

# A Study on Present Scenario of Tea Industry in India.

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**Abstract** - Tea industry of India significantly contributes to the economy of the country in terms of productivity, export, foreign exchange, revenue, employment etc. Indian Tea Industry is one of the largest in the world with over 13,000 gardens, and a total workforce of over two million people. India is ranked second position in terms of production and fourth position in terms of export in the world market. The paper attempted to analyse the scenario of tea industry of India of last five years in terms of export, production, consumption and marketing. Data is collected from annual reports of Tea Board, statistical reports on production, export, tea prices, consumption etc. published in the official website of Tea Board. Data are analysed with the help of table, line chart and scatter diagram. The study revealed that tea production and export from India fluctuates over the last five years, around 80 per cent of the produced tea is consumed by domestic population and tea price trend also fluctuates over the period of time.

**Key words:** Export, India, Marketing, Production, Tea Board, Tea Industry.

## I. INTRODUCTION

Tea is one of the most popularly consumed non-alcoholic beverages globally. Tea was first discovered in China and it has been cultivating since 3254 B.C. (Baruah, 2014). In the initial period tea was consumed as medicine and from 600 B.C. tea was consumed as liquid in China. At the same time tea was cultivated in Japan during 600-700 B.C. Later on tea cultivation is spread in different parts of the world like India, Kenya, Sri Lanka, Vietnam, Turkey, Indonesia, Myanmar, Iran, Bangladesh etc. Tea was used as a drink by Chinese kings from 2700 B.C. to get rid of thirst and tiredness (Baruah, 2014). Apart from it tea also has many medicated properties as it is beneficial in diseases like cancer, diabetes, headache, body pain, scene diseases etc. as revealed in different researches. In India the tea industry was set up by the British Rulers in the nineteenth century which now occupies a significant position in the Economy. During the period 1965 to 2015, the area under tea in India has merely doubled, but the production has gone up by 250 per cent because of more scientific agricultural practices. During these 50 years, India has been exporting approximately 200 million kg. of tea per year but unable to increase it mainly because of own domestic demand (Ramaswamy, 2017). Overall 64 per cent of the total population in India is the tea drinking population and 80 per cent of the total tea produced in India is consumed by the domestic population (Executive Summary of Study on Domestic Consumption of Tea in India, Tea Board, 2018). The destination-wise export pattern of Indian tea is presented considering the dwindling share of Indian tea in the global market along with export performance of other exporting countries. For both production and export, India has shown minimum variability. The percentage share of

Indian export to European countries shows a decline, but is increasing in Asian and the Middle Eastern countries (Bordoloi, 2012). The industry has seen many structural changes over the last two decades (1990-2010). The price and quality also plays an important role in determining export from a particular country. Since the demand for tea is very high within the country itself, this can be looked upon as one of the reasons for the slow growth of export from India. Growing domestic demand in India enhanced the relative profitability of domestic sales against exports. India is still the largest consumer of Black Tea in the world. The major factors responsible for poor performance of Indian tea industry are high cost of production, the old age of tea bushes, lack of infrastructure, high price, labour problem, inefficient Tea Board, high labour cost, etc. (Nizara, 2013). The tea industry, besides earning a sizable amount of foreign exchange, provides gainful employment to a large section of the population directly as well as indirectly in various operations such as growing, manufacturing and marketing of tea (Gogoi, 2009). The economy of three states of India, viz. Assam, West Bengal and Kerala is directly influenced by tea industries. Tea is not only most important cash crop and a major source of revenue and employment, but is also the most important industry of Assam. The Government of Assam collects revenues from the tea industry of Assam through taxes collected under the Agricultural Income Tax Act., The Assam General Sales Tax Act., The Sales Tax act and The Assam Taxation (On Special Lands) Act. 1990. The total amount of tax collected from the tea sector in 1999-2000 was Rs.122.48 crores which constituted 13 per cent of the total tax collection of the state (Baruah, 2008). It is reported in the 63<sup>rd</sup> annual report that 12.5 per cent of ad-valorem is imposed on instant tea while no export duty imposed on tea

