T·E·A

Tea Exporters Association

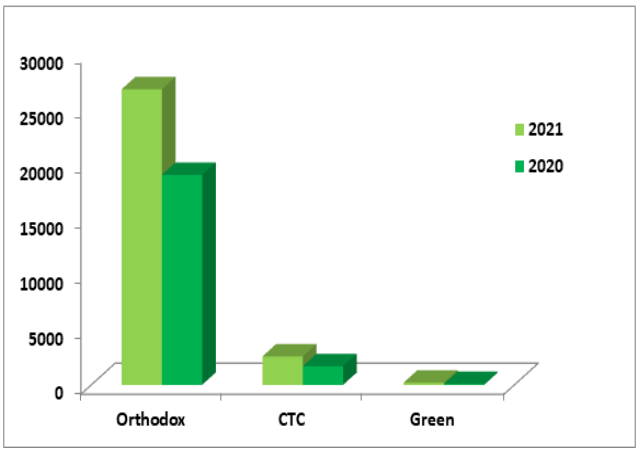
Sri Lanka

NEWSLETTER

May 2021

SRI LANKA TEA PRODUCTION

APRIL 2021/2020 - in MT



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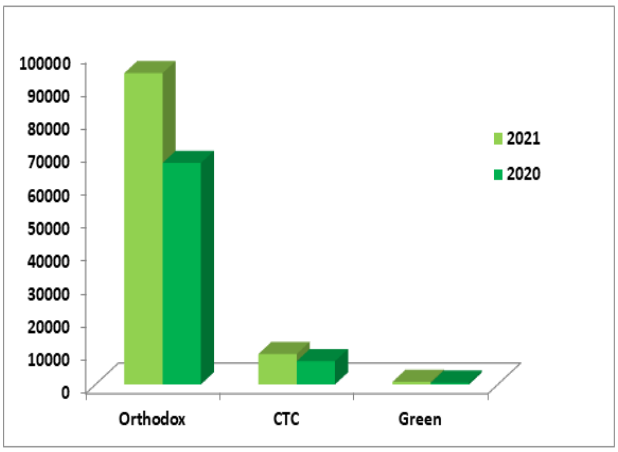

(SLTB)

SRI LANKA TEA EXPORTS

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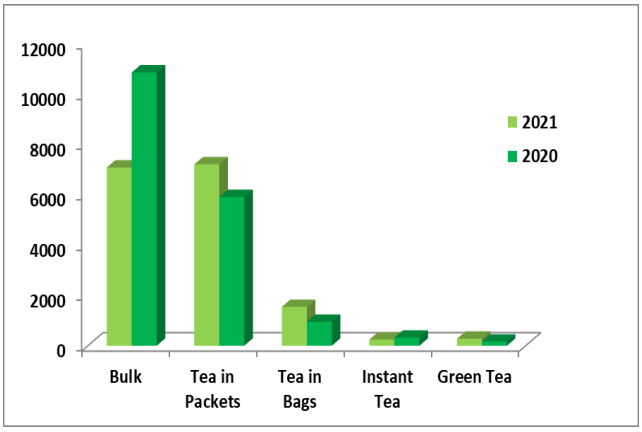

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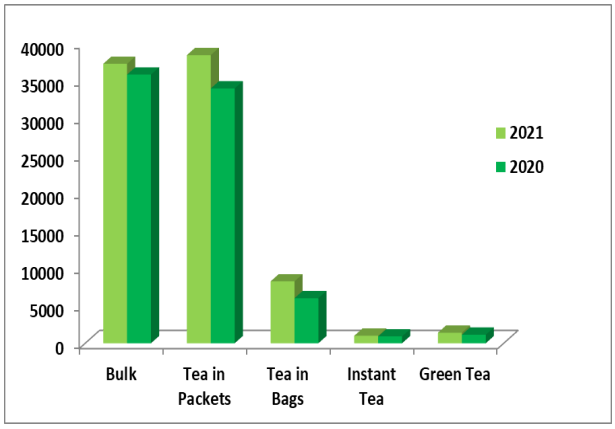
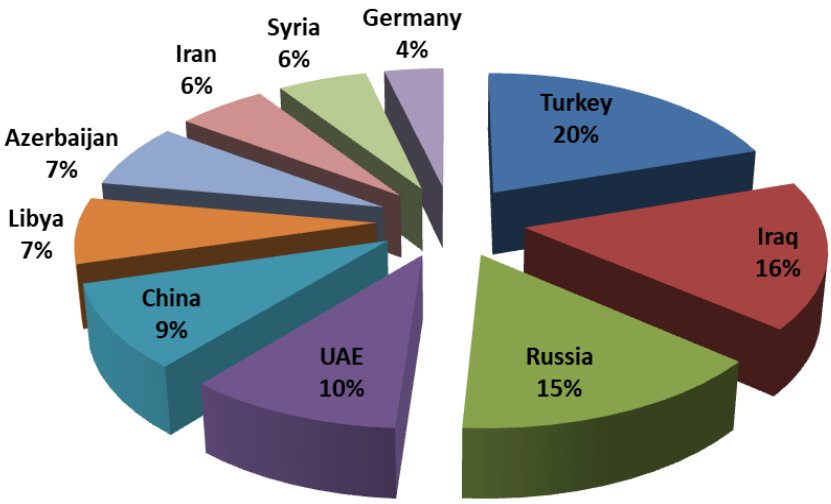


MAJOR IMPORTERS OF SRI LANKA TEA - **JANUARY TO APRIL 2021** - in MT



(SL Customs - Courtesy Forbes & Walker Tea Brokers)

World Tea Crop

The latest tea crop figures of some leading tea producing countries are furnished below (in million Kg).

Country	Period	2020	2021	Variance
Bangladesh	January to April	4.19	5.92	1.73
North India	January to April	57.60	100.5	42.90
South India	January to April	113.50	173.30	59.80
Kenya	January to March	158.56	140.98	(17.58)
Malawi	January to March	20.60	22.20	1.60

(Forbes & Walker Tea Brokers)

Summary of developments in the major producing countries - May

The surge in Covid-19 cases in India and Sri Lanka since April is a major cause of concern for the entire global tea industry. Even though the industries in both countries make their best attempts to continue to function as essential services, they are likely to be hampered by delays along the supply chain in areas of support services, documentation and at customs. At the same time, there are reports of buyers pushing for shipments to be advanced owing to the prevailing situation.

An export from China during the first quarter is almost in line with the quantity exported in the first quarter of 2019. Though shipments to Morocco to-date are unusually lower, increased exports to a range of West African destinations have boosted overall exports.

Total cumulative crop in India reflects a 9% decline compared with the corresponding period in 2019. Even though Assam has experienced heavy rains in recent weeks, reports indicate that average rainfall in the region up to April is approximately 40% less than last year.

Production in the first quarter declined by 11% in Kenya but it is still higher by approximately 30% than in 2019. Exports recorded a growth of 20% in the first quarter with even larger shipments to Pakistan and increased exports to other major destinations.

Efforts made in March by Bangladesh to move the weekly auction to a digital platform is moving forward this season with a gradual increase of the number of lots offered online.

Weekly Auctions

Mombasa

Market remained steady at the first sale of the month where Egypt, Sudan, Yemen and the Middle East countries were more active. Market remained firm at the next sale where UK showed additional interest. There was strong enquiry led by Egypt the following week, which resulted in most Dust grades advancing in price. Led by Kazakhstan and rest of the CIS nations, overall demand was stronger the following week with the best BP1's in particular, sought after.

