TEAM UP 2014 CHAIN REACTIONS

On Tuesday 17 June the Ethical Tea Partnership (ETP) and IDH – The Sustainable Trade Initiative brought together 150 delegates from within and outside the tea industry to discuss the fundamental issues affecting tea sustainability.

TEAM UP 2014 – CHAIN REACTIONS welcomed a diverse array of speakers and guests to analyse issues, assess progress, and catalyse the next set of ACTIONS that will make the tea industry better and fairer for all parties along the tea value chain.

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Ethical Tea Partnership

idh the sustainable trade initiative

Sustainability in the Tea Sector: Now and Tomorrow

From left to right: Ajoy Misra, Andy Brown, Alfred Njagi, and Kaushik Saikia

We were delighted to welcome senior executives from major tea producing and packing companies to kick off the meeting:

- Ajoy Misra, CEO & Managing Director, Tata Global Beverages
- Andy Brown, Managing Director, Taylors of Harrogate
- Alfred Njagi, General Manager of Operations, Kenya Tea Development Agency (KTDA)
- Kaushik Saikia, Senior Manager (Sustainability), McLeod Russel

Our facilitator, Peter Knight, jumped straight in with a question about money and the price of tea, which has dropped substantially in Africa.

A range of factors, from weather conditions, to new areas being brought into tea production, to improving productivity has led to increasing volumes coming into the market. There was much discussion about whether too much tea was a bad thing; the different needs of different markets (domestic markets continue to grow in Asia while Western markets are static); and whether the supply base was appropriately focused.

So if farmers in Africa are feeling the squeeze as costs of production increase and prices fall, who is making all the money? Representatives from every stage of the value chain were involved in the discussion, including major retailers who are often highlighted as part of the problem. They explained the competitive challenges they face and the relatively low level of margins in retail. They also expressed “we want to be part of the solution, and that’s why we’re here today.” This is one of the benefits of the TEAM UP events, as they are one of the few opportunities for the entire value chain to get together and tackle key issues head on.

This led to an important discussion about the demand side of the equation. The Asian and Middle Eastern markets continue to be strong, which has supported tea prices in Asia. There was a consensus about emphasising tea quality to consumers so that the perception of value is changed, with everyone along the supply chain having a role to play in it. There were also suggestions as to how an objective measure of quality could help.

Other ideas included: making tea more glamorous like coffee has managed to do; develop tea shops and create a romance around drinking tea socially; and promote the many and varied health and medicinal benefits that tea offers. Perhaps the most exciting idea was Andy Brown’s, of finding the George Clooney for tea, given the boost he's had on Nespresso. This was supported by Peter volunteering Alfred to be the 'ethical George Clooney'.

The four speakers then highlighted how they viewed sustainability issues and the way they implement sustainability programmes.

KTDA has put major investments into improving the livelihoods and sustainability of their farmers by running major partnerships on certification, farmer field schools, and climate change - with many of the organisations at TEAM UP. These have brought substantial benefits and enabled their farmers to weather market changes much better than other smallholders.

For Andy Brown and Ajoy Misra sustainability is embedded into their strategies and the relationship that they have with suppliers. "We invest in sustainability because it's fundamental to the values of our business. We work with whomever we need to achieve our goals (ETP, government etc). Building relationships is key to this," Andy Brown.

Kaushik commented on the importance of capacity building and the need for organisations such as ETP. Sarah Roberts, Executive Director of ETP, emphasised the need for any capacity to be co-designed with producers to ensure good results. In addition the amount of learning that ETP receives from producers and partners is invaluable and can be shared between regions.

The issues of how greater value to workers and smallholders could accrue was a key topic, with questions from the floor about wage levels for tea workers and what could be done within the value chain to enable higher wages to be paid. It was felt that the work that ETP and Oxfam, supported by IDH, has helped to clarify the issues and the structural changes required. The tea sector is one where legal requirements on wages are being met.

However, wages and benefits packages are set nationally or regionally, not by individual companies. In many countries in-kind benefits make up a large proportion of the package and cash wages. This affects how changes can be made, for example, Kaushik explained how the Plantation Labour Act in India can be a constraint to change.

Tea is produced in some of the poorest countries in the world. In India, Tata is involved in many sectors and Ajoy confirmed tea regions are just one example of areas where India needs to figure out how to bring millions of people out of poverty. Comments from the floor focused on how the amount of value going to labour compared to the value going to capital is in general decline the world over, and that low wages is not an issue that is just faced by the tea sector.

There was agreement that workers, smallholders, and their employees need to make a decent living from tea if the industry is to be truly sustainable and for future production levels to be maintained. However, changes need to be made carefully so that the industry can thrive, otherwise the result might be increased unemployment. It's therefore important to look at ways of ensuring there is sufficient value in the system particularly at the production level. There were questions and ideas about how changes in market mechanisms could potentially support this.

