

Acknowledgements

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Disclaimer

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This review focuses primarily on ten tea producing countries; Bangladesh, China, India, Indonesia, Kenya, Malawi, Rwanda, Sri Lanka, Turkey and Viet Nam. These will be referred to throughout this report as the ‘focus tea producing countries’ or the ‘focus countries’.

Glossary

BHRRRC	- Business and Human Rights Resource Centre
CTC	- Cut, tear, curl (in the tea manufacturing process)
ETI	- Ethical Trading Initiative
ETP	- Ethical Tea Partnership
FAO	- Food and Agriculture Organization (a UN agency)
IGG	- Inter-Governmental Group
IDH	- The Sustainable Trade Initiative
ILO	- International Labour Organization
ITA	- Indian Tea Association
IUF	- International Federation
KTDA	- Kenya Tea Development Agency
WWW	- Women Working Worldwide

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About THIRST

Our goal is to transform the tea industry so that tea workers and farmers are empowered and their human rights are protected.



We aim to achieve this through:



Convening stakeholders

THIRST is the first civil society driven organisation dedicated to bringing together key actors in the tea sector to discuss problems and explore solutions. For example, facilitating a group of NGOs to challenge and monitor company responses to allegations of sexual abuse on Malawi tea estates.



Sharing our resources and expertise

THIRST disseminates knowledge about human rights in the tea sector to help ensure that tea workers' and farmers' representatives, civil society and the industry have access to the most up-to-date insights and information.



Catalysing change

Where appropriate, in alliance with other civil society organisations and in response to evidence gathered, THIRST advocates for changes in the tea industry and by relevant governments to protect tea workers' and farmers' rights.



Introduction

In 2022 THIRST embarked on a three-year Human Rights Impact Assessment (HRIA) of the global tea sector. Individual company HRAs often result in the conclusion that there is a limit to what individual companies can do to reduce negative human rights impacts in their global supply chains since these are often driven by sector-wide, systemic issues. Hence an independent HRIA of the global tea sector is more likely to identify where systemic root causes lie and what needs to be addressed at industry level to have a sector-wide impact on the wellbeing of those at the source of the value chain.

THIRST's tea sector HRIA is an independent study in the sense that it has not been commissioned by any external company or organisation, although a number of tea sector stakeholders have contributed financially while guaranteeing THIRST's independence in reporting the results.

The first year of the tea sector HRIA saw the publication of *Human Rights in the Tea Sector – The Big Picture Literature Review*¹. This described the global tea industry and the way that it works, outlined the human rights standards, principles, conventions, laws and policies designed to protect tea workers' and farmers' livelihoods and wellbeing, and reviewed a wide range of reports on their actual experiences by trade unions, NGOs, academics, governments and the media. The report identified a significant gap between the human rights of tea farmers and workers in principle and in practice. This report attempts to analyse some of the key root causes of that gap through listening to the perspectives of multiple players at every level of the global tea value chain and of commentators and experts on the wider context within which the industry operates.

Executive Summary

Ten key root causes of the human rights gap in the tea sector

In 2022 THIRST published a literature review entitled Human Rights in the Tea Sector – The Big Picture – Literature Review.

We identified a significant gap between the human rights in principle – as defined by a plethora of standards, laws, policies and conventions – of tea workers and farmers, and the upholding and respect of their human rights in practice as documented by trade unions, academics, NGOs, governments and the media.

In 2023, THIRST interviewed, held focus group discussions with and surveyed close to two hundred individuals throughout the tea sector value chain right from famers and workers through to retailers, as well as civil society stakeholders, regulators and technical experts in agricultural economics, political economy, international legislation, gender, global supply chains and organisational development.

Nine of the ten phenomena outlined below are those that emerged most strongly from these conversations about what is driving that ‘human rights gap’ in the tea sector. The tenth suggests an explanation for the strength of resistance to change in the sector.

The aim of crystallising these thoughts and presenting them together here, is to provide the industry and its stakeholders with a basis for an informed conversation about what actions can be taken to address the factors that are holding it back from being a thriving industry that is fair to all within it.

(Quotes in the Executive Summary without sources provided are from interviewees/FGD participants, more detail is given in the full report).

Economics 101: Oversupply + Under-demand = Low Prices

A strong theme emerging from THIRST’s study was the growing global over-supply of tea resulting in a steady decline in real term tea prices – often below the cost of production; “it’s very clear there is a real crisis in prices... because of demand supply mismatch... there’s a glut in the market without proportionate increase in demand.”

From its beginnings as a valued health-giving herbal drink in China, and later an expensive delicacy for European aristocracy, tea has descended into a largely cheap, mass-marketed commodity, and though costs of production have been steadily increasing, prices for producers have stayed stubbornly stagnant.

Inevitably, persistent low prices have an impact on those who are the least powerful in the value chain. But, because tea is sold primarily at auction, to which private sale prices are pegged, efforts to increase the price paid to tea producers would need to overcome the complexity of current global commodity price setting mechanisms.

Better quality tea commands higher prices and the demand for tea is relatively inelastic. This means that even those who do not feel so driven by human rights concerns will not abandon it if the price – and quality – increase slightly... so retailers could in principle agree never to push for prices that are below the cost of sustainable production.



Power imbalances from plantations up

Power inequalities, particularly at production level, appear more accentuated in tea compared to other industries. At the apex of the value chain are the tea brands and retailers. Consumers hold a certain amount of power, but do not tend to use it intentionally and collectively. Blenders' and packers' power comes from sharply increasing the value of tea by turning it from a 'commodity' into a 'product'.

Brokers, agents and other intermediaries operate between this level and the tea production companies and their associations. Within plantations there is a strictly delineated management and supervisory hierarchy. The least powerful are the women who tend, weed and pluck the tea – in addition to caring for their children, elders, their sick, their animals and their homes.

The historic relationship between the manager with "absolute control" and workers who are "confined and dependent on the estate economy" is deeply embedded in the industry's mindset. The idea that people from the 'lowest' echelon of this hierarchy could aspire to higher management roles is very rarely entertained.

The gender power imbalance is also baked in to the structure and systems of tea plantations, women were preferred as pluckers because historically, they were seen as "more docile and cheaper..."²

Smallholders, whose numbers have risen exponentially in recent years, have little negotiating power and lack the benefits of economies of scale, unless organised into associations like the Kenya Tea Development Agency. Without the formal structure of plantations and exempt from labour laws, women and children on farms and seasonal workers are effectively invisible, powerless and at the highest risk of human rights abuses.



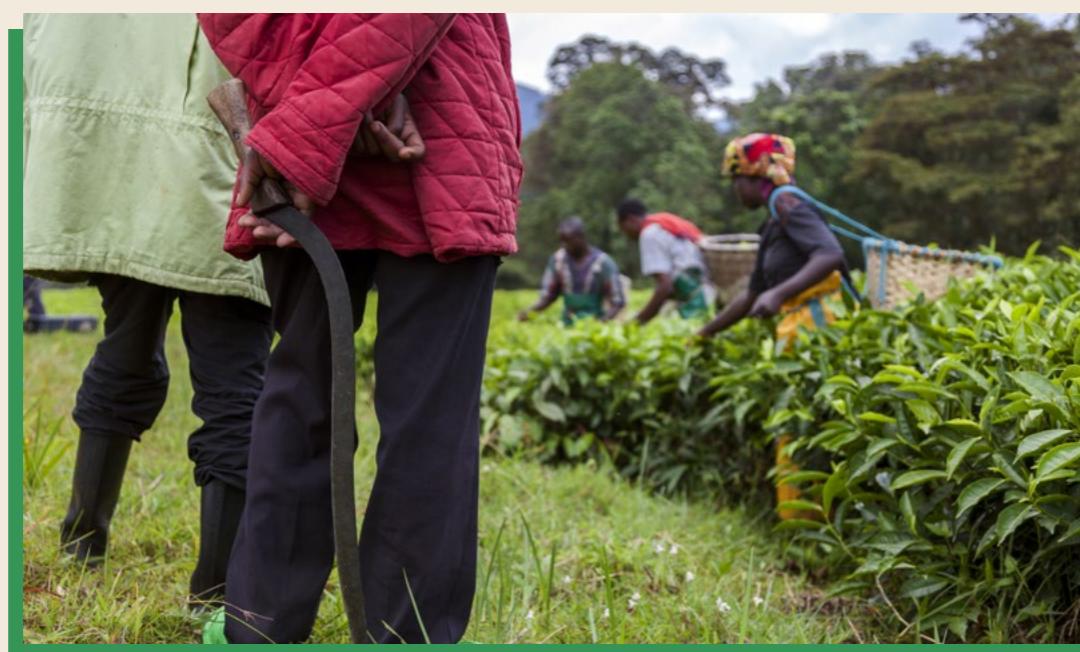
Workers treated as cogs in an industrial machine

While many tea estate managers respect and genuinely care about their workers, their historically high level of control over – and responsibility for – their workforce sometimes leads to the "dehumanisation"³ of workers. For example; "...managers referred to the workers as if they were inferior humans, or even animals... 'just like cattle,' unintelligent and prone to mob mentality"⁴.

Where this view of tea workers as unintelligent and less than human exists, their demands for human rights are not taken seriously or respected.

It would be easy to demonise estate managers for their attitudes and behaviours towards workers. But it is important to acknowledge the magnitude of the onerous and complex system that they have inherited and the pressures under which they are operating.

An understanding of human rights has not traditionally been a requirement for their role, but this may be changing; for example, one tea company is running a training programme designed to change the attitudes of managers towards workers so that "they see each worker not as a tool, but as a person with solutions."



Entrenched traits of tea trading

Four key points along the global tea trade route which impact on human rights of tea workers and farmers at its source are;

- *when growers sell green leaf to tea brokers and factories;*
- *when producers sell made⁵ tea via auction;*
- *when traders and retailers buy tea directly from producers; and*
- *when supermarkets sell packaged tea to consumers.*

Unless organised into clusters, smallholders' dependence on independent or 'bought Leaf' factories to buy their rapidly perishing tea risks forcing them to sell at below the cost of production. This lays them open to exploitation.

The widespread practice of selling processed tea through auction creates further barriers to prices covering the cost of sustainable production. This is driven by the predominance of a small number of very large buyers who can use their strength to dictate prices, traders capitalising on price movements, unfair buying practices at auction centres, poor representation of farmers/producers by brokers, and difficulties for local buyers to compete with multinationals.

The international tea market gives few incentives for ensuring decent working conditions and respect for human and labour rights in the sector. While buyers expect producers to adhere to company codes of practice and/or certification standards, most provide no support to their suppliers in meeting these requirements. Low prices impact producers' ability to offer decent work, create difficulties in paying wages and overtime pay and bonuses, trigger the substitution of permanent by temporary workers, and lead to reduced investment and a higher risk of going out of business.

As well as contributing to low tea prices through their purchasing practices, supermarkets may also impact on the condition of tea workers and farmers through their selling practices. These include selling lower quality tea (thus eroding consumers' demand for better quality tea), selling tea as a 'loss leader' or on special offers (thus reducing the value available for distribution along the chain) and being over reliant on certified tea (thus creating the false impression that human rights are being fully met). Consumers expect that supermarkets and trusted brands are already ensuring human rights are respected, so fail to push retailers and brands for higher standards.

Reluctance to 'lift the carpet': the opacity of the tea sector

"Transparency is important because it helps us in establishing linkages, as well as the way the trade functions within the tea industry." And "...hidden supply chains leave workers and rights-advocates in the dark – unable to independently verify if or how policies are being implemented until brands and retailers disclose where they source their tea."⁶

Another challenge is lack of transparency around financial data, which makes it hard to assess the potential resources available for investing in improvements for workers and farmers. IUF General Secretary, Sue Longley said; "For many years the IUF's work to improve conditions on tea plantations was hampered by lack of transparency about source plantations."⁶

It is also a barrier to discerning how value is distributed along the supply chain and ensuring that all stakeholders receive equitable compensation. On the other hand; "...nobody knows the cost of production" or it is known but kept hidden. Without this data it is difficult to advocate on the fair distribution of value through the value chain.

Transparency is increasingly being demanded by consumers, governments, investors and retailers. The media is also putting more pressure on the rest of the supply chain to participate in the human rights discussion.



Governing tea - legislation and politics

In several countries where tea is grown, tea companies are expected or required by law to provide housing, drinking water, health care and other social services to workers and their dependents. Some companies feel that these are the responsibility of the government, not companies whose priority is profit-making. Commentators argue that it places too high a financial burden on companies and “is shown to have undermined the international competitiveness of the sector.”

Lower profits means there is less resource available to invest in workers who become less willing to continue working on plantations leading to industrial unrest and labour shortages. Yet, the suggestion that government should take over these services also makes the industry uncomfortable as they would then lose a certain amount of control.

Smallholder tea farmers are usually not subject to the laws that apply to large plantations which means they have less access to benefits and there is less visibility of whether or not their rights are protected.

Many tea production countries have strong labour laws, but interviewees question the extent to which they are being implemented. Most of the key tea producing countries have ratified relevant human rights instruments, and are in principle committed to respect fundamental ILO principles. Yet Kenya is one of the only tea producing countries to have published a National Action Plan on business and human rights. There is thus uncertainty about the potential effectiveness of upcoming legislation such as the EU’s Mandatory Human Rights and Environment Due Diligence laws.⁷

Governments also have a responsibility for creating a thriving local economy that can buy tea, supply the industry with inputs, and ensure an adequate infrastructure for its cultivation, processing and transportation. When the tea industry is struggling as now, governments need to stimulate the local economy so that former tea workers and farmers have alternative income sources. But governments of tea producing countries often do not have sufficient resources themselves to provide all the required support and infrastructure.

Tea producing countries currently compete against each other for export markets, often, in the process, undercutting each other and thus contributing to the stagnation of tea prices. They also fail to collaborate on the issue of the global oversupply of low quality tea.





Over-reliance on certification to tackle human rights issues

Many in the tea sector have adopted certification standards to provide assurance of the social and environmental conditions of production. Certification has reportedly brought a wide range of benefits to workers and farmers, the Fairtrade premium has enabled communities to finance valuable community projects, and RA's new standards require brands to share the responsibility and cost of improvements at producer level.

But limitations to the system include the assumption that social audits can detect serious issues, (which has repeatedly been proved not to be the case), the compliance mentality (which does not lend itself to partnering or mutual responsibility for resolution), and lack of data transparency and accountability (which means that issues may be repeated time and again).

Some feel that certification may not just be masking human rights issues, but might be exacerbating them by failing to demonstrate that there are serious consequences for appearing to allow human rights abuses to take place; "giving them a certificate is like legitimising... human rights gaps."

Certification can increase producers' workload and add to their already considerable production costs with little or no benefits in return if other value chain actors do not contribute. The time and money that the industry invests in certification means that resources are being diverted away from workers' wages and farmers' remuneration.

Certification scheme owners themselves (such as Rainforest Alliance and Fairtrade) stress that; "certification is a first step in a transition to sustainability, but it's not able to solve or to address the root causes." But "there remains an over-reliance on certification standards... to "guarantee" protection of human rights... they cannot be seen as a substitute for robust human rights due diligence." The OECD guidelines on human rights due diligence require all actors in the value chain to do their own human rights due diligence, monitoring whether their own actions are contributing to human rights abuses and, if so, taking necessary actions to prevent and remediate them.

Certification systems cannot and should not be used as a substitute for this.

Consumers do not understand that the certification mark is intended as a mark of continuing improvement rather than a seal of human rights compliance. "Certification is relied on by consumers. They think if it's [certified] – then job done."

The fragmented landscape of tea

There are widespread concerns about the lack of coordination and cooperation between different players within the global tea sector. The tea industry is "very fragmented; packers and producers don't talk to retailers, retailers don't talk to packers and producers, there's much less vertical integration, so change is harder."

Because the market is so fragmented, producers lose out; "Customers are not willing to pay more because for them it's not a consolidated market... the producers don't have any unity." (Although they are unified in holding to the agreed minimum wage for workers). This means that they don't jointly insist on a minimum price that will cover a sustainable cost of production.

"We are fighting against each other to survive in a very shrunken market and that is why we are not making money."

Tea production is also going through an accelerated fragmentation process as more and more tea is produced by smallholder farmers, overtaking plantations in volume. Consolidation of groups of smallholder tea farmers – like KTDA – helps, otherwise they and their families are isolated, invisible to the wider market and often struggling to make ends meet.

Stakeholders outside the industry struggle to make an impact because of the lack of cohesion within it; initiatives to bring them together have faced challenges due to tensions between stakeholders who could not commit to the processes or agree on a mutually beneficial way forward.

Yet tea retailers say; "the most challenging issue is that stakeholders are fragmented; certification bodies, ETP, export markets, big programmes by Action Aid, Care etc, work on living income, living wage... we need more alignment, as well as individual retailers taking action."

Despite the existence of the FAO's Inter-Governmental Group on tea (FAO IGG/Tea), many people feel there is no effective global body for tea, with members jointly identifying and addressing problems such as global over-supply and price stagnation.

There have been examples of sections of tea industry actors working in collaboration but these are either not sector-wide or have not survived. Yet cohesion is possible as examples in the coffee, banana and garment industries prove.

Tea's enduring historical legacy

Many of the historical structures and systems established at the outset of the global tea trade, are still, in essence, in place today, and may be a key factor in holding back the development of a fairer tea industry; "...tea cultivation...especially thrived in colonial conditions... because colonial states fertilized this industry with cheap land, labor, and other requirements." (Erika Rappaport)

Rather than dismantling the colonial-era tea plantations, many of the newly independent tea-producing countries continued to operate them more or less as before; unwilling to disrupt this valuable source of foreign revenue. Local elites replaced foreign rulers at the helm of tea production.

The historical system at plantation level is shaped by the rest of the value chain – of which it is an integral part. This also continues to operate on much the same model as in colonial times, eg auctions being dominated by a small number of powerful companies which are able to sustain pressure on producers to keep prices down.

Despite pockets of success, the sector-wide problems of low wages, poor housing, healthcare, education and gender inequality persist in large part because the biggest change in the tea industry from the colonial era is that tea has become a cheap, undifferentiated commodity. While pressures from human and labour rights activists mount, pressures from the market continue to suppress prices creating a very difficult balance for producers to strike.

Current efforts to improve the human rights of workers in the tea sector, including through certification, are seen by many at the production level as just another form of colonialism. "We are just playing a neocolonial game, which is the white guys in the industry... saying we have to protect our reputation..."

The disintegration of plantations and rapid expansion of the smallholder tea sector may be part of a process of decolonisation, but "it nevertheless retains some of the problems with the monocultural plantation... a recapitulation of the violent process of land takeover that occurred in the colonial period."

Key decision-makers at all levels of the tea sector need to focus on how to restructure the colonial industry model – from plantation to international trade – in a way that protects farmers from exploitation, ensures workers are valued and promotes biodiversity.

What is preventing change? "...the more they stay the same"

This perpetuation of the industry's colonial characteristics in the face of so many economic, social and political changes since its inception could be ascribed to the phenomenon of 'imprinting'. The colonial origins have created both structures and mindsets that were so deeply imprinted at its formation that it struggles to change.

Colonial era imprinting on the tea sector is evident throughout this report; in the power imbalances, the way that managers often see and talk about workers as inferior beings, in the entrenched trading practices, in the economic model of extracting wealth from populations unable to free themselves from poverty, and even, according to some interviewees, in modern-day attempts to police the delivery of human rights through certification.

