

Challenges before Tea Industry of India

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Abstract – The tea industry of India is facing difficult times. A slow growing domestic demand coupled with near stagnant external earnings has pushed the industry in a defensive state. Indian tea is facing issues related to quality of product while suffering from worker disenchantment due to low earnings simultaneously with increasing competition from other countries eager to foray into the international tea market. This paper highlights the present position of the industry while discussing the problems faced by producers and growers. An attempt has been made to suggest remedies for overcoming these problems.

Keywords – India, Tea Gardens, Production, Quality, Low Wages, Rejuvenation, Small Tea Growers.

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1. INTRODUCTION

Successful and vibrant agriculture -based industries are an important milestone in the development of any agrarian economy. For India, this is more so as agriculture and allied activities have been an integral part of its economic development. Agricultural products continue to be important foreign exchange earners for the country. Plantation crops like tea, coffee and rubber hold a dominant position as sources of agro-industries. Of these, tea has been an integral part of India's export basket for nearly two centuries. The tea industry in India was developed by the colonial rule mainly to cater to the demands of the beverage by England and other European countries. After independence, tea continued to be an important export item, though it had to face increasing competition from several new entrants apart from the traditional competitor China. Today, more than 36 countries produce and trade in tea world over.[1] However, India is second only to China in terms of total production and area under cultivation.

Starting from a few plantations in Assam, the Indian tea industry gradually spread to various parts of Eastern India like West Bengal, Sikkim, other North-eastern states, Northern states like Himachal Pradesh as well as Kerala and Tamil Nadu in the South. This paper analyses the present position of the Indian tea industry and the challenges faced by the industry in present times.

The area under production, overall production and varieties of tea produced give a fair idea of Indian situation. A comparison between the production and export by different countries provides a perspective on India's position vis-à-vis other countries. Secondary data in form of reports, newspaper articles and government surveys have been used to

collect information and have been carefully analysed to explain the present position of Indian Tea Industry and the problems faced by it.

2. PRESENT SITUATION

Indian tea industry comprises of differentiated products like the Assamese black tea, mild and muscatel flavored Darjeeling tea, the full bodied Nilgiri tea and the distinctive Coorg valley tea. All these teas have their own specific way of plucking and treatment to impart a distinctive taste to the tea. After production, the process of marketing is also varied as per the preferences of domestic and foreign market. This gives rise a specific issues and challenges for the industry.

Production

Table 1 shows the production and export of tea by the major players in the year 2017. The top four countries account for nearly 76% of global production and 73% of world exports of tea.[2] While India accounted for nearly 23% of the global production of tea, its share in the world exports at 14% remained much behind Kenya and China.

Table 1: Production and export share of major producing and exporting countries 2017

Country	Production		Export	
	Million Kg	Global share	Million Kg	Global share
China	2609	45	355	20
India	1322	23	252	14
Kenya	440	8	416	23
Sri Lanka	308	5	-	16
Others	1133	19	-	27
World Total	5812	100	1796	100

Source: Tea board of India

Assam, West Bengal, Tamil Nadu and Kerala account for 98% of total tea production in the country. The organized sector has 1472 tea estates with 935 manufacturing units.[3] Nearly 90% of total tea production is of CTC variety while orthodox and green tea comprise remaining 10%.

Consumption

Tea is a popular beverage that is consumed across many countries in large quantities. Though India is a major producer of tea, average per person consumption of tea is much lower as compared to many other countries. The average consumption per capita is highest in Turkey at 3.20kg, followed by Libya at 2.40kg and Afghanistan at 2.20 kg. It is 2kg in Morocco, UK, Ireland, Qatar, while Hong Kong, Taiwan, Sri Lanka, China, Chile and Egypt consume 1kg per person. Compared to that the average consumption per capita is a paltry 800 gm in India.[4] Due to the huge size of its population India nevertheless accounts for 18% of global consumption. In fact, nearly 76% of total production is domestically consumed leaving less than a fourth of total production for foreign trade.

