



T · E · A

Tea Exporters Association
Sri Lanka

NEWSLETTER

MARCH 2024



TOP STORIES

Subject	Page No.
1. UN approved AI Resolution.....	2
2. Kenya over supply affect tea prices.....	4
3. Cost of shipping triples in Mombasa.....	6
4. India allocates more funds for development & promotion.....	7
5. Objections for Tea Board decision on sale of dust tea.....	9
6. Indian Jin with Darjeeling tea.....	8
7. El –Nino affects Zimbabwe tea production.....	11
8. Tea Bag paper double down on composability.....	14
9. Maersk not yet ready for Red sea route.....	16
10. Turkey raises interest rate to 50%.....	17
11. EU splits on climate targets.....	18
12. TEA News.....	19



LEAD STORY

UN approved first resolution on AI

The UN General Assembly approved the first United Nations resolution on artificial intelligence on 21/3 giving global support to an international effort to ensure the powerful new technology benefits all nations, respects human rights and is “safe, secure and trustworthy.”

The resolution, sponsored by the United States and co-sponsored by 123 countries, including China, was adopted by consensus with a bang of the gavel and without a vote, meaning it has the support of all 193 U. N. member nations.

U.S. Vice President Kamala Harris and National Security Advisor Jake Sullivan called the resolution “historic” for setting out principles for using artificial intelligence in a safe way. Secretary of State Antony Blinken called it “a landmark effort and a first-of-its-kind global approach to the development and use of this powerful emerging technology.”

“AI must be in the public interest – it must be adopted and advanced in a way that protects everyone from potential harm and ensures everyone is able to enjoy its benefits,” Harris said in a statement.

At a news conference after the vote, ambassadors from the Bahamas, Japan, the Netherlands, Morocco, Singapore and the United Kingdom enthusiastically supported the resolution, joining the U.S. ambassador who called it “a good day for the United Nations and a good day for multilateralism.”

Thomas -Greenfield said in an interview with The Associated Press that she believes the world’s nations came together in part because “the technology is moving so fast that people don’t have a sense of what is happening and how it will impact them, particularly for countries in the developing world.”

“They want to know that this technology will be available for them to take advantage of it in the future, so this resolution gives them that confidence,” Thomas -Greenfield said. “It’s just the first step. I’m not overplaying it, but it’s an important first step.”

The resolution aims to close the digital divide between rich developed countries and poorer developing countries and make sure they are all at the table in discussions on AI. It also aims to make sure that developing countries have the technology and capabilities to take advantage of AI’s benefits, including detecting diseases, predicting floods, helping farmers and training the next generation of workers.

The resolution recognizes the rapid acceleration of AI development and use and stresses “the urgency of achieving global consensus on safe, secure and trustworthy artificial intelligence systems.”

It also recognizes that “the governance of artificial intelligence systems is an evolving area” that needs further discussions on possible governance approaches. And it stresses that innovation and regulation are mutually reinforcing — not mutually exclusive.

European Union lawmakers gave final approval on March 13 to the world’s first comprehensive AI rules, which are on track to take effect by May or June after a few final formalities.

Countries around the world, including the U.S. and China, and the Group of 20 major industrialized nations are also moving to draw up AI regulations. The U.N. resolution takes note of other U.N. efforts including by Secretary -General António Guterres and the International Telecommunication Union to ensure that AI is used to benefit the world. Thomas-Greenfield also cited efforts by Japan, India and other countries and groups.



The resolution encourages all countries, regional and international organizations, tech communities, civil society, the media, academia, research institutions and individuals “to develop and support regulatory and governance approaches and frameworks” for safe AI systems.

It warns against “improper or malicious design, development, deployment and use of artificial intelligence systems, such as without adequate safeguards or in a manner inconsistent with international law.”

A key goal, according to the resolution, is to use AI to help spur progress toward achieving the U.N.’s badly lagging development goals for 2030, including ending global hunger and poverty, improving health worldwide, ensuring quality secondary education for all children and achieving gender equality.

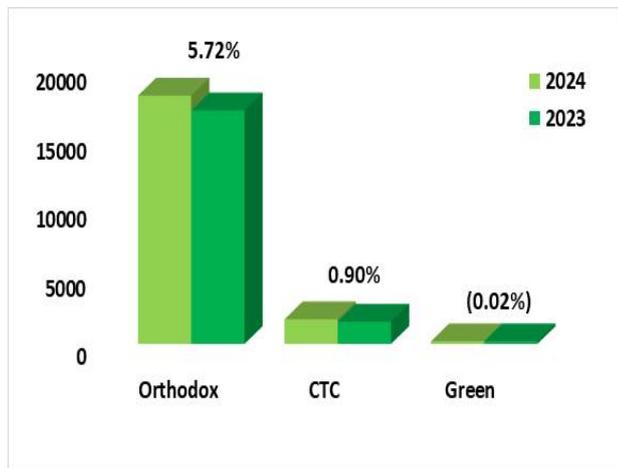
The resolution calls on the 193 U.N. member states and others to assist developing countries to access the benefits of digital transformation and safe AI systems. It “emphasizes that human rights and fundamental freedoms must be respected, protected and promoted through the life cycle of artificial intelligence systems”

(AP News)

