

## **Problems and prospects of Marketing of Assam Tea**

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### **ABSTRACT**

Tea is considered one of the key export commodities for India. The state of Assam produces more than 50% tea in India. Tea Industry is played vital role in the economy of the Assam and contributing about 15 per cent of the state's total income and 3% GDP. Along with the organized sector, the production of small tea cultivation in Assam has created vast employment opportunities in the rural areas giving economic movement as well as employment generation. About three to four million people engaged in this industry and approximately 6000 crores rupees deposited into national exchequer. The consumption of tea in India in the domestic market has increased at a faster rate compared to its production. It is known from auction market official that most of the good quality tea dose not enters into the auction market and owing to this reason the price setting of tea has been low at the auction market. The study covered to evaluate the present scenario of tea market in India Including Assam and its problems and prospects in Assam.

**Key Words:** Export, Economy, Market, Employment, Price, Consumption

**Introduction:** Tea is such type of beverage which is most popular in the world and drink next to water. It plays a vital role in improving the socioeconomic condition of the state of Assam as well as India. "Assam has the largest tea growing area in the world, accounting for around one-seventh of global tea production and over 53 per cent of India's overall tea production. The tea industry of Assam is about 190 years old. According to Tea Board of India, there are 765 big tea growers with covering 232399.35 areas in hect. and 101085 numbers small tea growers with covering 10529135 area in hect. that total covers 337690.35 an area in hectares of land in Assam. It has been producing some of the finest teas in the world. Indian tea industry has recorded the highest ever production as well as exports in the financial year 2018. The total tea production was 1325.05 million kgs, – an increase of 74.56 million kgs as compared to 2016-17. In percentage terms the increase is around 6%. The total quantity of tea exported during the financial year 2017-18 stood at 256.57 million kgs, while the foreign exchange realized from exports of Indian tea was \$ 785.92 million. In rupee terms, the total value of the exports was pegged at Rs. 5064.88 crores during 2017-18,( Indian Chamber of Commerce). Thus, Assam contributes a remarkable

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amount of foreign exchange to the national exchequer. But, according to the Tea Board, India's consumption rose to 1,145 million kg (mkg) in 2020-21 from 1,116 mkg in the previous fiscal. According to the report of Hindu Business Line, shows that India's consumption average percentage has increase of 2.60 percent. This sector is critical to Indian economy. The Tea Industry is one of the oldest organized firm sectors with a large network of tea producers, retailers, distributors, auctioneers, exporters and employees. The major key player in marketing of Indian tea are Tata Global Beverages Limited, Hindustan Unilever Limited, Gujarat Tea Processors & Packers Ltd., Amar Tea Private Limited, Organic Indian Private Limited, Pataka Industries Private Limited and others. Indian Tea exports to Russia, Ukraine, Kazakhstan, United Kingdom, Netherland, Germany, Ireland, Poland, U.S.A., Canada, U.A.E., Iran, Saudi Arabia, Egypt, Afghanistan, Bangladesh, China, Singapore, Sri Lanka, Kenya, Japan, Pakistan, Australia. The tea market has been segmented based on type, packaging, distribution channel, application, and Region. By type, the market is divided into green tea, black tea, oolong tea, fruit/herbal tea, and others. On the basis of packaging, it is fragmented into plastic containers, loose tea (packets & pouches), paperboards, aluminum tins, and tea bags. By distribution channel, the tea market is categorized into supermarkets/hypermarkets, specialty stores, convenience stores, online stores, and others. The tea industry of Assam has its own special nature of problems and prospects which are from the point of view of producers, participants in marketing and labour unions etc

Under this point of view, it is felt necessary to analyse the problems and prospects of marketing of Assam Tea .

### **Objectives of the study:**

The present study is an effort to focus the following objectives:

- i) To study the marketing scenario of Assam tea.
- ii) To study the problems are faced by the tea industry.

