



THIRST

# Alternative Approaches in the Tea Sector:

Can non-traditional business models and trading systems improve fulfilment of tea workers' and farmers' human rights?



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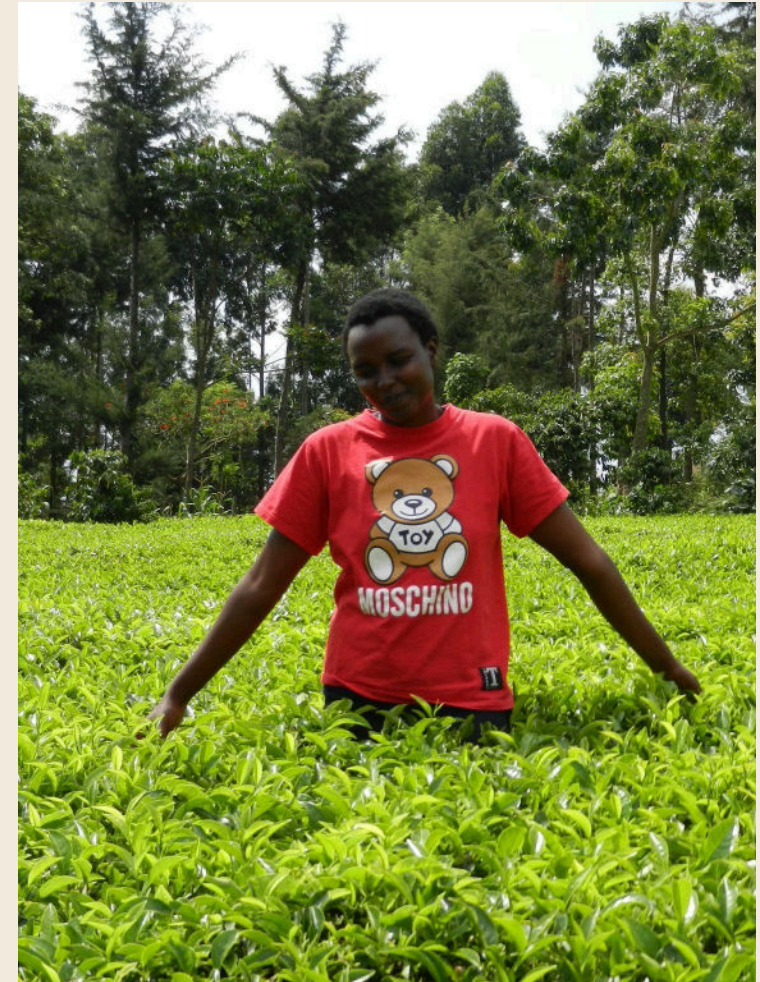
# Introduction

Tea continues to be a globally popular beverage and, since in most regions, it is harvestable all year round and (once established) requires few inputs, is a popular crop to invest in. The global tea industry provides employment, housing, healthcare, education and more to millions of people around the world. But throughout the industry's history there have been reports of poverty, ill-health, disempowerment, poor housing and an inability to escape poor living and working conditions on tea plantations. THIRST provided an overview of these problems<sup>[i]</sup> and their causes<sup>[ii]</sup> as part of its human rights impact assessment of the global tea sector.

## *The Plantation Model*

While the production of tea in its country of origin, China, has traditionally taken place on small to medium farms, the industry spawned by the British Empire was based on the plantation model. The fundamental structure and culture of these plantations that spread across former British colonies in South Asia and East Africa have – in many cases – changed little, if at all, since they were established. In THIRST's conversations with a wide range of tea industry stakeholders, the persistence of imperial characteristics of the plantation model emerged as a key factor underlying human rights breaches in the industry.

Many plantation owners care greatly about the wellbeing of their workers and the wider community on and near plantations. There are plantations which provide good quality housing to their workers and families, have adequate education and healthcare facilities, and have multiple certifications to attest to these high standards.



Workers sometimes say they see their employers as their ‘mother and father’. Yet with this paternalistic care comes the risk of patriarchal control. However well the management looks after the worker, the worker is still being ‘looked after’ rather than being an employee with the freedom to choose. The plantation model dictates that workers are paid low cash wages and that they do not own the houses they occupy. Plantation workers and others see their positions as having a low status in society.

In contrast to the most scrupulous plantation owners, some owners prioritise profit over people and in some cases suck the plantation dry of its resources, incurring huge debts using the land as security and then defaulting and leaving the workers and their families destitute.

But even for those who are trying hard to do the right thing, multiple pressures – economic, social and environmental are making it harder for plantations to provide their workers with the standard of living and working conditions they are entitled to according to international human rights and multiple standards, codes and conventions.

#### *Smallholder tea farmers*

Tea cultivation by smallholder farmers is common in many countries, notably Kenya and Sri Lanka. In other origins, there has been an exponential growth in smallholder tea farming. This has opened up new income generation opportunities for thousands more people. Yet along with those opportunities come new risks as the fragmented and unregulated nature of smallholder farming exposes its women, children and workers to abuse and exploitation (as well as risks to the environment through deforestation and, in some cases, uninformed use of herbicides and pesticides). There are also business risks to smallholders associated with less access to markets and weaker negotiating power. A greater number of tea farmers also means that more tea is being produced, adding to the growing oversupply of tea on the global market while demand is stagnating, leading to low prices which in turn reduces the income available for tea producers of any size.

#### *Alternative models*

But it’s not all bad news. Across the tea producing world there are numerous examples of people trying new things to improve the lives of tea workers and farmers, and to make tea a more rewarding crop. This report presents a selection of these innovative approaches. Where possible, we provide our assessment of how well they are working for tea workers and farmers, and we note potential opportunities and challenges.

THIRST’s Human Rights Impact Assessment of the global tea sector identified ten underlying drivers of human rights breaches in the tea sector. They may be summarised as follows:



## Root Causes of the Human Rights Gap in Tea



Subsequently we have investigated a number of alternative approaches to tea production, employment and trading practices and systems which address some of the problems emerging from our research, and their root causes. They fall into three broad categories: initiatives for workers on tea plantations, initiatives for smallholder tea farmers, and tea trading initiatives.

They range from small – even micro – scale initiatives, like the purpose-driven speciality, organic tea producer Amba Tea Estate in Sri Lanka, to national level operations like the Kenya Tea Development Agency. Some are alternative business models such as cooperatives (like Mineral Springs in India), and social enterprises (like Kazi Yetu in Tanzania). Others are different approaches within existing business models, like the revenue sharing scheme in Sri Lankan tea plantations. Alternative approaches to tea trading often use technology to provide tea buyers and sellers with new, more transparent and fairer ways of trading.

What they all have in common is that they have the potential to improve the lives of tea workers and farmers – whether directly or indirectly.

Below we focus on a few selected initiatives under each category. In so doing, THIRST is not endorsing the approach nor the entity that is using it. We offer them here as examples of how things *can* be done differently, and we make some observations as to how well we think these approaches are working. In some cases, we have done a deeper dive into the approach, having seen them in action first hand and/or sought the views of tea industry stakeholders about them.

It is for you, the tea industry, and your stakeholders to decide if any of these approaches might work for you. It is up to you to trial them, adapt them to their own contexts, scale them up or replicate them, or just to take certain elements from them to apply within your own work.

We encourage all those involved in drinking, buying, selling, processing, blending, packaging, producing, or growing tea to explore this landscape of hope and find inspiration and information for how to do things differently – how to turn tea from a crop that is associated with exploitation and poverty to one that is celebrated as fair and rewarding for all those involved.

As tea marketers start promoting tea itself as a beverage that brings health benefits to its drinkers, let's start turning tea production into a system that brings health and wealth benefits to all who create this globally loved and celebrated beverage. We hope that these examples of alternative approaches will show you that it is possible.

**The case studies in this report will also be available separately on THIRST's Knowledge Hub ([www.THIRST.international/knowledge-hub](http://www.THIRST.international/knowledge-hub)). THIRST will continue to gather examples of alternative approaches in the tea sector and add them to the Knowledge Hub to inform and inspire the tea industry and its stakeholders.**

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[i] <https://thirst.international/2022/05/18/human-rights-in-the-tea-sector-the-big-picture-literature-review/>

[ii] <https://thirst.international/2023/12/18/new-report-root-causes-of-human-rights-breaches-in-the-tea-sector/>

SECTION 1

# Alternative approaches for tea plantation workers



Exploring alternative approaches

# Independent plucking by plantation workers

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# Introduction

The plantation model was designed in the nineteenth century as a way of keeping labour costs to a minimum. A large, effectively resident workforce requiring only a small cash wage as housing, healthcare and basic education were provided was an acceptable arrangement in Victorian times.

In the intervening two centuries however, the situation has changed dramatically. Tea is no longer a high value delicacy grown in a few select places - it has become a cheapened commodity grown in around 60 countries. Workers are now connected to social media and, if not aware of the rights that have been assigned to them through UN agreements and the ILO conventions, they are at least aware of how people beyond the estates are living and are no longer satisfied to accept a lower standard of living. Plus, the cost of living has risen considerably - with a further sharp spike after the COVID pandemic.

This means workers on plantations are finding every means possible to leave, and plantations need to try every means possible to encourage them to stay. This case study describes one such attempt. It is not without controversy, but is worth considering as an approach with potential to improve tea plantation workers' lives.

Images: THIRST/Shutterstock



# Example: 'Revenue share' model, Sri Lanka

<b>What is it?</b>	Plantation workers are allocated plots that they can harvest in their own time and are paid a piece rate like out-growers. The company covers the costs of inputs.
<b>Who is involved?</b>	Regional Plantation Companies (private tea companies) in Sri Lanka.
<b>Problems addressed</b>	<ul style="list-style-type: none"><li>✓ Low wages and low self-esteem for tea plantation workers</li><li>✓ Labour shortages and low productivity for tea companies</li></ul>
<b>Root causes addressed</b>	<ul style="list-style-type: none"><li>✓ Power dynamics – potentially addressed as workers have greater agency and are empowered to set their own working hours etc</li><li>✓ Attitudes – Workers no longer treated as cogs in a machine, but as rights-holders</li></ul>
<b>How well is it working?</b>	<ul style="list-style-type: none"><li>✓ According to Sri Lanka's Planters Association, "empirical evidence demonstrates that harvesters have significantly increased their output from 18 kgs to 24 kgs on estates where productivity-linked wages have been trialled, resulting in earnings surpassing Rs. 65,000."<sup>1</sup></li></ul>
<b>Challenges</b>	<ul style="list-style-type: none"><li>! Lack of transparency on how prices are calculated</li><li>! Relies on family labour so higher risk of child labour and unpaid labour by other family members</li></ul>

<sup>1</sup> <https://www.ft.lk/front-page/Planters-commend-Govt-trade-union-support-for-reforms-towards-Revenue-Share-Model/44-752575>

	<ul style="list-style-type: none"><li>! Risk of excessive working hours and associated health problems when piece rate prices are low</li><li>! Risk of discrimination and/or exploitation linked with allocation of high-yielding plots</li><li>! Questions about whether sustainable on its own, rather than supplementing traditional employment model as currently practised</li></ul>
<b>Opportunities</b>	<ul style="list-style-type: none"><li>➤ Gives workers more freedom and flexibility to manage their time and income sources</li><li>➤ Has potential to increase workers' income (or to supplement their wages if practised alongside the traditional attendance pay model)</li><li>➤ Has the potential to be a precursor to a business model that treats tea harvesters as independent contractors rather than hired labour</li></ul>
<b>More information</b>	<p><a href="https://www.ft.lk/front-page/Planters-commend-Govt-trade-union-support-for-reforms-towards-Rev-enue-Share-Model/44-752575">https://www.ft.lk/front-page/Planters-commend-Govt-trade-union-support-for-reforms-towards-Rev-enue-Share-Model/44-752575</a></p>

# Deep dive

In the face of falling/stagnant global tea prices, the plantation sector is struggling to meet increasing wage demands on the traditional daily, attendance-based wage model. Proponents of this model claim that the Revenue Share model gives workers more freedom and dignity (as they decide their own working hours) and enables them to earn more since they claim the system enables higher productivity due to increased motivation and the inclusion of family labour.<sup>2</sup> It was also introduced to address labour shortages on plantations, where up to 80% of the estate population are not employed by the tea company.

## *How does the 'revenue share' model work?*

Within a traditional tea plantation, a block of tea bushes is assigned to a permanent worker, who then harvests it her- or himself and/or enlists family members to assist in the plucking. The worker(s) may choose when and for how long to work and they do so without supervision.

Wages are paid on the basis of productivity with a specific rate for each kilogram of leaf plucked (as in the tea smallholder sector). The management has set a minimum and maximum rate for green leaf plucked by workers under this scheme. The minimum level ensures income security and the capping on the maximum rate makes allowance for the costs to the management of maintaining these plots (beyond harvesting costs).

Other work, beyond harvesting, such as pest and disease control, weed control and fertiliser application etc are done by the management. Some of the costs associated with this work are reportedly deducted from the workers' earnings.

## *Pros and cons of the system*

Although this system can increase the overall income of families on tea plantations, it entails significant human rights risk. Workers are effectively operating on a piece-rate model rather than on a daily wage with no regulations covering working hours. If the price per kilo is low and the workers' cost of living is high (and inflation is currently rampant in Sri Lanka) there is a risk of excessive working hours, with additional occupational health and safety risks associated with working long hours in hot weather.

Trade unions and workers have also raised the concern that there is an increased risk of child labour and of unpaid labour by other family members.<sup>3</sup> The model effectively removes the trade union's jurisdiction over the workers, and thus removes any protection they may have offered.



