

GROWTH AND PRESENT EXPORT STATUS OF INDIA'S TEA INDUSTRY IN THE INTERNATIONAL MARKET

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Abstract

The Indian tea industry is globally recognized for its rich heritage, diverse tea varieties, and high-quality production. With a strong presence as one of the largest tea producers in the world, tea cultivation is concentrated in regions such as Assam, West Bengal, and the Nilgiris. Despite challenges including climate change impacts, rising labor costs, and outdated infrastructure, the industry has displayed resilience and adaptability by adopting sustainable practices and modern technologies to improve productivity and quality. The demand for Indian tea has witnessed steady growth in key markets like the United States, Russia, the United Kingdom, and the Middle East, while also exploring new markets in emerging economies. The industry's exports play a vital role, bolstering its global presence, and efforts by the Tea Board of India and other stakeholders have successfully promoted Indian tea through various platforms, enhancing its visibility and market share worldwide. This study provides an overview of the present status of the Indian tea industry in the international market addressing to the questions such as What are the key factors contributing to the growth of the Indian tea industry in the international market? What are the main challenges faced by the Indian tea industry in maintaining and expanding its market share globally?

Keywords: Indian tea industry, international market, production, exports, average price, challenges, sustainability, future prospects.

Introduction

The Indian tea industry has a long and rich history and is one of the largest producers and exporters of tea in the world. Tea cultivation in India dates back to the early 19th century when the British introduced commercial tea production in the country. Since then, the industry has grown significantly and has become an integral part of India's agricultural and economic landscape. India is the second-largest tea producer in the world, after China. The growth and significance of India's

tea industry as the largest producer and consumer of tea, emphasizing the need for improvements in research, technology, and market competitiveness to enhance export capabilities and ensure sustained growth in the international market. (Nath Samantaray & Ashutosh, 2012). India's diverse tea-growing regions, with their unique soil and climate characteristics, allow for the production of a wide range of tea varieties that cater to diverse consumer preferences. The concentration of tea cultivation in northeastern and southern states, such as Assam, West Bengal, Tamil Nadu, and Kerala, contributes to the country's rich tea heritage. Indian teas, including Assam, Darjeeling, and Nilgiris, are globally renowned for their distinctive flavors, aromas, and characteristics, with premium and specialty teas like Darjeeling commanding higher prices in the market. Indian tea is highly regarded worldwide for its exceptional flavors and quality, and India's tea exports to over 100 countries solidify its significant presence in the global tea market. The average price of Indian tea in the international market can be influenced by factors such as tea type and quality, global supply and demand dynamics, currency exchange rates, market competition, and trade policies, resulting in price fluctuations over time.

The Tea Board of India, the governing body for the tea industry, has implemented various initiatives to promote and support the growth of the sector. Government of India along with Tea Board of India has implemented a medium term frame work during 2017-20 – Tea Development and Promotion Scheme supported Indian tea growers with financial support, which paved the way to produce quality tea. TDPS also supported with branding and market positioning which helped them to capture the international market. Scheme supported with foreign trade fairs and exhibitions internationally for Indian tea. TDPS also includes quality control measures, research and development programs, and efforts to enhance sustainability and traceability. Certifications such as the Rainforest Alliance and Fairtrade have also helped Indian tea producers to access niche markets and cater to socially and environmentally conscious consumers.

Despite its significant contribution to the economy, the Indian tea industry faces various challenges, including competition from other tea-producing countries, fluctuating weather conditions, and labor issues. Additionally, climate change and changing consumer preferences pose both risks and opportunities for the industry. Despite challenges such as reduced cultivation area and increased domestic consumption, India has managed to maintain its position in the global tea export market by offering diverse qualities and flavors to cater to the preferences of

international consumers.(Mushtaq, n.d.)Despite facing tough competition from other tea-producing countries, the Indian tea industry has displayed resilience and adaptability, positioning itself for continued growth. Climate change poses a long-term challenge, necessitating sustainable practices and the development of heat- and drought-resistant tea varieties. Infrastructural deficiencies, including transportation, storage, and processing facilities, need to be addressed to support the industry's expansion. Adapting to evolving consumer preferences while meeting international quality standards can be demanding, especially for smaller estates and farmers. Government policies, trade collaborations, and participation in international events are instrumental in driving the industry's growth and market performance, enabling Indian tea to access new markets and opportunities.

