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Tea Exporters Association

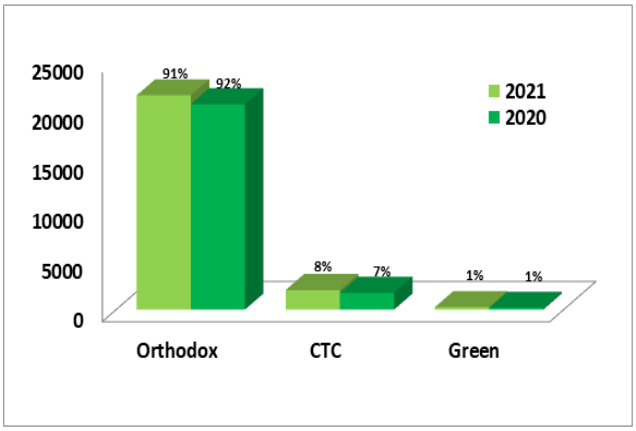
Sri Lanka

NEWSLETTER

September 2021

SRI LANKA TEA PRODUCTION

AUGUST 2021/2020 - in MT



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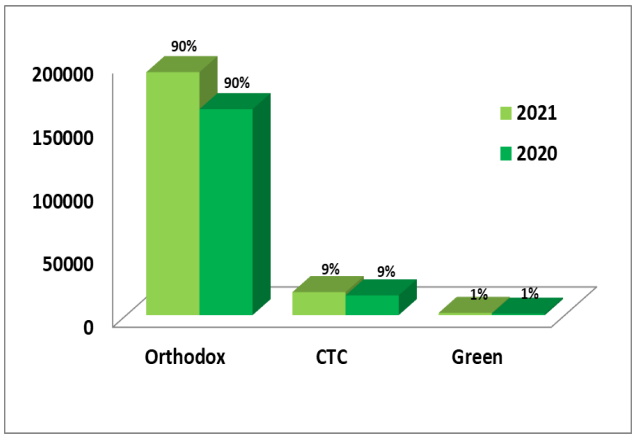
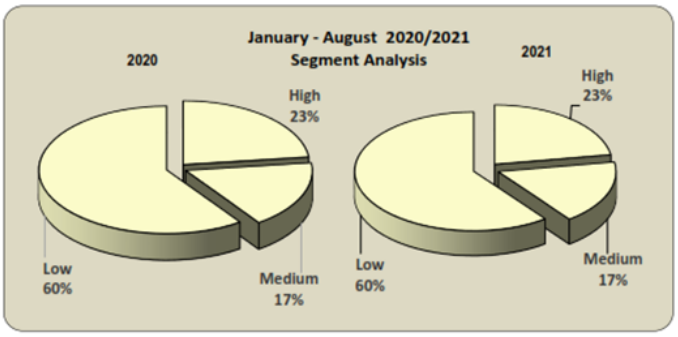
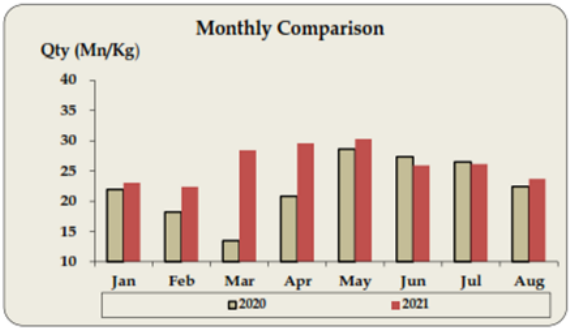


(SLTB)

SRI LANKA TEA PRODUCTION





(Asiya Siyaka Commodities PLC)

SRI LANKA TEA EXPORTS

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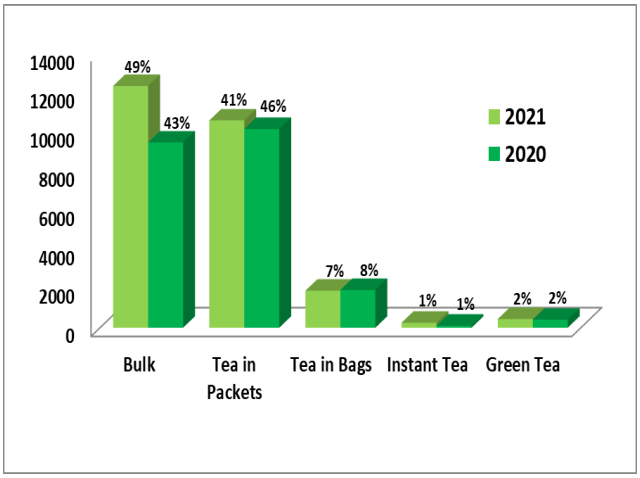

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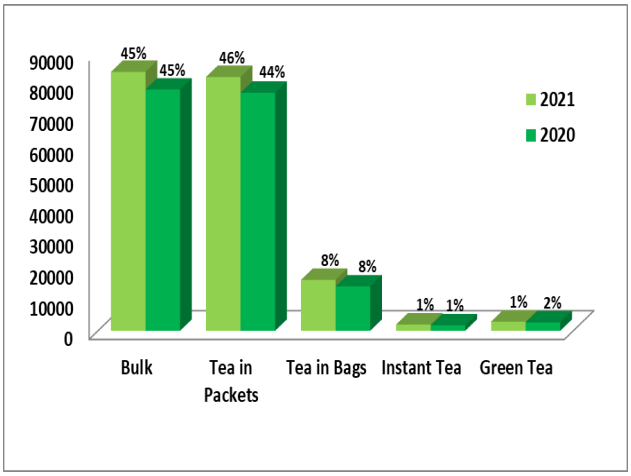
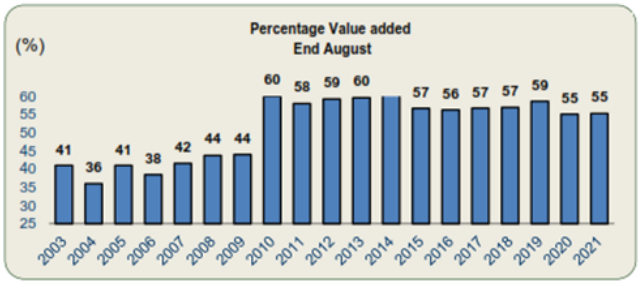


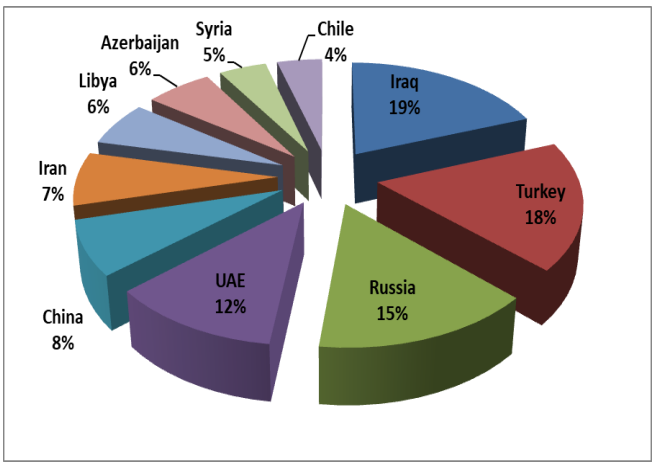
SRI LANKA TEA EXPORTS - AUGUST 2021



(Asiya Siyaka Commodities PLC)

MAJOR IMPORTERS OF SRI LANKA TEA

JANUARY TO AUGUST 2021



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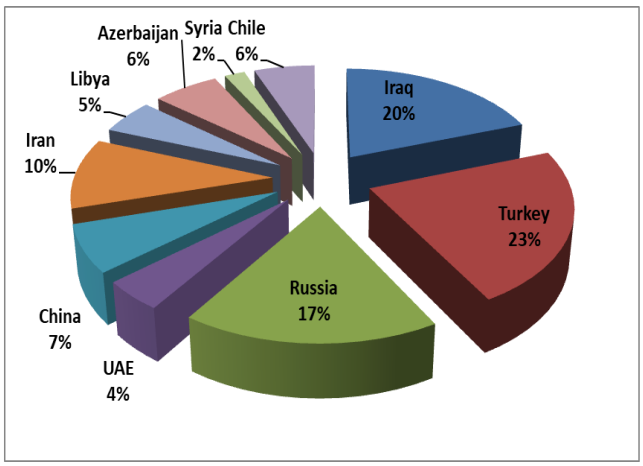


(SL Customs - courtesy Forbes & Walker Tea Brokers)

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 August	45.31	52.15	6.84
North India	January to July	392.00	478.70	86.70
South India	January to July	119.00	144.20	25.20
Malawi	January to July	32.30	36.30	4.00
Kenya	January to June	300.67	274.07	(26.60)

(Forbes & Walker Tea Brokers)

Summary of developments in the major producing countries - September 2021

The closure of several ports in China in recent months over fears of the spread of the virus along-with several other factors across the world have not helped the situation with regard to the availability of containers for exports of tea in many parts of the world. It is understood that currently over 200 containers are held up at ports in China, in addition to the numbers stuck outside some ports in USA, Europe and elsewhere, which unfortunately is contributing to a disruption of global shipping logistics.

