

TEAM UP 2013

Overview



ETP's and IDH's joint conference TEAM UP 2013 on June 18th brought together over 100 delegates from across the supply chain to discuss the next big step changes in tea sustainability. The event, which welcomed professionals from producing regions, tea companies, retailers, and key NGOs and development organisations, provided a collaborative platform to evaluate the systemic changes required for a healthy tea industry, greater supply chain security, and a more socially just and environmentally sustainable sector.

Key speakers from tea-packing companies (pages 1 & 2) and the producer world (pages 3 - 5) shared the impact of existing sustainability initiatives and the future pressures facing global tea production. The sessions were an opportunity to hear how threats and opportunities are viewed from different parts of the supply chain on issues such as climate change, wages, labour shortages, and pressures from expanding domestic supply markets and international standards.

IDH Executive Director, Joost Oorthuizen provided insight about industry-wide collaboration from other sectors (page 6), and generated a great deal of interest by explaining how the tea sector could expand its own collaborative efforts still further and benefit from greater public-private partnerships.

The World Tea Village showcased some of ETP's and IDH's key sustainability initiatives from around the world highlighting the different training approaches, support structures, and a network of partners who deliver on the ground change (pages 7 - 9).

The day culminated with Sally Uren, Chief Executive, Forum for the Future, and Sarah Roberts, Executive Director, ETP, discussing what the future might hold and how the tea sector can build on its current sustainability partnerships to address emerging challenges using initial insights from the Tea 2030 project (page 10).

Packer Panel



From left to right: Keith Writer, Commodities Director, Taylors of Harrogate; Katy Tubb, Director of Tea Buying and Blending, Tata Global Beverages; Ian Midgley, Chairman, Ethical Tea Partnership; and Annemarie Leniger, Managing Director, Ostfriesische Tee Gesellschaft.

We were pleased to welcome guest speakers from three very different ETP member companies. Questions were posed by ETP's Chairman Ian Midgley...

Ian asked how different companies connected with consumers on sustainability issues. The panel members were clear that while quality and taste are key factors in consumers' buying decisions, so too is sustainability. In fact, it's becoming apparent that meeting consumer needs is not enough, and that surpassing expectations is now the 'safe' place to be.

Consumers increasingly expect that brands will do the right thing

Everyone on the panel agreed that customers and other stakeholders want 'their brands' to be good corporate citizens, to have supply chain accountability, and to take their responsibility to workers and the environment seriously. This was reflected in comments such as: *people and the planet are part of our DNA; globally responsible practice is crucial at every stage of the supply chain; and sustainability is at the heart of our business.*

There was universal agreement that sustainability was becoming more, not less important and that as the issues coming up the sustainability agenda were increasingly tricky and complex, sector wider collaborative platforms such as the Ethical Tea Partnership are essential.

ETP is well positioned to move the sustainability agenda forward and address the breadth of challenges we face

Easy access to information and a plethora of social networks means consumers are better informed than ever about purchasing decisions, and have the ability to communicate concerns or disappointment, if and when a brand lets them down – 'word of mouth' on a global scale.

With this in mind it's hardly surprising that companies are concerned about sustainability issues, particularly sensitive ones like child labour or discrimination and harassment. You only have to look at the recent horsemeat scandal to see how trust in brands can evaporate rapidly – a concern for brands and retailers alike! The point was also made that consumers now perceive sustainability to be a prerequisite, and that they don't expect to pay a premium for something they expect as the norm.

Making incremental changes is not enough – we need to make significant shifts

Panel members talked about how the pace of change was increasing, especially at origin and how sustainability of the tea sector was moving towards a tipping point. They highlighted their concerns about supply chain security as the effects of climate change, labour shortages, land-use pressure, and increased demand from domestic markets amongst other things grow.

Given these trends, the panel agreed that the supply model was likely to change. They emphasised

Packer Panel

the importance of ETP building on its work to improve agronomical practices and livelihoods for smallholders, and helping them adapt to climate change, if sufficient tea was to continue to be available at the right quality in the long term.

Improving the livelihoods of those who produce tea is a fundamental part of sustainability

The livelihoods of workers and smallholders were a key issue for the panel. Ian asked for reflections on the report 'Understanding Wage Issues in the Tea Industry', the result of a research project led by ETP and Oxfam. While the panel agreed that it didn't make for easy reading, and seeing the facts in black and white was shocking, the report was welcomed by all as it was the first time there was comparable data for the tea industry.

