



CBI  
*Ministry of Foreign Affairs*

# **CBI Product Factsheet:**

## **Specialty tea in Europe**

## Introduction

The Specialty tea industry has seen substantial growth in the last decade. The European market for whole-leaf (orthodox) loose teas and single estate teas is growing. The European market for Specialty tea is still relatively small compared to the United States market. Consumers are becoming more knowledgeable and interested in the kind of tea they drink and its origins. Secondly, the health and wellness trend remains an important driver: consumers are increasingly looking for pure and authentic products with a naturally distinctive taste. Along with these trends, a lifestyle trend can be observed: tea is becoming trendy and is on its way to becoming a daily drink.

## Product description

"Tea" refers to a hot beverage that is prepared by infusing or brewing the dried leaves of the *Camellia sinensis* plant. There are at least six different types of tea: green, white, yellow, oolong (or wulong), black (called red tea in China), and dark post-fermented tea (or black tea for the Chinese). The most commonly found on the market are black, green, oolong and white (see table 1).



Specialty tea refers to a specific segment in the market. There is no universally accepted definition. It generally refers to higher value teas (at least \$10/kg farm gate price and \$40-50/kg consumer price) such as orthodox loose-leaf teas, single-estate teas, rare tea types (such as exclusive green teas, first flush Darjeelings, Oolongs, white tea and pu-erh tea) and (some argue) high quality flavours (e.g. exclusive Earl grey tea) or uncommon flavours of tea (such as some dessert teas). Specialty (or premium) tea sometimes comes with a niche certification, mostly organic and sometimes Fairtrade. A growing number of consumers purchase these teas in specialty stores and the out-of-home markets.

## Flavours of tea

The distinguishing factor that determines whether tea becomes black, oolong, green or white tea is oxidation. Oxidation is a chemical process that results in the browning of tea leaves and the production of flavour and aroma compounds in finished teas. The flavours and aromas of tea become fuller and deeper during oxidation (or 'fermentation'). Notes of tannin, malt, chocolate, earth, stone-fruit, grape and/or citrus emerge. In general, black tea is fully fermented, oolong is partially fermented, green tea is not fermented or only minimally fermented, and white tea is entirely unfermented.



**Table 1: the most common teas and their flavours**

Tea	Description	Flavour
<b>Black tea</b>	Black tea is the most common type of tea in the Western world. Black tea is almost always fully fermented.	Black tea is noted for its full, bold flavour and its ability to pair well with many Western foods, particularly sweets and creamy foods.
<b>Green Tea</b>	Green tea is unfermented. Japanese green teas are typically steamed. Chinese-style teas are typically processed with dry heat.	Japanese-style green teas tend to have strong vegetal, grassy or oceanic/seaweed notes and a slight citrus undertone. Examples are Sencha and Matcha tea. Chinese teas often have a mellower, sweeter flavour profile with notes of nuts, flowers, wood and/or vanilla.
<b>Oolong tea</b>	Oolong tea is rolled by hand or machine and pan fired, and then heated. Many oolongs are roasted afterwards to further develop their flavours and aromas.	Depending on their processing, oolongs may have flavours and aromas of honey, orchids and other flowers, lychee and other fruits, wood, butter or cream, vanilla and/or coconut.
<b>White tea</b>	White tea is a light tea grown and harvested primarily in China (Fujian and Zhejiang provinces). The name relates to the whitish appearance of the plant. The tea is pale yellow.	White tea has a light, delicate, slightly sweet flavour. It has less caffeine than black or green tea.

Most teas are sold to consumers as *blends*: mixtures of teas from several different origins to achieve a certain flavour profile. Most branded teas in Europe use 20 or more origins to achieve their desired taste and price level. However specialised tea (and coffee) shops are increasingly selling single origin teas.

### Codes used in customs & international trade

The statistical data in this document is based on Combined Nomenclature (CN) codes. The CN uses Harmonized System (HS) codes to classify products. The HS codes included in this study can be found below. There are no separate HS codes for Oolong and White tea. They fall within the fermented and unfermented categories respectively.