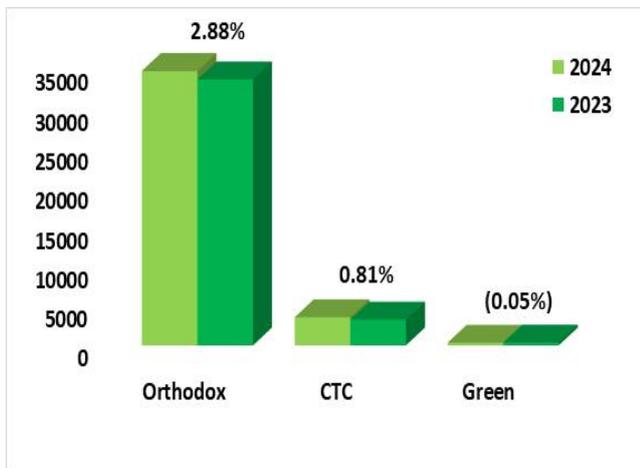
DOMESTIC NEWS

SRI LANKA TEA PRODUCTION

FEBRUARY 2024/2023 - in MT



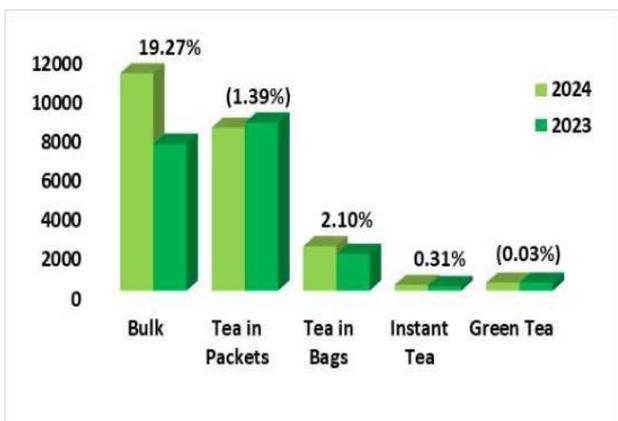
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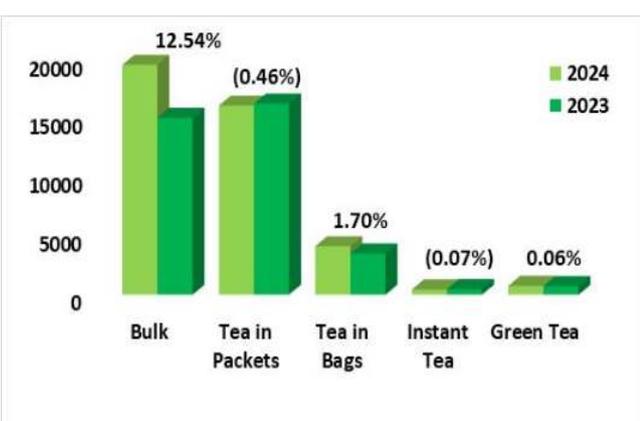
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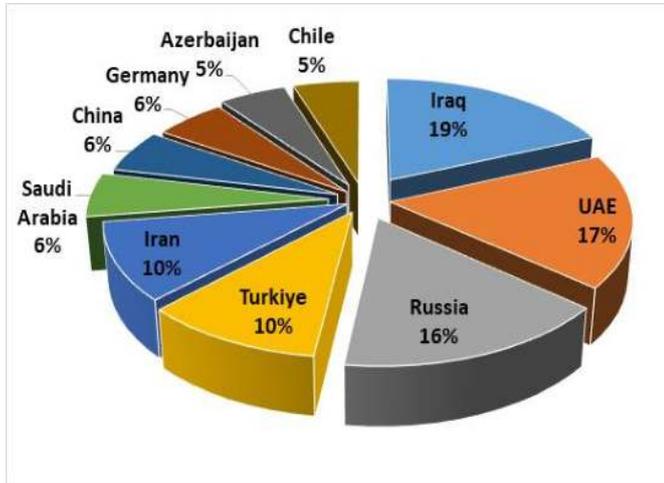
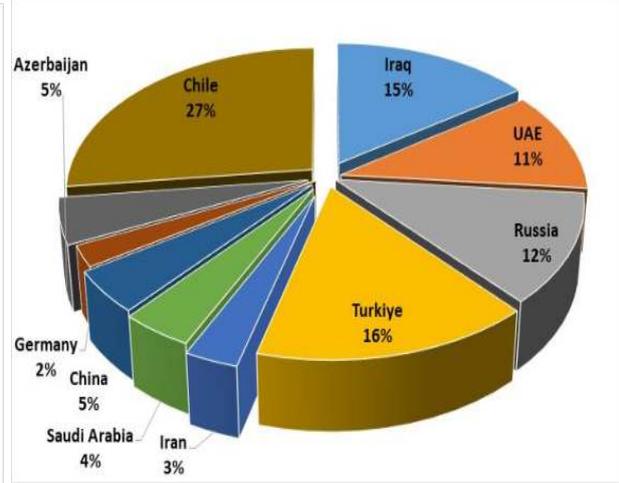
SRI LANKA TEA EXPORTS

FEBRUARY 2023/2022 - in MT



JANUARY TO FEBRUARY 2023/2022 - in MT



MAJOR IMPORTERS OF SRI LANKA TEA**JANUARY TO FEBRUARY 2024 - in MT****JANUARY TO FEBRUARY 2023 - in MT**

(SL Customs - Courtesy Forbes & Walker Tea Brokers)

MARKET INFORMATION**World Tea Crop**

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

Country	Period	2024	2023	Variance
Bangladesh	January 2024	0.20	0.40	(0.20)
South India	January 2024	17.00	13.60	3.40
Kenya	January 2024	59.00	54.90	4.10
Malawi	January 2024	7.20	6.40	0.80

(Forbes & Walker Tea Brokers (Pvt) Ltd)

Kenya over supply affects tea prices

Kenyan tea exporters sold 523 million kilos of tea in 2023, earning a record Sh 180 billion (\$1.23 billion). However, oversupply due to favorable weather, subsidized fertilizer, and aggressive plucking threaten to undermine black tea prices globally.

