

State of the U.S. Tea Industry

Review of 2024 and a Look Forward into 2025

Following the impact of COVID and supply chain issues experienced in 2022-23, the tea industry returned to a modicum of growth in 2024, with an anticipated \$ compound annual growth rate of 3 - 5%. This growth will continue to be tested in 2025 as inflation will be fought vociferously by the Trump administration in an effort to fulfill campaign promises. However, these positive predictions may very well be blunted by the implementation of tariffs and a potential trade war with our trading partners. The return to work that was anticipated towards the end of the pandemic drove employees to demand hybrid home/office concessions. This trend appears to now be hitting some resistance, as government workers are being told to return to the office. This back to the office trend is being seen in the private sector, potentially impacting in home consumption. This may bode well for out-of-home (OOH) consumption.

Imports

In 2024 total U.S. black and green tea imports were 272 MM pounds (123.3 MM Kgs). This represents year on year growth vs. 2023 of 18.8%. Black Tea import figures for the month of December increased by 31.2% and Full Year imports are up 17.7% vs. 2023.

Green Tea imports continued their increases and were up 20.4% for the month and are 26.3% higher vs. 2023. Green tea represents 14.5% of imports vs. 85.5% for Black tea.

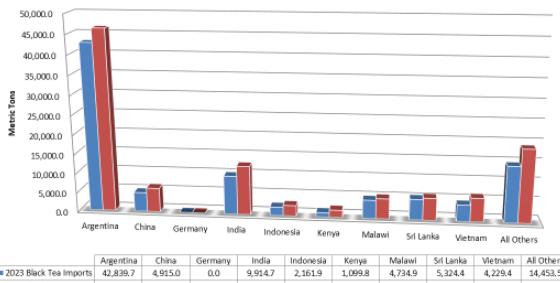
Total tea imports into the U.S. were up 29.6% for the month and 18.8% for full year 2024.

Total Organic Tea imports into the U.S. are up 113.5% for the full year 2024 and represent 3.8% of total tea imports.

Black Tea Imports

2023 vs. 2024
MT

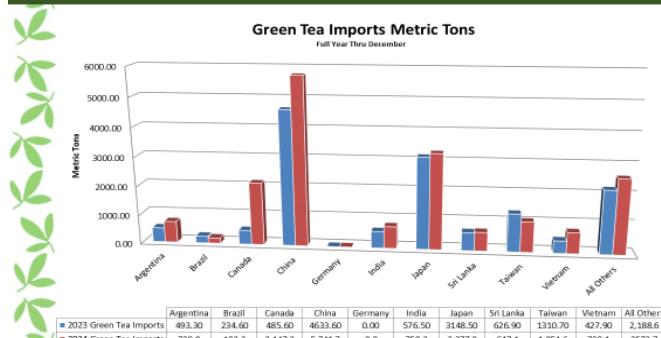
Black Tea Import in Metric Tons
* Year to Date Thru December



Green Tea Imports

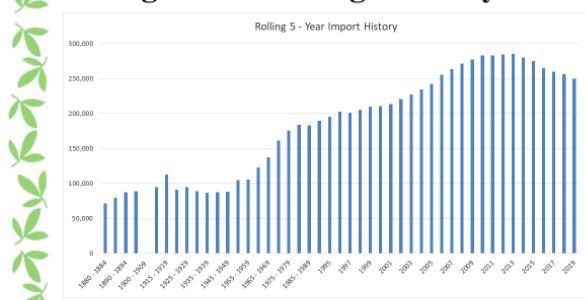
2023 vs. 2024
MT

Green Tea Imports Metric Tons
Full Year Thru December





Rolling 5 Year Average History



Tea Association
of the U.S.A. Inc.



Black '000 LBS Green '000 LBS

Tea Association
of the U.S.A. Inc.

