Approved
SNA
4/12/25

THIRTEENTH PARLIAMENT – FOURTH SESSION – 2025

THE NATIONAL ASSEMBLY

DIRECTORATE OF DEPARTMENTAL COMMITTEES

DEPARTMENTAL COMMITTEE ON AGRICULTURE AND LIVESTOCK

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Rt. Hon. Speaker
pls approve for
tabling.
2/12/25

REPORT ON:

THE INQUIRY INTO THE PRICING OF TEA IN KENYA

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE:	04 DEC 2025	DAY: Thursday
TABLED BY:	Hon. David Kiplagat, MP Member, DC on Agriculture	
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PARLIAMENT BUILDINGS
NAIROBI

DECEMBER 2025

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LIST OF ABBREVIATIONS AND ACRONYMS

Amb	-	Ambassador
ACfTA	-	African Continental Free Trade Area
ATGEA	-	Associated Tea Growers of East Africa
BETA	-	Bottom-up Economic Transformation Agenda
BoDs	-	Boards of Directors
BP I	-	Broken Pekoe I
Cap.	-	Chapter
CBAs	-	Collective Bargaining Agreements
CBS	-	Chief of the Burning Spear
CD	-	Convectional Driers
CDA	-	Cost-Driver Analysis
CFUs	-	Continuous Fermentation Units
CIS	-	Commonwealth of Independent States
CPA	-	Certified Public Accountant
COVID	-	Corona Virus Disease
CTC	-	Crush, Tear, Curl
CTCL	-	Chai Trading Company Limited
Cts	-	Cents
DMCC	-	Dubai Multiple Commodities Centre
Dr.	-	Doctor
DRC	-	Democratic Republic of Congo
DSL	-	Direct Sales Local
DSO	-	Direct Sales Overseas
EATTA	-	East Africa Tea Trade Association
EBB	-	Electronic Bid Board
EoR	-	East of the Rift Valley
EPRA	-	Energy and Petroleum Regulatory Authority
Etc	-	*Et Cetera*
EU	-	European Union
EUI	-	Energy Use Intensity
FAO	-	Food and Agriculture Organisation
FBD	-	Fluid Bed Driers
FORD	-	Forum for the Restoration of Democracy
Ft	-	Feet
FX	-	Foreign Exchange
FY	-	Financial Year/Fiscal Year
GBP	-	Great Britain Pound
GDP	-	Gross Domestic Product
GJ	-	Gigajoule
GoK	-	Government of Kenya
GTI	-	Guided Trade Initiative
Ha	-	Hectares
IAS	-	International Accounting Standards
ICT	-	Information, Communication and Technology
IGG	-	Intergovernmental Group
JCC	-	Joint Commission for Cooperation

JTC	-	Joint Technical Committee
KEBS	-	Kenya Bureau of Standards
KFS	-	Kenya Forest Service
Kg	-	Kilogram
KPAWU	-	Kenya Plantation and Agricultural Workers Union
KR	-	Kenya Railways
KRA	-	Kenya Revenue Authority
Kshs	-	Kenya Shillings
KTDA	-	Kenya Tea Development Agency
KTDA-MS	-	Kenya Tea Development Authority Management Service
KTGA	-	Kenya Tea Growers' Association
kWh	-	Kilowatt Hour
Ltd	-	Limited
LTP	-	Laurie Tea Processor
MP	-	Member of Parliament
MRLs	-	Maximum Residue Limits/Maximum Residue Levels
MS	-	Management Services
NEMA	-	National Environmental Management Authority
NOPEU	-	National Ordinary People Empowerment Union
ODM	-	Orange Democratic Movement
PD	-	Pekoe Dust
PF I	-	Pekoe Fanning I
PhD	-	Doctor of Philosophy
PPO	-	Polyphenol Oxidase
RA	-	Rainforest Alliance
SACCO	-	Savings and Credit Cooperative Organisation
SCDA	-	Special Crop Development Authority
SHPP	-	Small Hydro Power Plants
Sq	-	Square
TBK	-	Tea Board of Kenya
TC	-	Total Colour
TF	-	Theaflavins
TR	-	Thearubigins
TRI	-	Tea Research Institute
UAE	-	United Arab Emirates
UDA	-	United Democratic Alliance
UK	-	United Kingdom
USA	-	United States of America
USD	-	United States Dollar
VFC	-	Volatile Flavour Compounds
Vs	-	Versus
WoR	-	West of the Rift Valley
WTK	-	Williamson Tea Kenya

LIST OF ANNEXURES

CHAIRPERSON'S FOREWORD

This report contains proceedings of the Departmental Committee on Agriculture and Livestock on the Inquiry into the pricing of tea in Kenya.

The Departmental Committee on Agriculture and Livestock resolved to conduct an Inquiry into the pricing of tea in Kenya as a result of complaints raised by Members of Parliament from factories in the West of the Rift Valley (WoR). The Honourable Members alleged that tea factories from their Region were paying farmers lower bonuses in comparison to those from the East of the Rift Valley (EoR). Additionally, farmers from the WoR held protests and some uprooted their tea plantations citing low tea prices and bonuses. The issue of tea pricing in the country had also been a subject of debate in the National Assembly hence the decision by the Committee to urgently look into it.

On 5th November 2025, the Honourable Speaker of the National Assembly directed the Committee to conduct the Inquiry and table a comprehensive report in the House within three weeks. He co-opted Hon. (Amb.) Francis Sigei, Hon. Marianne Kitany, Hon. Richard Yegon and Hon. Dorice Donya into the membership of the Committee to participate in the Inquiry.

The purpose of the Inquiry was to conduct a comprehensive review of the system of tea pricing in Kenya and evaluate its effectiveness, fairness and sustainability. The specific objectives of the Inquiry were to: Identify how the pricing of tea in Kenya is conducted; identify the value chain related costs and how they are minimised in both the EoR and the WoR; establish why tea prices from the EoR are higher than those from the WoR; determine why operational costs incurred by factories in the WoR are higher than those incurred by factories in the EoR; identify gaps in the institutional, logistical and regulatory frameworks in the tea sector that need plugging and mechanisms to achieve that; and establish inefficiencies leading to low returns to farmers.

In carrying out the Inquiry, the Committee reviewed documents, held meetings with stakeholders in the tea sector, conducted field visits to factories in the WoR and EoR to get views of factory management and farmers on tea pricing and any other relevant information, conducted field visits to the TRI, Mombasa Tea Auction, TBK Quality Analysis and Tea Testing Laboratory and CTCL and the KTDA warehouse.

From the meetings and field visits, the Committee established that: teas from the EoR generally fetch higher prices at the Auction in comparison to those from the WoR; Kenya mostly exports CTC teas which are value added and imported back into the country; the supply of tea is higher than its demand both locally and globally; Kenya mostly depends on the export market for its teas; tea hawking, which is rampant in the WoR contributes to lower quality of teas in the Region; the Tea Act, 2020 is yet to be fully operationalised five years after its enactment partly due to court cases that have hampered putting in place Regulations and financial constraints that have prevented TBK from fully discharging its mandate; and of the fifty-four (54) companies that have shares in KTDA, thirty-five (35) are from the EoR while nineteen (19) are from the WoR hence the reason why more KTDA directors (7) are from the EoR in comparison to five (5) from the WoR.

The Committee made various recommendations on the Inquiry including: Institution of an independent audit on the level of adherence and compliance to legislation on the licensing of factories by the Tea Board of Kenya; replacement of the old dilapidated inefficient machines with new ones to ensure better performance, reduce costs and increase efficiency in the factories; auditing of the hydropower plant projects that are ongoing in the WoR; lifestyle audit of the directors, clerks and other influential persons in the factories; coming up with alternative ways of quality assessment of tea to compliment the organoleptic tasting; and marketing Kenyan tea in all parts of the world in a bid to open up new markets for Kenyan tea.

The Committee is grateful to the Offices of the Speaker and Clerk of the National Assembly for the logistical and technical support accorded to it while conducting the Inquiry. The Committee further thanks the State Department for Agriculture, TBK, KTDA, tea factories and management of the Mombasa Tea Auction for making this Inquiry successful. Finally, I wish to express my appreciation to Members of the Committee and the Committee Secretariat who made useful contributions towards the production and preparation of this report.

On behalf of the Departmental Committee on Agriculture and Livestock and pursuant to provisions of Standing Order 199(6), it is my pleasant privilege and honour to present to this House the Report of the Committee on the Inquiry into the Pricing of Tea in Kenya.

Hon. (Dr.) John K. Mutunga, PhD, CBS, MP
Chairperson,
Departmental Committee on Agriculture and Livestock

CHAPTER ONE

1.0 PREFACE

1.1 ESTABLISHMENT OF THE COMMITTEE

1. The Departmental Committee on Agriculture and Livestock is one of the twenty Departmental Committees of the National Assembly established under **Standing Order 216** whose mandate under **Standing Order 216 (5)** is as follows:

    i. ***To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;***
    ii. *To study the programme and policy objectives of Ministries and departments and the effectiveness of their implementation;*
    iii. *On a quarterly basis, monitor and report on the implementation of the national budget in respect of its mandate;*
    iv. *To study and review all the legislation referred to it;*
    v. *To study, assess and analyse the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;*
    vi. *To investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House;*
    vii. *To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointments);*
    viii. *To examine treaties, agreements and conventions;*
    ix. *To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;*
    x. *To consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and*
    xi. *To examine any questions raised by Members on a matter within its mandate.*

1.2 MANDATE OF THE COMMITTEE

2. In accordance with the Second Schedule to the Standing Orders, the Committee is mandated to consider, agriculture, livestock, food production and marketing.

3. In executing its mandate, the Committee oversees the Ministry of Agriculture and Livestock Development.

1.3 COMMITTEE MEMBERSHIP

4. The Departmental Committee on Agriculture and Livestock was reconstituted by the House on 5th March 2025 and comprises the following Members:

Chairperson
Hon. (Dr.) John Kanyuithia Mutunga, PhD, MP
Tigania West Constituency
UDA Party

Vice-Chairperson
Hon. Brighton Leonard Yegon, MP
Konoin Constituency
UDA Party

Members

Hon. Sabina Wanjiru Chege, CBS, MP
Nominated Member
Jubilee Party

Hon. Ferdinand Kevin Wanyonyi, MP
Kwanza Constituency
FORD Kenya Party

Hon. Geoffrey Makokha Odanga, MP
Matayos Constituency
ODM Party

Hon. Justice Kipsang Kemei, MP
Sigowet/Soin Constituency
UDA Party

Hon. Jared Odoyo Okelo, MP
Nyando Constituency
ODM Party

Hon. Lawrence Mpuru Aburi, MP
Tigania East Constituency
NOPEU Party

Hon. David Kiplagat, MP
Soi Constituency
UDA Party

Hon. Gabriel Gathuka Kagombe, MP
Gatundu South Constituency
UDA Party

Hon. Monicah Muthoni Marubu, MP
Lamu County
Independent Member

Hon. Patrick Kibagendi Osero, MP
Borabu Constituency
ODM Party

Hon. Yussuf Mohamed Farah, MP
Wajir West Constituency
ODM Party

Hon. John Okwisia Makali, MP
Kanduyi Constituency
FORD Kenya Party

Hon. Ruth Adhiambo Busia Odinga, MP
Kisumu County
ODM Party

1.4 CO-OPTED MEMBERS

5. In his directions on the Inquiry given on 5th November, 2025, the honourable Speaker of the National Assembly co-opted the following Members of Parliament into the membership of the Departmental Committee on Agriculture and Livestock to participate in the Inquiry:

Hon. Marianne Kitany, MP
Aldai Constituency
UDA Party

Hon. (Amb.) Francis Kipyegon Sigei, MP
Sotik Constituency
UDA Party

Hon. Richard Kipkemoi Yegon, MP
Bomet East Constituency
UDA Party

Hon. Dorice Donya Aburi, MP
Kisii County
ODM Party

1.5 COMMITTEE SECRETARIAT

6. The Committee is facilitated by the following Secretariat:

Ms. Laureen Omusa Wesonga
Clerk Assistant I/Head of Secretariat

Mr. Victor Kanda Kilimo
Clerk Assistant III

Mr. Shadrack Musyoki
Senior Research Officer

CPA. Robert Ng'etich
Fiscal Analyst I

Mr. Gerald Kadede
Legal Counsel II

Ms. Edith Chepngeno
Media Relations Officer III

Ms. Jacinta Maru
Serjeant-at-Arms

CHAPTER TWO

2.0 TERMS OF REFERENCE FOR THE INQUIRY INTO THE PRICING OF TEA IN KENYA

2.1 BACKGROUND OF THE INQUIRY

7. The Departmental Committee on Agriculture and Livestock resolved to conduct an Inquiry into the pricing of tea in Kenya as a result of complaints raised by Members of Parliament from factories in the WoR. The Honourable Members alleged that tea factories from their Region were paying farmers lower bonuses in comparison to those from the EoR. Additionally, farmers from the WoR held protests and some uprooted their tea plantations citing low tea prices and bonuses. The issue of tea pricing in the country had also been a subject of debate in the National Assembly hence the decision by the Committee to urgently look into it.

8. The tea sector is the third leading foreign exchange earner in Kenya supporting over 600,000 smallholder farmers and several other institutions and persons along the value chain. The sector has however been faced with a myriad of challenges among them being delayed payments to farmers and low and unstable prices. The challenges have been attributed to fluctuations in global tea prices, higher production costs and market access.

9. This Inquiry sought to look into the pricing structure and dynamics of Kenya's tea industry, identify gaps in the sector and propose policy, institutional and market reforms that needed to be made in the industry for its sustainability.

2.2 PURPOSE OF THE INQUIRY

10. The purpose of the Inquiry was to carry out a comprehensive review of the system of tea pricing in Kenya, and evaluate its effectiveness, fairness and sustainability. The Committee then made recommendations aimed at ensuring that all value chain players operate within a framework that will maximise value for all stakeholders.

2.3 OBJECTIVES OF THE INQUIRY

11. The specific objectives of this Inquiry were to:

   a) Identify how the pricing of tea in Kenya is conducted;
   b) Identify the value chain related costs and how they are minimised in both the EoR and the WoR;
   c) Establish why tea prices from the EoR are higher than those from the WoR;
   d) Determine why operational costs incurred by factories in the WoR are higher than those incurred by factories in the EoR;
   e) Identify gaps in the institutional, logistical and regulatory frameworks in the tea sector that need plugging and mechanisms to achieve that; and
   f) Establish inefficiencies leading to low returns to farmers.

2.4 SCOPE OF THE INQUIRY

12. In conducting the Inquiry, the Committee:

a) carried out an analysis of the tea sector value chain by mapping out the entire tea value chain i.e. pre-production, production, harvesting, conveyancing, processing, marketing, auction, retail and export.

b) identified the points at which pricing of tea is done and the determinants, and assessed the flow of information and decision making in relation to setting the price of tea;

c) reviewed the roles of TBK, KTDA and other players by analysing the legal frameworks governing the marketing, auction and export of tea to identify overlapping roles, policy gaps or excesses that hinder effective price regulation and burden the farmer;

d) examined the tea auction process and alternative marketing channels;

e) examined the cost of inputs i.e. fertilizers, transport, labour e.t.c. and analysed factory and export profit margins and identified inefficiencies along the value chain;

f) investigated farmer payment structures, the bonus system and deductions;

g) proposed ways of improving pricing transparency and accountability, and suggested value addition, diversification and innovation strategies; and

h) examined tea testing and classification.

2.5 METHODOLOGY OF THE INQUIRY

13. The Committee used the following methods to get information on the Inquiry:

a) Reviewed documents i.e. Acts of Parliament, policies, Regulations, reports from agencies and other relevant documents;

b) Held meetings with stakeholders in the tea sector;

c) Conducted field visits to factories in the WoR and EoR to get views of factory management and farmers on tea pricing and any other relevant information;

d) Conducted a field visit to the TRI;

e) Conducted field visits to the Mombasa Tea Auction and the Quality Analysis and Tea Testing Laboratory; and

f) Conducted field visits to CTCL and the KTDA warehouse.

2.6 DURATION AND TIMELINE

14. The Committee conducted the Inquiry within three weeks as directed by the Honourable Speaker of the National Assembly on 5th November 2025.

CHAPTER THREE

3.0 STAKEHOLDER ENGAGEMENT ON THE PRICING OF TEA IN KENYA

15. In a bid to get information on the pricing of tea in Kenya, the Committee invited stakeholders for meetings via letters REF: NA/DDC/A&L/2025/040 and REF: NA/DDC/A&L/2025/041. The Committee received and discussed submissions from the following stakeholders:

   i. The Tea Board of Kenya
   ii. The Kenya Tea Development Agency
   iii. Mr. James Rono Chumo
   iv. Kenya Tea Growers' Association
   v. Mr. David Ichoho
   vi. Tea Farmers from West of Rift Valley

The stakeholders submitted as follows:

3.1 THE TEA BOARD OF KENYA

In a meeting with the Committee held on Wednesday, 3rd December 2025, the Chief Executive Officer, Mr. Willy Mutai, informed the Committee that the role of KTDA is to develop, promote and regulate the tea sector as mandated by the Tea Act, 2020. He submitted that:

16. **Analysis of auction prices for tea from all the factories in the country for the last five years:** The price realised at the auction is determined by the global market supply-demand situation, quality of the tea produced by each factory which is dependent on many factors including the quality of green leaf (agronomical practices and plucking), post-harvest handling and manufacturing practices at the tea factory. In addition, the price of tea is also influenced by historical buyers' preferences for specific teas from specific tea factories and quality consistency within a specific tea factory.

17. Traditional tea markets such as Pakistan and Egypt which take 35% and 15% of Kenyan teas, respectively, have had higher preferences for teas from the EoR (30% of national production) compared to the WoR (70% of national production). Consequently, the average price realized by the tea factories from different zones within the two Blocks are different as depicted in table 1.

Table 1: Average tea auction prices per Kg of made tea

Region/FY	2024/25	2023/24	2022/23	2021/22
East of Rift	2.95	3.02	2.84	2.87
West of Rift	1.78	1.99	2.47	2.54
Overall KTDA	2.41	2.54	2.67	2.71
Other Factories	1.59	1.46	1.67	2.05

18. The figure below shows the auction price of tea from 2011 to 2024.

Figure 1: Auction price trends

19. The drop in prices of tea was due to challenges in key export markets like Pakistan, Egypt, Sudan, and Iran; these markets collectively account for about 70% of Kenya tea export by quantity. WoR smallholder factories had the lowest prices at an average of USD 1.78 per Kg of made tea. This is attributable to lower quality compared to what the market discerns. Other factories that produce lower quality teas include Michimikuru in the EoR, private factories and multi-national tea factories.

20. Compared to the years 2022 and 2023, the average auction prices in the years 2025 and 2024 were generally lower owing to increased supply and depressed demand in the global market.

21. **Analysis of payments at the factory level for both regular and bonuses for the last five years:** The payment model used by smallholder tea factories to pay for green leaf supplied by farmers is structured into a monthly pay (initial payment) and the second payment which is popularly referred to as the tea bonus. The initial payment is an advance payment against farmers' green leaf deliveries for the month as proceeds from the sale of tea have not yet been realised at the time. In this regard, tea farmers are paid on monthly basis an initial amount ranging between Kshs. 23 and Kshs. 25 as determined by the Board of their respective tea factories. The 2nd payment (tea bonus) is the balance of the total sales minus the cost of production (including the monthly payment). However, the 2nd payment is dependent on three factors: price realised at the tea auction; the exchange rate to the USD; and cost of production.

22. The total payment to tea farmers is the total of both initial pay and second payment. Since 2022, total payment/earnings by smallholder tea farmers have generally been on an upward trend save for 2025, when the trend was affected by a combination of lower prices realised at the auction and the exchange rate. Payments to the farmers declined from an average of Kshs. 64 per Kilogramme of green leaf in 2024 and Kshs. 59.02 in 2023 to an Average of Kshs. 56 in 2025.

23. **Market structure, practices and auctioning processes carried out by KTDA as the marketing agent:** KTDA (MS) Ltd is registered by TBK as a management agent to manage smallholder tea factories on behalf of the tea farmers. Their scope of management agreement between a tea factory and KTDA (MS) Ltd includes general management and administration; management of the farmers' register; field and extension services; weighing, collection and transportation of green leaf; manufacture of tea; transportation and warehousing of made tea, sales and marketing of tea; managing proceeds of sale and deductions; payments to farmers; accounting

and financial reporting; human resource management; procurement of goods, works and services; disposal of assets; records management; capital and financial investments; legal services; and management of the factory's assets. Specific roles related to marketing and auctioning processes carried out by KTDA as the management agent include:

a) Sales and marketing of all made tea by factories at the best prices and on the best terms to ensure tea growers earn reasonable returns;

b) Identifying suitable market(s) for the factories' tea and undertake market development activities to promote market access of the factories' garden mark and value-added brands;

c) Undertaking market research and intelligence and advise on market requirements;

d) Assessment of the quality of made tea, grading and assigning a minimum price of the tea at the factory level;

e) Facilitating acquisition of relevant certifications to enhance market access for the factories' teas;

f) Promoting and undertaking product diversification and value addition;

g) Developing and promoting specific factory brands; and

h) Preparing and submitting to the Board monthly tea sales and marketing reports and conditions affecting the Company's product in the world market.

24. Sale of factory teas is usually done by the tea broker who is appointed by the board of a particular factory. Currently, most smallholder tea factories have two brokers who work with the management agent to sell teas on behalf of the tea factory. Globally, valuation of teas to be offered for sale at the tea auction is done by tea brokers following the sensory/organoleptic tasting to ascertain the tea quality parameters. The tea tasting parameters of interest include the physical appearance of the tea in terms of the degree of blackness, evenness and blackness of the particles forming the grade as well as its liquor properties of brightness, colour, briskness/astringency, strength and flavour. Teas of a given leaf and dust grade (BP1, PF1, PD and Dust1), depending on the levels of the said quality parameters, is then placed into the six categories of: "Best", "Good", "Good Medium", "Medium", "Lower Medium" and "Plainer". Following these categorisations, the graded teas are then valued to provide bidding price.

25. At the auction, each grade of tea produced by a factory is sold as an invoice, which is 40 packages. Prior to offering each invoice of each grade for sale, a 4 Kg tea sample is drawn from the invoice for tasting by the factory appointed broker who would then categorise the quality and ascertain the valuation price taking into account the prevailing market conditions. The same tea invoice sample is distributed by the broker to prospective tea buyers for their own taste assessment. The broker, then publishes and shares the catalogue of all the teas that have been produced and are ready for sale in two weeks' time through a bidding process. The catalogue captures the name of the factory/garden mark, broker, grade, date of manufacture, invoice number, number of packages (40), asking/valuation price, quantity and certification. The auction sales process is guided by the EATTA Rule Book. The auction, which is the sales channel accounting for about 75% of the teas,

acts as a barometer for the pricing of teas offered through the other marketing channels such as DSO and DSL.

26. **General and specific roles played by TBK in the management of the tea marketing function and attendant implications:** TBK is a State Corporation established under Section 3 of the Tea Act, 2020, to regulate, develop and promote the tea industry. TBK's role in the management of the tea marketing function as prescribed by the Tea Act, 2020, include:

    a) Development, implementation and coordination of the national tea marketing strategy: In this regard, TBK has developed a global marketing strategy for both existing and emerging tea markets to enhance market access of Kenyan tea. However, full Implementation of the strategy has been hampered by lack of adequate resources;

    b) Promote demand and consumption of tea locally and internationally. TBK based on budgetary availability undertakes various trade missions in countries like Pakistan, China, UK, USA, Jordan, Iran, Egypt, Ghana, Senegal, Nigeria, DRC, South Africa and emerging markets to promote Kenya tea. However, this has greatly been hampered by inadequate budgetary provisions;

    c) Collaborate with national and international trade bodies on tea related matters. Such bodies include various tea councils and associations such as the International Tea Council, German Tea Council, Japan Tea Association, UK Tea Council, North America Tea Association through annual subscriptions which assist in promoting global consumption of tea and lobbying for better market access policies;

    d) Promote and advise on strategies for value addition and product diversification. TBK through the Ministry of Agriculture and Livestock Development, has developed a concept paper for value addition of Kenyan tea to provide a roadmap towards enhancing value addition of Kenyan tea before exporting. The concept has been approved by the National Treasury and is awaiting funding allocation;

    e) Facilitate marketing and distribution of tea through gathering and dissemination of market information and monitoring of the local and global supply-demand situation. TBK shares global market intelligence and information to stakeholders to facilitate decision making in marketing and sales;

    f) Identify market needs and trends and advise the Cabinet Secretary on issues related to national and international tea trade. From time to time, TBK brings to the attention of the Cabinet Secretary, the challenges facing the industry to facilitate formulation of relevant policies that will spur growth of the value chain; and

    g) TBK is responsible for registering tea brokers who sell tea on behalf of tea factories and the Auction Organizer who provides a platform for the sale of tea. The Board also monitors tea trade and addresses any trade related malpractices to promote fair trade.

27. **The relationship between TBK and KTDA and any conflicting roles and functions between the two institutions:** TBK is a State Corporation established under Section 3 of the Tea Act, 2020 to regulate, develop and promote the tea industry. On the other hand, KTDA is a

private company that manages seventy-one (71) smallholder tea factories owned by smallholder tea farmers in Kenya. In this regard, TBK licenses all tea factories (including KTDA managed factories), management agents (including KTDA) and other value chain players as prescribed in the Tea Act, 2020. Therefore, TBK is the regulator of the entire tea industry including factories managed by KTDA while the latter only deals with smallholder tea sub-sector.

28. In this regard, there is no conflicting role between TBK and KTDA other than the relationship between a licensor and a licensee, where the former ensures that the latter complies with the terms and conditions of the license/registration certificate, just like any other licensed/registered player.

29. **The cause of the discrepancy in the tea marketing function pricing in different regions:** The price realised at the auction is determined by the global market supply and demand, quality of the tea produced by each factory and consumer preferences. In this regard, the differences in the tea marketing function pricing in different regions has been caused by the following:

    a) Differences in the quality of tea from the two major tea blocks. Historically, the WoR is known for producing high volumes but lower quality whilst the EoR is known for lower volumes but high-quality teas. In addition, a survey done by TBK and the Ministry in 2024/2025 revealed that most of the tea factories in the WoR reduced their quality tea production in 2021 at the advent of the tea reserve price. Some of the directors required factory managers to compromise green leaf standards from tea farmers on account of the guaranteed reserve price. This not only negatively affected absorption of tea from the region leading to accumulating stocks of unsold teas but also, tea farmers got used to production and supply of green leaf of lower quality. This in turn affected the attributes of made tea discerned by the market such as brightness of the liquor, taste and blackness and uniformity of the particles. The TBK has also validated the same by conducting surveillance for green leaf quality standards, which in most instances have been found to be less than 50% for the factories in the WoR as opposed to the desired minimum of at least 60%. The lower quality of green leaf plucked by farmers in the WoR explains the reasons why most of the teas in the Region fall within the category of "medium" to "plainer" category. This has also been validated by the results of independent blind tasting sessions organised annually by TBK; and

    b) Traditional tea markets such as Pakistan and Egypt which take 35% and 15% of Kenyan teas respectively have had higher preferences for teas from the EoR (30% of national production) compared to the WoR (70% of national production).

30. **Measures that can be put in place to reduce/eliminate the possibility of regional biases in the pricing of tea:** The Government has put in place several measures to reduce and eliminate regional biases in the pricing of tea. The measures aim at ensuring the average payment to smallholder tea farmers of Kshs. 50.18 per Kg of green leaf in 2022 increases to Kshs. 100 by 2027. These measures include:

    a) **Development of green leaf quality guidelines/standard:** Cognizant of the fact that the quality of tea is majorly determined by the quality of green leaf, the Ministry and other relevant industry players have developed a guideline/standard on the quality of green leaf plucked and delivered for processing by tea farmers to factories. A Multi-Agency Committee comprising the Ministry of Agriculture and Livestock Development, TBK, Tea Research Foundation, tea factories and traders has finalised developing a draft guideline on the quality of green leaf to be adopted by tea factories in Kenya. The guideline prescribes the minimum standard on green leaf quality to be processed by all tea factories and once implemented, it will bridge the quality and price differences between the West and East Tea Blocks. TBK in collaboration with the counties was sensitising tea farmers and factories on green leaf quality standards.

b) **Strategic Tea Quality Improvement Programme (STQIP)**: This Programme is aimed at assisting tea factories with lowest tea quality to improve and meet the market requirements. It entails: Conducting blind tasting of teas from all licensed tea factories for evaluation and ranking then selecting fifteen (15) lowest-ranked tea factories in quality for inclusion in the Quality Improvement Programme; sensitising tea farmers and factory management on the standards of green leaf; and undertaking on-site capacity-building trainings for tea makers for black CTC and orthodox teas. The programme has been running for two (2) years and it is expected that by the end of five (5) years, most tea factories producing "plainer" to "medium" quality teas will have transited to above average or premium quality teas. These teas are in turn expected to fetch better prices as has been the case with the performance of some tea factories in the WoR like Momul in Kericho County, whose green leaf quality is strictly adhered to as a plucking and handling culture.

c) **Removal of reserve price:** The reserve price introduced in July 2021 which was meant to guarantee tea growers a minimum return was removed in October 2024 due to challenges of the quality-reserve price mismatch that created further challenges of depressed demand and accumulation of unsold stocks. Since removal of the reserve price, the absorption of teas at the auction has increased and significantly reduced the accumulated stocks to the normal market absorption levels. This has not only enhanced liquidity for the tea factories, but also reduced on financial borrowing and forced tea factories to revert to quality tea production.

d) **Modernisation of factories:** To address inefficiencies in various tea factories, the government is providing Kshs. 3.7 billion loan facility at a concessionary rate of 5% from Kenya Development Corporation to all smallholder tea factories to modernise equipment and machinery in smallholder tea factories in Kenya. It is also expected that the factories will use this facility to expand their production of orthodox teas, which fetch higher prices in niche markets, to reduce reliance on CTC teas, which are currently facing challenges of oversupply in the global market. KTDA is also investing in factory modernisation and energy solutions to cut costs and improve competitiveness.

e) **Elimination of hawking of green tea leaf and factories compliance:** In the last year, collaborative efforts between the TBK and the Ministry of Interior have beefed up surveillance operations to curb green leaf malpractices in tea growing areas. Consequently, the tea industry has experienced reduced levels of malpractices especially green leaf diversion by tea growers. In addition, TBK has enhanced compliance inspections and most tea factories/producers have shown considerable improvement in complying with the Tea Industry Code of Practice KS:2128 and with the terms and conditions of their manufacturing licenses. This has enabled them continually improve in undertaking good agricultural practices at the production of green leaf and good manufacturing practices in processing of tea.

f) **Financial and governance audits:** To mitigate against increasing costs of production at tea factories, TBK has initiated financial and governance audits in various tea factories aimed at establishing the following: The level of compliance of the factories with the Tea Act, 2020 on governance and financial matters; the level of implementation of the management agreement and the cost reduction measures agreed upon between the management agent and tea factories; corporate governance practices within the group in relation to good corporate governance practices in the tea industry; and investigate and report on any malpractices within the management or board that could negatively affect the interests of tea farmers and the country at large. In the last one year, six factories have been audited and the directors required to account for various malpractices that affect payment to tea farmers. In the coming year, these audits will be intensified to curb all malpractices affecting performance and payment to tea farmers.

g) **Diplomacy and marketing initiatives:** Under the ACfTA, the Government through the has spearheaded several efforts to promote Kenyan tea in Africa, which is primarily for value added teas. Such has been done in Egypt where allocation of space at the Free Zone in Alexandria was negotiated to facilitate distribution of value-added Kenyan tea in Arab Maghreb Union and the Gulf Region. The same applies to Ghana where repeat orders have been made since the flagging off of initial order for value added teas under the GTI. Inter African Trade Fare was also held in Algeria to promote trade amongst African Nations under the ACfTA. This was followed by the formation of a JCC between Kenya and Algeria. In Morocco, a JCC has also been formed with value added teas as a flagship project to help opening up the market for Kenyan green tea. The Government has also formed a JTC to unlock the stalemate on Kenya tea trade with Iran. Linkages of Kenya tea exporters with major retail outlets such as Walmart in North America has also been done.

h) **Sustainable funding of tea industry programmes:** Since the abolishment of the Ad Valorem Levy in 2016, funding of industry programmes like research, promotion, development, regulation and infrastructure has been reliant on exchequer funding. Consequently, notwithstanding the increase in earnings from tea in the last 10 years, very little resources have been ploughed back into the industry programmes that are critical to make the tea industry sustainable. For example, the budget for promotion which was in excess of Kshs. 100 million in 2016 over the years reduced to Kshs. 30 million annually which means that the tea industry has stagnated with respect to market development. With its current budget, the Board may not be able to implement the Global Tea Industry Market Development Strategy which is key in addressing the glut that currently exists causing increasing levels of unsold teas in Mombasa. It is also important that Kenya mirrors the strategies being used by major competing producer countries such as Sri Lanka which has recorded world success in market development and branding of tea. As a tea producing and exporting country, Sri Lanka charges a promotion levy of 1% (approximately two million USD annually) for market research and development and tea promotion. This gives competitors an added advantage in the same markets that Kenya is targeting. Development and gazettement of the Tea Levy Regulations, 2024 to operationalise Section 53 of the Tea Act, 2020, which provides for a levy that will be used to promote Kenyan tea, research, development among other programmes.

i) **Regulating and control of costs:** To mitigate against higher costs of production, factories through decisions made in their AGMs should be encouraged to invest in cost mitigation measures. Factories have also signed new management agreements with KTDA which amongst other issues include reduction of the management agency fee from 2.5% to as low as 1.5% of the gross sales value and absorption of costs of seconded staff by the managing agent. In addition, a

CDA should be undertaken on the differences between the cost of production for tea factories from the East and West Tea Blocks and action taken to address the gaps.

j) **Governance challenges in smallholder tea factories:** To address the governance challenges contributing to inefficiencies, high operational costs and governance gaps in tea factories, the draft Tea Industry Corporate Governance and Code of Practice will soon be gazetted to pave way for implementation. In addition, TBK will enhance the scope of the random audits to all factories to help in identifying wastages and malpractices by the boards and curb them.

k) **Finalisation of tea industry regulations:** To address a myriad of challenges negatively affecting the performance of the industry and impending it from realizing its full potential, the TBK in collaboration with the Ministry is finalising the following set of regulations: Registration and Licensing Regulations to provide for the procedure and terms and conditions for licensing and registration of tea value chain players; Tea Levy Regulations to provide for a sustainable model of funding tea industry programmes; Tea General Regulations to provide for regulation of all the activities being undertaken by tea value chain players; and Tea Trading Regulations to ensure efficiency and effectiveness of tea auctions and competitiveness of Kenya tea.

l) **Review of the second payment model:** Research by TBK has revealed that most smallholder tea farmers are highly dependent on loans and advance from SACCOs and other financial institutions which can partly be attributed to the payment model adopted by KTDA managed factories. To address liquidity challenges by tea famers, quarterly second payment model should be adopted where the 2nd payment is made every 3 months as opposed to annual payment.

