Research Report

The supply chains for tea from Assam and Darjeeling to Austria and the Austrian tea sector

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1 Introduction

1.1 Context and reasons for this study

India is the second producer of tea in the world after China, and the second consumer as well, moving to being the first because of its demographic growth. It is also the 2nd provider of tea to Europe, after Kenya. Most of Indian tea is produced in the North of the country. While Assam is the largest producing area in India, counting for half the tea produced nationally and 11% of the tea produced worldwide, Darjeeling is known for the quality of its tea (sometimes marketed as "the Champagne of tea"), which is highly appreciated in Europe. Despite the extension and fame of North-Indian tea, the living and working conditions of tea plantation workers have been pinpointed by various studies as being below human rights standards, and their wages even below the official minimum level, as defined for each district in accordance with the Indian Tea Broad. The current social situation in plantations is related to the social system inherited from the British colonial rule where in-kind advantages (housing, health care…) are discounted from the district minimum income.

As a consumer, Europe is a minor player in the sector, with 5% of the world's consumption of tea, well behind India and China. However, some of the companies playing a major role in the world tea trade are European. In this sector, like in others, the European Union sets up sustainability standards that are followed worldwide.

The responsibility of major buyers in monitoring and improving the condition of producers is increasingly acknowledged across many sectors, requiring transparency and knowledge of their supply chain. In the tea industry, these conditions for social responsibility seem difficult to achieve, given that transparency on the supply chain is lacking and that price information often starts at the farm gate, even in the case of Fairtrade certified tea. In Austria, this lack of information is increased by the high rate (92.5%) of importation from major European partners, mainly Germany, and conversely the low rate of direct imports from India.

Even though many major tea importers are concerned about the current situation and have committed to codes of conduct inspired by the International Labour Organization conventions, the lack of information is making the claims comprised in those standards not fully credible.

While consumers are increasingly conscious about possible impacts of their purchase, the upcoming European Directive on Corporate Sustainability Due Diligence[1] as well as the proposed regulation to ban products made with forced labour on the Union market[2], will make more transparency and proactive measures by companies compulsory after it is transposed in national law of member states.

This situation motivated Dreikönigsaktion der Katholischen Jungschar (DKA) to order a study on social responsibility in the tea supply chains from Assam and Darjeeling to Austria, and the Austria tea sector, with particular attention to the issue of child labour.

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[1] Proposal for a Directive of The European Parliament and of the Council on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937, COM/2022/71 final https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52022PC0071

[2] Proposal for a Regulation of the European Parliament and of the Council on prohibiting products made with forced labour on the Union market, COM/2022/453, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52022PC0453

1.2 Plan of the study

The first part (second section) of this study is a value chain analysis of tea from Assam and Darjeeling to Austria, necessary to understand the structure of the linkages between tea production in northern India and European operators. After giving an insight on the definition of tea qualities, the report presents an overview of the tea value chains in northern India, and details about Assam and Darjeeling tea production areas. The main operators of the global tea value chains are presented, as well as the relevant operators in Europe, India and the UK, with a focus on the tea market in Austria.

Growing concerns about the sustainability of tea production resonate with relevant legal provisions in the European Union. The Austrian retail market, as well as the food and beverage sector, are presented next, with the specificities of the Austrian tea market.

The second part and third section is dedicated to the analysis of the HR in Assam's and Darjeeling's tea sector. A social and economic analysis of the value chain leads to an assessment of the distribution of value from the producer area in Darjeeling and Assam to the consumer in Austria. The structure of the workers' revenue is explained and characterized, as well as that of small tea growers. Some of the root causes of this situation are analysed.

The fourth section analyses the feedback from an investigation on the social commitments of companies, based on documentation and interviews of buyers. The documentation gives us an insight into voluntary certifications with social commitments and their efficiency. Follows a section based on interviews with professionals of the sector, tea buyers active in the Austrian market. These are importers from Germany or operators from Austria. Renowned tea experts were also interviewed for this study, giving their analysis and feedback.

In the fifth section, the team of consultants has drawn conclusions from this extensive documentation and information, and provides recommendations.

2 Value chain analysis of tea from northern India to Austria

2.1 Overview of the global tea market: main producers and consumers

Tea is the second most consumed beverage in the world after water. Looking at long term trends, it is visible that this ancient beverage is more and more popular. Its consumption has jumped by 60% between 1993 and 2010 and is still increasing by 3% a year.

Tea is grown in 35 countries. China and India remain the main producers and consumers, but Africa's share in production has risen, and experts (FF) think that this is where the production can expand.

The following data has been extracted from ITC Trade Map and the summary data below from FAO's Intergovernmental Group on Tea.

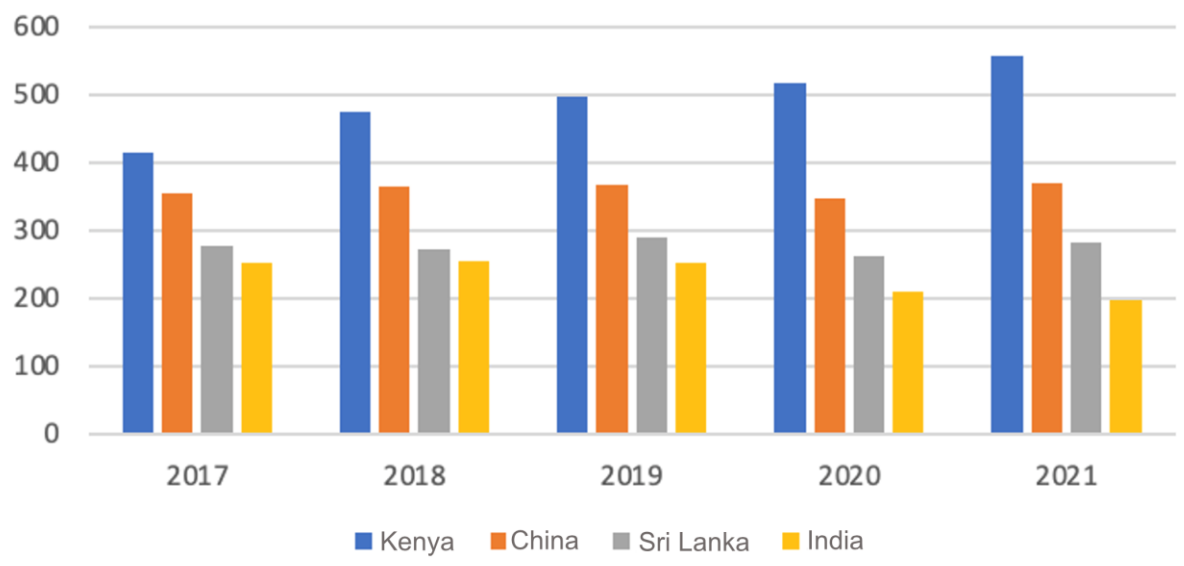
The global tea production was 6.5 million tons in 2021 and the global market 1.8 million tons, international trade being valued at 9.5 billion euros in 2021. Only 28 to 31% of the production is exchanged internationally, depending on the year. This situation is explained by the fact that China and India, the two main tea producers (table 2), are also large tea consumers (with China consuming twice as much tea nationally compared to India). This also explains why Kenya and Sri Lanka are among the leading exporters globally, in front of India. In Europe, however, India is the second provider of tea.

Table 1: Main producer countries in 2020

Countries	Volume (millions of metric tons)	Percentage of world production
China	2.93	46.6%
India	1.26	20.0%

Source: IGG Tea, 2022

Figure 1 : Volume of exported tea in thousands of tons from main exporters

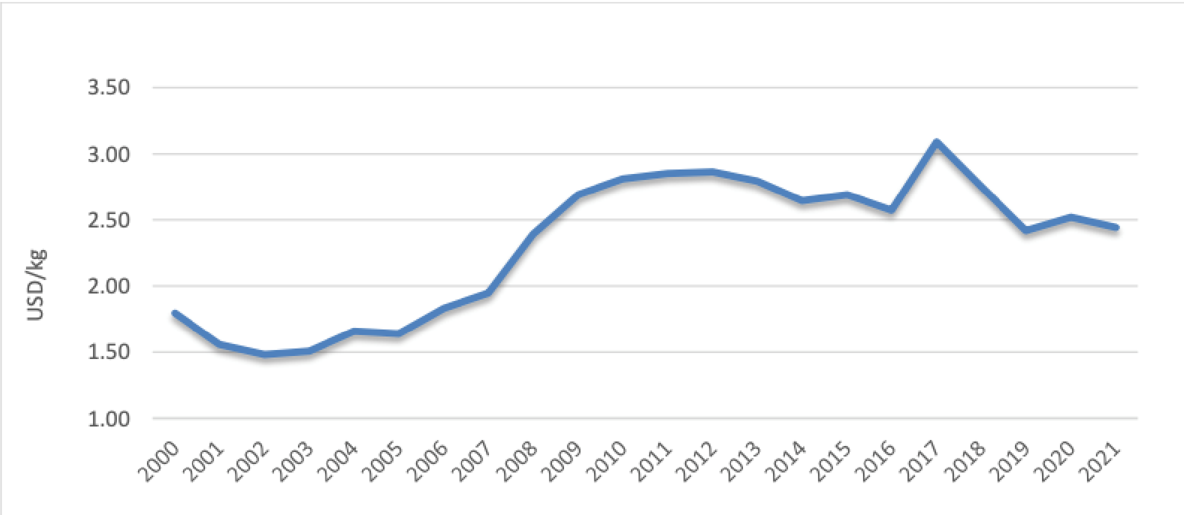


Source: Consultants, figures from International Tea Committee in Tea Board of India

Despite the COVID19 pandemic, the global tea market has increased by about 3% per year during the decade 2010-2020 (FAO, 2022), with stronger growth in green tea production than in black tea. The FAO predicts a significant increase in production by 2030, particularly in China and India, and more for green tea than black tea (FAO, 2022). Though it only represents 17.2% of the market share, green tea sales are increasing faster than overall black tea, currently at a market share of 59%. East Asia (especially China) is the main producer of green tea, but India and Sri Lanka are diversifying their production to include more green tea. In Europe, consumption in volume is declining, being mature, but the market is slowly shifting towards higher quality teas with higher value.

The FAO produces annually a composite[3] price for tea, which is a weighted average price index for black tea, that includes CTC and orthodox tea[4]. The nominal value of the index (Figure 3) suggests a gradual increase in value over 20 and even 30 years. However, translated into local currency and corrected for inflation, the trend is actually downward for India and the other producing countries, with a 2.4% annual decline in real terms according to the FAO.

Figure 2 : Evolution of the composite price for tea since 2000 (FAO)



Source: FAO IGG/Tea Secretariat

2.2 Market trends in Europe

According to recent market studies for the Europe Union[5], the consumption of tea in Europe, which is around 358,000 tons in 2021 (an average of 0.8 kg of tea per year per person), represented less than 5% of global consumption in 2016[6]. This proportion seems to be slightly declining, as figures indicate a decrease in import volume of 3% between 2011 and 2015. However, the value of imports has increased by 5.1% during the same period.

The United Kingdom, Russia, Germany, France and Poland are the largest consumers of tea in Europe. These countries are also the ones where the decline in import volumes in recent years has been the most significant (Figure 3 below). However, in some of these countries (such as France), the quality and value of imported tea is increasing. But high quality and specialty teas still accounted for only 5% of the

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[3] This price is composite because it is an average of the sales prices weighted according to the volumes marketed at the various auctions in Kenya (Mombasa), Sri Lanka (Colombo) and India (Kolkatta and Kochi).

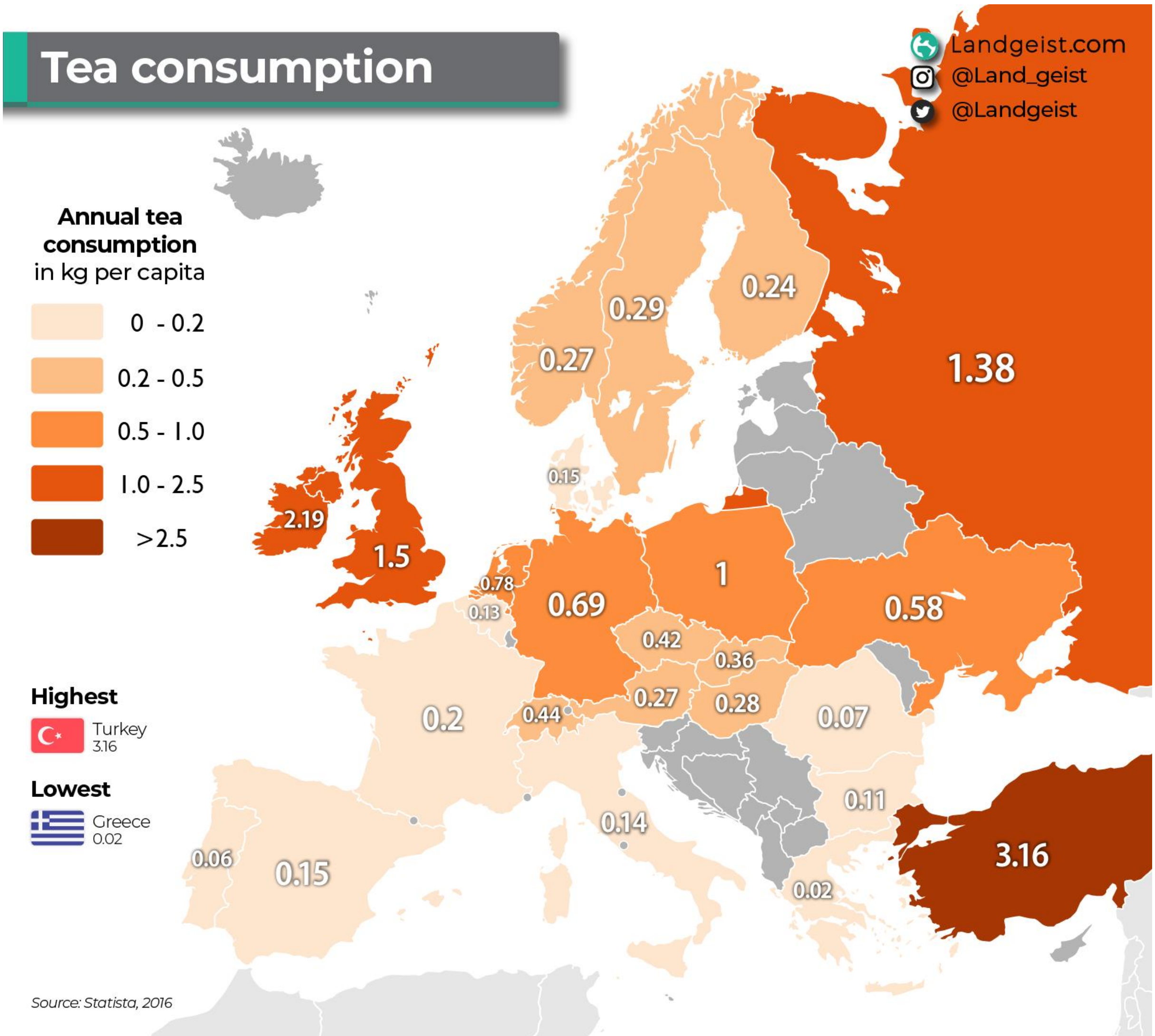
[4] The main two categories of tea, corresponding to different processes. These categories are presented in the box under paragraph 2.3.1

[5] Statistica, 2022

[6] CBI, 2017

tea market in 2015. Outside the European Union, but nearby, Turkey, Russia and Morocco are also import consumers of tea per capita.

Figure 3 : Tea consumption in European countries per capita



Source: Landgeist (2016). Data : Statistica

2.2.1 Provider countries to Europe

According to the IGG on Tea, Kenya is the largest supplier of tea to Europe (21.3% of total imports), followed by India (11.8%), China (8%) and Sri Lanka (6.1%). In India, Assam supplies most of the tea purchased by Europe, with Darjeeling having a minor share in volume. Germany, Poland and to a certain extent the Netherlands re-export the tea they buy and are therefore suppliers of tea to the European market.

The main suppliers of CTC teas[7] are Kenya (through the UK and Poland and their re-exports to Europe), India and Sri Lanka, and the main suppliers of Orthodox tea are China, India, Sri Lanka and Vietnam.

[7] See definition of CTC and orthodox tea in the box below.

Europe also exports tea after adding value to the imported product through selection, blending and packaging, reflecting the strength of the brands and marketing channels from Europe.

Table 2 : Main countries supplying tea to Europe

Country	Share of exports to Europe	Main types of tea exported
Kenya	21.3%	CTC
India	11.8%	CTC, Orthodox
China	8.0%	Orthodox
Sri Lanka	6.1%	CTC, Orthodox

Source: authors, from Trademap data[8]

2.2.2 Imports of tea in the countries of the European Union

Before Brexit, the UK was by far the largest importer of tea in Europe, with about 135,000 tons in 2015, accounting for 39% of European imports, but this figure was experiencing an annual decline of 3.6% (linked to lower consumption). Germany then accounted for 16.8% of European tea imports. Since the Brexit, Germany is the main importer of tea to Europe, closely followed by Poland. The Netherlands accounts for less than half the imports of Poland and are slightly in front of France in terms of volume. Austria accounts for less than 1% of the volume of imports to Europe. The following figures include direct imports as well as imports through reexporters, generally from Europe.

Table 3 : Main tea imports to Europe (volumes in tons)

Country	2015	2017	2019	2021
United Kingdom	135 229	127 751	NC	108 223
Germany	57 642 – i.e. 17 % of EU imports before Brexit	54 072	50 534	47 048
Poland	34 299 – i.e. 10 % of EU imports	37 648	37 867	42 356
France	19 129	17 509	17 379	18 515
Belgium	18 240	16 175	13 912	15 042
Netherlands	21 746	21 202	17 450	19 051
Austria	3 003	3 550	3 395	3 215
Total Europe	**342 000**	**NC**	**NC**	**NC**

Source: authors, from Trademap data

[8] All Trademap data are extracted from Trademap tables on its web site, using the product code 0902 for “tea whether or not flavoured”, yearly series by volume or value. They can be checked on https://www.trademap.org

Ranking in value is similar to ranking in volume, except for France and Netherlands switching positions. This accounts for France importing higher quality tea than the Netherlands. Austria's ranking in value is also higher than its ranking in volume.

Table 4: Main imports to Europe (value in thousands of euros)

Country	2015	2017	2019	2021
United Kingdom	361 219	357 896	318 091	259 882
Germany	203 196	202 488	204 475	206 972
Poland	95 057	100 941	109 703	105 289
France	149 582	150 359	149 665	148 369
Belgium	70 358	70 021	66 063	70 007
Netherlands	91 024	100 495	111 979	111 387
Austria	19 542	24 004	24 823	21 568
Total Europe	**1 991 271**	**1 946 554**	**1 836 201**	**Data not available**

Source: authors, from Trademap data

We now analyse the main origins of teas imported by Europe. We have taken years 2019 and 2021, 2020 beyond strongly affected by COVID. The year 2021 marks a recovery from the very slight downturn due to COVID in 2020.

Table 5: Main destinations of tea from producer countries to Europe in 2019 and 2021 (tons)

Country	Year	UK	Germany	Netherlands	Poland	France	Austria
China	2019	2 529	10 792	2 316	4 194	2 741	0
	2021	2 900	10 506	2 256	5 894	3 059	6
India	2019	**13 140**	10 374	3 092	6 354	325	3
	2021	10 740	**10 614**	2 555	5 632	320	4
Sri Lanka	2019	1 279	7 181	3 342	2 604	767	212
	2021	1 116	6 355	2 562	3 349	806	282
Kenya	2019	**51 692**	916	4 088	6 038	27	0
	2021	**56 029**	1 635	3 158	9 600	4	0

Source: Trademap

Table 6: Main destinations of tea from producer countries to Europe in 2019 and 2021 (thousands €)

Country	Year	UK	Germany	Netherlands	Poland	France	Austria
China	2019	9 137	39 605	8 588	10 348	12 590	1
	2021	8 573	36 881	9 481	11 777	13 911	28
India	2019	**37 927**	35 671	**17 158**	15 040	2 545	54
	2021	35 886	**37 759**	**15 740**	13 388	2 367	31
Sri Lanka	2019	11 842	30 780	21 953	16 801	4 559	714
	2021	8 022	29 522	18 725	20 705	5 757	953
Kenya	2019	**101 686**	2 195	7 027	11 851	43	0
	2021	**93 555**	2 887	4 694	15 407	19	0

Source: authors, from Trademap data

This table clearly shows that Germany has bypassed the UK as the main importer of Indian tea on the European continent (their position though close have been swapped). Kenya remains UK's main supplier in tea, while India is now Germany's first supplier in front of China. Kenya has considerably reinforced its position in other European countries, including Germany, as well. Sri Lanka's position has receded, except towards Poland, France, and also Austria.