Tariffs

Tariffs on tea from China were a holdover from President Trump's administration and continued under President Biden. Now that Trump is back in the office, we continue to advocate for removal of tariffs on Chinese tea and to fight all proposed tariffs. However, this is clearly not on this Administration's agenda. For those not certain about how tariffs work, here is short primer:

[Tariffs are taxes](#) on goods traded between nations. They're a way for countries to control international trade by artificially raising the cost of importing goods. Some tariffs can incentivize would-be importers to purchase from domestic sellers instead, potentially strengthening the local economy. The US adjusts tariffs based on trade agreements, political goals, and economic needs.

- The US collected \$77 billion in tariffs in 2024, making up 1.6% of federal revenue. Tariffs haven't comprised more than 2.0% of total annual revenue since the 1960s.
- Congress holds constitutional authority over tariffs but has delegated much of it to the president through legislation. Customs and Border Protection enforces tariff collections based on the type of goods, quantity, and country they come from.
- As of October 2024, the average tariff rate for bringing goods into the US is 3.4%. However, it varies based on the product, cost, quantity, and relationship with the exporting country.
- The US follows World Trade Organization rules that standardize tariffs across member nations, but 14 free trade agreements and special exceptions allow for lower rates with specific partners.
- When the US raises tariffs, US companies importing international goods pay those tariffs. This can indirectly raise prices for American consumers.

Tea & Health

Thousands of published scientific journals continue to document tea's ability to positively impact human health. Whether interfering with cancer mechanisms, enhancing heart health, slowing neurological decline, positively impacting weight management and preventing diabetes or improving bone health and, lastly, boosting immune functionality, tea is good for you and tastes great!

Tea contains high levels of bio-actives, in particular, Flavan-3-ols, an emerging class of compounds generating great interest as promoters of human health. Tea has also become an important addition in the discussions around health Equity. Tea can be an important component in reaching underserved populations as a healthy beverage that can be seen to help mitigate the high rates of heart disease, type 2 diabetes and obesity in this population.

The Dietary Guidelines are due for updating and publication in 2025. The Tea Association of the U.S.A, Inc., has submitted several written comments and video comments supporting enhanced inclusion of tea in this important government publication that recommends dietary choices.

Under the new FDA Rule regarding the definition of “Healthy”, tea was included. This is a tremendous success for the industry and allows the word “Healthy” to be used on front of pack and the “Healthy” word can be included in communicating about the product.

Unfortunately, these successful efforts are now being impeded by the Trump Administration’s Executive Orders as they cut jobs, freeze budgets and potentially stop research that conflicts with their view on what is “right”, not what is the right science.

Issues Addressed

Plastic in Tea Bags continues to be an issue. Several flawed studies continue to make the “media rounds”, purportedly highlighting the amount of micro and nano plastics. We acted quickly to develop a response document that highlighted flaws in the studies and sent specific responses to key publishers.

Climate change continues to be an important issue for our members. We worked with NSF and Cool Farm Alliance to develop a tool for our members that will assist in calculating their carbon footprint. This initiative was made possible due to a partnership with Tea & Herbal Association of Canada and United Kingdom Tea and Infusions Association and the tool was made freely available to all our members.

Our memberships in CropLife and Imports Coalition provided us with key insights into activities regarding crop chemicals and Port Labor actions. 2024 had its share of threatened strikes and the flow of goods from our ports to customers and consumers were disrupted several times. Currently, contract negotiations have been successfully concluded with a new contract in place.

We continue to develop cohesive messaging on topics such as heavy metals; HTIS classifications and modifications; Prop 65 actions; sustainability issues, nano-plastics in tea bags, PFAS (perfluorinated compounds) as well as Global FAO issues on behalf of our members.

Working with the Tea Council, we effectively communicated our positions on behalf of the industry in the areas of tariffs, labeling (country of origin and nutritional), Dietary Guidelines, Healthy definition for tea and port congestion issues. Support and defense of the tea industry continues to be our primary our mission.

