

# INDIAN TEA INDUSTRY

The tea industry in India is about 170 years old. It occupies an important place and plays a very useful part in the national economy. Robert Bruce in 1823 discovered tea plants growing wild in upper Brahmaputra Valley. In 1838 the first Indian tea from Assam was sent to United Kingdom for public sale. Thereafter, it was extended to other parts of the country between 50's and 60's of the last century. However, owing to certain specific soil and climatic requirements its cultivation was confined to only certain parts of the country.

Tea plantations in India are mainly located in rural hills and backward areas of North-eastern and Southern States. Major tea growing areas of the country are concentrated in Assam, West Bengal, Tamil Nadu and Kerala. The other areas where tea is grown to a small extent are Karnataka, Tripura, Himachal Pradesh, Uttaranchal, Arunachal Pradesh, Manipur, Sikkim, Nagaland, Meghalaya, Mizoram, Bihar and Orissa.

Unlike most other tea producing and exporting countries, India has dual manufacturing base. India produces both CTC and Orthodox teas in addition to green tea. The weightage lies with the former due to domestic consumers' preference. Orthodox tea production is balanced basically with the export demand. Production of green tea in India is small. The competitors to India in tea export are Sri Lanka, Kenya, China, Indonesia and Vietnam.

Tea is an agro-based commodity and is subjected to vagaries of nature. Despite adverse agro climatic condition experienced in tea growing areas in many years, Indian Tea Plantation Industry is able to maintain substantial growth in relation to volume of Indian tea production during the last one decade.

There has been a dramatic tilt in tea disposal in favour of domestic market since fifties. While at the time of Independence only 79 M.Kgs or about 31% of total production of 255 M.Kgs of tea was retained for internal consumption, in 2006 as much as 771 M.Kgs or about 81% of total production of 956 M.Kgs of tea went for domestic consumption. Such a massive increase in domestic consumption has been due to increase in population, greater urbanisation, increase in income and standard of living etc.

Indian tea export has been an important foreign exchange earner for the country. There was an inherent growth in export earnings from tea over the years. Till 70s', UK was the major buyer of Indian tea. Since 80s' USSR became the largest buyer of Indian tea due to existence of the trade agreement between India and erstwhile USSR. USSR happened to be the major buyer of Indian tea

accounting for more than 50% of the total Indian export till 1991. However, with the disintegration of USSR and abolition of Central Buying Mechanism, Indian tea exports suffered a set back from 1992-93. However, Indian Tea exports to Russia/CIS countries recovered from the setback since 1993 under Rupee Debt Repayment Route facilities as also due to long term agreement on tea entered into between Russia and India. Depressed scenario again started since 2001 due to change in consumption pattern, i.e. switch over from CTC to Orthodox as per consumer preference and thus India has lost the Russian market. Another reason for decline in export of Indian tea to Russia is offering of teas at lower prices by China, South Asian countries like Indonesia and Vietnam.

The major competitive countries in tea in the world are Sri Lanka, Kenya, China and Indonesia. China is the major producer of green tea while Sri Lanka and Indonesia are producing mainly orthodox varieties of tea. Kenya is basically a CTC tea producing country. While India is facing competition from Sri Lanka and Indonesia with regard to export of orthodox teas and from China with regard to green tea export, it is facing competition from Kenya and from other African countries in exporting CTC teas.

Because of absence of large domestic base and due to comparatively small range of exportable items, Sri Lanka and Kenya have an edge over India to off-load their teas in any international markets. This is one of the reasons of higher volume of export by Sri Lanka and Kenya compared to India. Another important point is that, U.K has substantial interest in tea cultivation in Kenya. Most of the sterling companies, after Indianisation due to implementation of FERA Act started tea cultivation in Kenya. So, it makes business sense for U.K. to buy tea from Kenya and Kenya became the largest supplier of tea to U.K.

Tea is an essential item of domestic consumption and is the major beverage in India. Tea is also considered as the cheapest beverage amongst the beverages available in India. Tea Industry provides gainful direct employment to more than a million workers mainly drawn from the backward and socially weaker section of the society. It is also a substantial foreign exchange earner and provides sizeable amount of revenue to the State and Central Exchequer. The total turnover of the Indian tea industry is in the vicinity of Rs.8000 Crs. Presently, Indian tea industry is having (as on 31.12.2006 )

- 1655 registered Tea Manufacturers,
- 2008 registered Tea Exporters,
- 5148 number of registered tea buyers,
- Nine tea Auction centres.

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