



T · E · A

Tea Exporters Association
Sri Lanka

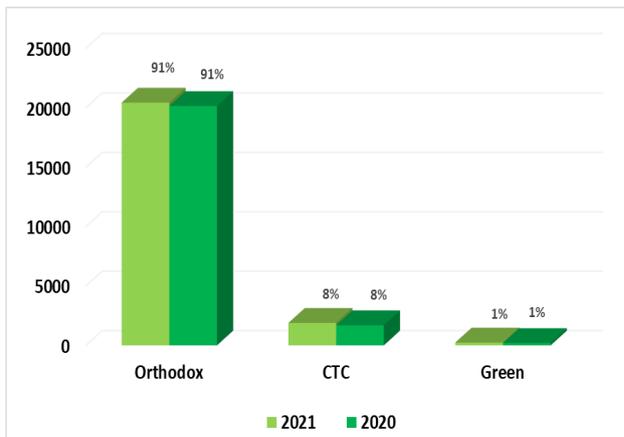
NEWSLETTER

OCTOBER 2021

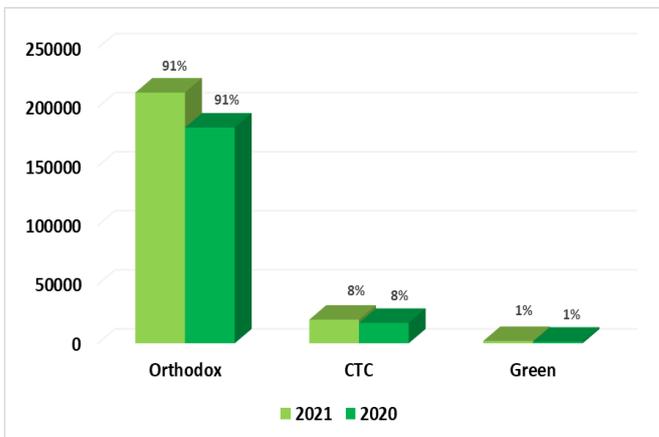


SRI LANKA TEA PRODUCTION

SEPTEMBER 2021/2020 - in MT



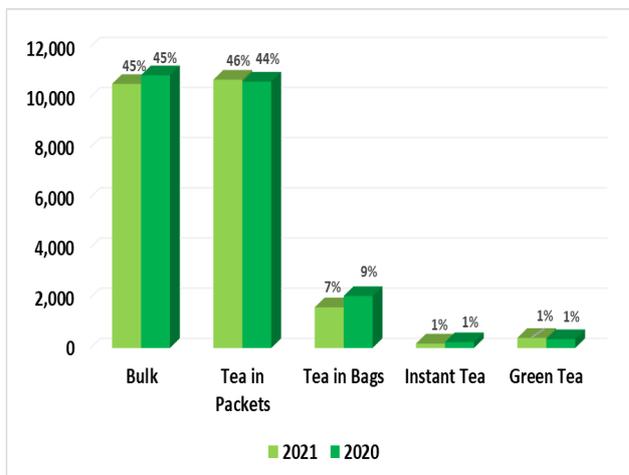
JANUARY TO SEPTEMBER 2021/2020 - in MT



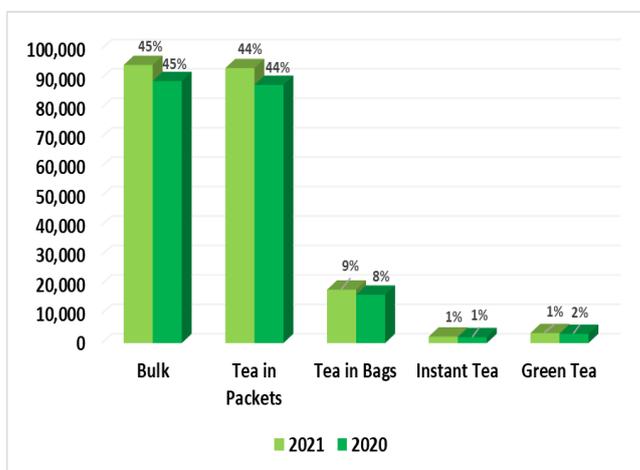
(SLTB)

SRI LANKA TEA EXPORTS

SEPTEMBER 2021/2020 - in MT

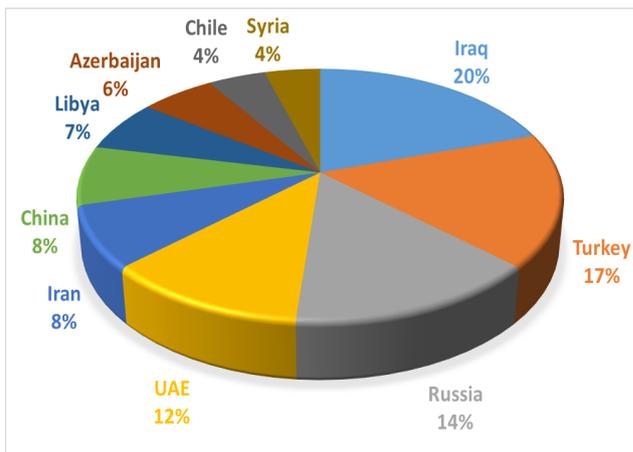


JANUARY TO SEPTEMBER 2021/2020 - in MT

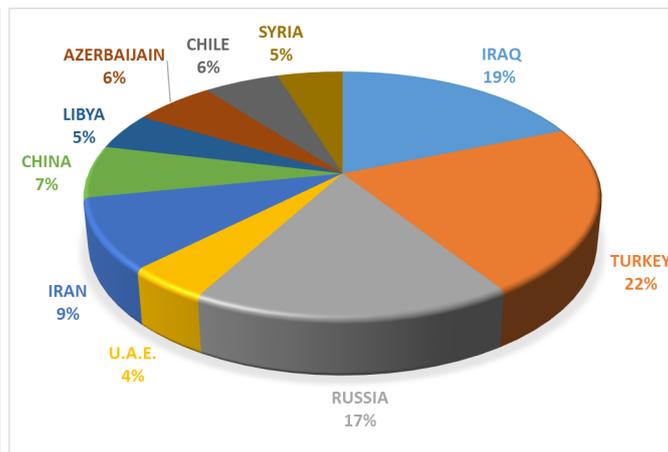


MAJOR IMPORTERS OF SRI LANKA TEA

JANUARY TO SEPTEMBER 2021



JANUARY TO SEPTEMBER 2020



(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 September	57.45	64.76	6.84
North India	January to September	698.70	773.40	74.70
South India	January to September	160.10	182.90	22.80
Malawi	January to August	33.60	38.40	4.80
Kenya	January to August	375.70	342.40	(33.30)

(Forbes & Walker Tea Brokers)

Summary of developments in the major producing countries - October 2021

In China, it is reported that movement of people within the country during the 7-day National holiday in the first week of the month was at around 70% of the level witnessed in 2019 prior to the pandemic and the local tea industry has found this encouraging. Lengthy delays continued during the month at Shanghai, Ningbo and Yantian ports in China and the congestion at Busan in South Korea also continued to contribute to the overall delays with regard to global shipping logistics.

Planters in India have raised concerns regarding increased imports of tea that is cheaper than the cost of production of tea within India. Even though there is an import duty of 100%, there is no minimum price in place. Tea that is imported for re-export purposes do not attract an import duty.

In Kenya, there was much better demand during the month at the Mombasa auctions. Jan-Aug cumulative production though less than last year is 22% higher than the corresponding period in 2019. Tea Board of Kenya has been reconstituted and The Tea Research Foundation which was part of the Kenya Agricultural Livestock Research Authority (KALRO) in recent years has reverted to an independent structure as part of the reform undertaken by the Kenyan tea industry.



Jan-Sep cumulative production in Sri Lanka is similar to the quantity produced during 2019. Boosted by significant increases in year on-year exports to UAE, Libya and China, their exports at the end of the third quarter are also in line with their exports during 2019, prior to the pandemic. Iraq, Turkey, Russian Federation, UAE and Iran were the leading destinations.

Production at end of the third quarter in Bangladesh is only marginally lower than during the corresponding period in 2019.

