



Current global market situation and medium-term outlook

Executive summary

World tea output increased in 2022, prompted by rising production in some of the major producing countries. Output of green tea and “other” tea offset declining black tea production caused by a crop shortfall in Sri Lanka (the third largest producer of black tea). Global tea consumption expanded by 2.0 percent in 2022 compared to 2021. Over the last decade, world tea intake increased annually by 3.3 percent reflecting strong growth in producing countries that has more than offset declines in traditional importing markets. In 2022, tea exports by China, India and Kenya increased, while deliveries from Sri Lanka (the second largest exporter of black tea) declined. After increasing by 14.5 percent in 2022, tea prices fell by 9.2 percent in 2023, as availabilities expanded while demand growth slowed, putting downward pressure on prices. In the medium-term, the black tea market is expected to expand but at a slower pace than the previous decade, while the green tea market is foreseen to grow at a faster rate, reflecting expansion in China’s domestic market. Diversification and value addition are key to boosting the performance of the sector, as consumer behaviour is evolving and growing towards specialty teas and high-quality tea products.

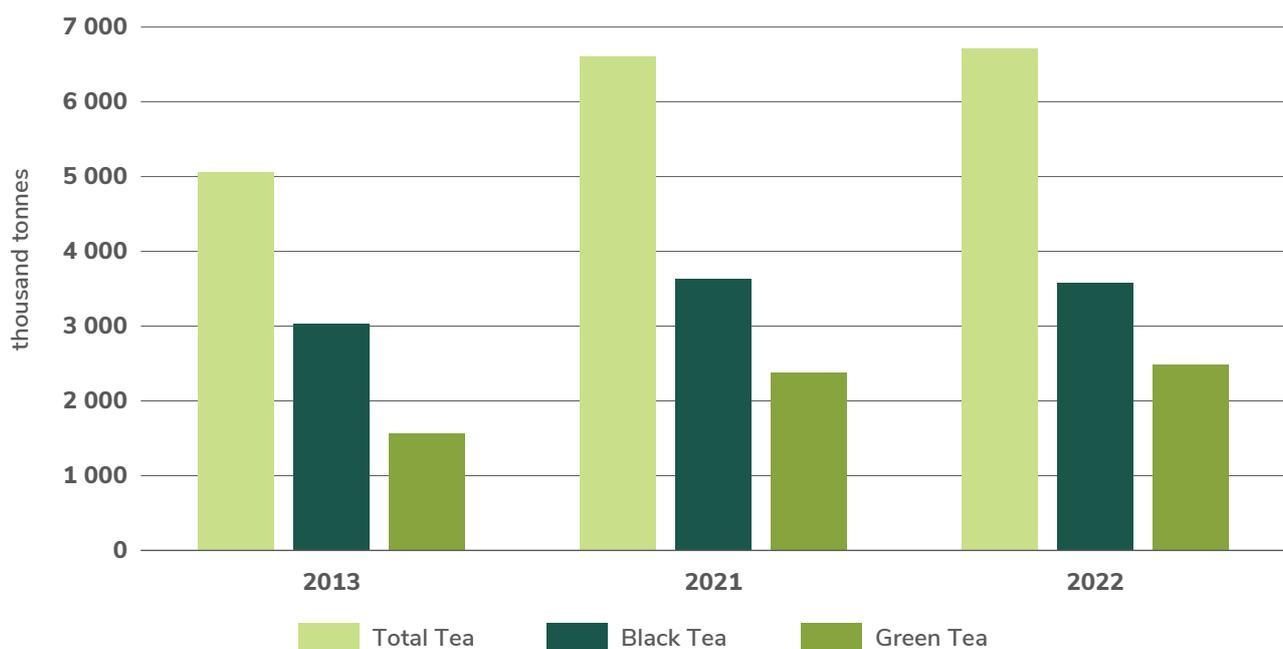
Introduction

1. This report presents an overview of the current global market situation and the medium-term outlook leading to 2032. The analysis is based on data received by the Secretariat of the Intergovernmental Group (IGG) on Tea from Members up to 2022, supplemented by data from other sources, including FAOSTAT and the International Tea Committee (ITC). Macro-economic data were sourced from the International Monetary Fund (IMF), the World Bank and the Organisation for Economic Co-operation and Development (OECD), particularly those used to produce the medium-term projections.

