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THE NATIONAL ASSEMBLY

REPORT OF THE DEPARTMENTAL COMMITTEE ON  
AGRICULTURE AND LIVESTOCK

ON

CHINA INTERNATIONAL TEA EXPO: 18<sup>TH</sup> TO 22<sup>ND</sup> MAY, 2018

DIRECTORATE OF COMMITTEE SERVICES  
CLERKS CHAMBERS  
PARLIAMENT BUILDINGS  
NAIROBI

	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 22 NOV 2018	DAY: THURSDAY
TABLED BY:	NOVEMBER 2018 <i>Hon. Adh. M. M. Mwangi</i>
CLERK-AT-THE-TABLE:	<i>Cheryl Agnew as his secretary</i> <i>Moses Lemire</i>

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## **1.0 INTRODUCTION**

### **MANDATE OF THE COMMITTEE**

Departmental Committees are established under the provisions of S.O. No. 216. Its members are nominated by the House Business Committee in consultation with parliamentary parties at the commencement of every Parliament.

A Committee Member is appointed to a Departmental Committee at the commencement of a Parliament or at any other time during the term of a Parliament shall, unless the House otherwise resolves, serve for the term of that Parliament.

The mandate of Departmental Committees in respect of the subject matter assigned under the Second Schedule of these Standing Orders shall only be exercised within the limits contemplated under Part 1 of the Fourth Schedule to the Constitution.

#### **The functions of a Departmental Committee are -**

- investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;
- study the programme and policy objectives of Ministries and departments and the effectiveness of the implementation;
- study and review all legislation referred to it;
- study assess and analyse the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;
- investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House;
- to vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointments); and
- make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.

The subjects under the purview of the Committee include; Agriculture, livestock, irrigation, fisheries development, production and marketing.

### **MEMBERSHIP OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE AND LIVESTOCK**

1. The Hon. Adan Haji Ali, MP – Chairperson
2. The Hon. Emmanuel Wangwe , MP – Vice Chairperson
3. The Hon. Maison Leshoomo,MP
4. The Hon. Francis Munyua Waititu, MP
5. The Hon. Ferdinand Wanyonyi, MP
6. The Hon. Simba Paul Arati, MP
7. The Hon. Silas Kipkoech Tiren,MP
8. The Hon. Florence Mutua, MP
9. The Hon. Yegon Brighton Leonard,MP
10. The Hon. Gabriel Kago Mukuha,MP

11. The Hon. John Paul Mwirigi,MP
12. The Hon. John Kanyuithia Mutunga, MP
13. The Hon. Adan Haji Yussuf,MP
14. The Hon. Janet Jepkemboi Sitienei, MP
15. The Hon. Daniel Kamuren Tuitoek, MP
16. The Hon. Fred Ouda, MP
17. The Hon. Joyce Kamene, MP
18. The Hon. Justus Makokha Murunga, MP
19. The Hon. Silvanus Osoro, MP

**COMMITTEE SECRETARIAT**

- |                         |                           |
|-------------------------|---------------------------|
| 1. Mr. Ahmad Kadhi      | – First Clerk Assistant   |
| 2. Mr. Nicodemus Maluki | – Second Clerk Assistant  |
| 3. Mr. Alex Mutuku      | – Sergeant at Arms        |
| 4. Ms. Lynette Otieno   | – Legal Counsel           |
| 5. Mr. Omar Abdirahim   | – Fiscal Analyst          |
| 6. Mr. Erick Kariuki    | – Research Officer        |
| 7. Ms. Deborah Mupusi   | - Media Relations Officer |
| 8. Ms. Rose Ometere     | – Audio Officer           |

On behalf of the Members of the delegation, I beg to table this report to the house pursuant to Standing Order 199.

Sign: .....  


Date: 20/11/2018 .....

**HON. ADAN HAJI ALI, MP**

**CHAIRPERSON**

**DEPARTMENTAL COMMITTEE ON AGRICULTURE & LIVESTOCK**

## **2.0 BACKGROUND**

### **2.1 KENYAN TEA ECONOMY**

Tea was first introduced to Kenya in 1903 by G.W.L. Canine and in the 1930's commercial planting began. Although planting was cut back in 1933 because of a depressed market, tea is today one of Kenya's most important cash crops. The first Tea bushes have grown into large trees, forming an historical feature on what is now Unilever's Mabroukie Tea Estate.