World Auction Centers

Mombasa

There was good demand at the first sale of the month with Pakistan leading the way and the best PF1's, PD's and Dust 1's advanced in price. Much stronger demand was seen the next week with prices advancing and only 14% of the offerings were withdrawn. Egypt, UK, Kazakhstan and other CIS nations were more active at the next sale but demand was irregular and 23% of the offerings were withdrawn. There was only fair demand the following week and 20% of the offerings were withdrawn.

Colombo

Colour western broken, select Uva teas, Dust 1's, Dust teas, select best low-grown BOP1's and OP1's, tippy FBOP's and FBOPF1's were firm to dearer at the first sale where there was mixed demand. Demand was maintained the following week for High and Medium elevational teas whilst leafy low-grown and off-grade fannings were firm to dearer. Select best Dust1's also appreciated in price. The restricted quantity on offer at the one-day sale the following week met with strong demand and the overall average price was higher. The following week, better teas continued to sell well and the price gulf between these and rest of the teas widened.

Kolkata

Market remained just about steady for Leaf teas with improved demand for good liquoring Assams but Dust teas were weaker at the first auction of the month. There was no sale the week after. Good Assam leaf teas and brighter Dust teas maintained firm price levels at the following sale but demand was much weaker at the final sale of the month.

Guwahathi

Demand for Leaf teas was weak at the first sale of the month and there was no auction conducted the week after. A slightly improved market was witnessed at the next sale, a trend that continued the week after.

Kochi

There was an easier market at the first sale of the month with browner and plainer low medium teas, a weak feature. Market at the next sale was weaker except for the good liquoring Dust varieties and this trend continued the week after. Good liquoring powdery types were firm whilst most teas did not find much interest at the next sale.

Chittagong

Demand was well sustained at the first two auctions of the month with good liquoring sorts attracting support from blenders who were the mainstay of the market. Blenders continued to be quite active at the next two auctions with better liquoring Broken, Fannings and Dust teas enjoying more interest at the latter.

Jakarta



Demand was better than the previous week at the first sale of the month with improved invoices of both CTC and Orthodox teas dearer. Orthodox teas met with irregular demand whilst CTC teas were firm to dearer at the next auction. There was good demand the week after where bold CTC broken and best orthodox lines were dearer. More activity was noticed at the bottom end of the market but an easier market prevailed the week after.

Limbe

Demand was lackluster at the first sale of the month but a firm to dearer market was noted at the next sale. There was good demand and prices remained firm the week after. Selective demand was witnessed and prices declined at the final sale of the month.

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

Global Economic Recovery Continues - IMF

The global economic recovery is continuing, even as the pandemic resurges. The fault lines opened up by COVID-19 are looking more persistent near-term divergences are expected to leave lasting imprints on medium-term performance. Vaccine access and early policy support are the principal drivers of the gaps. Policy choices have become more difficult, confronting multidimensional challenges, subdued employment growth, rising inflation, food insecurity, the setback to human capital accumulation, and climate change with limited room to maneuver.

The global economy is projected to grow 5.9 percent in 2021 and 4.9 percent in 2022 (0.1 percentage point lower for 2021 than in the July 2021 World Economic Outlook (WEO) Update). The downward revision for 2021 reflects a downgrade for advanced economies in part due to supply disruptions and for low-income developing countries, largely due to worsening pandemic dynamics. This is partially offset by stronger near term prospects among some commodity-exporting emerging markets and developing economies. Employment is generally expected to continue lagging the recovery in output.

Beyond 2022 global growth is projected to moderate to about 3.3 percent over the medium term. Advanced economy output is forecast to exceed pre-pandemic medium-term projections largely reflecting sizable anticipated further policy support in the United States that includes measures to increase potential. By contrast, persistent output losses are anticipated for the emerging markets and developing economy group due to slower vaccine rollouts and generally less policy support compared to advanced economies.

Inflation is up in emerging and developing economies. In most cases, rising inflation reflects pandemic-related supply-demand mismatches and higher commodity prices compared to their low base from a year ago. As discussed, for the most part, price pressures are expected to subside in 2022. In some emerging markets and developing economies, price pressures are expected to persist because of elevated food prices, lagged effects of higher oil prices, and exchange rate depreciation lifting the prices of imported goods. However, great uncertainty surrounds inflation prospects primarily stemming from the path of the pandemic, the duration of supply disruptions, and how inflation expectations may evolve in this environment.

Fiscal policy: The imperatives will depend on the stage of the pandemic. Health care-related spending remains the priority. As the pandemic persists and fiscal space is limited in some countries, lifelines and transfers will need to become increasingly targeted to the worst affected and provide retraining and support for reallocation. Where health metrics permit, emphasis should shift toward measures to secure the recovery and invest in longer-term structural goals.

The 70 percent vaccine coverage target by mid-2022 is driven by the health and economic imperatives of stopping the pandemic as rapidly as possible. This is higher than the originally proposed 60 percent target for mid-2022 given the rise of more infectious variants. The revised target is consistent with the downside risk scenario envisioned in the original \$50 billion IMF staff proposal released in May 2021, under which 1 billion additional doses were designated for low- and lower-middle income countries—and is aligned with the updated World Health Organization global vaccination strategy.



Monetary policy: Although central banks can generally look through transitory inflation pressures and avoid tightening until there is more clarity on underlying price dynamics, they should be prepared to act quickly if the recovery strengthens faster than expected or risks of rising inflation expectations become tangible. In settings where inflation is rising amid still-subdued employment rates and risks of expectations de-anchoring are becoming concrete, monetary policy may need to be tightened to get ahead of price pressures, even if that delays the employment recovery. The alternative of waiting for stronger employment outcomes runs the risk that inflation increases in a self-fulfilling way, undermining the credibility of the policy framework and creating more uncertainty. A spiral of doubt could hold back private investment and lead to precisely the slower employment recovery central banks seek to avoid when holding off on policy tightening. By contrast, monetary policy can remain accommodative where inflation pressures are contained, inflation expectations are still below the central bank target, and labor market slack remains. The unprecedented conjuncture makes transparent and clear communication about the outlook for monetary policy even more critical.

Preparing for the post-pandemic economy: Finally, it is important to deal with the challenges of the post pandemic economy: reversing the pandemic-induced setback to human capital accumulation, facilitating new growth opportunities related to green technology and digitalization, reducing inequality, and ensuring sustainable public finances.

(IMF)

India gradually deregulates tea industry

Tea Board of India has suspended seven sections of the Tea Act of 1953 following the Union Ministry of Commerce and Industry's decision to no longer restrict where tea may be grown and who may grow it. Seventeen of the Act's 51 provisions are no longer enforced as India gradually deregulates the tea sector. The announcement immediately raised concerns about quality and oversupply due to uncontrolled growth that many fear will lower prices overall. The organized sector now produces less than half of India's tea but earns far better prices than the typical smallholder selling raw leaves to a bought leaf factory.

Tea Board considers sections of the Tea Act a barrier to entry for new entrepreneurs. Deregulation invites new investment and opens new territory in regions like Bihar, Arunachal Pradesh, and Mizoram that show promise but were previously off-limits.

The secretary-general of the Indian Tea Association (ITA), told the Times of India that "Oversupply of the brew threatens the sector's sustainability, The unfettered expansion in tea areas in the past few years has been a cause for the non-maintenance of demand-supply equilibrium, adversely impacting prices." He writes that deregulation will drive expansion that is uncontrolled and detrimental.



In Assam, the decision frees thousands of smallholders from a vicious bind as permits to cultivate tea required certificates of ownership. In most instances, smallholders occupy land previously farmed as a plantation that has long since been dissolved. They cannot claim ownership and lack the resources to lease property under existing regulatory mandates. Smallholders in 2020 produced 52% of India's tea, primarily for production as black CTC (cut, tear, curl) but with a growing segment of specialty tea producers. Few of the hundreds of thousands of acres tilled by smallholders operate with a legal permit. Now they are no longer in violation of the law.

Facing continuing declines in export revenue, India's Ministry of Commerce and Industry also announced funding of several programs to encourage exports and subsidize mechanization.

Anupriya Patel, India's minister for commerce and industry, told tea executives on a recent trip to Assam that "exports have remained stagnant for the last 10 years." She announced an INR 98 crore allocation (about US\$13 million) to boost tea exports from northeastern India.

