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U.S. END MARKET ANALYSIS FOR KENYAN TEA

December 2017

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ACRONYMS AND ABBREVIATIONS

AGOA	African Growth and Opportunity Act
CIF	Cost, insurance and freight
C&F	Cost and freight
CTC	Cut, torn and curled
ECG	Epigallocatechin
EGCG	Epigallocatechin gallate
FDA	Food and Drug Administration
FOB	Free on Board
FSMA	Food Safety Modernization Act
FSVP	Foreign Supplier Verification Program
GMO	Genetically Modified Organism
GSP	Generalized System of Preferences
HACCP	Hazard Analysis and Critical Control Points
HTS	Harmonized Tariff Schedule
ISO	International Organization for Standardization
ITC	International Tea Committee
KETEPA	Kenya Tea Packers Limited
KTB	Kenya Tea Board
KTD	Kenya Tea Directorate
KTDA	Kenya Trade Development Authority
KTGA	Kenya Tea Growers Association
MFN	Most Favored Nation
RTD	Ready-to-Drink
SCDA	Specialty Crops Development Authority
TRI	Tea Research Institute
U.S.	United States
USD	U.S. Dollars
USDA	U.S. Department of Agriculture

EXECUTIVE SUMMARY

The tea market in the United States (U.S.) is growing, with Americans consuming larger quantities of tea each year. In 2016, the U.S. imported nearly \$760 million in tea (excluding herbal tea), making it the world's third largest tea importer.¹ According to the Tea Association of the USA, the sector projects compound annual growth rates of 3 to 5 percent over the coming years. This has been driven by an increase in volume, but especially value, of tea imports.

Approximately four out of five Americans drink tea. For Millennials, tea consumption reaches an estimated 87 percent. This population, in particular, is driving the upward trend in tea consumption and price. Consumers are becoming more health-conscious and are therefore willing to pay for better quality tea and innovations in flavors, packaging, and convenience.

Black tea, specialty teas, and Ready-to-Drink (RTD) tea are experiencing the highest rates of growth. Black tea, which accounts for 85 percent of U.S. tea consumption, achieved 2.3 percent growth in imports between 2015 and 2016. Sales of specialty teas, comprised of loose-leaf teas, single-estate teas, Fairtrade, organic, or rare teas, are increasing about 10 percent per year. Further, RTD tea is expected to grow 4 to 6 percent over the next five years.

The U.S. market is highly competitive. It is comprised of a handful of U.S. growers and numerous importers that are supplied by exporters from almost every tea producing country. In 2016, the U.S. imported approximately \$26 million in tea products from Kenya, making it the eleventh greatest importer to the U.S. market.

Despite market competition and a lack of a duty advantage in tea exports, Kenya has an opportunity to capitalize on the U.S. market's growth. Kenya distinguishes itself from other tea producing nations by hand-picking over 90 percent of its tea, giving the tea a higher quality. The country mainly exports black tea. This is the most popular type of tea in the U.S. The country also offers herbal teas and a unique purple tea variety that could appeal to consumers' growing interest in specialty teas. Kenya's tea plantations also provide an opening for developing specialized tea tourism and marketing stories.

In addition to offering an overview of U.S. export requirements, this report provides four recommendations and an action plan for Kenya to increase tea exports to the U.S. The report specifically recommends that Kenya pursue the following:

- 1) **Develop new tea products for the U.S. market** that builds off of Kenya's success with black teas to include more purple, herbal, and medicinal teas and agri-tourism.
- 2) **Do effective trade promotion and marketing in the U.S.** that could include the introduction of all-Kenyan tea product lines and an agri-tourism promotion campaign.
- 3) **Further improve trade logistics** to reduce domestic and international transport costs, potentially using the services of a fulfillment house.
- 4) **Become more competitive in the U.S. market** through improvements to product quality and condition, cost at the port of entry, delivery time, service, financing, and promotion.

¹ <http://worldteanews.com/news/insight-u-s-organic-tea-imports>

I. GENERAL MARKET INFORMATION

I.1. U.S. MARKET SIZE AND PROJECTIONS

Tea is becoming more popular in the U.S. The country's wholesale value of tea grew from \$1.84 billion in 1990 to \$12 billion in 2016.² A report by Packaged Facts forecasts that the retail sale of tea, which exceeded \$7 billion in 2015, will reach nearly \$9 billion by the year 2020.³ Retail sales of tea bags and loose tea are expected to continue growing by about 4 percent per year and by 5 to 6 percent per year for RTD tea.⁴

According to Sundale Research's *State of the Industry* report, the market for tea is growing because of the following:

- Better economic conditions and increasing income;
- More specialty and premium tea offerings;
- Perceived health benefits;
- Products with natural sweetener including cane sugar and stevia;
- More exotic flavors including super fruits⁵ and herbs;
- Packaging innovations, including single-cup tea pods;
- Increasing interest in organic, Fairtrade, and sustainably-sourced tea;
- Growing popularity of RTD tea;
- New tea varieties and tea blends;
- Availability of functional tea, which may include vitamins, antioxidants, and ingredients to give energy or other benefits; and
- Introduction of sparkling (carbonated) tea products.

The U.S. is the third leading importer of tea, behind Russia and Pakistan. Notably, it is the only Western country whose imports are increasing. Total tea imports, at customs value,⁶ increased by 3.6 percent from 2015 to 2016, reaching nearly \$463 million. The top suppliers were China, Argentina, India, Japan, and Sri Lanka. The U.S. grows a small amount of tea, mostly herbal, and exported about \$102 million mainly to Canada.

I.2. TEA PRODUCTS AND MARKET NICHES

In 2017, black tea accounted for 86 percent of consumption, green tea accounted for 13 percent, and the remaining 1 percent was comprised of multiple varieties.⁷ In general, imports of black tea are increasing, while green tea imports are gradually decreasing. From 2015 to 2016, black tea imports increased by 2.3 percent.⁸

RTD tea, which accounted for nearly 46 percent of the market in 2016, is growing at about 4 percent per year.⁹ Customers see it as a convenient, tasty alternative to sugary beverages and are increasingly willing to pay more for a higher quality product. Since RTD tea is consumed cold, sales peak in the summer, especially

² <http://www.teausa.com/14654/state-of-the-industry>

³ Packaged Facts. *Tea and Ready-to-Drink Tea: U.S. Retail Market*, 6th Edition.

⁴ *State of the Industry: Tea in the U.S.* Sundale Research. March 2017

⁵ A "super fruit" is any fruit that is reported to have important health benefits. Some examples are acai, blueberries, and pomegranate.

⁶ This is the value of a shipment in the port of export, or earlier if the buyer takes title to it earlier in the chain of distribution.

⁷ <http://www.teausa.com/14655/tea-fact-sheet>

⁸ <http://www.teausa.com/14654/state-of-the-industry>

⁹ <http://www.teausa.com/14654/state-of-the-industry>

in July and August. As RTD tea's market share expands, the market share of loose tea, bagged tea, tea mixes, and pods is decreasing.

Specialty teas, especially iced tea, are seeing sales increases of around 10 percent per year.¹⁰ The “artisanal tea” market is growing too as consumers want to know where the product comes from, how it is produced, how the tea growers benefit, and how friendly it is to the environment. Organic, Fairtrade certified, and genetically modified organism (GMO) free tea are similarly expanding in the U.S. These certifications give advantages in the market, but cost-benefit analyses are needed when deciding whether to pursue certification.

1.3. COMPETITION IN THE TEA MARKET

The U.S. tea market is highly competitive. It is comprised of a handful of U.S. growers and numerous importers, supplied by exporters from almost every tea producing country. At the wholesale, retail, and foodservice levels, thousands of organizations handle tea. Nonetheless, the U.S. tea industry is concentrated. For example, JAB Holding Company owns Keurig Green Mountain, Inc., Peet's Coffee & Tea, Caribou Coffee Co., Stumptown Coffee Roaster, Intelligentsia Coffee, Einstein Bros. Bagels, Mighty Leaf Tea, and Tea Forte.

The table below lists largest tea companies in the U.S. by their yearly sales values:

Table 1: Largest Tea Companies in the U.S.

COMPANY	LOCATION	YEARLY SALES (IN MILLIONS OF USD)
Tazo and Teavana (Starbucks)	Seattle, Washington	21,315
Luzianne (Reily Foods Co.)	New Orleans, Louisiana	206
Red Diamond	Birmingham, Alabama	154
Bigelow Tea Company	Fairfield, Connecticut	93
Yogi Tea (East West Tea Co., LLC)	Springfield, Oregon	75
Argo Tea	Chicago, Illinois	63
Celestial Seasonings	Boulder, Colorado	56
Mighty Leaf Tea	San Rafael, California	34
Stash Tea (Universal Tea Co. Inc.)	Tigard, Oregon	24
Peets Coffee & Tea (W.R. Hambrecht Co. Inc.)	Emeryville, California	21

Source: Zippia (2016). “10 Biggest Tea Companies in the US.” <https://www.zippia.com/advice/10-biggest-tea-companies-us/>

The main companies that market organic tea in the U.S. are Ambassador Organics, Celestial Seasonings, Equal Exchange, Newman's Own and Numi Organic Tea. Other companies that market Fairtrade tea in the U.S. include Honest Tea, Twinings, Clipper Teas, Village Tea, English Tea Shop, Hampstead Tea, Naturals n Organics, Organic India, Trader Joe's, and Wild Harvest Organic. Celestial Seasonings, notably, is free of GMOs.

¹⁰ <https://worldteadirectory.com/tea-industry-trends-2016-expect-2017/>

I.4. TEAS FROM KENYA AND BRIEF OVERVIEW OF THE SECTOR

Kenya is the third largest producer of tea in the world behind China and India. Kenya produced 346.97 million kilograms of tea from January to October 2017, a drop of 10.57 percent from the same period in 2016.¹¹ This was mainly due to unfavorable weather during the first quarter. Production improved in October 2017, thanks to scattered rains in the east of the Rift Valley.

Kenyan tea is grown at altitudes of between 1,500 and 2,700 meters above sea level, along the equator, with 12 hours of sunlight all year round. Annual rainfall ranges from 1,200 to 1,400 millimeters, spread throughout the year. This enables Kenya to provide highly consistent quantity and quality. Kenya's tea is free of pests and diseases and is produced without pesticides or agrochemicals. Only fertilizer is added to replenish the soils. There is a Kenyan Tea Mark of Origin that has strict quality and source requirements.

Over 90 percent of Kenyan tea is hand-picked. In contrast, other major producing countries use hand operated and mechanical pickers that shear off the stems with up to five or six leaves. This gives Kenyan tea a superior flavor and aroma. The high quality of Kenyan tea is attested to by its tea factories and producing facilities achieving internationally recognized standards. These include ISO 22000 certification, Hazard Analysis and Critical Control Points (HACCP), Rain Forest Alliance, and the Fairtrade Federation.

Production is divided between plantations and smallholders and is in two major zones, east of the Rift Valley and west of the Rift Valley, which can have differences in climate. From January to October 2017, plantations accounted for 44.5 percent of total production and smallholders accounted for 55.5 percent.¹² Average yields are about 29 percent higher on plantation tea estates than on smallholder farms because of economies of scale and higher levels of investment. Improving smallholder yields and quality is critical to increasing exports and income.

The country has about 50 varieties, or cultivars, of tea. Research continues to develop new varieties with superior flavor, color, taste, and health-supporting attributes. Besides black tea, Kenya has specialty teas including a purple variety that sells for high prices. There are also herbal tea varieties, including Moringa tea, which is said to have numerous health benefits.

I.4.1 BUYING AND LOGISTICS

Tea is exported from Kenya year-round. From January to October 2016, Kenya exported to 73 countries and destinations. Pakistan is the top destination for Kenyan tea exports, having imported 115.72 million kilograms from January to October 2016 and 130.56 million kilograms from January to October 2017. The next largest destinations are Egypt, the United Kingdom, the United Arab Emirates, Sudan, Russia, Yemen, Afghanistan, Kazakhstan, Poland, and the U.S.¹³

Kenyan tea can be purchased two ways by international importers: directly/through an agent at the Mombasa Tea Auction, or through direct contract purchases straight from the factory. The first option gives buyers

¹¹ <http://teaboard.or.ke/october-2017/>

¹² *ibid*

¹³ <http://teaboard.or.ke/october-2017/>

access to a wide variety of teas from different growers and areas of Kenya and facilities for blending, while the second is useful for buyers seeking unblended single-estate specialty teas.

There are constant efforts to improve Kenya's export logistics. The Mombasa auction house follows formal procedures that were developed in earlier times. However, the procedures are improving. It is also changing to electronic bidding, which should make it more efficient and lower the cost. Private exporters who deal directly with buyers or through agents have become proficient in managing clients from the U.S. and other countries.

There are numerous firms that can help with port warehousing, foreign freight forwarding, air and sea transport and marine insurance. Depending on the terms of sale, they can also help with customs clearance in the importing country.

Both ocean and air freight entail high costs because of the great distance to the U.S. and insufficient cargo volume to attract regular sailings by major carriers that serve, for example, South Africa. Air cargo services are also available, but there are no direct flights. Travel and commerce, however, are likely to improve with Kenya Airways' direct flights to the U.S., which are set to begin in October 2018.

There are more than 40 banks in Kenya, many of which provide import/export financing. Among these are Citibank, Standard Chartered Bank and others that U.S. importers know and trust.

Institutionally, the tea industry was formerly regulated by the Kenya Tea Board (KTB). As of August 1, 2014, under the Crops Act of 2013, the KTB and other regulatory bodies were merged into the Tea Directorate within the Agriculture and Food Authority. Later, the Tea Research Institute (TRI) and its research activities were transferred to the Kenya Agricultural and Livestock Research Organization.

A major organization in the Kenyan tea sector is the Kenya Tea Development Agency (KTDA). KTDA currently manages 67 tea processing factories and represents over 450,000 small-scale tea farmers throughout the country. To maximize returns to its tea farmers, it has created subsidiaries including: Chai Trading Company, Kenya Tea Packers Limited (KETEPA), Majani Insurance Broker, Tea Machinery and Engineering Company, KTDA Power, Greenland Fedha Ltd., KTDA Management Services, and the KTDA Foundation.

I.4.2 TEA RESEARCH

Research on tea began in Kenya in 1949 because the initial cultivars from seed were unstable and produced highly variable progeny. The first set of high-yield cultivars was released in 1964 and were similar to Assam tea varieties. Since then, the Tea Research Foundation and later the TRI developed over 914 improved tea clones, 51 of which have been selected for consistent superiority in yield and quality and released for commercial use.

Thirteen of these 51 clones yield between 5,000 and 8,000 kilograms of processed tea per hectare per year. These are some of the highest yields in the world at three times the average of unimproved teas varieties. Every new variety is identified by its pedigree (stock numbers) and the selected cultivar.¹⁴

Currently, over 96 percent of Kenya's tea exports are black teas, primarily aerated (fermented) and cut, torn and curled (CTC). These are sold on the world market in bulk and used mainly for blending with lower quality teas from other countries. As a result, prices are low, depressing grower income and the country's

¹⁴ http://www.kalro.org/Tea_Research_Institute

foreign exchange earnings. The TRI has therefore reoriented its research programs to focus more on diversified tea products, added value, and health-promoting products for domestic and international markets.

As part of the government's Kenya Vision 2030 plan, the TRI is working on developing new tea varieties suitable for green (non-fermented) tea, white (only silvery tips and buds) tea, oolong (semi-fermented) tea, purple tea, red tea, and naturally caffeine-free tea rich in antioxidants. The TRI has set a goal of releasing at least five improved high-yielding, stress tolerant cultivars by 2020. TRI research is also focused on developing improved processing technologies; enhancing technology transfer, communication, and socio-economic and field advisory services; and promoting sustainable ecosystem management and conservation. Efforts are also directed at developing tea varieties that can better withstand the anticipated effects of climate change.