There was also agreement that, as with other labour intensive industries, the tea industry needs to look at how its human resource practices are going to adapt for the modern world and how job quality is going to develop.

Comments from the floor focused on the need for the entire value chain to do things differently. This is why the wages consortium that ETP and Oxfam are leading is so important as it brings the different stakeholders together and is focused on how structural issues can be addressed.

The importance of Tea Smallholder farming with Sir Ian Wood

Sir Ian Wood, Chairman, The Wood Family Trust

The Wood Family Trust (WFT) was established by Sir Ian Wood and his immediate family in September 2007 to invest in economic, community, and enterprise initiatives in Sub Saharan Africa and the UK.

In Africa, WFT is in partnership with the Gatsby Foundation, in supporting the development of the smallholder tea sector in Tanzania and Rwanda, where many farmers' livelihoods are still marginal. They are making major investments in the sector and applying the principles of venture philanthropy in a very innovative way.

The Chai project in Tanzania has focused on improving smallholder quality and productivity, and the efficiency of associated factories, which were not functioning at full capacity. In Rwanda, the Imbarutso project is supporting smallholders to improve their yield and quality. WFT is also investing in two Rwandan factories with the aim of eventually transferring full ownership of both factories to the smallholders so that they increase their share of made tea price (currently at 25% compared to 75% for Kenyan farmers). The Kenya Tea Development Agency (KTDA) is bringing in their expertise to support the project implementation.

Key observations from the work of WFT:

1. Tea estates need to pay more attention to their supply chains. Smallholder supply is increasingly important and more support is needed for extension services and quality incentives.
2. The 'bush to cup' value chain is skewed towards the cup and smallholder livelihoods are poor. Raising the price of tea is difficult but the industry could learn from coffee and put more focus on differentiation. More efforts must be made to ensure a fairer distribution of value along the supply chain. Establishing a living wage for all territories needs to be the starting point.
3. There is a lack of competition and cooperation between factories. For example, KTDA smallholders benefit from KTDA's ability to bulk buy fertilisers. Tea factories from different companies could take a lead from other industries and make arrangements to bulk buy inputs together.
4. Philanthropy cannot be the main support mechanism. It should be used to complement other structures and systems, and should be part of co-designed programmes.
5. Factory ownership by smallholders, such as the case with KTDA, is one of the most effective

ways of increasing value to smallholders. In the WFT project in Rwanda, smallholders currently own 40% of the factory (WFT 60%), and the plan is to transfer full ownership to them over the next few years.

6. In the future smallholders should look into being packers and developing their own brands. However, initially they should focus on improving their own business practices such as productivity, quality, and transportation.

Sir Ian explained that with a background in oil and gas, his was very much an ‘outside’ perspective but certainly from the audience’s viewpoint a very valuable one.

Announcement from Mr Rachmat Badruddin, Chairman of the FAO Inter-Governmental Group on Smallholders

Mr Rachmat Badruddin

Recent dynamics in the global tea industry had made the Working Group on Smallholders, under the FAO’s Inter Governmental Group (IGG), even more relevant. Deliberations have shown that without appropriate support, tea smallholders, who account for 70% of world tea production, will continue to struggle to make a decent living from tea, thereby undermining future tea supply and overall sustainability of the industry.

There is much to learn from experiences in other countries such as those of KTDA, on how to support and empower smallholders. Tea producers, packers, the ETP, Tea Boards, Chamber of Commerces, the World Bank, donor organisations, certification bodies, and FAO’s Inter Governmental Group on Tea all have important roles to play.

Mr Rachmat Badruddin therefore took the opportunity on behalf of the Government of Indonesia and the Indonesian Tea Board to warmly invite all delegates to two important meetings being held in Bandung, Indonesia later this year:

- 3 & 4 November 2014: International Tea Convention
- 5 – 7 November 2014: FAO Intergovernmental Group on Tea (21st Session)

These meetings will provide a great opportunity to discuss ways to improve the situation of smallholders and build cohesive alliances between producer and consumer countries.

Using Scale for Good, with Giles Bolton, Ethical Trading Director, Tesco

Giles Bolton, Group Responsible Sourcing Director, Tesco

Giles began by describing the journey that had taken him from a career in international development within the UK government to ethical trading at Tesco. Whilst at the Department of International Development it became clear that impact only really comes if interventions operate at scale and only when companies integrate it into business models rather than operating add-on pieces of CSR.

So he made the move to Tesco, where the focus is all about 'using scale for good', utilising their reach and expertise to take on wider challenges. Tesco sees a commercial imperative to trading responsibly. Consumers assume that companies go well beyond simply treating suppliers fairly - expecting them to be improving conditions in producer communities and tackling the issues that matter on the ground.

