Strategic intervention in the Tea Industry: Is the support comprehensive enough?

Overview

The second National Development Plan 2015/16-2019/20 (II), focuses on investing in the following agricultural enterprises along the value chain: cotton, coffee, tea, maize, rice, cassava, beans, fish, beef, milk, citrus and bananas.

Some of the reasons for selecting these enterprises included: high potential for food security (maize, beans, cassava, bananas); high contribution to export earnings (e.g. maize - USD 21 million in 2005; coffee -USD 388 million in FY 2007/08; fish - USD 143 million at its peak; and tea - USD 56 million in 2007); increased female labour force participation in cash crop production; high multiplier effects in other sectors of the economy; and high potential for regional and international markets.

Tea is one of Uganda’s traditional export commodities supporting over 70,000 farmers with close to 700,000 dependants.

By December 2017, the country had 23 tea processing factories including five owned by smallholders. About 99% of the tea products are the black crush tea and the curl tea which are mostly handpicked from tender leaves.

This policy brief assesses the proposed strategic intervention of the Government of Uganda in the proposed factories of Kayonza, Kigezi Highland Tea, Mabaale Tea Factory and Zombo Tea. Only Kigezi Highland Tea is complete with Kayonza factory underway. Kayonza Tea Factory, as a case study, is analysed for this brief.

Key Issues

1. The intervention is enhancing some processing capacity but the post harvesting handling is still poor. This reduces quality of the leaf processed.

2. The support to processing is not enough given the high level of production of the green leaf.

Introduction

The Government intervention in the tea sector over the years has been implemented through;

- Value addition to tea project (Buhweju Tea Factory)
- Operation Wealth Creation (distribution of seedlings)
- Presidential pledge/Uganda Development Corporation (Kayonza Tea Factory, Kigezi Highland Tea, Mabaale Tea Factory and Zombo Tea Factory)

Currently, the support in agro processing is being implemented through the Uganda Development Corporation (UDC) with support to Buhweju Tea Factory concluded. This brief will focus on the projects under UDC with Kayonza Tea Factory under implementation.

The Kayonza Tea Factory was established in 1964 under Agricultural Practices Ltd
for promotion of tea growing by smallholder tea farmers. However, tea growing was abandoned due to political turbulence the country was experiencing between the years of 1974-1985.

After 1986 there was an Emergency Tea Rehabilitation Programme in the country and all the four factories i.e Igara, Mpanga, Mabaale, and Kayonza were rehabilitated.

In 1995, the government programme of privatization started and farmers subscribed shares to buy the factory. In 1996, an Act of Parliament was enacted to create a parastatal body, Uganda Tea Growers Cooperation to manage the four smallholder factories with the smallholders as the owners. The process was completed in 2000 and Kayonza is presently owned by 7,205 shareholders/out grower tea farmers. The factory also employs 640 workers in different departments.

In Kayonza, average holding per smallholder farmer is 0.40hectare. This is a small landholding in terms of providing viable economic benefits to the farmers unless quality is maximized.

It therefore takes better leaf handling and good manufacturing practices to benefit from high prices and subsequently register increase in household incomes of the smallholder farmers.

**Situational Analysis**

Currently the factory has two lines with a combined processing capacity of 40,000kg of green leaf per day. However, by 31st December 2017 an average of 75,000kg of green leaf was delivered to the factory for processing and peaks to 150,000kg of green leaf during the peak season. Due to this high supply, the management of the factory decided to load each withering trough with 4,000kg of green leaf instead of the recommended 1,000kg. As a result, the quality of green leaf is compromised and the tea is under graded which attracts low prices.

Kayonza exports 80% of their tea through the Mombasa Auction Market. Quality is the major determinant of the prices. As at 31st December 2017, the quality of tea processed at the factory was rated at 22%.

**Trends in Tea Prices at the Auction Market**

![Graph](image)

*Source: Africa Tea Brokers 2016*

The graph illustrates that Uganda for 3 consecutive years was earning less than $1.5 for the years 2014-2016. This was attributed to the low quality grade of tea Uganda exports to the Mombasa Auction Market.
Presidential Pledge/UDC Intervention for Kayonza Tea Factory

The intervention is a third line of capacity 40,000kg that has been earmarked to the factory in fulfilment of a presidential pledge through UDC. Though this line will increase the processing capacity at the factory, the quality of green leaf processed will not drastically improve due to the following reasons;

- An estimated 80 million tea plantlets have been planted in the district through Operation Wealth Creation which will overwhelm the factory even with the new line when this tea matures.

- It was noted that although the factory had the Hazards Analysis and Critical Control Points (HACCP), it still lacked other critical certifications; such as the Good Manufacturing Practices (GMP certified) and the Rainforest Alliance which would enable it access lucrative tea markets in Europe and Asia.

- The Government of Uganda has designated the provision of agro processing machinery to some proposed tea factories but there is need to broaden the scope of the intervention to ensure that high quality tea is eventually exported.

This would necessitate better handling practices to prevent damaging green leaf while still in the field and during transportation and acquisition of certification from relevant bodies to access lucrative markets.

Challenges

1. The factory produces low grade tea as a result of damaged green leaf due to poor post-harvest handling and overloading its machinery with green leaf which leads to poor prices.

2. The increase in household incomes of the smallholder farmers who are the major source of raw material for the factory might not be realized due to low prices.

3. The third line earmarked for the factory might not be sufficient in light of the processing demand at the factory.

4. Lack of certification standards. Although Kayonza has the Hazards Analysis and Critical Control Points (HACCP) it is lacking other crucial certification standards such as the Good Manufacturing Practices standard (GMP certified). This standard requires practices such as transporting green leaf in specialized vehicles to prevent damage to the leaf which will enhance quality of the green leaf and provide access to lucrative markets in European and Asian countries.

Poor transportation and handling methods of green leaf at the factory which under grade quality of tea
Conclusion

The intervention at Kayonza Tea Growers Factory will relieve some of the pressure the factory is facing, however, it will not comprehensively address the inefficiencies at the factory.

This therefore highlights the need to address all issues along the value chain such as best agronomic practices to prevent delivery of damaged green leaf to the factory as a result of poor post-harvest handling methods, appropriate machinery vis-a-vis volume of leaf during processing and certifications to access international markets.

Recommendations

- The GoU should undertake comprehensive needs assessment of prospective interventions along the value chain from farm level, through processing to marketing so as to realize intended impact of the strategic interventions.

- The GoU should provide support in the form of certification such as Good Manufacturing Practices in order for the factories to access lucrative markets and enhance welfare of the smallholder farmers. Such certifications require items such as specialized bag carriers to protect the quality of the green leaf.

References

- BMAU; Semi Annual Monitoring Report FY 2017/18
- Kayonza Tea Documents; Improving Tea Quality, Through Enhanced Transport, Bag Carrier Vehicles and Replacement of Old Machines with Modern Tea Processing Machinery
- Africa Tea Brokers Limited; Tea Chart 2016

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