It includes workers being resistant to moving away from failed tea plantations to find work, even if remaining could lead to starvation; tea producers reluctant to embrace change even when this would dramatically reduce their overheads; the persistence of anomalous institutions such as the auction although it limits producers' ability to maximise their earnings, and the persistence of corporate buyers' focus on maximising profits for the shareholder at the expense of all other considerations including the wellbeing of the workers and farmers at the source of the value chain.

However, in certain instances, imprinting can be overturned; "as the competitive context changes over time, the initially learned responses or knowledge sets are no longer advantageous in the new environment, which might lead to more active organisational attempts to change." (Marquis & Tilcsik 2013). This may now be happening in the tea sector. The "initially learned responses" such as paying workers very low cash wages supplemented with basic services are no longer advantageous to the industry.

Some production businesses are being sold to independent non-tea businesses or private equity firms which may significantly increase risks to the human rights of tea workers and farmers. Others are seeking knowledge to modify their colonial imprint by supporting and sourcing from smallholder tea farmers' groupings. The challenge for the tea industry and its stakeholders now is how to ensure that this new direction that the industry is beginning to take evolves in such a way that ensures that the growers, pruners, pluckers and processors of tea are able to make a viable living and that all of their human rights are met.

Methodology

THIRST conducted both face-to-face and online interviews and focus group discussions with a wide range of tea industry actors and stakeholders during the course of 2023. This included field visits to India, Kenya and Tanzania. Participants were chosen on the basis of advice from THIRST Trustees and other tea industry stakeholders.

Interviewees/focus group discussion participants



On-line survey

In addition to these conversations, THIRST conducted an on-line survey in which 22 tea producers from a range of countries participated. Interviewees, FGD participants and survey respondents were from the following countries:



Limitations of the study

Due to the constraints of time and resources, the research for this phase focused on South Asia, East Africa and European and US tea consumption markets. The experience of tea producers, workers, farmers, trade unions, government and civil society in East Asia and other tea producing regions, as well as Middle Eastern and domestic tea markets, may be different to that which is presented here. THIRST intends to fill this gap in future years by conducting similar enquiries in those regions.

This research is a listening exercise and as such is intentionally based on qualitative data; it is not intended to be a quantitative study. The in-depth conversations with a very wide range of stakeholders throughout the entirety of the tea value chain from tea farmers and workers to CEOs of tea brands and senior management of retailer companies provides a wealth of information and insights that may indicate where the need for further study lies, including

quantitative studies. For example, a number of interviewees highlighted the need for a study into the breakdown of costs from tea production right through to retail. Again this is something that THIRST intends to look into.

Another limitation was the small number of respondents to THIRST's Global Tea Producers' survey. Although 45 producers registered for the survey, only 15 of these took part. A further seven producers responded to a follow-up survey in which we asked them to indicate the extent to which they agreed or disagreed with the findings of the initial survey. Despite being a small sample size, we were able to extract some useful information from the data. THIRST intends to conduct similar surveys in the coming years, after building producers' trust in the organisation and the process, as we believe this will provide buyers with valuable information to help them ensure that their purchasing practices will enable producers to provide farmers and workers with a decent standard of living.

ROOT CAUSES 1

Economics 101: Oversupply + Under-Demand = Low Prices

“As an economist, it’s very clear there is a real crisis in prices and that crisis is because of demand supply mismatch... there’s a glut in the market without proportionate increase in demand.”



Increasing supply

A strong theme emerging from THIRST's study was the growing global over-supply of tea resulting in a steady decline in real term tea prices (often, as our survey of tea producers revealed, below the cost of production). A Kenyan tea producer confirmed that; “This is a supply driven market...currently there's a lot of over-supply of tea...that over-supply leads to the lower prices.” This starves producers of resources for investment which in turn inevitably adversely affects tea workers' wages and working conditions. The Chair of the International Tea Committee recently described the scenario as “terrifying.”⁸

But a US tea importer felt that far from making efforts to reduce oversupply, the actions of certain industry players are actually causing it to increase: “Supply is being rigged from one end, which is governments giving out free tea plants and subsidized fertilizer...we have NGOs promoting yield-based farmer field schools and large brands doing the same...we've already got oversupply... and we've got retailers and large brands driving down price...there isn't going to be much money left over to pay tea workers much more... And here we are with 175,000-200,000 extra tons of tea that nobody wants to buy.” Forum for the Future's Sally Uren echoed to THIRST the point that those who were increasing the supply of tea “...didn't see that by increasing supply ultimately they would be leading to a downward pressure on prices; when you are operating in a global market its madness to go on increasing productivity.”

Quantity vs quality

While volumes have been increasing, quality has been decreasing. From its beginnings as a valued health-giving herbal drink in China, and later an expensive, sought-after delicacy among European aristocracy, tea has – apart from a niche market for speciality teas – descended into a cheap, mass-marketed commodity. Oxfam CEO, Danny Sriskandarajah described for THIRST how tea had swung from being so expensive that it was almost “too elite” in 1706, when demand outstripped supply (from China) and a pound of tea cost the equivalent of £500 in today’s currency, to being “far too cheap as a result of industrialisation, global expansion and colonisation, low wages paid to pluckers, and the interplay between economic and political considerations.”

Tea Dictionary author, James Norwood Pratt, describes the situation in the USA in the 1980’s; “Tea was marketed as simply an anonymous brown beverage, always confusingly called “black tea,” and generally mass-merchandized as a supermarket loss leader. Alike in content and “convenience,” brands like Tetley and Lipton or Red Rose and White Rose lost whatever differences may have once existed between them. The consumer was taught to shop for the cheapest teabag—and the race to the bottom began. Tea packers learned to economize on quality by substituting mechanically harvested and manufactured teas from new tea lands, notably (but not only) Kenya and Argentina. As long as the tea was strong and dark, flavor mattered little more than leaf appearance—which mattered not at all once the leaf was chopped and concealed inside its shroud.”⁹ Although he goes on to describe what he calls a US tea renaissance, this description still very much holds true across much of the European tea-drinking world.

As an Indian tea producer reminded THIRST, when only lower quality tea is offered “the taste perception after some time will change... You get adapted to something. After six months to one year people will get adapted to that taste and they would not even buy these [higher quality] teas.”

Tea experts at different points in the value chain raised the idea that there has been an increasing trend towards prioritising tea volumes over value – quantity over quality – which is slowly weakening the whole value chain. For example, a UK tea brand told us: “Unfortunately we’ve had this ten-year period where the most significant producer in the world has gone for quantity, not quality.”

An Indian producer supported this view; "...the Kerala and South Indian Plantations started chasing volumes as a means to contain costs driven by higher wages and in the process quality got sidelined... One of the reasons why these integrated tea companies exited from plantation production is the fact that they could source teas cheaper from bought leaf factories, which is now over 50% of Indian production. It is good value for money for them. They may not be the world's greatest quality [but] it is all driven by cost. So they can get cheaper tea. This is what I call 'when milk is cheap, why own a cow' syndrome."

Impact of prices below the cost of production

Inevitably, persistent low prices will have an impact on those who are the least powerful in the value chain. A UK tea importer stressed how this impacts on worker wellbeing; "the oversupply is hurting everyone, so it hurts wages, it hurts human rights, it hurts the structure, undermines any formal structures... If the NGO voice was in there screaming about oversupply, it would help - if you've got oversupply living wage is a difficult thing to do. If you drop supply by 20% globally, you'd just suddenly be looking at a different industry, you can actually afford to invest. You'd attract big companies with investment if you can make a profit."

One respondent in THIRST's Global Tea Producers Survey told us: "We've been actually struggling for quite some time since the price of commodity in the market has not been matching with the cost of production, especially the labour cost and other costs... In our Collective Bargaining Agreement, the negotiations are cited every two years as an increment of wages, which currently is running up to around close to 45% of the total cost of operation. So I would say the biggest challenge is actually the cost of production, which does not allow us to improve the wages as well as the workers' living conditions."

Another highlighted the disconnect between tea buyers and sellers; "Just ask some buyers what do they think the cost of production is... Then ask the producers what the cost is. You will find that the buyers are not even aware of the average cost of production in each region."

The failure of prices to meet the increasing costs of production was recognised by one of the brands THIRST interviewed; "If you've got all of this activity going on where producers are not actually receiving the cost of production... so they take their whole production for a year and they're selling it for less than it cost them, or they're selling it for a price which is only enabled by the fact that they're not paying the right wages or they're using contractors, forced labour... all the things that can go wrong if you are having to live within an economy that is below the cost of production."

But, because tea is sold primarily at auction (or privately, at prices pegged to the auction), any efforts to increase the price paid to tea producers would need to overcome (or circumvent) the complexity of current price setting mechanisms, as explained to THIRST by a tea broker: "Price is based on a number of other factors, for example the value of the teas, the demand pattern for those teas, the availability of similar teas, the price that these teas are selling in Sri Lanka, the price that these teas are selling in Mombasa, the price that is prevalent in Iran or what is the last contract that UAE has signed, or the demand pattern, what is the stock position in the various consuming countries – all those factors help us to evaluate the teas. Because it's from a commercial point of view not an intrinsic point of view that you're going to sell the teas. All these factors play an important role when we evaluate the teas and then it is put in the auction."

But imposing a minimum price at auctions, as the Kenyan government did in recent years, may have the opposite of the desired effect, as a tea industry expert told THIRST; "Actually, it didn't move the level in the auctions at all, but what it did is it increased the number of tea lots that were unsold by three-fold every week, which actually reduced the farmer's cash flow and earnings in one fell swoop." Smallholder

tea farmers interviewed by THIRST confirmed that the floor price benefitted them initially but was no longer doing so due to tea being left unsold.

A Kenyan tea value chain expert supported this view; "There's a law that all CTC has to be sold through auction.¹⁰ We have specific buyers in Europe who buy tea privately, sometimes Fairtrade certified, and you are telling them they have to buy the same tea from the auction and pay the broker a cut, they are driven by cost so they would prefer just to go to Uganda or Tanzania – then that Fairtrade premium goes away, and the premium was helping to benefit the community. So that has really affected the smallholder farmer. The floor has price led to 50% of tea being unsold. One of the big Pakistan buyers was saying they don't want to buy Kenyan tea that is six months old for the same price as fresh."

Buyers often worry that even if they paid higher prices this may not translate into better pay and conditions for workers in the supply chain, but at least one tea trader felt that this should not be a concern; "You have people who are plantation managers who are really, really keen to make a difference and they know exactly what to do. They're normally well educated, well informed, they know what they want to achieve, they know what the standards should look like. And I've seen good examples of that... when there are people who own plantations, if you pay them a fair price they'll go out and do the things that they've always wanted to do." Other tea producers also confirmed that the main obstacle to improving wages and conditions was not their lack of commitment but lack of sufficient resources; "it all boils down to price, if we have better prices we can do all the things we're being asked to do – we still have to comply with national standards, we are not running away from our responsibility" said one, while another said "We are not foolish. Any professional manager will know that you need people - ours is a human-intensive industry. So we do everything within our affordability to retain our workers. That is common sense, that's good management. So if we get more than what we are doing now, the workers get more. If we get less, we have no choice but to make economies... So I think the world outside also must understand that we understand management and it is in our interest to keep the workers contented."

Quality tea gets better prices

It should go without saying that the better quality the tea, the higher price it can command in the market. Indeed, a tea exporter interviewed by THIRST went so far as to say; "The price of good tea is not going down at all. Good quality teas are still selling at a premium, at a very good price...". But rare, speciality teas commanding very high prices are the exception rather than the rule.

Producers recognise this – an Indian tea producer said; "We are here to create value. Tea is a commodity and the price is paid to you on the basis of the quality you drink. So firstly, we've moved away from quality – according to me the only way to revive [the tea industry] is to get back to quality."

A broker, whose job is to evaluate tea and set prices, confirmed this; "There will be a market for hand plucked tea, for very, very high priced teas, speciality tea markets, there are now markets in Europe and Japan who will pay a very high price. You see occasionally first flush teas, second flush teas from North India selling at very high prices, major buyers in certain countries look at the quality and if it's suitable to them price is not a factor. That will become a niche market. And as long as that is there people will want to cater to it, but how long can the production side get into that niche market is a question because hand plucking will get more difficult as time goes on."

However, as one tea factory manager pointed out to THIRST; "better price needs quality and quality needs investment," and his factory's recent drop in production due to lack of resources for investment has meant that, despite government subsidies and leniency on taxation, they have had to stop paying pluckers a bonus, and "even some rights may not be given."

Value distribution and the responsibility of the biggest takers

Professor Ramakumar of the Tata Institute of Social Sciences shared with THIRST the findings from a study of the value distribution along the tea supply chain in eastern India: “On an average, we found that producers received 11 to 15 per cent of the net profit... in the entire value chain, and this means that workers do not receive decent wages or proper working environments. This renders the workers in the primary units, particularly in small tea gardens, [vulnerable] to extreme conditions of exploitation.”

An Indian NGO told THIRST that it was a “known fact” that a small number of the largest (non-retail) buyers in tea were able to keep prices low through the sheer weight of their buying power and historical relationships with producers willing to accept lower prices for an assured sale.

Other interviewees drew attention to the role of retailers in setting these lower prices and expressed concerns about their apparent absence from multi-stakeholder discussions on the sector’s crisis, despite their considerable influence in price-setting. A tea importer told THIRST; “In volume terms, absolutely, the vast majority of tea produced in India is sold in India, but [supermarkets’] influence on the international markets with their pricing, their two-for-ones and their three-for-ones and loss leading... they’re the ones driving the value out of the category and they’re forcing everybody to just about keep their head above water.” He also felt that consumers who go for these special deals share the responsibility. Another industry commentator said “The UK retail trade has got to stop the ‘buy one get one free’ deals... the idea of bread and tea pulling people into the supermarket leads to a race to the bottom. They should be promoting quality instead.” Arguably these discounts do not increase sales and ultimately they are factored into the prices being paid to the producers.

The ‘loss leading’ referred to here is the supermarket practice of offering certain popular products such as tea, milk and bananas (in the UK) at a very low price – even if it means they will make a loss on it – to attract more customers into their stores. While the supermarket may be absorbing the loss in these cases, it does mean that there is less flexibility within the value chain to allow for better wages and working conditions at its base. According to Dan Crossley, executive director at the Food Ethics Council, “Loss leaders distort the reality of what things cost, including for those on low incomes. Artificially low prices are unsustainable. Honest pricing would mean customers get more transparency and a better sense of how much food and drink really costs. This, in turn, might help them value foods more and mean less is wasted.” He argues that the loss-leader approach “exploits those supplying the products, who typically have little say in deciding the final selling price at the checkout” and that, as a result “Many farmers and producers have been squeezed beyond the point of business survival.”¹¹

A UK tea brand told THIRST “The UK has got a reputation for buying lots of black tea, and we’ve also got supermarket private labels where it’s become commoditised and it’s a race to the bottom on price. From day one, that’s always been a major downward driver on price and a major problem... It drags down the whole trade because in the end someone’s having to pay the price for that tea and it’s going to be the person who’s picking the tea who’s paying the price for that. It’s an inevitable spiral when everyone’s drinking a cup of tea at one pence a bag.”

Another interviewee told THIRST; “everyday low pricing’, all this sort of thing, has really been very, very strong in the last 30 years. [Supermarkets] hold 40% of the value on the on-shelf... everybody’s pips are squeaking except theirs.”

Retailers may argue that increasing the consumer price of tea will lead to a reduction in sale volumes which would be equally damaging for producers, but in fact the demand for tea is relatively inelastic. In 2022 Euromonitor International (EMI)¹² pointed out that “Hot beverages are critically important to many people’s daily routines. Because of their caffeine content and, in many cases, cultural significance, consumers are highly reluctant to cut back in volume terms.” It calculated the one-year price elasticity¹³

for tea as just -0.14, “lower than all other beverages except drinking milk and ready-to-drink (RTD) tea.” This was demonstrated when, as one interviewee pointed out that in the UK “during COVID, grocery sales of tea, all discounts were removed and grocery sales actually went up for tea.”

EMI found that this effect held true even in conditions of persistent high inflation, for example in Turkey, “where inflation has been in the double-digits for years... overall hot drinks volumes have remained fairly stable. Both coffee and tea are very important in Turkey, and consumers are reluctant to reduce their consumption overall.” Consumers do seek out cheaper teas if possible, but it seems clear that with the increasing public concern in many countries about the wellbeing of workers in global supply chains, consumers may well be willing to pay a few more pence or cents on their weekly packet of tea to help ensure workers’ and farmers’ human rights are being respected.

Tea’s demand inelasticity means that even those who do not feel so driven by human rights concerns will not abandon it... and if tea overall was better quality, perhaps this effect would be stronger still. This means that retailers could in theory agree never to push for prices that are below the cost of sustainable production. Companies may be concerned about competition law, which prevents companies from getting together to agree price levels, lessons may be learned from leading garment brands, retailers and a trade union federation have formed an alliance to push for living wages in their supply chains.¹⁴ The banana industry, too, has seen collaboration between European and UK supermarkets, committing to respect living wages for those at the source of the value chain.

But even without increasing the consumer price of tea, there may be some margin in tea prices for the value to be more fairly distributed through the value chain. Oxfam, IDH and ETP’s Malawi 2020 Tea Revitalisation programme¹⁵ developed a tool to identify where such margin may exist that could then be used to bridge the gap between current and living wages. But, in addition to various issues raised by tea producers – including how they would manage living wages being paid in some estates and not others – not enough buyers were sufficiently willing to commit to sharing their profits in this way.

Unequal power dynamics operate at every level of the tea value chain. Although this is to some extent inevitable in any international agricultural value chain, they appear more accentuated in the tea industry, which has retained much of its historically hierarchical structure.

Potential discussion points for Roundtables

- *Would it be feasible for national tea boards and key organisations like KTDA to agree on quotas of volume and minimum quality standards for export?*
- *Should NGOs stop promoting and investing in programmes that increase tea volumes and focus instead on improving the quality of tea and also on crop diversification?*
- *Should NGOs be campaigning hard to reduce the global oversupply?*
- *How can the tea industry re-educate its traditional markets on good quality tea?*
- *Should supermarkets agree to stop selling tea as a loss leader, as well as cheap deals on tea?*
- *Could supermarkets agree to pay a minimum price for tea that would include the cost of sustainable production?*
- *Could tea producing countries agree collectively to charge a minimum price for tea (alongside a minimum commitment on quality) that would include the cost of sustainable production?*

ROOT CAUSES 2

Power imbalances from plantations up

“...the further you are from the soil, the better you are in money-making.”



At the apex of the value chain are the tea brands and retailers. Although consumers then buy from them, and although their buying preferences en masse can influence the fortunes of these companies, they do not consciously and jointly wield this power for greater gain. They are also subject to the influence of marketing and the availability of different types of tea in their retail outlets.

