

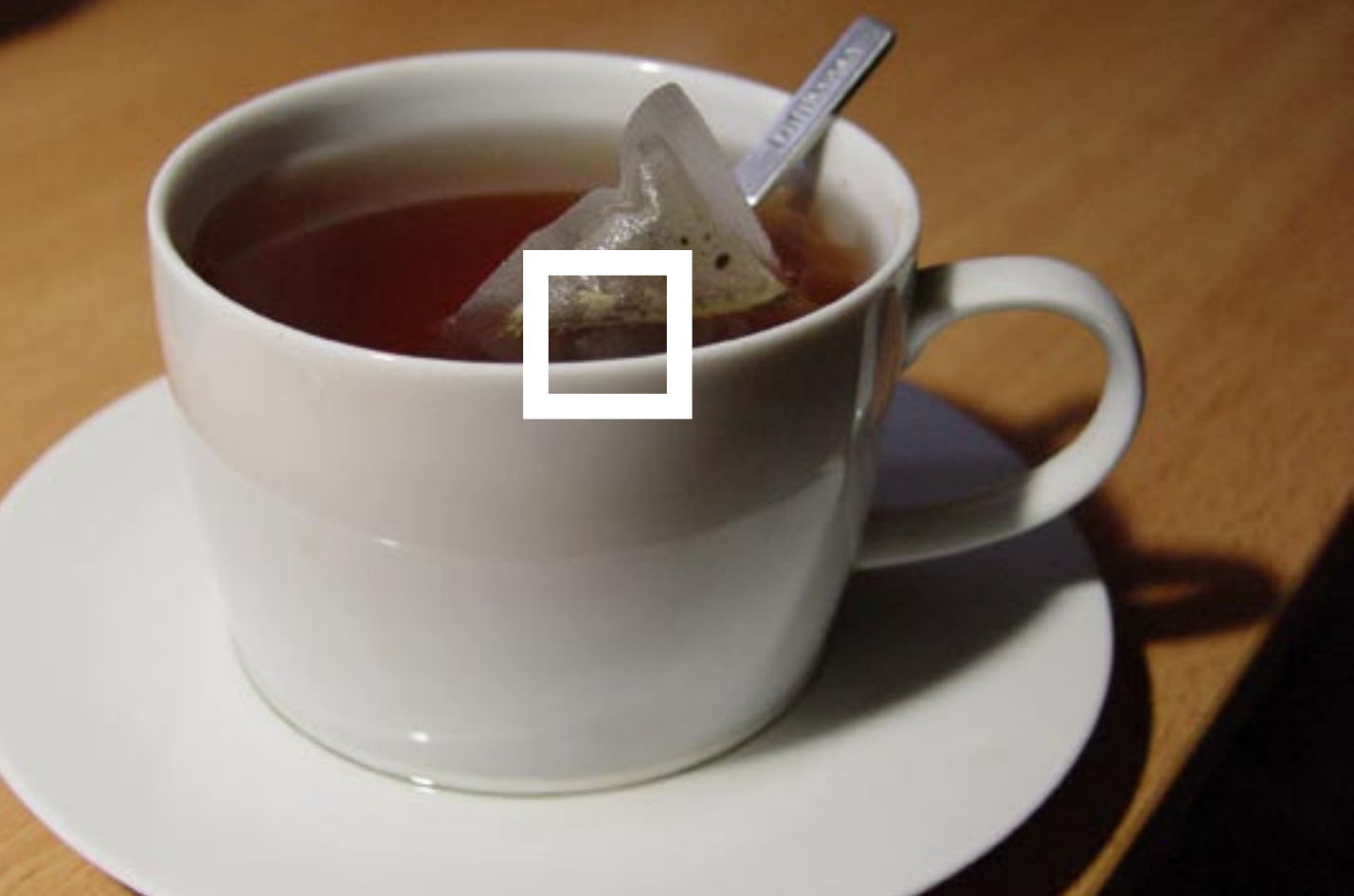


Sustainabilitea

**The Dutch Tea Market and
Corporate Social Responsibility**

March 2006

**SOMO, ProFound &
India Committee of the Netherlands**



Worldwide, and also in the Netherlands, tea is a popular beverage. Tea grows in tropical and subtropical countries, and several developing countries are strongly dependent on tea for their export earnings. Over the last decades, several tea-producing countries have increased their production levels, which has resulted in a worldwide oversupply of tea. Since 1980, the real price of tea has fallen by at least 15 percent. With falling prices and rising input costs, there is pressure to limit the labour costs of workers in the production of tea. At the same time there is an urgent need for improvement of labour, social, ecological and economic conditions throughout the tea sector in the global south.

The first part of the report provides an overview of the global tea market and a description of a tea value chain. In particular, the report focuses on the Dutch tea market: consumption, production and the major players on the Dutch market. The second part of the report examines labour, social, ecological and economic issues in the tea sector. Current responsible business initiatives of mayor players on the Dutch tea market are analysed on the basis of internationally agreed upon standards and operational principles. An overview is also given of the social organisations, including trade unions, active in tea producing and consuming countries.

The primary aim of the report is to inform a broad audience of tea companies, sector organisations, civil society organisations, trade unions, government bodies and the media in the Netherlands, Europe as well as in tea producing countries. With its critical analysis, the report hopes to contribute to a discussion among all stakeholders involved, with the aim of improving labour, social, environmental and economic conditions in the global tea industry by means of effective and fair CSR policies and practices.

Sustainabilitea

The Dutch Tea Market and Corporate Social Responsibility

This report has been compiled at the request of the Dutch 'Tea Initiative'¹

**SOMO, ProFound & India Committee of the Netherlands
March 2006**

¹ The 'Tea Initiative', or '*Initiatiefgroep Thee*', is an alliance of Dutch social organisations, including development organisations and trade unions, working for the improvement of labour, social, ecological and economic conditions in the tea sector in tea-producing countries. Organisations involved include: Both ENDS, Fairfood, FNV Bondgenoten, India Committee of the Netherlands, Oxfam Novib, SOMO and the South North Federation. ProFound - Advisors in Development has an advising role.

Colophon

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The Dutch Tea Market and Corporate Social Responsibility

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Introduction

Background

This report was commissioned by the Dutch Tea Initiative, or the *Initiatiefgroep Thee*, an alliance of Dutch social organisations. The organisations making up the Tea Initiative share deep concerns about conditions and circumstances in the tea production chain, all looking from their own perspective (development, labour rights, environment, etc.). Workers on tea estates, small growers and employees in tea processing factories form the weakest links in the tea production chain. A downward pressure on the price paid for tea as well as on daily wages causes poverty and great distress among hundreds of thousands of people whose livelihood depends wholly on the tea sector. At the same time, thanks to smart trade and marketing techniques, traders and tea packers are continuing to reap considerable profits. The mission of the Tea Initiative is to contribute to the improvement of labour, social, environmental and economic conditions in the tea sector in tea-producing countries. The Tea Initiative promotes responsible business behaviour by the international tea industry throughout the value chain. Some of the largest private sector players on the world market have a strong Dutch link; the Tea Initiative sees it as an opportunity to influence these companies via the Dutch market. The objective of the Tea Initiative is to contribute to the emergence of a tea sector in which international (ILO) labour standards are respected, that has a minimal impact on the environment, and in which fair trade is a guiding principle.

Desk study forms the basis of this report. The chapters dealing with the tea value chain and the Dutch tea market were written by Geertje Otten of ProFound. The chapters on labour, social and environmental issues, as well as the analysis of current corporate social responsibility initiatives in the tea sector, were written by Joris Oldenziel of SOMO. The reading guide provides more detail about the respective chapters.

The report primarily serves as a tool to inform an interested public in the Netherlands and Europe, as well as in tea-producing countries, of issues and developments related to the global and Dutch tea markets and of relevant corporate social responsibility initiatives. The report aims at a broad audience of tea companies, sector organisations, social organisations, trade unions, government bodies and the media.

The report also forms the basis for the determination of the strategies for the campaigning and lobbying of the Tea Initiative.

The Tea Initiative hopes that this report will facilitate a discussion among all stakeholders involved in the tea production chain, with the aim of improving labour, social environmental and economic conditions in the global tea industry.

Annexed you will find the draft vision document of the Dutch Tea Initiative. In this vision document the objectives and guiding principles of the Tea Initiative are presented.

Please note that the information used in this report to describe the tea market is primarily derived from secondary sources. This report may have a slight 'bias' towards India. Information on other tea-producing countries, in particular those countries that are important for the Dutch market, such as Indonesia, Sri Lanka and Malawi, was not easy to find. This will definitely be subject of follow-up research.

We would like to thank Sara Lee International, Unilever and Traidcraft for their comments on the draft report. We would like to thank Ahold, the Ethical Tea Partnership, the Ethical Trading Initiative, FNV Bondgenoten, the International Union of Food Workers, the Koffiecoalition, Max Havelaar, the National Federation of Dutch Tea Importers/Exporters, Partners in Change, Sara Lee International and Unilever for providing information concerning their respective companies and organisations either through interviews or by making available relevant documentation.

The Tea Initiative takes full responsibility for the views and data put forward in this report.

Executive Summary

Trade

Tea is a popular beverage around the world, including in the Netherlands. Tea grows in tropical and subtropical countries, and several developing countries are highly dependent on tea for their export earnings. Production and consumption are steadily increasing. The worldwide production of tea in 2004 totalled 3.2 million tonnes. The main tea-producing countries are India, China, Sri Lanka, Kenya, Indonesia, and Turkey. In 2004, India was the world's largest tea-producing country, but with China's tea production rapidly and steadily increasing, it is only a matter of time before China overtakes India. Major tea producers are investing heavily in expansion and competing for their share of the global tea market. In terms of export, Sri Lanka, India, China and Kenya are growing.

Worldwide consumption of tea is increasing. In terms of domestic consumption for example, China and India, but also Brazil and Argentina are showing impressive growth figures. Nevertheless, global consumption is increasing at a lower pace than production, resulting in a growing discrepancy between production and consumption. This continuing overproduction of tea is one of the factors behind the falling prices on the global tea market.

The United Kingdom is the biggest European consumer market. In 2002, the Netherlands consumed about one tenth of UK tea consumption.

To some extent, falling tea prices account for the downward pressure on wages paid for tea plantation labour, as well as the price paid to small tea farmers for their produce. An estimated 55-60% of the total production costs of (Indian) plantation tea are made up of labour costs.

However, due to smart marketing, fierce competition and product innovation, the tea trade is still highly profitable, at least for the successful market players.

The economic relationships between companies in production and consuming countries are determining the tea market. In other words, the tea value chain is characterised by strong integration, both horizontally and vertically. This double integration explains the considerable hold the major tea companies have on the entire production process, from tea shrub to tea bag. The direct link between producers and manufacturers is most obvious in the plantation sector. Tea marketing companies owning or at least strongly influencing tea plantations are not uncommon. Manipulation of supply and demand is a frequent phenomenon. See below for further analysis of this phenomenon.

Market concentration is high, or, in other words, the global tea market is in the hands of a small number of companies. The main tea packers are key players in the consumer market, they dominate the trade and source part of their supplies from their own

plantations. Prices for tea are determined to a significant extent by the purchasing practices of large tea buying companies such as Unilever, Van Rees, Finlays and Tata Tetley.

Critical analysis of companies' behaviour reveals how they deliberately reduce differences in quality among the different teas produced all over the world. It is to the benefit of the blenders and packers to create interchangeable teas, to be bought wherever the prices are lowest. The value addition only occurs at later stages in the production chain. Blending and packaging are the most lucrative activities of the tea trade, and are mostly done by established tea companies in buyer countries, such as Unilever, Tata Tea, Hillsdown Holding, Sara Lee International, Teekanne, Twinings, Ostfriesche Teegesellschaft . Large profits therefore do not accrue to the tea-producing countries, let alone to the small farmers or plantation labour force.

The global price for tea is strongly influenced by the trade at the tea auctions, of which the auctions in Mombassa (Kenya), Colombo (Sri Lanka) and Kolkata (India) are the most important. The auction system is relatively transparent and allows for the setting of the highest prices, which is important for the balance between supply and demand, especially in a situation of continuing worldwide overproduction. A limited number of firms are exceedingly important in the auction trade. It is often hinted that these companies are involved in cartelisation and in pre-auction price agreements, but evidence is hard to get.

Increasingly, companies focus on packaging, according to sophisticated and often changing consumer tastes and demands, which in turn are moulded by marketing fashions. Marketing is becoming ever more important. Tea production countries are usually insufficiently well equipped to address these consumer choices, which makes value addition even more difficult. This alienation of the farmer from the market is worsened by the increasing market share of innovative processed products, such as iced tea or instant tea, that demand advanced production and packing technology and matching marketing budgets.

Small producers play an important role in global tea production. In a major tea-producing (and exporting) country such as Sri Lanka, for example, more than 50% of production is realised by small growers

The Dutch tea market

The Dutch market is in the hands of a small number of players:

Sara Lee International covers 65%. Ahold has a 15% market share with its own brands. Leading supplier countries to the Dutch market are: Indonesia, Sri Lanka, Malawi, China and India.

Labour, social, ecological and economic issues

Besides the imbalances in the tea trade, there are also a number of issues at the production level that this report wants to draw attention to. Looking at labour, social and ecological issues in the global tea sector, a sad picture of large scale violation of internationally accepted standards emerges. ILO core conventions on labour issues (child labour, freedom of association, the right to collective bargaining, discrimination) are not respected. Issues such as wages, health and safety, working hours and regular employment paint a grim picture.

Child labour is frequently used in the production of tea, as is demonstrated by studies on tea production in India, Kenya, Malawi, Indonesia and Tanzania.

Generally speaking, trade unions in tea-producing countries are weak and labour rights are easily sidestepped.

Growing tea, either on smallholdings or on tea plantations or gardens, is hard work.

Workers are on their feet for hours on end, carrying heavy weights. Workers are exposed to pesticides and insecticides. The living conditions of plantation workers are far from ideal. The geographical and socio-economic isolation of tea plantations in countries such as India and Bangladesh is one of the factors behind the vulnerable dependency of plantation workers. Closure or abandonment of unprofitable tea plantations has frequently occurred in India over the past 5-10 years, leaving the workers in complete destitution.

Apart from the often excessive use of pesticides, environmental concerns include deforestation, water pollution, erosion, landslides, and reduction of biodiversity.

Women are widely employed in the tea sector, but are generally underpaid.

To address the persistent imbalance in production and consumption of tea, a number of initiatives have been undertaken. The FAO, in the early 1990s, launched a programme to increase black tea consumption by highlighting health aspects.

The global tea industry has undertaken some initiatives in the field of corporate social responsibility to address social and environmental issues. Critical analysis of the quality and effectiveness of these initiatives, however, indicates that labour rights, social issues, environmental concerns and economic imbalances are not being adequately addressed. Although there is a clear trend of growing interest in food safety issues – imposing higher standards on tea production for the sake of the consumer, health and safety concerns of workers in the tea industry are generally neglected.

The Ethical Tea Partnership is a partnership between 17 tea partners that aims to monitor social conditions of tea production around the world. Major objections against the ETP include the unclear commitment to social standards by ETP members and the lack of reference to environmental standards. Moreover, the ETP does not include a serious stakeholder approach. Workers are not involved in monitoring or verification processes. When it comes to transparency, the ETP still has a long way to go. The ETP's audit reports are not made public, which makes it impossible to assess the true impact of the initiative on the livelihood of the workers and farmers involved. Sara Lee International and Unilever are members of the ETP.

As a major global market player, Unilever is relevant for the Dutch tea market. Unilever's Sustainable Agriculture Initiative for Tea aims to establish sustainability indicators, appropriate measures and standards to support four principles: produce crops that meet existing and future needs; minimise adverse effects; optimise the use of renewable resources; and enable local communities to protect and enhance their wellbeing and environments.

If this initiative is compared with the CSR Frame of Reference of the Dutch CSR Platform, however, it is the lack of direct involvement of stakeholders in the governance of this initiative and the lack of monitoring and independent verification that are most worrying.

Sara Lee International, the biggest player on the Dutch market, signed up to the Ethical Tea Partnership in July 2004. SLI is now confidently relying on ETP for the monitoring of the plantations where its tea is sourced from.

Ahold, the second biggest player on the Dutch market, has no specific CSR schemes in the tea sector.

Fairtrade labelling stands out among the half-hearted CSR initiatives in the tea-industry. However, Fairtrade is only relevant for a niche market, not for the mainstream tea market.

In conclusion, supply chain responsibility is an underdeveloped concept in the tea industry. Generally speaking, CSR initiatives do not offer more than a token involvement of stakeholders on an advisory level. Direct involvement of workers or workers' organisations on an equal basis in remedying problems is very rare. ETP, the only CSR initiative of any standing in the tea sector, still has a long way to go to make a difference in the fulfilment of the rights and the improvement of the livelihood of small growers and workers on tea estates and tea processing factories.

The Dutch Tea Initiative calls upon companies selling tea on the global market to assume their responsibility for sustainable production and trade. The Tea Initiative believes that a multi stakeholder approach is key to improve labour, social, ecological and economic conditions in the tea sector in tea-producing countries. Tea companies have to collaborate on an equal basis with NGOs, trade unions, workers' organisations, associations of small farmers and other stakeholders to jointly contribute to resolving the current urgent problems in the global tea sector.

Reading guide

- ❑ Section 1 describes the global tea market and developments in the areas of demand, supply and prices.
- ❑ Section 2 provides an overview of a tea value chain and analyses each step in the production chain.
- ❑ Sections 3 and 4 of this report focus on the Dutch tea market: consumption, production and the major players of the Dutch market.
- ❑ Section 5 gives an outline of the main countries supplying tea to the Netherlands and describes the workings of tracking and tracing systems in the Dutch tea trade.
- ❑ Section 6 gives an overview of labour, social and environmental issues in the tea sector.
- ❑ Section 7 provides a systematic analysis of current CSR initiatives, looking at membership, aims, criteria and standards, operational principles (including monitoring, independent verification, supply chain responsibility), involvement of stakeholders, and the current scope and impact of the initiatives, and recent developments in relation to them.
- ❑ Section 8 describes the CSR 'Frame of reference' of the Dutch CSR Platform, outlining standards and operational principles
- ❑ Section 9 provides insight into the positioning of major players on the Dutch tea market from a CSR perspective - Sara Lee International, Ahold and Unilever.
- ❑ Section 10 deals with civil society organisations active in tea-producing countries, presenting the Just Tea coalition and detailing the role of trade unions.

