



Export Scenario and Challenges in Front of Indian Tea Industry in the 21st Century

KEYWORDS

Indian tea, challenges, export, value-added, 4Ps.

Parag Shil

Assistant Professor (Stage – III), Department of Commerce, M.G. Gandhi School of Economics & Commerce, Assam University, Silchar – 788011, INDIA.

ABSTRACT *Due to ongoing economic liberalization process in India since 1991, the economy faced a tremendous compulsion to augment its exports particularly where the country has some strength. It is against this backdrop that the export performance of the tea industry is quit vital and that is while it captures our attention. The paper is an attempt to review the export trend, challenges faced and opportunities utilized by the Indian tea industry in the liberalized era from the marketing point of view. For this study, the researcher relies on secondary data mainly published by the Tea Board, India.*

INTRODUCTION

Indian tea industry had been an export-oriented agro based industry since its inception. Tea industry was initiated and developed in India by British entrepreneurs to cater to the UK's domestic demand or for re-export by that country (Mazumdar, 1998; Mitra, 1991). During British rule, major part of the tea produced in India was being exported to the European countries. After independence, the consumption within the country regularly increased with domestic consumption of tea rapidly rising. On the other hand, the tea export from India was gradually declining since 1970s (Harlar, 1964; ICRA, 1996).

In spite of having a share of around 27% of the world's tea production, India accounts for only 13% of the world's tea exports. Indeed, from being a pre-eminent supplier of the world's tea, India lost ground over time in virtually every export market. In the early 1980s, Indian tea export accounted for around 40% of the domestic production. By the end of 1980s, the share of the tea exports fell to 30%. The decline continued till 1994 when exports accounted for only 20% of the domestic production of tea. Thereafter, the proportion of exports marginally improved to around 24% of the domestic production during 2003 (Tea Statistics, various issues).

Indian tea industry in way of its long history has made significant contribution towards earning foreign exchange to help gear up the Indian Economy. Yet the industry is overwhelmed with various problems linked to a large extent to fluctuations in prices in the global markets. Besides, Indian tea, of late, is facing stiff competition from tea produced in Sri Lanka and Kenya. India's share of export has dropped to 13.09 per cent in 2001 from 44 per cent in 1951 whereas Sri Lankan share rose to 20.61 per cent from 18 per cent and that of Kenya increased from 3 per cent to 18.50 per cent during the same period (Shil, 2007).

The other important competitor of Indian tea in the global market is the tea from China. During the period between 1951 and 2001 the share of China in global tea exports rose from 2.8 per cent to 17.90 per cent. The reasons for deterioration of India's share in the global exports of tea are many (Ibid). The inflationary spiral visiting Indian economy at periodic intervals has been eating away the vitality of the industry. The return on investment also went down appreciably. On the other hand, the rise in labour cost and simultaneously the rise in prices of coal, packing materials, fertilizer, shipping freight and insurance significantly increased the cost of production. The baneful effect is that Indian tea is relatively highly priced in global markets, resulting in the decline in exports (ICRA, 2006; Accenture, 2001; Asopa, 2004).

INDIA'S SHARE IN GLOBAL TEA EXPORTS

For the duration of the last five years, it has been observed that total world exports averages 41% of total world production and 84% of exports accounted for by six countries (India, Sri Lanka, China, Kenya, Indonesia and Vietnam) (Basu Majumder A., Bera B. and Rajan, A., 2010)

The Indian exports of tea have been sharply declining in most of the key markets. While many individual firms seem to be doing well having created niche markets for their products, their number is definitely not increasing and could even be declining (Asopa, 2007). On an average during the last two decade, in the export front, both Kenya and Sri Lanka lead the world each with 20% of their contribution followed by China (17%), India (14%) and others (25%) (Basu Majumder A., Bera B. and Rajan, A., 2010)

India is the largest producer of black tea as well as the largest consumer of tea in the world. Currently, India produces 23% of total world production and consumes about 21% of total world consumption of tea – nearly 80% of the tea produced is consumed within India. Over the last 20 years, India's world ranking as an exporter has come down from number one to number four, in the face of stiff competition from Sri Lanka, Kenya, and China (Ibid).

The leading tea producers India and China drink away most of their own production and share only a small fraction of exportable tea. Sri Lanka and Kenya, on the other hand, share only 7% and 5% tea growing area, but are world leaders in exports; meeting 20 % each of world export needs (Asopa, 2004).

During the period, 1981-2010, India's share in total world tea exports had been waning. The following table highlights India's declining share of export on the world tea exports:

Table 1: India's share in World Tea Exports, 1981-2001 (in Million Kgs)

| Year | India's Tea Exports | World Tea Exports | % of India's share to World Exports |
|------|---------------------|-------------------|-------------------------------------|
| 1981 | 242.07 | 852.13 | 28.41 |
| 1991 | 202.91 | 1,078.18 | 18.82 |
| 2000 | 206.82 | 1,334.06 | 15.50 |
| 2001 | 182.59 | 1,391.65 | 13.12 |
| 2003 | 173.68 | 1,395.21 | 12.45 |
| 2005 | 199.05 | 1,570.11 | 12.68 |
| 2007 | 178.75 | 1,575.64 | 11.34 |
| 2009 | 197.90 | 1,657.78 | 11.94 |
| 2010 | 222.02 | 1,688.55 | 13.15 |

Source: Tea Statistics, Tea Board, India, Various Issues.