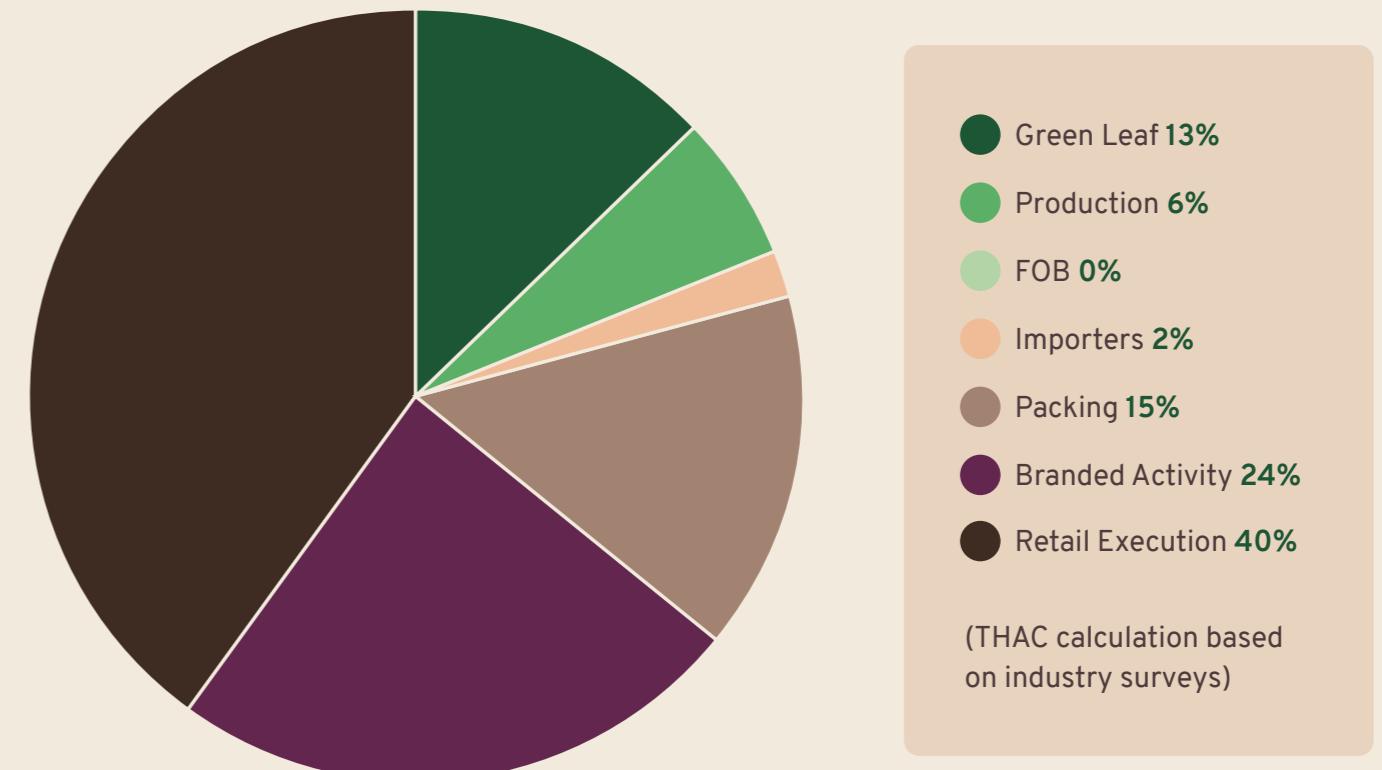
Many tea brands and retailers are also involved in packaging tea – a function which sharply increases its value, as it is at this point that tea stops being a ‘commodity’ and becomes a ‘product’. Despite already being in the final form that consumers will consume, made tea only becomes recognisable to those who will purchase it, once it has been put into tea bags and packages, along with the accompanying marketing messages and images.

Brokers, agents and other middle men act as intermediaries between this level and the next most powerful in the value chain, the tea production companies and their managers – even stronger when formed into tea associations with powerful government links.

Within the plantations that they manage is a strictly delineated hierarchy of senior managers, managers, assistant managers and supervisors. Below them are the men who work in the factories and fields. And the least powerful of all are the tens of thousands of women who tend, weed and pluck the tea – in addition to caring for their children, elders, their sick, their animals and their homes.

The share of value that is divided between these various levels reflects their relative power – with the bulk of the share being concentrated at the packaging and retail end, and just 11-15% being retained at production level, which must cover all the costs of production, including the pay and living and working conditions of their workforce. As one member of the Kenyan tea industry put it, “the further you are from the soil, the better you are in money-making.” This appears to be borne out by this breakdown of how the value of tea is distributed through the value chain.

Cost make up/distribution retail black tea %



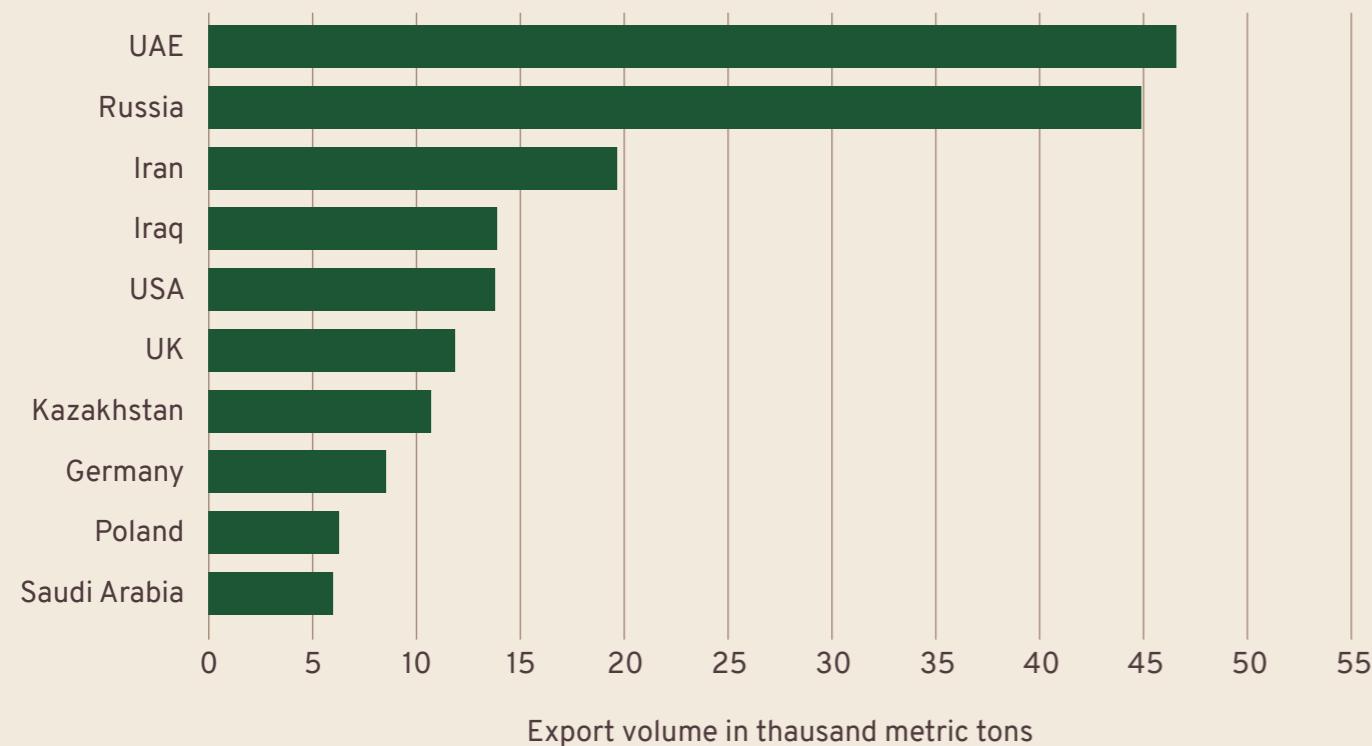
Power of retailers

Interviewees in THIRST's study described retailers, particularly supermarkets, as wielding a significant amount of power in the tea value chain. For example, a US importer told THIRST that supermarkets "hold 40% of the on-shelf value and they control consumer pricing... so they have a great deal of responsibility."

These views chime with the findings of Oxfam's 2018 report, *Ripe for Change*.¹⁶ It said "Inequality is rampant across the global economy, and the agro-food sector is no exception. At the top, big supermarkets and other corporate food giants dominate global food markets, allowing them to squeeze value from vast supply chains that span the globe, while at the bottom the bargaining power of small-scale farmers and workers has been steadily eroded in many of the countries from which they source..." and cited "poverty wages on Indian tea plantations" as an example of the impact on people supplying supermarkets.

Within many supermarkets themselves there is a power imbalance between the buying team and the sustainability team, which can undermine efforts to support the human rights of workers in the supply chain. As a supplier to UK supermarkets explained to THIRST: "When you go to a supermarket, you're dealing with a buyer, or category director, and the quality side, which deals with ESG¹⁷ as well. So you can have one conversation with the supermarket, which is all about ESG, and that's fine. But the buyer makes the decision in the end. And if the buyer thinks I can achieve all of the certifications that I need, I can tick those boxes, now it's a question of price, that disallows any engagement beyond certification - actually there's a bias and the social side of it is saying yes and the commercial side of it say no."

However, participants of a focus group discussion of European supermarkets stressed that their leverage over tea production companies – including via the tea brands that they stock – is limited as they only buy a small percentage of the tea that is produced, and other more dominant markets such as Russia and the Middle East do not prioritise human rights to the same extent. The graph below showing Indian tea exports volume in the financial year 2023, by destination country (in 1,000 metric tons)¹⁸ appears to corroborate this argument... although the combined proportion of tea bought by European countries and the United States is not negligible.



All the supermarkets in the focus group had codes of conduct to which they expect their tea suppliers to adhere (and enforce within their respective supply chains), but said that implementing these was challenging due to their "distance from suppliers [below tier 1]" and the difficulty of monitoring a large number of producers: "The expectation is that the code will be cascaded to the supplier – first tier suppliers have agents, it's not simple to get to production level." As a result they tend to rely on certification to demonstrate that human rights and environmental standards are being met. Later in this report we explore how this can risk missing, or even masking, human rights abuses.

But other interviewees often came back to the price pressure that supermarkets can apply – as we saw in the 'Economics 101' section and will explore further in the 'Entrenched traits of tea trading' section.

Power imbalance between buyers and producers

Tea producers responding to THIRST's survey reported that there were many long-term and stable trading relationships with their major customers, which is a positive factor in enabling good supply chain working conditions. For example, one participant said "Despite various challenges, we have maintained a good relationship with the majority of our customers for more than a decade." Some progress was also reported around the introduction of purchasing practices which support producers' ability to offer decent working conditions, notably around payment periods, and a quarter of respondents also benefitted from long-term commitments around future order volumes and prices.

However, an interviewee from a certification scheme owner reflected on the shifting power dynamics between producers and their customers: "the balance of power has really changed a lot. So earlier, there was a lot of supplier power in the system, today the power has shifted to buyers... They just shift their buying pattern from one supplier group to another supplier group. So the risk which the producer faces is much higher... at the end of the day, packers have always maintained their healthy margins continuously throughout the history."¹⁹

A tea broker also highlighted to THIRST this lack of producer power in determining tea prices: "If you think of any other product...whether it's a biscuit or a toothpaste – there is a relationship between the cost of manufacture and the selling price. In the case of tea it is not that, it is purely by supply and demand situation. So the producer, though he has a veto power, will be guided by us as to what we feel and we guide them by what the market situation is." The "market situation" is strongly influenced by what buyers are prepared to pay.

Several tea producers interviewed by THIRST confirmed this power imbalance; for example, a Tanzanian tea producer said "I send my tea to Mombasa [auction], and the broker decides whether to sell it or not. If I predict that it will sell for \$1.60 and the market is actually \$1.10, the broker may still sell it at that price and I have to accept whatever price is offered so I can cover my costs."

And, as a Kenyan tea estate manager buying leaf also from surrounding farms told THIRST, this dynamic is echoed at the level of tea estates buying green leaf in from smallholder farmers: "For the farmers there is no negotiation it will only be determined by the buyer...So there is no time like we say we negotiate with the [smallholder] farmers."

As well as being price takers rather than price givers, tea producers are also expected by some of their export customers, to comply with costly and time-consuming standards and certifications. Although this certification gives them access to export markets which they may not otherwise have, it does not generate sufficient additional income to cover the additional costs entailed. As a Sri Lankan tea company manager explained, in addition to being expected to "bear all the burden" of rising cost of

production and falling prices, efforts to conform to the standards and expectations of buyers mean that producers “are haemorrhaging from every side.”

Producers in THIRST’s survey reported that almost all customers required compliance with their codes of conduct, and/or certification standard, but that this was not reciprocated across the board in the commitments made by their customers. More than half the respondents in the follow-up survey said that their income from certified tea was not greater than the cost of certification. A producer told THIRST that they have two completely separate conversations with their customers on social standards and on buying.

A tea industry expert described a similar dilemma for tea farmers; “...how can you impose standards on a farmer when he is just thinking about putting bread on the table next week? You want me to spend money on putting a latrine in, for heaven’s sake... I haven’t even got that money. I’ve got to wait till next week to see what’s coming in. And then I’ve got to feed my family, and I’ve got to send my child to school.”

A survey respondent told THIRST that: “Farmers/cooperative cannot afford certification costs which is very high if you want to go for market or else, they must depend on and sale their tea to giant company, this makes low production because they never realise profit.” And another shared that: “Whilst full compliance to certification standards is useful, customers have not been pro-active in supplementing the attendant costs and more often than not the certifications are subject to frequent and expensive revisions every couple of years.”

It is perhaps little wonder, then, that a tea industry expert told THIRST that “I’ve always felt the producer is the underdog in the value chain, often unfairly.”

Power imbalance between plantation management and workers

The relationship between the manager with absolute control over highly dependent workers is deeply rooted in the industry’s history and deeply embedded in its mindset. Globalisation experts K J Joseph and Viswanathan, explain that tea Indian plantations’ “unique system of employment of family as a unit... was to ensure labour retention in the plantations and prevent workers from leaving to other sectors.” It also enabled plantations “to employ children (below 14 years) and female members to work on the plantations as low-waged casual workers”. Further, the fact that “Vast sections of the plantation workforce are either immigrants or tribals” means that they are “disadvantaged in terms of lack of access to resources, such as land, education, better living conditions and sanitation facilities.”²⁰ While, more recently, the trend has been for migration out of the tea estates rather than into them, many thousands of individuals remain and face the same issues.

A Sri Lankan tea producer echoed this dynamic in his interview with THIRST: “The daily wage based model is a 150-year-old model which was suited for the colonial time where the manager had absolute control of their terms and conditions... these people are like island in a sea of local people. So they depend on the manager. They couldn’t vote and work. So they were more or less confined and dependent on the estate economy and the estate looked after them, medical to education, whatever the form was, hospital, everything was looked after, they didn’t have to interact, they didn’t have to go out and they depended on the manager who looked after them. Because of that, the law was always in favour of the management colonial time. So the manager had absolute control of the terms and conditions... his word was a law and it was a successful enterprise.”

This interviewee’s point was that much has changed since then, and that in Sri Lanka at least there are now powerful trade unions and labour laws in place that, in his view make such exploitation of workers impossible, reports of such abuses do still emerge across tea origins. But as documented in THIRST’s literature review in 2022, in many tea origins – even in parts of Sri Lanka – echoes of such conditions do in fact persist.

Another THIRST interviewee described how this system had persisted into his father’s time as a tea plantation manager in the 1950’s: “The workers’ welfare responsibility was with the management. I’ve seen my father settling marital disputes, getting children married – the whole works including their health, their wellness everything was the management’s responsibility... so we had to provide everything from ration to medicine to schooling education, everything was responsibility of management. In those days there was no other option.” This interviewee also felt that things had improved for workers since those days – but, while there has undoubtedly been progress, many more recent documents report that a high level of dependence between workers and their managers persists.

The remote location of the estates and their historical separateness from the mainstream population and systems of governance mean that they can also, effectively, become the law-makers and enforcers. As a tea worker in the Columbia Law School study said “They are the court, they are the judge, they are the police.”

In the plantation sector, some of the more progressive tea companies have sought to address the power imbalance through structured communication and information sharing systems across different levels of the hierarchy, starting with grass root levels, but this is rare. One Indian company that has established a “participatory management system”, appoints one worker to the Board on the basis of the amount of tea she has plucked rather than her ability to represent her fellow pluckers. In other words, the idea that people from the lowest echelon of the social hierarchy should or could aspire to higher management roles – or even meaningful participation in management processes – is very rarely, if ever, entertained.

The power of managers is perpetuated by the recruitment norms in the tea sector. Senior management is virtually always recruited from outside the local labour force. This has the effect of sustaining the male dominance of management – attempts to recruit women from outside the area in Asia and Africa often end with the women leaving to follow their husbands’ jobs. It also reinforces the social and economic divide between managers – who are often ex-military and/or are graduates of a handful of expensive private schools – and virtually always male.

Workers should, in theory, be empowered by representation through collective bargaining and representation by trade unions. But THIRST’s 2022 literature review found that although “most workers on tea estates in the focus countries appear – at least in theory – to be represented by formal trade unions that have succeeded in securing some benefits for workers.... in [many] countries, unions in the tea sector are “weak, fragmented and inactive”²¹, and union leaders do not always represent the interests of the estates workers.” As a result, collective bargaining agreements (CBAs) may not always be in the best interests of workers. For example, trade union members of a Tanzanian factory workforce told THIRST that the CBA they had agreed to include a clause that committed them to working twelve hours a day, seven days a week for up to six months in the high season – with no option to refuse to do the overtime.

Nevertheless, particularly in South Asia but less so in East Asia and East Africa, workers do go out on strike to lobby for better wages and/or conditions. Increasingly, as the crisis in the tea industry intensifies, they are striking because their wages and statutory benefits are not being paid at all. However, when wages are being paid – albeit at a lower rate than workers would like, going on strike means losing out on wages, which workers can ill afford to do.

Power imbalance between men and women

There is a long-standing gender power imbalance in the global tea sector that has been well documented and confirmed in interviews.²² Across much of the global tea sector, women are concentrated in the lowest paid roles in the field (plucking, weeding etc.) and in factories (cleaning, sweeping, sorting leaves etc.).

This gender power imbalance is baked in to the structure and systems of tea plantations, as Joseph and Viswanathan explain: "...plantations were developed with a definite gender orientation in its occupational structure. This gender focus was manifest in terms of a preferential demand for women workers, particularly in the case of tea and coffee plantations (Konings, 1995). The reasons are that women workers are more docile and cheaper and their nimble fingers make them most suited for plucking the tea leaves/coffee beans as compared to their male counterparts."²³

Professor Ramakumar of the Tata Institute of Social Sciences told THIRST that his recent research in North India had found that "...unions, despite the commendable work that they do also are found to be patriarchal in many ways, [especially] union leadership. So the specific needs of women we found were not adequately reflected in the slogans or the demands raised by unions." That the situation is similar in South India was demonstrated in 2015 when a group women tea workers calling themselves Pempillai Orumai (Unity of Women) went on strike and expressly excluded men. One of their complaints was that the trade unions did not adequately represent them, partly because they were male dominated (since then the trade unions have ensured there are women on their tea estate committees).

Ramakumar's research also found that: "...the gender orientation of the workforce, which is predominated by women, which means that wages are close to 50% of what men receive in many places. The gender composition is a driving factor in pushing down the overall wage share because women are systematically paid less than men for the same kind of work [in privately-owned estates] ... the highest wage was earned by men who were doing more of indoor factory processing, not work in the field. In 2018 we found at that time in Bengal and Assam that the average wage rate [in the factories] was almost double the wage rate [in the fields]... and there was a 20 rupees on an average wage difference per day between men and women in the factory; in many factory jobs where the same task is performed by men and women, men are paid more."

As well as this stark gender pay gap, Ramakumar's research found that workers' roles were also strongly gender differentiated: "Women do more of cleaning the floor, that kind of work, but men are involved in direct processing activities of different kinds which are also better paid than the tasks for which women are employed and paid. Male workers are more in non-manual factory activities and women workers are more in manual factory activities."

While the examples above focus on India, the position of women across many tea origins is similar. This is partly because the tea estate model was often replicated in other tea origins. THIRST and Women Working Worldwide's briefing on the risk factors for gender based violence in the tea sector provides examples of gender power imbalance across East Africa and South Asia and how these lead to women tea workers and smallholder farmers being at high risk of sexual abuse and exploitation. The briefing was prompted by the Panorama/BBC Africa documentary²⁴ on sexual exploitation on Kenyan tea estates and by the court cases on sexual abuse on tea estates in Malawi in previous years – demonstrating that the disempowerment of women tea workers extends across multiple origins.

