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# Read the Tea Leaves: China Will Be Top Exporter

By [KEITH BRADSHER](#)

JINHUA, China - All the tea in China is proving to be a lot of tea these days, as hillsides across central and southern China are bulldozed to make way for tea farms even as many young Chinese are losing interest in the beverage.

China still has millions of tea lovers who lavish the same attention on their beverage that oenophiles devote to wine. The finest grades of green tea, made from the most delicate baby leaves and roasted in a pan by hand, sell for hundreds of dollars a pound in Shanghai and Beijing.

But [Coca-Cola](#), Pepsi, [McDonald's](#), KFC and other Western businesses have come up with many other ways to slake thirsts in China, especially that of young Chinese. Shifting tides in tastes are creating waves over winners and losers both at home and abroad. Teahouses in China already are being replaced by coffeehouses, and [Starbucks](#), with more than 140 stores, has spawned a cottage industry of copycats.

With tea in abundance in China, more and more is being shipped abroad, by third-generation tea farmers like Pan Jintu, who wants to supply green tea to Starbucks stores in the United States.

"Many people love tea now, so I foresee our business will grow," he said, standing amid his rows of tea bushes, as women in broad hats plucked tea leaves in the surrounding hillsides here.

But expanding sales by Chinese tea growers like Mr. Pan are causing alarm in other developing countries that depend on growing tea, like India, Sri Lanka, Indonesia, Bangladesh, Kenya, Malawi and Zimbabwe.

While the growth of China's textile industry with the end of global textile quotas has attracted more attention as a threat to poor countries, China's tea industry also poses a challenge to some of the world's poorest nations. China is now poised to become the world's largest tea exporter by tonnage, overtaking Sri Lanka this year and Kenya next year.

Wide swaths of people across Asia depend on the tea industry for survival. Particularly vulnerable are countries that suffered from the tsunami last December: Indonesia, India and above all Sri Lanka, where income from the growing, processing and transport of tea helps feed nearly a tenth of the people,

according to the Asian Development Bank.

Yet China's re-emergence as the world's leading tea exporter invokes a centuries-old pattern: the British East India Company, which bought its tea from China, held a monopoly on supplying Britain until 1834. Only when that monopoly was broken did other countries become big exporters. The saying "I wouldn't do that for all the tea in China" came to mean a refusal to do something even for a large and valuable payment.

The history of tea itself reaches back to ancient times in China. The earliest known literary references date back nearly 5,000 years, when Emperor Shen Nung is said to have discovered the infusion when leaves dropped into his hot water by chance.

Green tea is widely believed to have some medical benefits. Black tea, which may have similar benefits, is used in everything from Darjeeling to Earl Grey and is made from the leaves of the same tea plants as green tea, though processed differently.

But after millennia of popularity, tea consumption in China is growing by only 2 percent a year, according to the United Nations Food and Agriculture Organization in Rome. By contrast, Chinese figures show tea production rising 8.7 percent last year and rapidly accelerating as recently planted tea bushes reach maturity and as inefficiently managed, state-owned farms are turned over to output-conscious entrepreneurs.

For the last three years, Beijing has set as its top goal the alleviation of rural poverty and high income inequality between coastal cities and rural areas, to the benefit of the tea industry. Municipal and provincial governments now vie to offer subsidies to an industry seen as an answer to lingering poverty and unemployment in the countryside, and are paying up to half the cost for the planting of new tea farms and the building of tea-processing factories.

Beijing has also eliminated an 8 percent tax on tea production as a way to increase rural incomes. Tea promotion policies, which also include heavy spending on research institutes to develop better strains of tea as well as subsidies, do seem to bring greater prosperity to tea-growing areas.

A 100-mile drive on the modern, four-lane highway from here to Hangzhou, at the northern end of east-central Zhejiang Province, passes dozens of villages bulging with new, three-story homes built of brick or concrete and featuring the garish green or blue tinted windows now in fashion here. Every few miles stands a new brick factory with a towering chimney belching smoke.

Jin Yuemei, a 54-year-old peasant near Hangzhou, paused before dousing nearly waist-high tea plants with an anticaterpillar pesticide and described how her home now held a television set, a refrigerator and even a couple of air-conditioners. "Everyone has these things," she said. "We are quite rich now."

Government support helped produce an 18.9 percent jump in Chinese tea exports last year, to \$437

million, in a global market that is nearly stagnant, according to official Chinese figures released at a conference in Hangzhou on Sept. 28. Because of the sudden sensitivity, Chinese officials have become a bit reticent about their future levels of tea production, according to the Food and Agriculture Organization.

China's surge in tea caught many off guard. Tea growers in India, Sri Lanka and Indonesia invested in new processing equipment to produce green tea instead of black tea only to discover recently that China has become their looming competitor.

They are only now beginning to see the giant steps, like investing in infrastructure, that China is making to improve its tea-making capability.

Such advanced infrastructure far outpaces tea growers in India, Sri Lanka, Vietnam, Indonesia and other countries who make do with dirt roads and repeated power failures. The wide roads here lower costs to ship in diesel fuel to power the processing factories and ship out tea; electricity failures, a problem last year, have faded here as more generating plants are built.

"There's no way the containers could get to our farms," because the roads are too narrow and the bridges too low, said Ranga Bedi, a tea grower near Bangalore, India.

Tea production is a huge employer in countries around the Indian Ocean, including East African nations and Bangladesh as well as India, Sri Lanka and Indonesia. But already, four dozen large farms producing black tea have shut down in the last two years, displacing tens of thousands of workers in southern India. Tea is one of the world's most labor-intensive crops, with leaves that need to be harvested weekly for 7 to 12 months of the year.

Although no one can yet read the tea leaves, several challenges could temper China's tea business.

With so many hillside forests cleared to make way for tea bushes, erosion has become a problem. "The central government will restrain them some, because if people keep developing tea gardens as they wish, a lot of trees will be cut down," said Dai Changhua, the deputy general manager of Bonna Tea Enterprise near here in Jiashan County.

Prosperity here is pushing up wages, so farms already are drawing migrants from other provinces, and have sometimes used prison labor over the years. The winters, though milder than in northern China, mean that tea bushes in central China stop producing new leaves for harvest from mid-October to mid-March. In contrast, tea bushes in warmer climes, like southern India and western Java in Indonesia, can be harvested all year long.

Finally, even a small appreciation in China's currency "will really affect our business," said Xu Hairong, the deputy director of the Tea Research Institute at Zhejiang University here.

For the global industry, the bigger worry is how much Chinese tea will be arriving in world markets. That flood of tea will grow only if people in China keep switching to other beverages. Starbucks sells tea, as well as coffee, in China, but it has found that Chinese customers prefer the coffee, said Christine Day, the company's president for Asia and the Pacific.

At a popular tea house in Hangzhou, a married couple of traditional Chinese medical practitioners savored a pot on a recent late afternoon but mourned that their 25-year-old son did not share their interest in the ancient brew.

"He doesn't like tea," said the husband, who only gave his family name, Ren, because of a wariness of foreigners that is common among older Chinese. "He doesn't like coffee, he mostly drinks Sprite, Coca-Cola and water."

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