export. Import duty is nil on teas imported by Export oriented Units (EOU) and Special Economic Zone (SEZ) units for the purpose of re-export. Teas imported for domestic markets would attract basic import duty of 100 per cent plus 10 per cent surcharge plus special additional duty of 4 per cent on basic duty and surcharge (w.e.f 1<sup>st</sup> March, 2002). Concessional rate of 7.5 per cent basic duty plus other normal surcharge apply to imports from Sri Lanka up to a volume of 15 million kgs per calendar year. Cess is levied on all teas produced in India under Sec. 25(1) of the Tea Act, 1953. The rate of cess levied on Darjeeling tea was 20 paisa and on all other tea at 50 paisa.

The rest of the paper is organised in the following sections- the first section discuss about the data source used in the study. In the next sections we analyse the status of tea industry in the world market, tea production scenario in India, tea consumption pattern in India and finally summarises the findings.

**1. Data Source**

The data used in this study is purely from secondary sources. 60<sup>th</sup> (2013-14), 61<sup>st</sup> (2014-15), 62<sup>nd</sup> (2015-16) and 63<sup>rd</sup> (2016-17) annual reports of Tea Board, statistical data on production, export, auction price, reports on consumption pattern published research papers etc. used to access reliable and relevant information for the study. We have considered four variables for analysing the present scenario of tea industry in India in the present study- tea export, tea production, domestic consumption and tea marketing. Data are analysed with the help of table, line chart and scatter diagram.

**2. Status of Indian Tea Industry in The World Market**

Indian Tea Industry is one of the largest in the world with over 13,000 gardens, and a total workforce of over two million people engaged in this sector. India is ranked second position amongst the leading tea producing countries of world as showed in table 2.1. India witnessed little ups and downs in its export quantity from 2014 to 2018. As revealed in table 2.1, India’s export was increased from 20744 M. tons in 2014 to 228660 M. tons in 2015 which again declined to 222450 M. tons and recorded an

increase of 251910 M. tons in 2017 and a decrease of 249100 in 2018. Table 2.2 revealed that the export share of India also fluctuates over the years from 2014 to 2018(P). The export share of India in the world market increased from 11.35 per cent in 2014 to 12.72 per cent in 2015 which again declined to 12.33 per cent in 2016. In 2017 it witnessed an increase record of 14.00 per cent which again declined to 13.42 per cent in 2018(p).

**Table 2.1: WORLD EXPORT**

(Qty. in M. Tons)

Country	2014	2015	2016	2017	2018 (P)
Kenya	499380	443461	480330	415715	474862
China	301484	324956	328692	355258	364700
Sri Lanka	317885	301316	280874	278195	271777
India	207440	228660	222450	251910	249100
Vietnam	132000	133500	142000	140000	136000
Indonesia	66399	61915	51464	54194	49030
Others	301741	303573	297014	300696	311041
<b>Total</b>	<b>1826329</b>	<b>1797381</b>	<b>1802824</b>	<b>1795968</b>	<b>1856510</b>

