

Indian Tea Industry: A Look Into The Status

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Abstract

The history of Indian tea spans more than 160 years. The rapid expansion of tea cultivation in Assam was followed by the establishment of plantations in West Bengal, Tamil Nadu, Karnataka and Kerala. The present paper focuses on the relatively recent developments in the Indian tea industry. Discussing briefly the features of the industry in respect of production, demand, exports and the nature of the market, both domestic and international, the paper follows it up with an a descriptive framework within which the industry may be studied and concludes with various revelations.

Key Words:- Indian Tea Industry, Trends in Tea Industry, Orthodox Tea, CTC, Tea Industry Development Schemes.

Introduction

The Indian tea industry is nearly 200 years old. Robert Bruce, a British national discovered tea plants growing in the upper Brahmaputra valley in Assam and adjoining areas. Thereafter it spread to other states. At present, tea is grown primarily in Assam, West Bengal, Tamil Nadu and Kerala. Apart from this, it is also grown in small quantities in Karnataka, Himachal Pradesh, Tripura, Uttaranchal, Arunachal Pradesh, Manipur, Sikkim and Meghalaya. India has a dual tea base, unlike most other tea exporting countries. Both CTC and Orthodox tea are produced in India. The tea industry is agro-based and labour intensive. It provides direct employment to over 1 million persons. Through its forward and backward linkages another 10 million persons derive their livelihood from tea. In Northeast India alone, the tea industry employs around 900,000 persons on permanent rolls. It is one of the largest employers of women amongst organized industries in India. Women constitute nearly 51% of the total workforce. The tea estates in the North Eastern India are located in industrially backward areas. Tea industry being the only organised industry in the private sector in this region, people outside the tea estates have high expectations from the industry.

Significance of the study

Tea Industry is a labour intensive and horticulture industry where millions of people procure their living. It is a major contributor to the GDP through its domestic sale and foreign export. But there have been issues recently in the fields of cultivation, manufacture, human resource management and marketing which are, according to the Tea Board of India ‘real obstacles’ in the way of development. So to measure the fall in these areas an analysis has to be made on the recent trends – all positives and negatives - in the tea industry. The study will focus on giving a base for further study and analysis.

This study will be useful to research scholars and students whose works and studies are related to the uplift of Indian tea industry.

Objectives of the study

1. To bring to knowledge the recent trends in the Indian tea industry.
2. To identify core areas of strengths and weaknesses.

Methodology

Formulation of a suitable methodology is a major requisite for meaningful and logical analysis. Following is the methodology adopted.

Sources of Data

Both Primary and Secondary data has been used in the study.

Primary Data

Primary data has been collected from some of the officials of Tea Board of India, Employees of tea marketing companies and Direct Company Salesmen.

Secondary Data

Secondary data has been collected through an extensive review of literature and research magazines, newspapers and supplementary sources relating to tea industry. Publications of Tea Guardian, Tea Digest, Tea Despatch and websites relating to tea and tea industry have been used.

Research Design

A descriptive research design has been made use of in this study.

The Indian tea industry

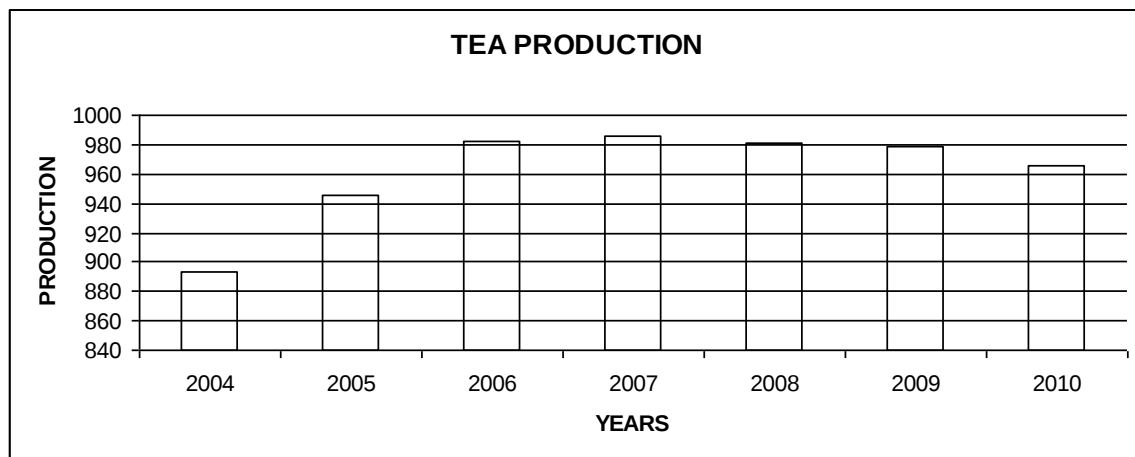
India is second largest producer of tea in the world. Indian tea production stood at 966 million kilograms in 2010 which was slightly lower than the previous year because of unfavourable weather conditions, pest attacks, lack of care etc. especially in tea plantations of Assam. Further in 2011 it meagerly rose to 988 million kilograms.

