

# THE PROBLEMS AND PROSPECTS OF INDIAN TEA EXPORTS INDUSTRIES

**B.NAVITHA<sup>1</sup> & Dr.S.SETHURAJAN<sup>2</sup>**

<sup>1</sup>Research Scholar, T.S.A.Arts, Science and Tamil College, Perur, Coimbatore – 641010

<sup>2</sup> Associate Professor of commerce, Dept.Of Commerce, T.S.A.Arts, Science and Tamil College, Perur, Coimbatore – 641010

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## ABSTRACT

*India is the largest producer and consumer of black tea among the world product tea is produced in 15 states in India. India in all aspects of tea production, consumption and export has emerged to be the world leader mainly because it accounts for 30% of global production of tea. Perhaps the only industry where India has retained its leadership over the last 150 years. In all aspects of tea production, consumption and export. India has emerged to be the world leader. India exports tea mainly to Russian and European countries. It also export to U.S.A, Japan, West Asia, and the Asia pacific Region. The research has used econometric and statistical tools for analyzing the data .The study found that the 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. There are no of exporters in India, which comprises of both small tea exporter and medium and large exporter registered in tea board. The employees are facing the major problem of insufficient wage rate compared to the living expenditure and they are found to be dissatisfied with poor working conditions and the tea plantation industry is facing a crisis. Present study attempts to examine the problems and prospects of tea plantation industry and proposes to undertake a detailed analysis of its growth performance in terms of trends in output area and yield. The present study is based on the secondary data for analysis. The study covers the period of 5-6 years from 2011-16.*

## INTRODUCTION AND DESIGN OF THE STUDY

Tea plantation industry is a combination of industry and agriculture plantation is a large estate on which crops such as tea, coffee, rubber and so on are grown. Production of tea leaf is an agricultural activity while its processing is an industrial activity. Most of the large estates process raw leaf in their own factories. Tea industry is considerable importance in the national economy of India in terms of income generation, earning foreign exchange, employment generation and contribution to the national exchequer.

In India has the largest producers and consumers of tea in the world. This is the only industry where India has retained its leadership over the last 50 years. In India total agriculture exports during 1981-90 is 20.16% during 2001 – 04 it has come down to 5.78%. During 2015-16 tea exports reached 232.92 million a growth of 17% year to year.

Tea exports from India reached 42.06 million kgs during April -June, 2016 has growth of 2.56%. India is holding on to its position as the largest producer of tea in the world. Fifty years ago India accounted for half of global tea exports. The largest expertise of tea in the world is Kenya, followed by srilanka and china. Today its share is eleven percent and steadily decreasing. The net result is India earns few dollars for the tea sales to the world today than it did almost comedown.

## OBJECTIVES OF THE STUDY

- ❖ To study the export marketing trend of tea product.
- ❖ To study overall growth of India's tea export from the year 2011- 16.
- ❖ To identify different marketing functions performed by exporter and the factors influencing of tea product.
- ❖ To examine the problems of tea export.

## REVIEW OF LITERATURE

- ✓ To retain our position as the large exporter of tea, it is most important to maintain a consistently high quality, in view of new competition emerging in the international tea scene (Turbo, 1986). It is important to maintain a certain level of equilibrium in production, domestic consumption, export and prices to the continued growth in Indian tea industry.
- ✓ Though India is still the largest producer of tea in the world, increasing domestic intake entails that production must increase if exports are to remain unaffected (Aruja, 1999).
- ✓ The challenge before the tea industry is to increase price, improve quality and ensure that tea is available at a price remunerative to the producers and affordable to the domestic consumers and have sufficient surplus to meet the export requirement (Dalnya, 2002).

- ✓ India plays a significant role in the world tea trade being the world's largest producer, Consumer and exporter. Hence fluctuation in India's tea production, consumption and exports are enough to disturb the international tea trade (Paul, 2004). To improve the Indian economic position, the government should take appropriate steps to increase the export of tea and develop the industry as well.