31. **Reasons why the quality of tea from the West of the Rift is lower in comparison to that from the East of the Rift:** The WoR is known for producing high volumes but lower quality whilst the EoR is known for lower volumes but high-quality teas. In addition, a survey done by TBK and the Ministry in 2024/2025 revealed that most of the tea factories from the WoR relaxed on quality tea production in 2021 at the advent of the tea reserve price. Some of the directors required factory managers to accept bad green leaf from tea farmers on account of the guaranteed reserve price. This not only negatively affected absorption of tea from the region but also, tea farmers got used to production and supply of bad green leaf.

32. **Quality attributes under consideration and implications on the pricing of tea from the West and East of the Rift, respectively:** Once the organoleptic tasting of the teas is done, the quality is grouped into six categories i.e. "Best"; "Good"; "Medium Good"; "Medium"; "Lower Medium"; and "Plainer" based on attributes such as its physical appearance (leaf blackness and evenness) as well as the liquor and infusion appearance and taste (brightness, briskness, liquor strength, flavour and body). Other attributes ascertained through organoleptic tasting includes whether the sample has off-flavours or taint due to the firing conditions in the drier at the factory. Notably, prices of tea follow the quality attributes, with "Best" teas (well/evenly sorted, black colour, brighter liquors and appearance and well fired/dried) fetching relatively higher prices compared to other categories. Once the tea is not bought at the auction, it is then marked within the catalogue as a reprint and is re-offered for sale within a period of three weeks. However, reprint and secondary grades also fetched lower prices.

33. **Cost dynamics that affect tea prices in the West and East of the Rift, respectively:** The cost of production varies from one factory to another depending on the costs of various cost centres within the factory such as energy, labour, transportation, and administrative expenses. Governance in individual factories greatly influences administrative expenses which affects the production cost and ultimately profitability of the factory and net payments to tea farmers. In addition, factories with efficient machinery and operations are able to realize lower cost of production and a relatively higher return to the farmers.

34. Whereas some factories especially in the EoR (Zones 1, 2, 3, 4, 5, 6 and 7) have fared well in managing the costs of production, the other factories most of which are in the WoR (Zones 8 to 12) are still faced with high costs of production as analysed below. This means that factories in the WoR, which realise lower tea prices and have relatively higher costs of production end up with lower net income and therefore pay less bonus to their farmers. An analysis of the Cost of Production by tea factories from different zones within the two Blocks are different as depicted table 2.

Table 2: Comparative analysis of cost of production/Kg of made tea in Kshs.

REGION/ZONE		2025	2024	2023	2022	2021
	EAST BLOCK					
Zone 1	Kiambu	102.89	111.21	104.73	87.73	79.46
Zone 2	Murang'a	100.54	103.45	97.79	84.99	79.02
Zone 3	Murang'a	111.08	107.73	101.55	89.43	84.02
Zone 4	Nyeri	104.01	109.00	109.05	98.28	89.93
Zone 5	Kirinyaga	104.61	99.93	93.62	86.79	82.33
Zone 6	Embu	97.05	103.70	90.75	82.87	83.10
Zone 7	Meru	95.69	103.32	92.72	80.54	79.78
East tea block average		**102.27**	**105.48**	**98.60**	**87.23**	**82.52**
	WEST TEA BLOCK					
Zone 8	Kericho	110.29	97.61	97.39	87.00	86.97
Zone 9	Bomet	130.34	96.07	97.22	82.01	82.30
Zone 10	Nyamira	136.12	128.51	113.14	96.15	77.55
Zone 11	Kisii	157.23	136.05	128.87	109.69	109.72
Zone 12	Nandi, Vihiga, Trans Nzoia	137.77	109.95	104.20	102.10	95.00
West Tea Block Average		**134.35**	**113.64**	**108.16**	**95.39**	**90.31**
Overall Average		**112.96**	**104.94**	**99.72**	**87.82**	**84.76**

35. Across all the regions, zones and factories, there was an overall 7.65% average increase in the cost of production attributable to an increase in the cost of energy, labour and administration as compared to the previous year. However, the increase varied from region to region and factory to factory depending on their management of the cost centres. The variances were as follows:

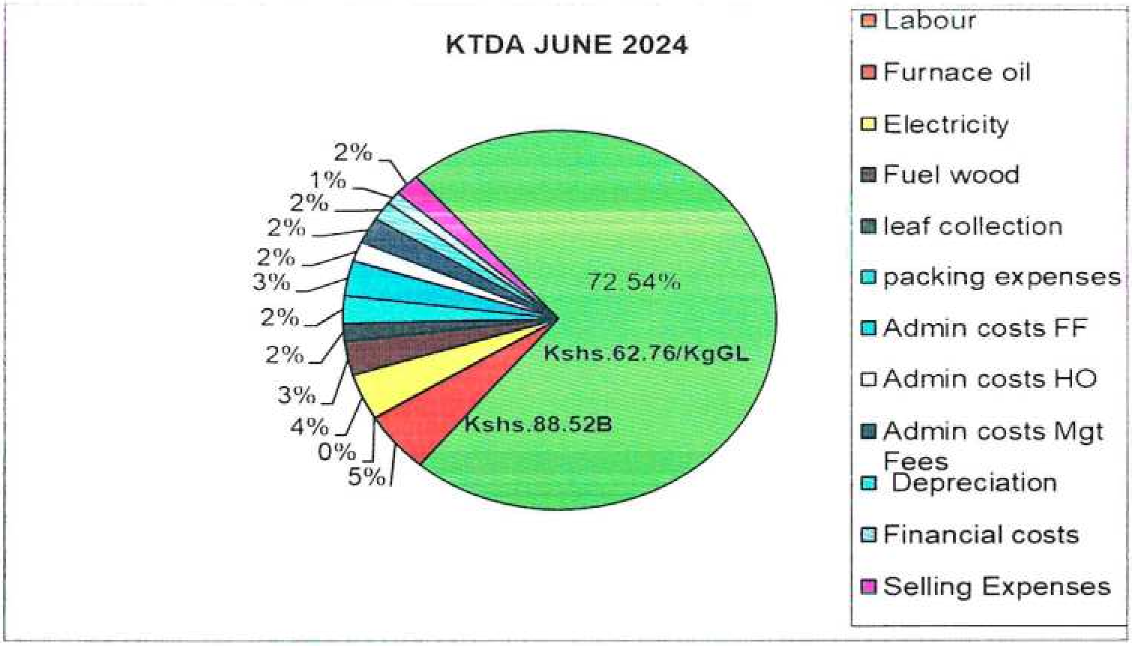
a) During the year, the cost of production in the EoR declined with an average of 3% to an average of Kshs. 102.27 per Kg of made tea compared to the previous year. In zones 1, 2, 4, 6 and 7 the cost of production declined while in zones 3 and 5, the cost increased based on the ability of a specific factory to manage their costs; and

b) During the year, the cost of production in all the zones from WoR increased with an average of 18.2% to an average of Kshs. 134.35 per Kg of made tea as compared to the previous year.

36. From the above analysis, it is apparent that the cost of production in the WoR factories is 31% higher (Kshs. 32.08 per Kg of made tea) as compared to cost of production of tea factories from the EoR. Using the conversion ratio of 4.444, this implies that on average, farmers in the EoR earned more compared to their counterparts in the WoR by Kshs 7.22 per Kg of greenleaf owing to efficiency in management of costs within their factories alone.

37. **Specific operational costs that are incurred by factories in the West and East of the Rift, respectively:** Key factory operational costs consist of labour, which accounts for about 5% of the net realisable value and electricity 4%. Other significant costs are administrative (3%), wood fuel (3%), green leaf collection (2%) and packing expenses (2%).

Figure 2: Operational costs incurred by tea factories



38. **Global trading conditions affecting the price of Kenyan tea**: The price of Kenyan tea is impacted by the following global conditions:

a) Kenya tea is exported to over ninety (90) market destinations globally and the volume of exports in each of the markets is highly dependent on the performance of the economy. Since the commencement of the COVID-19 Pandemic in 2020, most of the global markets have been experiencing economic recession, while others have been recording minimal economic growth.

b) This economic situation has also been exacerbated by the effects of the Russia-Ukraine crisis, which commenced in 2022 and further disrupted global trade. Owing to difficult economic situations, the local currencies of the importing countries have depreciated against the USD leading to high inflation and low purchasing power.

c) Pakistan and Egypt, which are the two biggest markets for Kenyan tea accounting for 50% of the exports have consistently been suffering the shortage of forex reserves leading to reduced volumes of tea and other imports. Russia and Iran, which are also significant markets for Kenyan tea have been under economic sanctions by the West making trading and importation of tea a challenge.

d) Since the armed conflict erupted in Sudan in April 2023, exports of tea to Sudan, which is also a key traditional market for Kenyan tea have negatively been affected due to challenges of market access. This greatly affected the absorption of BP1 tea grade leading to lower auction prices.

e) Shipment to other markets like Europe and North Africa has also been affected by continued attacks on vessels along the Red Sea by the Yemen Terrorist Group leading to longer voyage times and higher freight rates through the alternative shipment route around Africa's Cape of Good Hope.

39. **Plans by TBK and KTDA to improve the current method of testing tea to enhance its objectivity:** The plans by TBK and KTDA to improve the current method of testing tea are:

    a) Establishment of a quality analysis laboratory: Over the years, valuation of tea in Mombasa has been based on the organoleptic tasting method adopted by tea brokers and buyers/exporters. Notably, organoleptic method of ascertaining the quality has been used for a long time by tea producers and buyers globally. It is also used in other beverages such as coffee and alcoholic drinks. However, this method has been subject to suspicion from some quarters especially farmers who have been agitating for a more objective and verifiable method of tea valuation. TBK is in the process of establishing a quality analysis laboratory in Mombasa to validate the tea quality and safety in three aspects:

        i. Analytical testing of the teas based on three sets of parameters, namely; physical-quality parameters, microbiological parameters, heavy metal contaminants and pesticide residues (MRLs) and Emerging contaminants;

        ii. Scientific verification of teas offered for sale at the auction to determine their valuation based on quality by checking Nitrogen, Polyphenols and Ash content; and

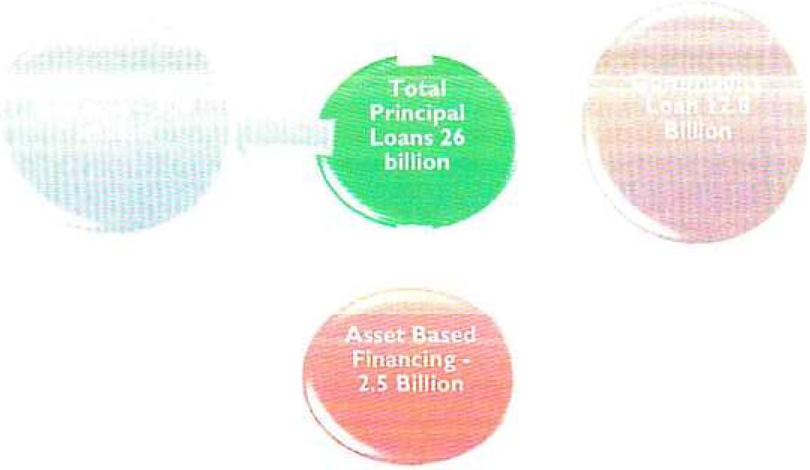
        iii. Sensory evaluation of tea: TBK will eventually carry out sensory evaluation of teas as part of quality assurance activities to complement the scientific testing of tea to be used in determination of price.

    Civil works for the Laboratory are complete and the Laboratory is awaiting necessary equipment and other resources necessary for operationalisation.

b) Establishment online trading platform (E-Commerce): TBK was establishing an alternative marketing channel for Kenyan tea by collaborating with partners to implement and promote an online trading platform (E-Commerce) to enhance market access for Kenyan tea and tea products. The objective of the E-commerce platform is to directly link tea consumers to tea producers resulting in a short route to the market chain, increase tea sales (both value added and bulk teas) by providing consumers with a variety of high value teas to choose from, offer convenience to consumers and create brand awareness of Kenyan teas.

40. Cost of finance is a major cost of production. In addition, most tea factories are highly indebted; in this regard, the Ministry of Agriculture and Livestock Development directed Tea Board of Kenya to carry out a comprehensive audit of all loans obtained by KTDA-managed factories. The objective of the audit was to enable the Ministry of Agriculture and Livestock Development to evaluate the financial sustainability of tea factories and formulate appropriate measures aimed at addressing the challenges currently facing the sub-sector. The scope of the audit was to establish: The total amount of loans borrowed by each factory; the utilisation of the loan proceeds; the terms and conditions under which the loans were acquired; and the current outstanding loan balances for each factory.

Figure 3: Total loan balances as at 30th June 2025



41. The table below shows the loans owed by factories in the two blocks.

Table 3: Loan balances as at 30th June 2025

Type of Loan	WoR	EoR	Total	Percentage
Inter factory loan	8,570,906,235	1,791,014,245	10,361,920,480	40
Commodity loan	11,770,810,990	1,041,878,337	12,812,689,327	49

Type of Loan	WoR	EoR	Total	Percentage
Asset based financing	975,037,785	1,612,082,946	2,587,120,731	10
Project loan balances	295,659,259	4,511,584	300,170,843	1
TOTAL	**21,612,414,269**	**4,449,487,116**	**26,061,901,385**	**100**
Percentage	83%	17%	100%	

42. From the audit on loans, TBK established that:

<u>Inter-factory Loans</u>

a) The above loan balances as at 30th June 2025, are higher after factoring in the accrued interests and penalties where applicable;

b) There were discrepancies in the inter-factory borrowing and lending schedules which highlights potential gaps in financial reconciliation;

c) There were no Board Resolutions approving the lending/borrowing from/to factories as these arrangements are done at the KTDA head office;

d) There is no policy guideline on inter-factory financing which has led to arbitrariness in issuance and repayment of the facility; and

e) Several factories are experiencing cash flow constraints, which has hindered their ability to repay inter-factory loans within the stipulated one-year period.

<u>Commodity Loans</u>

a) Commodity loans that were acquired to pay FY 2024/25 second payment are not factored in the analysis as the schedules were not provided at the time of audit;

b) A big proportion of the commodity loans were acquired to finance operations and not second payment as indicated;

c) There were discrepancies in the interest amount paid on some loans compared to the actual computed interest;

d) Schedules for distribution of loans per factory were not provided and it was therefore not clear which tea factories received the loans totaling USD 99,766,128.2 equivalent to Kshs. 12,869,830,527.1;

e) Closing stocks as at 30th June 2024 which KTDA-MS used as a guarantee for the commodity loans to finance the second payment in October 2024 was overvalued especially for the factories in the WoR; and

f) Some factories had commodity loan balances as at 30th June 2025 but did not have board resolutions thus putting into question whether the tea factories had sanctioned such loans.

Asset Based Financing

a) **Loan overshoots:** Several factories borrowed amounts exceeding board-approved limits or actual equipment costs;

b) **Lack of requisite board approvals:** several factories had board resolutions that did not indicate loan amounts, project costs, or were improperly signed;

c) **High Equipment Costs:** Equipment supplied to factories like Kambaa and Sanganyi were significantly more expensive than similar units supplied in other factories;

d) **Unverified Documentation**: Capital job certificates and inspection certificates were internal documents without external or independent validation, raising concerns about equipment performance and compliance; and

e) **Irregular alterations of approved loans.**

Term Loans/Project Financing

a) As at 30th June 2025, term loans/project financing was Kshs. 300,170,844 to 3 factories; Kebirigo, Ragati and Chinga;

b) Whereas term loans are meant to finance capital-intensive projects such as withering expansions, acquisition of automatic withering machines, and installation of orthodox lines, the review established that some factories spent the money on other items; and

c) The KTDA-MS is responsible for developing business cases that assess the viability of these projects, outline financing options, and estimate the associated costs. TBK is in the process of undertaking physical verification of the projects undertaken.

Fertilizer Financing

The facility is secured to facilitate importation of fertilizer on annual basis as a result of the timing difference between the payment to the supplier and recovery of the monies from farmers. This is usually floated to various banks and the best quoted bank awarded. The process is usually through an LC which culminates in a post import financing and repayment within six months. There was no outstanding fertilizer loan as at 30th June 2025. However, a total government subsidy of Kshs. 4,675,404,937 had not been refunded to KTDA for the FY 2021/2022 (Kshs. 2,559,810,266) and FY 2022/2023 (Kshs. 2,115,594,671) for procurement of fertilizer.

43. TBK made the following recommendations on loans:

a) To give the correct picture of the outstanding loans, KTDA-MS should provide the most recent loan balances and information.

b) Going forward, second payment of green leaf should be based on actual performance and funds available rather than borrowings and overstated stock valuation to show higher performance.

c) Valuation of the closing stocks should be in line with International Accounting Standards 2 (IAS 2); the method used should always consider the expected net realizable value as provided for by the IAS 2.

d) Based on the preliminary findings of the audit of the KTDA managed factories, a forensic audit should be carried out from FY 2021/22 to date to give tea farmers confidence on the probity of the loans undertaken by the KTDA-MS on behalf of the factories.

e) To address the cash flow challenges, the KTDA Group is facing the implementation of a retention policy should immediately commence.

f) To verify utilisation of the loan proceeds and value for money, physical verification of the assets should be done.

g) There is need to establish a sustainable model of funding the tea industry programmes like promotion, research and development by operationalising the tea levy.

h) Equipping and operationalisation of the quality analysis laboratory to be prioritised to address concerns on tea valuations between the two major tea blocks.

i) Enhanced market access of Kenya tea by providing adequate resources for market development.

j) Gazettement of the tea industry corporate governance to address the inefficiencies, high operational costs and governance gaps in tea factories.

k) Concessional loans for modernisation of tea factories to enhance quality and efficiency.

44. **Challenges experienced by TBK and KTDA in the execution of their mandate:** TBK experiences a number of challenges in the execution of its mandate. Some of the challenges include:

a) Lack of regulations to implement the Tea Act, 2020: Since 2021, the Ministry had not finalised development of tea regulations to implement the Tea Act, 2020 due to Court cases against various sections of the Act and lack of resources to undertake adequate public participation.

b) Inadequate funding to undertake promotion and marketing, enforce the Tea Act and address various malpractices affecting the sub-sector: TBK is dependent on the exchequer to fund its programmes and the budgetary of Kshs. 350 million that is allocated to the Board is insufficient to implement the global marketing strategy for tea, employ crop inspectors to undertake inspection and surveillance and effectively discharge its other mandates.

c) Insufficient staff: TBK was operating with almost half of its approved staff establishment (56 against 100) making it difficult to effectively undertake various functions like inspection and surveillance.

3.2 THE KENYA TEA DEVELOPMENT AGENCY

In a meeting with the Committee held on Thursday, 26th November 2025, Mr. Geoffrey Kirundi, the National Chairman of KTDA, informed the Committee that:

Establishment of KTDA

45. The Kenya Tea Development Authority was privatised in June 2000 to establish the Kenya Tea Development Agency Limited under the Companies Act (Cap. 486) as a private limited liability company. It was later renamed as the Kenya Tea Development Agency Holdings Limited in 2009.

46. KTDA is owned by about six hundred thousand (600,000) smallholder tea farmers who are shareholders of the fifty-four (54) tea producing factories and its nine (9) subsidiary companies. The nine (9) subsidiary companies owned by KTDA add value to the tea value chain and they are: Chai Trading Company Limited, Majani Insurance Brokers, Kenya Tea Packers Limited, Greenland Fedha Limited, KTDA Foundation, Tea Machinery and Engineering Company Limited, KTDA Power Company Limited, KTDA-MS and Chai Logistics Centre.

Factories Managed by KTDA

47. Factories managed by KTDA are divided into two regions, those in the EoR and those in the WoR. They are:

Factories in the EoR

a) **Embu County**: Kathangariri, Rukuriri and Mungania Tea Factories;
b) **Kiambu County**: Ndarugu, Theta, Mataara, Kagwe, Kambaa and Gachege Tea Factories;
c) **Kirinyaga County**: Kangaita, Mununga, Thumaita, Kimunye and Ndima Tea Factories;
d) **Meru County**: Githongo, Kinoro, Kionyo, Imenti, Igembe, Kiegoi and Michimikuru Tea Factories;
e) **Murang'a County**: Makomboki, Nduti, Gacharage, Ikumbi, Ngere, Njunu, Gatunguru, Kanyenyaini, Kiru and Githambo Tea Factories;
f) **Nyeri County**: Ragati, Gathuthi, Gitugi, Iriaini and Chinga Tea Factories; and
g) **Tharaka Nithi County**: Weru Tea Factory

Factories in the WoR

a) **Bomet County**: Kapset, Mogogosiek, Kapkoros, Motigo, Kobel, Tirgaga and Rorok Tea Factories;
b) **Kericho County**: Chelal, Toror, Tegat, Kapkatet, Momul and Litein Tea Factories;
c) **Kisii County**: Rianyamwamu, Ogembo, Nyamache, Kiamokama, Itumbe and Eberege Tea Factories;
d) **Nakuru County**: Olenguruone Tea Factory;
e) **Nandi County**: Kaptumo and Chebut Tea Factories;
f) **Nyamira County**: Tombe, Sanganyi, Nyansiongo, Nyankoba, Kebirigo and Gianchore Tea Factories);
g) **Trans Nzoia County**: Kapsara Tea Factory; and
h) **Vihiga County**: Mudete Tea Factory

48. Analysis of auction prices for tea from all factories in the country for the last five FYs.

Table 4: Tea prices for factories managed by KTDA

TEA FACTORIES PER COUNTY PER ZONE AVERAGE MARKET PRICES (USD/KGMT)							
COUNTY	ZONE	FACTORY	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Kiambu	1	Gachege	2.19	2.84	2.71	2.83	2.78
		Kagwe	2.31	2.93	2.78	2.99	2.89
		Kambaa	2.31	2.93	2.74	2.94	2.93
		Mataara	2.25	2.86	2.70	2.84	2.85
		Ndarugu	2.21	2.87	2.73	2.88	2.77
		Theta	2.25	2.86	2.74	2.92	2.89
		Karirana Estates	1.90	2.51	2.17	1.68	1.85
		Maramba Estates	1.86	2.40	2.06	1.67	2.05
		Ngorongo Estates	1.67	2.17	1.94	1.42	1.65
		Rwaka Estates	1.44	1.30	1.41	1.06	1.21
		Mabroukie Estates	1.31	1.69	1.49	1.03	1.27
Murang'a	2	Gacharage	2.50	3.08	2.82	3.01	3.08
		Ikumbi	2.31	2.91	2.75	2.89	2.95
		Makomboki	2.34	2.99	2.78	3.00	3.00
		Nduti	2.25	2.85	2.73	2.87	2.83
		Ngere	2.36	2.92	2.78	3.00	3.06
		Njunu	2.28	2.91	2.76	3.00	3.03
	3	Gatunguru	2.29	2.90	2.73	2.86	2.78
		Githambo	2.25	2.83	2.70	2.80	2.71
		Kanyenyaini	2.23	2.82	2.69	2.76	2.73
		Kiru	2.26	2.86	2.72	2.83	2.87
Nyeri	4	Chinga	2.25	2.88	2.75	2.93	2.92
		Gathuthi	2.50	3.15	2.92	3.17	3.28
		Gitugi	2.51	3.09	2.82	3.00	3.07
		Iriaini	2.24	2.88	2.73	2.83	2.81
		Ragati	2.30	2.86	2.72	2.88	2.84
Kirinyaga	5	Kangaita	2.29	2.91	2.76	2.93	2.99
		Kimunye	2.50	3.07	2.87	3.07	3.15
		Mununga	2.48	3.07	2.93	3.29	3.45
		Ndima	2.33	2.98	2.79	2.95	3.03
		Thumaita	2.31	2.93	2.75	2.88	2.74
Embu	6	Kathangariri	2.54	3.09	2.85	3.05	3.15
		Mungania	2.38	3.01	2.80	2.97	3.05
		Rukuriri	2.42	3.02	2.84	3.07	3.19
Meru	7	Githongo	2.46	2.97	2.82	3.03	2.97
		Igembe	2.28	2.91	2.75	2.94	2.90
		Imenti	2.47	3.00	2.82	3.06	3.16
		Kiegoi	2.25	2.92	2.79	3.05	3.13

TEA FACTORIES PER COUNTY PER ZONE AVERAGE MARKET PRICES (USD/KGMT)							
COUNTY	ZONE	FACTORY	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
		Kinoro	2.34	2.92	2.74	3.00	2.98
		Kionyo	2.32	2.92	2.74	2.97	3.01
		Michimikuru	2.06	2.72	2.67	2.61	2.37
		Njeru Estates	1.49	1.96	1.72	1.42	1.20
Tharaka Nithi		Weru	2.20	2.85	2.72	2.83	2.81
		Chelal	1.95	2.58	2.50	2.39	1.77
		Kapkatet	1.94	2.56	2.46	2.26	1.71
		Litein	1.93	2.56	2.49	2.03	1.57
		Momul	2.13	2.72	2.65	2.74	2.45
		Tebesonik	1.97	2.58	2.53	2.51	1.99
		Tegat	1.85	2.52	2.48	2.31	1.65
		Toror	1.90	2.53	2.49	2.35	1.68
		Kapsongoi Estates	1.60	1.73	1.85	1.16	1.26
		Kalyet Estates	1.54	1.85	1.83	1.27	1.37
		Kipsinende Estates	1.54	1.60	1.61	1.08	1.30
		Kabianga Estates	1.48	1.71	1.63	1.10	1.28
Kericho	8	DL Kapchebet Estates	1.41	1.39	1.39	0.88	
		Tilya Tea Estates	1.41	1.53	1.56	1.08	1.12
		Sett Estates	1.40	1.28	1.22		1.17
		Kelunet Estates	1.39	1.68	1.67	1.06	
		Tagabi Estates	1.37	1.27	1.38	1.03	1.23
		Chebown Estates	1.34			1.01	1.15
		Kaisugu Estates	1.32	1.41	1.66	1.06	1.02
		Lelagoin Estates	1.32	1.58	1.60	1.07	
		Cheboswa Estates	1.17	1.05	1.20	0.90	1.19
		Jamji Estates	1.13	1.03	1.16	0.87	1.18
		Kimugu Estates	1.10	1.10	1.14	0.87	1.15
		Sambret Estates	1.01			0.88	1.18
		Kericho Estates	0.95	0.95	1.17	0.91	1.14
		Boito	1.91	2.54	2.49	1.82	1.41
		Kapkoros	1.89	2.52	2.46	1.47	1.44
		Kapset	1.86	2.50	2.42	1.58	1.50
		Kobel	1.90	2.53	2.47	1.86	1.49
Bomet	9	Mogosiek	1.91	2.55	2.43	1.98	1.61
		Motigo	2.01	2.63	2.54	2.39	1.80
		Rorok	1.91	2.51	2.46	1.85	1.50
		Tirgaga	1.95	2.56	2.49	2.05	1.51
		Masingi Estates	1.77	2.17	2.04	1.62	1.42
		Bondet Estates	1.75	2.17	1.94	1.57	1.43

TEA FACTORIES PER COUNTY PER ZONE AVERAGE MARKET PRICES (USD/KGMT)							
COUNTY	ZONE	FACTORY	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
		Changoi Estates	1.72	2.11	2.05	1.53	1.60
		Chebango Estates	1.68	2.12	1.96	1.41	1.50
		Kipkebe Estates	1.67	2.04	2.03	1.44	1.25
		Maner Estates	1.67	1.81	1.80	1.27	1.31
		Tiluet Estates	1.64	1.82	1.81	1.31	1.31
		Sisiba Estates	1.62	1.85	1.84	1.27	1.34
		Ndarawetta Estates	1.61	1.79	1.63	1.37	1.47
		Arroket Estates	1.60	1.74	1.77	1.16	1.30
		Mettarora Estates	1.60	1.91	1.86	1.31	1.32
		Siomo Estates	1.57	1.87	1.75	1.38	0.83
		Chemamul Estates	1.57	1.83	1.88	1.17	1.14
		Manaret Estates	1.56	1.91	1.88	1.34	1.42
		Laibei Estates	1.50	1.96	1.98	1.44	1.50
		Konoito Tea Estates	1.39	1.64	1.70	1.19	1.35
		Tea-Max Fresh Estates	1.39	1.59	1.61	1.06	1.27
		Kipsonoi Estates	1.39	1.73			
		Ngoina Estates	1.30	1.07	1.29	0.87	1.15
		Kapgwen Estates	1.16	1.22	1.28	0.98	1.26
		Kaptien Estates	1.15	1.17	1.30	1.08	1.19
		Koiwa Estates	1.11	1.05	1.15	0.88	1.14
		Koruma Estates	1.02	1.11	1.18	0.94	1.14
		Olenguruone	1.92	2.54	2.52	2.17	1.66
		Kiptenden Estates	1.79	2.02	2.03	1.55	1.33
		Setyon Estates	1.63	1.91	1.97	1.39	1.49
Nakuru	9	Tinet Estates	1.59	1.81	1.78	1.30	1.47
		Siarra Estates	1.47	1.71	1.80	1.07	
		Kiptagich Estates	1.47	1.62	1.65	1.10	1.35
		Tachasis Estates	1.47	1.63	1.71		
		Gianchore	1.98	2.60	2.54	2.49	1.85
		Kebirigo	1.91	2.53	2.44	2.22	1.81
		Nyankoba	1.98	2.58	2.53	2.46	2.10
		Nyansiongo	1.86	2.57	2.53	2.49	1.75
		Sanganyi	1.89	2.51	2.45	2.14	1.70
Nyamira	10	Sombogo	1.85	2.61	2.60	2.58	2.14
		Tombe	1.92	2.55	2.52	2.31	1.86
		Keritor Estates	1.50	1.88	2.13	1.61	1.01
		Nyarinda Estates	1.44	1.47	1.51	0.96	1.23
		Magura Estates	1.41	1.68	2.01	1.60	1.25
		Mogeni Estates	1.39	1.48	1.52	1.06	1.28
		Sakawa Estates	1.20	1.69	1.95	1.42	1.15

TEA FACTORIES PER COUNTY PER ZONE AVERAGE MARKET PRICES (USD/KGMT)							
COUNTY	**ZONE**	**FACTORY**	**FY 2020/21**	**FY 2021/22**	**FY 2022/23**	**FY 2023/24**	**FY 2024/25**
Kisii	11	Eberege	1.86	2.50	2.50	2.41	1.88
		Itumbe	1.88	2.50	2.46	2.28	1.77
		Kiamokama	1.85	2.52	2.47	2.33	1.83
		Nyamache	1.86	2.50	2.47	2.36	1.84
		Ogembo	1.84	2.50	2.48	2.40	2.03
		Rianyamwamu	1.93	2.52	2.49	2.17	1.78
Nandi	12	Chebut	1.87	2.45	2.39	1.35	1.49
		Kaptumo	1.90	2.50	2.48	1.95	1.55
		Kamarya Estates	1.99	2.37	2.30	2.13	2.17
		Chemomi Estates	1.98	2.44	2.36	2.22	2.04
		Kapchorua Estates	1.98	2.42	2.32	2.05	1.99
		Kepchomo Estates	1.93	2.42	2.28	2.04	2.00
		Kibwari Estates	1.92	2.36	2.30	2.12	2.05
		Kipkoimet Estates	1.91	2.41	2.25	1.97	1.68
		Siret Estates	1.89	2.25	2.27	2.00	2.04
		Sokot Estates	1.87	2.26	2.27	1.98	1.93
		Tinderet Estates	1.86	2.24	2.19	1.82	1.75
		Savani Estates	1.83				
		Kaimosi Estates	1.76	2.20	2.16	1.68	1.67
		Kombe Estates	1.74	1.67		1.39	1.50
		Sangalo Tea Estates	1.74	2.01	2.05	1.53	1.59
		Taito Estates	1.73	2.13	2.10	1.73	1.70
		Mbogo Tea Estates	1.72	1.99	2.03	1.52	1.56
		Reyna Estates	1.72	2.04	1.94	1.51	1.55
		Sangalo Estates	1.70	2.04		1.92	
		Sitoi Estates	1.67	1.99	2.01	1.61	1.63
		Saptet Estates	1.66	1.88	1.93	1.52	1.65
		Marich Estates	1.65	1.98	1.95	1.48	1.53
		Kipchabo Estates	1.64	1.98	1.79	1.37	1.52
		Toiyoi Estates	1.62	1.96	2.03	1.43	1.44
		Mokong Estates	1.58	1.60	1.83	1.33	1.40
		Timsoo Estates	1.57	1.63	1.92	1.38	1.51
		Keben Estates	1.55		1.74		
		Emrok Estates	1.57	1.73	1.63	1.20	1.44
		Chepkumia Estates	1.54	1.78	1.73	1.13	1.37
		DL Koisagat Estates	1.53	1.33	1.47	0.92	1.03
		Cupatea Estates	1.51	1.77	1.65	1.18	1.26
		Tungor Estates	1.28	1.30			1.14
Trans Nzoia	12	Kapsara	1.87	2.48	2.41	1.37	1.56
		Elgon Tea Estates	1.50	1.66	1.60	1.23	

TEA FACTORIES PER COUNTY PER ZONE AVERAGE MARKET PRICES (USD/KGMT)							
COUNTY	ZONE	FACTORY	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Kakamega & Vihiga	12	Mudete	1.87	2.49	2.49	2.05	1.70
Narok	12	Mara Tea Estates	1.31	1.47	1.51	1.31	1.45
Other	12	Swazi Estates	1.35	1.32	1.30	0.86	1.09

49. **Analysis of payments at the factory level for both regular and bonuses for the last five years**: Tea 'bonus' is a second payment to tea farmers which is payable at the end of each FY. Every month, tea farmers in EoR are usually paid an initial amount of Kshs. 25 per Kg of green leaf; Kshs. 24 for factories in Kisii, Nyamira, and Nandi; and Kshs. 23 for factories in Kericho, Bomet, Vihiga and Trans Nzoia. The initial payment is an advance payment against farmers' green leaf deliveries for the month since proceeds from the sale of tea are only realised after forty-five (45) days of delivery of green leaf to the factory due to the timelines involved in manufacturing processes (withering, fermentation and drying), transportation, valuation and cataloguing the tea for sale at the Auction. It is therefore treated as a cost financed through borrowing up and until the tea is sold.

