

VALUE CREATION: THE DYNAMIC POSITION OF POLICY CHANGE IN THE
GLOBAL TEA INDUSTRY

by

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THESIS ABSTRACT

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Title: Value Creation: The Dynamic Position of Policy Change in The Global Tea Industry

In this sector analysis I report on my investigation of the International Smallholder Tea Sector and its incorporation into global policy spheres. “Globally, tea smallholder sector covers 70% of the plantation area and produces 60% of the global tea production volume (UNFAO, 2017) Therefore, I argue that smallholder farmers should play a greater role in creating value through representation in dynamic policy discussions, such as the UNFAO Intergovernmental Group on Tea. I address how small landholders are economically developing and overall industry strategy. I suggest governance structures in order to address challenges and opportunities in future development and specifically look at the dynamic position of global policy making and industry trends, as they pertain to the potential for sustainability and long term-success of this important industry. My regional emphasis on South Asia provides a setting to focus on shared global trends as they pertain to social, cultural, biological production atmospheres.

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CHAPTER I: INTRODUCTION

Introduction to Tea Industry Sector Analysis:

This report is a sector analysis that takes a human development lens to social, environmental and economic restructuring of the tea industry from colonial-style tea plantations, established by the British, to an entrepreneurial present with the rise of small-landholder production in South Asia. Through a close study of industry trends, historical implications, and political representation, I aim to provide a comprehensive investigation into the complexities of the current industry. There is an increasing trend in the number of global tea producers who cultivate tea on small areas of land, in contrast to the dominant trend of industrial plantation production. By looking at similar producing strategies shared by smallholder farmers I aim to shed light on this global agricultural trend to benefit the sector and support the overarching sustainable development of the global tea industry.

The main research question that I pursue throughout this document is: Can the increased presence of smallholder tea cultivation, from subsector to dominant industry, necessitate a shift towards greater value chain inclusion, equitable wealth distribution, and contribute to the wellbeing of those who participate in the industry? Is there space to incorporate smallholders directly into inclusive governance and representation? I address these questions through a multitude of experiences and vantage points including: historical studies of tea cultivation, attendance at the UNFAO Intergovernmental group (IGG) intersessional meeting and International Tea Convention in 2017, employment within the tea industry in the United States, and my studies at the University of Oregon on International Development.

My investigation of tea started in 2010 after pursuing my undergraduate degree and fulfilling an opportunity to travel to Tibet, China, and India where tea consumption is a practical, spiritual, and daily commitment. My fascination with the tea industry started with the pursuit of understanding why tea, among other beverages, holds significant social importance – whether it be for peace negotiation, trade, interpersonal conversation, or relaxation. Due to its broad global consumption, I saw tea as an ideal subject lens to understand complex global processes and interactions.

Tea is a fascinating social subject based on the sheer numbers of human who habitually consume this beverage daily. Towards the beginning of my academic program at the University of Oregon, my interests drew me to tea cultivation and how humans in tea production interact with their growing environment. While, this aspect of tea production is centered in human experience (and still holds an important place in my tea journey) I had the opportunity to explore a broader global subject of an important agenda item for policy makers and growers alike - the rise of tea production in small holder farming scenarios.

The overarching purpose of this study is to share the importance of the growing smallholder subsector and argue for increased economic and social value through the sector's formalization. By the means of receiving the same services and opportunities as the plantation sector, and inclusion within the global policy sphere, the sector will be further legitimized. In this case, formalization means that the smallholder sector would be acknowledged as a significant contributor to global tea production, and therefore warrant an increase of appropriate services provided by national governments. Formalization would also translate to smallholder representation in political spheres to address social, economic, and environmental concerns. These matters help to place value on objectives that are not

solely economic.

This sector analysis provides a set of suggestions that I have developed as a result of researching agricultural commodity trends, information dissemination industry participants, global value chains, and peasant agriculture movements. I also look to create new perceptions of human value since humans play an integral role in every aspect of tea production.

My regional emphasis on South Asia yields perspective on global trends because they pertain to similar social, cultural, biological production atmospheres as other producing regions. To situate my overarching industry recommendations I utilize the United Nations Food and Agriculture Organization Intersessional meeting for the Intergovernmental Group (IGG) on tea accompanied by other policy reports by the IGG. I address inclusion in the FAO as representation of one case of governmental inclusion. This does not suggest that the FAO IGG is the only political space for smallholder inclusion, as there are other local and national spaces that will also benefit the long term sustainability of the industry. However, the IGG provides a critical space to assess the smallholder subsector situation and provide insight on future developments.

The UNFAO IGG intersessional meeting was held on August 12-13th, 2017 in Colombo Sri Lanka and coincided with the International Tea Convention and celebration of Sri Lanka's 150th industry anniversary. Prior to attendance I spent time touring numerous factories and gardens in India, Nepal, and Sri Lanka. Along with my long term investment in researching the tea industry, these experiences provides the grounds for the industry reforms that I suggest towards the end of this document.

Tea Cultivation and The Tea Value Chain:

The definitions of smallholder farmers differ from country to country. However, these growers share many similarities in access to resources, including information dissemination for good agricultural practices. “In Kenya, it means a grower cultivating tea but does not possess his/her own processing factory; in Sri Lanka, an area of land less than 50 acres (20.2 hectares); in India, a holding less than 10.12 ha and does not possess his/her own tea processing factory; and in Indonesia, land size between 0.8 to 2 ha and sell tea leaves without processing. However, the average land holding in most countries, tend to be on the lower side. For example, the average size in Indonesia is less than 0.4 ha, 1.6 ha in India and more than 80 percent of small-holders in Sri Lanka hold less than 0.2 ha” (UNFAO, 2012). The FAO acknowledges the importance of increased engagement in this subsector as many farmers see small tea production as viable.

Camellia sinensis, tea, has historically been cultivated as a monocrop on large plantation systems. “Tea plantations are large landholdings where laborers produce commodity crops for global consumption... , plantations depend for their success on the continued bondage of laborers to land” (Besky, 2017, 7). The structuring of plantations has resulted in a linear supply chain that inequitably distributes wealth, resources, and access to health and safety. It is important to consider the producer as a vital aspect of the supply chain, due to the fact that without producers, the final agricultural product would not exist. While precious to the system of production, producers and pluckers are often the most economically marginalized because of their history of dependence on the hierarchy of the production system. Therefore, from the perspective of sustainable development, it is important to explore dynamic solutions that work towards far reaching and supportive

systems for producer and more equitable wealth distribution along the tea value chain.

While plantation systems have been the dominant form of production in post-colonial societies, the rise of smallholders is important to consider. In many cases smallholder production has surpassed the production of plantations. As reported by the United Nations Food and Agricultural organization, “There are more than 400,000 smallholders in Sri Lanka who accounts for 76 percent of the tea production volume, produced in 64 percent of the tea plantation area. In Kenya, an estimated of 560,000 smallholders accounts for 62 percent of the total tea production volume, while in China and Vietnam, the tea production volume is essentially dominated by smallholders. In Indonesia, smallholders account for 43 percent of the tea plantation area and only 23 percent of the total production volume. In India, an estimated of 160,000 smallholders accounts for 26 percent of the national production volume.” (UNFAO, 2017, 2). Thus, it is important to consider this sector of tea production for rural economic development and overarching political security.

To shed light on economic structural shifts within the tea industry, I examine prominent trends in India, Kenya, and Sri Lanka, all of which are industries operating in a postcolonial setting with growing small landholder tea sectors. This shift away from the welfare system of plantation growing to independent entrepreneurial growing of small landholder (often facilitated by contractual agreements with bought leaf factories, which exists to purchase and process tea from producers who do not own their own facilities) signifies a major structural shift away from a deeply established plantation structure of colonial past to a more economically interdependent system.

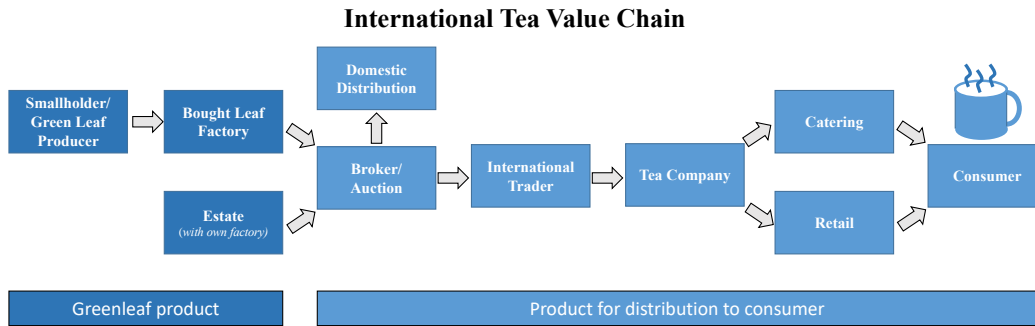


Figure 1: International Tea Value Chain (van Reenen, M, Panhuysen, S, Weiligmann, B 2010) (Adapted from Lacoto, 4) Here you can see the basic structure of the tea value chain. Not shown is the brokers that sometimes exist as intermediaries between the smallholder and the bought leaf factories. The number of hands that tea needs to pass through increases the complexity of the value chain and the inequities experience in wealth distribution.

CHAPTER II: THEORY AND LITERATURE

In this chapter I will review the literature of influential academics and set a theoretical foundation to address my thesis. I pull from multiple disciplines, such as anthropology, geography, and political economics to provide structural and critical perspectives. All of these influences take global approaches to development and acknowledge a multitude of factors outside of a housed discipline. To me this interdisciplinary approach provides balance and insight into the complexity of any social change. This is evident in addressing the variety of needs faced by the global tea industry and the emergence of smallholders. I also embrace the social transformation of peasant movements supported by evidence from prominent global value chain academics in order to establish the setting for social upgrading within policy discussions. These theoretical perspectives are present to encourage actionable steps and policy recommendations.

Arjun Appadurai is a culture and development theorist who writes the prominent text: *Modernity at Large*. I pull from this text to explore the concept of value and definitions of culture. The direct correlation with Appadurai's text and policy change that I communicate is that new concepts of value will help to endure the challenge of committing to socio-economic change, and in turn, more inclusive governance structures. James C. Scott writes *Weapons of the Weak: Everyday Forms of Peasant Resistance*. I utilize Scott's work to acknowledge the agrarian struggles and resilience that exist in both smallholder tea and peasant production environments. Sarah Besky, who writes *Darjeeling Distinction* is the catalyst of theory and applied research. She is influenced by prominent geographers and cultural theorists, such as Appadurai. She has influenced my research direction and dedication to exploring the complexities of the industry. Her knowledge of Nepalese and

her gender identity enabled a longitudinal field research investigation into the deep culture of production pluckers, who in Darjeeling are majoritively Nepalese speaking women. Besky takes a human development approach to her work as she integrates the important topics of identity, plantation history, and labor rights. Her work is grounded in understanding the importance of historical industry structure, which I see as a critical step in comprehending the contemporary transition of the rise in smallholder production. Most importantly, I was influenced by each of these theorists and practitioners due to their expertise in value, power, and human development. Their critical perspectives legitimize the theoretical standings of my argument to establish new forms of value and inclusive policy development.

Imagined Landscapes and Value:

As a radical response to power dynamics within the global commodification of goods, Appadurai engages spatial and relational dynamics of globalization. “Globalization has shrunk the distance between elites, shifted key relations between producers and consumers, broken many links between labor and family life, obscured by the lines between temporary locales and imaginary national attachments” (Appadurai, 10). Here he introduces the concept of imaginaries, which is a critical piece in social change for policy development. On one hand, an imaginary might be a constraint or a reductive perspective – such as viewing a process as solely economic. There is great importance in considering imaginaries as a space to hold social capital and embrace the flexibility of culture.

A new imagined landscape can demonstrate human potential for innovation, especially in social scenarios. In this theoretical space, we can conceptualize and embrace power change. “The image, the imagined, the imaginary - these are all terms that direct us

to something critical and new in the global cultural processes, the imagination as a social practice. No longer mere fantasy, no simple escape, no longer elite pastime, and no longer mere contemplation, the imagination has become an organized field of social practices, a form of work, and a form of negotiation between sites of agency and globally defined fields of possibility” (Appadurai, 31). New imaginaries of value have political power to equalize historical imbalances.

The definition of imagined landscapes set the scene for examining the emergence of global and local dynamics in commodity flows. From a political economic stance Appadurai emphasizes historical implications of power over others. Here he writes that the local embodiment of globalization... “it is rather a site for examination how locality emerges in a globalizing world, of how colonial processes underwrite contemporary politics, of how history and genealogy inflect one another, and how global facts take local form” (Appadurai, 18). This directly relates to the colonial history of tea cultivation, those who have been economic and social subordinates as a result of the overarching commodity flows. However, contrary to history is the human ability to change an imagined landscape - or world imaginaries. “An important fact of imagined worlds (and not just in imagined communities) are thus able to contest and sometime even subvert the imagined worlds of the official mind and the entrepreneurial mentality that surround them” (Appadurai, 33). It is here we can see the spirit of human potential as a social catalyst to change how manifesting a global commodity, like tea production, can transform.

Value Imaginaries:

Historical accounts that grounded in place demonstrate that the worker experience shapes the social agro-environment. The tea plant developed along with the available labor

and resources for laborers to survive on plantation properties. “The lifecycle of a plant, even an industrialized one, shapes the social and moral economic conditions in its landscape. Tea, like cotton, coffee, and cane helps set the terms of its own industrialization. (Besky, 2014, 66) The growing environment for the plants holds value and so does the experience of those who in the system. Besky encourages the reader to see past a simplistic economic system towards a moral system that builds capacity for long-term sustainability. “Contextualizing plants and the agro-environment within a larger moral economic system highlights how historical processes of trade, cultivation, and capital accumulation inform local frameworks for social and environmental sustainability.” (Besky, 2014, 66)

New ways of valuation that contain moral weight may help to work towards creating a desirable growing community. Currently, worker absenteeism is a challenge faced by many plantation owners and managers. Without social value and human development potential the fate of tea growing may be dire. In *Darjeeling Distinction*, Besky writes of her experiences interviewing workers, which accounts for the history of “industri” which has transitioned to “biznis.” As one might imagine there has been a social transition in the level of capacity to care for plantation workers. Many of the workers spoke nostalgically of a time when managerial practices returned resources and investment to the plantation. “In interviews, laborers used the planting of tea in such areas (steep areas at risk of erosion) as an example of how Darjeeling tea “industry” has become a “business.” In workers’ words, an *industriko manchhe* (person of industry or good planter) reinvested profits, planting trees (or refraining from cutting them in the first place), “training jhoras to prevent landslides, securing water sources for laborers’ use, and crucially replacing withered “old” tea bushes with healthy new ones on a regular basis.(Besky, 2014, 62 DJ)

Two-fold the pressures of management to cut cost comes from the economic valuation of tea, which globally deserves more investment if workers are to receive more alongside the appropriate systems to support the upward mobility and capacity of growing to make a life of dignity. These come along with the desire to grow more – often sacrificing replanting since saplings take five years before they can begin to produce a tea crop. “Though they were relatively powerless in the era of bisnis, workers understood that power in a moral economic system based on nonmonetary exchange comes not from accumulating but from giving – from providing care in the right ways. (Besky, 2014, 179) This nostalgia of a moral history is a realm in which we can learn the pervasiveness of moral attributes and the social commitment that it creates.

Scott writes of economic and social shifts overtime and complements Besky’s attention to shifts from “industri” to “bisnis” scape of the production scenarios. “The shift in the balance of economic power has also allowed rich farmers to eliminate or curtail a host of social practices that were part and parcel of the earlier scheme of production relations: feast giving,...loans and advance wages, and even much of the social recognition and respect previously accorded to poorer villagers. What has occurred, in short, is that those facets of earlier relations of production that are no longer underwritten by the material interests of wealthy farmers are being abandoned piecemeal or wholesale. (Scott, 305) Widening wage and social gaps have established unsustainable production spaces. “Such domination (economic power) is not simply imposed by force but must assume a form that gains social compliance. If it is to work at all, it requires that the weaker party – if only publicly – acquiesce in the euphemism” (Scott, 307)

The pressures to produce more – to be competitive in the global market – is related

to Marx's concept of alienation of the work force. Appadurai acknowledges the disparate conditions experienced by producers and consumers when commodities are shipped across the globe. "The locality (both in the sense of the local factory or site of production and in the extended sense of the nation-state) becomes a fetish that disguises the globally dispersed forces that actually drive the production process. This generated alienation (in Marx's sense) twice intensified for its social sense is now compounded by a complicated spatial dynamic that is increasingly global" (Appadurai 42). It's imperative that with the process increasing globalization we acknowledge the geospatial reality of producer consumer relations for exported goods, where producer and consumer culture may be geographically separate. Meanwhile, the stakeholders and good governance structures have potential to support producers through more interconnected complex global scenarios.

One way to encourage agency for small producers, and paradigmatic shifts in the way we envision how tea is valued, is through a green leaf purchasing schemes. Small landholder systems have begun to surface in large industries such as coffee. "Instead of promoting investment in the viability of working bodies, as in the plantation system, the proposed new system would promote direct investments in sustainably produced green leaf" (Besky, 2016, 15). Besky equates the small producers model to that of coffee producers who have a standardized purchasing model of unprocessed product, which is less dependent on sensory experience after processing. "If we are to take seriously the kinds of embodied relationships between the producer and product imagined in artisan or (supposedly) sustainable commodities, we must also attend to what kinds of embodied relationships those alternatives might supplant" (Besky, 2016, 6). The small grower model is still influenced by the embodied relationships that manifest from the auction brokers'

interaction with tasting tea as a valuation process. The civic obligation to support these producers is paramount. If there is a shift to a policy structure where small producers contribute to economic, environmental and social decisions, wealth and opportunity may be distributed more equitably and ensure producer agency.

Culture of Production:

To understand why there has been some dissolution of plantation structure and the emergence of smallholder growing operations we must look to the living history of colonial plantation environments. Sarah Besky acknowledges the value and responsibility embodied by the historical systems. “The plantation was lived and worked in, not on. Attention to this process of working-in forces a reevaluation of plantations as solely “industrial farms” or “factories in the field,” or even feudal vestiges. The recognition that plantation work is not only environmental work but also a form of social reproduction produces more complex moral expectations between labor, management, and the landscape. (Besky, 2014, 86) Thus the agricultural production environment has developed in tandem with the humans who labor and live on the land and the market forces of both the colonial past or the contemporary reality.

There is no doubt that market drivers can reduce the production system to economics. As Besky writes, “Tea plantations, then, are large landholdings where laborers produce commodity crops for global consumption.” (Besky, 2014, 7) This, too, is one cultural view of production that relies on market forces that translate to economic realities. “Commodity crop production on plantations still fuels consumption in the former material metropolises. In the market, after all, power tilts to large-scale producers who can turn out low cost products. Both plantations and industrial farms can deliver such products, but as a

rich vein of anthropological work has shown, the plantation is distinct socially and historically from the industrial farm (Besky, 2014, 6) This push and pull of industrial objectives versus hand plucked production still shape the global landscape that translates the raw product from producer to consumer.

Plantations share similar structures to feudal systems of production evident in the welfare system that houses, feeds, cares for, and employs those who live in the plantation labor lines. This juncture is where Besky and Scott theoretically join. Besky refers to James Scott's work claiming, "that the numerous definitions of "the peasantry" share two elements in common: (1) a peasant is a "rural cultivator whose production is oriented largely toward family consumption...this defines his central economic goal"; and (2) a peasant "is part of a large society (including non-peasant elites and the state) that makes claim upon this, in a sense defines his potential human antagonists (or collaborators) in attaining that goal. (Besky, 2014, 7) Here we can see that economic incentive has played an intrusive role of establishing historical embedded economic subordination of peasants. Plantation workers and smallholders can be associated with definitions of peasant production.

Yet, the plantation is an industrial production, and so are the efforts of small holders who aim to supply the globe its demand of tea. Besky writes on the seemingly contradictory plantation culture. She notes, "the plantation certainly contains elements of a seemingly bygone era of bonded or sharecropping labor, but it also reminds us of the capitalist industrial agriculture system that brings us strawberries in December, in that it features large-scale production of single crops in an ecologically intensive and sociologically hierarchical manner. But plantations also contain elements of "peasant"

agriculture. (Besky, 2014, 7) It is the expectation of convenience that has become the norm of developed nations, historically in the global north – among many other tea import countries.

Besky looks at production systems, labor rights, and identity in her applied research. However, she explicitly marks the importance of this subject and its relevance to globalization and associated histories and changes. “It (material conditions under which Darjeeling tea is produced) is significant not only to this book, but to an understanding of Indian tea’s place in the global food system more broadly, that the vast majority of tea grown in the world, from Kenya to Sri Lanka to Indonesia to India (with notable exception of China and Japan) is produced on plantations. . . . While plantation agriculture still predominates in India and much of the postcolonial world, we know little about how plantation workers themselves understand the plantation as a social and ecological form” (Besky, 2014, 3). We can learn from Besky’s investigation that in order to truly begin to understand the complexities of the individuals experience in a production system, we first need to listen.

Power Within Production Economies

Power is a defining characteristic in the history of production, commerce, and policy making. Here we will account for production economics as they pertain to the tea landscape and space for policy adaptation in order to understand existing regimes of power. I pull from James C. Scott’s writings on the political economy and peasant resistance, which parallels dynamics for current smallholders as well as workers in plantation settings. This section builds on Besky’s and Appduari’s concepts of value change in social, environmental, and economic trajectories.