Giles emphasised three critical themes:

- **Transparency:** Supply chains are open and companies can't say that problems on the other side of the world aren't theirs to fix.
- **Consolidation:** Tesco is focusing on building deeper relationships with fewer, trusted partners, and has made substantial changes to their supply chains as a result.
- **Collaboration:** While Tesco's reach and scale is huge, the ambition the company has to tackle the issues that really matter requires collaboration to get significant impacts at scale.

This is why Tesco became the first multiple retailer to join the Ethical Tea Partnership, because it sees ETP as the best route to tackle the issues that really matter in tea.

Since Tesco joined ETP they have understood much more about where their tea comes from and have brought their expertise to bear on two key areas of ETP's work.

The first is one of low wages in the Malawian tea sector. Tesco has experience of working on this issue in other sectors (such as bananas), and given the poverty levels in Malawi and the importance of the tea sector for rural employment, it understands the challenges.

Giles was pleased that Tesco's Responsible Sourcing Manager, Peter Stedman, who had previously worked in the Malawian tea industry, could support ETP and IDH's recent trip to Malawi. Tesco will continue to support this work by offering the experience of their African ethical specialists who have been involved in transformational work in the fruit sector.

Secondly, Tesco has also been working closely with the ETP team to develop a large-scale partnership programme that will deal with the challenges that tea communities in Assam face.

Interactive Session: Improving Market Mechanisms to Enable Better Investment and Support Producer Investment

Norman Kelly, International Tea Committee (centre)

Chaired by: Giles Oakley (TGB)
Speakers: Norman Kelly (International Tea Committee); Clive Furness (Contango Markets - representing EAX); and Ann-Marie Brouder (Forum for the Future, Tea 2030)

A greater focus on market mechanisms and how they can be improved, particularly to enable greater investment in the tea sector was one of the innovation areas coming out of the Tea 2030 futures programme that many of the organisations at TEAM UP were involved in. The aim of the session was to explore how work in this area should develop and it was a particularly good opportunity to bring producer perspectives into planning.

Producers explained how difficult it is to make large-scale investments when prices are so volatile and unpredictable. One of the key points was that there needs to be more communication between producers and packers to understand demand. In doing so this will help give producers assurances and the confidence to invest in sustainable practices. For example, old strains of tea bushes could be replanted with new bushes to improve yields and quality of green leaf. In doing so this would lead to better incomes/livelihoods especially as the effects of climate change take hold.

There was much discussion about auctions. Although the Mombasa auction is transparent, efficient, and works well through creation of genuine competition, other auctions are hampered by a small number of buyers and sellers, and therefore work less well. In Sri Lanka the auctions are not controlled by private brokers, but instead by government. In Malawi, there are concerns about the small number of buyers and whether sufficient tea is being put through the auction compared to private sales. There was interest in the experience of India when it moved to an electronic auction, which has not impacted on prices.

There were many ideas as to how technology could be used to improve the flow of information and to benchmark auction prices. This would be seen as a progressive step, maybe even towards a world tea index, which could act as a quality benchmark and increase transparency for producers and buyers alike.

There was also a lot of interest in the potential for a futures market for tea. While there could be advantages in managing risk and enabling investment there was also a lot of nervousness around it due to concerns about its potential for increasing volatility. Therefore more understanding of the futures market and any associated advantages and disadvantages must be looked into. Again, the impact on smallholders also needs to be better understood and factored in.

One way forward would be to look at how the tea industry can learn from coffee and in particular how the futures market has benefitted smallholders. It was pointed out that smallholders, who often are not deemed credit worthy, need access to credit so they can make the necessary investments in their businesses. Because tea is exported as a finished product there is also an opportunity to make the market more producer led, and attention must be paid to making it work for smallholders.

Interactive Session: Ensuring Workers Make a Decent Living from Tea and Can Provide for their Families

Peter Stedman, Tesco

Chaired by: Sarah Roberts (Ethical Tea Partnership)
Speakers: Rachel Wilshaw (Oxfam); Peter Stedman (Tesco); Sebastian Hobhouse (Plantation Global International); Richard Anstead (Fairtrade Foundation); and Andrew Parker (Imani Development)

Sarah opened the session by explaining that the reason ETP co-ordinated the first wages and benefits report on tea was because, while there were a lot of concerns about low wages in the tea sector, there was not a good understanding of how wages are set, what is included in the wages and benefit package, and why cash wages in some countries are low. The history and structure of the plantation sector has led to estates being required to provide a range of in-kind benefit such as housing and medical facilities, which in most other sectors nowadays are the responsibility of individuals or governments. However, these remain very important in some tea regions. As tea wages are set nationally or regionally, not by individual companies, this affects how changes can be made.