50. The second payment (popularly referred to as 'tea bonus'), is the net of the price realised after the sale of tea minus the cost of manufacturing and operations and the initial monthly payment. However, the earnings by a tea farmer is the total of both the monthly payment and the second payment done during the year. Total payments in different parts of the country for the last five years for KTDA factories are as shown in table 2.

Table 5: Payments to farmers from 2021 to 2025

Region/Factory	June 2025	June 2025	June 2023	June 2022	June 2021
Region One (Kiambu)					
Kambaa	66.00	75.70	62.50	56.00	42.48
Kagwe	65.00	69.30	65.00	56.00	45.47
Gachege	60.00	71.30	61.00	56.00	37.51
Mataara	61.20	73.10	62.00	54.00	40.97
Theta	65.00	75.50	63.00	56.20	43.59
Ngere	78.10	87.00	67.00	57.70	46.56
Njunu	75.00	87.20	65.00	57.00	40.56
Makomboki	72.00	87.50	68.00	59.00	46.11
Nduti	70.00	85.90	67.00	53.00	39.61
Ikumbi	70.00	84.00	65.50	57.50	44.01
Gacharage	76.10	87.80	66.00	60.70	48.61
Average	**68.95**	**80.39**	**64.73**	**56.65**	**43.23**
Region Two (Murang'a/Nyeri)					

Region/Factory	June 2025	June 2025	June 2023	June 2022	June 2021
Kiru	57.00	76.00	64.10	51.20	35.59
Gatunguru	58.00	77.00	60.00	52.20	36.68
Githambo	57.00	67.00	62.00	56.00	38.52
Kanyenyaini	58.00	76.00	58.20	51.50	36.18
Iriaini	65.00	71.00	59.00	55.00	35.74
Gitugi	67.50	78.00	78.30	62.20	43.74
Gathuthi	81.00	82.00	65.00	61.00	38.61
Chinga	68.00	75.30	62.00	54.00	37.68
Ragati	65.00	70.50	57.00	52.00	37.24
Average	**63.38**	**74.76**	**62.84**	**55.01**	**37.78**
	Region Three (Kirinyaga/Embu)				
Thumaita	65.00	71.00	66.00	53.20	39.56
Kangaita	65.20	75.70	63.10	52.00	40.68
Mununga	82.00	87.70	68.00	56.50	43.56
Kimunye	71.00	76.00	67.20	55.00	41.72
Ndima	72.00	75.10	63.00	54.20	40.81
Mungania	76.00	85.00	64.10	61.00	46.61
Rukuriri	82.50	86.50	65.60	62.50	48.68
Kathangariri	75.50	81.20	63.00	60.50	45.54
Average	**74.52**	**81.03**	**64.86**	**57.39**	**43.94**
	Region Four (Meru)				
Kionyo	74.50	80.00	64.00	57.30	40.23
Weru	67.05	75.50	64.00	57.20	38.85
Imenti	81.00	85.30	73.10	62.20	45.87
Kinoro	73.10	80.00	66.10	58.10	41.70
Githongo	75.10	81.00	66.50	61.00	45.77
Kiegoi	75.20	76.00	67.00	55.10	38.09
Igembe	66.10				
Michimikuru	51.50	60.00	68.60	52.10	34.73
Average	**70.44**	**76.83**	**67.04**	**57.57**	**40.75**
	Region Five (Kericho/Bomet)				
Litein/Chelal	40.00	44.00	51.00	41.00	27.00
Kapkatet/Tebesonic	47.00	55.00	52.30	43.00	27.40
Momul	55.00	73.30	64.80	50.00	38.00
Tegat/Toror	37.50	48.00	51.50	38.10	27.00
Kapset/Rorok	36.00	43.00	51.00	42.00	26.50

Region/Factory	June 2025	June 2025	June 2023	June 2022	June 2021
Mogogosiek/ Kobel/ Boito	35.00	43.00	51.50	42.00	27.00
Kapkoros/ Tirgaga/ Oleng/ Motigo	37.00	43.10	52.00	44.30	31.00
Average	**40.52**	**49.91**	**53.44**	**42.91**	**29.13**
Region Six (Kisii/Nyamira)					
Kebirigo	37.00	48.40	50.00	45.00	26.00
Nyansiongo	36.00	54.50	56.50	47.00	28.50
Nyankoba	46.00	64.00	55.00	40.10	25.00
Sanganyi	36.00	49.00	50.00	48.00	24.00
Gianchore	37.00	54.00	51.00	41.00	24.00
Tombe/Sombogo	37.00	54.00	51.50	42.00	24.50
Nyamache/ Itumbe	35.00	44.00	50.00	40.00	24.00
Kiamokama/ Rianyamwammu	34.00	44.00	44.70	40.50	22.00
Ogembo/ Eberege	36.00	44.90	45.00	39.00	22.00
Average	**36.39**	**51.93**	**50.41**	**42.51**	**24.44**
Region Seven (Vihiga/Kakamega/Nandi)					
Chebut/Kaptumo	34.50	41.00	49.00	40.00	27.00
Mudete	33.00	42.00	47.00	40.00	23.70
Kapsara	33.00	38.00	42.45	40.00	22.00
Average	**32.62**	**40.33**	**46.15**	**40.00**	**24.23**
Grand Average	**56.12**	**64.00**	**59.02**	**50.18**	**34.71**

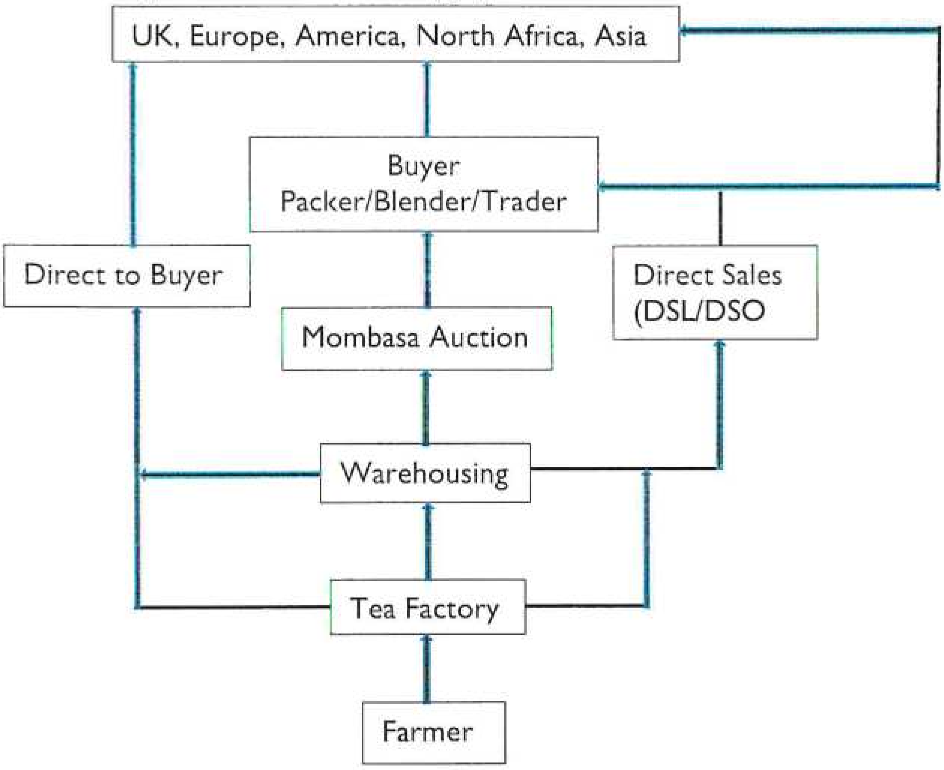
51. The decline in payments in FY 2024/25 was caused by various factors, including: the strengthening of the Kenya Shilling from an average of Kshs. 144 to Kshs. 129 per USD, reducing export earnings by about Kshs. 15 for every dollar of revenue received; drop in prices of tea from Kshs. 379 per Kg to Kshs. 322 mainly attributed to challenges and instability in some of the key tea markets, as well as the effects of carry-over stocks from previous years, which mainly affected WoR factories. This was driven by the introduction of reserve prices which were abolished in October 2024 and the previous legislative ban on direct sales overseas that was since reviewed; and drop in green leaf production by 12 percent, from 1.4 billion Kgs in 2024 to 1.24 billion Kgs in 2025, affecting the cost absorption rate per Kg of made tea and therefore impacting on net revenues.

52. **Market structure, practices and auctioning processes carried out by KTDA as the marketing agent**: Tea is sold through two main outlets: Mombasa Auction (MA) which sells about 80% of KTDA Tea; and Direct Sales where tea is sold directly from the factory to the buyer, either locally (DS-L) or overseas (DS-O). The tea market comprises: producers/factories on one side; buyers on the other end; and tea brokers who act on behalf of producers and buyers in between in

an auction set up. Most of the 'buyers' in the auction are agents or indenters who act on behalf of the final recipients of the goods (also called consignee) in the importing countries.

53. The Mombasa Tea Auction is managed by EATTA who prepares an annual calendar of weekly auctions defined by the year/week number. Each week KTDA allocates teas from each factory to the respective tea brokers. The allocation volume is guided by the volume of tea already available at the warehouse from the factory and subject to the forecasted market absorption capacity. Once allocation is done, samples of each lot of tea is sent to the broker, who tastes and gives a valuation and then sends the samples to the registered buyers. Each tea is sold based on a sample sent to the buyers. The buyers taste the tea and assign their own value internally. The tea allocated each week is sold in the auction three weeks later. During the auction, buyers compete for each lot of tea based on their quality assessment. The highest bidder takes the tea.

Figure 4: KTDA tea supply value chain



54. **The relationship between TBK and KTDA and any conflicting roles and functions between the two institutions**: TBK is a State corporation established under Section 3 of the Tea Act, 2020 to regulate, develop and promote the tea industry. Its function is to register all tea value chain players such as tea manufacturers (tea factories), management agents (such as KTDA), green leaf transporters, warehouse operators, buyers/exporters, importers, packers and auction organizers (such as EATTA). TBK's primary role is to enforce the Tea Act, 2020 and regulations thereof to ensure ethical tea farming and trading practices in Kenya.

55. KTDA on the other hand is a private company owned by 54 smallholder tea companies in Kenya. KTDA Management Services is one of the subsidiaries and is licensed by the Tea Board of Kenya as a management agent to offer management services to all the 54 smallholder tea companies in Kenya. Therefore, the role of KTDA is to oversee the day-to-day operations of the tea factories such as

leaf collection, transportation, manufacturing, sales, warehousing, sales and marketing, finance and human resource, administration among others in accordance with the management agreement signed between itself and the factories. Therefore, there is no conflict in the roles of TBK and KTDA since TBK is a regulator for tea-related activities of KTDA MS as a management agent, its managed tea factories and other subsidiaries like Chai Trading that is registered by TBK as a buyer/exporter.

56. **Measures that can be put in place to reduce/eliminate the possibility of the regional biases in the pricing of tea**: Putting in place quality improvement programmes for factories that have challenges with quality; encouraging factories to benchmark with those that are performing well; product diversification and value addition; and product-buyer matching.

57. **Reasons why the quality of tea from the WoR is lower in comparison to that from the EoR**: The quality of tea is determined by natural geographical factors like altitude, soil, climate (amount of rain and distribution, temperature etc.) and human influences of agronomy like plant husbandry, varieties/clones, plucking standards, plucking cycles and post-harvest handling of the leaf. WoR catchment area is generally characterised by the following: rampant tea hawking due to the proliferation of many factories some without clear sources of leaf; green leaf over-handling/poor stuffing & storage in bags; old tea clones and seedling fields which need to be progressively replaced to improve on productivity, drought tolerance and quality; and large volumes of green leaf against limited factory capacities in the peak season.

58. Additionally, the term quality as used in tea trade means appropriateness for use. Each buyer procures tea for a certain objective in mind and often, based on an end use in an already existing brand or market. To this extent, the buyer will have a certain profile of attributes that he will look for in a tea. If a tea gives that, it will be good quality in the viewpoint of that buyer. Another buyer looking for different attributes will not consider that tea the same way. For instance, in the Pakistan Bazaar market, the blacker the dry tea appearance is, the better the quality is perceived. On the other hand, the UK and European markets consider the liquor/cup and not so much value on the leaf appearance. This is therefore more of 'buyer value perception'.

59. Quality also signifies the fullness of desirable character of tea and absence of manufacturing faults. Manufacturing faults include presence of fibre, poor size of the grade, mixed grading, high firing, staleness etc. Consistency is also key. The general statement that the 'quality of tea from one region is better than the other' is therefore not accurate. A factory in the East or West of Rift can make poor quality tea. Other factors that determine price of tea are:

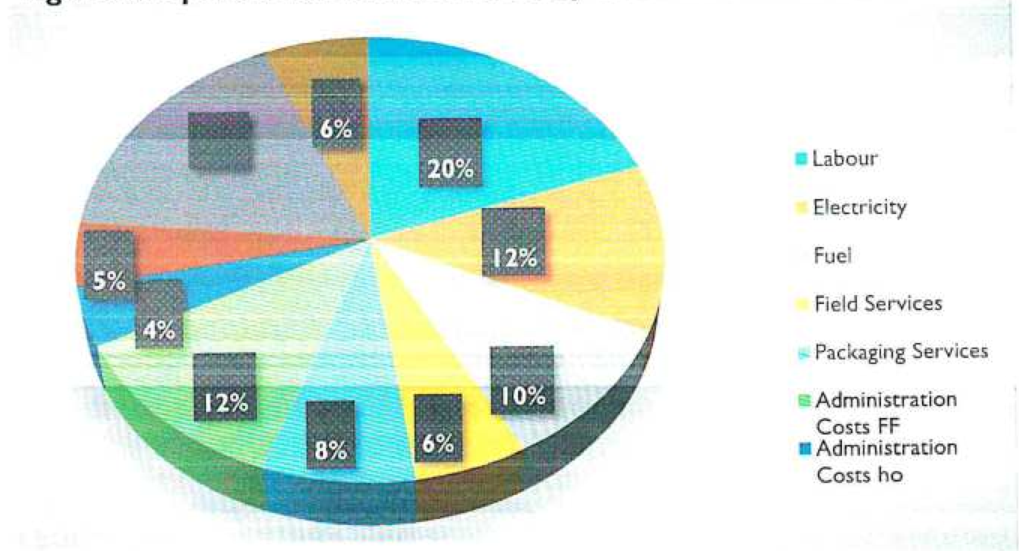
    a) the volume of tea available in the market is a big determinant of price if the demand (specific buyer requirement) for the calibre of tea is high. The TBK Report for the period between January and July 2025 indicated that there was production of 241.035 M Kg. Out of this, there was 143.521 M Kg from WoR and 97.514 M Kg from EoR a ratio of 1.5:1; and

    b) substitutability of tea. The easier it is to have sufficient volumes of close substitutes of tea from other origins or even within a region, the more challenging it is to sell it. The tea from WoR is similar to the South India teas and thus can easily be substituted. South India teas are a little cheaper and therefore have a slight edge. Any time there is a shortage from India, the WoR prices and absorption pick up and vice versa. On the other hand, EoR teas compare closely with Rwanda teas. Rwanda has however a lower volume than the KTDA EoR and therefore the prices realized are often higher.

60. **Quality attributes under consideration and implication on the pricing of tea from WoR and EoR respectively**: Leaf appearance: cutting (i.e. regular/irregular, open or flakey), texture/sizing (i.e. well graded and sized/mixed grades/little mixed grades); and fibres (i.e. fibre free/embedded fibre/excess fibre/prominent fibre) and colour (i.e. black/blackish, greyish/brownish); liquors: astringency, briskness, high fired/fully fired, dryish/smoky or harsh/course/rawish. All negative attributes have the same negative implication on the tea prices for both WoR and EoR factories.

61. **Specific operational costs that are incurred by factories in the WoR and EoR respectively**

Figure 5: Operational costs incurred by KTDA in FY 2024/25



62. **Global trading conditions affecting the price of Kenyan tea**: They include:

a) Bilateral and other political arrangements between Kenya and other countries that import tea. Presently, Sudan and Iran have banned Kenyan teas because of disharmony. Sudan was a key importer of Kenya BP1 and F1 grades of tea while Iran imported BP1 and Orthodox grades.

b) Geo-political disruptions e.g. the Russia-Ukraine war has impacted on logistics as safety concerns affect business operations in the Region. The Israel-Hamas conflict saw disruption in shipment routes as some shipping lines had to avoid the Suez Canal route to Europe to avoid the Houthi Rebels in the Red Sea. This made shipments to Europe take longer and costs almost tripled.

c) Economic challenges in key importing countries e.g. the devaluation of the Pakistan Rupee portends big challenges for Kenyan tea as it becomes more expensive for Pakistan importers.

d) Cost of production and order processing. High overheads due to cost of inputs such as labour, electricity and other factors such as taxes and levies make Kenyan tea costly and less competitive.

e) Implementation of policies, directives and interventions that disrupt trade dynamics like:

   i. KTDA factories suffered an immense loss due to the selective implementation of Reserve Prices and selective stoppage of Direct Sales in 2021 to 2024. Many buyers looked for alternative sources of tea replacing the KTDA Factory teas and this occasioned the accumulation of tea stocks which in turn has haunted factories in a myriad of ways.

ii. The suspension of the Rainforest Alliance Certification program is likely to occasion a similar situation if not reversed at the earliest as key buyers have started avoiding factories whose RA annual licenses have expired.

f) Oversupply of tea to the global market with poor local consumption. Kenya, though the third highest producer of tea globally is the highest tea exporter globally. Buyers looking to buy Kenyan tea have more than sufficient volumes to select from.

63. **Steps that KTDA has put in place to stabilise tea prices in all parts of the country**: Total payment to growers in a factory is determined by tea prices during the auction process, the supply and demand dynamics and production costs. This implies that there will be cycles of prices that are above and below average. KTDA has put in place measures to deliver consistent quality volumes of tea in-line with customer/buyer expectations. Additionally, there are programmes aimed at managing production costs e.g. automation, establishment of wood fuel plantations and SHPP.

64. **Plans by KTDA to improve the current method of tasting tea to enhance objectivity**: The quality of tea is primarily assessed through organoleptic tasting at the following stages: factory which is done (every hour) during the manufacturing process and once packed into a lot; at the head office; by tea brokers and by buyers. Subjectivity is usually reduced through the above and having a panel of experienced and trained tasters at critical stages.

3.3 MR. JOSEPH RONO CHUMO

In a memorandum submitted to the Committee, Mr. Joseph Chumo Memo submitted as follows on behalf of TESTEFA for Rift small scale tea farmers:

65. A circular outlawing tea hawking/selling of sub-standard green leaf should be implemented. The mode of electing TBK directors should be by delegates elected by tea farmers along with the factory directors to avoid conflict of interest. The current mode of electing TBK directors puts the TBK directors at the mercy of factory directors, hence impeding the TBK directors' oversight role of the factory directors. The hiring of tea brokers for respective KTDA managed factories should be devolved to the factory directors. TBK should accredit the tea brokers. The tea stabilisation fund should be reintroduced through the Tea Levy at the rate of 1% of the tea exports sales.

66. Farmer's tea payments flow to KTDA pool account should be disbanded, and the proposed model of paying farmers through the proposal to pay farmers through the DSS as provided in the Tea (Amendment) Bill, 2023 adopted. In the DSS, farmers are paid directly by the broker within fourteen (14) days through an accredited bank. Conflict of interest in KTDA Holdings and KTDA-Ms boards. A director of KTDA Holdings should not sit in the board of KTDA-MS. Staff of KTDA Holdings and KTDA-MS should be reshuffled to pave way for a balanced regional representation at the apex of the management structure.
67. *Kipsonoi* Hydro-power project needs foreign audit to establish how a contractor was paid Kshs. 300 million and there is no substantive work done on the ground. Tea marketing should be liberalised, either, through auction, direct sale (private contract) or factory gate. Due to saturation of the Mombasa Tea Auction, a second inland tea auction should be established. Mombasa Tea Auction

handles more than 500 million Kgs of made tea annually, while the second largest tea auction in the world handles less than 300 million Kgs of made tea. Human resource should not be outsourced to save farmers' earnings and to stop the exploitation of factory workers.

3.4 KENYA TEA GROWERS' ASSOCIATION (KTGA)

In a meeting with the Committee held on Wednesday, 26th November 2025, Ms. Lindah Oluoch, Chief Executive Officer for KTGA informed the Committee that:

68. KTGA was established in 1931 by large-scale tea producers to promote the common interests of members in the cultivation and manufacture of tea. As an employers' association, KTGA promotes good industrial relations and sound wage policies for the workers through advancing collective bargaining for the continuous improvement of conditions of work. KTGA also advocates for business interests of the industry. It promotes industry leadership and fosters sustainable business and good corporate citizenship. The membership of KTGA is drawn from tea producing companies with operations in Kericho, Bomet, Nyamira, Nandi and Kiambu Counties. Their members are: Browns East Africa Plantations Plc (formerly Lipton Teas & Infusions Kenya); Browns Plantations Kenya Limited (formerly James Finlay Kenya Ltd); Emrok Investments Limited; Kaisugu Limited; Kapchorua Tea Plc (WTK); Karirana Estates Ltd; Kipkebe Limited; Sasini Tea Company Ltd; Nandi Tea Estates Ltd; Sotik Tea Company Ltd; Sotik Highlands Company Limited; Williamson Tea Kenya (WTK) Ltd, Changoi/Lelsa Estates; WTK Ltd, Tinderet Estates); and WTK Ltd, Kaimosi Estates).

69. With operations mainly situated in rural areas, the industry is key in advancing rural economic development by creating rural employment, enhancing access to health and education; access to water; infrastructural development and conservation of natural resources, and particularly, indigenous zones in the expansive estates run by the producers. As a whole, the tea plantation sub-sector contributes approximately 40% of Kenya's tea production. Tea being among the highest foreign exchange earners for the Country, the sector is indeed instrumental to sustainable economic development.

70. The economic impact of large-scale tea producers is as follows: 45,000 smallholder farmers sell their tea through estates; Kshs. 5 billion payment to smallholder farmers per annum; 35,000 Kenyans employed by the KTGA; 55% to 89% local communities employed by KTGA; Kshs. 6.4 billion payroll earnings per annum; 50% labour costs as a percentage of total cost of production as at 2021; Kshs. 1.6 billion CSR contribution to communities over a four-year period spanning from 2020 to about 2024; Kshs. 2.2 billion local procurement of goods and services per annum; Kshs. 75 million per annum injected into local communities; 40% drop in tea prices since peak over the last 20 years; 130% rise in cost of energy; and approximately Kshs. 2.6 to 17.5 million standards compliance cost per audit per annum.

71. Large-scale producers source competitively for green leaf from their registered farmers. The prices of green leaf are regularly published and any changes in pricing are communicated to the tea farmers. For Auction sold teas, tea pricing is determined through samples provided to a broker by the producer for teas to be presented at a scheduled auction. These samples are distributed to buyers who have expressed interest in a certain garden mark. The buyer does the tea tasting, based on which they determine the price of their bid for the teas when the teas are presented at the auction. The eventual price realised for the mark is through the competitiveness of the bids placed for the mark by other participating buyers at the Auction.

72. Producers rely on broker tasting and valuation to assess the price that their teas are likely to attract. To arrive at the broker valuation, brokers rely on analysis of previous weeks' tea prices on to which is enhanced as appropriate often by addition of cents to arrive at the indicative price of the tea. For direct sale of tea, the Auction prices are a reference for negotiation between the producer and the buyer, with the producer often able to cater for their cost of producing the tea through a long-term tea supply contract.

73. The ideal operation of an auction should entail the following pricing mechanism: A producer avails samples to the broker; the broker tastes the tea and advises on the indicative price of tea based on its assessed value, market research, demand for the tea, among the most relevant factors; the indicative tea value should factor the cost of production of the teas as advised by the producer; and the producer then relies on the broker assessed valuation and the cost of production to set minimum or reserve price for their teas at the auction. This would ideally be the lowest acceptable price of the teas at which any lower bids would be rejected by the producer. However, the ability of a producer to set the price at which bidding for their teas starts and the bargaining power to refuse any lower bids, have been hampered in recent years by the following factors: Increase in volumes of tea produced in the country with output rising from 537.83 million Kgs in 2021 to 598 million Kgs in 2024; and high cost of local production for industry in contrast with the declining value of Kenyan teas as illustrated by the average auction prices from 2020 to 2024; reliance on few markets and challenges in various markets for Kenyan tea like Russia-Ukraine war; and accumulation of unsold tea volumes as a consequence of the setting of a minimum price in 2021. The table below shows change in tea prices over the years.

Table 6: Change in tea prices over the years

Year	Average Tea Prices Value (USD/Kg)	% Change in Tea Prices Value vs 2015 (Decline)
2015	2.73	0%
2016	2.29	-16%
2017	2.98	9%
2018	2.60	-5%
2019	2.20	-19%
2020	2.01	-26%
2021	2.10	-23%
2022	2.49	-9%
2023	2.23	-18%
2024	2.19	-20%
2025	2.01	-26%

74. The broker-producer relationship is a contractual relationship entered to secure the expert advice of a broker by a producer to enable their effective participation at the Auction and in price discovery for their teas. This relationship should be strengthened to enhance the producer's bargaining power. A relevant platform that offers an opportunity for objective value and tea price determination is the Annual Tea Awards through which tasting and evaluation of different teas and potential for quality tea production can be assessed. The following factors also contribute to the price realised for teas sold at the Auction: Pricing is also determined by buyer purchasing capital and volumes; and pricing may be influenced by operating capital needs of a producer.

75. Price setting through the Government directive issued in July, 2021 has majorly contributed to the current price levels in the industry. The directive by the Ministry of Agriculture established a minimum price for small-holder factory teas sold at the Auction. The setting of a minimum price, although aimed at stemming the drop in prices realised for tea and pushing a positive response from the market, failed to drive a positive response by the market and instead led to an oversupply of tea at the Auction and the worst decline in tea prices historically. It created a buyers' market. As at July 2024, unsold teas stood at over 100 million Kgs, while the TBK production reports reflected increased tea volumes owing to favourable weather and a fertilizer subsidy initiative by the Government.

76. The accumulation of unsold volumes was ascertainable from published auction data on teas offered for sale against out lots. Upon its introduction, large-scale tea producers objected to the price setting directive because of anticipated risk of market distortion that would follow from: High local production which weakened the power of producers to negotiate against buyers for a stipulated minimum price; reliance on few traditional markets and the inelasticity of tea prices; and rising production costs.

77. Despite the data presented to relevant regulators demonstrating that the sustained minimum reserve price was unsustainable given the volumes of teas produced, and notwithstanding KTGA's recommendation for its removal, the TBK, denied both the accumulation of teas and any resultant negative impact on prices. However, by October 2024, the establishment of a Task Force to review the high volumes of unsold teas confirmed that significant quantities remained in storage. The Task Force's inquiry revealed that teas manufactured in 2021 were still held in warehouses as of November 2024, incurring storage costs. Timely acknowledgment and response to evidence of adverse impacts of policy is essential to facilitating effective and prompt solutions to industry challenges.

78. Initiatives guaranteeing minimum incomes to farmers can inadvertently disincentivise the production of high-quality teas, while promoting increased volumes of output. The typical outcome is reduced market uptake and accumulation of unsold teas. Producers are often compelled to dispose off surplus stocks at lower prices in the same markets intended for freshly produced tea, thereby creating a cycle of declining prices that further depress the overall value of the crop. The setting of minimum price should therefore be guided by producer prudence depending on the cost of production, the broker's professional opinion regarding the tea; marketability of the teas which is governed by demand and market factors and any cash-flow needs of the business. National level directives setting minimum prices have had demonstrably resulted in negative consequences for the uptake of teas and consequentially contributed to weaker bargaining position for Kenya tea producers.

79. Value chain costs in the tea sector are shown in the table below:

Table 7: Value chain costs in the tea sector

S/NO.	CATEGORY	PURPOSE
1.	Tax	National Government compliance
2.	Regulatory	Service and regulatory compliance
3.	Operator	Industry participation costs

4.	Labour	Employee costs
5.	County Licenses	Operator licenses and permits
6.	Standards & Certification	Market Compliance costs
7.	Capital investment & land related costs	Capital costs

80. The main contributors to cost are: Labour which has increased by 42% over the past five-year period; energy which has increased by approximately 140% over the past ten-year period; regulatory charges which have been enhanced owing to change in Government policies; county government fees and charges which vary owing to enhanced own source revenue measures adopted at county level and also driven by National Government Policies. A stable regulatory environment would enable appropriate planning by tea producers and alignment of business strategies to enable investment in market expansion, product innovation and increased value addition. With respect to the frequent changes in regulatory charges, they proposed a moratorium on any further enhancement of existing regulatory fees; alignment of regulatory fees to service provision and efficiency enhancement; sector-specific exemptions for tea owing to the export dependence of the sector; and harmonisation of different regulatory and county level fees and charges.

81. Tea harvesting standards vary for different producers and the price paid for tea is a factor of the buyer requirements. For large-scale tea growers, there are two harvesting methods employed: hand-plucking and machine harvesting. This is because the market absorbs different harvesting regimes. Two leaves and a bud hand-plucked quality is not the solution to appropriate pricing. Fair and ethical pricing of a defined quality standard for the different teas required by market coupled with a regulated volume of national tea production. The adoption of machine harvesting, was driven by the escalation of the costs of high numbers of workers required or large-scale tea operations, beyond the attainable return from tea for large-scale operations. Employees under large-scale estates who are covered by a CBAs attract regular wage increments and enhancement of terms of work in addition to various in-kind benefits. Quantified in monetary terms, the benefits secured under the KTGA CBA amount to approximately Kshs. 51,409 reflecting a 246% enhancement of the statutory minimum wage.

82. Publicly available data on prices paid to farmers shows that while a large-scale tea processor pays a tea plucker Kshs. 22 per Kg of green leaf, published farmer payments by various factories within the WoR indicate payments ranging from Kshs. 18 to Kshs. 21 for a Kg of green leaf. This shows a disproportionate cost of green leaf harvesting and value if a large-scale producer is to run an economically viable operation and maintain competitiveness under the same local economy.

83. Appropriately designed tea carriers which are registered with the TBK are used for transporting green leaf from fields or out-grower green leaf collection centres to the factory. Made tea is transported by road to Mombasa for export. The containerised trucks are preferred owing to the ease of access to the port for export consignment to ships.

84. With increasing requirements for environmentally sustainable production through energy and resource efficiency enhancement, the following requirements for licensing should be observed: Assured green leaf supply from within reasonable distance from factories should be ensured in licensing any new factories to ensure the optimum volumes of tea are presented to the market to

allow for effective price and value realisation, the licensing of factories should ensure an optimal tea volume is allowed to be produced. This will improve the ability of Kenyan teas to attract competitive prices. Statistics published by the International Tea Committee indicate that global tea supply in 2024 overshot demand by approximately 300 million Kgs, most production derived from African producers; and Requirements for wood fuel sustainability for tea production should be adhered to in licensing of factories. There is need to ensure that factories continually demonstrate adherence to environmental conservation through sustainable cultivation or sourcing of firewood. In the absence of effective compliance with wood fuel sustainability, tea processing starts to be classified as posing a risk to climate mitigation and adaptation and overall environmental conservation.

85. The licensing of factories should ensure attainment of the appropriate national production volumes, to ensure Kenyan teas attract competitive prices globally. Indicatively, a national production of 450 million Kgs would lead to true value realisation for Kenyan teas in the global market. The duplication of various regulatory and county level charges should be addressed through streamlining of the duplicated services and harmonisation of the related levies, fees and charges. This will improve regulatory efficiency; facilitate industry and reduce operational costs in the industry, and thereby enhance competitiveness of tea exports. Application of industry inclusive design thinking models should be employed, to test the above proposals for the improvement of price and value realisation and guide any further interventions in the industry.

