EPRC POLICY BRIEF

Issue No. 46

MAY 2014

Uganda's Tea Export Strategy Lies in Increasing Output and Improving Quality

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Executive Summary

Tea is an important export commodity for Uganda. Increasing its output and quality remains at the heart of increasing Uganda's tea export competitiveness. However, increased export competitiveness hasn't been achieved due to a number of reasons, some of which are cost of production, limited research, inadequate processing facilities, barriers to land acquisition and poor farmer organization. This is especially true with smallholder farmers who do not have access to some of the resources that estates farmers do. A study by Munyambonera et. al. (2014)[1] using data from the International Tea Committee (2012) provide lessons to Uganda on how Kenya increased its export value and volume through increasing of output and improving of quality.

Introduction

Ugandan tea is grown on the slopes of Mount Rwenzori and along the crescent of Lake Victoria areas of Bushenyi, Hoima, Kabarole, Kanungu, Kibaale, Kisoro, Mbarara, Mukono, Mityana, Rukungiri and Wakiso[2]. Ugandan tea sector has been registering low productivity and export numbers given the realities of the global tea export market that emphasizes quantity and quality. For instance, in financial year 2012/13 the private estates output was 72 percent of the total production of 63,456 tonnes from an estimated 16,000 Ha under tea, while small holder farmers produced 27 percent of the total output from an estimated 12,000 Ha. The productivity varied at 3000 kgs per Ha for private estates and 1090 kgs for small growers.

This policy brief identifies the constraints to output and quality in the Uganda's tea sector and benchmarks them against approaches and results from Kenya's tea sector- which has registered a remarkable success in tea output and quality - to inform policymakers on the strategies for increasing quantity in the short run and quality in the medium term in Uganda's tea sector.

Kenya's success story

At independence in 1962 Uganda's output was in tandem with Kenya; between 1962 and 1967, Uganda's output was on average 71 percent of that of Kenya. But as Uganda's output dwindled due to political instability in the 1970's, Kenya increased it output to 20 times that of Uganda by 2012 (figure 1). In 2012, Kenya registered 400,000 metric tonnes in output earning a place among world leading tea producers such as Sri Lanka, India and Indonesia (these four countries account for more than 70 percent of the 3 million metric tons of the world out[3]). The increase in Kenya's output is mainly due to increase in acreage; figure 3 shows that whereas Uganda's acreage has stagnated at 20896 Ha since 1977, Kenya has been increasing it acreage at an annual rate of 77 percent. Uganda could follow the Kenyan strategy of increasing output by increasing acreage.

At the Mombasa Tea Auction (where over 90 percent of Ugandan and Kenyan tea are sold to exporters) teas are classified and priced based on quality such as Strength, Aroma, liquor and appearance. While most Kenyan teas are classified from ''Medium'' to ''Best'', most Ugandan teas are classified as "Plainer" and only five or six Ugandan estates are grouped under "Lower medium" teas (see table 1). The price differential between the BP1 lower medium Ugandan tea and BP1 good medium Kenyan tea is nearly 30 percent (see table 1). Given that tea prices are a function of quality, Uganda needs to enforce internationally accepted standard along the whole Value Chain to attract high prices just as it was done in Kenya.

Table 1: Mombasa Auction report Number 19/2014. (All prices in US$ per kg) Cut, Tear and Curl (CTC) tea quotes

Grades of Tea				
	BP1	**PF1**	**PD**	**D1**
Best	2.60-2.62	1.95-1.97	2.04-2.08	2.14-2.16
Good	2.10-2.14	1.91-1.92	1.94-1.98	2.04-2.09
Good Medium	1.64-1.68	1.67-1.89	1.87-1.92	2.00-2.12
Medium	1.40-1.42	1.44-1.56	1.78-1.90	1.98-2.08
Lower Medium	1.28-1.30	1.44-1.56	1.90-1.94	1.94-2.04
Plainer	1.20-1.24	1.06-1.34	1.70-1.80	1.82-1.88
Source Africa Tea Brokers				