The Netherlands imports less than a third of the quantities of tea that Germany imports from India, but the value of it is only half. This is an indication that the Netherlands globally imports higher quality tea from India than Germany does. The same is true of France, but with a quarter of the quantity of the Netherlands. These imports are probably orthodox and/or Darjeeling tea. Reversely, the value of the tea imported by Poland from India is less than its share in quantities, indicating imports of Indian tea of lesser average quality compared to the tea imported by Germany.

A structural decline in British and German imports over the last 8 years is pointed out by market studies, with a slight increase in French imports, reflecting changes in consumption habits, towards higher quality tea. Due to the limitations of the statistical data, it is not possible to assess whether the tea imported to the EU stems from Assam or Darjeeling. However, in an interview with a German tea importer, the person confirmed that in recent years the company imports less tea from Darjeeling to Germany. High-quality tea can now also be purchased from many other regions of the world, which specialty tea consumers are more interested in and thus reduces the market share of Darjeeling in specialty tea exports.[9]

Austria's position in those direct imports remains marginal, but a slight progress can be noted between 2019 and 2021.

2.2.3 Reexports from and to the European Union

Statistics don't differentiate the origins of tea reexported, however, they indicate which countries are strong reexporters to the world, namely Germany, Netherlands and Poland. More than 80% of European tea exports are traded with other European countries. A noticeable trend is the growth of reexports of the Netherlands' and France's imports, and the important position of Poland, especially in terms of value added. On a longer 8 years trend, secondary sources indicate that this period has seen a strong increase

[9] Interview with J.Fr. Scheibler; phone call on February 6th 2023.

in Poland and the Netherlands as re-exporters, while Germany's position has remained stable and that of the United Kingdom and Belgium have declined.

The German port of Hamburg acts as a hub for tea imports to other European countries.

Table 7: Main reexporting countries in Europe (tons)

Country	Year	UK	Germany	Netherlands	Poland	Belgium	France
reexport in volume (tons)	2019	19 460	22 831	9 240	22 892	12 667	3 080
	2021	NC	21 912	11 186	21 818	10 368	3 754
% of reexport in volume	2019	NC	45.17%	52.95%	60.45%	91.05%	16.63%
	2021	Est 15%	46.57%	58.71%	51.51%	68.91%	20.27%
Value added	2019	123 513	224 118	64 970	227 968	65 974	52 703
	2021	114 736	204 961	79 399	222 154	44 664	53 344

Source: authors, from Trademap data

Table 8: Imports of tea to Austria from countries of the EU and the UK

Country	**Year**	Germany	Netherlands	Poland	Czech Republic	UK	France	Total (world)
Austria Quantities (tons)	2019	**1 596**	**1 068**	**170**	**11**	**9**	**18**	**3 395**
	2021	**1 361**	**1 081**	**193**	**20**	**12**	**2**	**3 215**
Value of tea exported to Austria (thousand euros)	2019	10 808	4 086	731	341	118	230	24 823
	2021	13 369	4 303	1 102	517	123	134	21 568
								Total of mentioned countries in total imports
% of quantities imported by Austria	2019	47.01	31.46	5	0.32	0.26	0.53	84.58
	2021	42.33	33.62	6	0.62	0.37	0.06	83
% of value imported by Austria	2019	43.54	16.46	2.94	1.39	0.47	0.92	65.72
	2021	54.41	19.95	3.38	2.39	0.57	0.62	81.32

Source: authors, from Trademap data

Austria is highly dependent on tea reexported from Germany, the Netherlands, and to a lesser extent from Poland, for its supply of tea, with a total of nearly 82 to 84% of its consumption coming from those 3 countries. Poland may be important for the value of tea imported, indicating higher tea quality. Both the Netherlands' and Poland's share of reexports to Austria are rising. Imports from the UK, Belgium and France are marginal, a situation different from their position as reexporters in other European countries.

The share of the value of tea imported from Europe by Austria is even higher, reaching 91,05% in 2019, declining in 2021 because of the lower value of tea exported to Austria from Germany in 2021 compared to 2019.

Globally, export volumes of European teas (selected and packaged in Europe) amounted to 113,000 tons in 2015, worth € 775 million. These figures give an idea of the value added by branding, blending and packaging in Europe: € 6.86/kg at the point of re-export, compared to less than € 3/kg in import value, a value addition of about 2.3 times. By ranking, the main re-exporting countries for tea in the European continent are Germany, Poland, the Netherlands, Belgium and France.

None of the interviewees could give a clearer picture of how much tea from Assam and Darjeeling is reexported from Germany to Austria. Several companies stated not to have such a statistic, other companies sell their teas to the headquarters in Germany and they don't know where the tea enters the retail market. One interviewee responded that it's not possible to find out since it's a trade secret.

2.3 Overview of the tea value chains from Assam and Darjeeling

2.3.1 India in the global world of tea

India is the largest producer of black tea, representing 23% of the total world production, as well as the largest consumer of tea in the world. Nearly 80% of the tea it produces is consumed within India. According to an interviewee from a tea importing company based in Germany, a statement corroborated by data and independent studies, the national tea consumption of India has strongly increased during the last years, which results in less tea being available for foreign tea importers.[10]

A review from 2012 indicates how India's ranking has receded in the previous decade:

"Over the last 20 years, India's world ranking as an exporter has come down from number one to number four, in the face of stiff competition from Sri Lanka, Kenya, and China".[11]

This ranking has not changed in the last decade (see figure 1 for figures up to 2021).

The ranking of India's tea production states and regions is apparent in the statistics[12] provided by the Tea Board of India, an institution under the Ministry of Commerce & Industry.

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[10] Interview with Wollenhaupt GMBH, phone call on February 21st 2023)

[11] Tea Statistics: Global Scenario

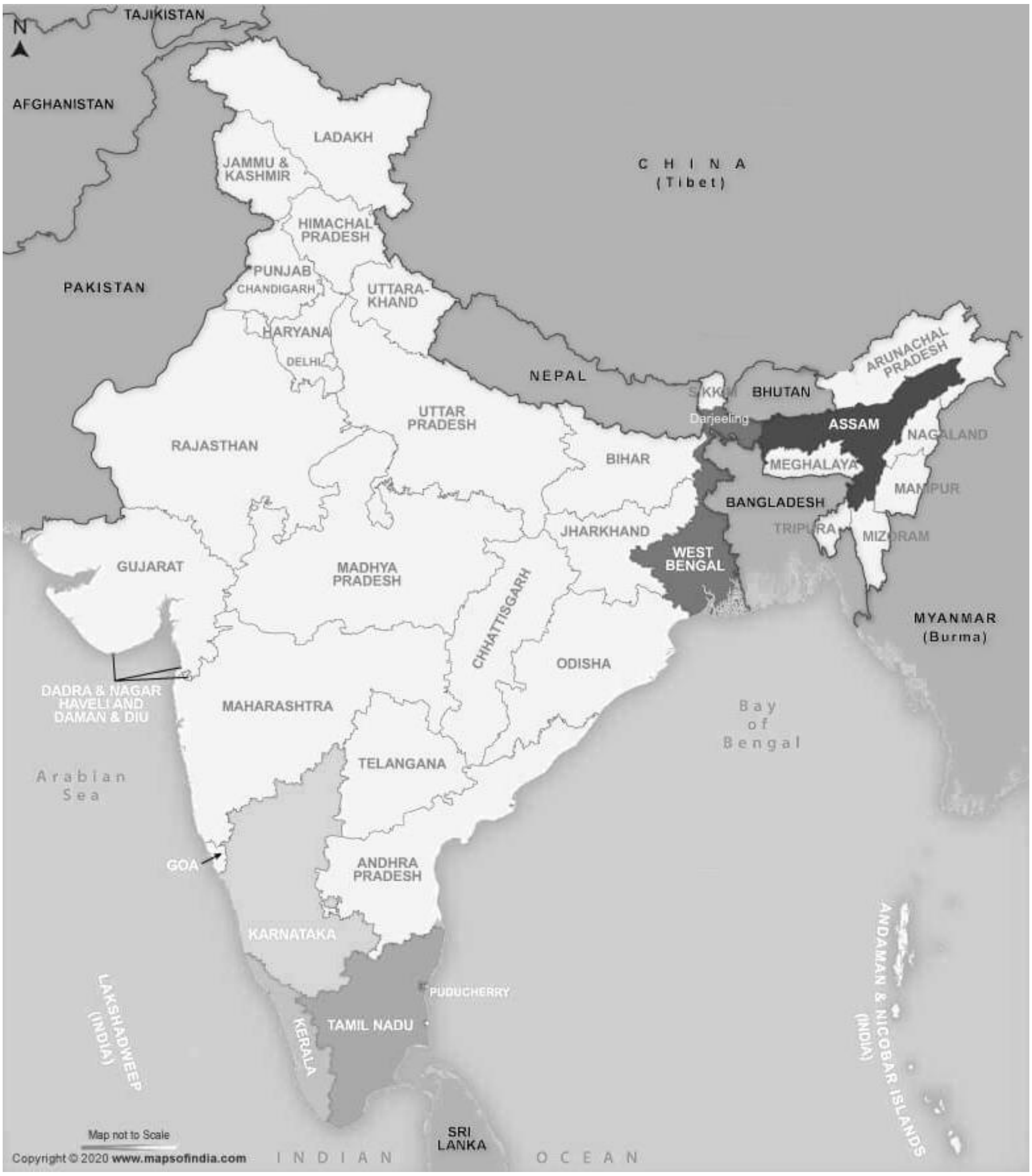
[12] These statistics are available here: https://www.teaboard.gov.in/TEABOARDPAGE/MjA=

Table 9 : Tea production in India 2021 and 2021-2022 (in thousand tons)

State and region	Big growers	Small growers	Total
Assam valley	313.98	309.81	623.79
Cachar	42.63	1.31	43.94
Total Assam	**356.61**	**311.12**	**667.73**
Dooars	127.03	108.72	235.75
Terai	38.06	127.35	165.41
Darjeeling	6.76	0.25	7.01
Total West Bengal	**171.85**	**236.32**	**408.17**
Others	11.07	21.07	32.14
Total North India	**539.53**	**568.51**	**1108.04**
Tamil Nadu	61.46	107.21	168.67
Kerala	48.34	12.77	61.11
Karnataka	4.91	0.33	5.24
Total South India	**114.71**	**120.31**	**235.02**
Total India	**654.24**	**688.82**	**1343.06**

Source: Tea Board India (TBI), 2023

Figure 4: Tea producing states in India



Source: www.mapsofindia.com © 2020 free for educational purposes as indicated

TBI gives the breakdown of production by grower types: big tea growers (plantations) and small tea growers (person or group having plantation area up to 10.2 hectares). Interesting data can be extracted from the statistics of TBI. We can see that 80% of Indian tea is produced in northern India.

Analysing the evolution of the proportion of the production by small growers over the total production, we see a slight raise in the Assam valley (+0.45 points), and a stronger raise in Darjeeling (+1.68 points), from a much lower level in Darjeeling (3.5%) than in Assam (46.71%). As a result, proportion of small holder tea in northern India is slowly rising, but in South India the movement has been stronger, to arrive at approximately the same level in 2022 (51.4%).

Table 10 : Proportion of small growers in tea production

	2020-2021	2021	2021-2022	
State and region	**Big growers**	**Small producers**	**Total**	**Evolution**
Assam valley	49.32%	49.67%	49.77%	slowly rising
Cachar	**3.39%**	**2.98%**	**3.00%**	**slightly decreasing**
Total Assam	46.33%	46.59%	46.71%	slowly rising
Dooars	46.48%	46.12%	46.24%	stagnating
Terai	74.87%	76.99%	77.18%	rising
Darjeeling	**2.82%**	**3.57%**	**3.50%**	**rising**
Total West Bengal	57.27%	57.90%	59.96%	rising
Others	**66.44%**	**65.56%**	**65.68%**	**slightly decreasing**
Total North India	**51.00%**	**51.31%**	**51.44%**	**slowly rising**
Total South India	**47.07%**	**51.19%**	**51.40%**	**rising**
Total India	**50.29%**	**51.29%**	**51.44%**	**slowly rising**

Source: authors, from TBI statistics, 2023

2.3.2 Auctions and direct trade segments

About 70% of the world's tea production is sold at auction (CBI, 2017), following a system instituted by the British and continued within countries of the former British Empire, such as India, Sri Lanka and Kenya. The rest (30%) is traded directly between buyers and sellers. The tea traded at auction, called the B segment, is mostly consumer tea sold in bulk and provides a benchmark for the global tea market price. Auctions are a system historically implemented by the British in the nineteenth century to ensure high quality of tea leaves. They are still managed by local private companies in direct line from this historical system, which are now owned by nationals. These auctions are held in Kolkota (where only 4 brokers are registered) for Darjeeling tea, and in Guwahati for Assam tea. These broker companies, such as the famous J. Thomas & Co established in 1861, first evaluate the samples provided to them by plantations and producers, and then propose the sale of tea by lot at a specific starting price for each lot. Auctions are gradually being digitized (Koehler, 2015). An increasing proportion of quality tea is now traded directly by importers (segment A).

According to a tea importing company, it is a myth that European countries pay more for tea to producers than other countries, and thus their relevance to producers is overestimated. Since other countries (mainly in Asia) have a higher tea knowledge and thus more appreciation for good quality tea, the consumers and thus also some non-European import companies are able to pay a higher price for tea.[13]

Producers are currently seeking to capture more economic value in the chain, by producing specialty tea, blending tea, and/or packaging tea at the source. These producers usually sell through direct trade to their customers in Europe, following the A segment. This is confirmed by European buyers, who report that the specialty tea they buy is mostly negotiated directly to blenders/packers and specialty retailers,

[13] Interview with J.Fr. Scheibler on February 6th 2023.

after they have met the suppliers (plantation-owning companies) at trade fairs or during trips to tea plantations.

Hamburg accounts for 70% of the Europe-wide traded tea, and German companies specialized in tea blending, flavouring and packaging play a major role in distributing tea on the contact, by way of reexports to all types of actors. At the consumer end, the market is divided into tea types (black, oolong, green, scented) and packaging types (loose tea in whole leaves, tea bags, and marginally aluminium tins and plastic containers). The main channels for packaged tea are major retailers, followed by specialty stores, online retail and convenience stores.

2.3.3 Tea qualities

Tea quality is a strong determinant of tea prices. A first approach to tea quality segments is to differentiate between CTC tea and “orthodox tea”. Tea processing techniques also determine tea colours. Finally, specialty tea parameters, known as SCOPE give finer details on specific teas.

Tea: one or several products?

Tea is a highly segmented market: leaves come in different varieties, treatments, shapes and so-called tea “colours”. These parameters are linked to differences in products as well as in tea price. In the mind of the consumer, there is sometimes confusion between origins, tea varieties and commercial tea colors. First of all, it is important to remember that the colour of tea has nothing to do with differences in tea plants (varieties or others) but is exclusively the result of the different methods of processing the leaves.

The varieties of tea

Starting from the plant, there is a clear difference between two varieties of the tea plant species, *Camellia sinensis*, which are *Camellia sinensis sinensis* and *Camellia sinensis assamica*. The difference is primarily in the area of production, with the sinensis variety being found in more temperate or higher elevations, and the *assamica* variety in low-lying tropical areas. For example, *Camellia sinensis sinensis* is common in Darjeeling, due to the elevation of the district, and *Camellia sinensis assamica* in Assam. The leaves of these two varieties differ in appearance, being smaller in the case of sinensis and larger in the case of *assamica*. Agronomic science and farmers' hybridization efforts have also created sub-varieties, called cultivars, which differ in their resistance to different factors (humidity, temperature, pests, etc.) and taste.

Tea processing and colors

The different techniques of tea processing are at the origin of the colours of tea (besides the basic green and black, four other colours are referred to in Asia) and the commercial aspect of the product (tea powder, tea leaves, and the shape of the leaves that can be rolled and/or folded). Green tea and black tea do not differ in variety but in the oxidation of the leaf. To produce green tea, this process is interrupted by firing just after harvesting. It is left in its natural state for black tea. Oolong tea ("blue tea") is partially oxidized. Yellow and white teas are not oxidized, and are rolled in a labour-intensive process, making them rare and expensive types, especially in India. The last type or colour of tea is post-fermented tea, with the fermentation process taking place several months or even years after the operations producing green tea. This type is best known in the PuEr district of Yunnan province in China, and in neighbouring regions (China, Myanmar, Vietnam). It's not common in India.

Orthodox tea and CTC tea

There are two methods of processing black tea, which greatly influence the taste, perceived quality and target market segment of the tea. Orthodox tea refers to the traditional way of processing tea, where certain machines are used that mimic traditional manual operations (rolling or "curling" the leaves, for example), while maintaining the overall structure of the leaves. CTC (crush, tear, curl), by contrast, is a method developed in the British Empire for processing large quantities of leaves, in which those are passed through a series of cylindrical rollers with hundreds of sharp teeth, turning the tea leaves into small, hard pellets, which are then packed into tea bags. The resulting brew is quickly released but lacks the flavour profiles of orthodox tea.

Black tea bags, especially those with low prices and high volumes, most often contain CTC tea. However, Orthodox tea can also be sold in bulk or in premium tea bags. Darjeeling produces mostly Orthodox tea, while Assam produces both CTC and Orthodox tea.

Tea bags may contain, in descending order of quality, whole or broken leaves of Orthodox tea, and more commonly fannings, dust of Orthodox tea or CTC tea. These categories define one of the main criteria for grading tea. Broken leaves in the form of small pieces (fannings) and dust both give a deeper, more uniform and faster brew.

Origin, Elevation, Season and other subtle parameters

Along with the determination of tea variety and its processing methods, other intrinsic qualities of tea are sought by professional buyers. Origin and Elevation of tea plantations will come with differences in tea quality, as tea grown in higher elevation, as Darjeeling compared to the Assam plain, are reputed to be of finer quality. Season is also a strong determinant of tea flavour, and also quantity of production. In India, spring tea, the first tea of the year, is known as First Flush, and is most reputed, then comes 2nd flush, monsoon tea, more abundant but less flavoured, etc. Processing methods are not limited to the distinction between CTC and orthodox tea. In the latter, the leaves can be rolled, folded, etc. Picking formulas (bud only, bud on 1, 2 or 3 leaves) are part of the processing method and go along with the tea "colour". Finally, Cultivars can be defined as a sub-variety produced by man-made selection to obtain specific crop qualities. In general, it can be said that tea from Assam and Darjeeling are very different in taste. The consensus is that tea from Darjeeling is more subtle and elegant, as it grows at a higher altitude, while tea from Assam is strong and malty since it's exposed to a higher amount of heat and sun.[14]

The acronym SCOPE reminds us of the most important parameters determining tea quality. It stands for: Season, Cultivar, Origin, Pick & Processing and Elevation.

Around 90% of Indian tea is manufactured through the CTC (crush-tear-curl) process, which creates granular tea at low cost, an input for tea bags. This makes up for "orthodox tea", consisting of whole leaves.

Table 11: Observed average prices for different types of teas in Indian rupees per kg (2019)

	Assam	Darjeeling
CTC	150 INR per kg	Hardly any CTC in the district
Orthodox	500 INR per kg	500 INR per kg

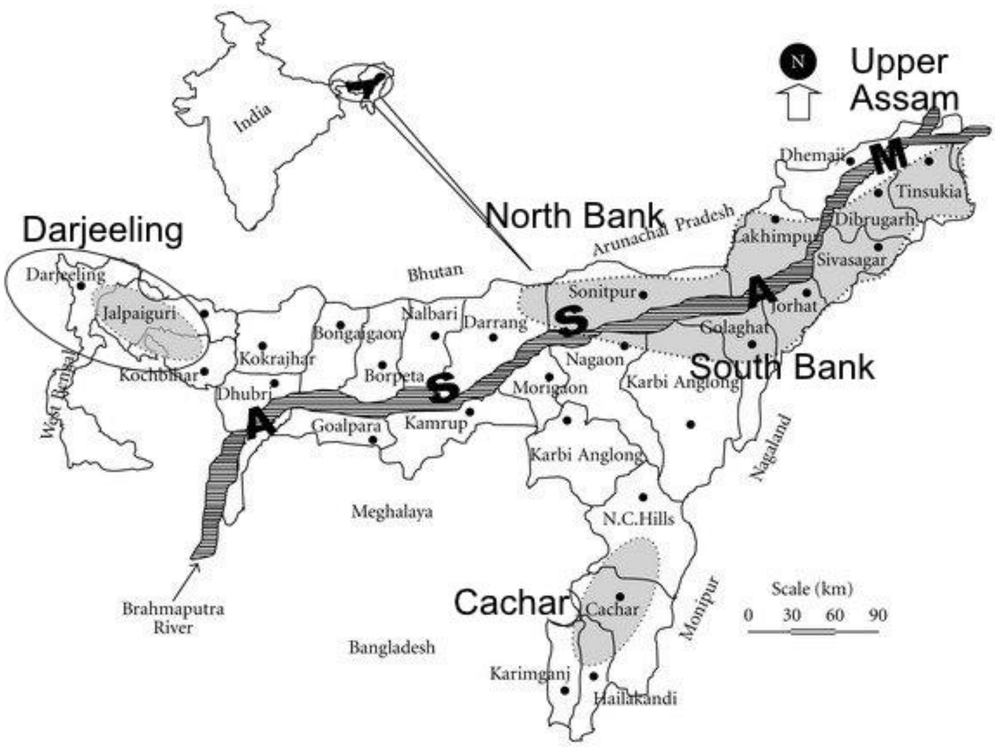
Source: TBI statistics

[14] Interview with Stephan Krömer via telephone 15th February, 2023.