### HYPOTHESES FRAMED

1. India share in world tea export is showing a downward trend.
2. Tea board plays a prime role in the export of tea.
3. Strategic selection of marketing will facilitates to promotion of tea exports.

### RESEARCH METHODOLOGY.

The study is undertaken by over all India. The secondary data is collected through annual report of Tea Board and sources from internet. India was once the leading producer of tea in the world but now a day the contribution of India in the world is declining. The study area is India and the research has compared India's tea economy with the other tea producing countries in the world.

The present study covers the period of 5 years from 2011 to 2016 and study based on secondary data collected from the tea board of India. The researcher has applied about statistical tool to analyzing the data.

### Tea Board

Tea board was set up as a statutory body. Under the tea Act 1953 the board is headed by a chairman and consists of 30 members appointed by the government of India representing different sections of the tea industry. The board head office is situated in Kolkata and there are two zonal offices. One each in North Eastern region at Guwahati in Assam and in Southern Region at Coonoor in Tamil Nadu. The responsibilities of the Board include production, productivity and quality improvement, market promotion and welfare measures for plantation workers and supporting and Research development. Being a regulatory body the Board experts control over producers, manufactures , exporters , tea brokers, buyers, auction organizers and warehouse keepers through various control orders notified under the Tea Act 1953.

### INDIAN'S POSITION IN WORLD TEA EXPORTS

The performance of India's tea export comparing it with the tea export performance of other major tea exporting countries. Major tea exporting countries of the world are Kenya, Sri Lanka, china, India and Indonesia, however prior to evaluation of export performance of major tea exporting countries in the world. On the production India has been the major producer of the tea in the world. Other major producing countries include china, Sri Lanka, Kenya and Indonesia during 1951-60. India has produced around 40% of world production declined to 26% in 2004. Tea exports from India reached 42.06 million kgs during April-Aug2016 was growth of 2.56%. during 2015-16 tea exports reached 232.92 million a growth of 17% year to year.

- India is fourth largest expertise in the universe of tea export.
- India standards 13% of total world trade export.
- India's estimated export was 2,03,120 metric tons which produced from 2393 crores.
- From April 2008 to march 2009 India has exported 1,90,640 metric tons of tea at per unit Rs124.94 per kg and earning foreign Exchange standards for U.S\$ 518.0 million.

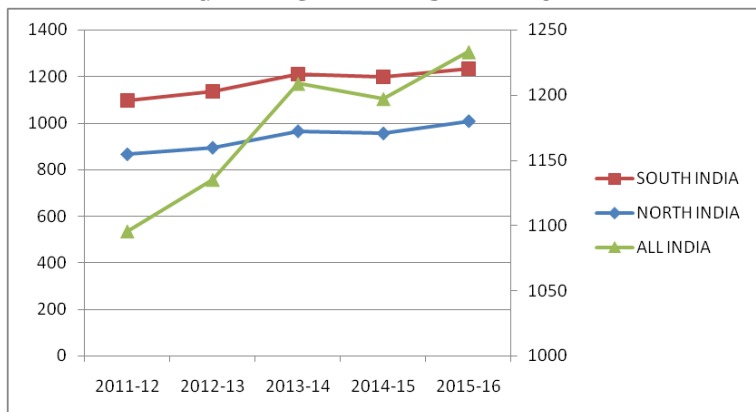
### PRODUCTION OF TEA LAST DURING THE LAST FIVE FINANCIAL YEARS ( IN MILLION Kgs).

Year	North India	South India	All India
2011-12	865.59	229.87	1095.46
2012-13	893.98	241.69	1135.07
2013-14	965.07	243.71	1208.78
2014-15	955.82	241.36	1197.18
2015-16	1008.56	224.58	1233.14

Source: calculated from tea statistics, tea board of India various issues

Comparably with last four years it is found that in the years 2016 the tea has increased its production as 127.10kgms. The highest production stool in the year 2015 as 110.78 mkgs in 2014 as 101.31 mkgs and in 2013 as 112.48 mkgs. From the above it is clear that there is a fluctuations in the production of tea in every years of the present study.