86. It can be leveraged on to increase earnings in the tea sector in the following way:

   a) Leveraging Information Technology to Increase Earnings in the Tea Sector: To enhance transparency, improve efficiency, and strengthen value creation across the tea value chain, the sector should accelerate the effective digitisation of registration processes for all actors. A unified digital registry would streamline compliance, reduce administrative delays, and create a reliable single source of truth for industry oversight. The sector should fully digitise the submission of statutory and operational returns, including price trends, production volumes, auction data, export performance, and local sales. Automating these reporting workflows not only minimises errors and enhances real-time visibility but also enables policymakers and industry leaders to make data-driven decisions.

      A modernised digital infrastructure will also support the monitoring of production patterns across regions, highlight inefficiencies, and help detect anomalies that may indicate quality or sustainability risks. Digitisation of industry-wide data should be complemented by the systematic publication of relevant analytics and insights. By converting raw data into actionable intelligence, such as market trend dashboards, productivity benchmarks, cost-of-production insights, and forecasting tools, the industry can attract better-informed investment, support expansion into new markets, and strengthen strategic planning at both farm and enterprise levels.

   b) Digital Marketing and Youth-Led Campaigns to Drive a Modern Tea Consumption Culture: Kenya's youthful population, combined with the country's rapidly expanding digital trade and marketing capabilities, presents a unique opportunity to cultivate a modern tea consumption culture and increase domestic demand. By positioning tea as an aspirational, lifestyle-driven beverage for young consumers, the sector can unlock new earnings while diversifying away from over-reliance on export markets. To achieve this, the industry should spearhead coordinated, youth-led digital marketing and brand activation campaigns. These would tap into the creativity, social influence, and entrepreneurial energy of young people, particularly content creators, student associations, digital marketers, and lifestyle entrepreneurs.

Such campaigns can rebrand tea as a contemporary, versatile product aligned with wellness trends, social experiences, and convenience-based consumption. At the continental level, generic digital tea campaigns should be designed to expand awareness of African teas and stimulate demand across the region. These can be amplified through targeted online advertising, influencer partnerships, and cross-border e-commerce channels. In parallel, region-specific media campaigns should promote the unique attributes of Kenya tea, highlighting quality, sustainability, and local brands. By leveraging social media platforms, food and beverage bloggers, digital festivals, and experiential pop-up events in major towns, the sector can stimulate trial, build loyalty, and encourage repeat consumption. Taken together, this approach would not only broaden the local consumer base but also generate sustainable market pull for Kenya's teas. Harnessing the digital fluency and cultural influence of the youth demographic will position tea as a vibrant, relevant product in the modern marketplace ultimately increasing earnings for the sector.

c) Strategic Cross-Sectoral Partnerships with Sports and Music to Promote Kenyan Tea Globally: Kenya's strong presence in global sports and its vibrant music and creative arts scene offer powerful avenues for repositioning Kenyan tea on the world stage. By leveraging these influential sectors through coordinated partnerships, the tea industry can create high-visibility platforms that elevate brand recognition, deepen consumer engagement, and open new premium markets. Strategic alliances with elite athletics, football, rugby, and other globally followed sports can integrate Kenyan tea into international events, athlete endorsements, wellness narratives, and sports tourism initiatives.

Given Kenya's reputation for producing world-class athletes, associating tea with performance, endurance, and healthy living provides an authentic and compelling value proposition for global consumers. In the creative economy, collaborations with musicians, cultural festivals, and digital creators can amplify Kenyan tea as a lifestyle product that resonates across diverse audiences. Music videos, live performances, cross-branding on streaming platforms, and co-created digital content can help position tea as a contemporary, culturally relevant beverage with strong African identity and heritage.

87. Value addition of tea for export is hindered by:

a) High Cost of Local Production: The persistently high cost of production continues to suppress incentives for further local investment in value-addition. Since Kenyan made tea already attracts a premium as a raw material, processors face an even higher input cost when undertaking value addition. This cost structure results in value-added products that are priced above comparable offerings from competitor origins, making it difficult to compete in global consumer markets. This can be mitigated by pursuing targeted fiscal incentives such as reduced import duties on packaging materials and machinery used in value addition, remission of certain charges, or tax credits linked to export performance; accelerating energy cost reductions by enabling factories to transition to cheaper and greener energy alternatives including biomass, hydro and solar, supported by concessional financing; promoting shared processing hubs or clusters where multiple producers can access value-addition equipment, packaging lines and cold storage facilities at lower collective cost; and supporting growers and processors to adopt lean manufacturing and automation technologies to reduce wastage and improve production efficiency.

b) Limited Market Expansion Initiatives: Kenya's market penetration for value-added teas remains narrow despite strong competitive advantages in quality and year-round production. Limited coordinated branding, weak presence in premium consumer-packaged goods markets, and competition from origins such as Sri Lanka and India constrain opportunities. Even though the AfCFTA provides enhanced potential for regional trade, the lack of aggressive and coordinated market expansion limits the sector from leveraging these opportunities. Mitigation options include: Implementation of joint industry-government market development programmes targeting emerging markets in Africa, the Middle East, and Asia with coordinated branding of Kenya tea; strengthening Kenya tea origin branding to build consumer recognition and differentiation from bulk tea competitors; expansion of digital marketing and e-commerce routes, including cross-border online platforms and direct-to-consumer channels; and deploying trade attachés and commercial envoys to strategically promote shelf-space acquisition for Kenyan value-added teas in key markets.

c) Uncoordinated Value-Addition Initiatives: Establishment of additional common user facility without optimisation of existing capacity. This can be mitigated by streamlining and incentivising tea innovation and product development to further research, formulation, and product testing; and strengthening partnerships with universities, food technologists, and private-sector innovators to develop new product lines.

d) Regulatory Overlaps and High Compliance Burden: Multiple regulatory requirements from agencies such as KEBS, NEMA, KRA, and the TBK increase compliance costs and create delays that discourage investment in value addition. This can be mitigated by simplifying and harmonising regulatory processes through one-stop regulatory windows for tea processors; reviewing and rationalising fees, timelines, and duplicative requirements; and promoting risk-based regulation to reduce unnecessary burdens on compliant facilities.

e) Inadequate Global Consumer Awareness of Kenyan Tea Products: While Kenya is well known for producing high-quality CTC teas, global consumers have limited awareness of Kenyan branded and packaged teas. This undermines competitiveness in value-added segments where brand identity is critical. Mitigation options include launching global brand visibility campaigns in partnership with sports, music, tourism, and cultural sectors; facilitating coordinated participation by producers in international food and beverage exhibitions and securing strategic distribution partnerships; supporting collective bargaining for shelf space in global retail chains for Kenyan value-added teas.

88. In addition to the high cost of production, the following are additional challenges facing tea production and hampering the development of the sub-sector:

a) Insecurity of land rights affecting long-term investment: Large-scale tea producers continue to face uncertainty over land rights, including unresolved lease renewals, boundary disputes, community tensions, and slow government approvals. This insecurity undermines long-term business planning and discourages further capital investment in the subsector. For example, the potential for tea tourism, an area with strong prospects for job creation and local economic development, remains underexploited due to land-related risks, community protests, and concerns over continuity of land tenure, despite validly held leases by large-scale tea producers. This can be mitigated by promoting finality to litigation on land and ensuring land rights security for investors to support clarity on valuation, renewal terms, and obligations of both the county and investors.

b) Discriminatory county-level rates reducing investor confidence: Several counties impose significantly higher land rates, agricultural cess, or "large-scale" levies on major producers. These charges are often inconsistent across counties and not aligned with economic principles guiding fair taxation. The unpredictability and escalated charges create a punitive operating environment that discourages long-term investment and undermines competitiveness. This can be mitigated by harmonization of county charges through the CoG, National Treasury, and sector representatives to ensure predictability and fairness; alignment of county-level charges with service provision and business facilitation rather than enhancement of revenue raising; advocating for performance-based county incentives, where counties benefit more from supporting industrial growth than imposing arbitrary charges; and encouraging counties to adopt investment-friendly rating frameworks, including remission of rates for conservation areas, public infrastructure, and community facilities supported by producers.

c) Heightened and fragmented industry regulation limiting market expansion and innovation: The highly regulated environment of tea production limits the sector's ability to grow markets, diversify products, adopt new technologies, or invest in value addition. Incentives, not rigid directives, are needed to promote innovation, product diversification and value creation across the value chain. This can be mitigated by establishing a consolidated regulatory system to address the duplication of approvals, licences, certifications and compliance checks; transition to risk-based regulation, where compliant facilities face fewer routine inspections and reduced administrative burden; introduction of innovation incentives, including accelerated approvals for new tea-based products, tax credits for Research and Development (R&D); and creation of regulatory predictability guidelines, requiring agencies to provide adequate notice, transition periods, and impact assessments before introducing new directives.

89. The trends of proposed amendments in the sector show disregard for a competitive industry operation. Amendments to law and review of policies should be evidence driven. The industry underscores the critical importance of a supportive policy, regulatory, and investment environment that enables Kenyan tea to maximise its value creation potential. By fostering innovation, facilitating market expansion, and incentivising value addition, the sector can unlock greater economic benefits, enhance competitiveness in global markets, and strengthen local livelihoods. Industry players reiterate their commitment to continue creating value and sustaining economic growth for the communities in which they operate, while contributing meaningfully to the national development of the country. To achieve this, collaborative engagement with government, regulators, and other stakeholders is essential to ensure policies and initiatives are aligned with the sector's growth objectives and the broader national interest. Through strategic investments, enhanced marketing, and targeted promotion, both locally and internationally, the tea industry is prepared to maintain its pivotal role as a driver of economic resilience, employment, and sustainable development in Kenya.

3.5 MR. DAVID ICHOHO

In a meeting with the Committee held on 2nd December 2025, Mr. David Muni Ichoho, former National Chairman, KTDA informed the Committee that:

90. To improve the price of tea, stakeholders need to address internal inefficiencies, external dynamics, stakeholder culpabilities, reforms initiatives and coordinated deliberate actions. The problem is dire and likely to be persistent if not resolved urgently and with expertise. He listed a number of contributors to the low earnings and proposed solutions. They are:

    a) Political disruptions to the KTDA Board particularly the National Chairman by the Government distracts KTDA in execution of its mandate.

    b) Disruptive orders by TBK/GoK on tea business processes like stopping Direct Sales and removal of the reserve price.

    c) Bureaucratic bottlenecks by TBK.

    d) Breakdown of key international markets like Iran, Sudan and Pakistan.

    e) Conflict of interest like appointing the Chairman of TBK who is also a tea broker resulted in antagonistic policy shift and arbitrary administrative orders to KTDA.

    f) Stalled reforms in KTDA-Ms, KTDA Holdings, subsidiaries, financial reforms, HR restructuring and marketing reforms.

    g) Reforms in the Auction and tea brokers have never commenced. Governance reforms at EATTA have never been done.

    h) The stalled hydropower plants have huge financial costs as they are holding significant capital in millions of dollars. The excess power from the operational hydropower plants supplied to KPLC are paid after long periods of time yet the plants are still paying loans. KPLC is yet to provide way leave tariff where KTDA power can be transmitted to the national grid but this hasn't been done yet the way leave tariff will enable the plants to sell power to other tea factories.

    i) Private factories are allowed to sell through direct sales while KTDA factories are prohibited. This has affected competitiveness of factories in the WoR who compete in unfair terms of trade.

    j) The working relationship between KTDA and GoK/TBK has been weak and suspicious. Most reforms and legislations are not taken through stakeholder engagement and they fail to appreciate the global operation of the business.

    k) There are delays in the release of subsidised fertilizers which affects the cost of credit and cash flow of KTDA factories.

    l) The tea sector operates in a global market where 95% of tea is sold in various destinations around the world. The sector is therefore affected by geopolitics.

91. He proposed the following ways of dealing with the above challenges: The GoK should diplomatically seek for markets for Kenyan tea within Africa as per the AfCFTA; employ a special tea trade representative for liaison of the trade in Pakistan, special attention should be given to Egypt, Iran and UK who are also high consumers of Kenyan teas; restructuring of KTDA-MS, financial architecture reforms, reforming the subsidiaries, marketing reforms and organisation restructuring to enhance efficiency and effectiveness of KTDA; reforms in all factories to ensure financial sustainability through cost management, loan management, financial investment and governance; reform of the Auction in governance, operations and auction system audit; amend the Tea Act putting in mind business concern interests for effective trade; directors at the factory level should have skills and competencies, the national chairman should have a minimum of a degree; develop tea policy to provide framework of tea development, production, processing, marketing, value addition and investment; KFS should lease forest land to factories to plant trees for wood fuel; and the proposal to transport made tea to warehouses by railway should be implemented, KR should provide special rates for this.

3.6 TEA FARMERS FROM WEST OF RIFT VALLEY

92. In their memorandum, the farmers from West of Rift Valley submitted that Kenya's tea industry is structured around smallholder farmers and large-scale estates. Smallholder farmers contribute 60% of tea sold at the Mombasa auction while large-scale tea estates contribute 40% of the tea volumes. KTDA manages the smallholder tea sector with 8 subsidiary companies in Kenya and 1 in Dubai. The Agency manages 71 factories with a governance structure of 5 directors per factory (non-compliant with Tea Act 2020).

93. The Mombasa tea auction operates as follows: Serves 12 African countries, it is managed by brokers KTGA and EATTA, pre-qualified by KTDA Directors through the Tea Board of Kenya, payment flows to KTDA Holdings Sales account within 2 weeks, brokers receive their commission before funds are distributed and smallholder farmers have no direct say in auction proceedings.

94. They raised the following national-Level Issues: Incompetent and unaccountable leadership by KTDA Directors, undermining farmers' trust and sector performance; directors serving management interests instead of representing farmers, violating democratic representation principles; conflict of interest in KTDA Management Services Board, where staff serve as board members, compromising oversight; lack of transparency and farmer exclusion from key decisions, leading to systematic disempowerment; politicisation of tea farming with political interference derailing reforms; regional representation failure with West Rift directors unable to secure national leadership roles despite high production volumes; excessive paid meetings by Directors (165 annually), inflating costs and diverting funds from farmer bonuses; leadership failure to address auction manipulation, contributing to regional disparities in pricing; KTDA staffing structure skewed, marginalising WoR in decision-making bodies; imbalance in KTDA Holdings representation, requiring Tea Board regulation based on production volume and factory count; directors' failure to protect farmers from mismanagement creating opportunities for exploitation; non-compliance with the Tea Act, 2020 requiring 3 Directors per factory, not the current 5; and gender imbalance in the KTDA Board of Directors and management.

95. Systemic Financial Issues: Misappropriation of funds by KTDA directors and factory boards, eroding trust and reducing farmer income; theft through falsified weights and tampered scales, depriving farmers of fair returns; extravagant spending and irregular allowances, contributing to high

production costs; widespread corruption among clerks, managers, and directors requires lifestyle audits and recruitment investigations; lack of transparency in KTDA investments, with unclear impact on farmer earnings; double payment to senior managers through both management service fees (2.5%) and management salaries; poor financial management and lack of accountability at KTDA; high production costs driven by poor financial discipline rather than low market prices; failure to control rising production costs, including inflated firewood procurement and staff expenses; starting economically unviable projects as conduits for theft; favouritism in senior management positions; KTDA is hiring expensive lawyers to fight farmers using farmers' own funds; and taking higher loans against stalled projects at high interest rates (e.g., hydro power).

96. Management and Operational Challenges: Poor factory-level management and a lack of professionalism, leading to widespread inefficiencies; failure to implement reforms due to governance resistance; absence of Key Performance Indicators (KPIs) to track management effectiveness; frequent rotation of factory managers disrupts operational continuity; KTDA's operational system is perceived as adversarial, with farmers feeling systematically exploited; hydro power projects stalled in the WoR (Setet & Kipsonoi) despite Kshs. 3 billion in deductions, with funds allegedly diverted to EoR; poor communication by KTDA with farmers; resistance to change by KTDA Management and structures; and failure to guide farmers in quality tea production.

97. Pricing and Market Access Problems: Low bonus payments and regional disparities, with WoR farmers receiving significantly less than their EoR counterparts; no minimum guaranteed pay before tea supply, leaving farmers vulnerable to market fluctuations; poor marketing strategies and a lack of value addition, limiting competitiveness in global markets; discrimination in auction sequencing with EoR factories prioritised (sale numbers 1–37) over WoR (38–70); blind tasting reports confirm WoR tea quality, yet pricing remains systematically biased; suspension of reserve pricing and direct sales, undermining market stability; lack of transparency in pricing formulas and bonus calculations; manipulation of prices at the EATTA market by tea brokers and cartels; corrupt cartels operating at the Mombasa Auction; removal of the minimum guaranteed reserve price by politicians at the Mombasa auction adversely affects WoR farmers; reintroduction of direct sales by cartels, bypassing auction protections; and brokerage firm concentration with only 1 of 13 firms from the WoR, despite 68% national tea contribution, indicating structural bias.

98. Production and Quality Concerns: Substandard green leaf due to poor crop husbandry, linked to lack of extension services and input support; shortage of pluckers and cartel control over labour, reducing harvest efficiency and increasing costs; primitive tea tasting methods (sipping and spitting) pose public health risks and violate modern food safety standards; inconsistent access to fertiliser and farm inputs is affecting quality, yield, and farmer morale; poor and underweight fertiliser is being provided to farmers; and use of faulty weighing scales by factory clerks.

99. Farmer Empowerment Issues: Farmers lack awareness of their rights, limiting their ability to demand accountability; KTDA continues to centralise operations despite the Tea Act, 2020 granting factory autonomy; WoR factories lack independent financial control, with no separation of accounts or access to audited statements; farmers are sidelined from financial decisions and governance structures as directors incur secret debts to fund bonuses; and WoR farmers are underrepresented in national tea policy organs and KTDA governance bodies.

100. KTDA Management Issues: Double payment structure for senior managers; non-compliance with the Tea Act, 2020 governance requirements; corruption in transparency and accountability;

commercial conflicts of interest; and serious commercial conflicts of interest throughout the organisation.

101. Tea Auction and Brokerage Concerns: Most tea brokers originate from the East, creating regional bias; cartel manipulation at the Mombasa Auction; money routing through brokers before reaching factories; and lack of farmer representation in auction proceedings.

102. Factory-Level Problems: Use of faulty weighing scales by clerks; lack of direct procurement authority; financial dependence on KTDA Holdings; and poor bonus payments (some factories paying less than 20 shillings).

103. Tea Board of Kenya Regulatory Failures: Incompetence in regulating the tea industry; failure to protect smallholder farmers; lack of enforcement of the Tea Act, 2020 provisions; and need for disbandment and restructuring.

104. The WoR faces systematic discrimination despite contributing 68% of national tea production. Evidence of the bias is: Lower bonus payments compared to EoR; auction sequencing disadvantage (positions 38–70 vs. 1–37); only 1 of 13 brokerage firms from the region; hydro power project funds diverted to EoR; underrepresentation in KTDA staffing and governance; quality confirmation through blind tasting not reflected in pricing.

105. To handle the above issues, they made the following recommendations: Governance and accountability where they proposed disbanding KTDA Board of Directors and KTDA Holdings top management, recalling of non-performing directors, linking directors' allowances to performance metrics, implementing mandatory forensic audits in all factories; implementing 2021 Forensic Audit Report recommendations, reshuffling factory managers after 2 years, and encouraging competition from other management companies during procurement; Legal and regulatory compliance where they proposed implementation of all sections of the Tea Act 2020, aligning KTDA Articles of Association with Tea Act, 2020, aligning Factory Articles of Association with Tea Act 2020, TBK should enforce the third gender rule for KTDA Directors, appoint a Director of Finance at KTDA Holdings and include a Legal Advisor in the Committee; financial management (ensure financial accountability at factories, factory managers should avoid double payment to senior managers, direct payment from auction to factories bypassing brokers, factories to handle the procurement of goods and services directly, reduce production and operational costs at the factory level); market reforms (reinstate the minimum guaranteed reserve price removed by politicians, all tea should be sold at the Mombasa Auction with no direct sales by factories, build a Tea Auction Market at Mombasa with a Dry Tea Pricing Committee, dismantle cartel networks in the tea industry and eliminate brokers, implement transparent pricing formulas and set tea quality policy and practices); farmer protection and empowerment (institute whistleblowing mechanisms to report mismanagement, report fraud cases for faulty weighing machines, public participation by farmers for any projects before implementation, the Technical Working Committee to conduct civic education on director elections, factories paying less than 20 shillings should be investigated, and implement Key Performance Indicators for management effectiveness); and regulatory reforms (disband the TBK and its management, establish a new regulatory framework protecting smallholder farmers and regulate the TBK based on production volume and factory count.

106. They proposed establishment of an independent auction infrastructure at Mombasa within two years by the National Government, development partners and tea farmers (through contributions). This

will encourage transparent pricing mechanism through the Dry Tea Pricing Committee. Additionally, the KTDA Articles of Association should be aligned with the Tea Act, 2020 within six months.

CHAPTER FOUR

4.0 FIELD VISITS CONDUCTED BY THE COMMITTEE

107. To get more information on the pricing of tea in Kenya, the Committee undertook field visits to the following institutions:

i. Tea factories in the West of the Rift
ii. Tea Factories in the East of the Rift
iii. The Tea Research Institute
iv. The Mombasa Tea Auction
v. The Quality Analysis and Tea Testing Laboratory
vi. Chai Trading Company Limited (CTCL)

The Committee got the following information from the field visits:

4.1 TEA FACTORIES IN THE WEST OF THE RIFT

The Committee conducted field visits to five (5) tea factories (Konoin, Mogogosiek, Kapkoros, Kiamokama and Nyamache) in the WoR on 22nd and 23rd October 2024 and three tea factories (Motigo, Tegat and Sanganyi) on 17th and 18th November 2025. Members of the Committee got the following information from the visits:

4.1.1 Konoin, Mogogosiek, Kapkoros, Kiamokama and Nyamache Tea Factories

108. Farmers in the West of the Rift got a bonus of Kshs. 20 while those in the East of the Rift got a bonus of Kshs. 62.80 with allegations that the East of the Rift dominated the first thirty-six (36) slots of the weekly sales and that KTDA did not provide market access information to the farmers.

109. According to them, KTDA condoned unfair trade practices by allowing manual bids instead of electronic bids at the Mombasa Tea Auction and the Auction only handled 60% of the total tea sales. They proposed that investigations into the marketing structure of KTDA and practices at the Mombasa Tea Auction be conducted.

110. They also alleged that there was conflict of interest in the management and boards of TBK, KTDA and the factories including the outsourcing of services. They proposed that an audit of KTDA, TBK and factory leadership be conducted. Additionally, operational costs of factories in the WoR were high and power projects that were meant to reduce the costs had stalled.

111. They proposed that the 1.5 per cent per Kg charge imposed by EATTA brokers be reduced because it was higher than the global average charged per kilogram of made tea. Additionally, the number of electoral zones and directors per factory should be reduced to bring down operational costs and directors to be nominated on qualification and merit and their term limits removed.

112. Further, the cess collected by county governments from tea farmers be returned to the factories for tarmacking and maintaining the road network linking farms to factories. The factories were using firewood as a source of power which was costly (35% of the cost of production). Hydroelectric

power projects had stalled for several years and farmers were burdened with repaying the loan borrowed for the hydroelectric power projects in Kapkoros and Kiamokama Tea Factories.

113. There should be complete autonomy of satellite factories from parent factories including financial accounts, demarcation of electoral zones and independent factory boards. Kapkoros Tea Factory was reluctant to release its satellite factories because it invested in construction of the factories.

114. They noted that KTDA needed to be banned from management of smallholder tea factories to reduce costs; delivery logistics challenges had forced farmers to pluck tea in the evening lowering the quality of tea; and processing plants were getting obsolete hence higher operational and maintenance costs. Modernisation was necessary for the aging machinery.

115. They observed that there was need to overhaul finance and internal audit departments to abate the possibility of external auditors colluding with factory directors and management to conceal corruption. Forensic audit of factory assets and loans needed to be conducted.

116. They added that there was need for urgent compliance to the new KTDA operational agreement and provision for direct tea sales by factories and introduction of a Direct Settlement System so that farmers are paid once the broker has received proceeds from tea sales. A commercial bank under CBK regulation could provide the facility to settle direct sales overseas.

117. They alleged that some private factories had abandoned their purpose of processing orthodox tea, and were using unfair business tactics to outcompete the other tea factories for green leaves. They also alleged that there was exploitation through falsification of green leaves as some agents acted as both buyers and brokers at the auction.

118. They observed that it was important to open a tea auction in the WoR or allocate equitable representation of the Region at the Mombasa Tea Auction because the representation at the Tea Auction was skewed towards the EoR. Some farmers proposed that the minimum reserve price be reinstated to cover all tea producers, including large-scale tea growers, while others proposed that supply and demand forces should dictate market prices, as the minimum reserve price may lead to lower demand, hence accumulation of unsold tea.

119. They proposed that KTDA subsidiaries should be scraped and KTDA restricted to manufacturing and marketing of tea. Alternatively other managing agents should be licensed to compete with KTDA. Additionally, the services rendered by KTDA should be devolved and the KTDA Board phased out. They noted that there was high taxation by both levels of government as KTDA and counties overcharged farmers by imposing numerous charges as levies, management fees, transport fees and consultancy fees.

120. They also proposed that a Tea Revolving Fund similar to the Coffee Cherry Revolving Fund be created to help in the construction of new factories or power projects, since the tea leaf production was more than the factories could process. Kapkoros Tea Factory had secured land and manufacturing license for the proposed Kamogoso Tea Factory but construction was yet to start due to lack of capital.

121. They further proposed that the Tea Act be amended to review apportionment of the Tea Levy to boost stabilisation fund and infrastructure portions. They also proposed that scientific tea-testing, tea research and soil testing should be put in place.

122. They averred that it was unfair that tea farmers paid fertilizer suspense (Kshs. 1.5) and the fertilizer subsidy was not benefiting tea farmers. The Tea Act needed to be fully implemented and enactment of the Tea (Amendment) Bill, 2023 fast-tracked.

The field visits to Konoin, Mogogosiek, Kapkoros, Kiamokama and Nyamache Tea Factories in pictures

4.1.2 Motigo, Tegat and Sanganyi Tea Factories

The Committee conducted field visits to three (3) tea factories in the WoR on 18th and 19th November 2025. Members of the Committee held meetings with factory management and farmers at Motigo, Tegat and Sanganyi Tea Factories. The Committee got the following information from the tea factories:

123. Regarding how the pricing of tea in Kenya is conducted, the Committee established that it is done through: the Mombasa Tea Auction by supply and demand, quality of tea, buyer competition, valuation and various market outlets; direct sales through direct contracts for international buyers and is determined by the quality of tea; pricing at factory level through factory earnings, auction price trends and operational costs; global markets influenced by the FX rate, patterns affecting supply, cost of production; political stability in key buying countries; and quality of leaf and processing standards.

124. Payment process to farmers in terms of monthly and others including bonus is done as follows: Initial monthly payment is determined by respective factory BoDs who engage stakeholders prior to determination of initial payment through board decisions and the rate at that time was Kshs. 23 per Kg of green leaf up from Kshs. 20 in FY 2023/24. The second payment (annual bonus) is paid once a year after audited accounts are approved. It is the surplus that remains after deduction of all costs from total revenue realised in the FY. The Bonus is arrived at upon consideration of the cost of production, selling and distribution costs, initial green leaf payment, government taxes and dividends.

125. There are a number of costs that are met by factories before the bonus is paid, they include: Initial green leaf payment; factory operational costs (electricity and fuel costs, factory maintenance, processing materials e.t.c.); labour costs (salaries and wages, employee benefits, casual labour e.t.c.); transport and logistics costs (green leaf transport costs, made transports costs, vehicle running costs e.t.c.); administrative and management costs (KTDA management fees, office running costs, insurance e.t.c.); loan repayments and interest; statutory deductions; depreciation and amotorisation costs; factory boards and governance costs; selling expenses; financial charges; and dividends if any.

126. Bonus payments are disbursed via a KTDA centrally managed farmers' payroll and remittances are made directly to various established farmer pay points in banks, SACCOs or micro-finance institutions. Factories calculate each farmer's total green leaf to a centralised payroll and announce bonus rates. Deductions are applied before payments are made. Payment is sent through a farmer's registered accounts. Disbursements are done in one lumpsum then farmers receive payment pays lips/statements.

127. The management fee of 1.5% of net sales is paid to KDA-MS based on monthly sales realised. KTDA-MS utilises the same to pay salaries to all managers seconded to factories and meet its other operational costs. The management fee is used to cover marketing and sales costs, operational and production services, financial and accounting services, agronomy, extension and farmer support services, centralised procurement services, ICT systems and support services, technical services and support services. The percentage is fixed in a management contract signed by each factory and is reviewed after five years. Factories are not allowed to pay above the agreed percentage unless the agreement is formally reviewed and amended.

128. 100% of all factory level costs (including the management fees, labour, energy, transport, financial charges, depreciation e.t.c.) are met by the farmer through deductions from total sales proceeds. The management fee is levied at 1.5% of net sales value (gross sales less selling costs and distribution costs).

129. The factories have a number of value chain related costs. The table below shows how the costs are minimised.

Table 8: Value chain related costs at Motigo, Tegat and Sanganyi Tea Factories

S/NO.	COSTS	FACTORS AFFECTING COST	MITIGATING MEASURES
1.	Labour	CBA adjustment every year and failure to engage labour as per KTDA staff compliment	100% outsourcing of general workers, depressed returns to farmers should be considered during CBA negotiations and staff are engaged daily guided by the crop and KTDA staff compliment.
2.	Electricity	Tariff increases and low factory throughput	Government to exempt factories from some levies, enhance through put and reduce reworks, and enhance/fund mini hydro power generation plants.

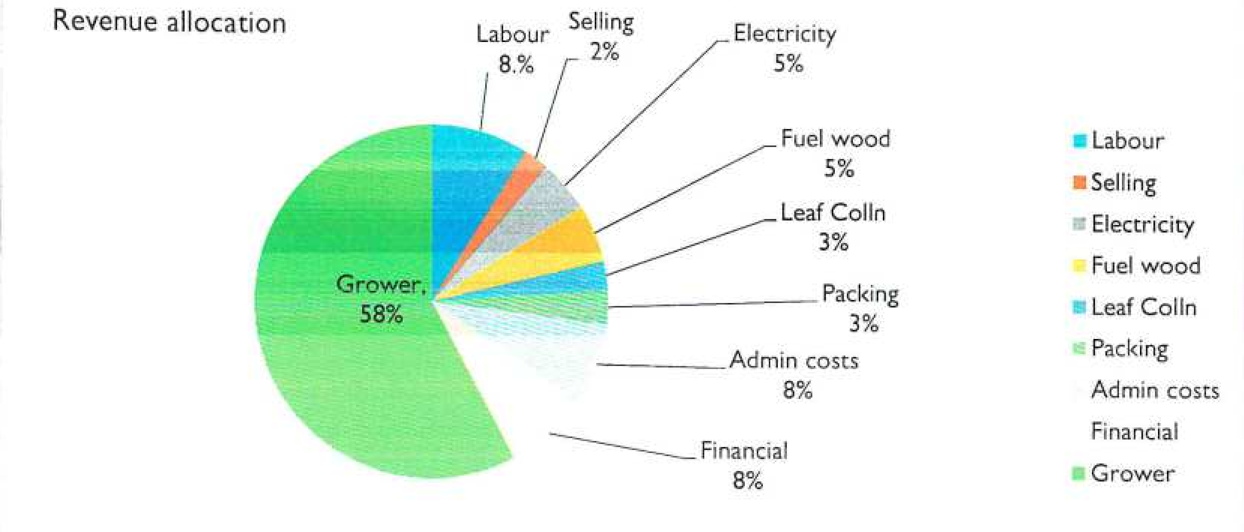
S/NO.	COSTS	FACTORS AFFECTING COST	MITIGATING MEASURES
3.	Firewood	High cost of diesel for transport and poorly seasoned wood	Government to assist in allocating forest land to factories, enhance through put and avoid a lot of re-processing, ensure maintenance of high stock levels, have adequate firewood sheds & ensure all firewood is under cover and use of mature firewood and those of higher calorific value such as hardwoods.
4.	Leaf collection costs	High diesel price, low vehicle haulage, high maintenance costs, high fuel consumption and poor tyre management.	Government to exempt factories from fuel levies, enhance higher haulage, replace high consuming models with low consuming models with same output, change to electric trucks, observe 5 years vehicle replacement policy, monitor tyre management and consider outsourced (private) leaf collection services.
5.	Packing and forwarding expenses	Exchange rate fluctuation and transport to Mombasa	Avoid paper sacks and other packing material damages and unnecessary wastage and explore cheaper packing materials.
6.	Factory Administrative costs	Low crop yields	Continuous farmer engagement to optimise on crop production, improve on outturn/conversion and improvement in sales.
7.	Financial	Increase in exchange rate, depreciation and high interest on loans	Avail cheap loans, improve on retentions to avoid borrowing and improve tea quality to avoid prolonged storage.
8.	Selling price	Ware house storage charges, brokerages fees and handling charges	Improve on outturn/conversion and higher market absorption by improving quality of made tea to avoid unnecessary storage fees.

130. According to Motigo Tea factory; farm level costs include: Pruning cost approximated at Kshs. 4/kg of green leaf; plucking cost between Kshs. 9 and 10 per Kg of green leaf; weeding cost approximating to 50 cts/Kg of green leaf; fertilizer at Kshs. 2,500 per bag (Government subsidized), application and transport; and other costs which include tea seedlings, land preparation and weeding.

131. At factory level, the cost of production is estimated at Kshs. 109/Kg of made tea inclusive of all costs of production at the factory all the way to selling and distribution apart from the initial green leaf payment. Further, transportation to Mombasa per unit Kg of made tea (already factored in the cost of production include transportation rate to Mombasa at Kshs. 4.11/Kg of made tea, insurance 0.98/Kg of made tea and Tea Levy/cess in Mombasa at Kshs 7,000 per 40ft container).