Colombo

Best westerns were easier whilst low-grown varieties met with mixed demand at the first sale of the month. At the next sale, Low grown teas enjoyed improved demand with well-made leafy teas and tippy varieties firm to dearer and prices for High and Medium elevation teas were weaker In line with quality. A similar trend was evident the week after where a larger quantity was on offer. The following sale witnessed limited demand except for teas with exceptional quality.

Kolkata

Demand was quite strong at the first sale of the month where the well-made good liquoring Assams were firm to dearer. Market remained somewhat steady at the next sale though Dust grades eased in value. Both Leaf and Dust grades remained mostly steady the week after. No auction was held owing to lockdown the following week.

Guwahathi

A firm to dearer market was witnessed in the first week following improved demand. There was strong demand for the better liquoring CTC's, which were firm to dearer at the next sale. There was good demand at firm to dearer rates the week after for all clean and good liquoring teas. The smaller quantity on offer at the next sale met with good overall demand from local buyers.

Kochi

There was improved demand, particularly for CTC Dust teas in the first week, which strengthened further at the next auction. In week 3, Leaf teas were well competed for by local buyers as well as the Middle East/CIS countries whilst demand for all Dust varieties continued to remain strong. Most teas found an easier market barring the better orthodox teas the week after.

Chittagong

The first sale of the new season attracted good demand for well-made better liquoring teas but most major buyers who were carrying stocks remained quiet. On account of Eid, the auction was not held the week after. Led by the blenders who lent strong support for Leaf teas, there was fair demand in Week 3. Demand remained selective with many withdrawals the week after.

Jakarta

There was selective demand for both orthodox and CTC teas at the first sale of the month where a relatively larger quantity was on offer. Demand was steady the week after with interest from Russian Federation, Malaysia, UK and USA but there was less demand resulting in more withdrawals in week three. There was an easier market the week after with many withdrawals.

Limbe

Demand was weak at the first sale of the month but prices remained steady. No auction was held in the second week. There was selective demand at lower levels for the teas that were sold in week three. There was improved demand the following week but prices were lower.

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

CBSL to maintain policy rates

The Monetary Board of the Central Bank of Sri Lanka, at its recent meeting, has decided to maintain the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank at their current levels of 4.50 percent and 5.50 percent, respectively.

The Board arrived at this decision after carefully considering the macroeconomic conditions and expected developments on the domestic and global fronts, the Bank said in its review.

The Board said in the context of the prevailing low inflation environment and well anchored inflation expectations, and the renewed challenges posed by the third wave of the COVID-19 pandemic, it remains committed to maintaining the current accommodative monetary policy stance to support the sustained revival of the economy.

The Monetary Board noted that although the third wave of the COVID-19 pandemic has disrupted the ongoing recovery of economic activity, its adverse effects on economic activity are expected to be lesser than during the first two waves.

The external sector remains resilient despite a multitude of challenges, the Bank said. While the trade deficit widened in March 2021 as increase in import expenditure was higher than the increase in export earnings, notable increase in workers' remittances continued in the first four months of 2021.

Inflation is expected to remain within 4-6 percent range in the near to medium term, while any pressures over the medium term will be addressed with appropriate measures, the Board said.

(CBSL)

CB revised Repatriation of Export Proceeds Rule

The Central Bank has once again revised the rules on repatriation of export proceeds with new directives issued via an Extraordinary Gazette effective from 28th May 2021.

The Central Bank has gone back to the conversion of 25% of the export proceeds within 30 days of receiving such proceeds. Earlier the amount was 10% revised in April from 25% in March.

However, as per the new Gazette and Rules, the Monetary Board may however determine the specific export sectors or industries or individual exporters, who or which may be permitted to convert less than 25% of the total of the export proceeds received, if the Monetary Board is satisfied, in its discretion, that the export goods and processes of such export sector, industry or exporter, utilize a very high percentage of imported goods that cannot be sourced domestically.

This however will continue to be subject to not below 10% conversion of the export proceeds and received no later than 180 days from the date of shipment.

Additionally, the Monetary Board may in general, having regard to the liquidity situation in the foreign exchange market and the Gross Official Reserve levels in Sri Lanka, determine from time to time, such other percentage as the case may be, of the export proceeds received in Sri Lanka, that shall be converted into Sri Lanka Rupees through a Licensed Bank as the Monetary Board may deem fit and appropriate in the prevailing circumstances.

As per provisional data Sri Lanka's merchandise exports in April amounted to $ 799 million, 183% higher than last year April, but 25% below the March 2021 figure of $ 1 billion. April performance boosted the first four months export figure to $ 3.7 billion, up 30% from $ 2.9 billion last year.

(Central Bank/Daily FT)

Fertilizer ban could adversely affect Tea Industry

In response to the decision of the Cabinet of Ministers to ban the importation of chemical fertilizer and pesticides, the Colombo Tea Traders' Association (CTTA) submitted an urgent appeal to HE the President requesting him to consider the full impact of such a ban on the tea industry. All stakeholders were signatories to this joint appeal.

The CTTA stressed that such a stoppage in the application of fertilizer and pesticides without a tried and tested alternative will cause catastrophic losses to the entire industry. According to the CTTA, the tea industry feeds the rural economy driven by 500,000 smallholders, estate workers, 550 to 600 operating factories and many more involved up until the point of export. As a result, the CTTA highlights that this ban will impact the livelihoods of 3 million people.

This ban is also expected to result in a 40 to 50 percent drop in production and export volumes which will in turn reduce Sri Lanka's market share in the global tea industry to 10 percent from 14.5 percent. The CTTA says that this drop in production will also greatly affect the country's economy.

The CTTA has put forward recommendations to tackle this issue which include the establishment of strict quality controls on chemical fertilizers, capacity building for compost production, plans to encourage compost use gradually and investment in research to discover high efficiency fertilizers.

(CTTA)

FAO calls for greater sustainability of the tea sector

Global demand for tea has seen a remarkable increase during the COVID-19 pandemic, providing a new momentum to build a sustainable and resilient tea sector while preserving its unique character of bringing people together. This was a key takeaway from a FAO-hosted, virtual high-level event to mark the International Tea Day 2021.

"Celebrating tea is celebrating peace, culture and hope," said FAO Director-General QU Dongyu in his opening remarks. "Tea can play an important role in our journey to build back better. Being the most widely consumed drink in the world after water, tea brings people together to share stories and ways of life."

Despite the key role tea plays in ensuring rural incomes, livelihoods and food security, the sector faces a number of challenges, the director-general warned. He reminded the audience that tea can only be produced in narrowly defined agro-ecological conditions, and therefore, the impact of climate change and extreme weather events is one of the most pressing issues that require urgent attention.

Other major stressors for the tea sector include increasing competitiveness in the beverage sector and declining returns for small-scale farmers. In addition, the global trade in tea in 2020 was affected by logistics issues and measures imposed to contain the COVID-19 pandemic. However, increasing in-home consumption of tea more than offset declining out-of-home consumption in many instances. The director-general reflected on the need to balance growth and sustainability at all stages of the tea value chain. To achieve this, he called for greater sustainability through strategies for climate-change adaptation and mitigation, enhanced market transparency and sustainability.

He also spoke about the importance of policies for sustainable production that targets smallholder growers.

The production and processing of tea provide employment and incomes to millions of smallholder farmers and workers in developing countries. Smallholder tea growers are responsible for 60 per cent of world tea production. “Tea is a significant source of ingredients, incomes and inspirations and can help alleviate some of the burden resulting from the economic downturn, particularly for the rural poor,” the director-general noted, pointing to the need to improve the smallholders’ business ecosystem.

