Export Prospects of Tea from India: Untapped Potential

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Introduction:

Tea is indigenous to India and is an area where the country can take a lot of pride. This is mainly because of its pre-eminence as a foreign exchange earner and its contributions to the country's GNP. India has emerged to be the world leader, accounting for 31% of global production in all aspects of tea production, consumption and export. India produces some of the world's finest teas, as also the largest variety. Among the famous speciality flavors are Darjeeling tea and Assam Tea from the north and Nilgiri tea from the south. Tea is normally classified based on the processing, leaf size and grade. Fermentation is the major process and creates two major classifications, black and green tea. Black tea is further classified into CTC (cut, tear and curl) and Orthodox tea. India has long held the title of being the largest tea producer and consumer in the world.

Certain geological and climatic factors have facilitated steadfast growth of tea industry in India. Today India is the largest producer of tea in the world. It accounts for 19 percent of the total area under tea cultivation in the world, 28 percent of world production, 22 percent of global tea consumption and 15 percent of total global exports. Tea is grown in 15 states of India. Predominantly it is North Indian states that have larger share of land under cultivation and tea production. They command a 77 percent share in tea production of India and balance by South India. Whereas state-wise, Assam is top of the league with 50.7 percent followed by West Bengal with 22.1 percent, Tamil Nadu with 15.9 percent and Kerala with 8.3 percent.

The packet tea industry is divided into organized and unorganized sectors. The largest part of the market share is dominated by the unorganized players. Out of nearly

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1000 brands of tea that are available in the country, only 100 brands can be truly called national (Satya Sundaram, 2004).

Unlike most other tea producing and exporting countries, India has dual manufacturing base. India produces both CTC and Orthodox teas in addition to green tea. Orthodox tea production is balanced basically with the export demand. Production of green tea in India is small. The competitors to India in tea export are Sri Lanka, Kenya, China, Indonesia and Vietnam. Tea is an agro-based commodity and is subjected to vagaries of nature. Despite adverse agro climatic condition experienced in tea growing areas in many years, Indian Tea Plantation Industry is able to maintain substantial growth in relation to volume of Indian tea production during the last one decade.

Global Market

Tea production is concentrated to around 30 countries. India is the largest producer of tea in the world. India and China rank as the largest and second largest respectively in tea production and consumption. They export around a quarter of their production and holds 33% share in the global trade. India also leads the global R&D in tea industry. It is the largest manufacturer and exporter of tea machinery. Other major tea producers source equipment and technology from India (Rama Prasad, 2003).

World production of tea, as may be seen from Table 1, registered a marginal growth of 3.02 per cent in 2003 over the previous year by reaching a level of 32.07 lakh tonnes as against 31.13 lakh tonnes in the previous year. A glance at the country wise analysis reveals that India continues to be the largest producing country of tea. Accounting for a share of 27.60 per cent in the global production of tea in 2003, the country during the period registered a growth of 4.49 per cent when its production reached a level of 8.85 lakh tonnes as against 8.47 lakh tonnes.

Table I-World production of Tea by Major Countries in 2002 and 2003 (Lakh Tonnes)

Country	**2002**	**2003**	**% change in 2003 over 2002**
India	8.47	8.85	4.49
China	7.66	8.00	4.44
Sri Lanka	3.10	3.03	(-) 2.26
Kenya	2.87	2.90	1.05
Turkey	1.35	1.31	(-) 2.96
Japan	0.84	0.92	9.52
Vietnam	0.92	0.85	(-) 761

Bangladesh	0.55	0.60	9.09
World Total	31.13	32.07	3.02

Source: FAO," Production Yearbook 2003", Rome

The World Bank has approved a new loan package for Pakistan. That will arm our neighbouring nation with better purchasing power and it will also result in better tea off take (Subramani, 2008). With Kenyan tea prices coming down, Pakistan buyers would prefer to trade with them rather than with south Indian growers. The global mismatch between demand and supply would not affect the quantum of tea exports from India, which could touch 210 million kg this year despite fluctuating prices (Sujatha, 2008).

India's Export Trends

India exports tea in various forms. Tea is classified on the basis of processing, leaf size and grade. Also fermentation creates two major classifications, Black & Green tea, thus can be broadly classified into 5 categories, namely Green Tea in packets not exceeding 3 kg, Other Green Tea, Black Tea (fermented), other black Tea (fermented) and Extracts. **(i) Variety wise Exports:** As may be seen from Table 2, India's exports of tea registered a marginal decline of 2.32 pr cent in 2003-04 over the previous year when the same reached a level of Rs. 1,622.38 crore as against Rs. 1,660.98 crore. In exports, the performance of small tea packets ranging from 25 gms to 3 kgs has suffered the major downfall. One probable reason could be the apprehension of the foreign market over the packaging techniques followed in India compared to the techniques used abroad. Quality of Indian tea finds appreciation everywhere but when it comes to processing and packaging techniques, not many countries prefer packaged Indian tea. In many destinations, Indian tea leaf is imported which is then processed and packaged. Instant tea is finding a great acceptance in the foreign market owing to its ready-to-use quality.