In Kenya there are both large plantations and what are called smallholdings. Kenya is the largest producers of tea in Africa, and it has quadrupled its exports over the last decade. Tea is also one of the most important drinks in the country itself.

The relevant Government Agency tasked with matters of Tea in Kenya is the AFA Tea Directorate and the Tea Research Institute. These two organisations work constantly to help the industry, and the returns from the industry, help the country. Kenya prides itself as one of the world's leading black Tea producers. Kenya tea has certain competitive advantages which include:

1. Kenya tea is free of pests and/or diseases. This means that Kenya tea is produced without use of any agrochemicals. The only item used in growing is the fertilizer which is used to replenish the soils. There is no doubt that such pure and healthy tea will be relished by the increasingly health conscious world population.
2. Kenya tea is grown along the equator. This means that the tea receives 12 hours of sunlight throughout the year. Kenya Tea is grown in areas of altitude between 1500-2700 metres above sea level, receiving 1200-1400mm of rainfall annually- which is spread throughout the year. This makes the supply of Kenya tea consistent throughout the year both in quantity and quality.
3. Kenya has about 50 varieties of tea, which are developed to suit the seven tea growing regions. Research continues to be undertaken in this area. With each new variety developed, chemical properties of the produce is enhanced. This implies that the health attributes that tea is associated with can be found in abundance in tea from Kenya.

Over 90% of tea from Kenya is hand-picked. Only the finest top two leaves and the bud are used for tea production. This explains the excellent cuppage and aroma. Over and above this, Kenya has over the years developed skills in tea production which can be attested to by the quality of the tea. Kenya tea factories/producing facilities are certified with the internationally acclaimed standards (ISO 22000; HACCP; Rain forest alliance, fair trade GMP)

Kenya tea can be purchased by international importers in two main ways namely:

1. Auction sales- An importer can purchase tea through the Mombasa Tea Auction or directly or through an agent. This option avails a wide range of teas from the different origins in Kenya. Infrastructure for making special blends is available.

2. Direct /contract sales- this option allows for teas straight-line/ unblended teas straight from the factory.

### **3.0 THE CHINA INTERNATIONAL TEA EXPO HELD IN HANGZHOU, CHINA**

The Expo was co-sponsored by the Ministry of Agriculture of China and the Zhejiang Provincial Peoples Government. The China International Tea Expo was held on May 18<sup>th</sup> to 20<sup>th</sup> 2018 in Hangzhou.

With the theme of Drinking Premium Chinese Tea, Tasting Rich Chinese Culture, the exhibition was aimed at boosting tea and coffee trade, building up the value chain, creating corporate opportunities, as well as enhancing technology and cultural communication of tea and coffee industries.

The exhibition was set up an International Tea Pavilion for national, regional and international enterprises and industry associations to showcase their tea or coffee products and culture.

During the exhibition, there were sessions for senior officials from major producing, consuming and trading countries to exchange views and share experiences in tea and coffee industries.

There were also Enterprises, associations and government institutions related to tea or coffee industry present at the expo.

The main events were as listed below;

#### **May 18<sup>th</sup>**

10:00 a.m. Opening ceremony

Afternoon China International Tea Summit

#### **May 19<sup>th</sup>**

9:00 a.m. International Dialogue on Tea and Coffee

#### **May 18<sup>th</sup> - 20<sup>th</sup>**

Tea Exhibition

The National Assembly through the Departmental Committee on Agriculture and Livestock was represented by the following;

1. Hon. Ferdinand Wanyonyi, M.P. – Member, Leader of Delegation.
2. Hon. Joyce Kamene, M.P. – Member,
3. Hon. Brigtone Leonard Yegon, M.P – Member,
4. Mr. Ahmad Kadhi – First Clerk Assistant, Delegation Secretary

The main aspects of the exhibition centred along comparative aspects of production, exports and pricing.

#### **Production**

The Delegation was informed that;

- The world tea production had increased substantially by 4.4 % annually over the last decade to reach 5.73 million tonnes in the year 2016.
- China was responsible for the accelerated growth in the production and consumption of tea with production from 1.17 million tonnes in the year 2007 to 2.44 million in 2016.
- China has responded well to unprecedented growth in domestic demand, led by an economy which grew at an annual average rate of 10 % over the last 30 years.
- China accounted for 42.6 % of world production of tea in the year 2016.
- Production in India had increased to a record high of 1.27 million tonnes due to the favourable weather conditions in that country.
- Global black tea production had increased annually by 3.0 % and green tea by 5.4 % over the last decade, in response to continued firm prices and perceived health benefits.