Food and Agriculture Organization of the United Nations

For example, in light of the current pandemic and its impact on the tea trade and tea-supply chains, it is crucial to adopt new business models and technologies to ensure access to markets for smallholder farmers in this new reality. The director-general referred to the International Day as an excellent opportunity to renew global commitment to building an inclusive, sustainable and resilient tea sector.

The observance brought together the world’s top tea-exporting and importing countries, as well as major producing countries. The participants echoed the director-general’s call to boost sustainable tea production, address the challenges the smallholders face and un tap the sector’s full potential in building back better.

Closing the high-level segment, FAO Chief Economist Máximo Torero Cullen, stressed that tea lies at the heart of the 2030 Agenda for Sustainable Development, contributing to such objectives as ending poverty, eradicating hunger, and enhancing the sustainable management and utilization of natural resources. He re-affirmed the FAO’s continuous support and commitment to working with all partners for a better future for the tea sector “from field to cup.”

(FAO)

Kenya – Climate change impact

Climate change is set to ravage tea production in Kenya, the biggest global supplier of black tea, threatening the livelihoods of millions of plantation workers, a report by British charity Christian Aid warned on recently. The report looked at how shifting temperatures and rainfall patterns in tea-growing regions in Kenya, India, Sri Lanka and China could affect the quality and yield of the world's most popular beverage.

The East African country - which produces almost half the tea consumed in Britain - is likely to see the areas with optimal and medium tea-growing conditions shrink by about 25% and 40% respectively by 2050, the report said.

Climatic changes will also make it increasingly difficult for tea growers to move into new, previously uncultivated regions, it said, adding that the decline in output was already being felt on the ground. "The conditions here used to be good and we had a great tea harvest. When the climate changed, the production of tea dropped," said, a tea farmer from Kericho in Kenya's western highlands. "We have nothing else to rely on here. People in my community will consider running away from tea farming, with jobs lost, and consumers of tea might see the price rise."

According to a U.N. survey of 700 growers in all seven of Kenya's tea regions, farmers observed changes in rainfall patterns, distribution, and reduced yields tied to climate change.

More than 40% of respondents said they had noticed changes in rainy and dry seasons, which led to shifts in the planting season, while 35% cited drought.

Kenya is highly vulnerable to climate change, with projections suggesting its average annual temperature will rise by up to 2.5 degrees Celsius between 2000 and 2050, said Christian Aid's report.

Rainfall will become more intense and less predictable. Even the slightest increase in droughts will present major challenges for food security and water availability, especially in Kenya's arid and semi-arid area in the north and east, it added.

"Africans make up 17% of the world's population but we generate just 4% of the greenhouse gas emissions that have caused the climate crisis," said, head of Christian Aid's Africa Division, in a statement.

"And yet it is we who are suffering the brunt of the impacts of climate change. Our tea industry is vital to our economy ... and now it is under threat from climate change."

Ahead of crucial U.N. climate talks in Glasgow in November, campaigners are calling for countries to cut carbon emissions, cancel the debts of developing countries such as Kenya, and mobilise climate finance to help countries adapt.

In an article published by Food Navigator, spokespersons for Tetley, Unilever, Twining's all responded favorably to the report, confirming challenges and explaining steps taken. The head of tea at Tata, told Food Navigator, "we strongly believe that tea communities need much more from the industry than just research, so in tandem, we are involved in a program to help tea farmers mitigate the impacts of climate change, training them in sustainable practices like soil management, rainwater harvesting and drip irrigation."

The report included comments from farmers concerned that they have little power to change policy in developed countries responsible for climate change.

(Reuters/ STiR)

Green Tea push can help India

If India ramps up its green tea production, it will be able to boost its exports kitty and tap the US market at a cheaper cost, says a research report by Drip Capital which was exclusively shared with TOI. Only 2% of India's tea exports comprise green tea and 91% of it is black tea, the remaining being other tea preparations.

"India's tea exports have declined at a CAGR of -1% in the last decade (2010-2019). While COVID-19 did add strain on the industry, one of the main reasons for this stagnation can be attributed to the rising demand for green tea that India failed to tap into," said co-founder and CEO, Drip Capital.

Globally, in the last decade, the imports of black tea declined at a CAGR of 0.5% and green tea – the youths' choice – rose at a CAGR of 4.1%. But, over the last decade, green tea exports from India have declined at a CAGR of 2.2%. Green tea dictates a 14% higher market price ($3150 per tonne) than black tea ($2760/tonne), says the report.

Explaining the factors driving China's tea exports better than India's, CEO said: "In the last decade, tea production in China and India grew at a CAGR of 7% and 3% per annum, respectively. The neighboring country harvested two times more tea than India in 2019 alone. While China's total export quantity has only grown by just 2%, its export value grew at a 10% between 2010-2019.

However, Chairman, Indian Tea Exporters' Association (ITEA), didn't quite agree with the report. "The unit price of Chinese tea is very low. There is a little scope to capture substantial market share from cheap origins as India's cost of production is higher. Overall, it's a fact that we need to expand our product mix and explore oolongs and white tea along with green tea."

"The industry should start looking beyond its low pricing advantage and build the brand image. The deeply growing trade wedge between the US and China means that the former is looking to replace some Chinese tea imports with more Indian tea imports," adds Chairman. China's contribution to US tea imports has fallen from 22% in 2016 to 11% in 2020. The US is compensating for this supply shortage by importing more tea from Japan, whose contribution jumped from 9% in 2016 to 17% in 2020.

When the demand for green tea rose, India along with Sri Lanka failed to realize this opportunity. India, at present, does not have enough manufacturing plants that can cater to green tea's growing demand, says the report.

(Times of India)

Soaring Tea Prices in India

The price of tea was already at a record high before the weather in Assam got a bit kooky. And that could make tea even more expensive in the days to come. Companies like Tata Consumer Products and Hindustan Unilever (HUL) may pass on the rising cost or chai (Indian tea) lovers may have to curb enthusiasm for their favorite beverage.

The average price of tea sold at the auctions in Guwahati (Assam) in 2021 has crossed ₹211 per kilogram and in Coonoor (Tamil Nadu), the average price for the year was more than ₹125 in mid-May.

It was the COVID-19 lockdown last year that scuttled tea production and, this year; it's the worst drought in decades.

Auction market	Avg price for 2021	Avg price for 2020
Guwahati	₹211.75- ($ 2.90)	₹164.42- ($ 2.25)
Coonoor	₹125.87($ 1.72)	₹114.30 ($ 1.56)

(India Government data)

The 'double trouble' of COVID-19 infection among plantation workers and drought-like conditions has made tea estates in Assam suffer an estimated crop loss of 60 million kilograms.

Spells of pre-monsoon showers have made planters heave a sigh of relief but the "damage has already been done", the North Eastern Tea Association (NETA) and Bharatiya Cha Parishad (BCP) said following a survey across plantations.

This is the second successive year of massive crop loss. The hasty COVID-19 lockdown in 2020 saw most of Assam's 803 major estates and more than 1.70 lakh small tea gardens losing 78 million kg of tea leaves, Tea Board of India's data showed.

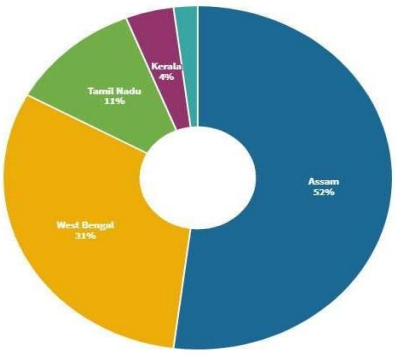
Tea estates have largely been exempted from severe restrictions this time, but a few estates have been hamstrung by more than 500 employees out of action due to COVID-19 infection.

A former chairman of the North Eastern Tea Association (NETA) described the current drought as the worst in 30 years.