The ministry's five-year Tea Development & Promotion Scheme (TDPS) provides INR967 crore (US\$130 million) for growers, including INR298 crore to fund existing subsidies and INR1,000 crore in benefits to women and children in Assam and West Bengal.

Tea production rebounded in 2021, up 18% compared to the first 8 months of 2020 to 792 million kilos. An estimated 211,794 tea growers cultivate 1.6 million acres (636,557 hectares) under tea.

The Tea Board is transitioning to a more relevant body focused on marketing and promotion, according to Bezboruah.

(STiR Tea & Coffee)

Indian Tea exports to recover

India's tea exports, which suffered heavily owing to availability of Kenyan tea at lower prices in the global markets, may witness a recovery as the Kenyan government has fixed a minimum reserve price for tea to protect the interest of tea producers in the country.

The Kenya Tea Development Agency has set a minimum reserve price of \$2.43 (about Rs 183) per kg for processed tea at the Mombasa auction. The sharp price difference between the Indian and Kenyan teas has therefore narrowed down and Indian producers have started receiving export enquiries from West Asia, Russia, Kazakhstan and the US for black tea. This year, Indian tea had faced a tough competition from Kenyan tea as its prices were Rs 250-300 (USD 3.00 -4.00) per kg while Kenyan tea was priced at less than Rs 150 (USD 2.00) per kg.

Exporters are hoping to cross the 200 million kg export mark in 2021, riding on the fresh global demand in the next three months before tea production comes to a halt with the arrival of the winter season.

“This year, producers had made more CTC teas than orthodox teas as exports to Iran have come down- Iran imports orthodox teas. As a result, the supply of CTC teas has gone up,” Azam Monem, director, McLeod Russel India told ET. We were facing tough competition in the global markets due to Kenyan tea. Now that our prices are around Rs 250 per kg and Kenyan tea is around Rs 200 per kg, we are in a better position to improve our exports.”

According to the Tea Board data, India exported 100.78 million kg of teas in the January-July period at an average price of Rs 271.38 per kg, as compared to 117.56 million kg a year ago at the average price of Rs 224.21 per kg last year .



Sujit Patra, secretary, Indian Tea Association, said Kenya has taken advantage of the ‘zero’ duty with Egypt and made preferential quid pro trade agreement (tea vis-à-vis rice) with Pakistan, the second largest importer of tea. These two countries account for more than 175 million kg of tea imports from Kenya.

(Economic Times)

India Tea Exports - January - August - (2021 vs 2020)

Country	Jan - Aug 2021		Jan - Aug 2020	
	Qty (M.Kgs)	Unit Price (\$/Kg)	Qty (M.Kgs)	Unit Price (\$/Kg)
Russian Fed	21.61	2.48	26.05	2.14
Ukraine	1.19	2.63	2.28	2.22
Kazakhstan	4.26	2.9	5.15	2.55
Other CIS	1.12	2.71	1.03	2.47
Total CIS	28.18	2.56	34.51	2.22
United Kingdom	4.49	4.63	5.18	3.76
Netherlands	1.65	6.36	2.16	4.87
Germany	5.78	4.66	5.16	3.36
Ireland	0.74	10.16	0.58	9.98
Poland	3.19	2.84	3.62	2.57
U.S.A	9.28	5.98	7.3	4.67
Canada	1.25	9.74	1.14	5.04
U.A.E	8.94	3.39	7.06	3
Iran	15.47	3.46	23.87	3.59
Saudi Arabia	2.68	4.01	3.46	3.76
EGYPT (A.R.E)	0.32	2.56	1.32	1.64
Afghanistan	0.47	2.15	1.36	1.6
Bangladesh	0.17	5.18	0.12	4
China	3.98	2.49	6.81	2.09
Singapore	1.13	5.58	0.54	3.43
Sri Lanka	1.02	3.02	1.29	2.21
Kenya	0.68	2.66	0.39	2.1
Japan	2.02	5.87	1.97	5.93
Pakistan	--	--	--	--
Australia	1.49	5.89	1.59	5.23
Other countries	25.91	3.36	25.04	2.94
Total	118.84	3.71	134.47	3.1

(Tea Board of India)

Kenya Tea Performance - January to August 2021

In the first eight-month period, cumulative tea production was significantly lower by 33.31 million kgs to stand at 342.44 million kgs against 375.75 million Kgs recorded during the corresponding period of 2020. Lower production is attributable to unfavorable weather conditions experienced this year to-date. Notably, the rainfall expected during the "Short Rainfall" season from October to December will also be depressed and poorly distributed according to weather prediction by the Kenya Meteorological Department. Consequently, this year's output is expected to be significantly lower compared to that of last year.

However, for the period January - August 2021, the average auction price for Kenyan CTC tea was lower at USD 1.95 per kg compared to USD 2.02 for the same period of last year and 2.16 recorded during the same period of 2019.

During the month of August, there was significant increase in exports to traditional markets especially Egypt, Pakistan, Sudan, U.A.E, Kazakhstan, Russia and Poland and emerging markets such as Iran, Japan and Switzerland.

The total export volume for the eight-month period of 2021 was 20% higher at 389.04 million kgs, compared to 323.19 million kgs recorded during the same period of last year.

Kenya Tea Exports by Destination (Jan.- Aug. 2021 vis-à-vis Jan.- Aug. 2020)

DESTINATION	2021 QUANTITY- KGS	2020 QUANTITY- KGS	QUANTITY VARIANCE- KGS
PAKISTAN	146,495,089.43	111,120,364.50	35,374,725
EGYPT	67,387,256.60	57,523,837.00	9,863,420
UK	33,696,141.31	33,524,401.30	171,740
UAE	20,572,383.91	16,519,780.03	4,052,604
RUSSIA	20,176,802.00	15,527,914.87	4,648,887
SUDAN	19,332,256.77	14,148,175.01	5,184,082
YEMEN	11,362,423.00	9,906,949.00	1,455,474
KAZAKHSTAN	8,893,813.15	6,932,256.00	1,961,557
POLAND	6,215,339.00	5,323,436.00	891,903
NIGERIA	4,753,437.00	3,053,625.00	1,699,812
IRAN	4,697,355.00	1,624,742.00	3,072,613
CHINA	4,124,289.00	3,024,369.10	1,099,920
IRELAND	3,588,283.00	2,681,507.50	906,776
SWITZERLAND	3,568,860.00	1,430,617.00	2,138,243
INDIA	3,388,745.00	2,810,805.30	577,940
NETHERLANDS	2,722,285.42	2,115,587.00	606,698
JAPAN	2,527,791.00	1,237,731.80	1,290,059
USA	2,348,351.00	2,324,442.75	23,908
SAUDI ARABIA	2,306,008.00	4,716,958.87	-2,410,951
UKRAINE	1,771,509.00	1,043,456.00	728,053
MALAYSIA	1,657,654.00	1,738,406.00	-80,752
Others	17,461,636.28	24,866,692.53	-7,405,057.00
Total	389,047,708.87	323,196,054.56	65,851,654

(Tea Board of Kenya)

Kenya provides fertilizer subsidy

The Kenya Tea Development Agency (KTDA) has welcomed President Kenyatta's recent directive allocating Sh1 billion towards fertilizer subsidy for tea farmers.

KTDA Chairman, David Ichoho, said that the move was a significant step towards lowering the cost of tea farming's primary input which would in turn enhance their socio-economic welfare.

"This directive will ensure that all small holder tea farmers under KTDA umbrella have access to the much needed fertilizer at a much lower cost. It will ensure money in their pockets while at the same time enabling them to enhance tea production," he said.

While announcing the new economic stimulus plan, the president directed the National Treasury to allocate Sh1 billion in support of fertilizer subsidy for tea farmers heralding lower prices of the input.

This means that the cost of NPK (Nitrogen, Phosphorus and Potassium) fertilizer which is mostly used for tea farming will reduce by Sh600 for every 50Kg bag. The current price of a 50Kg bag of fertilizer ranges from Sh3,000 and Sh3,100.

The Chairman noted that KTDA had concluded the importation and distribution of 65,000 tons of fertilizer (1.5 million 50 Kg bags), while an additional 21,000 tons was being procured locally to bridge the deficit.

Ichoho noted that the president's directive builds on gains already being made in the tea sub-sector through the ongoing reforms.

