

THE PROBLEMS AND PROSPECTS OF INDIAN TEA INDUSTRY - AN ANALYSIS

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Abstract: India is one of the leading economies in the world in terms of trade on various goods and services. The traditional Indian goods were demanded more at the global level. India is the leading producer of many goods and among these goods, tea is one of the consumable beverages produced at the large scale.

India is one of the leading producers, exporter and consumers of tea in the world. India was once the leading producers and exporter of tea in the world. The trend has changed now. India lost its place to China. The share of India's tea production and export has been declining over the years.

The present research has taken up this issue to analyse the status of India in the world tea economy.

The present study is based on the secondary data for analysis. The study covers the period of 14 years from 2001 to 2014. The research has used econometric and statistical tools for analysis.

The study found that India's contribution towards the world tea production and tea export has not increased significantly over the years; the area under tea cultivation in India has not increased in par with the area under tea cultivation in the world.

The study suggests that there is a need for increase in the production of tea through increase in area under tea cultivation, export of tea should be increased and import of tea should be decreased to preserve the valuable foreign exchange reserve and there is an urgent need for creating awareness among the people about the health importance of tea.

Keywords: Plantation industry, tea production, tea export, area under tea, real estate sector.

1. INTRODUCTION

India is one of the leading economies in the world in terms of Population (127 crores), Geographical area (32, 87, 240 Sq. Km.), GDP (7.6%), Employment generation, Global Trade etc. India is the leading agrarian economy and agriculture activities are still practiced in many parts of the nation. Plantation sector plays an important role in the economy in terms of volume of trade, composition of trade and foreign exchange earner to the exchequer.

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India is one of the leading producers of tea in the world next to China. Tea is cultivated in many parts of the country. Tea is highly grown in the Northern states namely, Assam, West Bengal, Tripura and Himachal Pradesh and in Southern states namely Tamil Nadu, Kerala and Karnataka. There are states in which tea is cultivated exclusively to meet the world average. In states like Assam and Tamil Nadu, tea is cultivated on large acreage.

Indian tea was once very famous in the world tea market but after the globalization policy, Indian tea was not able to withstand in the market. Tea produced by many small nations like Kenya and Sri Lanka started dominating the entire tea market in the world. It is the cost of producing tea, price of tea, quality of tea and others determine the position of any country in the world tea market. As India failed to meet the all the basic requirements, she lost her place in the world tea market. The volume of India's tea trade is not an encouraging trend at present.

2. OBJECTIVES OF THE STUDY

The following are the important objectives of the study.

- (a) To study and analyze the share of India's contribution towards the world tea production.
- (b) To study and analyze the share of India's contribution towards the world tea export.
- (c) To study and analyze the area under tea cultivation in India and the world.

3. REVIEW OF LITERATURE

Manoharan (1974) analysed the problems of Indian tea industry based on production, consumption, export and share market. After carefully observing the evolution of tea industry, he observed that there had been considerable increase in exports of Indian tea during 1950's and India stood first in International tea export. During 1960's India lost position as the largest exporter in the world to Sri Lanka. In his share market analysis, it has been found that low rate of profit, due to declining price and increasing cost of production, adversely affected the industry and the share value of tea companies had dumped considerably. In order to promote the tea industry in India, he suggested some changes in policy for increasing production, reducing costs and rationalization of tax structure. Productivity can be increased by replantation together with introduction of modern technology in cultivation. Effective marketing strategy has to be introduced for stabilizing the market. Exports may be promoted without curtailing domestic consumption. Manoharan points out that the small planters may work: together forming cooperatives so that they would be able to enjoy the returns from the economies of scale.

Bhowmik (1990) examined the trends in export of Indian tea. He observed that the increase in domestic demand adversely affected export. The internal consumption has been increasing consistently while export of Indian tea stagnated at around 200 million kg. per annum. The increase in domestic demand is reflected in the auction price. During the year 1989 the price of ordinary tea is doubled from Rs. 30/- to Rs. 60/-. But the supply response to the increase in price has been very poor; there has not been much increase in production. The production has almost reached saturation level with the existing bushes and became uneconomic as a result of aging. It is found that one-third of the total existing bushes are uneconomic. In order to increase productivity replanting and rejuvenation are necessary, but it requires huge investments. The growers are resorting to short-term increases such as spraying and increased use of fertilizers for boosting production. The researcher suggests that government support may be extended as subsidy for replanting for long term increase in productivity.