### **Methodology:**

The study is done in both qualitative & quantitative approach and based on both primary as well as secondary data. In order to achieve the objectives, information has been collected mainly from secondary sources. The secondary data have been collected from various periodicals, national and state government reports and publications, annual reports of Tea Industry, Publication of Tea Board, Guwahati Tea Auction centre, Journals, Reports of Tea Organization, Statistical Handbook of Assam, and gazettes, published by the Govt. etc. The useful primary data and information are collected from executives of tea industries, tea planters, tea entrepreneurs, economists, tea auction committee, NGO and other organizations related to Tea Industry of Assam.

**Analysis and Discussion:**

**Position of Assam and Indian tea in Global position**

The tea industry of Assam is passing and facing financial crises. There is no renovation and installation of modern equipments, development of infrastructure in the tea gardens and factories due to lack of adequate fund. The continuous rising cost of production, stagnant price of tea in auction market, poor quality of tea in order to compete in international market are major causes. These factors are becoming obstacle in making profit to this industry. Moreover, according to the report of Trade promotion Council of India, the cost of production of tea has been growing by a compound annual rate of 10% for the last 10 years, while tea prices are increasing by a compounded annual rate of 6% only. This severely reduces the profit margin of tea industry in Assam and it is not only bad impact on tea industry but also on wages of labourers, investors, suppliers and consumers. Over the last 20 years, India's world ranking as an exporter has come down from number one to number four, in the face of stiff competition from Sri Lanka, Kenya, and China. Assam holds 12% of the global production of tea and in terms of export her share amounts to nearly 7% of the world.

**Table NO.1**

**PRODUCTION OF TEA (MILLION KGS)**

<b>YEAR</b>	<b>ASSAM</b>	<b>INDIA</b>	<b>WORLD</b>
2012	607	1126	4625
2013	629	1135	4907
2014	610	1209	5173
2015	631	1197	5281
2016	642	1233	5503
2017	675	1250	5697
2018	691	1325	5896
2019	716	1350	6150

Source: Tea Board of India

Assam occupies a significant place in production of tea in India. The above table shows the growth of productivity of tea during 2012-2019. The Trends of production of tea in Assam was increase from

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609(M.Kgs) in 2012 to 716 (M.Kgs) in 2019 which shows 17.96 percent growth of tea production in Assam, it increases from 1126 (M.Kgs) to 1350 (M.Kgs) in India with growth of 16.59 percent and in global level it increases from 4626 (M.Kgs) to 6150 (M.Kgs) with the growth of 24.80 percent. The growth rate of tea production of Assam is more than India but less than in the world.

**Table No.1**

**Quantity exported vale and unit price( Rs./Kg) of tea over the period of time.**

Year	Quantity in M.kgs	Value (Rs.in Crs)	Unit Price (Rs./Kg.)
2000-2001	203.55	1889.79	92.84
2001-2002	190	1695.79	89.25
2002-2003	184.4	1665.04	90.29
2003-2004	183.07	1636.99	89.42
2004-2005	205.81	1924.71	95.28
2005-2006	196.67	1793.58	90.84
2006-2007	218.15	2045.72	93.35
2007-2008	185.32	1888.68	104.61
2008-2009	190.64	2381.68	124.94
2009-2010	213.43	3038.69	142.37
2010-2011	213.79	2995.79	140.13
2011-2012	214.35	3304.82	154.18
2012-2013	216.23	4005.93	185.26
2013-2014	225.76	4509.09	199.73
2014-2015	199.08	3823.64	192.07
2015-2016	232.92	4493.1	192.9
2016-2017	227.63	4632.5	203.51
2017-2018	256.57	5064.88	197.41

Source: [www.Indiastat.com](http://www.Indiastat.com)

The above table shows the difference in the volume of tea exports and the value realized during eighteen years from 2000-2001 to 2017-2018. It has been seen that the volume of exports of tea trends has fluctuated during 2001-2006 while export value has indicated a continuous rise except in 2003-04. There is a similarity in the trend between the volume and value of tea exports from 2005-06, when there is a rising trend in both the parameters. Export volumes rose from 196.67 million kg in 2005-06 to 218.15million kg in 2007-08 and maintained the rising tempo to reach the maximum level of 256.57 million kg in 2017-18. The value of exports of tea from India rose from Rs. 1793.58 crore in 2005-06 to Rs. 2381.79 crore in 2008-09 and further to Rs. 3038.69 crore in 2009-10. Tea exports reached the highest level of export earnings of Rs. 5506.88 crore in 2017-18.