2.3.4 Darjeeling and Assam teas

Both Darjeeling and Assam are located in the north of India. Their contribution to Indian tea production is quite contrasted, however. While Assam is the hub of massive tea production, representing around 51% of the country's production and 62% of north Indian tea production, Darjeeling is known for its fine teas, most of them also being organic. Darjeeling is a district of the West Bengal state, while Assam is a state in itself. There are important biogeographical qualities between the two origins, inducing differences in tea production quantities and qualities.

Figure 5: Map showing major tea growing areas in the north of India



Source 1: Adapted from S Sabhapondit et al, Diversity of Catechin in Northeast Indian Tea Cultivars, The Scientific World Journal, 2011 license CC BY 3.0

Darjeeling, situated in the eponym district of the West Bengal state, is the most prestigious origin for tea in India, its location in the foothills of the Himalayan Mountain chain and its history giving it a quality not found elsewhere. The production is organized mainly on private plantations, called tea gardens, where workers family descendent from the minorities the British installed in the 19th century, constitute the labour force for harvesting (done by women) and processing (done by men) tea.

From an agronomic point of view, Darjeeling tea is of the *Camelia sinensis sinensis* variety, temperate or altitude with small leaves, less productive but more prized than the *Camelia sinensis assamica* growing in lowlands, such as Assam. Darjeeling tea quality is protected by the Darjeeling Certified Trademark Protection Scheme in 1999 and a Geographical Indication since 2004. The latter registers 87 tea gardens (plantations) as the legitimate producers of Darjeeling tea. But this protection is weak, allowing an annual production of 9,000 tons translate to 14 to 15,000 tons leaving the ports with the designation and up to 40,000 tons being sold to end consumers with a "Darjeeling" mention.

According to an interviewee[15], Darjeeling is largely dependent on sales of their high-quality teas to Europe and have not succeeded to diversify its sales market. Before the trademark protection scheme was put in place, many teas that were called “Darjeeling” were actually mixtures of teas, which also included cheaper teas from other regions. The products from Darjeeling are now “pure” and have thus become more expensive and less attractive for European importers. Darjeeling tea gardens have also been the first to engage in organic agriculture in the sector, and even biodynamics, and organic tea currently accounts for nearly 70% of the production in this region.

Almost one-third of the Darjeeling’s production is exported to Germany, which imports a large part of its high-quality teas (1st and 2nd flush[16]). German imports dedicate part this production to their internal market, and part to reexports in Europe.

Assam state is the largest tea producing region of the world and accounts for 51% of all tea produced in India, an estimated 80% of which is consumed in India. The total area under tea cultivation is roughly 312,000 hectares. Assam’s four primary tea-growing regions are Upper Assam, South Bank, North Bank and Cachar. The social structure of tea production in Assam, implemented 160 years ago under the rule of the British Empire, was initially similar to that in Darjeeling, but lately more medium-sized independent plantations, and even a few cooperatives, have taken a significant part of the production share. STG as defined by TBI (less than 10.12 ha) currently produce more than 46% of tea production. According to the Tea Research Association, 90% of Assam’s more than 90 000 STG have less than 2 ha of land. These STG usually sell their fresh leaves to Bought Leaf Factories, which process and export tea. These changes have contradictory effects, liberating part of the workers from plantation dependency on one side, but also depressing local tea leaves prices.

The situation of the value chain from both origins (Assam and Darjeeling) can be described as a “loosely coordinated value chain”, meaning it is not vertically integrated as other value chains. Not only is the auction system lacking transparency regarding social conditions, but the same is true with most of the tea trade from the north of India. Even the setting of a minimum price for tea leaves by Fairtrade International is not an effective instrument for transparency, as Fairtrade’s definition relates to dry, ready-to-consume, leaves[17], and not fresh leaves. Recently, a minimum price for fresh leaves has been defined in Assam per district. But small tea growers are the most exposed workers to the variation of tea prices. According to tea author Peter Rohrsen, the growing number of STG hits harshly the tea market, making quality control of the tea leaves more difficult. A high amount of pesticides is used on tea plantations and the STG are leading to an impoverishment of the local communities by offering lower prices.[18]

A BBC 2015 investigation on tea estates in Assam[19] shows breaches of different types of human rights, among which insecurity of land tenure, malnutrition, child labour, bad housing conditions, low wages, “breach of maternity rights”, exposure to pesticides, and lack of essential services (health care and low quality of education services). According to a 2019 Oxfam study on Assam tea, “some of the worst characteristics of the colonial trade have persisted, including the almost total dependence of tea workers on their employers”. There were around 1000 workers per tea estate, and 5000 persons living there.

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[15] Interview with J. Fr. Scheibler via telephone on February 6th 2023

[16] The climate of the Darjeeling area gives rise to several seasons of tea production, called "flush".

[17] These conclusions result of interviews and analysis of the Fairtrade standards conducted in our 2022 study for CEF. It is evidenced in the debates on standards for tea within Fairtrade International itself. See CEF study, 2023.

[18] Interview with Peter Rohrsen via telephone on February 1st, 2023.

[19] “The bitter story behind the UK's national drink”, Sept 2015. https://www.bbc.com/news/world-asia-india-34173532 accessed March 3rd, 2023

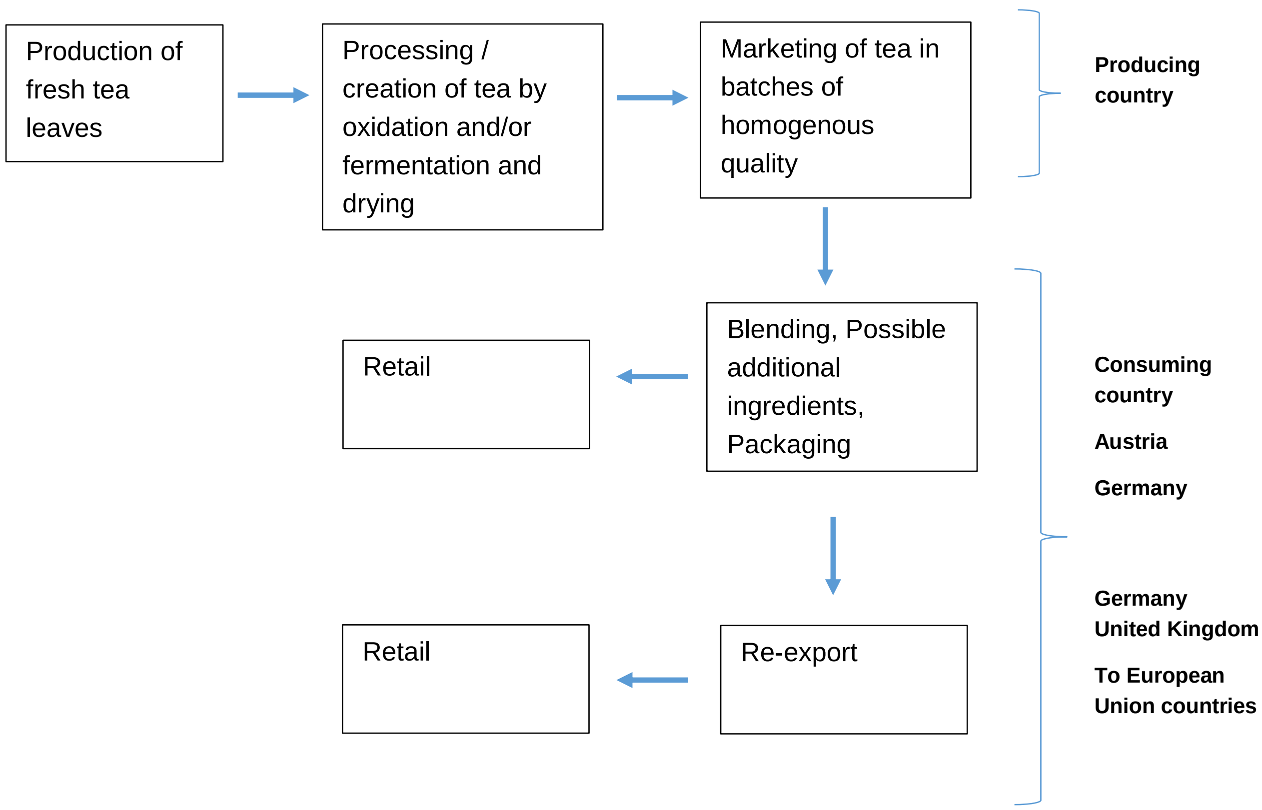
Women have the lowest paid jobs, as pluckers, and in a traditional society also have the highest burden in domestic work.

2.3.5 Import channels for conventional tea in Darjeeling and Assam

92.5% of tea consumed in Austria is imported from other European countries, mainly Germany (62% in value, 52% in volume in 2021)[20], the Netherlands (20% in value, 28% in volume) and Poland (5.1% in value, 3.2% in volume). As Trademap and Eurostat provide only 1-tier figures, the origin of the product and hence the proportion of Indian tea in those reexports is not known, let alone that of Darjeeling and Assam tea. However, interviews confirm that most of the buyers identified for the Austrian markets were German.

The 4 major German importers based in Hamburg, stated in the table below, import tea from India mostly through direct contracts with the plantations rather than through the auction system. The importation of large volumes is very profitable to these buyers, as they can negotiate better prices and optimize logistics costs. All of them sell on the Austrian market. A 2019 study gives annual imports from Darjeeling by importers in Germany.

Figure 6 : The different steps of the production and marketing of tea



Source: Authors, from literature review

[20] Trademap data for 2021 (last available).

Table 12 : Annual imports of Darjeeling to Germany

Name of the company	Volumes imported annually from Darjeeling (tons)
Teekampagne	400
Ostfriesische Tee Gesellschaft	300
Teekanne	100
TeeGeschwendner	100
Total	**900**

Source: Fine Teas, Rosa Luxembourg Stiftung, 2019

2.3.6 Logistics

The type of logistics required for importing tea from India to Europe depends mainly on the volume of tea imported. Companies that purchase one or more containers of tea at a time benefit from lower logistics costs. This remained true despite the sharp rise in the cost of container transport during the COVID19 pandemic (+300 to +1000% between 2019 and 2022), at least for the higher tea segments.

Importers dealing with smaller quantities do not import whole containers of tea and face higher transportation costs, either by sharing containers or by choosing air freight. Some specialty tea brands, eager to offer their customers the year's tea leaves as soon as possible, use air freight, more expensive and less environmentally friendly, especially for limited quantities of premium spring tea. In contrast, some European organic retailers, such as Biocoop in France, ban air freight from their supply chains of imported products. However, imports from Germany to Austria are usually done by trucks.

2.4 Tea markets and trade in Europe

2.4.1 Main global operators

Internationally, the market is fairly unconcentrated, with the top 4 companies holding together just under a quarter of the global market. However, these companies engage in many points of the value chain and in different countries[21] as shown below:

- **Unilever** owns the Lipton and PG tips brands and has a 12% share of the global market; it is arguably the most important company in the tea value chain, and its activities cover tea production (more than 10% of Kenya's production), bagging and marketing (Hindustan Lever is the leading brand in the Indian market)
- **Tata Global Beverages** markets the **Tetley** brand, 4% of the world market; Tata is the second largest brand in the Indian market.
- **Associated British Foods** markets the **Twinings** brand (3% of the world market); unlike the others, this company has no interest in production and its activities are focused on the production of sachets in many countries.
- **James Finlay**: 3% of the world market share, and very involved in tea production as it owns the second largest tea plantation in Kenya, the largest in Argentina, and tea plantations in Sri Lanka as well.

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[21] BASIC, Study of Assam Tea Value Chains, Research Report, 2019.

Other companies are important international groups with interests in several producing and consuming countries, such as:

- **Van Rees** is a tea trading company, supplier of bulk tea, with experience in certified teas, now part of Amsterdam Commodities N.V. (Acomo), a Dutch trading house specializing in spices, nuts and food ingredients. It has subsidiaries in 15 countries, including India.
- **McLeod Russell** (an Indian tea company, part of the Williamson Magor Group), owns 25,211 hectares of tea estates (53 estates in India, 6 in Uganda and 3 factories in Vietnam). It sells 86,000 tons of tea per year. Some of its plantations are certified by Fairtrade, Rainforest Alliance or Ethical Tea Partnership.
- **Teekanne and Ostfriesische Tee Gesellschaft** are the two major companies in the import of tea in Europe (between them about 30% of all tea in Europe), and sell tea as wholesalers and blenders; they are also important brands on the German market.
- **Teekampagne** is also an important importer of Darjeeling tea to Germany, Austria and other European countries.

At the level of each national or even regional market, the concentration of the tea market can be very high, and some brands or companies are dominant in several markets (2016/17 data, BASIC):

- In Europe and North America, 9 companies share 90% of the market (Unilever, Van Rees, James Finlay, Tata Tetley, Twinings, Teekanne, Ostfriesische Tee Gesellschaft);
- In India, Hindustan Lever (Unilever) and Tata together have 56% of the market;
- In the UK, Tetley Unilever and Twinings represent 49% of the market;
- In Germany, Teekanne, Ostfriesisische Tee Gesellschaft and Aldi Einkauf share 52% of the market;
- The situation of the Austrian tea market is similar to Germany. The main popular brands are: Teekanne (36%), Milford (18%), Sonnentor (15%), Willi Dungl (11%), Twinings (11%), Lipton (7%) and Meßmer (6%).
- Milford was replaced by the tea brand Meßmer in 2019 but still appears in the consumer analysis as one of the most popular tea brands of Austria.[22] A detailed analysis of the Austrian tea market can be found in section 2.6.

2.4.2 Market segments

Before the COVID-19 pandemic, tea in Europe was largely consumed at home (91%), while only a small part (9%) was consumed in cafés or tea rooms, restaurants and hotels. The low-cost tea market segment remains dominated by supermarkets and discounters. This segment includes tea in the range of 2-10€ per kg, mainly made from fannings, dust and broken leaves. Mid-range tea (10€-20€ per kg) is sold in specialty stores, supermarkets and high-end restaurants. Well-known brands are active in both product segments. High-end teas are mainly whole-leaf teas priced above 20€ per kg, sold in specialty stores and luxury restaurants and hotels. However, the types of tea containers (bag, bulk, etc.) cross all price segments. It is generally believed that tea in bags are of lower quality than loose-leaf teas. According to CBI (CBI, 2017), "the medium-high and high-end segments require high quality dust, fannings or broken leaves."

In most European countries, tea bags represent more than 90% of the tea market. However, there are big differences between the different types of tea bags. In continental Europe, the double-chambered

[22] 22 https://www.milford.at/de/presse-1/pressemeldungen/messmer-tee-kommt-nach-oesterreich

bag and the pyramid bag are the most common tea bags. In the UK, single chamber tea bags are the most common.

2.4.3 Growing concerns about the sustainability of tea production

European consumers are increasingly concerned about sustainability issues in the production of food and beverages. Their first concern regarding tea is certainly health and the environment, explaining the growth in sales of organic tea. In the early 2010s, reports from Greenpeace, a global environmental organization, were released, underlining the high level of pesticides in some of the teas produced and consumed in China (Greenpeace, 2012) and India (Greenpeace, 2014). The summary of the study on Indian tea says "An investigation carried out by Greenpeace India has found residues of hazardous chemical pesticides in a majority of samples of the main brands of packaged tea produced and consumed in India. Over half of the samples contained pesticides that are 'unapproved' for use in tea cultivation or which were present in excess of recommended limits." As tea leaves are dried and infused without prior washing, this situation is concerning for consumers but also puts tea pluckers at risk who work in close contact with these substances.

These studies created concern not only in Indian and Chinese domestic markets, but also in Europe, where the European Commission subsequently reinforced its norms for imported tea (in October 2011 for tea from China). Despite those measures, European consumers also reacted by shifting to organic tea. Sales of organic tea in Europe reached US$ 837,5 million in 2021, i.e. 7.7% of the total retail value. The top 5 organic tea markets in Europe are Germany as the leader, followed by Russia, the United Kingdom, Turkey, France (the most promising with a growth rate of 164.1% between 2016 and 2021), Poland, Italy, Ukraine, Spain and the Netherlands[23].

In the past years (2016-2023), several studies have focused on the social conditions of tea production in Darjeeling and Assam as well as other tea producing regions outside of India. These reports are gathered by the non-profit organization THIRST in their Knowledge Hub[24]. These studies, conducted in South and South East Asia as well as Kenya, focused on the working conditions and wages of producers. None of the conditions were satisfactory, but in particular the working conditions of women, usually acting as pickers, were found to be the worst.

According to the owner of a Darjeeling tea brand interviewed in one study, who works only with smallholders, the most common issue is the land rights of producers, which are key to obtaining credit. This issue is being addressed at the government level but is not included in fair trade criteria.

These growing concerns may not all have reached Unilever consumers yet, but major tea importers and/or packers (such as, Tata Global Beverages, and Jacobs Douwe Egberts) have made commitments to sustainable sourcing. These have reinforced the importance of sustainable certification schemes for several market segments, from consumer to specialty teas. However, the reality of these commitments and the changes that they should induce, are debatable.

The specialty tea market supports the intrinsic quality of tea. However, evidence from specialty tea stakeholders (Nnun, 2021) shows that labour conditions are rarely mentioned as a criterion by specialty

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[23] 2021 ranking, according to https://agriculture.canada.ca/en/international-trade/market-intelligence/reports/health-and-wellness-series-organic-tea-trends-europe-focus-top-five-markets#a

[24] https://thirst.international/knowledge-hub/

tea brand owners, while quality, provenance, and terroir usually are. Despite occasional claims, brand owners agreed in a webinar that specialty tea by no means guaranteed fair remuneration to producers[25].

Many specialty tea brand owners report buying tea by direct agreement from seller to buyer, sometimes in shipments of only 10 to 20 kg by air. For many, supporting the family business and quality is important. Evaluation of practices is often reduced to the photos that the producer or seller sends to the buyer. The common acronym for the information the buyer would look for, SCOPE (explained above), refers to the tea itself, not its environmental, human and social context.

2.4.4 Relevant Legal Provisions in the European Union

2.4.4.1 German Act on Corporate Due Diligence in Supply Chain (Lieferkettensorgfaltspflichkgesetz LkSG)

In January 2023, a new due diligence law called "Act on Corporate Due Diligence in Supply Chains" entered into force in Germany[26]. The law initially covers companies with 3,000 or more employees, but this threshold will be lowered to 1,000 or more employees in 2024. The targeted companies "must identify risks of human rights violations and environmental destruction at direct suppliers and, if they gain "substantiated knowledge" of potential abuse, also at indirect suppliers. They must take countermeasures and document them to the Federal Office for Economic Affairs and Export Control (BAFA), which can issue fines if companies violate their due diligence obligations. Affected parties can demand that BAFA takes action."

The law initiates a "paradigm shift" in Germany and unfolds a preventive effect as well as a regulatory oversight and enforcement[27]. The law is being criticized for, among other points, having thresholds that are too high and thus exclude many companies. Additionally, the law does not apply to indirect suppliers and it doesn't provide a new cause of action in civil law, which could hold companies liable for damage.

2.4.4.2 Corporate Sustainability Due Diligence Directive (CSDDD)

In 2022, the European Commission published a proposal for a Directive on Corporate Sustainability Due Diligence. The respective companies will be required to identify, prevent, end or mitigate adverse impacts of their activities on human rights as well as the environment. The goal is to create legal certainty for companies and more transparency for consumers and investors. Several member states have already adopted national rules on due diligence and some companies have taken initiative by themselves.

The law is relevant to companies with either 1) € 150 million or more turnover and more than 500 employees worldwide, 2) Other limited liability companies operating in defined high impact sectors (including agriculture) and have more than 250 employees and a turnover of € 40 million worldwide. The law also applies to non-EU companies that are active in the EU and have a turnover above the thresholds in 1) and 2).

Small and Medium enterprises are not targeted by this law. The proposal is currently being debated in the European Parliament. The European Council defined its position in the so-called Trilogue talks in a

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[25] The 2008 Danish documentary "The Bitter Taste of Tea" (Borgen, 2008), vislble on Vimeo, was mentioned as a support to these facts.

[26] https://www.business-humanrights.org/en/latest-news/german-due-diligence-law/

[27] Summary sheet: https://lieferkettengesetz.de/wp-content/uploads/2021/06/Initiative-Lieferkettengesetz_Analysis_What-the-new-supply-chain-act-delivers.pdf

"common approach" on December 1st, 2022. Once adopted, Member states will have 2 years to implement the Directive into their national law.[28]

The targeted companies are required to carry out the following actions:

(a) integrating due diligence into their policies (…); (b) identifying actual or potential adverse impacts in accordance with Article 6; (c) preventing and mitigating potential adverse impacts, and bringing actual adverse impacts to an end and minimizing their extent in accordance with Articles 7 and 8; (d) establishing and maintaining a complaints procedure in accordance with Article 9; (e) monitoring the effectiveness of their due diligence policy and measures (…); (f) publicly communicating on due diligence (…).