Reddy (1991) analyses the trends of tea in the global market. He found that global production has been on the increase at a compound rate of 3.7 per cent per annum, while the domestic consumption of the producing countries has been increasing by 4.9 per cent per annum. The share of tea producing countries in consumption was 65 per cent in 1988. Thus the global demand for tea exceeds its global supply. India is not an exception to this trend. In India the export of tea has been increasing on annual rate of growth of 4.3 per cent per annum.

Anjana Pasricha (2005) in her study entitled, "India's tea industry, one of the world's largest, faces problems" reveals that the labour problems were the latest bad news for an industry that has been hit in recent times by high production costs and slumping demand. This study also indicated that the cost of production per Kg. of tea manufactured has been uncompetitive with respect to other global players such as Sri Lanka, Kenya and that has resulted in India losing out on export market. She concluded that the tea industry is also facing problems in the domestic market, which consumes 70 percent of the beverage produced in the country. In recent years, demand has stagnated or even declined in some areas due to the growing popularity of such beverages as soft drinks – particularly among youth.

Ashok Wagh (2014) in his study entitled "Indian tea Industry; It's status in global scenario, studied that India and China are the leading tea producing and exporting countries in the world. In India, the increase in tea production is associated with increase in population size, increase in income, upliftment of social status, health awareness and increase in literacy level. The study shows that there is decline in tea production in India for the last two decades. The two monopolies namely China and India in the production and export of tea were replaced by China and Sri Lanka. The study found that there is a gradual fall in India's share in tea export due to continuous increase in domestic consumption of tea. The study suggested that

there is a need for framing and adopting new strategies to meet the international challenges and the health benefits of tea to be promoted to attract non – conventional areas of tea in the world for expansion of tea under cultivation.

4. RESEARCH METHODOLOGY

- (a) **Research problem:** India was once the leading producer of tea in the world but the contribution of India in the world tea trade is declining now – a - days. The small tea producing countries are dominating in the world tea industry. To study the reason for slow progress of Indian tea industry among the tea producing nations is the central problem of the study.
- (b) **Study area:** The study area is India and the research has compared India's tea economy with the other tea producing nations in the world.
- (c) **Sampling data:** The study covers the period of 14 years starting from 2001 to 2014
- (d) **Sampling method:** The present study is based on secondary data collected from the reliable source like International Tea Committee (ITC).
- (e) **Method of analysis:** The researcher has applied basic econometric and statistical tools especially *t* test and standard deviation to analyze the data.
- (f) **Hypothesis of the study:** The following are the important hypothesis set for the analysis of the study.
 - 1. There is a significant increase in India's contribution towards world tea production.
 - 2. There is a significant increase in India's contribution towards world tea export.
 - 3. There is a significant increase in the area under tea cultivation in India when compared to the world average.

5. FINDINGS OF THE STUDY

The findings section of the study has been segmented into three phases to deal with each objectives and hypothesis separately.

Phase 1: To study and analyze the share of India's contribution towards the world tea production.

India was the leading producer of tea in the world in the beginning of the 21 century. At present, China has become the leading producer of tea in the world and it contributes 40.59 percent to the world tea production. India's contribution to the world tea production has decreased over the years. In the year 2001, India produced

853.7 M. kgs. and it has increased to 1207.31 M. Kgs. in 2014. There is an increase of only 353.3 M Kgs within 14 years taken for calculation. In percentage terms, India produced 27.17% of world tea production in the year 2001 and the same has fallen down to 23.33% in the year 2014. But China produced 23.07% during 2001 and the same has increased to 40.59% during 2014.