"Temperature drop from 34 to 19 degrees centigrade coupled with hardly any sunshine in the last few weeks , preceded by temperatures above 34 degree centigrade is playing havoc with the crop," advisor to yet another producers' lobby, Bharatiya Cha Parishad, told IANS, a news agency.

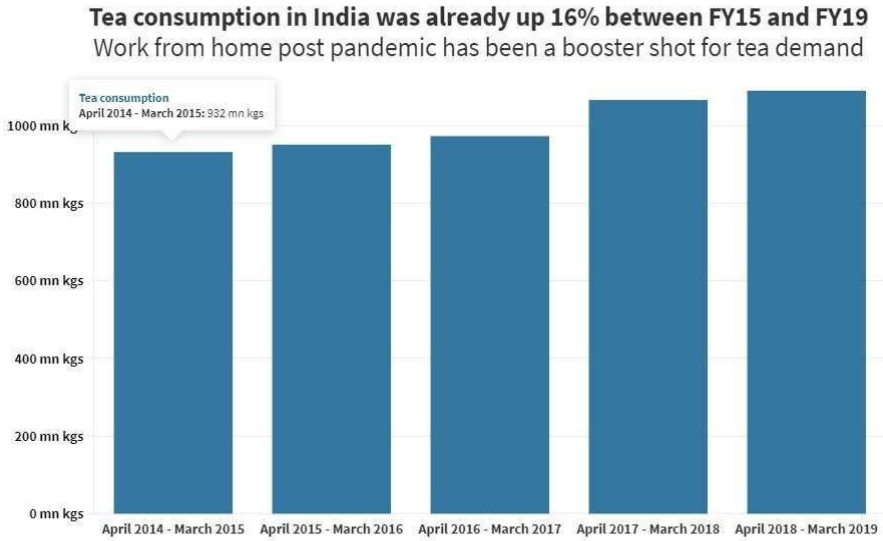
All in all, the cup of tea is likely to get more expensive in the near future. This is because Assam and West Bengal produce more than 80% of all the tea in India.

Assam and West Bengal produce more than 80% of India's tea
India is the world's second largest tea producer, after China



Business is not entirely bad for the companies. Tata Consumer Products, which sells Tata Tea among other brands, saw the beverage segment (including coffee) grow 59.6% by revenue, and 23% by volume, in Jan-March 2021.

Tea consumption in India was already on the rise before work-from-home, forced by the pandemic, allowed people to have more cuppas each day.



This is a picture of the rising tea demand in India before the pandemic struck. The pace of growth has been better in the last year.

However, overall operating profit margin for the company shrank nearly 10% and the primary contributor was the rising cost of buying tea from the estates. Hiking retail prices, cutting employee cost and marketing spends was not enough to protect the bottom line from shrinking.

The tea sellers at Tata Group and HUL are using this period to remain competitive and capture as much of the market as possible. There are many Indians who still prefer cheaper unbranded suppliers. The unorganized market is estimated at ₹9,000 crore a year, by ICICI Securities, compared to the ₹16,500 crore organized segment where Tata Tea has steadily maintained a market share of 20%.

So, the current inflation in tea prices could be a bigger jolt for smaller players as well as the million-plus people working in the tea gardens. Several hundred workers in many tea gardens under at least 15 districts have been infected by the Coronavirus, IANS reported. The Indian summer is the peak harvest and loss of production may also mean loss of wages along with a rise in cost of healthcare.

(Business Insider India)

Post COVID Tea Marketing

No one can reliably predict business, social, economic, and industry basics once the Covid-19 pandemic moves from its disruptive stage to a rebuilding phase. But companies can't just wait and hope. They have to make decisions now on the basis of two extremes of possibility: a return to business as usual, with strategies as usual, or an environment that changes structurally and requires strategic and operational repositioning.

It's clear, for instance, that in many businesses, the old advantages of physical location are now a problem; classrooms and movie theaters are prime examples. There is no plausible return to business as usual here. As for retailing, the Economist magazine, noted for its careful and low-key analysis, recently summarized the coming years with the observation that "not since the Industrial Revolution has shopping been in such upheaval."

So, what about the tea industry, so complex in its parties and processes from bush to cup, with over 60 countries growing tea, giant farms and small shareholdings, intermediaries along the entire supply chain, wholesalers, blenders, supermarkets, private branders, specialty stores, tea rooms, online sellers? Guesses, forecasts, surveys, and expert judgments can help pick out likely trends, but the test will be whether the future they predict actually happens, by which time it may be too late to do much more than mutter, “Oh. Wish we’d realized that.”

How do tea business owners and executives plan when they can’t predict? This STiR review isn’t a set of forecasts and recommendations but a ‘think about it’ list derived from sorting through facts, figures, and examples across tea and other sectors. It suggests that the most useful approach to planning is to assess four areas of premiumization: (1) product assurance, (2) customer delivery network, (3) personalization relationship levers, and (4) financial dynamics. Which of these areas will determine business performance, whatever the impacts of COVID? How much must a tea firm fit these factors together? Where must they be premiumized versus being been handled as a commodity?

1. Premiumization contrasts with commoditization. It’s generally discussed in teas in terms of the product itself: differentiated, with a standout identity and appeal to discerning customers, commanding a strong price. Among popular mid-range black teas, there’s a wide gap between, say, the premiumization of a loose leaf, single estate Kenilworth (Sri Lanka) and (Millima Kenya) and the commoditization of anonymous broken leaf or special blend black tea (India and Sri Lanka). Earl Grey spans the premium-commodity range, from real bergamot flavoring of a subtle blend of Keemum, Darjeeling and other leaf to sawdust equivalent lowest grade dust and fannings overpowered by ethylene glycol.

What adds premiumization to such a commodity good is reliability, availability, convenience, and ease of buying – product assurance. One likely scenario for at least a few years post-Covid is that these will be compromised.

To a large degree, premiumization in product assurance has rested on who a seller buys from. Increasingly, the pre-Covid trend was towards direct relationships with elite growers. Lockdowns, limitations on travel, and safety concerns may erode this. May, not will. Regardless, tea brokers, sellers, blenders, and sellers face uncertainty at the very core of the customer relationship. How do they select their product range and providers? Out of stock is not the best brand to show on a website.

2. Customers really don’t care about your supply chain: that’s your problem and responsibility. They increasingly do care, often intensely, that you meet their delivery expectations. This largely defines their ratings of “service.” The premiumization question here is what post-Covid scenarios make delivery networks – all the parties in logistics – best handled through commodity ordering, distribution, and shipping, and which must be handled as core to the identity of the firm.

Commodity operation rests on cost and routine procedures . Premiumization is expensive and complex. Reports suggest that most tea sellers lack the money needed, staffing, and industry expertise. The more commoditized the management, the more processes can be outsourced. Take the customer order, make sure you maintain lean inventory levels and get the goods out. Let your vendors handle the supply chain at what extra price or streamlined costs.

3. Its commonplace to talk about customer relationships as the dominant priority in a service business. Many online players recognize the vital need to invest in CRM: customer relationship management. They aim to build repeat business through targeted email offers, subscriptions, free shipping, and loyalty deals and discounts. Many add topical and educational blogs. A relative few are using chat-bots to augment customer interaction. They adopt software packages that generate analytics, handle orders and fulfillment, and create profiles.

There are some excellent and highly inventive online tools that go well beyond standard sites and communications that focus on the customer contact point. By and large, the state of technology in tea retailing and distribution is less than impressive. There is a narrow set of basic packages on the market which are fully sufficient for managing the operations base but often don't establish a distinctive identity for the seller. A number of emerging technologies promise to transform the opportunities.