Since the ETP-Oxfam consortium 'Understanding Wage Issues in the Tea Industry' report was released, benchmarks have been developed for a number of countries, using a methodology developed by wage expert Richard Anker, which is supported by key standard-setting and certification organisations. The first benchmarks developed were for bananas in the Dominican Republic and wine grapes in South Africa. ETP and Oxfam, worked with Fairtrade International, Rainforest Alliance, and Utz Certified, to facilitate the development of a living wage benchmark for tea in Malawi.

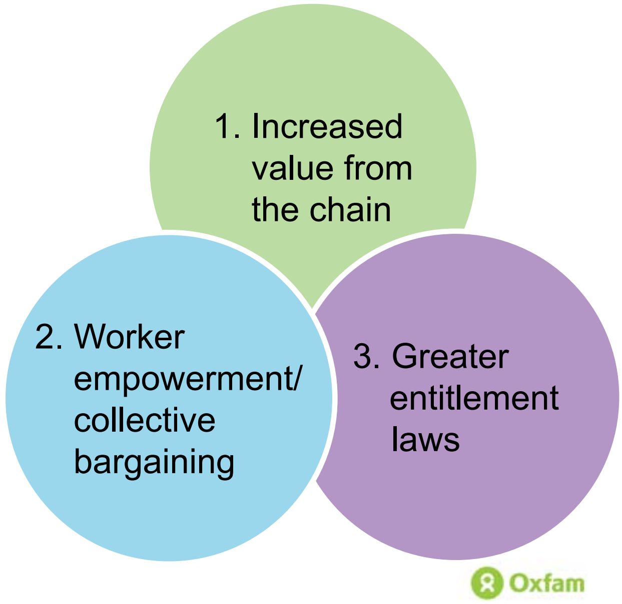
These benchmarks are now being incorporated into future auditing approaches by the certification organisations. Fairtrade's updated standard for hired labour requires employers to negotiate with workers' representatives on wages and make annual increases on real wages towards the living wage. It also opens the possibility for up to 20% of the Fairtrade Premium to be used towards wages.

Rainforest Alliance is still going through its own standard revision process with the new requirements on living wage coming into force in July 2015. To prepare producers for the new requirements, additional questions on living wage will be included in the Rainforest Alliance auditing process from July 2014.

While there are always debatable points about any living wage methodology, the Anker approach has a lot of credibility and support, so the focus now is not on calculating the current value of wages and benefits packages, or what a living wage is, but how we can improve the remuneration package for those living close to poverty lines, without destabilising the industry, so that all those involved in producing tea can lead dignified lives.

Rachel Wilshaw highlighted the fact that tea is one of a number of sectors, such as garments and other agricultural commodities, where cash wages can be shockingly low. Rachel outlined the different factors that can lead to improved wages and how change is most effective when there is action on more than one factor.

She cited the example of 4,500 tomato workers in Florida who were receiving both increased wages and improved working conditions, such as better rest breaks and zero tolerance of harassment, after the involvement of the full value chain. Another good example is the World Banana Forum, which brings together all the stakeholders in the banana sector and is working on all three elements highlighted in Oxfam's diagram (opposite).




Rachel Wilshaw, Oxfam (front) and Sarah Roberts, ETP (rear)

Peter Stedman also highlighted the good work of the World Banana Forum that Tesco has been deeply involved in. He explained that Tesco has made major changes to the way that they source the 227,000 tonnes of bananas they sell each year so that they can guarantee that the prices paid are always above the sustainable cost of production and that growers are operating to the highest ethical standards. They have been able to do this by dealing directly with a small number of farms, some of which exclusively supply Tesco, and have committed to paying at or above the Fairtrade minimum price.

Given the structure of the tea sector and the way that wages are set, a different approach is needed in tea. The only way that change can come is by the industry working together. Peter reflected on the recent trip he had made to Malawi with ETP, IDH, and other tea-buying companies to discuss the way forward with producers.

While the tea sector is the largest private sector employer in Malawi and a good source of jobs for tens of thousands of people, wages are still very low when compared to international norms. Peter explained some of the changes he had seen in other agricultural sectors that he thought might help in the tea industry. The tea workforce is very large but there are very few professional human resource managers in the tea industry. Taking a more strategic approach to managing people should result in cost savings to the industry, and would help deal with a number of important challenges including the impact of HIV/Aids, reducing harassment, and improving opportunities for women.

Sebastian Hobhouse from PGI, explained how the Malawian tea industry is behind the transition to a living wage in principle. However, the key concern is to find a way to get there, without destabilising tea or other sectors, so finding the appropriate speed and mechanisms for change are very important.