Besky's approach to value also is informed by democratic ways to critique power imbalances. "Attention to regimes of value shows how exchange is embedded "in more encompassing systems of value production," systems of moral ideas, political consciousness, and ethnic or class identities, in which anthropologist Fred Myres writes, "value... must be sustained or reproduced through the complex work of production" (Besky, 2014,16).

Similarly, Scott questions dynamics of authority in production economies. He asks, "how else can a mode of production affect the nature of class relations except as it is mediated by human experience and interpretation?" The basis of this question also alludes to the benefit of inclusive policy discussions for economic and social reform. "Only by capturing that experience is something like its fullness will we be able to say anything meaningful about how a given economic system influences those who constitute it and maintain it or supersede it... To omit the experience of human agents from the analysis of class relations is to have theory swallow its own tail" (Scott, 42). The value in this inclusion is that it re-humanizes production economies.

In Scott's Chapter on hegemony and consciousness, he addresses an important link that bring political theory to actionable scenarios. "The objective is a deeper appreciation of everyday forms of symbolic resistance and the way in which they articulate with everyday acts of material resistance" (Scott, 304). This appreciation of economic shifts over time and is also relevant to creating new histories. I will further address the creation of economic and political inclusion through examples from the global peasant representation in policy discussion with the FAO in Chapter 7 on Global Value Chains, Peasant Production, and Governance Structure.

Scott's foray into peasant resistance accounts for new forms of power. As dependent and subordinate population gain social authority and ownership both power and responsibility will also shift. "This is not to imply that the large farmers of the village have lost their control of local affairs, let alone that they face insurgent peasantry. What has occurred, however, is that the basis of their domination has been transformed. Their control, which was once embedded in the primary dependencies of production relations, is now based far more on law, property, coercion, market forces, and political patronage. They have themselves become much more dependent upon the state for their credit and inputs, for their supply of patronage resources, and for the ultimate force that guaranteed their continued control over scarce land and capital (Scott, 312) Therefore, these power transformations create capacity to upgrade the production system beyond the simplistic economic constraints of history.

CHAPTER III: METHODS

“Globally, tea smallholder sector covers 70% of the plantation area and produces 60% of the global tea production volume (UNFAO, 2017, 1) Therefore, in this sector analysis I argue that smallholder farmers should play a greater role in creating value through representation in dynamic policy discussions, such as the UNFAO Intergovernmental Group on tea. I address how small landholders are economically developing and overall industry strategy to suggest policy structures in order to address social, environmental, and economic challenges and opportunities in future industry development.

For my methodological structure I have chosen to use action methods. This interdisciplinary and integrative approach provides the flexible component of reflection and evaluation. In order address my research questions, I utilize my industry expertise as a foundational lens partnered with the published policy reports of the IGG. Additionally, I utilize evidence from archived policy documents published by the IGG from 22nd session in Naivasha, Kenya in 2016, the intersessional meeting in Milan on October 15-16th, 2016, and the 21st IGG in Bandung, Indonesia from November 5th-17th, 2014.

A question that drove my interest to action research is: “What type of a research design will permit you to examine a variety of yet undetermined situational and conditionally based issues?” (Berg, 2004, 195) The structure of action methods uses planning, action, observation, and reflection, which I feel fits the dynamic scenario of policy making and the associated development of the smallholder sector. The tea industry, and stakeholders, are evolving and it was first important to invest in building a historical competency, complemented by a theoretical and applied theoretical foundation.

Smallholder tea farming is inherently local and global. I've situated my research in understanding post-colonial environments in South Asia as a lens to apply to broader shared trends in the industry – especially in circumstances where smallholders are an emerging population. The benchmark investigative steps in order to complete this thesis were as follows:

1. Preliminary research on history of colonial tea production, culture and globalization, and South Asia
2. Visitation to production and processing facilities in India, Sri Lanka, and Nepal
3. Attendance and observation of UNFAO IGG on Tea and International Tea Convention in Colombo, Sri Lanka
4. Analysis documents from UNFAO IGG intersessional meeting and Colombo and archived policy reports as a representation of industry policy development

The objectives of action research are to, “uncover information (or produce) knowledge that will be directly useful to a group of people (through research, education, and sociopolitical action. It is meant to enlighten and empower the average person in the group, motivating each one to take up and use information gathered in the research (Berg, 2004, 197) Action research focuses on methods and techniques of investigation that take into account the study population’s history, culture, interactive activities, and emotional lives” (Berg, 2004, 197). The aim of my research is to make human centered recommendations that are accessible and actionable for positive social change. I look to acknowledge historical and cultural terms that have influenced the complexities of this industry. Thus, it is helpful to include analysis of the historical plantation development and the contemporary emergence of increased smallholder participation.

An additional motivation for utilizing the action research structure was the guiding assumptions and values associated with action research, which are crucial to a reflective process for social change.

1. “The democratization of knowledge production and use
2. Ethical fairness in the benefits of the knowledge generation process
3. An ecological stance toward society and nature
4. Appreciation of the capacity of humans to reflect, learn, and change
5. A commitment to nonviolent social change” (Berg, 2004, 196)

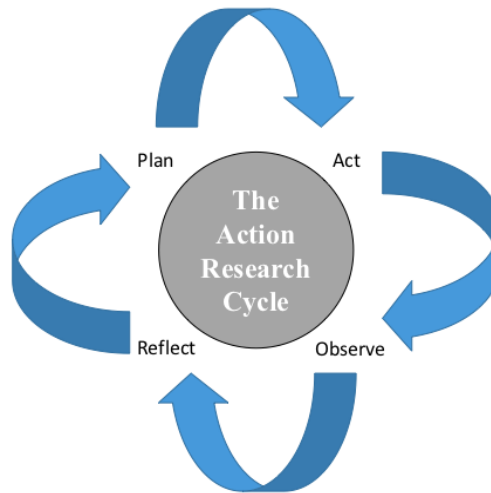


Fig 2: The Action Research Cycle

“The common threads that draw these (multiple) disciplines together in the conducting of action research are:

1. A highly rigorous, yet reflective or interpretive, approach to empirical research
2. The active engagement of individuals traditionally known as subjects as participants and contributors in the research enterprise
3. The integration of some practical outcomes related to the actual lives of participants in this research project
4. A spiraling of steps, each of which is composed of some type of planning action evaluation” (Berg, 2004, 196).

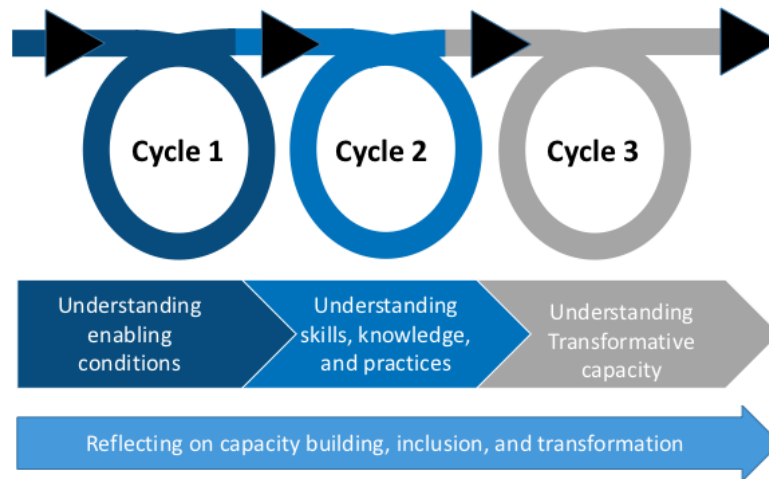


Figure 3: Reflective process of action research.
Adapted (Apgar, Et. Al, 2015)

Action methods are both reflective and critical to establishing a capacity for transformation, which is paramount for long term sustainable development. “According to Lewing, action research is a process that “gives credence to the development of powers of reflective thought, discussion, decision and action by ordinary people participating in collective research on ‘private troubles’ that they have in common. In its present use, action research is one of the few research approaches that embraces principles of participation, reflection, empowerment, and emancipation of people and groups interested in improving their social situation or condition” (Berg, 2004, 204). Building on the basic model of action research, this research most identifies with the “Emancipating/enhancing/critical science mode: of action research.”

“This third mode of action research promotes emancipatory praxis in the participating practitioners; that is, it promotes a critical consciousness with exhibits itself in political as well as practical action to promote change” (Frundy, 1987) (Berg, 2004) The

first goal is an attempt to increase the closeness between the day-to-day problems encountered by practitioners in specific setting and the theorize used to explain and resolve the problem; in other words, an attempt to bring together theory and book knowledge with real-world situations, issues, and experiences

The second goal is to assist practitioners in lifting their veil of clouded understandings and help them to better understand fundamental problems by raising their collective consciousness (Holter & Schward-Barcott, 1993) (Berg, 2004) It is here that theory and practice meet in order for the process of theory, enlightenment, and action can take place. “It is actually the coming together and of theory and enlightenment that provides emancipation and empowerment to the participants, which then leads to action” (Berg, 2004, 204).

The questions that I pursue throughout this analysis are:

1. Do policy documents legitimize the importance of the subsector in acknowledging the rise of smallholders?
2. Do indicators exist for de-estating and/or the rise of smallholders in countries previously dominated by estate sectors?
3. What are the identified structural industry challenges small landholders endure?
4. What the historical research has taken place to aid smallholders?
5. How will the policy development support the small growers? Is there a structured plan to incorporate smallholders into policy discussion?
6. Are there government run extension services established to meet the educational needs of small holders? If so, how?
7. Are human development and social needs being addressed for small landholders? Is so, how?
8. Are quality and standards upgrading for smallholders addressed in the policy documents?
9. Are there economic considerations addressed (such as price and economic livelihood measures) for smallholders?
10. How does the UNFAO suggest value chain inclusion?

11. Are environmental improvements and concerns for smallholders exhibited in policy documents?
12. Is the concept of value explored in the documents in regard to smallholders?
13. Is the concept of power explored in the documents in regard to smallholders?
14. Is there current research is taking place to aid small growers? How is the smallholder situation statistically quantified? If so, what and why?
15. What do the policy documents share about the future direction of UNFAO IGG on tea?

CHAPTER IV: THE IMPORTANCE OF TEA CULTIVATION AND SMALLHOLDER PRODUCTION

This objective of this chapter is to introduce and globally situate tea cultivation in social, economic, and environmental conditions. The complexity of this industry is embedded in the history of commerce and trade, which arguably developed in tandem with other commodity crops. Tea is the most widely consumed beverage in the world, aside from water. This alone affirms the cultural and economic significance of this commodity crop. Tea, *Camellia Sinensis*, is a perennial evergreen tree that is selectively pruned to an ideal height for harvesting at an arms-reach. A flat pruned area at the top of the bush where tender leaves flush is called picking table. This picking table allows for hand harvesting, which is most often the work of women.

Monoculture production is a common method of agriculture for tea. In many industrial agriculture is large areas of soil are left unprotected and thus, less biodiversity in plant and animal species is evident in each operation. The British originally modeled their first farm systems in India after the Chinese family garden (Besky, 2017, 6). However, “by the mid-1800’s planters had begun construction of on-plantation factories, working towards a faster, more efficient system for converting highly perishable green leaf to a fermented, dried, transportable (and drinkable) form” (Besky, 2017, 7). This resulted in the price of labor being factored into the final product cost before the tea was even processed into a usable product. In return this perpetuated the need for exploitation of the labor force to meet demand for low prices. Picking quality tea is tedious work and necessitates long hours of intensive work by many workers.

The use of central processing facilities on plantation productions was, and continues to be, the predominant form of industry structure. Like olive oil and wine, tea is a

time sensitive product that needs to be processed on site. After tea is picked it should be handled as infrequently as possible. Handling results in bruising and uneven oxidation, which translates directly to uneven flavor profiles and a lack of consistency. This lack of consistency and regulation, which is a common challenge in the current smallholder sector, reduces access to the global export market and therefore economic upward mobility for producers.

The central processing facilities of plantations are run in a hierarchical manner with owners, managers, factory workers and pluckers. The majority of the workers are employed under a structure of managerial authority and live on the plantation in an area referred to as a labor line. The owners have historically provided both a wage and welfare system of support. Some of the basic services provided are healthcare, food allocation, water, electricity, and childcare – since a large percentage of pluckers are female. Due to the need for hand plucking for high quality tea, many factories have stayed away from green leaf purchasing due to their need to control the level of consistency in plucking and timeliness for high quality tea. “Over 70% of the cost of green leaf production is labor related and both vertically integrated plantations and small farms continue to use the same labor-intensive production technology to grow and harvest green leaf tea. Attempts to mechanize harvesting have not been successful since the screening and identifying the tender shoots needs human attention. (Herath, 1762)”

Plantations have historically had the ability exploit labor because the welfare system services provided in lieu of a higher wage. This created a space for families to live and be cared for under the auspices of the owners. Yet, cost of production in recent years has put pressures on tea producing systems to cut resources back. In some cases, this has

caused large plantations, with the, rightful, societal expectation of providing for their pluckers, to close. This has led to the dissolution of some estates, which have sometimes been distributed to people who then become small landholders. In other cases, farmers have been subsidized and encouraged to transition from growing other crops to growing tea, an effort that spawned from price hikes for tea in the early 2000's. Thus, there has been a rise in sub-sector of small holder producers. This scenario is unique compared to dominant trend of industrial agricultural development in the world.

Growing conditions around the world, while geographically different, have many climactic similarities. The regional focus of my studies has primarily focused on South Asia due to my experience studying tea production in India and Sri Lanka. Due to the similarities in production structures globally, alongside similar climactic conditions, I see the benefit of regionally grounding myself in understanding post-colonial tea production environments.

The climactic zone where tea can thrive best is a subtropical region with high humidity. Tea also grows best in slightly acidic soil with good drainage. The resilience of the plant is remarkable; it is not uncommon to see plants persevering through altitudes over 7,000 feet in elevation in some growing regions. Favorable cultivation landscapes are sloping hillsides in foothill mountainous regions and valleys. Without irrigation tea can survive on no less than 60in of rain per year. In many cases, growing regions receive upwards of 125 inches annually. This spectrum of rain demonstrated the plants resiliency. Every final product is different, which is the reason why global excitement has been curated around the world for quality tea and value chain expansion.

The large majority of global tea cultivation is in South Asia in large plantations.

The justification for large production is related to the need for high volume production and time sensitivity in processing tea. Like olive oil and wine, tea is a time sensitive product that needs to be processed on site. After tea is picked it should be handled as infrequently as possible. Handling results in bruising and uneven oxidation, which translates directly to uneven flavor profiles and a lack of consistency.

“The organizational change from a vertically integrated plantation production system to one in which independent plantation production systems to one which independent parties coordinate through market mechanism and the subsequent participation of small farmers is opposite to that occurring in many other agricultural sectors in developing countries (Herath, 1759).” Thus, many factory owners and managers steer away from green leaf purchasing schemes, where tea is picked by individual farmers and transported to a facility to be processed by a different business that solely focusing on bringing tea to its final dry product. In this case the process is less controlled. It is up to tea makers to streamline production and control in order to increase efficiency and reduce waste. With greater quality control integration, small holder farmers will build capacity to further influence the global market and be incorporated into the global value chain of tea, in which they currently do not compete on a large scale.

I argue, unless drastic reform takes place, the plantation structure of tea cultivation has surpassed its developmental hay-day and is no longer always sustainable in meeting the needs of managers and pluckers alike. Similarly, subsectors, like the smallholder production, needs to be formalized in how tea is produced, how resources are shared, and how prices and labor costs are established. It is in response to these changes that environmental, social, and economic considerations will work to create more holistic

solutions for the health of the industry.

Smallholder Production:

Before considering potential innovations, policy development, and global perspective shifts it is paramount to frame the challenges and limitations that smallholders face when producing tea. First, the UNFAO acknowledges that tea is threatened by attractive the potential to refocus on new, more profitable, crops. “In the recent years, however, the small tea growers in many producing countries have not been operating profitably, and massive conversion of plantations to other crops had taken place and these have threatened the overall Tea-Sustainability” (UNFAO, 2017, 2). This is evidence that supports the paramount need to address challenges faced by smallholder farmers to become economically viable.

According to the Food and Agricultural Organization of the United Nations (FAO), in 2012, “India, the world’s second largest tea producing country and largest producers and consumer of black tea, an estimated 160,000 smallholders account for over 26% of its production (FAO, 2017, 2).” The tea produced by small landholders is often seen as being lower in quality and ranks lower in the valuation process because it is an unregulated product. Little documentation of pesticide uses and fertilizer application is available. Technical knowledge is lacking and certifications such as: organic, fair trade, or biodynamic, receive premium prices in the export market. Therefore, small producers often stick to local distribution of their product.

The movement for Fairtrade certification has established market mechanisms for higher prices in tea production and potential for greater wealth distribution. Upon the influence of Besky and Appadurai, I find myself in a moral economic quandary, where

producers are solely dependent on market mechanisms of consumerism that deliver less than is marketed to the consumer. “The plantation sits tenuously on the margins of market forces. To be successful, fair trade needs to remain humble in the face of history, and to ask if there are already ways to make workers’ lives better: to ask if fair trade is really necessary or possible on plantations. If anything, a movement as broad and powerful as fair trade can help call attention to those existing state structures, like the PLA (Plantation Labor Act of India), that ensure stable livelihoods for workers. (Besky, 2014, 177) Besky’s questions of already existing structures encouraged me to think critically about Fairtrade, being reduced to a “market driven form of justice.”

While Fairtrade has been more successful in cooperative environments, such as coffee production where it originated, I don’t see Fairtrade as the most suitable form of support for tea industry change – at least not yet. Instead, within the structure of government, along with the inclusion of smallholders, I see the power of system actualization and transformation through capacity building. As smallholders engage in more policy discussions, organize, and gain more global recognition, there may be a space for Fairtrade mechanisms to help their cause. As a start, I first see the steps towards political inclusion a way to advocate for supplier side agency.

Many small landholders face similar challenges across the global tea industry landscape. As reported, “Chan argues that the activities of smallholder farmers are less environmentally friendly and thus hard to incorporate them in export market supply chains that call for increased quality, social and environmental standards” (Kaigra, 76). In this growing sector, the producers are becoming more productive but not environmentally friendly. Loss of regulation and overuse of pesticides due to lack of application knowledge.

This translates to the inability to sell to premier exporters who desire organic and/or ethically produced tea. Additionally, the lack of organization of leaves producers often uniformed.

As identified in Kenya, “the main challenges in the small-scale tea sub sector include: low farm gate prices; poor extension services; limited marketing channels; poor access to credit and low level of farmers’ organization (Chan *et al.*, 2010, Kaigra, 76) Chan, also argued that due to the poor environmental practices of small landholders there are limited opportunities to engage in export markets (Kaigra, 76). I attribute this challenge to the poor dissemination of information from extension services. Many smallholders were historically incentivized to produce tea through government programs. Plants were distributed to them directly, but further education has failed to fill the regulatory needs of the broader global market.

As auction prices declined in India in the early 2000’s the Tea Board of India responded with an increase of regulatory parameters. “The executive director of the parastatal Tea Board of India stressed that, “the tea factories in the country can no longer sustain domestic and global business without obtaining quality, consistency and process certifications covered by the International Standard Organization (ISO 9001: 2000), Hazard Analysis and Critical Control Point (HACCP) and the well-known ISI mark from the Bureau of Indian standards. (Larsen, 10) The pressure of international harmonization of standards placed extra pressure on the situation. In order to meet international expectation MRLs, or Maximum Residue Levels, are established to measure levels of pesticide and other residues. Commodity chains often experience laxer regulatory environments. “There is a less pressure for food safety because many key commodities undergo multiple

processing steps before reaching consumers; thus, the responsibility for potential safety failures lies with the processor” (Lee et. Al, 12329). In the case of tea, this puts pressure on the BLFs to become centers of regulation, and therefore the disseminators of information to ensure quality and safety of the final product. The BLF is the last stop in the path to traceability since the purchased green leaf from small landholder farmers is mixed to create a final product.

In order to increase productivity, and therefore potential for price and quality increase, farmers will need to upgrade their crop. Tea is most productive in the first 30 years. The perennial crop also takes five years to mature before it can be plucked. Therefore, many farmers are not incentivized to pull their semi-productive bushes for an upgrade that will take five years to come to fruition. Small landholders, with limited land, choose to continue to pluck from less productive bushes. For example, “Although, the Tea Research Foundation in Kenya has developed 45 tea varieties, farmers have not adopted them. In addition, the cost of planting tea to maturity is huge, making it difficult for farmers to adopt new varieties” (Kaigra, 79). Farmers may not know that these varieties exist and may not have the capital or flexibility to invest in said upgrading. As seen in Tanzania, “... one of the major constraints in implementing best practices in the smallholder sector is the imbalances in credit demand and supply, among the majority smallholder farmers. (Dissanayake, 33)”

There is concern that the divide between plantations and smallholders will weaken the small landholders’ ability to establish viable pricing and entrepreneurial power. Smallholders that operate as individuals through a system of markets is distinct from the dominant trend of industrial farming. “There are growing concerns that the process of that

agro-industrialization will exclude small farmers from the marketing chain and consequently deepen inequities. (Herath, 1759)” The tea industry is at a unique crossroad as smallholders have captured a significant percentage of the production market. With a paradigm shift to consider small landholder farmers as a crucial aspect of the production, greater emphasis will be placed on their success as a broad industry need.

Facilities and transportation for fresh picked leaves are two of the biggest challenges identified by producers. “Improvements were made with the establishment of the Tea Small Holdings Development Authority (TSHDA) which was set up in 1977 under legislation. (FAO, 2012, 4)” The TSHDA ensures that prices are more regulated, and transportation needs are met. Small landholders have potential for more economic security and access to extension services which provide technical education. Technical programs by extension services will teach farmers good agricultural practices. The price allocation from the auction steer agency from the producers’ hands toward the greater system and organization of farmers into small collective will help remedy this challenge. These services are provided by the state and help to establish a stronger small growers’ community. The TSHDA directly serves the small landholder sector and is a major partner in the implementation project.