1. Global tea market

1.1. General

Tea² originated in China, but its cultivation has spread widely in Asia and Africa. The current significant tea-producing countries are India, Sri Lanka, Bangladesh, Indonesia, Kenya, Malawi, and Turkey, as well as China. Because of the age of the tea bushes, tea from relatively young tea countries such as in Africa is often of high quality and stands up well in competition with the traditional tea-producing countries.

In 2004, total production of tea in the world amounted to almost 3.2 million tonnes.

Table 1 presents the 14 main tea-producing countries in the world. Approximately 80 percent of tea in the world is produced in Asia, of which 45 percent is exported. Besides the Asian countries India, China and Sri Lanka, Kenya is an important tea-producing country. Weather conditions are an important factor in tea production. Output in India and Sri Lanka shows some fluctuations due to inadequate monsoon rains. China is the world's largest green tea-producing country is experiencing rapid growth in production. Apart from Sri Lanka and Turkey, all the other countries also increased their production. Between 2002 and 2004, Japan and Bangladesh even showed an increase of 13 and 14 percent respectively.

² In general, this report focuses on pure tea from the tea plant. However, Section 3 also provides some information on fruit and herbal 'teas', such as rooibos and mint tea.

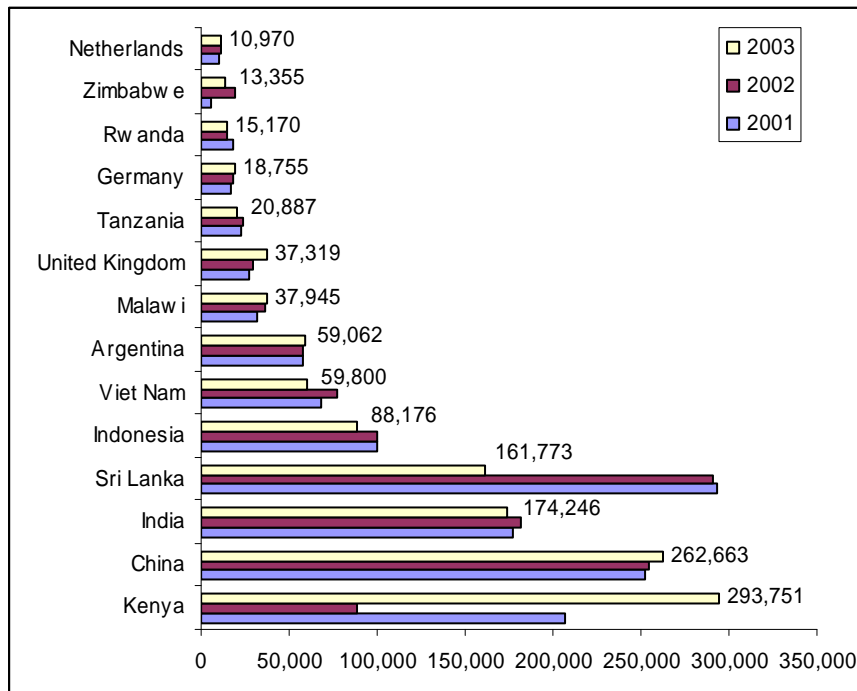
Table 1: Main tea-producing countries, in tonnes, 2002-2004

	1970	1980	1990	2000	2002	2003	2004
World	1,286,757	1,893,527	2,526,065	2,956,990	3,123,527	3,197,241	3,196,881
India	418,517	569,550	688,100	835,000	847,250	885,000	845,000
China	163,468	328,479	562,369	703,673	765,719	788,675	821,000
Sri Lanka	212,210	191,375	233,165	305,840	310,000	303,230	303,000
Kenya	41,077	89,893	197,000	236,286	287,045	290,000	290,000
Indonesia	64,166	106,175	155,919	162,586	156,859	158,843	158,843
Turkey	33,431	95,889	122,754	138,770	135,000	131,000	131,000
Vietnam	14,700	21,014	32,247	69,900	94,200	94,500	97,000
Japan	91,398	102,300	89,900	85,000	84,000	92,000	95,000
Argentina	25,800	35,572	50,505	52,894	62,535	63,720	64,000
Bangladesh	31,295	39,708	39,075	46,000	52,863	56,833	60,000
Iran	12,608	19,500	18,000	32,200	33,120	37,091	54,352
Malawi	12,973	18,733	26,238	29,915	39,954	38,921	34,182
Uganda	8,366	18,200	18,400	1,500	5,758	6,704	12,692
Tanzania	5,682	8,492	13,873	16,418	15,537	18,090	24,300

Source: FAO (Food and Agriculture Organization of the United Nations), 2005

The biggest producers are not necessarily the biggest exporters. The main consuming countries of tea in the world, China and India, consume the majority of their own tea production. Figure 1 lists the major tea exporting countries of tea. Although China and India are the main producers of tea, in 2003, Kenya was the major tea exporter. Between 2001 and 2003, Kenya increased its exports by 42 percent, while exports from Bangladesh decreased by 45 percent, notwithstanding a growing production. Moreover, Table 2 shows the division of import of tea for consumption over the world (according to an estimation of the International Tea Committee ITC³). In 2003, global tea imports decreased by 5 percent. The strong growth in production levels has not been matched by consumption.

³ The ITC is a non profit making organisation, which is supported and recognised by many of the major tea-producing and tea consuming nations as the official source for tea statistics (www.inttea.com)

Figure 1: Major exporters of tea, in tonnes, 2001-2003

Source: Food and Agriculture Organization of the United Nations FAO, 2005

Table 2: Tea import for consumption, 2001-2003 in 1,000 kg

	2001	2002	2003
Europe	250,880	253,699	247,666
Russian Federation	210,718	217,601	204,000
Asia	382,778	392,467	362,798
Africa	222,878	241,430	229,889
North-America/ West Indies	116,706	113,570	115,143
Oceania	19,013	19,320	18,147
Latin America	18,520	18,633	19,446
Other	101,1251	102,318	84,588
Total	1,322,618	1,359,038	1,281,677

Source: VNKT⁴, 2004

India is the largest producer and the largest consumer of tea in the world with a total domestic supply of 3.8 million Mt in 2002. Other important consuming countries are China,

⁴ Vereniging van Nederlandse Koffiebranders en Theepakkers VNKT / Association of Dutch Coffee Roasters and Tea Packers

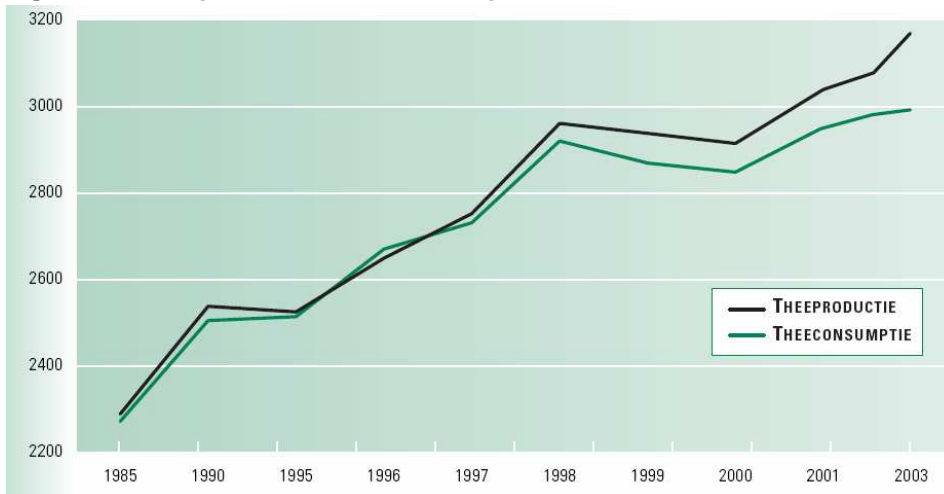
Brazil and Argentina. The United Kingdom is the major market in Europe, with a total domestic supply of almost 127 thousand Mt in 2002. In the same year, total consumption in the Netherlands amounted to almost 19 thousand Mt (Source: Food and Agriculture Organization of the United Nations FAO, 2005)

1.2. Global tea market trends

Black tea supply has grown as production rose in the main producing countries. Between 1980-1990, worldwide production increased by 40 percent. India, China, Sri Lanka, Kenya and other countries are continuously trying to increase their production levels. The main tea countries are expanding their planted area. Several of the countries which produce tea (and depend on it for their export earnings) are sufficiently large to prevent the establishment of a clear monopolistic leader. This allows for fierce competition. While research & development is leading to increasing yields, plantations are being improved; the improvements are directed at planting material, water management, fertilisation and integrated pest management at the production level, as well as plucking methods and improvement in processing and automation of factories.

The increasing production of tea does not necessarily mean that the quality of tea is improving.

Figure 2: World production and consumption of tea



[tea production - tea consumption]

Source: VNKT, 2004

Although supply exceeds demand, no further decline of international tea prices took place in 2003. The international tea market price may have passed its low, according to the VNKT. This is partly explained by promising expectations of improving exports to Iraq and higher local demand in India.⁵

⁵ Please note that the relative stabilisation of the international tea price in 2003 is a snapshot at a given moment in time. In general, tea production still exceeds tea demand significantly.

According to Unilever, the real price of tea has fallen by more than 15% since 1980. Unilever points to the oversupply over the last five years. The weakness of the US dollar against local currencies and the significant reduction of inflation rates in tea-producing countries have reduced the income in local currencies in these countries. Unfortunately, most tea suppliers, including the governments of tea-producing countries have not been reading the individual market signals or the global trends correctly. Governments have continued to subsidise tea farmers, or helped them re-plant with higher yielding tea plant types, rather than encouraging farmers to move up the value chain (into blending and packing) or move out of tea production all together. The oversupply of tea and the drop in quality are pushing prices down. This is putting all producers under pressure to find ways to lower the overall costs, including labour costs. The drop in tea prices is expected to continue, albeit at a lower rate, as tea production is still increasing in all the four major tea-producing countries: India, China, Sri Lanka and Kenya⁶.

A considerable percentage of globally produced tea is traded at auctions. In 2004, the average price at the main auction centres - Kolkata (India), Mombassa (Kenya) and Colombo (Sri Lanka) – was \$ 1.69/kg. Table 3 shows price movements of tea at the different auctions.

Table 3: Price movements global tea auctions 2003-2005 in US\$ cent / kg

	Annual averages			Quarterly averages				Monthly averages			
	Jan-Dec	Jan-Dec	Jan-Dec	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept	Oct-Dec	Dec	Jan	Feb
	2003	2004	2005	2003	2004	2004	2004	2004	2004	2005	2005
Tea, average of 3 auctions	151.7	168.6	160.8	157.7	153.9	167.2	176.4	176.7	173.0	162.5	159.1
Tea, Colombo	154.1	178.1	194.2	165.9	167.5	165.7	177.9	201.4	200.9	197.3	191.0
Tea, Kolkata	146.5	172.2	138.4	144.5	132.1	183.6	193.2	179.8	167.0	138.9	137.9
Tea, Mombassa	154.4	155.4	149.9	162.7	162.3	152.3	158.1	149.1	151.0	151.3	148.5

Source: Worldbank Pinksheets, March 2005

Players within the tea sector are concerned about the steady growth in global tea production, especially as this seems to go hand in hand with relatively lower quality teas. As a consequence, the supply of sufficiently high-quality teas is not automatically guaranteed, and this is demonstrated by a higher average price for high quality teas. Tea prices show great variation, due to the enormous diversity of quality⁷. It might be expected that large producing countries have a key position in establishing tea prices. However,

⁶ E-mailed comments on draft report, 22 November 2005.

⁷ Tea quality and price are determined on the basis of liquor, aroma/ flavour and leaf appearance. Consumers perceive quality differences on the attributes of taste, pungency, strength, freshness, colour and packaging.

although the quantity and quality - of Indian tea, for example - has some effect on tea prices, the impact is limited. Of far greater importance are the economic relationships between companies in producing and consuming countries.

In the next section, it is demonstrated that a large part of the tea production chain is controlled by multinationals. Since the end of the 1970s, tea prices have hardly changed. In real terms (inflation included), therefore, the price has dropped. Lower prices for tea are passed on to a country's less advantaged social groups in the form of lower wages combined with high inflation. In order to compensate for the fall in export earnings and the subsequent dwindling of purchasing power, many tea-producing countries have been extending their cultivated area and expanding their export volumes. Not all countries found the opportunity to expand their tea production area, and competition has become much more fierce since the emergence of the African tea industry in the 1960s.

Despite the VNKT's optimistic prediction, there is a strongly perceived danger that prices will drop even further, due to ambitious plans for increased tea production in several countries, against the backdrop of a continuously sluggish demand. Moreover, oversupply of lower-quality tea will also be undesirable for the whole market as the lower prices for low quality teas may drag down prices of higher quality teas in the long term.

The annual growth rates for the production and the consumption of tea predicted by the FAO point to a widening gap between supply and demand of tea in the coming years. Assessing the risk of ever-falling prices, the FAO launched a programme in the early 1990s to generate increased demand for tea through research into the human health benefits of black tea consumption and generic promotion.

2. Tea supply chain, tea value chain

The term supply chain refers to the distribution channel of a product, from its sourcing to its delivery to the end consumer. The supply chain covers the full range of activities required to bring a product from its conception to its end use and beyond, covering research and development, raw material supply, activities of production, marketing and sales to international buyers, disposal and recycling.

Comparable to the supply chain, but a step further, is the value chain. Value chains are primarily concerned with the overall efficiency and the cost of performing the key activities of the supply chain, because this is how value is created.

Figure 3 in section 2.1 provides an example of a value chain for black tea.

2.1. Overview of the tea value chain

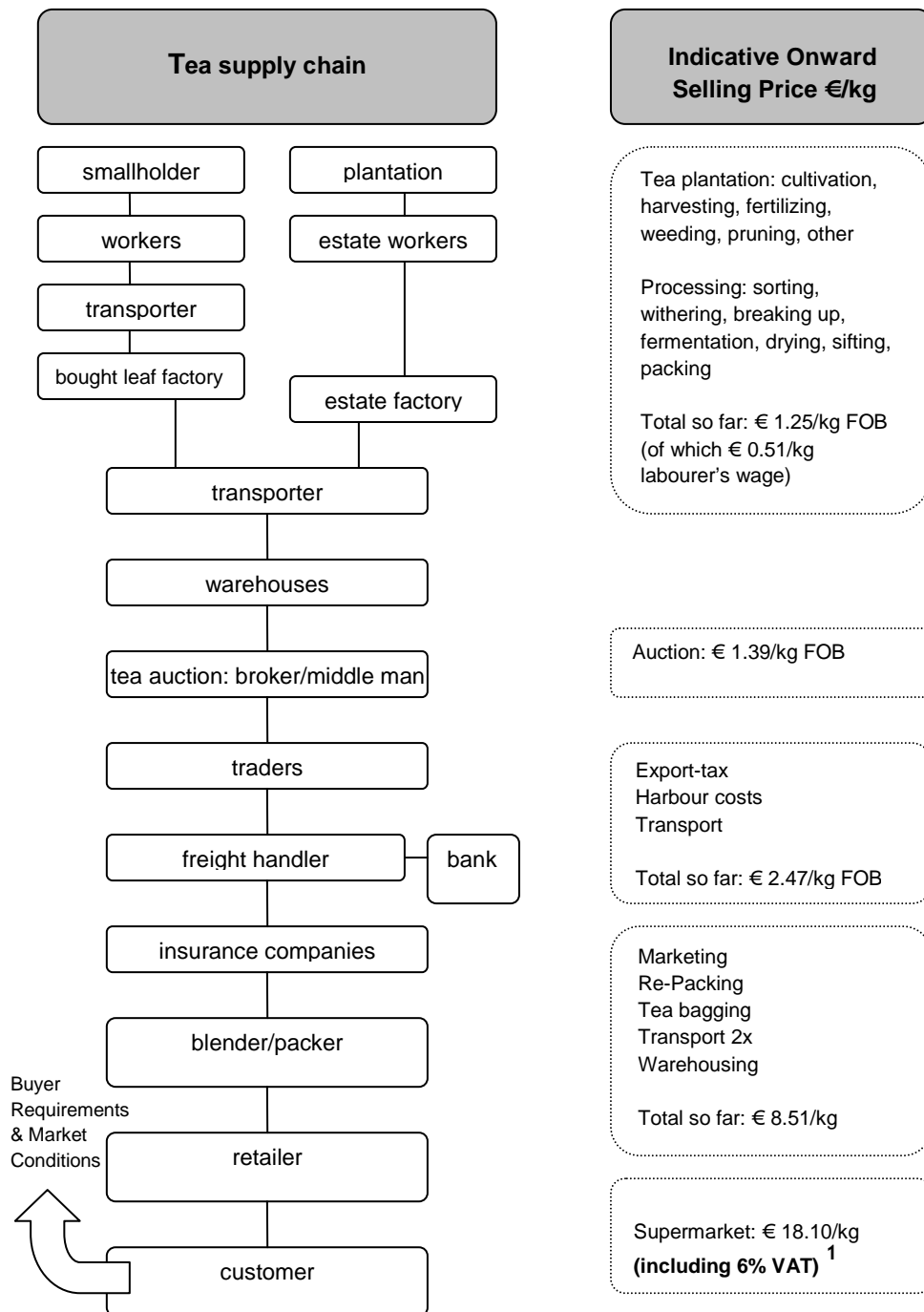
Within the tea value chain, a wide range of stakeholders are involved in the cultivation, manufacturing, and trade of the aromatic leaves: tea is grown both on large estates and smallholdings, both of which employ workers. The manufacturing takes place either in estate- or bought leaf factories (factories which buy up green tea, process it and sell it). The tea prices, at which wholesalers and exporters source their merchandise, are mainly set at auctions.