Healthy crops in both Northern and Southern regions in recent months have ensured that the cumulative crop in India up to July is almost in line with production during the same period in 2019.

The improved interest noticed in the previous month at the Mombasa auctions continued during September. However, in spite of sustained interest from most major buyers, auction withdrawals hovered around 20% at each auction and the total weekly average price tended to be approximately US$ 2 per kg.

It is noteworthy that Jan-August cumulative crop in Sri Lanka is identical to 2019 with increased production across both High and Medium grown elevations contributing to this. With the value of the SL Rupee against the US dollar quoted by commercial banks known to be not reflecting the real value, tea exporters are understood to be experiencing uncertainties associated with the volatile exchange rate.

Boosted by significant increases in exports to the Russian Federation and USA, exports from Indonesia in the first half of the year are 25% more than the corresponding period in 2019.

Exports from Malawi in the first half of the year reflects a decline of 30% against last year as a result of lower exports to UK and South Africa, their two main destinations. However, exports to USA have recorded a significant growth.

Other Auction Centers

Mombasa

Irregular demand continued at the first sale and almost 30% of the offerings remained unsold. However, the best BP1's, PF1's, PD's and Dust 1's were firm to dearer. Demand was irregular at the next sale as well with 24% of the offerings remaining withdrawn. Improved demand was witnessed at the next auction, particularly for the PF1's and PD's but 20% of the offerings were withdrawn and a similar pattern of demand was seen the week after.

Kolkata

Market remained steady at the first two auctions of the month with keen interest from major local buyers and with exporter interest on orthodox teas. There was good demand at easier rates at the following auction. With exporters operating selectively, an easier market prevailed at the next auction.

Guwahathi

A steady market remained in place with wide interest from major local buyers and prices were firm at the first sale of the month. There was more demand for all teas at the next auction with export inquiry for fannings and bolder brokens resulting in marginally improved prices. There was further improved demand for all teas the week after. Good liquoring CTC leaf teas were steady whilst other teas were easier at the next auction.

Kochi

At the first sale of the month, market weakened as the sale progressed with heavy withdrawals. Good liquoring teas met with more interest at the next sale and overall demand was marginally better. This trend continued at the next week's auction and both CTC and Orthodox teas met with fair interest. However, prices declined at the next auction leading to some withdrawals.

Chittagong

There was improved demand at the first sale of the month with well-made good liquoring brokens and Dusts tending firm to dearer. More teas were sold the week after on the strength of increased activity from blenders as well as loose tea buyers with prices remaining steady. Good liquoring teas remained a strong feature at the next sale and prices were firm to dearer. All teas enjoyed wider demand at the following week's auction.

Jakarta

A steady market with more widespread demand was witnessed at the first auction of the month. The larger quantity on offer the week after met with fair demand with orthodox teas attracting more interest. Even though an increased quantity was on offer at the next sale, both CTC and orthodox teas were firm to dearer. However, an even larger quantity on offer the week after, led to a decline of price levels.

Limbe

Prices declined at the first auction of the month and there was a further fall in prices the following week. There was much improved demand at the next sale and prices were firm to dearer and the market remained steady the week after.

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

TEA AGM - 2021

In view of the COVID 19 health guidelines and current situation in the country, the 22nd Annual General Meeting of Tea Exporters Association will be held on virtual mode on Friday, 5th November 2021 at 4.00 PM.

EDB Suggests Tax Cuts to boost exports

Some form of a tax relief on incremental exports is the least that could be granted by the government from the upcoming budget given its fiscal constraints to incentivize exporters who continuously strive to add more capacity and bring foreign exchange at this critical juncture, according to the Export Development Board (EDB), the main export promotion office in the country.

Speaking at a pre-budget forum held recently, EDB Chairman Suresh de Mel said this proposal had been there on the cards for some time and would prove very useful if it could be implemented in earnest.

"There are some things we can do that is not going to cost that much. One of them is to give some sort of a tax relief on incremental exports," de Mel told a webinar organized by the Institute of Chartered Professional Managers of Sri Lanka.

After a brief setback suffered in April and May this year due to the virus resurgence, Sri Lanka's exports earnings have continued to exceed a billion dollars in the three consecutive months through August. EDB chief said the export earnings are on course to achieve the year-end target.

EDB SRI LANKA EXPORT DEVELOPMENT BOARD

Speaking further de Mel said the current suspension of fresh recruitments into the State sector due to fiscal challenges could not have come at a better time when the private sector is grappling with a persistent labour shortage, which has forced companies to operate below capacity.

"The private sector has a big labour shortage and I think this will give the private sector some labour that would otherwise be working for the government. So, I think again this is not a cost but a saving and might give the export sector the workforce for their expansion and exports increases", de Mel added.

Speaking on the way forward for exports, he emphasized on the need for developing exportable quality products via continuous value addition and tapping niche markets for durable success as Sri Lanka is not a major manufacturing powerhouse.

(Daily FT)

World Expo Dubai 2020

Sri Lanka aims to boost tourism, investments and exports through its participation in the six-month World Expo 2020 in Dubai, the largest global gathering since the outbreak of the COVID pandemic.

Located in the 'Opportunity District', the Sri Lanka pavilion was inaugurated under the patronage of Consul General of Sri Lanka - Dubai and Northern Emirates Nalinda Wijerathna on 1 October.

"We will promote, showcase Sri Lanka and facilitate partnerships for opportunity creation. We will do our best to position and champion Sri Lanka at Expo 2020 Dubai," he said at the inauguration.

The 300-square metre pavilion with its water-based theme brings the planning principles of the ancient civilisation to life, focusing on three key pillars of 'Authenticity, Compactness and Diversity'. It was designed by a team from the University of Moratuwa and recognised as one of the best designs at Expo 2020 Dubai, which resulted in the pavilion being constructed on a complimentary basis by the Expo organisers.

Sri Lanka Tourism presents the country along with other key partners - the Export Development Board (EDB), the Sri Lanka Tea Board (SLTB), the National Gem and Jewellery Authority, Laksala, SriLankan Airlines, the Board of Investment and other partners.

The specially designed pavilion is a breath-taking mix of heritage, history, local style and the latest technology. This will give participants a glimpse of island life in all its splendour, helping create interest that will attract both visitors and investors. The entire experience is designed to be personal, immersive, and memorable, conveying the island's warm, sunny personality and exotic character.

The EDB hopes to increase exports through its retail space , which boasts of 'Made in Sri Lanka' products and gems and jewellery during the six-month expo.

Visitors are also able to unravel the secret of the leaf-to-cup world-famous Ceylon Tea at the special tea corner, courtesy of the SLTB.

The key event for Sri Lanka is designated to be held on 3 January under the patronage of Prime Minister Mahinda Rajapaksa. The expo was postponed from October last year due to the outbreak of the COVID pandemic.

(Daily FT)

Merchandise Trade at pre-pandemic peak - WTO

A resurgence of global economic activity has lifted merchandise trade above its pre-pandemic peak, the World Trade Organization said Monday as it upgraded its 2021 and 2022 trade forecasts.

"The WTO is now predicting global merchandise trade volume growth of 10.8% in 2021 – up from 8.0% forecasted in March – followed by a 4.7% rise in 2022," up from 4% previously, the global trade body said.

The strong annual growth rate for merchandise trade in 2021 is mainly due to the collapse in 2020, when trade bottomed out in the second quarter.

The rate of growth is expected to moderate as merchandise trade returns to the long-term trend it was on before the COVID-19 crisis struck.

Supply-side issues such as semiconductor scarcity and port backlogs may strain supply chains, but were unlikely to have large impacts on global aggregates, WTO experts said.

They said the biggest downside risks came from the pandemic itself.

"Trade has been a critical tool in combatting the pandemic, and this strong growth underscores how important trade will be in underpinning the global economic recovery," said WTO Director-General Ngozi Okonjo-Iweala.

"But inequitable access to vaccines is exacerbating economic divergence across regions. The longer vaccine inequity is allowed to persist, the greater the chance that even more dangerous variants of COVID-19 will emerge, setting back the health and economic progress we have made to date."

While regions with access to COVID-19 jabs and sufficient fiscal space were recovering strongly, poorer regions with mostly unvaccinated populations are lagging behind, she said.

(AFP)

7% increase in Indian Tea Exports in 1H 2021

India's tea export earnings in the first half (H1) of current calendar have increased by 6.73 per cent over H1 of 2020 despite a fall in the volume shipped because of the significant surge in the price earned.