Power imbalances for smallholder tea farmers

With the exponential rise in the smallholder tea sector, it is worth remembering that, like smallholder farmers everywhere, their customers are far more powerful than them, they have very little negotiating power and lack the benefits of economies of scale for purchasing inputs.

Further, without the formal structure of plantations and not being subject to many labour laws that apply only to larger workplaces, the women and children of their families (who may be unpaid workers) and their casual workers are to all intents and purposes invisible and thus powerless and at the highest risk of human rights abuses.

However, as confirmed by Dr Monika Rana, CEO of Indcoserve²⁵, being part of a federation of cooperatives can provide the structure, scale and negotiating power they might lack as individual farmers: "Indcoserve works with 30,000 farmers for whom mechanisation is not possible and they are geographically dispersed. Getting a remunerative price is very difficult. The cooperative model helps. It is a fragmented production base but as cooperatives they have resilience." In Kenya, too, smallholder farmers benefit from being part of a federation of cooperatives – the Kenya Tea Development Agency²⁶ – which means that they effectively own the factories that they supply with green leaf.

Potential discussion points for Roundtables

- *How can supermarkets ensure greater alignment between their sustainability/human rights responsibilities and their buying responsibilities?*
- *How do trading systems and practices need to change to ensure that their tea suppliers are empowered to command prices that will cover the cost of sustainable production?*
- *What do tea suppliers and their governments need to do to ensure they are empowered to command prices that will cover the cost of sustainable production?*
- *How can tea workers and farmers be empowered to stand up for their human rights?*
- *How can the tea industry, trade unions and governments support them in this?*
- *What do tea companies need to do to ensure that their gender equity policies are being implemented effectively and meaningfully?*
- *What do governments of tea origins need to do to ensure that their gender equity legislation is being implemented effectively and meaningfully?*
- *What measures need to be put into place in countries where smallholder tea farming is emerging and growing exponentially to ensure that they are empowered and their human rights are respected?*
- *What needs to change to ensure that existing smallholder farmers are more empowered and their human rights are respected?*

ROOT CAUSES 3

Tea workers as cogs in an industrial machine

“...managers referred to the workers as if they were inferior humans, or even animals.”



In the previous section, we saw how the women workers in a tea plantation (or smallholder farm) are the least empowered and the lowest paid of everyone within the international tea value chain. We saw how this was not an accidental development, but one which was, in a very different era, with very different ethics, intentionally engineered. And while many actors today – tea company management, trade union representatives, governments, certification bodies, NGOs and multistakeholder initiatives – are making efforts to empower them and improve their pay and conditions, very little has changed for the vast majority of them in the nearly 200 years of the industry's existence.

As we learned from historians, at the East India Company's inception of the tea trade, women workers were deliberately chosen because they “are more docile and cheaper”. When asked why she thought it was mostly women who are employed in this role, a tea plucker in West Bengal told this researcher “Because we are easier to boss”. They were targeted as the most suitable candidates to become the pliant cogs that this colonial tea industry needed to function smoothly. Without them, and their acquiescence to low pay and physically demanding work, the entire complex system ceases to function in the way it was intended.

In order for consumers to continue being able to buy cheap tea, in order for brands and retailers and their shareholders to continue to have healthy profits, in order for production companies to keep afloat and their governments to continue to earn foreign exchange on tea exports, women workers in particular have to keep accepting their role as cogs in the industrial tea machine. And the systems and structures that were developed around them – the free housing and rations supplementing low pay, the strict managerial hierarchies, the isolation from outside influence, the reinforcement of the paternalistic relationship – are all helping to keep them securely there.

As one tea worker in Assam recently told a researcher, this sense of being trapped applies not just to women: “Everyone wants to leave but they can't. The pay is low but we don't have a good education so even if we go outside, we don't get anything better. Many try to work as construction workers. But then they don't get the house or the rations we get here. So we are all locked in. It is very hard to escape. It is too complicated.”²⁷ Tea sustainability expert, Michael Pennant-Jones describes how this plays out on, for example, Sri Lankan tea estates: “...they have got a set of laws and customary laws, behaviours which mean that workers are looked on in a certain way, which affects how you look at human rights. There's things like you can't transfer between tea estates, you can't leave your job at one estate and go to another and get a job... so there's a lack of freedom of movement, and that goes back to that old British colonial model. They are treated as if they are infantile, they're treated a bit like children.”²⁸

Tea estates – particularly in Asia – are fiercely guarded, as BBC journalist Justin Rowlatt found out in 2015 when his camera crew tried to film on an estate in Assam and were physically barred from going into the estate.²⁹ Managers fear that any relaxation in vigilance over their community of workers could disrupt the careful balance of power that ensures the smooth running of the estate. In an informal conversation, one member of a UK-based tea company told this researcher that estates needed to stay closed to prevent ‘undesirables’ from entering and disrupting the status quo.

As we have seen, managers are wholly responsible for the survival (if not the profitability that was once so much easier) of their companies, and this relies (amongst a plethora of other priorities and pressures) on the absolute compliance and subservience of a huge workforce. So, while many managers respect and genuinely care about their workers, some of them have learned to control their workforce by talking (and thinking) about them in terms that some, like behavioural scientist, Debarshi Roy describe as “dehumanisation.”³⁰ The Columbia Law School report³¹ researchers found that “Even when speaking to the research team, some... managers referred to the workers as if they were inferior humans, or even animals.” The management of one estate warned the research team “not to trust what workers said because they were ‘just like cattle,’ unintelligent and prone to mob mentality”. At another plantation, the doctor told the researchers that they had to understand that the workers had “lower IQs.”

This view of tea workers as unintelligent then leads to their demands for better pay and conditions not being taken seriously or respected. One senior manager told THIRST “The moment you give them all, they think of more. Because these people are not educated, so what happens it’s a herd mentality.” In his experience, “When they get enough money they get drunk and they sleep they don’t come to work for five days a week,” which he understood as being because “their needs are lesser.” However, research elsewhere has found that alcoholism is a widely prevalent problem in tea plantations (higher than in local non-plantation communities) and is linked with higher levels of illiteracy and with manual labour. Despite this leading to a host of medical and social problems (including domestic violence³²), possibly partly because their problems are often not taken seriously³³, although there have reportedly been some recent intervention programmes to address alcoholism on tea plantations, particularly in Assam.

When workers’ demands build up and overflow into strike action, management often becomes defensive and struggles to see the justification for the industrial action, or to credit workers with genuine motivations for it. The scholar Jayaseelan Raj, himself a child of a tea plantation, wrote of the 2015 Pemilai Orumai women-led strike in Kerala; “The portrayal of the Tamil plantation women as unresourceful was evident in the racist colonial conception of Tamil plantation workers as hard working but unintelligent. Echoes of this imagery were everywhere during the Pemilai Orumai strike. Many commentators, including trade union leaders, framed the strike as an anarchist act that could not be considered a proper form of resistance. They also repeatedly claimed that ‘invisible forces’ instigated the strike, an accusation the leaders of Pemilai Orumai strongly denied. These accusations were meant to rob the underclass—lower caste—Tamil speaking women of their due credit by suggesting they were incapable of organising themselves.”³⁴

A senior manager interviewed by THIRST considered it reasonable (for another manager) to withhold the pay and food rations that workers are entitled to on the due day in order to ensure their compliance: “...because every week they are only thinking about their [delayed] rations, their wages. I don’t let them think beyond that, because the moment they start thinking they don’t let me work.” While this may be an isolated example applying to a particular individual (as well as the manager who condoned it), it confirms that there are some managers who do not consider their workers to be entitled to (or even think about) the same rights and comforts as more educated or better off people, (eg people of their own class). In another example, a different manager told THIRST that the problem with outsiders arguing for the human rights of their workers was that “they are thinking about the human rights in the UK, which are not realistic here.” While, of course, all humans wherever they live are entitled to the same human rights, some commentators expressed concerns over assumptions such as what constitutes overtime, sexual harassment or a living wage which they felt are measured and defined very differently in different cultures.

When external organisations do succeed in gaining access to tea estates and call for better conditions, managers often say that they have must have been speaking to people who are not employed by the estate, or who are not representative of the wider estate population, that the examples of poor housing, sanitation, healthcare etc that they might observe are isolated examples and that these observers are unfairly failing to give credit for the examples of good housing etc which are also provided. Estate managers are, understandably perhaps, deeply frustrated by the failure of these commentators to acknowledge the instances of good housing, healthcare, sanitation and pay increases that they have managed to provide in a highly challenging economic environment. But their denials about the existence or extent of the negative examples are made in the face of overwhelming evidence reported by multiple observers almost since the inception of the industry.

It would be easy to demonise tea estate managers for these attitudes and behaviours. But it is important to acknowledge the magnitude of the onerous and complex system that they have inherited and the

pressures under which they are operating. In addition, as we have seen, to governing what is in effect a small township, they are also running a business. From agronomy to harvesting, transport to processing, accounts, reports, quality and volume, national and international standards, chemical management to health and safety. The workload of managing an estate is significant, often resulting in cognitive overload with managers having to make decisions about priorities. While this in no way exonerates any abuse of human rights, it should be factored into any initiatives to address management attitudes and behaviours.

Calls for human rights in global supply chains are becoming more pressing due to external and media pressure as well as human rights due diligence legislation. Respecting human rights is becoming a business requirement, and therefore will have to become part of the tea industry’s ways of working. It will become imperative that tea workers are seen, spoken about and respected as people who are entitled to the same human rights as everyone else. As one Kenyan tea production company is seeking to achieve in its new management training programme, the attitudes of managers towards workers must change so that “they see each worker not as a tool, but as a person with solutions.”

Potential discussion points for Roundtables

- *What needs to change in order to make relations between plantation workers and their managers and supervisors more equitable and mutually respectful?*
- *Is the younger generation of workers and managers introducing a more egalitarian relationship between them?*
- *How can tea plantation workers be empowered to put forward their demands in a way that will be heard and respected by their managers, and how can managers be empowered to hear and respect their demands?*

ROOT CAUSES 4

Entrenched traits of tea trading

“Historically... tea auctions were flawed as a price discovery platform and heavily biased in favour of the buyers.”



The tea trade is a truly global enterprise, with the tea from nearly sixty countries often blended together and sold all over the world, where it is prepared and drunk in many different ways with many different associated cultures and traditions. THIRST's research has identified various levers along that trade route which exacerbate the problems currently faced by many tea workers and farmers at its source. We will focus here on four of the most pronounced leverage points:

- *When growers sell green leaf to tea brokers and factories*
- *When producers sell made tea via auction*
- *When traders and retailers buy tea directly from producers*
- *When supermarkets sell packaged tea to consumers*
- *When growers sell green leaf to tea brokers and factories*

The barriers that prevent smallholder farmers of any crop or commodity from trading on favourable terms are well documented. Oxfam³⁵ looks at these barriers through the lenses of “risk, power, and structural barriers”. These can be summarised as follows:

Disproportionate risk which can deter farmers from investing in their farms and limit their capacity to buffer against potential shocks from, for example “issues related to price, inputs, climate, and land”.

Unequal market power, exacerbated by the “significant power asymmetries between global buyers and local farmers” in global value chains, restricts farmers’ ability to enhance their incomes.

Structural barriers that disadvantage small-scale farmers include “the captive relationships between a large and fragmented group of farmers and a concentrated group of buyers in many commodity sectors,” and “a diverse set of policy areas ranging from land rights to access to inputs, market infrastructure, export policies, taxation, and investment.”

THIRST’s literature review³⁶ confirmed that smallholder tea farmers face all these barriers and more. One of the factors that further exacerbates tea smallholders’ vulnerability, is the fact that there is a time restriction on getting the green leaf to the buyer or collection point. The longer this takes, the more the quality of the leaves deteriorates – and unscrupulous buyers can take advantage of this.

Smallholders often lack capital, skills and technology, or have fragmented and therefore uneconomic holdings and are usually dependent on independent factories to buy their tea at prices which are often below the cost of production. While THIRST’s Global Tea Producers Survey found that even large companies often have to sell made tea below the cost of production, the frequency and impact of this practice is likely to be more severe for smallholders.

The weak bargaining power of smallholder tea farmers was evidenced by those from the tribal village that THIRST interviewed in Tamil Nadu this year, who said they received Rs 12-13 per kg from the factory that they sell their tea to, well below the standard green leaf rate at the time of around Rs 15-16 per kg. There are a number of possible reasons for this, including selling through an aggregating agent or the cost of transportation of their leaves to the factory. Whatever the reason, they are left with less income at the end of the day.

In some countries, notably Kenya, smallholders face an additional risk of exploitation from itinerant tea hawkers. From the point of view of a farmer who cannot afford to wait to sell their tea through the official channels, and are in desperate need of fast cash, these hawkers provide a (high risk) lifeline. For example, Sarah Tonui, who farms two acres of tea and is supporting her diabetic husband who is

also a stroke victim, told a reporter: “I couldn’t afford to educate my children and I don’t have anyone else to depend on that is why I can’t help it but sell part of my green leaf to hawkers in order to afford basic needs such as food for my family.”³⁷ By doing so, she, and many like her, are not only getting a lower price for the tea, but will also miss out on the annual bonus they would have got from selling it to KTDA. More recently, private factories have been undermining the KTDA cooperative system by offering farmers (who are contracted to sell to KTDA) higher prices in the short term.

Within the smallholder sector, we have seen that women farmers and female members of farming families face even greater risks and barriers to decent livelihoods – this further hampers their ability to negotiate for good prices. THIRST and WWW recently described³⁸ how women who take the green leaf to designated Kenyan buying centres are often made to wait late into the night for collectors to take their tea which not only reduces the quality (and therefore value) of their tea, but also puts them at risk of sexual exploitation and abuse.

When producers sell made tea via auction

In most tea selling countries, once the green leaf has been processed into made tea, it is sold through auction – another element of the tea trading system that was originally established in colonial times.

The brokers through whom the tea goes to auction wield significant influence; they are the intermediaries between buyers and sellers, providing both with valuable market information. An Indian broker explained to THIRST: “As far as the markets are concerned we decide which is the market that these teas will be acceptable, because markets are very segmented these days and have preferences at various sectors. So we contact those buyers and send them samples of these teas and tell them that these teas are available and to kindly show their interest. Thereafter we print a catalogue which is two weeks after the teas arrive in the various auction centres and then on that particular day because there are predetermined days as far as various centres are concerned. So the buyers have got their samples, they have evaluated their teas on their own and then we give what we call a base or indicative price of the various teas on offer in that particular week for that auction.”

As outlined in THIRST’s 2022 literature review³⁹, the benefits derived from the auction system include the provision of an international marketing tool and a payment guarantee system for producers. Criticisms of the auction system include the predominance of a small number of very large buyers who can use their strength to dictate prices, traders capitalising on price movements, unfair buying practices at auction centres, poor representation of farmers/producers by brokers, and difficulties for local buyers to compete with multinationals. Critics also point out that other comparable commodities such as coffee and palm oil do not use the auction system and therefore question the need for it in the tea trade.

Many tea auctions are now run on-line rather than the traditional ‘open-cry’ model. In recent years, some countries have experimented with the ‘Japanese auction’ system (renamed the Bharat System in India)⁴⁰. Under this system, buyers enter the auction anonymously and the bids automatically go up in small increments. Buyers have the option to drop out of the auction once the price goes higher than they are willing to pay. The last buyer standing wins the bid. In theory, the system ensures that sellers get the best possible price and empowers smaller buyers since larger buyers do not know that they are bidding and therefore cannot push them out. However, one broker told us “But tea being the commodity it is, half an hour after the auction starts we know exactly what the major buyers are buying, what type of tea they are buying, what are the price levels they are buying at, what is his top limit what is his second limit.”

So the power of the larger buyer persists as these observations by N Dharmaraj confirm; “One buyer

could buy on behalf of any number of buyers, stifling competition. Even in the e-auction, you can argue, that there is no proxy buying; but since it’s all password managed, nothing prevents anybody from sharing their password with the others.”⁴¹ When an independent consultant was appointed by the Indian Commerce Ministry to look into these practices, Dharmaraj tells us; “Time after time, it was found that the biggest buyer in the country was sharing lots with the smallest buyer. This again tantamounted to restricting competition.” Thus the auction system reinforces the power imbalance between the producer and the buyer. “The producer, unfortunately, the underdog in the whole value chain, has the bulk of the cost. He has the highest cost share and lowest price share in the tea value chain.” The auction price also impacts other sales channels, including private sales, since they use the auction price as a reference point.

A tea producer described similar issues in Sri Lanka; “about 95% of our tea goes to the auction system...it’s a biased market...we have no say in determining what we get. If they say below the cost of production we have to sell because we can’t keep the physical goods in the factory...we are completely dependent on the auction system...where’s the equity in that?”

Dharmaraj concedes that “The inferences are not that buyers are mercenaries. They are serving their business objective, which is to source the raw material at the lowest cost, consistent with a quality spec of course, just as a seller wants to sell his produce at the highest price (produced at the lowest cost). Buyers have investment, business risks and costs. However, they have the option to pass on their cost to the next level of sale, through independent trade channels, a facility not available to the producer at the primary point of sale.”

However, it is important to ask why the auction system still exists and what possible options there are. Kenya for instance sells up to 11,000mt of tea per week in lots of 1-3mt, each lot needs to be individually appraised. The huge commercial pressure on buyers to get this right leads to the successful functioning of the system. How do you replace this?

When traders and retailers buy tea directly from producers

A tea trader and industry expert shared with THIRST his view that the problem with the auction system was that the producer “produces tea because the tea has to be plucked...” and once it is sent to auction via brokers “they’ve already produced the tea, so they’re cash poor already” while there is no expectation on buyers to pay a minimum price, all of which puts the producer at a disadvantage. When the Kenyan Tea Act did introduce a floor price, he feels that this failed because there was no stipulation of a minimum quality. He strongly advocated private contracts instead; “The beauty about private contracts is the fact that you do then enter a dialogue directly with the buyer. The buyer can also, instead of going into the auction each week, buy forward. Therefore, you now have a forward commitment for your tea has been sold. Therefore, you know what your cash flow is going to be as long as you reach a particular standard, which is also a qualitative pressure point for the farmer, which is good. Now he can start to plan his future. If he’s only selling tea in auction, is he going to spend three months earnings on a tractor? No, because he doesn’t know that he’s going to cover it. And going back to the human rights issues and the social welfare issues is that how can you impose on a farmer standards when he is just thinking about putting bread on the table next week?”

A number of interviewees for this study pointed out the anomaly that tea, unlike other commodity crops, does not have a formalised forward market system. As discussed in THIRST’s Big Picture literature review, there have been a number of unsuccessful initiatives to establish a forward market for tea, which could confer benefits to both producers and packers by smoothing the price curve, removing volatility

and enabling more predictability in prices in the short to medium term. While, as described above, forward trading can function through private contracts based on trust, there are limitations to this due to the variation in quality of tea, the lack of an objective standard for assessing quality, and lack of traceability which would allow buyers to sell forward production to others.

How purchasing practices impact producers

In the first half of 2023, THIRST conducted a survey of tea producers. A key finding from the survey was that from the perspective of producers, the international tea market gives few incentives for ensuring decent working conditions and respect for human and labour rights in the sector.

Producers told THIRST that while buyers (who may be packers, brands or retailers) expect them to adhere to their company codes of practice and/or the certification, this is often a one-sided expectation; around half of the survey respondents indicated that they received no support from their customers in meeting the requirements of their respective code of conduct.