<sup>2</sup> <https://economynext.com/sri-lanka-tea-plantations-claim-growing-support-for-new-wage-model-129824/>

<sup>3</sup> <https://www.wsws.org/en/articles/2018/10/13/plan-o13.html>

While there is a set minimum and maximum rate for green leaf plucked, there is not complete visibility on how this rate has been fixed and it is not clear that the model is literally based on sharing the management's revenue from the sale of made tea – which may be too complex to calculate and manage. Even if it was, it effectively shifts the financial risk of the plantation onto its workers who are at the poorest end of the plantation hierarchy.

Another potential challenge for making this approach work is the fair allocation of plots; some bushes and sections of the plantation will be more productive than others. Plantations will need to consider how decisions will be made about who is allocated the better plots – and how the risks of sexual exploitation and discrimination in such circumstances can be reduced.

A broader criticism of the scheme is that it seeks to improve the Sri Lankan tea sector's balance of payments purely through trying to increase the productivity of workers who are already overstretched and underpaid. One commentator argues that “Merely focusing on issues of low productivity, escalating costs of production, and receding profit margins of RPCs would not serve any purpose, unless they are treated as part of a complex and interlinked political, economic, and social whole.”<sup>4</sup>

#### *Potential for scaling up and improving impact on workers' human rights*

To THIRST's knowledge the system is currently predominantly used *alongside* traditional employment models (where workers are paid a daily rate plucking designated areas under the supervision of plantation management). The scheme has the potential – if adopted fully with proper checks and balances in place to address the challenges outlined above – to reset the power dynamic between tea workers and tea companies and give workers greater agency, dignity and potentially – higher income.

The flexibility of working hours which is inherent in the system can improve the job profile and therefore the self-esteem of workers and could attract the younger generation to the system. If further developed so that workers become effectively independent tenant farmers, this could be a precursor to a more complete liberation of tea workers from dependence on the plantation management (particularly if they were also allowed to own their houses on the plantations). This in turn could result in a more equal relationship as instead of being 'management' and 'workers' they will now become buyers and producers respectively, operating in a symbiotic

4 Shanka Prabash Dharmapala. 2019, Social Affairs: A Journal for the Social Sciences. HOW COMPETITIVE AND EQUITABLE IS THE REVENUE SHARING MODEL FOR SRI LANKA'S TEA INDUSTRY? A CRITICAL ANALYSIS OF THE POPULAR RHETORIC OF LOW LABOUR PRODUCTIVITY AND HIGH COST OF LABOUR



environment, supportive of each other's needs since each depends on the other for the health and success of their enterprises. Plantations would benefit from reduced labour shortages, housing costs and industrial unrest.

#### *Feedback from workers*

Workers interviewed by THIRST reported that they appreciated the additional income that they receive from the scheme beyond the normal estate work. It means that they get cash in hand every two weeks instead of monthly, which they find useful. The rate for plucking received by the group we interviewed was LKR 60-80/- per kg (in February 2024), which was felt to be higher than returns if working for the company only under the day rate basis. They reported being able to earn upwards of LKR 20,000 a month but said that this was variable depending on the crop.

All of those interviewed were employed by the plantation on a full time or casual attendance basis and in addition pluck tea on their allocated blocks on Sundays and other holidays. This raises questions about the number of working hours that they are doing and whether these are in line with labour standards.

However, some challenges were also reported by the interviewees. They felt that agricultural practices on the revenue share blocks are often neglected leading to a lower yield than that of the plantation managed area. And, while they felt that the family labour model is good as long as there are sufficient family members in the household to sustain it, if families are smaller, this draws people away from traditional farming and animal husbandry. Some interviewees opted to contract others to pluck the tea and pay them per kilo of tea plucked. Whether the pay and conditions for these casual labourers meet with national and internationally agree labour standards remains a question. Another concern was that local people sometimes steal the crops from the revenue share blocks.

Interviewees were unaware of how the price they are paid for the leaf is calculated or whether any deductions are made, and if so for what. They reported that their tea is weighed on an ad-hoc basis, which is not always convenient to them, and felt that weights are sometimes adjusted downwards, with arbitrary deductions made. This merits further investigation to ascertain if this is a communication issue or if they are genuinely being short-changed by the individuals responsible for weighing the tea.

One final concern shared with THIRST concerned the allocation of blocks for plucking; blocks may have different type of clones, numbers of bushes per block etc, leading to inequalities in earning potential.

But, on the whole, interviewees felt that the Revenue Share model is a good one, that could be even better if the issues above could be managed better.

Exploring alternative approaches

# Independent housing for plantation workers

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# Introduction

Tea plantation workers have historically been housed in 'lines' or rows of two-room dwellings built by British colonialists. Although many of today's workers are the descendants of the first inhabitants of those houses, and have occupied them for generations, they do not have any ownership rights over them. Tea companies also struggle to maintain housing to a decent standard due to the global pressures on the price of tea.

In order to continue living in these houses, at least one person in the family must be working on the estate. While from the plantation management's point of view this is logical - why should they provide free housing to non-employees - for the plantation families it is the equivalent of indentured labour. Young people who want to leave the plantation may be forced to stay in order to enable their family to keep their home.

This case study is of an initiative in Sri Lanka that overcomes this problem and ensures that workers have decent housing that is well built and has adequate living space for the family.

Images: THIRST/Shutterstock



# Example: The Plantation Human Development Trust Housing Scheme, Sri Lanka

What is it?	The Plantation Human Development Trust (PHDT) is a tripartite organisation (government, tea companies, trade unions on Board) that is building new housing for tea plantation workers which they will own.
Who is involved?	Sri Lanka's Plantation Human Development Trust and Regional Plantation Companies (private tea companies).
Problems addressed	<ul style="list-style-type: none"><li>✓ Colonial era housing becoming dilapidated</li><li>✓ Layout of 'lines' discourages sense of community</li><li>✓ Growing families and regulations preventing expansion of housing leads to overcrowding with attendant lack of privacy and wellbeing and hygiene challenges</li><li>✓ Lack of ownership by workers undermines self-respect</li><li>✓ Linking of housing and employment is generational trap</li><li>✓ Economic crisis facing plantations impacts on maintenance</li></ul>

<b>Root causes addressed</b>	<ul style="list-style-type: none"><li>✓ <b>Power imbalances</b> – reduces workers’ dependency on management</li><li>✓ <b>Colonial roots</b> – providing housing to plantation workers and their families usually brought in from other regions was central to colonial plantation model</li><li>✓ <b>Government</b> – Shifts responsibility for housing and associated amenities from plantations to government in line with other industries</li></ul>
<b>How well is it working?</b>	Have built 65,000 houses so far, so thousands of families are already benefiting. However, this covers only 50% of the population of one million – need to build 150,000 more.
<b>Challenges</b>	<ul style="list-style-type: none"><li>! Finding suitable land is a major issue in many plantations</li><li>! A large proportion of the plantation population is not employed by the plantation creating challenges for housing allocation</li><li>! Requires significant investment of time and money</li><li>! Relies on funds from beyond the sector itself and flow of funds is therefore vulnerable</li><li>! Although housing is owned by workers it cannot be sold by them, so ties to the plantation remain strong, restricting their ability to freely move to other areas/jobs</li></ul>
<b>Opportunities</b>	Expansion of independent housing for tea plantation workers could benefit both workers and plantations. Plantations would be relieved of the costs of maintaining housing (or the problems associated with poor housing including worker dissatisfaction and reputational risks). Workers would have better living conditions and greater self-esteem.



# Deep dive

## *Background*

Plantation workers generally live in housing built in straight lines similar to a military camp – and they are often referred to simply as the ‘lines’. This layout, design by the British colonialists who established the global tea trade beyond China, was intended to facilitate management oversight of workers and facilitate easy access to plucking areas<sup>5</sup>. Workers have no sense of ownership of these dwellings even though they may have lived in them for generations. They are not allowed to repair or extend them (since they do not own them) and in order to keep living in them, someone in the family has to be working on the plantation. While on the one hand this provides them with secure employment and habitation, on the other it increases their dependence on the plantation and reduces their freedom to choose alternative employment.

In many (though not all) cases, housing may be dilapidated with few improvements or repairs having been made since they were first built in colonial times. For example, tea plantation workers in Assam reported<sup>6</sup> roofs leaking so badly that they have to use umbrellas inside the house during the monsoon.

The two-room houses were built for small family units – but these families have grown. Since their ties with their homelands (most plantation workers are internal migrants) have been severed, and since cash payments are too low to allow for savings to be made, retired workers remain in the housing living with the younger generations. This leads to all the attendant problems that come with overcrowding – including disease, stress and increased risk of sexual abuse.

Children of tea workers seeking employment outside the plantation report facing discrimination based on their plantation origins.

Plantation workers also report feeling socially stigmatised by their lack of land/housing ownership. Poor housing may also be a factor in driving workers away from plantations, leading to labour shortages. Plantation workers can feel trapped when housing is dependent on the job and this dependency can be interpreted as placing the worker in a position of bonded labour.

## *The PHDT independent housing approach*

Resident families on tea plantations are being provided with independent housing units by plantation management, built within a standard specification and size on either a 100% grant or part grant basis through the estate housing cooperative societies. The land for construction is released by the plantation company, with

<sup>5</sup> [https://www.ijeit.com/Vol%206/Issue%2010/JJEIT1412201704\\_03.pdf](https://www.ijeit.com/Vol%206/Issue%2010/JJEIT1412201704_03.pdf)

<sup>6</sup> <https://policy-practice.oxfam.org/resources/addressing-the-human-cost-of-assam-tea-an-agenda-for-change-to-respect-protect-620876/> Page 20

sign-off from the government (which leases the land to plantations). The houses cannot be sold but can be inherited without the requirement for someone from the family to be working on the estate. Workers benefiting from the scheme will have the freedom to expand the houses, something that is not usually permitted under the traditional plantation housing system.

*“Modular in design, the 550 square feet house is built on a seven-perch block of land. The house comes complete with two bedrooms, a sitting room, kitchen, toilet pipe-borne water, and a small space for home gardening.”<sup>7</sup>*

The scheme operates on all of Sri Lanka’s state-run and privately managed Regional Plantation Companies (RPCs). The RPCs also pay the salaries of PHDT’s permanent staff, while the Sri Lankan Government and the other donors support PHDT to pay the project staff. This income is less reliable, particularly in the current difficult economic climate facing the country. Further, allocation of state funds can sometimes be influenced by political considerations. PHDT organises a biannual gathering of NGOs working in the tea sector to share knowledge, prevent duplication of activities and as prospective funders of aspects of PHDT’s work.

The PHDT has also worked alongside organisations such as World Vision and the Ethical Tea Partnership who piloted placing a nutritionist within one PHDT region, for a period of 18 months.

#### *Effectiveness of the approach*

A house of their own represents a significant social economic and emotional security net for tea plantation workers. It also reduces the workers’ dependence on their employer, creating a more equitable relationship between them.

In contrast with plantation management in other tea growing regions, the Sri Lankan companies involved in this project have willingly released land on the plantations for housing construction and have even conducted the necessary preliminary work including conducting surveys, preparing the land and providing water and electricity during the construction period.<sup>8</sup>

<sup>7</sup> <https://colombogazette.com/2023/04/20/construction-of-over-500-houses-for-plantation-community-to-resume/>

<sup>8</sup> <https://unhabitat.lk/projects/active-projects/indian-housing-project-in-central-and-uva-provinces-2/>



Housing is allocated through a system involving Estate Workers' Housing Cooperatives (EWHC) which were set up by PHDT for this purpose. These cooperatives have since evolved to cover a wider remit, including loans, training, provision shops etc. The EWHC's provide workers with a degree of empowerment, although the estate manager serves as president, so the cooperative is not worker-led.

The scheme is costly and dependent on external funding. The economic crisis in Sri Lanka means that cost of construction has increased three-fold while government funding is under constraint. Only a small percentage of the total housing requirement has been covered so far. In order to accelerate the programme, the PHDT and the Government have taken a decision to allot land in lieu of a house so that the workers can build their own houses using housing loans. The initiative is therefore continuing to grow and evolve, demonstrating resilience to changing circumstances.

Other tea producing countries considering establishing a similar entity will need to ensure that there is broad support for it across the national sector.

#### *PHDT a positive model in its own right*

The PHDT itself is an impressive alternative model for worker welfare that other tea-producing countries may wish to consider. It is innovative, tripartite and focused exclusively on worker welfare. This relieves the plantations of some burden of responsibility for thousands of tea workers and their families, which in turn means that there is a bigger pool of resources available to the workforce community who are therefore more likely to have their needs met. It also reduces the dependence of workers on their employers, meaning that their labour is more freely given.

Exploring alternative approaches

# Postal addresses for plantation workers

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# Introduction

The attitude of managers and mainstream society towards tea plantation workers emerged as a key factor in THIRST's report on the root causes of human rights breaches in the global tea sector.

One of the ways in which their individuality and agency is compromised is that they do not have individual postal addresses. Mail is sent to the tea plantation office and distributed to them from there. This emphasises the fact that the 'lines' housing in which generations of tea plantation workers have lived does not belong to them, but to the company.

The case study that follows is a small but interesting example of how the dignity and self-respect of plantation workers can be enhanced by allowing them to name their village and to have their own postal addresses within it.

As far as THIRST is aware, this initiative is no longer active, but there are still lessons to be learnt from it.