Majority of the production is consumed within the country. Despite large domestic consumption (due to high population) India has a prominent place in the list of tea exporters. Here a table is given to show the various types of tea and their production. The data ranges from the year 2004 to 2010.

Table 1

PRODUCTION OF TEA IN INDIA							
CATEGORY	2004	2005	2006	2007	2008	2009	2010
CTC	815	849	894	887	875	870	850
Orthodox	71	87	77	89	97	95	100
Green	7	10	11	10	9	14	16
TOTAL	893	946	982	986	981	979	966

Here a chart is given showing the total production from 2004 to 2010.

Table 2

The chart shows the total tea production of India. The year 2010 slowed down due to the earlier mentioned reasons.

Indian tea has virtually lost all global markets because it continues to be traded as a commodity. Value addition is limited and rather late. The industry needs to be competitive in production, marketing, logistics and product forms. India, despite being a large producer of tea, lacks properly organised production systems in which small tea producers find a respectable place. The industry must have access to capital at globally competitive rates. The subsidies and support from the part of government and other agencies like Tea Board of India are very limited. Hence what the tea industry requires is the proper care.

Table 3 shows the area, production and yield of Indian tea from 2011 to 2016.

Table 3
AREA, PRODUCTION AND YIELD OF INDIAN TEA: A TRACK DOWN THE
LINE (FROM 2011 TO 2016)

Year	Area(in hectares)	Growth %	Production (in tonnes)	Growth %	Yield (in Kg per hectare)	Growth%
2011	579350	3.46	1119700	15.86	1933	8.29
2012	571665	-1.33	1129000	0.83	1975	2.17
2013	563980	-1.36	1200041	6.29	2128	7.75
2014	565320	0.24	1200731	0.61	2136	0.38
2015	566660	0.24	1208660	0.11	2133	-0.14
2016	571323	0.82	1239150	2.52	2169	1.69

Source: Compiled from statistics supplied by Tea Board of India

The Table clearly shows the variations in tea area, production and yield. Area wise showed the dip in the years 2012 and 2013. A fall in yield was seen in the year 2015.

Trends in Tea Industry

Tea is indigenous to India and is an area where the country can take a lot of pride of. This is mainly because of its pre-eminence as a foreign exchange earner and its contributions to the country's GNP. Tea production in India has a very interesting history to it. Since independence, tea production has grown around 300%, while land area has just grown by 50%. Some of the recent trends in Indian tea industry are given below:-

Tea Industry and the economy

- Production is stagnant or rather slow moving but the per capita consumption is increasing steadily. Thus domestic demand is going strong, though gradually.
- Amongst tea producing countries, the chief producers are India, China, Sri Lanka, Kenya and Indonesia contributing to 76% and 79% of the world tea production and exports respectively.
- While large tea growers dominate the market, lately the percentage production contribution of small players has been on the increase. At present they contribute to nearly 26% of tea produced.
- Packaged tea is gaining grounds as people start favouring it over unpackaged ones. Unpackaged tea, which is generally cheaper, is largely sold in the rural market.
- Green tea is one of the fastest growing categories due to the awareness of its consumers on their positive benefits to health. Share of green tea in global tea output has risen from 23% to 39% and that of black tea has declined from 77% to 61%.

- Orthodox tea output remained constant at 34% while that of CTC tea declined to 27% from 34%.
- New players from other countries have arrived along with their new brands and strategic alliance has started with the Indian firms to understand the Indian market.
- Companies have started dairy projects, medicinal plant cultivation and mostly tourism activities. Focus on tourism has been on the rise due to their potential. Companies have started to charge on their cottages for day and night stays which were once free to visitors and customers.
- Kenya has become the leading exporting country and Sri Lanka has been relegated to third position.
- The exports have been decreasing. The decline in exports in the year 2010 was due to low demand from Russia, Iraq, Afghanistan, United Kingdom and Egypt as compared to last year. The table below shows the export level of India from 2011 to 2015.