Production

- World tea production (black, green, instant and other) increased by 3.2 percent annually over the last decade to reach 6.7 million tonnes in 2022 (Figure 1). The growth in global tea output was mainly driven by expansion in China, where production in the country increased annually by 5.9 percent, from 1.92 million tonnes in 2013 to 3.34 million tonnes in 2022, as a result of growing domestic demand and of increased consumer health consciousness.
- China remains by far the largest producer, accounting for nearly 50 percent of world tea production, followed by India, with a 20.5 percent share. Output in India increased by 1.8 percent in 2022 to 1.37 million tonnes, from 1.35 million tonnes in 2021, although the industry is facing several challenges, such as adverse weather conditions and subdued international and domestic demand. Output in the two largest exporting countries, Kenya and Sri Lanka, reached 542 561 tonnes and 255 973 tonnes, respectively. Production in Kenya increased marginally in 2022, while in Sri Lanka it declined by 15.6 percent, recording the greatest crop shortfall since 1995, as the ban on fertilizers in 2021 affected tea yields and the overall economic crisis faced by the country impacted the tea industry. Furthermore, the surge in fuel prices and cost of labour hampered logistics and factory operations in 2022.
- Global tea production increased by 1.6 percent in 2022 compared to 2021, as higher green tea production offset declining black tea output. Preliminary estimates indicate that global tea output increased marginally in 2023, as black tea production in Sri Lanka recovered slightly from the 2022 shortfall.
- At the world level, black tea production increased annually by 2.1 percent and green tea by 4.9 percent over the last decade, in response to continued firm prices and the health benefits associated with tea.