The tea produced by small landholders is often seen as being lower in quality and ranks lower in the valuation process because it is an unregulated product. Little documentation of pesticide use and fertilizer application is available. The technical knowledge is lacking and certifications such as: organic, fair trade, or biodynamic, which receive premium prices in the export market. Therefore, small producers often stick to local distribution of their product, which can change through further distribution of education

services.

Smallholders typically sell their green leaves through 4 possible channels:

- Indirect through middlemen/leaf agents/collectors, or direct
- Stand-alone privately-owned processing units (known as Bought Leaf factories in India and usually a small/medium enterprise)
- Integrated plantation units (large tea gardens or tea estates plantations)
- Cooperative/collectively-owned units with smallholder participation (FAO, 2012, 3)

Small landholder systems have begun to surface in large industries such as coffee.

“Instead of promoting investment in the viability of working bodies, as in the plantation system, the proposed new system would promote direct investments in sustainably produced green leaf (Besky, 2016, 15).” Besky equates the small producers model to that of coffee producers who have a standardized purchasing model of unprocessed product, which is less dependent on sensory experience after processing. “If we are to take seriously the kinds of embodied relationships between the producer and product imagined in artisan or (supposedly) sustainable commodities, we must also attend to what kinds of embodied relationships those alternatives might supplant (Besky, 2016, 6).” The small grower model is still influenced by the embodied relationships, as mentioned by Appadurai, that manifest from the auction brokers’ interaction with tasting tea as a valuation process. This supply chains consists of producers, who are often economically marginalized due to unfair valuation. If this shift to an entrepreneurial smallholder structure continues, and small producers make their own economic environmental and social decisions, governments in turn should create platforms to help build capacity for good governance, regulation, and resource distribution.

Kenyan Small Holder Industry:

Under the colonial establishment of the Kenyan tea industry, colonists restricted Kenyan's from engaging in the industry. "The cultivation of Tea for commercial purposes in Kenya commenced in 1924. The early settlers and colonial government restricted tea growing to large scale farmers' and multinational companies because they wanted to maintain high quality. Africans were restricted from growing the crop. On the attainment of independence in 1963, the government passed various land reform bills that had far reaching implications on agriculture in the country (Kaigra, 75)." Kenya is now one of the largest producers of CTC black tea, which is used mainly for tea bags and is the third greatest producer of tea in the world. Small landholders grow and then sell their leaf to the Kenya Tea Development Agency (KTDA). The KTDA is the largest tea agency in the world. There are now over 560,000 small scale growers (FAO, 4).

Kenya's tea industry is important to economic wellbeing of the nation. "Agriculture is the main sector in the Kenyan economy. Export Processing Zones Authority (EPZA, 2005), has noted that the sector accounts for about 24% of Kenya's Gross Domestic Product. Further, an estimated 75% of the population depends on the sector either directly or indirectly (EPZA, Kaigra, 75)." Opportunities for growth in the Kenyan industry will take part in form from shared equipment, and cooperation. "Where such alliances are started, equipment and mechanization is possible which will end up saving cost and overcoming poor land management and plucking inefficiency. (Kaigra, 87)" This notion is transferrable to both the Sri Lankan and Indian industries. Additionally, understanding of supply chain structure will better equip landholders with the knowledge to effectively

participate in the subsector. “Parties in the tea supply chain in Kenya should invest in human resource training and capacity building (Kaigra, 87).” These investments will create effective producers who understand the structures of the system in which they function.

Kenya’s production challenges are very similar to those I found for India’s small grower industry: “The production related challenges include old tea gardens, low quality of tea, drought and climate changes, poor workers and employee relationships, lack of labor and high costs of labor, high costs of inputs and other operational costs, poor access to information, lack of training, use of child labor, marginalization of women in sharing of tea income, protection of wildlife, pollution of water catchments areas, planting of eucalyptus trees in water catchments areas, safety and health of workers, and farmers’ representation (Kaigra, 79).”

Additionally, lack of training and the misuse of agricultural applications leads to higher operational costs. This new industry is lacking information for farmers, which was more prevalent during governmental control. “...the tea sector was liberalized in 1990s. During the days of government control of the sector, farmers used to get extension services (including information on better tea farming practices) from the Ministry of Agriculture. After liberalization, farmers are required to pay for these services...(Kaigra,80).” This has resulted in poor distribution of many resilient cultivated varieties that have been propagated by tea researchers.

The global tea industry faces fluctuating of tea prices. In order for Kenya to make tea growing more economically secure, holding stocks will help to ensure supply. Also, if they diversify production to other types of tea, there will be greater opportunity for value adding and increased income. These measures will ensure sustainability of the small

grower tea sector in Kenya.

Sri Lankan Small Holder Industry:

Sri Lanka, which is an Island off the South West coast of India, is geographically small in comparison to the landscapes that are cultivated on the Indian subcontinent. This results in an ease in transporting green leaf and creating a green leaf buying greater structure. The definition for small land holder in Sri Lanka is “an area of land less than 20.2 hectares (50 acres) (FAO, 2014, 1).”

Tea is an important crop economically and socially in Sri Lanka. It is paramount for collaboration amongst government, public, and private sectors because tea is the largest agricultural export for Sri Lanka. “In particular, (tea) makes significant contributions to food security by helping to cover food import bills. In 2011, tea export earnings paid for ...71 percent of Sri Lanka’s food import bills, Therefore, monitoring and analyzing international tea trade is critical for policy makers involved with food security, trade and rural development in developing countries” (FAO, 1). Through continued work of small-holder support networks and further policy development this restructuring will become more successful. The subsequent paragraphs will explore this implementation

Arguably, the institutions that give support and organization to the small growers are a strength of the Sri Lankan structure, which was established in the 1980’s. Sri Lanka also touts having the largest and most efficient tea auction in the world in Colombo. Small growers and included in this auction process, which sell 96% of all tea produced in country (FAO,2014, 4). This efficiency has also translated into overcoming one of the biggest challenges in price moderation for small growers. “State intervention into the price for green leaf tea significantly reduced the threat of hold-up faced by small farmers from

processors regarding the final selling price” (Herath, 1770).

Due to the close location of all growing regions it has been easier for Sri Lanka to encourage small holder production. According to the Food and Agricultural Organization of the United Nations (FAO), in 2012, “There are more than 400,000 smallholders in Sri Lanka who account for 76% of tea production” (FAO,2014, 1).“Sri Lanka had a system of support to smallholders since the 1970s. Their present scheme, evolved over the years, has been formulated by taking into account the cost of production and the profit margin of growers as well as the private processing factories. The price sharing ratio between smallholder and factory has evolved from the initial 75:25, which was revised to 70:30 and subsequently to 68:32. Implementation is through a system of “tea inspectors” who closely monitor the tea factories purchasing green leaves from smallholders and the price paid to them, based on the actual realization for the tea sold in the auctions (FAO, 2014, 3).

Land reformations in the 1980’s allowed for more support to small landholders. Facilities and transportation for leaves two of the biggest challenges identified by producers.

“Improvements were made with the establishment of the Tea Small Holdings Development Authority (TSHDA) which was set up in 1977 under legislation. (FAO, 2016, 4)” The TSHDA ensures that prices are more regulated, and transportation needs are met. Small landholders have more economic security and access to extension services which provide technical education. These services are provided by the state and help to establish a strong small growers’ community. Its functions(TSHDA) include extension interventions; land development interventions; and social development interventions to improve the productivity and quality of tea grown by the smallholders; provide fertilizer on credit with easy payment terms; assist smallholders in obtaining quality planting material through tea

nurseries and/or through improved tea cultivars from mother bush areas that are institutionally maintained by the TSHD; and for a nominal fee provide soil testing and advice to correct the soil for tea. (FAO, 2016, 8)

Many small landholders face similar challenges across the global tea industry landscape. As reported, “Chan argues that the activities of smallholder farmers are less environmentally friendly and thus hard to incorporate them in export market supply chains that call for increased quality, social and environmental standards” (Kaigra, 76). In this growing sector, the producers are becoming more productive but not environmentally friendly. Loss of regulation and overuse of pesticides due to lack of application knowledge. This translates to the inability to sell to premier exporters who desire organic and/or ethically produced tea. Additionally, the lack of organization of leaves producers often uniformed.

Indian Tea Industry and Kangra Valley Case Study:

India is a major producer of exporter black tea and the origin location of a second variety *Camellia Sinensis-Assamica* found growing natively Assam region in 1823 by Scottish botanist, Robert Bruce. Twenty-five years later, the British Empire sent another Scottish botanist, Robert Fortune, to China. His objectives were to learn about Chinese tea production in order to gain the skills to establish tea agriculture in India. Over the next 11 years Fortune sent saplings and seeds to Kolkata. By 1859, he successfully helped to start the Darjeeling tea industry (Gascoyne). This historical account shows how young the industry is in comparison to the longstanding recorded tea history of China which claims that tea has been used from medicinal purposes since the Shang Dynasty (c.1600-1046 BCE) (Gascoyne).

Kangra valley, a small growing region in the state of Himachal Pradesh produces less than one percent of gross production in India. It is known as Valley of gods. Like most established tea communities in India, the Kangra growing region was first established by the British during their colonial occupation of India. “The first tea seedlings were planted in Kangra at a botanical garden by, Dr. Jameson in 1849(Garcia, 2).” Shortly after gardens in nearby Palampur were established and the tea industry of Kangra was born.

Kangra is a unique case due to major industry shifts after a natural disaster in 1905; an earthquake. The industry was devastated. Factories and plants were left in ruin, which led to the abandonment of the industry by the colonial occupants. Thus, the land was transferred into the hands of Indian people. Most farmers grow on a very small portion of land which is less than a hectare. According to a recent report produced by researchers at Worcester Polytechnic Institute, USA on April 30th, 2015, “2000 hectares being used for tea agriculture (Garcia, 1).”

Small landholders primarily produce on site in small batches and the picked and rolled by hand. This results in orthodox style tea, rather than crush tea curl (CTC), which is mechanized processing method and accounts for the majority of tea produced in India. “There are currently over 5,000 registered tea growers in Himachal Pradesh, out of which only 1,200 are active according to government records. (Garcia, 2)” Four cooperative factories were established in the Kangra Valley; Palampur, Bajinath, Bir, Sidhbari. All four have closed. I was unable to find significant documentation as to why they closed, however, it was clear that they were not economically viable due to poor organization and undereducated producers. The factories failed and were sold to private parties.

For almost exactly 100 years the Kangra tea industry depended on a collaboration

with buyers in the state of Punjab whose demand request was for green tea. This is atypical in comparison to the majority of tea production in India, which is rough cut and rolled black tea that tastes brisk and taken with milk. The black tea demand was produced primarily at the request of the British, who also were importing sugar to add to their tea. There is no surprise that the Indian community adopted the mood-enhancing and addictive habit of drinking tea, with the addition of locally produced spices such as: cardamom, ginger, pepper, jaggery (raw sugar), and cinnamon. Chai, a Hindi word which translates to tea, is the vibrant beverage that resulted from this cross-cultural interaction. Punjab, however, is closest to the boarder of Pakistan and is influenced by the Persian style of tea, most often made with green tea.

In 1999, Kangra Tea established the regionally produced tea under protection of Geographic Indication. This label ensures that only tea produced in the Kangra valley can be labeled as such. This indication implemented in the wine industry with Bordeaux and Champagne and in another tea growing region in India, Darjeeling. The benefit of Geographic Indication is that it opportunity for local producers to protect their product from replication in other growing regions. It reduces the amount of supply that would over-flood the market and is a distinction that enhances value by establishing a notion of scarcity.

The potential for Kangra to pursue green purchasing schemes and small landholder models is profound. Many small holders have potential to benefit from reformations of the industry which can provide more economically sustainable rural livelihoods. Attempts to establish a framework for structure by the Tea Board India have already been put into motion. According to a Tribune article, “The Tea Board of India has sanctioned a project of

Rs 15 lakh (approximately \$22,500 USD) to conduct a baseline survey of the abandoned area under tea cultivation (Service, 2016).”

In order to ensure lower production costs, some mechanization may allow for small holders to increase their efficiency. However, hand plucked tea (Orthodox) often receives greater premiums due to the potential for decreased bruising. Many small landholders use family labor, which also reduces production costs. According to an article in the Tribune, “The (Tea Board India) board has also taken up the matter with the Government of India for providing loan for the purchase of new machinery, construction of go downs and sheds, besides subsidy on fertilizers to tea growers (Tribune, 2017).” As farmers have the pathways established to collectively purchase machinery, the loans and subsidized goods will make their economic viability more likely.

Self Help Group or (SHGs) are ways that growers in Himachal Pradesh may collectively purchase equipment through government subsidies. This buying power will allow them to safely invest without the burden of too much capital input. The group sizes will average around 20 farmers and 20 hectares of cultivated land. Additionally, The Himachal Pradesh Horticultural Produce Marketing and Processing Corporation LTD (HPMC) sells locally produced products under the brand, Kangra. This self-branding and distinction will allow farmers to collectively produce greater amounts under the banner of a single name. The Tea Board of India (TBI) and the HPMC are allocating resources for marketing and greater support to farmers looking to organize collectively for greater growing and purchasing power.

The incorporation of communication in the small growers’ movement and the establishment of online resources for trainings, green leaf prices, and processing facilities

will give small farmers greater agency. “A mobile-based Agricultural Advisory System (AAS) is currently under development by the IIT-Mandi to address the need between farmers and the tea board. (Garcia, 13)” These technical programs are very important and will help to educate growers who are in need of increasing certification and adhering to regulations. Ultimately, these certifications will make direct connections with international buyers more viable, since the market is trending towards organic and ethically traded products. This will also decrease the amount of hands the tea needs to pass through and increases value of tea.

Institutional oversight in India is desperately needed. According to the FAO, “There is a need to form organizations such as KTDA(Kenya) and TSHDA(Sri Lanka) in all other countries, in accordance with the special needs of each country, but with strong representation from the smallholders who are the principal stake-holders (FAO,4).” Extension services and other supporting organizations will be able to gauge what forms of education the Kangra tea growers need in order to be successful. “The (Tea Board of India) board has enhanced the strength of field officials in Palampur. Four new posts, including the deputy director, factory adviser and two development officers, have been created. There is potential for this oversight to start to provide greater educational opportunities for farmers. This increased communication and technology may benefit industry organization amongst small growers.

This Kangra Tea Industry case-study on green leaf purchasing schemes as a business alternative displays the strengths, challenges, and opportunities for the growing small growers sector. With education and organization, the growers’ movement may be more appealing to those who aren’t currently supported in their business endeavors. The

platforms will also encourage growers to collaborate on purchasing equipment collectively and shared expense will be supported by subsidies distributed by government agencies. The proposed Self-Help Groups (SHGs) will create manageable groups of collaborative farmers who can coordinate effectively.

Although small, the Kangra Tea industry has potential to cultivate a unique tea, with a vibrant history, that could take the global market with stride. Reforms and further research will help to increase the transparency for a small industry that can distinctively provide more support and agency to rural populations of Himachal Pradesh.

CHAPTER V: GREEN LEAF PURCHASING SCHEMES AND BOUGHT LEAF FACTORIES

This chapter uses the conceptual framework of global value chains to explore quality and price as co-existing measures, which work towards the sustainability of the tea industry. I specifically look at the interdependence of bought leaf factories (BLF) and small landholder farmers and their efforts to collaborate on aspects of industry regulation, dissemination of information, and quality control – all of which contribute to increased opportunity for selling price in both domestic and international markets. As a result, governmental Tea Boards, NGO's, and other supportive networks influence the decisions of small landholders' farmers and bought leaf factories as the organizations work through policy reform and program development to ensure that the overarching production system is economically viable. Due to low profits, regulation, and high costs of production for smallholder farmers, it is important to consider alternatives in the current value chain to increase wealth distribution.

Smallholder Farmers and Bought Leaf Factories:

In order to understand the relationship between small landholder farmers and bought leaf factories (BLFs) it is important to define them and their aspects of production. According to the UNFAO, “growers holding up to 10.12 hectares of tea area are considered as smallholders in India” (FAO, 2015, 2). On average this translates to 20 acres and is the size of most smallholder farms globally. Bought leaf factories are the factories that process the tea produced by the smallholders. The method in which the tea gets to the factory varies based on each production.

In general, BLFs buy tea direct from producers at a raw weight price for each kilogram. In some cases, there is a broker who collects leaves from smallholder farmers

and acts as an intermediary to deliver tea to the factory. This can further hinder the price per kilogram that SLFs receive, due to the price acquired by the broker. BLF's have a unique leverage point in the production scheme, as they hold a high degree of control over processing and potential final product. "A tea-processing factory is considered to be the anchor of the tea value chain in Tanzania: a specialized stage where involvement of high capital costs lowers the likelihood of competitors joining the chain. Most of the activities upstream (Greenleaf production) as well as downstream (marketing and sales) are usually controlled by the decisions made at the tea-processing factory" (Loconto, 5). Therefore, BLFs become regulators, disseminators of information, and maintain more control than smallholder farmers. Once purchased, like a plantation factory, a BLF will process the tea into its final dry product. Depending on the desired final tea (white, green, black, oolong) the leaves will go through stages of withering, rolling, oxidizing, and drying. The final dry product, with less than 4% relative humidity is finished on site. Due to the nature of time-sensitive production, it is vital that smallholder farmers are in close geographic proximity to BLFs.

Quality is an important consideration when valuating tea price for export and domestic consumption. High-quality tea, or specialty tea, usually includes only the very top of the tea bush. Farmers will pluck the tender top two leaves and a bud. The final product of a withered, rolled, and dried tea of this manner is called orthodox tea. This can be done by hand or at factory level with rolling machines. When lower leaves are plucked the coarseness of leaves increases and a more mechanized approach known as CTC (crush tea curl) is employed.

Historically, BLFs were established to produce lower quality tea to accommodate

international exports and increasing domestic consumption with lower price points, than specialty tea, which fetches high prices on export markets. The processing method for lower quality tea is called CTC(Crush-tea-curl). As the name suggests, the tea is crushed, torn, and curled into a final product. This creates a uniform tea with a high-level surface area for a brisk and bold steep. The benefit of CTC production is that more of the plant can be used to create the final product, but as research suggests, it decreases the flavor profile and potential health benefits desired by tea drinkers.

Tea plucking is an act done by hand with intensive human labor. This results in the burden of high cost production for smallholder farmers. “Over 70% of the cost of green leaf production is labor related and both vertically integrated plantations and small farms continue to use the same labor-intensive production technology to grow and harvest green leaf tea. Attempts to mechanize harvesting have not been successful since the screening and identifying the tender shoots needs human attention” (Herath, 1764). Herath looks at the reorganization of Sri Lanka production, and while some countries, such as Japan, have established ways towards plucking mechanization, Sri Lanka, India, Tanzania, and Kenya all use the method of hand-plucking for harvesting all tea. This is a limitation in price potential, especially when considering labor as one aspect of production costs. According to research on Tanzanian SLFs, “the highest cost incurred for good quality planting materials and fertilizer and foliar application, were 30.5 and 63.5 percent of the total material cost, respectively” (Dissanayake 36). Any of these challenges which might lead to low productivity emphasizes the interdependence that BLFs and SLFs maintain and the repercussions would impact production cycles (Dissanayake 38). The high overhead capital investments lead me to consider small landholders challenges and their limited growth

opportunity towards industry improvements such as profit and quality.

Tea produced on colonial plantation systems has historically resulted in a supply chain that is inequitable in regard to distribution of wealth, resources, and access health and safety. In the following research I channel my focus to the beginning of the supply chain; arguably the most vital aspect of the supply chain due to the fact that without producers, the final agricultural product wouldn't exist. Producers are also historically the most marginalized people in the tea value network and throughout linear supply chains. Therefore, from a community development perspective, it is important to find long term dynamic solutions that work towards sustainable systems.

Green leaf purchasing is a model that is being implemented across the globe and is part of a movement called Tea 2030. In this model, small landholders sell their produced raw product by weight. It has been argued that this is an effective, motivating, and entrepreneurial approach that puts the business exchange into the hands of the farmer, rather than an auctioneer. I am most familiar with this movement in Nepal and India, however, my research has shown me that it is a widespread movement. Growers in Kenya, and Sri Lanka have begun to adopt the model. In my research I utilize documentation of the Kenyan and Sri Lankan small growers' movements to display potential challenges and opportunities within the restructuring of production in Kangra. The prices set for green leaf buying are often founded on prices set by auctions and the tasters in urban centers.

India based their model for green leaf purchasing on the Sri Lanka payment structure for small growers, which they established in 2004. The auction serves as a place to set regulated prices and allocate funds monthly to green leaf producers. As solutions are sought for structural shifts, it is important to consider the potential to utilize symbiotic or

mutually-beneficial relationships amongst estates/larger processing facilities with small growers. The relationships may reduce production costs for the larger producers and still help the small land holders. Thus, working towards sustainable economic wellbeing for small producers.

“The costs accruing to the small growers for producing green leaf, the cost of manufacturing “made tea” by the processing factories and the ratio of conversion of ‘green leaf’ into ‘made tea’ was considered and studied by an independent professional body. The price-sharing formula envisaged that the sale proceeds was to be shared between the smallholder and the manufacturer-processor in the ratio of 60:40 when the average price realized by the manufacturer for all teas during the reporting month is either equal to or less than the monthly combined average auction price for teas of the said growing region. Where the price realized by the manufacturer exceeded the monthly average auction price, the differential between the auction average price and the price realized by the manufacturer was to be shared in the ratio 50:50 as in Sri Lanka” (FAO, 3).