Article 6 mentions, regarding the targeted companies, "actual and potential adverse human rights impacts and adverse environmental impacts arising from their own operations or those of their subsidiaries and, where related to their value chains, from their established business relationships". The annex of the directive mentions all the violations of rights and prohibitions included in the international human rights agreements, as well as the human rights, fundamental freedoms and environmental conventions.

After the publication of the Directive, the European Parliament's Committee on Legal Affairs (JURI) published a draft report entitled "Draft Wolters Report", which has not yet been finally approved. However, some provisions of the Draft Wolters Report are stricter than the requirements of the LkSG and thus, Germany might have to publish a stricter law than the current one soon. For instance, the Draft Wolters report reduces the thresholds for EU companies at € 40 million turnover and € 8 million for companies active in high-risk sectors. In the LkSG this threshold is currently at € 150 million and € 20 million respectively. The JURI committee's final report is being expected to be voted in late March 2023.

According to tea expert and author Peter Rohrsen, these legal developments are so recent that no one can predict yet which influence they will have on the tea industry.[29]

2.5 Austria food and beverages retail structure

Austria's retail market structure and that of its neighbours (mainly Germany and second the Netherlands) are closely related. With a global revenue of 536 billion € in 2020 and 553 in 2021, the German retail market is dominated by 5 major retailers: Edeka, Rewe, Lidl, Aldi and Metro. Most of them are positioned on the 3 distribution formats: supermarkets, hypermarkets and discounter stores. There are also Austrian retailers (Billa and MPreis), as well as other discount channels and health-and-organic stores, such as Spar Gourmet and Basic Bio.

The Austrian retail market is about 20 times smaller than the German market, with a 23.7 billion revenue in 2020, but quite similar in structure, albeit more concentrated, as the figures below show.

Austria is a relatively small country within the EU, but is described by analysts as an important strategic economic player for retail companies, because of its geographical location at the crossroads of Europe. Recent figures estimate that nearly 80% of the retail market in Austria is controlled by foreign enterprises, with German companies having a strong presence.[30]

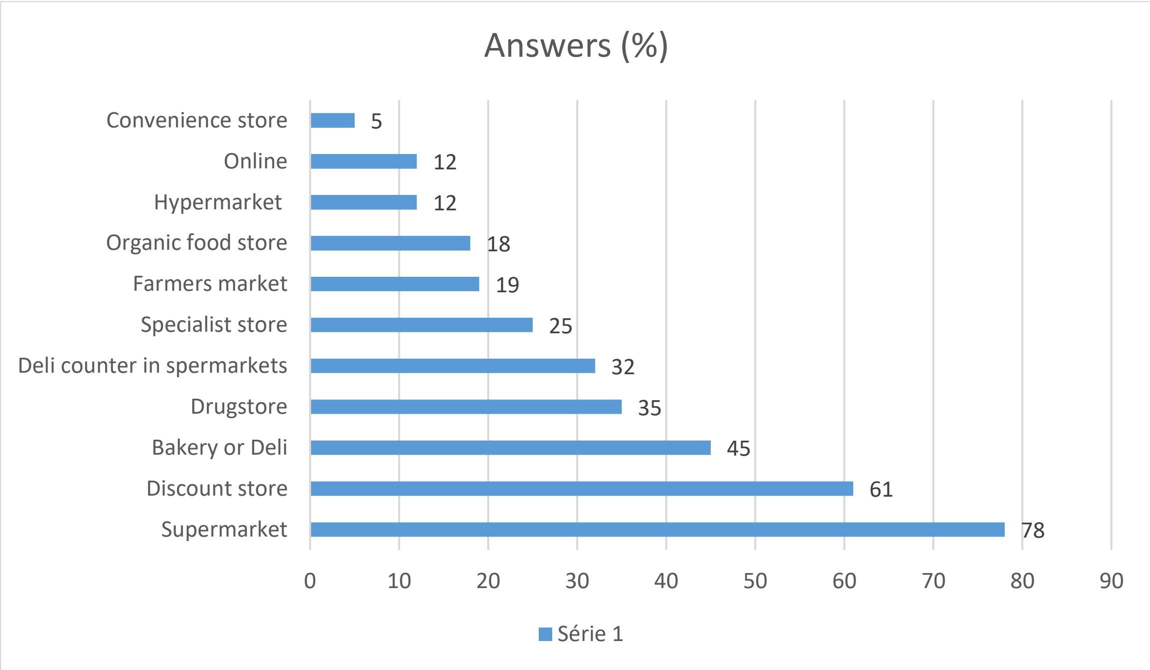
[28] https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1145

[29] Interview with Peter Rohrsen via telephone on February 1st, 2023.

[30] https://www.lloydsbanktrade.com/en/market-potential/austria/distribution accessed 2023-02-22

The Statista Global Consumer Survey conducted in Austria in 2022 and released in November 2022 shows answers to the question: "Where do you regularly buy food and products for everyday use?":

Figure 7: Survey: "Where do you regularly buy food and products for everyday use?"

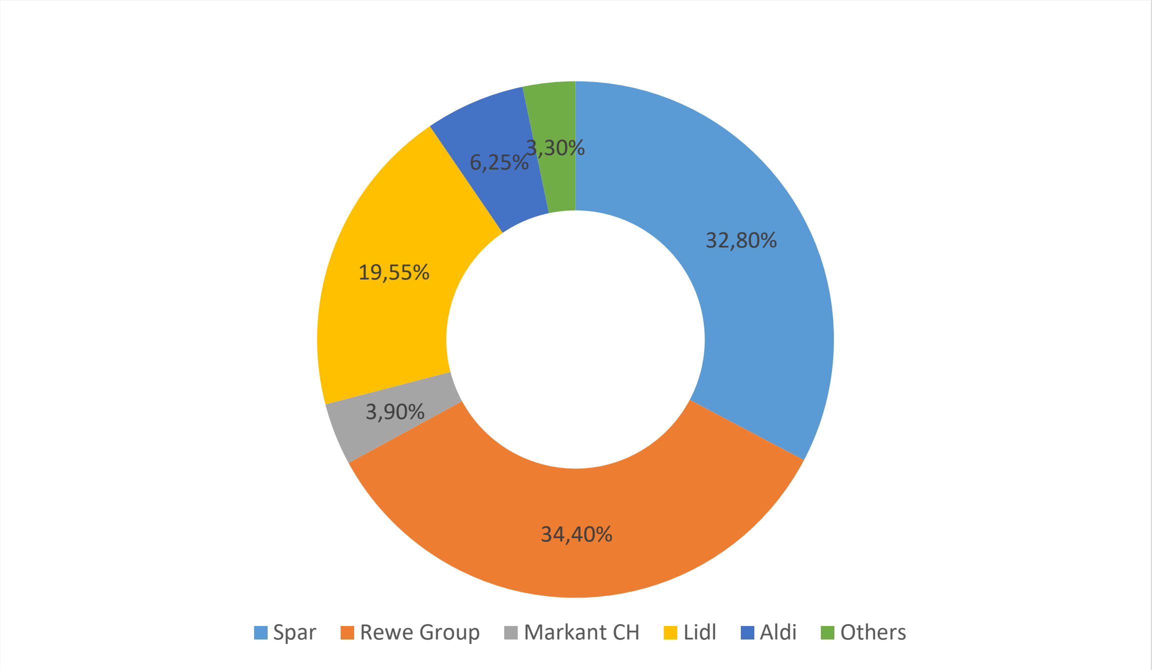


Source: Statistica

More precisely, Statistica informs us of the breakdown of revenues of different supermarkets and discounter network in Austria in 2020. In summary, two supermarket networks dominate the markets:

Rewe Group from Germany (34.20% of revenues) and Spar, the “Österreichische Warenhandels-AG” (32.80%), with discounters sharing the rest of the market share, mainly Hofer KG owned by the German group Aldi Süd (19.55%) and Lidl (6.25%). Other supermarkets and discounter networks share together only 3.3% of the remaining revenues.

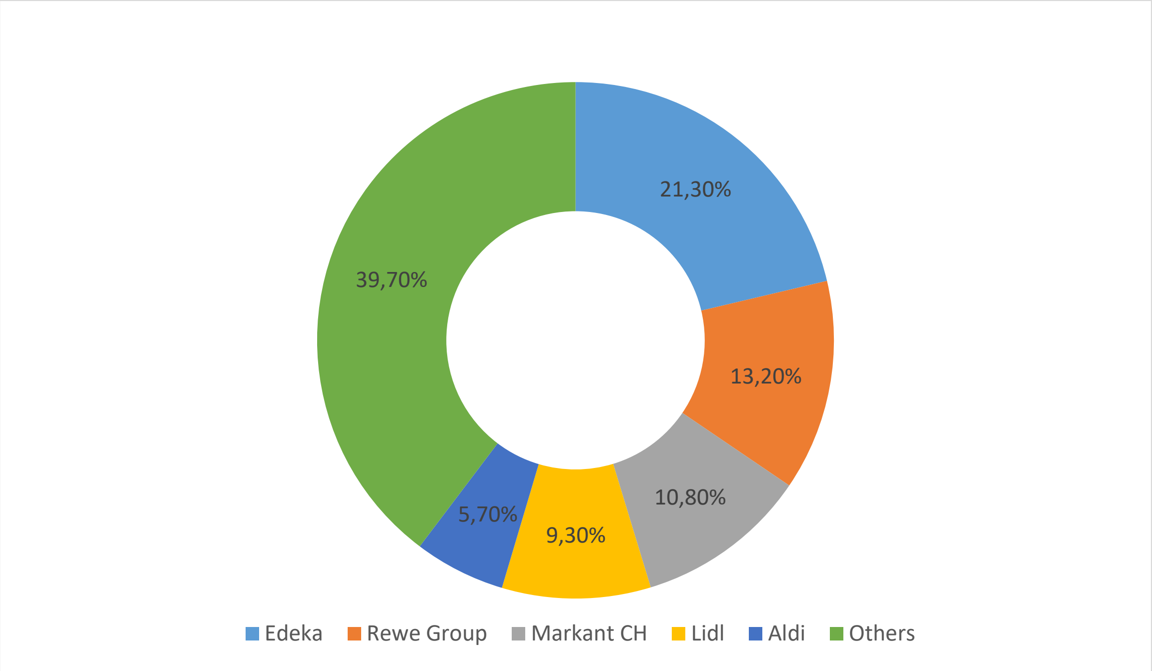
Figure 8: Breakdown of supermarket revenues in Austria



Source: Statistica

By contrast, the retail in market in Germany appears less concentrated, with the two main supermarket networks accounting for 34.6% together: Edeka (21.3%) and Rewe Group (13.2%), discounters Aldi and Lidl following with about 10% of market shares each (respectively 10.8% and 9.3%).[31]

Figure 9: Breakdown of supermarket revenues in Germany



[31] Source: THE GROCERY RETAIL MARKET IN GERMANY, A deep dive into grocery retail and key retailers, with a focus on sustainability trends, Europe Market Research, Erin Maddren | October 2022. Accessed online on 2023-02-22

The tea market in Austria was equal to 189.70 million USD (calculated in retail prices) in 2015, making it a small-size market. By 2025, the tea market in Austria is forecasted to reach 398.29 million USD (in retail prices), thus increasing at a Compound Annual Growth Rate of 6.27% per annum for the period 2020-2025. This is a decrease, compared to the growth of about 9.45% per year, registered in 2015-2019.[32]

The average consumption per capita in value terms reached 21.97 USD per capita (in retail prices) in 2015. In the next five years, it grew at a CAGR of 9.08% per annum. In the medium term (by 2025), the indicator is forecast to slow down its growth and increase at a CAGR of 6.05% per annum.[33]

2.6 Austrian tea market specificities

2.6.1 Austrian tea market

Austria is a small-sized consumer of tea, taking the 13th position in the EU, with a tea market share of 0.9% within the region[34]. The tea market in Austria was equal to 189.70 million USD (calculated in retail prices) in 2015. By 2025, the tea market in Austria is forecasted to reach 398.29 million USD (in retail prices), thus increasing at a CAGR of 6.27% per annum for the period 2020-2025. This is a slowdown in the growth of the market, compared to the growth of about 9.45% per year registered in 2015-2019.

The average consumption per capita in value terms reached 21.97 USD (in retail prices) in 2015. In the next five years, it grew at a CAGR of 9.08% per annum. In the medium term (by 2025), the indicator is forecast to slow down its growth and increase at a CAGR of 6.05% per annum.

In 2021, according to EUROSTAT, Austria imported a total of 3,219.6 tonnes of tea (Camellia sinensis). 1,673.7 tonnes of the total were imported from Germany (56%), 901.1 tonnes from the Netherlands (28%) and 1.88 tonnes were direct imports (0.06%). These direct imports are most likely imported by smaller specialty tea shops, since all the larger retailers and brands import their tea via other European countries. The remaining amount of tea sold in Austria were imported from other European countries.

2.6.2 Logistics of Indian tea to the Austrian market

The large majority of tea brands active on the Austrian market have their headquarter in Germany or in the Netherlands, as for instance Teekanne or Meßmer (Ostfriesische Tee Gesellschaft). Germany is the largest importer as well as re-exporter of tea in Europe (see figures above), which illustrates the importance of the country as a trade hub. It is thus not possible to determine via publicly available data how much of the tea imports to Austria are actually tea leaves from Assam and Darjeeling.

The retail stores such as supermarkets that offer commodity tea don't source tea themselves but they buy instead the finished products from tea trading companies. The latter are B2B businesses, which import, test, process and also package tea for their customers. Data companies don't have this information either. IRI, which tracks cashier movements in some major countries, doesn't collect data in

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32 https://www.marketresearch.com/Williams-Marshall-Strategy-v4196/Austria-Tea-Impact-COVID-Medium-13618297/

33 https://www.marketresearch.com/Williams-Marshall-Strategy-v4196/Austria-Tea-Impact-COVID-Medium-13618297

34 http://agritrade.iift.ac.in/html/training/asean%20%E2%80%93%20india%20fta%20%20emerging%20issues%20for%20trade%20in%20agriculture/tea.pdf, accessed on Feb. 27th, 2023.

Austria[35]. Orbis and TP Catalyst databases don't have this data as well[36]. It seems the Austrian market is not big enough to be of interest for this type of data collection company.

Tea companies have different ways of importing tea from Darjeeling and Assam to Austria. For most of the brands, the Austrian market is just an extension of the German or Dutch market. Those companies either import tea by themselves or through tea brokers. The largest part of tea from Darjeeling and Assam arrives in Germany and the Netherlands via boat. Not only is it the more sustainable way of transport but it is also economically the smarter decision since it is much cheaper.[37]

Once the tea arrives in Germany and the Netherlands it is either stored in a storage facility or sent via truck to Austria. A small amount of tea is shipped via airplane to Austria, this is however only the case for very high quality or specialty tea.

2.6.3 Retailers

The Ostfriesische Tee Gesellschaft (OTC) and Teekanne are the leading tea companies in Germany. Together, they represent a market share of 43%. These companies sell most types of tea and their products are sold by all larger retailers. Other important players of the German market are the private labels of discounters: Aldi is the 3rd biggest tea seller with 9% of market share and Lidl is the 5th with 5% market share. These two figures show the significant influence of discount chains on the German tea market, not only as a leading distribution channel, but also as major tea sellers. The situation is similar in Austria.

Teekanne has an office in Salzburg, Austria but its headquarter is in Germany. Their teas are purchased directly from the producers and imported to Düsseldorf, where they are tested and packaged before being shipped to Austria via truck.[38] Teekanne is an importer, reexporter, a brand, and also distributes to supermarkets under different brands.

The Ostfriesische Tee Gesellschaft, sell their teas via the brand "Meßmer" on the Austrian market since 2019 when they replaced their previous brand "Milford".[39] Meßmer can be found in most supermarkets. They purchase their black teas directly from the producers.[40]

Twinings is a British tea and other beverage company owned by Associated British Foods. Twinings tea is sold at a variety of Austrian supermarkets (see list below). Twinings purchase their teas directly from the tea producers and have published the list of their suppliers on their "sourced with care" website.[41]

Since the retail markets in Germany and Austria are structured in a similar way it is very likely that discounters also play an important role on the Austrian market, although specific tea statistics on the Austrian are missing.

Supermarket discounter Hofer, which is part of Aldi Süd, does not publish their tea value chain but states that "the publication of the remaining food high-priority supply chains business partners has been

[35] E-mail answer from IRI Worldwide, February 23, 2023.

[36] E-mail answer from Moody's, February 23, 2023.

[37] Interview with J. Fr. Scheibler by telephone on February 6th 2023.

[38] Phone call with Teekanne Austria, 25th February 2023.

[39] https://www.milford.at/de/presse-1/pressemeldungen/messmer-tee-kommt-nach-oesterreich

[40] https://www.otg.de/nachhaltigkeit/unsere-lieferkette

[41] https://www.sourcedwithcare.com/en/our-approach/sourcing-map/

postponed to 2023", where tea suppliers will also be included.[42] As becomes apparent in their currently published Tier 1 Supplier list, Hofer sources coffee from trading companies based in the EU, which leads to the assumption that they most likely also purchase their teas from European trading companies.[43] The tea available at Hofer is sold under the name Mr. Perkins Tea.

The Germany-based supermarket chain Lidl, last published its food supplier list in 2020, but has since removed the list and no further information is publicly available.[44] Tea is sold at Lidl under the name Lord Nelson and Fairglobe. Non-discounter supermarkets also have tea among their products. At the supermarket chain Spar owned by Austrian shareholders, teas from Assam and Darjeeling from the following tea brands are on offer: Teekanne, Sir William and Spar Premium, which is the supermarket's own brand.

Billa, the Austrian supermarket chain owned by Rewe Group in Germany, sells Twinings teas from Assam and Darjeeling, as well as the shop's own brands Billa Bio and Clever.

Other Austrian supermarkets, such as Nah und Frisch and Unimarkt, sell tea from the brand Teekanne, The B2B supermarket Metro sells tea from Meßmer and Teekanne.

The largest Austrian organic company Sonnentor also has two teas from Darjeeling in their range, which they import directly from one partner in India.[45]

The German brand Teekampagne imports teas directly from Darjeeling and Assam and also ships its teas to Austrian consumers. It sells its products exclusively via its own online shop.

For most other brands and companies listed above consumers can also purchase their teas online. Most commodity tea brands link to their retail customers, rather than offering an online shop directly on their own website. Next to these larger retailers and brands, the Austrian tea market is also shaped by smaller shops:

Demmers Teehaus has both an online shop as well as several shops throughout Austria. The brand does not publish how it sources its teas.

The tea shop Schönbichler imports some of their teas directly, however all their teas from Assam and Darjeeling are sourced by Tee Gschwendner, a German tea company. Tee Gschwendner buys their teas directly from the production source and imports them to Germany before sending the tea to Schönbichler.[46]

Paper&Tea opened a physical shop in Vienna in November 2022, previously focusing only on the online specialty tea market. They are now expanding to 35 shops in the DACH region until 2025. Paper&Tea sources its teas directly from the tea producers.[47]

[42] https://cr.aldisouthgroup.com/en/responsibility/our-work-action/supply-chain#acc-1342483192-transparency-food

[43] https://cr.aldisouthgroup.com/en/downloads/aldi-south-group-tier-1-suppliers-food

[44] https://unternehmen.lidl.de/pressreleases/2020/200330_veroeffentlichung-lieferanten

[45] Email contact, 24.01.2023

[46] Phone call with Schönbichler tea shop, 27.01.2023

[47] https://www.paperandtea.at/collections/schwarzer-tee/products/muse-n-504

J. Hornig and Julius Meinl are both popular coffee brands, which also have tea on offer. Both companies state that they source their coffee beans directly but did not publish how they source their teas.[48][49]

Several small boutique tea shops have recently opened their doors, for instance Teehaus Artee, Jade Tee und Keramik and Rami Tea. These shops all have a different focus (Japanese teas, small-scale producers, Oolong teas…) and they source their teas directly from the tea producers, selling high-quality teas at a high price-point.