Recent meetings between ETP, tea buying companies, IDH, and the Tea Association of Malawi has led to the development of an outline plan for how to move forward. This covers a range of short, medium, and long term work to:

- Assist tea estates to improve their quality, productivity, and profits, making more finance available for investment and providing business support, linked to a commitment to progressively raise wages and benefits

- Work with employers, unions, and governments to improve the process by which wages are set, increasing worker representation and agreeing phased improvements
- Train smallholders in good farming practices and giving them access to affordable finance so they can improve quality and productivity
- Improve workers' living standards and working conditions by running programmes to: improve nutrition; combat discrimination and harassment; develop employment skills; and improve access to banking facilities

Lee Byers explained how Fairtade is looking at how living wage can be delivered sustainably, funding Imani Development to assess the impacts on cost of production if wages are raised. The study is still being completed but Andrew Parker set out some initial thoughts from the work:

- The study will make an estimate of the sustainable costs of production and how a price could be set that takes this into account
- The impact of changes in the tea sector on other sectors needs to be taken into account
- They are assessing options of how wage rises could be funded, including options where the value chain contributes through percentage on kg price of tea
- There may be ways that certification can differentiate, e.g. buyers could agree to buy at Fairtrade minimum price and proportion of Fairtrade premium could go to workers

There was support from some participants to look deeper into floor prices, and link these to certification. Others were concerned about supporting unsustainable supply, which was not linked sufficiently well to demand. The point was made that refocusing some production from the European market to the Asian market might be a way of bringing more value to producers.

Questions were raised about unintended consequences particularly if higher wages lead to job losses and increased mechanisation. There are no easy answers to this conundrum. The trend in agriculture is generally to increased mechanisation and a lower number of higher quality jobs.

However, jobs are scarce in rural Malawi so tea jobs are very important to the stability of those communities. It is important to face the issues head-on and work out potential consequences and ways of mitigating them, for example looking at options for increasing employability. A number of people made the point that the focus should be on the improving the broader remuneration package, not just cash wages as there are many aspects to improving worker quality of life.

Interactive session: Improving Smallholder Livelihoods, Africa

Chaired by: Jordy Van Honk (IDH)
Speakers: Alfred Njagi (KTDA); Sebastian Michaelis (TGB); and Francis Namara and Bernard Njoroge (ETP)

The focus of the session was to understand how the expansion of the Farmer Field School (FFS) approach in Africa is occurring and the impact it has had. The main focus was on the experience of KTDA, where FFSs started in 2008 and there have been in-depth impact studies.

Even the best planned sustainability programmes benefit from a slice of good fortune. Alfred explained that while the traditional extension model was limited in uptake, when FFSs were first rolled out in Kenya this coincided at a time when tea prices were good. However, now that prices have dropped back farmers are still better protected because they diversified their income through FFSs. This has been one of the most significant benefits alongside yield improvements.

However, diversification will only be a success if farmers understand different business opportunities and have time for each of the new activities. In addition accessing credit is really an issue. In Africa repayment rates are about 20%. KTDA get slightly better rates but this is an area that needs looking into.

KTDA's structure of smallholders owning the factories is also a factor of the success of FFSs. A representative from the Wood Family Trust also pointed out that it's also important that professional management rather than the smallholders themselves run the factories. Nelia from ETP confirmed that in Indonesia the success of FFSs depends on economies of scale, diversification, and making sure it is linked to market access for the farmers. A priority for the Indonesian smallholder programme now is to find effective ways for smallholders to begin owning their own factories.


From left to right: Jordy, Alfred, and Sebastian

It’s not just the farmers that participate in FFSs that benefit from them. Neighbouring farmers are copying good practice so the knowledge share is spreading throughout tea communities. Importantly in the next phase of the roll out, farmers that graduate from FFSs are being incentivised to train other farmers. Some of the first FFS groups are now registered as self-help groups with the government of Kenya (Ministry of Social Services), which means they are entitled to further support. A bond was created between the members, which has resulted in some going into side-businesses together.

Sebastian Michaelis explained that when TGB started their certification journey they first supported the ‘easy’ producers or ‘low-hanging fruit’. KTDA’s structure and support services contributed to the success of its certification and FFS programme, which highlights the importance of strong cooperative support.

Now TGB are faced with working with more challenging and less organised producers, which means a much more involved and holistic approach is required. It’s important to look at the wider context and not just focus on certification criteria, because it’s not entirely sustainable. TGB recognised the success of the FFS approach in Kenya as a way to deliver tangible benefits to smallholders and therefore supported further rollout to other producers, including those in other countries.

Francis from ETP spoke about how farmer field schools are being introduced in Uganda. Farmers have been very motivated and have gone through a very positive process in identifying their training topics and have already increased their understanding of soil management and use of inputs. He also stressed the importance of helping the factory staff understand the benefits of FFSs and how it differed from traditional extension models.