CHAPTER VI: UNFAO INTERGOVERNMENTAL GROUP (IGG) FIELD STUDIES:

Values-driven adaptations, that consider social, economic, and environmental reform, will take collaborative change from many industry actors. It is on these grounds that I investigate alternative policy structures for inclusive governance through the channel of Intergovernmental group sessions with the UNFAO. The mission of FAO IGG is as follows, “The FAO Intergovernmental Group (IGG) on Tea represents a forum for intergovernmental consultation and exchange on trends in production, consumption, trade and prices of tea, including regular appraisal of the global market situation and short-term outlook. The group considers changes in national policies and examines their international effects as pertaining to the current and prospective market situation” (FAO, 1).

Increasingly, the FAO has considered developments outside of pricing and market valuation, as they see a direct correlation with social, economic, and environmental well-being. This is a driving factor as to why see the IGG an exemplary site for inclusive governance.

My field studies included participation in two distinct events in Colombo, Sri Lanka in August, 2017: The UN FAO Intergovernmental group (IGG) on tea and the Colombo International Tea Convention. I obtained observer status for the UNFAO session and was a participant of the convention. During this time I observed the IGG session and the International Tea Convention presentations. Through this experience I considered the importance of innovation and a structural paradigm shift from linear vertical governed global value chains to one that is inclusive and is complimented by horizontal structure of governance, which I will discuss in chapter 7 on Global Value Chains.

The International Tea Convention and the UNFAO Intersessional meeting for the

Intergovernmental group on tea were both held at the Cinnamon Grand Hotel, an elaborate hotel in the business district of the capital city. From August 8th-11th the International Tea Convention attendees, associated with the global tea industry, met to present, network, and discuss thematic presentation brackets such as: Heritage, Sustainability, Trade and Finance, Logistics and Trends, Share of Throat, Global Forces, and Technology. On August 12th-13th the IGG was held in a small conference room in the same hotel.

In 2017 the tea industry in Sri Lanka celebrated 150 years of cultivation. Therefore, it was appropriate to culminate a year of celebrations with this convention. “Heritage of excellence” was an overarching local theme for Sri Lankan producers and the associated industry. This is partly due to the fact that Sri Lanka is an island country with geographic and climactic parameters that limit the production. In order to stand apart from larger producing regions and countries, it is important for Sri Lanka to distinguish itself with the mantra of quality over quantity. There was also a surprisingly large emphasis on local consumption as an embodiment of local pride in industry. Although the Sri Lankan industry was founded by the British, and the old British term Ceylon is still used to label the industry, the talks were conveyed as culturally owned by Sri Lankans. Part of this was exhibited by confidence and pride of the economic and infrastructural development associated with the industry. Not knowing the intricacies of the colonial and potential neo-colonial struggle leaves me curious to further research how hybridized (or embodied) this “heritage of excellence” culture is since Sri Lankan’s maintain full leadership of their own production.

The majority of participants during the convention were from producing countries and incentivized to be there for various reasons. Some were there as exporters, some were

tea packagers or packaging machine vendors. Others were involved on the governmental level, representing tea boards and research institutions. Some were plantation owners and others were factory owners. From non-producing countries came: directors of tea boards, importers, machinery vendors, representatives of regulatory bodies who measure industry statistics and levels of pesticide residues. Other international NGO's were represented, such as UTZ and Rainforest Alliance who help to educate consumers and aid in industry development. Additionally, speakers from prominent global organizations, such as a representative of the World Bank, helped to further emphasize the global economic importance of an industry such as tea.

Upon registration, items were given such as, a leather conference bag, a commemorative leather pen case, and a lungi (wrap) for a beach celebration on the last day of the conference. I share these observations because as the only student at the conference, it was apparent the people may be incentivized to attend for networking and wealth opportunity. The registration goods were representative of the monetary limitations and set an understanding of a demographic of prestige.

The setting of the conference started at Bandaranaike Memorial International Conference Hall for the introduction ceremonies. The formality of the event was apparent with everyone dressed in formal business attire. A red carpet was placed down two flights of stairs to the drop off location. During the welcome ceremony leaders of the Sri Lankan tea industry spoke about the celebration of heritage and set the scene for the coming days. Booming music, digital backdrops, and lighting effects also demonstrated the magnitude of time and money put into this exclusive event. With a significant entry fee of \$800USD, and the introductory events, I now understood the magnitude of limitations to enter an event

such as this one for an industry that employs so many.

I was most impacted by a dance performance of women holding plucking baskets to commemorate the pluckers who provide the backbone of success to the industry. As such, I couldn't help to notice the demographics in the room which was paradoxical to the on-stage performance. My guess is that the ratio of attendance would identify as 90:10, male to female. Additionally, many of the underrepresented demographic of women at the conference were visiting from developed consumer countries. Upon this observation, though while many boast the smallholder tea sector and familial (often women's') contribution, the representation of this demographic and sector was unclear.

My anticipated expectation of stakeholders at convention wasn't far from the reality that conference held. The tea value network is complex and comprised of many stakeholders, which includes vast economic disparities. Some of those stake holders in Sri Lanka include: tea pluckers, landholders, factory owners, processors, auction representatives, marketing and branding, corporate business owners, tourism boards, research institutions, tea boards as governing bodies, human rights advocacy organizations, distributors, and consumers. Factory owners were far more represented than I had expected, and based upon my discussion with various young professionals, they seem to be a familial extension as young people are encouraged to take over family factories.

On a surface level, I was thrilled that young people were encouraged to invest their time in the industry, because one of the largest challenges in production of tea is an increased number of absenteeism. Young people are dissuaded from participation due to the challenging nature of the physical labor, limited upward mobility, and global trends that encourage migration to urban environments. While this young crowd gave me a bit of hope

in regard to adhering to ‘millennial’ values. I pushed naiveté aside to recognize that this population was only a small percentage of young people in the business of tea.

The next two days were spent attending talks, eating meals with tea professionals, and asking questions to gain insight as to whether or not trends that were communicated in my country were a reality for production. In Sri Lanka the tea industry is currently the largest employer and small landholder producers now makeup approximately 70% of Sri Lankan producers. Therefore, my initial questions upon entering the event was: Can the shift to small grower cultivation of tea provide a platform for industry sustainability, greater equitable wealth distribution, and contribute to the wellbeing of those who participate in the industry? And, while I recognize that farmer representation was minimal at the conference (I did meet one small grower from Nepal, who was ecstatic to be there) the importance of maintaining a healthy industry for all was a common communicated theme.

As part of the material evidence I collected for analysis, I took a look at welcome packets among other handouts from the event. The tea convention chairman, Michael de Zoysa, communicated in the first page of the welcome pamphlet that the industry overtaking of small holders has influence the industry after independence. The honest emphasis of the importance of the industry as reported was, “Tea ensured the development of roads, railways, warehousing, blending, packaging, printing, insurance, shipping, banking, forestry, multi-cropping, tourism, brokerage, you name it the roots of tea have spread through the business world of Sri Lanka” (De Zoysa, 2017) Looking back on my notes from the subsequent days of presentations reveal that the tea industry is shifting. Innovations such as hybridized plantation models, small growers contributing to factory

production, and leadership communicating outward pressures (and inward) to make changes to support a long lasting and sustainable tea industry.

I explored economic, environmental, and humanitarian concerns addressed through these presentations as attempts to reform (or enhance) an agricultural industry. My personal motivations originally outlined in my proposal also were reaffirmed as I went about conference interactions. My motivations were: as a global citizen and conscious consumer, to learn about reformations that can make the industry more sustainable. Some examples are: a fair valuation process of tea for all producers, greater value network/supply chain transparency, increased focus on human development. In reflecting on this original intent of passion and what I thought was consumer awareness, I realized the push and pull of trends in industry. I am unsure of how to precisely pinpoint the source of this trend to change, however, I do have insight that the industry is influenced from a multitude of directions. Is it the consumer influencing change for the producer, or the workers voicing their needs, or global technology increasing the level of transparency and therefore demanding higher expectations and circumstances for all involved? The convention provided the opportunity to reaffirm my research questions and prepare for the more intimate conversations amongst representatives at the FAO IGG meeting.

FAO notes and considerations

In addition to the conference, I attended the UNFAO Intersessional meeting for the Intergovernmental Group on Tea, on August 12-13th, 2017. The history of this meeting spans over 30 years and brings together representatives from many producing and consuming countries. At the table were representative from India, Sri Lanka, Indonesia, China, Kenya, Japan, Germany, USA, Canada, UK, as well as observers from Russia, a

Residue compliance specialist, and people representing the International Tea Committee for industry statistics.

Upon opening of the FAO session, the secretariat communicated the coming agenda, which would focus on: Maximum Residue Levels (MRLs) of pesticides and organic compounds, trade and quality, organic tea, climate change, smallholders, and tea market analysis. This agenda would be addressed more in depth during working groups during day two of the intersessional meetings. The secretariat confirmed what I had been gathering from the pulse of the convention, which was that the tea industry is experiencing shifts to adapt to globalization and demand for a transparency globally. They identified the small holders along the value chain, climate change, transparency and projections of the industry, opportunities and constraints of standardization globally, and commitment to future measurement, as well as the diversity of delegates attending this meeting. There is a desire to increase input from more consuming countries as a collaboration exists for import and export partner. I was honored to be included and welcome amongst the countries represented at the table and to be a part of this vibrant conversation.

The Intergovernmental Group's (IGG) objectives of the future were framed during the introductory conversations. Originally the IGG was launched for price concerns, but as time has passed the subject matter has increased and the focus broadened. Multiple objectives encouraged the establishment of working groups that each have specific target objectives that can be addressed and reported on. An overarching objective of the IGG, as reported in the conference, was to offer traceability for the new more cautious consumer, sustainability for the industry - especially as inclusion in the value chain increases. In the meeting this focus of traceability and connection of production to consumption is

something that I anecdotally latched onto during the meeting. This influenced the trajectory of my broader argument, as the governance of the supply chain, and therefore traceability of resource allocation is paramount for a healthy and sustainably governed industry.

Technology and communication can be a tool and also a burden those who operate in an industry that is not very lucrative and depends on cheap human labor. Technological innovation is deemed a solution to some challenges faced by the industry. The need for small forms of mechanization, while still establishing product competitiveness within tea and the beverage industry is pushing people to think about ways to take out some of the human factors of tea production. Yet, for some, like Sri Lanka the increased focus on quality and local branding will encourage all aspects of production to take place in country. This will mean high quality, small batch, site specific tea, that is produced and packaged from start to final product in Sri Lanka.

The UNFAO encouraged framing discussions around the Sustainable Development Goals. I was not surprised by this approach since the SDGs are UN established. What I was not prepared for were the number of presenters at the International Convention who also reported on the SDGs. My intention at the IGG was to investigate the dynamic position of the United Nations Food and Agricultural Organization (FAO) in regard to post-colonial agricultural progress in the tea industry, as well as gain an understanding of the present and future objectives, regarding small landholder production. My hopes were that this experience would reveal greater insight to the development potential of small landholder production to encourage structural and cultural change. In these presentations I came away asking how all of these actors, including small farmers, NGO, civil society, and governments could be included in upgrading the industry.

In light of this specific agenda item, I realize that each agenda item was as important as the next in order to create a more vibrant industry. The direct correlation of all agenda items to the complexity of the industry challenges through overlapping and decades long challenges, emphasizes the necessity of diverse agenda items to create aggregate change – rather than a reductionist approach.

Through these 30 years until 2017 many emphasized that there was agenda stagnation and the need for innovation. Many of the same agenda items are still being brought to the table and change is slow. Additionally, it was emphasized that geopolitics will eventually implicate trading partners, and this too will need response. It was suggested that geopolitical relationships should be further researched as the impending political climate will also impact the market climate and environmental climate. Participants strategized and envisioned the need for a collective global tea vision and strategy. It is here the stakeholders looked for commonalities, which was voiced from their experience and perspectives. Inclusions of other actors may change the outcome of such a discussion.

The need for a global campaign website for the entire industry became a significant agenda item. That said, this would also correlate with reporting SDG compliance through infographics with an interactive value network as interface. This could contribute to global communication and celebrate the successes of the tea industry, because there are many services it provides. It would also address the need for producing countries to collaborate and the need for consuming countries to educate.

This account establishes the need for transformative strategy in policy discussion. In chapter 7 I will further explain alternative forms of governing structure.

CHAPTER VII: GLOBAL VALUE CHAINS, PEASANT PRODUCTION, AND GOVERNANCE STRUCTURES

The aim of this chapter is to acknowledge and define global value chain(GVC) governance and the importance of this perspective while considering the incorporation of smallholders and other industry stakeholders in the policy making process. I first define what is a global value chain and why this subject is relevant to the conversation surrounding governance of the global tea industry. With the use of relevant literature from prominent GVC scholars I look to share ways to re-think corporate social responsibility (CSR) efforts. This social and economic upgrading aims to create space for new stakeholders in policy discussions. To complement and further legitimize this upgrade, I use literature from the book by Ingebord Gaarde, *Peasants Negotiating A Global Policy Space: La Via Campesina in the Committee on World Food Security* to share the peasant group's successful lobbying efforts to be incorporated into UNFAO conversations on food security and seed sovereignty. This alone aims to present the importance of many voices and perspectives in global-local discussions – where the needs of locals cannot be portrayed without their input.

In order to ground the framework, we will use to argue for economic and social upgrading, it is first important to define a global value chain. I use the following definition, provided by the World Bank which acknowledges a value chain as a set of activities. “The term value chain describes the full range of value adding activities required to bring a product or service through the different phases of production, including procurement of raw materials and other inputs” (Orr, et al., 8). This is similar to broad definitions of supply chains and value chains presented by the FAO and USAID. Supply chains and value chains are terms that are often interchangeably used. The simple definition of a global value chain

(GVC) has potential distill the complexity of global production and distribution to economic terms, yet with a critical framework global value chain analysis can look at various types of upgrading (social and economic) and governance.

Historically, GVCs prioritize large firms to promote industry health. As Gereffi, who is a pioneer in establishing the GVC, he states “... the framework was created to better understand how value is created, captured, sustained, and leveraged within all types of industries. The GVC approach provides a holistic view of global industries from two vantage points: governance and upgrading” (Gerrefi, 27). In this section, I will address this framework, which is used semantically in the FAO policy documents, in order identify shortcomings and suggest alternative governance schemes.

Gereffi aims to acknowledge power dynamics in GVC analysis, primarily due to the concentration of economic power and it’s driving force of governing an industry. “Governance is a centerpiece of GVC analysis. It shows how corporate power exercised by global lead firms actively shapes the distribution of profits and risks in an industry, and how this alters the upgrading prospects of firms in developed and developing economies that are included as well as excluded from the supply chains that constitute each industry” (Gereffi, 28). The regulatory clout that stakeholder have weighs greatly on the resulting trajectory of any given industry. This has transpired into alternative suggestions for increasing the number of stakeholder in decision making processes.

Corporate responsibility is a trend aiming to created new value imaginaries that will work towards more equitable social, environmental, and economic conditions for workers. “When combined with multi-stakeholder initiatives, including labor unions and worker activism, along with the reputational pressure placed on GVC lead firms by CSR regimes,

such as corporate codes of conduct and monitoring, sustainable improvements in working conditions in developing countries become far more likely” (Gereffi, 28). Corporate Social Responsibility... generally refers to “the responsibility of enterprises for their impacts on society. It encompasses a wide range of efforts through which firms seek to integrate social, environmental, ethical, and human rights as well as consumer concerns into their core business practices. The goal is to maximize the benefit of shared value for a broad set of stakeholders, including owners, shareholders, and the wider society, while reducing potential negative impacts of corporate business practices to a minimum” (Gereffi, 25). CSR is a critique to historical corporate patterns that have subjected workers to economic inequities, environmental degradation, and social imbalance.

Due to the centrality of governance to GVCs, a critique of the structure is important for the evolution to equitable governance. Cluster governance is one alternative that considers lateral governance and multiple stakeholders outside of traditional government positions. “An industrial cluster consists of firms and related organizations within well-defined spatial boundaries engaging in similar sectorial activities” (Porter 1998; Pyke et al. 1990, Gereffi, 26). Smallholder tea farmers in various growing communities can be considered industrial clusters. Varied production schemes may exist throughout a cluster, yet local geographies unite clusters often with similar conditions. It is paramount to categorize smallholders as industrial clusters to help create cohesive structure that can incorporate them into the broader global value chain. “The literature suggests that clusters matter for economic upgrading because, first, the agglomeration of productive activities generates economies of scale and scope external to individual firms but internal to the cluster, and, second, it facilitates local joint actions by cluster firms and institutions to

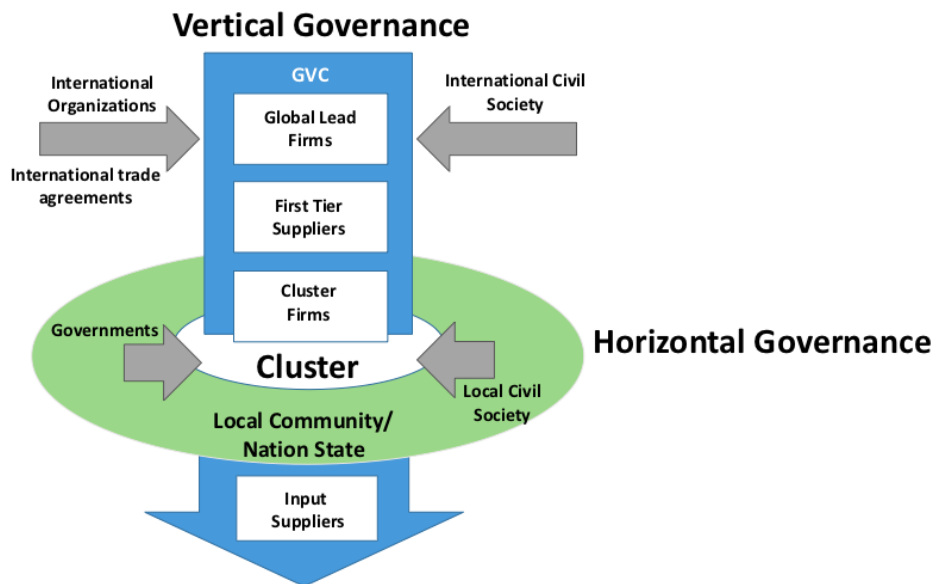
address common problems based on their interdependence” (Gerrefi, 27). It is evident here as to why intergovernmental groups will benefit from thinking beyond CSR and towards new forms of inclusive governance.

Clusters can identify industry issues, due to their intimate experience with the land and socio-economic conditions. A cluster can be a cooperative, grouping of independent farmers, or other organized pattern of small medium enterprise. One critique of cluster governance is that, “while cooperation among cluster firms is not easy because they often compete intensely with each other, it can be rewarding when they confront common upgrading challenges together” (Gereffi, 27). It is here I argue that slow development to overcome deeply embedded challenges may result in a more sustainable production environment for all producers.

Additionally, there is a deep identified need for regulatory conditions set on smallholders in order for them to participate beyond the local economy and into the global. Cluster governance steps beyond typical CSR endeavors in this circumstance. “Cluster-based initiatives take into account local contexts and perspectives... The key mechanism of this model is cluster-based collective actions toward the improvement of labor conditions, facilitated by trust and mutual dependence between closely knit firms. “Cluster institutions, such as business associations, chambers of commerce and cooperatives, play a key role by providing training and information on quality and social standards in external markets” (Gereffi, 31). Therefore, cluster initiatives create new integrative steps for value shifts beyond reductive economic conditions. Cluster governance in GVCs can also provide new recommendations for dominant firms. “This requires a shift from inactive or reactive CSR strategies, in which supply chain relationships are considered to be a liability of supply

chain management, to more active and proactive CSR strategies, which highlight broader societal responsibilities related to local suppliers and communities” (Gereffi, 35). Gereffi suggests here a redistribution of power amongst supply chain management tactics and human development for all stakeholders.

The structure of cluster governance is complementary to the GVC traditional structure, which is vertically integrated. Cluster industries offer a new perspective on governance structure. The hierarchy of representatives does not exist in the same structure for clusters, which need to provide a more egalitarian structure. “The industrial cluster literature highlights the importance of cluster governance operating horizontally between cluster firms and institutions in local contexts... This horizontal governance can be contrasted with the vertical governance in GVCs that links global lead firms to both first-tier and local suppliers in international production networks” (Gereffi, 27). This adapted model of GVC governance represented in an adapted version of Gereffi’s structure seen below.



Adaptation from: Gereffi, G., & Lee, J. (2014)

Horizontal governance is a form of social governance which brings together multiple stakeholders in from for profit and non-profit environments. “Social governance is driven by civil society actors, such as NGOs and labor unions. It provides a more explicit means of regulating workers’ rights and labor conditions. These include codes of conducts initiated by NGOs, and multi-stakeholder initiatives, such as the Ethical Trade Initiative (ETI)” (Gereffi, 31). In this next section I aim to provide context of reflationary dynamics between smallholders, factories, and civil society.

Case: La Via Campesina

As a result of the FAO’s use of Global Value Chain (GVC) terminology I have chosen to incorporate associated literature into this document. I utilize this perspective to provide a critique on traditional value chain structure , and in turn, offer alternative forms of governance. In the next paragraphs I will provide a historical account of the prominent peasant organization La Via Campesina and the organization’s lobbying efforts to be included in FAO intergovernmental group(IGG) discussions on food security and sovereignty. While the subject matter differs, the pervasive message here is that the FAO has already acknowledged the importance of incorporating multiple stakeholders into governmental discussions. I argue that the IGG for tea could replicate this inclusivity with the tea smallholder sector through a cluster governance structure. This will offer opportunity to expand beyond the realms of corporate social responsibility and towards sustainable governance.

