China Supplier Conference
中国供应商大会
Hangzhou, 6-8 April 2017
2017 Report

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Conference Background and Objectives

The Ethical Tea Partnership China Supplier Conference held in Hangzhou, China on 6-8 April 2017, brought leaders from the Chinese tea industry together with representatives of international buying companies to discuss practical ways of implementing sustainability in China’s tea growing regions.

On the first day there was an agenda designed to increase participants’ understanding of the different perspectives and challenges faced by the tea supply chain in China as well as the regulatory and consumer pressures that shape the approach taken by tea buyers from international markets. There was lively discussion based on panels that focused on:

- The current context of the Chinese tea industry
- International market trends and how companies define and approach ethical sourcing
- The challenges and processes around the maximum residue levels (MRLs) for agrochemicals and contaminants permissible under different national and multinational regulations, and
- The value of supply chain transparency in enabling consumer education about who grows and supplies their tea

On day two, participants visited typical tea gardens supplying both the Chinese and export markets, with on-site guidance from Rainforest Alliance and Fairtrade. This enabled active learning about sustainability standards and certification in a Chinese context, leading to a third morning of discussions about sustainability challenges and solutions from across China and other tea producing countries.

The collaboration that made this conference possible created a forum for high quality discussions in a positive spirit of openness. ETP would like to thank Starbucks for sponsoring the conference, Wollenhaupt for their support, and Zhejiang Tea Group for their administrative support and facilitating the field trip. We are grateful to the speakers and 180 delegates who together created a vibrant platform on which to build the next steps to further the sustainability of tea production in China.
Introduction and Outcomes

This summary of the discussions and presentations groups comments across the 3 days into common themes. The main issues echo perspectives and challenges voiced across worldwide tea origins, and show how ethical sourcing criteria are intrinsically connected to business relationships.

Some initial outcomes and conclusions of the conference were:

- The development of stronger relationships between leading institutions that together can progress sustainability in Chinese tea production
- An open discussion of the challenges of sustainability in a Chinese reality to form a common understanding of the perspectives of buyers and suppliers
- Shared experience to improve understanding of the ‘how’ of sustainability, and practical steps that can contribute to meeting international ethical requirements
- The opportunity for the Tea Research Institute, Chinese Academy of Agriculture Sciences (TRI-CAAS), China Tea Marketing Association (CTMA), and China Chamber of Commerce of Foodstuffs and Native Produce (CFNA) to collaborate with Tea and Herbal Infusions Europe (THIE) to provide field data to submit to the European Safety Authority for their MRL decisions
- For consumers interested in the ethics of how the tea they drink is grown and produced, there is a great story to share about Chinese tea and tea culture. There is also an opportunity to use these stories to further inspire the nascent trend in the US and Europe toward drinking more higher quality and speciality teas. However, these stories can only be told if tea companies can trace their leaf from farm to cup.
- Technology, such as mobile phones, offers opportunities for efficient training and real-time knowledge sharing with farmers
- Partnering with Chinese organisations, such as the CFNA, CTMA, and TRI-CAAS can accelerate the sustainability agenda in the Chinese tea industry by reaching producers of tea for both the domestic and export markets
The Chinese Tea Industry at a Glance: 2016 in Numbers

- 60 million tea farmers
- 45 companies with sales over US $10M
- 7% increase in production from 2015 to 2016
- 39% of world tea production (2.43M tonnes)
- 7.8% increase in export value from 2015 to 2016
- 640 Chinese companies exporting tea

Conference Themes

Trends in Chinese tea production

The tea industry in China - the world’s largest producer of tea - is thriving, with production, exports, and the value of the export market all rising. Eighty million people, including 60 million tea farmers and their families, depend on the tea industry for their livelihoods.

Food safety is a high profile issue in the Chinese market, which the Government takes very seriously. Maximum residue levels (MRLs) for agrochemicals and other contaminants are also a dominant subject, and China’s major exporting tea companies have adopted various strategies to ensure compliance with these and international buyer requirements:

- Buying tea gardens to directly manage systems for growers
- Increasing involvement in processing and offering free MRL testing and support for smallholder farmers
- Converting gardens to organic – in some cases this has already been implemented for more than 20 years
- Setting up technical extension support for growers

The China Tea Marketing Association (CTMA) developed a set of sustainability guidelines for Chinese tea production in 2012 and has staff dedicated to sustainability. Their emphasis is particularly on the environment, but also safety and improvement of livelihoods. Several speakers and members of the audience pointed out that, since the North American and European markets represent a small proportion of Chinese tea purchases compared with the domestic market, it is important that sustainability programmes are developed and implemented in partnership with Chinese organisations that can also influence domestic market suppliers.