Some of the ongoing key reforms include the increase in the price of tea at the Mombasa auction which has been attributed to the introduction of the reserve price regime whose aim is to enhance earnings for farmers.



In July this year, KTDA introduced a reverse price of 2.43 US Dollars per kilo of tea. The price was informed by the deteriorating market that had seen selling prices of tea slip below the cost of production and it was meant to cushion farmers.

The Chairman noted that the market continues to positively respond to the reverse price amidst a production drop.

By October 12 this year, tea prices for factories managed by KTDA hit an average of 3.07 US dollars in the tea auction in Mombasa.

The agency says that prices have recovered from the average of 1.90 US dollars in the period preceding the introduction of the reverse price.

(Kenya News Agency)

Taiwan Tea hit by climate change

A once-in-a-century drought last year followed by torrential rain this year has decimated Taiwan tea crop and left Taiwan's tea farmers scrambling to adapt to the extreme weather changes.

"Climate is the thing we can least control in managing our tea plantation," a farmer told Reuters.

Taiwan's tea output does not come close to matching China or India, but what it lacks in quantity it makes up for in quality, especially the high mountain premium Oolong variety .

Tea has been grown in the mountains around Meishan since the island was part of China's Qing dynasty in the 19th century. The industry matured and expanded under Japanese imperial rule from 1895-1945.

Farmers are now working on coping strategies for extreme weather, including hacking deep into the undergrowth to look for pools to pipe water to the fields.

Lin Shiou-ruei, a government researcher helping Meishan's farmers, said another problem the extreme weather brings is pests that attack the young tea buds.

"Pests love the dry and the heat," she said at her experimental fields in Taoyuan in northern Taiwan. "Previously it wouldn't be hot until around May to July, but now in April it's really hot."

Ms Lin is working to educate farmers about the pests that proliferate with climate change, and how to identify and manage them.

A senior agronomist Tsai Hsien-tsung, said they began monitoring weather changes in the tea country four years ago and have already seen the crop's flavour alter with the seasons.

"Temperatures are going up, rainfall is going down. There is less moisture in the air," he said. "Tea is very sensitive."



However, whether what is happening in Taiwan's tea country is directly related to climate change remains up for debate.

Chen Yung-ming, head of the Climate Change Division at Taiwan's National Science and Technology Centre for Disaster Reduction, said it was not possible to blame the drought on climate change. "We can only say that the chance of continuous drought will increase," he said.

(Reuters)

Clipper Tea to help Fair Trade

Fair trade tea brand, Clipper Teas, has joined forces with other Fair trade partners worldwide to pledge its support for Fair trade farmers in their call for climate justice ahead of the COP26 climate summit in Glasgow, UK, this November.

Ecotone-owned Clipper is one of a number of companies which has signed a business pledge urging world governments and leaders to listen to the voices of farmers – the people who grow the world's food and other essential goods in low-income, climate-vulnerable nations – as the farmers call for urgent action at COP26.

The climate crisis is having a disproportionate impact on Fair trade farmers around the world. Increasingly volatile weather is damaging crops, harming livelihoods for farming communities, and making crop production more unpredictable.



On the eve of COP26, the pledge calls on governments around the world to "set ambitious, science-based rules and targets which do not allow unscrupulous businesses to ignore the damage they are causing to the planet, and which encourage responsible business to do more." Bryan Martins, Clipper Teas marketing & category director at Ecotone UK, comments: "At Clipper, we're proud to have supported millions of Fair trade workers over the last 27 years and together with Fair trade we call on world leaders to take action on this important issue."

One of the founding Fair trade brands, Clipper buys tea on Fair trade terms directly from its tea estates and contributes to the Fair trade Premium which supports farmers to use sustainable farming methods. It was the UK's first Fair trade tea company and today is the world's largest. Other Fair trade signatories include UK retailers such as Co-Op, Waitrose, and M&S, as well as brands such as Ben & Jerry's, Greggs and Café-direct.

(Tea & Coffee TJ)

Bigelow adds New Tea varieties

Bigelow Tea, leading tea brand in US, has announced its newest innovation to the already popular line of immune support teas, Bigelow Blackberry Citrus Herbal Tea plus Zinc. This herbal blend includes exceptional ingredients like Blackberry and Citrus combined with beneficial nutrient Zinc to create a delicious way to support a healthy lifestyle all year long.

Tea has become a regular addition to self-care routines; consumers continue to seek better-for-you ingredients that are comforting, flavourful, and deliver functional benefits. Enter the newest addition of Blackberry Citrus Herbal Tea plus Zinc tea that joins Bigelow's Vitamin C line of teas, launched earlier this year, which offer a variety of simple and delicious ways to help support the body's defenses. Bigelow Vitamin C teas Green Tea with Elderberry, Lemon & Echinacea Black Tea, and I Love Lemon Herbal Tea, deliver 100% daily value of healthy antioxidant Vitamin C.

"Tea has always been a good-for-you beverage," says Cindi Bigelow, president and CEO of family-owned Bigelow Tea, "so by adding functional ingredients like Zinc and Vitamin C to uncompromising exceptional flavor, we're able to create a holistically-healthy, beautiful cup of tea that pairs perfectly with a health-conscious lifestyle. A natural addition to our immunity support line!"



(Tea & Coffee TJ)

Organic Tea market to grow by 1.1 % in 2021

According to the new market research report 'Organic Tea Global Market Report 2021: COVID-19 Growth and Change' published by The Business Research Company, the organic tea market is expected to grow from \$ 880 million in 2020 to \$ 890 million in 2021 at a compound annual growth rate (CAGR) of 1.1%. The growth is mainly due to the companies resuming their operations and adapting to the new normal while recovering from the COVID-19 impact, which had earlier led to restrictive containment measures involving social distancing, remote working, and the closure of commercial activities that resulted in operational challenges. The market is expected to reach \$1.11 billion in 2025 at a CAGR of 6%. Rising consumer awareness about the medicinal properties of organic tea is projected to boost the demand for organic tea over the forecast period.

(Organic World)

New Theory on How Green Tea Polyphenols Benefit Organisms

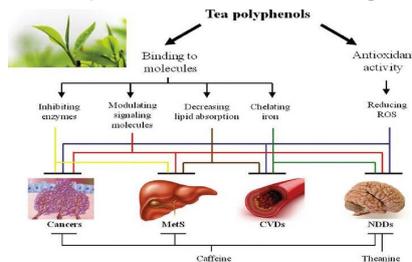
Green tea catechins are not passive antioxidants but pro-oxidants that act in ways like a vaccination that strengthens cells against attack by free radicals.

Ingesting green tea polyphenols holds outsized benefits because a diet rich in antioxidants is associated with delays in aging and offers one of the most effective treatments for high blood pressure. According to researchers, three cups daily lead to a significant reduction in systolic blood pressure and fasting glucose as well as weight loss in type 2 diabetes patients,

The mechanism by which tea counteracts or prevents oxidative stress is not well understood but is associated with a cluster of catechins. Epigallocatechin gallate (EGCG) is the most abundant. Researchers assumed the benefit was defensive, shielding individual cells from harm. A new study in the journal Aging revealed a surprising capability of green tea catechins not only to neutralize harmful free radicals but to improve the capabilities of the cells of laboratory organisms, leading to longer life and greater fitness.

“That means green tea polyphenols, or catechins, aren’t in fact antioxidants, but rather pro-oxidants that improve the organism’s ability to defend itself, similar to a vaccination,” study leader Michael Ristow, professor of energy metabolism at the health sciences and technology department at ETH Zurich told Futurity in an article titled: Green Tea Discovery Upends Ideas About its Health Benefits.

The article, posted by Peter Ruegg at ETH Zurich, explains that, unlike vaccines that stimulate the immune system, green tea activates genes that produce certain enzymes such as superoxide dismutase (SOD) and catalase (CTL) that deactivate free radicals in nematodes, the test organisms chosen for the study. Initially, the presence of the catechins increases oxidative stress for a short while which has the subsequent effect of increasing the defensive capabilities of the cells and the organism, writes Ruegg.



The findings from the study translate well to humans, said Ristow. “The basic biochemical processes by which organisms neutralize oxygen free radicals are conserved in the evolutionary history and are present in everything from unicellular yeast to humans,” he said. Ristow, a green tea drinker himself, said catechins are more plentiful in green tea than black because polyphenols are largely destroyed by the fermentation process.