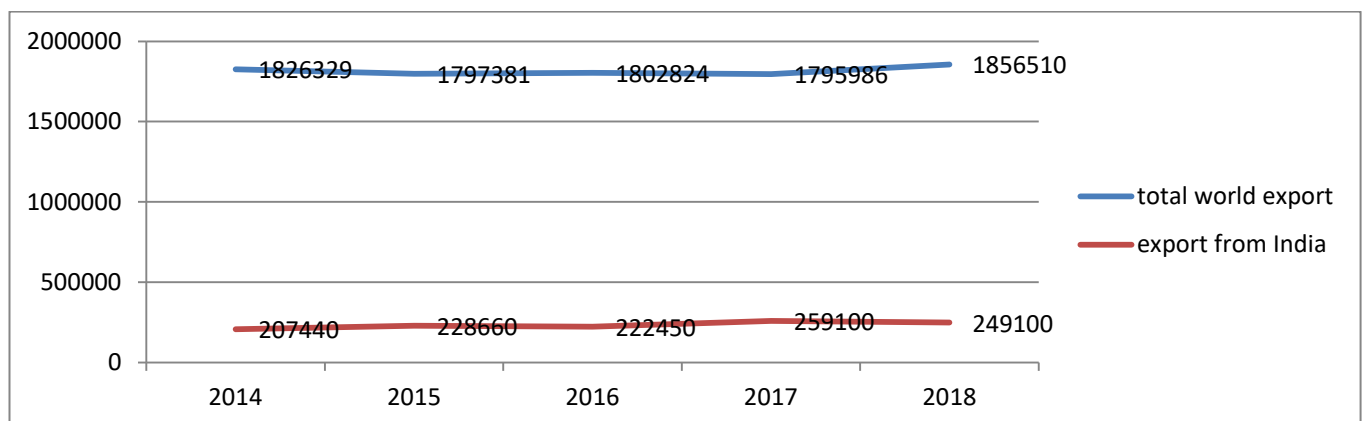
Source: official website of Tea Board

**Table 2.2: India’s export share in the world market**

Year	Total world export (in M. Tons)	Export from India (in M. Tons)	Export share (in per cent)
2014	1826329	207440	11.35
2015	1797381	228660	12.72
2016	1802824	222450	12.33
2017	1795986	251910	14.00
2018(P)	1856510	249100	13.42

Source: calculated by author from data collected from official website of Tea Board

The following figure 2.1 depicted the total world tea export and tea export from India during 2014-18(p). The total tea export line shows ups and down over the five year. The line initially shows declining trend in 2015, than increases in 2016 and again declines in 2017 and finally shows an increasing trend in 2018(p). The tea export line of India also shows fluctuating trend over the five years. Initially the line shows an increasing trend in 2015 than declines in 2016 which again increases in 2017 and finally declines in 2018(p).



**Figure 2.1: Total world tea export and export from India during 2014-18**

India is ranked second position amongst the leading tea producing countries of world where China kept his first position with consistent increase in production over the five years from 2014-18(p). The quantity of tea production of India gradually increases from 2014 to 2016 and recorded a decrease in production in 2017 and 2018(P). It was recorded as 1207310 m. tons in 2014, 120866 m. tons in 2015, 1267360 m. tons in 2016, 1321760 m. tons in 2017 and 1311630 m. tons in 2018 as revealed in table 2.3.