Some progress was reported on the introduction of purchasing practices which support producers' ability to offer decent working conditions, notably around payment periods and around a quarter of respondents said they also benefited from long-term commitments around future order volumes and prices.

But, in other respects the data indicated that there was insufficient integration of labour/human rights and ethical considerations into commercial practices. No producers reported that they had been rewarded (eg through additional orders) for making improvements.

The major issue reported was the price received by producers. Almost one third of the tea of the producers in our sample – and around half the tea of African producers - was sold at a price which was below the cost of production.

The low prices offered by international tea buyers, and in particular orders sold at a price below the cost of production, were reported to impact the ability of tea producers to offer decent work. Producers confirmed what we saw in the 'Economics 101' section, i.e. that low prices below the cost of production create difficulties for producers in paying wages and overtime pay, and triggers the termination of employment of permanent workers and their substitution by temporary staff. It also impacts negatively on their business, with reduced investment and higher risk of going out of business.

The data showed that there is a gap between what buying companies do and what they say they do. They make demands on producers to comply with the standards of their codes and certification standards but their commercial practices are driven by price. And the price doesn't tend to reflect the cost of compliance or sustainable production. Lack of compliance with a buying company's code of conduct is rarely cited as a reason for a supplier losing a business relationship with them. Only one producer reported that it was 'sometimes' cited, while four said it was 'never' referred to. By comparison, price was the reason for ending a relationship 'sometimes' or 'often' for half the companies responding to this question. This gap sends a very strong message as to where their priorities lie, and how producers have to behave in response to market demands.

The reasons for this situation are manifold.

Firstly, as we saw in the section on power dynamics, within buying companies buyers appear to have greater power than the teams tasked with promoting human rights.

Secondly, for the most powerful buyers – supermarkets – tea is just one of up to tens of thousands of products on their shelves, so they will prioritise the product about which there is currently the most 'noise.' There is much greater supermarket focus on human rights in tea now than a decade ago, possibly because there have recently been more media stories about human rights abuses in the tea sector.

Thirdly, the practice of selling tea in the form of blends from a number of different countries, plus the use of tea trading companies, distances the retailer from the producer.

Unfortunately, the efforts that some supermarkets have made – despite all of the above – to address human rights problems in their supply chains have inadvertently driven some producers to other markets that are less inclined to worry about human rights. As one tea importer told THIRST, "The interference by retailers and such means [producers have] dropped their supply to UK from 20% to 1%. They've gone to Pakistan, Egypt. They said it's not worth our time. They don't pay [enough to justify] the amount of interference [so] we don't want to do work with the UK."

At least one tea brand, however, informed THIRST that while markets such as Russia and the Middle East may focus less on human rights, they actually pay more for the tea. Supermarkets are aware of this dynamic, with one participant at the UK supermarket focus group discussion admitting: "We ask the most and pay the least... suppliers don't want to deal with us."

When supermarkets sell packaged tea to consumers

As we saw in the section on power dynamics above, supermarkets hold a commanding position in the tea value chain at the point of selling to consumers, whether as own brands or selling on named brands. How they purchase tea is influenced by and influences how they market and sell it in their stores – mainly in the form of the now ubiquitous low-priced box of tea bags to which consumers across Europe and the United States have become accustomed.

Through THIRST's research, three practices emerged in the branding and sale of tea to consumers that may be having an impact on the condition of tea workers and farmers at the source of the value chain; selling tea in lower quality tea bags (rather than higher quality orthodox), selling tea as a loss leader and selling certified tea. We explored some of these practices further in the 'Economics 101' and will also look at 'Certification' in a later section.

But there is an important point to make here about the relationship between tea consumers and the brands and retailers that supply them; both groups told THIRST that consumers assume that they are already ensuring human rights are respected. Participants at the supermarket focus group said; "consumers' expectation is that everything is ethical - they don't challenge retailers," and therefore "we address issues in the supply chain because it is our responsibility not because of consumer demand. They trust us to do that."

According to a UK tea brand, a similar level of consumer trust creates a dilemma for them; "consumers believe that the brands that they buy are doing a great job... they assume that whether you're a Cadbury's or a PG tips or whatever you are that they can trust you, that they can trust you to be looking after all these things for them and they're shocked when it doesn't happen. That means you can't trade on ethics because you can't trade against people that everyone who buys their products believes is doing a great job."

Perhaps then, at this level of the tea value chain, one of the root causes of enduring human rights breaches in the tea sector is consumers' lack of awareness of the issues, and their failure to push retailers and brands for higher standards. Although this was not the experience of all supermarkets,

several said that they had had no complaints from British consumers when the BBC Panorama programme⁴² on sexual exploitation of women on Kenyan tea plantations aired; they told THIRST: “Consumers do not react strongly on human rights issues. If the Panorama programme had been on animal cruelty we would have had thousands of complaints, but there was not one about tea workers after the Panorama programme aired... they are not linking production to [human rights] issues – they were probably watching the Panorama programme drinking a cup of tea – they probably said, ‘Oh that’s terrible’, and put down their cup without really making the connection.”

Potential discussion points for Roundtables

- *What systems could be introduced to facilitate the timely and economical transport of green leaf from smallholder farms to factories?*
- *How can governments and companies help to facilitate this?*
- *How can the auction model be reformed so that sellers and buyers benefit equally – or should it be replaced altogether? If so, by what?*
- *How can technology be harnessed to simplify tea trading, shorten supply chains, and ensure more equitable trading partnerships?*
- *Would a futures market for tea improve returns to producers so that they can invest in their workers and crops, and if so what would it take to set this up?*
- *How can supermarkets ensure that the price they pay to producers enables them to meet their standards and cover the cost of sustainable production?*
- *What would it take to raise consumer awareness about the impact of their purchasing practices on tea workers and farmers?*

ROOT CAUSES 5

Reluctance to ‘lift the carpet’: the opacity of the tea sector

“Transparency has been the big elephant in the room and nobody has been able to find as to how to deal with it.”



Within the context of human rights in global supply chains, transparency means companies at each level of the value chain being open about how they operate, who they operate with (eg their suppliers or buyers) and how the value of their product(s) is distributed. This enables anyone within that value chain – or the civil society organisations who represent them – to understand where accountability for the living and working conditions of its workers lies and how it is distributed.

In THIRST's joint paper with Women Working Worldwide on the risk factors for gender based violence in the tea sector, Michael Pennant-Jones described how full management support for transparency made it possible for Finlays to implement exemplary gender policies in 2014: "At the time we started the gender work at Finlays, we had full support from the Managing Director to effectively "lift the carpet" and look unflinchingly at what was underneath. This created a culture where you could identify and discuss problems such as gender-based violence and harassment. There was no blame, management would be supported and action taken to resolve. For such a difficult and sensitive subject, Managing Director and senior Board support was essential, creating an enabling culture."⁴³

The need for companies to display more courage to be transparent and to deal head-on with the issues that transparency reveals, prominently emerged in THIRST's research. Interviewees, and survey and focus group participants highlighted the problem at every level of the value chain, recognising it as a significant deterrent to better working conditions and a barrier to collective action.

In 2021, the Business and Human Rights Resource Centre (BHRRC) surveyed 65 major tea companies to understand how they approached human rights due diligence. Of those 65, only 17 responded, ten of them fully disclosing their supply chain, and just seven of them committing to full transparency in the future. Most of the companies that responded said they had a range of policies designed to protect worker rights, but as the BHRRC says; "...hidden supply chains leave workers and rights-advocates in the dark – unable to independently verify if or how policies are being implemented until brands and retailers disclose where they source their tea."⁴⁴

Civil society needs more transparency to support rights holders

According to NGO focus group participants: "Transparency is important because it helps us in establishing linkages, as well as the way the trade functions within the tea industry – because we see that at the very top there are few limited buyers who dictate or who modify the price."

This lack of transparency around financial data makes it hard to assess the potential resources available for investing in improvements for workers and farmers; "we have been hearing that the tea plantations are running in loss, but we do not know anything as to how much profits the companies, the brands, the retailers or the supermarkets are making. We know for sure that they have been investing in advertisements, you know there is an investor, and we also see that there are a lot of innovations happening when it comes to value added, in terms of the kind of tea that is coming to the market. But we do not know how the value moves across the entire value chain."

The opacity in the tea sector also prevents civil society from detecting human rights issues; "we don't know how the grievance mechanisms are functioning, how functional and effective they are or how the collective bargaining mechanism is reinforced"; and prevents them from tracing the buyers from estates where issues may have been detected; "that's one of the biggest challenges for us because it actually doesn't help us to even engage constructively with the companies or the people who are buying it." Another commentator pointed out that "...there's also an over-dependence on using tools like grievance mechanisms or audits to detect human rights issues. We know that there are a number of issues which are endemic across the tea sector and we know that there are many barriers to reporting. So we need to look at different ways to really understand and to address the issues."

And when companies do collect data, they don't always share it; "...there's a massive issue with a lack of collaborative, open, transparent action from the industry lens. If companies are detecting issues they're certainly not sharing. These become private information, individual companies sitting on their individual risk data. The data sits in the wrong hands. It's not in the hands of the workers and their communities we hope to empower to make the changes themselves."

Trade unions need more transparency to support members in tea

The BHRRC quoted the IUF's Sue Longley, as saying; "For many years the IUF's work to improve conditions on tea plantations was hampered by lack of transparency about source plantations. The BHRRC Tea Transparency Tracker is a real breakthrough, an important tool that will help us hold packers to account for the working conditions on the plantations supplying to them."

But while more tea companies and retailers in the UK are starting to publish their supplier lists, the same may not be true for other major importing countries. For example, when asked what information his German supermarket customers require of him, a tea exporter told THIRST that "They don't ask which estate, because it's a blend. They just want to know which country because they have certain concessions in their customs based on the country from where it is bought."

Producers need more transparency to support profitability in tea

Lack of transparency was also seen as a barrier to discerning how value is distributed along the supply chain and ensuring that all stakeholders receive equitable compensation. The intertwined nature of this lack of transparency with the economic and financial structures, norms, and processes of the tea sector was also identified as a root cause contributing to the gap between human rights in principle and in reality.

A tea producer survey participant told THIRST; "There is no transparency to farmers on how the business has been handled, so even if it is sold at lower price farmers cannot know the truth of amount and price. When price of tea in market drops, the voice appears to express the drop and challenge, but never ever even single day to tell farmers that the price has gone higher. That means the business remain bad business to farmers and for sure sustainability of tea in future is in danger as other crops emerges stronger in price and competitive."

Brands need more transparency to understand costs of production in tea

On the other hand, in at least one brand's experience, the lack of transparency goes both ways; "It's always surprised me really from my very first days in the tea industry... that nobody knows the cost of production. If as a businessman, you don't know where you're measuring from, you're in the dark, you don't know what to do, you don't know what good looks like. If you said to me, what's the one thing you would change, I would say if we can achieve transparency over cost of production in each country, this thing will move forward at a pace that we've never seen...it all circles back to transparency of cost."

A German brand endorsed the view that "We need more transparency, and we need more trust." They pointed out that the new human rights due diligence law in Germany is creating pressure on them to increase the transparency within their tea supply chain, "but some partners are not so comfortable with this". In this participant's experience, by contrast, transparency was not an issue in the fruit and vegetable sector.

However, one producer told THIRST that being transparent with buyers about human rights issues in their supply chain is not always welcomed by them and there was the sense that some buyers “don’t want the noise”. The impression this producer got from one public-facing buyer was that there is a “fundamental disconnect between buyers’ call for transparency and their legal departments.” As we saw in the earlier section on the cost of compliance, there’s no incentive for producers to be transparent about human rights issues, while they are expected to bear the cost of complying with supplier standards.

Transparency is beginning – and could grow further

But transparency is becoming a requirement for consumers, governments, investors and retailers. The media is also putting more pressure on the rest of the supply chain to participate in the human rights discussion. Some tea brands feel that this makes it easier for them to push for it in their supply chains. “I think this desire for our world to become transparent, and know how everything’s ethically sourced and sustainable is definitely making the agenda go more smoothly up to point.”

Another brand said they had noticed a trend in increasing trust and transparency from tea producers, and called on fellow brands to embrace and nurture it; “I’m seeing a little bit of openness, and a little bit of allowing strangers, consultants, Rainforest Alliance auditors in general, to open the door to them and let them see a little bit of the dirty laundry. Not too much, not enough, but at least something. And we’re not running away as much as we could be. So it’s inspiring that maybe this is going to take off. If we don’t ruin it, this could turn into something good. If the next time something happens, we all deny it, then it will be like nothing has actually advanced.”

A Tanzanian NGO pointed to the Wood Foundation’s tea operations in Rwanda and Tanzania in which, they said; “There is a transparency in the business, involving more smallholder farmers on the entire value chain. They share the information, the farmers are part of decision making at the board level.” However, they felt that other companies were resistant to such transparency and to implementing human rights policies because of the risk that it may incite worker unrest.

The European Corporate Sustainability Reporting Directive has just come into force. Nearly all big European, but also American, Japanese, Brazilian companies who have a footprint in Europe, who sell into Europe, who have supply chains here, will have to align their disclosure practices with this new legislation. That requires a double materiality assessment for the first time; it requires a list of negative impacts, lists of targets, how that company is addressing those specific negative impacts in its supply chain with affected communities, also with consumers and other stakeholders. An expert in sustainability legislation told THIRST “While no single piece of legislation is going to be a game changer, this should provide a lot more transparency and a lot more visibility in terms of what companies are prioritising, what they’re actually doing.”

Potential discussion points for Roundtables

- *What are the risks and benefits of greater transparency at each level of the value chain?*
- *How can trading partners within the tea value chain build greater mutual trust?*
- *What will brands and retailers need to do in order to comply with the new European CSRDD (and other upcoming legislation at national level)?*
- *How can producers support them in complying, whilst ensuring that they benefit?*
- *What mechanisms and tech solutions could be used to increase transparency at every level?*

ROOT CAUSES 6

Governing tea: legislation and politics

“We have government agencies, state agencies the labour department... And yet every day, about ten sections of labour law and labour rules are violated.”



The way that governments in both tea producing and tea importing countries operate can have a significant impact on the human rights of tea workers and farmers. Governments of tea origin countries play an integral part in how corporations operate, what they must and must not do, the minimum standards that they should meet for their employees, how those employees can access justice etc. They also set the standards for their citizens' wages, benefits, equity etc.

Government tea boards develop and regulate the industry, promote research and domestic and international trade. Many belong to the United Nations Food and Agriculture Office (FAO)'s Intergovernmental Group (IGG) on Tea; "a forum for intergovernmental consultation and exchange on trends in production, consumption, trade and prices of tea, including regular appraisal of the global market situation and short term outlook".⁴⁵

In many tea origins, governments actually own and/or control some or all of the country's tea production, and there can be vested political interest in the lucrative business of tea (and the even more lucrative land it grows on). This can sometimes cause disruptions. For example, a number of Kenyan politicians have recently been associated with inciting invasions of multinational tea estates whose land ownership is disputed.⁴⁶

Governments of many tea importing countries also have laws governing the quality and chemical purity of imports, and – increasingly – on the human rights of workers in global supply chains.⁴⁷ The extent to which these laws are or will be effectively implemented is uncertain.

Governments missing from human rights discussions

Stephanie Barrientos pointed out that while civil society organisations are critical for calling out human rights abuses, they lack the capacity or remit to resolve them, so government has an important role to play - but is too often missing from discussions on human rights.

Other interviewees agreed but described the difficulty in communicating with government. A certification body told THIRST that when considering "what would be a true price for a tea that involves all the human rights elements and that makes it possible to reward labour accordingly... we need to bring everybody else on board, including government itself, so that we collectively have a common approach." Yet, in India the organisation finds that "one partner lacking in these conversations altogether is the government... they don't consider us to be a partner or a stakeholder that has anything to say about their tea sector. So we hit a wall...".

Government vs corporate responsibility for tea plantation workers

Campaigners and, increasingly law makers, are calling for companies to take more responsibility for human rights in their supply chains. Some companies feel that this is neither fair nor realistic; a UK tea brand told THIRST; "...brands and organizations are not legislative bodies. We don't know how to do those things. We don't have those powers. We can't improve on the ability of the local government to implement its own laws. It's not in the gift of brands to leap from what they normally consider policy benchmarking and quality management into legislation around child labour, for example."

A strong theme emerging from THIRST's research is the corporate view that issues such as wages, gender equity and freedom of association are the responsibility of the government, not companies

– whose legitimate priority is profit-making. As one (non-corporate) interviewee put it; "Companies are set up to maximize profits. And they will look in the first place at national legislation, at minimal standards set out in law, and then they would look at what is being negotiated in bargaining agreements. If there is a lacuna or gap in law or in the collective bargaining agreements that is not covered by a voluntary social standard, employers will generally do what they believe is most profitable."

In several tea origins, tea companies are required by law or necessity (since workers are often migrants) to provide housing, drinking water, health care and other social services to workers and their dependents. A tea broker told THIRST; "The original cost the management had to bear (...medical, education, food...) those costs are still continued because the government are hesitant to take on those costs though it is actually their job to look after their citizens." Many of THIRST's interviewees and other commentators argue that this places too high a financial burden on them; for example, Joseph and Vishwanath report⁴⁸ that the requirement "is shown to have undermined the international competitiveness of the sector."

This reduced competitiveness creates a vicious cycle in which lower profits means there is less resource available to invest in workers who become less willing to continue working on plantations leading to industrial unrest and labour shortages. Or they are unable to leave and are subjected to conditions which fall short of international human rights standards, creating a reputational risk for companies as well. In Asia and parts of Africa, labour shortages in tea are leading to increased mechanisation, which reduces the quality of tea (and may increase volumes) which further depresses prices, and in the long-term will reduce profits still further. A longstanding tea industry actor told THIRST that governments "don't realise that it is this social cost that is killing the industry. There will come a time when – it is already happening in the North [of India] – when all the major corporates go under because it's not possible for them to continue with the social costs."

Yet, the suggestion that government should take over these services also makes the industry uncomfortable as they would then lose a certain amount of control. The same interviewee told THIRST: "If [government responsibility for services on plantations] is implemented through the political machinery then I don't think the producers would be interested for the simple reason that there will be a whole level of indiscipline that could come in... it's taboo, because you'll have the panchayat [local council] president sitting in the manager's office, saying we are doing this and we are doing this but where in fact the implementation will be not as good as if it routed through the existing management...". Another industry commentator added the suggestion that plantations should allow workers to own plots of estate land so that they can take advantage of numerous government support schemes that are available, explaining "there's a lot of money with the government waiting to be used constructively. It just needs a mindset change that [tea estates] will part with the five cents of land and the government is more than happy to do these things."

Other interviewees made calls on the government to improve its support for tea workers and farmers. For example, Professor Rajkumar suggested it should reduce taxes on the plantation sector and added "I think governments need to focus on child labour and questions of social security provision specifically intended to look at workers in the plantation sector. More gender-sensitivity in policymaking is also required." On the other hand, a UK tea brand suggested that "...unravelling the politics from the business of tea is one of the first serious conversations we have to engage in before we can really understand what the responsibilities are, and the best way to attack it."

Meanwhile, Kenya's government is rolling out a new code of practice for horticulture and floriculture, incorporating elements of Global Gap (on food safety), the ETI Base Code and Rainforest Alliance standards. Stephanie Barrientos observed that this, combined with new EU human rights due diligence laws meant that "companies in Kenya are very aware they have to adhere to the law and that and that

there will be more and more focus on them and that that ultimately includes human rights related issues as well as simply Product Safety.”

