

## AN ECONOMIC STUDY OF TEA INDUSTRY IN INDIA: A STOCK TAKING FOR SIX AND HALF DECADES

**\*Mousumi Das and Sankaran, A.**

Department of Economics, School of Management, Pondicherry Central University Pondicherry-14, India

### ARTICLE INFO

#### Article History:

Received 07<sup>th</sup> July, 2018  
Received in revised form  
21<sup>st</sup> August, 2018  
Accepted 02<sup>nd</sup> September, 2018  
Published online 30<sup>th</sup> October, 2018

#### Key Words:

Tea, Indian tea industry,  
Tea production, Tea export,  
Performance of tea industry.

### ABSTRACT

In this study an attempt has been made to assess the performance of tea industry in India for the past six and half decades. In order to assess the trend of the tea industry in India, the time series data have been collected from tea board of India and other published materials for the period of 67 years from 1951-52 to 2016-17. The variables used in the study includes total area allotted for the cultivation of tea (thousand hectares), total number of members involved in the production of tea (in numbers), total value of production and total value of exports both are in terms of monetary value. The result of the study revealed that the total area allotted for the cultivation of tea and the volume of production have been increasing in the absolute term. An amazing performance was shown by export of tea production over the period under study. At the same time, the employment generated by the tea sector was not appreciable, showed a fluctuating trend. This may be due to mechanization process and closure of some branches particularly in West Bengal and Assam.

Copyright © 2018, Mousumi Das and Sankaran, A. This is an open access article distributed under the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

**Citation: Mousumi Das and Sankaran, A. 2018.** "An economic study of tea industry in india: a stock taking for six and half decades", *International Journal of Development Research*, 8, (10), 23681-23684.

### INTRODUCTION

Tea is a most popular and lowest cost beverage on the planet; since it is affordable to even a large number of low income people in the world. The available statistics revealed that the cultivation of tea is confined to only few parts of the world due to the need of appropriate climate and social conditions. In the world, Asian sub-continent has encompassed by most of the tea producing nations such as China, India, Sri Lanka (Shrabanti Maity & Maumita Gosh, 2015, and Talukdar & Hazarik, 2017). There are six nations which are contributing around 80 per cent of the total tea production of the world; the nations include China, India, Indonesia, Sri Lanka, Kenya and Turkey. (Prmod Kumar, 2008). India is the second largest nation with respect to the total area allotted for the production of tea and volume of production in the world. Its contribution in those areas is 20 per cent and 25 per cent respectively. It was found that India maintains its predominant place in the global business arena in tea production/export over the past 150 years (Nagoor, 2009). Tea industry has been playing a significant role in the socio-economic development of India right from the historical period.

**\*Corresponding author: Mousumi Das,**  
Department of Economics, School of Management, Pondicherry Central University Pondicherry-14, India.

The existing information revealed that India is a leading producer and consumer of tea in the globe. During the past few decades, this sectors contribution in employment generation, income, and foreign exchange earner was commendable. In a recent study it was reported by Talukdar & Hazarik (2017) that India holds about 21 per cent of area under tea, through that it contributes 22.68 per cent of the total tea production of the world; and offers 3.22 per cent to the overall GDP in India. Industry like tea has its own significance in populous and developing countries like India (where unemployment and underemployment is one of the major problems), as it is providing handful employment opportunity to a larger section of the rural people in plantation, processing and ancillary industries. And a quite high number of semi-urban and urban people used to get employment opportunities from the distribution and marketing activities of tea production. Mention should be made here that according to the recent statistics, tea industry accommodates three million people in India (Talukdar and Hazarika 2017). The tea industry has its forward and backward linkages in an economy. In fact the development of tea industry positively influences the development of many other industries. For instance, the discharge of tea industry is a major input for the production of plywood and fertilizer industry. A quite sizable number of plywood industrial units are established in and around Assam

and West Bengal which are using the subsistence of tea industry as a major input for the production of different types of plywood viz., water resistant plywood for furniture, packaging plywood, plywood drums, shuttering plywood, and other high quality plywood which are playing significant role in defense, transport and aircraft industries. It is well known that the ejections of the tea industries are widely used for the production of pesticides, insecticides and weedicides. Further, the direct and indirect contributions of tea industry for the development of industries like aluminum, iron, cement, tin, plastic, and paper is appreciable.