Tea exports are in decline, and bulk tea prices are falling. The World Bank forecasts tea prices will decline 2% in 2024. The Economist Intelligence Unit (EIU) expects "prices to weaken to an average of \$2.75 per kilo in 2025."

Greenleaf production rose 15% among Kenya Tea Development Agency (KTDA) smallholders from June 2023 through January. Unit prices are up 13% to Sh 345 per kilo, rewarding growers with a record bonus.

But the windfall is more closely tied to currency fluctuations than demand. Slowing economies, sanctions, and war globally contribute to auction warehouses bulging with staling tea.



According to the East Africa Tea Traders Association (EATTA), 40.7% of the tea on offer remained unsold in 2023. Traders normally buy 75% of Kenya's annual harvest at auction, but demand is unusually low, forcing the country to consider abandoning a \$2.43 per kilo minimum price established in 2021.

Kenya stands out as the only country among the top five producers worldwide to see gains in volume and value. Kenya's domestic tea market is relatively small, making Kenya the world's top black tea exporter, even though India produces much more significant quantities. East African tea-producing countries export more than 90% of the teas grown there. Kenya exports 95% of its tea, of which only 10% is blended and packed.

(STiR Coffee & Tea)

Kenyan tea embraces technology

The tea manufacturing industry in Kenya is quickly innovating new technologies for energy conservation and efficiency measures as the effects of climate change manifest.

Tea Machinery and Engineering Company (TEMEC) Ltd, a wholly-owned subsidiary of Kenya Tea Development Agency Holding (KTDAH) Ltd, said the move is aimed at mitigating the effects of climate change.

TEMEC General Manager, Michael Cherutich said in-house developed machinery such as driers, pre-sorters, high-efficiency withering fans, winnowers, ID fans, boiler air pre-heater and log splitters integrate energy-efficient systems that contribute to energy conservation.

He cited the Fluid Bed Drier (FBD) that is incorporated with a heat recovery system to maximize energy while at the same time minimizing heat losses, resulting in the use of less firewood at the boilers.

"This is a direct saving on firewood and reduced deforestation," said Cherutich adding that TEMEC, the engineering arm of Kenya Tea Development Agency offers value addition to the green leaf in KTDA and other tea factories.

"As a strategic Engineering arm of KTDA, TEMEC performs its role of standardizing quality of machinery services and products while moderating prices to the benefit of the tea farmer and the tea subsector in general," he added.

Cherutich said the boiler air pre-heater unit utilizes flue gases which could have otherwise been lost to the atmosphere to pre-heat the combustion air fed into the boiler thus improving boiler efficiency and reducing the firewood consumption.

He further revealed that TEMEC has entered into a partnership with companies specializing in solar technology to fabricate structural support as part of the Green Energy Initiatives.

"TEMEC continues to play an indirect, salient but critical role in Climate change Mitigation that has a backward linkage to the conservation of trees in most of its operations," added Cherutich.

"The machines are environmentally friendly and help the farmers in the objective of managing costs of production while maintaining the quality of tea," he said.

(SyndiGate Media Inc. / MSN. COM)

Cost of shipping tea triples in Mombasa

Tea exporters in Kenya are facing significant challenges as the cost of exporting tea through the Mombasa port nearly triples due to a shortage of merchant ships and sustained attacks by Yemen-based militants on vessels transiting through the Red Sea.

According to a Mombasa-based tea buyer, the cost of shipping a 40-foot container to key destinations such as Russia has risen more than three times.

He stated, "It used to cost about KES339,418.27 (US\$2,442) to ship a 40-foot container to Russia... but today it is about KES904,764.78 (US\$6,513)."

The situation has been aggravated by the ongoing Russia-Ukraine war, which has forced vessels to take longer routes following the closure of the Black Sea route.

George Omuga, managing director of the East African Trade Association (EATTA), highlighted the impact on tea traders, stating, "Ship turnaround time has remained a challenge... This has seen the volumes of tea exported to Russia and other neighboring countries significantly dwindling."

Furthermore, the high freight costs and delayed shipments have affected the weekly auction in Mombasa, where prices have risen due to bigger demand for the quality crop.

The disruptions in shipping have led to a pile-up of stocks in warehouses as exporters wait for vessels.

Omuga emphasized the need for action, stating, "We have engaged Kenya Ports Authority to give priority to such ships... to discuss how best we can reach an agreement about the skyrocketing freight costs."



The impact of the shipping delays has also affected other sea port states, with major shipping lines either stopping or temporarily halting Red Sea operations since last November.

The Kenya Ports Authority has been urged to address the situation urgently to mitigate the effects on tea exporters and the broader economy.

(Africa Food Business)

Tea Academy in Kenya

The President of Kenya, His Excellency Dr. William Samoei Ruto, has officially inaugurated the Lipton Tea Innovation & Technology Academy with its mission to make Kenya the world center of advanced skills and knowledge in tea cultivation.

Co-funded by the world's largest tea group and the biggest purchaser of Kenyan tea, Lipton Teas and Infusions, along with the Government of Kenya's Ministry of Education and the University of Kabianga, the Academy is the first higher education institution to be dedicated to tea.

As many as 3,000 Kenyans each year will gain professional training at the Academy to support the development of the country's largest export industry beyond the production of superior raw materials and into creating talent that is sought worldwide.

By creating the international pinnacle of quality and responsible practices, the Academy will further enhance Kenyan tea's designation of origin as synonymous with premium value which will in turn help raise living standards throughout the region.