Kenya's tea production in the first half was down by about 10 per cent which reduced the supply of these teas in the world market. So, importers of Kenyan teas scouted for supplies from other sources including India.

This helped the demand for Indian teas to rise in the world market. It simultaneously pushed up the price for the Indian teas to average ₹265.49 a kg ($ 3.54) from ₹218.82 ($ 2.92) a kg in H1 of 2020, reveals analysis of the latest data with the Tea Board. This meant that every kg fetched ₹46.67 ($ 0.62) or 21.33 per cent more than in H1 of 2020.

However, this increase in price affected the intake by some importers. Besides, the various stages of trade restrictions in different countries due to Covid-19 pandemic adversely hit the orders, exporters said.

Consequently, the volume shipped dropped to 84.35 million kg (mkg) from 95.89 mkg in H1 of 2020 – a decline of 12.03 per cent.

Still, because of the higher price, the overall earnings rose to ₹2,239.43 crore from ₹2,098.26 crore. This marked an increase of ₹141.17 crore or 6.73 per cent to the country's exchequer. South India posted a higher gain in earnings.

In the South, the export prices rose to an average of ₹231.22 ($3.08) a kg from ₹ 194.05 ($ 2.59) in H1 of 2020 – an increase of 19.15 per cent. This reduced the volume shipped to 37.99 mkg from 41.03 mkg – a fall of 7.41 per cent.

Nevertheless, helped by the higher price, the overall earnings rose to ₹ 878.39 crore from ₹796.19 crore in H1 of 2020 – a gain of 10.32 per cent.

In the North, the export prices rose to an average of ₹ 293.58 ($ 3.91) a kg from ₹237.34 ($ 3.16) in H1 of 2020 – an increase of 23.69 per cent. This reduced the volume shipped to 46.36 mkg from 54.86 mkg – a fall of 15.49 per cent.

Still, because of the higher price, the overall earnings rose to ₹1,361.04 crore from ₹1,302.07 crore in H1 of 2020 – a gain of 4.53 per cent.

(The Hindu Business line) (1 crore = IN.RS 10 million)

India concerns over sluggish exports

Despite the growth in revenue in first half of 2021, tea exports have remained sluggish for the last 10 years and the government is concerned about this, Union Minister of State of Commerce and Industry has told recently.

"Tea is a 200-year-old industry and the government is worried as exports have remained stagnant for the last 10 years even as the sector has a much bigger potential. Government is keen to facilitate it with all possible support for increasing export," she said during her trip to Assam.

Ms. Patel said that the five-year (2021-22-2025-26) Tea Development and Promotion Scheme (TDPS) has earmarked Rs 967.78 crore for supporting tea growers and a sector specific allocation of Rs 98.08 crore was made for increasing exports from northeast region.

Of this, Rs 298.76 crore was allocated for clearing pending subsidies, she said, adding another Rs 1,000 crore has been approved exclusively for the overall development of tea garden workers in Assam and West Bengal, particularly for women workers and their children in the areas of health, education and skill development.

Referring to her consultation with all stakeholders, Patel said that she has asked all concerned to propose a self-sustaining model and the government would support it.

Meanwhile, the tea planters informed the minister that the organized tea industry has been facing the issues of increasing costs and stagnant selling prices, leading to shrinkage of margins, and pushing many estates towards economic unsustainability.

According to apex industry body, Tea Association of India (TAI), India's share remained constant at around 22 per cent in production and export share between 12 per cent to 13 per cent in the last 10 years in the World market, while China has increased production share from 34 per cent to 45 per cent and also export share from 16 per cent to 19 per cent, Kenya too has increased its export share from 24 per cent to 26 per cent during this period.

(Times of India)

India tea imports - 1H 2021

Though the world leader in black tea production, India saw import of teas from Kenya, Nepal and other destinations shooting up to 12.16 million kg in the first six months of 2021, more than three-fourths of the full-year imports of 15.86 million kg in 2019, a pre-Covid-19 pandemic year.

The imports were up 176% year-on-year. In January-June of 2020, the country had imported 4.41 million kg of tea. While tea imports in to India are meant for re-exports, a large chunk of these imported teas are being blended with Indian teas and are being sold in the domestic market as Indian teas at a cheaper price, said industry insiders.

The Indian Tea Association (ITA) has urged the government to introduce a minimum import price for teas entering India.

“Import of Kenyan tea climbed to 5.02 million kg in the first six months of 2021, as compared to 1.49 million kg in the same period of previous year. This is a significant rise,” Sujit Patra, secretary, ITA, told ET. “As Kenyan prices are hovering around $1.7 per kg as compared to India’s price of $2.5 per kg, the trade may have bought more volumes of Kenyan tea this year for re-export purposes. A similar trend has been noticed in the case of teas coming from Nepal, which is duty-free.”

Industry executives said that a large chunk of these imported cheap teas are being sold in the domestic market as Indian teas, which is impacting the image of Indian teas. India produced 622.86 million kg of teas in the January-July period, as compared to 442.08 million kg a year ago.

Patra said the ITA has told the Tea Board that whatever tea is imported to India should strictly adhere to the rules of origin. “Multi-origin teas should not be sold as Indian tea,” he said. The producers’ body has urged that all the parameters regarding minimum residue limits as set out by the Food Safety and Standards Authority of India should be checked.

In view of the abnormally low import prices of a significant volume of teas, fixing a minimum import price merits consideration to ensure that teas are imported at a cost which is above the cost of production of Indian teas, according to the ITA.

(Economic Times)

Darjeeling Tea aims at Chinese market

Aiming at geographical diversification, Darjeeling tea exporters have been trying to tap the vast Chinese market, but are yet to taste success so far due to travel constraints amid the COVID-19 pandemic, an official said on Monday. Chairman of Indian Tea Exporters Association (ITEA) Anshuman Kanoria said the exporters of Darjeeling tea are exploring new markets, including china.

"Our traditional markets of premium Darjeeling orthodox tea have been Europe, Japan and Germany. We are looking at other regions like the USA and China," Kanoria said.

He said although talks with Chinese importers are underway, exploration of the market has hit a roadblock as participating in trade fairs and other activities have not been possible, owing to the pandemic-related restrictions.

"To explore new markets, a lot of promotional activity is required for which funds are a prerequisite, too. We hope the government will come to our aid," Kanoria added.

Earlier, Tea Board Chairman P K Bezboruah had said the Indian tea industry should tap the huge Chinese market to increase exports.

Kanoria said China has been buying cheaper Assam variety to consume milk tea.

"They are not buying Darjeeling tea from us, but paying exorbitant prices to purchase their own produce," he said.

India can export 20-30 million kg of tea to China. At present, shipments to China stand at around 12 million kg, according to Tea Board data.

Darjeeling tea exporters have initiated talks with Chinese tea importers to ship the quality first flush teas for the next season.

Industry executives said the development comes after the exporters lost a number of Japanese buyers. If exports pan out as expected, China may soon become a preferred destination for Darjeeling tea, they said.

(Economic Times)

India's tea exports to Afghanistan dwindling for a year

The Afghanistan crisis has not caused much of a direct impact to India's tea exports because the shipments to that country had already been dwindling for over a year now. The good political relationship between India and Afghanistan in the recent years had helped that country to import tea from India but the emergence of Iran and the UAE as strong importers next to the CIS and the USA had reduced the availability of tea to Afghanistan.

However, India's import of dry fruits from Afghanistan helped some reciprocal purchase of Indian tea. According to the latest data available with Tea Board, during the fiscal 2020-21, India's shipment of tea to Afghanistan fell to 0.10 million kg from 0.21 million kg in the previous fiscal year.

The volume shipped declined also because of a sharp increase in the average price to ₹135 a kg from ₹110 in the previous fiscal. "We did not raise the asking price, but the general increase in the world market and the concomitant exchange fluctuations caused the hike. Every kilogram exported to Afghanistan cost $1.90 last fiscal compared to $1.48 during 2019-20", an exporter told Business Line.

With reduced volume, the overall earnings from tea shipments to Afghanistan dropped to ₹1.35 crore from ₹2.31 crore in the previous fiscal. In dollar terms, the earnings fell to $ 0.19 million from $0.31 million.

The falling trend continues in the current fiscal. In the first two months, the latest period for which official data is available with Tea Board, shipments to Afghanistan dropped to 0.76 million kg from 2.17 million kg. While the average price has increased to ₹146.97 a kg from ₹123.89, the overall earnings from tea shipments to Afghanistan have crashed to ₹11.17 crore from ₹26.84 crore.

In dollar terms, the average price rose to $1.97 a kg from $1.75 and the earnings crashed to $1.50 million from $3.79 million. Presently, exporters are not buying for Afghanistan market.

