AFRICAN TEA CONVENTION 2026

The Impact of Logistics on Global Tea Trade

When the shipping lane decides the margin — not just the auction floor.

Mohit Agarwal — Director, The Asian Tea Group

THE STARTING POINT

A Trade Built on Long, Fragile Routes

Mombasa exports CTC and orthodox tea across four continents:

- Pakistan — largest single buyer
- Egypt
- United Kingdom
- Russia & the wider CIS
- Middle East — UAE, Saudi Arabia, Jordan
- Continental Europe
- Sri Lanka
- China

Every one of these lanes crosses at least one global chokepoint.

652.8M kg

Kenya tea exported in 2025 (+4.35% YoY, a record)

$1.44B

Total export revenue, 2025

100+

Countries Kenyan tea reached in 2025

Pakistan 36% · Egypt 13.9% · UK 8.6% · UAE 5% · Russia 4.2%

Source: buykenyantea.com, Kenyan Tea Market Insights 2025; kilimonews.co.ke, Kenya Tea Industry 2025; EATTA/industry 2025 destination share data.

The Old Assumption: Logistics as a Fixed Cost

1

For decades, ocean freight was priced once a season and treated as a fixed line item below the FOB price.

You budgeted it. You quoted it. You moved on to the next shipment.

FREIGHT COST — OLD MODEL

A single, predictable number for an entire season.

That assumption no longer holds — and it hasn't for two years.

WHAT'S CHANGED

The New Reality: Logistics Is the Swing Variable

In 2026, freight and war risk surcharges have moved further and faster than production costs, and now decide who wins or loses.

+50%

Jump in Mombasa freight cost after the Emergency Conflict Surcharge (Mar 2026)