The Academy will provide vocational training as well as bachelor's, master's, and PhD level courses. The curricula have been structured to create the highest standards of tea cultivation, harvesting, and processing, and vary from introductory skills in business and diversifying farm incomes to advanced scientific research and technological innovation.

(World Tea News)



India allocates more funds for Tea development & promotion

The government has increased the outlay for the Tea Development and Promotion Scheme by 82% to ₹ 528.97 crore for the next two financial years (to FY26), a senior government official said.

The scheme is aimed at supporting the development of improved varieties of tea to increase production and quality. Under the scheme, the government will assist small tea growers, whose number has increased to 0.23 million. Of these farmers, 70% have one hectare or less of land.

The scheme aims to set up 800 self-help groups (SHG) and 330 farmer-producer organizations (FPOs) by FY26, with an outlay of ₹105.5 crore, said Amardeep Singh Bhatia, additional secretary in the department of commerce. Earlier, the plan was to set up 40 SHGs and 8 FPOs with an outlay of ₹2.7 crore. "The outlay has been increased by 82% from ₹290.81 crore to ₹528.97 crore for the next two financial years," Bhatia said.

The increased outlay will be used to promote Indian tea in domestic and international markets. Funds for the promotion of tea have been increased to ₹72.42 crore. The government will promote Darjeeling and other GI teas in global markets to improve exports. It also has set aside ₹40 crore for blending and packaging units for value addition, Bhatia added. "The objective is to increase exports, especially in value-added segments and consumption of quality tea," he said.



Another ₹20 crore has been allocated to set up or upgrade tea testing labs to improve quality.

The scheme also aims to harness technology such as precision farming, drone surveillance, traceability through block chain, and digitalization of the Tea Board's activities.

(LiveMint)

India rushes Officials to countries that drink less Indian Tea

Teams of industry and government officials are being dispatched to countries across the world to find out why they have stopped buying Indian tea. The commerce ministry will be first sending a team of tea exporters and government officials to push domestic tea exports to Iran. According to official data from the commerce ministry, India exported tea worth \$673 million between April 2023 and January 2024, down from \$702 million in the year-ago period. India's tea shipments to Iran have come down precipitously from 54.45 million kg in 2019 to only around 5.16 million kg in Jan-Nov 2023 is ascribed to the payment crisis brought on by western sanctions on Teheran.

International recognition has quickly followed Jin Jiji's debut, with accolades including a Gold medal at the World Spirits Competition in 2020. It has also earned Silver medals at prestigious competitions like the International Wine & Spirits Competition in 2021 and the Spirits Selection in 2022.

The label design of Jin Jiji draws inspiration from traditional Indian motifs, reflecting the botanicals used in the gin and paying homage to India's cultural heritage.

Jin Jiji India Dry Gin and Jin Jiji Darjeeling are now available in various regions across India, including Goa, Karnataka, Maharashtra, Rajasthan, Uttarakhand and Haryana.

(MSN.COM)



Objections to government decision to sell dust tea by auction

A group of factories in Assam that purchase green leaf from small tea growers have rejected the government's decision to put an entire crop of dust tea for sale by auction from April 1, raising concerns about the availability of clean tea.

Assam Bought Leaf Tea Manufacturers' Association (ABLTMA) has called on its members to test samples of green leaf and made tea (processed tea) from accredited laboratories to check the maximum residue level (MRL) of pesticides and chemicals as per Indian food safety standards.

ABLTMA, which represents 110 factories in Assam, said it would decide on the next course of action about the dust tea auction once the test results come in two weeks.

The tea auction enables buyers to independently draw samples from tea being offered for sale and check the MRL levels.

By contrast, such practices are not strictly followed when teas are sold privately, especially for the domestic market.

Small tea growers, who contribute 55 per cent of Indian tea production, are often alleged to lack knowledge about good harvesting practices that can generate compliant and clean teas.

Instead, they usually focus on maximizing yield (production of green leaf) by unchecked use of chemicals and pesticides.

Since dust is generated from the same crop that produces leaves and broken, channelizing this category (dust) to pass through a funnel where testing and detection would be possible, chances of detection of MRL can go up.



"We buy leaves and pay the farmers. If the tea is rejected later due to MRL issues, how are we going to identify which grower has failed to supply clean tea and recover money from him?," said an ABLTMA official.

If the association stops procurement of green leaf at the pretext of non-availability of complaint tea regularly in good quantity, it would hit the livelihood of small growers in poll-bound Assam and create a political problem for the incumbent BJP government.

The large estates, especially the well-managed ones, are believed to be more compliant with food safety standards given they also focus on exporting where the presence of MRL can lead to the rejection of consignment.

However, estates also buy green leaf from STGs in large quantities to achieve an economy of scale of operation, especially to sell in the domestic market.

Large producers and packers have welcomed the government's decision to put dust tea mandatorily to the auction route on a three-month trial basis. Dust, used in tea bags and ready-to-drink tea-based beverages, makes up 15-20 per cent of the production.

(Telegraph India)

Myanmar Tea faces labour shortage

The tea leaf industry, with a large number of local consumers and China as the top export destination, is facing a labour shortage, according to the tea manufacturing community.

“Local consumption of tea leaves is still strong. Demand is also good. But, supply is dropping during these days due to labour shortage and transport difficulties. Manufacturers are mainly struggling to get raw materials said Ko San Min Tun, coordinator from the Myanmar Tea Association.

China is the top destination for Myanmar tea exports, with some products reaching regional countries such as Malaysia, Taiwan and Thailand.

“There are two main kinds of tea export – wet and dry. Black tea and others are exported by sea. The rest goes mainly via border trade. There are exports via both routes but, we face small difficulties in border trade route. We export tea mainly to China. China bought the most in 2022,” he said.