They felt the report would enable all the relevant stakeholders including producers, tea companies,

retailers, governments, NGOs and development organisations, trade unions, and tea associations to come together and develop positive approaches to tackle the issues the report raises.

Scalability is essential

The panel highlighted how important it was that producers were fully engaged in the sustainability agenda. If they see sustainability improvements as a burden, rather than an approach that delivers positive change, few improvements will be sustained. For them that is why being a member of ETP is so important. ETP can use its position in the sector to bridge the gap between the needs of consuming country markets and the challenges faced by producers who grow the tea. The relationships and programmes developed by ETP's regional teams are fundamental to achieving change that benefits everyone. They also saw ETP as a key mechanism for reaching scale, crucial to the next stage in the sustainability journey.



Producer Panel



From left to right: Sebastian Hobhouse, Chief Executive, PGI Group; Roshan Rajadurai, Managing Director, Kelani Valley and Talawakelle PLC regional plantation companies; Ronnie Babaycon, Local Coordinator for Tea India on IDH's Domestic Sustainable Tea Program; Ian Midgley, Chairman, Ethical Tea Partnership; Mao Limin, General Manager, Senior Tea Taster, and a Board Director of Zhejiang Tea Group Co Ltd; and Alfred Njagi, General Manager of Operations, Kenya Tea Development Agency (KTDA).

We welcomed guest speakers from across the producer world to give their insight on tea sustainability. Questions were posed by ETP's Chairman Ian Midgley...

Climate change emerged as one of the biggest sustainability concerns for producers. Although climate modelling can't be 100% accurate about predictions there is universal belief that the areas suitable for tea production will and are changing. In Kenya, it has widely been accepted that some areas will go out of production, and others will require good adaptation approaches if they are to continue to secure livelihoods from tea. Therefore, projects such as the ETP-KTDA-GIZ programme that is helping smallholders to adapt are essential.

Before, every 3-4 years you would get a bumper crop, but this is not the case anymore

Asian panel members agreed that in parts of the region climate change was already resulting in decreasing yields, lower quality, and the need for more inputs such as fertilisers in some regions. In India, this growth in demand for fertilisers has come at a particularly unfavourable time due to cuts in subsidies for agrochemicals. In India, the last fifty years has seen land that was once marginal for tea been brought into production through technologies such as new cultivars and drainage. These areas are the ones most susceptible to the effects of climate

change, and already some of these areas are going out of production.

In China, the world's biggest producer of tea, it will be the spring crop that is most affected, and this has serious ramifications for global supply given the fact that over the next few years China will go from being a net exporter of tea to a net importer. What was surprising to learn is the Chinese Government's programme to reimburse farmers for the installation of fans on tea plantations to prevent frosts!

We need short term pain in terms of planting for long-term benefits

There were also a number of concerns relating to production costs, the value chain, and a need to invest in production. The panel were united in their belief that there needs to be large investments over the coming years in new and high yield cultivars. In India the issue goes back to the mid 90s when prices for Indian tea were as much as 30% below the cost of production, leading to a lack of investment in tea bushes. Over the last 8-9 years, those companies that failed to invest have really been suffering.

Producer Panel

Another major sustainability concern focused on land pressure and in particular the conversion of tea estates to other higher value cash crops - an issue also concerning the packer panel. For example, many tea plantations in Eastern China are being converted, while in South India, freehold land is subdivided when tea becomes unprofitable and is used for other activities or crops. The subdivision of land in East Africa is also a problem (land is split between siblings as part of their inheritance), and as the plots become smaller and smaller, growing tea becomes economically unviable.

The issue of pesticide minimum residue levels (MRLs) was also raised – with Asian producers highlighting how problematic it is that the EU, US, and Japan all have different MRL standards. This increases costs and complexity, and makes some markets very unattractive to export to.

While the panel agreed that labour was their biggest single cost, it was particularly relevant to China due to minimum wages rising sharply over the last few years. Wage costs were also a major concern in Sri Lanka, which has the highest cost of production in real terms coupled with the lowest productivity.

Sustainability is the sustainability of workers

Labour shortages have become the norm in some areas as agricultural work becomes less attractive. In some regions, increased wages would make a difference; Ronnie gave the example of the rubber industry in India, which had a workforce with an average age of 56. This reduced markedly after a rise in the wage rate.

In other regions, wage rates are higher and labour shortages remain, and the panel was asked how the industry could remain sustainable in the context of a declining work force. In some regions there will be fewer, but more interesting jobs as plucking becomes mechanised. In others, looking for opportunities for improving the situation of estate workers and their morale and dignity would be key. There was a lot of interest in the Sri Lankan experience of giving estate workers a greater stake in the business by developing out-grower opportunities. Estate land is allocated to individual workers who own the crop and the estate provides services and inputs.

