Indian Tea Scenario and its opportunity in the global market

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Abstract

India is the second largest tea producing country in the world after China having plantation area of about 6.36 lakh hectares. Highest ever production of tea was recorded in 2018 with a staggering figure of 1338.63 million kg. However, productivity of tea in the country is 2103 Kg made tea per ha which is 4 % less than the year 2016. India ranked fourth in terms of tea exports, which reached 254.50 million Kg in 2018-19. Import of tea reached to 24.22 million kg which is highest in recent time. Average price of all categories of tea in all India auction sale was Rs. 140.26 which is also in increasing trend. Tea has become a trendy product for young people who love to drink it in the sophisticated environment of specialty teashops and exclusive restaurants, hotels and cafés. Promoting health benefits to boost the demand is the need of the hour.

Key words: Tea, Plantation, Production, Export, Import

1. Introduction

Indian tea is among the finest in the world owing to strong geographical indications, heavy investments in tea processing units, continuous innovation, augmented product mix and strategic market expansion. The main tea-growing regions are in Northeast India (including Assam) and in north Bengal (Darjeeling district and the Dooars region). Tea is also grown on a large scale in South India (Kerala, Karnataka and Tamilnadu). India has acquired an exalted status on the global tea map (Das & Zirmire, 2017). India is one of the world's largest consumers of tea, with about three-fourths of the country's total produce is consumed locally. Tea was introduced in India by a British national, Robert Bruce in 1823. India is ranked fourth in terms of tea exports which reached 256.06 million kg during 2018. Production of tea reached 1338.63 million kg in 2018. Around 1113.76 million kg was produced in North India and 224.87 million kg was produced in South India.

The top export markets in volume terms for 2018 were Russian Federation (46.90 million kg), Iran (30.78 million kg), U.A.E.(21.44 million kg) and Pakistan (15.84 million kg). CTC (Crush Tear Curl), Orthodox, Green Tea, Instant tea, white tea and different value added teas are produced in India. While CTC accounts for around 90 per cent of the total production, orthodox/green tea and instant tea account for the remaining 10 per cent.

This research study tries to find out current status of the tea industry of India in comparison to the global scenario. This study also tries to identify the challenges and to suggest policy initiative to be taken by the different stakeholder to overcome those challenges.

2. Methodology

The study was conducted based on secondary data pertaining from the year 2003-04 to 2018-19. Data for the various aspects such as production, import and export of tea was collected from Tea Statistics-2019 published by Tea Board, Govt. of India. Statistical analysis was performed and the compound annual growth rate and CV calculated for export and import of tea.

CV = (Standard Deviation)/Mean*100

3. Results and discussion

Table: 1 Year-Wise Production of tea in India from 2003-2004 to 2018-19

Year	Quantity (Million Kg)
1950	278.21
1960	321.07
1970	418.51
1980	569.17
1990	720.33
2000	846.92
2010	966.40
2011	1115.72
2012	1126.33
2013	1200.40
2014	1207.31
2015	1208.66
2016	1267.36
2017	1321.76
2018	1338.63
CAGR	11.04
CV	40.51

Source: http://www.teaboard.gov.in/

Table 1 represents the time series data on production of tea from 1950 to 2018. It is observed that there is 79.21 per cent increase in production during this period. Increase in area and productivity could be attributed to increase in production as well as productivity since 1950. According to the report of Food and Agricultural Organisation, Rome dated 28th May, 2018, Global tea consumption and production are projected to keep rising over the next decade, driven by robust demand in developing and emerging countries. This will create new rural income opportunities and improve food security in tea-producing countries. The report also suggests that tea consumption has also benefited from increased awareness about the beverage's anti-inflammatory, antioxidant and weight loss effects. Such health and wellbeing benefits are seen as the key drivers of future consumption growth.