The hypotheses taken for the study states that there is a significant increase in India's contribution towards world tea production. The result of the analysis reveals that since the calculated value (16.34) is greater than the table value (1.96) at 5% level of significance, the null hypothesis is not accepted. It means that there are other tea producing countries in the world have contributed more towards the world tea production than India.

The reasons for decrease in the contribution of India towards the world tea production are; there is no continuous and constant increase in the area under tea cultivation, the policy framework of the government is not encouraging towards the tea cultivation and production, the price of tea leaf is not supportive to the cultivators and the continuous increase in cost of cultivation.

Phase 2: To study and analyze the share of India's contribution towards the world tea export.

Tea export fetches a very good amount of foreign exchange to the exporting nations. Almost all the tea producing nations are exporting tea to other countries. In the year 2001, India exported 182.6 M. Kgs of tea and it has increased to 207.44 M. Kgs in the year 2014. The contribution of the country towards the world tea export was 13.14 percent in the year 2001 but it has come down to 11.34 percent in the year 2014. There is an increase in tea export in quantity terms but not in percentage terms. At present, China is the leading exporter of tea in the world and exporting 18.76 percent of tea produced internally.

The export of tea from India has gradually decreased from 42 percent in 1951 - 60 to 13.55 percent in 2001 - 04 (Ashok Wagh, 2014). The reason for this decline is that there was a continuous increase in domestic consumption of tea, loss of competitive spirit of India at the international level and the rise of two small tea producing nations namely Sri Lanka and Kenya have surpassed the average tea export of India.

The hypotheses taken for the study states that there is a significant increase in India's contribution towards world tea export. The result of the analysis reveals that since the calculated value (36.09) is greater than the table value (1.96) at 5% level of significance, the null hypothesis is not accepted. It means that there are other tea producing countries in the world have contributed more towards the world tea export than India.

The reason for decrease in the contribution of India's tea export to the world tea export trade are; the continuous increase in consumption of tea internally, poor quality of Indian tea in the world market, increase in the share of small tea producing countries in the world tea market and cheaper availability of tea from other producing countries in the world.

Phase 3: To study and analyze the area under tea cultivation in India and the world.

The area under tea cultivation shows a study progress in almost all the countries. The area under tea cultivation in India was 509,806 hectares in 2001 and it has increased to 563,980 hectares in 2013. There is an increase of 54,174 hectares within 13 years and it constitutes 10.63 percent. The share of India in the world in terms of area under tea cultivation is concerned, it was 20.52 percent in 2001 and it has declined to 14.25 percent in 2013. The area under tea cultivation has fallen by 6.27 percent with thirteen years. On the other hand, China is still maintaining and securing the top position in the case of area under tea cultivation in the world. At present, China is cultivating tea in 85.19 percent area out of the total area. In the case of small producing countries in the world, the progress is much faster than Indian counterpart. Among the small tea producing countries like Kenya, Vietnam and Uganda, the increase in area under tea cultivation is 11.09, 56.09 and 37.51 percent respectively. A very slow progress is maintained by India in this respect.

The hypotheses taken for the study states that there is a significant increase in the area under tea cultivation in India than the world average. The result of the analysis reveals that since the calculated value (12.46) is greater than the table value (1.96) at 5% level of significance, the null hypothesis is not accepted. It means that there is no significant increase in the contribution of India when compared to other tea producing countries towards the area under tea cultivation in the world.

The area under tea cultivation has marginally increased in India. This marginal increase in area under tea cultivation has come from the small tea sector and not from large tea estates. The large tea estates are gradually sold out to real estate sector for money because tea cultivation in large scale is not profitable due to the continuous increase in cost of cultivation. The other reasons behind the decrease in area under tea cultivation in India are; the growth of real estate sector, non - remunerative price for tea leaf, continuous increase in animal threat and the non-availability of labour in the tea estates due to increase in the rate of labour migration.

In India, there is a gradual decrease in area under tea cultivation especially in Southern states. Cultivable lands are destructed for the development of cottages and apartments. This is because of the reason that the land owners are selling the cultivable lands for bulk money. If this trend continues, there will be a fall in area under tea cultivation by 80 percent in another 10 years (Dinakaran Regional News Paper, 2015).