Government responsibility for smallholder tea farmers

Smallholder tea farmers are usually not subject to the special laws and traditions that apply to large plantations which, on the one hand, means they have more freedom to operate and fewer overheads, but on the other hand means they have less access to benefits and there is less visibility of whether or not their rights are protected. Governments face challenges in legislating fairly for the two models. For example, the Assam government responded to calls by plantations to help equalise the playing field by requiring an the same wage level for hired workers on smallholder farms, but farmers objected, saying they could not afford it.

Governments are providing valuable support to smallholder tea farmers; for example, in Tanzania, the Tea Board and the Ministry of Agriculture are working closely with the private sector and NGOs to invest significantly into agricultural inputs, infrastructure, training and logistical support for smallholder farmers. Farmers told THIRST that the increased income they have been able to earn as a result has enabled them to build better houses, eat more nutritious food and pay their children's school fees. In South India the Tamil Nadu government has established a federation of smallholder tea farmers – providing them with training, processing facilities, and access to markets.

However, significant challenges for smallholder tea farmers remain; in Tanzania they still face challenges in terms of other services normally provided by governments including good quality roads, reliable electricity and irrigation (which has become all the more important as the region faces increasing droughts), and South Indian tea smallholders are currently campaigning for a minimum support price for their tea.

Part of the problem is that governments of tea producing countries often do not have sufficient resources themselves to provide all the required support and infrastructure and must rely on international financial institutions and corporations to back them. A smallholder farmer in Kenya told THIRST that they had asked the government to help improve access to clean water and good roads for transporting their tea, but had been told it did not have enough resources and suggested they petition their “rich neighbours,” the tea companies, instead.

Government implementation of labour laws

As THIRST reported in 2022⁴⁹, most of the key tea producing countries had ratified relevant human rights instruments, and were in principle committed to respect and promote the ILO's Fundamental Principles and Rights at Work (1998). Yet Kenya is one of the only tea producing countries to have published a National Action Plan on business and human rights – demonstrating commitment to the UN Guiding Principles on Business and Human Rights.

Many tea production countries have strong labour laws. For example, a Sri Lankan tea producer told THIRST; “...the labour statute is very tough, always one-sided. So under these conditions, there is no chance for us to do anything unacceptable or violate labour laws because there are labour officers in every major town.”

But others question the extent to which labour laws, however strong on paper, are being implemented; an African NGO told THIRST “NGOs, the human rights institution, even on the government level, they

keep on saying, we need to respect human rights. But when you go down to the ground, they are not implementing their words on the ground.” This was echoed by a trade unionist who said “There are many codes and principles about respecting human rights laws, but these are not applied on the ground.”

A UK retailer reminded THIRST that “In some countries there is no national minimum wage and workers are paid by piece rate. There is legislation on the use of temporary workers – but these may not be adequately implemented.” An NGO also raised the issue of temporary workers; “there are on paper theoretically quite good benefits provided under national law but the temporary workers and casual workers weren't receiving those benefits...”. They added that since the collective bargaining process includes the value of in-kind benefits like housing, casual workers who are not eligible for those benefits face “a double whammy where not only were wages low, but also those casual workers weren't getting the assumed benefit.” But a UK brand reiterated that “If [governments] don't implement the laws, brands can't bridge that.”

A Bangladeshi NGO shared their frustration about the fact that “We have government agencies, state agencies the labour department, and then the Directorate of Inspection for Factories and Establishment. And yet every day, about ten sections of labour law and labour rules are violated.”

This leaves some stakeholders uncertain about the potential effectiveness of upcoming legislation such as the EU's Mandatory Human Rights and Environment Due Diligence laws. An international NGO told THIRST; “...whichever countries are procuring from developing countries like India or Kenya and speaking specifically in context of tea, it is likely to be going to have an impact. Now the greatest challenge there for us is how this law is going to impact and affect the informal supply chains, because there are issues of transparency. So definitely these laws are most welcome, but we really have to see as to how these will get implemented in different... tea producing countries. Law is always about interpretation and how you implement it.”

Government interventions in the tea sector

Government intervention in the tea sector is sometimes felt to be counterproductive; price setting is a particularly controversial area for governments to enter. For example, recent legislation in Kenya dictated that all CTC tea must be sold through auction (although at the time of writing this law is being reconsidered following corporate lobbying). When in place, this law (according to a Kenyan interviewee) drove European buyers to other tea origins such as Uganda or Tanzania where they can buy Fairtrade tea at better prices privately.

A tea importer also condemned the Kenyan government's decision to impose a minimum price on tea in auction, because in their view “it didn't move the level in the auctions at all, but what it actually did was it increased the number of tea lots that were unsold by three-fold every week, which actually reduced the farmers cash flow and earnings in one fell swoop. But because of the sound bites that were being created, it created some support for the government initiatives within the industry.” A tea factory manager told THIRST; “When they set the reserve tea price it assisted us for a while, but it is no longer beneficial because at auction we can't sell all that we offer. There is a lot of withdrawal.” This is partly why producers have lobbied the government to be allowed to sell directly to buyers as well.

The Indian government also tried legislating in 1984, that 75% of tea must be sold through the auction, with exemptions for plantation packed and bulk tea.⁵⁰ Those rules were relaxed in the early '90's and Indian tea is now increasingly sold through private deals.⁵¹

A Tanzanian tea stakeholder told THIRST that government regulations are stifling competition between tea buyers which is preventing prices from rising. Tea can only be sold to companies with a tea buying license, limiting the volume of tea that could be sold through many other channels, including to local people at the factory door who may otherwise never get to taste the tea they produce. Tea farmers, too, have to be licensed and regulated, which some find overly onerous, time-consuming and expensive.

The Sri Lankan government's overnight banning of pesticides has also been widely blamed for the subsequent crises in that country's tea industry (and other agricultural sectors).⁵²

On the other hand, some interviewees believe that certain government interventions could be helpful. For example, a tea production company suggested that if the government introduced a fixed first price only for good quality tea (two leaves and a bud) this would disincentivise the production of low quality tea which has resulted in large quantities remaining unsold.

Because tea is a very labour intensive industry, tea growing areas represent large potential 'vote banks' for politicians. Promises to improve wages, housing and land-rights are often made prior to elections – these are sometimes honoured, as in the recent distribution of land rights to tea estate workers in West Bengal⁵³, but often are not.

Some interviewees felt that local politicians' support for court cases brought by local people is also politically motivated. These include the court cases regarding the displacement of Kenya's indigenous Kipsigi people by British colonialists to make way for tea plantations⁵⁴ and protests against the increasing use of mechanical harvesting and resulting unemployment. Workers at one Kenyan tea factory also suggested that decisions about who was promoted from temporary to permanent contracts was no longer based on appraisals of their work, but on political affiliations.

But it is not only national governments that intervene in the tea sector; for example one interviewee felt that government and private sector interventions in the development of tea in certain areas had led to the creation of more low quality tea for lower prices. For example in Tanzania and Malawi, where, for different reasons, tea is not necessarily the most cost-effective crop for smallholder. They added that some of these interventions may be "...driven by a political narrative, not an economic one."

Government responsibilities beyond the tea sector

Beyond the tea industry itself, governments also have a responsibility for the wider economic environment within which the industry operates, creating an enabling environment for businesses – for example by providing an education system that produces sufficiently qualified employees, creating a thriving local economy that can buy tea, and that can supply the industry with the inputs that it needs, as well as ensuring an adequate infrastructure for the cultivation, processing and transportation of tea through good electricity and water supplies, good roads and strong financial institutions. As we saw in the section above on government responsibility towards tea smallholders, these services are not always delivered.

When the tea industry is struggling, as it is now doing in many origins, governments need to stimulate the local economy so that former tea workers and farmers have alternative income sources. In Kenya, for example, local politicians are fighting hard against the encroaching mechanisation of tea harvesting which is leading to unemployment among tea pluckers. But many feel that it is an inevitable development which the industry and workers must adapt to. A trade unionist interviewed by THIRST argues that, since tea dominates the local economy the government should invest in enabling

unemployed youth to produce the equipment and other necessities for the tea industry including nuts and bolts. A tea producer representative told THIRST that companies are ready to partner with the government to set up alternative vocational training programs for unemployed youth as part of their CSR programmes, but that this had not to date been taken up.

Lack of collaboration between tea producing country governments

Tea producing countries currently compete against each other for export markets, often, in the process, undercutting each other and thus contributing to the stagnation of tea prices. They also fail to collaborate on the issue of the global oversupply of tea (more on this in the section on the 'Fragmented landscape of tea').

Potential discussion points for Roundtables

- *What platforms exist for governments to engage in dialogue with civil society and other stakeholders to find solutions to human rights issues in the sector, and how can these be replicated?*
- *Would plantations be more economically viable if they relinquished the responsibility of providing civic services to the government?*
- *Should government take on responsibility for the welfare of tea plantation workers, as for other citizens?*
- *What public-private partnerships in the tea sector are working well and how can they be replicated?*
- *Could public-private partnerships help strengthen the local economies within which tea is cultivated and processed?*
- *What can be done to improve the implementation of good labour laws on the ground? Can the industry play a role in supporting this?*
- *What role (if any) should governments play in price setting? Is it possible for them to legislate to protect the cost of sustainable production without damaging market dynamics?*
- *How can tea producing countries best collaborate to strengthen their negotiating position on tea export prices, and agree quality standards and volume quotas?*

ROOT CAUSES 7

Over-reliance on certification to tackle human rights issues

“Certification is relied on by consumers. They think if it’s [certified]– then job done”



Certification is relied on – heavily – by brands and other actors in the tea sector. Similar to other commodity supply chains, many of them have adopted sustainability standards which are audited and certified as a means of providing a basic level of assurance of the social and environmental conditions of production. In 2019, the four main tea certification scheme owners¹, were Fairtrade International, organic, Rainforest Alliance (RA) and UTZ. RA certified the largest share⁵⁵, having expanded their share of coverage when they merged with Utz in 2018. Trustea is a major standards scheme in India, focusing mainly on bought leaf factories in that country. It should be noted, however, that there is often overlap, with many farms and plantations being certified by more than one scheme.

In 2007, Unilever embarked on an ambitious drive towards certification and required its Kenyan tea suppliers to become RA certified. This led to a 3200% increase in RA certification in Kenya and now it is estimated that 85% of tea exported from Kenya is produced under RA certified conditions.

The vast majority of tea production falls outside of any assurance or certification scheme at all and therefore do not have access to the benefits that certification can bring. Demand for certification tends to come from markets such as Europe, North America, Australia, New Zealand and Singapore, and not from other large tea markets such as the Middle East and Russia. While the volume of certified tea rose 30% between 2015-2019, there is far more certified tea being produced than being sold under a certification label. For example, in 2021 only 4.25% of tea that was certified at production level as Fairtrade was sold as Fairtrade certified tea.⁵⁶ A certain proportion of tea that falls outside of certification standards is assessed under second party audits whereby brands directly commission reviews of producers but this does not usually lead to a consumer-facing label of assurance.

Certification has its benefits...

As reported in THIRST’s 2022 literature review on human rights in the tea sector, consumers care about the ethical origins of their products and, at least in the early days of certification, proved willing to pay more for products that they believe have been sourced ethically. Certification has reportedly contributed to societal awareness of conditions for farmers and workers; supported the provision of free healthcare, improved waste management systems and water quality monitoring, improved workers’ health, increased farmers’ income through larger and better-quality tea yields, and improved access to the global market and stability of prices. The Fairtrade premium has enabled communities to finance schools, wells, health facilities, clean drinking water and more. And crucially, it has meant that smallholders and workers have had decision-making power over how the premiums are invested rather than having projects imposed upon them by international donors.

Tea producers in India, Kenya and Tanzania told THIRST that certification had brought improvements in worker and farmer health due to improved understanding of harmful chemicals, use of personal protective equipment, had helped them protect the environment and had improved worker welfare which motivates them. For example, one Kenyan tea factory manager told THIRST that the premium that comes with Fairtrade certification had allowed them to enhance factory workers’ and tea farmers’ wages and income security by providing alternative income sources and diversification of crops. Another

¹ A note on terminology: Certification scheme owners (RA, Fairtrade, etc.) are the entities that are responsible for the development and maintenance of a scheme and own the intellectual property, copyright, trademarks and other rights to a certification scheme. Third party certification bodies (Africert, Flocert, etc.) are the independent and impartial bodies authorized to conduct an independent compliance audit in accordance with the rules prescribed in the certification scheme. Certificate Holders (farms, groups, supply chain actors) are free to choose a certification body that is authorized and approved for the specific scope. Where we refer to the certification system in this report, we mean the overall system that includes both elements.

Kenyan factory manager said that RA's new shared responsibility model – which is in the early stages of being introduced – was the only context in which there was any suggestion of his customers helping to meet demands for higher wages. A Kenyan tea cooperative member added “RA has a great deal of benefit... We train farmers on agrichemicals. Before certification we didn't know what was harmful, so now [their] health will improve.”

Some certification schemes have mandatory requirements that are more than a social (or environmental) code and address the behaviour of buyers. For example, a Fairtrade representative told THIRST “Fairtrade distinguishes itself by setting minimum prices for purchases of labelled tea, which has been in effect for many years to cover costs of sustainable production in proportion to Fairtrade tea sourced. It is therefore both unfortunate and remarkable that relatively small volumes are sourced under Fairtrade terms.”

In 2021, Fairtrade revised its standard for the tea sector; the new standard “requires organizations to have a gender policy and prohibitions against forced labour and gender-based violence, and must implement relevant monitoring and remediation systems,” includes “stronger specifications when it comes to housing standards, and sanitation and washing facilities”, and “giv[es] workers a greater voice in the certification process and in dialogue with management regarding compliance with the Fairtrade Standards.” And “[f]or small-scale producer organizations, increased transparency requirements were added to ensure that certified producer organizations are retroactively paid the Fairtrade Premium.”⁵⁷

RA, in addition to its coverage of environmental issues, is now also setting itself apart with the introduction in its new standard of calling on buyers to share the responsibility for, and costs of, improvements. This new standard, launched in 2020, is “designed to help farmers protect the landscapes where they live and work, while offering an enhanced framework to improve their livelihoods and advance the human rights of rural people.” It includes for the first time a requirement that “the investments needed to advance sustainability practices at origin level are borne not only by the producer but also the market”⁵⁸, and introduces the concept of shared responsibility⁵⁹ between buyers and suppliers into the system.

...but it is not a substitute for brands' HRDD

The Business and Human Rights Resource Centre's recent report on transparency in the tea sector⁶⁰ points to the need for companies to do their own due diligence and acknowledge complementary measures to certification are needed: “Companies demonstrated an increasing awareness of the limitations of certification, but there remains an over-reliance on certification standards, like Rainforest Alliance and Fairtrade, to “guarantee” protection of human rights. While certification schemes can confer some meaningful benefits – for example uplifts to earnings through Fairtrade premiums and the Rainforest Alliance Sustainability Differential – they cannot be seen as a substitute for robust human rights due diligence.”

The work that third party certification bodies do in auditing production sites and providing a certificate indicating that it has met certain standards is well known. But the certification schemes against whose standards they are auditing (such as RA and Fairtrade) were keen to emphasise to THIRST that they do more than this, including implementing training programmes for workers and farmers on the ground, ensuring grievance mechanisms and human rights due diligence systems (HRDD) are in place and functioning.

However, the OECD guidelines and UN Guiding Principles require that every supply chain actor takes responsibility for their own HRDD and that the cost is shared across the value chain. This recognises that it is not only at production level that the root causes of risks can lie, but at any level of the value chain. Actors at every level need to contribute to an enabling environment for human rights at the production level and throughout. They also engage in lobbying at international level, for example for living wages, living income and responsible purchasing practices to be part of Mandatory Human Rights and Environmental Due Diligence.

A participant of the retailers focus group emphasised that “It's important to look at certification as more than verification - many do work on the ground to empower workers and provide social benefits, the premium enables access to benefits, it's not just about finding an easy way to verify compliance. It's also about a fair model of trade.”

But many retailers do not look at certification in this way. There is often an assumption that the certification system is sufficient to detect (and address) serious human rights issues⁶¹, despite well-known and much researched methodological flaws in the identification through social audit of less visible labour issues (such as gender-based violence and harassment). There are many reasons for this: auditors spend a limited amount of time on site, there is often low engagement with workers due to time and cost pressures, and the audit is only ever a snapshot in time. There is also a risk of worker intimidation, manipulation and double bookkeeping, all of which lessen the credibility of the data.

Data sharing dilemmas

Some interviewees expressed concerns around certifications systems' data transparency and accountability. These systems operate privately; certification bodies (such as Africert or FLOcert) collect data on suppliers, and suppliers own their own data (which they could in principle share if they were incentivised to do so). Brands may see selective supplier-specific information and aggregate level data. But without this being publicly available (apart from in aggregate form) it cannot be used for monitoring and evaluation purposes, either by workers or by the buying companies that rely on certification.

Certification scheme owners argue that if the data was shared with brands, the risk is that non-compliances may be used as an excuse to end the business relationship with them rather than invest in remediation measures. But on the other hand, brands are concerned that without access to the data behind decertification of a supplier, they are unable to decide how to respond either in terms of supporting improvements or ending the business relationship. Brands that nurture strong, long-term relationships with their suppliers, and have good communication with them, as part of their own HRDD, should be able to get this information directly from them.

A Kenyan tea industry expert interviewed by THIRST felt that certification can sometimes perpetuate human rights issues, by masking them; “If human rights issues have been going on within those communities and buyers continue buying from them because they have certification, that means the message you sending to the community and the perpetrators – or even to the women who are being abused – is it's OK. I feel sometimes the gap is becoming wider because giving them a certificate is like legitimizing them. It's like legitimizing human rights gaps. And it's important for certification bodies to accept and agree that it's not possible for them to certify human rights.”

RA's view is that a zero tolerance approach leading to decertification of companies that breach standards simply drives problems underground. This is because when human rights abuses are identified companies are less likely to be transparent about them if threatened with decertification as a result. Instead, they have brought the 'assess and address' system in to support certificate holders in

identifying, addressing and remediating risks and actual cases of human rights violations. Human rights violations are still not tolerated but the focus is on a functioning system that is in place to prevent and address risks or actual cases of those violations. Certification scheme owners stress that they “do not seek to certify human rights but rather to verify the existence of a functioning system... to create the enabling environment in which better human rights practices may thrive.”

Who's responsibility? Who pays?

THIRST's interview with management teams of tea factories explained why it can be challenging for them to implement the standards. They told THIRST that while certification is more or less a market requirement to enable them to access markets such as the UK, it is “a headache for us... we are doing a lot of things but getting no return, no profit.” They explained that uncertified tea often gained an equal – or even better – price than certified. This highlights the urgent need for the market to share responsibility for improving the realisation of human rights in the global tea supply chain. It is notable and concerning that Fairtrade's 2021 revision of its tea standard was unable to address this issue of supporting living wages through cost-sharing across the value chain, concluding that “there is more work to be done in closing the gap to a living wage for tea workers in many origins”⁶²

Some interviewees felt that the time and money that the industry invests in certification means that significant resources are being diverted away from workers' wages and farmers' remuneration (although, of course, there is no guarantee that such resources would be reallocated in this way). It could be argued that without this verification process there would be no guarantee that increased prices would filter through to better wages and farmer prices. But a Sri Lankan tea producer argued that due to the stringent labour laws in his country and the fact that 70% of the industry's cost is on labour, any increase in price “would definitely go to the workers”. Of course, many other conditions would need to be in place to ensure that this happened including national minimum wage laws, laws preventing outsourcing of work to informal, temporary workers etc.