Where does a small or medium size firm exploit commodity IT – packages, apps, website builders – and where should it move towards premiumization in its technology, not necessarily state-of-best practice but a focus on real relationships and personalization? What platform does it need to integrate the often diverse, incompatible systems and data include suppliers, shippers, and financers?

4. As is short- and long-term financing. Companies that cannot build premium relationships with suppliers, brokers, shippers, and financial institutions will increasingly lose flexibility and add to their total cost. In particular, they must obtain the working capital needed to enable them to negotiate cost-effective contracts and supplier relationships.

There's no simple answer to the questions about post-Covid financial markets. Premiumization may be beyond the capabilities and access to sources of working capital and investment Think about it.

(An extract of an article from STiR Magazine)

Brexit affects UK re-exports

The EU-UK Trade and Cooperation Agreement is now fully in effect (May 1, 2021). The direct economic effects of Brexit have yet to happen, as the country remained inside the EU's economic orbit until the end of 2021, so few people have noticed any difference, writes the Wall Street Journal. The immediate impact on the tea industry revealed some troubling but mainly short-term aspects.

Britain imports virtually all the tea marketed there and re-exports about 17%, much of it to the EU. In recent months British expatriates say they can no longer find PG Tips and Yorkshire on grocery shelves in Spain, France, and Germany. At the British Store in Belgium, store manager said 90% of his stock is depleted as deliveries are delayed by Brexit red tape and reams of new paperwork. The Road Haulage Association reported a 68% drop in exports from Britain to the EU in January.

Like everyone else buying large quantities, UK importers shipping tea from China experienced container rates that have quadrupled since the first of the year. Blenders and tea packers are also contending with a wave of EU import controls on food products. Packaging and bottles are in short supply.

More troubling is the decision by major tea suppliers to bypass the UK. Kenya, which shipped 4,313 metric tons to the UK in January, now sends more of its tea to Poland and northern European ports near Amsterdam, Rotterdam, and Hamburg, cities with many large-scale tea blenders' packers. Once a captive of Britain's tea multi-nationals, Kenya shipped more than a thousand metric tons to Poland in January 2021. According to the UN Comtrade database on international trade, Kenya exported $110 million to Germany in 2019, about 8% of Kenya's total exports. Kenya's combined tea and coffee exports to the UK totaled $124 million that same year.

As the current economic downturn and lockdowns depress sales on the continent, many popular British tea brands look elsewhere like New Zealand, where free trade agreements exist.

The new EU-UK Trade Agreement avoids tariffs—at least on those goods originating or defined as having been substantially transformed in the other's territory. Tea in bulk is exempted, and processed tea shipped to the EU after "transformation" crosses the border without duties, but importers pay a 2% duty for green tea from outside the UK. In Northern Ireland, importers pay a 3.2% third-country duty.

In December last year, Kenya and the UK signed a trade agreement replicating the EU market partnership, which waives duties and quotas on importing goods from the East African Community (EAC) trade bloc.

There is no escaping the fact that strict new rules on composite food products will add extra layers of bureaucracy on food exports to the EU, writes founder of Customs Manager, a UK consultancy. Shelf-stable teas (except refrigerated kombucha) are considered low risk and do not require an export health certificate (EHC).

Food prices remain stable with Unilever, Nestlé reporting strong earnings on increased at-home consumption of tea and coffee. Northern Ireland saw a 2.4% decline in tea prices while coffee rose 0.3%. Overall, year on year, there was a 1.7% increase in the cost of everyday goods, according to the Ulster Fry Index. While it is too soon to assess the full impact, UK residents remain skeptical. In November, a You Gov. poll showed that 51% of people think it was a wrong decision and 38% a right one, the largest gap since 2016, according to the Wall Street Journal.

As 2021 progresses, Brexit fears, along with the disruptions brought by the pandemic and the economic thrashing England suffered in 2020, are abating. One tea to have perished amid the turmoil was the briefly popular English Brexit Tea's Harmony blend, "a tea to calm down and relax." There were apparently few takers of late, and the 75g folding box was discontinued on Amazon.UK.

(STiR)

Government supports tea cultivation

Iran's government boosted green leaf price guarantees 45% this spring, pleasing the nation's 55,000 growers and expanding domestic production. The guarantee is a base; many of the nation's 160 tea factories purchase tea from local growers at prices higher than the $0.30 kg floor for quality leaves and the $0.20 rate for seconds.

Output from the harvest that began in May is expected to reach 135,000 metric tons in calendar 2021, up 4,000 metric tons compared to 2020. The Iranian calendar year ends March 20.

Iran produces 90% of its tea in the far northern Gilan and Mazandaran Provinces. Production grew 10% from March 2018 through March 2019, according to the Iran Tea Organization. There are currently 28,000 hectares designated for growing tea, with 22,000 hectares under tea. Lower precipitation is a concern, but there was sufficient tea for plucking the first week of May.

Iran is a net importer but now produces enough tea to trade small quantities with neighboring countries and regional packers. Iran also issued its first agri -tourism permit for a farm in Qom Province recently. The permits allow farmers on privately-owned land to host tourists and educational experiences such as tea tastings.

Contracts for import of 30 million kilos of new-season tea from India are currently being negotiated. Indian sellers shipped twice the amount of tea as in 2019-20 at favorable prices, averaging $3.91 per kilo, making Iran the single largest importer of Indian tea. Last year Iran bought 21% of India's exports, exceeding Russia/CIS for the first time.

Iran increased its tea shipments from India after sanctions were imposed. Iran previously traded oil for tea, but the US has since convinced India to stop importing oil from Iran, causing some tea growers to worry about timely payments.

"The present sanctions by US may create some difficulties, but tea exports will continue to grow," analyst Ajit Nandkeolya told Northeast Now. "Indian tea exports to Middle East have steadily gone up over the years despite continuous US sanctions and the turmoil in the region during the last 10-15 years," he told the newspaper.

Tehran and New Delhi are in the final phases of negotiations for a preferential trade agreement easing financial transactions currently restricted by US and European Union sanctions against Iran. In 2019 Iran signed a provisional trade agreement with the Eurasian Economic Union (EAEU), a trade block that imports tea from Gilan Province, lowering tariffs to 3.1%.

(STiR)

Global Tea Market to reach $ 82.8 Billion by 2027

According to a report by “Research & Markets” research agency quoted in “Yahoo Finance”, amid the COVID-19 crisis, the global market for Tea estimated at US$ 57.1 Billion in the year 2020, is projected to reach a revised size of US$ 82.8 Billion by 2027, growing at a CAGR of 5.5% over the analysis period 2020-2027.

Green Tea, one of the segments analyzed in the report, is projected to record a 6.4% CAGR and reach US$ 27 Billion by the end of the analysis period. After an early analysis of the business implications of the pandemic and its induced economic crisis, growth in the Black Tea segment is readjusted to a revised 5.5% CAGR for the next 7-year period.

The Tea market in the U.S. is estimated at US$ 15.5 Billion in the year 2020. China, the world's second largest economy, is forecast to reach a projected market size of US$ 17.4 Billion by the year 2027 trailing a CAGR of 8.5% over the analysis period 2020 to 2027. Among the other noteworthy geographic markets are Japan and Canada, each forecast to grow at 3% and 4.9% respectively over the 2020-2027 period. Within Europe, Germany is forecast to grow at approximately 3.4% CAGR.

In the global Oolong Tea segment, USA, Canada, Japan, China and Europe will drive the 4% CAGR estimated for this segment. These regional markets accounting for a combined market size of US$ 4.2 Billion in the year 2020 will reach a projected size of US$ 5.6 Billion by the close of the analysis period.