### **Exports**

Members were taken through the export figures and noted the following;

- World tea exports increased annually by 1.4 % over the last decade to 1.75 million tonnes in the year 2016.
- Larger shipments from Kenya were at a record of 436 924 T in 2016 which represented a 16 % increase from the year 2015, as well as a strong annual growth of 3.4 % in green tea exports compared to black tea exports (1%)
- Lower annual growth in exports were recorded by China and India in the year 2016
- However, India achieved the highest tea exports in 2017 after 36 years, hitting therefore a record levels from what was registered in the year 1981

### **Prices**

The delegation was informed of the prices and observed that;

- The International Tea Composite price, remained firm over the last decade
- The international Tea Composite prices fell by 4.4 % in the year 2016, due to continued weakened economic growth rates associated with lower world oil prices before increasing by 22.6 % in the year 2017, to a record high of 3.15 USD per kg.
- Increases were led by rising domestic and foreign demand and tighter supplies
- Prices had increased sharply for both, orthodox and other teas, in all auctions

## **Projections for the future**

Looking to the future, the projections for the Tea cash crop were bright and it was noted that;

### **Production**

- World black tea production was to increase annually by 2.2 % to reach 4.42 million tonnes by the year 2027.
- Black tea would have major increases in China, Kenya and Sri Lanka. The expansion in China underpinned was by strong growth in domestic demand for black teas such as the *Pu'er* variety.
- World green tea output would increase at a faster rate of 7.5 % annually to reach 3.65 million tonnes by the year 2027.
- Strong expansion was forecast in China green tea to more than double from 1.53 million tonnes in 2015-2017 to 3.31 million tonnes in 2027. Increased productivity was to be as a result of replanting of higher yielding varieties and better agricultural practices.
- Vietnam was projected to substantially increase production of green tea with an average annual growth rate of 6.8 % despite the quality issues.

### **Consumption**

- Black tea consumption was forecast to grow at a rate of 2.5 % annually to reach 4.17 million tonnes in the year 2027.
- Strong growth should be seen in consumption of tea, in producing countries such as Kenya, to more than the offset declines in traditional tea importing countries.
- Largest expansion was expected in China at an annual growth rate of 5.9 % over the next 10 years.
- Expected higher consumption in growth from African countries including Rwanda (9 %), Uganda (5 %), Kenya (4.4%), Libya (4.4 %), Morocco (4.2 %), and Malawi (4.2 %).
- Moderate growth rates ranging between 2 % and 3.5 % percent were expected in other tea producing countries such as Bangladesh (3.1 %), India (2.2 %), Sri Lanka (3.3 %) and Vietnam (2.0 %).
- Lower consumption growth rates expected in western countries where it was noted that the United Kingdom would record a negative growth consumption due to growing competition from other drinks including coffee.
- European Countries such as Germany (1.4 %) and Poland (1.3%), the Netherlands and France (both at 0.6) were expected to have consumption growth rates higher than the region's average which was at 0.2 %.



- Expanding consumption was forecast in the tea producing countries led by growth in per capita income, awareness of the health benefits of tea and the product diversification programmes that would lead to attracting more tea customers.

### **Exports**

- Black tea exports were predicted to reach 1.66 million Tonnes in the year 2027. Positive but weak growth rates were forecast for Africa's producers (0.91 %). Members noted that Kenya would lead with a 2.9 % annual growth rate in exports.
- Negative Asia's exports growth rates were to be felt with a decline of 0.7 %. However, by the year 2027, export volumes for Asia were to reach 840,623 Tonnes compared to 711,816 Tonnes for the African Continent.
- Major exporting countries' exports were predicted to remain the same, with Kenya leading followed by India, Sri Lanka, Argentina, Vietnam, Uganda, Tanzania, Rwanda, Malawi, and China.
- Green tea exports were expected to grow at a rate of 5% annually to reach 605,455 Tonnes by the year 2027. China was poised to dominate the exports with a volume of 416,350 Tonnes, Vietnam (148,493 Tonnes), Indonesia (12,889 Tonnes) and Japan (10,445 Tonnes).
- Japan and Vietnam were expected to be leading in terms of green tea exports growth rates, respectively at the rates of 9.3 % and 9 %, more than double compared to China (4 %) for the next decade.