**GRAPHICAL REPRESENTATION**



**Exports**

India has exported 182.6m.kgs of tea and it has increased to 207.44 m.kgs in the year 2014. During 2016-2017 exports data are provisional and based on the return received from the registered exporter. During the current financial year 2016-2017 provisional exports stood at 80.19 m.kgs, with FOB value of Rs.1,647.68 crore as compared to 83.28 m.kgs and FOB value of 1656.39 crore of corresponding period.

**EXPORTS OF TEA FROM INDIA DURING THE LAST SIX FINANCIAL YEARS**

YEAR	QTY MKGS	VALUE RS CROR	VALUES MILLION	UNIT PRICE KG	UNIT PRICE(Per Kg)
2011-12	211.9	3230.13	472.63	162.43	2.23
2012-13	216.23	4005.93	493.00	185.26	2.28
2013-14	225.76	4509.09	496.67	199.73	2.20
2014-15	199.08	3823.64	625.55	192.07	3.14
2015-16	232.92	4493.10	686.67	192.90	2.95

Source: calculated from tea statistics, tea board of India various issues  
 QTY=Million Kgs, Value = Rs in Crores, Up = Unit price in Rs/Kg

**PRICES**

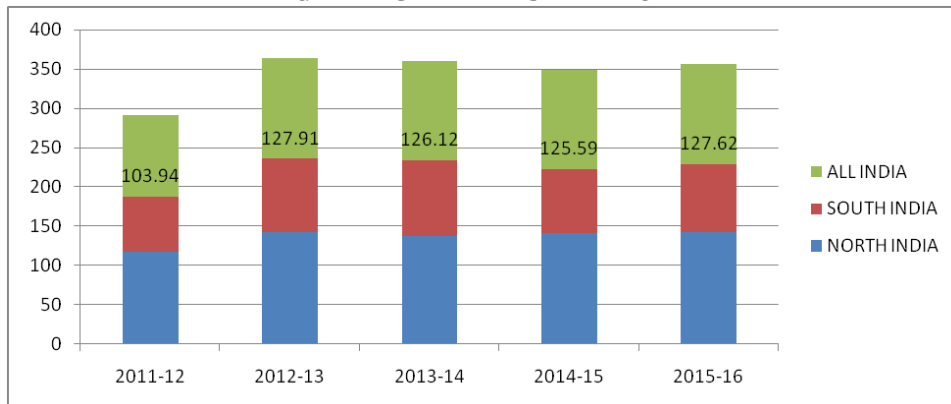
During the financial year 2016-2017 the all India auction prices increased by Rs 12.88 per kg compared to the corresponding period of last five years. North India auction prices were increased by Rs24.19 per Kg

**Average prices of tea per Kg sold in public auctions**

Period	North India	South India	All India
2011-12	117.01	70.26	103.94
2012-13	142.09	93.75	127.91
2013-14	137.61	95.82	126.12
2014-15	141.46	81.15	125.59
2015-16	142.91	85.64	127.62

Source: calculated from tea statistics, tea board of India various issues

**GRAPHICAL REPRESENTATION**



**AVERAGE PRICES OF TEA PER KG SOLD IN PUBLIC AUCTIONS****ANOVA****One-way completely randomized**

<b>WORLD EXPORT OF TEA</b>					
	<b>KENYA</b>	<b>CHINA</b>	<b>INDIA</b>	<b>SRILANKA</b>	<b>OTHERS</b>
1	24	18	12	17	28
2	24	18	12	17	29
3	26	18	12	17	27
4	27	17	11	17	28
5	25	18	13	17	27
6	27	18	12	16	27
<b>n</b>	6	6	6	6	6
<b>X</b>	25.500	17.833	12.000	16.833	27.667
<b>s</b>	1.378	0.408	0.632	0.408	0.816
<b>X<sub>ave</sub></b>	19.967				

Source : computed data

Table value table F ratio for df 4 and 25 at 5% level of significance is 2.76

<b>source</b>	<b>df</b>	<b>SS</b>	<b>MS</b>	<b>F</b>	<b>P-value</b>
treatments	4	1006.467	251.617	381.2374	1.0000
error	25	16.500	0.660		
total	29	1022.967			

Source : computed data

Interpretation As the calculated f ratio is higher than the table f ratio, the alternative hypothesis is accepted.

