under the fierce competition of major brands, new brands such as Modern China Tea Shop and Ancient Tea achieved rapid expansion.

On the other hand, with the flourish of ready-made drinks, packaged drinks retailers are facing increased competition but also new opportunities which they have captured by launching more new tastes and multi-functional drinks. We have also witnessed ready-made drinks and packaged drinks brands extending their brand into the other field. Relying on the brands influence, some ready-made drinks players are eager to launch packaged drinks, hoping to cover more consumption occasions and improve the penetration, whilst some packaged drinks players are also trying to enter the ready-made drink industry by opening new shops, to interact with consumers directly.

According to the booming development in recent years, the report summarizes some beverage industry trends and insights

- Thirst quenching, awaken and flavour preference are important reasons for consumption, while self-satisfaction and social satisfaction are options with higher conversion rate.
- The well-known beverage brands pay attention to the complete consumer experience. Facing the Omni-experience needs of consumers, how to satisfy the consumers from taste, health, interest and enjoyment will become the key to success.
- Now, ready-made drinks have basically completed the overall upgrade of the supply chain. Compared with the powder tea in the first stage and the street tea in the second stage, the current ready-made tea has better raw materials, richer blending and more convenient delivery.
- From the cases of HEYTEA and Mixue, we can find that the products with seemingly different experiences and price bands are essentially in line with the upgrade trend of the consumers' lifestyle.
- With the accelerated penetration of home delivery and e-commerce channels, the demand for drinks has further increased, and the scene of drinks delivery has changed greatly. At the same time, the trend of "near-field" has also put forward higher requirements for the selection of existing tea shops.

With the rapid rise of a new generation consumers and improvement of their income, consumers' needs have been obviously upgraded, and their concerns and value composition have become more delicate and diverse—from functions and low prices to richer cost performance, higher quality, personalization, sharing and interaction, and recognition. All of these put forward higher requirements for practitioners in the food consumption industry. Facing consumers' omni-experience demand and building omni-experience will become a common issue for the whole food service industrial chain.”



(China Daily)

Although ready-made drinks and packaged drinks are competitors in the same category for consumers, Hosen Capital believes that they are essentially two different industrial chain logics, and the core driving factors of their supply chains are quite different. "From the price of per liter and the cost, ready-made drinks will always be higher than packaged drinks. In addition, the two business models have different capabilities in supply chain and sales. The two players enter each other's field, need to carefully consider the core business elements in this field and comprehensively evaluate their own abilities."

USD to be determined by Markets

President Joe Biden's administration is set to take a more hands-off approach to the value of the U.S. dollar than that of his predecessor.

"The value of the U.S. dollar and other currencies should be determined by markets," said Treasury Secretary Janet Yellen. "Markets adjust to reflect variations in economic performance and generally facilitate adjustments in the global economy."

Yellen wants to "avoid getting into the potential trap" of talking up the dollar only to see it weaken and then having to answer questions about what she plans to do about it, she also doesn't want the US to "use the exchange rate for competitiveness."

Both of those ideas are consistent with the messaging within the G-20 group where the U.S. tells other countries to let market forces determine the exchange rate and to not use their currency for trade manipulation.

The Trump administration believed that a weaker dollar benefits the U.S. in trade. They noted that the strength of the currency is a "reflection of the strength of the U.S. economy." Throughout his term, until the COVID-19 pandemic resulted in a sharp drop in the value of the dollar, President Trump repeatedly claimed the dollar was too strong and hampering economic growth.



The U.S. dollar, since March 2020, has declined 13% versus a basket of its peers as the Federal Reserve slashed interest rates to combat the economic slowdown caused by the pandemic, joining the rest of the developed world at the zero bound.

The elimination of the interest-rate differential and the increasing of swap lines to ease a global dollar shortage were instrumental in the greenback's decline.

The dollar, despite trading near a five-week high amid hopes Biden's \$1.9 trillion economic stimulus package will bolster the economy, is set to fall further, according to chief investment officer of global wealth management at UBS. It is expected that USD could lose up to 10 per cent of its value against most major currencies.

(Fox Business)

Lisbon Agreement's Geneva Act Receives First Geographical Indication

Cambodia has recorded Kampot Pepper as the first geographical indication (GI) registered via the Geneva Act of WIPO's Lisbon System, which provides protection for names identifying the geographic origin of products such as coffee, tea, cheese, wine, pottery, and cloth. The Lisbon System with the new Geneva Act, which took effect in 2020, allows protection for appellations of origin and geographical indications in the 30-plus countries covered by the System through a single registration procedure and one set of fees, facilitating international trade of origin products.



Both appellations of origin and geographical indications identify products with a specific geographical origin and quality linkages. These intellectual property tools help local producers distinguish their products in the marketplace, helping to boost earnings.

After joining as the first contracting party of the Geneva Act, which expanded the Lisbon System to include GIs, Cambodia is now also the first applicant to register a geographical indication under the Geneva Act of the Lisbon Agreement.

"Each geographical indication tells a story of people and their traditions, communicating to the world the wealth of products that local communities have to offer. WIPO's Lisbon System helps spread these products worldwide, improving the livelihoods of producers who benefit from increased earnings as well as the lives of consumers who love these products and their links with farmers and artisans across the globe," says Director of the Lisbon Registry.

(WIPO)