Markets

Foodservice gains some; Specialty Tea continues growth; RTD improves dollar sales; Traditional/Grocery continues slowly decline in volume

Specialty Tea continues its rise in both pounds and dollars. Millennials and Gen Z’s lead the way for all consumers across all demographics as they continue to consume tea for its variety of origins, types and flavors. Tea generates interest across origins, terroirs, flavors. Tea drinkers are interested in bush to brand stories and tea’s sustainability, particularly in the market of these high quality, higher priced teas. Artisanal teas remain of high interest and continue to grow at a fast clip. Consumers’ engagement remain strong and they want to learn more and more about where their teas come from; how they are harvested and manufactured; how the product supports the livelihoods of those making it; and, how friendly the product is to the environment. Specialty tea buyers, in particular, seek to engage with their products of choice.

Ready-to-drink (RTD) tea category continued its dollar growth but volume was a challenge in 2023. Estimates are that 2023 exhibited circa 6%-7% growth in dollars, but a decline of some and -2%-3% in gallonage. Challenges for RTD remain clear: return to volume growth while competing with products across other categories, e.g., health,

refreshment and hydration. Separation and segmentation between premium, high quality RTD's and the value, CSD replacement segment continues, with the premium segment leading growth.

Traditional tea (Grocery/DMM (Drug/Mass Merchandisers) continued the fight to maintain the gains from 2020 through 2023. Communication to consumers through traditional media and social media continued at higher levels vs. pre-COVID. The apparent improvement in their bottom lines have allowed for a continued re-investment in their brands.

We are continuously challenged to educate consumers about key differences between true teas (*Camellia sinensis*) from herbals and other botanicals, neither of which have the same level of bio-actives, anti-oxidants or overall Healthful qualities. Our messaging across all forms of tea through our social media initiatives highlight the benefits of "true tea" and should be amplified by all tea companies.

Internationally, producer countries should continue to protect and advertise their teas through geographic designations and by trademarking their unique terroirs. The pursuit of a wine-like appellation marketing and protection serves to differentiate one region from another as well as proactively communicate to the consumer the benefits of geography, elevation and climate as key ingredients to tea quality.

Markets:

Each year we try to estimate the size and growth of the various tea markets. We derive many of these estimates qualitatively with some quantitative validation. Further, we note that 2.9% CPI for food inflation in 2024 represents a substantial reduction from 2023's 3.4%. Generally, volume was off slightly in all categories, but dollars were up, driven by inflation and price. Please use these figures only as a guide.

| | 1990 | 2022 Est. | 2023 Est. | 2024 Est. |
|--|-----------------------|---------------------|---------------------|----------------------|
| Traditional Market (Supermarket, Drug and Mass Merchandisers) | \$0.87 Billion | \$2.4 Billion | \$2.4 Billion | \$2.44 Billion |
| R-T-D | 0.20 " | 6.7 " | 6.9 " | 6.96 " |
| Foodservice | 0.50 " | 1.1 " | 1.1 " | 1.15 " |
| Specialty Segment | 0.27 " | 3.4 " | 3.5 " | 3.6 " |
| Total Sales | \$1.84 Billion | 13.6 Billion | 13.9 Billion | 14.15 Billion |

2025 Predictions:

- *Tea will continue its slow dollar growth across all sectors. Specialty will lead the way.*
- *Whole Leaf Teas/Specialty Tea will continue its penetration with consumers in this segment representing the most inflationary resistant price points.*
- *Imports will hold steady after having returned somewhat to normal levels now that supply chain issues and inventories have been stabilized with the caveat that Supply Chain issues return with potential trade wars driven by tariffs and trade retaliations.*
- *Tea & Health messaging continues to help drive consumption*
 - *Healthy Label Claims very positive*
 - *DGAC should highlight teas ability to hydrate and provide vital plant based nutrients across all economic strata*

The “Power of Tea” continues to shine

- **Bio-Actives, Hydration, Health Equity, Cardiovascular health, and immune boosting properties, will continue to underpin tea’s healthfulness and encourage consumers to drink tea.**
- Tea will leverage the new “Healthy” classification under the new FDA Rule
- DGAC will continue to highlight tea’s healthy aspects.