The tea value chain comprises those stakeholders involved in producing the green leaf and converting it into a bulk packaged product available for blending and sale to consumers. Value is added to the tea leaves at each stage of the supply chain, each with associated costs. For example, the cost of plucking and sorting, factory packing, internal transport, warehousing, sales charges (auction and direct), freight, insurance, interest, blending and packaging and retailers sales costs.

There are also secondary stakeholders, who are not directly involved in the above-mentioned activities, e.g., auctioneers, traders, shipping companies, warehousemen, bankers, but who are nevertheless affected by, or who are having an effect on the activities of the primary stakeholders. Figure 2.1 presents an example of the value chain of tea. Please note that costs and prices mentioned are only indicative estimates.

The tea chain can be characterised as a vertically integrated production chain, in which direct links between manufacturers and producers are common. Moreover, the main tea packers, Unilever (brands Brooke Bond and Lipton) and Tata Tea (brand Tetley) are key players in the consumer market, that dominate the trade and have a strong influence over transport companies, and source part of their supplies from their own plantations. This practice is different from other chains, such as those for coffee or cocoa, in which companies only operate in a specific part of the production chain.

Figure 3: Example of a value chain of black tea



Source: ProFound, 2005

2.2. Analysis of the tea production chain

Tea production

Cultivation and manufacture of tea

Tea comes from an evergreen bush (the *Camellia sinensis*) which thrives at fairly high altitude in the more humid regions of the tropics and sub tropics. Tea bushes mature for commercial exploitation in 5-7 years after plantation and remain productive for over 100 years.

The work in tea gardens is labour-intensive, with planting, maintenance and harvesting done by hand. In tropical areas, the tea can be picked all year round. The leaves from the growing tips of the shrubs are plucked and collected into baskets or bags which the pickers, often women, carry on their backs. The full baskets are taken to a collection point, where they are weighed and then transported rapidly to the nearby processing plant which is large-scale and industrial in nature.

The plucked green leaf must be processed within 12 hours after harvesting. The processing involves the crushing of leaves, which leads to controlled fermentation of the liquor present. The five different treatments carried out in the factory are largely mechanised and account for some 10 percent of total employment in the tea sector. The processed tea (referred to as "made tea" in the industry) is sold either loose or in packets.

There are two main methods of tea manufacture. The first is the orthodox type of manufacture, the other is the CTC (crushed-torn-curled) type. CTC grades are mostly granulated in appearance, while orthodox grades are long, the particle or whole leaf type. Some factories are also equipped to manufacture green tea, though its production is limited. CTC production entails accelerated fermentation. CTC gives higher 'cuppige' (almost twice) for the same quantity of tea and has a stronger liquor, while orthodox tea is light and retains aroma. Tea quality and price are determined on the basis of liquor, aroma/ flavour and leaf appearance. Consumers perceive quality differences on the attributes of taste, pungency, strength, freshness, colour and packaging.

Major players

The tea industry and trade are concentrated in the hands of a very small number of firms. The major players in world tea production are:

- ❑ Kenyan Tea Development Agency Limited KTDA Ltd: Kenya's biggest black tea producer and exporter, and the second largest exporter in the world.
- ❑ Tata Tea: India's biggest plantation company with a large market share in Asia. Tata and Tetley operate a joint venture.
- ❑ Williamson Magor (India): owning large estates in India and to a lesser extent in Africa.
- ❑ J.Thomas: Largest tea broking house in India and in the world.

- ❑ Unilever (UK/The Netherlands): apart from processing and marketing activities, Unilever also owns some plantations, which produce only a small part of its total requirements, however.
- ❑ James Finlay (UK): manufacturer of tea (producing tea in Kenya, Bangladesh and Sri Lanka), packaging and sales company.

Small farmers

Although tea is traditionally a plantation product, in many countries it is also cultivated by small farmers. In Sri Lanka, for instance, more than half the tea crop is produced by small farmers, in Nilgiris (South India) small-scale production even predominates. About 60 percent of Kenyan tea comes from small farmers. Technically, growers cultivating up to 10-12 hectares of tea are considered small growers. In the last 10 years, there has been phenomenal growth in the small growing sector as compared to the traditional organised tea sector in terms of area and production. The cultivation of tea is attractive to small farmers because tea provides work and income throughout the year, it requires relatively little investment, and the risk of complete crop failure is small.

Very little information is available on land ownership by small farmers. In India, for example, most of the land cultivated by small farmers today is owned by them, albeit temporarily as the state governments have generally failed to grant migrant tea farmers permanent settlement. As a consequence, small farmers have limited access to bank loans or any form of subsidy, according to the Indian Small Tea Growers' Association. In Uganda, smallholders have on average one acre for growing tea.

Small farmers may sell their green leaves to middlemen, plantations or processors. In the Indian situation small farmers sell to 'bought leaf factories'. Small farmers rarely own a processing factory, with the exception of Kenya where smallholders operate co-operative processing plants. In Sri Lanka, there are contractual arrangements between tea farmers and tea producers, brokers and/or packers. Prices paid for green tea are usually low and as a result the value addition and profit made by small farmers is relatively low. Tea supplied by small farmers has the - sometimes justified - reputation of being inferior to plantation grown tea, which depresses the price paid, according to the European Fair Trade Association (EFTA, 1998). Small farmers are generally not organised, and lack the necessary knowledge of picking and storing tea leaves, and of bush and soil treatment. Transport facilities are poor, which means that it often takes too long for the tea to arrive at the processing plant. Besides, small farmers often lack the resources to afford necessary technical measures such as irrigation and fertiliser. If small farmers were better organised, in co-operatives, for example, they could share knowledge, resources, funds, etc. and could more successfully establish factories for the processing of green tea leaves.

Large plantations

With regard to the situation in India, following the definition of the Indian Plantation Labour Act (PLA), a plantation is any land used or intended to be used for growing tea, coffee, rubber, cinchona or cardamom which measures 5 hectares or more and in which fifteen or more persons are employed or were employed on any day of the preceding twelve

months.

Most of the tea plantations in the world are situated in remote and uninhabited areas, where no other crops had been grown previously. Hence, plantation workers are mostly immigrants. Labourers are often provided housing at the estates. Estates can also include commercial facilities (shops, services), and communal facilities for recreation and cultural life.

The size of large plantations usually varies between 500 to 1,200 acres, or more, focussing solely on the production of tea, to benefit from the economies of scale. Such large plantations are often part of a chain of plantations owned by large corporations. Some of the big tea plantation companies in India are Tata Tea, Unilever/Hindustan Lever, Duncans Industries Limited, and Goodricke. John Keells Holding Ltd., Sri Lanka's largest conglomerate, comprises 20 estates. Unilever also owns tea gardens in Eastern Africa.

Plantation workers

As mentioned above, work on tea plantations, especially the plucking, is labour-intensive, and, depending on the country, often done by women. Women form an important part of the total workforce in the global tea industry, around 50 percent. The main agricultural activities of tea workers are harvesting (highly labour-intensive), fertilising (manual application of organic/inorganic fertiliser), weeding, pruning (mainly done by men), soil conservation, control of pests and diseases and other sundry activities.

The situation of plantation workers differs both between and within tea-producing countries. The relatively low international market price for tea is clearly reflected in the low wages of plantation workers. Since wages constitute a substantial part of the overall plantation costs (some 55-60 percent), labour costs are the first item to be sacrificed when low tea prices affect the plantation. Wages consist of a basic daily wage for a given target weight of leaves plucked, plus extra payment for any amount of leaves plucked above the target weight.

Worldwide, wages in the tea plantation sector are relatively low, even by the plantation sector's standards. In India, for example, current official government standards set the average daily wage of a tea estate worker at \$0.60, while the average daily wage of a rubber estate worker is set at \$0.85, and the average daily wage of a cotton estate worker at \$1.65.

Tea processing factories (Bought Leaf Factories)

In India, most of the small tea farmers sell their green leaves to BLF factories. After processing, BLFs sell the tea on to the auctions. There has been a steady growth in the numbers of private tea manufacturing factories in India during the 1990s. Commenting upon the draft of this report, Unilever has stressed that the Indian government, with frequent regulation changes, has made it very difficult for Indian tea farmers, producers and brokers to confidently engage in long-term planning. Some of the moves implemented by the Indian government were requested by NGOs, claims Unilever, but have not necessarily benefited small farmers. (E-mail, 22 November 2005).

Trade

Auctions

An important part of the global production of tea is traded at auctions, especially in India. Nowadays, the main auction centres are in India (Kolkata and Kochi), Sri Lanka (Colombo) and Kenya (Mombassa). Other important tea-producing countries, such as China, Argentina and Turkey, do not have an auction system. Due to the UK interest in tea, the London Tea Auction was for many years the world's leading auction. However, its importance declined, resulting in its closure in June 1998. All auction centres function according to –more or less- the same system. Price movements at the global tea auctions are shown in section 1.2 (Table 3).

The tea auction system brings the buyers and sellers together to determine the price through interactive competitive bidding on the basis of prior assessment of quality of the tea. Manufactured tea is dispatched from various gardens/estates to the auction centres, for sale through the appointed auctioneers. On receipt of the tea, the warehouse keeper sends a 'weighment report', showing the date of arrival and other details pertaining to the tea, including any possible damage or short receipt from the carriers.

The tea is catalogued on the basis of its arrival date at the auctions. Within the framework of the respective Tea Trade Associations, the quantities of tea for auction are determined according to the rate of arrival at a particular auction centre. In Northern India, for example, auctioneers catalogue teas in order of arrival; as soon as the closing date for the catalogues of each sale is arrived at, the sale is 'closed'. Subsequent arrivals are printed in the next sale. In Southern India, the total quantity offered is taken up for sale. Registered buyers, representing both the domestic trade and exporters, receive samples of each lot of tea catalogued. These samples are normally distributed a week ahead of each sale, enabling the buyers to taste, inform their principals and receive their buying orders in good time for the auction sales. The auctioneers taste and value the tea for sale, and these valuations are released to the traders. Guidelines for the price levels likely to be established at the auction sale are formulated on the basis of these valuations and the previous sale prices.

Advantages and disadvantages of the dominance of the auction system for the tea industry:	
+ The auction system is praised for allowing the highest price possible to be paid for the tea in a way that balances market demand and supply.	- There has in the past been some evidence of collusion among brokers to influence prices. Such collusion, if it occurred, would tend to reduce the price at which producers could sell tea at the auctions, and would also affect prices of direct sales.
+ The cost of going through the system is also fairly low. In India, auctioning costs less than 2% of the merchandise, including free sampling to prospective buyers, while in Kenya the commission to the broker is 1% from the producer and 0.5% from the buyer.	- Auction houses are usually seen as 'middlemen' that soak up cost.
+ It is a transparent trading forum.	- It is alleged that, when the situation is to their advantage, they increase price uncertainty, delay and speculation.
+ Because buyers must buy the tea in its physical form rather than just on paper, it is protected from destabilising speculators.	

Source: The Tea Market, Oxfam, 2002

There is a possibility that technological developments will render auction houses redundant. The Oxfam report 'The Tea Market' paints a possible picture of tea trade in the future: with the development of the internet through mobile phone internet access, and given that many plantations are owned by large companies, it is not inconceivable that tea estates in the future will be able to post real-time data daily on the internet, enabling a viable futures market. Recently, more and more tea is being sold through forward contracts and private sales. The benefits of this to producers can be considerable: they receive payment faster, have less uncertainty about sales and prices, and can avoid the charges associated with auctioning tea (brokers' fees, warehousing). Likewise, the system could appeal to buyers and packers because it guarantees faster delivery. This might even lead to higher quality teas⁸.

In each auction centre, sales are dominated by a few firms only. J. Thomas & Co. Pvt. Ltd., the largest tea broker in India and the world, handles over 155 million kg of tea a year, i.e. one third of all tea auctioned in India. Carritt Moran and Co. Ltd., the world's second largest tea broker, handles 24% of auctioned teas in India. Generally, brokers must be registered with the appropriate tea board in order to operate, which limits the number of auction houses where tea can be sold. To give an idea, 11 brokers are registered with the Tea Board of Kenya, while there are four registered brokers at the

⁸ This assumption is questioned by Sara Lee International in the comments on the draft report.

Kolkata auction (J. Thomas & Co., Carritt Moran & Co., Contemporary Targett and Paramount Tea Marketing) - who together sell most of India's Darjeeling tea, for example. Traditionally, in most auction centres, a limited number of selected buyers is controlling the sales. New buyers are discriminated against, their bids are not easily accepted. Smaller buyers have difficulties facing up to the bigger buyers who also have stakes in blending and packaging. Unknown buyers are not allowed into the auctions at all, according to Sara Lee International (e-mail comments on draft report, 3 November 2005).

Trade

Market concentration is extremely high: 90 percent of Western trade is concentrated in the hands of seven multinationals companies; 85 percent of world production is sold by multinationals. At the global level, four companies dominate the tea trade:

- ❑ Unilever (Brooke Bond – Lipton / Unilever Trading Company UTC – London) (UK – the Netherlands)
- ❑ Van Rees (trader/blender, supplying many packers, part of Deli Universal Corporation)
- ❑ James Finlay (Scotland)
- ❑ Tetley/Stansand (United Kingdom). Tetley is part of Tata Tea, India's No 2 tea brand and itself part of the Tata Group, one of India's biggest business corporations. Between them, Tata Tea and Tetley sell tea in 60% of the world's tea market.

The large tea companies have a considerable influence on the supply and demand of tea, and thus on the price-fixing process. Their market power is a major determinant at tea auctions. With their buying policy, these corporations strongly influence both price movements and the demand for certain qualities of tea. Their ownership of both plantations and processing factories -horizontal integration- is essential. Vertical integration - companies having a strong influence on transport companies and shipping agencies and so on - adds to the powerful position of the large tea companies. This concentration of power, with corporations sometimes controlling the entire production process from tea shrub to tea bag, offers ample scope for manipulation.

Multinational corporations operate on the basis of their high degree of flexibility, their buffer stocks and their speculative transactions. The flexibility of the companies is enhanced by deliberately reducing differences in quality. With the exception of a few quality-conscious consumer countries, a degeneration and adaptation of tea qualities is going on all over the world, to a certain degree. Many tea qualities have become interchangeable and are bought where they are cheapest⁹.

⁹ Commenting upon the draft of this report, Sara Lee International insists on differentiating this picture: blenders and packers are simply looking for cheap purchasing prices, but there is no evidence of deliberate collective pressure on producers (E-mail, 3 November 2005).

Further processing / consumption

Tea is usually exported at a relatively early stage in the supply chain. Blending and packaging, the most lucrative part of the tea trade, is mostly carried out by the tea companies in the buyer country. The large profits do not therefore accrue to the tea-producing countries, but are made abroad. In Europe, 30 to 50% of the consumer price of tea goes towards blending, packing, packaging materials and promotion (European Fair Trade Association EFTA, 1998).

Important tea packers:

- ❑ Unilever's Lipton is a very strong brand with a world market share of 10% . Unilever has a reputation in product innovation.
- ❑ Tetley
- ❑ Hillsdown Holdings
- ❑ Sara Lee International, with its brand Pickwick, is the main player on the Dutch market.
- ❑ Ostfriesche Tee Gesellschaft OTG: main German company also with activities outside Germany. OTG has also a stake in the German leading herbal tea market.
- ❑ Teekanne: main German company, one of the oldest German traders.
- ❑ R. Twinings

Some companies, such as van Rees and Williamson Magor, also have small packing facilities.

The concentration of the industry is such that the top three firms have a 60% share of the market in the United Kingdom, 67% in Germany and 66% in Italy.

The European market leaders are fighting hard to maintain market share and stimulate demand. As explained above, the emphasis is on the supply of relatively low quality bulk tea¹⁰. However, at the same time, tea companies are catering to a niche market with premium priced, top quality products. This has increased the value of such tea, despite a fall in volume. While this means higher prices for those factories able to meet the higher standards, it results in a more difficult time for low quality producers who are already suffering from lower prices.

Along with higher quality products comes an emphasis on more sophisticated packaging. The emphasis is on image and freshness, with foil wrapping and higher quality printed boxes becoming the norm. The increasingly sophisticated and expensive packaging puts downward pressure on the cost of the tea itself and makes adding value in the country of origin much more difficult. Meanwhile, an even higher percentage of the retail value of the finished product goes to the marketing company, and not to the farmer. Producers are trying to sell processed tea in tea bags or pre-packed consumer units, but the export of ready-for-use tea is often hampered by their poor market information and the lack of funds for expensive marketing strategies.

¹⁰ Mr Thijs Kramer of Sara Lee International disagrees with this analysis (Email, 3 November 2005).

Product innovation is also a key feature of the current market, as the brand leaders compete to maintain their market position. Although currently commanding only a small share of the market, a number of sectors are growing rapidly. Consumption of instant, iced, decaffeinated and flavoured teas is growing, supported by massive advertising budgets. Again, the advanced technology required in the manufacture is not available to producing countries, and further isolates the farmer from the market.

3. The Dutch tea market – consumption

3.1. Import and export

In 2003, total tea imports in the Netherlands amounted to 25,450 tonnes of tea, 23,668 tonnes of which was black tea and 1,782 tonnes green tea. In 2001 and 2002, total tea imports accounted for respectively 27,083 and 28,273 tonnes. This means a decrease of 6 percent between 2001 and 2003.