HS Code	Description
090240	Black tea (fermented) & partly fermented tea in packages exceeding 3 kg
090230	Black tea (fermented) & partly fermented tea in packages not exceeding 3 kg
090220	Green tea (not fermented) in packages exceeding 3 kg
090210	Green tea (not fermented) in packages not exceeding 3 kg

## Product specification

### Quality: grading and classification

The factors affecting tea quality can be distinguished as follows:

- Genetic: tea quality is primarily determined by the genetic properties of the tea plant/bush: China or Assam type, or hybrid.
- Environmental: elevation (high altitude), soil and climate (including temperature, humidity, sunshine duration, and rainfall) influence the quality of tea.
- Field operations: pruning, fertilising, shading, plucking also play an important role in determining the quality of tea (see for example [Tea International](#)).
- Processing of plucked tea leaves: [orthodox versus Crush, Tear and Curl \(CTC\) tea](#).

There are 4 basic grades in orthodox tea production: Leaf, Broken, Fannings and Dust. These categories specify and indicate the different leaf sizes and associated strengths. Whole leaf and broken grades are mostly used for loose (specialty) teas, fannings and dust are the preferred grades for (CTC) tea bags.

Tea quality assessment is generally undertaken by tea tasters (at auctions or from private buyers). For more information, see the European Tea Committee's [Compendium of Guidelines for Tea](#).

- There is growing international interest in the enforcement of minimum quality standards for internationally traded tea. The difficulty lies in agreeing on internationally acceptable quality standards. Sample tea grading specifications can be found on [the website of Imperial Tea Garden](#).

### Labelling

Consumer products containing tea [are required to be labelled](#) with the following characteristics:

- Name of the product;
- Physical condition or the specific treatment undergone (fermented or not, etc);
- List of ingredients, including additives (such as herbs for herbal teas);
- Nutritional values if the product contains nutritional value-altering ingredients (e.g. candied fruit pieces, coconut chips etc.)
- Presence of substances known for their ability to spark allergic reactions and intolerances should always be indicated;
- Net quantity;
- Expiry date preceded by the words "best before";
- The name or business name and address of the manufacturer or packer, or of a seller established in the EU;
- Place of origin or provenance.

## Packaging

Tea is packaged in paper bags, plywood chests are hardly used anymore. Bulk packaging requires the lot number (identification number), net and gross weight (quantity of content), whether the bag contains green or black tea (ingredient list), and more specific information, e.g. English breakfast tea (statement of identity) and the country of origin. China tea is also shipped in tin plate containers which are sealed with solder and additionally wrapped with bast mats.

### Common packaging methods



## What requirements should Specialty tea meet to be allowed on the European market?

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The EU market has strict demands regarding food safety and quality. This includes legislation on food safety, Maximum Residue Levels (MRLs), contaminants, consumer labelling and extraction solvents.

For an in-depth analysis of the buyer requirements, refer to the section [What requirements should tea meet to be allowed on the European market?](#) on the CBI website.

## What legal requirements must my product comply with?

Being 'EU compliant' is the number one criterion for EU buyers when buying your specialty tea. Only suppliers that are able to adhere to the high EU quality and food safety requirements can enter the EU market. Here, being in compliance with the maximum permitted residue levels (MRLs) and legislation regarding contaminants are considered most important.

### Tips:

- Direct information on the relevant legal requirements is also available on the website of the [EU Export Helpdesk](#).
- Refer to the ITC [Standards Map](#) for additional information on voluntary standards.
- Be aware that some countries (e.g. Germany), apply thresholds that go beyond those specified in legislation. Their requirements with regard to MRLs are likely to be stricter than the official EU limits (e.g. 30% of the EU level). Consult closely with your buyers concerning the levels that are acceptable. Be prepared to submit your tea for lab analyses before the buyers approve it for shipment.

## What additional buyer requirements do buyers often have?

In addition to legally binding requirements, sustainability has become an increasingly important market access requirement. For the specialty tea market this means [Ethical Tea Partnership](#) (ETP) certification rather than Rainforest

Alliance or UTZ Certified. [Ronnefeldt](#) for example, a German tea company known for its premium teas, has all its tea produced according to the ETP standards. Rainforest Alliance and UTZ mainly serve the (mainstream) retail market and not so much tea sold in specialty stores or the out-of-home segment.