"Neither by volume nor by value, will India lose anything worth worrying if shipments to Afghanistan come to a halt because of the ongoing crisis there, but we understand that the government is concerned to help the needy there. Tea shipments can happen only when trading parameters including transit and payment turn favorable. So, it is a 'wait-and-watch' period now for the exporters towards Afghanistan," an exporter has announced.

(Hindu Business)

Kenya Tea Exports - 1H 21

The total export volume for the month of June 2021 was up by 19% from 38.08 million kgs recorded in the same period of last year to 45.15 million kgs.

The total export volume for the half-year period of 2021 was 19% higher at 298.67 million kgs, compared to 250.61 million kgs recorded during the same period of last year.

The top ten export destinations, majority of which are traditional markets for Kenyan tea accounted for 87% of Kenya tea export volume.

Kenya Tea Exports by Destination (Jan-June 2021 vis-a-vis Jan-June 2020)

DESTINATION	2021 - QUANTITY KGS	2020 - QUANTITY KGS
PAKISTAN	111,528,670.80	86,270,841
EGYPT	53,806,957.40	48,290,650
UK	26,952,584.31	26,652,441
UAE	16,641,669.90	14,455,960
RUSSIA	14, 137 ,820.00	10,695,237
SUDAN	12,866,698.97	10,502,788
YEMEN	9,935,459.00	7,077,608
KAZAKHSTAN	6, 748,342.35	6,044,043
POLAND	4,553,101.00	3,895,723
NIGERIA	3,325,026.00	1,593,312
IRAN	3,161,107.00	1,247,371
IRELAND	3,093,803.00	2,122,271
CHINA	2,926,196.00	2,135,530
INDIA	2,797,217.00	1,504,816
OTHERS	47,087,267.15	28,125,102.49
TOTAL	**298,675,757.53**	**250,613,693.49**

(Tea Board of Kenya)

Kenya mulls orthodox tea manufacturing to meet growing demand

Kenya Tea Development Agency (KTDA) Holdings plans to diversify into orthodox tea manufacturing as part of expanding its footprint in the international market, a government official said recently.

Peter Munya, cabinet secretary in the Ministry of Agriculture, said that in order to boost production of orthodox teas, whose returns are much higher than that of conventional variety, KTDA intends to install orthodox processing lines in 10 factories where the cash crop is grown.

"Towards this end, KTDA has requested for a loan or grant from the government through my ministry to finance the orthodox tea diversification initiative," said Munya.
He spoke in Nairobi during a forum on implementation of reforms in the tea sub-sector that supports over six million Kenyans directly and indirectly and generates over 132 billion shillings (about 1.2 billion U.S. dollars) annually in export earnings.

Munya said introduction of the specialized teas -- orthodox, purple, white and green teas in the local market is part of diversification in the industry to cushion farmers against challenges of over reliance with black variety.

He said that by venturing into orthodox tea, farmers will benefit more as the variety fetches high prices in the global market than the black tea.

David Ichoho, chairman of KTDA stressed that increased production and sale of orthodox tea will boost the financial performance of the tea factories and returns to small-scale growers.

So far the Tea Board of Kenya has licensed 17 manufacturers of specialized orthodox teas and ten tea factories under the Kenya Tea Development Agency (KTDA), Ichoho said.

He said the purple tea market globally is lucrative and the variety is in high demand in China, USA and Canada.

Some of the specialty orthodox teas being processed locally include purple orthodox, black orthodox tea, green orthodox, yellow orthodox, oolong orthodox, white orthodox, tips normal, hairy and golden.

The International Trade Corporation (ITC) is assisting small and medium enterprises (SMEs) growing and marketing specialized teas to set up their own tea auction at the port of Mombasa.

Peris Mudida, managing director of Tea Board of Kenya said that small scale farmers and local investors are shifting to production of specialized tea to benefit from premium prices in global niche markets as current earnings of black tea slump.

As a number of tea factories in the country embark in manufacturing various types of specialty tea, only a handful of Kenyans consume the new tea varieties.

Most of the specialty tea produced in the country, is being exported to countries, especially those from the Far East.

In Kenya, some factories have been processing varieties of specialty tea including purple, green and yellow tea, but unfortunately there is no domestic market for the products.

The tea specialist argued that purple tea, which a section of farmers in some parts of the country have started to grow, has more benefits than green tea.

“Purple tea contains an anthocyanin chemical which has many medicinal properties and is particularly known to be beneficial against cardiovascular diseases.

“The anti-oxidants which are found in purple tea are known to provide anti-cancer benefits, improve vision and aid in cholesterol and blood sugar metabolism,”.

(Kenya News Agency)

Tea factory, brokers fee reduction to save farmers Sh1bn yearly

Kenya Tea Development Agency (KTDA) managed factories will cut the fee paid to brokers from 0.5 percent to 0.2 percent starting November despite a court case that stopped the changes.

Agriculture Cabinet Secretary Peter Munya said that the money will be kept in a reserve account as they await the ruling of a case challenging the changes that are included in the Tea Act.

He also said that the reduction of management fee from 2.5 percent to 1.5 percent will be effected in November. The reduction of the brokerage and management agent fees is forecast to save smallholder tea factories over Sh1 billion annually, resulting in more money in the pockets of tea growers.

"To remove oppressive and exploitative provisions in the management agent agreements between KTDA and smallholder tea factories, Mr Munya said the agency is engaging with the smallholder tea factories to review the agreements and align them with the provisions of the Tea Act 2020.

The CS said the agreements shall further be reviewed and approved by Tea Board of Kenya before execution.

This is the second time that the government is trying to fix brokerage fee after the first attempt last year by a competition watchdog was thrown out by the court.

East African Tea Traders Association (EATTA) had in 2018 sought an exemption and wanted to be allowed to fix the brokerage fee despite opposition from the Competition Authority of Kenya (CAK) to stop price-fixing.

(Business Daily)

Pandemic is not over yet for US-Canada retailers

Tea retailers that survived 2020 were saved by pivoting online and the striking uptake in sales of packaged tea in grocery and mass-market outlets. During the pandemic, consumers purchased less frequently but in larger quantities and ignored unit costs, according to Carmen Allison, V.P. sales consumer intelligence, Nielsen IQ.

"Last year was record setting. In tea, sales were seven times what we would regularly see. Tea was up 18%, growing even faster than total CPG [consumer packaged goods]," Allison told attendees during a Sept. 29 Level Up online webinar hosted by the Tea & Herbals Association of Canada (THAC).

The pandemic dramatically altered the way we live. "It's probably the first consumer trend where every single consumer has been impacted by it," he said. Tea benefited because those who could afford it pampered themselves, and those experiencing stress sought to ease that stress.

"Cycling last year's explosive growth is showing declines for the first time," said Allison. Tea sales across Canada are down 1% for the 36 weeks ending Sept. 11, but the decline is uneven, reflecting local conditions. In Alberta and the Maritime provinces, tea sales are down 4% and 5%, respectively, but sales match 2020 totals in Ontario and British Columbia.

One in five Canadian households feel less secure about income in the next three to six months, and nearly 50% of households say they are watching their spending. "CPG sales are now stabilizing and 70% of Canadians are reducing or being cautious in their spending," he said. The question now, as the pandemic eases, in which consumer behaviors will stick.

In the US, personal income increased $35.5 billion in August, and consumer spending rose to $130.5 billion, or 0.8%, according to the US Commerce Department, gains partially offset by inflation but a clear indication that retail sales are reviving following a 1.7% decline in July.

According to Bloomberg, Americans who stopped taking vacations, eating out, staying in hotels, going to the movies, concerts, and amusement parks are now sitting on $1.5 trillion in savings. The consensus is that consumers have spent down debt and are eager to counter a gloomy summer that curtailed entertainment, dining out, and travel as COVID restrictions forced many to vacation close to home.

Australian households amassed an estimated $140 million (US$100 million) during lockdowns that are now ending. In Europe, bank deposit volumes show similar gains. In Spain, bank deposits grew by €20 billion in March-April, in France deposits grew by €42 billion and by €16 billion in Germany, according to the report.

Seated dining at US restaurants is down about 11% below 2019 levels. In August, the National Restaurant Association found that 60% of restaurant-goers had changed their use during the pandemic, with most opting to eat outdoors and 19% saying they completely stopped going out to restaurants.

The pandemic wiped out a quarter of the US coffee shop market in 2020, according to the World Cofee Portal's Project Café USA. The $36 billion segment suffered an $11.5 billion year-on-year setback. The National Coffee Association said packaged coffee sales were $14.9 billion, and consumption held steady at 33 million liters thanks to homebound brewers.

OpenTable's most recent quarterly survey of 20,000 restaurant fans finds that 62% are now dining out at least once a week. During the first quarter, only 39% of frequent diners were eating out at least weekly. Proof of vaccination should be a requirement for staff, according to 46% of OpenTable diners, up from 25% during the first quarter. A 71% majority are willing to show their vaccine cards, and 23% say that restaurants must require proof of vaccination before dining indoors.