48 https://juliusmeinl.com/getmedia/decce677-e626-442c-abc9-e63fd7eafab8/julius-meinl-nachhaltigkeitsbericht-2019_2020_web.pdf

49 https://www.jhornig.com/ueber-uns/direct-trade-spezialitaetenkaffees/

Table 1: Companies distributing tea in Austria

Company name	Description	Operations
Large tea brands		
Teekanne	German commodity tea company	Importer, re-exporter, a brand, sold in most larger supermarkets and also distributes to supermarkets under different brands Source their teas directly, reexport and distribute under different brand names
Meßmer	Owned by Ostfriesische Tee Gesellschaft (commodity tea brand and tea trading company) based in Germany	Tea imported via OTC, reexported and sold under the brand Meßmer, sold in most supermarkets. Purchase their black teas directly from the producers.
Twinings	Commodity tea brand owned by Associated British Foods from the UK	Sold at a variety of Austrian supermarkets. Purchase their teas directly from the tea producers, which they publish.
Discounters		
Hofer	Supermarket chain owned by German company Hofer Süd	Sell their own tea brand called “Mr. Perkins Tea”. Most likely source their teas from trading companies.
Lidl	German supermarket chain	Sell tea from Lord Nelson and Fairglobe, which are most likely own brands. Do not publish the value chain of their teas.
Supermarkets		
Spar	100% Austrian owned.	Sell tea from the brands: Teekanne, Sir William and their own brand Spar Premium Do not publish the value chain of their teas.
Billa	Supermarket chain owned by German company Rewe	Sell tea from the brands:

		Twinings and their own brands Billa Bio and Clever Do not publish the value chain of their teas
Nah und Frisch	Supermarket chain owned by Markant in Switzerland	Sell tea from the brand Teekanne
Unimarkt	Austrian supermarket chain	Sell tea from the brand Teekanne and Twinings
Metro	German B2B supermarket	Sell tea from the brands Meßmer and Teekanne
Sonnentor	Austrian organic supermarket	Source their teas directly from one partner
Teekampagne	German online tea retailer	Source their teas directly
Smaller retailers		
Demmers Teehaus	Austrian tea retailer with several shops throughout Austria	No public information on tea sourcing
Schönbichler	Austrian tea shop in Vienna	Sells black teas from Tee Gschwendner, which are sourced directly from the producers.
Paper&Tea	German tea retailer with several shops	Source their teas directly
J Hornig	Austrian coffee retailer	No public information on tea sourcing
Julius Meinl	Austrian coffee retailer	No public information on tea sourcing
Teehaus Artee	Specialty tea retailer	Sources directly
Jade Tee und Keramik	Specialty tea retailer	Sources directly
Rami Tea	Specialty tea retailer	Sources directly

Source: Authors (information available online and interviews)

2.6.4 The Austrian Tea Consumer

According to a 2019 survey, the most popular tea type among Austrians was fruit tea, followed by herbal tea and then black tea in third place. Albeit in general very similar, this is a difference with the German tea consumer, for whom classic teas, such as Earl Grey or English Breakfast, are more popular[50]. When it comes to tea consumption, there is a clear difference between genders: almost all tea brands are more popular with women than with men.

In 2022, the German tea trading company Teekanne was the most popular tea brand in Austria with 31 percent of consumers stating to regularly or occasionally consume tea from this brand. The Milford tea company, which is part of the Ostfriesische Tee Gesellschaft, took second place with 18 percent. Tea from the Austrian brand Sonnentor followed in third place with 15%.[51]

Similar to the developments on the global tea market, tea drinkers in Austria are increasingly interested in high-quality artisanal products with a transparent and interesting story. A product catches the consumers' interest when it has health benefits - thus the sales of green as well as botanical tea and herbal blends have increased. Young consumers perceive tea as a wellness drink[52].

Linked to this is also the stronger interest in specialty tea also called artisanal tea from one single origin. The combination of innovative flavours with authenticity and storytelling are major factors for the success of tea brands nowadays[53].

Though traditionally consumed all year, tea is still considered a winter drink by most Austrians. Tea drinking is slowly evolving due to the health and wellness trend. However, consumers are not expected to develop the habit of continuously drinking black tea throughout the year in the coming years. Green tea consumption is increasing in Austria. Furthermore, the developments in the segments of herbal and fruit flavoured teas are interesting. Austrian consumption of black tea remains more limited, which also limits opportunities for black tea importers[54].

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50 Interview with Stephan Krömer by telephone on 15th February 2023.

51 https://de.statista.com/statistik/daten/studie/630132/umfrage/beliebteste-marken-bei-tee-in-oesterreich/#:~:text=Wie%20die%20%C3%96sterreichische%20Verbraucheranalyse%20zeigt,die%20beliebteste%20Teemarke%20in%20%C3%96sterreich

52 https://www.marketresearch.com/Williams-Marshall-Strategy-v4196/Austria-Tea-Impact-COVID-Medium-13618297/

53 https://www.marketresearch.com/Williams-Marshall-Strategy-v4196/Austria-Tea-Impact-COVID-Medium-13618297/

54 http://agritrade.iift.ac.in/html/training/asean%20%E2%80%93%20india%20fta%20%20emerging%20issues%20for%20trade%20in%20agriculture/tea.pdf

2.7 Value chain social and economic analysis

Before analysing in detail the situation of human rights in the Assam and Darjeeling tea sector, the distribution of value between stakeholders, and the proportion remaining in India gives us an indication on the distribution of power in the global tea value chain. As hardly any information is available on Austria, the data from Germany, providing the majority of tea to Austria, will be used as a proxy. This choice is justified by the fact that Austria's retail structure is quite similar to the one in Germany, where several of the mother companies of Austria's retailer networks are based. Additionally, most tea sold in Austria is imported from Germany, including tea from Assam and Darjeeling.

2.7.1 Distribution of the value of tea from Assam

In its study on the Assam tea value chain[55], BASIC collected data and did an estimate of the distribution of value, from black tea from workers and STG from Assam to export prices and European countries. As Austria is such a small retail market for tea, but also not a direct importer, it was not included in the list of countries examined by this report for its tea market.

However, an important finding of this report that is relevant for Austria is that export prices of tea from Assam are significantly different, depending on the country of importation. In Europe, the Netherlands offered the lowest CIF prices of the panel of countries studied in 2017, France the highest price (3 times higher than the Dutch price estimate). According to BASIC, this situation is "potentially linked to a greater focus on quality from the French buyers". Germany and the UK's situation were at a comparable, intermediate level. However, Germany's prices had fallen sharply - by 60% - from 2003 to 2017, revealing a surge in imports of tea of lesser quality, probably linked to the strength of hard discount retailers. Here again, there is every hint that the situation of Austria is similar to that of Germany.

This differentiated breakdown reminds us that tea is a highly segmented market. Depending on origin and qualities, prices can vary considerably, as do the distribution of value between stakeholders.

2.7.2 Distribution of the value of tea from Darjeeling

It is estimated that Germany imports around 10% of the production of Darjeeling tea[56], a significant amount of which is reexported to other European countries. The breakdown of the value chain from the production stage to the selling point has been estimated by Rosa Luxemburg Stiftung in its 2019 study.

According to the indications of a German importer of Darjeeling tea in the A (direct purchase) segment of the Orthodox tea market, about 30% of the selling price of Darjeeling tea stays in India, with a maximum of 22% going to the company that operates the plantation.

The tea pluckers received between 1.4 and 2.8% of the retail price of tea in Germany. Those figures are very low. Considering the hight prices of tea on the consumer market, there are margins for tea pickers to be better paid.

In the case of market segment B, the Kolkata auction through which a significant proportion of tea from the north of India is traded, only 14% of the value goes to India, with 10% going to the plantation operators and about 2% to tea pickers (this example is based on tea sold in supermarkets)[57].

[55] BASIC, October 2019.

[56] Fine teas for starvation wages, Rosa Luxembourg Stiftung, 2019

[57] Fine teas for starvation wages, Rosa Luxembourg Stiftung, 2019

Table 13 : Distribution of the value of tea (from Darjeeling)

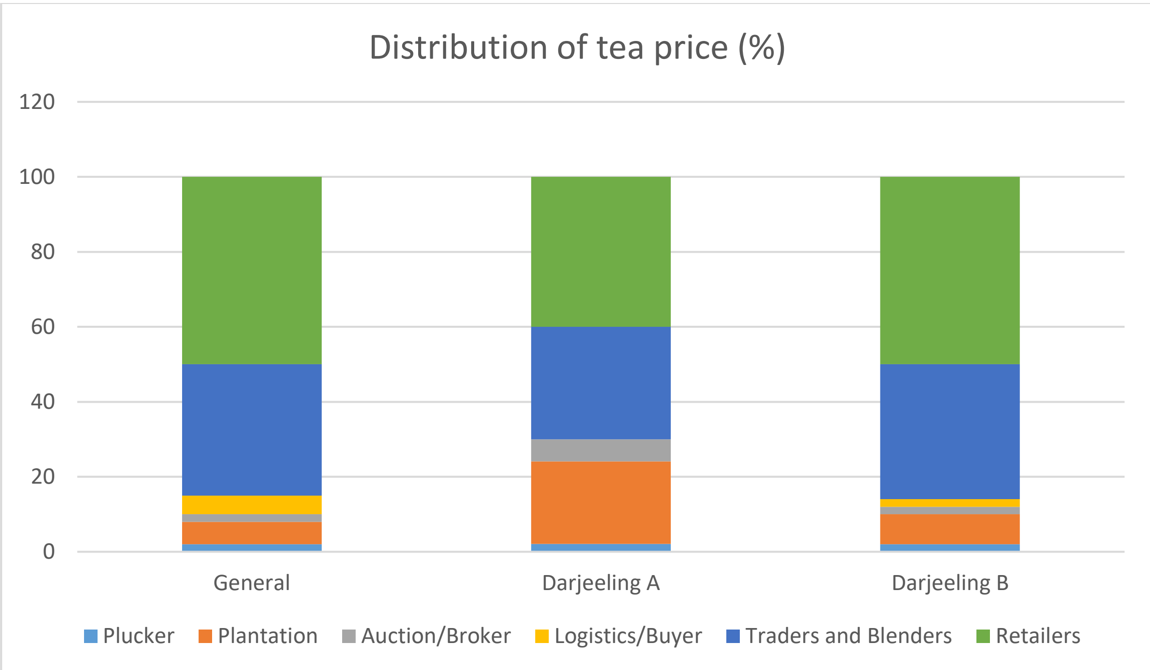
Actors	**Distribution of the price (%)**			
	Segment A		Segment B	
	Actors	India	Actors	India
Plantation company in India	22		8%	
Auction broker	NA		2%	
Tea pluckers	1.4 to 2.8	30	2	14
Other players in India	5.2 à 6.6		2	
Tea traders	30		36	
Supermarkets	40		50	
Total	**100**		**100**	

Source: Rosa Luxembourg Stiftung (2019), from CBI data (2015[58])

2.7.3 Conclusion: Distribution of value in the tea value chain from Assam and Darjeeling

The distribution of value to workers is quite similar in Darjeeling and Assam, representing between 1 and 2% of the final price of tea. From the figures available for Darjeeling (above), value captured by traders and retailers represent 70% in the segment A and 86% in Segment B, the biggest proportion going to retailers. This aggregated proportion is roughly the same as described for the general case (85%) as described for Segment B (auctions) in Darjeeling (86%). The data for Darjeeling is taken from table 13 above, and for the general case from Business & Human Rights Resource Centre (2021).

Figure 100: Distribution of tea price



[58] More recent data is not available. No structural changes were observed in the past years.

Source: Rosa Luxembourg Stiftung (2019) for Dearjeeling and BHRRC (2021) for general case,

This graphic shows the very small amount of the value going to tea pluckers. As the retail structure in Austria is very close to the retail structure in Germany, the proportion of the value of the finished product that remains in India can by proxy be considered as similar, 30% for segment A (direct trade) and 14% for segment B (auctions). The rest of the value that goes to European importers and retailers, from Germany, the Netherlands and other importing countries, and from both Germany and Austria (retailers, as most of those are either German or Dutch).

For one direct importer, with the current economic model, the tea pluckers are the ones who carry the negative weight of the decisions of the discounter brands and the consumers. Most of the value of retail tea is shared between importers (30-36%) and retailers (40-50%). Some discounter brands buy tea dust for 5 € a kilo from the tea producers, reselling it for 31.80€ per kilo in a supermarket. An importer highlights the impossibility to ensure a fair living wage for all when the companies selling tea continuously want to lower the prices while raising their own profits.[59]

According to various studies (Rosa Luxemburg Foundation, SOMO, Business & Human Rights Resource Centre), "blending, packaging, marketing and retailing are the most profitable parts of the chain, and largely conducted by buying countries, while the least lucrative part of the chain, i.e. growing and primary production, happen in production countries, with some exceptions."[60]

According to SOMO, "the most lucrative part of the tea trade is mostly carried out by the tea companies in buyer countries. The largest proportion of the profits, therefore, do not accrue to the tea producing countries, but are made abroad."[61].

Oxfam draws the same conclusions 11 years later, for Assam teas: "Our analysis shows that supermarkets take a significant amount of the end price of a pack of tea bought by consumers, with very small amounts of labour price to pay for pay workers." (Oxfam, 2019).

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[59] Interview with Tee Kampagne, 26. January 2023.

[60] Business & Human Rights Resource Centre (2019)

[61] SOMO (2008), quoted by THIRST (2020).

3 Human rights in Assam's and Darjeeling's tea sector

3.1 Situation on tea plantations

3.1.1 Legal provisions for labour on tea plantations

The tea industry in India obeys to strong regulations established by the government in the 1950's, just after the country's independence. The Tea Board of India, established in 1954 in Kolkota guarantees and certifies teas that are exported. It also collects statistics of tea production and exports. Workers unions were legalized, with an astonishing 100% of workers unionised in 2009 according to the Indian Labour Bureau, but with the monopoly of one Union affiliate to the Congress Party. The Plantations Labour Act (PLA) of 1951 started regulating the conditions of work in plantations (tea, coffee, rubber and other crops), and still does for the tea sector. It guarantees plantations' social welfare (housing, health care, food rations and schooling), but its implementation in Assam and West Bengal has been poor, resulting in precarious work conditions and poor housing conditions[62].

The PLA structures work and workers benefits in plantations. It mentions the following payment items to producers: Health, Welfare, Hours and limitations of employment, etc.

- **Daily monetary wages**, refer to the Minimum Wage Act of 1928. In India, minimum wages are established state-by-state. Darjeeling thus depends on West Bengal regulation, Assam a state has its own regulation. The two origins have therefore different levels for legal wages. These wages are determined by negotiations between workers (represented by unions), planters and the government (labour department of each state). The West Bengal Plantation Labour Rules of 1956 is subjected to the 1951 Plantations Labour Act.

- "**Social benefits**" as defined nationally in categories established in 1951: housing, food rations, medical facilities, latrines, and primary education of the labourer's children.

In Assam and West Bengal, those social benefits are discounted from wages, whereas in South India, where the State has a stronger role, they are added to it.

This structure of payment in the north of India is a type of compensation system, where low cash revenues are supplemented by "social benefits" to workers. It finds its root in the colonial system, where communities external to the tea plantation areas, and even to West Bengal and Assam, were settled by the British in the plantations, in a situation where they were totally dependent to those plantations. This situation, akin to indentured labour is well known, and operators in India and observers often admit it is one of the roots of the current crisis. It seems however that none of the stakeholders in power (plantation owners, State governments or even labour unions) are taking steps to change it structurally.

Officially, child labour has been abolished with the amendment to the Plantation Labour enshrined in the 2010 Amendment Act. Previously, adolescents and adults were hired under the category of child labour since that would curtail the expenditure on labour cost[63], since wages and social benefits for child were lower.

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[62] Information for this section from: Testing Fairtrade's labour rights commitments in South Asian Plantations, 2019.
[63] Oxfam (2021).

3.1.2 Wages

According to an Oxfam study, Indian tea workers are paid a “package” consisting of several elements, the precise components and proportions of which vary from state to state and from estate to estate). The factory workforce, mostly men, usually receive a monthly salary, but tea pluckers (mostly women) receive a daily wage, based on the weight of tea leaves plucked and an attendance bonus. In addition, workers usually get an annual cash bonus.

Cash payments are supplemented by the provision of food rations and free housing, healthcare and primary education, as required by the PLA. According to Oxfam, India’s Minimum Wage Act of 1948 stipulates that in-kind benefits may not form part of the minimum wage calculation. However, the Act is not compulsory and Assam as well as West Bengal have agreed an exception for tea companies.

Wages in tea plantations are subject to regular collective bargaining, and the level of wages in all plantations is decided in a tripartite meeting involving the Tea Planters’ Associations, the workers’ unions and the State government. This level is often beneath the local minimum wage for unskilled employees in agriculture.

Until 2015, the daily wage in Darjeeling was 112.5 INR per day (1.3€), from which 12% was deducted for the provident fund. It has been later increased to INR 122.50 per day (€1.4). According to various studies[64], wages in Darjeeling are the lowest of all tea producing states in India, under the pretext of low productivity (in its turn determined by high altitude climate), the latter being defined by quantity and not by price. In October 2018, the West Bengal government and the Tea Planters' Association agreed to a 20% increase after workers in all 87 Darjeeling tea gardens went on strike demanding an increase, bringing the minimum wage to INR 202 per day (€2.28) on January 1, 2021. Pluckers currently get paid 232 INR a day. “After deducting money that goes into the worker’s provident fund, workers receive about Rs 200 (2.26€)”[65].

Compared to other industries, this wage is very low and well below the variable social minimum wages set by the various Indian states, under the pretext that tea workers receive benefits in kind, the real value of which is difficult to assess. “As per the latest circular released by the Government of West Bengal’s Office of the Labour Commissioner, the minimum wage per day for an unskilled employee in agriculture should be Rs 284 (3.21€) without food and Rs 264 (2.98€) with food.”[66]

In Assam, the minimum daily wage increased from 195 INR to 210 INR (2.37€) in August 2022 in the Barak Valley, and from 217 INR to 232 INR (€2.62) a day in Brahmaputra Valley, plus respectively 194 and 104 INR of compensatory benefits a day.

By comparison, wages for tea workers in Kerala and Tamil Nadu, in South India, are higher, ranging from 350 to 500 INR a day. Even though they are far from being ideal, they are closer to living wages.

Assam has the additional issue of pollution by pesticides, most of the plantations not being organic and using pesticides. The 2018 Plant Protection Code issued by the Tea Board of India suggests workers be provided head protection, shoes, gloves, aprons and overalls, to protect them from pesticides and other chemicals sprayed in the fields. But this equipment is sometimes not adapted to tropical climate and are often not renewed by the owners and are rapidly inefficient.

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[64] Including Fine Teas (2019)

[65] https://scroll.in/article/1042579/darjeelings-tea-garden-workers-are-struggling-to-make-ends-meet

[66] Circular, Government of West Bengal, Kolkota, 06/07/2022. Link from https://scroll.in/article/1042579/darjeelings-tea-garden-workers-are-struggling-to-make-ends-meet accessed March 2nd, 2023.

Low wages are maintained under the threat of bankruptcy from gardens, which result in workers losing their employments and attached benefits.

As they live on plantations owned by the State and managed by private companies, a situation inherited from their forefathers, tea workers have no land rights, nor the attached benefits (credit, etc.).

Moreover, many cases of payment under the level prescribed by the PLA for tea have been observed, as managers discount benefits and often pay on the basis of task work.

As a conclusion, both in Assam and Darjeeling, wages are below living wages and even minimum wage in other rural sectors, and this situation targets especially women, who are paid on a mixed harvest/day base. While this situation does not respect the ILO conventions signed by India, it also puts at risk the tea sector, because the younger generation, feeling at risk with the current tea plantation model, will look for better livelihood alternatives.

According to one interviewee, as it is in general the case in the agricultural sector, finding younger people that are willing to work in the tea fields is an issue. As a result, the workforce grows older and tea producers are worried about the next generations of tea pluckers. This however forces the plantation owners, to make their plantation attractive to potential workers and thus invest more in the working conditions.[67]

As a result of aging workers and voluntary migration away from plantations, but also of the reluctance of plantation owners to provide due social benefits to their workers, a growing proportion of the new contracts is temporary. A recent study by Oxfam found that only 39% of workers could be considered as permanent workers in the tea plantation sector in Assam (Oxfam, 2021). Temporary workers don’t benefit from the same social benefits as full-time plantation workers.

3.1.3 The reality of social benefits

As of the 1951 Plantations Labour Act, tea estates should provide housing, food rations, medical facilities, latrines, and primary education of the labourer’s children. Because workers don’t have land rights on the place they live, investment for those services can only be provided by estate owners.

The costs of those services are discounted from the workers’ wages, accounting for lower wages than in other areas or then the legal wage for rural areas of the states. The quality of the services provided (or lack of) is therefore critical to assessing the fairness of the relationship between owners and workers.

Literature review, based on field reports, is unanimous in observing conditions that do not respect the owner’s duties nor the workers human rights to housing, sanitation, medical facilities and even education.

Concerning housing, the owners often provide rent-free land for workers to build their housing, but not the housing themselves, as they should according to the Act.

THIRST summarizes the conclusions after reviewing 8 studies (from 1900 to 2019): “Poor housing stock, insufficient space for growing families, excessive delays in repairs leading in dilapidation. Linking of housing provision to work on estates leading to excessive dependency”.

These conclusions are supported by Oxfam and Traidcraft reports. Workers have no land tenure rights.

Despite the provisions of the “benefit packages”, workers usually lack access to clean drinking water, and to adequate sanitation and drainage.