### Niche sustainability concepts

Niche certifications that prevail in specialty teas are mostly organic and sometimes Fairtrade certification. Organic certification is perceived as a sign of quality: it is considered healthier than conventional products as it contains less residues and reduces environmental impact of the tea production.

**Tip:**

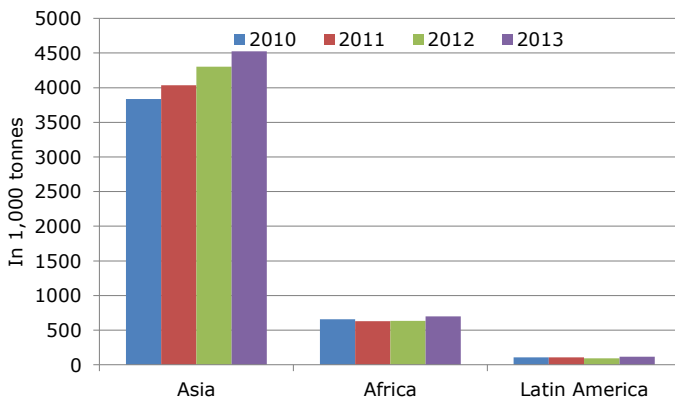
- Consult with your buyer to determine their requirements with regard to certification. Be aware that certification in no way constitutes a guarantee that the tea will taste good, or that it is EU compliant in terms of pesticide residues, heavy metals and/or contaminants. Be sure to submit your certified tea for the necessary laboratory tests.

## What is the demand for Specialty tea in Europe?

### Production of Specialty tea

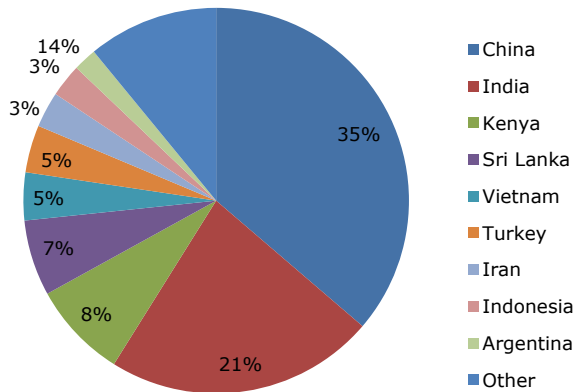
The tea figures below presented are based on the selected HS codes (see the *Product Description* section). There are no specific HS codes available for Specialty tea, so all figures presented refer to the full range of the selected HS codes.

**Figure 1: Global tea production by continent, in 1,000 tonnes, 2010-2013**



Source: FAOSTAT, 2015

**Figure 2: Production of tea by producing country, as a % of global production, 2013**



Source: FAOSTAT, 2015

## Most important developments

### Asia main continent of Specialty tea production

Asia is leading in overall tea production and also in the production of Specialty teas. China, known for its green Oolong teas, Lapsang Souchong, black Keemun teas and Jasmine teas is the largest supplier. India with its Assam, Darjeeling and Nilgiri teas and Sri Lanka with its Ceylon teas, are other important origins for Specialty tea. Other Asian suppliers include Taiwan (green and black Formosa tea, semi-fermented Oolong tea), Himalayas (Darjeeling type of tea), Japan (solely green tea, Sencha and Matcha tea) and Indonesia (Javanese tea, Ceylon type of tea).

Africa produces almost exclusively CTC (crush, tear, curl) tea for the British market, but some orthodox teas are produced in Kenya and Malawi. Highland tea, e.g. from Kenya, can achieve an excellent quality in the best plucking season (December to March).

#### Tips:

- A specific story for example explaining the mission and history of your tea and company or explaining the unique characteristics of your [tea growing region](#), add value of your tea.
- Cooperate with supply chain actors to increase collaboration and gain or increase shared values such as increased yields and qualities of tea production. Consult the local Tea Board, Tea Research Institute or Tea Planters Association in your country: they might have programmes on this.

### Single origin teas

Darjeeling, Assam, and Ceylon are three of the most popular types of black teas and they are grown exclusively in southern Asia (India, Sri Lanka, Himalayas). Darjeeling tea for example has been registered as a [Geographical Indication](#) (GI) in India and is protected internationally since 2011. Due to its elevation and unique agro-climatic conditions, the leaves here have a distinctive natural flavour. Darjeeling tea commands among the highest prices for tea in the world ([Indian Tea Association](#), 2015).