Figure 1. World Tea Production

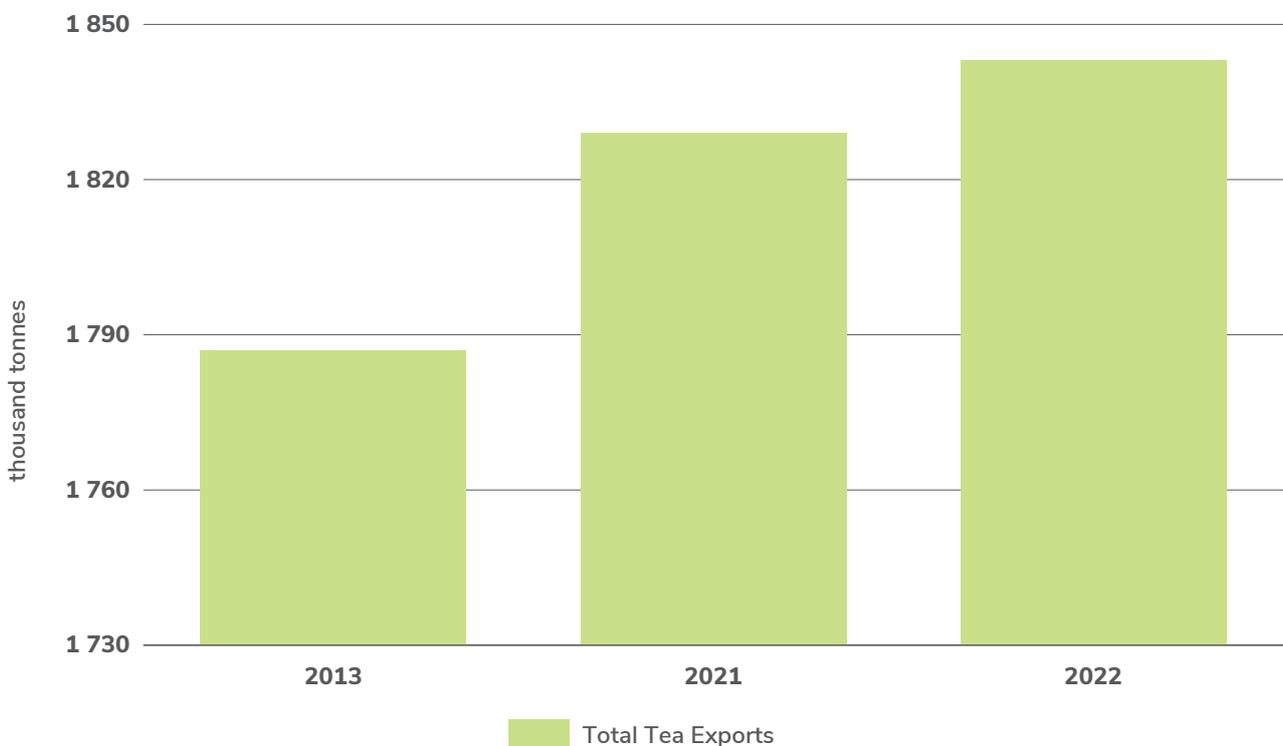


Source: FAO IGG/Tea Secretariat

Exports

6. World tea exports increased annually by 0.5 percent over the last decade to reach 1.84 million tonnes in 2022 (Figure 2), underpinned by a strong annual growth of 2.0 percent in green tea exports (compared to the annual growth of black tea exports of 0.2 percent). Black tea exports rose by 0.9 percent in 2022, owing to growing shipments from Kenya and India, the first and the third largest exporters of black tea, while tea shipments from Sri Lanka, the second largest supplier of black tea to the international market, dropped by 12.5 percent in 2022, the lowest level since 1996, due to the sharp decline in tea production coupled with the ongoing economic crisis in the country. Global exports of green tea increased by 1.7 percent in 2022, driven by rising shipments from China, which accounts for over 75 percent of green tea exports.
7. Although preliminary data for 2023 indicate resumed shipments from Sri Lanka, global tea exports are expected to remain stagnant. Geopolitical tensions and conflicts, as well as the global economic slowdown, have disrupted international trade, resulting in lower shipments of tea to key importing markets. In fact, shipments to Pakistan and to the Russian Federation, the first and second largest importers of tea, declined respectively by 1.6 percent and by 6.5 percent in 2022. On the other side, imports by the United States of America, the third largest importer, increased by 4.3 percent in 2022.

Figure 2. World Tea Exports



Source: FAO IGG/Tea Secretariat

Consumption

8. Several factors influence demand for tea, including prices, income and demographics such as age, education, occupation and cultural background. Furthermore, as consumers are increasingly looking for healthier and natural beverage options, the demand for specialty and premium teas has surged, creating new opportunities for the tea market.
9. Over the last decade, world tea consumption increased annually by 3.3 percent, reaching 6.5 million tonnes in 2022 (Figure 3). The expansion was underpinned by the rapid growth in per capita income levels, notably in China, India and other Asian and emerging economies. Growth in demand was particularly marked in China and Pakistan, where consumption over the last decade expanded at an annual rate of 6.5 percent and 8.1 percent, respectively. Consumption in China, the largest consumer of tea, reached 3 million tonnes in 2022, representing a share of 46 percent of global consumption. India, the second largest consumer, accounted for a share of nearly 18 percent, with 1.16 million tonnes in 2022, followed by Türkiye with 250 021 tonnes, Pakistan, with 247 498 tonnes, and the Russian Federation, with 132 544 thousand tonnes. At the global level, tea consumption expanded by 2.0 percent in 2022 compared to 2021, and further increased in 2023, as the market continues to be underpinned by robust demand.
10. Tea consumption in traditional importing countries of Europe and North America has been declining due to increasing competition from other beverages, particularly bottled water, carbonated drinks and coffee, while for the Russian Federation, tea imports have been negatively impacted by the war in Ukraine.

Figure 3. World Tea Consumption



Source: FAO IGG/Tea Secretariat

Prices

11. International tea prices, as measured by the FAO Tea Composite price, a weighted average price index for black tea, which includes crush, tear, curl (CTC) and Orthodox teas, remained firm over the last decade.
12. The FAO Tea Composite price increased by 14,5 percent in 2022 to USD 2.80 per kg, from USD 2.44 per kg in 2021, underpinned by strong demand and tighter supplies from Sri Lanka. (Figure 4). Following the increase in 2022, tea prices declined by 9 percent in 2023 to USD 2,54 per kg, owing to higher availabilities and subdued demand, as well as a scarcity of high-quality teas. The slowdown in the global economy has put further pressure on prices, dampening domestic and international demand, resulting in a surplus in the tea market.

Figure 4. FAO Tea Composite Price



Source: FAO IGG/Tea Secretariat

13. Other drivers of international tea prices include market access, the potential effects of pests, diseases and weather patterns on production, changing input costs, exchange rates, and structural market changes.