China will remain among the fastest growing in this cluster of regional markets. Led by countries such as Australia, India, and South Korea, the market in Asia-Pacific is forecast to reach US$ 11.1 Billion by the year 2027, while Latin America will expand at a 5.4% CAGR through the analysis period.

(Yahoo)

Green Tea Cubes from Coca-Cola Japan

As rewarding as it can be to settle down inside a nice café or teahouse for a good brew, sometimes those on the go (or more so nowadays, staying home) are looking for more instant refreshment. Recently options in that regard are quite plentiful in Japan, including Chabacco, small sticks of green tea packaged as cigarettes. Coca-Cola Japan is making options even smaller, with their newly announced "1,2, Cube" series, which allows you to drop a freeze dried cube into your cup to instantly brew barley tea, green tea, and coffee.

The series is a response to a survey conducted by Coca-Cola Japan among its customers, which revealed that a majority of those surveyed longed to drink brewed tea and coffee after pandemic conditions lightened, and found that brewing their own at home was inconvenient. Many who responded also said that they had switched to using their own personal bottle or mug when out, citing environmental awareness.

1,2, Cube is available in three different brews (barley tea, green tea, and coffee) that can be made by simply dropping a dissolvable freeze-dried cube into cold or hot water, and then stirred for an instant serving. Coca-Cola says the freeze drying process concentrates the original aroma and flavor of tea leaves and coffee beans into the cube for a flavorful brew that is perfect to pack for excursions or simply enjoy at home with less washing involved.

The release is also part of an SDG-based initiative by the company, featuring paper bags and no individual packaging for the cubes, in an effort to cut down on plastic waste problems caused by other instant teas and coffees.

(Japan Today)

Cannabis in RTD Tea

Cannabis-related products have become more accessible than ever for people in Thailand, as bottled drinks scented like the plant are being sold at convenience stores and in vending machines nationwide.

Ichitan Group, Thailand's largest maker of ready-to-drink teas, has released two drinks infused with terpenes, compounds found in various plants but best known as the main source of cannabis's distinct aroma.

A logo resembling the five-leaf cannabis plant appears on the bottles of two Ichitan tea products: a no-sugar chamomile green tea flavor scented with terpene, and a sweetened green tea flavor scented with lemon and terpene. The products do not contain psychoactive substances such as cannabidiol.

The bottled drinks have recently gone on sale at convenience stores nationwide. They are also sold in shopping malls, train stations, condominium complexes, and others locations from more than 13,000 vending machines provided by Thai vending machine operator, Sun Vending Technology.

Both flavors were recently priced at 30 baht ($0.96) in central Bangkok. Ichitan has set a sales target of 500 million baht ($16 million) for the products in their first year.

Cannabis legalization is slowly spreading from Western countries to Asia. Many Thai companies are seeking opportunities to enter related markets.

Ichitan was one of the first large Thai food and beverage companies to spot potential in cannabis products. There are multiple independently licensed restaurants, cafes, and bars that serve hemp dishes and drinks. No one has attempted to reach the mass market the way Ichitan has.

"Being the first mover in the new market will be an important factor to gain an advantage [with] the product launch, while studying the behavior target customers -- [the] urban new generation," said Ichitan CEO and President.

The Thai government promotes hemp and cannabis as cash crops in a number of ways. It believes hemp products can attract curious travelers as well as medical tourists. Growing hemp and cannabis could generate income for farmers.

Investors see the legal cannabis market as a gold mine as well. Thai fund MFC Asset Management announced a plan to establish Thailand's first mutual fund focusing on investments in hemp-related businesses. The asset manager expects the global legal cannabis market to grow by 17.1% annually through 2025.

However, commercial interest in cannabis in Thailand, which was sparked by the deregulation in January, has been dampened by the third wave of the COVID-19 pandemic and subsequent lockdowns of business.

(Bangkok Post)

Rose tea brings fresh taste - Bangladesh

In a first for the country, rose tea recently joined the white and yellow blends for sale in local markets. It was sold for Tk 3,000 per kg (USD 36/) at an auction centre in Moulvibazar's Sreemangal upazila. The rose tea, which bears a similar colour and fragrance of its namesake, was sourced from Brindaban Tea Garden in Habiganj.

Rich in antioxidants that help prevent cell damage among other health benefits; the tea is produced on a very limited scale for export. Local tea connoisseurs are only accustomed to drinking lemon, milk and green tea.

"We only got 10 kg of rose tea but were able to sell it at a good price as there is good demand for this blend," said managing director of Srimangal Tea Broker.

Rose tea is produced in many countries across the globe. However, those are made mixing rose flavour with tea leaves, according to manager of the Brindaban Tea Garden. "But we produce the tea by mixing rose leaves with high quality black tea leaves, not by adding flavours," he said.

"Since many locals import raised tea from China, we produced it on an experimental basis to get an idea if selling the product is viable in this country," he added. The tea garden manager wenton to say that if they witness adequate demand, then production would be increased. The owner of Asian Tea Supplier said there was good demand for white, yellow and even rose tea in the tourist town of Sreemangal.

This was the first tea auction of the current fiscal year while the second will be held at a later date in Chattogram. At this year's auction, some white tea sold for more than Tk 7,000 per kg (USD 84/) while yellow tea went for Tk 5,000 (USD 60/).

Bangladesh tea producers have been putting in extra effort to develop new teas to add a different dimension to the industry. First it was white, then yellow and now it was rose tea, which he said was recognized as the most expensive blend in the world. "There is a lot of demand for this tea due to which many garden owners are interested in producing the variety".

(Daily Star)

Pakistan to prepare new tea varieties

Pakistan to prepare new tea varieties from seeds provided by China, according to a report published by Gwadar Pro.

“Pakistan is one of the three largest importers of tea in the world, from which you can get an idea about our consumption of tea,” said Director of National Tea and High Value Crops Research Institute (NTHRI). As per the statistics from UN-Comtrade, Pakistan’s total tea imports in 2020 is USD 589 million, an increase of 18.8% compared with last year. “To promote our tea industry and save foreign exchange expenses on tea imports, Pakistan needs to get independent in tea production and the tea consumption habits need to change.”

“In Turkey, Malaysia, Indonesia, China, Vietnam and many other countries, people mostly use tea produced in their own country regardless of its quality and flavor, whereas we have stuck ourselves to the Kenya tea. If we get some other tea, we will not like it.”

Kenya black tea accounts for approximately 60% of the Pakistani tea market. “We spend too much foreign exchange each year on tea import. If we spend even 1 to 2 percent on buying land and cultivating tea, increasing the domestic tea production will not be hard.” scientific assistant of NTHRI suggested.

“Chinese team conducted their survey in the areas of Manshera, Uggi, Balakot and Swat; they selected few thousand acres that were perfect for growing tea.” “Although we have experimented, tested, and adopted the raw material in Pakistan, there is still a need to bring in good foreign tea varieties. However, no country in the world wants to lose its market, so whenever we have tried to cooperate with any tea-producing country in this field, they refuse to do so. China was the only country who shared the seed of tea with us.”

He further said, noting that tea varieties Chui, Rupi, Kewin, Ung Shung in Pakistan are all Chinese varieties. “I have seen these varieties growing in China and they have performed as well in Pakistan.” “We are further investigating it and conducting tests to find out the variety which is good in production, which can be cultivated in the hilly cold regions, in the semi-hot regions or subtropical regions,” The NTHRI is now able to prepare around 12 new varieties of tea. “We are exporting our green tea to Japan in the last 4 years. Our tea is just like their tea, it is even better in quality. It is very famous and liked by them a lot. Based on this, we are now working on the new project of tea and we wish to get success

(Daily Times- Pakistan)

China tries to rein Yuan

China is trying to rein in the Yuan as it surges to three-year highs against the U.S. dollar.