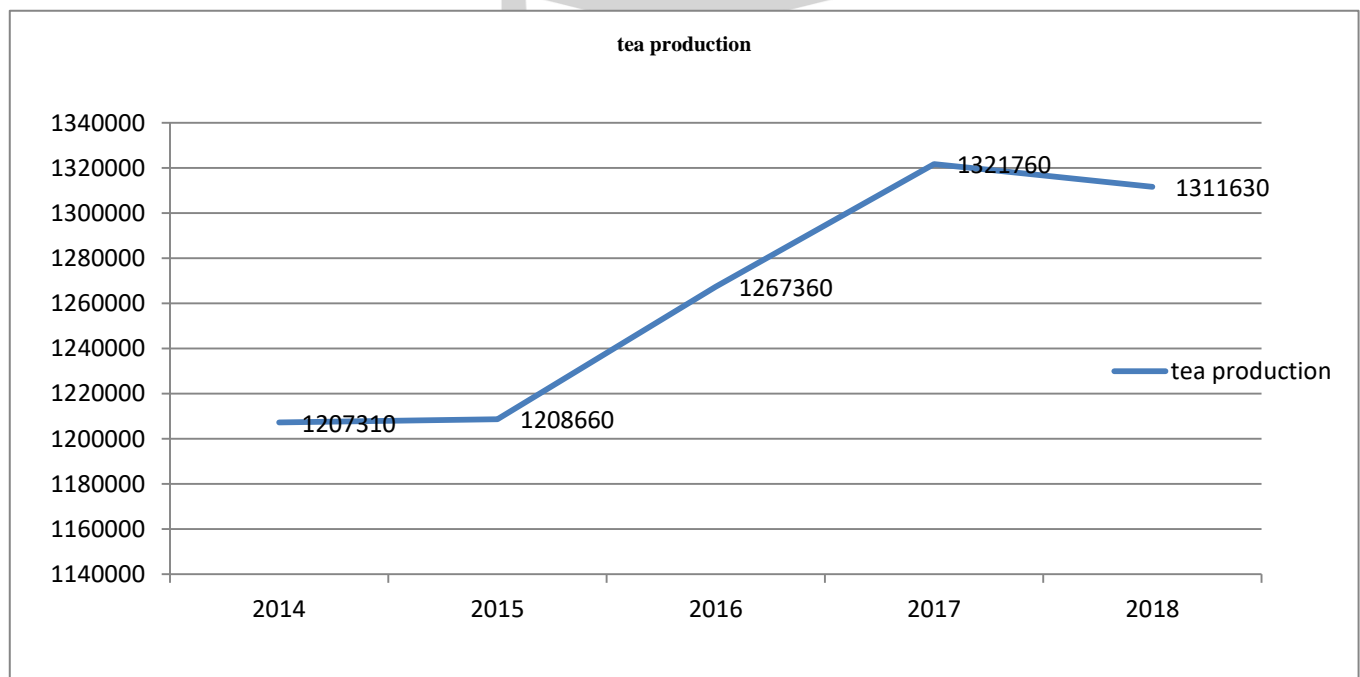
**Table: 2.3 WORLD PRODUCTIONS**

(Qty. in M. Tons)

Country	2014	2015	2016	2017	2018 (P)
China	2095717	2248999	2404947	2496412	2616000
India	1207310	1208660	1267360	1321760	1311630
Kenya	445105	399211	473011	439858	492999
Sri Lanka	338032	328964	292574	307720	303843
Vietnam	175000	170000	180000	175000	168000
Indonesia	144369	132615	137015	134000	131000
Others	803435	796426	818733	823236	832942
<b>Total</b>	<b>5208968</b>	<b>5284875</b>	<b>5573640</b>	<b>5697986</b>	<b>5856414</b>

Source: Official website of Tea Board

The following table 2.2 depicted the total tea production of India over the last five years from 2014 to 2018(p). The production line shows slight increase in 2015 and then a sharp increase of the line in 2016 and 2017 and a slight decline of the line in 2018(p).



**Figure 1.2: total tea production of India during 2014-18.**

**Regression analysis of export on production**

It is observed in table 2.1 that tea export from India slightly fluctuates over time and tea production increases over the period as revealed in table 2.3. The figure 2.3 shows a positive relation between tea production and tea export. When there is an increase in record of annual average tea production the record of annual average of tea export also increases and when production decreases export also decreases. The tea export is dependent on the tea production.