Marketing

Today tea is produced both in organized sector in large plantations as well as by small tea growers. There are resultantly various methods of sale of produce. Around 46% of total production is sold through public auctions while remaining is sold through other modes. Since 2009, tea auction has been electronically conducted across the seven auction centres namely, Kolkata, Siliguri, Guwahati, Jalpaiguri, Coonoor, Cochin & Coimbatore. Pan-India Auction System was introduced from May 2016 to ensure increased participation of buyers with improved methodology.[5]

2017 was a year of record production at 1322 mkgs. Exports at 252mkgs were also highest in terms of volume. However due to lower export of Darjeeling tea, the unit price realization was reduced. The remaining 1089 mkgs were retained for domestic consumption.

3. CHALLENGES FACED BY THE TEA INDUSTRY

Though tea industry is very old in the country, it has been riddled with many problems that have cost it dearly in terms of global market share and profits. During the early part of twentieth century India and China had near monopoly of the global trade, making huge profits.

Problems of large estates: Traditionally, tea estates have been capital intensive requiring large investment in land and setting up tea gardens was solely possible by the rich. The profits garnered by

these businessmen was used for lavish lifestyle instead of in improving the production quality, land and water resource enrichment. Quality of plants: Tea plants have an efficient lifetime of up to 50 years and require regular pruning, rejuvenation and replanting to replace old plants. However, many plantations in India have neglected these important activities adversely affecting the product quality and hence earnings.

Workers woes: In the face of reduced profits, the owners have resorted to paying low wages to the workers. This has led to exodus of skilled workers. Since wages are low the socio-economic welfare of workers, most of who are female workers is adversely affected.

Lack of skill and knowledge enhancement: Also, the new workers who agree to work at low wage are not well trained so the quality of end product suffers. Good tea is made through the process of fine plucking and lower quality tea is made from coarser plucking. Due to unskilled workers fine plucking gets reduced so that their final quantity produced is less as and the market price garnered is also less than those of competing countries.

Till the 1960s area extension was widely promoted to increase the production of tea. However, it was not simultaneously associated with knowledge enhancement and yield improving measures. As a result, producers have suffered with no idea about how to improve their situation.

Short-sightedness of producers is another reason behind the low returns in tea industry. Buoyed by an increasing domestic demand, tea producers tended to overlook the external market losing out to competitors like Kenya and Sri Lanka. Stagnation in the domestic market in the last two decades of the twentieth century has led to profit constraints.

Problems of small tea growers: The small tea growers face a different set of problems. They are unable to control the price of product. Since most supply to Bought Leaf Factories (BLF), their earnings are directly dependent on the earnings of the BLFs.[7] Due to lack of standardization and stringent quality measures in the sub-sector, the product of BLFs is often of inferior quality fetching low prices. This is then passed to the small tea grower as lower leaf prices.[6] Average tea prices have fallen across the world. In India the average price for tea between 2012 to 2016 was 141, 135, 143, 145 and 140 respectively. With rising costs and lower prices, the tea growers face difficult times.

Apart from these, the industry suffers from basic infrastructural drawbacks like lack of linkages between markets and producing sectors, lack of credit facility, logistical issues like rail and road

connectivity to mention a few important ones. The tea industry specifically needs to target the issues of poor management practices which are inimical to worker morale, of age of tea plants and needed cultivation practices like rejuvenation and replanting of tea bushes. The industry suffers from lack of standardization and quality control measures regarding packaging, pesticide usage, etc. to boost exports.

4. CONCLUSION

Tea is a major agricultural export item. But between the 1960s to 90s exports were sluggish compared to burgeoning domestic demand.[8] This led to ambivalence in the industry and necessary production enhancing measures were neglected. This coupled with declining world prices led to reduced returns for the industry. Efforts have been made to aid the cultivators by setting up a price stabilization fund, introduce price sharing formula between bought leaf factories and small tea growers[9], implementing credit relief packages, improve the skill and knowledge of growers through training, to name a few steps. However, these are short term measures, and in the long run attention must be given to quality improvement of product, product and process diversification and market diversification, if the tea industry is to overcome the challenges it faces.

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