### **Placing Of Indian Tea:**

The following interlinked modes of disposal of Indian tea are identified;-

1. Direct sale by forward contract to overseas buyers.
2. Consignment to Indian auction.
3. Direct ex-factory sale to Indian buyers.
4. Direct sale by forward contract to Indian buyers.
5. Direct Marketing (loose Tea) in wholesale markets.
6. Self packing and exports of packets overseas.
7. Sale of garden packed tea in Indian Home market.
8. Sale of Indian packed tea aboard.

### **.Problems of marketing of tea:**

The instability in the domestic market coupled with losses in export markets have given rise to various problems for the tea industry. Among the various constraints that characterise the tea production, some the problems include poor management practice, old age of tea bushes and other infrastructural issues. Besides, there are also quality aspects such as lack standardization and quality with respect to packing, pesticide and MRL problems that affect export of Indian teas.

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**Assam tea growers face shortage of fertilizers:** Scarcity of muriate of potash (MoP), which is vital for the tea bushes, has hit the Assam tea industry hard. Captains of industry pointed out that short supply of MoP will even affect the production in the coming season if the supply is not restored now.

**Erratic gas supply hits Assam tea production:** Tea production in Assam, the largest grower, is suffering due to erratic supply of gas and the industry is witnessing production losses. Factories are unable to purchase leaves for processing due to power supply glitches. Small tea growers will have to stop plucking and prices of green leaves will be affected.

**Floods, pests spoil Assam tea party:** Tea companies in Assam, which have been struggling to cope with the rise in cost of production and lose in international markets, are now in even deeper trouble after the recent waves of floods coupled with pest attacks. With the unprecedented floods taking its toll in almost all the tea gardens, especially in the Barak valley, the Assam tea industry has seen a decline in production of 2 million kg of tea, from 220,560 thousand kg to 218,128 thousand kg till August 2013. Pest attack in some of the tea gardens in the valley has been another reason in low yield in the first phase. The tea mosquito bug helopeltis and loopers have played havoc in some of the tea gardens of Assam which have affected production in some gardens.

**Unfavorable weather condition:** Unfavorable weather condition affecting in production of tea in the areas of Upper Assam reported from Indian Tea Association. : Heat wave and scanty rainfall have badly affected tea production in Assam, India's largest tea producing state, with planters fearing crop loss of nearly 10% this current year.

**Sharp decline in green leaf prices brewing unrest among small tea growers of upper Assam:** Unrest is prevailing in tea producing areas of Upper Assam following sharp decline in the prices of green tea leaf. The prices of green tea in some areas were plummeted to Rs 6 per kg from Rs 17.50 in 2013. Regarding this issue the small tea growers stopped plucking and road blockade in four places in upper Assam. They demanded for the bench mark prices as fixed according to Tea Marketing Control Order (TMCO) 2003."

**Tea companies fear of low profits with increased production cost:** A drop in production coupled with pest attack and less price realization in the export market is likely to affect the profitability of tea companies in the first quarter,2014. Tea companies fear that despite tea prices going up due to lower availability, they will not be able to garner higher profits as an increased cost of production will eat into the profits. The cost of production has gone up by Rs 15 per kg as fertiliser and other input costs have gone up. Moreover, due to a prolonged dry spell, tea industry opted irrigation facilities which has added to the cost of production.

**Tea industry facing sustainability challenges:** India, the world's second largest tea producer, is facing sustainability challenges in four areas - agricultural issues, quality and safety, rising production costs and social issues, according to industry experts. Speaking at the 5th Global Dubai Tea Forum 2014 ( GDTF 2014 ) here, experts from 30 different tea producing and consuming countries laid emphasis on the need to "go

back to nature" by restoring the environment in the best possible way to combat the sustainability challenges plaguing the tea industry.