132.Tea management related costs at Motigo Tea Factory include: Selling expenses averaging Kshs. 6 per Kg of made tea sold; brokerage fee levied at 0.75% on the producer sales invoice value; insurance freight charged at Kshs. 0.98 per Kg of made tea; and tea transport to warehouse at Kshs. 4.11 per Kg of made tea charged based on per ton per kilometre (weight and distance).

Figure 6: Value chain costs at Motigo Tea Factory



133.Motigo and Kapkoros Tea Fatories had monthly processing averages of 1,919,234 and 1,861,292 Kgs respectively. The table below shows the optimal processing capacity of Motigo, Kapkoros and Tegat Tea Factories.

Table 9: Green leaf processing trend for the last three years

COMPANY	LICENSED CAPACITY (KG)	MAXIMUM GREEN LEAF	COMMENTS
Motigo	20,000,000	27.7	Over utilised
Kapkoros	25,000,000	30,000,000	Over utilised
Tegat	20,000,000 (3 lines)	18,782,842	94% (slightly below capacity
Toror	15,000,000 (2 lines)	20,335,943	Over utilised

134.From the above table, Motigo Tea Factory is over utilised by between 3 to 4 million Kgs per annum; Kapkoros Tea Factory is over utilised by an average of 5 million Kgs, however construction of a new processing plant was underway at Kamogoso to cover the excesses; Tegat Tea Factory operated below its optimal level in the FY 2023/24; and Toror Tea Factory was above its optimal level.

135.There were differentials in optimisation of the processor due to the following reasons: High yielding clones; machinery and equipment inefficiency; skilled workforce due to changes in technology; low quality raw material; management practices; energy and utilities; external factors e.g. weather conditions; and increased green leaf competition from private factories i.e. hawking.

136.There were cases of over and undersupply following weather patterns with seasons of low and high crop. Low supply is caused by adverse weather conditions (drought, frost or extreme temperatures), high infestations of diseases and pests, poor farm husbandry, delays in supply of fertilizers and competition for green leaf. Peak supply is as a result of favourable weather conditions, proper management of pests and diseases, advanced technology and good farm husbandry.

137. Sub optimal supply of tea to factories was as a result of: Unregulated private factories practicing leaf hawking, competitors paying cash on delivery and accepting coarse leaf, weather variability (frost, hailstorms and prolonged dry spells), delayed/expensive fertilizer supply, escalating plucking wages leading to fewer plucking rounds; weather patterns fluctuating drought; emerging private tea processors; crop husbandry at farm level; cost of production; initial green leaf payment; and economic factors i.e. payment rates and promptness.

138. There was about 60% adherence of fine leave (two leaves and a bud) against the required 68%. This could be because: Leaf quality is determined by pluckers who are paid per Kg plucked and therefore want to maximize on weight rather than quality. Further, private factories accept coarse leaf without rejection; dominance of multinational and private firms who compete for leaf and encourage defiance (leaf hawking); poor crop husbandry and farm practices; payment differential models in terms of monthly and second payment compliment; farmers knowledge and training; labour and time constraints; monitoring and enforcement; post-harvest handling; and poor crop husbandry and farm practices.

139. Motigo Tea Factory had 85 permanent and 70 seasonal staff totalling to 155 which was within the staff compliment of a 3-line factory. Kapkoros Tea Factory had 102 permanent and 100 seasonal staff totalling to 202 which was within the compliment of a 3-line factory. Tegat Tea Factory had a total of 171 staff while Toror Tea Factory had a total of 178 staff with 62b and 60 permanent staff respectively.

140. Staff levels at Motigo Tea Factory are based on expected crop levels for seasonal staff, whereas permanent as per established key positions. Recruitment is based on competitive recruitment process through advertisement, interviews, selection and employment as per the applicable HR policies. Seasonal employees are outsourced from HR firms competitively recruited for Labour provision. At Tegat Tea Factory, recruitment strictly followed KTDA HR Policy. The staffing levels were adequate and flexed with crop volumes. The Boards ensured compliance of the policies hence, no cases of non-adherence to the set recruitment policies. Staff productivity levels were calculated and monitored on monthly basis. Hence, labour is fully optimised.

141. Other variable costs incurred by the factories are energy costs. The tables below show the cost of energy by Motigo and Kapkoros Tea Factories.

Table 10: Cost of energy at Motigo Tea Factory

Type and Source of Energy	2025	2024	2023
Electricity: KPLC cost per Kg of made tea	13.90	16.16	11.43
Fuel wood/biomass: Farmers	13.69	11.02	10.03
Diesel-ago rates: Vendors	171.68	201.64	204.64

Table 11: Cost of energy at Kapkoros Tea Factory

Type and Source of Energy	2025	2024	2023
Electricity: KPLC cost per Kg of made tea per kWh	15.52	16.80	13.21
Fuel wood/biomass: Farmers	14.86	14.65	11.41
Diesel-ago rates: Vendors	159.30	151	179.20

142. At Tegat Tea Factory, the cost of firewood per Kg of made tea was Kshs. 12.7 in the FY 2024/25, electricity Kshs. 12.1 and diesel Kshs. 2.30, representing an increase from Kshs. 1.50 in the FY 2022/23. Other factory costs as identified by Tegat Tea Factory are extension services, leaf collection, road maintenance, fertilizer distribution, stakeholders' allowances, training and benchmarking.

143. The factories preferred the following energy sources: Electricity (Kenya Power); Firewood from vendors; diesel from vendors; briquettes/Biomass from vendors; future hydropower (own Generation); and solar.

144. In Tegat Tea Factory, the Cost of firewood has increased from Kshs. 12.44 per Kg in 2022/2023 of made tea to Kshs. 13.30 in 2024/2025. Cost of electricity and diesel varied from Kshs. 14.10 and Kshs. 1.41 in 2022/2023 to Kshs. 12.53 and Kshs. 2.38 in 2024/2025 respectively.

145. Most tea factories transport green leaf from the farmer to factories using their own fleet while transportation of made tea is outsourced to external tea transporters. Motigo and Kapkoros tea factories have 14 and 16 leaf carriers respectively. Motigo and Kapkoros Tea Factories prefer transporting green leaf using their own fleet due to ease of control of the process, flexibility, convenience and assurance of raw material safety and quality.

146. The following are determinants to commence long-term investments at factory level: Capacity, value addition, product demand, cost management strategy, sustainability and environmental factors, legal and regulatory requirements; high green leaf production beyond factory capacity may force a factory to start a satellite factory; scarcity of reliable supply of firewood (own firewood land); and high electricity cost (hydropower and solar).

147. For decision-making on investments to be made, determination (proposal) by the Boards occasioned by the need for expansion, modernisation or new acquisition due to technological changes, legal and regulatory needs. Feasibility, impact assessment, stakeholder engagement, feasibility studies, approvals and project implementation. When a need arises, boards authorise management to carry-out feasibility studies to establish viability and cost of the investment. A board paper is prepared giving justification and source of funding and presented to the board. The board deliberates and approves vide board resolution if they are in agreement. Management agent then does the implementation as authorised in the resolution.

148. Capital investments are often budgeted for and technical report/information is provided that guides implementation hence. Feasibility studies where necessary are conducted to establish viability. The acquisition of assets which help the factory generate more income or save in cost of production.

However, since they are assets to the company, the depreciation costs are met by the farmer. This is a necessary cost for failure to meet the cost can make the factory incur huge costs in future. Full transfer of cost via asset based or loan or equity contribution arrangements.

149. Tea prices from the EoR are generally higher than those from the WoR because: quantity of leaf in WoR is higher, hence effect on supply and demand; historical adverse perception on the quality of teas from WoR; competition from private factories and multinationals that dominate the WoR inhibit price discovery for instance, Tegat and Toror factories catchment area has 13 private and multinational factories. Leading to severe quality deterioration because farmers know course leaves will be accepted elsewhere. Further, farmers are lured by instant cash payments and false narratives about KTDA; market segmentation where most buyers of the WoR teas prefer liquor while those for the EoR teas prefer blacker teas (Pakistan); and EoR farmers have relatively small portions of land. Plucking is done by family members and there is no labour shortage. On the othe hand, WoR have larger portions of land and plucking is done by pluckers who are quantity rather than quality driven.

150. Operational costs incurred by factories in the WoR are higher than those incurred by factories in the EoR due to: Longer distance to Mombasa impacts on transport costs of made tea and inputs such as fertilizer cost depend on distance from the Coast. Insurance costs are higher for goods in transit; poor road network within the catchment leading to high cost of motor vehicle maintenance; competition for raw materials impact both on quantity and quality; processing capacity challenges due to high volumes especially for peak times; lack of comprehensive value addition; underdeveloped small hydropower plants for alternative energy; and low absorption results in high stocks of unsold teas as a result of introduction of reserve price and stoppage of direct sales leading to high storage costs thus financial obligation challenges (increase in financial costs due to overreliance on borrowing).

151. The following gaps were pointed out in the institutional logistical and regulatory frameworks in the tea sector: Tea hawking requires regulatory intervention; infrastructure enhancement especially road networks within catchments; development of hydro power plants; absence of "one grower, one factory" registration system; no geographical zoning of factory catchments; no uniform enforceable national green leaf quality standard; uncontrolled licencing of factories without own tea farms; no obligation on private farms to pay minimum price or Annual bonus; transportation of green leaf; political interference in tea business; policy reforms; capacity building; market transparency; research and innovation; and Government should support value addition, product diversification, automation and innovations.

152. The following inefficiencies lead to low returns to tea farmers: Poor roads to transport raw material; high hydropower cost; low, fluctuating and unsustainable market prices; increasing cost of production; limited market access and information; weak institutional support; poor roads to transport raw material; competition from private and multinational factories; lack of value addition; lack of full automation; negative politics; academic qualifications of directors; and continuous land subdivision leading to uneconomical units.

153. They proposed the following recommendations to deal with the inefficiencies: Legislate and enforce single registration of growers to one factory; introduction of mandatory geographical zoning for leave collection; enacting and enforcing national minimum green leaf quality standard applicable to all buyers; institute a statutory minimum payment and mandatory annual bonus for all factories;

streamline and subsidise fertilizer procurement and distribution to coincide with optimal application seasons; and require every firm to have its own registered tea farms proportionate to installed capacity before allowing third-party purchases.

154. The following issues were raised in the meetings: KTDA leadership concerns undermining farmer's trust and sector performance; lack of regional representation of the WoR in the national leadership despite high production; systemic financial management failures; variance in tea bonus payment and market access related challenges; regional disparities between the EoR and WoR in regard to payment of bonus, representation by brokerage firms, KTDA staffing and governance, funding of hydro power plants and auction sequencing; and electricity charges for other companies are charged off peak unlike for tea factories.

155. The following recommendations were proposed to increase earnings by farmers: Mandatory forensic audit of all factories; implementation of the recommendations of the 2021 Forensic Audit Report; splitting KTDA management services into two distinct entities in the EoR and WoR; implementation of the Tea Act, 2020; implementation of transparent pricing formulas; farmer protection and empowerment; reinstatement of the minimum guaranteed reserve price on the basis of minimum returns to the farmer and not on the auction; implementation of key performance indicators for management effectiveness; formulation of tea quality policies and practices; development and implementation of transparent performance based remuneration framework for KTDA-MS tied to factory profitability and farmer payments; require board approval for all inter-factory loans and major procurements; establishment of the Independent Tea Industry Oversight Committee reporting to Parliament; promoting Kenyan tea to new and emerging markets and rebuilding international buyer confidence; imposing heavy and consistent penalties on illegal leaf hawking; implementation of the Tea Stabilization Fund and Tea Revolving Fund for farmers; establishing Tea Auction centres in other regions as it is in Sri Lanka and India; adoption of blind testing or scientific model testing of tea regardless of its region of origin; adoption of direct nomination for regions' representation in EATTA; incentivising the tea industry by waiving taxes for importation of tea processing machinery; abolishing of classification of tea industries; KTDA management fees be prorated based on sales performance; and implementation of the Munya Report on Tea Industry Reforms.

Field visits to Motigo, Tegat and Sanganyi Tea Factories

4.2 TEA FACTORIES IN THE EAST OF THE RIFT

The Committee conducted field visits to four (4) tea factories in the East of the Rift on 18th and 19th November 2025. Members of the Committee held meetings with farmers at Michimikuru, Rukuriri, Gacharage and Ndarugu Tea Factories. The Committee got the following information from the tea factories:

4.2.1 Michimikuru Tea Factory

Factory Management

156. Michimikuru Tea Factory was established by the Eastern Produce Kenya Limited in early 1960's as Nyambene Tea Company Limited with an own farm of two hundred and sixty (260) Ha called Michimikuru Tea Estate. The factory was bought by small scale farmers in 1994 under Thananga Leaf Base. It is managed by KTDA and governed by a board of directors elected by farmers after every three years.

157. The factory has had perception challenges due to historical constrained capacities that made it appear like it could not produce better teas that could fetch better prices. In a bid to change the perception, the board of directors begun modernisation of the factory's machinery in 2006 in a bid to increase production floor and withering capacities. The Continuums Chemical/Physical Withering building and machinery was installed in 2016 and the Automatic Withering Machinery commissioned in 2023 to improve on the withering space due to increased volumes.

158. The factory installed the first orthodox production plant in 2015 in a bid to increase and diversify farmers' income. The prices of orthodox tea, however, slumped in 2023/24 after Iran, a major market for orthodox tea, was sanctioned by the USA, and the Russia-Ukraine war. To encourage purchase of the teas, KTDA-MS introduced the minimum reserve floor prices in all factories in April 2025. However, the introduction of minimum reserve floor prices did not improve sales as buyers preferred cheaper teas. This led to huge unsold stocks resulting in low cashflow to support factory operations. In view of the foregoing, the board and management had been engaging with stakeholders in a bid to improve pricing. They undertook various operational measures to improve on leaf quality among them engaging with farmers and introduction of the green leaf quality team to help in moderating leaf collection to attain the required leaf standard.

159. The Board and management made the following recommendations on tea pricing and smallholder farmer payment:

a) The gap between the high- and low-priced factory teas should be narrowed to reduce disparities. The pricing should be quality based and farmers should be encouraged to pluck better quality teas so that uniform quality teas are presented to buyers.
b) The Government should remove the multiple taxes on processed teas and packaging materials to encourage value addition and local consumption.
c) Diversify export markets and promote local consumption. Explore new markets in Asia (China and Japan), Europe (Germany and Netherlands), North America and emerging African economies.
d) Encourage local value addition and branding.

e) Strengthen bilateral agreements to reduce tariffs and non-tariff barriers especially with Pakistan, Egypt and EU and strengthen international marketing campaigns.
f) Put in place Digital Market Intelligence Systems like AI/BI tools to monitor market trends, buyer behaviours and price forecasts.
g) Capacity building and training of farmers, marketers and producers on best practices in production, packaging and branding.

Farmers

160. Farmers informed the Committee that operations of the factory had been faced with political interference as a result of personal interests which affects farmers' earnings. The factory had twelve (12) directors, six (6) elected by farmers and six (6) illegally picked by the political class. They requested the Committee's intervention in the restoration of proper and legally recognised governance structures.

161. They proposed the following measures to improve earnings by farmers in the company: put in place extension services to enable farmers embrace the dynamic technological farming strategies; reduce energy costs; reduce expenses on farm inputs and labour; reduce expenses on logistics; increase efficiency and value addition; improve the road network since bad roads increase maintenance costs of vehicles; adopting alternative transport methods; the factory should embrace lean manufacturing; invest in technology; improve on quality control; conduct frequent audit of factory operations; reduce the downtime and maintenance costs by employing proactive and predictive maintenance strategies; and embrace proper management using technology.


4.2.2 Rukuriri Tea Factory

Factory Management

162. Rukuriri Tea Factory is located in Embu County on an altitude of 1,800 M above sea level. It was established in 1984 and is managed by KTDA. It serves 13,460 small scale tea growers with a combined acreage of 1,624.76 hectares, a total of 60 tea buying centres and 12 un coded tea buying centres. It is a three (3) line factory with a capacity of processing 20 million Kgs of green leaf per annum. It has a withering capacity of $35,992^2$ ft, two (2) Continuous Fermentation Units (CFUs) and three (3) driers. The table below shows the factory's green leaf production, cost of production and payment made to farmers.

Table 12: Rukuriri Tea Factory green leaf production, cost of production and payment to farmers

Financial Year	2020/21	2021/22	2022/23	2023/24	2024/25
Green Leaf Production	19,449,033.66	19,293,832.36	20,460,116.55	21,830,806.18	18,751,307
Tea Prices (Kshs.)	259.77	333.30	353.81	439.92	406.70
Average Cost of Production Exclusive of Initial Green Leaf Payment (Kshs/Kg)	68.01	73.49	101.40	94.00	95.62
Average Cost of Production Inclusive of Green Leaf Payment (Kshs/Kg)	142.70	159.79	189.82	192.73	194.38
Initial/Monthly Green Leaf Payment (Kshs/Kg)	18.50	21	21	23.52	25
2nd Payment/ Bonus (Kshs/Kg)	30.10	41.50	44.60	61.50	57.50
Total Green Leaf Payment (Kshs/Kg)	48.60	62.50	65.60	85.02	82.50
Return to the growers (%)	72%	78%	78%	79%	79%
Total Green Leaf Payment (Kshs)	565,076,395	800,225,928	912,497,326	1,342,567,509	1,078,200,153

163. The company has the following strengths: Fairly small catchment hence good for post-harvest leaf management; cool weather conditions; suitable soils for tea farming; supportive and enlightened tea farming community; strong factory brand name; consistent product quality; and dedicated workforce.

164. The factory is faced with the following challenges: High production costs at the factory and farm level (labour, electricity, fuel, packing materials hindering value addition, machinery e.g. spares/installation, other inputs like fertilizer and poor road network); unreliable and unpredictable weather conditions affecting production and planning; unpredictable markets; fluctuating exchange rates; unsustainable energy sources; small farm size due to subdivision leading to reduced earnings

per household; growers over borrowing funds from local financial institutions and SACCOs that has left them in a vicious cycle of borrowing year in year out thus impoverishing households; suspension of tea cess funds to cater for tea roads within the tea catchments; legal/legislative issues (lands procured and titles cancelled); high cost of value addition materials and machinery; and unfavourable tax regimes.

Farmers

165. Farmers informed the Committee that: The factory directors emphasised on the quality of green leaf; they were trained on tea handling by trained farmers and extension officers; they were not allowed to submit tea to the factory except tea plucked on the same day; the factory and farmers did not allow green leaf hawking; they apply fertilizers on time; and they recognised tea planting as a business intended to generate income and took it serious.

4.2.3 Gacharage Tea Factory

Factory Management

166. The Board presented written submissions, an Annual Report and Financial Statements for the year ended 30th June, 2025 to the Committee detailing the operations of the company. The company also made oral submission before the Committee. The Committee was informed that when a factory produces more, prices in the auction fall resulting into the factory making less money at a higher production cost and when a factory produces less, the prices at the auction go high resulting into a high income at a low production cost.

167. The factory management raised concern about the poor state of the Mau Mau roads which affect the cost of production. They stated that during the rainy season, factory vehicles that collect green leaf are forced to go round covering twice the distance they would ordinarily cover resulting into high cost of production in terms of fuel consumption and vehicle maintenance.

168. The management pointed out that packaging materials are expensive and the government needs to either exempt or zero rate them from tax to reduce the cost of production. They also noted that permanent and pensionable staff were subjected to the CBAs taking up most of the labour cost since their salaries increase. They gave an example where some drivers earned more than the management team because they had worked in the company for a long time, some up to forty (40) years. They were also subjected to numerous court cases by the unions and gave an example where the court ordered the factory to pay Kshs. 100 million for defaulting in annual increase of an employee.

169. They noted that the cost of wood fuel was very high having spent Kshs. 100 million on wood fuel. They sought the intervention of the Committee in their request to the government to allocate them 500 acres of forest land to plant, cut and replant trees stating that this will reduce the cost of production by almost half.

170. The management requested the Committee to amend the law to allow factories to be members of EATTA to allow them participate directly in the auction. They also sought the Committee's intervention to stop KTDA from interference and usurping powers of the factories.

171. They observed that delays in payment of subsidies needed to be addresses and payments made upfront if possible. The Committee was requested to intervene on a circular issued by KEBS requiring companies to pay 2.5% of their annual earning to KEBS.

172. The management stated that the big difference between tea prices in the EoR and the WoR was because of the following reasons:

a) The EoR has an understanding that the industry demands quality and proper processing and therefore invest in that.
b) The EoR invested in modern technology and automated their factories to reduce the cost of production. They also replaced their machinery in good time.
c) Farmers in the EoR were often trained on the importance of quality and tea handling from planting to processing.
d) Factory directors in the EoR were elected from farmers who have the interest of fellow farmers and they work for the good of the farmers.
e) The high altitude of the EoR contribute to the high quality of tea in the Region.

<u>Farmers</u>

173. Farmers informed the Committee that their tea usually fetches high prices in the market compared to that from the WoR for the following reasons: They uphold quality because they are continuously trained on tea handling; they plough their farms and apply fertilizer on time; their directors are farmers known to them and they have a cordial working relationship; they only pluck two leaves and one bud; they pluck tea on the same day they are taken to the factory; they are each other's keeper in ensuring quality of the tea while in farms; they bench mark with other farmers within the Region; tea hawking compromises on quality and they do not allow it; and companies in the Region invite buyers from time to time to inform them on what to check when buying tea in the market.

4.2.4 Ndarugu Tea Factory

Factory Management

174. The Committee held a meeting with the factory Board Members, the management team and farmers. The Board presented written submissions, Annual Report and Financial Statements for the year ended 30th June, 2025 to the Committee detailing the operations of the company. The company also made oral submission before the Committee.

175. The factory is made of two factories namely: Theta and Ndarugu and the process of legal separation was ongoing. Management stated that cost is a function of quality and informed the Committee that delays in the procurement of subsidised fertilizers needed to be addressed since it was affecting production.

176. They observed that their farmers were focused and did not compromise on quality. Farmers ensured that tea bushes were well managed and well plucked i.e. they usually pluck two leaves and a bud. The quality of tea is preserved from the farm as only bamboo packing baskets are used to collect green leaf and the vehicles carry just enough capacity of green leaf and do not overload. Additionally, the factory has trained extension service officers who visit the farms from time to time and train farmers on good tea farming practices and fertilizer application by the farmers is up to one hundred percent (100%).

177. When the factory rejects green leaf because of quality, the leaf is discarded and used as manure in the farm and is not hawked because the farmers and the companies do not allow leaf hawking. The factory undertakes regular maintenance of machinery and training of staff and has a policy of 75% returns to the farmer.

178. The management however indicated that legal cases created delays as they took long to resolve. They requested the Committee consider amending the Tea Act to put in place a tribunal to handle disputes in the tea sector. introducing a tribunal to handle tea sector matters. Further, the membership of EATTA should include at least 50% representation by KTDA or on pro-rata basis of tea per Kg of the tea producers.

Farmers

179. The representatives of farmers submitted that: They had invested in collection centres and ensured that standards were adhered to from farms; they were usually trained on quality and tea handling and had access to extension service officers; they elected directors from amongst themselves; the Government should leave factories to manage the procurement of subsidised fertilizers to avoid delays; the Government needs to intervene in the marketing of tea; and road infrastructure was a problem in the Region.

4.3 THE TEA RESEARCH INSTITUTE

The Committee visited the Tea Research Institute on Tuesday, 18th November 2025 and established that:

4.3.1 Factors Affecting Tea Quality: Field Variables

180. The quality of black tea refers to all the characteristics such as colour, brightness, appearance liquoring properties, strength and aroma by which it may be judged, for its market value. In all, black tea quality is a summation of all its desirable attributes. In tea trade, tea quality refers to the presence of special desirable characters in the liquor required by the market at a given time. The quality attributes and the special characters which may be present in some teas may cause special buyer preference, thus causing price differentials. If the demand for the more preferred tea is higher, it would fetch a more competitive price. In the past this may not have caused a major marketing problem because the supply of made tea was adequate for all the market demand and selective pricing rarely occurred.

181. With increased productivity per unit acre of land and further expansion, the supply appears to be outstripping the demand and the buyers are becoming more selective. Therefore, the quality of made tea has become a vital aspect of tea production as most of the time it is likely to determine the unit price paid to the grower. The presence of certain chemical compounds in varying amounts and proportions have been suggested as indicators of made tea quality. The compounds include *theaflavins* and *thearubigins, protein nitrogen* and the aroma complex of tea.

182. Traditionally, tasters' evaluation has been the most important parameter for classifying teas into different qualities in trade. Generally, tea quality is influenced by factors both in the field and factory. These factors can broadly be divided into controllable and non-controllable factors. Controllable factors include field cultural and factory practices and to some extent genetics. The non-controllable are the environmental and genetic factors. Of these factors, genetics can only be controllable through the use of the same varieties or clones, thus providing similar leaf morphological and chemical characteristics.

183. Most of the cultural practices which affect made tea quality can easily be controlled while the environmental factors are the most difficult to control. Other factors which may influence made tea quality include the prevailing market forces, availability of good communication infrastructure, factory condition, management of the factory and storage and distribution of the processed tea.

<u>Genetic factors</u>

184. The quality of tea is determined by genetic factors based on leaf morphological characters and chemical composition. Leaf characters such as pubescence, colour and size have been reported to affect made tea quality. Studies conducted in Kenya indicated that yellow leafed tea bushes gave higher leaf extracts, high polyphenol contents and low protein nitrogen. In colour development, the yellow leafed bushes were better in both colour intensity and brightness. There is no direct relationship between yield potential and quality of made tea. The chemical composition of the leaf, viz. the leaf polyphenol content, the flavour compounds and caffeine content which are genetically influenced affect made tea quality.

185. The chemical composition and hence quality vary with tea clones grown in Kenya. Each clone has its form of variation and there is no single predictable pattern of variation within clones of their tea quality. Although clonal variation in made tea quality has been demonstrated among Kenyan clones, genetically it is thought that this has very little effect on variations in made tea quality within the smallholders. The smallholder tea sector obtains most of the propagation material from KTDA nurseries which provide similar mixtures of clonal materials to most farmers. This ensures that most farmers in different zones are provided with similar sources of genetic material and thus minimal variation in made tea quality from genetic sources.

Environmental factors

186. The environmental factors which affect the natural growth of tea bushes have great effect on the quality of made tea. Such factors affect leaf morphology, the rate of shoot growth and the chemical composition of the leaf. The variation of made tea quality and its environment has been demonstrated in Kenya. However, the principal operating factors in each environment were not identified. It was suggested that factors which favour slow growth of tea shoots also favour the production of better-quality black tea. The main environmental factors which cause variation in made tea quality are:

a) **Rainfall**: It has been demonstrated that soil moisture influences leaf characters, such that fine and small leaves are produced under low moisture condition. Such leaves produced better quality tea when manufactured. Dry seasons lead to slower shoot growth rate and high quality made tea. Tea flushes (grows) fast during rains and the black teas from such teas generally have flat taste and low quality. Moisture is thus an important factor determining made tea quality.

b) **Temperature**: The temperature of the environment under which the tea is grown determines the quality of made tea. High temperatures favour fast growth and high yields, provided moisture is not limiting, but low tea quality. The effect of the season of the year in which tea shoots develop demonstrate the complex environmental effect on made tea quality. In Sri Lanka, for example, certain seasons produce flavoury teas which are rated as high quality while in other seasons, plain teas are produced. These are due to the climatic changes which follow the onset of a season. In Kenya, seasonal changes in caffeine and theaflavins contents of tea have been demonstrated.

c) **Altitude**: The altitude at which tea is grown has an effect on made quality. This has been demonstrated by Kenyan and Darjeeling teas which are rated very highly in the international tea market. Most Kenyan teas are grown at high altitudes where the daily average temperatures are low, favouring the formation of leaf that is more likely to have high made tea quality. The effect of altitude on made tea quality in Kenya has been reported and it was shown that altitudinal effect varies within clones. The made tea quality of some clones improved with rise in altitude while others decreased. The altitude at which tea is grown may have an influence on yields through growth rate. At high altitudes, the air temperatures are generally low causing decline in growth rate and lower yields.

d) **Soil factors**: There is little evidence that soil properties have direct influence on quality of made tea. However, the nutrition of the bush affects made tea quality.

187. The main factors which would appear to affect made tea quality in Kenya are environmental, mainly the climate. Kenyan teas are generally regarded as high quality because of the altitude at which they

are grown, but within these teas there is variation depending on the particular environment at which the tea is grown. Climatically, the Kenyan tea zones are broadly divided into EoR and WoR. Some major geographical features have made major climatic differences between the two zones. The presence of Lake Victoria in the western zone has created a situation whereby the zone realizes warm and wet conditions during most of the year. This has created a potential for fast and even growth of the tea shoots most parts of the year. Fast growth rate and continuous production of large shoots is conducive to high green leaf yields. However, conditions which favour high yield potential also favour low quality potential. There is thus a high potential for high yields but low quality in the region. In the EoR, there are two distinct rainfall seasons. There are wet and dry seasons as well. During the dry season, there is slow growth rate and thus low bush yields. These conditions provide high potential for good quality. The dry season is also characterised by cool night temperature which are conducive for high quality made tea.

Cultural practices

188. Field operations have a lot of influence on the quality of made tea. Among the cultural practices which influence made tea quality are plucking, pruning, fertilizers and shade.

a) **Plucking**: The objective of plucking is to obtain economic yields, to produce high quality tea and to maintain the tea bushes in good health. Good leaf quality is a product of plucking intensity and frequency. The interval between successive harvest varies between five (5) and twenty-one (21) days depending on the prevailing environmental conditions and the plucking policy. The size range of harvested shoots is referred to as the plucking standard. A fine plucking standard refers to the selection of shoots consisting mainly of a range of between one leaf and a bud and mostly two leaves and a bud. Coarse plucking standard consists mainly of three or more leaves and a bud. The chemical composition of the leaf varies with the plucking standard.

The quality potential of the leaf decreases from the bud towards the older leaves. Thus, a bud has high concentration of chemical compounds which form good tea quality. Very fine plucking reduces the fresh leaf yield and the quantity of output for the grower. It is important to find a compromise between economic yield production and quality so that a farmer can produce at the most optimal economic level. In Kenya, plucking is probably the most important controllable cultural variable which may determine the quality of made tea under any given circumstances. It has been suggested that due to differential growth rates and yield potentials, areas with very high yield potentials but low quality could resort to very fine plucking. This would produce leaf with a high proportion of one and a bud in the pluck analysis and thus have a higher quality potential. It is argued that the yield losses as a result of very fine plucking could be compensated by the gain from improved tea quality. This is, however, a hypothetical argument which may be true some of the time, depending on the prevailing market conditions.

b) **Pruning**: Once the tea bushes grow too high for efficient plucking, it becomes necessary to prune. Under East African conditions, it takes three to four years to complete one pruning cycle. After pruning, the recovering bushes display very fast growth rate and produce very heavy and large shoots. The quality of made tea is affected by the age from pruning. In Kenya, teas that are of different ages from pruning differ in their made tea quality, with the tea plants just recovering from pruning producing very low-quality tea and those nearest to the pruning time having the best quality.

c) **Fertilizers**: Several studies have shown that climatic conditions and agronomic practices which promote high green leaf production have an adverse effect on quality. Fertilizers, especially nitrogenous fertilizer application which is necessary for green leaf yield, reduces the quality of made tea when applied in excessive quantities. The necessity of nitrogenous fertilizers in particular override its negative effect on quality. In Kenya, there has been little evidence of yield increments due to phosphatic or potassic fertilizers but increments due to nitrogen and its effect on tea quality have been demonstrated. In general, the rates of fertilizer application in Kenya have not reached a stage where it can threaten tea quality. Caution, however, should be taken in order to avoid future problems. Only recommended rates as adjusted from time to time, depending on research findings, should be applied.

d) **Shade**: In its original habitat the tea plant grew under natural shade, thus the use of shade trees in the tea plantations was adopted as an imitation of natural conditions. In East Africa, the use of shade trees was discontinued when it was realised that the shade reduced the yield. At present a situation is developing among small holders where some trees might have to be planted in the tea farms in order to supplement the farmers' domestic energy requirements. Such trees would provide some amount of shading to the tea bushes. Therefore, a comprehensive study of the effect of limited shading may be necessary. Studies conducted in Kenya have shown that shade reduces the yield of tea bushes, but improves tea quality. Both quality improvement and yield decline depend on the intensity of the shade.

4.3.2 Factors Affecting Tea Quality: Post-Harvest Variables

189. Black tea is made from green leaf and the process of converting green leaf to black tea starts after plucking. During this time, many physiological, biochemical and physical changes occur which affect tea quality. Thus, post-harvest operations are also critical for high quality tea production. Some post-harvest variables that affect the quality of tea include:

Leaf Handling and Transport

190. In tea processing, one of the areas that has received little research is the leaf handling between plucking and the time it reaches the withering troughs. Some factors below affect tea quality during this period:

a) **Pluckers**: Pluckers are paid on the basis of weight of plucked leaf. In the event that there is plenty of leaf to pluck, the pluckers tend to hold as much leaf as possible in their hands in order to reduce the time required to put plucked leaf in the receptacles they carry. The leaf therefore gets squeezed and cells get bruised. This causes the polyphenol oxidase and the catechins to mix and start early fermentation. This unwanted early fermentation can lead to lowering of quality as will be noted under the fermentation section.

b) **Plucking baskets**: Different plucking receptacles are used. However, the best basket should be those that are adequately aerated to allow for fairly free air circulation after leaf is put into them. The plucked leaf, if not well aerated, generate heat. If the generated heat makes the leaf temperature to be in excess of 43°C (approximately 110°F), then there is a breakdown of cell structure resulting into the same effect of early fermentation as discussed above.

