FOR IMMEDIATE RELEASE

SMALLHOLDER TEA FACTORIES UNDER KTDA MANAGEMENT BEGIN MEETINGS TO DETERMINE SECOND PAYMENT

Factory directors from the 69 KTDA-managed factories have begun meetings to review and approve the factories’ annual accounts for the 2018-19 financial year, ahead of the declaration of the second and final payment to farmers.

The meetings to determine the second payments begun on 9th September to run to 26th September 2019, and will be followed by a formal declaration of the second payments once the process is complete.

The performance of the factory companies this year comes on the backdrop of a severe drop in CTC tea prices at the Mombasa Tea Auction from an average of US$ 2.71 last financial year (2017-2018) to US$ 2.14 in the 2018-2019 financial year, representing a 21% drop.

Globally, tea prices at the other two key auction centres of Colombo in Sri Lanka and Kolkata in India have likewise declined. Colombo prices for orthodox teas have declined from US$ 3.99 to US$ 3.26, a drop of 22%. Prices for Kolkata CTC teas have declined from US$ 2.46 to US$ 2.17, a drop of about 12%.

A multiplicity of issues in the global market has led to this drop in prices. Key among them is the overproduction of tea globally leading to high global surpluses.

High inflation and depreciation of up to 50% of the Pakistani currency has greatly impacted prices. Pakistan is a key market for Kenyan teas accounting for up to 35% of Kenyan exports. Other key export destinations such as Egypt have seen high inflation and currency devaluations making import of tea expensive.

Sudan, which is another key market has lately faced political upheavals, coupled with the loss of oil revenue to South Sudan. The United Kingdom, a long standing export destination for Kenya has seen its consumption decline over time while its currency has sharply depreciated in the face of uncertainty over Brexit. Tea exports to Iran have also recently been affected by increased US sanctions on Iran.

A number of quoted tea companies in Kenya have issued profit warnings or registered losses during the year under review.
During the financial year, global made tea production increased from 5.5 billion kilograms to 5.7 billion kilograms to 5.7 kilograms. Consumption of tea globally on the other hand increased from 5.2 billion kilograms to 5.4 billion kilograms, which was marginally below the increase in production. This has seen surplus unsold stocks of tea increase to 196 million kilograms, exerting downward pressure on prices. The last similar drop in tea prices at the Mombasa Auction was in 2014 but the market recovered quickly to perform well for the next four years.

Since then, tea prices at the auction have been steady leading to increased investments in area under tea. This also led to building of new private factories to process this increased production.

To mitigate against Kenya’s market concentration risk on black teas as well as overreliance on the four main markets which account for 70% of our tea exports, KTDA-managed factories have embarked on production of orthodox teas that are gaining global popularity and fetching better prices.

Eleven KTDA-managed factories are currently producing orthodox teas. In the 2018-19 financial year, the factories produced about 2.2 million kilograms of black orthodox tea. At full capacity, the factories can produce six million kilograms of orthodox teas.

To further reduce on ballooning energy costs, KTDA-managed factories are implementing energy efficiency changes that have seen the amount of energy used to produce a kilo of tea drop by 15% over the last three years. Factories in same regions are also developing small hydropower stations to produce cheaper and more stable power supply in the future.

#Ends

For more information contact

Ndiga kithae, Group head of Corporate Affairs
Email: nkithae@ktdateas.com
Tel: 020-322 7918

Or

Egadwa Mudoga
Corporate Communications Manager
Email: emudoga@ktdateas.com
Tel: 020-322 7948