Recently, there has been more emphasis on self-sufficiency of tea rather than export and its yield is still low in Myanmar. Tea is grown in all regions and states except Bago, Taninthayi, Yangon, Ayeyawady Regions and Rakhine State while Shan State has the most plantations.

Some tea traders said that price of green tea has gained higher due to increase in purchase of the green tea leaves. Tea growers have reduced the amount of drying the green tea as its price is good.

He added that traders are making a purchase of green tea leaves that have been plucked at a rate of around K4,000 to K5,000 per viss. In the southern Shan State, the price of dried tender tea leaves is rising up to around K14,000 per viss.

In 2023, the tender green tea leaf was only around K12,000 per viss and the price has risen by about K2,000 per viss at present.

The price of dry tea leaves produced in southern Shan State depends on the location and type, and it ranges from K10,000 to K18,000 per viss.

(KYAT 2100 = One USD & 3.6 pounds = viss)

(GNLM/ TPT)



El Nino affects Zimbabwe tea production

Tea production has joined the list of casualties of the El Nino inspired drought and according to an official assessment report (pre-harvest) the area under tea has decreased by 14 percent from 5,662 hectares in the 2022/2023 season to 4,868 hectares in the 2023/2024 season.

An official with the Horticulture Development Council (HDC) said: "The tea industry is facing significant challenges due to a combination of unfavorable weather conditions, economic policies and exchange rate disparities."

HDC added that the late onset of rains for the 2022/23 season had played a crucial role in reducing tea output. Insufficient rainfall affected tea plantations leading to lower yields. This setback had a cascading effect on the subsequent season, as the industry struggled to recover and regain its momentum.

"The negative impact of economic policies, such as the 25 percent Reserve Bank of Zimbabwe's (RBZ) export retention compounded the challenges in 2023 on the backdrop of a widening disparity between the official and market exchange rates. Consequently, the industry experienced increased costs and a decline in viability posing a threat to the country's economy," HDC said.

The horticulture body explained that some tea producers had in 2023 strategically reduced the area of tea plantations and shifted their focus towards improving quality rather than quantity to mitigate the adverse effects. This was also expected to help improve selling prices.

The tea sector is calling for the implementation of positive policies that encourage increased investment in production, which would benefit economy, as a whole given that the current slump raises concerns about the future of the tea industry and its contribution to the country's economy.

"Stakeholders in the industry are actively engaging the authorities to address these challenges and seek solutions. Their primary focus is to create an enabling environment that supports tea producers and encourages them to expand their operations for the prosperity of the country's economy.



"The tea industry is actively exploring avenues to boost production and reinvest in tea estates and efforts are underway to expand the production of other export crops such as avocados and macadamia nuts through schemes that support emerging growers," said HDC.

As the situation unfolds, it remains crucial for policymakers, industry leaders and stakeholders to collaborate and devise strategies that will revive the tea industry, enhance productivity and ensure its sustainability, HDC suggested.

(The Herald)

Nepal Tea Export plan in peril

Although the Government of Nepal planned to export tea to China to diversify the tea market and break the monopoly of the Indian market, the plan has failed to materialize. Since the government's plan could not be materialized, Nepal's tea market has not been able to expand due to its dependence on India.

According to the National Tea and Coffee Development Board, tea produced in Nepal is exported to 38 countries in the world including China, America, Europe through some private companies. However, stakeholders say that it is not enough to break the monopoly of the Indian market.

They have recommended the government to take a G2G (Government-to-Government) initiative.

The board's Director Dr Deepak Khanal said that although tea production has improved a lot compared to the past, Nepal has not made satisfactory progress in its efforts to expand the market.

According to him, even now the biggest problem of Nepal's tea industry is the lack of market and monopoly of Indian market. He argues that the export of only 15 percent to European and American markets, apart from India, confirms that Nepali tea has not yet found a market.

According to the data of the board, Nepal exported 12,496 metric tons of tea worth Rs 3.43 billion in the last fiscal year. Out of that volume, 12,096 metric tons of tea worth Rs 3.05 billion were exported to the Indian market. Nepal produces more than 26,300 metric tons of annually on 20,200 hectares of land. It includes 6,500 metric tons of orthodox tea.

"We planned to export to China two years ago through the G2G process to break the monopoly of the Indian market, but it has been stalled for now," Khanal told New Business Age. He said that the plan stalled because the government did not take diplomatic initiatives to export tea through the G2G process.

Khanal says that Nepali tea, which is sold at Rs 650 per kg in the Indian market, can be sold for as high as Rs 3700 if it is delivered to China.

Chairman of Gorkha Tea State Pvt. Ltd. Uday Chapagain says that the government should open the Chinese market as soon as possible to eliminate Nepal's dependence on India for the tea market.

Meanwhile, in a recent news published by the state-owned news agency RSS, it is mentioned that the Chinese businessmen who visited the tea plantations and industries of Ilam have ordered more than 100 metric tons of tea. Chinese tea traders had reached there in March on the initiative of Ilam Municipality and Ilam Chamber of Commerce and Industry.

Tea businessman Chiran Dahal reportedly coordinated to bring the Chinese tea traders. On that occasion, Dahal said that there was a discussion between Chinese businessmen and local tea businessmen and farmers about the purchase of tea and the possibility of exporting tea to China.

(New Business Age)



UN Tea group rebrands tea

Tea trade associations, research institutes, tea boards, tea brands, and the United Nations Intergovernmental Group on Tea (IGG/Tea) are organizing to promote #TeaPower on May 21, International Tea Day.