Images: Shutterstock/THIRST



# Example: Finlays Village Naming Scheme, Sri Lanka

What is it?	<p>Workers on certain Sri Lankan estates were given the choice of naming their ‘village’ – previously simply referred to as the ‘lines’ (plantation worker housing) of that particular estate. Giving the village a distinct name separated it from the estate in the minds of workers and of potential employers of their children.</p> <p>“Renaming of villages is a project driven to enhance village empowerment, with a view to setting a framework for dignity of living for the residents of estates. The estate community is empowered with several ownership roles such as protecting their potable water supply and managing household waste. Initial discussions were held with the village community to identify the names of villages on estates.” Udupussellawa Estate Annual Report.</p>
Who is involved?	Finlays (now Browns) tea estates.
Problems addressed	<ul style="list-style-type: none"><li>✓ Disempowerment of workers from living in estate-owned line housing and not having own address – having to collect mail from estate office</li><li>✓ Discrimination against job-seekers with tea estate home addresses</li></ul>

<p>Root causes addressed</p>	<ul style="list-style-type: none"> <li>✓ <b>Power imbalances</b> – allowing workers to name their village and take responsibility for various aspects of its functioning puts greater power in their hands and somewhat reduces dependence on management</li> <li>✓ <b>Attitudes</b> – the approach respects workers’ need for dignity and self-respect</li> <li>✓ <b>Colonial roots</b> – a more dignified system than the colonial system of workers’ ‘lines’</li> </ul>
<p>How well is it working?</p>	<p>Anecdotal evidence is that the scheme was effective in building up tea estate workers’ self-esteem and improving job prospects outside the estate. However, THIRST has not been able to find publicly available evidence of this and it is uncertain if the scheme is still in place.</p>
<p>Challenges</p>	<ul style="list-style-type: none"> <li>! Does not appear to have been sustained after staff supporting the initiative left the company</li> <li>! Could be seen as a superficial approach to redressing the worker-management power imbalance, unless accompanied by other measures to empower workers and give them ownership of their homes</li> </ul>
<p>Opportunities</p>	<p>An easy “win” as a first step for tea companies on a journey towards greater empowerment and liberation of their workforces.</p>
<p>More information</p>	<p><a href="https://www.finlays.net/wp-content/uploads/2021/06/Udapussellawa-Plantations-PLC_Annual-Report_2020.pdf">https://www.finlays.net/wp-content/uploads/2021/06/Udapussellawa-Plantations-PLC_Annual-Report_2020.pdf</a></p>

Exploring alternative approaches

# Worker-Management dialogue platforms<sup>9</sup>

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<sup>9</sup> While, to date, to our knowledge CDF's are the only example of such forums in the tea sector, we are putting them under this heading as a generic term for the approach. Other examples may emerge



# Introduction

One of the most powerful drivers of human rights breaches for tea plantation workers is the system of stark social hierarchies that were established by the British when they first established tea plantations in South Asia and East Africa. The colonial attitudes that generated this system are sustained in many places and remain at the core of the modern plantation system.

Trade unions for tea plantation workers do exist and have won important gains and protections for tea plantation workers over the decades. But as reported in THIRST's literature review, these trade unions are often not considered by the workers to be fully representative - they are often male-dominated while the majority of tea pluckers are women, and they may be affiliated to political parties thus limiting the extent to which they can fully speak for workers.

While freedom of association and collective bargaining are the rights of every worker and are the legitimate channel for worker-manager relations, in the context of tea plantations they may need to be complemented and strengthened by other social dialogue platforms. This case study is of one such platform and so far may be the only one of its kind.

Images: Chrysalis



# Example: Community Development Forums, Sri Lanka (and beyond)

<p>What is it?</p>	<p>Community Development Forums (CDFs) are shared forums – sometimes referred to as “mini-parliaments” – that facilitate dialogue between plantation workers, management, divisional level government officers and the broader community. Together, they identify and resolve day-to-day issues (such as provision of toilets, dignity of work, how supervisors treat workers, dispute resolution etc), provide loans for alternative income generation and improve productivity. CDFs enable workers to understand the root causes of the issues that they face and enable the collective solving of these problems with the involvement of all the stakeholders involved. The exposure and space provided for leadership and decision making are key factors for building their agency. The approach is also designed to help to strengthen government services to the plantation.</p>
<p>Who is involved?</p>	<p>In Sri Lanka: Care International/Chrysalis (affiliate of CARE International Sri Lanka as of 2017), the CDF was piloted by CARE International in Sri Lanka. It has evolved over time, and the current model is being replicated in multiple countries – eg by ETP, plantations and tea brands in India, Indonesia, and Malawi. ETP, Twinings, EU and others have supported/funded the process.</p>
<p>Problems addressed</p>	<ul style="list-style-type: none"><li>✓ Lack of adequate communications between workers and management about day-to-day issues leading to the maintaining of a rigid social and workplace hierarchy, lack of access to resources and a lack of ownership over decisions that are made</li><li>✓ Low productivity, low returns, and potentially unrest/strikes</li></ul>

	<ul style="list-style-type: none"> <li>✓ Lack of dignity and agency of tea plantation workers</li> </ul>
<p>Root causes addressed</p>	<ul style="list-style-type: none"> <li>✓ <b>Power imbalance</b> – workers have a platform for more equitable communication with management</li> <li>✓ <b>Attitudes</b> – workers treated with more respect, are listened to and their needs are met</li> <li>✓ <b>Opacity</b> – workers and estate community have better access to information about eg government services</li> <li>✓ <b>Colonial roots</b> – tackles some of the deep-rooted colonial systems and behaviours such as rigid hierarchies between workers and management</li> <li>✓ <b>Government</b> – facilitates better access to government services</li> </ul>
<p>How well is it working?</p>	<p>A 2023 evaluation of an estate where a CDF was implemented and sustained showed significant quantitative and qualitative benefits. The study concluded that the CDF “creates opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security, and human dignity.”</p> <p>Indicators of success include:</p> <ul style="list-style-type: none"> <li>● Significant monetary gains were made to the estate as a result of the CDF – net productivity increased in estates with CDFs, as opposed to those without</li> <li>● Worker disputes were shown to reduce significantly, saving time as well as resulting in monetary gains for the estates</li> <li>● CDF-administered Trust Funds were able to issue loans, especially for income generation activities, that helped women reduce reliance on microfinance institutions and the need to work outside of the estates</li> <li>● Young people were shown to be more actively participating in cultural and religious activities, especially after training programmes to do with life skills and income generation</li> </ul>

	<ul style="list-style-type: none"> <li>● The CDF improves and expands relationships within the estate, with employees reporting being more confident and comfortable to speak to senior management</li> <li>● Participants agreed that “females make important decisions in the family alongside men”, rising from 23% in the baseline survey to 77% in the endline survey</li> </ul>
<h2>Challenges</h2>	<ul style="list-style-type: none"> <li>! Requires significant and sustained investment of funds and time (at least 4-5 years) to ensure that the required culture and mind-set change is sustained and embedded in the organisation</li> <li>! Empowerment of workers can be challenging due to the deeply embedded culture and long history of worker dependence on management: <i>“The dependency mindset is so rooted that they still expect projects to bring them something tangible. Moreover, some NGOs working in tea plantations continue in providing material aid reinforcing dependency. In contrast, the CDF’s main focus is to strengthen community capacities to fulfil their needs by themselves in a sustainable manner. Hence changing the mindset of communities remains a big challenge.”</i> (Care Evaluation, 2019)</li> <li>! Adequate groundwork must be done to build trust between workers and managers, and to reset relationships and assumptions through training etc</li> <li>! Management turnover means that CDFs may cease to function when individuals who support them leave</li> <li>! External funding is usually required to ensure the CDF runs effectively as funds from within plantations are rarely available</li> <li>! Care needs to be taken to ensure leadership positions in CDFs do not become male-dominated</li> <li>! CDFs need to work closely with trade unions to ensure they are not undermining their role as the legitimate representatives of workers but must also remain free of undue political influence either by trade unions or others</li> </ul>
<h2>Opportunities</h2>	<p>If properly funded and implemented with full buy-in and commitment from management and government, CDFs could make a significant contribution towards redressing the power imbalance between plantation workers and management. They could achieve this in such a way that improves</p>

the productivity and profitability of the plantation, while at the same time improving the fulfilment of tea workers' and farmers' human rights, especially if combined with other alternative approaches such as independent housing for plantation workers. The challenge of sustained funding could be met by brands and retailers investing in CDFs, thus sharing more of the value of tea sales through the value chain.

## More information

- Future of Work for Tea Smallholders in Sri Lanka, ILO 2018  
<https://www.ilo.org/publications/future-work-tea-smallholders-sri-lanka>
- Ripe for Change, Oxfam 2018 <https://www.oxfam.org/en/research/ripe-change>
- End of Project Evaluation Empowering Sri Lanka's Tea Plantation Communities Project, 2019  
<https://www.careevaluations.org/wp-content/uploads/Empowering-Sri-Lankas-Tea-Plantation-Communities-Final-Evaluation.pdf>
- Helping at the heart of tea communities Sri Lanka, ETP (no date provided)  
[https://www.ethicalteapartnership.org/wp-content/uploads/CDF\\_case\\_study\\_FINAL\\_LZ.pdf](https://www.ethicalteapartnership.org/wp-content/uploads/CDF_case_study_FINAL_LZ.pdf)
- A story of change in an estate community - the people who make tea, Care International 2011  
<https://www.ethicalteapartnership.org/wp-content/uploads/CARE-International-Plantation-Booklet-2.pdf>

## SECTION 2

# Alternative approaches for smallholder tea farmers

*“My personal belief is that the smallholder farmer is the sun in the solar system within the tea structure – everything should revolve around them”*

Kevin Irungu, Agribusiness - Tea & Coffee Specialist at Equity Bank Limited



Exploring alternative approaches

# Vertically integrated social enterprise

Published: June 2024



# Introduction

THIRST's root cause analysis of human rights breaches in the tea sector highlighted the gradual erosion of the value of tea from its origins as a delicacy sought after by royalty to its current status as a cheap commodity often being sold at below the cost of production. While the oversupply of lower quality tea on the global market has a big part to play in keeping prices for made tea low, there are pockets of enterprise that are reinvesting in both quality and sustainability.

This case study is an example of an initiative that combines commercial considerations with social and environmental viability.

Image: Kazi Yetu/THIRST



# Example: Kazi Yetu, Tanzania

What is it?	Kazi Yetu (“our work” in Swahili) is a social enterprise linking processing unit (employing single mothers on living wage) and smallholder tea and infusions cooperatives, aiming to “redistribute economic gain of tea production down to cooperative and farmers levels, especially targeting women.” (Kazi Yetu website) Produces high value organically certified orthodox tea for sale at higher end of market.
Who is involved?	Kazi Yetu, Care International in Tanzania, Bloomberg Philanthropies, Tea Board of Tanzania and Tanzania Smallholder Tea Development Agency, smallholder farmers.
Problems addressed	The value of tea sales is not fairly distributed to farmers and workers at production and processing level leading to poverty, insecurity and attendant social and medical issues.
Root causes addressed	<ul style="list-style-type: none"><li>✓ <b>Price of tea</b> – focus on quality, specialty tea boosts price and value is shared more equitably with farmers</li><li>✓ <b>Power imbalances</b> – model gives agency to workers and farmers</li><li>✓ <b>Attitudes</b> towards workers is respectful</li><li>✓ <b>Entrenched trading systems</b> – bypasses auction system and targets private buyers who place a premium on both quality and sustainability</li><li>✓ <b>Opacity</b> – farmer cooperatives have access to information and skills</li><li>✓ <b>Fragmentation</b> – integrates tea production with processing and packaging</li><li>✓ <b>Government</b> – seeks to influence government policies and practices in relation to smallholder farmers</li></ul>

<h2>How well is it working?</h2>	<p>Processing unit workers have better pay, access to interest-free loans and other benefits. Treated with respect and included in decisions about the workplace.</p> <p>Farmer cooperatives in Korogwe have new factory in place – potential for better returns, shorter distance to deliver green leaf, greater self-determination for cooperatives when owning and running factory themselves.</p>
<h2>Challenges</h2>	<ul style="list-style-type: none"><li>! Small-scale and would be challenging to scale up</li><li>! Relies on much higher prices for end-product</li><li>! Relies on external, philanthropic funding</li></ul>
<h2>Opportunities</h2>	<ul style="list-style-type: none"><li>➤ A more purpose-driven, human-centric approach to business</li><li>➤ Focuses both on the financial returns to workers and farmers and on their self-respect and dignity</li><li>➤ High quality products in appealing packaging with compelling human stories behind them – likely to have a strong market in wealthier regions concerned about ethical trade</li><li>➤ While each unit may be small, there is potential for scale in numbers of units</li></ul>
<h2>More information</h2>	<p><a href="https://www.kazi-yetu.com/">https://www.kazi-yetu.com/</a> <a href="https://www.kazi-yetu.com/specialty-tea/">https://www.kazi-yetu.com/specialty-tea/</a> <a href="https://care-tanzania.org/sakare-tea-factory-launch/">https://care-tanzania.org/sakare-tea-factory-launch/</a></p>



# Deep dive

## Kazi Yetu processing factory

In August 2023, THIRST visited Kazi Yetu's processing unit in Dar Es Salaam, and later travelled north to meet some of the smaller farmers that would soon be supplying them through the Sakare factory that Kazi Yetu was in the process of establishing, along with Transform Trade, Care International and Bloomberg Philanthropies.

The processing unit was clean, bright and well organised. A group of women were putting together tea-bags, carefully weighing out the portions of processed tea to add to environmentally friendly tea bags (produced in China). We were told that the workers had asked for more comfortable chairs, so they took one or two of the workers with them to help choose the new chairs. This small detail indicates that the relationship between management and workers is mutually respectful and considerate.