It has been observed that although plucking baskets can be well designed with adequate aeration, some pluckers tend to put too much leaf in the baskets. This compaction and compression stops free air circulation within the basket resulting into excessive heat development and cell structure breakdown. Overloading the plucking basket is therefore a practice which should be avoided. The leaf in the plucking basket should remain well flaffed and there should not be any attempts to compact leaf in a basket once full. Different sizes of plucking baskets have been used in different tea producing countries. Generally, in the smaller, round or conical baskets, larger abrasive surface area is exposed per Kg of leaf than in large plucking baskets. Leaf normally gets ripped on the sides of these small baskets. The resultant cell breakdown causes unwanted early fermentation. When leaf is plucked into bags made of clothes, an increase in bacterial infection will occur if the clothes are not kept clean.

c) **Transport to buying centres**: In the large tea estates of Kenya, the general practice is to transport the plucked leaf to a weighing shade in the same basket used by the plucker, this is easy as the distance is normally short. However, in the small-holder tea sector of Kenya, the distance from the farmer's fields to the buying centres can be long. Farmers therefore sometime use different containers to transport the leaf to the centre after plucking. Occasionally, it has been observed that some farmers compress the plucked leaf into non-ventilated sacks then use donkeys, bicycles, or carts to transport the leaf to the buying centres. This results in much leaf bruising and heat development causing premature fermentation hence lowering of tea quality. Whatever the method used, the leaf must not be compressed and non-ventilated containers must not be used. It is important to keep the leaf well flaffed during transportation.

d) **Weighing shades or leaf buying centres**: Before the leaf is taken to be weighed in a leaf shade or buying centres, it is equally important to keep it well aerated to avoid excessive heat development. If plucked leaf is unduly exposed to the sun after plucking, the heat generated from respiration by the mass of the leaf is prevented from escaping, cell membrane breaks down and causes reddening (or browning) of the leaf due to premature fermentation leading to low quality. The leaf should therefore be kept under shade before weighing.

   As a general rule, leaf should take the shortest time in the field. At the leaf weighing shades or buying centres, considerable damage can be done to the leaf if it is over handled. Every handling of the leaf causes some degree of bruising. The more the handling steps, the more bruising will be done to the leaf. Thus, attempts must be made to minimise handling steps. To ensure that pluckers pluck leaf of acceptable standard, it is common practice to examine and sort the leaf at the buying centres or weighing shades. These should be done with utmost care to avoid bruising. Once the leaf is received from the farmers, the leaf weighing or buying clerks should keep this leaf well aerated in the shade to avoid excessive heat generation. This can be achieved at the centres by spreading the leaf on the floor while still waiting for transport. However, during this stage, some damage can be done to the leaf due to personnel walking on the leaf. To avoid this, leaf should be transported to the factory without delay.

e) **Transport to factories**: Not long ago, leaf transportation to factories in Kenya used to be done in bulk in lorries or trailers. This system is still used in a number of tea growing countries. The bulked leaf generate heat due to respiration of the large mass of leaf, leading to cell membrane breakdown and setting in premature fermentation. Transportation in bulk as described above is open to abuse by leaf handling personnel riding in the lorries as there is temptation to sit or stand on the leaf causing further bruising and damage to the leaf. In some instances, the lorries or trailers did not have suitable canopies, thus the leaf was also exposed to the sun and rain.

In Kenya today, this has considerably changed and lorries or trailers used to ferry the plucked leaf to the factories are designed for this special task. The leaf is now transported in smaller containers and the containers are loaded in a manner that there is free air circulation between and in them. Where distance from the field to factory is shorter, like in the large estates of the Kenya tea industry, partially ventilated sacks can be used as containers without causing problems. It is important that the leaf transported in this manner must be spread, in a well flaffed manner immediately on the withering troughs and air fans started to dissipate heat generated as soon as it reaches the factory.

For the Kenya small-holder tea sector, however, the situation is a little different. The time the leaf takes between plucking and reaching the factory can be very long. It is therefore important that the leaf is transported in well-ventilated sacks so that heat generated is dissipated in the process of transportation. Some tea roads are in a bad state, especially during rainy seasons when these roads are impassable. Lorries or trailers carrying leaf therefore spend longer times reaching factories. There should be attempts to make tea roads all weather roads so that the leaf reaches factories in shortest possible time. Generally, it is believed that tea manufacture starts after the leaf reaches the factory. However, the above variables which take place after plucking but before the leaf arrives in the factory can and do affect quality of made tea.

<u>Factory Variables</u>

191. Factory personnel can only directly improve tea quality after the leaf is delivered to the factories in good condition. This can be done by ensuring that factory operations are done in controlled manner.

a) **Withering**: Immediately the leaf is plucked, withering is initiated and some physiological and biochemical processes start to occur. At the same time, the leaf undergoes some physical changes like loss of water and changes in the cell wall membrane permeability. Both the physiological, biochemical and physical changes occurring during this process are known to affect the quality of tea. In Orthodox manufacture, the physical wither, is known to be vital as the unwithered leaf is turgid and not amenable to being rolled into tightly twisted condition which is commercially desirable. The unwithered leaf breaks in rollers and juices containing valuable catechins and enzymes are lost. The resultant teas from unwithered Orthodox manufacture have thin liquors. In CTC manufacture, soft withered leaf causes problems. During maceration, the CTC rollers (cutters) clog and there is considerable losses of the juices necessary for making of good quality black teas.

The physiological and biochemical changes occurring during withering are collectively referred to as chemical wither. Several studies have demonstrated that chemical wither is vital for the production of VFC in tea. In tea trade, Kenya teas have been classified as plain to medium flavoury. It had been thought that such teas only benefit from physical wither. However, it was recently demonstrated that this is not so. It has been found that quality parameters of Kenyan teas are affected by chemical wither. Also, Kenyan teas have been demonstrated to have reasonable flavour when their VFC are compared with teas from other parts of the world. The plain tea quality parameters and VFC of Kenyan teas have recently been shown to be affected by both the physical and chemical wither. To achieve chemical wither, it has been shown that fourteen (14) hours of withering are necessary.

The changes in the quality parameters due to withering were attributed to changes in levels of amino acids, simple carbohydrates, caffeine, polyphenol oxidase, and lipoxygenase activity. The activity of PPO, the enzyme responsible for oxidising the catechins to TF and TR, changes during withering. Although decrease of the PPO activity with increase in withering time has been observed, most workers have shown that PPO activity initially increases with withering time followed by a decline. Recent studies have demonstrated that TF levels decrease due to increased withering time. It has also been shown that black tea colour is increased due to long wither, while quality is decreased by long withers. Cold temperature withering favours quality and development of flavour. Greenness (probably similar to brassiness and clonal) in tea liquors is reduced by longer wither or high withering temperature.

It was recently demonstrated in Kenya that cold temperature withering produces black teas of superior quality. Tea production is increasing worldwide. Manufacturers therefore are in urgent need to develop more efficient methods of tea manufacture or to build new factories at considerable cost to cater for extra leaf. Withering has been recognised as the part of manufacture that occupies most space. There has therefore been a need to improve withering. As a result, space saving two stage withering techniques have been developed. Studies have shown that in two stage withering, it is necessary to achieve chemical wither before doing physical wither. Although attempts can be made to achieve proper chemical and physical wither, the treatment of the leaf when it arrives in the factory can also affect quality. It has been noted that heaping leaf on the withering trough without air fans being switched on causes heat generation and breakdown of the leaf cell membranes. This causes premature fermentation and reduces subsequent quality of made teas. It is therefore necessary that when leaf arrives in the factory, it is properly flaffed and spread on the withering tough. The air fans should then be switched on as soon as possible to dissipate heat that might have developed due to respiration.

b) **Maceration**: The maceration step of tea manufacture involves massive destruction of cell structure leading to extensive mixing of the enzymes, catechins, lipids, amino acids and terpene glycosides. This process sets in conditions for fermentation. The extent of cell membrane disruption plays a key role in the type of tea manufactured. Several methods of maceration have been practised. These include Orthodox rollers, Orthodox rotorvane, LTP, CTC and rotorvane CTC.

   i. **Orthodox**: In Orthodox/rotorvane manufacture, it was observed that Orthodox (rollers) rotorvane manufacture produced teas with better appearance but rotorvane only produced teas with superior colour, however, the grade distribution was the same. The rotorvane manufacture has operational advantage as there is greater out-put, quicker fermentation, saving on handling, labour, energy (power), machinery maintenance and factory space. Considering the total value of the crop, however, Orthodox rollers were found to be more preferable as it improved both flavour and quality.

   ii. **CTC**: In Kenya, most factories have changed from Orthodox rollers or Orthodox rotorvane to rotorvane CTC or LTP. Recently, Harris and Ellis showed that the different maceration methods produced different characteristic tissue disruption patterns, both in the superficial structure of the shoot tissue and at subcellular level. These led to production of teas with different TF contents, TC and valuations. The method of maceration used produced different distribution of the prime grades.

Data on TF and TC was however contradictory. In a trial held in April 1975, TF values were in the order: rollers > rotorvane > CTC > LTP, but a month later, the order was CTC > LTP > rollers > rotorvane. The extent of cell membrane disruption is dependent on method of manufacturing used and this is in the order: CTC > LTP > rotorvane rollers. The effect of using CTC and Orthodox rollers on tea quality was recently re-examined in Kenya. This study demonstrated that CTC manufacture produced teas with higher TF and TR content while Orthodox rollers manufacture produced teas with superior flavour characteristics and higher caffeine contents.

The tasters' evaluation revealed that CTC manufacture produced teas with better briskness, thickness and colour while Orthodox teas had better flavour. These observations are due to variations in chemical changes taking place during fermentation due to changes in the extent of cell membrane disruption during tea manufacture. For the desired type of tea, therefore, maceration must be done uniformly to ensure that a uniform product is produced.

c) **Fermentation**: Maceration initiates fermentation. During the process, catechins undergo polyphenol oxidase catalysed oxidation to TF and TR. Degradation of lipids is initiated by lipoxygenase producing Group I volatile flavour compounds. Amino acids are degraded to aldehydes while terpene glycosides are hydrolysed to simple free terpenes. Conditions must therefore be set right for these transformations to occur. A study by Cloughley has shown that low temperature fermentation for longer time and low pH fermentation lead to formation of higher amounts of TF during manufacture. Thus, temperature control during fermentation is a key step in ensuring that higher quality teas are produced. There are many ways of ensuring temperature control and the method cheapest to use in terms of operation and economics should be adopted. It is therefore common to humidify "dhool" during fermentation. This lowers fermentation temperature and produces better quality teas.

It has been shown that tea factories at higher altitude make more superior teas than tea factories at lower altitude. This difference was attributed to the difference in fermentation temperature. Thus, factory siting is also an important consideration in the making of good quality teas. During fermentation therefore, the temperatures should not exceed 30° C (approx. 85°F) and should not fall below 5°C (approx. 40°F). The other important aspect of fermentation is ensuring that all the dhool receive even distribution of oxygen (air). Oxygen is one of the reactants during fermentation and unequal distribution or non-availability implies that there would be uneven fermentation rate or stoppage of fermentation.

Several studies have demonstrated that the rate of formation of TF during manufacture is quadratic in nature with respect to time and that TR formation continues with fermentation time. Thus, the best optimum fermentation time will be dictated by the kind of tea desired. Formation, of brighter, brisker but thinner teas will require shorter fermentation times while formation of less brisk and less bright but thick and more coloury teas will require longer fermentation time. The balance will vary from time to time depending on market demands.

d) **Firing (Drying)**: To terminate fermentation, the "dhool" is subjected to high temperatures of between 100 and 106°C. This process (called firing) deactivates (or reduces) the activities of polyphenol oxidase and other enzymes, and also reduces the moisture content of tea to between 2.5 and 5%. It takes less than 30 minutes to accomplish this and the product, black tea, comes out in a consumable and storable form. In Kenya today, two basic principles are presently used in drying. There are convectional driers (CD) using moving beds and fluid bed driers (FBD) of different designs but where the drying tea is fluidised by a warm air current. Most factories are changing from CD to FBD. Although CD driers make blacker teas, FBD have higher throughput and thus help in processing more teas in a given time than CD.

The process of fluidisation also removes some of the fibre thus helping to pre-sort the teas. Though the teas produced by FBD are greyish, the product is normally grainy and not open and flaky compared to CD teas. Additionally, FBD teas are more compact and have higher bulk density. This minimises shipping volume and hence costs. Thus, operationally there are advantages in using FBD over CD.

Recently, the quality parameters arising from the use of either FBD and CD were determined. There were no differences in TF and TR contents due to use of the driers, however, FBD produced teas with improved flavour and higher caffeine contents. In drying of tea to produce good quality tea, however, there are important operations which must be done right. The temperature control should be very strict. The temperature must not be allowed to fluctuate as factors causing fluctuations would cause the ex-drier mouth teas to have varying amounts of residual moisture. The purpose of firing is to keep tea in a storable and consumable form.

Chemical reactions are faster in liquid media than solid media. If the post-drier moisture content of tea is too high, chemical reactions continue in the teas and the product goes off (loses quality) faster. At the same time, when moisture content is reduced to below 2% in dried teas, the teas are normally over-fired and have a burnt taste or are smoky. Production of smoky teas can also result due to allowing drying tea to get in contact with smoke in the process of firing. This should be avoided. Apart from temperature control, the other aspect which causes uneven drying is rate of feeding fermented dhool into driers. If the feeding rate is constant, the ex-driers teas moisture content will also be constant. Overfeeding or under-feeding causes the teas to have varying moisture contents.

e) **Grading (Sorting)**: Tea is sold after grading. The grading depends on the particle sizes and can be manipulated by maceration. Indeed, different factories tend to maximise the production of those grades producing premium price. This is a good practice as it ensures maximum return. The important aspect of grading is that the teas produced are very clean and of uniform sizes i.e. there should not be mixing of grades. The cleaning up of the teas should take into account the fact that if it is over-done it will change the look of tea to become greyish and look less attractive as this will reduce the price of such teas.

Grading teas causes variations in the chemical quality parameters of tea. In both Malawi and Kenya, it has been shown that the order of TF contents of different grades is dust > pekoe dust > pekoe fannings > broken pekoe. This is in the order of increasing particle sizes i.e. the smaller the grade particle size the higher the TF contents of black tea. The same order of TR contents was also noted. Thus, smaller particle grades produce teas with better briskness, brightness colour and thickness. However, the flavour quality of the teas was in the reverse. The larger the particle size, the more superior the flavour.

Other Variables

192. **Storage**: Post manufacture, the tea stays for various periods before consumption. Up to three weeks can pass before the tea is removed from the factory. Subsequently the tea can take another six months before auctioning and indeterminate time before consumption. Tea is hygroscopic and absorbs moisture upon storage. Upon the moisture absorption, some chemical reactions rates get faster leading to quality deterioration. Prolonged storage as a result produces lowering of TF in teas. Also, the flavours of teas go off due to prolonged storage. These changes take place faster if teas are stored under high humidity and at higher temperatures. Thus, teas should be packed in a manner that there is minimal moisture absorption and at low temperatures.

193. **Factory siting**: Different reasons have been used in siting a factory. However, it is noteworthy that some operational variables should be noted when deciding on where to site a factory. It had been observed that manufacturing at higher altitude produced better quality teas compared to making the teas at lower altitude. This was attributed to the lower temperature at high altitude making fermentation control easier. In Kenya, it has been observed that some factories are built in valleys where air circulation is very poor. These factories are likely not to achieve optimum withers. Thus, although all other operations can be optimal if factory siting is poor, the factory will inherently make poor quality teas.

4.4 THE MOMBASA TEA AUCTION

The Committee undertook a field visit to the Mombasa Tea Auction on in Mombasa County on 24th November 2025 and received submissions from EATTA and the Tea Brokers' Association of Kenya.

4.4.1 East African Tea Trade Association

The MD, Mr. George Omuga informed the Committee that:

194. The East African Tea Trade Association is a voluntary, non-profit umbrella body representing the interests of the tea industry in Africa registered in 1956. EATTA is mandated to: promote the tea trade in Africa; foster closer working relationships among members of the tea industry; host and facilitate the orderly sale of African teas in a centralized format in the international auction in Mombasa; facilitate the settlement of disputes within the trade; collect and circulate statistics and trade information and to maintain such records as may be of assistance to the member in the conduct of their business affairs; and act as a link between the trade and government.

195. Global tea Production in 2024 stood at 7.037 billion Kgs against 6.701 billion Kgs in 2023, an increase of 5.01%. Global consumption stood at 6.635 billion Kgs in 2024 compared to 6.212 billion Kgs in 2023 resulting to an increase of 6.8 % in consumption. This therefore means that global tea production has outstripped consumption by over 400 million Kgs thereby affecting the global tea prices. Production in China increased by 12%, India declined by 7.8%, and Sri Lanka increased by 2.4%, compared to 2023. Among EATTA members, Kenya, Malawi, Rwanda and Burundi experienced increased production by 5%, 15% ,0.6% and 4% respectively in 2024 compared to 2023. Similarly, Uganda and Tanzania, experienced a decline in production by 37% and 22% respectively in 2024 compared to 2023.

196. The Mombasa Tea Auction is the largest Auction Centre in the world. It is the only multi origin Tea Auction in the world. Tea is sold as follows in the Auction: Pre-Auction Process where producers send teas to brokers, brokers then catalogue, grade teas and distribute samples to buyers who assess samples for quality (flavor, aroma, etc.); Auction System which is a digital online auction platform where bidding happens lot by lot within seven (7) seconds and the highest bidder wins. The process takes place weekly on Mondays and Tuesdays; and Post-Auction Process where the sale is confirmed. Brokers issue sales contracts, payments are made via the EBB Platform. Payment triggers release of tea. Buyers then collect tea from producers' warehouses.

197. The auction system has the following advantages: Centralized market for multiple countries (multi origin); efficient price discovery; liquidity and consistency; quality control and grading; currency stability through Dollar-based transactions; strong regulatory framework; and digital transformation i.e. EBB which is online bidding. The following are the key trends in the tea auction market:

a) **Digital Transformation and Automation**: Adoption of the Smart Digital Integrated Tea Trading System has improved transparency, efficiency, and remote bidding, broadening participation.

b) **Market Demand Fluctuations**: Demand is shaped by consumer preferences for health-conscious, specialty, and organic teas, with growing interest from new markets.

c) **Climate Impact on Supply and Quality**: Unpredictable weather and climate change affect tea yields and quality, impacting auction volumes and driving premium prices for top-grade teas.

d) **Price Volatility and Economic Factors**: Currency fluctuations, inflation, and economic uncertainties in exporting and importing countries cause price volatility.

e) **Sustainability and Ethical Sourcing**: Growing demand for sustainably sourced teas in Europe, thereby influencing auction priorities and product offerings.

f) **Rise in Blended Teas & Re-exporting**: Countries like Pakistan and UAE import teas for blending and re-exporting, diversifying auction demand.

198. The following are the factors that determine auction tea prices: Quality of tea offered in the Auction; global tea demand and supply dynamics (quantities offered in Auction); geopolitical factors in major tea export markets (Sudan, Russia-Ukraine war, Red Sea conflict and Middle East conflicts); socio-economic factors (dollar currency challenges in major tea countries, prices and income variables, demographics such as age, education, occupation, and cultural background); climatological factors; socio-cultural factors (changing tastes and preferences); market diversification; and product diversification.

Figure 7: Value of tea against the average price in dollars

Figure 8: Production against absorption at the Auction

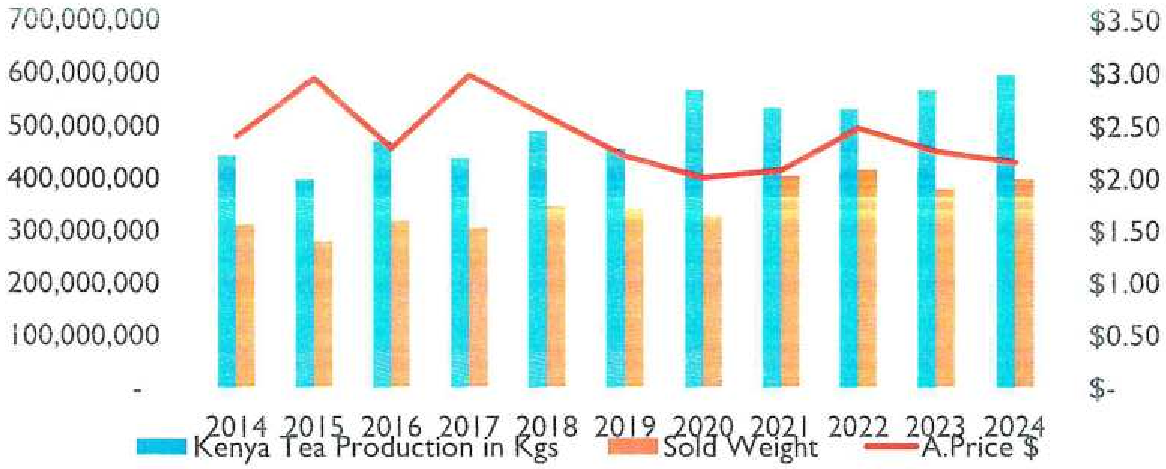


Figure 9: Tea marketing sales channels

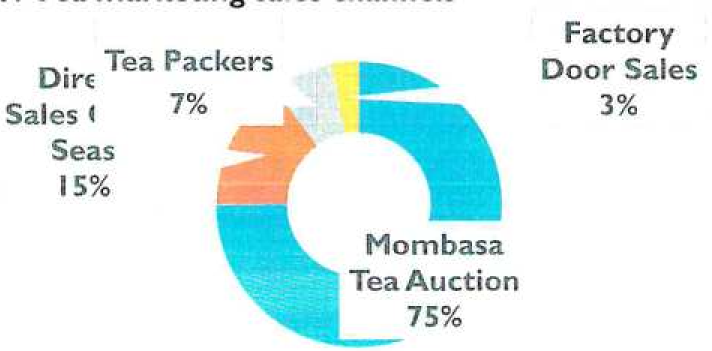


Figure 10: Kenya market share of tea exports in 2024

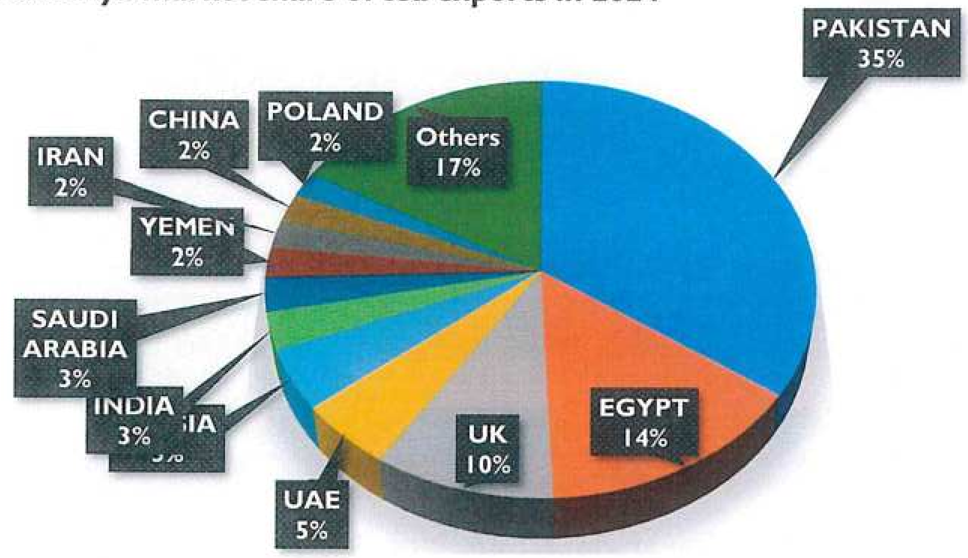


Figure 11: Pakistan 2023 tea export destinations

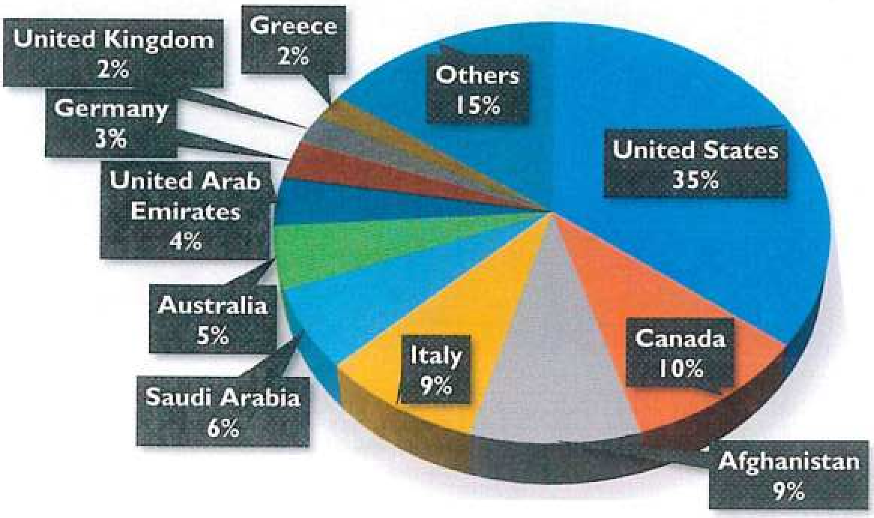


Figure 12: Volume and value of tea sold at the Mombasa Tea Auction

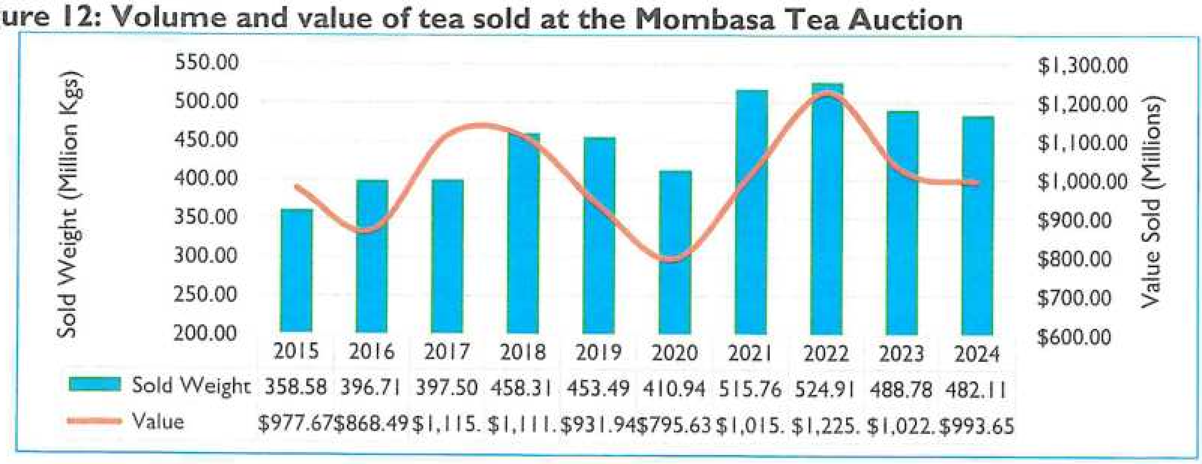


Figure 13: Prices in major tea auction centres

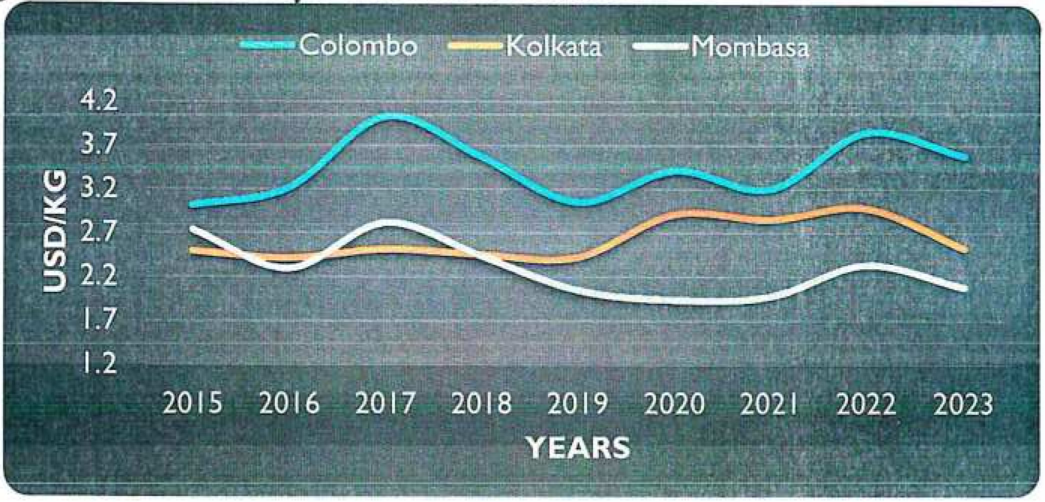
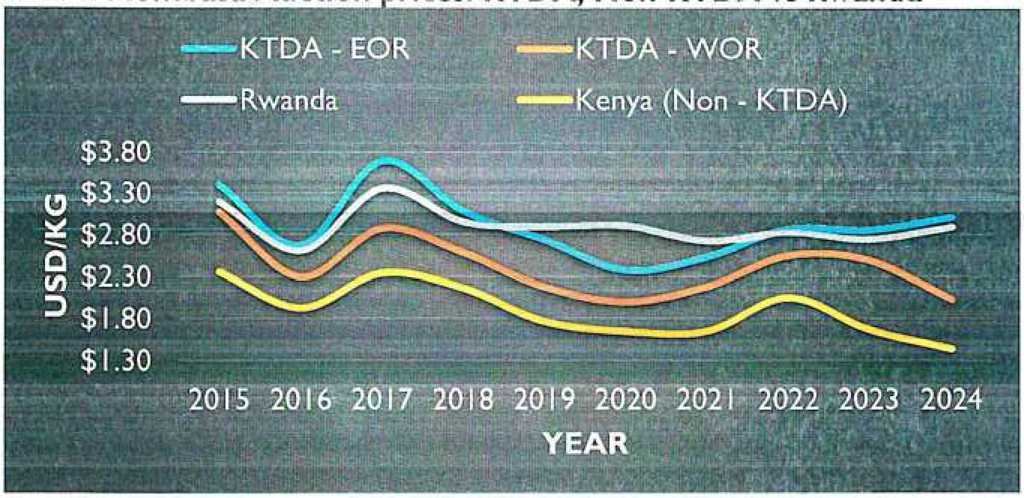


Figure 14: Mombasa Auction prices: KTDA, Non-KTDA vs Rwanda



199. The reserve price was introduced in 2021 but was removed in October 2024 due to the following effects on the tea sector: Short term prices improvement; increased tea production (2022 (535m), 2023 (570 m) and 2024 (598m)); compromised tea quality offered to the Auction; increased weekly tea auction offers from 12m to 25m; reduced weekly Auction absorption; increased weekly Auction Out lots; build-up of huge stocks accumulation; increased market selectivity; depressed tea prices; reduced farmers earnings; reduced factory profitability leading to closure of some factories (Kenya, Uganda and Tanzania); reduced brokerage earnings (high sampling and operational costs); and increased warehousing operational costs and reduced warehouse earnings.

200. The quality of green leaf has the following impact on cost and earnings: High-quality tea is better equipped to withstand challenging market conditions; high quality tea will always be in demand, even if subject to price adjustments; tea produced with a focus on volume over quality mostly suffer during market downturns; cost of producing good and poor-quality teas within the factory is constant; good and poor-quality teas affect farmers' earnings; good and poor-quality teas affect profitability and sustainability; and poor leaf quality affects the bush health and productivity.

201. The tea sector is faced with a myriad of challenges including: Over production; depressed auction tea prices; high cost of production (input costs, power and labour); poor tea sector governance, legislative and regulatory challenges; low levels of value addition and lack of conducive environment for tea value addition; over reliance on the traditional bulk export markets (market access challenges); lack of Product diversification; multiple levies and taxes; tea quality challenges; global economic and geopolitical challenges; climatological unpredictability; finance cost and loan servicing challenges; climate change (unpredictable weather patterns); and port congestion and multiple costly government agencies involvement in tea exports.

202. EATTA proposed the following areas of focus for tea sector sustainability and price stability interventions: Green leaf quality drive through Good Agriculture Practices (GAP); Government to reduce the high cost of inputs through reduced taxes on inputs, provision of subsidized fertilizer, electricity, mechanization, automation, national wages policy and setting up of a stabilization fund; export market diversification and aggressive development of new markets access mechanisms; product diversification (Orthodox and Specialty tea manufacture); value addition and creating a conducive environment for tea value addition; drive to increase local tea consumption; regulation of new tea plantations and unregulated factory licensing by TBK; introduction of Tea Consolidated Funds by Government to support the tea sector bail out during sector distress; Government to have regular consultation with the tea stakeholders prior to introducing changes that may adversely affect the tea sector; restructuring of bank loans through Government interventions (sector bail out through stabilization fund); and support research in developing alternative uses of tea (pharmaceutical industry, beer industry (tea wines), beauty products etc).

203. EATTA made the following recommendations: Slow down on tea production through sound policies; frequent supply and demand simulation needs to be done on a regular basis and shared to act as an early warning; diversification from non-CTC teas to value-added and specialty teas. This has to be supported by incentives; curtail registration of new tea factories that do not meet stipulated threshold; incentives to encourage more tea consumption in the local market; adequate consumer driven research and development activities; enhanced promotion especially in new and emerging markets; establish a Tea Stakeholders led Comprehensive Export Marketing Strategy and plan ; improve on quality of tea produced through quality assessment; introduce a minimum economic area under tea for planting license that is guided by the Tea Research; and consider reintroduction of the defunct TBK's planting license.