### **Prices**

- Prices of tea produce over the last decade had increased from an annual average of USD 2.39 per kg in the year 2008 to USD 3.15 per kg in the year 2017.
- According to the World Bank, world tea prices were likely to remain steady in the years 2018 and 2019.
- The projections indicated that there may be a decline in nominal terms of 1.4 percent, while in real terms, prices would actually decline by an annual average of 3.6 % over the next ten years.
- Price developments in the year 2017 indicated the delicate balance between the supply and demand for tea, and the need to maintain that balance was to achieve sustainability.
- Whether output would increase at a further 5 %, the impact on the prices would be nearly about 40 % decline over the next 10 years reaching USD 1.96 per kg in 2027
- A consumption growth by 5% or more than the baseline would result in an increase in prices on average by 8 % higher for the decade, reaching USD 3.20 per kg in 2027.

### **3.1 CERTIFICATION**

The impact of certifications on farm income, market access and rural development were discussed. Kenya and Sri Lanka were the tea producing countries that made presentations about their experiences with certification schemes highlighting the related benefits and challenges. Challenges included duplicity and multiplicity of certification schemes, high compliance and transaction costs for farmers, low inclusivity of standards development processes and weak price transmission. The benefits that were highlighted in the deliberations included increased awareness on sustainability issues, improved working conditions for farmers, higher tea yields and better access to markets for the produce.

With regard to proliferation of certification schemes, it was suggested that tea producing countries could benefit from having one common mutually agreed upon approach towards certification with special consideration accorded to smallholder farmers.

### **3.2 RESOLUTIONS OF THE CHINA INTERNATIONAL TEA EXPO**

Various reports on the status of the different working groups were presented. Thereafter, the organising committee for the expo considered and adopted the proposed constitution and strategy document for the proposed Confederation of International Tea Smallholders or CITS.

The objectives of the CITS were to:

- i. Be a forum and information clearing house where policies and solutions that strengthen the tea smallholder sub-sector shall be developed;
- ii. Enhance value chain accessibility to tea smallholders by providing statistics, research studies and other information on the world tea economy, as well as initiate promotion campaigns and coordinate capacity building activities; and
- iii. Promote the development of a sustainable international tea smallholder sub-sector, including production, manufacturing, environmental and economic sustainability and social development through employment and improved living standards and working conditions of tea smallholders.

Pending decisions for further deliberation were;

- Third part (neutral) Country where CITS will be registered.
- Membership contributions.
- Hosting country for the secretariat.

When registered, CITS will apply for registration by the FAO (Food and Agriculture Organisation) as an observer. The working group on small holders would continue meetings and deliberations.

#### 4.0 OBSERVATIONS

1. The exhibition showed high level of product diversification, branding and packaging. Kenya needed to exploit opportunities for product diversification.
2. Kenya missed an opportunity accorded to other Governments of major tea producing countries that made a speech positioning their respective tea industries during the official opening ceremony of the expo.
3. The delegation noted that tea was very sentimental to in the Chinese culture with elaborate preparation, pleasantries and preparation. The tea making ceremony was accompanied with dancing, singing of traditional songs.
4. There were varieties of tea retailing at prices of about a thousand united states dollars.
5. Huge investments were made into the branding and packing with very expensive packaging.
6. The Chinese consumed and purchased the tea produced in that country, therefore Kenya needed to increase consumption of tea locally.
7. The tea industry needs support from the Government. In terms of generic market promotion, provision of resources and regulatory functions.
8. Strengthening the capacity and profile of the Tea Directorate and The Tea Research Institute –reverting these to their former status of Tea Board and Tea Research Foundation in line with the Tea Task Force report of 2016, as was the best practises in line with other countries’ organizations.

