



A Study on The Present Scenario of Tea Industry in Assam-Challenges Ahead

KEYWORDS

Tea Industry, Production, Productivity

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ABSTRACT

Assam occupied unique place in India by producing more than fifty percent of the national production having plantation area of about 3.22 lakh hectares which is more than half of the country's total area under tea. The tea industry in Assam plays a vital role in the state economy by earning foreign currency. It is the single largest industry in Assam that provides average daily employment to more than six lakh persons in the State, which is around 50 percent of the total average daily waged employee in the country. The growth rate of tea industry in Assam is falling in compare to earlier days. Decrease in unit selling price and increase in unit cost of production lead the tea industry of Assam in sick condition. Attention to be given for substantial growth of this industry which is the one of the major backbone of economy of Assam.

Introduction

Tea is one of the most popular and widely consumed beverages the world. Now more than thirty countries of the world producing tea. Amongst tea producing countries, the principal producers are India, China, Sri Lanka, Kenya and Indonesia. These five countries account for 76 percent and 79 percent of world production and export respectively. India made a significant contribution to world tea by producing 26 percent of total production in the world. Major tea producing states in India are Assam, West Bengal, Tamil Nadu and Kerala. Assam occupied unique place in India by producing 53 percent of the national production having plantation area of about 3.22 Lakh Hectares which is more than half of the country's total area under tea. The tea industry occupies an important place in Assam and plays a vital role in the state economy by earning foreign currency. Tea industry extended largest support by generating highest employment opportunities in Assam. It is the single largest industry in Assam that provides average daily employment to more than six lakh persons in the State, which is around 50 percent of the total average daily waged employee in the country. In spite of various steps taken by the state authorities as well as tea board of India, Assam tea industry not able to regain the status which was before 1990. This research study tries to find out current status of the tea industry in Assam in comparison to the national 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.

Objective of the Study:

- To study the current scenario of tea industry of Assam in context with the nation.
- To identify the challenges ahead faced by the tea industry in Assam
- To Suggest policy prescription(if any) to remove the challenges

Review of Literature:

Asopa V.N. (2007) pointed out that the extremist in Assam is one of the major concerns for the declination of the growth of the tea industry.

Saikia Biswajeet (2008) in his study regarding the problems facing by the tea garden worker for their identity

and rights. He pointed that tea community in Assam has never received any attention for boosting their development.

Das H N, (2008) pointed that due to higher price, tea producers are facing huge competitions from Sri Lanka, Keniya, Vietnam, Cuba etc., and therefore exports order are gradually falling .Non Scientific variation of prices causes reducing demand of Indian tea in general and Assam tea in particular.

Das Ashim Kr (2009) found in his study that tea industry is being effected due to absence of accurate estimates of the formulation of long term industry wise action plans.

Jain Shweta (2011) identified some major factors as being responsible for India's poor performance of tea industry are high input costs, the old age of the bushes, unskilled labor, and lack of infrastructure, poor price realization, legal problems, outdated machinery, high fixed and labor cost, inefficient Tea Board , inability to compete with other tea producing nations in terms of price, quality, packaging, etc.

Majumder Basu and others (2011) observed that strategies must be adopted to meet up the challenges in global demand for tea industry in India. They suggested promoting tea as health benefit beverage to the nonconventional areas of tea in the world for an expansion in the consumption. Different types of tea products need to be developed for balancing the supply demand chain for the end user.

Hazarika M and other (2011) found that Indian tea industry facing several challenges. Nearly 50 percent of tea bushes in the plantations are more than 50 years old. This factor leads to decline in productivity.

Hazarika K, (2012) pointed that tea sell by auction system where only registered seller, buyer, broker and warehouse can participate in a particular auction. In the auction system producers does not take part in the selling process. The auction system is one sided operation where price determination is mainly controlled by the broker

Anil P.V (2013) observed that India occupies the last position among the major tea producing countries regarding yield per hectare apart from exceptional geo-agro-climate situation has created unique conditions that are very suitable for growing a super fine quality of tea. The average tea yield among the major tea producing countries is 2235 Kg/ha, where as it is 1693 Kg/ha in India.

