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The Tea Industry in Kenya; The Challenges and Positive Developments

R.M. Gesimba, M.C. Langat, G. Liu and J.N. Wolukau
Department of Horticulture, Egerton University, P.O Box 536 Njoro

Abstract: Kenya is a tropical East African country with a wide diversity of climate and geographic regions. This diversity allows many crops to be introduced and grown successfully. Tea production has contributed significantly to the Kenyan economy and it will continue to do so. Herein a summary of significant aspects of the tea industry and positive developments, which will shape the future of tea production in Kenya, are highlighted.

Key words: Tea, positive development, production, Kenya, challenges

INTRODUCTION

Tea *Camellia sinensis* belongs to the family Theaceae (*Camelliaceae*). The genus *Camellia* developed in Asia centered around the Himalayan mountains. However the two types of *Camellia* with stimulant properties developed separately. *Camellia sinensis* Var. *sinensis* on the northern slopes of Himalayan while *C. sinensis* Var. *assamica* on the southern region and adjoining plains^[1]. The Cambodian type makes the third type of tea^[2]. Tea was first introduced in Kenya from India by a colonial settler G.W Caine in 1903^[3]. Currently tea is the leading export crop in Kenya^[4]. In the world market, Kenya is the third largest producer of black tea after India and Sri Lanka. In 2001, the tea industry turnover was US\$ 474 million of which US\$ 437 million occurred from export earnings with the balance being the value of locally sold tea. In the year 2002 Kenya was second only to Sri Lanka^[5] in exports of black tea.

The success story of tea is a product of three main developments. First the government policy after independence to integrate small scale growers into the mainstream of tea growing. Currently the small scale growers under the umbrella of Kenya Tea Development Agency (KTDA) account for sixty percent of the total tea production while the multinational sector and large scale growers account for the remaining forty percent. The establishment of an efficient estate sector under the British tea companies has also introduced revolutionary improvements in the estate and factory management with a resulting five-fold increase in output^[3]. The selection of high yielding varieties mainly by the Tea Research Foundation of Kenya (TRFK) and the selective application of herbicides and improved planting and cultivation methods, have had a dramatic effect on yield^[2].

In 1965, average yields in the estate sector were 948 kg ha⁻¹. In 2002 they were two and a half times higher at 2498 kg ha⁻¹^[1].

Tea growing in Kenya: Tea is mainly grown in several districts which include Kericho, Bomet, Nandi, Kiambu, Thika, Maragua, Muranga, Sotik, Kisii, Nyamira, Nyambene, Meru, Nyeri, Kerinyaga, Embu, Kakamega, Nakuru and Trans-nzoia. In these areas the crop enjoys 80% favorable weather patterns. As indicated earlier production is shared between multinational companies and small-scale growers. Both sectors have benefited from many scientific advances in tea cultivation, although the average yields in the small scale sector are below those in the estates sector which stands at around 1800 kg ha⁻¹^[2]. Despite the yield disparities, the small-scale sector has managed to achieve higher quality standards resulting in consistently higher auction prices. The industry is the largest employer in the private sector, with more than 80,000 people working on the estate and about 3 million people earning their livelihood from the sector^[6].

The Kenya Tea Development Agency (KTDA): Kenya Tea Development Agency's predecessor the Kenya Tea Development Authority, was established in 1964 by an act of parliament as a parastatal charged with the responsibility of developing and fostering the young and nascent small scale growers sector. From one initial factory serving 19,000 growers and only 4,700 ha of tea, today KTDA has 51 factories spread in 24 districts. The factories are owned by 380,000 growers who cultivate 92,800 ha of tea^[6].

Although the tea industry has been completely liberalized, government control still exists under the Tea Board of Kenya (TBK), whose directors are directly

elected by key stakeholders in the industry. The government still continues to oversee the maintenance of rural access roads and generally creating an enabling environment for expansion of domestic and international tea markets. The board has embarked on a five year plan to promote tea as a beverage choice among Kenyans^[3]. Currently Kenya's per capita tea consumption stands at 0.44 kg/year or approximately 5% of the total marketed tea^[1]. The mandate of the board also includes registration of growers, licensing of tea manufacturing factories, research, registration of buyers, brokers, packers management agents and tea consumption promotion^[3].

The tea research foundation: This foundation has played a major role in scientific development in the tea sector in Kenya. The foundation surveys for pest and diseases with an aim of safeguarding the likelihood of outbreaks of new pests and disease problems. Fertilizer and general advisory surveillance are also done by the foundation. This helps in the maintaining of the status of these maladies below economic threshold levels in addition to assessing if there are implementation issues regarding technologies developed for stakeholders and in case of fertilizer utilization to establish whether the applications are done correctly and in economically justifiable quantities^[2]. Until 1994 the focus of the foundation was to develop elite germplasm with high yields and quality. An internal review of the tea improvement program thereafter resulted in the redefinition of its philosophy. New production constraints were increasingly being seen. The need to develop clones not only high yielding but also resistant to drought, pests and diseases were very important. The foundation also aims at producing germplasm targeted for specific agrozones. To do so the foundation has embrace the use of new tools for breeding which include tissue culture and biotechnology^[7].