+$3,000

War/emergency surcharge added per 40ft container on affected lanes

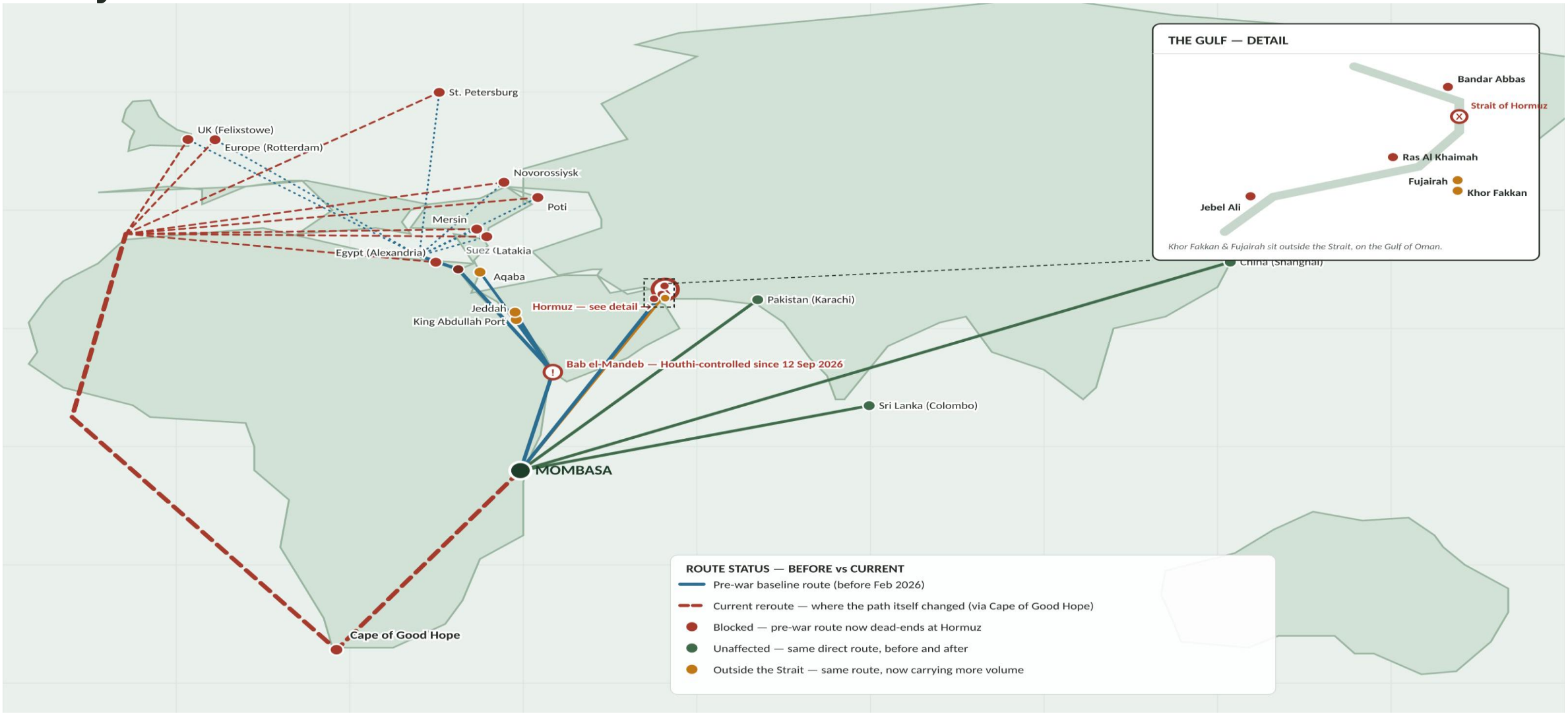
6+ months

The Strait of Hormuz has been effectively closed, and counting

Source: Standard Media (Kenya), Mar 2026, on the 50% Mombasa freight increase; CMA CGM/MSC Emergency Conflict Surcharge notices; Al Jazeera, Aug 27 2026, on Hormuz traffic.

~1/3 of world seaborne trade now transits a chokepoint under hostile control — the Strait of Hormuz (closed since 28 Feb 2026) and, as of 12 Sep 2026, the Bab el-Mandeb Strait, after Houthi forces completed their takeover of Yemen's Red Sea coastline.

Kenya's Trade Routes — Before and After the Wars



Sources: Wikipedia, "2026 Strait of Hormuz crisis"; Standard Media (Kenya), Mar 2026, on Cape of Good Hope rerouting from Mombasa/regional ports; Maersk Middle East Operational Updates (Khor Fakkan/Fujairah as alternative hubs); Reuters/Euronews/NBC News/Al Jazeera, 11–12 Sep 2026, on the Houthi takeover of the Bab el-Mandeb Strait and the combined Hormuz + Bab el-Mandeb trade share.

CHOKEPOINT 1

Red Sea & Bab el-Mandeb: From Detour to Control

THE DETOUR — 2023 to 2026

Carriers suspended Suez Canal transits for Mombasa-linked services and rerouted around the Cape of Good Hope. Costly and slow — but the water itself stayed open.

40–45 days

Extra transit time via the Cape

$2,000–3,000

ECS per 20/40ft container

300–500%

Jump in war-risk surcharges

THE CONTROL — 12 SEPTEMBER 2026

Houthi forces completed their takeover of the Bab el-Mandeb Strait, seizing Mayyun (Perim) Island. This is no longer a detour problem — the strait itself is now held by a hostile actor, the same category of risk as Hormuz.

Source: Standard Media (Kenya), 3 Mar 2026; YQN Container Shipping Cost 2026; Reuters/Euronews/NBC News, 11–12 Sep 2026, on the Bab el-Mandeb takeover.

THE GULF CHOKEPOINT

The Strait of Hormuz — Cargo Cut Off

Since 28 February 2026, Iran has effectively closed the Strait of Hormuz to normal commercial traffic. It has not reopened. For Gulf-bound cargo of any kind, this hasn't been a slowdown — it's been a wall.

95%

Drop in Hormuz vessel traffic — from 100+ ships/day to about 5

6+ months

And counting, since the 28 Feb 2026 closure

HOW CARGO IS REROUTING

- Fujairah and Khor Fakkan — UAE ports outside the Strait entirely — are absorbing traffic that used to call inside the Gulf.
- Moving cargo through Omani intermediaries — Kenyan tea volume to Yemen grew 140% in Q1 2026 (latest available), a rerouting signal, not organic demand.

Source: Al Jazeera, 27 Aug 2026; Wikipedia, "2026 Strait of Hormuz crisis"; Maersk Middle East Operational Updates (Fujairah/Khor Fakkan); Kenyan Wall Street, 6 Jun 2026, on Q1 2026 Yemen volume (latest available).

