

Tea farmers to gain as auction prices rebound

A kilo averaged \$2.04, a price it last fetched in March.

In Summary

- Auction prices have averaged \$1.70 (Sh186.7) for the better part of the year to date.
- Good auction prices means better earnings for farmers.

by [MARTIN MWITA](#) *Business Writer*

[Kenya](#) 28 August 2021 - 04:00

Tea auction prices have rebounded to above the two-dollar mark after a six-month poor run at the auction, where it hit a historic low last month.

A kilo this week averaged \$2.04 (Sh224.09) up from \$1.97 (Sh216.40) last week, signaling better returns for farmers in the second half of the year, to be boosted by a strong dollar.

This is after prices averaged \$1.70 (Sh186.75) for the better part of the year, touching two dollars (Sh219.70) only ones, in early March.

It opened the year with an average price of \$1.97 at the auction and hit a historic low of \$1.55 (Sh170.27) last month.

Total volume traded this week was 132,495 kilos less than the previous week, East African Tea Trade Association (EATTA) notes in its weekly report.

This comes as the government's rule on controlling volumes being traded remains in place.

“There was a better absorption and a much-improved demand for the 129,475 packages (8,413,080 kilos) available for sale with 87,895 packages (5,678,953 kilos) being sold,” EATTA managing director Edward Mudibo notes in the report.

32.11 per cent packages however remained unsold.

At the auction, Pakistan Packers showed strong interest with improved and useful support from Kazakhstan, other CIS states, Bazaar and Sudan, EATTA says.

“There was more activity from Yemen and other Middle Eastern countries with useful inquiry from Egyptian Packers while Russia were active. UK and Afghanistan were less active with Iran subdued,” Mudibo says.

Local Packers lent increased interest in line with price. Somalia lent more activity at the lower end of the market.

According to Mudibo, anything below two dollars “is not good.”

An increase in price is good news for tea farmers whose earnings are affected by the auction prices.

It comes amid increased pay for green leaf deliveries to the 54 tea factory companies under the Kenya Tea Development Agency(KTDA).

KTDA is the largest small-scale farmer umbrella body in the world with over 650,000 farmers.

On Monday, it announced increased leaf pay-out for farmers in the Rift Valley and Western Kenya as reforms in the sector continue.

The increase approved by the Kenya Tea Development Agency (Holdings) Limited Board will benefit KTDA's regions five, six, and seven.

The prices will go up by between Sh2 and Sh3, in what KTDA says is a move to enhance farmers' monthly earnings.

Farmers in KTDA region five, which covers factories in Kericho and Bomet counties will earn Sh 20 per kilo of green leaf delivered, up from Sh18 previously.

Farmers in both region six– factories in Kisii and Nyamira counties, and region seven– Nandi, Trans-Nzoia and Vihiga counties, will now earn Sh 20 per kilo of green leaf, up from Sh17 previously.

The pay increment is effective from July 1, 2021, KTDA said , coinciding with the beginning of KTDA's new financial year.

The decision follows a similar move that was approved by factories in KTDA regions one to four, covering central and eastern regions, which resolved to increase their monthly green leaf payment to farmers from Sh16 per kilo to Sh21 starting January this year.

"The decision is in line with the organisation's continued endeavour to enhance farmers' earnings while taking into consideration the fluid socio-economic environment," KTDA Holdings acting CEO, Wilson Muthaura, said.

REFORMS

The government has been keen to reform the sector with a focus on farmers' earnings.

President Uhuru Kenyatta signed into law of the Tea Bill 2018 on December 23, last year, setting pace for its implementation.

The bill introduced a raft of measures among them revival of the Tea Board of Kenya, changes in the auction process and export, limiting the number of tea factory board members and a new levy among others.

According to agriculture Cabinet Secretary Peter Munya, withholding of tea at the Mombasa auction when rates fall beyond the reserve price will help to stabilise prices, benefiting farmers in the long-run.

He says the government will continue withdrawing tea from the auction if the prices do not reflect the minimum set rate but assured farmers that they will be paid.

“Teas not sold remain ready to be moved to the market at the right price. We do have adequate storage capacity for the teas as it awaits to be presented to the auction and subsequently shipped to our international markets,” said the CS.

CASH CROP

Tea remains a key cash crop and export product for Kenya, contributing around four per cent of the country's GDP and 26 per cent of the country's export earnings.

Pakistan takes up the lion share, 38 per cent, of Kenya's tea exports.

Mombasa auction is one of the largest in the world where teas from Kenya, Uganda, Rwanda, Tanzania, Malawi, Ethiopia and the Democratic Republic of Congo are traded.

Top 10 tea exporting countries are China, India, Kenya, Sri Lanka, Turkey, Indonesia, Vietnam, Japan, Iran and Argentina.

Last year, average tea auction prices fell by six per cent compared to the previous year, blamed on the high production and a depressed market occasioned by the Covid-19 pandemic.

KTDA in October released Sh27.62 billion, being the final payment, popularly known as “bonus”, to tea farmers. This was for the Financial Year ended June 30, 2020.

It took the total payment for the year to Sh51.85 billion up from Sh46.48 billion the previous year.

<https://www.the-star.co.ke/business/kenya/2021-08-28-tea-farmers-to-gain-as-auction-prices-rebound/>