The theme of Alison's presentation was Rewrite or Rerun. "Some pandemic-related consumption shifts will fade while some will have a lasting impact on purchase behavior," said Alison. Many categories experienced "a bit of a roller coaster that went to peaks and valleys as sales declined and the market normalizes." He is optimistic consumers will not "rewrite" their support for the tea segment. He said that tea is a category that benefitted from the pandemic, citing comparisons of sales volume in 2021 to 2019 that remain favorable.

Last year the marketplace was driven by availability and scarcity. Panic-shopping has ended, said Alison, but "the pandemic is not over."

What is likely is that with inflation at 4% and wages growing at 2.5%, "we are seeing the marketplace turn to promotions and discounting," he said.

(STiR Tea & Coffee)

Taiwan eyes US Bubble Tea Market

As the global bubble tea market continues to expand its horizon, Chatime – Taiwan's largest bubble tea brand with over 1,200 stores across 50 key areas worldwide, is set to embark on a massive expansion program with particular focus on the United States territory.

According to a 2019 study made by the Allied Market Research, the worldwide bubble tea industry is expected to grow from U$2 billion to a substantial U$4.3 billion by 2027. The market demand for bubble tea in the United States is estimated at a conservative U$240 million; it is expected to double or even triple its market valuation in the next few years.

Also known as "pearl milk tea" or "boba tea," the popular drink has roots that can be traced back to the 1940s when Chang Fan Shu opened a tea shop which pioneered the hand-shaken tea mix using cocktail shakers. The result was a rich and silky iced tea with fine bubbles on top.

As Taiwan continued to experience rapid economic growth, the trend of drinking Taiwanese tea beverages prospered together with the rise of the recreational food trend in the 1980s. The popular milk tea has since become a symbol of Taiwan's self-confidence and national identity.

In Southeast Asia, bubble tea demand recorded a 3,000% increase in 2018 alone – as data revealed that those from Thailand, Philippines, Malaysia, Singapore, Vietnam and Indonesia drink an average of four cups of bubble tea per person per month. From Asia, the bubble tea trend has exploded in rapid popularity worldwide.

So, what's so magical about this leisure drink? Boba Pearl is known as the favorite mix-in of bubble tea drinks: Soft on the outside, chewy on the inside.

With consumers able to choose from a wide variety of flavors at bubble tea stores, buyers get to mix and match different types of teas, dairy products, mix-ins, and flavorings.

Depending on customers' personal preferences to adjust the sweetness and ice level of each cup, the whole bubble tea concept has created a pop culture phenomenon that has since spilled over to the US & European beverage industry.

With stores flourishing in over 50 areas & territories in 6 continents, Chatime is now considered the world's largest Taiwanese bubble tea brand. Since its opening in 2005, the brand has expanded not just in Asia but also in Australia, Canada, Europe and the United States.

While other brands have limited their marketing efforts to the typical Chinese consumers, Chatime has set its sight to further expand its number of stores in the United States.

Given the US' robust Asian-American population and their strong influence on their Western counterparts, the growing preference for this new and exotic recreational drink has become an even trendier item in the market and is favored by people from all walks of life.

Through corporate strategic planning of acquisition and investment, Chatime has gained full access to the global bubble tea supply chain as well as the control of global bubble tea's top-selling ingredient, the Boba Pearl. The vertical supply chain integration has lowered the operational cost and risk of overstock, while at the same time scaled up business operations significantly.

With supply chain resources, technology implementation and global tea professionals, Chatime is now in a position to take over the global bubble tea market.

"Since the COVID-19 outbreak in 2020, the situation has significantly affected the global economy which have resulted in several businesses closed, especially in the food services and restaurant industry. As the world economy slowly recovers, Chatime has put its focus on the potential opportunities in the US market through establishing competitive advantages, including continuous investment and optimization of business operation, personnel training, technology implementation, and supply chain resources," says Henry Wang, Chairman of Chatime.

(Chatime)

European Specialty Tea Association

Since July 1, the European Tea Society is known as the European Specialty Tea Association, following a vote by the association's members in May.

The organization announced several reasoning behind the name change: "The word 'association' is an inclusive and contemporary word, one that aligns with the values of the organization, which are totally inclusive; the word 'association' describes much more accurately what the organization is, which is a members association; 'Specialty Tea' is very much at the heart of what the organization does and believes in. It is enshrined in the association's Charter and mission and is now appropriately reflected in the name."

While the logo and overall branding will remain unchanged, the association will move forward with significant changes coinciding with its new name. Its new three-year strategic plan aims to foster growth in memberships, build relationships with other tea associations, and lead the industry as "a modern, efficient, inclusive, ethical, professional, member facing, committee-driven and volunteer led membership association."

In order to facilitate membership growth, the association will hold a drive to reach new members throughout Europe, as well as introduce new membership categories, including one for producers in tea-growing countries and one for "tea baristas." Once a country sees a significant number of members, the association will open a chapter to help members in that country network and organize events.

EUROPEAN SPECIALITY TEA ASSOCIATION

European Specialty Tea Association will also launch a Tea Certification Program, which will cover topics including Camellia sinensis, brewing skills, sensory skills, botanicals, tea barista skills, health, and agronomy.

(Fresh Cup)

Japan intensifies green tea production

The growing popularity of "matcha"-infused sweets and beverages sold at cafes and pastry shops in Japan is triggering fierce competition amongst green tea producers in their own backyard.

Growers of "tencha," the green tea leaves grown in particular conditions and processed into the finely ground tea powder used to flavor matcha lattes and an assortment of Japanese confectionery, have intensified production to try to keep up with demand.

Prefectures such as Kagoshima and Shizuoka, which traditionally have mass-produced varieties of tea leaves for Japan's most popular green tea called "sencha," have expanded their production, while growers in Kyoto, famous for its matcha "Uji tea" brand, are distributing new matcha varieties more widely.

Matcha can compete with milk and cream because of its deep and bitter taste and so is in strong demand at pastry and confectionery shops," said Hideki Kuwabara, 71, a wholesaler who was visiting the Japan Agriculture Cooperatives' tea market auction site in Joyo, Kyoto Prefecture, in July to select quality tencha leaves.

According to the Ministry of Agriculture, Forestry and Fisheries and other sources, in recent years, annual production of green tea leaves in Japan has hovered around 70,000 to 80,000 tons, down from more than 100,000 tons in 2004, due to a drop in households using traditional Japanese ceramic teapots for brewing tea leaves.

In contrast, the production of tencha more than doubled from a decade earlier to 3,500 tons at its peak in 2019 because of an increase in the consumption of matcha both at home and abroad. Demand for tencha remains strong as major food and beverage manufacturers release new products such as bottled matcha latte.

According to the Kyoto prefectural government, the increase in supply has resulted in the price of tencha reducing by half.

Although the "made-in-Uji" label has been highly valued by makers of matcha-infused sweets and beverages, the "domestic matcha" label is now also acceptable due to the increased availability of inexpensive tea leaves, said Riichi Yoshida, 74, head of the Japanese Association of Tea Production.

Roughly 70 percent of the tencha used across the country comes from mid-grade yabukita cultivar leaves and, as such, is suited for sencha. But changes in the method of cultivation, such as covering the sprouting buds to block sunlight, make them also applicable to matcha. This process strengthens the umami and sweetness of the tea leaves.

The Kyoto prefectural government is trying to encourage local growers to shift to the production of around 10 unique varieties of tencha suitable for matcha, with respective prices more than 1-1/2 times higher than yabukita leaves. It is also providing financial support to growers of the seedlings for such tencha.

But growers from a tea association in Nishio point out that their market has narrowed due to a production strategy that has focused on high-priced tencha.

The association thus asked the agricultural ministry in February last year to deregister "matcha made in Nishio" from the geographical indication label aimed at protecting high-end regional brand farm and food products.

Such products obtained their status as a result of unique production methods and geographic characteristics, such as climate and soil conditions, in their cultivation areas, which often led to higher costs to maintain the distinction.

Nishio's matcha brand, for example, used as the centerpiece in traditional Japanese tea ceremonies, is priced as high as 30,000 yen to 40,000 yen per kilogram.

But as the GI system only allows matcha made by the traditional method to carry the Nishio brand, the association filed to remove the label and introduced cutting-edge production technology to reduce costs and enhance competitiveness instead -- the opposite strategy of Uji.

Meanwhile, mass production of matcha has recently begun in China, the output in cases including "inexpensive, inferior-quality" products made merely by pulverizing green tea leaves, said wholesaler Kuwabara, whose long-standing shop operates in Uji.

"It's important that a clear international definition of matcha be decided upon," Kuwabara said.