### *Farmers' challenges before running their own factory*

THIRST then travelled north to Bungu Village near Korogwe, to visit the Agricultural Marketing Cooperative Society (AMCOS) and the new factory that Kazi Yetu and its partners were establishing for its members. THIRST met with three farmers, all female, interviewed them and visited their fields and their homes, along with the (male) chair of their cooperative. We also visited the factory and interviewed the (male) project manager and other stakeholders.

Most members of the cooperative are women with plots of an acre or less. At the time of THIRST's visit, they were mainly selling their tea to a large tea plantation factory in the area. They said that the prices paid for the tea were low but "at least they are something." Farmer #1 said "Our income is not enough to cover all our bills – school books, uniforms, transport, food, clothes, sugar etc. We try to live within our means. If we borrow money, we would not know how to repay it." Farmer 2 said "We need our own factory to have assurance that we can sell our tea."

Transporting the tea was another issue for them; Farmer #1 said that she carries the 30kg sack of green leaf on her head to the collection centre which could be between 1 and 4 km away, and often up steep hills. If her harvest is 150kgs, she has to do the journey five times – and that must be done quickly as the quality of the tea deteriorates rapidly once plucked.

She is given a receipt for the tea delivered and is paid fortnightly in cash. However, she and others reported that they don't trust the weighing scales used by the clerks who, they say, cut the number of kilos delivered, claiming it is because the leaves are wet. As a cooperative, and with the support of the Tanzania Tea Board, they were lobbying for digital scales to be introduced.

#### *Anticipated boost in earnings*

The Cooperative Chair said that dividends from tea produced at the new factory would be shared with farmers which would enable them to earn higher incomes; at the time they were receiving 366 Tanzanian Shillings per kg of green leaves, while they had an agreement with Kazi Yetu that they would get up to 1,000 Tanzanian Shillings from Kazi Yetu once the factory was up and running. When asked how they would spend this additional income they replied that they would use it to improve their housing, send their children to good boarding schools (a popular option in African countries as it saves on the costs and risks of travel), and on meeting medical and other healthcare costs.

At the time of THIRST's visit, the cooperative had not yet started supplying Kazi Yetu. The building of the new factory had just been completed, the brand-new machinery (made in India) was in place and plans were being made for training local tea cooperative members how to use the machinery to process the tea grown by cooperative members.

#### *Update*

March 2024, THIRST received an email from the Chair of the cooperative saying, "*The factory is running well and we reserve a lot of orders from different buyers through KAZI YETU.*"



Exploring alternative approaches

# Speciality, artisanal tea and tourism

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# Introduction

Tea grows best in cool, mountainous regions with a good mix of sunshine and rain. This means that it usually grows in regions of outstanding natural beauty, with great potential for developing tourism. As the tea industry faces greater and greater economic, social and environmental challenges, many tea companies are turning to tourism as a way of supplementing their shrinking income from tea production.

The danger with this is that, if not approached with care, the impacts of irresponsible tourism can damage the local environment, wildlife and even the local economy if financial benefits are not shared with local people.

The case study that follows is an example of thoughtful tourism with respect for tea and for the artisans that produce it at its heart.

Images: Amba Tea/Planterra



# Example: Amba Tea Estate, Sri Lanka

<p>What is it?</p>	<p>Amba Tea Estate is an organic tea farm, guest-house and social enterprise that also works with the local community to produce and export a range of artisanal products. AMBA initiated the Ceylon Artisanal Tea Association (CATA) to bring together similar models of small manufacturing businesses, built on strong social/ environmental pillars, and they now work together to leverage access to markets.</p> <p>Workers – who are referred to as ‘tea artisans’ – manage the full cycle of plucking, quality control to manufacture of the finished tea using the tea leaf they plucked. No targets are set for plucking, the worker is allowed to decide on crop intake, linked to the end product requirement. Independent tea tasting is done, and final grading is established at that stage. Salaries of approx. Rs 25,000 (x2 of the minimum stipulated government pay) are paid monthly and a bonus and share of income model is provided in addition.</p>
<p>Who is involved?</p>	<p>Purpose-driven businesses and social enterprises such as Amba Tea Estate in Sri Lanka.</p>
<p>Problems addressed</p>	<ul style="list-style-type: none"><li>✓ Low income for smallholder farmers</li><li>✓ Self-esteem – tea pluckers as artisans</li></ul>
<p>Root causes addressed</p>	<ul style="list-style-type: none"><li>✓ <b>Price</b> – focus on quality and speciality tea means higher prices enabling higher wages</li><li>✓ <b>Power dynamics</b> – workers have agency to make decisions</li><li>✓ <b>Attitude</b> – farmers and workers respected as ‘artisans’</li><li>✓ <b>Colonial roots</b> – moves away from colonial plantation model</li></ul>

How well is it working?	Amba Estate reports that the base wage of workers has increased 800% since they started investing in 2007; 10% of all revenue is shared between employees in addition to wages. They have also seen a positive impact on the local economy as a result and act as a model for other local farmers and small businesses.
Challenges	Small scale and limited potential for scaling up (indeed scaling up would be counter to the ethos of these initiatives).
Opportunities	Its small scale is also an opportunity in the sense that it remains manageable, and transparent and does not contribute excessively to the global oversupply of tea.
More information	<a href="https://www.ambaestate.com/sustain">https://www.ambaestate.com/sustain</a>

Exploring alternative approaches

# Block farming

Published: June 2024



# Introduction

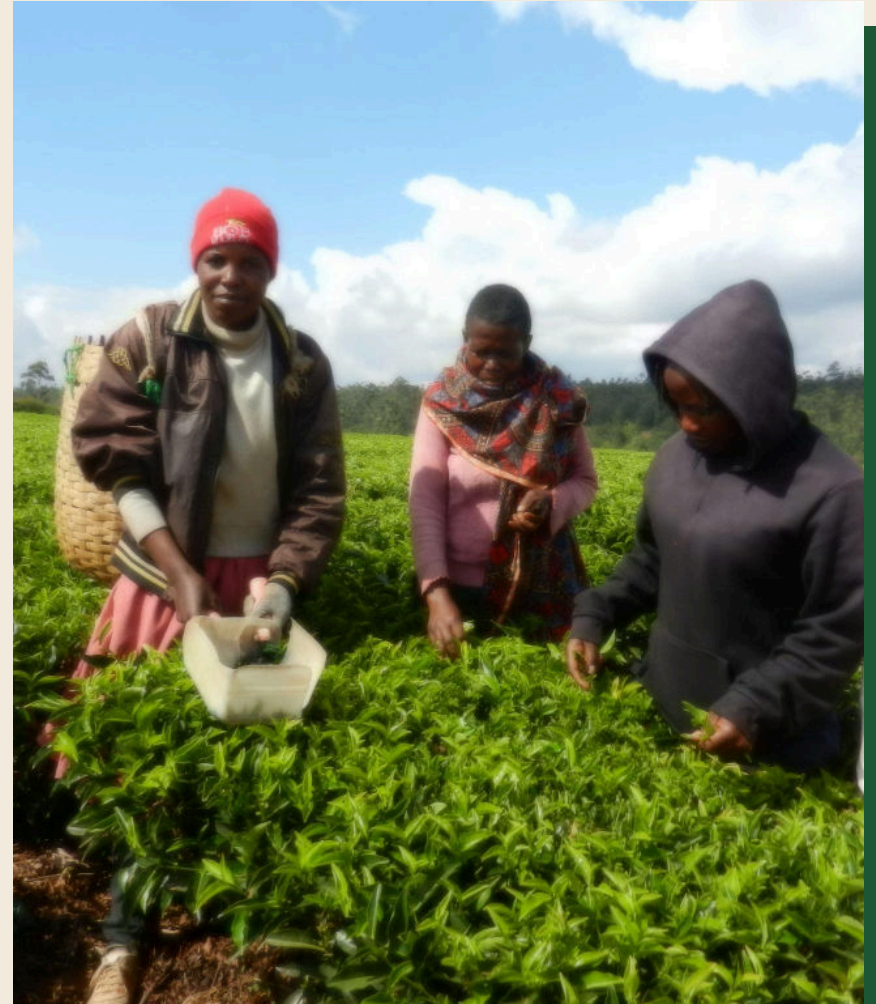
In THIRST's research on what helps and hinders the fulfilment of the human rights of workers in the tea sector it often emerged that smallholder farmers enjoyed greater agency and dignity than workers on plantations. However, like smallholders in any agricultural sector, they face numerous challenges that can limit their earning power and lead to poverty and disempowerment.

These challenges include potential lack of access to technical expertise, not being able to benefit from economies of scale, and lack of negotiating power when setting prices.

Block farming is an approach that tackles all these challenges. It is a way of aggregating groups of smallholder farmers - targeting those who are least likely to have access to land - and providing them with the means to make a living from tea production that is economically viable.

This case study looks at an example of block farming in Southern Tanzania.

Images: THIRST



# Example: Njombe Block Farm, Tanzania

What is it?	<p>Njombe Block Farm is a private-public-third sector collaboration to develop unused land into 'block farms'. Landless farmers (mostly women and young people) are given a portion of the block to farm and the land is owned cooperatively by all the block's farmers. Inputs, training and services are provided to the block as a whole and the tea has a committed buyer.</p>
Who is involved?	<p>The Wood Foundation, The Gatsby Project, Unilever (now Liptons Teas &amp; Infusions), the UK Department for International Development (DFID), Tanzania Smallholder Tea Development Agency, Njombe Outgrowers Services Company (NOSC), smallholder farmers.</p>
Problems addressed	<ul style="list-style-type: none"><li>✓ Women and young people now have land to farm and use as collateral for loans.</li><li>✓ Smallholders benefit from aggregation of inputs and services</li><li>✓ Guaranteed buyer for tea decreases risk, while encouraging quality</li></ul>
Root causes addressed	<ul style="list-style-type: none"><li>✓ Trading systems</li><li>✓ Power imbalances</li><li>✓ Attitude towards workers – farmers have greater agency and self-determination</li><li>✓ Opacity - farmers have access to information and skills</li><li>✓ Fragmentation – smallholder farmers come together to benefit from shared inputs and economies of scale</li><li>✓ Government – effective government intervention in collaboration with other stakeholders</li></ul>

## How well is it working?

- Farmers report satisfaction with system; gives them improved and, importantly, regular incomes (enabling them to build better housing, pay school fees, improve nutrition and healthcare etc)
- Increases economic viability of relatively small plots (1 hectare)
- Adds value to tea through improved knowledge of farmers, better quality tea etc
- Provides security for both farmers and off-takers (patient capital)
- Involves government duty bearers which improves potential sustainability
- Secures land rights (and potential collateral for loans) for smallholders; particularly valuable for women traditionally excluded from land ownership
- Does not preclude income diversification eg from farming other crops alongside tea
- Increases income of smallholder farmers which they are investing in children's education and in other income generation activities, better housing and nutrition

## Challenges

- ! Reliant on significant external up-front support from third sector
- ! Contributes to ongoing global over-supply of tea and potentially to deforestation
- ! Returns still not enough to eg cover purchase of own transportation vehicles (though this may change as programme matures)

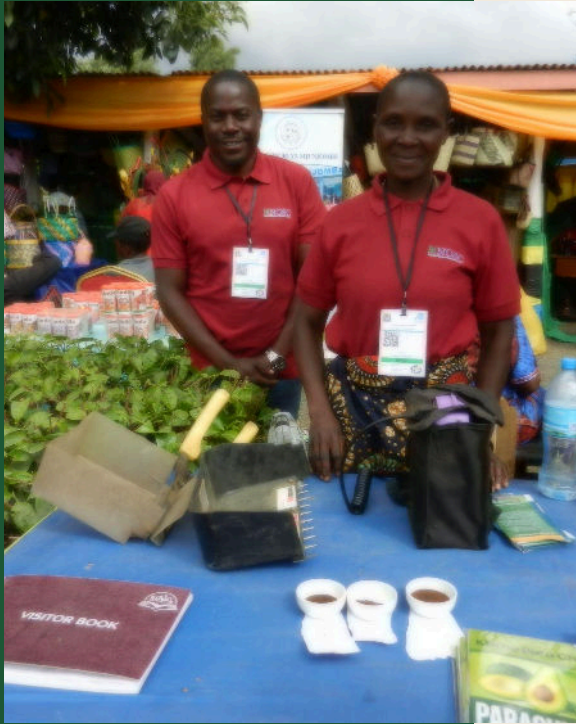
## Opportunities

- Increases economic viability of relatively small plots (1 hectare)
- Adds value to tea through improved knowledge of farmers, better quality tea etc
- Provides security for both farmers and off-takers (patient capital)
- Involves government duty bearers which improves potential sustainability
- Secures land rights (and potential collateral for loans) for smallholders; particularly valuable for women traditionally excluded from land ownership
- Does not preclude income diversification eg from farming other crops alongside tea

➤ Increases income of smallholder farmers which they are investing in children's education and in other income generation activities, better housing and nutrition

More information

[www.gatsby.org.uk/uploads/africa/reports/pdf/2020-tanzanian-tea-highlights.pdf](http://www.gatsby.org.uk/uploads/africa/reports/pdf/2020-tanzanian-tea-highlights.pdf)



# Deep dive

## *A partnership approach*

The Njombe project in the Southern Highlands of Tanzania aims to demonstrate how a partnership approach between farmers, a private sector investor, government, donors, and philanthropic investors can develop a successful sustainable green field tea industry that prioritises the interests of local farmers and communities.<sup>[1]</sup>

Smallholder farmers are encouraged to utilise inactive land (which is more plentiful in Tanzania than many other countries) that is then registered under a special 'landholding cooperative' which is registered under cooperative law. Each farmer owns part of the block of land and is responsible for the tea grown on it. Ownership of the land makes farmers eligible for loans they would not otherwise have had access to.