Only Western customers are concerned with sustainability

Do the Middle East and domestic markets have similar sustainability concerns to 'Western' markets?

Pesticides were introduced when 80% of Indian tea was exported. Western buyers wanted cheaper tea and introduced pesticides. Now farmers are addicted to it. The Indian market is aware of the problems and wants to reduce the amount of chemicals used.

Sri Lankan consumers drink less than 5% of their tea. The Middle East is the biggest market. 10% of Sri Lankans are employed by the tea industry. Sustainability is the sustainability of the workers. The push for sustainability has a high cost, but has a positive effect on Sri Lanka.

Western countries have a louder voice. If probed, other countries are willing to work on sustainability goals, e.g. Pakistan is putting money into KTDA foundation.

Producer Panel

In Malawi and Zimbabwe there will be less ha for tea and fewer producers, but overall production will be stable.

If the weather is OK, there will be more tea, especially from smallholders.

Do you think 20 years from now there will be more or less tea?

Production will go up when the climate is favourable, but the domestic market is also growing.

Exports will be the same but better quality.

On the west side of China there will be more tea plantations, but domestic consumption is also going up. In 10 years China will no longer be exporting tea and will be a net importer.



Effective sector-wide transformations

Learning from other sectors

Joost Oorthuizen, Executive Director of IDH – The Sustainable Trade Initiative, led an inspirational session looking at collaborative initiatives in other commodity sectors. While ETP's formation back in 1997 was ahead of its time (originally the Tea Sourcing Partnership), Joost made the point that the number of similar initiatives for other commodities is on the rise. There are many reasons why the collaborative approach makes sense, but to name a few these include: shared costs, increased efficiency, greater knowledge, and networks of local partners that increase efficacy.

It's apparent that collaborative programmes are far more likely to succeed and have greater impact than a company or single entity acting alone. Producers are more likely to commit to such programmes because they can see that there is serious intent from the whole sector, and the collaborative approach also reduces the burden on them in terms of cost, resources, and time requirements. Such approaches also attract good partners and donors. Donors really value collaborative approaches by industry and good public private partnerships can mobilise significant investments.

For example the Better Cotton Initiative (BCI) has more than doubled the volume of sustainable cotton over the course of two years. BCI have set themselves an ambitious target of 9 million tonnes by 2030 – equivalent to 1/3 of global production. The initiative brings together such a large proportion of the clothing sector that they have managed to secure €30 million in public funding to match the private sector commitments, giving this the potential to be truly transformative.

***The room paused for a moment.
How can ETP and its partners achieve
even greater scale and access
more public money?***

Joost explained that as the business case for sustainability grows, so too does the need to measure impact; after all *credibility and investment appetite are at stake*. He also highlighted the potential of the tea sector working more closely with government, something that is already happening in other collaborative approaches. For example, coffee roasters as a group sit with ministers from producing country governments and work together to create plans for development.



Part of this involves local ownership of standards and the endorsement of standards at the government level, i.e. enabling voluntary standards to become part of government regulation.

What's happening in tea?

IDH has recently produced two studies on the costs versus benefits and business case for sustainable tea production:

- Cost-benefit analysis for Farmer Field Schools and certification for smallholder tea farmers in Kenya
- Assessing the business case for the domestic voluntary standard Lestari in Indonesia

[Learn more about both here](#)

World Tea Village

Insights from the ground about improving tea sustainability

Embedding sustainability in KTDA, Kenya

Alfred Njiagi (KTDA) and Jordy van Honk (IDH) outlined the way that KTDA had so effectively integrated sustainability within its structures, leading to a range of improvements for 560,000 smallholder farmers and 65 factories. The key element has been the introduction of Farmer Field Schools (FFS), which enable good practice farming methods to spread efficiently to a huge number of farmers. This has enabled improvements in quality and productivity, effective implementation of certification, and will also be used to help farmers understand how to adapt to climate change and manage social issues effectively. The potential difference between productivity of FFS and non-FFS farmers has been as high as 36% in some cases (depending on the plucking frequency). [Learn more here](#).



ETP is working closely with KTDA on [climate change](#) and social issues, and the IDH-ETP-TGB partnership, described below, is adapting the farmer field school approach for non-KTDA smallholder groups in Kenya and smallholders in Uganda and Malawi.