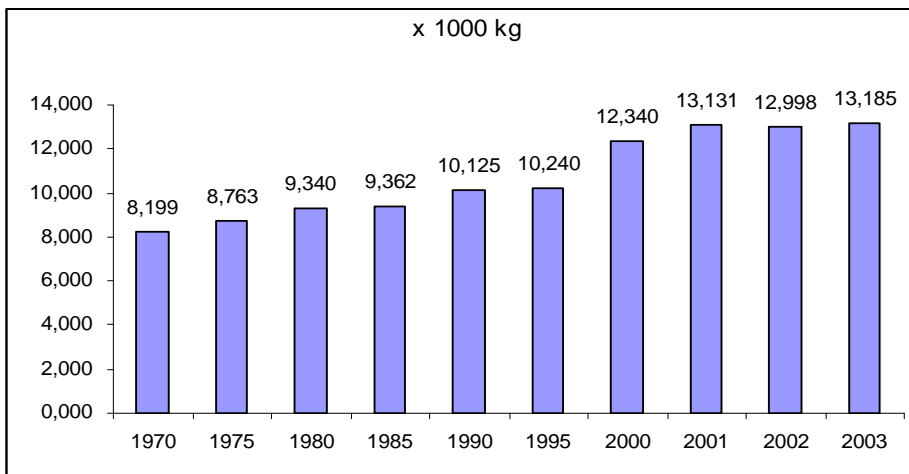
More than 50 percent of the tea is blended and packaged for local consumption. The remaining part is re-exported. In total, 10,116 tonnes of tea was exported in 2003. Germany is the main importer of packaged tea in the Netherlands (CBS, 2004).

Please refer to section 4.1 for the main traders on the Dutch market.

3.2. Consumption

Tea imports for local consumption in the Netherlands accounted to 13,185 tonnes in 2003 (CBS, 2004). On average, a person in Holland drinks 101 litres of tea per year (= two cups a day, or 811 grams). Before World War II this was much higher: 200 litres of tea per year. Due to the increasing popularity of coffee and soft drinks, the consumption of tea has declined. Nowadays, a reverse trend can be seen: tea is increasingly seen as a tasteful and healthy alternative to coffee and soft drinks. Moreover, the growing availability of a wide variety of teas appeals to a growing group of diverse consumers. 90 percent of the Dutch population drinks tea.

Figure 4: Total sales of tea, 1970-2003 (x 1000 kg)



Source: VNKT, 2004

In 2003, the share of tea in the total turnover of foodstuffs in the supermarket distribution channel was 0.4 percent, or € 102 million. By far the majority of sold tea (94.5 percent) is packaged as tea bags, while the remaining part is sold as loose tea. Increasingly, tea is sold in one-cup tea bags. The average price of tea in the supermarket is € 1.81 per 100 gr., while the most popular tea, English tea, costs € 1.17 per 100 gr. Apart from the strong position of retail chains, specialised tea is sold in special tea shops. Moreover, the catering sector has taken to the promotion of tea. Increasingly, tea is consumed outside home. In 2003, almost 20 percent of tea consumption took place outside the home.

3.3. Market segmentation

Table 4 shows the share of different teas in the total tea market in The Netherlands. While the share of black tea decreased slightly, the consumption of fruit and herbal 'teas', including rooibos, and to a lesser extent green tea, increased between 2001 and 2003. Increasing consumption of these kinds of 'teas' follows the trend of increased consumption of health and/or natural products.

Table 4: Share of various tea products in the Dutch tea market 2001-2003 (in %)

	2001	2002	2003
Pure black tea	73	70.9	69.7
Black variation tea	16.3	16.7	15.8
Green tea	1.4	1.8	2.2
Fruit/herbal 'tea'	9.3	10.5	12.3

Source: NVTK, 2004

In 2003, the market share of Max Havelaar-labelled tea¹¹ amounted to 0.45 percent. Table 5 shows the sales of labelled tea between 2001 and 2003.

Table 5: Sales of Max Havelaar-labelled tea, 2001-2003 in kg

	2001	2002	2003	Change in % 2001-2003
Consumer	59,729	49,204	40,502	-32%
Large-scale consumer	17,566	18,340	19,118	9%
Total	77,295	67,544	59,620	-23%

Source: Max Havelaar Foundation, 2005

Between 2001 and 2003, total sales under the Max Havelaar label decreased by 23 percent, as a result of declining consumption by individual consumers. This has to be

¹¹ For further details on Max Havelaar and Fairtrade, see section 7.3. Fairtrade Labelling is an international certification system. For the Fairtrade standard for tea, please refer to www.fairtrade.net. The Dutch fair trade label is called Max Havelaar, issued by the Foundation of the same name. The label can be found on some teas from Albert Heijn, de Drie Mollen and Simon Lévelt, and on all black teas of the Fair Trade Organisation.

seen in the context of the fierce competition on the tea market and the related weak loyalty to tea brands. However, large-scale consumers, such as companies, have been showing increasing interest in Max Havelaar tea.

3.4. Trends and developments

Section 2.2 described some major trends in the final stages of the tea production chain. Companies are fighting hard to maintain market share and to stimulate demand. This development has resulted in higher quality and product innovations including packaging.

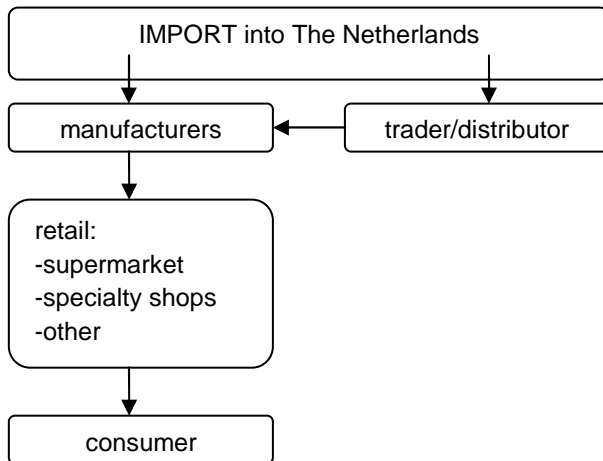
These product innovations are also common on the Dutch market. Some examples of visible product innovations in The Netherlands are:

- Packaging:
 - One-cup tea bag
 - Pick 'n mix selections of individual tea bags
 - Tetrahedral tea bag (3-dimensional for improving tea brewing)
- Flavoured black tea;
- Organic tea to guarantee the health aspect
- Increasing use of green and semi-fermented teas
- Increasing use of fruit/herbal 'teas'. Officially, these are not teas, since the tea is made of flowers or leaves from other plants. This market is booming and provides higher retail margin (due to higher prices). Often, herbal teas are also seen as a health product
- Ready To Drink Tea, such as ice tea (with main brands such as Lipton and Nestea (Nestle/Coca-Cola))

4. The Dutch tea market – production

4.1. Trade structure and main players

Below is a simplified diagram of the distribution channel of imported tea in the Netherlands is presented.



Tea is imported by traders/distributors, or by manufacturers themselves such as Sara Lee International, Ahold and Simon Lévelt. Manufacturing includes blending, tea bagging and re-packing. Some distributors also carry out these activities, while others only serve as a financial cash guarantor for both supplier and customer. In such cases, the distributor takes the risk of payment of the buying party set against the delivery of the agreed quality and quantity. As mentioned before, the tea production chain is vertically integrated to a significant extent. The main tea packers are key players in the consumer market, dominate trade and source part of their supplies from their own plantations. Ahold, for example, is directly involved in the purchasing, re-packing and sale of tea to the end consumer.

A nearly exhaustive overview of tea players on the Dutch market, including:

Company name	Main activities on the Dutch market
Sara Lee International	Development and marketing of tea products, private brand: Pickwick
Ahold	Marketing and retailing, private brand
Unilever	Unilever has around 5% market share of the Dutch market, but has an indirect influence as a major world player. Unilever has a strong position in the development and marketing of (ice) tea products. Private brand: Lipton.
Broektea Rotterdam B.V.	Importer, exporter
C Steinweg - Handelsveem B.V.	Blender, packer, warehouse keeper
L Elink Schuurman (Thee) B.V.	Broker
Van Rees B.V.	Importer, exporter, merchant, traders
Vriesthee B.V.	Importer, exporter, merchant, traders
Simon Lévelt B.V.	Trader, blending, re-packing, retailing private brand, also organic
Algra Koffie en Thee B.V.	Importer, blender, packer, distribution of black, organic and Fair Trade tea, private brand: Bradley's
Arcus B.V.	Blender, packer (takes place in Belgium), private brands: Orient Sunset (non-herbal), Pilkington, Paradiso (only herbal)
Koffiebranderij en theepakkerij Maison Blanche Dael	Blender, packer
Koffiebranderij en theehandel "Drie mollen" B.V.	Distributor*
"I.C.S." International B.V.	Blender, packer
Thieme's echte thee	Blender, packer (social accountability)
Hans. W. Haars	Producers' agent
Geel & Co	Advisors/packer
K. Ten Have	Packer*
Treasure Tea B.V.	Distributor, private brand Treasure Tea
Jacob Hooy	Importer and marketing private brand Jacob Hooy (herbal and black tea)
Boas Zonnatura	Distributor, private brand Zonnatura (organic/herbal tea)
Fair Trade	Fair Trade tea (social accountability)
Max Havelaar	Fair trade labelling organisation. Fair trade tea, also organic Fair Trade tea. Private brand Max Havelaar.

* The internet sites of these companies did not offer sufficient information to be certain regarding the companies' exact activities.

According to the National Federation of Dutch Tea Importers and Exporters the market share of the main players can be estimated as follows:

Sara Lee International	65%
Ahold	15%
Other supermarkets	7%
Other	13%

In other words, Pickwick and the private brand of Ahold are the main players on the Dutch market, while brands such as Simon Lévelt and Fair Trade should be seen as niche market products.

4.2. Employment and trade unions

No specific data is available on the number of people working in tea-related activities. Statistics Netherlands (*Centraal Bureau voor de Statistiek* CBS) provides data at the sector level, such as the food sector or the trading business in general. However, this data is too general to give an idea of the number of people employed in tea-related activities in the Netherlands.

Section 4.1 provided an overview of companies active in the Dutch tea business. Apart from the multinationals, some 20 small-to-medium sized companies can be distinguished. At a roughly estimate, 500-1,000 persons are employed in the Dutch tea sector. This does not include the retail sector, such as supermarkets, however.

Sara Lee International is the main player on the Dutch market. According to FNV Bondgenoten, 50 percent of all Sara Lee International employees in the Netherlands (2,000 in total) are members of a trade union. An estimated 200 members work in tea-related operations. The main activities of FNV Bondgenoten are the following:

- ❑ Lobbying with regard to labour conditions of the members;
- ❑ Lobbying with regard to working conditions;
- ❑ Assisting and representing the members in the event of reorganisations.

Moreover, with respect to corporate social responsibility (CSR), together with other social organisations, the trade union is working to establish a dialogue with and influence companies such as Sara Lee International. One of the initiatives has been the “Koffiecoalitie”, in which FNV Bondgenoten, Oxfam Novib, Hivos and other organisations criticise the situation in, and the role of major players in, the international coffee market. As a result, Sara Lee International started working partly according to Utz Kapeh guidelines. For more information please see <http://www.koffiecoalitie.nl/koffie/publish/index.php/index.php> and http://www.de.nl/hetbedrijf/Duurzaam+Ondernemen/Oorspronglanden/utz_kapeh.htm.

5. Origin of tea consumed in the Netherlands

In 2003, Indonesia remained the leading supplier of tea to the Netherlands, with total exports amounting to 4,166 thousand kg. Traditionally, Malawi and Sri Lanka alternate as the second and third largest exporters of tea to the Netherlands. The share of the Dutch market of all three of the leading suppliers has been declining. Other countries with declining exports of tea to the Netherlands are South Africa, and especially Turkey. However, the market share of tea from China has been showing steady annual increases. In the period reviewed, India and Zimbabwe also show increased exports to the Netherlands. Vietnam has also been increasing in importance as a supplier of tea, although volumes are considerably lower.

Table 6: Leading suppliers of tea to the Dutch market, in 1,000 kg

	2001	2002	2003	Change in % 2001-2003
Indonesia	5,493	4,962	4,166	- 24 %
Sri Lanka	3,530	3,020	3,191	- 9 %
Malawi	3,277	3,031	2,647	- 19 %
China	1,819	2,169	2,449	34 %
India	1,320	1,666	1,625	23 %
Zimbabwe	715	1,214	1,011	41 %
Argentina	1,082	1,230	953	- 11 %
Kenya	938	979	926	- 1 %
Vietnam	630	484	770	22 %
Turkey	1,156	879	422	- 63 %
South Africa	650	607	344	- 47 %
Other suppliers	6,472	8,032	6,946	7 %
Total imports	27,083	28,273	25,450	- 6.03 %

Source: VNKT, 2005

Table 7: Productivity of major suppliers, in kg, per hectare

	1960	1970	1980	1990	1997
Indonesia	567	688	1,118	1,076	860
Sri Lanka	837	878	782	1,051	1,430
Malawi	952	736	911	963	1,106
India	1,491	1,174	1,491	1,707	1,875
China	n.a.	n.a.	323	511	580
Kenya	751	1,035	1,049	2,031	1,880

Source: Tea Industry Forum (www.tea.org.au)

Section 5.1 describes the four major supplying countries to the Netherlands: Indonesia, Sri Lanka, Malawi and China.¹²

5.1. Countries of origin

Indonesia

From the 1980s onward, Indonesia's tea industry was revived through government investment. Improvement and modernisation of tea production and replanting of old estates are continuing to this day. Indonesian teas are planted on volcanic soil and tropical climates are predominant. Green tea production was introduced in the late 1980s, and now accounts for nearly 60% of Indonesian tea production, much of which goes to meet domestic demand. Apart from China, Indonesia is the only country where green tea has such a prominent position. Previously the main product was black Assam tea. Black tea production is mostly exported for blending.

The bulk of Indonesian tea is produced on the island of Java. The main production areas are in the vicinity of the western city of Bandung. Areas of Sumatra are also important. Tea from Java is typically of a higher quality, although there are no large variations in flavour between black teas from the two areas. Picking is typically done manually. Tea is picked all year round in Indonesia, but the best quality comes during the dry season of August and September. The Research Institute for Tea and Cinchona in Gambung, is responsible for increasing tea production and quality improvement.

Tea estates are either privately owned or government-run companies. Such government-owned companies are called PTPN's (Perseroan Terbatas Perkebunan Nusantara), all with a number of tea estates under their control. The best quality tea tends to come from government-owned estates. The majority of Indonesian tea is sold via the weekly auction in Jakarta, the only tea auction in the world that is not conducted in English. The Joint Marketing Office or Kantor Pemasaran Bersama (KPB) conducts the auction.

¹² For more information on India, please refer to www.justtea.org or www.indiatea.org, for example.

Sri Lanka

Sri Lankan tea production in 2003 amounted to 309,000 tonnes, slightly below 2002 levels. According to the Sri Lankan Tea Board, the Sri Lankan tea industry is the country's largest employer providing direct and indirect jobs to over a million people. It also contributes significantly to government revenues and to the gross domestic product. The total land used for tea cultivation is approximately 187 thousand hectares. The country focuses mostly on black teas (more than 99 percent of exports) and increasingly on value-added products such as packed tea and tea processed into teabags. The country is comparatively successful in this respect with 70 percent of the exports taken up by value-added products. More than half of the tea crop in Sri Lanka is produced by small farmers, but the plantation sector is again dominated by a few large companies, such as Finlays, John Keels Holdings Ltd, Tata Tea and Akbar Brothers.

The most important production regions, mostly in south-central Sri Lanka, are:

- ❑ **Kandy:** These plantations, the oldest in the country, around the city of Kandy supply mild teas. Plantations are located at altitudes between 600 and 1,200 meters.
- ❑ **Uda Pussellawa:** Consisting of two smaller production areas, the best quality tea is harvested from July to September on the eastern slopes, and in the first quarter of the year in the western area.
- ❑ **Nuwara Eliya:** This plateau is around 1,900 metres above sea level and is said to produce Sri Lanka's best tea.
- ❑ **Uva:** This production area lies on the eastern slopes of Sri Lanka's central mountain region between 900 and 1,500 metres. The highest quality tea is harvested between July and September.
- ❑ **Dimbula:** This area covers the western slopes of the central mountain range.
- ❑ **Ruhuna:** In the south of the country, this production area lies below 700 metres.

The Ceylon Tea Quality Certificate (CQC) is a Quality Management System (QMS) for tea factories approved by the Sri Lanka Tea Board, the national sector organisation. It is designed and implemented by the Q branch of the Sri Lanka Tea Board. For more information please refer to <http://www.pureceylontea.com/quality.htm>.

Malawi

Tea was first planted in Malawi in 1878. Tea growing is mainly in the far south around Thyolo and Mulanje in the Shire Highlands. The unpredictable weather in southern Malawi can make tea growing difficult. In recent years, Malawian tea-growers have partially overcome growing difficulties through fresh plantings of varieties better suited to the climate.

The main picking season is during the Malawian summer, from October to April. As long as rain is plentiful, the tea bushes flush well throughout the season. In 2000, 90 percent of Malawi tea was exported, mainly black tea. Much of it is produced using the Laurie Tea

Processing method (the Laurie Tea Processor was a tobacco-processing machine adapted for the tea trade). Auctions are held once a week in Blantyre during the picking season, and only once a fortnight out of season. Much of the country's tea is sold privately.

China

Increases in Chinese tea production are largely due to the expanding area under cultivation. In 2003, China produced 762,000 tonnes of tea, an increase of two percent from 2002. The total area under cultivation in China stands at 1.19 million hectares. Chinese exports to the EU and Japan are hindered by import restrictions imposed because pesticide residues encountered in Chinese tea exceed maximum permitted levels.

China is the only country reviewed where green tea is not only the dominant variety produced (which is also the case for Indonesia), but also the main export tea. Chinese tea belongs to, and is sold by, a single organisation, the 'National Native Produce & Animal By-products Import and Export Corporation of People's Republic of China' (China TUHSU in short. For more information: http://www.tuhsu.com.cn/p1/p1_en.htm).