**Loss of market and competition:** Since the loss of Russian market, export of Indian tea is declining over the years. Sri Lanka and Kenya were the main competitors eating into India's share and even small tea producing countries like Vietnam and Indonesia increased their orthodox tea export, in particular. The impact of decline in export of Indian Teas had to be born mainly by Assam producing about 53% of Indian production. Higher prices of Indian tea were also one of the main reasons for it.

**Inability to maintain quality:** The cost of production in bought leaf factories with the green leaves of small tea growers is lower. They operate under minimum statutory obligation and their inability to maintain quality due to absence of control over the maintenance of green leaf standard on procurement results in inferior quality and low priced tea available in the market; thus, adversely affecting the tea market as a whole.

**Lack of promotional measures:** Sluggish demand in domestic market and growing preference of the younger generations towards aerated drinks due to attractive promotional measures have resulted in fall in prices in addition to the above mentioned factors. Cold drinks seem to be lure away tea drinkers from tea. This necessitates repositioning of tea in the market.

**Poor communication:** On account of longer transaction time and high transaction cost, it takes about 35 days for the entire transaction in action. Bad road condition, flood, frequent disturbances in law and other situation results in high freight.

**The imported tea creates additional pressure:** The imported tea creates additional pressure on demand-supply equilibrium in the domestic market leading to further economic un-sustainability of the tea industry.

**Prospect of Tea Marketing:**

1. There is scope for improving quality through standard plucking practices with the existing technique of manufacturing.
2. Research and Development can bring new methods for betterment of tea industry and able to remove the various problems which are faced by it.
3. Full utilization of existing technology and agro-practices by the industry will improve both quality and productivity to much higher level than achieved at present.
4. Management should pay attention to motivate the labour for improving productivity and quality of tea.
5. Tea Board and government can offer number of welfare measures for labour to improve the condition of human resources which are essential for the industry.

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6. E-auction or online bidding recently introduced has tremendous prospects.
7. Indian organic tea has been well received by the high value, health conscious steadily growing international market. This specialty tea holds good promise in near future.
8. The second flush Assam tea is un-substitutable in the world. Small volume of niche segments of high priced premium markets can be developed in select countries of the world.

### Recommendations:

The Following recommendations emerge to give future direction for development of the tea industry of Assam.

1. The tea estates should take up uprooting and replanting, rejuvenation pruning and infilling with better planting material to get rid of the old and uneconomic tea bushes availing facilities provided by the Tea Board to improve productivity and quality of tea.
2. Tea industry should pay attention on cost control in production, improvement, sustenance of quality and factory management practices.
3. Tea organizations should take remedial measures along with state government to solve the major problems like erosion, flood and water logging of the tea gardens.
4. Management should arrange some incentives for labours in order to motivate and improvement of their efficiency.
5. The qualified labour youths should be encouraged to learn specialized technical skills to enlarge their scope of alternative employment opportunity.
6. The auction system of tea is one sided operation which is mainly controlled by brokers. They have enormous power on price determination. Undoubtedly this partial system where producers do not have any role to decide the appropriate price for their product cannot be termed as a good system. Government and Tea Board should go through a proper scrutiny of the whole system.
7. A second auction center in Assam should be established in upper Assam which will be nearer to the producing tea estates and would reduce cost, save transaction time and also help in economic development of the area.
8. Field management practices should improve to maintain for good quality of tea.
9. The government should consider granting pattas to the small tea growers as they occupied the land for long for growing tea along with horticultural, medicinal, aromatic plants in non-forest and degraded forest lands.



**Conclusions:**

To keep the global fame of the tea industry of Assam, need to minimize the cost of production. It is necessary and essential to emphasize on modern technology such as machines, Geospatial technology, crop and soil sensors. Products promotional activities must be digitization and diversifications for the interest of strong marketing strategy. All stakeholders of the tea industry should be ready to put their effort on man, mandays and money to run the industry efficiently and economically for sustainable development of the industry.

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