4.4.2 The Tea Brokers' Association of Kenya

Mr. Caesar Thairu, the Chairman of the Tea Brokers' Association of Kenya informed the Committee that:

204. A tea broker is a legally registered company licensed by the TBK to trade in the Auction and/or through private treaty sales. To trade in the auction, the tea broker acquires EATTA membership and has to satisfy the EATTA Board that it has qualified staff who can taste, value and sell teas. The broker must observe and adhere to the laws of Kenya, EATTA rules, and code of ethics.

205. The role of brokers is to: Promote the sale of teas through the Auction (the only proven transparent price establishing mechanism in the tea world); consolidate through the catalogues different producers' teas hence pulling demand to a central point and attracting multiple customers; taste teas processed by the factories they serve on a weekly basis for quality assessment and advise on areas

that may require improvement to enhance the factory's positioning in the market and to arrest any faults that may be picked; taste all invoice teas destined to the auction and value the same to enable them make the most informed decision at the time of sale; ensure that all teas offered for sale are correctly sampled to all the buyers operating in the auction; ensure that every tea lot is sold to the highest bidder after being competitively offered to not one but all buyers participating in the auction; invoice the buyers and follow up the payments on behalf of the producers; ensure that the buyers receive the teas they purchased after paying for the same; and ensure that the funds are remitted to the producers.

206. Brokers offer the following services to producers: Performs tea manufacture process audits/factory visits; advise factories on the markets' quality requirements; samples and distributes all the samples of catalogued teas; tastes, values and produces analytical quality assessment reports for all teas offered for sale; advises the producer on the market trends and market demands; makes the best business decision for the sale of the producers' teas to the highest bidder.

207. Brokers offer the following services to buyers: consolidates teas from different origins/producers/garden marks in one catalogue hence enabling the buyers to negotiate multiple contracts in one sitting; samples and distributes all catalogued teas and ascertains the samples' accuracy at the time of distribution to the buyers (act as the custodians of the sample quality); provides a platform where all buyers can compete for the teas through EATTA in a fair and transparent manner; operationalise the auction where Tea is usually purchased at best market value through competitive bidding; and provides a trading forum where buyers know the seller is committed to sell.

208. Brokers do not buy teas for resale; only earn when a tea is sold; ensure that the sales proceeds are remitted to producers on time and in full. The biggest dilemma of brokers about the tea sector is: Promotion of mistrust among players in the value chain and between players in the value chain and Government; fast eroding governance and integrity standards along the value chain; unclear regulatory policy on production expansion.

209. There has been a record production of tea in Kenya with a leap from 458 million Kgs in 2019 to 569 million Kgs in 2023 (there was production of 533 million Kgs in 2022, 570 million Kgs in 2023 and 598 million Kgs in 2024). The prices of tea plummeted to the lowest in four years in 2021. The average absorption for all teas in the auction from 2023 to date is approximately 10 million Kgs per week, in 2024 the absorption was 9.4 million per sale (Kenya only 7.74 million) while in 2025 to sale 46 at 8.6 million Kgs (7.04 million Kgs in Kenya only).

210. Introduction of reserve prices (GMR) resulted to some farmers chasing quantity at the expense of quality (total collapse of demand for some factories especially in regions with high concentration of independent producers). There was a major price shift for the factories in the WoR in the reserve price dispensation making them unattractive. Failure to match the market price levels may have resulted in product substitutions hence leading to most of the teas being neglected. Favourable growing conditions sustained very good production (there was assured availability which has persisted to date). The BP1 market was hit by the exit of Iran, the Russia-Ukraine war and Sudan war and recently banning of Kenyan tea exports to Sudan. Some of the major buyers and markets Slowed down. There was no demand for the medium teas at set reserve levels but there was no adjustment of the same in line with the demand levels. There was a distortion of the market forces of supply and demand.

211.According to the FAO IGG/Tea Secretariat 27, price developments in 2017 indicate the delicate balance between supply and demand, and the need to maintain this to achieve sustainability. For example, assuming that output increases by a further 5 percent, the impact on prices would be quite dramatic: a nearly 40 percent decline over the next 10 years to USD 1.96 per Kg in 2027. This is because there was failure to use research data to make critical decisions in production; supply outmatched demand and with the healthy production, the carry overs on year-to-year basis have increased; and failure to utilise lessons learnt in the past.

212.To realise more gains from the tea industry, the Tea Brokers' Association recommended:

Short Term

a) Restoration of trust in "tea business". Rather than politicians and leaders portraying players in the value chain as cartels out to freeze the small-scale famers' hard-earned cash, they should respect them as serious partners in business.

b) Allow market dynamics to operate in the auction. Sellers should be allowed to make business selling decisions.

c) In scenarios where there are firm reserve prices. There should be a home for the unsold teas but the teas should not be left hanging as stocks indefinitely.

d) Immediate enforcement of the minimum quality requirement for Kenyan teas.

e) Put on hold any new planting and construction of factories and focus on quality improvement.

f) Creation of auditable governance structures for all tea value chain players.

g) Aggressive and well targeted marketing globally to create a home for the increased national production.

Long Term

a) Tea being a key economic driver and well placed in BETA, should be safeguarded as a strategic industry.

b) TBK and EATTA should team up with the national institutions of higher learning and roll out the tea curriculum. This initiative was forgotten after a draft curriculum was developed in 2014.

c) Diversify the markets and reduce overreliance on the traditional markets.

d) Create more enabling policies that will empower the Kenyan tea exporting companies to compete with others globally.

e) Promotion of Kenyan teas by foreign Embassies. Recruit qualified personnel in Kenyan Embassies to market Kenyan teas.

Tea Pricing in Kenya

213. Tea pricing in Kenya happens mainly through two channels, the Mombasa Tea Auction and direct sales:

The Mombasa Tea Auction (Primary Pricing Mechanism)

214. Fresh manufactured teas are tasted against standards drawn from teas already sold in the auction at a price. Quality attributes are assessed and scored against the standards attributes. The result is Indicative Valuation not the Price Organoleptic assessment attributes. Pricing at the auction follows this process: Tea factories send tea to brokers; brokers sample, taste, and categorise the tea by quality against standards. All teas are sold through samples, the buyer coming to the auction will have tasted and selected the tea from many others; a catalogue is published for buyers. This gives all teas equal and wide exposure to the market; tea buyers submit bids during the live or electronic auction. Buyers bid on teas deemed to them as suiting their clients. The more the number of buyers bidding on a tea the better the chances of fetching a better price. Price is discovered when demand pressure is created in the market from different buyers and the seller accepts to sell; and the highest bid accepted by the selling broker becomes the price for that lot.

215. Key factors influencing auction price are: Quantity on offer; quality (liquor, aroma, appearance, leaf size); seasonality (dry season = higher prices); global supply (Assam, Sri Lanka, Malawi, India and Rwanda production levels); demand from major markets (Egypt, Pakistan, UAE, UK, Russia, Iran and Sudan); FX rates, especially the Kshs. vs USD; and geopolitics.

Direct Sales

216. This is where some factories negotiate directly with foreign buyers. Price is negotiated one-on-one and is usually fixed in contracts. The price can be higher or lower than auction prices depending on: Buyer relationships; quality consistency; and contract duration.

4.5 THE TEA BOARD OF KENYA LABORATORY

The Committee undertook a field visit to the Tea Board of Kenya Laboratory in Mombasa County on 24th November 2025. The Ag. Director for Registration, Licensing & Standards, Mr. Julius King'oo informed the Committee that:

217. Kenya is known for producing high-quality and pesticide free teas owing to its climatic conditions giving it a competitive edge over other tea producers who use pesticides and produce tea with MRLs. However, there are instances when Kenyan tea traders import teas from other countries for blending and re-export as Kenyan tea. There are also instances when herbicides are used to control weeds on other crops in tea growing areas. There is therefore need to ensure that tea meet the set standards for MRLs and other food safety requirements prior to importation and exportation. The valuation of tea in Mombasa is currently based on the organoleptic tasting method. The method has been used for a long time in the tea industry globally but has been subject to suspicion with regard to objectivity.

218. There have been rising concerns on the declining quality of Kenyan tea and the differences in auction prices between teas from the EoR and those from the WoR. The decline in the quality of tea has

significantly affected tea prices especially for teas from the WoR where sustainability of smallholder tea farming is threatened. Whereas the decline in quality of tea has been attributed to poor quality of green leaf and other farm management practices, stakeholders have expressed the need for a scientific method of analysing the quality of Kenyan tea for the purpose of price determination. In addition, TBK needs a laboratory to verify that imports meet the required standards for Kenyan tea.

219. The Tea Act, 2020 requires tea importers to obtain a pre-import approval from TBK prior to importation of the tea by submitting a pre-import tea sample analysis. TBK has been outsourcing the services of quality analysis of tea from third party laboratories at approximately Kshs. 7 million per annum for 200 samples against a demand of 9,650 samples annually. In this regard, TBK has only been undertaking limited analysis of tea therefore limiting its ability to undertake a comprehensive and continuous analysis of tea as required by the Act.

220. The laboratory aims at enhancing tea farmers' earnings from Kshs. 50.18 in 2022 to Kshs. 100 per Kg of green leaf by the year 2027 in line with BETA through improved quality of Kenyan tea and the Medium-Term Plan IV of Vision 2030 which seeks to enhance production and productivity, value addition and market access and attracting local and foreign investment. It is also aligned with the Agricultural Sector Transformational and Growth Strategy 2019 – 2029 which supports the implementation of the National Food Safety Policy by providing strategies for food quality and standards.

221. The laboratory will support TBK's regulatory and oversight role of promoting best practices and standards in the production, processing, marketing, grading, storage, collection, transportation and warehousing of tea as prescribed in the Tea Act. It will facilitate the Board's function of regulation of sales, imports and exports of tea and monitoring and enforcement of compliance with tea standards. It will further support compliance with national, regional and international standards.

222. Benefits of the laboratory include: standardised approach in the assessment of tea quality thus enhancing reliability of tea price determination methods; provision of advisory to tea producers on the improvement of quality and competitiveness of Kenyan tea; provision of a scientific method of quality determination to enhance objectivity in the tea valuation model and give confidence and assurance to tea producers; promote tea price discovery thus enhance earnings to farmers; safeguard Kenya's reputation as a producer of high quality teas by undertaking quality assessment of approximately 9,600 tea export consignments and 50 import consignments annually; enhance market access of Kenyan tea in the global market by assuring Kenya tea buyers of the quality of Kenyan tea; Enhanced efficiency and effectiveness by TBK in regulation of quality of tea for export and import; and facilitate characterisation of teas according to their geographical indications to profile them in line with respective market preferences for better price realisation.

223. The laboratory has the components: Analytical testing of tea based on physical quality, microbiological parameters, MRLs and emerging contaminants; prompt scientific verification of teas offered for sale at the auction to determine their valuation based on quality by checking Nitrogen, Polyphenols and ash content; and sensory evaluation of tea to complement the scientific testing of tea to be used in determination of price. The project will also entail acquisition of specialised analytical equipment, auxiliary equipment, glassware, chemicals, reagents and reference standards. The table below shows the total cost required to complete the project:

Table 13: Cost of constructing the laboratory

S/NO.	ACTIVITY	DURATION (MONTHS)	ESTIMATED COST Million (Kshs.)	EXPECTED OUTPUT	KEY PERFORMANCE INDICATOR	Y1	Y2	Y3
						Million (Kshs.)		
1.	Acquisition of laboratory equipment	36	234	Equipped laboratory for tea quality assurance	Installation, testing and commissioning certificate/ report. Equipment manual	50	74	110
2.	Training of laboratory staff	36	13.20	Trained laboratory staff	Training records	6.2	3	4
3.	Developing laboratory operational guidelines	12	9.80	Laboratory operational guidelines	Approved guidelines	9.8	-	-
4.	Accreditation of the laboratory	12	5	Accredited laboratory	Accreditation certificate	-	-	5
5.	Installation of laboratory MIS	24	18	Laboratory Information Management System	Installation, testing and commissioning certificate/ report	-	3	15
	TOTAL	**36**	**280**			**66**	**80**	**134**

4.6 CHAI TRADING COMPANY LIMITED

The Committee undertook a field visit to the CTCL in Mombasa County on 24th November 2025. Ms. Dorcas Mohammed, Ag. Managing Director, CTCL informed the Committee that:

224. Chai Warehousing Ltd was established in 2002 with the mandate of warehousing of teas, clearing & forwarding and transport. KTDA Mombasa Ltd was established in 2003 and later changed its name to Chai Trading Company Ltd in 2005 with the core function of trading in teas. In 2007, Chai Warehousing Ltd and Chai Trading Ltd merged to form Chai Trading Company Ltd. The key objective of the merger was to achieve operational efficiency and take advantage of the combined synergies. KTDA DMCC was incorporated in UAE in 2009 as a branch of CTCL with focus being penetration of Middle East & CIS markets and value addition. It was registered as a subsidiary of Chai Trading in UAE IN 2013.

225. CTCL has More than 1.2 million sq ft of warehouse space (the biggest in the region). This enables CTCL to warehouse all KTDA factory teas as well as those from other producers. This results to economies of scale due to cost advantages such as logistics cost and general improvement of operational efficiency. All the warehouses are food grade certified by global standards with some adopting modern racking technology. They offer shipping and clearing & forwarding services to KTDA MS and other players in the market for both straight line and blended teas. However, due to high production levels and low absorption rate they are occasionally required to source for more

warehouse space from other third parties to accommodate all the teas from the factories. They were putting up more warehousing space, approximately 600,000 sq ft fully racked to achieve operational efficiency through consolidation strategy.

226. The increased warehouse space will ensure that all KTDA teas are handled in centralised, standardised and compliant warehouses; long term stability of lowest warehouse handling rates will be guaranteed to the factories as operational efficiency is maximised; and attracting non KTDA business which will increase dividends to farmers as part of diversification strategy.

227. Unlike other multinational players who have forward integration in their markets through their trading arms, KTDA teas once sold at the auction had no visibility on where the teas were being consumed and therefore difficult to maintain relationships with clients to get their feedback. It was against this background that the idea of setting up CTCL was mooted to actively play a role in buying and selling with bias on KTDA teas to ensure the farmer got the best value and its activities entail: Buying and selling of teas from the Mombasa Auction; markets penetration and growth; market intelligence; and value addition to ensure KTDA teas reached the customer without getting blended with other origins to enable the consumer get the real taste of KTDA teas which was not the case with other leading brands of tea which were predominantly multi origin blends.

228. CTCL is currently the third biggest buyer of KTDA teas at the auction after Global Tea and Unilever. This has been achieved through aggressive marketing, specifically targeting markets where KTDA teas have a greater market share. CTCL is actively involved in value addition through its brand Chai Gold.

Figure 15: Market share for FY 2024/25

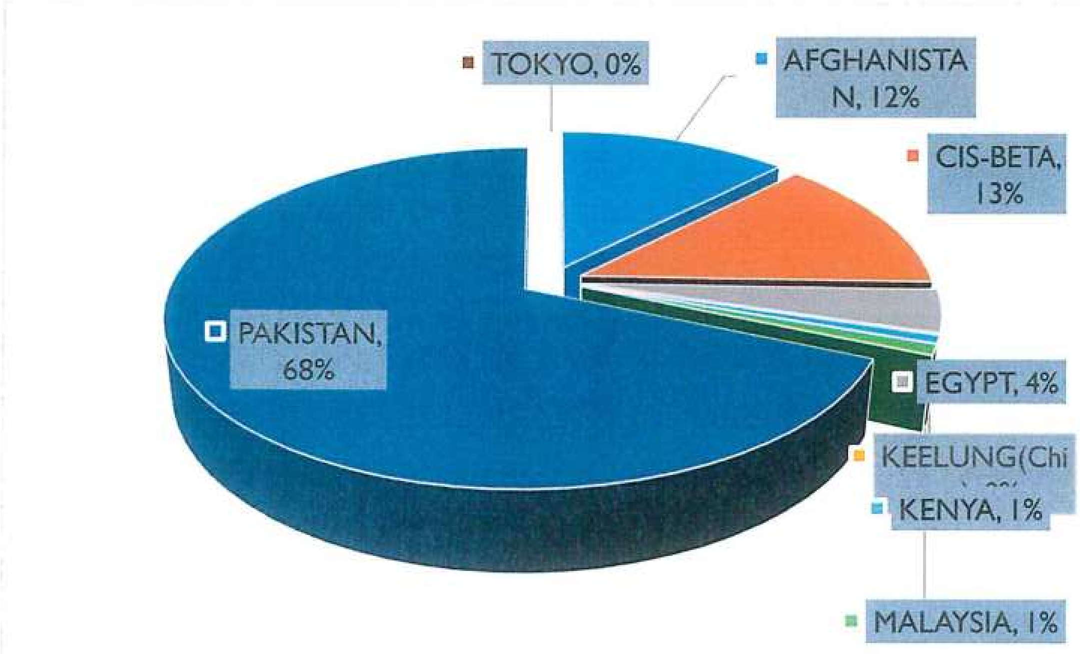
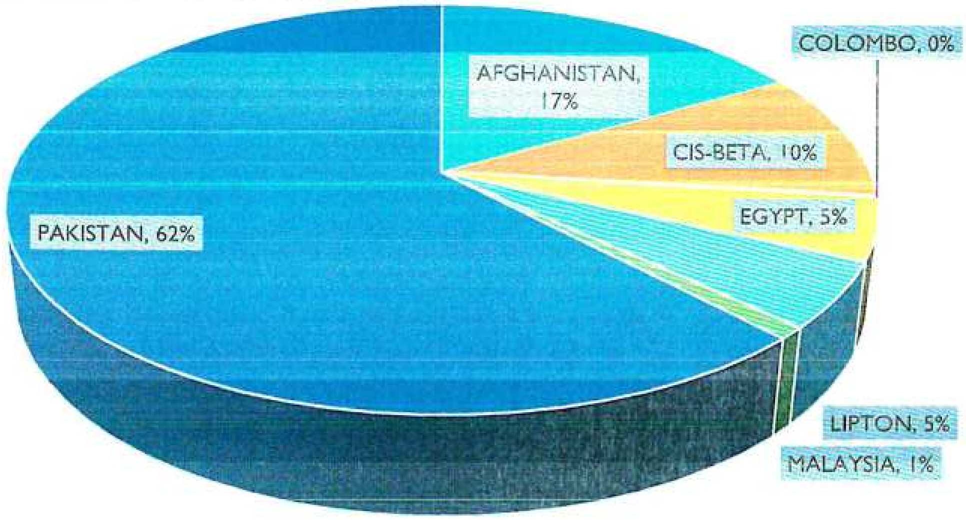


Figure 16: Market share for FY 2025/26



229. CTCL is faced with the following challenges: Decline in export value by Pakistan attributed to currency devaluation by more than 50% which eroded the purchasing power; decline in value in Egypt attributed to high inflation though the market is normalising; decline in both quantity and value by UK attributed to issues around Brexit i.e. devaluation of GBP against the USD and changing consumer demographics; market disruption in Sudan due to geopolitical reasons; appreciation of the Kenya shilling against the USD dollar; trade and economic sanctions in Iran; high cost of finance (overdraft facility); high import tariff on Kenyan teas in Africa and other emerging markets; county taxes/cess fees negatively impact on overall cost of final tea; and inconsistency in the quality of tea affects the price of tea at the international markets.

CHAPTER FIVE

5.0 COMMITTEE FINDINGS/OBSERVATIONS FROM THE INQUIRY

In conducting the Inquiry, the Committee made the following observations on the objectives of the Inquiry after analysis of the documents submitted by the stakeholders and from the information gathered through the field visits:

1. Tea from most of the factories in the East of Rift Valley earn better prices at the Auction compared to those from the West of Rift Valley.

2. Quality of tea delivered to the Auction by factories in the West of Rift Valley is lower than that from East of Rift Valley due to several factors including: tea hawking, licensing of more independent tea processors in the Region thus providing market for teas rejected by KTDA factories; and multiplicity of cultivars.

3. High labour costs driven by Collective Bargaining Agreements negotiated with Kenya Plantation and Agricultural Workers' Union on behalf of the factories by KTDA-MS in the West of the Rift. It is not justifiable that the lowest paid factory worker has a monthly wage five times or more the average monthly proceeds of farmers supplying (and owning) the same factory. Factories in the East of Rift Valley outsource labour to avoid the CBAs.

4. The Committee did not come across any tea sector policy to provide a framework for governance of the sector in Kenya.

5. There are nineteen (19) KTDA shareholding tea processing factories in the West of Rift Valley and thirty-five (35) in the East of Rift Valley that own KTDA Holdings Limited; there are sixty-five (65) independent tea factories in the WoR and six (6) in the EoR; and there are fifteen (15) licensed satellite KTDA factories in the WoR against two (2) in the EoR. As such, there is a total of ninety-nine (99) tea factories in the WoR compared to forty-three (43) in the EoR. Assuming the processing capacity of the factories is more or less the same, there is therefore apparent competition for green leaf by factories in the WoR.

6. There is no official forum for consultations for players in the tea sector, particularly the factories (both independent and KTDA factories) to meet and have deliberations on the quality of tea produced by all factories in the country.

7. Energy is one of the biggest cost items in factories. Kenya has an electricity Energy Use Index of 0.57 kWh/Kg of made tea while that for wood energy is 3.83 m^3/ton of made tea which is high in comparison to other tea producing countries. Factories with small hydro power plants do not enjoy the cheap power from their hydro power plants because they are forced to sell power to the national grid cheaply and buy it at a higher cost.

8. Tea factories incur several costs, they are: operational costs (sitting allowances due to increased number of sittings with one factory reported to hold up to fifty-five (55) sittings in one year against the required nineteen (19), and travel costs); operational costs (factory related costs e.g. delapidated and inneficient machines, and labour costs where services are outsourced yet personnel are employed to perform the same roles), transport costs (tear and wear, outsourcing of vehicles,

servicing and poor road maintenance); financial costs (loans, overdrafts, interest and penalties); and compliance costs (KRA, NEMA, KEBS e.t.c.).

9. In some factories, board members were the main beneficiaries of procurement processes.

10. It takes between twelve (12) to eighteen (18) hours to deliver green leaf to factories in the West of Rift Valley while it takes two (2) hours in the East of Rift Valley.

11. Some managers had worked in the same factory for more than fourteen (14) years hence familiarity which impacted on their performance.

12. Cases of falsification of the weighing scale at buying centres were reported in the West of Rift Valley. Some farmers are given less Kgs than what they have supplied therefore reducing their earnings.

13. Different varieties and cultivars of tea in the West of Rift Valley are processed together despite the fact that they have different fermentation times, this negatively impacts on the quality of processed tea. The cultivars in East of Rift Valley are the same hence better quality of processed tea.

14. Investment in hydropower generation plants in West of Rift has not born fruits.

15. About 50% of Kenyan teas are sold to two countries, Pakistan and Egypt. The two markets dictate the price and preference of tea.

16. The Tea Research Institute is inadequately funded. This poses a negative challenge in the execution of its mandate.

17. Kenya predominantly exports CTC teas. There is very little value addition that is done in the country mainly because of the high costs involved.

CHAPTER SIX

6.0 COMMITTEE RECOMMENDATIONS

The Committee made the following recommendations on the Inquiry into the Pricing of Tea in Kenya:

1. The Ministry of Agriculture and Livestock Development should institute an independent audit on the level of adherence and compliance to legislation on the licensing of factories by the Tea Board of Kenya.

2. KTDA should improve on private power generation to cut on cost of energy. The Ministry of Energy should implement the law on power wheeling to enable tea factories that are generating power to distribute it to factories within their proximity that are in need.

3. Factory managements should replace the old dilapidated inefficient machines with new ones to ensure better performance, reduce costs and increase efficiency in the factories.

4. The Tea Board of Kenya should conduct audits of the hydropower plant projects that are ongoing in the WoR. They should look into how much the approved budgets for the projects are, how much has been spent so far, the amount of money that farmers have spent on the projects and expected dates of completion of the projects. The Board should take action on deviation from the expectations.

5. The Government needs to put in place deliberate efforts to market Kenyan tea in all parts of the world in a bid to open up new markets for Kenyan tea. This can be done diplomatically within Africa as per the AfCFTA, and by all Kenyan Missions abroad adopting targeted tea marketing and reporting.

6. The Ministry of Agriculture and Livestock Development needs to encourage tea factories to explore direct sales of their teas as opposed to relying on the Mombasa Tea Auction as the main way of selling their teas.

7. The Tea Board of Kenya should develop mechanisms to ensure that factories that have adopted quality-based handling and processing of tea benefit from their effort.

8. The Ministry of Agriculture and Livestock Development should ensure that the Tea Research Institute is adequately funded to fully and effectively discharge its mandate.

9. The Tea Board of Kenya in collaboration with the Kenya Tea Development Agency should encourage benchmarking visits by farmers in the WoR to factories in the EoR to learn best practices. They should also organise events where players in the tea sector can interact and exchange ideas.

10. The Ministry of Agriculture and Livestock Development should ensure that the Tea Act, 2020 is fully operationalised for the proper functioning of the tea sector in the country.

11. The efforts of auditing tea factories by the Tea Board of Kenya should purpose to cover all factories and any malpractice identified and confirmed prosecuted accordingly.

12. The Tea Board of Kenya should conduct lifestyle audit of the directors, clerks and other influential persons in the factories.

13. The Tea Board of Kenya should ensure that approved agricultural and manufacturing standards are adhered to across board, enforcement processes are developed, shared and applied.

14. The Ministry of Agriculture and Livestock Development should come up with alternative methods (scientific, blind tasting) for quality assessment of tea to complement/improve on the commonly used organoleptic method.

15. Factory managements should explore alternative tea-based opportunities to improve on their income.

16. The Kenya Tea Development Agency Holdings Limited should purpose to effectively communicate the proportionate share of investment of factories in the West and East of the Rift Valley in KTDA Holdings as a guiding principle in apportionment of board membership.

17. Management role of KTDA-MS should be universal across all KTDA managed companies for optimal business.

18. Reforms need to be instituted in all factories through cost reduction, prudent credit management and adherence to logically profitable investment decisions.

19. The National Assembly needs to amend the Tea Act, 2020 to conform to the growth and development of the tea industry.

SIGNED... DATE...

HON. (DR.) JOHN KANYUITHIA MUTUNGA, PhD, CBS, MP
CHAIRPERSON,
DEPARTMENTAL COMMITTEE ON AGRICULTURE AND LIVESTOCK

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THIRTEENTH PARLIAMENT - FOURTH SESSION - 2025

DEPARTMENTAL COMMITTEE ON AGRICULTURE AND LIVESTOCK

ADOPTION SCHEDULE

We, the undersigned Honorable Members of the Departmental Committee on Agriculture and Livestock today, Tuesday, 2nd December 2025 do hereby affix our signatures to this **Report on the Inquiry into the Pricing of Tea in Kenya** to affirm our approval and confirm its accuracy, validity and authenticity:

S/NO.	NAME	SIGNATURE
1.	HON. (DR.) JOHN KANYUITHIA MUTUNGA, PhD, CBS, MP - **CHAIRPERSON**	
2.	HON. BRIGHTON LEONARD YEGON, MP - **VICE-CHAIRPERSON**	
3.	HON. SABINA WANJIRU CHEGE, CBS, MP	
4.	HON. FERDINAND KEVIN WANYONYI, MP	
5.	HON. GEOFFREY MAKOKHA ODANGA, MP	
6.	HON. JUSTICE KIPSANG KEMEI, MP	
7.	HON. JARED ODOYO OKELO, MP	
8.	HON. LAWRENCE MPURU ABURI, MP	
9.	HON. DAVID KIPLAGAT, MP	
10.	HON. GABRIEL GATHUKA KAGOMBE, MP	
11.	HON. MONICAH MUTHONI MARUBU, MP	
12.	HON. PATRICK KIBAGENDI OSERO, MP	
13.	HON. YUSSUF MOHAMED FARAH, MP	
14.	HON. JOHN OKWISIA MAKALI, MP	
15.	HON. RUTH ADHIAMBO BUSIA ODINGA, MP	
16.	HON. (AMB.) FRANCIS SIGEI, MP	
17.	HON. MARIANNE KITANY, MP	
18.	HON. RICHARD KIPKEMOI YEGON, MP	
19.	HON. DORICE DONYA ABURI, MP	

THIRTEENTH PARLIAMENT - FOURTH SESSION - 2025

DIRECTORATE OF DEPARTMENTAL COMMITTEES

MINUTES OF THE 48TH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE AND LIVESTOCK HELD ON WEDNESDAY, 3RD DECEMBER 2025 AT ARGYLE GRAND HOTEL AT 3:00 PM

PRESENT

1. Hon. (Dr.) John Kanyuithia Mutunga, PhD, CBS, MP - **Chairperson**
2. Hon. Brighton Leonard Yegon, MP - **Vice-Chairperson**
3. Hon. Sabina Wanjiru Chege, CBS, MP
4. Hon. Geoffrey Makokha Odanga, MP
5. Hon. Jared Odoyo Okelo, MP
6. Hon. David Kiplagat, MP
7. Hon. Gabriel Gathuka Kagombe, MP
8. Hon. Patrick Kibagendi Osero, MP
9. Hon. Yussuf Mohamed Farah, MP
10. Hon. John Okwisa Makali, MP
11. Hon. Richard Kipkemoi Yegon, MP
12. Hon. (Amb) Francis Sigei, MP

ABSENT WITH APOLOGY

1. Hon. Ferdinand Kevin Wanyonyi, MP
2. Hon. Lawrence Mpuru Aburi, MP
3. Hon. Justice Kipsang Kemei, MP
4. Hon. Monicah Muthoni Marubu, MP
5. Hon. Ruth Adhiambo Busia Odinga, MP
6. Hon. Marianne Kitany, MP
7. Hon. Dorice Donya Aburi, MP

IN ATTENDANCE

A. COMMITTEE SECRETARIAT

1. Ms. Laureen Wesonga - Clerk Assistant I
2. Mr. Victor Kilimo - Clerk Assistant III
3. Mr. Shadrack Musyoki - Senior Research Officer
4. CPA Robert Ng'etich - Fiscal Analyst I
5. Mr. Gerald Kadede - Legal Counsel II
6. Ms. Jacinta Maru - Serjeant-at-Arms
7. Ms. Lovin Wabwire. - Audio Officer

AGENDA

1. Prayers
2. Preliminaries/Adoption of the Agenda
3. Confirmation of Minutes
4. **Adoption of the Report on the Pricing of Tea in Kenya**
5. Any Other Business
6. Adjournment/Date of the Next Sitting

MIN. NO. NA/A&L/2025/210: PRELIMINARIES/ADOPTION OF THE AGENDA

The Chairperson called the meeting to order at twenty-three minutes past three O'clock and prayed. He then welcomed the meeting to discuss the day's Agenda.

The Agenda of the day was adopted having been proposed by the Hon. (Amb.) Francis Sigei, MP and seconded by the Hon. Gabriel Kagombe, MP.

MIN. NO. NA/A&L/2025/211: CONFIRMATION OF MINUTES

This agenda item was deferred to the next meeting.

MIN.NO.NA/A&L/2025/212: ADOPTION OF THE REPORT ON THE INQUIRY INTO THE PRICING OF TEA IN KENYA

After extensive deliberations, Members agreed on the following observations and recommendations:

OBSERVATIONS

1. Tea from most of the factories in the East of Rift Valley earn better prices at the Auction compared to those from the West of Rift Valley.

2. Quality of tea delivered to the Auction by factories in the West of Rift Valley is lower than that from East of Rift Valley due to several factors including: tea hawking, licensing of more independent tea processors in the Region thus providing market for teas rejected by KTDA factories; and multiplicity of cultivars.

3. High labour costs driven by Collective Bargaining Agreements negotiated with Kenya Plantation and Agricultural Workers' Union on behalf of the factories by KTDA-MS in the West of the Rift. It is not justifiable that the lowest paid factory worker has a monthly wage five times or more the average monthly proceeds of farmers supplying (and owning) the same factory. Factories in the East of Rift Valley outsource labour to avoid the CBAs.

4. The Committee did not come across any tea sector policy to provide a framework for governance of the sector in Kenya.

5. There are nineteen (19) KTDA shareholding tea processing factories in the West of Rift Valley and thirty-five (35) in the East of Rift Valley that own KTDA Holdings Limited; there are sixty-five (65) independent tea factories in the WoR and six (6) in the EoR; and there are fifteen (15) licensed satellite KTDA factories in the WoR against two (2) in the

EoR. As such, there is a total of ninety-nine (99) tea factories in the WoR compared to forty-three (43) in the EoR. Assuming the processing capacity of the factories is more or less the same, there is therefore apparent competition for green leaf by factories in the WoR.

6. There is no official forum for consultations for players in the tea sector, particularly the factories (both independent and KTDA factories) to meet and have deliberations on the quality of tea produced by all factories in the country.

7. Energy is one of the biggest cost items in factories. Kenya has an electricity Energy Use Index of 0.57 kWh/Kg of made tea while that for wood energy is 3.83 m^3/ton of made tea which is high in comparison to other tea producing countries. Factories with small hydro power plants do not enjoy the cheap power from their hydro power plants because they are forced to sell power to the national grid cheaply and buy it at a higher cost.

8. Tea factories incur several costs, they are: operational costs (sitting allowances due to increased number of sittings with one factory reported to hold up to fifty-five (55) sittings in one year against the required nineteen (19), and travel costs); operational costs (factory related costs e.g. delapidated and inneficient machines, and labour costs where services are outsourced yet personnel are employed to perform the same roles), transport costs (tear and wear, outsourcing of vehicles, servicing and poor road maintenance); financial costs (loans, overdrafts, interest and penalties); and compliance costs (KRA, NEMA, KEBS e.t.c.).

9. In some factories, board members were the main beneficiaries of procurement processes.

10. It takes between twelve (12) to eighteen (18) hours to deliver green leaf to factories in the West of Rift Valley while it takes two (2) hours in the East of Rift Valley.

11. Some managers had worked in the same factory for more than fourteen (14) years hence familiarity which impacted on their performance.