#### Tips:

- When exporting single origin tea, look for opportunities in direct trade, hereby bypassing the auctions. In direct trade, prices are negotiated between buyer and seller. Through these private sales, you may obtain a price increase of 10 to 15 cents per kg.
- See for example [The Indian Tea Industry](#), a publication of the Tea Board of India which amongst others highlights the advantages of Indian tea.

### Many grades, types and qualities in specialty tea

There are many different origins and [types](#) of Specialty tea, all with their unique characteristics and flavour profiles. Quality is determined by various factors including grade, climate (altitude) of the region, soil quality, processing and storage. Specialty teas generally are single origin teas, that means that you cannot blend it with other origins to achieve the desired taste. The quality and taste differ per growing season. Therefore, business is always done based on samples. Sampling gives potential buyers the possibility to determine whether the tea matches their quality requirements before they commit to buy.

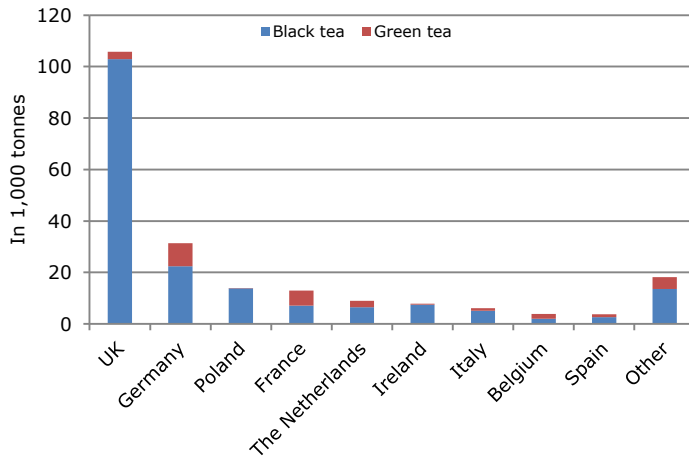
**Tips:**

- When you send a sample, be sure that it is fully representative of the actual tea. If you do not have the tea in stock, make sure to mention it is a 'type sample'. If you cannot match the sample quality in some respect, tell your buyer sooner rather than later. The [ISO Standards Catalogue](#) provides information on tea sampling.
- Identify your unique selling points such as origin, geographical indicator, [grade](#), hand-picked, a specific story, etc. See Useful sources (at the end of this document) for an overview of potential buyers.

**2. Consumption of Specialty tea**

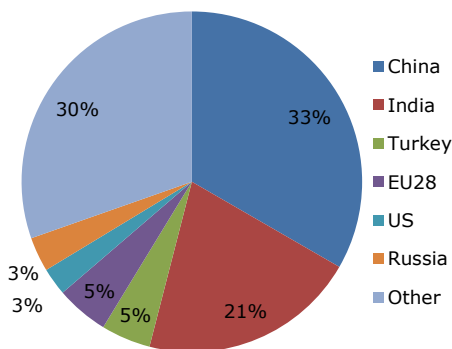
The consumption figures for tea are calculated by the quantity of tea produced (in case of a producing country) plus imported minus exported quantities. Specialty tea is not specified in these consumption figures, due to lack of data.

**Figure 3: Tea consumption of EU member states in 2014**



Source: Eurostat, 2015

**Figure 4. Top global consumers of tea in 2013**



Source: FAO, 2015

**Most important developments**

**Growing consumption of specialty tea**

Tea shops in Europe are popular and growing in number. European consumers are increasingly looking for pure and authentic products with a naturally distinctive taste (no added flavours). They are looking for higher quality teas than the regular CTC teas sold in tea bags. In the Czech Republic for example, where (cheap) fruit/herbal black tea in tea bags is the standard, there is a high and growing number of tea rooms: here, the classic tea bags commonly used at home are not

found. These tea rooms increasingly attract businessmen and managers, who choose the relaxing atmosphere of these places to meet clients ([Progetto](#), 2014).

