

Tea markets essay



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Introduction to the tea markets

Tea is one of the universe ' s most consumed drinks after H₂O it is besides considered one of the oldest drinks with around 2000 different types of tea from all over the universe [1]

The universe tea market is dominated by China, India, Kenya, and Sri Lanka as the major manufacturers and exporters While Russia, UK, US, Pakistan and Japan form the markets for these exports. Black tea is by far the most of import tea to the international trade market.

The production, ingestion and exporting

World tea production rose by more than 3 % , making an estimated 3. 6 million dozens in 2006. [2] Record degrees of tea production in China India and Vietnam in 2006 beginning diminutions in major tea bring forthing states. The size of the planetary tea markets for retail value in 2007 was \$ 23. 323 Billion and in footings of volume that equates to 1, 765 million kgs. [3] The tea markets gained a twelvemonth on twelvemonth growing of 4. 5 % for the period 2006/07 in footings of retail value and 3. 5 % in relation to retail volume. [4] The mean planetary per capita ingestion of tea in 2007 was 0. 3kg. [5] It is expected the universe tea markets will turn by 10 % in value and over 13 % in volume between 2005 and 2010. [6]

In 2007, China was the largest manufacturer of tea followed by India, Kenya and Sri Lanka.

Graph 1 shows the production volumes of the universe ' s largest tea manufacturers.

Beginning: (Indian Tea Statistics, " Tea Board of India. Available online at: [hypertext transfer protocol: //www. teaboard. gov. in/inner2. asp? param_link_id= \)](http://www.teaboard.gov.in/inner2.asp?param_link_id=)

Tea exports:

In 2007 Kenya was the largest exporter followed by Sri Lanka, China and India the undermentioned graph shows the export statistics for the universe ' s major tea markets

Beginning: (Indian Tea Statistics, " Tea Board of India. Available online at: [hypertext transfer protocol: //www. teaboard. gov. in/inner2. asp? param_link_id= \)](http://www.teaboard.gov.in/inner2.asp?param_link_id=)

Tea imports:

In 2007 Russia was the biggest importer of tea followed by the U. K, U. S, Pakistan and Japan. The undermentioned graph shows the import statistics for the universe ' s biggest tea importers. Beginning: (Indian Tea Statistics, " Tea Board of India. Available online at: [hypertext transfer protocol: //www. teaboard. gov. in/inner2. asp? param_link_id= \)](http://www.teaboard.gov.in/inner2.asp?param_link_id=)

The influence of single agriculturist ' s on the monetary value of tea.

The international monetary value of tea is extremely volatile and is determined by the relationship between the supply and demand factors of the universe markets, the tea agriculturist is a price-taker, as the little volume of local end product is deficient to act upon monetary values.

Another cardinal issue which will impact tea monetary values of single

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agriculturists of tea is how the tea market is separated into 3 types of agriculturist. There are the agriculturists of perfect competition who are the smaller agriculturists, the oligopoly which are the transnational agriculturists every bit good as the monopoly agriculturist, which without a uncertainty is China. Because of this the single monetary value of tea will change, the perfect competition sector will non acquire every bit much for their tea, where as the oligopolistic and monopolistic sectors will derive a higher monetary value per kilogram for their tea.

The function of the multinational corporations in the tea market

A multinational, or transnational, corporation has its central office in one state and operates entirely or partly owned subordinates in one or more other states. The subordinates study to the cardinal central office. The growing in the figure and size of multinational corporations since the 1950s has generated contention because of their economic and political power and the mobility and complexness of their operations. Some critics argue that multinational corporations exhibit no trueness to the states in which they are incorporated but act entirely in their ain best involvements. Even though the monetary value of tea is affected by supply and demand, multinational corporations have a major impact within the international tea market, in the 90 ' s about 90 % of the western tea market was dominated by multinational corporations and about 85 % of universe production was sold by these multinationals (Transfair study on Fairtrade, 2005) .

Multinational companies holding a monolithic power for buying tea and can therefore influence non merely the supply but besides the monetary value of tea. Leading on from this they play a major portion in non merely the

merchandising of tea but besides the production as they own and control companies from growing to picking to selling every bit good. However it can be easy to state that the transnational 's May besides be tempted to pull strings the other larger companies and the monetary value of their tea.