Supporting sustainable livelihoods, Malawi

This session, hosted by ETP's Joseph Wagurah and Gracious Mnjengezulu, who is jointly employed by ETP, RA and Utz to progress sustainability in Malawi, discussed the various approaches being used to support more sustainable livelihoods. The ETP-TGB-IDH partnership is providing holistic support to factories, estates, and smallholders to enable them to achieve and maintain certification and improve productivity and livelihoods. As well as supporting Farmer Field Schools, specific productivity issues are being addressed by supporting the development of nurseries for smallholders with new and well-adapted clones.

This group also hosted some very constructive discussions about how to improve the livelihoods of tea workers, following the release of the report from the multi-stakeholder work on wages and benefits in the tea industry led by ETP and Oxfam, which highlighted a range of issues in Malawi. Key producers, buyers, and development organisations discussed different options for follow-up in Malawi, which ETP and Oxfam have committed to turn into a plan for consultation.

Raising Standard across the sector, India

Joining Diya Sharma (ETP) was ETP's former Regional Manager for India Ranjan Circar (now at Solidaridad), and Ronnie Babaycon and Richard Fairburn from IDH for a discussion on approaches to raising standards across the Indian tea sector. Most tea grown in India goes to the domestic market. Therefore, for sustainability to really take root in the Indian tea industry, approaches need to cover both the export and domestic sectors.

This session outlined the new [India Domestic Market Tea Programme](#) that was launched 11th July and is being funded by Unilever, IDH, and TGB, and which Solidaridad and ETP will help implement. Ranjan and Diya outlined how all the work that ETP has done supporting export oriented estates could be adapted for the rest of the industry. Taking health and safety as an example they explained the mixture of support required to enable producers to reach international standards. They also highlighted how the training approach had evolved from training estates in different geographical locations, to tailored courses for plantation companies and train-the-trainer approaches. These approaches enable systems to be effectively embedded across companies.



World Tea Village

Insights from the ground about improving tea sustainability

Harnessing momentum, China

John Qin and Amanda Penn (ETP) took delegates through ETP's expanding reach and portfolio of work in China. As well as providing a glimpse into ETP's occupational health and safety (OHS) and agrochemical training programmes that are raising health and safety standards, they also highlighted the significance of full independent auditing against all aspects of the ETP Global Standard, and how this has been driving significant improvements on social issues.

As part of this process, ETP has developed an effective approach for helping producers improve their human resource (HR) management practices. The course, which was developed by an experienced Chinese HR specialist, covers working hours; contractual issues: hiring, grievance, and disciplinary procedures; and wages and benefits, and ensures that producers meet both local and international requirements. As part of the programme a toolkit with practical guides and contractual templates has been developed, which helps producers readily implement and embed systematic record keeping and other good practices.



Climate Change, Kenya

ETP's Jane Nyambura and Rachell Cracknell explained how ETP's work on climate change has been developed. ETP's flag ship climate change partnership with the German development agency GIZ is now in its third year and has expanded its reach, with additional support from the retailer M&S, to support 80,000 smallholder tea farmers that supply KTDA to adapt to changing weather patterns and growing conditions.

Using KTDA's support structures farmers have made a range of practical improvements to their farming practices. KTDA extension officers have also increased their expertise on climate change and how to integrate adaptation techniques into broader extension support. This has helped inspire local communities to implement a range of climate change projects.

Examples of the training materials were on show including the manual, which is now available on the [ETP website](#). Educational posters in local dialects have also been developed for farmers. These materials and approaches are now being adapted for use in other parts of East Africa.

Improving smallholder livelihoods, Indonesia

This session was hosted by Nelia Latief (ETP) and Judith Fraats (IDH) and focused on the partnership between the two organisations that has helped three smallholder cooperatives from West Sumatra and West Java to improve plot productivity, leaf quality, and access to international markets.

Working with a wide range of organisations the project provides access to good practice farming, increased cooperative support, access to micro-finance, and links farmers to ETP member companies and certification bodies to help them understand market requirements and international standards respectively.

Nelia provided insights into the different techniques used to help farmers increase their productivity, from demonstration plots that can help farmers double their yields, to tea nurseries that increase bush density and provide improved plants. In West Sumatra, 500,000 affordable tea bushes have been grown and distributed to farmers, enabling them to yield bigger harvests and improve their livelihoods ([see reports](#)).

World Tea Village

Insights from the ground about improving tea sustainability

Moving the tea industry forward, Sri Lanka

Dushy Perera (Regional Manager, ETP) provided an excellent overview of the challenges facing the tea industry in Sri Lanka and the initiatives that are making a difference there. Visitors to his stall were also treated to a taste of teas from different Sri Lankan origins and a great range of local snacks.