I.4.3 ADDRESSING THE FUTURE AND WEAKNESSES

After Pakistan, the eight countries importing the greatest amounts of Kenyan tea registered declines in the quantity imported from January to October 2017 and January to October 2016. Imports were lower by 35 percent for Egypt, 12 percent for the United Kingdom, 20 percent for the United Arab Emirates and Sudan, 12 percent for Russia, 3 percent for Yemen, 75 percent for Afghanistan, and 21 percent for Kazakhstan. The total drop for those countries from the same period in 2016 to 2017 amounted to 73.53 million kilograms.¹⁵

The U.S. however, experienced a growth in imports. Imports rose between January and October 2017 by 13 percent from the same period in 2016.¹⁶

Global tea prices are also a concern. According to the International Tea Committee, Ltd. (ITC) in London, all-auction, all-tea prices hit a low of \$1.33 per kilogram in 2001. They recovered and rose to \$2.65 per kilogram in 2012, but then prices slid again to \$2.40 in 2015. According to Index Mundi, they rose erratically after that and were at \$2.66 per kilogram in December 2017.

Kenya's three-year average Free on Board (FOB) prices between 2013 and 2015 were lower than those of its main competitors, at \$2.68 versus \$4.66 for Sri Lanka, \$4.13 for China, and \$3.12 for India. Kenya's prices were about the same as Rwanda's \$2.66, and well ahead of Tanzania's \$1.79, Malawi's \$1.74, and Uganda's \$1.59. Kenyan prices were also better than Indonesia's at \$2.10 and Vietnam's at \$1.68.

I.5. PURPLE TEA

After 25 years of research, in 2012 the TRI released a purple tea cultivar in Kenya known as TRFK 306/1. It shows great promise for applications as diverse as bottled health and sports drinks, extracts used in food processing, cosmetics, and pharmaceuticals. This cultivar is available to both large estates and small growers.

Kenya purple tea has unique characteristics. Because it is grown at high altitudes on the equator (between 4,500 and 7,500 feet) and receives intense ultraviolet radiation, it has higher levels of protective anthocyanins and polyphenols than green or black teas. These properties protect against several human diseases. Research published in the International Journal of Biomedical Science in June 2015 indicates that purple tea and its extract cause weight loss.¹⁷ Purple tea also has high antioxidant activity and caffeine, but less caffeine than green or black tea.

Companies that handle purple tea in the U.S. include Tea Box Express, Churchills Teas, and Stash Tea. Stash is selling on the Internet for \$17.95 for 100 grams of loose tea.

¹⁵ <http://teaboard.or.ke/october-2017/>

¹⁶ *ibid*

¹⁷ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4502735/>

Kenya faces export competition from China, which also claims to be the first country to create purple tea. Kenyan purple tea is currently imported to the U.S. by OCR Capital, which deals in bulk orders of regular Kenyan tea. The company plans to prepare and sell purple tea extracts for use in dietary supplements, cosmetics, pharmaceuticals, and nutraceuticals. International Tea Importers is reported to be working with the Tea Directorate in Kenya to import purple tea and distribute it in its warehouses and stores throughout the U.S. Martin Kabaki, a Kenyan businessman located in Jacksonville, Florida, also launched a line of plain and flavored RTD purple teas in 2017.

1.6. TEA TOURISM

Tourism is important to Kenya's economy. In 2016, travel and tourism contributed approximately \$2.5 billion to Kenya's economy, representing 3.7 percent of the country's total Gross Domestic Product.¹⁸ The Kenya Tourism Board's website, Magical Kenya, lists more than 50 companies that include agri-tourism among their products. For the tea sector, a tourist can visit plantations, learn how experts taste tea, and spend the night in a beautiful farmhouse. Tea tourism is already well established in India and is growing in China. Kenya is nearly unique in that it can offer visits to both coffee and tea growing areas. Agri-tourism therefore presents a significant business opportunity for Kenya's tea sector.

¹⁸ World Travel and Tourism Council. <https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2017/kenya2017.pdf>

2. U.S. MARKET STRUCTURE AND CHARACTERISTICS OF SELECTED TEA PRODUCTS

2.1. MARKET SIZE AND TRENDS BY TEA PRODUCTS

The total wholesale market size for tea in the U.S. is approximately \$12 billion.¹⁹

Producers' shipments of RTD tea were valued at approximately \$1.46 billion in 2016 and wholesale shipments at about \$5.8 billion. Of this, roughly two-thirds was bottled. More traditional teas (loose and bags) had wholesale sales of about \$2.6 billion in 2016. The specialty tea segment achieved approximately \$2.25 billion in sales and foodservice had about \$1.35 billion.

The largest producers/marketers of packaged teas in the U.S. are Lipton, Bigelow, Twinings, and Celestial Seasonings. Arizona and Lipton are at the forefront of RTD production. Coca-Cola and Nestle, through a new joint marketing venture, plan to increase the market shares of their brands.

Single-cup teas (pods) account for about 5 percent of the U.S. market. Sales of these products have not been growing, perhaps because of inconsistent flavor, but this problem is being addressed. Industry sources expect growth to resume soon, mainly with specialty products such as tea lattes and exotic varieties.

Keurig is licensing its K-Cup technology to several other companies. It also produces the Keurig Bolt, a larger machine for making multiple cups of coffee and tea at the same time. One user of this is the Subway chain. To counter environmental concerns, Keurig has promised to make all its pods fully recyclable by the year 2020. Honest Tea, which now belongs to Coca-Cola, has also started packing tea in K-Cups for use in Keurig machines.

2.2. MARKET SEGMENTS

In 2016, the average U.S. household spent about \$38 on tea, though spending patterns varied across age, ethnicity, geography, and income.

Average consumption is different in different parts of the country. It is highest in the Northeast and West and lowest in the South and Midwest. As might be expected, families with higher incomes spend more on tea than those with lower incomes.

In general, older consumers bought higher quality products, yet Millennials, people born from about 1982 to 2000, are leading the way to greater tea consumption, and the consumption of higher-quality tea. They are especially attracted to the variety of flavors and the health benefits. Younger consumers also bought more RTD tea. Some beverages are even produced for children, such as Davidson's Children's Tea and Tiesta Tea's Blueberry Wild Child. Asians consume and spend the most on tea per household, with spending concentrated on loose-leaf green tea. The fastest growing segment of the U.S. market is Hispanics/Latinos who now make up about 16 percent of the population. They often buy herbal tea in Latin flavors. Badia and Bigelow are two firms that cater to this market.

¹⁹ <http://www.teausa.com/14654/state-of-the-industry>

2.3. PRODUCT ATTRIBUTES

U.S. buyers are increasingly interested in tea. There is a strong trend in the U.S. toward healthier living, and tea is believed to have many health benefits. Tea contains epigallocatechin gallate (EGCG), a powerful antioxidant, and L-theanine, an amino acid that helps the mind focus. Consumers also use a variety of herbal teas to promote good health.

In addition, consumers are attracted to the large variety of teas on the market. Producers are combining tea with numerous flavors (mainly fruit but also chocolate, cinnamon, and others) and creating seasonal products, such as pumpkin flavored tea in autumn, to offer an array of choices.

There is also a variety in tea packaging. Tea producers offer tea bags in a variety of shapes and materials, including nylon and fiber. Twinings offers tea bags that are biodegradable while Unilever's "Pure Leaf" tea line uses transparent packaging so that consumers can see the loose tea. The packing of K-Cup pods, tea bags and loose tea has become very sophisticated and often emphasizes attributes such as "natural" and "healthy."

Some manufacturers are using in-store demonstrations and videos online to show customers that brewing loose tea does not have to be difficult or messy.

2.4. PRICES AT KEY CHANNELS AND PRODUCT ORIGIN²⁰

Tea prices are on a gradual upward trend. In general, producer prices of tea in consumer packages are increasing at about 1 percent a year, while those of tea in cans and bottles are rising at about 2 percent per year. This is due largely to droughts in several producing countries and higher production costs. These costs can be absorbed because consumers are willing to pay slightly higher prices, especially for specialty tea.

Tea companies use packaging and promotion to add value to their products. A tea that sells for \$3 a box can be put in a beautiful package and promoted via sampling and discount coupons, raising its suggested retail price can be raised to \$4 or even \$5 a box.

To illustrate, an importer/packager might buy loose black tea at auction in Kenya at \$3.80 per kilogram. The importer then processes the tea and packages it in 40-gram packages to sell to wholesalers, who then sell them to retailers. The following is an approximate calculation of markup percentages. The retail value of \$99 is for 25 40-gram packages retailing at about \$3.99 each.

²⁰ Tea pricing is well explained in several reports including one by Verdant Tea, at <http://verdanttea.com/transparency-in-the-tea-industry/> and by True Price for Kenyan tea specifically, at <http://trueprice.org/wp-content/uploads/2016/04/TP-Tea.pdf>

Table 2: Markup Calculation Example

ACTOR	SELLING PRICE (USD) PER KILOGRAM	MARKUP
Mombasa auction	3.80	N/A
U.S. manufacturer	25.00	557% on purchase price covering shipping, manufacturing, packaging, marketing, other costs, and profit
U.S. wholesaler	50.00	100% on purchase cost
U.S. retailer	99.00	50% on selling price

The World Tea Academy reports that the U.S. consumed 116 million kilograms of tea in 2011 with a wholesale value of \$8.2 billion and a retail value of \$27 billion.²¹ This represents a 70 percent markup on selling price. It is important to note, however, that the figures include foodservice, where the markup is much higher than in retail stores. A foodservice location will make 16 servings from the package of tea and sell them for approximately \$2 each.

The average import price in 2015 ranged from \$1.77 per kilogram for tea from Argentina to \$26 per kilogram for tea from Japan. The difference is because of the types and quality of tea imported. The Adagio Company, for example, sells a package of four Japanese teas, with enough of each to brew ten cups, for \$18.

2.5. U.S. DOMESTIC PRODUCTION

The U.S. has limited, but varied tea production. Tea production started in Hawaii and South Carolina and spread to about 15 states, mostly in warmer parts of the country.²² A report from Statista shows revenue from tea production in 2014 at about \$2 billion. Most of the tea is consumed in the U.S., but some is exported.

2.6. U.S. IMPORT EVOLUTION BY TOP COUNTRIES

The U.S. imports tea from numerous countries. For black tea, the leading imports come from China, Sri Lanka, Canada, India and the United Kingdom, though Canada and the United Kingdom are not tea producing countries. Imports are increasing from a variety of countries. In 2016, the annual rate of increase over a five-year period was 6.3 percent. Canada, India, the United Arab Emirates, Hong Kong, Jamaica, Egypt, India, Malaysia, Brazil, Korea, Nepal, Ukraine, Greece, Australia, and Argentina all increased their exports to the U.S. by more than 30 percent between 2016 and 2017 (through October of each year). See the tables below for an evolution of the top ten exporters to the U.S. for black tea and other black tea.

²¹ <http://worldteanews.com/news/sage-group-tea-sales-are-bigger-than-you-think>

²² For a list of U.S. tea plantations, see <https://worldoftea.org/us-grown-tea/>.

Table 3: Import Evolution of Top Ten Countries for Packaged Black Tea

HTS PRODUCT NUMBER	COUNTRY	2012 (IN \$1,000)	2013 (IN \$1,000)	2014 (IN \$1,000)	2015 (IN \$1,000)	2016 (IN \$1,000)	PERCENT CHANGE 2015-2016
090230	China	17,597	20,849	22,726	24,526	25,249	2.9%
090230	Sri Lanka	16,691	19,671	22,005	22,106	23,263	5.2%
090230	Canada	22,673	22,874	18,327	20,267	22,631	11.7%
090230	India	17,965	25,208	20,729	21,020	20,530	-2.3%
090230	United Kingdom	8,633	9,486	9,937	10,818	10,629	-1.7%
090230	Germany	1,721	1,898	2,246	3,107	5,059	62.8%
090230	Morocco	2,895	3,517	4,007	3,801	4,942	30.0%
090230	Taiwan	1,616	2,538	2,575	2,893	3,415	18.0%
090230	Poland	1,236	1,836	2,021	2,234	2,833	26.8%
090230	Ireland	2,085	2,242	2,453	2,222	2,579	16.1%

Table 4: Import Evolution of Top Ten Countries for Other Black Tea

HTS PRODUCT NUMBER	COUNTRY	2012 (IN \$1,000)	2013 (IN \$1,000)	2014 (IN \$1,000)	2015 (IN \$1,000)	2016 (IN \$1,000)	PERCENT CHANGE 2015-2016
090240	Argentina	76,169	85,197	84,345	80,701	72,697	-9.9%
090240	India	27,883	29,017	32,363	29,749	27,687	-6.9%
090240	China	25,288	24,023	21,818	23,537	21,955	-6.7%
090240	Malawi	6,060	8,713	14,950	8,117	20,371	151.0%
090240	Kenya	5,367	5,202	8,435	7,085	8,626	21.8%
090240	Germany	22,101	18,634	15,897	14,803	8,011	-45.9%
090240	Sri Lanka	4,734	5,971	6,620	7,347	7,249	-1.3%
090240	Indonesia	8,473	8,361	7,041	5,505	7,000	27.2%
090240	Vietnam	7,937	9,175	9,751	6,474	5,757	-11.1%
090240	Zimbabwe	2,558	1,816	2,213	1,925	2,478	28.7%

2.7. KENYAN EXPORTS TO THE U.S.

In 2016, the U.S. imported approximately \$26 million worth of tea from Kenya.²³

Table 5: U.S. Imports of Tea from Kenya in 2016 (in \$1,000)

2101202000 tea and mate extracts, essences and concentrates	17,067
0902400000 black tea (fermented) and other partly fermented tea, not elsewhere specified or indicated	8,626
0902209050 green tea (not fermented), other than certified organic, not flavored, not in immediate packings of a content not exceeding 3 kilograms	333
0902300050 black tea (fermented) and partly fermented tea, in tea bags, in immediate packings of a content not exceeding 3 kilograms, other than certified organic	328
1211904020 mint leaves, fresh or dried, used as herbal teas and herbal infusions (single species, unmixed)	6
0902101050 green tea (not fermented), flavored, in immediate packings of a content not exceeding 3 kilograms, other than certified organic	5

This figure, however, does not reflect bulk tea that is exported from Kenya, a producing country, to other countries where it is processed and packaged for retail sale. Whether or not the growing country is identified on the packaging, the shipment is recorded in statistics as being from the country where processing is done. The total figure, therefore, may indeed be higher.

²³ Note that Kenya's export statistics might not match U.S. import statistics. This is a common occurrence.

3. U.S. TARIFF STRUCTURE

3.1. TARIFFS FOR KENYA

Kenyan tea in all forms enters the U.S. free of duty under Most Favored Nation (MFN) status, Generalized System of Preferences (GSP), and the African Growth and Opportunity Act (AGOA). Nearly all the tea entering the U.S. from Kenya in 2016 was cleared under MFN status; none was cleared under AGOA.

Table 6: 2016 Customs Value and HTS Number for Kenya

COUNTRY	HTS PRODUCT NUMBER	IMPORT PROGRAM	EXTENDED SPECIAL IMPORT PROGRAM	2016 VALUE (IN \$1,000)
Kenya	0902: Tea, whether or not flavored	No program claimed	No program claimed	9,616
		GSP	GSP (excluding GSP for LDBC only)	5
Total				9,620

Source: <https://dataweb.usitc.gov/scripts/REPORT.asp>

Table 7: U.S. Customs Categories for Tea

HEADING/SUBHEADING	STAT. SUFFIX	ARTICLE DESCRIPTION	RATES OF DUTY
0902		Tea, whether or not flavored:	Free under GSP and AGOA, 6.4% from MFN countries
0902.10		<u>Green tea (not fermented) in immediate packings of a content not exceeding 3 kilograms:</u>	
		<u>Flavored</u>	
		<u>Certified organic</u>	
0902.10.10	15	<u>Other</u>	Free
	50	<u>Other</u>	
		<u>Certified organic</u>	
0902.10.90	15	<u>Other</u>	
	50		Free under GSP and AGOA, 6.4% from MFN countries.
		Other green tea (not fermented):	
		Flavored	
0902.20	00		
0902.20.10		Other	Free
		Certified organic	
0902.20.90	15	Other	
	50		
		Black tea (fermented) and partly fermented tea, in immediate packings of a content not exceeding 3 kilograms	Free
0902.30.00		In tea bags:	
		Certified organic	
		Other	
		Other	

HEADING/SUBHEADING	STAT. SUFFIX	ARTICLE DESCRIPTION	RATES OF DUTY
0902.40.00	15 50 90 00	Other black tea (fermented) and other partly fermented tea	
0909.90		Herbal teas and herbal infusions (single species, unmixed)	
1211.90.4020		Herbal teas and herbal infusions (single species unmixed)	
1211.90.9280		Instant tea	
2101.20.2010			

Source: Harmonized Tariff Schedule of the United States. (2016). United States International Trade Commission.