The block as a whole benefits from collective inputs such as bulk fertilizer purchase and services such as tea planting, agronomic advice and leaf collection, weighing and transport to the factory. Many of these inputs and services are provided by the Njombe Outgrower Services Company (NOSC), which was established specifically for this project.

A private sector factory commits to buying 100% of the tea produced by the block – on condition that it meets certain quality standards – and pays a higher quality bonus.

The project provides farmers with zero interest rate investment at the early stages of tea production when costs are high and productivity is low until bushes mature when they recoup via 33% of profit. Without this it would be impossible for smallholder farmers to reach the stage of being able to make a profit from the tea.

Women farmers and young people are particularly targeted by the project because they would be less likely to be landowners.

Ownership of the company was initially shared between The Wood Foundation and a charitable investment vehicle – with shares being eventually transferred to a joint enterprise cooperative representing the smallholder farmers.

NOSC runs farmer training schools. Most of the farmers are illiterate so they adapt the training accordingly – practical demonstrations, peer learning visits, factory visits etc. After 1 year they get a certificate and are able to transfer their knowledge to others.



Although the farmers collectively form a landholding cooperative, they do not have to manage the work of the farm cooperatively. The original idea was for the farmers to grow and pluck the tea collectively and share the profits, but some have chosen to farm individually instead. This can create logistical challenges eg coordinating the plucking so that all the leaf is ready to collect at the same time, but NOSC tries to be flexible and respect their wishes. Those who farm collectively have set their own rules – eg everyone has to commit to plucking on the same days. If they cannot make it they have to delegate to someone else. If they do not they are fined and the fine is shared with the rest of the group – eg to buy refreshments. NOSC helps them to formalise the rules.

All farms are Rainforest Alliance certified.

#### *Feedback from farmers*

A block-member farmer interviewed by THIRST (illustrated on the left) told us that the increase in income from tea as a result of the project helps her to finance her children's education and has enabled her to invest in chickens, providing a further source of income. She said that the NOSC extension officer had very good knowledge about agricultural practices which he shared with her and the other farmers – for example, he has taken them to other farms to learn how to improve their harvesting methods and increase the quality of the leaf. He has also taken them to visit the tea factory to get a clear picture of how the tea is processed.

THIRST also met with a focus group of seven farmers on site at a block farm in Njombe. They said that the block farming model makes 1 acre of land viable by providing access to inputs, irrigation, infrastructure, leaf collection etc. As the following extracts from the focus group demonstrate, they also echoed much of what the previous interviewee told us.

- ◆ “When we started it was difficult, but now we are moving forward and even more people are now joining tea. If we get more land we can expand more.”
- ◆ “Before the tea was planted life was not good, but we are ok now. Before tea I was farming maize, the problem was that it was a seasonal business. In tea I am assured that I am getting a monthly income – it's like being employed in a company.”
- ◆ “Currently we get a monthly income from the tea. We still grow other crops – beans, millet, Irish potatoes but the income from this is not regular.”
- ◆ “We use the income from the tea to invest in our other crops, paying school fees for our children and other homestead activities.”

- ◆ “I use the income from tea to pay for labour to help in the field. I hire people from the village. I make a small profit after paying for labour and I have used this to buy a pig.”
  - ◆ “Tea is giving more income than other crops. Before I started growing tea, I had no way of supporting my children in school. Now I support three children to go to school.”
  - ◆ “NOSC has helped us to learn better techniques – for example before we were using hand plucking and currently they are using machines which is improving their productions. NOSC provides inputs such as herbicides. We have learned new planting techniques, how we can grow tea seedlings in nurseries.”
  - ◆ “Since getting NOSC support we are getting a good price for our tea, and also a bonus for the quality. We are using the extra money for school fees, good housing, and on health issues like – we also sometimes use the extra cash to reinvest in the tea. We also use it to improve our household nutrition – for example to buy rice and meat. Before we had the regular income from tea, it was very difficult to do this.”
- 

[i] <https://www.enterprise-development.org/wp-content/uploads/A-New-Leaf-Transforming-livelihoods-through-the-tea-industry.pdf>

Exploring alternative approaches

# National agency aggregating Smallholder companies

Published: June 2024



# Introduction

Power imbalances at every level of the tea value chain and the fragmentation of the industry were two of the key factors that emerged from THIRST's root cause analysis of human rights breaches in the tea sector.

One of the key power imbalances documented was that between smallholder farmers and the buyers of their tea; individually they are at a significant disadvantage when negotiating prices, and the pressure of selling their green tea leaves before they wilt and lose quality puts further power in the hands of buyers. Individually, they may also lack access to training and inputs such as fertilizer.

This case study is of a well-known national organisation that has brought together tens of thousands of smallholder farmers under a single umbrella and devised a way for them to have agency within the system.

As with the other models shared here, this is not a perfect system, but it is one that other countries and regions could look to as a model to emulate or at the very least to learn from.

Images: THIRST



# Example: The Kenya Tea Development Agency (KTDA) & KTDA Foundation

<p>What is it?</p>	<p>The Kenya Tea Development Agency (KTDA) is a private company owned by about 700,000 smallholder tea farmers spread across 19 tea growing counties in Kenya. The farmers hold shares in 54 tea companies that own KTDA and its eight subsidiary companies: Chai Trading Company Limited, KTDA (Management Services), Majani Insurance Brokers, Kenya Tea Packers Limited, Greenland Fedha Limited, Tea Machinery and Engineering Company Ltd, KTDA Power Company Limited and KTDA (MS), Chai Logistics Company and the KTDA Foundation. The latter covers many areas that impact on tea farmers' and workers' human rights.</p> <p>Farmers form limited companies and elect representatives so that there is transparent representation through the various levels of the organisation from the grassroots to the management companies.</p>
<p>Who is involved?</p>	<p>Smallholder tea farmers, factories and KTDA companies across Kenya.</p>
<p>Problems addressed</p>	<p>Individual smallholder farmers'</p> <ul style="list-style-type: none"><li>✓ Lack of negotiating power in the global market</li><li>✓ Lack of access to economies of scale and investment</li><li>✓ Lack of technical knowledge and support</li></ul>

## Root causes addressed

- ✓ **Fragmentation** – brings large numbers of smallholder farmers into a single organising framework
- ✓ **Entrenched systems of tea trading** – although KTDA is still dependent on the auction system, trading up to this level is more empowering for smallholders since they are represented at each level and share ownership of the factories that process their tea
- ✓ **Power dynamics** – the collective power of smallholders is enhanced through KTDA
- ✓ **Attitudes** – unlike tea plantation workers, smallholder farmer members of KTDA are treated with respect
- ✓ **Price** – this is addressed to some extent by the KTDA model, although continued reliance on the auction system keeps prices lower than they could be. However, a greater percentage of the sale price is returned to farmers
- ✓ **Opacity** – Farmers, in principle, have greater visibility of how their produce is used and of the share of value, at least up to auction level
- ✓ **Colonial roots** – a complete contrast to the colonial plantation model, along with very different power dynamics and attitudes

## How well is it working?

Widely seen within the tea industry as the most effective way of organising smallholder tea production in a way that empowers farmers while ensuring profitability and stability.

Recent legislation that set a minimum price at auction for KTDA's tea resulted in large quantities of lower quality tea remaining unsold, but amendments to reverse the directive are, at the time of writing, May 2024, in place.

## Challenges

- ! Potentially open to political exploitation and manipulation (but its strong governance structure protects it from this). This is a political risk that could either make or break the organisation.
- ! Individual factories unable to differentiate themselves from the rest and highlight unique selling points eg quality and approach
- ! Labourers hired by smallholder farmers can sometimes fall below the radar of labour regulations and are at high risk of exploitation

	<ul style="list-style-type: none"><li>! Farmers are at risk of exploitation by hawkers offering to buy green leaves for instant cash at lower prices rather than waiting for better monthly pay and annual bonuses from KTDA</li><li>! Growing prevalence of tea hawkers is undermining KTDA model</li></ul>
Opportunities	<ul style="list-style-type: none"><li>➤ This model provides a balance between smallholder farmers being independent and having agency, and an organisation having oversight over farmers' conditions</li><li>➤ Strengthens farmers' bargaining power – KTDA farmers reportedly get 70-80% of auction price for tea (higher than other countries)</li><li>➤ Provides farmers with access to economies of scale, access to international markets and technical knowledge and support without compromising their independence</li></ul>
More information	<p><a href="https://ktdateas.com/">https://ktdateas.com/</a> and <a href="#">Indcoserve</a> in South India is a similar organisation although factories are not owned by the farmers and it operates at regional [sub-national] level</p>



# Deep dive

THIRST interviewed smallholder farmers within the KTDA system and outside it, as well as Sudi Matara, GM of the KTDA Foundation, former KTDA officials and advisors, and Dr Josiah Ateka, an agro-economics expert who has studied KTDA and smallholder tea farming in Kenya for many years. The overall picture that these interviews confirmed was of a resilient and effective system, but one that was not without its challenges.

## *Governance structure*

As Matara says, *“Tea is a political crop. It is the most organised value chain and every government and politician wants to get involved. The governance structure of KTDA is mainly through a political process where farmers elect whoever appeals to their aspirations. The governance structure has endured despite several economic and political challenges.”*

A former KTDA official asserted that because farmers within the KTDA system own the factories, they receive a higher percentage of the auction price for tea than farmers in other countries; claiming that Rwandan farmers get 45% (plus 5% quality bonus) and Sri Lankan farmers get 68%, while KTDA farmers get 70-80% of the auction price.

However, one potential issue raised by some interviewees was the question of accountability. They felt that although farmers have AGMs at which they can raise their concerns, those at the top of the KTDA holdings hierarchy, although democratically elected to those positions, hold a great deal of power. According to agricultural economics expert, Dr Josiah Ateka<sup>10</sup>, here is *“limited separation in functions, since representation, oversight and executive decisions rest with the director, unlike in government systems. So there is no power to protest against bad decisions, no avenue for grievances, you just have to live with it – or resort to uprooting your tea”*.

Factories are not legally obligated to use KTDA's own service companies. In 2024, KTDA factories were reported to be considering engaging independent management services companies hoping to get better value for money from them than from KTDA's Management Services company. A newspaper report quoted the Tea Board of

<sup>10</sup> Research Fellow at Environment for Development who teaches Environmental Economics at Jomo Kenyatta University of Agriculture and Technology (JKUAT).



Kenya, saying “factories were within their legal rights to contract private management agencies, adding that the law also allows them to look for their market directly without involving a management agency.”<sup>11</sup>

### *Smallholder farmers’ benefits and challenges*

Matara explained the advantage of belonging to an aggregated tea production structure; “We can use synergies within the group to benefit farmers. Because of the aggregation model, factories will support each other. KTDA can get rates no one else gets because we will be buying, for example, 400 vehicles we have economies of scale.” He also gave the example of factories joining forces to create a hydro-power stations, creating their own grid, thus gaining a “drastic reduction in cost of production.” Dr Ateka echoes the point; “Of course there are a lot of opportunities for improvement, but the [KTDA] model is good because fundamentally with aggregation farmers can get economies of scale. Aggregation takes away the disadvantages and disincentives of scale and makes small farmers economically viable.”

One KTDA farmer with 8 acres of land under tea said that “KTDA is the best system. It recruits and provides pluckers – all I have to do is the weeding and adding fertilizer which KTDA helps to buy in bulk.” This means that he has the time to work as a geography and history teacher and has enabled him to earn enough to invest in dairy cows and to substantially extend his house. At the time of THIRST’s visit, a new type of pest had been detected on his tea bushes (possibly as a result of climate change), and a KTDA extension officer was offering technical assistance in managing this.

Farmers outside the KTDA system reported many of the same benefits – the factory they supplied provided them with free extension services etc. A major difference was that these farmers had been invited to vote on whether to receive the full amount for their tea on delivery, or whether to split it into two payments, with the second payment reflecting the amount that the tea was actually sold for. The non-KTDA farmers voted for a single payment, although this meant that on balance, they received less than the sum of the two payments they would have received from KTDA. However, one farmer felt that the non-KTDA factory he was supplying was more reliable in making payments on time and that because the KTDA bonus varied, it could sometimes be very low.

On the other hand, he felt that KTDA’s fertilizer programme was more straightforward, and deliveries were made on time, compared to delays from the non-KTDA factory and also that KTDA were more stringent about the quality of their tea.

<sup>11</sup> <https://www.standardmedia.co.ke/the-standard/article/2001472623/tea-factories-threaten-to-ditch-ktda-agency-after-stalemate>



This farmer reported that the income he earned from his tea was not enough to cover the household budget but said that this was primarily because of the small size of his farm. In order to live the kind of life they want he would need to be paid 50 KES per kg of tea rather than the 30 KES he currently receives.

Other KTDA farmers interviewed by THIRST echoed this need for higher incomes. All were struggling to cover their living costs, including their children's education. However, extension workers from the factories that they supplied (and owned) were helping them to find additional sources of income such as avocado cultivation. One farmer (pictured left) told THIRST that the avocado trees that her factory had provided her with (using the Fairtrade premium) would help to pay for her son's school fees.

#### *KTDA Foundation*

In addition to these advantages, smallholder farmers may also benefit from the support of the KTDA Foundation. Matara explained that the KTDA foundation was originally focused on "*philanthropy*" such as giving educational scholarships and running medical camps. But it has now shifted its focus from corporate social responsibility, recognising its responsibility to "*invest in people...*" in Matara's words, "*...so that in a hundred years we have an industry that will support people, the planet, that will protect human rights and gender equity.*" The Foundation now mobilises resources from non-government sources such as development partners and buyers to work on these areas. This has helped push forward wider conversations, for example about climate change and how this affects farmers, women, youth - and the future of farms.