[67] Interview with Tee Kampagne, 26th January 2023.

Medical care is also insufficient. In Assam, the medical staff is poorly trained and frequently absent. Malnutrition is common on tea estates. Regarding education, the general education of the population is higher in Darjeeling than in Assam, the alphabetisation rate being around 90% against 40% in Assam, where school drop outs are high. In Assam, women literacy levels are even lower than this average.

Not surprisingly, considering the above (wages, housing, sanitation, medical services), women's rights are not respected. The situation of reproductive rights is particularly critical. Pre-term births are common, maternal mortality is higher among plantation workers of Assam than in the neighbouring villages. (GNRTFN).

The 2021 Trafficking in Person Report from the US Department of State explains how tea estates in Assam are continuing to trap workers in bonded labour arrangements by using unreasonable deductions for expenditures:

"Some state-owned tea estates in Assam continued to hold workers in bonded labor by creating recurring debt by underpaying wages and overcharging for daily living expenses such that 37 percent of workers had daily expenditures that exceeded their daily income."

"State-owned tea estates in Assam pay workers much less than the state-mandated minimum wage and do not provide workers with pay slips to document their debts and expenditures. Indian law allows estates to pay workers in both cash and in-kind benefits, but researchers noted the quality and quantity of the food rations constituting part of the workers' salaries were inadequate and disproportionate to the amount deducted."[68]

3.1.4 Consequences for women and children

Women in effect earn lower revenues than men, for a work that is at least as difficult and painful. The fact that tea pluckers are paid on the basis of the weight of tea leaves plucked means their daily revenue can vary according to their physical condition, and also to the plantation policy. Oxfam notes that in Assam "female workers are mostly employed in temporary leave jobs, such as leave plucking, pruning and skiffing, rolling and drying that are low wages activities."[69] However, plucking represents 59% and skiffing 14% of the workforce in Assam.

This qualification of temporary jobs means that, while they have more responsibilities in the family, they have lower wages and less social rights. No paid leave is usually given to them for pregnancy or maternity. According to an Oxfam investigation in 117 of the 803 tea estates registered in Assam[70], "on an average, women earn only 80% of what men earn".

A fact-finding mission conducted on 17 plantations in Assam and West Bengal discovered that "women workers have to continue performing the same tasks throughout their pregnancy, typically right until their eighth month of pregnancy, in spite of some women specifically requesting a lighter workload."

Additionally, in a patriarchy and post-colonial culture, domestic chores fall upon women. In Assam, the average family size is 4.3 members in each household, and the average dependent members per household is 2.3[71]. In its extensive survey, Oxfam notes that even adolescents are working as principal

[68] Department of State, USA (2021), pp 283 and 288.

[69] Oxfam (2021).

[70] Oxfam, In defense of living wages for the plantation workers – Evidence from Assam, 2021. Interviews conducted with 4909 primary respondents.

[71] Oxfam (2021).

earners of the family. Women have to prepare meals before going plucking, as well as in the evening. The bad conditions of housing and water adduction make their chores harder.

Surveys thus show that the low wages in tea plantations, below living wages and even minimum wages, result in adolescent and some children to still work on tea plantations.

Additionally, children on their side suffer from bad conditions for education and the limitation of school facilities. In Assam, only 67% (2 thirds) of tea plantation workers with children between 5 and 14 reported that their children attend school. Depending on the number of children in a plantation, the estate must provide primary school facility or both primary and secondary schools facility (when that number is above 25) in collaboration with the state government. Around 20% of the respondents to the Oxfam enquiry in Assam had estates schools in their estates, the district with the highest number having 37%. Families also send their children to government (46% to 85% depending on districts) or private (27.45%) schools.

3.1.5 The situation of small-scale producers

Small Tea Growers (STG) represent only 3.5% of the production in Darjeeling but already 46.71% in Assam, a proportion which is increasing. These figures indicate a slow but continuous change in the structure of land ownership and production, especially in Assam. STG usually sell the fresh leaves they harvest to Bought Leaf Factories (BLF) which process them.

STG are accused by plantations of bringing the prices of leaves down, as they have lower costs. This may be due to a more efficient organization of family labour. Socioeconomic surveys show that the income STG generate from tea is roughly equal to the revenue of workers on large plantations. However, STG often have other opportunities of work and revenues (such as beekeeping or tourism) which plantation workers don't have. They thus have better options in terms of capabilities.

Small growers having less than 5 ha are exempt of the obligations included in the Plantations Labour Act. The situation of human rights in those small estates is rarely assessed, as studies concentrate on large plantations. Therefore, no information was found on potential child labour in STG plantations. Given the low level of education in Assam, this is however a possibility that cannot be discarded.

3.1.6 Findings on the structure of tea production in Assam and Darjeeling

As an article states "Whereas the work of determining price [of tea] is one of product differentiation, the work of determining labour costs has always been one of standardization." According to this organization of labour, workers are not considered as stakeholders of the tea value chain, but as a category of costs for the plantation. Any additional value created at the harvesting/processing/production level is thus perceived as belonging to the plantation owner, and not as co-generated by tea pluckers and workers.

Tea plantation wages are thus the lowest of the organised sector in the country (roughly half the wages on rubber plantation and 50% under wages on coffee plantations, according to 2012 figures). In addition, an estimate of 50% of the workers are casual in the Indian tea sector, the majority of which are women.

According to their social situation, the labour of tea estates can be described as bounded, a qualification which would make them illegal under ILO forced labour Convention of 1930 n°29.

3.2 The root causes

3.2.1 In India, an economy in crisis

As the figures mentioned in the first part of this report show, the price for tea (based on the figures for the FAO composite price for tea) has been constantly dropping in real terms for 20 to 30 years. In the meantime, costs for tea estates have been rising, mainly regarding fuel needed to operate the estates. Wages have risen only marginally, and social investment has been minimal.

Nevertheless, with the competition of other exporting countries such as India, the tea plantation model is in deep crisis in India. Large estates have gone bankrupt and have been sold out like those owned by Tata Ltd. Buyers are a concentrated tier, resulting in low margins for estates. The auction system concentrates 45% of tea trade, and 7 companies account for 90% of all the tea traded to the European and North American consumer.

3.2.2 The Plantations Labour Act (PLA), an outdated legacy

The PLA is an obsolete and inefficient mechanism for structuring wages and benefits of tea workers in India. It is obsolete because it is in contradiction with ILO conventions signed by India, and because it has been used to perpetuate a system akin to forced labour. It is inefficient because it doesn't even guarantee workers of tea plantations a revenue equivalent to the minimum wage in states in which they work. The discounting of benefits by plantation owners, including housing, has the double effect in maintaining worker families at sub-poverty levels and maintaining them attached to the plantations.

According to Traidcraft, "When the PLA was first passed the Indian government was seen as unable to provide basic services to its citizens working in Assam. But the then-wealthy tea industry did have the money to provide services to their workforce, many of whom they had dislocated from their original homes"[72]. However, the companies owning the plantations did not provide sustainable livelihoods to their workers. Instead, they discounted the supposed value of the mandatory services they provided from the minimum wages they paid workers. Thus, this system has largely failed to impose a minimum wage and quality services, but it still serves as a pretext to maintain workers below the minimum wage.

The PLA is enduring because it is convenient for plantation owners, who act as cartels at the state and national levels, and perhaps also because unions are more concerned by the local political game then by concentrating their energy on the rights of workers, and because the international market is indifferent to the condition of tea workers. In an Indian society where cast and ethnic divisions have not yet been overcome, this system is perpetuated, barely questioned by national actors. It is however probably the most important single factor in India hindering social progress in the tea sector.

3.2.3 An unequal share of value

Low prices of tea in tea production areas, in India as well as in many producer countries, don't reflect the situation in the retail sector, where tea has never been in crisis. The prices paid by consumers for packaged blends and tea bags have risen consistently in the past decades, both in India and in Europe.

As tea is exported at an early stage of production, "the most lucrative part of the tea trade, is mostly carried out by the tea companies in buyer countries. The largest proportion of the profits therefore do not accrue to the tea-producing countries, but are made abroad."[73] The distribution of the value chain, represented above, shows this unequal share of the value of tea.

In 2019, a study ordered by Oxfam to BASIC showed that "supermarkets take a significant amount of the end price of a pack of tea bought by consumers, with very small amounts for labour costs to pay workers." As illustrated above, the share received at both ends of the value share vary according to

[72] THIRST, Human Rights in Assam Tea Estates, the Long View.

[73] Sanne van der Wal (2008), Sustainability Issues in the Tea Sector, A Comparative Analysis of Six Leading Producing Countries, SOMO.

countries, from 66.8% to 93.8% for supermarkets and tea brands and 0.8% to 4% of the final price for workers.

3.2.4 Labour Unions which don't play for workers

One of the touchiest issues regards the flaws in worker representation in Assam and Darjeeling. As THIRST summarize the studies in Assam[74]: "Workers are not aware of the role of trade unions, have not elected representatives and have no choice of unions to join. Fees are deducted automatically and yet unions side with management and have failed to negotiate living wages or better conditions."

In the tea sector, labour unions are usually more concerned about political issues then workers economic rights. An Assam tea expert writes: "In the 1980s, an armed Assamese separatist group called the United Liberation Front of Assam (UFLA) began operations, including the extortion of money from tea estates and other businesses."[75] In the meantime, in Darjeeling, the Ghorka National Liberation Front defined the agenda in the tea plantations, creating a massive movement in 2017 for the recognition of Ghurkaland as an autonomous state from Western Bengal. In Darjeeling, the same is true with the local unions, whose agenda are close to the Communist Party for the historical union and the Gorkha League for a more recently founded union[76].

Additionally, unions in the tea sector are usually run by men, and women have poor say in union meetings and three-party negotiations on wages and benefits. These negotiations where rights and revenues are discussed occur at a state-level, and without women participation. Thus, the revenues of pluckers and workers improve only slowly, lingering behind inflation and currency devaluation.

[74] THIRST (2020).

[75] https://www.rainforest-alliance.org/insights/challenges-of-reform-in-assams-struggling-tea-sector/

[76] Fine Teas (2019).

4 Social commitments of economic actors in Austria

4.1 Social commitments of tea brands

Tea importers and tea brands selling in Austria as well as in the rest of Europe have a social and environmental responsibility towards the entire tea value chain. Social and environmental voluntary third party certifications appear as one of the most efficient and easy to reach tools to measure the reality of the engagement of producers and buyers against a set of objective standards.

The increasing focus on the negative human rights track record in the tea trade has also resulted in several noteworthy initiatives, such as coalitions (The Ethical Tea Partnership) or codes of conduct, which both differ from third-party certification by being closely attached to a company or a group of companies. Unfortunately, the efficiency of those initiatives has not been demonstrated yet.

4.2 Voluntary certifications with social commitments

Third-party voluntary certifications have grown more and more popular on the consumer's side in the past 25 years. Based on independent field audits, they provide objective assessment of criteria encompassed by the standards they refer too. In this report, we will consider the most common certifications used by tea brands in Europe which include at least one social component, and assess their efficiency in helping tea plantations and workers to meet minimum human rights. Therefore, the organic standards, which are purely environmental, will not be considered. Independent certifications in the tea sector thus fall in two categories, and essentially two labels, one referring to the concept of sustainability, the other to fair trade.

Rainforest Alliance (RA) established standards on "sustainable agriculture" are widely used by Unilever, one of the largest players within the global tea trade. Unilever holds 52% of the shares of Hindustan Unilever Limited, the Indian market leader, focusing on tea packaging and branding. The corporation had set up to have its tea under the Lipton brand certified RA by 2015, resulting in RA becoming the "most important standar system in the tea sector in terms of volume"[77]. This certification currently claims to benefit 900,000 workers in the tea sector. Claiming a step-by-step approach, the Rainforest Alliance certification program includes mandatory requirements to identify the gap between current wages and a living wage benchmark. Adopting an "assess and address" approach to workers' rights, "which aligns with an international consensus on good practices in human rights due diligence".

An investigation for SOMO, published in 2011, found that "On all the RA certified estates in India, there were issues with wages either including too few benefits or partly being paid in kind and not in cash. Also women workers were being discriminated against (promotion, benefits) (…)."[78] The author of this investigation thus questions the efficiency of RA's audit system. "Social audits were in fact manipulated (…), to be too shallow (…) and being biased (…)." He found that casual work had extended in Assam, and casual workers don't have benefits such as pension, gratuity and provident fund. Collective bargaining was also found to be flawed, through the monopoly of the Assam Cha Mazdoor Sangha (ACMS).

[77] Sanne, Certified Uniliver Tea (2011).

[78] Sanne (2011).

Rainforest Alliance co-founded the Global Living Wage Coalition (GLWC) "which determines region-specific living wage benchmarks using a single, state-of-the-art methodology."[79]. Despite this statement, no living wage level is available for the tea sector in Assam nor in Darjeeling. This fact questions the efficiency of the GLWC. It is to note that Fairtrade International is also a lead member of the GLWC.

Tapping in the 3 dimensions of sustainable development (social, environmental, economic), closely supported by major corporations for decades, Rainforest Alliance is seen as a weak standard, and has not been a real leverage for transformation of the sector in South Asia. The organization acknowledges the problems encountered in Assam are "thorny" and that challenges are still many.

Fair Trade. Responding to the limitation of general corporate responsibility approaches, **Fair Trade** defines itself as a movement and trading partnerships. According to the Fair Trade Charter (2018):

"*Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South.*

Fair Trade Organizations, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.

Fair Trade thus claims a double role (1) by re-balancing trade relationships between producers and buyers, (2) through advocacy related to international trade. Fair Trade certification was initiated in 1989 by the Max Havelaar label on coffee between Mexico and the Netherlands, and rapidly extended to other products and other countries. In 1997 the national labels became Fairtrade International, and by 2006 other labels claimed their participation in the Fair Trade movement. However, Fairtrade International still gathers more than 90% of all certified fair trade products. Fairtrade standards for tea were developed in 1994, initiating fair trade standards on plantations (vs cooperative) products. Clipper was the first tea consumer brand to be Fairtrade certified. UK claims to be the biggest market for Fairtrade tea," with UK shoppers buying over 60% of the total supply of Fairtrade tea". However, many European consumers, including in Germany and Austria, also consume Fairtrade certified tea.

Several Fair Trade labels are involved in the certification of tea from South Asia: Fairtrade International, the first and the leader of Fair Trade labels, Fair for Life, SPP (Symbol of Small Producers) and FGP (Forest Garden Products). In Assam and Darjeeling, only Fairtrade International operates at a visible scale, the other certifications being absent or very marginal

Fair for Life is a classical third party certification system, owned by Ecocert, when it bought the Swiss certifier IMO. Fair for Life products are certified organic and fair trade. In India, only 3 Indian companies are present, but certification can also be held by the buyer. FGP is a certification established by the International Analog Forestry Network, that focuses on analog forest, a technique of forest and biodiversity restoration on former tea plantations in Sri Lanka. It embeds some fair trade principles. It certifies a few plantations and cooperatives in India. SPP, the Symbol of Small Producers, a certification born in Latin America, is currently only present in the tea sector of Sri Lanka, and is the only certification with a minimum price set for fresh leaves. No mention was made by Austrian buyers of those 3 marginal fair trade certifications.

Fairtrade International's impact in the tea sector in India is a more tangible than its competitors, with 7,690 tons of Fairtrade tea traded in 2021, earning producers € 3.93 million in fair trade

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[79] https://www.rainforest-alliance.org/insights/our-work-with-global-living-wage-coalition/ no dates of foundation of the GLWC are mentioned.

premium. However, it is esteemed that, worldwide Fairtrade certified tea represents only 0.5% of tea exchanged globally, while the potential of certified plantations is 10% of the trade, meaning that most certified plantations have to sell the bulk of their production at conventional prices.

Among the principles of Fair Trade are: 1) a payment of a fair price to producers; 2) the payment of a premium, the use of which is decided collectively by producers; 3) prefinancing of production; 4) transparency; 5) participation of producers and workers. The last principles had to be adapted to plantations, participation of workers being realized through ad hoc committees.

A study was conducted on behalf of Fairtrade International by Siegmann, Ananthakrishnan, Joseph, Fernando, & Kulasabanatha on the impact of Fairtrade on tea plantations in India and Sri Lanka, and published in 2019 under the title "Fairtrade - Certified Tea in the Hired Labour Sector in India and Sri Lanka: Impact Study and Baseline Data Collection". 12 plantations in India (South India and Assam) and Sri Lanka were studied (8 certified and 4 non-certified), including 2 certified and one non-certified estates in Assam. The situation in non-certified plantations was compared to certified.

The results show that FT had no effect on base wages, and that variable wage supplements (bonuses for extra hours or volumes) were a fundamental component of the workers' revenues. These results corroborate those of previous studies that found that wages are not higher on certified plantations than on non-certified ones, and showed the difficulty of certified plantations to move away from industry-wide collective agreements that set minimum wages in the tea industry at state level.

While there is no discrimination between the wages paid to men and women, strong occupational segregation between the sexes results in gendered occupations with a differentiated wage structure (men paid in hours, women on a per kg basis), with implications for drudgery and time available outside of work.

Equally, few differences were noted between certified and non-certified plantations in terms of working conditions, which are guaranteed in the law, and relatively well implemented. The fact that part of the salary is in the form of bonuses makes salaries difficult to predict because they vary. On the other hand, certifications in general (not only FT) seem to have a positive effect on health and safety at work.

Relations between social partners (plantation owners and workers unions) do not seem to be affected by FT certification. The collective capacity of women workers is strongly constrained by their lack of time and their lack of representation in trade union organizations. Overall, the study found little involvement of trade unions in FT certification, and a lack of synergy between social dialogue and FT certification (even though this is the stated objective of the Fairtrade standards).

Overall, the Fairtrade premium has brought some benefits to workers and their communities, notably by reducing household expenses (through the provision of goods or services) and/or increasing ancillary income (financing income-generating activities).

Fairtrade revised its Standards for Tea for hired labour and traders are the result of a review undertaken between September 2018 and March 2021. The revised Fairtrade Standard for Tea was approved by the Standards Committee in March, May and June 2021. Amongst the key changes mentioned are:

1) New requirements on Fairtrade Compliance Committee composition and tasks, on monitoring, prevention, and remediation of forced labour and gender-based violence, gender policy, decent youth employment, treatment and compensation, regular assessment of housing, washing and sanitary facilities, purchases and sales of green tea leaves.
2) Revised requirements on child labour and hazardous work for children under 18 years, temporary worker contract, health and safety risk assessment, worker housing and sanitation facilities, training trade union/elected worker representatives, raising awareness about Fairtrade, audit results shared with

workers, annual general assembly, sustainability margin, compliance with national law, pre-finance, retro-certification.

3) Additionally, exceptions to Darjeeling to use Fairtrade Premium were deleted “for equal terms and conditions on use of the Fairtrade Premium”, the requirement for No tolerance of Gender Based Violence and other forms of harassment were added, as well as gender-based violence remediation by companies. All companies must have a Gender Policy.

Fairtrade minimum price for processed leaves in India is 2.4 USD/kg for CTC and 2.6 USD/kg for orthodox organic, both with an additional premium of 0.5 US / kg.

Though not present in India, SPP, the Symbol of Small Producers, could be interesting to consider, as it is the only certification in the tea sector, in this case in Sri Lanka, with a minimum price set for fresh leaves, bought by BLF to STG and cooperatives. SPP is a certification launched in Latin America in the years 2010 by small producer organisations, to renew with the original spirit of fair trade. It has recently extended to Asia and Africa. This structure of SPP price standards for tea is more interesting for pluckers, as it abolishes the discontinuity between the price paid to the tea factory (usually mentioned as “the producer”) and the price paid to pluckers and workers. It must be reminded in the SPP standards, all products must be certified organic as well.

According to an interviewee from the European tea industry[80], it is questionable to focus on the standards expected by the needs of the European market. The consumers and the brands expect a high quality, organic and fairtrade product, while wanting to only spend a fraction of the price that this tea would cost to make in reality. This creates an imbalance that is hard to resolve. Darjeeling for instance is a very expensive place to make tea - the mountains are steep and the tea can only be harvested in a certain period of the year. All this makes production and also the end price very expensive and thus harder to sell at the POS catering to the bigger masses of commodity tea.

4.3 Private codes of conduct

4.3.1 Twinings’ responsible sourcing programme

Twinings has developed its tea and herbs responsible sourcing programme under the name Sourcing with Care. Twinings’ approach started in 1997 when the brand became one of the founding partners of the Ethical Tea Partnership. In 2004 it developed a partnership with Save the Children in China, and in 2010 with UNICEF in Assam, then extending its work on tea estates in India to water, sanitation and hygiene. Twinings then established a list of approved tea gardens in 2015.[81] According to its programme, Twinings currently sources tea “from 160 carefully selected tea gardens, based on quality and ethical standards. These include both large plantations and smallholder farms.” Twinings argues this restricted list, and the full traceability of its tea in all regions enables the brand to have more influence

Most of Twinings tea is bought directly from the producers, with only around 10% bought in auctions.