Methodology:

The study is primarily based on the secondary data gathered from related literature published in the journals, newspaper, books, statements, reports. The nature of study is primarily qualitative, descriptive and analytical. There is no quantitative tool being used for the study.

Analysis of the study :

From the Table 1 it is seen that in the year 2005 total tea production in the world was 3457.59(MKg), which increased by 33.75% in the year 2012 to become

4624.63(MKg). The production share of India with respect to world tea production was 27.36% in the year 2005 and that of China was 27%. In the year 2012, India's share in world tea production became 24.36 % by dropping 3% in compare to the year 2005 while China's share became 38.7% by increase in 11.7 % in compare to 2005. India was the leading tea producer in the world till 2005 but pushed to 2nd position by China in the year 2006 and since then China is the leading tea producing country in the world. . In the year 2012, China produced 38.7% of world tea production while in that year India produced 24.36% which was 14.36% less compared to China's share in the world tea production. The net production of India in 2005 was 945.97(MKg) which increases by 19% and became 1126.33(MKg) in the year 2012. The China produced 934.86(Mkg) in the year 2005 which significantly increased by 91.45% to attain 1789.75(Mkg) in the year 2012. It shows that the production growth of tea is far lagging in India in compare to China as well as global tea production.

Table 1: Global Scenario of Tea Production

Country	Description	2005	2006	2007	2008	2009	2010	2011	2012
China	Total Production (m.kg)	934.86	1028.06	1140	1257.6	1358.64	1370.00	1623.21	1789.75
	Percent of share in world production	27%	28.72%	30.00%	32.54%	34.55%	33.70%	37.76%	38.7%
India	Total Production (m.kg)	945.97	981.81	986.43	980.82	979	966.40	988.33	1126.33
	Percent of share in world production	27.36%	27.43%	26.00%	25.38%	24.90%	23.76%	23.00%	24.36%
Kenya	Total Production (m.kg)	323.50	310.58	369.61	345.82	314.20	399.01	377.91	369.56
	Percent of share in world production	9.36%	8.67%	9.74%	8.95%	8.00%	9.81%	8.80%	7.99%
Sri Lanka	Total Production (m.kg)	317.20	310.82	304.61	318.70	289.78	329.38	328.63	328.40
	Percent of share in world production	9.17%	8.68%	8.00%	8.25%	7.37%	8.01%	7.64%	7.15
Vietnam	Total Production (m.kg)	133.35	142.50	148.27	166.38	154.00	157.00	178.00	190.00
	Percent of share in world production	3.86%	4.00%	3.91%	4.31%	3.92%	3.86%	4.14%	4.11%
Turkey	Total Production (m.kg)	135	142	178.00	155.00	153.00	148.00	145.00	147.00
	Percent of share in world production	3.9%	4.00%	4.69%	4.00%	3.90%	3.64%	3.37%	3.18%
Indonesia	Total Production (m.kg)	156.27	146.85	137.25	137.50	137.50	129.20	119.65	137.25
	Percent of share in world production	4.52%	4.10%	3.62%	3.56%	3.50%	3.18%	2.78%	2.97%
Bangladesh	Total Production (m.kg)	60.60	53.41	58.42	58.66	60.00	59.17	59.32	62.16
	Percent of share in world production	1.75%	1.50%	1.54%	1.52%	1.53%	1.46%	1.38%	1.34%
Others	Total Production (m.kg)	450.84	463.76	473.49	444.31	487.36	508.44	497.17	474.18
	Percent of share in world production	13.04%	13.00%	12.47%	11.50%	12.40%	12.5%	11.56%	10.25%
	Total Production	3457.59	3579.79	3796.08	3864.79	3931.98	4066.60	4299.22	4624.63

