Nepalese **CTC TEA**

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0754572
Tuesday, 1:20 PM
Oct. 18th, 2014
ARG*2150

CTC tea is a processed tea product created by a method of crushing, tearing, and then curling the tea leaves (FAO, 2011). In the last decade, the Nepali tea Industry has seen large expansion, becoming a source of employment for approximately 67,000 Nepalese (SAWTEE, 2006). Originally, CTC tea was mainly imported into Nepal due to a lack of infrastructure and cheaper international prices (SAWTEE, 2006). However, due to policy changes and investments into this tea industry, Nepal has substituted importing CTC goods for its own domestic production (SAWTEE, 2006). This allows Nepal to look outwards for trade opportunities involving CTC tea. While Nepal's tea export accounts for only 0.2% of the world's total tea exports, the potential for trade is promising (SAWTEE, 2006). =

When the British colonized India and created the East India Company, numerous tea plantations were promoted around the hill station of Darjeeling (SAWTEE, 2006). Over the years, many tea hybrids crossed the border into Nepal and were introduced into several districts; the first tea estates being established in 1863 in Illam and Jhapa (SAWTEE, 2006). Jhapa is now the main site of CTC tea processing and is located within 100 km of the world-renowned Darjeeling tea fields (SAWTEE, 2006). Only recently, however, has the tea industry in Nepal seen a substantial increase in growth.

The tea market was once monopolized by the Nepali government (FAO, 2011). It has since been privatized and with the implementation of the National Tea Policy in 2000 has seen increased investments and substantial growth (SAWTEE, 2006). The CTC tea industry is responsible for producing around 13,000 tons of processed tea on 8,951 hectares (SAWTEE, 2006). Small farmers produce 28.6% (NTCBD, 2005). The rest is grown on larger tea estates with many on-site workers who reside there permanently (NTCBD, 2005). Exporting CTC tea to Canada has many benefits to both large tea estates and small farm holders.

There are many direct and indirect benefits from trade for Nepalese farmers. An area of major concern in the tea industry is the lack of physical infrastructure (FAO, 2011). This can be seen in a lack of sufficient roads, electricity, telecommunication, vehicles, and land (FAO, 2011). Trade with Canada would allow larger tea estates to invest in infrastructure that would increase their ability to compete on an international market through lowered costs and increased production (Thapa, 2005). This prospective investment into infrastructure would not only benefit the estate, but everyone living in or around that community. Quality roads and electricity would have substantial value in Nepal. Quality infrastructure begins a positive feedback loop that will continue to benefit Nepali communities in both quantifiable and immeasurable amounts. Direct benefits can also been seen on the level of the small farm holder. A significant growth has been seen in the amount of tea produced by small farmers from around 5% of total production to almost 30% (SAWTEE, 2006). This has mainly been caused because of the opportunity that the tea industry represents to a small farmer. Nepal's climate and terrain are optimal for producing a premium niche tea product in a world market (SAWTEE, 2006). An increase in revenues on small farms would allow these farmers to purchase the helpful equipment needed to increase production and lower costs (Thapa, 2005). Also, over 60% of the workforce in the CTC tea industry are women (Thapa, 2005). With a greater influx of money into small farms and greater technology, there is a decreased need for physical labour (Thapa, 2005). Lowering the demand for physical labour opens up opportunities and is often seen as setting a foundation for empowering women (UN, 2012) Investing in woman through education has been seen around the world as an extremely effective method of improving economic strength and security (UN, 2012). This in turn begins another positive feedback loop that provides exponential opportunities for industrial and economic growth in Nepal.

Export Potential

CTC tea holds significant potential as an export product to Canada. According to Agri-Food Canada, “87% of Canadians drink tea with tea consumption expected to jump 40% by 2020” (Government of Canada, 2012). Canada imports 18 to 20 million kilograms of tea from trading partners (Government of Canada, 2012). Many niche tea emporiums have seen an increase in profits due to this increasing trend (Government of Canada, 2012). Some of these include Starbucks Corporation, Teavana, Tim Hortons, Camellia Sinensis, and Bridgehead Coffee. Whilst some of these companies are not Canadian owned, they do have representative franchises in Canada that would benefit from trading CTC tea with Nepal. Bridgehead Coffee is a Canadian owned fair trade coffee and organic tea franchise with over 15 locations (Bridgehead, 2014). Trade with Nepal provides a low-cost high quality exotic tea that Canadian consumers can consume. Also, Bridgehead provides cross country shipping of their tea products (Bridgehead, 2014). This service increases the amount that they can purchase directly from Nepalese farmers (Bridgehead, 2014). The direct contact with Nepalese farmers that a Canadian company like Bridgehead provides leads further opportunities for other products through sustained relationships. This would directly benefit Bridgehead, and Canadian consumers through other high quality niche products that may currently be unavailable. However, with any economic exchange there are always costs.

While this trading opportunity provides many benefits to the small farmers in Nepal, there are always costs. There is potential for an increase in wage inequality amongst the larger estates, many of whom have landless workers who live on the estates permanently (SAWTEE, 2006). Exporting CTC tea could theoretically place more money into large factory style operations, allowing them to exert power on the market. This in turn could result in an oligopoly and market inefficiencies arising which would directly affect Nepalese farm holders. Already, there are only an estimated 136 large tea plantations (SAWTEE, 2006). While something like this is unlikely to happen with government intervention, it is worth noting.

In conclusion, this trade agreement would benefit both Nepalese hillside farmers, and Canadian businesses and consumers. Increased infrastructure that large farms would provide through increased revenues would benefit surrounding Nepalese communities (SAWTEE, 2006). Decreased demand for female labour opens up opportunities that could create exponential benefits for women and Nepal as a country (UN, 2012). Furthermore, trade would also benefit Canadian consumers and businesses through increased diversity, resulting in a more competitive and strong market for tea. While there are potential negative consequences for hillside farmers, this is unlikely with appropriate government intervention (SAWTEE, 2006). Currently Nepal represents only a small fraction of the global tea market at 0.2%, but trade with countries such as Canada could provide the foundation necessary for Nepal to tap into the global tea market (SAWTEE, 2006).

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