Table 2: Year-Wise Export of tea from India from 2003-2004 to 2018-19

Year	Quantity (Million Kg)
2003-04	183.07
2004-05	205.81
2005-06	196.67
2006-07	218.15
2007-08	185.32
2008-09	190.64
2009-10	213.43
2010-11	213.79
2011-12	214.35
2012-13	216.23
2013-14	225.76
2014-15	199.08
2015-16	232.92
2016-17	227.63
2017-18	256.57
2018-19	254.50
CAGR	2.08
CV	10.11

Source: Tea Statistics 2019, Tea Board of India

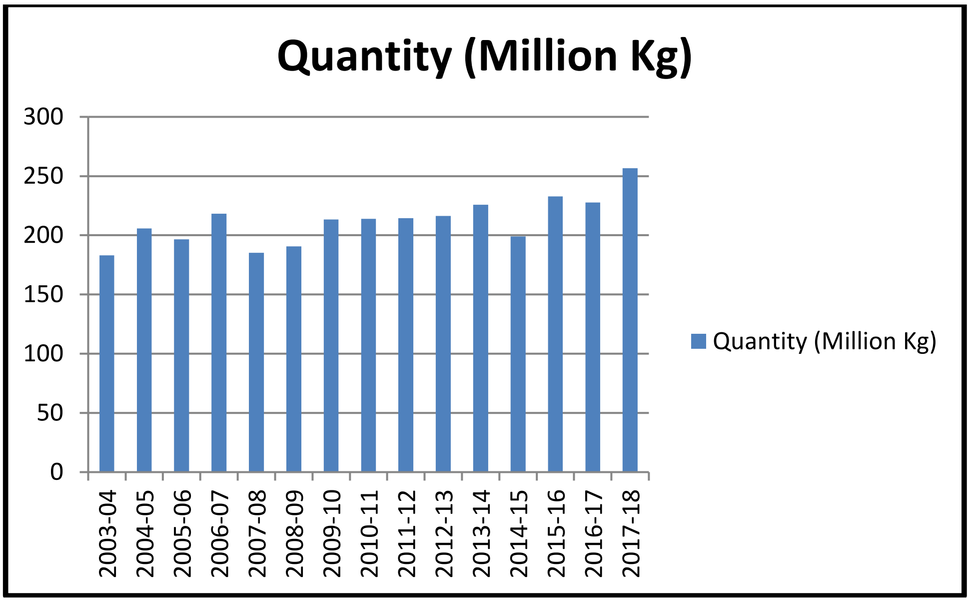

Fig.1: Year Wise export of tea from India during 2003-04 to 2015-16

Table 2 illustrates the year wise data of tea export from India since 2003-04. It clearly indicates from the above data that since 2003 the export in tea was greatly increased from 183.07 to 254.50 million kg. However, tea exports have marginally dipped in 2019; from 256.06 million kilogram (mkg) the year before to 248.29 mkg -- a fall of three per cent, according to Tea Board data. Value realization during the last calendar year, however, stood at Rs 5,610.65 crore, around Rs 275 crore more than what it was in 2018. This decline could be attributed to the overall dip in exports growth in the country.

Table 3: Year-wise Import of tea in India from 2003-2004 to 2018-19

Year	Quantity (Million Kg)
2003-04	11.34
2004-05	32.53
2005-06	17.41
2006-07	20.8
2007-08	16.75
2008-09	22.03
2009-10	25.84
2010-11	19.26
2011-12	19.21
2012-13	21.90
2013-14	19.23
2014-15	21.02
2015-16	18.43
2016-17	21.60
2017-18	20.59
2018-19	24.22
CAGR	4.85
CV	21.84

Source: http://www.teaboard.gov.in/

It is observed from the above table that import of tea has been on an increasing trend over the years. Highest quantity of tea was imported into India in 2018-19 since 2010-11 financial year which may be attributed to the centre's decision to bring down the import tariff on tea from the current level of 110 per cent to 50 per cent in 2019. (The Assam Tribune, Dated October 21, 2017). The Most Favoured Nation (MFN) tariff rates, which are being currently applied on products such as coffee, palm oil, pepper and tea will be brought down in phases and in the case of tea, the commitment is to reduce the import tariff from the present level of 110 per cent to 50 per cent in 2019, a report on 'Trade with Association of South East Asian Nations (ASEAN)' of the Commerce and Industry Ministry said. However, the Tea Board has expressed apprehensions that a reduction in the import tariff on tea will adversely affect the Indian tea industry, and through the lenient rules of origin, China's cheaper tea may enter Indian markets through the ASEAN Free Trade Agreement (FTA).