Dushy outlined how a partnership between ETP, World University Services of Canada (WUSC), CARE Sri Lanka, and the Centre for Poverty Analysis has provided a useful platform for different stakeholders to come together to find creative ways of helping the industry and plantation communities adapt to the future ([see reports](#)). This prompted further discussion of new models of production building on Roshan Rajadurai's description of outgrower schemes in Sri Lanka from the Producer Panel.

Dushy also explained how a partnership between ETP, WUSC and the National Institute of Occupational Safety and Health (NIOSH) is embedding good health and safety practice across the sector. The course provides rigorous training for managers resulting in a vocational qualification. So far 18 employees from 5 regional plantation companies have graduated and the course has been so well received that ETP and WUSC are supporting it for a second year. As managers move frequently between different estates, they will be able to embed good systems in practices in each location they are responsible for.

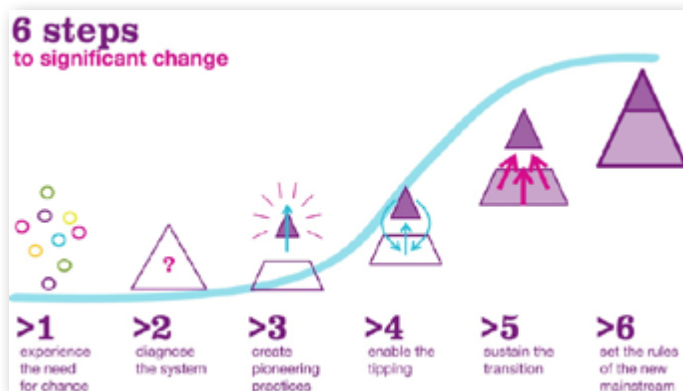


Beyond the tipping point

We were delighted to welcome Sally Uren, Chief Executive of Forum for the Future, and an expert using futures thinking to catalyse change. Her analysis of the different steps that sectors go through to become truly sustainable resonated strongly with delegates and echoed the thoughts of the Packers Panel, who had earlier talked about the tea industry being at a 'tipping point' in terms of sustainability.

The Tea 2030 process had confirmed a range of factors that would definitely impact on the sector in the next twenty years, including changing demographics, rural depopulation, and an increase in consumption in producing countries. Mechanisation will continue to rise as will pressure on inputs and resources such as water and land. Factors where the impacts were less clear included: how consumer attitudes to food value will change, and the extent and focus of sustainability leadership that will develop in different countries. There has been much discussion about different business models and what the propensity for investment in the sector will be in the future.

Sarah agreed that she saw the sector as being between steps 3 and 4, with some excellent pioneering practices already becoming mainstream.



ETP's experience of long-term work in driving sustainable change is that mechanisms matter. For example, Farmer Field Schools, an extension service methodology, developed by KTDA, and further upscaled in the Unilever, KTDA, and IDH partnership, have enabled support on good agricultural practice and on meeting environmental and social standards. This has led to widespread productivity and quality improvements, and certification to international standards for hundreds of thousands of tea farmers. Now these are in place, they can be used to support further change such as supporting farmers to adapt to climate change.



And as the amount of pioneering practice increases, new ways of mainstreaming them emerge. Social and environmental standards, which have become the norm in the export sector, are now about to move through the much more substantial Indian domestic market sector. But they will do so in a different way, referencing the international experience but evolving to work effectively in the local context. And that will help embed sustainability for all of us.

Sarah also highlighted that ETP has seen the most significant change when interventions are integrated. Sally agreed that this was similar in other sectors highlighting the example of the palm-oil sector that had taken 20 years to get to a tipping point, but now had a range of interventions in place that were working at scale. Questions from the floor led to a discussion on approaches that can accelerate change, from the importance of a good regulatory environment when the market is not rewarding sustainability, to situations where social media can make a difference. The Tea 2030 project will now develop four scenarios to stimulate further engagement on how to accelerate change. The partners will then work to develop new partnerships and innovation in areas that are not currently well served by current initiatives.

One of ETP's and IDH's roles is to help make sustainability mainstream, whether it is helping to adapt the experience of Farmer Field Schools to other countries, or bringing different organisations together to tackle complex or challenging issues such as wages and livelihoods. This has led us to stronger and stronger partnerships with IDH, developing and implementing programmes across the world. This is the first time that the two organisations have collaborated on an event and the energy in the room has led us to already commit to making this an annual event. ETP and IDH look forward to seeing you next year.