The UK Tea Advisory Panel endorses the consumption of moderate amounts of green tea, citing a meta-analysis of 24 health studies involving 1,697 patients. “EGCG, the dominant phenolic compound in green tea, boosts nitric oxide levels which lowers blood pressure,” the panel Tweeted.

Globally, about 30% of adults suffer from hypertension, which is the main risk factor for cardiovascular disease as well as early death. In the US hypertension [systolic BP greater than 130 mmHg] affects 47% of adults and contributes to the cause of one in six deaths.

(STiR Tea & Coffee)

Coffee and Tea Packaging: Innovating Toward Sustainability

This summer, as the European Union began enforcing a ban on single-use packaging, utensils, and bottles the European Specialty Tea Association (ESTA) went a step further and declared that “packaging” itself is among the characteristics that define specialty tea.

“At [ESTA] we support the use of biodegradable and environmentally friendly packaging because this is an integral part of the tea industry’s future,” reads the organization’s definition. In the past, premium teas displayed exceptional physical characteristics such as aroma, color, flavor, and mouth feel.

The decision to include packaging as a defining characteristic is sure to please consumers as the majority globally view sustainability as a mandate. Sustainable best practices are well advanced at origin where government food safety and third-party certifying bodies monitor the use of chemical fertilizers and pesticides, deforestation, water conservation, labor, and measures to mitigate climate concerns.

The rest of the supply chain is far less advanced, especially when it comes to end-of-life solutions for packaging. Only 28% of the world’s 1.4 trillion plastic beverage containers (mainly PET) are recycled and most of that is down cycled into products such as textiles or repurposed in non-packaging uses from park benches to bins, shopping bags and furniture. Little is turned into fresh bottles for ready-to-drink tea, drinking cups or the films or valves to preserve freshness in coffee.

Last year almost half (48%) of new coffee products made at least one ethical or sustainability claim, according to Mintel, citing data from its Global New Products Database (GNDP). A quarter of these claims attest to the product’s environmentally friendly packaging. Report author Jonny Forsyth notes that capsules and pods are the “most controversial format” due to their disposal difficulties. Very few are biodegradable, and most cannot be recycled, adding to landfill waste. Mintel reports that only 2 in 5 (39%) new coffee pod/capsules carried a recycling claim. One in 10 pod/capsules displayed compost ability (industrial) claims, and 11% of new products claim to be biodegradable.

Penningtons in Kendal, UK is an example of a mid-sized roaster committed to sustainable practices. Director Gina Pennington writes that from the roaster’s launch in 2018, Penningtons sought to make its products ecofriendly. “Along with compostable coffee pods (cornstarch-based PLA), our tea bag boxes and wrappers are 100% recyclable too,” she said.

She says businesses are more discerning in choosing suppliers to endorse and stock. "There has been a step change in recent years and many companies are moving towards operating in a more sustainable and environmentally friendly way. Certainly, that is the case in the hospitality business, and we are delighted that our coffee pods are enabling hotels and bars to move towards a greener future," she said.

Five years ago, Ronnefeldt Tea, founded in 1836, committed to sustainable practices, embracing traceability, and reducing emissions by halting the 70-year practice of air-freighting first flush Darjeeling tea. This year the global hotel supplier replaced its tea packaging with eco-friendly Tea envelopes, an overwrap covering sachets made of an eco-friendly film with a large-pore filter paper and knotted string. Jan Holzapfel, owner of Ronnefeldt Tea in Frankfurt, Germany writes that, "sustainable best practices at tea gardens are well established. The rest of the supply chain offers significant opportunities to protect the environment and conserve resources."



Small brands like Penningtons and Ronnefeldt, operated by a generation of middle-aged managers, recognize that consumers appreciate businesses that act with integrity – not abandon. Multinationals are more attuned to the fact that the public generally supports regulation. In 2020 California mandated 50% recycled content in PET plastic by 2030 beginning at 15% in January 2022 and increasing to 25% in 2025 – the toughest post-consumer recycling requirements in the world. Australia is considering legislation requiring that 100% of packaging materials to be either recyclable or compostable within the next five years. The EU Single-Use Plastics Directive similarly forces bottlers to recycle. By 2025 all beverage containers sold in the EU must incorporate 25% recycled plastic. In the UK, bottler Britvic plc turned to Esterform Packaging, a North Yorkshire converter, to conform to the new EU regulations for Lipton's, Robinsons, and Drench bottled drinks. Esterform said the move to PET (recyclable) would save 1,354 metric tons of virgin plastic a year.

(Extracts from STiR Tea & Coffee)

China to regulate excessive packaging

On August 10, 2021, China's State Administration for Market Regulation (SAMR) and the Standardization Administration of China (SAC) published the mandatory national standard, GB 23350-2021 on the "Requirements of Restricting Excessive Package - Foods and Cosmetics" (hereinafter "Standard").[1] The Standard replaces the previous 2009 version and will take effect on September 1, 2023, subject to a two-year transition period for industry adoption.

Notably, the amended Standard updates certain terms and definitions, including the following:



- "Excessive package"
- "Package layer"
- "Interspace ratio"
- "Necessary spatial coefficient"

More importantly, the determination methods for some important concepts also are amended. For example, the "interspace ratio" is one of the factors that determine whether a package would amount to an excessive package. This term refers to the ratio of the volume of unnecessary space (that is not occupied by the contents) to the total package volume. In the 2009 version, the interspace ratio is determined by product categories (e.g., for health foods, the interspace ratio must be no more than 50%). In the new Standard, however, the interspace ratio is determined according to the net content of a single product. For example, when the net content is more than 30 g but no more than 50 g, the interspace ratio must not exceed 40%.

In addition, the "necessary spatial coefficient" (i.e., the correction factor for the measurement of space required to protect food or cosmetics) has been revised. In the 2009 version, the necessary spatial coefficient was set as 0.6, whereas in the new Standard, separate values are assigned for different types of food and cosmetics. For example, 5.0 is set for beverages, 10.0 for biscuits, and 5.0 for toothpaste.

According to China's Standardization Law, products that do not meet mandatory standards may not be produced, sold, or imported. In addition, the Law on the Prevention and Control of Environmental Pollution by Solid Wastes that took effect on September 1, 2020, specifically requires that manufacturers and operators must comply with mandatory standards that restrict excessive packaging of commodities. Thus, after the two-year transition period expires, food and cosmetics that do not meet the new Standard will not be allowed to be manufactured and sold on the Chinese market. (Tea is also included under food products)

This is a clear signal by the Chinese government to strengthen the enforcement of restrictions on excessive packaging. Thus, industry should make use of the transition period to ensure compliance with the new Standard.

(China Daily)

Climate change to hit commodity farmers

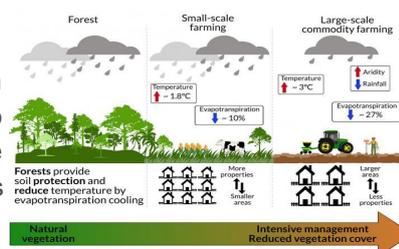
Researchers in the UK and Africa have teamed up to help tea producers better understand future climate risks so that they can reduce crop damage caused by climate change.

Kenya and Malawi produce more than half the tea Britons consume and the crop makes up about 7% of Malawi's GDP and 4% of Kenya's. In recent years frosts followed by high daytime temperatures have reduced yields, as have longer and more intense dry spells.

The plants are particularly sensitive to climate and the research suggests that without interventions aimed at specific locations tea production will decline in Kenya and Malawi by the 2050s—and fall significantly further by the 2080s.

Working with producers and their representatives in both countries, a University of Leeds-led research team assessed climate factors affecting the growth and quality of tea at nine locations. Their results are published in *Climate Risk Management*.

Project lead Professor Andy Dougill said: "We combined long-term climate observations and the latest climate model projections to predict micro-climates for nine areas over the coming decades. The same methodology could now be applied to other tea-producing areas of the world and adapted for other cash crops."