Concerns were raised about the impact on prices if smallholders continue to increase their yields. A number of participants pointed out that the market situation was much more complicated than simply increased smallholder volumes equating to lower prices, and that the market can’t be manipulated as it’s too big and too fragmented. The focus on FFSs is to assist farmers to improve their farming practices and livelihoods. Diversification is a really important part of this, since exiting from tea is not really an option for many farmers.

Interactive Session: Using Carbon Finance to Build Climate Resilience in Tea Production


Jonathan Shopley and Hazel Culley

Speakers: Jonathan Shopley (Carbon Neutral Company) and Hazel Culley (Marks and Spencer)

This session used a Marks and Spencer (M&S) case study to demonstrate how funding from their carbon offsetting helps strengthen livelihoods and build climate change resilience amongst smallholders in their Kenyan tea supply chain.

Hazel Culley, M&S *Plan A* Project Manager, explained that for the past three years the retailer has purchased carbon credits in Kenya's Nanyuki and Meru tea growing regions for its carbon neutral programme - one of many environmental commitments within its *Plan A* sustainability platform. Communities within these regions work with TIST (The International Small Group & Tree Planting programme) to plant trees and embed conservation approaches into subsistence farming. The emphasis on smallholder farmers enables individual families and communities to use bordering land to grow trees that sequester carbon and generate carbon credits.

When credits are sold for carbon offsetting, by companies such as M&S, they provide additional sources of income to TIST members. TIST programmes also deliver an extensive range of benefits that greatly surpass the primary focus of tree growth. These include education and training surrounding sustainable agriculture; development of management skills and entrepreneurship with a specific focus on women's empowerment; the provision of clean cook stoves; and the delivery of improved health services.

Ben Henneke, founder of the TIST Programme, created a video message for the event showing how TIST Small Groups in north Kenya have expanded from zero in 2005 to around 8,000 in 2014 with 9 million trees being planted collectively. He attributed TIST's rapid growth to the fact the programme is established, managed, and grown by its own members - all of whom use highly effective GPS smart-phone technology to accurately measure, report, verify, and enable payment directly to participants.

Jonathan Shopley, MD of The CarbonNeutral Company, which provides offsetting services to M&S, highlighted how this case study illustrates an opportunity in the tea sector to deploy carbon finance to fund climate mitigation and adaptation action, and to deliver significant impacts to tea producing communities. A lively Q&A with the audience explored ways in which different players in the tea supply chain can get involved – either by purchasing credits or by promoting the creation of new TIST Small Groups, which deliver multiple community benefits.

Emphasising the simplicity and power of the approach, Jonathan Shopley presented a CarbonNeutral® Event certificate to ETP's Sarah Roberts at the end of the conference. The certificate attested that travel and venue greenhouse gas emissions associated with TEAM UP 2014 had been measured and reduced to net zero. The carbon offsetting credits were purchased by Marks and Spencer from TIST projects and retired by The CarbonNeutral Company to make the TEAM UP 2014 event carbon neutral.

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Interactive Session: Embedding Sustainability Across the Domestic and Export Sectors: the Case of Trustea in India

Chaired by: Richard Fairburn (IDH)
Speakers: Ajoy Misra and Anurag Priyadarshi (TGB); Jagjeet Kandal (Amalgamated Plantations Pvt. Ltd); and Vikram Singh and Diya Sharma (ETP)


Anurag Priyadarshi, TGB

Trustea, the Indian Sustainable Tea programme is an initiative to develop and implement a sustainability code for the Indian domestic tea market. It is a system of capacity building, verification, and certification that aims to increase overall sustainability of the tea sector, improve the livelihoods of 40,000 smallholders, and secure the supply of ethically sourced tea. The programme is championed by the Tea Board of India, funded by IDH, Tata Global Beverages and Hindustan Unilever, and is being implemented by ETP and Solidaridad.

The Trustea programme focuses on three pillars: safety, livelihoods, and environment. The code also covers good agricultural practice (GAP), food safety, and working and living conditions, delivering benefits to producer companies, workers, and the environment. The leadership of Tata Global Beverages and Hindustan Unilever, who account for 50% of the packed tea market in India, in promoting Trustea to their suppliers and financing the programme is critical to its success.

Although current consumer awareness of Trustea is limited, many producers are keen to see the logo on pack. Teas in the auction book are marked Trustea verified, and a strategy for logo use on pack and a broader financial model are under development. Ultimately the consumer involvement will be via the packers, as is the case with ETP and other schemes in western markets.

Due to environmental and climatic conditions Indian tea yields can be badly affected by pests and disease. This has led to higher use of pesticides and problems with MRLs being exceeded. To help producers use agrochemicals safely and responsibly the Plant Protection Code of the Indian Tea Board was launched in full collaboration with Trustea and key packers. This code was a very significant and positive development, which will make work on safe use of agrochemicals much easier. Smallholders are a key focus of the Trustea programme and work on improving the use of fertiliser and pesticides with this group is a key priority.