Source: Compiled by the researchers from Annual Report, Tea Board of India

ii) Table 2 shows that In the year 2001, Assam produced 453.58(Mkg), 53.11 % of total production India. It has been found that the production tea in Assam has been decreases from 2001 to 2004 and again in 2007 to 2010. In the year 2005, 2006, 2007, 2011, 2012 and 2013 it has increases as compare to previous year. As a result the percentage of share of production has been reduced from 53.1% to 52 % in reference to India. In the year 2013, Assam produced 629.05(Mkg) of tea which reflected an average growth of 38% in compare to the year 2001. Total tea production in India was 1208.78(Mkg) in the year 2013, which shows 41% growth in compare to the year 2001. Average growth of tea production in Assam is less than the national growth.

Table 02 : Production Share of Assam w.r.t National average

Year	Description	Production in (Million Kg)	%age of share of production Assam w.r.t India
2001	Total of Assam	453.58	53.11%
	All Total of India	853.92	
2002	Total of Assam	433.33	51.68%
	All Total of India	838.47	
2003	Total of Assam	434.76	49.5%
	All Total of India	878.13	
2004	Total of Assam	435.65	48.79%
	All Total of India	892.96	
2005	Total of Assam	484.48	51.21%
	All Total of India	945.97	
2006	Total of Assam	502.04	51.13%
	All Total of India	981.80	
2007	Total of Assam	511.88	51.84%
	All Total of India	987.43	
2008	Total of Assam	487.48	49.7%
	All Total of India	980.81	
2009	Total of Assam	499.88	51%
	All Total of India	979.00	
2010	Total of Assam	480.28	49.7%
	All Total of India	966.40	
2011	Total of Assam	508.74	51.40%
	All Total of India	988.33	
2012	Total of Assam	588.14	51.8%
	All Total of India	1135.07	
2013	Total of Assam	629.05	52%
	All Total of India	1208.78	

Source: Annual Report 2010, 2011, 2012, Tea Board and Economic Survey of Assam 2012-13, 2013-14

iii) As per Table 3, it is observed that average yield per hectare of tea in Assam was 1685Kg/hectare in the year 2001 which was more than .6% in compare to the national yield on that year. Subsequent years yield of tea in Assam decreases and reaches to 1513Kg/hectare in the year 2008 which was 10.63% less in compare to the national yield on that year. In the year 2009 it increases to 1567kg/hectare and in the year 2010 yield again decreases to 1510kg/hectare. Production per hectare increases in subsequent years and reached to 1953Kg/hectare in the year 2013, which is also 6.42% less compare to the national yield in that year.

Table 03 : Productivity Per Hectare:

Year	Description	Production in (Million Kg)	Yield (kg/hectare)	Yield of Assam w.r.t. India
2001	Total of Assam	453.58	1685	+.60%
	All Total of India	853.92	1675	

Year	Description	Production in (Million Kg)	Yield (kg/hectare)	Yield of Assam w.r.t. India
2002	Total of Assam	433.33	1601	-1.47%
	All Total of India	838.47	1625	
2003	Total of Assam	434.76	1601	-5.26%
	All Total of India	878.13	1690	
2004	Total of Assam	435.65	1603	-6.42%
	All Total of India	892.96	1713	
2005	Total of Assam	484.48	1622	-4.75%
	All Total of India	945.97	1703	
2006	Total of Assam	502.04	1610	-7.04%
	All Total of India	981.80	1732	
2007	Total of Assam	511.88	1593	-6.56%
	All Total of India	987.43	1705	
2008	Total of Assam	487.48	1513	-10.63%
	All Total of India	980.81	1693	
2009	Total of Assam	499.88	1567	-9.73%
	All Total of India	979.00	1736	
2010	Total of Assam	480.28	1510	-9.47%
	All Total of India	966.40	1668	
2011	Total of Assam	508.74	1579	-6.29%
	All Total of India	988.33	1685	
2012	Total of Assam	588.14	1827	-6.78%
	All Total of India	1135.07	1960	
2013	Total of Assam	629.05	1953	-6.42%
	All Total of India	1208.78	2087	