3.2. TARIFFS FOR THIRD COUNTRIES

Kenya does not have a duty advantage over other developing countries as all tea enters duty-free under GSP and AGOA. Developed countries, in general, pay a 6.4 percent duty on flavored green tea. Therefore, Kenya's only duty advantage is over exporters in developed countries on flavored green tea.

4. U.S. NON-TARIFF REQUIREMENTS

4.1. IMPORT REGULATIONS

There are no restrictions or quotas on tea imports in the U.S.

To export to the U.S., exporters must register with the Federal Food and Drug Administration (FDA) under the Bioterrorism Act. Several companies offer this service, although exporters can do it themselves [online](#) at no cost.

Exporters also need to obtain an approved third-party certification that demonstrates the product is produced and packed in sanitary conditions to ensure that consumers' tea quality expectations are met. Tea exporters in the country are certified by the International Standardization Organization (ISO), under ISO/TC34/SE8. Export promotion authorities in Kenya will know which companies offer this service.

When a shipment is made to the U.S., the exporter must provide "Prior Notice" to the FDA. Exporters can submit a notification online, but it is usually done by the exporter's freight forwarder. Prior Notice must reach the FDA at least four hours before an air freight shipment reaches the U.S. airport and at least eight hours before an ocean shipment arrives.

All packages shipped to the U.S. must be marked with the country of origin using either the term "Made in Kenya" or "Product of Kenya." If the tea arrives in packages that are ready to sell to the final consumer, each package must meet U.S. labeling requirements (see Section 4.5).

In addition to U.S. government requirements, buyers can require certifications of quality, sanitary manufacturing, organic, Fairtrade, and others.

4.2. AGOA RULES OF ORIGIN AND COMPLIANCE

There is no need to enter tea from Kenya as an AGOA product because it is free of duty under MFN and GSP.

4.3. APPLICABLE STANDARDS AND CERTIFICATIONS

To guard against production processes that leave filth or other foreign matter in the tea, the U.S. Department of Agriculture (USDA) performs a Plant Systems Audit and a Plant Survey when there is a new supplier. The USDA has an extensive "Commercial Item Description" for black tea and instant tea. The document mostly defers to the purchaser's requirements and covers items including:

- Salient characteristics;
- Analytical requirements (as specified by the purchaser);
- Manufacturer's/distributor's product assurance;
- Regulatory requirements;
- Quality assurance provisions (as specified by the purchaser); and
- Packaging requirements other than commercial (as specified by the purchaser).

The only actual certification is a third-party certification of sanitary production, which is done according to the Foreign Supplier Verification Program (FSVP). This program was developed to fulfill the requirements of the Food Safety Modernization Act (FSMA).

If the tea is sold as "organic," it must meet the regulations of the [National Organic Standards Board](#).

4.4. CUSTOMS PROCEDURES

U.S. customs procedures are typically the importer's responsibility. Even if the exporter ships Delivered, Duty Paid, the freight forwarder will arrange with a U.S. customs broker to clear the shipment and forward it to the buyers.

The basic procedures are that the FDA reviews the Prior Notice and informs U.S. Customs whether it wants to inspect the merchandise. Inspection does not usually occur unless there is a reason to think the product might be contaminated, contain contraband, or in some other way violate U.S. laws. If the FDA decides to inspect merchandise, there may be short delays and a cost. In major ports, FDA offices are on site and can perform inspections quickly, without moving the goods. In smaller ports, importers may have to pay for cartage to an FDA location, the cost of inspection, and cartage back to the port.

Customs officials will then review the documents including the Commercial Invoice, Bill of Lading or Airway Bill, and Packing List if one is provided. In most instances, they will tell the Notify Party – usually a customs broker – that the merchandise can be picked up.

The broker will have a transportation company pick up the merchandise for delivery to the buyer. Even though there is no duty on tea from Kenya, the importer must have a bond that guarantees payment of duty should any be due. This allows importers to receive their merchandise before paying duty. Importers can buy either single entry bonds or term bonds, which cover their shipments for a year.

If there is duty charged, it will be paid later, within ten days of the date the merchandise is entered. The duty paid is called “estimated” because U.S. Customs has one year to review the documents and determine whether the estimated payment was appropriate.

It is legally possible for a foreign company to export merchandise to the U.S. and clear it through U.S. Customs without having a buyer. In such cases, the company must authorize a customs broker or other entity in the state the goods are imported to act on its behalf.

4.5. PACKAGING AND LABELING REQUIREMENTS

All packages imported to the U.S. must be marked with the country of origin. For bulk shipments, no other marking is required. There are no U.S. government regulations specifically for packing tea, but importers require packaging that does not allow spillage and protects the product from light and moisture. Aluminum foil is commonly used.

When tea is imported ready for sale to the consumer, a great variety of packaging is used, but it must meet numerous requirements which are enforced by the FDA. A government guide to labeling is available at <https://www.fda.gov/downloads/Food/GuidanceRegulation/UCM265446.pdf>.²⁴

For example, below is an image of Twinings Irish Breakfast Tea, Decaffeinated packaging.

²⁴ Food Packaging Labels also provides useful information at <https://www.foodpackaginglabels.net/food-labeling-requirements/>

Figure 1: Packaging for a Twinings Tea Variety



This product has two principal display panels, one vertical and one horizontal, so the stocker in the store can use either. The principal display panel identifies the product and gives the net weight in ounces (it may also be given in grams). The other information is optional.

An end panel, to the right of the principal display panel, lists the ingredients and identifies a responsible party with an address so the FDA knows whom to contact if problems with the product are reported. There is also a best before date to tell consumers by when they should use the tea.

Another side panel has information about other Twinings teas, the company's website, and the bar code. Bar codes are not required by law, but few retailers will handle a product if it does not have one. The codes can be obtained from several companies in Kenya and the U.S.

Other information on the package is for promotional purposes. It should not interfere with the required information. Unlike most food products, there is no requirement for nutritional labels on packages of tea, but some companies use them anyway.

Inside the Twinings box, there is more promotional information on the underside of the lid. Each teabag is packaged individually, although this is not required by law unless the bags will be sold to the consumer individually. Information on the bags identifies the product, gives instructions for brewing the tea, lists the ingredients, and gives the name and contact information of the responsible party.

5. U.S. CONSUMER TRENDS

5.1. CURRENT CONSUMPTION TRENDS

In 2015, U.S. consumption of tea ranked sixth globally at 130 million kilograms, behind China at 1,812 million, India at 948 million, Turkey at 253 million, Russia at 155 million, and Pakistan at 152 million kilograms, and just ahead of the United Kingdom at 114 million and Japan at 108 million kilograms.²⁵

In general, tea consumption is on the increase. Scholarworks, a group at Western Michigan University, reports that the value of U.S. tea imports grew from \$100 million in 1991 to about \$400 million in 2015. Likewise, the volume of U.S. tea imports increased from approximately 64 million kilograms in 1991 to 115 million kilograms in 2015. The increase in value and volume have been fairly steady, but much faster for value, which reflects rising prices.

In 2017, black tea accounted for 86 percent of consumption, green tea accounted for 13 percent, and the remaining 1 percent was comprised of multiple varieties. While tea sales are nearly constant throughout the year, the method of preparation changes. More hot tea is consumed from about December through March and more iced tea from about June through August. Iced tea makes up approximately 80 percent of tea consumption, although hot tea consumption has grown over the past five years.²⁶

RTD tea's market share continues to expand as loose-leaf and bagged tea's share has experienced little to no growth.

5.2. FUTURE CONSUMPTION TRENDS

Packaged Facts forecasts nearly \$9 billion in retail sales of tea by the year 2020. Tea consumption will continue to rise as the U.S. population grows and consumers take a greater interest in health. The continuous innovation in tea products and packaging will also support growth.

Increases will be especially high for specialty teas and black tea, most notably, RTD tea. The RTD market share, which falls just under 50 percent, is expected to increase by 30 to 35 percent over the next five years.²⁷ Younger consumers buy more RTD tea than older consumers. Customers see it as a convenient, tasty alternative to sugary beverages and are increasingly willing to pay more for a higher quality product. Since RTD tea is consumed cold, sales peak in the summer, especially in July and August.

²⁵ http://www.teausa.com/teausa/images/International_Tea_Committee_Ian_Gibbs.pdf

²⁶ *ibid*

²⁷ *ibid*

6. U.S. DISTRIBUTION

6.1. ORIGIN OF IMPORTS (KEY COMPETITORS)

Kenya must compete with all tea exporters to the U.S., but the largest competitors are China, Argentina, India, Japan, and Sri Lanka. From January to October 2017, Kenya was the 11th greatest exporter to the U.S. (see Table 8). Many of the largest exporting countries, however, are processors or trans-shippers and do not actually produce tea.

Table 8: Tea Exports²⁸ to U.S., January to October 2016 and 2017 (in \$1,000)

COUNTRY	2016	2017
China	80,810	70,963
Argentina	62,995	63,782
India	39,350	45,466
Japan	36,393	42,436
Canada	22,404	30,987
Sri Lanka	29,348	30,617
Malawi	17,987	17,272
Germany	14,150	12,076
United Kingdom	9,636	11,215
Taiwan	7,960	10,334
Kenya	8,893	8,295
Vietnam	6,072	6,970
Indonesia	6,979	5,431
Pakistan	2,316	3,240
United Arab Emirates	2,349	3,072
Zimbabwe	2,203	2,915
Thailand	1,702	2,350
Brazil	2,838	1,739
Ireland	2,114	1,642
France	1,550	1,602
Morocco	7,300	1,560
Poland	3,243	1,501
Hong Kong	655	912

²⁸ For HTS Product Number 0902.

COUNTRY	2016	2017
Ecuador	776	884
Jamaica	577	771
Korea	608	661
South Africa	917	599
Turkey	1,136	523
Rwanda	556	495
Israel	1,278	469
Mozambique	240	421
Bangladesh	210	380
Papua New Guinea	303	341
Egypt	160	323
Jordan	274	319
Colombia	254	319
Spain	128	306
Mexico	0	247
Russia	362	234
Belgium	167	174
Tanzania	196	146
Singapore	86	130
Australia	51	130
Greece	71	126
Burma (Myanmar)	121	120
Nepal	121	110
Philippines	68	100
Others		6,608
TOTAL	378,656	385,344

6.2. TYPES OF IMPORTERS

BROKERS: Other than sellers' brokers (who are required in the Mombasa auction), there are not many tea brokers who arrange deals and do not take title to merchandise or possession of it. One company that does provide this service, however, is Seven Cups, which deals in several kinds of tea, mostly from Asian countries.

FIRMS THAT IMPORT BULK TEA FOR PROCESSING: There are many companies that import tea in bulk and either process and pack it or contract for this service. A list of co-packers that handle tea is presented in Annex II. Examples include International Coffee and Tea, LLC, and R.C. Bigelow Inc.

FIRMS THAT IMPORT BULK TEA FOR RESALE: There are several examples of these kinds of firms. Upton Tea supplies the U.S. market with loose tea from several countries. It appears to sell to both wholesale and individual consumers under its own brand name. Adagio Tea is in a similar business.

FIRMS THAT IMPORT PROCESSED TEA IN BAGS TO SELL TO CONSUMERS: Total U.S. imports in packages not over 3 kilograms, such as teabags, reached \$133 million in 2016, more than one-fourth of total tea imports by value. The main countries of origin were China, Sri Lanka, Canada, India, and the United Kingdom. There are numerous examples of brands that import ready-to-sell tea, including Naturaleza from Bolivia; Goya's black tea, grown in Ceylon and imported to the U.S. from a processor in Spain; Wild Harvest organic black tea, packaged in Canada and distributed in the U.S. by Supervalu Inc. of Eden Prairie, Minnesota; and Port Trading Company, which brings in Rooibos and other herbal teas from Africa and sells them under the foreign manufacturers' or exporters' brand names both to businesses and to consumers.

IMPORTERS OF READY-TO-DRINK TEA: RTD tea is rapidly growing, but nearly all brands are prepared and bottled in the U.S. Yet, imports in paper cartons or plastic bottles are beginning. These companies are essentially in the beverage business, not the tea business. One example is Japanese green tea, imported from Taiwan in two-liter bottles and distributed in the U.S. by the Well Luck Company in New Jersey.

6.3. SUPPLIER SELECTION BY U.S. IMPORTERS

Many large buyers will ask a potential supplier to complete a questionnaire, obtain information from trade and bank references, and visit the supplier. Buyers in the tea trade look for suppliers who:

- Are honest, competent, and easy to deal with;
- Can provide desired quantities and qualities and deliver on time;
- Have excellent sanitary control systems and certificates;²⁹ and
- Offer competitive prices and payment terms.

According to a report from the Stephen Ross School of Business, other factors include production capacity and flexibility, technical capabilities and support, information and communication systems, financial status, and research and development. Management and organization, personnel training and development, past performance, location, packaging and handling ability, amount of past business, warranties, labor relations, and desire to do business are other important considerations.

²⁹ For example, Republic of Tea may need to know that the product it buys is sanitary, organic, non-GMO, Fairtrade, environmentally sound and kosher.

Further, buyers often look at new factors related to prevailing business issues and challenges. Some of the factors that have emerged recently are environmental and social responsibility, safety awareness, domestic political stability, cultural congruence with the buyers' organization, and terrorism risk.

6.4. PAYMENT AND CONTRACT TERMS

There is considerable variation in payment and contract terms in the tea trade.

Companies that buy tea at auction must be prepared to pay immediately and take charge of shipping. For bulk tea purchased directly from factories, terms vary. Substantial firms that have experience dealing with each other usually arrange payment via a type of open account. New and small importers are expected to make partial payment in advance or give a guarantee, such as a bank draft with documents against payment or acceptance. Importers do not like to open letters of credit because they are expensive and reduce the amount of working capital available for other uses.

For tea in consumer packages, most importers prefer to buy Cost and Freight (CFR) or Cost, Insurance and Freight (CIF), although some prefer to make arrangements for shipping. They prefer to import under bills of exchange or simple purchase orders, with terms of Net 30 or Net 60 from the date the shipment reaches a U.S. port. This, however, is always negotiable.

The company International Tea Trade places bulk orders from U.S. wholesalers directly with its foreign suppliers. Orders must be paid for in advance by credit card, wire transfer, or check. It offers regular customers 2/10, Net 30 terms, based on bank and credit references. Shipment is by Federal Express for the buyers account, unless the buyer specifies otherwise.

As an example, Appendix V gives the terms and conditions used by Twinings in both its purchases and sales.

Tea can deteriorate if it is not shipped soon after picking. According to the Cargo Handbook, it can be packaged in one of the following ways:

- Plywood chests lined with aluminum foil;
- Polypropylene or jute sacks lined with polyethylene;
- Multiwall paper sacks lined with aluminum foil.

According to Verdant Tea, the great majority of bulk teas are shipped by ocean. This is relatively inexpensive but takes around 65 days and puts the quality of the product at risk. The company ships by air, adding about \$6.50 to the cost of each pound of tea from China to the U.S.

Many buyers use the Association of Food Industries Standard Import Contract (see Appendix VI) to help resolve disagreements by clarifying the responsibilities of each party in a transaction.

6.5. KEY DISTRIBUTION CHANNELS

Tea in the U.S. can be distributed from indirect channels to traditional ones. Estimated values for some methods of distribution are shown on the following chart from the Tea Association of the U.S. These statistics, which are approximations, show a high growth rate across all segments.

Table 9: Estimated Wholesale Value of the U.S. Tea Industry (in billions of USD)

SEGMENT	1990	2013	2014	2015	2016
Traditional Market (Supermarket, Drug and Mass Merchandise)	\$0.87	\$2.40	\$2.51	\$2.58	\$2.60
Ready-to-Drink	\$0.20	\$5.10	\$5.23	\$5.56	\$5.80
Foodservice	\$0.50	\$1.18	\$1.20	\$1.23	\$1.35
Specialty Segment	\$0.27	\$1.73	\$1.90	\$2.09	\$2.25
Total Sales	\$1.84	\$10.41	\$10.84	\$11.5	\$12.0

The traditional market is comprised of retail stores that mainly buy teabags from wholesalers and/or distributors. The RTD segment is mostly tea in bottles, although some is in cans, and is sold in a variety of retail stores including convenience stores. These retailers can be serviced by distributors or can buy from wholesalers. Foodservice outlets, such as hotels, restaurants, most coffee shops, and coffee service in offices, normally buy from specialized food service distributors. However, there are many variations in this channel. Finally, the specialty segment includes purple, orthodox, organic, and other forms of tea that sell for higher than usual prices. Specialty tea is sold in numerous outlets and is in upscale restaurants and tea shops, which normally buy from wholesalers.