**INFERENCE**

Null hypothesis – There is no significant difference in the performance of the five countries of tea export.

Alternative hypothesis – There is a significant difference in the performance of the five countries of tea export.

**Tea promotion**

One of the main function of the tea board is to carryout promotional activities aimed at improving the consumption of tea and improving the demand for more value. Indian tea in the international from the export. India produced 1209 m.kg of tea during 2013-2014 and registered a growth of 6.49% as compared to 2012-2013 911mkg was consumed domestically witnessing a growth of 2.25%p.a. The tea board has organized a number of promotional activities such as participations in domestic trade fairs for propagating the health and wellness benefits of tea , advertisements extolling the virtues of tea have also been released in important publications.

**MAJOR PROMOTIONAL EVENTS**

- Forward to India
- Darjeeling charity auction
- Participation in major trade events
- India tea seminar and contests
- Publicity through social Media and website
- Sponsorship program and
- Visual and print media publicity

**INCENTIVES TO EXPORTS**

- Transport subsidy given for tea exported from ICD Amingaon in Assam state.
- Reimbursement of travel and participations costs to the eligible exporters in trade exhibitions in the overseas markets.
- Close monitoring mechanism was put for protecting Darjeeling tea in key export markets.

## PROBLEMS OF TEA EXPORTS

Indian tea exporters are facing uncertainty from two of its major markets in Iran and UK. The UK is flooded with cheaper grade tea from Kenya which is spoiling Indians chances there. Similarly India is facing a problem in the payment mechanism with Iran as the country wants tea trade to be conducted in dollars instead of rupees.

The exports fell 5.19% 2016 to 216.79 m.kg. The unit price realizations in 2016 were the same as the previous year in dollar terms but higher by 4.8% when concerned to rupee terms.

The 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 has exported 182.6m.kgs of tea and it has increased to 207.44 m.kgs in the year 2014. The contributions of the country towards the world tea export were 13.14% in the year 2001 but it has come down to 11.34% in the year 2014. There is an increase in tea export in quality terms but not percentage terms. At present China is the leading exporter of tea on the world and exporting 18.76% of tea produced internally. The export of tea from India has gradually decreased from 42% in 195.60 to 13.55% in 2001-04 (Ashok Wagh 2014) the reason for this decline is that was a continuous increase in domestic consumption of tea, loss of competitions spirit of India at the international level and the rise of two small tea producing nations namely Sri Lanka and Kenya have surprised the average tea export of India.

## FINDINGS OF THE STUDY

- The growth area of tea plantation in India is higher than the global area also with a lower volatility registered.
- However average protection and yield are lowering in the case of India though the instability is slightly lower than the resisted at the global level
- Export of tea in south India had made head way than that of north India.
- In term of area the northern region had register a higher status.

## SUGGESTIONS

1. India doesn't have any powerful branch to support in promotion driving the export tea market. To win the confidence of lost foreign markets among a global consultancy firm has identified the need to revitalize image of India tea in the international market.
2. Improvement of supply chain management inside the country and global tea marketing network has to be made.
3. The actual producer of tea has no direct link with the ultimate consumer because of tea sold to the bulk purchaser through direct sale or through action to big buyers. Therefore the producers do not understand the market demand choice of the customer. It is very important in today's market economy

## CONCLUSION

The present study has explicit coverage of export marketing of agricultural products with special reference to tea. The major factors responsible for poor performance of tea exports which are identified in the present study namely rising domestic demand, slow increase in yield and slow expansion of area under tea cultivations unable to compete with major tea exporting countries increase in world supply of tea compared to world demand.

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