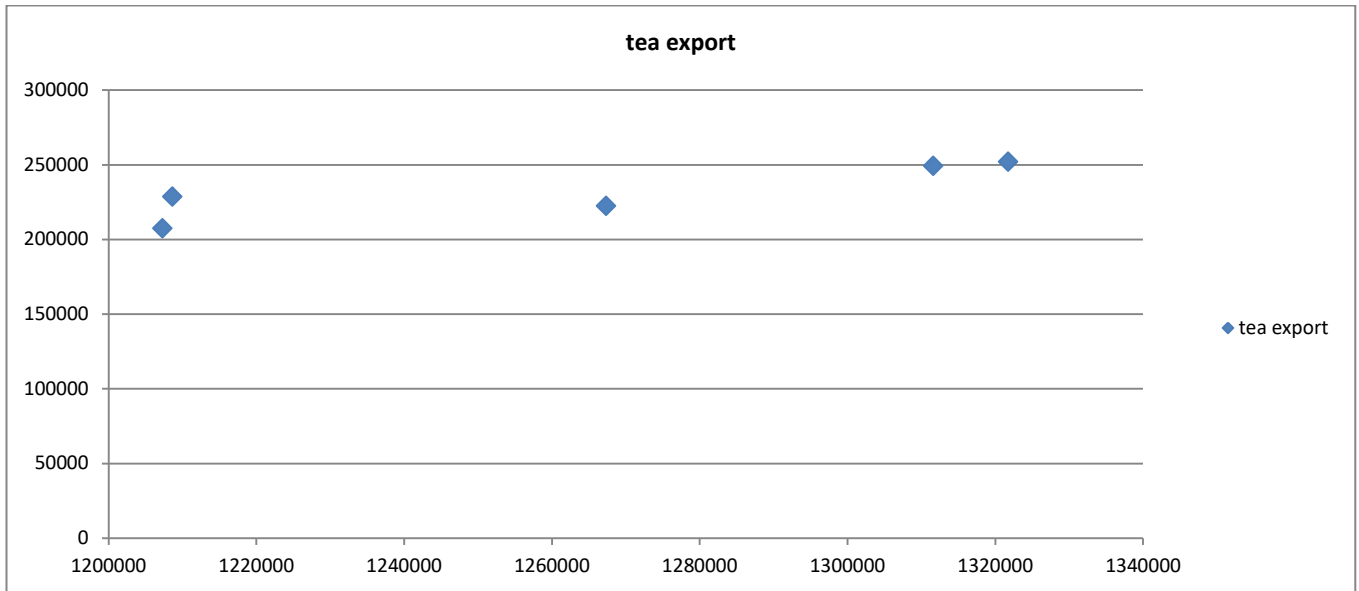


Figure 2.3: Export on Production

## II. TEA PRODUCTION SCENARIO IN INDIA

In India tea cultivation distributed in the States of Assam, West Bengal, Tripura, Himachal Pradesh, Uttarakhand, Bihar, Arunachal Pradesh, Nagaland, Meghalaya, Mizoram and Sikkim, Tamil Nadu, Kerala and Karnataka. The tea cultivation and production in India is grouped under the geographical distribution of North India and South India. The following map of India shows the tea cultivating regions-



Source: official website of Tea Board



The varieties of tea produced in India is-

- a) Assam Tea
- b) Darjeeling Tea
- c) Nilgiri Tea
- d) Kangra Tea
- e) Munnar Tea
- f) Doors-Terai Tea
- g) Masala Tea
- h) Sikkim Tea (source: Tea Board)

Tea Board allowed license to the following logos of tea producing states to market and sell their products under their own brand-



Source: Tea Board

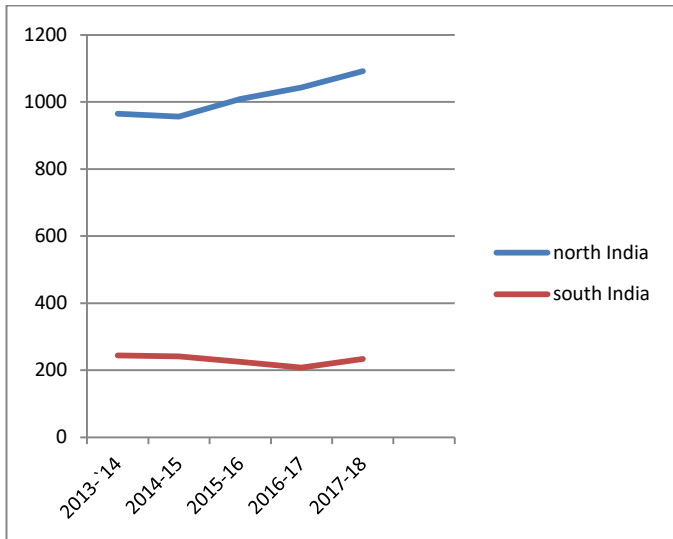
The tea producing states of India mainly scatted in North Indian Region and South Indian Region. Majority of total tea production in India was contributed by North Indian Region while the South Indian Region contributes comparatively a small amount. The table 3.1 showed region wise production of tea in India during last five years from 2013-14 to 2017-18. The North India contributes majority in the total tea production of India. In 2013-14 total production was 1208.78 million kg. which declined to 1197.18 million Kg in 2014-15. In the subsequent years it gradually increased to 1233.14 million kg in 2015-16, 1250.49 million Kg in 2016-17 and 1325.05 in 2017-18. North India production recorded 967.07 million kg in 2013-14 which substantially declined to 955.82 million kg. in 2014-15. In the next years it has increased record of 1008.56 million kg in 2015-16, 1043.11 million kg in 2016-17 and 1091.40 million kg in 2017-18. South India production recorded gradual decrease from 2013-14 (243.71 million kg) to 2016-17 (207.38 million kg) and in 2017-18 it has an increased record of 233.65 million kg.