DISTRIBUTORS: Nearly any company in the channel can call itself a “distributor,” but a traditional distributor will cover certain territories by agreement with manufacturers or importers. They have account executives who service large resellers, like grocery stores and convenience store chains, often stocking the shelves. They usually develop sophisticated support systems that offer ease of ordering and shipment, and may help with promotion.

WHOLESALE: Importers and U.S. processors often sell to wholesalers, which sell to independent retail and small chains, independent tea shops, restaurants, and small restaurant chains. Restaurant wholesalers increasingly offer products that complement fine dining such as quality loose-leaf tea blended with flavors like mint, coconut, or oil of bergamot. According to Verdant Tea, most tea is shipped to retailers via Federal Express or United Parcel Service between \$4 and \$8 per pound.

RETAILERS: Retail stores that sell tea include gourmet markets, supermarkets, grocery stores, ethnic stores, health food stores, and convenience stores. There is a battle for shelf space, and they frequently change brands and product positions on their shelves to increase sales and profit. Retailers also include mail order and e-commerce shopping, which continue to expand rapidly in the U.S. Most online sellers sell both wholesale and retail quantities. In either case, the seller or the buyer pays a delivery fee that is dependent on the quantity shipped and the distance. One problem, according to a person interviewed for this report, is that online retailers often buy tea in bulk and package it in unlicensed, unsanitary facilities, putting product safety at risk.

RESTAURANTS AND TEA ROOMS: A meal followed by high-quality, infused loose-leaf tea can add to a location’s prestige and customer satisfaction. Restaurants sometimes feature special teas on their menus, especially iced teas, because they have high profit margins.

6.6. RETAIL STRUCTURE

In the U.S., most food products for home use are sold in large stores, such as supermarkets, drug stores, mass market retail, military commissaries, and club chains, as well as small food stores and convenience stores. Tea is served in nearly every hotel, restaurant, convenience store, coffee shop, and tea shop.

In supermarkets, the amount of space devoted to tea is gradually increasing. Tea products appear in different parts of the store; packaged tea will be in one place, with canned and bottled tea in another, and perhaps specialty teas will be in yet another.

Sales of tea in foodservice locations, mostly hotels and restaurants, have recently increased by 7-8 percent a year, reaching approximately \$1.8 billion in 2016, and are expected to continue increasing. Manufacturers arrange to sell certain brands of tea in specific foodservice chains. Wendy's restaurants, for example, sell Honest Tea.

In the U.S. there are about 4,000 tea rooms and tea stores and about 32,000 coffee shops, most of which serve tea. Starbucks bought the company Teavana in 2013 and now sells their products in their stores. In all of these locations, when the temperature outside is low, tea sales increase, and when temperatures are high, sales of iced tea increase.

Sales of tea in vending machines are also increasing and were valued at about \$88 million in 2016.

7. SALES PROMOTION – RELEVANT PRACTICES

Sales promotion is often conducted through campaigns using multiple media platforms. A few years ago, Lipton came out with a “Drink Positive” marketing campaign that included new forms of packaging, a new label, and a photo contest on Instagram. It also ran a “Be More Tea” campaign that featured television spots and very short films.

According to ReportLinker.com, people consider several concepts when selecting a beverage to purchase. These include pick me up, social and fun, active and portability, sweet indulgence, healthy alternative, fortified fuel, flavorful health, portable hydration, purifying, mood enhancement, natural, guilt-negation, herbal, and relaxation – all terms that can be used in sales promotion.

Some common sales promotion methods are buy one get one free, money off coupons, contests, and price reductions. Tea promotion can also take advantage of magazine advertising, small signs on shelves known as “shelf talkers,” and tastings at fairs, festivals, supermarkets, etc. To encourage people to look for and buy tea specifically from Kenya, it may be beneficial to include stories about the tea and the people who produce it in promotions.

7.1. KEY TRADE FAIRS

Tea is exhibited in many trade shows. Firms select the shows in which it wants to participate. For example, the list below shows Q Trade’s North American schedule from January 2017 to May 2018.

Table 10: Trade Shows in the U.S. in Which Q Trade Participated or Plans to Participate

TRADE SHOWS	NOTE
Jan 19: UC Davis—Global Tea Initiative 2nd Annual Colloquium, Davis, California	Specialty Food
Jan 22-24: Association Winter Fancy Food Show, San Francisco, California	Natural
Mar 10-12: West 2017, Anaheim, California	Products Expo
Mar 23-25: Convention, Austin, Texas	National Coffee Association
Apr 20-23: Coffee Expo (SCAA), Seattle, Washington	Global Specialty
May 11: International's Consumer Conference, San Francisco, California	Lincoln
Jun 12-15: Expo 2017, Las Vegas, Nevada	World Tea
Aug 27-29: Foodservice & Hospitality Expo 2017, Los Angeles, California	Western
Aug 31–Sep 2: Mexico City, Mexico	Expo Café
Sep 12-14: North American Tea Conference, Scottsdale, Arizona	8th Annual
Jan 21-23, 2018: Association Winter Fancy Food Show, San Francisco	Specialty Food
Jun 12-14, 2018: 2018, Las Vegas, Nevada	World Tea Expo
Mar 7-11, 2018: Expo West 2018, Anaheim, California	Natural Products

Companies should sign up for trade shows well in advance so they have a better choice of exhibit space and can send booth numbers to current and potential clients.

The most important of the shows listed is the World Tea Expo in Las Vegas, which attracts about 3,500 visitors, two-thirds of whom are retailers. The cost for a normal 10x10 square foot exhibit space (not on the end of a row) is \$3,595. One must add airfare and hotel expenses, shipping product samples, furniture rentals and carpeting, an exhibit that will attract potential buyers, possibly electricity and Internet in the booth, and a machine rental to scan visitors' badges to determine the final cost for show participation.

There are also many smaller tea shows, and tea companies sometimes do sampling in supermarkets, museums, and other venues to raise interest.

7.2. INTERNET

Tea, like most products, is increasingly promoted and sold on the Internet. Several companies, like Honest Tea, have used Internet-based campaigns, and nearly all are shifting advertising dollars from traditional media to the Internet. Tea companies have websites, use social media, and sell online either direct and/or through Internet vendors. The largest vendors are Amazon.com and Walmart.com.

Internet vendors can target markets and provide product information that consumers can access from computers, tablets, and/or mobile phones. On social media it is important to tell a “story” about the product and its producers. In 2015, the Tea Council of the U.S. came out with a #DrinkTea campaign to support retailers. Early in 2017, it launched the IndividualiTEA Photo Sharing Sweepstakes to persuade consumers to post photos related to drinking tea on social media to win a \$500 prize or a lifetime supply of tea.

Discount coupons are available on several websites, and many consumers search for them.

For a firm to sell directly on the Internet, it must spend money on advertising to drive customers to its website. It should also stock merchandise in the U.S., perhaps in a fulfillment center (see Section 9), because shipping individual orders from Kenya requires air freight and is therefore expensive.

7.3. MERCHANDISING AND DEMOS

Tea is merchandized in many ways. There are coupons on the Internet, in retail store circulars, and sometimes on store shelves. The Farmer Brothers Company provides tea urn wraps used to wrap on vessels that pour samples, flavor decals, table tents, and rack signage to increase the visibility of tea in stores.

The best way to persuade customers to buy a food or beverage is to let them taste it. Tea companies can provide samples of hot tea at winter events such as Christmas tree lightings and iced tea at summer fairs and festivals. To make pouring samples worthwhile, a company must give each taster information about where to buy the product and a discount coupon. In many venues, the person giving samples can have products available for purchase.

The most common locations for samplings are high-end supermarkets and health food stores. Typically, the store will provide space and a small table. The tea company will provide the teapot, tea, cups, napkins, and a person to set up and provide the samples.

7.4. STRATEGIC ALLIANCES

Strategic alliances are common in the tea industry. Seth Goldman, the founder of Honest Tea, whose company formed an alliance with The Coca Cola Company and was later acquired by them, has a [video](#) where he explains how to form one.

Other examples include Starbucks and the bookstore chain Barnes and Noble. Barnes and Noble sells tea, coffee, and related products in their stores, which helps them survive the shift to buying books on the Internet. Herbal tea company Botaniex has an alliance with research laboratories where the laboratories help develop tea products that will please customers and provide things to say about the tea that will attract those customers. Finally, Pepsico markets Lipton tea bags and iced tea, giving Lipton a huge market advantage and freeing Pepsico from producing those products.

None of the people interviewed for this report expressed interest in an alliance with Kenya, but that is not surprising. Forming an alliance normally requires a study of possible partners, preparation of promotional packages, and personal visits. To choose a firm with which to ally, Kenyan companies should focus on the marketing expertise and budget that would be available to increase sales of their products.

7.5. OTHER (CATALOGS, BROCHURES, QUOTATIONS)

Nearly every company that sells anything in the U.S. has brochures, catalogs, and price lists. These are primarily given to retailers who might handle their products, distributed at trade shows and sampling sessions, and made available on the Internet. It is vital that these be professionally designed and printed, and in perfect American English. It can be helpful to study other companies' brochures to learn what the competition is doing.

Producing countries are doing more to promote teas from specific geographic designations and with terroir trademarks. They are also using stories about their product and its origins to attract customers. The Teamaker Group advises, "Make Tea & Tell Stories. Your customers will get hooked and you'll grow faster." Mighty Tea, specifically, has been successful with this approach.

7.6. AGRI-TOURISM

Agri-tourism³⁰ is used both by U.S. destinations and foreign governments to attract U.S. visitors. In promoting agri-tourism, collaboration is key. Everyone who benefits, including the government, tea estates, restaurants, and travel agencies, should participate in promoting a country or area as a tourist destination. A wildlife safari firm could organize tea tours to tea estates in the highlands as a follow up to Maasai Mara, Mount Kenya or the beaches on the coast. A restored tea plantation would be an ideal place to stay if it has cozy, well decorated rooms and a fireplace. There could be a visit to a tea plantation and a factory, tea sampling and an evening lecture about the history of tea in Kenya. A video on the industry would be helpful, and samples of the best teas for visitors to take home would increase the promotional benefits.

³⁰ An excellent guide to promoting agri-tourism is online at <http://anrcatalog.ucanr.edu/pdf/8444.pdf>. It discusses marketing strategy, understanding the market, determining a location's unique selling points, developing a marketing message, launching a promotional campaign, and promotional techniques including print advertising and social media.

8. RECOMMENDATIONS

8.1. SUGGESTED PRODUCTS AND BUYERS

Kenya's tea is dark and heavy, perfect for tea drinkers who add milk and sugar. With targeted promotion, they may be the main market for Kenya's black tea.

Kenyan companies could also take advantage of the trends toward healthy eating and drinking that have led to a rise in herbal tea consumption. Kenyan companies could produce infusions of thyme, rosemary, lavender, verbena, mint, and other herbs. These teas can be put in bags, branded, and packaged for sale, all done in Kenya. These teas could target Africans living in the U.S. The products would be distributed through African stores, mostly owned by West Africans, and multi-ethnic supermarkets such as Lotte and Global Foods. Many of these are owned by Koreans and appeal to customers from Africa, Asia, the Caribbean, and Latin America. Companies should target importers, typically small firms that already import food products from Africa, and sell to stores in their areas.

Some buyers have expressed that black, loose-leaf tea from Kenya is too expensive. A possible solution to reduce costs is to use mechanization in the fields and factories. Mechanically-picked tea can exist alongside the hand-picked tea and would open the door to contacting more buyers, but it would likely have a negative effect on unemployment.

Purple tea commands a high enough price to support hand-picking. It is already being sold in the U.S. by small companies, but exporters need to make the product and its health benefits better known. This will be expensive and limited by what the FDA allows marketers to say about the tea. One recommendation is to fund promotional activities (trade show exhibits, sampling, articles in magazines, etc.) to increase demand. To decide who can receive these funds, Kenyan authorities can solicit proposals from firms that are marketing the tea, in any form, in the U.S. These include International Tea Importers, JusTea, Tulsi, OCR Capital, Tea Box Express, Churchill's Fine Teas, and Stash Tea.

Another recommendation is to try to persuade a major tea company in the U.S. to market a line of pure Kenyan tea. The tea could be sold loose and in bags and could include black, purple, and herbal tea. A company such as Twinings or Red Diamond could do this but would likely ask for financial or other incentives. Through information, financing, and help with marketing, more companies in Kenya, for any type of tea, could obtain organic and Fairtrade certification for their tea products.

There are no recommendations pertaining to white, oolong, or decaffeinated tea in this report as there is no evidence that Kenya has a competitive advantage with these products. Buyers have indicated that Kenya should not try to compete with teas like oolong where Asian producers have extensive experience.

8.2. STRATEGY/TARGET MARKETS FOR KENYAN EXPORTS INTO THE U.S.

The main target market for Kenya's black tea is customers who like an English-style tea. Black tea is manufactured in the U.S. and imported from England, but most consumers are indifferent to the country of origin. A British company, Ahmad Tea, has a list of stores in the U.S. that sell its products, which can be used to target potential retail outlets for Kenyan black tea. There are already several companies that produce and market purple tea products. Their market is health-conscious consumers, mainly Millennials. The target for herbal, organic, and Fairtrade tea will be manufacturers in the U.S. who sell to health-conscious consumers. Shelf-ready products can be exported directly to physical and Internet retailers.

9. PROPOSED NATIONAL TEA SECTOR STRATEGY AND ACTION PLAN

There are several steps that can be taken in Kenya to earn more revenue from exporting tea to the U.S. The following are suggested:

1. Develop new tea products for the U.S. market;
2. Do effective trade promotion and marketing in the U.S.;
3. Further improve trade logistics; and
4. Become more competitive in the U.S. market.

Develop new tea products for the U.S. market: Black tea in bulk for British-Americans and Irish-Americans might always be the mainstay of Kenya's tea exports to the U.S. The TRI is working on new cultivars; however, more work should be done on developing other products such as blended, purple, herbal, and medicinal teas. There is a variety of possible products for people with different tastes or who want to try something new. Tea producers could also increase income from tea tourism that allows tourists to visit tea fields, learn how tea is produced, and taste the finest teas.

Do effective trade promotion and marketing in the U.S.: With new and better products, the public and private sectors in Kenya can turn their attention to marketing and promotion in the U.S. They can advertise Kenyan black tea as the best for the traditional tea drinker and Kenyan purple and herbal teas as ideal beverages for those who are health-conscious. This effort will support distributors of Kenyan tea with advertising and promotion, especially if Kenyan firms exhibit in trade shows.

It would be helpful to work with a U.S. manufacturer to introduce a line of all-Kenyan teas: black, organic, and herbal. These would probably sell best to people from East Africa who live in the U.S. According to the Pew Research Center, they number about 2 million, including 136,000 from Kenya. The largest numbers are in the states of Texas, New York, California, Maryland, New Jersey, Massachusetts, and Virginia.

The tea industry in Kenya could also test an agri-tourism promotion campaign in cooperation with a specialized travel agency.

Further improve trade logistics: Since production costs are higher in Kenya than in many other countries, it is important to keep logistics costs to a minimum. Handling must be as efficient as possible, and exporters should look for ways to reduce domestic and international transport costs. For example, if specific commodity rates have not been negotiated for tea, for both ocean and air shipments, this should be done as soon as possible. The Mombasa auction house needs to function as well as any in the world, using electronic trading, which has become the norm.

An idea that emerged from a seminar in Nairobi, on January 16, 2018, was to set up a warehouse in the U.S. From this warehouse, tea at any stage of processing could be shipped to buyers. Establishing a warehouse can be complicated, but the services of a "fulfillment house" may provide a simpler alternative. EchoData, for example, receives merchandise, provides warehouse and inventory management and fulfills orders, shipping to major retailers including Target, Costco, and Wegmans supermarkets.

Tea companies are continually creating new and unique ways of packing specialty teas. Any products of Kenya that are exported ready-for-sale should follow this trend.

Become more competitive in the market: Competitiveness encompasses many dimensions, including product quality and condition, cost at the port of entry, delivery time, service, financing, and promotion.