### Review of Literature

A good number of studies have been conducted by scholars around the world on different aspects of tea industry right from plantation up to global level marketing. Among the available studies, Tapan Ganguli, (1987) focused on the production, price level and export performance of tea in India. He stated that India's tea production can be exported even to the sophisticated markets of Western countries such as Western Europe, North America, Australia and Japan. In an analytical research work Kharma S.S, Garg, and Brij Bhushan (1990) mentioned that there is a considerable disparity in the production of tea across the tea producing states of the nations. Further, they have mentioned that the USSR, U.K and Middle East countries are the potential markets to the India's tea production. The trade related aspect of tea has been assessed by few researchers, among the available studies, Nagoor, and Nalin Kumar (2010) assessed the impact of the ASEAN-India foreign trade agreement in the Tea industry of India using FAO data base for the recent period. The study concluded that with a huge potential market for tea production, India and Vietnam enjoyed the price advantage previously, but lost it during the free trade agreement period. Further, the author mentioned that the changes of exporting India's product to the rest of the ASEAN market are limited during the period of free trade agreement.

Tea sector has been facing different types of problems, in a research study Dhurjati Mukherjee and Patatri De Sarkar (1990) highlighted the problems faced by tea industry, causes consequences and remedies in the Indian context. They include, India's tea yield is quite low compared to other parts of the world, outmoded techniques are used for processing and production and finally there is a higher incidence of tax in India's tea industry. At the end the author suggested to replace the plants and machines to increase per hectares yield in Indian tea industry. In another study, Satya Sundaram (1997) revealed that reason for declining yield in tea production in India. According to him, the impact to geo-political changes and adverse weather conditions in the recent past were negatively affected the yield of tea production in India. Hence, he suggested using modern method of production and hybrid varieties. Bose Bimal, (1989) in his research work highlighted that the lake of rainfall and marketing of tea producing in different part of the nation and rest of the world are the major problems of tea industry in India. Hence, government and authorized agencies should come forward to market the tea production in a profitable manner. Few authors offered their suggestion to strengthen the tea sector, among them Banerjee and Sarda Banerjee (2005) suggested that the cost of production can be decreased by reducing the wasteful expenditure and improving productivity in India's tea industry. Even though a good number of studies focused on different

corners of the tea sector, there is no systematic work pursued to understand the trend of the tea industry over the period of around seven decades, hence the present study is an attempt to fill the gap.

### METHODS AND MATERIALS

The present study is an empirical investigation exclusively based on the secondary data collected from different sources, they include, International Tea committee, Tea board of India and published articles, books, websites and other published documents. In order to assess the trend of the tea industry in India, the time series data have been collected from the above mentioned sources for the period of 67 years from 1951-52 to 2016-17. The variables used in the study includes total area allotted for the cultivation of tea (thousand hectares), total number of members involved in the production of tea (in numbers), total value of production and total value of exports both are in terms of monetary value. For the sake of facilitating the readers the study used decadal data only. Both tabular and functional examinations were administered for analyzing the collected data and logical explanation of different dimensions and result of the exercise.