Russia & CIS: What Moves, and What Gets in the Way

27.44M kg

Kenyan tea shipped to Russia in 2025 — about 4% of total export volume, holding “Stable” even as markets like Iran and UAE are “At Risk.”

WHAT MAKES THIS CORRIDOR HARDER — TEA SPECIFICALLY

- Port congestion — Novorossiysk, the main Black Sea gateway, has faced overnight navigation bans and lengthening queues through Aug 2026, as Sea of Azov restrictions push more traffic onto the same terminals your tea moves through.
- Payment friction — sanctions on Russian banking counterparties slow and complicate settlement before a shipment can even be booked, separate from anything happening at sea.
- War-risk insurance — cover on this route now typically runs 0.5–1.0% of cargo value, a direct cost on top of freight.

Source: Fava Herb, “Kenya Tea: The Volume-Value Paradox and a Pricing Crisis,” 3 Aug 2026 (2025 volume, market status); EUalive, 3 Aug 2026, on Novorossiysk/Taman congestion; suaidglobal.com, “Red Sea Shipping Crisis 2026,” on war-risk insurance costs.

THE NUMBERS

40ft Container Rates from Mombasa — With War Surcharges

Corridor	Key ports	Base 40ft (indicative)	War / emergency surcharge	Total (Base + War)	Total Before War	Status
Gulf — Iran-adjacent	Bandar Abbas	—	—	—	~$1,500-$1,700	Iran ports under naval blockade since 13 Apr 2026
Gulf — UAE / Oman	Jebel Ali, Khor Fakkan, Fujairah, Ras Al Khaimah	~$1,500–2,200	EFR ~$3,000 dry / $3,800 reefer	~$4,500–6,000	~$1,000-$1,300	Frequent booking suspensions; resets with each update
Red Sea / Levant	Jeddah, King Abdullah, Aqaba	~$1,800–2,500	ECS +$3,000/40ft (12 Mar 2026)	~$4,800–5,500	~$2800-$3,200	Confirmed carrier surcharge on this trade

Source: Maersk, "Change to Emergency Contingency Surcharge: Southern Africa & Indian Oceans to Middle East," 12 Mar 2026; Maersk Middle East Operational Updates 14, 20, 40, 44 (Mar–Aug 2026); S&P Global Platts, 2–10 Mar 2026; greathensen.com, "Africa Shipping Rates August 2026." "Total Before War" column to be completed with client-supplied figures.

The Bypass Ports Get Congested Too

Everything that used to move through Hormuz now piles up at the ports still reachable — and those ports are straining under the weight.

KHOR FAKKAN & FUJAIRAH — THE MAIN PRESSURE POINT

9.25 days

Fujairah median wait — more than doubled in one week (to 9 Aug)

4.81 days

Khor Fakkan median wait — also up sharply (to 9 Aug)

0.08 days

Jebel Ali by contrast — almost empty, nothing gets through

Both ports were directly struck by Iran in spring 2026 — they're not just congested, they've been hit, and they're still the only way in.

COLOMBO & MUNDRA — THE OFFSHORE OVERFLOW VALVE

When Gulf of Oman ports hit capacity during the March–April surge, carriers pushed rerouted cargo further out — discharging at Colombo (Sri Lanka) and Mundra (India) alongside Sohar, Salalah and Khor Fakkan. Two of the five main pressure-release points for Gulf-bound cargo now sit outside the Gulf entirely.

- Salalah, Oman — was suspended entirely 11–12 Mar after drone strikes; now a standing landbridge hub into Kuwait/Qatar/Bahrain/UAE.
- Mersin, Turkey — its long-standing rail/road landbridge into Iraq and the CIS is taking on renewed importance as an overland alternative.

Source: Nautica Shipping, 14 Aug 2026; AGBI/Arab Weekly, 7 May 2026; Maritime News, 5 Apr 2026 (Colombo/Mundra); DubaiCargos.com, 10 May 2026; Portcast, 23-29 Aug 2026; LCA Logistics Capacity Assessment (Mersin); Container-mag, 3 Mar 2026 (Salalah); Move One, 19 Mar 2026.

THE MARGIN QUESTION

Passing Cost Through — Or Absorbing It

When freight spikes, someone eats the cost — you, the buyer, or both. On auction-priced, commodity-graded tea, you rarely have the pricing power to pass it all through.