Source: Compiled by the researchers based on Annual Report of Tea Board

Challenges:

High input cost of production and low price realisation: Input Cost of production of the tea is increasing day by day but the comparative selling price of tea is not increasing. Tea industry is a labour oriented industry where the wages of worker carries almost 65% of the input cost. Daily wages of worker in Assam increases 22% w.e.f. January 2015 that will substantially increase input cost of tea production alone. Increase in cost of fertilizer, electricity, gas/coal, transportation, packaging etc, the cost of productivity gone up significantly. The price of the manufactured tea is not increasing proportionately with respect to the increase in cost of production.

Withdrawing tea production by Large Companies: Recently most of large companies like Tata Group, Hindustan Unilever etc have withdrawn tea productions unit concentrating only on retail business. These big companies are reluctant to operate in the old estate system of production as day by day the input cost of production increasing. Tea production is labour intensive and the bulk of costs for producing tea goes towards labour wages (in some cases as much as 60 per cent). These companies are trying to avoid labour issues as tea producer are getting extensive problems from the labour union regarding facility, wages, etc. of tea garden worker.

c) Role of Consumers: Consumers are the ultimate decision makers. Some time high quality tea in marked by the traders may not prefer by the consumer. Consumers even from the locality of tea gardens may not prefer tea which directly comes from the gardens because of preferences of their taste. Historical factors and agents have influence

over the preference of consumers and these preferences have evolved over a period of time. It is important to understand social consciousness of consumers, class of consumers, based on which products can be prepared.

Adulteration During Manufacturing : Most of the big tea factories are purchasing green tea leaf from the different other tea gardens for manufacturing tea. Generally green leaf purchased from the different tea gardens mixes up during manufacturing process of tea. As the quality of tea leaves varies from garden to garden and hence adulteration chances is more in such manufacturing process.

Unfavorable Weather Condition: Unfavorable weather condition and short of rainfall badly affects the tea industry in Assam. Ecosystem and the weather condition in Assam drastically changes from last few years. As a result rainfall decreases and temperature increasing day by day badly affects tea production in of Assam.

Lack of Proper Marketing: Tea growers in Assam are happy by just selling tea through auction process or by direct selling. No one giving emphasize on the marketing of tea which is essential for the creating market demand. Demand of tea is decreasing day by due to strong marketing of other beverages and lack of awareness among the people regarding benefit of tea.

Lack of Branding and packaging : In these days it is seen that Assam tea is facing branding crisis as most of the bulk tea buyer using their own branding and packaging without mentioning the Assam tea. As a result, Assam tea industry losing a considerable section of consumers due to improper branding.

Old Age of Tea Garden: Most of the tea gardens in Assam are of very old age. Out of which large number of gardens are in sick condition due to old age tea plants, old factories, lack of new technology, low quality tea, improper management. Particularly, the condition tea gardens run by public sector companies are critical. The overall production of these tea gardens is falls below the expectation in these days.

Role of Small Tea Growers: Small Tea Growers (STG) in Assam contributing around 25% tea productions in the State. These tea gardens are smaller size and do not their own manufacturing factory and they usually sell green leaf to large tea estates in lower price. Most of these tea gardens are not registered and hence these gardens do not receive government subsidies, loans, financial assistance etc. As a result survival of these gardens is a big concern in coming days.

Pest attack and Chemical Composition: Prevention from Pests attack of tea leaf is another big challenge for Tea Industry. As application anti pest spray may increase in pesticides in tea leaf which may harmful for consumer. Export of over pesticide tea is difficult in the European countries due high consciousness in these countries. Application of such chemicals also may change the chemical composition of tea and may affect the actual test of such tea.