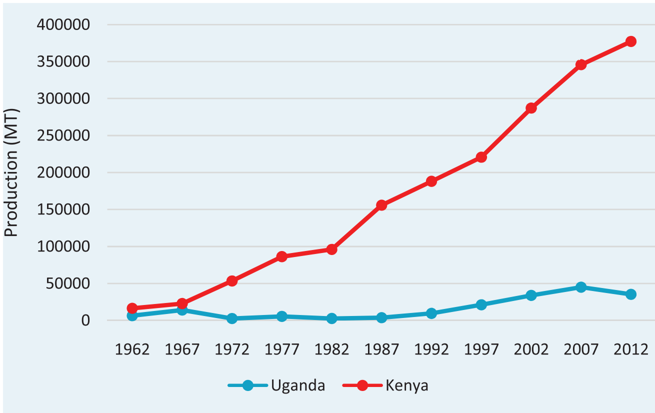
Owing to its gradual increase in output and quality, Kenya surpassed Sri Lanka as the world largest exporter in 2012. With net exports of 400, 000 metric tonnes (figure 2), which translates to one quarter of total world export[4]. This earned Kenya earned US$ 1.23 Billion in 2012. The 2012 Kenyan export earning where 22 percent of total Kenya exports, 25 percent of global tea exports and 3.2 percent of Kenyan GDP. Kenyan exports earnings continues to maintain an upward trend owing mainly to improvement of quality and increase of quantity[5].

Owing to stagnation in acreage since 1977 (see figure 3) and poor quality, Uganda exported 55,650 metric tonnes in 2012 (figure 2) earning US$ 72 Million; this was a 2.8 percent of total Ugandan exports, 1.26 percent of global tea exports and 0.36 percent of Gross Domestic Product (GDP)[6].

''Leverage Uganda's good climate and fertile idle land to increase output to ensure a constant appearance on the tea catalogues and sale at the Mombasa Tea Auction''

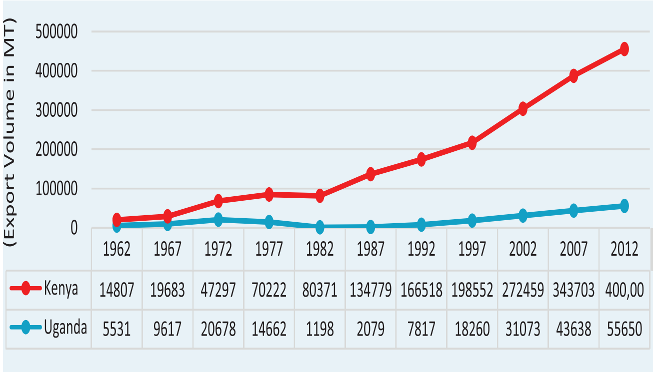
The export experience from Kenya dictate that: in the short run, Uganda could leverage its good climate and idle land to increase output to ensure a constant appearance on the tea catalogues and sale at the Mombasa Tea Auction. Because a regular appearance boost the confidence of international buyers to buy Ugandan tea. In long run, Uganda should improve the quality of tea by observing internationally acceptable standards on agronomy (planting of clonal tea and fertilizer application), manufacturing, handling, transportation, storage and marketing.

Figure 1: Tea output in Uganda and Kenya, 1962 -2012



Source: International Tea Committee (2012)

Figure 2. Tea Exports volume in Uganda and Kenya, 1962 - 2012



	1962	1967	1972	1977	1982	1987	1992	1997	2002	2007	2012
Kenya	14807	19683	47297	70222	80371	134779	166518	198552	272459	343703	400,00
Uganda	5531	9617	20678	14662	1198	2079	7817	18260	31073	43638	55650

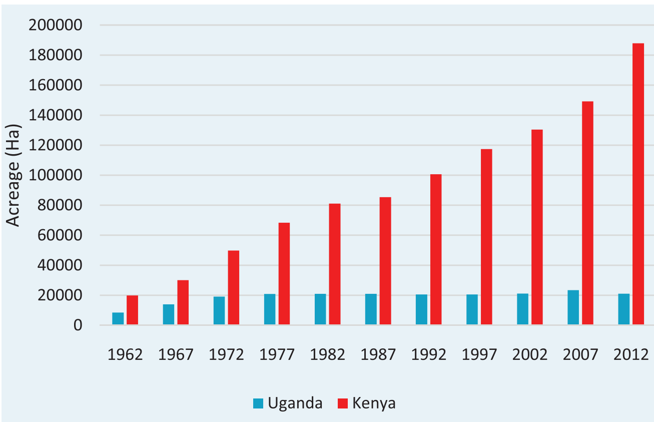
Source: International Tea Committee (2012)

How did Kenya increase output and quality?