The total global matcha market size from classic grade is set to surpass USD $2.5 billion by 2027, and classic grade matcha demand is anticipated to witness strong gains because of its application in regular tea and other matcha tea-based beverages.

Classic matcha is rich in nutrients and antioxidants, particularly the strong and nutritious catechin, EGCg. Matcha also contains caffeine that stimulates the body and provides the amino acids that will help relax the mind. It provides a mild, steady energy, which is required for working, playing and meditating, propelling the classic grade matcha demand, notes the report.

Some of the major findings in the new matcha market report include:

• Matcha industry from pan-fried production technology will exceed USD #3 billion by 2027, due to its properties a nd flavor, which enhances the taste of beverages.
• The food applications segment surpassed USD $360 million in 2020, mainly due to the incorporation of matcha powder in baked foods, beverages and other packaged foods.
• Regular tea applications are likely to surpass USD $3 billion by 2027, due to its offering of concentrated antioxidants.
• Latin America product demand is majorly driven by regular tea and matcha beverages applications.
• The matcha market is competitive and includes manufacturers such as Matcha Maiden, Sun Time Tea Company, Kissa Tea GmbH Company, Tea's Me Company, Mizuba Tea Company, Vivid Vitality, Shaanxi Dongyu Tea, ITO EN Ltd, Aoi Tea Company and Aiya America.

(GM Insights/ Kyoto News)

Australian Tea Trends

The Australian Tea Market is currently at a stage of transition, with younger consumers beginning to appreciate specialty tea options rather than the standard black tea which is popular due to the British background. With a growing focus on health and wellness, functional blends are becoming more popular, and, with the increasing level of tea education, cafes and restaurants are starting to offer a selection of high quality teas and tisane blends.

There is a clear emerging trend in the Australian market away from mainstream black tea to more specialist offerings. Australians' choices show more discerning palates and product knowledge. This is being driven by marketing and education. Black tea consumption fell overall in the past 12 months, while specialty teas sales grew by 4%. The Australian tea market is valued at $1.2 billion and is growing at a compounded rate of 3.5% through 2023, according to Statista, a German-based market research firm.

Green tea, fruit teas, herbal tisanes and black specialty teas are the fastest growing categories. The wellness /functional category of herbal teas increased at the highest rate, with an estimated CAGR of 7%.

Younger people love flavored blends but in Australia the flavored blends have a much lower flavor profile than other western countries and consumers prefer natural flavors. They are a very health focused country and therefore natural and wellness blends are very popular.

By world standards Australia ranks approximately 55 for tea consumption . Only small amounts of tea are produced compared to what Australian's consume. Imports amount to 97% of consumption.

The tea producing areas are in South West Victoria, Northern New South Wales, Tasmania, and Western Australia. They lack the capacity to meet domestic demand and are lagging in specialty teas, since all tea harvested in Australia is machine cut in some form due to the high labor costs.

Almost all the tea consumed in Australia is imported. India is the largest supplier followed by Sri Lanka and Indonesia. By comparison only a few minor specialty teas were imported from Japan. The sources of imports reflect the established historical preference of Australians for breakfast teas in the English style.

The older generation are most likely to purchase lower grade black teas from supermarkets and in tea bag form. The younger generation are increasing the interest in green teas and wellness teas. Coffee shops and coffee roasters see this as their own opportunity to increase the quality of tea and this is helping to expand the specialty market.

This year an Australian company received an Australian government grant for the establishment of a tea plantation aimed at bringing a new business model. The company Australian Green Tea Cooperative hopes that this new venture will provide a sustainable source of high quality green tea as well as job opportunities on the northern New South Wales central coast of Australia.

An insight into some of the tea farms:

- Nucifora plantation which produces over a million kilos of black tea per year is in the tropical area of far north Queensland and borders Nerada plantation.
- Nerada plantation is a well-established plantation and the largest tea producer in Australia. It covers more than 1,000 acres of tea and delivers over six million kilos of fresh tea leaves for processing per year. These fresh leaves turn into approximately 1.5 million kilos of black tea.
- Arakai Estate is in Bellthorpe, Queensland. This award-winning estate uses Taiwanese methods to produce different flushes of green and black tea.
- In Northern New South Wales, Madura tea estate cultivates approximately 250,000 tea bushes and produces mainly black tea which is often blended with Sri Lankan and Indian black teas to produce Madura tea, a well-known label in supermarkets in Australia.
- In Victoria we find Two Rivers and the Alpine Tea Company both of which mainly produce green tea for ITOEN, a large Japanese tea company. The type of tea produced is a sencha style and most of this is exported to Japan.
- Daintree Tea Company is in the heart of Daintree wilderness and rainforest area in North Queensland and produces a rich full bodied, black tea.
- Dry Ideas is in Tasmania. It is the most southern tea plantation in the world and the oldest commercial grower and processor of Japanese tea varietals in Australia. While production is very small, Dry Ideas is attracting positive press coverage and is seen as a high potential innovator. Due to the southerly location of this farm no pesticides are required or used.
- Overall, almost all tea produced in Australia is green tea. Most is exported to Japan and import about 97% of their teas. Australia has a very strong specialty coffee industry which influences the younger generation but with the introduction of tea based RTD drinks and exciting tea blends the tea industry is gathering some positive momentum.
- Due to the average wage in Australia being AUD $25 per hour plus superannuation most tea is harvested with machines. Hand picking is just too expensive. In the case of the harvesters only the size is what changes. This high wage means that their teas would be very expensive if handpicked and hand processed.

(Masters Talk Blog)

Twinings launches new tea blends

Black tea may still be the nation's favourite in the UK, but Twinings is shaking up the market with the launch of a new 'foodservice exclusive' large-leaf pyramid range. With 11 tea blends, in biodegradable pyramids, this new collection should satisfy 97% of consumer needs and 100% of foodservice operator's requirements.

Aidan Ledger, head of new business at Twinings Foodservice, explained, “For over 300 years Twinings has blended the finest teas. We are master blenders, experts in botanicals and the No.1 tea brand in out of home and retail (per Allegra Tea Out of Home Report 2019). This year we launch the ultimate tea range, a collection of 11 blends that our research tells us will satisfy 97% of consumer needs.”

He noted that Twinings’ customers and the foodservice industry have said they want tea to be more versatile “and more than just water, a bag and milk in a cup. They want tea that is on trend, can be dressed up, works with alternative milks, blends with ice, can be offered across day parts, served as a non-alcoholic drink with meals, and essentially can give them added value and a reason to charge more. And that is exactly what we have just launched.” This range is also exclusive to foodservice and includes six new flavours as well as new display merchandise and recipes.

In addition to the favoured Full English, All Day Decaf, The Earl, Thoroughly Minted and Simply Sencha, Twinings created new flavours: Strawberry Green Tea, Revive Raspberry & Vitamin C (contains 75% of daily vitamin C requirements), Honey & Rooibos, Mango & Pineapple, Unwind Spiced Apple & Camomile and Dark Caramel.

The ‘foodservice exclusive’ collection, which launched in September in the UK, has been designed to be versatile and enables operators to give an enhanced serve experience, hot or cold. Whether it’s iced Honey & Rooibos with frothed oat milk, chilled Strawberry Green with elderflower presses or a warming Unwind (spiced apple & chamomile) almond milk latte, the new range from Twinings provides consumers with guilt free indulgence and allows venues to really dial up the tea experience.

“We know that consumers are looking for new experiences, they want guilt free indulgence as they focus on their health and wellbeing. Experiences are important and they want a drink that they just can’t replicate at home, something really unique, and that is what we are offering,” said Elder. “We have a new and fantastic range of promotional merchandise, including a full complement of digital assets to help operators to create their online menus and apps.”

(Twinings)

Iran exports more petrochemicals

Iranian fuel and petrochemical exports have boomed in recent years despite stringent U.S. sanctions, leaving Iran well placed to expand sales swiftly in Asia and Europe if Washington lifts its curbs, trading sources and officials said.

The United States imposed sanctions on Iran's oil and gas industry in 2018 to choke off the Islamic Republic's main source of revenues in a dispute with Tehran over its nuclear work. The steps crippled crude oil exports but not sales of fuel and petrochemicals, which are more difficult to trace. Crude can be identified as Iranian by its grade and other features, while big oil tankers are more easily tracked via satellite. Iran exported petrochemicals and petroleum products worth almost $20 billion in 2020, twice the value of its crude exports, oil ministry and central bank figures show. The government said in April they were its main source of revenues.

"The world is vast and the ways of evading sanctions are endless," Hamid Hosseini, board member of Iran's Oil, Gas and Petrochemical Products Exporters' Union in Tehran, told Reuters. Competitive prices and Iran's location, close to major shipping lanes, made its products attractive, he said.