By far one of the largest of these is Tata Tea Limited, besides known as Tata-Tetley, is the universe 's 2nd largest maker and distributor of tea. [8] Owned by India 's Tata Group, the Tata Tea Limited markets tea under the major trade names Tata Tea, Tetley, Good Earth Teas and JEMCA. While Tata Tea is the largest tea trade name in India, Tetley is the largest tea company in the United Kingdom and Canada and the 2nd largest in the United States by volume. [9]

Q2. Supply and demand factors

The planetary supply of tea has invariably overwhelmed the demand for it and has hence had an impact in the monetary value of tea to reflect the overpowering difference for the supply and demand of tea.

Beginning: (Indian Tea Statistics, " Tea Board of India. Available online at: [hypertext transfer protocol: //www. teaboard. gov. in/inner2. asp?param_link_id= \)](http://www.teaboard.gov.in/inner2.asp?param_link_id=)

As you can see above the universe has a higher supply of tea compared to demand, as to preliterate my point above, the monetary value will be affected in order to get by with the high supply and low demand of tea.

Supply and demand for tea in India from the old ages 2005-2008 exceeded its demand for tea, fitting up with the fact that the planetary market for tea

besides exceeded its demand for tea, is the ground for the current low monetary values of tea gross revenues in the Indian economic system.

Beginning: (Indian Tea Statistics, " Tea Board of India. Available online at: [hypertext transfer protocol: //www. teaboard. gov. in/inner2. asp?param_link_id= \)](http://www.teaboard.gov.in/inner2.asp?param_link_id=)

The above tabular array relates to the thought that India is over providing the demand for tea making a back log, and in order to unclutter the back log of supply, a lower tea monetary value is needed in order to increase demand.

In India tea has high market laterality and a batch of the market growing in tea has chiefly been achieved from tea discrepancies such as flavoured and herbal teas, nevertheless this thought has non caught on as it is tradition in India to add milk to tea. The developments in the discrepancies have developed from the recent determination that they are wellness and wellbeing niche of the market, which is possibly the new craze of other market growing of thing such as organic nutrient.

In India the retail monetary value is really low, particularly compared to that of Russia, in 2007 tea averaged a monetary value of \$ 3. 9kg where as Russia was \$ 20. 2kg (Ibid) .

Q3

Tea is chiefly sold by auction ; the industry is dominated by a few vertically incorporate companies. Climate alteration is holding major deductions for tea production, as higher temperatures could endanger shrubs, and with drouth

in the cardinal tea-producing states in 2008 affected production, doing ingestion to run in front of production. Although the auction system would look to come close a ' fair market ' in which monetary values are determined entirely by the interplay of supply and demand, the system does non ever work good for small-scale manufacturers. Auction monetary values vary well with both the quality and measure of tea on offer, and the demand for tea at any given clip. A little figure of companies dominate gross revenues at each auction Centre.

A little figure of companies dominate the tea industry. They have a presence at about all phases of the journey of tea from tea shrub to tea bag or package. The companies either grow tea on estates, or purchase tea at an early phase of production, and normally carry out the high-value-added blending and packaging which account for 80 % of the retail monetary value (I BID) at installations in the EU and other Western states. Globally, most tea is grown on plantations. In the African, Caribbean and Pacific Group of States (ACP) small-scale agriculturists are besides outstanding ; in Kenya, they account for approximately 60 % of the state ' s tea production. (I BID) Smallholders frequently grow tea shrubs aboard staple harvests for their ain ingestion. Net incomes from tea may supply their lone hard currency income. Low monetary values for tea tend to be passed on to the poorest sections of a state in the signifier of low rewards on plantations. Given that it is easier to cut costs (by cut down labour costs) than rise monetary values (it is impossible for a manufacturer state to try this one-sidedly) , bring forth states have to stay competitory by take downing rewards which partly accounts for the rut in which plantation rewards are caught. (I BID)

Another cardinal issue to research in this is Elasticity and demand, if the monetary value increases the demand is elastic and hence means a lessening in entire gross. Therefore the alteration in snap will counter impact the alterations in the worker ' s wage and monetary value, nevertheless this is merely if the demand is more monetary value inelastic, this is because the monetary values change more in the short tally and the consumer are more willing to alter their disbursement wons whereas is demand was elastic and monetary values alteration in the short tally, the consumer will be less willing to alter their disbursement wons. Therefore intending that because of the recent snap of demand for tea, the consumer will non be willing to pay every bit much as the monetary value additions, hence holding a negative consequence on the tea economic system intending that non merely the manufacturer will endure from high supply to demand, the worker will adjectively hold to endure wage cuts and perchance redundancy.

