



# The East African Tea Trade Association



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A green tag with a white outline and a hole at the top, hanging from a thin white string. The tag is tilted and features the word "INTRODUCTION" in white, uppercase, sans-serif font. Below the tag, a white teacup sits on a saucer with a spoon, and a white teapot is visible to the right. Steam rises from the teacup. The background is dark and blurred, with a white vertical bar on the right side.

INTRO-  
DUCTION

## INTRODUCTION



Tea remains a popular beverage worldwide second to water, with an average of 3 billion cups consumed daily. The global tea market size was valued at USD 55,144 million in 2019 and this is projected to grow as production and demand increases. The tea sector and its associated production, sale and consumption is a complex web of multiple actors including producers, buyers, tea packers in global geographies,

working to ensure the farm to cup supply chain remains active. 13 million people are involved in tea production and 9 million of those are small holder farmers most of whom are in Africa and Asia. In 2020, over 48 countries across the globe were involved in tea production, 12 of those are Low Income Countries in Africa and Asia and they accounted for 5 percent of global tea production. Tea is mainly grown in Asia, Africa, South America, and around the Black and Caspian Seas. The four biggest tea-producing countries today are China, India, Sri Lanka and Kenya. Together they represent 75% of world production.

As the global demand for tea increases, there is also increasingly a demand for adoption of voluntary sustainability standards (VSS) to address challenges facing the sector such as better working conditions for tea workers and profitability of small holder farmers; and a push to adopt climate resilient practices to promote green economy. This demand is driven by consumer demands in developed countries. Africa and Asia top the list of VSS compliant producing countries in this regard.

1. <https://www.alliedmarketresearch.com/tea-market>

2. Global Market Report: Tea (2019). Vivek Voora, Steffany Bermúdez, Cristina Larrea

3. <https://www.palaisdesthes.com/en/understanding/countries/>

4. The United Nations Forum on Sustainability Standards (UNFSSs) defines VSSs as "standards specifying requirements that producers, traders, manufacturers, retailers or service providers may be asked to meet, relating to a wide range of sustainability metrics, including respect for basic human rights, worker health and safety, the environmental impacts of production, community relations, land use planning and others."

5. <https://www.trademarktea.com/>



## MOMBASA TEA ACTION

Tea produced across the world was sold through 10 public tea auctions, one of them being Mombasa. About 75 percent of tea produced in Kenya was sold through the Mombasa Tea Auction. In 2019, global sales were an equivalent of 1.41 million metric tonnes. Mombasa tea auction recorded its sales at approximately 454,000 tonnes which accounted for 32 percent of teas auctioned globally which represents 26 percent of the tea exports globally. In 2020, teas valued at USD 1.2 billion were sold through the auction. The Mombasa tea auction is the second largest black tea auction in the world, and the largest auction for export of black tea. It presently serves teas produced in Kenya, Uganda, Tanzania, Rwanda, Burundi, Democratic Republic of Congo, Malawi, Madagascar, Mozambique and Ethiopia, with more than 50 percent of these produced by smallholder farmers.



**VALUE  
SOLD =  
THROUGH  
AUCTION**

**\$1.2  
BILLION**

**2020**







The East African Tea  
Trade Association

## THE MOMBASA TEA AUCTION GOES DIGITAL!

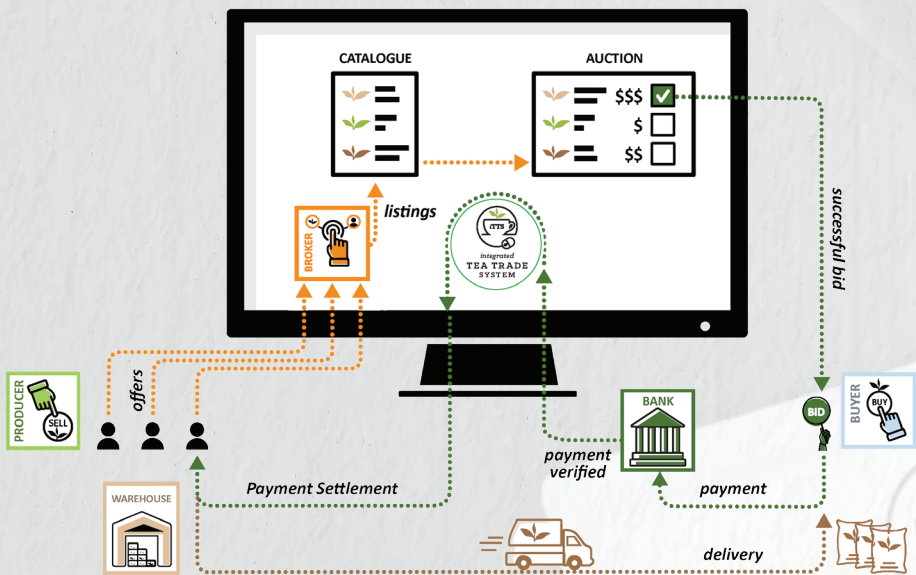


For more than 60 years, teas at Mombasa were auctioned through the traditional open cry system. However, in 2016 the East Africa Tea Trade Association - the institution mandated with management of the Mombasa Tea Auction, rolled out plans to automate the tea auction process.