Major tea-producing provinces in China are:

- ❑ **Anwei:** An area specialising in Keemun tea, for both the domestic and the export market.
- ❑ **Huang-shan:** In this region, some 60 percent of the rural population is engaged in tea production.
- ❑ **Yunnan:** Yunnan is a mountain and plateau region producing thick, broad and glossy leaves. Most tea is cultivated at altitudes of between 2700-6400 metres.
- ❑ **Fukien:** Located along China's southeast coast, northwest of the island of Taiwan, Fukien produces tea mainly for the domestic market. The area is known for its flower-scented teas.
- ❑ **Wu-i Mountains:** Wu-i tea is regarded as one of China's best teas and is exported all over the world. 200 years ago, tea from the region dominated European tea markets. Although 2,000 varieties are produced, the bulk is Oolong tea, with 500 tonnes produced annually.
- ❑ **Chekiang:** This province is China's leading tea producer.
- ❑ **Hunan:** Red and black tea are mostly grown in this province.

5.2. Tracking & tracing

Tracking and tracing systems are applied because increasing consumer attention to food safety obliges companies to have full command of and information on the whole supply chain.

As indicated in the previous section, the Dutch tea market is dominated by two companies; Sara Lee International and Ahold. Large international players such as these two, as well as Unilever and the German corporation Teetasse have comparable methods

for tracking and tracing. Moreover, in order to supply to these larger players, distributors also need to comply with the same tracking and tracing methods. According to Sara Lee International the tracking and tracing mechanisms include global business standards, social standards, environmental standards and quality standards. No details are available, however. Although the European Union has legislation for tracking and tracing in place, compliance is not yet strictly enforced.

Although some companies have their own tea estates, companies such as those mentioned above are mostly dependent on co-operatives, private companies, auction sales, etc., in producing countries for their supply. These companies send samples with price and product specification to these buyers. After screening, if the company decides to buy, the batch is imported and screened to assess if it corresponds to the product initially offered. This batch is given a code, corresponding to the supplier that offered the batch and the production date, and stored. Different batches are used to blend melanges that can be marketed. Blending is always carried out to ensure constant quality. These blends are coded by production date and batches used. The blends can then be packaged for the final consumer. Every individual package of tea is coded to ensure that information concerning the blend, the date of blending, the original batches and the suppliers, can be traced. Computerised information systems offer tea companies the possibility to keep command of their supply chain.

6. Labour, social, and environmental issues in the tea sector

This overview is based on an inventory of existing accounts and documentation outlining the economic, social and environmental issues in the tea sector. The conditions and situations may differ in different tea-producing countries, and within countries between plantations, small farmers and regions. It goes beyond the scope of this report to provide a complete overview of labour, social, environmental and economic CSR issues in tea-producing countries.

Most of the available information on CSR issues in the tea sector concerns the situation in the Indian tea sector. However, as Indonesia, Sri Lanka and Malawi are the three largest exporters to the Netherlands, information about these countries has been sought as well. Where possible, information about other increasingly important countries in terms of export growth to the Netherlands, such as China, is included.

There is a lack of information about the situation in the tea sector in Indonesia, in particular. The overall picture arising from the existing documentation is that working conditions are very harsh both for plantation workers as well as for small farmers due to low prices. It is difficult to assess whether the situation has improved or worsened (except with regard to the issue of abandoned tea estates in India) on the basis of the available documentation. Some of the reports cited here date from a few years back, but others showing a similar picture are more recent. More in-depth study is needed before an assessment can be made of whether there are any trends in the social and environmental conditions under which tea is produced and processed.

6.1. Labour standards

The following labour standards are discussed here, as they are most commonly found in CSR codes such as the Ethical Trade Initiative Base code and SA 8000. They can also be found in the CSR Frame of Reference, drafted by a coalition of Dutch NGOs and trade unions.

The four ILO core labour rights:

- ❑ Freedom from forced labour
- ❑ No child labour
- ❑ Freedom of association and right to collective bargaining
- ❑ Freedom from discrimination

Additionally, information has been collected concerning the following labour standards:

- ❑ Wages
- ❑ Health and safety
- ❑ Working hours
- ❑ Regular employment

Forced labour

Given the historical background of tea plantations in colonial times, coercion and super-exploitation have always been the characteristics of the plantation economies. Certain forms of bonded labour still exist. Workers are still partly paid in cash and kind. The way plantation labour is organised and whole families depend on the tea plantation for their livelihood can be regarded as a form of modern day bonded labour:

The children cannot avail of any reservation facility in educational institutions, the youth do not enjoy any opportunity in the employment sphere. After passing from the lower primary schools of the gardens, they are forced to join the tea labour workforce as unskilled workers with no educational and alternative employment opportunity. Generation after generation, they remain tied to the gardens. They are 'born in the gardens and die in the gardens'. They are the epitome of modern day bonded labour – the forced and unfree labour.¹³

Forced labour in the tea sector was found in China in 1997, when a Chinese dissident reported that one third of China's tea is produced by Laogai camps. This is the name for the Communist China's prison system: the Laogai camps. "Laogai" means "forced labour" and "forced to reform".¹⁴ Although there is no more recent information available, it seems likely that some portions of Chinese tea are still produced by prison labourers.

Child labour

In tea-producing countries the use of child labour on tea plantations is common, given the numerous accounts in reports and documentation from different countries.

According to a report of the State Government, the total number of children employed in the tea plantations of Assam, was around 80,000 during the period 1991 and 1993. The same could apply to West Bengal as well and the number of child labour could be in fact much higher than what is officially reported.¹⁵ According to another source, the Tea Board

¹³ Souparna Lahiri, Bonded Labour and the Tea Plantation Economy, in Revolutionary Democracy Vol. VI, No. 2, September 2000

¹⁴ Harry Wu, 'The abuse of prison labour', Laogai Research Foundation, presentation at Public Hearing on the Social Clause: Human Rights Promotion or Protectionism? Brussels, 17 and 18 June 1997

¹⁵ ILO publication on Labour and Social Issues in Plantations in South Asia, 'Productivity and Labour Standards in Tea Plantation Sector in India', by S K Bhowmik
<<http://www.ilo.org/public/english/region/asro/newdelhi/download/plant5.pdf>>, p.149

of India, in 1987 approximately 80,000 children worked on the tea plantations in India.¹⁶ On some plantations, even children under twelve years old are part of the workforce. Due to financial need and a lack of nursery facilities, women plantation workers are often obliged to take their children to the plantation. A Unicef report from 2002 concluded that in Kenya, more than 30% of the tea pickers were under the age of 15.¹⁷ A pilot study on child labour in the tea sector in Malawi found that child labour is widespread, although hard data on the exact number of children working in the tea sector was not available.¹⁸ In the tea plantations in Indonesia in East Java, many children work to assist their parents meeting their daily targets or earning some extra money.¹⁹ In Sri Lanka, according to unofficial estimates, between 100,000 and 500,000 children are employed illegally, many of them on tea plantations.²⁰ In 2002, IPEC conducted an assessment of tea estates in Tanzania, and found that children were working without proper protective clothing, they were working on average eight hours, were exposed to toxic herbicides, and sexual harassment of girls took place.²¹

Freedom of association and right to collective bargaining

Whether or not the basic labour right of freedom of association and right to collective bargaining are respected cannot be measured by the existence or non-existence of trade unions. However, an overall picture of trade union presence and effective functioning does provide some insight into the question whether trade union rights are being effectively implemented.

In most of the tea-producing countries there is a general picture of unions in the tea sector that are weak, fragmented and inactive. Although the plantation workers in the Indian tea sector are highly organised, there may be strong rivalry between the various unions on the tea plantations, which is not always to the advantage of the workers. Labour unrest is not always sustained and often turns out to benefit the management. The 'elected' union leaders do not always represent the interests of the plantations workers. Plantation workers generally belong to the lowest socio-economic groups, while union leaders are often 'outsiders' from the middle class. In India, plantation workers often originate from tribal and/or lower caste groups, which makes their position even more vulnerable.²²

¹⁶ Terre des Hommes report 'At the Lowest Stratum of Society. Extreme forms of child labour and its victims: "Children of Vulnerable Groups"'

<<http://www.terredeshommes.nl/filelibrary/kinderslavernij1997.engels.pdf>>, p.13.

¹⁷ Both Ends, *Thee, een gouden drankje met een bijzondere nasmaak*, 2004

¹⁸ L. Eldring, "Investigating child labor in the tea sector in Malawi," for the Institute for Applied Social Science, Norway, 2003

¹⁹ ILO-IPEC website, Worst Forms of Child Labour < <http://www.ilo-jakarta.or.id/ilopec/whatipeccworstforms.htm> > (08 April 2005)

²⁰ Equiterre, in search of fair trade tea; the conventional tea trade all the way from china: a well-travelled plant, date unknown < <http://www.equiterre.qc.ca/english/fairtrade/tea.html> > (11 April 2005)

²¹ International Programme on the Elimination of Child Labour (IPEC) Safety and Health Fact Sheet Hazardous Child Labour in Agriculture, TEA, Published by ILO, March 2004, Geneva

²² EFTA website, <<http://www.eftafairtrade.org/Document.asp?DocID=98&tod=65111>> (11 April 2005)

The present phase of globalisation, fierce competition and low prices have led to an overall weakening of the bargaining power of the unions. In India, a process of restructuring of tea plantations is underway. The relevance of trade unions in the closed tea plantations is fast receding, in spite of concerted efforts by trade unions to forge alliances and undertake united struggles.

In Malawi, the Plantation and Agricultural Workers Union (PAWU) is described as weak, and is struggling to get a foothold in the tea sector.²³ Recently, a strike by tea workers was repressed violently. In September 2004, the BBC reported that police fired upon a workers' demonstration using live ammunition and tear gas. Live ammunition was used against a group of 600 tea workers in Mulanje in response to their demands for severance pay.²⁴

Many demands for the implementation of existing international and national labour laws and minimum wages in tea-producing countries remain unattained. In general, throughout the tea industry, implementation of laws is weak, and sanctions for breaking laws are so minimal that plantation owners are hardly affected. The responsibility to implement the law is thus essentially left to the employers, for whom the improvement of working conditions is unfortunately not the first priority.

Freedom from discrimination

Historically, the opening up of tea and other plantations worldwide has been built on migrant unskilled labour. Generations on, tea plantation workers are still discriminated against because of this historical context.²⁵ For example, in Sri Lanka, the vast majority of tea estate workers are "tea Tamils" who are isolated even within their own community as the indigenous Sri Lanka Tamils consider them to be 'second class citizens'.²⁶

Another form of discrimination which can be seen on tea plantations is sex discrimination. Most women on tea plantations do the fieldwork, while men are often hired as supervisors. Among male and female pickers, even if wages are the same, women have to work longer hours. Women are also discriminated against in the disbursement of subsidised food grains and medical facilities.²⁷

Wages

A number of CSR initiatives include the notion of a living wage (i.e. SA 8000, ETI Base Code). Although it may be difficult to establish what constitutes a living wage, it is often

²³ L. Eldring, "Investigating child labor in the tea sector in Malawi," for the Institute for Applied Social Science, Norway, 2003

²⁴ ICTUR website, December 2004 < <http://www.ictur.labournet.org/Interventions.htm> > (08 April 2005)

²⁵ Are Codes of Conduct effective tools for improving conditions in the tea plantation sector? Workshop organized by Oxfam Great Britain December 3, 1999

²⁶ Oxfam, The tea market, a background study, 2002

claimed that the minimum wage levels are highly insufficient to cover basic needs, because wages in the tea plantation sector are relatively low, even by the plantation sector's standards. For example In India, official government figures for average daily earnings in 2001 indicated that a tea estate worker earns \$0.60 a day, while a rubber estate worker earns \$0.85 and a cotton estate worker earns \$1.65.²⁸ Please note that it is rather difficult to give a good estimation of what tea estate workers over the world earn. Moreover, sometimes secondary labour provisions such as education, medical care, accommodation and food are included in the total wage of estate workers. A more recent figure states that daily wages for tea garden workers in India are less than \$1.50, which is seen by the All India Federation of Plantation Workers as 'inadequate to even meet the minimum requirement of an average family's budget in plantations, and far below the minimum wage'.²⁹

Health and safety

The tea industry raises a number of health and safety issues. Tea plucking can be hazardous work, resulting in back pains. Workers who cultivate and pluck tea are exposed to toxic pesticides and insecticides, insects and snakes. The work is physically demanding, because pickers must carry the bags of tea to the collection points.

Improper use of chemicals, due to a lack of knowledge among the sprayers is a problem that often occurs on tea plantations.³⁰ Other health and safety issues include inadequate protective clothing. As many workers on tea plantations live with their families on the tea estates, lack of adequate housing and sanitary facilities are health and safety issues that are particularly relevant for the tea sector.

According to the International Labour Organisation (ILO) the major safety and health hazards in the tea sector can be summarised as follows:³¹

- ❑ Cuts to hands, legs and feet from the sharp edges of tea leaves;
- ❑ Falls, sprains, fractures, bruises, cuts, and burns especially during cleaning, uprooting, and pruning;
- ❑ Musculoskeletal injuries from repetitive and forceful movements, bending, and lifting and carrying heavy or awkward loads;
- ❑ Injuries from cutting tools;
- ❑ Exposure to harsh climatic conditions;
- ❑ Snake and insect bites;
- ❑ Poisoning and long term health problems from pesticide use or exposure;
- ❑ Long hours of work;

²⁷ ibid

²⁸ ibid

²⁹ Financial Express, "Losing Flavour in tea industry, low pay to workers, marketing dilemma haunts the sector, 26 March 2005 <http://www.financialexpress.com/fe_full_story.php?content_id=86238>

³⁰ ibid

³¹ International Programme on the Elimination of Child Labour (IPEC) Safety and Health Fact Sheet Hazardous Child Labour in Agriculture, TEA, Published by ILO, March 2004, Geneva

- Stress and harassment by supervisors

Regular employment

Job insecurity is a common problem in the tea plantations, as even permanent workers' wages are paid on a daily rate just for the days worked, so that workers cannot be sure of a steady income. Job insecurity is also due to variance in work according to seasons.

Casual workers are often excluded from the legislative rights of permanent workers, such as the provisions of the Plantations Labour Act in India. In India, there is a growing trend towards casualisation and informalisation of employment.

6.2. Social issues

Gender

Gender is an important issue in the tea sector, because there is often a clear division of work between male and female tea workers, and female workers generally do the hardest and lowest paid jobs. A study by the International Labour Rights Fund (ILRF) indicates that sexual abuse in tea plantations in Kenya is rampant.³²

Land use

There have been a number of reports about land ownership problems. For example, a long-running land ownership dispute is taking place at the Davershola tea plantation in India, owned by Hindustan Level. Villagers say they have been harassed and intimidated, that their houses have been pulled down and their tea plants uprooted.³³

The issue is of particular importance to the Indian situation, as in most of the Indian tea plantations workers are third or fourth generation descendants of immigrants from the colonial period. However, they were kept under a sense of tremendous insecurity by denying them the right to homestead of the place where they have been living all these years. Most cruel was the threat of eviction if they had taken up any job outside. Homestead becomes a stick and a carrot to keep the workers in servitude for generations and generations.

³² International Labor Rights Fund, 'Violence Against Women in the Workplace in Kenya: Assessment of Workplace Sexual Harassment in Commercial Agriculture and Textile Manufacturing Sectors in Kenya', May 2002

³³ Action Aid International, Power hungry, six reasons to regulate global food corporations. 2004

Livelihood

Especially in Asia, tea plantations are enclaves where the workers do their jobs, live, send their children to school etc. Since plantations are often located in an isolated area and are characterised by their underdeveloped general infrastructure (including roads, agriculture, allied industries and a commodity market) there is not much social control as in other parts of society. Moreover, specific regulations pertaining to plantation workers in tea-producing countries are often not taken seriously in practice. On the larger plantations, around cities, the conditions are relatively good, but in isolated areas, the conditions for tea pickers are often miserable.

The reliance of families on the tea plantations for food, water, shelter, education, health and sanitation makes them extremely vulnerable to closures. In recent years, a large number of tea plantations were closed and abandoned in India (West Bengal, Kerala, Tamil Nadu and Assam), affecting more than 65,000 workers along with their families. This has resulted in deaths due to starvation and drinking contaminated water, non-availability of food, non-functional estate hospitals, children no longer attending school, and non-payment of wages.³⁴

As a result of closures and abandonment of tea plantations in India, the political and social barriers, constructed over decades of struggle by labour and social movements to protect the collective political, economic and social rights of working people, are being diluted. These include various forms of government regulation of corporate activities, such as laws on employment, environmental protection and public health. Neither the tea plantation owners, the trade unions nor the Government can foresee reopening the closed tea estates in the near future.

6.3. Environmental issues

Major environmental aspects associated with tea production, apart from the health and safety issues which are outlined under the social sector above, include deforestation, water pollution, destroying fish and aquatic life, landslides and erosion. Tea is grown in mono-culture, which reduces bio-diversity.

Forests limit soil erosion, saving at least one tonne of soil per hectare per year. If a forest is replaced with a tea plantation, the same surface area may lose from 20 to 160 tonnes of earth each year.³⁵

³⁴ Centre for Education and Communication, Tea Plantations of West Bengal in Crisis, May 2003

³⁵ Equiterre, in search of fair trade tea; the conventional tea trade all the way from china: a well-travelled plant, date unknown < <http://www.equiterre.qc.ca/english/fairtrade/tea.html> > (11 April 2005)

7. CSR initiatives in the tea sector

This section will provide an overview of three existing CSR initiatives in the tea sector. This overview is not exhaustive, but lists the most relevant initiatives from the perspective of the Dutch market and Dutch market players.

The following aspects of each initiative will be outlined where relevant:

- ❑ Start of the initiative and membership
- ❑ Aims of the initiative
- ❑ Criteria and standards
- ❑ Operational principles (monitoring, independent verification, supply chain responsibility)
- ❑ Involvement of stakeholders
- ❑ Current scope, impact and recent developments

7.1. Ethical Tea Partnership

Start of the initiative and membership

The Ethical Tea Partnership (ETP) started in 1997 as the Tea Sourcing Partnership consisting of tea packing companies from the UK. In September 2004 its name was changed to the Ethical Tea Partnership.