In the case of systems like Fairtrade that channel an additional premium back to workers at the base of the value chain, and the introduction of RA's sustainability responsibility contributions, they can also bring much needed investment to meet workers' and community needs. It is still relatively early days for the implementation of RA's new standard, but buyers are being slow to share responsibility for the cost of certification. Meanwhile, producers are already expected to invest in and deliver on them, which many reported to THIRST was creating extreme hardship for them as it added to their already considerable costs of production without bringing commensurate returns.

The compliance mentality of the certification system is another concern that has been raised about the certification system. This is something RA says it has sought to address in its new standards through the ‘assess and address’ approach. In traditional certification systems, the supplier is often left to resolve ‘non- conformances’ alone, incentivised to do so under threat of losing business. While there are notable exceptions, the traditional system does not lend itself to partnering and different supply chain actors taking on mutual responsibility for resolution.

Without this sense of mutual responsibility, suppliers may be reluctant to be transparent about non-compliances for fear of losing business. Furthermore, if more serious and complex human rights abuses are occurring, even if audits manage to detect them, it may be beyond the scope of the farm itself to address it. This report provides multiple examples of deep-rooted causes of human rights breaches, many of which can only be addressed through concerted collaboration between multiple tea industry

stakeholders and by enabling local actors like government and civil society.

Another important stakeholder with responsibility for the human rights of workers is the trade unions. Union leaders at one factory told THIRST that the workers did not gain any benefit from RA certification. They contrasted this with the time when the factory was Fairtrade certified and they received a premium which was used to provide bridging loans when wages were late, and to benefit the wider community, including building schools etc. Another trade union leader felt – whether rightly or wrongly – that the committees required for RA certification (Gender, Grievance, and ‘Assess and Address’) were “taking away the constitutional mandate of trade unions and giving it to the institution... the union only has one position out of six or seven places [on the committee],” adding “don't take away the mandate we have been given constitutionally by law to air grievances, to protect, to investigate, to report, to go to industrial court.” Although this may not be in line with RA's intentions, the management of the same factory suggested that a benefit of the committees was that they “don't have to go through the unions”. Such potential misunderstanding need urgently to be addressed.

Addressing the limitations

Certification scheme owners told THIRST that they do accept their limitations, and that they should be treated as one of many tools to ensure human rights are respected. They emphasised that brands and supermarkets need to recognise these limitations and acknowledge their own responsibility for ensuring human rights are respected in their supply chains. One certification scheme owner told THIRST: “a conclusion that we came to after doing some studies, but also through the monitoring and evaluation of our own program, is that certification is a first step in a transition to sustainability, but it's not able to solve or to address the root causes.” This focus group participant felt that the role of certification standards is to “codify and say, okay, what should be happening in terms of practices and sustainability? And we can also be a platform for collaboration as to okay, where do we want to get?” So it's also normative in the sense that it can set aspirational goals and of course minimum rules.”

Certification scheme owners do conduct studies and evaluations to detect flaws; for example, a focus group participant shared the fact that; “despite their formal compliance⁶³ with the code, still we keep seeing things that signal a gap... on living wages and housing conditions are two of the most visible, but also in terms of agricultural practices, there remains a lot to be improved.” Both RA and Fairtrade have taken measures to address such flaws through rigorous revisions of their standards and approaches, but the system can never replace a holistic approach by buying companies, the industry as a whole, governments and civil society to create an environment in which human rights are upheld rather than undermined.

Rainforest Alliance and Fairtrade are jointly engaged in advocacy and policy work; for example, at EU level, they are lobbying to create the conditions and obligations for companies to do their share of human rights due diligence, including closing living wage gaps. A focus group participant underlined the need for this to create a level playing field for all companies: “invariably, you get into a situation where companies say, well, we could do more, we would like to do more, but the market is such that we cannot - and then you come to the discussion about whose responsibility is it to enable those improvements.”

Conclusion on certification

Certification schemes can be part of the solution to the human rights gap. But some aspects of certification schemes, or the way they are used, can also be part of the problem; when companies rely too heavily on them to deliver all their human rights responsibilities; when legitimate trade unions feel undermined by their requirements, and/or do not feel consulted and engaged in the auditing process and follow-up of findings; and also when workplaces in which human rights abuses are occurring but have not been detected by audits continue to carry the certification stamp. While to the certification scheme owner this stamp is intended to mean that there is continuous improvement towards fair and equitable trade, as a participant in the supermarket focus group commented: “Certification is relied on by consumers. They think if it’s [certified] – then job done.” This highlights the need for much more work on the awareness and behaviour of consumers concerning certification and human rights in the tea supply chain.

The limitations to certification system to address human rights issues on its own, mean that issues may be repeated time and again: either they are detected, closed and repeated, or more likely they remain undetected and repeated. And in spite of many recent efforts made to improve detection of human rights issues, the current system cannot yet provide buyers or consumers with the assurance that they expect of sound working conditions, nor does it empower workers or employers to take appropriate action.

It may well be that such ‘assurance’ can never be provided, given the vast and complex nature of global supply chains and the plethora of other factors that can impact on whether a worker or farmer’s human rights are being breached. And precisely because of this complexity, brands and retailers should not rely solely on certification to provide the impression of such assurance.

Brands, supermarkets and consumers themselves want a convenient way to demonstrate that human rights are being respected in their supply chains – especially with the upcoming EU mandatory human rights and environment due diligence laws – but delegating sole responsibility for this onto standards bodies, certification and the producers themselves is not the answer. There is no single, simple answer – it requires continuous, nuanced, inclusive effort characterised by mutually responsibility between buyers (including consumers) suppliers, local government and NGO’s who need to work together to address the root causes of human rights violations at a broader level.

Potential discussion points for Roundtables

- *What more do buying companies need to do beyond certification to ensure that human rights are being respected in their supply chains?*
- *Could certification bodies review their labelling system to make it clear what level of alignment with standards certificate-holders have achieved, and where they are on the journey towards full alignment?*
- *How can production companies be better supported in both bearing the costs of certification and getting a return on that investment?*
- *How can certification schemes raise greater awareness of their advocacy work?*
- *What would enable certification schemes to be more transparent towards buying companies about certificate-holders’ audit findings, and reasons for suspension?*

ROOT CAUSES 8

The fragmented landscape of tea

“packers and producers don’t talk to retailers, retailers don’t talk to packers and producers, there’s much less vertical integration, so change is harder.”



Despite being one, wide-reaching global system, THIRST's study found that there were widespread concerns about the lack of coordination and cooperation between different players within it.

Fragmentation at production level

To some extent, the fragmentation of producers and producing countries, and therefore the competition between them, may be a factor in sustaining the system. But in some instances collaboration may be more beneficial than competition. As Sally Uren observed, "The tea industry is very adversarial, and driven totally by cost." Another industry commentator felt that "The tea industry will never agree as a collective."

A tea producer shared with THIRST his experience of how this plays out in practice; "Customers are not willing to pay more because for them it's not a consolidated market – it's a very fragmented market. In general producers will say ok, we won't sell below INR 150. But if I need cash tomorrow to pay my workers, I don't mind dropping INR 10. So then all this unity breaks, the producers don't have any unity." This dynamic works out very much to the benefit of the buyer. Yet perpetuating it means that workers and farmers continue to be deprived of their human rights, and, as we saw in the 'Economics 101' section and in the long-run it, could cause irreparable damage to the industry. The same producer said; "We are fighting against each other to survive in a very shrunken market and that is why we are not making money."

As noted elsewhere in this report, tea production is also going through a different kind of fragmentation process as more and more tea is produced by smallholder farmers, overtaking plantations in volume. In some cases smallholder cooperatives have been formed, such as in Kenya, Sri Lanka and parts of India, and in Tanzania and Rwanda there are localised examples of landholding cooperatives growing tea on allocated portions of a 'block farm' so they can benefit from extension services and economies of scale. But those outside such systems are isolated, invisible to the wider market and struggling to make ends meet. Much more research is required to establish the extent of this problem.

Fragmentation at a stakeholder level

Stakeholders outside the industry say they struggle to make an impact because of the lack of cohesion within it. For example, interviewees have suggested that the Malawi Tea Regeneration 2020 programme, renowned for bringing together a wide range of stakeholders (including trade unions, producers, buyers, government, multi-stakeholder initiatives), faced numerous challenges due to tensions between these stakeholders who could not, in the end, agree on a mutually beneficial way forward.

Forum for the Future's Tea 2030, a programme looking at the whole tea landscape, from local environmental and social issues, to how the beverage is marketed globally – was meant to go on (as its name suggests) until 2030. But it ended much sooner, citing lack of commitment by corporates as one factor. Another was the fragmentation of tea's retailers; "Being able to engage retailers was an important condition for driving progress across the three platforms. However, despite huge efforts, it became clear that tea is just not important enough to any one retailer."⁶⁴ Forum for the Future's Sally Uren expanded on this in her interview with THIRST; she said the tea industry is "very fragmented; packers and producers don't talk to retailers, retailers don't talk to packers and producers, there's much less vertical integration [than other sectors], so change is harder."

Yet while stakeholders struggle with fragmentation within the tea value chain, retailers say; "the most challenging issue is that stakeholders are fragmented; certification bodies, ETP, export markets, big programmes by Action Aid, Care etc, work on living income, living wage... There is a complex ecosystem of stakeholders... we need more alignment, as well as individual retailers taking action."

A certification body described its current effort to "bring together the sector," but pointed out that there are many other similar initiatives underway, including one by Solidaridad, suggesting that "if all of us combine together and have a common approach and form this platform with the buyers, the brokers, the blenders, the retailers and everybody else, we could speak in one language because all these challenges are common to us".

This lack of cohesion among civil society actors working for change in the tea industry was one of the factors that led to the creation of THIRST. It was set up to create a platform to bring together their knowledge (through our Knowledge Hub and Roundtables), facilitate discussion and a joined-up voice for advocacy towards the industry in response to emerging issues such as sexual harassment and lack of a living wage. But at least one interviewee for the present study wanted THIRST to do more: "I would wish that THIRST can convene a platform to have a conversation on a more political level, asking what's the sector we want and challenging the producer associations and producing countries."

The need for a global tea body

In addition to the lack of cohesion among industry actors, multiple contributors to THIRST's study pointed out the absence of a global body for tea, with members jointly identifying and addressing problems. In Sally Uren's words; "there is no mechanism for global agreements between tea producing countries that would manage volume and price." The point was reiterated by Professor Rajkumar who said; "There's no global body of tea, no global government which looks at how much each country can do. So some countries will be coming in a big wave into the new crop and upset the global market...". The FAO's Intergovernmental Group on Tea (IGG/Tea) is a potential platform for this, but does not appear to have been used for this purpose. THIRST interviewees felt that the group lacked enthusiasm and drive and that while it offers an opportunity to exchange ideas, one interviewee felt that it is "not interested in farmers".

A certification scheme owner described how an effective and committed global body for tea could help address the issue of global over-supply and price stagnation; "...you need a common vision of what a sustainable sector is for your country. And the country level is a good place to start because there are already industry associations, etc. And if the analysis is that we have an oversupply of tea, then it should be part of that vision. A sustainable sector maybe consists of a sector that produces lesser volumes, but produces tea that is better remunerated so that still the companies can make a healthy profit and the small holders can earn a living income."

Potential benefits of a more joined up tea sector

Interviewees outlined what a more joined-up tea sector could achieve for its workers and farmers. For example, a certification scheme owner gave this description of how it could improve wages; "I think what national governments need to do is to sit with the sector and agree on, for example, wages, how to create a pathway to raise wages...Certification standards can be instrumental to make the living wage gap and other gaps visible. And then the buyers need to align and commit to sustainable or responsible sourcing practices to pay a price that covers those costs, the producers committing to repass the extra

money they earn with the tea in terms of better wages and the governments taking up the responsibility to regulate wages.”

A participant in the NGO focus group described how multiple players can play a role in sustaining the prevention of sexual exploitation in the sector. They said; “of course, the BBC documentary [on sex for work in Kenyan plantations] makes us feel rightly shocked. But we also know that these issues were there already. And now they have come to the surface, which makes it easier to understand where they are, what the level of incidence is, and what is behind it so that we can actually address it. So it’s really about developing ownership, not only from the producer side, but also from the company side, from the CSO side, from the government side, and trying to work together in a better way to make sure that we are not parallelly trying to address the same issues, but really trying to strengthen each other’s efforts in that.”

Past and present efforts to create cohesion

Despite all this fragmentation there have, of course, been many examples of groups of tea industry actors working in collaboration. For example, Indian producers, in contrast to their lack of unity in price-setting, are unified in holding to the agreed minimum wage for workers. THIRST has been told that producers who contemplate going above this come under pressure from their peers not to do so.

The Ethical Tea Partnership is an example of tea brands and packers collaborating with each other, and often collaborating with producers, civil society and governments too. Together with IDH, they also initiated the Global Tea Coalition – a grouping of managing directors of both tea brands and producers. Solidaridad, as the very name suggests, is working in solidarity with multiple players to improve the livelihoods of smallholder tea farmers in multiple countries. But none of these examples extend through the whole value chain or include all stakeholders at an international level.

In 2013 Sri Lanka, India, Kenya, Indonesia, Malawi and Rwanda, who between them controlled more than 50% of global tea production at the time, announced the formation of the International Tea Producer’s Forum. Attempts to create such a forum – which would enable prices to be set by the major producers rather than the market - dated back at least 80 years. The initiative did not, in the end, come to fruition, partly because China, the world’s biggest tea producer did not join⁶⁵. However, China was a founding member of the Asia Tea Alliance which was formed in 2019 and now includes India, Sri Lanka, Indonesia and Japan.⁶⁶

In 2005 a group of tea workers’ leaders and small tea growers’ representatives from a range of tea origins adopted a ‘Declaration on the Rights of Tea Workers’⁶⁷ but the group was unable to continue meeting due to lack of funding. The FAO’s IGG/Tea has a working group on smallholder tea production and is addressing some of the issues described, but progress has been slow. At the last IGG/Tea meeting, this working group concluded that “The performance of the entire industry is dependent on collaboration with each other, and positive results/outcomes depend heavily on collective cooperation”.⁶⁸

Yet cohesion is possible

There have been examples in other sectors of coordinated action that has been to the benefit of workers and farmers, that tea may learn from. A certification scheme owner gave the example of the coffee sector where “in Kenya, we played a very big role to bring together all the coffee players, right

from government, both central and the county governments, the buyers, the traders, producers, all unions, anybody who has a stake in coffee, and we formed what we call the Kenya coffee platform. And these people are able to come together, discuss any issues that affect the coffee sector... So it’s a harmoniously coordinated industry where people have agreed and they have a common way of going forward. But you look at the tea sector in Kenya... everybody operates in his own cocoon.”

Another notable example of sector-wide cohesion is in the banana sector. An NGO focus group participant explained; “the World Banana Forum is where actually you have a quite robust organization around various dialogue tables relating to various themes of relevance to sustainable banana trade. I’m not saying that would resolve everything, but at least there is a forum where there’s more direct conversation possible.” The work of the World Banana Forum has resulted in supermarkets in the UK and the Netherlands recently pledging to buy bananas at a price that will enable a living wage to be paid, using IDH’s Living Wage Roadmap that was originally developed for the tea sector.⁶⁹

Potential discussion points for Roundtables

- *How can the various non-industry organisations which are working on joint platforms for tea stakeholders complement each other’s work?*
- *How can tea producing countries best collaborate to strengthen their negotiating position on tea export prices, and agree quality standards and quotas?*
- *Have circumstances progressed sufficiently to revive efforts to create a World Tea Producers’ Forum and an International Tea Smallholders Association? What else would need to be done differently now to ensure success?*

ROOT CAUSES 9

Tea's enduring historical legacy

“Tea is still a product of empire, even though it is no longer an imperial product.”



A strongly emerging theme in THIRST's root cause analysis research is that the historical structures and systems that were established at the outset of the global tea trade, are still, in essence, in place today, and may be a key factor in holding back the development of a fairer tea industry.

China was, of course, trading tea long before the East India Company, but most of the issues discussed in this report are rooted in the EIC's trading practices. Like other global agricultural commodity trading industries, the tea industry was designed to generate maximum profit at the packaging and retail end of the value chain. In the case of tea, packaging and retail were originally the purview of the then colonial rulers of the producing countries. The dominance of countries like Britain and the Netherlands over the people at the base of the tea value chain made it possible for them to dictate living and working conditions that would guarantee that maximisation of profit; "...tea cultivation...especially thrived in colonial conditions... because colonial states fertilized this industry with cheap land, labor, and other requirements."⁷⁰

Rather than dismantling the colonial-era tea plantations, many of newly independent tea-producing countries continued to operate them more or less as before. Some even formalised the responsibility of the tea company for all aspects of the workers' and their families' lives. This may have been partly because it was easier to formalise what was effectively an already well-established system of parallel government than it was to tear it down and rebuild it.

The new governments may also have been unwilling to disrupt this valuable source of foreign revenue. Local elites (whose position was often reinforced by colonial systems) replaced foreign rulers at the helm of tea production. Erika Rappaport tells us that British tea planters "formed powerful and long-lasting trade associations that lobbied governments and raised taxes...". The successors of these associations retain that power and use it to manage the industry and continue finding profitable markets for the tea it produces. But this control can be counterproductive: as this interviewee told THIRST; "A significant challenge is that the Indian Tea Association (ITA) imposes such incredible discipline for uniformity on the sector so that companies are quite reluctant to leave the framework that the ITA has negotiated with trade unions even if that benefits workers... This imposed uniformity and discipline doesn't allow for a lot of experimentation."

But it is not only at the plantation level that the historical system was sustained. In some senses, it is compelled to remain unchanged since the rest of the value chain – of which it is an integral part – continues to operate on much the same model as in colonial times. Although the major auction centres have moved from London to cities in production countries like Kochi, Mombasa, and Colombo, it continues to be dominated by a small number of powerful companies who are able to sustain pressure on producers to keep prices down. While the Middle East, Russia and tea-growing countries themselves have long been dominant over Europe and the USA as the biggest markets for tea, this oligopoly has meant that the unequal power balance between buyer and seller has remained. And this is echoed on the plantations that supply the industry where the power balance between management and workers and between women and men has also been sustained.

Of course, much has changed since those early days, including the formalisation in law of the rights of workers, the advent of certification, the establishment of trade unions, and broad acknowledgement that all within the value chain are entitled to decent pay and conditions, with many industry, trade union, NGO and government initiatives to try to achieve this. Yet, despite pockets of success, the sector-wide problems of low wages, poor housing, healthcare, education and gender inequality seem to persist.

Because the biggest change in the tea industry from the colonial era is that tea has ceased to be an exclusively high quality, high priced delicacy and is now a cheap, undifferentiated commodity with a stronger market in the Middle East, Russia and in tea producing countries than in the traditional,

relatively wealthier markets of Europe and the USA. Producers still have no say in the price of their made tea but are subject to the vagaries of international commodity prices; while pressures from human and labour rights activists – as well as environmentalists – mount, pressures from the market continue to suppress prices and demand quality, creating a very difficult balance for producers to strike.

One Sri Lankan producer told THIRST: “The reality is that you go back when the British were managing the plantation industry. At that time, the British Empire was at its height in the pre-independence. They controlled one third or one fourth of the world. So they used to buy Ceylon tea or Indian tea and supply their markets, Canada, Australia and New Zealand... there was no coffee, no other beverages to compete at equal terms. But today the world has changed. Now Britain has lost its supremacy in the tea trade. You can get Kenyan teas, Vietnamese, Chinese, Japanese... So tea has lost this commanding position and it's a commodity.”