Gereffi notes that pressures for social and economic upgrading, associated with lead corporate firms, has pushed for CSR to become multidimensional. This new form of governance he calls “synergistic.” “This is leading to a confluence of “private

governance” (corporate codes of conduct and monitoring), “social governance” (civil society pressure on business from labor organizations and non-governmental organizations), and “public governance” (government policies to support gains by labor groups and environmental activists). This new form of “synergistic governance” is illustrated with evidence from recent studies of GVCs and industrial clusters, as well as advances in theorizing about new patterns of governance in GVCs and clusters” (Gereffi, 25). This step towards sustainable development includes economic stakeholders and outside institutions. “...including not only global lead firms and cluster firms but also civil society actors like non-governmental organizations (NGOs), national and local governments, labor unions, and international organizations such as the International Labor Organization (ILO), and multilateral donors like the World Bank and regional development banks” (Gereffi, 26). It is this integration that will help industries step beyond traditional governance towards synergistic governance.

La Via Campesina is one of the most recognized and successful peasant movements, where global citizens represent a common objective providing an international voice for peasants. This falls into the subject realm of seed sovereignty, climate change and environmental justice, land and water rights, migrant farmer and wage rights, and food sovereignty. “The movement is increasingly recognized as what may be the largest global political movement on earth” (Gaarde, 1) To this benefit, I acknowledge that the harmonized interests of these culturally different farmers shows global capacity for social change. “The goal of La Vía Campesina is to bring about change in the countryside – change that improves livelihoods, enhances local food production for local consumption, and opens up democratic spaces; change that empowers the people of the land with a great

role, position, and stake in decision- making on issues that have an impact on their lives” (Desmarais, 2007 198) (Gaarde, 6). The organization sees the role of decision making, on all levels, a vital piece in addressing local needs. La Via Campesina pushed the UN to democratize the discussion process to ensure good governance where smallholder farmers, especially women, have the right to input.

Specific to food security was the World Food Program’s effort to tackle world hunger. “On 22 April 2008, the head of the United Nations World Food Programme (WFP) called for urgent action to tackle the ‘Silent Tsunami’ of rising food prices that threatened to push more than 100 million people worldwide into hunger” (UN, 2008) (Gaarde, 4). While lobbying had taken place prior to this date, La Via Campesina, to initiative to incorporate themselves into institutionalized conversations with leaders at the FAO. Due to this integrative approach, La Via Campesina was critiqued for accommodating the global systems in which their subordination resulted. “The common view among various analysts of social movements is that access to institutions leads to cooptation and de-radicalization” (Gaarde, 3).

The UN meeting took on a new face for this discussion, which is a demonstration of the changing actors involved in the governing process. “In contrast to the formal character of most UN meetings, peasant delegates did not enter the meeting hall in a suit with a laptop case under their arms. Instead, delegates from around world were dressed in traditional colorful clothes, equipped with flags, music instruments, traditional drinks, food, seeds and other symbols of their struggle” (Gaarde, 2). Together, the actors in this meeting established a restructuring of the Committee on World Food Security (CFS) where the CFS became a multi-stakeholder structure. “In this reform proposal governments invited non-

state actors to self-organize their full participation in the policy process leading to global policy-making on food and nutrition, with an accent on addressing the needs of those most affected by food insecurity (McKeon, 2015: 109). This making the CFS... “the foremost inclusive international and intergovernmental platform dealing with food security” (FAO, 2008) (Gaarde, 5). It is this social change that addresses local needs, which are inherently global, which then becomes an integral part of the policy conversation. “For the first time in the history of the UN system, representatives of small-scale food producers and other civil society organizations, along with private sector associations and other stakeholders, would be full participants and not just observers of the intergovernmental process” (McKeon, 2009b) (Gaarde, 5).

Global Value Chain Perspective:

Global trends in commodity markets dictate production on the ground in producing countries. As cluster governance is considered for the benefit of smallholders, I share an important synapse in tea production that, with the right governance, can democratically transform to a sustainable, ethical, and productive sphere of production. Economic and social upgrading for small landholder farmers who mutually depend on Bought leaf factories (BLFs) to process tea and market it globally. I argue here that it is paramount to encourage regulatory collaboration and information dissemination in order to upgrade the industry and incorporate these stakeholders into the GVC.

One of the benefits of the increasingly globalized sphere of production to distribution is concern for ethical, environmental production. “Smallholder tea production is typically targeted by branded tea manufacturers as a means to secure the reputation of their brands and demonstrate that certain basic principles concerning ethical and

environmental impacts of production and processing are addressed in their supply chain” (Larsen, 2). Therefore, by situating BLFs and small landholders in the context of a global chain, there is potential for heightened concern for the economic and social developments of the producers as key stakeholders in industry sustainability.

Tea is a global commodity that passes through many hands from production to consumption. Therefore, it is important to emphasize the interconnectivity of stages product creation within a global value chain. “Global Value Chains (GVC) analysis proposes that research on value chains follow a product from field to cup...A value chain typically has about five stages: production, processing, distribution, retail, and consumption. Recent research has shown, however, that rather than static vertical chains, value chains are indeed webs of interaction, where negotiations take place between actors at each node” (Laconto, 3). Thus, the web of interaction must consider what the consumer in the importing country desires as well as the ability of the BLFs and smallholders capacity to create a product of quality at a price point that will maintain the incentive to stay within the industry.

Worker absenteeism and abandonment of production is an increasing concern as cost of production increases. The appearance of these systems is related to the international extension and externalization of manufacturing activities previously internalized “within the organizational boundaries of vertically integrated corporations” (Gereffi, G.,1994) (Larsen,1) With an acknowledgement of connection between independently functioning actors, a values-based value chain will enhance the likelihood of price quality increase, as well as potential producer satisfaction in terms of socio-economic development.

To innovate I argue that the Global Value Chain perspective will translate to a

different focus on upgrading as a holistic industry approach. Globally, importing countries are increasingly desiring higher quality tea, that is produced ethically through a transparent supply chain. They are willing to support a smaller producer with a higher price – especially if it is accompanied with a dynamic story.

Inherent to the success of smallholders is the strengthening and support of services provided through the BLFs. The factories have the potential to be the nexus of upgrading the industry, only if done carefully. “These BLFs have strong incentives to engage in vertical coordination and enforcement of effective quality-control procedures in order to reduce the cost of monitoring quality at the factory gate and, at the same time, enjoy greater economies of scale and an optimization of the benefits of premiums attached to higher quality tea. (Larson, 16) Both multilateral organizations and governments have the opportunity to engage in this space of interaction between factories and farmers. “Once entry is gained by producers in developing countries, learning effects take place within GVCs arising from lead firm–supplier interactions” (Larsen,6). It is here that Governmental Tea Boards and NGO’s, like The Ethical Tea Partnership can increase the capacity to operationalize programs to help relieve small landholders from their current challenges.

It is the cross roads of producers and consumers where innovation may occur. The Ethical Tea Partnership is an INGO based in the UK. They do not certify producers for quality regulation but operate on the ground to improve production. On their website ETPs claim toward helping small landholder farmers is, “... we provide training and support that helps tea farmers improve their yields, produce better quality tea, gain access to affordable finance, and meet social and environmental criteria required by export markets” (ETP). “The focus (of ETP) is thus shifting from monitoring non-compliances to identifying core

issues in the industry and working with producers to eliminate them” (Laconto, 7). Through this capacity building organizations like ETP provide the point of communication to work with global standards development. ETP has begun to collaborate with ISEAL Alliance to focus on establishing social and environmental standards (Laconto,7). This project continues to operate at the heart of their mission.

One example of government intervention for quality upgrading was a regulatory measure from the Tea Board of India. The board, “imposed a minimum quality standard based on the acceptable shoot composition of a consignment of tea: at least 65 per cent of a consignment of tea traded should consist of fine leaves” (Larson, 10). Fine leaves, as mentioned earlier in this paper consist of two leaves and a bud. They are tender and therefore will increase the flavor quality of the final product. However, the regulatory capacity is currently weak based on the far stretching geography to meet industry needs.

Additionally, a Self-help group model was established to meet this level of compliance and quality in India. The “SHG-center model” was aimed at situating responsibility for compliance with the acceptable shoot composition of a consignment of tea at the village/center level rather than at the factory level. (Larsen, 11) The benefit of these self-help groups allows for community capacity building to sort leaves and may encourage BLFs to offer different price points for green leaf. The financial incentive, in theory, encourages increased quality and may provide the cultural incentive of small grower collaboration and collective bargaining power.

CHAPTER VIII: CONCLUSIONS AND RECOMMENDATIONS:

Based upon intensive historical research of tea production in South Asia, my observation and attendance of the IGG intersessional meeting in Colombo, Sri Lanka, and the International Tea Convention in August of 2017, I offer a set of industry recommendations. The objective of these recommendations is not to provide ultimate direction but is meant to provide unique perspective based on my knowledge, experience.

This section is informed by a number of factors, which I have reported on throughout this document. The theoretical foundations of Appadurai, Scott, and Besky show the importance of integrating new definitions and imaginaries of value, especially those that expand beyond reductive economic positions, and look towards emphasizing human development for a sustainable industry.

Appadurai's concept of imaginaries plays a role in establishing new definitions of value. For the tea industry this might mean placing greater value on the less powerful sectors, such as the smallholder sector. As this relates to governance, a new concept of value would apply to the cluster governance model to redefine power in the sense of political engagement and representation. Additionally, new concepts of value will help to endure the changes associated with socio-economic development. Imaginaries encourage innovation and there is importance in considering imaginaries as a space to hold social capital. It is in this space that the governance of the tea industry may step beyond supporting only established purveyors in tea, and support the numbers of smallholders' integration into the global value chain. In response to this change, historical imbalances may be equalized.

Scott's emphasis on agrarian struggle and resilience of the communities helps to

create a comparison of similar scenarios for smallholders and peasants. In a peasant resistance new forms of power can be accounted. In light of Appadurai's emphasis on equalizing historical imbalances, Scott's focus of new aspects of power helps to redefine what power might look like in an industry discussion supporting smallholders. Defining cluster governance can establish new aspects of power. His emphasis on human relations and its influence in class relations may also help to create value in re-humanizing a production economy. It is those who engage and interpret the economy who can help re-define relations.

Both Besky and Scott acknowledge that economic incentive has played a role in subordinating peasant populations. If a local embodiment of globalization is to be embraced the value chain will then be defined by the agro-environment of the producer. Besky emphasizes the importance of a moral economic perspective. By situating the production sphere in its own environment, and therefore understanding the history, actors, and influences the value of that environment can be emphasized not just for its economic importance, but the livelihood that it can provide. Most importantly, local embodiment of global systems will embrace the identities of those who dedicate themselves to the land.

Appadurai communicates that when commodities are shipped across the world different realities exist for producers and consumers. If export is to happen, and therefore integration into a globalized value chain, the geo-spatial realities must also be communicated. This opportunity to create more social, moral, and environmental value must be critical of simplistic forms of economic transaction. This theoretical study aims to create value beyond the economic aspects of the tea value chain from production to consumption.

Value can also be addressed through policy inclusion of smallholders and formalization of the sector. In this case smallholders can be considered a cluster industry. Therefore, the use of a horizontal governance model is important for the sector to become integrated into the global value chain. This is demonstrated in Gereffi and Lee's report on social and economic upgrading through synergistic governance and their proposed structure as seen in figure 4: The Synergistic Governance Model.

With the theoretical and applied aspects of my argument, accompanied by my analysis of archives and current reports from the IGG¹, I aim to provide legitimacy to my unique and informed position. I come from the United States, which is a tea consuming country, yet have focused most of my research agriculture production environments. This interest was instigated by a desire to address topics of globalization and to develop an understanding of synaptic conditions in which consumers and producers can create bridges in order to influence human development and value chain inclusion.

In the preceding chapters I have shown that smallholder presence is increasing globally. As warranted by the cases shared, many smallholders are still without important services to help them develop into sustainable and successful operations that take into account social, environmental, and economic considerations. It is my overarching recommendation that the smallholder "sub-sector" be recognized as a formal sector. As a result, this will legitimize both policy making and government inclusion, which I argue are vital to long-term industry development and sustainability. It will also translate to increased services to smallholder growers, who need technical and business education in order to

¹ The prompting questions that I use to investigate the industry at large have also been a tool to view the policy documents published by the UNFAO IGG. Appendix 1 is a policy evidence collection and Appendix 2 is an annotated interpretation of policy that addresses the associated questions. These content in these sections provide and support to my overarching recommendations and argument.

produce high quality and exportable tea. To achieve this I offer the following recommendations for industry development and long-term sustainability:

1. Define the smallholder sector as an industrial cluster to gain political legitimacy
2. Under the auspices and development of the Confederation of International Tea Smallholders (CITS) create an inclusive policy making process, which includes smallholder farmers in IGG meetings. As acknowledged in Gereffi and Lee's value chain governance model, this will translate to a synergistic collaborative space for reform that will include smallholders in the global value chain
3. The CITS, adopted by the IGG as reported on in their vision goals, should conduct extensive research to address the current smallholder scenario in multiple countries. This global perspective will help to understand shared experiences and strengths/challenges of individual socio-economic circumstances. I affirm this goal.
4. There is currently a global quality gap between smallholders and the formalized corporate sector. Formalizing the smallholder sector will allow for further dissemination of services to these growers and therefore inclusion in global spheres of distribution will be more likely. This is based on the premise that global trends have dictated increased certifications as indicators of quality, for example – organic certification, reporting of material residue levels, Rainforest Alliance, and Fair Trade. These certification schemes are currently costly and barriers to global value chain entry. Most small growers distribute domestically. Kenya and Sri Lanka's industry and support from development authorities have already proven that high quality tea can be produced and distributed from smallholders.
5. With the formalization of the sector and government involvement, extension services for information dissemination and technical programming will establish good agricultural practices, business development, and access to capital for smallholder development. Technological platforms, such as mobile technology can be catalysts for widespread information sharing to remote locations. Regulated green leaf collection schemes with the support of mobile data systems can offer regulatory oversight and organization of the sector. These services can contribute to higher quality tea and upward economic mobility. As identified in the policy documents this contributes to measures that will address human development objectives within the UN's Sustainable Development Goals
6. Self-help groups, which are aggregate collaborations of smallholders, and other collaborative smallholder scenarios, can be effective ways for information sharing to farmers groups and from farmer groups to organized institutions. This can both advocate for land tenure and build capacity for GVC inclusion. Collective efforts can also contribute to joint marketing schemes and certification, which is deemed necessary for international export.
7. Women's representation in political decision making along all aspects of the global value chain is important. While there was some representation of women at the IGG

intersessional meeting, the majority of leadership from producing countries was male dominated. Additionally, attendance to the International Tea Convention, held two days before the intersessional meeting was also male dominated. In an industry where most labor is completed by women, greater representation in decision making is warranted.

8. Smallholder representation in policy discussion is also paramount to long term success of the industry. This is the foundation of industry formalization, as already demonstrated by IGG initiative to establish the Confederation of International Tea Smallholders
9. Price floors set by governments can help to reduce scenarios where “middlemen” take advantage of smallholders and ensure income that is above poverty indicators.

Bearing these findings in mind, I suggest for increased direct connection connection with bought leaf factories to reduce middlemen and social organizing, that can lead to ease in access to often cost prohibitive aspects of regulation that leads to greater valuation.

With 70 percent of total tea land cultivated by smallholders, and 60 percent of global production output coming from smallholders, this sector is no longer a sub-sector, and represents significant contribution to global tea output. (UNFAO, 2017) It is paramount that current industry leaders acknowledge this shifting environment and assign new definitions of value to the development of this industry. My recommendations provide insight into identified challenges and opportunities faced by smallholders and the industry at large. I hope that they will provide insight to alternative valuation processes that consider human development, environmental considerations, and respectable livelihood development for the future of the entire industry. Establishing synergistic governance and formalizing the subsector are steps towards these objectives.

APPENDICES:

APPENDIX A: IMPORTANT VOCABULARY

Small landholder farmer: “In Kenya, it means a grower cultivating tea but does not possess his/her own processing factory; in Sri Lanka, an area of land less than 50 acres (20.2 hectares); in India, a holding less than 10.12 ha and does not possess his/her own tea processing factory; and in Indonesia, land size between 0.8 to 2 ha and sell tea leaves without processing. However, the average land holding in most countries, tend to be on the lower side. For example, the average size in Indonesia is less than 0.4 ha, 1.6 ha in India and more than 80 percent of smallholders in Sri Lanka hold less than 0.2 ha” (UNFAO, 2, 2012)

Green Leaf Purchasing: The selling and buying of fresh plucked green leaf from a smallholder farmer to a processing factory.

Bought Leaf Factories: Factories that buy fresh green leaf from smallholder farmers and then process it into a final product ready for market.

IGG: The FAO Intergovernmental Group (IGG) on Tea represents a forum for intergovernmental consultation and exchange on trends in production, consumption, trade and prices of tea, including regular appraisal of the global market situation and short-term outlook. The Group considers changes in national policies and examines their international effects as pertaining to the current and prospective market situation. (FAO, 1)

Cluster Industry: “An industrial cluster consists of firms and related organizations within well-defined spatial boundaries engaging in similar sectorial activities (Porter 1998; Pyke et al. 1990)(Gereffi, Lee, 2016).

Horizontal governance: “Horizontal (cluster) governance refers to locality-based coordination of the economic and social relations between cluster firms as well as institutions within and beyond the cluster” (Gereffi, Lee, 2016).

Economic Upgrading: Economic upgrading is defined as a move to higher value activities in production, to improved technology, knowledge and skills, and to increased benefits or profits deriving from participation in GVCs (Gereffi, 2005) (Gereffi, Lee, 2016)

Social Upgrading: “Social upgrading is defined as the process of improvement in the rights and entitlements of workers as social actors and the enhancement of the quality of their employment” (Barrientos et al. 2011) (Gereffi, Lee, 2016)

Synergistic Governance: “Synergistic governance...a way to advance more comprehensive and sustainable forms of upgrading, both economically and socially. Synergistic governance is not easy to achieve, but it offers a promising pathway to bringing together corporate, governmental, and civil society actors in a global setting to achieve joint objectives, where active collaboration among GVC and industrial cluster actors is required in order to simultaneously achieve economic and social gains” (Gereffi, Lee, 2016).

GVC: Global Value Chain, “The term value chain describes the full range of value adding activities required to bring a product or service through the different phases of production, including procurement of raw materials and other inputs” (Orr, et al., 8).

Vertical (GVC) Governance: Vertical (GVC) governance operates along the value chain, linking a series of buyers and suppliers in different countries, each of which adds values toward the final product.

GVC Analysis: “The GVC framework was created to better understand how value is created, captured, sustained, and leveraged within all types of industries. The GVC approach provides a holistic view of global industries from two vantage points: governance and upgrading. The governance of GVCs focuses mainly on lead firms and the way they organize their supply chains on a global scale, while upgrading involves the strategies used by countries, regions, firms, and other economic stakeholders to maintain or improve their positions in the global economy (Gereffi 2005). Both concepts have evolved considerably in recent years. (Gereffi, Lee, 2016)

UNFAO: Food and Agricultural Organization of the United Nations

CSR: Corporate Social Responsibility: “While CSR is a multifaceted notion, it generally refers to “the responsibility of enterprises for their impacts on society” (European Commission 2011). It encompasses a wide range of efforts through which firms seek to integrate social, environmental, ethical, and human rights as well as consumer concerns into their core business practices. (Gereffi, Lee, 2016)

Plucker: A person who plucks(picks) tea as their role in the production process. Pluckers in this report refer to those who engage in plucking as plantation work. Smallholder farmers are not referred to as pluckers in this report, however they do pluck their own tea and, depending on the size of their operation, may hire contract labor for plucking.

APPENDIX B: POLICY COLLECTION

In this appendix I provide evidence from UNFAO policy reports from the Committee on Commodity Problems – Intergovernmental Group (IGG) on Tea. The policy documents that I utilize are listed below in order from oldest to most recent. I utilize formal reports whose primary focus is on the smallholder subsector from the 20th, 21st, and 23rd session. The only intersessional meeting documents that I use are from the IGG intersessional meeting in which I was an observer on August 12-13th, 2017. The objective of presenting these articles is to show evidence of qualitative, and supportive quantitative data collection, representation of present and historical policy work to globally support the development and sustainability of the smallholder tea sector. Most of the work reported is from the working group on smallholders through the IGG and are specifically numbered to match their correlating policy document. If the article does not have a number, it is because it was not assigned a number in the policy document. These articles aim to provide a critical approach to identifying gaps and suggestions for future governance of this growing and important sub-sector.

The main research question that I pursue throughout this document is: Can the increased presence of small grower tea cultivation, from subsector to dominant industry, necessitate a shift towards greater value chain inclusion, equitable wealth distribution, and contribute to the wellbeing of those who participate in the industry? Is there space to incorporate smallholders directly into inclusive governance with representation at the UNFAO IGG on tea? The articles listed beneath each question aim to substantiate the research questions

Policy Documents:

CCP:TE 12/CRS2 Contribution of Smallholders to the Tea Subsector and Policies Required to Enhance Their Livelihood (30 January – 1 February 2012 Colombo, Sri Lanka) 20th session

CCP:TE 14/5 Contribution of Tea Production and Exports to Food Security, Rural Development and Smallholder welfare in Selected Producing Countries (5-7 November, 2014 Bandung, Indonesia) 21st session

CCP:TE 16/CRS10 Working Group on Smallholders Proposed Action Plan for the Confederation of International Tea Smallholders (CITS) (25 - 27 May 2016, Naivasha, Kenya) 22nd session

CCP:TE 16/4 Socio-Economic Factors and Implications for the Livelihoods of Smallholders (25 - 27 May 2016, Naivasha, Kenya) 22nd session

*IGG:TE ISM 17/10 Report Intersessional Meeting (12-13 August 2017, Colombo, Sri Lanka) Intersessional meeting

*IGG:TE ISM 17/5 Rev. 1 Report of the Working Group on Smallholders (12-13 August 2017, Colombo, Sri Lanka) Intersessional meeting

CCP:TE 18/1/Rev 1 Provisional Agenda and Agenda Notes (17-20 May 2018, Hangzhou, the People's Republic of China) 23rd Session

*Reported evidence from the IGG in which I observed.