Diagram – 1

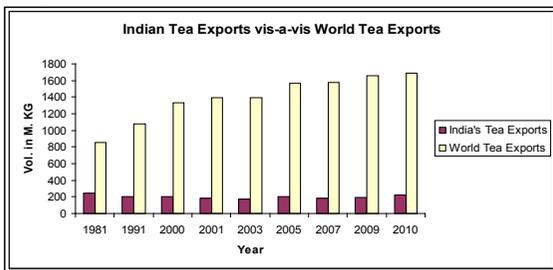
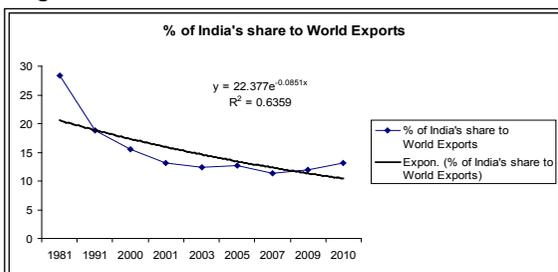


Diagram - 2



From the above mentioned table and the representative graphs, it can be observed that the export performance is gradually coming down from the last two decades except a slight positive move in 2010. The exponential trend line is showing the same. The industry observed a negative growth rate during the period in the matter of tea export as compared with total global tea export.

Tea industry in India is now in a critical position due to not knowing how to reverse the unfavorable trends in global markets that have directly affected its fortunes. There is a severe competition in the international markets due to industry's (i.e., Indian Tea Industry) un-competitiveness on account of high cost and poor quality and unable to respond the changing consumer demand. The domestic markets are slowly but steadily opening to imports which can well competes on both

cost and quality parameters. The latest position is such that the Tea Board is now possibly prepared to accept to the fact that India can not compete in the global markets at least in the immediate future unless some strategic moves from the industry-level as well as firm-level. (Asopa, 2007; Shil, 2012).

CONCLUSION AND SUGGESTION

Indian tea has virtually lost all the established global markets because it continues to be traded as a commodity and not able to adopt properly the 'Marketing Concept'. So strategies must be adopted to meet up the challenges in global demand for tea in the coming years. Besides, general consumption of tea, health benefit effects of tea need to be promoted more vigorously to trap the non-conventional areas of tea in the world for an expansion in the consumption. Value addition and diversification for a wide range of tea products need to be developed for balancing the supply demand chain. The Indian tea industry must face the market realities, redefine its business strategies and reposition its products.

The Indian tea industry now stands at a cross road, where improving the marketing performance both in the export market and in domestic market have become crucial for its survival and growth. In the study a modest endeavor was made to identify the major deficiencies in the marketing practices of the industry, closer examination of which lead us to suggest the following remedial courses of action:

- Redesigning of product mix is essential
- Promotion is needed in the international market
- Focus on Quality improvements
- Ensure transparency and guarantee Exporters' reliability
- Develop effective information system
- Place the due focus on Value-added items
- Exporters have to target niche segments
- Develop consumer orientation in every aspect of the marketing processes

In conclusion, we can say that the industry needs to be competitive in production, marketing, logistics, promotion, and product diversification fronts to cater the demand available from within the country as well as from outside the country for the survival of one of the prestigious industries in India.

REFERENCE

- Accenture Report, 2001, Commissioned by Tea Board, India. | Asopa, V. N. (2004). Competitiveness in Global Tea Trade; Oxford & IBH Co. Pvt. Ltd., New Delhi. | Asopa, V. N. 2007. Tea Industry of India - The Cup That Cheers has Tears, W.P.No.2007-07-02, IIM, Ahmedabad. | Basu Majumder A., Bera B. and Rajan, A. (2010): Tea Statistics: Global Scenario. Inc. J. Tea Sci. 8 (1): 121-124 | Harler, C R (1964): The Culture and Marketing of Tea; Oxford University Press, London. | ICRA Industry Watch Series # 2, The Indian Tea Industry, ICRA Investment Publications, 1996, New Delhi. | ICRA Sector Analysis - The Indian Tea Industry, 2006, ICRA Ltd., New Delhi. | Mazumdar, A (1998): "Refoms, Growth-options and Private Sector's Response: Post 1991 Experience on the Indian Tea Industry", paper presented in the Regional Seminar on 'Society and Development in the Tea Garden of the North East with special reference to Barak Valley' organised by the Department of Sociology, Assam University, Silchar. | Mitra, N (1991): "Indian Tea Industry: Problems and Policies" in Economic and Political Weekly, Vol-XXVI, November 30, 1991. | Shil, P. (2007): Marketing Practices of Indian Tea Industry: 1981 – 2001, Unpublished Ph.D Thesis submitted to the Deptt. of Commerce, Assam University, Silchar. | Shil, P. (2012): "Indian Tea Industry Scenario in Pre- and Post- Liberalization Era" in U. K. Rai (eds.) Emerging Marketing Paradigms, Excel India Publishers, New Delhi. | Tea Statistics, Tea Board India, various issues. | TEA Production And Export Scenario, Status Paper, Indian Tea Association, Kolkata, 2005. |