Table 4
INDIA'S EXPORT TO COUNTRIES (2011 – 2015)

Importer	2011		2012		2013		2014		2015	
	Tons	percent	Tons	Percent	Tons	Percent	Tons	Percent	Tons	Percent
Russian	46.44	17.95	44.01	10.19	43.06	16.09	39.53	18.59	47.51	20.21
UK	31.40	12.37	20.85	8.74	18.32	7.19	18.91	8.89	20.32	8.64
Pakistan	24.87	9.61	22.93	9.27	22.12	8.68	15.70	7.38	19.62	8.35
UAE	22.9	8.61	19.68	6.43	26.25	10.30	16.30	7.66	14.50	6.17
Kazakhstan	16.65	6.44	14.48	6.20	11.72	4.60	12.47	5.86	11.52	4.90
USA	16.22	6.27	13.97	6.20	16.07	6.30	14.41	6.78	15.32	6.51
Iran	14.64	5.66	13.96	4.18	26.19	10.28	19.52	9.18	25.43	10.81
Australia	9.09	7.16	3.51	3.18	-----	-----	-----	-----	-----	-----
Saudi	7.99	3.09	-----	-----	-----	-----	-----	-----	-----	-----

Arabia										
Germany	7.69	2.97	7.50	3.18	9.06	3.56	7.80	3.67	10.61	4.51
Egypt	-----	-----	9.40	3.33	7.75	3.04	8.97	3.84	-----	-----
Bangladesh	-----	-----	-----	-----	-----	-----	5.96	2.81	8.93	3.80
Poland	-----	-----	-----	-----	-----	-----	-----	-----	5.39	2.29
Others	49.07		109.33		51.69		54.15		55.98	
Total	246.96	100	279.62	100	128.94	100	213.72	100	235.13	100

Source: Report of Intergovernmental Group of Tea

Table 4 clearly shows the variations in export to various countries. In some countries like the Bangladesh, Saudi Arabia, Iran, Australia, Egypt etc there years with no imports from India.

- The internal consumption of tea for the year 2010 was around 837 million kgs. which was 819 million kgs. in 2009.
- To add a good news Pakistan's import of Indian tea has increased 25% to 30 million compared to 2011. Pakistan has also started to import Assam tea of medium quality over the south Indian tea.
- Export duty is nil and import duty is nil if imported for re-export by Export Oriented Units (EOUs) and Special Economic Zone (SEZ) units. But heavy import duty of 100% plus 10% surcharge plus additional duty of 4% on basic duty and surcharge is levied on tea imported for domestic consumption. Yet concessionary rates apply to imports from Sri Lanka.
- Cess is levied on all teas produced in India as per the Tea Act, 1953. At present 30 paise per kg. is charged which was reduced from 50 paise. For Darjeeling tea, however, only 12 paise per kg. is being charged. The Central Excise Department collects the cess amount.

Tea Promotion

- The total expenditure on Plans during the year was Rs. 14841.47 lakhs. The Tea Board claims the funds allotted had been used properly.
- The various schemes of the 11th Plan for development of tea have been continued. Some of the schemes are:-
 - ✓ Tea Plantation Development Scheme, with the main objective of encouraging tea plantations in undertaking various field oriented developmental measures focussed at improving field productivity and reducing the cost of production.
 - ✓ Special Purpose Tea Fund Scheme, with the main objective of taking up large scale uprooting and replanting and rejuvenation of old tea plants for enhancing productivity.
 - ✓ Quality Upgradation and Product Diversification Scheme, to modernize tea processing for bettering the quality of teas, replacement of worn out machines, directing on diversification to orthodox tea, green tea or other teas and setting up of modern blending units.
 - ✓ Human Resource Development Scheme, with the objective of providing welfare measures for the workers in health, education and other fields and imparting training to them. The training programmes are inducted by agencies for the tea field workers, field supervisors, small growers etc.
 - ✓ Development Grants and activities, where the latter includes advisory services to small growers, supplying good quality materials, study

tours etc. Development Grant is the major contribution for the overall growth. The grand total towards grant from 2007 to 2011 amounted to Rs. 1318 lakhs.

- ✓ Another project is the mapping of tea areas through GIS and collecting information on the profile of tea gardens etc. for replanting or rejuvenation of tea plants.
 - ✓ Energy conservation project was launched in South India which was supported by the United Nations Development Programme (UNDP) due to which tea factories have started investing in energy saving equipments.
 - ✓ Organic Tea Development Project with the objective of bringing in scientific practices in the cultivation and manufacture of organic tea and their marketing.
 - ✓ There are in total seventeen research projects going on as per the Plan schemes which are in the nature of applied research for improving the quality and quantity of tea so as to promote exports and ensure long run advantages.
- Promotional efforts are on the rise to consolidate market positions in the globe where Indian teas are in high demand and also to enter new markets. Efforts are on to tap ASEAN countries.
 - Tea board has participated in fairs and exhibitions organised by its Head Office in the international markets like Hong Kong International Tea Fair in Hong Kong; Great Indian Bazaar, Almaty; China Tea Expo, Beijing, China;

and also many generic promotions in India like National Expo 2010 Kolkata; UPASI Annual Conference at Coonoor 2010 and many others. Apart from these, India hosted FAO IGG Meet on tea in Delhi in May 2010 where in representatives from 16 countries came and participated.