**Table 3.1: Region Wise production of Tea in India (Quantity in Million Kgs.)**

Financial Year	North India	South India	Total
2013-14	965.07	243.71	1208.78
2014-15	955.82	241.36	1197.18
2015-16	1008.56	224.58	1233.14
2016-17	1043.11	207.38	1250.49
2017-18	1091.40	233.65	1325.05

Source: official website of Tea Board

The figure 3.1 shows the region wise annual average tea production during 2013-14 to 2017-18. The North India contributed highest amount and South India contributed a small amount of tea to the total tea production of India. The North Indian tea production line initially stagnant in 2014-15, then shows increasing trend 2015-16, 2016-17 and 2017-18. On the other hand, the South Indian tea production line shows declining trend from 2013-14 to 2016-17 and a slight rise in 2017-18.



**Figure 3.1: Region-wise annual average tea productions during 2013-14 to 2017-18**

The total cultivated area of 566.66 thousand hectares of land out of which North Indian States occupied 459.81 thousand hectares of land and South India states occupied 106.85 thousand hectares of land as revealed in table 3.2. Amongst the tea cultivating states, Assam occupied highest land area of 307.08 thousand hectares followed by West Bengal which occupied 140.44 thousand hectares, Tamil Nadu with 69.62 thousand hectares, Kerala with 35.01 thousand hectares, Karnataka with 2.22 thousand hectares and other North Indian States holds 12.29 thousand hectares of land.

During the year 2015-16, India produced total 1233.14 million kg. of tea where Assam contributes highest 652.95 million kg. followed by West Bengal 329.70 million kg, Tamil Nadu 161.46 million kg, Kerala 56.63 million Kg., Karnataka 6.46 million kg and other North Indian states 25.91 million kg. As showed in table 3.2 the north Indian region contributed highest 1008.56 million kg and South Indian region contributed 224.58 million kg in the total production of tea.

**Table 3.2: TEA AREA as on 31-12-2015 & PRODUCTION IN 2015-16**

State Name	Area (Th. Hect)	Production (M. Kgs)
Assam	307.08	652.95
West Bengal	140.44	329.70
Other North India States (Tripura, Himachal Pradesh, Uttarakhand, Bihar, Arunachal Pradesh, Nagaland, Meghalaya, Mizoram and Sikkim)	12.29	25.91
<b>Total North India</b>	<b>459.81</b>	<b>1008.56</b>
Tamil Nadu	69.62	161.46
Kerala	35.01	56.63
Karnataka	2.22	6.46
Total South India	106.85	224.58
<b>All India</b>	<b>566.66</b>	<b>1233.14</b>

### III. TEA MARKETING IN INDIA

Tea marketing in India is divided as primary marketing and secondary marketing. The primary marketing consists of producer (small growers and big growers), buying centre, agent, brought leaf factory, estate factory and auction centre. The small tea

Source: official website of Tea Board

#### Big Growers and Small Growers Production:

In order to get the clear production details in respect of Small tea growers, the Board amended the FORM E (under TMCO) with effect from April, 2016. The following table 3.3 showed that the total production of small growers in 2016-17 is 550.30 million kg which account for 44.01 per cent of total production share. North India small growers production share are 459.79 million kg which is 44.08 per cent of total average tea production of that region. In South India the production of small growers are 90.51 million kg which account for 43.64 per cent of average production of that region. Region wise production share of Small Growers (SG) and the organised sector (BG) is given below in table 3.3:

**Table 3.3: production of big growers and small growers (in M Kgs)**

State	BG	SG	Total	BG%	SG%
North India	583.32	459.79	1043.11	55.92	44.08
South India	116.87	90.51	207.38	56.36	43.64
<b>All India</b>	<b>700.19</b>	<b>550.30</b>	<b>1250.49</b>	<b>55.99</b>	<b>44.01</b>

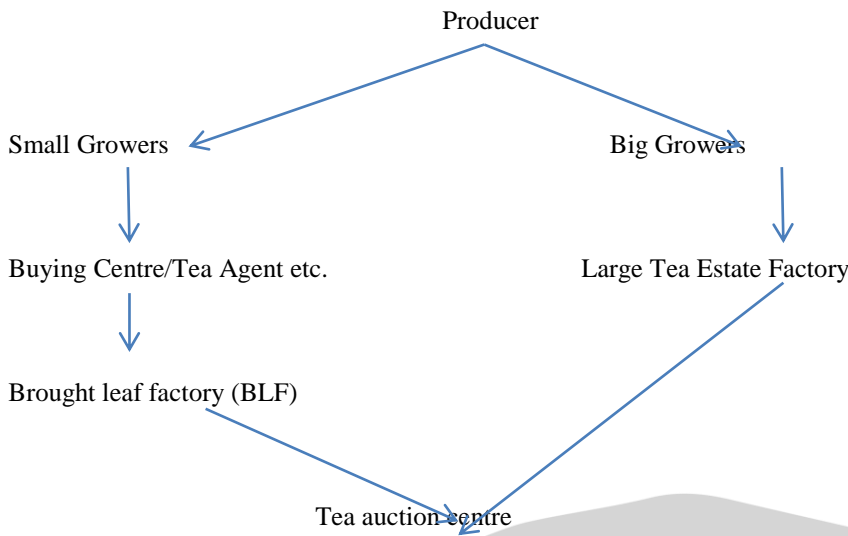
Source: 63<sup>rd</sup> annual report, Tea Board

#### 4) Tea Consumption in India

India is one of the largest tea consuming countries. Although India is the second largest tea producing country it ranked fourth position in terms of world export because 80 per cent of the total tea produced in the country is consumed by the domestic population. Here tea is considered as *any time of the day drink*. It is looked upon as common man's drink which is consumed on daily basis rather than being perceived as an aspirational drink (Tea Board). In the *Executive Summary of Study on Domestic Consumption of tea in India* (Tea Board) it stated that around 64 per cent of the total population in India is the tea drinking population and over 80 per cent of the people consume tea either before breakfast or with breakfast. Amongst the different varieties of tea, Assam Tea and Darjeeling Tea are the most recognised tea by place of origin. Awareness levels of Assam tea is highest across India followed by Darjeeling tea. Awareness about Nilgiri tea is high in South India only. Apart from milk tea and black tea the popularity of green tea, ginger tea, blended tea, organic tea etc. increases day by day throughout the country.

growers sell their green tea leaves either directly to brought leaf factories (BLFs)/estate factory or through buying centre or agents. The BLFs/estate factories sell the made tea through tea auction centres. On the other hand, big growers have their own estate factory where green tea leaves are processed for made tea which are sold through tea auction centres.