Even though it is thought that a rise in tea monetary values in the stores indicates a beef uping economic system, it has an inauspicious affect on a easy retrieving market, after the recent ruin, the market economic system needs to retrieve with a steady market monetary value for all merchandises, in context a rise in monetary values will non intend a rise in rewards as the monetary value for the tea will hold dipped in order to vie in the " perfect competition" between the tea pudding stones, intending lower rewards instead than higher rewards in order to seek and maintain company turnover with small discrepancy from the old years. ([http: //agritrade. cta. int/en/Commodities/Tea-sector.](http://agritrade.cta.int/en/Commodities/Tea-sector)) Accessed 18th November

Part B**Q4. Case Study British air passages fuel surcharge monetary value repair.**

In June 2006 the OFT released a imperativeness release corroborating it was to carry on an probe in to the possible monetary value repair of Fuel surcharges between British Airways (B, A) and Virgin Atlantic on long draw flights to and from the United land. This probe was being carried out under The “ Competition Act 1998 and Article 81 of the EC Treaty” . At the same clip they besides announced they were besides carry oning condemnable probe under the “ Enterprise Act 2002” connected to the same fuel surcharge monetary value repairing. In August 2007 British Airways officially admitted hit with Virgin Atlantic on “ long draw fuel surcharges” and was happen a record ? 121. 5m the largest all right of all time imposed on a UK house by the OFT which brought an terminal to shut its civil probe.

BA admitted that between August 2004 and January 2006 it had colluded with Virgin over the fuel charge levied on riders on both air hoses. With the surcharge lifting from ? 5 to ? 60 per return ticket for a typical long draw flight. The charge was implemented due to the lifting oil monetary value.

Due to the OFT ‘ s lenience policy Virgin has been afforded full unsusceptibility from prosecution. Under this policy, a company which has been involved in trust behavior and which is the first to give full inside informations about it to the OFT will measure up for unsusceptibility from punishments in relation to that behavior. In add-on, any company staff involved in the monetary value repairing disclosed will measure up for unsusceptibility from condemnable prosecution in relation to that behavior. The OFT probe was sparked after Virgin offered them the information about

the monetary value repair, BA besides co-operated full with the probe and that is reflected in the mulct imposed by the OFT. The OFT has besides conducted a condemnable probe into whether any persons venally fixed the degrees of the surcharges - an offense under the Enterprise Act 2000.

Philip Collins, OFT Chairman, said:

“ This instance, and the significant punishment imposed, will direct an of import message to

corporate boards and concern leaders about our purpose to implement the jurisprudence, and serves to remind companies of the significant hazards involved if they are found to prosecute in such behaviour” . (<http://www.of.gov.uk/news/press/2007/113-07>)

The Office of Fair Trading brought this action against British Air passages because it had broken the Competition Act 1998 and Article 81 of the EC Treaty which forbids companies from acquiring together and wittingly collude to “ fix the price” of good and or service, which both company had admitted to by at the same time Putting their fuel surcharges at the same degree which lead to the consumer non acquiring a just entree to good and services.

As a direct consequence of this In August 2008 four work forces were charged with “ cartel” offenses an offense under the Enterprise Act 2000 Martin George, Andrew Crawley, Alan Burnett and Iain Burns are charged with holding venally agreed with others to do or implement agreements which straight or indirectly fixed the monetary value for the supply in the

United Kingdom of rider air conveyance services by British Air passages and Virgin Atlantic Airways. (<http://www.offt.gov.uk/news/press/2007/113-07>

The instance continues.