Suggestions:

Input cost to be lowered: For survival of tea industry and for optimum surplus, unit cost of production is to be lowered. Due to inflation and domestic price rise, wages of employees in tea industry is to be hiked. Hence alternate measure to be taken to reduce other input cost and with

optimum utilization of gardens resource. Big tea estates can use their space for production of electricity by using solar energy/ wind energy which will decrease input cost of production. Organic farming is another key suggestion to decrease input cost of production.

Proper Marketing : It has been observed that tea growers are interested to just sell tea to the bulk purchaser who is readily available even by compromising price. No one want to go for regarding promotion of own manufactured tea by proper marketing. To survive tea industry in future, the grass root level producer are to be market their tea product properly to reach directly to consumer. Producer should directly reach to the consumer by using appropriate marketing tools like advertisement, participating to expo, government and Pvt. Sponsor events, campaigning etc

Appropriate branding can prevent fall in price: It is seen that the fall prices of Assam tea is only for bulk selling while retail price of tea in the market is quite satisfactory. It implies that the tea producers are not getting the proper price benefit though demand of the same tea in market is high. High quality and high flavoured of Assam tea sell by using other brand in retail market and hence Assam tea losing dignity. Fall of price for bulk sell can be prevented if tea growers sell with own branding and packaging as Assam brand has high demand.

Replantation of old tea plant : Old plant area should be re-planted with new tea plants with modern plantation technology to increase in growth of production per hectare. Genetically modified variety of tea should be planted to get good flavor and optimum production.

Modernization of factories: Most of the tea manufacturing factories are with very old machinery. These Tea factories to be automated and quality of the tea to be monitored in each and every instant during manufacturing of tea. The quality of tea can be standardized by proper monitoring and adjusting different parameters during manufacturing time using advance software.

Registration of Small Tea Growers: Small Tea Growers those who are contributing a major share of the tea production of Assam are to be give more attention by different authorities. Most these growers are producing green tea leaf and selling to the big growers with lesser prices. Authorities should register all these Small Tea Growers through easy procedure for their better service. Necessary steps to be taken to extend financial support, government subsidy, consultancy, regular training, marketing etc

Prevention from Adulteration: Mixing up of green during tea plucked from different tea gardens are to be prevented. As the quality of tea varies from garden to garden and hence upon mixing up green tea good quality tea become adulterated. Green tea leaf from respective garden and variety should process separately in the factories.

Proper Monitoring of Auction Process: Auction of tea should be monitored properly. Some tea gardens can join in auction system and some are directly selling tea in the market. This leads to the confusion regarding actual price of bulk sell. Fall of unit prices as well quantity of tea auctioned in Guwahati Tea Auctioned Centre (GTAC) in past few years is a big concern for the tea growers in Assam. It is to be monitored that whether any third party involved in artificial decrease in price to create a fare psychosis among the tea producers. E-Auction in GTAC is to be strength-

ened and to be ensured for participation of more buyers and sellers.

Conclusion:

From last decade the production and growth of these tea industries of Assam, which are back bone of the economy of the state as well as largest employment generator, are not up to the mark. The growth of the industry is not satisfactory due to different reasons. Many factors have been cited as causing the crisis in the Indian tea sector—since the late 1990's. Assam tea is known world over for its distinctive quality. Out of all tea producing states of the country, Assam is the largest tea producing states. The Tea industry occupies an important place in Assam and plays a very special role in the State economy in particular and in the national economy in general. Government earns good amount of revenue in the form of VAT, Sale Tax, and Income Tax etc. Most of these tea growers are come under direct slab of income tax as a result government receiving a good amount of revenue from these tax payers. All the complied data is the cause of serious concern as it is reflecting the sick condition of the tea industry of Assam. It is important to revive this industry where about 25% of total population of Assam is directly and indirectly engaged. A strong initiative should be taken to revive this industry as it was before 2001 and to get back its pride in international market. For optimum benefit of the industry may give emphasize to produce value-added products like medicinal tea, organic tea, genetically modified varieties of tea plants and flavored tea .

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