### ANALYSIS AND DISCUSSION

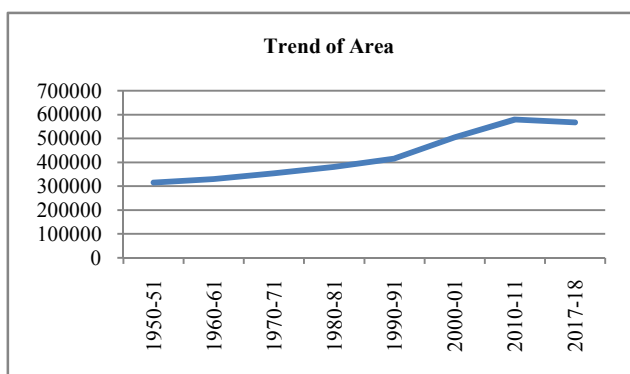
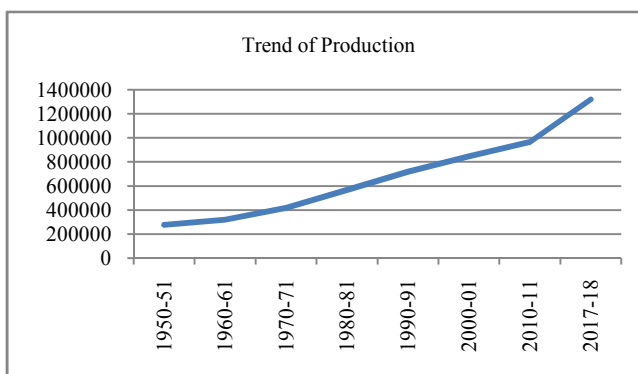
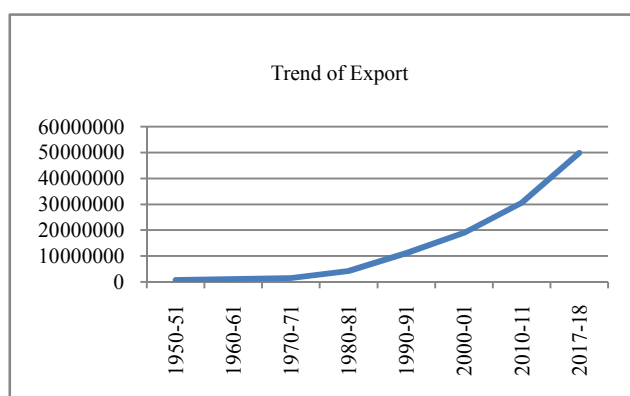
Tea is one of the important health drinks, which people from different social categories and class used to use quit a long period of time. This is very true in the case of developing countries in general and India in particular. "It is mentioned that imagining life without tea will put most Indians into sleepy morning inertia" (Goodwyn Tea, 2017). The tea industries have concentrated mostly in hill and backward areas in North-east and Southern states of the Peninsular India. Specifically, the most tea plantation and processing pockets situated in states like Assam, West Bengal, Kerala and Tamil Nadu. While in other areas such as Himachal Pradesh, Uttaranchal, Karnataka, Arunachal Pradesh, Bihar and Orissa tea plantation and industries are functioning at mini scale. The development of tea industry has been expressing its effect on the social, economic conditions of the society. Even in the international arena, the development of tea industry revealed its appreciable performance right from the first Indian tea product from Assam was displayed for sale at United Kingdom in 1838 (Embassy of India, Ashgabt, Turkmenistan, 2018).

In the present study, an attempt was made to assess the trend of tea industry in India from 1951 to 2017. The statistics presented in table: 1 revealed the trend of total area allotted for the cultivation of tea, total value of production, total value of export and the total person accommodated by the tea industry in India over the period under study. It is clear from Table: 1 that the overall trend of total hectares allotter for the cultivation of tea has increased continuously over the period except the last decade. There is a consistency in the trend of production of tea; it is interesting to note that the trend of tea production is steeper particularly in the recent decade. Among the variables considered in the study, an amazing performance was shown by export of tea production, it started its takeoff state from 1980-81 and achieved the continuous progress up to 2017-18. Statistically, the total hectares of land allotted for the cultivation of tea has increased up to 2010-11, particularly after 1990-91 the improvement was appreciable. But, the employment generation of tea industry was shown a fluctuating trend.

**Table 1. Trend of Tea industry in India**

Year	Area (Hec)	Production (Th.Kgs)	Export (Th Rs)	Employment (Avg.No.Lab)
1950-51	315656	278212	804214	948598
1960-61	330738 (4.77)	321077 (15.40)	1199883 (49.19)	845166 (-10.90)
1970-71	354133 (7.07)	418517 (30.34)	1498033 (24.84)	759646 (-10.11)
1980-81	381086 (7.61)	569172 (35.99)	4325461 (188.74)	846659 (11.45)
1990-91	416269 (9.23)	720338 (26.55)	11133510 (157.39)	986781 (16.54)
2000-01	504366 (21.16)	846922 (17.57)	18986119 (70.53)	1210055 (22.62)
2010-11	579353 (14.86)	966400 (14.10)	30583081 (61.08)	1259950 (4.12)
2017-18	566660 (-2.19)	1321760 (36.77)	49875900 (63.08)	1259950 (4.12)

Source: Tea board of India.