A stronger Yuan makes Chinese goods relatively more expensive to buyers overseas, and has spurred concerns about the competitiveness of Chinese exports , a major contributor to national economic growth.

The Chinese Yuan traded little changed against the U.S. dollar in the last week of May after the People’s Bank of China set the Yuan’s daily midpoint at 6.3811 versus the green buck. That marked the second-straight day of weaker fixings, reversing six straight trading days of stronger fixings since May 24, according to data from Wind Information.

The PBOC has tried to allow the market to play a greater role in determining the Yuan's exchange rate. But the central bank retains some control through daily midpoint fixings against the dollar, allowing the Yuan to move 2% higher or lower from that level.

The weaker fix followed the central bank's announcement that beginning June 15, financial institutions must increase the ratio of their foreign exchange deposits by 2 percentage points - to 7% from 5% currently. The hike forces banks to retain more of their foreign currency holdings, reducing the amount that could be used to influence foreign exchange rates.

Analysts said the exact dollar amount is less significant than the central bank's message that the Yuan will not move in a single direction of continued strengthening against the U.S. dollar.

"It's a strong signal," said deputy director of the Economics Policy Commission at the China Association of Policy Science. He pointed out the size of the adjustment is relatively large, and said it represents a form of targeted monetary policy tightening. The ratio increase will limit speculative activity since financial institutions need to keep more money in their reserves, he said.

(CNBC)

Russia moves to reduce Dollar Assets

Russia is cutting the U.S. dollar from its $186 billion National Wealth Fund as Washington continues to impose sanctions on Moscow.

The move was announced at the St. Petersburg International Economic Forum on 3rd June , by the Finance Minister , "Like the central bank, we have decided to reduce investments of the NWF in dollar assets," he told reporters, according to a Reuters translation, adding that the NWF will instead invest in Euro, Yuan and gold assets.

The changes to the NWF are expected to happen within the next month. Once complete, the share of euro assets in the fund is expected to stand at 40%, the Yuan at 30% and gold at 20%. Meanwhile, the Japanese yen and British pound will likely make up 5% each.

A senior emerging markets sovereign strategist at Blue Bay Asset , described the decision to ditch U.S. dollar assets as "very political" and one that's meant to "send a signal" to President Joe Biden's administration ahead of the upcoming summit with President Vladimir Putin.

"The messaging is 'we don't need the U.S., we don't need to transact in dollars, and we are invulnerable to more U.S. sanctions," he said in a research note after the announcement, adding that it could be interpreted as a sign that Moscow is expecting more sanctions from the U.S.

(CNBC)

Russian supermarkets consolidate

Two of Russia's top supermarket chains have announced multi-million dollar deals to buy out competitors as they vie to boost their footprints in Russia's lucrative grocery industry.

Magnit , the single largest supermarket brand in Russia inked a 92-billion ruble ($1.25 billion) deal recently to buy out the discount Dixy retail chain, while Lenta signed to buy out the Billa chain of stores for 215 million euros ($263 million).

The deals are the biggest changes in Russia's grocery market for years and signal the start of what analysts and company insiders say could be a new wave of consolidation and competition for market share among the top players.

"When we compare the Russian market with that of Western Europe, the Russian market is far more fragmented," Lenta CFO told The Moscow Times. Russia's five largest grocery chains control less than a third of the entire market, half the comparable market share in many western European countries. "There will be consolidation," he said.

Alongside mergers and acquisitions to grab more physical shelf space, Russia's traditional offline supermarket chains also face a challenge from new market entrants - the country's leading technology firms such as Yandex, Mail.Ru and Ozon, who are all investing heavily in the online food retail industry, prioritizing rapid grocery services that promise delivery within minutes.

Under its deal announced, Magnit is set to acquire more than 2,600 Dixy stores for 92 billion rubles ($1.25 billion). Half of the stores will be in Moscow and another 18% in St. Petersburg "an aggressive move into regions in which Magnit traditionally struggles," VTB Capital said.

Getting a sizable presence in the Russian capital could be crucial in Magnit's battle to overhaul rival X5 Retail Group's position as Russia's largest grocery conglomerate in the country.

Amid a nationwide crunch in living standards and given Russia's disparate geography, a strong foothold in comparatively wealthy Moscow and St. Petersburg, with their dense populations of almost 20 million, could be the key factor in who emerges on top from the looming consolidation wave that companies were publicly gearing up for even before the coronavirus pandemic.

Upon completion of the deal, which is subject to approval by Russia's competition regulator, Magnit will own more than 24,000 retail outlets across Russia, and sales could be just 6% behind the combined revenue of X5's Pyaterochka and Perekrostok brands, VTB Capital estimates.

Dixy is part of the DKBR retail conglomerate. Before merging with two other retail chains in 2019, Dixy was Russia's fifth largest food retailer, but the chain has not published independent sales figures since then. The scale of Magnit's deal is sure to spook X5, which had been winning the race to be Russia's number one food seller.

In an investor presentation earlier this year, X5 said it believes the Russian food market will consolidate to a point where the top firm controls at least 20% of the market, with a second dominant chain holding a 15% market share.

Both X5 and Magnit have said they want to reach that 15% threshold within the next two years. While X5 also has a healthy slice of Russia's small but rapidly growing online food sector to complement its network of physical stores, Magnit's presence has been largely restricted to the offline space so far.

Lenta's deal to buy 161 Billa stores in a transaction worth 215 million euros ($263 million), is also focused on boosting the retailer's presence in the crucial Moscow market, CFO Pedersen told The Moscow Times. Unlike Magnit, however, Lenta is not targeting market domination on a national level. It too seeks its fortunes in Russia's densely populated cities.

The deal will make Lenta the fourth-largest player in the capital's food retail sector and give the chain, which has typically run large hypermarkets, smaller stores in more prime locations closer to residential areas, key to capitalizing on the convenience segment of the market.

Russia also has strict competition rules in place to stop a single company controlling the market; no business is allowed to have a market share of 25% or more in any one of Russia's 85 regions.

But some analysts say that as the market clusters around a few big players competition between the chains could recede, which would be bad news for shoppers.

(Moscow News)

China faces demographic challenges

Married Chinese couples may have up to three children, China announced recently, in a major shift from the existing limit of two after recent data showed a dramatic decline in births in the world's most populous country.

Beijing scrapped its decades-old one-child policy in 2016, replacing it with a two-child limit to try and stave off risks to its economy from a rapidly aging population. But that failed to result in a sustained surge in births given the high cost of raising children in Chinese cities, a challenge that persists to this day.

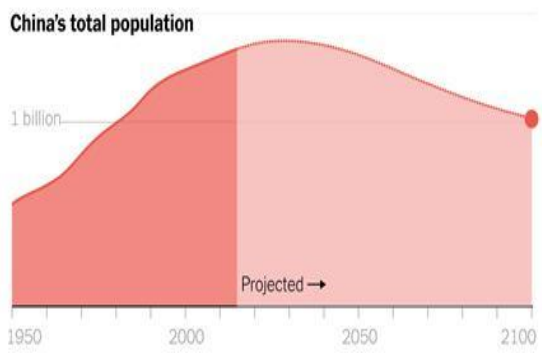
The policy change will come with "supportive measures, which will be conducive to improving our country's population structure, fulfilling the country's strategy of actively coping with an ageing population", the official Xinhua news agency said following a politburo meeting chaired by the President.

China said its population hit 1.41 billion in 2020, eking out a tiny rise from the previous year, underlining how the world's most populous nation is going to have to face its demographic challenges sooner than expected.