KTDA Foundation has also looked at wider issues that are critical to the sector; for example, the fact that globally over 280 million kgs of unsold tea are circulating every year, suppressing prices and reducing demand in the sector.

Matara explains; "*Most small tea farms are half an acre and below, so they need to be very innovative in how to use utilise the land and their income. The Foundation has begun to run programmes to increase disposable income. For example, every farmer has a dairy cow how can we optimise that? We want to talk to social impact investors in herbs - KTDA can aggregate 200,000 tea farmers selling herbs... we have the ecosystem...*"

Another KTDA Foundation programme was an eight-month financial literacy programme for tea farming households that covered how to manage a business, record-keeping, decision-making etc. Women participants said they are now discussing finances with men and children in the family, and this behaviour change has had an impact on family power relations; there is now less misuse of the annual bonus payment – farmers are making better financial decisions such as investing in savings and health insurance instead of spending on status symbols such as cars. And because this has reduced family conflict when the bonus is paid, it may also have even contributed to a reduction in gender-based violence.

#### *Benefits and challenges for individual factories*

Factories that are part of the KTDA system benefit from being part of a long-established and relatively smoothly functioning system that sets a price for their tea, provides them with discounted inputs (vehicles, machinery etc),



enables them to access an international market, and provides marketing facilities, energy, insurance, logistics, warehousing etc.

But at least one KTDA factory director interviewed by THIRST felt that they could earn higher prices for their tea by dealing directly with buyers who placed a premium on their Fairtrade certified tea. *“The problem of bulk selling is that it doesn’t differentiate between different buyers.”*

Josiah Ateka said that while, *“the quality of tea from individual farmers will not show a differential in return because it is combined with other farmers’ leaves... there can be big differences between factories. Individual factories can improve, but KTDA needs to close the gap between them.”* But for this factory director, it was important for factories producing better quality tea to have the freedom to market it separately and distinctly from other KTDA teas.

#### *Factory workers’ pay and conditions*

Employment conditions described to THIRST by workers at one KTDA factory appeared similar to those in privately owned factories across many sectors. For example, they said it was common to be on a temporary or seasonal contract for many years despite working for up to nine months every year. Seasonal workers are not eligible for the same benefits as permanent workers and if they have been recruited via an agency, they earn less than if recruited directly by the factory. One worker reported having been on a temporary contract for 11 years. They claimed, *“the current system is not fair – it depends on who you know”* and that there are *“political dynamics”* at play.

While they appeared to feel comfortable to share these concerns with THIRST on factory premises, they said that they felt unable to raise these concerns within the factory; *“if you complain you will be knocked out, so we just pray to God”*. They felt that raising the concerns through the trade union could be challenging as *“they might be compromised”*. This raises the question of whether the grievance mechanisms that are in place are trusted and considered transparent and accountable by workers.

It is possible that the issues described above were unique to the factory in question, but given the stagnation in tea prices over the past decade, and the political changes in Kenya it is likely that workers in other KTDA factories faced similar challenges.

However, it was not all bad news. A worker who was now on a permanent contract after 10 years as a seasonal worker described how it had changed her life; *“My children are now in school. My Dad paid for them before but now I pay the school fees myself. I plan to buy some land and build my own house. I am happy!”* Unlike many workers in the tea sector, this lady said she would advise her children to work in tea since she felt that *“Everyone in society benefits”*.

The factory also had strong trade union representation, and a passionate and dedicated team supporting the farmers that supplied it.

### *Conclusion*

The KTDA approach, for all its challenges, has proven over several years to be an effective way of enabling large numbers of small farmers to benefit from an international market that they would otherwise have been unable to access.

The approach offers the best of both worlds; independent, self-reliant smallholder farmers and a nationwide, aggregated, organised tea sector with good oversight over the people involved in production. As one Kenyan tea producer put it: *“What KTDA did was create an enviable system of putting money in lots of people’s hands in an efficient way.”*

Since the system has been in operation for many years, lessons may be learned and some of the problems it has faced avoided.

Countries experiencing an exponential rise in the number of smallholder tea farmers, like India and Sri Lanka may do well to consider a similar approach. Matara feels that for the model to be replicated, it must be efficient, responsive, make the most of aggregation and be open new ideas for farmers.

Exploring alternative approaches

# Cooperatives of former plantation workers

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# Introduction

When tea plantations close down - as many are doing these days after losing the battle for commercial survival - the people who have lived and worked on the plantations for generations face destitution. They have often lost the links to their places of origin (plantation workers are very often descendents of migrant, indentured labourers), have little education or skills beyond tea cultivation and are located far from any alternative source of income.

The problem is growing in places like Darjeeling and Assam in India - but it is not a new one. This case study is of a plantation that closed when India gained independence from Britain and how its former workers - with help from a local NGO and a local tea company - were able to form a cooperative that has stood the test of time and demonstrated that there are viable models beyond the plantation.

Images: Mineral Springs/Equal Exchange



# Example: Mineral Springs Sanjukta Vikas Sanstha, India

## What is it?

Mineral Springs, in Darjeeling, is part of the Mineral Spring Sanjukta Vikash Sanstha (MSSVS), initiated by a group of former workers at a tea estate that was closed in the 1950s. They were supported by a local NGO called DLR Prerna and a commercial company, Tea Promoters India, who sells their tea.

The co-operative comprises eleven hamlets, each of which selects a representative; it is mandatory to have a woman representative for each hamlet.

Mineral Springs covers 251.78 hectares of organic area of which 57.28 hectares is under tea plantation and has various committees that oversee different components of the society, including the wellbeing of the women workers, the control of tea quality and transportation of tea. It is a democratic organization, with five representatives for each hamlet that serve four years term (from 2023).

The society includes a MSSVS Board, an Internal Approval Committee, a Naturland Fair Premium Committee, a Women's group, a Tea Committee, which look after the tea quality and transportation and a group of selected Internal Inspectors. The amount received from green tea leaf sales is allocated for different activities and each hamlet has its own collectors so they can have their own income generation initiatives. Mineral Springs' training centre offers organic farming training and Internal Control Systems (ICS) Training for Organic Productions.

The cooperative has engaged in diversification and now also grows tea, ginger, turmeric, cardamom and oranges (certified organic since 2001) as well as seasonal vegetables and every household is involved in agroforestry and animal husbandry. It was Fairtrade certified in 2004 and at present Naturland Fair certified.

Who is involved?	Former plantation workers, DLR Prerna (a local NGO) and a commercial company, Tea Promoters of India and also technical support to Farmers are given by Solidaridad.
Problems addressed	<ul style="list-style-type: none"> <li>✓ Unemployment and lack of income due to tea plantation closure</li> <li>✓ Dependence of plantation workers on owners and management</li> </ul>
Root causes addressed	<ul style="list-style-type: none"> <li>✓ <b>Power dynamics</b> – workers have become society's members and are self-reliant with less dependency on others for necessities. Women hold positions of equal power within the cooperatives</li> <li>✓ <b>Attitudes</b> – status of society members entails greater respect from those whom they supply with green leaf</li> <li>✓ <b>Entrenched systems of trading</b> – the agreement between the society and a local tea company ensures a market for their tea as well as training and support</li> <li>✓ <b>Colonial roots</b> – breaks the mould of the colonial era plantation model</li> <li>✓ <b>Fragmentation</b> – brings workers together in cooperatives and maintains a connection to the production company linking them to markets and services</li> </ul>
How well is it working?	Mineral Springs has sustained its operations for several decades, producing organic and Fairtrade certified tea. It has provided a stable income for hundreds of families during that time, enabling them to have a decent standard of living.
Challenges	<ul style="list-style-type: none"> <li>! Continued dependence on a single company for sale of its green leaf, primarily due to the fact that it does not have official recognition by the Tea Board of India as a separate entity which would enable it to sell its tea under the protected Darjeeling label</li> </ul>

	<ul style="list-style-type: none"> <li>! "...one can find the remnants of the tea garden labour mentality when it comes to decision making and responsibility sharing. Some members still look at the board as their bosses and not their elected representatives." (Roshan Rai, 2007)</li> <li>! A lesson learned from the Mineral Springs experience is that "Sustained civil society partnership is essential" because it is dealing with "isolated communities who for generations have worked as tea garden labourers only, with no assets or skills other than that of a tea garden labourer."(Rai 2007) Without the support of additional resources, networks and knowledge from both civil society and the private sector the cooperative and its members would have struggled to survive</li> <li>! Complications caused by land ownership regulations could thwart similar efforts elsewhere. For example, a similar enterprise (the Sonali tea cooperative in W Bengal), that was also established by workers on an abandoned tea plantation in the mid-1970's was ultimately thwarted by commercial interests. After a long struggle and a few successful years when workers received a good return for their tea, a combination of legal and business onslaughts saw the smoothly running cooperative destroyed, its members criminalised, the estate closed for two years and reopened along traditional lines. (The Wire, 2021 and Darjeeling Chronicle 2014)</li> </ul>
<p style="text-align: center;">Opportunities</p>	<p>Despite its challenges, the model "has proven to the tea economy that it is possible to break from the accepted norm and become a sustainable people and environmentally friendly livelihood." (Tamang and Rai, 2003)</p>
<p style="text-align: center;">More information</p>	<ul style="list-style-type: none"> <li>• Mineral Spring Sanjukta Vikas Sanstha, Fairtrade Network of Asia &amp; Pacific Producers website <a href="https://www.fairtradenapp.org/mineral-spring-sanukta-vikas-sanstha/">https://www.fairtradenapp.org/mineral-spring-sanukta-vikas-sanstha/</a></li> <li>• THIRST, 2020. Notes on roundtable meeting on building sustainable business models for better tea <a href="https://thirst.international/2020/08/04/building-sustainable-business-models-for-better-tea/">https://thirst.international/2020/08/04/building-sustainable-business-models-for-better-tea/</a></li> <li>• Roshan Rai, 2007. Mineral Springs case study for conference on closed and abandoned tea estates. <a href="http://www.darjeelingprerna.com/reflections%20thoughts%20in%20words/Alt_2_Closed_n_Abandoned_T_E.pdf">http://www.darjeelingprerna.com/reflections%20thoughts%20in%20words/Alt_2_Closed_n_Abandoned_T_E.pdf</a></li> <li>• A Tea Garden Run by its Workers – What Was and Could Have Been, The Wire 2021 <a href="https://thewire.in/labour/a-tea-garden-run-by-its-workers-what-was-and-what-could-have-been">https://thewire.in/labour/a-tea-garden-run-by-its-workers-what-was-and-what-could-have-been</a></li> <li>• Sonali tea garden woes are not new – its decades old in fact. Jyotiprakash Khan The Darjeeling Chronicle, 2014 <a href="https://www.facebook.com/TheDarjChron/photos/sonali-tea-garden-woes-are-not-new-its-decades-old-in-">https://www.facebook.com/TheDarjChron/photos/sonali-tea-garden-woes-are-not-new-its-decades-old-in-</a></li> </ul>

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Exploring alternative approaches

# Producer organisations selling own brand tea

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# Introduction

One of the biggest challenges for smallholder farmers is gaining access to markets. This means they have to rely on independent factories or factories in tea plantations, or on brokers to buy their tea. This tends to be a relationship of unequal power, as smallholders are rarely in a strong position to negotiate prices, and, because they need to sell the green tea leaves quickly before they start to lose quality, are at an added disadvantage.

Having their own brand empowers smallholder farmers to differentiate themselves in the market, and working together as a company helps to address the power imbalance. It also helps to reduce the 'fragmentation' which was identified by THIRST as another of the root causes of human rights breaches in the tea sector - bringing farmers together to share knowledge, resources and access to economies of scale.

In this case study, we look at an organisation that has not only brought farmers together, but has also enabled them to process and market their own tea.

Images: Equifarm



# Example: Grassroots Tea Corporation (GTC), India

## What is it?

Established in 2017, Grassroots Tea Corporation (GTC) brought together several hundred indigenous farmers in Assam (mainly from the Bodo tribe) who were growing tea and other crops, or who were moving into tea cultivation. Together, they have set up a producer company with their own mini tea processing factories, they manufacture chemical-free, high quality orthodox and green tea, following the principles of regenerative agriculture. Alternative income sources include farming fish in the waste water that comes out of the tea processing unit (which also demonstrates that it is chemical free). The tea is sold in the market under the brand name Equifarm Tea through multiple channels; auction, direct sales to bulk buyers, e-commerce to retailers as well as direct to consumers.

The producer company model was chosen over the cooperative model as the latter was felt to be more vulnerable to political manipulation.

Although GTC does not get involved in gender dynamics within the home of farmers and workers, it is consciously addressing gender dynamics and attempting to break gender stereotypes at work. For example, GTC encourages women to take up job roles usually considered 'male' jobs.

In the cultivation of tea and at the production level, women are usually assigned roles such as plucking leaves and cleaning factory floors. In the mini tea factories owned by farmers, GTC is encouraging women to take on other roles such as managing the withering trough, rolling tea, operating dryers, and sorting and grading tea. Wages for women and men working in the factory and payment for green leaves goes straight into the individual's account.

GTC is also a technical partner in a project that exclusively build entrepreneurial capacity of women in the small tea grower households. In Karbi Anglong 1000 women are in the process of setting up handcrafted green tea manufacturing.