**Figure 1. Trend of total area allotted for Tea****Figure 2. Trend of total production of Tea****Figure 3. Trend of total export of Tea****Figure 4. Trend of total employment from Tea Industry**

#### Trend of Tea Industry in India by Major Economic Variables

The total number of workers employed in this sector was decreased from 1951 to 1971 and marginally increased up to 1990-91 and revealed the stagnant position for the following four decades. The above discussion is pronounced by the following trend line also. The overall production of tea has increased steady without any fluctuation, this is mainly due to increase in both domestic consumption and export. As Sivanesan (2013), rightly pointed out that the overall and per capita domestic consumption of tea have been increasing in India. According to his publication, the obsolete and per capita domestic consumption of tea was 221 million kgs and 403 gm respectively in 1975, increased to 653 million kgs and 652 gm respectively in 2000. According to the recent statistics provided by the Tea Board of India (2017), the absolute domestic consumption of tea in India has increased to 965 million kgs in 2016, while per capita consumption was 730 gm for the reference period (Business Standard, 30<sup>th</sup> July 2016).

But, this is not only due to increase in the consumption of domestic demand but also due to the noticeable increase in the export of tea products. It is very obvious from the statistics presented that the export of tea products had jumped from Rs 11133510 thousand in 1990-91 to Rs 18986119 thousand in 2000-2001 and further to Rs 49875900 thousand in 2017-18. Mention should be made here that even though the total size of the land earmarked for the production of tea is slackening in the recent past- 2010-11 to 2017-18, the total production of tea has increased moderately. This may be due to modern method of cultivation, high breed varieties used; and also application of chemical fertilizers and machines used in the cultivation and production process. Finally, it should be highlighted here that the total size of employment generated by the tea industry is not appreciable. Over the study period of 67 years it has attained roughly 1.5 fold improvement, this is not a healthy trend in the case of populous country like India. This dim

picture in employment generation by tea industry may be due to the mechanization process in all activities of tea production.

**Problems of Tea Industry:** Tea industries have been subject to number of problems right from the cultivation up to consumption or export. A group of studies propounded the problems faced by the tea industries in India. Among the available studies, Pramod Kumar *et al.*, (2008) mentioned that there is a down turn trend in the price of tea both in global market and in India. Further, he mentioned that India lost its market in the global arena to China, Kenya, and Sri Lanka mainly after 1990s. This trend has negatively affected the profitability and growth of tea industry. According to Reddy (1991), the area under cultivation of tea is not increasing sufficiently to fulfill the increasing demand. Nirmal Chandra Roy and Debasish (2018) revealed that the poor quality of India's tea production, the existing trade barrier, and outmoded techniques used by cultivators and industrialists are also major problem of tea industry in India. The view of Itishree Sahoo *et al.*, (2013) and Asopa (2007) portrayed that the open door system has increased the level of competition in the global market, owing to this India's tea products have been suffering due to low price, low market share, and low export, which negatively affect the growth of the industry. A new problem was found by Neelanjana Roy (2013) that the growth of Indian tea industry is not appreciable in the sense that there is a slow growth of production compared to its domestic consumption, and also our product cannot be stored for more than one year, which unfavorably affects profitability via export. Low level of investment, old tea bushes, low wage, changes in consumer taste and preferences, strikes and lockout of tea industry also negatively affect the development of tea industry, Ramakrishna (2010), Chandan Kumar Sharma, and Prarthana Barua (2017) and Indrajit Sharma (2018).

## Conclusion

Tea has been considered by more or less all classes of people as a strong nutraceutical beverage on the planet. It has been playing a significant role in the socio-economic development of many nations. In few nations such as China, India, Indonesia, Sri Lanka, Kenya and Turkey the performance of tea sector is commendable. These six nations, in fact, produce about 80 per cent of the total tea production of the globe. India is in the considerable place on the planet in terms of tea production, this sector offers a sizable amount of employment opportunity, income, foreign exchange and raw materials to other industries. In this paper an attempt has been made to assess the trend of tea sector for six and half decades. The result of the study revealed that the total area allotted for the cultivation of tea and the volume of production have been increasing in the absolute term.