India is the second producer country Twinings sources from, after China, with 18% of the volume from India, 31% from China and 15% each from Kenya and Malawi.

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[80] Interview with Tee Kampagne, 26. January 2023.

[81] https://www.sourcedwithcare.com/en/about-us/

As of 2023, it refers to its own code of conduct, the Twinings Ovaltine Code of Conduct[82], whose principles are based upon the internationally-recognised code of labour practice, the Ethical Trading Initiative (ETI) Base Code. The ETI Base Code is itself founded on the main conventions of the International Labour Organisation (ILO). These 13 principles are also drawn from the United Nations Declaration on Human Rights, the United Nations Guiding Principles on Business and Human Rights, and the BSR Gender Equality in Codes of Conduct Guidance. They apply to suppliers of the brand, and audits are contemplated. The principles include the ban on child labour under the age of 15, the legal minimum age for employment applicable to the supplier; or the age of completion of compulsory education. It includes restrictions on the work of children under 18 (at night, in conditions which compromise their health, safety, or moral integrity, etc.). They also include living wages, safe working conditions, the absence of discrimination, and the right to collective bargaining.

Through its partnership with UNICEF, Twinings claims to have conducted actions to secure equal employment and maternity benefits to women in Assam since 2010, as well as providing women quality health services in local hospitals and clinics since 2018.

4.3.2 The Ethical Trade Initiative

The **Ethical Trade Initiative** (ETI) is a membership organisation and an alliance of companies, trade unions and NGOs which focuses on promoting workers' rights around the globe. The participating companies have adopted a code of labour practices, that they expect all their suppliers to work towards. Such codes address issues such as wages, hours of work, health and safety or the right to join a trade union. Among preeminent members of ETI are large retailers such as Hofer (Aldi Süd) and Lidl. The ETI Base Code is founded on the conventions of the International Labour Organisation (ILO) and is an internationally recognized code of good labour practices.

4.3.3 The Ethical Tea Partnership

The **Ethical Tea Partnership** (ETP) is working with tea companies, development organisations and governments to improve the lives of tea workers, farmers and the environment. They currently have 50 members, including the biggest multinational companies in the tea sector such as Twinings, OTG (Messmer/Milford) and Wollenhaupt GmbH. Their work focuses on partnerships and communication to complete projects, business pilots and new policies.

4.3.4 Tea 2030

The **Forum for the Future** has set up in 2013 an initiative called Tea 2030, gathering major stakeholders of the tea industry, including RA, ETI, Fairtrade, Unilever, Tata and Finlays, to consider current challenges of the tea sector and propose a vision for its future development. The report entitled "The Future of Tea" summarizes this vision, which places tea as a hero crop providing answers to climate change and the quest of sustainable livelihoods for producers. This report identifies competition for land and productivity, availability of labour and mechanisation and the balance of power as three of the main challenges of the sector, challenges 7 to 10 being more solutions than issues: emergence of new business models, sustainability leadership of emerging economies, improvement in wages and welfare in the supply chain, and Consumer attitude to food value.

At the centre of this Tea 2030 vision is the transition "away from a long, linear supply chain, to a value network (...)".

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[82] https://www.sourcedwithcare.com/media/cwknqifx/two-code-of-conduct-2022.pdf retrieved on March 14th, 2023.

4.4 Transparency or the lack of within the tea sector

4.4.1 The Traidcraft campaign

Calls to tea importing and retailing companies to disclose their supplier lists in Assam started in 2019, with the "Who Picked my Tea?"-campaign initiated by Traidcraft, a British NGO which operated both as an advocacy and a fair trade organisation before the COVID19 pandemic. Eight companies in the UK responded positively.

In 2021, the Business & Human Rights Resource Centre approached 65 companies to ask them to disclose their supplier lists and complete a brief survey on their human rights and sourcing policy. 14 of those companies had their headquarters in Germany, 4 in the Netherlands, 26 in the UK and 13 in North America. As of May 2021, 49 of those companies were Ethical Tea Partnership. Those companies included tea importers and retailers. Only 29 companies answered, of which 17 fully or partially disclosed their list of sourcing estates or bought-leaf factories. Of the 10 that fully disclosed their sourcing, 7 committed to full transparency of their tea supply chains in a common format chain in the future. Of the companies that operate in Germany and Austria, this list only includes Twinings.

4.4.2 Lack of transparency in the tea sector

This campaign reinforces the observation that the tea industry in Europe (as elsewhere) is secretive, and though it knows very well its supply chain, it is not willing to share it with a wider public. Other industries, such as textile, have progressed a lot in transparency in the past decade, as a result of campaigns and a series of disclosed scandals. This general impression regarding the tea industry was confirmed by the interviews we conducted for this study.

4.5 Interviews with importers and tea brands relevant to the Austrian market

4.5.1 Panel of interviews

For this report, we have contacted 18 major players of the tea value chain in Germany, Austria and the UK, 8 of which accepted to be interviewed, 3 declined, and 7 did not reply. This proportion is already an indication of the low level of transparency of the sector. Several only answered by email. 5 major brands in Austria have not answered our requests for interviews and haven't posted any information on the sourcing or sustainability of their products on their website[83]. One interviewee from a large tea brand refused to answer the questions during the interview.

4.5.2 B2B tea importing companies

Two major buyers from Germany acting only in the B2B market were interviewed for this report, J. Fr. Scheibler and Gebrüder Wollenhaupt GMBH. These companies import tea from Assam and Darjeeling from individual tea plantations or larger groups of tea plantations. Tea is imported by boat to Hamburg, where they store it before sending it to their B2B customers either as a "pure" product of origin, or in tea blends. A minority of those customers are based in Austria. They also provide large retailers such as supermarkets with their teas, including some retailers based in Austria.

[83] Those companies are J Hornig, Tschibo, Demmers Teehaus, Spar brands and Billa tea.

The two companies seek long term business relationships with their suppliers, which ensures regularity and quality. They choose new suppliers through criteria such as quality, organisation on the plantation and regularity of shipping. These direct relationships allow the companies to help producers solve potential problems, such as pesticide contamination, and accompany them to solutions. They usually don't buy from tea auctions in India, since this system doesn't ensure the quality of the tea required by the European Union's health standards. Despite these direct relationships, their power as buyers may be limited by the overall small amount of tea they purchase from the tea producers. They may have to switch suppliers as climate change already has a big impact on the quality of the tea leaves. In addition, India has a growing national consumption of black tea, so less tea is available to foreign importers.

Both importers rely on third-party certifications such as Rainforest Alliance, and for one of them Fairtrade International to ensure the respect of human rights in plantations for most of its production. One of the companies explains that this is due to its small size and its power as buyer, limiting its action and making it impossible for them to know about every single plantation they work with.

The new due diligence law in Germany isn't directly influencing the work of these companies since they are too small in size. One of the interviewees explains that it is not clear what is expected from importing companies in the new German due diligence law or how brands are meant to comply in practice. However, some of their B2B customers have requested information and are obligated to ensure due diligence in their supply chains. So ultimately, the law does force the importer "to face the topic". "Transparency in the supply chain is an important focal point for us, which we are currently working on."

4.5.3 Code of conducts and certification of major buyers

Most of the brands that responded to the interviews had a code of conduct for their suppliers (Teekanne, Twinings, Teekampagne, Sonnentor), or a policy statement on human rights (OTG), but not all of those codes of conduct are publicly available. At least one of them, Sonnentor, was declared as not publicly available. Most of those codes of conduct rely on UN Declaration on Human Rights, the United Nations Convention Against Corruption, the Millennium Development Goals and ILO Conventions (N°1 on Hours of Work, N°5 Protection of Wages, N°29 Forced Labour N°138 on Minimum Age, N°182 on the Worst Forms of Child Labour, N°187 on Occupational Safety and Health, N°190 Violence and Harassment Convention).

One company also referred to the Business Social Compliance Initiative (BSCI). Those codes of conduct include minimum conditions for living wages, security and working conditions. Some include the right to collective bargaining. The companies that have their own code of conduct or policy statement also conduct or order audits themselves. The reports from those audits are usually not public.

Agreements signed with suppliers on the basis of codes of conduct and long-term cooperation ensure the buyers that no violations of human rights or labour rights will occur or be tolerated in the supply chain. The suppliers also agree to the possibility of on-site audits.

Some of the tea brands rely heavily on third party certification (ETP, RA or FT). ETP itself relies mainly on ILO conventions. Among the members of ETP, there are two leading importers from Germany, Wollenhaupt and OTG, but only Twinings has a publicly available code of conduct. It also works at strengthening trade unions. The other doesn't disclose to the public either its codes of conduct or the reports of its audits and their findings. It works with a private certifier to ensure compliance of suppliers with the most important social.

Twinings' code of conduct, based on the Ethical Trade Initiative has been mentioned above. This company sources its tea directly from suppliers and claims to create long-lasting business relationships. The company conducts Community Needs Assessments (TCNA), through a participatory approach with workers, farmers and their families, and publishes the results online. These findings are used to identify the priority areas as well as planning interventions to improve said conditions. The 2021 report shows 49 TCNAs were conducted in India. This show that in all 8 topics selected, the participants rated the current status with a 3 on a scale of 4, which translates into "very good/ met a minimum level of an acceptable standard but improvements are still required".

4.5.4 Tea brands best practices are limited by the structure of the tea sector in India

Even companies with the best intentions find limitations in the improvement of the revenue of tea workers. This is the case of the Germany-based company "Teekampagne", which has been buying and selling exclusively tea from Darjeeling for over 20 years, growing into the largest individual importer of tea from Darjeeling in 2021. Since 2017, they also buy and sell tea from Assam.

The company shortened their tea supply chain in order to be able to pay a higher price directly to tea producers. It pays 50% over the tea sales price to the tea producer, which is multiple times the average the producer receives with conventional brands. However, it cannot influence the revenue paid to the tea pluckers for their work, since it's determined by the Plantation Labour Act. The increased price to tea producers benefits the tea pluckers through improved working and social conditions.

A large share of Teekampagne's profit is reinvested yearly in sustainability. In assessing the current needs with the local communities, the company ensures that its CSR activities comprise a variety of actions tackling relevant issues that are a priority for the local communities.

As the situation in Darjeeling and in Assam is very different, the company's CSR projects in both regions are also different, and their focus is determined by the local communities. Those projects comprise a variety of issues such as improvement of sanitary and infrastructure, vermicomposting (Darjeeling), alternative sources of income for the local population, such as beekeeping, education of children and alphabetisation for adults (Assam).

In 20 years of working in the field in Darjeeling and Assam, Teekampagne has not encountered child labour during any of their visits. It is rather another issue that is seen as critical: the work force willing to work in the fields is getting older and thus harder to find new generations of tea pluckers.

Selling exclusively online in larger quantities and in simple packaging without excessive online marketing, they can still offer consumers competitive prices and better prices to producers. Since 2012 all their 13 tea gardens in Darjeeling are organic, EU- and fairtrade certified. In Assam, due to its location and its lower altitude, it is much harder to grow organic tea. According to Teekampagne, certification bodies are important but it is much more important to know the tea producers and visit them directly.

4.5.5 Interviews of tea sector experts

According to tea expert and author Peter Rohrsen, most CSR projects by companies are alibi projects, with some exceptions such as Tee Gschwendner and Teekampagne[84]. Since transparency is not legally binding, tea companies don't need to know where their tea originates from. The big majority of larger tea gardens export themselves under their own name. The brokers/brands who import the tea also know on which plantations the tea was grown. However, many larger brands purchase large quantities of tea, and therefore are not able to purchase tea from one tea garden alone but instead resort to buying blends,

[84] Interview with Peter Rohrsen, February 1st 2023.

consisting of teas from a variety of plantations. The exact composition of the blend and from which plantations the tea comes from exactly is rarely disclosed.[85]

According to the President of the Austrian Tea Board, the tea plantations in Darjeeling and Assam "are set up in a good way". 5 or 6 years ago the tea pluckers, who are mainly women, received a considerable wage increase. The plantations have their own school stations, medical stations and generally the plantations are functioning networks.[86]

These statements take into account numerous reports from foundations[87] and academic researchers[88]. Both feedbacks mentioned above show in their own way that transparency, true diligence and precise information are still not mainstreamed in the tea industry. When high position officers can't give a more precise a description of the social situation in the field, it means the reality of the condition of tea producers in Darjeeling and Assam is not easily disclosed.

Table 2: Overview of tea importers providing Austria

	Role in the value chain	**Code of conducts**	**Audits**	**Reports**	**Certifications**
Gebrüder Wollenhaupt GmbH	Importer and B2B trader.	Follows ETP guidelines	NPA	NPA	ETP member RA certified Fairtrade certified
Sonnentor	Imports indirectly	Yes	Planned	Planned	
Teekanne	Tea importer Long term relationships	Yes, but not public	Yes	NPA	RA Fairtrade
OTG	Importer.	Policy on human rights	Yes	NPA	ETP, Utz, RA Fairtrade
Twinings	Importer. Consumer brand.	Yes. Public	Yes		ETP
Teekampagne	Darjeeling and Assam direct importer. Online boutique	Yes	Yes	NPA	Organic Fairtrade (all)
J Fr Scheibler GmbH	Import and B2B export from Germany. Decreased imports from Darjeeling	Relies on third party certification (RA)	Conducted by RA	NA	RA

Source: Authors, fromon online resources and interviews

NPA: Not publicly available
ETP: Ethical Tea Partnership
RA: Rainforest Alliance

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[85] Interview with Stephan Krömer, head of Austrian tea board February 15th 2023.

[86] Interview with Stephan Krömer, head of Austrian tea board February 15th 2023.

[87] Fine Teas (2019)

[88] Pradhan (2021), Sanne (2008), (2011), Siegmann (2018), (2019), among others.

5 Conclusions and recommendations

5.1 Conclusions

The social and economic situation of Darjeeling's and Assam's tea production has been extensively analysed by a variety of reports within the last decade[89]. Their conclusions converge in highlighting the critical social situation in both areas, as well as the root causes of the current crisis.

Some of the main findings highlighted in this research are:

5.1.1 Human Rights in the sector in Darjeeling and Assam

- Wages and revenues of plantation workers in Darjeeling and Assam are below living wage and even beneath the minimum wage for tea estates in those states. The minimum wage set up by the industry and tripartite discussions at state level (between tea plantations, state government, and workers unions) de facto act as ceilings for wages. The wages are lower than the stated minimum wages, because social benefits, such as housing, health care or education are discounted rather than added to those wages.
- Women's wages, as plantation pluckers, are established on the basis of a given amount of tea plucked, whereas men's wages, in factories, are based on a daily allowance. This makes women's revenues from tea inferior to that of men.
- On top of their work as tea pluckers, women have to bear most household chores, preparing meals for their children and husband, tidying the house, etc.
- Women are not represented in tea workers' unions.
- Social benefits given to tea workers as part of their "revenue package" by plantations are usually of poor quality. Houses and water facilities are rarely repaired, schools provided by local districts and plantations are of lower quality, local transportation systems are deficient or inexistent.
- In India, child labour and rights issues are closely linked to the low level of wages of women, the condition of pluckers, and the lack of efficiency of unions supposed to represent and protect workers, in which women are usually not represented.
- Independent small tea growers (STG), which are more numerous in Assam than in Darjeeling, don't make a better living from tea than plantation workers, but they can complement those with secondary activities (beekeeping, vegetable farming, tourism).
- In the current situation, the social and economic rights of tea workers cannot be guaranteed.

5.1.2 The root causes

The situation of Human Rights in Darjeeling and Assam is due to a convergence of structural crises which can be described as such:

- An economic model and a balance of power in the global tea supply chain which relies on cheap prices for importers of commodity tea, demonstrating their lack of transparency and interest in the payment and condition of workers. The share that goes to pluckers is low, in direct trade (1.4 to 2.8%) as well as in the auction system (where it is on average 2%).

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[89] "Fine Teas for Starvation Wages", Rosa Luxembourg Stiftung and "Addressing the Human Cost of Assam Tea", Oxfam, both published in 2019, are the most relevant to our study.

- A segmented market with low prices to producers for the bulk of commodity tea and higher consumer prices for quality teas, which are not reflected in better incomes for tea workers and small tea growers.
- A global market which puts producer countries in harsh competition against each other. Traditional origins for high quality tea such as Darjeeling become less attractive because other countries and origins have learned to produce quality teas, presumably at lower costs.
- In India, a social and economic structure inherited from British colonisation, which places labour in the situation of indentured and almost forced labour, with women being in the worst and most constrained situation. The way the Plantation Labour Act has been interpreted and implemented in the tea sector of northern India since its creation in 1951 makes it as a tool to perpetuate this situation rather than to guarantee workers' rights.
- In Assam and Darjeeling, workers unions have been more preoccupied by their political agenda, such as regional autonomy, then by defending workers' rights. Most tea workers don't even now they register and pay a contribution to the local union, discounted from their wages.
- These unions are run by men and don't take into account the interests of women, as pluckers or at other positions.
- As a result, certifiers, such as Fairtrade International preferred, until recently (2022), to create local committees grouping workers and managers of a plantation than including workers unions.

5.1.3 Responsibility of value chain players

- There is a lack of traceability and transparency in the tea value chain. Most retailers, but also many tea importers and tea brands as well, don't know precisely their supply chains, and thus don't feel accountable for what happens on the producer side.
- However, retailers and importers continue to buy large amounts of tea at low prices. Those prices don't leave producers in India with the margins to pay their works decent wages.
- In the absence of a campaign focused on the issues highlighted in this report, consumers totally ignore social issues related to tea, perhaps owing to their complex causes.
- Many companies declare that their commitments to Human Rights rely on voluntary standards and certifications, such as Rainforest Alliance and Fairtrade International.
- The most widely used certification in the tea industry, the Rainforest Alliance, has shown many flaws in its auditing process. Fairtrade International has allowed some progress, especially on social benefits and workers representation. But both these schemes haven't succeeded in improving the wages of workers, which are below minimum and living wages. They have not proven efficient enough to bring or incite for structural changes to the system hindering the rights of pluckers and workers, especially women.
- Some major corporations active in India (Unilever, Tata) are aware of the structural crisis of the tea value chain. These corporations have sold their major estates to focus on tea branding. They have also adopted codes of conduct for their suppliers. It has yet to be demonstrated if the actions they have taken are sufficient to tackle the scale of the problem.
- Voluntary certifications have not tackled the heart of the problem, related to the history and structure of the plantation system which still organizes the major part of the production in Darjeeling and even in Assam (for more than 50% of the production). They would rather refer to the obligations mentioned in the PLA, within this system, than suggest paths to transform the system.

5.2 Recommendations

5.2.1 State of the art of recommendations

According to the BHRRC, "**Transparency** in supply chains is an essential first step to making labour rights abuses – from forced labour and gender based-violence to wage violations – discoverable and, subsequently, for these abuses to be addressed."

The BHRRC advocates for complete supply chain transparency, broader due diligence transparency, human rights and labour due diligence for tea supply chain workers. According to the Centre, complete transparency of information should also be adopted by certification bodies and tea industry associations.

Its Tea Transparency Tracker is a first step in that direction.

Conscious of the situation of human rights and the crisis of the tea sector, a coalition of players and civil society organizations have recently expressed recommendations, the first on the global tea sector, and the second directed at the situation in Assam. We could not formulate our own recommendations without giving tribute to those efforts.

The Forum for the Future published its report "**The Future of Tea - a hero crop for 2030**" in 2017, as part of the Tea 2030 project, which brought up in its steering group four major tea companies (Unilever, Finlays, Twinings and Tata Global Beverage), Yorkshire Tea, S & D Coffee & Tea, the Ethical Tea Partnership, and the two major certifiers, Rainforest Alliance and Fairtrade International.

This report expresses some important ideas. Three of its five principles engage economic players:

- To sustainable livelihoods and empowered producers
- To value chain transparency and sustainable market mechanisms
- To engaged and connected consumers

The recommendations for a sustainable future of this report embrace environmental as well as social and economic dimensions. The two last dimensions can be summarized by their titles: "Empower producers", "Help to create sustainable market mechanisms", and "Connect the consumers".

Despite this interesting expression of ideas and recommendations, not much has changed in the tea sector since 2017. Structural changes are still necessary in the tea value chain.

THIRST (The International Roundtable for Sustainable Tea) is a knowledge and action platform for civil society actors and tea industry stakeholders committed to working together to create a fair and thriving tea industry. Its recent report on Human Rights in Assam Tea Estates concludes with common recommendations, aimed at 1) Governments, 2) Retailers, 3) Brands, Traders and Packers, 4) Producers and Tea estates, 5) Trade Unions, 6) Consumers and 7) Certification bodies.

We agree with most if not all those recommendations. Our objective here, however, is to formulate recommendations highlighting the responsibilities of European actors (consumers, citizens, companies, European and governmental authorities), rather than quoting all international players of the value chain.