Production, processing, and distribution must all be done to deliver an excellent product on time at a reasonable cost.

Helping U.S. business with the cost of promoting an imported product is very common. To get a new product on a store shelf, a marketing company in the U.S. might have to, for example, pay a “slotting fee” to stock the shelf the first time for free and cover the cost of in-store tasting. Exporters to the U.S. should be prepared to help with these costs.

The following table provides details of the action plan for exporting tea to the U.S. It is the result of the recommendations suggested in this report and the results of the consultation meeting with tea exporters conducted on January 16, 2018, at the Tea Directorate in Nairobi, Kenya.

Table 11: Tea Sector Suggested AGOA Strategy and Action Plan

Objectives	Proposed Actions	Outputs	Timeframe		Key Stakeholders	Level of Required Resources	Comments
			ST	MT			
Increase 100% exports of Kenya tea to the U.S. by 2023 through effective trade promotion and marketing in the U.S.	a) Map U.S. tea product market for consumer and industrial segments.	Assess, organize efforts and define specific sales targets by U.S. market segment	X		Plantation owners Tea processors	Medium	
	b) Increase Kenyan participation in tea trade shows and buyer missions. Encourage blenders to use more Kenyan tea and expand production and exports of tea extracts.	More sales of black tea for blending and tea extracts	X	X	Tea Auction Buyers Agriculture and Food Authority Tea Directorate	Medium	Need assistance of specialized U.S. experts
	c) Introduce a line of all-Kenyan tea. Seek alliance with established U.S. manufacturer.	One U.S. manufacturer with a line of all-Kenya premium teas		X	Kenya Tea Development Authority	Medium	
	d) Target premium segments and retail tea shops and chains that sell high-value teas.	Increased Kenyan tea presence at premium outlets		X	Tea Growers Association	Medium	This is a joint activity with importers and distributors
	e) Run a targeted campaign to promote sales of Kenyan tea and premium brand positioning. Create perception of Kenya tea as high-quality, good value and pesticide-free by using influencers, brand ambassadors, sponsorships, and low-budget media and web campaigns. Engage Kenyans in the	U.S. consumers more familiar with tea from Kenya	X	X	Export Promotion Council Kenya Tourism Board	High	The case of Juan Valdez campaign for Café from Colombia is a good example of country branding

Objectives	Proposed Actions	Outputs	Timeframe ST MT		Key Stakeholders	Level of Required Resources	Comments
	U.S. diaspora to promote/market Kenyan tea.				Tour operators and travel agencies in Kenya and U.S.		
	f) Conduct a campaign to promote tea tourism. Pay part of the cost for buyers to visit Kenya as tea tourists.	More people coming for tea tourism and staying longer	X	X		High	Needs involvement of tea growers association, Kenya Tourism Board and tour operators in Kenya and U.S.
New tea products on the market	a) Increase emphasis on producing purple tea.	More purple tea products available to importers	X		Small growers Plantation owners Tea processors Buyers	Medium	Sell as nutritional supplement product, while engaging credible independent research to verify health benefits (U.S. universities and Swiss labs)
	b) Support marketing of the TRI's new varieties (clones) through the incubation facility. Increase emphasis on producing herbal and medicinal teas with appealing package designs. Develop products that target millennial consumers and expand variety of appealing tea blends.	More herbal and medicinal teas available to importers More flavored teas available to importers	X		Tea Research Foundation Agriculture and Food Authority Tea Directorate	Medium	Organize contests for designing unique and appealing logos and packaging presentations for premium teas

Objectives	Proposed Actions	Outputs	Timeframe ST MT		Key Stakeholders	Level of Required Resources	Comments
	c) Provide training in flavoring and blending.	Trained staff at Kenyan companies on favoring and blending		X	Kenya Tea Development Authority	Medium	Seek quick funding resources
	d) Assess the options of strategic partnerships or outsourcing in the U.S. for processing, packaging and bottling new tea presentations (tea drinks, orthodox teas, tea bags, infusions).	Improved distribution and higher margins and profits		X	Tea Growers Association	Medium	Business plan required
More efficient trade logistics	a) Help Kenyan and foreign firms invest in packing specialty tea in Kenya and U.S. Assess if outsourcing services in the U.S. are profitable.	Quality tea (loose-leaf and bags) packaged near the consumers More tea packing facilities	X	X	Small growers Plantation owners Tea processors Tea Auction Buyers Tea Research Foundation	Medium	Viability studies are required

Objectives	Proposed Actions	Outputs	Timeframe ST MT		Key Stakeholders	Level of Required Resources	Comments
					Agriculture and Food Authority		
					Tea Directorate		
	b) Help exporters reduce shipping costs for specialty tea. Negotiate discounted rates with airlines and ocean shippers.	Shipping costs lower, especially for air freight	X		Kenya Tea Development Authority	Low	Joint efforts and prepare proposals with other export sectors may reduce operational and logistic costs
	c) Study the feasibility of keeping tea products in a fulfillment center in the U.S.	Information to use in making this decision	X		Tea Growers Association	Medium	
	Establish common-user facilities in Mombasa or elsewhere to provide streamlined, shared facilities for tea packaging, blending, storage, etc. under Export Processing Zone (EPZ) SEZ etc.	More efficient logistics Advanced automation		X		Medium	This will benefit Small and Medium Enterprises and growers groups
	Continue modernization of Mombasa Tea Auction (digitization, automation, EDI for seamless trade and delivery including virtual trades/E-commerce - Futuristic c.f. Dubai)	Increased direct sales to consumers through e-commerce	X	X		High	Will reduce delivery time to export markets

Objectives	Proposed Actions	Outputs	Timeframe		Key Stakeholders	Level of Required Resources	Comments
			ST	MT			
	Develop E-commerce solutions integrated with logistics partners to make tea readily available to consumers across the U.S.			X		Medium	Need warehouse and stocks in strategic U.S. location
Increased competitiveness in the U.S. market	a) Increase efficiency in producing and processing black tea. Assess impact of harvest mechanization, improved agronomic practices, high-yield seed varieties and good manufacturing practices.	More profits because of lower costs		X	Small growers Plantation owners Tea processors	High	All these activities need to be integrated with the proposed trade logistics strategic actions
	b) Reduce cost of producing purple, herbal and medicinal teas.	More profits because of lower costs	X	X	Tea Auction	Medium	
	c) Help producers obtain organic and Fairtrade certifications.	More producers and processors certified More exporters and export supply for the U.S. market		X	Buyers Tea Research Foundation	Medium	
	d) Promote the entry of more exporters into the U.S. market. Review Kenyan licensing regulations to attract more companies in tea and sales of tea from Kenya. Attract investments in value-added tea at the EPZs and SEZs.		X	X	Agriculture and Food Authority Tea Directorate Kenya Tea Development Authority	Medium	

Objectives	Proposed Actions	Outputs	Timeframe		Key Stakeholders	Level of Required Resources	Comments
			ST	MT			
					Tea Growers Association		

10. NEXT STEPS FORWARD

To implement the above four recommendations, the initial steps are:

1. Gather information on developing new teas and prepare seminars on opportunities in purple, herbal, and medicinal teas. To help farmers make decisions, include cost projections and benefits under different scenarios.
2. Plan visits to select U.S. tea importers, blenders, and distributors to promote the use and sale of tea from Kenya. Develop a powerful “story” about Kenyan tea that will generate interest.
3. Talk with the Institute of Packaging Professionals in Nairobi about developing a focus on tea packaging. Study the feasibility of using a fulfillment center in the U.S., review prior reports on tea logistics and the Mombasa Tea Auction, and work toward implementation of the recommendations.
4. Study ways of reducing the cost of producing, processing, and transporting tea. Prepare and hold seminars on organic and Fairtrade certification. Study promotional campaigns and begin planning one for Kenyan tea in the U.S.

APPENDICES

APPENDIX I: SELECTED CASES OF BEST PRACTICES

Note: The following case studies were taken from the Internet, and minor editing was done by the consultant.

I.I.I. THE TURNAROUND OF THE INDIAN TEA SECTOR³¹

Introduction

The TEA Board of India, as part of a turnaround strategy, has started promoting and re-positioning the *Made in India* tag in the world tea market as part of initiatives to augment the Indian tea exports. Chai Piyo, Mast Jiyo (drink tea, enjoy life), highlighting tea as healthy refreshing drink, is the new selling proposition to hold back the declining home consumption. Unlike now, a decade back, tea exports from India were doing fairly well in the world tea market, with India as the largest producer and exporters of tea. However, in the last two years, output declined drastically, and the exports dropped. Indeed, the situation is appalling.

While the world tea output and trade has grown multifold, the Indian production and exports have been experiencing a downfall. There have been falling prices, reduced exports and sluggish consumption growth at home. This has been caused by long gestation periods and ROI spread over a time of minimum five years; high labor costs accounting for nearly 60% of tea production and climatic changes critically affecting demand-supply imbalances. The problem does not end here. Surging competition from countries like Kenya, Indonesia, Vietnam and Turkey is also at an all-time high and has further weakened Indian exports without affecting the world tea market much, or missing out on India as a leading source of quality tea. The cause, which is making a dent in 10,000 crore-tea industry of India, has deep roots in its micro-environment.

The Pertinent Problem

In the beginning, the constraint was meeting high domestic tea consumption requirements. This is ironically witnessing slow consumption at home and consequently, tea prices are now crashing at home. The industry is facing a crisis with prices witnessing an inevitable downturn in the world tea market auctions and plunging exports since 1998. The slump in prices and exports can be attributed to cheap and inferior quality tea produced by many new tea growing countries. This thereby forces premium Indian tea to face stiffer competition in the global market. The economic liberalization and free global trade under the World Trade Organization has exposed the disabilities of treating agro plantations of India that are burdened with policies and legislations.

However, there are internal problems too. A fresh tea plantation takes at least five years to produce tea. Application of industrial labor for welfare and social security legislations has increased labor costs by more than 60% for tea company plantations. This is exclusive of comprehensive welfare code that is applicable to plantations under the Plantations Labor Act. Stringent labor laws and restrictive land ownership also prevent entrepreneurs from growing beyond a certain point. In addition, plantation income is subjected to a 50-65% agricultural income tax. A small but significant proportion of the problem pertains to quality issues of low grade and low priced imported tea being re-exported, tarnishing the image of Indian tea on the international market.

Segmenting Indian Tea Industry

The Indian tea industry can be segmented into two geographical division – North India and South India. In the North, or particularly Northeast India, Assam and Sikkim are prominent in producing tea and are better known for representing Indian quality across the globe. For South India, it is Tamil Nadu (Nilgiri), Kerala and

³¹ Dutt, Himanshu. "The Turnaround of the Indian Tea Sector." *Delhi Business Review*, vol. 8, no. 1, pp. 117–120., www.delhibusinessreview.org/v_8n1/v8n1case_study.pdf.

Karnataka that contribute to the remaining production of tea and coffee. It is to be noted that South India produced 129.29 million kilograms of the total volume of 466.37 million kilograms in 2006 between January to July, whereas North India contributed three times that production at 337.08 million kilograms.

Major Tea Markets

Seventy-five percent of the tea produced in India goes to France, Germany, Japan, United Kingdom and the U.S. Tea exports to big markets like the Russian Federation, the United Arab Emirates and Iraq declined sharply due to weaker demand. Indian exports continue to lose volume in the Commonwealth of Independent States (CIS) countries, Europe, U.S., and some Middle East countries. However, it succeeded in regaining part of its share in Iraq when it went from 13.36 million kilograms to 24.73 million kilograms in 2004. From the year 2005 onwards, exports somehow managed to retain earlier trade volume in the Japanese market. Nominal growths have been registered in the United Arab Emirates and Iran too but dropped in Afghanistan and Pakistan.

Current Production & Exports Scenario

Up until July 2005, domestic tea production was at 458.68 million kilograms. 320.82 million kilograms were contributed by North India and 137.86 million kilograms came from South India. In July 2006, tea production recorded a growth of 889.17, and total Indian volume at 466.37 wherein, 337.08 & 129.29 were contributed by North & South India respectively. Production from the southern part declined, while the northern region showed immense growth. However, a year before, in 2003-04, the production from the Northeast declined comparatively. South Indian exports were higher by 24.5 million kilograms whereas North India reported a reduction of 10.7 million kilograms.

India accounted for 458.69 million kilograms out of the total 926.17 million kilograms of world tea production in July 2005, and 466.85 million kilograms of the 889.17 million kilograms of world tea output in July 2006. World tea production declined while India registered a phenomenal growth of +8.16 in productivity over last year. Total exports estimated during the period January to July 2005, were of the value of 9,063,277 INR at world tea auction rate of 57.89 kilograms with a total of 95.73 million kilograms exported as against world exports of 590.60 million kilograms. During January to July 2006, exports were valued of 8,309,649 Indian at 63.65 per kilogram with a total of 98.17 million kilograms exported, against world tea exports of 595.22 million kilograms. This represents negative skewness in the Indian tea export graph due to low productivity. It also represents a decline in prices in the world and the domestic tea auction. Prices came down from the average of 76.43 a kilogram in 1998 to 61.71 in 2000 and 61.66 in 2001. In 2003, the prices further went to 56.03; in 2004, 64.57; and in 2005, 57.89 and till July 2006, 63.65 with strong price variability.

The export situation improved due to the tea imports (for re-exporting) as the total quantity exported increased from 95.639 million kilograms to 98.178 million kilograms. It was also reported that the tea productivity as well as the unit price per kilogram went comparatively higher in the northern region than the south as a benchmark of difference in the quality of the yields. However, the exports from the southern part were higher compared to Northern India yield. With the help of re-exports, the total world exports made by India for tea stood at 95.64 million kilograms out of the total figure of 590.6 million kilograms in 2005. This grew marginally, to 98.17 million kilograms with +2.44 increments for the period January to July 2006 out of the total world tea volume of 595.22. The overall world exports for tea also grew by 4.62 million kilograms in 2006.³²

Conditions in the World Tea Market

³² Table omitted

India remains the largest producer and consumer of tea in the world. It also leads in global R&D in the tea industry and in manufacturing and exports of tea machinery. The reasons that have contributed to this are the Indian climate, soil and availability of skilled labor that provides the absolute advantage.

India and China rank first and second respectively, both in tea production and consumption. The two countries account for nearly half of the global tea output, exporting about 75% of their production, and 25% for home consumption. This is because of high consumption of tea in both these countries. Their contribution in world tea exports is also equivalent at 17%, but the production accounts for 30%, against 23% of China.

Other countries like Kenya, Sri Lanka and Indonesia produce only 25% of world tea but control 50% of the global trade. They export more than 90% of their production. Indian tea production grew at an average annual rate of 2.3% during the last four decades and at 1.4% per annum in the last decade. In 2004, Indian tea production declined by 4.3% to around 820,200 tons due to unfavorable weather conditions and the closure of up to 70 tea gardens in Assam state. India accounted for 27.4% of world output, followed by China (24.6%), Sri Lanka (9.75%), and Kenya (9.4%). However, the total world output was 3.2 million tons in 2004. This was 50,000 tons more than in 2003 and 75,000 tons more than in 2002, with increases in several countries producing and exporting tea, some even with 100% exported.

While overall world tea production continued to grow, world tea exports registered 1.4 million tons in 2003, a 2.6% decline over 2002. In 2005, world exports showed a +4.62 increase, from 590.60 million kilograms in 2005 to 595.22 million kilograms in 2006 during January-July.

Sly Competition

Domestic consumption dropped to 820.2 million kilograms from 857.1 million kilograms, a fall of 36.9 million kilograms or -4.3% in 2003-04. There was a slump which was hard rooted due to lowering productivity and lesser gains from world trade, in contrast Kenyan tea production grew by 10.5% the same year. Clearly, Kenya was eating up world shares at a higher pace than any other country. In 2004, production raised to 324.6 million kilograms from 293.7 million kilograms. Kenya increased production 25 times over. About 33% of cultivation area was expanded in India also to increase production, but in Kenya, it multiplied ten times during the same period.

Ironically, Indian tea exports to Kenya registered a three-fold growth, from 3.49 million kilograms in 2003, it went to 9.99 million kilograms. The average price earned from this market also increased to 46.88 per kilogram against 40.26 per kilogram in the previous year. Kenya also emerged as an integral part of tea import in India. India is clearly losing both productivity and exports.