Questions were raised about how Trustea fits with other codes such as RA/Utz/FT/ETP. Many aspects of Trustea are very similar to other codes but it was developed to be relevant and practical for the entire Indian tea sector and market. So for example, food safety, which is a particular concern in India was integrated into Trustea. In addition there are certain requirements of, for example Rainforest Alliance, which most domestic market producers could not meet and which Indian legislation does not require. As with the ETP approach, producers firstly need to be brought up to a minimum acceptable level and are then required to meet progressively higher levels of compliance.

Trustea is currently being benchmarked against other standards using the Standards Map of the International Trade Centre to see how multiple certifications/verifications (combined audits) on the ground could work in practice.

This is still early days for the programme and the code and approach will continue to develop. The code is currently being revised and one of the key issues under discussion is on in-kind benefits and to what extent the code can address such issues. The particular issues that need to be dealt with in effectively working with smallholders are also becoming clearer. These include limited organisational structures, landholding rights issues, and lack of information or understanding about pesticides and fertiliser application.

Interactive Session: Dealing with Climate Change and Reducing Energy Costs

Chaired by: Jane Nyambura (ETP)
Speakers: Aaban Ali Butt (International Trade Centre); Charles Mugo Ndegwa (KTDA); and Bernard Njoroge (ETP)

In Kenya it has been estimated that energy accounts for 60% of the cost of tea production. Therefore, a reduction in energy consumption can lead to significant savings for producers and positively impact the bottom line. Within smallholder structures like KTDA, these savings can be passed on directly to smallholders.

To help mitigate climate change ETP, funded by the International Trade Centre, developed a manual for the tea industry that provides a set of tools and resources to help tea farmers and processing factories reduce energy consumption, greenhouse gas emissions, and costs. Charles Ndegwa, Chinga Factory Manager, explained that good practice has spread quickly. Since the pilot work was carried out at Chinga, 75% of farmers within the Chinga catchment have made energy savings.

While factories and farmers benefit from cost savings there are important environmental benefits. For example, the introduction of energy efficient stoves in farmers' homes and better energy management procedures at the factory means less fuel wood is required and therefore less deforestation takes place. This has a number of environmental benefits including reduced emissions, wildlife and ecosystem protection, reduced soil erosion and leaching of nutrients, and protection against flooding.

Energy efficiency assessments at Chinga showed that there was a lot of potential to improve energy management and make savings. One key recommendation at Chinga was that the significant energy savings could be made through improvements to the withering section of the factory such as:

- Introduction of 60 new troughs
- Lagging around steam pipes
- Increasing firewood storage
- Use of energy saving bulbs

Factory management also recognised that solar and wind power, bio-registers, and briquettes could all be used to reduce the factory's reliance on fuel wood. A partnership between four factories could also lead to a self-sufficient electricity plant by 2016. While energy savings might be easier to identify

Aaban Ali Butt, ITC (centre left) and
Charles Mugo Ndegwa, KTDA (centre right)

and calculate at factory level the potential to help farmers might be even greater. While the Chinga factory used 12,000 cubic metres of firewood during 2012, the farmers who supply it were estimated to have cut down and used about three times as much or 36,000 cubic metres.

Allowing farmers to deforest is clearly not sustainable especially when you consider it takes at least seven years for a tree to mature. Alternatives such as solar energy and hydro power need to be considered but these too can have disadvantages of their own. For example, hydro-power uses vast sums of water and can lead to catchments being flooded with obvious implications for communities, animals, and wildlife.

If we're to help tea farming communities to reduce energy consumption and costs then the following need to happen:

- Senior management need to focus on this issue and visit projects that are making a difference so that further action will be taken
- Machine motors need changing and upgrading
- Wood needs to be mature and stored in shelters to reduce moisture content

To help ensure that other KTDA factories adopt many of the best practices witnessed at Chinga the project team is developing a business case that it will deliver to the KTDA Board.

Interactive Session: Improving Smallholder Livelihoods, Asia


Heleen Bulckens and Pak Rachmat Badruddin

Chaired by: Heleen Bulckens
Speakers: Pak Rachmat Badruddin (Chairman FAO Intergovernmental Group on Tea for Smallholders); Edward Millard (Rainforest Alliance); and Jim Delaney (WUSC)

In Indonesia the tea industry is largely made up of three players: government plantations (PTPNs), private firms, and smallholders. The tea sector, smallholders included, is shrinking due to a move towards more lucrative cash crops. Over the last 10 years 27,000 hectares of land under tea cultivation has been lost, and with it there have been adverse environmental impacts, such as a reduction in tree cover, land degradation, and loss of biodiversity.