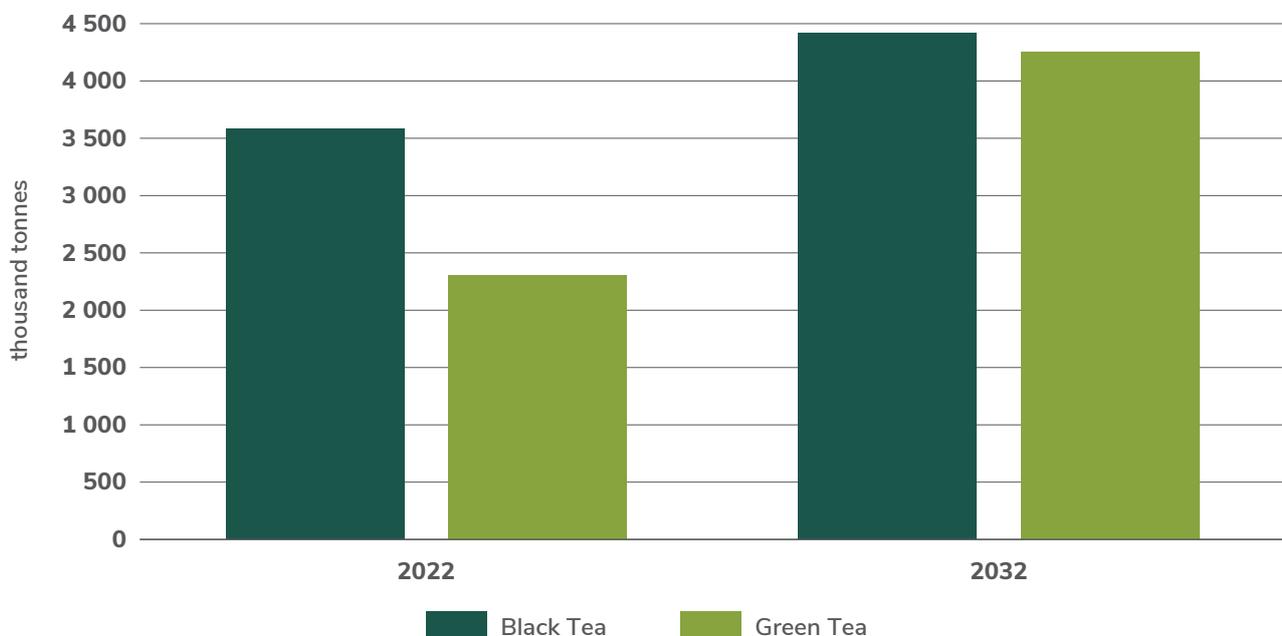
Projections

14. The medium-term projections were generated by the FAO World Tea Model, which is a partial equilibrium dynamic time series model. Details of the model can be found in document CCP: TE 10/2.¹

Projected production

15. World black tea production is expected to grow at a slightly lower rate compared to the previous decade. The projections indicate that black tea production will increase annually by 1.6 percent to reach 4.42 million tonnes in 2032, reflecting increases in the major tea producing countries, including Sri Lanka, which is anticipated to recover from the recent crop shortfalls (Figure 5 and Annex Table 1).
16. 19. World green tea output is anticipated to grow at a faster rate of 6.3 percent annually to reach 4.25 million tonnes in 2032, reflecting an expansion in China, where green tea output is expected to nearly double from 2.06 million tonnes in 2020-2022 to 3.98 million tonnes in 2032, as a result of increased productivity through replanting of higher yielding varieties and better agricultural practices (Annex Table 2). Vietnam is also expected to increase its production of green tea with an average annual growth rate of 1.5 percent, despite the ongoing issues faced by the sector, such as low production efficiency and lower quality, which affect the price and exports earning of the country.