The ETP is a partnership between 17 tea packers: Accord Services Ltd, Matthew Algie & Co Ltd, Bettys & Taylors of Harrogate Ltd., DJ Miles & Co Ltd, Drie Mollen, Gold Crown Foods Limited, Finlay Beverages Ltd, Imporient UK Ltd, Keith Spicer Ltd, The Metropolitan Tea Company, The Nambarrie Tea Company Limited, Sara Lee International, The Tetley Group, R Twining & Company Ltd, Unilever (Europe), Williamson Fine Teas Ltd, The Windmill Tea Co Ltd

The Ethical Tea Partnership is chaired by Katy Tubb from The Tetley Group. Dutch members are Sara Lee International, Drie Mollen and Unilever Europe.

Aims of the initiative

The ETP aims to monitor social conditions of tea production around the world and to seek and encourage improvement where needed. Tea estates where ETP members are sourcing from are monitored and certified through a system of graded certification. The ETP aims to become a global initiative. Apart from the membership of the three Dutch tea

packers, the scheme also aims to 'internationalise' the ETP by building membership in Europe (particularly in Germany and the former Eastern Bloc), the US and Canada.³⁶

Criteria and standards

The Ethical Tea Partnership looks at five areas:

Employment (including minimum age and wage levels), Education, Maternity, Health and Safety, Housing and Basic Rights. However, it is unclear what the exact standards are which are complied with as ETP merely states that it is "*checking compliance with local laws and union agreements and some international standards.*"

Furthermore, it is said that the partnership monitors on the basis of the following standards:

- ❑ Employment is freely chosen
- ❑ Freedom of association and the right to collective bargaining are respected
- ❑ Working conditions are safe and hygienic
- ❑ Child labour shall not be used
- ❑ Total remuneration packages are negotiated between unions and employers
- ❑ Agreements are in place regarding working hours
- ❑ No discrimination is practiced
- ❑ No harsh or inhumane treatment is allowed

Although not directly referred to, the four ILO core labour standards are mentioned here. Another positive point is that total remuneration packages should be negotiated between unions and employers, which could mean wages may end up higher than the local minimum wage. However, as shown above, trade unions can be weak, so relying on trade union negotiations may not be enough to guarantee a living wage that covers basic needs. There is no mention of a living wage. Another weakness is that the ILO Convention on maximum hours of work is not included; instead the only reference is to agreements that should be in place regarding working hours. There is also no mention of environmental standards.

Operational principles (monitoring, independent verification, supply chain responsibility)

Monitoring of the scheme is carried out by PriceWaterhouseCoopers (PwC). Unilever, in an e-mail of 22 November, stresses that it is worth noting that farmers and producers do not pay towards ETP auditing, as it is funded by packer members. However, all other costs related to required improvements are born by the producers themselves. Smallholders are not currently part of the Ethical Tea Partnership scheme. The ETP has been working with the Ethical Trading Initiative to understand issues particularly concerning smallholders and to help devise guidelines. These ETI smallholder guidelines

have now been published³⁷ and the ETP is now looking at if it can develop these guidelines into a practical tool.³⁸

The ETP works on the basis of a system of graded certification. The aim is to allow the ETP to recognise the efforts estates make to rectify non-conformances.³⁹

Tea estates are graded after the monitoring visit has taken place. Grades are determined by the ETP, after the monitors' reports are received.

Grades range from A-F. Grade A indicates no improvements are needed. Grades A-C merit a Certificate, Grades D-E do not. Grade F indicates a Fail – the estate will be removed from the ETP members' Approved Supplier list unless it shows that it is ready to immediately work with us to remedy the non-conformances. Thus, while the ETP recognises that a policy of 'cut and run' can be even more harmful for the livelihoods of those depending on the tea estate, they will eventually cease to source from a tea estate that does not show improvements.

The monitoring checklist is divided into 14 Chapters: (Minimum age, Minimum wage, Hours of work, Discrimination, Employment, Remuneration, Medical, Education & child care, Maternity conditions, Maternity welfare, Health, Safety, Housing, Basic rights)

The publicly available information about the monitoring process indicates that the procedures for monitoring include a number of methods for interviewing workers, which aim to guarantee that the workers can speak openly to the auditors:

- ensuring anonymity
- no management present during worker interviews
- interviewers are familiar with the local language and customs
- female monitors interview female workers
- questions are put sensitively

However, some elements which are considered critical for NGOs and trade unions are lacking. For example, the visits of auditors are announced instead of unannounced.⁴⁰ Also, the question arises whether the workers would trust the auditors, as they could become associated with the management of the plantation. The description of the monitoring visit in Sri Lanka shows that the auditors and the management of the plantation will be seen together.

³⁷ ETI Smallholder guidelines launched on 22 September 2005.
<http://www.ethicaltrade.org/Z/actvts/exproj/smlhldr/index.shtml>

³⁸ Ethical Tea Partnership website
http://www.ethicalteapartnership.org.uk/pages.asp?page_id=30&parent_id=20, (5 April 2005)

³⁹ Ethical Tea Partnership, Graded Certification,
<http://www.ethicalteapartnership.org/document_library/26172021_ETP_Graded_Certification.pdf>

⁴⁰ Ethical Tea Partnership – a monitoring visit at first hand, Tetley Tea Buyers Louise Allen and Alex Probyn describe the two days spent with PricewaterhouseCoopers Sri Lankan monitoring team.

Involvement of stakeholders

Thus far, there has been very limited involvement of other stakeholders in the ETP, such as community stakeholders, suppliers, NGOs and trade unions. The only formal engagement of stakeholders so far has been organised through a stakeholder forum which was held in 2004 in the UK. The website mentions that the ETP will engage more actively with stakeholders, but it is unclear in what form. According to Unilever, it is expected that ETP will formalise NGO consultation in the near future.⁴¹

Traidcraft criticizes ETP's governance structure for the lack of stakeholder involvement. Traidcraft suggests approaches that ETP could adopt to overcome the weaknesses in its governance structure. Either to ensure that each ETP member joins the Ethical Trading Initiative (ETI a tripartite approach); or for ETP to change its governance structure by include suppliers, NGOs and TUs on its board.⁴²

The PwC audit reports are not shared with the stakeholders and therefore it is difficult to know what improvements have been made by a company. Secondly, the auditing is not backed up by capacity building programmes for the managers and other key stakeholders, such as workers. Traidcraft comments that companies alone are not able to bring about sustained change to working conditions in supplier markets. The capacity of NGOs and trade unions in tea-producing countries needs to be strengthened so that they can be active in the supply chains⁴³. Thirdly, the ETP model is premised on a compliance mindset and does not make a strong business case for observing social and environmental standards. The auditing is not viewed by the management as an investment.

Ethical Trading Initiative's smallholder project

The Ethical Tea Partnership is involved in the ETI smallholder project, which aims to analyse how to apply the ETI Base Code to smallholders in supply chains. The secretariat of the Ethical Tea Partnership is involved in the ETI, with only Unilever as individual member.

This project was set up to provide guidance to members on how to tackle the challenges faced by small agricultural producers in their supply chains, and to define corporate responsibility with regard to labour standards in the smallholder context.

Lack of information was seen as an important problem, and the project developed a model booklet for communicating rights and responsibilities to smallholders and their workers and a needs assessment tool for understanding their priorities.

Recommendations have been drafted for the roles of retailers, trade unions and non-governmental organisations on how to improve smallholders and their workers' working

⁴¹ Email Jan Kees Vis, Unilever, 18 April 2005

⁴² E-mail, 28 March 2006

⁴³ Idem

conditions. These recommendations were launched publicly in September 2005.⁴⁴ The aim is for ETI members to use the Guidelines wherever smallholders are present in their supply chains, across different countries and products.

Current scope, impact and recent developments

The scheme currently monitors 1,200 estates supplying ETP members in seven tea-producing countries: Kenya, Malawi, Sri Lanka, India, Indonesia, Tanzania and Zimbabwe. Monitoring in Indonesia started in 2004. Mid 2006 a pilot will start in China⁴⁵.

⁴⁴ <http://www.ethicaltrade.org/Z/lib/2005/09/smhldr-gls/index.shtml>

⁴⁵ Refer to the ETP website: http://www.ethicalteapartnership.org.uk/pages.asp?page_id=43&parent_id=23

7.2. Unilever Sustainable Tea Initiative

Start of the initiative and membership

Apart from being a member of the Ethical Tea Partnership, Unilever has its own sustainable development programmes, one of which focuses on tea: the Sustainable Agriculture Initiative for Tea. In this, Unilever works together with the Unilever Sustainable Agriculture Advisory Board (SAAB), the Ethical Tea Partnership and with the Tea Industry in general.

Aims of the initiative

The general aim of Unilever's sustainability initiatives in agriculture (peas, spinach, tea, tomatoes and palm oil) is to establish sustainability indicators, appropriate measures and standards, which support four principles:⁴⁶

- ❑ To produce crops that meet existing and future needs
- ❑ To minimise adverse effects from agriculture and to make a positive contribution *where possible*
- ❑ To optimise the use of renewable resources
- ❑ To enable local communities to protect and enhance their well being and environments

Criteria and standards

In contrast to the Ethical Tea Partnership, Unilever's sustainable agricultural indicators are predominantly environmental in nature. The initiative uses ten sustainability indicators: soil fertility, soil loss, nutrients, pest management, biodiversity, product value, energy, water, social capital and local economy)

⁴⁶ Unilever, Tea A popular beverage; Journey to a Sustainable Future

Sustainable Agriculture Indicators	Typical parameters
Soil fertility/Health	Soil organic matter, soil pH, soil compaction
Soil Loss	Soil cover index (percentage of soil covered by crop), soil erosion
Nutrients	Proportion of nitrogen/phosphate/potassium applied that is exported with the crop, proportion of nitrogen that is fixed on site as part of the cropping system, losses of nutrients to water
Pest Management	Risk to operators and the environment from pesticides applied, adoption of Integrated Pest Management approaches
Biodiversity	Crop genetic diversity, proportion of land managed as natural habitat, habitat quality
Product Value	Total value of the produce per ha, ratio of solid waste re-used/recycled to solid waste disposed to landfill
Energy	Total energy input per tonne of product, ratio of renewable to non-renewable energy inputs, production of polluting emissions
Water	Amount of water used, sustainability of water source, pollution of watercourses by factory effluent
Social/Human Capital	Fair employment practices, agricultural knowledge and training, relationships with local communities, health and education status of employees
Local Economy	Amount of money/profit spent locally, employment level in the local economy

In an e-mail commenting upon the draft of this report, Unilever adds that the company ‘fully supports the aims of the ILO and its efforts to combat abuse of child labour. The company is committed to the ILO Convention 138 concerning the Minimum Age of Admission to Employment and ILO Convention 182 concerning the Worst Forms of Child Labour. This is reflected in our Code of Business principles which says: ‘we will not use any form of forced, compulsory or child labour’. Unilever companies around the world operate high standards of employee welfare. In India, for example, our company operates a minimum age limit of 18 years and contractors and licensed manufacturers are also asked to comply with this standard.’

Operational principles (monitoring, independent verification, supply chain responsibility)

Unilever has developed two sets of guidelines for good agricultural practice, one for tea estates and one for smallholders. However, implementation of the guidelines currently focuses on Unilever’s own plantations. Unilever has the intention to ‘increasingly incorporate these guidelines into discussions and agreements with suppliers of tea for Unilever.’⁴⁷ Programmes were started to inform suppliers about guidelines, such as HACCP, GAP and Unilever’s own Code of Business Principles. However, Unilever is

⁴⁷ Ibid, page 07

reticent to provide a timeline for the implementation throughout their supply chain, due to the complexities and scale of the supply chain.⁴⁸ In India and Kenya, Unilever developed participative learning schemes for large scale growers as well as small farmers.

The monitoring of compliance at Unilever's own plantations is carried out through its own internal management system. Furthermore, Unilever is in the process of setting up an internal reporting system for CSR.

Involvement of stakeholders

Unilever has created a Sustainable Agriculture Advisory Board (SAAB) in which a number of NGOs are represented, such as WWF, Forum for the Future, IFOAM and the Pesticide Action Network (PAN). There is no representation of trade unions in SAAB. Other involvement of civil society organisations is channelled through the Ethical Trading Initiative.

There is no involvement of external stakeholders in the *governance* of the sustainable tea initiatives, nor any form of external verification.

Current scope, impact and recent developments

Unilever is trying to set up a programme with the Kenya Tea Development Association (KTDA) on 'Sustainable livelihoods for small tea growers'. Questions have been raised about the involvement of Dutch Researchers from the University of Wageningen and their ability to work on Kenya supply chain issues. Unilever hopes to obtain funding from DFID's Business Linkage Challenge Fund (BLCF), but a formal approval by all regional KTDA Presidents is needed.⁴⁹

Furthermore, Unilever is discussing the possibilities of a programme on tea producers in Indonesia with the Dutch Ministry of Foreign Affairs.

7.3. Fairtrade labelled tea

Start of the initiative and membership

The Fair Labour Organisation FLO International works with 61 FLO certified producer partners. FLO tea sources are found on two continents, Asia and Africa. 26 FLO registered exporters supply FLO registered tea importers (64) and licensees (93) in North America, Europe and East Asia.⁵⁰ In the Netherlands, four companies sell tea under the Max Havelaar trademark: Albert Heijn, Simon Lévelt, Drie Mollen and Fair Trade Organisatie.

⁴⁸ Email Jan Kees Vis, Unilever Netherlands, 18 April 2005

⁴⁹ *ibid*

⁵⁰ FLO website

Aims of the initiative

The primary aim of fair trade is to improve the livelihood of marginalised producers in developing countries by developing more direct, equitable and long term trading relationships. Central to the fairtrade concept is the notion of empowerment: smallholders and workers are required to organise and co-operate, to strengthen their position in the trade chain. The unique aspect of the fair trade system is the premise that fair trading practices are the key to improving the situation of producers. Therefore, buyers must pay a price that covers the costs of socially and ecologically sustainable production; pay a premium specifically for social and economical development of the workers or small farmers; pre-finance the trade if necessary and aim for long term contracts.

Criteria and standards

The concern for smallholders is to receive a fair income through fair prices, the concerns for workers employed on tea plantations are fair wages and decent working conditions. In order to address these, there are two sets of generic producer standards, one for small farmers' organisations and one for companies employing workers, on plantations and in factories.

FLO International follows several internationally recognised standards and conventions, especially those of the International Labour Organisation (ILO). Each item in the Fairtrade Standards for Tea is formulated in general terms, and, when applicable, reference is made to the external standards that FLO adopts. The standard is then followed by requirements that serve as parameters for verification. These requirements are divided into:

- ❑ **Minimum requirements**, which all producer organisations must meet from the moment they join Fairtrade, or within a specified period;
- ❑ **Progress requirements**, on which producer organisations must show permanent improvement.

FLO also requires that producers abide by national legislation, which take precedence in the event that they set higher standards on particular issues than FLO.

The following issues are addressed in the Generic Fairtrade Standards for smallholders:

Social development	<ul style="list-style-type: none"> ▪ The producer organisation should need the revenues of Fairtrade to be able to promote social and economical development of small farmers; ▪ Members of the producer organisation should be small farmers; ▪ Requirements on democracy, participation and transparency; ▪ Non-discrimination requirements.
Economic development	<ul style="list-style-type: none"> ▪ The producer organisation must have the commitment and capacity to administer the Fairtrade Premium in a way that is transparent for beneficiaries and FLO; ▪ Export ability: the producers must have access to the logistical, administrative and technical means to bring a quality product to the market; ▪ Economic strengthening of the organisation.
Environmental development	<ul style="list-style-type: none"> ▪ Environmental protection: producers have to implement a system of Integrated Crop Management (ICM) and minimise the use of fertilizers and pesticides.
Labour conditions (applicable if the organisation employs a considerable amount of workers)	<ul style="list-style-type: none"> ▪ Forced labour and Child labour (in accordance with ILO Conventions 29, 105 and 138); ▪ Freedom of association and collective bargaining (in accordance with ILO Conventions 87 and 98); ▪ Conditions of employment (in accordance with ILO Conventions 110, 100 and 111); ▪ Occupational health and safety (in accordance with ILO Convention 155).

The key difference between the Fairtrade standards for small farmers and those for hired labour is that they target different groups. In the smallholder standards, price and premium are instrumental to better business performance and returns for the organisation and its members. Decisions on the Fairtrade benefits are made collectively, in the organisation. Labour standards only apply when the organisation employs a considerable number of workers. In the hired labour standards, which target workers, the price serves to help their employer to comply with the labour and environmental standards. The premium is for social development of the workers. Through the establishment of a Joint Body, workers and management decide jointly about the use of the Premium.

In contrast with other products, FLO does not set a minimum price for tea, because of the diverse cost structures for different grades and varieties of made tea. All fair trade tea prices are calculated on the basis of market price quotations and must at least cover the costs of production. The focus in fair trade tea is on the high premiums: 0.50 euros per kilogram for all CTC produced tea and orthodox fanning and dust, and 1.00 euros per kilogram on all other orthodox tea.

Operational principles (monitoring, independent verification, supply chain responsibility)

FLO makes a difference between certification and registration. Certification is granted to producers for the production of specific products, while registration is issued to traders (processors, exporters, importers and manufacturers).

The former FLO Certification Unit, now FLO-Cert Ltd, has become a limited company. The main reason for the foundation of FLO-Cert as a limited company is to make Fairtrade's certification and trade auditing operations more transparent. Certification takes place on the basis of audit reports. FLO uses local auditors with a social background.

Involvement of stakeholders

The FLO Board and the Standards and Policy Committee consist of a wide range of stakeholders, such as the national labelling organisations, traders, producers, trade unions and external experts.

Current scope, impact and recent developments

Of the total number of producer partners, 45 are plantations, the rest are small farmers organisations. In July 2004, FLO developed more detailed generic environmental standards, which will be applicable from July 1st 2005.