On the other hand, the imports into India registered a phenomenal jump. From a meager 9.86 million kilograms in 2003, it went up to 30.52 million kilograms marking a growth of more than 200%. However, the average import price dropped to 45.68 per kilogram from 58.32 per kilogram. Fifty-five percent of imports were from Vietnam at 17.28 million kilograms against a meager 1.11 million kilograms in 2003. Notably, Kenyan imports increased to 3.30 million kilograms from 1.22 million in 2003. Apart from these two countries, imports from Nepal, Indonesia and Sri Lanka remained about the same.

The Road to Turnaround

The turmoil in the global tea market experienced by India is unfortunate. Backed by problems of domestic production constraints and falling exports, the situation demanded attention. India needed to fight against the competition from new tea growing countries like Kenya. It also needed to arrest and correct the declining competitiveness pertaining to land, labor, imports, quality, prices and shrinking home consumption before it had further multiplier effects.

As part of a strategic move, the Indian government announced a package of 47 billion to revive the tea industry by raising exports and volumes. Priority was given to the Northeast part, in particular, to Assam,

which contributes high-quality tea production and profitably through high auction rates. The focus of investment was on streamlining tea plantations for productivity and costs. This was to be done through industrial mechanization (reducing employment up to 30%, technology and tools that suited field operations like harvesting machines, modernizing plantations, as with tissue culture), and locating and promoting Indian tea brands overseas.

Besides this, as part of restructuring the expenditure incurred by plantations on welfare benefits that fell within the responsibilities of state governments and local bodies was to be reimbursed by the government. Working capital was made available to plantations at a special rate of interest not exceeding 5%. The electricity and the use of infrastructure were provided at more concessional rates. These served as indirect subsidies to make exports competitive.

Despite the Indian tea sector sustaining the slump (1998 to 2004), the situation improved gradually. Major improvements were in terms of productivity and exports. The government legislation and policies on plantations was the tool to correct the disequilibria.

Clearly, it is the time to rejuvenate the absolute advantage and the 150-year-old global leadership and heritage.

1.1.2. EXPORTS CASE STUDY: CLIPPER TEAS, OWNED BY WESSANEN UK³³

Founded in Doet in 1984, Clipper is the UK's No 1 Fairtrade tea brand. We manufacture and export a wide range of organic and Fairtrade teas and coffees – from Everyday Blends to Green Tea and infusions.

Our products are made with pure ingredients, from the highest quality sources, with nothing artificial added. Our strapline is Natural, Fair and Delicious. Today, Clipper products are sold in 52 countries around the world, but all our tea is still blended on site in Doet at our Beaminster Tea Factory.

International trade has become a key part of our business, and we have been exporting our Fairtrade and organic teas and coffees around the world for many years. Clipper Tea was the first Fairtrade tea company in the UK, and we lead the market in this area – even helping to set the Fairtrade standards. All our teas are sourced from the very best tea estates in Africa, India and Sri Lanka, and we care passionately about two things – clean, great-tasting ingredients and good working conditions for tea estate workers.



Currently we are experiencing double digit year on year growth across our top 10 export markets, and we are confident this will continue to grow over the next few years. We are projecting big growth in a number of key regions, including the Middle East, South-East Asia and North America.

36% of Clipper's annual turnover was attributed to export in 2014. Fifty-nine percent of Clipper's annual turnover was attributed to export in 2016, driven mainly by France, Germany, Benelux and Scandinavia.

In recent years, we've noticed a growing appetite for organic food and drinks across Europe and worldwide. Provenance of food has also become far

more important to consume, and we realized that our British heritage was a key selling point. Everything we produce for Clipper is blended in Doet, and we trade on that unique selling point.

Clipper's range of teas have proved popular from an export perspective, notably:

- Infusions (including Organic Sleep Easy, Organic Lemon & Ginger and Organic Rooibos)
- Green teas (including Organic Green Lime & Ginger and Organic Green)
- Black teas (including Organic Decaf Every day and Organic Earl Grey)

In the past few years, we have opened new markets in countries as diverse as South Korea, Chile, Estonia, Latvia, Canada, Saudi Arabia, United Arab Emirates, India, Kazakhstan, Georgia, Costa Rica and Montenegro. The most successful market for Clipper has been Finland, which has benefited from working alongside a strong local partner.

In the last two years we have internationalized our UK website with bespoke sites for France, Germany, Netherlands and Japan, to overcome the barrier of international reach. Of our Facebook followers, Helsinki and Tokyo are our second and third cities after London.

³³ ACHORDA Ltd. "Exports Case Study: Clipper Teas, Owned by Wessanen UK." *FDF Public Site: Facts and Stats > Case Studies > Exports > Exports Case Studies*, Food & Drink Federation, 4 Apr. 2017, www.fdf.org.uk/exports-clipper-teas.aspx.

1.1.3. CASES FROM SRI LANKA

Visionary Leadership and the Case of Dilmah³⁴

This extensive report is about how Merrill J. Fernando founded the company, Dilmah. It speaks of how the quality of Sri Lanka's tea went down after multinational companies took over the industry. Mr. Merrill learned about tea in London, managed a tea company in Sri Lanka and then started his own. In 1971, he bought a plantation to expand his volume of black tea. In the 1980s, he imported the country's first tea bagging machine.

In 1988 he started the Dilmah Company in Sri Lanka and learned about the Australian tea market. Later, he began offering a pure Sri Lankan tea in Australia and to other markets is well. With quality, service and advertising, his company became a major player in several markets. The case study contains a great deal of information about how Mr. Fernando manages his company.

Helping at the Heart of Tea Communities³⁵

This brief study is about the Ethical Tea Partnership, in which the Cooperative for American Relief Everywhere (CARE) participates. It discusses wage negotiations, community development forums, opportunities for women, the problem of alcoholism and complying with international standards.

³⁴ "Visionary Leadership and the Case of Dilmah." www.cimaglobal.com/Documents/Sri%20Lanka/Case%20study%201.pdf.

³⁵ "Helping at the Heart of Tea Communities." www.ethicalteapartnership.org/wp-content/uploads/Helping-at-the-Heart-of-Tea-Communities-Sri-Lanka.pdf.

APPENDIX II: IMPORTS BY STATE FROM VICONY TEA³⁶

Below are companies that could be contacted as potential buyers for tea from Kenya.

California (CA)

Company name:	International Coffee & Tea, LLC
Address:	1945 S. La Cienega Blvd., Los Angeles, CA 90034
Phone:	+1-310-237-2326 +1-310-815-3676 (Fax)
Web(email):	www.coffeebean.com info@coffeebean.com
Contact Person:	Sunny Sassoon (CEO)
Description:	International Coffee & Tea operates and franchises more than 700 coffee shops operating under the name The Coffee Bean & Tea Leaf. The outlets, found mostly in California and in about a dozen foreign countries, feature a variety of fresh roasted coffees and specialty teas, along with baked goods and blended ice drinks
Company name:	Peet's Coffee & Tea Inc.
Address:	1400 Park Ave., Emeryville, CA 94608-3520
Phone:	+1+510-594-2100 +1+510-594-2180
Web(email):	www.peets.com
Contact Person:	Patrick J. (Pat) O'Dea (CEO)
Description:	The company owns and operates about 190 coffee shops in California and half a dozen other states offering more than 20 types of whole bean and fresh ground coffee, including about 15 blends. Its teas run the spectrum from India black to herbal blends
Company name:	SUN HING FOODS INC
Address:	15939 E VALLEY BLVD CITY OF INDUSTRY CALIFORNIA 91744
Phone:	+1-626- 961-6868 +1-626-961-6882
Web(email):	snhingla@aol.com www.sunhingfoods.com
Contact Person:	Mr. Wing Chol (Manager)
Description:	General food including tea imports & distributors in the U.S.

³⁶ American Tea Importers. Vicony Tea Directory, www.viconyteas.com/directory/tea-importers/tea-importer-us.html.

Company name:	Y H S Trading USA Inc.
Address:	755 EPPERSON DRIVE CITY OF INDUSTRY, CA 91748-1335 USA
Phone:	+1-626-810-8731 +1 626 810 8231 (Fax)
Web(email):	www.yhsusa.com
Description:	General food including tea imports & distribution U.S.

Company name:	Gemini Food Corporation
Address:	251 Benton CT Walnut, CA 91789-5213 United States
Phone:	+1 909 839-0018 +1 909 839-0199 (Fax)
Web(email):	www.geminifood.net
Description:	General food including tea imports & distribution in the U.S.

Company name:	West Honest International Inc.
Address:	14845 Proctor Ave., Ste. E, City of Industry, CA 91746, United States
Phone:	+1-626-961-9813 +1-626-961-0811 (Fax)
Description:	General food including tea imports & distribution in the U.S.

Company name:	Silk Road Teas
Address:	2980 Kerner Blvd., Suite A San Rafael CA USA 94901
Phone:	415-458-8624 415-458-8625 (Fax)
Web(email):	www.silkroadteas.com customerservice@silkroadteas.com silkroadteas@yahoo.com
Contact Person:	Ned Heagerty (President)
Description:	unblended full-leaf varieties of Chinese tea importers/Wholesalers in the U.S.

Company name:	America Tohkin Enterprise Inc.
Address:	939 RADECKI CT CITY OF INDUSTRY CALIFORNIA 91748
Phone:	+1-626-965-8322 +1-626-964-8819 (Fax)
Web(email):	www.usatohkin.com info@usatohkin.com
Contact Person:	MR KAN ZHANG (President)

Company name:	G & K Distributing Inc.
Address:	13260 Daum Dr City of Industry California 91746-1208
Phone:	+1-626-336-3332 +1-626-336-3773 (Fax)
Web(email):	gkdist04@aol.com
Contact person:	Mr. George Peteon (President)
Description:	General food including tea imports International. HQ. Branches: 1. Employees: 5.

Company name:	G L Food Wholesale Inc.
Address:	127 California Ave. City of Industry 91744-4322
Phone:	+1-626-855-5391 +1-626-855-5393
Web(email):	glfood@aol.com
Contact Person:	Mr. Randy Tan (GM)
Description:	General food including tea imports International. HQ. Employees: 8.

Company name:	Prince of Peace Enterprise, Inc.
Address:	3536 Arden Road Hayward, CA 94545-3908 USA.
Phone(Head Office):	+1-510-887-1899 +1-510- 887-1799 (Fax)
Web(email):	www.popus.com popsf@popus.com
Description:	Prince of Peace® Enterprises, Inc. founded in 1983 earned its reputation as a leading and diversified company specializing in the marketing, importing and distribution of gourmet products, dietary supplements, natural OTC topical analgesics (like world famous Tiger Balm®), herbal products and teas; as well as product formulation, packaging and private labeling.

Company name:	Roxy Trading, Inc.
Address:	1388 W. Foothill Blvd. Azusa, CA 91702
Phone:	+1-626-610-1388 +1-626-610-1339 (Fax)
Web(email):	www.roxytrading.com info@roxytrading.com
Description:	General food including tea imports & distribution in the U.S.

Company name:	Den's Tea, Inc.
Address:	2281 W. 205th Street, Unit 105 Torrance, CA 90501 USA
Phone:	310-328-3336 310-328-3374 (Fax)
Web(email):	www.denstea.com shirakata@denstea.com
Contact Person:	Den Shirakata (President)
Description:	Japanese green tea imports, distribution in the U.S.

Company name:	Herbal Teas International
Address:	33 Hammond Suite 206 Irvine CA USA 92618
Phone:	949-461-0213 949-461-0214 (Fax)
Web(email):	www.rooibosltd.co.za www.rooibosdirect.com hugh@rooibosdirect.com
Contact Person:	Hugh Lamond (President)
Descriptions:	A leading importer of Rooibos, Honeybush and Lemon Myrtle Herbal Teas. Available in Loose-Leaf, Liquid and Powder form. NOP and EU certified organic. Kosher certified. Warehouse facilities in California and New Jersey.

Company name:	BI Nutraceuticals
Address:	2550 El Presidio Street Long Beach, CA 90810-1193
Phone:	(310) 669-2100 (310) 637-3644 (Fax)
Web(email):	www.botanicals.com gpontiakos@botanicals.com
Contact Person:	George Pontiakos (President CEO)
Descriptions:	A leading botanicals, herbal extract and functional food ingredients manufacturer imports.

Company name:	Yamamoto of Orient Inc.
Address:	122 Voyager St Pomona, CA 91768-3252
Phone:	(909) 594-7356 (909) 595-5849
Web(email):	www.yamamotoyama.com yamamotoyama@yamamotoyama.com
Descriptions:	U.S. tea imports /packer

Company name:	SNA Tea Company
Address:	408 South Pierce Avenue Louisville CO USA 80027
Phone:	303-527-1700 303-527-1702 (Fax)
Web(email):	www.snatea.com cmccabe@snatea.com
Contact person:	Carla McCabe (Director)
Descriptions:	Private label tea importer/packer in the U.S.

Company name:	Aspen International Trading
Address:	124 Swinging Bridge Basalt CO 81621 USA
Phone:	(970) 927-5270 (970) 927-5271 (Fax)
Web(email):	www.aspenint.com richard@aspenint.com
Contact Person:	Richard Rosenfeld (President)
Descriptions:	Trading company, entering the tea business in retail; food service, specialty areas

Company name:	R.C. Bigelow, Inc.
Address:	201 Black Rock Turnpike Fairfield, CT 06825
Phone:	203-334-1212 203-382-5509 (Fax)
Web(email):	www.bigelowtea.com info@bigelowtea.com
Descriptions:	U.S. tea imports /blende

Company name:	Beverage House, Inc.
Address:	400 High Point Road Suite 100 Carteville GA USA 30120
Phone:	770-387-0451 770-387-1809 (Fax)
Web(email):	www.beveragehouse.com robbin@beveragehouse.com
Contact Person:	Robbin McCool
Descriptions:	formulator/processor/packager of aseptic & non-aseptic specialty beverages & beverage concentrates with emphasis on tea products

Tennessee (TN)

Company name:	First American Import & Export
Address:	2501 Sunset place, Nashville Tennessee USA
Phone:	615-460-1155 615-778-9312 (Fax)
Web(email):	jie.wang.1@vanderbilt.edu
Description:	Food including tea imports in the U.S.

Florida (FL)

Company name:	Teas Etc., Inc.
Address:	480 Tall Pines Rd Suite C West Palm Beach, FL USA 33413
Phone:	561-683-6838 561-683-6837 (Fax)
Web(email):	www.teasetc.com beth@teasetc.com
Contact Person:	Beth Johnston (Owner)
Description:	Tea and tea related accessories Importer/Wholesale Teas Etc. is a USDA certified organic handler and processor

Connecticut (CT)

Company name:	Tea Imports, Inc.
Address:	47 Riverside Ave. Westport, CT.06880-4215 USA
Phone:	+1-203-2263301 +1-203-2271629
Web(email):	www.teaimportscom TeaImport@aol.com sales@teaimportscom
Description:	U.S. Tea Importer/Broker/Buyer/Produce The company imports tea from all of the major and many of the minor tea producing countries in the world. It is one of the leading imports in the USA

Indiana (IN)

Company name:	Empire Tea Services
Address:	1965 St. James Place Columbus, Indiana 47201 USA
Phone:	812-375-1937 812-376-6357 (Fax)
Web(email):	www.empiretea.com sales@empiretea.com lalith@empiretea.com

Contact Person:	Lalith Guy Paranavitana (Owner)
Description:	American Tea Imports/Merchants/Consultants

Louisiana (LA)

Company name:	Reily Foods Company
Address:	#640 Magazine Street, New Orleans, LA 70130
Phone:	504-524-6131 504-539-5427 (Fax)
Web(email):	www.rfoods.com
Description:	American coffee & tea imports/distribution

Massachusetts (MA)

Company name:	Barrows
Address:	142 Arnold St. New Bedford, MA 02740-3636 USA
Phone:	(800) 990-2745 (508) 990-2760(Fax)
Web(email):	www.barrowstea.com madhatter@barrowstea.com
Contact Person:	Samuel Marshall Barrows, (President & Founder)
Description:	American tea imports and manufacture of round tea bag products under the Barrows brand name

Company name:	Upton Tea Imports
Address:	34-A Hayden Rowe Street Hopkinton, MA 01748 United States
Phone:	(508) 435-9922 (508) 435-9955
Web(email):	www.uptontea.com questions@uptontea.com
Description:	American tea imports/distribution

Company name:	Mark T. Wendell Tea Company
Address:	50 Beharrell Street West Concord, Massachusetts 01742 USA
Phone:	(978) 369-3709 (978) 369-7972 (Fax)
Web(email):	www.marktwendell.com hejohnson1@marktwendell.com
Contact Person:	Hartley E. Johnson

Description:	American tea importers/merchants/wholesale dealing with Chinese tea more than one hundred years ago
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Maine (ME)

Company name:	Green Tree Coffee & Tea
Address:	48 Mahall Wharf Suite 4 Belfast, ME 04915 USA
Phone:	207-338-0040 207-338-0084 207-338-0881 (Fax)
Web(email):	www.greentreecoffee.com info@greentreecoffee.com sales@greentreecoffee.com eliza.stevens@verizon.net
Contact Person:	Eliza Stevens
Description:	Coffee roaster/team importer and packer

Minnesota (MN)

Company name:	Coffee and Tea Ltd.
Address:	2730 W 43rd Street Minneapolis Minnesota United States
Phone:	+1-952-8542883 +1-800-2346378 +1-612-9206344
Web(email):	www.coffeeandtealtd.com info@coffeeandtealtd.com
Description:	Coffee roaster & tea importer in the U.S.