Figure 5. Actual and Projected Production: Black Tea and Green Tea



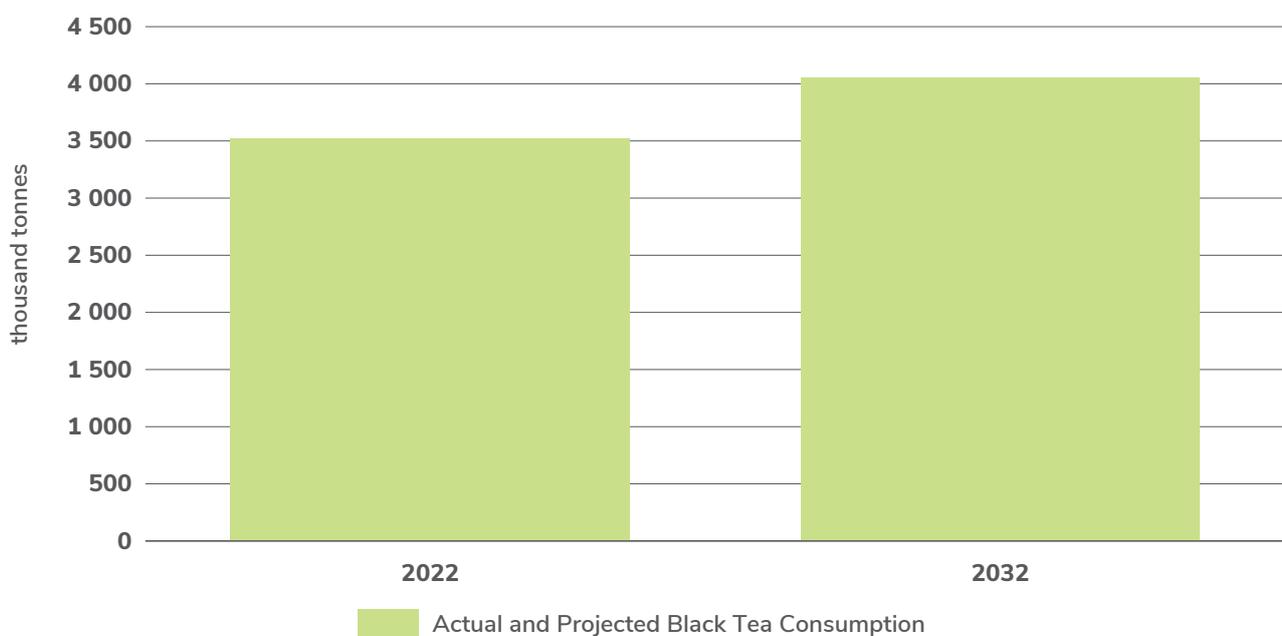
Source: FAO IGG/Tea Secretariat

¹ Document CCP:TE 10/2 is available on the Secretariat's website: <http://www.fao.org/docrep/meeting/018/K7538E.pdf>.

Projected consumption

17. In order to generate medium-term tea consumption projections for non-tea producing countries, net imports were used as a proxy, while for tea producing countries, actual domestic consumption was used. Data on green tea consumption were not complete and therefore, it was not possible to make any meaningful projections.
18. Black tea consumption is projected to grow at 1.8 percent annually to reach 4.06 million tonnes in 2032 (Figure 6 and Annex Table 3), reflecting growth in consumption in producing countries and a recovery in traditional tea importing countries. Over the next decade, strong growth is expected in all of the major producing countries in Asia and Africa, with growth rates ranging respectively from 1.9 percent to 2.8 percent, and from 1.6 percent to 3.4 percent. In the medium-term, India is anticipated to remain the largest black tea consuming country, maintaining a market share of 32 percent, followed by China and Pakistan, accounting respectively for a share of 14 percent and 7 percent.
19. Consumption in traditional importing markets in Europe and in North America are expected to recover from the declining trends attained in the previous decade. Consumption in the Russian Federation is also anticipated to recover, although marginally (0.3 percent) over the next decade.
20. Factors contributing to the expansion in tea consumption are per-capita income growth in major tea producing countries and the increased awareness of the health benefits associated with tea. Innovation and “premiumization” are key for boosting market expansion, as consumer preferences and behaviour are evolving. There is a growing interest in specialty teas and high quality tea products, which are attracting a growing number of young customers. For instance, the rapid growth of black tea consumption in China is due to the popularity of brick teas, such as *Pu'er*, which are promoted for their health benefits.