1. Do the policy documents legitimize the importance of the subsector in acknowledging the rise of smallholders?

CCP:TE 12/CRS2, Sri Lanka Article 3: Within the tea sector in producing countries, the small-holders' sub-sector is an important segment world-wide. Consider first, the two leading black-tea exporting countries Sri Lanka and Kenya. In Sri Lanka, with more than 400 000 small-holders, the sub-sector constitutes about 64 percent of total area under tea and 76 percent of total production. In Kenya, with an estimated 560 000 small-holders, about 62 percent of the total production is derived from the sub-sector. The industry in China, the world's largest producer of tea (principally green tea) producing 1 475 million kilograms in 2010, is essentially small-holder- dominated as in the case of Vietnam. Small-holders account for 43 percent of the area under tea and 23 percent of production in Indonesia. In India, the world's second largest producer of tea and largest producer and consumer of black tea, an estimated 160 000 small-holders account for over 26 percent of its production of 966 million kilograms (2010).

CCP:TE 12/CRS2, Sri Lanka Article 4: Moreover, there has been an enormous growth in the small-holder sector as compared to the large-scale organized sector in the past decade. The area under small-holders between 2001 and 2010 has increased from 1,140,700 hectares to 1,970,200 in China (a 73 percent increase), from 85,511 hectares to 115,023 hectares in Kenya (a 34 percent increase) and from 101,884 hectares to 132 000 hectares in Vietnam (a 30 percent increase). Between 1994 and 2005, the area under this sub-sector increased by 48 percent in Sri Lanka. In India, the share of the small holdings in the total output in the last decade has gone up from 11 percent to 26 percent.).

IGG:TE ISM 17/5 Rev. 1, Sri Lanka: Globally, tea smallholder sector covers 70% of the plantation area and produces 60 percent of the global tea production volume; the magnitude of these figure poses as the vital cog to the global tea industry. In the recent years, however, the small tea growers in many producing

countries have not been operating profitably, massive conversion of plantation to other crops had taken place and these have threatened the overall Tea-Sustainability.

IGG:TE ISM 17/5 Rev. 1, Sri Lanka This serious situation which is engulfing the small tea growers globally should be viewed as a strong wake-up call to the entire industry and to collaboratively establish a comprehensive program or action plan to remedy the situation. The program should initially focus on the small tea growers how they can operate profitably. The situation varies from one country to another. In Indonesia, and it may also apply in other producing countries, the tea smallholder group constitutes the largest area. This is very important to the development of the rural economy and the country's political stability. In consequence, the success of revitalizing the global tea smallholders is paramount importance to most of the emerging markets.

2. Does the FAO identify indicators for de-estating and/or the rise of smallholders in countries previously dominated by estate sectors?

CCP:TE 12/CRS2, Sri Lanka Article 8: The alternative(to smallholders), plantation model, is of the large-scale corporate-estate sub-sector with an integration of field and factory operations, which still is the major part of the sector in India (although its share has come down) and is also prevalent in Sri Lanka and Kenya. This is considered a high-cost model. However, the quality of their produce is considered superior in India. In Sri Lanka too, the corporate sector has a quality advantage since 90 percent of smallholder production is at medium and low-grown elevations, compared to 50 percent for the organized-estate sector. However, the quality gap is far narrower than in India. The smallholders' sector in India is considered as a model of low-cost-low-quality production, catering largely to the lower-end of the domestic market. In Kenya, on the other hand, quality in terms of auction prices have been higher for the smallholders while productivity of the estate sector has always been above that of the KTDA/smallholders' production.

CCP:TE 12/CRS2, Sri Lanka Article 9: In countries that have a long history of organized large-scale corporate plantations such as India, Sri Lanka and Kenya, statutes exist for provision of welfare amenities for plantation labor. The plantation industry in India, for example, is regulated by the Plantations Labour Act, 1951 which has elaborate specifications for statutory benefits including housing, medical, drinking water, sanitation and conservancy, crèche and education facilities for workers.

CCP:TE 12/CRS2, Sri Lanka Article 10: Industry associations in India have long represented that for the estate-sector, the expenditure on the "social overhead costs" covering statutory benefits as well as non-statutory benefits that have been traditionally given (fuel for workers, food-rations at concessional prices) is burdensome for the industry. They have opined that this is seriously affecting its competitiveness. Various Committees appointed by the Government of India have quantified this "burden" and have expressed the view that expenditure of the plantation industry on account of the statutory provisions be partially reimbursed to the plantation estates through Government funding sourced from the Central and provincial Governments. However, this is yet to be acted upon.

3. What are the identified structural industry challenges small landholders endure?

IGG:TE ISM 17/5 Rev. 1, Sri Lanka: In countries and regions where smallholders do not have collective ownership of factories and government entities do not intervene, the smallholders are left to the vagaries of the middlemen in the imperfect competitive market. Many governments have attempted to regulate the system of payments to smallholders by privately owned processing factories, against those that are collectively owned as those in Kenya which has been successful.

IGG:TE ISM 17/5 Rev. 1, Sri Lanka: ... due to the small size of their average holding, a high level of transaction cost, limited opportunities for capacity building and varying degrees of institutional support, as

well as coupled with poor bargaining power in the green-leaves and input markets, smallholders have not been able to reach the full realization of their true worth and values.

CCP:TE 12/CRS2, Sri Lanka Article 12. In this backdrop, the smallholder production is seen as increasingly viable, contrary to the concept of economies of scale. In India, in the past decade, the two largest blending and marketing companies (Unilever and Tata Tea) have exited the estate-sector primary production, preferring to turn buyers. There is also a trend towards some amongst the estate- sector who are investing in stand-alone factories but many are also increasingly sourcing their leaf from the smallholders and processing it either separately or together with leaf from their in-house plantation sections. While this symbiotic relationship would bring down the cost of production for the estate-sector, the flip side is that it affects the livelihood in the long-run of the employees of the organized estate-sector and also businesses of the stand-alone processing factories. However, such partnerships could be beneficial to the small-grower, especially if it leads to longer-term contracts which would decrease price-risk. Additionally, if it provides extension and advisory services and traceability of the produce, it opens up for more remunerative markets. These partnerships could be B2B as well as involving major associations on either side. An example of the organized sector assisting the smallholders is the Krishi Vigyan Kendra (Farm Science Centre) set up in 1982 by the United Planters' Association of Southern India (UPASI), in collaboration with the Government of India and the Tea Board, which has served the smallholders well by providing capacity-building services to them.

4. What historical research has taken place to aid smallholders?

IGG:TE ISM 17/5 Rev. 1, Sri Lanka: A review of the smallholder tea sector was first carried out at the 12th Session IGG Meeting in 1997 in Bali, Indonesia. In that review the analysis indicated that then, the welfare of smallholder tea producers was much greater than that of their counterparts in other crops in the countries that the Secretariat surveyed, namely Indonesia, Kenya, Sri Lanka and Tanzania. The situation has changed significantly since then, and a new comprehensive review should be carried out as soon as possible.

CCP:TE 14/5, Indonesia Article 2. For the current study, an attempt was made to examine the contribution of tea production and exports to smallholder welfare in several major producing countries, using the household survey methodology developed and accepted by the Working Group on Smallholders at the inter-sessional meeting that was held at FAO headquarters from 5-6 May 2014.

CCP:TE 14/5, Indonesia Article 3. Of the questionnaires sent out to all the tea producing IGG members in June 2014, only three countries responded by the July deadline: India, Indonesia and Kenya. However, the data received from these three countries were incomplete as they mostly dealt with rural household demographics and some on farm activities. Questions dealing with activities further along the value chain remained unanswered, except for Indonesia, but unfortunately there were only four households surveyed. As the purpose of the survey was to try to identify the level of smallholder integration in the tea value chain, greater depth in response to developments from farm gate to retail was required so that a comparative analysis could be more effectively carried out and contribution to producer and consumer welfare better assessed.

CCP:TE 16/4 Kenya Article 2: The present document is an attempt by the Secretariat to evaluate how tea export earnings impact smallholder livelihood and food security. The Secretariat has developed an analytical framework for monitoring policy development in tea producing and exporting countries; firstly, at the tea sub-sectors level and ultimately, smallholders in particular. Hence, this document will specifically examine the following two dimensions:

- **Economic:** Tea production and productivity; exports and imports of tea; tea sub-sector contribution to the national income; smallholder income and impact on their livelihoods and food security; and

- **Social:** Rural population, employment and poverty; sanitation and potable water. (CCP:TE 16/4 Kenya)

CCP:TE 16/4 Kenya Article 3 To prepare this document, the Secretariat used information from its tea database, the IGG/TE annual questionnaires, the survey of smallholders and the Secretariat's extensive knowledge of the world tea economy. The Secretariat is grateful for the survey responses received from India, Indonesia, Kenya, Malawi, Sri Lanka and Tanzania. However, upon compilation, the microeconomic data at farm level remained inconsistent and difficult to reconcile. The varying sample sizes, particularly the extremely small samples, exacerbated the inconsistencies. Although the Secretariat was constrained by the lack of a full set of essential data for an econometric analysis and the time needed to complete documentation for the Twenty-second Session, an attempt was made to use the information gathered to analyse and draw some conclusions on the implication of tea production and export earnings on the livelihood and food security of smallholders.

CCP:TE 16/4 Kenya Article 12: From a policy perspective, the value of tea production as a percentage of total agriculture production is very important in sector policy and strategy formulation, particularly if the agriculture sector contributes significantly to the national economy. For instance, nearly 40 percent of Burundi's GDP comes from agriculture and about 30 percent in Kenya and Malawi

CCP:TE 16/4 Kenya Article 13: For smallholder dominated tea producing countries, the value of tea production as a percentage of total agriculture production in 2014 were 28.9 percent in Sri Lanka and 16.3 percent in Kenya. This illustrates the importance of tea, not only to the agriculture sector, but also to the national economies in these countries, and, by extension, the significant weight of the role of smallholders (who account for 70 percent of production) in contributing to the national economies. The sustainability of their livelihoods determines the future of the tea subsector and its contribution to the agriculture sector.

CCP:TE 16/4 Kenya Article 20: Results of the Secretariat's analysis provide margins at the farm-gate and indicative net incomes from tea and how they contribute to the livelihoods of smallholder households (Tables 4 to 8).

CCP:TE 16/4 Kenya Article 24. A gross margin analysis was undertaken by the Secretariat, using data from the smallholders' survey compared to data from macroeconomic sources and IGG/Tea annual questionnaires (Tables 6 and 7). The comparison was made to highlight inconsistencies and the need to reconcile the two sets of data. The results of the analysis were then used to evaluate them against the poverty indicators.

Table 6: Cost of Production and Earnings of Smallholders (based on the Surveys provided by the Members)

Country	2014/2015					
	Green leaf cost of production	Green leaf farm gate price	Green leaf margin	Production per farmer	Gross income per farmer	Net income per farmer
	USD/Kg	USD/Kg	USD/Kg	Kg/GL	USD	USD
India	0.09	0.22	0.13	13995	3079	1819
Indonesia	0.13	0.15	0.02	2502	370	38
Kenya	0.11	0.51	0.40	4527	2309	1824
Malawi	0.05	0.15	0.10	3583	537	367
Sri Lanka	0.09	0.52	0.43	4381	2278	1890
Tanzania		0.14				

Table 7: Earnings of Smallholders (based on our macro data and data in the annual questionnaires)

2014						
Country	Smallholders (operators)	Smallholders value of production	Earnings per farmer	Production per farmer green leaves	Production per farmer	Price paid to farmers
	Number	Thousand USD	USD	Kg/green leaf	Kg	USD/Kg
India	200000	398040	1990	8956	1990	1.00
Indonesia	99882	34416	345	2297	510	0.68
Kenya	253000	602249	2380	4668	1037	2.30
Malawi	15573	9585	615	4103	912	0.68
Sri Lanka	397273	576442	1451	2802	623	2.33
Tanzania	30000	7556	252	1799	400	0.63

5. How will the IGG support the small growers? Is there a structured plan to incorporate smallholders into policy discussion?

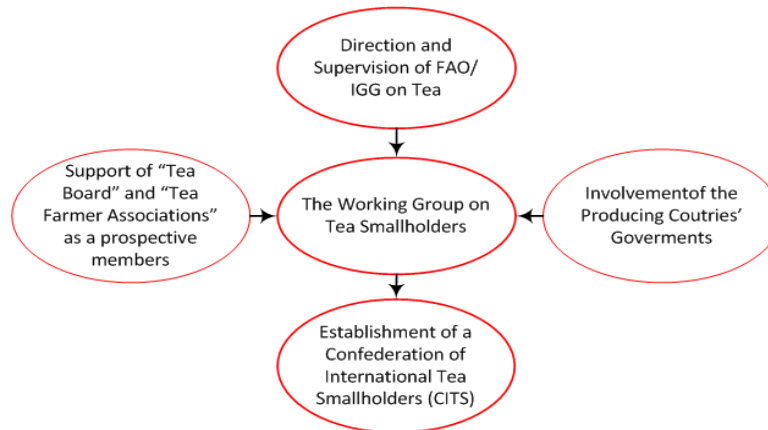
CCP:TE 12/CRS 2, Sri Lanka Article 52. Policies have to empower and not make smallholders dependent in the long run on the Government-sponsored institutions or Non-Governmental organizations that may be required to be set up (or existing institutions reformed) in many of the producing countries. The smallholders need to be well-represented in all institutions that are set up or are reformed.

CCP:TE 12/CRS 2, Sri Lanka Article 50. The governments in the growing countries needs to design appropriate public policy for the sub-sector that would enhance their skills and bargaining power. Policies have to be geared towards creating of an enabling environment in which smallholders could access and compete in fully functioning and efficient markets, both for internal consumption and export. Capacity building for the smallholders, either through Governmental or non-Governmental institutions, must not only include technical advice but also inputs on small enterprise management, finance and the wherewithal for them to set up self-help groups and other producers' organizations.

CCP:TE 16/CRS10, Kenya Article 2: Future Actions and Resolutions.

An organized international set up was necessary to strengthen the participation of small growers in the tea value chain. Hence, the formation of the Confederation of International Tea Smallholders (CITS) was mooted with the following establishment structure and goals:

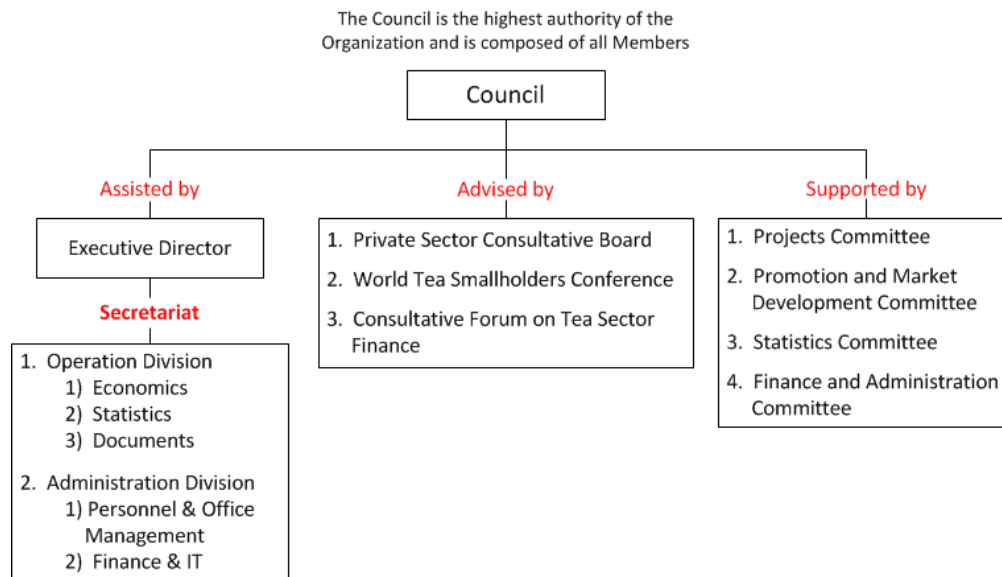
- Establishment Structure (CCP:TE 16/CRS10, Kenya)



Proposed Goals of CITS under the auspices of FAO / IGG on Tea.

- 1) To provide a forum for the development of policies and solutions to strengthen the global tea smallholder sector by acting as a convener, catalyst and source of reference, so as to improve the consistency of tea policy-making on a global level.
- 2) Market access. To enhance market accessibility by providing statistics, research studies and other information on the world tea economy, thereby reducing transaction costs to the benefit of all components of the tea supply chain and enabling economic decisions to be taken on the basis of accurate and timely data.
- 3) To encourage the development of communications, public outreach and dissemination of knowledge on the world tea economy, through project activities, microcredit programs, workshops, training, and other forms of knowledge sharing; and seeking finance for these activities.
- 4) Sustainable tea smallholders sector. To promote the development of a sustainable global tea smallholder sector, thereby contributing to its environmental sustainability, as well as generating increased income and employment, and improved living standards and working conditions in member countries.

The CITS is proposed to be under the auspices of FAO / IGG on Tea. (CCP:TE 16/CRS10, Kenya)



CCP:TE 16/CRS10, Kenya Article 4: The CITS bodies should be able to use the contents of the Action Plan to assist in drafting policies and making recommendations about projects and other activities to the Council. In turn, the Action Plan will serve as a basis for the Council in its decision-making and in the evaluation of the activities of the Organization. The CITS Secretariat will use the strategic goals and priority actions as a reference framework for the development of the annual program of activities, which constitutes the mechanism for the implementation of the Action Plan and matches the priorities of the CITS with the resources available for the period under consideration.

CCP:TE 16/4 Kenya Article 34: Finally, governments should consider putting in place enabling policies to ensure that tea smallholders have sustainable livelihoods. These should include, *inter alia*:

- Land tenure and land use policies to ensure that economies of scale in production and cropping and farming systems are sustainable in the long run;
- Credit policies to ensure good agricultural practices are achieved. Policy instruments could include the setting-up of micro credit schemes in the immediate terms and facilitate lending from mainstream financing institutions in the longer term;
- Policies to enable the establishment and/or strengthening of support institutions, including producer organizations/cooperatives/self-help groups to increase tea smallholders' bargaining position as well as achieving economies of scale in the purchasing and distribution of agricultural inputs and sale and processing of green leaf;
- Strengthening research and development and effective extension; and
- Harmonized quality standards and collective certification. (CCP:TE 16/4 Kenya)

6. Are there government run extension services established to meet the educational needs of small holders? If so, how?

CCP:TE 12/CRS2, Sri Lanka Article 24: There is a need to strengthen cooperatives and collective ownership of processing factories by smallholders on the Kenyan model and at the same time to replicate and improve on the system that has evolved in Sri Lanka regulating the sharing of revenue between privately owned factories and the growers and enforcing quality through institutional means. There is need to introduce greater transparency and to leverage the use of information and communication technology (ICT) tools, especially mobile telephone technology, in dissemination to the growers, of market information, including auction prices and the dynamics of linkage of competing factories.

CCP:TE 12/CRS2, Sri Lanka Article 26. In Kenya, small growers and the processing factories are integrated under one umbrella organization – Kenya Tea Development Agency (KTDA). The Kenya Tea Development Authority was formed after the independence of the country in 1963 with a view to promote the growing of tea in small farms by indigenous farmers. The KTDA supported this sector by providing high quality planting materials, supplying inputs on credit (including fertilizer), advisory services, arrangement for leaf collection, enforcement of strict plucking standards and a system of payment, including a yearly bonus based on market price to smallholders attached with specified factories within a geographical catchment area. The Kenya Tea Development Agency (continuing with the acronym KTDA), was formed on the privatization of Kenya Tea Development Authority in 2000. It took over the assets, liabilities and the mandate of the erstwhile Authority. KTDA has contractual agreements with the tea factory companies it serves as a management agent and caters to 560 000 small-scale tea growers attached with 63 factories.

CCP:TE 12/CRS2, Sri Lanka Article 27: In Sri Lanka, until the 1980s, the sub-sector suffered from inadequacies of advisory and technical support and there were poor facilities for leaf collection and transport. The sector made improvements with the establishment of Tea Small Holdings Development Authority (TSHDA) which was set up in 1977 under legislation. The TSHDA provides subsidy for new planting, replanting, extension and advisory services, support services such as distribution of fertilizer, planting material, implements and transport facilities and undertakes the supervision of prices being paid by tea processing factories to small holders.

CCP:TE 12/CRS2, Sri Lanka Article 28. In India, smallholders were initially confined to the Nilgiris district of the State of Tamil Nadu in Southern India, which has a history of cooperative ownership of processing factories. Today, seventeen such factories exist in different areas of the district under an apex organization, set up in 1965, known as INDCOSERVE. However, smallholders are not obliged to sell their green leaf compulsorily to any specified cooperative factory and many prefer to sell to privately-owned factories. These so-called “bought leaf factories” mushroomed in the 1990s but several faced closures during the recession period post-2001. The decision by several smallholders to move away from smallholder- owned cooperative factories is because of widespread under-cutting by private factories and the role played by leaf-buying agents. There is also no perception amongst the smallholders that they are “owners” of these factories, they are considered to be Government-run. There is also no effective extension and advisory services provided by the apex cooperative organization INDCOSERVE compared to that provided by the KTDA.