Michigan (MI)

Company name:	R & B Media, LLC
Address:	6044 Edmar Drive Traverse City MI 49686 USA
Phone:	231-935-1588 231-935-4121 (Fax)
Web(email):	cafewijs.com leater@cafewijs.com
Contact Person:	Raymond Sleater (President)
Description:	American tea imports/distribution

New York (NY)

Company name:	Universal Commodities (Tea) Trading, Inc.
Address:	141 Parkway Road, Suite 20 Bronxville, New York 10708
Phone:	914-779-5700 914-779-5742 (Fax)

Web(email):	www.uctt.com tea@uctt.com univealtea@uctt.com domciaccia@uctt.com jemmcdowall@UCTT.com
Contact Person:	Jem McDowall (Vice President - Trading)
Description:	Imports of all types of tea (black, green, oolong, white, herbal, flavored, decaffeinated, instant) from all around the world direct to the U.S. UCTT was formed in 1990 by a group of tea traders, who, between them, have over a century of tea-trading experience

Company name:	Serendipity Tea Company
Address:	73 Plandome Road, Manhasset, NY 11030
Phone:	888-832-5433 516-365-7733(Fax)
Web(email):	www.serendipitea.com info@Serendipitea.com tea@serendipitea.com
Description:	American premium loose tea imports/distribution

Company name:	Lin Sister Herb
Address:	4 BOWERY NEW YORK NY 10013 US 212 962 5417
Phone:	+1-212-962-5417
Web(email):	www.linsister.com frank@linsister.com
Description:	An ancient Chinese medicine shop which constantly imports herb tea from China

Company name:	Metropolitan Tea Company Ltd
Address:	60 Industrial Parkway, Suite 776 Cheektowaga, New York USA 4227
Phone:	1 416 588 0089 1 416 588 7040 (Fax)
Web(email):	www.metrotea.com info@metrotea.com sales@metrotea.com
Description:	Tea importers/merchants with representatives in the U.S., Canada and Europe

New Jersey (NJ)

Company name:	Boston Tea Company
Address:	560 Hudson St Suite 3 Hackensack NJ 07601 USA

Phone:	201-440-3004 201-440-3005(Fax)
Web(email):	www.bostontea.com cviolante@bostontea.com
Contact Person:	Carleen Violante (Director QA and Product Development)
Description:	American high-quality tea imports and distribution

Company name:	Harris Tea Company
Address:	344 New Albany Road Moorestown, NJ 08057
Phone:	1.888.561.5017
Web(email):	www.harrisfreeman.com charlene.kaufman@harrisfreeman.com
Contact person:	Charlene Kaufman
Description:	American tea importer/manufacturer/blender/packer/merchant

Company name:	Finlay Tea Solutions (U S) Inc.
Address:	23, Vreeland Road Suite 106 Florham Park New Jersey 07932 - 1510
Phone:	+1 973 539 8030 +1 973 539 4816
Web(email):	http://finlayusa.com jpokeefe@finlayusa.com
Description:	American tea importers/exporters

Company name:	Henry P. Thomson Inc.
Address:	29 EAST MAIN ST. PO BOX 147 MENDHAM NJ 07945 USA
Phone:	973-543-5800 973-543-6233(Fax)
Web(email):	mail@hpthomson.com
Contact Person:	R D Thomson (CEO)
Description:	Established in 1912, Henry P Thomson, Inc. is one of the oldest and largest tea imports currently operating in the U.S. With headquarters located in New Jersey, it maintains purchasing offices in Hefei, China and Obeira, Argentina

Company name:	KENTEA LIMITED (Martin Bauer Inc.)
Address:	300 Harmon Meadow Boulevard, Suite 510 Secaucus, New Jersey 07094
Phone:	+1-201-659-3100 +1 201-659-3180

Web(email):	www.kentealtd.com welcome@martin-bauer-group.us
Description:	Tea imports in North America Kentea Limited was founded in January 1977. In 2008 the business was acquired by the Martin Bauer Group

Company name:	Posh Nosh Imports
Address:	9e S Hackensack Ave, Kearny, NJ 07032
Phone:	+1-973-274-9444; +1-973-274-9886 (Fax)
Web(email):	www.posh-nosh.com info@posh-nosh.com sales@posh-nosh.com
Contact Person:	Christopher Wolkenstein (President)
Description:	Posh Nosh Imports started in 1994 is America's leading importers of fine specialty food products

Company name:	Well Luck Co., Inc.
Address:	104 Harbor Drive Ste 1, Jersey City, NJ 07305-4500 US
Phone:	+1-201-434-1177; +1-201-434-2540 (Fax)
Web(email):	www.hunsty.com mwong@wellluck.com
Contact Person:	Ting Hwa Li (President)
Description:	Well Luck Co., Inc. run by Taiwanese is one of the leading Asian food distribution in the U.S. with a nationwide distribution system

Company name:	William H Hall Co.,Inc.
Address:	100 Melrose Ave. Cherry Hill, New Jersey 08003 USA
Phone:	(856) 428-3355
Contact Person:	Richard L. La Maina (President)
Description:	General food including tea imports in the U.S.

Company name:	Royal Estates Tea Company
Address:	800 Sylvan Avenue Englewood Cliffs New Jersey 07632
Phone:	1 201 894 7845; 1 201 894 7098 (Fax)
Web(email):	Peter.Goggi@Unilever.com
Description:	American tea imports

Company name:	Harten Corporation
Address:	18 Commerce Road, Unit H Fairfield, NJ 07004
Phone:	973-808-9488 973-808-3966 (Fax)
Web(email):	www.hartencorp.com hartencorp@aol.com
Description:	botanicals, herbal extracts and powdered tea importers/merchants in the U.S.
Company name:	Harrisons & Crosfield Teas Inc.
Address:	PO Box 461 Chatham, NJ 07928
Phone:	973-463-0420 973-463-0430
Web(email):	www.harrisonsandcrosfield.com Cheryl@harrisonsandcrosfield.com
Contact Person:	Cheryl Templeton
Description:	American tea importers/merchants
Company name:	Volcafe USA
Address:	80 Cottontail Ln # 101 Somerset, NJ 08873-1100
Phone:	732-469-9622 732-469-9621 (Fax)
Web(email):	www.volcafe.com robert@volcafe.com
Contact Person:	Robert Ford (owner)
Description:	Coffee and tea importer/broker in the U.S.
Pennsylvania (PA)	
Company name:	The East Indies Tea Company
Address:	7 Keystone Drive Lebanon, PA 17042 USA 17042
Phone:	(800) 220-2326 (717) 228-2000 (717) 228-2540 (Fax)
Web(email):	www.eastindiescoffeeandtea.com mstea@eastindiescoffeeandtea.com mstea@paonline.com
Contact Person:	Mim Enck (Vice President)
Description:	American tea imports, wholesaler, blender
Illinois (IL)	
Company name:	Dethlefsen & Balk (USA) Inc.
Address:	1005 North Commons Drive, Aurora IL USA 60504

Phone:	630-851-8549 630-851-7744 (Fax)
Web(email):	www.dethlefsen-balk.us info@dethlefsen-balk.us sascha@dethlefsen-balk.us
Contact Person:	Sascha Karimpour (General Manager)
Description:	Premium orthodox and unique flavored loose-leaf tea importer /wholesaler in the U.S.

Company name:	KEIKO division of Top Taste Imports LLC
Address:	P.O. Box 488 Mount Vernon IL USA 62864
Phone:	618-242-5711 618-242-5755 (Fax)
Web(email):	www.keiko-tea.us info@keiko-tea.us
Contact Person:	Sylvana. P Levesque
Description:	Half Shaded Japanese Green tea imports/distribution

Company name:	Sara Lee Coffee & Tea
Address:	2278 N Elston Avenue Chicago, IL 60614
Phone:	773-799-7349 773-489-7323 (Fax)
Web(email):	www.saralee.com rglodny@saraleecoffee.com
Contact Person:	Rose Glodny (Senior Buyers)
Description:	U.S. coffee & tea import/export/distribution

Washington (WA)

Company name:	Assam Tea Company
Address:	4152 Meridian Street, Suite 105-I Bellingham, WA 9822
Phone:	604-568-8695 206-452-2026 (Fax)
Web(email):	www.assamteacompany.us sales@assamteacompany.com
Contact Person:	Saunam Bhattacharjee (President)
Description:	Assam tea importer/grower/packer/wholesale/retailer in the U.S.

Company name:	Teasophy, AMES International, Inc.
Address:	4401 Industry Dr. E., Bldg. A Fife, WA 98424 USA

Phone:	253-946-4779 253-926-4147 (Fax)
Web(email):	www.teasophy.com apaulose@teasophy.com
Contact Person:	Amy Paulose (Vice President)
Description:	Importer and packer of high-quality specialty tea from India and Sri Lanka packaged in biodegradable pyramid shaped tea pods

Company name:	Choice Organic Teas / Granum, Inc.
Address:	2414 SW Andover Street, Building C-100 Seattle, WA 98106
Phone:	(206) 525-0051 (206) 523-9750 (Fax)
Web(email):	www.choiceorganicteas.com choice@granum-inc.com
Description:	U.S. organic tea imports /distribution

Company name:	Carnelian Rose Tea Company
Address:	800 NE Tenney Road 110-107 Vancouver, WA 98685
Phone:	360-433-9454
Web(email):	www.carnelianrosetea.com tea@carnelianrosetea.com
Description:	U.S. tea imports/wholesale

APPENDIX III: SPECIALTY TEA CO-PACKERS

Note: These are firms that package tea under contract, using specifications and art provided by their clients. The source is <http://www.specialtyfoodcopacker.com/Tea.html>.

Alexander Gourmet Beverages, Caledon, Ontario, 905-361-2577, www.alexandetea.com
Gourmet Teas

Arbor Hill Grapery, Naples, NY, 800-554-7553, www.thegrapery.com
Iced Tea Concentrates, Dips, Spreads, Sauces, Vinegars, Jams

Assemble Inc., Chicago, IL, 847-969-5280, www.assemble.com
Bakery, Beverages, Candy, Chocolate, Condiments, Desserts, Fruit, Gifts, Grains, Healthy Living, Honey & Syrups, Meats, Oils, Sauces, Seasonings, Snacks, Vegetables

Atlanta Coffee and Tea, Decatur, GA, 770-981-6774, www.atlantacoffeeandtea.com
Coffee, Tea

AZ Pack, Tempe, AZ, 480-449-7770, www.azpack.com
Teas, Energy Drinks, Fruit Drinks, Kosher, Halal, Non-GMO's, Canning

Baronet Coffee, Hartford, CT, 800-227- 6638, www.baronetcoffee.com
Coffee, Tea, Kosher

Blue Ridge Tea & Herb Co., Brooklyn, NY, 718-625-3100, www.blueridgetea.com
Teas, Herbs

California Natural Products, Lathrop, CA, 209-390-0321, www.baytechfolio.com
Syrups, Soy Milk, Soups, Chai Tea, Sauces, Kosher, Organic

Choice Organic Teas, Seattle, WA, 206-525-0051, www.choiceorganicteas.com
Teas, Organics

Cloverland Dairy, Baltimore, MD, 800-492-0094, www.cloverlanddairy.com
Milk, Eggnog, Buttermilk, Ice Cream, Ice Tea, Juices

Coastal Packaging, Newnan, GA, 678-854-2117, www.freshbru.com
Coffee, Tea, Organic, Fruit Juices, Syrups, Energy Drinks, Vegan, Gluten Free

Coffee Master, Spring Grove, IL, 800-334-6485, www.coffeemastecom
Teas, Hot Chocolates, Gifts, Syrups

Condaxis Coffee, Loxahatchee, FL, 561-541-9777, www.condaxis.com
K-Cups Bio Degradable- Single Origin Coffee, Tea and Herbal Tea.
Bulk Bean Ground Coffee, Espresso, Single Origin Specialty Coffees and Teas, Coconut Powder Creamer, D32 Espresso Capsules, Point Compatible Capsules

Custom Beverage Concepts, Tallapoosa, GA, 770-574-9899, www.custombeverageconcepts.com
Hot & Cold Beverages, Sugar, Sugar Substitutes, Iced Tea, Protein Shakes

Custom Co-Pack, Philadelphia, PA, 215-743-2617, www.customcopack.com
Teas, Herbs, Organic, Kosher, Herbs

Damron Corp., Chicago, IL, 773-826-6000, www.damrontea.com
Teas

Davidson's Organics, Reno, NV, 800-882-5888, www.davidsonstea.com

Teas

Dean Foods, Dallas, TX, 214-303-3400, www.deanfoods.com

Milk, Ice Cream, Juices, Bottled Water, Tea

Dundee Fruit Co., Dundee, OR, 503-537-2500, www.dundeefruit.com

Juice, Tea, Salsa, Pickled Products (hand pack), Pasteurization (Cider, Bee), Syrups, Chutneys

Empire Tea Services, Columbus, IN, 812-375-1937, www.empiretea.com

Teas, Iced Teas

Enlightened Beverages, Le Sueur, MN, 888-522-2892, www.enlightenedbeverages.com

Frappés, Smoothies, Chai Teas and Premium Cocoas

European Roasterrie, Le Center, MN, 888-588-5282, www.euroroast.com

Coffee, Cocoa, Tea, Syrups

Freshbru, Newnan, GA, 678-854-2117, www.freshbru.com

Coffee, Tea, Fruit Juices, Syrups, Energy Drinks, Organic, Kosher

Harris Tea Co, Morristown, NJ, 856-793-0290, www.harristea.com

Teas

H.A. Rider & Sons, Watsonville, CA, 831-722-3882, www.hariderandsons.com

Cider, Kosher

Joey Juice Beverage Co., Clintondale, NY, 845-559-4940, www.joeyjuice.net

BEVERAGES: Teas, Juices, Coffees, Mixes, Energy Drinks; SAUCES: Hot Sauces, BBQ Sauces, Cocktail Sauces;

Johanna Foods, Flemington, NJ, 908-788-2200, www.johannafoods.com

Juices, Yogurts, Tea

Max Voets Coffee Roasting LTD, Vernon, BC, 250-540-2711, www.voetscoffee.com

Coffee, Tea, Smoothies, Frappés, Espresso, Organic

Mayer Brother s, Barker, NY, 716-668-1787, www.mayerbrothers.com

Juices, Water, Teas

Minard Farms Beverage Company Inc., Clintondale, NY, 845-702-8239, www.minardfarmsbeverage.com

Teas

Monterey Bay Spice Co., Watsonville, CA, 800-500-6148, www.herbco.com

Teas, Seasonings, Oils

Mother Parke Tea & Coffee, Fort Worth, TX, 817551-5500, www.mother-Parke.com

Tea, Coffee

O-AT-KA Milk Products Coop., Inc, Batavia, NY, 800-828-8152, www.oatkamilk.com

RTD Coffee, RTD Tea, Nutritional Drinks, Protein Drinks, Milk Products, Butter, Dairy Products, Bulk Ingredients, Specialty Products, Kosher

Orinco Coffee & Tea Ltd., Columbia, MD, 410-312-5292, www.cafeorinco.com
Tea, Coffee

Primal Essence, Oxnard, CA, 877-774-6253, www.primalessence.com
Flavored Cooking Oils, Super Tea Concentrate

Plains Dairy, Amarillo, TX, 806-374-0385, www.plainsdairy.com
Milk, Bottled Water, Juices, Tea, Lemonade, Punch, Cottage Cheese, Dips

Producer's Dairy Foods, Fresno, CA, 559-264-6583, www.producedairy.com
Milk, Egg Nog, Buttermilk, Sour Cream, Juices, Iced Tea

Q Trade Teas, Cerritos, CA, 949-766-0070, www.qtradeteas.com
Teas, Herbs

Redco Foods, Little Falls, NY, 877-248-2477, www.redcofoods.com
Teas

SNA Tea Co, Louisville, CO, 303-527-1700, www.freshtea.org
Teas

Sonoma Beverage Works, Healdsburg, CA, 707-723-7015, www.sbwrrks.com
Beverages, Hard Cider, Coffees, Energy Drinks, Juices, Mixes, Sodas, Teas, Wine

Southeast Bottling & Beverage, Dade City, FL, 352-567-2200, www.southeast-bottling.com
Water, Juices, Teas, Energy Drinks

Tao of Tea, Portland, OR, 503-736-0198, www.taooftea.com
Teas

(The) Big Beverage Company, Mooresville, NC, 855-800-9013, www.bigbeverages.com
Water, Juices, Organic, Tea, Soda, Wine Beer

Virginia Dare, Brooklyn, NY, 718-788-1776, www.virginiadare.com
Tea, Coffee, Hot Chocolate, Extracts

APPENDIX IV: TWININGS NORTH AMERICA, TERMS & CONDITIONS FOR WHOLESALE TRADE

Note: Paragraph breaks in clauses were inserted by the consultant.