Figure 6. Actual and Projected Consumption: Black Tea

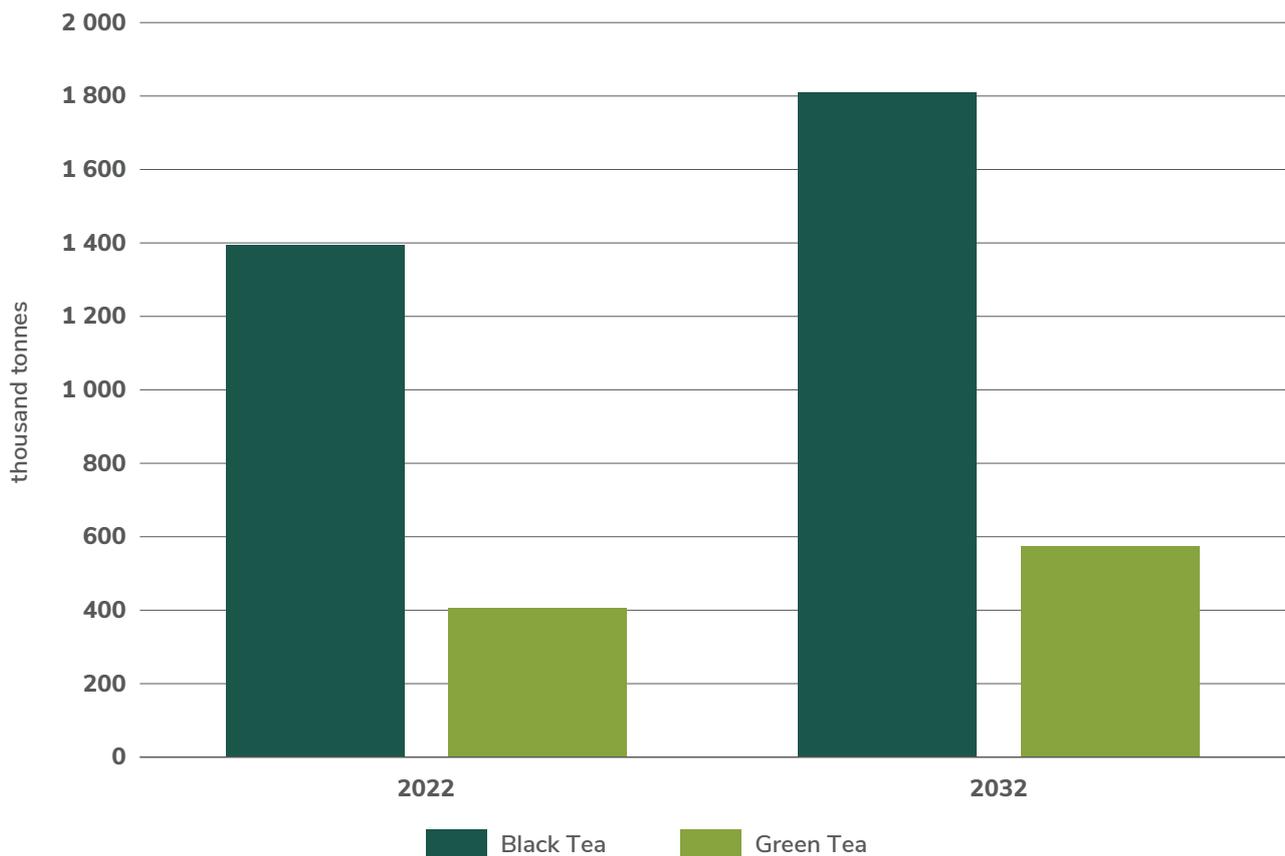


Source: FAO IGG/Tea Secretariat

Projected exports

21. Black tea exports are projected to reach 1.81 million tonnes in 2032 (Figure 7 and Annex Table 4), reflecting a stronger annual growth rate of 1.2 percent over the medium-term, compared to the 0.2 percent annual growth rate of the previous decade. Increases are expected in all of the major exporting countries, with Kenya maintaining its leadership with an average annual growth rate of 1.4 percent, followed by India and Sri Lanka, with an average increase of 1.1 percent and 0.7 percent, respectively. It is expected, that over the next decade, India will become the second largest exporter of black tea, surpassing Sri Lanka, where exports are anticipated to rebound from the current setbacks but at a slower pace.
22. World green tea exports are projected to grow by 3.5 percent annually to reach 574 000 tonnes by 2032, mainly driven by increasing sales by China and Vietnam. China is expected to continue to lead the export market, with an export volume of 429 919 tonnes, representing a share of 75 percent of global green tea shipments, followed by Vietnam with 84 409 tonnes, Japan with 14 320 tonnes and Indonesia with 6 244 tonnes. All of the major green tea exporters are expected to register positive growth rates over the medium-term.