Q. 5

A theory created by Marris (1964) which is known as “ the growing maximization model” . Harmonizing to the theoretical account, the nucleus end of the proprietors is the growing of the company. His research suggested that there is a similar position that a director ‘ s wages and calling chances are all enhanced if they had the duty in pull offing a turning company instead than merely a big house as growing brings fiscal waggess, occupation security, power and duty etc. It is assumed that stockholders are besides interested in the growing of the house, as in the long term this will bring forth the addition in their portion value. However, direction is faced with a net income restraint whereby hereafter increases in net incomes depend on supply growing through cut downing the hazard of loss and new merchandise development. Hornby (1996) argues that the cogency of Marris ‘ s theoretical account is difficult to find as efficient agencies are non available for stipulating exactly how much profitableness or security is regarded by each administration as being necessary.

The type of market in which Tesco ‘ s operates is within a really competitory market, but can be classed as a perfect competition, as there are five major supermarkets which are viing at such high degrees. Tesco ‘ s have been running as a successful company since 1995 from when they overtook Sainsbury ‘ s who were at the clip the strongest supermarket running. Tesco

's shortly changed that and by 2001 proved that they were the UK 's taking supermarket by taking 15.6 % of the food market market. As stated before Tesco 's are now ruling the market by their current market portion of over 26 % which 12 % more than their most competitory challenger Asda which is great accomplishment for Tesco 's over the past 10 old ages. In order for Tesco 's to keep or derive farther market portion they have introduced new shops and merchandises to pull a wider scope of clients as opposed to nutrient orientated merchandises. ([hypertext transfer protocol: //www.investis.com/tesco/ar/pdfs/TESCO_REVIEW_2000.pdf](http://www.investis.com/tesco/ar/pdfs/TESCO_REVIEW_2000.pdf))

Tesco 's have paid more attending into run intoing stakeholders involvements and its Growth which is A text book illustration of Marris 's " Theory of the Firm" the one thing that I feel was missing was the Views and responses from the clients. Although Tesco 's has done really good At making its trade name trueness in the last twosome of old ages Tesco has seen the lowest degrees of growing at around 12 % per twelvemonth this still adds about 3 billion a twelvemonth but is a far call from at that place pervious growing degrees. One statement for this slow down is the populace 's position of Tesco 's and how its Forceful growing programme now sees a Tesco on about every High street and forcing out the little local concern.

Q. 7

SWOT Analysis of GlaxoSmithKline

Key Facts

Head Office

GlaxoSmithKline P. L. C,

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980 Great Western Road

Brentford

Middlesex TW8 9GS

Website

www. gsk. com

Gross / turnover

? 22, 716. 00

Employees

103, 000

GlaxoSmithKline (GSK) is one of the largest pharmaceutical companies in the universe with involvements in find, development, fabrication and selling of pharmaceutical and wellness related consumer goods. With a big rich early to mid scope research and development grapevine (R & A ; D) this is driven by a Centres of Excellence in Drug Discovery (CEDD) construction. They aim to provide assuring drugs to force future company and gross revenues enlargement. Although expected exposure to generic competition for 2006 through to 2012 will present a major menace for the company ' s gross revenues and growing from its bing merchandises and portfolio. (www. gks. co. uk one-year studies) accessed January 2010

Strength

Failing

Robust gross revenues growing forecast from launch portfolio over period 2006-12

Extensive early to mid phase R & A ; D grapevine, driven by CEDD (Centres of Excellence in Drug Discovery) construction Vast gross revenues and selling force (via amalgamation) , coupled with expertness in effectual lifecycle direction schemes

A mature and aging portfolio of marketed merchandises which is to a great extent exposed to generic competition

Failure to beef up portfolio significantly since amalgamation in 2000, compounded by deficiency of blockbuster merchandise launches

High dependance on low growing respiratory and CNS therapy markets, coupled with low biologics capableness

Impact of safety concerns environing Avandia

Opportunity

Menace

Retained possible for CEDDs to present significant gross revenues growing station 2012, as demonstrated by prognosis robust launch portfolio growing Innovative merchandise launches Tykerb and Cervarix point to increased presence in high growing oncology market Innovative merchandise launches Tykerb and Cervarix point to increased presence in high growing oncology market