The number up from the 1.40 billion official data showed for 2019 indicated that China's population has only gone up by 72 million since the last census, in 2010.

In a news conference after the release, head of the National Bureau of Statistics, said there were 12 million births last year, which would represent an 18% drop from the 14.65 million the year before. It was the fourth straight year of declining births after a rise in 2016; the first year after China ended the three-decade-old one-child policy.

Urban couples, particularly those born after 1990, value their independence and careers more than raising a family despite parental pressure to have children. Surging living costs in China's big cities have also deterred couples from having children.



Meanwhile, the population of older Chinese continues to balloon. The data showed a sharp rise in the percentage of Chinese aged 60 and above, to 18.7% of the population from 13.3% in 2010.

The rising number of single people in China is becoming a new consumption power. Data from the Ministry of Civil Affairs and the National Bureau of Statistics show that the number of single adults in China reached 240 million in 2018, with more than 77 million living alone. The number of single adults living alone in China is expected to reach 100 million by the end of 2021.

Set meals, internet cafes and karaoke booths for one person are no longer a novel idea, while food companies are rolling out products in small packets to cater to the demands of singletons.

In first-tier cities like Beijing, apartments specially designed for single people are becoming a hit. "The singles economy has not only spurred a unique consumption pattern and culture, but also enriched the consumer market and accelerated its upgrading," said a professor with the School of Philosophy and Social Development under Shandong University.

(Xinhua)

Millenials & Gen Z are not the same

The Millennials are defined as those born between 1981–1997 while Gen Z are those born between 1997 and 2015. This means that in 2021, Millennials will be in the 24-40 range while Gen Z'ers would be in the range of 6-24 years old in 2021.

They may all look young, but Millennials and members of the subsequent Generation Z are markedly different in how they shop, interact with brands, and view money.

Millennials have higher expectations for customer experience and they'll pony up the cash for it. In one recent survey, 66% of Millennials said their standard for customer experience was higher than ever compared to 53% of Gen Z. Seventy-six percent of Millennials also said they'd pay more for great customer experiences (vs. 71% of Gen Z).

In the wake of the COVID-19 pandemic, Gen Z'ers are more likely than Millennials to want new products and services (55% vs. 46%). Gen Z is also more likely than Millennials to want companies to translate their existing products and services into digital experiences (76% vs. 73%).

Maybe Gen Z expects more innovation because they've grown up in an age of rapid innovation.

According to 2020 Sales force research, 50% of Millennials say they trust companies vs. 42% of Gen Z – both numbers have decreased significantly since 2018. That same report reveals that 59% of Gen Z'ers and 57% of Millennials feel like they've lost control over how companies use their personal information.

Millennials were an optimistic generation that's often seen as being pandered to by parents and adults in their lives. Meanwhile, those in Gen Z are more pragmatic. While Millennials were raised during an economic boom, Gen Z grew up during a recession.

This generation has been shaped by the economic pressure that occurred during their childhood years, when their parents and communities may have been struggling with employment and finances. Thus, the most successful marketing toward Gen Z focuses on long-term value and smart investments.

Gen Z'ers tends to be more highly interested in saving money than Millennials were at that age. Gen Z is attracted to purchases that maximize the value of every dollar, whereas Millennials are more interested in the entire experience of buying a product.

Gen Z's interest in conservative spending is a direct result of growing up in a time of economic turmoil and conspicuous consumption isn't attractive to them. They're wary and mindful of their money running out. When marketing to them, stressing high-quality investments and offering plentiful deals and bonuses (like free shipping or freebies) is a smart strategy.

Brands should strive to be authentic at every turn. Those that do will reap the benefits. Sixty-one percent of Millennials said that companies generally come off as authentic. Only 53% of Gen Z'ers shared that sentiment.

Millennials prefer brands that champion transparency and share their values. But Gen Z is even more obsessed with finding brands that mirror their ideals.

Due to the global health pandemic, we're all shopping online more than ever. How does this affect shopping and buying for our two demographics? Sixty-two percent of Gen Z'ers expect to shop online more after the pandemic than they did before. Sixty-seven percent of Millennials say the same. We may see Gen Z'ers trickle back into stores a little more than Millennials once brick-and-mortar locations open and consumer confidence climbs again.

When Millennials were in middle school and high school, brand names were all the rage. Emblazoning t-shirts, jeans, and shoes with the hottest brands was how they showed their fashion sense. Now that they're adults, Millennials may be willing to pay more for their preferred labels. Sixty percent of them say that they feel emotionally connected to brands.

Gen Z, on the other hand, is a bit more sensitive to being defined by any brand other than their own. They want to celebrate their own independence, and they use social media to find communities where they feel they belong. As compared to Millennials, 57% report an emotional brand connection.

(Sales-Force-Blog)

High Freight Rates a Challenge to World Economy

When the Ever Given megaship blocked traffic in the Suez Canal for almost a week in March, it triggered a new surge in container spot freight rates, which had finally started to settle from the all-time highs reached during the COVID-19 pandemic.

Shipping rates are a major component of trade costs, so the new hike poses an additional challenge to the world economy as it struggles to recover from the worst global crisis since the Great Depression.

Container rates have a particular impact on global trade, since almost all manufactured goods are shipped in containers. "The ripples will hit most consumers". "Many businesses won't be able to bear the brunt of the higher rates and will pass them on to their customers."

A new UNCTAD policy brief examines why freight rates surged during the pandemic and what must be done to avoid a similar situation in the future.

Contrary to expectations, demand for container shipping has grown during the pandemic, bouncing back quickly from an initial slowdown.

"Changes in consumption and shopping patterns triggered by the pandemic, including a surge in electronic commerce, as well as lockdown measures, have in fact led to increased import demand for manufactured consumer goods, a large part of which is moved in shipping containers," the UNCTAD policy brief says.

Maritime trade flows further increased as some governments eased lockdowns and approved national stimulus packages, and businesses stocked up in anticipation of new waves of the pandemic.

“The increase in demand was stronger than expected and not met with a sufficient supply of shipping capacity,” the UNCTAD policy brief says, adding that the subsequent shortage of empty containers “is unprecedented.”

“Carriers, ports and shippers were all taken by surprise,” it says. “Empty boxes were left in places where they were not needed, and repositioning had not been planned for.”

The underlying causes are complex and include changing trade patterns and imbalances, capacity management by carriers at the beginning of the crisis and ongoing COVID-19-related delays in transport connection points, such as ports.

The impact on freight rates has been greatest on trade routes to developing regions, where consumers and businesses can least afford it.

Currently, rates to South America and western Africa are higher than to any other major trade region. By early 2021, for example, freight rates from China to South America had jumped 443% compared with 63% on the route between Asia and North America’s eastern coast.

Part of the explanation lies in the fact that routes from China to countries in South America and Africa are often longer. More ships are required for weekly service on these routes, meaning many containers are also “stuck” on these routes.

To help reduce the likelihood of a similar situation in the future, the UNCTAD policy brief highlights three issues that need attention: advancing trade facilitation reforms, improving maritime trade tracking and forecasting, and strengthening national competition authorities.

Meanwhile, industry analysts are of the view that world freight rates will remain high in the short term, but will moderate in the longer term once shipping supply-chain disruptions are cleared. Demand for container shipping is high due to the mismatch between increased pandemic-induced trade and operational disruptions to the shipping supply chain, such as container box shortages and port congestions. The shipping rates appeared have peaked, having roughly quadrupled yoy on the Asia-Europe route and doubled on the Asia-North America route. Unchanged spot rates are expected in 2Q21 due to a strong economic recovery and expect them to only start to gradually normalize from 2H21.

(UNCTAD+ Maritime News)