Using producers' knowledge of how tea plants at each location respond to specific weather conditions, the team was able to assess how those weather conditions are predicted to change in the future in terms of the range of possible micro-climates for each site. This has helped to provide tea producers with new information to guide them on how best to adapt to future climates by both targeted interventions and plant breeding programs. Lead author Dr. Neha Mittal, from the University's School of Earth and Environment, said: "Our study suggests that all nine locations will see substantial increases in heat wave days but significant declines in the number of cold nights by the 2050s. However, the impact will vary dramatically from location to location. Some sites will see only small rises and others might see increases of over 100 heat wave days per year. That is why this new, localized, site-specific approach is so important—it enables climate-change informed investments."

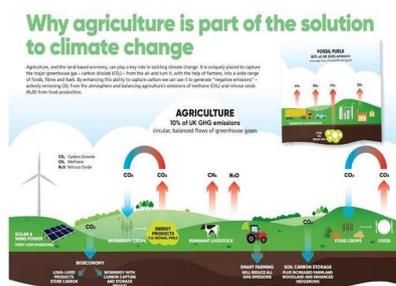
Project partner Dr. David Mkwambisi, of Malawi University of Science & Technology, said: "By working in partnership with producers and local universities we've developed ideas for how major tea producers and local people can plan for future climate conditions. These include more climate resilient cultivars, crop diversification, good agricultural practices, and afforestation. Localized climate change projections will give tea producers the information they need for their long-term decision making."

The study used a very high-resolution convection-permitting model of Earth's climate, CP4-Africa—the first of its type for Africa—which was developed by the Met Office, the UK's national meteorological service. This climate simulation equipment picks up small-scale processes in the atmosphere—including air currents which are involved in many damaging weather events, especially in mountainous areas where tea is grown.

Released ahead of the 2021 United Nations Climate Change Conference, also known as COP26, a report, titled Fair trade and Climate Change and conducted by researchers from The Vrije University Amsterdam and Bern University of Applied Sciences, paints a bleak picture of the future of some of the world's most beloved commodities, including bananas, coffee, and cocoa, and explicitly identifies how climate change will impact specific crops and regions in different ways. The study, which was supported by funding from the European Union, suggests that millions of farmers could be at risk of financial collapse as their livelihoods come under increasing climate pressure.

“The report's results are extremely alarming and a clarion call for immediate and comprehensive climate action,” warned Dr Nyagoy Nyong'o, Global CEO at Fair trade. “The threat to the future of many supply chains is very real and our planet's farmers and agricultural workers are on the frontline of this global climate crisis. We must do everything to ensure they are not left behind and that they are indeed a part of the solution.”

According to the study's findings, dramatic weather patterns spurred by climate change will likely deliver severe blows to agricultural production in key regions around the world, from Latin America to the Asia-Pacific while those in Southeast Asia and Oceania will see an increased risk of tropical cyclones. For their part, coffee producers in Brazil, Central America and South India could soon encounter temperature spikes combined with drought, directly impacting Fair trade coffee production. Meanwhile, in the Dominican Republic and Peru, as well as in parts of West Africa, cocoa farmers are likely to encounter more hot and dry weather periods, while their counterparts in eastern Ghana and northern Côte d'Ivoire may face heavier rains. Southeast Asia may face increasing drought and heat stress. Similar conditions could soon afflict tea production in Asia and Africa as well, with producers across Asia and in Malawi and Tanzania predicted to be most severely impacted.



“While impacts vary by crop and location, the report finds that most regions will experience considerably more extremely hot days,” explained Žiga Malek, assistant professor in Land Use and Ecosystem Dynamics at The Vrije University Amsterdam and lead researcher on the report. “In some areas this will make crop production very difficult or impossible in the near future placing additional stresses on farmers and agricultural workers.”

Through interviews and a producer's survey, the study also conducted in-depth analyses of the perceptions and actions of coffee, tea and spice farmers in India and cocoa farmers in Ghana, making an important contribution to climate discussions by including the views and priorities of farmers and how they experience climate change in their communities.

“The way climate change affects the planet is extraordinarily complex. This report offers an amazing amount of climate data and projections that illustrate the reality of those landscapes where farmers and workers are producing under Fair trade terms and the mounting challenges that they face if the international community continues to fail them,” said Juan Pablo Solís, Fairtrade's senior advisor for Climate and Environment.

(Natural & Tea & Coffee TJ)

FATF adds Turkey, Jordan & Mali to grey list

Turkey, Jordan, and Mali were added as part of an Oct. 21 update acknowledging jurisdictions working with the Financial Action Task Force (FATF) to improve the countering of money laundering, terrorist financing, and proliferation financing. Overall, 23 jurisdictions currently comprise the FATF's list.

"The FATF does not call for the application of enhanced due diligence measures to be applied to these jurisdictions, but encourages its members and all jurisdictions to take into account the information presented in their risk analysis," the intergovernmental organization stated.

Turkey becomes the largest economy to be represented on the list.

The FATF simultaneously announced the removal of Botswana and Mauritius from its list following a progress review conducted since June. The organization said both countries have made "significant progress" in strengthening the effectiveness of their anti-money laundering/combating the financing of terrorism (AML/CFT) regime, as well as addressing related technical deficiencies identified by the FATF.

Each of the three new jurisdictions added this month have been tasked with improving their AML/CFT regime. In Turkey, from an enforcement and compliance standpoint, some goals include increasing on-site inspections; applying dissuasive sanctions for AML/CFT breaches; enhancing the use of financial intelligence to support money laundering investigations; and undertaking "more complex money laundering investigations and prosecutions."

The FATF also lauded a handful of improvements Turkey has made in the last two years, including its establishment of a beneficial ownership registry and increased level of seizures of smuggled cash across borders.

In Mali, some goals include disseminating the results of its newly adopted national risk assessment to all relevant stakeholders; implementing a risk-based approach for AML/CFT supervision of all financial institution and high-risk designated non-financial businesses and professions (DNFBPs) and demonstrating effective, proportionate, and dissuasive sanctions for noncompliance; and conducting a comprehensive assessment of money laundering/terrorist financing (ML/TF) risks associated with all types of legal persons.



In Jordan, some goals include completing and disseminating ML/TF risk assessments of nonprofit organizations (NPOs), legal persons, and virtual assets; improving risk-based supervision and applying effective, proportionate, and dissuasive sanctions for noncompliance; conducting training and awareness-raising programs for DNFBPs on their AML/CFT obligations, particularly with regard to filing and submitting suspicious transaction reports; maintaining comprehensive and updated basic and beneficial ownership information on legal persons and legal arrangements; and pursuing ML investigations and prosecutions, including through parallel financial investigations.

Both Mali and Jordan have also been tasked with developing a legal framework to implement targeted financial sanctions. All three countries have been tasked with implementing a risk-based approach to supervision of NPOs to prevent terrorist financing abuses.

(Bloomberg)

The worsening logistic situation

Shipping charges from East Asia to East Coast ports in North America averaged \$20,695. They averaged \$17,377 for West Coast destinations on Oct. 15, making the cost of loading and transporting a 40-foot container of tea from Vietnam greater than the value of tea it holds.

Rates were \$7,200 for containers on routes from Northern Europe to the US East coast, and a 20-foot container traveling from India to Argentina was recently quoted at \$6,900, according to Freightos

The price of a container traveling from Kolkata to Rotterdam was \$9,500 in October. Add the price for Covid-19 limited labor to load and premiums paid for ground transport to port, and costs easily approach \$20,000. Freightos FBX reports containers averaged \$10,396 on Oct. 15. The Shanghai Containerized Freight Index is up 464% to an average \$4,614 cost per container. Danish logistics data researcher Sea-Intelligence reports that delays tie up almost 13% of the world's cargo shipping capacity. According to the company, the schedule reliability in August was at a record low of 33.6%, meaning two-thirds of shipped goods are arriving late.

Airfreight is the preferred method for transporting specialty tea. In normal times, using a parcel service adds about \$6.50 to the cost of each pound of tea, about 40-cents per ounce. But in recent months, rates on some routes have doubled and doubled again.

Rates to fly goods from Frankfurt to Hong Kong grew by 2.2 times in the past three months to record highs of \$3.53 per kilogram, according to the newly launched Freightos Air Index (FAI) that competes with TAC Index. Freightos WebCargo platform monitors cargo volume for 30 major airlines and cargo prices for 10,000 freight forwarders totaling 40% of global air freight.