12. Cases of falsification of the weighing scale at buying centres were reported in the West of Rift Valley. Some farmers are given less Kgs than what they have supplied therefore reducing their earnings.

13. Different varieties and cultivars of tea in the West of Rift Valley are processed together despite the fact that they have different fermentation times, this negatively impacts on the quality of processed tea. The cultivars in East of Rift Valley are the same hence better quality of processed tea.

14. Investment in hydropower generation plants in West of Rift has not born fruits.

15. About 50% of Kenyan teas are sold to two countries, Pakistan and Egypt. The two markets dictate the price and preference of tea.

16. The Tea Research Institute is inadequately funded. This poses a negative challenge in the execution of its mandate.

17. Kenya predominantly exports CTC teas. There is very little value addition that is done in the country mainly because of the high costs involved.

RECOMMENDATIONS

1. The Ministry of Agriculture and Livestock Development should institute an independent audit on the level of adherence and compliance to legislation on the licensing of factories by the Tea Board of Kenya.

2. KTDA should improve on private power generation to cut on cost of energy. The Ministry of Energy should implement the law on power wheeling to enable tea factories that are generating power to distribute it to factories within their proximity that are in need.

3. Factory managements should replace the old dilapidated inefficient machines with new ones to ensure better performance, reduce costs and increase efficiency in the factories.

4. The Tea Board of Kenya should conduct audits of the hydropower plant projects that are ongoing in the WoR. They should look into how much the approved budgets for the projects are, how much has been spent so far, the amount of money that farmers have spent on the projects and expected dates of completion of the projects. The Board should take action on deviation from the expectations.

5. The Government needs to put in place deliberate efforts to market Kenyan tea in all parts of the world in a bid to open up new markets for Kenyan tea. This can be done diplomatically within Africa as per the AfCFTA, and by all Kenyan Missions abroad adopting targeted tea marketing and reporting.

6. The Ministry of Agriculture and Livestock Development needs to encourage tea factories to explore direct sales of their teas as opposed to relying on the Mombasa Tea Auction as the main way of selling their teas.

7. The Tea Board of Kenya should develop mechanisms to ensure that factories that have adopted quality-based handling and processing of tea benefit from their effort.

8. The Ministry of Agriculture and Livestock Development should ensure that the Tea Research Institute is adequately funded to fully and effectively discharge its mandate.

9. The Tea Board of Kenya in collaboration with the Kenya Tea Development Agency should encourage benchmarking visits by farmers in the WoR to factories in the EoR to learn best practices. They should also organise events where players in the tea sector can interact and exchange ideas.

10. The Ministry of Agriculture and Livestock Development should ensure that the Tea Act, 2020 is fully operationalised for the proper functioning of the tea sector in the country.

11. The efforts of auditing tea factories by the Tea Board of Kenya should purpose to cover all factories and any malpractice identified and confirmed prosecuted accordingly.

12. The Tea Board of Kenya should conduct lifestyle audit of the directors, clerks and other influential persons in the factories.

13. The Tea Board of Kenya should ensure that approved agricultural and manufacturing standards are adhered to across board, enforcement processes are developed, shared and applied.

14. The Ministry of Agriculture and Livestock Development should come up with alternative methods (scientific, blind tasting) for quality assessment of tea to complement/improve on the commonly used organoleptic method.

15. Factory managements should explore alternative tea-based opportunities to improve on their income.

16. The Kenya Tea Development Agency Holdings Limited should purpose to effectively communicate the proportionate share of investment of factories in the West and East of the Rift Valley in KTDA Holdings as a guiding principle in apportionment of board membership.

17. Management role of KTDA-MS should be universal across all KTDA managed companies for optimal business.

18. Reforms need to be instituted in all factories through cost reduction, prudent credit management and adherence to logically profitable investment decisions.

19. The National Assembly needs to amend the Tea Act, 2020 to conform to the growth and development of the tea industry.

ADOPTION OF THE REPORT

The Committee adopted the Report on the Inquiry into the Pricing of Tea having been proposed by Hon. Jared Odoyo Okelo, MP and seconded by Hon. Geoffrey Makokha Odanga, MP.

MIN. NO. NA/A&L/2025/213: ADJOURNMENT/DATE OF THE NEXT MEETING

There being no other business, the meeting was adjourned at twenty-eight minutes to eight O'clock. The next meeting will be held on notice.

SIGNED: .... **DATE:** 4 | 12 | 2025

HON. (DR.) JOHN KANYUITHIA MUTUNGA, PhD, CBS, MP
CHAIRPERSON,
DEPARTMENTAL COMMITTEE ON AGRICULTURE & LIVESTOCK

HARAMBEE

THIRTEENTH PARLIAMENT - FOURTH SESSION - 2025

DIRECTORATE OF DEPARTMENTAL COMMITTEES

MINUTES OF THE 47TH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE AND LIVESTOCK HELD ON WEDNESDAY, 3RD DECEMBER 2025 AT ARGYLE GRAND HOTEL AT 10:00 AM

PRESENT

1. Hon. (Dr.) John Kanyuithia Mutunga, PhD, CBS, MP - **Chairperson**
2. Hon. Brighton Leonard Yegon, MP - **Vice-Chairperson**
3. Hon. Sabina Wanjiru Chege, CBS, MP
4. Hon. Geoffrey Makokha Odanga, MP
5. Hon. Jared Odoyo Okelo, MP
6. Hon. David Kiplagat, MP
7. Hon. Gabriel Gathuka Kagombe, MP
8. Hon. Patrick Kibagendi Osero, MP
9. Hon. Yussuf Mohamed Farah, MP
10. Hon. John Okwisa Makali, MP
11. Hon. Richard Kipkemoi Yegon, MP
12. Hon. (Amb) Francis Sigei, MP

ABSENT WITH APOLOGY

1. Hon. Ferdinand Kevin Wanyonyi, MP
2. Hon. Lawrence Mpuru Aburi, MP
3. Hon. Justice Kipsang Kemei, MP
4. Hon. Monicah Muthoni Marubu, MP
5. Hon. Ruth Adhiambo Busia Odinga, MP
6. Hon. Marianne Kitany, MP
7. Hon. Dorice Donya Aburi, MP

IN ATTENDANCE

A. COMMITTEE SECRETARIAT

1. Ms. Laureen Wesonga - Clerk Assistant I
2. Mr. Victor Kilimo - Clerk Assistant III
3. Mr. Shadrack Musyoki - Senior Research Officer
4. CPA Robert Ng'etich - Fiscal Analyst I
5. Mr. Gerald Kadede - Legal Counsel II
6. Ms. Jacinta Maru - Serjeant-at-Arms
7. Ms. Lovin Wabwire. - Audio Officer

B. TEA BOARD OF KENYA

1. Mr. Willy Mutai	-	Chief Executive Officer
2. Mr. John Kariuki.	-	Director, Finance
3. Ms. Rosemary Owino	-	Director, MDTA
4. Mr. Peter Kibiku	-	Director, P and S
5. Mr. Julius King'oo	-	Ag. Director RLS

AGENDA

1. Prayers
2. Preliminaries/Adoption of the Agenda
3. Confirmation of Minutes
4. **Meeting with Tea Board of Kenya to Discuss the Pricing of Tea in Kenya**
5. Any Other Business
6. Adjournment/Date of the Next Sitting

MIN. NO. NA/A&L/2025/206: PRELIMINARIES/ADOPTION OF THE AGENDA

The Chairperson called the meeting to order at seven minutes past ten O'clock and prayed. He then called all persons present to introduce themselves.

The Agenda of the day was adopted having been proposed by the Hon. Patrick Osero, MP and seconded by the Hon. Richard Yegon, MP.

MIN. NO. NA/A&L/2025/207: CONFIRMATION OF MINUTES

This agenda item was deferred to the next meeting.

MIN.NO.NA/A&L/2025/208: MEETING WITH TEA BOARD OF KENYA TO DISCUSS THE PRICING OF TEA IN KENYA

Mr. Willy Mutai, Chief Executive Officer for the Tea Board of Kenya informed the Committee about the mandate of TBK, the structure of the tea industry, auction price trends, cost of production trends, background on loans audit, loan balance as at 30th June 2025, key findings from the audit and recommendations on the audit. From the presentation, the Committee established that:

1. Tea production had increased globally from about 3.6 billion Kgs to about 7.2 billion Kgs. Kenya contributes 25% to the global tea export market.

2. 75% of Kenyan tea is sold through Auction while the remaining 25% is sold through direct sales. The Auction system is used as the barometer to gauge prices of tea including those sold directly by factories.

3. Quality of made tea from the West of the Rift Valley is lower than that from the East of the Rift Valley, thus, teas from the EoR fetch higher prices. To improve the quality of tea in the WoR, TBK has been setting up clinics to teach farmers best practices, encouraged production of orthodox tea and sourcing for new markets.

4. The production costs in the WoR are higher than EoR due to many reasons among them directors' expenses (more sittings than required)

5. Some factories in the WoR had taken loans to pay bonuses which have contributed to the high production costs. The information on the loans borrowed to pay bonuses was however not provided during the audit. Some of the loans were approved by KTDA without the knowledge of the factory boards as there were no board resolutions on the same.

6. TBK had prepared a concept paper on the modernisation of tea factories and it had been approved by the National Treasury.

7. The quality of leaders in the EoR was better than WoR making it possible for the leadership in the EoR to contain costs in their factories compared to EoR.

Details of TBK's submission are in Chapter Three of the Report on the Inquiry into the Pricing of Tea in Kenya.

MIN. NO. NA/A&L/2025/209: ADJOURNMENT/DATE OF THE NEXT MEETING

There being no other business, the meeting was adjourned at fifteen minutes to one O'clock. The next meeting will be held at three O'clock.

SIGNED: .... **DATE:** 4/12/2025

HON. (DR.) JOHN KANYUITHIA MUTUNGA, PhD, CBS, MP
CHAIRPERSON,
DEPARTMENTAL COMMITTEE ON AGRICULTURE & LIVESTOCK

THIRTEENTH PARLIAMENT - FOURTH SESSION - 2025

DIRECTORATE OF DEPARTMENTAL COMMITTEES

MINUTES OF THE 46TH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE AND LIVESTOCK HELD ON TUESDAY, 2ND NOVEMBER 2025 AT ARGYLE GRAND HOTEL AT 3:00 PM

PRESENT

1. Hon. (Dr.) John Kanyuithia Mutunga, PhD, CBS, MP - **Chairperson**
2. Hon. Brighton Leonard Yegon, MP - **Vice-Chairperson**
3. Hon. Sabina Wanjiru Chege, CBS, MP
4. Hon. Geoffrey Makokha Odanga, MP
5. Hon. Jared Odoyo Okelo, MP
6. Hon. David Kiplagat, MP
7. Hon. Gabriel Gathuka Kagombe, MP
8. Hon. Patrick Kibagendi Osero, MP
9. Hon. Yussuf Mohamed Farah, MP
10. Hon. John Okwisa Makali, MP
11. Hon. Richard Kipkemoi Yegon, MP
12. Hon. (Amb) Francis Sigei, MP

ABSENT WITH APOLOGY

1. Hon. Ferdinand Kevin Wanyonyi, MP
2. Hon. Justice Kipsang Kemei, MP
3. Hon. Lawrence Mpuru Aburi, MP
4. Hon. Monicah Muthoni Marubu, MP
5. Hon. Ruth Adhiambo Busia Odinga, MP
6. Hon. Marianne Kitany, MP
7. Hon. Dorice Donya Aburi, MP

IN ATTENDANCE

A. COMMITTEE SECRETARIAT

1. Ms. Laureen Wesonga - Clerk Assistant I
2. Mr. Victor Kilimo - Clerk Assistant III
3. Mr. Shadrack Musyoki - Senior Research Officer
4. CPA Robert Ng'etich - Fiscal Analyst I
5. Mr. Gerald Kadede - Legal Counsel II
6. Ms. Jacinta Maru - Serjeant-at-Arms
7. Ms. Lovin Wabwire - Audio Officer

B. FARMER

Mr. David Ichoho

AGENDA

1. Prayers
2. Preliminaries/Adoption of the Agenda
3. Confirmation of Minutes
4. **Meeting to consider the Report on Inquiry into the Pricing of Tea in Kenya**
5. Any Other Business
6. Adjournment/Date of the Next Sitting

MIN. NO. NA/A&L/2025/202: PRELIMINARIES/ADOPTION OF THE AGENDA

The Chairperson called the meeting to order at five minutes past three O'clock and prayed. He then requested all persons present to introduce themselves.

The Agenda of the day the was adopted having been proposed by the Hon. (Amb.) Francis Sigei, MP and seconded by the Hon. Jared Okelo, MP.

MIN. NO. NA/A&L/2025/203: CONFIRMATION OF MINUTES

This agenda item was deferred to the next meeting.

MIN.NO.NA/A&L/2025/204: MEETING WITH MR. DAVID ICHOHO TO DISCUSS THE PRICING OF TEA IN KENYA

Mr. David Ichoho, a farmer from the East of Rift Valley and former National Chairman of KTDA informed the Committee that:

1. To improve the price of tea, stakeholders need to address internal inefficiencies, external dynamics, stakeholder culpabilities, reforms initiatives and coordinated deliberate actions. The problem is dire and likely to be persistent if not resolved urgently and with expertise. He listed a number of contributors to the low earnings and proposed solutions. They are:

    a) Political disruptions to the KTDA Board particularly the National Chairman by the Government distracts KTDA in execution of its mandate.

    b) Disruptive orders by TBK/GoK on tea business processes like stopping Direct Sales and removal of the reserve price.

    c) Bureaucratic bottlenecks by TBK.

    d) Breakdown of key international markets like Iran, Sudan and Pakistan.

    e) Conflict of interest like appointing the Chairman of TBK who is also a tea broker resulted in antagonistic policy shift and arbitrary administrative orders to KTDA.

f) Stalled reforms in KTDA-Ms, KTDA Holdings, subsidiaries, financial reforms, HR restructuring and marketing reforms.

g) Reforms in the Auction and tea brokers have never commenced. Governance reforms at EATTA have never been done.

h) The stalled hydropower plants have huge financial costs as they are holding significant capital in millions of dollars. The excess power from the operational hydropower plants supplied to KPLC are paid after long periods of time yet the plants are still paying loans. KPLC is yet to provide way leave tariff where KTDA power can be transmitted to the national grid but this hasn't been done yet the way leave tariff will enable the plants to sell power to other tea factories.

i) Private factories are allowed to sell through direct sales while KTDA factories are prohibited. This has affected competitiveness of factories in the WoR who compete in unfair terms of trade.

j) The working relationship between KTDA and GoK/TBK has been weak and suspicious. Most reforms and legislations are not taken through stakeholder engagement and they fail to appreciate the global operation of the business.

k) There are delays in the release of subsidised fertilizers which affects the cost of credit and cash flow of KTDA factories.

l) The tea sector operates in a global market where 95% of tea is sold in various destinations around the world. The sector is therefore affected by geopolitics.

2. He proposed the following ways of dealing with the above challenges: The GoK should diplomatically seek for markets for Kenyan tea within Africa as per the AfCFTA; employ a special tea trade representative for liaison of the trade in Pakistan, special attention should be given to Egypt, Iran and UK who are also high consumers of Kenyan teas; restructuring of KTDA-MS, financial architecture reforms, reforming the subsidiaries, marketing reforms and organisation restructuring to enhance efficiency and effectiveness of KTDA; reforms in all factories to ensure financial sustainability through cost management, loan management, financial investment and governance; reform of the Auction in governance, operations and auction system audit; amend the Tea Act putting in mind business concern interests for effective trade; directors at the factory level should have skills and competencies, the national chairman should have a minimum of a degree; develop tea policy to provide framework of tea development, production, processing, marketing, value addition and investment; KFS should lease forest land to factories to plant trees for wood fuel; and the proposal to transport made tea to warehouses by railway should be implemented, KR should provide special rates for this.

Resolution

From Mr. Ichoho's submission, the Committee resolved to invite the Tea Board of Kenya to respond to issues concerning the licensing of factories in the country before finalising on the report.

MIN. NO. NA/A&L/2025/205: ADJOURNMENT/DATE OF THE NEXT MEETING

There being no other business, the meeting was adjourned at half past six O'clock. The next meeting will be held on Wednesday, 3rd December 2025 at ten O'clock.

SIGNED: ....DATE: 4/12/2025

HON. (DR.) JOHN KANYUITHIA MUTUNGA, PhD, CBS, MP
CHAIRPERSON,
DEPARTMENTAL COMMITTEE ON AGRICULTURE & LIVESTOCK

THIRTEENTH PARLIAMENT - FOURTH SESSION - 2025

DIRECTORATE OF DEPARTMENTAL COMMITTEES

MINUTES OF THE 45TH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE AND LIVESTOCK HELD ON TUESDAY, 2ND NOVEMBER 2025 AT ARGYLE GRAND HOTEL AT 10:00 AM

PRESENT

1. Hon. (Dr.) John Kanyuithia Mutunga, PhD, CBS, MP - **Chairperson**
2. Hon. Brighton Leonard Yegon, MP - **Vice-Chairperson**
3. Hon. Sabina Wanjiru Chege, CBS, MP
4. Hon. Geoffrey Makokha Odanga, MP
5. Hon. Jared Odoyo Okelo, MP
6. Hon. David Kiplagat, MP
7. Hon. Gabriel Gathuka Kagombe, MP
8. Hon. Patrick Kibagendi Osero, MP
9. Hon. Yussuf Mohamed Farah, MP
10. Hon. John Okwisa Makali, MP
11. Hon. Richard Kipkemoi Yegon, MP
12. Hon. (Amb) Francis Sigei, MP

ABSENT WITH APOLOGY

1. Hon. Ferdinand Kevin Wanyonyi, MP
2. Hon. Justice Kipsang Kemei, MP
3. Hon. Lawrence Mpuru Aburi, MP
4. Hon. Monicah Muthoni Marubu, MP
5. Hon. Ruth Adhiambo Busia Odinga, MP
6. Hon. Marianne Kitany, MP
7. Hon. Dorice Donya Aburi, MP

IN ATTENDANCE

A. COMMITTEE SECRETARIAT

1. Ms. Laureen Wesonga - Clerk Assistant I
2. Mr. Victor Kilimo - Clerk Assistant III
3. Mr. Shadrack Musyoki - Senior Research Officer
4. CPA Robert Ng'etich - Fiscal Analyst I
5. Mr. Gerald Kadede - Legal Counsel II
6. Ms. Jacinta Maru - Serjeant-at-Arms
7. Ms. Lovin Wabwire - Audio Officer

AGENDA

1. Prayers
2. Preliminaries/Adoption of the Agenda
3. Confirmation of Minutes
4. **Meeting to consider the Report on Inquiry into the Pricing of Tea in Kenya**
5. Any Other Business
6. Adjournment/Date of the Next Sitting

MIN. NO. NA/A&L/2025/198: PRELIMINARIES/ADOPTION OF THE AGENDA

The Chairperson called the meeting to order at half past ten O'clock and prayed. He then called all persons present to introduce themselves.

The Agenda of the day the was adopted having been proposed by the Hon. David Kiplagat, MP and seconded by the Hon. Sabina Chege, MP.

MIN. NO. NA/A&L/2025/199: CONFIRMATION OF MINUTES

This agenda item was deferred to the next meeting.

MIN.NO.NA/A&L/2025/200: MEETING TO DISCUSS THE REPORT ON THE INQUIRY INTO IN THE PRICING OF TEA IN KENYA

Members deliberated on the draft observations and recommendations on the Inquiry into the Pricing of Tea in Kenya. They resolved to invite Mr. David Ichoho, a farmer from the East of Rift Valley to make his submission on the Inquiry at three O'clock before finalising on the report.

The meeting was adjourned to allow the Committee Secretariat to incorporate the observations and recommendations in the report.

MIN. NO. NA/A&L/2025/201: ADJOURNMENT/DATE OF THE NEXT MEETING

There being no other business, the meeting was adjourned at three minutes past one O'clock. The next meeting will be held at three O'clock.

SIGNED: ....DATE: 4/12/2025

HON. (DR.) JOHN KANYUITHIA MUTUNGA, PhD, CBS, MP
CHAIRPERSON,
DEPARTMENTAL COMMITTEE ON AGRICULTURE & LIVESTOCK

THIRTEENTH PARLIAMENT - FOURTH SESSION - 2025

DIRECTORATE OF DEPARTMENTAL COMMITTEES

MINUTES OF THE 44TH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE AND LIVESTOCK HELD ON TUESDAY, 26TH NOVEMBER 2025 IN COMMITTEE ROOM 17, 3RD FLOOR, BUNGE TOWER, PARLIAMENT BUILDINGS AT 10:00 AM

PRESENT

1. Hon. (Dr.) John Kanyuithia Mutunga, PhD, CBS, MP - **Chairperson**
2. Hon. Brighton Leonard Yegon, MP - **Vice-Chairperson**
3. Hon. Geoffrey Makokha Odanga, MP
4. Hon. Lawrence Mpuru Aburi, MP
5. Hon. David Kiplagat, MP
6. Hon. Gabriel Gathuka Kagombe, MP
7. Hon. Patrick Kibagendi Osero, MP
8. Hon. Yussuf Mohamed Farah, MP
9. Hon. Richard Kipkemoi Yegon, MP
10. Hon. Dorice Donya Aburi, MP
11. Hon. (Amb) Francis Sigei, MP

ABSENT WITH APOLOGY

1. Hon. Sabina Wanjiru Chege, CBS, MP
2. Hon. Ferdinand Kevin Wanyonyi, MP
3. Hon. Justice Kipsang Kemei, MP
4. Hon. Jared Odoyo Okelo, MP
5. Hon. Monicah Muthoni Marubu, MP
6. Hon. John Okwisa Makali, MP
7. Hon. Ruth Adhiambo Busia Odinga, MP
8. Hon. Marianne Kitany, MP

IN ATTENDANCE

A. COMMITTEE SECRETARIAT

1. Ms. Laureen Wesonga - Clerk Assistant I
2. Mr. Victor Kilimo - Clerk Assistant III
3. Mr. Gerald Kadede - Legal Counsel II
4. Ms. ....
5. Ms. Jacinta Maru - Serjeant-at-Arms

B. KENYA TEA GROWERS ASSOCIATION - KTGA

Lindah Oluoch - Chief Executive Officer

C. KENYA TEA DEVELOPMENT AGENCY

1. Mr. Chege Kirundi - National Chairman
2. Mr. Wilson Muthaura - Chief Executive Officer
3. Mr. John Wasusana - Board Member
4. Mr. Mosonik SKM. - Board Member, KTDA
5. Mr. Collins Bett - MD, KTDA-MS
6. Mr. Vincent Mwingirwa - General Manager, KTDA
7. Mr. Mathews Odero - Group Company Secretary, KTDA

D. FARMER

Mr. David Ichoho - Farmer, East of Rift Valley

AGENDA

1. Prayers
2. Preliminaries/Adoption of the Agenda
3. Confirmation of Minutes
4. **Meeting with Stakeholders in the Tea Industry Stakeholders to Discuss the Pricing of Tea in Kenya**
5. Any Other Business
6. Adjournment/Date of the Next Sitting

MIN. NO. NA/A&L/2025/194: PRELIMINARIES/ADOPTION OF THE AGENDA

The Chairperson called the meeting to order at half past ten O'clock and prayed. He then called all persons present to introduce themselves.

Hon. Gabriel Gathuka Kagombe, MP declared conflict of interest in the matter under deliberation pursuant to Standing Order 90 as he is a Board of Director of KTDA. Members deliberated the extent of his conflict and it was resolved that he will attend the meetings because his presence will not influence the Committee's decision on the Inquiry. He was however requested to join KTDA during their presentation.

The Agenda of the day the was adopted having been proposed by the Hon. Yussuf Mohamed Farah, MP and seconded by the Hon. Patrick Kibagendi Osero, MP.

MIN. NO. NA/A&L/2025/195: CONFIRMATION OF MINUTES

This agenda item was deferred to the next meeting.

MIN.NO.NA/A&L/2025/196: MEETING WITH STAKEHOLDERS IN THE TEA INDUSTRY TO DISCUSS THE PRICING OF TEA IN KENYA

THE KENYA TEA GROWERS' ASSOCIATION (KTGA)

Ms. Lindah Oluoch, Chief Executive Officer for KTGA informed the Committee that:

1. Tea prices in Kenya were lower than expected because of high cost of production, regulatory uncertainty and high volumes of tea in Kenya. The minimum price for Kenyan teas which was put in place in July 2021 contributed to high volumes of unsold teas. Increases in various regulatory costs i.e. tax related costs, compliance related costs (KEBS, NEMA and the Water Regulatory Authority) contributed to the cost of production.

2. Labour costs for tea plantations were higher in comparison to small holder farmers as most employees working in tea plantations were in unions bound by CBAs. Employees in plantations are paid Kshs. 22 per Kg of tea plucked while those working for small holder farmers are paid between Kshs. 8 and 10 per Kg of tea plucked. It is because of the high cost of labour that tea plantations begun using machines to pluck tea.

3. Contrary to perceptions, mechanised tea is able to meet the required standards. It is almost the same as hand plucked tea. She undertook to provide data on the use of mechanisation in tea plucking.

4. Members of KTGA usually plant high-yielding varieties developed in partnership with the Tea Research Institute. A hectare of tea in plantations produces 13,000 Kgs of green leaf while small holder farmers realise 5,000 Kgs of green leaf per hectare.

5. Most plantations do value addition for the local market.

6. Regulations made in the tea sector do not recognise that there are different players in the sector. Large scale tea growers objected to the setting of a minimum price of tea. They also objected the banning of Direct Sales as it would lead to closure of most of their businesses.

7. Organoleptic testing of tea is scientific because there is empirical evidence showing that there are buyers who pay more because of the taste of tea.

8. Ms. Oluoch was requested to provide the statement for Mabroukie Tea Estate in Limuru and statements of tea factories under KTGA in the West of the Rift Valley.

Details of KTGA's submission are in Chapter Three of the Report on the Inquiry into the Pricing of Tea in Kenya.

THE KENYA TEA DEVELOPMENT AGENCY (KTDA)

Mr. Chege Kirundi, National Chairman of KTDA informed the Committee that:

1. Factories are governed by growers who elect directors. The elections are conducted by the Independent Electoral and Boundaries Commission. KTDA has 15 board members, 12 elected from the 12 zones and 3 executive directors. Each of the twelve zones has a minimum of 3 factories and a maximum of 8 factories.

2. During the privatisation of KTDA, 54 companies (19 from the West of the Rift Valley and 35 from the East of the Rift Valley) bought shares in KTDA. This explains why KTDA has more board members from EoR (7) compared to the WoR (5). The 54 shareholders are the owners of the 71 tea factories under KTDA.

3. The price of tea is determined by the buyer depending on their capacity and market. The amount of money realised by a famer from tea sales is determined by the costs in the farm, manufacturing and sales. The quality of tea is determined by several factors including altitude, clones, husbandry, plucking, and time within which it is delivered to the factory. The weather and road maintenance affect the time within which green leaf is collected from farms.

4. Green leaf hawking has contributed to the low quality of tea in the West of the Rift Valley and it needs to be addressed urgently.

5. Some of the operational costs incurred by factories are labour (19%), power (12%), electricity and cost of finance especially in the WoR.

6. KTDA seconds 6 to 7 management staff to factories and any employment at KTDA is approved by the board.

7. The cost of wood fuel has gone up because KTDA does not have enough trees.

8. There are 4 statutory KTDA meetings and 1 AGM. KTDA usually budgets for 6 operational meetings for directors to be apprised on the state of operations in factories. However, the Tea Act gives factories independence and they can therefore hold meetings that KTDA is not aware of.

9. KTDA cannot determine the directors elected because it is done democratically by farmers.

10. There is one complete hydropower plant in Nyamira County, Chemosit Power Plant is 60% complete while land has been acquired for construction of Kipsonoi Power plant.

Details of KTDA's submission are in Chapter Three of the Report on the Inquiry into the Pricing of Tea in Kenya.

Members' Deliberations

1. Members proposed that there was need to look into the attitude towards quality especially in the WoR.
2. It is important to take farmers from the WoR for benchmarking visits to factories in the EoR for them to learn best practices.
3. Lifestyle audit needs to be done on KTDA directors in the WoR.
4. KTDA should provide written submissions on laws that need to be amended to improve the tea sector and data on the shareholding of each of the 54 companies that own the Agency.

Mr. David Ichoho a Farmer from East of Rift Valley was requested to make his submission on Monday 1st December, 2025.

MIN. NO. NA/A&L/2025/197: ADJOURNMENT/DATE OF THE NEXT MEETING

There being no other business, the meeting was adjourned at thirty-five minutes past three O'clock. The next meeting will be held on Monday, 1st December 2025 at ten O'clock.

SIGNED: .... **DATE:** ...17/12/2025...........................

HON. (DR.) JOHN KANYUITHIA MUTUNGA, PhD, CBS, MP
CHAIRPERSON,
DEPARTMENTAL COMMITTEE ON AGRICULTURE & LIVESTOCK

THIRTEENTH PARLIAMENT - FOURTH SESSION - 2025

DIRECTORATE OF DEPARTMENTAL COMMITTEES

MINUTES OF THE 43RD SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE AND LIVESTOCK HELD ON TUESDAY, 11TH NOVEMBER 2025 IN COMMITTEE ROOM 13, 2ND FLOOR, BUNGE TOWER, PARLIAMENT BUILDINGS AT 10:00 AM

PRESENT

1. Hon. (Dr.) John Kanyuithia Mutunga, PhD, CBS, MP - **Chairperson**
2. Hon. Brighton Leonard Yegon, MP - **Vice-Chairperson**
3. Hon. Sabina Wanjiru Chege, CBS, MP
4. Hon. Geoffrey Makokha Odanga, MP
5. Hon. Justice Kipsang Kemei, MP
6. Hon. Jared Odoyo Okelo, MP
7. Hon. David Kiplagat, MP
8. Hon. Patrick Kibagendi Osero, MP
9. Hon. Yussuf Mohamed Farah, MP
10. Hon. John Okwisa Makali, MP
11. Hon. Marianne Kitany, MP

ABSENT WITH APOLOGY

1. Hon. Ferdinand Kevin Wanyonyi, MP
2. Hon. Lawrence Mpuru Aburi, MP
3. Hon. Gabriel Gathuka Kagombe, MP
4. Hon. Monicah Muthoni Marubu, MP
5. Hon. Ruth Adhiambo Busia Odinga, MP
6. Hon. Richard Kipkemoi Yegon, MP
7. Hon. Dorice Donya Aburi, MP

IN ATTENDANCE

COMMITTEE SECRETARIAT

1. Ms. Laureen Wesonga - Clerk Assistant I
2. Mr. Victor Kilimo - Clerk Assistant III
3. Mr. Gerald Kadede - Legal Counsel II
4. Ms. Teresia Macharia - Intern

AGENDA

1. Prayers
2. Preliminaries/Adoption of the Agenda
3. Confirmation of Minutes
4. **Meeting to Discuss the Terms of Reference for the Inquiry into the Pricing of Tea in Kenya**
5. Any Other Business
6. Adjournment/Date of the Next Sitting

MIN. NO. NA/A&L/2025/190: PRELIMINARIES/ADOPTION OF THE AGENDA

The Chairperson called the meeting to order at half past ten O'clock and prayed. He then informed the meeting that the Honourable Speaker had coopted Hon. Marianne Kitany, MP; Hon. Richard Kipkemoi Yegon, MP and Hon. Dorice Donya Aburi, MP to the Committee for purposes of the Inquiry.

The Agenda of the day was adopted having been proposed by the Hon. Justice Kipsang Kemei, MP and seconded by the Hon. Patrick Kibagendi Osero, MP.

MIN. NO. NA/A&L/2025/191: CONFIRMATION OF MINUTES

This agenda item was deferred to the next meeting.

MIN.NO.NA/A&L/2025/192: MEETING TO DISCUSS THE TERMS OF REFERENCE FOR THE INQUIRY INTO THE PRICING OF TEA IN KENYA

The draft terms of reference for the Inquiry was presented to the Committee by the Secretariat. Members adopted the terms of reference with the following amendments:

1. Scope of the Inquiry

In conducting the Inquiry, the Committee will:

a) carry out an analysis of the tea sector value chain by mapping out the entire tea value chain i.e. pre-production, production, harvesting, conveyancing, processing, marketing, auction, retail and export. The Committee will also identify the points at which pricing of tea is done and the determinants, as well as assess the flow of information and decision making in relation to setting the price of tea;

b) review the roles of TBK, KTDA and other players by analysing the legal frameworks governing the marketing, auction and export of tea to identify overlapping roles, policy gaps or excesses that hinder effective price regulation and burden the farmer;

c) examine the tea auction process and alternative marketing channels;

d) examine the cost of inputs i.e. fertilizers, transport, labour e.t.c. and analyse factory and export profit margins and identify inefficiencies along the value chain;

e) investigate farmer payment structures, the bonus system and deductions;

f) propose ways of improving pricing transparency and accountability, and suggest value addition, diversification and innovation strategies; and

g) examine tea testing and classification.

2. Include factories in the West of the Rift in the field visits.
3. Include the Tea Research and Training Institute in the list of institutions to be visited.

The Committee Secretariat was directed to conduct desk research on the categorisation of tea in other parts of the world.

MIN. NO. NA/A&L/2025/193: ADJOURNMENT/DATE OF THE NEXT MEETING

There being no other business, the meeting was adjourned at twenty-five minutes past eleven O'clock. The next meeting will be held on Thursday, 13th November 2025 at ten O'clock.

SIGNED: .... **DATE:** 4/12/2025

HON. (DR.) JOHN KANYUITHIA MUTUNGA, PhD, CBS, MP
CHAIRPERSON,
DEPARTMENTAL COMMITTEE ON AGRICULTURE & LIVESTOCK