Challenges: Several adverse forces presently threaten the tea industry. The first threat comes from the weak trend in the export price of tea^[6]. This export price problem is as a consequence of worldwide tea export increases which has occurred more rapidly than world consumption. Over the last ten years, there has been a consistent surplus of tea supply into the world market, this has had the effect of depressing auction prices. The dollar price released for Kenya tea is at the same level as it was 10 years ago. This problem can be solved by a number of measures, some of a long-term nature, while others can be implemented immediately. Regulating the supply of tea into the world market has also been suggested^[1]. This method was tried out in the 1930's. However, since world war II., Kenya has resolutely opposed export regulation in the interest of its

expanding production. However as a mature producer now, there are signs that attitudes to export regulation may be changing. The imbalance between world supply and demand is in the order 1-2% and it is possible that if, say, four of the largest producers who together account for 60% of world export could agree to withhold a portion of their exports through the formation of a body analogous to OPEC (OPEC) and bring in some others, there would be a positive impact on prices. With only a small domestic market of around 1000-2000 tons, it will not be easy for Kenya to absorb 2% of its exports (5,000) tones, but the elimination of Value Added Tax (VAT) would certainly help to stimulate consumption. Also a reduction in local authority levies would be another way to help growers^[3].

The most worrying problem is the danger caused by the rising costs of production. This applies most forcibly to the estate sector where labor account for some two thirds of production costs ex-factory. The main problem arises from the pattern of wage awards imposed on the industry. Since 1990, the basic wage rate has risen 10 times; in fact since 1998 it has gone up by more than 50%. The danger signals are evident: small producers have been resigning from the industry body in order to escape the statutory basic wage award. Kericho labor costs are twice those in Uganda. Daily rates are paid by smallholders growers in rural areas are half those offered in estates. Already, some areas of low tea are seriously loss making and it will only be a matter of time before they are taken out of production. In other words there could be a loss of output as well as of employment. The policy response should be to freeze wage rates until the world market situation improves^[1].

Although the districts that grow tea receive adequate amounts of rainfall, drought periods affect production leading to wide fluctuations in output. Output fluctuations can be as high as between 285 million kilograms to 300 million kilograms. Output fluctuations contribute further to the decline in the real earnings from. Availability of drought tolerant clones seems to be the only way the growers can overcome this challenge^[3].

Lack of credit facilities is a major concern to the small scale grower. Poor infrastructure, unreliable electricity, high costs of fuel and packaging materials further increase production costs. The factories have been the hardest hit by the ban on procurement of wood fuel from the forest. This is because they rely on wood fuel to cure the tea. Since the ban was effected three years ago the factories have been forced to procure fuel from farms where trees are rare and therefore sold at exorbitant prices.

Negative publicity by some churches is a challenge the tea industry has to overcome. The benefits of

consuming tea are not known to many. A study conducted by Dr. Weilsburger director meritus at the American Health Foundation, consuming tea has health benefits. Among the many benefits, tea extracts have been shown to cause cancer prevention these tea extracts prevent the growth of breast cancer and prostrate cancer cells. Compounds in tea such as flavanoids, floride and plant estrogen's help build bones or prevent bone loss. Flavanoids and other tea ingredients seem to prevent harmful bacteria from sticking to teeth. Long-term tea drinking may flush out bacteria that are harmful to the digestive system^[8]. Tea contains among the lowest levels of caffeine among the most consumed beverages (Table 1).

Brokerage firms also contribute to the loss of income by the growers. In Kenya there are 11 tea brokerage firms. If these brokerage firms were to be scrapped and a single autonomous agent owned by the farmers created, the growers would be able to earn their worth. Most growers wonder why the brokers are allowed to get more than the farmers and yet they only deal with the sale of the finished product^[3].

Competing beverages also pose a big problem. The recent reduction on taxes on soft drinks, carbonated drinks and mineral water make the drinks more preferable to tea. Growth of tea consumption and hence demand must start from our own backyard. A similar reduction of taxes on local tea will make it more affordable. If local consumption was to be doubled that would mean an extra 5% will be reduced from the world market as such the price would definitely improve^[9].

New conditions that have to be met by the Kenyan grower will further reduce earnings from tea by a further 40%. The conditions include compliance with labor laws and environmental regulations. The buyers are funding a campaign to force the growers to comply with these demands. They are doing this through the Tea Partnerships Organization a lobby representing the interests of the Lucrative Central European markets. If this trend is anything to go by then the future is bleak since the European market already is imposing 13 extra taxes on Kenya cut flowers. These taxes include standards levy, local authorities levy etc. The only way out seems to lie in the success of the government lobby to be listed as least developed country. Such a status will allow Kenyan exports, tea and cut flowers to access the lucrative EU markets without having to meet the stringent conditions already imposed

Positive developments: The Kenya Tea Packers Association (KeTePa) has signed an agreement with Tabai tea of the USA. to market tea in that country. This will see Kenyan tea securing 10% of that market. KTD A has reached an agreement with Safari Tea Canada to

Table 1: Ranges of reported values for caffeine in one cup (148 mL) of various beverages (mg)

Tea	Coffee	Cocoa	Soft drinks
27-60	59-115	4-42	0-29

Source: IARC-WHO^[9]

market tea in Canada. This agreement will see the Canadians providing technology for the production of value added tea. The Kenyan government has decided to give all the tea factories Export Processing Zone (EPZ) status. This will assure the factories constant electrical power and lower tariffs. This will go a long way in reducing costs of production. The Kenyan government intends to negotiate a free trade agreement with Pakistan. This move will secure that market since in the event of a peace treaty between India and Pakistan there is a possibility of Pakistan preferring to import tea from its neighbor. The move by many stake holders to try to diversify tea products is a positive development that can give the industry a new face. Green tea for example is highly consumed in China and to exploit that market green tea processing needs to be encouraged. Other products from extract such as preservatives, essential oils for the cosmetic industry among many others can be developed. This will help reduce the amounts of tea in the market and thus induce good prices. Finally the processing techniques need to be improved. This is because well-processed tea can fetch five times more money than what the growers are getting now^[2].

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