Forecast robust gross revenues growing from vaccinum portfolio will back up public presentation of non-vaccine prescription pharmaceutical merchandises Scope to implement cost cutting enterprises Anticipated high exposure to generic competition over the period 2006-12 and beyond (Seretide/Advair faces patent termination at really terminal of Datamonitor ' s forecast period) Forecast negative gross revenues growing public presentation over 2006-12 will drive investor force per unit area to alter GSK concern theoretical account. Could halter development already underway within CEDD construction Company could be tempted into farther big graduated table M & A ; A activity which should be avoided

Beginning: ([www. gks. co. uk](http://www.gks.co.uk) one-year studies) accessed January 2010

Strengths

GSK anticipate a hearty gross revenues growing from its launch portfolio 2006-12. The launch portfolio is expected to present one-year gross revenues growing of + \$ 7, 223 million (I BID) from 2006 to 2012. Besides GSK clasp and extended grapevine for R & A ; D and with the ruling gross revenues and selling force which was brought approximately by the amalgamation. GSK plans on conveying assuring new merchandises to the market, which will assist the company retains its highly strong gross revenues and selling capableness.

Failings

In contrast to the launch portfolio, GSK ' s ripening and mature portfolio of already to market merchandises is under tremendous generic competition. This brings a negative gross revenues forecast out till 2010 due to the company ' s patents. GSK is forecast to present important gross revenues
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growing from its launch portfolio over the period 2006-12, and the company 's ' expiry retarding force ' (the gross revenues decline caused by exposure to generic competition) will more than counter this growing (hence a prognosis gross revenues CAGR of -2. 1 % over 2006-12) . (Data proctor accesses Jan 2010) .

With GSK neglecting to beef up its nucleus marketed merchandises portfolio and combing the effects of its exposure to generic competition, were the late phase grapevine non calculate to present a robust gross revenues enlargement the company would confront a much more terrible gross revenues decline over 2006-12. (Data proctor accesses Jan 2010) .

GSK became further weakened in 2007 when it ' s 2nd best selling product—the diabetes intervention “ Avandia” became embroiled in a patient safety panic. Prior to May 2007,

Avandia had been anticipated to move as one of the company ' s cardinal gross revenues growing drivers until 2012 when patent termination is expected to happen. However, a meta-analysis of Avandia clinical test informations has suggested an increased cardiovascular hazard among short term users of the merchandise, with this information turn outing important adequate to motivate the add-on of a black-box warning associating to cardiovascular hazard.

GSK ' s Competitor merchandise Actos (pioglitazone) which presently unaffected by these cardiovascular-related side consequence issues and a raft of new diabetes merchandises set to make the market out to 2012 ;

patients seeking to exchange from Avandia are non short of options. (Data proctor accesses Jan 2010) .

Opportunity

Even with its negative gross revenues forecast upto 2012 GSK ' s CEDD construction should still be able to demo significant growing after 2012. CEDDs remain a long-run growing chance, and they represent a cardinal chance for GSK.

A major country of gross revenues growing to 2012 is expected to come from 2 new merchandises, the Her2 positive chest malignant neoplastic disease therapy Tykerb and the cervical malignant neoplastic disease vaccinum Cervarix. These will be two of the most innovated drugs to come to market and aid set GSK back up at that place as a merchandise pioneer.

Trough a planned restructuring GSK are looking to salvage upto ? 700 million from its SG & A ; A (gross revenues, general and administrative costs) COGS (costs of goods sold) R & A ; D (research and development) sections by the terminal of 2010.

Menace

The biggest menace to GSK over the 2006 to 2012 period is patent termination. During that clip frame the company will be sing an elevated figure of patent terminations. This will do GSK to be exposed to generic competition.

With generic competition underpinned by the mature portfolio and a major deficiency of any runaway success launches since 2000 is premier factor in

GSK ' s 2006 to 2012 Compound Annual Growth Rate (CAGR) prognosis of - 2. 1 % (Data proctor accesses Jan 2010) .

This prognosis is certain to increase stockholder force per unit area on GSK if it position as one of the universes leaders is brought into uncertainty.

With the negative prognosis of gross revenues growing this could take to the investor to use force per unit area on GSK to alter its concern theoretical account which could in bend harm development already under manner with the CEDD construction.