There are also many more buyers of refined products than importers with refineries configured to process Iranian crude. In addition, Iran exports some fuel by trucks to its neighbors, which involve small transactions that are tough for the U.S. Treasury to detect.

Tehran has been in talks since April to revive its nuclear pact with six world powers, after the United States under President Donald Trump withdrew from the deal in 2018 and ratcheted up sanctions. Iran says it will only restrict its nuclear work under the pact if U.S. sanctions are scrapped.

Iran's revenues from gasoline exports were an estimated $3 billion in 2020, Hosseini said. Iranian oil production is now about 2 million to 2.5 million bpd, with around 2 million bpd allocated to domestic refineries and roughly 500,000 bpd to exports, a source close to the oil ministry said, adding that Iran could boost crude output by 2 million bpd in two to three months if sanctions were lifted.

(Reuters)

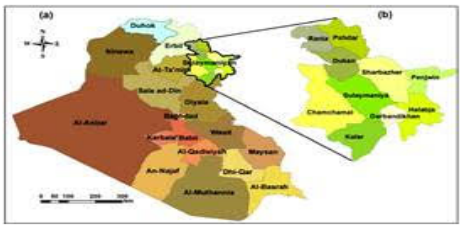
Iran Trade office in Sulaymaniyah

Iran is going to open a trade and permanent exhibition center in Sulaymaniyah city of Iraqi Kurdistan in the near future, the director-general of Iran's Trade Promotion Organization (TPO)'s Office of Arabian and African Countries announced.

"The trade center and permanent exhibition of Iranian products and services will be opened and put into operation in the city of Sulaymaniyah in the Iraqi Kurdistan region in the near future, in line with the plans of the Trade Promotion Organization to facilitate the entry of Iranian companies and goods into the Iraqi market," ILNA quoted Farzad Piltan as saying.

"This center has been established by the Trade Promotion Organization of Iran in collaboration with the Iran National Innovation Fund (INIF)," the official added.

According to Piltan, the Iranian Trade Center in Sulaymaniyah has the possibility of allocating space to Iranian companies and businesses to establish offices and exhibit their products, as well as providing marketing and export services and consulting.



The center is aimed to provide various services to Iranian companies and businesses such as consulting, marketing, legal services, registering the brand and logo of companies in Iraq, advertising services, allocating exhibition and office space and holding business events, allocating warehouse, advising on banking services, assisting in concluding commercial contracts, transportation logistics services, insurance, and accommodation.

(Whether the proposed Trade Center will open a new avenue to sell tea to Iran can be seen only after the establishment of the Center).

(Tehran News)

Currency News

Lira hits all time low

Turkey's lira hit an all-time low against the dollar a day after the central bank unexpectedly cut interest rates, reinforcing growing concern over President's influence over monetary policy.

The currency , prone to abrupt depreciations and an emerging-markets laggard for several years, closed at a session low of 8.8995 per dollar, compared to its previous record low close of 8.775 in late June and intraday low of 8.88 from early June.

The central bank's abrupt move on in last week of September to ease monetary policy as the President has sought, despite a run-up in inflation, sparked an almost 3% drop in the currency. This month's drop is 6.5% so far.

Foreign investors fleeing the currency drove the fall, but local bargain hunting mitigated the effect, traders said.
After a currency crisis in 2018 and a series of smaller selloffs, the lira has shed two-thirds of its value in five years, eating into the earnings of Turks who have also faced double-digit inflation for most of that period.

In September, the lira dove in volatile trading when the central bank slashed its key interest rate by 100 basis points to 18%, despite headline inflation of 19.25% in August , well above a 5% target.

The bank cited core price measurements, which had dipped below 17%, but provided no guidance on policy. Barclays, JPMorgan and Goldman Sachs said they expect more rate cuts in coming months.

"This sharp fall in the lira is a clear signal from market participants that the central bank could be making a policy mistake at a time when headline inflation is so high," said a senior FX analyst at InTouch Capital Markets.

After a years-long exodus of foreign funds from Turkish assets, the lira's fate is largely in the hands of local businesses, investors and savers.

"The central bank's decision put the lira under serious selling pressure. But seeing it as an opportunity, locals' forex sales of at least $1 billion was the main factor limiting the losses," said a trader who requested anonymity.

Analysts said that if the bank cuts rates too sharply, it will either need to return to tightening or prompt state banks to intervene to protect the lira.

Foreign investors hold just over 5% of Turkish government bonds, down from more than 20% five years ago.

(Reuters)

Russian Rouble gains

The Rouble soared to its strongest level versus the euro since August 2020 as oil prices surged past $76 dollars per barrel, sending Russia's benchmark MOEX stock index to a record high.

By end September, the Rouble had gained 0.5% to trade at 85.67 versus the euro. It was 0.6% stronger against the dollar at 72.50, earlier hitting 72.4850, its strongest since June 29.

The Russian currency moved past an 11-week high versus the greenback hit in the previous session after data showed a weaker-than-expected rise in U.S. inflation last month, with investors now looking ahead to the Federal Reserve's meeting.

The better-than-expected CPI print in the U.S. lowers the chance that the Fed will cut its stimulus program next week, supporting the risk-trade," said BCS Global Markets.

The Rouble received some support from inflows of foreign funds to the Russian debt market. The finance ministry raised a cumulative 63.4 billion Roubles ($874.41 million) by auctioning 10- and 20-year OFZ treasury bonds, while demand reached 94.6 billion Roubles.

Brent crude oil, a global benchmark for Russia's main export, was up 2.9% at $75.71 a barrel. Oil dynamics were a rare bright spot in the largely negative external outlook, analysts said, after weaker-than-expected Chinese economic data reinforced worries about slowing global growth.

"Although the oil market is looking strong, we fear a downturn in the momentum of oil prices and consequently weakening support for the Rouble, due to the weakness of the general market environment," Promsvyaz bank analysts said in a note.

(Reuters)

China controls Yuan

China's regulators are tightening control over the inner workings of its currency market, pressuring banks to trade less and in smaller ranges, two banking sources told Reuters, as part of a sweeping push to curb speculation.

The moves follow recent efforts at curtailing financial risks that include dampening commodity price rises, banning crypto currency transactions and restricting property speculation. And they bring the campaign deeper into day-to-day operations on the dealing desks of a $30 trillion market.

It is also the latest example of scrutiny focused on foreign exchange, which analysts said might be aimed at tightening the leash on the Yuan at a sensitive time when U.S. policymakers prepare to withdraw monetary stimulus and China seems poised to add more.

Reuters reported earlier in September that brokers have dropped currency forecasts following regulatory pressure and reports the scrutiny of the interbank market for the first time. Authorities have also been hinting that banks and companies should prepare for volatility.

In recent months many banks have also withdrawn individual FX trading products, closing another avenue for speculation.

Recently, representatives of China's State Administration of Foreign Exchange (SAFE) have embedded themselves on currency trading floors from commercial banks to major state-owned lenders, said the two sources at separate market-making banks.

They said the officials stayed for months, far longer than supervisory visits previously, and urged them to price customer deals faster and in tighter ranges, or spreads.

The bid-ask spread is the difference between the price the bank charges clients and price in the market, so narrowing it reduces trading banks' profit. It could also help hem the Yuan in a tighter trading range, but at the same time moves risk from customers to the bank while a deal is being executed.

One source said the regulator reminded them their role is to keep things steady or "smoothen fluctuations without pushing the Yuan to either side". They added that regulators had not visited foreign banks this year. Banks in Hong Kong do not participate in China's onshore interbank market.

(Reuters)

Supply Chain Issues to continue to 4Q

Across all segments of the shipping industry, one thing that everyone agrees on is that there is no quick solution to the supply chain disruptions and challenges that have been experienced in 2021. The major carriers, as well as the ports, are warning that the surge is likely to persist, which will continue to drive shortages, lack of capacity, and increasing rates.

“We advise customers to plan their supply chains well ahead, particularly for the upcoming holiday rush,” writes Maersk in its Asia Pacific market update sent to customers on September 27. “We expect strong export demand from Asia to continue for the rest of the year particularly into the U.S. and Europe. Inventory levels in Europe and the U.S. remain at their lowest levels on record, leading to stock outs on some products. This means even once retail demand declines, we will see cargo volumes continue to remain strong as inventory levels need to be rebuilt.”

The visible signs of the surge resulted in the broad coverage of the record number of vessels arriving at the southern California ports and record backlogs. However, those same issues are resulting in backlogs at ports around the globe and it is having a broad effect on liner service.

Ocean carriers' schedule reliability continues to decline, with delays of up to 30 days on the worst-hit China to EU routes, and nearly 22 days on the worst-hit China to U.S. West coast routes according to container tracking data from project44, a data platform offering real-time supply chain visibility.

"There's no quick fix here," says Josh Brazil VP, Data Insights, project44. "Unless demand drops significantly after the holiday rush, this could be a multi-year problem."