To ensure sustained growth, Indian tea producers must adapt to changing consumer preferences by offering organic, specialty, and health-focused teas, while also adopting sustainable production practices. Effective branding and marketing strategies are crucial for promoting Indian tea internationally and building a strong brand image. Monitoring market dynamics and competitor strategies, and responding effectively to market challenges, are essential for maintaining competitiveness. Additionally, maintaining price competitiveness in the global market, taking into account production costs, quality, and market positioning, is crucial for gaining market share and ensuring profitability in the industry.The global competitiveness of tea production revealed that South Indian states had a labor and cost advantage, while Assam and West Bengal gained profit advantages through marketing quality teas. Indian tea producers should adopt modern technology, digitalization, and diversification, while also considering market realities and the need to be competitive and offer graded and value-added teas to meet the unique demands of foreign buyers. Repositioning product lines may also be beneficial to generate increased demand for their offerings.(Ghosh Hajra, 2021)

Statement of the Problem

The Indian tea industry plays a significant role in the international market, but understanding its growth and present status is crucial for sustaining and expanding its market share. The study addresses the need to understand the current state of India's tea industry in terms of its export performance and global market position. It also aims to examine the growth trends and current

status of the Indian tea industry in the international market based on production, export quantity and value, and average price of Indian tea.

Scope of the Study

Examining the growth patterns and trends of India's tea exports over a specific period, considering factors such as volume, value, and destination markets. Identification of factors impacting export performance: Identifying the key drivers and challenges influencing India's tea exports, such as government policies, trade agreements, production practices, packaging, distribution channels, and consumer preferences. Providing insights and recommendations based on the study's findings to enhance India's tea industry's export performance, including strategies for market diversification, value addition, product innovation, and quality assurance.

Objectives:

- To identify the key factors influencing the growth and market performance of the Indian tea in the international market.
- To analyze the growth trends and current status of the Indian tea industry in the international market.
- To compare the potential of Indian tea in the international market with that of the pricing strategy of tea exporters in Kenya and Sri Lanka

Research Methodology

This empirical study utilizes secondary data from Tea Board of India and trade statistics of EXIM Bank, RBI, journal and other reports to analyze production, export quantity, export value, and average price data of Indian tea from 2015 to 2021. Quantitative methods such as descriptive statistics and compounded annual growth rate will be employed to identify growth trends and analyze the data.

Analysis & Interpretation

Tea Production in India (In Qty -Million Kgs)

Year	2015	2016	2017	2018	2019	2020	2021
Production	1208.66	1267.36	1321.76	1338.63	1390.08	1257.53	1343.06

Mean	100.72	105.61	110.15	111.55	115.84	104.79	111.92
Std. Dev	55.21	57.32	59.04	63.35	62.70	64.94	63.84
AGR	0.11	4.86	4.29	1.28	3.84	-9.53	6.80
CAGR	1.52%						

Source: Tea Board of India

The production of Indian tea has shown fluctuations over the years, with a notable drop in 2020 due to the COVID-19 pandemic. The mean values indicate an increase in tea production from 2015 to 2019, with the highest mean value observed in 2019. However, there was a decrease in 2020. The standard deviation values highlight significant variability in production, with higher values in recent years. The AGR of tea production fluctuated, with a sharp increase in 2016 and a decrease in 2020. The CAGR of 1.52% suggests a modest growth rate for the Indian tea industry during the period of 2015-2021.