THIRST’s research showed that current efforts to improve the human rights of workers in the tea sector, including through certification, are seen by many at the production level as another form of colonialism. “Certifications impose cost time, you know, I mean real costs, real time on people that have neither of those two assets. And that, if you will, to me is another form of colonialism,” a tea trade expert told THIRST. He explained; “we’re imposing on them something that matters to us and doesn’t necessarily matter to them. Or it does, but it’s not the most important thing to them.” An Indian interviewee felt that; “we need to start involving the local leading brands and companies in this conversation, it should be broader than just European former colonial powers trying to impose new standards and norms on their former colonies, which inherited a plantation system that is wicked in of itself.”

Efforts to expose human rights abuses and to address them may also be seen by some – like this Indian interviewee – as an extension of colonialism; “Right now, you have the former colonial powers who now own the brands and own the companies and have the capacity to do investigative journalism pointing to the faults of the producing countries. Right now, we are just playing a neocolonial game, which is the white guys in the industry, in the marketing and in the reputational and the legal sectors of the departments of the company saying we have to protect our reputation, we have to produce a human rights report, we have to respond to the BBC documentary and here’s what we ask the producers to do...”.

Standards bodies themselves are aware of this dynamic, “The question is, how do we avoid the groups in India feeling that they are being colonized again?” asked one interviewee. The tea trade expert suggests that “we have to start being more empathetic in our model making,” because, in his view, “There’s a colonial system that is at loggerheads with the natural geopolitical order of things and then there’s an activist element which is able to feed off this for political gain”.

Decolonising tea

According to writer and academic, Erika Rappaport “Tea is still a product of empire, even though it is no longer an imperial product”.

The idea that tea is still a colonial crop is an uncomfortable one for anyone in the industry to entertain, and is likely to be met with resistance and denial. But since, as we have seen above, many of the structures and systems of empire remain in place, it could be argued that while the players have changed, the script remains the same.

The writer and former American diplomat, Charlene Wang de Chen describes how tea producing regions “inherited the infrastructure and means of production set up under this colonial system,” and that

while they are no longer British “many are still reproducing value systems of colonial economics and inequalities.” She suggests that the role of the imperial rulers who were served by the industry has now been taken up by European-based multinational corporations, and argues that decolonising requires a more radical change; “it is a question of who is this system set up to benefit and at whose expense? Based on what value system? Who is profiting and who is being exploited? In answering those questions, we start to actually decolonize the tea production and global trade market. It is interrogating these deeper issues and examining power systems that lead to confronting the colonial mentality in tea.”⁷¹

The rapid expansion of the smallholder tea sector in many tea origins may be seen as part of a process of natural decolonisation since it replaces the plantation model and localises land ownership. But the Swedish social anthropologist, Bengt G Karlsson argues that, “While the smallholder sector is decolonizing tea, it nevertheless retains some of the problems with the monocultural plantation... when smallholders rip up food crops to plant tea, we see abandonment of crop diversity, a doubling down on monoculture, and a recapitulation of the violent process of land takeover that occurred in the colonial period.”⁷²

It is therefore vital that the key decision-makers at all levels of the tea sector focus on how to restructure the colonial industry model – from plantation to international trade – in a way that protects farmers from exploitation, ensures workers are valued and promotes biodiversity.

As Forum for the Future’s Sally Uren told THIRST; “I hear people talking about decolonisation and what it means for people and for the planet... which is hard for us as white people to hear, but important... Young people say we are all complicit – but colonialism isn’t working for people or planet so it has to end.”

Potential discussion points for Roundtables

- *What alternative approaches to managing the production and trading of tea would help the industry move on from its colonial roots?*
- *Is it possible to maintain the plantation model without perpetuating colonial traits?*
- *How can smallholder tea farmers strengthen their economic and environmental security?*
- *How can governments, tea companies and NGOs help them to achieve this?*

ROOT CAUSES 10

What is preventing change? “...the more they stay the same”

“...the most outstanding trend is the lack of change, is the total stalemate situation where very little has changed, nevertheless, despite different efforts.”



The need for change...

Across the board, interviewees in THIRST's root cause analysis of the human rights gap in the tea sector stressed the desperate need for change;

- *“There is a crisis in the sector... no doubt about it. So until organisational changes take place in the structure of the sector, there is no way out of this.”*
- *“Tea is a sunset industry...”*
- *“The tea industry is on a pacemaker...”*
- *“We've got into a whirlpool and we can't get out without significant investment to improve the quality of tea...”*
- *“CTC is in the ICU.”*
- *“Unless the business model changes, nothing will change.”*
- *“If we do not change our mode of operating, in 50 years' time there will be no smallholder tea farmers”*
- *“If tea wants to stay we must change. We must adjust our practices according to the time.”*

These are just some of the quotes on this issue from our study. The views from Asia, Africa and Europe show how widespread is the concern about the sector's resistance to change – and the fact that it could pose an existential risk.

...and the resistance to change

And yet, resistance to change was the most prominent finding in our study, raised by worker representatives, standards bodies, civil society, and private sector actors. The global commercial tea sector's social, economic, and political conditions have changed significantly since tea trading by the British East India Company began. There have also been big changes in tea markets, social responsibility regulations, and consumer expectations. Yet much of the original colonial model of the global tea sector stubbornly persists.

Some interviewees reported feeling helpless in the face of this rigidly unchanging historical legacy of the tea industry; one reflected that “many groups like the Ethical Tea Partnership, IDH, various NGOs, Fairtrade, Rainforest Alliance... everybody that operates in this domain is struggling with certain issues that show that basically the systemic barriers to improvement are really tough to overcome. And everybody, at least on some topic is stuck on how to fix this or deal with this and it appears that the tea sector is a system that cannot be, in reality, changed. Certainly when it is embedded in existential legislation and tradition.”

The title of Columbia Law School's 2014 Human Rights Institute Report, 'The More Things Change...'⁷³ leaves the rest of the saying – 'the more they stay the same' – unsaid. Its central argument is that current conditions for workers “are rooted in the colonial origins of plantation life which continue to define the extremely hierarchical social structure, the compensation scheme, and the excessive power exercised by management.” It also points out that; “The compensation scheme originally developed for the colonial plantations and their migrant workers – low cash wages, supplemented with housing and social benefits – has remained unchanged,” and suggests that the reason for this is that “Planter resistance and political expediency continued to limit the reach of reform efforts, even after Indian independence and the shift to Indian ownership of the plantations.” Many of the same characteristics can be applied to other tea origins which adopted the Indian tea plantation model.

While many of the tea sector's issues are common across different agricultural sectors, this particular phenomenon does appear to be stronger in tea than in other sectors. For example, one interviewee commented; "I have spent a lot of my time in fruits and vegetables. Supply chain transparency isn't an issue there. But in the tea sector it's an old sector, and I think we have to work on this..." Sally Uren of Forum for the Future also stressed that; "It's a commodity, established in colonial times and it's super conservative, and this is more acute than other industries."

It is these colonial roots that may hold the clue as to why this is so; the characteristics shaped by the influences of the colonial era may be irrevocably 'imprinted' on the industry.

Organisational imprinting

The concept of imprinting was first identified and studied in animal behaviors by scientists in the 1930s to explain tendencies/phenomenon in which early experience shape animal behavior throughout their lives. But the theory has since evolved to embrace human psychology and, since the 1960s, organisational behaviour. Organisational imprinting refers to the lasting impact that the founding conditions of an organisation have on its structure and operations over time. The concept of industry-level imprinting may help us to understand why the sector has been resistant to change despite a clear need for change and well-designed and well-intentioned interventions.

Marquis & Tilcsik⁷⁴ identify three key features of organisational or industry-level imprinting, all of which we observe in the tea sector. First, "the existence of a temporally restrictive sensitive period characterized by high susceptibility to environmental influence;" this was evident in the economic, political and social dominance of the British and Dutch empires over the people and institutions of colonized countries where they initiated tea cultivation. Second, "the powerful impact of the environment during the sensitive period such that the focal entity comes to reflect elements of the environment at that time". As we have seen in the section on the 'Enduring historical legacy of tea', colonial norms of imperialism, paternalism, and hierarchies based on race or ethnicity are strongly reflected in the modern tea sector's hierarchies, employment and trading practices, even down to the siren that sounds at daybreak in some tea origins, summoning the whole community to be ready for the day's tea plucking work.

Colonial era imprinting on the tea sector is evident throughout this report; in the power imbalances, the way that many managers see and talk about workers as inferior beings, in the entrenched trading practices, in the economic model of extracting wealth from populations unable to free themselves from poverty, and even, according to some interviewees, in modern-day attempts to police the delivery of human rights through certification.

The third defining feature of imprinting is "the persistence of the characteristics developed during the sensitive period even in the face of subsequent environmental changes."⁷⁵ Imprinting persists due to a combination of inertia – defined as "persistent organisational resistance to changing architecture"⁷⁶ – and institutionalization, i.e. the industry's initial structures and relationships, created to fit its initial goals and conditions, cannot easily be dismantled or reshaped. THIRST's literature review and root cause analysis interviews have found that at every level of the tea value chain, from tea workers to consumers, change is resisted even when it would lead to better outcomes. The tea sector, from plantations to auction centres, to blenders and packers is a vast, deeply-rooted, well-oiled machine that would find it immensely difficult to be reconstructed or even to adjust its ways of working.

Imprinting at worker level

This includes workers being resistant to moving away from failed tea plantations to find work, even if remaining could lead to starvation. A 2022 investigation into the phenomenon stressed the need to; "understand that the behavioural patterns of the workers are unique and have been shaped by the exploitation and dehumanisation faced by them for over a century," and went on to describe the "psychological barriers to migration faced by tea garden workers."

These included "learned helplessness, where people accept that they are powerless to change their condition for the better; status quo bias, which encourages people to let conditions remain as they are and prevents people from desiring change; and loss aversion, which prompts people to prefer avoiding losses over achieving gains⁷⁷. These characteristics were illustrated in a conversation with a tea worker who complained of sub-standard food rations. THIRST asked if she would prefer to be paid a higher cash wage and buy her own food. She replied with an emphatic "no." She accepted that higher wages would be beneficial, but was unable to contemplate not being given rations after having relied on them for generations, even if this could free her to buy food of a better quality.

In Sri Lanka, some producers are suggesting a 'revenue share' model in which workers are allocated a part of the estate and operate effectively like tenant farmers. They would have the flexibility to pluck whenever they want to and selling the green leaf to the company who would continue to operate the factory and sell the made tea. A proponent of the scheme told THIRST; "this daily wage-based model is dead and gone. We are just flogging a dead horse. If we go on like this, we cannot go for long. The other alternative is to go for Revenue Share model where the worker becomes his or her own master, free of any sort of restrictive sort of overbearing supervision. But I can't understand why the stakeholders are not pushing it. What are they having against their own constituents earning more money? At the end of the day, they are getting more money and flexible, less work time, less hassle. Emotionally, they are not feeling that they are like super strictly managed...". In this case, critics of the approach express fears that the model would push risk onto the workers, potentially reducing their income even further, but another way of looking at it is that the imprinting of dependence on the relative stability of a daily wage is preventing workers embracing a model that could offer them greater freedom and dignity.

In Darjeeling, a tea estate owner trying to introduce more environmentally friendly fuel to the estate 'villagers' faced "suspicion and resistance". He explained; "You know, there is a word in Darjeeling called 'Dastoor,' which translates to the phrase, 'Whatever has been happening must continue.' We had to overcome this 'Dastoor' inertia, to convince people that changing fuel sources had the best interests of the plantation in mind – and therefore, their benefit at heart."⁷⁸

Imprinting at producer level

Our study also found that many tea producers were equally reluctant to embrace change; for example, tea company managers who cannot contemplate the notion of relinquishing control of their workforce communities, even though this would dramatically reduce their overheads. A former tea company manager has suggested that estates allow workers to own their own houses, letting the government provide the social services currently provided by the company, thus reducing overheads and giving more autonomy to workers. He says: "There's a lot of schemes, a lot of money with the government, they're waiting to be used constructively. It just needs a mindset change that I will part with the five cents of land and the government is more than happy to do these things. And you will reduce your cost of production in the bargain...". But this has been met with strong resistance by production company managers who not only see the model is impractical but also fear that adopting it would lead to workers abandoning the estates.

In Kenya, following an exposé of sexual exploitation of impoverished women workers, a tea industry representative told THIRST “one of the biggest challenges in changing management behaviour is getting them to unlearn old behaviours and relearn new ones.” They referred to the legacy of absolute power that managers originally had; “The manager was the sole decision-maker, he recruited, paid and managed all the workers, he did everything. Managers were extremely powerful individuals. Even the manager’s wife had power, if you couldn’t get hold of the manager you could ask Madam for permission to take leave. Conversations between managers and workers took place through the window. The relationship was almost like slave ownership, and you still see an element of that today. So training on issues such as human rights often ends up just addressing the symptoms.”

Imprinting at the trading level

As we saw in the section on entrenched traits of the tea trade, institutions such as the auction have persisted throughout the industry’s history although many have argued that it limits producers’ ability to maximise their earnings, that it is open to influence from an oligopsony of large buyers and that it is an anomaly which does not exist in other comparable sectors such as coffee or cocoa. As N Dharmaraj pointed out: “Historically, tea auctions were flawed as a price discovery platform and heavily biased in favour of the buyers. After the English left, tea business went into the hands of the Indian business houses. Indian buyers, obviously didn’t want to change the system because it was favourable to them.”⁷⁹

Imprinting at brand and retailer level

One could argue that the persistence of the corporate focus on maximising profits for the shareholder at the expense of all other considerations, including the wellbeing of the workers and farmers at the base of the value chain is another example of organisational imprinting. As we saw in the ‘Economics 101’ section, the relentless drive to keep the price paid for tea at a minimum is a major root cause of many of the issues that plague tea workers and farmers, and persists despite growing labour shortages, media exposés of mistreatment of workers and calls for change from consumers, investors and international standards bodies.

Codes of conduct, certification and audits were, of course, not a present at the initial, vulnerable development period of the tea sector. Yet brands and retailers continue to invest in them and rely on them, despite the significant additional time and money it adds to suppliers’ costs, and their failure to prevent repeated exposés of human rights abuses, which damage their reputation. This behaviour has similar characteristics to organisational imprinting, perhaps relating back to the initial era of Corporate Social Responsibility – but that would be a topic for a different study.

Can imprinting be reversed?

In some instances, yes it can. Marquis & Tilcsik⁸⁰ offered this example of organisations overturning imprinting; “following the transition to a market economy in Eastern Europe, firms that sought new knowledge from market economies were able to modify their socialist imprint...” explaining that; “as the competitive context changes over time, the initially learned responses or knowledge sets are no longer advantageous in the new environment, which might lead to more active organisational attempts to change.” They also cited the finding by Boeker (1989) that; “firms might veer from their imprinted strategies when organisational performance declines.”

In an interview with THIRST, Christopher Marquis also gave the example of General Motors who had been resistant to modifications of its factories to make them more environmentally friendly, but who embraced these changes wholeheartedly when forced by other circumstances to relocate and build new facilities in a new location.

The tea industry’s “competitive context” has changed massively with tea moving from being a luxury item produced and consumed by a ruling nation able to dictate the terms of trade, to a globally consumed commodity, with hugely increased production, competition from other beverages and altered consumer demand patterns. The “initially learned responses” such as paying workers very low cash wages supplemented with basic services are no longer advantageous to the industry, as the increasing labour shortages in many origins and repeated exposés of human rights abuses prove.

Organisational performance is certainly declining as more and more tea production companies go out of business. Many of those remaining struggle to survive with prices year after year below the cost of production – and are often only surviving by supplementing their tea operations’ income with that from other business activities. This may explain why we are seeing firms either “veer from their imprinted strategies” or, like post-communist bloc Eastern European firms, seek new knowledge and “modify their [colonial] imprint.”

Those that are selling off their tea estates or production businesses to independent non-tea businesses or private equity firms may be seen as veering from their imprinted strategies in what many industry stakeholders and civil society actors feel is a strategy that significantly increases risks to the human rights of tea workers and farmers. These players are often seen as solely focused on extracting value from the estates, intending to drain them of resources and abandon them, which is likely to have a detrimental impact on the farmers, workers and their families who rely on tea for their livelihoods. By contrast, for all its problems and perceived flaws in the way it is interpreted, the traditional plantation model does entail some sense of responsibility for the wellbeing of its workforce and that there is a duty of care towards them.

Those firms that are taking a more thoughtful approach, those seeking knowledge to modify their colonial imprint include tea companies in many countries supporting the formation and running of smallholder tea farmers groupings (sometimes in collaboration with NGOs), and sourcing their tea from them. There are also many others in today’s tea sector who were never part of the colonial model and are therefore able to carve a different route for themselves. These will be documented and evaluated by THIRST in an upcoming publication on alternative models and innovation in the tea sector.

Despite the pervasive resistance to change documented here, it is evident that, whether welcome or not, the tea sector is being forced to change. Economic pressures, better communications, increasing awareness of rights and growing demands for fair play from both the workers and farmers who produce tea and from the consumers who buy and drink it may prove a more powerful force than organisational imprinting. The result is the exponential rise of independent smallholder tea farming as plantations struggle to pay their workers and make ends meet.

This phenomenon presents both a great challenge for the tea industry and its stakeholders and a great opportunity. The challenge is how to ensure that this new direction that the industry is beginning to take does not result in tens of thousands of smallholders falling below the radar of labour and human rights regulations – particularly on gender equity and child labour –, unable to access economies of scale and accepting prices far below the cost of production due to weakened negotiation power.

The opportunity is to support an evolution that ensures that women and men smallholder tea farmers are supported to maximise the income from their crop, have access to education, healthcare, sanitation and above all, a living income and that all of their human rights are met.

As the Distinguished Senior Fellow at The Democracy Collective, Marjorie Kelly, says: “Ultimately we will need to change the operating system at the heart of major corporations. But if we begin there, we will fail. The place to begin is with what is doable, what’s enlivening and what points towards bigger wins in the future.”⁸¹

Potential discussion points for Roundtables

- *How does organisational imprinting affect ourselves, our company or organisation?*
- *In what ways is it preventing us from meeting new challenges?*
- *What steps do we need to take in order to modify our organisational imprint to strengthen business viability and thus enable better conditions for tea workers and farmers?*
- *What actions can we take that are “doable, enlivening and... point towards bigger wins in the future”?*

Conclusion

The tea industry is vast, complex and ancient. The root causes of the human rights gap within it are multifarious and deeply embedded. But that is not to say that its problems are insurmountable. The economic, social and moral pressures of our time are making change inevitable, as we see – for example – from the exponential growth of the smallholder sector. The challenge for the industry and its stakeholders and well-wishers now is to ensure that that change does not push tea workers and farmers from the frying pan into the fire, but that it leads to greater autonomy, better livelihoods and the empowerment to stand up for the rights of which so many are currently deprived.

For that to happen the whole tea industry needs to be healthier, more robust - and for that to happen it needs to be fairer. There needs to be fairer distribution of value through the value chain – and in particular, the largest buyers need to acknowledge and take responsibility for the impact they are having on the whole supply chain. The institutions, mindsets and infrastructure of colonialism need to be dismantled and a new era of mutual respect and empathy between all levels of the value chain needs to be nurtured. The tea industry is full of people equipped with creativity, compassion, intelligence and decency. It’s time to harness those qualities and work together for a thriving tea industry that’s fair for all.

THIRST presents these findings back to you, the tea industry and its stakeholders who were their source. The next steps will be to invite you to join together in a series of international multistakeholder roundtables to explore what needs to be done, by whom and in collaboration with whom, to start tackling some of these root causes in such a way that “is doable, enlivening and... points towards bigger wins in the future”.

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