7.4. IUF Code of conduct for the tea sector

Start of the initiative and membership

In 1995 the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations IUF drafted a "Code of Conduct for the Tea Sector".⁵¹ This code is particularly relevant for its content.

Aims of the initiative

The aim of the initiative was to draw up a model code of conduct for the tea sector from the perspective of the trade union movement.

⁵¹ Drafted at the IUF African tea meeting, Arusha, Tanzania, October 1995 and endorsed by the IUF global tea meeting, Coimbatore, India, October 1996 < <http://www1.umn.edu/humanrts/links/teacode.html> > (5 April 2005)

Criteria and standards

The code lists 14 standards in the field of social and environmental standards:

The following conditions must exist for fair trade to be possible:

1. Freedom of association to be guaranteed. Recognition of independent, democratic trade unions and the right to organise and bargain collectively.
2. Workers must be paid a living wage.
3. Guaranteed adequate housing, sanitation and safe water.
4. Weekly hours to be fixed at 40 hours over 5 days. Double time for overtime.
5. No child below the school leaving age or the national registration age, whichever is lower, should work on a tea plantation.
6. Health and safety standards:
 - provision of protective clothing
 - no use of banned chemicals
 - training in occupational health & safety
 - establishment of safety committees.
7. No discrimination on grounds of gender or race. Equal pay for equal work. Access to training and promotion should be available for women.
8. Vocational training and paid time-off for trade union education.
9. Casual, seasonal, piece-rate and task work should be discouraged but where it is unavoidable, pay and benefits should not be less than those of permanent workers.
10. There should be paid maternity leave of at least 90 days, in addition to annual leave, with no loss of seniority. Paid paternity leave should also be granted.
11. Respect for workers and dignity of labour. Sexual harassment of women will not be tolerated.
12. Provision of welfare facilities and adequate social security provision, especially retirement benefits.
13. Workers' children should have access to a crèche and school within reasonable walking distance.
14. Environmentally friendly production of tea should be encouraged

Operational principles

One of the ways in which the IUF is working is by building links along the chain of production in the tea industry. IUF brings together those working on tea plantations, in the food industry in the North and consumer campaigns working around fair trade issues.⁵² However, it is not clear to what extent the IUF has been working towards the implementation of the IUF code of conduct and its acceptance by business.⁵³ Unilever comments that the IUF code 'had no impact at all on tea',⁵⁴

⁵² Jane Tate HomeNet – Organising Homebased Women Workers, date unknown, FES website

7.5. Rainforest Tea Gardens initiative

Start of the initiative and membership

The Rainforest Tea Gardens is an initiative of the Dutch NGO Both ENDS and its Sri Lankan partners. The project is supported by the Dutch Ministry of Foreign Affairs through its Public Private Partnership programme. The production method that is used is called Analog Forestry, which was designed twenty years ago by the Sri Lankan Neo Synthesis Research Centre (NSRC).

Key partners in this project are:

- The tea plantation Talawakelle, owned by Hayleys, which is one of the largest Sri Lankan tea planters, with more than 4500 hectares of tea plantations. Talawakelle is also one of Unilever's main suppliers.
- The NGO Global Biodynamics, which provides environmental services in the field of organic farming and Analog Forestry.

These partners have formed a joint company, Rainforest Tea Gardens Ltd. Other partners are several Sri Lankan NGOs working on Analog Forestry, the Sri Lankan Tea Institute, the Sri Lankan Tea Board and a marketing and packaging firm.

Aims of the initiative

The initiative aims to develop a model tea ecosystem that provides a livelihood for the workers on the plantation and for neighbouring farmers, while at the same time restoring bio-diversity, based on Analog Forestry:

“Analog forestry is a system of forest management that seeks to establish a tree dominated ecosystem analogous in architectural structure and ecological function to the original climax or sub-climax vegetation community. It seeks to empower rural communities both socially and economically, through the use of species that provide marketable products.”⁵⁵

The aim of the PPP is to transform 100 hectares of the plantation owned by Hailey's into sustainable tea plantation following Analog Forestry. Apart from the social and environmental components of the production, the project aims to develop an efficient marketing system for the certified tea and to create widespread acceptance of certified products that include social as well as environmental aspects.

⁵³ SOMO has contacted Sue Longley from the IUF to obtain more information about the follow-up of the IUF code of conduct for the tea sector, and the role of trade unions in general, but has received no response so far.

⁵⁴ E-mail from Unilever, dated 22 November 2006.

⁵⁵ Analog Forestry website < <http://www.rcfa-cfan.org/english/profile.12.html>>

Criteria and standards

The production method that is used is based on Analog Forestry and a number of income generating projects. Medical facilities will be built, a school, a cattle project, a protein project, and training of workers and farmers in Analog Forestry will be provided.

Operational principles (monitoring, independent verification, supply chain responsibility)

The NSRC, which designed the method, has developed a system of crop certification. Production according to the method can be certified with the Forest Garden Products label (FGP).

Involvement of stakeholders

Various stakeholders are involved in the project of Both ENDS as partners: NGOs, business and governmental representatives. Apart from this stakeholder involvement in the PPP, stakeholders are involved in the International Analog Forestry Network (IAFN). Membership of the IAFN is open to any local organisation which is working with its communities in activities of agro-forestry, reforestation or bio-diversity conservation and which would like to apply the techniques of Analog forestry to their work. According to Unilever, the Rainforest Tea Garden Initiative is a very small activity that is struggling to get going⁵⁶

Current scope, impact and recent developments

Currently, plantations based on Analog Forestry can be found in 15 different countries.

⁵⁶ Unilever, e-mail of 22 November 2005.

8. Comparison with CSR Frame of Reference

8.1. Standards

The Ethical Tea Partnership's auditing checklist includes all labour standards which are mentioned in the CSR Frame of Reference. However, the code itself is less clear on what standards the members are actually committing themselves to. There is no reference to environmental standards whatsoever.

The Unilever project includes extensive environmental guidelines that go beyond the general principles laid down in the environmental chapter of the Dutch NGO CSR Frame of Reference. In terms of social standards the scheme is much weaker, reference is only made to health and safety issues and training of workers. The social conditions are clearly phrased from the perspective of the management. For example, the guidelines for plantations state that 'terms and conditions should be such that the turnover rate amongst permanent workers and seasonal labour is low enough to ensure skill levels are maintained.'⁵⁷ Rights-based standards such as freedom of association and the right to collective bargaining and discrimination are absent, as are provisions on wages and working hours.

The Fairtrade standard includes both social and environmental provisions. Unlike the Dutch NGO CSR Frame of Reference and the ETI Base Code, for example, Fairtrade does not include an explicit reference to a living wage clause. Instead, it states that the producer organisation must pay wages 'in line with or exceeding national laws and agreements on minimum wages or the regional average.'⁵⁸

8.2. Operational principles

The CSR Frame of Reference includes a number of basic conditions which are seen as essential for CSR initiatives to become meaningful. First of all, trade and supply conditions, such as prices and supply deadlines should enable the whole supply chain to comply with the standards mentioned. The weaknesses of Unilever's approach are that it undervalues economic considerations, which are currently acknowledged as the major concern of tea suppliers. Furthermore, there is no consideration of a responsible use of power. For example, how Unilever could use its significant market share to leverage improvements in price and social conditions. From the above overview, it is clear that Fairtrade is the only system which includes such comprehensive provisions about trade relations and practices.

⁵⁷ Unilever, Sustainable Tea: Good Agricultural Practice Guidelines

⁵⁸ FLO, Fairtrade Standards for Tea for Hired Labour, Version July 2004

The other key operational aspects are supply chain responsibility, stakeholder involvement, transparency and reporting, independent verification and complaints mechanisms. In terms of supply chain responsibility, it is clear that the Unilever initiative and the Ethical Tea Partnership still have a long way to go to ensure the self proclaimed standards throughout the whole supply chain, especially when it comes to small farmers. Stakeholders are only involved at an advisory level, there is a lack of involvement in the governance of the schemes, as well as direct involvement of workers and workers organisations in the monitoring and verification processes. In terms of transparency, the audit reports and the names of the suppliers are not made public in the ETP scheme, which makes it difficult for outside organisations to assess the true impact of the initiative.

9. Positioning of market players from a CSR-perspective

Important players from a CSR perspective are Simon Lévelt (which sells Max Havelaar tea as well as organic tea), Drie Mollen (because of its membership in the ETP) and Fair Trade Organisatie (Max Havelaar Tea).

Pickwick and the private brand of Ahold are the main players on the Dutch market. Even though Unilever does not have a very large market share with regards to the Dutch tea market, the fact that the company, as a major global player, is partly headquartered in the Netherlands, makes it another relevant player to look at.

9.1. Sara Lee International

In terms of the CSR policies and positioning in the CSR debate, Sara Lee International has made a first step by signing up to the Ethical Tea Partnership in July 2004. Their involvement is relatively new compared to their CSR policies and activities in the coffee sector. The most important tea countries that Sara Lee International sources from are Indonesia, China, Malawi and the rest of Africa and Sri Lanka.⁵⁹ In March 2006, Sara Lee International stated that 82% of its sourced tea volume is from ETP monitored (and approved) plantations. In June 2007 Sara Lee International expects that 100% of its sourced volume will originate from ETP audited plantations⁶⁰.

9.2. Ahold

Apart from selling a small amount of Max Havelaar certified tea, the second biggest player on the Dutch market Ahold has no specific CSR schemes in the tea sector. With other products, such as coffee, Ahold has played an important role in setting up the CSR initiative Utz Kapeh.

9.3. Unilever

Of the major market players relevant for the Netherlands, Unilever is the most active, with its own sustainability programme, membership of the Ethical Tea Partnership and involvement in the ETI Smallholders Project. However, the lack of direct involvement of stakeholders in the governance of its own initiative, and the lack of monitoring and independent verification are concerns that Unilever should address. The most important countries from which Unilever sources are Kenya, Indonesia, Sri Lanka and India.

⁵⁹ E-mail from Viola Peulen, Sara Lee International, 19 April 2005

⁶⁰ Information obtained by the Tea Initiative during a meeting with Sara Lee International, 16 March 2006

10. Civil society organisations active in the field

10.1. Tea Initiative – *Initiatiefgroep Thee IT*

The Tea Initiative, or '*Initiatiefgroep Thee*', is an alliance of Dutch social organisations, including development organisations and trade unions. The Tea Initiative started in early 2005. The Tea Initiative now consists of Both ENDS, Fairfood, FNV Bondgenoten, India Committee of the Netherlands, Oxfam Novib, SOMO and the South North Federation. ProFound - Advisors in Development has an advising role.

The Tea Initiative works for the improvement of labour, social, ecological and economic conditions in the tea sector in tea-producing countries. Since its start the Tea Initiative has undertaken a number of activities. It commissioned research into the global tea industry, of which this report is the result. The research looked at the Dutch tea market in particular. The Tea Initiative has addressed Dutch market parties by pointing out their responsibilities to ensure compliance with national and international legal standards concerning labour, social and environmental issues, throughout the tea chain.

The aim of the Tea Initiative is to contribute to the emergence of a tea sector in which international labour standards (ILO conventions) are respected. This means a sector in which there is no place for child labour, forced or bonded labour, discrimination, excessive overtime; and where freedom of association, the right to collective bargaining, a living wage (covering the basic needs of families), and lawful labour contracts are ensured and which offers a safe working environment. A sector which understands the importance of sustainable land use, meaning at least respecting and following local environmental law and international environmental conventions. The recommendations of the UN Commission on Sustainable Development (CDS) can be taken as guiding principles.

The Tea Initiative promotes a tea sector in which fair trade is taken as a norm, meaning a sector in which added value and costs are justly divided along the value chain (higher margins at the beginning of the value chain and lower margins at the end of the value chain). Tea producers cannot solely bear the burden of responsibility for quality, food security and responsible business behaviour. Tea producers should get a fair price. Multinational corporation should, in case of investments, pay taxes in the producing countries. A sector with a 'level playing field', in other words, without excessive concentration of market power, with the same rules applicable to all market parties, and an end to tariff barriers to packaged tea in tea consuming countries in the global North.

It is of the utmost importance that these objectives are seen in a comprehensive manner.

Guiding principles formulated by the Tea Initiative are:

- ❑ stakeholder involvement
- ❑ chain responsibility
- ❑ process approach – gradual implementation of standards
- ❑ independent verification
- ❑ strive towards binding national and international legislation
- ❑ strive towards adherence to and enforcement of national and international legislation
- ❑ prevention of the proliferation of CSR standards and certification schemes
- ❑ prevention of the exclusion of small producers
- ❑ a bottom up approach allowing local producers to implement standards

The organisations now involved with the Tea Initiative are:

Both ENDS supports the work of environmental organisations, primarily in the so-called South (developing countries) and Central and Eastern European (CEE) countries. We support organisations through information, research, advocacy, campaigning, networking and capacity-building. The core of Both ENDS' activities is in making connections, between South and North, environment and development, and between different sectors of society. Both ENDS functions as a go-between to support individuals and social organisations all over the world whose focus is on ecological sustainability and social justice. The main focus is the realisation of sustainable forms of natural resource management and to promote policymaking in the Netherlands as well as worldwide. Both ENDS is working on a pilot on the implementation of sustainable land use management on a tea plantation in Sri Lanka in cooperation with local CSOs, government institutes, Dutch government, labour unions and others. See also www.bothends.nl.

Fairfood is a campaign and lobby organisation, fighting hunger around the world by focusing on unfair Western trade policies. Fairfood's goal is food for everyone, to be made possible by a fair trade system. Fairfood criticises the situation in which hunger-stricken countries are being encouraged to export more and more products against steadily declining prices. As a result, farmers in poor countries often do not earn enough to feed themselves. Fairfood wants sufficient income, fair contracts and a safe working environment for farmers and employees, as well as access to Western markets for poor countries (mainly for manufactured products). In 2006 Fairfood will publish the results of the Fairfood Fairness Indicator. Several brands of tea will be investigated in terms of fairness. See also www.fairfood.nl.

FNV Bondgenoten FNV Bondgenoten is the largest trade union in the Netherlands, with almost 500,000 members in the metal, chemical, food, agriculture, transport, trade and services sectors. FNV Bondgenoten keeps close contact with a large number of trade unions in Africa, Asia and Latin America, where projects are funded through the Solidarity Fund. See also www.bondgenoten.fnv.nl.

The India Committee of the Netherlands ICN / Landelijke India Werkgroep LIW is an independent non-governmental organisation working from a rights-based perspective in

solidarity with oppressed and deprived groups in India. The main themes the ICN focuses on are: child labour & right to education; caste discrimination & dalit-issues; corporate accountability or social responsibility. Within its Responsible Business-programme the ICN is focusing on a number of sectors, including tea. ICN is in close contact with labour organisations and trade unions in India, including the Just Tea-coalition. See also www.indianet.nl.

Oxfam Novib is a Dutch development NGO, working closely with eleven sister organisations of Oxfam International and with more than 3000 local organizations. Together they form a worldwide movement of people with a single communal goal: a just world which is free of poverty for everyone. The world can rid itself of poverty and injustice if governments, businesses and civil society together assume responsibility. Oxfam Novib is encouraging businesses to give meaning to their corporate social responsibility through critical and constructive dialogue and different forms of cooperation. Since Oxfam Novib is active in several tea producing countries where the tea sector is an important employer, we believe the MNCs that are buying from these countries, have an important role to play to ensure that the way they are doing business will improve the living and working conditions of producers. We also support partners in these countries to work with small producers and plantation workers building capacity and organizing them. See also www.oxfamnovib.nl.

ProFound Advisors in Development has many years of experience in the field of market analysis, sustainable supply chain management and export marketing of biodiversity products. Next to market research of tea and related products, ProFound is partner in the Public Private Partnership of Rainforest Tea Gardens. See also www.thisisProFound.com.

SOMO. Established in 1973, the Centre for Research on Multinational Corporations (SOMO) is a Dutch non-profit research and advisory bureau. SOMO investigates the consequences of Multinational Enterprises' (MNE's) policies and the consequences of the internationalisation of business particularly for developing countries. SOMO's central activities include: research, co-ordination of networks and public debate. Research centres on the following themes: research for labour unions and employee councils, country, sector and chain research, Corporate Social Responsibility, Company research, and International trade and investment. Co-ordinated networks include the Dutch CSR Platform, OECD Watch and Red Puentes. The agricultural sector is a crucial sector regarding sustainable development and poverty alleviation in the Global South which are pivotal in SOMO's mission. Accordingly, much of SOMO's attention is focussed on this sector and now on addressing current problems in the tea sector. See also www.somo.nl.

The **South North Federation SNF/Zuid Noord Federatie ZNF** is an alliance of civil society organisations in the Netherlands, working on the interface between international fair trade rules and corporate social responsibility. In these areas, the South North Federation aims at a close cooperation between Northern and Southern civil society and works together with its southern partners to strengthen their capacity to make their voice more clearly heard in the relevant trade forums. SNF coordinates the Dutch Coffee

Coalition and the Dutch Coalition for Fair Trade. See also www.koffiecoalitie.nl and www.coalitievooreerlijkehandel.nl.

For more details, see the annexed (draft) vision document of the Tea Initiative.

10.2. Just Tea coalition

Just Tea is a collaborative project of the Centre for Education and Communication (CEC) in India, FAKT in Germany and Traidcraft in the UK. The overall objective is to promote the sustainability of tea trade through improved social standards, fair trade practices and new market opportunities.⁶¹ The project specifically focuses on India and seeks to identify how the tea industry could have an improved economic and social impact on Indian smallholders, which can be seen in the project objectives:

1. Develop standard Codes of Conduct (CoC) within the Indian tea industry and create support mechanisms and transparent monitoring to increase compliance.
2. Encourage tea importers in the EU to recognise the business case for corporate social responsibility
3. Assess the potential of CoC for marketing tea to socially conscious consumers.
4. Provide the growing number of small tea producers in India who are most affected by the current crisis in the tea industry with information and contacts which facilitate their access to new markets, both in India and the EU.