Maersk forecasts that global container demand growth will be between six and eight percent for all of 2021 saying that it continues to take steps similar to other major carriers to alleviate the delays. Maersk highlights efforts to rationalize its schedules, repositioning empty containers, and tripling the number of dry freight containers in its fleet over the last few months. The carrier also plans to reduce the number of port calls on some routes to improve reliability.

"Continued strong demand, coupled with network disruptions has hammered our schedule reliability," Maersk admits to customers in its update. However, they warn that they expect equipment availability to continue to be tight in Q4 2021. "We expect Q4 to be stronger for Asia imports with network utilization remaining above 95 percent," but the carrier also points to congestion in ports and supply chain bottlenecks as the "true drivers of high freight rates."

Maritime short-term contracted rates continue their multi-year rise across major trade lanes said project44 in its latest market analysis. Using data from Xeneta, they highlighted average China-EU container rates rising by triple digits year-over-year across while for China-US West Coast routes, short-term contracted rates were up 102 percent year-over-year.

"Shippers can no longer absorb the costs," says project44's Brazil. "Sustained astronomical shipping rates coupled with a delayed supply are already causing inflationary pressures in the broader economy." Project44 highlights that shippers are faced with increasing delays and slower service and little way to avoid the problems. With few alternatives, project44 says shippers are being forced to cover the price increases.

Speaking on a Bloomberg TV interview, the Port of Los Angeles's Executive Director Gene Seroka said the pressure points are throughout the supply chain. While liner capacity has increased 30 percent on the major trans-Pacific routes and vessel productivity is up 50 percent in the port, Seroka admits that cargo is sitting longer at the ports and warehouses and vessels are backing up. Calling for the domestic supply chain to speed velocity, Seroka highlighted to Bloomberg that truck capacity at the port has only risen eight percent since the surge began and as much as 30 percent of truck reservations are going unused.

While Seroka expects imports will plateau as consumers venture away from home and use more services, he is also calling on the U.S. federal government to increase its investment in infrastructure for the West Coast. He reported that investments in U.S. East Coast and Gulf ports have been ten-to-one versus the West Coast. "That has to change," said Seroka discussing the steps how he believes are needed to address the current supply chain challenges.

(Maritime News)

Supply Chain Issues to continue to 4Q

Trade Lane	Market Outlook
Asia to Europe	Market demand is expected to be strong and vessel space is very tight. Maersk is planning to reduce port calls to improve reliability and has contingency plans to mitigate the impact of equipment shortages in Yantian and Nansha and feeder capacity shortages in Southeast Asia.
Asia to North America	Expect strong demand to continue for the rest of Q4 but the overall North American ports situation has deteriorated recently. We expect the loss of capacity from missed sailings to continue. We have deployed gap loaders and launched new TP-X and TP20 services on USWC and USEC to bolster capacity and improve schedule reliability.
Asia to Latin America	The outlook through China's Golden Week remains positive. We recommend customers divert cargo to North/East China ports if possible. Our focus continues to be on Non-Operating Reefer services to East Coast based ports, Chile and Peru.
Asia to West Central Asia	We expect strong demand to India in the coming month due to Diwali (Festival of Lights) in early November mainly driven by household goods. Space availability will be a key challenge.
Asia to Oceania	Market demand is expected to be strong in the coming months and capacity is tight. Congestion in Asia and Oceania ports continues to put pressure on vessel schedules, resulting in port omissions and missed sailings, which further exacerbates capacity availability. Our services are omitting some ports in Asia and Oceania to protect vessel calls at key origin and destination ports. We suggest customers plan their supply chains well ahead taking into consideration additional delays currently faced on the network.
Oceania Export	Looking ahead into Q4 we see continued strong export demand out of Oceania. In the reefer sector, we expect reefer stocks to remain closely managed with demand continuing to exceed supply. Similarly, dry food quality containers are expected to remain in high demand with supply being managed within agreed allocations. The additional vessels deployed on our Oceania network remain key to ensuring network flexibility and absorbing schedule delays due to port congestion and high demand.

(Maersk)

Oil hits $ 80 mark in three years

Oil prices rose early in the middle of September, with Brent Crude topping $80 a barrel for the first time in three years as the natural gas shortage and price spikes spill over into the crude oil futures market.

The international benchmark, Brent Crude, traded up by 0.62% at $80.02—the highest level since October 2018. The U.S. benchmark, WTI Crude, was above $76 per barrel, rising by 0.87% at $76.14—the highest level since early July.

Energy commodities have rallied in recent days after the natural gas shortage in Europe went global with a ripple effect on gas, coal, and crude oil prices. The record-high natural gas and power prices in Europe are leading to additional demand for coal and oil in the power generation sector. Gas-to-oil switching could further accelerate as we go into the winter heating season in the northern hemisphere.

In third week of September, liquefied natural gas (LNG) prices in Asia soared by 10 percent to at least $27 per metric million British thermal units (mmBtu), industry sources told Reuters. Despite the record prices for this time of the year, demand is strong in Asia as buyers have little choice amid tight natural gas supplies globally.

The gas crunch in Europe and Asia is also pushing the U.S. benchmark gas price, Henry Hub, higher, at above $6/mmBtu to the highest in over seven years.

Recovering oil demand and an underwhelming supply response, coupled with expected higher oil consumption in a gas-to-oil switch, are tightening the crude market and deepening the backwardation in the futures curve—a sign that market participants believe supply will continue to be tight.

“Low stockpiles of most fuels and limited time left to replenish before the peak demand season has left consumers around the world increasingly exposed to a colder than normal winter,” Saxo Bank said in a note. “The next focus is at what level demand will continue to suffer thereby helping to balance the market,” the bank’s strategy team added.

(Energy News)

Colombian Coffee hits by La Nina

Coffee production in the now completed 2020-21 harvest cycle in Colombia, the world’s third largest coffee growing nation and largest producer of mild washed arabica beans, and it ended lower with total output expected at about 13 million 60-kilogram bags. This comes after weather problems cut yields shorter than expected, exporters and industry officials in Colombia said.

This compares to total production in the previous 2019-20 cycle where Colombian coffee producers registered 14.1 million bags. The coffee year in Colombia follows the international cycle which runs from Oct. 1 – Sept. 30. The harvest was initially pegged to come in slightly below the level seen a year ago and similar to the harvest of 13.866 million bags in the 2018-19 cycle. Even after the weather phenomenon known as La Niña started causing havoc for growers between June and July the Colombian Coffee Growers Federation, also known as Fedecafe, said production could still reach 13.5 million bags.

“The final production figures are very disappointing but after the many weather problems reported in the last few months when La Niña hit the southern regions in particular, it’s not that much of a surprise at this point,” a trader with an exporter in Bogota told STiR coffee and tea. Adding that the smaller Colombian harvest will raise by at least 1.0 million bags the shortfall to a growing global deficit, he said the outlook for the new 2021-22 harvest cycle in Colombia, which officially started on Oct. 1, also will be cut short by the irregular weather caused by the growing negative impact of climate change across the Colombian coffee areas.

Colombia is one of less than a handful of coffee producing countries in the world that has two crops during the year. The main harvest that starts on Oct. 1 and for which picking continues until the end of January or early February, and the mid-crop – known as the mitaca – for which harvesting starts between the end of March or early April and runs through August. In the last 10-15 years rising output from the top southern province of Huila caused annual production to even out with the mitaca share growing to about 45% now from 30-35% 20 years ago, and the main harvest making up 55% of the total volume today.

The ongoing struggle for coffee growers across the world to try to adapt to constantly changing weather patterns including disturbing the traditional rain and sun patterns that are crucial in order to obtain even decent productivity comes at a crucial time for the global trade of the world’s most popular beverage. The smaller Colombian crop once again cut short hopes by those in the trade holding out for a miracle to turn the falling production trend around. This comes at a delicate time as a growing deficit in the global demand-supply balance following massive frost and drought damage in Brazil, the world’s biggest grower and exporter already raised alarms across the trade and sent arabica futures prices in New York to over $2 a pound on Oct. 11, more than double that of prices a year ago and near seven-year highs in late July.

Last time La Niña caused a major upset to the production cycle in Colombia was in 2007 when a temporary global cycle of cooler weather and more rain led to a reduction in sun exposure by over 30%, equivalent to less than 3.5 hours of sun exposure daily compared to 5 hours in a cycle without La Niña. The reduced sun exposure plays a major role in cutting coffee yields, according to scientific data from Colombia’s coffee research institute Cenicafe shared with STiR. Because the two annual crops in Colombia are cultivated on each side of the equator in some years one region has been facing La Niña weather while the other region at the same time faced the opposite twin effect known as La Niño, weather that brings sharply reduced rainfall and extreme heat, mostly causing varying degrees of drought.

(STiR Tea & Coffee)