Figure 7. Actual and Projected Exports: Black Tea and Green Tea



Source: FAO IGG/Tea Secretariat

Concluding remarks

23. Tea is one of the most important cash crops in the world and contributes significantly to rural development, poverty reduction and food security, supporting the livelihoods of millions of smallholder farmers in many low-income countries. However, the tea industry is facing a number of challenges that must be addressed to ensure its long-term sustainability. Issues to be addressed include climate change, price volatility, low productivity, increasing production costs and declining returns for farmers.
24. The COVID-19 pandemic, the geopolitical tensions and conflicts, extreme weather events, and the global economic downturn have put further pressure on the tea market, although the overall impact has been relatively moderate. Consumption of tea has remained strong over the last decade, driven by rising per capita income and population in emerging and low-income markets, and the increasing awareness of the health benefits associated with tea. This trend is expected to continue over the medium-term, underpinned by increasing consumption in major producing countries and a recovery in traditional importing markets.
25. Tea exports are a vital source of foreign exchange for many low-income countries. For example, exports revenues contribute significantly to financing the food import bills of Kenya and Sri Lanka, the largest exporters of black tea, and although foreign exchange earnings from tea are relatively less for other producing countries, they remain significant.
26. As consumer preferences shift, innovation and diversification into other market segments such as organic teas, specialty teas and premium teas are key for market expansion, for raising returns of tea producers and processors, and for ensuring the long-term performance of the sector. New growing markets are also building on product innovation and diversification into new segments of consumers.
27. In this context, compliance with food safety and quality standards is fundamental to ensure the expansion of the tea market. This requires collaboration between producing and consuming nations towards harmonizing market requirements (MRLs and quality) and reducing costs of compliance.

Annex tables

Table 1. Black tea: Actual and projected production

Country/Regions	Production			
	Actual	Projected	Growth rates	
	2022	2032	2013-22	2023-32
	Tonnes		Percent per year	
World	3 578 805	4 418 927	2.1	1.6
Africa				
Kenya	540 306	678 888	3.1	1.4
Malawi	47 755	56 281	1.2	1.2
Zimbabwe	14 400	16 341	0.0	1.1
Rwanda	35 700	43 336	4.8	1.5
South Africa	3 000	3 835	2.2	2.2
Uganda	75 000	84 345	3.5	0.9
Tanzania United Rep	25 295	29 805	-3.0	1.6
Other	41 363	46 286	1.2	0.9
Latin America and Caribbean				
Argentina	76 890	83 768	-0.5	1.1
Brazil	3 000	2 828	-5.8	-0.6
Other	7 440	7 061	-3.6	-0.4
Near East				
Iran (Islamic Republic of)	31000	34 726	2.3	0.8
Türkiye	245 773	300 173	1.4	2.4
Far East				
India	1 346 990	1 735 310	1.4	1.7
Sri Lanka	249 689	292 643	-2.6	0.8
China	466600	601491	11.1	2.2
Vietnam	80 000	92 028	-0.3	0.9
Bangladesh	93 829	111 249	4.7	¹⁵
Malaysia	7 078	5 778	-5.7	-2.0
Nepal	24 700	27 712	1.0	0.7
Indonesia	101 767	106 864	-0.9	0.1
Other	46 715	42 551	1.5	-1.0
CIS	7 500	9 108		
Russian Federation	4 000	4 106	1.4	0.0
Other Former USSR	3 500	5 003	3.3	3.3
Oceania	7 000	6 508	0.6	-0.8

Source: Authors' elaboration

Table 2. Green tea: Actual and projected production and exports

Countries	Production				Exports				
	Actual	Projected	Growth rates	Actual	Projected	Growth rates	Actual	Projected	Growth rates
	2010-12	2020-22	2010-12/2020-22	2010-12	2020-22	2010-12/2020-22	2010-12	2032	2010-12/2020-22
	Tonnes		Percent per year		Tonnes		Percent per year		
World	1387 406	2307 421	4 250 690	6.3	323 041	406 919	574 000	2.3	3.5
China	1143 953	2060 581	3 981 697	6.8	246 749	310 730	429 919	2.8	3.3
Japan	83 641	71 551	73 580	0.3	2 323	5 906	14 320	9.8	9.3
Vietnam	87 700	99 333	114 827	1.5	52 191	65 301	84 409	2.3	2.6
Indonesia	35 203	35 000	35 352	0.1	10 845	6 060	6 244	-5.7	0.3

Source: Authors' elaboration.

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