That gap is now showing up as lost business, not just thinner margins.

$8M / week

EATTA-estimated foregone business on Middle East / Gulf channels since March 2026

KSh 3.1B

Total foregone business as consignments sit undelivered at port

This isn't hypothetical margin compression — it's cash sitting in warehouses.

Source: Fava Herb, "Kenya Tea: The Volume-Value Paradox and a Pricing Crisis," 3 Aug 2026, citing EATTA estimates.

SUPPLY SIDE

Container & Capacity Shortages

The Cape of Good Hope diversion doesn't just add days — it burns capacity. Ships spending longer at sea means fewer sailings and less equipment in circulation.

On top of that, carriers have suspended bookings outright to several Gulf ports as the conflict continues — which is exactly why what capacity remains gets funneled onto Khor Fakkan and Fujairah, and why those two ports are the 9-to-10-day bottleneck we just saw.

1.3–1.8M TEU

Global capacity pulled off the market by the Red Sea diversion — tightening lanes that never touch the Red Sea

Import-only

As of Aug 2026, bookings to Iraq, Kuwait, Qatar, Bahrain, and most Saudi ports remain suspended; Khor Fakkan itself is accepting import cargo only

Source: suaidglobal.com, "Red Sea Shipping Crisis 2026" (1.3–1.8M TEU capacity removal); Maersk Middle East Operational Update 44, 31 Aug 2026, on current booking suspensions.

CASH FLOW UNDER PRESSURE

Cash Flow: Longer Transit Means Longer Waits to Get Paid

Many buyer payment terms are anchored to the bill of lading date or actual delivery — but when a shipment sits for weeks before it can even be loaded, or gets delayed inevitably in transit, the whole payment clock shifts back with it.

+10–20 days

Increase in transit times for Middle East-bound goods, per Kenya's Ministry of Investments, Trade and Industry (Apr 2026)

2–3 days → 3 weeks

Mombasa container dwell time — what used to clear in a few days can now sit for weeks

Industry sources are direct about the knock-on effect: these delays aren't just a logistics problem, they're a payments problem — disrupting supply chains, pushing back buyer payments, and straining exporters' day-to-day operations.

Source: Ministry of Investments, Trade and Industry, 21 Apr 2026 (transit time increase); Standard Media, 27 Mar 2026 (Mombasa container dwell times, payment delays); The EastAfrican, 26 Mar 2026 (exporter account of slower clearing times).

CASH FLOW UNDER PRESSURE

The Working Capital Squeeze

The mechanism is simple: you pay your factories and farmers on their normal schedule regardless of whether the tea has shipped — but your own cash doesn't come back until a delayed shipment clears and a buyer pays against that (now-delayed) bill of lading and delivery. Every extra day of transit or port dwell time widens that gap further.

> *"The trade cycle for African corporates in Eastern Africa has increased drastically, which means you need more funding capital requirements" — Arnaud Levasseur, EVP Trade Finance, Mauritius Commercial Bank*

WHAT'S WIDENING THE GAP

- Tea already bought and paid for by farmers/factories sits unshipped through the congestion and rerouting we've covered — Salalah, Khor Fakkan, the Cape of Good Hope.
- The bill of lading date / delivery date — the trigger for most buyer payment terms — keeps slipping later as vessels wait longer to load and take longer to reach
- Each of those added days is a day of working capital tied up, not released.

Source: Global Trade Review, "East Africa's trade finance sector navigates Middle East storm," Jun 2026 — quoting Mauritius Commercial Bank trade finance executive.

Building Resilience — Multi-Route, Buffer Stock

1

Qualify two routes per market

Before you need it, not after a lane closes. Know your Plan B carrier and corridor for every major destination.

2

Hold buffer stock at key points

Not just at origin — position inventory where a chokepoint closure would otherwise strand a sale.

3

Diversify the destination mix

Don’t overconcentrate on few markets

4

Price war-risk into contracts

Build ECS and surcharge pass-through clauses into your terms explicitly — don't absorb them by default.

5

Watch carrier bulletins weekly

Not seasonally. Surcharges and booking suspensions now change on a rolling, week-to-week basis.

THE TAKEAWAY

Exporters who build logistics resilience into their strategy — not just their pricing — are the ones still shipping when others are stuck.

Thank you.