Table II-Category wise Export of India's Tea during 2002-03 and 2003-04 (Rs. crore)

Variety	**2002-03**	**2003-04**	**% change in 2003-04 over 2002-03**

Other black tea /other partly fermented tea	1,108.26 (66.72)	1,084.77 (66.86)	(-)2.12
Black tea & partly fermented tea in immediate packing of a content not exceeding 3 kg	469.09 (28.24)	447.94 (27.61)	(-)4.51
Extracts, essences & concentrates of tea	74.65 (4.49)	70.21 (4.33)	(-)5.95
Green tea in packets not exceeding 3 kg	1.77 (0.11)	9.87 (0.61)	457.63
Other green tea (not fermented)	7.21 (0.43)	9.59 (0.59)	33.01
Total(All India)	1,660.98 (100.00)	1,622.38 (100.00)	(-)2.32

Note: Figures within brackets indicate percentage shares of the total.
Source: DGCI&S, "*Monthly Statistics of Foreign Trade of India: Exports & Re-Exports",* Exports & Re-Exports, March 2003 and 2004 issues.

(ii) India's Exports---Country wise: India's exports of tea, as may be seen from Table 3, registered a marginal decline of 3.48 per cent in 2003-04 over the previousyear when the same reached a figures of Rs. 1,594.56 crore as against Rs. 1,652,07 crore. Country wise analysis reveals that UAE emerged as the largest export market in 2003-04 by taking this place from Russian Federation who happened to be India's topmost export market in the year 2002-03. The countries showing a rising trend included: Pakistan (48.17%), Japan (44.95%), Australia (30.44%), Sri Lanka (26.86%), Germany (23.59%), USA (5.71%). Pakistan's purchase of Indian tea has gone over 10 million kg, mostly due to a crop shortfall in Kenya, its main tea supplier. A similar situation existed in 2006 when Pakistan bought 14 million kg of Indian tea (Krishna Kumar, 2008).

Table III- India's Exports of Tea to Major Countries in 2002-03 and 2003-04 (Rs. crore)

Country	**2002-03**	**2003-04**	**% change in 2003-04 over 2002-03**
Russia	287.11	253.78	(-) 11.61
U.K	194.11	179.53	(-) 7.51
USA	119.61	126.44	5.71
Germany	95.32	117.81	23.59
Japan	46.41	67.27	44.95
Australia	42.44	55.47	30.44
Pakistan	20.22	29.96	48.17
Kenya	3.05	21.63	609.18
Saudi Arabia	26.08	18.09	(-) 30.64
Sri Lanka	13.29	16.86	26.86
Total(All India)	1,652.07	1,594.56	(-) 3.48

Source: DGCI&S, *"Foreign Trade Statistics of India: Principal Commodities and Countries*: March 2004, Kolkata.

Tea Imports by India

India, owing to its large production, is a marginal importer of tea. The main reason for imports of tea is to re-export the tea to select export-processing zones (EPZs). Indian domestic consumption for tea is so high that very less tea is left to meet the over growing requirements of exports. There has been a constant growth in the import of tea by India. Most of the tea imported is re-exported. Until 1997, imports of tea were canalized and allowed only for re-exporting in select EPZs.

Import of tea into India registered a phenomenal jump from a meager 9.86 million kg in 2003, it went up to 30.52 million kg in 2004, registering a growth of 209.53 per cent. Tea is imported mainly from Vietnam. Tea imports from Vietnam, as may be seen from the Table 4, went up to 17.28 million kg as against a meager 1.11 million kg during the period. Table 4 gives import of tea in terms of quantity into India from major countries in the years 2003 and 2004.

Table IV- Import of Tea in to India by Major Countries in 2003 and 2004

(Million Kg)

Country	**2003**	**2004**	**% change in 2004 0ver 2003**
Vietnam	1.11	17.28	1456.76
Kenya	1.22	3.30	170.49
Nepal	2.55	2.86	12.16
Indonesia	2.80	2.65	(-) 5.36
Sri Lanka	0.42	0.46	9.52
Others	1.76	3.97	125.57
Total (All India)	9.86	30.52	209.53

Source: Tea Board

Constraints

The Indian tea industry is passing through a very rough patch. The challenge for the industry is to increase the exports, which has been falling continuously. The main reasons for the constant fall in the exports are:

Decline in quality of Indian tea: Decline in quality has been caused by mushrooming bought leaf factories which produce cheap quality tea by buying and processing green leaf from small growers. The growing share of poor quality tea produced by India not only affects the domestic price levels but also damages the quality perception of Indian tea in the export markets.