- Tea Board is planning to set up Tea Councils in North and South India to maintain and supervise quality standards. The Council is expected to have producers, exporters, traders, warehouse owners and representatives from the Tea Board.
- The London Office of Tea Board has organised events for protection and promotion of logos, brands and origins of Indian tea.
- About the UK market generally, black tea continues to be the highly consumed tea with a likening growth of preference for Assam tea while German market has begun moving towards green tea. But Germany appreciates Darjeeling tea than any other UK countries.

Recent issues

- The biggest concern for the Indian tea producers is the ageing tea bushes. Data shows that 38% of the bushes in south and north India are between 50 to 100 years old and this proves as the reason for low yield compared to other tea producing nations.
- At present (2012) warming trends are brewing coupled with shortage of rain especially in the tea producing regions. Adequate distribution of rain is a must for better yield. Its shortage will surely affect production.

- The health of the industry in general is deteriorating as there are lesser workers who pursue tea plantation work as a source of sustenance.
- Most of the tea estates have lost their planning land because of encroachment, the construction of new roads in plantation areas and various government development works.
- Many other firms and industries (inside and outside the country) are using the brand name of Darjeeling tea and the Tea Board has been slugging it in courts to protect it from gross misuse.
- Tea e-auction plans on Darjeeling tea has to wait due to imperfect technology. NSE-IT is developing the software for the platform. The coming of e-auction will facilitate wider participation in the auction and would ensure lesser price to traders. But the technology has to shrug of the glitches.
- Lower tea production due to lesser crop and strengthened focus on quality has lead to higher prices in the South Indian market. It is the fourth consecutive year of fall in production.

These are some of the trends and issues happening in the Indian tea industry and its market.

Findings

The various findings of the study are as follows:-

- Indian tea production has fallen along with its quality due to many reasons like bad weather, lack of workers, unethical attitude of manufacturers and traders by mixing substandard tea with the true Indian tea.

- Fall of demand of Indian tea in the foreign market. With each year the export is slowly falling. Competing countries like Sri Lanka, Kenya are quickly approaching India's pace.
- Efforts are on the rise from the part of the government and Tea Board of India in form of international conferences, seminars, exhibitions and many others.
- Many schemes have been introduced under the 11th Plan to develop production quantitatively and qualitatively.
- Tea Board has begun to take a proactive approach by attending conferences outside the country. Presently it has also established Councils in the North and South for tea quality control.
- Many issues regarding the industry are old bushes in the garden, sagging marketing procedures, unsmooth e-auction practices, practicing unethical policies and codes and many other issues.

Recommendations and suggestions

Some of the recommendations that can be given are as follows:-

- Indian industries need a revamp from the field of cultivation to marketing with a stress towards the practicing business ethics so as to attain normalcy and long term benefits.
- Exports need a push. For that first the government must impose duties and taxes on imports meant for any purpose. At present they are almost negligible if imports are made for re-export. This is taken into advantage by unscrupulous exporters by importing very low quality cheap tea for mixing it

with the pure Indian tea for exporting. This is seen by experts as the digging of grave of Indian tea.

- Efforts must be taken by the Tea Board and government to include every stakeholder especially manufacturers and traders in exhibitions and conferences by persuading them to contribute and organise towards them. This will build an awareness of the tea market in their minds. These platforms must also be used to generate ideas.
- Schemes intended towards developing the tea market must be strengthened. This initiative has to be taken up by the Tea Board.
- Efforts must be made to promote orthodox tea, green tea, white tea and flavoured teas in the domestic and foreign market. Innovative marketing formats must be introduced that will fetch higher prices, increase the per capita consumption and awareness of quality tea.
- Efforts must be taken to rejuvenate tea plants, replace old bushes with new bushes and thereby increase the tea quality.
- A more humanitarian approach and spending on better training to workers in the garden and factory can win their compassion.

Conclusion

This study started with a brief introduction of Indian tea industry at a still. Then the events which lead to the situation were clearly stated. After that the recent trends listed the current happenings in the tea industry. The trends show that the industry has true potential and a dynamic endeavor in form of strategies will surely help it to regain its old position it once enjoyed. The study then gives out the various reasons for the fall in

the industry. Lastly some recommendations were also given on certain areas which can be applied considering the feasibility of each. The Indian tea industry can become truly a remarkable example for other industries if each area within the industry i.e. cultivation, manufacturing, marketing, finance etc. sets its own vision and mission.

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