Increase in Acreage to increase quantity: Through the Kenya Tea Development Agency (KTDA), the government of Kenya improved rural infrastructure such as roads, building 65 (CTC) factories and providing transportation among other interventions. Figure 2 and 3 shows the results of such interventions: since 1982, Kenya's land usage (at average five year growth rate of 30 percent) and output (at average five year growth rate of 30 percent) have increased exponentially.

"Fast track the utilization of the 200,000 Ha of land identified by the Agricultural Sector Development Strategy and Investment Plan (DSIP)"

Figure 3: Tea Acreage in Uganda and Kenya, 1962 -2012



Source: International Tea Committe, 2012

Uganda should do the same by fast tracking the utilization of the 200,000 Ha of land identified by the Agricultural Sector Development Strategy and Investment Plan (DSIP) in zone 7 (traditional areas) and zone 9 (new areas such as Zombo, kabale and Kisoro) by providing the necessary infrastructure.

Intensifying tea research to improve quality: The Tea Research Foundation of Kenya (TRFK) actively handles improvement of planting material, management, harvest, fertilizer application, quality, pests and disease control in the Kenyan tea sector. TRFK provides advisory services to growers on specific problems encountered in tea growing through organized field visits, demonstrations, and publication of research findings and reports. To date, TRFK has developed and released to growers over 45 well adapted clones of tea[7]. Uganda could emulate Kenya by training tea researchers and fully reviving the research stations in Rwetiba in Kabarole district and Salama in Mukono to perform research in perform ''Uganda should encourage collaborative research with Kenya in order to develop a highly productive clone suitable for Uganda's conditions.'' collaboration with TRFK in order to develop a highly productive clone suitable for Uganda's conditions.

Supporting Smallholder: Through the KTDA the Kenyan government has coordinated and organized it 570,000 smallholders it a dominant players. For example, they hold leases to 65 percent of the 287, 102 Ha of land under tea and the small holders output as a proportion of the 2012 total tea production was 62 percent. This has been achieved because the KTDA provides improved technologies and planting materials, an effective extension service and provision of farm inputs like fertilizers, herbicides and pruning knives for the smallholders.

Development of Uganda's small holder sector would transform the economy, because the economic benefits from tea business will reach a large number of people and they have the potential to increase the area under tea and hence output because: they own reside or own almost all of the 200, 000 Ha identified for tea by the DSIP, they have cheap and abundant family labour, they have a common interest hence they are easy to organize and they live in the same geographical location

Conclusion and Policy Recommendations

The review of Kenya's success in increasing output and improving quality of tea reveal that the key to Uganda's tea sector export competitiveness is to increase acreage

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and observe international standards on agronomy, manufacturing, handling, transportation, storage and marketing to increase output in the short run and quality in the medium term. Uganda could leverage its fertile land and good climate by implementing the following policies:

The government of Uganda (GOU) should stimulate the increase in acreage; especially, in the 200,000 Ha identified for tea by the DSIP in zone 7 and zone 9 by easing land access, providing a CTC processing facility for every 250 Ha of tea, providing irrigation infrastructure, intensifying the use of fertilizer, planting of high yielding clonal tea and improving rural roads.

In order to develop a highly productive clone suitable for Uganda growing conditions, the GOU should revive tea research at Rwebitaba and Salama Research Station by strengthening and equipping this institute both with the material and with qualified Personnel. The future funding of the research facility should be through access charge on incomes of tea farmers.

There is a need to organize the smallholder farmers under a management agency such as Kenya Tea Development Authority (KTDA) Ltd to manage factory unit and support services, sales and marketing, financial services and tea management and consultancy services. Such an organization would also provide extension services, production inputs, green leaf collection, processing and marketing of processed tea on behalf of smallholder tea farmers.

Endnotes

1 Munyambonera E., Lakuma C., Guloba M., (2014). Uganda's Tea Subsector: Areview of trends and policy inconsistencies (forthcoming in EPRC working paper series)
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