<p>Who is involved?</p>	<p>Smallholder tea farmers in Assam, GTC New Delhi.</p>
<p>Problems addressed</p>	<ul style="list-style-type: none"> <li>✓ Low income and lack of access to market for tribal smallholder tea farmers</li> <li>✓ Inability of small tea farmers to have any control over the price of green leaf they supply to processing factories through leaf agents</li> <li>✓ Their inaccessibility to any other stage of tea value chain</li> <li>✓ Indebtedness since they usually supply leaf to agents against advances</li> <li>✓ Uncontrolled application of chemicals and pesticides to augment production under peer pressure or directed by the leaf agents</li> </ul>
<p>Root causes addressed</p>	<ul style="list-style-type: none"> <li>✓ <b>Price</b> – Potential for framers to earn higher incomes by selling value added tea to consumers through multiple channels</li> <li>✓ <b>Power dynamics</b> – smallholder farmers own their land and the subsequent stages of value addition; they can creatively confront and negotiate systems dominated by large buyers who suppress prices</li> <li>✓ <b>Trading systems</b> – Direct-to-consumer on-line sales give growers opens up avenue towards greater control over pricing</li> <li>✓ <b>Opacity</b> – Allows for full traceability of tea origin to smallholders (unlike bought leaf factories where origins are hard to trace)</li> <li>✓ <b>Fragmentation</b> – Producer corporation model aggregates smallholders and enables them to benefit from collective marketing resources, training etc</li> </ul>

## How well is it working?

The organisation is at an early stage of its development, but it has managed to establish itself, to get its tea to markets and is beginning to get its brand known. It remains to be seen whether it will be able to overcome the challenges listed below.

## Challenges

- ! Getting a price for the tea that covers the social and ecological costs. Unusually, the farmers got a better price (more than double) at auction than from direct domestic buyers of bulk tea
- ! Cost of certification (organic, Fairtrade, domestic licences etc) – both in terms of money and the time required to undergo the process – is prohibitive for the organisation
- ! Finding funds and expertise for marketing

## Opportunities

- With this model, farmers have full agency and access to market with the support of Grassroots Tea Corporation. It is 100% traceable, chemical free (although uncertified as organic), and allows for both income and bio-diversification. With the right support and a healthy market, it could be a powerful model for the empowerment of smallholder tea farmers
- *“Every element of the tea industry is controlled by the big players, whether it is the local buyers, the brokers, the auction system, the international buyers, the branding... This is an experiment. We are just trying to establish [a model in which] the farmers get their share. If it is valuable and if more people come into it and if there is collaboration with more and more such people, then we may be able to bring about change - otherwise not.*

*There could be efforts at both levels; there could be top-down approach and a bottom-up approach and it need not necessarily meet, but can influence each other. And seeing how the farmers are working, it could influence how the big players are also responding to the issues of the social ecological standards maintain and even the pricing mechanism. The rights of both consumers and the small producers is only the message that I would like to give to the big players. Just accept, understand, give fair price and also have standards.”*

(J.John, Grassroots Tea Corporation)

## More information

- <https://www.grassrootstea.in/>
- <https://www.moneycontrol.com/news/trends/features/indian-tea-industry-a-new-management-flavour-thanks-to-small-growers-7534081.html>

SECTION 3

# Alternative approaches to tea trading



Exploring alternative approaches

# Embedded Responsible Purchasing Practices

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# Introduction

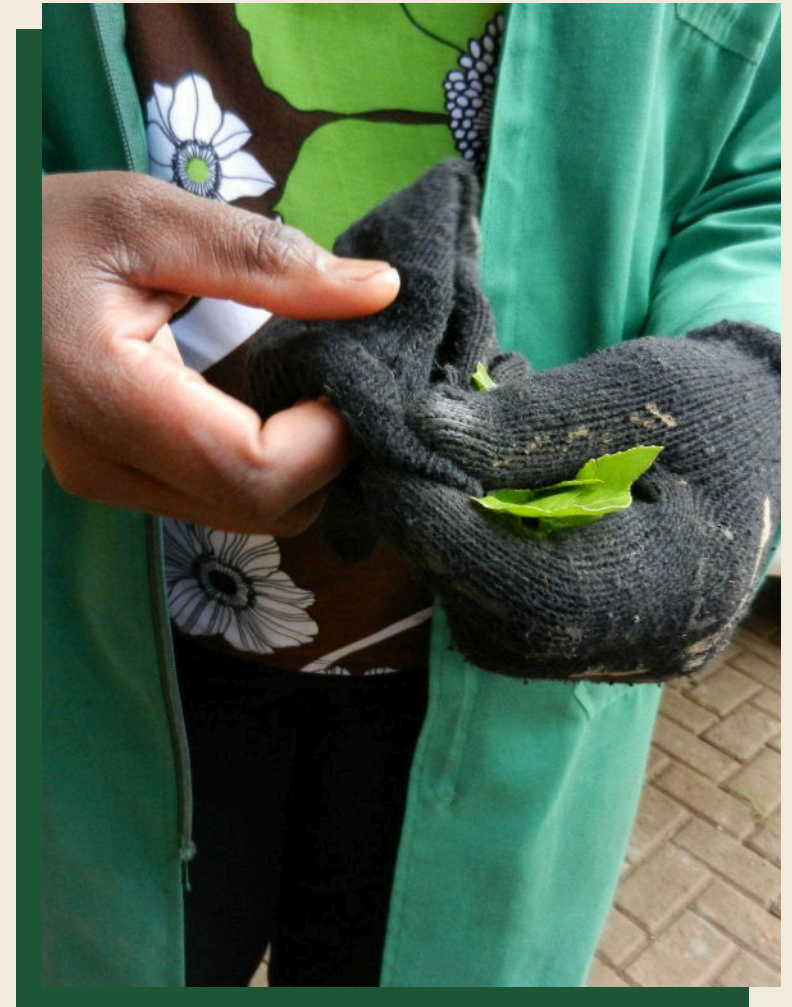
THIRST's report on the root causes of human rights breaches in the tea sector found that conventional purchasing that exploits power imbalances between tea buyers and suppliers as well as the trading systems used to buy tea were among the factors inhibiting suppliers from fulfilling workers' human rights.

According to the Ethical Trading Initiative's Guide to Buying Responsibly; "It is through their purchasing practices that businesses can have among the most profound impacts on human rights."

Traidcraft defined responsible purchasing as follows: "Responsible purchasing means purchasing in a way that enables positive change at the supplier level, so that every part of the supply chain benefits. It requires a trusting, direct and honest relationship where both parties are able to negotiate and share risks equally, and a purchaser who is committed to supporting human rights within the supply base."

The following case study is of a mainstream tea brand that embodies many of these characteristic


Images: THIRST



# Example: Taylors of Harrogate, UK

<b>What is it?</b>	<p>A mainstream, UK-based tea brand that uses responsible purchasing practices and aims to support its suppliers in meeting its code of conduct and certification requirements. Where possible, it operates forward contracts with its suppliers, for up to a three-year period and pays prices “which will at least cover the cost of production and support producers when markets fall to unsustainable levels.” (Statement of tea buying practices)</p> <p>Taylors produces high quality tea and does not compromise on this, instead focusing on blend integrity to drive loyalty to the brand and support higher consumer prices.</p> <p>It also prioritises its producers; for example, during COVID it offered suppliers secure, longer-term contracts at a decent price, as well as providing them with a £500,000 emergency relief fund.</p> <p>The company treats certification as a “baseline requirement” rather than resting the whole of their ethical commitment on it and seeks to go beyond this baseline with its human rights commitments (see link in More information below).</p>
<b>Who is involved?</b>	<p>Betty’s and Taylors, tea plantations and smallholder suppliers in E Africa and S Asia.</p>
<b>Problems addressed</b>	<p>Economic challenges of tea producers and their ability to provide decent pay and working and living conditions to workers and outgrower farmers.</p>
<b>Root causes addressed</b>	<ul style="list-style-type: none"><li>✓ Low prices</li><li>✓ Unequal power dynamics</li><li>✓ Trading systems that disadvantage producers</li></ul>

	<ul style="list-style-type: none"> <li>✓ Lack of transparency</li> <li>✓ Overreliance on certification</li> <li>✓ Persistence of colonial model and behaviours</li> </ul>
<h3>How well is it working?</h3>	<p>Tea producers have cited Taylors of Harrogate as being fairer, more supportive, more respectful in their communications and “more human” than some other buyers. This has enabled them to improve prices paid to smallholder farmers and provide additional resources for workers, for example, supporting access to primary education for children of tea workers by financing the building of a school house close to their accommodation.</p>
<h3>Challenges</h3>	<ul style="list-style-type: none"> <li>! Limited potential for impact by a single company when other buyers and markets have less responsible purchasing practices</li> <li>! For suppliers, underlying problems persist such as inadequate housing, power dynamics between management and workers etc</li> </ul>
<h3>Opportunities</h3>	<ul style="list-style-type: none"> <li>➤ Provides evidence that responsible purchasing practices do not have to be detrimental for business</li> <li>➤ Provides a model for buyer-supplier relationship that, if adopted by a critical mass of buyers could turn around the critical situation that tea producers currently find themselves in</li> <li>➤ Demonstrates how a buyer can have positive impact on the fulfilment of human rights of workers and farmers, both directly and by enhancing producers’ ability to provide better working and living conditions</li> </ul>
<h3>More information</h3>	<p>Introducing our Covid-19 Tea and Coffee Supply Chain Commitments  <a href="https://www.taylorsimpact.com/articles/introducing-our-covid-19-tea-coffee-supply-chain-commitments">https://www.taylorsimpact.com/articles/introducing-our-covid-19-tea-coffee-supply-chain-commitments</a>  Taylors of Harrogate website, accessed 15<sup>th</sup> Juth 2024</p> <p>Bettys &amp; Taylors ‘continues to thrive despite challenging conditions’, Insider Media Ltd. May 2024  <a href="https://www.insidermedia.com/news/yorkshire/bettys-taylors-continues-to-thrive-despite-challenging-conditions">https://www.insidermedia.com/news/yorkshire/bettys-taylors-continues-to-thrive-despite-challenging-conditions</a></p>



Statement of tea buying practices:

<https://bettysandtaylor.co.uk/wp-content/uploads/2023/05/CEO-endorsed-statement-for-ETP-May-2023.pdf>

Our Human Rights Approach: <https://www.taylorimpact.com/articles/our-human-rights-approach>

Resources and Policies: <https://bettysandtaylor.co.uk/resources-policies/>



# Deep dive

During THIRST's information gathering trip in East Africa, we noticed that producers often spontaneously mentioned that Taylors had been supportive to them in some way. For example, they told us that:

*"Taylors fund social projects and we match the funds. Villages (where workers live) are given lots of support."*

*"Taylors projects provide potable water for farmers in the most difficult areas"*

*"Taylors paid for the construction of this primary school and we pay the teacher's salary and buy equipment."*

*"[Taylors staff] understand tea production. They invest in the relationship"*

*"If every buyer did what Taylors is doing, we would have no problem. They pay above the auction price – a minimum price plus a quality premium."*

While these examples are anecdotal and relate to specific circumstances rather than overall purchasing practices, they give a sense of the company's ethos and its relationship with its supply chain. When we asked one producer what makes Taylors so different, they answered *"They are more human."*

This statement was supported by another interviewee, a former senior manager of the Kenya Tea Development Agency (KTDA) who told THIRST:

*"Prices are so important to sustainability. You can't talk about sustainability without talking about prices. There is a disconnect between ethical, sourcing values on [most buyers'] websites and what they pay. Taylors of Harrogate is very open. They want to have that conversation. Procurement is willing to have the conversation about living income. We want the same conversation with other buyers – conversations about fairness and human rights."*

Paying higher prices, being open to discussion with their suppliers, committing to longer term contracts and insisting on good quality tea (and rewarding it) has not damaged its bottom line. On the contrary, its market share in the UK has grown steadily over the last five years and it continues to command strong brand loyalty from its customers. One industry insider summed up this phenomenon for THIRST by saying:

*"Taylors have got good tea in bags – a brand that values quality and are willing to pay is a business that has got merit judging by what it is doing in the market."*

We followed up on these comments by contacting Taylors to find out more about the policies and principles behind these purchasing practices. They explained – as set out on their website<sup>12</sup> – that *“As a family business we’re able to think long-term. By building strong relationships and sharing our prosperity with those we depend on – our suppliers, our people, our customers, communities and the wider planet – we’ll be a business that’s around for another century and beyond.”*<sup>13</sup>

This enables the company to adopt an *“approach to sourcing is based on collaboration”* They go on to describe this approach as follows: *“...we work in close partnership with our suppliers to build contracts, improve quality and find solutions to the challenges that impact the people we buy from. Through investing in these relationships and paying a fair price we can help the communities we work with to thrive.”*<sup>14</sup>

<sup>12</sup> <https://www.taylorsofharrogate.co.uk/about-us>

<sup>13</sup> Our approach: <https://bettysandtaylor.co.uk/our-approach/> Bettys & Taylor website accessed 15th June 2024

<sup>14</sup> Our ethics: <https://www.taylorsofharrogate.co.uk/news/our-ethics> Taylors of Harrogate website accessed 15th June 2024

Exploring alternative approaches

# Small scale futures market

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# Introduction

One of the root causes of human rights breaches in the tea sector that THIRST identified was the embedded trading systems of the industry. While many stakeholders feel that the auction system provides a number of benefits, including international marketing, a payment guarantee system, and sometimes better prices, there are also many criticisms. These include the power of a small number of large buyers who can dictate prices, traders capitalising on price movements, unfair buying practice at auction centres, poor representation of producers by brokers, and local buyers struggling to compete with multinationals.