The online and event-based marketing program heralds the benefits of including tea in every high-energy fitness regimen, from organized sports and cycling to nature walks and solo ascents. Messaging targets youth, but the findings on dietary benefits and hydration are science-backed and essential to healthy living.

Shabnam Weber is president of the Tea and Herbal Association of Canada and co-chair of the United Nations IGG Working Group on Tea and Health, which developed the program. She says #TeaPower is "the perfect pitch for younger generations looking to increase their performance and energy levels while staying healthy."

Sharon Hall, CEO of the UK Tea & Infusions Association, writes, "There has been a global increase in consumer awareness of a healthy lifestyle, and dietary habits are changing in response to known linkages between diet and health. However, many promotional campaigns focus on health benefits that address the concerns of older generations, heart health, bone health, etc., topics that the younger generation does not relate to. To successfully target younger consumers, a unified global campaign will link tea drinking to benefits relevant to that younger audience."

Weber explains that hashtags connect the whole conversation. "If we share the same hashtag, we're all sending out the same message," she said.

"Well, the beauty of this campaign is that it is whatever you want to make of it. That means putting together this package that we'll deliver to all the IGG members. Then, every member will roll it out however they want to," said Weber.



"This is an opportunity to demonstrate the power of speaking with one voice. Our messaging might be slightly different, depending on the market, but everyone needs to understand how critical this is to the industry," she said.

(STiR Coffee & Tea)

Unilever Ghana moved to Nigeria

Dr Cassiel Ato Forson, member of parliament has revealed that Unilever Ghana has decided to move its tea production operations to Nigeria, citing the ongoing economic challenges in Ghana.

He disclosed this on March 11, following President's 2024 State of the Nation address presented to Parliament in February.

Another MP noted that more companies may follow suit due to the country's current economic downturn.

Expressing his concerns about the management of the country under the present government, Dr Ato Forson emphasized that the business community's relocation is alarming and should be a cause for worry among Ghanaians.

As a former Deputy Finance Minister, Dr Ato Forson's remarks underscore the growing apprehension about Ghana's economic stability and its impact on local businesses.

Unilever Ghana, which has for a very long time been producing its famous Lipton tea in Ghana, has stopped its tea production here. "We have lost jobs by exporting the Lipton tea production to Nigeria. This is bad news for Ghanaian employees."

(My Joy o/l)



Makers of Tea Bag Papers Double Down on Compostability

Today's better tea brands compete not just on the qualities of their teas but also their tea bags. Paper producers are rising to the occasion.

A good tea bag is distinguished by its performance both in the cup and on the packing line — as well as by certifications. The bag's form factor might be single-chambered, double-chambered, rectangular, or circular, sometimes pyramidal. But the factor that really sets it apart is the material.

Paper makers offer numerous options now because the material faces performance demands in as many as six dimensions.

1. It has to perform well in the cup, allowing the infusion to be quickly and fully extracted but without imparting any flavor of its own.
2. It has to be sturdy enough to withstand hot water without falling apart, even after a long steeping.
3. It must perform well in the factory, being strong enough to fold and fill on a high-speed packing machine without breaking, since downtime is expensive.
4. It should perform well in the waste stream, allowing biodegradability.
5. It must perform well in the market, supporting product claims and certifications that meet rising consumer and brand expectations around sustainability.
6. The cost must be right for both the company and the consumer.

Better papers are made from natural materials like cellulose — usually derived from trees like spruce and pine — and abaca, a fiber from the tropical *Musa textilis* plant, a species of banana native to the Philippines. New materials include polylactic acid, or PLA, derived from renewable biomass like corn starch or sugar cane.



Tea in bags accounts for most of the tea industry's growth in value, forecast at a 5.8% compound annual rate through 2028. Terranova has seen a steady double-digit annual expansion of sales of its filter papers during the past 10 years.

(STiR Coffee & Tea)

TRADE / ECONOMY

Global trade to rebound in 2024

After facing declines over several quarters, international trade is poised for a rebound in 2024, according to the latest Global Trade Update from the United Nations Conference on Trade and Development (UNCTAD).

In 2023, global trade saw a 3% contraction, equaling roughly \$1 trillion, compared to the record high of \$32 trillion in 2022. Despite this decline, the services sector showed resilience with a \$500 billion, or 8%, increase from the previous year, while trade in goods experienced a \$1.3 trillion, or 5%, decline compared to 2022.

The fourth quarter of 2023 marked a departure from previous quarters, with both merchandise and services trade stabilizing quarter-over-quarter. Developing countries, especially those in the African, East Asian and South Asian regions, experienced growth in trade during this period.

While major economies generally saw a decline in merchandise trade throughout 2023, certain exceptions emerged, like the Russian Federation, which exhibited notable volatility in trade statistics. Towards the end of 2023, trade in goods saw growth in several major economies, including China (+5% imports) and India (+5% exports), although it declined for the Russian Federation and the European Union.

During 2023, trade performance diverged between developing and developed countries, with the former experiencing a decline of approximately 4% and the latter around 6%. South-South trade, or trade between developing economies, saw a steeper decline of about 7%. However, these trends reversed in the last quarter of 2023, with developing countries and South-South trade resuming growth while trade in developed countries remained stable.

Geopolitical tensions continued to impact bilateral trade flows, as shown by the Russian Federation reducing its trade dependence on the European Union while increasing its reliance on China. Additionally, trade interdependence between China and the United States decreased further in 2023.

Regionally, trade between African economies bucked the global trend by increasing 6% in 2023, whereas intra-regional trade in East Asia (-9%) and Latin America (-5%) lagged behind the global average.

At the sectoral level, most industries experienced declines in trade value, with exceptions such as pharmaceuticals, transportation equipment (largely due to increased demand for wide-body aircraft) and motor vehicles, which grew by 14%, primarily fueled by the demand for electric vehicles.