FedEx is upping its fees by an average of 5.9%, UPS by 4.9%, and DHL Express announced it would increase its rates by 5.9% on Jan. 1. Retailers who typically offer “free shipping” are upping order minimums to \$50 and \$75, and many are charging \$15 to \$25 to ship packets that weigh less than 500 grams (one pound). During the pandemic, airlines relied on freight to generate a third of revenue (up from 12% pre-pandemic).



Cathy Roberson, head of research and consulting firm Logistics Trends & Insights LLC, told the Wall Street Journal that “Retailers may need to rethink the whole ‘free shipping’ offering that they provide to their customers,” she said. “It’s going to end up having to be trickled down to the customer, because the shippers—such as retailers, manufacturers, wholesalers and so on—they can’t keep absorbing higher costs. They’ve got to pass them on in some form or another.”

US imports by volume increased by 5% in September compared to 2020 prompting the Biden Administration to ask US ports to step up operations to 24-hours a day, seven days a week, to reduce congestion. The problem is nationwide at every container-optimized port but most acute in Los Angeles and Long Beach, two ports that account for a third of US container imports, moving 950,000 containers in August. There were 86 ships idled (mid- October) in Los Angeles and Long Beach awaiting a berth, down from 97 in late September, according to Marketplace.org.

According to the New York Times, the Port of Savannah, Georgia, reported 4,500 containers remain on the dock after three weeks despite 15,000 trucks coming and going daily. In China, in late September, 242 ships were waiting to unload. Frequent power outages and labor concerns reduced port capacity at Ningbo and Yantian, and tea from Vietnam was disrupted by Covid lockdowns.

In ports around the world, containers are piling up as China experiences an acute shortage. The crisis is anticipated to continue through 2022.

(STiR Tea & Coffee)

Manufacturers demand action on 'cartel-like' shipping costs

Manufacturers have demanded that the shipping industry be investigated over allegations of “cartel-like” behavior and increased fees that are causing shortages and fueling inflation.

Make UK, the trade body representing Britain’s industrial base, is calling on the Competition and Markets Authority (CMA) to examine whether the missile cost of moving goods can be justified.

It joins an earlier request from the British Chambers of Commerce (BCC) for an investigation as member firms of the two groups of 100,000 slump under rising shipping prices.

Organizations are preparing an open letter to the CMA calling for “urgent action” to investigate whether charges are being coordinated or inflated by shipping companies, with many of their junior members particularly nervous about rising costs.

Freight rates have jumped over the past year as disruptions at ports add to already fierce competition for space on ships.

The average price paid for a 40-foot container from East Asia to Europe is \$15,000 (£10,900) according to Freightos, a website that tracks the shipping market about 10 times higher than it was at the start of the pandemic.

There have been allegations that major shipping companies are engaging in cartel-like behavior, with claims that they have taken advantage of the race to secure shipping ports to raise prices.

A report by shipping consultancy Drewry has predicted that container shipping companies between themselves will generate “surreal” profits of \$150 billion this year as much as the past 20 years combined.

Companies are feeling the pressure, with product shortages and warnings that shoppers will have to forge ahead with purchases into the holiday season.



A draft letter to the regulator from Make UK and BCC, seen by The Sunday Telegraph, states that recent announcements of a significant increase in profits for major shipping companies without additional investment in capacity or offerings of alternative solutions indicate a significant amount of competition issues are at play.

The trade bodies said that “an investigation into anti-competitive or cartel-like practices affecting UK companies is now more urgent”. They called on the Capital Markets Authority and the government to “work at a rapid pace to discuss the evidence on the performance of the freight market.”

(The Telegraph)

Oil slips on proposed Iran - US talks

Oil prices extended declines in the first week of November, pushing U.S. futures below \$80 a barrel, after Iran and world powers agreed to resume nuclear talks this month that could lead to the removal of U.S. sanctions on Iranian oil, increasing global supplies.

U.S. West Texas Intermediate crude slid for a third day to \$79.98 a barrel, down 88 cents, or 1.1%. Brent crude futures for January fell for a second session to \$81.33 a barrel, down 66 cents, or 0.8%.

Both benchmarks posted their biggest daily percentage declines since early August, with Brent closing at its lowest since Oct. 7 and WTI since Oct. 13, after weekly inventory data from the U.S. Energy Information Administration showed a larger than expected rise in crude stocks last week.

"The fall in oil prices overnight was likely partly due to the rise in U.S. oil stockpiles," Commonwealth Bank commodities analyst said in a note.

"The more dominant driver of the decline in oil prices was Iran's announcement that the U.S. and Iran will resume talks on reviving a nuclear accord."

Tehran and six powers will start talks on reviving the 2015 Iran nuclear deal on Nov. 29. Iran has demanded that the United States remove sanctions that have been limiting its oil exports.

"We think [Iranian President Ebrahim] Raisi is still keen to strike a deal, despite his differences with the U.S., because of the economic windfall from U.S. sanctions being lifted," he said, referring to the country's newly elected president.



"The majority of OPEC+ members cannot raise production from current levels while even Saudi Arabia has stressed the need to exercise caution on demand growth given increased COVID instances, while boosting crude oil output," Citi analysts said.

OPEC+ was likely to stick to its current policy despite pressure from oil importers, they added.

Also, top producers Saudi Arabia and Russia are more confident higher oil prices will not elicit a fast response from the U.S. shale industry, OPEC+ sources said, reflecting a desire to rebuild revenue and supporting the case against raising OPEC+ output more quickly.

However, several major oil companies are planning to increase output or shale spending next year which could undercut OPEC+'s efforts to control supplies and support prices.

(Reuters)

Turkish inflation hits 20%

Turkey's lira firmed 1% against a slipping dollar, and was on track for its strongest rally in nearly two weeks after the Turkish and U.S. leaders discussed a possible fighter jet deal in Rome.

The currency sustained a mostly positive mood following the resolution of a diplomatic dispute last week, and investor attention turned toward data later in the week that is expected to show annual inflation rose above 20%.

The the lira stood at 9.5195 against the U.S. currency, compared with a close of 9.6165 a week earlier.

President Tayyip Erdogan said he saw a "positive approach" from U.S. counterpart Joe Biden on Turkey's request to purchase F-16 jets when they met on the sidelines of the G20 summit in Rome.

Ties between the NATO allies have been tense in recent years over issues such as Syria policy differences, Turkey's purchase of Russian missile systems, human rights and legal matters. The United States has sanctioned Turkey over the Russian S-400 deal.



A Reuters poll sees inflation rising to 20.4% annually, the highest in nearly three years, due to food, fuel and tobacco price pressure, and to a drop of more than 20% in the currency this year.

Retail prices in Turkey's largest city Istanbul rose 3.29% month-on-month in October for an annual increase of 20.76%, the Istanbul Chamber of Commerce (ITO) said on recently.

Separate data showed that factory activity growth slowed in October as supply chain problems limited output and the new orders' flow moderated, a survey showed.

Turkey's Treasury said last week it planned to raise \$11 billion of external funding in 2022 through bond issuances in international capital markets, with total domestic borrowing planned to be 397.1 billion lira (\$41.6 billion) next year.

The total of debt service in 2022 was projected to be 505.9 billion lira (\$53 billion).

The Treasury plans 15 billion lira in domestic borrowing and 11.1 billion lira of debt service in November, with borrowing seen at 14 billion lira and debt service at 20.5 billion lira in December.

In January, domestic borrowing is set to jump to 46.2 billion lira, with debt service at 44.8 billion.

(Reuters)

Russia hikes interest rates

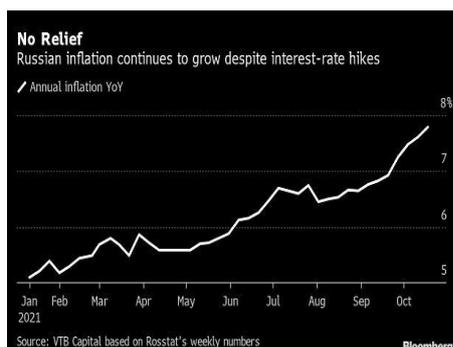
Russia's Central Bank hiked interest rates to 7.5% recently as economists warned the country faces a triple threat of rising coronavirus cases, new lockdown measures and surging inflation.