6. RECOMMENDATIONS

The following recommendations are made for the further progress and growth of the tea sector in India.

1. There is a need for controlling the fall in area under tea cultivation especially in southern states of India. The land owners are selling their lands even after the clear instruction given by the tea board authority. The district collectors should be clearly instructed to monitor the sale of cultivable lands for the construction of apartments and hotels which will spoil the ecology of the nation.
2. There is a need to reduce the import of tea in India. The entire requirement of tea in the domestic market should be met through excess production of tea in the country. For that there is a need for increase in the area under cultivation and productivity of the factors. Efforts should be taken by the Tea Board of India and UPASI in this regard.
3. There is need for creating awareness among the people especially among the rural people regarding the health benefits of tea consumption. This will further boost up the area under cultivation and production of tea which will help our country to reduce the drain of foreign exchange.
4. There is a need for increasing the export volume of tea in the country. India's export of tea to other nations is not considerably worthy and at the same time India's import of tea from other countries is an alarming feature at present. Efforts should be taken by the government and the Tea Board of India to find out the ways to increase the export of tea.

7. LIMITATION OF THE STUDY

As the current study is based on secondary data, the researcher has taken the limited time period (2001 – 2014) for analysis and the variables taken are also limited to tea production, tea export and area under tea cultivation. The current study gives chances for further research in the same area.

8. CONCLUSION

Despite certain difficulties prevailing in the tea industry, it is the second leading plantation sector in the country next to rubber. China has realized the importance of tea. That is why China has become the leading producer and exporter of tea in the world. There are possibilities to boost up the performance of the tea industry through suitable plans and strategies. Sectorial planning will help in attaining the goal. Even a separate budget for agriculture sector can be planned. Indian tea is always characterized as a poor quality tea. The mind set of the people and the government from the importing countries should change for that quality improvement is the

must in the country. Stringent efforts are needed on the part of the government on those who indulge in adulteration and produce poor quality tea.

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Appendix 1: (Tea Production (in M. Kgs.)

Table 1
Tea production in India and the world average

<i>S.No.</i>	<i>Year</i>	<i>India</i>	<i>World</i>
1	2001	853.7	3041
2	2002	838.5	3086.8
3	2003	878.1	3216.8
4	2004	893	3328.7
5	2005	946	3468.3
6	2006	955.9	3551.3
8	2007	944.7	3726.7
8	2008	980	3749.8
9	2009	979	3860
10	2010	966.4	4066.6

S.No.	Year	India	World
11	2011	988.3	4217.1
12	2012	1111.76	4526.98
13	2013	1200.41	4990.43
14	2014	1207.31	5173.47

Source: International tea committee (2004 - 2013).

Appendix 2: (Tea export (in M. Kgs.))

Table 2
Tea export from India and the world average

S.No.	Year	India	World
1	2001	182.6	1388.6
2	2002	201	1441.8
3	2003	173.7	1398.3
4	2004	197.6	1566.5
5	2005	199.1	1563.4
6	2006	218.7	1585.8
8	2007	156.8	1565.2
8	2008	196	1646.2
9	2009	191.5	1568.5
10	2010	193.3	1729
11	2011	192.8	1718.8
12	2012	304.49	1725.67
13	2013	219.06	1863.31
14	2014	207.44	1829.55

Source: International tea committee (2004 - 2013).

Appendix 3: (Area under Tea (in Hectares))

Table 3
Area under tea in India and the world (in Hectares)

S.No.	Year	India	World (Among tea producing nations)
1	2001	509,806	24,83,864
2	2002	515,832	25,14,438
3	2003	519,598	25,58,873
4	2004	521,403	26,19,803

5	2005	555,611	27,71,620
6	2006	567,020	28,73,261
7	2007	578,458	30,74,835
8	2008	579,353	31,78,101
9	2009	579,000	33,00,767
10	2010	579,400	34,38,153
11	2011	578,000	36,14,496
12	2012	563,980	37,62,261
13	2013	563,980	39,57,615

Source: International tea committee (2004 - 2013).