Available data for the first quarter of 2024 suggests a continued improvement in global trade, especially considering moderating global inflation and improving economic growth forecasts. Additionally, rising demand for environmental goods, particularly electric vehicles, is expected to bolster trade this year.

However, geopolitical tensions and supply chain disruptions persist as pivotal factors influencing bilateral trade trends and require ongoing scrutiny. Disruptions in shipping routes, particularly those related to security issues in the Red Sea and the Suez Canal, as well as adverse climate effects on water levels in the Panama Canal, carry the potential to escalate shipping costs, prolong voyage times and disrupt supply chains.

(UNCTAD)



EU to ban Kenya coffee from deforested land

Kenya's coffee industry faces a significant challenge as new regulations from the European Union (EU) set to prohibit the sale of coffee harvested from deforested land in the EU market by the end of the year.

The EU Deforestation Regulation (EUDR), passed last year, aims to reduce global deforestation and forest degradation, impacting various commodities including coffee.

Under the EUDR, European companies trading in coffee must ensure that their products are not sourced from recently deforested areas or contributed to forest degradation.

The regulation emphasizes the importance of promoting 'deforestation-free' products to mitigate greenhouse gas emissions and biodiversity loss.

To comply with the regulation, operators and traders will be required to collect geographic coordinates of the land where coffee is produced to ensure traceability and verify that no deforestation is occurring in those areas.

Kenya's coffee industry heavily relies on exports to the EU, with seven out of its top 10 coffee markets located in the economic bloc. However, the impending implementation of the EUDR poses a significant challenge for Kenyan coffee farmers and exporters.



In response to the regulations, coffee farmers are urging the government to accelerate the mapping of geographical coordinates of coffee-producing land. This measure is crucial to ensure that Kenyan coffee remains eligible for export to the EU market.

(Africa Food Business)

(Note - EUDR is expected to extend to other agricultural imports in due course).

SHIPPING NEWS

Maersk not yet ready to use Red sea route

Three months after starting to divert all its vessels from a passage through the Red Sea, Maersk has told customers that it is too soon in its assessment to resume its normal routes. They said the routing around Africa allows the best supply chain stability, in their assessment, saying that a switch is complex and they wanted to make sure it would be sustained over the long term and avoid further disruption.

They write that they are aware that Operation Aspides has taken shape and welcome it as a positive development along with the U.S.-led efforts. Maersk writes that they are also in "continuous dialogue" and monitoring developments in the region.

"Regretfully, both our internal analysis, as well as insight we received from external sources, still indicates that the risk level in the region remains elevated," they wrote in their latest customer alert.

"At Maersk, we are aware that some other shipping lines have continued sailing through the Red Sea despite security risks or have announced their plans to resume sailing," the March 22 alert says. "We respect the right of each carrier to make such decisions individually. At the same time, we continue with our own assessment that the current situation does not allow us to make a similar decision and thus still believe that sailing via the Cape of Good Hope and around Africa is the most reasonable solution at the moment and the one that currently allows the best supply chain stability."

Aspides reported this week that it has been in place for a month and already escorted 35 merchant vessels

Among the major carriers, only CMA CGM has said it was prepared to resume transits. At the end of February after having suspended transits they advised customers that they had "reevaluated the situation in the Southern Area of the Red Sea." They said the situation was being assessed for each ship individual.

Previously, Rodolphe Saadé, Chairman & CEO of the CMA CGM Group, told the Financial Times they were making the Red Sea transits when they could be escorted. He said the disruptions were playing havoc on their schedule and even when they were making the trips they were often having to wait for their escorts.

MSC reported it was also avoiding the transit. Even still, one of its vessels heading to Djibouti was attacked on March 4 with a small fire started in containers. The Indian Navy assisted with the fire and the MSC vessel was able to continue its voyage.

Most of the transits are being made by smaller operators . BIMCO reported this week that traffic through the region was down by 50 percent in January and February. In the first three weeks of March, they calculated that the gross tonnage transiting the Suez Canal had dropped 61 percent year-over-year.



(Maritime Executive)

FINANCE NEWS

Turkey raises interest rates to 50%

Turkey's central bank unexpectedly raised interest rates to 50% on 21/3, citing a deteriorating inflation outlook and pledging to tighten further if it looks like inflation is significantly and persistently worsening.

The move came 10 days before local elections and was seen by analysts as a signal that the central bank was independent from any political constraints and determined to tackle price rises.

The lira rallied by as much as 1.5% to 31.91 against the dollar in response to the hike from the previous 45 % rate, reversing weeks of steady declines in the Turkish currency, and Turkey's dollar bonds extended a rally.

The bank has now raised its key one-week repo rate by 41.5 percentage points from 8.5% since last June, after Recep Tayyip Erdoğan's victory in May presidential elections and U-turn towards greater orthodoxy in economic policy.

The "tight monetary stance will be maintained until a significant and sustained decline in the underlying trend of monthly inflation is observed, and inflation expectations converge to the projected forecast range", the bank said.

Policy "will be tightened in case a significant and persistent deterioration in inflation is foreseen", it added after the monthly meeting of its rate-setting monetary policy committee.

A senior FX analyst at InTouch Capital Markets in London, said the rate hike "stunned the market", adding: "decision is a very strong signal that Governor who took over from [Hafize Gaye], is determined to bring staggeringly high inflation under control."

Inflation rose to a higher than expected 67% in February when the central bank had held rates steady after a sustained string of hikes since June.

Though inflation is expected to dip around mid-year, the recent lira slide coupled with declining foreign reserves had raised some expectations of more rate hikes ahead – though not until after municipal elections on 31 March in which Erdoğan's AK party is hoping to win back key cities such as Istanbul.