Every product ("Product") purchased or sold by or through Twinings North America, Inc. ("TNA") to a purchaser ("Buyers") is sold subject to the following terms and conditions:

I. **Priority of Terms and Conditions.**

TNA hereby notifies Buyers in advance that TNA objects to any terms and conditions in Buyers' purchase order or other document that are additional to or different than these Terms and Conditions, whether or not the additional or different terms would materially alter these Terms and Conditions.

If a contract between TNA and Buyers is established through performance or other conduct, the terms and conditions of that contract will not be deemed to consist only of terms and conditions as to which the parties' writings agree, but rather these Terms and Conditions will be a part of that contract and will prevail over the conflicting and/or different terms and conditions of any other document forming a part of the contract. No other terms (whether contained in any purchase order or other document) given by Buyers shall in any way modify or supersede any of these Terms and Conditions or otherwise be binding on TNA unless expressly accepted by a written instrument signed by an authorized corporate officer of TNA.

2. **Limited Warranty.** TNA warrants to Buyers that, on the date of delivery to the applicable FOB or Ex Works point, the Product (i) will conform to TNA's specifications (if any) for the Product and (ii) if the Product is a food product, it is not adulterated or misbranded within the meaning of the Federal Food, Drug, and Cosmetic Act and is not an article which may not be introduced into interstate commerce under the provisions of Sections 404 or 505 of such Act. TNA makes no other warranties, express or implied, regarding the Product and TNA specifically disclaims the implied warranties of merchantability, fitness for a particular purpose, and freedom from infringement claims.

Buyers will notify TNA of any failure to conform to the warranty within seven (7) business days after delivery; otherwise the Product will be deemed accepted by Buyers. If any Product does not conform to TNA's warranty, TNA will either replace the nonconforming Product or refund the applicable portion of the purchase price paid for the nonconforming Product, at TNA's option. The foregoing remedy is exclusive and is granted in lieu of all other remedies.

3. **Limitation of Liability.** TNA WILL NOT BE LIABLE TO BUYERS, ITS CUSTOMERS, EMPLOYEES OR AGENTS, UNDER ANY CLAIM OR CIRCUMSTANCES (INCLUDING WITHOUT LIMITATION ANY CIRCUMSTANCE INVOLVING A FINDING THAT A WARRANTY OR REMEDY HAS FAILED OF ITS ESSENTIAL PURPOSE), WHETHER THE CLAIM SOUNDS IN CONTRACT, TORT OR OTHER LEGAL THEORY, FOR INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUE, LOST SALES, LOST GOODWILL OR LOSS OF USE OF ANY PRODUCT. IN NO EVENT WILL TNA'S AGGREGATE LIABILITY EXCEED THE PURCHASE PRICE FOR THE PRODUCT.
4. **Proprietary Rights.** The formulations and ingredients used for the preparation and production of goods or products sold under these Terms and Conditions are the proprietary assets of TNA and may not be copied, sold, or used in any way by Buyers or any third party without the express written permission of TNA.

5. **Price and Order Acceptance.** The price payable for Product shall be the price in United States Dollars (USD) or Canadian Dollars (CAD) as quoted by TNA, or if no price is quoted, as set out in TNA's current price list. Special packing and labeling charges, if any, are in addition to the purchase price for the Product and may be invoiced to Buyers at any time. Prior to acceptance, the price quoted for a Product is subject to change. Once accepted by TNA, orders are not subject to change, cancelation or deferment of shipping date, except with TNA's written consent and upon terms that will indemnify TNA against any resulting loss or damage. Unless TNA expressly states otherwise, the price quoted for a Product does not include any sales, use, excise, ad valorem, receipts or like taxes, customs duties, or any other duties or charges whatsoever currently or hereafter imposed by any governmental authority, and all such taxes, duties, and other charges shall be the responsibility of the Buyers.
6. **Export/Import Terms.** Buyers is responsible for complying with any applicable legislation or regulations governing the exportation of goods and/or importation of goods into the country of destination and for payment of all customs duties and/or excise taxes that may be levied by reason of such export and/or import of goods. Any certificates provided to Buyers for the Product, are provided by TNA as a courtesy and shall not be relied upon except as provided by law.
7. **Payment; Security Interest.** Payment is due in accordance with the payment schedule agreed to in writing by the parties and if not paid on or before the due date, is then considered delinquent. Due dates are calculated from the ship date. If no such schedule has been agreed to in writing, then the payment terms is full and final payment net thirty (30) days from the date of shipment. At its option, TNA may impose a late charge of up to 1.5% per month on past due payments. All payments will be made without setoff or reduction of any kind.

Restrictive endorsements or other statements on checks will not apply to TNA. Delinquency subjects the account and all shipments to credit hold until paid. Buyers with invoice balances aged greater than 45 days may be placed on Cash in Advance status and the account escalated to collections. All disputes on billing must be reported within 90 days. Buyers will be responsible for all collection costs including attorney fees, collection agency fees, legal fees, and court costs, if any, incurred by TNA in connection with collection of delinquent amounts.

8. **Security Interests.** TNA hereby retains a security interest in the Products to secure the payment of the purchase price and the performance of all other obligations of Buyers to TNA, whether now existing or hereafter arising, and whether or not arising under this contract.
9. **Shipping.** TNA will ship products prepaid in the U.S. from TNA-specified origin unless a written agreement specifies other shipping terms. For international transactions, delivery terms are Ex Works (Incoterms 2010) TNA-specified origin. Any shipping schedule provided by TNA to Buyers is TNA's then-current estimate of delivery dates. TNA will use reasonable efforts to deliver the Product in accordance with that schedule, but does not warrant or guarantee any particular delivery dates. TNA will not be liable for any damages in connection with the delivery or non-delivery of any Product, including but not limited to damages incurred during shipment or caused by a delay in delivery. Buyers' acceptance of delivery of any Product constitutes a waiver of any claim for delay.
10. **Ownership and Address Change.** Buyers must notify TNA in writing by certified mail immediately of any change of name, ownership, and address or business structure. Failure to do so, may subject Buyers account to a credit hold or to be placed on Cash in Advance status. Buyers must notify TNA of any material change in its business, operations, properties or financial condition of Buyers, which may affect its ability to perform its obligations. In the event of such material change, TNA, in its sole discretion, has the option to refuse to sell to or ship Product to Buyers.
11. **Force Majeure.** TNA will not be liable for delay, failure in performance, loss or damage due to fire, strike, vandalism, embargo, explosion, power blackout, earthquake, flood, war, labor disputes, civil or military authority, acts of God or the public enemy, or other causes beyond its reasonable control, whether or not similar to the foregoing.

12. **Severability of Terms.** If any of these terms and conditions are held to contravene applicable law, such provision only will be deemed void, and in all other respects these terms and conditions will remain in full force and effect.
13. **Amendments.** Buyers acknowledges and agrees that no representative of TNA has the authority to make any representations, statements or promises in addition to or in any way different than those contained herein, and that Buyers is not relying upon any representation, statement or promise of TNA except as expressly stated herein. No amendments or modifications hereof will be valid unless in writing and signed by authorized representatives of TNA and Buyers.
14. **Equal Employment/Affirmative Action Obligations.** As part of TNA's compliance with federal Equal Employment Opportunity and Affirmative Action regulations, TNA hereby notifies Buyers that TNA is an equal employment opportunity and federal contractor. Consequently, TNA and Buyers must comply with Executive Order 11246, the Vietnam Era Veterans Readjustment Assistance Act of 1974, Section 503 of the Vocational Rehabilitation Act of 1973, CFR §§ 60-300.5 (a) and 60-741.5 (a) as well as the provisions of Executive Order 13496 (29 CFR Part 471, Appendix A to Subpart A), as applicable, relating to the notice of employee rights under federal labor laws.
15. **Governing Law, Forum Selection and Limitations Period.** These terms and conditions, and the construction of these terms and conditions, all rights and obligations between the parties to this contract underlying these terms and conditions, and any and all claims arising out of or relating to the subject matter of this contract, will be governed by the laws of the State of New Jersey USA, without regard to its conflict of laws principles.

The rights and obligations of the parties to this contract will not be governed by the provisions of the 1980 UN Convention on Contracts for the International Sale of Goods; rather these rights and obligations will be governed by the laws of the State of New Jersey. Prior to any action, litigation or other legal proceeding of any kind based upon or in any way related to this contract, its subject matter, or the rights or obligations of the parties to this contract, Buyers hereby consents to mandatory, non-binding mediation to hear any claim, demand or dispute arising out of this contract or related matter

Any such mediation must take place in Passaic County, New Jersey, before a single mediator to be agreed upon by the parties with expenses to be paid by the losing party. If the dispute has not been resolved within 30 days of any written demand for mediation, or within such longer time period as the parties may agree, any further legal proceedings must be brought exclusively in an appropriate court of competent jurisdiction (state or federal) located in Passaic County, New Jersey, and must be brought within one year after the date on which the claim accrued. Any action brought in such courts will not be transferred or removed to any other state or federal court. The parties consent to the exercise of jurisdiction over them by the above-named courts as their freely negotiated choice of forum for all actions subject to this forum selection clause.

APPENDIX V: ASSOCIATION OF FOOD INDUSTRIES STANDARD IMPORT CONTRACT

1. TERMS AND CONDITIONS

For the protection of all parties it is agreed that this contract, both front and back, contains the entire agreement between the parties and that there are no promises, terms, conditions or obligations and no warranties or representations, other than those contained in this contract or otherwise required by applicable law.

2. LIABILITY

The merchandise travels at Buyers' risk unless otherwise specified. The Seller is not responsible for loss or damages resulting from loss of merchandise at sea, or failure to make shipment within the specified time or at all, when such failure is due to fire, strike, boycott, flood, earthquake, windstorm, war, riot or revolution, government restriction or prohibition.

3. SHIPMENT

Immediate shipment shall mean shipment within ten (10) days from the date of this contract. Prompt shipment shall mean shipment within twenty-one (21) days from the date of this contract. If the Seller fails to make shipment within the agreed period of time because of the contingencies specified in Paragraph Two (2) above, he shall notify the Buyers at once and then the shipping period required by this contract is automatically extended one month. If Seller fails to make shipment within the one month extension period, he shall notify the Buyers within the following five days. In the event the Buyers intends to make claims for damages, he shall immediately present an itemized written statement of such damages to the Seller or the Seller's Agent and the Seller or his Agent shall then immediately notify the Buyers when the claim is allowed or disallowed.

4. PARTIAL DELIVERY/SEVERABILITY

When right to partial shipment exists, this contract is severable as to each shipment, and non-delivery, delayed delivery, or non-conformity with contract requirements of any part shall not affect Buyers' obligations to accept and pay for any other part, which acceptance and payment shall be made without prejudice.

5. CHANGES IN DUTY AND/OR FREIGHT RATES

Any changes, after date of this contract, in rate of duty, U.S. import taxes, or valuations by U.S. Customs, shall be for the account of the Buyers unless otherwise specified. Any changes in freight rates between contract date and bill of lading date shall be for the account of the Buyers when merchandise is purchased on an FOB basis or shall be for the account of the Seller when merchandise is sold on a Cost and Freight (C&F) or CIF basis.

Wherever the ocean freight is paid, it includes all charges until the freight is picked up by the Buyers' trucker at the destination stipulated in the Ocean Bill of Lading. By "all charges" is meant ocean carriage, terminal handling charges, currency adjustment facto, container rental charges, container yard charges, bunker surcharges, and any other surcharges imposed.

6. BUYERS'S FINANCIAL RESPONSIBILITY

Unless otherwise specified under the heading of *Terms* in this contract, payment to Seller is to be made immediately upon official notification of passage/clearance by the U.S. Food and Drug Administration.

If the Buyer(s) owes the Seller any overdue amount at the time of delivery against this contract, or if the Buyer(s) has breached the contract on previous deliveries, or if the Buyers' credit has been impaired, the Seller has the following options, after giving the Buyers ten (10) days' notice by cable or telegram: (1) to

make shipments cash against documents, and the Buyers shall be bound to pay for them that way; or (2) to consider any undelivered portion of this contract as automatically canceled; or (3) to sell any merchandise still due in the open market, crediting or debiting the Buyers with the difference between the net price thus realized and the price set at this contract. When the Seller desires to take advantage of these remedies, the Buyers shall have the right to establish an irrevocable Letter of Credit, and in such case the Seller shall have no right to these remedies.

Should the Buyers fail to order out the merchandise within the specified time, the Seller shall have the right to effect shipment on the fit available vessel.

7. DEFAULT IN ACCEPTANCE OF GOODS

In the case of default in acceptance of the merchandise by the Buyers, the Seller is authorized to sell it or authorize other to sell it even though it may bear the trademarks or the trade name of the Buyers.

8. INSURANCE

Buyers agrees to obtain an open policy or such other form of insurance to protect himself on shipments made, whether advices thereon are received or not. In cases where Seller is required by the terms of his agreement to provide insurance it shall be for 110% of the C&F value and for all risks including war risk insurance.

9. RESPONSIBILITY IN DELAYS

Seller does not assume any responsibility for the delay in the arrival of documents nor for delay or failure of advice of shipment to reach Buyers in time to cover insurance.

10. ARBITRATION

Any controversy claim arising out of or relating to this contract or breach thereof, or any controversy between a party hereto and the broker or agent solely relating to the payment of brokerage or commission, shall be settled by arbitration in New York, N.Y., by the Association of Food Industries, Inc., in accordance with its rules, and judgment may be entered upon the award.

Each party to this contract consents that any paper, notices or process necessary or proper for the institution or continuation of any arbitration proceeding or for the confirmation of an award and entry of judgment may be served upon such party (1) by registered or certified mail addressed to such party's last known address; or (2) by personal service; or (3) where a party to a controversy is not located in the U.S., by certified mail or personal service upon his Agent or Broker through whom this contract is made.

11. DETENTION

Merchandise is sold subject to inspection and/or passing by the U.S. Food and Drug Administration, or by any other U.S. Government Department, Bureau or Agency with jurisdiction over it. Should the merchandise or any part of it be detained at the Port of Customs Entry by the U.S. Government and not eventually released for entry after reasonable efforts have been made by the Buyers to remove such detention, it is understood that the Seller is not required to make a replacement of the merchandise and that this contract in regard to the detained and unreleased merchandise shall then become void; and the Seller shall be released of all responsibility and liability except that he must refund the purchase price, if paid, plus freight charges, insurance and other expenses necessarily incurred by the Buyers in connection with the transaction.

12. RESPONSIBILITY OF AGENT OR BROKER

No agent or broker or any party to this contract shall be liable for any damages resulting from or by reasons of mistake or delay by any communications company in transmitting any message in connection with this transaction, whether prior or subsequent to the making of this contract.

13. CANCELTION OR MODIFICATION

This contract cannot be canceled or modified except in writing signed by all parties hereto or their duly authorized agents.