Tea drinking in Europe has become cool. A newly founded group of tea connoisseurs is developing (Source: [The Guardian](#), 2015). Specialty tea in general is attracting affluent, young, educated and health conscious consumers who like to experiment with unique and organic flavours ([Market Realist](#), 2015). As a consequence, the market for black and green whole-leaf (orthodox) loose teas and single estate teas is growing, as is the market for Oolong and white teas. White tea, grown only in a few pristine regions of the world, is the least processed tea, which means it contains more naturally occurring, health-boosting antioxidants than teas brewed from other varieties. In the UK for example, the not standard black tea market has doubled over the past few years ([UK Tea and Infusions Association](#)).

The European market for Specialty tea is still relatively small compared to the US: experts estimate that around 10% of tea (*Camellia sinensis*) consumed in Europe is specialty tea. In the US, the (wholesale value) share is 17.5% ([Market Realist](#), 2015).

**Tip:**

- Understand the characteristics of your target market. The tea market in different European countries varies significantly in terms of consumption patterns, level of trading, preference for specific tea varieties, profile and requirements of tea packers, and popularity of certification schemes. Analyse the demand per country and identify the channels through which your specific tea variety enters the European market and where it is sold. For more information, refer to the CBI document on finding buyers for tea.

### **Germany the largest European market for specialty tea**

The UK is by far the largest consumer of tea in Europe, however they are traditional tea bag drinkers: 96% of tea is sold in tea bags in which, generally, the lower quality teas (fannings and dust) are packed. The Germans are said to have the largest market for specialty tea in Europe. The German specialty market was estimated by experts. Germans have a preference for loose tea, consuming 60% as loose tea and 40% in tea bags or capsules ([Teeverband](#), 2015).

**Tip:**

- Consumers are mostly moving from the low quality mass section (teabags with fannings) to the middle section (whole leaf tea), but not so much to the high-end premium teas. If you are an exporter of better quality teas in consumer packaging, you add value to your product through better packaging with a story.

For more information on statistics in the tea market, refer to [CBI's Trade Statistics Tea](#).

## **What trends offer opportunities on the European market for Specialty tea?**

### **Inconvenience may hamper further growth**

Unlike coffee, in which you have fast machines for an instant enjoyment of a good cup of coffee, specialty tea requires quite some involvement from consumers: each tea type has its special prescription in terms of brewing time and temperature of the water. In addition a tea strainer is needed. The inconvenience that comes along with the perfect brew may flatten a further growth in this segment. In the UK for example, new formats of premium coffee pods and the coffee shop culture have encouraged switching from tea to coffee (Source: [The Guardian](#), 2015). Specialty tea consumption is left merely to a relatively small group of enthusiastic consumers (mostly women) that are knowledgeable and convinced enough to take the effort in making the perfect brew (Source: Broektea, personal communication 2015).



**Tips:**

- Be aware that higher priced teas might become substituted in countries where the Gross Domestic Product (GDP) is lower.
- In case you want to enter the Specialty market, look for a distributor or packer specialised in this market segment. Check the European Tea Committee for its [Member Organisations](#) (national tea associations) or check the [Tea Trade Directory](#). Once you have selected an association or company, contact them for further details.
- Direct trade is a way of shortening the supply chain. Direct trade is common in the specialty tea market. Make sure that the price increase stays with you (and the farmers) and is not to the benefit of your buyer who may still pay the same low price. It is expected that farmers and exporters (providing related services) will be able to negotiate better incomes due to increased efficiency and insights into their position in the supply chain.

**Organic the preferred label**

Some brands in the specialty sector prefer to have organic certified teas, as it is perceived as a sign of quality. For example, [Simon Levelt](#), market leader of specialty teas in the Netherlands, has the majority of its teas organically certified: 177 organic versus 71 non-organic teas in 2015. Ethical Tea Partnership (ETP) membership is also important, however, it is not recognized as such on the pack (no consumer label). [Ronnefeldt](#) for example, a German tea company known for its premium teas as well as standard quality broken and leaf teas, has all its tea produced according to the ETP standards.