Export of Tea (Qty -Million Kgs)

Year	2015	2016	2017	2018	2019	2020	2021
Export	228.66	222.45	252.01	256.06	252.15	209.72	196.54
Mean	19.06	18.54	21.00	21.34	21.01	17.48	16.38
Std. Dev	4.38	3.08	4.42	2.84	1.76	3.45	2.57
AGR	13.63	-2.72	13.29	1.61	-1.53	-16.83	-6.28
CAGR	-2.1%						

Source: Tea Board of India

The export quantity of Indian tea has shown fluctuations over the given period, with growth from 2015 to 2018, followed by a slight decrease in 2019 and a significant decline in 2020 and 2021. The mean values indicate that the average export quantity has remained relatively stable, with 2018 having the highest average export and 2021 having the lowest. The standard deviation values suggest variability in export quantity, with 2015 having the highest deviation and 2019 the lowest. The annual growth rate (AGR) data indicates both positive and negative values, reflecting years of growth and decline in export quantity. The calculated compound annual growth rate (CAGR) of -2.1% suggests a decline in the export quantity of Indian tea at an average annual rate of 2.1% over the given period.

Export (INR in Crores)

Year	2015	2016	2017	2018	2019	2020	2021
Export	4355.32	4468.11	4987.59	5335.33	5737.66	5235.32	5311.15
Mean	362.94	372.34	415.63	444.61	478.14	436.28	442.60

Std. Dev	105.36	70.91	90.38	79.98	41.09	113.82	72.88
AGR	10.85	2.59	11.63	6.97	7.54	-8.76	1.45
CAGR	2.9%						

Source: Tea Board of India

The trend in the export value of Indian tea suggests overall positive growth with fluctuations and a temporary dip in 2020 followed by a recovery in 2021. The export value increased from 2015 to 2019, reaching its peak in 2019 at 5737.66 INR crores. There was a slight decrease in 2018 before the peak year. In 2020, the export value decreased, likely due to various factors such as the COVID-19 pandemic, but recovered in 2021. The monthly average export value has been increasing with fluctuations, with the highest average recorded in 2019. The standard deviation values indicate variations in the data, with 2020 showing the highest dispersion. The AGR fluctuated during the period, with some years experiencing high growth rates and others facing slowdowns or contractions. The CAGR of 2.9% suggests modest average growth in the export value of Indian tea during the period.

Export Unit Price (INR in Crores)

Year	2015	2016	2017	2018	2019	2020	2021
Mean	18.80	20.05	19.78	20.74	22.76	24.31	27.04
Std Dev.	1.75	1.38	0.40	1.45	0.80	3.08	1.82
AGR	15.54	6.63	-1.34	4.85	9.78	6.78	11.26
CAGR	5.3%						

Source: Tea Board of India

The average export unit price of Indian tea has shown an increasing trend, rising from 18.80 Crores INR in 2015 to 27.04 Crores INR in 2021, indicating an increase in the value of the exported goods. The standard deviation of export unit prices varied across the years, with higher variability observed in 2020. This suggests that prices had a wider range of variation in that year. However, the standard deviation was relatively low in 2017 and 2019, indicating more stability in export unit prices during those years. The AGR for Indian tea export unit price showed fluctuations, with the highest growth rate observed in 2015 and 2021. The CAGR of 5.3% indicates a moderate level of annual growth in the export unit price of Indian tea during the period. The data indicates an increasing trend in export unit prices with fluctuations over the years.

Auction Price

Year	2015	2016	2017	2018	2019	2020	2021
Mean	120.83	131.63	131.30	135.13	138.48	172.10	172.03
Std Dev.	15.87	12.50	10.06	16.08	13.10	57.56	12.83

Source: Tea Board of India

The average auction price of Indian tea has steadily increased from 120.83 in 2015 to 172.03 in 2021, indicating an upward trend. The significant increase in 2020 to 172.10 suggests factors such as increased demand or limited supply. The standard deviation has fluctuated over the years, with 2020 experiencing higher volatility compared to previous years. In 2021, the auction price remained stable with a lower standard deviation.