The Integrated Tea Trading System (iTTS) is funded by the Danish government through TradeMark East Africa at a cost of USD 2.17 million, and the tea auction is aimed at enhancing the efficiency with which teas are sold through the auction. Approximately 10 million kilos of teas worth about USD 20 million are sold through the auction every week and automation will increase the efficiency, transparency and predictability of the entire trading cycle for the auction. Developed over a period of 3 years, the first on-line sales went live in 27th May 2020.

## The system automates the entire tea export process focusing on:

- Pre-auction processes that start from the producers - commitment to sell tea, tea dispatch, tea warehousing and tea catalogue management.
- Auction processes - selling and buying of tea at the auction.
- Post-auction processes (Buyer making payments, Bank disbursing funds to the producers, brokers and warehouse and Warehouses releasing tea to the buyers).



## HOW iTTS WORKS



### 1. Membership Management Module

This covers first time application, renewal of membership and management of membership issues. The Trading rules and guidelines are defined at this level

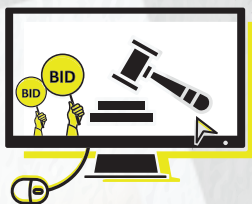
### 2. Catalogue Management Module (Pre-Auction)

The module covers Tea dispatch by producers. Once the producer has dispatched the teas, the broker consolidates the teas from the different producers and prepares a closing catalogue. The warehouse has also the mandate of updating received teas in the iTTS once they physically arrive at the warehouse. On the week before auction, the broker publishes a sale catalogue that has the valuations and their comments on the teas. This is the final catalogue that is used for auction. The buyer has also a feature to preset prices and input their comments.



### 3. e-Auction

This is a transition in the actual bidding process from the Manual Outcry System to a fully automated system. It is a trade engine with different logic to accept the highest bid value offered by Buyers and declare the sale.



### 4. Business Module (Post-Auction)

Supports generation of sale Invoices by the brokers and payment references by the buyers. The module also integrates with Bank systems to get confirmation on payment receipt. When payment is updated on iTTS, the broker Generates Tea Release Documents and Delivery Order. Once the buyer has received the delivery order, they generate Loading Instruction which is sent to the warehouse to enable release of teas. The warehouse releases teas based on the loading instruction and issues a Release Certificate.





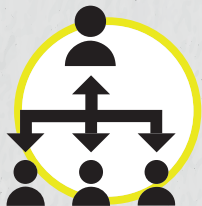
## BENEFITS OF THE INTEGRATED TEA TRADING SYSTEM

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### a. Access to information:

Improved access and availability of information related to availability, variety and prices of teas on sale at every auction period. This will provide buyers with real time reliable information necessary for making buying decisions, as well as provide information to new and aspiring entrants into the industry. Data mining from the online auctions which will provide EATTA and its members, as well as other tea stakeholders in the region and globally with useful data to analyse market trends, analyse market dynamics and respond to demand in a timely manner.



### b. Improved governance:

Improved governance in the management of the entire tea trading and export process from pre-auction, auction and post auction processes to all players in the value chain.



### c. Increased transparency and visibility:

Farmers will be provided with accurate and timely information on the prices their teas fetch at the auction. Buyers on the other hand will be able to compare prices and variety teas on sale.





## Benefits of the integrated tea trading system...



### **d. Predictability on availability of teas:**

Predictability on availability of teas to be sold at the auction for buyers, demand for various tea varieties for producers, and expectation of payments for farmers whose teas are sold through the auction.



### **e. Increased demand and better tea prices:**

Simplification of the tea trading process which is expected to lead to an increase of new buyers and therefore increased demand and better tea prices for producers/farmers.



### **f. Ease and convenience of selling teas:**

The Integrated Tea Trading System can be accessed from remote locations and therefore authorised buyers can participate in an auction from the comfort of their locations, a departure from the traditional auction that would require physical presence at the auction floor in Mombasa.



# TESTI- MONIALS

## Brokers testimonial

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*E-Auction is a major development for the Tea Industry. As a Broker the system realtime grasp of information enables timely decisions, directly benefiting our farmers. The repository of all transactions will be a rich source of valuable information to help us advice the stakeholders accordingly.*

**DAVID WARUI**

**ANJELI TEA BROKERS**





9:41

100%

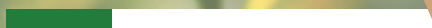
### Buyers testimonial

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*iTTS has ushered in a new era of trading for tea buyers. Ensuring total transparency in its working, it is a system that can aid and enhance the tea industry in an ever-changing environment. It provides a platform for the industry to reach for the next level of business and trading excellence.*

**SAAJID DHANJI**

**ALIBHAI RAMJI**







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