Meanwhile the average return on three-month lira deposits rose to 55.66 percent. The three-month deposit rate was around 28 percent almost a year ago.

Some private banks are offering even higher rates for new customers above 57 percent.

The six-month and one-year deposit rates are 50.33 percent and 44.8 percent, respectively, according to data from the Central Bank.



The market is expecting the Central Bank to lower its policy rate in the final quarter of 2024 and the deposit rate nor likely to climb higher, according to Aydın.

(The Guardian)

SUSTAINABILITY NEWS

EU countries express conditional support to climate target 2040

The EU's debate on a 90% climate target for 2040 made some progress on 25 March, with 10 countries in favour, three against, and 13 asking for additional concessions at a meeting of environment ministers in Brussels.

The EU has two carbon reduction targets set in law: a 55% cut by 2030, followed by net-zero in 2050. An equivalent target for 2040 is currently being discussed in Brussels. In February, the Commission proposed a 90% reduction target.

On the 25th, EU countries took to the stage to declare their position: countries in favour of the 90% target outnumber those opposed, but the majority of countries declared themselves as 'undecided' for now.

"I sense significant support," Climate Commissioner Wopke Hoekstra said after the EU's most ambitious countries voiced their support for his proposal. Those include France, Finland, Denmark, and Spain.

Germany and the Netherlands voiced only provisional support – Berlin's coalition government has yet to agree internally while the Netherlands' caretaker minister Rob Jetten asserted that the country's newly elected parliament was "in favour" of 90%.

In all, 10 countries came out in support of the Commission proposal.

Three voiced clear opposition: Czechia called it "too ambitious"; Greece worried about people "wanting a better life now" and Poland asked for "more analysis".

However, half of countries declined to take a hard position, citing specificities ranging from the concerns of island nations to rural countries reliant on cars.

Many of these countries joined the EU in 2004 or later and stressed their different economic starting points. Latvia and other EU countries highlighted the need for "flexibility" to accommodate national specificities. Every "EU country has its own development model", said Romania's Mircea Fechet, minister of environment

The second major concern for EU countries remains industrial competitiveness – the issue everyone can agree on, from Budapest to Berlin.

"Overburdening" industry with climate policies risks "backfiring," warned Hungary's Anikó Ráisz, the environment minister.

"Strengthening the competitiveness of our industry is crucial for the coming years," said Germany's Sven Giegold, state secretary of economy and climate.

For the alliance of 12 pro-nuclear countries led by France and Czechia, nuclear is a key element of the energy mix beyond 2030.

Czechia focused on hydrogen produced with nuclear power, which is currently not classified as 'renewable' under the bloc's renewable energy directive (RED) rules.

"I am pleading for low-carbon hydrogen" so Europe could get started on the "hydrogen economy," said Petr Hladik, the Czech minister of environment, calling for a change to RED rules.

(Euro News)



TEA NEWS

2024 Annual General Meeting of TEA

The 25th Annual General Meeting of Tea Exporters Association will take place on Friday, 6th September 2024 at the Grand Marquee, Taj Samudra from 6.30 PM onwards.

The presentation of awards to winners of Outstanding Tea Producers and Tea Tasters for 2024 will also take place at the AGM.

Please make note of the date for an exciting evening.

Selection of Outstanding Tea Producers by TEA - 2024

TEA will be conducting the selection of "Outstanding Tea Producers" event for the fourth year, parallel to the 2024 AGM.

Criteria for selection of outstanding tea producers

The concept is based on "Total Excellence" covering all aspects of tea production and supply chain.

Eligibility:

- Registered corporate or private tea factories with a minimum of five years' experience in tea manufacture.
- Compliance with SLTB regulations and CTTA bye-laws governing the tea industry.

Nominations:

- A panel appointed by TEA Management Committee will identify suitable candidates from the eligible manufacturers / producers.
- Teas produced and offered for sale from June 2023 up to end of June 2024 may be considered by the panel during the evaluation.
- The panel members will consider overall aspects in tea production which are commercially relevant and important from exporters' point of view.
- TEA may obtain clearance of SLTB / CTTA for compliance with regulations / bye laws for short listed candidates prior to final selection if necessary.

Evaluation Criteria:

- Teas produced shall have no taint and shall be free from spent tea, extraneous matter and any added material.
- Consistency in maintaining tea quality – leaf, liquor and appearance.
- Compliance with ISO 3720 standard and tea grade nomenclature.
- No quality claims or supply of bulging bags, adulteration of teas etc.
- Factory compliance with GMP and/or international certification.
- Compliance with SLTB/TRI regulations, guidelines etc related to tea production/manufacture.
- Reputation as a reliable tea producer.

The prices realized at the auction may not be considered during the evaluation process as the objective of the awards program is to encourage the producers/manufacturers to produce better quality tea.

Competition for Outstanding Tea Tasters - 2024

The competition for “Outstanding Tea Tasters” is organized for the second consecutive year with the objective of encouraging the promising and upcoming tea tasters and improving their skills and overall professionalism.

Those who are below 40 years of age and with not less than five years’ experience in the tea tasting field would be the eligible contenders for the competition. Applications are to be invited from all stakeholders – tea exporters, producers / manufacturers and brokers.

The applications should be submitted through the employer only.

A company can nominate only two applicants for the competition.

The tasting sessions evaluation would be done by an expert panel of tea tasters.

Only Thirty (30) applicants will be enrolled for the competition. Hence, the selection will be on first come first serve basis.

TEA notice calling for applications will be shared with all stakeholders soon.

Partner Organizations

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