The Just Tea coalition maintains contact with the Ethical Tea Partnership, as they have overlapping objectives to improve social conditions at the production level. The Just Tea project has expressed concerns to the ETP about its scheme - these include the lack of local level approach to auditing, whether the barriers to improve workplace conditions are being addressed by the ETP and the need for the ETP to involve expertise of other types of organisations (more appropriately placed to improve working conditions) in its governance.

At the Just Tea national workshop conducted in Darjeeling in April 2005, consensus was reached on elements of 'Social, economic and environmental standards for the tea industry':

1. Labour standards. Existing legislative provisions regarding labour rights and industrial relations, which are comprehensive and mandatory, should be considered as the benchmark for any assessment or evolution of Corporate Social Responsibility or Code of Conduct in the tea industry.
2. Minimum Residue Levels (MRL) and food safety standards. The Government of India should initiate a process to establish a common institutional standard evolved by FAO, WHO or any other UN agency.
3. Occupational Health and Safety OHS. The tea industry should follow the provisions with regards to OHS in the ILO conventions and recommendations.

⁶¹ Just Tea website, < <http://www.justtea.org/Justteaframes.asp?caption=project> > (19 April 2005)

4. Non-discrimination. The Indian tea industry should continue to practise the principles of non-discrimination, for example between male and female workers and permanent and casual workers.
5. Responsibility to non-workers. The stakeholders in the tea industry have a responsibility towards the non-working population, superannuated workers and the communities living around tea gardens, in particular for regional development and generation of alternative employment opportunities.
6. Small growers and Bought Leaf Factories BLF (to whom the Plantation Labour Act does not apply). BLFs should assume responsibility for ensuring a fair price to small growers and follow the minimum of the 60:40 price sharing formula recommended by the Indian Tea Board.
7. Retailers, traders and others in the value chain. The government should institute and implement a certification process for retailers and traders to ensure the quality of tea.
8. Monitoring. Monitoring of the observance of 'Social, economic and environmental standards for the tea industry' should involve all stakeholders in the tea industry; in particular, workers and small growers need to know about the standards and complaint mechanisms, to enable their participation in the monitoring. The bipartite/tripartite monitoring system existing in the tea industry should be continued and not be undermined by any systems of monitoring.

10.3. Role of trade unions

It was beyond the scope of this research to provide a good overview of the role of trade unions in the important tea exporting countries to the Netherlands. In particular, there is little information available on the role of trade unions in Indonesia, the biggest exporter to the Netherlands. In Malawi, there are accounts that the trade union movement is quite weak. China, another important exporter (increasingly) is known for its lack of independent trade unions, as only 'yellow unions' are allowed. The position and role of trade unions in Sri Lanka, the second largest exporter to the Netherlands, is somewhat better. In India, 'the multiplicity of trade unions, remoteness of tea growing regions, lack of adequate information about the recent developments in global and national tea trade, highly organised and powerful employers groups and lack of coherent strategy among the trade unions have hampered the interest of the tea workers.'⁶²

More research is needed in order to obtain a clearer picture of the role and position of trade unions and their willingness to co-operate with NGOs in the various tea exporting countries.

⁶² E-mail Dr. Shatadru Chattopadhyay, Partners in Change, 24-04-2005

Trade unions in Indian tea industry⁶³

The international trade unions body IUF has been involved in the formation of the All India Tea Workers Co-ordination Committee (AITWCC), bringing together several trade unions to campaign at the national level for a proper solution to the crisis in the Indian tea industry. Between January and March of 2003 the AITWCC wrote protest letters to the various state and national government ministries, sent a delegation to the Minister of Commerce in the National Government and sought the support of IUF affiliates in an international protest campaign. However, the government has yet to take any major action addressing the plight of the workers.

At the state level, tea unions have participated in protests and rallies focusing their demands on the need to reopen the tea gardens, continue medical services and provide food relief to workers. In Kerala, 5,000 tea workers participated in a *padyatra* (march) to the worst affected district in the state on 2 March. On 12 March, all plantation workers participated in a general strike in Kerala. In West Bengal, 1,000 tea workers participated in rallies on 27-28 March, including a protest outside the State Assembly on 28 March, where a memorandum was submitted to the Deputy Speaker. These initial actions have led to some relief; for example, the state government of Kerala has agreed to provide food rations to tea workers for the months of April and May.

10.4. New Delhi Declaration on the Rights of Tea Workers and Small Growers

On 15 December 2005, an international conference of tea workers and smallholders from Bangladesh, Indonesia, India, Kenya, Malawi, Malaysia, Nepal, Sri Lanka, Tanzania, Uganda and Vietnam came together to observe international tea day. At this occasion, the New Delhi declaration on the rights of tea workers and small growers was adopted. The declaration specifically addresses the following aspects: women in the tea plantations, wages, social security, employment security, labour rights, worker's international interests, the position of tea small growers, occupational safety and health,

The declaration recognizes that the tea sector sustains more than 10 million people as workers, the majority of whom are women, and small growers globally in the developing countries which are most vulnerable to the current forms of global trade. The declaration mentions that tea, along with other tree top crops such as coffee, cocoa, rubber, is the major foreign exchange earner for some of the producing countries. Tea workers, in many countries, are an emigrant population of different ethnicities and religious minorities from the most vulnerable sections of society, and small growers are subsistence farmers. There is disproportionate value accrual at the higher end of the value chain which is never passed on to the consumers and producers and workers. The concentration of power by brands and retailers is increasing the deprivation and vulnerability of the primary producers and workers;

⁶³ *ibid*

The unprecedented and prolonged decline in prices of the primary commodity, including market manipulation, and in the context of reorganization of the industry and global trade under WTO. The burden of the 'crisis' in tea industry is unjustifiably passed on to workers and small growers, which is not reflected in the profitability of the industry. The declaration criticizes governments that are abdicating their responsibilities in the regulation of production, pricing of tea and the welfare of workers and small growers. However, the declaration states that the tea industry can sustain its workers and producers.

The declaration looks into the following themes: women workers, wages, social security, labour rights, global perspective on tea workers' interests, tea small growers, and occupational health and safety. For more details see the full annexed declaration.

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Annexes

1. Vision document (draft) of the Dutch Tea Initiative, March 2006
2. New Delhi Declaration on the Rights of Tea Workers and Small Growers, 15 December 2005

Annex 1

Vision document (draft) of the Dutch Tea Initiative, March 2006

Mission and vision of the Dutch Tea Initiative¹ (draft)

March 2006.

1. Background

The Dutch Tea Initiative, or *Initiatiefgroep Thee*, is an alliance of Dutch civil society organisations including development organisations and trade unions, working for the improvement of labour, social, ecological and economic conditions in the tea sector in tea-producing countries.

The global tea sector is going through a prolonged crisis. As a result of overproduction global tea prices are at an historic low². Problems that the tea industry has faced for decades are worsening: appalling working conditions, low wages, child labour, forms of bonded labour, environmental problems such as pollution by pesticides, erosion and land degradation.

While small tea farmers and plantation workers are hit hard by the crisis, multinational corporations are benefiting from the low commodities prices. However, consumers are not benefiting in turn. Advocacy organisations of small producers and plantation workers in the global south are calling for structural changes³.

2. Mission

To improve the labour, social, ecological and environmental conditions in the tea sector in tea-producing countries.

3. Vision

The Tea Initiative believes problems in the tea sector can only be resolved through a multi stakeholder approach. Tea companies (producers, packers, traders) have to collaborate on an equal basis with NGOs, trade unions, associations of small farmers and other stake

¹ Organisations involved include: Both ENDS, Fairfood, FNV Bondgenoten, India Committee of the Netherlands, Oxfam Novib, SOMO and the South North Federation. ProFound - Advisors in Development has an advising role.

² In Sri Lanka, one of the most important tea-producing countries in the world, the price of tea per kilo has dropped from \$2.66 in the 1960's to \$0.88 at the beginning of this century (corrected for inflation). Source: FAO, The state of agricultural commodity markets 2004, Annex 1, Table 1.

³ New Delhi declaration on the Rights of Tea Workers and Small Growers, 15 December 2005.

holders in tea-producing as well as in tea consuming countries. Companies selling tea on the global market have a (shared) responsibility for sustainable production and trade. Chain responsibility concerns the entire chain, from production to consumption. Failing governments and inadequate implementation of national legislation cannot be an excuse for companies not to live up to social and environmental standards.

The Tea Initiative recognises that standards cannot be met overnight throughout the entire chain; a process of gradual benchmarked compliance to internationally agreed upon standards is therefore possible.

4. Objectives

The objective of the Tea Initiative is to contribute to a tea sector in which:

- ❑ **International labour norms (ILO conventions) are respected.** This means a sector in which there is no place for child labour, forced or bonded labour, discrimination, excessive overtime; where freedom of association, the right to collective bargaining, a living wage (covering the basic needs of families), legally binding labour contracts are ensured and which offers a safe working environment.
- ❑ **sustainable land use is integrated in the production.** This means a sector respecting and following local environmental law and international environmental conventions⁴. The recommendations of the UN Commission on Sustainable development (CDS) can be taken as guiding principles. The sector should strive to research, learn from, develop and implement sustainable production methods (including organic farming, multi cropping, Forest Garden Products-method⁵ and Analog Forestry⁶). This approach should as a minimum include the prevention of erosion and land degradation, the wise use of natural resources such as water, a substantial decrease in the use of pesticides and an end to the use of pesticides that are banned in the USA and the EU.
- ❑ **fair trade is the norm.** This means a sector in which added value and costs are justly distributed along the value chain (higher margins at the beginning, and lower margins at the end of the value chain). Tea producers cannot exclusively be burdened with the responsibility for quality, food security and responsible business behaviour. Tea producers should get a fair price. Multinational corporations should pay taxes in the producing countries, in the event of investment. A sector with a 'level playing field', ruling out excessive concentration of market power, where the same rules apply to all market parties, and an end to tariff walls for packaged tea in tea consuming countries in the global North.

⁴ Including the Convention on Biodiversity (CBD), the Convention to Combat Desertification (CCD) and the Kyoto Protocol.

⁵ See www.ntfp.org/voices/voices2/article2_7.html

⁶ See: www.rcfa-cfan.org/english/profile.12.html

It is of the utmost importance that these objectives are treated in a comprehensive and integrated manner.

Guiding principles for the realisation of these objectives are:

- ❑ **stakeholder involvement:** tea companies collaborate on an equal basis with trade unions and NGOs in tea-producing and tea-consuming countries alike. Stakeholders are involved in the design and implementation of complaint procedures and training programmes.
- ❑ **chain responsibility:** tea companies have a shared responsibility for the labour, social, ecological and economic conditions throughout the supply chain. Sourcing companies have a shared responsibility to facilitate capacity building at the producer level, in order to make the producers meet the set standards⁷.
- ❑ **process approach:** as standards cannot be met overnight throughout the entire chain, gradual benchmarked compliance with internationally agreed standards is possible. Where standards are not met, buyers should allow producers to improve their performance within a reasonable timeframe, and support them in these efforts. Tea companies should demonstrate that they are making sufficient and effective efforts to improve labour, social, ecological and economic conditions. Stakeholder consultation is required to decide on the concrete efforts and timeframe for improvements.
- ❑ **independent verification:** efforts made and results obtained by tea companies in integrating principles of responsible business behaviour into their core business throughout the supply chain need to be independently verified. This verification should be carried out by an independent organisation trusted by companies, trade unions, NGOs and workers and/or small growers.
- ❑ **work towards adherence to and enforcement of national legislation:** recognising that the problem is often not inadequate national legislation, but compliance with and enforcement of this legislation.
- ❑ **work towards binding national and international legislation:** compliance with national legislation is not necessarily a guarantee for sustainable and responsible production, as local legislation does not always live up to internationally agreed standards. International rules such concerning responsible business such as the OECD Guidelines for Multinational Enterprises and the UN Norms are not legally binding, and, in the case of the OECD Guidelines, are specifically applicable to investment relationships, not essentially to trade relationships. The Tea Initiative considers binding regulation ultimately to be the only way to create a true level playing field.
- ❑ **prevention of the proliferation of responsible business standards and certification schemes;** proliferation of responsible business standards can lead to excessive demands that small growers would be able to answer to. Harmonisation of standards is essential.
- ❑ **prevention of the exclusion of small producers:** as a result of increasing requirements in the areas of food safety, quality and volume, small producers are

⁷ See also the CSR Frame of Reference of the Dutch CSR Platform, www.mvo-platform.nl

having a hard time remaining part of the tea chain or participating in the tea trade. Small scale (agricultural) production is often seen as a vital condition in facilitating development and poverty alleviation in the global South.

- a **bottom-up approach, allowing local producers to implement international standards**; for the effective implementation of international standards it is important to take into account local realities, obviously without flouting the central principles of such standards.

Annex 2

New Delhi Declaration on the Rights of Tea Workers and Small Growers, 15 December 2005

Women in Tea Plantation

- ❑ The exclusions and extreme exploitations of women workers, who constitute more than 50 percent of the workforce in the tea sector shall be stopped forthwith.
- ❑ Women workers should have equal wages and service conditions and equal opportunities in all negotiations and decision making processes.
- ❑ All the decisions taken by the trade unions as well as tripartite fora should be gender-sensitive and they should promote women's leadership at all levels of decision making
- ❑ Special effort should be made to ensure education of women and girl children.
- ❑ Employment and income security for women workers should be protected.
- ❑ Specific problems as relates to women such as sexual harassment should be firmly dealt with.
- ❑ Plantation should stop the use of harmful weedicides and herbicides which affect the health of women workers
- ❑ We affirm that the women tea workers have the control of their reproductive rights
- ❑ Government should establish gender health desk to address gender issues

Wages

- ❑ We affirm the principle of living wages.
- ❑ In no situation should the wages be less than the minimum wages, which should not be linked to prices of tea; the increase in wages/allowance linked to cost of living should be ensured.
- ❑ We affirm that the collective bargaining and tripartite negotiation as the basis for wage determination-.
- ❑ The process of wage determination should be scientific, democratic, participatory and transparent.
- ❑ Equal wage for men and women for equal work
- ❑ The industry shall not reduce negotiated wages and other benefits.
- ❑ The employers and the state should desist from and prevent the increasing non-compliance of statutory obligations, benefits and rights.

Social Security

- ❑ The right of joint ownership/ownership to homestead land of tea workers is essential to remove all vestiges of unfreedom from the tea gardens.
- ❑ In the current context of increasing insecurity, social security mechanism of tea garden workers should be strengthened, and for this purpose special agencies, implementation mechanism and a fund, be created and in the implementation and monitoring of which, trade unions be involved.
- ❑ The small growers and their workers (including migrant and local) should be brought within the social security net.
- ❑ There should be improvement and not any attempt to deny or dilute the existing social security measures, including to those under outsourcing or sub-contracted agencies

Employment Security

- ❑ Considering the increasing instances of closures, abandonment and diversification of tea estates and factories, in many countries, government should establish
- ❑ tripartite regulatory mechanisms for the closure of gardens
- ❑ institutional support for workers takeover through workers' cooperative with state assistance
- ❑ rehabilitation of displaced workers into decent working situations
- ❑ The sub-leasing, contracting and subcontracting of land and other assets in tea gardens should be stopped forthwith. The workers in the sub-leased or contracted-out gardens and out-growers should get all the benefits as applicable to regular workers. The principal employer should be responsible for the wages and social security of the existing sub-leased, contracted-out gardens and out-growers.

Labour Rights

- ❑ We reaffirm that the trade union rights are the universal human rights which should be respected by all.
 - Right to organise and collective bargaining including right to strike
 - Elimination of child labour
 - No discrimination of any form, particularly based on gender, caste, ethnicity and religion
 - No forced labour
- ❑ are basic human rights which are articulated under the ILO Declaration on the Fundamental Rights and Principles at Work.
- ❑ Trade union rights should not be violated under any circumstances.
- ❑ We affirm the principle of Decent Work and standards as defined by the ILO

Workers' International Interests

- ❑ We call upon the governments and international agencies (UNCTAD & FAO) to facilitate the creation of an International Tea Commission to promote and strengthen the tea industry, with specific provisions to protect the interests of tea workers and small growers.
- ❑ Any multi-lateral/regional/bi-lateral agreement among the tea growing countries should have inbuilt provisions and mechanisms to protect and promote the interests of tea workers of the member countries.
- ❑ The tea producing governments should not encourage trade policies including tariff reduction, resulting in unethical and unhealthy competitiveness among these countries or unemployment

Tea Small Growers

- ❑ The tea small growers should get remunerative prices for green leaf, which ensures decent livelihood
- ❑ Government should extend support and subsidy to the small tea growers
- ❑ Fixation of price of green leaf should be scientific, transparent and with the involvement of small growers
- ❑ Not to encourage child labour either directly or concealed under family employment.
- ❑ The formation of association of small growers and strengthening the existing ones – locally, nationally and internationally is to be encouraged.
- ❑ The small growers be encouraged to explore alternative market intervention strategies.
- ❑ Small tea growers should have a separate authority
- ❑ It is desired that the small growers have share in the company to which they sell their leaf/ participate in the management of companies

Occupational Safety and Health

- ❑ The tea industry shall maintain a safe and hygienic working environment and enterprises shall provide free and appropriate protective clothing and equipment in accordance with the health and safety standards as prescribed under law and/or agreements, and relevant ILO Convention so as to ensure the protection of the workers, the community and the consumers.
- ❑ Regular health monitoring of workers engaged in handling of chemicals shall be done.
- ❑ Those handling agro chemicals shall be adequately trained in storage, application and disposal. Information in this regard shall be provided to the workers in the local language.
- ❑ In the use of toxic or carcinogenic pesticides and chemicals and protection of the environment, the producers shall conform to the prescribed international standards (WHO-I).

- The Maximum Residue Levels shall be observed to protect the interests of the consumers, and be subjected to a uniform international standard that should be established by an appropriate international agency

General

- The State should create effective regulatory and monitoring authority for tea and other similarly placed primary commodities.
- Respective governments should support and render financial assistance towards rejuvenation and re-plantation of tea bushes so as to increase productivity.