**Fig 5.1: Primary Marketing Process in India**



**Source: developed by author**

The secondary market for tea in India is the Tea Auction Centres where auctions are presently conducted through electronic platform provided by Tea Board. There are seven recognised auction centres in the country viz. Kolkata, Siliguri, Guwahati, Jalpaiguri, Coonoor, Cochin & Coimbatore where public tea auctions are made. The stakeholders involved in the auction centre are auction organizers, producers of made tea (sellers), Auctioneers/ Brokers, Buyers and Warehouses, all of them being registered stakeholders of Tea Board. An auction system consist of three activities i.e. pre-auction activities, auction and post auction activities. Table 5.1 showed region wise average tea auction price for five years from 2012-13 to 2016-17. The average tea auction price of North India decreased from Rs.14.09 per kg. in 2012-13 to Rs. 137.61 per kg. in 2013-14 and Rs. 138.52 per kg. in 2014-15 which recorded increase to Rs.141.70 per kg. in 2015-16 and Rs. 141.37 per kg. in 2016-17. The average tea auction price of South India fluctuates during the last five years. It increases from Rs. 93.75 per kg. in 2012-13 to Rs. 95.82 per kg. in 2013-14 which have decrease record of Rs.81.16 per kg. in 2014-15 and increase record of Rs.85.65 per kg. in 2015-16 and Rs.106.12 per kg. in 2016-17. The All India average tea auction price decreases from Rs.127.91 per kg. in 2012-13 to Rs.126.12 per kg. in 2013-14 and Rs.124.47 per kg. in 2014-15 which again increases to Rs.127.01 per kg. in 2015-16 and Rs. 133.51 per kg. in 2016-17.

**Table 5.1: Tea Auction Price**

Year	North India		South India		All India	
	Qty. (M.kgs)	Avg. price (Rs./Kg.)	Qty. (M.kgs)	Avg. price (Rs./Kg.)	Qty. (M.kgs)	Avg. price (Rs./Kg.)
2012-13	362.09	142.09	150.27	93.75	512.36	127.91
2013-14	385.12	137.61	145.96	95.82	531.08	126.12
2014-15	407.48	138.52	145.54	81.16	553.02	124.47
2015-16	392.93	141.70	143.15	85.65	536.08	127.01
2016-17	432.90	141.37	124.13	106.12	557.03	133.51

**Source: 62<sup>nd</sup> and 63<sup>rd</sup> Annual Report, Tea Board**

#### IV. SUMMARY AND CONCLUSION

This paper attempted to study the present scenario of tea industry by analysing the areas of tea export, production, consumption and marketing. The analysis showed that India has been ranked fourth position for over last five years from

2014 to 2018(P) in terms of world export whereas first three positions are occupied by Kenya, China and Sri Lanka respectively. Moreover, the quantity of export from India was also inconsistent during 2014 to 2018 (P). In case of production, India ranked second position amongst the tea producing countries of the world whereas China ranked first

position during the last five years from 2013-14 to 2017-18. The North Indian region has contributed majority share in the total production of tea over the five years from 2013-14 to 2017-18 because most of the tea growing states located in North India. On the other hand, the contribution of South India is very small in the total tea production of India. Although, the overall tea production of India initially falls during 2013-14 to 2014-15 but again recorded positive numbers in the remaining three years during 2015-16 to 2017-18. Assam occupied highest position in terms of area and quantity for tea production. The small tea growers also significantly contributed in the total tea production of the country over the last five years. In 2016-17, small tea growers shared 44.01 per cent to the total tea production of India. India is one of the largest tea consuming countries and 80 per cent of the produced tea of India is consumed by domestic population. Assam Tea and Darjeeling Tea are mostly recognised by place of origin. The popularity of organic tea, green tea and blended tea is also growing popularly recently. The marketing of tea involves two stages primary marketing and secondary marketing. Initially the green tea leaves are brought to either Brought Leaf Factories (BLFs) or large estate factory to process for made tea and then the made teas are sold either to domestic wholesaler/retailer directly or export through domestic sale. The average tea auction price also recorded fluctuations over the five years from 2012-13 to 2016-17.

The tea production of India fluctuates over the five years due to changes in climatic conditions of the country. The study revealed that over the five years export of the country dependent on its production. Thus the tea production of the country should be increased by adopting more scientific methods of production. As we discussed in the study that the contribution of small tea growers are significant in the total production of India, they should be encouraged by formulating policies in favour of them.

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