Lack of marketing initiatives: Other factors that have resulted in a decline in the competitive position in the market place are industry's failure to penetrate new markets and inability to secure preferential duty treatment from countries such as Egypt.

Unfavourable land ceiling act: The expansion of tea growing area is restricted because of the land ceiling act and Section 12 of the Tea Act, 1953. Also lack of proper policy has resulted in a mere 7% rise in area under tea plantation over a ten year time-frame, as compared to much higher levels in other producing countries.

High cost of production and low level of value addition: The high average age of tea bushes and increasing labour cost has made the Indian tea relatively less competitive in international market.

Lack of market intelligence: India was once the world's largest producer and exporter of orthodox teas. To capture one particular market (the Russian Fed), the industry underwent almost a complete transformation from orthodox to CTC. But the global demand shifted from CTC to orthodox teas. Also lack of market intelligence has contributed to the over supply situation on the domestic front, thus adding to the plight of the industry as the prices fell continuously after 1997.

Strategies and recommendation

There are many ways for the industry to survive and realize export potential. They are

- To improve quality, reassess the plant quality, plucking methods and increase productivity.

- The industry associations must urge the Government to raise the existing rate of import duty to protect the domestic market.

- Device strategies that include market oriented approach for tea and shift in focus from bulk tea exports to value-added packaged tea exports.

- A serious effort towards improving the quality image of Indian tea, thrust on Orthodox production, competitive pricing and not just the benchmarking export pricing.

In order to attain long term viability of tea industry, targets should no longer be production oriented, but shall aim at reducing cost of production, improving productivity, value addition, product diversification and marketability. It further states that one must concentrate on increasing the productivity of existing gardens rather than establishing new plantations with huge investments (Banerjee & Sarda Banerjee, 2005).

Tea Board

The Tea Board was constituted as a statutory body on 1st April, 1954 under Section (4) of Tea Act 1953. The Board, with its Head Office at Kolkata, is headed by a Chairman. It has 30 Members drawn from different stake holders of the tea Industry and fifteen regional/sub-regional offices. The Board functions as an apex body for the all round development of the tea Industry. With a view to promote the export of Tea, the Board established three offices abroad viz. London, Moscow and Dubai. The primary functions of the Tea Board include rendering financial and technical assistance to tea producers, manufacturers, growers and also help marketing of tea within the country and abroad. Research activities at different Research Institutes viz. Tea Research Association (TRA), United Planters' Association of Southern India-Tea Research

Tea Promotion

Indian tea in the domestic and the international markets requires new initiatives from the Tea Board as well as the tea industry for meeting emerging challenges. Keeping in view the requirements of the export and the domestic markets, there was a focus on quality control. Implementation of ISO 3720 Standards and HACCP (Hazard Analysis & Critical Control Points) has therefore acquired growing importance. Efforts continued to be made to persuade producers to increase production of exportable quality teas & good teas of orthodox variety. Greater attention is needed towards the tea industry for its market is bullish. Tea taste needs to be promoted amidst the non users too to increase the demand in order to solve the problem of excess production (Selvarasu & Nageswara Rao, 2004).

The tea promotion abroad is carried out through various Tea Councils (India is an active member of the Tea Councils of USA, Canada, UK and Germany). Indian tea promotional activities are also carried out by the Board's foreign offices to enhance demand for Indian tea and increase market share.

Intellectual Property Rights in Tea

Efforts continued to protect India's Intellectual Property rights in tea. Tea Board has formulated a comprehensive strategy for protection and enforcement of Intellectual Property Rights in the Geographical Indication "Darjeeling tea" which is operated at three levels - one relating to legal framework, commercial promotion and consolidation of brand equity.

The Tea Board has been successful in securing statutory recognition of Darjeeling tea in the manner aforesaid in various important jurisdictions such as UK, USA, Japan, and Australia, as certification or collective marks. In India, it has been registered under the Trade Marks Act, 1999 and Geographical Indications of Goods (Registration and Protection) Act, 1999. Further, the DARJEELING logo has been formally registered as an artistic copyright with the Indian Copyright Office and is entitled to protection as such under international law in all member countries of the Berne and the Universal Copyright Conventions. Darjeeling is now registered as a community collective mark in the EU and in various other jurisdictions.

Conclusion

The developmental activities that are being pursued by the Tea Board are aimed at increasing the tea production both vertically and horizontally, improving the productivity of existing tea areas both in the corporate and small grower sectors, creation of modern tea processing facilities for qualitative improvement of made tea and market promotion in both domestic and international markets. The main focus during the X Plan period is on supply factors such as improving quality, cost control, productivity increase through consolidation of the existing area rather than expansion of the area.

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