Tabe 4: Top five tea producing countries in the world for the period from 2015 to 2018

Country	Tea Production (Million Kg)				Percentage of the total (2018)
	2015	2016	2017	2018	
China	2248.99	2404.94	2496.41	2616.00	44.36
India	1208.66	1267.36	1321.76	1338.63	22.70
Kenya	399.21	473.01	439.85	492.99	8.36
Sri Lanka	328.96	292.57	307.72	304.00	5.16
Vietnam	170.00	180.00	175.00	163.00	2.76

Source: Tea Statistics 2019, Tea Board of India

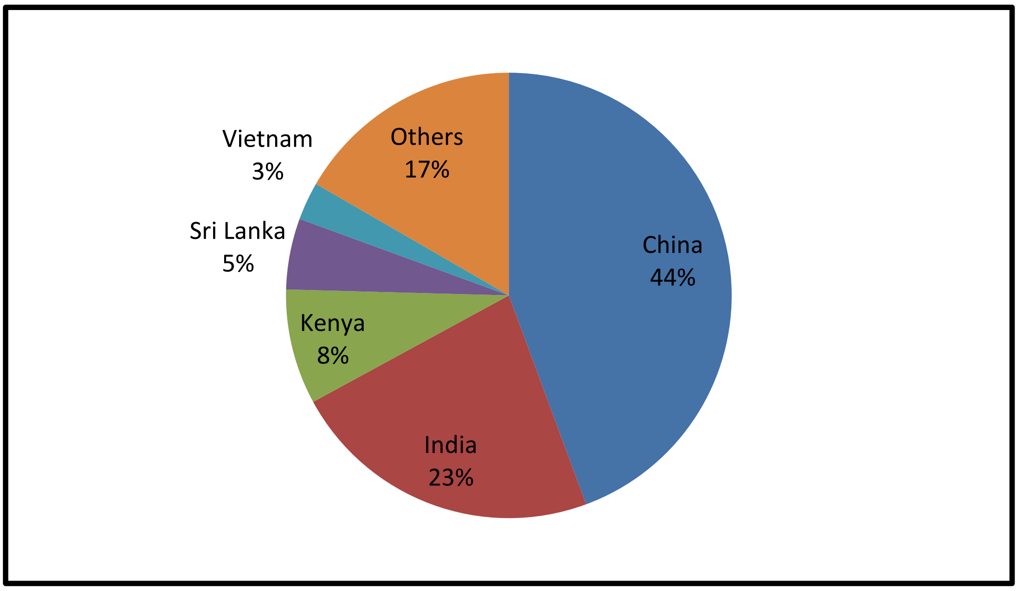

Fig 2: Production of tea in different producing countries in 2018

From the above table it is observed that China maintains its top position in the production of tea with a percentage share of 44.36 of the total global production in 2018. Production of tea in India is also on an increasing trend which may be attributed to increase in share of production (48.41 per cent) by the small tea growers (Tea Statistics 2019). It may be noted that plantations of small tea growers are comparatively young than the big tea estates. However, tea production in Sri Lanka and Vietnam is on a decreasing trend since 2015.

4. Opportunity and Forecast in global market

Global tea market size was valued at 52.1 billion dollar in 2018 and is estimated to reach 81.6 billion dollar by 2026, registering a CAGR of 5.8% from 2019 to 2026. In 2018, the Asia –Pacific region accounted for more than half of the share in the global tea market and is expected to grow at a CAGR of 6.5% throughout the forecast period (Source: www.alliedmarketresearch.com). According to the Food and Agricultural Organization Report published in 28th May, 2018; global output of green tea is foreseen to increase at an even faster rate of 7.5 percent annually to reach 3.6 million tonnes in 2027, largely driven by China, where the production of green tea is expected to more than double from 1.5 million tonnes in 2015-2017 to 3.3 million tonnes in 2027.

FAO Inter-governmental Group (IGG) on Tea in May, 2018 at its biennial meeting in Hangzhou, China; suggests that global demand for tea is also benefiting from a new clientele. Young urban consumers in large producing countries like China and India have emerged as the fastest growing segment, eager not only to pay a premium for specialty teas but also curious to know more about the product they consume - its quality, origin and contribution to sustainable development. Young, upper-middle class consumers are looking for fashionable products to be integrated into their lifestyles, which now also include gourmet quality tea, and consuming them in the sophisticated environments of specialty teashops and exclusive restaurants, hotels and cafés.

However to maintain its strong position in the export market, improvement in quality as well as sound marketing strategy is the need of the hour. Maintenance of safety standards is also an issue, particularly for European buyers as they insist that no harmful pesticides should be used.

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