Ethical sourcing - buyer perspectives

The major tea brands have set time-bound objectives for their tea to be certified or compliant with ethical sourcing requirements. Starbucks, which has partnered with ETP for more than 10 years, recently announced their commitment to reach 100% ethically sourced tea by 2020.

China is Starbucks’ second largest and fastest-growing market globally. In addition, there is a rising demand for green tea in the European market which has increased the importance of Chinese tea for other tea brands such as Twinings, Ringtons, and Wollenhaupt. Buyers find the variety of teas available from China exciting, and make buying decisions based on quality, transparency, environmental and social responsibility.

Meeting the strict regulatory requirements of the European market requires a transparent supply chain on the ground so that buyers and producers can work together to identify and resolve issues.
when they arise. In addition to understanding residue and food safety related risks in their supply chains, buying companies must also demonstrate compliance with new labour focused regulations such as The UK Modern Slavery Act and similar legislation in Germany.

These laws require companies to declare how they are tackling potential forced and trafficked labour across their supply chains, and buyers must know all the sources of their products in order to complete annual compliance statements. Buyers recognised that not all suppliers will be perfect and emphasized the importance of openness and collaboration to resolve issues.

Price and investment
The highly competitive retail environment for tea in North America and Europe, and concerns about low pricing recurred throughout the conference. It was acknowledged that although not all consumers are willing to pay more for their cup of tea, compliance with ethical standards does not come “free.” Although there is some tension between the fact that some investment is required to improve standards and most of the Chinese leaf sold into the Western markets is lower grade, buyers gave reassurances that they were unlikely to switch supply to competing producer countries for price reasons due to the variety of Chinese teas available and the particular taste contribution they make to blends.

MRL regulations
The EU has the strictest MRL criteria (1,100 chemicals with maximum residues), followed by Japan (832) and the US. Morocco, an important export destination for Chinese tea, has also recently adopted new standards. There is not a stipulated maximum for the total number of different residues allowed in any one tea sample, but the EU is currently investigating a ‘multiple residue testing’ process. It is an ongoing frustration for producers that the measurements are made on the leaf rather than the liquor that is consumed, and that the same pesticide can have a significantly different maximum residue level (up to 30 times in some cases) depending on the destination market. The different standards create practical problems for growers who cannot zone their tea gardens for different markets. Although farmers may not know the final destination of their tea, a buyer observed that farmers are often very aware of requirements for residue levels, giving great hope for the future.

Dr Chen Zongmao, President of TRI-CAAS, reported that while there are only 48 chemicals with stipulated residue limits in China, each one has undergone field testing. By contrast, field data is not necessarily available for all of the chemicals regulated in Europe and Japan. Nick Revett, Director of Twinings and Chair of Tea and Herbal Infusion Europe (THIE), extended an invitation for CTMA and CFNA to collaborate with THIE. THIE is consulted by the European Safety Authority on residue level decisions so providing evidence from TRI-CAAS Field trial data would be mutually beneficial.

Statistics from the THIE annual database show that more samples from China are sent for MRL testing than any other origin. As a percentage of the number of samples, the 2015 MRL failure rate of Chinese samples (10.9%) was considerably lower than some other origins, with failure rates as high as 42.8%. Of the 1,035 samples that exceeded permissible levels that year, the top three were anthraquinone (590), acetamiprid (142), biphenyl (45) and propargite (43). However, there had been a slight reduction of failures from 1,135 in 2014.

Linking consumers with tea farmers and their communities
There is ever-increasing interest from customers in international markets to know that the people who grow and process their tea are paid and treated fairly, and have safe working conditions. Consumers also want to know that the environment
Zoe King showed how Tetley’s Farmers First Hand programme is educating consumers and connecting them to tea farming communities by sharing farmer experiences through social media. Transparency is a cornerstone of Tetley being able to tell the story about the journey of tea, and although social media carries the risk of negative commentary, the programme has a loyal following and has proven to be a positive experience for the company, the consumers, and the farmers involved.

Twinings also presented a video illustrating their commitment to tea communities through their partnership with Save the Children in Yunnan. Their programme focuses on child health in remote areas with poor access to health services and has reached over 7,000 children and 14,000 care givers.

**Auditing and certification**

All ETP members require supply chain assurance in the form of audits against social and environmental standards, and a commitment to continuous improvement. ETP has developed a Memorandum of Understanding (MOU) for Chinese suppliers that sets out clear expectations for producers, the kind of training and support that ETP provides, and the benefits from participating in ETP programmes. ETP works with factories to identify any compliance gaps and provides tailored training and support to help improve standards. This includes human resource management training to ensure compliance with both international standards and the Chinese Labour Contract Law, factory health and safety, and training for farmers.