An amazing performance was shown by export of tea production over the period under study, mentions should be made here that export started its takeoff stage from the beginning of 1980s and achieved the continuous progress up to the recent period. At the same time, the employment generated by the tea sector was not appreciable, showed a fluctuating trend. Up to the beginning of 1990s the employment was fluctuating, thereafter, which showed a stagnant position. This may be due to mechanization process and closure of some branches particularly in West Bengal and Assam. Further, as mentioned above, the tea sector has been subject of a number of both internal and external problems such as outmoded

techniques, low quality, decrease in price, labour unrest and so on. Hence, not only the tea board of India, but also the central and state governments should come forward to set-right those issues and protect both tea sector and livelihood of the people depending on the tea sector.

## REFERENCES

- Asopa, V.N. 2007. Tea Industry of India The cup That cheers has Tears" *Indian Institute of Management Ahmadabad*, Pp: 2-19.
- Benerjee, G.D. and Sarda Benerjee, 2005. Tea industry at crossroads. *Yojana*. 49: 12-15.
- Bose Bimal, 1989. Crisis in Indian tea. *Tea and Coffee Trade Journal*. 24:14-28.
- Ganguli Tapan, 1987. Role of State Trading. Namdang House. 23-25.
- Garg, A.G. Bhusha, Brij and Kharma S.S. 1990. Tea Production in India. *Yojana*. 25: 22-24.
- Jha Kumar Dilip, 2016. Tea Board on Promotional Drive to increase per capita Tea consumption. *Business Standard*. 30<sup>th</sup> July.
- Kumar Pramod Badal, P. S. and Singh, N. P. 2008. Tea Industry in India: Problems and Prospects. *International Journal of Agricultural Economics*. 1-63: 84-96.
- Lakshmanan, K.K. 2008. Tea: Rich Beverage of the Poor. *Kisan World*, 35(3): 31-32.
- Maity Shrabanti and Ghosh Maumita, 2015. India's Tea export in the scenario of Trade Openness: An Analysis of Trend and Structural Shift. *American-Eurasian Journal of Scientific Research*. 10(1); 1-11.
- Mitra Neelanjana, 1991. Indian Tea Industry: Problems and Policies. *Economic and Political Weekly*. 26 (48): M153-M156.
- Mukharjee Dhurjati and Sarkar Patatri, 1990. Tea Industry Needs Revamping. *Yojana*, 3: 23-25.
- Nagoor C Kumar Nalin, 2010. Assessing the Impact of the ASEAN-India FTA on the Tea Industry. *Economic and Political Weekly*. 30(44):112-116.
- Ramakrishnan, K. 2010. Business Strategy versus Performance Trade-Offs: Evidence from the Indian Tea Industry. *Global Business Review*. 1-11(3): 317-331.
- Reddy, V. N. 1991. "Global Tea Scenario:2001 AD" *Economic and Political Weekly*, Vol-26, No:48, Pp:M145-M151.
- Roy Nirmal Chandra and Biswas Debasish, 2018. Closed Tea Estates: A Case Study of the Dooars Region of West Bengal, India. *Vision* 22(3) : 329-334.
- Sahoo Itishree Mukherjee Paroma Mitra and Roy Dilip, 2013. Measuring Degree of Global Competitiveness: A Case on World Tea Industry" *International Journal of Innovative Research and Development*, 2(12) :26-32.
- Sathya Sundaram I 1997. Tea Industry Down with Disincentive. *Facts for You*. 30-32.
- Sharma Kumar Chanda. and Barua Prarthana, 2017. Small Tea Plantation and its impact on the Rural Landscape of Contemporary Assam. *International Journal of Rural Management*. 13(2):140-159.
- Sharma, Indrajit, 2018. Tea Tribes of Assam Identity Politics and Search for Liberation. *Economic and Political Weekly*. 42(5): 74-78.
- Talukdar Udeshna and Hazarika C. 2017. Production and Export of Value Added Tea in India and its Global Competitiveness. *Economic Affairs*. 62(4):705-710.
- Tea Board of India, Official Websites, <http://www.teaboard.gov.in/>