5.2.2 Conduct an information campaign on the social reality behind tea production

The first and necessary level of action is to inform consumers and the retail sector of the social realities behind tea production in northern India. Most consumers, even specialty tea amateurs, are totally unaware of the issues described and discussed in this report. Without this information, no pressure will be exerted on companies and traders accomplice to the current situation.

One of the main messages that could be addressed during a targeted campaign is that the low prices of regular tea in Europe come at the expense of indentured labour in Assam and Darjeeling, a situation which STG try to escape from, at considerable efforts.

This campaign would be more efficient if it was coordinated at the European level with other organizations involved in those sectorial issues.

5.2.3 Enact on due diligence and extend the directive to medium-size tea companies

This recommendation should be directed to the European authorities and the Austrian government.

Lessons can be drawn from the impact of the German Act on Corporate Due Diligence in Supply Chain and the European Corporate Sustainability Due Diligence Directive.

The current threshold of the European Corporate Sustainability Due Diligence Directive seems too high to be effective in the tea industry. This threshold is 500 employees and 150 million euros turnover worldwide. For sensitive sectors, including agriculture, the threshold is 250 employees and 40 million euros. As mentioned above, the German regulation will have to be updated to meet those thresholds.

However, these thresholds should be lowered to a level which make major tea importers accountable for the situation in their value chain. A study should be commissioned to establish a lower threshold or specific provisions adapted to the tea importing sector to Europe. Retailers should be targeted as well. Tea should be considered as a social high-risk sector along with cocoa, which is better known to the European authorities. Its participation in agriculture, targeted as one of the sectors which triggers the 40 million euros turnover rule, will bring it close to this threshold, which should however be lowered to target major tea importers in Europe.

In this way, medium and large importing companies will have to know and monitor their supply chain with due diligence, and provide solutions to prevent breaches in Human Rights at the production and trading level.

The Austrian government, as well as other European governments, will be obliged to publish a law translating the EU regulation on due diligence in its national legal system. Rather than sticking to the thresholds currently comprised within this directive, the Austrian government should lower those thresholds and increase importers' and retailers' obligations, in accordance with the result of the commissioned study, suggested above.

5.2.4 Support structural change in the tea sector of Assam and Darjeeling

India's current plantation production system should be acknowledged as an inherited indentured labour system, structurally breaching human social rights, and being in social and economic crisis. Companies as well as governments should be held accountable for changing this system into one that respects the human rights of workers, as well as gender equity, and a system that is socially, environmentally and economically sustainable for all players of the value chain.

According to the UN Guiding Principles on Business and Human Rights, it is the State's duty to protect human rights and "the corporate responsibility to respect human rights" of all stakeholders, including the most vulnerable: its estate workers and smallholder farmers. The Indian government and the producing states are thus accountable for the current situation, and should elaborate new appropriate policies in order to change it. In no case should social benefits be discounted from minimum wages. The minimum wage should also be aligned with living wages, as defined by the Global Living Wage Coalition.

The calculation of living wage in tea production districts should be supported by international cooperation efforts by multilateral bodies.

The existence of a growing number of STG and BLF illustrates that structural changes are underway, at least in Assam. This more modular organization of the supply chain could be a tool to achieve a fairer and more transparent sharing of the consumer value for tea. These two segments of smaller-scale tea production and processing should be supported to engage into a sustainable transition through long-term business partnerships. Importers and consumers can support these segments by buying from them and paying better prices for tea leaves.

5.2.5 Importers and retailers

Tea trading companies as well as retailers, have an important responsibility in reducing poverty and human rights breaches in northern India. As explained above, if the threshold of the European Corporate Sustainability Due Diligence Directive is lowered to include a larger number of actors, it will be an effective tool to force all bigger companies to act.

Not only will it push both the tea trading and retail companies to find out more about their value chain – it will also help to create awareness for the issues within tea production. Dealing with its own due diligence will also foster a conversation that is currently seemingly non-existent on a company level, namely: which impact do the actions of each individual company have on the multitude of actors within their value chain.

Additionally, due diligence should be a shared responsibility of tea trading companies and retailers to ensure that the prices at the point of sale are sufficient, ensuring that everyone within the value chain receives a fair share of the profit.

5.2.6 Voluntary certifications should propose transformative solutions

The most widespread voluntary certifications have proven to be poorly efficient in supporting change in the tea value chain. Rainforest Alliance (RA) and Fairtrade operate within the current system inherited from the plantation system implemented by the British colony, and only offer accommodation to this system.

However, Fairtrade International (FT) provides some instruments to move into this direction, such as workers' committees which do not have the gender and political bias of the local trade unions. Recently, FT has changed its standards. The new standards (2021) require that plantations ("organizations using hired labour") define a gender policy. The Fairtrade Compliance Committee will also have new tasks in monitoring, prevention, and remediation of forced labour and gender-based violence, gender policy, decent youth employment, treatment and compensation, regular assessment of housing, washing and sanitary facilities, purchases and sales of green tea leaves.

The following requirements have been updated: child labour and hazardous work for children under 18 years as well as temporary worker contract, health and safety risk assessment, workers' housing and sanitation facilities, training trade union/elected workers' representatives, raising awareness about Fairtrade, audit results shared with workers, annual general assembly, sustainability margin, compliance with national law, pre-finance, retro-certification. The part of the Fairtrade premium that can be used by the plantation to ensure its sustainability is now limited to 20%.

While going in the right direction, these standards don't explicitly target a transformation of the plantations system. According to observers[90], as long as the market share for Fairtrade tea, meaning higher wages and revenues for workers, is not higher, more stringent standards won't be effective in improving those revenues. Investigator K.A. Siegmann summarizes Fairtrade International's current

[90] Consultants for Commerce Équitable France.

challenge with this sentence: “Fairtrade focuses on social compliance on the estate rather than on redistribution in the value chain. This has shifted attention from labour justice in South-North trade relations to labour governance at the level of the State.” Her policy brief “suggests steps towards a worker-driven Fairtrade approach on South Asian tea plantations.”, consistent with Fairtrade’s ambition to move beyond the traditional Corporate Social Responsibility (CSR) paradigm of social compliance.[91]

According to us, FT International and RA should thus each be encouraged to elaborate more decisive standards, which could then attract more informed consumers. RA should specifically be encouraged to improve its audit mechanism. FT should push its market share (0.5%) closer to its potential (10%).

Structural changes are necessary in the tea value chain, and all efforts are needed to trigger them. The issue is now to connect efforts of value chain actors to move the tea industry and the value chain in this direction.

[91] Seligmann (2018).

Annexes

Acronyms

Acronyms	Meaning
ACMS	Assam Cha Mazdoor Sangha
BLF	Bought Leaf Factories
BHRRC	Business & Human Rights Resource Centre
BTG	Big Tea Growers – plantations above 10.12 has
BSCI	Business Social Compliance Initiative
CIF	Cost, Insurance, Freight
CTC	Crush, Tear, Curl i.e. industrial tea, as opposed to "orthodox tea"
CSDDD	Corporate Sustainability Due Diligence Directive
DBITA	Darjeeling Branch Indian Tea Association
EPF	Employee Provident Fund
ETF	Employee Trust Fund
ETI	Ethical Tea Initiative
ETP	Ethical Tea Partnership
FOB	Free on Board
FT	Fairtrade
GCE	General Certificate of Education
GDP	Gross Domestic Product
GLWC	Global Living Wage Coalition
IFOAM	International Federation of Organic Agriculture Movements
IGG/Tea	Intergovernmental Group on Tea (FAO)
ILO	International Labor Organization
PLA	Plantation Labour Act
SCOPE	Season, Cultivar, Origin, Pick & Processing, Elevation
SOMO	Stichting Onderzoek Multinationale Ondernemingen Centre for Research on Multinational Corporations
SPP	Small Producers' Symbol
STG	Small Tea Grows (up to 10.12 ha of tea)
TBI	Tea Board of India
THIRST	The International Roundtable for Sustainable Tea
VC	Value Chain

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Codes of conduct & Certifications

Ethical Tea Initiative

Fairtrade International

Rainforest Alliance

Twinings Ovaltine Code of Conduct

List of interviews

Brand name	Type of player	Function	Date of interview or answer
Sonnentor	Austrian organic food and spices retailer	CSR Team	24.01.2023 through email
Tee Kampagne	German tea importer and retailer	Business Development	26.01.2023
Deutscher Tee und Kräuter Verband	German Tea and Tisane Board	Office of the Secretary General	27.01.2023 through email
Peter Rohrsen	Tea expert and author		01.02.2023
J Fr Scheibler GMBH	German Tea importer and B2B retailer	Commercial Director	06.02.2023
Österreichischer Teeverband	Austrian Tea Board	Stephan Krömer	15.02.2023
Gebrüder Wollenhaupt GMBH	German Tea importer and B2B retailer	Tea trader	21.02.2023
Teekanne	German Tea importer and tea retailer (B2B and direct to consumers)	Tea importer	28.02.2023
Twinings	British tea importer and retailer (B2B and direct to consumers)		Declined to participate in interview
Ostfriesische Teegesellschaft (Milford/Meßmer)	German Tea importer and tea retailer (B2B and direct to consumers)		No reply
Julius Meinl	Austrian retailer		No reply
Spar	Dutch supermarket chain		No reply
Billa	Austrian supermarket chain owned by Rewe Group		No reply
Demmers Teehaus	Austrian tea retailer		No reply
Tee Gschwendner	German tea importer and retailer	Employee	Declined to participate in interview
Paper&Tea	German tea importer and retailer		No reply

Alnatura	Organic tea retailer		Declined to participate in interview
J. Hornig	Austrian coffee retailer, also has a tea line		No reply

Summary of interviews

1) Teekanne

Teekanne usually imports directly from regional tea farmers and create long term business relationships with them.

According to their website, Teekanne regularly questions and checks compliance with the social standards at the point of origin. They have a code of conduct for suppliers and assist in implementing this code into practice. Neither the reports, nor the code of conduct are publicly available.

During the last years, the company has been working with IMO - Ecocert IMOswiss - to ensure compliance with the most important social standards and identifying need for action with their suppliers.

Their teas are Fairtrade certified and their black teas are Rainforest Alliance-certified.

2) Ostfriesische Tee Gesellschaft (OTG)

OTG sells tea in Austria via the brands Milford and Messmer. They import their black and green teas directly from the country of origin - it is however not clear from their reports if this includes other actors or is done directly from the plantation.

OTG is a member of the Ethical Tea Partnership. Their products are certified by ETP, UTZ / Rainforest Alliance and Fairtrade. In their sustainability progress report of 2020, they outline which steps they take to ensure their social commitment. On the tea plantations which they source from, they state to pay living wage, to offer fair working conditions and equal opportunities and to improve the ecological conditions within the tea plantations.

They conduct regular audits in the tea companies and implement the core ILO conventions. They have developed a policy statement on human rights, which is publicly available and which they share with the actors within their supply chain. They work on improving the working and living conditions of smallholder farmers and their employees. They work on strengthening the farmer's trade unions. They are committed towards sourcing 100% of their black and green teas from sustainable sources by 2030.

3) Twinings

Twinings sources their tea directly from suppliers and sourcers around the world. They work with forward contracts and create long-lasting business relationships.

The company has a programme called "sourced with care", where they outline their social commitment. They have published a code of conduct for suppliers, production sites and their own operations. The code of conduct is based on the Ethical Trade Initiative Base code and the main conventions of the International Labour Organisation.

Twinings conducts Community Needs Assessments (TCNA) to understand the communities along their supply chains, which are participative focus groups for workers, farmers and their families. The TCNAs focus on a variety of topics such as water sanitation, children's rights, labour standards, land rights, livelihoods, etc. The TCNA report from 2021 is online on their website. 49 TCNAs were conducted in India. Those showed that in all topics the participants rated the current status with a 3, which translates into "very good/ met a minimum level of acceptable standard but improvements are still required". These findings are used to identify the priority areas as well as planning interventions to improve said conditions. Twinings partners with NGOs, government industry associations and local communities and are a founding member of the Ethical Tea Partnership.

4) Teekampagne

The Germany-based company “Teekampagne” has been selling tea exclusively from Darjeeling for over 20 years. In 2017 they also added tea from Assam to their assortment. They reduce the value chain of the tea to a minimum in order to be able to pay a higher price to the tea producers directly. In 2021, they imported a total of 350 tons of tea and sold to over 200.000 customers, which means they have grown into the largest individual importer of tea from Darjeeling.

Teekampagne pays over 50% of the tea sales price to the tea producer, which is multiple times the average the producer receives with conventional brands. Since the plantation labour act determines how much a tea plucker receives for their work, the increased wage to the tea producers still benefit the tea pluckers since it is used partially to improve the working conditions. Teekampagne conducts frequent, unannounced visits to the plantations they work with. Their 13 tea gardens in Darjeeling are organic, EU- and fairtrade certified. Due to its geographic location and altitude, this is harder to achieve in Assam. A share of their profit is reinvested yearly in sustainability projects for instance on large-scale afforestation with WWF.

In assessing the current needs in Darjeeling and Assam with the local community, they ensure that their CSR activities comprise a variety of relevant issues that are also a priority for the population.

Teekampagne imports directly and sells their products exclusively online, in larger quantities and in simple packaging without excessive online marketing. Since the company is working with only a handful of tea producers, they frequently visit the gardens and have ongoing business relationships with them, many of which over several decades. On each bag of tea, the customer can find the charging number of the tea as well as information of the plantation.

In 2021 they sold a kg of tea on average for 34.50€ of which 18.32€ (56,82%) went directly to the tea producer - which is multiple times the average the producer receives with conventional brands.

It is not possible for them to influence how much the tea pluckers receive for their work, since it’s determined by the Plantation Labour Act and since they don’t own the plantations directly. According to the interviewee, a crucial issue at the moment is also the way the wages of the tea pluckers is negotiated. Many of the trade union members who are involved in the talks, rather than representing the voice of the pluckers, have a political agenda.

As in general in the agricultural sector, finding younger people that are willing to work in the fields is an issue. As a result, the workforce grows older and tea producers are worried about the next generations of tea pluckers. In order to find new workers, they need to show that they are running a plantation that is attractive to the potential workers. Thus, the plantation owners invest more in the circumstances or working conditions.

Since Teekampagne are frequently in the area, they visit the plantations regularly and unannounced. Since 2012 all their 13 tea gardens in Darjeeling are organic, EU- and fairtrade certified. In Assam, due to its location and its lower altitude, it is much harder to grow organic tea. According to Teekampagne, certification bodies are important but it is much more important to know the tea producers and visit them directly.

A large share of their profit is reinvested yearly in sustainability projects. In 1992, they started a large-scale afforestation project together with WWF, which is still active today.

According to Teekampagne, the situation is very different in Darjeeling compared to Assam. In Darjeeling the general education of the population is higher and the alphabetisation rate is around 90% and more. In Assam, poverty is prevalent, school drop outs are high and alphabetisation rates are low. Thus the CSR projects in both regions also differentiate. The focus of the CSR activities are determined by the local communities that live in Darjeeling and Assam and comprise a variety of issues such as improvement of sanitary and infrastructure (e.g: rainwater collection, vermicomposting (Darjeeling)), alternative sources of income for the local population (e.g: bee keeping project (Darjeeling)), education (e.g: buying a school bus to allow older kids to access higher school education, alphabetisation courses in the evenings for adults (Assam).

In 20 years of working in the field in Darjeeling and Assam, Teekampagne has not encountered child labour during any of their visits. It is rather another issue, that the work force willing to work in the fields is getting older and thus harder to find new generations of tea pluckers.

5) Sonnentor

Sonnentor has very few black teas from Darjeeling and Assam. They collaborate with one partner in India to import the teas.

The company has set up long-term cooperation agreements with tea plantations and have required all their suppliers to sign the Sonnentor Code of Conduct, including their partner in Darjeeling. This Code of Conduct is based on the UN human rights, ILO labor standards, BSCI code of conduct, Sustainable Development Goals and OECD guidelines.

This signed agreement assures Sonnentor that no violations of human rights or labour rights will occur or be tolerated in the production chain. Thus, all companies are committed to appropriate values in their supply chain, which is also part of our supply chain. The suppliers also agree to the possibility of a personal on-site audit. Since this is gradually implemented for the entire supply chain, they are also planning a CSR audit in this tea region in the near future.

6) J.Fr. Scheibler

J. Fr. Scheibler is a tea import and export company based in Germany, who also provides large retailers such as supermarkets with their teas, including some retailers based in Austria. J. Fr. Scheibler imports tea from Assam and Darjeeling and sells it either as a “pure” product or in tea mixtures directly to other B2B customers. For J. Fr. Scheibler it is not possible to know how much of their tea is ultimately exported to Austria, since their customers are large companies who sell in a variety of countries.

J. Fr. Scheibler rarely buys from auctions - mainly if a producer they already know sells tea at an auction. Most of their teas comes directly from the tea producers with whom they have long term business relationships with. This is, according to the interviewee, the most important way of buying tea since it’s the most reliable way to ensure the quality of the product.

J. Fr Scheibler has decreased imports of Darjeeling tea over the last years. According to Mr. Chraga, this is due to the fact that a variety of regions of the world have started to export high quality tea and thus Darjeeling has lost a part of its unique selling point.

Regarding CSR, J. Fr. Scheibler puts emphasis on third-party accreditation such as Rainforest Alliance. According to the interviewee it is hard to measure CSR since for instance being a “fair importer” who is interested in a long-lasting business relationship is not valued enough. For instance, if a tea producer sends a contaminated product - according to CSR indicators it would be legitimate to stop working with a producer, putting the producer's tea plantation and thus all its workers at risk. The company works on understanding how this mistake could have happened and focuses on solving such issues while still working with the tea producers.

According to the interviewee, their power as buyers is limited, due to the overall small amount of tea they purchase from the tea producers. When asked about the due diligence law in Germany, the interviewee explains that due to the small size of the company it's impossible for them to know about every single plantation they work with and thus need to rely on 3rd party certification bodies. The interviewee also confirms that in the new German law, it is not clear what is expected or how brands are meant to comply in practice. They explain that the tea sector is a very regulated import sector, so in the background "a lot is already on the right track".

7) Gebrüder Wollenhaupt GMBH

The Wollenhaupt GMBH is a tea company based in Hamburg, which was founded 150 years ago. The 4th generation family-run business imports tea to Hamburg but also processes, mixes and packages teas for their B2B consumers. They import both tisanes and teas from various tea regions of the world.

Wollenhaupt currently imports tea directly from Assam and Darjeeling, which they purchase directly from the producers, some of which are individual tea plantations while others are larger groups of tea plantations. The tea is shipped via boat to Germany, where it's processed and stored before being sent to the B2B customers, a minority of which are based in Austria.

In general, the interviewee explains that they are interested in long term business relationships with their suppliers. However, the recent years have made this more complicated, since the raw procurement from India has been getting increasingly more difficult during the last decades. Climate change already has a big impact on the quality of the tea leaves, which forces the company to switch producers in some cases. In addition, India has a growing national consumption of black tea, so less tea is available to foreign importers. Wollenhaupt GMBH does not import from the tea auctions in India, since here the quality of the tea required for Europe cannot be ensured.

Regarding CSR, the Wollenhaupt GMBH is a member of the ETP. Their teas are Rainforest Alliance certified, and in most cases also Fairtrade certified. Since the interest in organic tea is growing steadily, the imported tea is in many cases also organic. There's a number of factors, which are relevant when choosing new suppliers such as quality, organisation on the plantation, regularity of shipping, etc. Regarding CSR and signing ETP with new suppliers, the Wollenhaupt GMBH follows the framework and recommendations of the ETP.

The new due diligence law, which is already active in Germany, isn't directly influencing the work of the Wollenhaupt GMBH since the company is too small in size. However, a number of their B2B customers have requested information and are obligated to ensure due diligence in their supply chains. So ultimately, the law does force the Wollenhaupt GMBH "to face the topic". "Transparency in the supply chain is an important focus point for us, which we are currently working on." During the corona pandemic, the amount of tea plantation visits was limited, however now they are starting to conduct on site visits again.

8) Points of view of tea sector experts

According to tea expert and author Peter Rohrsen, most CSR projects by companies are alibi projects, with some exceptions such as Tee Gschwendner and Tee Kampagne[92].

Interview with Stephan Krömer, head of Austrian tea board February 15th 2023.

Since transparency is not legally binding, tea companies don't need to know where their tea originates from. The big majority of larger tea gardens export themselves under their own name or the

[92] Interview with Peter Rohrsen, February 1st 2023.

brokers/brands who import the tea directly know on which plantations the tea was grown. For many larger brands however, due to the large quantities they purchase, they are not able to purchase tea from one tea garden alone but instead resort to buying mixtures. These mixtures often consist of teas from a variety of plantations and it is often unknown from which plantations exactly.

According to the president of the Austrian Tea Board, the tea plantations in Darjeeling and Assam “are set up in a good way.“ 5 or 6 years ago the tea pluckers, who are mainly women, received a considerable wage increase. The plantations have their own school stations, medical stations and generally the plantation is a functioning network.[93]

[93] Interview with Stephan Krömer, head of Austrian tea board February 15th 2023.