This case study is of an initiative that attempts to overcome these challenges. It has been piloted in Kenya and Sri Lanka but it would need to overcome a host of vested interests in the current system to really take off. But this is certainly a model that it is worth keeping in mind for the future.

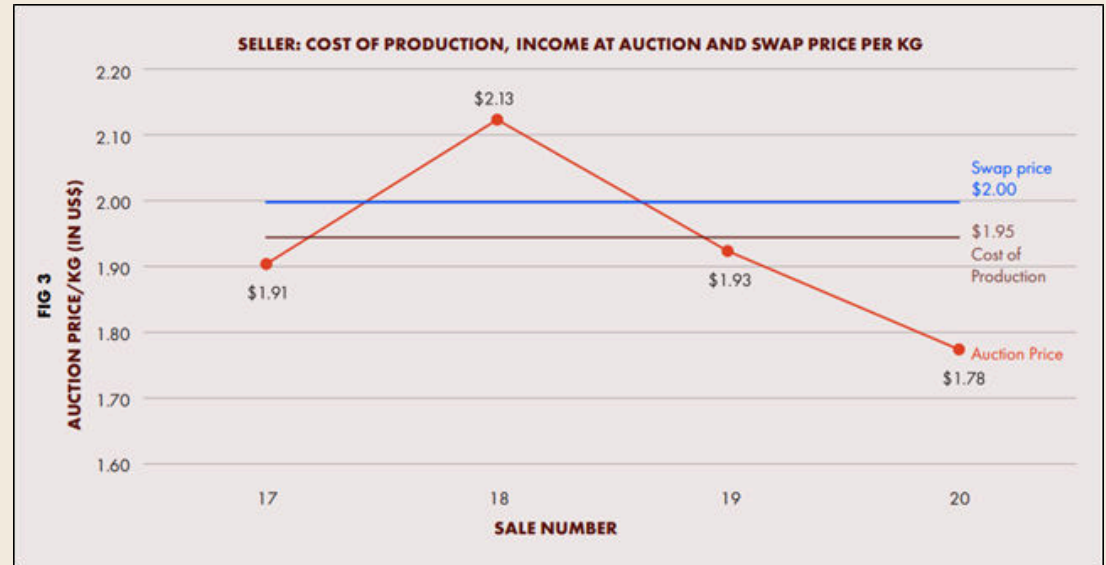


Figure 3. How Tea Swaps can potentially smooth the effect of price volatility on sellers.

# Example: Tea swaps, Sri Lanka, Kenya and India

<p>What is it?</p>	<p>“Swaps” in this context are defined as “a financial product that allows buyers and sellers to agree a fixed price for a fixed period of time”; “a market mechanism to smooth price volatility”. Tea Swaps was piloted in Sri Lanka (2018), Kenya and India (2019) to smooth the volatility of market prices for tea sellers including smallholder farmers, bought leaf factories and plantations.</p> <p>This is how it works: “A swap price is agreed by both a buyer and a seller, as well as the total volume of tea that the swap applies to. As the price of the tea fluctuates each week at auction, the buyer and the seller of the tea swap receive or pay the difference between the auction price and the agreed fixed price of the swap, multiplied by the volume. The swap broker redistributes this money between the buyer and seller to offset these fluctuations and maintain the fixed swap price (and is paid via a small commission). This creates greater price certainty for buyers, sellers, and ultimately the smallholders that supply them.” Forum for the Future <sup>15</sup></p>
<p>Who is involved?</p>	<p>The pilot was initiated as part of Tea 2030 - a global collaborative initiative which brought leading organisations together to help create a sustainable future for the tea industry. It was facilitated by Forum for the Future, an international sustainability non-profit. The Tea Swaps pilot in Kenya was funded by the UK Department for International Development (DFID) and managed by PwC in consortium with a number of delivery partners. Consultant James Montlake who devised the system, was also behind pilots with tea companies and tea producers’ associations in Sri Lanka and India.</p>
<p>Problems addressed</p>	<p>Tea 2030 identified price volatility as a major barrier to sustainability and equitable value distribution in the tea industry - one that is likely to increase in the future.</p>

<sup>15</sup> <https://www.forumforthefuture.org/Handlers/Download.ashx?IDMF=a8e278ec-7e6b-4a16-a06c-5f97d911ff18>

	<p>Since most factory costs are fixed, when prices fall, the main area where savings can be made is in the price paid to farmers for green leaf. This shifts the burden of risk onto smallholder farmers, periodically reducing their income and creating uncertainty that hampers their access to affordable credit. Low income and lack of credit reduces farmers' ability to invest in their crops, potentially affecting both quality and quantity and so perpetuating a vicious downward spiral which can push them and their families into poverty.</p> <p>Tea Swap Africa, an entity that was set up to deliver the pilot with local partners, also planned to establish a platform to allow smallholder farmers to access secured credit based on swaps. This would also have been available to the many thousands of smallholder members of KTDA who rely on credit to see them through the period from their initial payment for green leaf in April and their bonus payment in October once the sale price of the tea has been realised at auction. If the price is lower than anticipated, they receive less than they borrowed through the year.</p>
<p>Root causes addressed</p>	<ul style="list-style-type: none"> <li>✓ Power imbalances</li> <li>✓ Entrenched trading systems</li> <li>✓ Opacity</li> </ul> <p>NB although this initiative is concerned with prices to a great extent, low price is not one of the root causes that this approach addresses. Rather than improving the price for either the seller or the buyer, its primary function is to protect against price volatility and uncertainty.</p>
<p>How well is it working?</p>	<p>This approach has not been in operation long enough in any one market to adequately measure its impact on tea farmers and workers. Although important lessons were learned, the initiative did not extend beyond the pilot. The challenges listed below are therefore more related to implementing the approach than to its efficacy in improving tea workers' and farmers' access to human rights.</p>
<p>Challenges</p>	<ul style="list-style-type: none"> <li>! Requires a critical mass of companies willing to join and participate at the same time to make it viable – in the three countries where it has been trialed, there has not been a sufficient groundswell of support to get it off the ground</li> <li>! In theory, a mutually beneficial Tea Swaps price is agreed between buyer and seller. However, given the prevailing power dynamics in tea, with buyers and brokers in a much more powerful position than</li> </ul>

## Opportunities

producers, the benefits are more likely to accrue to buyers who will tend to hedge for lower prices. This was the experience in India after an initial trial period: “...so far, only sellers seem to have benefited from the swaps.” Informist Media, 2019[?]<sup>16</sup>

- ! The prevailing trading systems have proved too deeply entrenched to allow for this new model to play out effectively. Existing systems, regulations, laws and behaviours mean that both buyers and sellers would need to make significant, concerted efforts to break free and embrace this new approach
- ! “A trial was started by Teaswap in Sri Lanka in March 2018. But as the broker cannot take on considerable risk – as is the case now – the growth of the tea swap market will be seriously constrained.” FAO, 2018<sup>17</sup>

- “Tea swaps have been mentioned as an alternative to futures contracts. They are not, but they can offer sufficiently creditworthy companies a means to manage their price risks. Through a broker, tea swaps can link those who want to receive a fixed price to those who want to pay a fixed price.” FAO, 2018<sup>18</sup>
- Kenya: “the potential socio-economic impact is huge... According to the Kenya Tea Growers Association, more than 250,000 smallholder farmers work on tea plantations across the country, in turn supporting over 1.5 million family members... to have both small-holding tea factories and the large estates “locking prices,” has the potential of stacking up a whole raft of positives; much-needed wage stability, profitability, poverty alleviation and so on”... “tea exporters and packers also stand to benefit from price certainty, which makes it easier for them to offer fixed prices to their clients for longer periods.” Business Daily Africa, 2019<sup>19</sup>
- Sri Lanka: “...some plantations view Tea Swaps as a means of improving financial management, which can lead to greater investments in efficiency and quality. Tea exporters and packers also benefit from price certainty, which makes it easier for them to offer fixed prices to their clients for longer periods.” Daily FT, 2018<sup>20</sup>

<sup>16</sup> <https://www.informistmedia.com/south-india-flood-may-blow-record-tea-output-hope/>

<sup>17</sup> <https://www.fao.org/3/MW556EN/mw556en.pdf>

<sup>18</sup> <https://www.fao.org/3/MW556EN/mw556en.pdf>

<sup>19</sup> <https://www.businessdailyafrica.com/bd/opinion-analysis/ideas-debate/tea-swaps-can-help-bring-to-an-end-rock-bottom-prices-2255970>

<sup>20</sup> <https://www.ft.lk/agriculture/Tea-Swap-trading-begins-in-Sri-Lanka/-651485>

**More information**

<https://www.forumforthefuture.org/Handlers/Download.ashx?IDMF=a8e278ec-7e6b-4a16-a06c-5f97d911ff18>

Exploring alternative approaches

# Purpose-driven purchasing model

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# Introduction

How tea is purchased from producers has a significant impact on their ability to provide workers with decent pay and conditions. The mainstream model of selling either via auction or through private sales to buyers seeking the highest possible quality at the lowest possible price is keeping prices low and driving inequalities in the sector, according to THIRST's research. This, in turn, is leading to breaches in the human rights of tea plantation workers and smallholder tea farmers.

The case study presented here is of a company that is purpose-driven. That is to say, maximising profits is not its primary aim. It aims instead to create a healthy social and economic ecosystem for all within the value chain from producer to consumer. While this is not yet a perfect model for ensuring that human rights are fulfilled, it is a unique and valuable one that rebalances the power and could - with a few adjustments - create an enabling environment for human rights to be fulfilled.

Images: Teekampagne



# Example: Teekampagne

What is it?	<p>A direct-to-customer tea retailer that buys only pure, organic Darjeeling and Assam tea from a small number of suppliers with whom it has maintained long term relationships over many years. Its suppliers include those that own one or more plantations; some supply Teekampagne with tea from cooperatives and others sell direct from plantations. Teekampagne tea is sold in large packages with minimal packaging and marketing leaving about 50 percent of the value to go back to the producer. Marketing is currently all through word-of-mouth. Teekampagne staff travel frequently to visit the producers and seek to bring them together to address issues collectively and in partnership with them. To address environmental and social issues, the company founded a sustainability project in Darjeeling that helps communities in tea gardens to generate additional income.</p>
Who is involved?	<p>Teekampagne, four Indian tea production companies.</p>
Problems addressed	<ul style="list-style-type: none"><li>✓ <b>Low prices</b> - the buyer does not prioritise maximising profits but channels back as much as possible to the producers.</li><li>✓ <b>Short term contracts</b> - the buyer has maintained relationships with most of its four suppliers from its inception in the 1990s, providing them with stability which makes them better able to plan for the future</li><li>✓ <b>Consumer awareness</b> - Teekampagne's customers are kept informed of the purpose of the business model and how it works. They are aware of the challenges faced by tea producers and are committed to supporting them by paying more for their tea</li></ul>
Root causes addressed	<ul style="list-style-type: none"><li>✓ <b>Price</b> - while the model does not necessarily address the global oversupply of tea, it focuses on quality, value and long-term contracts which guarantees a better price for producers</li></ul>

	<ul style="list-style-type: none"> <li>✓ <b>Power-imbalance</b> – the buyer does hold a lot of power, but the business model is predicated on dialogue and problem-sharing which reduces the imbalance to some extent</li> <li>✓ <b>Fragmentation</b> – This is reduced by the buyer bringing the producers together to discuss common issues and collaborate on solutions, by maintaining long term relationships with them, and by reducing the number of intermediaries in the value chain</li> <li>✓ <b>Entrenched trading systems</b> – The buyer buys directly from its suppliers rather than through the auction system</li> <li>✓ <b>Opacity</b> – The company is transparent about its pricing, providing full details on the packaging and on its website</li> </ul>
<p>How well is it working?</p>	<p>The business model has been sustained over several decades. Suppliers report high levels of satisfaction with the company’s purchasing practices and their relationship with them. They feel that the company understands their challenges and does its best to work with them to meet them – for example, they raised the challenges involved in certification (which were requirements of selling to the company). Teekampagne has now removed the requirement for Fairtrade certification. Nevertheless, they appreciate the respect with which they are treated by the company and, of course, the premium prices paid. The business model is helping to keep producers who are under economic stress afloat – particularly in Darjeeling.</p>
<p>Challenges</p>	<ul style="list-style-type: none"> <li>! Fulfilment of the human rights of workers on supplier plantations and farms is not necessarily guaranteed through this business model – the company is in the process of strengthening its human rights due diligence and policies</li> <li>! Since only a small number of buyers pay similarly premium prices, producers still struggle financially – which means fewer resources available to invest in worker wellbeing</li> <li>! Rising costs of production alongside rising cost of living for customers is widening the gap between the prices that producers need to cover sustainable production costs and what the company is able to offer</li> <li>! External challenges such as climate impacts and competition from “counterfeit” Darjeeling tea from Nepal is putting producers under additional strains that may be beyond the company’s capacity to support</li> <li>! Suppliers communicated that the requirement for certification (which earlier included Fairtrade certification) adds to the demands on their time and budgets. They felt that the trust built up through the</li> </ul>

	<p>long-term relationship should be sufficient. Teekampagne has since agreed to lift the requirement for Fairtrade certification, but organic certification remains a requirement</p>
<b>Opportunities</b>	<ul style="list-style-type: none"><li>➤ The business model has stood the test of time commercially and has proved to be beneficial for producers</li><li>➤ There is potential for like-minded buyers to join forces and concentrate their buying from Darjeeling, which could help to revive the Darjeeling tea industry which is under serious threat of collapse</li></ul>
<b>More information</b>	<p><a href="https://www.teacampaign.com/">https://www.teacampaign.com/</a></p>



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