CCP:TE 12/CRS2, Sri Lanka Article 29. In the States of Assam and West Bengal in North-East India, where three-quarters of the total Indian crop is produced, the phenomenon of smallholders is relatively new. This sub- sector has emerged over the past two decades, especially during periods when tea prices were remunerative and today produces an estimated 172 million kilograms. There is no institutional set-up comparable with that of KTDA or TSHDA or even the institutions in Southern India. Some help has been extended by the local agricultural university and by the Tea Research Association, which essentially caters to its members who are from the corporate estate sector. Since many of the smallholders particularly in the State of Assam do not possess proper land-ownership documents, they are yet to register themselves with the Tea Board of India and are denied individual incentives. The Tea Board of India has run a scheme for the past five years to organize them into self-help groups to provide to them working capital grants and collective infrastructure for leaf storage and transportation. In all instances where effective self-help groups have been formed, they have been able to reduce the transaction cost attributed to intermediaries, collective negotiation has helped them to bargain for better prices and the direct contact with the processing factories has sensitized them about the leaf quality parameters that the market required.

CCP:TE 12/CRS2, Sri Lanka Article 53. An area of direct Government support could be in Research and Development and in extension services until there is sufficient capacity building in respect of private advisory services. Regulating these advisory services and encouraging private institutions by tax breaks and other means could be viable solutions to a felt-need. The Government could also incentivize the building of infrastructure for green-leaf storage and transportation.

7. Are human development and social needs being addressed for small landholders? Is so, how?

CCP:TE 16/4 Kenya Article 33: To exacerbate matters, the socio-economic conundrum of tea smallholders also affects their wellbeing. Deducting from data on sanitation and potable water available to the Secretariat, it can be concluded that among tea producing countries, access to sanitation facilities in Malawi, Kenya, Burundi, India, Indonesia and Vietnam still requires considerable attention, while access to potable water was of particular concern in Kenya, Malawi, Uganda, Bangladesh and Indonesia.

CCP:TE 12/CRS2 Sri Lanka Article 34. Smallholders typically engage family labor and agricultural labor engaged on a casual basis. While this leads to a low-cost model (given that the major cost-component is on labor), there is no livelihood security to the workers who may be on the look-out to drop-out for other opportunities such as Governmental labor-intensive welfare schemes. In, India, for example, the implementation of the National Rural Employment Guarantee Act (which guarantees one hundred days of wage-employment in a financial year to a rural household whose adult members volunteer to do unskilled manual work), has led to a shortage of casual labor in tea estates, hitting smallholders the most. There is also a danger of lower productivity and poorer quality of leaf plucking (“coarse plucking”), which has an impact on price realization. From the point of view of the workers in the smallholders’ sector, which is an informal sector, there is a need to organize themselves and for the Government to target specific policies towards them that would enhance their skills and bargaining power.

CCP:TE 14/5 Indonesia: Article 12. Through field officers, the growers are motivated to organize themselves into self-help groups (SHGs). The number of growers required to form an SHG ranges from 30 to 50 growers, and their aggregate tea area should not be less than 50 acres (20 hectares). The SHGs are then registered under the Society Act to become legal entities to avail various benefits extended by the Small Grower Directorate of the Tea Board of India.

8. Does the FAO address quality and standards upgrading for smallholders in the policy documents?

CCP:TE 12/CRS2, Sri Lanka Article 35. Most of the smallholders in India and many emerging countries were new to tea, having shifted from food-crops and cash crops such as potato and pineapple into cultivating tea. With no specialized training and only generic knowledge of agricultural practices, they have often started wrong with the choice of the planting material itself leading to the creation of poor field assets. The capacity levels of smallholders need to be enhanced with the introduction of modern farming methods to improve their farm productivity and quality of their produce. Skill enhancement workshops and modern extension and advisory services would lead to more efficient pruning and plucking cycles and maintenance of high plucking standards which have a major bearing on the quality and hence price of green leaf. There is a need for State funding on capacity building of the smallholders so that they could improve their agricultural practices, manage their businesses and organize themselves into producers’ organizations, beginning with self-help groups.

9. Are economic considerations (such as price and economic livelihood measures) for smallholders exhibited in the FAO policy documents?

CCP:TE 16/CRS10, Kenya Article 1: Core issue affecting the small holders globally is the price realization. Experience of countries like Kenya, Sri Lanka etc. in establishing small grower authorities have not satisfactorily helped in better price realization.

IGG:TE ISM 17/5 Rev. 1, Sri Lanka: The Tea Board of India introduced in early 2004 a price-sharing formula based on the Sri Lankan model. The price-sharing formula envisages that the sale proceed is to be shared between the smallholders and the manufacturer-processor in the ratio of 60:40. There is a need to develop strong partnerships with high quality tea processing factories or directly with the international buyers to enable the smallholders to plug into a high-quality supply chain.

CCP:TE 12/CRS 2, Sri Lanka Article 25. Smallholders usually face a high level of transaction cost and lack bargaining power in the green-leaf and input markets. However, the regulatory environment and more importantly, the institutional set-up which determines the level of transaction costs. There is a supporting institutional framework in Kenya and Sri Lanka which is presently lacking for example, in India and Indonesia.

CCP:TE 12/CRS 2, Sri Lanka Article 33. The smallholders' self-help groups/associations must have adequate working capital and credit links with rural banks to build and manage leaf collection centers and transport linkage services to factories. Ultimately the market will efficiently throw up providers who would offer leaf collection and transport as a service, rather than act as an agent for the sale of the leaf.

CCP:TE 12/CRS2, Sri Lanka Article 7: However, the major risk factor in smallholder cultivation is price volatility and the occasional crash in the price of green leaf due to a sudden drop in primary prices of 'made tea'. This may lead to distress sale of the perishable produce at below the cost of production. Moreover, when the primary prices continue to remain at non-economic levels over a long period of time as it happened between 2001 and 2008, the entire sector is adversely affected but it is the smallholder who is the hardest hit. Unlike other cash crops which can be substituted with others, tea being a perennial plantation, there is no short-term or medium-term solution. Risk-management through crop diversification is a possibility and smallholders who grow compatible multiple crops are able to secure themselves. Other than in Kenya and Sri Lanka, in most countries proper contracts with tea processing factories are absent and the management of the supply chain from the collection center, transportation and delivery system of the green leaf is in the hands of agents. Smallholders also have limited access to credit due to the small size of their land holding and often not holding clear land title deeds, especially in Assam in India.).

CCP:TE 12/CRS 2, Sri Lanka Article 36. Such capacity building efforts must specifically incorporate inputs on general business management, marketing, input sourcing, materials management and sourcing of finance. In the past, most of the efforts directed at the smallholders have been on agricultural practices. Poor knowledge of business practices and trading causes smallholders to become vulnerable to leaf agents and to factories buying leaf.

10. How does the FAO suggest value chain inclusion?

IGG:TE ISM 17/5 Rev. 1, Sri Lanka: It was strongly realized that there are strong interdependencies among those that are involved in the industry, therefore the success of the CITS is dependent on the full support of all value-chains from field to cup.

CCP:TE 16/4 Kenya Article 28: However, from the information gleaned from the survey compared to actual market realities summarised in the preceding overview of the world tea economy, it is clearly evident that there is a great disparity between tea smallholders and other players in the value chain.

CCP:TE 16/4 Kenya Article 29: Despite taking the biggest risk in the value chain (production and market uncertainties, adverse weather, climate change, weeds and disease infestations, etc.), farm earnings from the margins that accrue to the tea smallholders are clearly not sustainable. In quite a few cases, tea smallholders actually earn incomes that are below national and international poverty line indicators. Therefore, if their concerns are not properly addressed, then rural poverty, unemployment and food insecurity will increase and urban drift will accelerate.

CCP:TE 12/CRS2, Sri Lanka Article 31. There is a need to form organizations such as KTDA and TSHDA in all other countries, in accordance with the special needs of each country, but with strong representation from the smallholders who are the principal stake-holders. In India, attempts are being made to empower smallholders through the formation and strengthening of small tea growers' associations and self-help groups which would have better bargaining power to intervene in price fixation and enabling a fairer term of trade. A multi-tier set-up under the Tea Board is to be developed over the next five years, with Government funding of manpower at the grass- roots to monitor regulatory arrangements.

CCP:TE 12/CRS2, Sri Lanka Article 32. The role of Non-Governmental organizations (NGOs), both national and international, should be leveraged to assist smallholders into forming self-help groups especially in countries and areas which have no such existing organizations. A project in India was executed between 2006 and 2009, with funding from the Department for International Development (DFID) of the United Kingdom, by an international NGO, with a major thrust being on training on group formation. The project has assisted over 20 000 smallholders to organize into 306 societies (groups), form regional associations and a national level body. The success of this initiative has enabled this NGO to scale up its activities in North East India and Bangladesh with support from the European Union. It has set a target to organize 51 000 smallholders and 11 000 workers engaged in small holdings over a period of five years beginning from 2011

CCP:TE 12/CRS2, Sri Lanka Article 56. Smallholders need to add to the value of their produce by taking recourse to such intellectual property such as Geographical Indications, by converting their holdings to certified organic farms, by joining hands with organizations providing private labels and entering into marketing partnerships with large buyers and by leveraging sustainable tea cultivation.

11. Are environmental improvements and concerns for smallholders exhibited in FAO policy documents?

CCP:TE 12/CRS 2, Sri Lanka Article 37. Tea which is traded internationally ideally needs to be compliant with food safety and animal and plant health measures that are universally acceptable. International agreements exist in this regard which ensure this and at the same time do not distort trade. An agreement on how governments can apply food safety and animal and plant health measures (sanitary and phytosanitary or SPS measures) is set out under the framework of the World Trade Organization (WTO).

CCP:TE 12/CRS2, Sri Lanka Article 38. However, given the buyer-dominated structure of the international tea market, it is the standards of the importing countries, especially the European Union which are followed by most tea-exporting countries. The Maximum Residue Limits (MRLs) for pesticides that are set and often changed periodically need to be implemented in the field if the product has to access specific markets. In addition, private labels (Rainforest Alliance, Fair Trade, Ethical Tea Partnership etc.) and quality standards {Hazard Analysis Critical Control Point (HACCP), Good Agricultural Practices(GAP)} imposed by major buyers in key markets are followed by all exporters. There is also a strong demand for organic tea duly certified by an agency that is acceptable to the international buyer. This is often seen as a response to consumer movements and demands for quality, safety and concerns for labor standards and the environment in producing countries. While in countries such as Kenya and Sri Lanka, institutions such as KTDA and TSHDA are in a position to collectively assist smallholders in reaching these standards and being duly certified, in areas where the smallholders are unorganized, and institutions are weak, the cost and wherewithal for ensuring this is beyond the capability of many of them. There is a need to develop strong partnerships with quality tea processing factories and with international buyers so that the smallholder could also fit into a high-quality supply chain with full traceability of his product. There is also a need for improving upon or setting up institutions with smallholder participation, which could assist them in this regard.

CCP:TE 12/CRS2, Sri Lanka Article 43. The environmental impact of the smallholders sector has not been separately assessed in any major study. However, clearing of forests, often illegally to plant tea and logging for firewood as fuel has led to extensive deforestation in countries such as Kenya, Malawi and India.

CCP:TE 12/CRS2, Sri Lanka Article 44. Energy consumption for tea processing is also high due to inefficiency in use and outdated equipment. Use of pesticides and chemical fertilizers by smallholders untrained in good agricultural practices, often in also impacts the environment by causing water pollution and reducing the biodiversity of the soil. (CCP:TE 12/CRS2Sri Lanka)

CCP:TE 12/CRS2 Sri Lanka ,Article 46. A project for energy conservation in small sector tea processing units in South India was initiated by the Tea Board of India in 2008, supported by the United Nations Development Program (UNDP) - Global Environment Facility (GEF). The achievement of the objective of the project is through communication and awareness creation to the stake- holders for the procurement and adoption of energy efficient/renewable-energy equipment and their relation to their medium to long-term profitability. Similarly, to gain from the growing demand for organic products world-wide, a project on organic tea development was initiated 2008 supported by Common Fund for Commodities and FAO. This project also aims at encouraging small growers to take up the organic mode of cultivation.

12. Is the concept of value explored in the documents in regard to smallholders?

CCP:TE 12/CRS2, Sri Lanka Article 1: While tea is produced in several countries across the world, the status and health of the tea sector for some countries has major macro-economic implications. For countries such as Sri Lanka and Kenya, as well as Vietnam, which export the majority of its production, it is a significant component of its export earnings. The value of tea exports comprises about 3 percent of the gross domestic product (GDP) of both Sri Lanka and Kenya. Tea exports comprise 16 percent of the total export income of Sri Lanka.

CCP:TE 16/4 Kenya Article 27: Tea production provides income to smallholders contributes to and national income for the overall economy, while employment in agriculture provides an income for workers in rural areas. In countries where tea dominates agriculture, the contribution of the tea sector to rural income cannot be emphasized enough.

13. Is the concept of power explored in the documents in regard to smallholders?

CCP:TE 12/CRS 2, Sri Lanka Smallholders as producers of green leaf are at the lowest level of the tea production eco-system. The first stage production component of one-time planting of bushes of the tea plant, *Camellia Sinensis*, maintenance of bushes, application of inputs such as fertilizer and pesticides, management of soil and drainage and regular production by plucking of green leaf constitutes the boundaries of this cycle.

CCP:TE 12/CRS 2, Sri Lanka Article 8: The alternative plantation model is of the large-scale corporate-estate sub-sector with an integration of field and factory operations, which still is the major part of the sector in India (although its share has come down) and is also prevalent in Sri Lanka and Kenya. This is considered a high-cost model. However, the quality of their produce is considered superior in India. In Sri Lanka too, the corporate sector has a quality advantage since 90 percent of smallholder production is at medium and low-grown elevations, compared to 50 percent for the organized-estate sector. However, the quality gap is far narrower than in India. The smallholders' sector in India is considered as a model of low-cost-low-quality production, catering largely to the lower-end of the domestic market. In Kenya, on the other hand, quality in terms of auction prices have been higher for the smallholders while productivity of the estate sector has always been above that of the KTDA/smallholders' production.

CCP:TE 12/CRS 2, Sri Lanka Article 18: In countries and regions where smallholders do not have collective ownership of factories and regulations and institutions do not intervene, they are left to the vagaries of an un-organized imperfect market for green leaf. The first-ever survey on small tea growers in Assam in North-East India, which is in this category, revealed that unregulated agents play an important role in the sector, selling 93 percent of the green leaf produced by small tea growers. There is an asymmetry in information leading to poor bargaining power of smallholders since they are not organized. Similarly, the smallholders are unable to negotiate with suppliers of inputs as their requirements are individually small. There is also often a mismatch between supply of green-leaf and processing capacity of private processing factories and their location, measured by the distance from the smallholders' plots, which affects the quality of the leaf and the consequent price fetched.

CCP:TE 12/CRS 2, Sri Lanka Article 30. While countries such as Kenya and Sri Lanka have met with reasonable success with the KTDA and TSHDA, other countries have limited institutional arrangements. However, there is a feeling of lack of participation of stakeholders and in share of management even in those countries where the institutional mechanisms seem to work. Well established grass- roots organizations of smallholders either do not exist or have little say in the over-all scheme of things. Vietnam and China have State institutions that have a role in ensuring a better bargaining power for the smallholders and additionally, the availability of a social safety net.

14. Is there current research is taking place to aid small growers? How is the smallholder situation statistically quantified? If so, what and why?

1. Monitoring and Evaluation (CITS)

A monitoring and evaluation system will be established to examine and assess progress and outcomes of the implementation of the Action Plan. Monitoring of actions will be conducted by a Secretariat, including regular progress reports on the implementation of the Plan. An evaluation of the Action Plan will be conducted during the year, wherein progress and achievement of its outcomes will be measured with qualitative and quantitative indicators

The following summary model provides an overview of the required monitoring and evaluation framework, including potential indicators.

	Indicators
Goal 1	<ul style="list-style-type: none"> a. Meetings of the Council and other CITS bodies b. Missions and briefings on CITS activities c. Membership of the CITS d. Holding of World Tea Conferences e. Participation in events organized by the international tea trade and relevant international organizations f. Publication and dissemination of policy documents
Goal 2	<ul style="list-style-type: none"> a. Updated statistics on tea trade, production, prices, consumption, etc. b. Statistical quality c. Studies and reports on relevant aspects of the world tea economy d. Market expansion and diversification
Goal 3	<ul style="list-style-type: none"> a. Number and value of projects screened, under implementation and concluded b. Number of seminars, round-tables and workshops organized c. Inclusion of capacity-building, risk management, credit access and other relevant activities in projects and CITS events d. Publication and dissemination of information on the world tea economy
Goal 4	<ul style="list-style-type: none"> a. Increased awareness of sustainability issues b. Increased use of sustainable practices c. Dissemination of information about tea and health issues d. Action Plan to encourage increased tea consumption and market development e. Volume of consumption in tea exporting countries f. Implementation of tea quality standards

15. What do the policy documents share about the future direction of UNFAO IGG on tea?

CCP:TE 18/1/Rev 1, China Article 21: The (Working Group on Smallholders) Group will discuss progress in the implementation of the recommendations of the intersessional meeting held in Colombo in August 2017, and especially the need for a generic strategy towards integrating smallholders in the global value chain.

CCP:TE 18/1/Rev 1, China Article 11: At its Twenty-Second Session and subsequent intersessional meeting in August 2017, the Group highlighted major socioeconomic challenges faced by smallholders in most of the producing countries noting that the subsector continues to be disadvantaged.

CCP:TE 18/1/Rev 1, China Article 12: While encouraging the Secretariat to strengthen price projections and their implications within the framework of the medium-term outlook, the Group raised the need to complement such efforts with socio-economic studies assessing the welfare and livelihoods of tea smallholders with a view to achieve sustainability.

CCP:TE 18/1/Rev 1, China Article 13: Document CCP: TE 18/CRS2 examines issues, challenges and opportunities faced by tea smallholders and outlines the strategy towards promoting their market access and sustainable integration into global value chains.

CCP:TE 18/1/Rev 1, China Article 14. The IGG on tea has been advocating sustainable value chains, through its recent Sessions. The Group has established Working Groups on Maximum Residue Levels, Climate Change, and smallholder productions, among others, to mainstream sustainability within the industry. The last intersessional meeting called for further support to green, low input tea farming systems and their promotion to organic status. The group encouraged socio-economic impact assessment and promotion of sustainable tea value chains.

CCP:TE 18/1/Rev 1, China Article 15: In response to the Group request, the Secretariat has produced the Document CCP:TE 18/4, discussing sustainability issues in tea production and trade and assessing the impact of certification schemes on farm incomes, inclusive rural development and market access in the industry. The presentation on the document will be complemented by panel discussions by major certification schemes in the tea industry.

CCP:TE 18/1/Rev 1, China Article 27. Observer organizations are invited to inform the Group of their activities on tea. V. ACTIVITIES IN OTHER ORGANIZATIONS

APPENDIX C: POLICY INTERPRETATION

1. Do the policy documents legitimize the importance of the subsector in acknowledging the rise of smallholders?

Articles 3 and 4 from policy report **CCP:TE 12/CRS2** of the 20th intergovernmental meeting demonstrate that export quantities of black tea are highest for India and Sri Lanka. The correlation that exists here is in the percentage of “sub-sector” farmers. In Sri Lanka, small farmers constitute 76% of production. We can deduce from this evidence that Sri Lanka has been most successful in creating high quality tea in the smallholder business realm. It is also noted that there is growth in the subsector as compared to plantation growth. This signifies a marked trend in plantation stagnation. In Sri Lanka, alone, the “subsector increased 48% in the decade between 1994 and 2005.

While the tea smallholder only covers 70% of the area occupied by plantations, it still produces 60% of the globe’s tea volume. The report from **IGG:TE ISM 17/5 Rev. 1, Sri Lanka**, shows the productivity potential of smallholders, whose bushes are younger and therefore more productive. Tea plants reach their highest yield potential around 30 years and trees over 100 years are not uncommon on plantations. The biggest challenge faced by smallholders can be reduced to profitability, however the economic implications, communicated in **IGG:TE ISM 17/5 Rev. 1, Sri Lanka**, references beyond basic economics and emphasized rural development and political stability is a result of a healthy emerging market. This represents the IGG’s acknowledgement of multiple-dimensions of value.

2. Does the FAO identify indicators for de-estating and/or the rise of smallholders in countries previously dominated by estate sectors?

CCP:TE 12/CRS2, Sri Lanka Article 8 identifies the economic instability of plantations due to high costs from implementing welfare models where workers live on farm premises. Most often, estates produce higher quality tea in plantation environments on the premise of control over plucking and agricultural care. However, Kenya have increasingly seen higher prices for their smallholder sector. This demonstrates viability for smallholders who are incorporated into the larger value chain.

CCP:TE 12/CRS2, Sri Lanka Article 9 expands on the welfare model and historical embeddedness of the corporate structure on the basis of the Plantation Labor Act, which took place post-colonial independence of India in 1951 to protect workers and offer basic human services. **CCP:TE 12/CRS2, Sri Lanka Article 10** communicated the economic burden of these welfare services, which plantation owners are in return supposed to receive partial recourse from the government. Here we can see evidence of incentive for corporations to de-estate due to increased production and labor costs. This is accompanied by viable structures demonstrated in countries that have strong government intervention in smallholder profitability.