## **5.0 RECOMMENDATIONS**

The delegation having attended the two-day China International Tea expo the Committee proposes the following That;

- 1. The Tea Task Force report of 2016 be implemented by the Ministry of Agriculture.**
  - 2. The Tea Directorate at the Agriculture and Food Authority undertakes necessary steps to ensure Kenyan tea is competitive at the international markets through value addition.**
  - 3. The necessary authorities ensure Kenyans have passion for tea through an aggressive marketing and promotion campaign.**
  - 4. That the State Department for Agricultural Research be adequately funded to undertake research in high value teas.**
-

**MINUTES OF THE 47<sup>TH</sup> SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE & LIVESTOCK HELD ON FRIDAY 2<sup>ND</sup> NOVEMBER, 2018 IN ENGLISH POINT MARINA , MOMBASA 2.30PM.**

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**PRESENT**

1. Hon. Adan Haji Ali, MP
2. Hon. Emmanuel Wangwe, MP
3. Hon. Ferdinand Wanyonyi, MP
4. Hon. Florence Mutua, MP
5. Hon. Silas Kipkoech Tiren, MP
6. Hon. Yegon Brighton Leonard, MP
7. Hon. Dr. Daniel Kamuren Tuitoek, MP
8. Hon. John Paul Mwirigi, MP
9. Hon. Silvanus Osoro Onyiego, MP
10. Hon. Adan Haji Yussuf, MP

**Chairperson**  
**Vice- Chairperson**

**APOLOGIES**

1. Hon. Francis Munyua Waititu, MP
2. Hon. Dr. John Kanyuithia Mutunga, MP
3. Hon. Simba Arati, MP
4. Hon. Gabriel Kago Mukuha, MP
5. Hon. Justus Makokha Murunga, MP
6. Hon. Joyce Kamene, MP
7. Hon. Fred Outa, MP
8. Hon. Janet Jepkemboi Sitienei, MP
9. Hon. Maison Leshoomo, MP

**IN- ATTENDANCE**

**COMMITTEE SECRETARIAT**

- |                         |                       |
|-------------------------|-----------------------|
| 1. Mr. Ahmad Kadhi      | First Clerk Assistant |
| 2. Mr. Nicodemus Maluki | Third Clerk Assistant |
| 3. Mr. Alex Mutuku      | Sergeant At- Arms     |
| 4. Mr. Eric Kariuki     | Research Officer      |
| 5. Ms. Beatrice Auma    | Secretary             |
| 6. Ms. Rose Ometere     | Audio Officer         |
| 7. Mr. Moses Musembi    | Officer Assistant     |

**MIN.NO. DC/A&L/ 176 /2018:**

**PRELIMINARIES**

The Chairperson called the meeting to order at 2.30am. The sitting commenced with prayers.

**MIN.NO. DC/A& L/ 177/2018: CONSIDERATION OF THE DRAFT REPORT OF THE COMMITTEE VIST TO CHINA ON INTERNATIONAL TEA EXPO**

The Committee considered and adopted the report with the following observations and recommendations:

**Committee Observations**

1. The exhibition showed high level of product diversification, branding and packaging. Kenya needed to exploit opportunities for product diversification.
2. Kenya missed an opportunity accorded to other Governments of major tea producing countries that made a speech positioning their respective tea industries during the official opening ceremony of the expo.
3. The delegation noted that tea was very sentimental to in the Chinese culture with elaborate preparation, pleasantries and preparation. The tea making ceremony was accompanied with dancing, singing of traditional songs.
4. There were varieties of tea retailing at prices of about a thousand united states dollars.
5. Huge investments were made into the branding and packing with very expensive packaging.
6. The Chinese consumed and purchased the tea produced in that country, therefore Kenya needed to increase consumption of tea locally.
7. The tea industry needs support from the Government. In terms of generic market promotion, provision of resources and regulatory functions.
8. Strengthening the capacity and profile of the Tea Directorate and The Tea Research Institute –reverting these to their former status of Tea Board and Tea Research Foundation in line with the Tea Task Force report of 2016, as was the best practises in line with other countries’ organizations.

**Committee Recommendations**

The delegation having attended the two-day China International Tea expo the Committee proposes the following, That;

- 1. The Tea Task Force report of 2016 be implemented by the Ministry of Agriculture.**
- 2. The Tea Directorate at the Agriculture and Food Authority undertakes necessary steps to ensure Kenyan tea is competitive at the international markets through value addition.**
- 3. The necessary authorities ensure Kenyans have passion for tea through an aggressive marketing and promotion campaign.**
- 4. That the State Department for Agricultural Research be adequately funded to undertake research in high value teas.**

**MIN.NO. DC/ALF/ 178/2018: ADJOURNMENT**

The Chairperson adjourned the meeting at 4.30pm

Signed.....

(Chairperson)

Date.....