Factories must undertake independent third party audits against the ETP Global Standard. However, to avoid duplication, ETP has MOUs in place with Rainforest Alliance, UTZ, and Fairtrade to recognize these programmes. Factories certified by these schemes are therefore not required to undertake ETP audits, saving producers valuable time and resources.

Data from ETP’s work show that on several issues, such as factory worker wages, child labour, housing, and sanitation, Chinese factories score higher than those in other tea growing regions. The most prominent issues in China are health and safety, working hours, and human resource management procedures. Experiences from Africa showed how cost savings can be achieved through implementing the procedures required for audit and certification, such as when scheduled maintenance avoids unexpected and costly shutdowns from machine faults and how protective guards on machinery have prevented injuries, improving safety for workers and saving companies costly medical bills and workers’ compensation payments.

Good environmental practices are also required by tea buyers and are included in the standards of ETP and all three international certification bodies. The field trip on day two provided an opportunity to see some of these good practices in action and formed the basis of a session on day three around meeting environmental certification criteria. Some of the key issues highlighted include:

- Ensuring there are buffer zones, particularly between tea trees and water courses
- Planting a conservation area to allow wildlife to flourish
- Using appropriate species of shade trees to stabilise soil and provide cover to retain moisture

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Day 2: Field Visit Gallery
• Planting a natural barrier of trees along the edge of planting areas by roads to reduce pesticide drift
• Managing litter by placing refuse bags mounted on sticks throughout the fields
• Separating and safely storing chemical waste
• Reducing pesticides by using natural enemies and insect traps
• Safe use of agrochemicals with adequate protection for sprayers
• Managing weeds and disposing of diseased wood to avoid further contamination

Panellists noted that some of these issues, especially those requiring workers or farmers to change their practices, require long term action to make improvements. In East Africa, for example, it took five years to make significant progress on the consistent use of pesticide safety equipment and the handling of hazardous waste. Progress was made possible by leadership from within the industry to tackle the issue, and rigorous internal monitoring of compliance by tea producing companies.

What then, is the best strategy to work with farmers, who are the stewards of quality, food safety, and the environment right at the very source of the product? Several organisations shared learnings from their experiences working with farmers, with common findings:

• Training is best given on site. ETP and TRI-CAAS have delivered safe pesticide use training to farmers supplying ETP members using a combination of classroom and field training.
• Effort is needed to build trust, which can be accelerated by using existing structures or farmer organisations. The farmer field school model that has been scaled up so successfully in Kenya was able to tap into the highly organized farmer cooperatives operating there. In Yunnan, Rainforest Alliance is working in partnership with the provincial government to help farmers improve soil quality.
• Training material should be simple, accessible, and ideally fit on one page. TRI-CAAS developed a “one page” training model, and ETP has produced an innovative comic book style guide to pesticide compliance for smallholder farmers in India.
• Seeing is believing - farmers implement training when they can see the effectiveness of outcomes and how it will improve their business first hand. The use of demonstration plots is therefore an effective tool.
• Frequency and sustained follow up is key to long term embedding of training. UTZ has a programme to reduce and eventually eliminate the use of pesticides through the gradual introduction of integrated pest management

Training programmes
Participants on the day two field trip visited a tea garden supplying for the export market and one supplying the domestic market. International tea experts marvelling at differences in the way the traditional Chinese tea farm bushes were cultivated
Following three days of conversations devoted entirely to tea sustainability in China, it is clear that there is a high level of interest from both buyers and producers that Chinese tea continues to climb in prominence in North American and European markets. All major companies in these countries have made clear commitments to ethical sourcing and expressed their resolve to collaborate with their suppliers on the continuous sustainability journey.

The industry is already taking steps on this journey, as evidenced by the deliberate structuring of some companies to manage their supply chains down to the farm level, the decrease in the number of European MRL exceedances, and the increasing uptake of social and environmental compliance auditing.

Attendees left the conference inspired to share good stories about Chinese tea with international consumers, and the potential for collaboration to scale up sustainability programmes already under way in the country and adapt programmes that have been successful in other tea origins. If there is an overarching outcome from the conference, it is that everyone is ready to quicken the pace of their efforts toward a more sustainable industry. ETP looks forward to supporting the industry to do this in the next phase of our work in China.

Day 3 Speakers

Joseph Wagurah, Ethical Tea Partnership (ETP)
Alan Tong, Starbucks
Koen den Braber, Rainforest Alliance (RA)
Angela Hu, Rainforest Alliance (RA)
Dr Xiao Qiang, Tea Research Institute of Chinese Academy of Agricultural Sciences (TRI, CAAS)
Hubert Chen, Twinings

Conclusions

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