Markets will maintain slow growth

- Foodservice will continue to strengthen. Hybrid work arrangements will continue its decline as businesses require its workforce to return to a more traditional office environment.
- Consumers will continue to enjoy tea and the new levels of tea consumption will be maintained, helping Grocery/DMM sales to resist declines volume.
- RTD volumes will maintain steady growth.
- Specialty continues its growth in both dollars and volumes as unique offerings from tea growing “appellations” become more widely known.

The tea market will continue to face the following challenges in 2025:

1. Sustainability

The Tea Association of the U.S.A., sees sustainability as a three-pronged strategy

- a. Ecological Sustainability
- b. Social Sustainability
- c. Economic Sustainability

The tea industry has demonstrated a strong commitment to ecological sustainability and continues on its journey for a sustainable supply chain and our industry has successfully embarked on a path of making our product even more sustainable. Tea is one of the most ecologically sustainable agricultural products in the world.

However, the sad fact is that the cost of sustainability efforts almost always fall on the shoulders of the producer, the segment that can least afford it. Further, the promise of increased margins and consumers willing to spend more money on sustainably sourced products have been empty, at best. And all our efforts may be blunted by climate change....

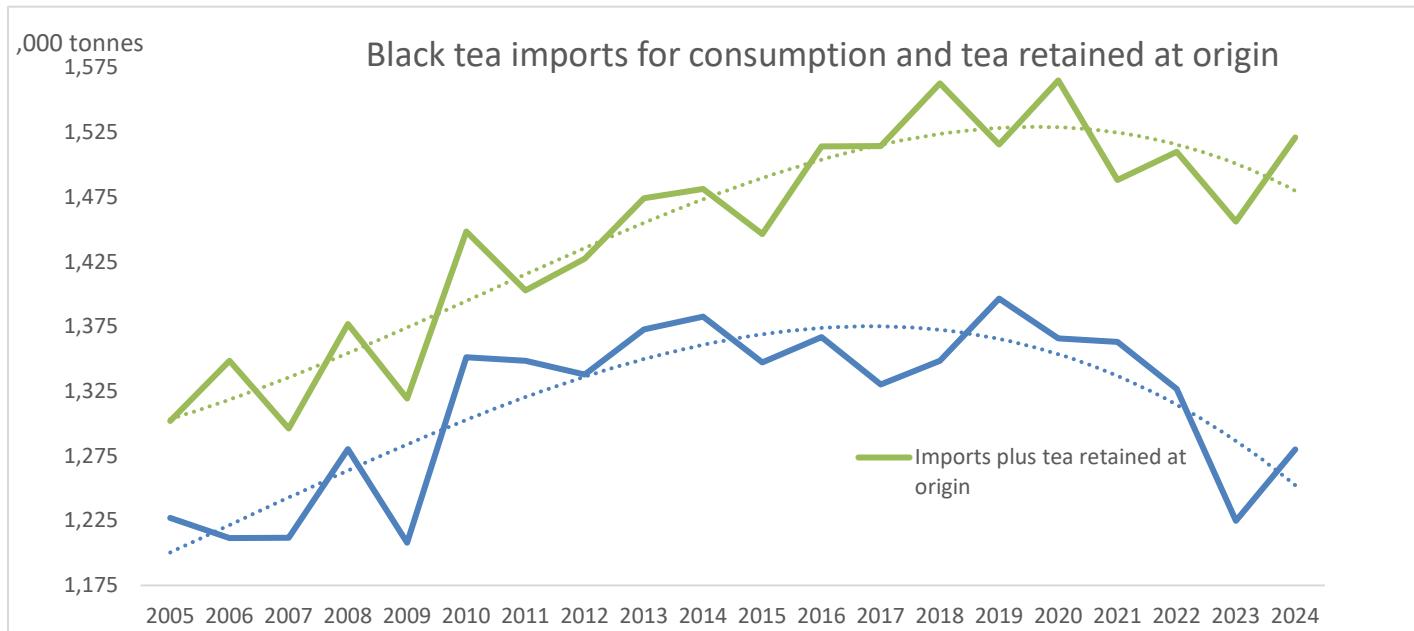
Economic sustainability continues to be a challenge. Producers and smallholders are generally not making money. The realized prices of tea have not moved since the 1950's, when taking inflation into account.