**Tips:**

- It is important to discuss certification needs with your (potential) buyer and research your target market(s) before engaging in costly and time-consuming processes. Also make sure to contact local representatives of the different certification schemes to ask for information, offers for certification services and training possibilities.
- Focus on high quality tea, mild green tea and tea with a certificate. These niche markets are growing, especially in Western European countries. For more information on specific European markets, refer to CBI's [Product Factsheets \(promising markets for tea\)](#).

For more information on trends in the tea market, refer to [CBI's Trends in Tea](#).

**What do the trade channels and interesting market segments look like in Europe for Specialty tea?**

Tea is either traded through auctions or through private sales. Producers such as China, Vietnam and Argentina sell their teas via private sales. Other producing countries such as Kenya, Sri Lanka, Indonesia and India have an auction system in place. Understanding the total tea value chain may help exporters to estimate their risks and opportunities and to adapt their marketing strategy accordingly. In the Specialty tea market, private sales are the preferred routing as direct communication with the supplier is needed on the specific quality requirements and thus price of the tea. In addition, quantities sold are much lower than in the case of bulk (mainstream) teas.

For more information refer to [CBI's Market Channels and Segments](#).

**Analysis and interpretation****Increasingly segmented markets: mainstream teas in supermarkets versus premium teas in speciality shops**

EU industry and consumers demand (cheap) mainstream tea. At the same time, the demand for loose (orthodox whole-leaf) tea and single estate teas is rising. A growing number of consumers purchase these quality teas in speciality stores and the out-of-home markets. Supermarkets generally do not sell premium teas. Their innovations are limited to new types of packaging and the introduction of for example herbal and fruit flavoured teas. [Ronnefeldt](#), for example, introduced [large tea bags](#) for whole leaf premium teas in response to a demand from the German retail sector.

**Tips:**

- Develop long-term relationships with your buyer(s). Be reliable, transparent and a good communicator. This means keeping agreements and delivery times, developing an open relationship in which risks can be properly addressed and providing your buyer(s) with clear and prompt information, especially regarding price, contract, quality and shipment issues.
- Also in the higher quality tea segment, convenience is still an important driver. [Pyramid shaped tea bags](#) have become more popular, leaving more room for whole leaf tea to expand and to create a better, more tasteful brew.

**Retail sales through internet shops**

Many high-end specialty teas are sold via social media and internet shops. [Simon Levelt](#), [Mariages Freres](#) and [Tee Gschwendner](#) for example, all have online shops. Here consumers tend to buy smaller quantities at high prices. Social media is also important in popularizing certain teas: many people blog about the health benefits of Matcha tea making this tea popular especially among young (sportive) consumers.

**Tip:**

- Even if you don't sell your tea through e-auctions, these selling systems can be a useful source of pricing information. Use them to your advantage.

**Useful sources:**

Some known brands/companies of Specialty tea:

- [Ronnefeldt](#): German tea company known for its premium teas as well as standard quality broken and leaf teas
- [TeeGschwendner](#): global leader in specialty teas
- [Mariages Frères, France: renowned specialty tea house](#)
- [Dammann Frères, France: renowned specialty tea house](#)
- [Simon Levelt](#): Dutch market leader in specialty tea
- [Betjeman & Barton](#), France
- [Kusmi Tea](#), France
- [Le Palais des Thé](#), France
- [Whittard of Chelsea](#), UK
- [Fortnum & Mason](#), UK
- [Jacksons of Piccadilly](#), UK
- [Demmers Teehaus](#), Austria

Other relevant sources:

- [UK & Specialty tea](#)[NL & Specialty tea](#)
- [T Ching](#) - a forum for the exchange of information, thoughts, and experiences of tea lovers
- [International Tea Committee](#) - non-profit provider of global tea statistics (based in UK)
- [Tea 2030](#) - global collaboration from leading stakeholders across the tea value chain
- [The state of sustainability initiatives review 2014](#) - International Institute for Sustainable Development
- [Understanding wage issues in the tea sector](#) - Oxfam Novib and Ethical Tea Partnership
- [Fairtrade Labelling Organisations International \(FLO\)](#)
- [UTZ certified](#)
- [Rainforest Alliance](#)
- [Ethical Tea Partnership](#)
- [The Sustainable Trade Initiative](#)
- [Information on packaging can be found at the website of ITC on export packaging](#)



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