The Russian economy recovered to its pre-coronavirus size earlier this year a quicker recovery than first expected and faster than most other large economies but now faces serious headwinds from both home and abroad.

The Central Bank said inflation was "developing substantially above forecast, and is expected to be within the range of 7.4-7.9% at the end of 2021" a huge increase from the previous forecast of under 6% that was set in July.

Governor Elvira Nabiullina has taken an aggressive approach to taming inflation, and has warned for months that rising prices threaten to derail the Russian recovery.

Those fears prompted her to increase the Central Bank's key interest rate by 0.75 percentage points to 7.5% a more aggressive hike than financial markets were expecting. The Russian ruble advanced on the news, gaining 1.4% against the U.S. dollar in trading to stand at 70.1, its strongest level since before the outbreak of the coronavirus pandemic last year.



Nabiullina said further rate rises were in the cards, as the Bank battles to bring inflation back down to its 4% target. Prices are currently rising at almost double that level 7.8% it said in a statement adding that inflationary factors were "dominating" the economic horizon.

"The Central Bank continues to act decisively and ahead of the curve which is fully justified in the current conditions in the global and Russian economy," said Dmitry Polevoy, investment director at Loko Invest.

“An additional 50 basis point increase in December may now be considered the baseline scenario.”

The Bank did not downgrade its growth forecasts, but other economists have said the Russian economy will be hit by the latest surge of the coronavirus.

Economists at Sova Capital said the latest restrictions look set to take up to 0.3 percentage points off Russia’s growth this year, with more damage should the Kremlin opt to extend the so-called “non-working” period, as it has hinted.

The Central Bank is forecasting GDP will expand by 4-4.5% over 2021. It noted however that signs of an economic slowdown were already prevalent across many sectors of the economy with the global supply chain crunch playing a role.

“A number of sectors are under increased pressure from supply-side constraints. Their restraining effect on business activity may grow stronger against the background of tightened anti-pandemic measures.”

“Services make up more than three-quarters of Moscow’s economy, and the “upcoming hard lockdowns ... are likely to have a significant impact,” said Sova Capital’s Chief Economist Artem Zaigrin.

“Basically, the Central Bank doesn’t feel it should be responding to the pandemic,” said ING economist Dmitry Dolgin. “Ideally, the negative effects of lockdowns on businesses and households can be addressed through the [government’s] budget policy tools, not monetary ones,” he added, summarizing the Bank’s approach.

The recent decision was Russia’s sixth consecutive increase in interest rates this year, moving the cost of borrowing emphatically away from the historic low of 4.25% set last year to help support the economy.

(Moscow Times)

Russia to delay implementing Champagne labeling law

Russia has agreed to delay implementing a contested law barring French champagne producers from labeling their bubbly "champagne" on bottles sold in Russia, French Trade Minister Frank Riester said.

France, home of the original champagne, jealously guards its right to use the term and has been in talks with Moscow about the new law, which was signed by President Vladimir Putin in July this year.

"France has obtained a moratorium on the implementation of the Russian viticulture-wine law until December 31," Riester said in a statement. "It doesn't resolve everything and we are determined to make permanent progress during the period in front of us," he added.

The new Russian law on alcoholic beverages forbids the use of the Russian translation of champagne -- "Shampanskoe" -- on imported bottles.

French producers can still use the word in French but only Russian producers of sparkling wines can use the term in Cyrillic -- a move that caused outrage in France's Champagne region.

Along with the United States and Haiti, Russia is one of few countries that have never recognized the word "champagne" as an exclusive term for sparkling wine made in the Champagne region of France.

Russia is the 15th biggest export market for French champagne, with 1.8 million bottles sold in the country in 2019.



The French champagne industry body recommended its members cease exporting to Russia in July, but it reversed the guidance in September as diplomatic talks between Paris and Moscow took place.

(AFP)

EU pushes organic farming in Africa

Between the ambition to triple the amount of land farmed organically in the EU by 2030, as outlined in the EU's flagship food policy, the Farm to Fork (F2F) strategy, and a new organic action plan, it is no secret that organic is front and centre of the European Commission's priorities when it comes to agriculture.

As it currently stands, only 0.2% of agricultural land in Africa is cultivated in organic farming.

Meanwhile, Africa's participation in organic exports is still marginal, with an annual value of around €34 billion in 2017, despite strong growth in demand in Europe.

But this could change in the wake of the EU's push on organic farming, according to African agricultural stakeholders.

Stressing the heavy impact EU policies have on the continent, Gabriel Uri, a Kenyan agronomist and farmer, state that he sees the EU's push on organic as a "very good thing".

"There's still a lot of room for expansion here for growing," he said, pointing out that much of land in the continent is still under-utilized land.

But while organic farming is a "good narrative", it remains "more theoretical than practical" for the moment, he cautioned.



This is due to a number of constraints, he pointed out, not least of which are concerns over yield losses. "Practically, I haven't seen [organic farming] work so well here," Uri said, adding that, at the moment, farmers can lose up to 50% of their yields upon converting to organic.

As such, African farmers often "gain more on costs but not on cost price," he said.

However, he said that many farmers could still be interested in converting to organic – provided that the price is right.

"One thing you realize with farmers is that [they] are willing to go the extra mile, as long as they will see the benefits. So if the narrative is pushed, more farmers will adopt it," he said.

But this can only happen with a guaranteed market, he warned.

"Once they are guaranteed of the market, they don't mind the extra investment," he pointed out.

Likewise, Elizabeth Nsimadala, president of the pan-Africa farmers' organization (PAFO) and the head of Eastern Africa farmers' federation (EAFF), both of whom represent millions of African farmers, told that organic farming could become a "new core" of the EU-Africa relationship.

However, she stressed that African farmers still need to get a "fair bargaining power to have equal access to the European Market", pointing out that the European market is currently dominated by China and Latin American countries.

However, there are also concerns that small farmers, in particular, may not be able to capitalize on this opportunity.

One reason is that in order to gain access to the EU market and fetch the higher prices for organic produce, farmers must prove they farm in accordance with EU standards.

However, certification can be prohibitively expensive for small scale farmers, Uri pointed out.

Access to finance to help small farmers cover extra costs is also in short supply, according to PAFO's Nsimadala, who pointed out that many African countries "do not have formal systems of financial support to farmers to allow them to develop and maintain their agricultural production".

“All these obstacles prevent African farmers, especially smallholders, to obtain the required certification and complying with EU organic regulations,” she stressed.

(Euro News)

Nestlé’ sales buoyed by Coffee

Nestlé SA raised its full-year sales guidance for the second straight quarter, buoyed by strong demand for coffee and pet food, despite the continuing challenges of rising input costs and supply-chain snags.

The world’s largest packaged-food company reported a 6.5% rise in third-quarter organic sales growth, with revenue for the first nine months of the year coming in at 63.29 billion Swiss francs, equivalent to \$68.60 billion. Nestlé said it now expected full-year growth between 6% and 7%, up from its previous guidance of between 5% and 6%.

The upbeat quarter provides an early sign that consumer habits acquired during the pandemic, such as drinking more and better quality coffee at home, could continue to benefit the company, even as virus-related restrictions receded in some major markets—a view expressed by Nestlé executives.

While some analysts questioned whether the coffee boom would continue as lockdown restrictions eased, Nestlé said the category was its largest contributor to growth, with all three of its main brands—Nescafé, Nespresso and Starbucks growing strongly.

The Swiss company has made coffee a priority in recent years, including acquiring the rights to sell Starbucks-branded products in stores.

However, like others in the consumer-goods industry, Nestlé is contending with rising commodity prices and higher freight costs that it said would continue to suppress its profit margin.

The company said its underlying trading operating-profit margin is expected to be around 17.5% for the full year, reflecting an initial delay between the rise in input costs and Nestlé’s ability to raise prices.

Nestlé said it increased prices by an average of 2.1% in the third quarter but didn’t disclose details about individual product lines.

Chief Executive Mark Schneider said the business had worked hard to “navigate input cost inflation and supply chain constraints.”



Nestlé said its North American business had posted mid single -digit growth in the context of significant supply-chain constraints during the first nine months of the year, while its China business posted low single-digit growth, affected by lower sales of infant nutrition products.

Nestlé shares rose more than 3% in early trading and are now up 12% in the year to date.

(Wall Street Journal)