



**EAST AFRICAN TEA TRADE ASSOCIATION**

*"facilitating a world class trading platform for African teas"*

## **Member Functions: Tea Brokers**

The Twelve Tea Brokers who auction in the Mombasa Tea Auctions have represented tea Producers in Kenya, Uganda, Tanzania, Rwanda, Burundi, Malawi, Congo, Zambia, Zimbabwe, Mozambique and Seychelles. Collectively, the brokers form the Tea Brokers' Association, which functions under the Constitution Rules and Regulations of the East African Tea Trade Association (EATTA).

A prospective broking company must apply for membership to the EATTA through a proposer and a seconder. It must prove that it has the support of its respective producer principals who must in turn provide written commitments to sell given volumes of tea through the prospective broker. The candidate firm must also have in its employment at least two senior members of staff who are fully conversant with the tasting, reporting and valuing, selling in auction and generally representing the producers' and buyers' interests effectively and with integrity. The candidate must provide evidence of good financial standing, and may be required by some producers to provide substantial bank guarantees as security for teas placed for sale. Finally, the prospective broker must be independent and impartial, and can therefore not hold any interests in tea producing or buying enterprises.

Virtually all the producers currently choose to sell moderate to substantial volumes of their teas through the auctions, which are considered to be thoroughly transparent, and which provide a forum for international buying. The result is wide exposure and forceful competition.

Producers deliver their teas to appointed warehouses in Mombasa, and advise their brokers as to which of the teas are to be sold in auction. The broker then prepares a selling catalogue, giving specific information about every line or 'lot' (comprising 20, 40, 60, 80 or 100 packages). Details include origin, quantity, weight, grade and method of packing. The producer also provides the broker with a 4 kilogram representative sample from each lot of tea. This is apportioned and distributed to all active buyers, for tasting and assessing quality and value by the buyers and/or their overseas principals. Catalogues are also distributed to buyers, producers and warehouses.

Tasting is a skill that is taught and gradually refined over years of experience. The broker tastes all the teas in the catalogue and reports his observations and recommendations on quality to the producer. He also attaches a value to each tea tasted, based on his perception of the existing market forces.

Auctions take place each Monday morning in a purpose-built Auction Room at the Tea Trade Centre. Main Grades are sold from 8.30 am, while Secondary Grades are sold in a separate room starting at 9.30 am. Brokers sell in rotation. The selling broker announces the line of tea on sale, and invites bids in US dollars per kilogram.

The buyers announce their bids, which advance by at least one US cent per kilogram. The tea is knocked to the highest bidder, and the next lot is offered for sale. Certain larger lot quantities may be shared by a maximum of three buyers. All these details are recorded in the catalogues.

After the sale, the broker returns to his office to prepare invoices and export licences for the buyers, confirmations of sale, account sales and market reports for the Producers. He also communicates with the producer/factory to discuss the day's market and price performance.

The EATTA rules require buyers to pay the broker on or before the Prompt Date, which is precisely ten working days from the date of sale. Penalties for non-compliance are appropriately punitive and extreme cases may result in being barred from buying or even expulsion from the Association. On proof of payment, the buyer receives Delivery Orders from the broker to enable him to take delivery of his purchases from the warehouse.

The same prompt date requires the broker to remit the sale proceeds to the producer. The rules of the Association are specific that Mombasa brokers are "guarantee brokers" and must undertake to remit sale proceeds to producers irrespective of whether they themselves have been paid by the buyers. Despite this stringent requirement, there are yet no recorded incidences of any broker having failed to meet this deadline.

The EATTA rules also specify that a broker will earn a commission on each price realised in the sale, the rates currently applicable being 1% from the producers and 0.5% from the buyers.

Brokers frequently visit their principals and the factories in order to consult on manufacture and quality, weather and production patterns, market trends in relation to the other tea auctions in the world, and future strategies. They also visit and liaise closely with the warehouses to ensure that the producers' teas are received, handled, stored and delivered in a professional manner. Furthermore, brokers take the responsibility of addressing claims by buyers as to the quality or quantity of the teas purchased. Brokers, three of whom are elected annually to the EATTA's Management Committee, meet from time to time to address areas of concern in their profession, to forge closer ties with other members of the trade, and also to agree on representations to the Association. They are fully committed to the principals and the spirit of the EATTA. They take seriously their role in the industry and jealously guard their reputations and their integrity.