If smallholders are to stay in tea, then the livelihoods they make from tea production need to improve. Although smallholder productivity is very low in Indonesia, a number of projects including an IDH-ETP partnership have demonstrated that it is possible to raise both productivity and quality substantially. However, it is only worthwhile improving quality if this is recognised in the price paid. This requires good connections with the market and the right pricing structures from the factories who purchase the leaf.

Pak Rachmat spoke about new proposals to help smallholders. This included grouping them together in better more efficient cooperatives; initiating an intense infilling programme to improve bush density; and connecting them to either PTPN or private factories. This would lead to increased production and more competitive prices thus creating a win-win situation.

The Indonesian smallholder programme is also assessing options for introducing a KTDA style smallholder factory ownership model. The pricing of the green leaf supplied by smallholders to factories also needs reviewing. The is because the Nett Sale Average (NSA) is only 50% in Indonesia compared to a NSA of 68% and 75% respectively in Sri Lanka and Kenya.

Whatever model or programmes are used they need to go ‘beyond certification’ and should look to integrate smallholders more into the supply chain. It was felt that a balance between the public and private sector for training smallholders was required.

The Indonesian Government is also issuing a national policy and guidelines to smallholders, which address sensitive issues such as child labour and sexual harassment. Training on livelihoods is also being given but more needs to be done to make farming more professional.

Jim Delaney (WUSC) spoke about smallholders from a Sri Lankan perspective, which account for 70% of the national crop of 342 million kg. In 2013, there was a 39% wage increase making Sri Lankan tea workers the highest paid out of all the tea growing countries in the world with a daily wage in excess of US $4. In addition, a pilot project is looking at improving worker livelihoods by giving them the option of farming tea themselves on estates run by Regional Plantation Companies (RPC).

A study tour to Kenya for key Sri Lankan tea professionals was jointly organised by ETP and WUSC to give them deep insight into the outgrower model, which is now being trialled by one of the RPCs. Estate land is leased to residents to farm tea, who in turn supply leaf back to the factories. Initial assessment indicate that income from this model is equivalent to more than US $120 a month, which is much better than the industry average.

The Tea Research Institute of Sri Lanka has therefore been requested to undertake a study to substantiate the pilot project’s results. If the results are accurate, this could then provide a great model to improve worker/smallholder livelihoods.

Interactive Session: Reducing Discrimination and Harassment, and Increasing Opportunities for Women

Jane Nyambura, ETP

Chaired by: Jane Nyambura (ETP)
Speakers: Seth Agala (KTDA); Oliver Bach (SAN); and Jim Delaney (WUSC)

Women often contribute the largest proportion of value at the producer level. However, they are rarely properly represented in decision-making positions and may face a variety of discrimination and harassment in their daily lives. This ranges from their husbands picking up their wages, to not being considered for supervisory positions, or being vulnerable to sexual exploitation in return for access to work or housing.

Identifying harassment and discrimination, which are 'hidden' issues, are extremely difficult to do through traditional auditing. The Sustainable Agriculture Network (SAN)/Rainforest Alliance has developed and piloted an improved audit methodology with more emphasis on social criteria. The pilot audits in East Africa discovered issues around harassment and discrimination that before would have been difficult to detect. The next step now is to train auditors in the new approach, which will be rolled out initially in East Africa.

Auditing alone won't remove issues of discrimination and harassment. That's why ETP and IDH run a range of programmes to empower women and help change the perceptions of women in the workplace and society in general.

In Kenya, ETP is implementing a partnership project with KTDA and IDH that provides KTDA factories with training on social issues. The training aims to improve the position of women and reduce incidences of discrimination. As part of the project, KTDA committed to establishing gender committees at head office and ensuring all KTDA factories give workers access to thorough complaints procedures.

KTDA has also implemented a number of other positive changes. One major breakthrough for women is that, although they may not own the land, they are now issued with a tea number. This means they're able to collect their own wages giving them greater control over their finances. In addition, KTDA is on a drive to get more women into management and decision-making positions. Policies and procedures have been strengthened.

In Sri Lanka, WUSC has been working with partners, including ETP, on a number of projects that have led to increased economic independence of women as well as supporting them to be in decision-making positions. Their projects show that productivity increases when women are in decision making positions. Key learnings include:

- All programmes need to be planned closely with producers
- Work is required at all different levels, from the boardroom, through management and supervisors, to workers
- Improving management systems, grievance mechanisms, and confidential reporting systems is important. Confidence about these also needs to be built with the workforce
- Where possible, work should be linked to the government

The issues facing women in the tea sector are part of wider challenges that women face in society, and because they are linked to culture and tradition they take time to change. However a key learning from work done by ETP is that well-planned and implemented programmes run in strong partnerships with producers does result in positive changes.

ETP is now developing similar programmes in other parts of Africa and Asia, and a very positive outcome of the workshop was the interest from other partners in being part of scaling up this work.

Thank you to Peter Knight, Chairman of Context, for facilitating the day