3. What are the identified structural industry challenges small landholders endure? Collective ownership of factories allows for greater value control for smallholders.

IGG:TE ISM 17/5 Rev. 1, Sri Lanka: identifies ‘middlemen,’ who transport green leaf to bought leaf factories to be processed. In many cases, these middlemen take unfair compensation and value their work disproportionately, leaving smallholders to the whims of their valuation process. Accompanied by this valuation process is a drastic need for institutional support, such as extension services for agriculture projects, and capacity building, like infrastructure projects.

It is the potential for viability that achieves support from major corporations, such as Unilever and Tata tea, who have already removed themselves from estate production and into the realm of buying. **CCP:TE 12/CRS2, Sri Lanka Article 12** mentions capacity building partnerships for smallholders and further increase access to resources already received by the formalized plantation sector.

4. What historical research has taken place to aid smallholders?

Historically the number of smallholder growers was much smaller compared to the plantation sector. From a welfare perspective smallholders were better off in 1997 during this initial analysis. As reported in **IGG:TE ISM 17/5 Rev. 1, Sri Lanka**, this was the first historical research conducted by the UNFAO on Smallholders. The increase of farmers and time lapsed between this first research substantiated the need to conduct new reviews of the smallholder dynamics.

A household survey was conducted on the grounds of welfare, livelihood, and a correlation with food security. Unfortunately, a sufficient sample size was not provided and postponed reporting to the 21st session in 2016. Further value descriptions of economic and social considerations are present here by the IGG in **CCP:TE 16/4 Kenya Article 2**, that look at productivity, livelihood, poverty lines, and health considerations such as sanitation and water. This demonstrates the groups value considerations outside of economic valuation processes, which at the time were associated with the Millennium Development Goals.

The following reports are a result of information gathered the UNFAO tea database, the IGG/TE annual questionnaires, the survey of smallholders and the Secretariat’s extensive knowledge of the world tea economy. Due to another small sample size, the data presented does not offer a reliable data set and is an attempt to provide a window into the smallholder sphere. Based on **CCP:TE 16/4 Kenya Article 3**, it is suggested to conduct further analysis for the futurity of this growing subsector, which provides a large percentage of national agriculture output. Evidence from **CCP:TE 16/4 Kenya Article 13** shared total tea production amounted to 28.9% of agriculture production for Sri Lanka in 2014 and further legitimizing the importance of statistical representation as well as formalization.

Table 6: Cost of Production and Earnings of Smallholders (based on the Surveys provided by the members)

Country	2014/2015					
	Green leaf cost of production	Green leaf farm gate price	Average tea farm size	Production per farmer	Gross income per farmer	Net income per farmer
	USD/Kg	USD/Kg	Hectares	Kg/GL	USD	USD
India	0.09	0.22	1.25	13995	3079	1819
Indonesia	0.13	0.15	0.42	2502	370	38
Kenya	0.11	0.51	0.41	4527	2309	1824
Malawi	0.05	0.15	0.33	3583	537	367
Sri Lanka	0.09	0.52	0.33	4381	2278	1890
Tanzania		0.14				

Table 7: Earnings of Smallholders (based on our macro data and data in the annual questionnaires)

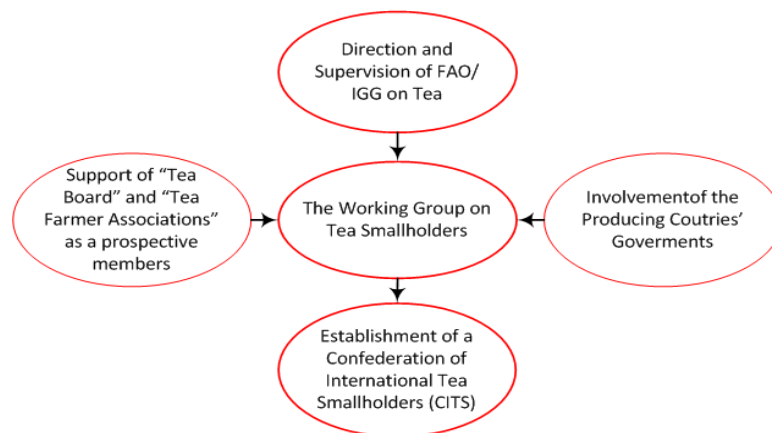
Country	2014					
	Smallholders (operators)	Smallholders production in 2014	Earnings per farmer	Production per farmer green leaves	Production per farmer	Price paid to farmers
	Number	Thousand tons	USD	Kg/green leaf	Kg	USD/Kg
India	200000	398	1990	8956	1990	1.00
Indonesia	99882	51	345	2297	510	0.68
Kenya	253000	262	2380	4668	1037	2.30
Malawi	15573	14	615	4103	912	0.68
Sri Lanka	397273	247	1451	2802	623	2.33
Tanzania	30000	12	252	1799	400	0.63

As seen in the data sets above, and from **CCP:TE 16/4 Kenya Article 24**, a gross margin analysis was conducted of smallholder incomes. Highlighted in orange is the correlating data for gross annual income and highlighted in green is annual production of Greenleaf. As evidence from this comparison, there are large disparities in data reporting. Further research will need to be conducted in order to gain an accurate pulse of these factors.

5. How will the IGG support the small growers? Is there a structured plan to incorporate smallholders into policy discussion?

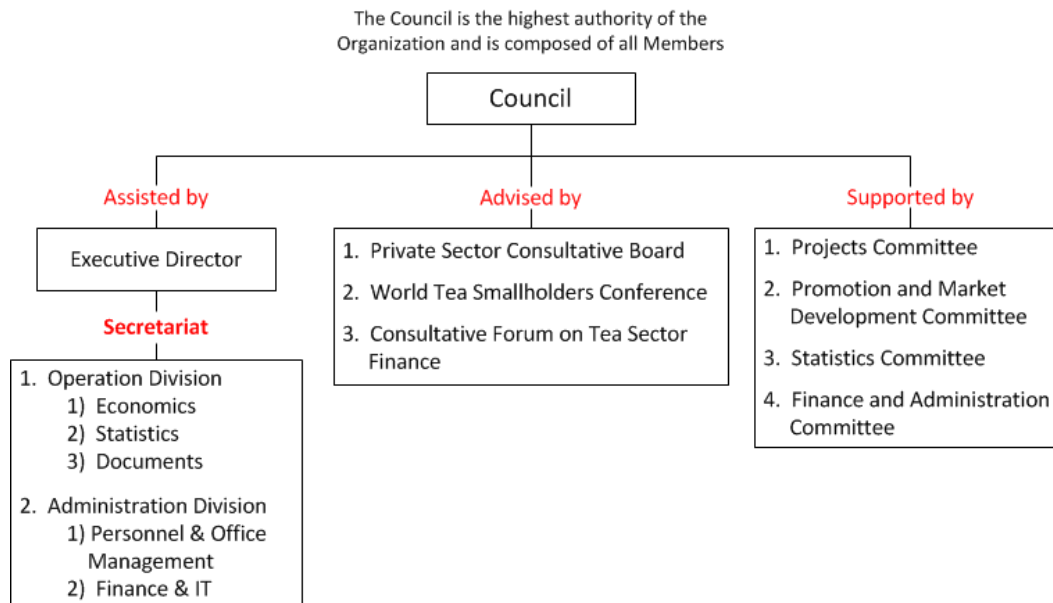
The need for smallholder political empowerment is addressed in **CCP:TE 12/CRS 2, Sri Lanka Article 52**. The incorporation of actors outside of government representation are acknowledged for reformation/setting up new political structure. This evidence shows the IGGs openness to alternative governance structure and small-holder representation. Complementary to institutional reform is the suggestion for national government involvement in information dissemination and smallholder support services for business and technical services.

As part of the futures actions and resolutions, a proposed additional structure, **CCP:TE 16/CRS10, Kenya Article 2**, sets a foundation for smallholder inclusion. Under the oversight of the Working Group on Tea Smallholders named the Confederation of International Tea Smallholders (CITS). This structure has been officially adopted by the IGG.



The overarching goals, as evidenced in **CCP:TE 16/CRS10, Kenya Article 2**, relay that the CIT, like the IGG, will act as a forum to develop policy and global smallholder development. Research and statistical evidence will be housed under the confederation to increase market access. Information dissemination to smallholders will also be a main goal of this forum, including financial and technical services. Sustainability goals, which relays value to social and environmental conditions, in addition to economic considerations, convey the IGGs steps towards new value imaginaries. Due to the language atop the council’s structure, power dynamics have also

been considered in the establishment of this confederation, in which “all members” share authority. In the attempt to establish value chain inclusion, this confederation, or acknowledged cluster, will benefit from full inclusion in political decision making at all levels of the value chain.



Directly identified needs proposed by the Working Group of Smallholders, reported in **CCP:TE 16/4 Kenya Article 34**, are policies associated with land tenure and use for long-term sustainability, credit policies for micro credit schemes, support institutions (such as self-organized producer groups, cooperatives, or self-help groups). These proposed organizations have potential to gain traction, or “bargaining power.” Certification standards, including group certification and education services are also identified needs. The political clout of an organized smallholder sector will formalize these efforts and ensure necessary services are disseminated.

6. Are there government run extension services established to meet the educational needs of smallholders? If so, how?

Similar to the current formal tea sector, a request for increased supply chain transparency has **been reported**. In **CCP:TE 12/CRS2, Sri Lanka Article 24**, the IGG suggests that communication technology will both help document supply chains as well as disseminate information on pricing and growing practices. The inclusion through technological platforms has the potential to formalize communication channels and further legitimize the needs of smallholder tea farmers. The formal support for smallholders is represented by institutions in Sri Lanka, Kenya, and India. In Sri Lanka the Tea Small Holdings Development Authority (TSHDA) was established in 1977. It oversees price allocation to smallholders as well as agricultural extension services. Kenya Tea Development Agency (KTDA), formed in 1963 after independence acts similarly to the TSHDA in that it provides extension services, and prices setting. Both authorities help with transport of greenleaf, which is a supply chain major challenge of small

producers globally, who often coordinate with middlemen that take a cut of their greenleaf production. The KTDA became privately held in 2000. In South India, in the Nilgiri growing region, INDCOSERVE was established in 1965 to establish cooperatively owned factories. There was no major plantation sector here at the time and therefore smallholders became more established. Factories are considered to be government run and no extension services are offered. This does not represent all of India, as a result of many larger growing regions dominated by the corporate plantation sector, such as Assam, West Bengal, and Uttharakhand. Green leaf storage and transport, as reported in **CCP:TE 12/CRS2, Sri Lanka Article 53**, are identified as important infrastructural needs and could be provided by governments.

7. Are human development and social needs being addressed for small landholders? Is so, how?

As analyzed in question 4 on historical research, CCP:TE 16/4 Kenya Article 33 references research needs to conduct surveys on water sanitation and potable water for smallholders. Based on policy reports, this data has not been properly collected or documented to date. In **CCP:TE 12/CRS2 Sri Lanka Article 34**, the National Rural Employment Guarantee Act in India, guaranteeing employment for one year of unskilled work, has resulted in some labor shortages for smallholder farmers hiring labor. Formalization of this sector will encourage great socio-economic services to be distributed and channeled to smallholders. Some formalization can come in the form of self-help groups (SHGs), as reported in **CCP:TE 14/5 Indonesia: Article 12**. Under the tea board of India, the society act allows aggregates of growers to be legally acknowledged when their landholdings are not less than 50 acres.

8. Does the FAO address quality and standards upgrading for smallholders in the policy documents?

Specialized training will help to enhance the abilities of smallholders. As reported in **CCP:TE 12/CRS2, Sri Lanka Article 35**, many small holders were incentivized to grow tea and transitions from food and/or cash crops to tea cultivation. Good agricultural practices and state funding are necessitated by reporting. Self-organizing is highly encouraged.

9. Are economic considerations (such as price and economic livelihood measures) for smallholders exhibited in the FAO policy documents?

Price realization sits at the historical objectives of the IGG forum. This is an identified issue for smallholder as evidenced in **CCP:TE 16/CRS10, Kenya Article 1**. Sri Lanka currently uses a price sharing formula of 60:40 share between manufacturer/processor. This sharing formula has been adopted by India and the IGG reports that the formula, in **IGG:TE ISM 17/5 Rev. 1, Sri Lanka**, can act as a catalyst for relationship developments between growers and factories for quality and economic upgrades, as well as value chain inclusion. As previously mentioned analysis of question

6, Kenya and Sri Lanka currently have stronger development authorities for upgrading smallholder skills and knowledge.

It is reported in **CCP:TE 12/CRS 2, Sri Lanka Article 33** that the market will eventually provide leaf collection services, which can facilitate greater inclusion. Economic risks faced by smallholders are reported in **CCP:TE 12/CRS2, Sri Lanka Article 7**, which states that price volatility implicates smallholders greatly. Some alternatives to reduce risk are to diversify crop production. Micro-finance and credit schemes have been suggested to support smallholders and help them endure market volatility. Secure contracts and land tenure rights may help smallholders secure credit on capital to endure these market fluctuations. Most importantly, business education is important for upward economic mobility.

10. How does the FAO suggest value chain inclusion?

The proposed and accepted Confederation of Tea Smallholders, analyzed in question 5, is reported to consider all aspects of the value chain, in **IGG:TE ISM 17/5 Rev. 1, Sri Lanka**, from “field to cup.” While the quantitative data in question 4 on historical research is inadequate, it does communicate in **CCP:TE 16/4 Kenya Article 28** that there are gaps between smallholder and other value chain actors. As producers, dependent on environmental factors, smallholders take the most risk in the supply chain. It is evidenced in **CCP:TE 16/4 Kenya Article 29**, and from the quantitative analysis, that some small landholders live below poverty line. This may transpire to abandonment of operation if sustainability is not of main concern. Establishment of development authorities and support from non-governmental organizations, reported in **CCP:TE 12/CRS2, Sri Lanka Article 32**, can support further formalize the efforts of governments to support smallholders. This also works towards the potential to impact policy discussion in an inclusive manner that incorporates outside actors and institutions into decision making. Certification schemes and geographic indication, evidenced in **CCP:TE 12/CRS2, Sri Lanka Article 56**, may also add value and input into the global value chain, although these certifications are sometimes cost prohibitive.

11. Are environmental improvements and concerns for smallholders exhibited in FAO policy documents?

Similar to the corporate plantation sector, Material Residue Levels (MRLs) are of increasing concern for consuming countries since they mark pesticide and other residual chemicals of tea products. Reported in **CCP:TE 12/CRS 2, Sri Lanka Article 37**, is the need for smallholders to also work towards compliance. The IGG has been working towards regulatory harmonization for this important subject. Good Agricultural Practices, reported in **CCP:TE 12/CRS2, Sri Lanka Article 38**, and other quality standards that are often consumer driven (ex. Organic, Rainforest alliance and Fairtrade, among others) should be assisted by development authorities to help smallholders obtain certifications. It is suggested that partnerships with international buyers and processing factories will help to regulate the environmentally driven concerns of the sector. The environmental

impact of smallholders has not been assessed, **CCP:TE 12/CRS2**, Sri Lanka Article 43, and use of energy is often high due to outdated equipment, evidenced in **CCP:TE 12/CRS2, Sri Lanka Article 44**.

There have been energy conservation projects through the UNDP, as well as the Common Fund for Commodities for organic certification, reported in **CCP:TE 12/CRS2 Sri Lanka, Article 46**. The rollout of these projects, as well as their input to policy development can further enhance the sustainability of the sector.

12. Is the concept of value explored in the documents in regard to smallholders?

The concept of value, as presented in the theoretical section by Besky and Appadurai, stand as an important tenant to the support of my argument. Social, environmental, and economic concerns are well demonstrated in many analysis, thus far. In question 4 on historical research from **CCP:TE 16/4 Kenya Article 2**, the existing analysis of poverty levels, livelihood, and health considerations correlate with the theoretical suggestion of viewing value outside of purely economic constraints. As a UN institution, the leverage of human development focuses has built over time and steadily has focused more on the complexities of an industry that will sustain its humans, economy, and provide political stability.

Economically, reported in **CCP:TE 12/CRS2, Sri Lanka Article 1** for example, tea contributed to 3 percent of GDP. This contributed to national income, political stability, and rural development as mentioned in **CCP:TE 16/4 Kenya Article 27**.

The Confederation International Small Tea Holders, displayed in question 5 and **CCP:TE16/CRS10, Kenya Article 2**, considers social and environmental conditions in addition to economic considerations. Due to all members having authority, this has potential to pave the path to further political inclusion over time.

Additionally, in order to be economically successful, technical extension services are prioritized in my analysis of question 5 and in **CCP:TE 12/CRS2, Sri Lanka Article 24**. the supportive governing bodies will be appropriate to the development of this facet of tea production. This dissemination of services, funded by governments, will translate to further knowledge and increased social value for participants.

13. Is the concept of power explored in the documents in regard to smallholders?

The theoretical influence of Scott, who communicates peasant struggle and resistance from a global political economy perspective, influenced my investigation of power regimes experienced by smallholder farmers. From a growing perspective, it is reported in **CCP:TE 12/CRS 2, Sri Lanka** that smallholders are at the “lowest level” of the tea ecosystem. They contribute to low cost, and therefore low-quality production schemes for domestic markets. This is identified as a quality-gap in **CCP:TE 12/CRS 2, Sri Lanka Article 8**, where the corporate sector receives greater services due to its formal inclusion in the greater value chain. Typically, regulated and certified tea is necessary for meeting international standards, which are consumer driven.

Outside of collective factory ownership it is evidenced in **CCP:TE 12/CRS 2, Sri Lanka Article 18** that 93% of green leaf was transferred to factory by an illegal purchasing agent in Assam, India. This is acknowledged as “an asymmetry in information,” which subjects smallholders to exploitation of their potential green leaf price actualization. In CCP:TE 12/CRS 2, Sri Lanka Article 30, the development authorities of Kenya and Sri Lanka communicate that there is a feeling that lack of participation and management, even where some institutional mechanism exists. Inclusion and communication of industry worth may be important in establishing buy-in to break down power dynamics.

14. Is there current research taking place to aid small growers? How is the smallholder situation statistically quantified?

The proposed development of the Confederation of International Tea Smallholders (CITS) builds capacity to implement more organized research specific to smallholders, which has been a challenge as exhibited in question 4’s analysis on historical research. A monitoring and evaluation framework has been established to share indicators of success for the CITS bodies. Under goal 2, indicator a. of the monitoring an evaluation program, updated statistics of tea trade, production, prices, and consumption, with statistical quality (indicator b.) research will be necessary. This is inferred based upon the statistical gaps and small sample sizes of part research endeavors of the IGG.

The following summary model provides an overview of the required monitoring and evaluation framework, including potential indicators.

	Indicators
Goal 1	<ul style="list-style-type: none"> g. Meetings of the Council and other CITS bodies h. Missions and briefings on CITS activities i. Membership of the CITS j. Holding of World Tea Conferences k. Participation in events organized by the international tea trade and relevant international organizations l. Publication and dissemination of policy documents
Goal 2	<ul style="list-style-type: none"> e. Updated statistics on tea trade, production, prices, consumption, etc. f. Statistical quality g. Studies and reports on relevant aspects of the world tea economy h. Market expansion and diversification
Goal 3	<ul style="list-style-type: none"> e. Number and value of projects screened, under implementation and concluded f. Number of seminars, round-tables and workshops organized g. Inclusion of capacity-building, risk management, credit access and other relevant activities in projects and CITS events h. Publication and dissemination of information on the world tea economy
Goal 4	<ul style="list-style-type: none"> g. Increased awareness of sustainability issues h. Increased use of sustainable practices i. Dissemination of information about tea and health issues j. Action Plan to encourage increased tea consumption and market development k. Volume of consumption in tea exporting countries l. Implementation of tea quality standards

15. What do the policy documents share about the future direction of UNFAO IGG on tea?

The IGG held its 23rd session in China in May of 2018. As reported in **CCP:TE 18/1/Rev 1, China Article 21**, a generic study of smallholder incorporation into the value chain was an agenda item addressed as a result of the Intersessional meeting that I observed in 2017.

CCP:TE 18/1/Rev 1, China Article 11, Identifies “At its Twenty-Second Session and subsequent intersessional meeting in August 2017, the Working Group highlighted major socioeconomic challenges faced by smallholders in most of the producing countries noting that the subsector continues to be disadvantaged.” This demonstrates a reevaluation of smallholder contribution and acknowledgement of historical power dynamics. The agenda also reported, from **CCP:TE 18/1/Rev 1, China Article 12**, the socio-economic needs to be researched and assessed for smallholders in the medium or long-term. These proposed research objectives aim to assess welfare and livelihoods of smallholders.

An unpublished report **CCP:TE 18/4**, reported in agenda item **CCP:TE 18/1/Rev 1, China Article 13** will address research and assessments for smallholder integration into the tea global value chain. Due to delay in this reporting, I have not included the documentation into my analysis. However, the proposed agenda item influenced my direction to consider global value chain literature to suggest social and economic upgrading through synergistic governance. This is reported on in the GVC chapter. The assessment, accompanied by certification schemes are aimed to create rural access to development opportunities and the market in **CCP:TE 18/1/Rev 1, China Article 15**. This report is also unpublished but marks intention towards inclusive value chain development that can alleviate smallholders of a lack in technical and business knowledge.

Further, **CCP:TE 18/1/Rev 1, China Article 27** of the agenda holds space for observer organization input. This demonstrates a step towards embracing the importance of consultant groups, NGOs, civil society, and other international actors into the realm of policy decision making. This is the first formally acknowledged input from observers that I’ve seen reported.

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