The Trump Administration is denying climate change, energy issues and sustainability as a need. Without governmental directives and goals, such as we saw with the Biden Administration, we may see companies take their foot off the peddle in their sustainability efforts.

2. Supply and Demand

The Global picture remains concerning as production went from 5,228 M kgs in 2014 to 6,726 M kgs in 2023 an increase of approximately 29%. Meanwhile, population in 2014 was 7.38 Billion vs. 2024's 8.16 billion, an approximate 9.8% increase. (Tea statistics courtesy of the International Tea Committee/Population from Worldometer (<https://www.worldometers.info/world-population/world-population-by-year/>)). Supply continues to outstrip demand.

Surplus of teas can be seen at origins as the difference between imports plus tea retained at origin vs. imports for consumption. (Chart courtesy of Universal Commodities (Tea) Trading/ITC data)



Some origins continue to expand tea plantings, completely ignoring the negative impact of oversupply and promulgating a boom / bust cycle of tea prices. Escaping the clutches of this boom/bust cycle will be one of the keys to the long-term survival of the business. There are only two solutions: drive consumption or reduce production. Note that these solutions are not exclusive and should be done in tandem.

The key insight is that the unremunerative pricing of tea undercuts all sustainability efforts and supports an unsustainable economic future for the industry.

3. Free and Unencumbered Trade

Barriers to trade continue to be evidenced through:

- Lack of harmonization of crop chemical tolerances
- Political vs. Science based regulatory decisions (e.g., Crop Chemicals)
- Country of origin labeling
- Tariffs

Tariffs have now become the biggest stumbling block to free trade in the United States. Tariffs historically drive pricing up and, as there is virtually no commercial tea gardens in the U.S., there is no domestic source that can fill the gap. In order to return to complete economic growth and stability, our industry must work together to properly address these issues.

The same sad story is still being told: too much tea is being produced; prices are too low; we are leaders in ecological sustainability, but social and economic legs are struggling; retailers continue to push down pricing; costs are being pushed up the supply chain; producers continue to suffer and we are on the precipice of a global trade war.

Potential solutions are multi-pronged and have not changed from previous years:

- As an industry, we need to continue to meet in multiple forums to discuss honestly and openly our excess supply. FAO, Tea Associations, Tea Boards, Tea Producers and governments need to collaborate and create pathways for crop/surplus reduction, while striving to protect the lifeblood of tea producers, and,

in particular, smallholders. Tariffs must be discussed at International Levels to try to prevent complete breakdown in the free flow of tea.

2. Efforts must continue to drive tea consumption. Tea & Health is THE platform from which powerful messaging can be developed to incent and motivate consumers to drink tea. If we all help to drive this message, think of the potential influence we could have on driving tea consumption! Additionally, bio-actives research points to more positives in tea's positive impact on human health.
3. Costs of sustainability efforts must be shared throughout the supply chain, not borne just by producers. Is there a mechanism currently? No...but this has to be addressed. If consumers want sustainable products they must pay. If retailers want to sell sustainable products, they need adjust their margins. If packers want to pack sustainable products, they must pay OR they must support sustainability programs through pricing mechanisms.
4. Leverage existing Associations and Councils as representatives and speakers for the Industry. I continue to be shocked at how easily some companies withdraw from Associations based solely on cost, yet, it is these very groups that most effectively represent the industry and protect brands; interpret governmental regulations and provide a single point of contact for both internal and external communication. My continuing thanks go to Tea & Herbal Association of Canada and UK Tea & Infusions Association, who work tirelessly with us on joint efforts to represent the industry.

Tea is an optimistic beverage and I remain an optimistic player in the industry! Tea offers much to its consumers; Tea's supply chain is resilient; producers generally want to produce good product and consumers will pay for good quality.

Let's work together to further grow tea and drive this business forward!

Peter F. Goggi
President
February 2025