Potential growth during scheme and new scheme period

Year	India	Growth Rate	Sri Lanka	Growth Rate	Kenya	Growth Rate
2017	197.99	1.43%	134.15	(4.83%)	141.12	0.98%
2018	208.36	5.24%	144.93	8.05%	180.35	27.82%
2019	225.97	8.44%	166.32	14.75%	159.12	(11.77%)
2020	249.63	10.47%	177.89	6.96%	166.96	4.92%
2021	268.39	7.51%	219.95	23.65%	198.49	18.83%
2022	275.50	2.65%	192.80	12.35%	189.02	(4.76%)

- Indian Tea Industry:** The Indian tea industry shows overall growth during the given period. From 2016 to 2022, the tea production in India has steadily increased. The growth rates have been varying each year, but the industry has shown consistent expansion.
- Sri Lankan Tea Industry:** The tea industry in Sri Lanka has also experienced growth over the years. From 2016 to 2022, tea production in Sri Lanka has increased, although the growth rates have been fluctuating. Sri Lanka's tea industry shows a generally positive trend, with some years experiencing higher growth than others.
- Kenyan Tea Industry:** The tea industry in Kenya exhibits a mixed pattern. While there has been growth in tea production, the growth rates have varied significantly from year to year. Some years, such as 2018 and 2021, showed substantial growth, while other years, like 2020 and 2022, had lower growth rates or even negative growth.

Findings

India's tea production during 2015-2021 has shown fluctuations, with some years experiencing growth and others witnessing a decline. The support and financial assistance provided to tea

growers through the TDPS scheme may have played a role in boosting tea production by facilitating activities like replanting and rejuvenation.

Tea exports experienced a significant decline in 2020 and 2021 compared to previous years. However, the average export quantity remained relatively stable, with the highest average recorded in 2018 and the lowest in 2021. AGR and CAGR suggest that there are opportunities for growth and improvement in the tea export industry.

The overall trend in export values shows positive growth, indicating an increase in export activities. However, there are fluctuations in export values from year to year. AGR and CAGR for Indian tea export value suggest significant fluctuations in the growth rate of tea exports during the 2015-2021 period.

The average export unit price of Indian tea has consistently increased from 2015 to 2021, indicating a rise in the value of exported tea. Despite fluctuations, the overall trend shows a favorable market reception. AGR and CAGR indicate positive growth in the export unit price.

The auction price of Indian tea in the international market has shown an upward trend from 2015 to 2021, with fluctuations. The standard deviation has also fluctuated, indicating market volatility. The increase in auction prices can be seen as a positive outcome of the TDPS scheme's efforts to enhance the competitiveness of the Indian tea industry.

Overall findings suggests that, Indian tea has a potential growth in the global market because of its effective export pricing strategy according to the market situations and also with the support of the Government along with Tea Board of India through the TDPS medium term frame work 2017-20 to promote the tea growers in India.

Suggestions & Conclusion

1. **Enhance production support:** Continue implementing and expanding support schemes like TDPS to provide ongoing assistance and financial support to tea growers for activities such as replanting and rejuvenation, which can further boost tea production.

2. **Address export quantity decline:** Develop strategies to identify and mitigate factors contributing to the decline in tea exports, such as improving quality control, exploring new markets, and promoting Indian tea abroad.
3. **Foster export value growth:** Capitalize on the positive growth trend in export values by focusing on value-added tea products, investing in marketing and branding efforts, and establishing collaborations with global distributors for direct trade opportunities.
4. **Maintain price stability:** Aim to achieve a stable pricing environment by conducting market research, maintaining consistent quality standards, and cultivating long-term relationships with buyers.
5. **Foster collaboration and research:** Encourage collaboration among tea growers, industry associations, research institutions, and government agencies to collectively address challenges and identify opportunities. Promote research and development activities to enhance productivity, sustainability, and quality in tea cultivation and processing.

By implementing these strategies, the Indian tea industry can pursue sustainable growth, enhance its competitiveness, and strengthen its position in the global market.

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Addressing these challenges requires collaboration between tea producers, the government, and industry stakeholders. Initiatives such as research and development, investment in infrastructure, promoting sustainable practices, improving labor conditions, and diversifying tea products can help overcome these challenges and ensure the long-term growth and competitiveness of the Indian tea industry.

In conclusion, the Indian tea industry has witnessed significant growth and continues to play a crucial role in the international market. With its diverse range of teas, focus on quality, and efforts towards sustainability, the industry remains a strong competitor in the global tea trade.